

KEY INDICATORS FOR THE EURO AREA



European Commission, DG ECFIN

Key indicators for the euro area

this update: 29 May 2008

next update: 3 July 2008

		2005	2006	2007	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
1 Output										
Industrial confidence ^{1.1}	Balance	-7.2	2.2	4.4	1.6	1.1	0.2	0.1	-2.0	-2.2
Industrial production ^{1.2}	mom % ch.	1.4	4.0	3.5	0.1	0.7	0.3	-0.2	--	--
		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	0.7
2 Private consumption										
Consumer confidence ^{2.1}	Balance	-13.9	-9.1	-4.9	-8.7	-11.5	-12.0	-12.1	-12.4	-14.7
Retail sales ^{2.2}	mom % ch.	1.2	1.6	1.0	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	7.1	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	7.6
Wages ^{4.4}	yoy % ch.	2.8	2.5	2.8	2.1	2.3	2.8	2.6	2.9	--
5 International transactions										
Export order books ^{5.1}	Balance	-15.6	-1.1	3.5	1.2	-1.8	-2.4	-1.9	-4.6	-6.2
World trade ^{5.2}	Index	158.5	173.4	185.0	187.1	193.8	191.3	189.1	--	--
Exports of goods ^{5.3}	Bn. EUR	1236.8	1383.4	1497.9	123.8	132.2	133.0	129.1	--	--
Imports of goods ^{5.4}	Bn. EUR	1227.4	1397.1	1473.4	125.6	133.5	131.5	131.5	--	--
Trade balance ^{5.5}	Bn. EUR	9.5	-14.4	22.3	-1.7	-1.3	1.6	-2.4	--	--
		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	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
Current account balance ^{5.8}	Bn. EUR	15.5	-3.9	25.5	-7.2	-7.9	7.5	-15.3	--	--
Direct investment (net) ^{5.9}	Bn. EUR	-216.4	-144.7	-94.8	-20.8	-29.9	-20.0	-18.8	--	--
Portfolio investment (net) ^{5.10}	Bn. EUR	131.4	266.3	253.9	-10.1	49.3	19.4	1.3	--	--
6 Prices										
HICP ^{6.1}	yoy % ch.	2.2	2.2	2.1	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	2.4	2.7	2.4	--
Producer prices ^{6.3}	yoy % ch.	3.5	4.4	2.6	4.4	5.0	5.4	5.7	--	--
Import prices ^{6.4}	Index	104.8	112.9	105.2	118.9	122.4	122.7	--	--	--
7 Monetary and financial indicators										
Interest rate (3 months) ^{7.1}	% p.a.	2.1	2.9	3.9	4.8	4.5	4.4	4.6	4.8	--
Bond yield (10 years) ^{7.2}	% p.a.	3.4	3.8	4.2	4.2	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	--
Stock markets ^{7.4}	Index	3207.1	3793.3	4316.4	4386.4	4025.8	3776.6	3595.9	3768.1	--
M3 ^{7.5}	yoy % ch.	7.4	8.5	11.1	11.5	11.6	11.3	10.1	10.6	--
Credit to private sector (loans) ^{7.6}	yoy % ch.	8.1	11.0	10.8	11.2	11.1	10.9	10.8	10.6	--
Exchange rate USD/EUR ^{7.7}	Value	1.24	1.26	1.37	1.46	1.47	1.47	1.55	1.58	--
Nominal effective exchange rate ^{7.8}	Index	109.0	110.9	115.7	119.9	120.7	120.6	124.2	126.7	125.6



1. Output

In May, the **industrial confidence** indicator remained unchanged (at -2 level), above its long-term average of -7. This persistence at the aggregated level goes on account of unchanged levels of all its components; namely stable industrial managers' assessment of production expectations, order books and stocks of finished products.

In March, seasonally adjusted **industrial production** fell by 0.2% month-on-month (mom), compared to 0.3% growth in the previous month. In March, the production of all categories declined in mom terms, except for energy, which rose 2.7% mom. Production declined (in mom terms) in all larger Member States, except for Germany and the Netherlands. Compared with March 2007, industrial production increased by 2.0%.

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.

According to Eurostat's flash estimate, in the first quarter of 2008, euro-area **real GDP** increased by 0.7% quarter-on-quarter (qoq), faster than the Commission's spring forecast of 0.5% qoq. The better-than-expected outcome goes mainly on account of the especially strong performance in Germany (+1.5%), the highest quarterly growth rate in 12 years. Stronger-than-usual seasonal factors related to mild weather conditions contributed to this positive trend. The qoq GDP growth in Q1 was weaker, but still solid in France (+0.6%), Spain (0.3%), the Netherlands (0.2%) and the UK (0.4%). No information at this stage is provided for the GDP components (available 3 June).

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 May, **consumer confidence** deteriorated to -15 level, after remaining unchanged at a level -12 for 4 consecutive months. The indicator is now clearly below its long-term average of -11. The decline of the indicator was mainly caused by deterioration in the

perception of households about the expectations of their own financial situation, the general economic situation and their saving over the next 12 months. On the other hand, their expectations regarding unemployment over the next 12 months improved somewhat in May.

In March, the volume of **retail trade** fell by 0.4% mom, after falling in February by 0.2%. 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.

In May, the managers' **employment expectations** in manufacturing industry deteriorated slightly, while they have improved somewhat in the services sector. Consumers' unemployment expectations for the next 12 months recovered quite significantly.

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 fell in May to -6 (from -5 in April), still well above long-term average of -18. The seasonally adjusted **euro-area trade balance** with the rest of the world recorded a 2.3 bn Euro deficit in March, the third deficit in four months. These deficits are mainly due to rising commodity prices. 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 March 2008, the working-day and seasonally adjusted **current account** of the euro area showed a deficit of EUR 15.3 billion. This reflected deficits in current transfers (EUR 10.8 billion), income (EUR 4.2 billion) and goods (EUR 3.9 billion), which were only partly compensated for by a surplus in services (EUR 3.6 billion). The **financial account**, combined direct and portfolio investment showed net outflows of EUR 18 billion, reflecting net outflows in direct investment (EUR 19 billion) and net inflows in portfolio investment (EUR 1 billion).

6. Prices

HICP in April stood at 3.3%, down from 3.6% in March and confirming the flash estimate. **Core inflation** in April was 2.4%, down from 2.7% in March. Acceleration in oil and food prices constitute the main elements behind the current record-high level of headline inflation.

In May, the **Brent Index** continued to increase, reaching a new high at 132.7 on May 23 and easing somewhat thereafter. There are some signs of a drop in US fuel consumption on the back of slowing economy and record high energy prices. However, markets remain volatile and are still driven by persistent supply constraints stemming from geopolitical tensions in some oil producing countries, robust demand from emerging markets and the weakness of the dollar. Moreover, commodities are increasingly seen as an investment opportunity leading to a speculative pressure. Compared to May 2007, oil prices are now about 76% higher in USD and 53% higher in EUR terms.

In March 2008, **industrial producer prices** rose by 0.7% (mom), unchanged from 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 interbank interest rate** in the euro area has been relatively stable in the course of May, however at elevated levels and reaching 4.85 on 28 May. This is around 80 bps above 3-month overnight interest rates swaps, while the historical average is around 10 bps, implying persistent concerns of counterparty risk between commercial banks. On 30 April, the Fed lowered its target interest rate by 25 bps to 2.0%, the seventh cut since last September. On 28 May, the US

3-month interest rate was at 2.64% (compared with 2.78% at the beginning of May), significantly lower than 4.8% posted at the beginning of this year.

In the course of May, the **bond yields** in both the euro area and the US were on the rise. In the euro area, this upward trend follows increased inflation concerns. On 27 May, the ten-year interest rate was 3.92% in the US (compared with 3.76% at the beginning of May) and 4.31% in the euro area (4.11% - at beginning of May).

