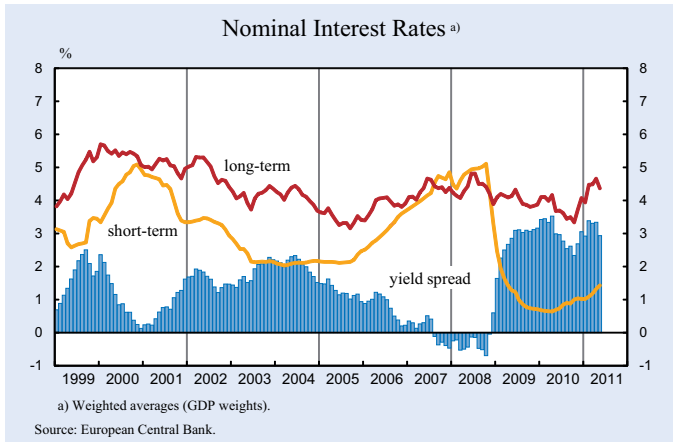
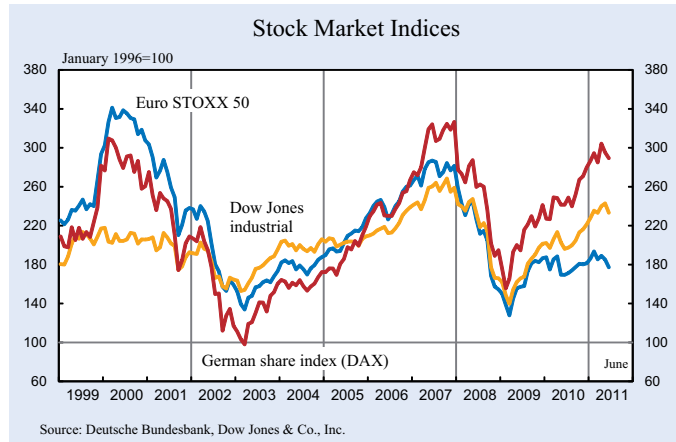


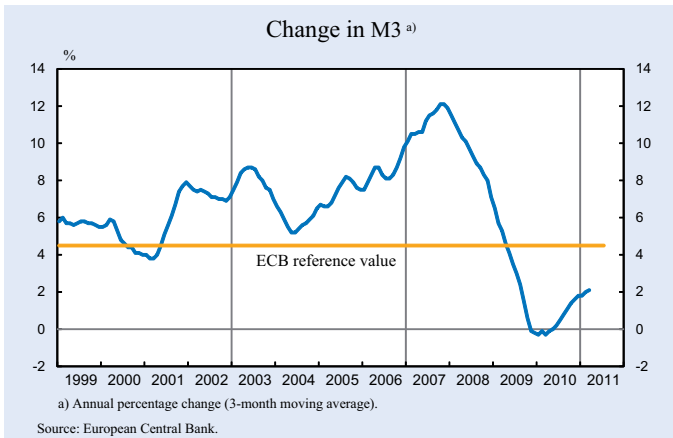
FINANCIAL CONDITIONS IN THE EURO AREA



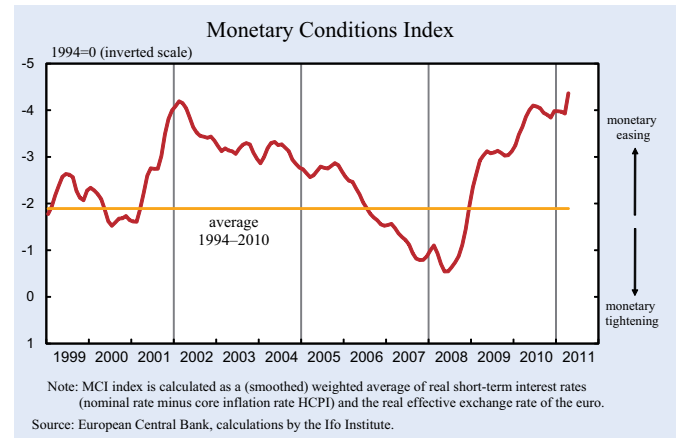
In the three-month period from March to May 2011 short-term interest rates increased. The three-month EURIBOR rate grew from an average 1.18% in March 2011 to 1.43% in May 2011. Yet the ten-year bond yields decreased from 4.49% in March 2011 to 4.37% in May 2011. In the same period of time the yield spread also decreased from 3.31% to 2.94%.



