European Commission

Monthly note

Industrial policy indicators and analysis

December 2013

SPECIAL FEATURE: The construction sector

Manufacturing production recovers in November

EU manufacturing production growth in November 2013 (+1.5% compared to the previous month and by 3% on a year-on-year basis) has been supported by improvements in both business and sentiment indicators during the last months of 2013. This evolution suggests an expansion in economic activity, although GDP growth in the fourth quarter is expected to be very modest and variable across the EU. According to the ECB survey on access to credit for SMEs, for the first time since the fourth quarter of 2009 there are signs of expected future improvement in credit conditions. This is due to the fact that banks have less pessimistic expectations, both regarding general economic activity and industry and firm-specific outlooks.

The Task Force "Sustainable industrial policy, construction and raw materials" is key to enhance the sector recovery

The construction sector has been hardly hit by the crisis and struggles to catch up. Although the area of renovation for energy efficiency and performance are opportunity to reinvigorate the sector, the number of existing buildings undergoing extensive renovation is still modest. A number of regulatory, economic and financial barrier need to be overcome. The sector faces increasing international competition and needs more skilled labour to respond to new requirements. The "Construction 2020" Communication and Action Plan was put forward by the Commission to stimulate investment, improve human-capital, resource and environmental efficiency, strengthen the Internal Market, and foster its global competitive position. While the High Level Tripartite Strategic Forum (HLF) focuses on maximising the impact at EU, national and regional levels, the Task Force "Sustainable industrial policy, construction and raw materials" priorities include the screening of national buildings regulations to elaborate requirements for a sustainable use of natural resources, and mapping of skills needs for energy efficiency in building renovation.

In October 2012, the EU adopted a new Industrial Policy Communication in order to favour a recovery of industrial investments and reversing the decline in manufacturing's share of EU GDP. This Communication identified four pillars for a reinforced industrial policy:

1. Innovation and investment in six priority action areas,
2. Access to internal and international markets,
3. Access to finance
4. Human capital and skills.

This monthly note aims at monitoring market and policy developments in the EU and at assessing progress towards a stronger European Industry.

Data contained in this edition of the note has been updated on the basis of availability by 14 January 2014.

This note is prepared by Directorate General Enterprise and Industry - Unit A4 "Industrial Competitiveness Policy for Growth". This month Special Feature is based on a contribution from Unit B1 "Sustainable Industrial Policy and Construction"

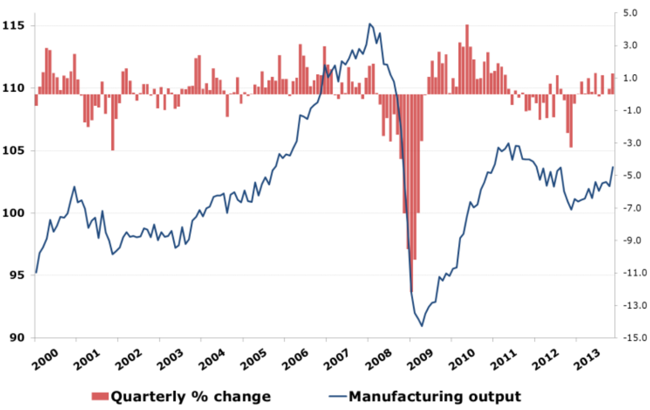
http://ec.europa.eu/enterprise/policies/industrial-competitiveness/economic-crisis/monthly_notes_en.htm

1 Monthly developments in the EU[1]

Manufacturing production grew by 1.5% in November

Industrial production in the EU turned back to grow in November 2013, by 1.5% compared to the previous month and by 3% compared to a year ago. Manufacturing output showed a similar evolution, increasing by 1.5% compared to October 2013 and showing an improvement of 3.5% on a year-on-year basis. The increase in industrial production, which followed a contraction in November, reflected growth in capital goods and durable consumer goods and, to a lesser extent, expansion in non-durable consumer goods and intermediate goods. The main contributors to this expansion were Ireland, Sweden, the Netherlands and Germany.

Graph 1 – EU Manufacturing production



Source: Eurostat

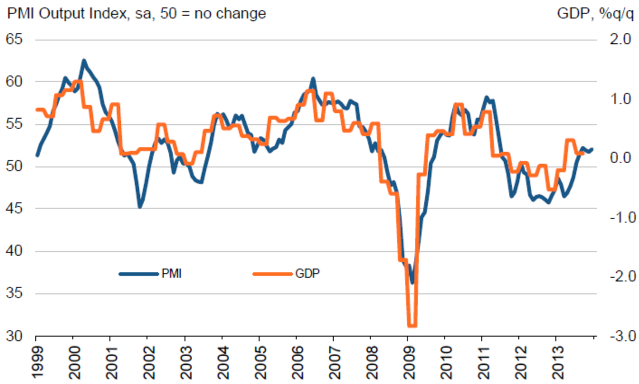
Confidence and business sentiment indicators improve in most member states

The increase in manufacturing production is supported by an improvement of business confidence and economic sentiment indicators during the last months of 2013. Notwithstanding this increase both in level and growth rate, recovery still remains rather modest and fragile overall.

