

# KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

## Key indicators for the euro area

this update: 29 November 2007

next update: 17 January 2008

		2004	2005	2006	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07
<b>1 Output</b>										
Industrial confidence <sup>1.1</sup>	Balance	-4.7	-7.3	2.3	6.1	4.9	4.8	2.7	1.7	2.5
Industrial production <sup>1.2</sup>	mom % ch.	2.1	1.3	4.0	0.0	0.7	1.2	-0.8	--	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Gross domestic product <sup>1.3</sup>	qoq % ch.	2.0	1.5	2.8	1.0	0.6	0.8	0.8	0.3	0.7
<b>2 Private consumption</b>										
Consumer confidence <sup>2.1</sup>	Balance	-13.9	-13.8	-9.0	-1.9	-1.8	-3.7	-5.6	-6.1	-8.0
Retail sales <sup>2.2</sup>	mom % ch.	1.5	1.2	2.0	0.7	0.4	0.0	0.2	0.3	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Private consumption <sup>2.3</sup>	qoq % ch.	1.5	1.5	1.9	0.4	0.5	0.4	0.0	0.5	--
<b>3 Investment</b>										
Capacity utilization <sup>3.1</sup>	%	81.6	81.3	83.0	82.5	83.6	83.9	84.4	84.8	84.3
Gross fixed capital formation <sup>3.2</sup>	qoq % ch.	1.9	2.8	5.4	2.7	0.8	1.7	1.9	-0.2	--
Change in stocks <sup>3.3</sup>	% of GDP	0.1	0.2	0.2	0.0	0.3	-0.5	0.2	-0.2	--
<b>4 Labour market</b>										
Unemployment <sup>4.1</sup>	%	8.9	8.9	8.3	7.5	7.4	7.4	7.3	--	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Employment <sup>4.2</sup>	yoy % ch.	0.9	0.9	1.5	1.6	1.6	1.6	1.8	1.7	--
Shortage of labour <sup>4.3</sup>	%	2.4	2.3	3.8	3.1	4.4	5.0	5.0	6.1	6.6
Wages <sup>4.4</sup>	yoy % ch.	2.3	2.6	2.7	2.9	2.7	2.4	2.3	2.5	--
<b>5 International transactions</b>										
Export order books <sup>5.1</sup>	Balance	-13.2	-15.6	-1.1	5.0	4.0	4.0	3.0	2.0	1.0
World trade <sup>5.2</sup>	Index	146.2	157.0	172.3	184.0	187.4	189.9	186.1	--	--
Exports of goods <sup>5.3</sup>	Bn. EUR	1149.0	1242.5	1396.4	126.1	124.3	129.9	131.0	--	--
Imports of goods <sup>5.4</sup>	Bn. EUR	1078.0	1225.1	1405.6	121.0	124.7	126.2	126.6	--	--
Trade balance <sup>5.5</sup>	Bn. EUR	71.0	17.4	-9.1	5.1	-0.4	3.7	4.3	--	--
		2004	2005	2006	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3
Exports of goods and services <sup>5.6</sup>	qoq % ch.	6.9	4.4	7.9	1.5	1.1	3.1	0.8	0.8	--
Imports of goods and services <sup>5.7</sup>	qoq % ch.	6.7	5.1	7.7	1.3	1.8	1.7	1.0	0.5	--
		2004	2005	2006	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07
Current account balance <sup>5.8</sup>	Bn. EUR	61.9	8.6	-12.7	6.9	3.8	4.5	0.6	--	--
Direct investment (net) <sup>5.9</sup>	Bn. EUR	-66.9	-208.8	-136.5	-37.4	0.1	-7.2	-22.6	--	--
Portfolio investment (net) <sup>5.10</sup>	Bn. EUR	72.1	141.3	276.3	70.6	30.2	21.9	46.2	--	--
<b>6 Prices</b>										
HICP <sup>6.1</sup>	yoy % ch.	2.2	2.2	2.2	1.9	1.8	1.7	2.1	2.6	--
Core HICP <sup>6.2</sup>	yoy % ch.	2.1	1.5	1.5	1.9	1.9	2.0	2.0	2.1	--
Producer prices <sup>6.3</sup>	yoy % ch.	1.9	3.5	4.4	2.3	1.8	1.7	1.8	2.7	--
Import prices <sup>6.4</sup>	Index	97.2	104.8	112.9	114.3	116.0	--	--	--	--
<b>7 Monetary and financial indicators</b>										
Interest rate (3 months) <sup>7.1</sup>	% p.a.	2.0	2.1	2.9	4.1	4.2	4.5	4.7	4.7	--
Bond yield (10 years) <sup>7.2</sup>	% p.a.	4.1	3.4	3.8	4.6	4.5	4.3	4.2	4.3	--
ECB repo rate <sup>7.3</sup>	% p.a.	2.0	2.0	2.8	3.9	4.0	4.0	4.0	4.0	--
Stock markets <sup>7.4</sup>	Index	2804.6	3207.1	3793.3	4470.2	4449.0	4220.6	4284.4	4430.8	--
M3 <sup>7.5</sup>	yoy % ch.	5.8	7.4	8.5	11.0	11.7	11.6	11.3	12.3	--
Credit to private sector (loans) <sup>7.6</sup>	yoy % ch.	6.0	8.1	11.0	10.8	11.0	11.2	11.0	11.2	--
Exchange rate USD/EUR <sup>7.7</sup>	Value	1.24	1.24	1.26	1.34	1.37	1.36	1.39	1.42	--
Nominal effective exchange rate <sup>7.8</sup>	Index	109.8	109.7	111.4	115.3	115.9	115.5	116.4	117.5	119.3



## 1. Output

After several months of modest declines, the **industrial confidence** indicator recovered slightly in November. The level of the indicator remains far above its long-term average. Managers' production expectations and their assessment of order books improved somewhat, while their views on the stocks of finished products remained unchanged.

**Industrial production** decreased by 0.7% in September compared to August. Production was down by 3.4% for durable consumer goods, 1% for capital goods, 1.3% for intermediate goods and 1.2% for non-durable consumer goods. Only production of energy rose (by 0.6%). On an annual basis, industrial production increased by 3.5% vis-à-vis the same period in 2006, mainly driven by capital goods (+5.5%).

The **Commission's autumn forecast** assumes that financial distress will be relatively short-lived and fundamentals will be sufficiently sound to hold up growth reasonably well. Real GDP growth is projected at 2.6% in 2007 and 2.2% in 2008, thus implying a downward revision of 0.3 pp in 2008 compared to the spring. 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.

According to Eurostat's latest release of the quarterly national accounts, **gross domestic product** for the third quarter of 2007 grew by 0.7%, broadly in line with the autumn forecast and up from 0.3% in the second quarter. The Netherlands marked by far the biggest quarterly increase (1.8%). In comparison with the same quarter of the previous year, GDP grew by 2.6%.

## 2. Private consumption

In November, **consumer confidence** declined further. Despite the decreases registered since May of this year, the confidence indicators remains three points above its long-term average. The decline in consumer confidence was mainly driven by deteriorating expectations regarding the general economic situation. The decreases in the other components of the consumer confidence indicator were modest.

In September 2007, the volume of **retail sales** was up by 0.3% compared to the previous month. On a

less volatile year-on-year basis, the retail sales index has increased by 1.6%.

**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% in 07Q2, 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 1.6%, exerting a significant drag on overall capital spending, partly due to weather-related effects. Growth in equipment investment was still healthy at 1.9%. On a year-on-year basis, investment growth was 4.4% in 07Q2.

According to the quarterly manufacturing survey, **capacity utilisation** in the manufacturing sector remained stable at 84.2% in 2007Q4, firmly above its long-term average (81.8).

## 4. Labour market

In September 2007, the **unemployment** rate stood at 7.3%, compared to 7.4% in August. It was 8.1% one year ago. Following a methodological change in the unemployment series in Germany, the German and euro-area unemployment rates were revised.

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 improved in November, while the expectations in services sector became more pessimistic.

The level of recorded **labour shortages in manufacturing** continued to increase in 07Q4, with 7.3% of firms reporting that unfilled job openings were constraining production.

## 5. International transactions

The assessment of **export order books** in manufacturing decreased once again by 1 point in November (remaining far above its long-term average). The estimate of the **trade balance** increased to 4.3 bn euro in September 2007, compared to a surplus of 3.7bn euro in the previous month. The improvement in the trade balance was the result of a more pronounced increase in **export of goods** (+1.1 bn euro) compared to a subdued



increase in **imports of goods** (+0.4 bn euro). In volume terms in 07Q2, **exports of goods and services** were up by 0.8% (q-o-q) and **imports** by 0.5%. Compared to one year earlier, exports and imports rose by +5.9% and 5.1%, respectively.

