

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 6 July 2007

next update: 11 September 2007

		2004	2005	2006	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
1 Output										
Industrial confidence ^{1.1}	Balance	-4.7	-7.3	2.3	5.4	5.4	6.0	6.6	5.8	6.0
Industrial production ^{1.2}	mom % ch.	2.0	1.3	4.0	-0.5	0.5	0.6	-0.9	--	--
		2004	2005	2006	05Q4	06Q1	06Q2	06Q3	06Q4	07Q1
Gross domestic product ^{1.3}	qoq % ch.	2.0	1.5	2.7	0.4	0.9	0.9	0.6	0.9	0.6
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.9	-13.8	-9.0	-6.5	-4.8	-4.4	-4.0	-1.3	-1.9
Retail sales ^{2.2}	mom % ch.	1.5	1.2	2.0	-0.9	0.4	0.6	-0.1	--	--
		2004	2005	2006	05Q4	06Q1	06Q2	06Q3	06Q4	07Q1
Private consumption ^{2.3}	qoq % ch.	1.4	1.6	1.8	0.2	0.5	0.3	0.7	0.4	-0.1
3 Investment										
Capacity utilization ^{3.1}	%	81.6	81.3	83.0	81.1	82.0	82.5	83.6	83.9	84.4
Gross fixed capital formation ^{3.2}	qoq % ch.	1.9	2.8	5.1	0.5	1.2	2.1	0.9	1.5	2.4
Change in stocks ^{3.3}	% of GDP	0.1	0.2	--	0.4	0.0	0.3	0.2	--	--
4 Labour market										
Unemployment ^{4.1}	%	8.8	8.6	7.9	7.4	7.2	7.1	7.1	7.0	--
		2004	2005	2006	05Q4	06Q1	06Q2	06Q3	06Q4	07Q1
Employment ^{4.2}	yoy % ch.	0.9	0.8	1.4	0.6	1.1	1.5	1.5	1.5	1.4
Shortage of labour ^{4.3}	%	2.4	2.3	3.8	2.8	2.8	3.1	4.4	5.0	5.0
Wages ^{4.4}	yoy % ch.	2.3	2.6	2.6	2.6	2.9	2.7	2.6	2.3	2.2
5 International transactions										
Export order books ^{5.1}	Balance	-13.2	-15.6	-1.1	2.0	5.0	5.0	5.0	6.0	5.0
World trade ^{5.2}	Index	146.2	157.0	172.3	181.6	179.4	180.9	178.5	--	--
Exports of goods ^{5.3}	Bn. EUR	1148.3	1240.8	1381.2	122.4	121.1	122.1	--	--	--
Imports of goods ^{5.4}	Bn. EUR	1075.1	1224.3	1393.1	119.0	120.7	117.0	--	--	--
Trade balance ^{5.5}	Bn. EUR	73.2	16.6	-11.9	3.4	0.4	5.1	--	--	--
		2004	2005	2006	05Q4	06Q1	06Q2	06Q3	06Q4	07Q1
Exports of goods and services ^{5.6}	qoq % ch.	6.9	4.2	8.3	0.8	3.6	1.0	1.4	3.5	0.3
Imports of goods and services ^{5.7}	qoq % ch.	6.8	5.0	7.9	1.7	2.8	0.8	2.1	1.7	1.6
		2004	2005	2006	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Current account balance ^{5.8}	Bn. EUR	60.8	-1.8	-6.1	3.5	-3.7	6.7	-4.0	--	--
Direct investment (net) ^{5.9}	Bn. EUR	-68.6	-210.0	-156.6	-12.3	-12.4	-8.4	-24.4	--	--
Portfolio investment (net) ^{5.10}	Bn. EUR	72.9	146.1	273.1	35.4	26.2	71.4	16.3	--	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.2	1.8	1.8	1.9	1.9	1.9	--
Core HICP ^{6.2}	yoy % ch.	2.1	1.5	1.5	1.8	1.9	1.9	1.9	1.9	--
Producer prices ^{6.3}	yoy % ch.	1.9	3.5	4.4	2.8	2.7	2.6	2.2	2.2	--
Import prices ^{6.4}	Index	97.2	104.8	112.9	110.9	111.2	111.8	111.9	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.0	2.1	2.9	3.6	3.7	3.8	3.8	3.9	4.0
Bond yield (10 years) ^{7.2}	% p.a.	4.1	3.4	3.8	4.0	4.1	4.0	4.2	4.3	4.6
ECB repo rate ^{7.3}	% p.a.	2.0	2.0	2.8	3.5	3.5	3.6	3.8	3.8	3.9
Stock markets ^{7.4}	Index	2804.6	3207.1	3793.3	4159.5	4230.2	4070.5	4337.0	4445.4	4470.2
M3 ^{7.5}	yoy % ch.	5.8	7.4	8.5	9.9	10.0	10.9	10.4	10.7	--
Credit to private sector (loans) ^{7.6}	yoy % ch.	6.0	8.1	11.0	10.6	10.3	10.5	10.3	10.3	--
Exchange rate USD/EUR ^{7.7}	Value	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.3
Nominal effective exchange rate ^{7.8}	Index	1.2	1.2	1.3	113.4	113.8	115.0	116.0	116.1	115.5



Comments

1. Output

In June, the Commission's **industrial confidence** indicator remained unchanged in the euro area. It remains just 1 point below its record level of April this year. Looking at the components of the indicator, managers' production expectations and the views on their stocks of finished products improved, while their assessment of order books worsened by one point.

Industrial production in the euro area declined by 0.8% in April 2007 compared to the previous month. Production decreased in all sectors, except the production of energy (0.5%). The largest falls were registered in the production of durable consumer goods (-1.6%) and intermediate goods (-1.4%). On an annual basis, industrial production increased by 2.8% vis-à-vis the same period in 2006.

Eurostat's first estimate of **gross domestic product** for the first quarter of 2007 shows an increase of 0.6% over the previous quarter. This figure is in line with the Commission's spring forecast. In comparison with the same quarter of the previous year, GDP grew by 3.0%.

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.

2. Private consumption

Following the high increase in **consumer confidence** in May, the indicator fell by 1 point in June. This is the first decline in almost one year. Looking at the components it shows that it was mainly a small correction in consumers' optimism regarding unemployment expectations that caused the indicator to decline. Consumers' expectations regarding both their own financial situation and the general economic situation over the next 12 months remained unchanged, while expectations regarding saving opportunities over the next 12 months worsened by 1 point.

In May 2007, the volume of **retail sales** fell by 0.5%, compared to the previous month. Vis-à-vis

the same period in 2006, retail sales increased by 0.4%.

Private consumption decreased by 0.1% in the first quarter of 2007 (q-o-q), after a growth rate of 0.4% in the previous quarter. On an annual basis, household final consumption expenditure rose by 1.3%, down from 1.8% in 2006Q4. These figures are still affected by weak consumption in Germany due to the VAT increase.

3. Investment

Gross fixed capital formation rose by 2.5% in the first quarter of 2007 (q-o-q), after a growth rate of 1.5% registered in the previous quarter. On an annual basis, investment increased by 7.2%.

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 May 2007, the **unemployment** rate stood at 7.0%, compared to 7.1% in April. It was 8.0% one year ago.

Total **employment** in the euro area rose by 1.4% (y-o-y) in the first quarter of 2007; 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 0.4%, up from 0.3% in the fourth quarter of 2006. Employment expectations in the manufacturing industry remained unchanged in June.

The level of recorded **labour shortages** increased in the second quarter of 2007: 6.1% of firms reported that unfilled job openings were constraining production, compared to 5.0% in the first quarter.

5. International transactions

The assessment of **export order books** in manufacturing declined by 1 point in June. The estimate of the **trade balance** for the euro area revealed a surplus of 5.1 bn euro in March 2007, compared to a revised surplus of 0.4 bn euro in the previous month. The decrease in the trade balance was the result of an increase in **exports of goods** (+1.0 bn euro) and a fall in **imports of goods** (-3.7 bn euro). In the first quarter of 2007, **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 4 bn euro in April. This reflected a deficit in current transfers (8.8 bn euro) that was partly offset by surpluses in goods (3.5 bn euro) and services (2.2 bn euro). The income account was balanced. In the **financial account**, combined direct and portfolio investment recorded net outflows of 8 bn euro in April 2007, reflecting net outflows in **direct investment** (24 bn euro) that were partly offset by net inflows in **portfolio investment** (16 bn euro).

