





## 1. Output

**Real GDP** in the euro area continued growing in the third quarter of 2015. According to Eurostat's second estimate, it increased by 0.3% quarter-on-quarter (q-o-q) after 0.4% in the previous quarter. As compared to 2014-Q3, real GDP increased by 1.6% year-on-year (y-o-y). According to the **Commission's winter 2016 forecast**, released on 4 February, euro-area GDP is expected to have increased by 1.6% in 2015, and to grow by 1.7% in 2016, and by 1.9% in 2017. The tailwinds that were supportive last year (weaker euro, low oil prices and very accommodative monetary policies) are now expected to remain supportive for longer than previously thought. Meanwhile, headwinds have emerged from slower growth in emerging markets, the softness of global trade, and high geopolitical tensions. Forces of acceleration and deceleration have evolved fairly evenly since the autumn 2015 forecast, so the growth outlook looks on balance little different.

In January 2016, the **Commission's Economic Sentiment Indicator** decreased by 1.7 points to 105.0 points in the euro area. This resulted from worsening confidence in all business sectors but retail trade, which remained stable, and a decline in consumer confidence.

Decreasing **industry confidence** (-1.2 points) was due to managers' more pessimistic views on three components, i.e. production expectations, the current level of overall order books and the stocks of finished products. Managers' assessments of the past production and export order books – which are not included in the confidence indicator – deteriorated, too.

The **PMI Composite Output Index** in February 2016 was at 53.6, down from 54.3 in January and slightly above the earlier flash estimate. Slower expansions were signalled in both the manufacturing and services sectors. Nonetheless, the headline index has signalled expansion for 31 successive months.

In November 2015, **industrial production** decreased 0.7% month-on-month (m-o-m), after an increase of 0.8% m-o-m in October. The decrease was due to production of energy falling by 4.3%, capital goods by 1.9% and durable consumer goods by 1.0%, while production of non-durable consumer goods rose by 0.1% and intermediate goods by 0.7%.

## 2. Private consumption

In 2015-Q3, **private consumption** increased by 0.4% q-o-q, and remained the main growth driver. With respect to the same period of the previous year, private consumption was up by 1.7%. In January 2016, **consumer confidence** decreased slightly (-0.6) resulting from more negative expectations concerning the general economic situation, households' financial situation and

their savings, while consumers' views on future unemployment improved markedly.

In December 2015, the volume of **retail trade** increased in the euro area by 0.3% compared to November. Compared with December 2014, the retail sales index increased by 1.4%. In December, **retail trade confidence** remained stable due to more positive views on the present and expected business situation being counterbalanced by retailers' markedly worsened assessment of the adequacy of the volume of stocks.

## 3. Investment

In 2015-Q3, **gross fixed capital formation** was stable compared to 2015-Q2 after having increased by 0.1% during that quarter. Compared to the same quarter of the previous year, investment increased by 2.2%. In 2016-Q1, the rate of **capacity utilisation** (data collected in January 2016) improved slightly to 81.9% (0.4 points higher than in October).

## 4. Labour market

In December 2015, the **unemployment rate** was 10.4%, down from 10.5% in November, and from 11.4% in December 2014. This is the lowest rate recorded in the euro area since September 2011.

In 2015-Q3, seasonally-adjusted **employment** was 0.3% higher than in 2015-Q2 and 1.1% higher than in 2014-Q3. According to the Commission's survey results, in January 2016 **employment expectations** saw significant downward revisions in construction and industry, a smaller decrease in retail trade, and a marginal improvement in services.

## 5. International transactions

In November 2015, the **world trade volume** (goods) decreased by 0.1% m-o-m, following a 0.6% increase in October. In January, views on **export order books in manufacturing** were more negative (-12.3 points) than in December (-11.2 points), but remained above the long-term average of -18.8.

In November 2015, the seasonally adjusted **trade balance** was in surplus at €22.7 bn, up compared with October. The seasonally adjusted **current-account balance** also recorded a surplus in November (€26.4 bn). This reflected surpluses for goods (€27.0 billion), services (€5.9 billion) and primary income (€4.5 billion), which were partly offset by a deficit in secondary income (€11.0 billion). The **financial account** in November (combined direct and portfolio investment) recorded an increase of €31 bn in assets and a decrease of €14 bn in liabilities.

## 6. Prices

In January 2016, annual **HICP inflation** was 0.4% according to Eurostat's flash estimate, up from 0.2 in December 2015. Looking at the main components of euro area inflation, services is expected to have had the highest annual rate in January (1.2%, compared with 1.1% in December), followed by food, alcohol & tobacco (1.1%, down from 1.2% in December), non-energy industrial goods (0.7%, up from 0.5% in December) and energy (-5.3%, compared with -5.8% in December). In January, **core inflation** (all items excl. energy and unprocessed food) was at 1.0% (up from 0.9% in December).

The **Commission's winter 2016 forecast** projects HICP inflation at 0.0% in 2015, 0.5% in 2016, and 1.5% in 2017. According to the Commission surveys, **consumer price expectations** decreased in January 2016 from 3.6 points to 2.3 points.

In December 2015, **industrial producer prices** fell by 0.8% in the euro area compared with November 2015. They were 3.0% lower than in December 2014.

Brent crude **oil prices** kept on falling in early 2016, reaching levels below the 30 USD/bbl. mark before rebounding somewhat. The 2016 low was reached on 21 January (27.98 USD/bbl.), and on 8 February Brent crude traded at 34.58 USD/bbl. (corresponding to 31.15 EUR/bbl.).

## 7. Monetary and financial indicators

**Money market interest rates** have declined further in an environment of excess liquidity. On 8 February, the 3-month EURIBOR was at -0.169%.

At its meeting on 21 January 2016, the ECB Governing Council decided to keep the key ECB interest rates unchanged, i.e. the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain at 0.05%, 0.30% and -0.30% respectively. Monthly net asset purchases of €60 billion will be extended to at least the end of March 2017 or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.

**Benchmark sovereign bond yields** in the euro area have increased between May and mid-June 2015 as inflation expectations increased. Since then, they decreased. On 9 February, the benchmark yield of ten-year sovereign bonds stood at 0.24%.

The January 2016 **Bank Lending Survey** showed that changes in credit standards and loan demand continue to support a recovery in loan growth, particularly for enterprises. During the fourth quarter of 2015, credit

standards on loans to enterprises eased further and those on housing loans returned to a net easing. As regards the likely impact of ongoing regulatory or supervisory changes, banks reported a further strengthening of their capital positions and a reduction in risk-weighted assets predominantly related to riskier loans in the second half of 2015.

The annual rate of change of **M3** in December 2015 was at 4.7%, slightly lower than in November (5.0%). The annual growth of loans to the private sector (adjusted for sales and securitisation) stood at 0.4% (down from 0.9% in November). The annual growth of loans to households (adjusted) remained stable at 1.4%, while the annual growth rate of loans to non-financial corporations decreased to 0.3% (compared to 0.7% in November).

In its statement on 27 January 2016, the **FOMC** decided to keep the target range for the federal funds rate at 0.25% to 0.50%. The stance of monetary policy remains accommodative, thereby supporting further improvement in labour market conditions and a return to 2 percent inflation. On 8 February, the US 3-month Libor rate stood at 0.619%.

