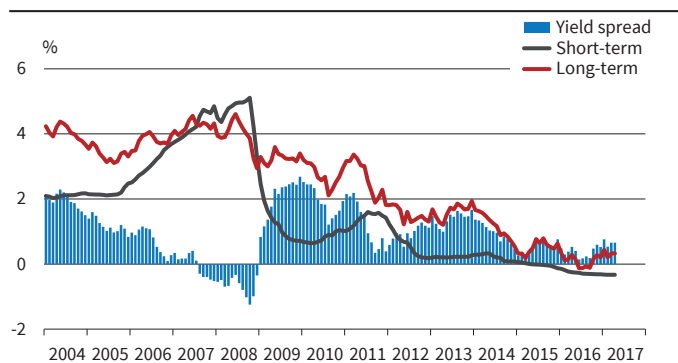


Financial Conditions in the Euro Area

Nominal Interest Rates^a

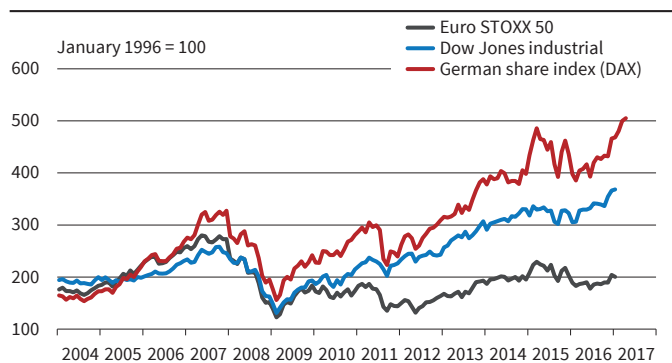


^a Weighted averages (GDP weights).
Source: European Central Bank.

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In the three-month period from February 2017 to April 2017 short-term interest rates remained unchanged: the three-month EURIBOR rate amounted to -0.33% in February 2017 and also in April 2017. Yet the ten-year bond yields increased from 0.21% to 0.33% in the same period. The yield spread reached 0.66% in April 2017, up from 0.53% in February 2017.

Stock Market Indices

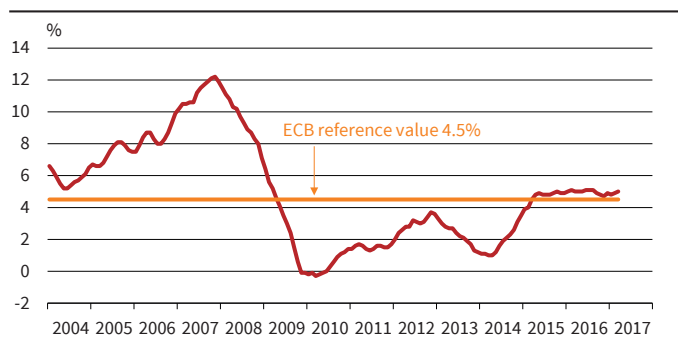


Sources: Deutsche Börse; Dow Jones; STOXX; Datastream.

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The German stock index DAX increased in April 2017, averaging 12,438 points compared to 11,834 points in April 2016. The Euro STOXX also grew from 3,320 to 3,560 in the same period of time. The Dow Jones International increased also, averaging 20,941 points in April 2017, compared to 20,812 points in February 2017.

Change in M3^a

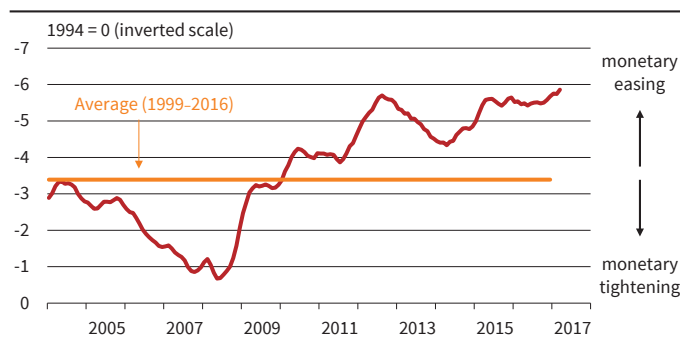


^a Annual percentage change (3-month moving average).
Source: European Central Bank.

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The annual growth rate of M3 decreased to 4.9% in April 2017, from 5.3% in March 2017. The three-month average of the annual growth rate of M3 over the period from February 2017 to April 2017 reached 5.0%.

Monetary Conditions Index



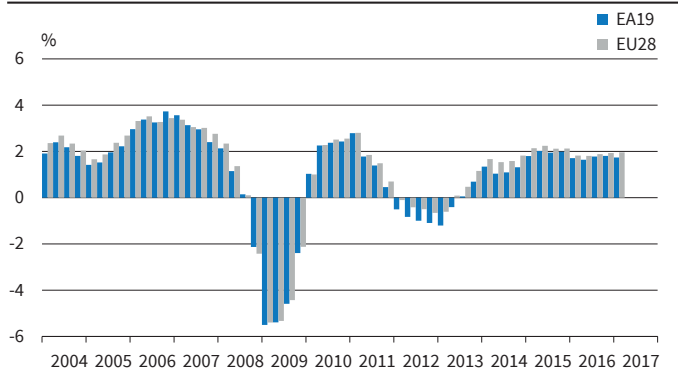
Note: MCI index is calculated as a (smoothed) weighted average of real short-term interest rates (nominal rate minus core inflation rate HCPI) and the real effective exchange rate of the euro.
Sources: European Central Bank; calculations by the ifo Institute.