6. Prices

The euro area annual **HICP** is expected to be 1.9% in June, according to a flash estimate issued by Eurostat. It stood at 1.9% in May 2007, unchanged compared to April. A year earlier the rate was 2.5%. The components with the highest annual rates in May 2007 were education (9.2%), alcohol and tobacco (3.6%) and hotels and restaurants (3.2%), while the lowest annual rates were observed for communications (-1.8%), recreation and culture (0.2%) and clothing (1.3%). Concerning the detailed sub-indices, restaurants and cafés (+0.11 pps) and tobacco (+0.08) had the largest upward impacts on the headline rate, while telecommunications (-0.12) and fuels for transport (-0.11) had the biggest downward impacts. The **core inflation** rate (HICP excluding energy and unprocessed food) was 1.9% in May, 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. In the last week prices have edged up again due to several factors: continued geopolitical tensions, expectations of an increased world demand (especially from China) and bottlenecks in the refinery capacity in the US. On 3 July, the Brent Index reached its highest level observed this year, closing at 71.6 USD.

The euro-area industrial **producer price** index rose by 2.3% in May 2007 compared to May 2006. Prices in total industry excluding the energy sector increased by 3.2%. 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 6 June 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 4.0%. The previous 25 basis points hike was decided in March 2007. On 3 July 2007, the **three-month money market rate** stood at 4.18%. 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 4.57% on 3 July.

The annual rate of growth of **M3** increased to 10.7% in May, compared to 10.4% in the previous month. The three-month moving average of the annual growth rate of M3 over the period March - May rose to 10.7%, from 10.4% in the period February - April. The annual rate of **credit growth (loans)** to the private sector stood at 10.3% in May, unchanged from the previous month. The annual rate of growth of lending for house purchase was 8.6%, unchanged from April.

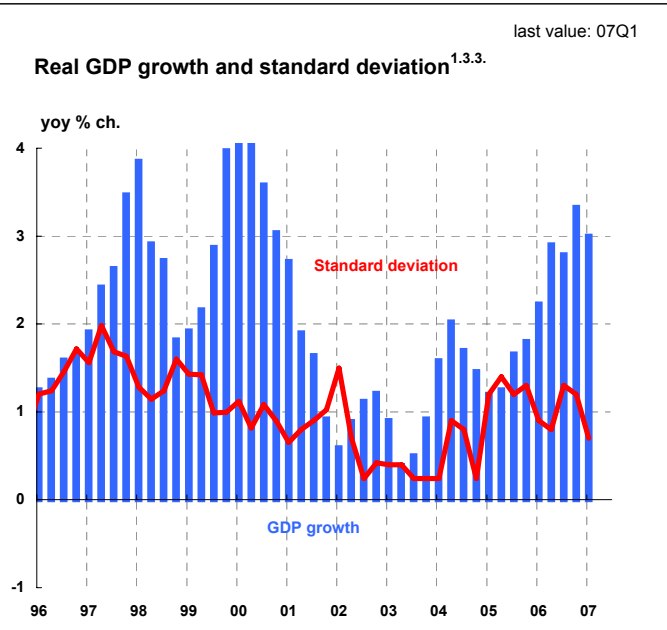
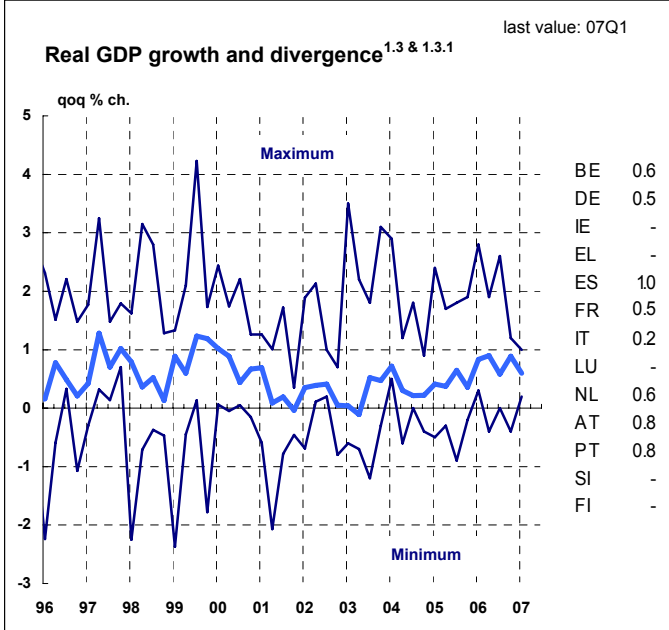
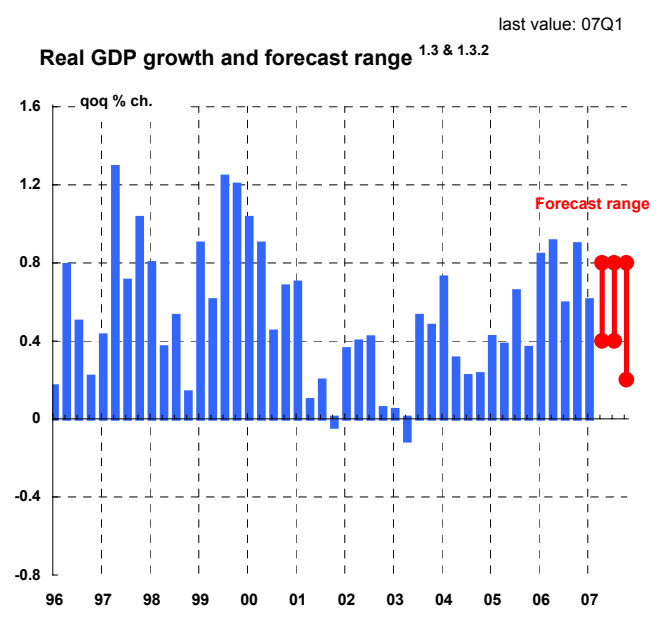
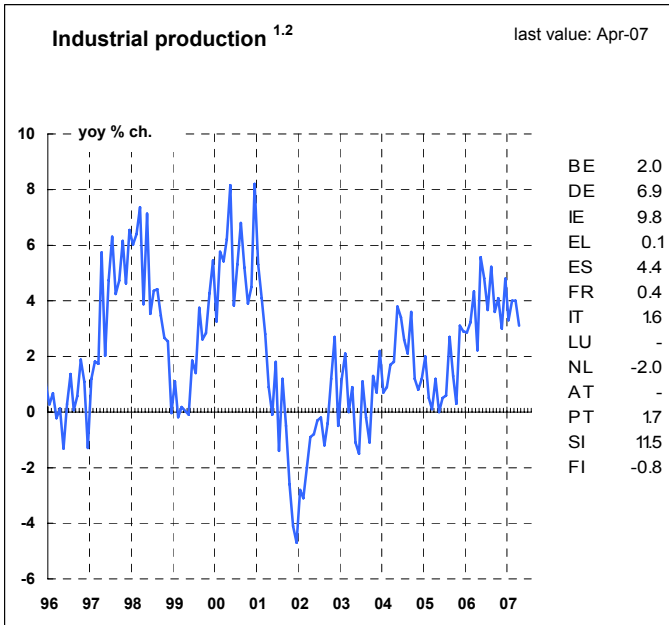
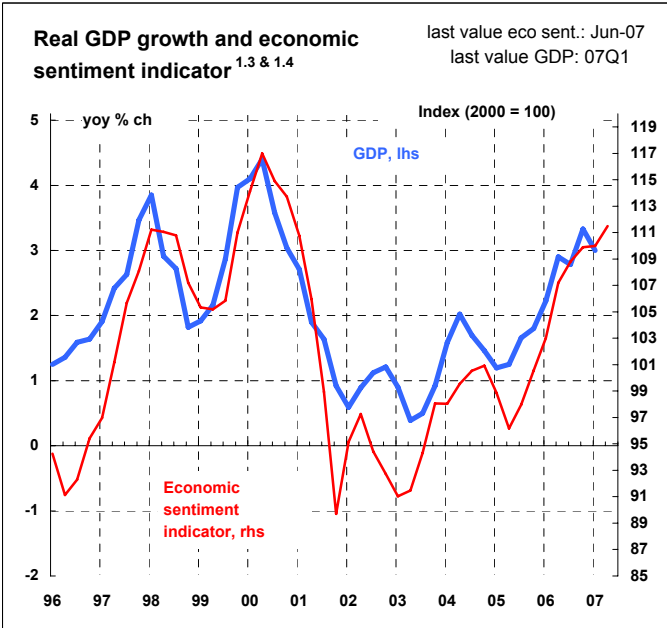
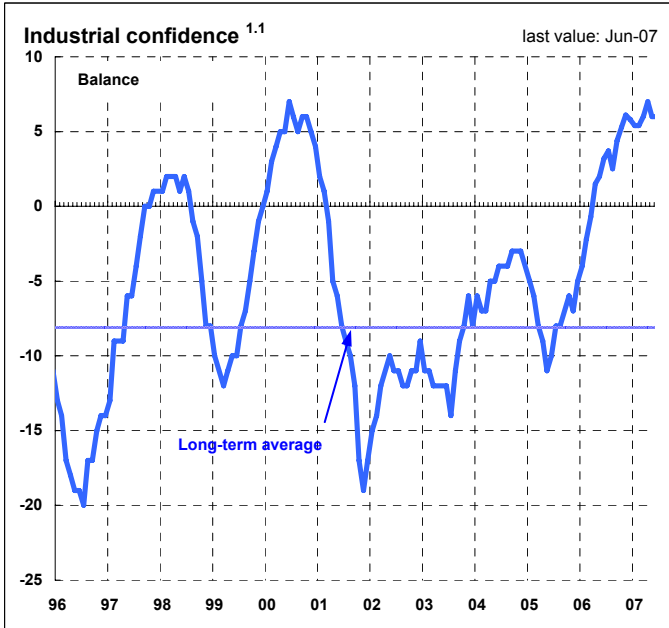
After a period of broad stability in middle of 2006, **foreign exchange markets** have returned to the trends of 2002-04, with the dollar weakening broadly and the euro strengthening. Against the USD, the euro reached an all-time high of 1.365 USD on 25 April 2007. Thereafter the euro weakened somewhat as indicators for the US economy turned out more favourable than expected by market participants. On 3 July the euro stood at around 1.36 USD, again near the record-high and about 7% higher than a year ago. Against the JPY, the euro also appreciated steadily in recent months. In the past week, a fresh wave of selling pushed the yen to multi-year lows against several currencies. On 3 July, the euro stood at 166.7 JPY, just below the record-high of 166.9 JPY reached on 22 June.