The **current account** recorded a surplus of EUR 10.7 billion in the third quarter of 2007, compared to deficits in the two previous quarters. The improvement, compared to the second quarter, was mainly due to the disappearance of the income deficit, the surpluses for goods and services were broadly unchanged. In the **financial account**, combined direct and portfolio investment recorded net inflows of EUR 24.4 billion in September 2007, reflecting net inflows in **portfolio investment** (EUR 46.2 billion), which were however partially offset by outflows in **direct investment** (EUR 22.6 billion).

## 6. Prices

**HICP** jumped to 2.6% in October, from 2.1% in September. Core inflation in October also increased to 2.1%, from 2.0% in September. The rise of headline inflation in October mostly stems from an acceleration in oil and food prices, combined with unfavourable base effects of last year's decline in energy prices.

The **Brent Index** reached 95.5 USD on 27 November, a new all-time record. The prices are driven by expectations of an increase in the world demand, the weakness of the dollar and supply fears. The latter were boosted by a decrease in US crude stockpiles and geopolitical tensions. Compared to January, oil prices are now about 70% higher in USD and 54% higher in EUR.

In September 2007, the industrial **producer price** index rose by 0.4% (m-o-m). Among components, energy prices increased by 1.0%, while non-durable consumer goods prices were up by 0.5%. On a year-on-year basis, producer prices (excluding the energy sector) increased by 3.1%.

## 7. Monetary and financial indicators

Despite the tighter conditions in the money markets, ECB has kept its key interest rates unchanged. The **3-month short-term interest rate** has moderately increased during the last weeks, reaching 4.78% on 29 November, which is almost 80 bp above the refi rate (4%), while the historical average is around 20 bp, reflecting a still on-going lack of confidence in the banking sector. On 30 October, the Fed decided to lower its key

interest rate by 25 bp to 4.50%. On 29 November, the 3-month interest rate was 5.12%, increasing from 4.88% at the beginning of the month.

Both in the euro area and in the US, **bond yields** declined between mid-July and mid-September, largely as a result of downward revisions in growth expectations, particularly in the US. They edged up somewhat until mid-October with the abatement of the financial turmoil and higher inflation expectations in the US. From mid-October onwards, bond yields declined again due to weaker housing and job data in the US, heavy write-downs by some large US banks and the spike in oil prices. On 28 November, the ten-year interest rate was 4.04% in the US and 4.13% in the euro area.

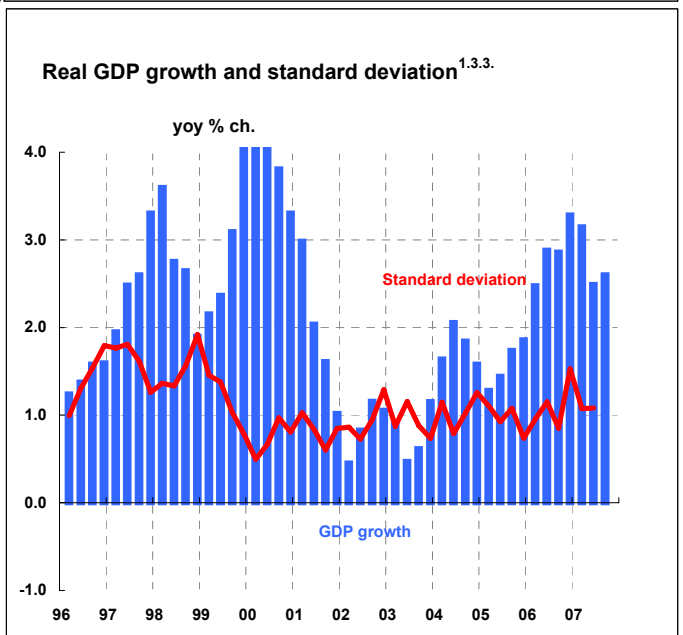
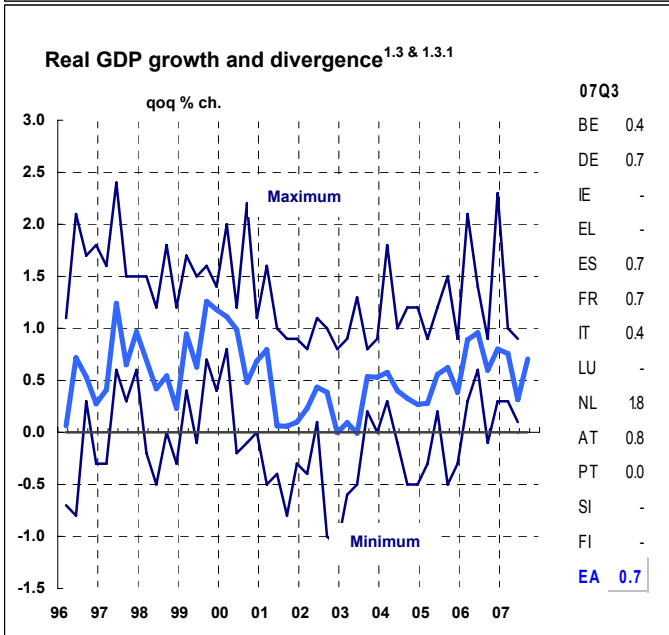
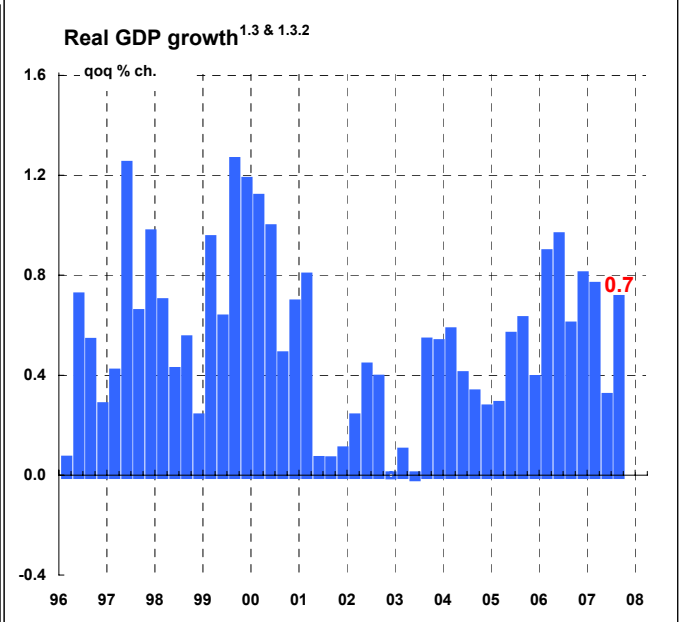
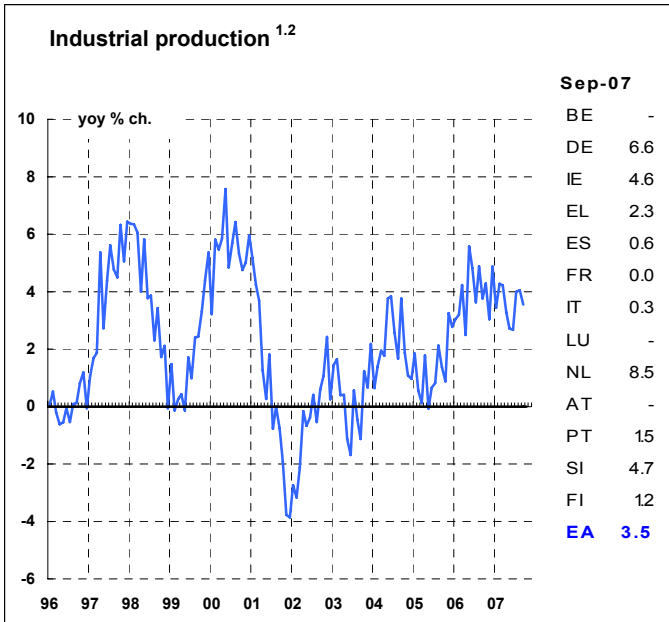
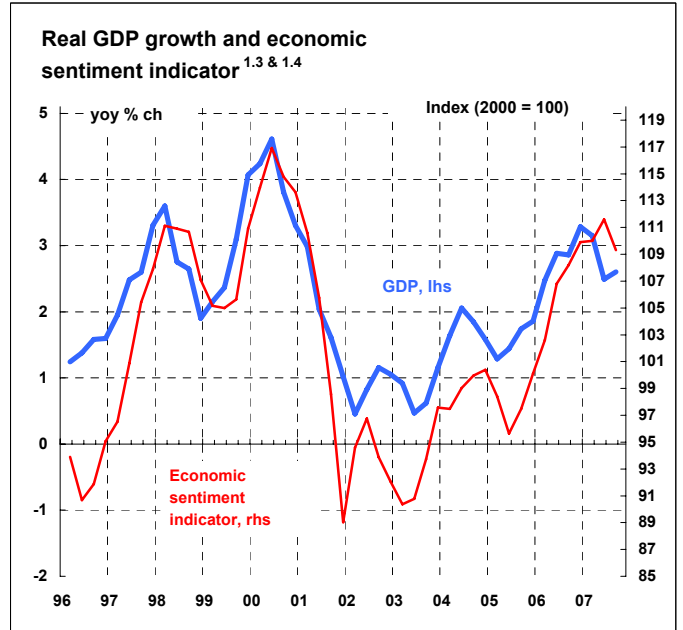
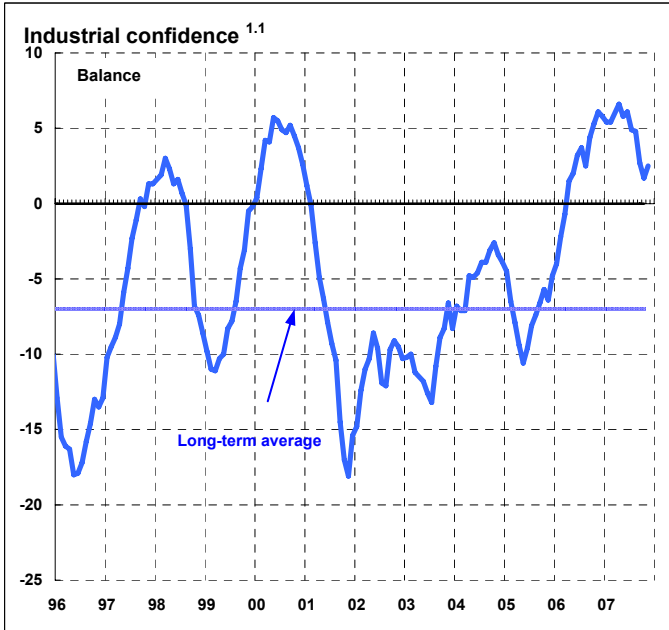
The annual rate of **growth of M3** edged up noticeably in October to 12.3% from 11.3% in September. The 3-month moving average increased from 11.5% in September to 11.7% in October. **Loans to the private sector** were up 11.2% y-o-y in October from 11% in September. The details show that **loans to non-financial corporations** were growing broadly at an unchanged rate of 13.9% in October, while growth of loans to households remained stable at 6.8%.

