

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 1 June 2006

next update: 6 July 2006

		2002	2003	2004	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06
1 Output										
Industrial confidence ^{1.1}	Balance	-12	-11	-5	-5	-4	-2	-1	1	2
Industrial production ^{1.2}	mom % ch.	-0.7	0.5	2.0	0.2	0.2	0.0	0.4		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Gross domestic product ^{1.3}	qoq % ch.				0.2	0.3	0.4	0.7	0.3	0.6
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-11	-18	-14	-11	-11	-10	-11	-10	-9
Retail sales ^{2.2}	mom % ch.	1.1	0.1	0.2	-0.1	0.5	-0.1	-0.8		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Private consumption ^{2.3}	qoq % ch.	0.6	1.1	1.6	0.8	0.1	0.3	0.5	0.1	0.7
3 Investment										
Capacity utilization ^{3.1}	%	81.2	80.7	81.6	82.1	81.9	81.1	80.9	81.1	82.0
Gross fixed capital formation ^{3.2}	qoq % ch.	-2.0	0.9	2.3	0.6	0.2	1.4	1.0	0.3	0.3
Change in stocks ^{3.3}	% of GDP	-0.1	0.0	-0.1	0.4	0.3	0.3	0.1	0.6	0.5
4 Labour market										
Unemployment ^{4.1}	%	8.2	8.4	8.9	8.3	8.2	8.1	8.0	8.0	
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Employment ^{4.2}	yoy % ch.	0.7	0.3	0.7	0.8	0.6	0.6	0.6	0.8	
Shortage of labour ^{4.3}	%	3.8	2.5	2.4	2.1	2.2	2.0	2.1	2.8	2.4
Wages ^{4.4}	yoy % ch.	2.9	2.5	2.2	1.9	2.7	2.2	2.2	2.1	
5 International transactions										
Export order books ^{5.1}	Balance	-22	-24	-13	-11	-11	-9	-6	-2	-2
World trade ^{5.2}	Index	125	132							
Exports of goods ^{5.3}	Bn. EUR	776.9	1038.6	1142.1	109.8	110.0	110.0	111.4		
Imports of goods ^{5.4}	Bn. EUR	781.6	970.4	1069.1	112.5	110.5	112.8	111.1		
Trade balance ^{5.5}	Bn. EUR	-4.7	68.2	73.0	-2.6	-0.5	-2.8	0.3		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Exports of goods and services ^{5.6}	qoq % ch.	2.1	0.6	5.9	0.4	-0.2	1.5	2.8	0.7	3.1
Imports of goods and services ^{5.7}	qoq % ch.	0.5	2.6	6.1	1.4	-1.2	2.0	2.9	1.3	2.5
		2002	2003	2004	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06
Current account balance ^{5.8}	Bn. EUR	44.9	18.1	42.4	-3.4	-0.7	-4.0	-3.2		
Direct investment (net) ^{5.9}	Bn. EUR	-11.0	-18.4	-39.7	-5.3	4.9	-25.4	7.5		
Portfolio investment (net) ^{5.10}	Bn. EUR	64.4	-9.4	39.0	-13.8	-37.1	20.5	19.2		
6 Prices										
HICP ^{6.1}	yoy % ch.	2.3	2.1	2.2	2.2	2.4	2.3	2.2	2.4	2.5
Core HICP ^{6.2}	yoy % ch.	2.5	2.0	2.1	1.4	1.3	1.3	1.4	1.6	
Producer prices ^{6.3}	yoy % ch.	1.7	1.6	2.3	4.7	5.2	5.4	5.1		
Import prices ^{6.4}	Index	97.9	102.5	97.2	110.1	111.6	111.9			
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	3.3	2.3	2.1	2.5	2.5	2.6	2.7	2.8	2.9
Bond yield (10 years) ^{7.2}	% p.a.	4.8	4.1	4.1	3.4	3.3	3.5	3.7	3.9	4.0
ECB repo rate ^{7.3}	% p.a.	3.25	2.75		2.25	2.25	2.50	2.50	2.50	2.50
Stock markets ^{7.4}	Index	3053	2420	2805	3548	3627	3744	3815	3841	3731
M3 ^{7.5}	yoy % ch.	5.6	7.8	5.9	7.5	7.6	8.1	8.4		
Credit to private sector (loans) ^{7.6}	yoy % ch.	7.7	5.0	6.0	9.1	9.6	10.4	10.8	11.3	
Exchange rate USD/EUR ^{7.7}	Value	0.95	1.13	1.24	1.19	1.21	1.19	1.20	1.23	1.28
Nominal effective exchange rate ^{7.8}	Index	95.1	106.4	109.8	107.8	108.7	108.2	109.0	110.3	111.7



Comments

1. Output

The Commission's **industrial confidence** indicator increased by 1 point in May. For the sixth consecutive month, the indicator registered a further improvement in confidence, and it is now only 4 points below its historic maximum, which was reached in May 2000. The increase in the confidence indicator was due to a more positive assessment of the stocks of finished products and improved productions expectations. With regard to the other components, managers held slightly more negative views on the order books and unchanged views on the stock of finished products.

Industrial production in the euro area rose by 0.4% in March 2006 compared to the previous month. On an annual basis, industrial production increased by 3.8% vis-à-vis the same period in 2005. Month-on-month production of intermediate and capital goods increased, while production of durable and non-durable consumer goods, as well as production in the energy sector declined.

Eurostat's first estimate of **gross domestic product** for the first quarter of 2006 shows an increase of 0.6% over the previous quarter. In comparison with the same quarter of the previous year, GDP grew by 2.0%.

The **Commission's dynamic factor model** for quarterly euro-area GDP growth projects GDP growth in the range of 0.5% to 0.9% for the second and third quarters of 2006, slightly higher compared to the previous release. The projected range for GDP growth in the fourth quarter is 0.4% to 1.0%.

2. Private consumption

The **Consumer confidence** indicator improved by 1 point in May. Except for a small setback in the first half of 2005, the indicator has been on an upward trend since the first quarter of 2003. The rise in confidence was mainly due to more positive expectations with regard to the unemployment situation. Expectations concerning consumers' own financial situation and their savings did not change much compared to last month, while they held slightly more negative views on the future development of the general economic situation.

In March 2006, the volume of **retail sales** dropped by 0.8%, compared to the previous month. Vis-à-vis the same period in 2005, retail sales fell by 0.2%.

Private consumption increased by 0.7% in the first quarter of 2006 (q-o-q), after remaining flat in the previous quarter. On an annual basis, household final consumption expenditure rose by 1.8%.

3. Investment

Gross fixed capital formation rose by 0.3% in the first quarter of 2006 (q-o-q), unchanged from the previous quarter. On an annual basis, investment increased by 2.9%. The change in **stocks** as a percentage of GDP amounted to 0.5% in the first quarter of 2006. According to the quarterly manufacturing survey, **capacity utilisation** in the manufacturing sector increased to 82.4% in the second quarter of 2006. This is slightly above its long-term average.

4. Labour market

In April 2006, the **unemployment** rate stood at 8.0%, unchanged compared to March. It was 8.7% one year ago.

Total **employment** in the euro area rose by 0.8% (y-o-y) in the fourth quarter of 2005, it had increased by 0.6% in the previous quarter. The growth rate registered one year ago was also 0.8%. Employment expectations in February were unchanged from the previous month.

The level of recorded **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 remained unchanged in May. The estimate of the **trade balance** for the euro area revealed a 0.3 bn euro surplus in March 2006, compared to a revised deficit of 2.8 bn euro in the previous month. The improvement in the trade balance was the result of an increase in **exports of goods** (+1.4 bn euro) and a decrease in **imports of goods** (-1.7 bn euro). In the first quarter of 2006, **exports of goods and services** (in volume terms) were up by 3.1% and **imports** by 2.5% (q-o-q). Compared to one year earlier, exports and imports rose by 8.3% and 9.1%, respectively.

The seasonally-adjusted **current account** of the euro area showed a deficit of 3.2 bn euro in March 2006 (corresponding to a deficit of 1.3 bn euro in



non seasonally-adjusted terms). This reflected deficits in both current transfers (4.7 bn euro) and income (2.7 bn euro), which were only partly offset by the surpluses in goods (2.4 bn euro) and services (1.9 bn euro). In the **financial account**, combined direct and portfolio investment recorded net inflows of 57 bn euro in March 2006, reflecting net inflows in both **direct investment** (8 bn euro) and **portfolio investment** (49 bn euro).

6. Prices

According to Eurostat's flash estimate, euro area annual **HICP inflation** increased to 2.5% in May, up from 2.4% in April. In April 2006, the impact of higher energy prices (oil, petrol) remained a key determinant of price increases. The highest annual inflation rates were recorded for housing (5.3%), transport (4.6%), alcohol and tobacco (2.7%) and hotels and restaurants (2.7%), whereas a decline was observed for communication (-3.7%). The largest absolute contributions to the HICP inflation rate were again energy-price related. They stemmed from fuels for transport (annual increase of 10.6%), gas (15.9%), heating oil (18.6%) and district heating (19.0%) that accounted for 0.35, 0.19, 0.14 and 0.08 percentage points of HICP inflation, respectively. The **core inflation** rate increased from 1.4% in March to 1.6% in April 2006.

