

# KEY INDICATORS FOR THE EURO AREA



## European Commission, DG ECFIN

### Key indicators for the euro area

this update: 3 May 2007

next update: 31 May 2007

		2003	2004	2005	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
<b>1 Output</b>										
Industrial confidence <sup>1.1</sup>	Balance	-11	-5	-8	6	6	5	5	6	7
Industrial production <sup>1.2</sup>	mom % ch.	0.5	2.0	1.3	0.3	1.2	-0.5	0.5		
		2003	2004	2005	05Q3	05Q4	06Q1	06Q2	06Q3	06Q4
Gross domestic product <sup>1.3</sup>	qoq % ch.				0.6	0.4	0.8	1.0	0.6	0.9
<b>2 Private consumption</b>										
Consumer confidence <sup>2.1</sup>	Balance	-18	-14	-14	-7	-6	-7	-5	-4	-4
Retail sales <sup>2.2</sup>	mom % ch.	0.1	0.2	1.0	0.5	0.5	-0.8	0.3		
		2003	2004	2005	05Q3	05Q4	06Q1	06Q2	06Q3	06Q4
Private consumption <sup>2.3</sup>	qoq % ch.	1.3	1.4	1.4	0.7	0.1	0.5	0.4	0.7	0.4
<b>3 Investment</b>										
Capacity utilization <sup>3.1</sup>	%	80.7	81.6	81.3	80.9	81.1	82.0	82.5	83.6	83.9
Gross fixed capital formation <sup>3.2</sup>	qoq % ch.	1.0	2.1	2.7	1.5	0.5	1.1	2.2	0.9	1.5
Change in stocks <sup>3.3</sup>	% of GDP	0.0	-0.1		0.0	0.4	0.0	0.3	0.2	
<b>4 Labour market</b>										
Unemployment <sup>4.1</sup>	%	8.4	8.9	8.5	7.5	7.5	7.4	7.3	7.2	
		2003	2004	2005	05Q3	05Q4	06Q1	06Q2	06Q3	06Q4
Employment <sup>4.2</sup>	yoy % ch.	0.4	0.6	0.7	0.7	0.8	1.0	1.4	1.5	1.6
Shortage of labour <sup>4.3</sup>	%	2.5	2.4		2.1	2.8	2.8	3.1	4.4	5.0
Wages <sup>4.4</sup>	yoy % ch.	2.5	2.2		2.2	2.6	2.9	2.9	2.7	2.5
<b>5 International transactions</b>										
Export order books <sup>5.1</sup>	Balance	-24	-13	-16	3	4	2	5	5	5
World trade <sup>5.2</sup>	Index	132	146	157	179	178	182	181		
Exports of goods <sup>5.3</sup>	Bn. EUR	1056.0	1142.1	1232.5	120.6	121.7	122.1			
Imports of goods <sup>5.4</sup>	Bn. EUR	970.4	1069.1	1207.3	116.2	121.3	119.1			
Trade balance <sup>5.5</sup>	Bn. EUR	85.6	73.0	25.2	4.4	0.4	3.0			
		2003	2004	2005	05Q3	05Q4	06Q1	06Q2	06Q3	06Q4
Exports of goods and services <sup>5.6</sup>	qoq % ch.	1.1	6.8	4.2	2.7	0.8	3.2	1.0	1.9	3.6
Imports of goods and services <sup>5.7</sup>	qoq % ch.	3.1	6.7	5.2	2.1	1.7	2.4	0.9	2.2	1.7
		2003	2004	2005	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
Current account balance <sup>5.8</sup>	Bn. EUR	18.1	42.4	38.8	0.7	6.8	3.5	-5.3		
Direct investment (net) <sup>5.9</sup>	Bn. EUR	-18.4	-39.7	-41.8	-13.1	-28.3	-5.0	-13.0		
Portfolio investment (net) <sup>5.10</sup>	Bn. EUR	-9.4	39.0	32.3	45.3	35.8	39.0	29.0		
<b>6 Prices</b>										
HICP <sup>6.1</sup>	yoy % ch.	2.1	2.2	2.2	1.9	1.9	1.8	1.8	1.9	1.8
Core HICP <sup>6.2</sup>	yoy % ch.	2.0	2.1	1.5	1.6	1.6	1.8	1.9	1.9	
Producer prices <sup>6.3</sup>	yoy % ch.	1.6	2.3	4.1	3.7	3.5	2.9	2.8	2.7	
Import prices <sup>6.4</sup>	Index	102.5	97.2	104.8	110.9					
<b>7 Monetary and financial indicators</b>										
Interest rate (3 months) <sup>7.1</sup>	% p.a.	2.3	2.1	2.2	3.4	3.4	3.6	3.7	3.8	3.8
Bond yield (10 years) <sup>7.2</sup>	% p.a.	4.1	4.1	3.4	3.7	3.8	4.0	4.1	4.0	4.2
ECB repo rate <sup>7.3</sup>	% p.a.	3.25	2.75		3.50	3.50	3.50	3.75	3.75	3.75
Stock markets <sup>7.4</sup>	Index	2420	2805	3207	4053	4070	4160	4230	4070	4337
M3 <sup>7.5</sup>	yoy % ch.	7.8	5.9	7.4	9.3	9.7	9.9	10.0	10.9	
Credit to private sector (loans) <sup>7.6</sup>	yoy % ch.	5.0	6.0	8.1	11.2	10.7	10.6	10.3	10.5	
Exchange rate USD/EUR <sup>7.7</sup>	Value	1.13	1.24	1.24	1.29	1.32	1.30	1.31	1.32	1.35
Nominal effective exchange rate <sup>7.8</sup>	Index	106.4	109.8	109.7	112.6	114.1	113.4	113.8	115.0	116.0



## Comments

### 1. Output

In April, the Commission's **industrial confidence** indicator improved further by 1 point. Confidence is at the highest level ever surveyed. Looking at the components of the indicator, managers' production expectations and managers' assessment of order books improved, while the views on their stocks of finished products remained stable.

**Industrial production** in the euro area rose by 0.5% in February 2007 compared to the previous month. Production increased in all sectors, with the largest increases in the production of energy and capital goods (0.8%) and the smallest in the production of non-durable consumer goods (0.1%). On an annual basis, industrial production increased by 4.1% vis-à-vis the same period in 2006.

Eurostat's second estimate of **gross domestic product** for the fourth quarter of 2006 shows an increase of 0.9% over the previous quarter. This figure is 0.3 pp higher than expected in the Commission's autumn forecast. In comparison with the same quarter of the previous year, GDP grew by 3.3%.

The **Commission's spring forecast** released on 7 May project economic growth to stay well above potential over the forecast horizon: decelerating marginally from 2.7% in 2006 to 2.6% in 2007 and to 2.5% in 2008. Consumer price inflation is expected to remain at 1.9% in both 2007 and 2008.

### 2. Private consumption

The **consumer confidence** indicator remained unchanged in April. Consumers were more optimistic regarding unemployment expectations, while their views on saving opportunities over the next 12 months deteriorated. Households' assessments of their financial situation over the next 12 months worsened slightly, while expectations on the general economic situation remained stable.

In February 2007, the volume of **retail sales** rose by 0.3%, compared to the previous month. Vis-à-vis the same period in 2006, retail sales increased by 1.2%.

**Private consumption** increased by 0.4% in the fourth quarter of 2006 (q-o-q), after a growth rate

of 0.7% in the previous quarter. On an annual basis, household final consumption expenditure rose by 2.0%, up from 1.8% in 2006Q3.

### 3. Investment

**Gross fixed capital formation** rose by 1.5% in the fourth quarter of 2006 (q-o-q), after a growth rate of 0.9% registered in the previous quarter. On an annual basis, investment increased by 5.8%. The change in **stocks** as a percentage of GDP decreased by 0.1% in the fourth quarter of 2006. According to the quarterly manufacturing survey, **capacity utilisation** in the manufacturing sector increased to 84.8% in the second quarter of 2007. This is 3.0 pp above its long-term average.

### 4. Labour market

In March 2007, the **unemployment** rate stood at 7.2%, compared to 7.3% in February. It was 8.2% one year ago.

Total **employment** in the euro area rose by 1.6% (y-o-y) in the fourth quarter of 2006; it had increased by 1.5% in the previous quarter. On a quarter-on-quarter basis, the seasonally-adjusted number of persons employed rose by 0.3%, unchanged from the third quarter. Employment expectations in the manufacturing industry remained unchanged in April.

The level of recorded **labour shortages** remained unchanged in the first quarter of 2007, compared to 2006Q4: 5.0% of firms reported that unfilled job openings were constraining production.

### 5. International transactions

The assessment of **export order books** in manufacturing remained unchanged in March. The estimate of the **trade balance** for the euro area revealed a surplus of 3.0 bn euro in January 2007, compared to a revised surplus of 0.4 bn euro in the previous month. The increase in the trade balance was the result of an increase in **exports of goods** (+0.4 bn euro) and a fall in **imports of goods** (-2.2 bn euro). In the fourth quarter of 2006, **exports of goods and services** (in volume terms) were up by 3.6% and **imports** by 1.7% (q-o-q). Compared to one year earlier, exports and imports rose by +10.0% and 7.5%, respectively.

