

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN										
Key indicators for the euro area										
this update: 11 September 2007										
next update: 4 October 2007										
		2004	2005	2006	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07
1 Output										
Industrial confidence ^{1.1}	Balance	-4.7	-7.3	2.3	6.0	6.6	5.8	6.1	5.0	4.9
Industrial production ^{1.2}	mom % ch.	2.1	1.3	4.0	0.6	-0.9	1.0	-0.1	--	--
		2004	2005	2006	06Q1	06Q2	06Q3	06Q4	07Q1	07Q2
Gross domestic product ^{1.3}	qoq % ch.	2.0	1.5	2.8	0.9	1.0	0.6	0.9	0.7	0.3
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.9	-13.8	-9.0	-4.4	-4.0	-1.3	-1.9	-1.8	-3.1
Retail sales ^{2.2}	mom % ch.	1.5	1.2	2.0	0.6	-0.1	-0.8	0.6	0.1	--
		2004	2005	2006	06Q1	06Q2	06Q3	06Q4	07Q1	07Q2
Private consumption ^{2.3}	qoq % ch.	1.5	1.5	1.8	0.7	0.4	0.5	0.5	0.0	0.5
3 Investment										
Capacity utilization ^{3.1}	%	81.6	81.3	83.0	82.0	82.5	83.6	83.9	84.4	84.8
Gross fixed capital formation ^{3.2}	qoq % ch.	1.9	2.8	5.3	0.6	2.7	0.7	1.7	2.0	-0.2
Change in stocks ^{3.3}	% of GDP	0.1	0.2	--	0.0	0.3	0.2	--	--	--
4 Labour market										
Unemployment ^{4.1}	%	8.8	8.6	7.9	7.1	7.0	7.0	6.9	6.9	--
		2004	2005	2006	06Q1	06Q2	06Q3	06Q4	07Q1	07Q2
Employment ^{4.2}	yoy % ch.	0.9	0.8	1.4	1.1	1.5	1.5	1.5	1.4	--
Shortage of labour ^{4.3}	%	2.4	2.3	3.8	2.8	3.1	4.4	5.0	5.0	6.1
Wages ^{4.4}	yoy % ch.	2.3	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	5.0	5.0	6.0	5.0	4.0	4.0
World trade ^{5.2}	Index	146.2	157.0	172.3	181.1	177.8	182.6	--	--	--
Exports of goods ^{5.3}	Bn. EUR	1148.3	1241.0	1382.0	122.4	122.6	122.7	--	--	--
Imports of goods ^{5.4}	Bn. EUR	1075.1	1224.4	1394.0	117.3	119.4	119.6	--	--	--
Trade balance ^{5.5}	Bn. EUR	73.1	16.6	-12.1	5.1	3.1	3.0	--	--	--
		2004	2005	2006	06Q1	06Q2	06Q3	06Q4	07Q1	07Q2
Exports of goods and services ^{5.6}	qoq % ch.	6.9	4.3	8.0	3.1	1.6	1.1	3.1	0.8	1.1
Imports of goods and services ^{5.7}	qoq % ch.	6.7	5.1	7.7	2.2	1.3	1.9	1.6	0.9	0.6
		2004	2005	2006	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07
Current account balance ^{5.8}	Bn. EUR	60.8	-1.8	-9.7	6.0	-1.6	-7.8	5.9	--	--
Direct investment (net) ^{5.9}	Bn. EUR	-68.6	-210.0	-158.7	-5.9	-24.5	-13.4	-44.8	--	--
Portfolio investment (net) ^{5.10}	Bn. EUR	72.9	146.1	263.5	65.6	15.6	5.0	70.2	--	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.2	1.9	1.9	1.9	1.9	1.8	1.8
Core HICP ^{6.2}	yoy % ch.	2.1	1.5	1.5	1.9	1.9	1.9	1.9	1.9	--
Producer prices ^{6.3}	yoy % ch.	1.9	3.5	4.4	2.6	2.3	2.4	2.3	1.8	--
Import prices ^{6.4}	Index	97.2	104.8	112.9	111.8	112.7	112.7	--	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.0	2.1	2.9	3.8	3.8	3.9	4.0	4.0	4.0
Bond yield (10 years) ^{7.2}	% p.a.	4.1	3.4	3.8	4.0	4.2	4.3	4.6	4.5	4.3
ECB repo rate ^{7.3}	% p.a.	2.0	2.0	2.8	3.6	3.8	3.8	3.9	4.0	4.0
Stock markets ^{7.4}	Index	2804.6	3207.1	3793.3	4070.5	4337.0	4445.4	4470.2	4449.0	4220.6
M3 ^{7.5}	yoy % ch.	5.8	7.4	8.5	11.0	10.3	10.6	10.9	11.7	--
Credit to private sector (loans) ^{7.6}	yoy % ch.	6.0	8.1	11.0	10.6	10.4	10.4	10.8	11.0	--
Exchange rate USD/EUR ^{7.7}	Value	1.2	1.2	1.3	1.3	1.4	1.4	1.3	1.4	1.4
Nominal effective exchange rate ^{7.8}	Index	1.2	1.2	1.3	115.0	116.0	116.1	115.5	116.2	115.7



Comments

1. Output

In August, the Commission's **industrial confidence** indicator remained almost stable (4.9), though it was 1.7 points below its record level of April this year. Looking at the components of the indicator, managers' assessment of order books became more optimistic, that of production expectations remained less optimistic and that of stocks of finished products remained unchanged.

Industrial production in the euro area declined by 0.1% in June 2007 compared to the previous month. Production was up by 0.3% for intermediate goods and energy but was flat for capital goods and declined for durable (-0.1%) and non-durable (-0.3%) consumer goods. On an annual basis, industrial production increased by 2.3% vis-à-vis the same period in 2006.

Eurostat's first estimate of **gross domestic product** for the second quarter of 2007 shows an increase of 0.3% over the previous quarter, with contributions from domestic demand (+0.3), inventories (-0.1) and net exports (+0.2). In comparison with the same quarter of the previous year, GDP grew by 2.5%.

The **Commission's interim forecast** of September 2007 projects GDP growth at 2.5% in 2005, 0.1 percentage point below the spring forecast. This moderate downward revision is the result of a weaker-than-expected second quarter, the increased uncertainty following recent turbulence in the financial markets and slightly tighter financing conditions.

2. Private consumption

In August, **consumer confidence** declined slightly in the euro area. Despite this small downturn, confidence remains at a high level owing to the overall very positive developments of the indicator over the last couple of years. Consumers in the euro area were slightly less optimistic regarding the general economic situation over the next 12 months and their own financial situation over the next 12 months, while their view on savings over the next 12 months was unchanged. Furthermore, consumers' expectations regarding unemployment over the next 12 months worsened somewhat.

In July 2007, the volume of **retail sales** was up 0.1%, compared to the previous month. Vis-à-vis the same period in 2006, retail sales increased by 0.5%.

Private consumption increased by 0.5% in the second quarter of 2007 (q-o-q), after remaining flat in the previous quarter. On an annual basis, household consumption expenditure rose by 1.5%, compared to growth of 1.4% in 2007Q1.

3. Investment

Gross fixed capital formation decreased by 0.2% in the second quarter of 2007 (q-o-q), the first contraction in five years. Construction investment exerted a significant drag on overall capital spending in 07Q2, partly due to weather-related effects. On a year-on-year basis, investment growth was still 4.3% in 07Q2.

According to the quarterly manufacturing survey, **capacity utilisation** in the manufacturing sector decreased slightly to 84.2% in the third quarter of 2007. It remains well above its long-term average.

4. Labour market

In July 2007, the **unemployment** rate stood at 6.9%, unchanged compared to June. It was 7.8% 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 decreased slightly in August.

The level of recorded **labour shortages** increased in the third quarter of 2007 by 0.5pp, with 6.6% of firms reporting that unfilled job openings were constraining production

5. International transactions

The assessment of **export order books** in manufacturing was unchanged in August. The estimate of the **trade balance** for the euro area revealed a surplus of 7.8 bn euro in June 2007, compared to a surplus of 1.6 bn euro in the previous month. The increase in the trade balance was the result of an increase in **exports of goods** (+10.0 bn euro) as well as **imports of goods** (+4.4 bn euro). In the second quarter of 2007, **exports of**



goods and services (in volume terms) were up by 1.1% and **imports** by 0.6% (q-o-q). Compared to one year earlier, exports and imports rose by +6.2% and 5.1%, respectively.

The **wdsa current account** of the euro area recorded a surplus of EUR 5.9 billion in June 2007. This reflected surpluses in goods (EUR 7.0 billion) and services (EUR 3.9 billion) that were only partly offset by a deficit in current transfers (EUR 4.9 billion). The income account was balanced. In the **financial account**, combined direct and portfolio investment recorded net inflows of EUR 25 billion in June 2007, reflecting net inflows in **portfolio investment** (EUR 70 billion) that were partly offset by net outflows in **direct investment** (EUR 45 billion).