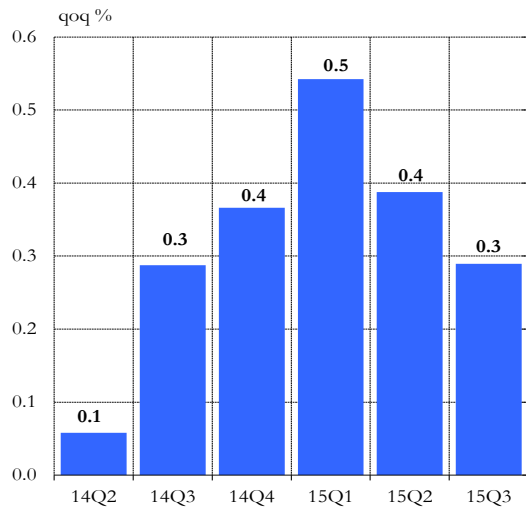
The **EUR/USD exchange rate** has been broadly stable since the beginning of 2016 around 1.09. In the beginning of February, it went above 1.10, which was the first time since November 2015. On 8 February the EUR/USD exchange rate was at 1.1101. Among the key factors at play are market uncertainty and the outlook for a continuation of different monetary policy stances in the euro area and in the US. On 8 February, the JPY/EUR foreign exchange reference rate stood at 129.11.

**Stock market indices** in Europe have kept on falling steadily and have lost over 10% since the beginning of the year. On 8 February the Euro Stoxx 50 index reached its year low. In the US the Dow Jones and S&P500 have lost around 7% since the beginning of the year after remaining relatively stable in November and December of 2015. The year low was reached on 20 January, from which they have barely recovered. In Japan, the index has already lost 8% since the beginning of the year. The Nikkei reached its year low on 21 January and has recovered 6% since then.

## 1. OUTPUT

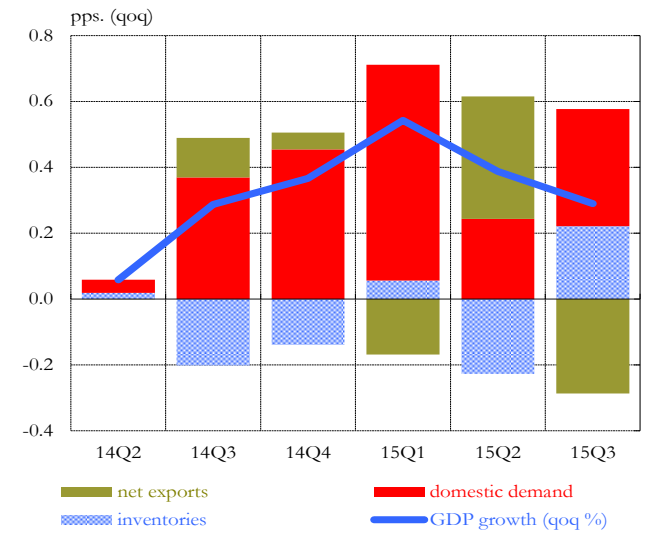
### GDP

15Q3

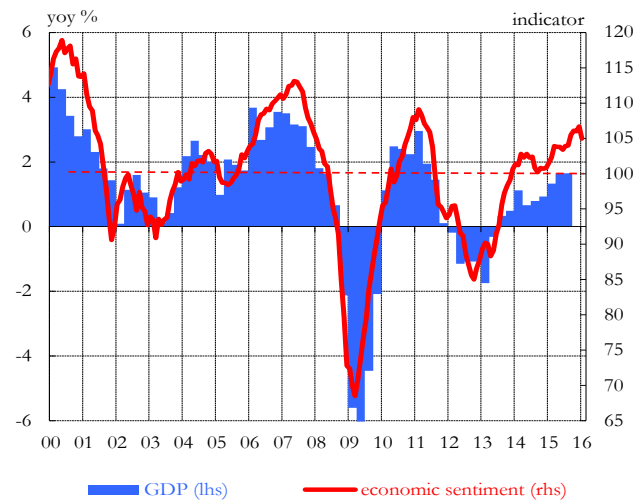


BE	0.2
DE	0.3
EE	-0.4
IE	1.4
EL	-0.9
ES	0.8
FR	0.3
IT	0.2
CY	0.4
LV	1.0
LT	0.5
LU	0.9
MT	1.1
NL	0.1
AT	0.0
PT	0.0
SI	0.4
SK	0.9
FI	-0.5
EA	0.3

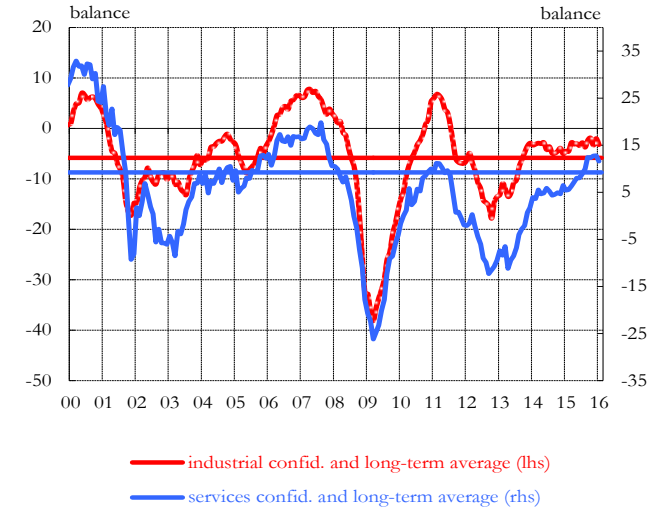
### Contributions to GDP growth



### GDP and Economic Sentiment Indicator



### Industrial and services confidence



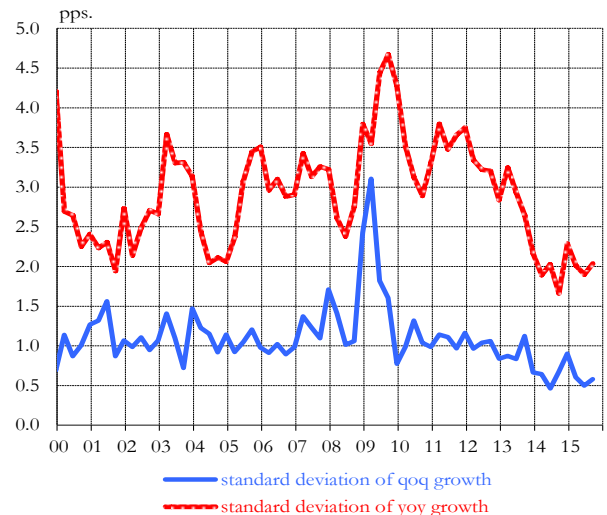
### Industrial production

Nov-15



BE	1.4
DE	-0.3
EE	-6.2
IE	12.7
EL	1.8
ES	4.6
FR	2.8
IT	0.9
CY	6.4
LV	4.5
LT	5.7
LU	4.9
MT	1.8
NL	-8.0
AT	3.8
PT	0.0
SI	4.2
SK	11.9
FI	-1.7
EA	1.1

