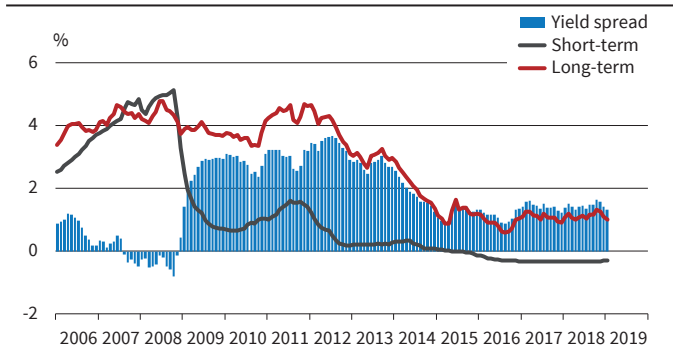


Financial conditions in the Euro area

Nominal interest rates ^a

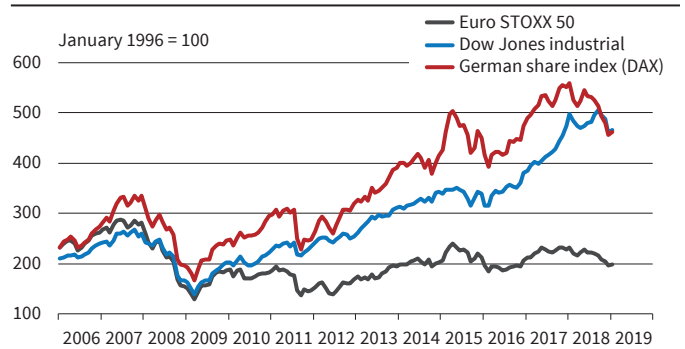


^a Weighted average (GDP weights).
Source: European Central Bank.

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In the three-month period from November 2018 to January 2019 short-term interest rates remained rather stable: the three-month EURIBOR rate amounted to - 0.32% in November 2018, and -0.31% in both December 2018 and January 2019. In comparison the ten-year bond yields declined from 1.25% in November 2018 to 1.01% in January 2019, while the yield spread also decreased from 1.57% to 1.32% in the same period of time.

Stock market indices

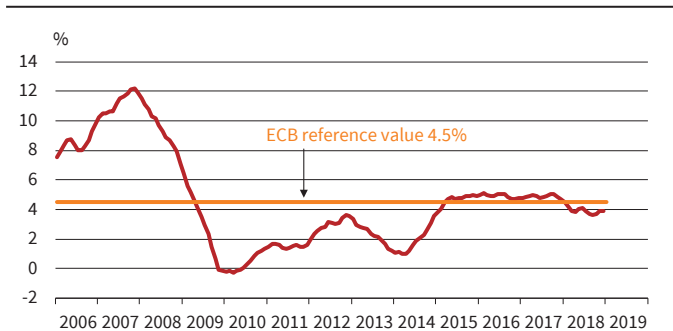


Source: Deutsche Börse; Dow Jones; STOXX.

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The German stock index DAX increased in January 2019, averaging 10,951 points compared to 10,793 points in December 2018. The Euro STOXX also increased from 3,050 to 3,085 in the same period of time. The Dow Jones Industrial was not an exception: it also increased, averaging 24,146 points in January 2019, compared to 23,768 points in December 2018.

Change in M3 ^a

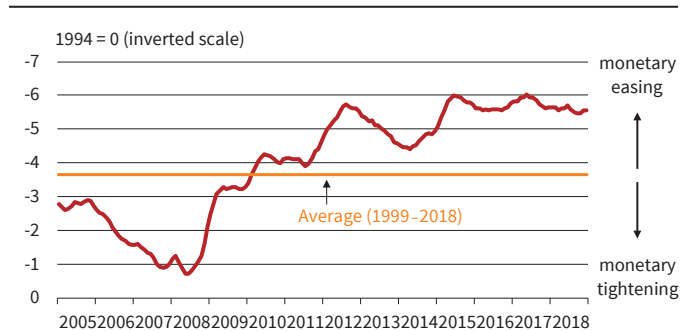


^a Annual percentage change (3-month moving average).
Source: European Central Bank.

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The annual growth rate of M3 decreased to 3.8% in January 2019, from 4.1% in December 2018. The three-month average of the annual growth rate of M3 over the period from November 2018 to January 2019 reached 3.9%.

Monetary conditions index



Note: MCI index is calculated as a (smoothed) weighted average of real short-term interest rates (nominal rate minus core inflation rate HCPI) and the real effective exchange rate of the euro.
Source: European Central Bank; calculations by the ifo Institute.

