

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 4 October 2007

next update: 8 November 2007

		2004	2005	2006	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
1 Output										
Industrial confidence ^{1.1}	Balance	-4.7	-7.3	2.3	6.6	5.8	6.1	4.9	4.8	2.7
Industrial production ^{1.2}	mom % ch.	2.1	1.3	4.0	-0.9	1.0	-0.1	0.6	--	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Gross domestic product ^{1.3}	qoq % ch.	2.0	1.5	2.8	1.0	0.6	0.9	0.7	0.3	--
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.9	-13.8	-9.0	-4.0	-1.3	-1.9	-1.8	-3.7	-5.2
Retail sales ^{2.2}	mom % ch.	1.5	1.2	2.0	-0.1	-0.7	0.6	0.4	0.1	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Private consumption ^{2.3}	qoq % ch.	1.5	1.5	1.8	0.4	0.5	0.5	0.0	0.5	--
3 Investment										
Capacity utilization ^{3.1}	%	81.6	81.3	83.0	82.5	83.6	83.9	84.4	84.8	84.2
Gross fixed capital formation ^{3.2}	qoq % ch.	1.9	2.8	5.3	2.7	0.7	1.7	2.0	-0.2	--
Change in stocks ^{3.3}	% of GDP	0.1	0.2	--	0.3	0.2	--	--	--	--
4 Labour market										
Unemployment ^{4.1}	%	8.8	8.6	7.9	7.0	7.0	6.9	6.9	6.9	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Employment ^{4.2}	yoy % ch.	0.9	0.9	1.5	1.6	1.6	1.6	1.7	1.7	--
Shortage of labour ^{4.3}	%	2.4	2.3	3.8	3.1	4.4	5.0	5.0	6.1	6.6
Wages ^{4.4}	yoy % ch.	2.3	2.7	2.7	2.9	2.6	2.4	2.3	2.5	--
5 International transactions										
Export order books ^{5.1}	Balance	-13.2	-15.6	-1.1	5.0	6.0	5.0	4.0	4.0	3.0
World trade ^{5.2}	Index	146.2	157.0	172.3	178.0	183.0	183.7	184.7	--	--
Exports of goods ^{5.3}	Bn. EUR	1148.4	1240.9	1381.9	122.4	122.9	124.5	125.0	--	--
Imports of goods ^{5.4}	Bn. EUR	1075.1	1224.3	1394.2	119.6	119.9	121.2	125.7	--	--
Trade balance ^{5.5}	Bn. EUR	73.2	16.5	-12.3	2.8	3.0	3.3	-0.6	--	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Exports of goods and services ^{5.6}	qoq % ch.	6.9	4.3	8.0	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	1.3	1.9	1.6	0.9	0.6	--
		2004	2005	2006	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
Current account balance ^{5.8}	Bn. EUR	60.8	-1.8	-9.7	-1.6	-7.8	7.3	1.7	--	--
Direct investment (net) ^{5.9}	Bn. EUR	-68.6	-210.0	-158.7	-24.5	-13.4	-45.0	2.7	--	--
Portfolio investment (net) ^{5.10}	Bn. EUR	72.9	146.1	263.5	15.6	5.0	70.1	33.9	--	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.2	1.9	1.9	1.9	1.8	1.7	2.1
Core HICP ^{6.2}	yoy % ch.	2.1	1.5	1.5	1.9	1.9	1.9	1.9	2.0	--
Producer prices ^{6.3}	yoy % ch.	1.9	3.5	4.4	2.3	2.4	2.3	1.8	1.7	--
Import prices ^{6.4}	Index	97.2	104.8	112.9	112.7	112.8	114.3	--	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.0	2.1	2.9	4.0	4.1	4.1	4.2	4.5	4.7
Bond yield (10 years) ^{7.2}	% p.a.	4.1	3.4	3.8	4.2	4.3	4.6	4.5	4.3	4.2
ECB repo rate ^{7.3}	% p.a.	2.0	2.0	2.8	3.8	3.8	3.9	4.0	4.0	4.0
Stock markets ^{7.4}	Index	2804.6	3207.1	3793.3	4337.0	4445.4	4470.2	4449.0	4220.6	4284.4
M3 ^{7.5}	yoy % ch.	5.8	7.4	8.5	10.3	10.6	10.9	11.7	11.6	--
Credit to private sector (loans) ^{7.6}	yoy % ch.	6.0	8.1	11.0	10.4	10.4	10.8	11.0	11.2	--
Exchange rate USD/EUR ^{7.7}	Value	1.24	1.24	1.26	1.35	1.35	1.34	1.37	1.36	1.39
Nominal effective exchange rate ^{7.8}	Index	109.8	109.7	111.4	115.7	115.8	115.3	115.9	115.5	116.4

Comments

1. Output

In September, the Commission's **industrial confidence** decreased significantly by 2.1 points, and was 3.9 points below its record level of April this year. Looking at the components of the indicator, managers' assessment of order books dropped by 4 points. Their production expectations and appraisal of the stocks of finished products also worsened but to a lesser extent.

Industrial production increased by 0.6% in July on the month. Production was up by 1.0% for capital goods, 0.5% for intermediate goods and 0.3% for non-durable consumer goods. Production of energy rose slightly (0.1%) but there was a drop (-0.1%) for durable consumer goods. On an annual basis, industrial production increased by 3.7% vis-à-vis the same period in 2006, driven by capital goods (+6.3%).

Eurostat's first estimate of **gross domestic product** for the second quarter of 2007 eased to 0.3%, from 0.7% in the first quarter. The contribution from domestic demand was +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 2007, 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 September, **consumer confidence** declined further by 1 point compared to August. Consumers were significantly less optimistic regarding the general economic situation over the next 12 months, and to a lesser extent about unemployment prospects, while their views on savings over the next 12 months remained unchanged. Moreover, their expectations regarding their own financial situation over the next 12 months worsened slightly in the euro area.

In August 2007, the volume of **retail sales** was up 0.1% compared to the previous month (0.3% in the

EU). On a less volatile year-on-year basis, retail sales increased by 1%.

Private consumption increased by 0.5% in 07Q2 (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 07Q2 (q-o-q), the first contraction in five years. Construction investment was down by 1.8%, exerting a significant drag on overall capital spending in 07Q2 partly due to weather-related effects. Equipment investment was still healthy at 1.9%. On a year-on-year basis, investment growth was 4.3% in 07Q2.

According to the quarterly manufacturing survey, **capacity utilisation** in the manufacturing sector decreased to 84.2% in the 07Q3, while remaining firmly above its long-term average (81.8).

4. Labour market

In August 2007, the **unemployment** rate stood at 6.9%, unchanged for three months in a row. It was 7.8% one year ago.

Total **employment** rose by 0.5% (q-o-q) in 07Q2, following upward revisions in the previous two quarters. On a year-on-year basis, the number of persons employed rose by 1.7%. Employment expectations in the manufacturing industry remained unchanged in September.

The level of recorded **labour shortages in manufacturing** increased in 07Q3, with 6.6% of firms reporting that unfilled job openings were constraining production

5. International transactions

The assessment of **export order books** in manufacturing decreased by 1 point in September. The estimate of the **trade balance** turned negative at -0.6 bn euro in July 2007, compared to a surplus of 4.4 bn euro in the previous month. The deterioration in the trade balance was the result of an increase in **imports of goods** (+4.4 bn euro), against broadly unchanged **exports of goods** (-0.7 bn euro). In volume terms in 07Q2, **exports of goods and services** were up by 1.1% (q-o-q) and **imports** by 0.6%. Compared to one year earlier, exports and imports rose by +6.2% and 5.1%, respectively.

The **current account** recorded a surplus of EUR 1.7 billion in July 2007 (corresponding to a surplus of EUR 3.3 billion in non-seasonally adjusted terms). This reflected surpluses in goods (EUR 2.6 billion), services (EUR 3.0 billion) and income (EUR 1.3 billion) that were partly offset by a deficit in current transfers (EUR 5.2 billion). In the **financial account**, combined direct and portfolio investment recorded net inflows of EUR 37 billion in July 2007, reflecting net inflows in **portfolio investment** (EUR 34 billion) and, to a lesser extent, in **direct investment** (EUR 3 billion).

6. Prices

HICP is expected to be 2.1% in September, up from 1.7% in August. Core inflation in August was 1.9%. The rise of headline inflation in September mostly stems from unfavourable base effects of last year's decline in energy prices. At the Member State level, there is also some evidence of an acceleration in food prices.

