





## 1. Output

Eurostat's second estimates for the first quarter of 2011, released on 8 June, confirmed **GDP growth** in 2011-Q1 at 0.8% quarter-on-quarter (q-o-q), up from 0.3% in 2010-Q4, and 2.5% as compared with the first quarter of 2010, the highest growth rate since end-2007. Economic growth in the first quarter of 2011 was mainly driven by domestic demand, contributing 0.8 pp. to GDP growth, while net exports contributed only 0.1 pp. As for the largest economies, GDP increased by 1.5% (q-o-q) in Germany and 1.0% in France, while Spain was growing by 0.3% and Italy by 0.1%.

According to the **Commission's spring 2011 forecast**, Europe's gradual recovery continues, with GDP expected to grow by about 1½% this year and close to 2% in 2012. However, the recovery remains uneven across countries. A rebalancing of growth across demand components is gradually taking hold as a broader array of factors support demand. Export growth is supporting a rebound in equipment investment, while private consumption is expected to pick up slightly this year, and gain steam due to slowly improving labour market conditions, moderate income growth and lower saving rates.

**Industrial confidence** decreased from 5.6 in April to 3.9 in May, but remains far above its long-term average (-6.1). This goes on account of a drop in firms' production expectations and a less favorable assessment of the level of order books, while managers' appraisal of stocks continued to recover 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 March, the euro-area **industrial new orders** index decreased by 1.8% (m-o-m). This is a first drop after 5 months of continuous growth.

## 2. Private consumption

**Private consumption** was rising by 0.3% q-o-q in 2011-Q1, unchanged from the preceding quarter. Developments across Member states were quite different as private consumption growth slightly accelerated in France (to 0.6%) and Italy (0.4%), but decelerated in Germany (0.4%) and Spain (0.0%), and even contracted again in the Netherlands (-0.5%).

**Confidence among consumers** increased in May, by 1.8 points, reflecting more optimism about the future general economic situation and decreasing unemployment fears. Consumers were also more confident about their households' expected financial situation and future savings.

In April 2011, the index of **retail trade volumes** rose by 0.9% m-o-m, after a fall by 0.9% in March. **Sentiment in the retail sector** declined by 0.7 point in May, but remained well-above its long-term average.

## 3. Investment

After being stable in the final quarter of 2010, **gross fixed capital formation** was growing strongly in the first quarter of 2011, by 2.1% q-o-q, making it the main contributor (with 0.4 pp.) to overall GDP growth. On an annual basis, it also accelerated from 0.1% in 2010-Q4 to 1.1% in 2011-Q1. 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% in 2011-Q2, very close to its historic long-term average (81.7%).

## 4. Labour market

The **unemployment rate** in the euro area was 9.9% in April, unchanged from March 2011. However, this aggregate number conceals sharp differences across Member States, with unemployment rates ranging in April 2011 from 4.2% in the Netherlands and Austria to 20.7% in Spain. Such cross-country differences in labour-market performances follow from, inter alia, differences in the sectoral composition of output and the downward adjustment of activity in construction, real estate and financial sectors and 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. While managers' **employment expectations** worsened somewhat (both in industry and services sectors), the consumers' unemployment fears recorded yet again a significant decrease (from 16.6 to 13.7). 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 May, managers were more pessimistic about their **export order books in manufacturing**, the level declined from 0.1 in April to -0.9 in May. In March 2011, the seasonally-adjusted **euro-area trade balance** with the rest of the world showed a deficit of 0.9 billion (bn) euro. After several quarters of slowing **export and import growth**, in 2011-Q1 the external side exhibited slightly stronger expansion again, with exports growing at a rate of 1.8% (q-o-q, from 1.7% in the two preceeding quarters) and imports growing by 1.9%



(1.2% in 2010-Q3 and 1.3% in 2010-Q4). Net-trade contributed 0.1 pp. to GDP growth in 2011-Q1. In March 2011, the seasonally adjusted **current account balance** recorded a deficit of 4.7 bn euro. This reflected deficits in current transfers, which were partly offset by surpluses in services and goods. The income account was close to balance. The **financial account** recorded net inflows of 70 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 May was 2.7%, down from 2.8% in April. It was 1.7% a year ago (May 2010). **Core inflation** in April 2011 was at 1.8%, up from 1.5% in March. A surge in energy and commodity prices was the main driver of headline inflation. **The Commission's spring 2011 forecast** projected an inflation rate of about 2½% for 2011, before easing to about 1¾% in 2012. **Industrial producer prices** continued to rise by 0.9% (m-o-m) in April 2011, after a similar increase of 0.8% in March.

**Oil prices** were following an upward trend in the first months of 2011, starting at about 95 USD/bl. at the turn of the year and increasing by more than 30% to around 125 USD/bl. in late April. However, since the beginning of May, oil markets were marked by strong volatility (with prices ranging between 109 and 125 USD/bl.). Among the key factors behind the latest moves were concerns of a deceleration of economic growth in major regions, reports on increased US oil stockpiles, rising inflationary pressures in Asia, a weaker US dollar, and OPEC's failure to agree on output quotas at its meeting on June 8.

## 7. Monetary and financial indicators

The European **money-market interest rates** continued to rise in May and early June. Ahead of the meeting of the ECB Governing Council, the 3-month Euribor reached 1.45% (9 June), the highest level since April 2009, on the back of higher inflation figures and expectations about forthcoming decisions by the ECB Governing Council and its impact on borrowing costs. While the ECB kept its key policy interest rates unchanged at the meeting on June 9 (at 1.25%, after lifting it from a record low of 1% in April), the emphasis on "strong vigilance" is perceived as signalling an interest rate hike at the July, which would then be the second in almost three years. The 3-month Libor-OIS spreads (a barometer of banks' willingness to lend), went up in Europe in May, while it decreased quite significantly in the beginning of June, suggesting recovering confidence among European banks lately.

**Benchmark sovereign-bond yields** in Europe have been falling since the announcement of unchanged interest rates by the ECB at the beginning of May, amid persistent uncertainty over the European sovereign debt and along with rising demand for safe havens. The 10-year German bund yield is currently at 3.06% (3.30% at the beginning of the May), while the US 10-year sovereign yield is at 2.95% (8 June). In peripheral European sovereign-debt markets, the situation remains tense, with a renewed wave of sovereign rating downgrades in the past weeks. In the first days of June however, the yields on some peripheral countries have dropped somewhat.

Euro-area **bank lending** to the private sector continued to increase, especially as regards mortgage credit and loans to non-financial corporations. While the annual rate of change of M3 decreased to 2.0% in April 2011, from 2.3% in March 2011, loan growth to the private sector stood at 2.6%, compared to 2.5% in the previous month. The annual rate of change of loans to non-financial corporations continued increasing for the fourth consecutive month, standing at 1.0% in April, up from 0.8% in March. While the annual growth of loans to households stood at 3.4%, unchanged from March, the annual growth rate of mortgage loans stood at 4.4% in March, compared to 3.7% and 3.4% three and six months ago.