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. From mid-March on, equity markets recovered, reaching new record highs in May. A new correction took place in early June; triggered by a sell off in bond markets. As bond yields stabilised, equities recovered again, reaching new highs by mid June. Since then, equities eased, amid concerns about the US subprime market.

KEY INDICATORS FOR THE EURO AREA



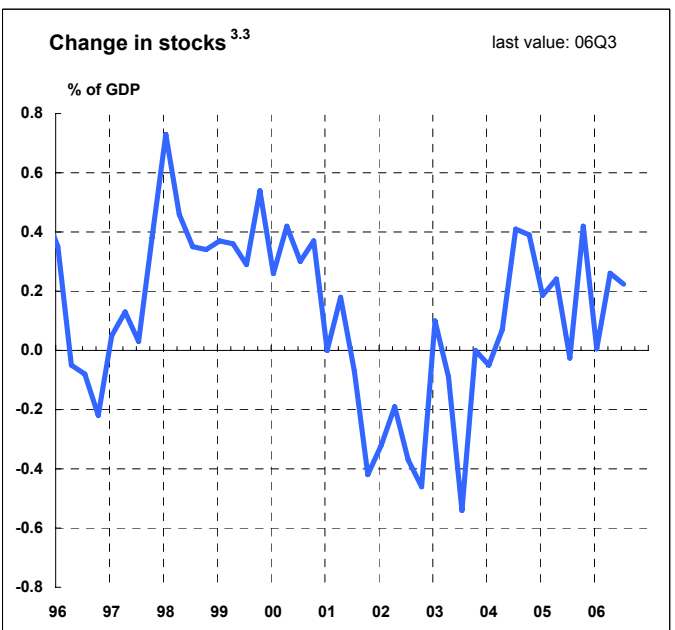
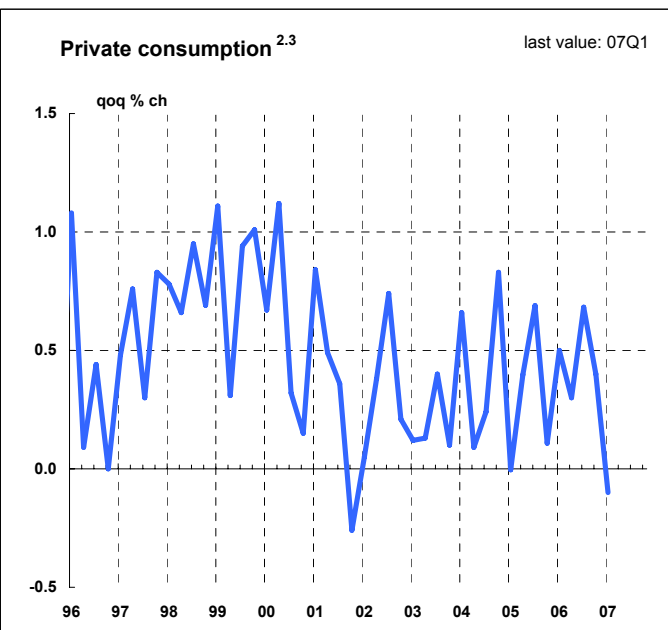