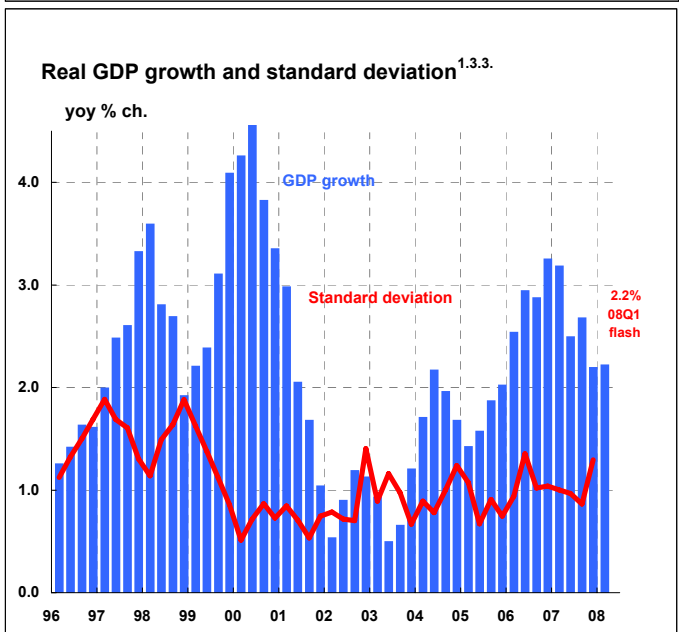
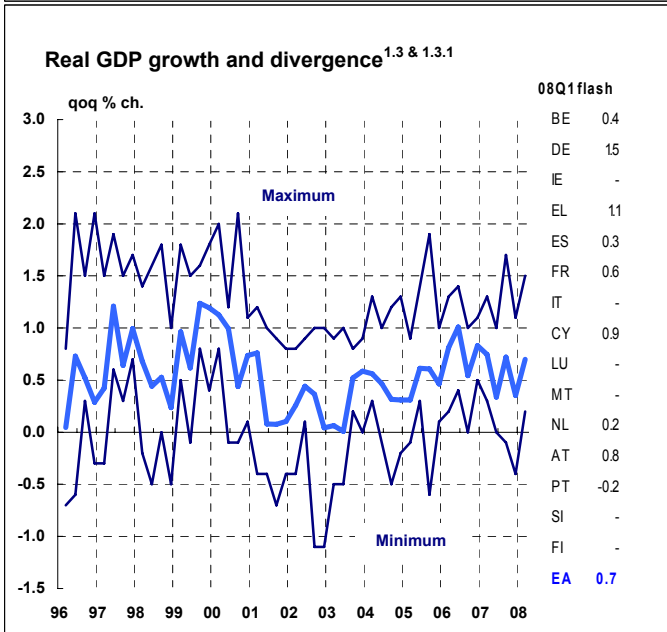
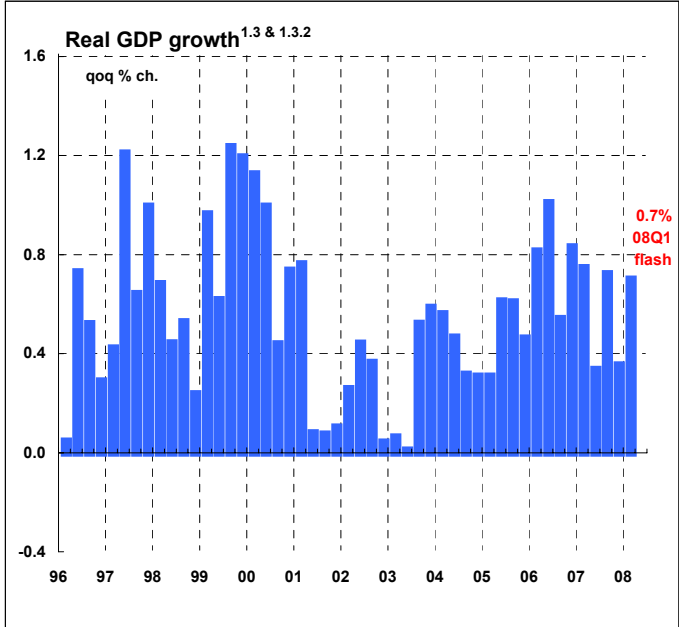
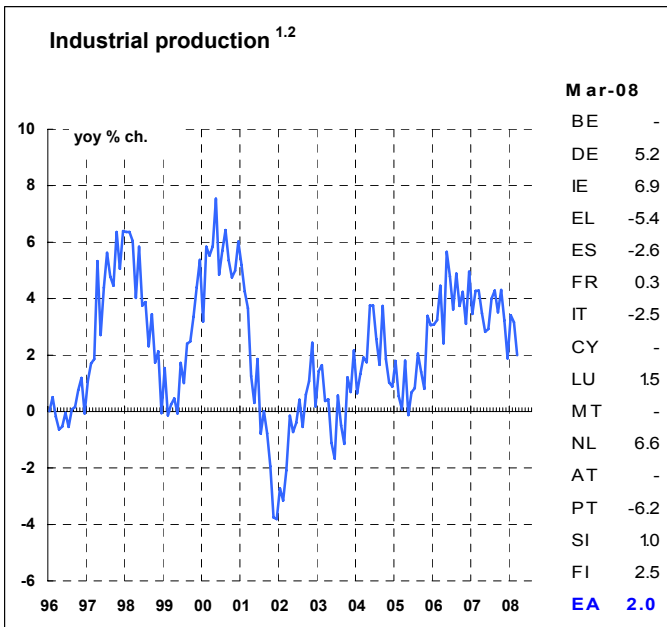
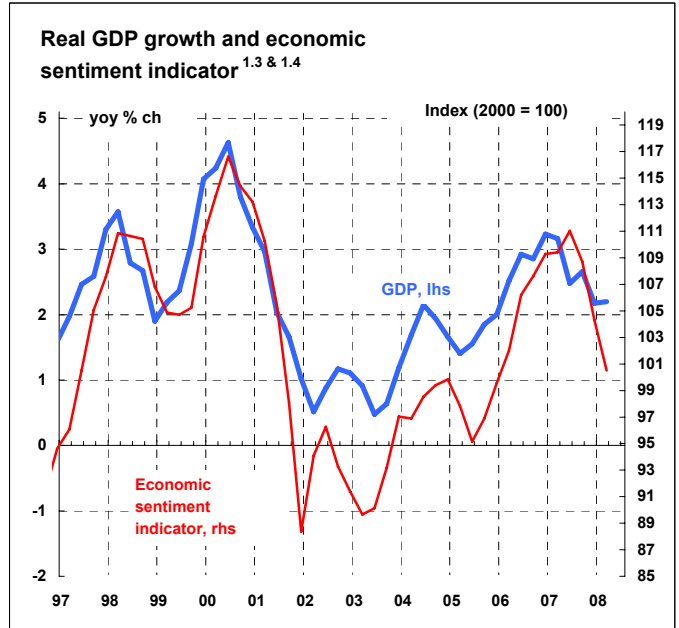
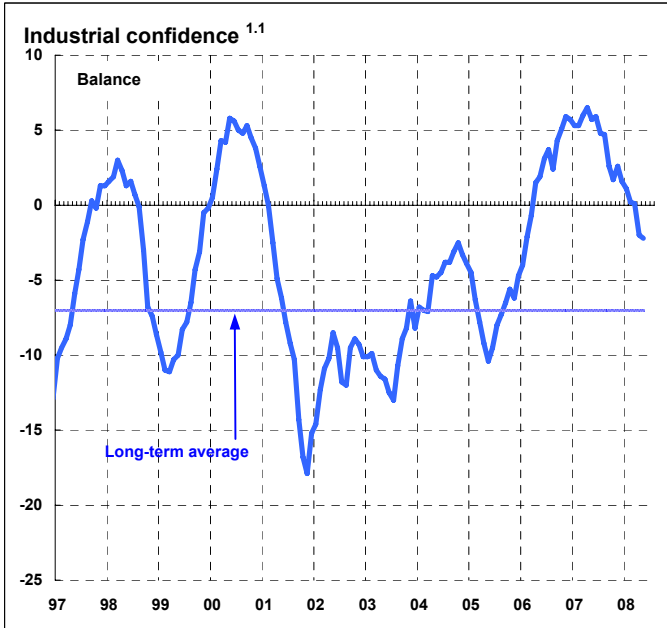
According to ECB, the annual rate of **growth of M3** increased to 10.6% in April 2008, from 10.1% in March 2008. The 3-month moving average (over the period Feb.-Apr.08) declined to 10.7%, from 11.0% recorded last month. Annual rate of growth of **loans to the private sector** stood at 10.6% in April, after 10.8% in March. The annual growth rate of **loans to non-financial corporations** stood at 14.9% in April, after 15.0% in March, while the growth rate of **loans to households** decreased to 5.2% in April, from 5.4% in March.

In May, the euro **exchange rate** has appreciated slightly versus the dollar due to better than expected euro area growth data. Factors underlying the eurodollar exchange rate development remain the ongoing uncertainty of the US economic outlook and its cyclical divergence with Europe, record high oil prices and recent speculations on possible policy reactions particularly in the euro area. Euro was closing at 1.56 against USD on 28 May, up from 1.55 at the beginning of the month. On 27 May, the euro was trading at 163.52 against JPY.