The German stock index DAX declined in June 2011, averaging 7,148 points compared to 7,294 points in May 2011. The Euro STOXX also decreased from 2,886 to 2,763 in the same period of time. The Dow Jones International declined as well, averaging 12,082 points in June 2011 compared to 12,580 points in May 2011.

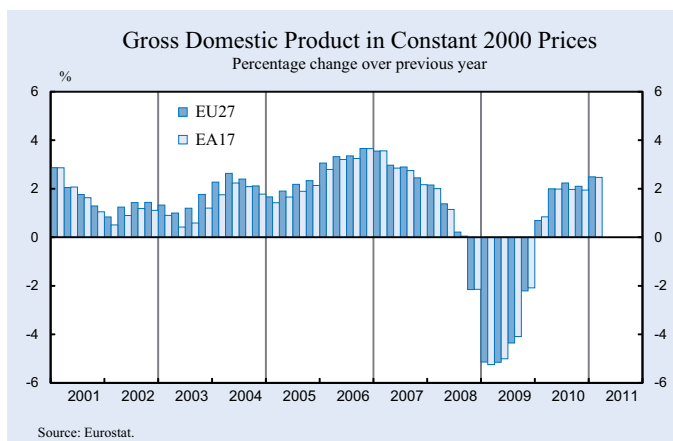


The annual growth rate of M3 increased to 2.4% in May 2011, compared to 2.0% in April. The three-month average of the annual growth rate of M3 over the period from March to May 2011 slightly rose to 2.2%, from 2.1% in the period from February to April 2011.

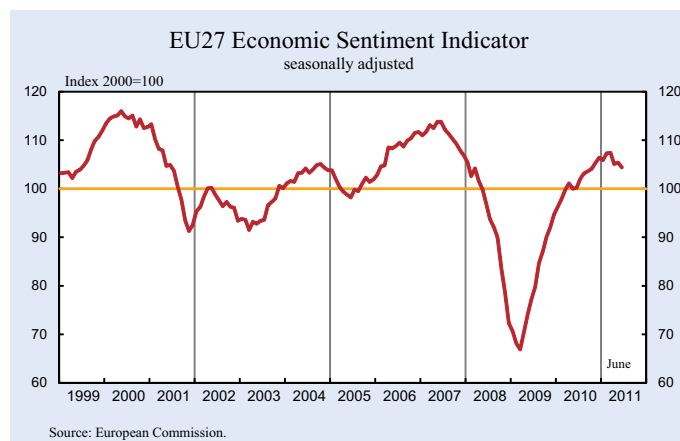


Between April and November 2009 the monetary conditions index remained rather stable after its rapid growth that had started in mid-2008. The index started to grow again since December 2009, signalling greater monetary easing and reached its peak in June 2010. In particular, this has been the result of decreasing real short-term interest rates. In April 2011 the index reached even a higher level than that of June 2010.