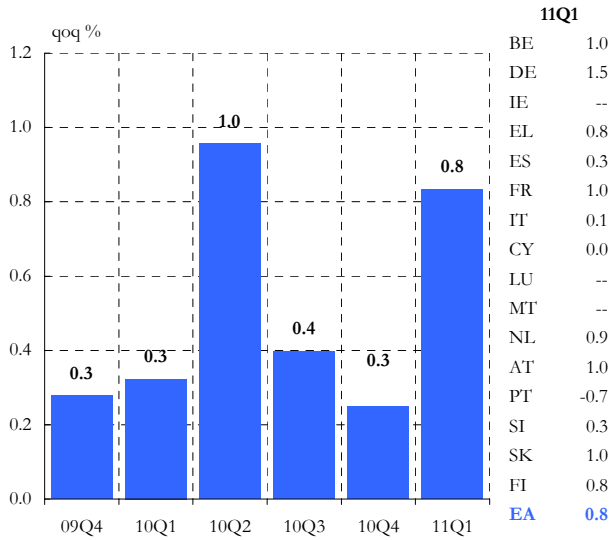
The euro **exchange rate** was rebounding in the first months of 2011. The euro was appreciating in April and early May up to 1.49 USD/EUR (4 May), on the back of weaker-than-expected economic data coming from the US and the widening of interest-rate differentials between the US and the euro area, which was related to past and expected stance of monetary policy in both areas. . On 8 June 2011, the USD-EUR exchange rate stood at 1.46. 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. However, the G7 intervention on 17 March contributed to the yen's weakening. On 8 June, the JPY/EUR rate stood at 116.5, while the JPY/USD rate stood at around 80.

In the first days of June, **stock market** indices in the largest economies have fallen as compared to their May average. For the S&P 500 Index (US), this marked the longest period of declines since February 2009; meanwhile the EuroSTOXX 50 was underperforming its global peers (falling by some 3.5% compared to May), while the Nikkei fell by some 1.2%. The declines in equity reflect worries about the strength of the global recovery, in particular in Europe but also in the US ahead of the end of QE2.

