

# KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

## Key indicators for the euro area

this update: 19 January 2006

next update: 9 February 2006

		2002	2003	2004	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
<b>1 Output</b>										
Industrial confidence <sup>1.1</sup>	Balance	-12	-11	-5	-8	-8	-7	-6	-7	-5
Industrial production <sup>1.2</sup>	mom % ch.	-0.7	0.5	2.0	0.1	0.8	-0.2	-0.7	1.3	
		2002	2003	2004	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3
Gross domestic product <sup>1.3</sup>	qoq % ch.				0.4	0.3	0.2	0.3	0.4	0.6
<b>2 Private consumption</b>										
Consumer confidence <sup>2.1</sup>	Balance	-11	-18	-14	-15	-15	-15	-13	-13	-11
Retail sales <sup>2.2</sup>	mom % ch.	1.1	0.1	0.2	-0.7	1.0	-0.7	0.2	-0.1	
		2002	2003	2004	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3
Private consumption <sup>2.3</sup>	qoq %ch.	0.6	1.1	1.6	0.1	0.2	0.8	0.2	0.2	0.3
<b>3 Investment</b>										
Capacity utilization <sup>3.1</sup>	%	81.2	80.7	81.6	81.1	82.0	82.1	81.9	81.1	80.9*
Gross fixed capital formation <sup>3.2</sup>	qoq % ch.	-2.0	0.9	2.3	0.2	0.4	0.6	0.1	0.9	1.3
Change in stocks <sup>3.3</sup>	% of GDP	-0.1	0.0	-0.1	-0.2	0.1	0.1	0.0	0.1	0.1
<b>4 Labour market</b>										
Unemployment <sup>4.1</sup>	%	8.2	8.4	8.9	8.5	8.4	8.3	8.3	8.3	
		2002	2003	2004	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3
Employment <sup>4.2</sup>	yoy % ch.	0.7	0.3	0.7	0.6	0.7	0.8	0.6	0.6	0.6
Shortage of labour <sup>4.3</sup>	%	3.8	2.5	2.4	2.5	2.3	2.1	2.2	2.0	2.1
Wages <sup>4.4</sup>	yoy % ch.	2.9	2.5	2.2	2.3	2.0	2.0	2.2		
<b>5 International transactions</b>										
Export order books <sup>5.1</sup>	Balance	-22	-24	-13	-18	-18	-17	-15	-14	-12
World trade <sup>5.2</sup>	Index	125	132		156	160				
Exports of goods <sup>5.3</sup>	Bn. EUR	776.9	1038.6	1142.1	103.0	106.7	107.3	104.9		
Imports of goods <sup>5.4</sup>	Bn. EUR	781.6	970.4	1069.1	102.0	106.5	105.1	106.0		
Trade balance <sup>5.5</sup>	Bn. EUR	-4.7	68.2	73.0	1.0	0.2	2.2	-1.2		
		2002	2003	2004	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3
Exports of goods and services <sup>5.6</sup>	qoq % ch.	2.1	0.6	5.9	2.7	1.3	0.4	-0.7	2.2	3.3
Imports of goods and services <sup>5.7</sup>	qoq % ch.	0.5	2.6	6.1	2.7	2.5	1.4	-1.3	2.5	2.8
		2002	2003	2004	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
Current account balance <sup>5.8</sup>	Bn. EUR	44.9	18.1	42.1	-3.2	-5.0	-3.3	-9.2		
Direct investment (net) <sup>5.9</sup>	Bn. EUR	-11.0	-18.4	-39.7	-80.1	-15.0	2.2	-0.9		
Portfolio investment (net) <sup>5.10</sup>	Bn. EUR	64.4	-9.4	39.0	73.7	-19.5	14.3	-5.1		
<b>6 Prices</b>										
HICP <sup>6.1</sup>	yoy % ch.	2.3	2.1	2.2	2.2	2.2	2.6	2.5	2.4	2.2
Core HICP <sup>6.2</sup>	yoy % ch.	2.5	2.0	2.1	1.4	1.4	1.5	1.5	1.5	1.4
Producer prices <sup>6.3</sup>	yoy % ch.	1.7	1.6	2.3	4.1	4.0	4.4	4.2	4.2	
Import prices <sup>6.4</sup>	Index	97.9	102.5	97.2	106.8	109.1	109.1			
<b>7 Monetary and financial indicators</b>										
Interest rate (3 months) <sup>7.1</sup>	% p.a.	3.3	2.3	2.1	2.1	2.1	2.1	2.2	2.4	2.5
Bond yield (10 years) <sup>7.2</sup>	% p.a.	4.8	4.1	4.1	3.2	3.3	3.1	3.3	3.5	3.4
ECB repo rate <sup>7.3</sup>	% p.a.	3.25	2.75		2.00	2.00	2.00	2.00	2.25	2.25
Stock markets <sup>7.4</sup>	Index	3053	2420	2805	3268	3303	3352	3344	3405	3548
M3 <sup>7.5</sup>	yoy % ch.	5.6	7.8	5.9	7.9	8.2	8.2	8.0		
Credit to private sector (loans) <sup>7.6</sup>	yoy % ch.	7.7	5.0	6.0	8.3	8.4	8.7	8.9	9.0	
Exchange rate USD/EUR <sup>7.7</sup>	Value	0.95	1.13	1.24	1.20	1.23	1.23	1.20	1.18	1.19
Nominal effective exchange rate <sup>7.8</sup>	Index	95.1	106.4	109.8	108.3	109.1	108.5	108.2	107.6	107.8

European Communities, 2004. [http://europa.eu.int/comm/economy\\_finance/indicators/key\\_euro\\_area/keyeuroarea\\_en.htm](http://europa.eu.int/comm/economy_finance/indicators/key_euro_area/keyeuroarea_en.htm)



## Comments

### 1. Output

The Commission's **industrial confidence** indicator increased by 2 points in December. The upward path, which began towards the end of the second quarter of 2005, appears to be sustained. The improvement in the indicator was reflected in all the components. The strong improvement in order books suggests that confidence will continue to strengthen in the coming months.

**Industrial production** in the euro area rose by 1.3% in November. On an annual basis, industrial production increased by 2.6% vis-à-vis the same period in 2004. In November compared to October, production increased in all sectors except in non-durable consumer goods. The largest rise was registered in the energy sector.

Eurostat's second estimate of **gross domestic product** for the third quarter of 2005 shows an increase of 0.6% over the previous quarter. In comparison with the same quarter of the previous year, GDP grew by 1.6%.

The **Commission's new dynamic factor model** for quarterly euro-area GDP growth was introduced in January 2006. The model predicts GDP growth in the range of 0.4% to 0.8% for the last and the current quarter and 0.4% to 0.9% for the second quarter of 2006.

### 2. Private consumption

The **consumer confidence** indicator improved by two points in December. For the first time in more than three years, the indicator is above its long-term average. The positive developments are reflected in almost all the components of the indicator. Consumers expect a slight improvement in their own financial situation, an even stronger strengthening of the general economic situation and a much more positive development of unemployment.

In November 2005, compared to the previous month, the volume of **retail sales** fell by 0.1%. Vis-à-vis the same period in 2004, retail sales grew by 0.3%.

**Private consumption** increased by 0.3% in the third quarter of 2005 (q-o-q), after a 0.2% rise in the previous quarter. On an annual basis, household final consumption expenditure increased by 1.5%.

### 3. Investment

**Gross fixed capital formation** rose by 1.3% in the third quarter of 2005 (q-o-q), after a rise of 0.9% in the previous quarter. On an annual basis, investment increased by 2.9%, compared to a 1.9% rise in the second quarter. The change in **stocks** as a percentage of GDP amounted to 0.1% in the third quarter of 2005. According to the quarterly survey, **capacity utilisation** in the manufacturing sector increased to 81.2% in the fourth quarter of 2005. This is slightly below the average for the last two years.

### 4. Labour market

In November 2005, the **unemployment** rate stood at 8.3%, unchanged from October, and 0.5 pp lower than one year ago.

Total **employment** in the euro area rose by 0.6% (y-o-y) in the third quarter of 2005, unchanged from the previous quarter. The growth rate registered one year previously was 0.7%. According to the Business and Consumer Surveys' data, employment expectations improved by two points in December.

The level of **labour shortages** increased by 0.1 pp in the third quarter of 2005: 2.1% of firms reported that unfilled job openings were constraining production.

### 5. International transactions

The assessment of **export order books** in manufacturing improved by two points in December to -12. The estimate of the **trade balance** for the euro area revealed a 1.2 bn euro deficit in October 2005, compared to a revised surplus of 2.2 bn euro in the previous month. The fall in the trade balance was the result of an increase in **imports of goods** (+0.9 bn euro) and a decline in **exports of goods** (+2.4 bn euro). In the third quarter of 2005, **exports of goods and services** (in volume terms) were up by 3.3%, while **imports** rose by 2.8% (q-o-q). Compared to one year earlier, exports and imports rose by 5.2% and 5.4%, respectively.

The seasonally-adjusted **current account** of the euro area showed a deficit of 9 bn euro in October 2005 (corresponding to a deficit of 9.2 bn euro in non seasonally-adjusted terms). This reflected deficits in income (7.4 bn euro) and current transfers (4.4 bn euro), which were only partly



offset by a surplus in services (2.6 bn euro). The goods account was close to balance.

In the **financial account**, combined direct and portfolio investment recorded net outflows of 6 bn euro in October 2005, reflecting net outflows in both **portfolio investment** (5 bn euro) and **direct investment** (1 bn euro).

## 6. Prices

In December 2005 the euro area annual **HICP inflation** rate decreased to 2.2%, down from 2.3% in November. The impact of higher energy prices (oil, petrol) remained the key determinant of keeping the inflation rate at that level despite some easing in the annual inflation rate of energy prices up to mid-December. In December, the highest annual inflation rates were recorded for housing (5.1%), transport (4.5%), and alcohol and tobacco (2.7%), whereas a decline was observed for communication (-2.8%). The largest absolute contributions to the HICP inflation rate were energy-price related. They stemmed from fuels for transport (annual increase of 11.2%), heating oil (25.2%) and gas (13.3%) that accounted for 0.36, 0.18 and 0.15 percentage points of HICP inflation, respectively. The **core inflation** rate (HICP excluding energy and unprocessed food) was 1.4%, down from 1.5% in November 2005.

