





## 1. Output

According to its third estimate from 6 April, Eurostat confirmed **GDP growth** of 0.3% quarter-on-quarter (q-o-q) in 2010-Q4, slightly down from 0.4% q-o-q growth in the previous quarter. Growth in the fourth quarter was mainly driven by private consumption and net exports (contributing 0.2 pp. and 0.3 pp. respectively), while investment and destocking were both a drag on growth (-0.1 pp. and -0.2 pp. respectively). As for the largest economies, GDP increased by 0.4% (q-o-q) in Germany and France, 0.2% in Spain and by 0.1% in Italy. Over the whole year 2010, euro-area GDP increased by 1.8%, following a decline of -4.1% in 2009.

According to the **Commission's February 2011 interim forecast**, based on the update of the 7 largest EU economies, euro-area GDP growth in 2011 is projected at 1.6%, 0.1 pp. higher than in the autumn forecast. This upward revision was supported by slightly better prospects for the global economy, in particular in the US, as well as by improved sentiment. However, the recovery is expected to remain uneven across Member States.

In April, after two years of uninterrupted growth from its trough (-38.2) in March 2009, **sentiment in industry** decreased from 6.7 in March to 5.8. For a full year the index is now above its long term average of -6.1. As to the index-components, the drop in the main index goes on account of substantial decline in firms' production expectations, while the assessment of order books improved marginally and the appraisal of stocks rebounded slightly from historic lows.

In March 2011, **industrial production** decreased by 0.2% month-on-month (m-o-m), while compared with March 2010, it expanded by 5.3%.

In February, the euro-area **industrial new orders** index increased by 0.9% m-o-m. This is less than the growth in the 4 previous months, which was ranging between 1.2% and 2.5%.

## 2. Private consumption

**Private consumption** showed some positive signs in the last quarter of 2010, when rising by 0.4% q-o-q, after 0.2% growth in each of the two preceding quarters. After a decline of private consumption of 1.1% in 2009 as a whole, it increased by 0.8% in 2010, as a vast majority of euro-area countries recorded increasing private consumption in 2010.

**Confidence among consumers** decreased in April, by -1.0 point, reflecting slightly less optimism about the future general economic situation, consumers' future financial situation and their possibility to save money

in the next 12 months. However, consumers also reported a significant decrease in their unemployment fears.

In March 2011, the index of **retail sales volumes** fell by 1.0% m-o-m, after increasing by 0.3% in the two previous months. **Sentiment in the retail sector** fell by 0.4 point in April, but remained well-above its long-term average.

## 3. Investment

After having fallen by 0.2% q-o-q in 2010-Q3, **gross fixed capital formation** fell stronger in 2010-Q4 (by -0.5%). On an annual basis, however, it recorded positive growth – increasing by 1.1% in 2010-Q4, after growing by 0.5% already in 2010-Q3.

Having reached a historic low in 2009-Q3 (69.6%), the rate of **capacity utilisation** in manufacturing has since improved, to stand at around 81.3-6% in 2011-Q2, very close to its historic long-term average (81.7%).

## 4. Labour market

**Unemployment rate** in the euro area remained unchanged in March 2011 at 9.9% continuing a long period of staying close to 10%. However, this aggregate number conceals sharp differences across Member States, with unemployment rates ranging in March 2011 from 4.2% in the Netherlands to 20.7% in Spain. Such cross-country differences in labour-market performance follow from, inter alia, differences in the sectoral composition of output, capacity utilisation and profitability at the outset of the crisis, the characteristics of labour-market institutions and the policy response.

**Employment** in 2010-Q4 increased by 0.1% q-o-q, after being stable in 2010-Q3. Compared to a year earlier, the number persons employed was up by 0.3%. Over the whole year of 2010, employment decreased by 0.5%, compared with -1.8% in 2009. In April, managers' **employment expectations** worsened somewhat in industry (from 8.6 to 7.2), while they slightly improved in services (from 8.3 to 9.0). The consumers' unemployment fears for the future recorded a significant decrease from 19.0 to 16.6. The level of **labour shortages** has been gradually increasing from the historical lows in the second half of 2009. In 2011-Q2, 5.5% of the firms reported that unfilled job openings were constraining production (4.5% in 2011-Q1 and 3.4% in 2010-Q4).

## 5. International transactions

In April, the assessment of **export order books in manufacturing** increased slightly, from -0.7 to 0.6. In February 2011, the seasonally-adjusted **euro-area trade balance** with the rest of the world showed a deficit of 2.4 billion (bn) euro. In 2010-Q4, **export and**



**import growth (goods and services)** slowed once more to 1.5% and 1.0% q-o-q respectively (from 2.1% and 1.5% in 2010-Q3 and 4.5% and 4.2% in 2010-Q2), in line with the observed softening of global growth in the second half of 2010.

In February 2011, the seasonally adjusted **current account** recorded a deficit of 7.2 bn euro. This reflected deficits in current transfers and goods, which was partly offset by surpluses in services. The income account was close to balance. The **financial account** recorded net inflows of 71 bn euro as a result of net inflows for portfolio investment that were only partly offset by net outflows for direct investment.

## 6. Prices

The flash estimate for the **HICP inflation rate** in April was 2.8%, up from 2.7% in March. It was 1.5% a year ago (April 2010). **Core inflation** in March 2011 was at 1.5%, up from 1.1% in February. A surge in energy and commodity prices was the main driver behind the uptick in headline inflation. **The Commission's February 2011 interim forecast** projected an inflation rate of 2.2% for 2011, up from 1.8% in the autumn forecast.

**Industrial producer prices** rose by 0.7% (m-o-m) in March 2011, after an increase of 0.8% in February.

**Oil prices** were increasing at the beginning of 2011, starting at about 95 USD/bl. at the turn of the year and reaching 125 USD/bl. end April, a level last seen in summer 2008. The first days of May were marked by strong volatility with Brent crude oil temporarily falling to 110 USD/bl. The unexpected climb in US stocks of petrol together with concerns about the strength of the Chinese economy, the biggest energy-consuming country, contributed to the downward movements in oil prices. More recently oil prices recuperated somewhat, trading currently (11 May) at 116.2 USD/bl.

## 7. Monetary and financial indicators

The European **money-market** interest rates continued their rise in April. The 3-month Euribor reached 1.42% (11 May), the highest level since June 2009, after gaining 16 basis points since 4 April. The recent rise came on the back of higher-than-expected inflation figures and fears of further rate hikes by the ECB. The 3-month Libor-OIS spreads (a barometer of banks' willingness to lend), although with temporary fluctuations, came down since the beginning of the year and remains fairly low, suggesting overall improved confidence among European banks.

**Benchmark sovereign-bond** yields in Europe and US continued rising in the first half of April, along with

rising inflation expectations and higher risk appetite in other market segments. Thereafter, they eased somewhat as risk appetite receded after the publication of several disappointing economic data. The 10-year German bund yield has declined markedly and is currently staying at 3.14%, while the US 10-year sovereign yield is at 3.16% (11 May). In European sovereign-debt markets, spreads for the most vulnerable countries have risen further in April. They remain close to record levels in the context of discussions in the public about the rating of sovereigns, the need for additional support, and other measures to address the challenges (e.g. debt restructuring). A negative market perception had started several weeks ago after numerous downgrades by credit rating agencies and evidence of higher-than-expected budget deficits (e.g. in Greece).

The annual rate of change of **M3** increased to 2.3% in March 2011, from 2.1% in February 2011. Loan growth to the private sector stood at 2.5%, compared to 2.6% in the previous month. In more detail, the annual rate of change of loans to non-financial corporations continued growing for the third consecutive month standing at 0.8% in March, up from 0.6% in February. The annual growth of loans to households increased also to 3.4%, from 3.0% in February 2010, driven mainly by house purchases.

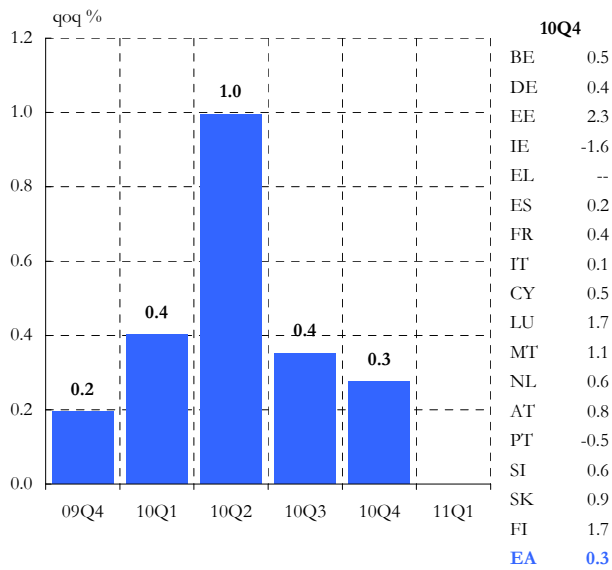
The euro **exchange rate** was rebounding in the first months of 2011. Overall, the euro was appreciating in April and early May up to 1.49 USD/EUR (4 May), on the back of weak economic data coming from the US and increasing interest-rate differentials between the US and the euro area related to the ECB's rate hike in April. However, the USD/EUR exchange rate fell to about 1.44 USD/EUR in the week to 11 May, mainly as a result of concerns about the situation in vulnerable countries, in particular in Greece. In Asia, the yen had recorded its post-war high vis-à-vis the US dollar at 76.4 in the aftermath of the earthquake on 11 March, amid markets' belief that Japanese investors would repatriate foreign holdings for reconstruction. However, the G7 intervention on 17 March contributed to the yen's sharp weakening. On 11 May, the JPY/EUR rate stood at 115.1, whereas the JPY/USD exchange rate stood at 80.2.