In late May 2006, **oil prices** stood at around 70 US dollar per barrel (Brent) and thereby clearly higher than at the end of 2005 (59 US dollar per barrel).

In March 2006, **producer price** inflation decreased to 5.1%, down from 5.4% in February 2006. Among the main components, the highest annual inflation rate was again recorded for energy (17.4%). The inflation rate of intermediate goods increased for the fifth consecutive time and stands now at 2.5%. Producer prices excluding energy and construction increased at an annual rate of 1.8%.

7. Monetary and financial indicators

In December 2005 and March 2006, the ECB Governing Council decided to raise policy interest rates by 25 basis points each. The minimum bid rate on the main refinancing operations of the Eurosystem currently stands at 2.50%. In 2006, euro area money markets have been strongly affected by market expectations of future changes in ECB policy interest rates. In late May 2006, the **three-month money market rate** stood close to 2.92% pointing to strong market expectations of

another increase in policy interest rates at the meeting of the Governing Council on 8 June 2006. **Government bond yields** declined somewhat in the second half of May and stood slightly below four percent in late May. The euro area **yield curve** (as measured by the difference between long-term yields and three-month interest rates) flattened slightly in recent weeks.

M3 growth accelerated further in April 2006. The annual growth rate increased to 8.8%, from a revised 8.5% in March. The three-month moving average of M3 growth increased to 8.4% in the period February to April 2006. The most liquid components slowed slightly but continued to grow faster than the aggregate. The annual growth rate of M1 decreased from a revised 10.1% in March to 9.8% in April. The still very low level of interest rates remained a key determinant of monetary developments. The annual rate of **credit growth (loans)** to the private sector accelerated from 10.8% in March to 11.3% in April, which is the highest rate since the ECB took over responsibility in 1999. Lending for house purchase grew even stronger in response to low mortgage interest rates and house price dynamics (+12.1% in April, unchanged from March). All in all, the increases in the annual growth rates in monetary and credit aggregates point to a limited impact of past increases in policy interest rates and support the view of ample liquidity conditions in the euro area.

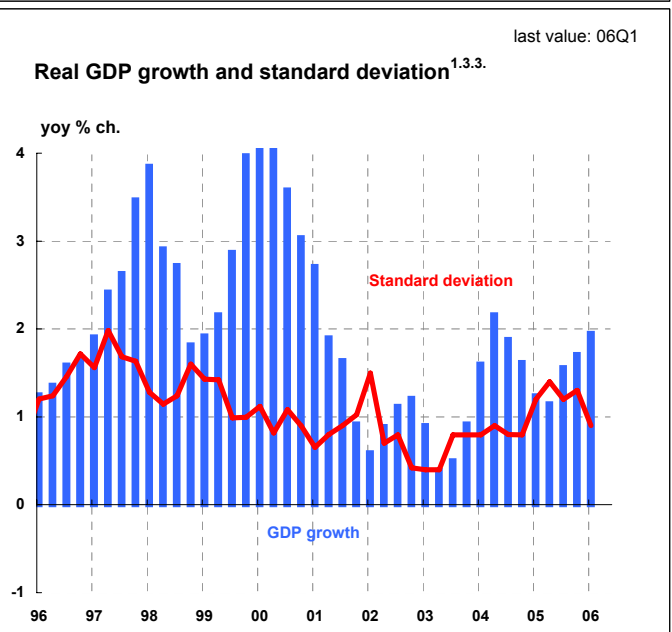
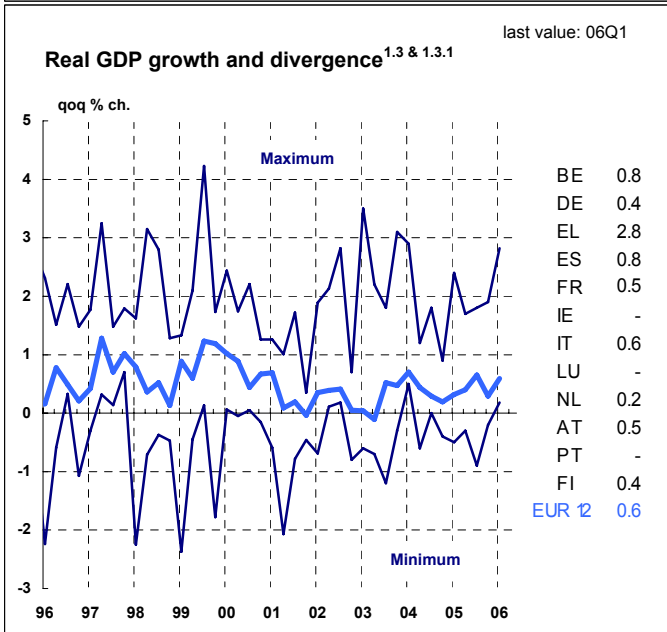
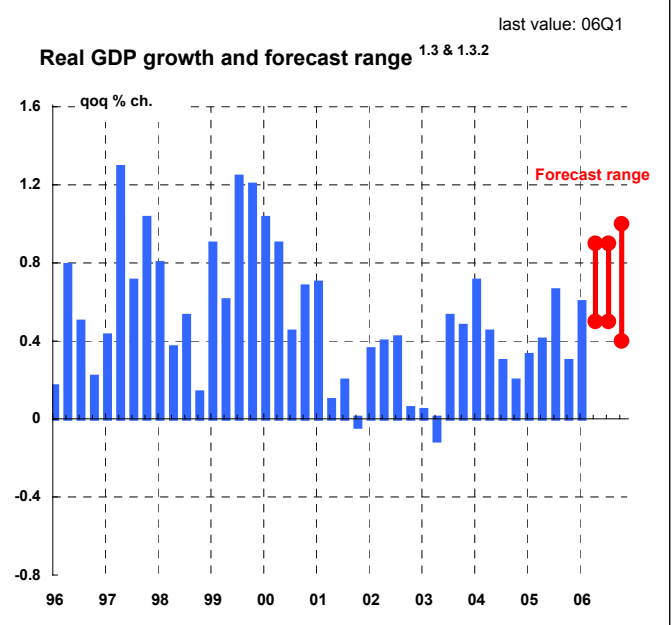
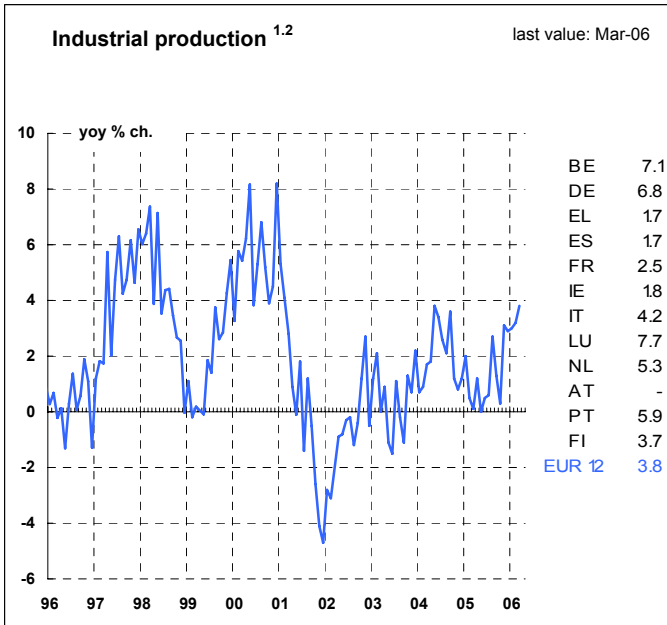
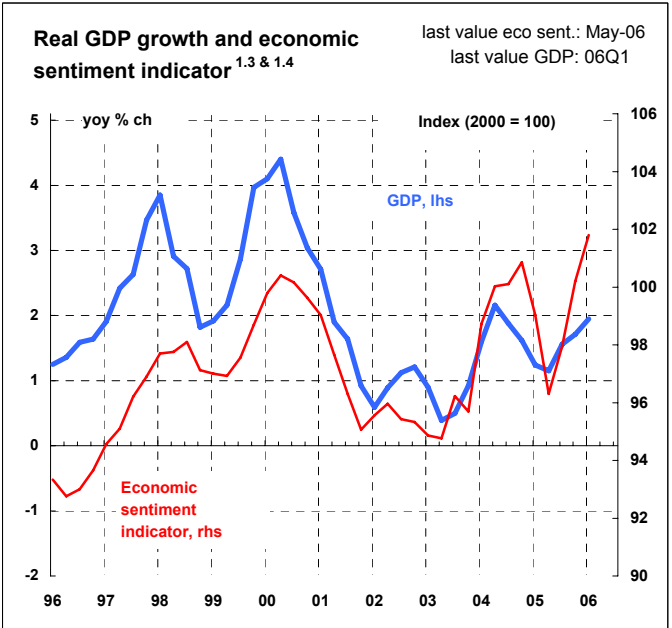
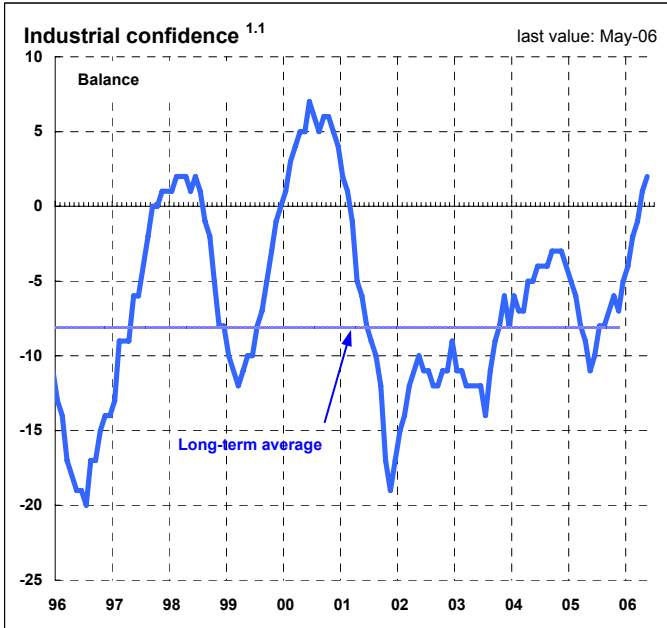
The **euro exchange rate** increased in May 2006 and temporarily hit the level of 1.30 US dollar per euro. On 30 May it stood at around 1.28 US dollar per euro. Changes in interest rate expectations in the US and in the euro area as well as concerns about external imbalances were again among the main determinants of exchange market developments.

