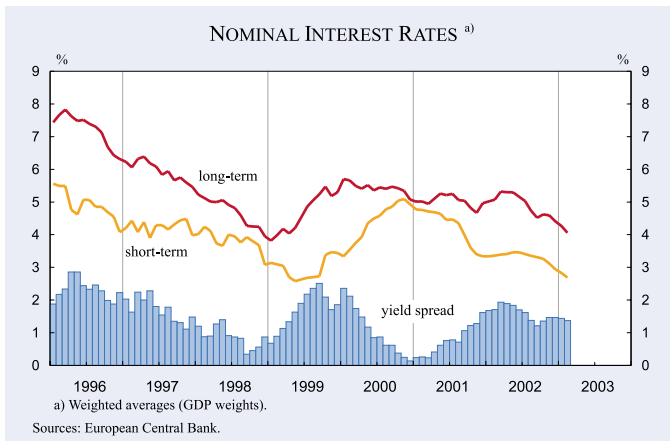
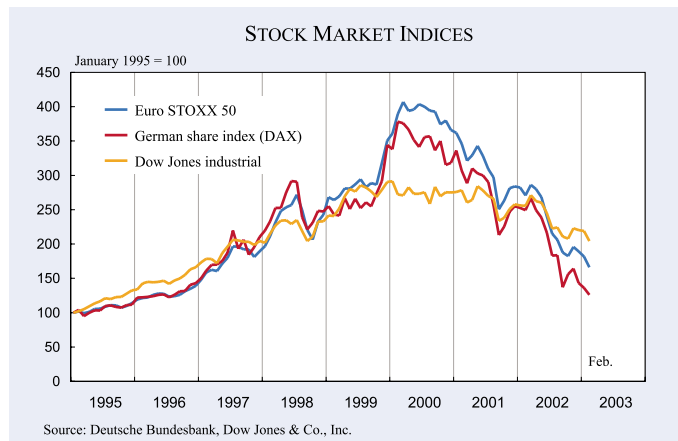


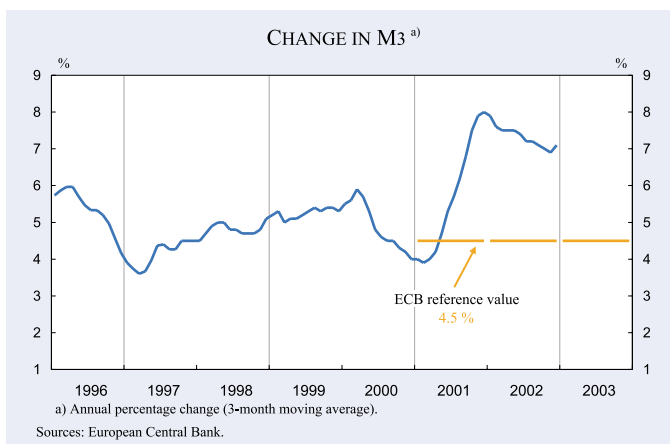
FINANCIAL CONDITIONS IN THE EURO AREA



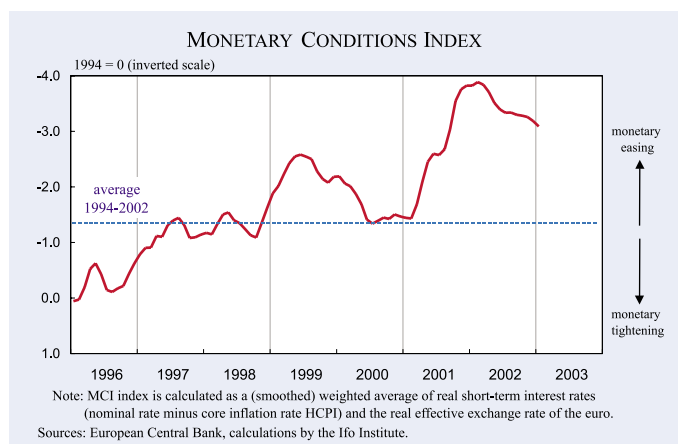
Short-term interest rates have continued to decline in line with the latest cut to 2.5% of the ECB's rate on main refinancing operations effective March 12. Bond rates have declined in parallel, leaving the yield spread almost constant.



The turnaround of stock prices in November 2002 was short-lived. Stock prices have declined as the Near East crisis deepened. The End of the Iraq war may initiate a permanent turnaround of stock prices, however.

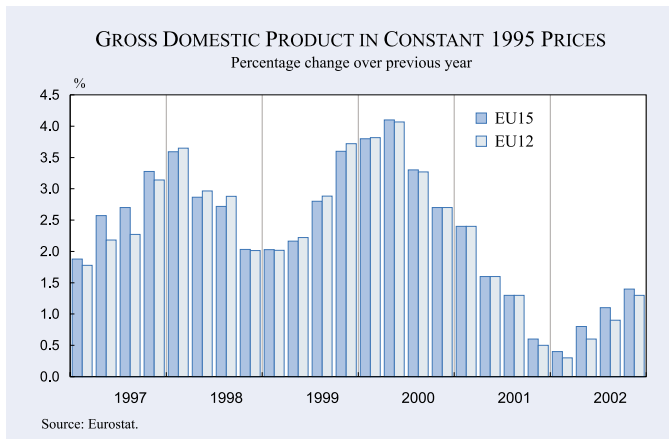


The money stock M3 had declined to just below 7% following its peak in December 2001 – still far above the ECB target of 4.5%. In January the annual rate of growth of M3 rose to 7.4% from 6.8% in the preceding month. The three-month moving average of the annual growth rates of M3 was 7.1% for the period November 2002 to January 2003.