In December 2013 firms perceived an overall improvement in business conditions. The manufacturing PMI (Purchasing Manager's Index) reached 52.7, its second highest value since May 2011. The PMI index is based on a questionnaire to a Panel of managers in industry, who are asked about the state of business conditions for a number of variables (e.g. output, stocks, new orders, employment, and delivery time). Their answers are computed into the index whose value varies between 0 and 100; a value above 50 signals an increase or improvement on the previous month.

The confidence indicator continued improving thanks to a solid growth in new orders, driven by increase in exports. Overall, the rate of growth signaled by the PMI in the euro area is consistent with the expected GDP growth as shown in graph 2.

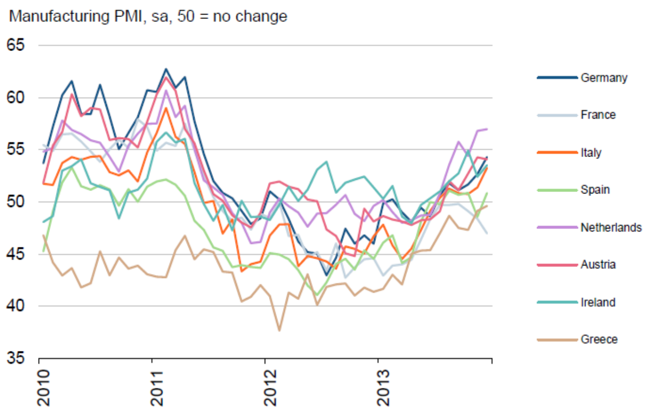
Graph 2 – Eurozone PMI and GDP



Source: Markit, Eurostat

The improvement in overall operating conditions was triggered by solid and increasing business confidence growth in the Netherlands, Germany, Ireland and Italy (graph 3). Austria sustained its robust growth rate and Spain returned to expansion figures. Even Greece, were the situation remains bleak, reached a 4-year high and is close to the 50.0 stabilisation point. On the other hand, prospects for France remain bleak with its PMI falling to a seven-month low and signalling contraction for the twenty-second successive month.

Graph 3 – Manufacturing PMI in some MS



Source: Markit

The Commission's Directorate for Economic and Financial Affairs (DG ECFIN) conducts regular harmonized surveys for different sectors of the economies in the EU and in the applicant countries. They are addressed to representatives of the industry

[1] Based on Eurostat and the ECB Monthly Bulletin (cut-off date 14 January 2014). Text and statistics for the EU refer to EU28.

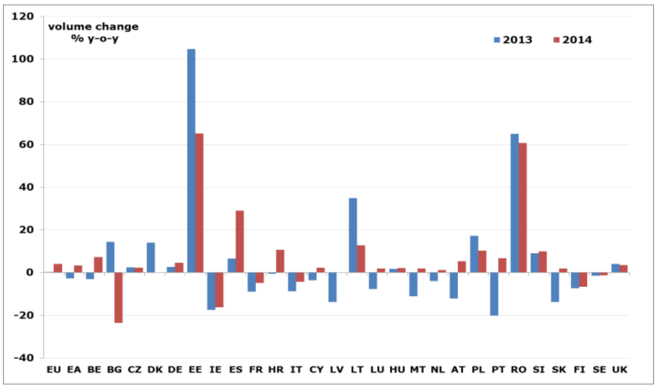
(manufacturing), the services, retail trade and construction sectors, as well as to consumers. These surveys allow comparisons among different countries' business cycles. DG ECFIN´s ESI is a summary indicator of five sectors confidence indicators which reflect overall perceptions and expectations based on a monthly survey of over 200 000 industries and consumers.

The Economic Sentiment Indicator (ESI) increased in December by 1.6 points in the euro area (to 100.0) and 1.4 points in the EU (to 103.5). Sentiment in the euro area is back to its long-term average for the first time since July 2011, a situation already reached for the EU as a whole last September. In the euro area, the marked improvement resulted from rising confidence among consumers, as well as managers in services, retail trade, construction, and to a lesser extent industry. Industry confidence in the Euro area increased moderately (+0.5), driven by more positive assessments of the current level of overall order books and the stocks of finished products, which were somewhat counter-balanced by deteriorating production expectations.

