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European Growth and Jobs Monitor 2009

Indicators for Success in the Knowledge Economy

theLisboncouncil
making Europe fit for the future

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I. Crisis, 2010 and beyond

While in early 2008 Europe was still more or less on track to meet the Lisbon Agenda targets, the situation has deteriorated dramatically in recent months. Today, Europe finds itself in the throes of what may still prove to be the deepest recession since 1929. The political focus has been understandably on short-term crisis management. But far from being enough, we urgently need more strategic thinking about the world that will emerge in the post-crisis era, and the role that Europe hopes to play in it.

To be sure, if there was a good case to be made for the Lisbon Agenda in the first decade of this century, there is an even better case to be made for it now. With public coffers stretched to the max, rising unemployment across our continent and rapidly declining private-sector investment, there has never been a more urgent time – or better opportunity – to lay the solid foundation on which we can build tomorrow's growth, employment and prosperity. That is why, in addition to the short-term stimulus measures, **we now need to shift political focus – and the public's attention – to medium and long-term goals.**

Against this backdrop, the reflection on the Lisbon Agenda post-2010, launched last year at the European Council Spring Summit, is welcome and timely, as it compels us to articulate a longer-term vision of Europe's economic and social development. While the overall vision behind the Lisbon Strategy – the belief that social, environmental and economic goals must go hand in hand in the 21st century – is unlikely to change, there has to be a serious examination of the tools and methods we apply to reach these goals. Issues that deserve a bigger role in the future Lisbon process are investment in education and the quality of public finances, which we also feature in our indicator.

With a view to Europe's medium and long-term goals, we urgently need to assess our short-term crisis management in general and the stimulus packages in particular for how well they prepare us for the future we want to build. Specifically, that means that **we must do more to focus investment on sectors that we know are going to be future drivers of growth and employment**, such as health and well-being, sustainable energy and eco-innovation, knowledge and education. If we are serious about wanting to be a "dynamic, knowledge-based society" as the Lisbon Agenda proposes, we must invest (at least) as much in the information highways of the future – a smart grid, broadband for all and better health care – as we do in yesterday's brick and mortar infrastructure. And we must put our stimulus packages to the test, and determine if they are solely targeted at saving jobs or if they also have the capacity to create the jobs of the future.

Targeted, high-impact investment in areas of future growth will go a long way to overcoming the current crisis. **Coupled with other conducive policy developments, such as the decline in oil prices, the low inflation rate and loose monetary policy, Europe's €200 billion (or 1.5% of EU GDP) worth of stimulus packages should start to pay dividends and result in a gradual return to growth, presumably before the end of the year.**

Beyond any focus on short or long-term goals, we believe the current crisis presents an historical opportunity. What will emerge from the ruins of this global downturn is uncertain but we venture to say that countries that invest and nurture their talent and human capital, that build a low-carbon economy, that manage their public finances responsibly and in view of fiscal sustainability, that believe in the power of innovation and entrepreneurship, that are open for business and shun protectionism – those countries will emerge from the rubble stronger and better. Towards that end, the original mantra of the Lisbon Agenda to build "a dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion" is as timely and important today as it was a decade ago. Only now we can start building this vision with a cleaner slate, with an understanding that a new model of society is nothing to be afraid of but something to be aspired to. "A crisis is a terrible thing to waste", according to Stanford University economist Paul Romer. We could not agree more.

How the Lisbon Indicator is calculated

The European Growth and Jobs Monitor is composed of six sub-indicators based on the Lisbon Agenda targets set by the European Council in 2000. For each sub-indicator, we set a benchmark, then rank the 14 countries in the survey based on their performance relative to the benchmark. Finally, the six country sub-indicator scores are combined into one overall indicator, each with an equal weighting. A score of one indicates that a country is on track to meet the Lisbon criteria by 2010, the original date for fulfillment of the targets. A score of less than one means that the country will probably miss its goals. A score of above one signals over-fulfillment.

1. **Economic Growth.** The first indicator we examine is economic growth. A 3% annual increase in gross domestic product is taken as the benchmark here. This was the objective in the original Lisbon Agenda and was implicitly re-affirmed in the 2005 re-launch of the Lisbon process as The Growth and Jobs Agenda. Our sub-indicator looks at current economic growth per quarter, i.e. the real rate of change on a year earlier, against the 3% target. In order to smooth short-term fluctuations, the data is adjusted using a moving four-quarter average.

2. **Productivity Growth.** The Lisbon Agenda does not formulate any specific productivity objectives, confining itself instead to the general vow to make Europe "the most competitive and dynamic knowledge-based economy in the world." In general, the United States is an inappropriate economic model for Europe – the downturn has revealed serious structural problems in the US economy and its social system is one that few in Europe would want to replicate. But in the area of productivity and productivity growth, the USA is the mature, economically developed world's undisputed champion. Because of this, we have taken the USA as the global standard and benchmark in the all-important area of productivity and productivity growth. We calculate the annual rates of change in labour productivity per employee on both sides of the Atlantic, set those figures in relationship to each other and smooth the figures over with a moving eight-quarter average. A score of one indicates that a country has productivity gains that are neck-and-neck with the USA rate. An indicator value of above or below one shows that a country has overtaken the USA or fallen behind it in productivity growth, respectively.

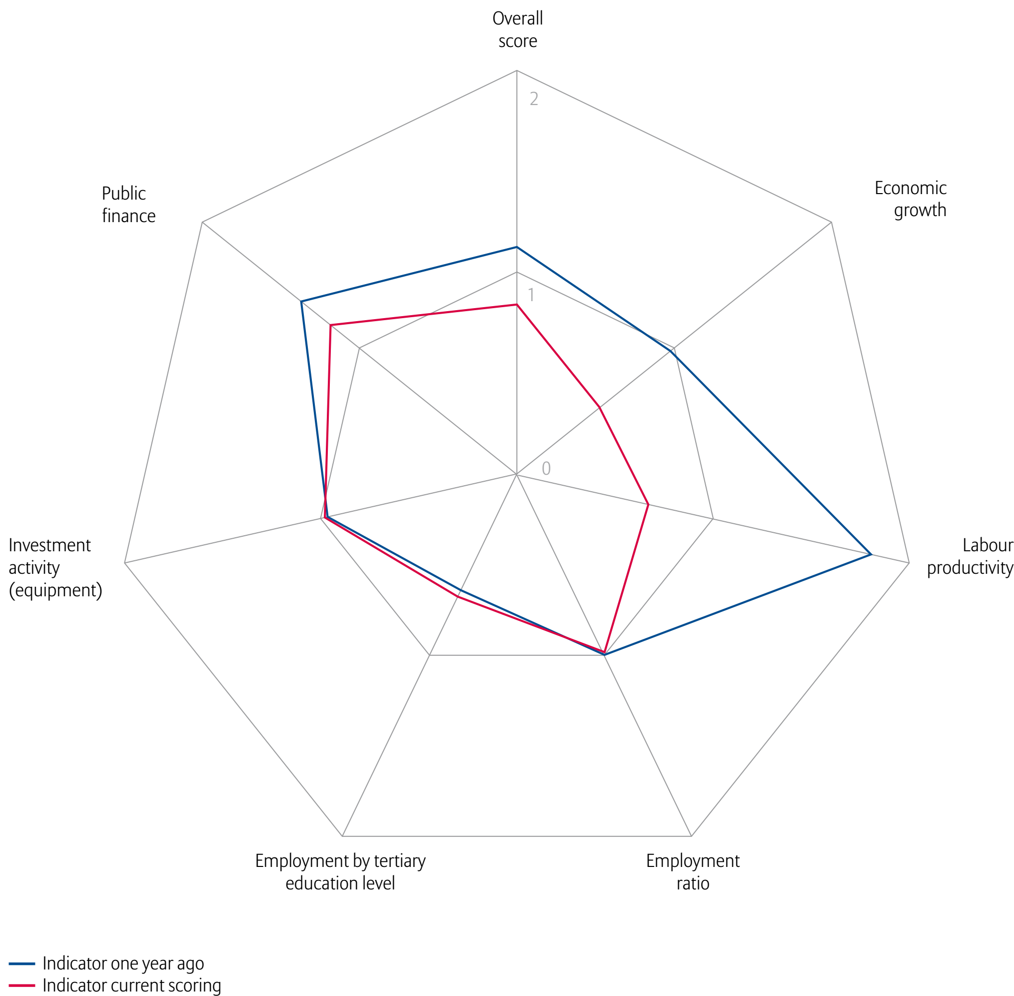
3. **Jobs.** To measure the employment performance, we have taken the original Lisbon goal of a 70% employment rate (the share of employed persons aged between 15 and 64 in relation to the total population of the same age group) by 2010. Based on the employment rate in the individual countries at the time when the Lisbon strategy was launched in 2000, we have devised a target path with the quarterly increases required to guarantee that the 70% rate will be met on time. The current employment rate is then compared to the target rate for the respective point in time.