The working-day and seasonally-adjusted **current account** of the euro area recorded a deficit of 5.3 bn euro in February. This reflected deficits in



current transfers (6.6 bn euro) and income (5.1 bn euro) that were only partly offset by surpluses in services (3.8 bn euro) and goods (2.6 bn euro). In the **financial account**, combined direct and portfolio investment recorded net inflows of 16 bn euro in February 2007, reflecting net inflows in **portfolio investment** (29 bn euro) and net outflows in **direct investment** (13 bn euro).

## 6. Prices

The euro area annual **HICP** is expected to be 1.8% in April, according to a flash estimate issued by Eurostat. It stood at 1.9% in March 2007, up from 1.8% in February. A year earlier the rate was 2.2%. The components with the highest annual rates in March 2007 were alcohol and tobacco (3.6%), education (3.2%) and hotels & restaurants (3.1%), while the lowest annual rates were observed for communications (-2.8%), recreation and culture (0.3%) and household equipment (1.4%). Concerning the detailed sub-indices, restaurants and cafés and electricity had the largest upward impact on the headline rate, while telecommunications, heating oil and fuels for transport had the biggest downward impacts. The **core inflation** rate (HICP excluding energy and unprocessed food) was 1.9% in March, unchanged from the previous month.

**Oil prices** dropped substantially after the abatement of geopolitical tensions in the Middle East (hostilities in Lebanon) from September 2006 on. Prices stayed in a range of 55-65 USD during Autumn 2006 falling to close to 50 USD by the end of January 2007. They moved up again substantially between February and April 2007. The rise reflected increased geopolitical tensions such as the dispute with Iran over captured UK military personnel, UN Security Council vote to impose harsher sanctions on Iran over the country's nuclear programme as well as a tighter fundamentals balance. They moved up substantially between February and April to stand at 68.1 USD on 01/05.

The euro-area industrial **producer price** index rose by 2.7% in February 2007 compared to February 2006. Prices in total industry excluding the energy sector increased by 3.4%. Compared to the previous month, prices rose by 0.3% in total industry and in total industry excluding energy.

## 7. Monetary and financial indicators

On 14 March 2007, the ECB Governing Council decided to raise policy interest rates by 25 basis points, raising the minimum bid rate on the main refinancing operations of the Eurosystem to 3.75%. The previous 25 basis points hike was decided in December 2006. In 2006, euro area money markets have been strongly affected by market expectations of future changes in ECB policy interest rates. On 30 April 2007, the **three-month money market rate** stood at 4.02%. In 2006, **government bond yields** experienced a strong downward price correction as market sentiment changed in the wake of upbeat survey indicators and expectations about ECB interest rate hikes. Since the end of 2006 euro-area government bond yields have increased again, interrupted by financial market turbulence in February/March; they stood at 4.16% on 30 April.

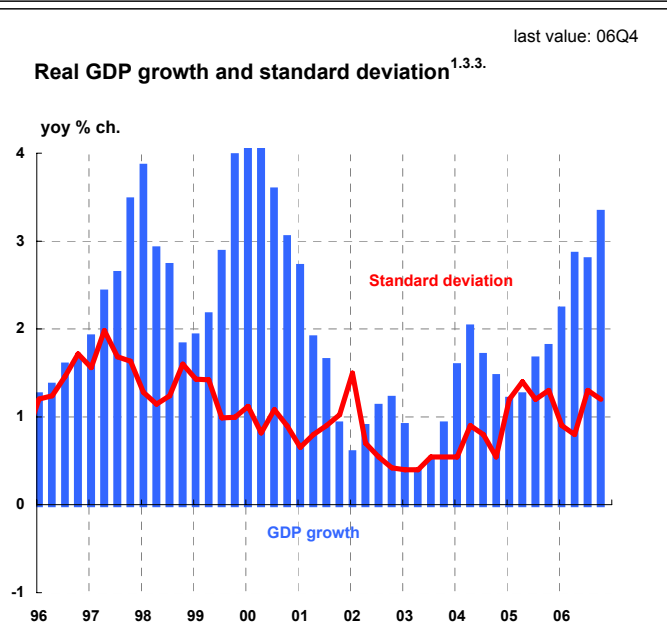
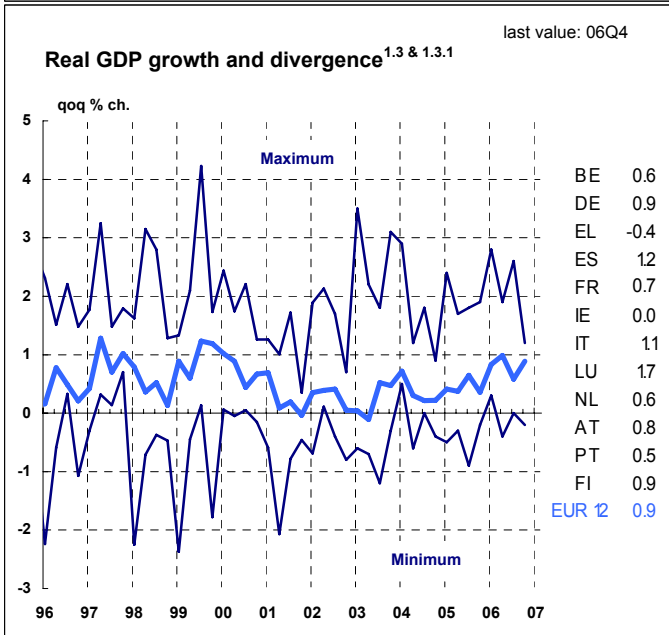
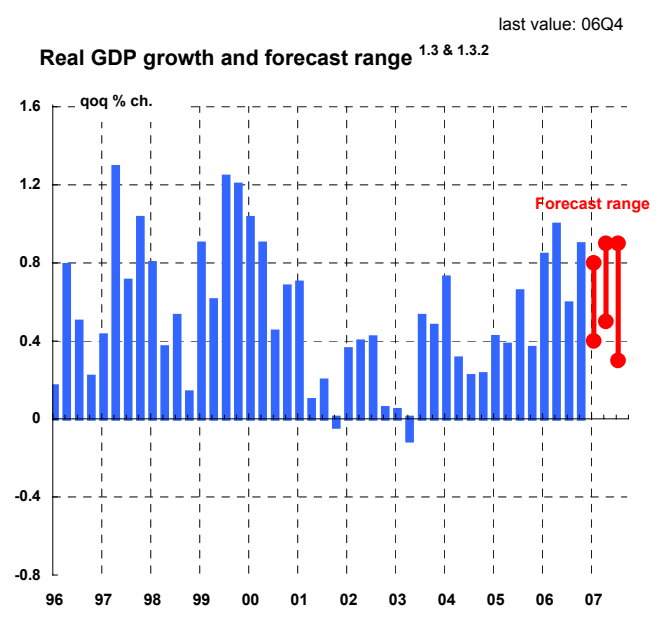
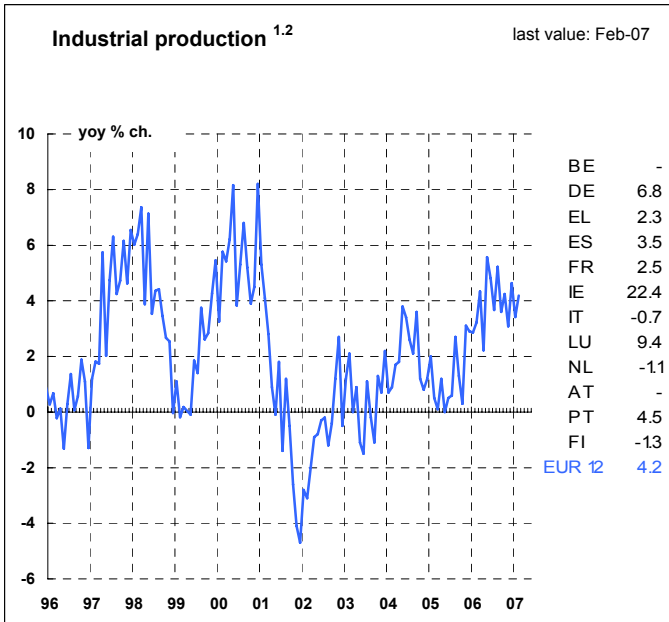
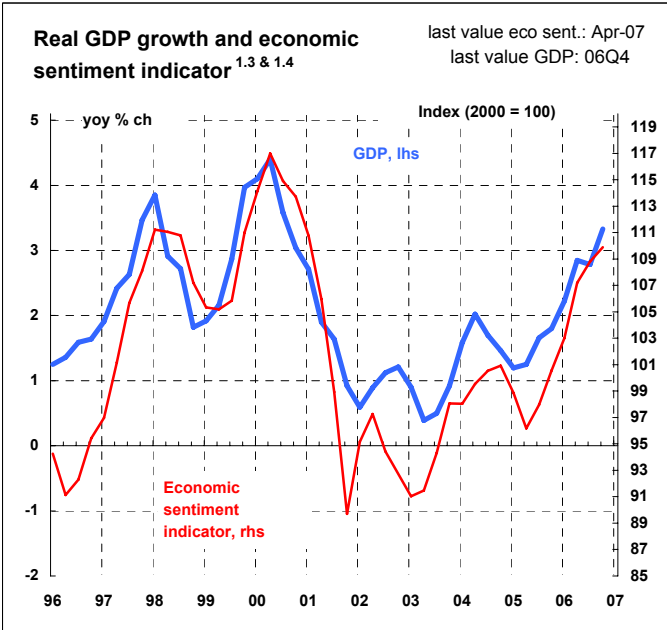
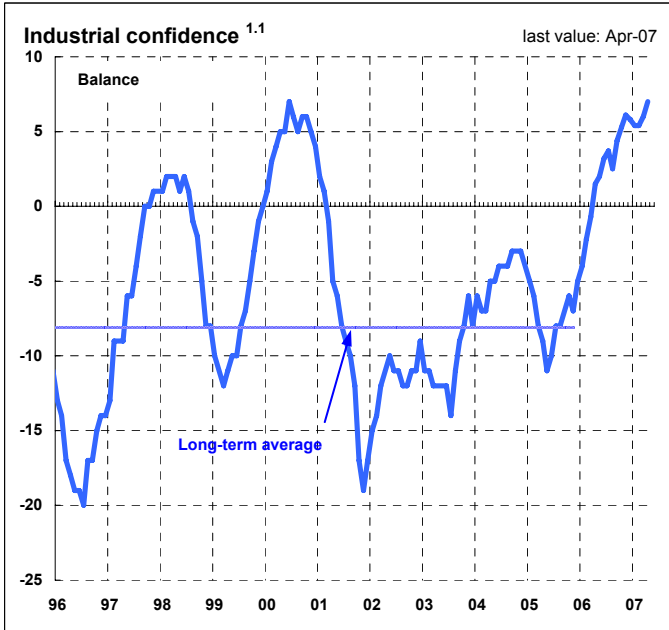
The annual rate of growth of **M3** increased to 10.9% in March, compared to 10.0% in the previous month. The three-month moving average of the annual growth rate of M3 over the period January - March rose to 10.3%, from 9.9% in the period December 2006 - February 2007. Regarding the main components of M3, the annual rate of growth of M1, the annual rate of growth of short-term deposits other than overnight deposits and the annual rate of growth of marketable instruments increased. The annual rate of **credit growth (loans)** to the private sector stood at 10.5% in March, up from 10.3% in February. Lending for house purchase decreased to 8.9%, from 9.4% in the previous month.

