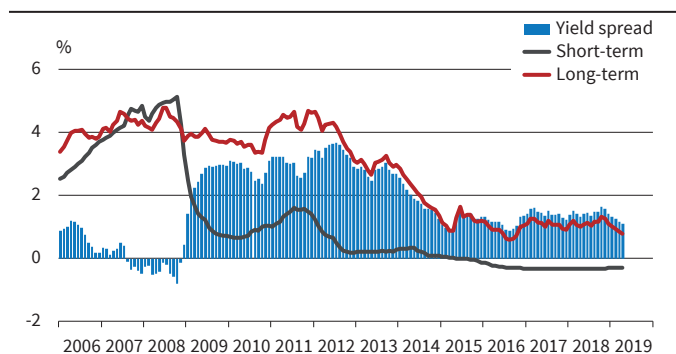


Financial Conditions in the Euro Area

Nominal Interest Rates ^a

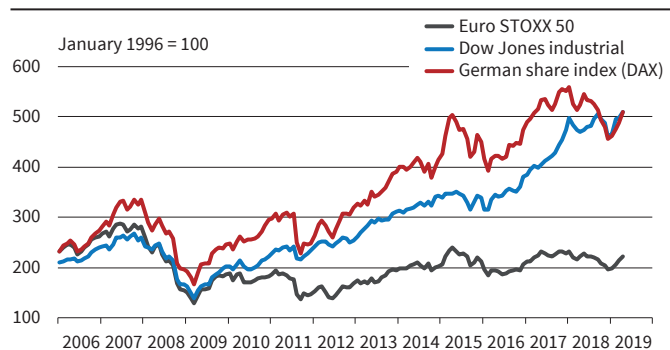


^a Weighted average (GDP weights).
Source: European Central Bank.

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In the three-month period from February 2019 to April 2019 short-term interest rates remained stable: the three-month EURIBOR rate amounted to -0.31% in all these months. In comparison the ten-year bond yields declined from 0.95% in February 2019 to 0.78% in April 2019, while the yield spread also decreased from 1.26% to 1.09% in the same period of time.

Stock Market Indices

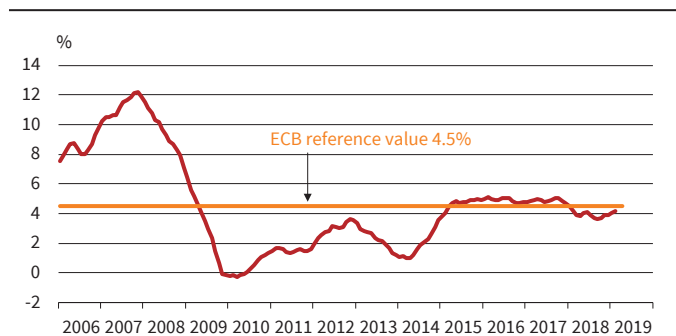


Source: Deutsche Börse; Dow Jones; STOXX.

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The German stock index DAX increased in April 2019, averaging 12,082 points compared to 11,542 points in March 2019. The Euro STOXX also increased from 3,333 to 3,462 in the same period of time. The Dow Jones Industrial was not an exception: it also increased, averaging 26,409 points in April 2019, compared to 25,723 points in March 2019.

Change in M3 ^a

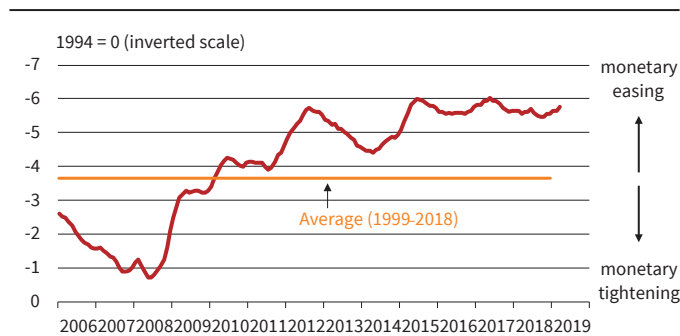


^a Annual percentage change (3-month moving average).
Source: European Central Bank.

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The annual growth rate of M3 increased to 4.5% in March 2019, from 4.3% in February 2019. The three-month average of the annual growth rate of M3 over the period from January 2019 to March 2019 reached 4.2%.