The major **stock market indices** continue to be volatile and responsive to macroeconomic news and company earning reports. Soaring oil prices and inflation worries are in the front of high uncertainty and contribute to the concerns about consumer spending and corporate profits of, in particular, energy-intensive industries. The ability of financial institutions to generate earnings is still under stress. While the indices in Europe and US lost some ground, in Japan they rebounded to their initial levels. On 27 May, the Dow Jones closed at 136.6, Eurostoxx at 104.7 and Nikkei at 103.5, while trading at 141.65/107.95/102.61 respectively at the beginning of the May



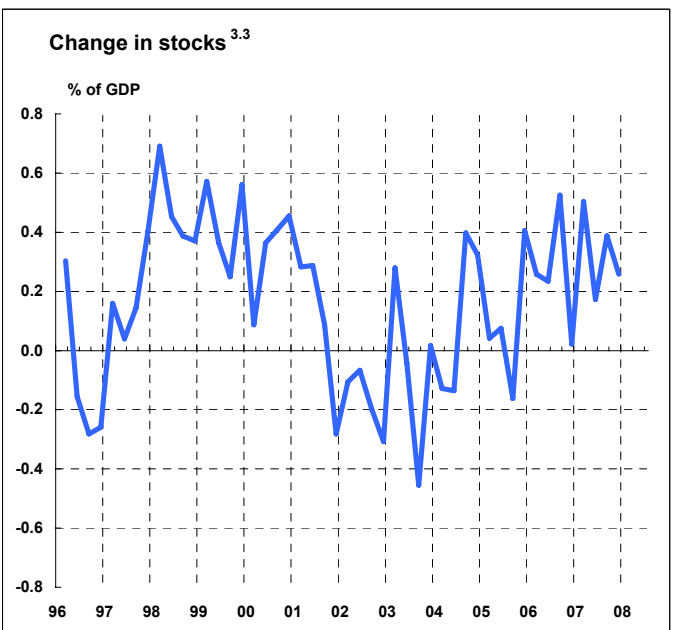
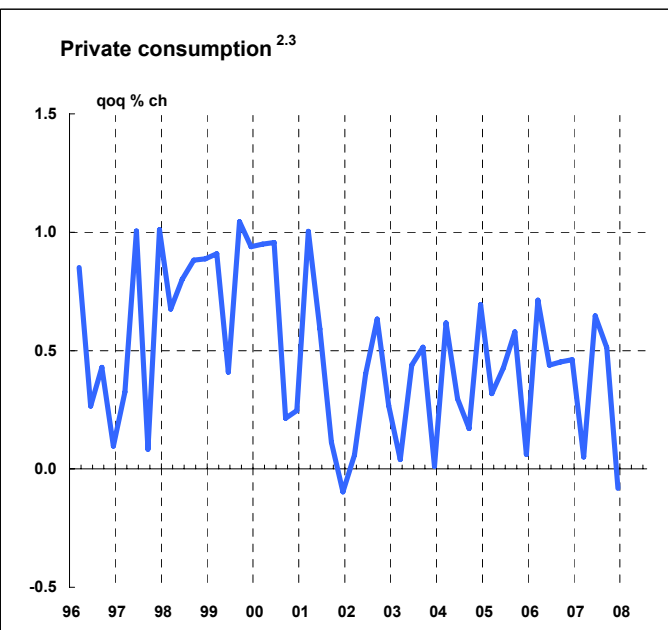
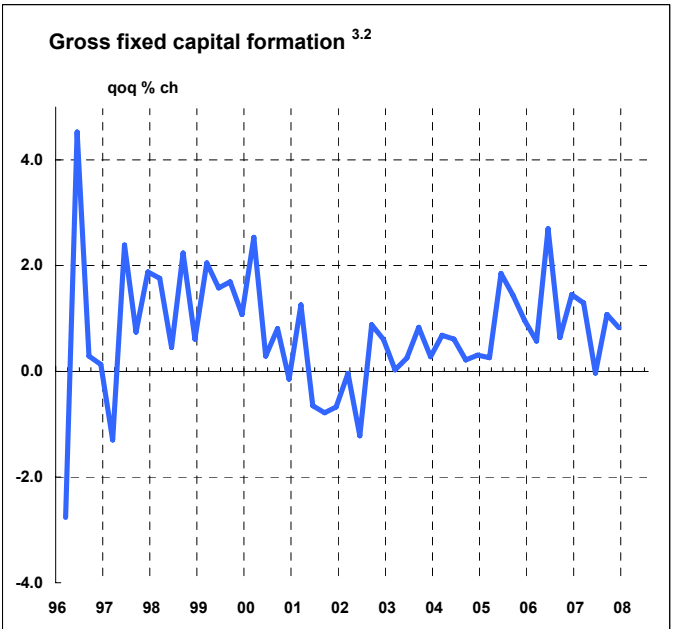
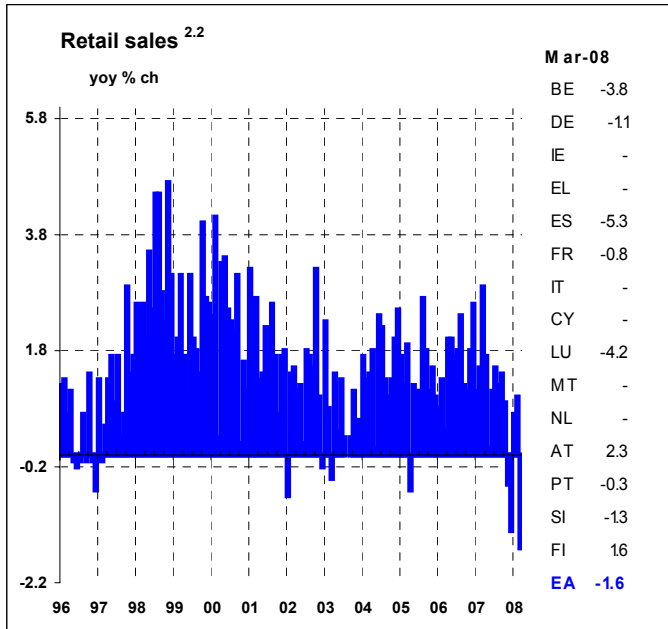
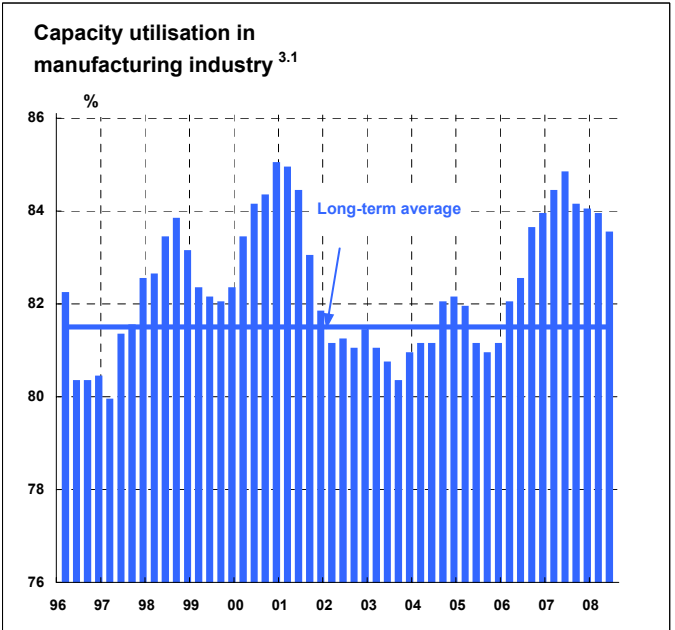
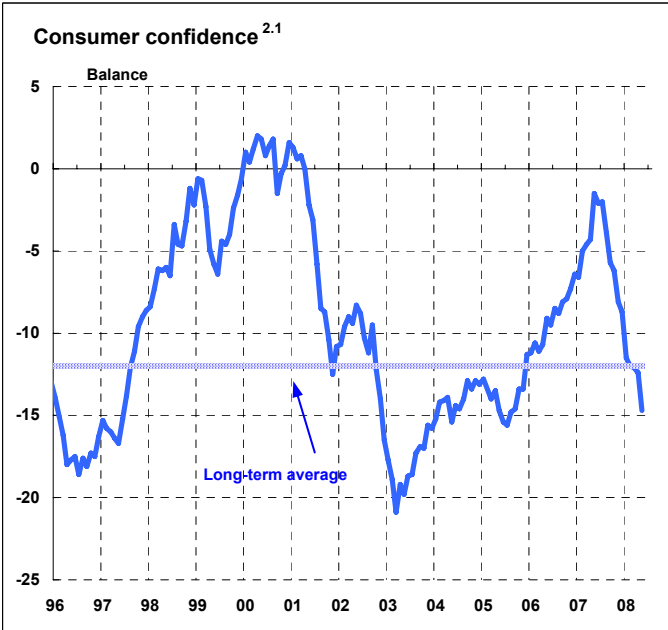
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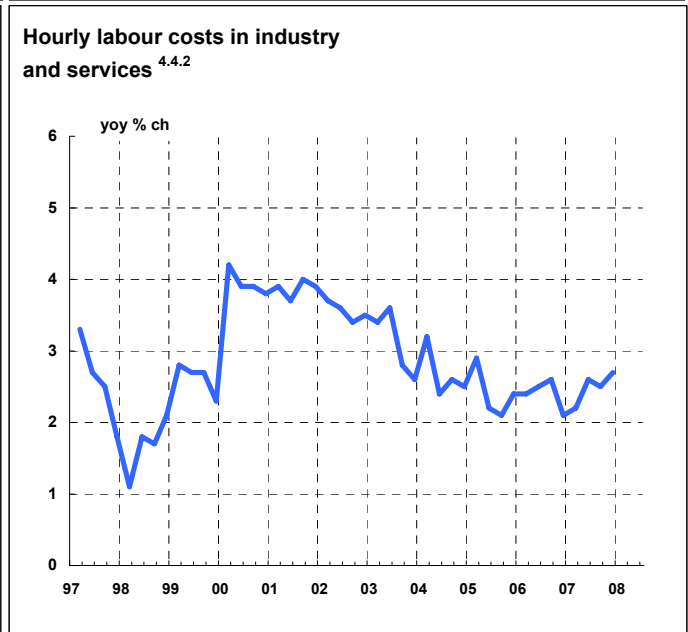
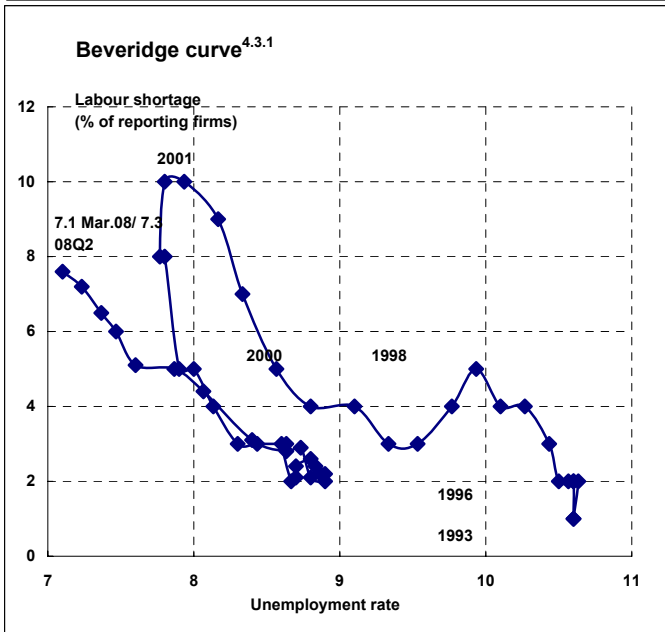
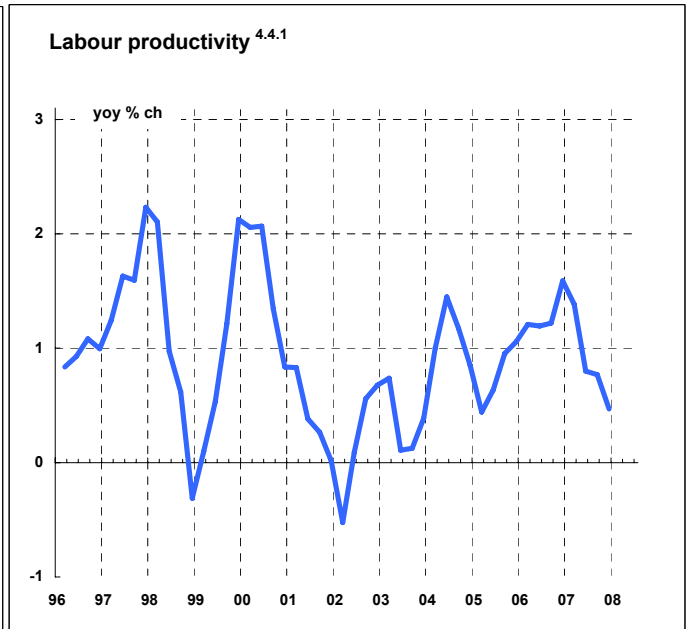
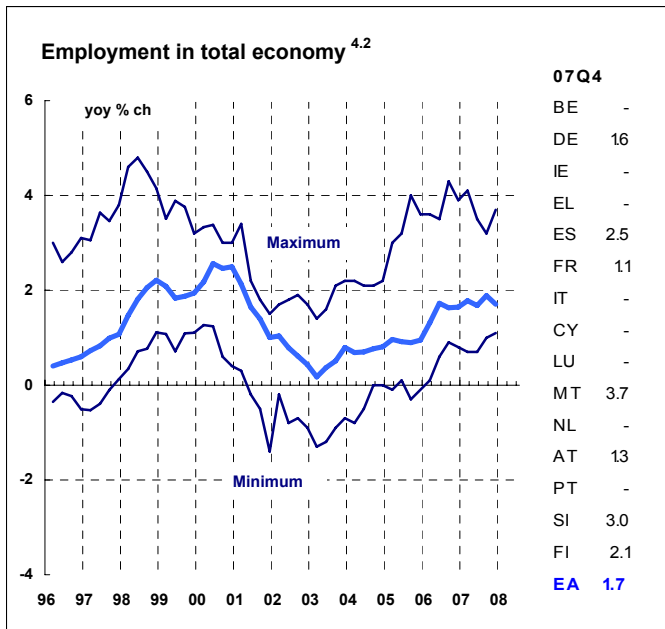
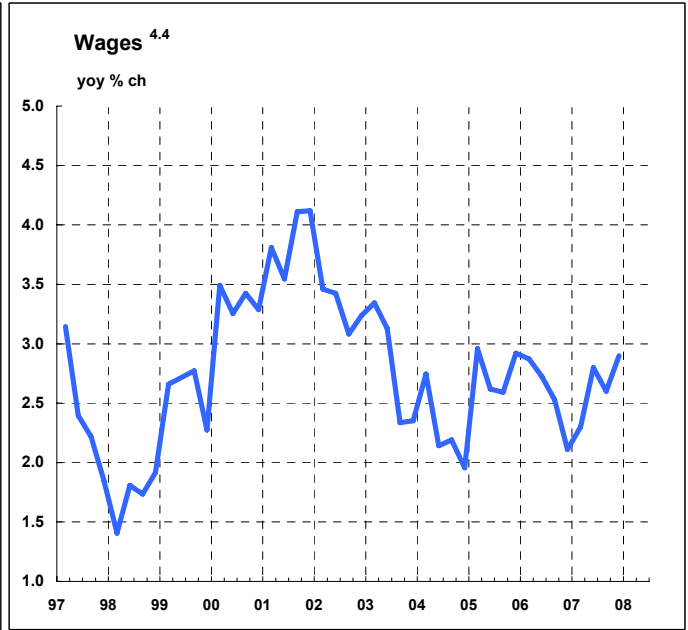
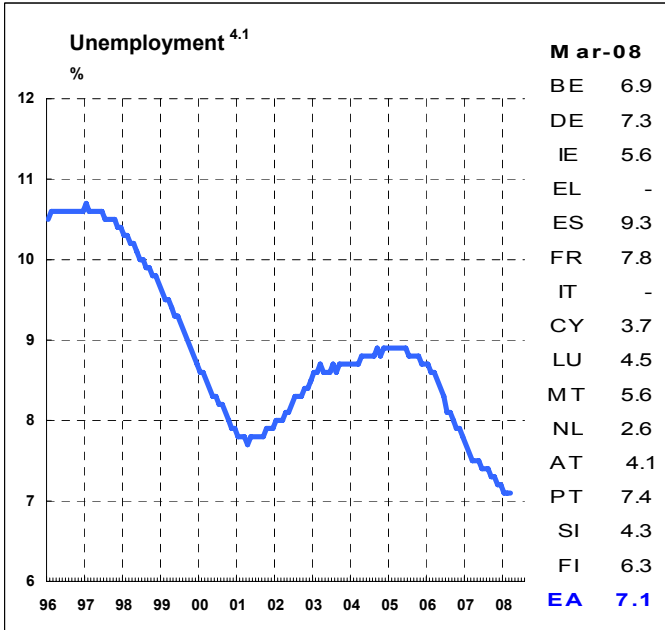
2. PRIVATE CONSUMPTION

