

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 28 February 2008

next update: 1 April 2008

		2005	2006	2007	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
1 Output										
Industrial confidence ^{1.1}	Balance	-7.2	2.2	4.4	4.7	2.6	1.7	2.6	1.6	1.2
Industrial production ^{1.2}	mom % ch.	1.4	4.0	3.5	1.2	-0.9	0.6	-0.4	-0.2	--
		2005	2006	2007	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4
Gross domestic product ^{1.3}	qoq % ch.	1.5	2.8	2.7	0.6	0.8	0.8	0.3	0.8	0.4
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.9	-9.1	-4.9	-3.9	-5.7	-6.2	-8.1	-8.7	-11.5
Retail sales ^{2.2}	mom % ch.	1.2	2.1	0.8	0.0	0.2	-0.6	-0.6	-0.2	--
		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}	%	81.3	83.0	84.2	83.6	83.9	84.4	84.8	84.1	84.0
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}	%	8.9	8.3	7.4	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	-	1.6	1.6	1.8	1.8	1.9	--
Shortage of labour ^{4.3}	%	2.3	3.8	6.2	4.4	5.0	5.1	6.0	6.5	7.2
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	-15.6	-1.1	3.5	4.0	3.1	1.7	1.0	1.2	-1.7
World trade ^{5.2}	Index	158.5	173.4	185.0	189.6	185.5	190.0	188.6	187.1	--
Exports of goods ^{5.3}	Bn. EUR	1240.5	1386.8	1501.4	128.4	126.8	128.3	127.3	124.1	--
Imports of goods ^{5.4}	Bn. EUR	1225.2	1395.0	1470.8	125.0	123.5	126.0	125.4	126.2	--
Trade balance ^{5.5}	Bn. EUR	14.8	-9.3	28.3	3.5	3.4	2.2	2.0	-2.1	--
		2005	2006	2007	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4
Exports of goods and services ^{5.6}	qoq % ch.	4.5	7.7	-	1.1	3.0	0.8	0.9	2.2	--
Imports of goods and services ^{5.7}	qoq % ch.	5.2	7.5	-	1.7	1.7	1.2	0.3	2.6	--
		2005	2006	2007	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
Current account balance ^{5.8}	Bn. EUR	7.1	-13.7	14.9	3.2	0.6	3.1	2.3	-10.3	--
Direct investment (net) ^{5.9}	Bn. EUR	-208.8	-136.5	-108.3	0.3	-37.4	21.3	10.6	-21.0	--
Portfolio investment (net) ^{5.10}	Bn. EUR	141.3	276.3	232.5	1.9	48.9	-56.1	8.7	1.5	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.1	1.7	2.1	2.6	3.1	3.1	3.2
Core HICP ^{6.2}	yoy % ch.	1.5	1.5	2.0	2.0	2.0	2.1	2.3	2.3	--
Producer prices ^{6.3}	yoy % ch.	3.5	4.4	2.6	1.8	2.7	3.3	4.3	4.4	--
Import prices ^{6.4}	Index	104.8	112.9	--	115.1	116.1	116.1	117.9	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.1	2.9	3.9	4.5	4.7	4.7	4.6	4.8	4.5
Bond yield (10 years) ^{7.2}	% p.a.	3.4	3.8	4.2	4.3	4.2	4.3	4.1	4.3	4.0
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	4220.6	4284.4	4430.8	4314.9	4386.4	4025.8
M3 ^{7.5}	yoy % ch.	7.4	8.5	11.1	11.5	11.3	12.3	12.4	11.6	11.5
Credit to private sector (loans) ^{7.6}	yoy % ch.	8.1	11.0	10.8	11.2	11.0	11.3	11.1	11.2	11.1
Exchange rate USD/EUR ^{7.7}	Value	1.24	1.26	1.37	1.36	1.39	1.42	1.47	1.46	1.47
Nominal effective exchange rate ^{7.8}	Index	109.0	110.9	115.7	115.5	116.4	117.5	119.4	119.9	120.6



1. Output

In January, the **industrial confidence** indicator remained stable in the EU (at 2), while it decreased in the euro area (from 2 to 1). In both areas, the level of the indicator remains above its long-term average (-7). The difference between the EU and the euro area is mainly due to rounding effects. In both areas, managers' assessment of order books deteriorated by one point, their perception of production expectations improved by one point and their views on the stocks of finished products remained unchanged.

In December, **industrial production** decreased by 0.2% m-o-m. This second decline in a row appears more marked for production of capital goods (-1.0%), while the production of energy continued to rise (by 0.5% after 0.2% the previous month). Among the larger economies, industrial production decreased slightly in Spain and Italy, but rebounded in France and Germany. On an annual basis, industrial production increased by 1.3% vis-à-vis the same period in 2006, mainly driven by energy (+4.4%).

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 2.2% in 2008. However, according to the **interim forecast** prepared in February 2008, and although the euro-area economy will still be fairly resilient in view of the current sizeable headwinds (US at the brink of a recession, financial market turbulence still ongoing, soaring commodity prices), GDP growth is revised down to 1.8% in 2008.

In the last quarter of 2007, according to the Eurostat flash estimate, **real GDP growth** decelerated to 0.4% quarter-on-quarter (from 0.8% in the third quarter). Growth moderated in France and Germany (0.3%) but was still robust in Spain (0.8%). In 2007, annual average GDP growth was 2.7%. Components for the fourth quarter are not yet provided.

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 January, **consumer confidence** decreased by three points in both in the EU and the euro area. After peaking in May 2007, confidence in both areas has declined steadily. While consumer confidence in the EU stands at its long-term average, in the euro area it

is now below. In both areas, all the four components of the confidence indicator worsened in January. The decline was mainly driven by deteriorated expectations regarding the general economic situation and unemployment.

In December 2007, the volume of **retail trade** was down by 0.1% (m-o-m), after having fell in November (by 0.7%) and in October (by 0.6%). On an annual basis, the retail sales index has decreased more profoundly, by -2%.

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 DG ECFIN's quarterly survey, **capacity utilisation** remains broadly stable at 83.9%, compared to 84.0% in 07Q3.

4. Labour market

In December 2007, the **unemployment** rate stood at 7.2%, unchanged compared to November. It was 7.8% 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%. In January 2008 compared to December 2007, the managers' **employment expectations** for the next three months deteriorated by three points in both the industry and the services sectors, but are still well above the long-term average level.

The level of recorded **labour shortages in manufacturing** continued to increase in 08Q1, with 7.5% of firms (7.2% in 07Q4) reporting that unfilled job openings were constraining production.

5. International transactions

In January, the assessment of **export order books** in manufacturing decreased again, after one month of staying unchanged, and is still well above its long-term average. The seasonally adjusted **trade balance** decreased further and reached a deficit of -2.1 bn euro in December 2007, after surplus of 2.0 bn euro recorded in November and another surplus of 2.2 bn euro in October 2007. This development was the result of a pronounced decrease in **exports of goods** (of -3.2 bn



euro) combined with the rise in **imports of goods** (of +0.8 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).

In December 2007, **the current account** of the euro area showed a deficit of EUR 10.3 billion. The financial account, combined direct and portfolio investment showed net outflows of EUR 19 billion. In 2007 as a whole, the current account now showed a surplus amounting to EUR 15.0 billion, i.e. around 0.2% of GDP. This implied a shift of about 0.4% of GDP from the deficit of EUR 13.6 billion in 2006. This development was due to an increase of the **surpluses in goods and in services**, which were only partly offset by a shift from a surplus to a **deficit in the income account** and an **increase in the current transfers deficit**.

6. Prices

HICP is expected to be 3.2% in January 2008 according to the Eurostat's flash estimate, up from 3.1% in December 2007. **Core inflation** in December was 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** turned very volatile at the beginning of the year (ranging between 87 and 98 USD/bl.) and reached 98.2 USD/bl. on 27 February. However, oil prices are likely to remain high, 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 February 2007, oil prices are now about 60% higher in USD and 42% higher in EUR.

In December 2007, **industrial producer prices** went up marginally, by 0.1% (m-o-m) compared with 0.9% in November. Price changes of all factors, including energy, were rather insignificant and reached at most 0.4%. On a year-on-year basis, producer prices (excluding construction) increased by 4.3%.

7. Monetary and financial indicators

ECB has kept its key interest rates unchanged. The **3-month short-term interest rate** has been decreasing the first half of February, whilst increasing in the second half. This follows from shifts in the market expectations on the relative economic outlook for US vis-à-vis the euro area (and thereby also the likely monetary policy reaction). It also reflects maintained credit risks. The rate stood at 4.39% on 27 February.