The **Brent Index** reached 80.2 USD on 1-2 October, recording a new all-time record. The prices are driven by both expectations of an increase in the world demand and by supply fears. From the demand-side, the threat of an extension of the financial crisis to the real economy, which had helped prices to be contained in August, has somewhat diminished. The weakness of the dollar might also have played a role, the all-time record of August 2006 being still valid when prices are in euro. From the supply-side, fears of a decrease in US crude stockpiles and renewed tensions around the Iran crisis have played a role. Compared to January, oil prices are now about 35% higher in USD and 30% higher in EUR.

The industrial **producer price** index rose by 0.1% (m-o-m) in August 2007. Among components, energy prices declined by 0.7%, while non-durable consumer goods prices were up by 0.5%. On a year-on-year basis, producer prices increased by 1.7%, broadly stable from July.

7. Monetary and financial indicators

Short-term market interest rates are still very high compared to the key interest rates, reflecting a still on-going lack of confidence in the banking sector. On 3 October, the euro area 3-month interest rate stood at 4.80% (compared to a key interest rate of 4.00%). In order to contain this increase, the ECB continues its daily injections of

banking liquidity on the money market. On 18 September, the FED cut its key interest rate, the target rate of the fed funds, by 50 bp to 4.75%, bringing short-term interest rates down.

Both in the euro area and in the US, **bond yields** have declined since mid-July, largely as a result of downward revisions in growth expectations. However, they recently edged up somewhat, with the abatement of the financial turmoil and higher inflation expectations in the US. On 3 October, the ten-year interest rate was 4.56% in the US and 4.34% in the euro area. The disappointing outturn for euro-area GDP growth in 07Q2 has also contributed to the decline in the latter.

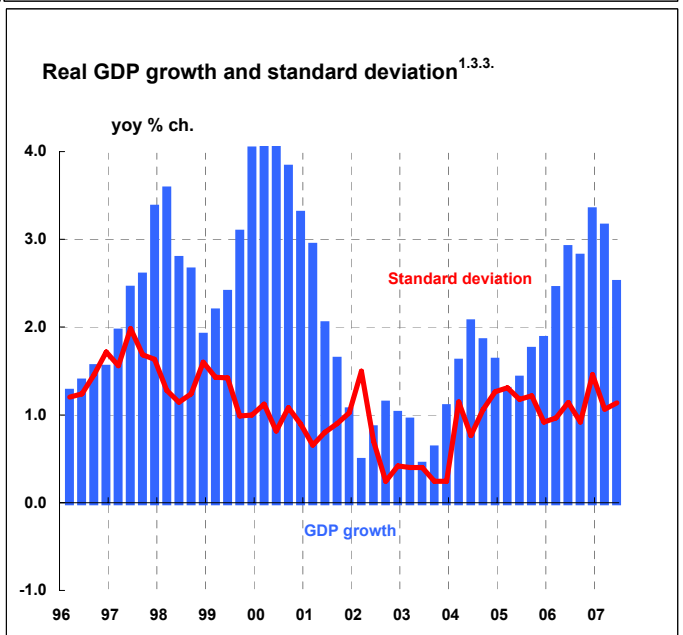
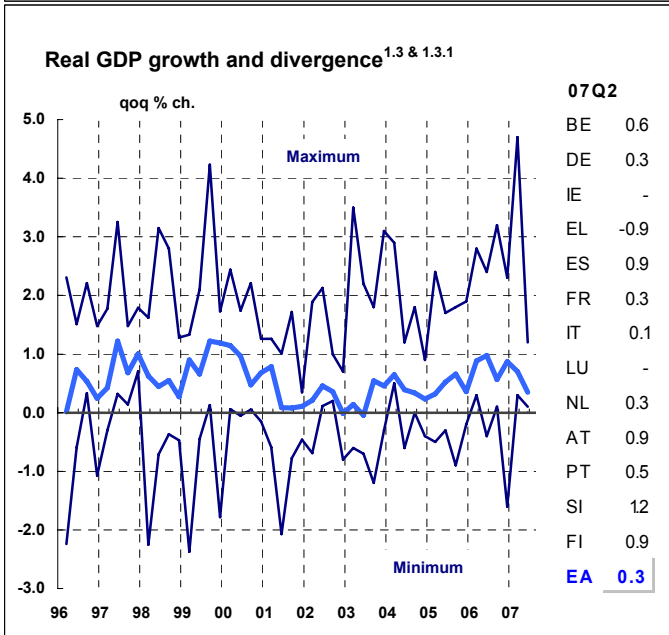
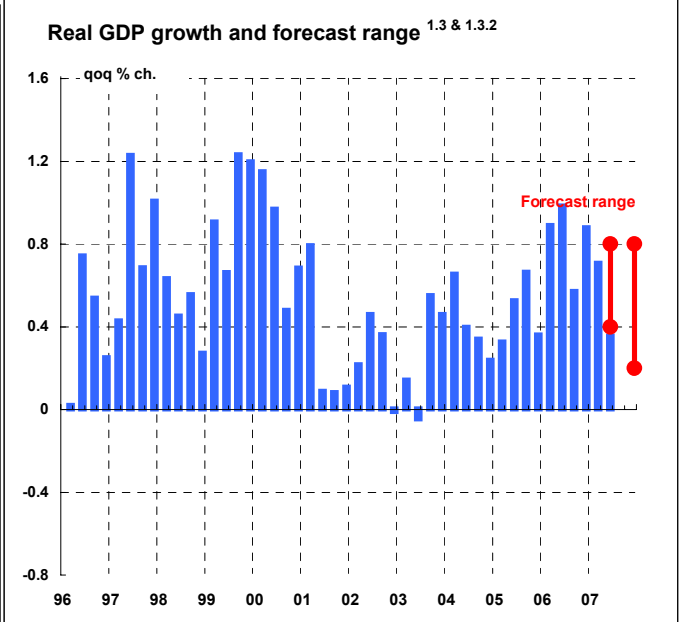
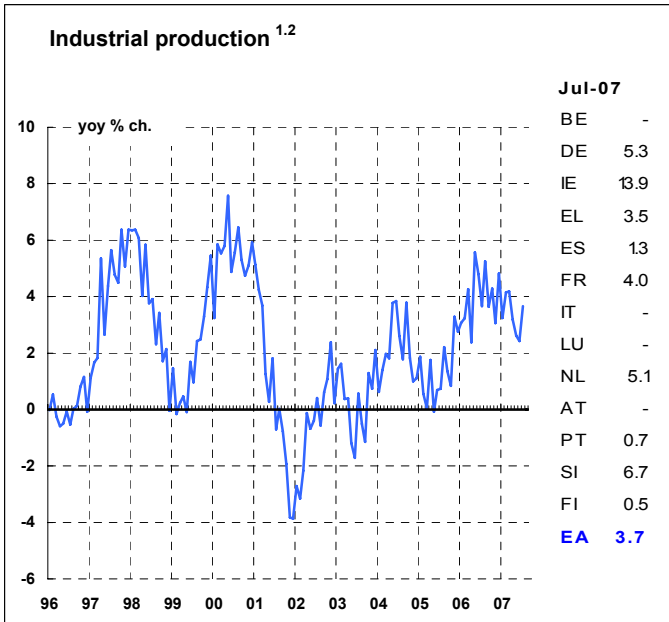
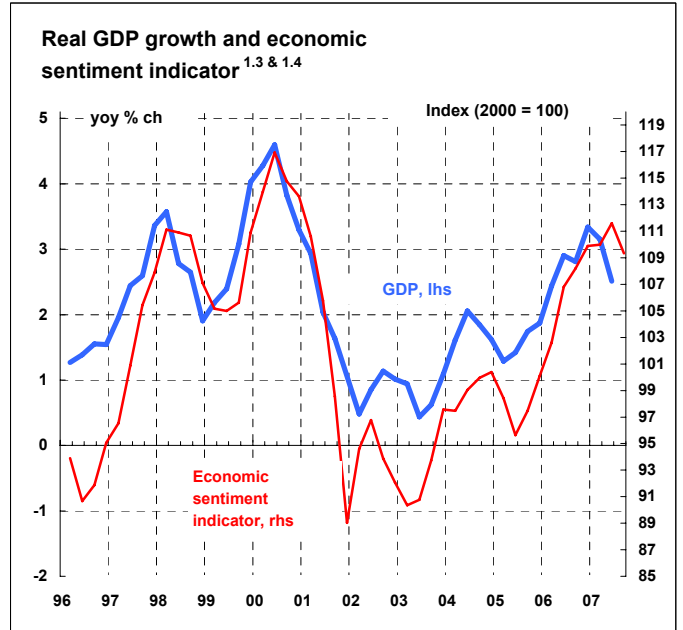
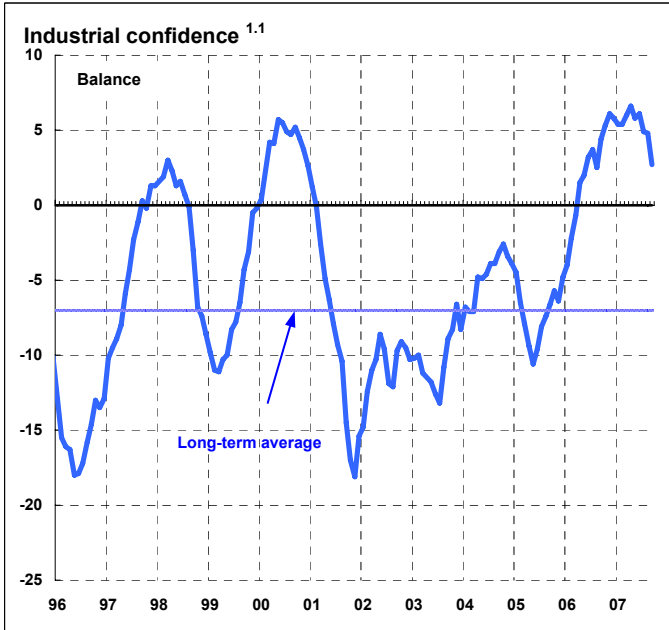
The annual rate of **growth of M3** edged down a little in August to 11.6% from 11.7% in July. The 3-month moving average increased from 11.1% to 11.4% in August. The figures suggest that the financial market turmoil has had little impact so far outside the financial sector. **Loans to the private sector** were up 11.2% y-o-y in August, after 11.0% in July. The details show that **loans to non-financial corporations** were up 14.2% in August after 13.6% in July and loans to households were up 7%, unchanged from July.

