





## 1. Output

According to Eurostat's 3<sup>rd</sup> estimate, euro-area **GDP growth** in 2011-Q3 has been revised down, from 0.2% quarter-on-quarter (q-o-q) to 0.1%. The revision is result of a downward revision of all the growth components. GDP growth in 2011-Q3 was driven by net exports (+0.2 pp.), followed by domestic demand (0.1 pp. vs. 0.2 pp. in the 2<sup>nd</sup> estimate). Stocks make a negative contribution, though somewhat lower than published in the second estimate (-0.1 pp. vs. -0.2 pp.).

According to the **Commission's autumn 2011 forecast**, released on 10 November 2011, the outlook for euro-area GDP growth has deteriorated since the last fully-fledged forecast in May 2011. In 2011, euro-area GDP is expected to grow at an annual rate of 1.5%, which mainly reflects relatively strong growth in the first quarter. The outlook for 2012 and 2013 looks less favourable, with GDP growth at 0.5% and 1.3% respectively.

**Confidence in industry** has remained stable in December and stayed for the second month just below its long-term average. A more pessimistic assessment of companies' order books and a marginal worsening of their evaluation of stocks of finished products were offset by a marked improvement in managers' production expectations.

In November 2011, seasonally adjusted **industrial production** (excl. construction) fell by 0.1% month-on-month (m-o-m), after a decrease of 0.3% in October. On a monthly basis, industrial production fell in nine euro-area Member States (among others DE and ES) and rose in five (also FR and IT). On an annual basis, industrial production fell by 0.3%, first negative reading since December 2009. The **euro-area industrial new orders index** rose by 1.8% m-o-m in October, after the steepest fall since December 2008 (by 7.8% in September 2011).

## 2. Private consumption

**Private consumption** increased by 0.2% q-o-q in 2011-Q3, after a fall of 0.5% in 2011-Q2 and stagnation in 2011-Q1. In annual comparison, private consumption growth was flat in 2011-Q3, continuing on a downward trajectory from 1.1% in 2010-Q4, 0.9% in 2011-Q1 and 0.2% in 2011-Q2. While private consumption contributed 0.1 pp. to GDP growth, government consumption did not contribute in 2011-Q3.

**Consumer confidence** decreased by 0.7 point in December and is for the fifth month below its long-term average. The deterioration goes on the back of the growing concerns of consumers about their future financial situation and their future savings.

They were also more pessimistic about their future unemployment developments.

In November 2011, **retail trade** volumes fell by 0.8% m-o-m, after a mere growth of 0.2% in October. **Sentiment in the retail sector** declined somewhat in December (by 0.6 point), owing mainly to a deterioration of managers' business expectations.

## 3. Investment

After having grown by 1.8% q-o-q and being the main driver of growth in 2011-Q1, **gross fixed capital formation** decreased the following quarters (by 0.1% each). The deceleration in 2011-Q3 was particularly strong in Ireland (-20.9% q-o-q) and Malta (-12.2%). On an annual basis, investment also continues losing pace, growing by 1.3% in 2011-Q3, down from 3.6% in 2011-Q1 and 1.6% in 2011-Q2.

While **capacity utilisation** had been increasing since its historic low of 69.2% in 2009-Q3 for almost two years, in the last two quarters the trend reversed and rates fell from 81.6% in 2011-Q2 to current 79.7% in 2011-Q4.

## 4. Labour market

The **unemployment rate** in the euro area was 10.3% in November, unchanged from October. This aggregate number conceals sharp differences across Member States, with the gap between the countries with the lowest rate (Austria 4.0%) and the highest rate (Spain 22.9%) increasing so far during 2011.

In the third quarter of 2011, seasonally-adjusted **employment** decreased by 0.1% q-o-q in the euro area, after small increases of 0.1% in 2011-Q1 and 0.2% in 2011-Q2. Compared with the same quarter of the previous year, employment grew by 0.2%.

Since its March historic high (at 8.7), the index of managers' **employment expectations in the manufacturing sector** has been gradually declining, reaching -5.2 in December. Managers' employment expectations worsened as well in the **services sector** (from 4.4 to 2.4), being below the long-term average for five consecutive months. The level of **labour shortages** has been gradually increasing from the historical lows in the second half of 2009, although in the last three months only on the second decimal, now standing at 6.1% in 2011-Q4.

## 5. International transactions

For the first time since April 2011, the managers in manufacturing were more optimistic about their **export order books** than a month ago, the index level increased from -15.7 in November to -14.1 in December (it was about 0 in April). **Extra-euro area trade** (seasonally adjusted) posted its third consecutive



surplus (6.1 bn euro) in November. GDP in 2011-Q3 was driven by **net trade**, contributing 0.2 pp. to GDP growth. While euro-area exports in 2011-Q3 grew by equal pace as in the previous quarter (by 1.2%), imports grew faster compared to 2011-Q2 (0.8% compared to 0.5% respectively).

In November 2011, the seasonally adjusted **current account balance** of the euro area recorded a deficit of 1.8 bn euro. The 12-month cumulated seasonally adjusted current account balance recorded a deficit of 44.9 bn euro (around 0.5% of GDP). The **financial account** recorded net outflows of 5 bn euro, essentially as a result of net outflows for direct investment (7 bn euro).

## 6. Prices

The **HICP inflation rate** in December 2011 declined to 2.7%, from 3.0% in November. A year ago, inflation was at 2.2%. **Core inflation** in December remained stable for the fourth consecutive month, at 2.0%. The annual rate of HICP headline inflation for 2011 stands at 2.7%. **The Commission's autumn 2011 forecast** projects an inflation rate of about 2.6% for 2011, 1.7% for 2012 and 1.6% for 2013. The subdued economic activity, the absence of further commodity price increases, and moderate wage increases are expected to keep inflation in check. **Industrial producer prices** increased by 0.2% m-o-m in November, after 0.1% increase in October. The annual rate fell to 5.3%.

At the beginning of November, the supply disruptions and geo-political tensions in the Middle-East were generally pushing **oil prices** to about 115.7 USD/bl., up from their 8-months low at the beginning of October (at 100.7 USD/bl.). Subsequently, the deterioration of the economic outlook together with euro-area debt worries pulled oil prices lower, before renewed fears of supply disruptions and an intensification of geopolitical tensions pushed oil prices up again. On 18 January 2012, the price of Brent crude oil was 111.9USD (87.4 EUR) per barrel.

## 7. Monetary and financial indicators

The strongest impact on the **money-market**, came from the decisions of the ECB Governing Council, which lowered the main ECB interest rate in both November and December by 25 bps each to 1.0%. The euro-area 3-month Euribor went down (from 1.47% to 1.2% on 18 January) in the turn of the year. However, banks continue to hoard cash, with overnight deposits at the ECB at high and increasing levels, pointing to banks' reluctance to lend. Moreover, the Euribor-OIS spread, another barometer

of banks' willingness to lend (the smaller the spread the higher the indication of bank's confidence), although recently decreasing somewhat, remains still at elevated levels.

Amid volatility, benchmark **sovereign-bond yields** have been declining in December 2011 compared to their elevated levels of end-November. On 18 January 2012, the US 10-year Treasury yield stood at 1.9% and the euro-area benchmark 10-year bond yield at 1.8%. Several European sovereign yields remain at elevated levels. Up to 18 January, particularly yields for Greek (34.3%), Portuguese (14.3%), Irish (7.6%), Italian (6.5%) and Spanish (5.1%) sovereign bonds stood at levels well above the benchmark.

The annual rate of change of M3 decreased to 2.5% in the last 3 months up to November, from 2.8% in October. As to euro-area **bank lending**, November data point to declining rate of credit growth for consumers and non-financial corporations. The annual growth rate of credit extended to general government increased to 0.2% in November (from -0.5% in October), while the annual growth credit to private sector decreased to 1.0% (2.1% in October). Among the components of credit to the private sector, the annual growth rate of loans (adjusted for sales and securitisation) to non-financial corporations decreased to 1.8% in November, from 2.2% in the previous month. The annual growth of loans to households declined to 2.3% in November from to 2.5% in October.