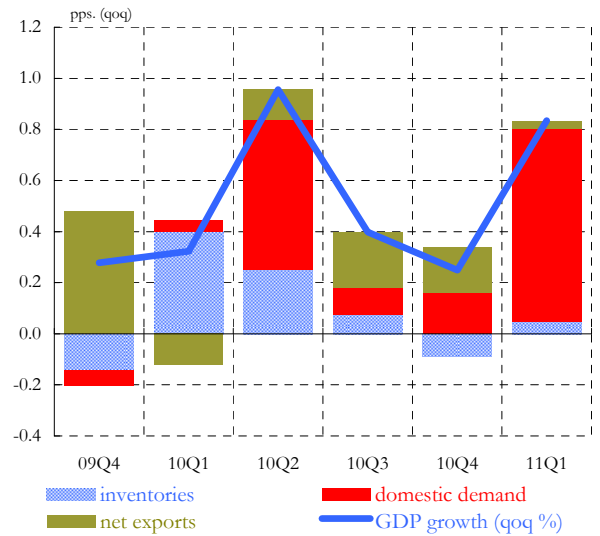


1. OUTPUT

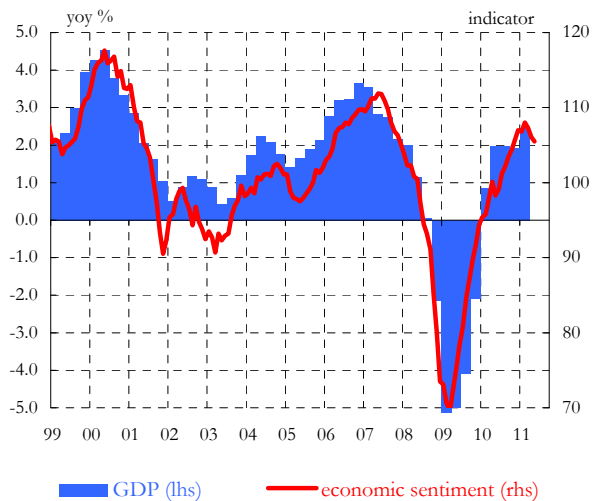
GDP



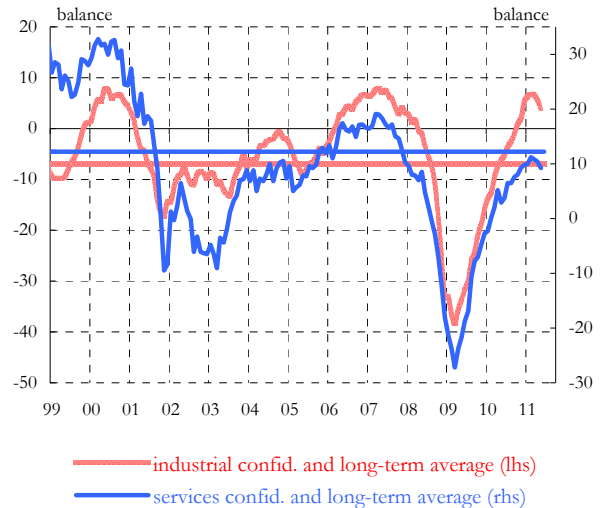
Contributions to GDP growth



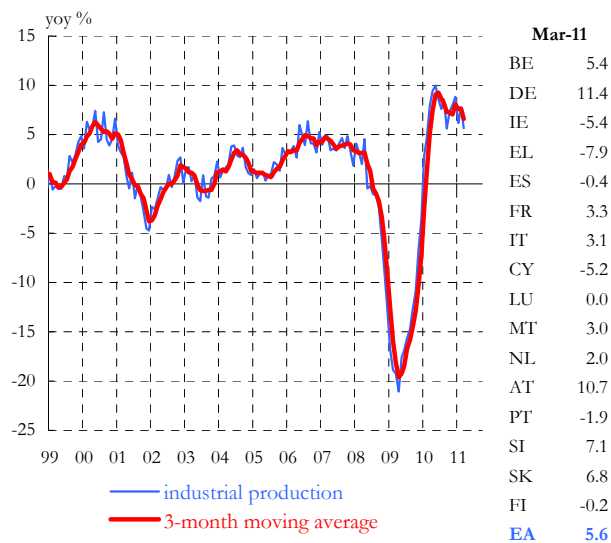
GDP and Economic Sentiment Indicator



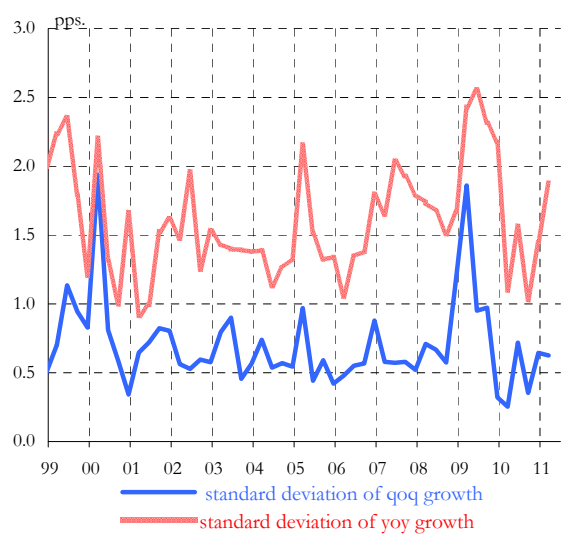
Industrial and services confidence



Industrial production



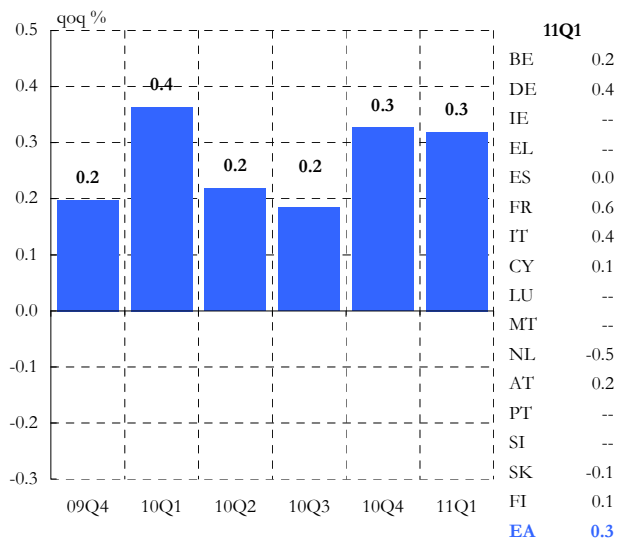
GDP growth divergence, euro area



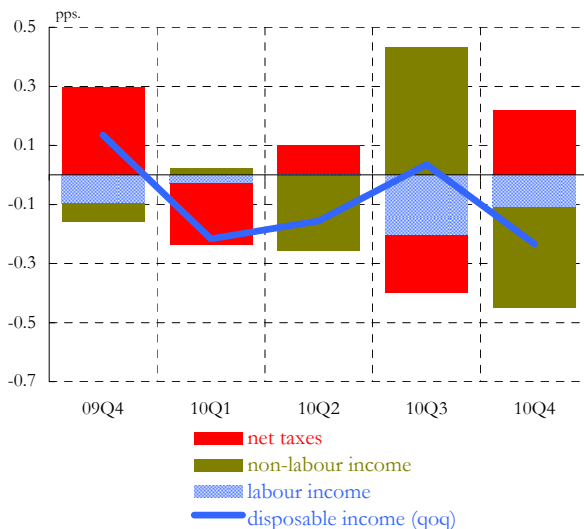


2. PRIVATE CONSUMPTION

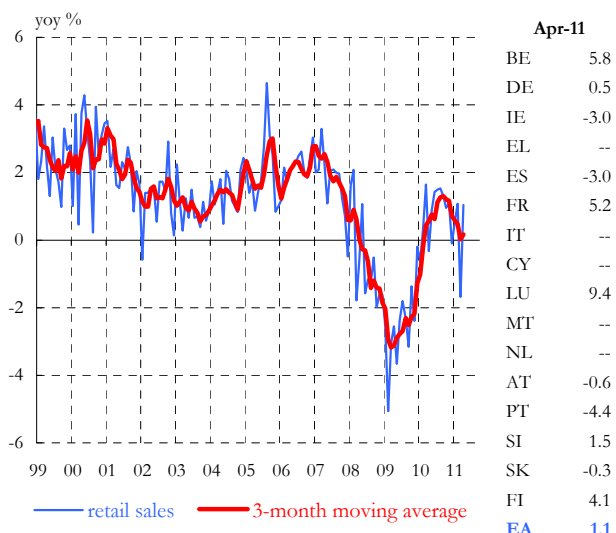
Private consumption



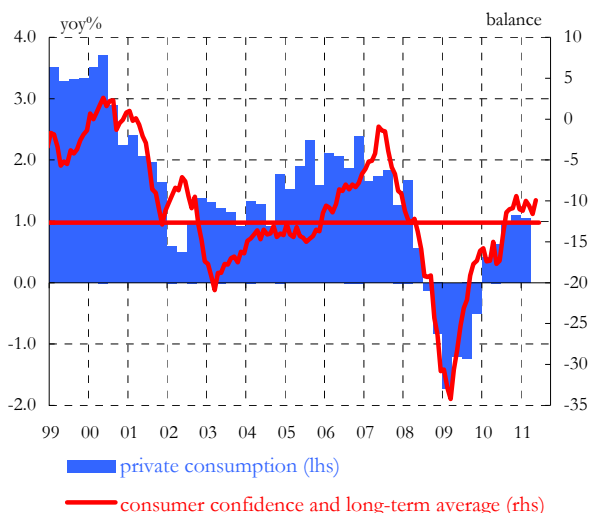
Gross disposable income and its components



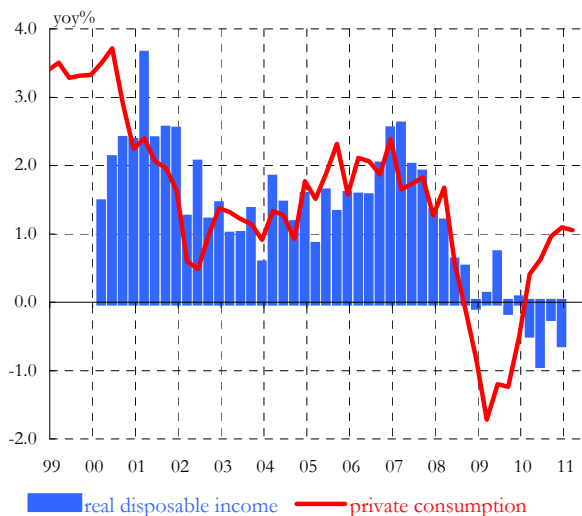
Retail sales



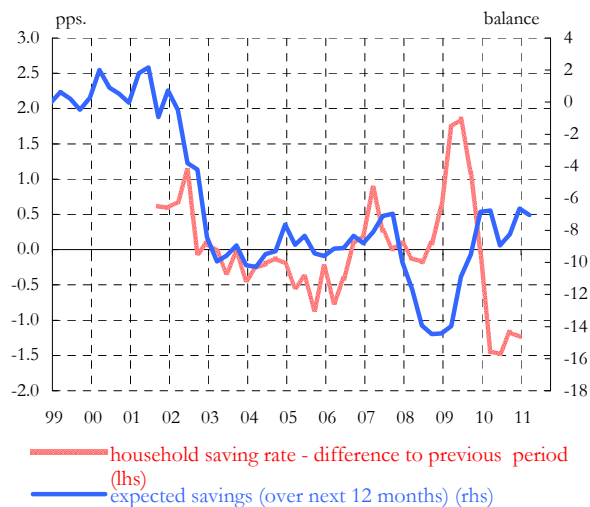
Consumer confidence and private consumption



Households: real disposable income and consumption



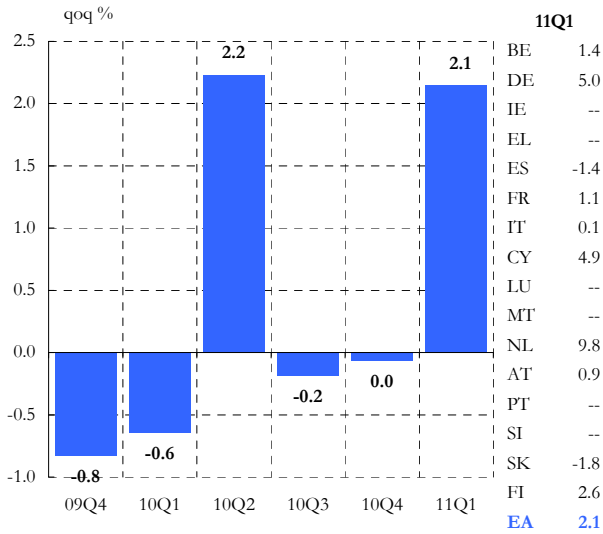
Households: actual saving rate and expected savings