In mid-January, increases in **oil prices** (Brent spot) reflected heightened supply concerns related to separate developments in Nigeria and Iran. Although oil prices stood at the highest level in more than three months, they were still off the record high hit in late August after Hurricane Katrina.

In November 2005, **producer price** inflation stood unchanged at 4.2%. Among the main components, the highest annual inflation rate was recorded for energy (14.8%), while producer prices excluding energy prices and construction increased at an annual rate of 1.4% suggesting that the indirect effects of higher energy prices have remained limited.

## 7. Monetary and financial indicators

On 1 December 2005 the ECB Governing Council decided to raise policy interest rates by 25 basis points. The minimum bid rate on the main refinancing operations of the Eurosystem was raised from 2% to 2.25%. The first change in interest rates since June 2003 had been prepared for some time and following the pre-announcement

on 18 November markets had already priced in the rate hike. Following a strong increase in November, in December 2005 the **three-month money market rate** stood in a narrow interval (between 2.45 and 2.50) before shifting upwards moderately in the first two weeks of January 2006. The level of money market rates in mid-January indicated that financial markets priced in another increase in policy interest rates in the coming months. **Government bond yields** decreased in December by about 20 bp and stood at around 3.3% in mid-January. As a result the **yield curve** (as measured by the difference between long-term yields and three-month interest rates) has flattened since early December 2005.

**M3 growth** slowed in November but remained at a relatively high level. The annual growth rate declined to 7.6%, from 8.0% in September. The three-month moving average of M3 lowered to 8.0% in the period September to November. The most liquid components slowed slightly with M1 growth decelerating to 10.6% in November, while the annual growth rate of currency in circulation slowed to 14.6%. The very low level of interest rates remained a key determinant of monetary developments. The annual rate of **credit growth (loans)** to the private sector increased from a revised rate of 8.9% in October to 9.0% in November. Lending for house purchases grew even stronger in response to low mortgage interest rates and house price dynamics (+11.2% in November 2005).

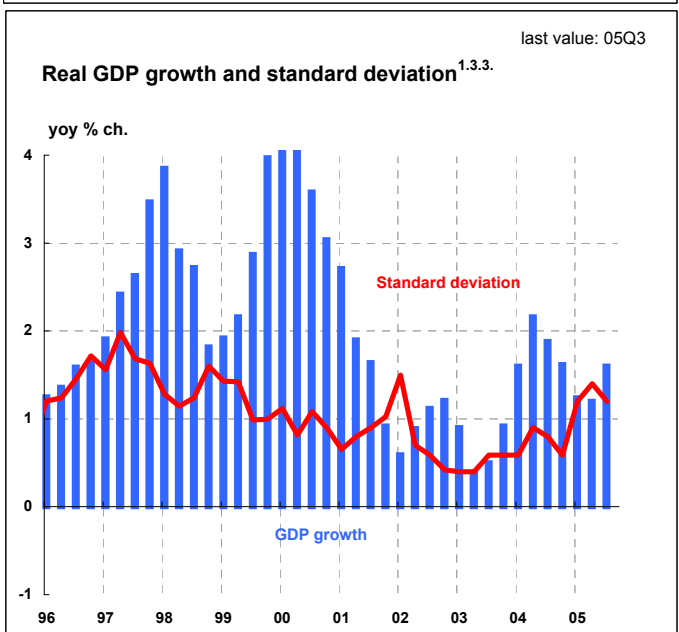
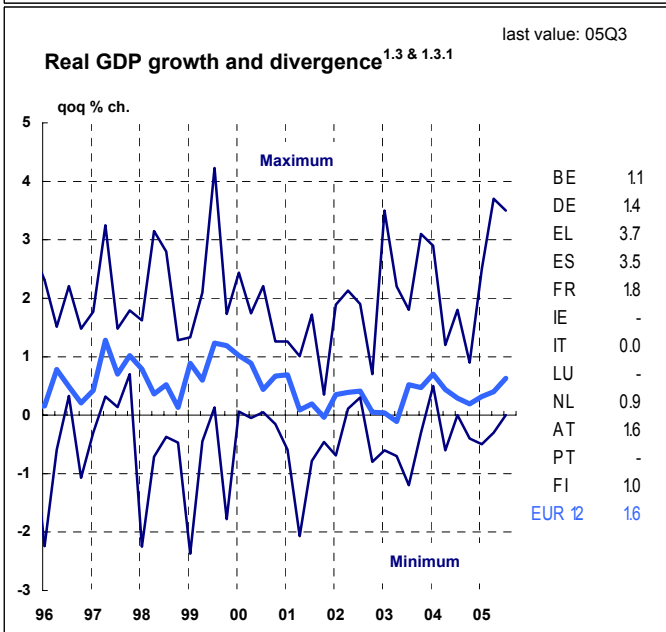
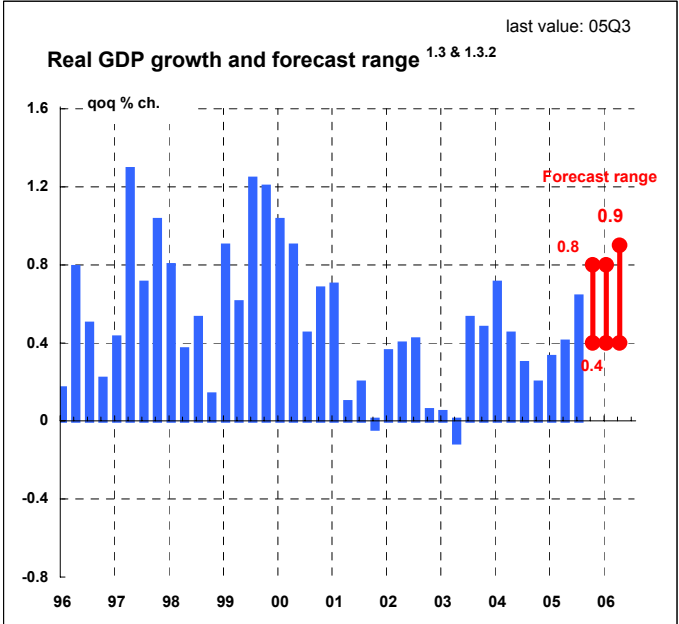
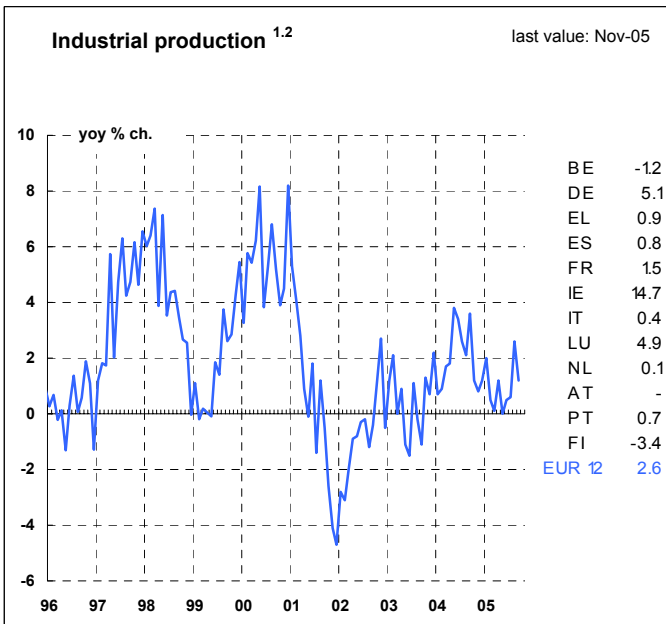
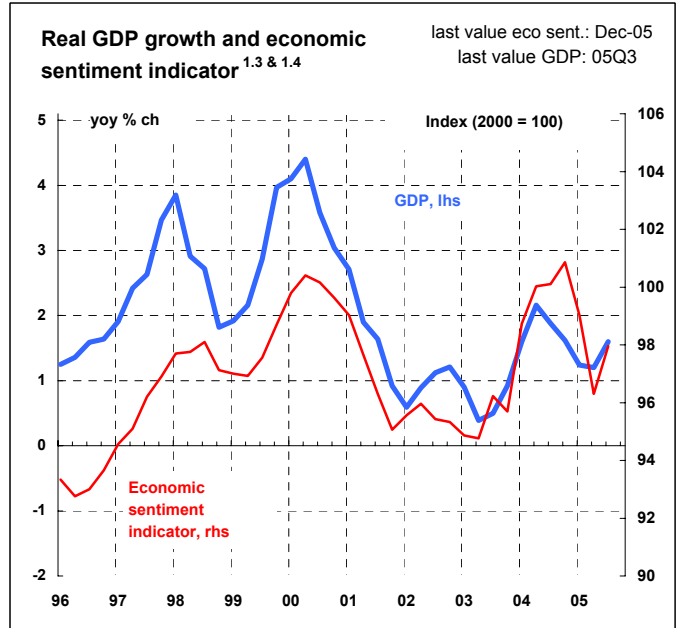
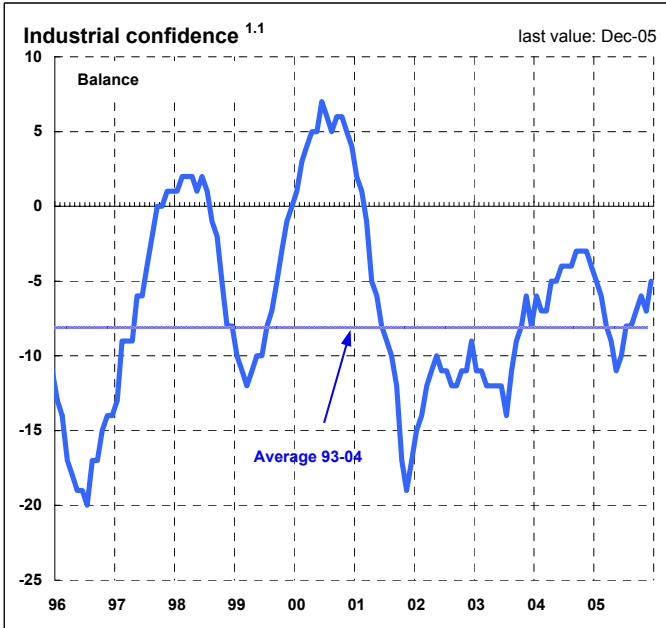
The **euro exchange rate** moved within a narrow band in December before the euro appreciated slightly in early January. In mid-January the euro stood at around 1.21 US dollar. Mainly the interest rate differential, but also assessments of the outlook for the US and the euro area economies and expectations about future hikes in policy interest rates on both sides of the Atlantic were among the determinants of exchange rate developments in recent months.