6. Prices

The euro area annual **HICP** is expected to be 1.8% in August, according to a flash estimate issued by Eurostat. It stood at 1.8% in July, down from 1.9% in June.; a year earlier the rate was 2.4%. The components with the highest annual rates in July were education (9.1%), hotels and restaurants (3.4%) and alcohol and tobacco (3.3%), while the lowest annual rates were observed for communications (-1.7%), clothing (0.1%) and recreation and culture (0.3%). Concerning the detailed sub-indices, restaurants and cafés (+0.12), education (+0.7) and tobacco (+0.07) had the largest upward impacts on the headline rate, while telecommunications (-0.11) and fuels for transport (-0.11) had the biggest downward impact. The **core inflation** rate was 1.9% in July, unchanged from the previous month.

After having increased again in July due to a reassessment by OPEC of world demand, the **Brent Index reached** 77.7 USD on 23 July, i.e. very close to its all-time record (78.1 USD on 9 August 2006). During August, the threat of an extension of the financial crisis to the real economy has helped oil prices to be contained in. Oil prices have surged in early September after a series of attacks on energy facilities in Mexico, the world's fifth largest crude exporter. Brent crude was traded 75.76 USD/bl. on 11 September.

The euro-area industrial **producer price** index rose by 1.8% in July 2007 compared to July 2006. Prices in total industry excluding the energy sector increased by 2.9%. Compared to the previous month, prices rose by 0.3% in total industry and by 0.2% in total industry excluding energy.

7. Monetary and financial indicators

Short-term market interest rates surged on 9 August, after announcements of the closure of some sub-prime mortgage funds. To tackle the shortage of liquidity, the FED and ECB stepped in by injecting extra-ordinary liquidity. The Fed also cut the discount rate by 50 bp on 17 August. However, the three-month money market rate reached 4.75% in Europe on 10 September. The ECB and the Fed kept their key policy rates unchanged (4.0% and 5.25%, respectively).

Both in Europe and in the USA, **bond yields** have declined in July and August. In the USA, the ten-year interest rate fell to 4.32% (11 September) due to downward revisions to growth. In Europe, the disappointing outturn for GDP growth in 07Q2 has also contributed to the decline in the ten-year interest rate, which posted 4.07% on 11 September.

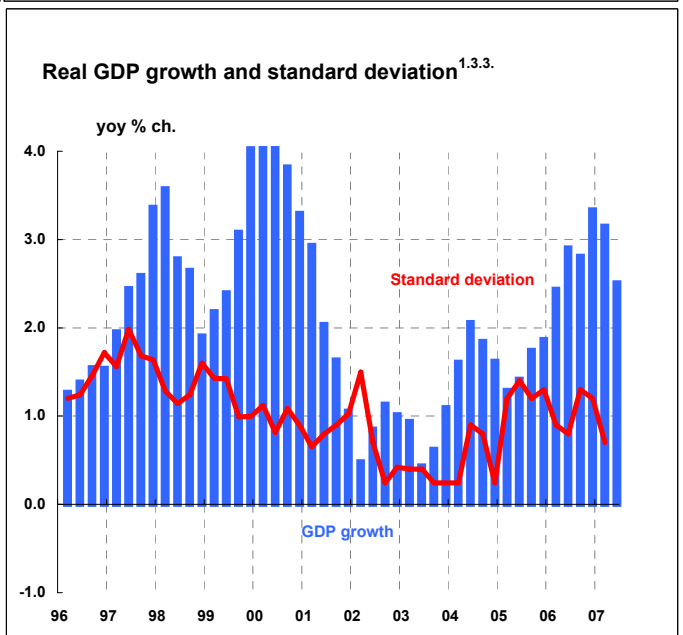
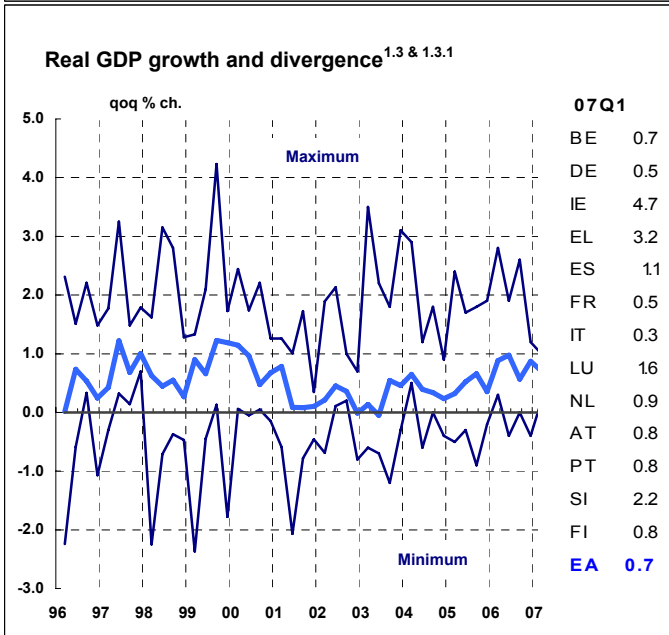
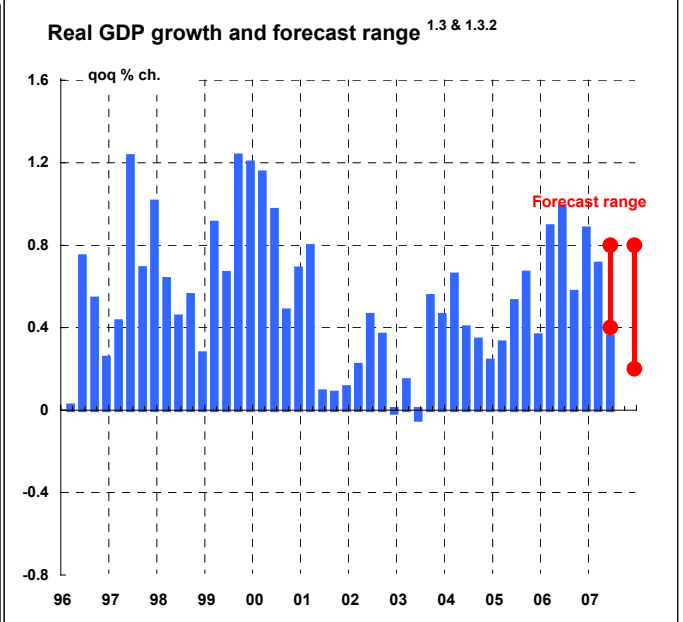
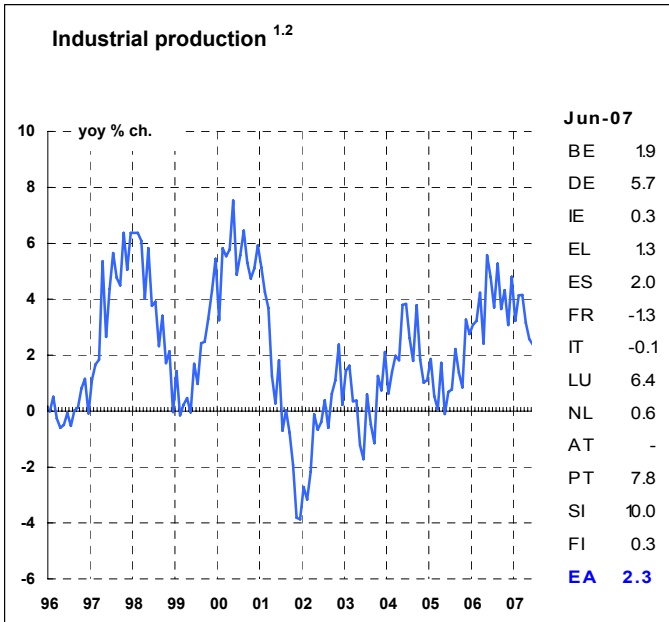
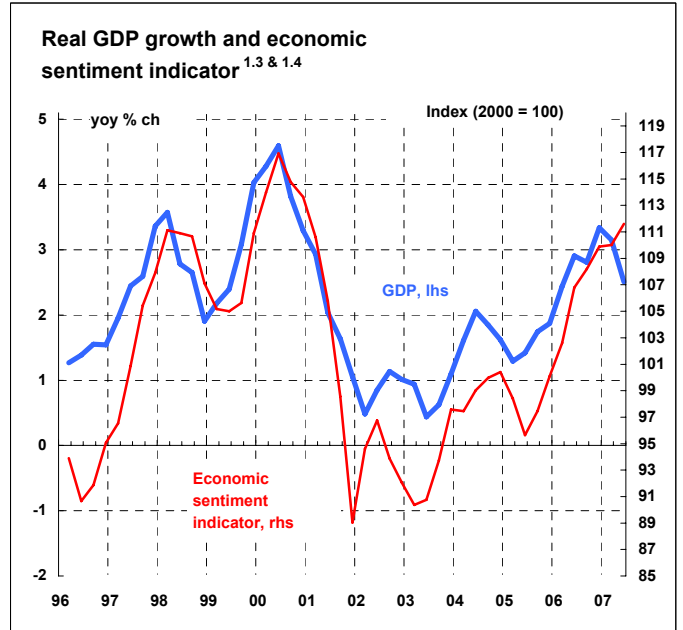
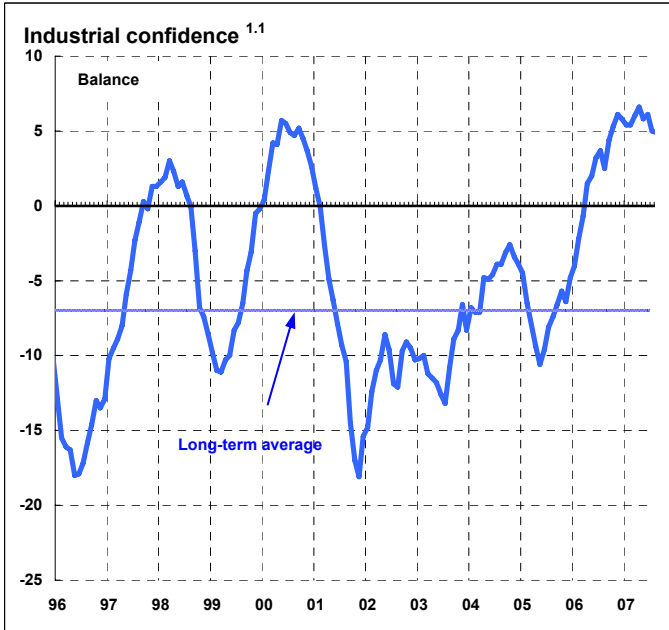
The annual rate of growth of **M3** increased to 11.7% in July, compared to 10.9% in the previous month. The three-month moving average of the annual growth rate of M3 over the period May - July rose to 11.1%, from 10.6% in the period April - June. The annual rate of **credit growth (loans)** to the private sector stood at 10.8% in June, up from 10.4% in May. The annual rate of growth of lending for house purchase was 8.3%, compared to 8.6% in May.