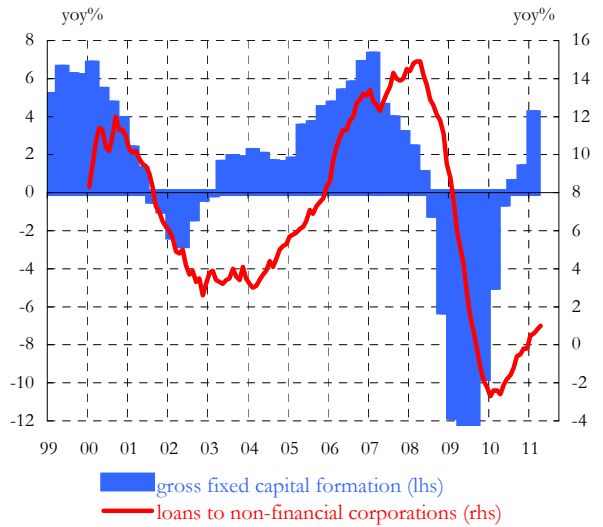


3. INVESTMENT

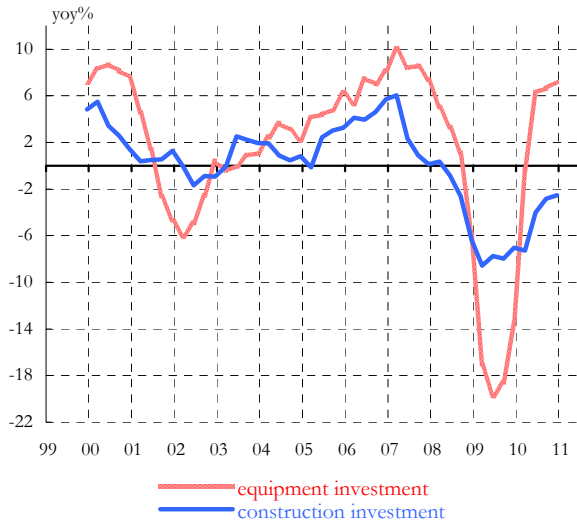
Gross fixed capital formation



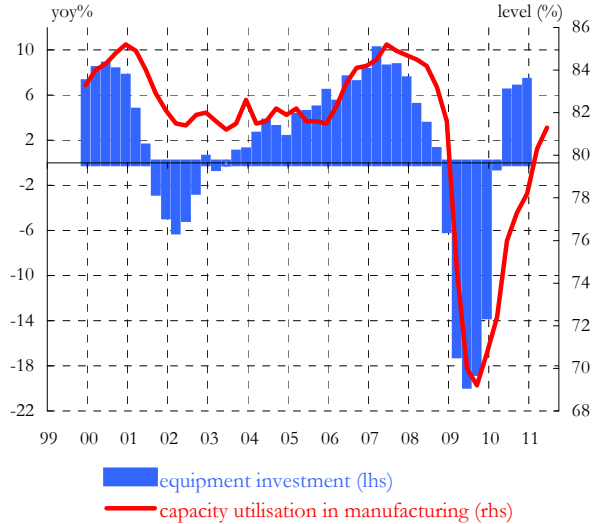
Gross fixed capital formation and corporate loans



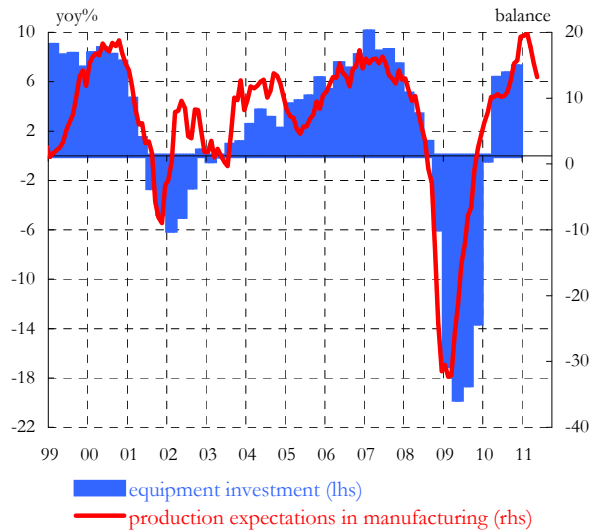
Equipment and construction investment



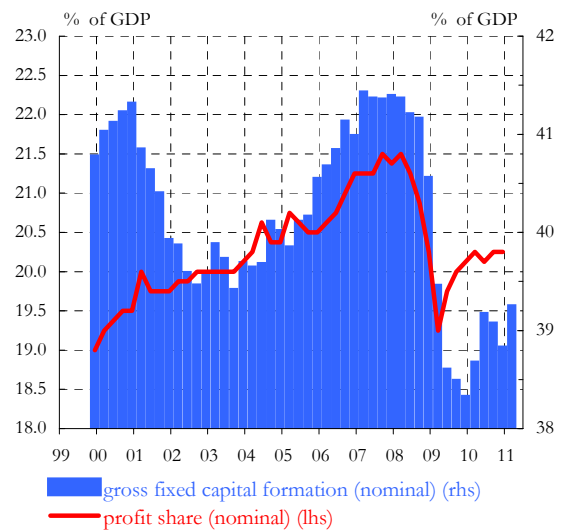
Equipment investment and capacity utilisation



Equipment investment and production expectations



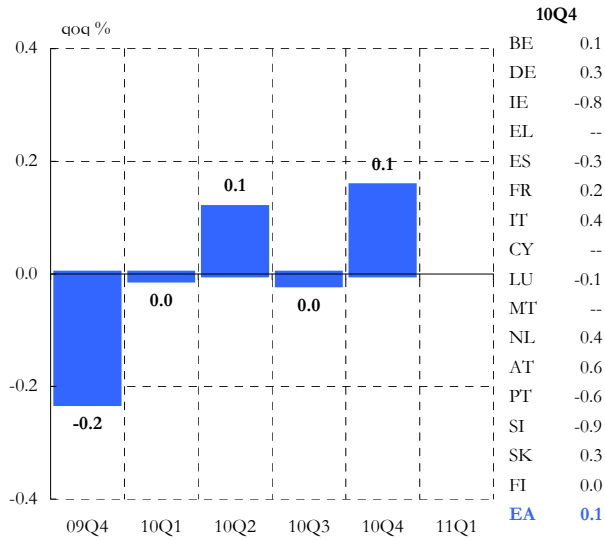
Gross fixed capital formation and profit share