With the exception of Japan, **stock markets** have lately regained some of their ground they had lost after the March setback following the Tōhoku earthquake in Japan. The Nikkei continued its decline, falling by 2.1% in April, while the Eurostoxx and the DowJones rebounded from March by 2% and 2.9% respectively. In annual terms, the DowJones was up by 12.5% in April, whereas the Eurostoxx remained almost unchanged (0.3%) and the Nikkei lost 13.4%.

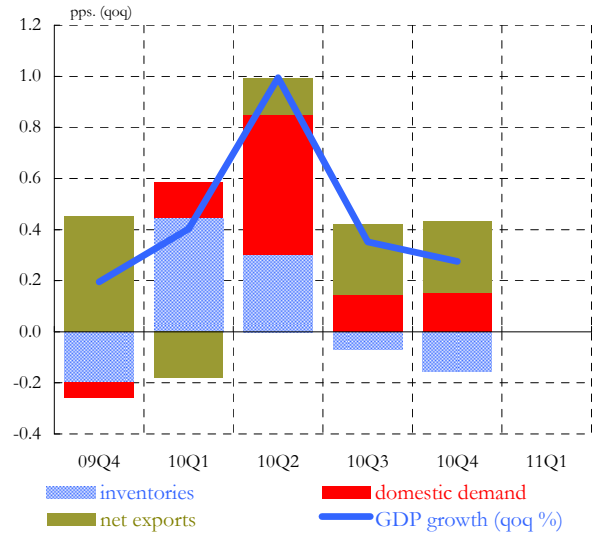


1. OUTPUT

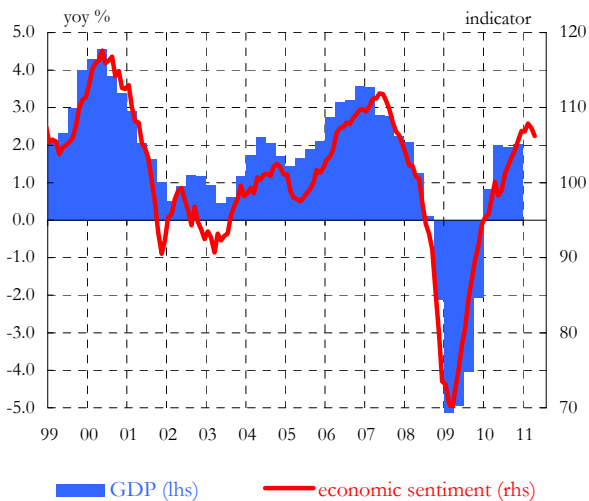
GDP



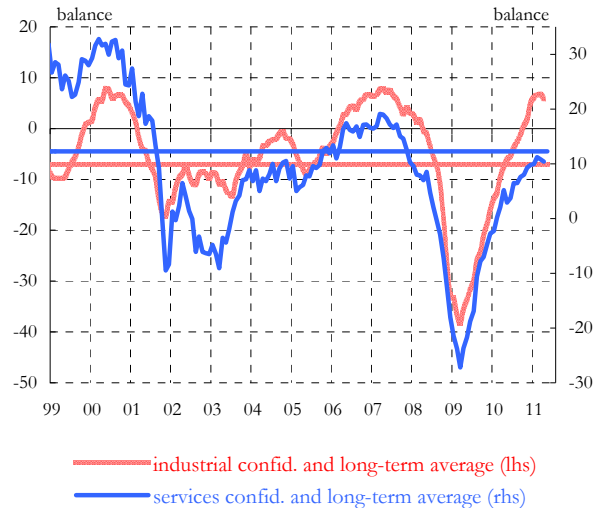
Contributions to GDP growth



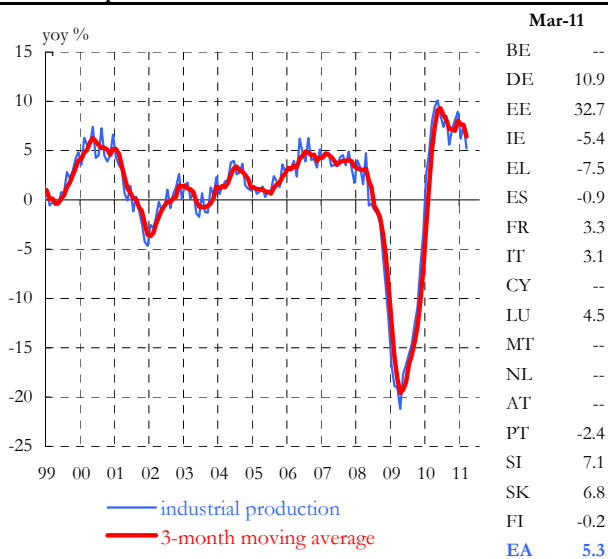
GDP and Economic Sentiment Indicator



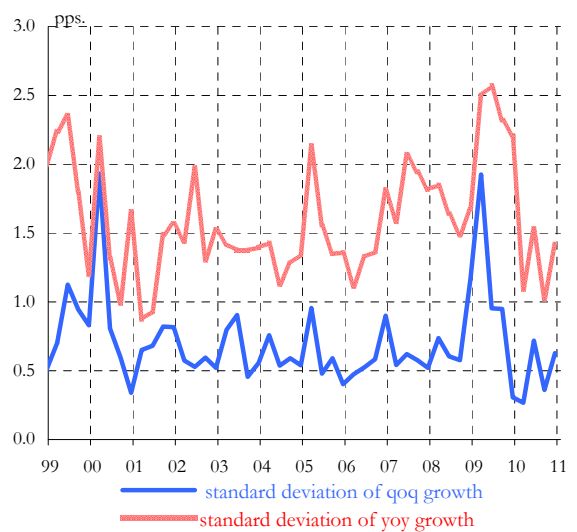
Industrial and services confidence



Industrial production



