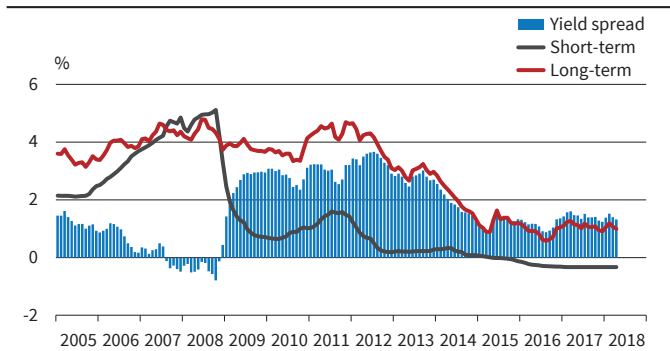


# Financial Conditions in the Euro Area

Nominal Interest Rates<sup>a</sup>

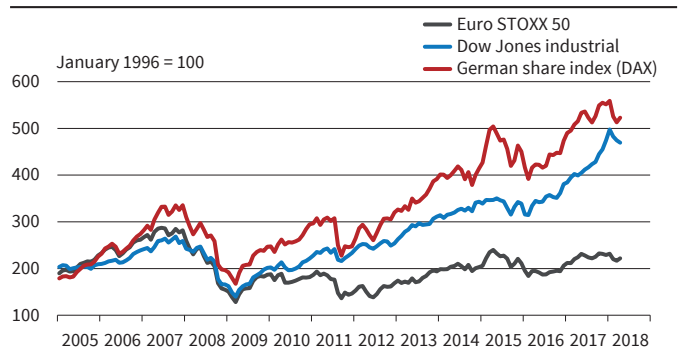


<sup>a</sup> Weighted average (GDP weights).  
Source: European Central Bank.

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In the three-month period from February 2018 to April 2018 short-term interest rates remained unchanged: the three-month EURIBOR rate amounted to -0.33% in February 2018 and also in April 2018. In comparison the ten-year bond yields declined from 1.19% in February 2018 to 0.99 in April 2018, whereas the yield spread also decreased from 1.52% to 1.32% in the same period of time.

Stock Market Indices

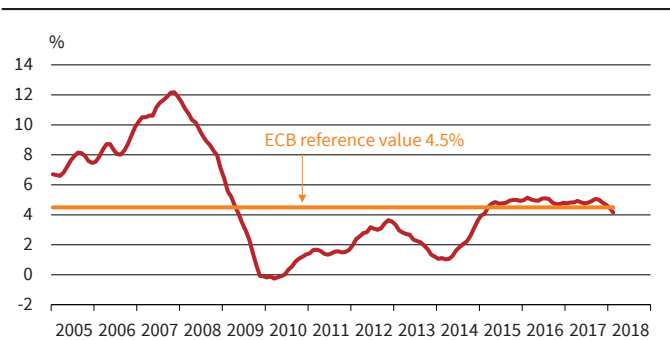


Source: Deutsche Börse; Dow Jones; STOXX.

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The German stock index DAX increased in April 2018, averaging 12,397 points compared to 12,163 points in March 2018. The Euro STOXX also increased from 3,373 to 3,453 in the same period of time. Yet the Dow Jones International declined, averaging 24,304 points in April 2018, compared to 24,560 points in March 2018.

Change in M3<sup>a</sup>

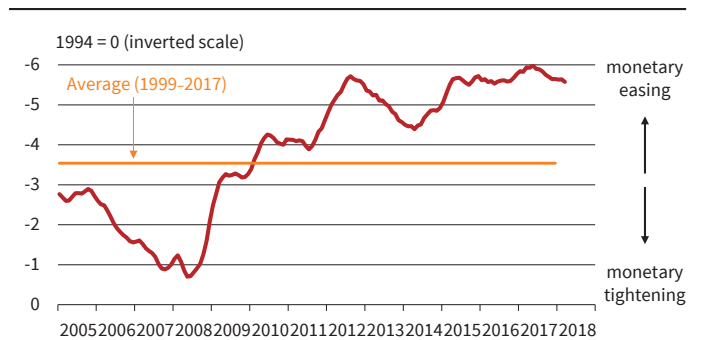


<sup>a</sup> Annual percentage change (3-month moving average).  
Source: European Central Bank.

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The annual growth rate of M3 decreased to 3.7% in March 2018, from 4.2% in February 2018. The three-month average of the annual growth rate of M3 over the period from January 2018 to March 2018 reached 4.2%.

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 HICPI) and the real effective exchange rate of the euro.  
Source: European Central Bank; calculations by the ifo Institute.

