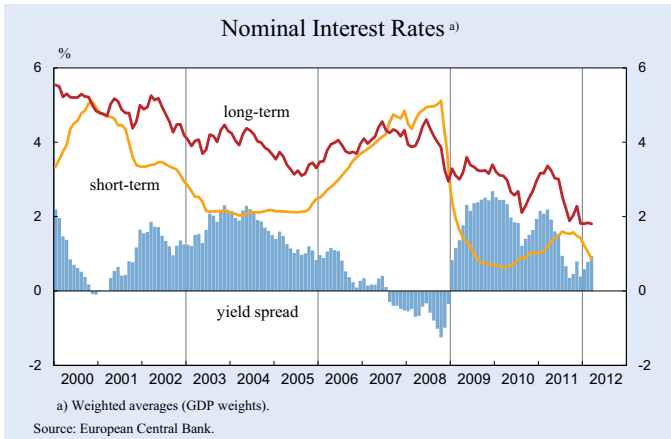
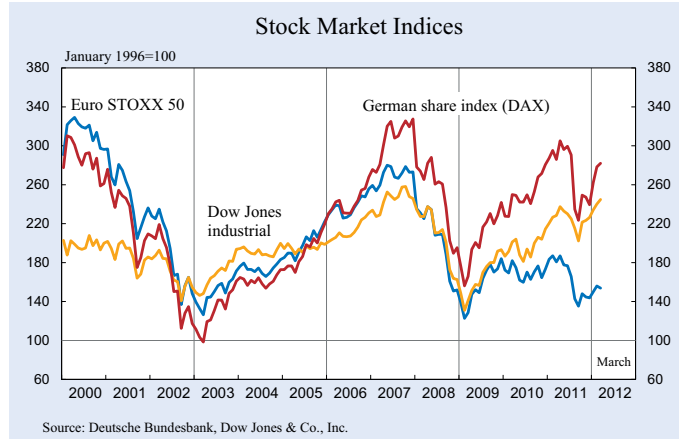


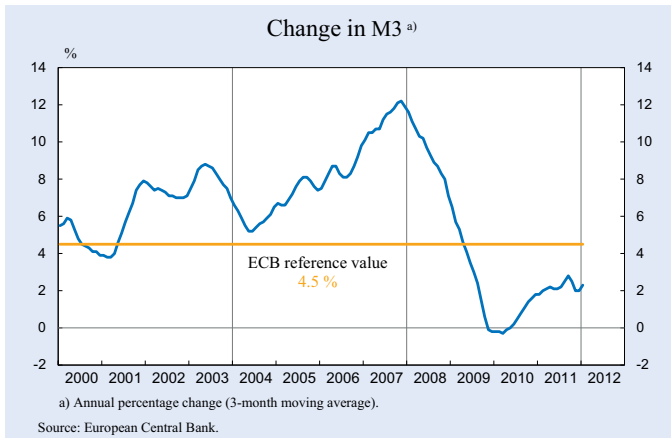
# FINANCIAL CONDITIONS IN THE EURO AREA



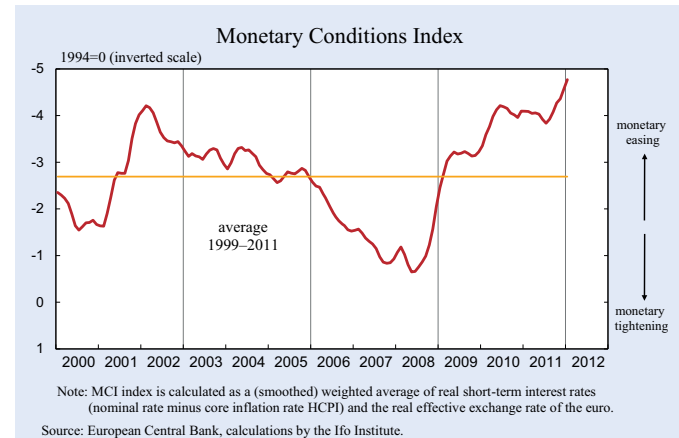
In the three-month period from January to March 2012 short-term interest rates decreased. The three-month EURIBOR rate declined from an average 1.22% in January 2012 to 0.86% in March 2012. Yet the ten-year bond yields remained unchanged which amounted to 1.81% in January as well as in March 2012. In the same period of time the yield spread increased from 0.59% to 0.95%.