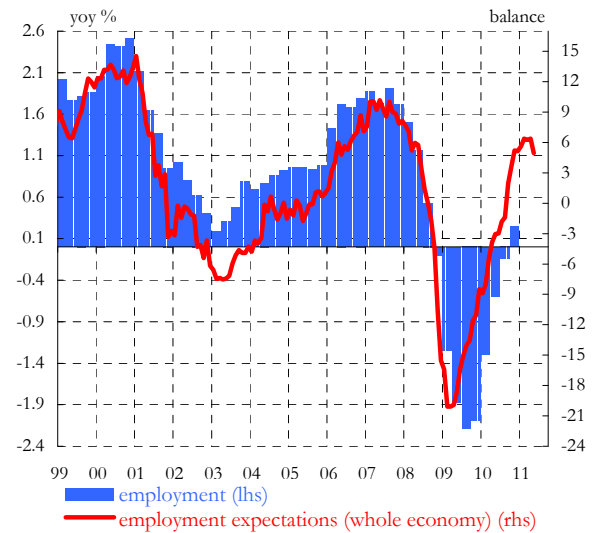


4. LABOUR MARKET

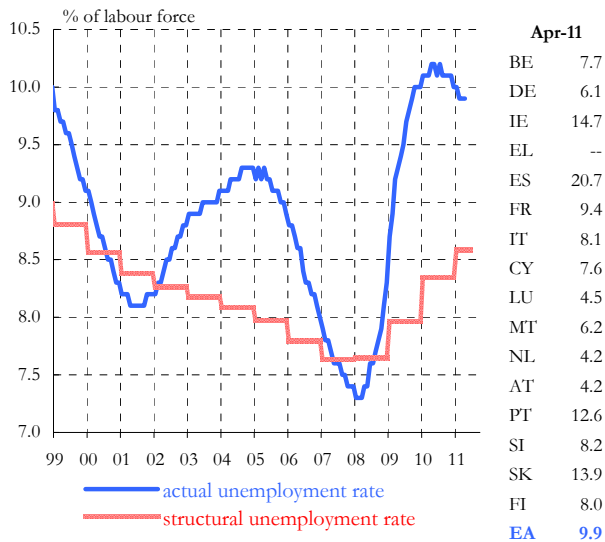
Employment



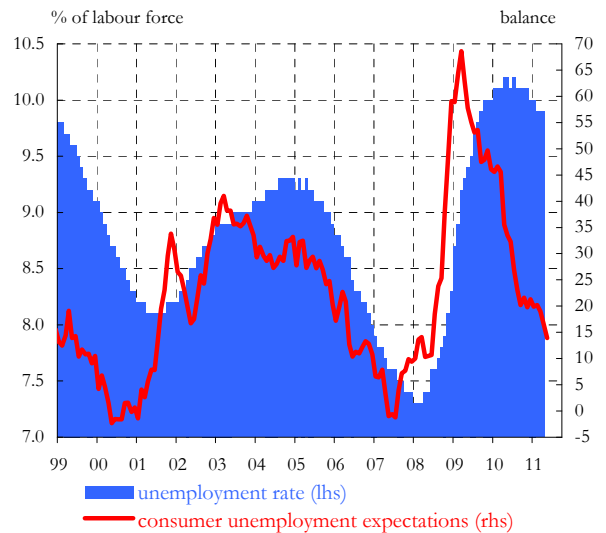
Employment and employment expectations



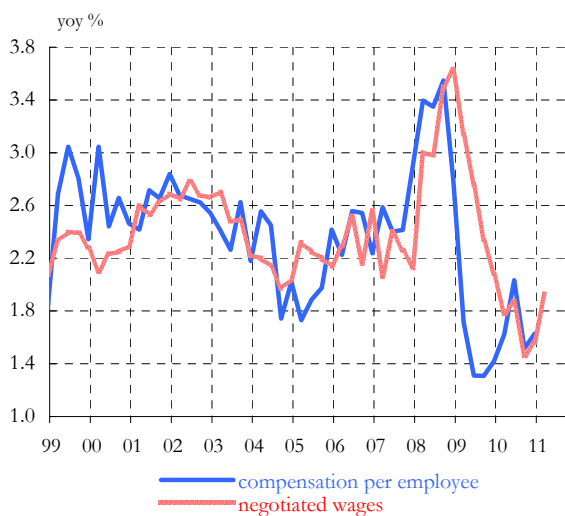
Actual and structural unemployment rate



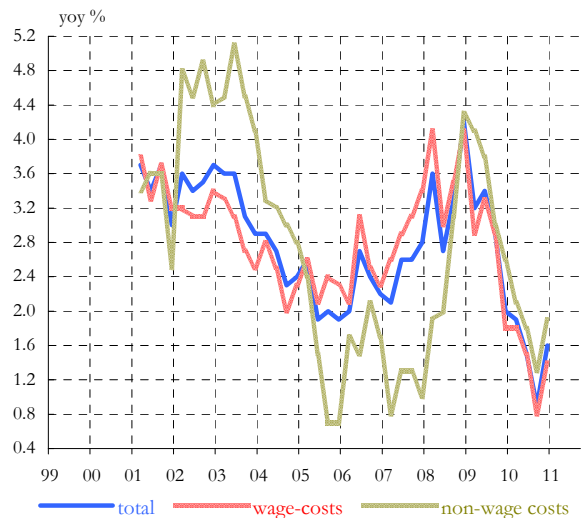
Unemployment rate and unemployment expectations



Compensation per head and negotiated wages (nominal)



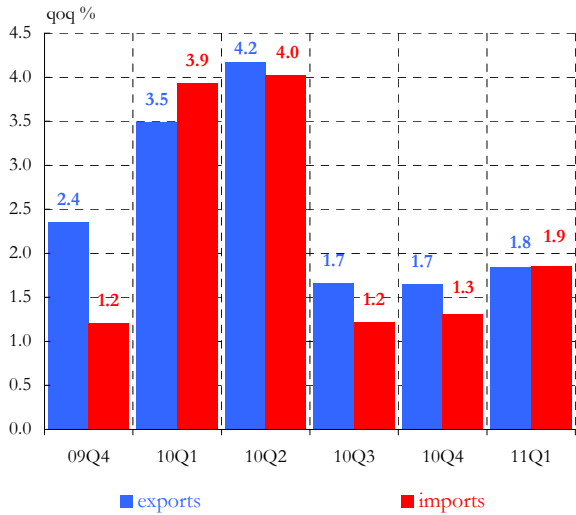
Labour costs in the private business sector (nominal)



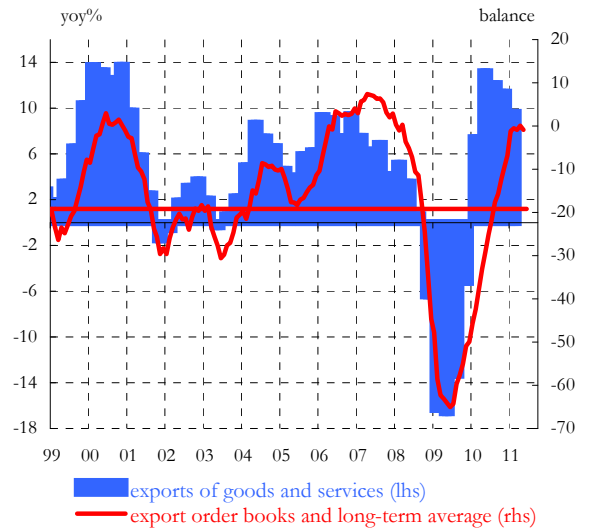


5. INTERNATIONAL TRANSACTIONS

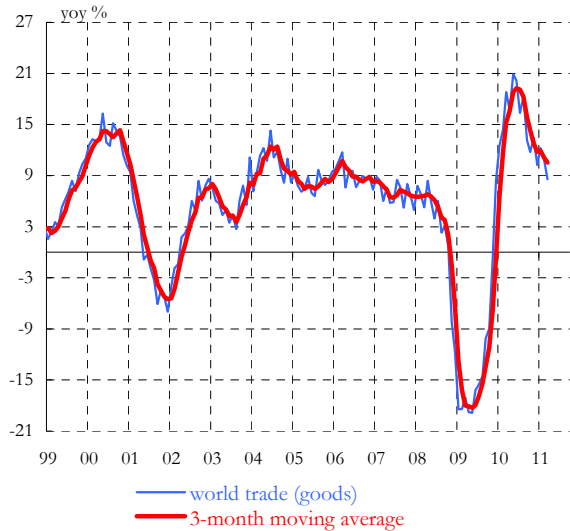
Exports and imports of goods and services



