

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 17 January 2008

next update: 7 February 2008

		2005	2006	2007	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
1 Output										
Industrial confidence ^{1.1}	Balance	-7.3	2.3	4.5	4.9	4.8	2.7	1.7	2.6	1.9
Industrial production ^{1.2}	mom % ch.	1.3	4.0	--	0.6	1.2	-0.9	0.5	-0.5	--
		2005	2006	2007	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4
Gross domestic product ^{1.3}	qoq % ch.	1.5	2.8	2.6	0.6	0.8	0.8	0.3	0.8	--
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.8	-9.0	-4.7	-1.8	-3.7	-5.6	-6.1	-8.0	-8.6
Retail sales ^{2.2}	mom % ch.	1.3	2.1	--	0.4	-0.1	0.1	-0.7	-0.5	--
		2005	2006	2007	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4
Private consumption ^{2.3}	qoq % ch.	1.6	1.9	--	0.5	0.5	0.0	0.6	0.5	--
3 Investment										
Capacity utilization ^{3.1}	%	81.6	81.3	83.0	83.6	83.9	84.4	84.8	84.3	84.2
Gross fixed capital formation ^{3.2}	qoq % ch.	2.8	5.2	--	0.7	1.6	1.8	-0.1	1.2	--
Change in stocks ^{3.3}	% of GDP	0.1	0.3	--	0.5	0.0	0.5	0.2	0.4	--
4 Labour market										
Unemployment ^{4.1}	%	8.8	8.3	--	7.4	7.3	7.3	7.2	7.2	--
		2005	2006	2007	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4
Employment ^{4.2}	yoy % ch.	0.9	1.5	1.5	1.6	1.6	1.8	1.8	1.9	--
Shortage of labour ^{4.3}	%	2.4	2.3	3.8	4.4	5.0	5.0	6.1	6.6	7.3
Wages ^{4.4}	yoy % ch.	2.6	2.6	--	2.6	2.3	2.4	2.5	2.6	--
5 International transactions										
Export order books ^{5.1}	Balance	-13.2	-15.6	-1.1	4.0	4.0	3.0	2.0	1.0	1.0
World trade ^{5.2}	Index	146.2	157.0	172.3	187.3	189.4	185.7	189.9	--	--
Exports of goods ^{5.3}	Bn. EUR	1242.4	1396.2	--	125.4	128.9	127.1	128.7	129.0	--
Imports of goods ^{5.4}	Bn. EUR	1225.2	1405.5	--	124.6	125.0	123.4	125.7	126.3	--
Trade balance ^{5.5}	Bn. EUR	17.2	-9.4	--	0.8	3.9	3.7	3.0	2.7	--
		2005	2006	2007	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4
Exports of goods and services ^{5.6}	qoq % ch.	4.5	7.7	5.7	1.0	3.0	0.8	0.9	2.2	--
Imports of goods and services ^{5.7}	qoq % ch.	5.2	7.5	5.3	1.7	1.7	1.2	0.3	2.6	--
		2005	2006	2007	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Current account balance ^{5.8}	Bn. EUR	8.6	-12.7	--	3.8	4.5	1.9	1.3	--	--
Direct investment (net) ^{5.9}	Bn. EUR	-208.8	-136.5	--	0.1	-7.2	-22.8	21.3	--	--
Portfolio investment (net) ^{5.10}	Bn. EUR	141.3	276.3	--	30.2	21.9	45.2	-53.8	--	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.1	1.8	1.7	2.1	2.6	3.1	3.1
Core HICP ^{6.2}	yoy % ch.	1.5	1.5	2.0	1.9	2.0	2.0	2.1	2.3	2.3
Producer prices ^{6.3}	yoy % ch.	3.5	4.4	--	1.8	1.7	2.4	1.8	2.7	--
Import prices ^{6.4}	Index	97.2	104.8	112.9	115.9	115.1	116.1	--	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.1	2.9	3.9	4.2	4.5	4.7	4.7	4.6	4.8
Bond yield (10 years) ^{7.2}	% p.a.	3.4	3.8	4.2	4.5	4.3	4.2	4.3	4.1	4.3
ECB repo rate ^{7.3}	% p.a.	2.0	2.8	3.8	4.0	4.0	4.0	4.0	4.0	4.0
Stock markets ^{7.4}	Index	3207.1	3793.3	4316.4	4449.0	4220.6	4284.4	4430.8	4314.9	4386.4
M3 ^{7.5}	yoy % ch.	7.4	8.5	--	11.7	11.6	11.3	12.3	12.3	--
Credit to private sector (loans) ^{7.6}	yoy % ch.	6.0	8.1	11.0	11.0	11.2	11.0	11.2	11.0	--
Exchange rate USD/EUR ^{7.7}	Value	1.24	1.26	1.37	1.37	1.36	1.39	1.42	1.47	1.46
Nominal effective exchange rate ^{7.8}	Index	109.8	109.7	111.4	115.9	115.5	116.4	117.5	119.4	119.9



1. Output

After a recovery observed in November, the **industrial confidence** indicator declined again by one point in December and reached the level of 2. It still remains above its long-term average of -7. Managers' production expectations and their assessment of order books deteriorated, while their views on the stocks of finished products improved slightly.

Industrial production decreased by 0.5% in November as compared to October. The decline appears more marked for production of durable goods (-1.9%), while the production of both energy and non-durable goods rose 0.4% and 0.1% as compared to previous month. On an annual basis, industrial production increased by 2.7% vis-à-vis the same period in 2006, mainly driven by energy (+6.2%).

The **Commission's autumn forecast** assumed that financial distress would be relatively short-lived and fundamentals would be sufficiently sound to hold up growth reasonably well. Real GDP growth was 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. Headwinds have continued to build up thereafter with soaring oil and food prices, financial turmoil still ongoing and the US outlook considerably bleaker. The growth moderation is therefore likely to be larger than earlier expected.

Euro-area **gross domestic product** for the third quarter of 2007 grew by 0.8%, up from 0.3% in the second quarter and above the projection of the autumn forecast (0.6%). Growth was robust in most of the larger economies (about 0.7% in DE, FR, UK, ES), and marked by far the biggest quarterly increase in the Netherlands (1.8%). In comparison with the same quarter of the previous year, GDP grew by 2.7%.

2. Private consumption

Private consumption increased by 0.5% in 07Q3 (q-o-q), following a similar rise (+0.6%) in the previous quarter. On an annual basis, household consumption expenditure rose by 1.6% in 07Q3, the same as in 2007Q2.

In December, **consumer confidence** continued to decline. Despite the steady decreases registered since May 2007, the consumer confidence indicator still remains above its long-term average; however the

difference now is 2 points. The decline in consumer confidence was mainly driven by deteriorated expectations regarding the general economic situation and the financial situation.

In November 2007, the volume of **retail sales** fell by 0.5% compared to the previous month. On an annual basis, the retail sales index has decreased even more profoundly by 1.4%.

3. Investment

After a flat second quarter, mainly due to a drag from construction, **gross fixed capital formation** rebounded by 1.2% in 07Q3 (q-o-q). Investment in equipment as well as construction investment expanded by 1.3% and 1.0% (q-o-q) respectively. On a year-on-year basis, investment growth was 4.7% in 07Q3.

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 November 2007, the **unemployment** rate stood at 7.2%, unchanged compared to October and confirming the positive trend in labour market conditions. It was 7.9% one year ago.

Total **employment** rose by 0.3% (q-o-q) in 07Q3, following pronounced upward revisions in the previous two quarters (0.7% in 07Q01 and 0.6% in 07Q02). On a year-on-year basis, the number of persons employed rose by 1.9%. Employment expectations in the manufacturing industry improved in December, while the expectations about future employment 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 remained, after 3 months of consecutive decrease, unchanged in December and is still far above its long-term average. The seasonally adjusted **trade balance** decreased to 2.7 bn euro in November 2007, compared to a surplus



of 3.0 bn euro in the previous month. This development was the result of a more pronounced increase in **imports of goods** (+0.6 bn euro) compared to less robust rise in **export of goods** (+0.3 bn euro). In volume terms in 07Q3, **exports of goods and services** were up by 2.2% (q-o-q) and **imports** by 2.6% (0.9% and 0.3% in 07Q3).

The **current account** recorded a surplus of EUR 1.3 billion in October 2007, since surpluses in goods, services and income offset a deficit in current transfers. In the **financial account**, combined direct and portfolio investment recorded net outflows of EUR 33 billion in October 2007, reflecting net outflows in **portfolio investment** (EUR 53.8 billion), which quite significantly exceeded net inflows in **direct investment** (EUR 21.3 billion). This development might be partly explained by a large take-over activity involving both euro area and non-euro area financial institutions.

6. Prices

HICP inflation in December 2007 remained unchanged compared to November at 3.1%. Core inflation in December was also stable at 2.3%. Acceleration in oil and food prices, combined with unfavourable base effects of last year's decline in energy prices continue to constitute the main elements behind the current high level of headline inflation.