The German stock index DAX increased in March 2012, averaging 6,497 points compared to 6,458 points in January 2012. The Euro STOXX also increased from 2,416 to 2,477 in the same period of time. Moreover, the Dow Jones International grew, averaging 13,212 points in March 2012 compared to 12,633 points in January 2012.

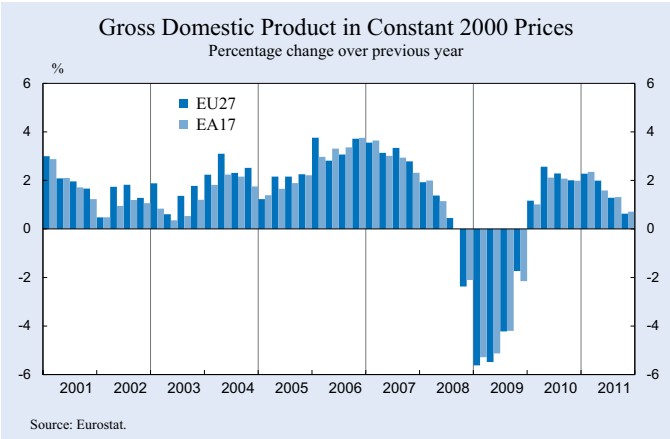


The annual growth rate of M3 increased to 2.8% in February 2012, compared to 2.5% in January. The three-month average of the annual growth rate of M3 over the period from December 2011 to February 2012 increased to 2.3%, from 2.0% in the period from November 2011 to January 2012.

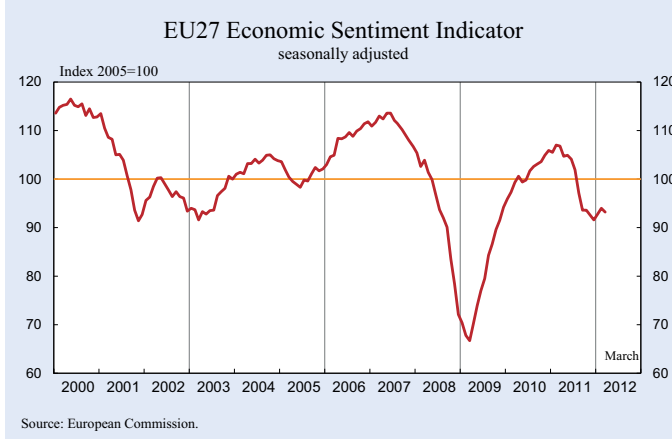


Between April and November 2009 the monetary conditions index remained rather stable after its rapid growth that had started in mid-2008. The index started to grow again since December 2009, signalling greater monetary easing. In particular, this has been the result of decreasing real short-term interest rates. In January 2012 the index has continued its fast upward trend started in August 2011 and reached its peak.