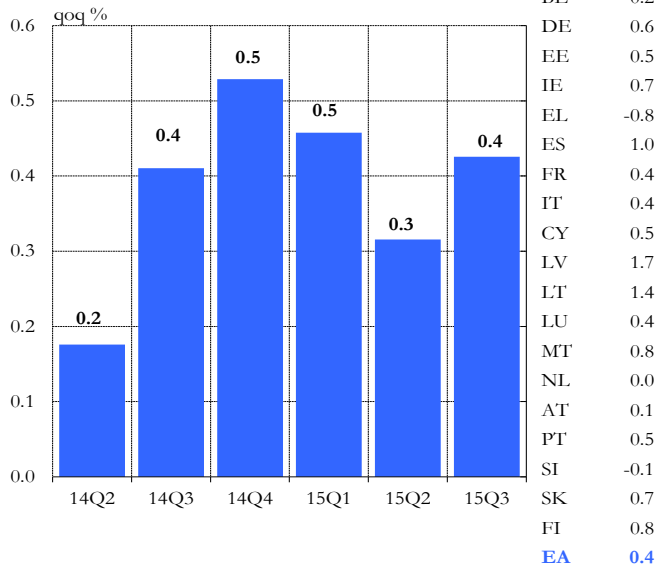
### GDP growth divergence, euro area



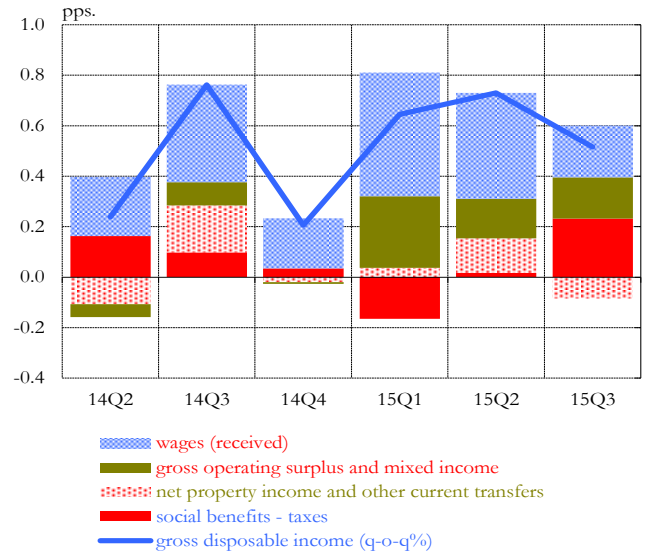
## 2. PRIVATE CONSUMPTION

### Private consumption

15Q3

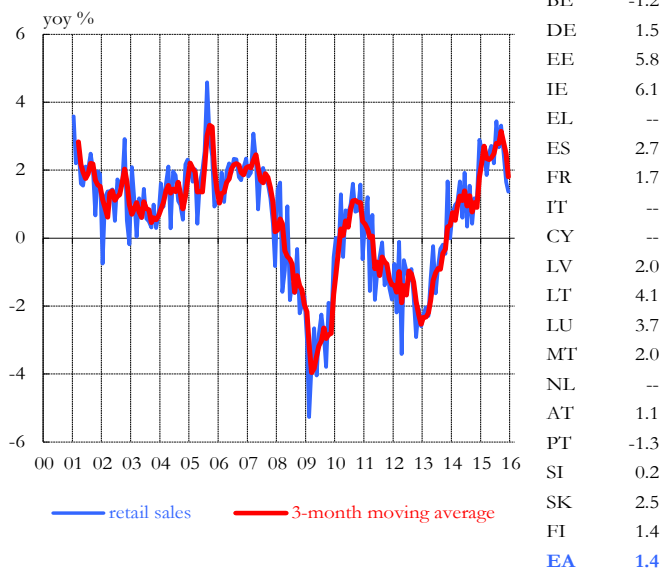


### Household adjusted gross disposable income

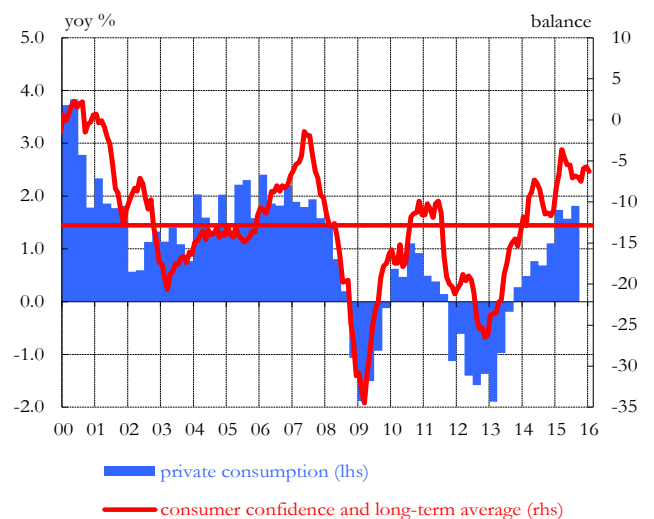


### Retail sales

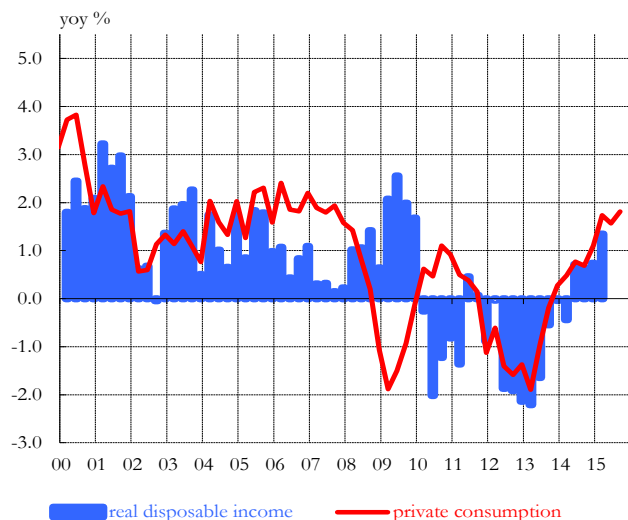
Dec-15



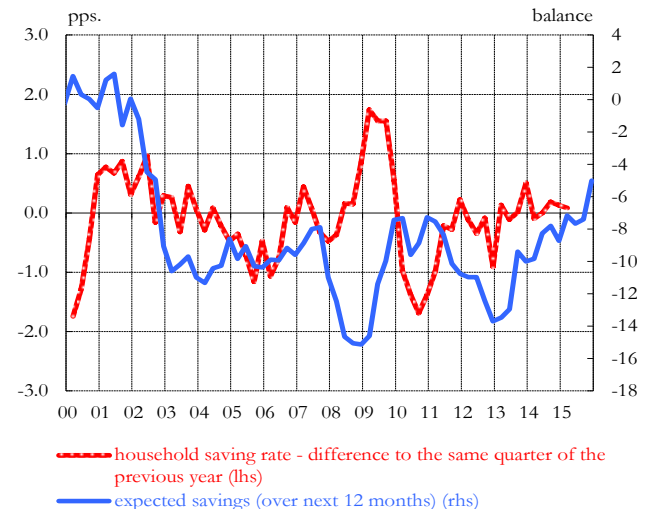
### Consumer confidence and private consumption



### Households: real disposable income and consumption



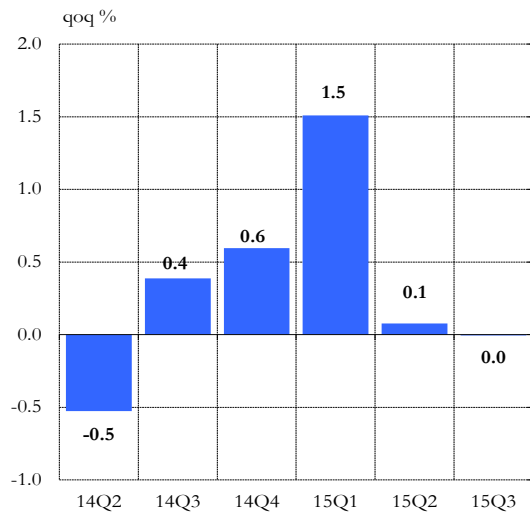
### Households: actual saving rate and expected savings