In May 2006, there was a substantial sell-off in equity markets. In the first three weeks of May the **EuroSTOXX50** lost about six percent and on 22 May it declined to its lowest level in 2006 before some reversal was seen in subsequent days. Almost in parallel, global equity markets recorded sharp declines with the most pronounced losses in emerging economies. Concerns about a further monetary tightening in the US and a global withdrawal of liquidity as well as the outlook for slower-than-expected economic growth had affected investors' risk preferences and were named as reasons for equity market developments.

KEY INDICATORS FOR THE EURO AREA



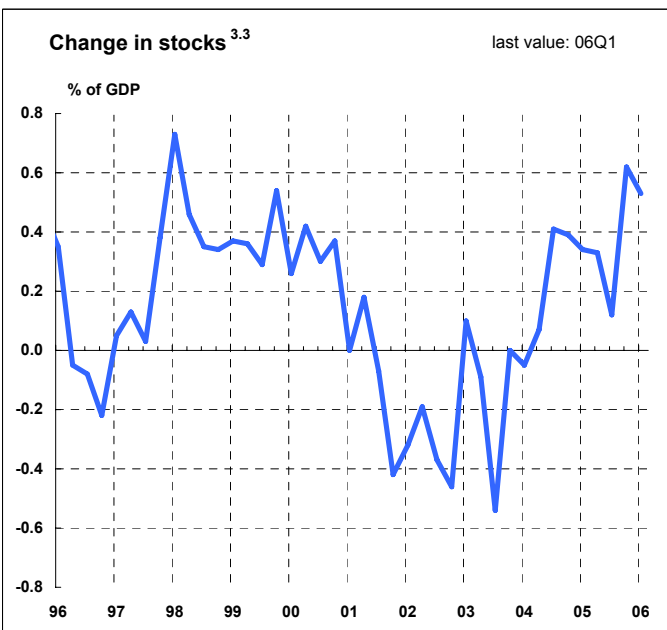
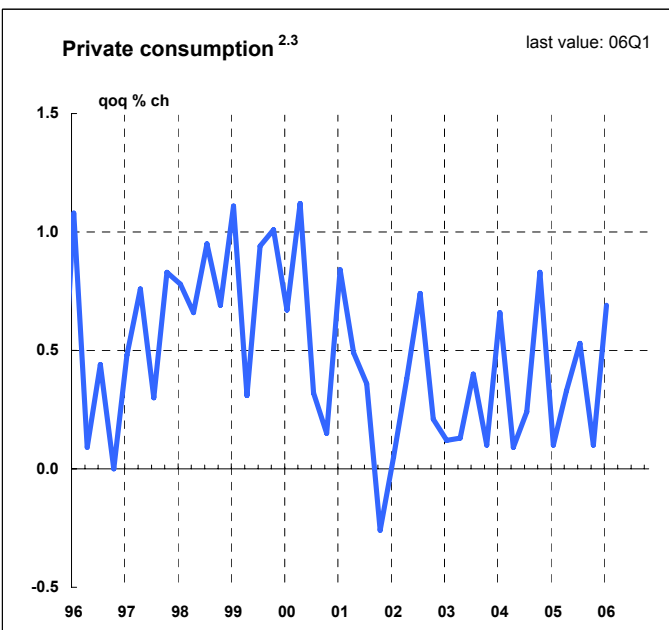
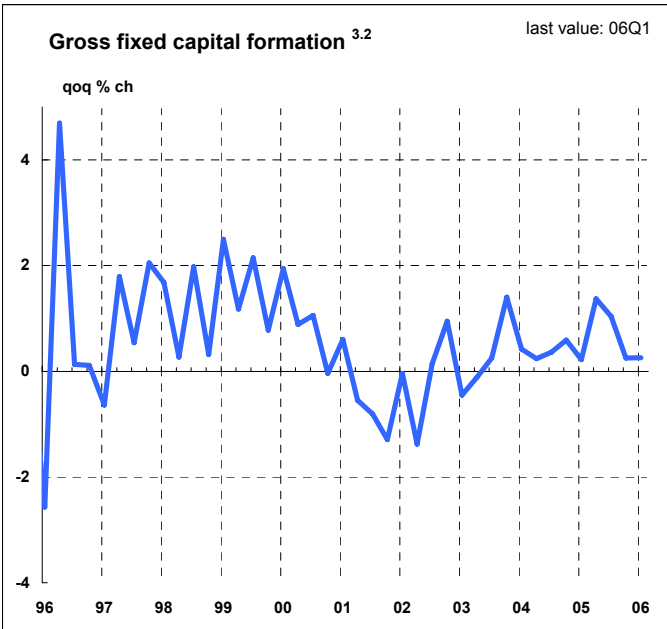
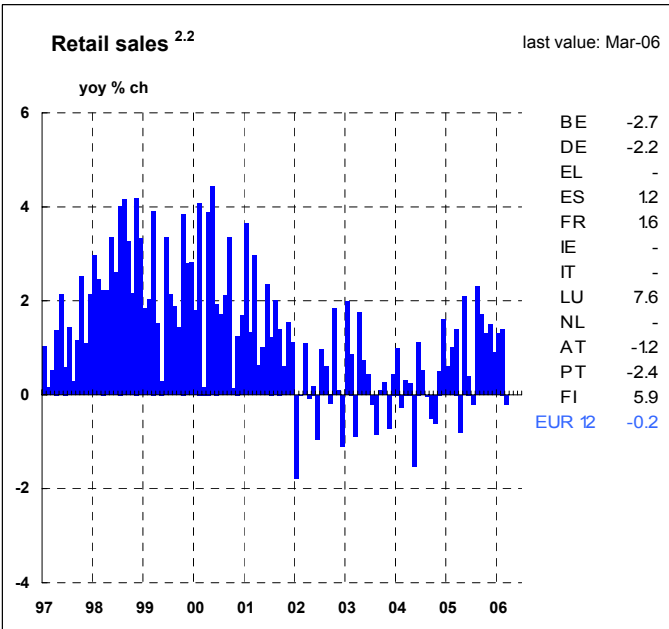
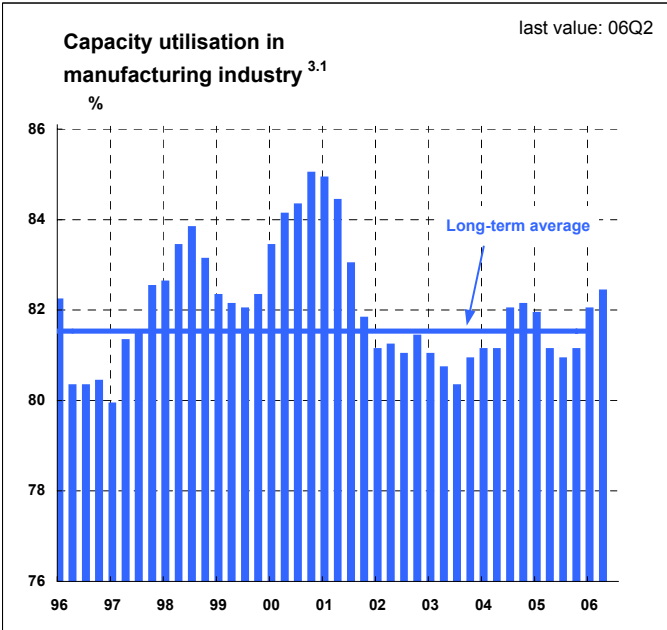
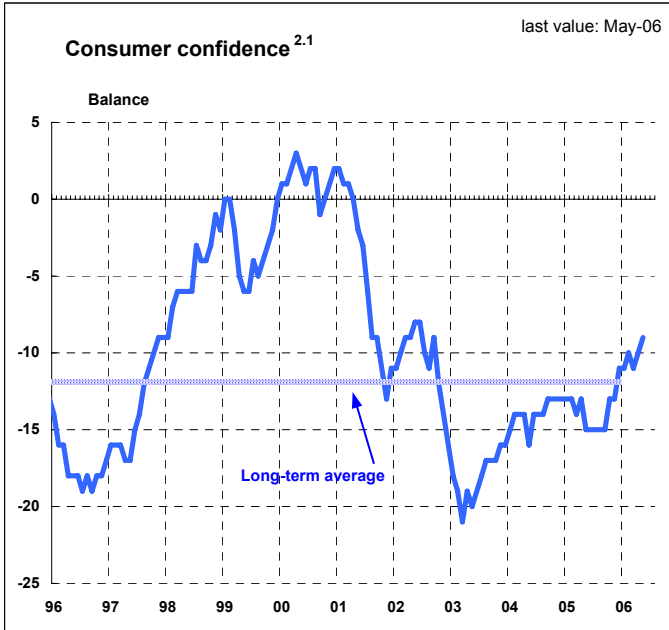
1. OUTPUT