3. INVESTMENT



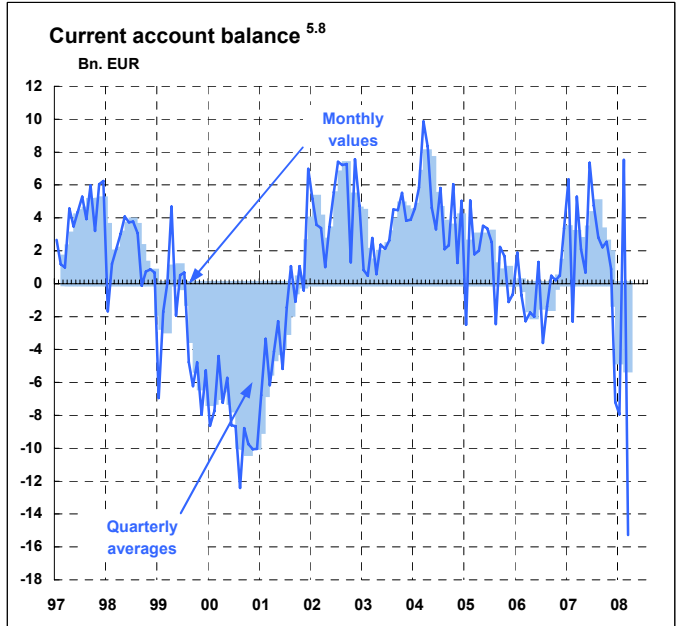
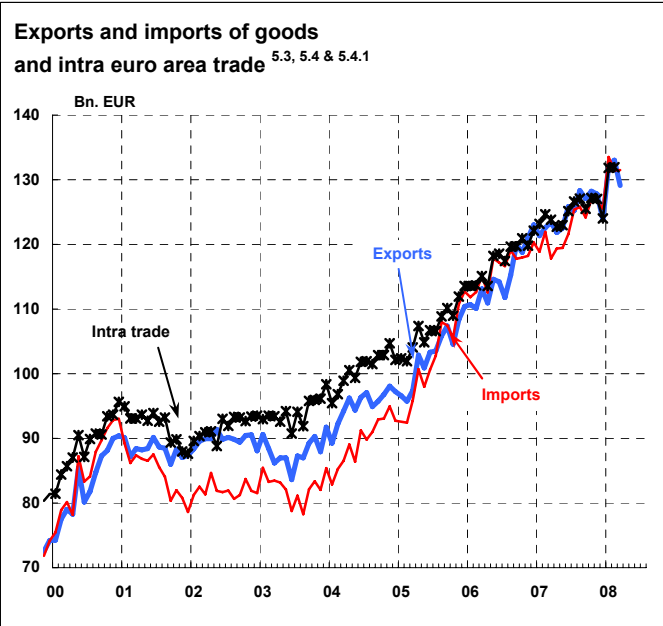
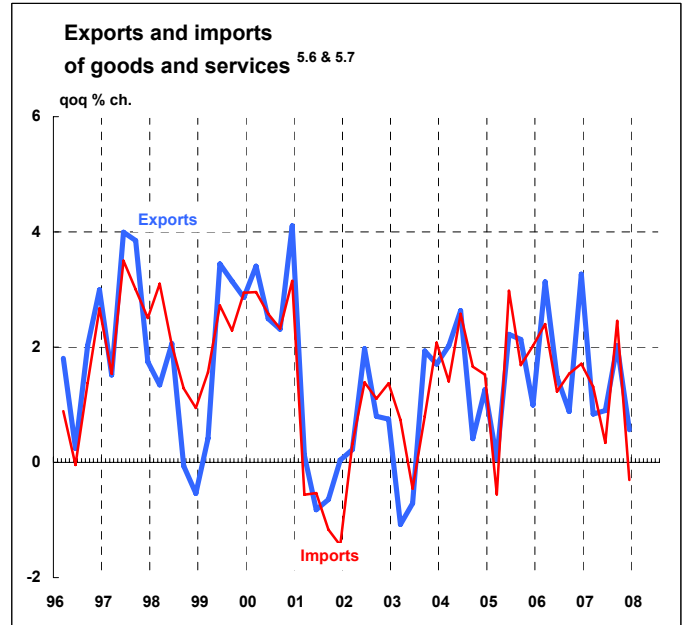
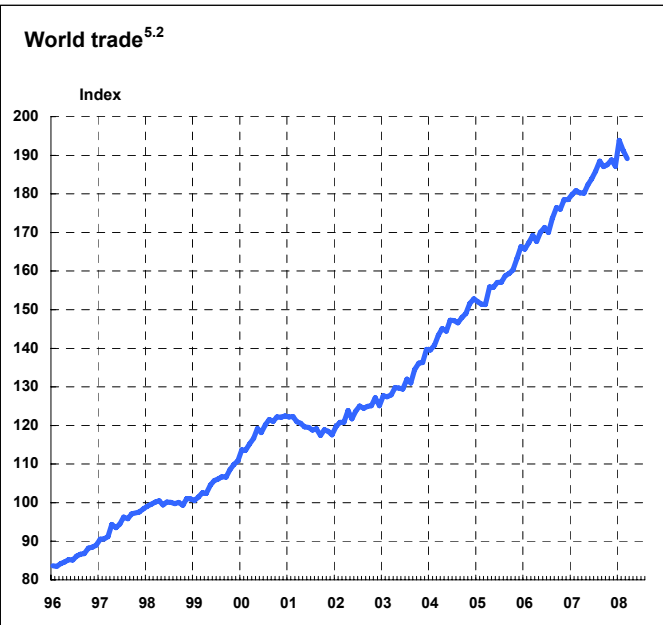
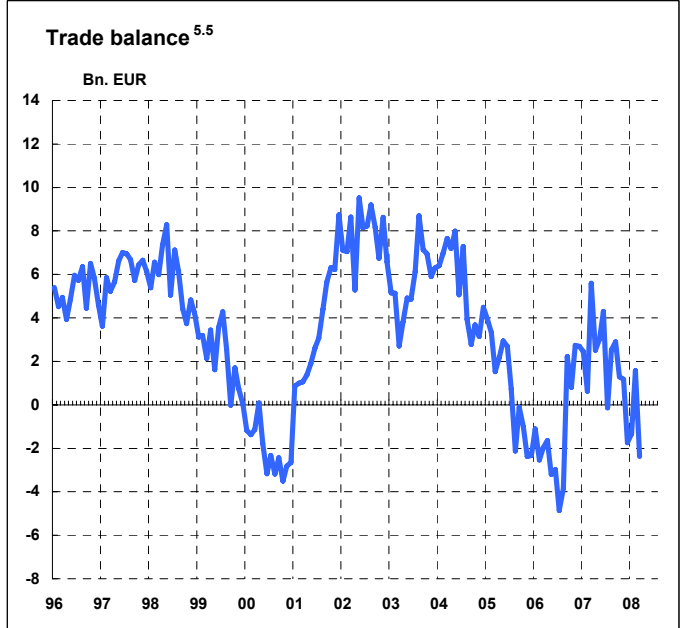
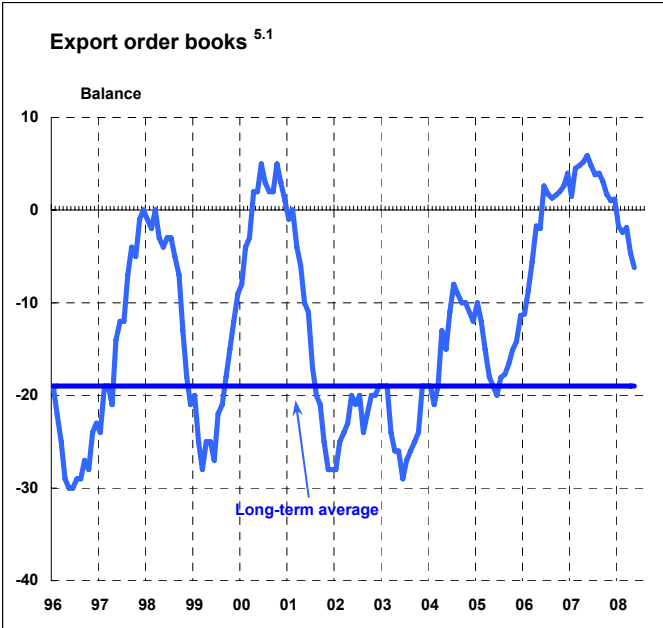