The **Brent Index** reached 91.9 USD on 16 January. Thus, the record high oil prices of about 97 USD noticed at the turn of the year have eased somewhat in the last days possibly reflecting a more marked slowdown in the US (and beyond). However, the markets are volatile and still driven by limited spare capacity, robust demand from emerging markets, geopolitical tensions in the oil producing countries and the weakness of the dollar. Compared to January 2007, oil prices are now about 73% higher in USD and 53% higher in EUR.

In November 2007, the industrial **producer price** index rose by 0.8% (m-o-m). Here again, high increase in energy prices attributed most to the rise of producer prices (growth of 3.2% in November and 1.8% in October), while changes in other prices were rather insignificant. On a year-on-year basis, producer prices (excluding the energy sector) increased by 4.1%.

7. Monetary and financial indicators

ECB has kept its key interest rates unchanged. The **3-month short-term interest rate** has decreased during the first days of the year, reaching 4.51% on 16 January, its lowest level since mid-August 2007. This is still more than 50 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 11 December, the Fed decided to lower its key interest rate again by 25 bp to 4.25%, after its downward revision at the end of October. On 16 January, the US 3-month interest rate was 3.95%, significantly decreasing from 5.15% at the beginning of the December.

Both in the euro area and in the US, **bond yields** declined at the turn of the year. In the US, the data seem to underpin increased concern about the outlook of the US economy following the increased December unemployment figures, drop in December retail sales and still ongoing mounting of losses for major financial institutions. The spread between the US and German bond rates have even turned negative, which was last seen five years ago. On 15 January, the ten-year government bond was 3.68% in the US (lowest since 2004) and 4.03% in the euro area.

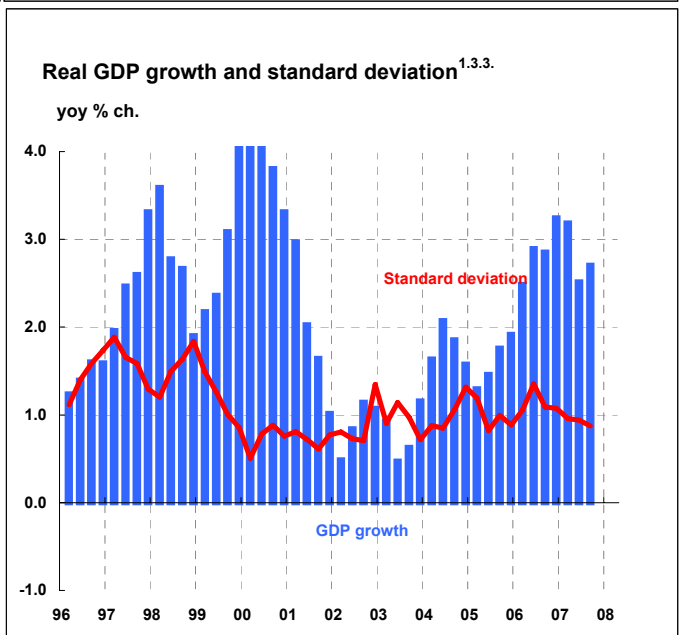
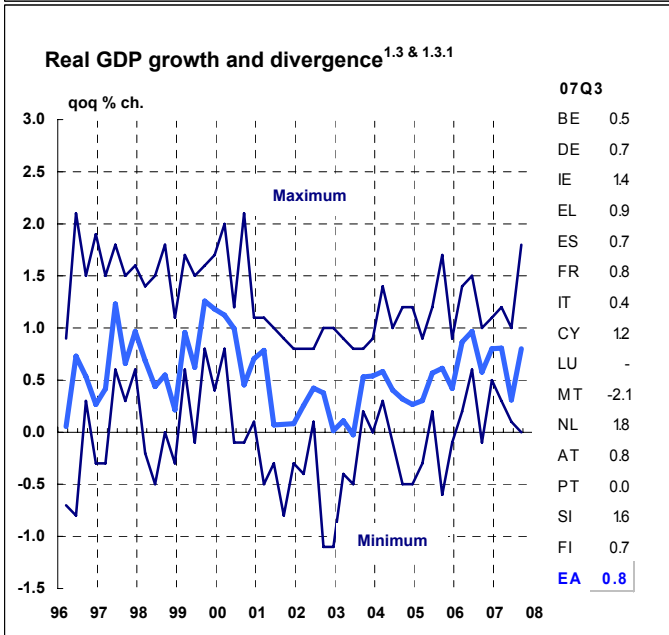
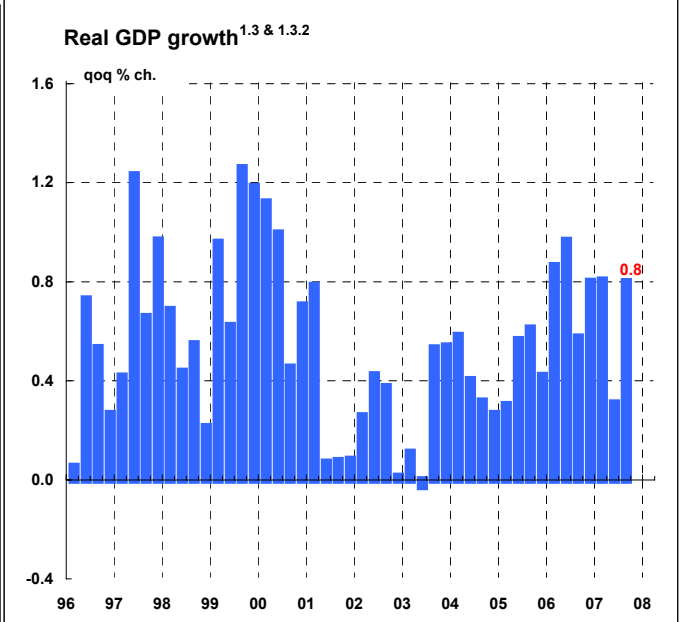
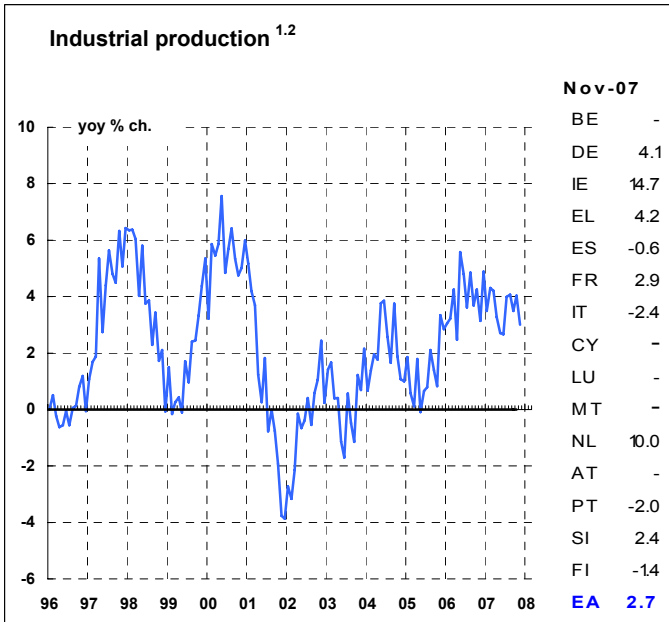
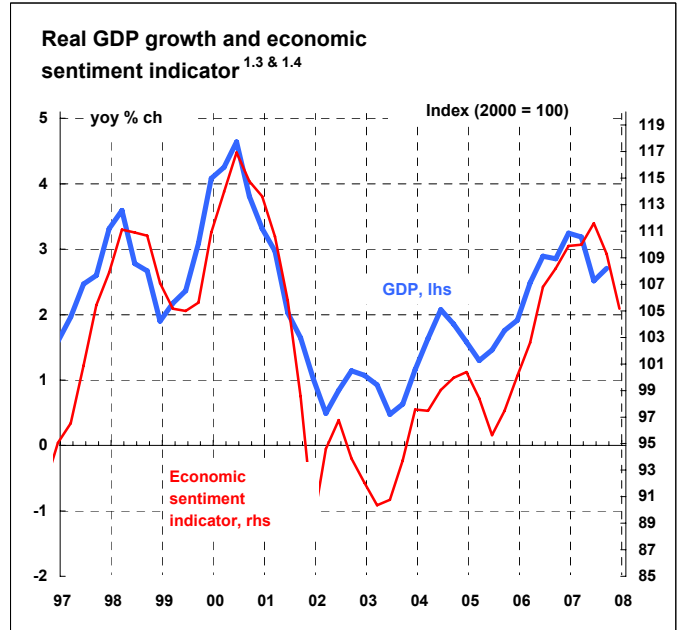
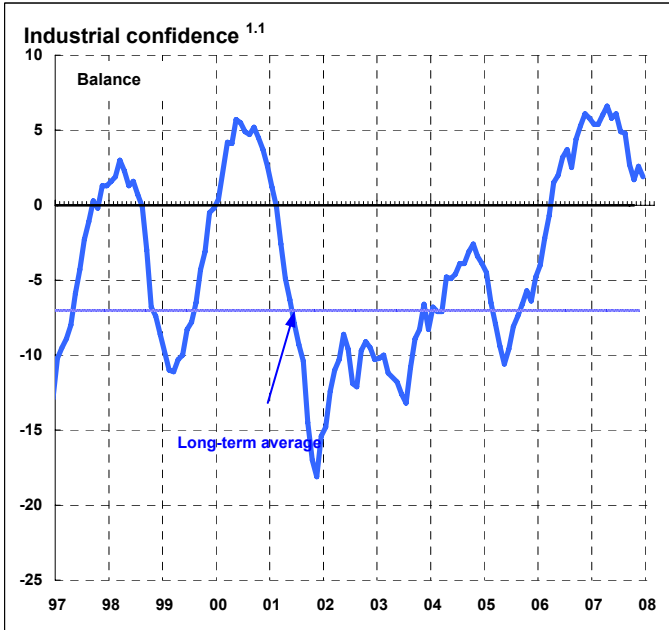
According to ECB, the annual rate of **growth of M3 stood** at 12.3% in November 2007, unchanged compared to previous month (11.3% in September). The 3-month moving average increased further from 11.7% in October to 11.9% in November. **Loans to the private sector** fell to 11% in November, back from 11.2% y-o-y in October. The details show that **loans to non-financial corporations** stood at 14.% in November (13.9% in October), while growth of loans to households decreased to 6.5% from 6.8% in October.

