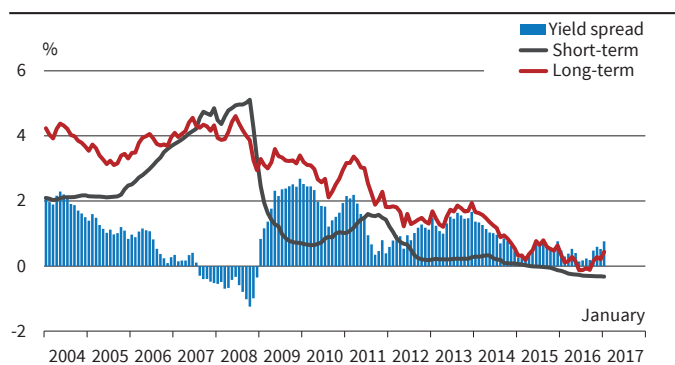


Financial conditions in the euro area

Nominal interest rates ^a



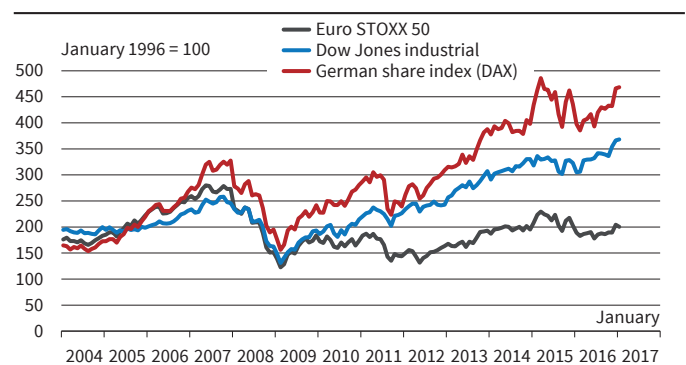
^a Weighted averages (GDP weights).

Source: European Central Bank.

© ifo Institute

In the three-month period from November 2016 to January 2017 short-term interest rates slightly decreased: the three-month EURIBOR rate stood -0.33% in January 2017 compared to 0.31% in November 2016. Yet the ten-year bond yields increased from 0.28% to 0.44% in the same period. The yield spread reached 0.76% in January 2017, up from 0.59% in November 2016.

Stock market Indices

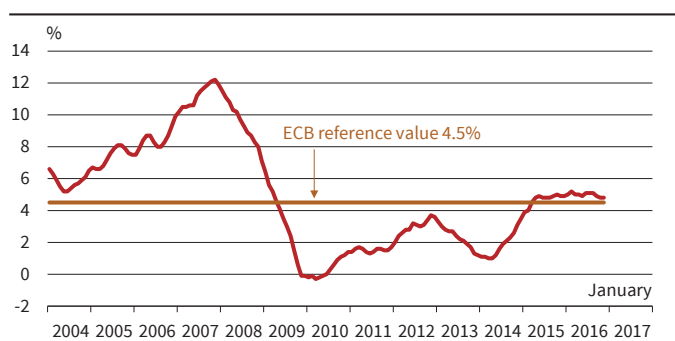


Source: Deutsche Börse; Dow Jones; STOXX; Datastream.

© ifo Institute

The German stock index DAX increased in January 2017, averaging 11,535 points compared to 10,649 points in November 2016. The Euro STOXX also grew from 3,052 to 3,231 in the same period of time. The Dow Jones International increased also, averaging 19,864 points in January 2017, compared to 19,124 points in November 2016.

Change in M3 ^a



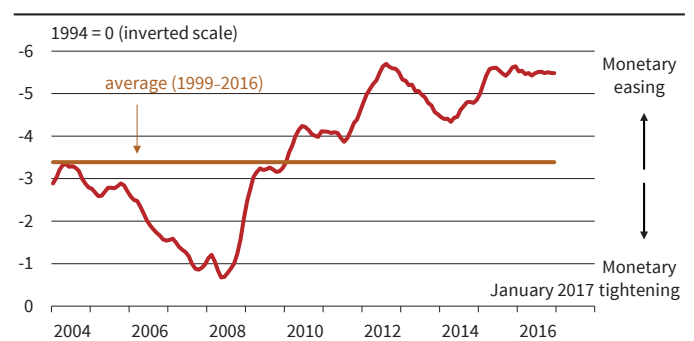
^a Annual percentage change (3-month moving average).

Source: European Central Bank.