4. LABOUR MARKET



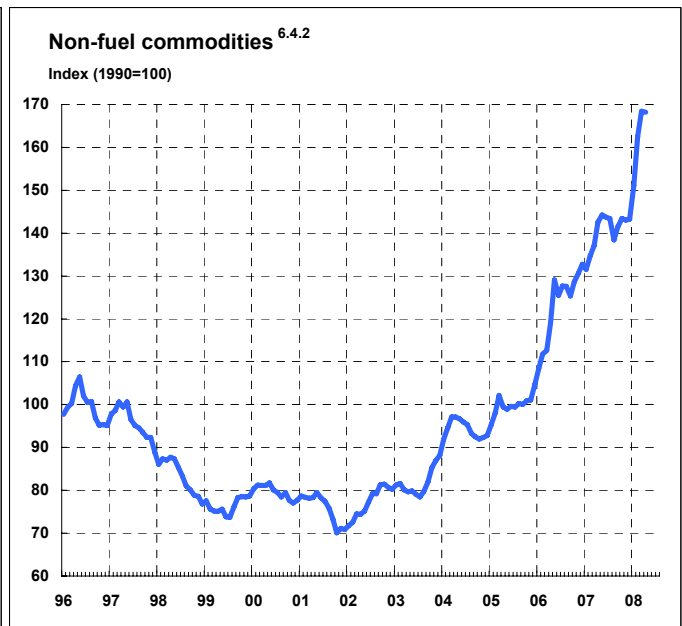
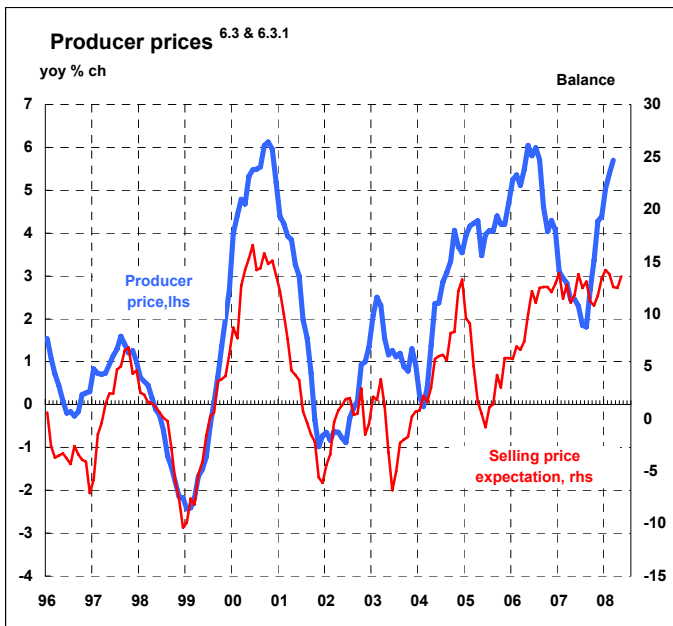
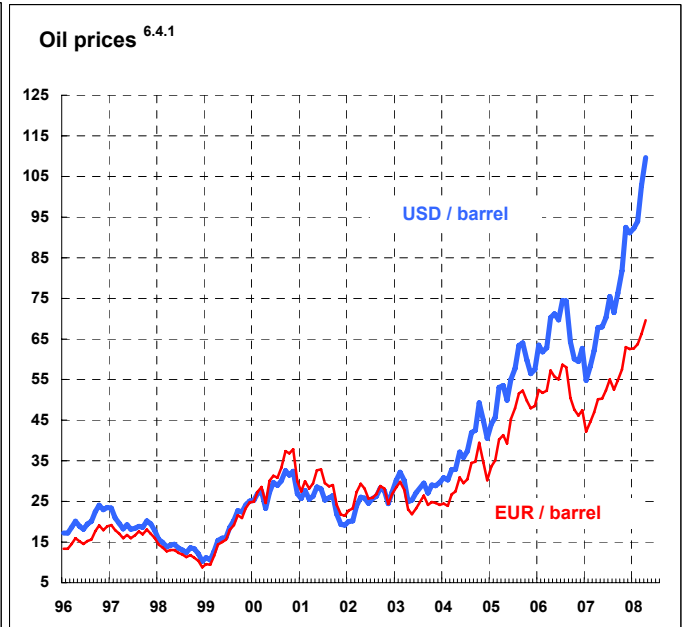
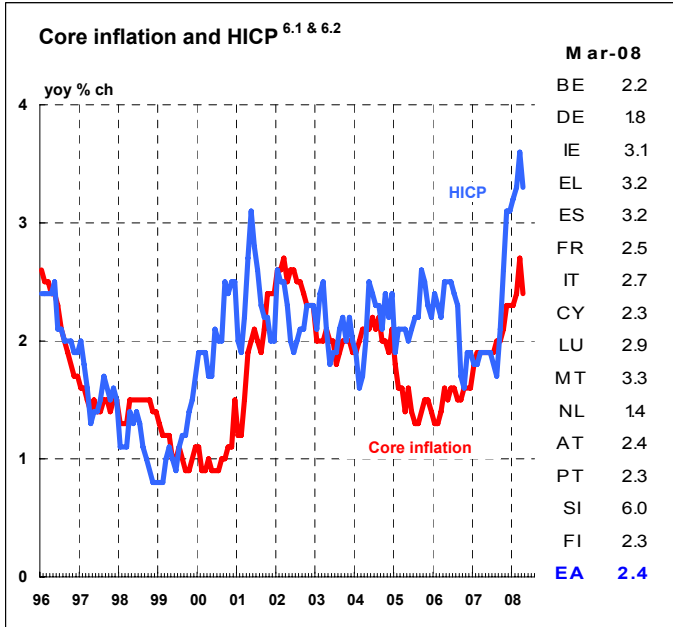
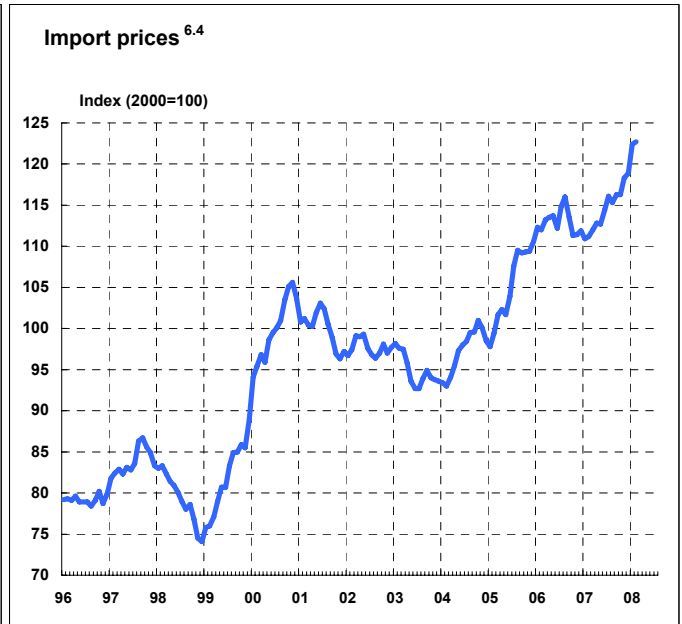
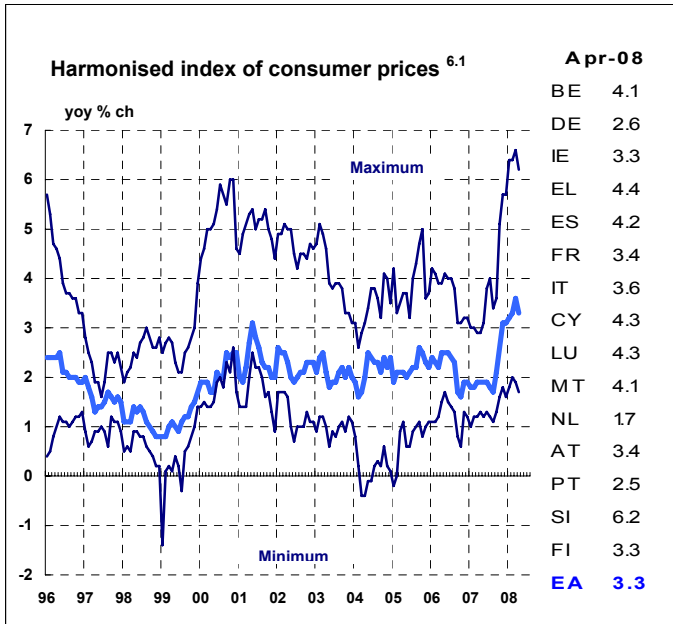