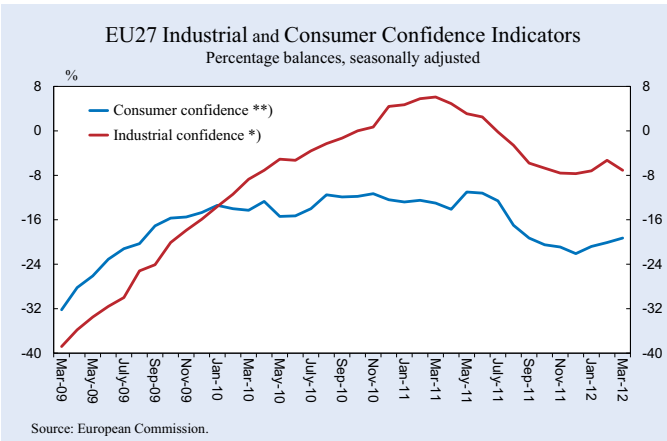
# EU SURVEY RESULTS



According to the second Eurostat estimates, GDP decreased by 0.3% both in the euro area (EU17) and the EU27 during the fourth quarter of 2011, compared to the previous quarter. In the third quarter of 2011 the growth rates were 0.1% in the euro area and 0.3% in the EU27. Compared to the fourth quarter of 2010, i.e. year over year, seasonally adjusted GDP rose by 0.7% in the euro area and by 0.9% in the EU27.

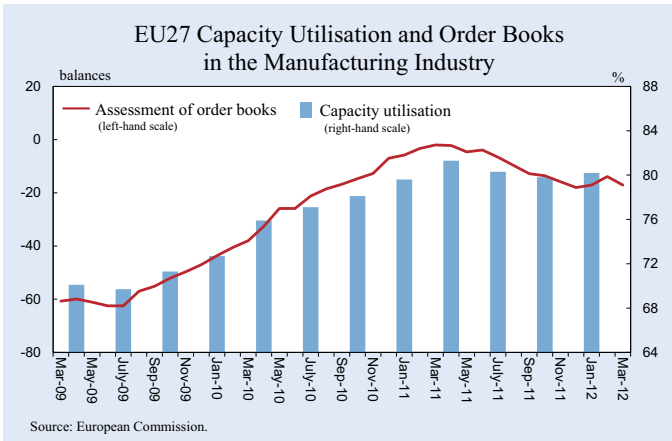


After improving in January and February, the Economic Sentiment Indicator (ESI) decreased in March 2012 by 0.8 points in the EU27 and by 0.1 points in the euro area (EU17), to 93.2 and 94.4 respectively. In both the EU27 and the euro area the ESI stands below its long-term average.



\* 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.

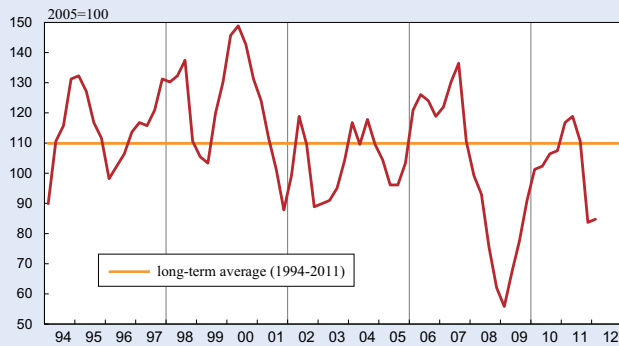
In March 2012, the *industrial confidence indicator* declined in both the EU27 (-1.8) and the euro area (-1.5). On the other hand, the *consumer confidence indicator* increased in both the EU27 (0.8) and the euro area (1.2).



Managers' assessment of *order books* worsened from -13.9 in February to -17.1 in March 2012. In January 2012 the indicator had reached -17.1. *Capacity utilisation* also slightly decreased to 80.2 in the first quarter of 2012, from 79.8 in the previous quarter.

## EURO AREA INDICATORS

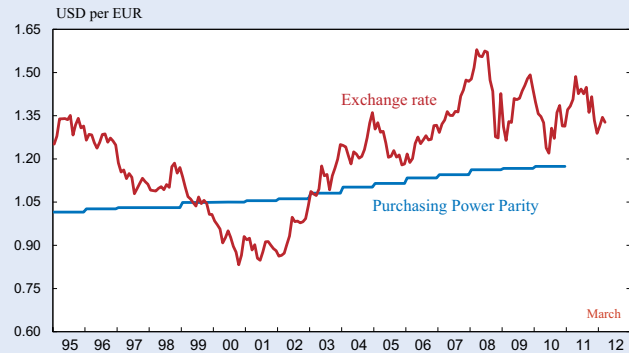
### Ifo Economic Climate for the Euro Area



Source: Ifo World Economic Survey (WES) I/2012.