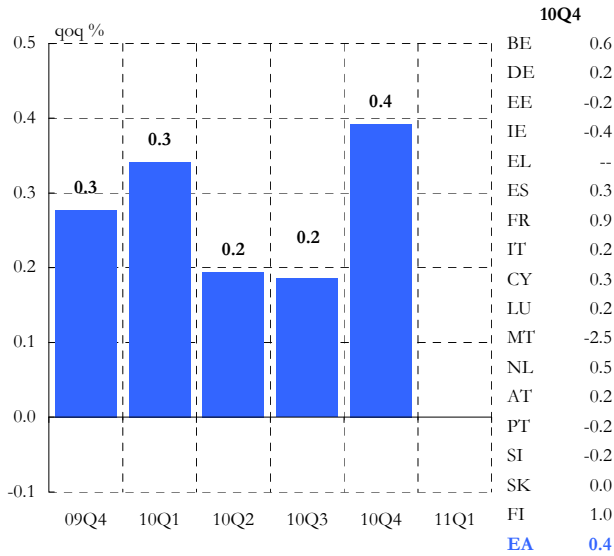
GDP growth divergence, euro area



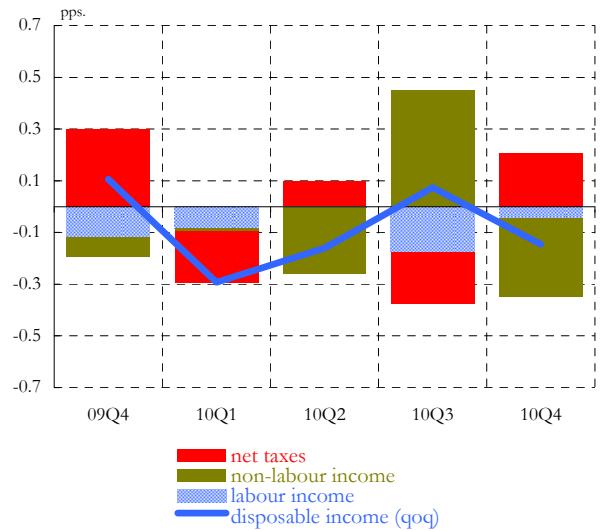


2. PRIVATE CONSUMPTION

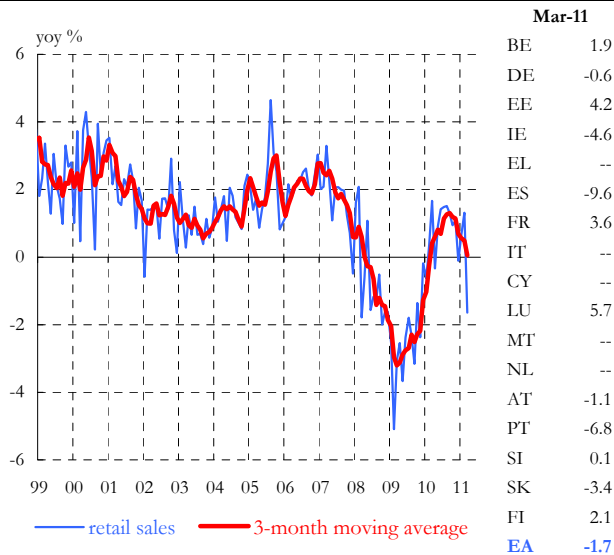
Private consumption



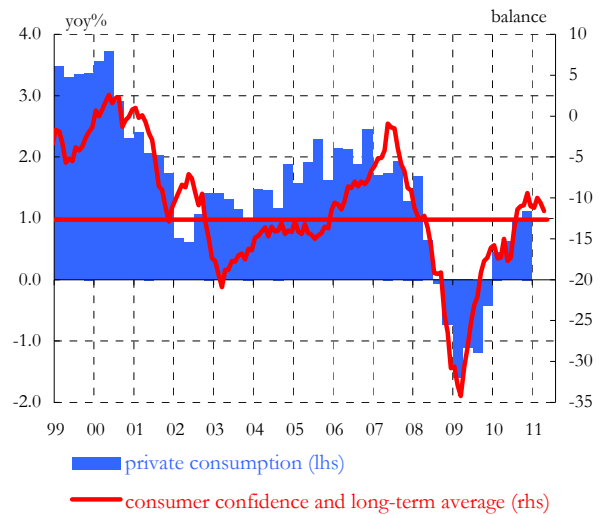
Gross disposable income and its components



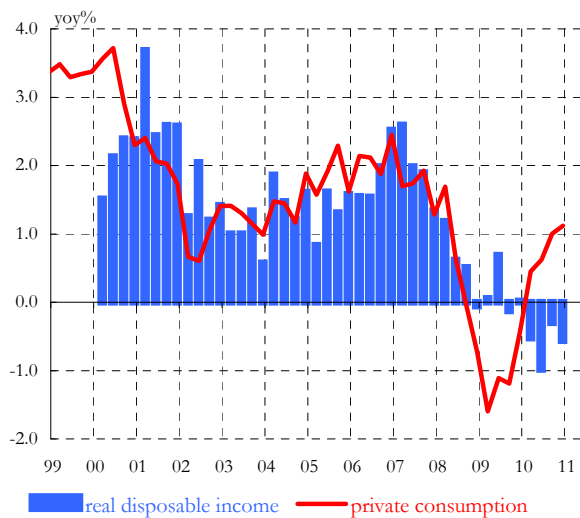
Retail sales



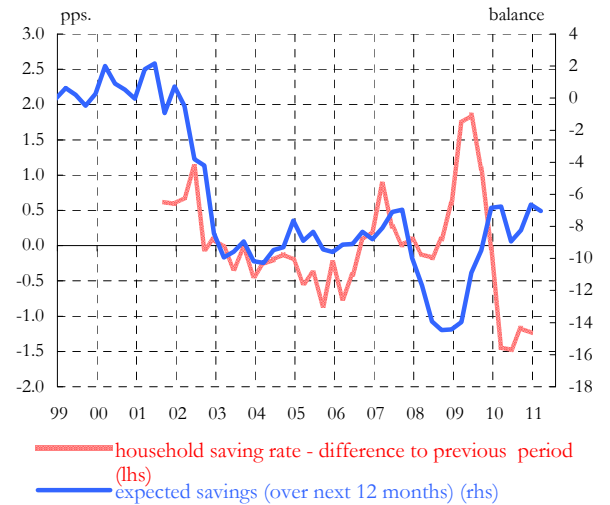
Consumer confidence and private consumption



Households: real disposable income and consumption



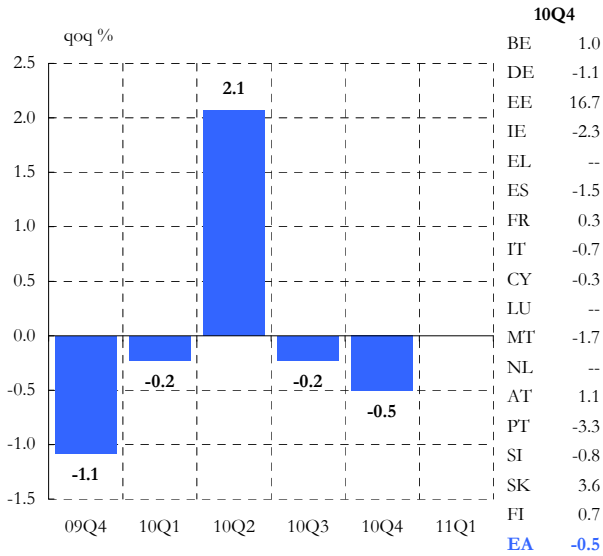
Households: actual saving rate and expected savings



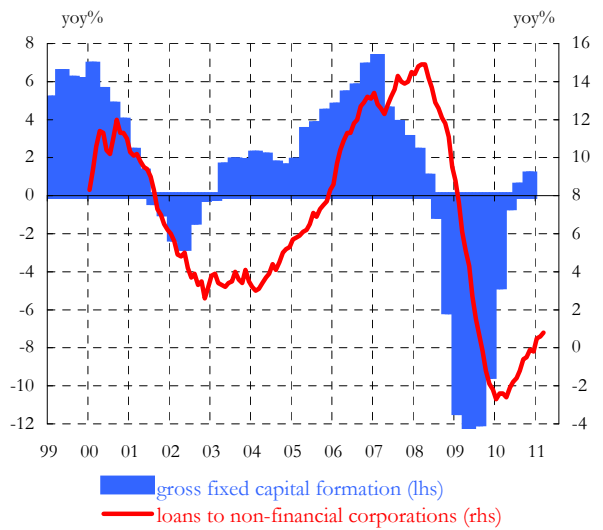


3. INVESTMENT

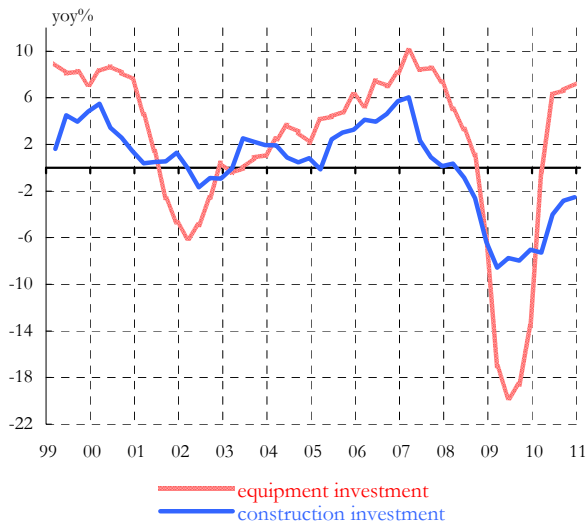
Gross fixed capital formation



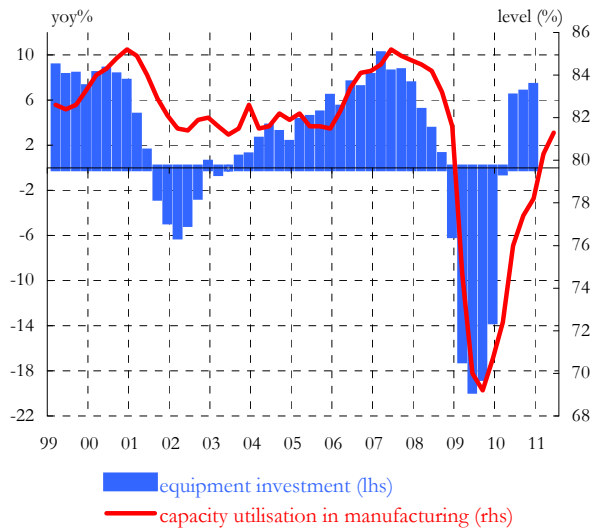
Gross fixed capital formation and corporate loans



