

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 8 May 2008

next update: 29 May 2008

		2005	2006	2007	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08
1 Output										
Industrial confidence ^{1.1}	Balance	-7.2	2.2	4.4	2.6	1.6	1.1	0.2	0.1	-2.0
Industrial production ^{1.2}	mom % ch.	1.3	4.0	3.5	-0.4	0.1	0.6	0.3	--	--
		2005	2006	2007	06Q4	07Q1	07Q2	07Q3	07Q4	08Q1
Gross domestic product ^{1.3}	qoq % ch.	1.6	2.7	2.6	0.8	0.7	0.3	0.7	0.4	--
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.9	-9.1	-4.9	-8.1	-8.7	-11.5	-12.0	-12.1	-12.4
Retail sales ^{2.2}	mom % ch.	1.2	1.6	0.9	-0.5	0.1	0.5	-0.2	-0.4	--
		2005	2006	2007	06Q4	07Q1	07Q2	07Q3	07Q4	08Q1
Private consumption ^{2.3}	qoq % ch.	1.6	1.8	1.5	0.5	0.1	0.6	0.5	-0.1	--
3 Investment										
Capacity utilization ^{3.1}	%	81.3	83.0	84.2	83.9	84.4	84.8	84.1	84.0	83.9
Gross fixed capital formation ^{3.2}	qoq % ch.	3.1	5.3	4.9	1.4	1.3	0.0	1.1	0.8	--
Change in stocks ^{3.3}	% of GDP	0.1	0.3	0.4	0.0	0.5	0.2	0.4	0.3	--
4 Labour market										
Unemployment ^{4.1}	%	8.8	8.3	7.4	7.2	7.2	7.1	7.1	7.1	--
		2005	2006	2007	06Q4	07Q1	07Q2	07Q3	07Q4	08Q1
Employment ^{4.2}	yoy % ch.	0.9	1.6	1.8	1.6	1.8	1.7	1.9	1.7	--
Shortage of labour ^{4.3}	%	2.3	3.8	6.2	5.0	5.1	6.0	6.5	7.2	7.5
Wages ^{4.4}	yoy % ch.	2.8	2.5	2.8	2.1	2.4	2.9	2.7	2.9	--
5 International transactions										
Export order books ^{5.1}	Balance	-15.6	-1.1	3.5	1.0	1.2	-1.8	-2.4	-1.9	-4.6
World trade ^{5.2}	Index	158.5	173.4	185.0	189.3	187.6	195.0	192.1	--	--
Exports of goods ^{5.3}	Bn. EUR	1237.0	1383.5	1497.9	128.0	123.9	132.3	134.9	--	--
Imports of goods ^{5.4}	Bn. EUR	1227.5	1397.1	1473.1	126.6	125.5	133.4	132.8	--	--
Trade balance ^{5.5}	Bn. EUR	9.5	-14.4	22.3	1.4	-1.6	-1.0	2.1	--	--
		2005	2006	2007	06Q4	07Q1	07Q2	07Q3	07Q4	08Q1
Exports of goods and services ^{5.6}	qoq % ch.	4.7	7.9	6.0	3.3	0.8	0.9	2.0	0.6	--
Imports of goods and services ^{5.7}	qoq % ch.	5.4	7.7	5.1	1.7	1.3	0.3	2.5	-0.3	--
		2005	2006	2007	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08
Current account balance ^{5.8}	Bn. EUR	15.5	-3.9	25.5	0.9	-7.2	-7.9	4.3	--	--
Direct investment (net) ^{5.9}	Bn. EUR	-216.4	-144.7	-94.8	9.5	-20.8	-29.9	-13.8	--	--
Portfolio investment (net) ^{5.10}	Bn. EUR	131.4	266.3	253.9	9.9	-10.1	49.3	34.8	--	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.1	3.1	3.1	3.2	3.3	3.6	3.3
Core HICP ^{6.2}	yoy % ch.	1.5	1.5	2.0	2.3	2.3	2.3	2.4	2.7	--
Producer prices ^{6.3}	yoy % ch.	3.5	4.4	2.6	4.3	4.4	5.0	5.4	5.7	--
Import prices ^{6.4}	Index	104.8	112.9	105.2	118.3	118.9	121.9	--	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.1	2.9	3.9	4.6	4.8	4.5	4.4	4.6	4.8
Bond yield (10 years) ^{7.2}	% p.a.	3.4	3.8	4.2	4.1	4.2	4.0	4.0	3.8	4.1
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	4314.9	4386.4	4025.8	3776.6	3595.9	3768.1
M3 ^{7.5}	yoy % ch.	7.4	8.5	11.2	12.3	11.5	11.6	11.3	10.3	--
Credit to private sector (loans) ^{7.6}	yoy % ch.	8.1	11.0	10.8	11.1	11.2	11.1	10.9	10.8	--
Exchange rate USD/EUR ^{7.7}	Value	1.24	1.26	1.37	1.47	1.46	1.47	1.47	1.55	1.58
Nominal effective exchange rate ^{7.8}	Index	109.0	110.9	115.7	119.5	119.9	120.7	120.6	124.2	126.8



1. Output

In April, the **industrial confidence** indicator declined in the euro area. However, the indicator remains above its long-term average. The decline of the indicator was mainly caused by industrial managers' negative assessment of their order books and partly by their views regarding the stocks of finished products. Managers' production expectations remained stable in the euro area.

Seasonally adjusted **industrial production** rose by 0.3% month-on-month (mom) in February, compared to 0.6% growth in the previous month. In February 2008 the euro-area production of consumer goods decreased by 0.4% (both durable and non-durable consumer goods), but that of capital goods and energy rose by 0.9% and 1.0% respectively. Among the larger economies, industrial production increased in Spain (0.6%), France (0.3%) and Germany (0.2%), but declined in Italy (-0.2%). Compared with February 2007, industrial production increased by 3.1%, after 3.3% in January 2008.

The **Commission's spring forecast** projects economic growth to ease from 2.6% in 2007 to 1.7% in 2008 and 1.5% in 2009. This moderation should be seen in the context of marked slowdown in global activity, especially in the US, the persisting turmoil in the financial markets and soaring commodity prices.

Eurostat's second estimate confirmed **real GDP growth** in the last quarter of 2007 at 0.4% quarter-on-quarter (from 0.7% in the third quarter). Among the largest Member States, GDP growth was confirmed for Germany (0.3% quarter-on-quarter (qoq)), Spain (0.8%) and the Netherlands (1.2%), while it was revised down in France to 0.3% (from 0.4%). As to the breakdown, GDP growth in 07Q4 was driven by net-exports and gross fixed capital formation, while private consumption contracted. Despite the moderation towards the end of the year, annual average GDP growth in the euro area was 2.6%, still well above potential and the carry-over amounted to 0.7pp.

2. Private consumption

Private consumption drop was confirmed qoq (by 0.1%) after increasing by 0.5% in the third quarter. On an annual basis, private consumption expenditure rose by 1.1% in 07Q4, weaker than in the third quarter (+1.7%). The weakening was broad-based at the country level, though particularly pronounced in Germany (-0.8% qoq).

In April, **consumer confidence** remained unchanged in the euro area, for the fourth consecutive months and is currently below its long-term average. Households' expectations regarding their own financial situation and the general economic situation slightly declined, while the expectations point to increased saving over the next 12 months. Expectations regarding unemployment over the next 12 months remained stable in the euro area.

In March, the volume of **retail trade** fell by 0.4% m-o-m. Compared to one year before, retail sales fell by 1.6%.

3. Investment

After a rebound in the third quarter, **investment** growth decelerated in 07Q4, to 0.8% qoq from 1.1% in 07Q3. Capital spending was strong in Finland (+4.2%) and the Portugal (+2.2%), but less robust in Germany and France (+1.1).

According to the DG ECFIN's quarterly survey, **capacity utilisation** decreased slightly between January and April and is at 83.5%, although remained well above its long-term average.

4. Labour market

In March 2008, the **unemployment** rate stood at 7.1%, unchanged compared to February. It was 7.5% in March 2007.

In 07Q4, **employment** growth moderated to 0.2% (q-o-q), down from 0.3% in the third quarter. Compared to one year ago, the increase in 07Q4 was 1.7%. Over the year 2007, employment increased by 1.7% representing about 2.4 mio. persons.

After a stabilisation in the previous month, **employment expectations** shifted down in April. Managers' employment expectations for the next three months fell in the manufacturing industry as well as in the services sector, while consumers' unemployment expectations for the next 12 months remained unchanged in the euro area.

The level of recorded **labour shortages in manufacturing** decreased in 08Q2, with 7.3% of firms (7.6% in 08Q1) reporting that unfilled job openings were constraining production.

5. International transactions

Assessment of **export-order books** in manufacturing deteriorated in April to -5 level (from -2 in March), still well above long-term average of -18. The first estimate for the seasonally adjusted **euro-area trade balance** with the rest of the world recorded a 2.1 bn Euro



surplus in February, after reaching deficits in two previous months. As component of GDP, **exports of goods and services** in volume terms were up by 0.6% quarter-on-quarter in 07Q4, while **imports** went down by -0.3%.