On the **foreign exchange rate markets**, the dollar has been also affected by the weaker outlook. The exchange rate development appears to be extremely volatile during first half of January and does nowadays reflect relative economic fundamentals. On 16 January the euro was trading at 1.4792 after 1.4886 one day before, a new high against the dollar, and at 157.52 against JPY. In nominal-effective terms, the appreciation of the euro was more muted, but has nevertheless increased by 2% since the autumn forecast.

After some signs of a rebound in the course of September and October 2007, the major **stock market indices**, DowJones, Eurostoxx and Nikkei have been hit in early January recording their minimum values at least since the middle of 2007.



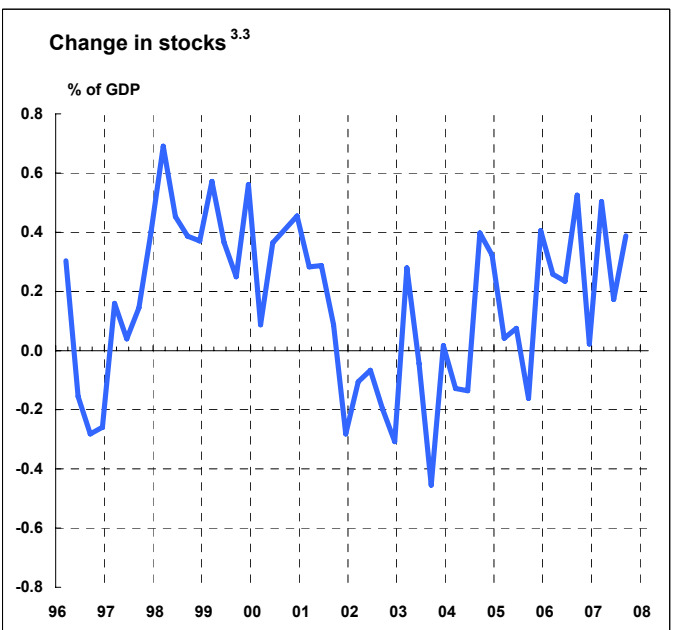
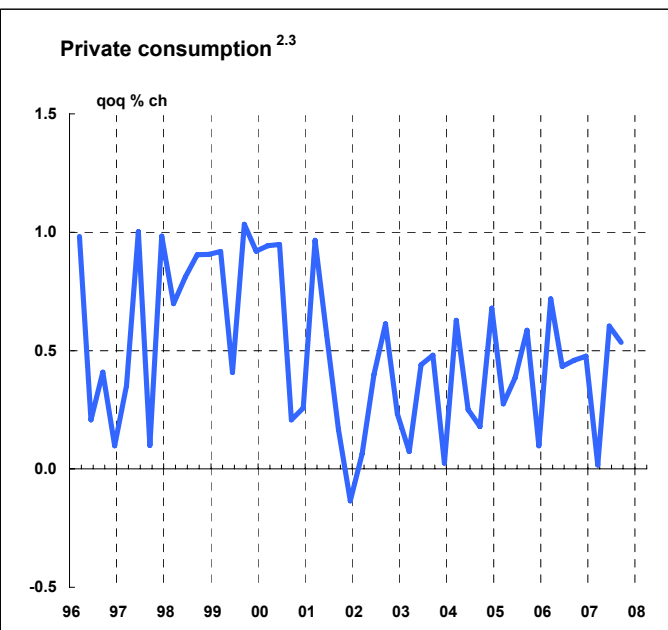
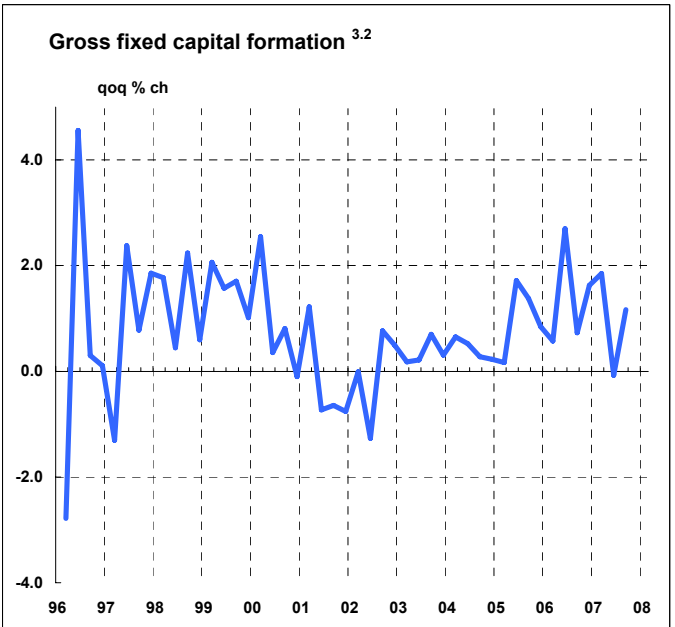
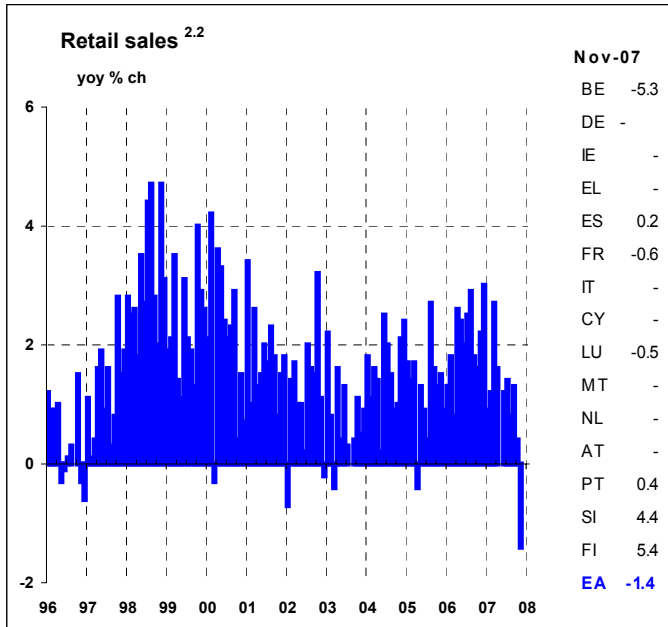
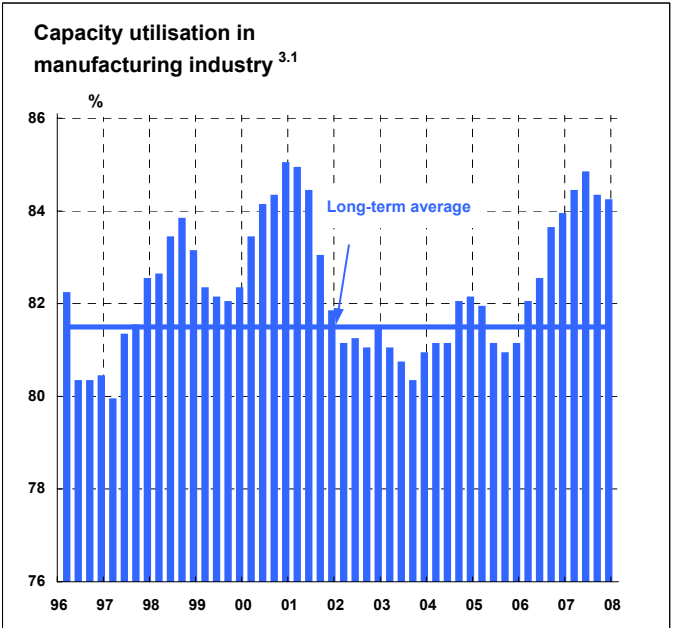
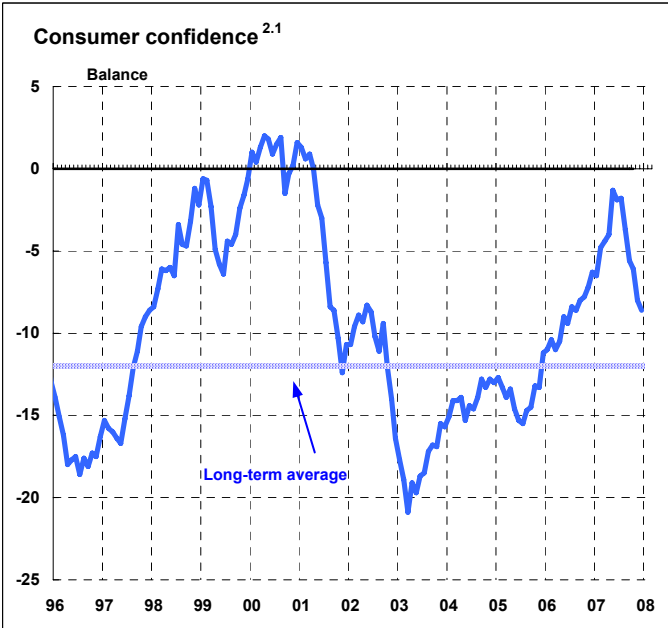
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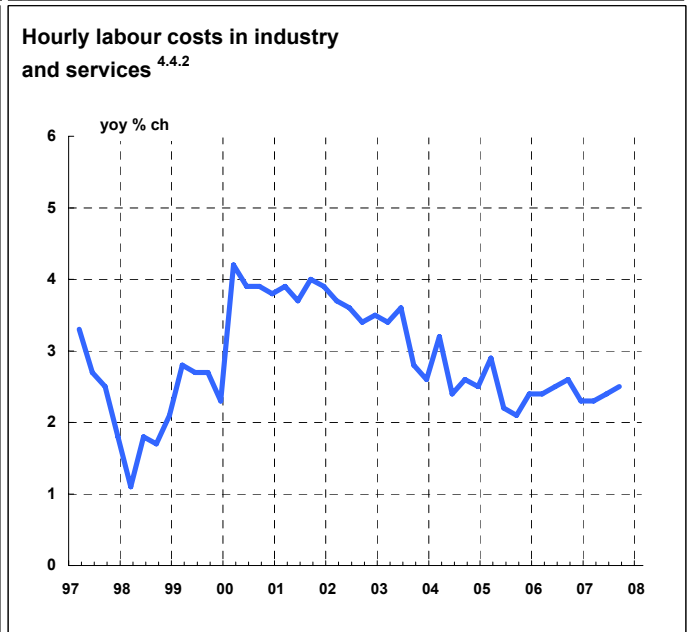
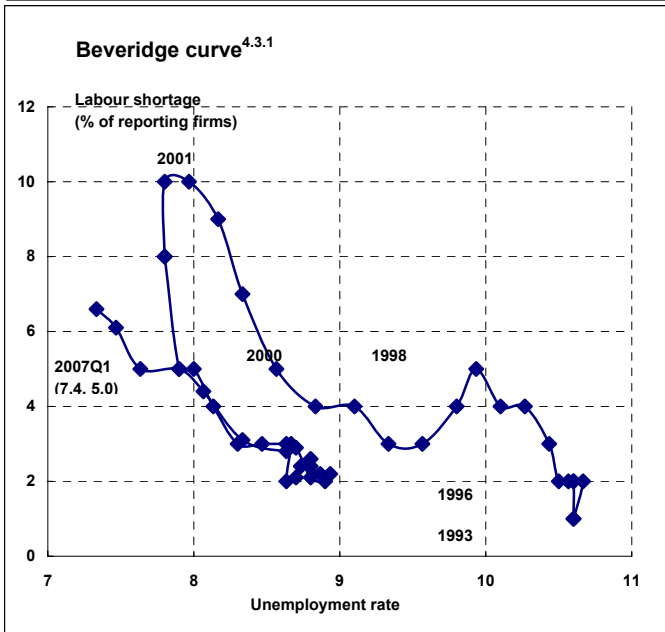
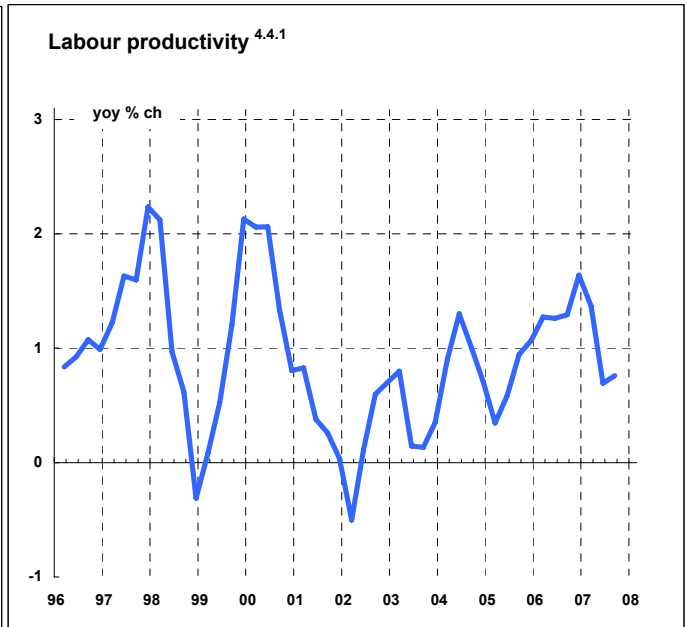
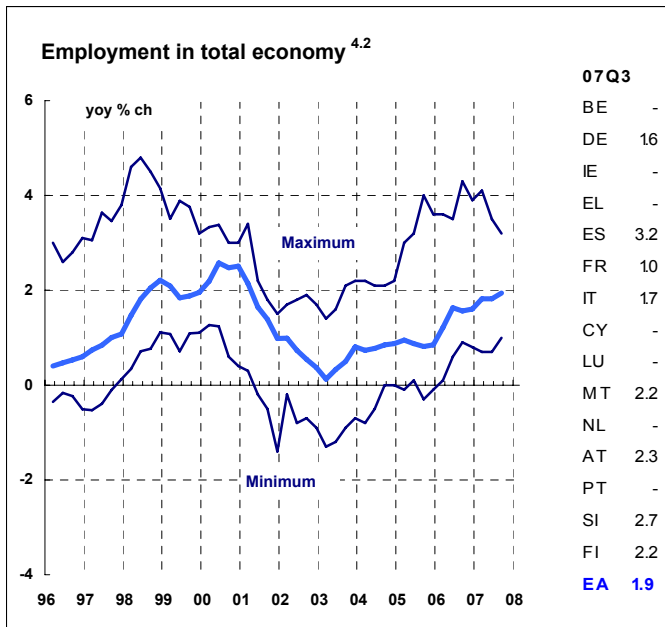
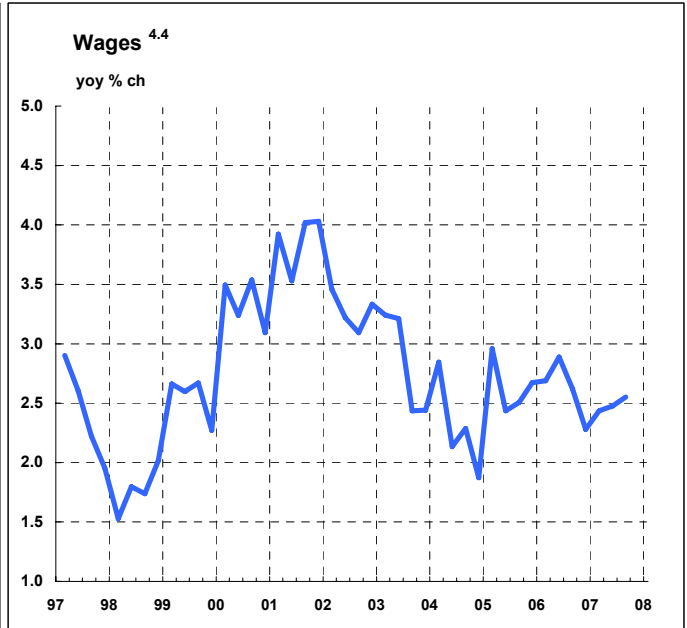
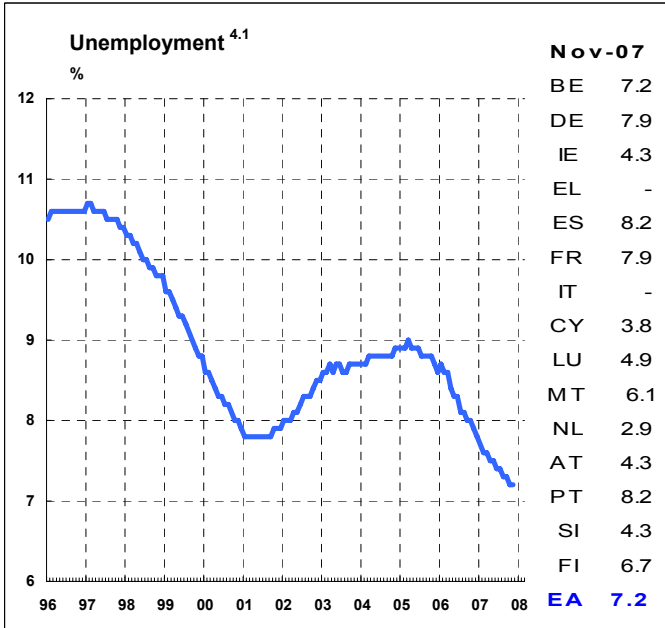
2. PRIVATE CONSUMPTION