4. **Human Capital.** In order to benchmark the quality of a nation's workforce – and the amount of investment going into basic issues like education and human capital – we look at the proportion of the working population aged 25 to 64 with tertiary education (academic degrees, Masters Degrees, university or cooperative education, higher research qualifications, doctorates) to the total workforce of the same age group. We calculate a scaled value, beginning by forming the average of the three highest and three lowest shares among the EU-15 member states plus Poland (these shares are averaged over the years 2000 to 2008). We then set those figures as boundary points of the scale. Countries are then placed according to their relative position vis-à-vis the highest and lowest. A score of around one puts a country in the group of "education frontrunners", while a score close to zero flags the laggards.

5. **Future-Oriented Investment.** The fifth sub-indicator also refers to the Lisbon Agenda's implicit goal of orienting investment towards better, more productive ends. To measure the implementation of technological progress, we take investment in machinery and equipment as a percentage of gross domestic product. The investment ratio of the G3-aggregate, consisting of the EU-15, USA and Japan, serves as the benchmark. To eliminate fluctuations based on the economic cycle, we use a multi-year average.

6. **Sustainability of Public Finances.** In order to measure this important indicator – whose success will help determine the prosperity level of future generations – we base the Sustainability of Public Finances Sub-indicator on two components: the primary balance (the difference between government receipts and expenditure excluding interest paid on public debt) and the public debt level, each as a percentage of GDP. Primary balance equilibrium is defined as target fulfillment, with a score of one. The thinking behind this is that the primary balance sheds light on actual current budget management without being "distorted" by payments stemming from the past, like the fiscal balance. The debt burden is considered separately as a second component, taking the 60% debt ratio laid down in the Maastricht criteria as the target. Both components are entered into our overall Sustainability of Public Finances Sub-indicator with equal weightings.

Graph 1



Graph 1 is a dramatic visual illustration of the rapid deterioration in performance in the overall Lisbon Indicator that occurred in a mere 12-month period. The Economic Growth and Productivity Growth Sub-indicators have reacted quickly to the economic downswing, as clearly indicated by the dramatic shrinkage in the red line (which stands for the 2008 score) in the graph. As a rule, employment reacts to events at a later stage and with some lag, explaining why the Jobs Sub-indicator shows little change, year-on-year. Similarly, the burdens on the public purse of the economic crisis will not make themselves really felt until well into 2009 and – as a result of the economic stimulus packages – will continue to affect us in coming years. Meanwhile, future-oriented investment has already begun to slow and is in all likelihood set to fall more sharply than economic growth, which will soon cause the investment rate, and thus our sub-indicator, to drop significantly. As a result, we expect the overall Lisbon Indicator for the EU-15 to continue heading rapidly downwards in coming quarters, probably dipping well below the levels of 2003 later this year.

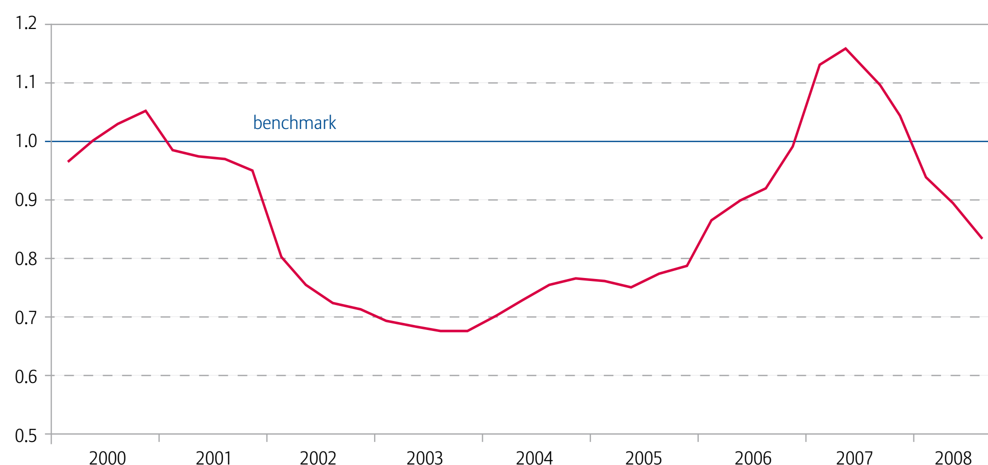
II. Overall ranking: Finland leads; Ireland and Italy lag

In the aftermath of the collapse of Lehman Brothers, the financial crisis escalated dramatically from September 2008, which caused a severe impact on the real economy in the fourth quarter of last year. Although The European Growth and Jobs Monitor cannot yet fully cover the most recent developments in the absence of sufficient hard data, its results nevertheless already reflect a severe downward trend, which will continue. Our overall Lisbon Indicator for the group of EU-15 countries (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom) fell in the third quarter of 2008 to 0.84, down from 1.12 in the third quarter of 2007. This means that, taken as a group, EU-15 countries are no longer on track to fulfill the Lisbon targets by 2010, the original deadline of the Lisbon Agenda.

current rank
(one year ago)

current rank	Country	one year ago
1	Finland	1
2	Poland	2
3	Netherlands	9
4	Greece	5
5	Sweden	3
6	Spain	12
7	United Kingdom	6
8	Belgium	10
9	Germany	8
10	Austria	11
11	Denmark	7
	EU15	
12	France	13
13	Ireland	4
14	Italy	14

Graph 2



However, two countries do stand out – Finland and Poland. For different reasons, both countries were well on target to meet their Lisbon goals, according to the criteria laid out in this study (although recent downward trends in the economy indicate that even they may slip below the fulfillment criteria later this year.). For the second year in a row, Finland tops the league table at No. 1 (although its overall score slipped to 1.34, down from 1.79 last year). Finland scores particularly well on the Human Capital Sub-indicator (No. 1) and Sustainability of Public Finances Sub-indicator (No. 1) though its performance on the Future-Oriented Investment Sub-indicator (No. 12) leaves room for improvement. Poland also scores well, due mostly to its strong scores on the Economic Growth Sub-indicator (No. 1) and Producti-

vity Growth Sub-indicator (No. 2), although policymakers have so far been unable to translate this relatively strong performance into the job-market strength one would expect to see among a league-table leader (Poland comes in at No. 13 on the Jobs Sub-indicator, well off its Lisbon targets and just barely ahead of league-table laggard Italy).

All told, six of the 14 countries surveyed were on track to meet their Lisbon Targets last year (Finland, Greece, Netherlands, Poland, Spain and Sweden). This shows the strength and depth of the economic recovery in the years 2005-2008. The economic growth and job creation seen in those years gives many European countries a strong base for weathering the worst of what the ongoing economic crisis might bring. However, current economic trends indicate that – without a sudden and dramatic improvement in the European economy – even the top performers probably won't make it to their Lisbon targets by 2010.

At the bottom end of the scale, Italy ranked No. 14, its second last-place finish in as many years. Italy's overall indicator plummeted to 0.39, down from 0.66 in the third quarter of 2007. This suggests that Italy remains very poorly positioned to meet future economic and social challenges and will fall far short of the Lisbon targets in 2010.

None of the countries surveyed succeeded in maintaining, let alone improving, its score from last year; all are now turning in weaker performances. Interestingly, most European countries scored in the same range, with very little variation in performance among the 10 countries which make up the middle of the pack (Austria, Belgium, Denmark, France, Germany, Greece, Netherlands, Spain, Sweden and United Kingdom); these countries all had overall indicator readings ranging from 1.1 to 0.8, meaning there was very little variation between country scores from positions No. 3 to No. 12. Only Finland and Poland on the winners' rostrum and Ireland and Italy at the bottom of the league stand out clearly from the crowd.

But a lot of movement did occur, bringing many former underperformers into the middle rankings. Netherlands and Spain showed the most improvement. Both rose six places, with Netherlands rising to the No. 3 position in the overall ranking and Spain to the No. 6 spot. The Spanish performance may come as a surprise given the severity of that country's recent economic downswing. But the main reason for Spain's improvement lies in the reversal of its productivity trend from negative to positive rates of growth – an achievement that came at the expense of developments in the employment area.

By contrast, Ireland fell the farthest – and the hardest. It leaves the ranking of top European performers, falling nine places in the European Growth and Jobs Monitor to No. 13, just ahead of Italy, the perennial laggard. Its reliance on external trade and the importance of its financial services sector in national output made it particularly susceptible to the global economic downswing and international financial turmoil, while the ongoing correction in construction only made matters worse. GDP growth, productivity and public finances all

deteriorated precipitously in Ireland, driving its overall score downward. Denmark had one of the biggest drops, too, falling four places to No. 11, down from No. 7 last year. This former strong performer showed real weakness on the Economic Growth Sub-indicator (No. 13) and the Productivity Growth Sub-indicator (No. 14).