In February 2008, the working day and seasonally adjusted **current account** of the euro area showed a surplus of EUR 4.3 billion. This reflected surpluses in goods (EUR 3.1 bn) and services (EUR 5.1 bn), which were partly offset by a deficit in current transfers (EUR 4.3 bn). The **financial account**, combined direct and portfolio investment showed net inflows of EUR 21 billion.

6. Prices

HICP in March stood at 3.6%, 0.1pp higher than the flash, up from up from 3.3% in February. The flash for April is estimated at 3.3%. **Core inflation** in March was 2.7%, up from 2.4% in February. Acceleration in oil, commodity and food prices constitute the main elements behind the current record-high level of headline inflation.

The **Brent Index** continued to increase, reaching a new high at 119.2 USD/bl. on 7 May. The markets remain volatile and are still driven by persistent supply concerns stemming from certain geopolitical tensions in some oil producing countries, robust demand from emerging markets, the weakness of the dollar and recently-intensified pressures from high inflation. Compared to April 2007, oil prices are now about 60% higher in USD and 40% higher in EUR.

In March 2008, **industrial producer prices** rose by 0.7% (mom), as in February. Excluding energy, producer prices rose by 0.3% (mom). Compared with March 2007, industrial producer prices gained 5.7%.

7. Monetary and financial indicators

ECB has kept its key interest rates unchanged. The **3-month short-term interest rate** has increased in the course of the month and stood at 4.86% on 7 May, reaching its end-December level. This is more than 80 bp above the refi rate (4%), while the historical average is around 20 bp, reflecting e.g. the lack of confidence between commercial banks. On 30 April, the Fed lowered its target interest rate by 25 bps. to 2.0%. This is the seventh cut since last September. On 7 May, the US 3-month interest rate was 2.73%, a significant decrease from the 5.15% posted at the beginning of Dec. 2007.

In the course of April, the **bond yields** in both the euro area and the US were increasing. This upward trend reflects the increased inflation concerns and

faltering expectations of interest rate movements by the central banks on both sides of Atlantic. On 7 May, the ten-year interest rate was 3.85% in the US and 4.18% in the euro area.

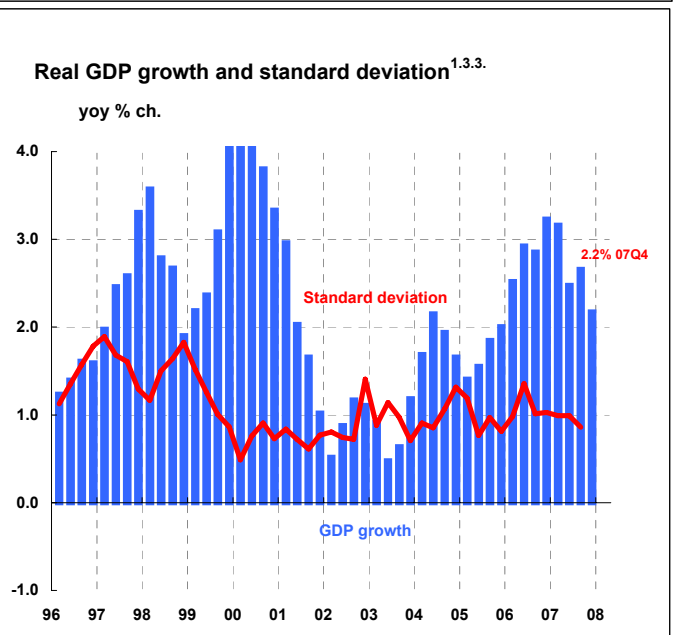
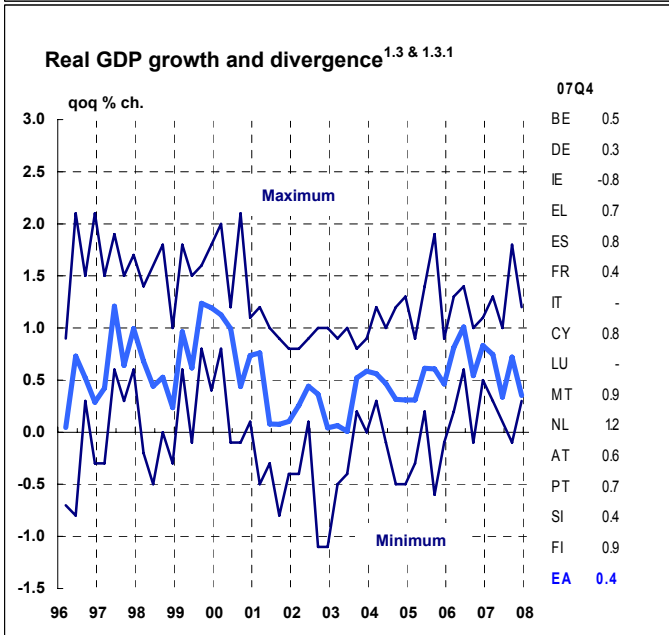
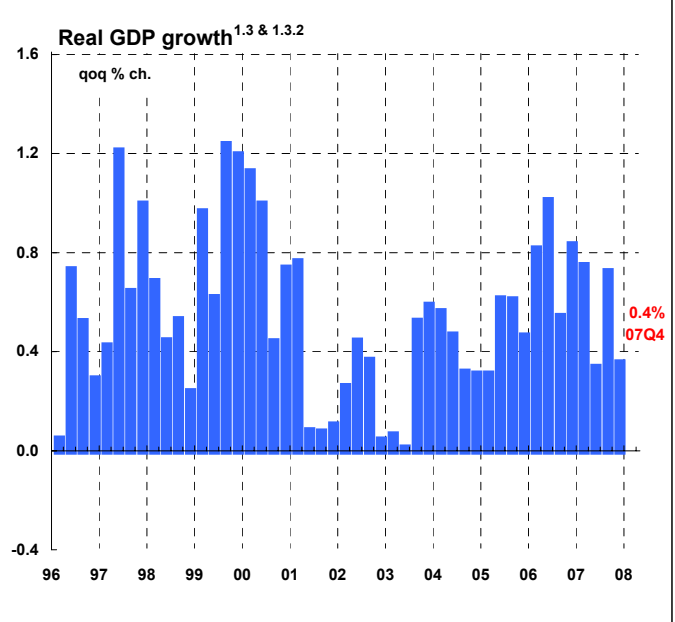
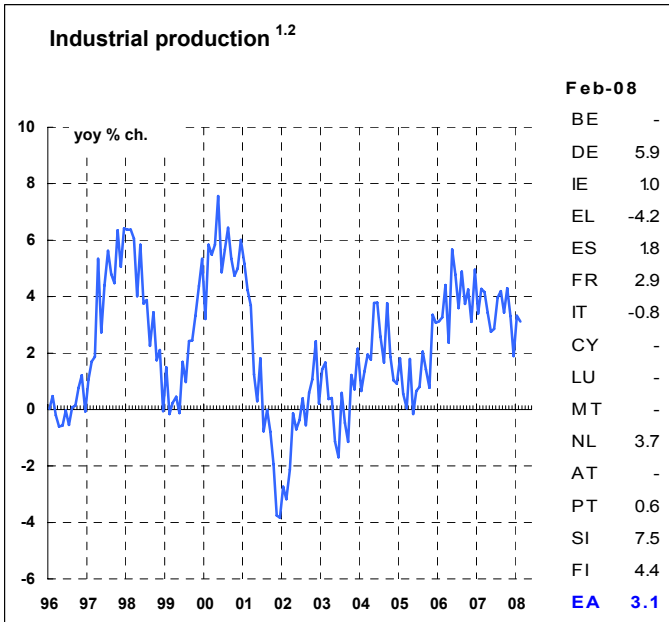
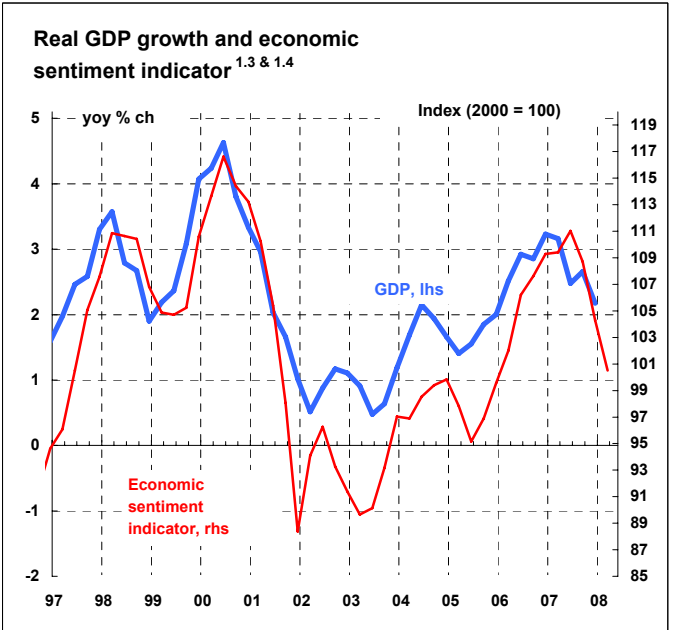
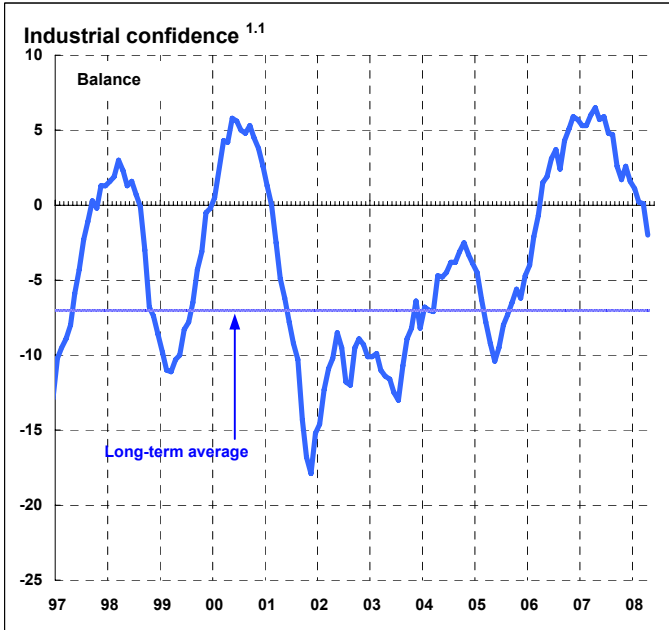
So far, there are no firm signs of a credit squeeze in **lending data**. According to ECB, the annual rate of **growth of M3** decreased further to 10.3% in March 2008, from 11.3% in February 2008. The 3-month moving average (over the period Jan.-Mar.08) declined to 11.1%, from 11.4% recorded last month. Annual rate of growth of **loans to the private sector** stood at 10.8% in March, after 11.0% in the previous month. The annual growth rate of **loans to non-financial corporations** increased to 15.0% in March, after 14.8% in February, while the growth rate of **loans to households** decreased to 5.4%, from 5.8% in the previous month.