3. INVESTMENT



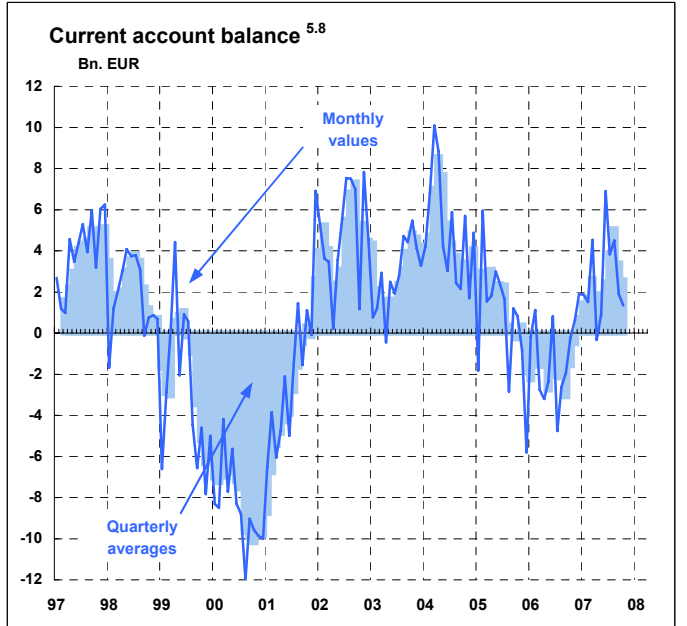
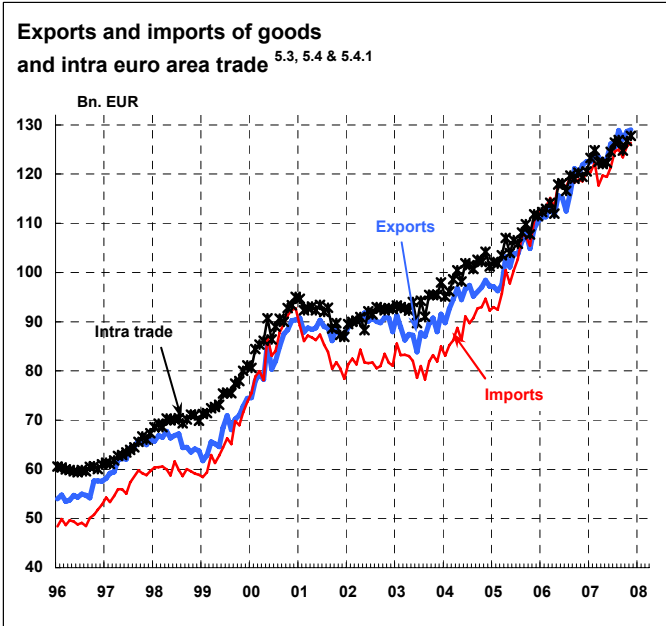
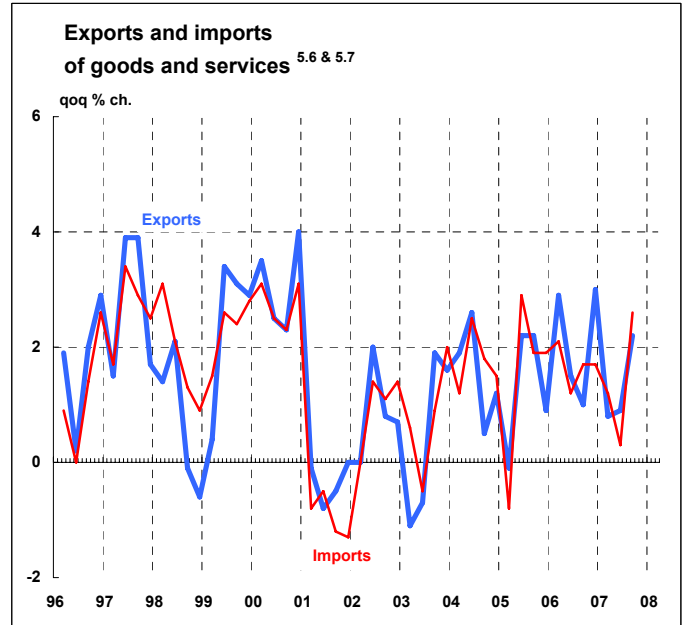
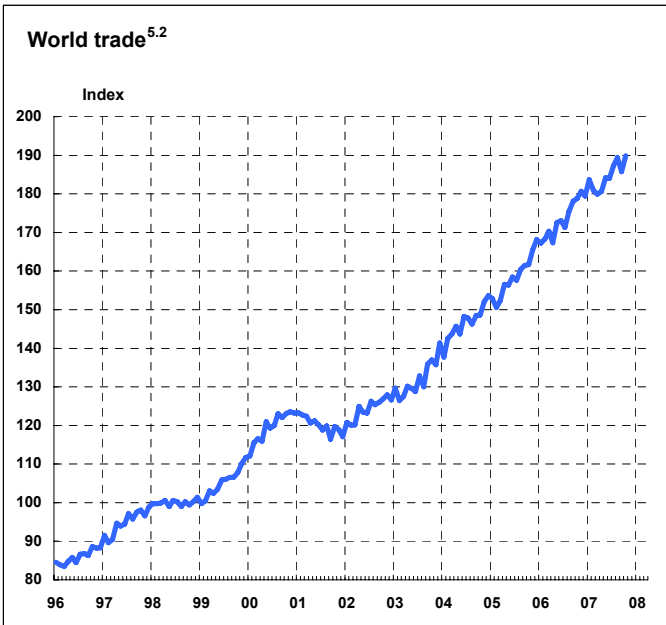
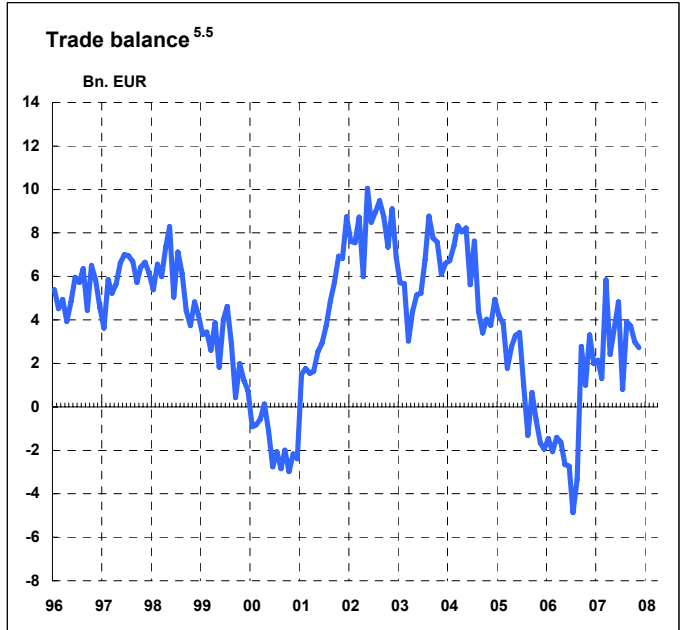
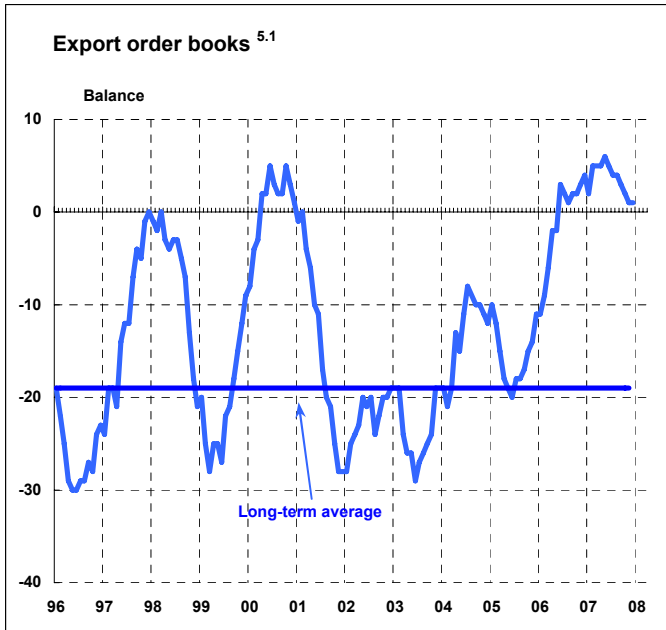