© ifo Institute

The annual growth rate of M3 increased to 5.0% in December 2016, from 4.8% in November 2016. The three-month average of the annual growth rate of M3 over the period from October 2016 to December 2016 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.

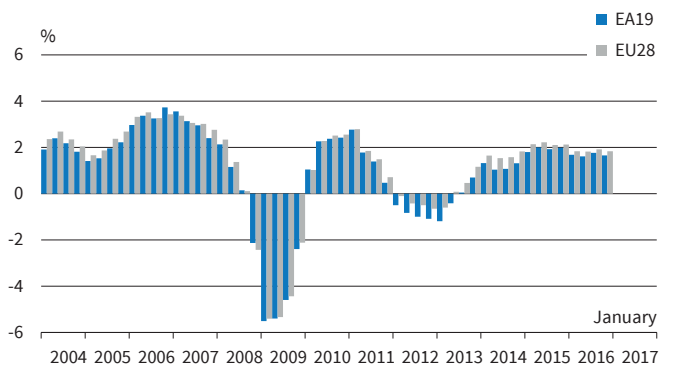
Source: European Central Bank; calculations by the ifo Institute.

© ifo Institute

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 peak in July 2012, signalling greater monetary easing. In particular, this was the result of decreasing real short-term interest rates. In December 2016 the index continued to slightly decline while some minor fluctuations have been observed in last months on a high level, comparable to that of July 2012.

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 fourth quarter of 2016, compared to the previous quarter. In the third quarter of 2016 the GDP grew also by 0.4% and 0.5%, respectively. Compared to the fourth quarter of 2015, i.e. year over year, seasonally adjusted GDP rose by 1.7% in the EA19 and by 1.8% in the EU28 in the fourth quarter of 2016.

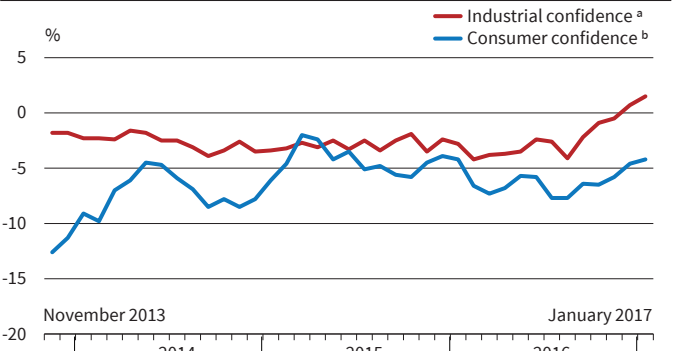
EU28 economic sentiment indicator
Seasonally adjusted



Source: European Commission. © ifo Institute

In January 2017 the Economic Sentiment Indicator (ESI) remained broadly stable in the euro area (+ 0.1 points to 107.9), and decreased in the EU (- 0.4 points to 108.5). In both the EU28 and the EA19 the ESI stands above its long-term average.

EU28 industrial and consumer confidence indicators
Percentage balances, seasonally adjusted

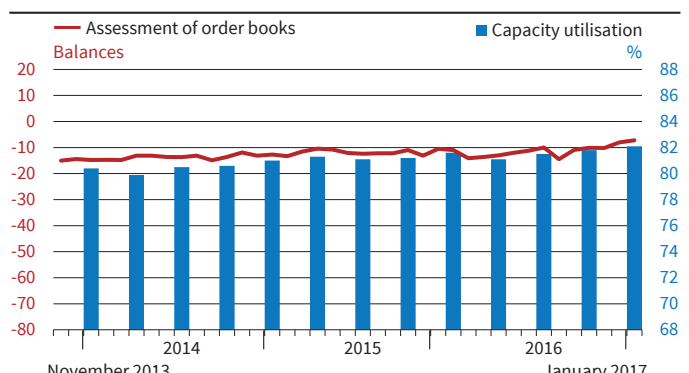


Source: European Commission. © ifo Institute

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.

In January 2017, the industrial confidence indicator increased by 0.8 in both the EU28 and the euro area (EA19). The consumer confidence indicator also increased by 0.3 in the EU28 and by 0.2 in the EA19.