Table 1

European Growth and Jobs Monitor

Overall score

Rank	Country	Current Score 2008 Q3	Change in Ranking since then	Rank one year ago 2007 Q3	Score one year ago 2007 Q3
1	Finland	1.34	←	1	1.79
2	Poland	1.24	←	2	1.51
3	Netherlands	1.09	↑↑	9	1.24
4	Greece	1.04	↑	5	1.31
5	Sweden	1.02	↓	3	1.50
6	Spain	1.01	↑↑	12	1.09
7	United Kingdom	0.93	↓	6	1.29
8	Belgium	0.90	↑	10	1.21
9	Germany	0.90	↓	8	1.26
10	Austria	0.89	↑	11	1.18
11	Denmark	0.87	↓↓	7	1.27
	EU15	0.84	←		1.12
12	France	0.80	↑	13	1.00
13	Ireland	0.70	↓↓	4	1.48
14	Italy	0.39	←	14	0.66

III. Economic Growth Sub-indicator: How long will recession last?

Since last September the global economy has been in a tailspin. According to the first Eurostat flash estimate, seasonally adjusted gross domestic product shrank by 1.5% in both the euro area and the EU-27 during the closing quarter of 2008, compared with the previous three months. Versus the same quarter of the previous year, the decline worked out to -1.2% and -1.1% respectively. Even before the fourth quarter, the Economic Growth Sub-indicator (which is based on a four-quarter average as an approximation of trend growth) was already pointing clearly downward. We believe it will soon reflect the severity of the recession and slip deep into negative territory. Basically, our ranking can do no more than distinguish between the "walking wounded and those already down." The economic crisis is global, severely buffeting all the countries surveyed.

Graph 3

current rank (one year ago)

1	Poland	1
2	Greece	4
3	Netherlands	6
4	Finland	3
5	Austria	7
6	Spain	5
7	United Kingdom	10
8	Belgium	11
9	Germany	8
	EU15	
10	France	12
11	Sweden	9
12	Ireland	2
13	Denmark	14
14	Italy	13

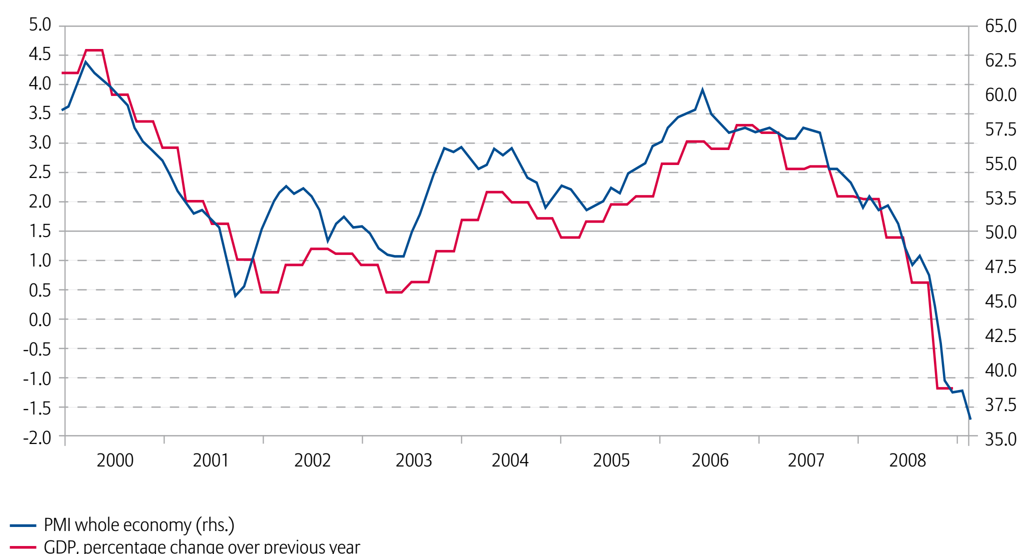
Nonetheless, Poland and Greece top our ranking on Economic Growth, finishing at No. 1 and No. 2, respectively. Both are "economic catch-up countries," meaning that one would expect them to report higher rates of growth than more mature industrial economies – due in no small measure to the low level of prosperity from which they start. Netherlands, Finland and Austria ranked No. 3, No. 4 and No. 5, respectively, topping the growth table among advanced industrial economies. Netherlands' performance was particularly notable, helping to drive the country up six places in the overall ranking to a No. 3 finish. Spain and the UK still perform better than average, finishing at No. 6 and No. 7 in this category. But this situation will change as both countries face lengthy adjustment processes following the

collapse of their inflated property markets. Significantly, the biggest EMU countries, Germany and France, scrape into the lower middle rankings, finishing at No. 9 and No. 10. Ireland meanwhile fell to No. 12, down from No. 2 last year. Denmark and Italy make up the bottom, finishing at No. 13 and No. 14, respectively. Economic growth in those two countries, as measured for the indicator, had already come to a standstill or turned negative in the third quarter of 2008.

Following the slump in the fourth quarter of last year, the economic cycle has presumably reached its lowest point, though we believe the European economy will probably contract again significantly in the first quarter of this year. Sentiment indicators have been showing tentative signs of stabilisation but these are not yet convincing and will need to firm up in the months ahead. As Graph 4 illustrates, in January the downward trend in the EMU Purchasing Managers' Indices for manufacturing and services combined came to a halt but resumed in February. Essentially, three factors argue against a long-drawn-out or an L-shaped recession (a sharp collapse followed by a protracted period without recovery): first, the unparalleled nosedive in oil and commodity prices; second, extremely loose monetary policy worldwide (featuring important central bank interest rates close to zero and quantitative easing); and third, global fiscal policy with the biggest economic stimulus package of all time worth USD 1,500 to 2,000 billion, or 3 to 4% of global GDP. This combination will act as a massive pump-primer. For the EMU countries, the slippage in the value of the euro versus the dollar from its all-time high of 1.47 USD/EUR on average for 2008 comes as another major boost (we forecast a euro/dollar exchange rate average of 1.35 for 2009). All in all, we expect gross domestic product in the euro area and the EU as a whole this year to decrease by around 1.5%. As from the second quarter the economy should gradually start to pick up, although we expect to see the momentum slacken again in the course of 2010 once the exceptional economic stimuli wear off.

Graph 4

Euro area:
Purchasing managers' index and GDP



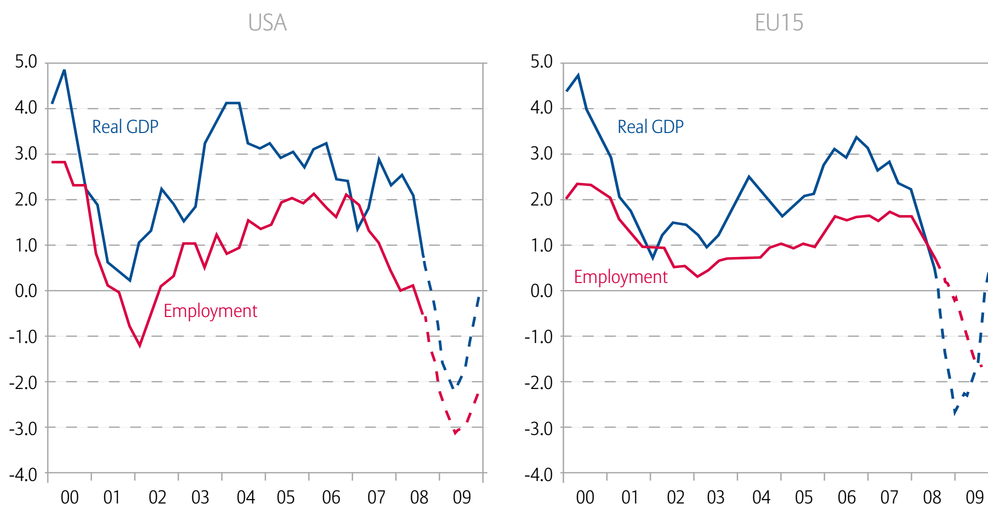
IV. Productivity Growth Sub-indicator: Trend reversal

Europe saw its productivity develop rather well in 2006/07 relative to both the USA and in terms of its own annual rates of increase, which averaged almost 1.5%. Recently, however, the tide has turned. In the third quarter of 2008, the EU-15 countries even registered a slight year-on-year contraction in labour productivity per employee – the first since Q1 2002.
In light of the abrupt economic slowdown this is hardly surprising. Generally speaking, in cyclical downswings overall economic output is the first thing to decline, with a time lag before unemployment begins to rise. That is why productivity (GDP per employee) normally falls in the early stage of a downturn and picks up again once the process of shedding labour has begun. Graph 5 illustrates that the adjustment in employment began earlier in the USA and was more marked than in Europe, where the economy also did not falter until later. This explains the significant deterioration depicted in Graph 6 in our Productivity Growth Sub-indicator.