In December 2005 increases in stock prices were observed both in the euro area and the US. Main drivers of the increases were positive earnings' releases and sales prospects. The **EuroSTOXX50** increased moderately in December. In mid-January the positive impact of actual and expected profit growth was partially offset by rising oil prices.

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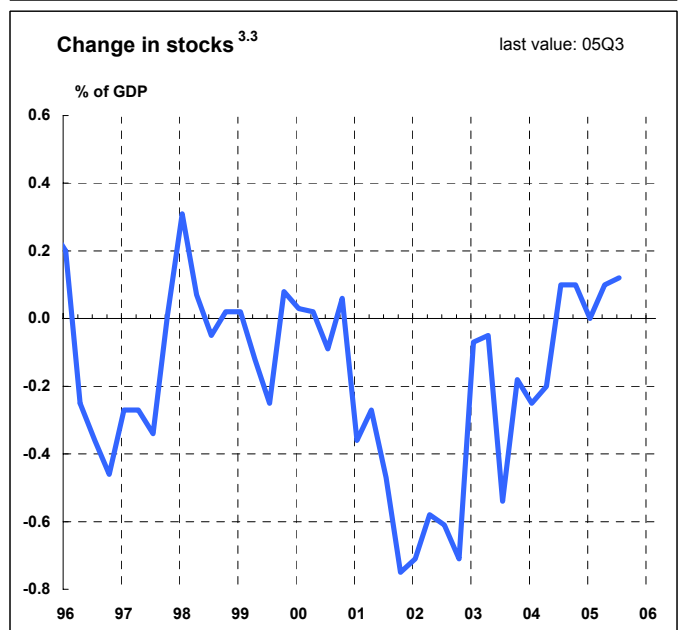
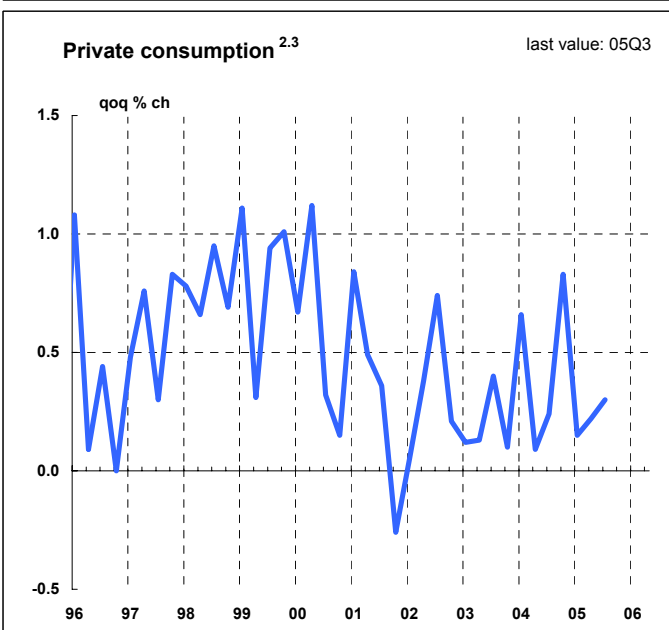
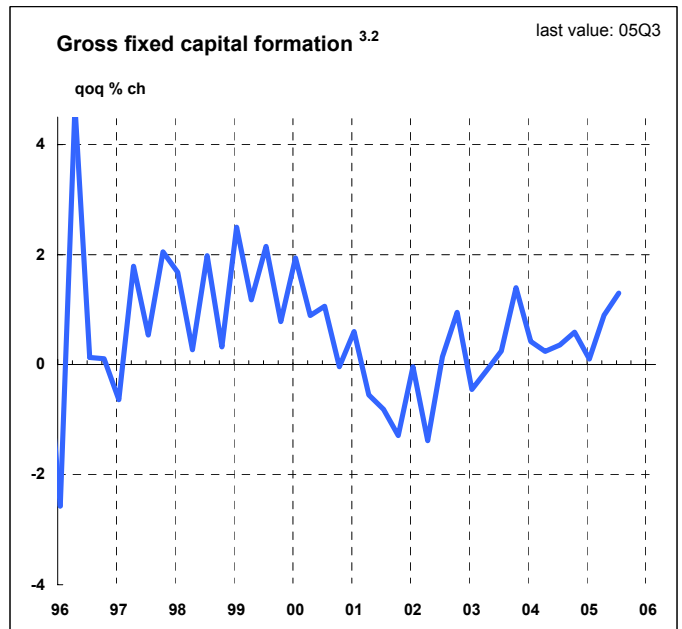
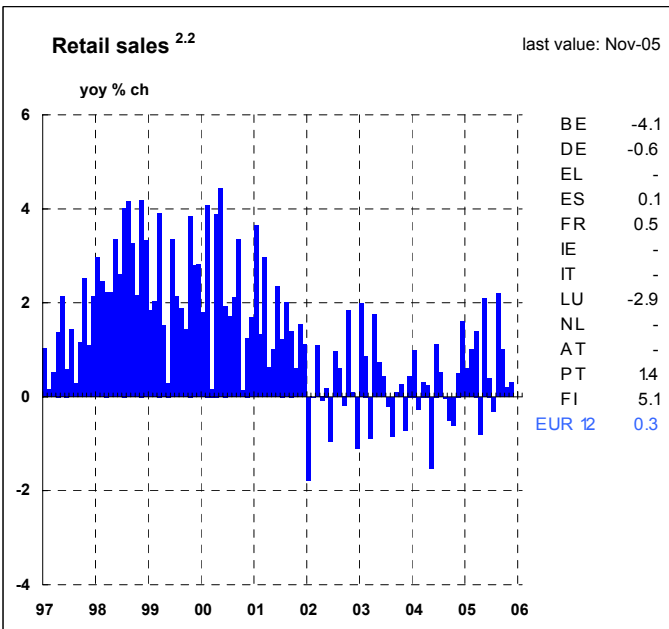
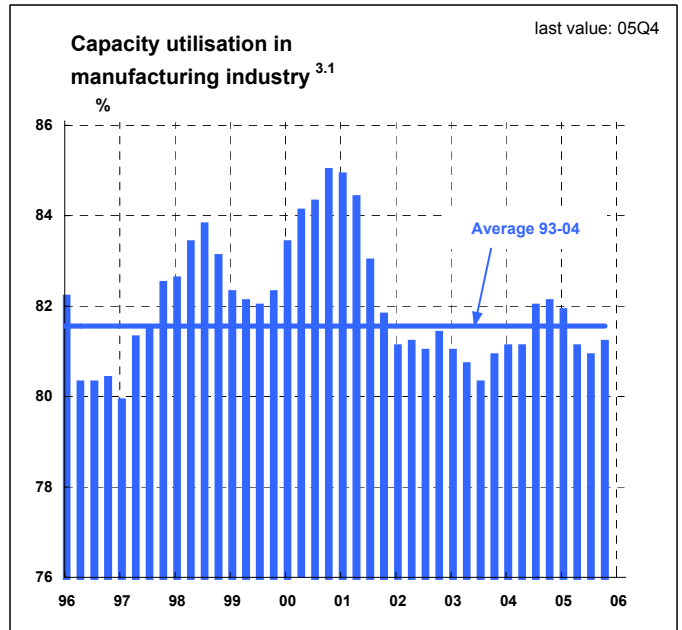
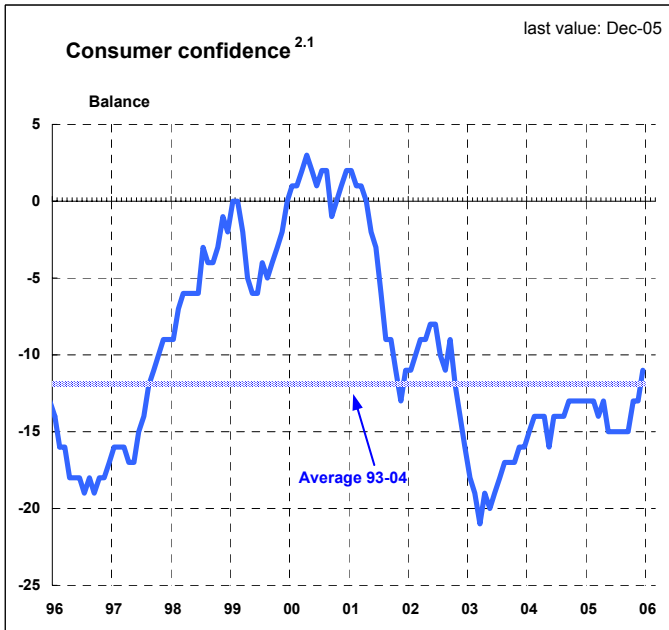
## 1. OUTPUT