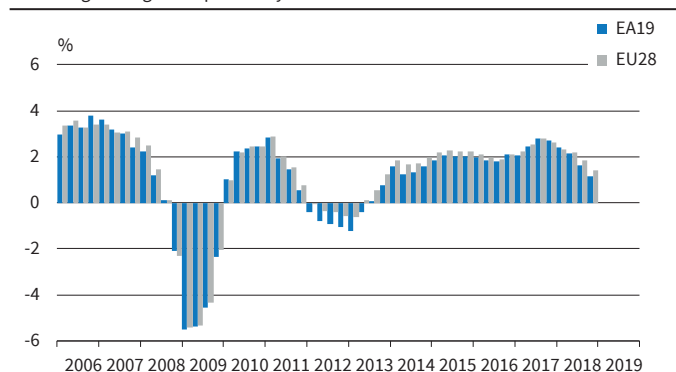
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Between April 2010 and July 2011, the monetary conditions index remained rather stable. This index then continued its rapid upward trend since August 2011 and reached its first peak in July 2012, signaling greater monetary easing. In particular this was the result of decreasing real short-term interest rates. In May 2017 the index reached the highest level in the investigated period since 2004, and its slow downward trend thereafter continued, although a minor increase was observed in November and December 2018.

EU survey results

Gross domestic product in constant 2010 prices

Percentage change over previous year



Source: Eurostat.

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According to the Eurostat estimates, GDP grew by 0.2% in both the euro area (EA19) and the EU28 during the fourth quarter of 2018, compared to the previous quarter. In the third quarter of 2018 the GDP had grown by 0.2% in the euro area and by 0.3% in the EU28. Compared to the fourth quarter of 2017, i.e. year over year, seasonally adjusted GDP rose by 1.2% in the EA19 and by 1.4% in the EU28 in the fourth quarter of 2018.

EU28 economic sentiment indicator

Seasonally adjusted



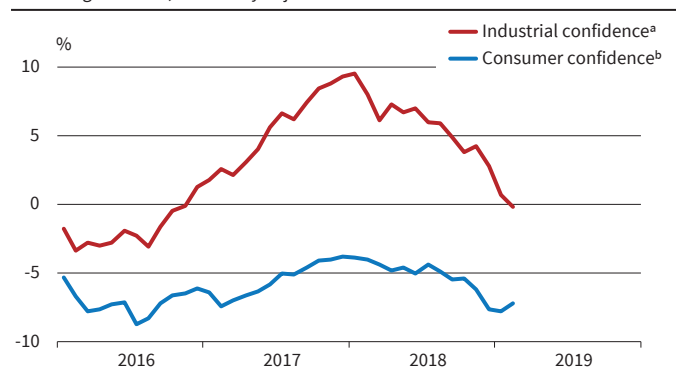
Source: European Commission.

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In January 2019 the Economic Sentiment Indicator (ESI) decreased in both the euro area (by 1.2 points to 106.2) and the EU28 (by 1.4 points to 106.1). In both zones the ESI stands above its long-term average.

EU28 industrial and consumer confidence indicators

Percentage balance, seasonally adjusted



Source: European Commission.

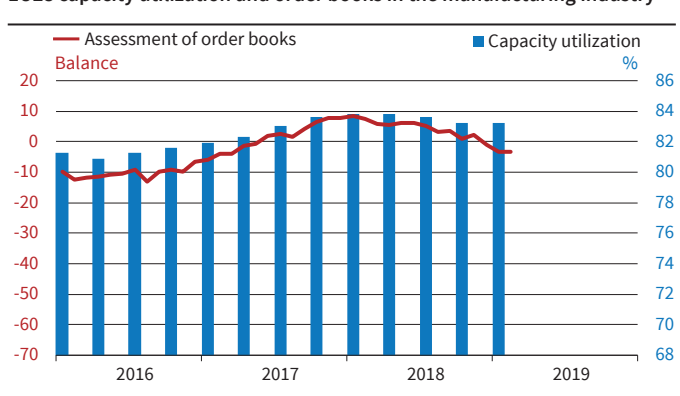
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In January 2019, the *industrial confidence indicator* decreased by 2.2 in the EU28 and by 1.8 in the euro area (EA19). The *consumer confidence indicator* decreased by 0.2 in the EU28 but increased by 0.4 in the EA19 in January 2019.

^a The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

^b New consumer confidence indicators, calculated as an arithmetic average of the following questions: financial and general economic situation (over the next 12 months), unemployment expectations (over the next 12 months) and savings (over the next 12 months). Seasonally adjusted data.

EU28 capacity utilization and order books in the manufacturing industry



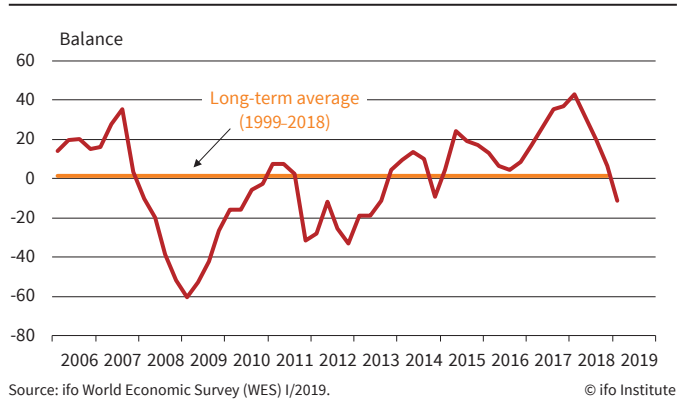
Source: European Commission.