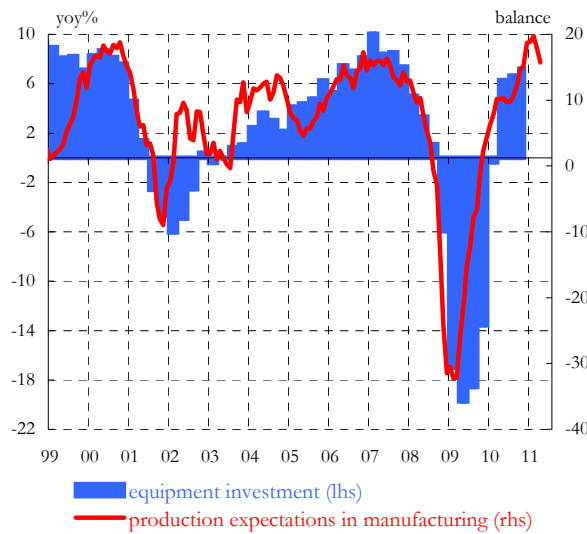
Equipment and construction investment



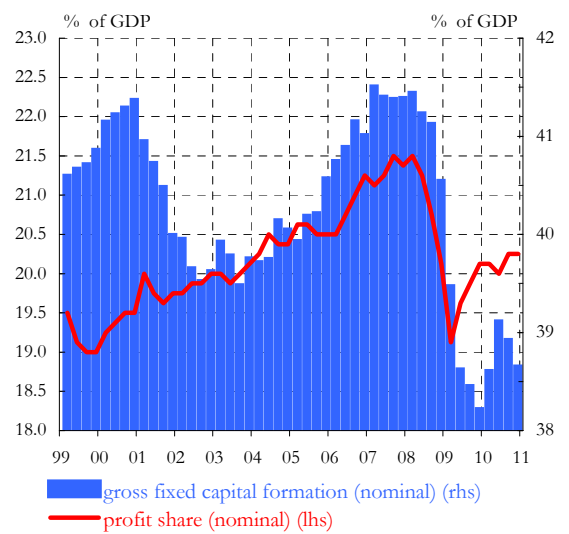
Equipment investment and capacity utilisation



Equipment investment and production expectations



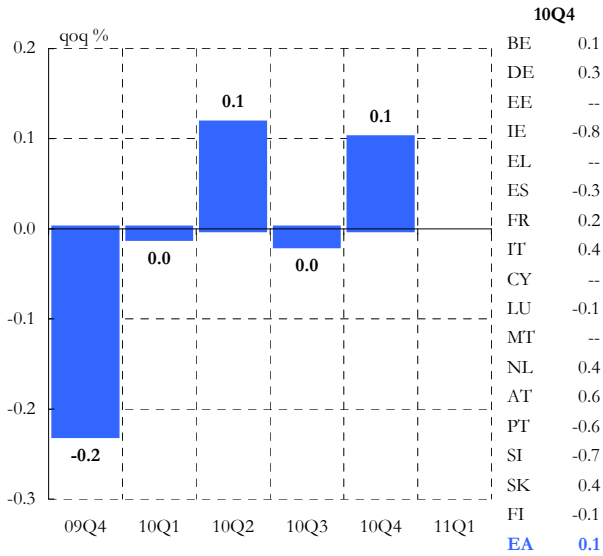
Gross fixed capital formation and profit share



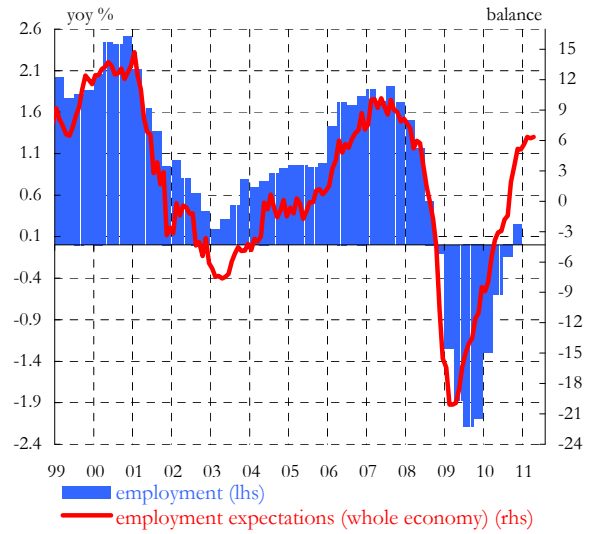


4. LABOUR MARKET

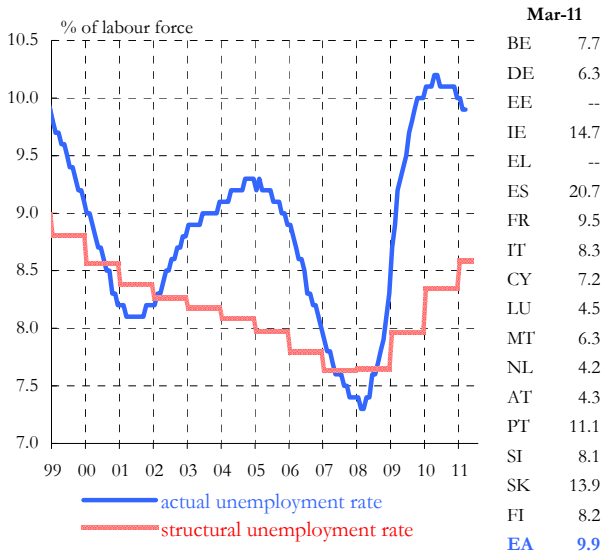
Employment



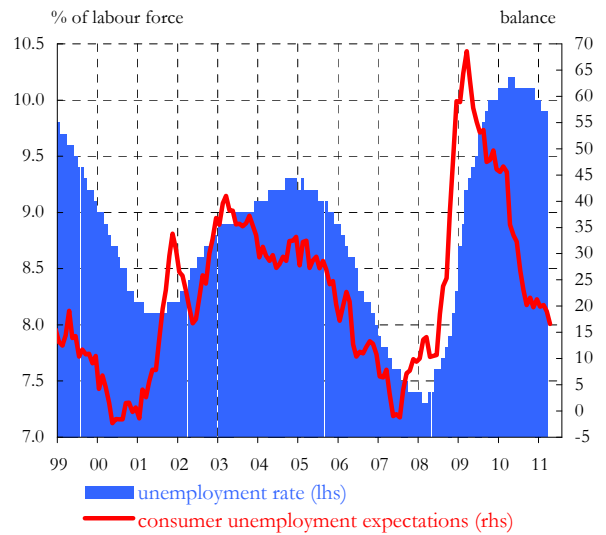
Employment and employment expectations



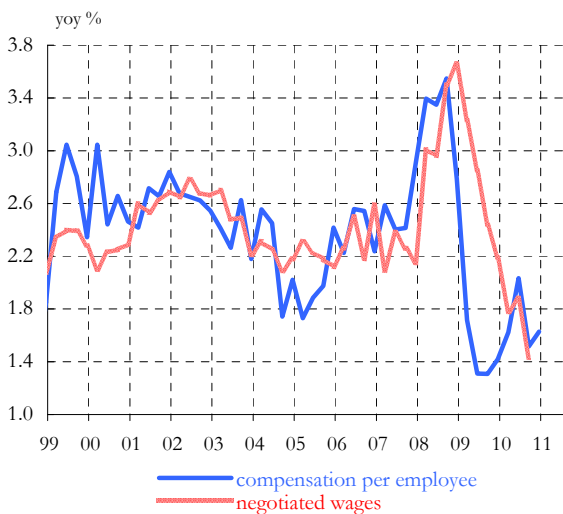
Actual and structural unemployment rate



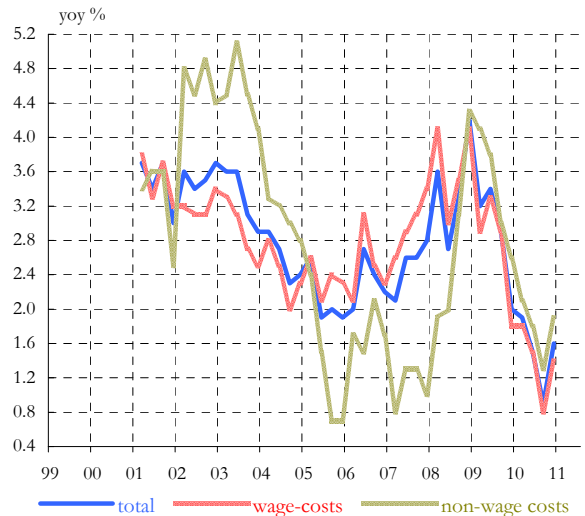
Unemployment rate and unemployment expectations



Compensation per head and negotiated wages (nominal)