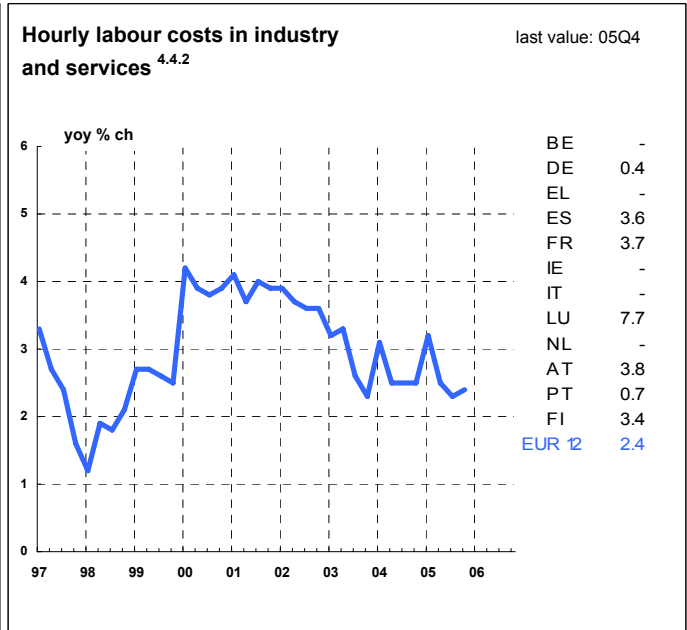
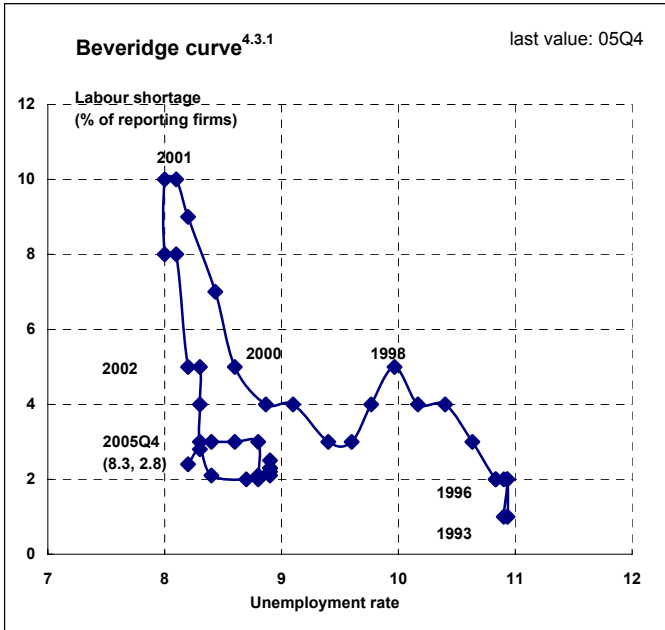
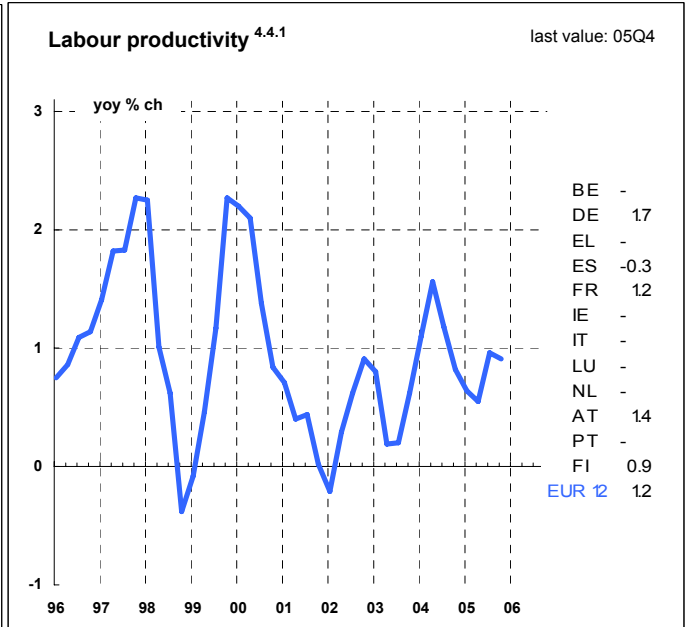
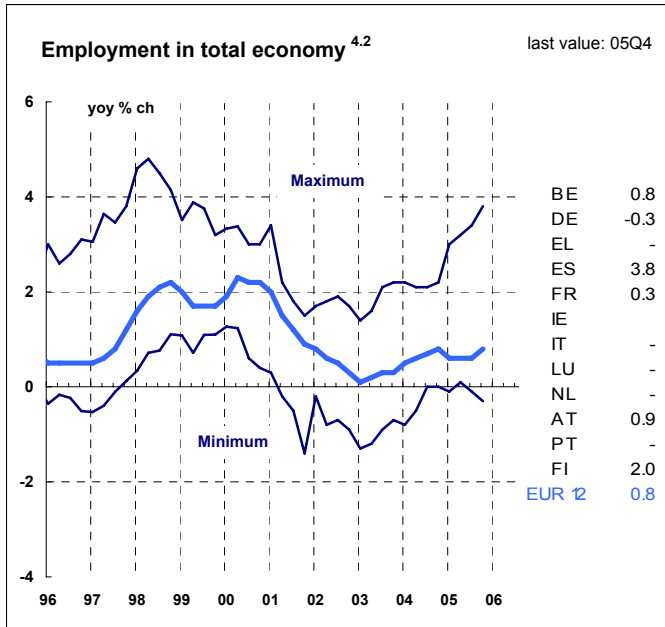
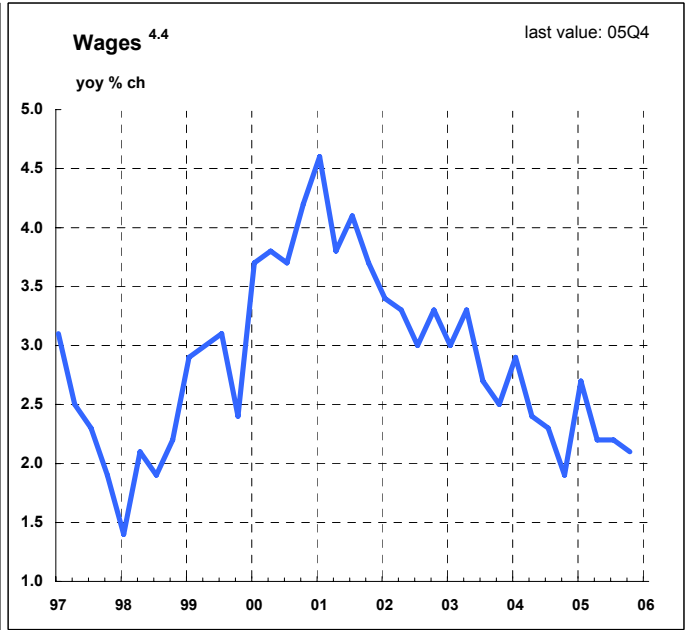
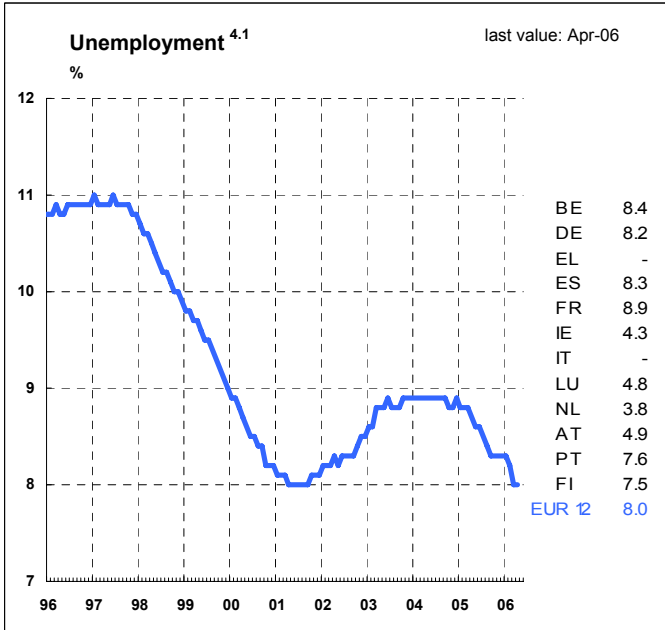
2. PRIVATE CONSUMPTION