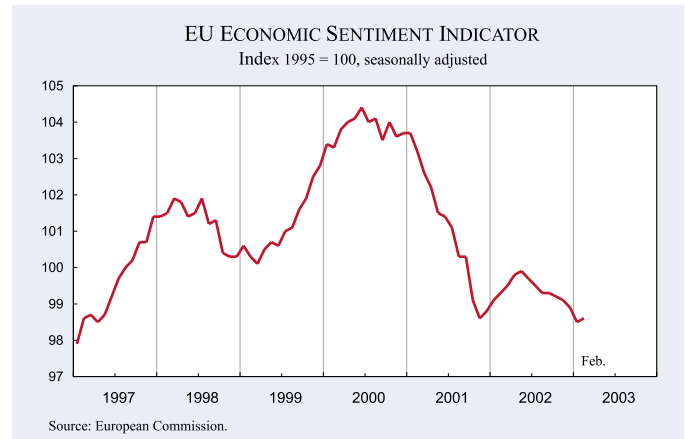


Monetary easing is not evident in the Monetary Conditions Index which also includes the real effective exchange rate of the euro which has offset the decline in short-term real interest rates.

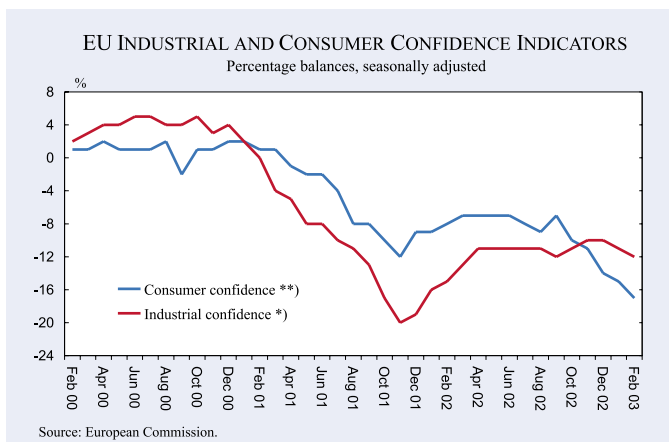
EU SURVEY RESULTS



In the fourth quarter of 2002 real GDP continued on its gradual upward trend. The 12 euro area countries recorded growth of 1.3% over the fourth quarter 2001, topped slightly by the 1.4% growth of all 15 EU countries. Compared with the third quarter of 2002, growth in both areas amounted to 0.2%. While private consumption remained relatively strong, investment stagnated and exports weakened. For the entire year 2002, growth is now estimated at 0.8% for the euro area and 0.9% for the entire EU.



The economic sentiment indicator (ESI) for the EU as a whole increased slightly by 0.1 percentage points in February 2003, reaching a value of 98.6. This is the first improvement since May 2002 when it stood at 99.9. The economic sentiment indicator rose in Sweden, Spain, Germany, Austria, Finland, Greece and Italy. It remained unchanged in Denmark and declined in the Netherlands, France, the United Kingdom, Belgium, Ireland and Portugal.

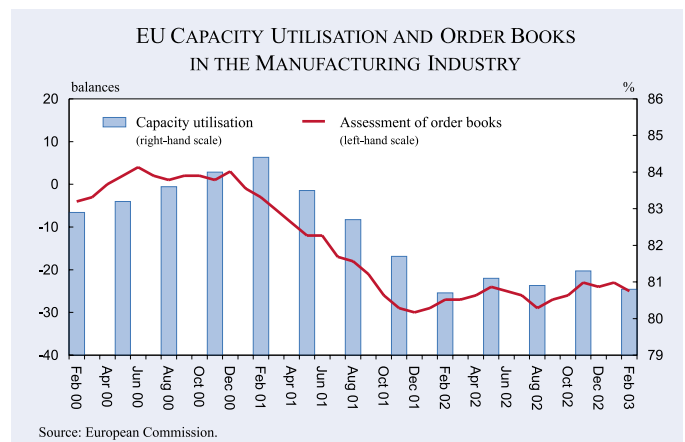


* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

** 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.

The **industrial confidence indicator** declined, driven by decreases in France, Ireland, the Netherlands, the UK, Italy and Luxembourg. These decreases more than offset the increases registered in Sweden, Finland, Spain, Austria and Belgium. Industrial confidence remained unchanged in Denmark, Germany, Greece and Portugal.

