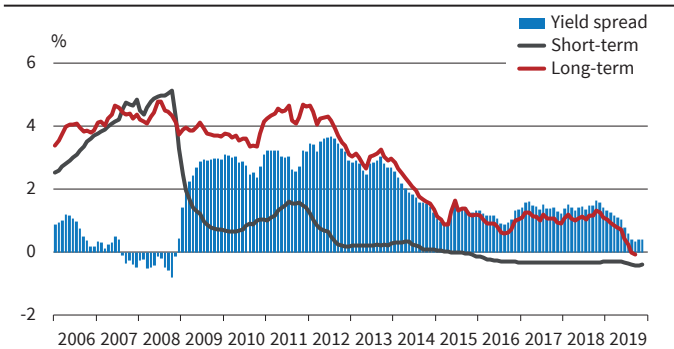


Financial Conditions in the Euro Area

Nominal Interest Rates ^a

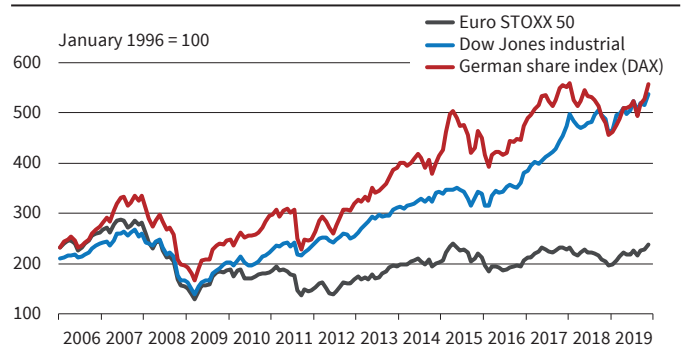


^a Weighted average (GDP weights).
Source: European Central Bank.

© ifo Institute

In the three-month period from September 2019 to November 2019 short-term interest rates increased: the three-month EURIBOR rate amounted to -0.40% in November 2019 compared to -0.42 in September 2019. The ten-year bond yields declined from 0.23% in July 2019 to 0.07% in September 2019, while the yield spread increased from 0.35% to 0.40% between September 2019 and November 2019.

Stock Market Indices

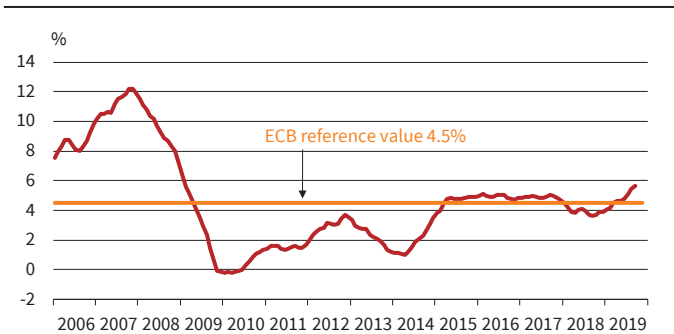


Source: Deutsche Börse; Dow Jones; STOXX.

© ifo Institute

The German stock index DAX increased in November 2019, averaging 13,201 points compared to 12,285 points in September 2019. The Euro STOXX also increased from 3,515 to 3,693 in the same period of time. The Dow Jones Industrial was not an exception: it also increased, averaging 27,815 points in November 2019, compared to 26,877 points in September 2019.

Change in M3 ^a

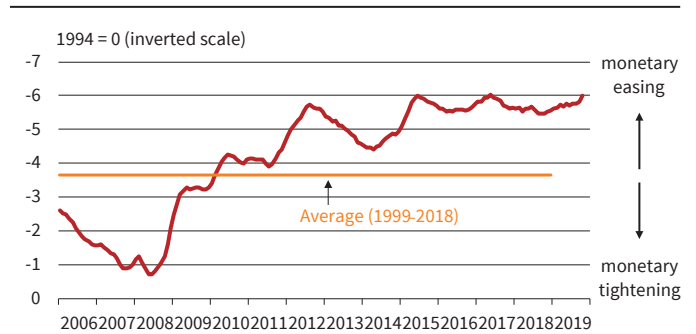


^a Annual percentage change (3-month moving average).
Source: European Central Bank.

© ifo Institute

The annual growth rate of M3 stood at 5.6% in October 2019, unchanged from previous month. The three-month average of the annual growth rate of M3 over the period from August 2019 to October 2019 reached also 5.6%.

Monetary Conditions Index



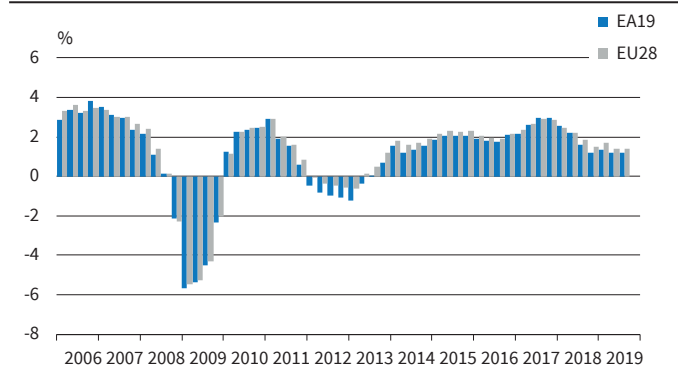
Note: MCI index is calculated as a (smoothed) weighted average of real short-term interest rates (nominal rate minus core inflation rate HCPI) and the real effective exchange rate of the euro.
Source: European Central Bank; calculations by the ifo Institute.