On the **foreign exchange rate markets**, the dollar continued to fall in October due to downward revisions in growth expectations and new concerns about developments in credit and housing markets. On 27 November the euro was trading at 1.4874, a new high against the dollar, and at 161.32 against JPY. In nominal-effective terms, the appreciation of the euro was more muted, about 3% since the beginning of the year.

The major **stock market indices** decreased from 23 July on, due to turmoil in the financial markets. The correction was particularly severe for the banking sector. In the course of September and October, stock markets gradually staged a rebound. However, in November, indices lost ground again, due to disappointing earnings reported by major banks in the third quarter of 2007. In the last days of November, all three major stock market indices closed at low values: the Dow Jones closed around its minimum since mid-August, the Eurostoxx around its minimum since mid-September and the Nikkei around its minimum for the year.



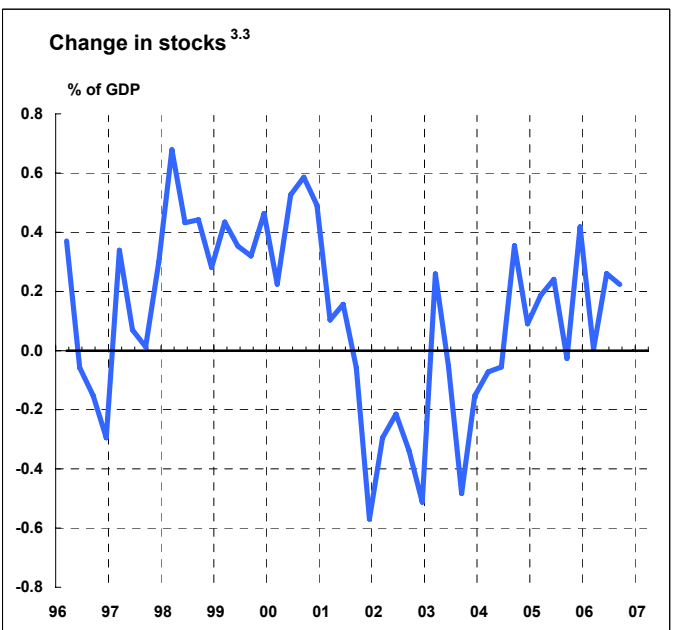
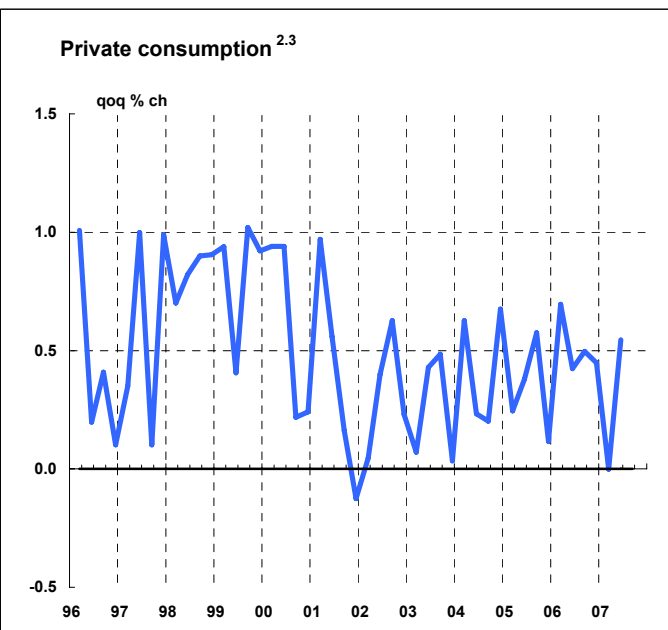
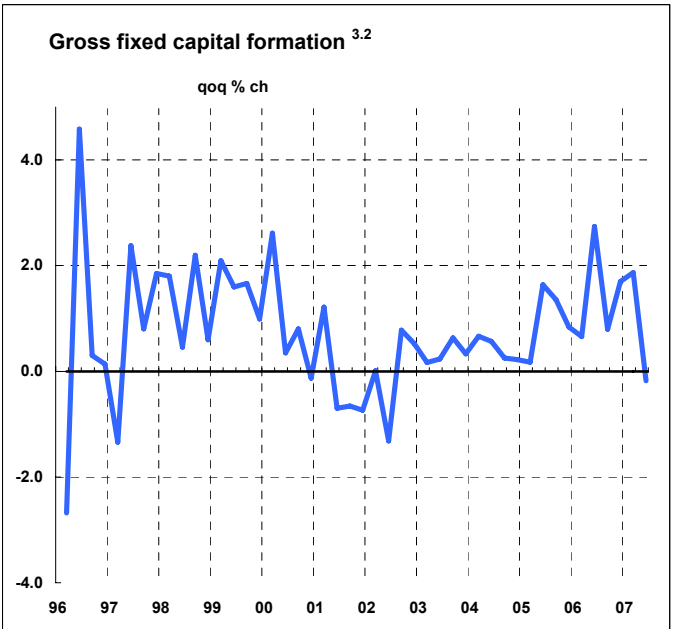
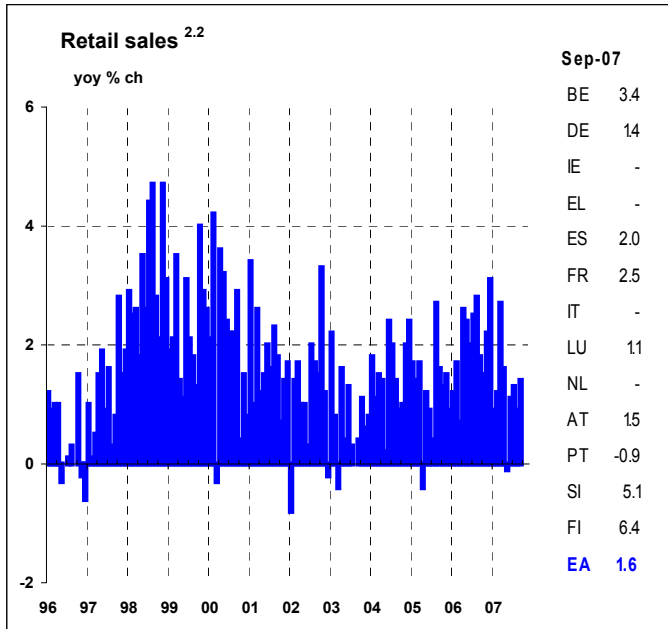
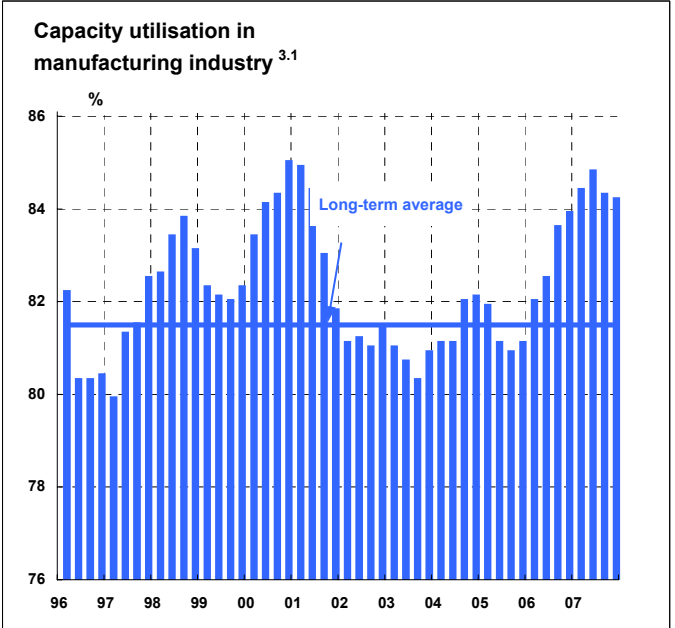
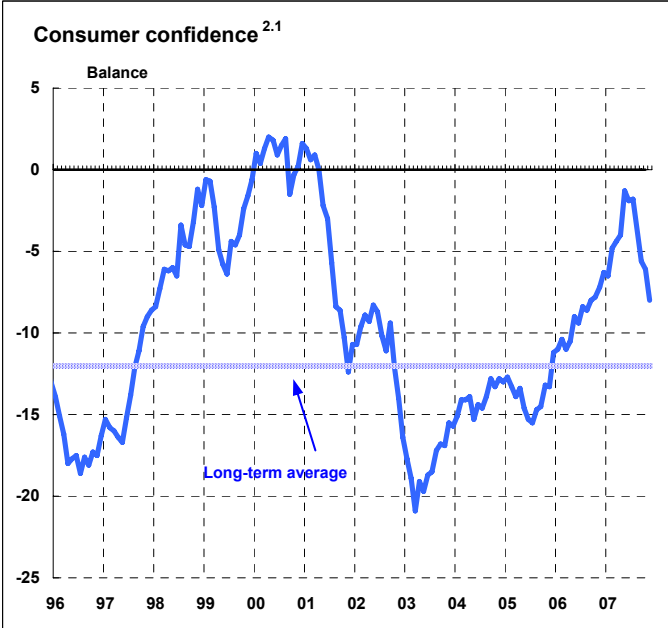
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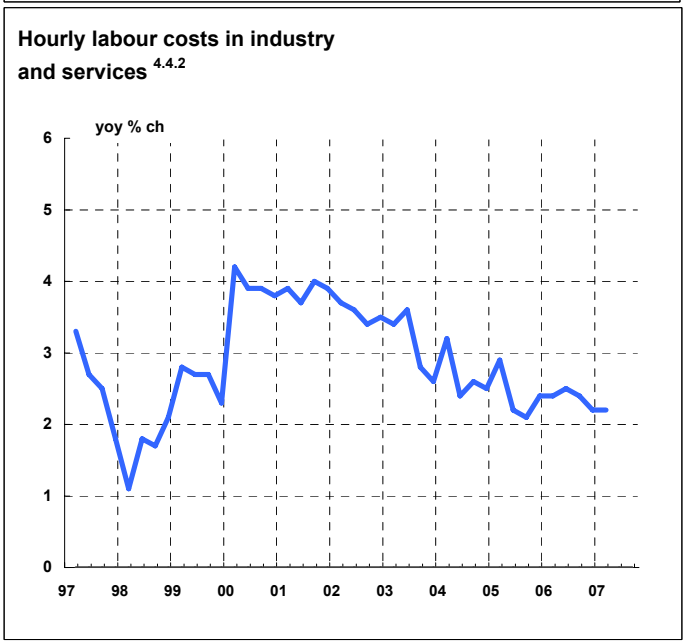
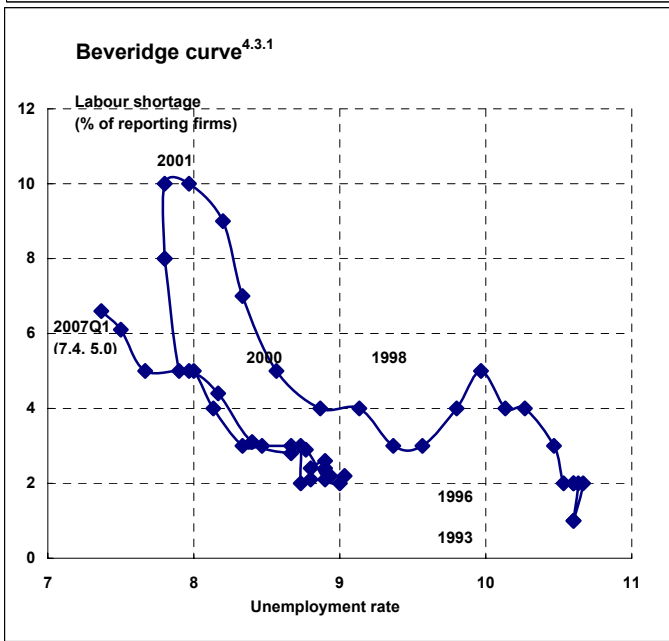
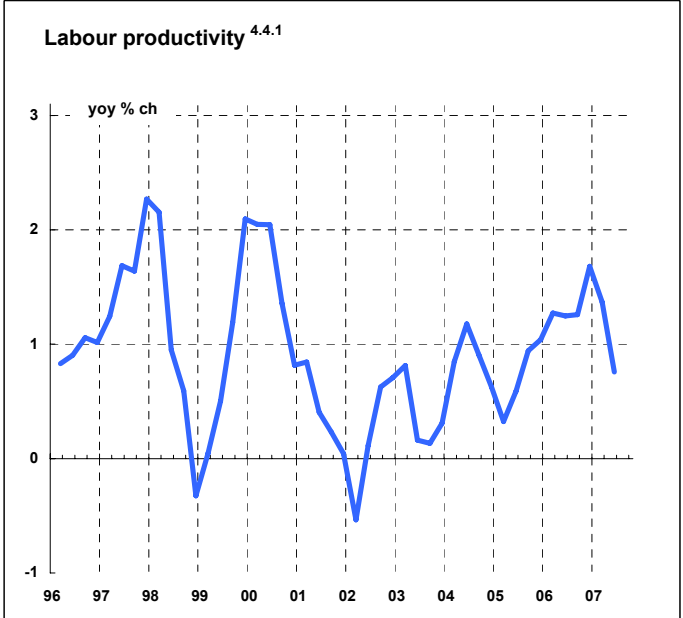
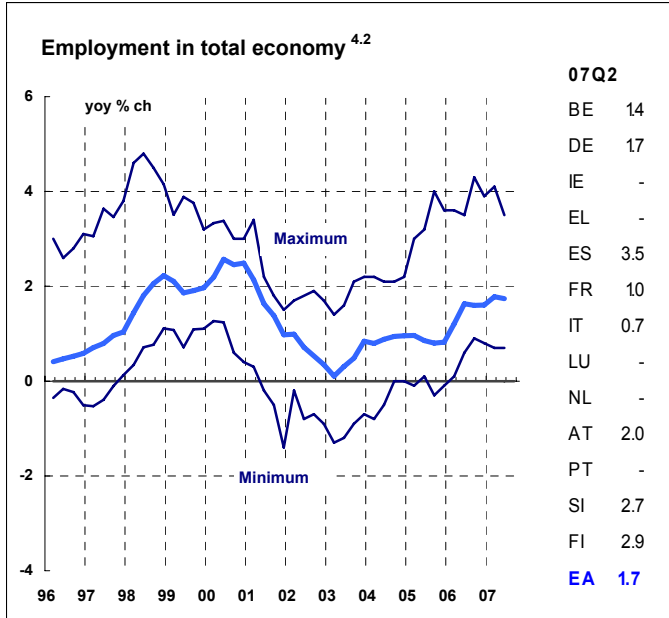
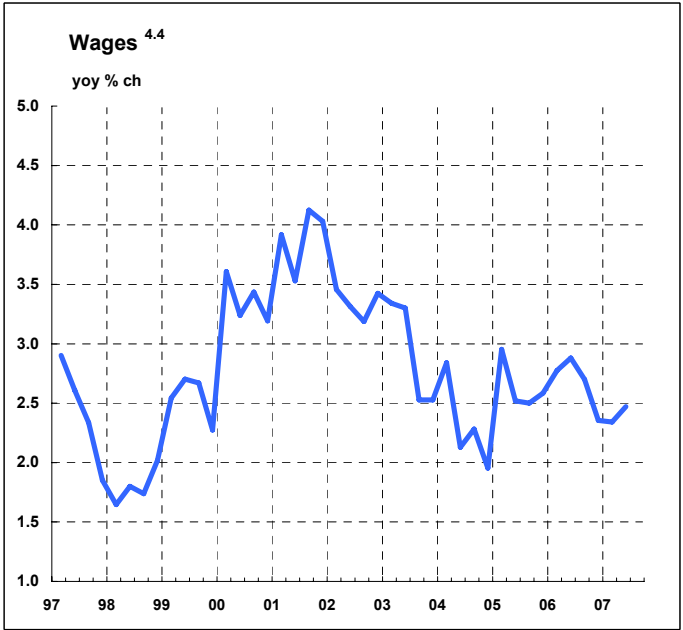
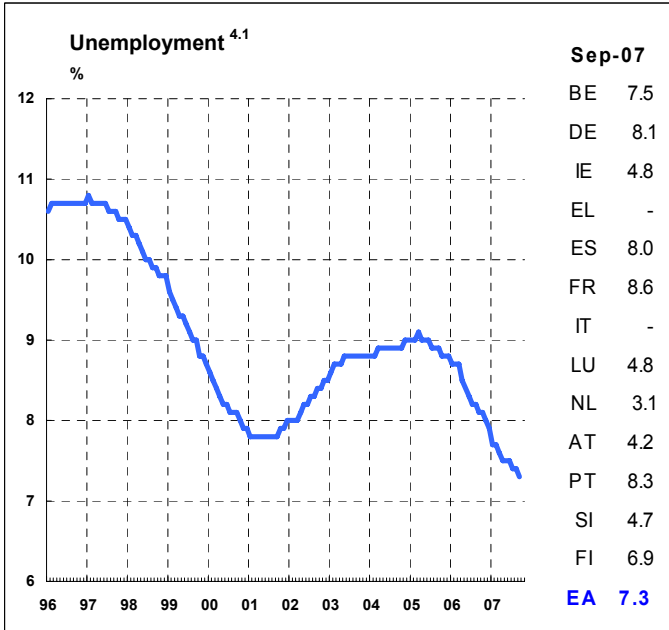
2. PRIVATE CONSUMPTION