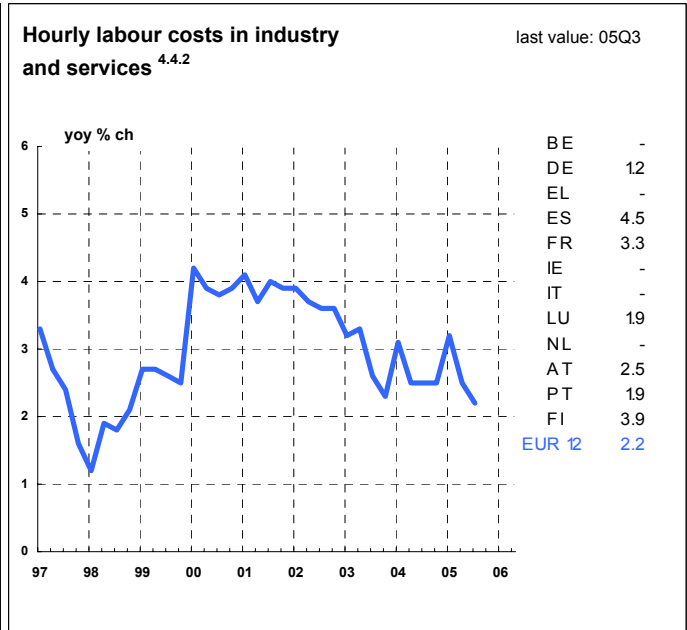
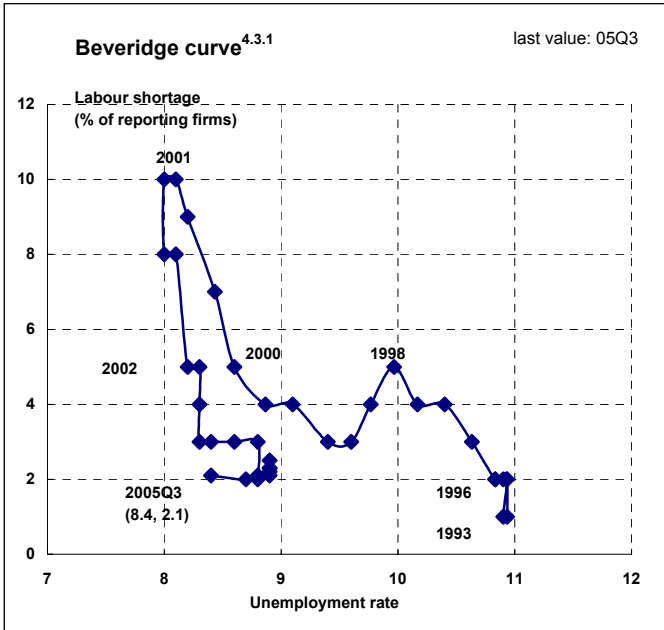
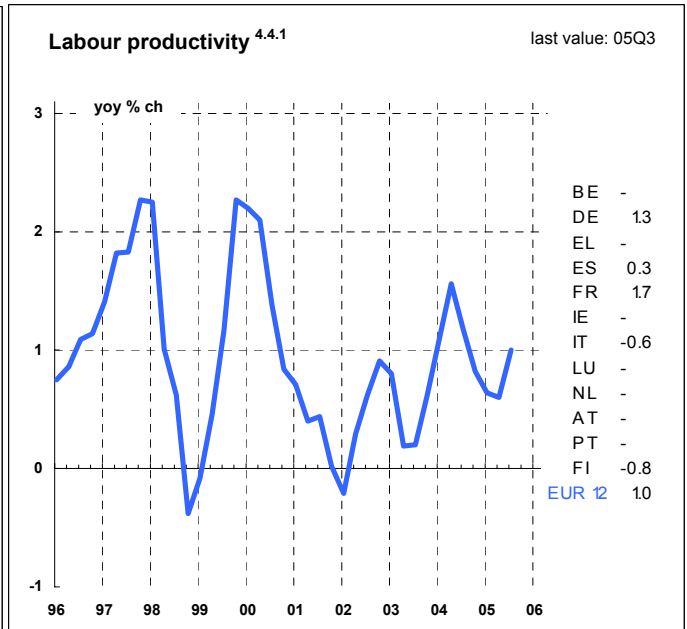
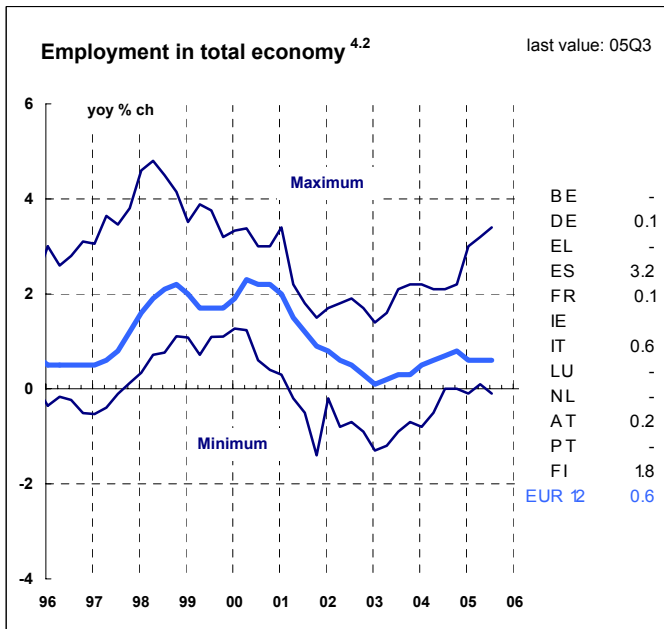
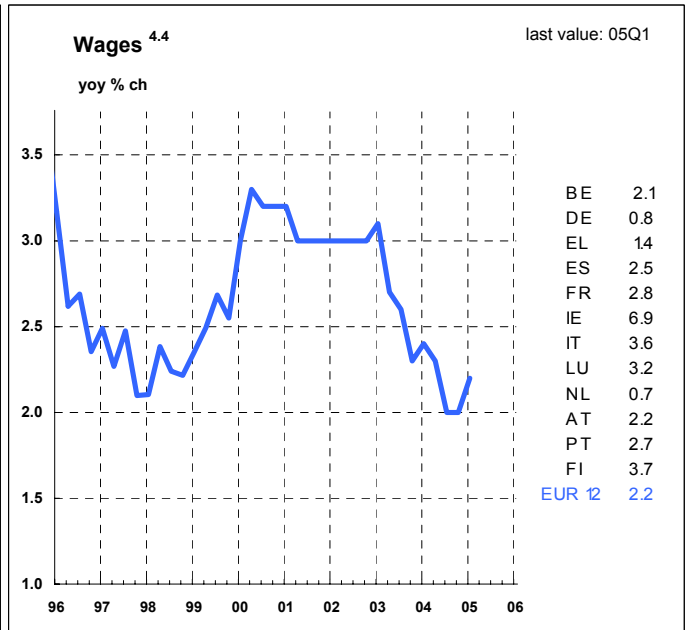
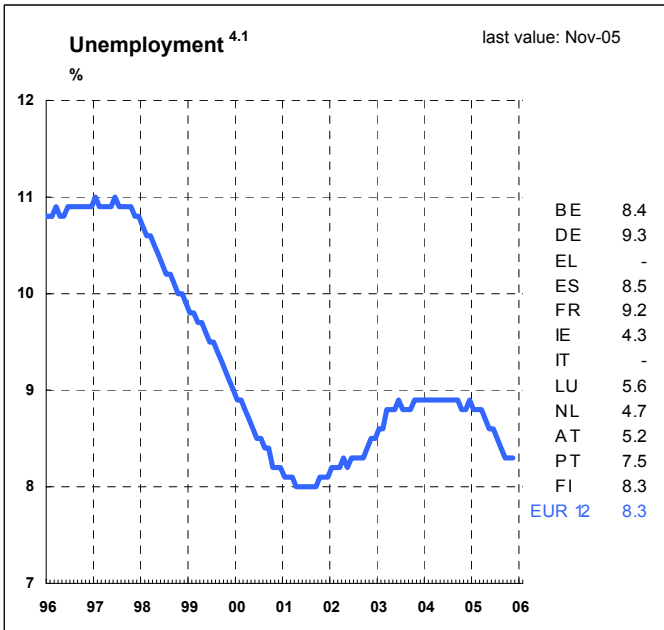
2. PRIVATE CONSUMPTION