Monetary Conditions Index



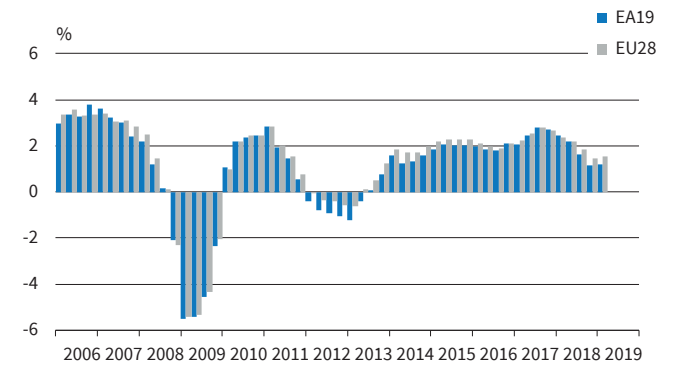
Note: MCI index is calculated as a (smoothed) weighted average of real short-term interest rates (nominal rate minus core inflation rate HCPI) and the real effective exchange rate of the euro.
Source: European Central Bank; calculations by the ifo Institute.

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Between April 2010 and July 2011, the monetary conditions index had remained 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 continued thereafter. Yet since October 2018 a gradual increase has been again observed.

EU Survey Results

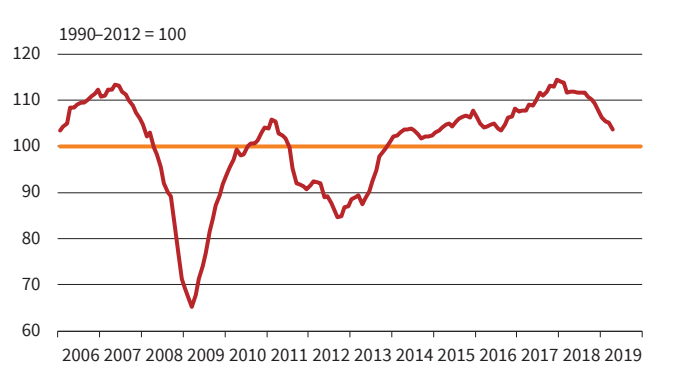
Gross Domestic Product in Constant 2010 Prices
Percentage change over previous year



Source: Eurostat. © ifo Institute

According to the Eurostat estimates, GDP grew by 0.4% in the euro area (EA19) and by 0.5% in the EU28 during the first quarter of 2019, compared to the previous quarter. In the fourth quarter of 2018 the GDP had grown by 0.2% in the euro area and by 0.3% in the EU28. Compared to the first quarter of 2018, i.e., year over year, seasonally adjusted GDP rose by 1.2% in the EA19 and by 1.5% in the EU28 in the first quarter of 2019.

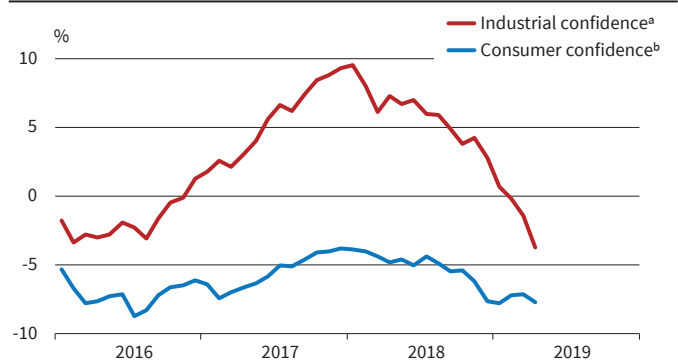
EU28 Economic Sentiment Indicator
Seasonally adjusted



Source: European Commission. © ifo Institute

In April 2019 the Economic Sentiment Indicator (ESI) decreased in both the euro area (by 1.6 points to 104.0) and the EU28 (by 1.5 points to 103.7). In both zones the ESI stands above its long-term average.

EU28 Industrial and Consumer Confidence Indicators
Percentage balance, seasonally adjusted

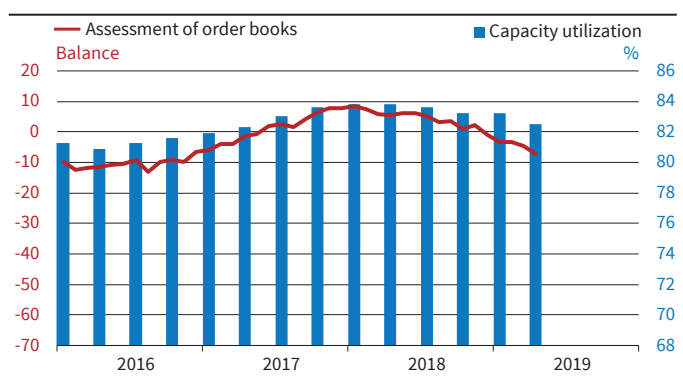


Source: European Commission. © ifo Institute

In April 2019, the industrial confidence indicator decreased by 2.3 in the EU28 and by 2.5 in the euro area (EA19). The consumer confidence indicator decreased by 0.6 in the EU28 and by 0.7 in the EA19 in April 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 Utilisation and Order Books in the Manufacturing Industry