**Foreign exchange** markets in 2006 have returned to the trends of 2002-2004, with the dollar weakening broadly and the euro strengthening. The euro stood at around 1.36 on 30 April, more than 10% higher than one year ago. Against the yen, the euro has also strengthened, to around 163 on 30 April. That being said, in real effective terms (both nominal and real) the exchange rate of the euro appreciated by much less (around 6%). The positive outlook for euro area growth and expectations for further increases in euro area interest rates relative to the US and Japan have underpinned the euro's strength.

A significant drop in major **stock indices** took place in February/March, led by a sharp decline in Chinese equity prices and weak data on the US economy. However, between mid-March mid-April, most equity markets have recovered their previous losses.



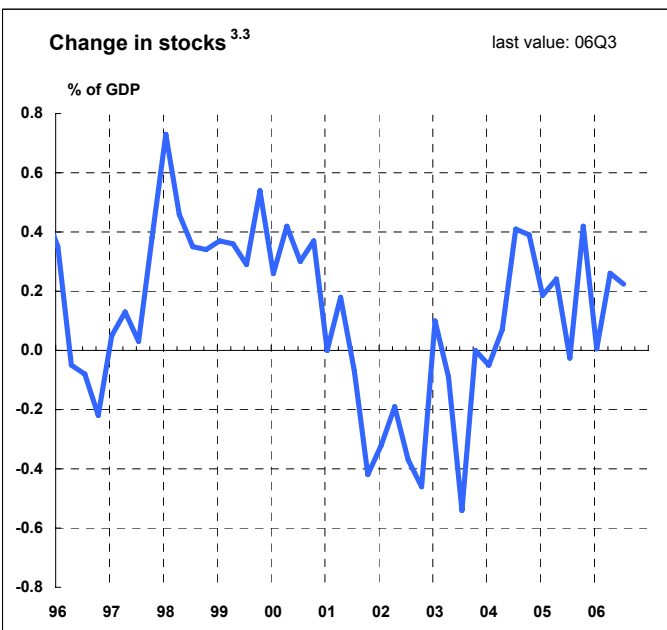
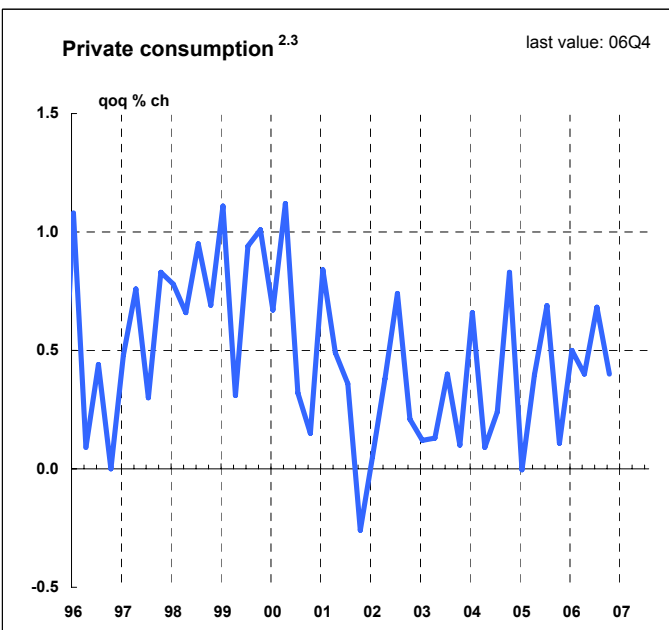
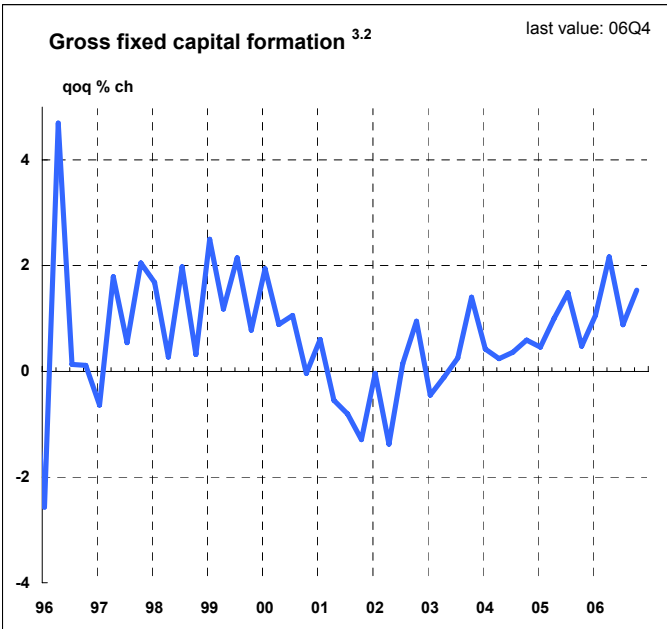
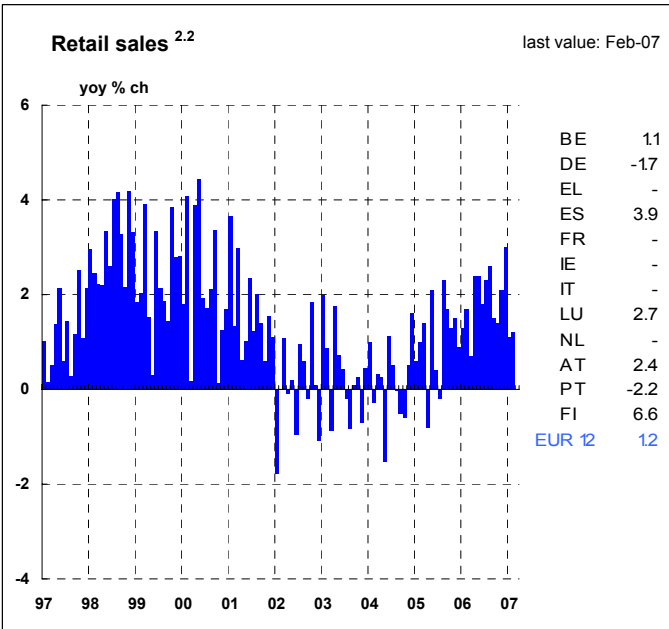
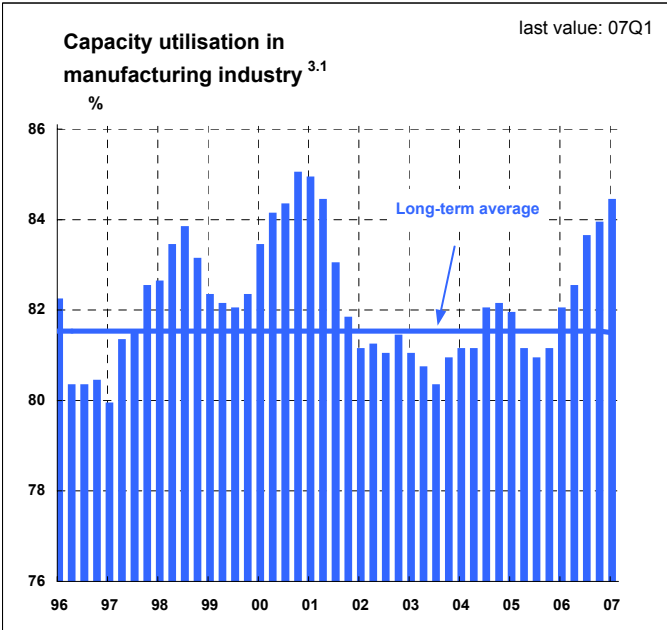
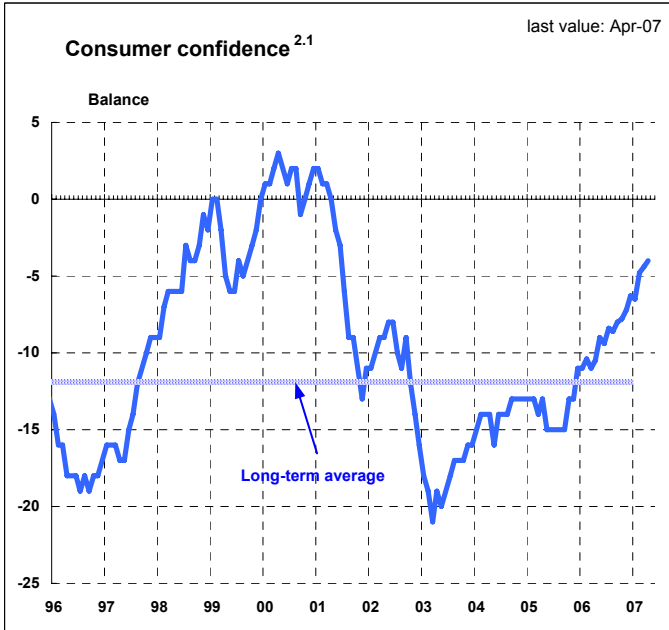
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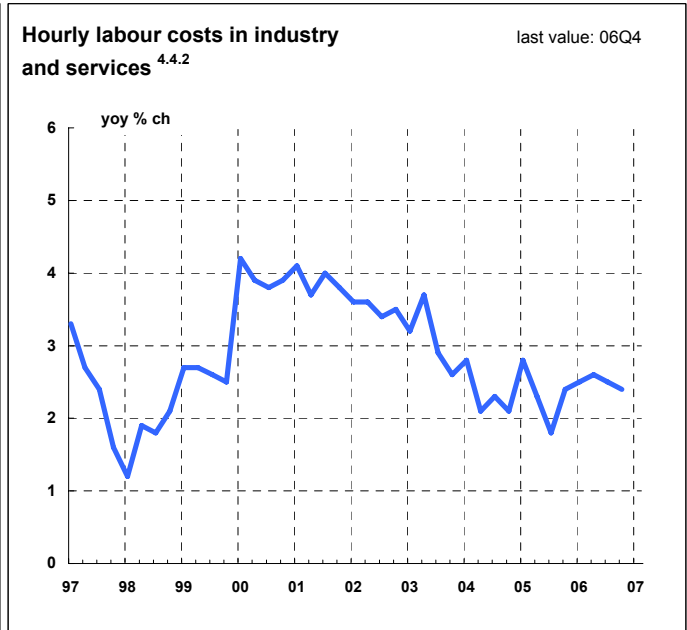
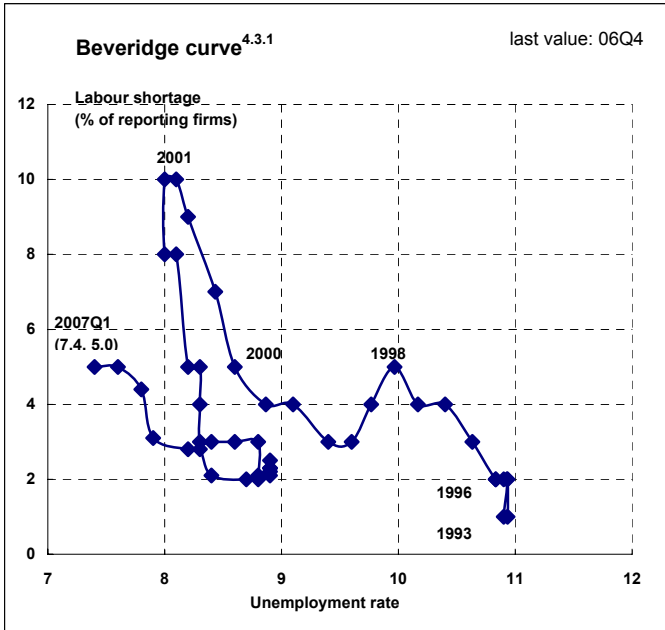
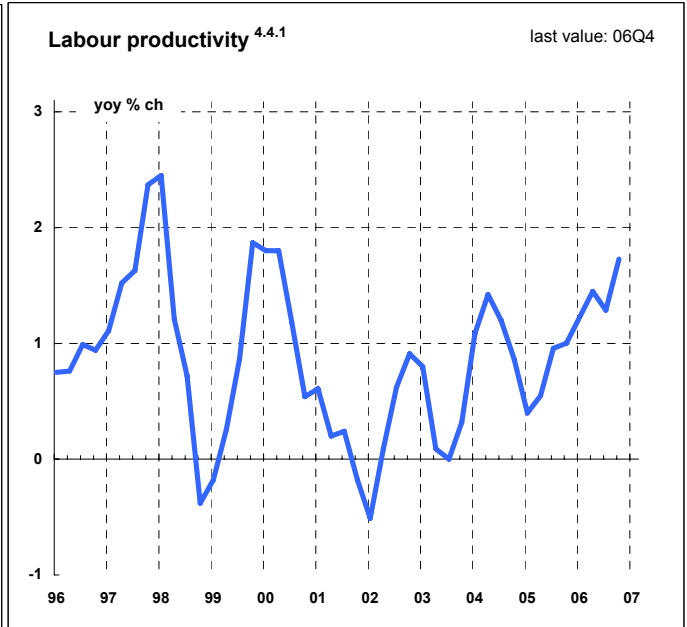
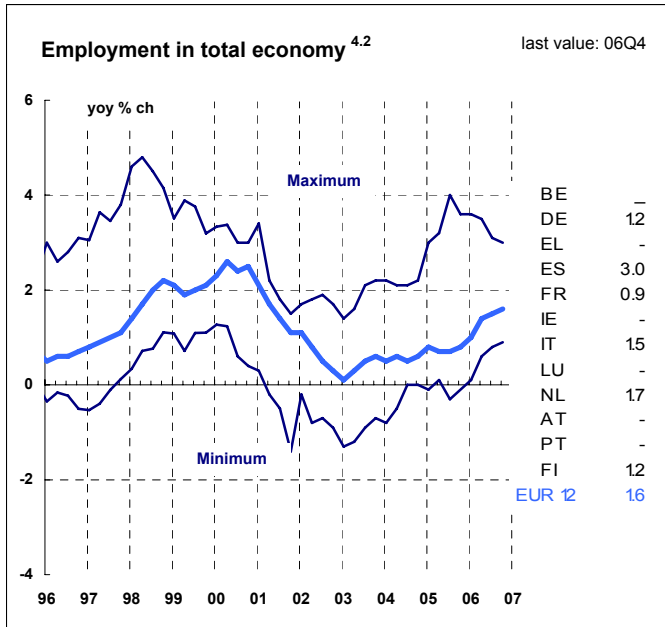
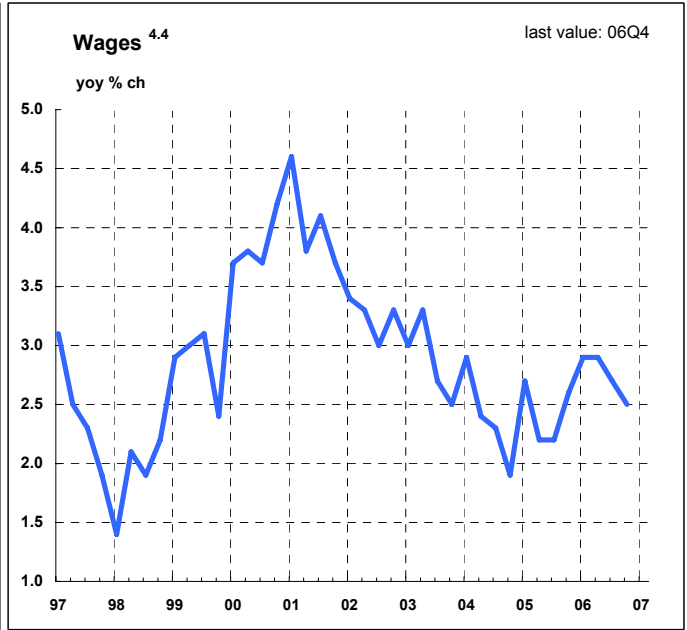
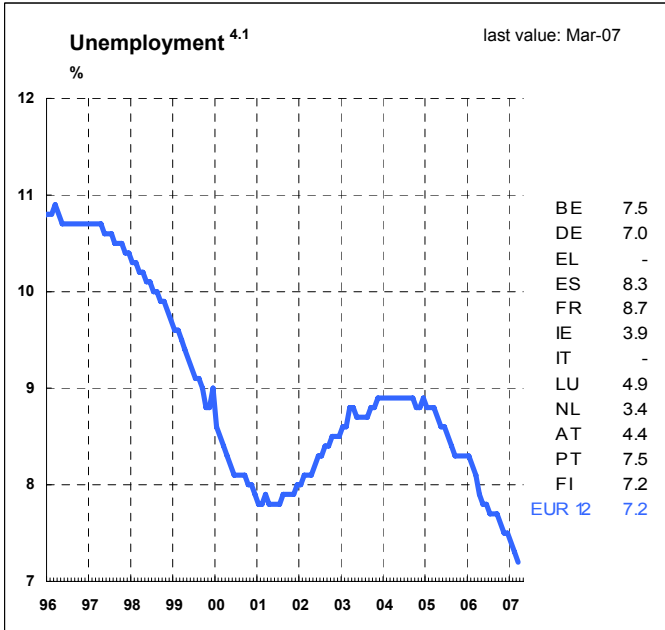
2. PRIVATE CONSUMPTION