Graph 5

Determinants of labour productivity growth

in % y-o-y



Of the countries analysed, the four top performers – Greece, Poland, Finland and the United Kingdom – all managed to show faster productivity growth than the USA, with sub-indicator scores higher than one. These countries already formed the vanguard in last year's ranking. They include two "catch-up economies," Poland and Greece, which typically feature more dynamic productivity growth. Spain and the Netherlands achieved a striking improvement, each moving up five places. In Spain, this was due chiefly to the adjustment on the labour

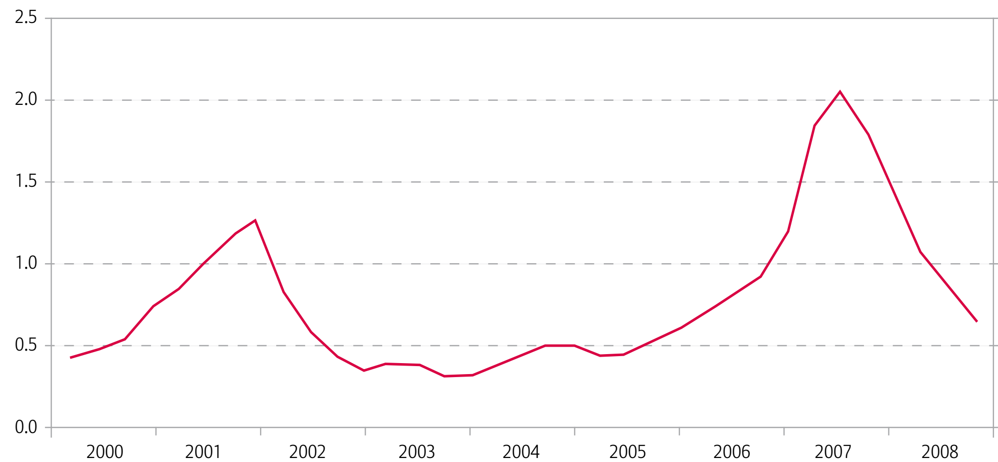
market, where the number of people in work in the third quarter of 2008 was almost 1% lower than in the previous year. While job creation in the Netherlands did slow, it was the country's still fairly strong output growth that tipped the balance for its higher productivity position. Sweden suffered the most painful decline, falling to the No. 12 position, resulting from the combination of a more rapid cooling in GDP growth and/or less reduction in the workforce than in the other countries examined.

current rank
(one year ago)

1	Greece	1
2	Poland	3
3	Finland	2
4	United Kingdom	4
5	Netherlands	10
6	Austria	8
7	Germany	5
8	Ireland	7
9	Spain	14
	EU15	
10	France	11
11	Belgium	9
12	Sweden	6
13	Italy	13
14	Denmark	12

Graph 6

European Growth and Jobs Monitor
EU15: labour productivity component



However, Spain starkly illustrates how things should not be, with productivity gains stemming from job losses. The actual objective, and the real long-term challenge, is to achieve both high productivity and to boost employment. Ultimately, this works only with a highly skilled labour force. One of the root causes of several years of recent negative productivity growth in Spain arguably lies in the structure of the local labour market. It contains a relatively high proportion of temporary workers who are easy to dismiss and generally benefit less from training than permanent employees. The problem of youth unemployment, which we will discuss briefly in the next section, also touches on productivity. Young people without work represent "idle human capital" not given the chance to learn on the job and robbed of the opportunity to gain productivity-enhancing work experience. Also vital in this context, of course, are further efforts to raise workers' secondary and tertiary qualifications, as will be discussed in Section Six on the Human Capital Sub-indicator.

V. Jobs Sub-indicator: Set to soften

The current sobering reality on the labour market follows on the heels of an upward swing in recent years. Until March 2008, the seasonally adjusted EU-15 unemployment rate was at an historic low of 6.8%, yet by December of last year it had risen to 7.6%. Although still increasing of late, employment levels are growing at a slower pace. The EU-15 employment rate is not yet showing any effects of the labour market downturn. In the third quarter of 2008, it climbed to 67.7%, the highest level since the Lisbon Agenda was signed in 2000 (for comparison, the rate was 62.6% that year.). As our sub-indicator (measuring almost 1) points out, had the positive economic climate continued, the EU-15 states would have been well on the way to achieving the Lisbon target of 70% for 2010. This will now no longer be possible, however, as employment rates are pro-cyclical and will fall.

In our Jobs Sub-indicator ranking, the same three countries are still at the top, albeit in a different order. At present, Denmark ranks No. 1, with an employment rate of 78.6%, followed by the Netherlands at No. 2 and Sweden at No. 3 (with 77.5% and 75.7% employment rates, respectively). Austria, Finland, Germany and the UK weigh in at No. 3, No. 4, No. 5 and No. 6, all with employment rates of between 71% and 73%. The remaining countries surveyed all have employment rates below the 70% mark. The worst performing are Italy and Poland, with employment rates of 59% and 60%, respectively.

Graph 7

European Growth and Jobs Monitor
EU15: employment ratio component

Interpolated annual figures 2000 - 2004, seasonally unadjusted quarterly figures starting 2005.

current rank (one year ago)

current rank	Country	(one year ago)
1	Denmark	3
2	Netherlands	1
3	Sweden	2
4	Austria	5
5	Finland	4
6	Germany	8
7	United Kingdom	7
	EU15	
8	Ireland	6
9	France	10
10	Spain	9
11	Greece	11
12	Belgium	12
13	Poland	14
14	Italy	13

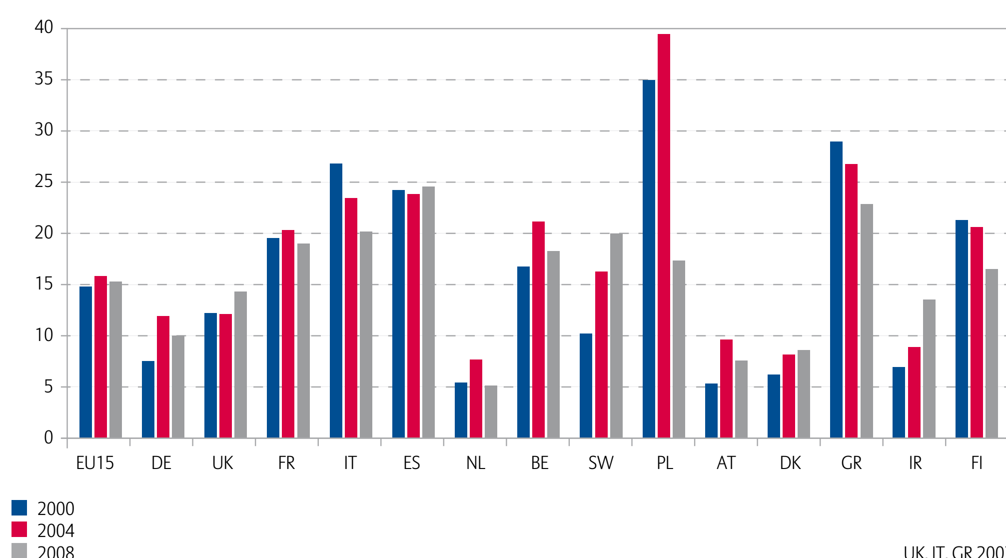
The economic recession will be very damaging to the labour market in the course of 2009. Governments are likely to focus their attention on shielding private households from the social consequences. However, aside from shoring up demand, they should continue pushing through reforms that will make it easier for companies to take on more labour once the

economic situation allows. The record is clear: handled well, successful labour reform makes it easier for companies to create jobs (the Danish example is first and foremost here). In our opinion, considerable potential for increasing employment rates lies with young people. The EU-15 employment rate for 15 to 24 year olds is currently 42.2%, around 25 percentage points below the overall employment rate. It is self-evident that the higher the level of education of this young age group – which is desirable in and of itself – the lower the rate of participation in employment. The high rate of youth unemployment, however, calls for political action. The youth unemployment rate for the EU-15 was 15.3% in 2008, just over double the overall unemployment rate. As Graph 8 shows, the individual rates for 2008 differ considerably among the various member states, ranging from 5.3% in the Netherlands to 24.6% in Spain. Also above the EU-15 average are Greece, Italy, Sweden and France. There is more than one reason to tackle this problem urgently.