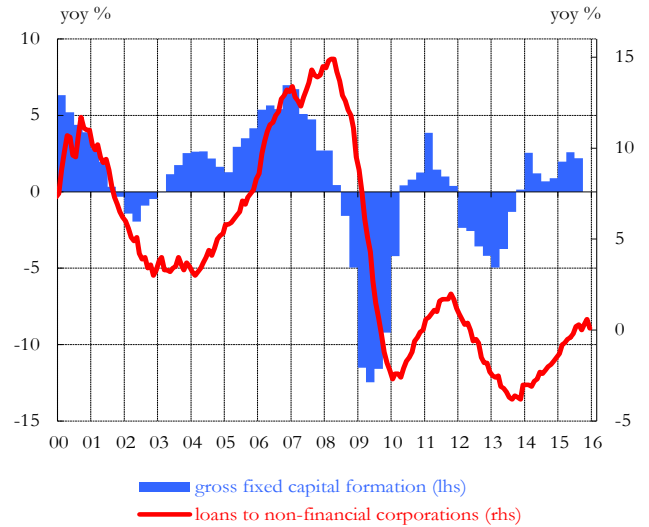
## 3. INVESTMENT

### Gross fixed capital formation

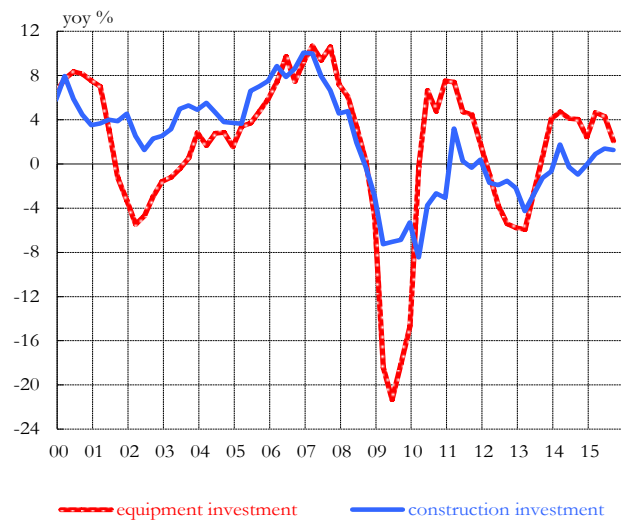
15Q3



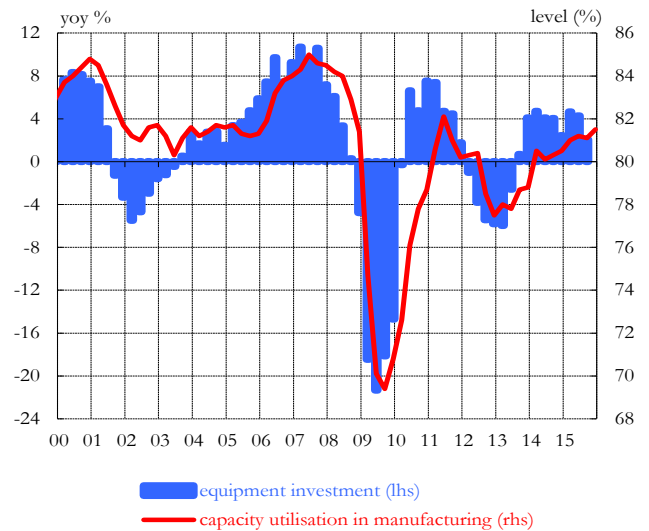
### Gross fixed capital formation and corporate loans



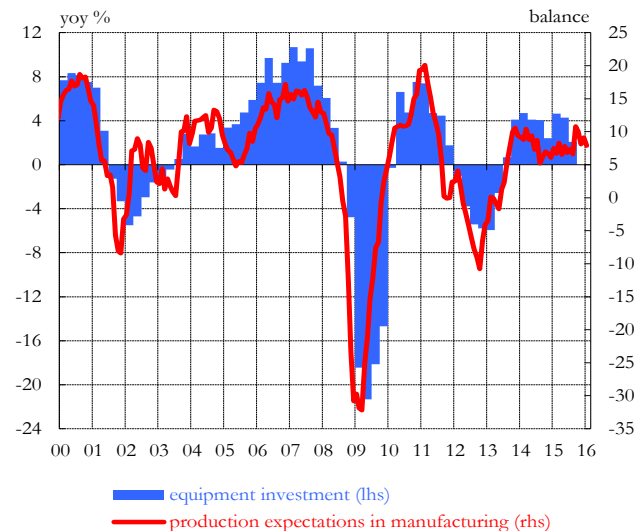
### Equipment and construction investment



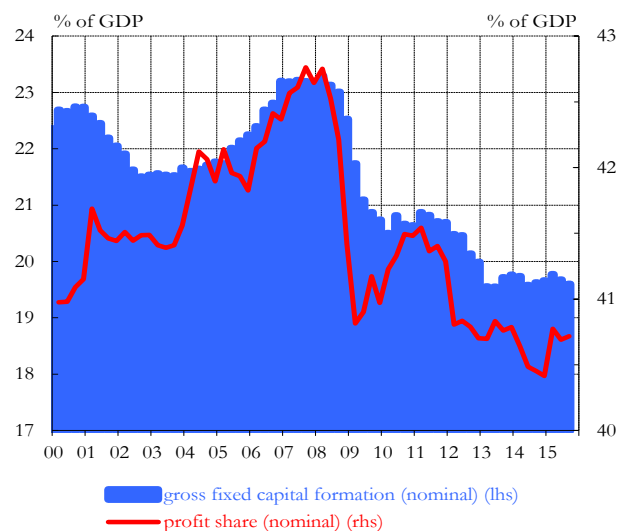
### Equipment investment and capacity utilisation



### Equipment investment and production expectations



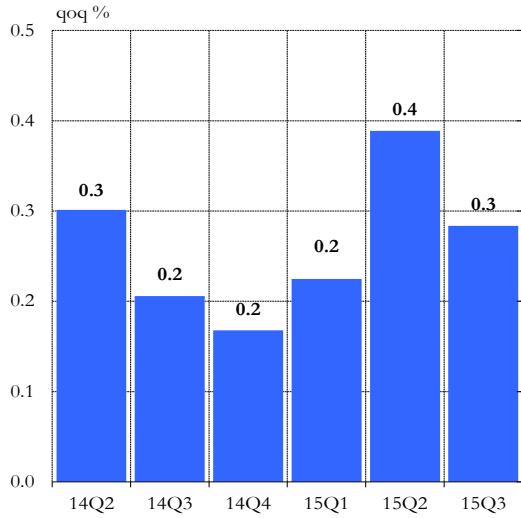
### Gross fixed capital formation and profit share



## 4. LABOUR MARKET

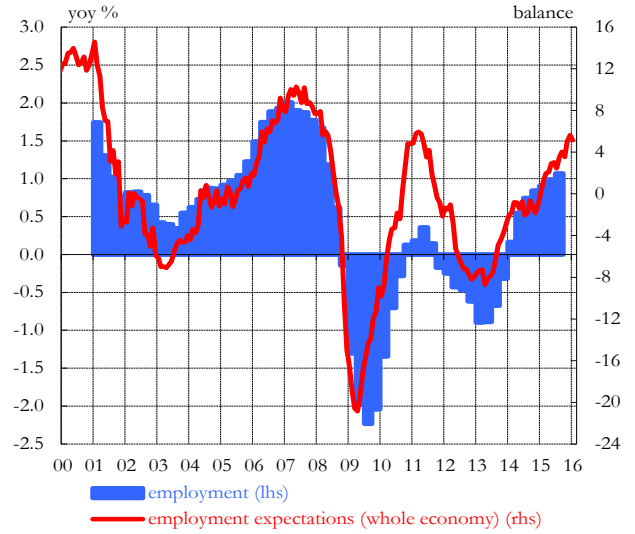
### Employment

15Q3



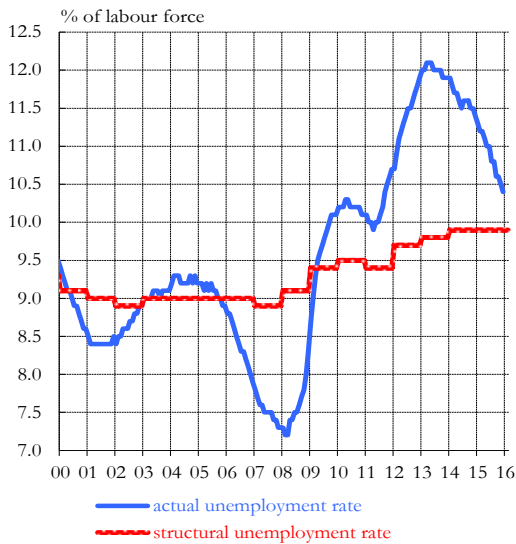
BE	0.3
DE	0.3
EE	2.1
IE	0.6
EL	0.3
ES	0.6
FR	0.2
IT	0.4
CY	0.3
LV	0.3
LT	0.2
LU	0.6
MT	-0.3
NL	--
AT	0.2
PT	-0.5
SI	0.2
SK	0.4
FI	0.1
<b>EA</b>	<b>0.3</b>

