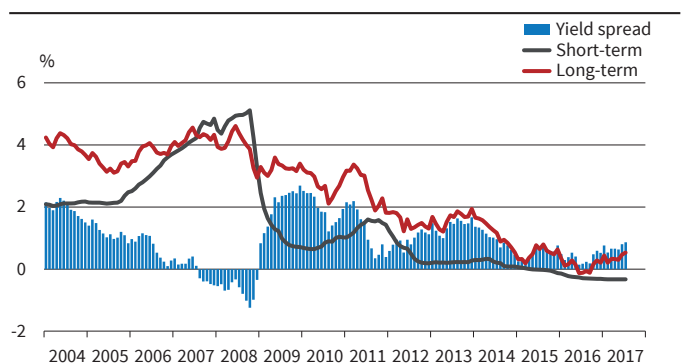


Financial Conditions in the Euro Area

Nominal Interest Rates^a



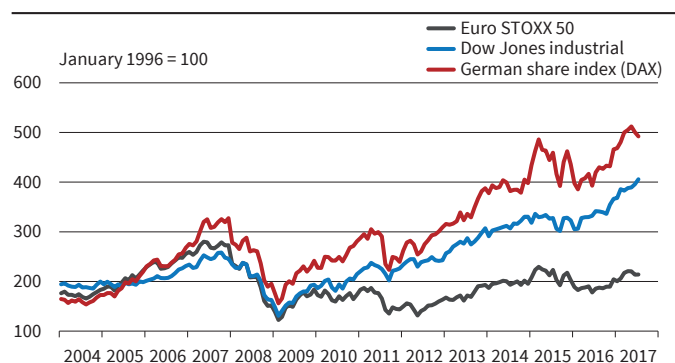
^a Weighted averages (GDP weights).

Source: European Central Bank.

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In the three-month period from May 2017 to July 2017 short-term interest rates remained unchanged: the three-month EURIBOR rate amounted to -0.33% in May 2017 and also in July 2017. Yet the ten-year bond yields increased from 0.30% to 0.53% in the same period. The yield spread reached 0.86% in July 2017, up from 0.63% in May 2017.

Stock Market Indices

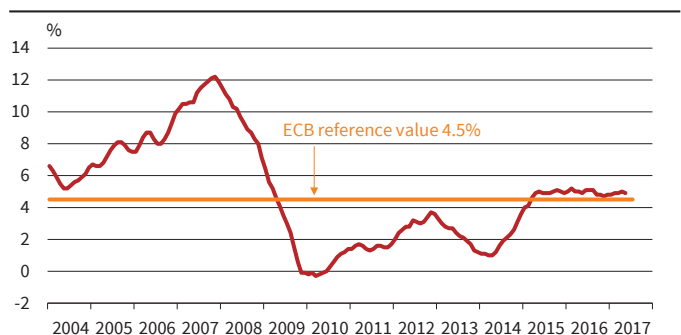


Source: Deutsche Börse; Dow Jones; STOXX; Datastream.

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The German stock index DAX decreased in July 2017, averaging 12,118 points compared to 12,615 points in May 2017. The Euro STOXX also decreased from 3,555 to 3,449 in the same period of time. Yet the Dow Jones International increased, averaging 21,891 points in July 2017, compared to 21,009 points in May 2017.

Change in M3^a



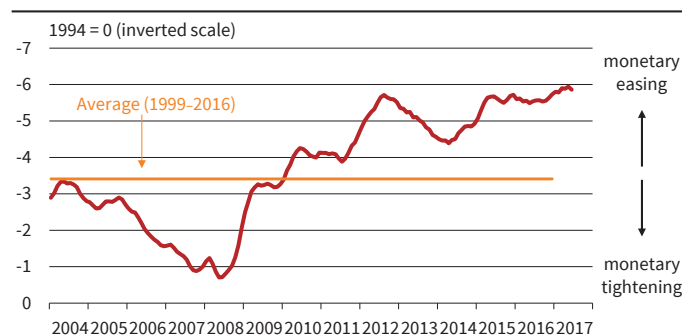
^a Annual percentage change (3-month moving average).

Source: European Central Bank.

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The annual growth rate of M3 increased to 5.0% in June 2017, from 4.9% in May 2017. The three-month average of the annual growth rate of M3 over the period from April 2017 to June 2017 reached 4.9%.

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.