Graph 8

Youth unemployment rates

under 25 years (in %)

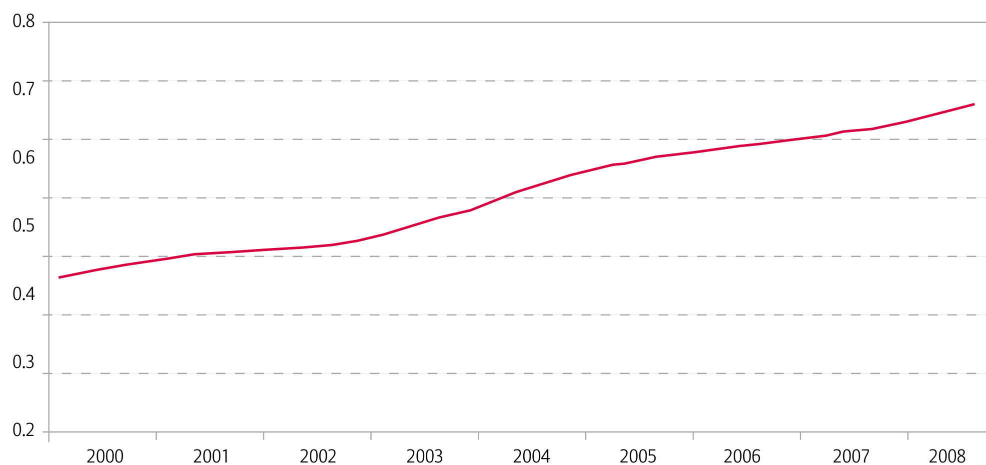


Firstly, the risk of demoralisation and social exclusion among young people as a result of unemployment is great. Secondly, faced with ageing societies and shrinking working populations, we should turn to our young workers more than ever, not least because of their cutting-edge knowledge and innovative potential. And lastly, we should not forget that youth unemployment is more cyclically sensitive than unemployment among 25 to 54 year olds, i.e. the current economic crisis will lead to a proportionately larger rise in youth unemployment. In terms of approaches to this issue, ECB regression analyses (Occasional Paper Series, No 89, June 2008: An analysis of youth unemployment in the euro area) show that greater employment protection and higher minimum wages are inextricably linked to higher youth unemployment, whereas an active labour market policy actually reduces the rate. Furthermore, better education appears to counter youth unemployment, and education is essential anyway if the Lisbon objective of creating an increasingly knowledge-based European economic area is to be achieved. Our next sub-indicator is based on this.

VI. Human Capital Sub-indicator: Educational attainment of the workforce continues to improve

Labour input – both in terms of quantity and quality – is undeniably the key determinant for the output of an economy. In order to achieve both low unemployment and high wages, it is important that the population has the best possible level of education. Highly qualified workers are the fuel for innovation and technological advancement. In this regard, the EU-15 have made encouraging progress. The percentage of the overall working population with a tertiary education has risen continuously to 30.2%, up from around 25% in 2000. This trend is on the rise in all the countries we monitored, with the ranking list remaining mostly unchanged. Finland remains No. 1 – 40.3% of its workforce has a tertiary education. Italy, on the other hand, brings up the rear at No. 14 – a mere 17.3% of its workforce boast a tertiary education. Compared with last year's list, only Denmark and the UK have changed places. Denmark rose one spot, ending at No. 4, where it replaced the UK (which fell to No. 5).

Graph 9



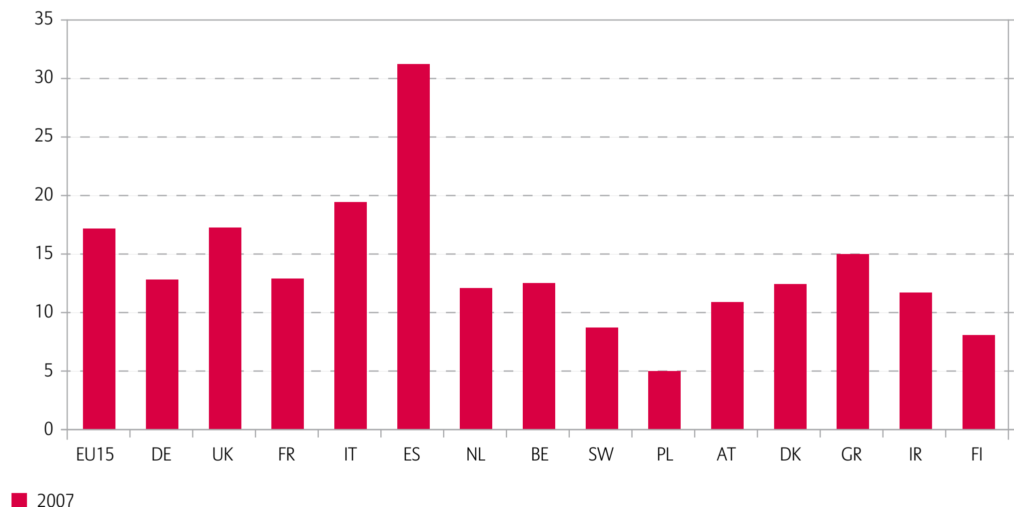
current rank (one year ago)

current rank	Country	one year ago
1	Finland	1
2	Belgium	2
3	Ireland	3
4	Denmark	5
5	United Kingdom	4
6	Spain	6
7	Netherlands	7
8	Sweden	8
9	France	9
	EU15	
10	Germany	10
11	Greece	11
12	Poland	12
13	Austria	13
14	Italy	14

A number of economic programmes drawn up by EU member states to combat the current crisis contain additional investment in education. This can only be welcomed, even though increased spending does not automatically entail better education results. Also required, for example, are incentive and signalling systems for schools and universities in order to communicate what qualifications companies need. It might also be helpful to introduce elements of competition or external examinations in order to improve performance in education institutions. In terms of funding, particularly for tertiary education, it is worth noting

that the striking difference between Europe and the USA, where spending is much higher in relation to GDP, is not due to the public sector but stems from more private-sector funding. Nonetheless, it is of course clear that attention should not be focused singly on promoting tertiary education. The greater aim should be to raise the general standard of education and also, given their socially explosive potential, to tackle the issue of early school leavers (see Graph 10). Last but not least, given the demographic trends and technological progress the world is experiencing, companies should be given adequate incentives to promote life-long learning and further training of their staff. Europe has quite rightly recognised that it can only stay abreast of international competition with a highly qualified workforce. The promising strategy of achieving higher productivity and stronger economic growth through increased human capital is enshrined in the Lisbon Agenda and buttressed by EU policy programmes such as *New Skills for New Jobs*, which was launched in December 2008.

Graph 10

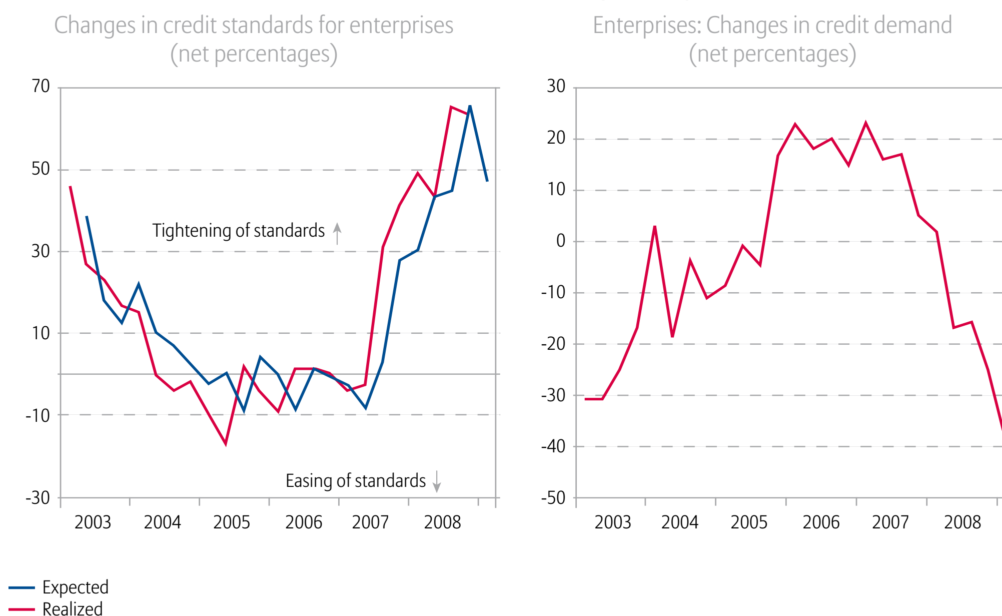


VII. Investment Sub-indicator: Uninspiring environment

To maximise productivity, human capital must be able to work with cutting-edge technology. This calls for investment in equipment and machinery. When companies are doing well and can finance their capital expenditure either from their own funds or by borrowing on favourable terms, they tend to invest in more than merely replacements. But with the economic situation growing ever bleaker, this scenario is becoming increasingly rare; and to make matters worse there is little in the way of sales prospects to act as an incentive to corporate investment. Although the EU-15 countries' equipment investment ratio has been stable so far, it is now bound to drop. The latest results of the ECB Bank Lending Survey for the euro area (see Graph 11) are one signal pointing in this direction. They revealed a further marked tightening of credit standards for loans to businesses – a trend that has now persisted for six quarters in succession. What is more, the banks surveyed expected standards to be raised further in the first quarter of 2009, although less stringently. At the same time they reported a significant drop in demand for loans by companies, evidently partly because less funding is required for investment.