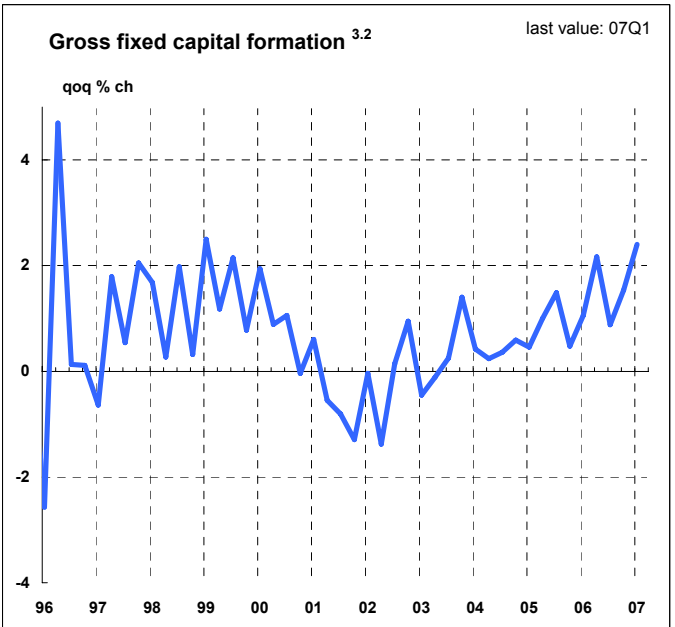
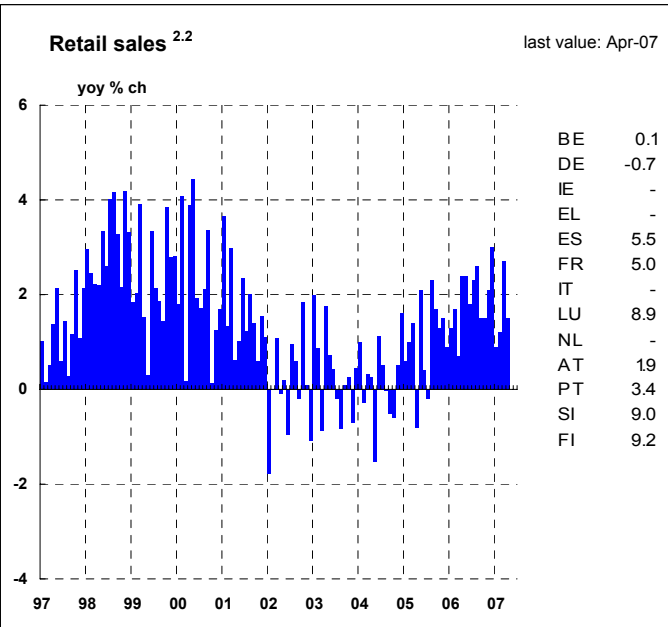
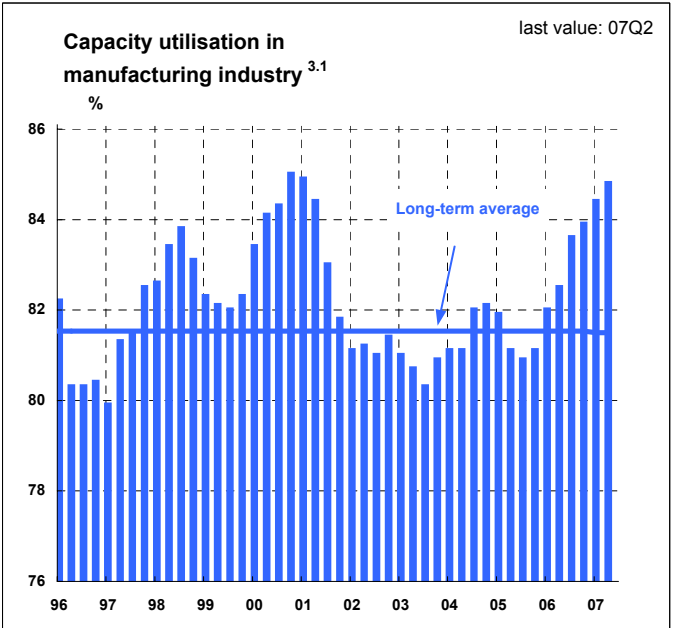
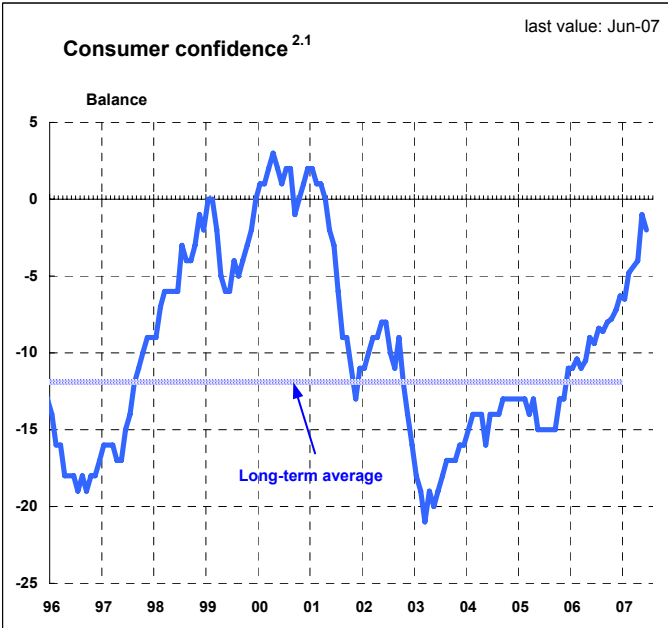
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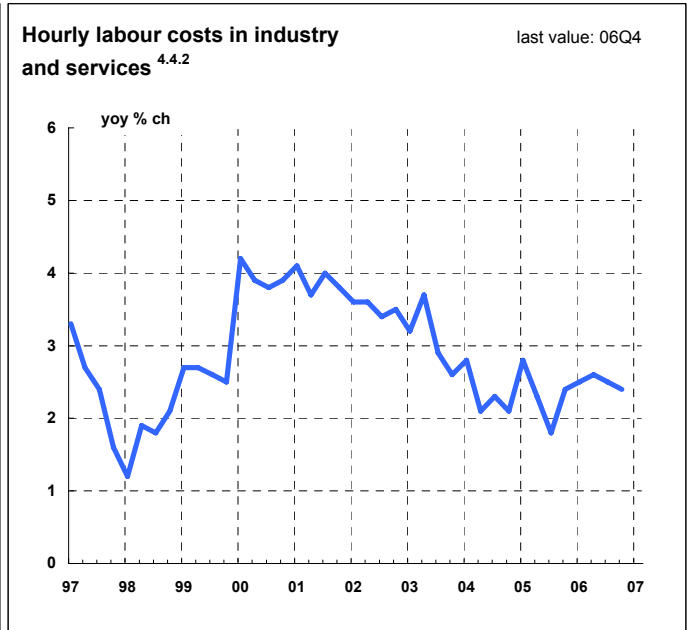
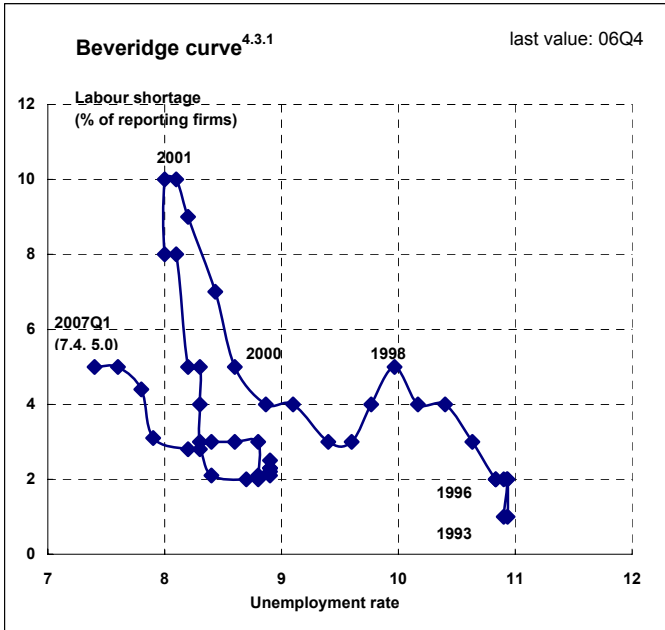
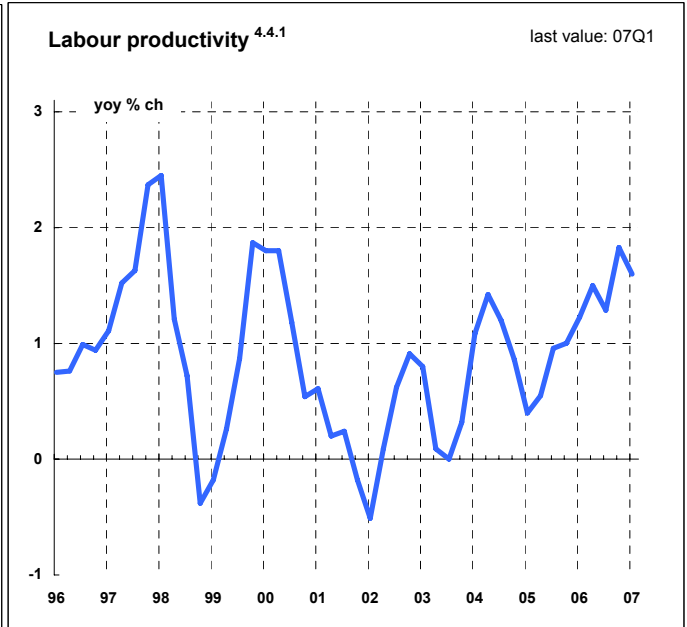
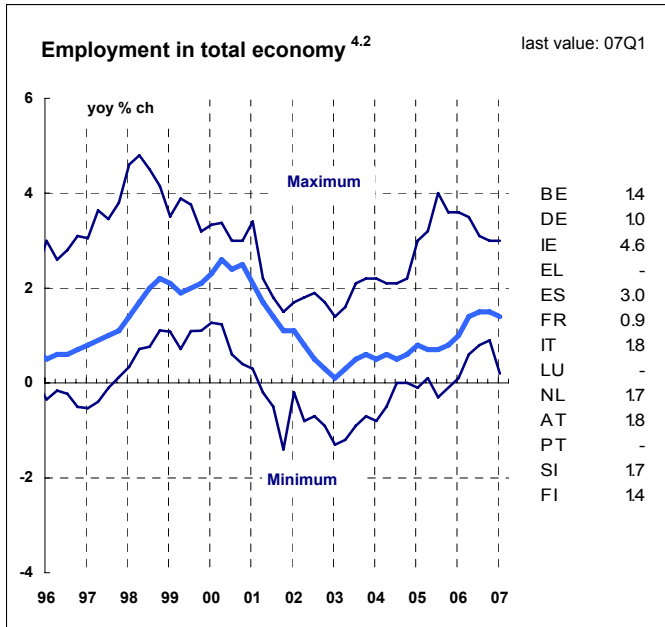
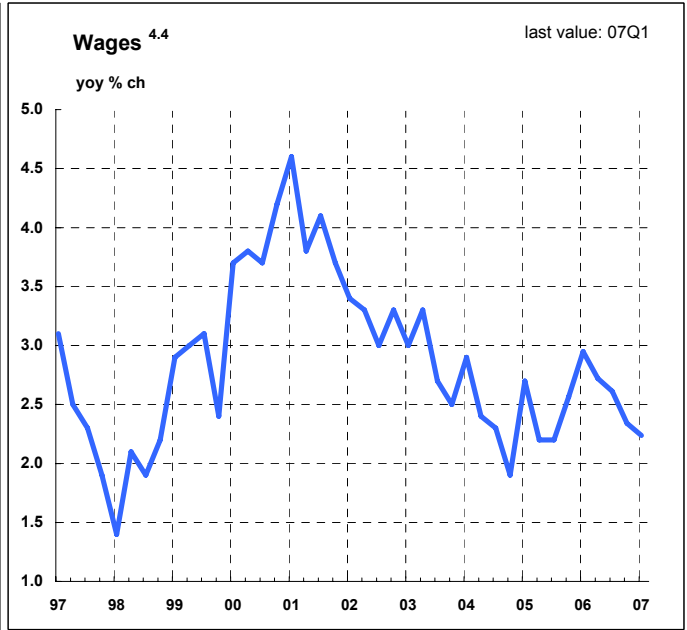
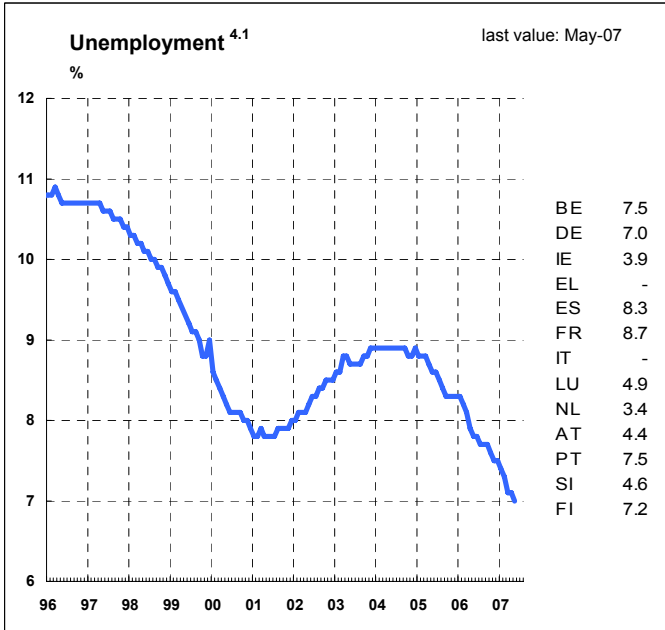
2. PRIVATE CONSUMPTION