3. INVESTMENT



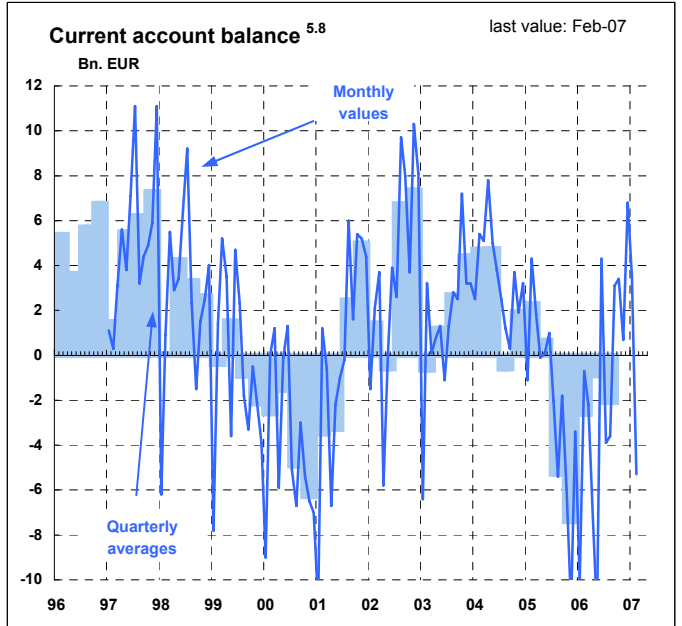
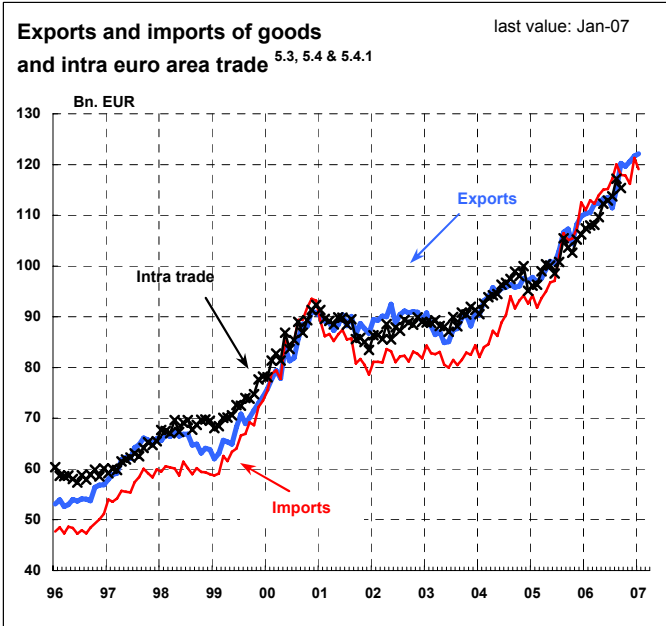
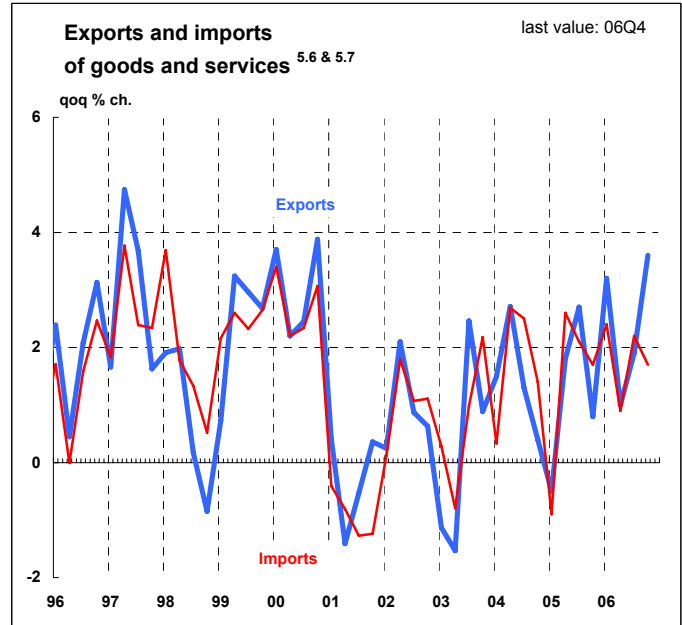
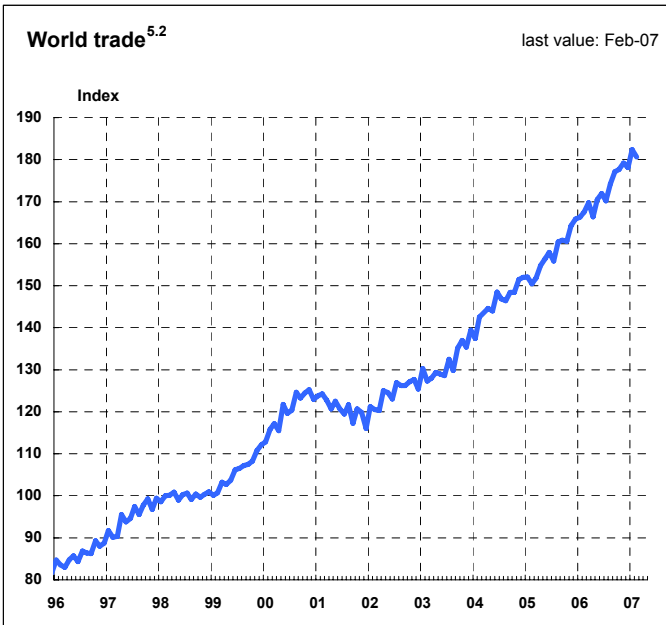
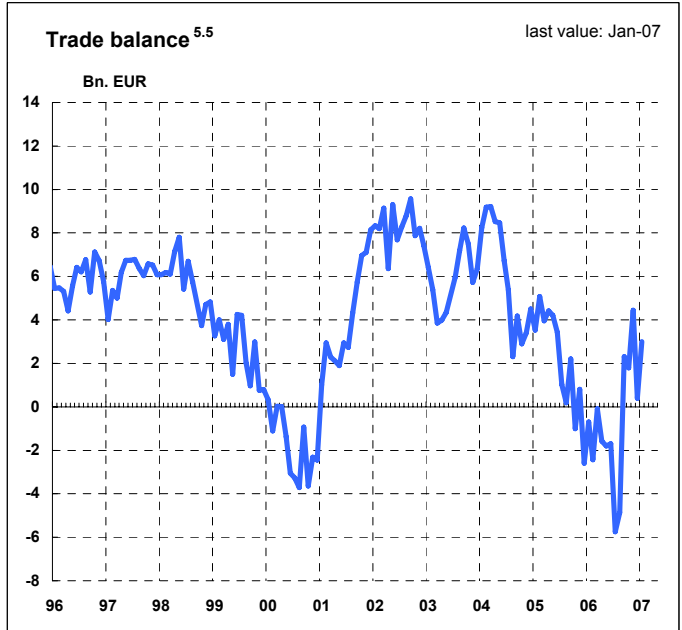
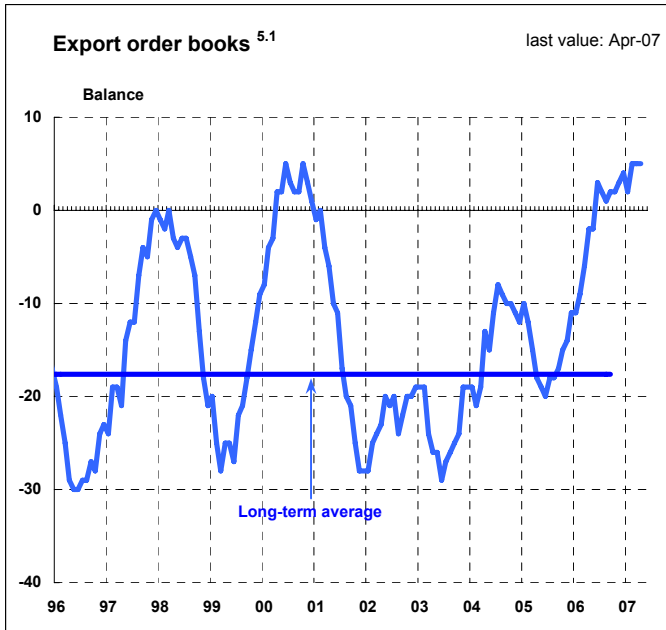