Up to mid-July, **foreign exchange rate markets** were following the trends which prevailed since 2006, with the dollar and yen weakening broadly and the euro strengthening. The euro reached a new all-time high at 1.38 USD on 24 July 2007. However, in the last week of July, the first wave of the credit market crisis reached foreign exchange markets. Jitters in other segments of global financial markets increased the risk aversion in foreign exchange markets and led to an unwinding of carry trades. As a consequence, the Japanese yen appreciated against the euro by about 5% since 23 July, posting at 156.87 JPY on 11 September. As for the dollar, the downward revisions in the expectations for US growth led the euro to 1.37 USD on 11 September, not much below its all-time high.

The major **stock market indices** have sharply decreased from 23 July on due to turmoil in the financial markets. The correction was particularly severe for the banking sector. On 11 September, the Eurostoxx had lost about 5% from 23 July and about 6% from its high on 16 July.



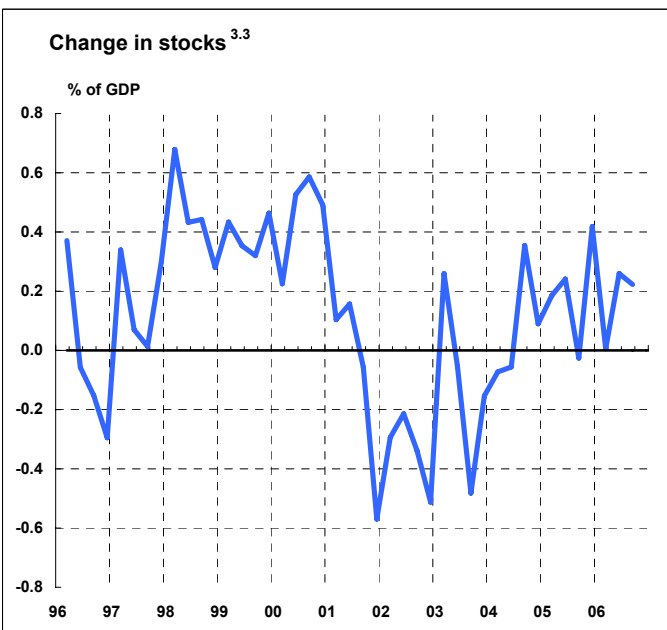
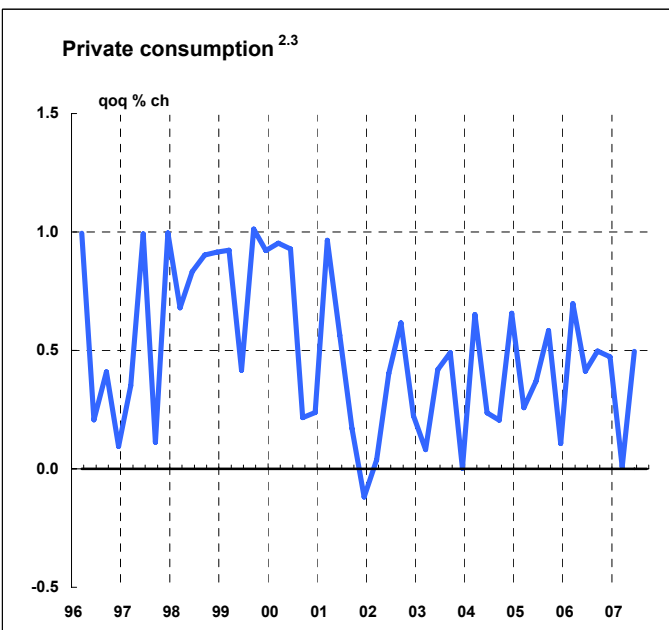
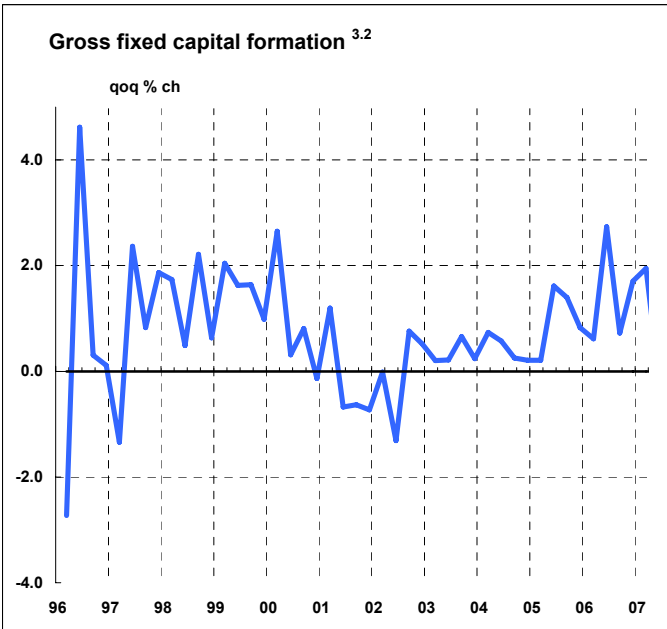
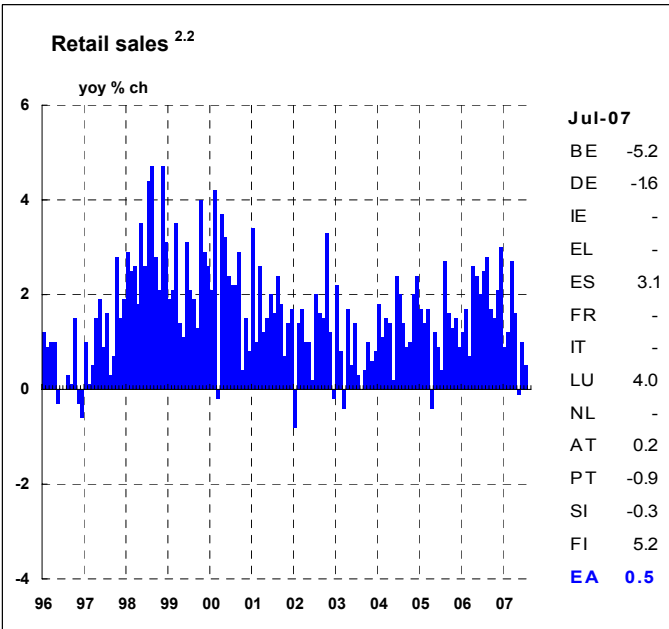
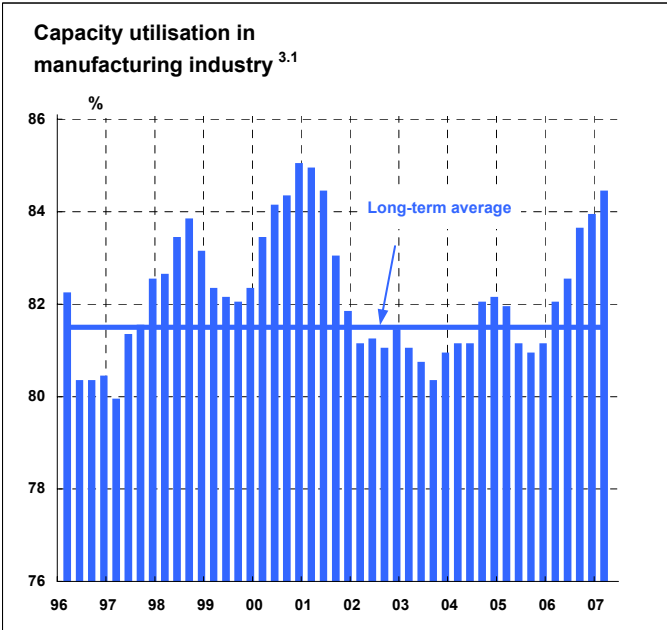
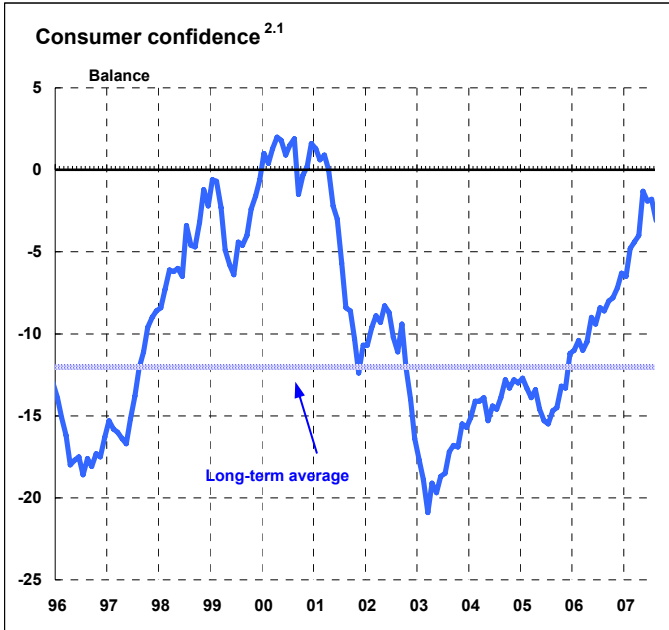
1. OUTPUT