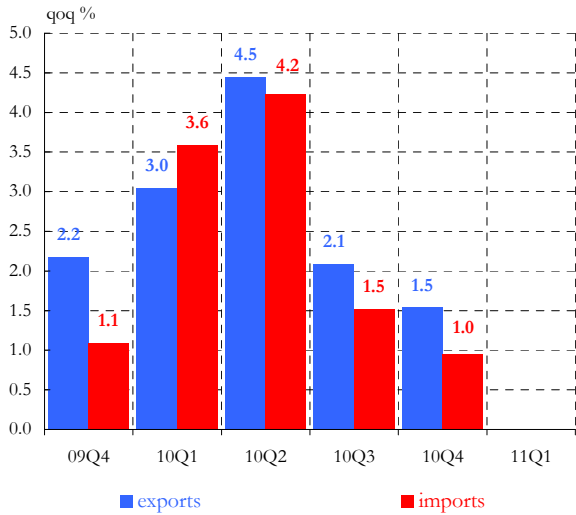
Labour costs in the private business sector (nominal)



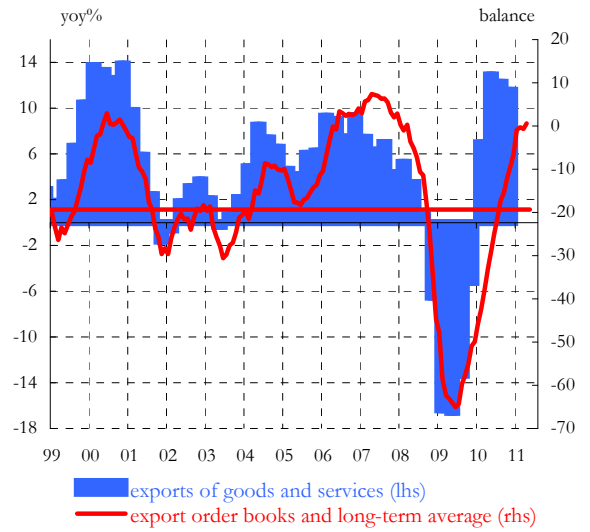


5. INTERNATIONAL TRANSACTIONS

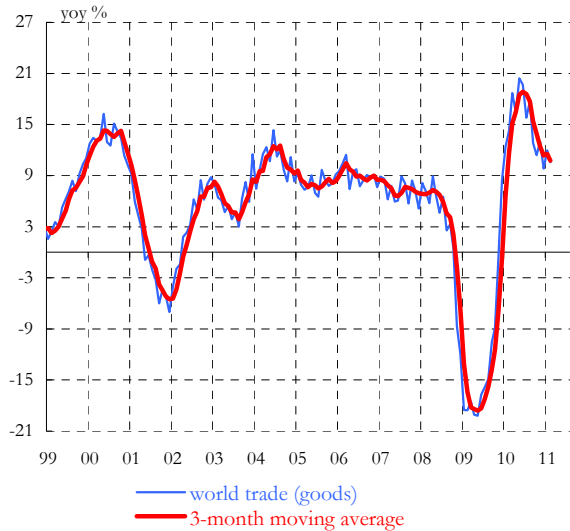
Exports and imports of goods and services



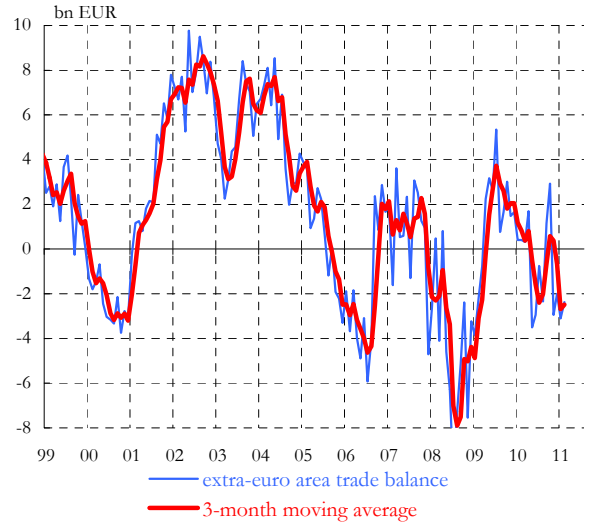
Exports and export order books



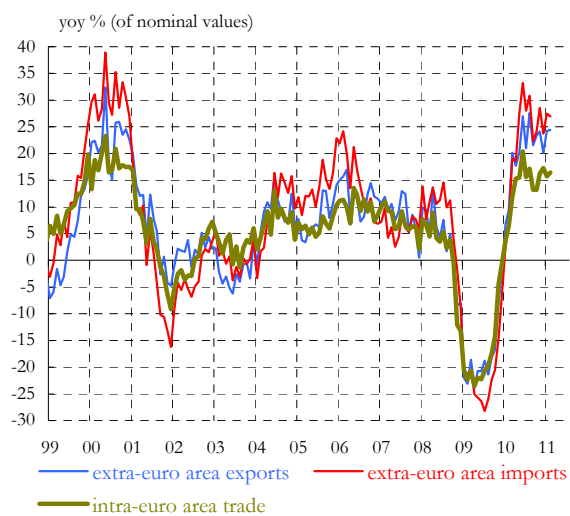
World trade



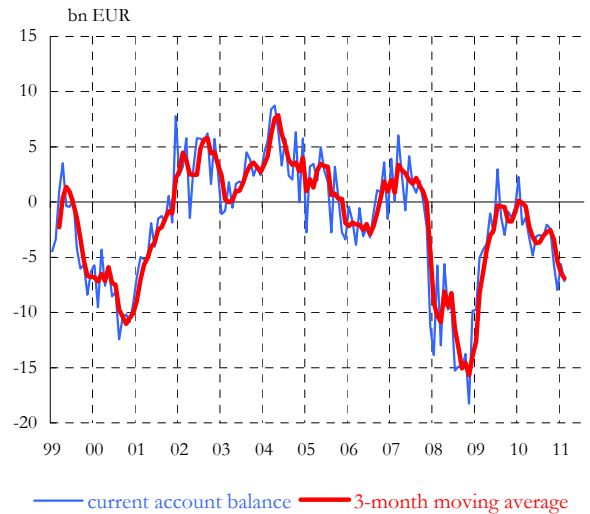
Extra euro-area trade balance



Extra- and intra-euro area trade



Current account balance

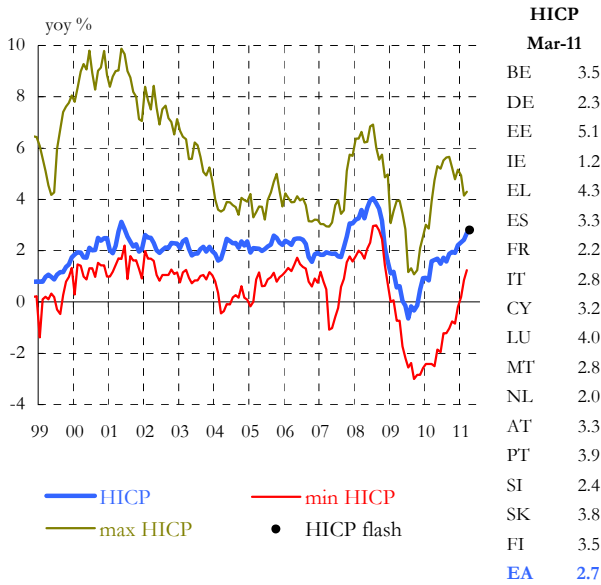




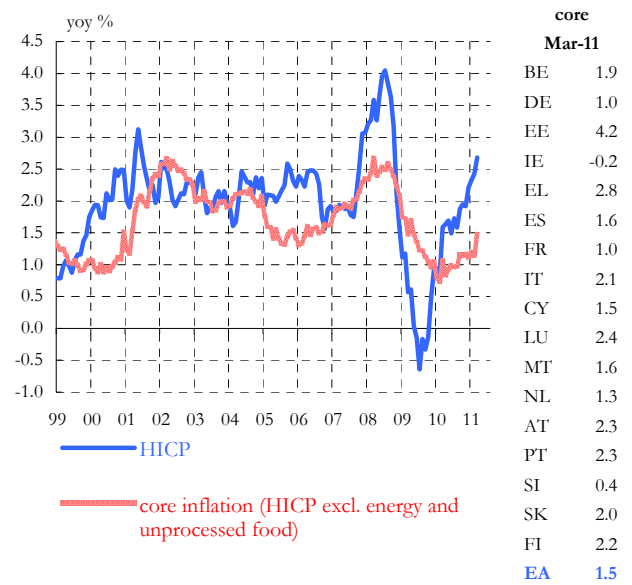


6. PRICES

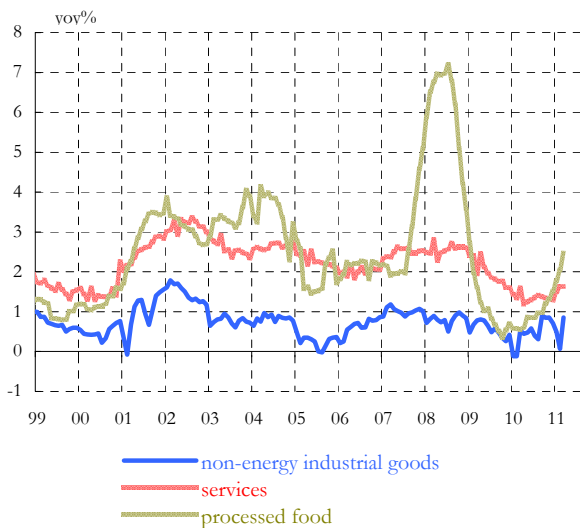
Harmonised index of consumer prices (HICP)