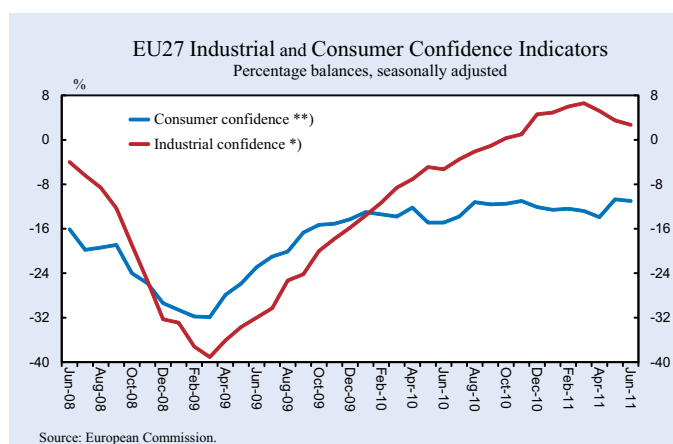
EU SURVEY RESULTS



According to the second Eurostat estimates, GDP increased by 0.8% in both the euro area (EU17) and the EU27 during the first quarter of 2011, compared to the previous quarter. In the fourth quarter of 2010 the growth rates were 0.3% in the euro area and 0.2% in the EU27. Compared to the first quarter of 2010, i.e. year over year, seasonally adjusted GDP increased by 2.5% in both the euro area and the EU27.



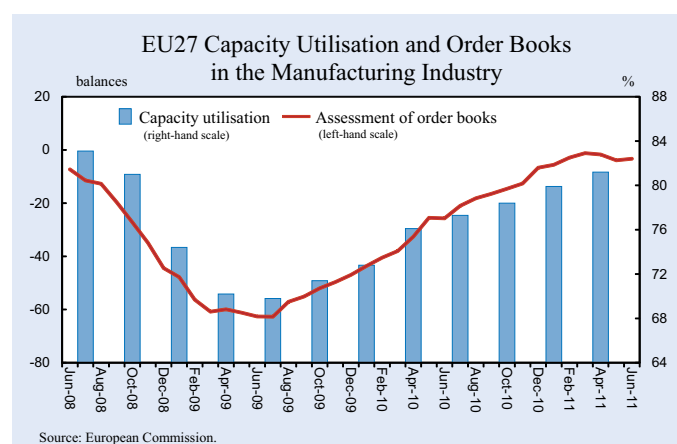
The Economic Sentiment Indicator (ESI) continued its downward trend in June in both the EU27 and the euro area (EU17). The indicator declined by 1.0 point in the EU27 and by 0.4 points in the euro area, to 104.4 and 105.1 respectively. In both the EU27 and the euro area the ESI stands above its long-term 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.

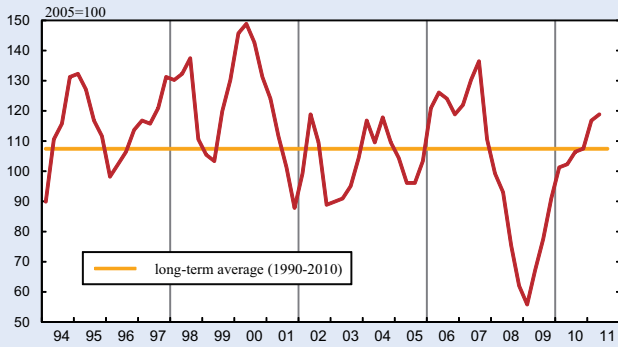
In June 2011, the *industrial confidence indicator* declined by 0.8 points in the EU27 and by 0.6 points in the euro area (EU17). On the other hand, the *consumer confidence indicator* decreased also by 0.3 points in the EU27, while it remained rather stable in the euro area.



Managers' assessment of *order books* improved from -3.9 in May to -3.3 in June 2011. In April 2011 the indicator had reached -1.7. *Capacity utilisation* increased to 81.2 in the second quarter of 2011, from 79.9 in the previous quarter.