### Employment and employment expectations



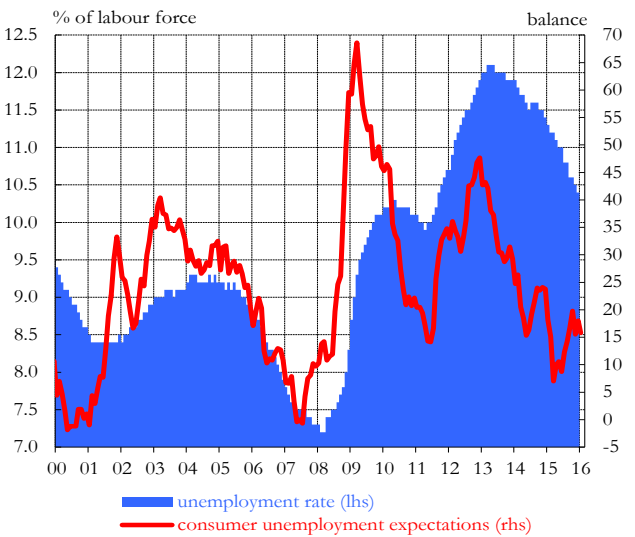
### Actual and structural unemployment rate

Dec-15

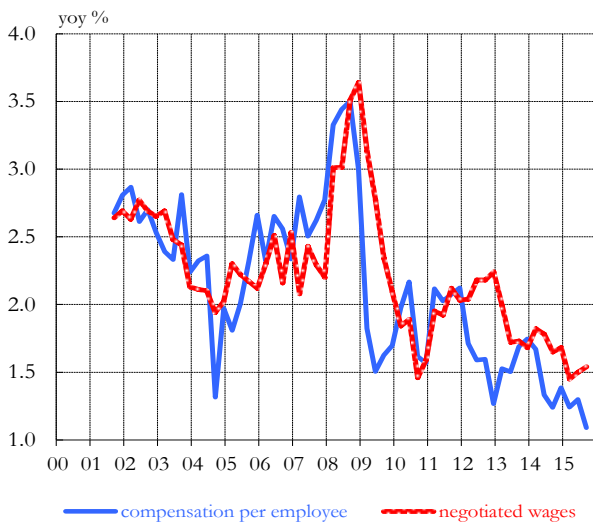


BE	7.9
DE	4.5
EE	--
IE	8.8
EL	--
ES	20.8
FR	10.2
IT	11.4
CY	15.7
LV	10.2
LT	8.5
LU	6.1
MT	5.1
NL	6.6
AT	5.8
PT	11.8
SI	8.8
SK	10.6
FI	9.5
<b>EA</b>	<b>10.4</b>

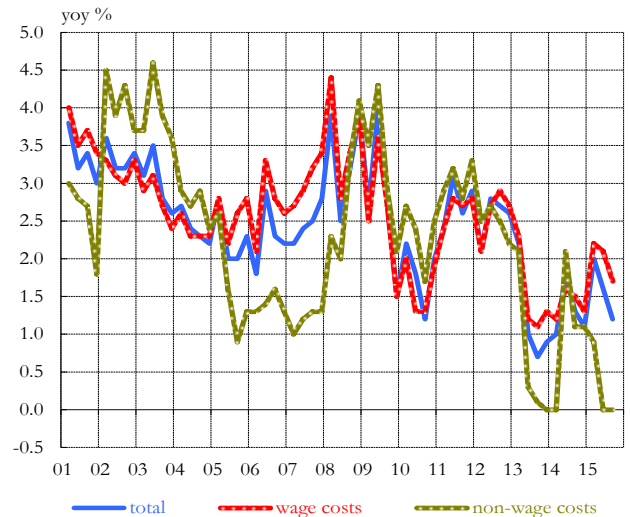
### Unemployment rate and unemployment expectations



### Compensation per head and negotiated wages (nominal)

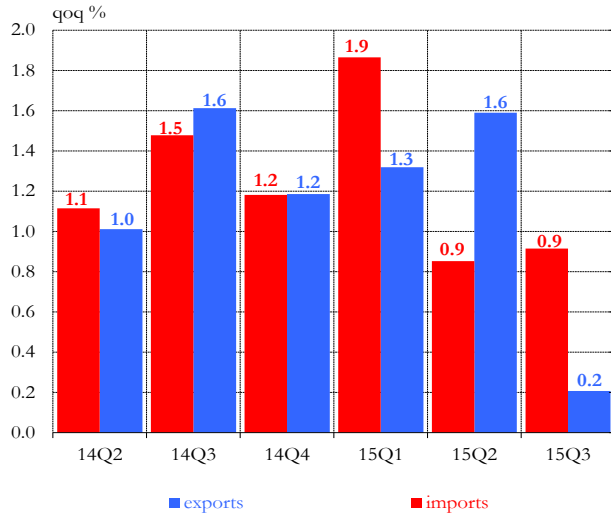


### Labour costs in the private business sector (nominal)

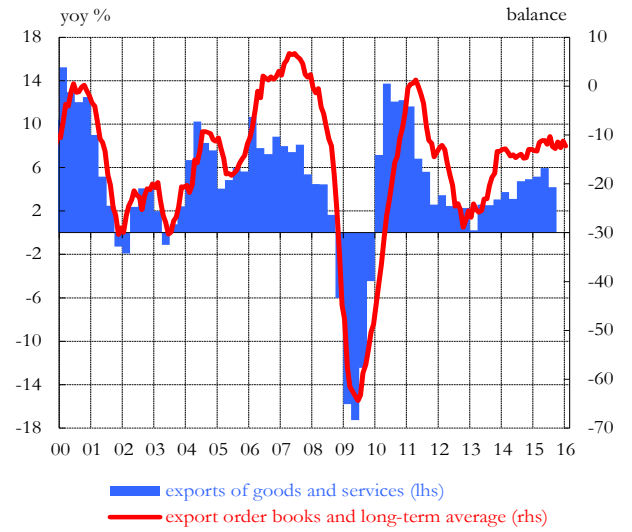


## 5. INTERNATIONAL TRANSACTIONS

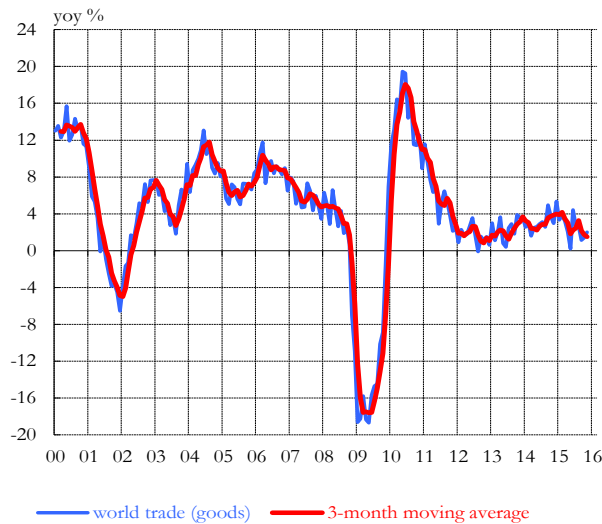
### Exports and imports of goods and services