3. INVESTMENT



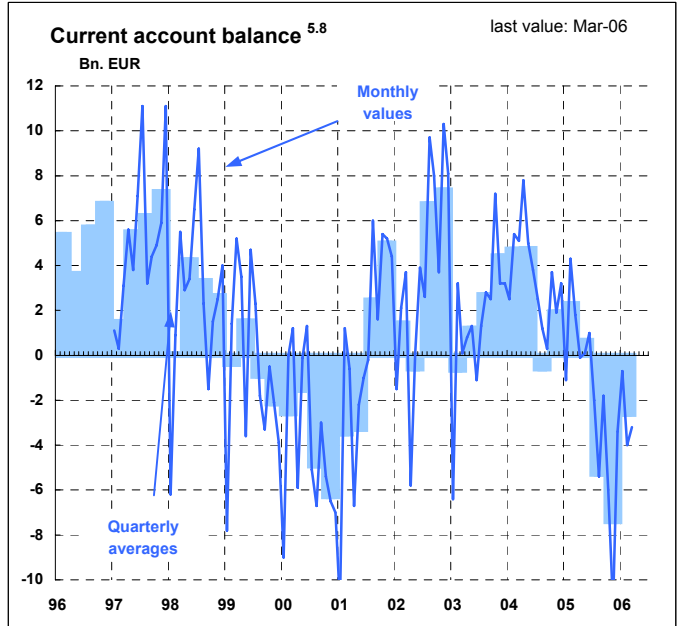
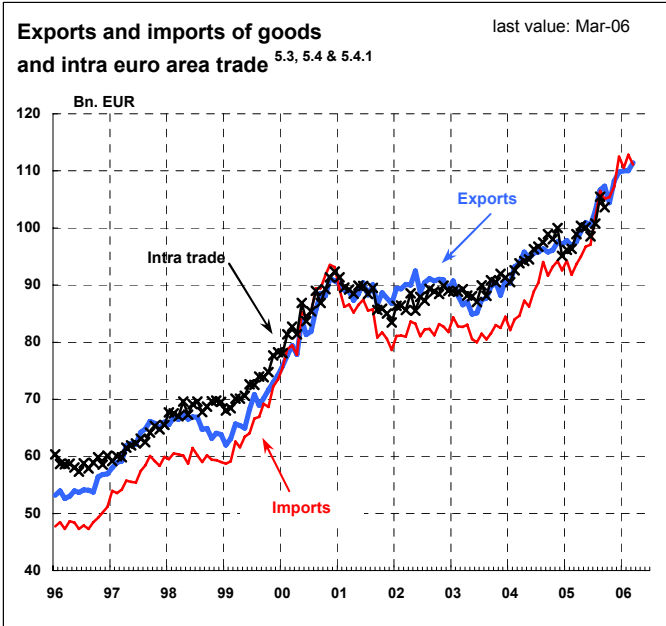
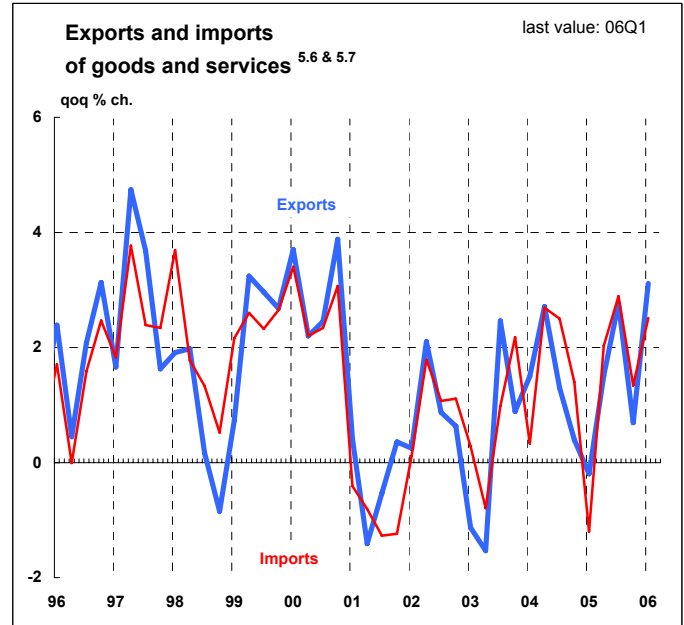
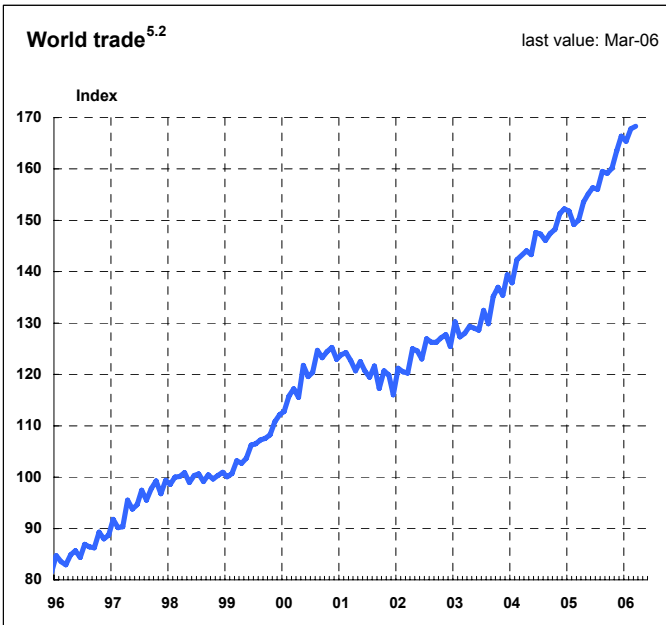
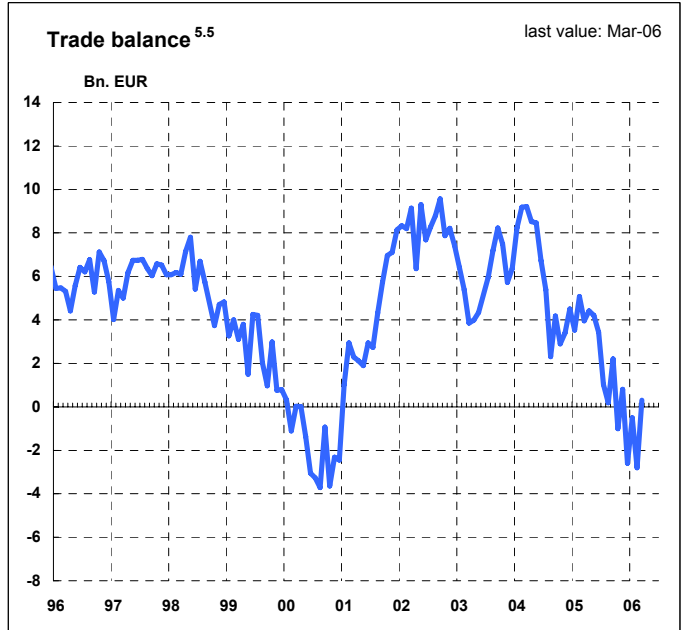
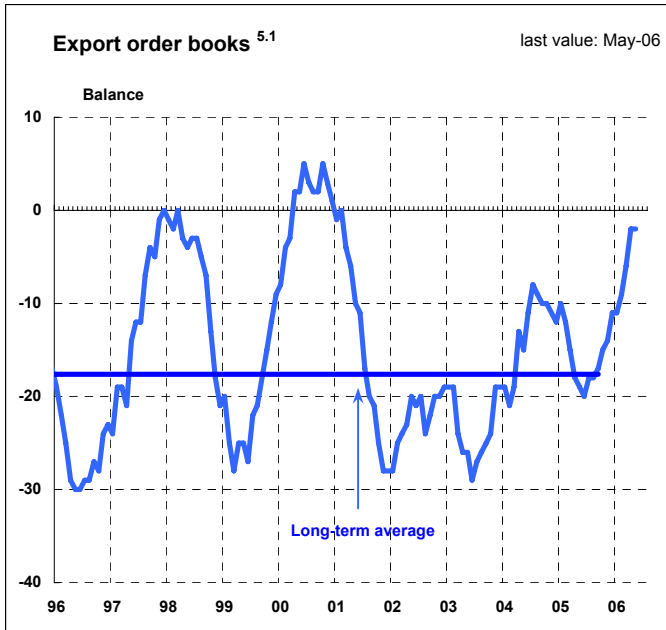