This is still about 40 bp above the refi rate (4%), while the historical average is around 20 bp. On 22 and 30 January, the Fed decided to lower its key interest rate, by 75 and by 50 respectively, at current 3.0%. On 27 February, the US 3-month interest rate was 3.09%, significantly decreasing from 5.15% at the beginning of December.

After declines of **bond yields** recorded in both the US and the euro area in the course of January, the 10-year yields have evidenced some rebound in February. However, the uncertainty in the markets elevated by the financial turmoil and concerns about the US outlook are still present. On 27 February, the ten-year government bond was 3.9% in the US (from 3.6% on 1st February) and 4.1% in the euro area (from 3.9%).

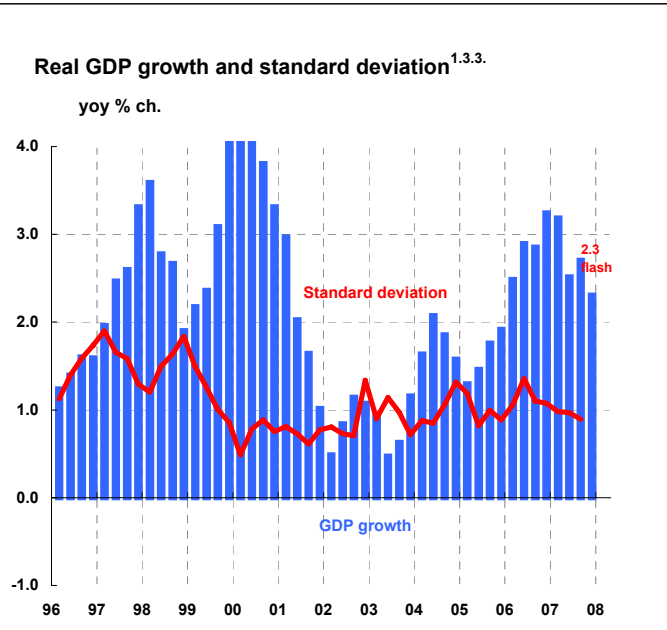
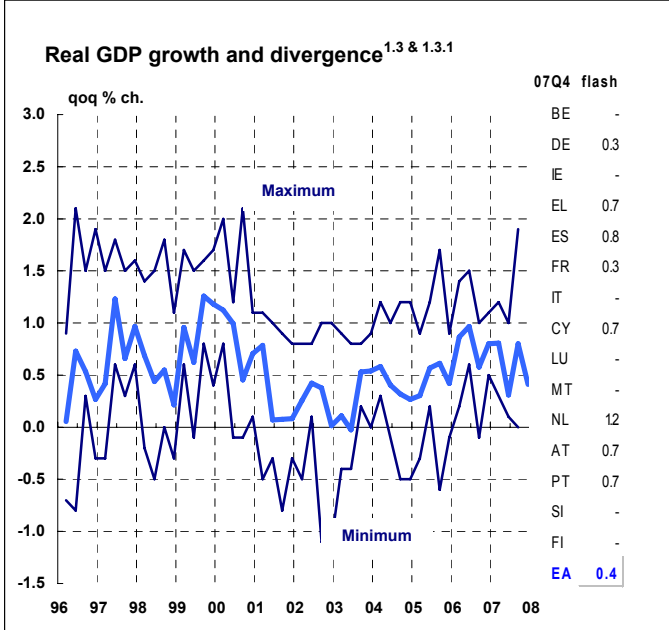
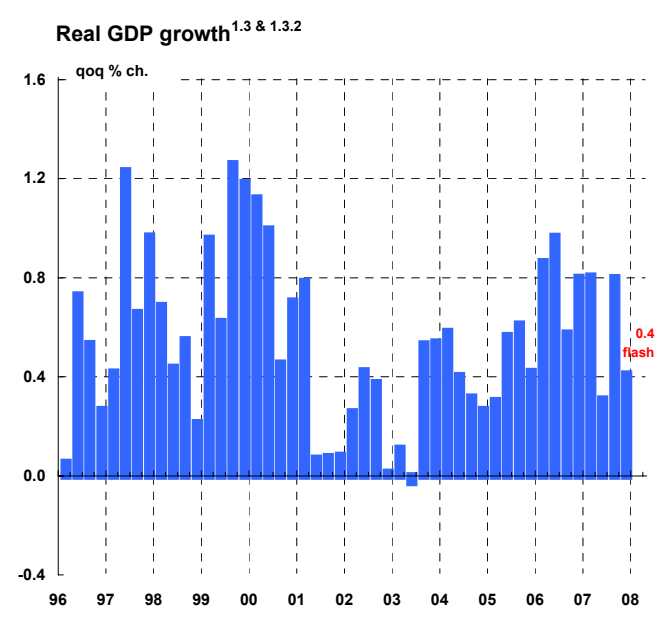
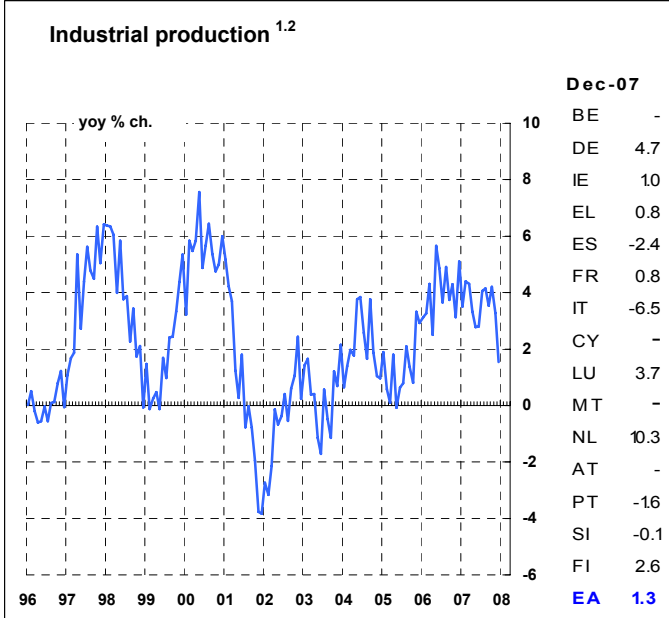
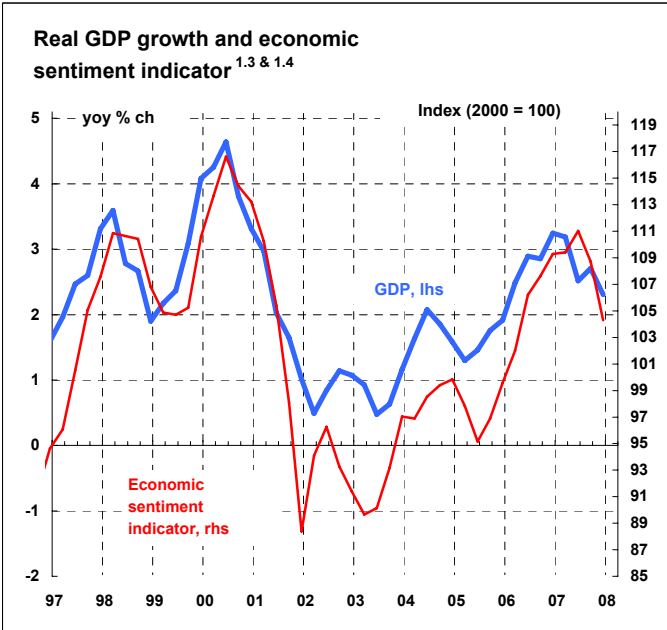
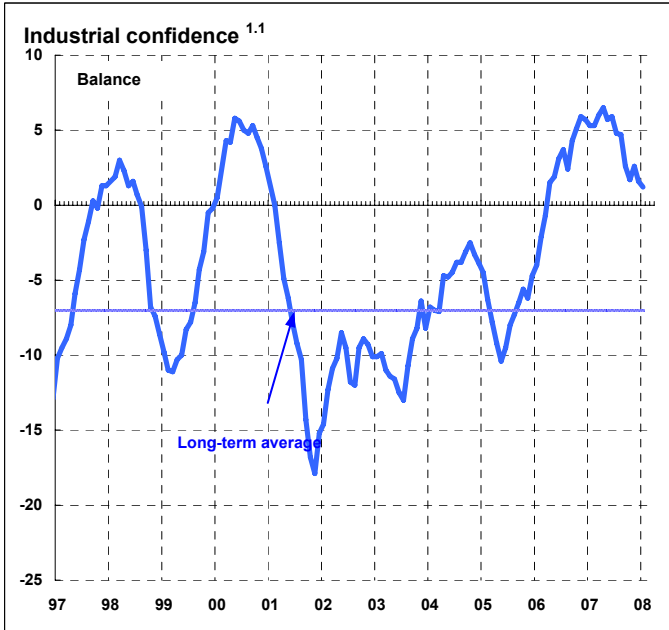
According to ECB, the annual rate of **growth of M3** stood at 11.5% in January 2008, compared to 11.6% in December 2007. The 3-month moving average declined slightly to 11.8%, from 12.1% recorded last month. Annual rate of growth of **loans to the private sector** stood at 11.1% in January, after 11.2% in the previous month. The annual growth rate of **loans to non-financial corporations** stood at 14.6% in January, after 14.5% in December, while growth rate of **loans to households** remained stable at 6.1% in January. Thus, so far no signs of a credit crunch in lending data.