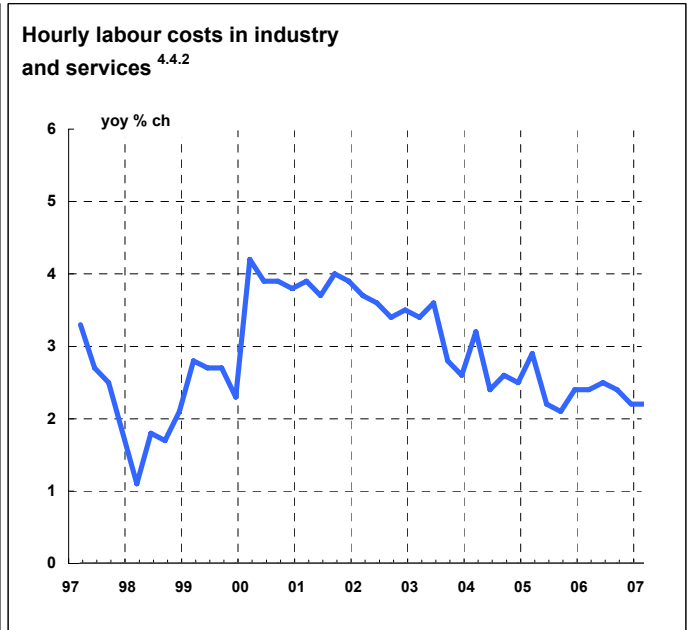
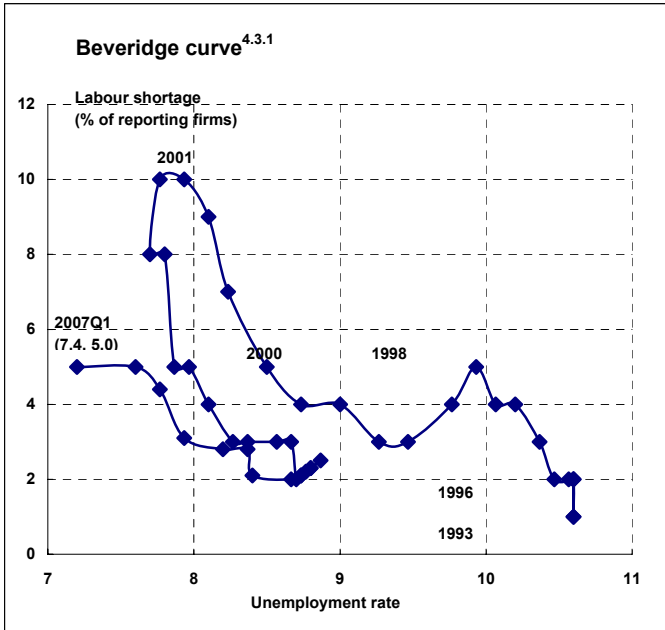
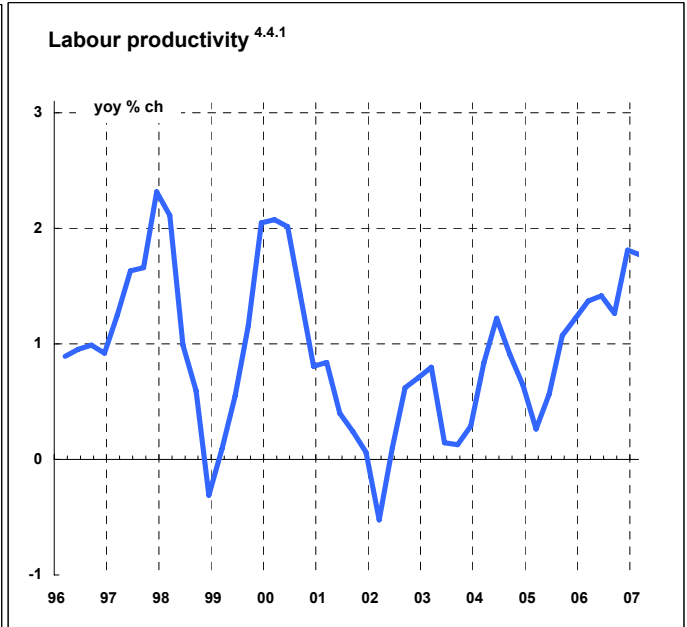
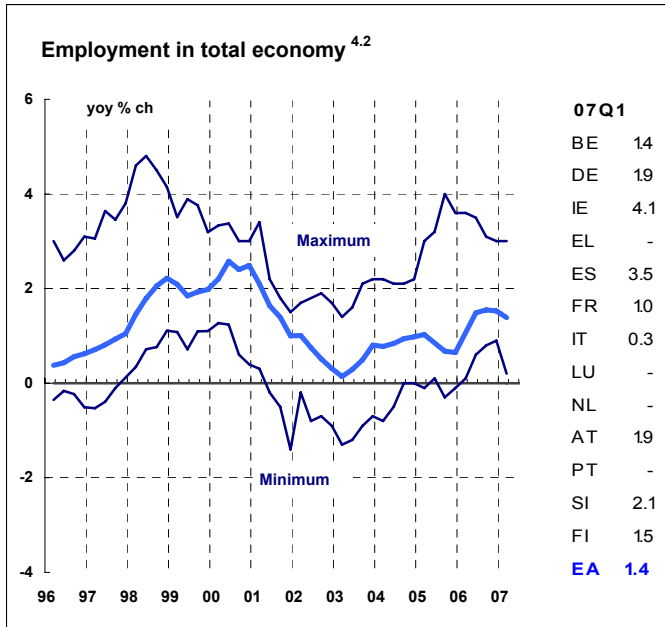
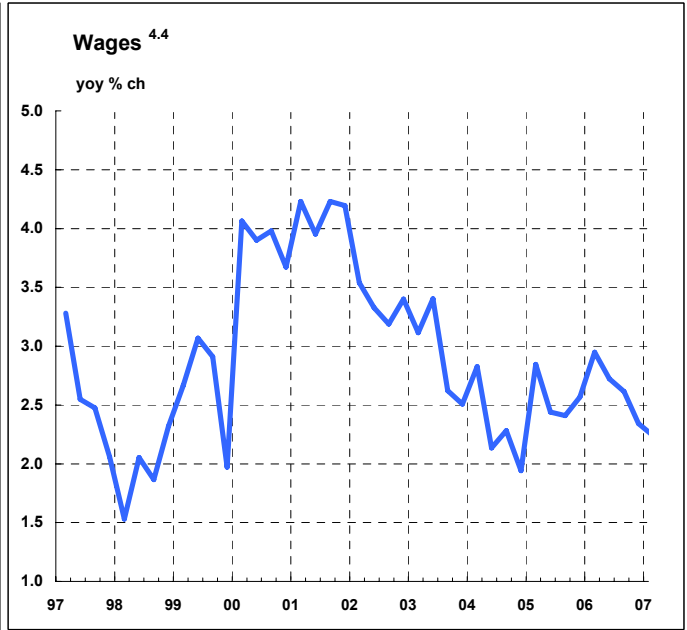
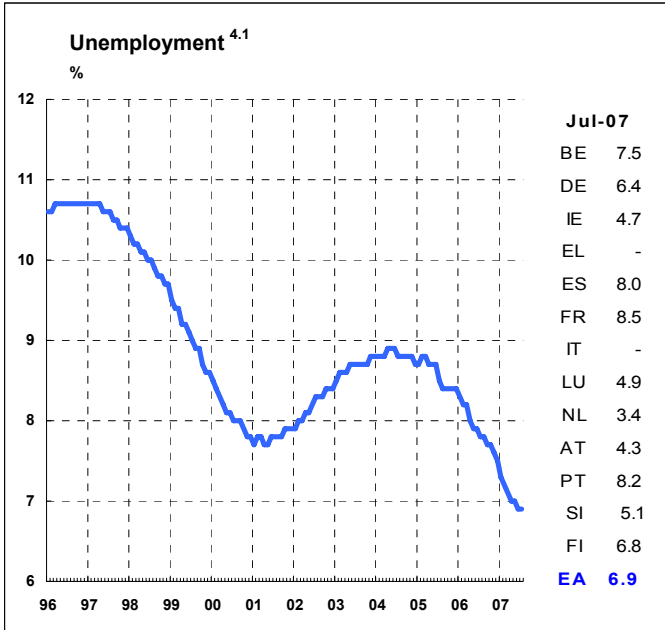
2. PRIVATE CONSUMPTION