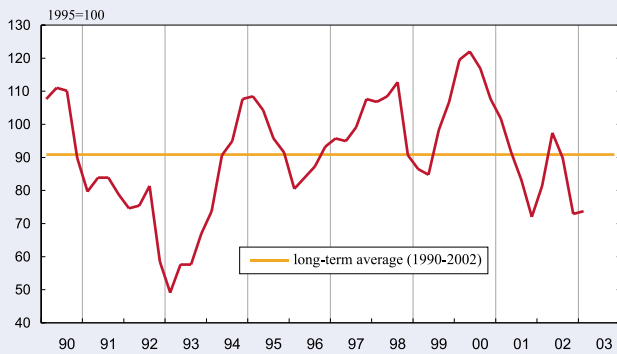
The **consumer confidence indicator** continued the sharp decline which had started last October. The indicator remained unchanged in Ireland and Austria and rose only in Italy. It fell in all other EU countries, led by France, Portugal and Belgium.



The monthly assessment of order books, - 25 in February, has fluctuated around this level, still signalling insufficient demand. During the most recent quarter, capacity utilisation in the EU declined again to 80.8, after an increase to 81.3 in the preceding quarter, reflecting the disappointing state of the European economy.

EURO AREA INDICATORS

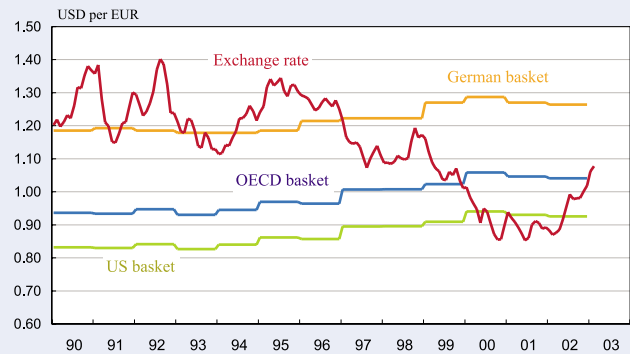
IFO ECONOMIC CLIMATE FOR THE EURO AREA



Source: Ifo World Economic Survey (WES) Q1/2003.

The Ifo indicator of the economic climate in the euro area improved marginally to 73.7 in January 2003 compared with the WES results of October 2002. The improvement resulted exclusively from slightly better expectations for the next six months. The assessments of the present economic situation, the second component of the climate indicator, deteriorated further, reaching its lowest level since the second quarter of 1994.

EXCHANGE RATES OF THE EURO AND PPPs

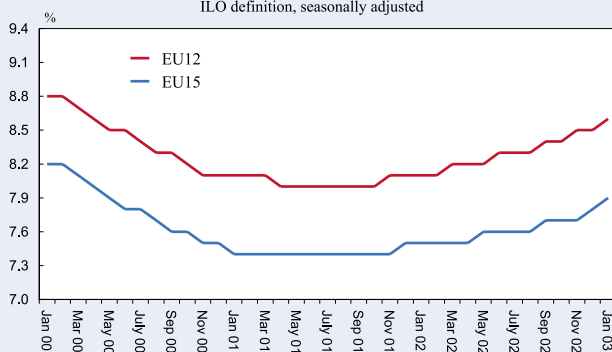


Sources: European Central Bank, Federal Statistical Office, OECD and calculations by the Ifo Institute.

The euro has appreciated against the US dollar since the Spring of 2002. After achieving parity in November, the euro rose to an average of 1.08 US cents in February, slightly exceeding the OECD PPP level.

UNEMPLOYMENT RATE

ILO definition, seasonally adjusted

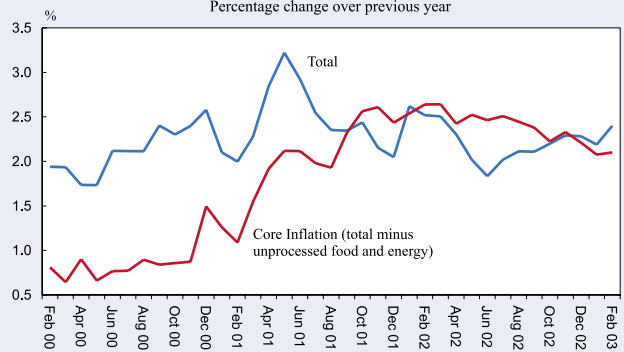


Source: Eurostat.

In January 2003, the seasonally adjusted unemployment rate continued to rise in Western Europe. At 8.6% in the euro area, it maintained its differential to the unemployment rate in the entire EU which rose to 7.9%.

INFLATION RATE (HICP)

Percentage change over previous year



Source: Eurostat, Ifo Institute.

In February 2003, the rate of inflation of euro area consumer prices accelerated to 2.4%, mainly as the result of higher oil prices. The highest annual rates were recorded in Ireland (5.1%), Greece (4.2%) and Portugal (4.1%); the lowest rates were observed in Germany (1.3%), Belgium (1.6%) and Austria (1.8%). The rate of core inflation, which excludes energy and processed foods, remained almost unchanged.