

Box 1 The National Economic Institute has lowered its forecast for growth this year

In its revised forecast published on June 18, the National Economic Institute forecast GDP growth $\frac{1}{2}\%$ lower than forecast in March. The most significant change was that private consumption is forecast to decelerate much more rapidly than envisaged previously and is now expected to grow by only $\frac{1}{2}\%$ this year. Revised figures for last year also show somewhat less private consumption than earlier projections. A $3\frac{1}{2}\%$ fall in capital formation is expected in 2001, which exceeds the March forecast by one percentage point. This will result in a minor decrease in national expenditure, which will lead to a fall in imports by 0.9%, instead of growth of the same figure. Exports are forecast to remain unchanged. The current account deficit relative to GDP is forecast at a similar size to before, although the goods and services balance will be more favourable.

Next year, GDP is forecast to grow by only $\frac{1}{2}\%$ and national expenditure to drop by 2%, following a negligible contraction this year. The last time national expenditure contracted was in 1993. Imports are expected to continue to shrink next year, by 4.7%. Although export growth is forecast to be sluggish (1.6%), it will be sufficient to bring about a reduction in the current account deficit ratio to 7.4% of GDP.

As pointed out elsewhere, in the Central Bank's view the current account deficit is heading for a somewhat lower figure than in the NEI forecast, despite an increasing deficit on the balance of income this year. This trend could continue next year, spelling even less economic growth than is currently forecast, or even a contraction.

Economic prospects 1999-2002

<i>Volume changes on previous year in % unless otherwise stated</i>	<i>Forecast in June</i>			<i>Forecast in March</i>			<i>Difference</i>	
	<i>Prov. 2000</i>	<i>Proj. 2001</i>	<i>Forec. 2002</i>	<i>Prov. 1999</i>	<i>Proj. 2000</i>	<i>Forec. 2001</i>	<i>Proj. 2000</i>	<i>Forec. 2001</i>
Private consumption.....	3.7	0.5	-0.5	6.9	4.0	2.5	-0.3	-2.0
Public consumption.....	3.7	3.1	2.5	5.1	3.7	3.1	0.0	0.0
Gross fixed investment.....	9.0	-3.5	-9.9	-0.8	9.0	-2.5	0.0	-1.0
Total national expenditure.....	5.1	-0.1	-2.0	4.6	5.4	1.1	-0.3	-1.3
Exports of goods and services.....	6.3	3.3	1.6	4.4	5.1	3.4	1.3	0.0
Imports of goods and services.....	9.3	-0.9	-4.7	5.7	9.3	0.9	0.0	-1.8
Gross domestic product.....	3.7	1.5	0.5	4.1	3.6	2.0	0.1	-0.5
Balance on income in b.kr.....	-19.8	-24.1	-28.3	-13.5	-19.0	-23.5	-0.8	-0.6
Current account balance in b.kr.....	-67.1	-73.0	-57.6	-43.6	-68.9	-72.15	1.8	-0.8
Current account balance, % of GDP ..	-10.0	-10.1	-7.4	-7.0	-10.3	-10.1	0.3	0.0

Source: National Economic Institute.