On the **foreign exchange rate markets**, the euro mainly depreciated in the first half of the month (from 1.48 to 1.45), while it appreciated in the second half, with a record high of 1.509 USD/EUR against the dollar on 27 February. The uncertainty in the markets, possible further interest rate cut by Fed and concerns about US economic worsening relative to euro area mainly contributed to the record high. On 27 February the euro was trading at 160.9 against JPY.

After some signs of a rebound in the course of September and October 2007, the major **stock market indices**, DowJones (DJ), Eurostoxx (EX) and Nikkei have been hit again in January. Although DJ and EX continued to drop, the fall in February was much less pronounced than in January. Nikkei even showed some signs of rebound. On 27 February, DowJones closed at 138.2, Eurostoxx at 108.9 and Nikkei at 104.6.



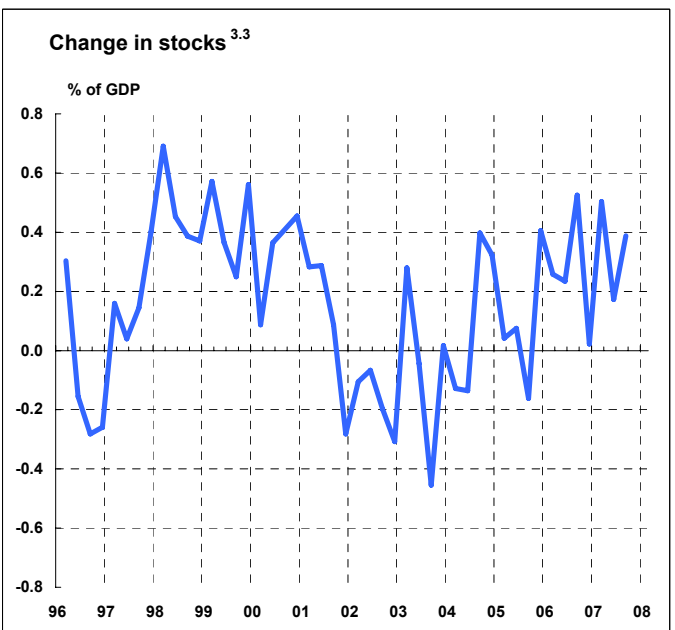
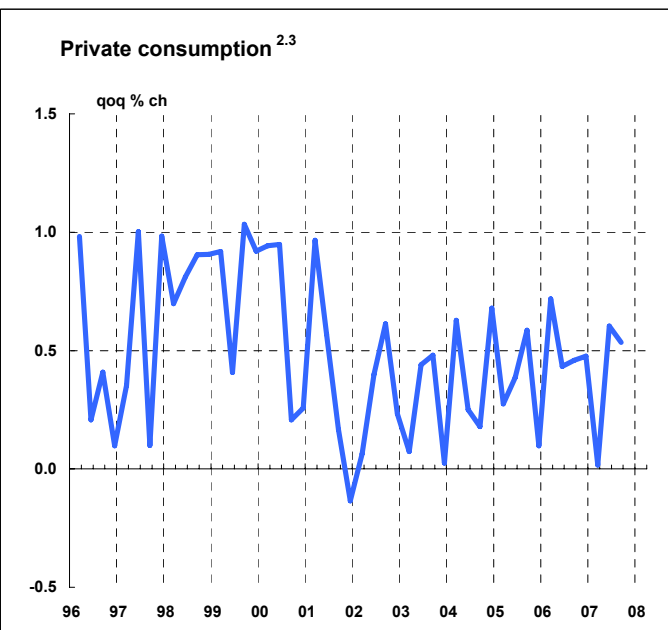
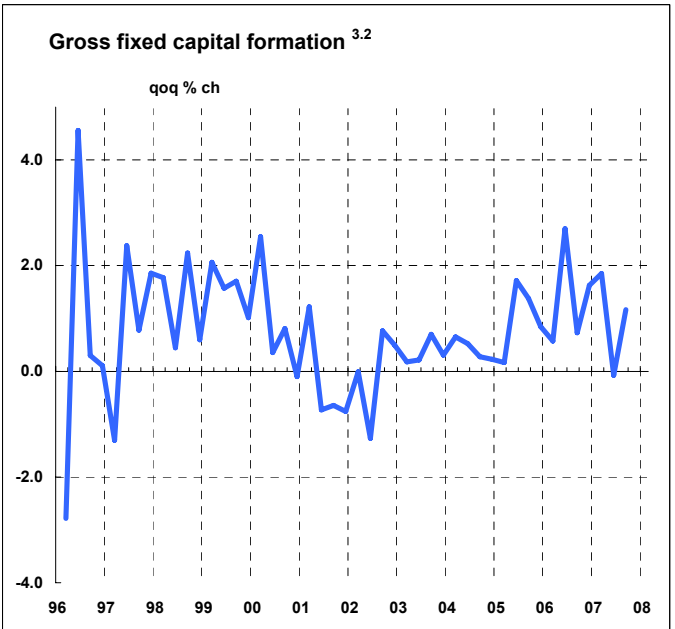
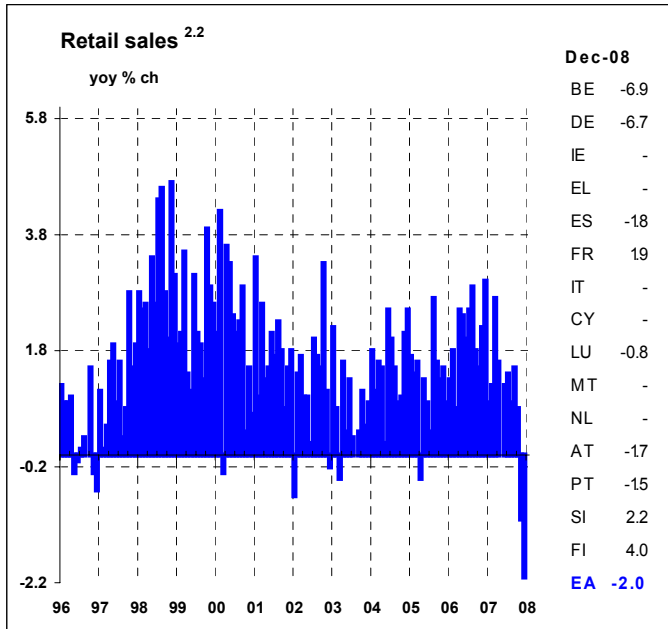
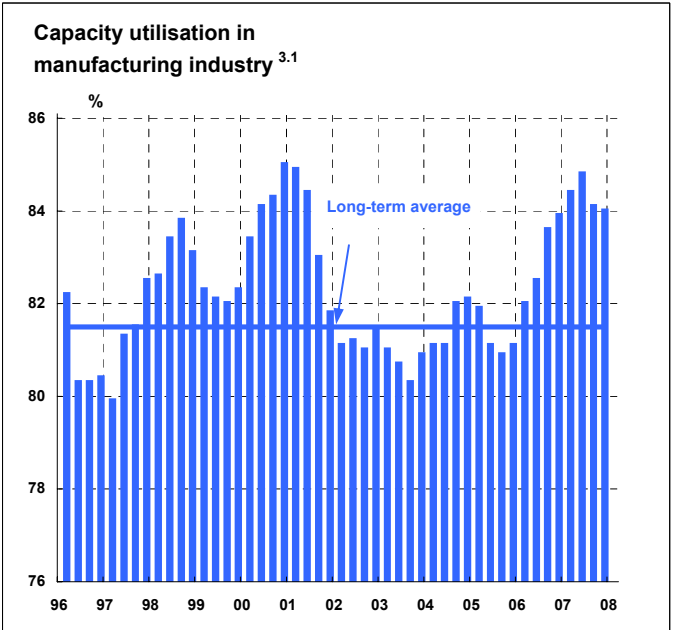
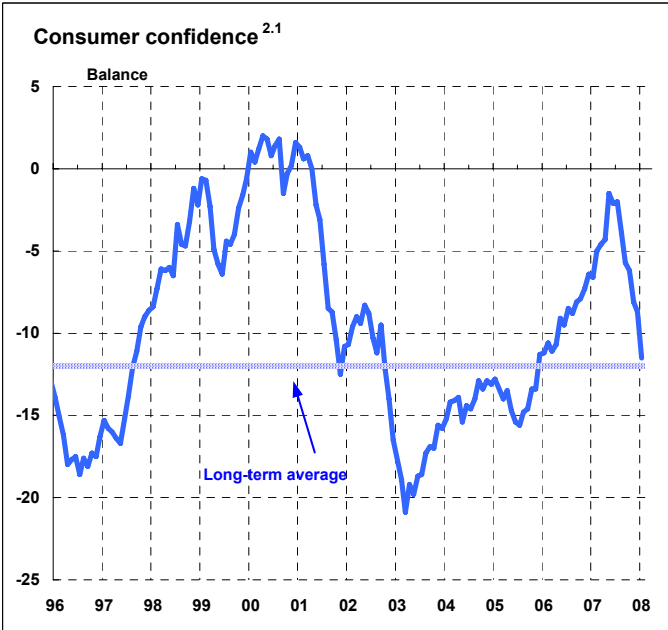
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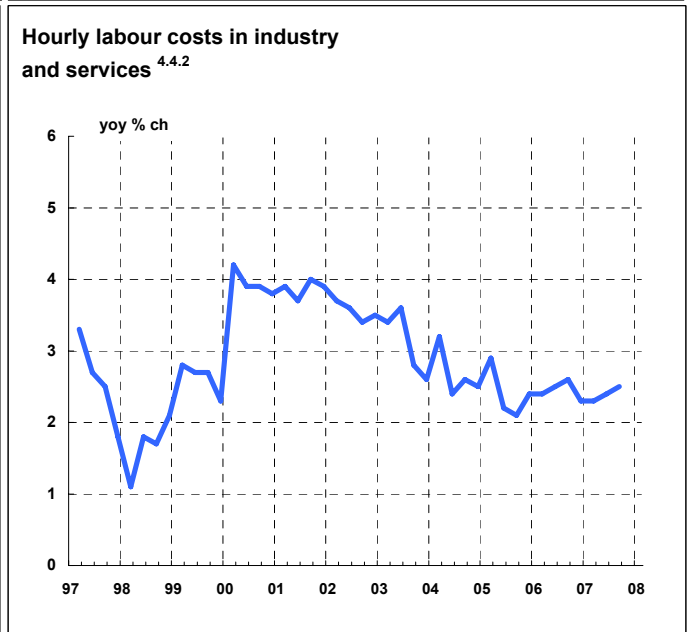
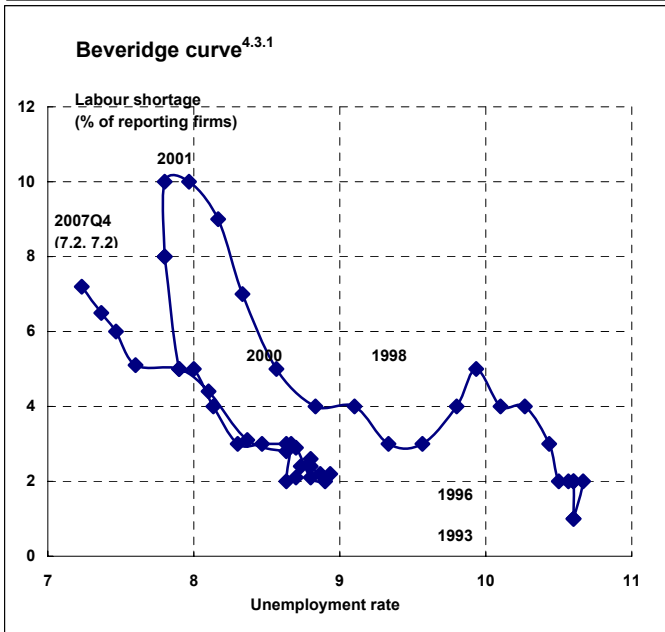
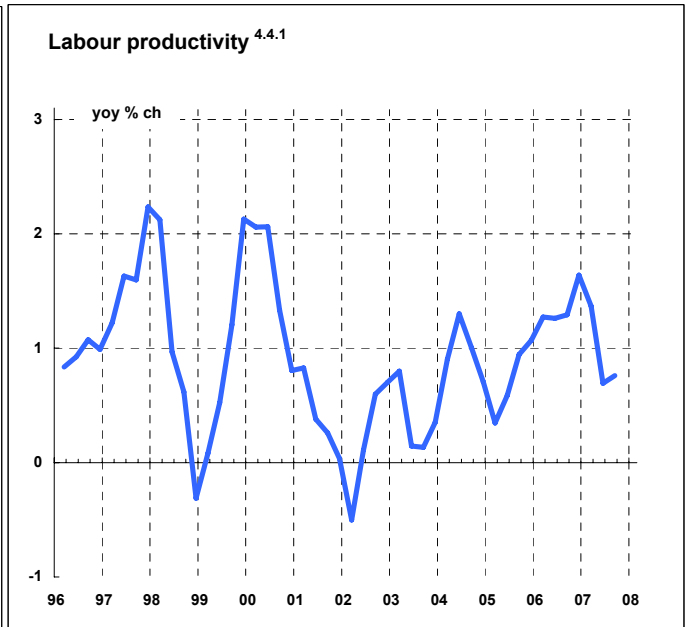
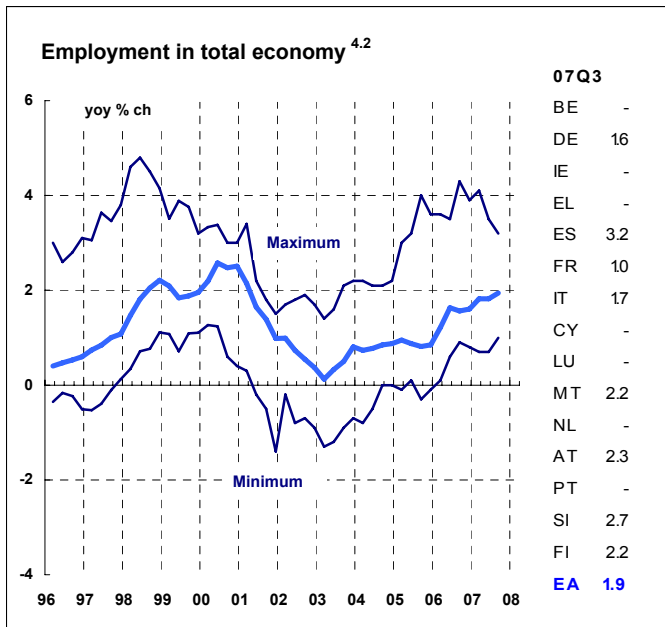
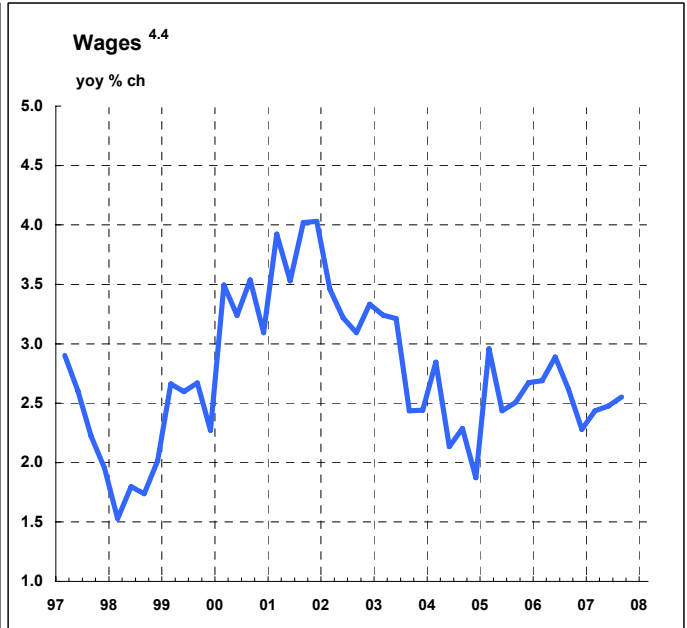
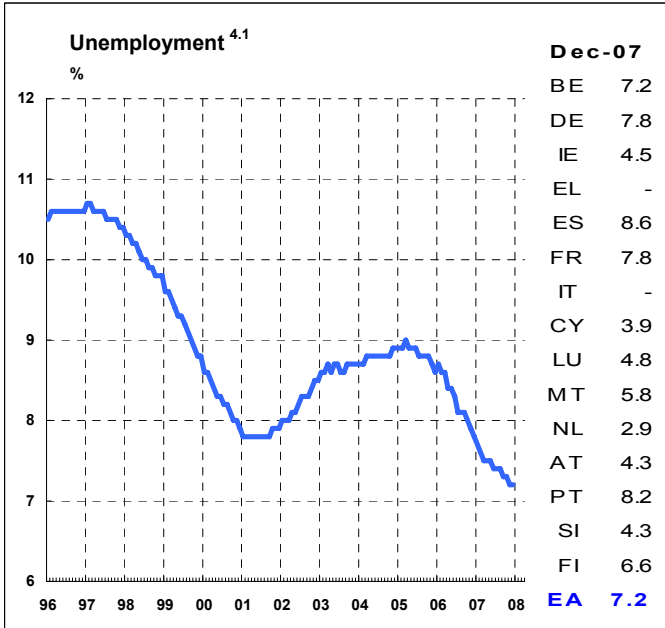
2. PRIVATE CONSUMPTION