3. INVESTMENT



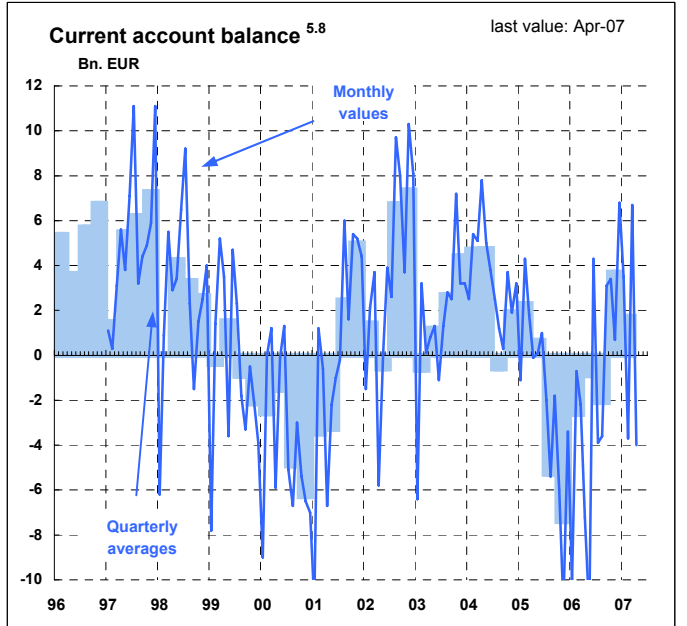
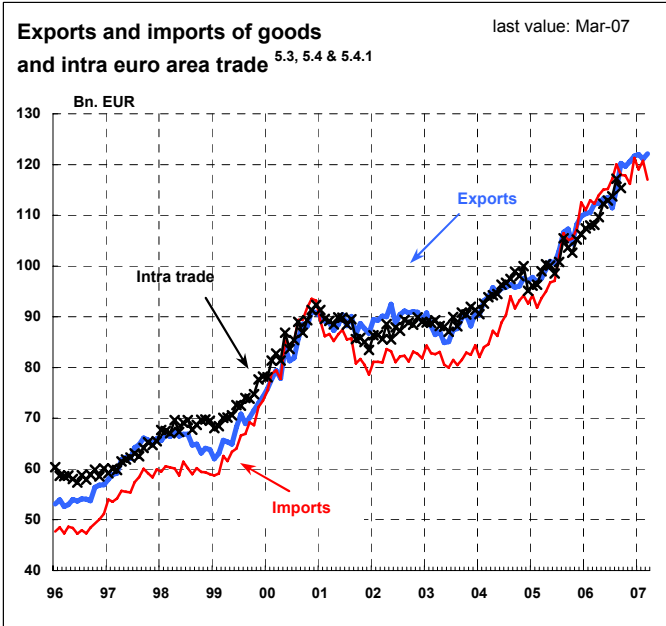
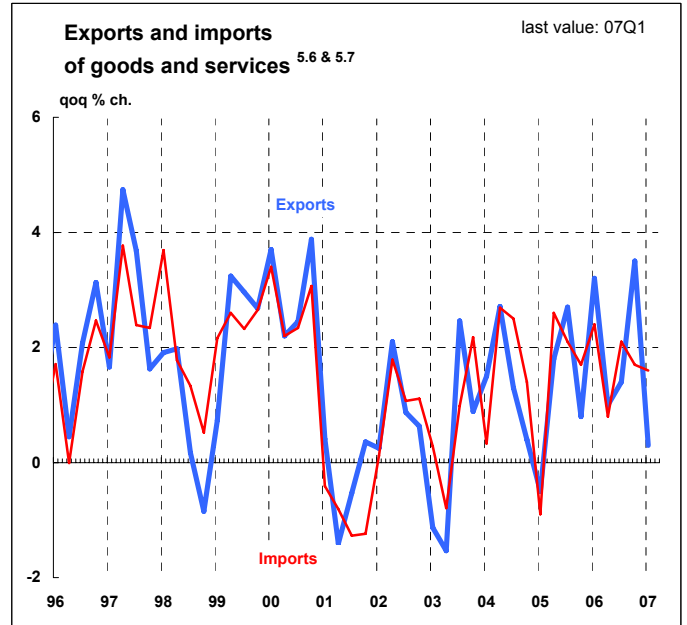
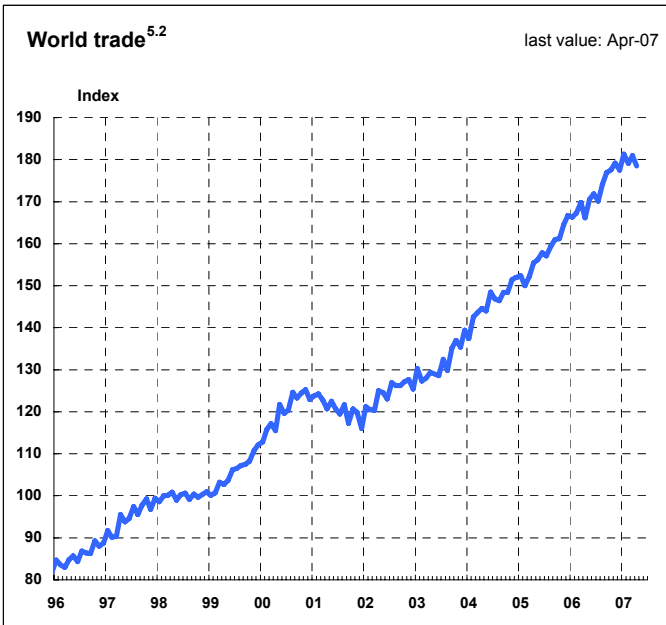
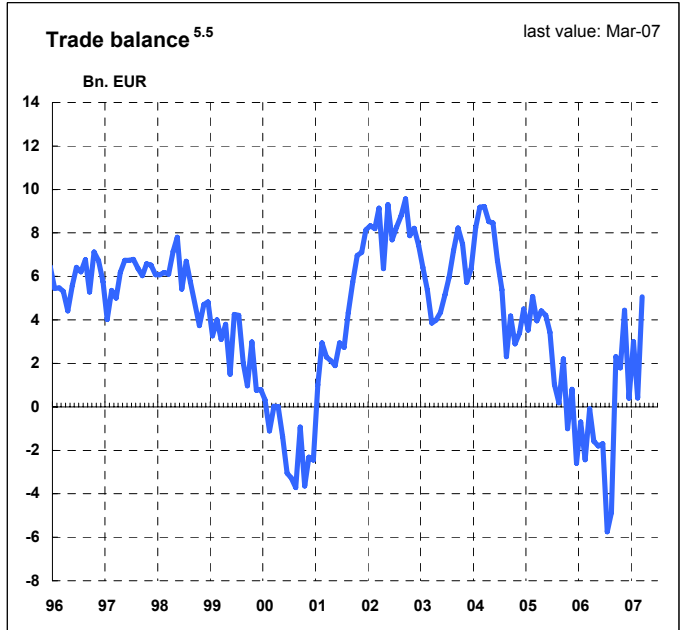
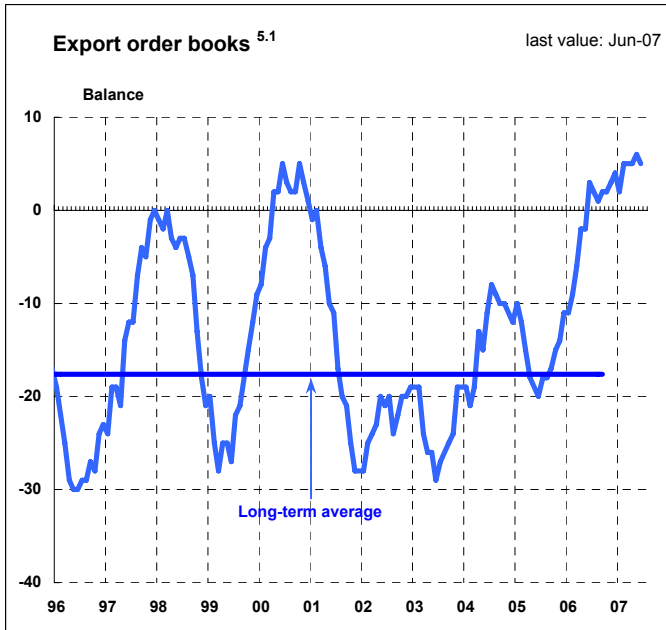