3. INVESTMENT



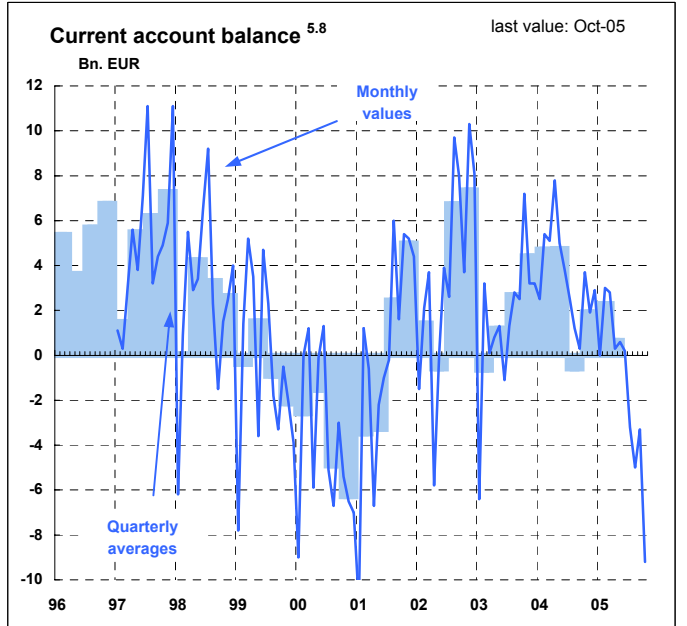
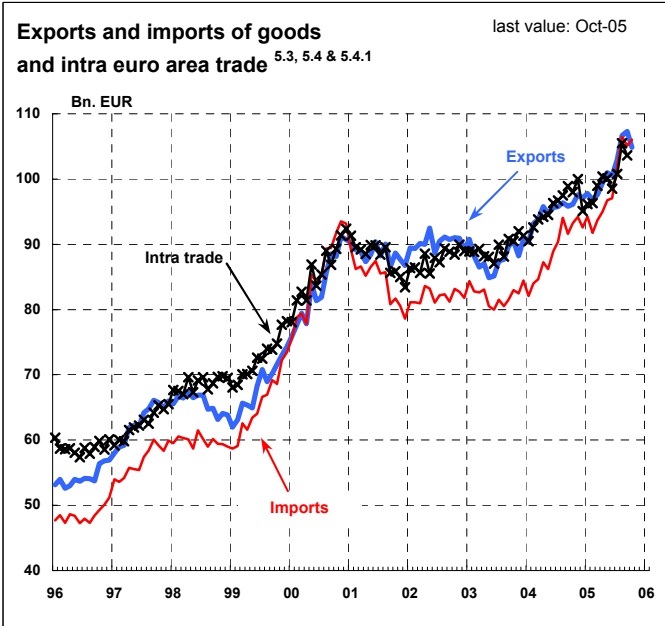
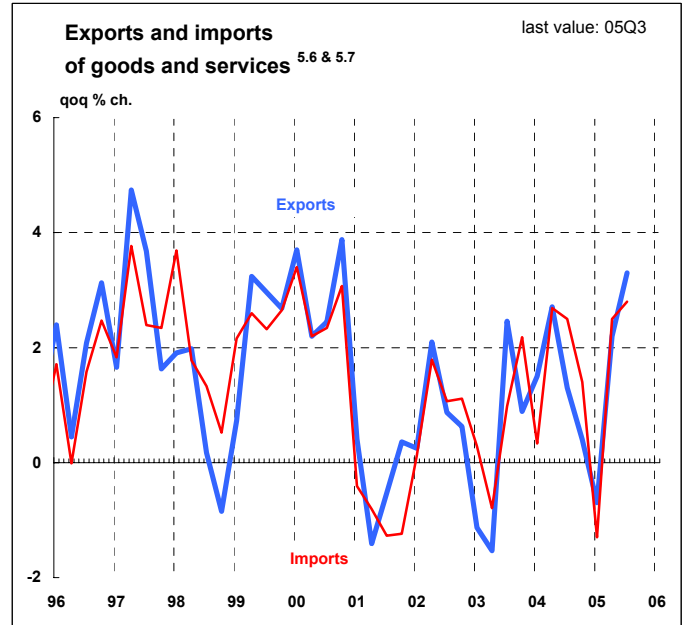
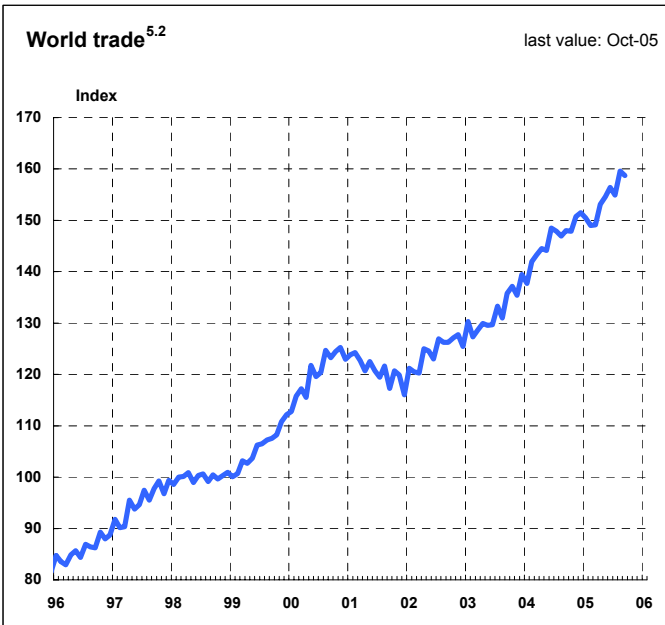
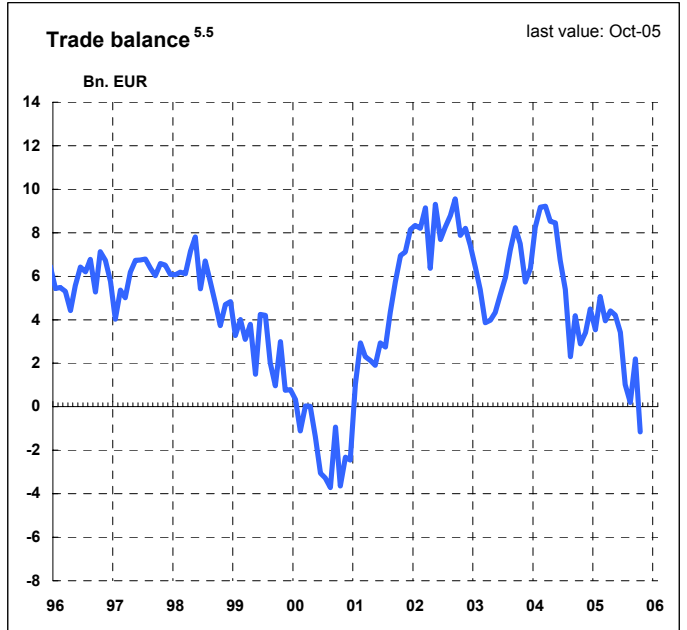
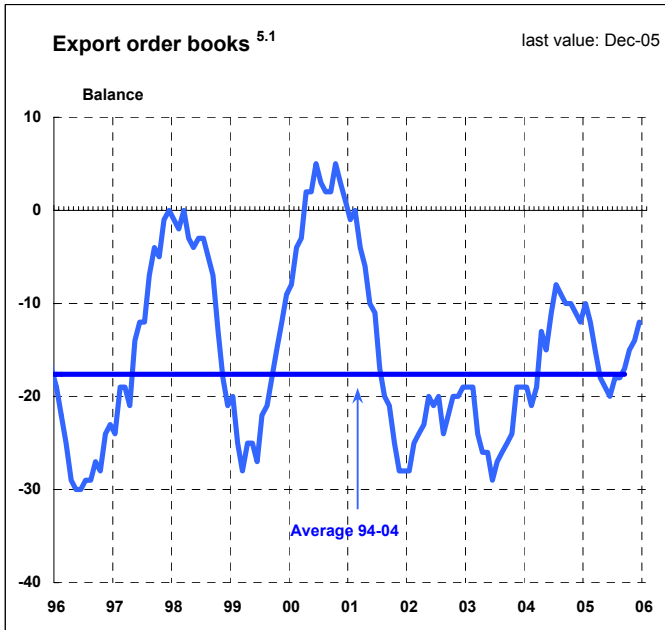


