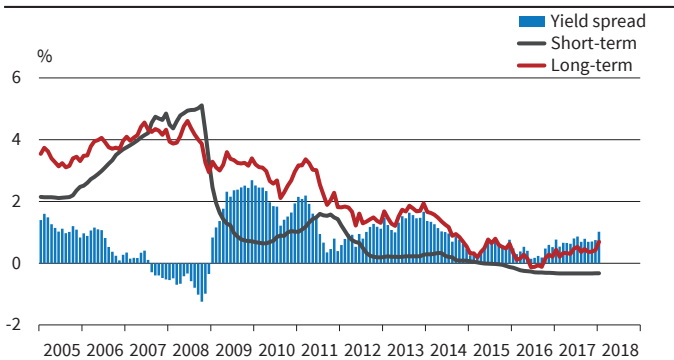


Financial Conditions in the Euro Area

Nominal Interest Rates^a

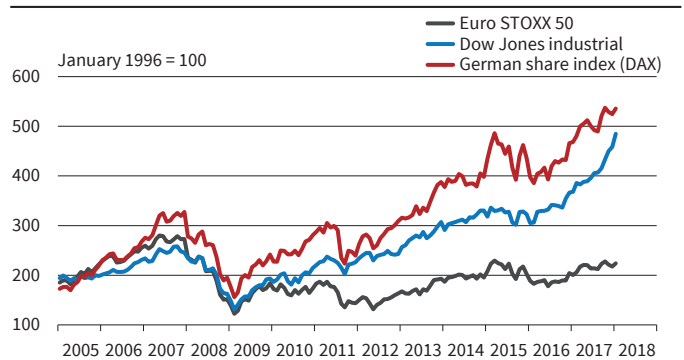


^a Weighted average (GDP weights).
Source: European Central Bank.

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In the three-month period from November 2017 to January 2018 short-term interest rates remained unchanged: the three-month EURIBOR rate amounted to - 0.33% in November 2017 and also in January 2018. In addition the ten-year bond yields grew from 0.38% in November 2017 to 0.69 in January 2018, whereas the yield spread also increased from 0.71% in November 2017 to 1.02% in January 2018.

Stock Market Indices

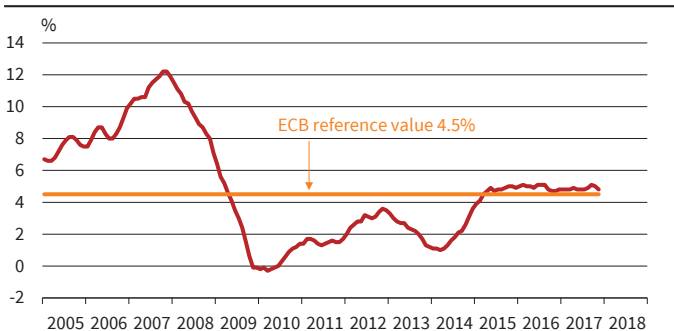


Source: Deutsche Börse; Dow Jones; STOXX.

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The German stock index DAX increased in January 2018, averaging 13,189 points compared to 12,918 points in December 2017. The Euro STOXX also increased from 3,504 to 3,609 in the same period of time. Furthermore the Dow Jones International grew, averaging 26,149 points in January 2018, compared to 24,719 points in December 2017.

Change in M3^a

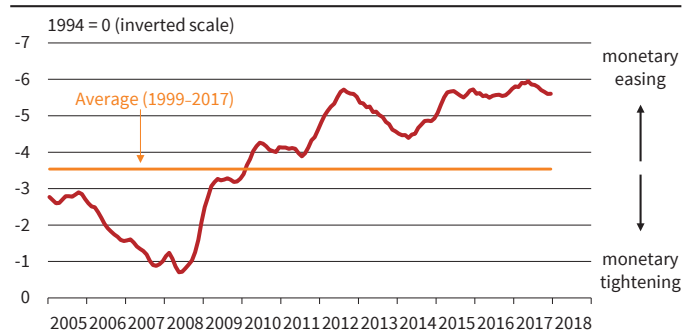


^a Annual percentage change (3-month moving average).
Source: European Central Bank.

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The annual growth rate of M3 decreased to 4.6% in December 2017, from 4.9% in November 2017. The three-month average of the annual growth rate of M3 over the period from October 2017 to December 2017 reached 4.8%.

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.