In April, the euro continued to appreciate versus the dollar and hit a new high of 1.59 USD on 23 April. Thereafter, the euro depreciated and reached 1.54 USD on 7 May. The **foreign exchange rate markets** are still volatile and affected by the weaker economic outlook. On 7 May, the euro was trading at 161.1 against JPY.

The major **stock market indices** seem to be very volatile and responsive to the macroeconomic news and company earning reports. The first half of April was, especially in the European and the US markets, marked by concerns about corporate and banking revenue losses, while the indices have shown some signs of rebound at the end of the month. Japanese equities (Nikkei) have firmed quite significantly during April, mainly on the back of yen weakening. On 7 May, the Dow Jones closed at 139.5, Eurostoxx at 109.3 and Nikkei at 105.1.



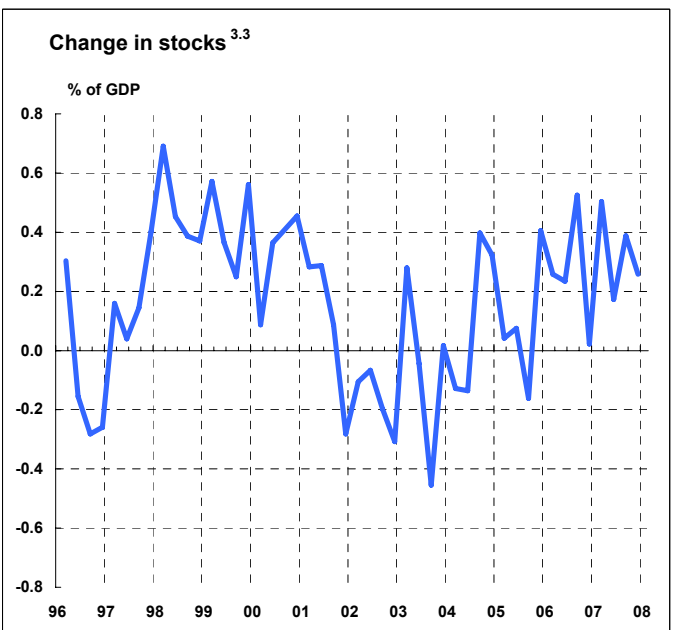
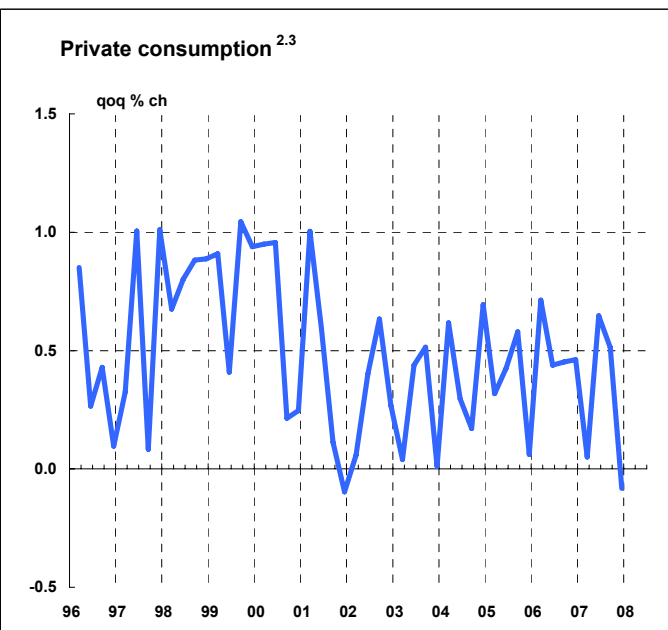
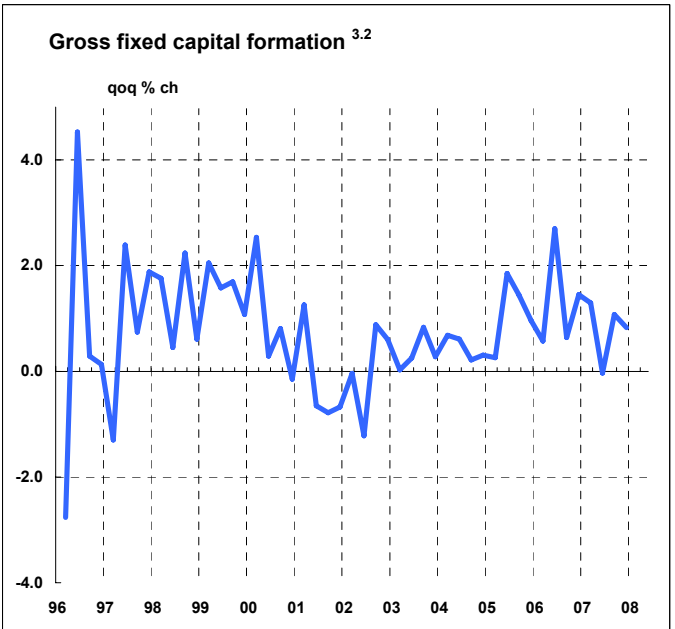
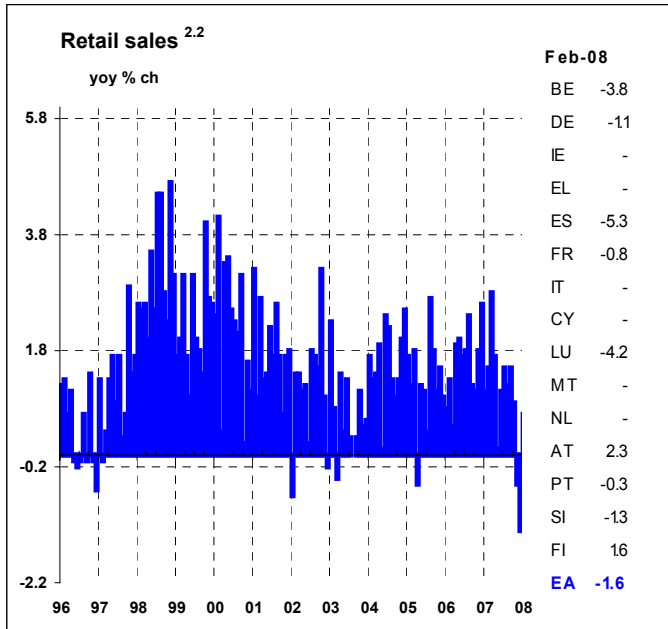
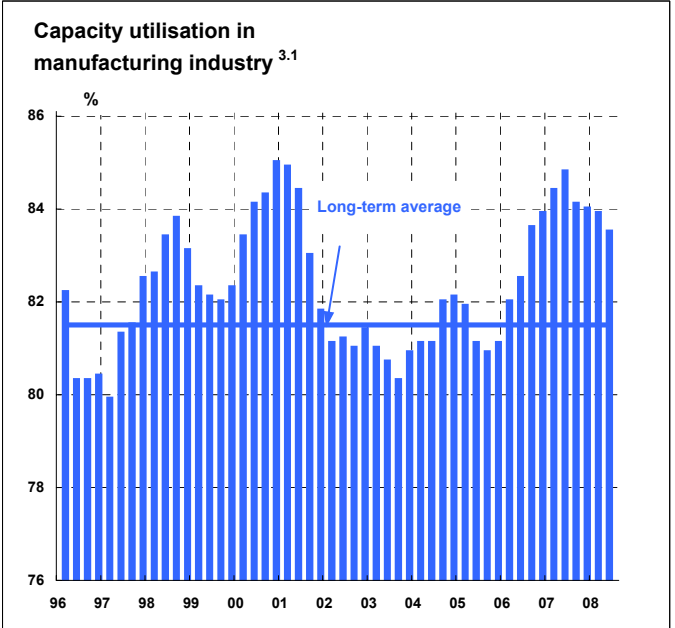
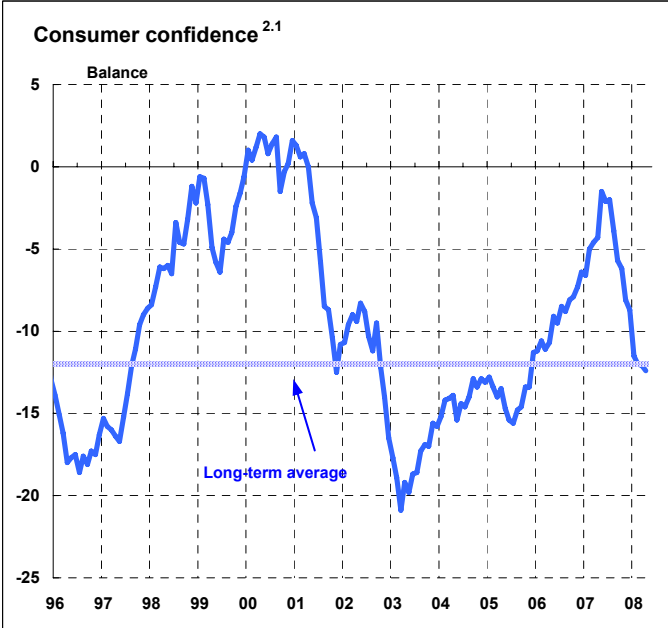
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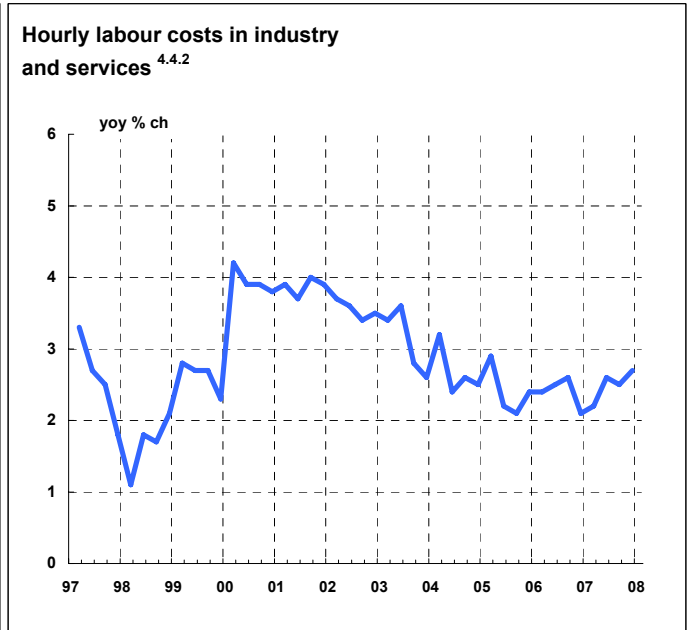
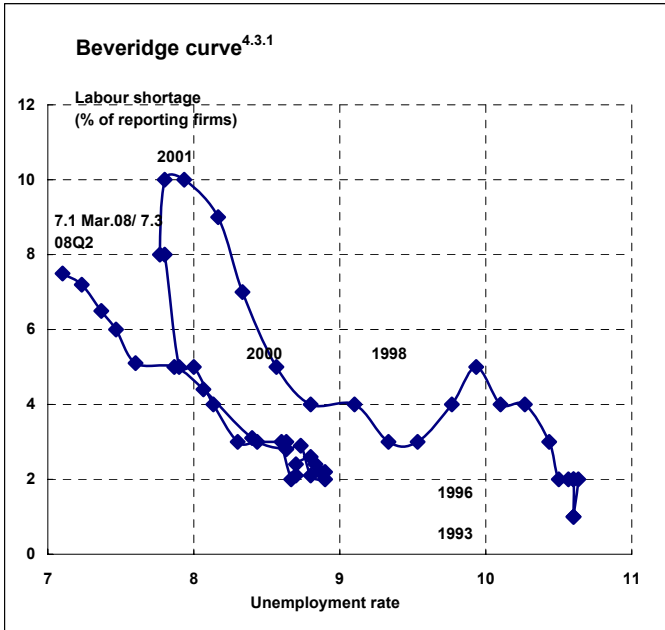
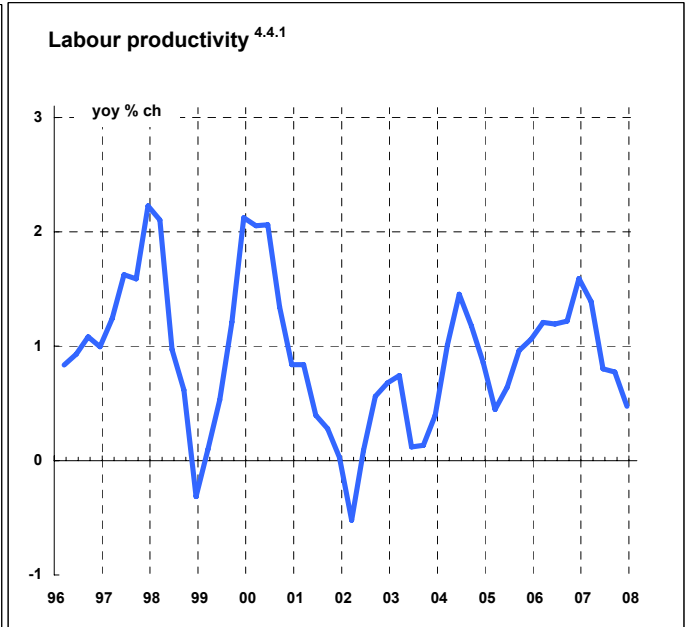
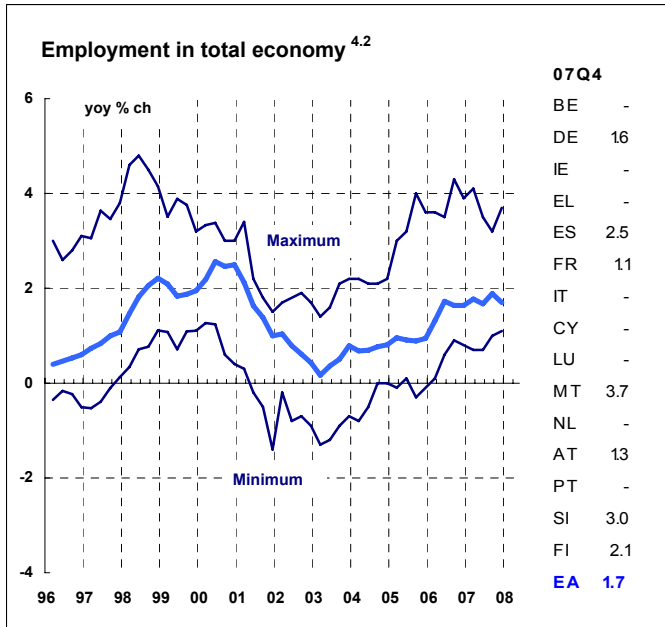
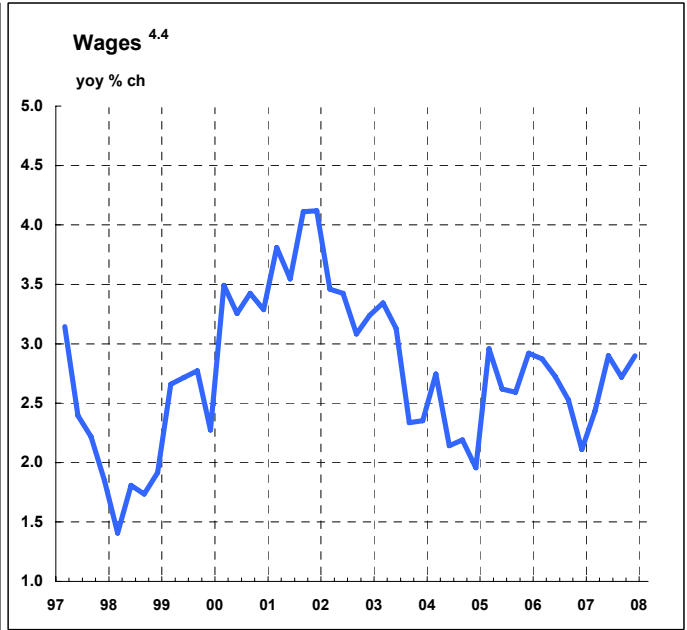
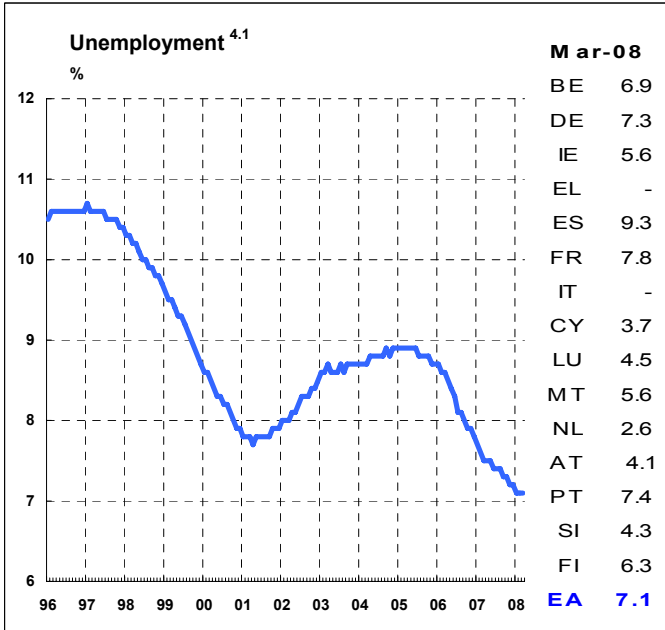
2. PRIVATE CONSUMPTION