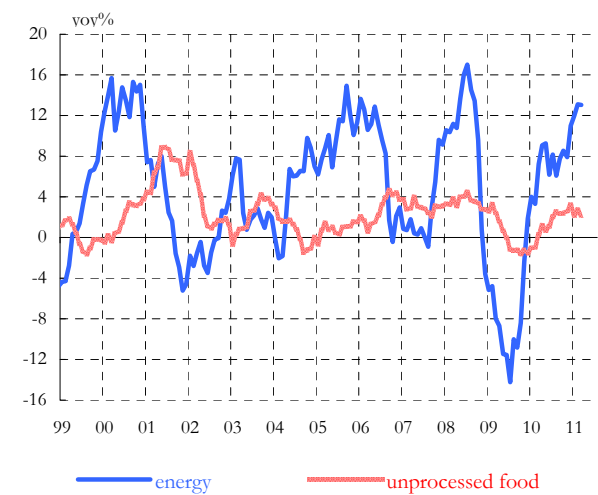
HICP and core inflation



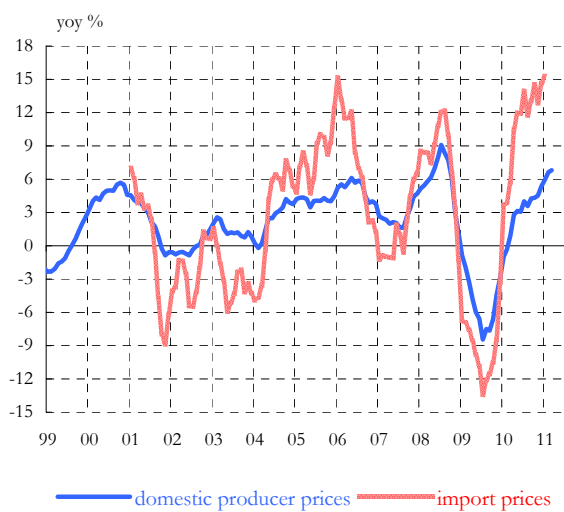
Breakdown of core inflation



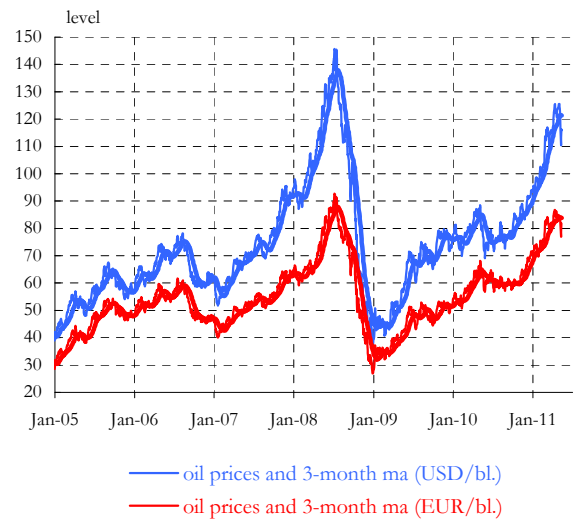
Energy and unprocessed food



Domestic producer prices and import prices



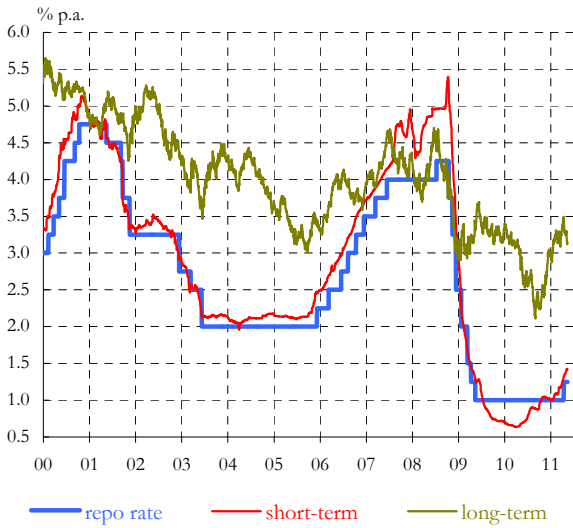
Oil prices



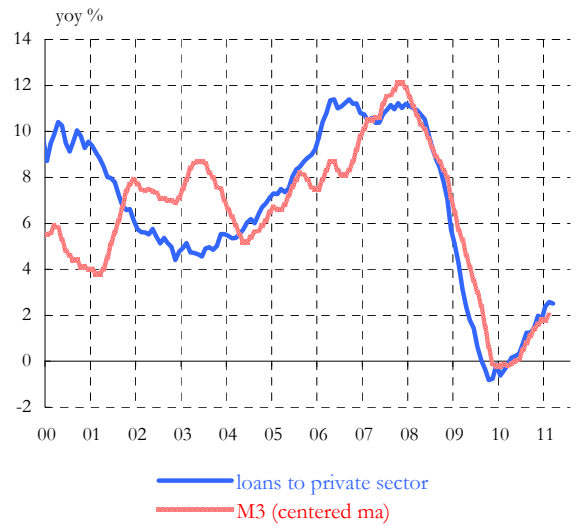


7. MONETARY AND FINANCIAL INDICATORS

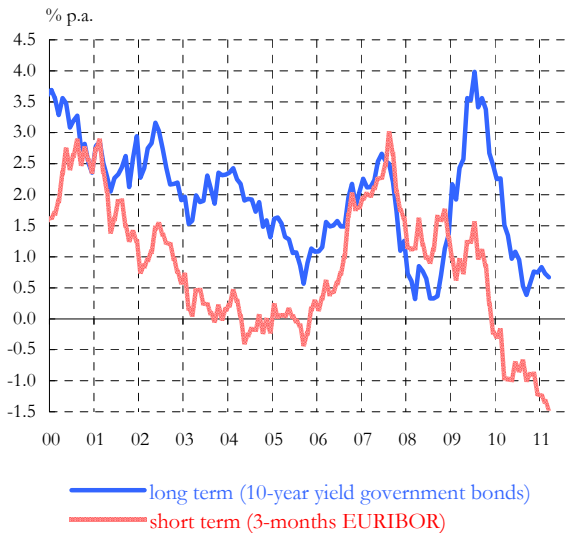
Nominal interest rates



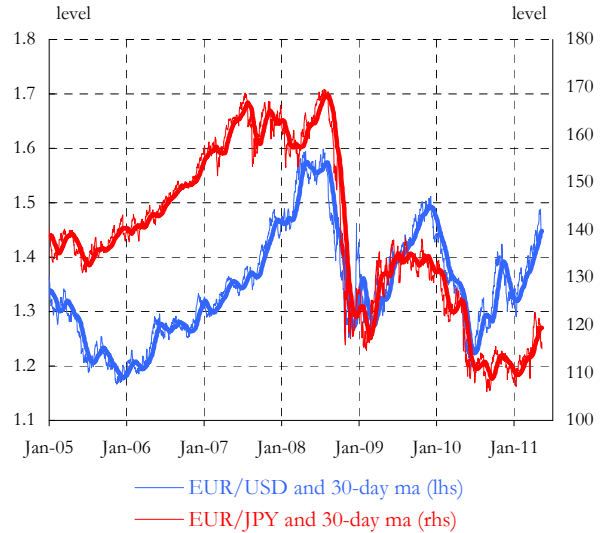
Loans to private sector and money supply