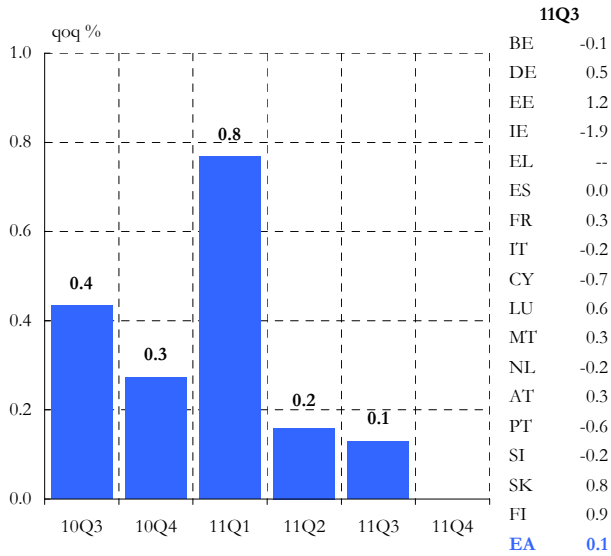
Since November 2011, despite some fluctuations, the euro **exchange rate** has been losing ground, along with weak economic data and persistent tensions in sovereign-bond markets. In mid-January 2012, the euro reached a 11-year low against the Yen (at 97.25 JPY/EUR) and a 16-month low against USD (at 1.267 USD/EUR). In mid-January, the euro recovered somewhat to 1.28 USD and 98.7 JPY (18 January).

As to stock markets, after strong rebound in October (increase of 8.8% on September), **Eurostoxx index** was falling again in November (by -3% on October). Japanese Nikkei was falling by a similar pace in November (-2.6%). Since then (December/January), both Eurostoxx and Dow Jones are rebounding by a comparable 2-3%, while Nikkei is staying broadly flat.