4. LABOUR MARKET



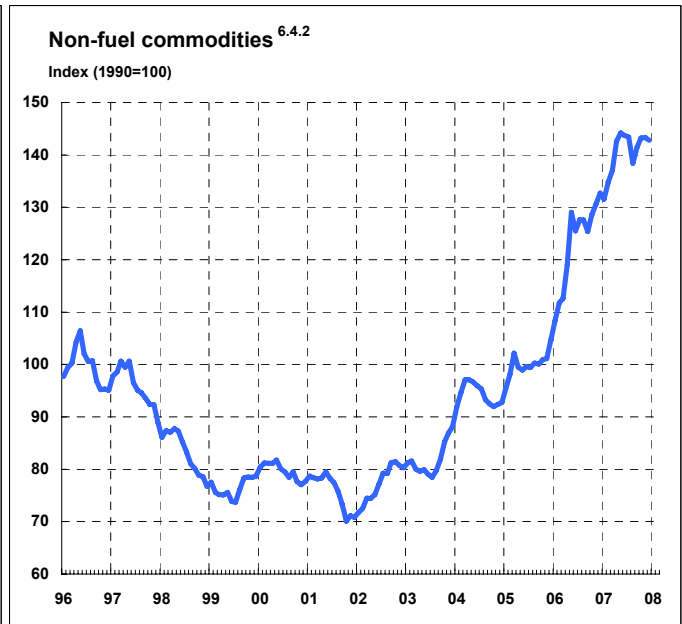
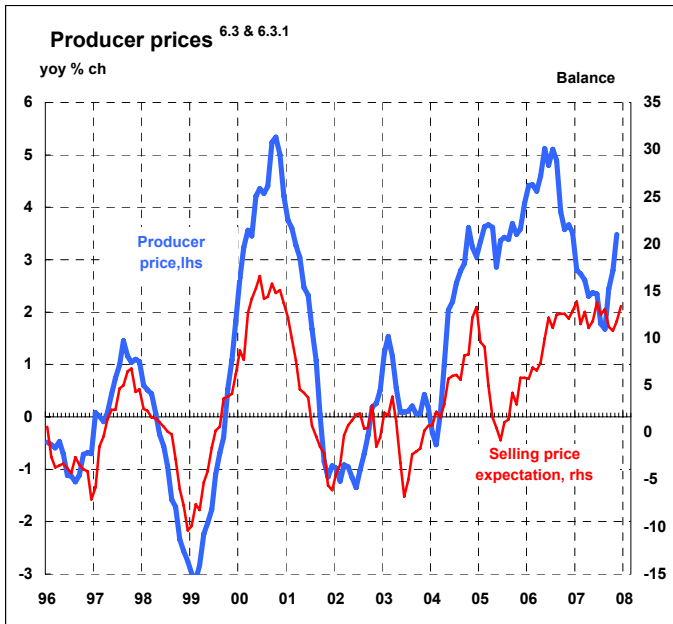
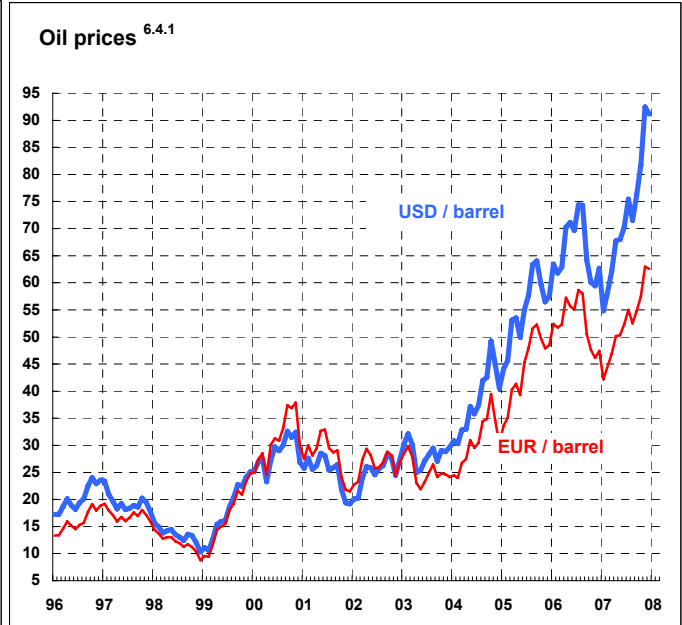
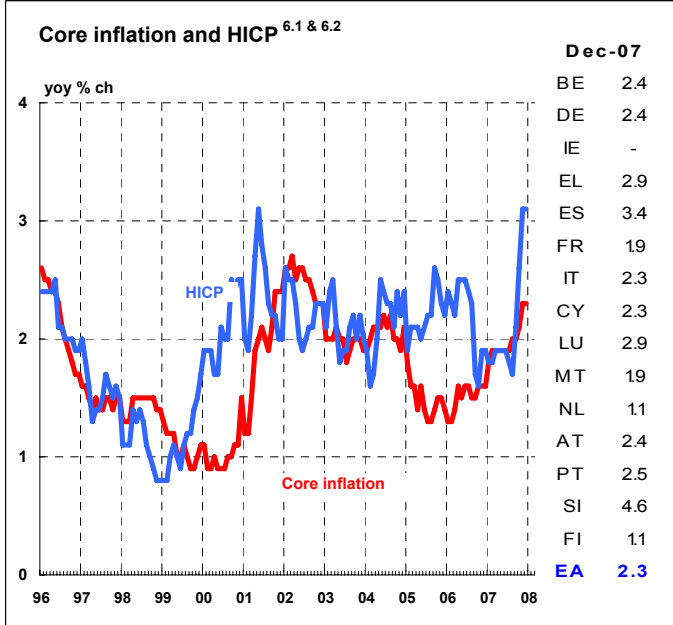
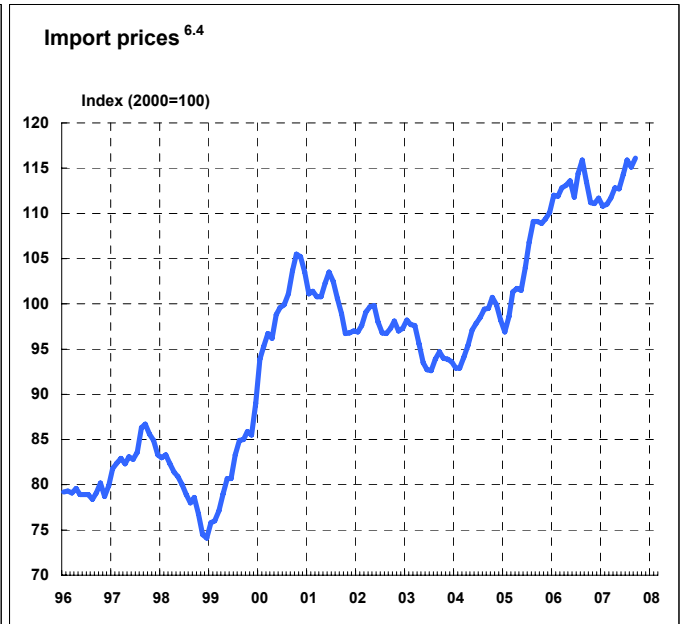
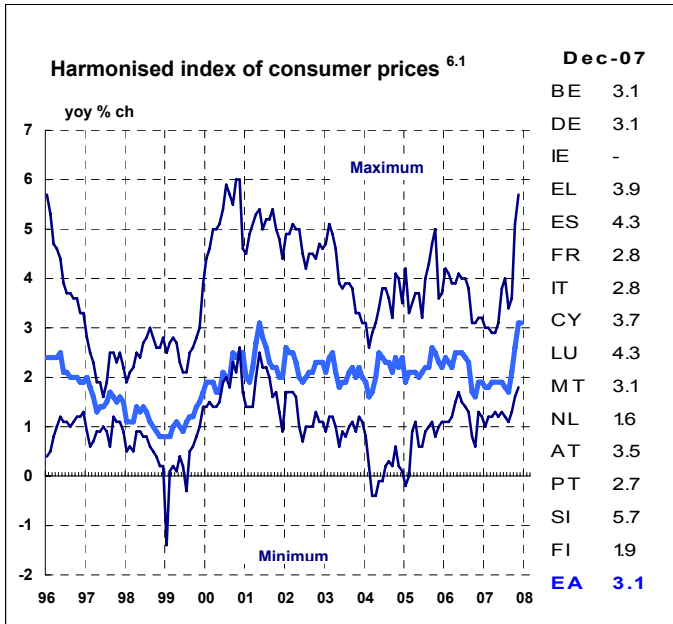