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Managers' assessment of *order books* reached - 3.4 in February 2019, compared to - 3.3 in January 2019. In December 2018 the indicator had amounted to - 1.0. *Capacity utilization* amounted to 83.2 in the first quarter of 2019, stable compared to the fourth quarter of 2018.

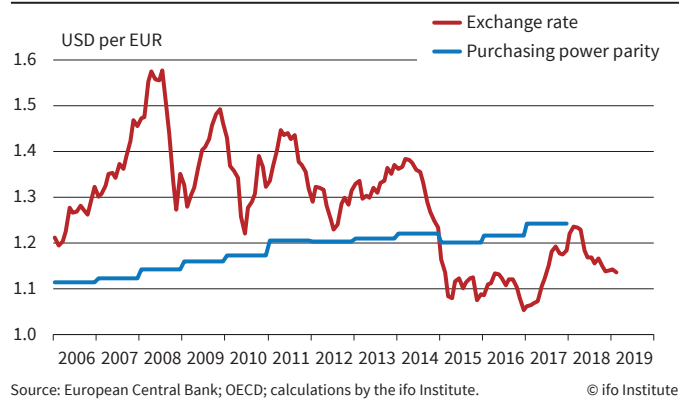
Euro area indicators

ifo economic climate for the Euro area



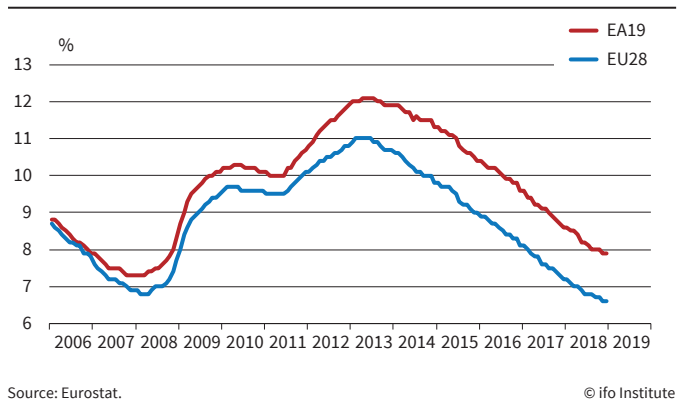
The ifo Economic Climate for the euro area (EA19) fell from 6.6 points in the third quarter of 2018 to - 11.1 points in the fourth quarter of 2018, dipping below zero for the first time since 2014. Experts are more pessimistic about the current situation and future developments, and expect the pace of economic growth in the euro area to slow.

Exchange rate of the euro and purchasing power parity



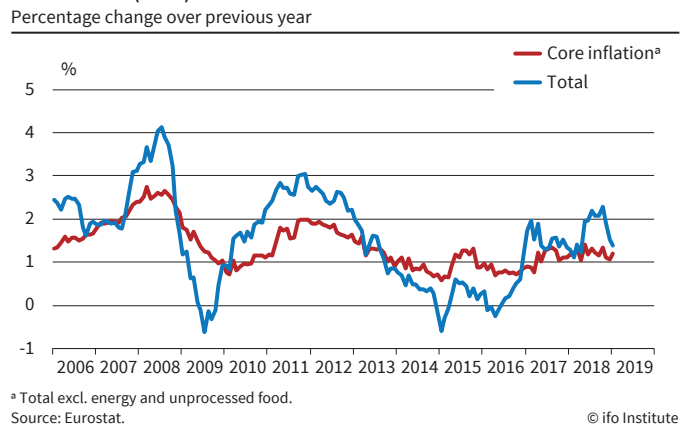
The exchange rate of the euro against the US dollar averaged approximately 1.14 \$/€ between December 2018 and February 2019. (In November 2018 the rate had also amounted to around 1.14 \$/€.)

Unemployment rate



Euro area (EA19) unemployment (seasonally adjusted) amounted to 7.8% in January 2019, stable compared to December 2018. EU28 unemployment rate was 6.5% in January 2019, down from 6.6% in December 2018. In January 2019 the lowest unemployment rate was recorded in the Czech Republic (2.1%) and Germany (3.2%), while the rate was highest in Greece (18.5%), Spain (14.1%) and Italy (10.5%).

Inflation rate (HICP)



Euro area annual inflation (HICP) was 1.5% in February 2019, up from 1.4% in January 2019. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.2% in January 2019, again up from 1.1% in December 2018.