3. INVESTMENT



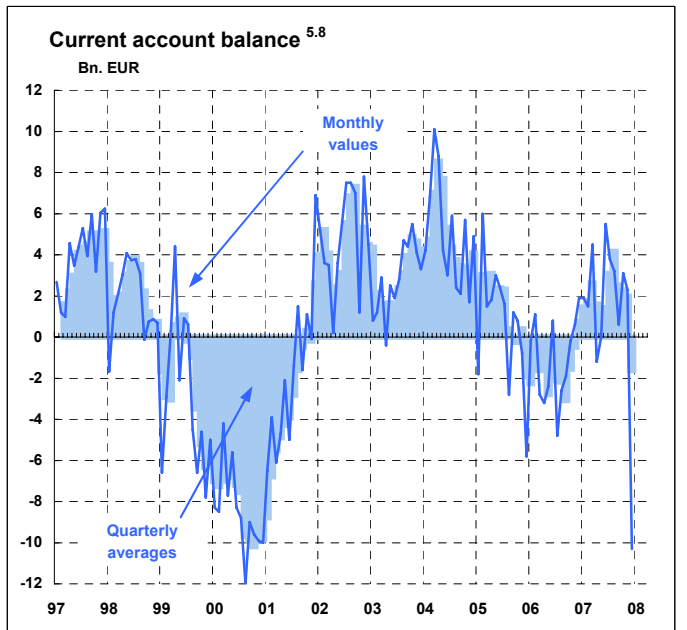
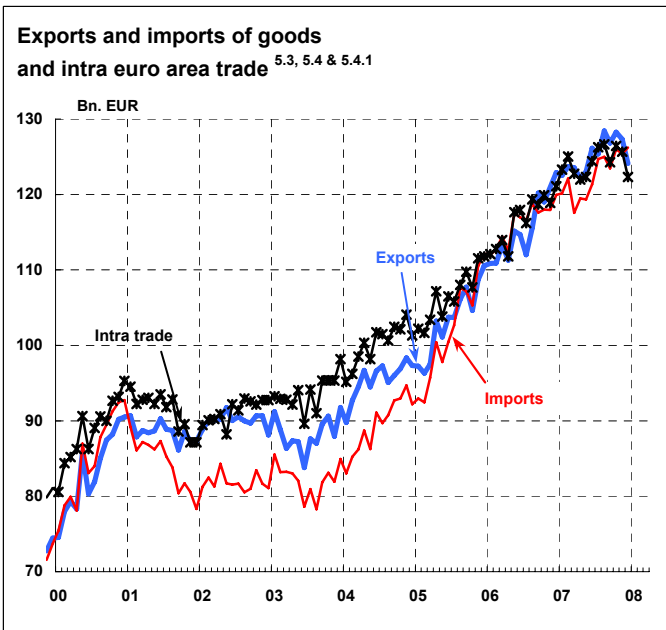
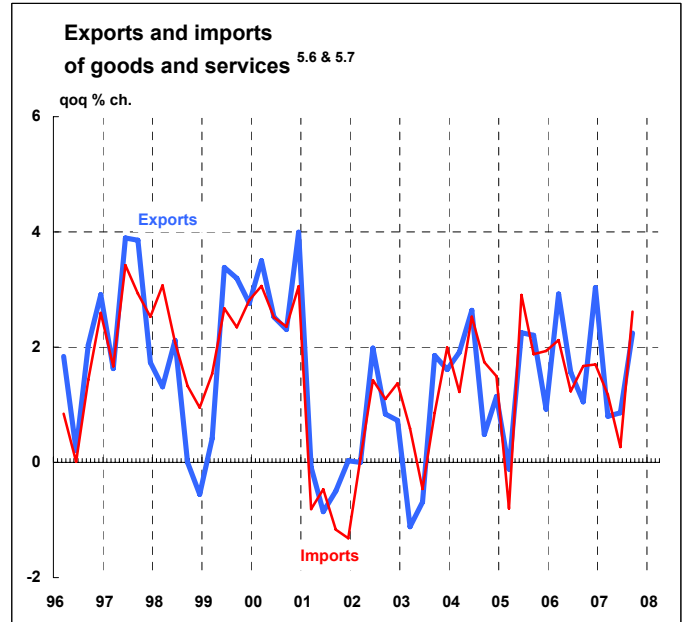
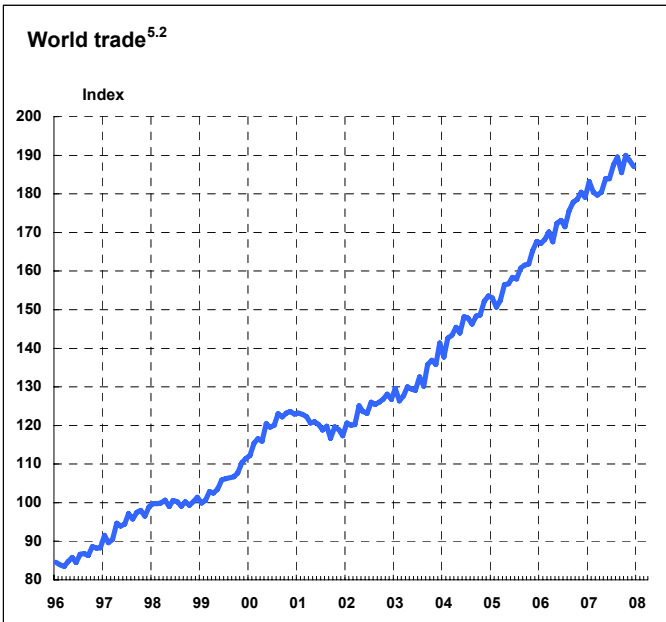
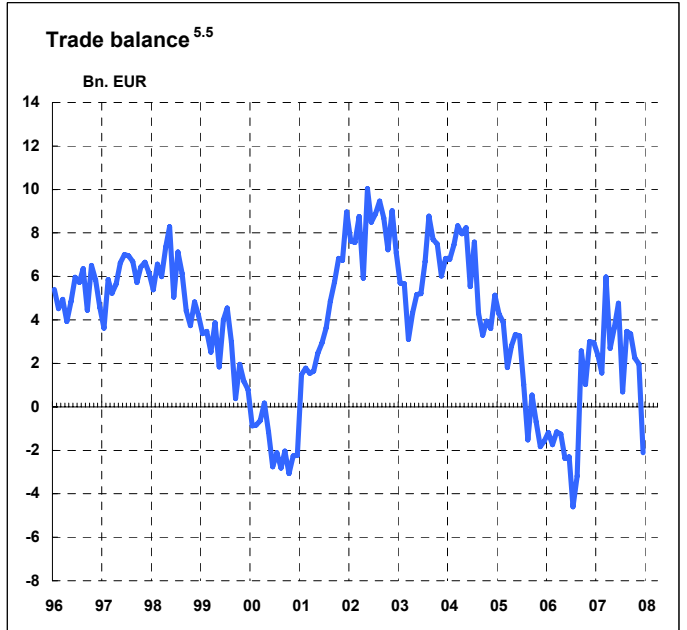
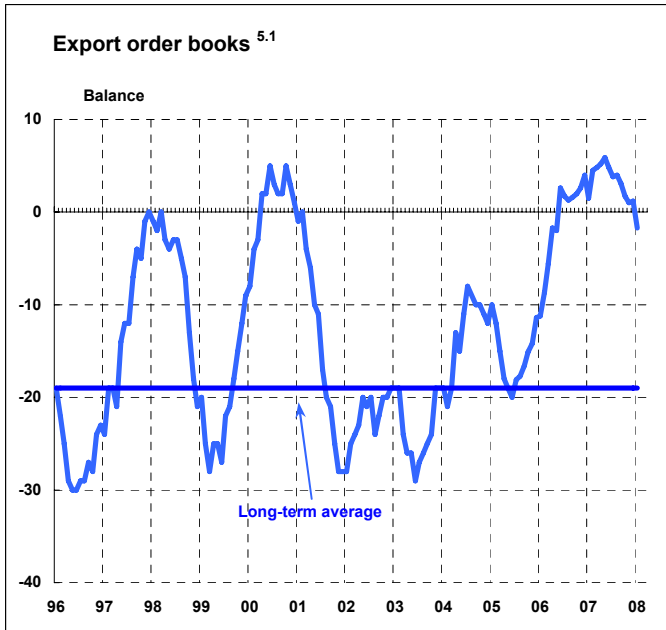