Graph 11

Euro area: Bank Lending Survey



There have been no significant changes in our Future-Oriented Investment Sub-indicator. While Spain continues to top the league at No. 1, its investment ratio is already trending downwards. Today, Spain spends around 12.8% of its GDP on equipment and machinery. Belgium and France are No. 2 and No. 3, respectively; both invest around 11% of GDP (the

EU-15 average is around 9%). By contrast, Finland and the UK finish at No. 12 and No. 13, respectively, each with an equipment investment ratio of roughly 7%. Ireland came in dead last at No. 14, with investment of 4.6% in relation to GDP.

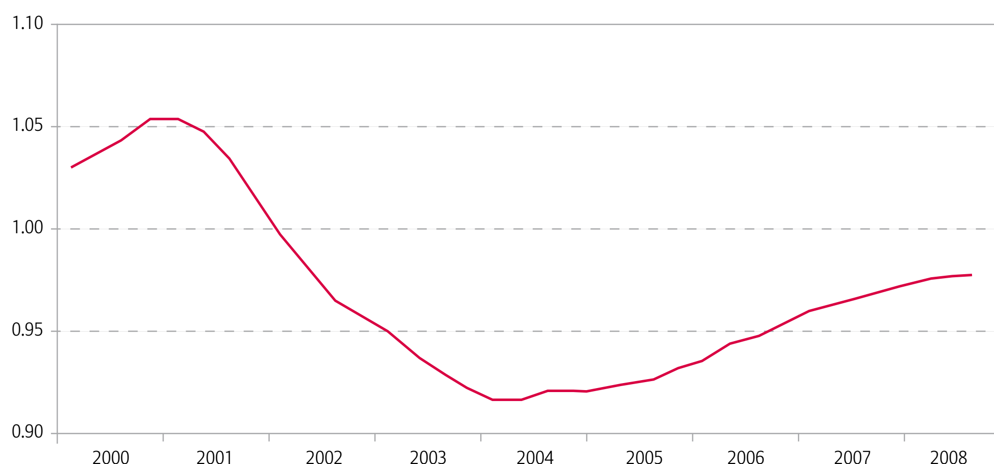
The additional public sector investment scheduled in the European economic stimulus packages will not be able to prevent these ratios from falling because the proportion of government capital expenditure is far lower than private sector investment. Besides, most of the public spending in the stimulus packages will be on construction, which we do not take into account for our indicator. Nonetheless, as noted in the previous section on higher investment in education, we consider it extremely important that economic programmes do not focus only on boosting demand in the short term. Extra public funds channelled into infrastructure and energy efficiency are investments in the future in that they increase Europe's longer-term economic growth potential and, in so doing, contribute to sustainable prosperity.

current rank
(one year ago)

current rank	Country	one year ago
1	Spain	1
2	Belgium	2
3	France	3
4	Sweden	4
5	Austria	5
6	Denmark	6
7	Italy	7
8	Poland	9
9	Germany	10
	EU15	
10	Greece	8
11	Netherlands	11
12	Finland	13
13	United Kingdom	12
14	Ireland	14

Graph 12

European Growth and Jobs Monitor
EU15: investment activity (equipment) component

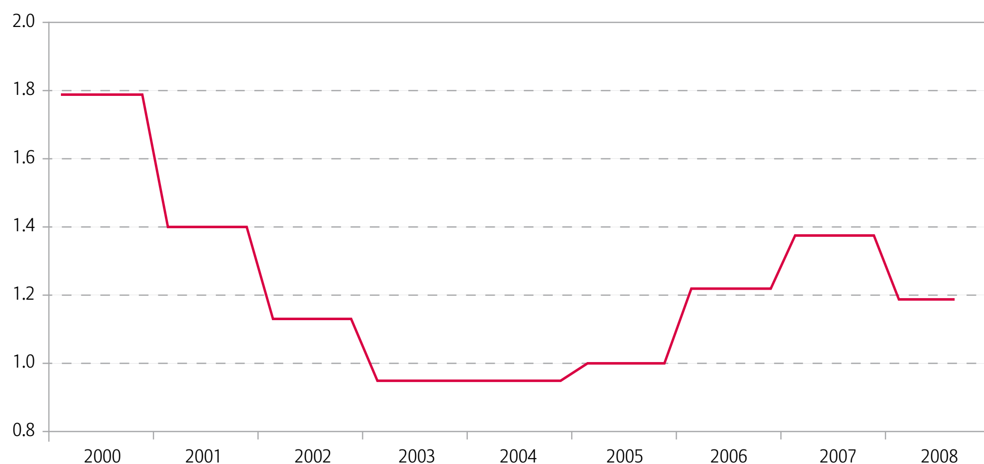


VIII. Sustainable Public Finances Sub-indicator: Credibility at stake

The economic crisis has wreaked havoc with public finances, first because of the national rescue packages passed to shore up ailing economies, and second because the grim economic situation is chipping away at government revenues (e.g. taxes) and pushing up expenditure (e.g. on unemployment benefits). The full brunt of this will not be felt in the public deficits until this year and next, even if our Sustainability of Public Finances Sub-indicator does already show the situation deteriorating in the EU-15 last year. Both components of the Sustainability of Public Finances Sub-Indicator came into play here. First, the primary surplus in 2008 was lower than the previous year; and second, the EU-15's debt-to-GDP ratio – having almost fallen back to the 60% mark in 2007 – rose again significantly last year to an estimated 62.5%.

Graph 13

European Growth and Jobs Monitor
EU15: public finance component



current rank (one year ago)

1	Finland	2
2	Denmark	1
3	Sweden	3
4	Netherlands	6
5	Spain	4
6	Germany	9
7	Austria	7
8	Poland	8
	EU15	
9	Belgium	11
10	United Kingdom	10
11	France	12
12	Greece	14
13	Italy	13
14	Ireland	5

The three Nordic countries – Finland, Denmark and Sweden – retain their hold on the top of the ranking, although they have changed places (Finland rises to No. 1, pushing Denmark back into the No. 2 position). Meanwhile, Germany moved up farthest, rising to No. 6, up from No. 9 last year. By contrast, Ireland suffered the most precipitous fall, moving to No. 14 (last place), down from No. 5 last year. Greece and Italy also did badly, finishing at No. 12 and No. 13, respectively. Recently, the European Commission opened excessive deficit proceedings against France, Spain, Greece and Ireland – disciplinary proceedings against the UK are already in progress – for breaching the 3% Maastricht limit (which, unlike our sub-indicator, takes as its yardstick the primary surplus plus interest payments as a percentage of GDP) in 2008. According to the latest estimates by the Commission (see Table 2), half of the coun-

tries examined in our indicator will fail to clear the 3% benchmark this year, and by 2010 the only non-offenders will be Finland, Denmark, Sweden and the Netherlands.

Table 2

General Government net lending (+) or borrowing (-)
as a % of GDP

	Estimates 2008	Forecasts 2009	Scenario unchanged policies 2010
Euro area	-1.7	-4.0	-4.4
EU27	-2.0	-4.4	-4.8
Germany	-0.1	-2.9	-4.2
United Kingdom	-4.6	-8.8	-9.6
France	-3.2	-5.4	-5.0
Italy	-2.8	-3.8	-3.7
Spain	-3.4	-6.2	-5.7
Netherlands	1.1	-1.4	-2.7
Belgium	-0.9	-3.0	-4.3
Sweden	2.3	-1.3	-1.4
Poland	-2.5	-3.6	-3.5
Austria	-0.6	-3.0	-3.6
Denmark	3.1	-0.3	-1.5
Greece	-3.4	-3.7	-4.2
Ireland	-6.3	-11.0	-13.0
Finland	4.5	2.0	0.5

Source: European Commission, Interim forecast, January 2009

The need for stimulus packages in the present exceptionally precarious global economic situation is undisputed. Added to this is the relatively strong impact in Europe – in comparison to the USA, for example – of automatic stabilisers, i.e. the anticyclical effect of automatic declines in government receipts/increases in public spending that kick in automatically in periods of economic slowdown, as discussed above. However, while there can be no question that higher government borrowing must be countenanced in view of the severity of the crisis, it makes an exit strategy all the more necessary for subsequent, credible consolidation. This is vital, both to spare younger and future generations excessive financial burdens and in terms of confidence in the financial markets and in how countries will cope with the costs of their debt financing.

In future, differences in the soundness of public finances look set to play more of a role. This is witnessed by the current debate on whether the strong increase in yield premiums within the euro area, particularly for government bonds from Ireland and Greece, might lead to a break-up of the Monetary Union. In our view this is exaggerated. We give very little credence to the possibility of an EMU country going bankrupt or quitting the Monetary Union. Mindful of events in the aftermath of the collapse of Lehman Brothers, the authorities will certainly direct all their efforts towards stamping out any possible new source of conflagration in the financial crisis. And since default by a euro member or the suspension of a country's EMU membership would arguably have far more serious consequences at present than Lehman's collapse did at the time, pressure would be put on the powers-that-be (national governments, EU, ECB) to avert such an event. Despite the no-bailout clause in the EU Treaty, a way would undoubtedly be found to assist a member country which got into financial distress since this would be done with a view to stability of the system and would ultimately be in the interest of the helping countries. Nonetheless, even after the situation has calmed down, yield differentials in some EMU countries are still not likely to revisit their low pre-financial-crisis levels, not even in the longer term.