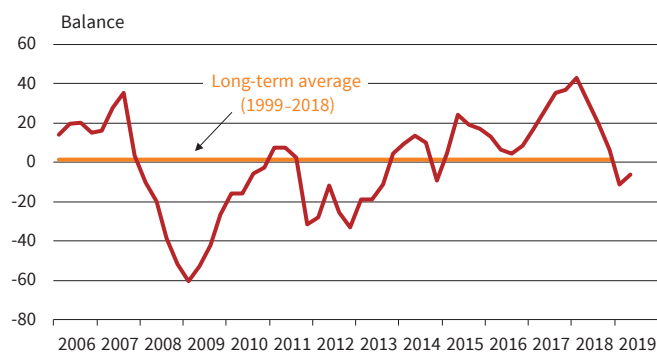


Source: European Commission. © ifo Institute

Managers' assessment of order books reached - 7.7 in April 2019, compared to - 7.1 in March 2019. In February 2019 the indicator had amounted to - 7.2. Capacity utilization amounted to 82.5 in the second quarter of 2019, down from 83.2 in the first quarter of 2019.

Euro Area Indicators

ifo Economic Climate for the Euro Area

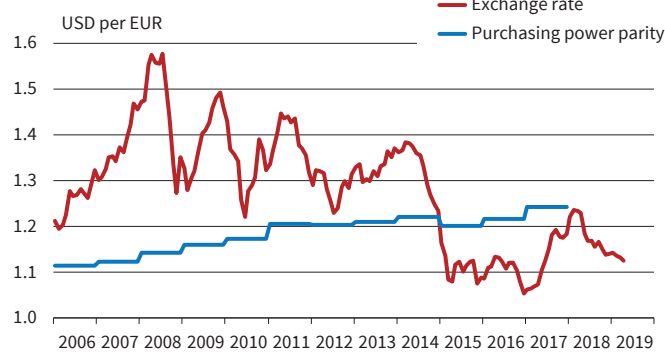


Source: ifo World Economic Survey (WES) II/2019.

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The ifo Economic Climate for the euro area (EA19) has recovered somewhat. The indicator rose from -11.1 points in the first quarter of 2019 to -6.3 points in the second quarter of 2019. This improvement was driven purely by less pessimistic expectations. In contrast, the assessment of the current situation has deteriorated again.

Exchange Rate of the Euro and Purchasing Power Parity

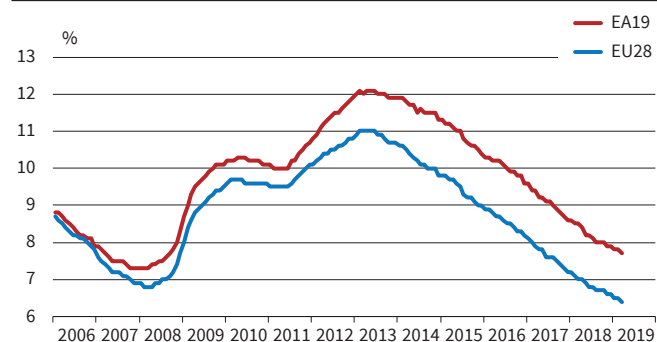


Source: European Central Bank; OECD; calculations by the ifo Institute.

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The exchange rate of the euro against the US dollar averaged approximately 1.13 \$/€ between February 2019 and April 2019. (In January 2019 the rate had amounted to around 1.14 \$/€.)

Unemployment Rate



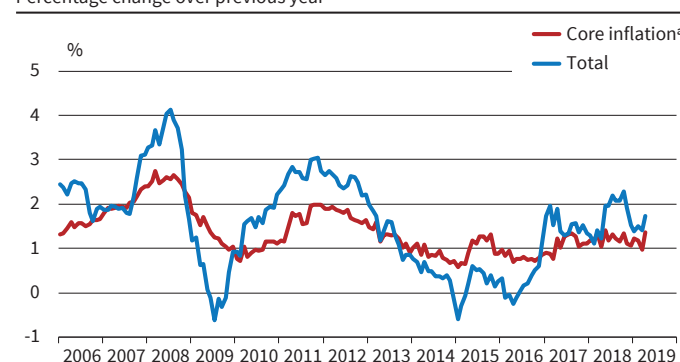
Source: Eurostat.

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Euro area (EA19) unemployment (seasonally adjusted) amounted to 7.7% in March 2019, down from 7.8% in February 2019. EU28 unemployment rate was 6.4% in March 2019, down from 6.5% in February 2019. In March 2019 the lowest unemployment rate was recorded in the Czech Republic (1.9%), Germany (3.2%) and the Netherlands (3.3%), while the rate was highest in Greece (18.5%), Spain (14.0%) and Italy (10.2%).

Inflation rate (HICP)

Percentage change over previous year



^a Total excl. energy and unprocessed food.

Source: Eurostat.

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Euro area annual inflation (HICP) was 1.7% in April 2019, up from 1.4% in March 2019. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.4% in April 2019, remained stable compared to March 2019.