4. LABOUR MARKET



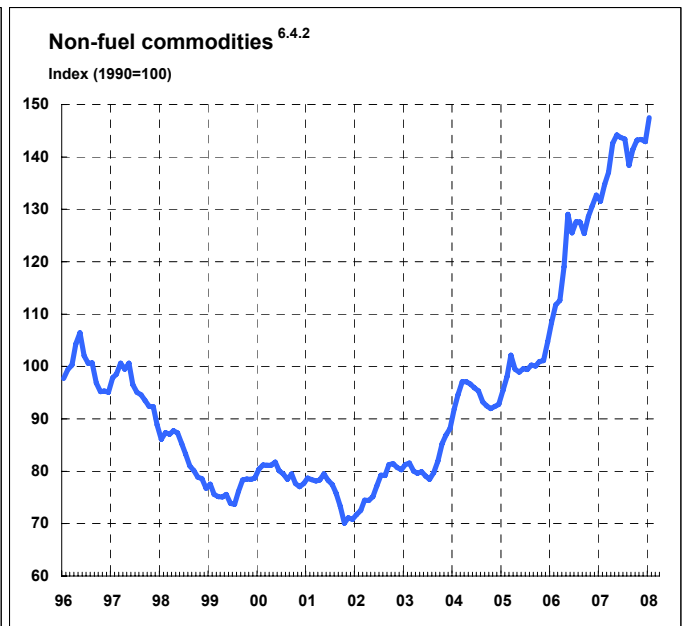
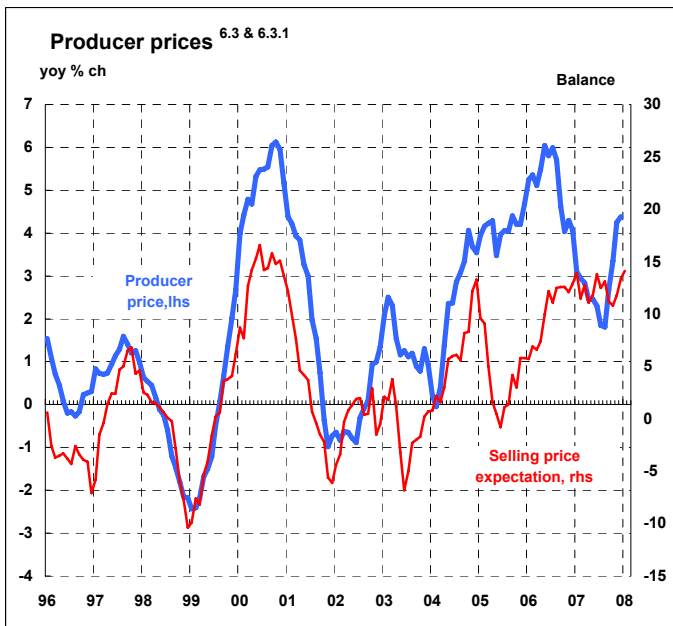
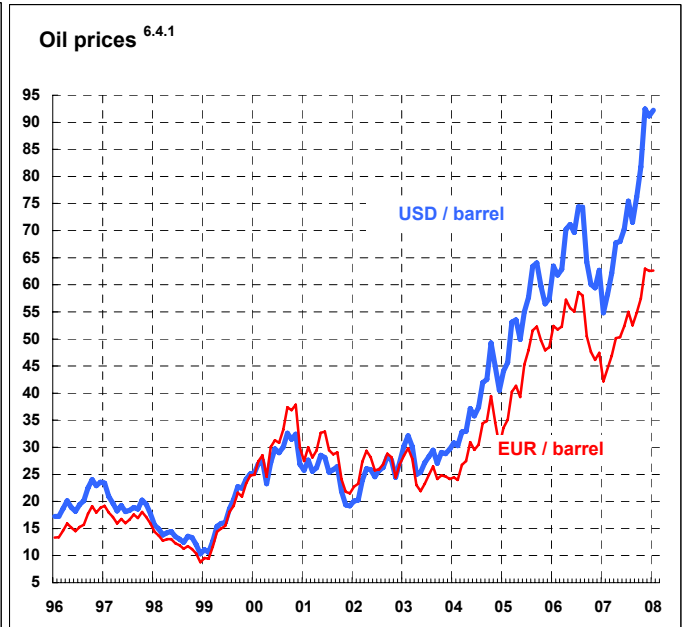
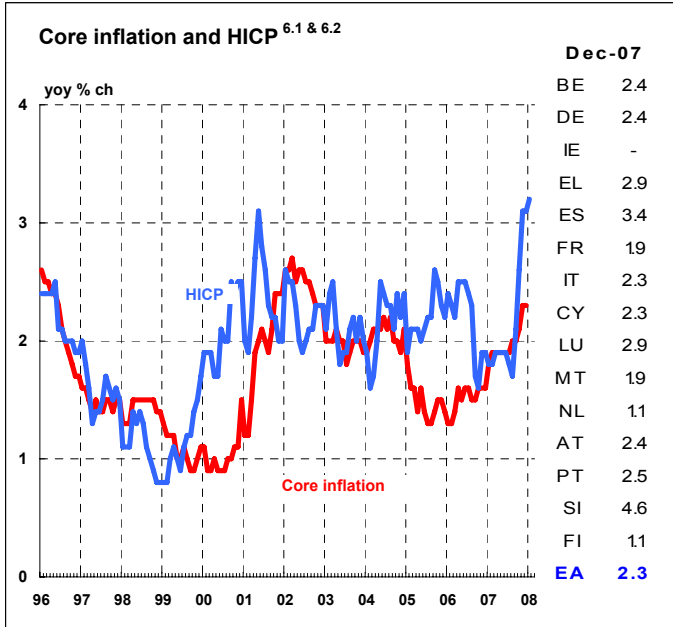
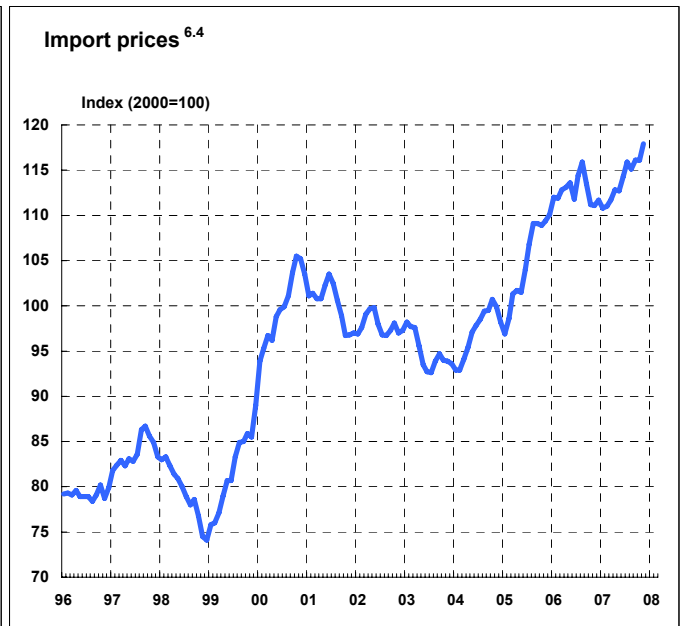
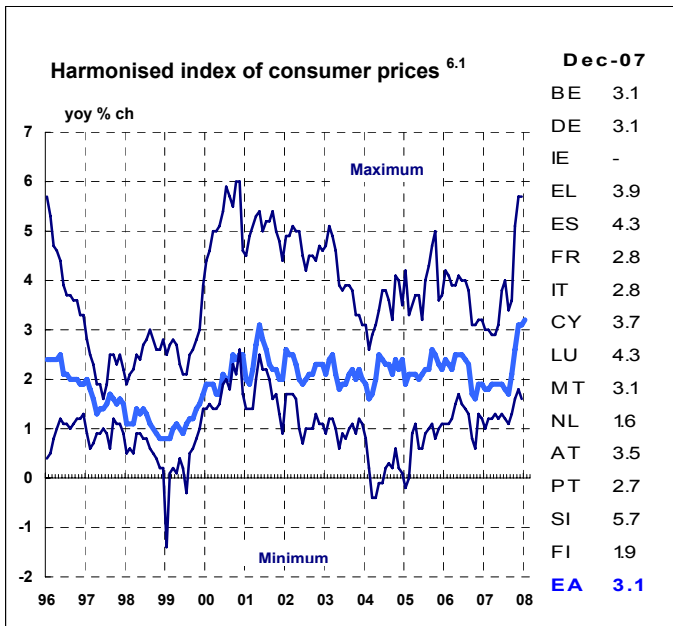