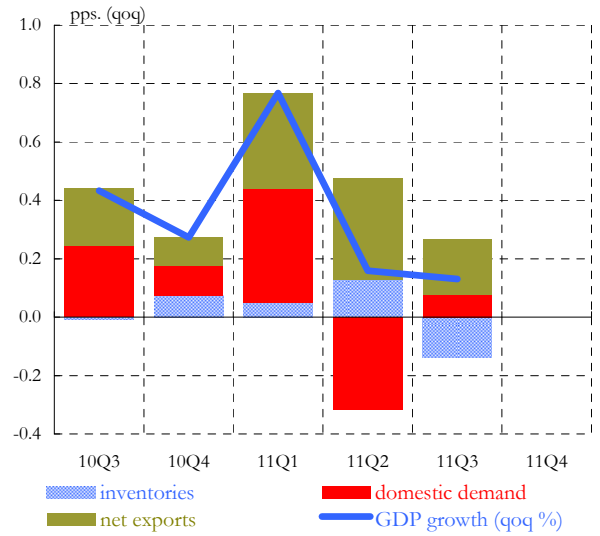


1. OUTPUT

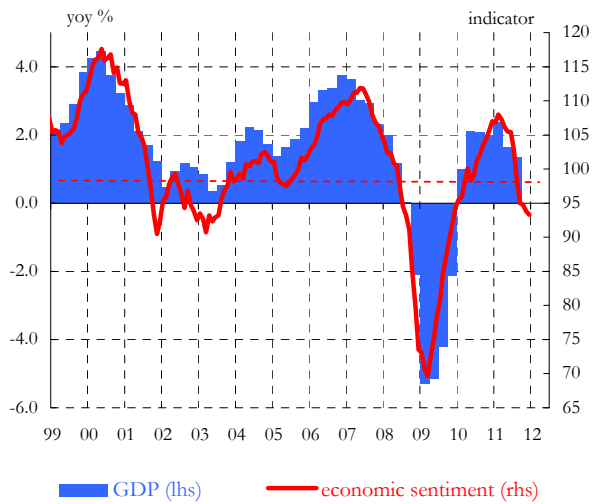
GDP



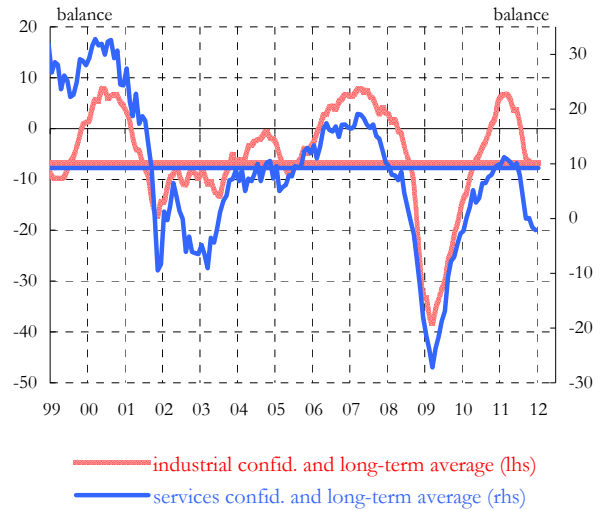
Contributions to GDP growth



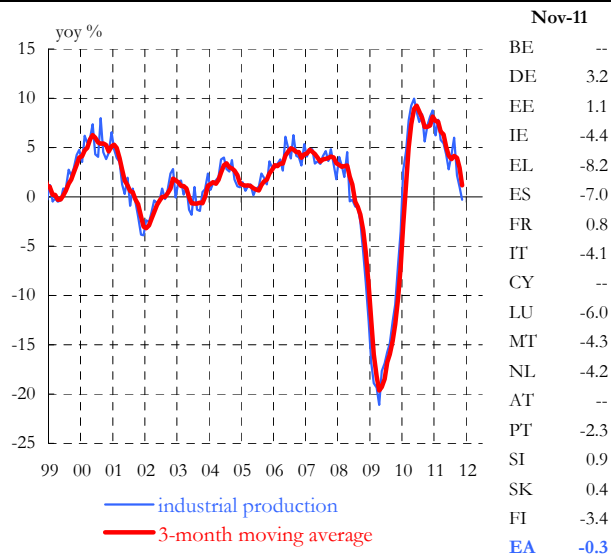
GDP and Economic Sentiment Indicator



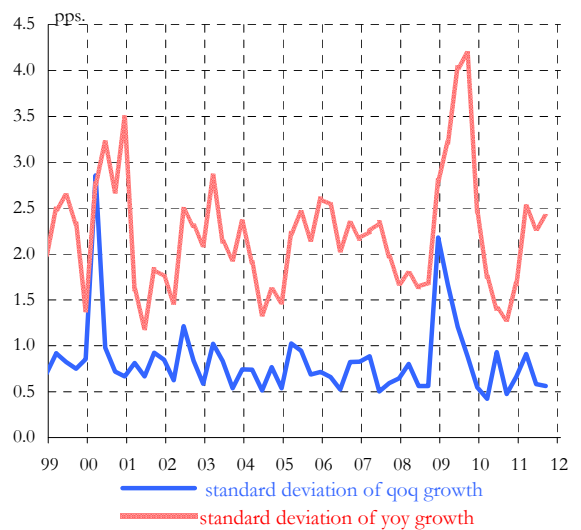
Industrial and services confidence



Industrial production



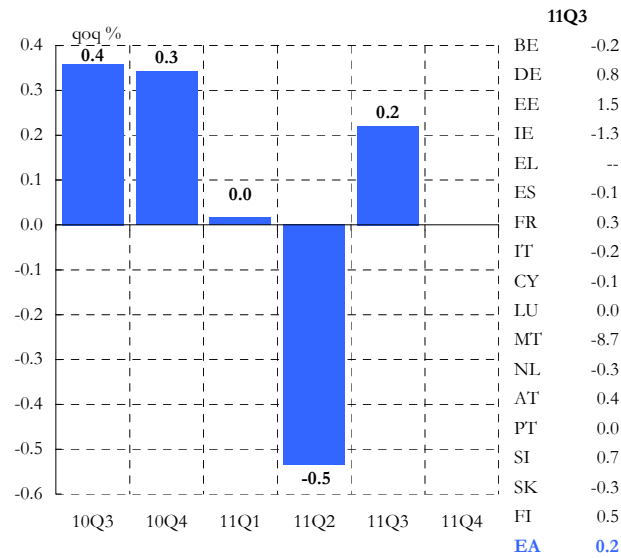
GDP growth divergence, euro area



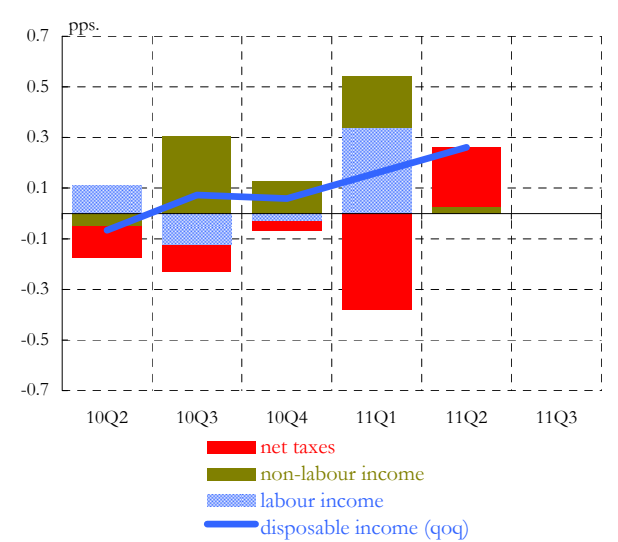


2. PRIVATE CONSUMPTION

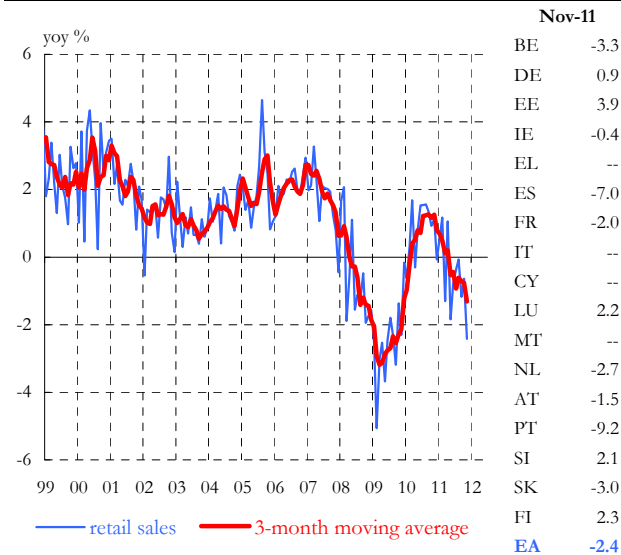
Private consumption



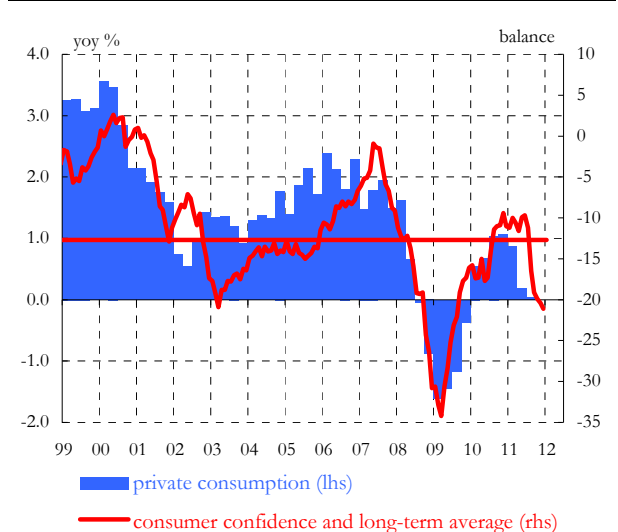
Gross disposable income and its components



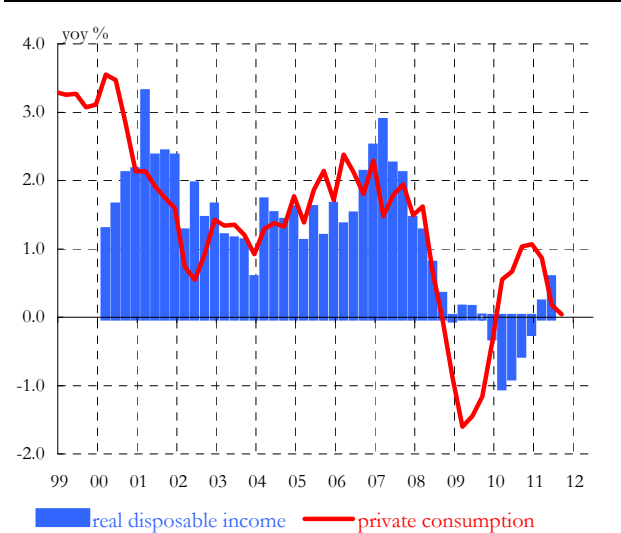
Retail sales



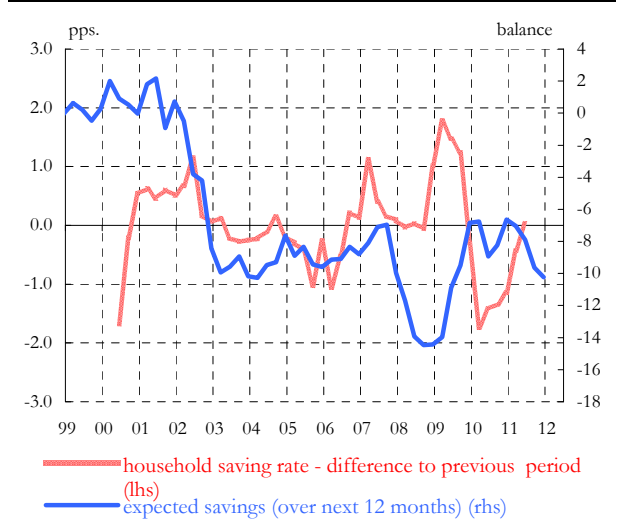
Consumer confidence and private consumption



Households: real disposable income and consumption



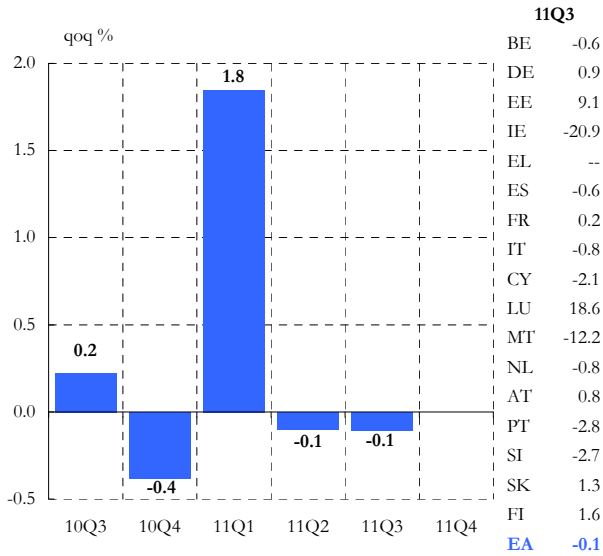
Households: actual saving rate and expected savings



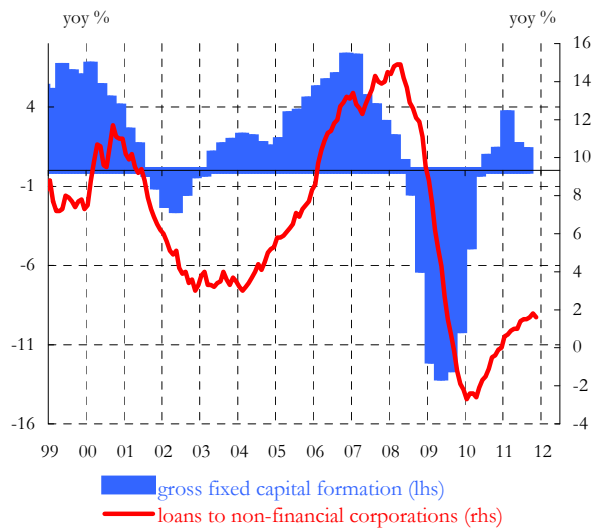


3. INVESTMENT

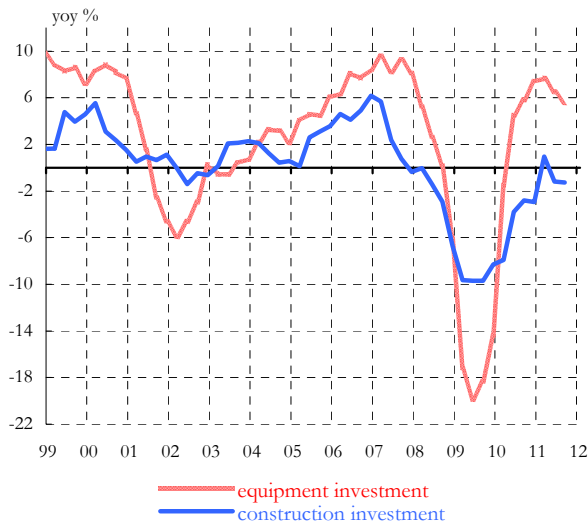
Gross fixed capital formation



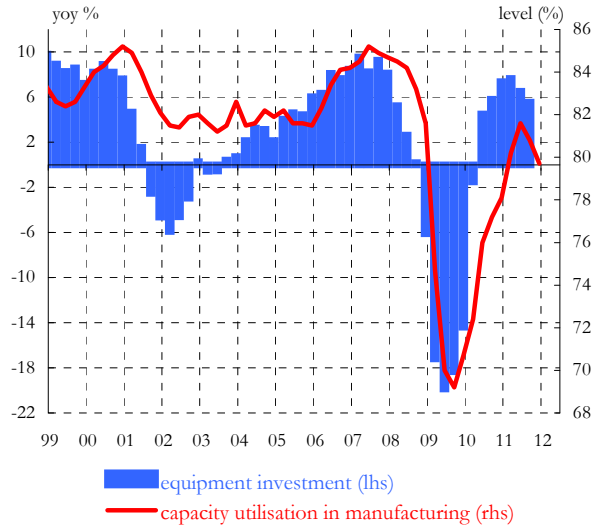
Gross fixed capital formation and corporate loans