© ifo Institute

Between April 2010 and July 2011, the monetary conditions index had remained stable. Its rapid upward trend since August 2011 had led to the 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 had reached the highest level in the investigated period since 2004 and its slow downward trend was observed thereafter. Yet since October 2018 a gradual increase started and the index reached the highest level in October 2019 again, which is comparable to that of May 2017.

EU Survey Results

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

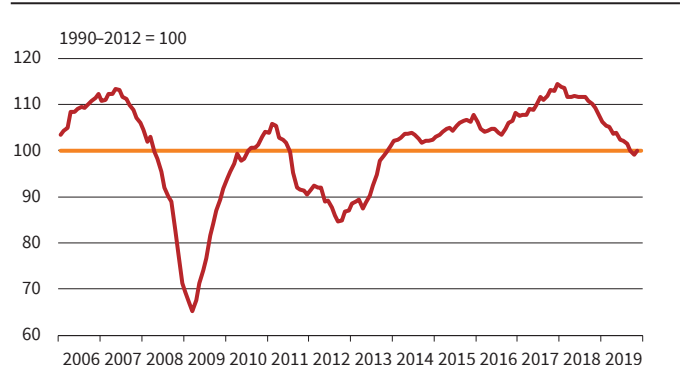


Source: Eurostat.

© ifo Institute

According to the Eurostat estimates, GDP grew by 0.2% in the euro area (EA19), and by 0.3% in the EU28 during the third quarter of 2019, compared to the previous quarter. In the second quarter of 2019 the GDP had grown by 0.2% in both zones. Compared to the third quarter of 2018, i.e., year over year, seasonally adjusted GDP rose by 1.2% in the EA19 and by 1.4% in the EU28 in the third quarter of 2019.

EU28 Economic Sentiment Indicator
Seasonally adjusted

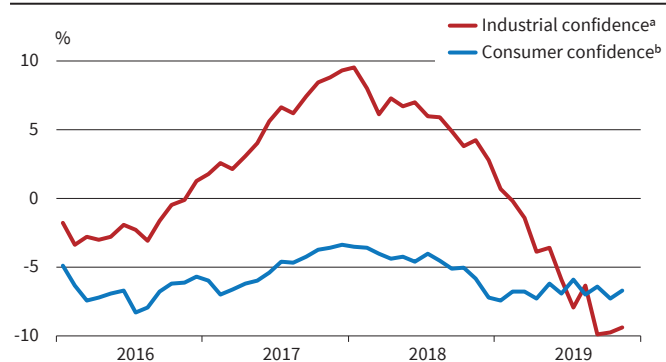


Source: European Commission.

© ifo Institute

In November 2019 the Economic Sentiment Indicator (ESI) increased slightly in the euro area (by 0.5 points to 101.3), and the EU28 (by 0.9 points to 100.0). In both zones the ESI has recently reached its long-term average.

EU28 Industrial and Consumer Confidence Indicators
Percentage balance, seasonally adjusted



Source: European Commission.

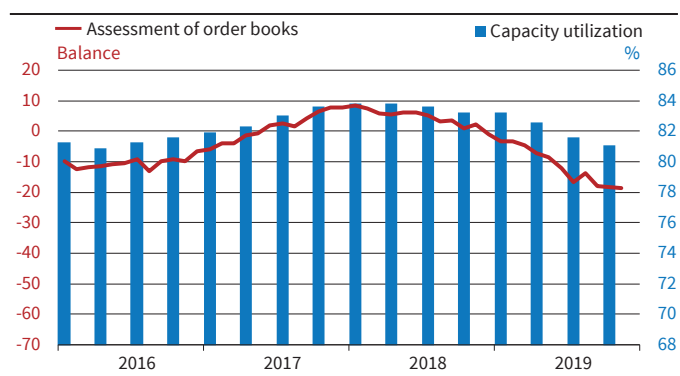
© ifo Institute

In November 2019, the *industrial confidence indicator* increased by 0.3 in both the EU28 and the euro area (EA19). The *consumer confidence indicator* also increased by 0.6 in the EU28 and by 0.4 in the EA19 in November 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



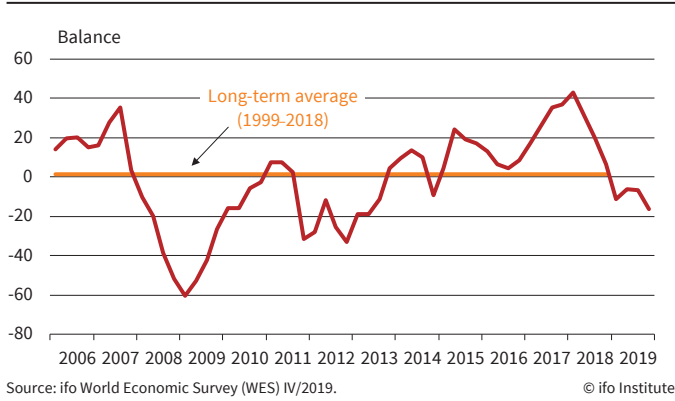
Source: European Commission.