3. INVESTMENT



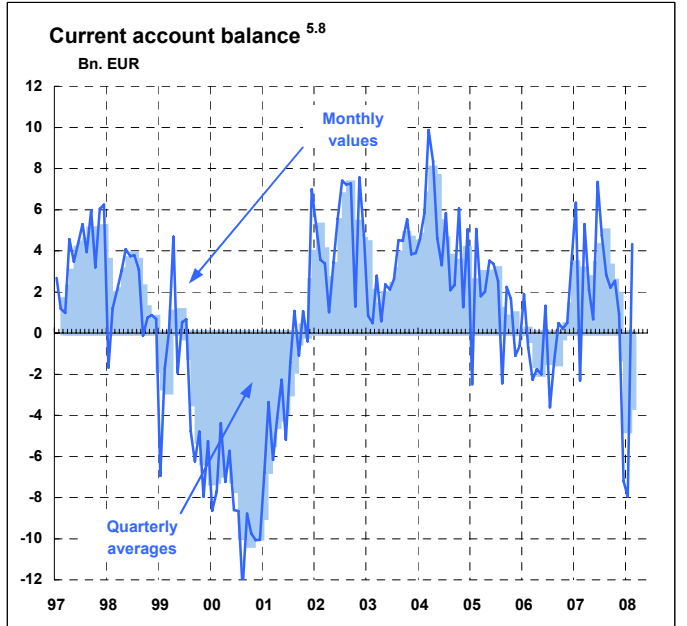
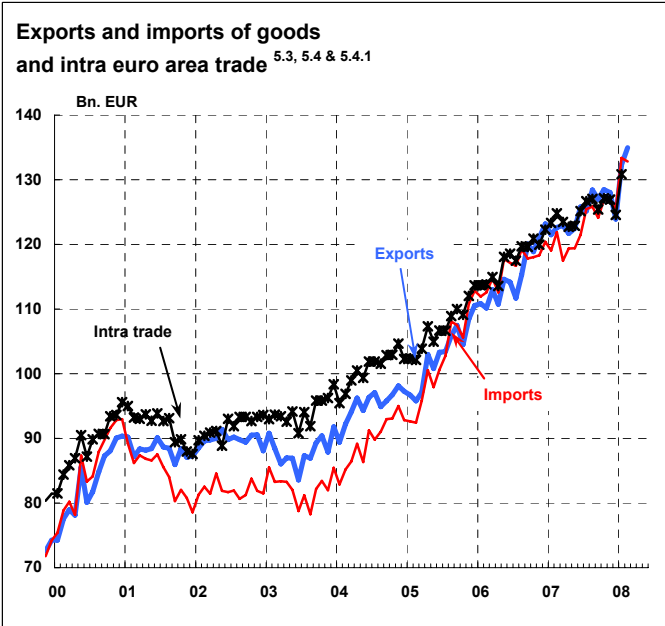
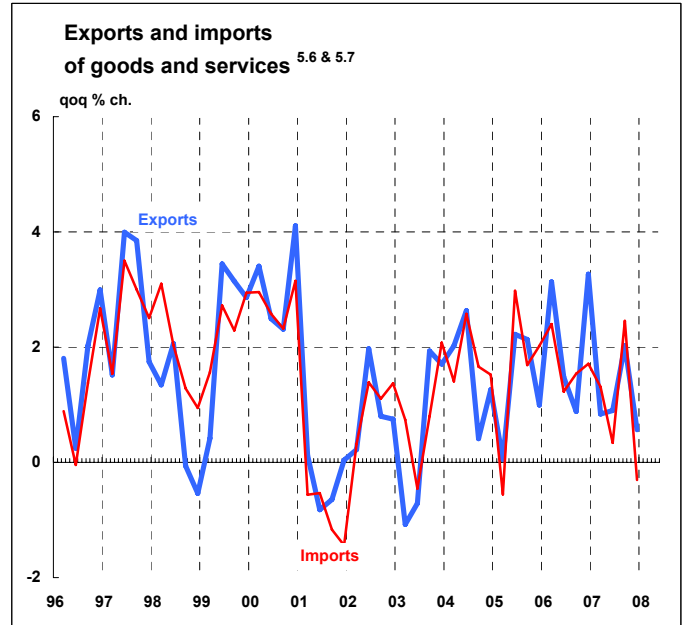
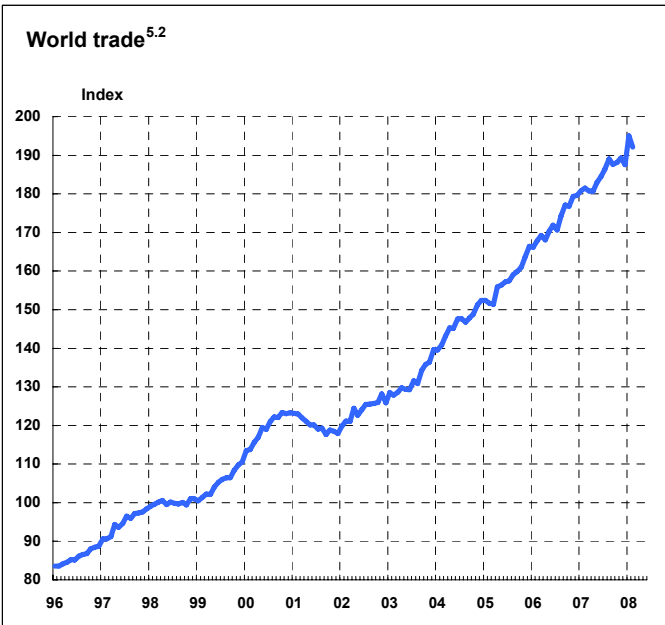
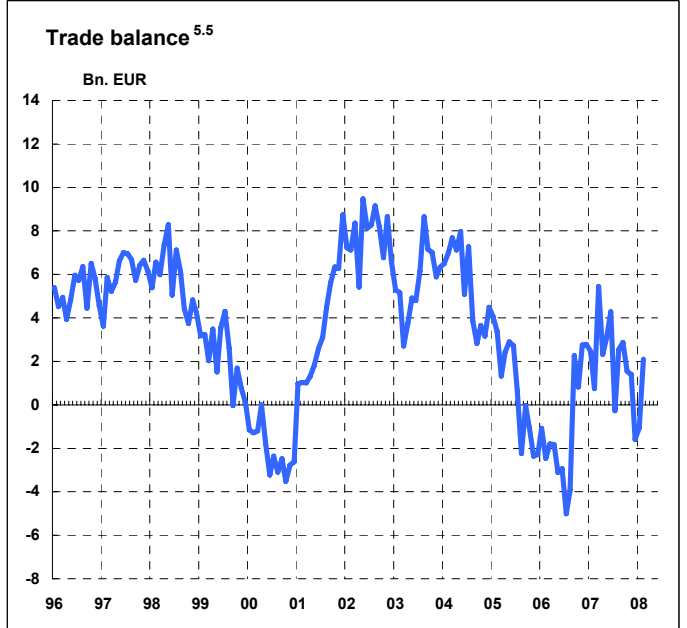
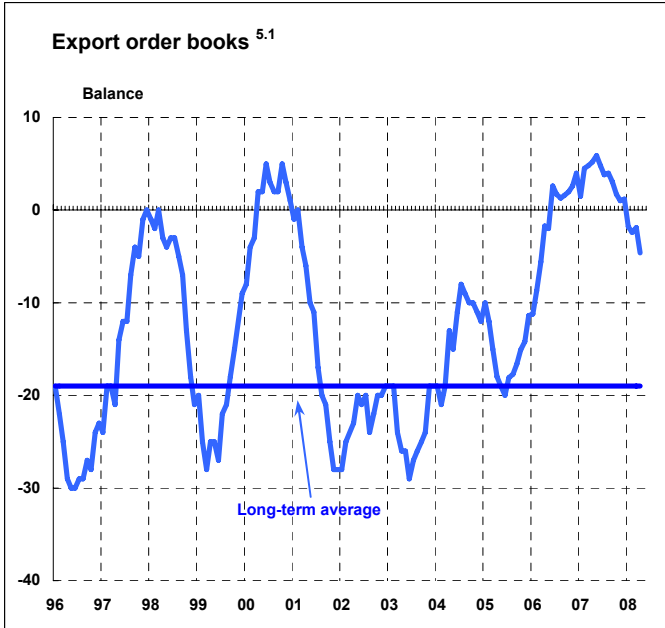