Managers expect investments to resume in 2014

According to the latest bi-annual Investment Survey data of October-November 2013, real investment in the manufacturing industry is estimated to remain unchanged in 2013, while expectations for 2014 signal a 4% increase (graph 4). There are notable differences between countries and years. In 2013 investment in almost all euro area countries (except Germany, UK and Spain) was estimated to decrease, while increases of different intensity were identified in other member States. Expectations for 2014 point to increases (of varies amount) in all countries except in Bulgaria, Ireland, Finland, Italy and France.

Graph 4 – Investment expectations (% change year-on-year)



Source: European Commission, Oct-Nov 2013 investment survey

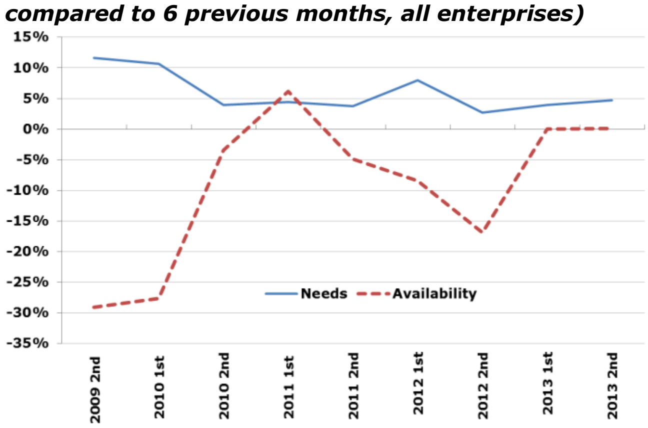
The bi-annual Investment Survey is part of the the DG ECFIN business and consumer surveys and is performed in Spring and Autumn. The survey provides information about the percentage change in investment that managers estimate to happen in their company, from year t-1 to year t and from year t to t+1.

Constraints to finance remain but improvements are expected in the near future

Between July and October 2013, the real cost of financing for non-financial corporations in the euro area fell by 6 basis points. This reflects a decline in the cost of equity and in the cost of market debt while the real cost of bank lending increased. With regard to financial flows, the annual rate of change of bank lending to non-financial corporations continued to contract in the third quarter of 2013. The decline in loans primarily reflects weak economic activity in a context of tight bank lending conditions in parts of the euro area.

According to the latest Survey on Access to Finance of SMEs in the Euro Area (SAFE) conducted by the ECB the need for external finance continued to increase, but availability remains a challenge for a majority of enterprises (graph 5).

Graph 5 – Needs vs availability of loans (% change compared to 6 previous months, all enterprises)

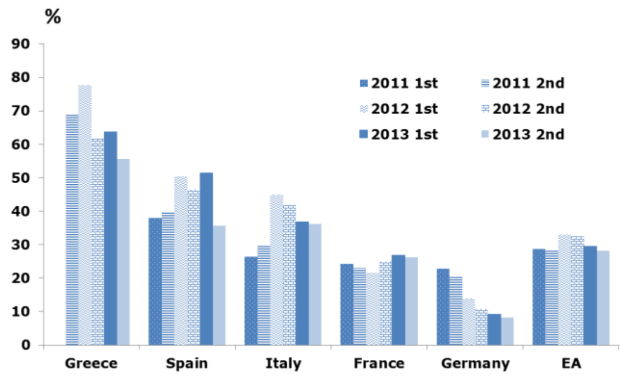


Source: European Central Bank, Survey on the access to finance of SMEs in the euro area, Question 5 and 9: change in needs and availability of loan with respect to the previous 6 months.

Between April and September 2013, euro area SMEs reported an increase in net terms of their need for bank loans. The difference between the percentage of firms reporting an increase and those reporting a decrease of their need for bank loans was 5%, unchanged from the previous survey round. Euro area SMEs also reported a marginal deterioration in the availability of bank loans (-11% of respondents, in net terms, after -10% in the previous round). The percentage of SMEs reporting access to finance as their main problem remains broadly stable at 16%. However, there are signs of future improvement, with banks demonstrating ability to alleviate this financial pressure over SMEs. On one hand, for the fourth quarter of 2013, the net percentage of banks expecting an easing in credit standards for loans provided to enterprises is equivalent to 5% (the first time an improvement is expected since the fourth quarter of 2009). On the other hand, banks' risk perception has also improved during the third quarter, due to the fact they have less pessimistic expectations both regarding general economic activity, and industry and firm-specific outlooks.

Unsatisfied demand of credit decreased in some countries in the euro area, notably in those most hit by the crisis (graph 6) according the survey results. It is to note that the countries that have contributed most to the net increase of demand of bank loans in the period April-September were Italy and France, followed by Spain.