On the **foreign exchange rate markets**, the euro reached an all-time high against the dollar on 1 October (1.42 USD). Against the Japanese currency, the euro was trading at 164.8. The dollar has fallen due to downward revisions in growth expectations, following a batch of bad news concerning the situation of the US housing sector. As for the yen, the downward correction of Japanese GDP growth for 2007 Q2 as well as the pick up in the stock market has not helped to unwind the yen-carry-trades.

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. Since then, stock markets around the world have bounced back, largely recuperating their previous losses.



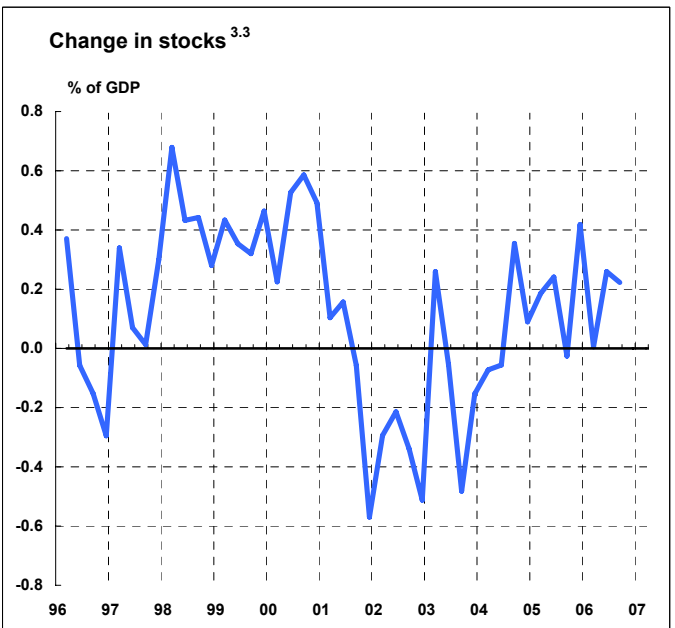
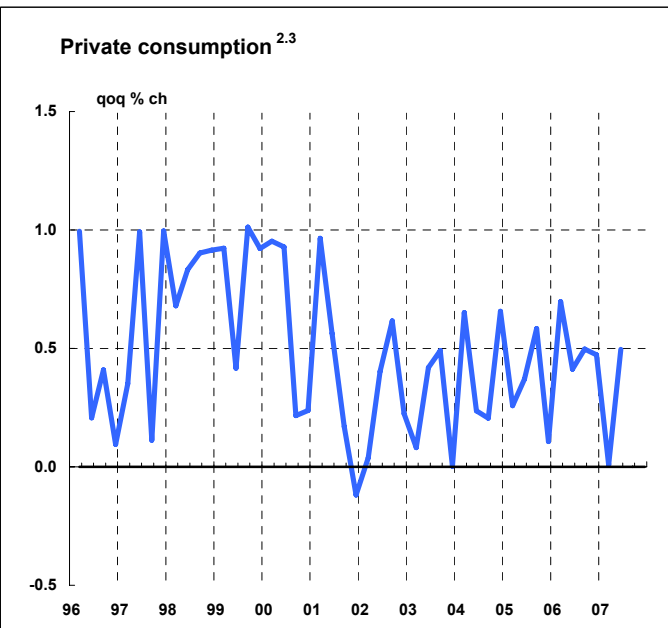
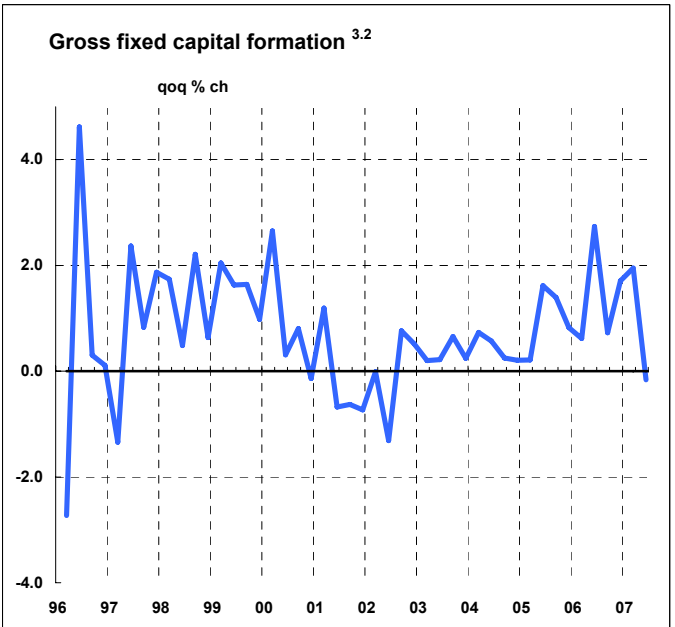
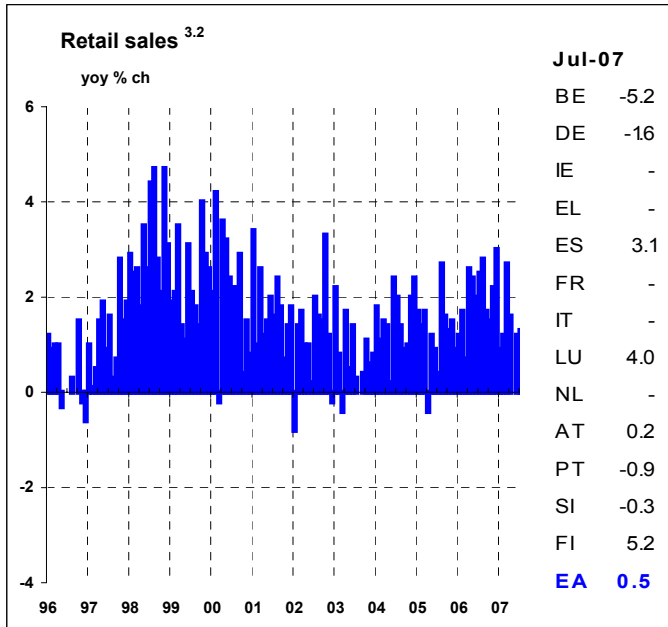
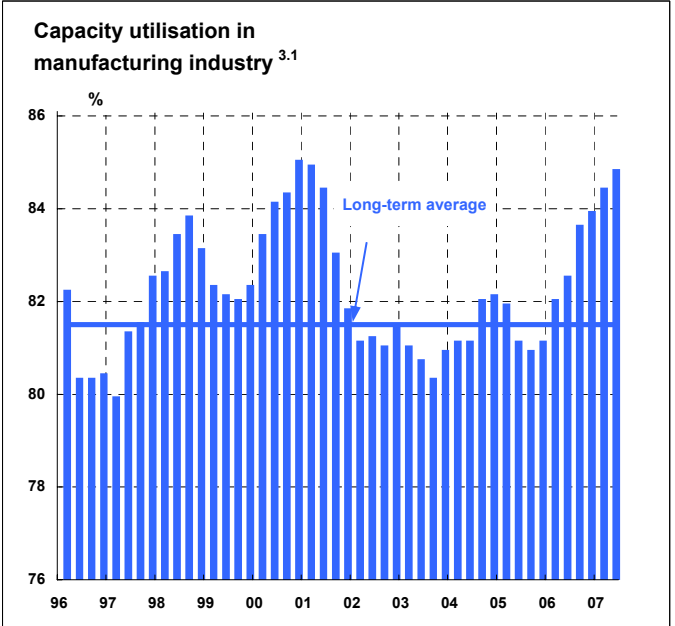
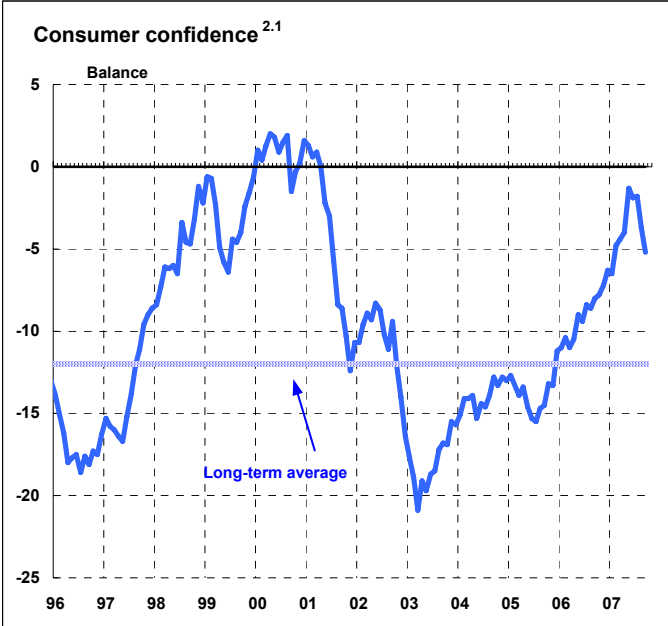
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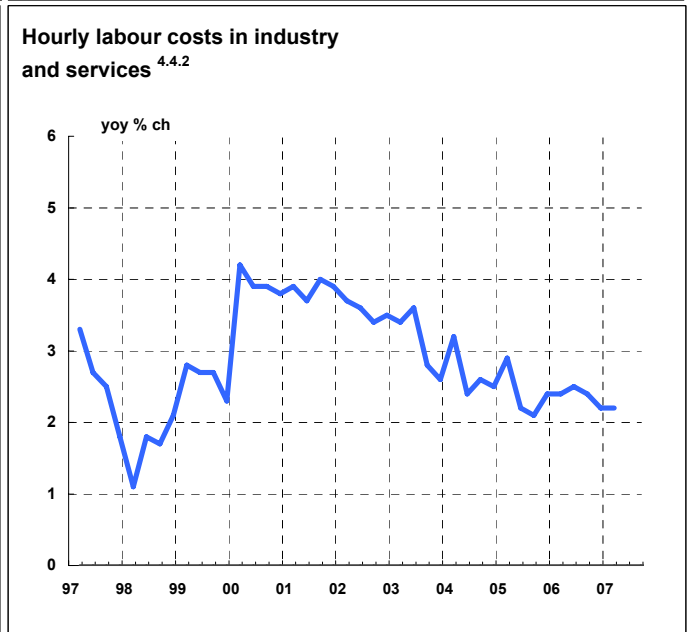
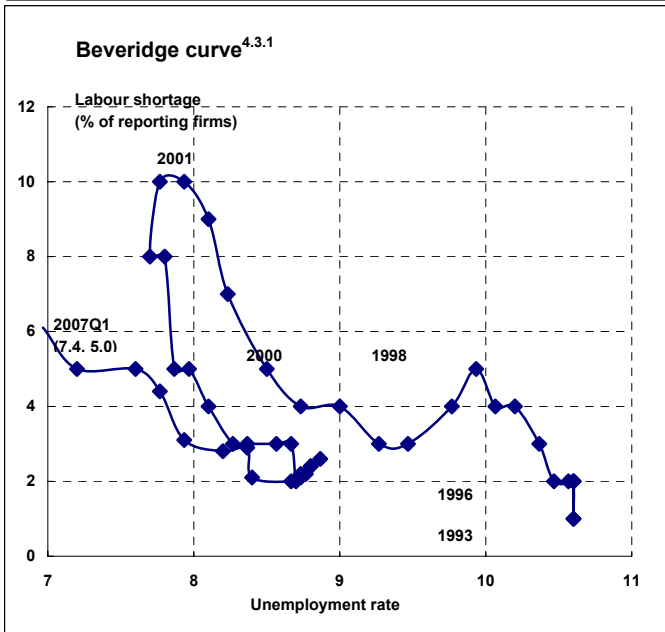
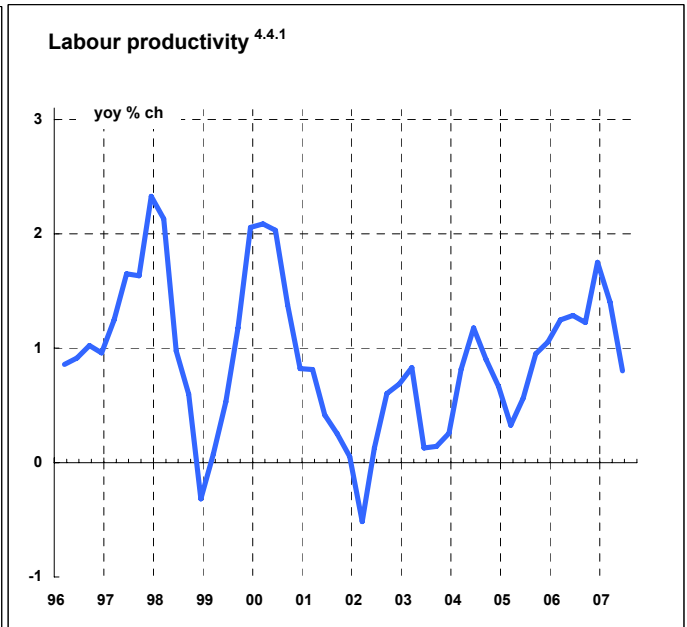
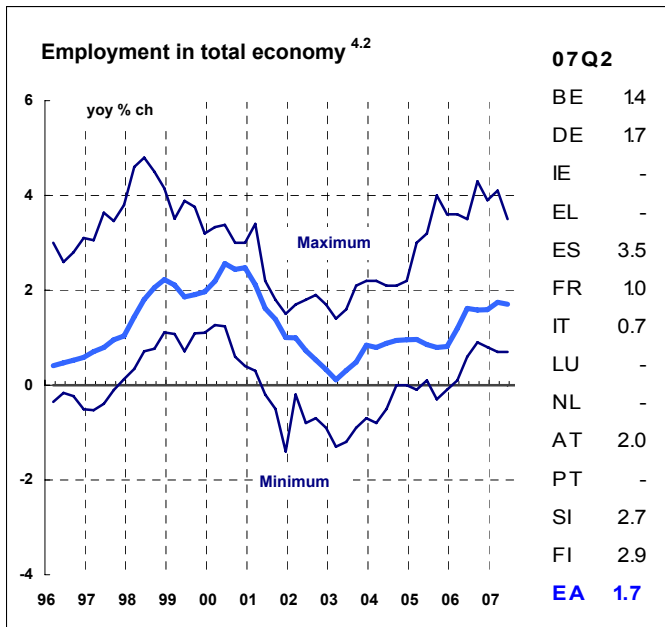
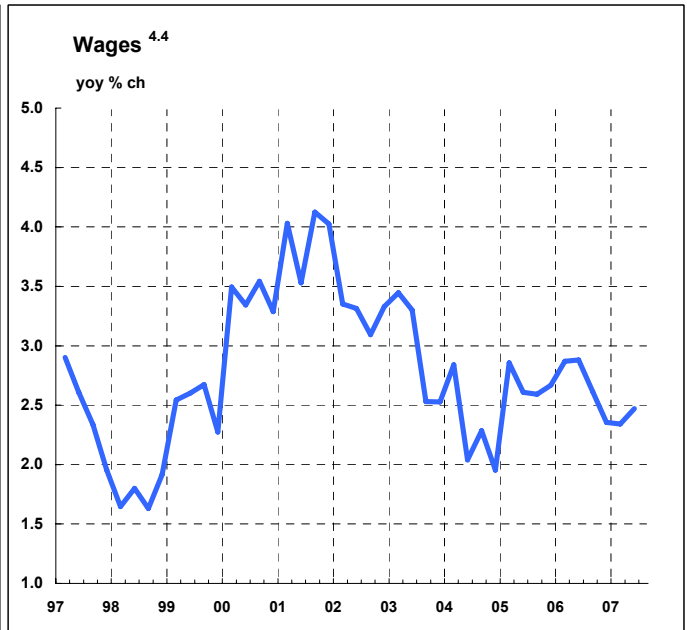
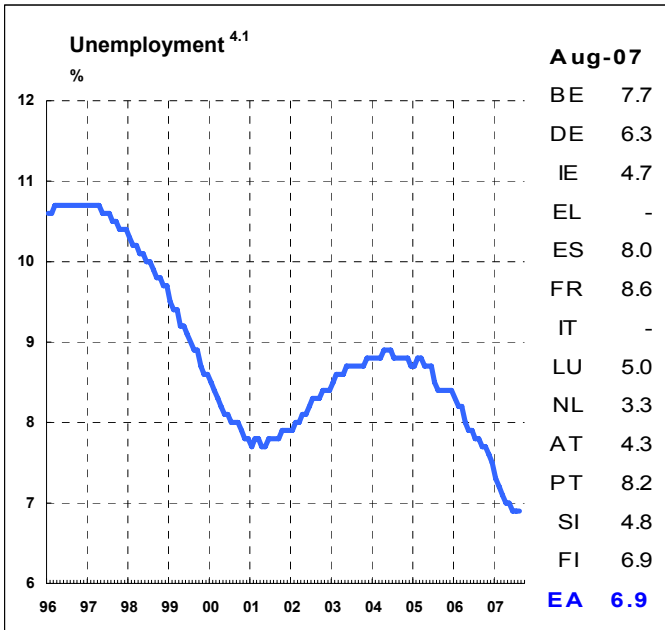
2. PRIVATE CONSUMPTION