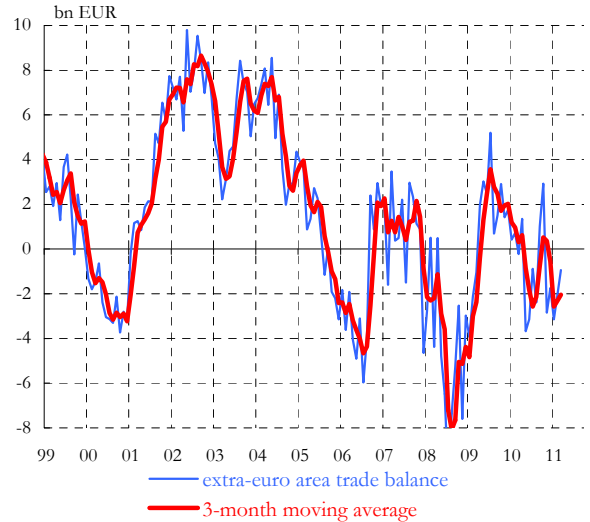
Exports and export order books



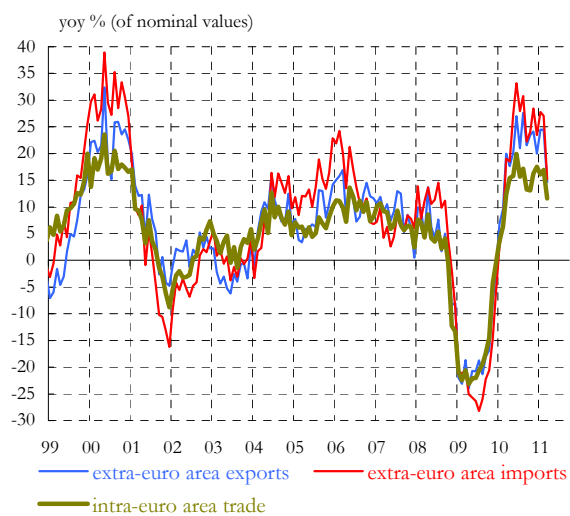
World trade



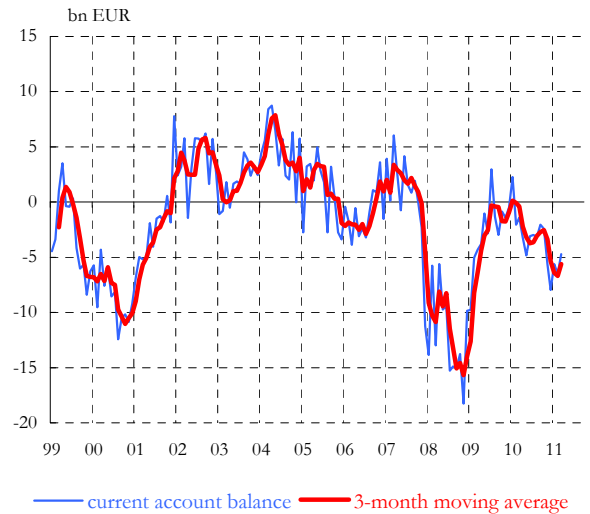
Extra euro-area trade balance



Extra- and intra-euro area trade



Current account balance

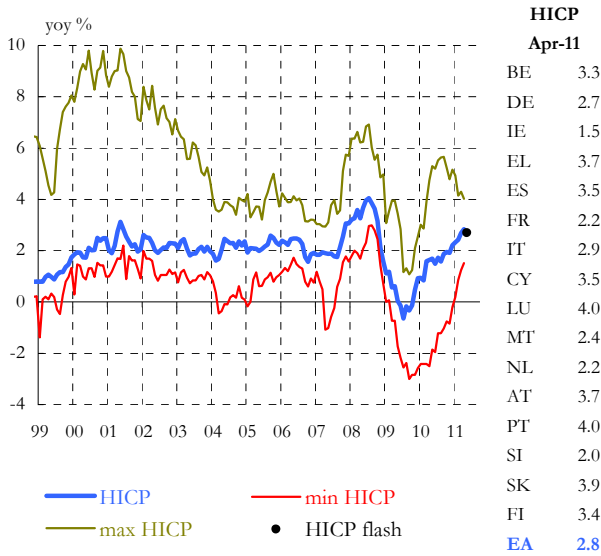




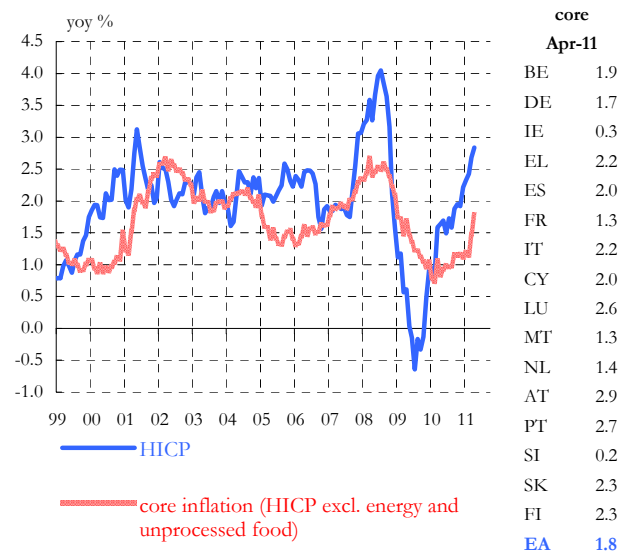


6. PRICES

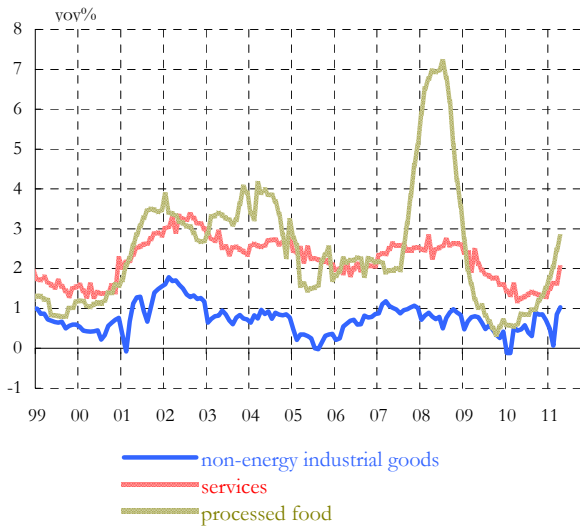
Harmonised index of consumer prices (HICP)