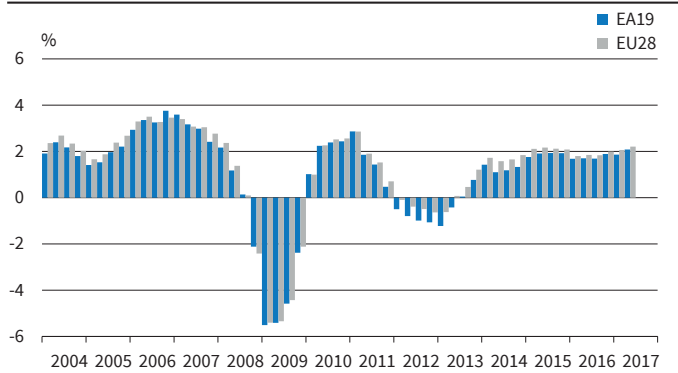
Source: European Central Bank; calculations by the ifo Institute.

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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.

EU Survey Results

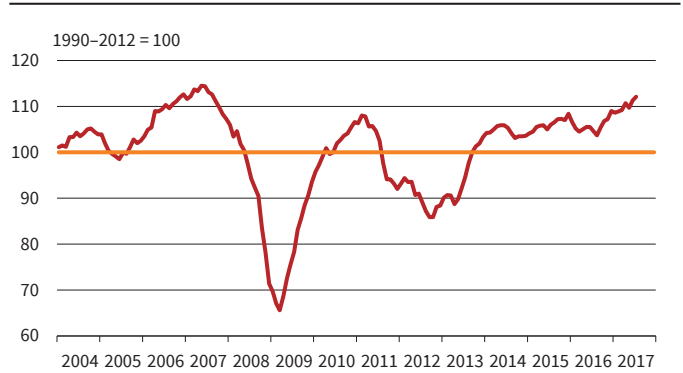
Gross Domestic Product in Constant 2010 Prices
Percentage change over previous year



Source: Eurostat. © ifo Institute

According to the Eurostat estimates, GDP grew by 0.6% in both the euro area (EA19) and the EU28 during the second quarter of 2017, compared to the previous quarter. In the first quarter of 2017 the GDP grew by 0.5% in both zones. Compared to the second quarter of 2016, i.e. year over year, seasonally adjusted GDP rose by 2.1% in the EA19 and by 2.2% in the EU28 in the second quarter of 2017.

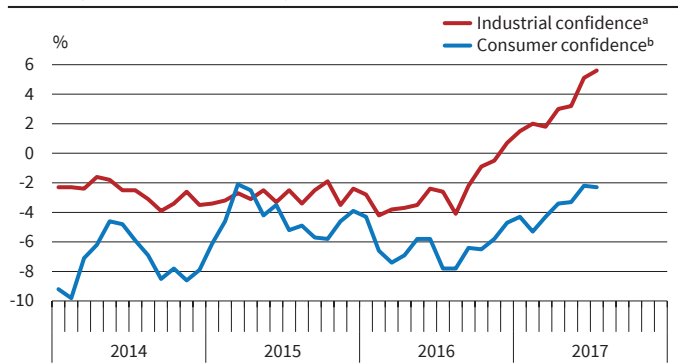
EU28 Economic Sentiment Indicator
Seasonally adjusted



Source: European Commission. © ifo Institute

In July 2017 the Economic Sentiment Indicator (ESI) increased in both the euro area (+0.1 points to 111.2) and the EU28 (+0.8 points to 112.1). 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

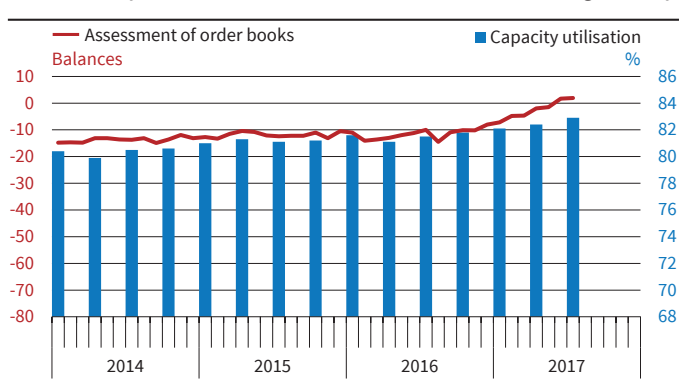


Source: European Commission. © ifo Institute

^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 July 2017, the industrial confidence indicator increased by 0.5 in the EU28 but remained constant in the euro area (EA19). The consumer confidence indicator decreased by -0.1 in the EU28 and also by -0.4 in the EA19.