3. INVESTMENT



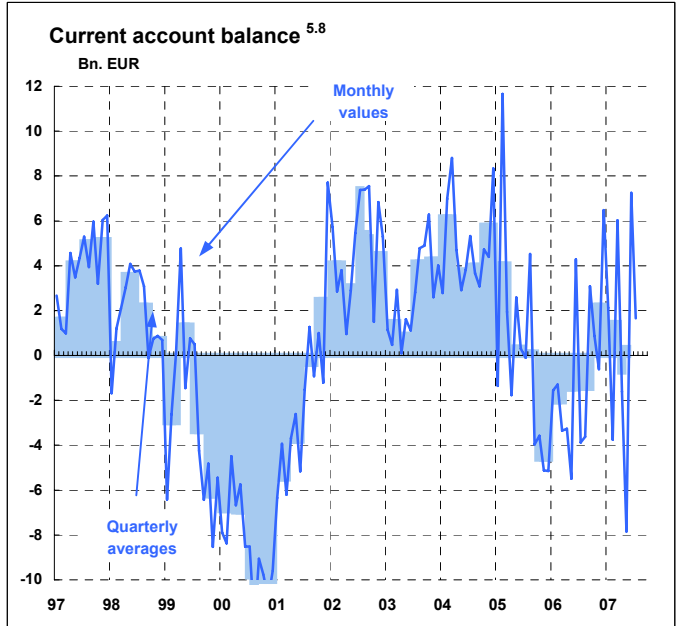
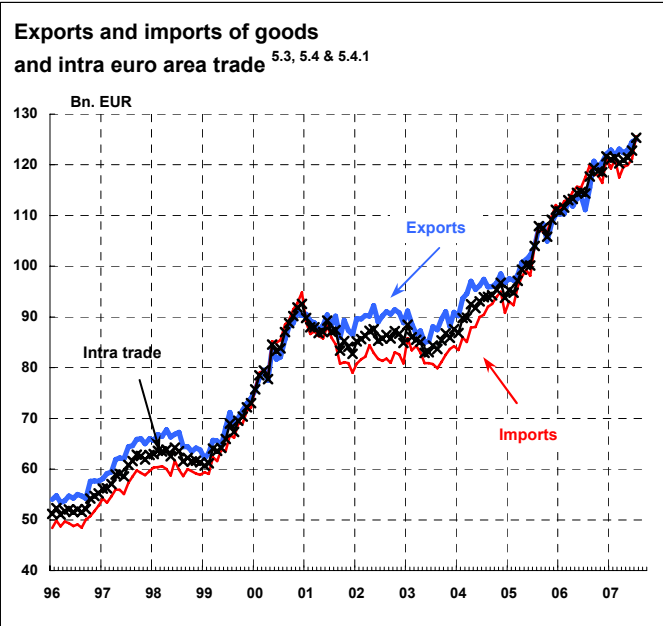
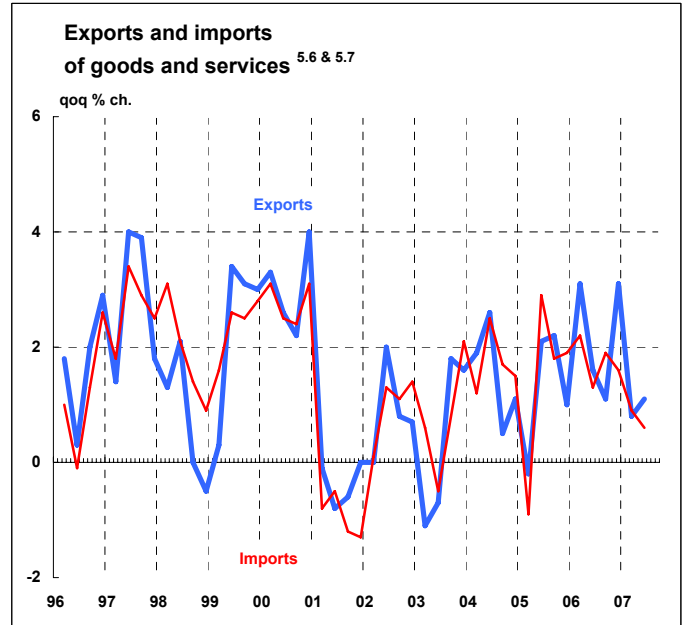
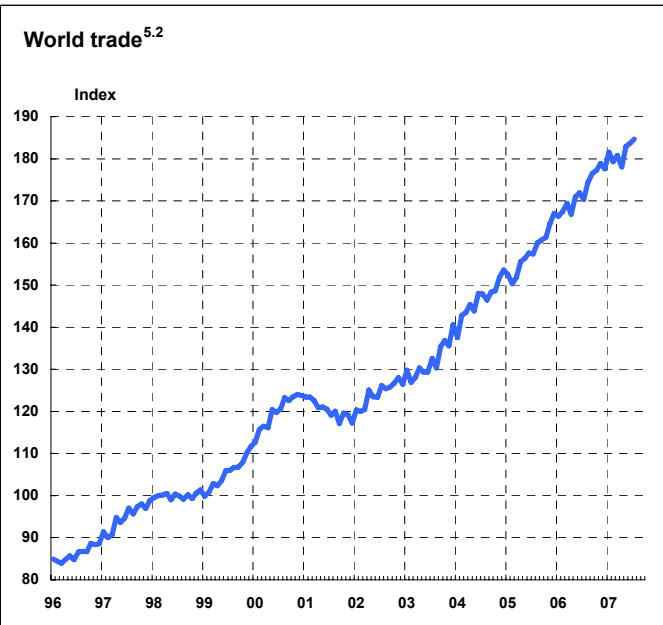
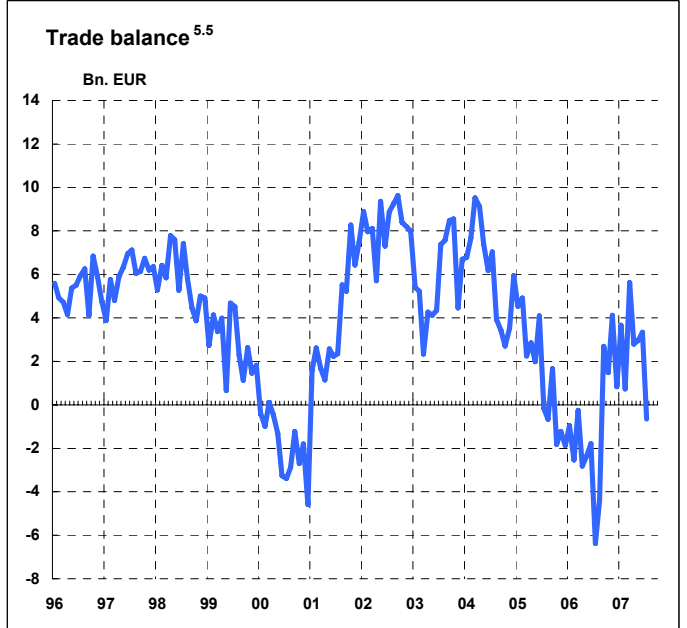
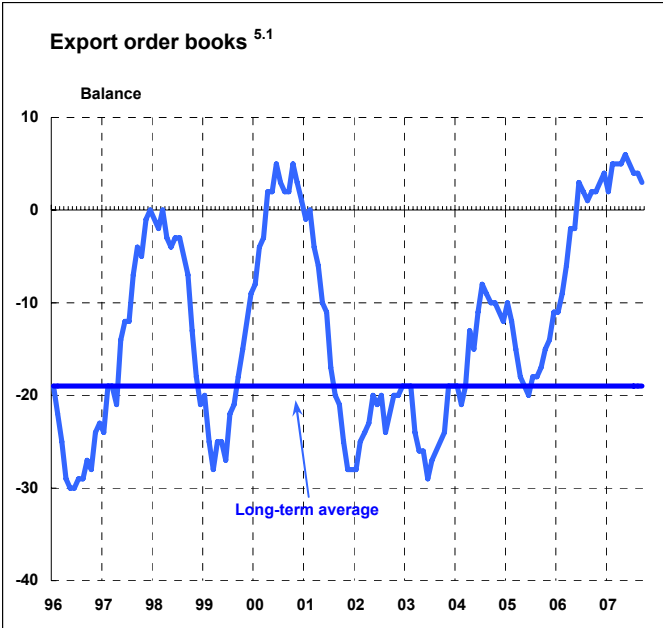