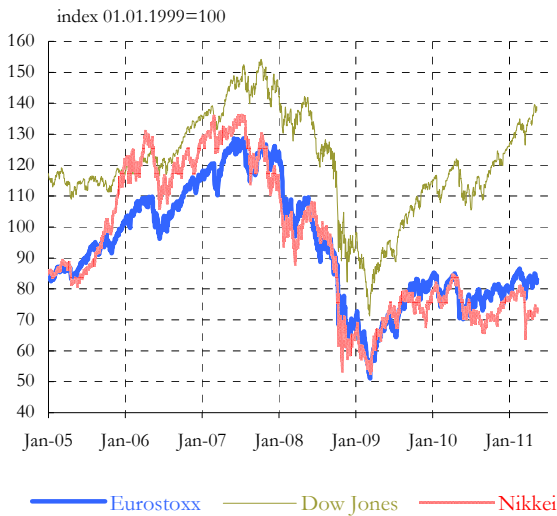
Real interest rates



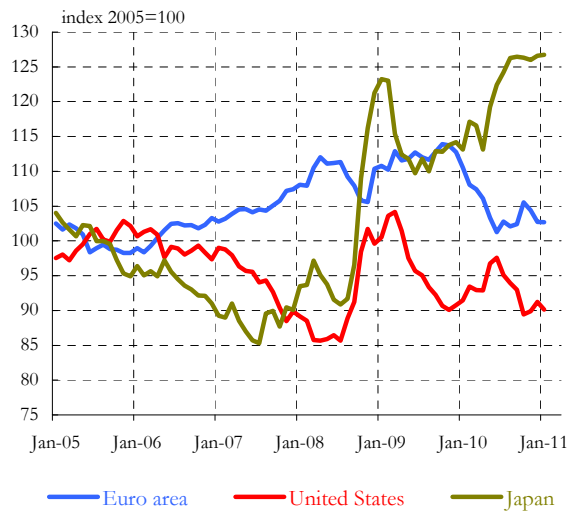
Euro vis-à-vis US dollar and JP yen



Stock market indices



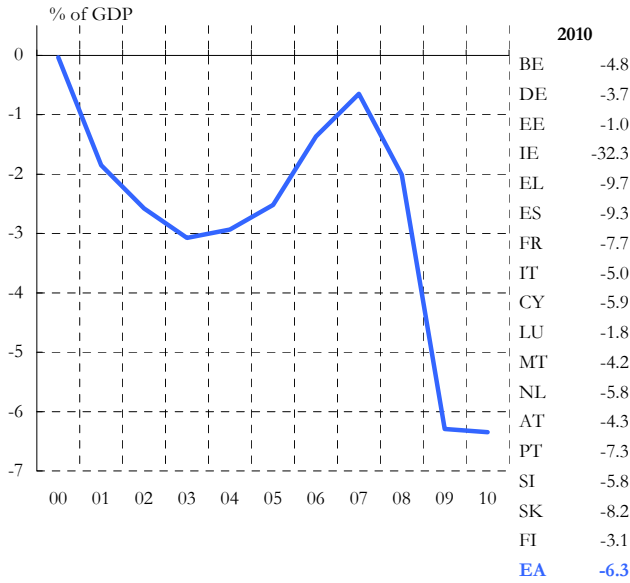
Nominal effective exchange rates



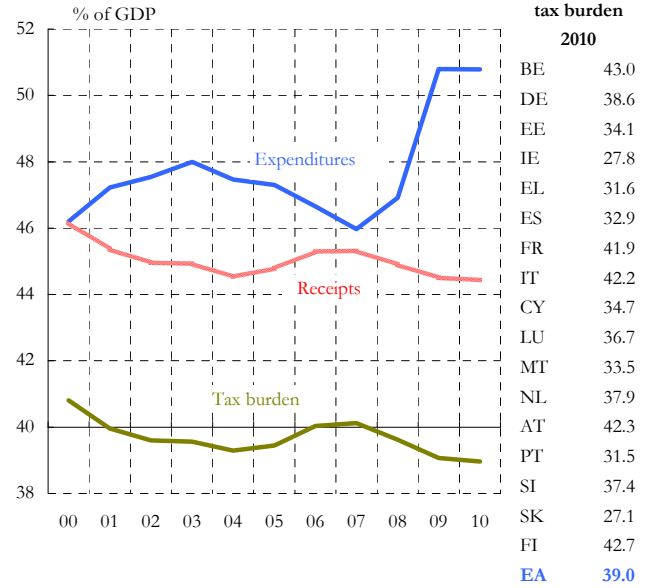


8. PUBLIC FINANCES\*

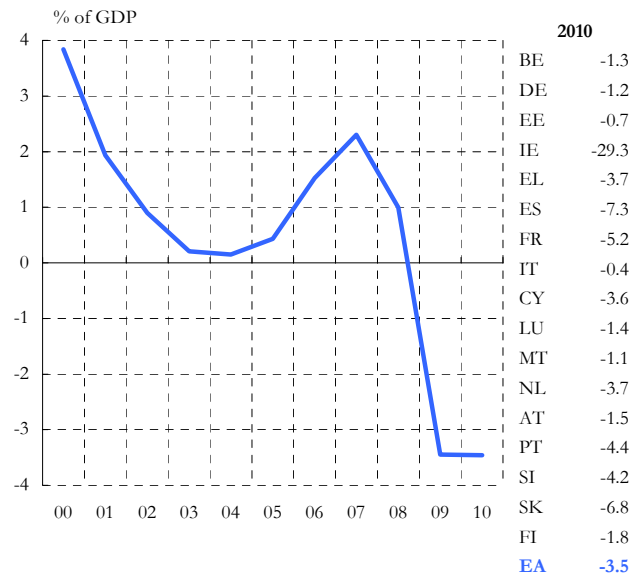
Government general balance



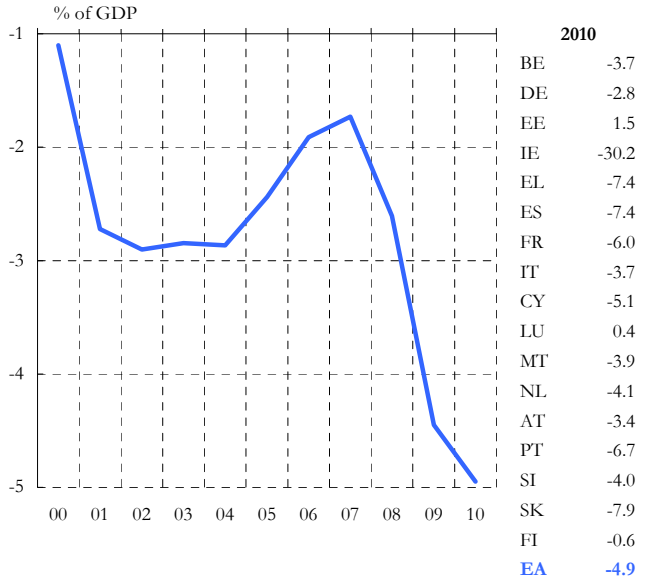
General government expenditures and receipts