4. LABOUR MARKET



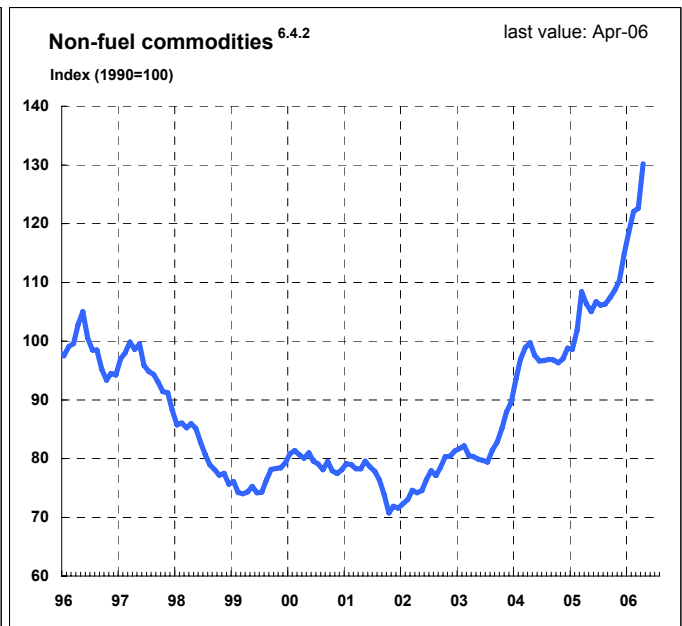
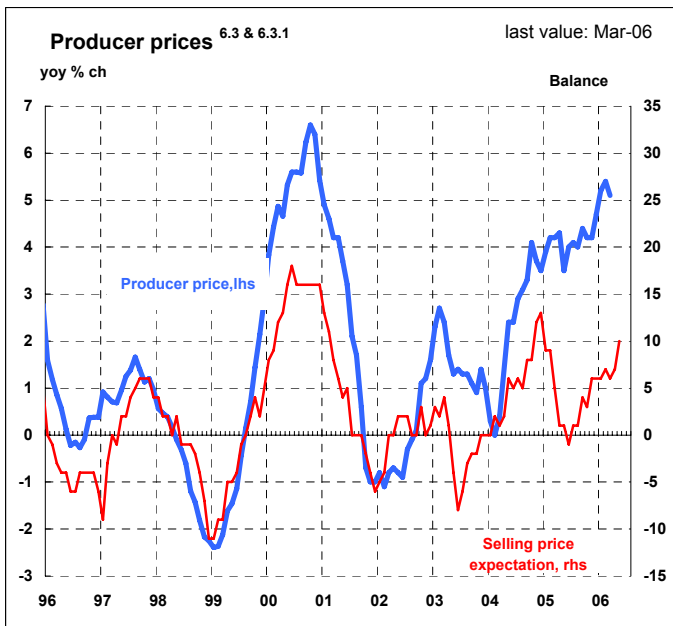
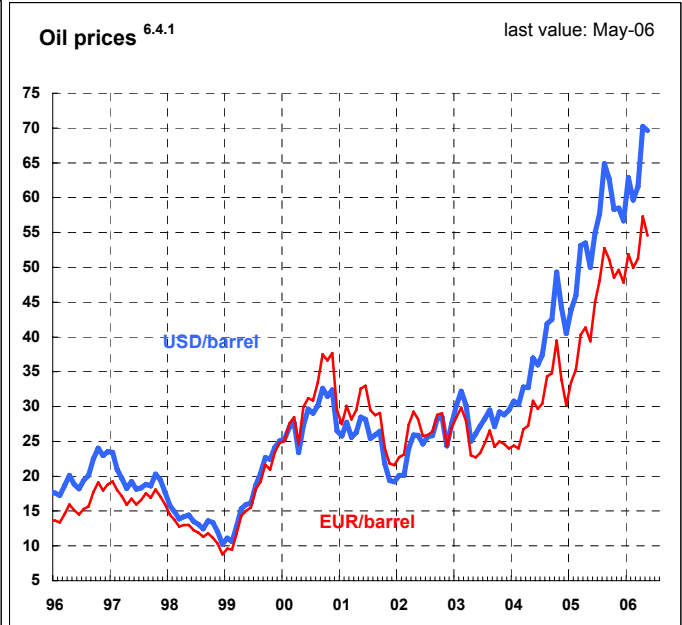
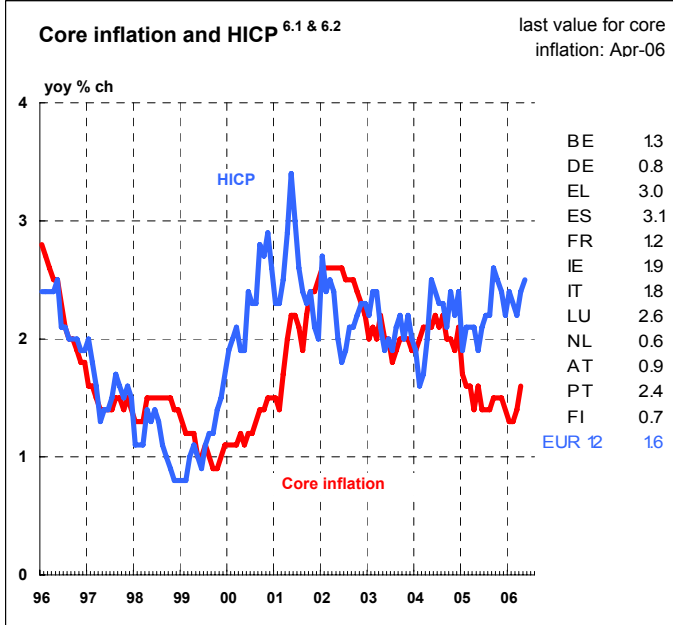
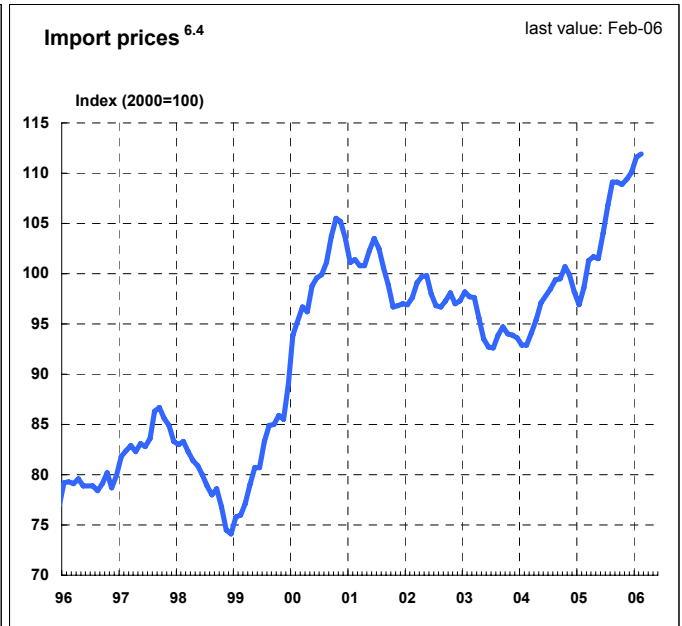
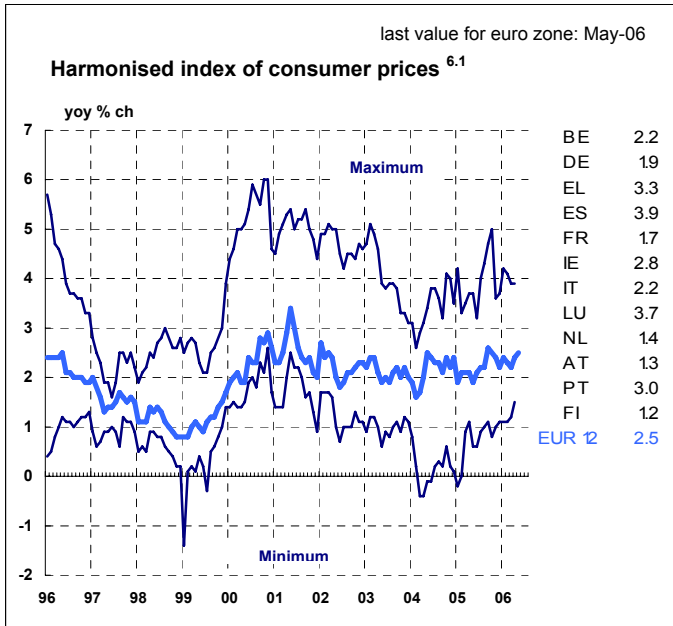