3. INVESTMENT



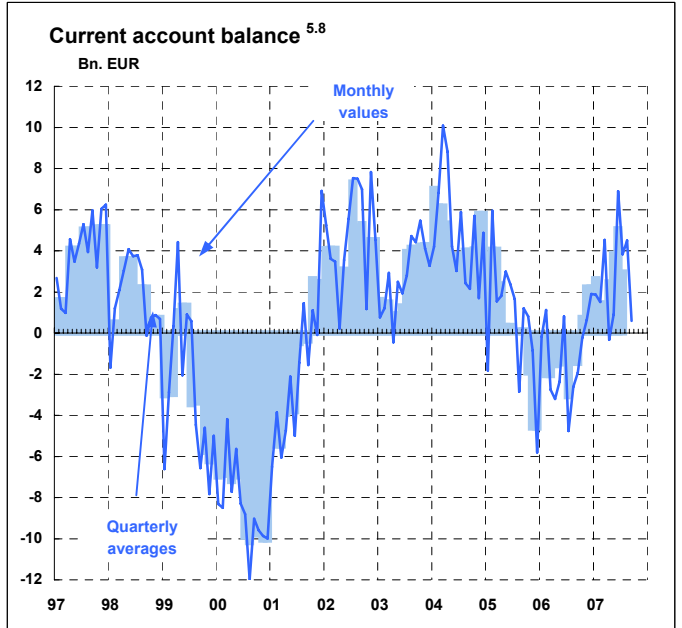
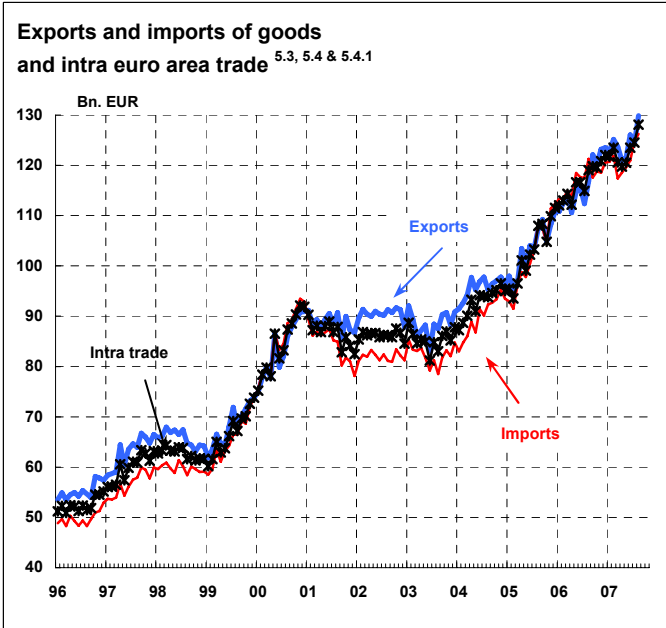
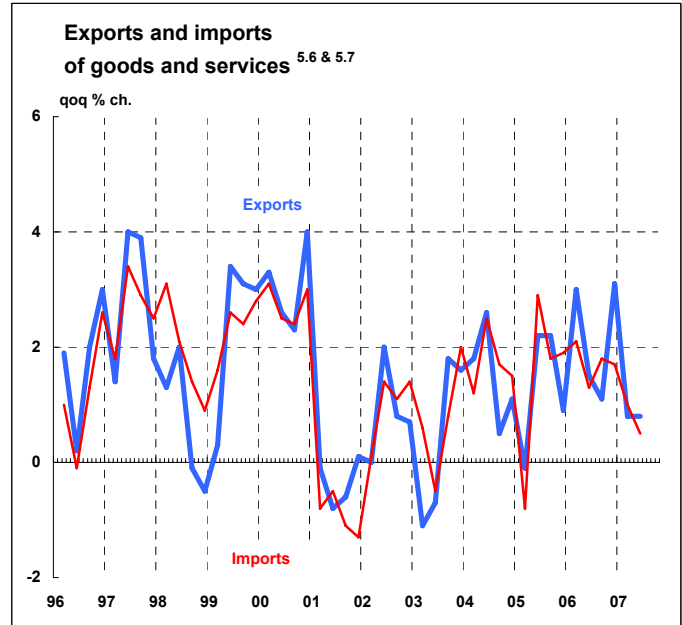
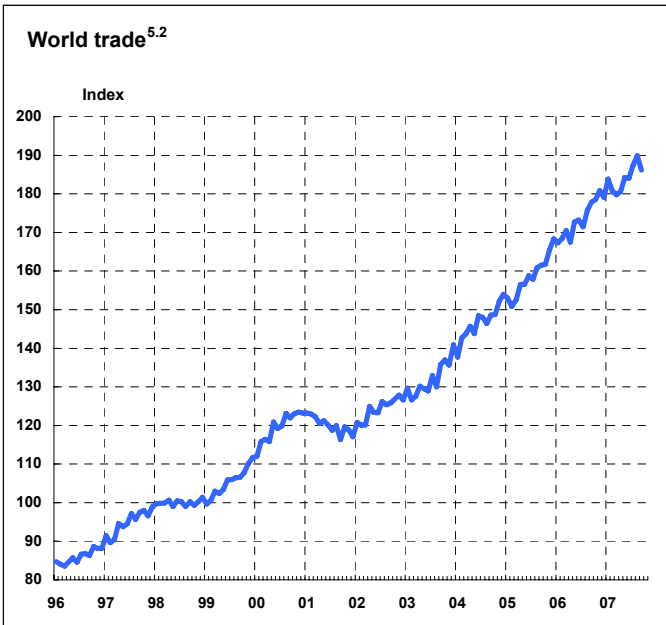
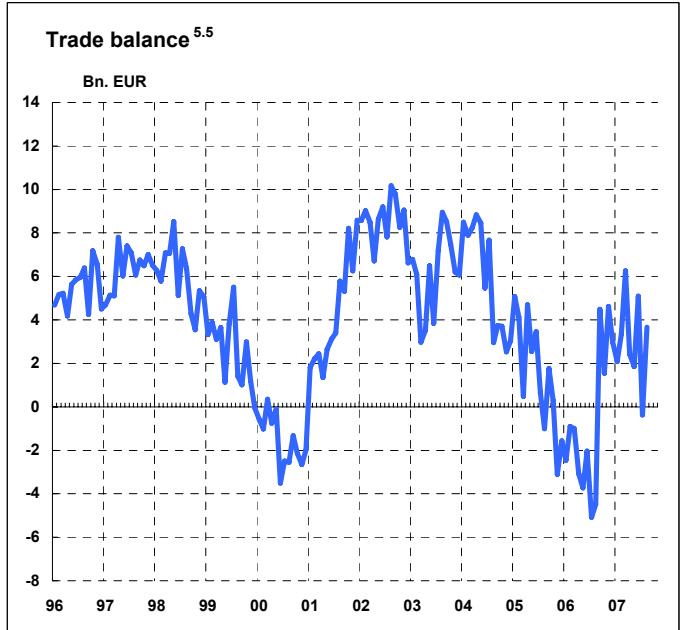
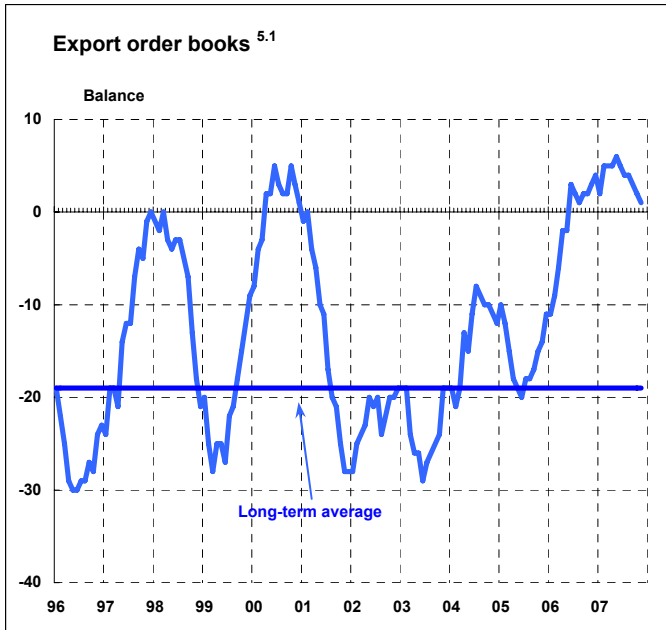