4. LABOUR MARKET





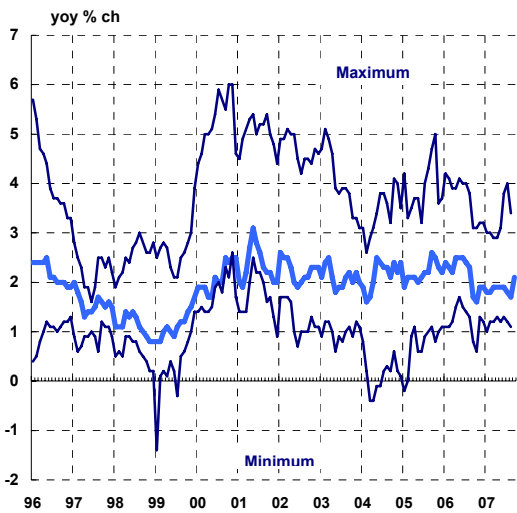
5. INTERNATIONAL TRANSACTIONS





6. PRICES

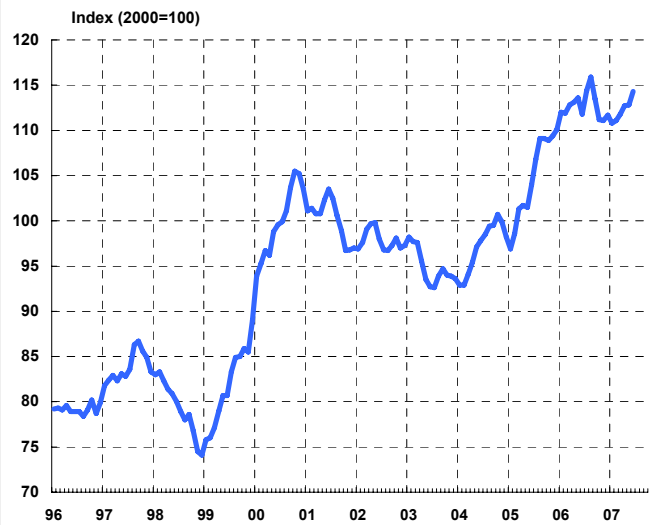
Harmonised index of consumer prices ^{6.1}