© ifo Institute

Managers' assessment of *order books* reached - 18.8 in November 2019, compared to - 18.4 in October 2019. In September 2019 the indicator had amounted to - 18.0. *Capacity utilization* amounted to 81.1 in the fourth quarter of 2019, down from 81.6 in the third quarter of 2019.

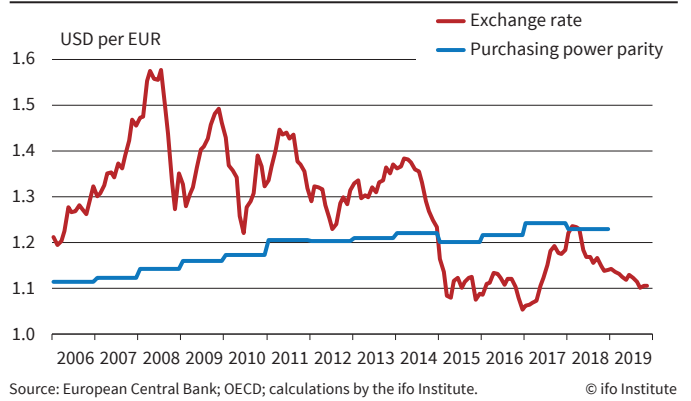
Euro Area Indicators

ifo Economic Climate for the Euro Area



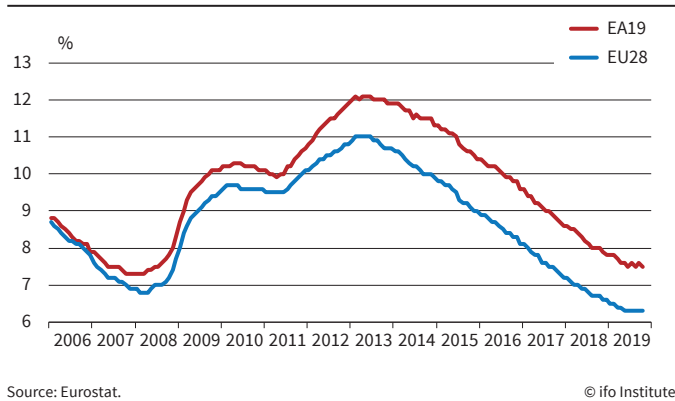
The ifo Economic Climate for the euro area (EA19) fell significantly from - 6.7 in the third quarter to - 16.3 points in the fourth quarter of 2019. The assessment of the current situation has strongly deteriorated again, while economic expectations were more pessimistic compared to the third quarter of 2019.

Exchange Rate of the Euro and Purchasing Power Parity



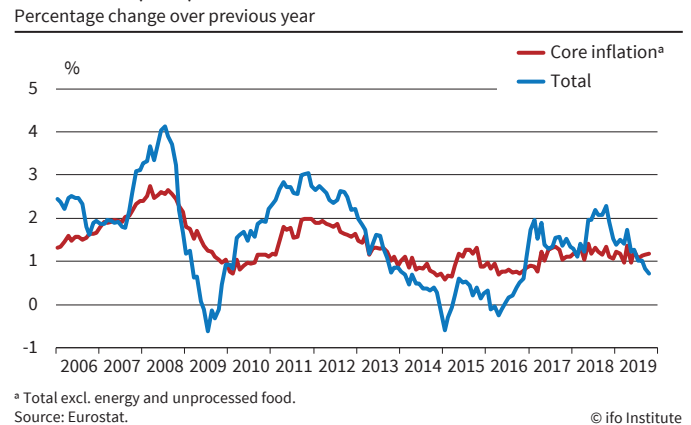
The exchange rate of the euro against the US dollar averaged approximately 1.06 \$/€ between November 2016 and January 2017. (In October 2016 the rate had amounted to around 1.09 \$/€.)

Unemployment Rate



Euro area (EA19) unemployment (seasonally adjusted) amounted to 7.5% in October 2019, down from 7.6% in September 2019. EU28 unemployment rate was 6.3% in October 2019, stable compared to September 2019. In October 2019 the lowest unemployment rate was recorded in the Czech Republic (2.2%), Germany (3.1%), and Poland (3.2%), while the rate was highest in Greece (16.7%), and Spain (14.2%).

Inflation rate (HICP)



Euro area annual inflation (HICP) was 1.0% in November 2019, up from 0.7% in October 2019. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.2% in October 2019, stable compared to September 2019.