5. INTERNATIONAL TRANSACTIONS



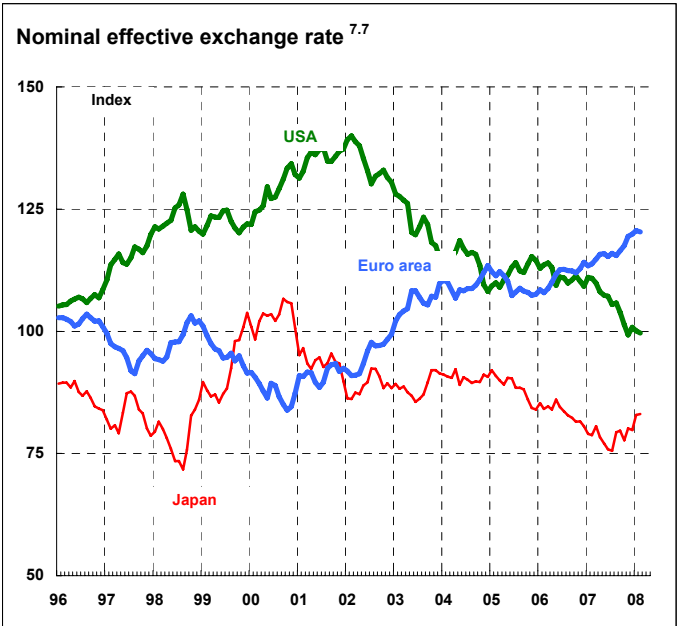
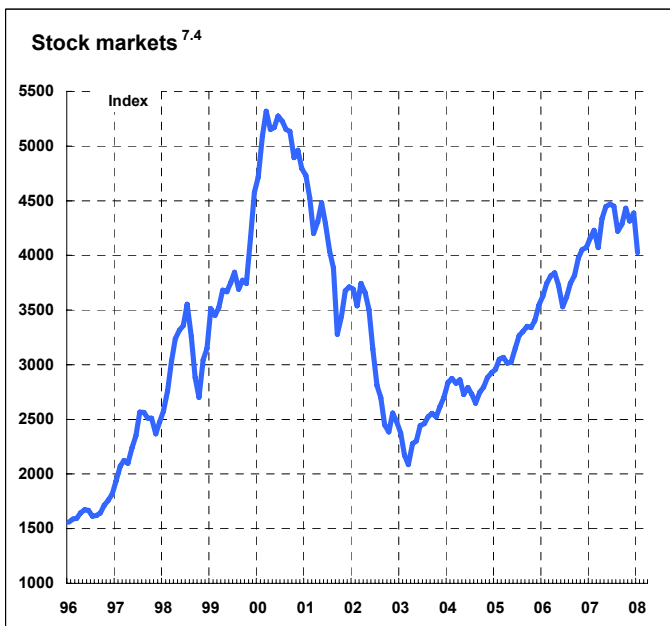
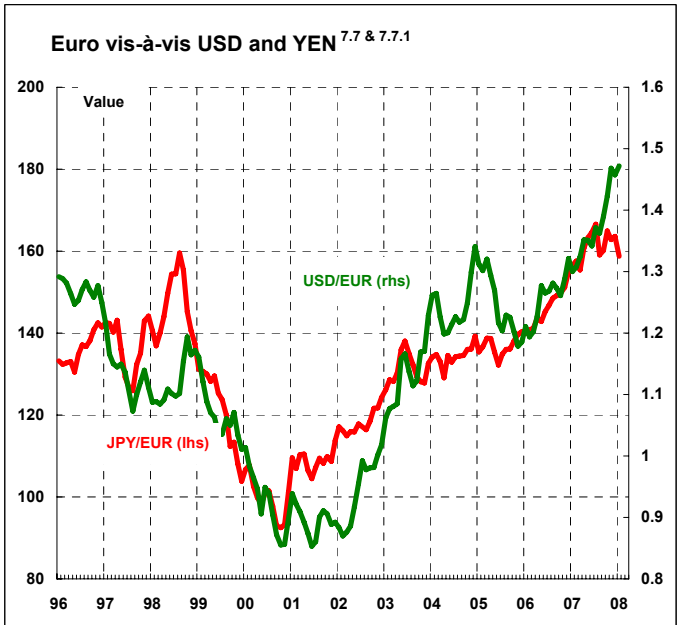
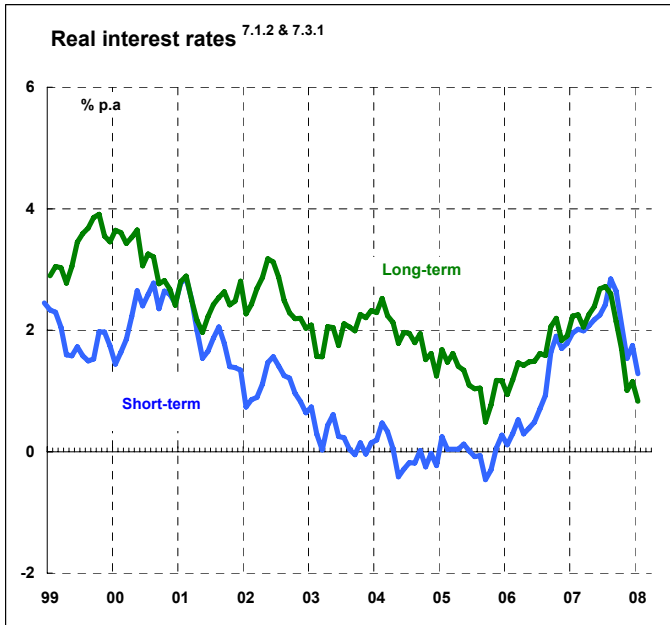
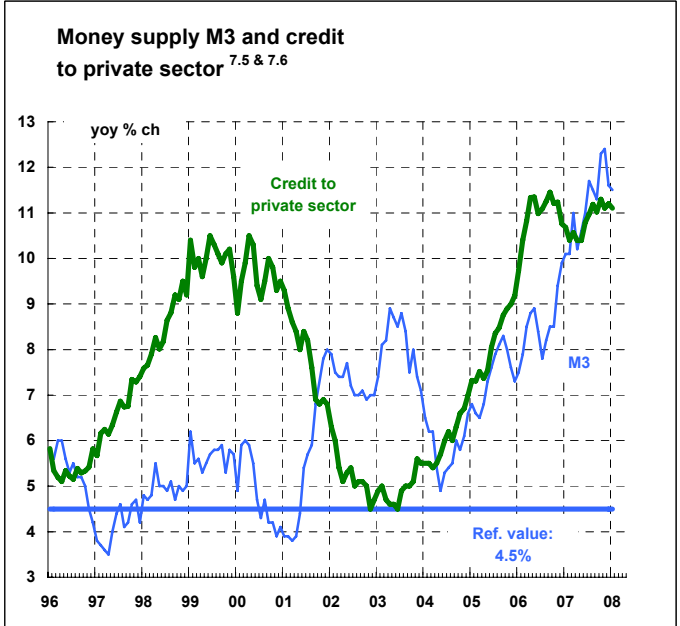
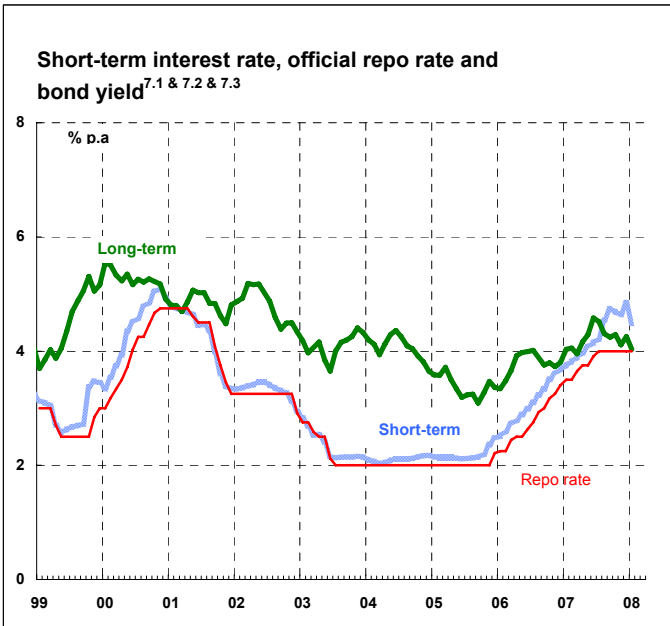