5. INTERNATIONAL TRANSACTIONS





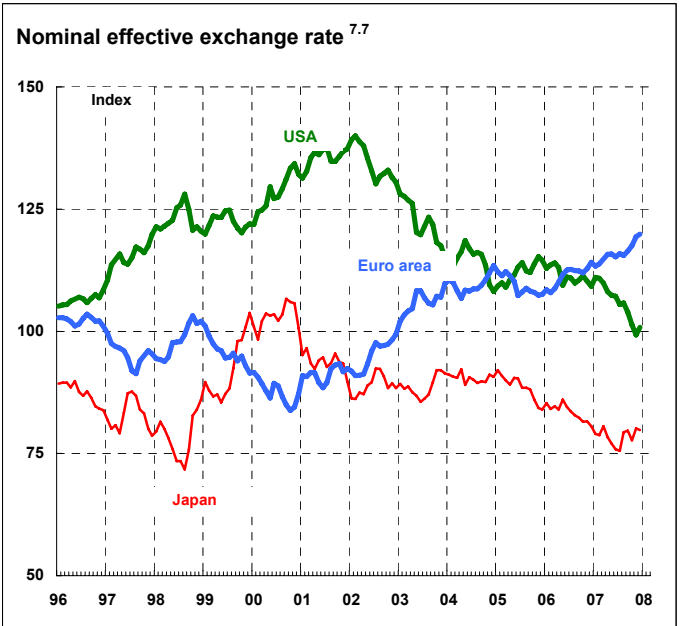
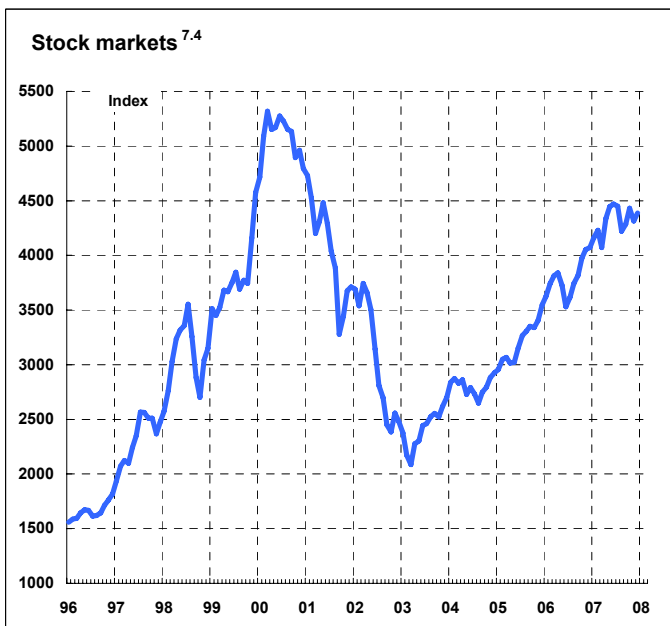
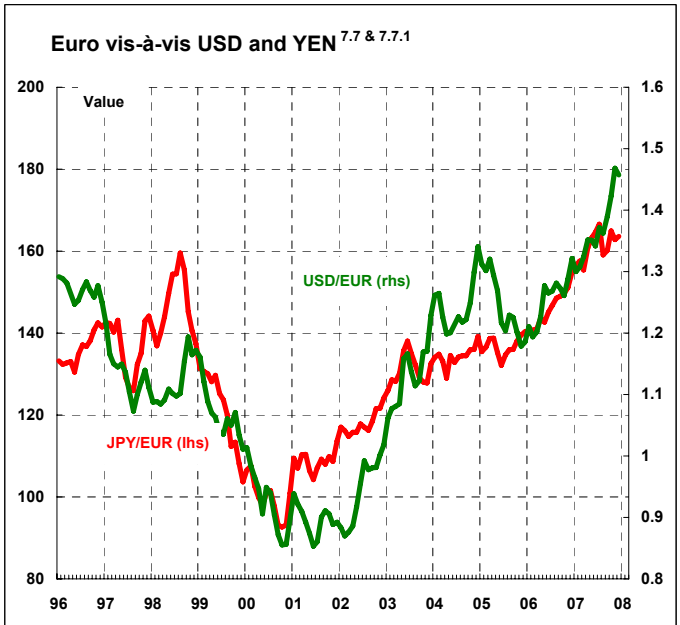
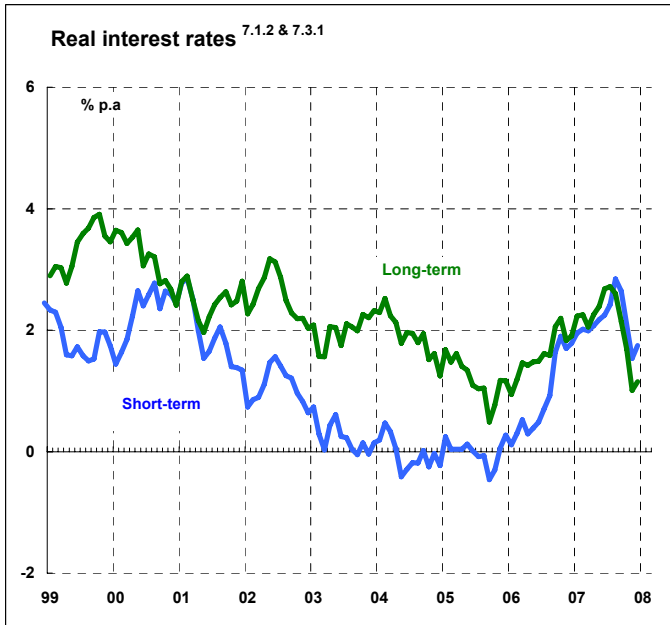
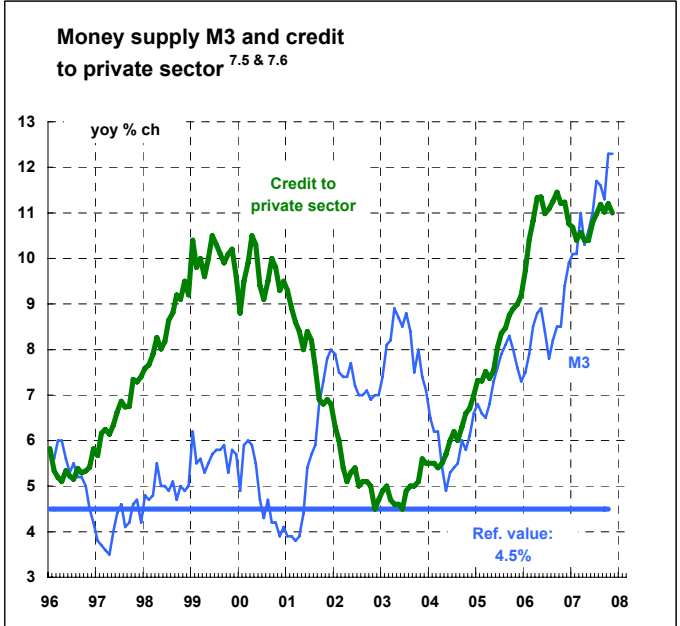
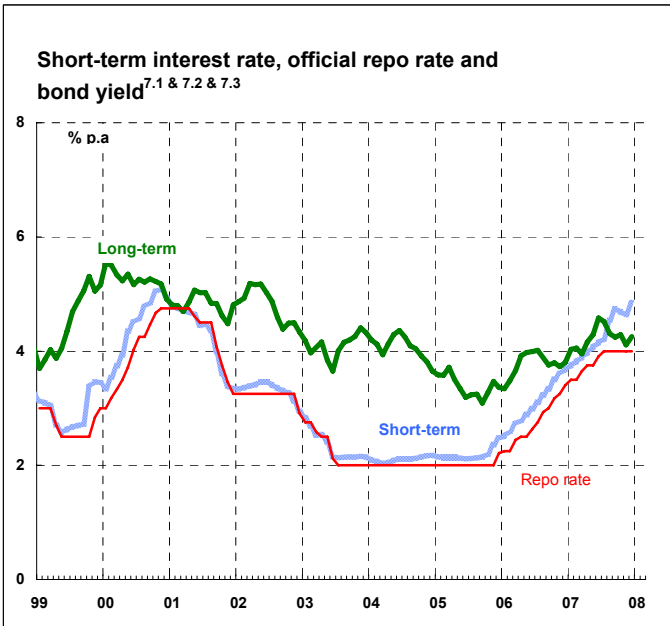
6. PRICES