4. LABOUR MARKET



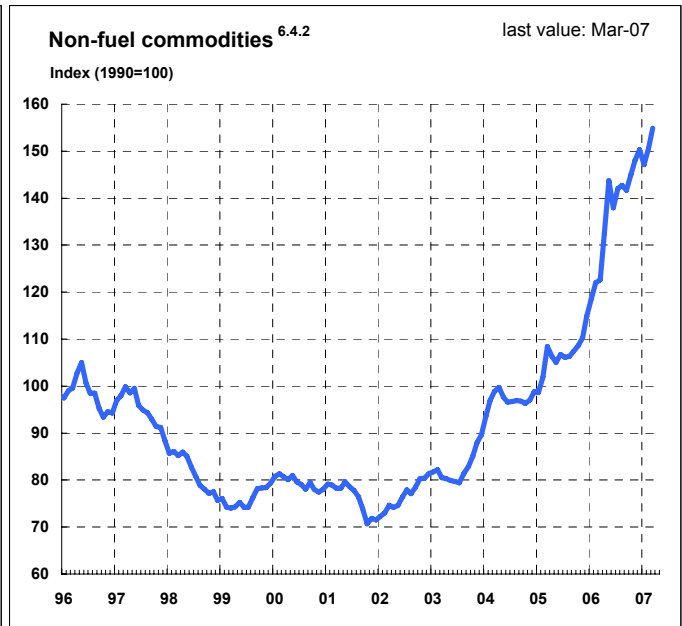
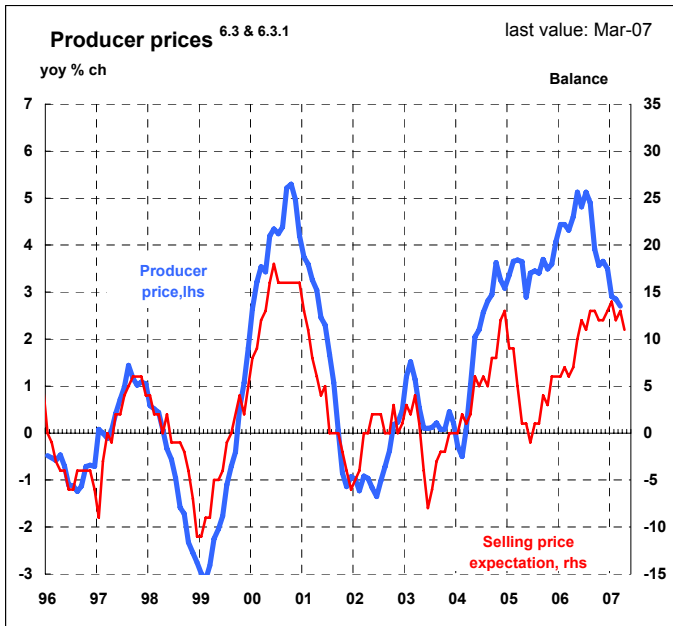
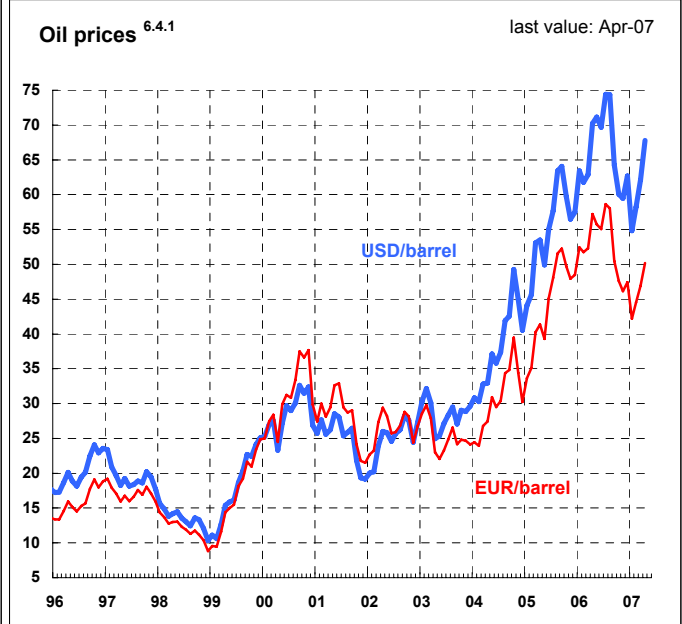
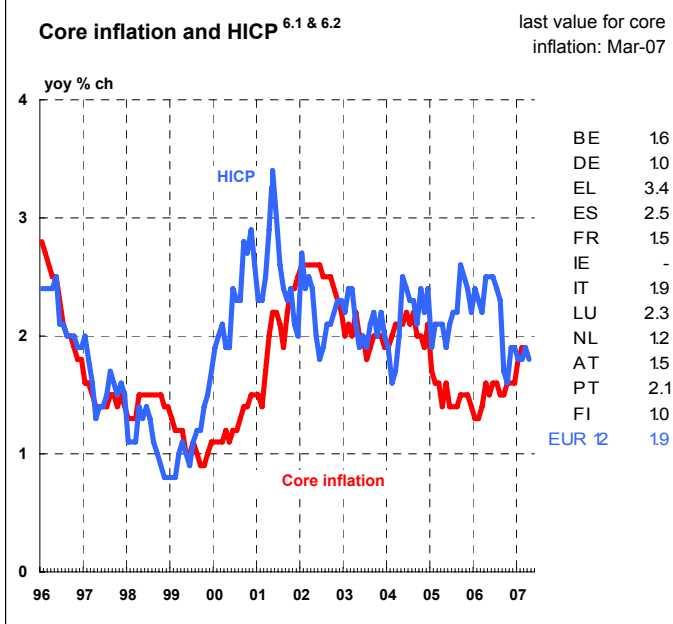
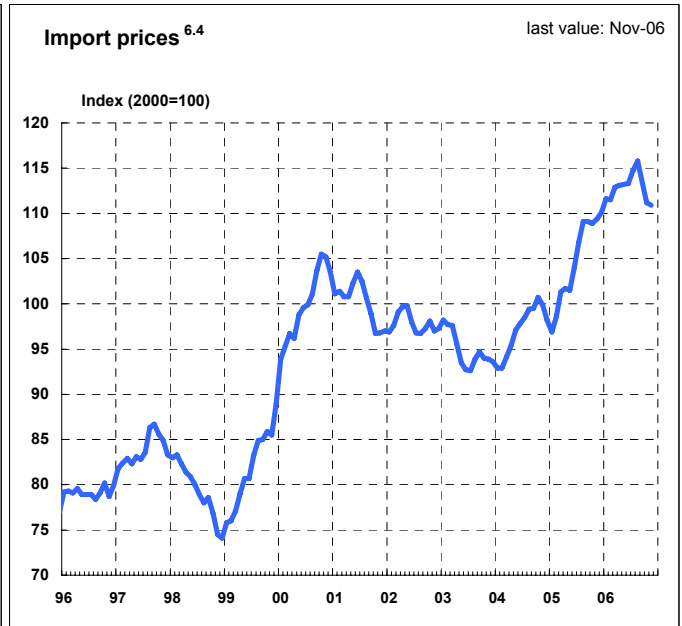
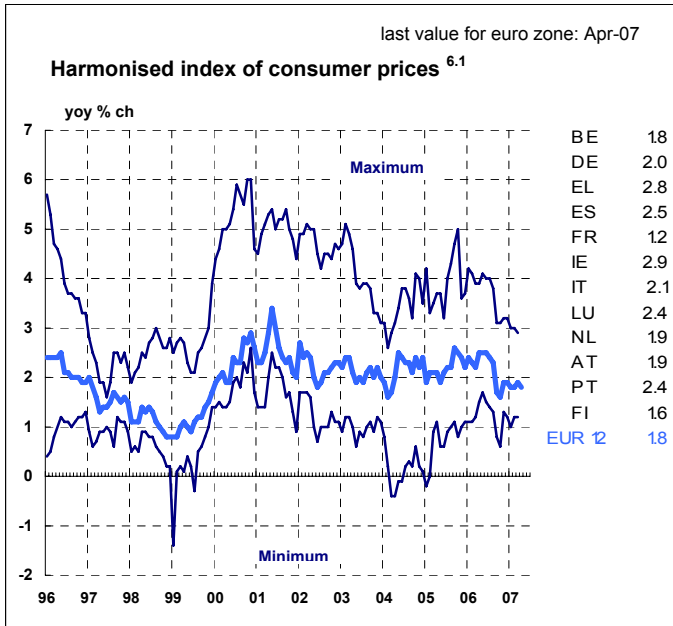