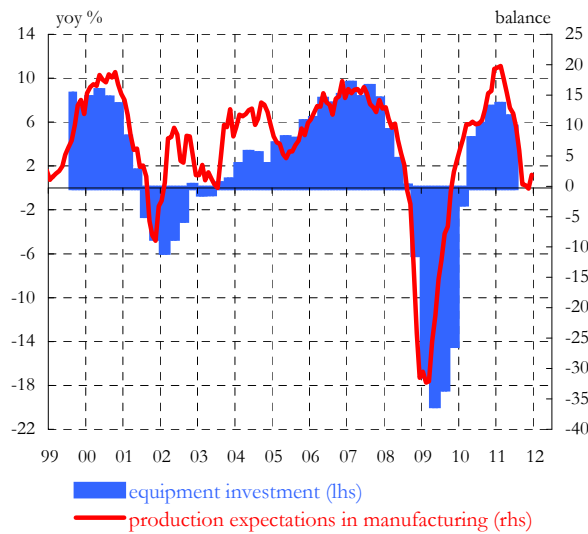
Equipment and construction investment



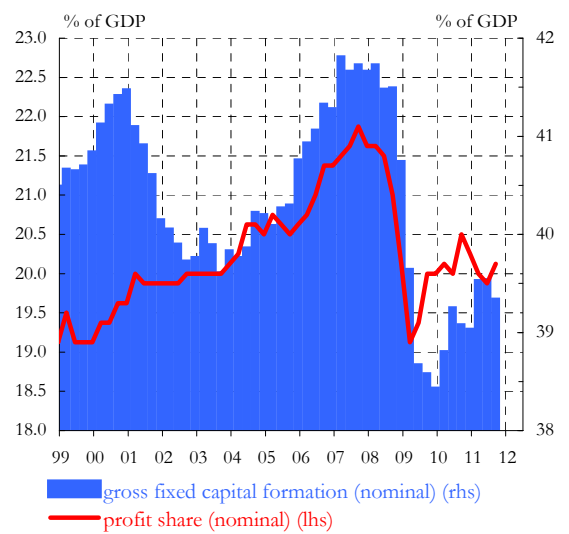
Equipment investment and capacity utilisation



Equipment investment and production expectations



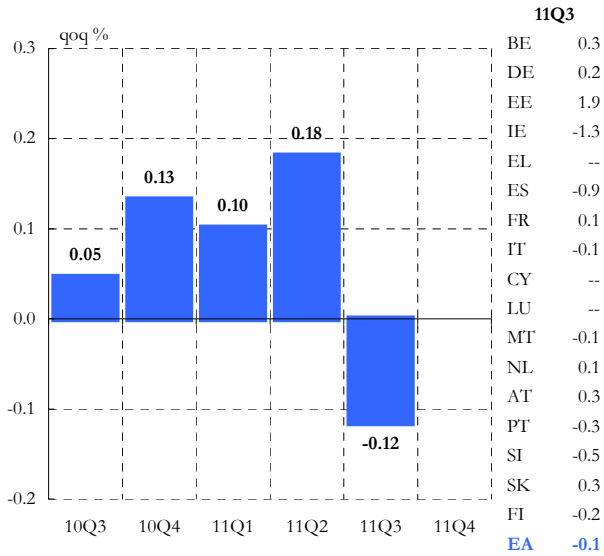
Gross fixed capital formation and profit share



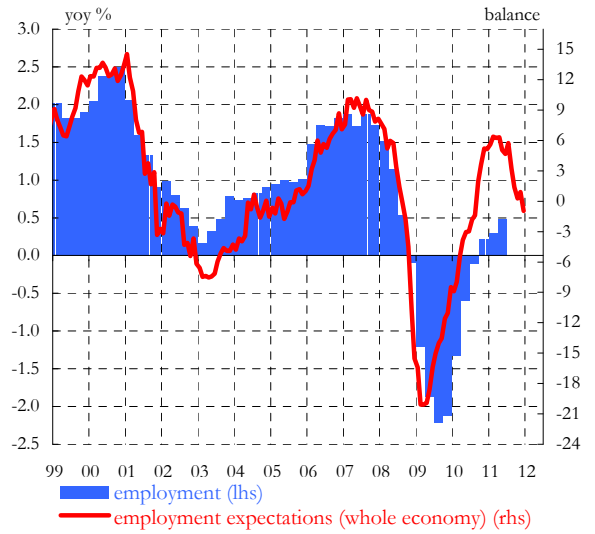


4. LABOUR MARKET

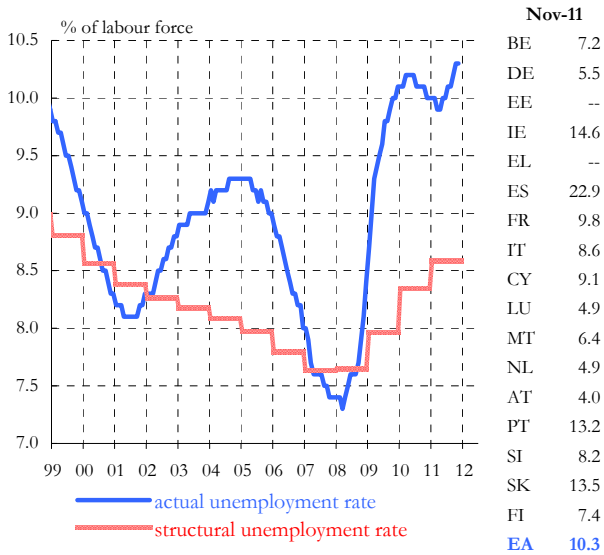
Employment



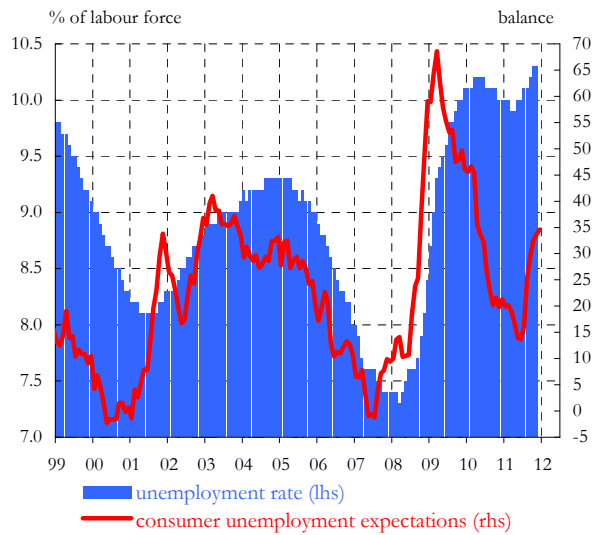
Employment and employment expectations



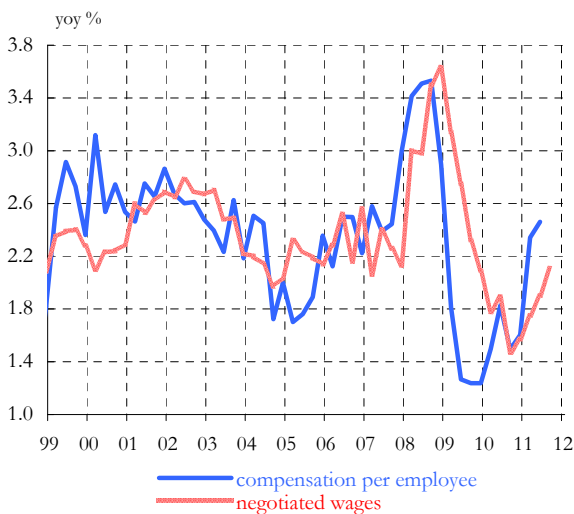
Actual and structural unemployment rate



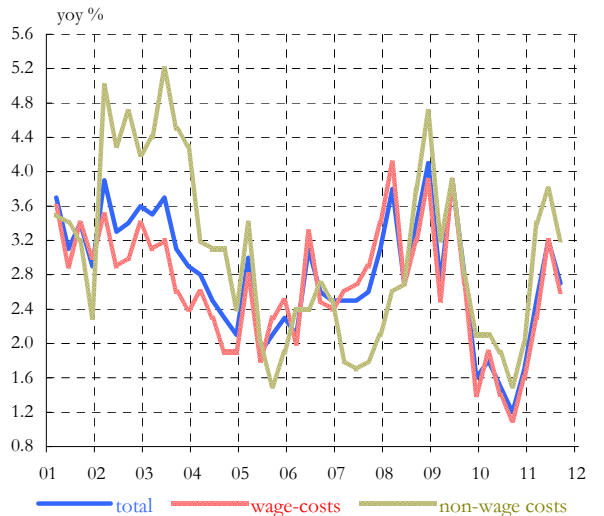
Unemployment rate and unemployment expectations