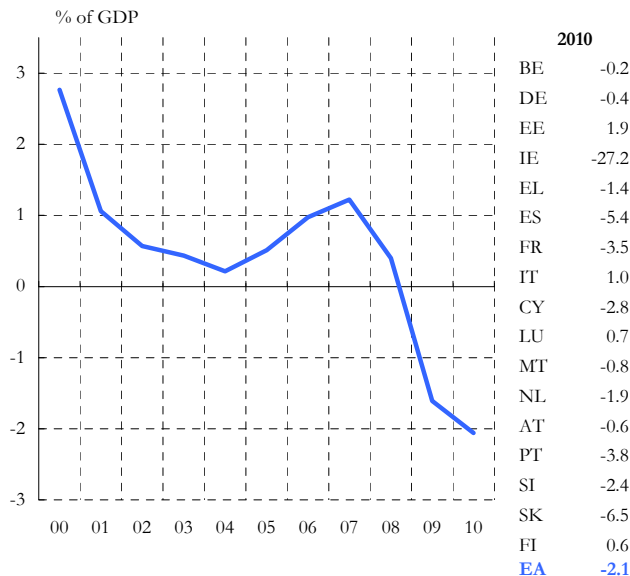
Primary balance



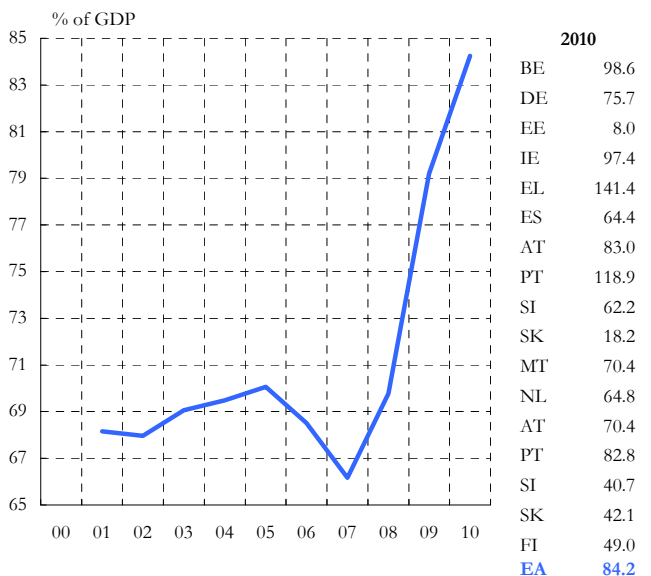
Cyclically adjusted balance



Cyclically adjusted primary balance



General government debt



\* Figures are from the Commission's autumn 2010 forecast

## KEY INDICATORS FOR THE EURO AREA



Euro area	Indicators as from 2011 refer to Belgium (BE), Germany (DE), Estonia (EE), Ireland (IE), Greece (GR), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Luxembourg (LU), Malta (MT), the Netherlands (NL), Austria (AT), Portugal (PT), Slovenia (SI), Slovakia (SK), Finland (FI).	
Indicator	Note	Source
<b>1. Output</b>		
Economic Sentiment Indicator	The economic sentiment indicator is the weighted average (of the industrial confidence indicator (40%), the services confidence indicator (30%), the consumer confidence indicator (20%), the construction confidence indicator (5%) and the retail trade confidence indicator (5%)). Data are seasonally adjusted.	DG ECFIN
Industrial confidence indicator	The industrial confidence indicator is the arithmetic average of the balances (%) referring to the questions on production expectations, order books and stocks (the latter with inverted sign) from the survey of manufacturing industry. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Services confidence indicator	The services confidence indicator is the arithmetic average of the balances (%) referring to the questions on business situation and recent and expected evolution of demand from the survey of services. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Industrial production	Monthly Production Index (2005=100), NACE Rev.2 B-C-D, Total industry (excluding construction). Mom % ch. and qoq% ch. are seasonally adjusted, yoy% ch. are working-day adjusted.	Eurostat
Gross domestic product	Gross domestic product at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Labour productivity	Labour productivity defined as the difference between GDP growth and employment growth.	Eurostat
GDP divergence	Standard deviation of GDP growth of the following countries: BE, DE, ES, FR, IT, CY, LU, NL, AT, PT, SI, FI.	Eurostat
<b>2. Private consumption</b>		
Consumer confidence indicator	The consumer confidence indicator is the arithmetic average of the balances (%) referring to the questions on the financial situation of households, general economic situation, unemployment expectations (with inverted sign) and savings; all over next 12 months. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Retail confidence indicator	The retail confidence indicator is the arithmetic average of the balances (%) referring to the questions on the present and the future business situation and the volume of stocks (with inverted sign). The long-term average refers to the period from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Private consumption	Household & NPISH final consumption expenditure at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Retail sales	Retail trade (NACE Rev.2 G47) excluding motor vehicles, motorcycles; Deflated turnover, mom % ch. and qoq% ch. are seasonally adjusted, yoy% ch. are working-day adjusted.	Eurostat
<b>3. Investment</b>		
Capacity utilisation	In percent of full capacity in the manufacturing sector. Data are seasonally adjusted (collected in January, April, July and October).	DG ECFIN
Production expectations	Production expectations in manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Gross fixed capital formation	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Equipment investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year 2000), EUR, metal products, machinery and transport equipment. Data are seasonally and working-day adjusted.	Eurostat
Construction investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year 2000), EUR, construction work and housing. Data are seasonally and working-day adjusted.	Eurostat
Change in stocks	Changes in inventories and acquisitions less disposals of valuables (at prices of previous year).	Eurostat
Profit share	Ratio of nominal gross operating surplus and gross mixed income to nominal GDP	Eurostat

## KEY INDICATORS FOR THE EURO AREA



4. Labour market		
Employment expectations (manufacturing)	Managers' employment expectations over the next three months in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Employment expectations (services)	Managers' employment expectations over the next three months in the services sector. Data are seasonally adjusted.	DG ECFIN
Employment expectations (whole economy)	Weighted average of managers' employment expectations over the next three months in the manufacturing (19%), services (65%), construction (6%) and retail sectors (10%). Weights in brackets according to value-added share on GDP of the respective sector. Data are seasonally adjusted.	DG ECFIN
Employment	Total domestic employment (number of persons). Data are seasonally and working-day adjusted.	Eurostat
Compensation of employees per head	Nominal compensation of employees divided by the number of employees. Data are seasonally and working-day adjusted.	DG ECFIN
Unemployment expectations	Consumers' unemployment expectations over the next twelve months. Data are seasonally adjusted.	DG ECFIN
Unemployment rate	Harmonised unemployment rate (in percent of labour force), ILO definition. Data are seasonally adjusted.	Eurostat
Structural unemployment rate	Non-accelerating inflation rate of unemployment. Data are seasonally adjusted.	OECD
Total labour costs	Nominal wage- and non-wage costs less subsidies in the private business sector. Data are seasonally and working-day adjusted.	Eurostat
Wage costs	Nominal wage and salary costs include direct remunerations, bonuses, and allowances, payments to employees saving schemes, payments for days not worked and remunerations in kind. Data are seasonally and working-day adjusted.	Eurostat
Non-wage costs	Nominal non-wage costs include the employers' social contributions plus employment taxes less subsidies. Data are seasonally and working-day adjusted.	Eurostat
Labour productivity	Ratio between GDP and employment. Data are seasonally and working-day adjusted.	DG ECFIN
5. International transactions		
World trade	Volume, 1998=100, seasonally adjusted	CPB
Export order books	Managers' export order expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Extra-euro area exports	Nominal extra-euro area exports of goods, fob. Data are seasonally adjusted.	Eurostat
Extra-euro area imports	Nominal extra-euro area imports of goods, cif. Data are seasonally adjusted.	Eurostat
Extra-euro area trade balance	Difference between extra-euro area exports and extra-euro area imports. Data are seasonally adjusted.	Eurostat
Intra-euro area trade	Nominal intra-euro area trade in goods, fob. Data are seasonally adjusted.	Eurostat
Current-account balance	Transactions in goods and services plus income and current transfers between residents and non-residents of the euro area. Data are seasonally and working-day adjusted.	ECB
Exports of goods and services	Exports of goods and services at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Imports of goods and services	Imports of goods and services at constant market prices (chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.	Eurostat
Direct investment	Nominal transactions/positions in assets abroad by euro-area residents less nominal transactions/positions in euro-area assets by non-residents. To be regarded as a direct investment, ownership in an enterprise must be equivalent to more than 10% of the ordinary shares or voting power.	ECB
Portfolio investment	Nominal transactions/positions in securities (including equities) abroad by euro-area residents less nominal transactions/positions in euro-area securities (including equities) by non-residents. To be regarded as a portfolio investment, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.	ECB

## KEY INDICATORS FOR THE EURO AREA



6. Prices		
HICP	Harmonized index of consumer prices (index 2005=100)	Eurostat
Core HICP	HICP excluding energy and unprocessed food (index 2005=100)	Eurostat
Producer prices	Domestic producer price index, total industry excluding construction (index 2005=100)	Eurostat
Selling price expectation	Managers' selling-price expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Import prices	Unit value index of imports, Current Prices (index 2000=100)	Eurostat
Oil prices	Price of north sea Brent in USD/barrel and EUR/barrel	ICE
Non-energy commodity prices	Market price for non-fuel commodities in EUR terms (index 2000c=100)	HWWI
7. Monetary and financial indicators		
Nominal interest rate (3-month)	3-month EURIBOR interbank rate (360 day)	ECB/Ec owin
Nominal interest rate (10-year)	10-year interest rate on government bonds for euro area (based upon the 10-year German government bond)	ECB/Ec owin
ECB repo rate	Minimum bid rate of main refinancing operations, end of period.	ECB/Ec owin
Money demand (M3)	Monetary aggregate including currency in circulating (banknotes and coins), operational deposits in central bank, money in current accounts, saving accounts, money market deposits, certificates of deposit, all other deposits and repurchase agreements. Data are seasonally adjusted.	ECB
Loans to private sector	Loans by MFI (monetary and financial institutions) to euro area residents (excl government). Data are seasonally adjusted.	ECB
Real long-term interest rates	Nominal interest rate (10-year) deflated by HICP index	DG ECFIN
Real short-term interest rates	Nominal interest rate (3-month) deflated by HICP index	DG ECFIN
Stock markets	Eurostoxx50, Dow Jones and Nikkei indices (1.1.1999=100)	Ecwin
Exchange rates	EUR/USD and EUR/JPY reference rates	ECB
Nominal effective exchange rate	Graph – Monthly Nominal Effective Exch. Rates vs. rest of IC36 (index 2005 = 100) Table - ECB Nominal effective exch. rate, euro area-17 countries vis-à-vis the EER-20 group of trading partners against Euro	DG ECFIN/ ECB
8. Public finance		
General government balance	Net lending (+) or net borrowing (-) of general government	DG ECFIN
Primary government balance	Net lending (+) or net borrowing (-) of general government minus interest payment	DG ECFIN
Cyclically adjusted balance	Net lending (+) or net borrowing (-) of general government corrected for the influence of the business cycle	DG ECFIN
Cyclically adjusted primary balance	Primary government balance corrected for the influence of the business cycle	DG ECFIN
General government expenditures and receipts	Nominal expenditures and receipts; tax burden includes taxes on production and imports (incl. taxed paid to EU), current taxes on income and wealth (direct taxes) and actual social contributions	DG ECFIN
General government debt	Cumulative sum of net lending (+) or net borrowing (-) positions of general government	DG ECFIN