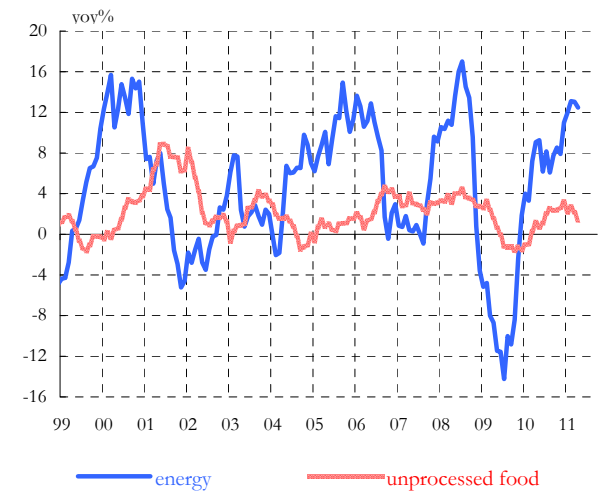
HICP and core inflation



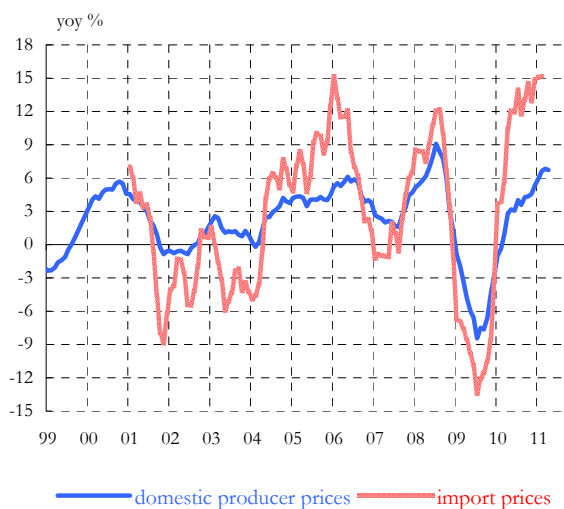
Breakdown of core inflation



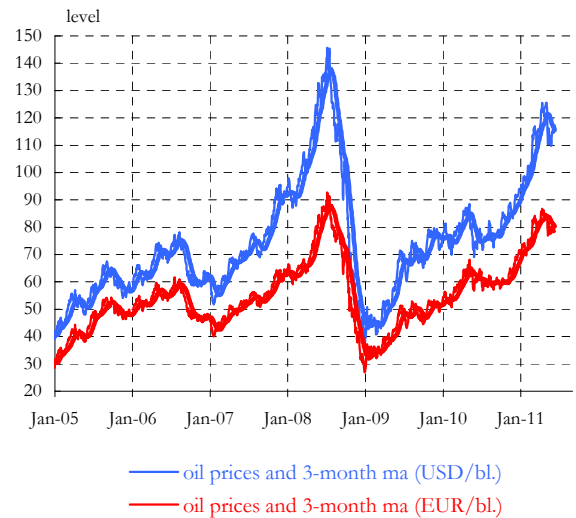
Energy and unprocessed food



Domestic producer prices and import prices



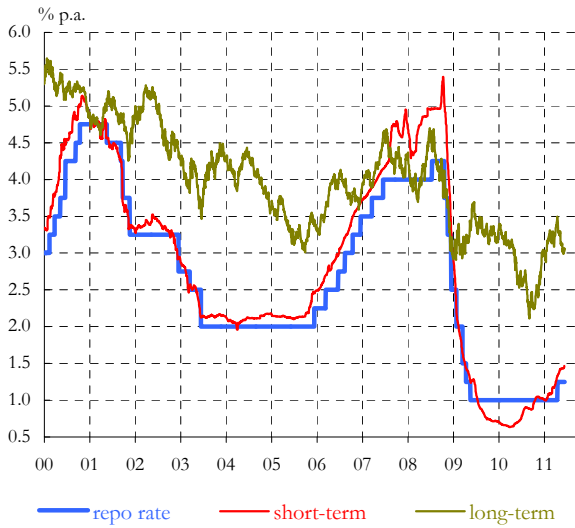
Oil prices



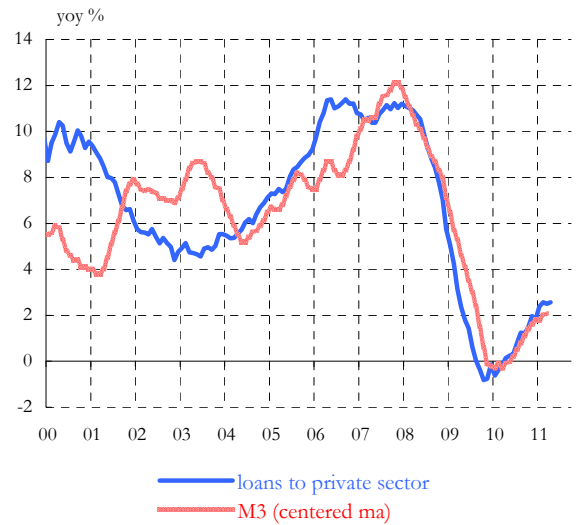


7. MONETARY AND FINANCIAL INDICATORS

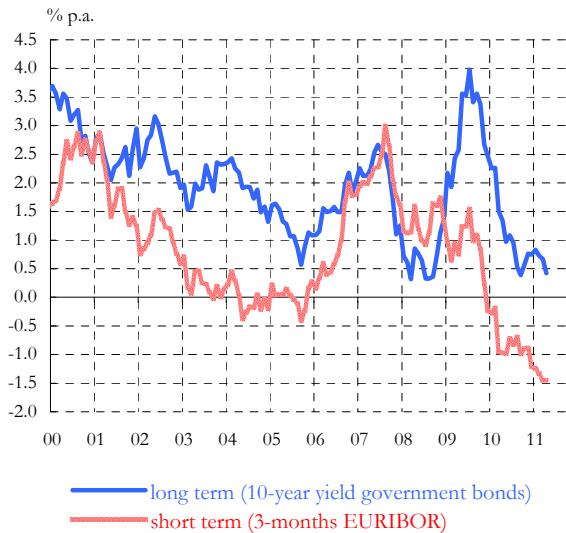
Nominal interest rates



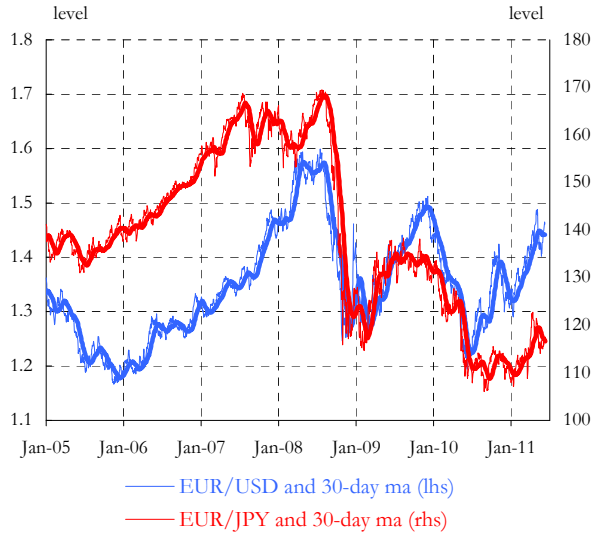
Loans to private sector and money supply