4. LABOUR MARKET



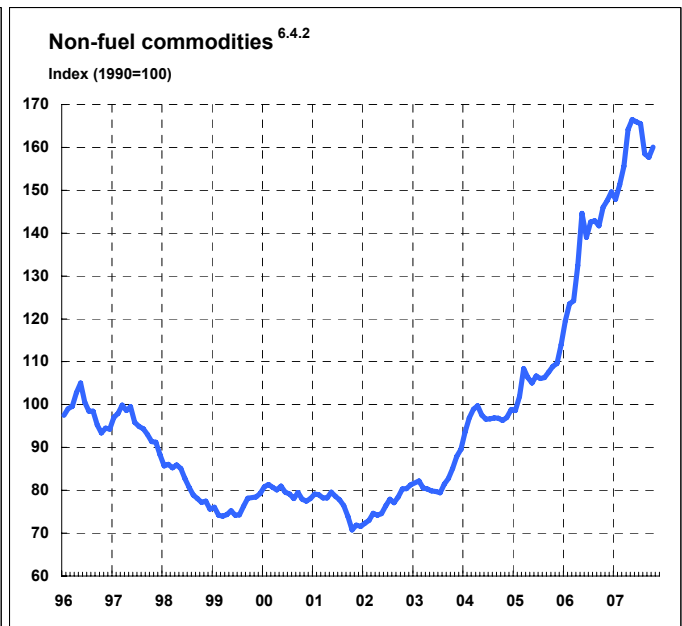
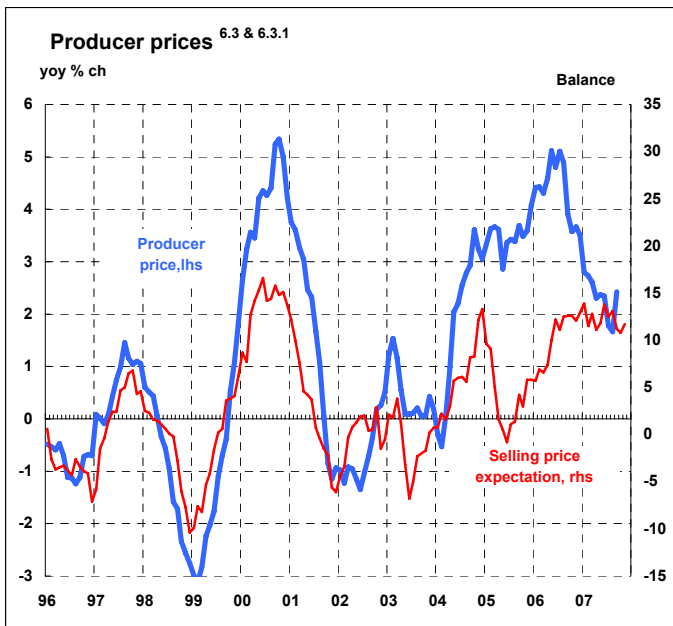
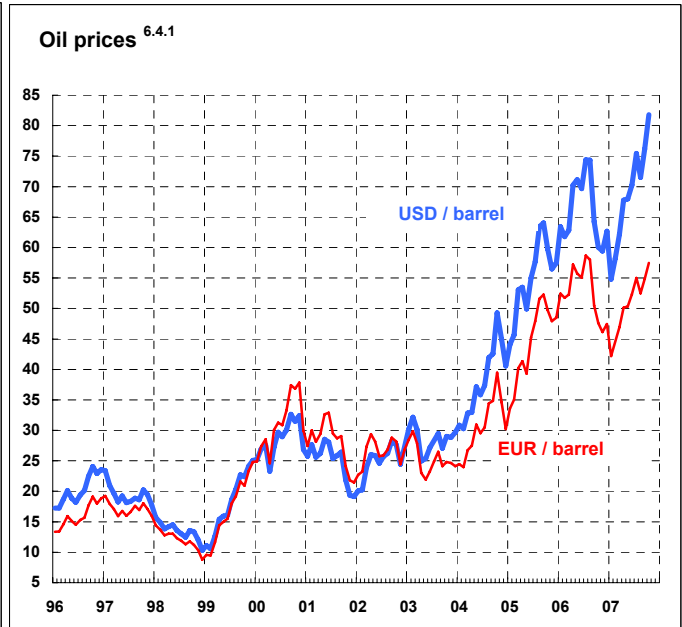
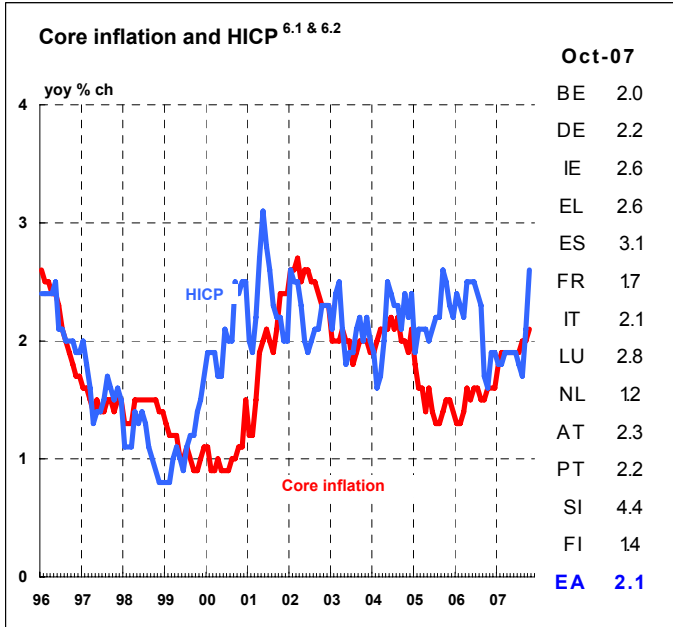
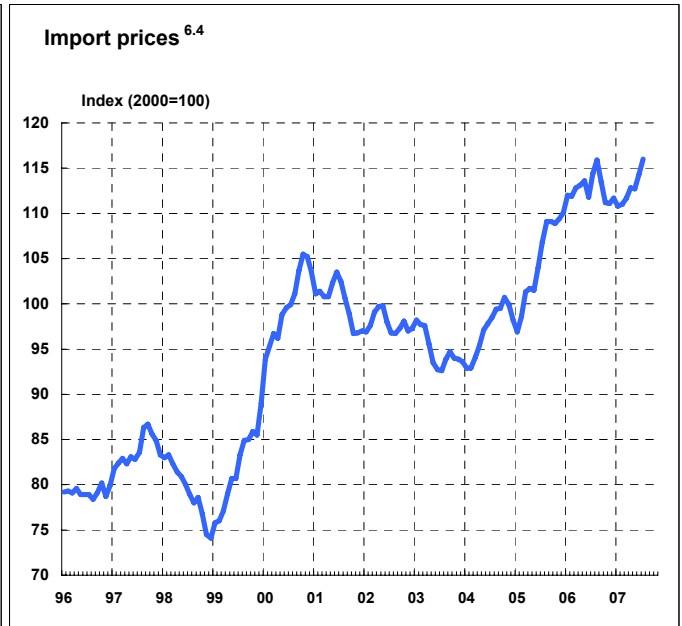
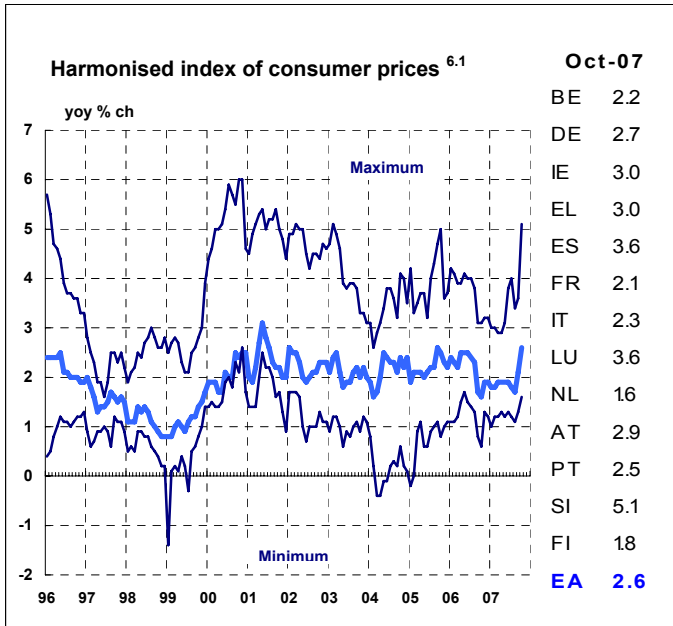