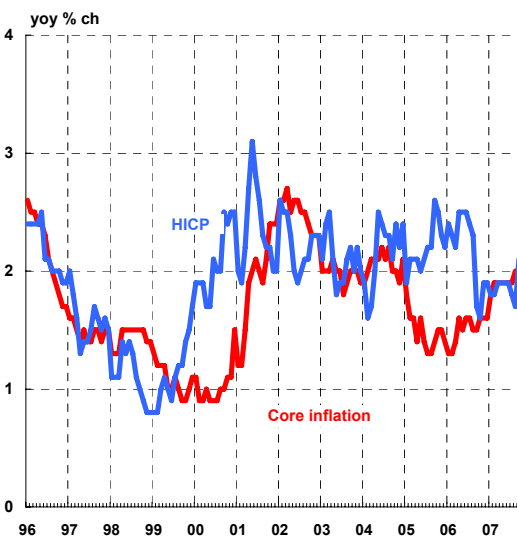
Aug-07

BE	12
DE	2.0
IE	2.3
EL	2.7
ES	2.2
FR	13
IT	17
LU	19
NL	11
AT	17
PT	19
SI	3.4
FI	13
EA	1.7

Import prices ^{6.4}



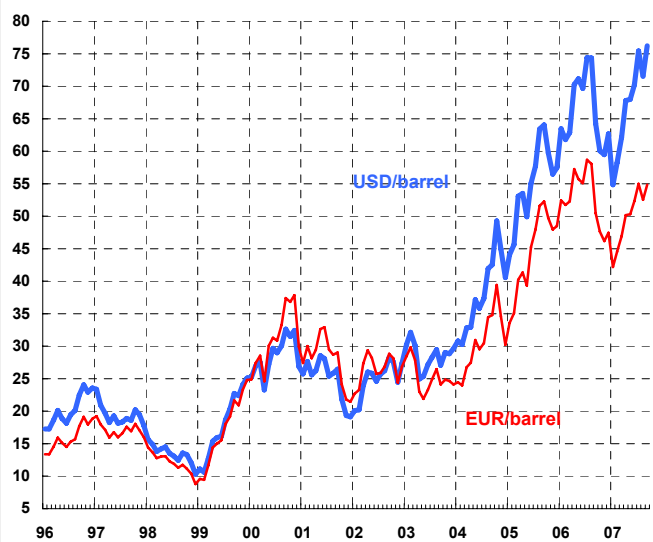
Core inflation and HICP ^{6.1 & 6.2}



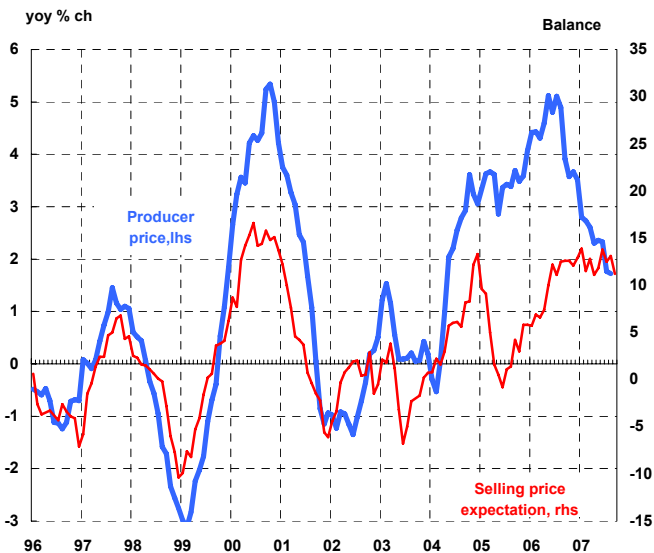
Aug-07

BE	19
DE	2.2
IE	2.4
EL	3.3
ES	2.5
FR	16
IT	19
LU	2.5
NL	13
AT	18
PT	2.2
SI	3.7
FI	16
EA	2.0

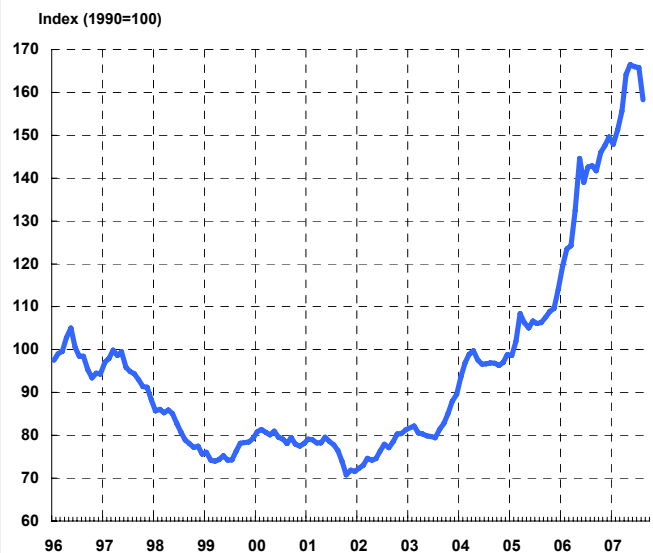
Oil prices ^{6.4.1}



Producer prices ^{6.3 & 6.3.1}



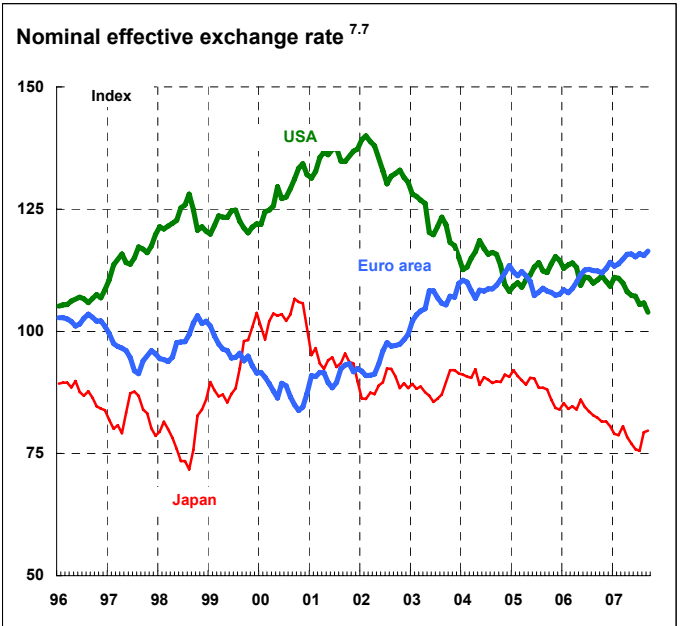
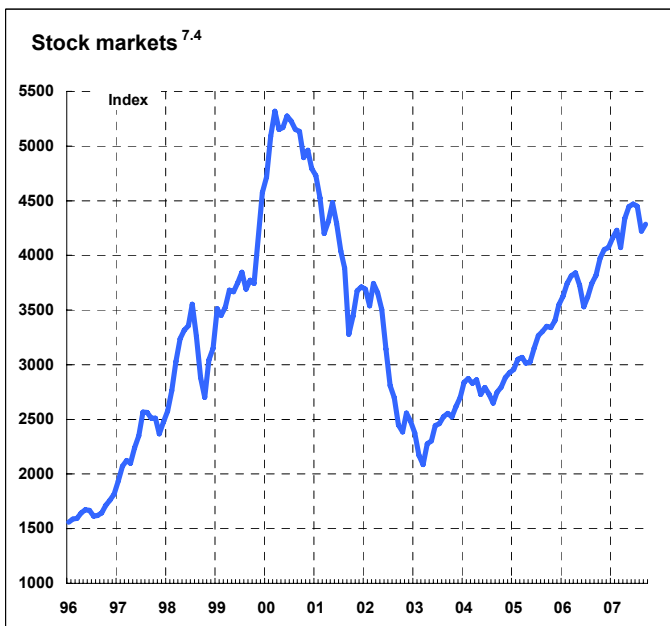
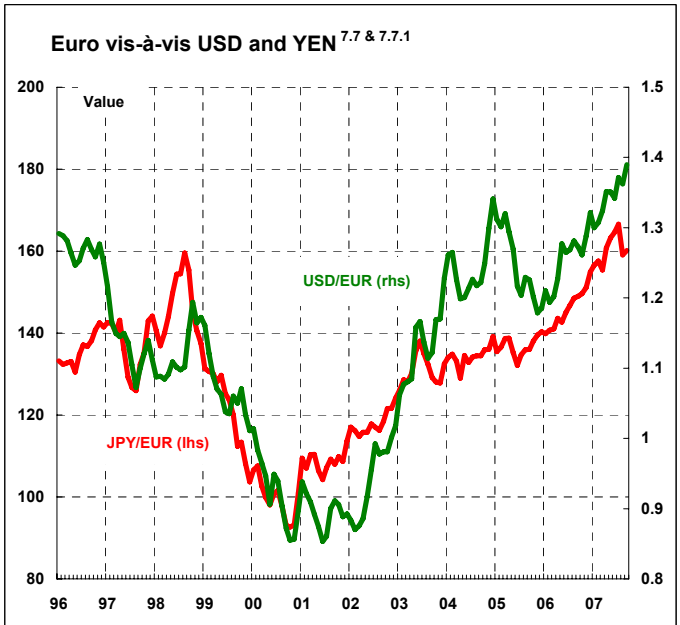
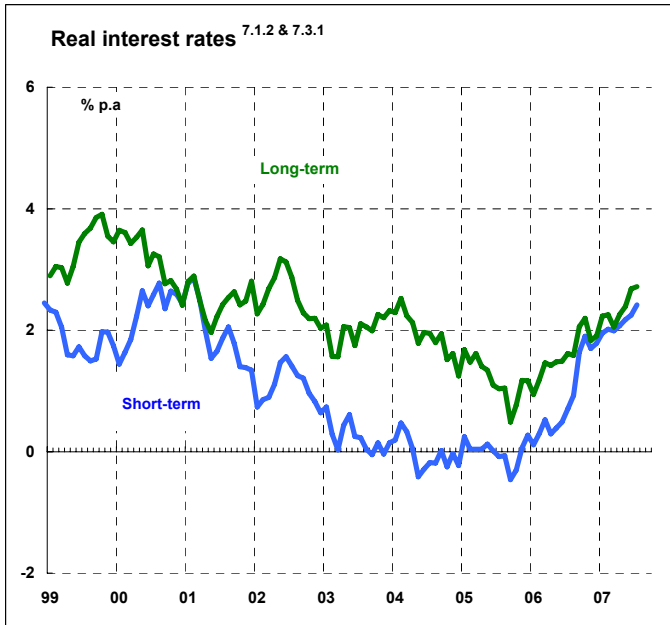
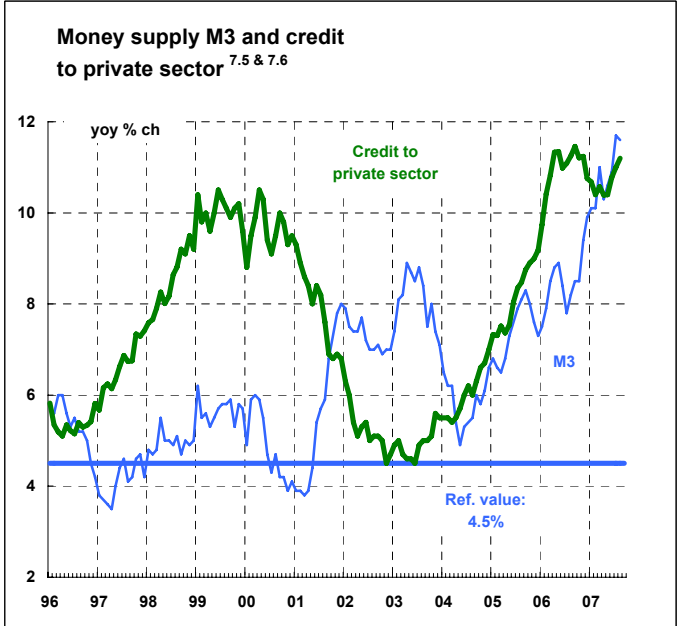
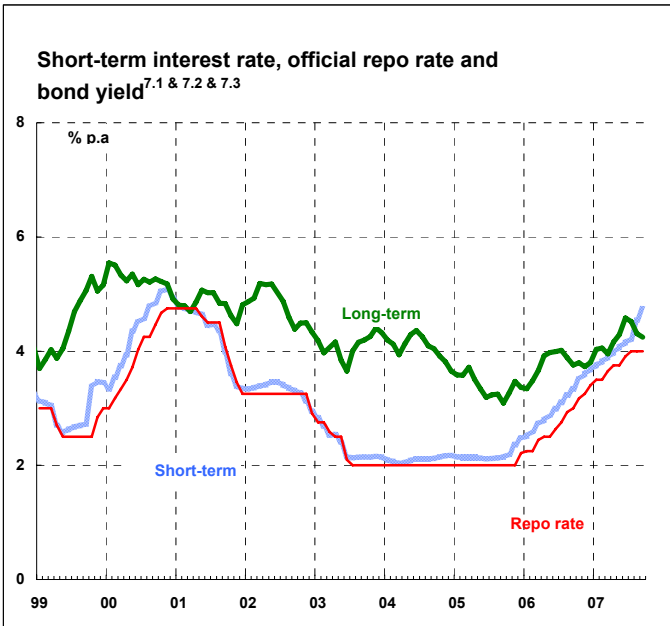
Non-fuel commodities ^{6.4.2}