5. INTERNATIONAL TRANSACTIONS





## 6. PRICES

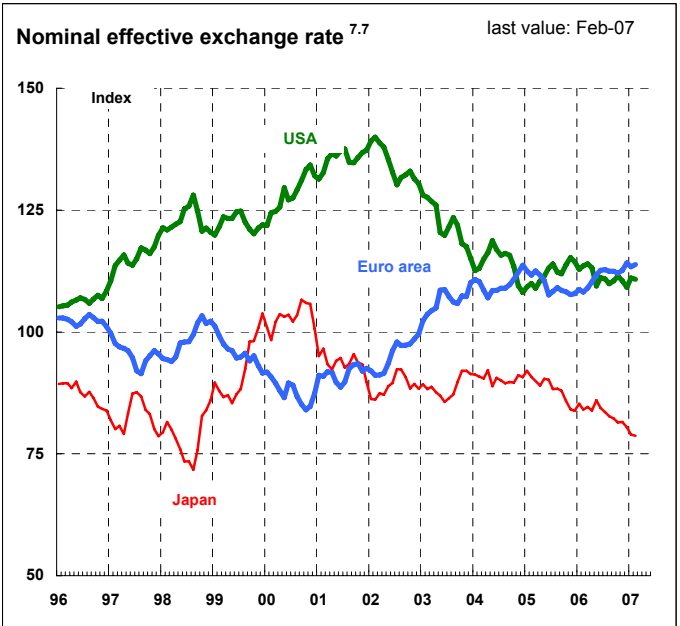
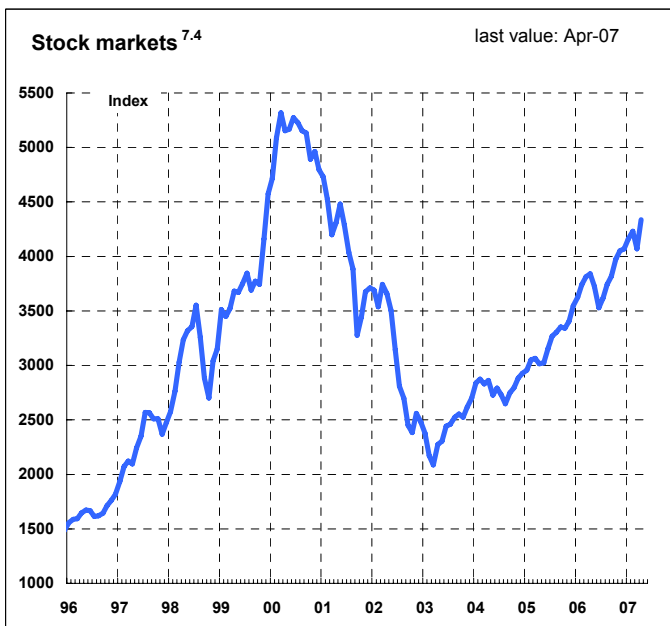
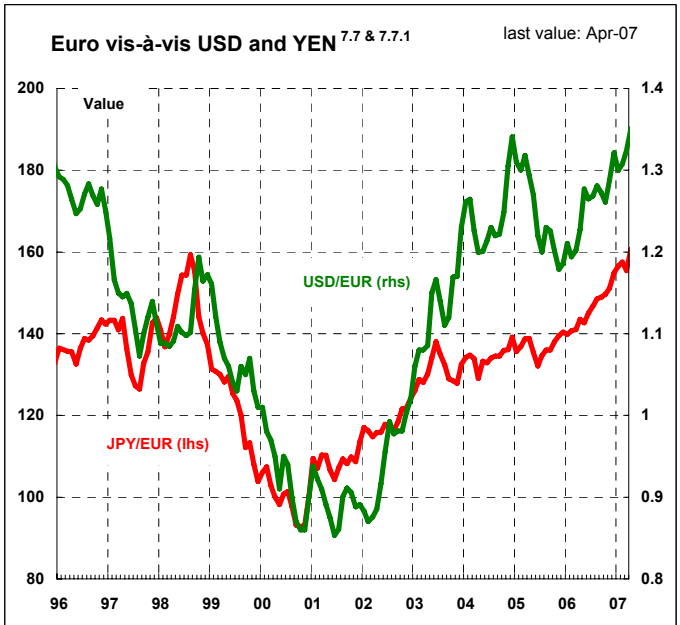
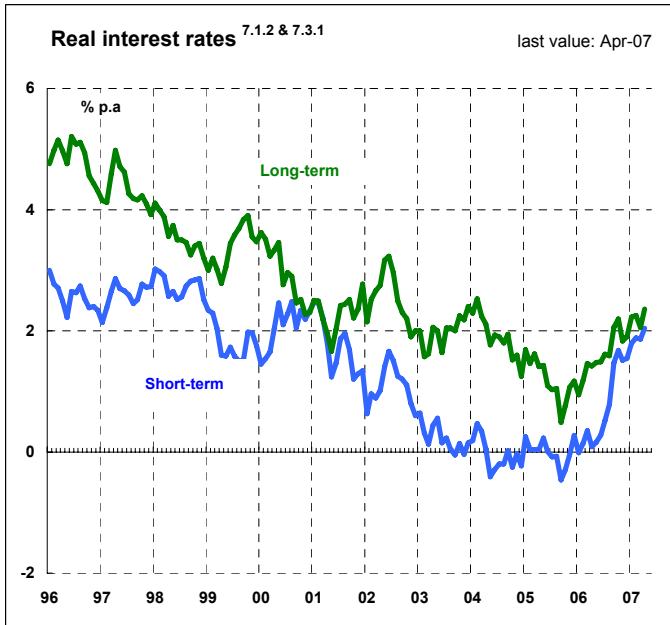
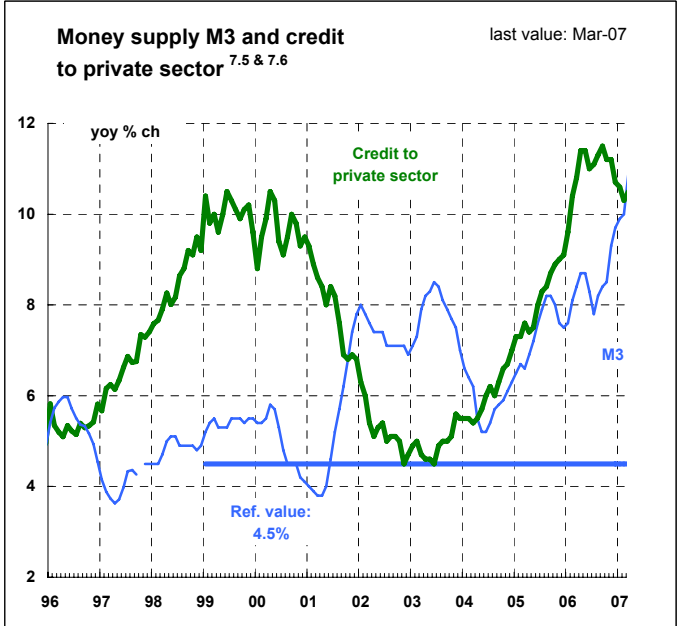
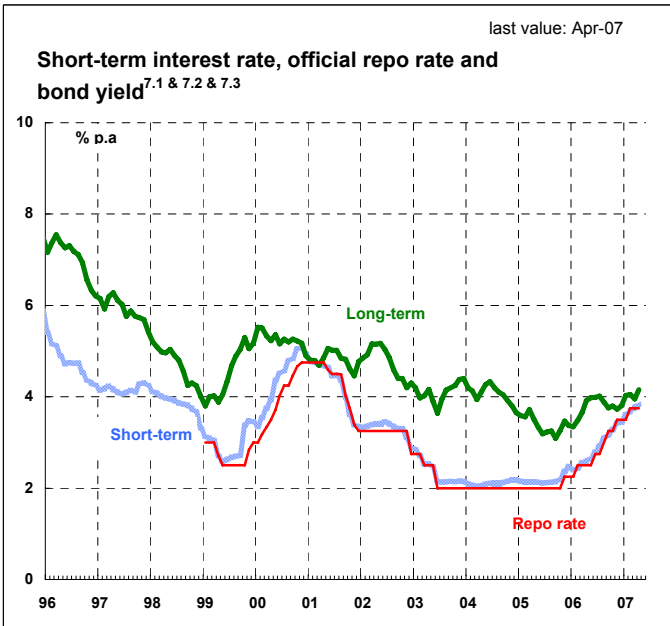