5. INTERNATIONAL TRANSACTIONS





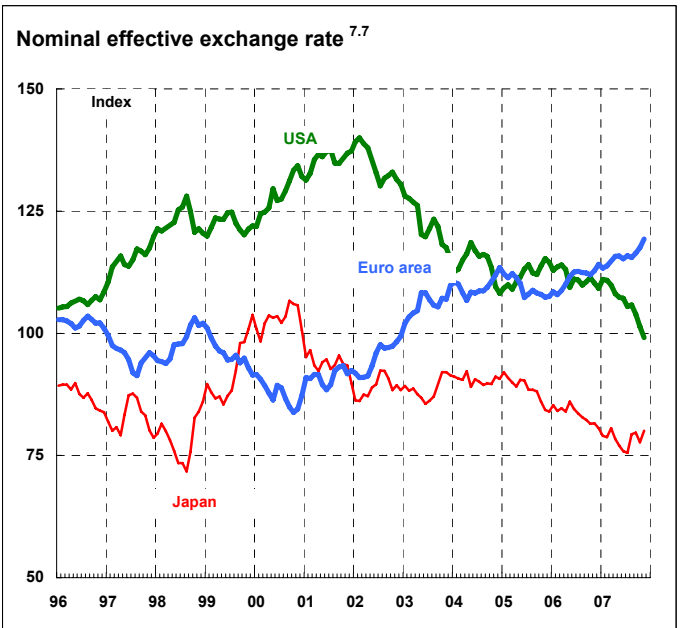
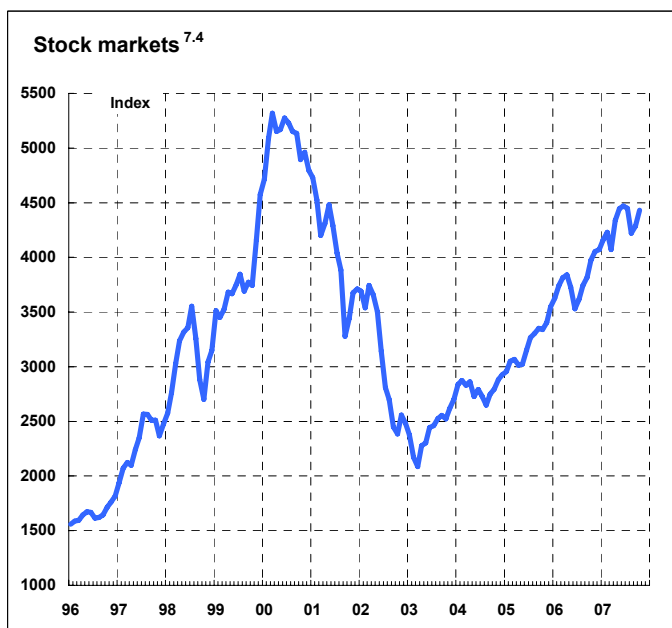
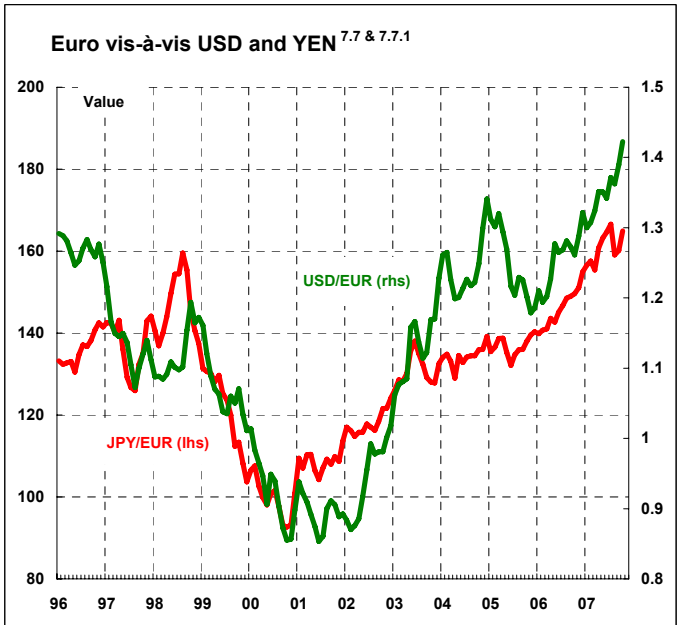
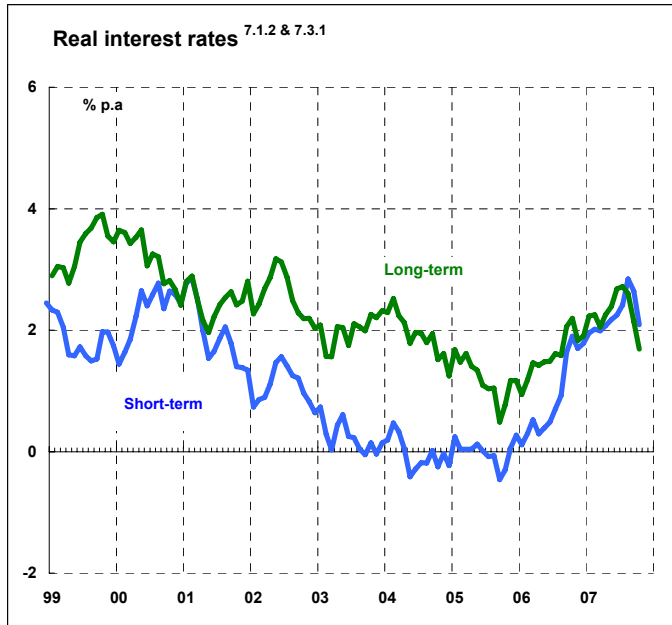
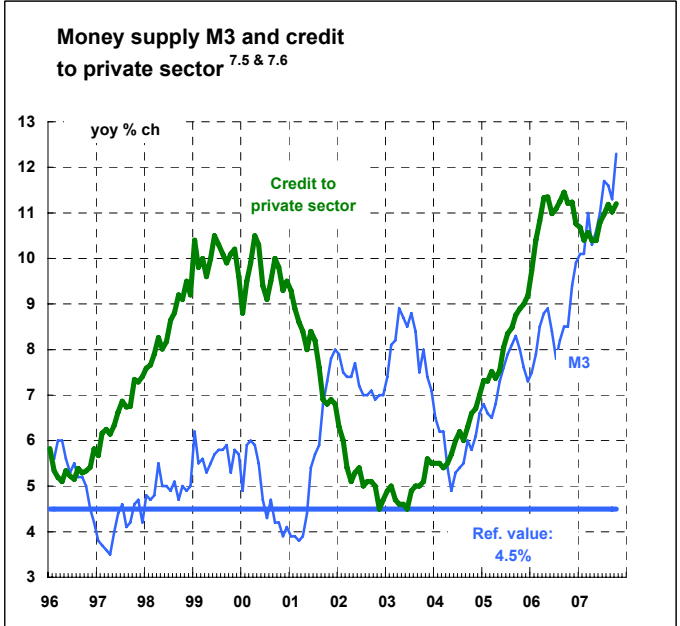
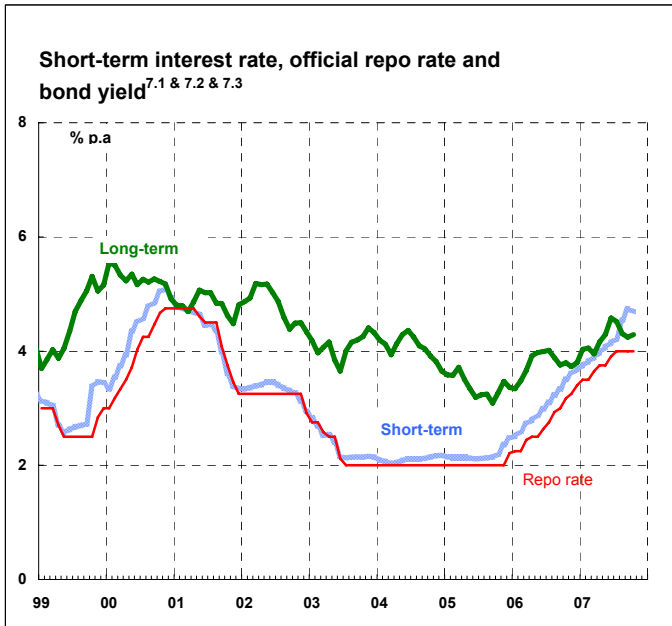
## 6. PRICES