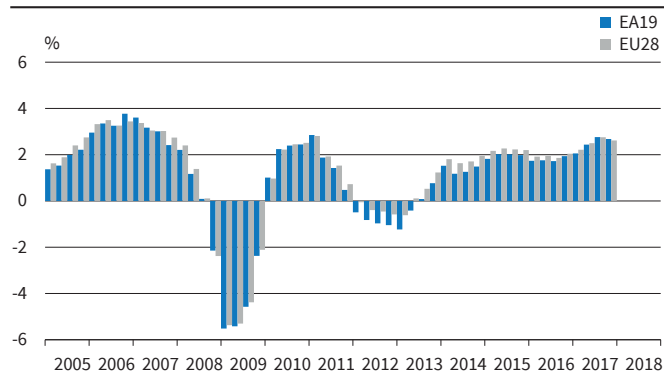
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Between April 2010 and July 2011 the monetary conditions index remained rather stable. This index then continued its fast upward trend since August 2011 and reached its first peak in July 2012, signalling greater monetary easing. In particular, this 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, but its downward trend thereafter continued also in December 2017.

EU Survey Results

Gross Domestic Product in Constant 2010 Prices

Percentage change over previous year



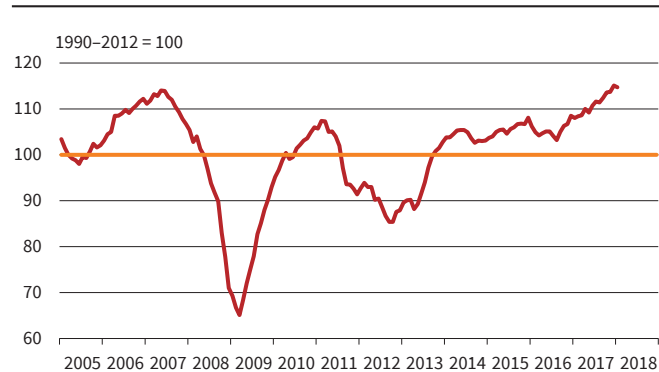
Source: Eurostat.

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According to the Eurostat estimates, GDP grew by 0.6% in both the euro area (EA19) and the EU28 during the fourth quarter of 2017, compared to the previous quarter. In the third quarter of 2017 the GDP grew by 0.7% in both zones. Compared to the fourth quarter of 2016, i.e. year over year, seasonally adjusted GDP rose by 2.7% in the EA19 and by 2.6% in the EU28 in the fourth quarter of 2017.

EU28 Economic Sentiment Indicator

Seasonally adjusted



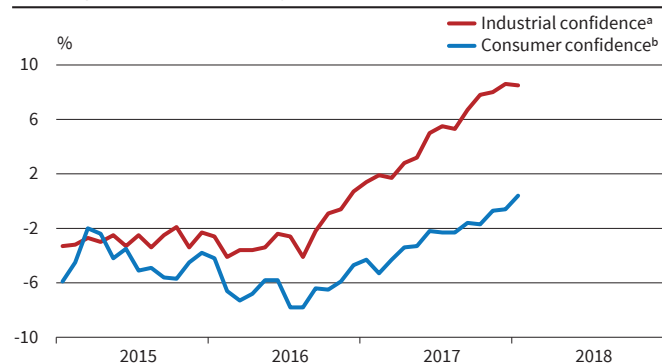
Source: European Commission.

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In January 2018 the Economic Sentiment Indicator (ESI) decreased in both the euro area (by 0.9 points to 114.7) and the EU28 (by 0.4 points to 114.7). In both zones the ESI stands above its long-term average.

EU28 Industrial and Consumer Confidence Indicators

Percentage balance, seasonally adjusted



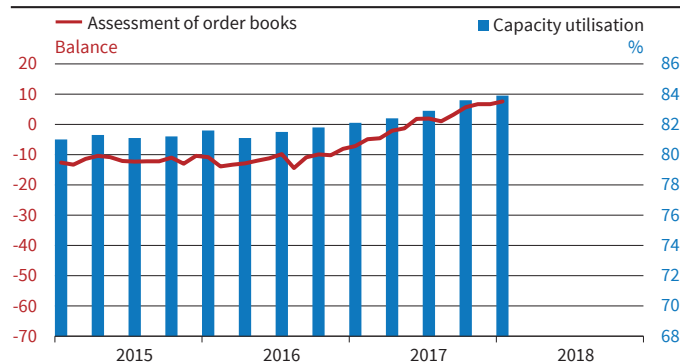
Source: European Commission.

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In January 2018, the *industrial confidence indicator* decreased by 0.1 in the EU28 but remained unchanged in the euro area (EA19). The *consumer confidence indicator* increased by 0.8 in both zones.