Compensation per head and negotiated wages (nominal)



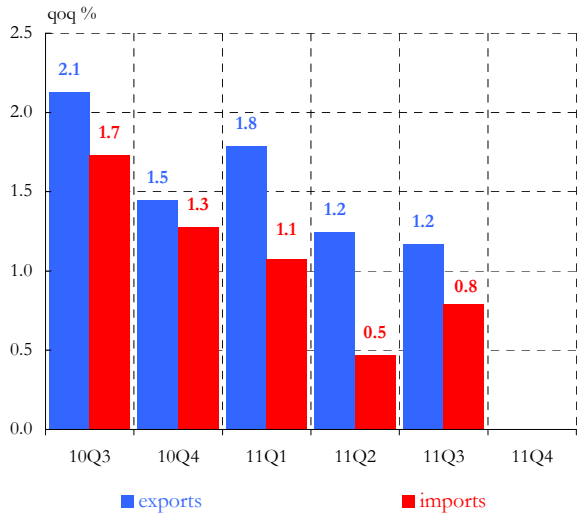
Labour costs in the private business sector (nominal)



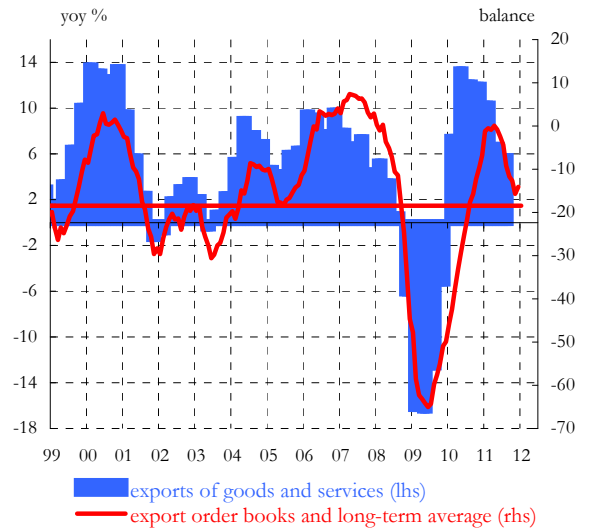


5. INTERNATIONAL TRANSACTIONS

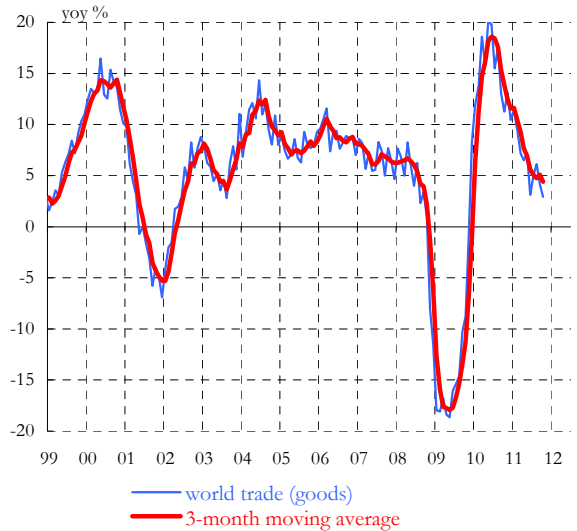
Exports and imports of goods and services



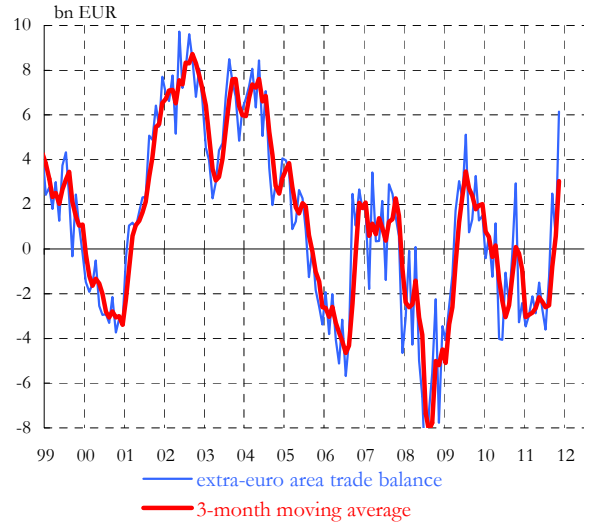
Exports and export order books



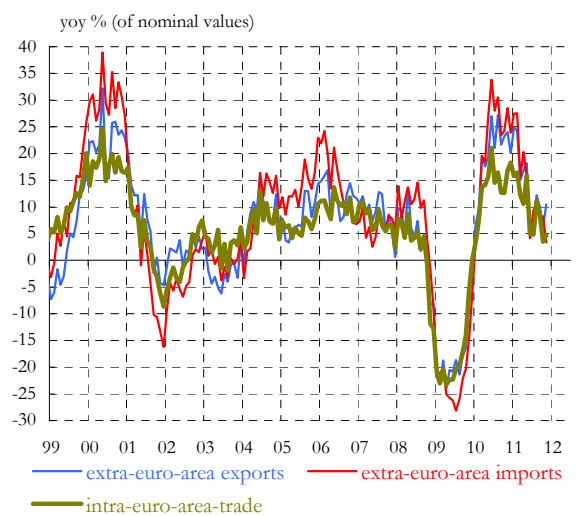
World trade



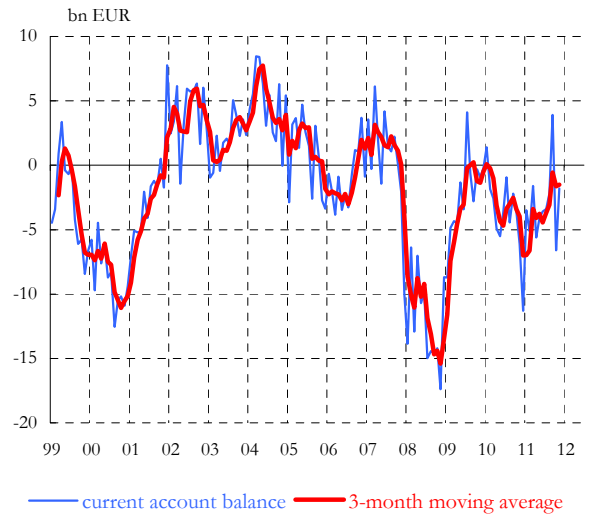
Extra euro-area trade balance



Extra- and intra-euro-area trade



Current-account balance

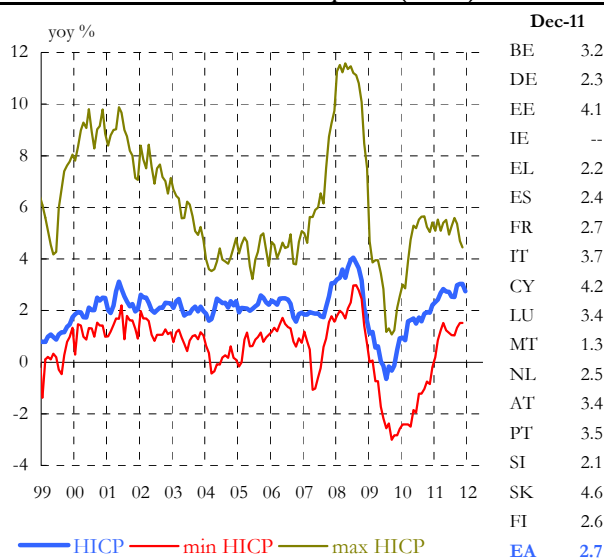




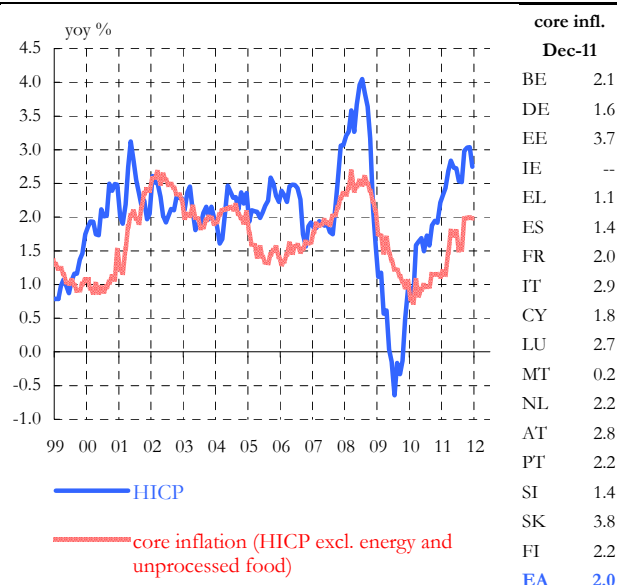


6. PRICES

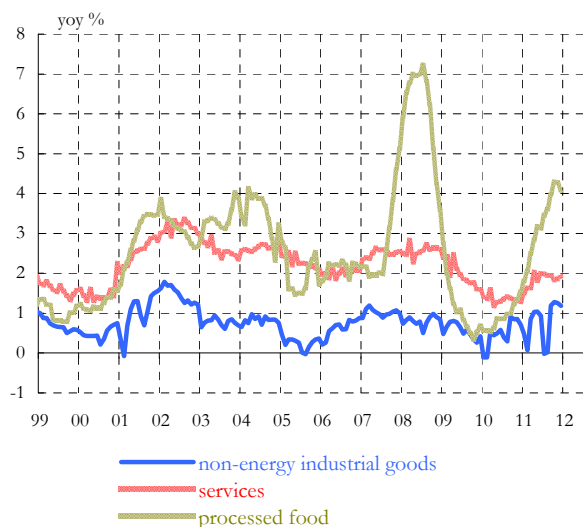
Harmonised index of consumer prices (HICP)