Graph 6 – Unmet demand of bank credit for SMEs



Source: European Central Bank, Survey on the access to finance of SMEs in the euro area (Question Q7A and Q7B: Percentage of respondents that applied for a loan and did not get all or most of the required amount, did not apply due to high costs or to a possible rejection)

Conclusions

EU manufacturing production growth in November 2013 (+1.5% compared to the previous month and by 3% on a y-on-y basis) is supported by improvements in both business and sentiment indicators during the last months of 2013. This evolution can be interpreted as an indication of expansion in economic activity, although GDP growth in the fourth quarter is expected to be very modest and variable across the EU.

Evidence from the latest Survey on Access to Finance of SMEs in the Euro Area (SAFE) conducted by the ECB pointed out to a continued increase in the need for external finance continued to increase, although availability remains a challenge for a majority of enterprises. It is to note that for the first time since the fourth quarter of 2009 there are signs of expected future improvement in credit conditions to enterprises. This is due to the fact that banks have less pessimistic expectations both regarding general economic activity, and industry and firm-specific outlooks.

Did you know?

- At EU level, the construction industry, including contractors, manufacturers of construction products and professional construction services, generates almost 10 % of GDP, and provides 20 million direct jobs
- European international contractors generated a total international construction turnover of almost 167 billion € in the year 2012, across all five continents
- As a consequence of the economic downturn, about 2 million direct jobs have been lost in the EU during 2009-2013 in construction.

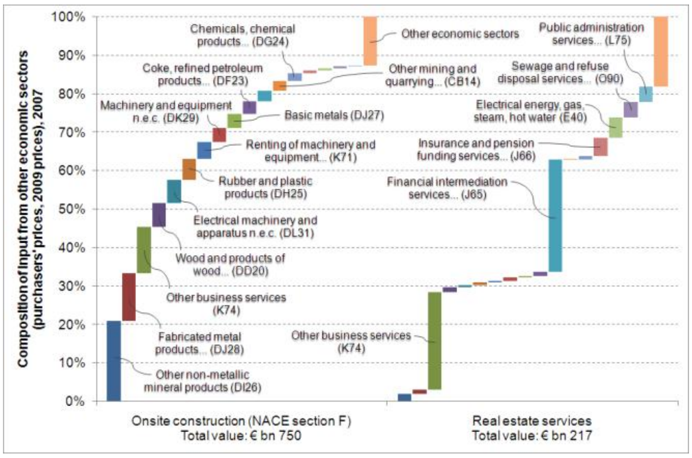
2 The Construction sector

2.1 A key sector strongly hit by the crisis

The construction industry is a major economic operator. Overall, including contractors, manufacturers of construction products and professional construction services, the sector provides 20 million direct jobs, mainly in micro and small enterprises, and contributes to more than 50 % in fixed capital formation of all economic agents[2].

The construction sector has a significant impact on other sectors of the economy. As an example, calculations based on input-output tables showed that inputs for the construction, maintenance, renovation and demolition of buildings and infrastructures represented roughly around 44% of the construction turnover, spread over a high number of sectors (Graph 7).

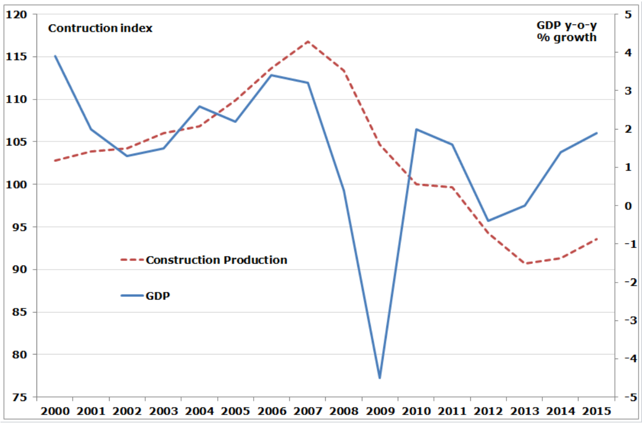
Graph 7 – Impact of construction and real estate services on other sectors



Source: EU-27 Eurostat input-output tables and Ecorys own calculations[3]

The construction sector has been hit particularly strongly by the financial and economic crisis. The production index of construction for both building and infrastructure fell by 8.5 % between 2009 and 2012 across the EU[4]. Activity fell sharply in building works, particularly in the new residential segment, with a decline in the production index of nearly 9% between 2009 and 2012[5]. Infrastructure works also experienced a downturn in activity; however it was less intense (6%)[6]. Moreover, while GDP has returned to positive growth, the construction index lags behind (Graph 8).