4. LABOUR MARKET



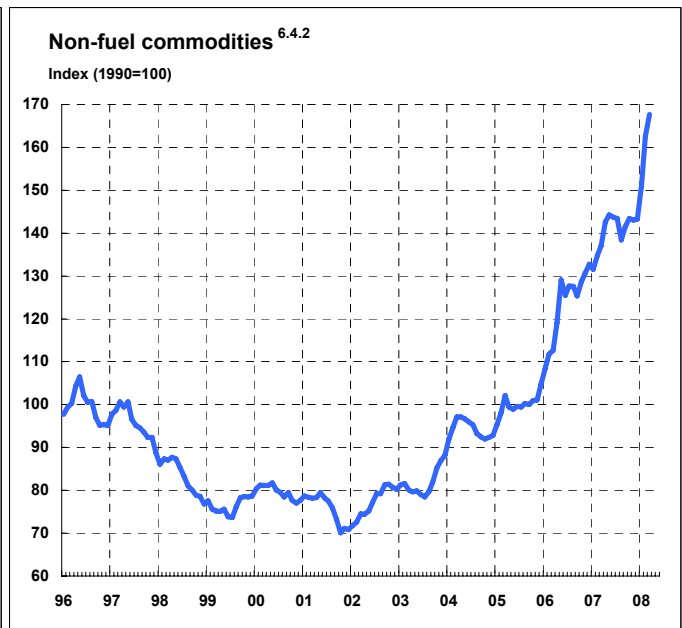
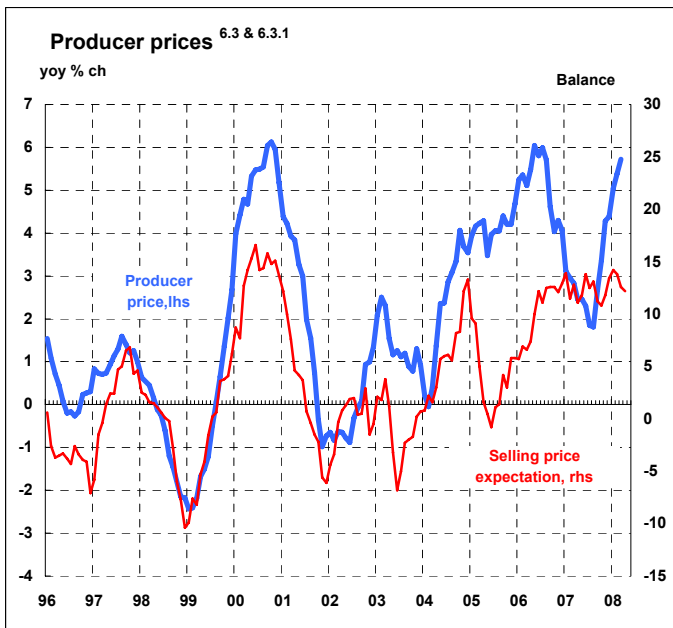
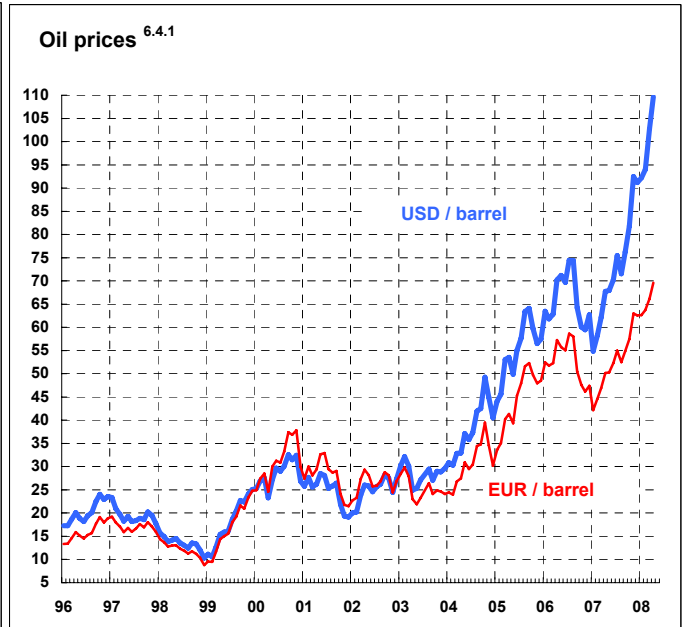
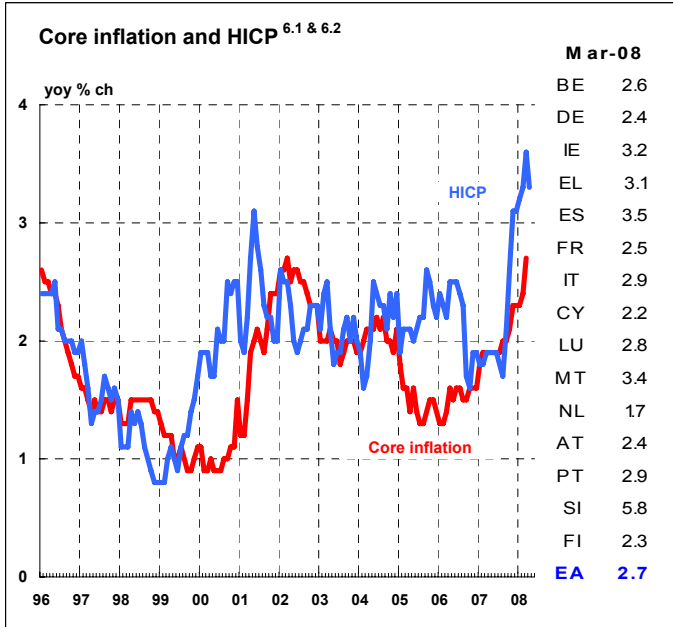
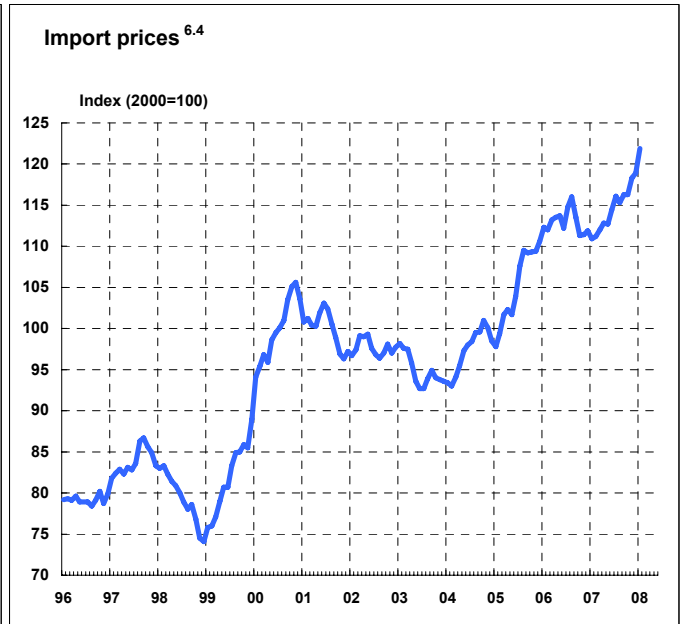
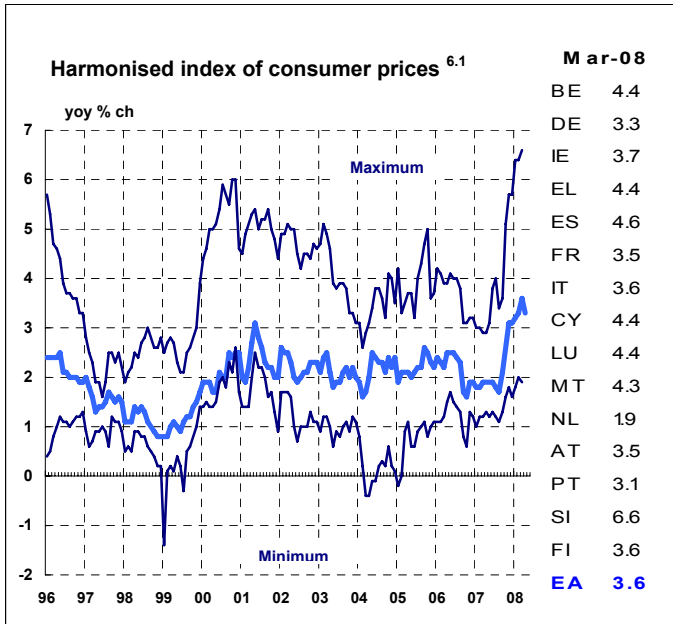