EURO AREA INDICATORS

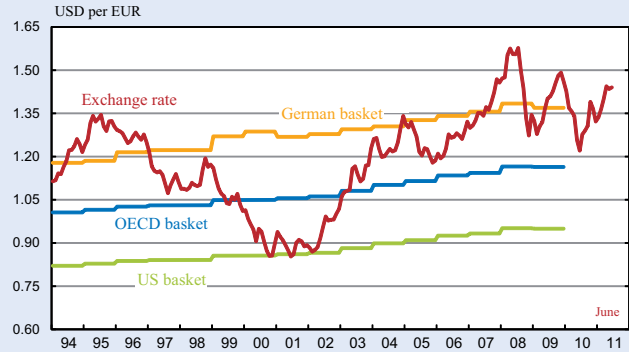
Ifo Economic Climate for the Euro Area



Source: Ifo World Economic Survey (WES) II/2011.

The Ifo indicator of the economic climate in the euro area (EU17) has risen in the second quarter of 2011 and is now clearly above its long-term average. The assessments of the current economic situation were clearly more positive than in the first quarter of the year. The expectations for the coming six months weakened, however, but remain confident on the whole. The survey results indicate that the economic upswing in the euro area will continue but with considerable differences in the individual member countries.

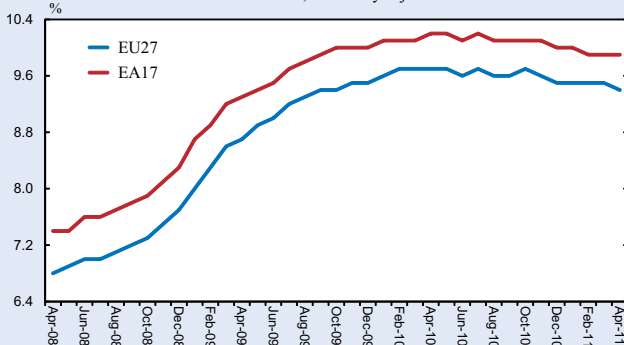
Exchange Rate of the Euro and PPPs



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

The exchange rate of the euro against the US dollar averaged approximately 1.44 \$/€ between April and June 2011. (In March 2011 the rate had amounted to 1.40 \$/€.)

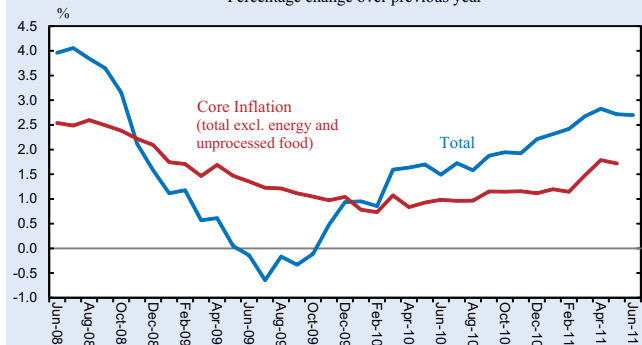
Unemployment Rate
ILO definition, seasonally adjusted



Source: Eurostat.

Euro area (EU17) unemployment (seasonally adjusted) amounted to 9.9% in April 2011, unchanged compared to March. It was 10.2% in April 2010. EU27 unemployment stood at 9.4% in April 2011, compared to 9.5% in March. The rate was 9.7% in April 2010. In April 2011 the lowest rate was registered in the Netherlands and Austria (both 4.2%), while the unemployment rate was highest in Spain (20.7%).

Inflation Rate (HICP)
Percentage change over previous year



Source: Eurostat.

Euro area annual inflation (HICP) was 2.7% in May 2011, compared to 2.8% in April. A year earlier the rate had amounted to 1.7%. The EU27 annual inflation rate reached 3.2% in May 2011, down from 3.3% in April. A year earlier the rate had been 2.1%. An EU-wide HICP comparison shows that in May 2011 the lowest annual rates were observed in Ireland (1.2%), Sweden (1.7%) and the Czech Republic (2.0%), and the highest rates in Romania (8.5%), Estonia (5.5%) and Lithuania (5.0%). Year-on-year EU17 core inflation (excluding energy and unprocessed foods) declined to 1.72% in May 2011 from 1.79% in April.