5. INTERNATIONAL TRANSACTIONS



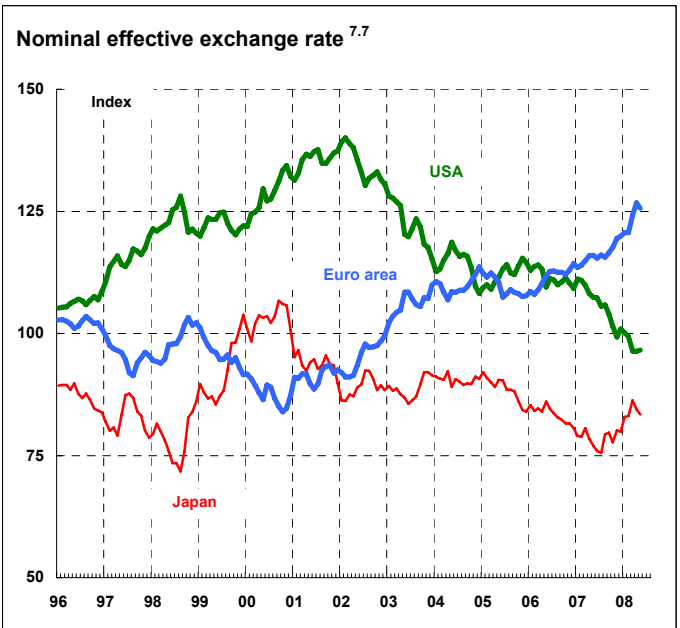
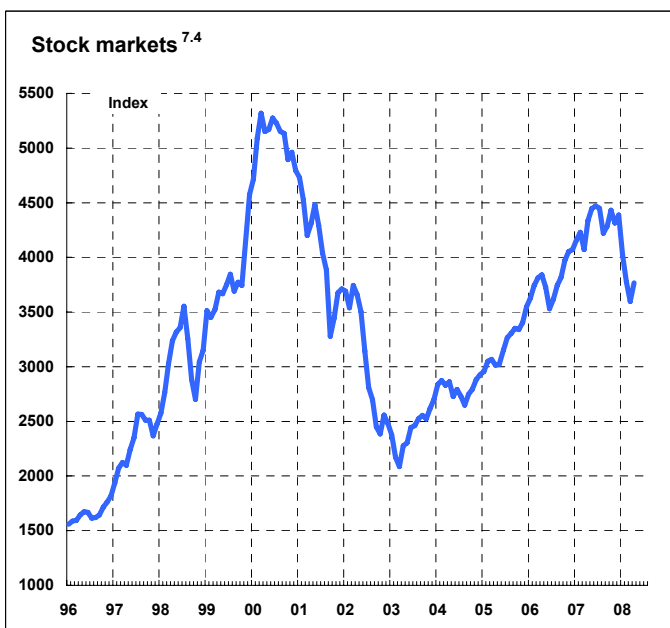
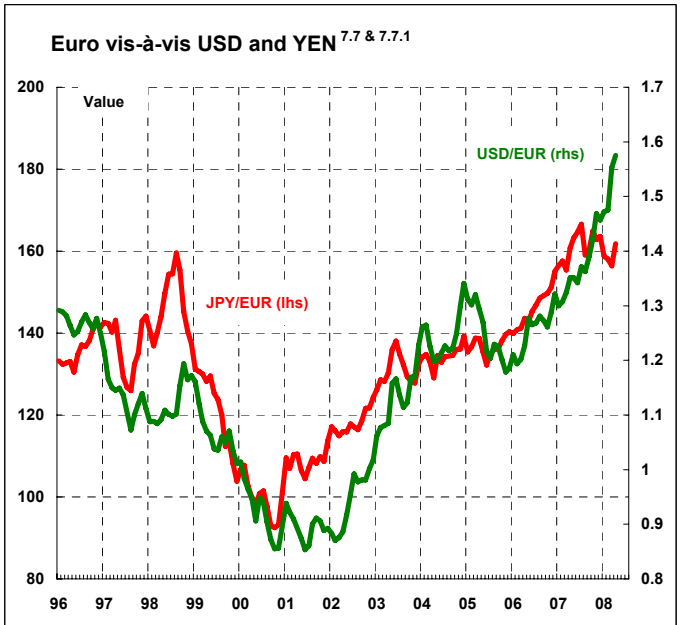
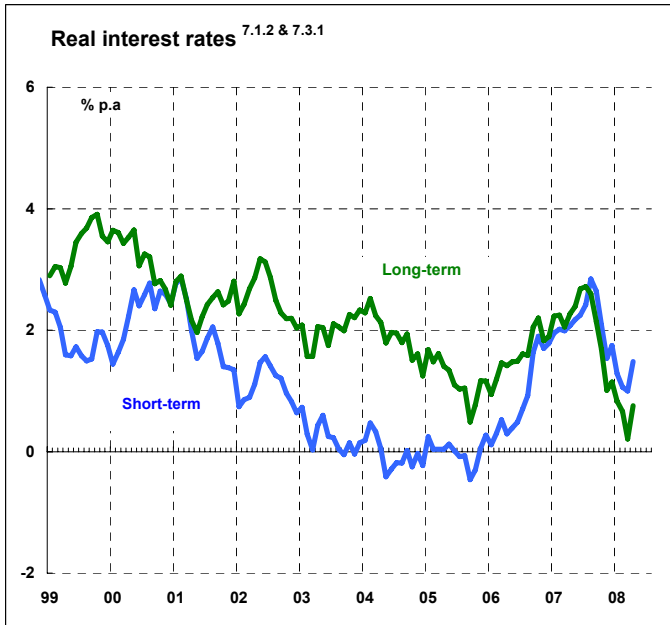
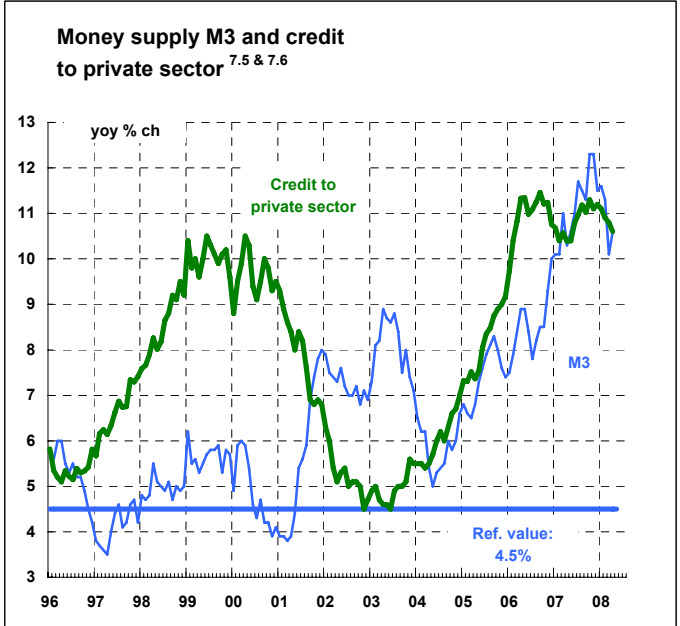
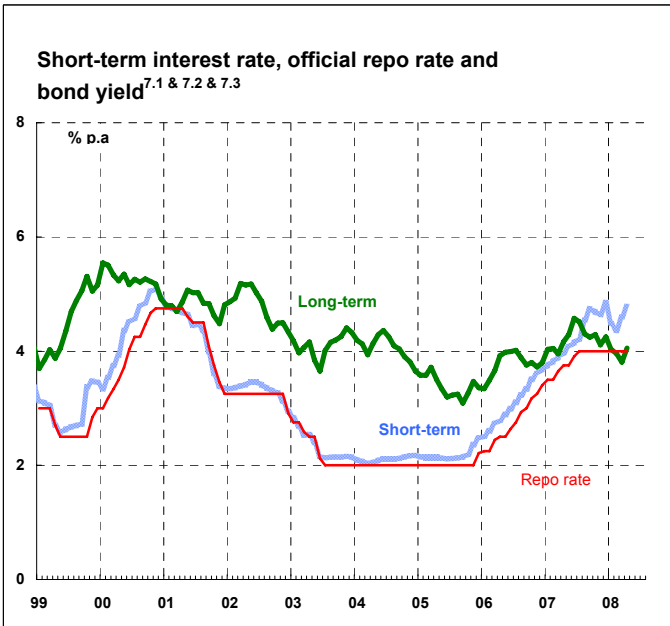