EU28 Capacity Utilisation and Order Books in the Manufacturing Industry

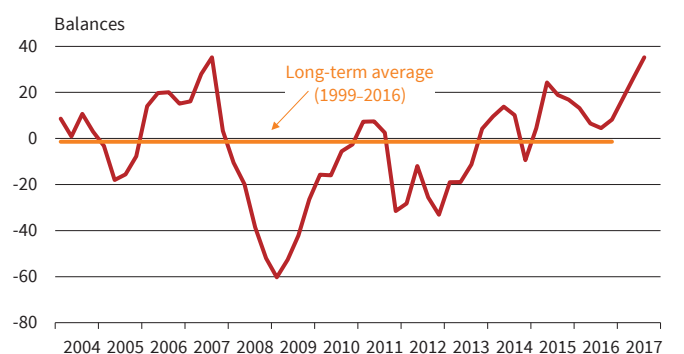


Source: European Commission. © ifo Institute

Managers' assessment of order books reached 1.9 in July 2017, compared to 1.7 in June 2017. In May 2017 the indicator had amounted to -1.5. Capacity utilisation reached 82.9 in the third quarter of 2017, up from 82.4 in the second quarter of 2017.

Euro Area Indicators

ifo Economic Climate for the Euro Area

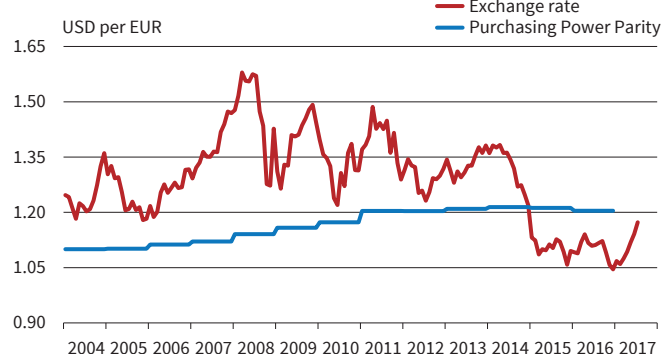


Source: ifo World Economic Survey (WES) III/2017.

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The ifo Economic Climate for the euro area (EA19) improved considerably in the third quarter of 2017. The indicator rose from 26.4 to 35.2 balance points, reaching its highest level since autumn 2000. Assessments of the current economic situation were particularly more favourable than last quarter, but the six-month outlook also brightened. Strong growth is expected to continue in the second half of 2017.

Exchange Rate of the Euro and Purchasing Power Parity

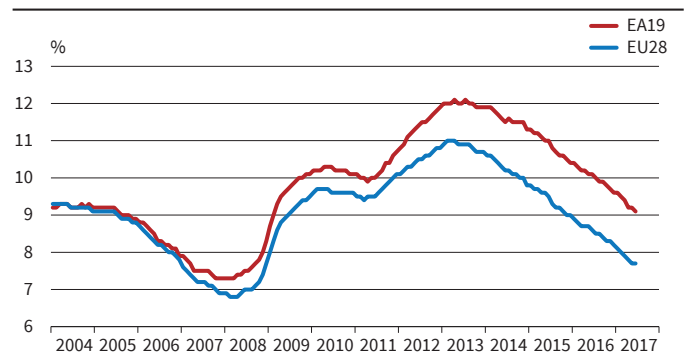


Source: European Central Bank; OECD; calculations by the ifo Institute.

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The exchange rate of the euro against the US dollar averaged approximately 1.14 \$/€ between May 2017 and July 2017. (In April 2017 the rate had amounted to around 1.09 \$/€.)

Unemployment Rate



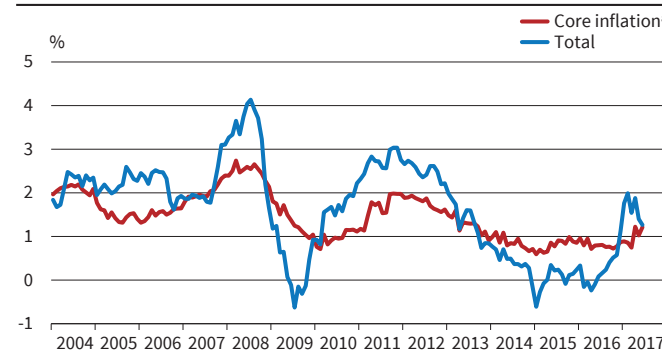
Source: Eurostat.

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Euro area (EA19) unemployment (seasonally adjusted) amounted to 9.1% in June 2017, down from 9.2% in May 2017. EU28 unemployment rate was 7.7% in June 2017, stable compared to May 2017. In June 2017 the lowest unemployment rate was recorded in the Czech Republic (2.9%) and Germany (3.8%), while the rate was highest in Greece (21.7%) and Spain (17.1%).

Inflation Rate (HICP)

Percentage change over previous year



^a Total excl. energy and unprocessed food.

Source: Eurostat.

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Euro area annual inflation (HICP) was 1.3% in July 2017, stable compared to June 2017. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.2% in June 2017, up from 1.0% in May 2017.