5. INTERNATIONAL TRANSACTIONS





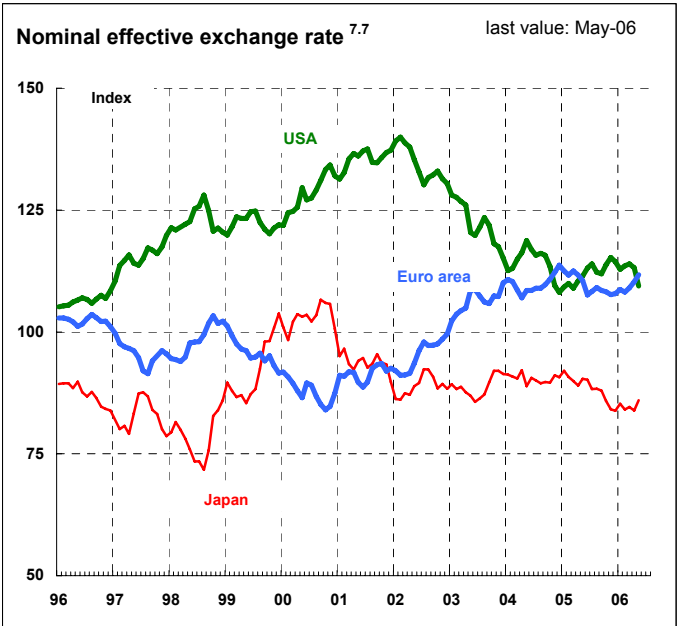
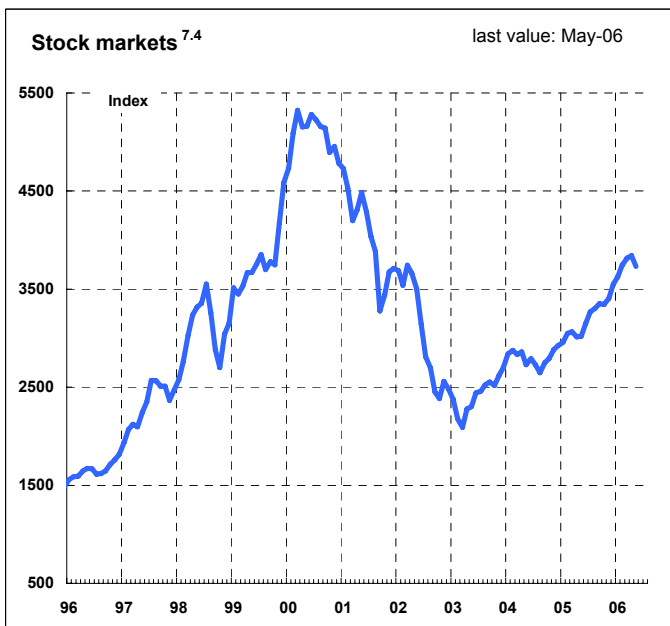
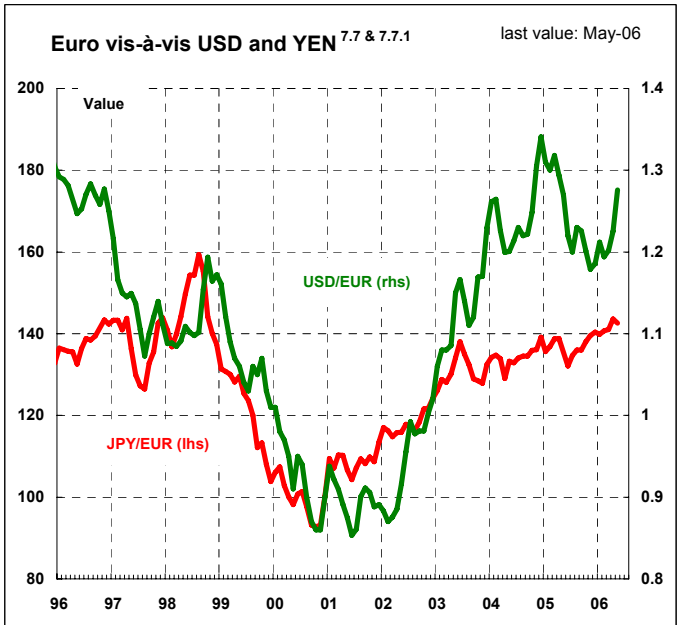
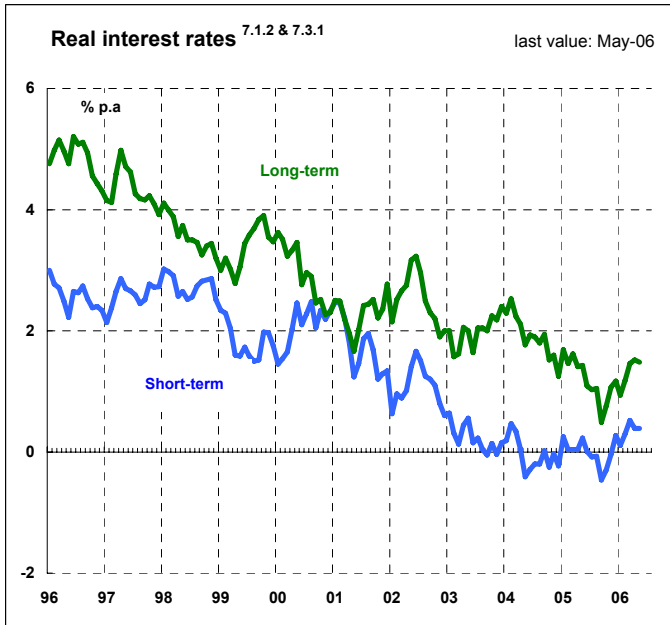
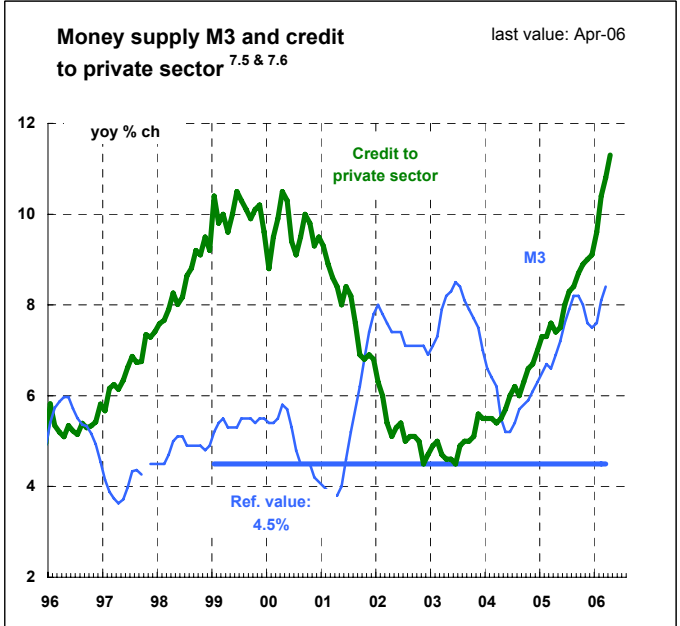
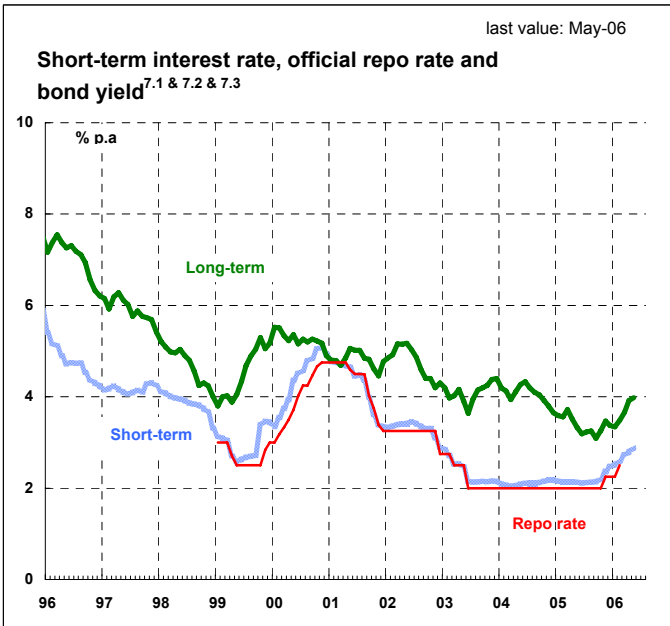
6. PRICES