3. INVESTMENT



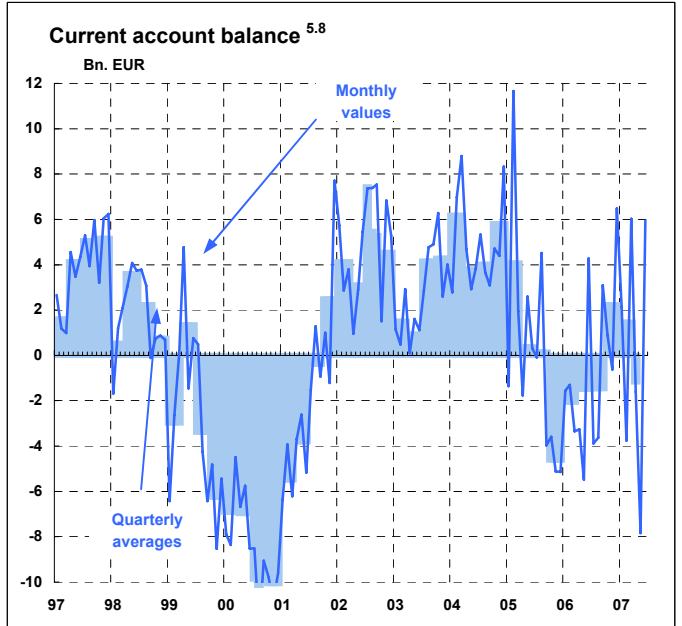
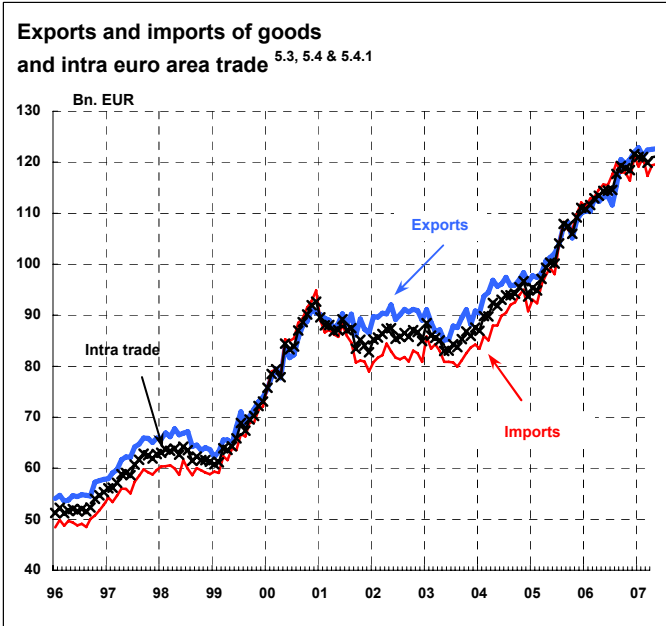
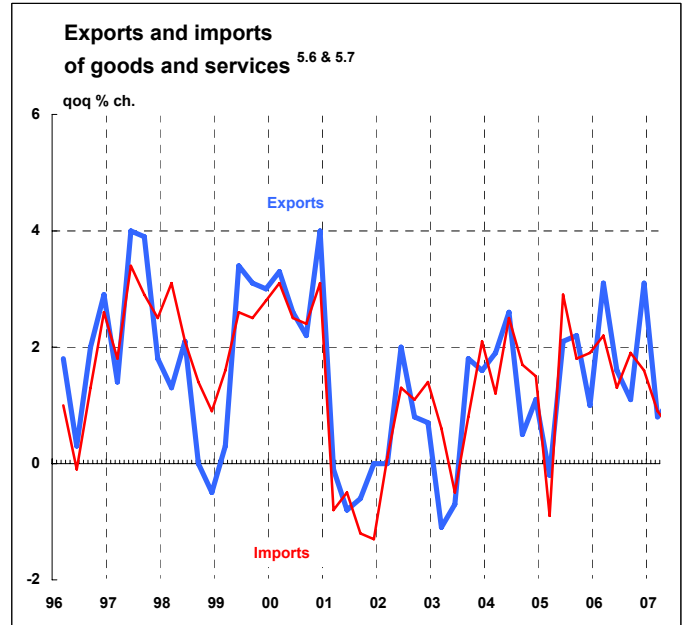
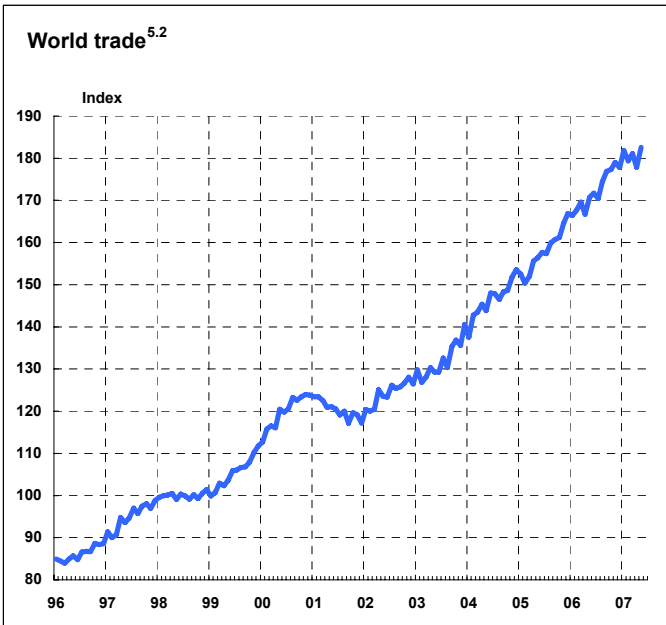
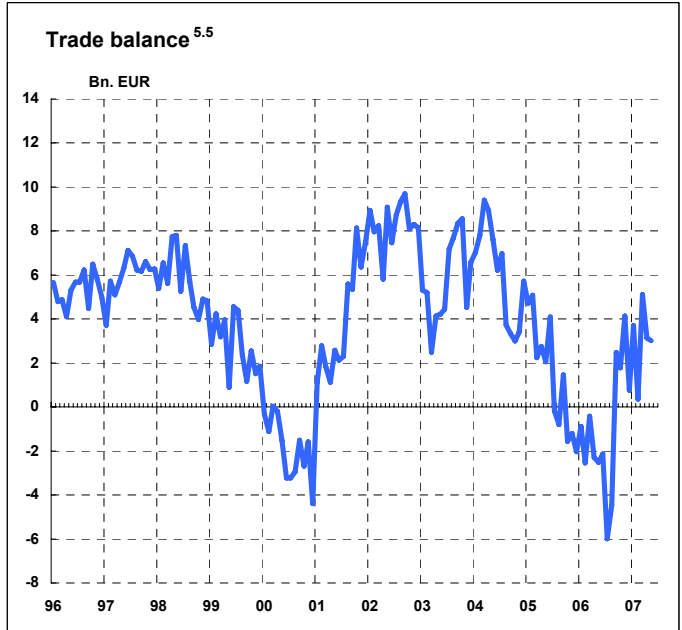
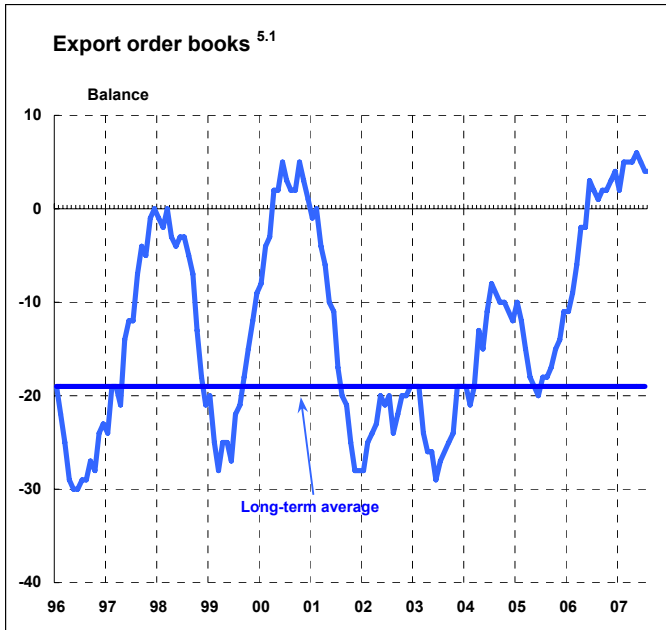