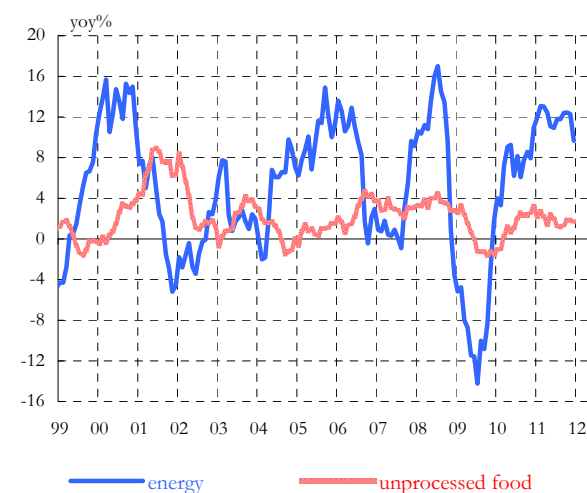
HICP and core inflation



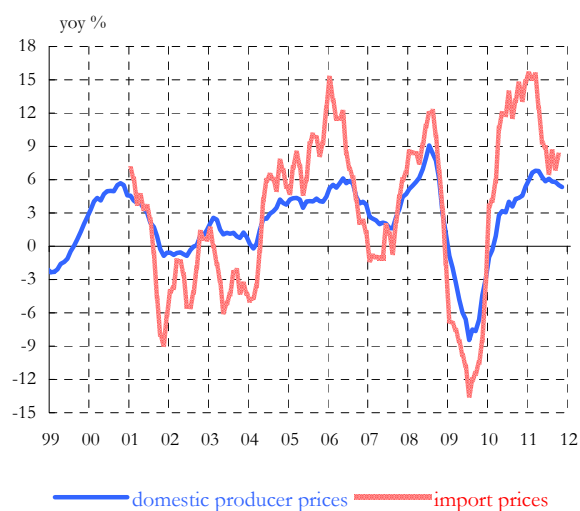
Breakdown of core inflation



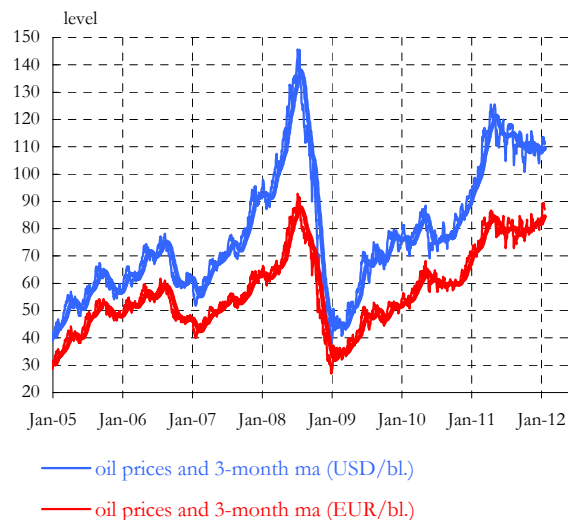
Energy and unprocessed food



Domestic producer prices and import prices



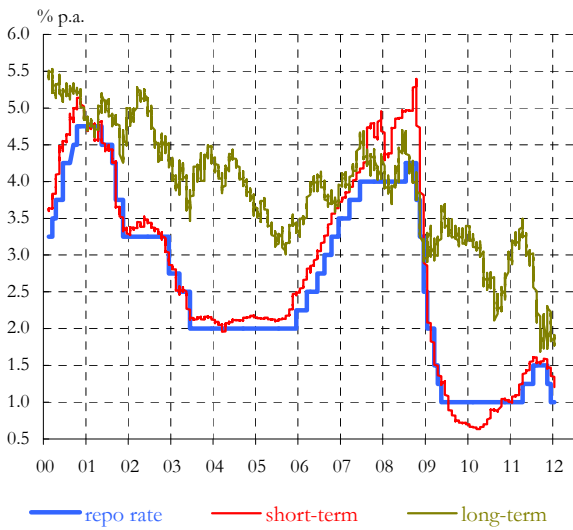
Oil prices



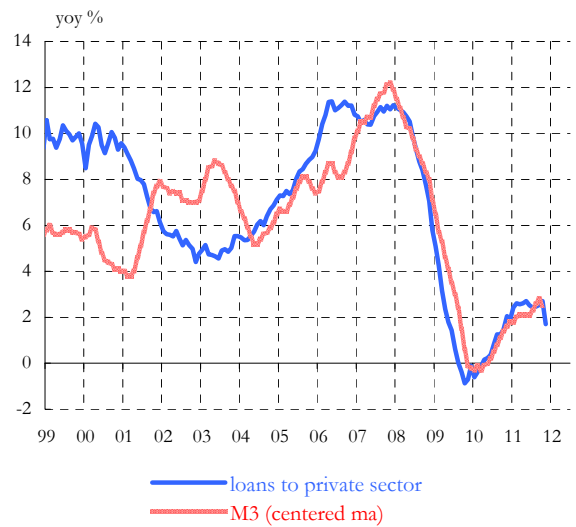


7. MONETARY AND FINANCIAL INDICATORS

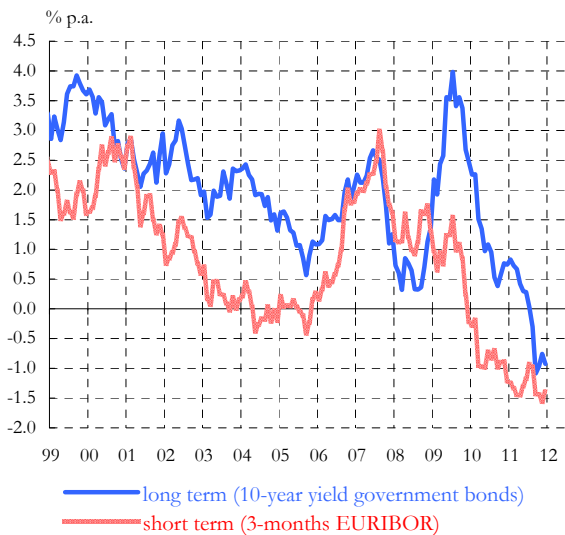
Nominal interest rates



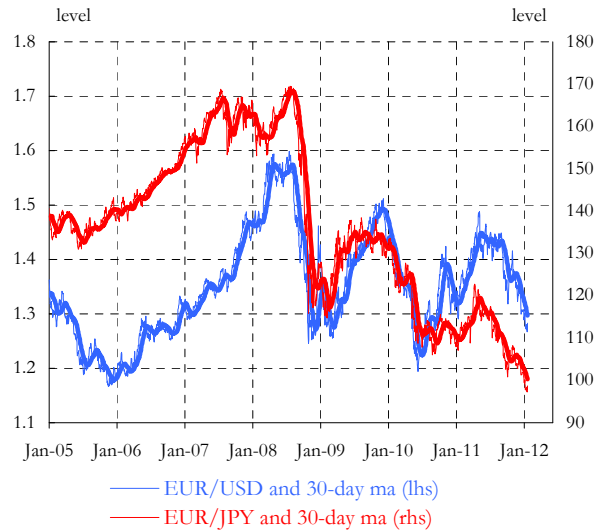
Loans to private sector and money supply