The excessive deficit proceedings launched or about to be launched are not a problem in that the reformed Stability and Growth Pact leaves sufficient scope for public sector measures to tackle the crisis. But, given the exceptional circumstances, its application should certainly allow for adequate correction periods and specific national circumstances when the parameters for budget consolidation are staked out. But all in all, it is to be hoped that in the post-crisis period of economic recovery, countries will deliver more credibly on their commitment to achieve the longer-term budgetary targets than they did in the last upswing.

IX. Why the Lisbon strategy should be renewed

In the throes of the ongoing financial and economic crisis, economic policy is focused on short-term stimuli and bailouts for the banks. There is no shortage of commentators who see the return of Keynes and the call for greater regulation as a watershed for market economics. And indeed, at present there is no alternative to a rigorous demand-side policy along Keynesian lines. The sudden collapse of global demand and the renewed flare-up of the financial crisis have seriously eroded companies' confidence in the business outlook, prompting massive corrections in their production, investment and employment plans. Without intervention by the state to shore up demand, there would be danger of another dangerous downward spiral. What really matters, however, is that the architects of these short-term economic programmes also keep their sights set on the medium-range growth effects of the various measures.

Graph 14

Main fiscal stimulus measures in the Big Five

€60.2bn* 1.8% of GDP	€26.0bn 1.3% of GDP	€22.4bn 1.3% of GDP	€11.0bn 1.1% of GDP	€3.5bn 0.25% of GDP
Germany	**France**	**UK**	**Spain**	**Italy**
€16.9bn public investment programme **€7.5bn** tax relief (lower starting rate, higher allowance) **€9bn** reduction in health insurance contribution **€100** bonus per child (cost: €1.8bn) **€2500** car replacement subsidy (cost: €1.5bn)	**€11.5bn** to improve business cash flow and buoy investment **€10.5bn** public sector investments **€1.8bn** for construction sector **€0.8bn** cheque for social security recipients **€0.7bn** social contribution exemption for new recruits in small companies	VAT cut from **17.5% to 15%** (Dec 2008 until end 2009) (estimated cost €14.0bn) **€3.4bn** capital spending brought forward **SME** support measures **Homeowners** support package	**€11bn** with focus on infrastructure and public works aimed at creating 300,000 jobs	**€2.4bn** tax bonus for low-income earners Tax allowance for companies

* = Stimulus package I & II

Source: Various

In the medium term Europe, too, faces considerable economic challenges. The problems looming on the horizon are evident. The need to consolidate public budgets will check growth just as much as the need for many people to reduce their high levels of personal indebtedness. Added to this is an increasing receptivity to protectionist measures and heavy-handed state intervention in market processes. The urgency for sustainable growth policy is clear, because without economic growth there is no chance of restoring order to public finances, and without growth it will not be possible to make up the jobs now falling victim to the crisis.

What Europe therefore needs is a renewal of the Lisbon Agenda – not with lofty targets for the year 2020, but as the framework for a reform- and growth-oriented policy in the difficult years immediately ahead. It would be a huge mistake to consign the Lisbon strategy to the history books once we reach 2010. For reform drives, too, the principle applies that a coordinated approach by all member countries can create multiplier effects even if the individual measures are not identical owing to different circumstances in the individual countries. If, for example, reforms succeed in strengthening domestic demand in the individual member states, this will have the effect of boosting exports by the EU partner countries and hence increasing economic growth. Renewal of the Lisbon Agenda should therefore focus more on implementation at the national level and monitoring at the European level (including greater use of rankings to create more pressure on and provide incentives to countries to improve and to help them learn from best practices). In annual reviews of National Reform Programmes, the public should be made more transparently aware of how much or little countries still have to do in this respect. Rankings or grades would be one way of achieving this.

Graph 15

To-do list

Possible targets	Responsiblities/Actions
R&D and innovation	
Education and skills	National ownership of reform programmes
Investment conditions (administrative procedures, infrastructure)	EU monitors best practices
Functioning, well-regulated and flexible markets (financial markets, service markets, network-dependent markets)	EU fosters: • co-ordination • transparency
Employment	
Steps for deepened European Integration	EU sets priority for market integration and job stimulation
Long-term fiscal consolidation	

But “grand new designs”, like those mapped out in the year 2000, are not necessary. It would be more in keeping with the spirit of the Lisbon strategy to start out from the determinants of growth and employment, intensively pursuing the path already adopted of defining specific parameters (for more on this, see the box on “New times, new indicators” on page 29). Amongst these determinants we would point to, inter alia, specific employment rates, R&D spending, education and skills, open markets and quality of public finances. After all, the crisis has not altered the basics of sustainable growth policy: open markets, fair competition, entrepreneurship, innovation, education, investment and deeper European integration are the cornerstones for a return to growth. That reforms in these areas bear fruit has been demonstrated in the past years; in terms of growth and employment, Europe came very close indeed to the Lisbon targets at times.

All in all, there is no cause for gloom and doom. When the Lisbon process was reviewed at the half-way mark, a certain sense of discouragement likewise prevailed, but in subsequent years this gave way to tangible successes. For all the grim economic news at present, it would be wrong to forget the sort of achievements that cannot be read off directly from statistical data — such as the technical prowess and creative potential Europe embodies and the standard of living which our economic success has made possible. We must not let the present adversities cloud our view for the longer-range objectives. Europe possesses many important structural strengths: the size of the economic area, the diversity yet interdependence of the EU economies, sound government and welfare systems, sophisticated infrastructure and know-how. We need to think beyond the present by turning the crisis into an opportunity. The Lisbon strategy remains a reliable signpost, showing us how we can manage to boost productivity and economic growth permanently to maintain our European social model and our prosperity for generations to come.

New times, new indicators

The situation today

Going forward – and in view of the debate on the Lisbon Agenda post-2010 – we encourage a review of the indicators that are used to assess progress. After the 2005 re-launch of the Lisbon Strategy, two key indicators were used to measure performance. In the area of employment, a 70% participation target was formulated, and in the area of innovation, the goal was to spend 3% of GDP on Research and Development. As the European Council and European Commission also set economic growth as a key priority of the agenda in 2005, many commentators added a 3% annual gross domestic product growth figure to the list of Lisbon targets, although this goal was never an explicit one.

Our interpretation

While the European Growth and Jobs Monitor takes note of these indicators, it has sought to include additional elements, which we felt were equally important in order to capture the gist of the Lisbon process. Take for instance the 70% employment target. Certainly, that is an important and laudable goal but does that really tell us much about the state of a knowledge economy? If, for instance, a country has a 70% labour market participation rate but with a disproportionate number of low- and medium-skilled workers, is that a knowledge-based economy? Therefore the employment target needs to be supplemented by a look on skilled labour.

The same holds true for R&D spending. A broad spending target of 3% of GDP is too simplistic. That is why we chose the broader measure investment in machinery and equipment as an indicator, rather than R&D. It tells us more about future-oriented investment and strategies for growth. If R&D continues to be an indicator for the future Lisbon Agenda, we encourage the European Commission to apply more differentiation, i.e. setting targets that are commensurate with a country's economic development and that provide incentives to improve performance and achieve excellence.

Going forward

Today, innovation, skills and human capital seem set to play a much more prominent role in the Lisbon Agenda post-2010. Against this backdrop, we call for the deployment of indicators that actually enable policymakers and citizens to measure and assess progress in the transformation towards a knowledge society. For starters, we urgently need better indicators to measure "innovation." In particular, we need to devote more resources to identifying output and actual performance, rather than simply measuring inputs, such as R&D spending or the number of patents.

Recognising that developing output measures is a great challenge, we reverted to other, more easily measurable indicators. The skill level of the workforce is arguably at least as important to innovation as R&D spending because it is for the most part the highly skilled who perform the research we wish to spend money on and companies will only want to invest their research funding in places where they can find a highly qualified workforce. In addition, European citizens will surely be very interested in how well their country is doing with regards to raising the skill level of its workforce, thereby increasing buy-in and visibility for the Lisbon Agenda.

Lastly, two formidable and interlinked challenges lie on the horizon: Europe's demographic development, i.e. the ageing and declining populations in many countries, as well as the sustainability of public finances, which is going to be compounded by the current crisis. We believe there is merit in including these policy aspects in the Lisbon Agenda because nothing will change Europe more profoundly than its demographic outlook. Many current and future policy goals are driven by considerations of demography and public finances, such as pension reform, life-long learning and labour productivity. Raising greater public awareness of the changes that Europe's demographic outlook will entail would in our opinion go a long way to increase public understanding – and acceptance – of the benefits of reform.