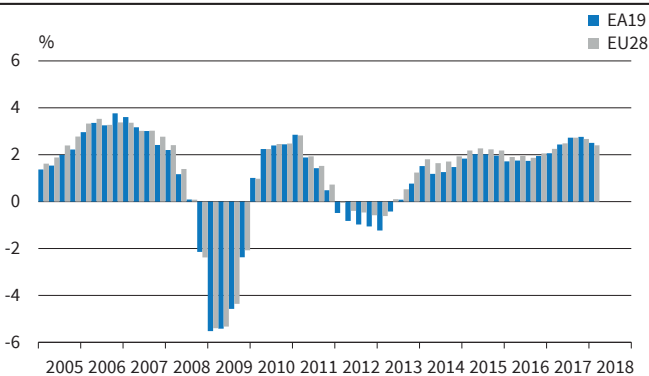
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Between April 2010 and July 2011 the monetary conditions index remained rather stable. This index then continued its fast upward trend since August 2011 and reached its first peak in July 2012, signalling greater monetary easing. In particular, this was the result of decreasing real short-term interest rates. In May 2017 the index reached the highest level in the investigated period since 2004, but its downward trend thereafter continued also in March 2018.

# EU Survey Results

## Gross Domestic Product in Constant 2010 Prices

Percentage change over previous year



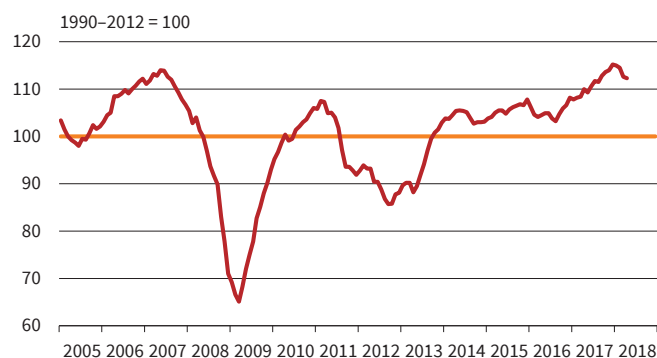
Source: Eurostat.

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According to the Eurostat estimates, GDP grew by 0.4% in both the euro area (EA19) and the EU28 during the first quarter of 2018, compared to the previous quarter. In the fourth quarter of 2017 the GDP grew by 0.7% in the euro area and by 0.6% in the EU28. Compared to the first quarter of 2017, i.e. year over year, seasonally adjusted GDP rose by 2.5% in the EA19 and by 2.4% in the EU28 in the first quarter of 2018.

## EU28 Economic Sentiment Indicator

Seasonally adjusted



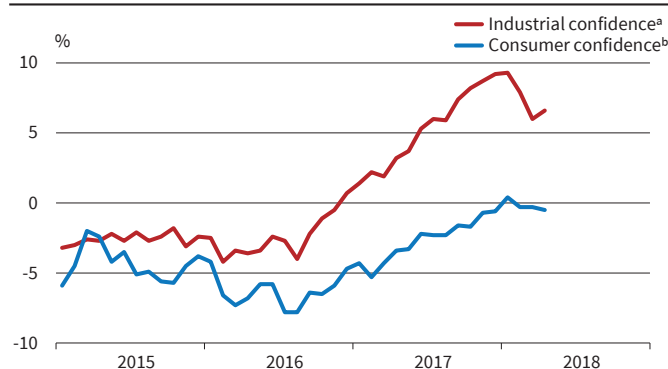
Source: European Commission.

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In April 2018 the Economic Sentiment Indicator (ESI) remained unchanged in the euro area (at 112.7 points) and broadly stable in the EU28 (-0.3 points to 112.3). In both zones the ESI stands above its long-term average.

## EU28 Industrial and Consumer Confidence Indicators

Percentage balance, seasonally adjusted



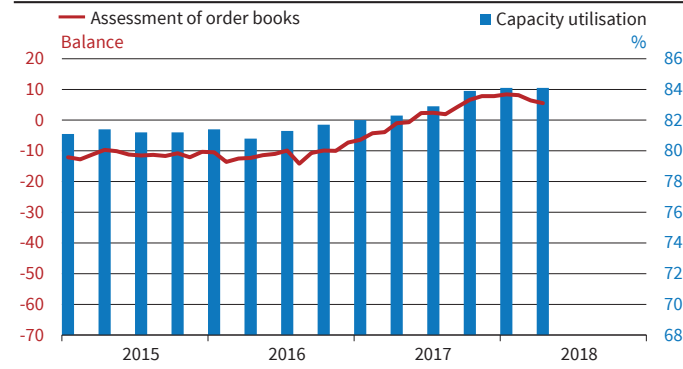
Source: European Commission.

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In April 2018, the *industrial confidence indicator* increased by 0.6 in the EU28 and by 0.1 in the euro area (EA19). The *consumer confidence indicator* increased by 0.3 in the EA19, but decreased by 0.5 in the EU28.

- 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.