4. LABOUR MARKET



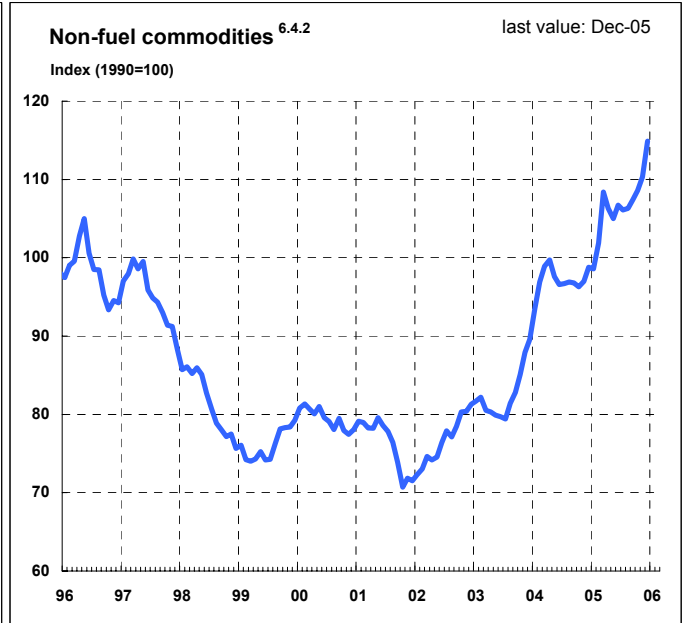
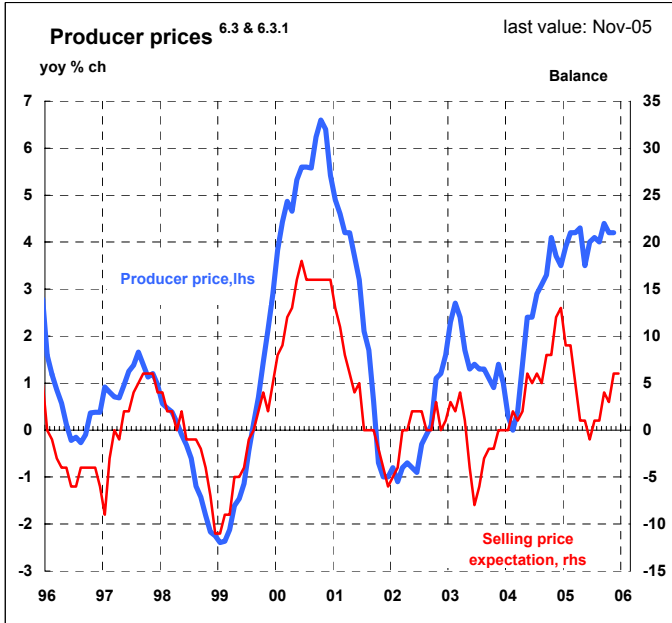
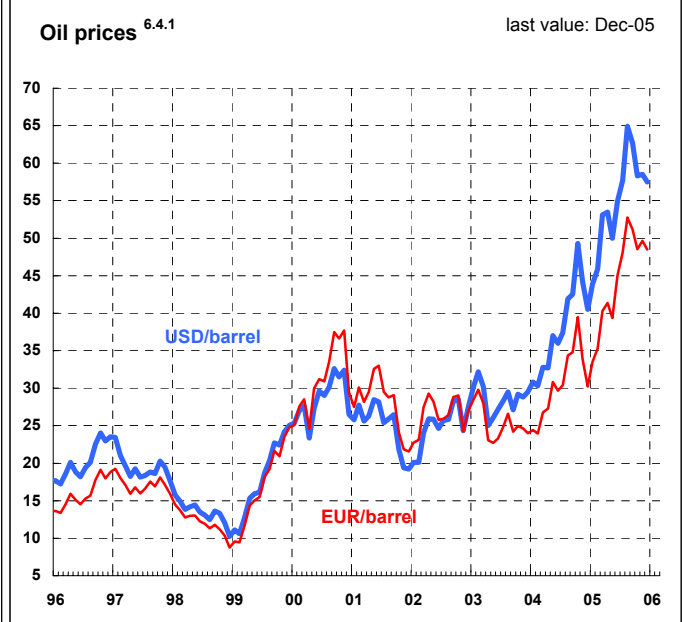
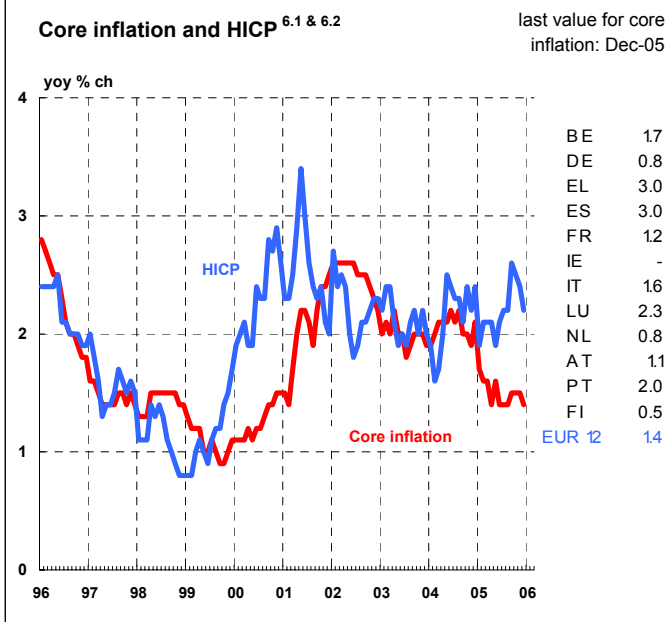
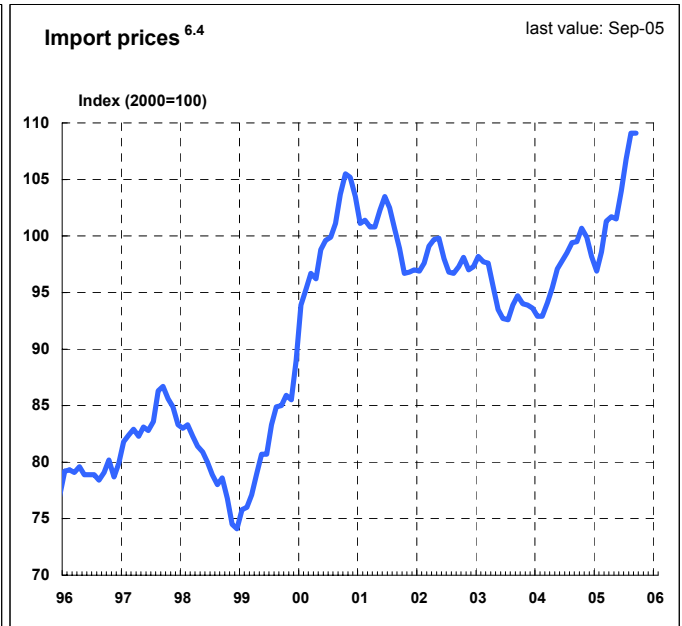
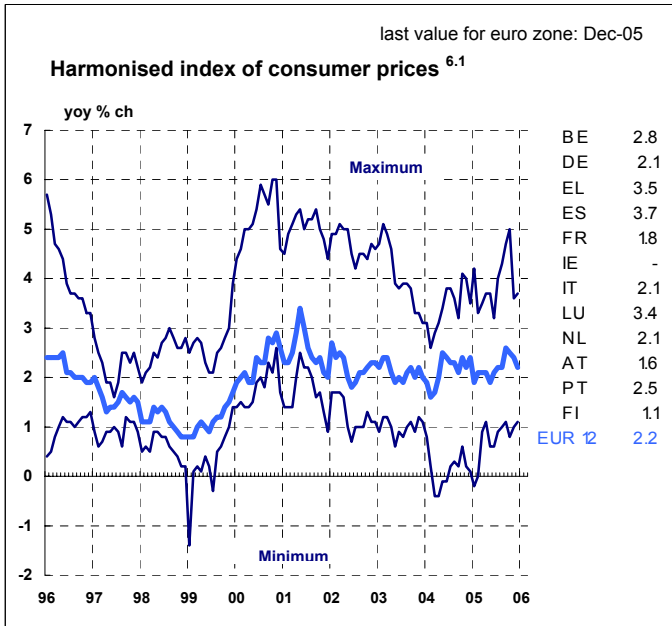


5. INTERNATIONAL TRANSACTIONS





## 6. PRICES

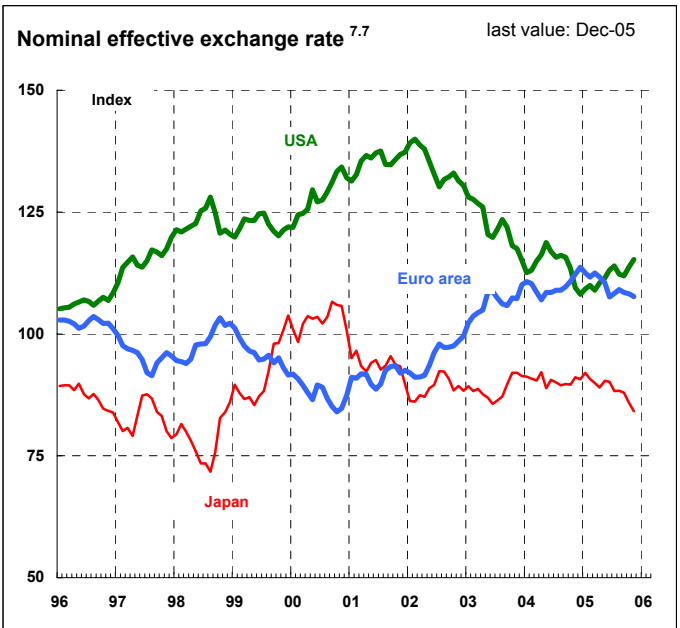
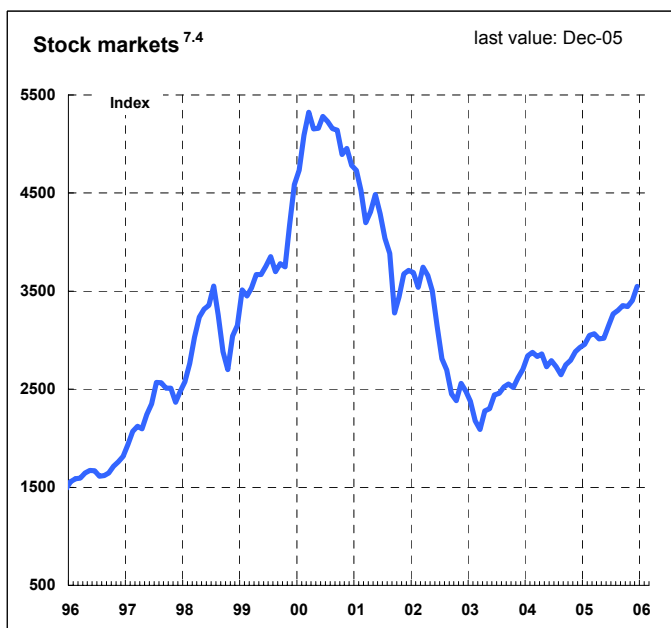
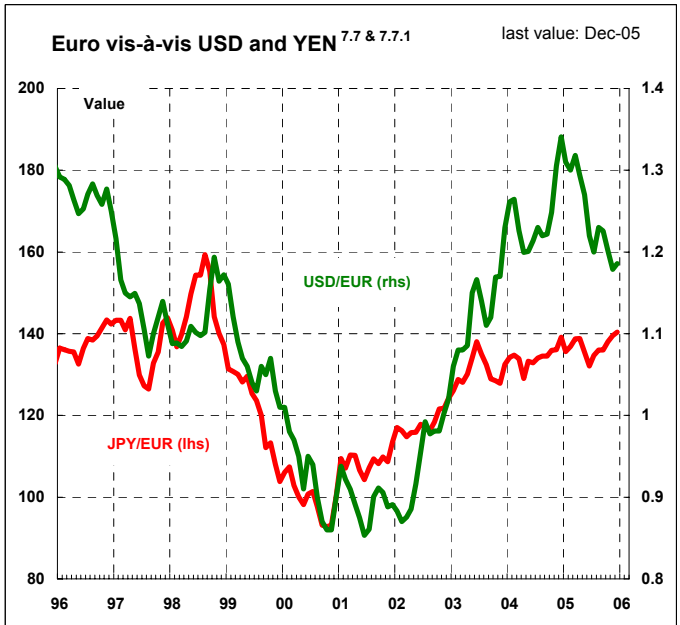
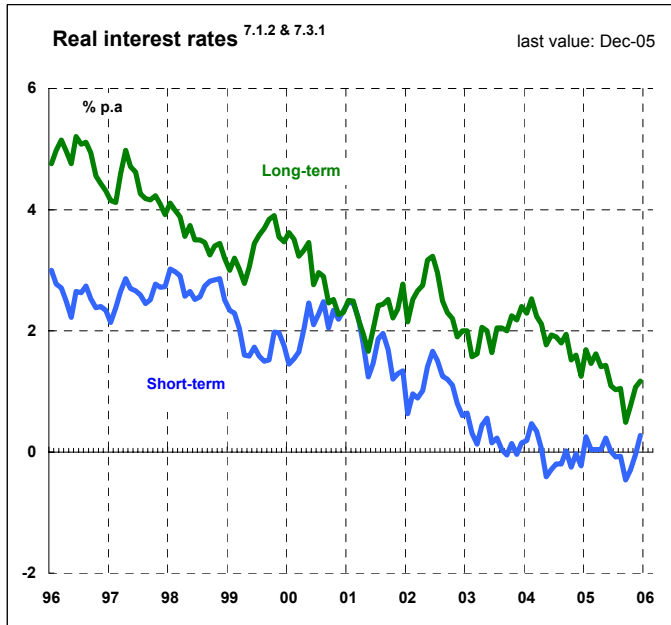
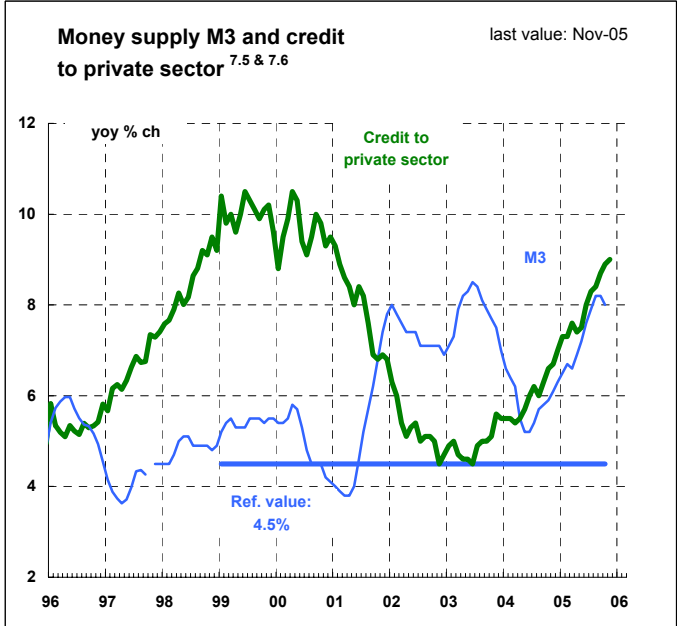
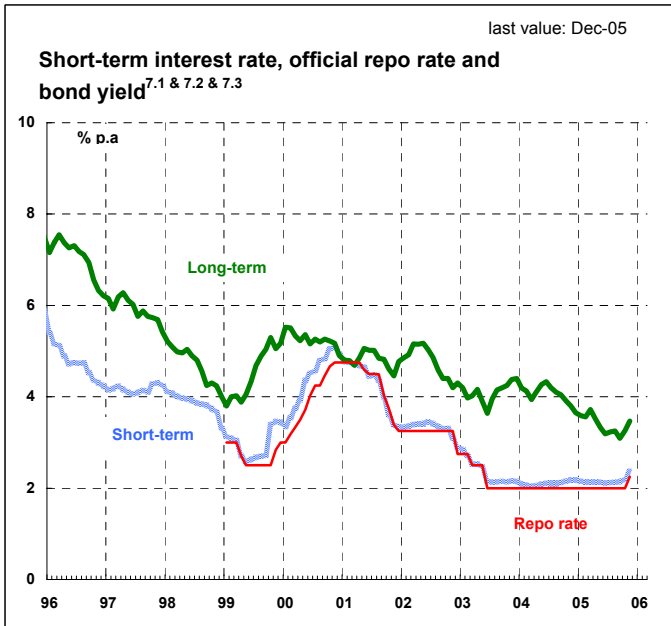