4. LABOUR MARKET



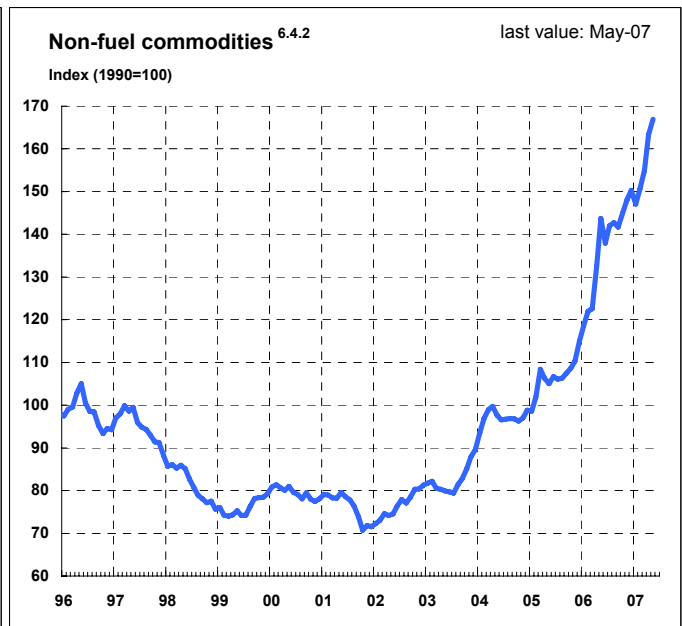
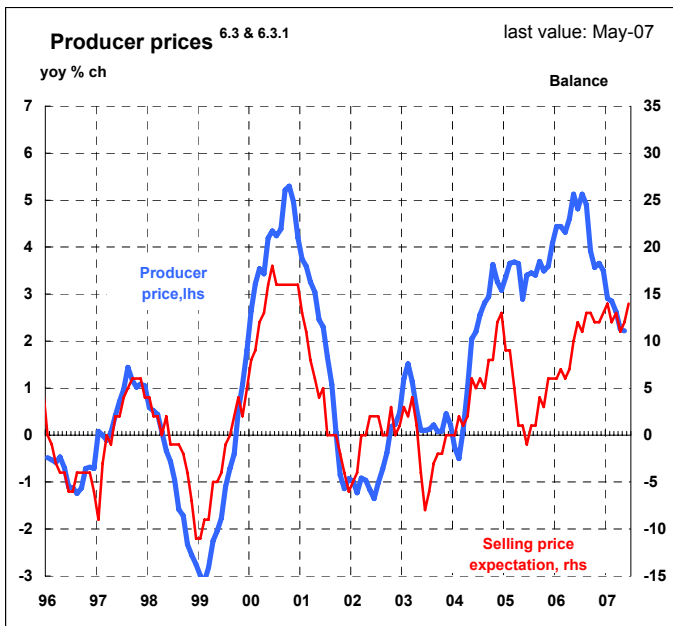
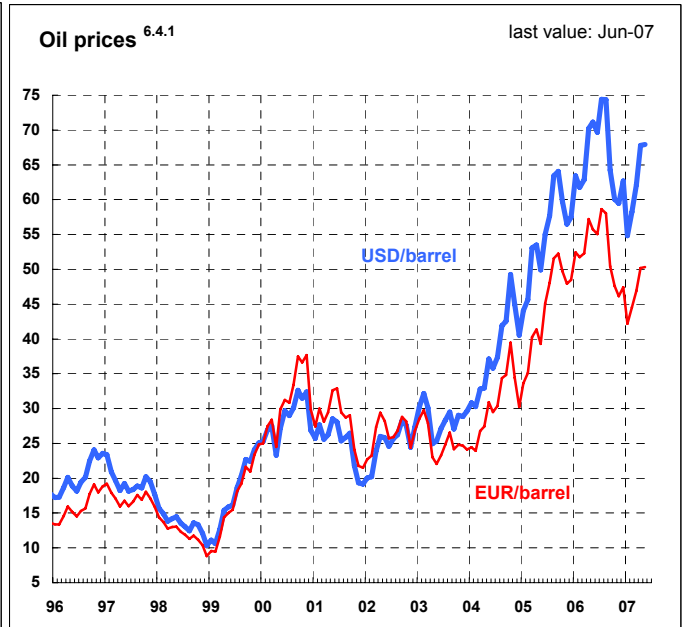
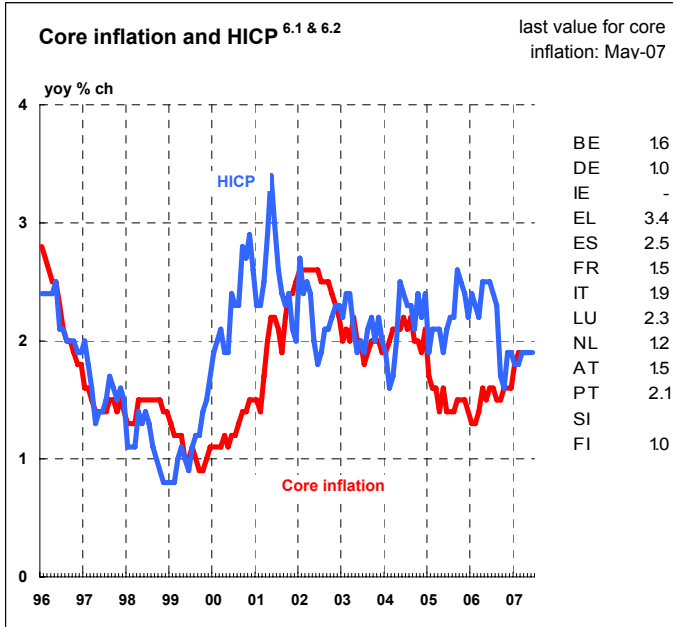
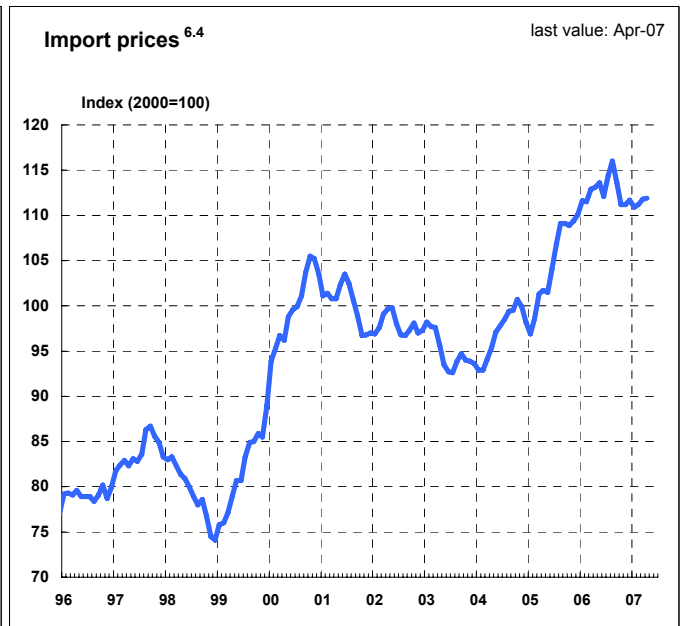
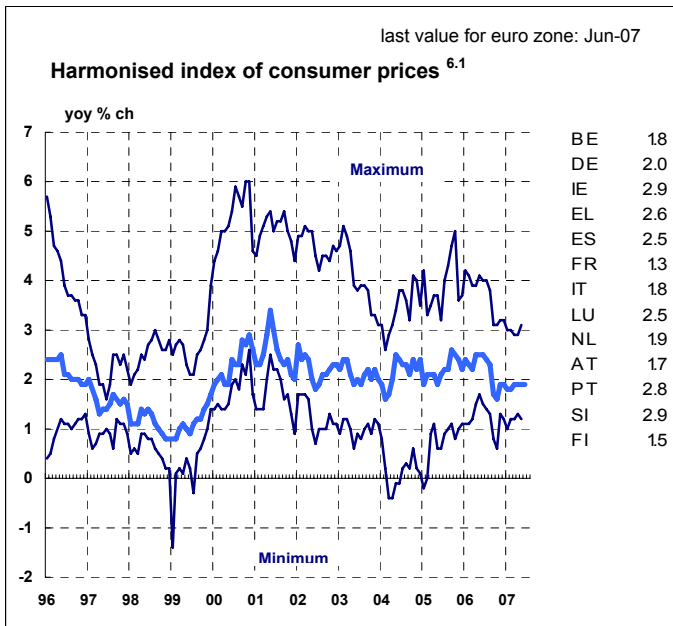