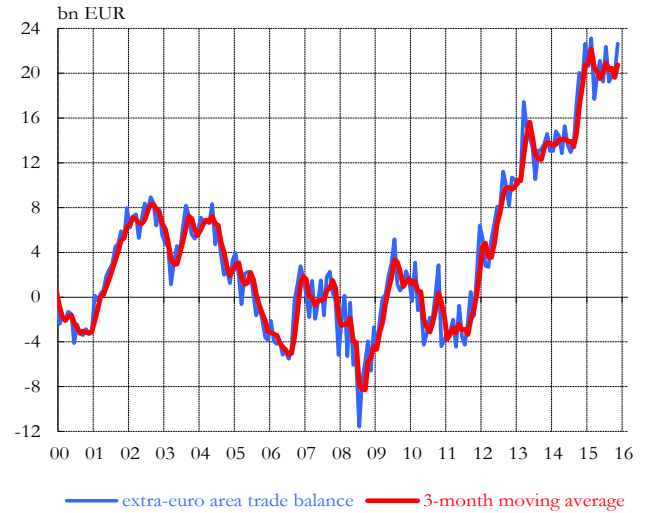
### Exports and export order books



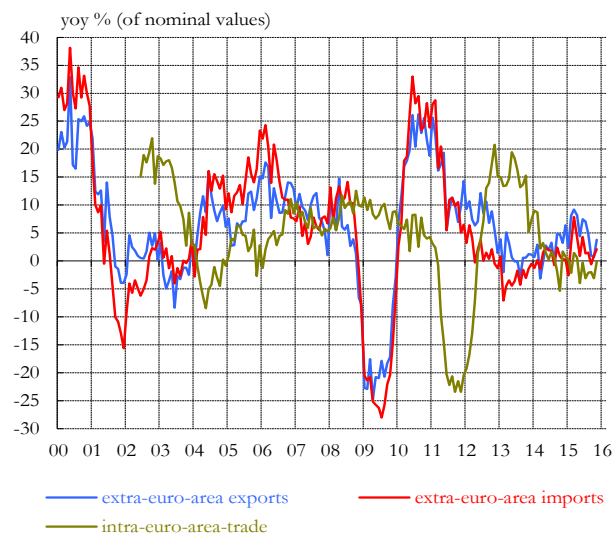
### World trade



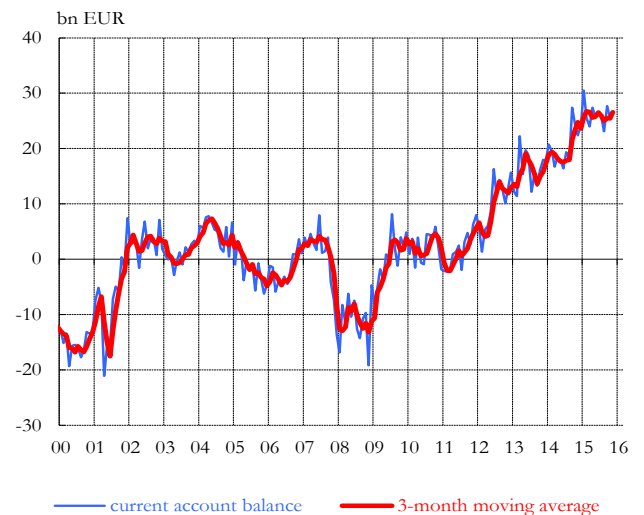
### Extra euro-area trade balance



### Extra- and intra-euro-area trade



### Current-account balance

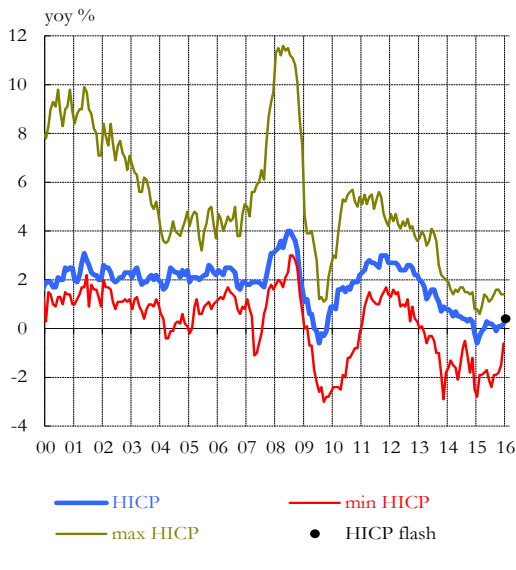




## 6. PRICES

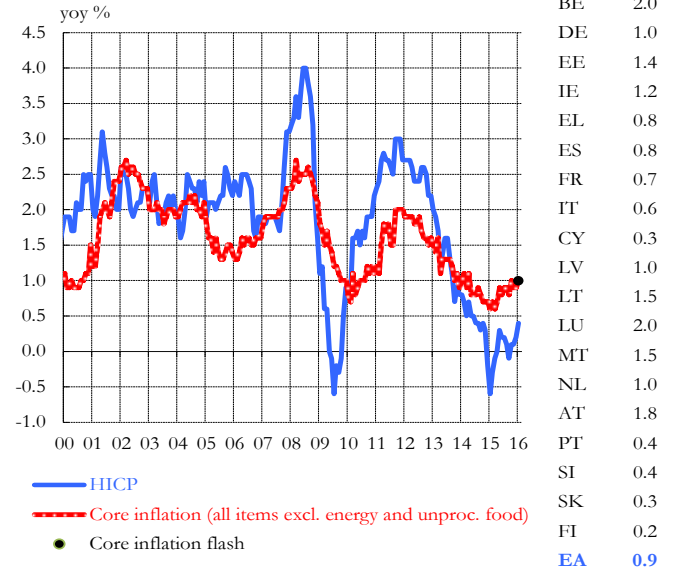
### Harmonised index of consumer prices (HICP)