- 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 Utilisation and Order Books in the Manufacturing Industry



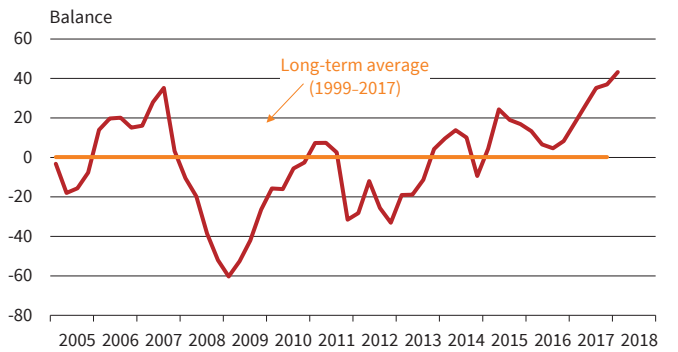
Source: European Commission.

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Managers' assessment of *order books* reached 7.6 in January 2018, compared to 6.7 in December 2017. In November 2017 the indicator had also amounted to 6.7. *Capacity utilisation* reached 83.9 in the first quarter of 2018, up from 83.6 in the fourth quarter of 2017.

Euro Area Indicators

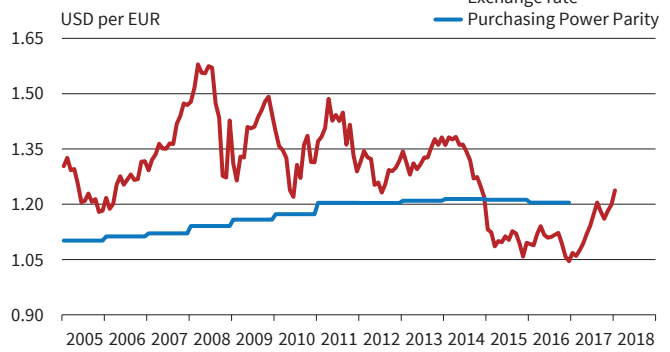
ifo Economic Climate for the Euro Area



Source: ifo World Economic Survey (WES) I/2018. © ifo Institute

The ifo Economic Climate Indicator for the euro area (EA19) reached in the first quarter of 2018 its highest level since summer 2000, rising sharply to 43.2 points, from 37.0 balance points in the fourth quarter of 2017. In the first quarter of 2018 the current economic situation was assessed to continuously improve, while economic expectations also brightened slightly. The dynamic upswing is expected to continue.

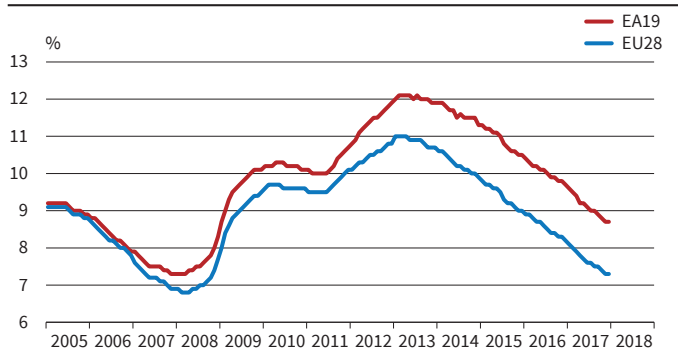
Exchange Rate of the Euro and Purchasing Power Parity



Source: European Central Bank; OECD; calculations by the ifo Institute. © ifo Institute

The exchange rate of the euro against the US dollar averaged approximately 1.21 \$/€ between November 2017 and January 2018. (In October 2017 the rate had amounted to around 1.16 \$/€.)

Unemployment Rate

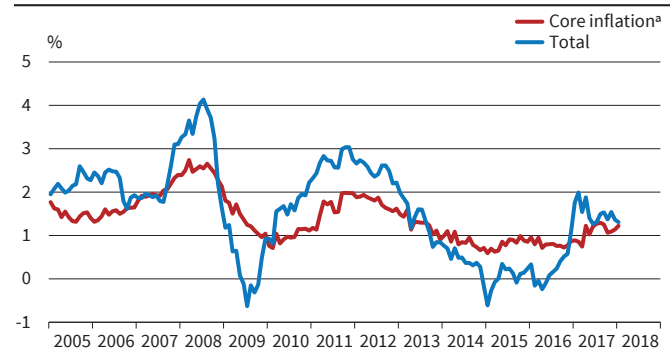


Source: Eurostat. © ifo Institute

Euro area (EA19) unemployment (seasonally adjusted) amounted to 8.7% in December 2017, stable compared to November 2017. EU28 unemployment rate was 7.3% in December 2017, stable compared to November 2017. In December 2017 the lowest unemployment rate was recorded in the Czech Republic (2.3%), and Malta and Germany (both 3.6%), while the rate was highest in Greece (20.7%) and Spain (16.4%).

Inflation Rate (HICP)

Percentage change over previous year



^a Total excl. energy and unprocessed food. Source: Eurostat. © ifo Institute

Euro area annual inflation (HICP) was 1.3% in January 2018, down from 1.4% in December 2017. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.2% in January 2018, up from 1.1% in December 2017.