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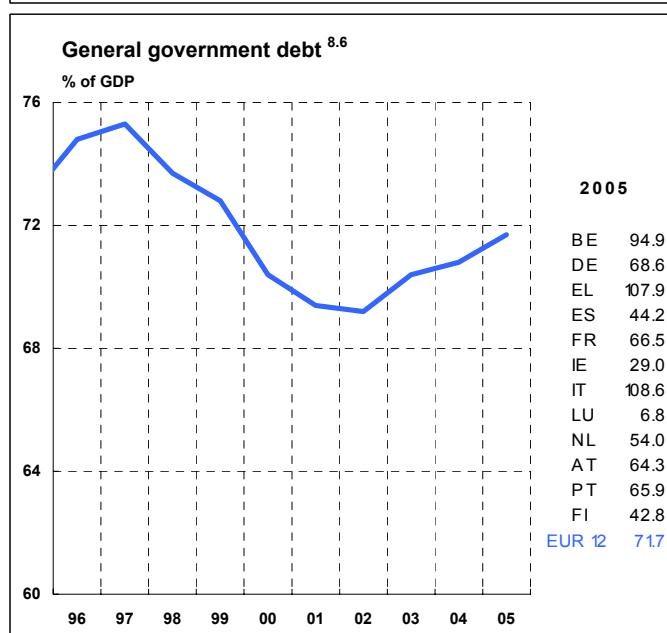
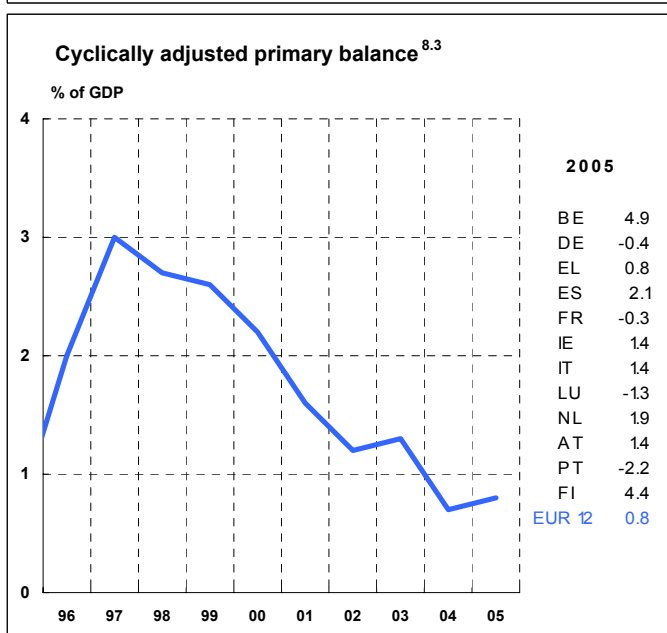
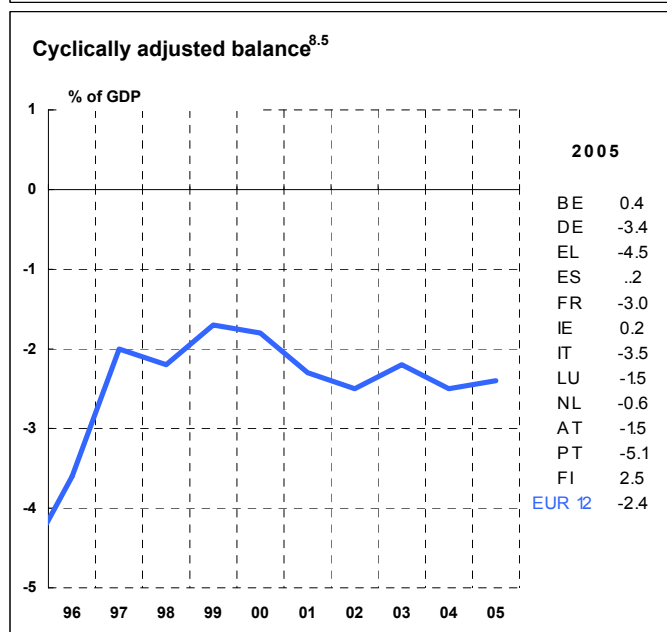
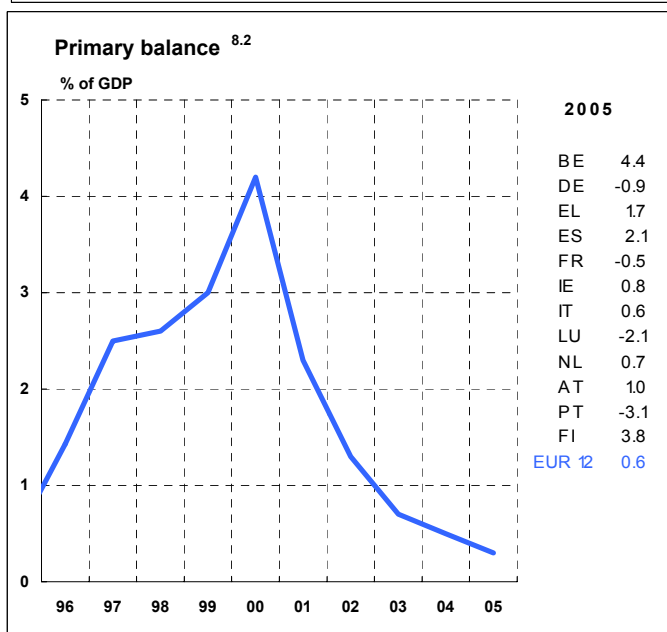
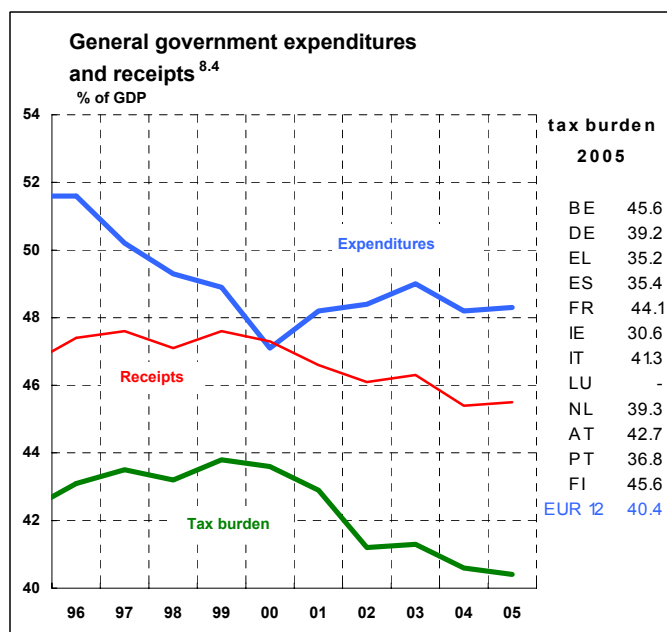
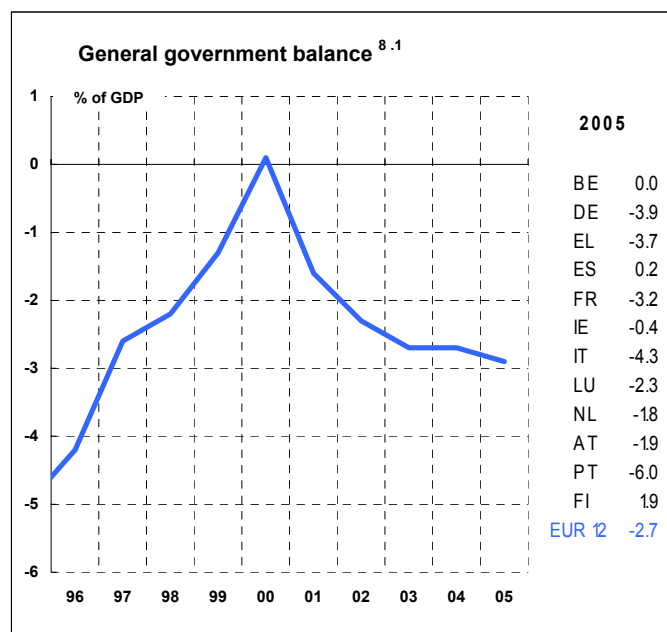