Dec-15

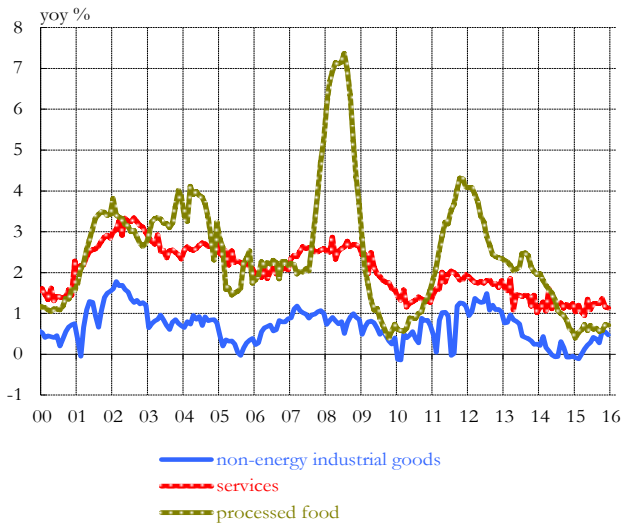


### HICP headline and core inflation

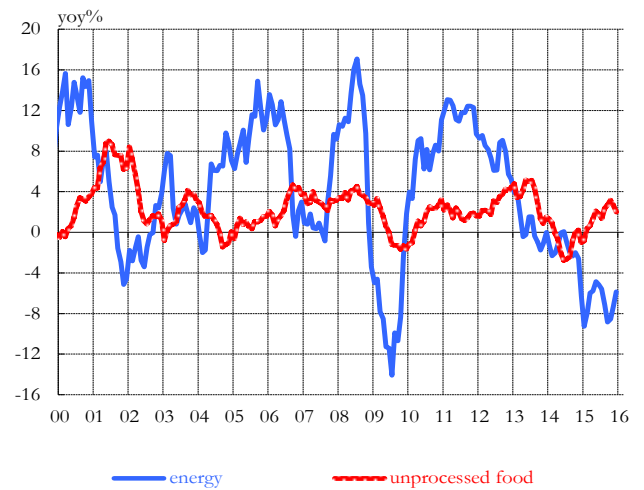
Dec-15



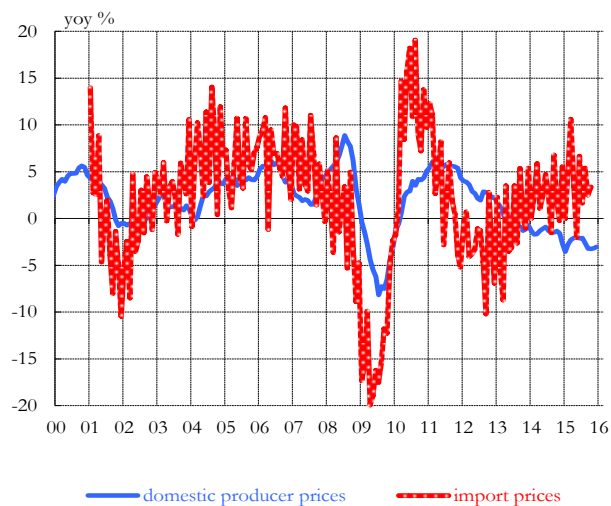
### Breakdown of core inflation



### Energy and unprocessed food



### Domestic producer prices and import prices

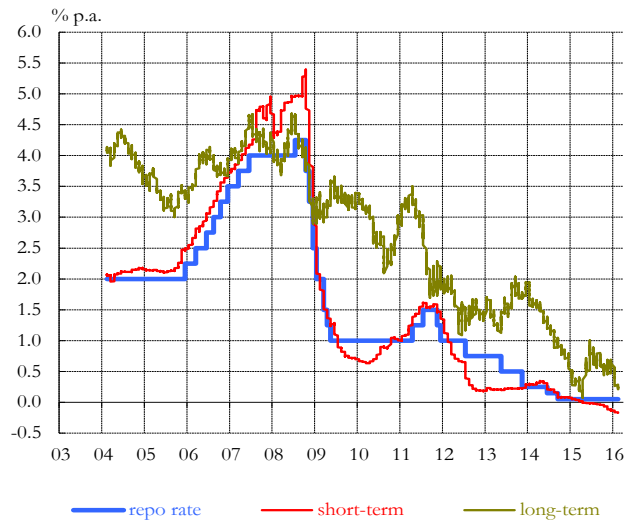


### Oil prices

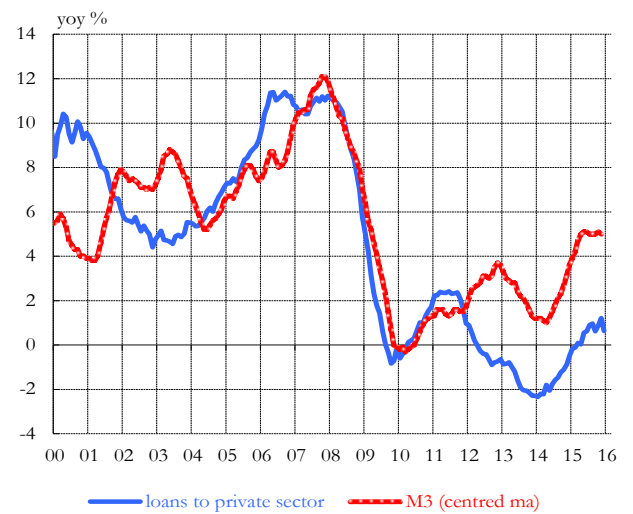


## 7. MONETARY AND FINANCIAL INDICATORS

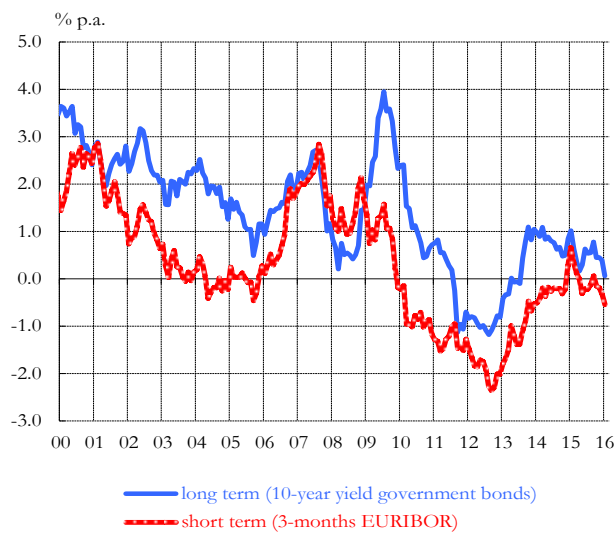
### Nominal interest rates



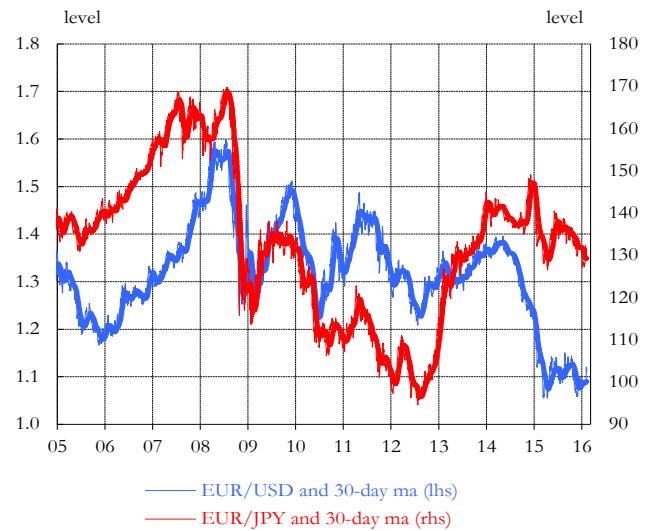
### Loans to private sector and money supply