KEY INDICATORS FOR THE EURO AREA

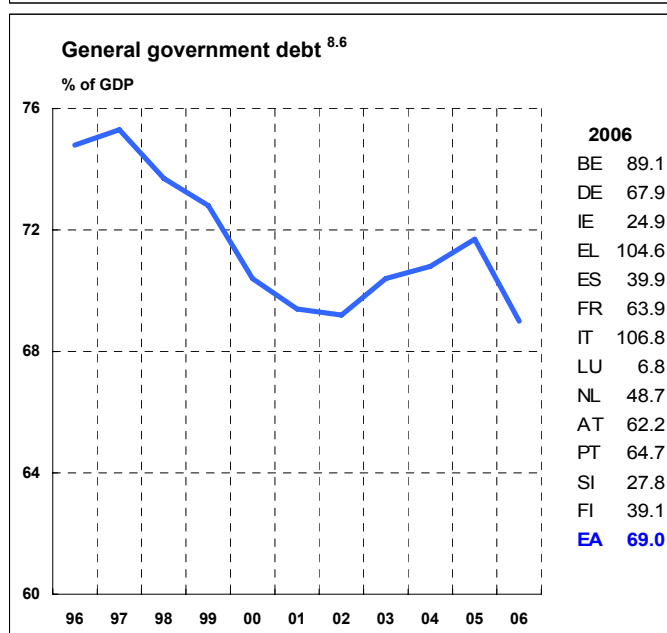
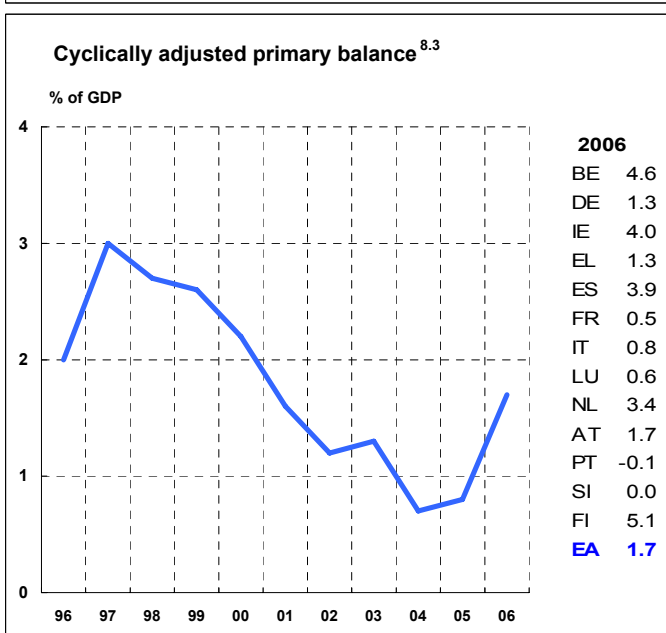
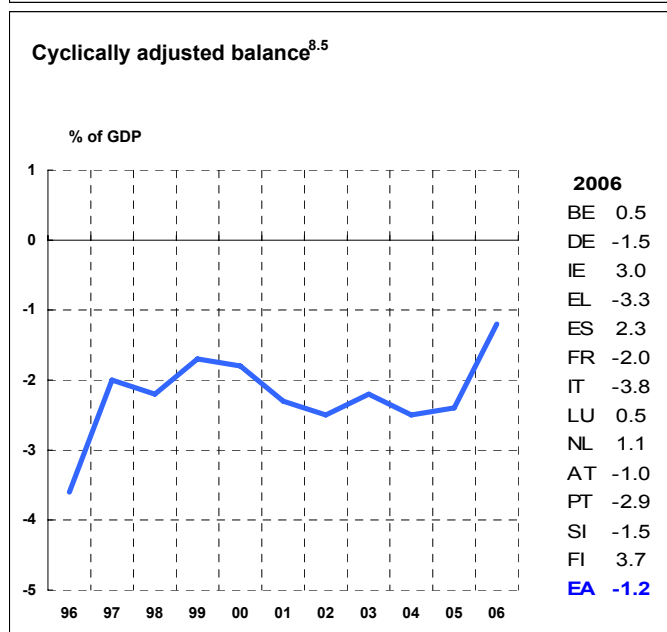
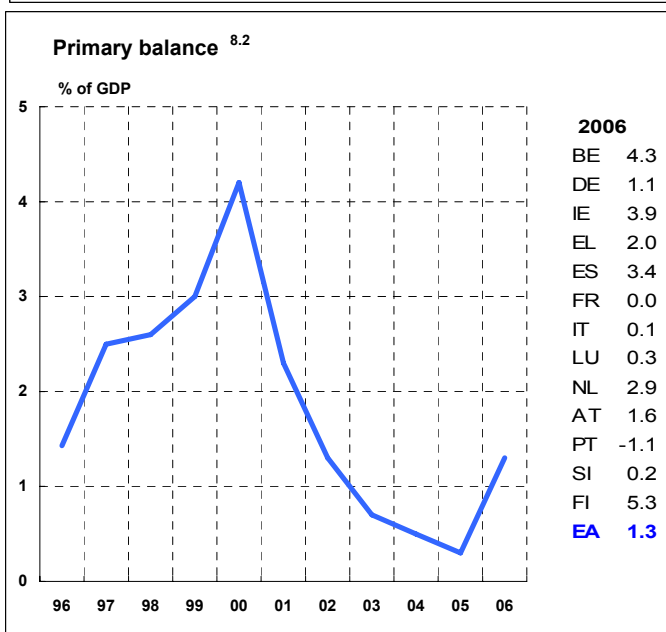
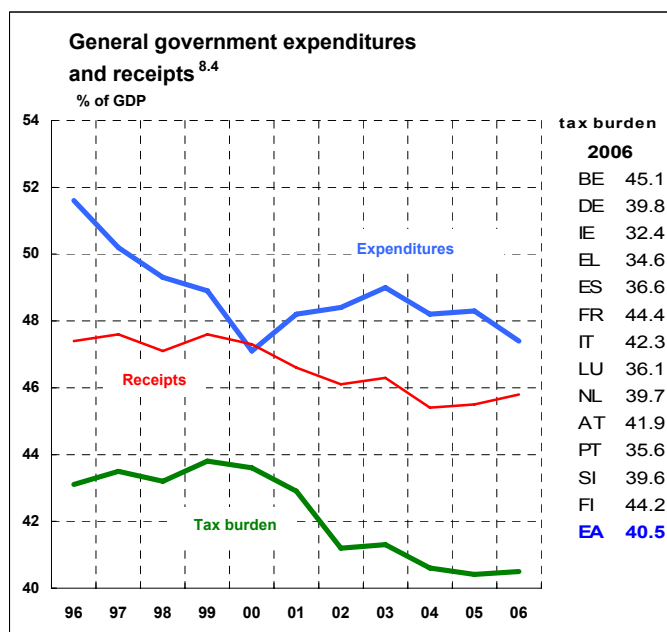
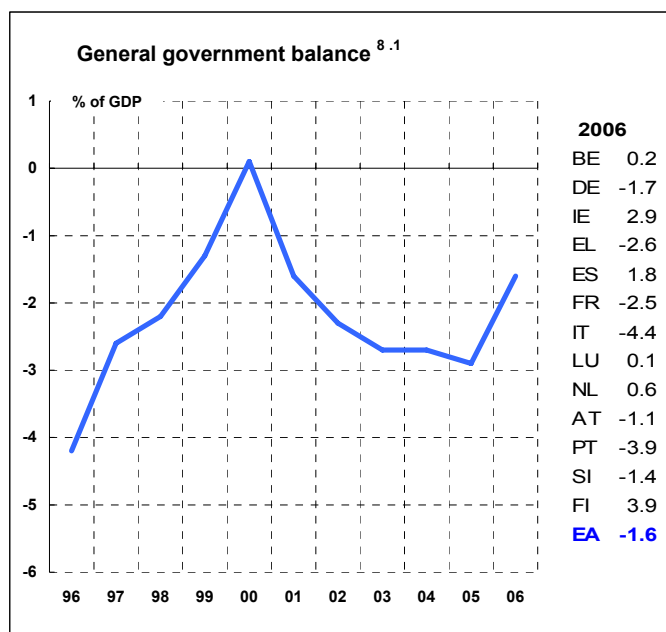


7. MONETARY AND FINANCIAL INDICATORS





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 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