EU28 capacity utilisation and order books in the manufacturing industry

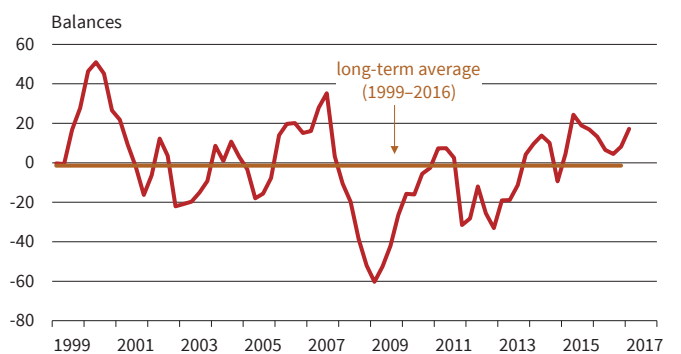


Source: European Commission. © ifo Institute

Managers' assessment of order books reached - 7.2 in January 2017, compared to - 8.0 in December 2016. In November 2016 the indicator had amounted to - 10.2. Capacity utilisation reached 82.1 in the first quarter of 2017, up from 81.8 in the fourth quarter of 2016.

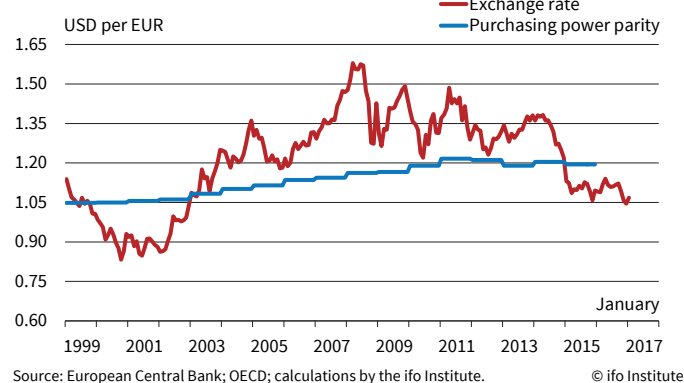
Euro area indicators

ifo Economic Climate for the Euro Area



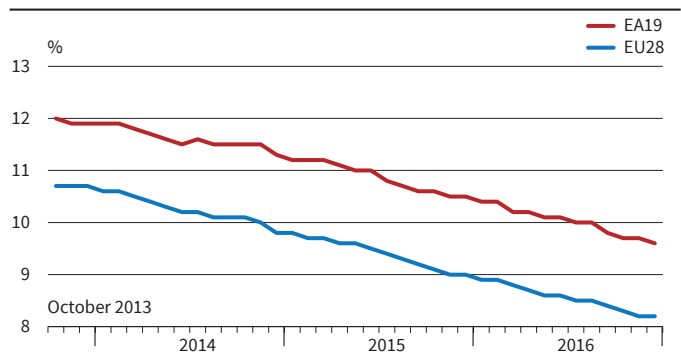
The ifo Economic Climate for the euro area (EA19) improved to 17.2 balance points in the first quarter of 2017, from 8.2 balance points in the fourth quarter of 2016. Expectations are far more positive than last quarter. The experts surveyed also assessed their current economic situation more favourably. The economic recovery is gathering impetus.

Exchange rate of the Euro and PPPs



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 \$/€.)

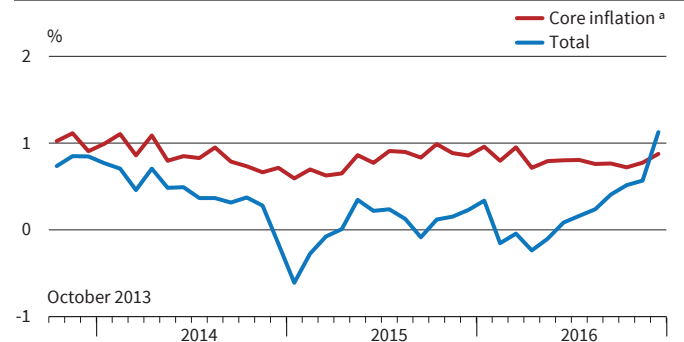
Unemployment rate



Euro area (EA19) unemployment (seasonally adjusted) amounted to 9.6% in December 2016, down from 9.7% in November 2016. EU28 unemployment rate was 8.2% in December 2016, stable compared to that of November 2016. In December 2016 the lowest unemployment rate was recorded in the Czech Republic (3.5%) and Germany (3.9%), while the rate was highest in Greece (23.0%) and Spain (18.4%).

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 1.8% in January 2017, up from 1.1% in December 2016. A year earlier the rate had amounted to 0.3%. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 0.9% in December 2016, up from 0.8% in November 2016.