Whither the Lisbon Agenda?

With the Lisbon Agenda approaching the 2010 deadline, there is a lot of speculation about what's next. Will an agenda that is seen by many as not an unmitigated success be continued? If so, what will change to ensure more impact and visibility?

The Presidency Conclusions of the European Council Spring 2008 Summit clearly expressed a continued commitment to an EU-level reform programme after 2010 to "lock in the progress achieved by the renewed Lisbon Strategy for growth and jobs." The European Council subsequently invited a reflection on the Lisbon Strategy in the post-2010 period, which took place at two subsequent meetings of the Lisbon Coordinators – representing all 27 EU member states and the European Commission – in May 2008 in Brussels, and in December 2008 in Paris. The Lisbon Coordinators will meet again in Prague in April 2009 under the Czech EU presidency to continue this dialogue and debate.

In the meantime, the global economic downturn has hit Europe and the world. In an effort to align the medium- and long-term goals of the Lisbon Agenda with the short-term crisis management, the European Commission launched its "European Economic Recovery Plan" under the banner of the Lisbon strategy. The € 200 billion stimulus package is supposed to provide a coordinated European response to the crisis, with much of the money earmarked for future-oriented spending, for instance in broadband infrastructure and green technologies.

Judging from the debate coalescing in and around the reflection process, there appears to be little appetite for an extensive overhaul of the Lisbon Strategy. To the contrary, EU governments want to build on the experience of the last 10 years, and add some subtle changes that will make the Lisbon process a more useful tool for devising and implementing sound public policy. Among the areas set for reform:

1. Adaptability: There is a new awareness that the Lisbon Agenda can only be relevant if it is a "living agenda" adaptable to changing policy priorities, and a useful tool to respond to crises and globalisation.

2. External dimension: In the midst of this global crisis, it is not surprising that the Lisbon Agenda is becoming a vehicle for projecting European policy approaches into the world. While the external dimension is still in the very early stages, aspects of this policy strand are likely to include regulatory cooperation, greater convergence on standards, as well as mutual recognition agreements to facilitate market access, promote trade and global co-operation.

3. Ownership: Many believe the foremost failure of the Lisbon Agenda to date is not with the Agenda itself but with the lack of popular buy-in and the failure to generate interest among the public at large. Going forward, it is likely that the European Commission, member states and Lisbon Coordinators will seek to increase ownership of the Lisbon Agenda, for instance by including key actors, such as regions and civil society, more actively in the process.

For the most part, the post-2010 Lisbon Strategy looks set to be built on continuity. This is not entirely surprising as the challenges Europe faces – to improve our innovation performance, increase investment in human capital, raise employment levels, build a low carbon economy – are not new and are most definitely here to stay.

X. Financial market regulation for stable growth

The experiences of the past months have dramatically highlighted the importance of financial markets for economic development. Recasting the regulatory framework for the financial markets is obviously an important growth policy issue for the future. The greatest challenge facing the governments in Europe – and not only there – is to find the right balance between the state and the market, guaranteeing stability on the one hand while strengthening the forces of market growth in the long term on the other.

Judging by the 47-point programme issued by the G20 last November, policymakers seem to have succeeded in treading this fine line so far. There can be just as little objection to more extensive regulation comprising sectors that have so far hardly been regulated at all, such as “shadow banks”, hedge funds and rating agencies, as to the limitation of regulation arbitrage through harmonised international standards. As far as the latter item in particular is concerned, Europe stands a chance of shaping the new global order, given its experience with European financial market integration. The present crisis should accelerate the move to stronger international supervision in Europe, with colleges of supervisors, that might become a worldwide export if we follow through on this reform. The proposals presented in the High-Level Report on Financial Supervision headed by Jacques de Larosière point the way. The report recommends the establishment of two new bodies: a European System Risk Council (ESRC), chaired by the president of the ECB, and a European System of Financial Supervisors (ESFS) - a decentralized, but more powerful, network of national supervisors.

In addition to its reach, the quality of regulation is also crucially important. In this respect there is need for improvement. A key issue is the cyclically intensifying role played by the accounting regulations and capital requirements for banks currently in force. The rules applied led to the availability of an excessive amount of capital during the boom, whereas the capital base is now growing steadily weaker just at a time of crisis. This is firstly because financial institutions are compelled to take massive impairments on their lending and security assets when market prices slump and secondly because they are forced to hold much more capital in relation to their assets when the ratings for companies and securities are revised down in periods of recession. Their risk assets are increasing even though they are strongly scaling back the volume of lending. In a knee-jerk reaction, their lending policies become even more restrictive, escalating the downward spiral. In the upcoming revision of the rules, these

procyclical effects must be reined in – for example by the inclusion of anticyclical elements like those used by Spain: in boom periods capital requirements are increased to create a risk buffer against times of recession. What is more, at times of extreme market illiquidity accounting should be based more on actual and expected payment streams from receivables rather than on "market prices" that merely reflect isolated fire sales.

As necessary as revision of the regulatory framework may be, we must not lose sight of the fundamental and still valid understanding that open markets are the best guarantee for the efficient allocation of resources and hence of higher growth. The principles of open markets, the free movement of capital, freedom of establishment and the equal treatment of national and foreign-owned financial institutions must continue to apply. Backsliding into an era of nationally fragmented markets should be avoided at all costs. Politically motivated go-it-alone approaches are harmful as they make it more difficult to restore market participants' confidence. On financial markets, regulatory measures should be internationally coordinated and standardised as far as possible in the interests of avoiding international arbitrage. And who could embody this with greater credibility than the European Union, whose success rests largely on the creation of an internal market for goods and finance? It is up to the EU to assume global responsibility at this time of crisis, not least by vigorously pursuing its own market integration. This is all the more important as the extremely difficult economic situation is heightening the danger of centrifugal forces within the Union, increasing the risk of individual countries breaking ranks. Any disintegration would exacerbate the crisis. The challenge is to demonstrate that Europe is capable of acting and of pulling together.

XI. League tables

European Growth and Jobs Monitor
Current scoring (2008Q3)

Curent ranking overall	Country	Overall score	Economic growth	Labour productivity	Jobs	Human capital	Investment activity (equipment)	Sustainable public finances
1	Finland	1.34	0.84	1.40	1.05	1.20	0.75	2.80
2	Poland	1.24	2.01	1.80	0.90	0.41	1.00	1.33
3	Netherlands	1.09	1.03	0.92	1.10	0.91	0.91	1.70
4	Greece	1.04	1.12	2.07	0.93	0.53	0.97	0.60
5	Sweden	1.02	0.41	0.19	1.08	0.88	1.19	2.36
6	Spain	1.01	0.71	0.70	0.96	0.91	1.39	1.41
7	United Kingdom	0.93	0.64	1.37	1.02	0.96	0.74	0.84
8	Belgium	0.90	0.62	0.52	0.91	1.12	1.22	1.04
9	Germany	0.90	0.59	0.76	1.03	0.62	0.98	1.40
10	Austria	0.89	0.73	0.87	1.05	0.22	1.10	1.39
11	Denmark	0.87	0.03	-0.47	1.11	1.04	1.10	2.43
	EU15	0.84	0.53	0.67	0.99	0.68	0.98	1.18
12	France	0.80	0.50	0.59	0.96	0.75	1.21	0.82
13	Ireland	0.70	0.31	0.73	0.98	1.04	0.56	0.55
14	Italy	0.39	-0.05	-0.18	0.89	0.08	1.04	0.58

European Growth and Jobs Monitor
One year ago (2007Q3)

Ranking overall	Country	Overall score	Economic growth	Labour productivity	Jobs	Human capital	Investment activity (equipment)	Sustainable public finances
1	Finland	1.79	1.53	3.43	1.05	1.19	0.76	2.79
2	Poland	1.51	2.24	3.16	0.89	0.39	0.96	1.40
3	Sweden	1.50	1.06	2.44	1.08	0.84	1.16	2.42
4	Ireland	1.48	1.88	2.42	1.03	0.97	0.64	1.93
5	Greece	1.31	1.44	3.52	0.94	0.51	1.04	0.42
6	United Kingdom	1.29	1.03	2.79	1.03	0.93	0.76	1.20
7	Denmark	1.27	0.64	1.14	1.08	0.89	1.07	2.82
8	Germany	1.26	1.07	2.54	1.02	0.58	0.95	1.39
9	Netherlands	1.24	1.10	1.69	1.09	0.88	0.89	1.78
10	Belgium	1.21	0.92	1.93	0.92	1.12	1.21	1.19
11	Austria	1.18	1.07	2.21	1.05	0.21	1.09	1.45
	EU15	1.12	0.97	1.80	0.99	0.64	0.97	1.37
12	Spain	1.09	1.27	-0.19	1.01	0.88	1.38	2.20
13	France	1.00	0.71	1.46	0.97	0.72	1.19	0.94
14	Italy	0.66	0.65	0.54	0.91	0.03	1.06	0.76