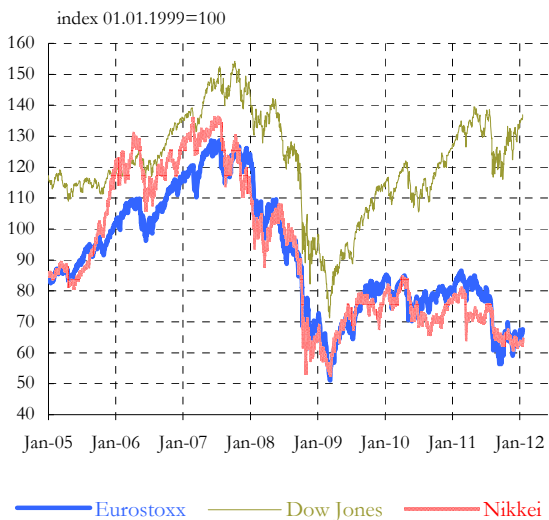
Real interest rates



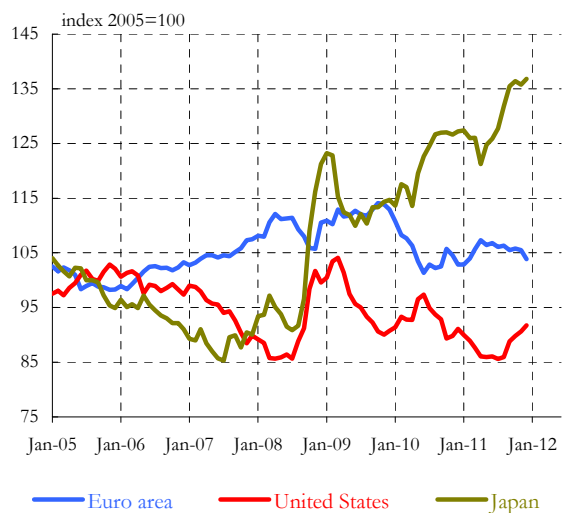
Euro vis-à-vis US dollar and JP yen



Stock market indices



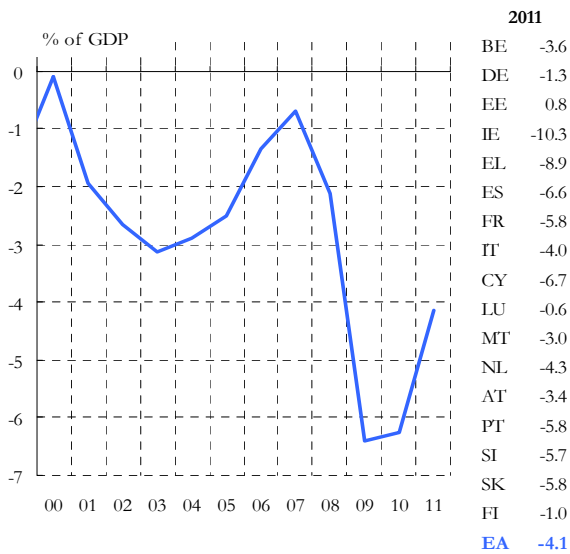
Nominal effective exchange rates



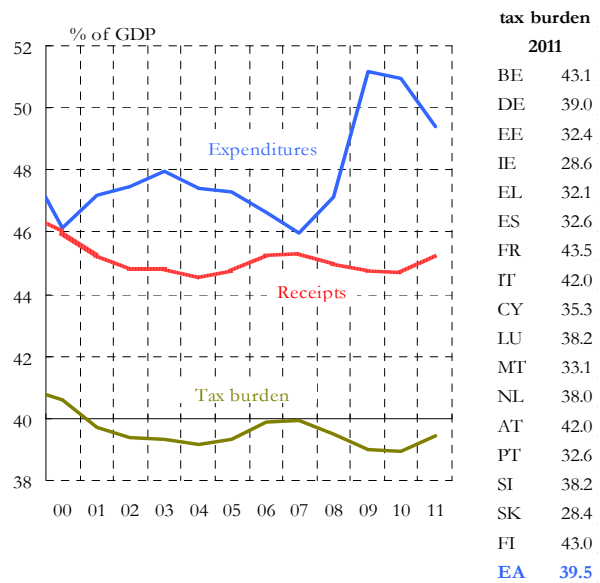


8. Public finances\*

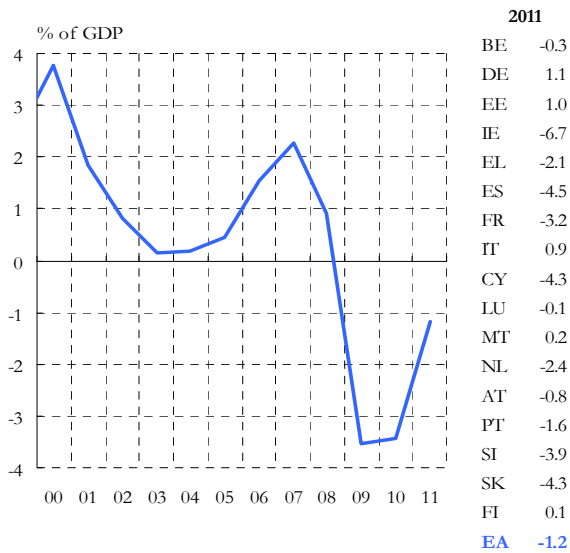
General government balance



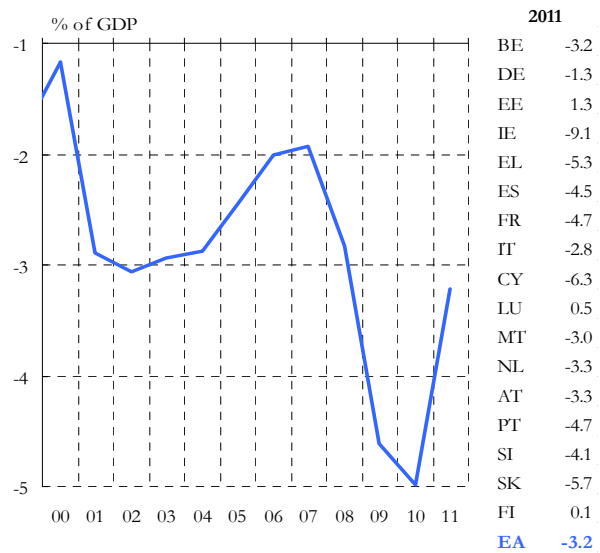
General government expenditure and receipts