5. INTERNATIONAL TRANSACTIONS





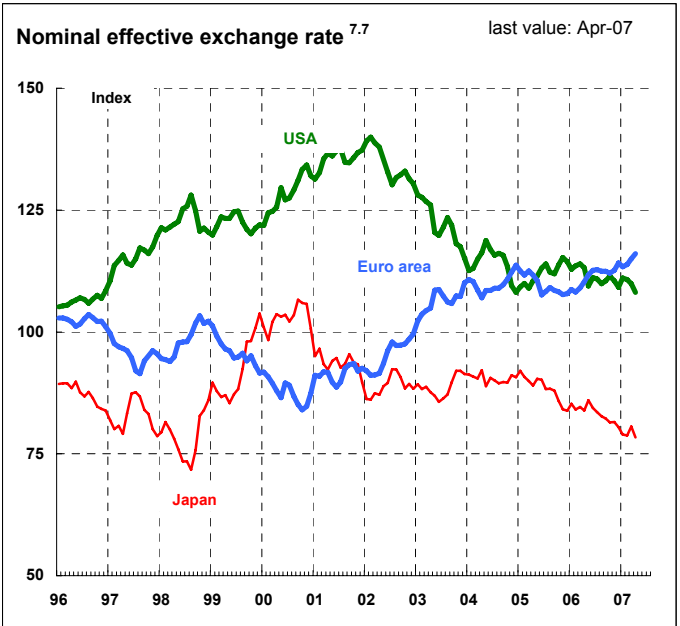
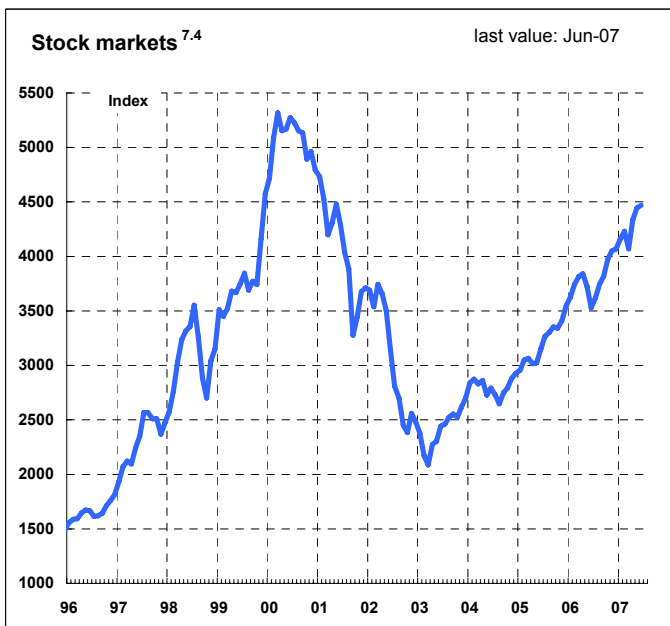
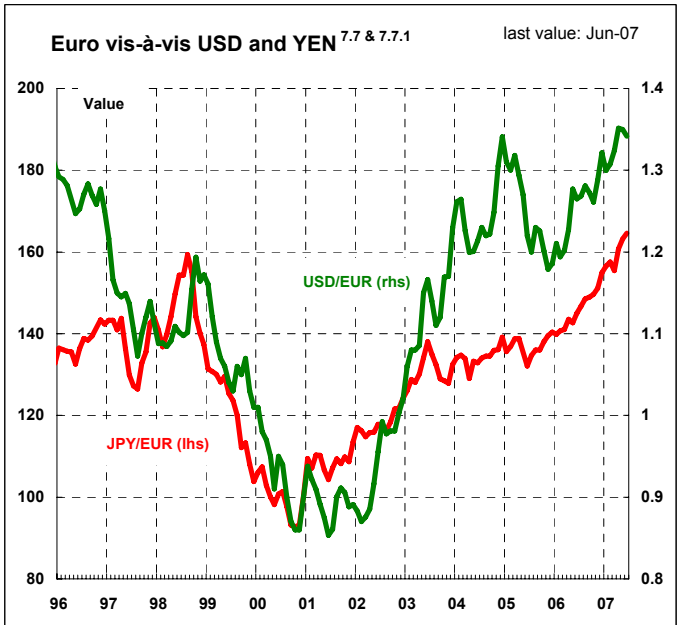
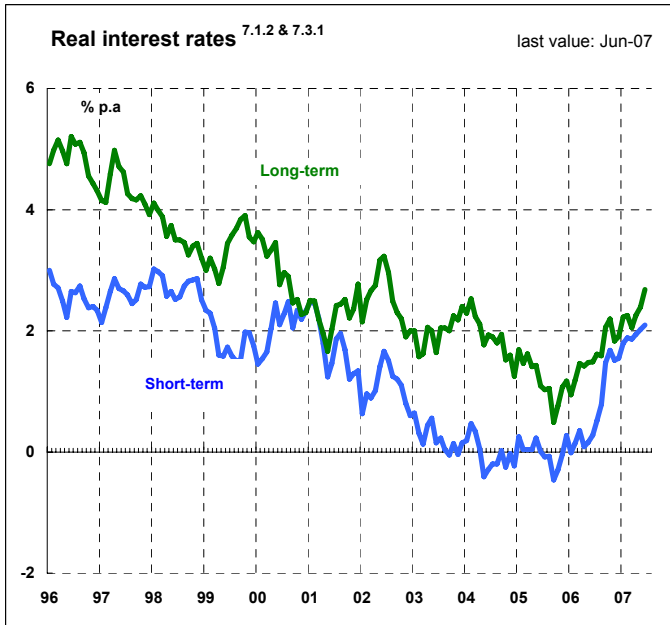
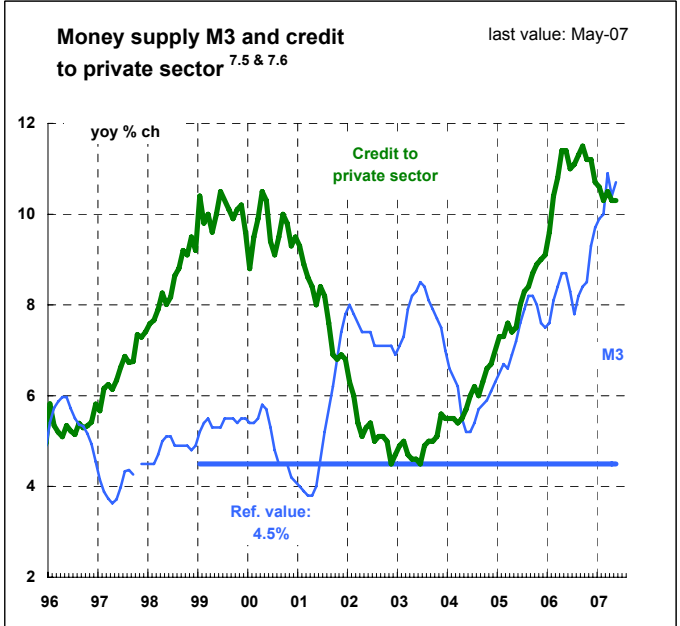
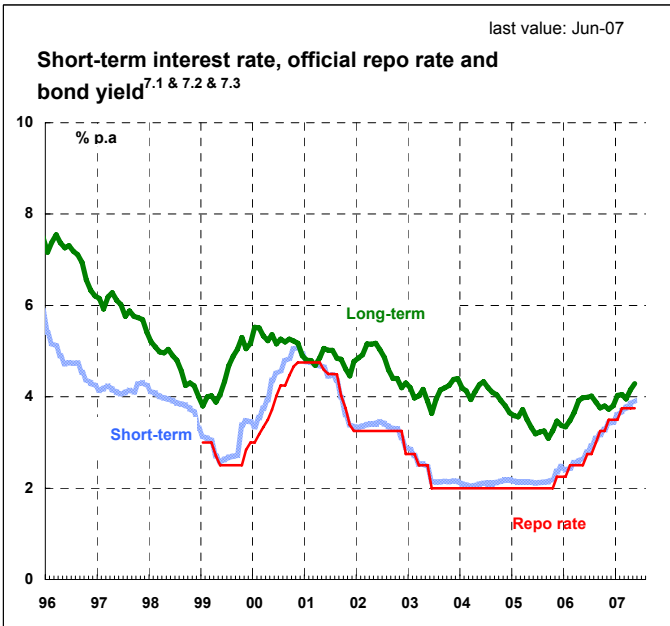
6. PRICES