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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 first peak in July 2012, signalling greater monetary easing. In particular, this was the result of decreasing real short-term interest rates. In March 2017 the index continued to further grow even on a higher level than that of July 2012.

EU Survey Results

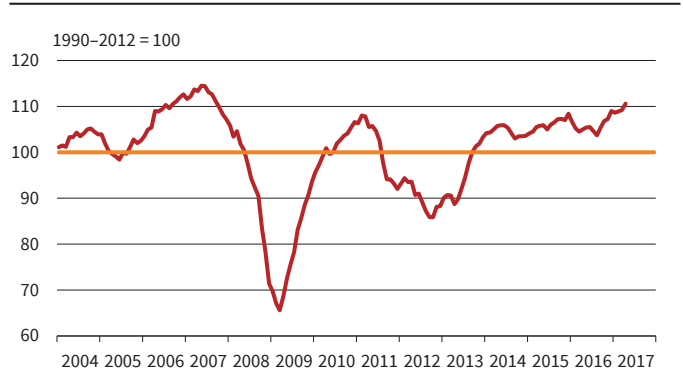
Gross Domestic Product in Constant 2010 Prices
Percentage change over previous year



Source: Eurostat. © ifo Institute

According to the Eurostat estimates, GDP grew by 0.5% in both the euro area (EA19) and the EU28 during the first quarter of 2017, compared to the previous quarter. In the fourth quarter of 2016 the GDP grew by 0.5% and 0.6%, respectively. Compared to the first quarter of 2016, i.e. year over year, seasonally adjusted GDP rose by 1.7% in the EA19 and by 2.0% in the EU28 in the first quarter of 2017.

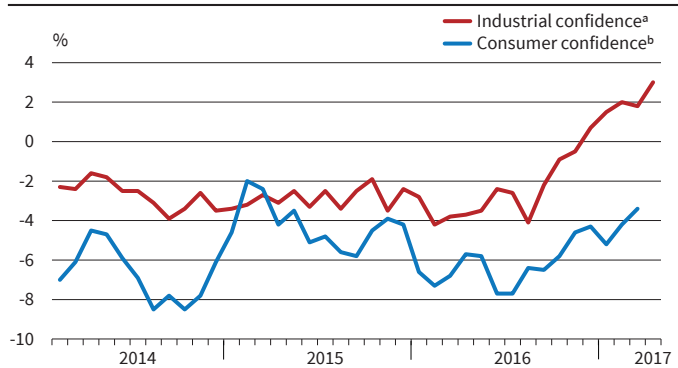
EU28 Economic Sentiment Indicator
Seasonally adjusted



Source: European Commission. © ifo Institute

In April 2017 the Economic Sentiment Indicator (ESI) increased markedly in both the euro area (+ 1.6 points to 109.6) and the EU28 (+ 1.4 points to 110.6). 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

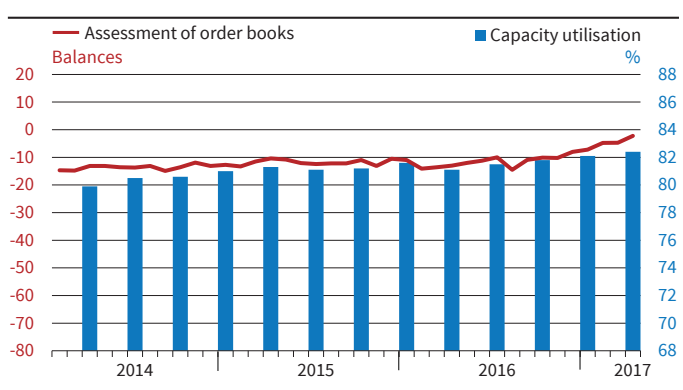


Source: European Commission. © ifo Institute

^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 April 2017, the *industrial confidence indicator* increased by 1.2 in the EU28 and by 1.3 in the euro area (EA19). The *consumer confidence indicator* also increased by 1.8 in the EU28 and by 1.4 in the EA19.