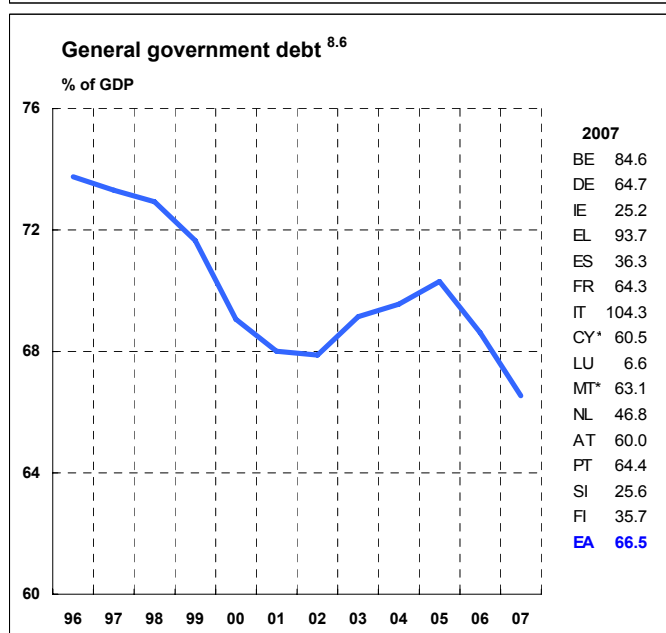
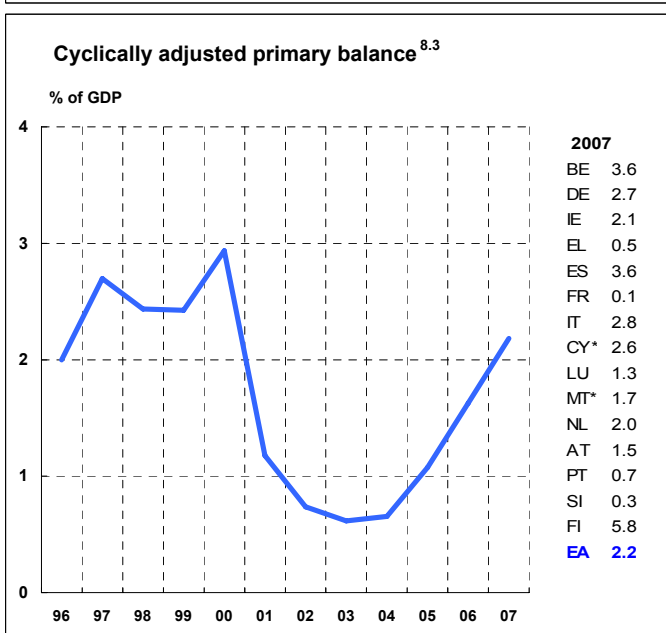
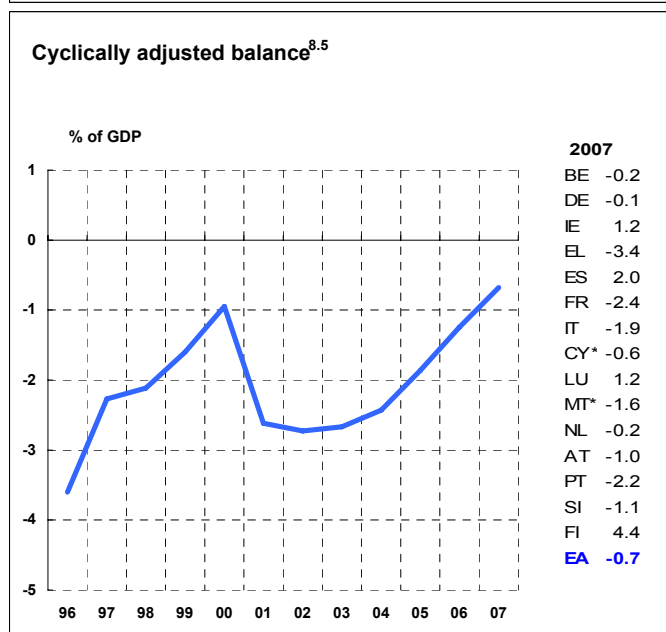
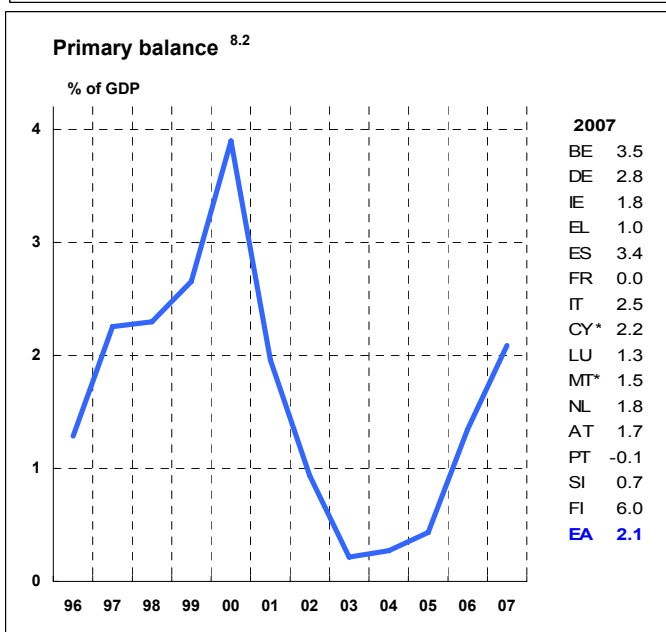
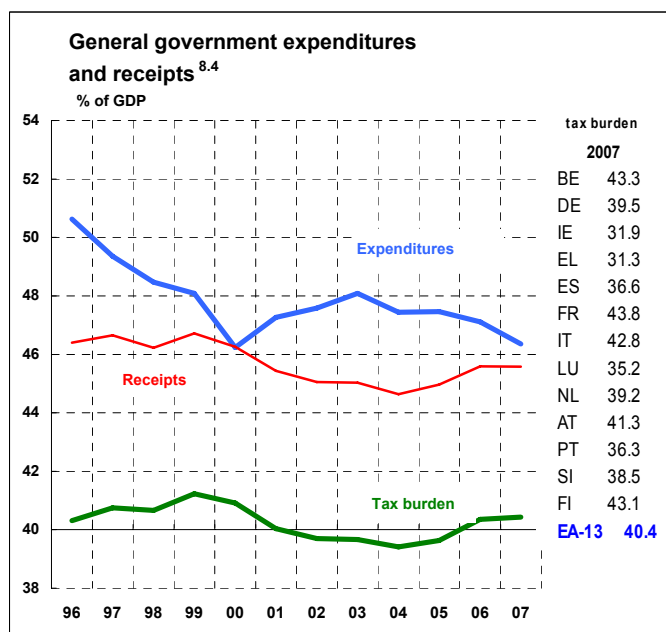
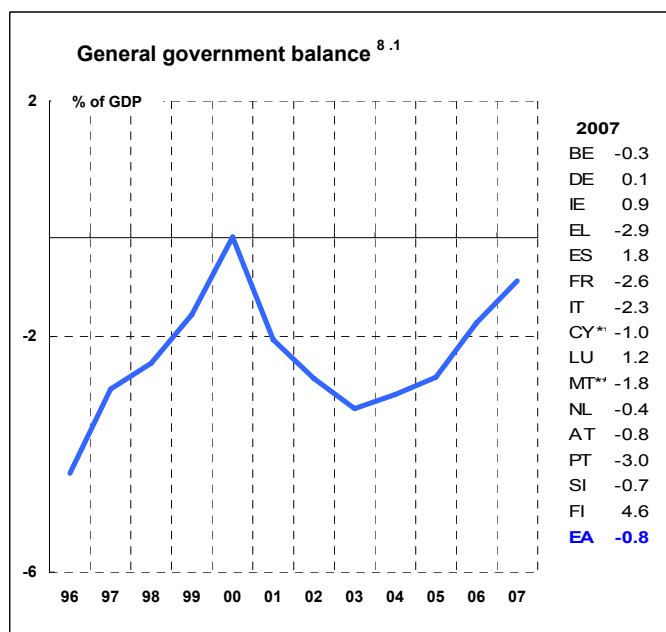


7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE\*



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

\*\*Cyprus and Malta joining the euro area as from January 2008

## 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	Volume (1995), seasonally adjusted	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	Eurostat
5.6	Exports of goods and services	Volume (1995 prices), including intra euro area trade, seasonally adjusted	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, 2007 estimates are based on ECFIN autumn 2007 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 autumn 2007 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 autumn 2007 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 autumn 2007 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 autumn 2007 forecasts	ECFIN