Graph 8 – EU GDP and construction production growth



Source: Eurostat and Euroconstruct (estimates)

The situation of the sector varies enormously from one country to another. Worse performing countries are those that had the highest growth rates up to 2008. The nature and impact of already planned construction works as well as varying effects of national stimulus packages are also reasons for the different impacts of the crisis at national level. Still, the construction sector in several Member States was adversely affected by the financial crisis to some extent or other, even if there was no "construction bubble" in those countries prior to 2008.

Both activity and investments in construction depend highly on the general economic context in the EU. If recent figures suggest that the European economy is gradually gathering momentum, the growth figures remain low and the tentative signs of growth are still

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[2] ECORYS (March 2011), Study on the Sustainable Competitiveness of the Construction sector, final report, available at: http://ec.europa.eu/enterprise/sectors/construction/files/compet/sustainable_competitiveness/ecorys-final-report_en.pdf

[3] Ibid

[4] Source: EUROSTAT Structural Business Statistics and Short Term Statistics and own calculations

[5] Ibid

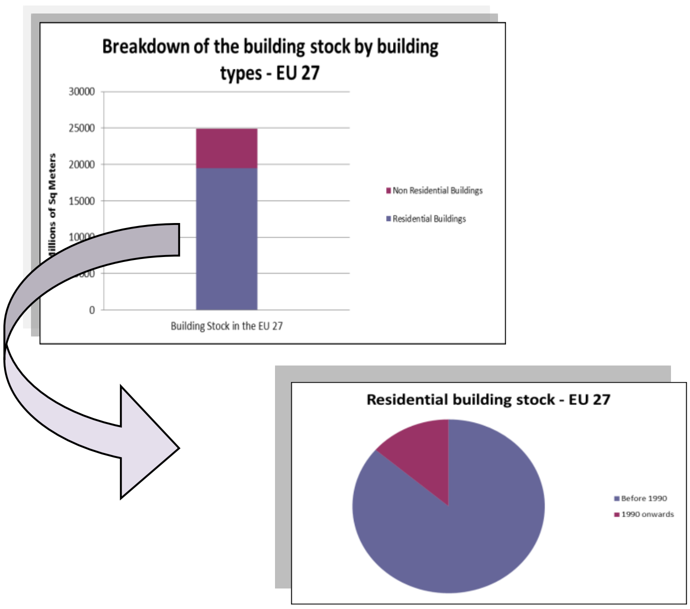
[6] Ibid

fragile. A number of Member States still have significantly high unemployment rates and the implementation of essential but difficult reforms across the EU is still in its early stages. Important policy measures adopted since summer 2012 have reduced the sovereign- debt crisis and the risk of a worsening of the crisis. Measures taken comprise structural and fiscal reforms at the Member States level. Despite the on- going fiscal consolidation, debt-to-GDP ratios are still forecasted to increase in 2013 due to the negative contribution of real GDP growth and to persistent primary deficits. This situation is putting some constraints in public investment in construction works.

Increasing energy savings a priority

There is a significant opportunity to reinvigorate the construction sector in the area of renovation for energy efficiency and performance. A vast majority of existing buildings have been constructed before the introduction of EU legislation on energy efficiency and energy performance requirements in national building codes (graph 9). Moreover, the number of existing buildings undergoing extensive renovation is relatively modest. So far, around 20.000 low energy houses have been built in Europe of which approximately 17.000 in Germany and Austria alone. At present, seven EU MS have defined for themselves when a building is a low energy building (AT, CZ, DK, UK, FI, FR and DE, BE (Flanders), a few more (LUX, RO, SK, SE) plan to do so. Typically the required decrease in energy consumption will range from 30 to 50 % of what is defined for standard technology for new buildings.

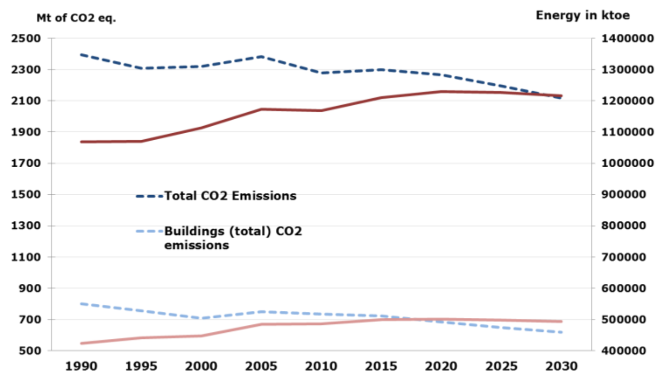
Graph 9 – Structure of the building stock



Source: BPIE data hub (http://www.buildingsdata.eu/)

The high energy needs of buildings and resource requirements for construction exert significant pressure on EU energy consumption and trade balance, and contribute significantly to global CO2 emissions (graph 10). Though energy efficiency improvements in the existing building stock represents the most promising driver for regaining growth in this sector, due to the high intensity of investment this potential is not realising yet.