## EU28 Capacity Utilisation and Order Books in the Manufacturing Industry



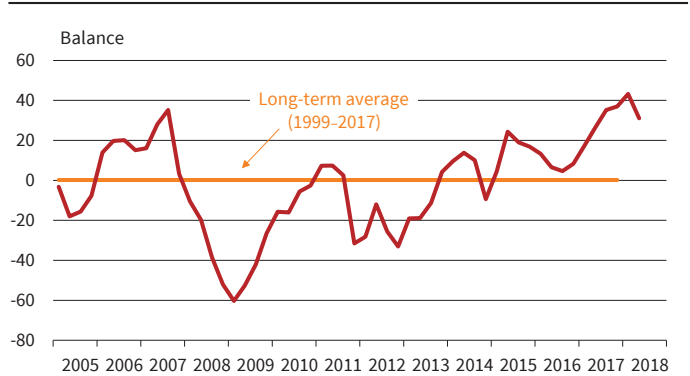
Source: European Commission.

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Managers' assessment of *order books* reached 5.5 in April 2018, compared to 6.4 in March 2018. In February 2018 the indicator had amounted to 8.1. Capacity utilisation reached 84.1 in the second quarter of 2018, remained unchanged compared to the first quarter of 2018.

# Euro Area Indicators

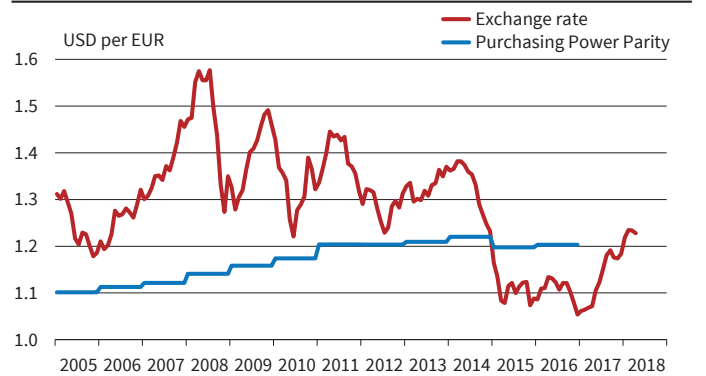
## ifo Economic Climate for the Euro Area



Source: ifo World Economic Survey (WES) II/2018. © ifo Institute

The ifo Economic Climate Indicator for the euro area (EA19) cooled down from 43.2 balance points to 31.1 balance points in the second quarter of 2018, after reaching its highest level since 2000 in the first quarter of 2018. Experts continued to assess the current economic situation as very good, but scaled back their expectations significantly. The economic upturn will slow down as a result.

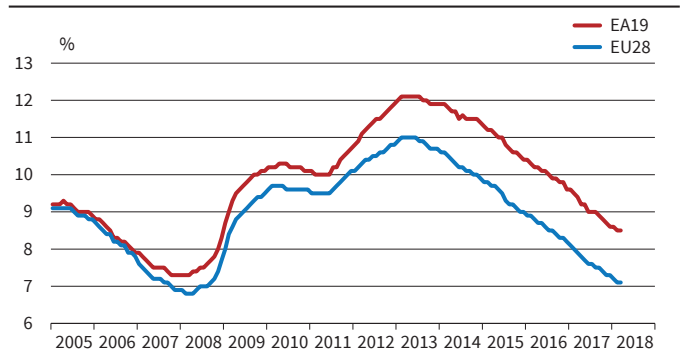
## Exchange Rate of the Euro and Purchasing Power Parity



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

The exchange rate of the euro against the US dollar averaged approximately 1.23 \$/€ between February 2018 and April 2018. (In January 2018 the rate had amounted to around 1.22 \$/€.)

## Unemployment Rate

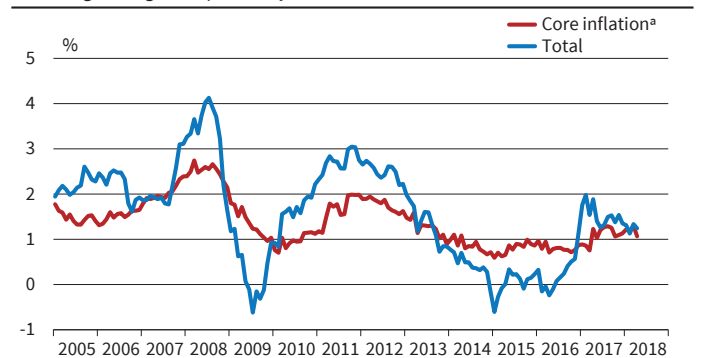


Source: Eurostat. © ifo Institute

Euro area (EA19) unemployment (seasonally adjusted) amounted to 8.5% in March 2018, stable compared to February 2018. EU28 unemployment rate was 7.1% in March 2018, also stable compared to February 2018. In March 2018 the lowest unemployment rate was recorded in the Czech Republic (2.2%), Malta (3.3%) and Germany (3.4%), while the rate was highest in Greece (20.6%) and Spain (16.1%).

## Inflation Rate (HICP)

Percentage change over previous year



<sup>a</sup> Total excl. energy and unprocessed food. Source: Eurostat. © ifo Institute

Euro area annual inflation (HICP) was 1.2% in April 2018, down from 1.3% in March 2018. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.1% in April 2018, again down from 1.3% in March 2018.