KEY INDICATORS FOR THE EURO AREA

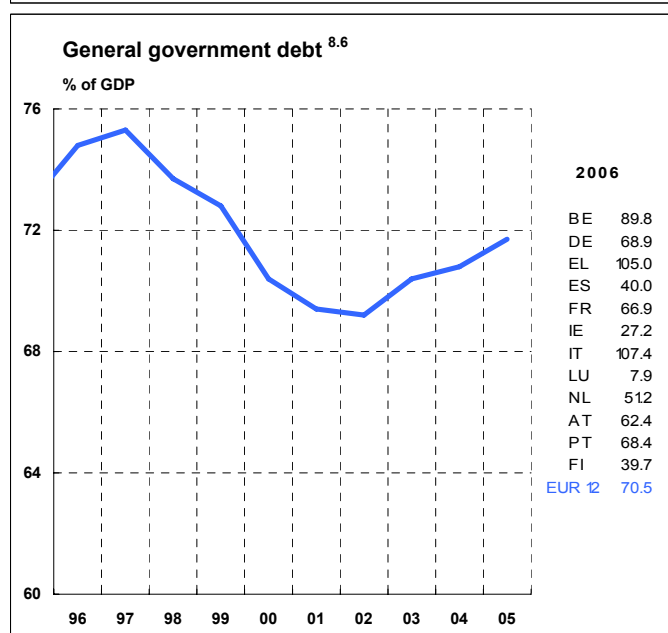
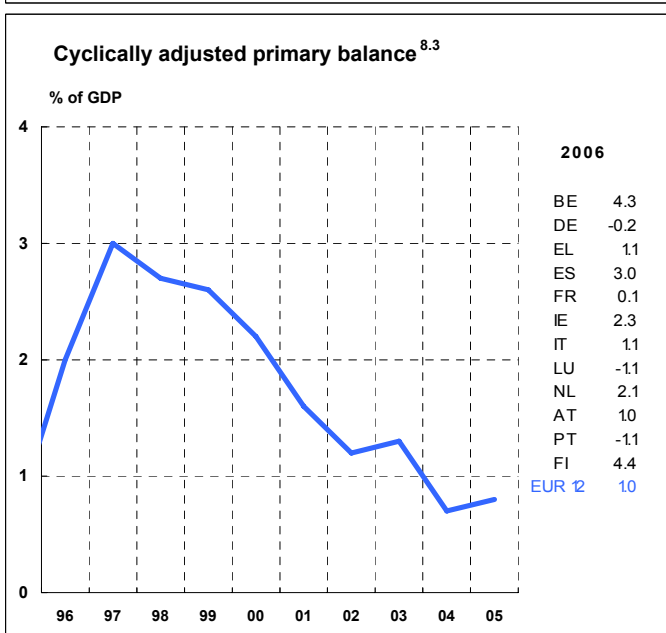
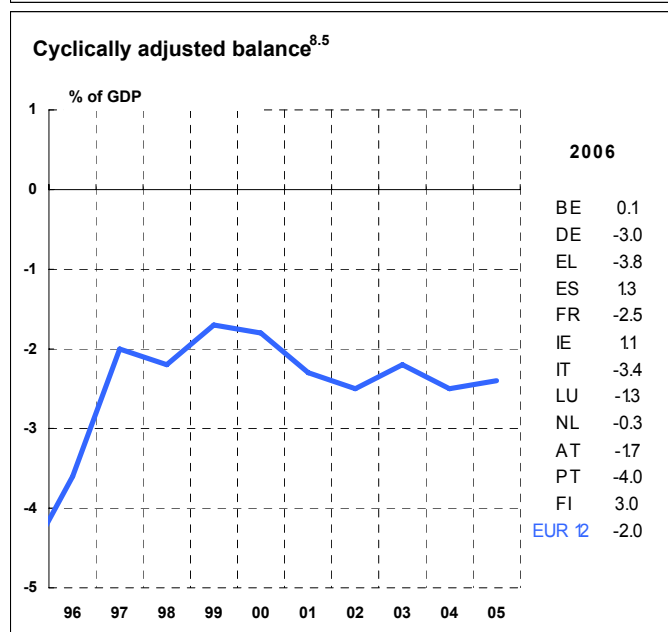
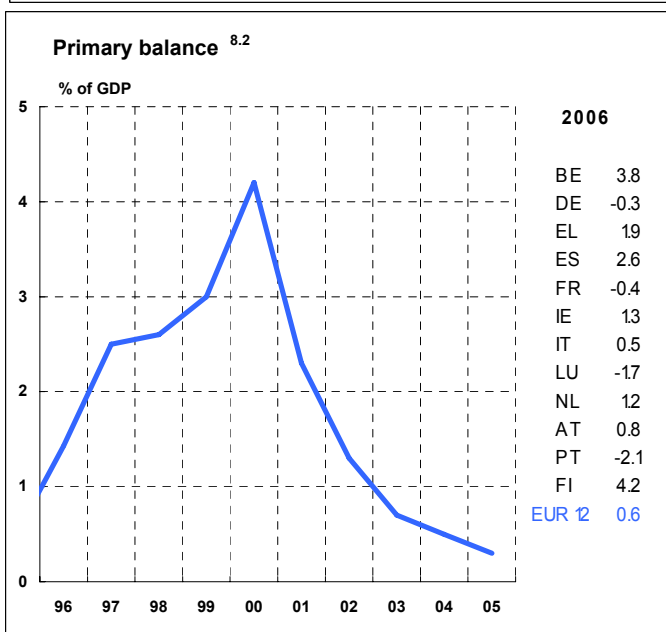
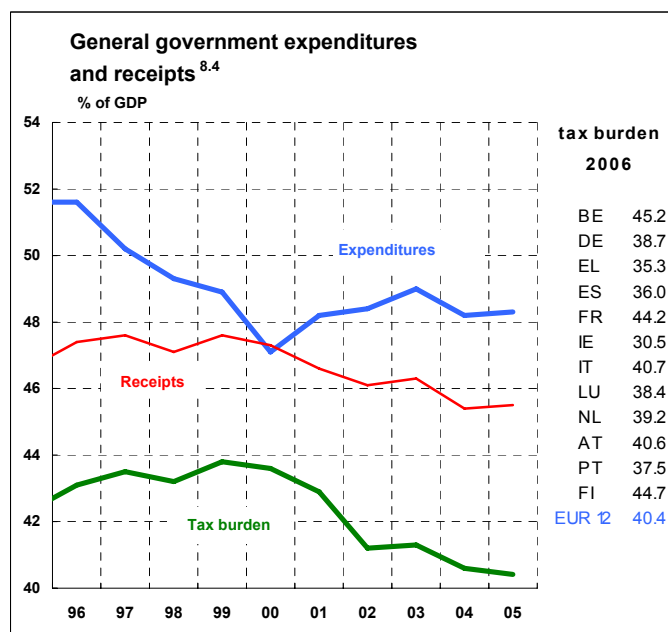
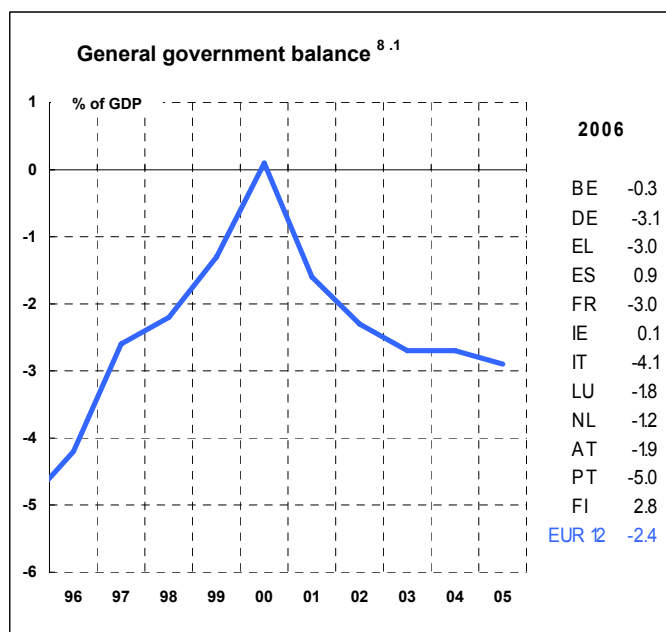


7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE*



* Figures are from the Commission's spring 2006 forecasts

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
1	Output		
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
2	Private consumption		
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
3	Investment		
3.1	Capacity utilization	In percent of full capacity, manufacturing, seasonally adjusted, survey data (collected each January, April, July and October). Last value available for 06Q2: 82.4	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
4	Labour market		
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	Wages and salaries. Labour cost index, industry and services (excluding public administration), nominal, working day adjusted	Eurostat
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
5	International transactions		
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
6	Prices		
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
7	Monetary and financial indicators		
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
8	Public finance		
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 spring 2006 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 spring 2006 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 spring 2006 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 spring 2006 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 spring 2006 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 spring 2006 forecasts	ECFIN