Graph 10 – Impact of buildings on final energy consumption and CO_2 emissions



Source: EU energy trends to 2030[7]

Case stories on sustainable construction[8]

- ✓ SeeCampus Niederlausitz: several schools in the north-eastern German state of Brandenburg teamed up with businesses and banks to build and maintain a single school to passive house standard for the separate institutions as a public private partnership (PPP).
- ✓ ELENA - European Local Energy Assistance: to facilitate the mobilisation of funds for investments in sustainable energy at local level, the EC and the EIB have established the ELENA technical assistance facility, financed through the Intelligent Energy-Europe programme.
- ✓ Low Carbon Healthcare: the project aims at stimulating demand for innovative low-carbon solutions for the healthcare sector by providing procurement decision makers with tools to achieve more sustainable buildings within their budget constraints.
- ✓ Sustainable Urban Development European Network-Factor4: focuses on social housing retrofitting for improving energy efficiency and facilitating the use of renewable energy to participate to the reduction of greenhouse gas emission (GEG) by a factor 4 before 2050.

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[7] European Commission, Directorate General for Energy (http://ec.europa.eu/energy/observatory/trends_2030/doc/trends_to_2030_update_2009.pdf)

[8] http://www.sci-network.eu/resources/casestudies/

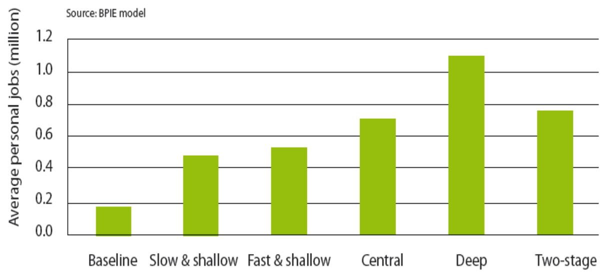
Growing competition

Competition within both EU and non-EU construction markets is becoming increasingly harsh for EU construction enterprises. Non-EU companies are often subject to less stringent social and environmental requirements and benefit from state aid. In international markets, EU enterprises are confronted with more and more stringent access conditions. Despite this, European international contractors generated a total international construction turnover of almost 167 billion € in the year 2012, across all five continents.

Employment valuing experience & improving skills

As a consequence of the economic downturn, about 2 million direct jobs have been lost during 2009-2013 in construction (NACE section F)[9]. However, it is very likely that a proportion of jobs – especially on small projects – are undertaken in the grey economy still. The combination of recession and fast-approaching Europe 2020 deadlines has created a situation where challenges are clearly evident, but it may also be providing a unique opportunity for change. According to a study by BPIE[10] it can be seen that, while continuing with business-as-usual would employ less than 200,000 people over the next 40 years, while the accelerated renovation scenarios would generate between 500,000 and over 1 million jobs (Graph 11).

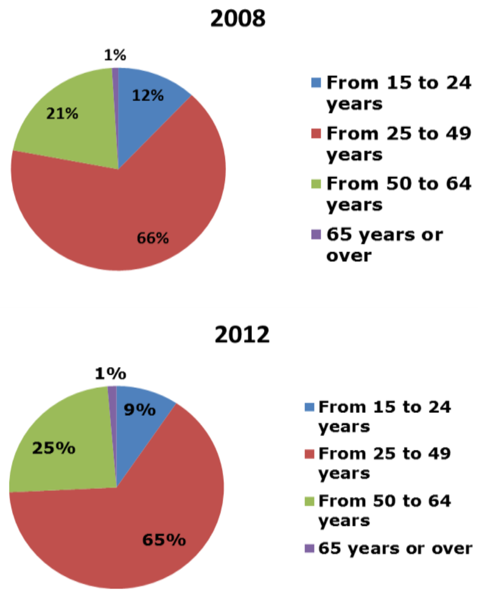
Graph 11 – Employment generated by building renovation according to 5 scenarios (2011-2050)



Source: BPIE

The construction sector will increasingly be confronted with the need for skilled labour to respond to new requirements in terms of resource efficient and resilient buildings. On the other hand, the sector needs to secure labour supply from now on by validating the experience of ageing workers (graph 12) and attracting young and skilled workers to a sector which is often perceived as "dirty and dangerous" and offering a "last resort" job with few

Graph 12 - Structure of the workforce age in construction (NACE section F)



Source: Eurostat Labour Force Survey

2.2 Policy initiatives

Given the importance of the construction sector for the EU economy, as well as its role in the achievement of some critical climate, environmental and energy-related objectives, the Commission adopted in July 2012 a Communication[11] and Action Plan, called "Construction 2020".