KEY INDICATORS FOR THE EURO AREA

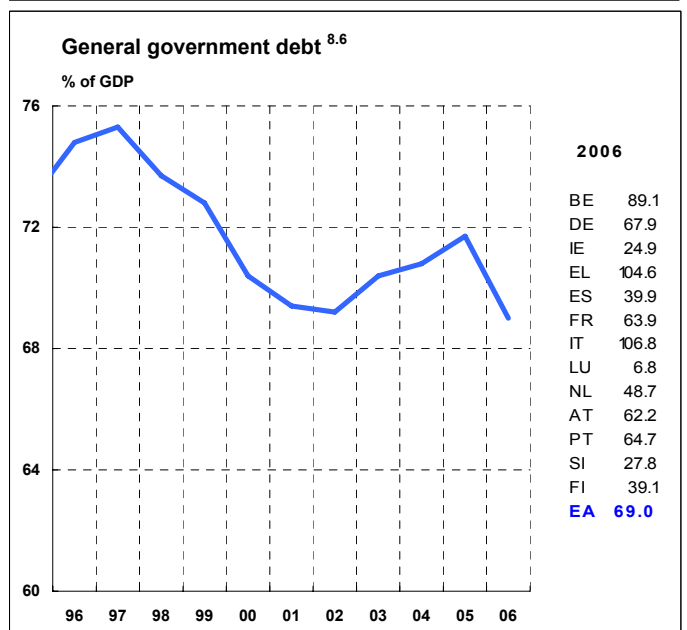
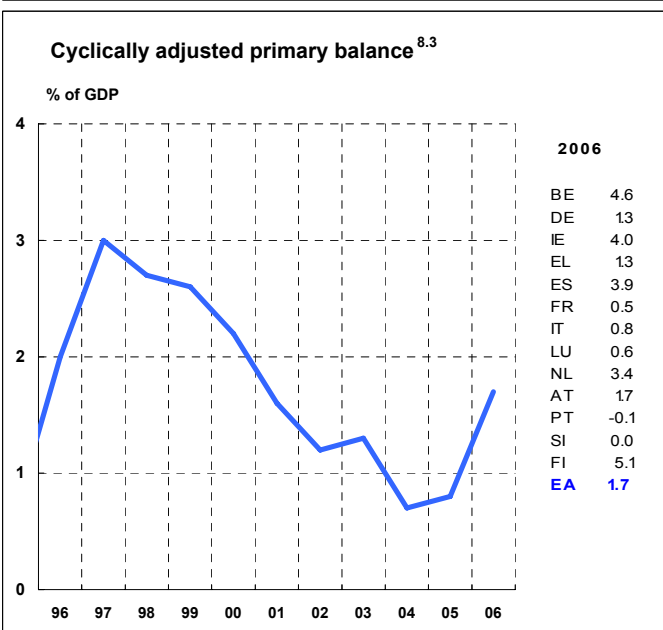
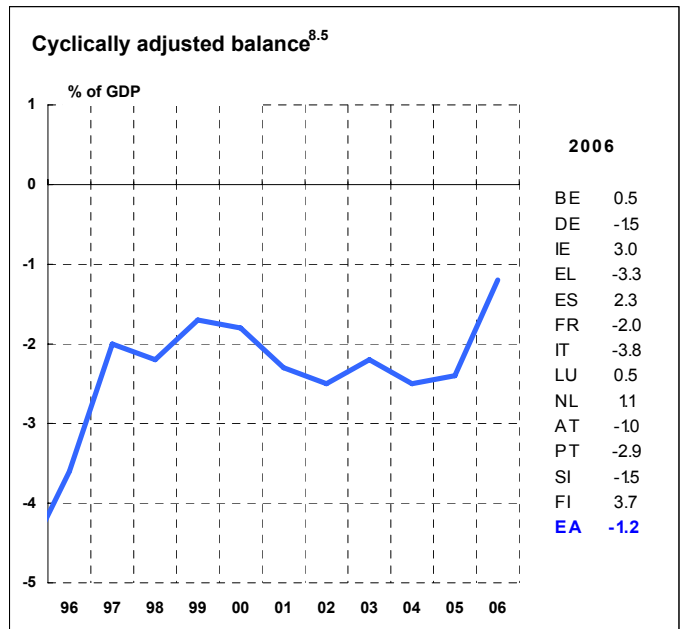
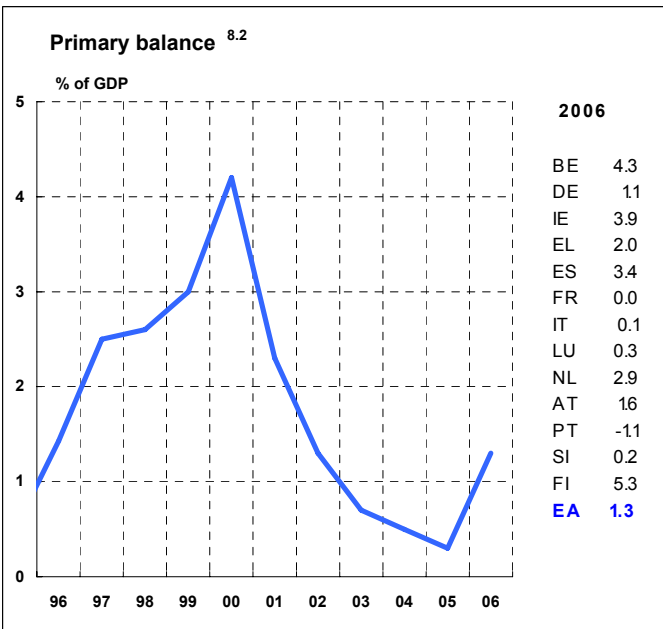
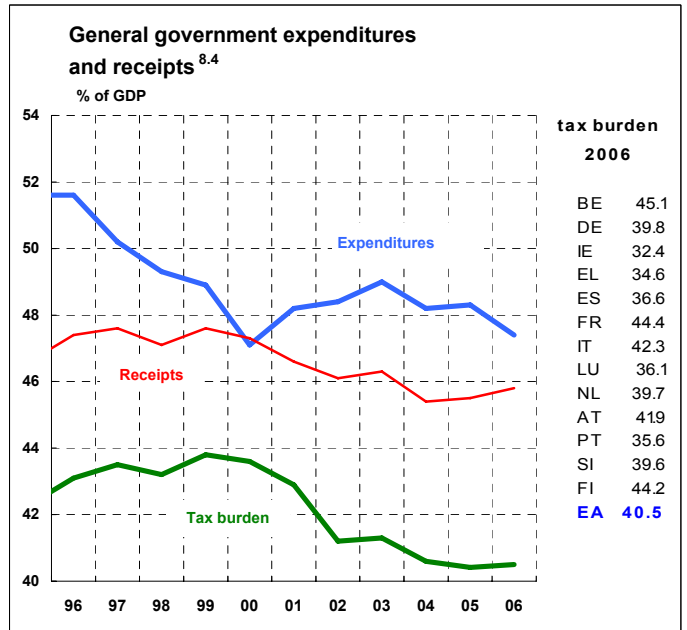
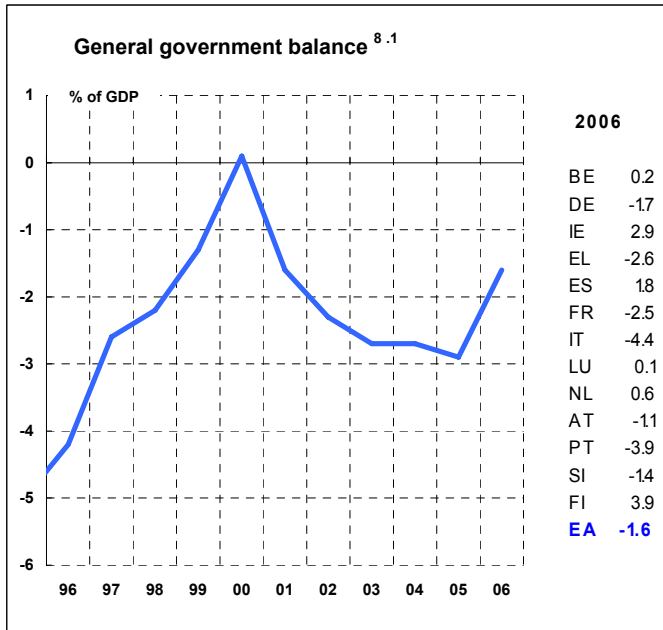


7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE*



* Figures are from the Commission's spring 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
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 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
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