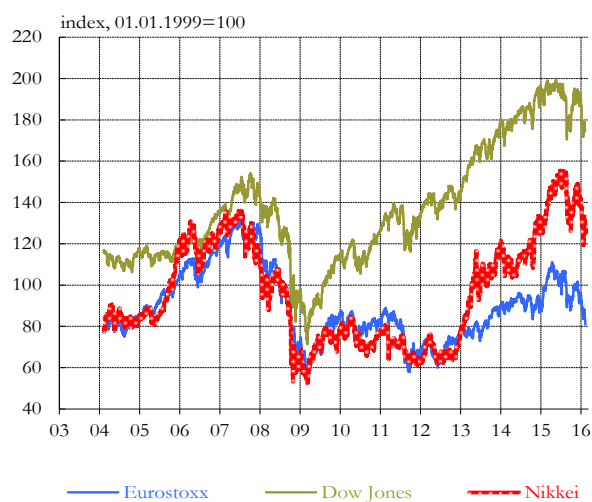
### Real interest rates



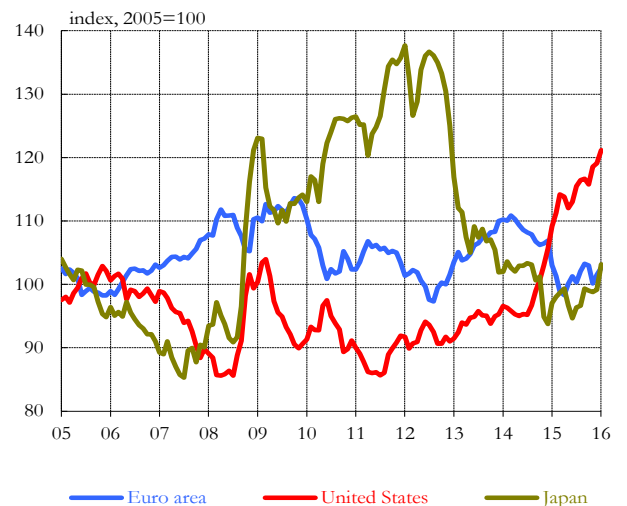
### Euro vis-à-vis US dollar and JP yen



### Stock market indices



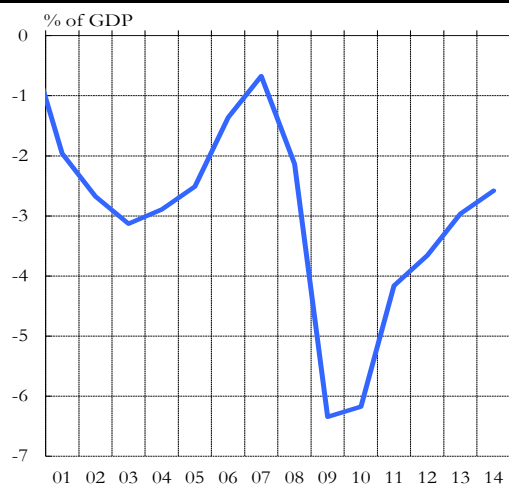
### Nominal effective exchange rates



## 8. PUBLIC FINANCES

### General government balance

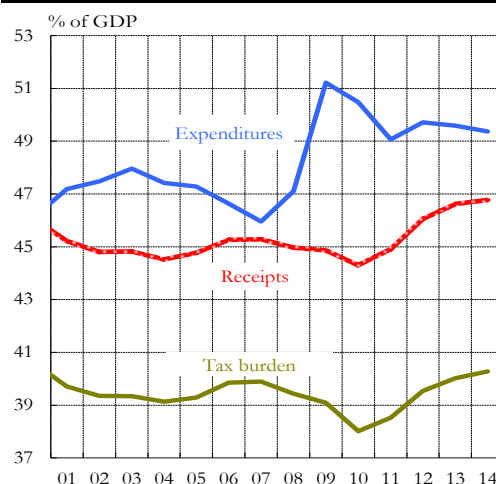
2014



### General government expenditure and receipts

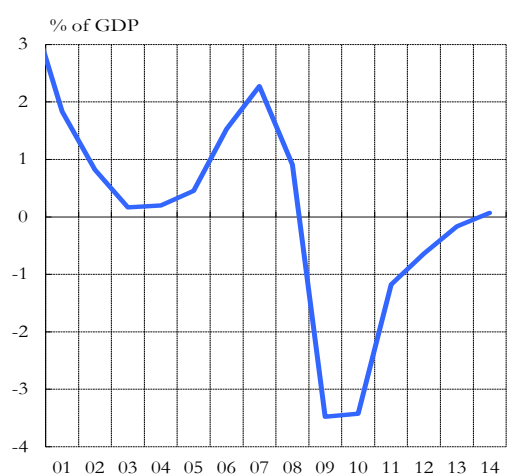
tax burden

2014



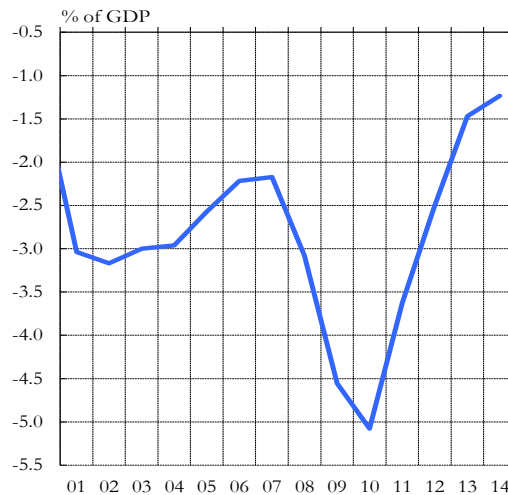
### Primary balance

2014



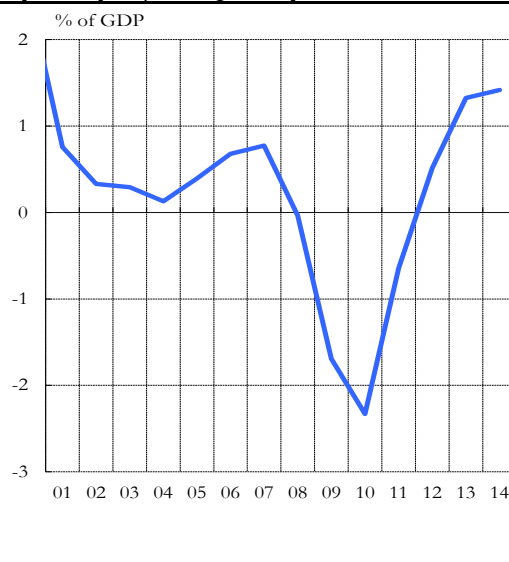
### Cyclically adjusted balance

2014



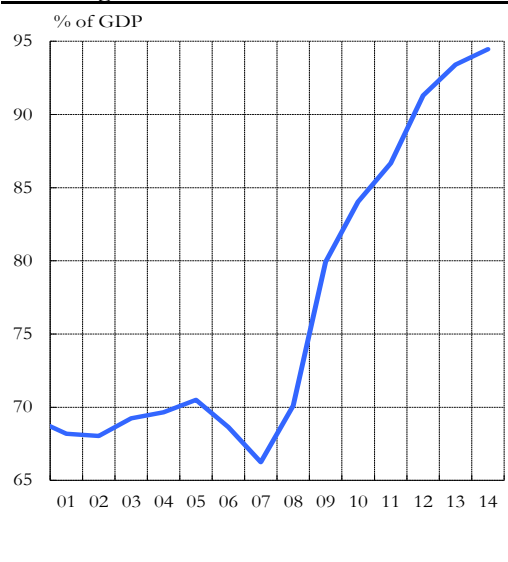
### Cyclically adjusted primary balance

2014



### General government debt

2014



\* Figures are from the Commission's winter 2016 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), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), the Netherlands (NL), Austria (AT), Portugal (PT), Slovenia (SI), Slovakia (SK) and Finland (FI).	
Indicator	Note	Source
<b>1. Output</b>		
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 Industry Production Index (2010=100), NACE Rev.2, Total industry (excluding construction). Mom% and qoq% ch. are seasonally and working day adjusted, yoy% ch. are working-day adjusted.	Eurostat
Gross domestic product	Real gross domestic product at constant market prices (chain-linked volumes (2010), ESA 2010), 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 rates of the euro-area Member States.	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	Real household & NPISH final consumption expenditure at constant market prices (chain-linked volumes (2010), ESA 2010), 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	Real gross fixed capital formation at constant market prices (chain-linked volumes (2010), ESA 2010), EUR. Data are seasonally and working-day adjusted.	Eurostat
Equipment investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year (2010), ESA 2010), EUR, real machinery and equipment and weapons systems. Data are seasonally and working-day adjusted.	Eurostat
Construction investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year (2010), ESA 2010), EUR, dwellings and other buildings and structures. 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 adjusted for Ireland, Greece, France, Cyprus, Malta, Netherlands, Portugal and Slovakia, and seasonally and working day adjusted data for the remaining Member States.	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.	DG ECFIN
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 remuneration, bonuses, and allowances, payments to employees saving schemes, payments for days not worked and remuneration 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, 2005=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 2010), 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 2010), 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	Harmonised 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 2010=100)	Eurostat
Selling price expectation	Managers' selling-price expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Import prices	Import price index, manufacturing (index 2010=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 2010=100)	HWWI
7. Monetary and financial indicators		
Nominal interest rate (3-month)	3-month EURIBOR interbank rate (360 days)	ECB/ Global Insight
Nominal interest rate (10-year)	10-year interest rate on government bonds for euro area (based upon the 10-year German government bond)	ECB/ Global Insight
ECB repo rate	Minimum bid rate of main refinancing operations, end of period.	ECB/ Global Insight
Money demand (M3)	Monetary aggregate including currency in circulation (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)	Global Insight
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, based on weighted averages of bilateral euro exchange rates (EA19) against the currencies of the EER-18 group.	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