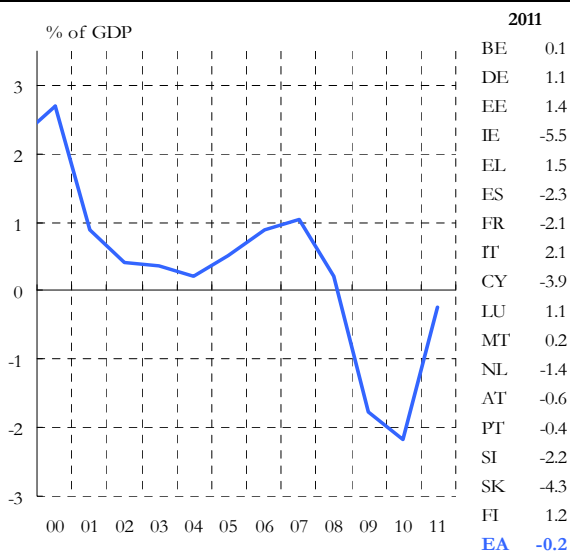
Primary balance



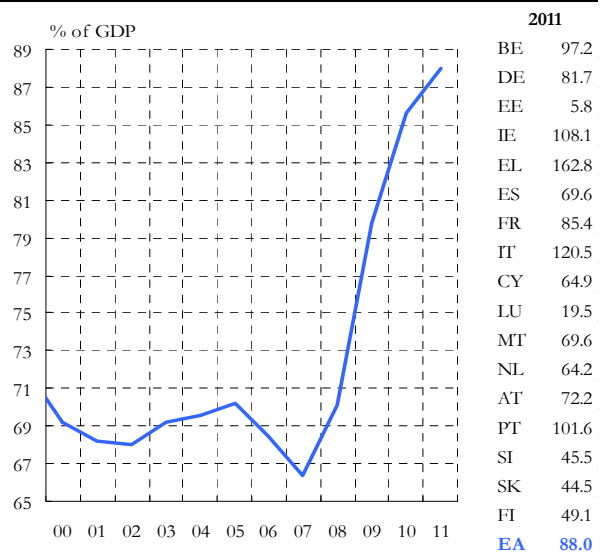
Cyclically adjusted balance



Cyclically adjusted primary balance



General government debt



\* Figures are from the Commission's autumn 2011 forecast

## KEY INDICATORS FOR THE EURO AREA



Euro area	Indicators as from 2011 refer to Belgium (BE), Germany (DE), Estonia (EE), Ireland (IE), Greece (GR), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Luxembourg (LU), Malta (MT), the Netherlands (NL), Austria (AT), Portugal (PT), Slovenia (SI), Slovakia (SK), Finland (FI).	
Indicator	Note	Source
<b>1. Output</b>		
Economic Sentiment Indicator	The economic sentiment indicator is the weighted average (of the industrial confidence indicator (40%), the services confidence indicator (30%), the consumer confidence indicator (20%), the construction confidence indicator (5%) and the retail trade confidence indicator (5%)). Data are seasonally adjusted.	DG ECFIN
Industrial confidence indicator	The industrial confidence indicator is the arithmetic average of the balances (%) referring to the questions on production expectations, order books and stocks (the latter with inverted sign) from the survey of manufacturing industry. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Services confidence indicator	The services confidence indicator is the arithmetic average of the balances (%) referring to the questions on business situation and recent and expected evolution of demand from the survey of services. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Industrial production	Monthly Production Index (2005=100), NACE Rev.2 B-C-D, Total industry (excluding construction). Mom % ch. and qoq% ch. are seasonally adjusted, yoy% ch. are working-day adjusted.	Eurostat
Gross domestic product	Gross domestic product at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Labour productivity	Labour productivity defined as the difference between GDP growth and employment growth.	Eurostat
GDP divergence	Standard deviation of GDP growth of the following countries: BE, DE, ES, FR, IT, CY, LU, NL, AT, PT, SI, FI.	Eurostat
<b>2. Private consumption</b>		
Consumer confidence indicator	The consumer confidence indicator is the arithmetic average of the balances (%) referring to the questions on the financial situation of households, general economic situation, unemployment expectations (with inverted sign) and savings; all over next 12 months. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Retail confidence indicator	The retail confidence indicator is the arithmetic average of the balances (%) referring to the questions on the present and the future business situation and the volume of stocks (with inverted sign). The long-term average refers to the period from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Private consumption	Household & NPISH final consumption expenditure at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Retail sales	Retail trade (NACE Rev.2 G47) excluding motor vehicles, motorcycles; Deflated turnover, mom % ch. and qoq% ch. are seasonally adjusted, yoy% ch. are working-day adjusted.	Eurostat
<b>3. Investment</b>		
Capacity utilisation	In percent of full capacity in the manufacturing sector. Data are seasonally adjusted (collected in January, April, July and October).	DG ECFIN
Production expectations	Production expectations in manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Gross fixed capital formation	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Equipment investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year 2000), EUR, metal products, machinery and transport equipment. Data are seasonally and working-day adjusted.	Eurostat
Construction investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year 2000), EUR, construction work and housing. Data are seasonally and working-day adjusted.	Eurostat
Change in stocks	Changes in inventories and acquisitions less disposals of valuables (at prices of previous year).	Eurostat
Profit share	Ratio of nominal gross operating surplus and gross mixed income to nominal GDP	Eurostat

## KEY INDICATORS FOR THE EURO AREA



4. Labour market		
Employment expectations (manufacturing)	Managers' employment expectations over the next three months in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Employment expectations (services)	Managers' employment expectations over the next three months in the services sector. Data are seasonally adjusted.	DG ECFIN
Employment expectations (whole economy)	Weighted average of managers' employment expectations over the next three months in the manufacturing (19%), services (65%), construction (6%) and retail sectors (10%). Weights in brackets according to value-added share on GDP of the respective sector. Data are seasonally adjusted.	DG ECFIN
Employment	Total domestic employment (number of persons). Data are seasonally and working-day adjusted.	Eurostat
Compensation of employees per head	Nominal compensation of employees divided by the number of employees. Data are seasonally and working-day adjusted.	DG ECFIN
Unemployment expectations	Consumers' unemployment expectations over the next twelve months. Data are seasonally adjusted.	DG ECFIN
Unemployment rate	Harmonised unemployment rate (in percent of labour force), ILO definition. Data are seasonally adjusted.	Eurostat
Structural unemployment rate	Non-accelerating inflation rate of unemployment. Data are seasonally adjusted.	OECD
Total labour costs	Nominal wage- and non-wage costs less subsidies in the private business sector. Data are seasonally and working-day adjusted.	Eurostat
Wage costs	Nominal wage and salary costs include direct remunerations, bonuses, and allowances, payments to employees saving schemes, payments for days not worked and remunerations in kind. Data are seasonally and working-day adjusted.	Eurostat
Non-wage costs	Nominal non-wage costs include the employers' social contributions plus employment taxes less subsidies. Data are seasonally and working-day adjusted.	Eurostat
Labour productivity	Ratio between GDP and employment. Data are seasonally and working-day adjusted.	DG ECFIN
5. International transactions		
World trade	Volume, 1998=100, seasonally adjusted	CPB
Export order books	Managers' export order expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Extra-euro area exports	Nominal extra-euro area exports of goods, fob. Data are seasonally adjusted.	Eurostat
Extra-euro area imports	Nominal extra-euro area imports of goods, cif. Data are seasonally adjusted.	Eurostat
Extra-euro area trade balance	Difference between extra-euro area exports and extra-euro area imports. Data are seasonally adjusted.	Eurostat
Intra-euro area trade	Nominal intra-euro area trade in goods, fob. Data are seasonally adjusted.	Eurostat
Current-account balance	Transactions in goods and services plus income and current transfers between residents and non-residents of the euro area. Data are seasonally and working-day adjusted.	ECB
Exports of goods and services	Exports of goods and services at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Imports of goods and services	Imports of goods and services at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Direct investment	Nominal transactions/positions in assets abroad by euro-area residents less nominal transactions/positions in euro-area assets by non-residents. To be regarded as a direct investment, ownership in an enterprise must be equivalent to more than 10% of the ordinary shares or voting power.	ECB
Portfolio investment	Nominal transactions/positions in securities (including equities) abroad by euro-area residents less nominal transactions/positions in euro-area securities (including equities) by non-residents. To be regarded as a portfolio investment, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.	ECB

## KEY INDICATORS FOR THE EURO AREA



6. Prices		
HICP	Harmonized index of consumer prices (index 2005=100)	Eurostat
Core HICP	HICP excluding energy and unprocessed food (index 2005=100)	Eurostat
Producer prices	Domestic producer price index, total industry excluding construction (index 2005=100)	Eurostat
Selling price expectation	Managers' selling-price expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Import prices	Unit value index of imports, Current Prices (index 2000=100)	Eurostat
Oil prices	Price of north sea Brent in USD/barrel and EUR/barrel	ICE
Non-energy commodity prices	Market price for non-fuel commodities in EUR terms (index 2000c=100)	HWWI
7. Monetary and financial indicators		
Nominal interest rate (3-month)	3-month EURIBOR interbank rate (360 day)	ECB/Ec owin
Nominal interest rate (10-year)	10-year interest rate on government bonds for euro area (based upon the 10-year German government bond)	ECB/Ec owin
ECB repo rate	Minimum bid rate of main refinancing operations, end of period.	ECB/Ec owin
Money demand (M3)	Monetary aggregate including currency in circulating (banknotes and coins), operational deposits in central bank, money in current accounts, saving accounts, money market deposits, certificates of deposit, all other deposits and repurchase agreements. Data are seasonally adjusted.	ECB
Loans to private sector	Loans by MFI (monetary and financial institutions) to euro area residents (excl government). Data are seasonally adjusted.	ECB
Real long-term interest rates	Nominal interest rate (10-year) deflated by HICP index	DG ECFIN
Real short-term interest rates	Nominal interest rate (3-month) deflated by HICP index	DG ECFIN
Stock markets	Eurostoxx50, Dow Jones and Nikkei indices (1.1.1999=100)	Ecwin
Exchange rates	EUR/USD and EUR/JPY reference rates	ECB
Nominal effective exchange rate	Graph – Monthly Nominal Effective Exch. Rates vs. rest of IC36 (index 2005 = 100) Table - ECB Nominal effective exch. rate, euro area-17 countries vis-à-vis the EER-20 group of trading partners against Euro	DG ECFIN/ ECB
8. Public finance		
General government balance	Net lending (+) or net borrowing (-) of general government	DG ECFIN
Primary government balance	Net lending (+) or net borrowing (-) of general government minus interest payment	DG ECFIN
Cyclically adjusted balance	Net lending (+) or net borrowing (-) of general government corrected for the influence of the business cycle	DG ECFIN
Cyclically adjusted primary balance	Primary government balance corrected for the influence of the business cycle	DG ECFIN
General government expenditures and receipts	Nominal expenditures and receipts; tax burden includes taxes on production and imports (incl. taxed paid to EU), current taxes on income and wealth (direct taxes) and actual social contributions	DG ECFIN
General government debt	Cumulative sum of net lending (+) or net borrowing (-) positions of general government	DG ECFIN