EU28 Capacity Utilisation and Order Books in the Manufacturing Industry

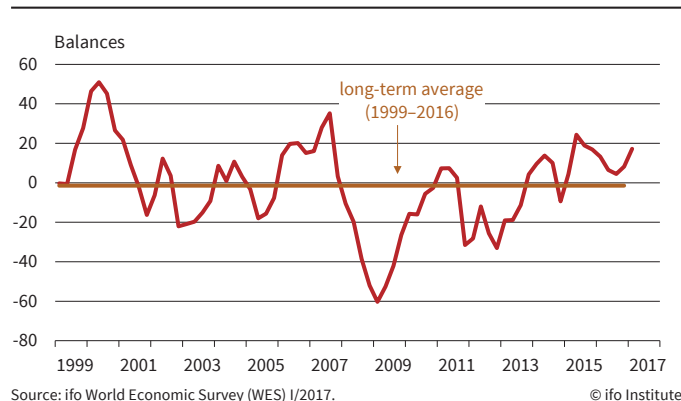


Source: European Commission. © ifo Institute

Managers' assessment of *order books* reached - 2.2 in April 2017, compared to - 4.7 in March 2017. In February 2017 the indicator had amounted to - 4.8. *Capacity utilisation* reached 82.4 in the second quarter of 2017, up from 82.1 in the first quarter of 2017.

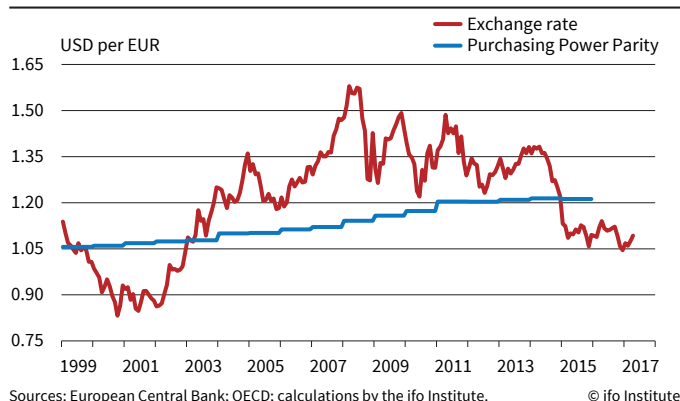
Euro Area Indicators

ifo Economic Climate for the Euro Area



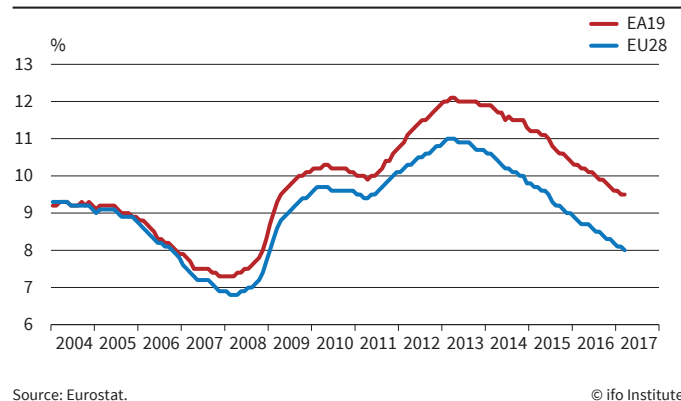
The ifo Economic Climate for the euro area (EA19) improved markedly in the second quarter of 2017. The indicator rose from 17.2 balance points to 26.4 points, reaching its highest level since the onset of the global financial crisis in the late summer of 2007. Assessments of the current economic situation in particular were more favourable than last quarter. The six-month economic outlook also improved and economic growth looks set to accelerate noticeably in the first half of 2017.

Exchange Rate of the Euro and PPPs



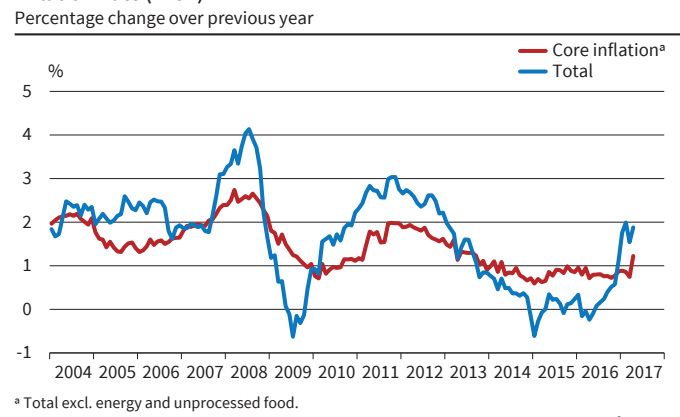
The exchange rate of the euro against the US dollar averaged approximately 1.08 \$/€ between February 2017 and April 2017. (In January 2017 the rate had amounted to around 1.07 \$/€.)

Unemployment Rate



Euro area (EA19) unemployment (seasonally adjusted) amounted to 9.5% in March 2017, stable compared to February 2017. EU28 unemployment rate was 8.0% in March 2017, down from 8.1% in February 2017. In March 2017 the lowest unemployment rate was recorded in the Czech Republic (3.2%) and Germany (3.9%), while the rate was highest in Greece (23.5%) and Spain (18.2%).

Inflation Rate (HICP)



Euro area annual inflation (HICP) was 1.9% in April 2017, up from 1.5% in March 2017. A year earlier the rate had amounted to -0.2%. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.2% in April 2017, up from 0.7% in March 2017.