The key objectives of Construction 2020 are:

1. Stimulating favourable investment conditions
2. Improving the human-capital basis of the construction sector
3. Improving resource efficiency, environmental performance and business opportunities
4. Strengthening the Internal Market for construction
5. Fostering the global competitive position of EU construction enterprises

Construction 2020 aims at linking various initiatives at EU, national and industry levels from both a thematic and strategic perspective. This would lead to more favourable investment conditions by blending various financial instruments for energy efficiency renovation and infrastructure maintenance. In parallel, the strategy will allow to anticipate the needs for a stronger human capital base and for attractive working conditions in the sector. Not least,

[9] Eurostat SBS and STS + own calculations.
[10] BPIE (2011). Europe´s buildings under the microscope. A country-by-country review of the energy efficiency of buildings. Brussels, Belgium.
[11] COM(2012) 433 final of 31.07.2012 – "Strategy for the sustainable competitiveness of the construction sector and its enterprises".

Construction 2020 will facilitate the development at EU level of a common assessment framework for sustainability which would ensure a proper functioning of the Internal Market for construction products and services.

The Action Plan proposes measures to stimulate investment in building renovation, especially for energy efficiency improvements, as well as in the maintenance of existing infrastructure. Moreover, it suggests actions to address the significant shortfall of qualified workers, the poor attractiveness of the sector to young people and the ageing of the workforce. In addition, a number of measures are proposed to improve the functioning of the Internal Market of construction products and services, in particular regarding the conciliation of the requirements of environmental sustainability with EU product and services legislation related to the sector. Finally, the Action Plan looks at fostering the global competitiveness position of EU construction enterprises.

Renovation loan

The European Structural and Investment Funds for the upcoming budgetary period 2014-2020 offer huge possibilities for investments in energy efficient renovations. Within this context, the European Commission is developing financial instruments for Member States to use, in particular the renovation loan which is intended to combine public and private capital to finance investment in energy efficiency or renewables in residential buildings. The programme contribution for the instrument would be typically between EUR 5 million and EUR 30 million. The renovation loan can provide access to finance at preferential conditions and provide for loans up to 20 years maturity.

In order to create synergies and maximise the impact of various actions at EU, national and sectorial levels, the Commission has set up a High Level Tripartite Strategic Forum (HLF) consisting of Commission, Member States and sectorial organisations. The HLF comprises five Thematic Groups addressing specific aspects of the Action Plan. The High Level Forum met on 29 November 2013 to monitor the progress with the Action Plan and to make specific recommendations for future action[12]. The recommendations, if properly implemented, will bring concrete results with a significant impact on the medium term.

The EC Task Force on "Sustainable industrial policy, construction and raw materials" brings together different EC services to ensure the contribution of the construction sector to policy development on innovation, job creation, social cohesion, energy efficiency, environmental goals and international growth. Its main focus is on possible synergies and elimination of overlaps and of inefficiencies, as well as on other coordination issues linked to the contribution of the construction sector to the EU 2020 strategy, long-term Industrial Policy and other relevant EU goals. The task Force adopted a roadmap whose priorities include the screening of national buildings regulations in order to elaborate an interpretative document in requirements for a sustainable use of natural resources, and mapping of skills needs for energy efficiency in building renovation.

2.3 Key EU instruments influencing the framework conditions of construction

1. The European legislation which makes certain criteria obligatory for the building performances, the construction activities and related qualifications, and construction products.

2. European certificates, guidance documents and (technical) standards which have been developed on EU level to make different national approaches comparable or to provide incentives for the top performers in specific fields with awards or EU certificates.

3. Financial instruments to support investments, improve knowledge, raise the innovation capacity of enterprises and stimulate the uptake of innovative products and services.

EU policies in the areas of climate change, energy efficiency and renewable energies, together with a policy for sustained encouragement of building renovation and infrastructure management, should be an opportunity to revitalise business and employment in construction and other sectors. But current building renovation rates and practices in terms of energy efficiency improvement are insufficient to achieve EU 2020 energy savings targets. A number of regulatory, economic and financial barriers need to be overcome.

Concrete opportunities are offered by many existing policy strategies and instruments exist at national and European levels. Streamlining and coordination of these strategies will create more synergies and maximise their impact.