6. PRICES



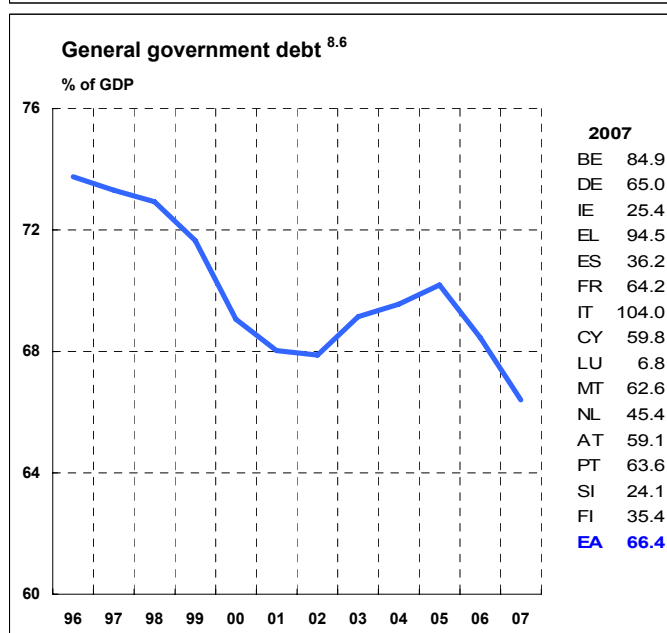
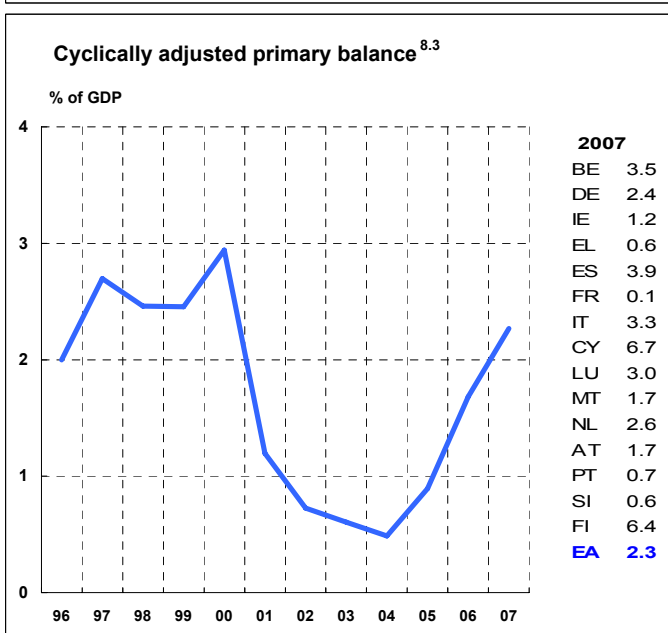
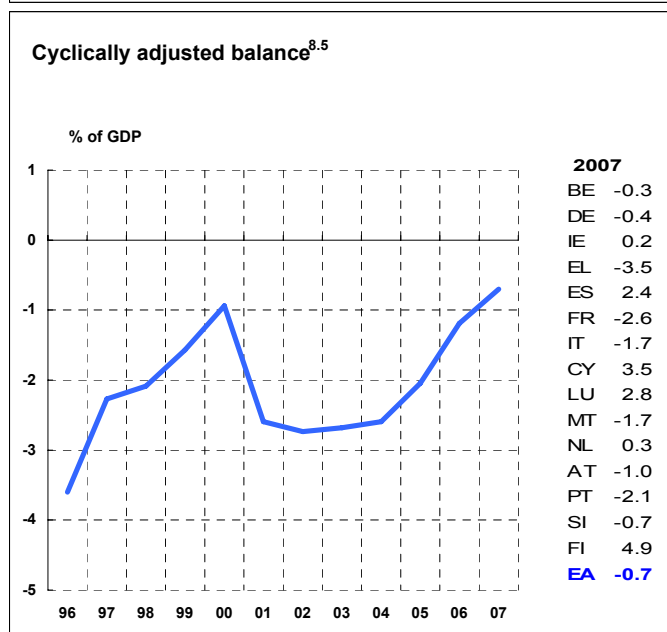
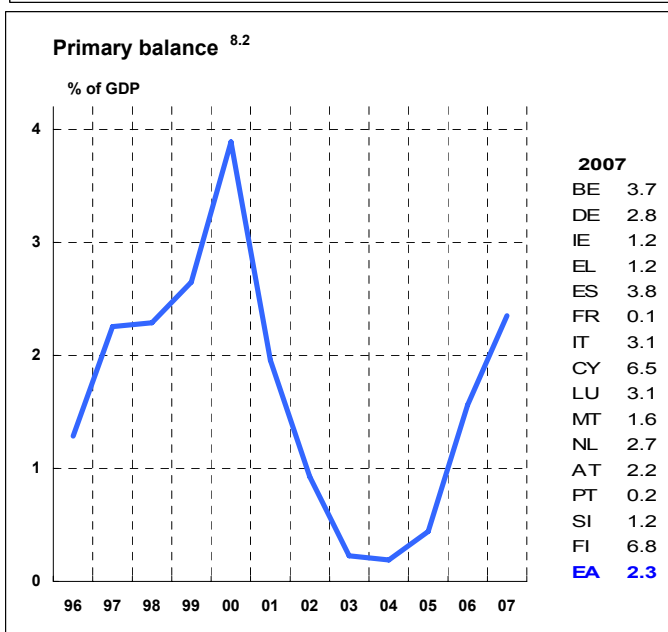
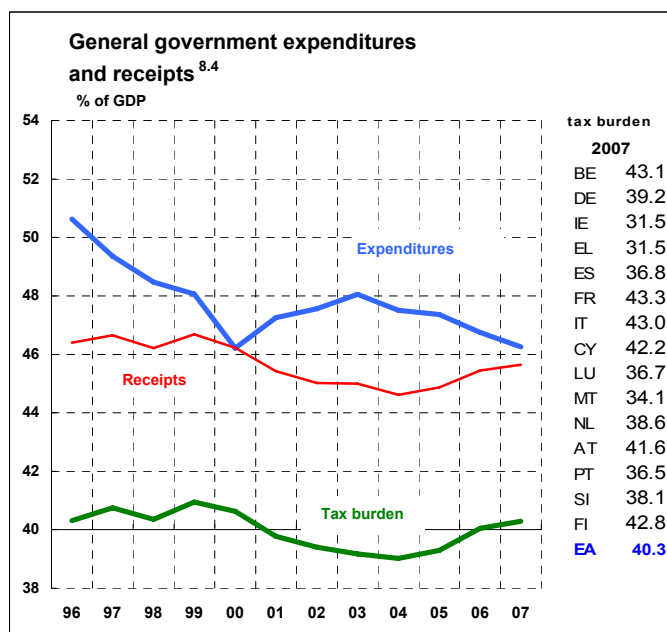
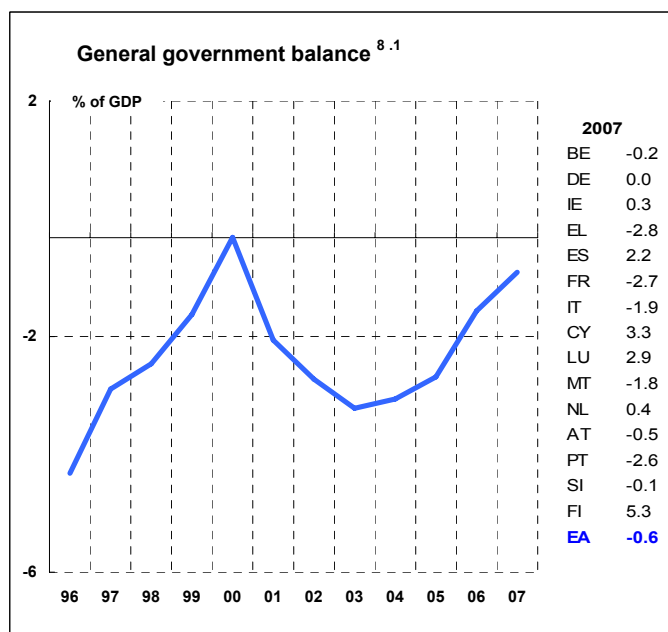


7. MONETARY AND FINANCIAL INDICATORS





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