5. INTERNATIONAL TRANSACTIONS



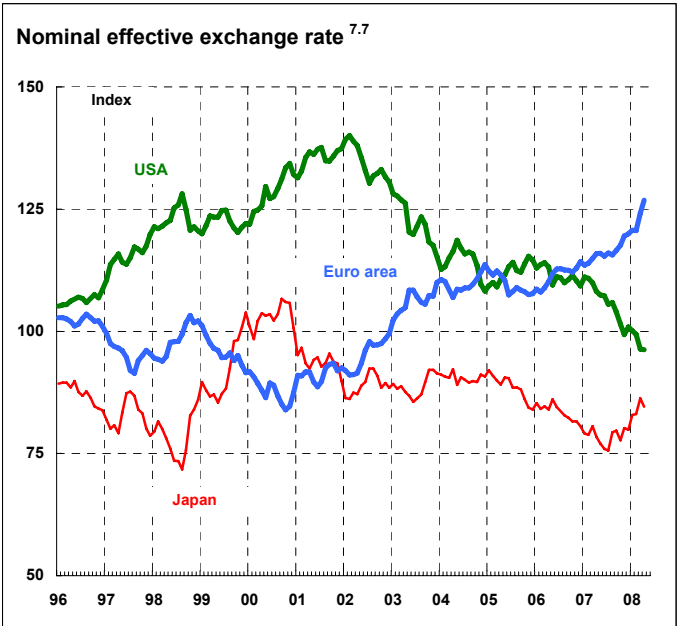
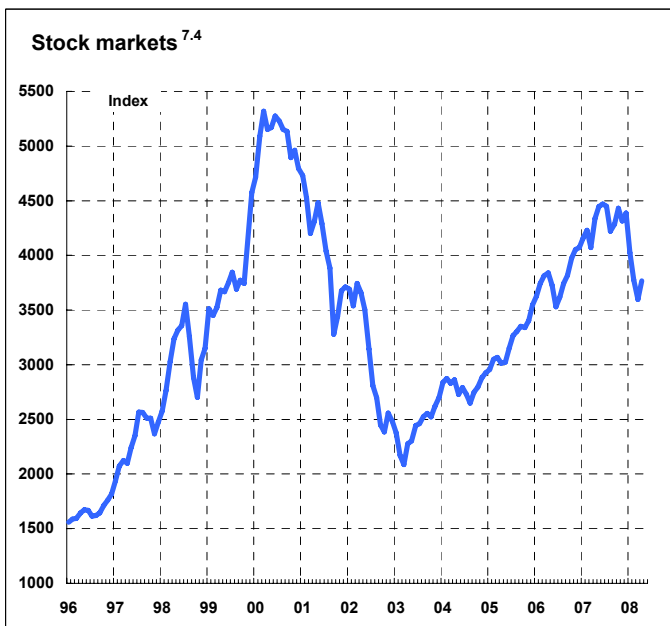
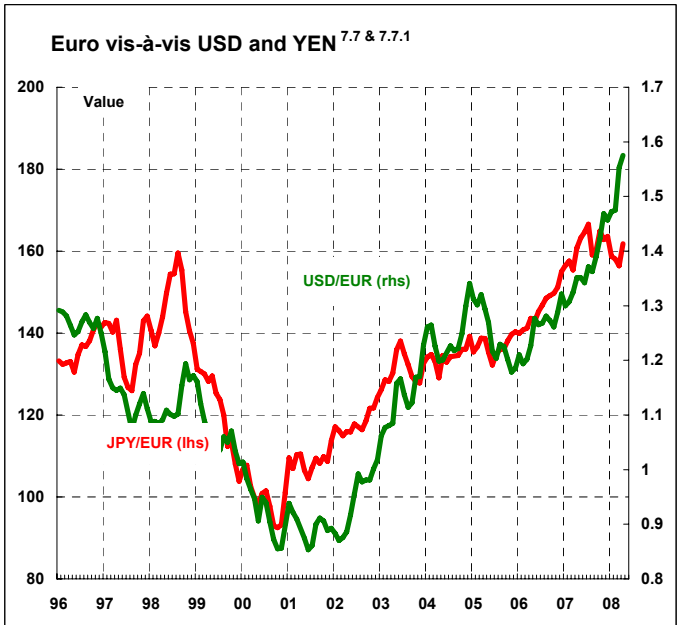
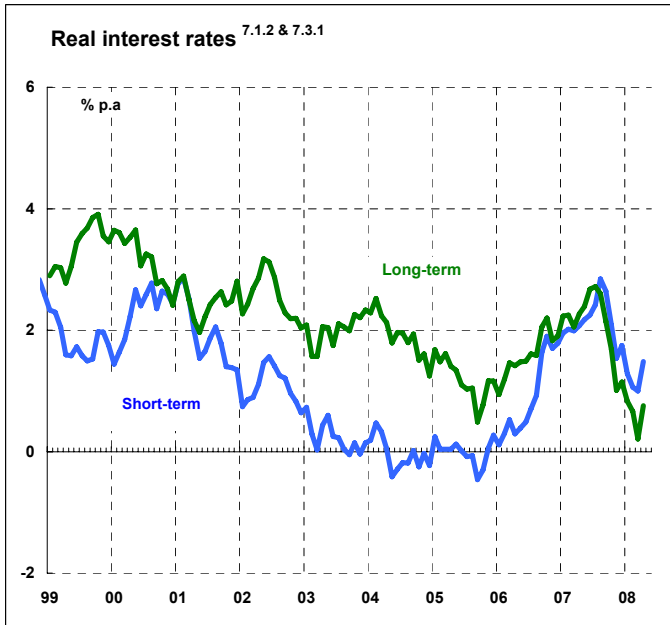
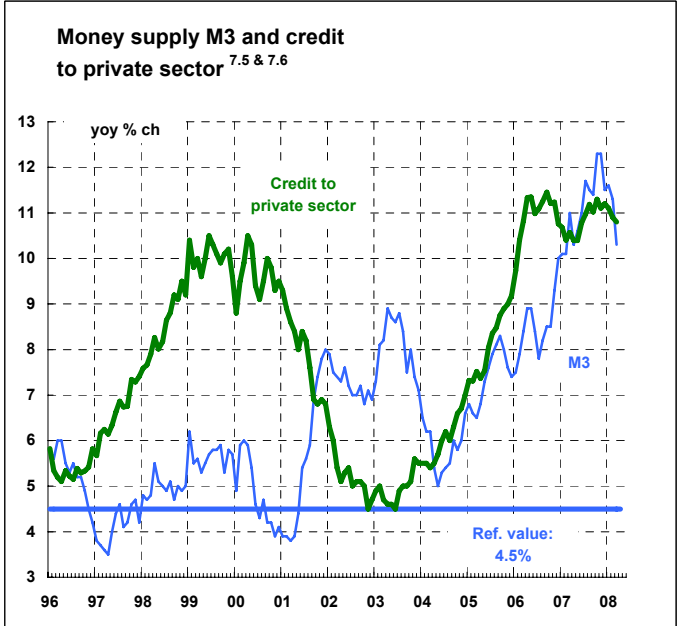
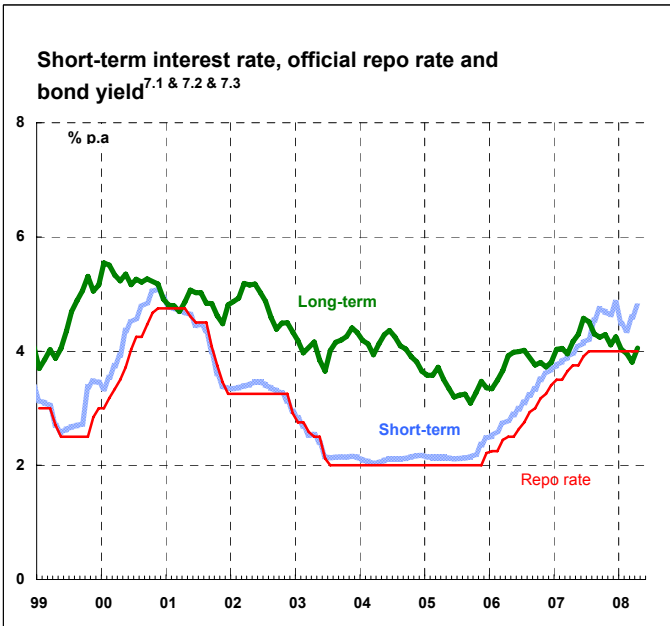