[12] See Europa press release MEMO/12/431

3 Statistical annex

3.1 Reference values for 2020

	(%)
Share of manufacturing as % of GDP	20
Gross fixed capital investment as % of GDP	23
Investment in equipment as % of GDP	9
Trade in goods in the internal markets as % of GDP	25
Extra-EU exporting SMEs (% of total)	25

Source: European Commission, Industrial Policy Communication. Update COM(2012) 582 final

3.2 Main Indicators

		Changes in percentage points compared to:		
	Quarter III 2013	Quarter II 2013	Quarter III 2012	Pre-crisis peak Quarter I 2008
Manufacturing value added (% of total VA)				
EU	15	-0.1	-0.2	-1.1
Euro area	15.7	-0.1	-0.1	-1.2
Gross fixed capital investment (% of GDP)				
EU	17.3	0.1	-0.5	-4.1
Euro area	17.7	0.1	-0.6	-4.2
Investment in other machinery and equipment (% of GDP)				
EU	4.4	0.00	-0.2	-0.9
Euro area	3.4	-0.01	-0.1	-0.6

Source: Eurostat

3.4 Production and competitiveness

	Index 2010=100	Changes in percentage points compared to:		
	Quarter III 2013	Quarter II 2013	Quarter III 2012	Pre-crisis peak Quarter I 2008
Manufacturing Production				
EU	102.1	0.2	-0.8	-12.4
Euro area	101.2	-0.1	-1.3	-14.4
Value added				
Manufacturing	104.6	-0.2	-0.9	-4.1
Business services	111.3	0.9	1.9	6.6
All NACE activities	106.0	0.3	0.3	3.4
Quarterly labour productivity				
EU	106.6	-0.1	0.4	8.7
Euro area	106.8	0.1	1.6	8.4

Source: Eurostat

3.5 European economic forecast, autumn 2013

	Percentage change on preceding year		
	2013	2014	2015
Gross Domestic Product			
EU	0.0	1.4	1.9
Euro area	-0.4	1.1	1.7
Total Investment			
EU	-2.9	2.5	4
Euro area	-3.3	1.9	3.6
Investment in equipment			
EU	-2.0	3.9	6
Euro area	-2.9	3.7	6.1

Source: European Commission, European Economic Forecasts, Autumn 2013

3.6 Business confidence

	Index	Changes in points compared to		
	Dec 2013	Nov 2013	Dec 2012	Pre-crisis March 2008
Industrial confidence				
EU	-2.0	0	10.2	-3.5
Euro Area	-3.4	0.5	9.9	-4.8
Production expectations				
EU	11.6	-2.0	14	0.8
Euro Area	8.4	-1.3	12.4	-1
Assessment of stock levels				
EU	2.9	-1.5	-2.6	-4
Euro Area	1.8	-1.7	-3.4	-4.8
Assessment of order books				
EU	-14.7	0.6	14.1	-15.3
Euro Area	-16.9	1	13.9	-18.4

Source: DG ECFIN Business and Consumer Survey

3.7 Foreign trade

	2009	2010	2011	2012
Trade in services as a % of GDP				
EU	9.9	10.3	10.6	11.3
Value of Extra EU Exports as % of GDP				
Goods	9.5	11.1	12.3	13.2
Services	4.3	4.6	4.8	5.2

Source: Eurostat

3.8 Intra-EU trade

	2009	2010	2011	2012
Intra-EU imports of goods as a % of GDP				
EU	17.9	20.3	21.7	21.4
Trade in services as % of GDP				
EU	5.6	5.8	6.0	6.1
Trade in goods % of GDP				
Total trade - All products	18.5	20.8	22.2	21.9
Patents applications per million habitants				
EU	111.4	109.6	107.5	

Source: Eurostat

3.9 Lending conditions
(net percentages of banks contributing to tightening credit standards)

	2013 Q4	2013 Q3	2012 Q4	Pre-crisis peak 2008 Q1
Euro area	5.0	7.0	15.0	39.0

Source: European Central Bank

3.10 Loan flows in billion euros (three months total)

	Nov 2013	Oct 2013	Nov 2012	Pre-crisis March 2008
Euro area	-37.2	-37.0	-38.4	142.0

Source: European Central Bank

4 METHODOLOGY

This outlook takes into account the most recent macroeconomic information and the domestic and international market developments and expectations. Data is subject to retrospective review.

As of 1 July 2013, Croatia joined the EU. Therefore, the EU total now refers to EU28.

SOURCES

- EUROSTAT Quarterly data
- ECB Monthly Bulletin, Survey on the Access to Finance of Small and Medium-Size Enterprises
- DG ECFIN European Economic Forecast Autumn 2013 and Consumer and Industrial Survey
- DG ECFIN Economic Sentiment indicators (ESI)
- PMI Markit Business Confidence Indicators

This note has been edited by Beatriz Velazquez