## 7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE\*



## Key indicators for the euro area - Explanatory notes

The euro area includes 12 countries (BE, DE, EL, ES, FR, IE, IT, LU, NL, AT, PT, FI)

mom % ch., qoq % ch., yoy % ch.: monthly, quarterly and annual percentage change respectively.

No.	Indicator	Note	Source
<b>1</b>	<b>Output</b>		
1.1	Industrial confidence indicator	Industry survey, average of balances to replies on production expectations, order books, and stocks (the latter with inverted sign)	ECFIN
1.2	Industrial production	Volume, excluding construction, working day adjusted	Eurostat
1.3	Gross domestic product	Volume (1995), seasonally adjusted	Eurostat
1.3.1	Gross domestic product & divergence	From 1992 until 1996 the minimum and maximum is based on BE, DE, ES, FR, IT, NL, PT and FI; from 1996 it includes also AT	Eurostat
1.3.2	Gross domestic product and forecast range	Volume (1995), seasonally adjusted; the forecast is based on confidence indicators, real and financial variables (see also ECFIN Economic Papers No 154, June 2001)	ECFIN/ Eurostat
1.3.3	Gross domestic product and standard deviation	From 1992 until 1996 the standard deviation is based on BE, DE, ES, FR, IT, NL, PT and FI; from 1996 it includes also AT	ECFIN/ Consensus Forecasts
1.4	Economic sentiment indicator	Composite of indicators for industry, construction, retail trade and consumers (1995 = 100)	ECFIN
<b>2</b>	<b>Private consumption</b>		
2.1	Consumer confidence indicator	Consumer survey, average of balances to replies to four questions (financial and economic situation, unemployment, savings over next 12 months)	ECFIN
2.2	Retail sales	Volume, excluding motor vehicles, working day adjusted	Eurostat
2.3	Private consumption	Volume (1995 prices), seasonally adjusted	Eurostat
<b>3</b>	<b>Investment</b>		
3.1	Capacity utilization	In percent of full capacity, manufacturing, seasonally adjusted, survey data (collected each January, April, July and October). *Last value available is 05Q4: 81.2 (not shown on the table).	ECFIN
3.2	Gross fixed capital formation	Volume (1995 prices), seasonally adjusted	Eurostat
3.3	Change in stocks	In percent of GDP, volume (1995 prices), seasonally adjusted	Eurostat
<b>4</b>	<b>Labour market</b>		
4.1	Unemployment	In percent of total workforce, ILO definition, seasonally adjusted	Eurostat
4.2	Employment	Total employment, domestic concept, seasonally and working day adjusted	Eurostat
4.3	Shortage of labour	Percent of firms in the manufacturing sector reporting a shortage of labour (unfilled job openings) as a constraint to production, seasonally adjusted	ECFIN
4.3.1	Beveridge curve	Relationship between the unemployment rate and shortage of labour as defined in 4.3	ECFIN/ Eurostat
4.4	Wages	Not a fully harmonised concept, but representative for each Member State (mostly hourly earnings). DG ECFIN calculations	ECFIN
4.4.1	Labour productivity	Difference between GDP growth and employment growth	ECFIN
4.4.2	Hourly labour costs in industry and services	Labour cost index, industry and services (excluding public administration), hourly, not seasonally adjusted	Eurostat
<b>5</b>	<b>International transactions</b>		
5.1	Export order books	Industry survey; balance of positive and negative replies, seasonally adjusted	ECFIN
5.2	World trade	Volume, 1998=100, seasonally adjusted	CPB**
5.3	Exports of goods	Bn. EUR, excluding intra euro area trade, fob, seasonally and working day adjusted	Eurostat
5.4	Imports of goods	Bn. EUR, excluding intra euro area trade, cif, seasonally and working day adjusted	Eurostat
5.4.1	Intra trade	Bn. EUR, intra euro area trade, seasonally and working day adjusted	Eurostat
5.5	Trade balance	Bn. EUR, excluding intra euro area trade, fob-cif, seasonally and working day adjusted	
5.6	Exports of goods and services	Volume (1995 prices), including intra euro area trade, seasonally adjusted	Eurostat Eurostat
5.7	Imports of goods and services	Volume (1995 prices), including intra euro area trade, seasonally adjusted	Eurostat
5.8	Current account balance	Bn. EUR, excluding intra euro area transactions; before 1997 partly estimated	ECB
5.9	Direct investment	(net) Bn. EUR, excluding intra euro area transactions	ECB
5.10	Portfolio investment	(net) Bn. EUR, excluding intra euro area transactions	ECB

No.	Indicator	Note	Source
<b>6</b>	<b>Prices</b>		
6.1	HICP	Harmonised index of consumer prices, national CPI until 1996	Eurostat
6.2	Core HICP	Harmonised index of consumer prices, excluding energy and unprocessed food	Eurostat
6.3	Producer prices	Without construction	Eurostat
6.3.1	Selling price expectation	Industry survey; balance of positive and negative replies, seasonally adjusted	ECFIN
6.4	Import prices	Import unit values index for goods, 2000=100	Eurostat
6.4.1	Oil prices	Brent light; USD/barrel and EUR/barrel	Ecwin
6.4.2	Non-fuel commodities prices	Index of market prices for non-fuel commodities, 1995=100, in USD terms	IMF
<b>7</b>	<b>Monetary and financial indicators</b>		
7.1	Interest rate	Percent p.a., 3-month interbank money market rate, period averages	Ecwin
7.1.2	Real short-term interest rates	3-month interbank money market rate (period averages) minus annual percentage change of HICP (CPI before 1996)	Ecwin/ Eurostat
7.2	ECB repo rate	Percent p.a., minimum bid rate of the ECB, end of period	Ecwin
7.3	Bond yield	Percent p.a., 10-year government bond yields (before 1995 long-term bond yield available) lowest level prevailing in the euro area, period averages	Ecwin
7.3.1	Real long-term interest rates	10-year government bond yields (lowest level prevailing in the euro area, period averages) minus annual percentage change of HICP (CPI before 1996)	Ecwin/ Eurostat
7.4	Stock markets	DJ Euro STOXX50 index, period averages	Ecwin
7.5	M3	Seasonally adjusted, three-month moving average (attributed to middle month): from 1997 onwards corrected for holdings by non-residents	ECB
7.6	Credit to private sector (loans)	MFI loans to euro area residents excluding MFIs and general government, monthly values: month end values, annual values: annual averages	ECB
7.7	Exchange rate USD/EUR	Period averages, until December 1998: USD/ECU rates	ECB
7.7.1	Exchange rate JPY/EUR	Period averages, until December 1998: JPY/ECU rates	ECB
7.8	Nominal effective exchange rate	Against 13 other industrialized countries, double export weighted, 1995 = 100, increase (decrease): appreciation (depreciation)	ECFIN
<b>8</b>	<b>Public finance</b>		
8.1	General government balance	In percent of GDP, net lending (+) or net borrowing (-) general government, ESA 79 up to 1994, ESA 95 as of 1995, 2005 estimates are based on ECFIN autumn 2005 forecasts*	ECFIN
8.2	Primary balance	In percent of GDP; net lending/borrowing minus interest payment; ESA 79 up to 1994, ESA 95 as of 1995; incl. 2000 and 2001 one-off proceeds relative to UMTS licences, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.3	Cyclically adjusted primary balance	In percent of GDP; primary balance corrected for the influence of the cycle; ESA 79 up to 1994, ESA 95 as of 1995, proceeds from UMTS licences excluded, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.4	General government expenditure and receipts	In percent of GDP, ESA 79 up to 1994, ESA 95 as of 1995; proceeds from UMTS licences booked as expenditure with negative sign; tax burden: taxes on production and imports (incl. taxed paid to EU) + current taxes on income and wealth + actual social contributions + capital taxes; 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.5	Cyclically adjusted balance	In percent of GDP, general government balance corrected for the influence of the cycle; ESA 79 up to 1994, ESA 95 as of 1995, proceeds from UMTS licences excluded, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.6	General government debt	In percent of GDP, ESA 79 up to 1994, ESA 95 from 1995 onwards, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
*	ECFIN Autumn 2005 forecasts		
**	For further information see: <a href="http://www.cpb.nl/eng/general/org/program/ic/trademonitor.html">http://www.cpb.nl/eng/general/org/program/ic/trademonitor.html</a>		