4. LABOUR MARKET





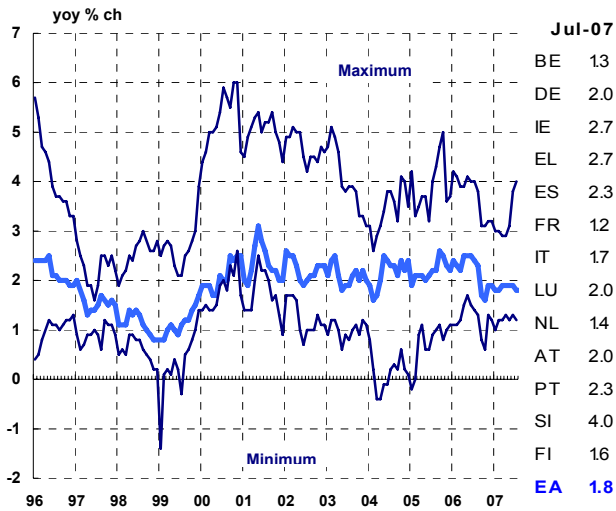
5. INTERNATIONAL TRANSACTIONS



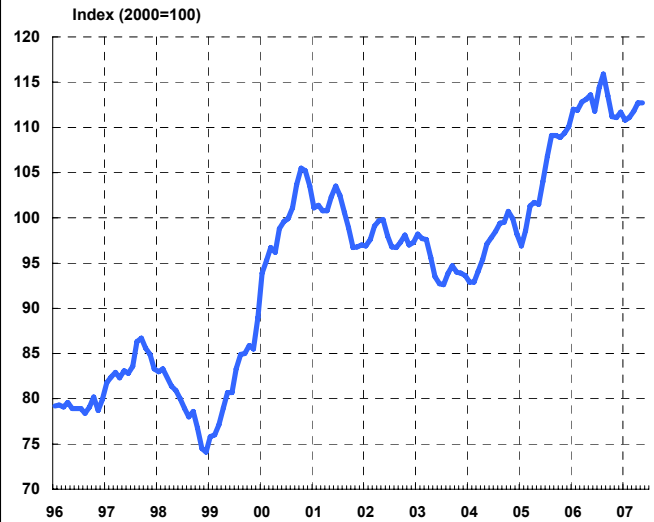


6. PRICES

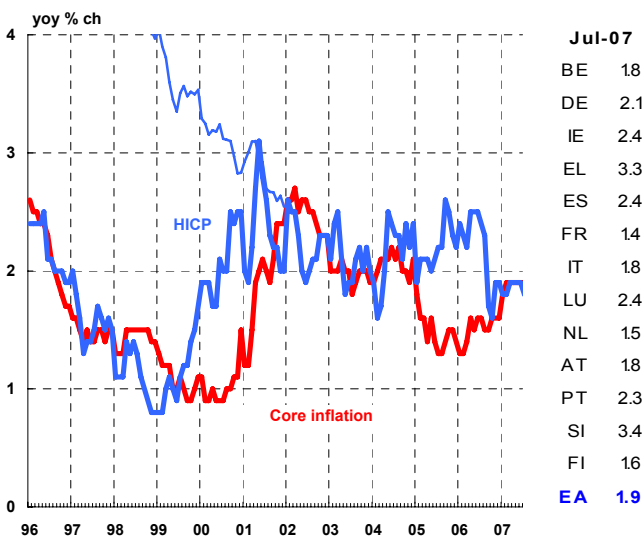
Harmonised index of consumer prices ^{6.1}