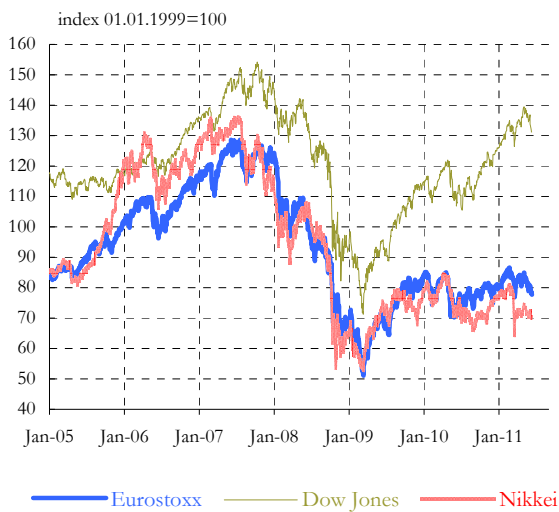
Real interest rates



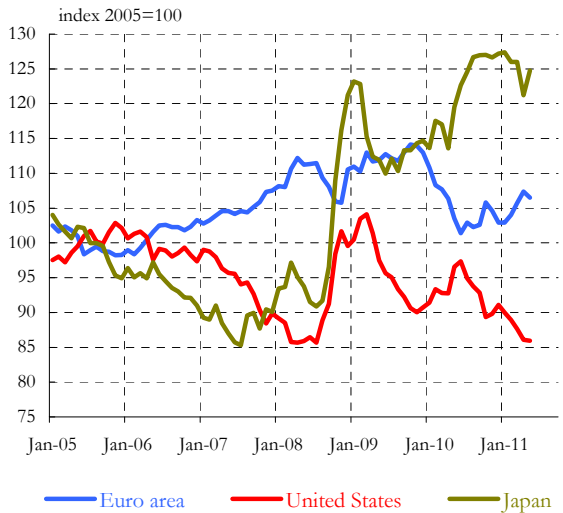
Euro vis-à-vis US dollar and JP yen



Stock market indices



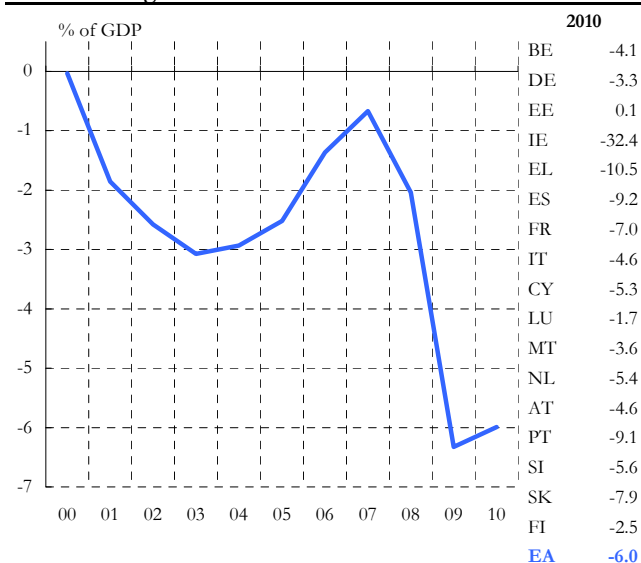
Nominal effective exchange rates



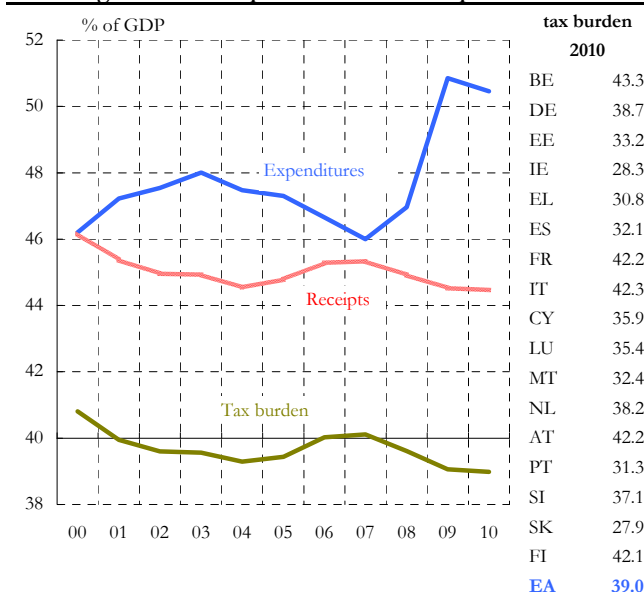


8. PUBLIC FINANCES\*

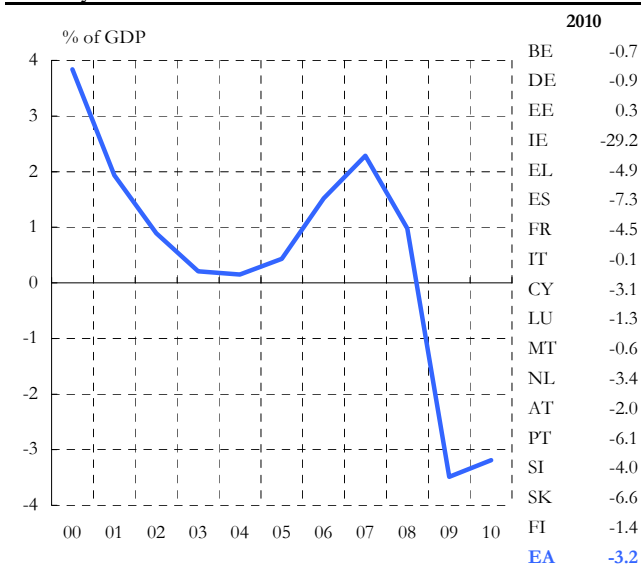
Government general balance



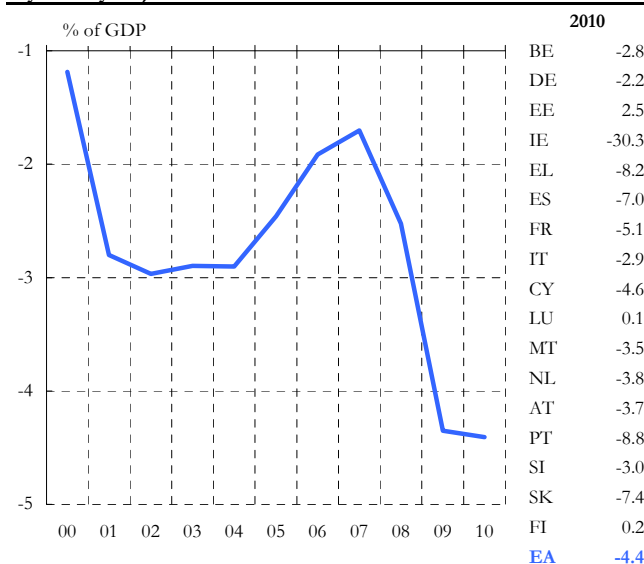
General government expenditures and receipts



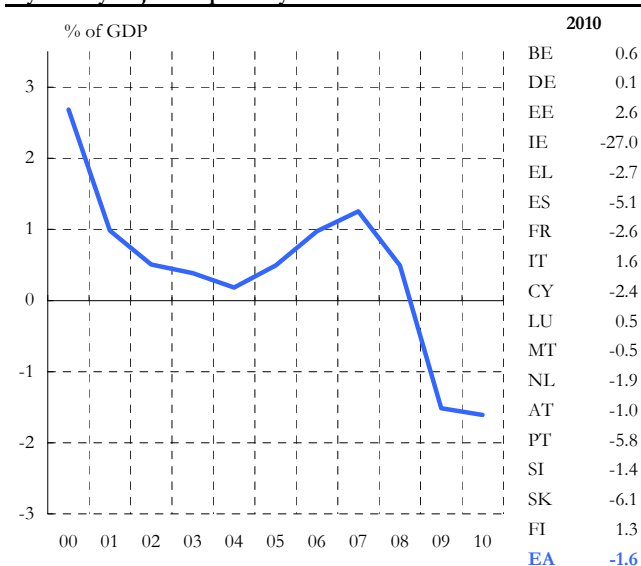
Primary balance



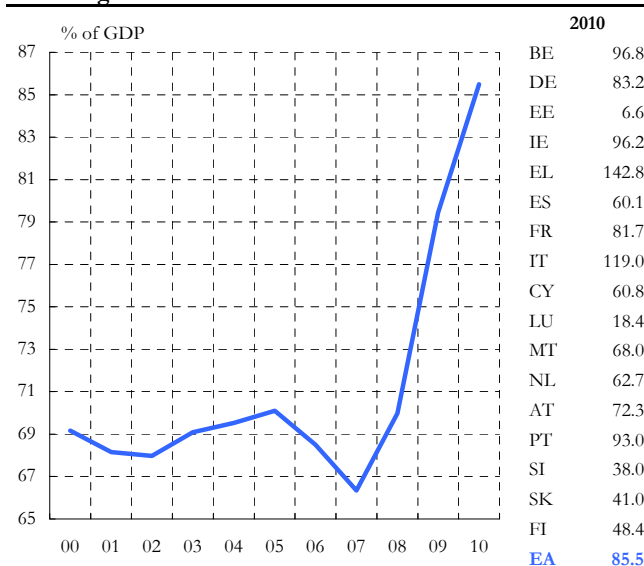
Cyclically adjusted balance



Cyclically adjusted primary balance



General government debt



\* Figures are from the Commission's spring 2011 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