KEY INDICATORS FOR THE EURO AREA

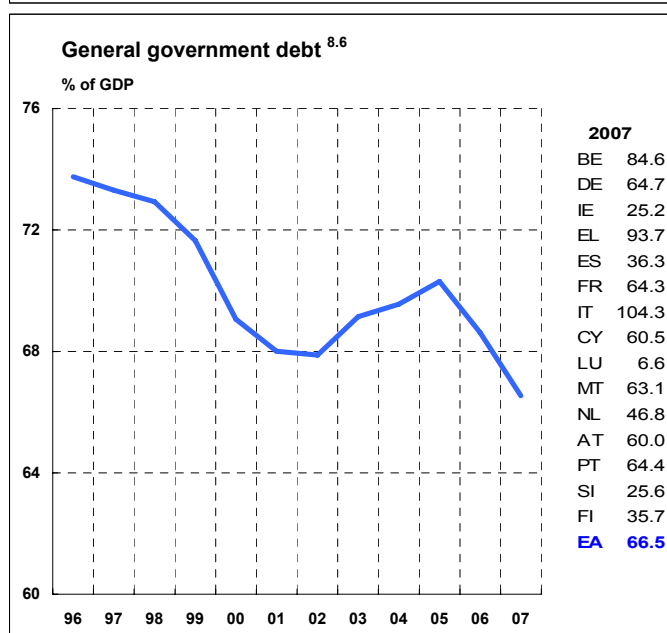
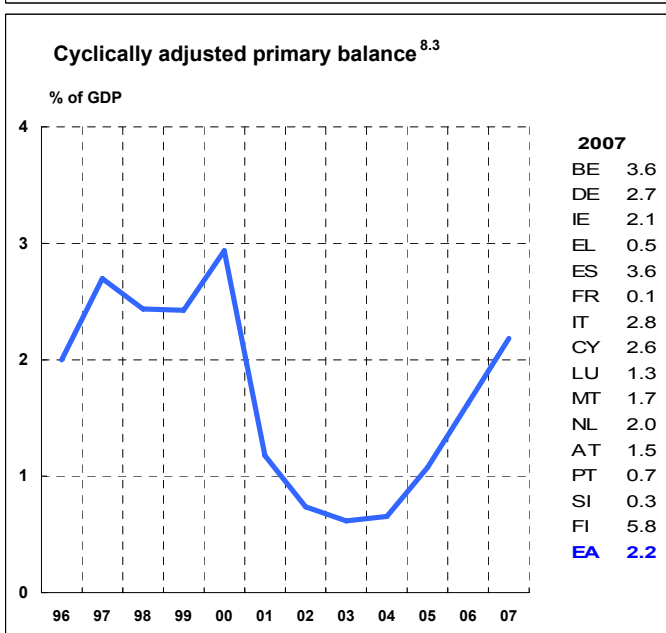
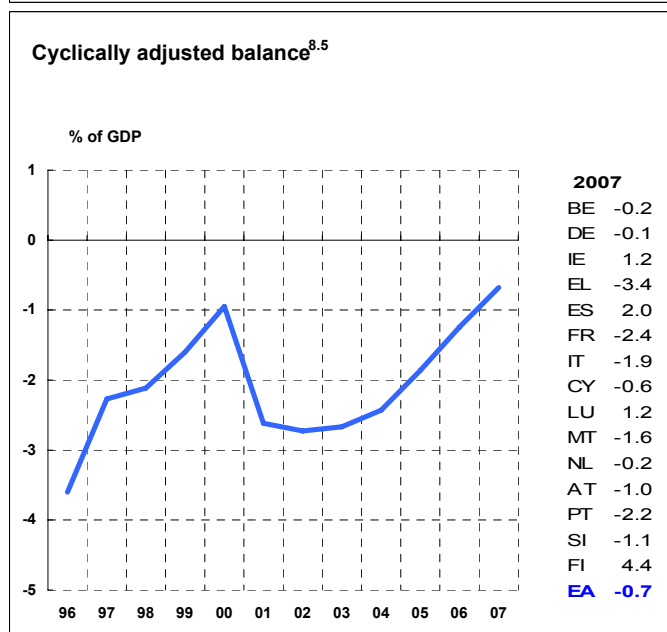
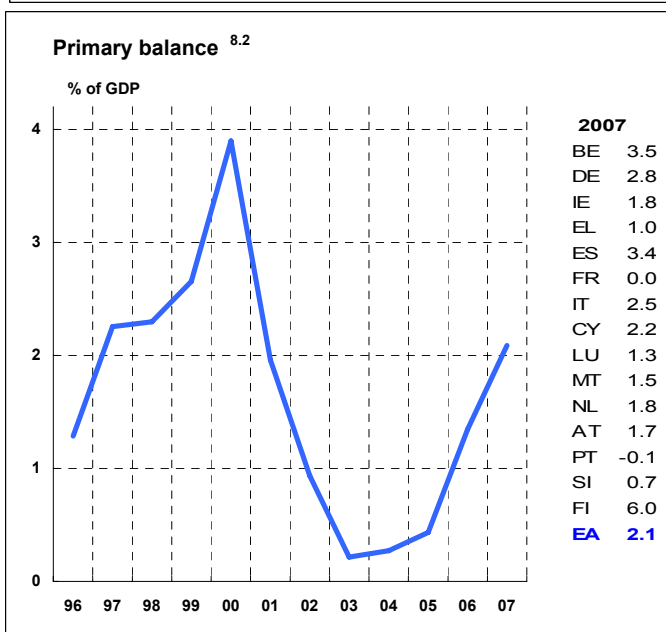
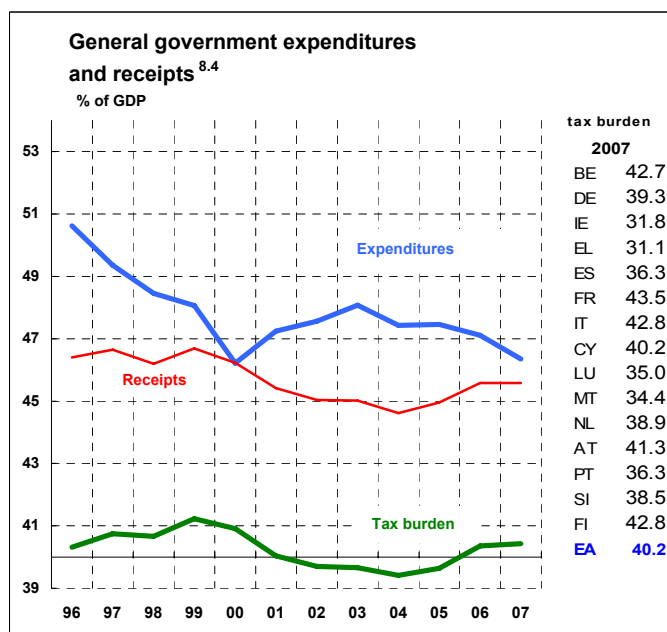
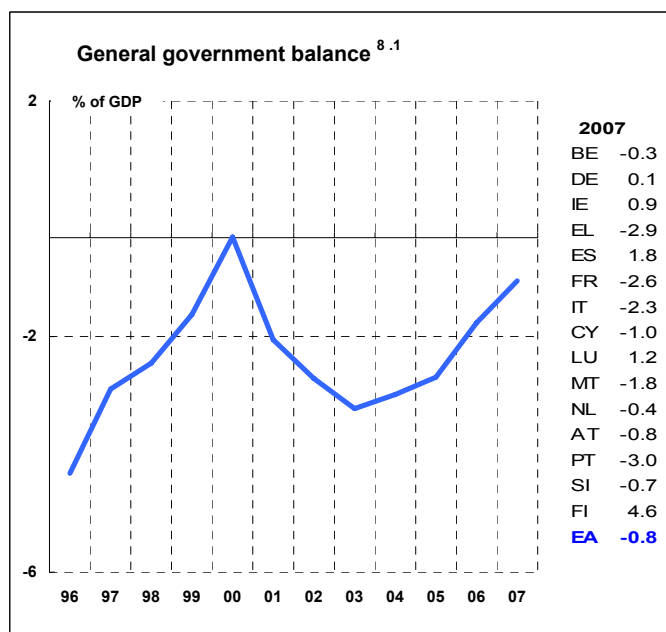


7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE*



* Figures are from the Commission's autumn 2007 forecast

Key indicators for the euro area - Explanatory notes

The euro area includes currently 15 countries (BE, DE, EL, ES, FR, IE, IT, LU, NL, AT, PT, FI, SI, CY, MT)
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	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
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	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
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	Ecowin
6.4.2	Non-fuel commodities prices	Index of market prices for non-fuel commodities, 2005=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	Ecowin
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)	Ecowin/ Eurostat
7.2	ECB repo rate	Percent p.a., minimum bid rate of the ECB, end of period	Ecowin
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	Ecowin
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)	Ecowin/ Eurostat
7.4	Stock markets	DJ Euro STOXX50 index, period averages	Ecowin
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 (direct taxes) + actual social contributions received (ESA 1995)	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