The Ifo indicator of the economic climate in the euro area (EU17) rose slightly in the first quarter of 2012 after two successive decreases, but nevertheless remains significantly below its long-term average. Appraisals of the current economic situation continued to deteriorate. The only positive trend was seen in the six-month outlook, which brightened somewhat compared to the fourth quarter of 2011. It is too early to speak of any general recovery in the euro area.

### Exchange Rate of the Euro and PPPs

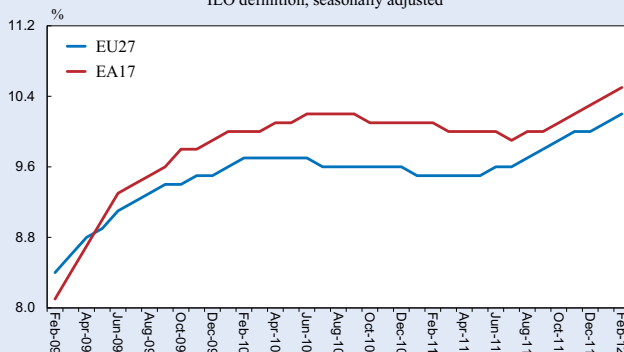


Source: European Central Bank, OECD and calculations by the Ifo Institute.

The exchange rate of the euro against the US dollar averaged approximately 1.33 \$/€ between January and March 2012. (In December 2011 the rate had amounted to around 1.29 \$/€.)

### Unemployment Rate

ILO definition, seasonally adjusted

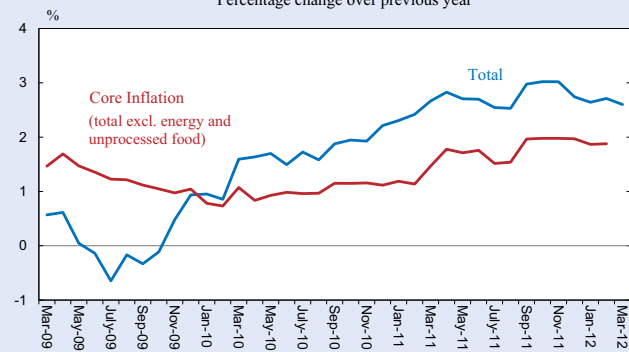


Source: Eurostat.

Euro area (EU17) unemployment (seasonally adjusted) amounted to 10.8% in February 2012, compared to 10.7% in January. It was 10.0% in February 2011. EU27 unemployment stood at 10.2% in February 2012, compared to 10.1% in January. The rate was 9.5% in February 2011. In February 2012 the lowest rate was registered in Austria (4.2%), the Netherlands (4.9%), Luxembourg (5.2%) and Germany (5.7%), while the unemployment rate was highest in Spain (23.6%).

### Inflation Rate (HICP)

Percentage change over previous year



Source: Eurostat.

Euro area annual inflation (HICP) was 2.7% in February 2012, unchanged compared to January. A year earlier the rate had amounted to 2.4%. The EU27 annual inflation rate reached 3.0% in February 2012, up from 2.9% in January. A year earlier the rate had been 2.9%. An EU-wide HICP comparison shows that in February 2012 the lowest annual rates were observed in Sweden (1.0%), Greece (1.7%) and Spain (1.9%), and the highest rates in Hungary (5.8%), Estonia and Poland (both 4.4%). Year-on-year EU17 core inflation (excluding energy and unprocessed foods) slightly increased to 1.88% in February 2012 from 1.87% in January.