6. PRICES



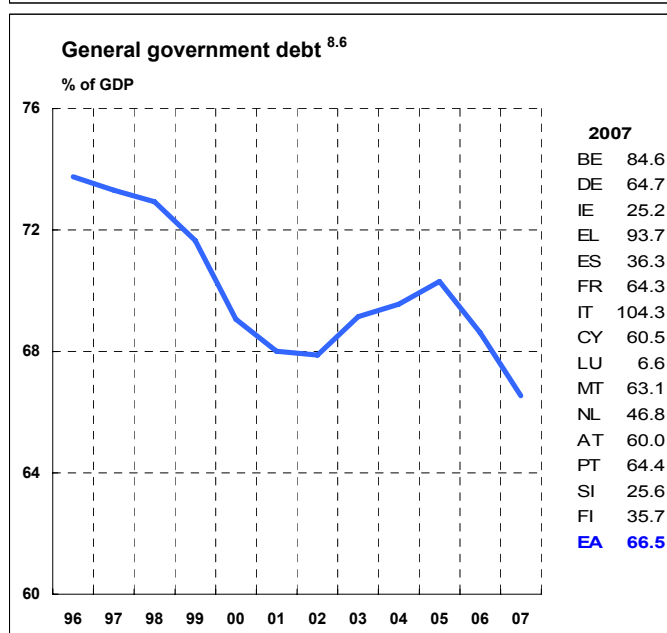
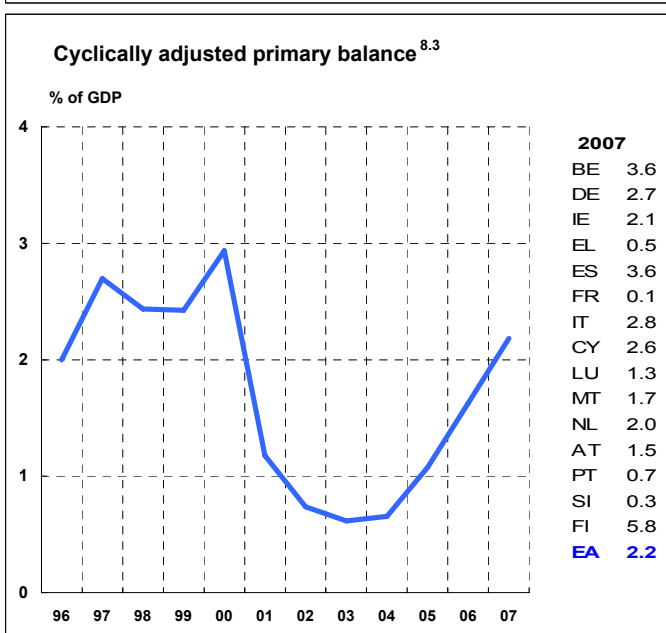
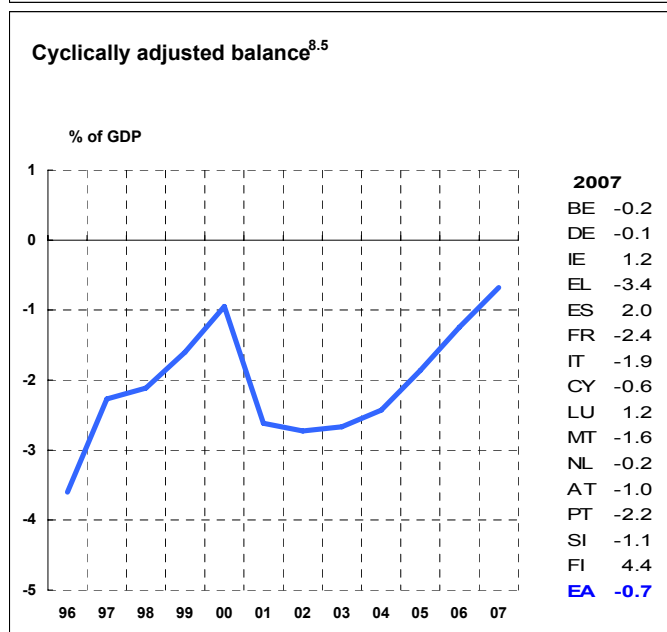
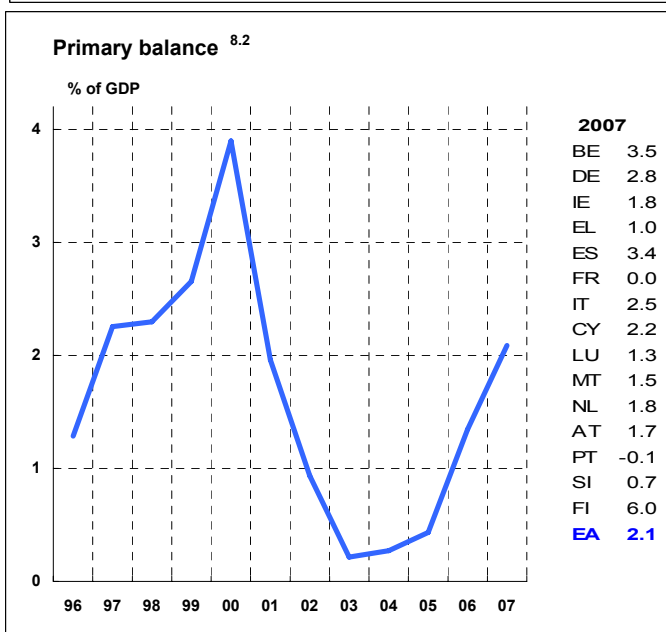
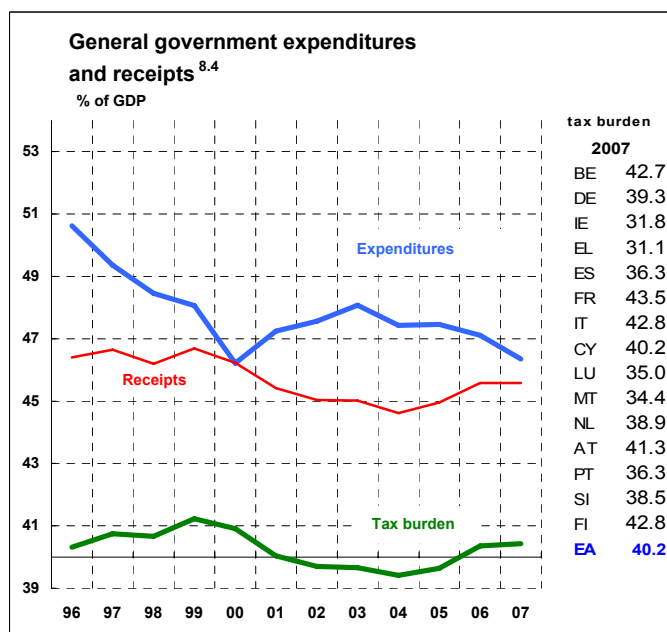
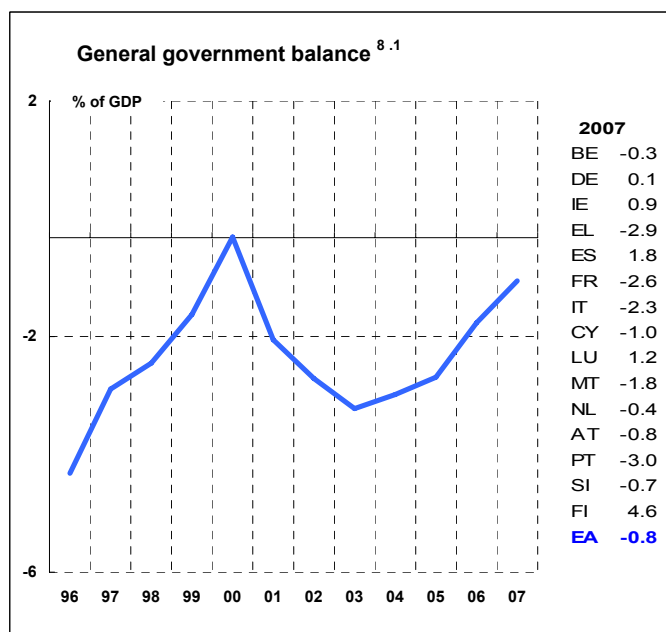


7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE*



* Figures are from the Commission's autumn 2007 forecast

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 (2000 prices), Stocks (prices of previous year), seasonally and calendar day 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, construction and services (excluding public administration), hourly labour costs, working day 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 (2000 prices), including intra euro area trade, seasonally adjusted	Eurostat
5.7	Imports of goods and services	Volume (2000 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 IC24 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