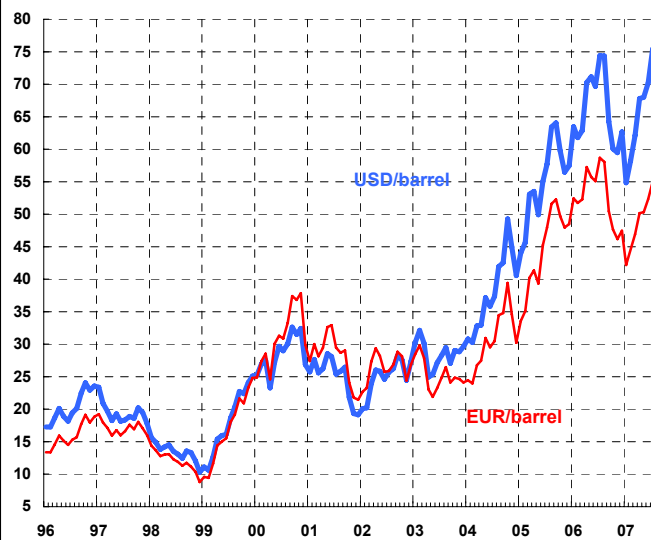
Import prices ^{6.4}



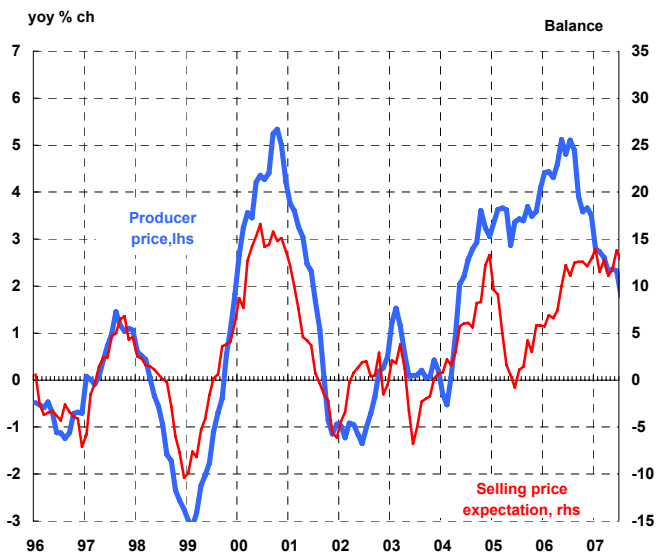
Core inflation and HICP ^{6.1 & 6.2}



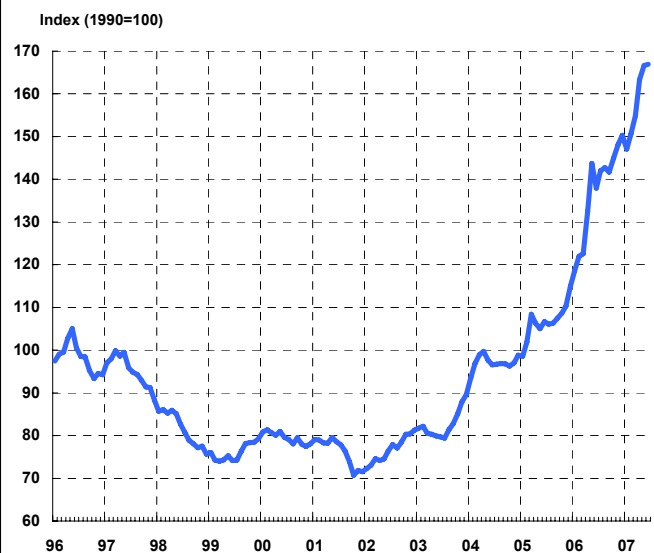
Oil prices ^{6.4.1}



Producer prices ^{6.3 & 6.3.1}

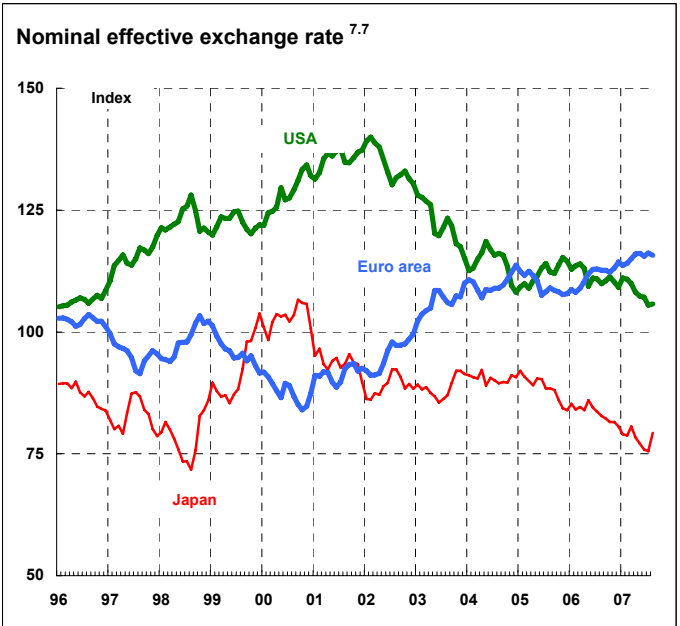
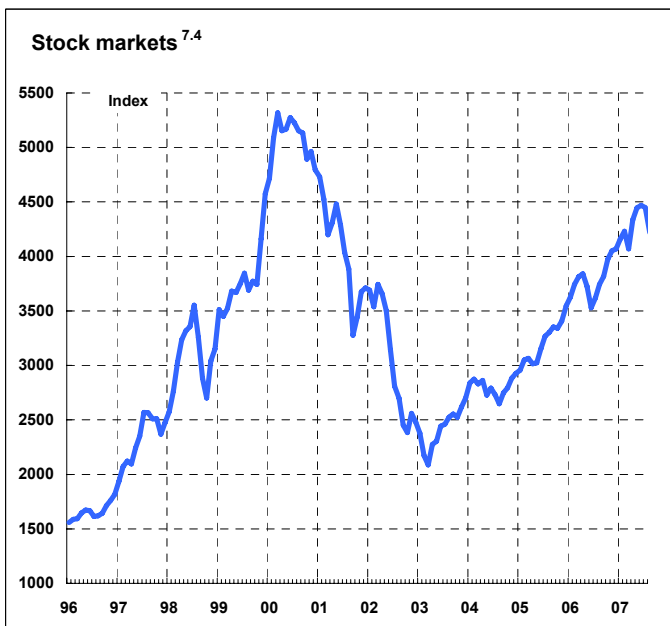
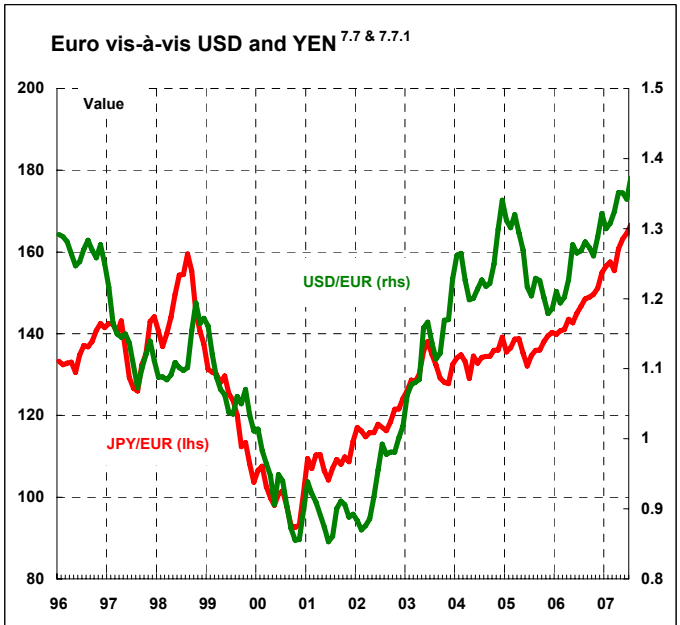
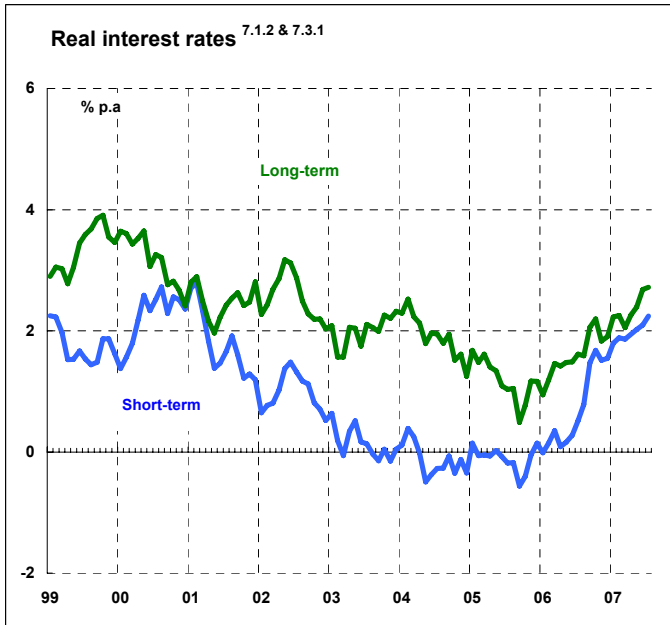
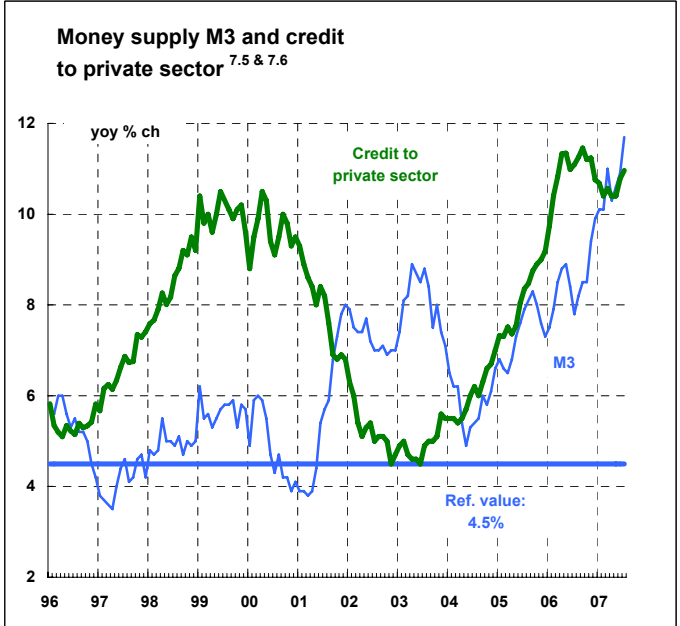
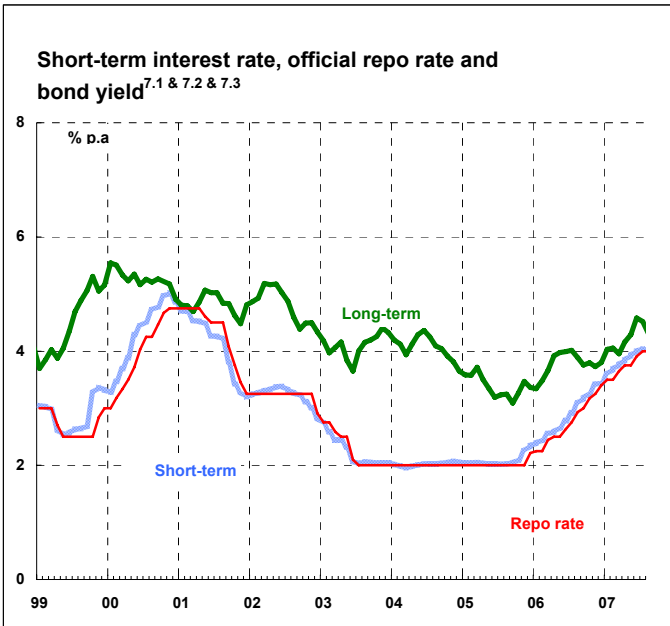