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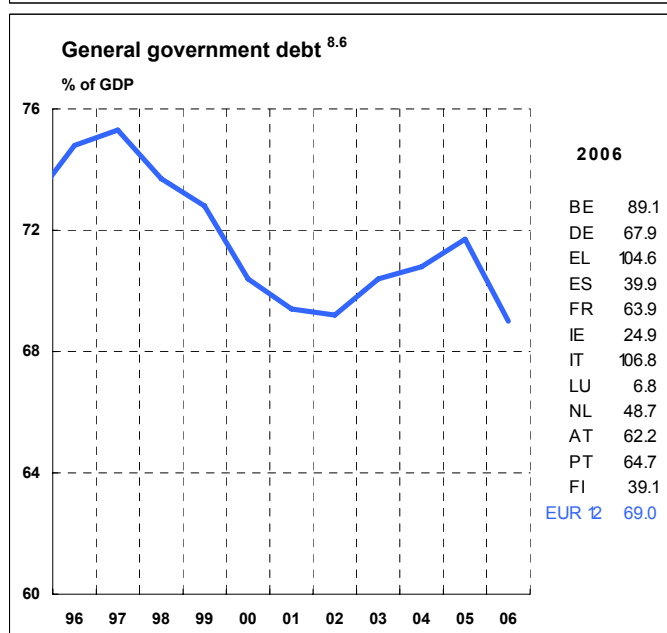
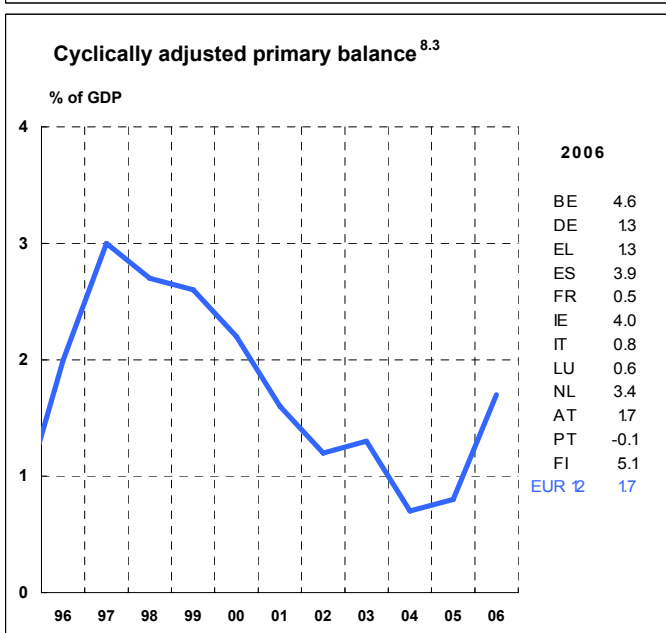
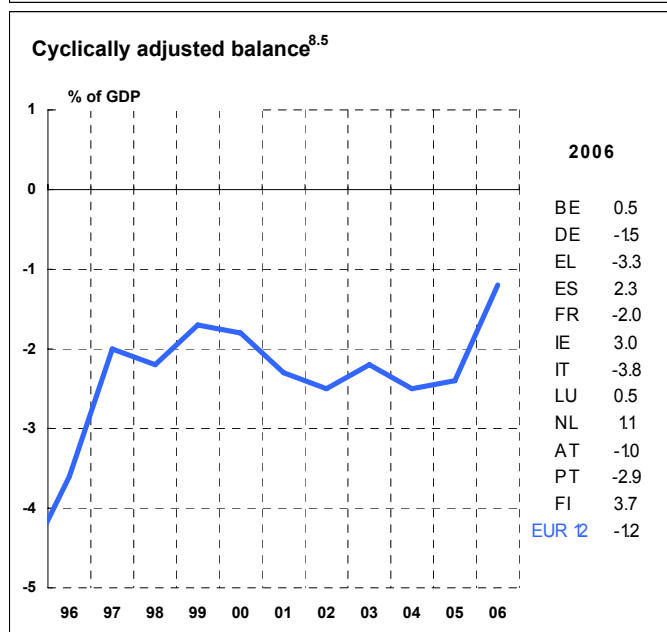
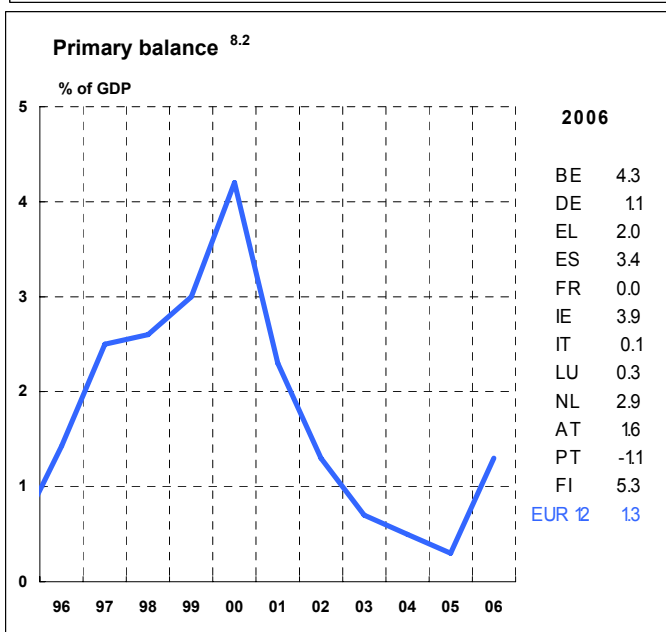
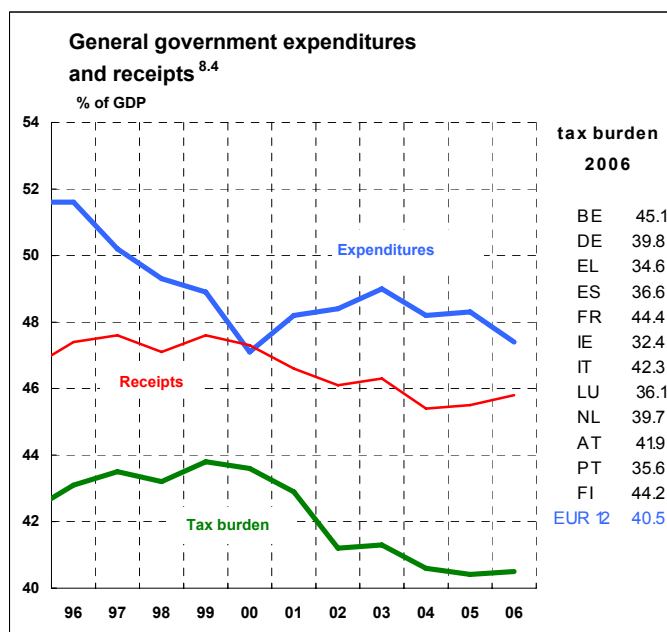
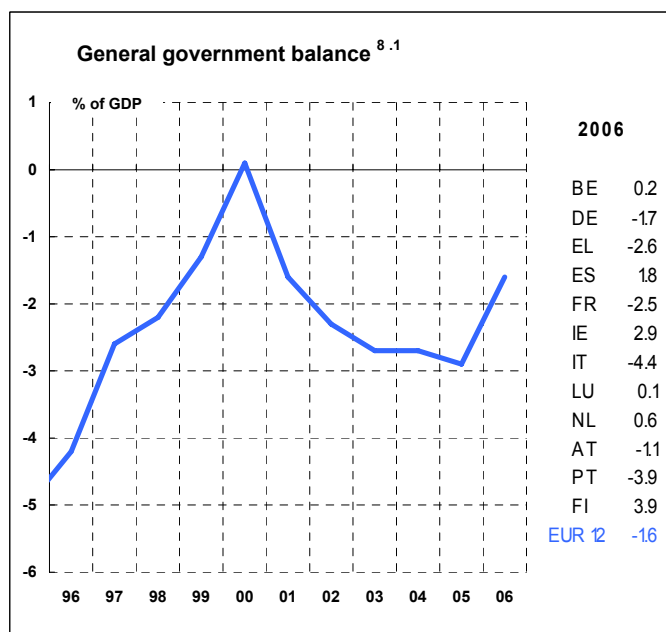


## 7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE\*



\* Figures are from the Commission's spring 2007 forecast

## 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 for 07Q2: 84.8	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	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
<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 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