6. PRICES



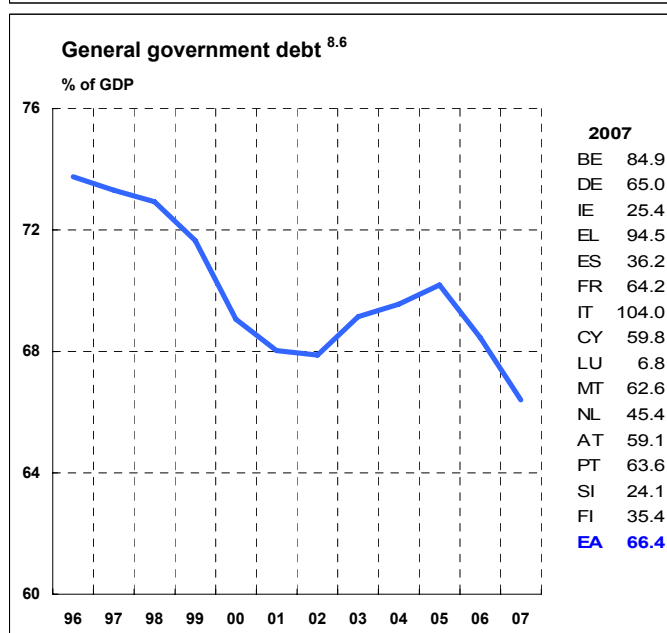
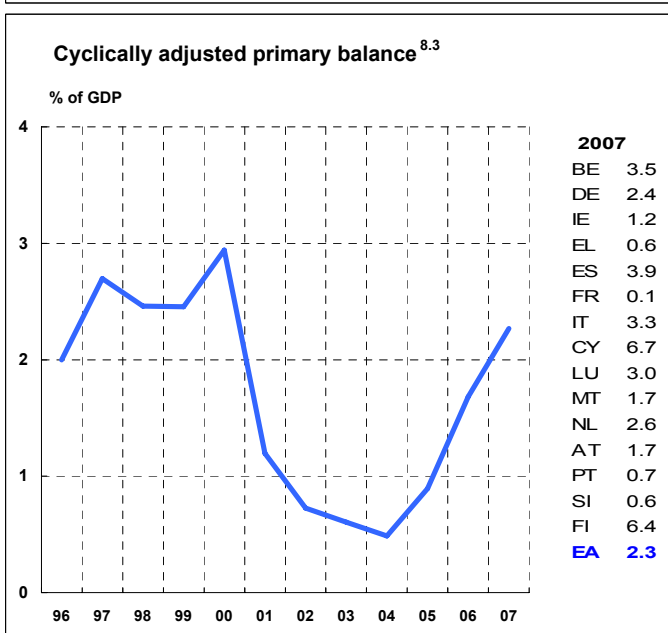
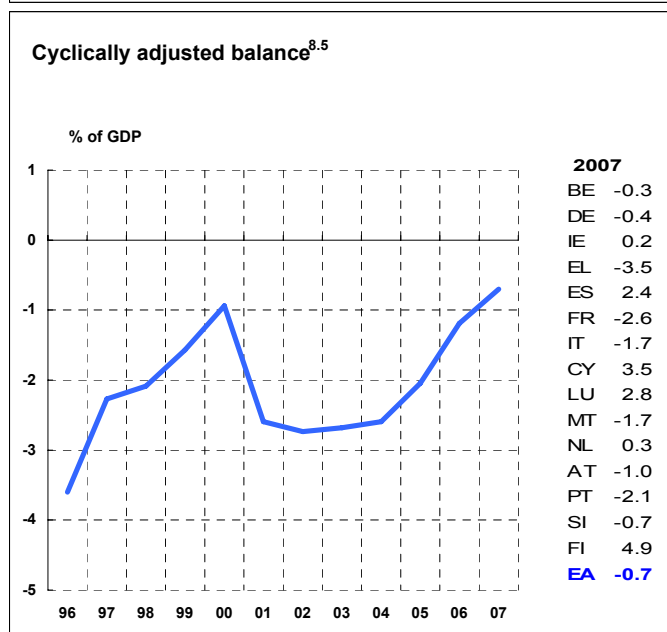
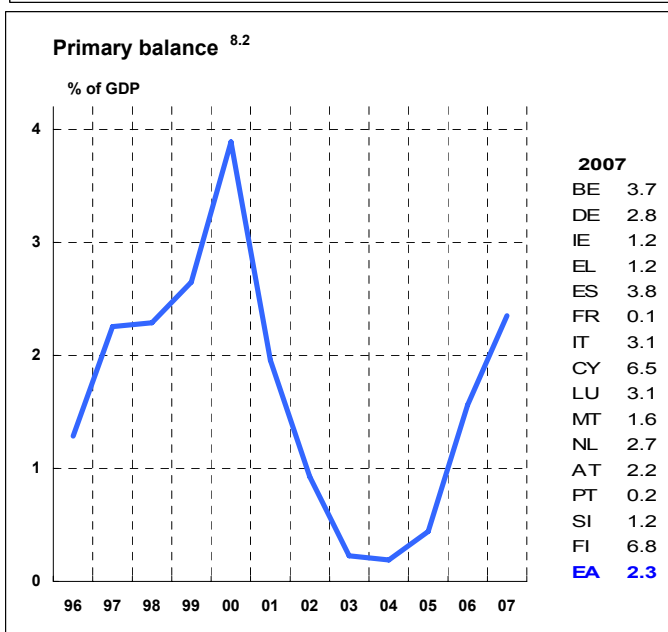
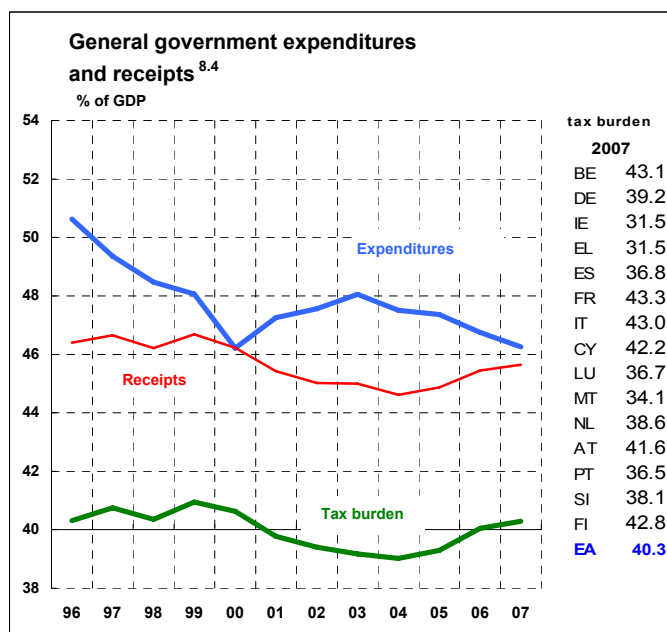
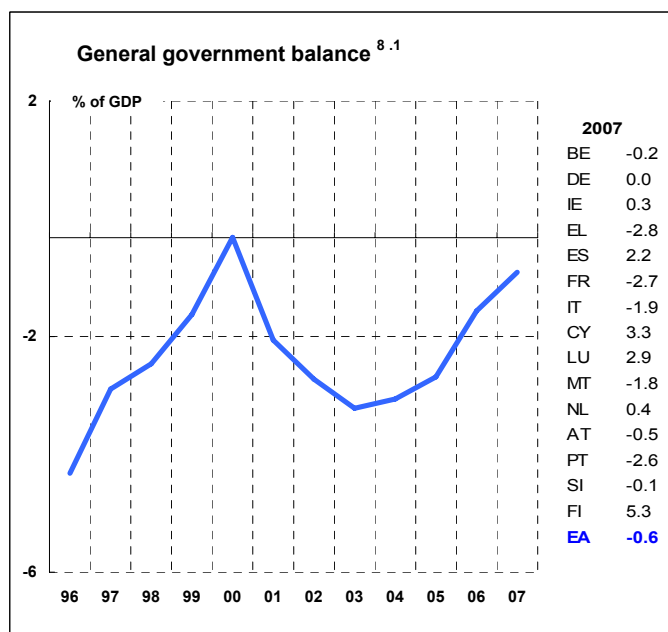


7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE*



* Figures are from the Commission's spring 2008 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