Non-fuel commodities ^{6.4.2}



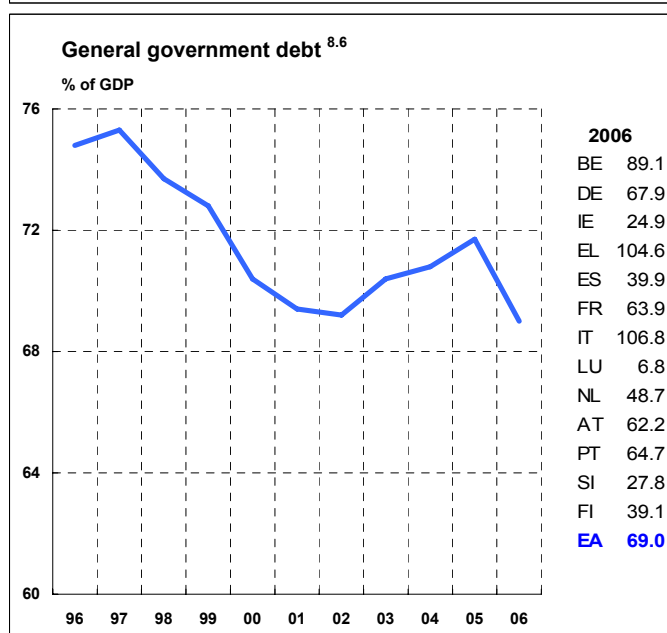
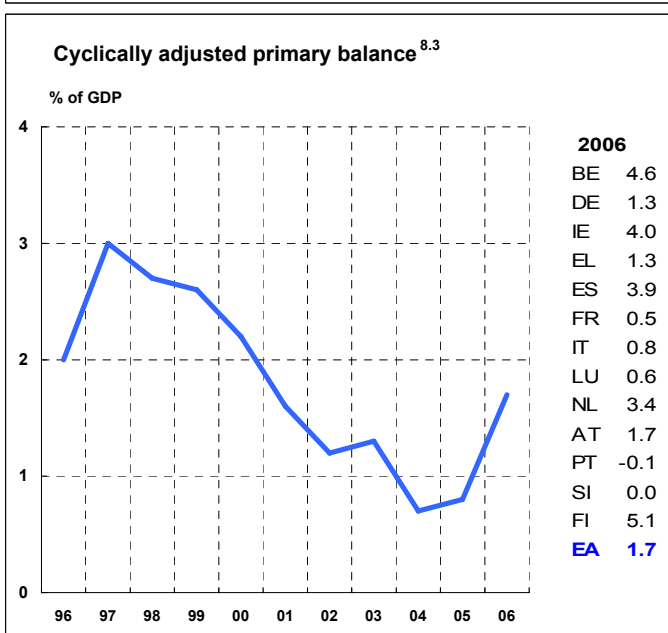
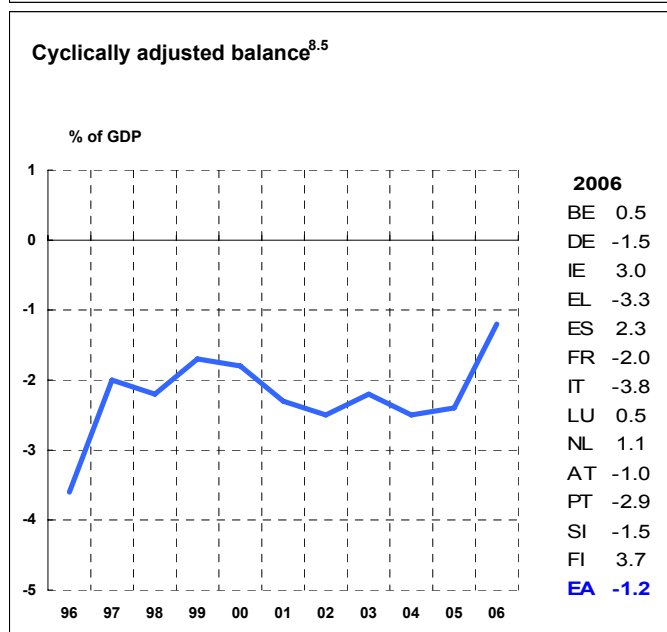
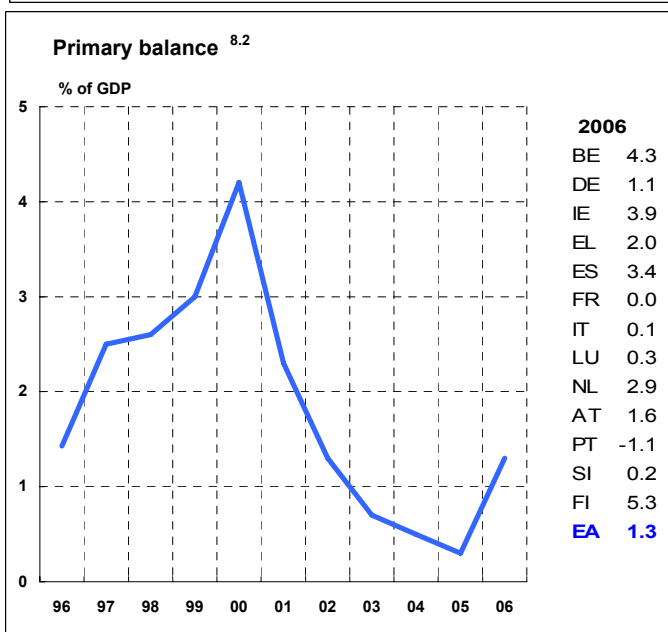
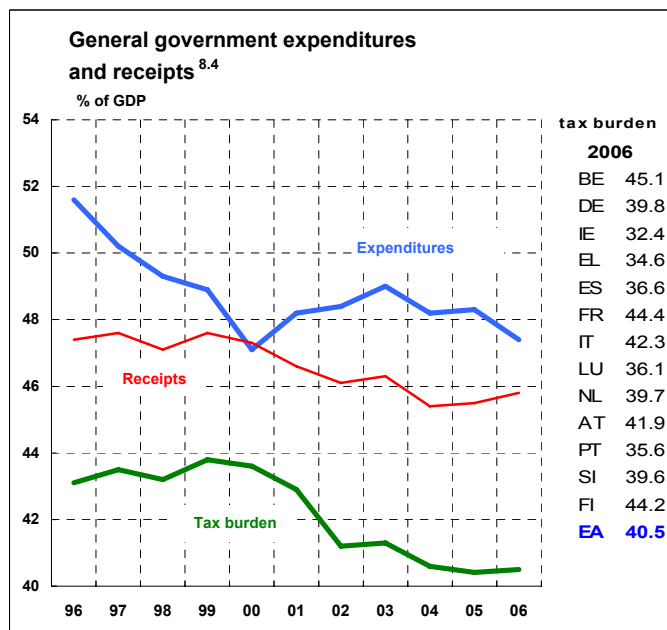
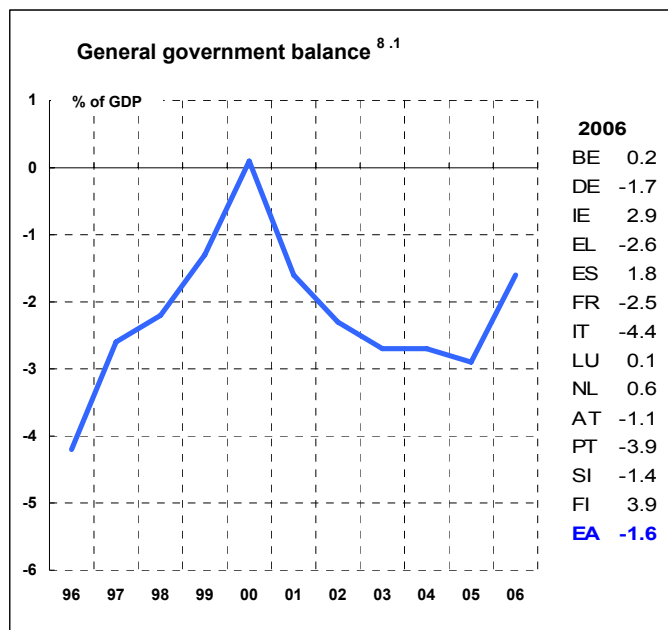


7. MONETARY AND FINANCIAL INDICATORS





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 cont	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