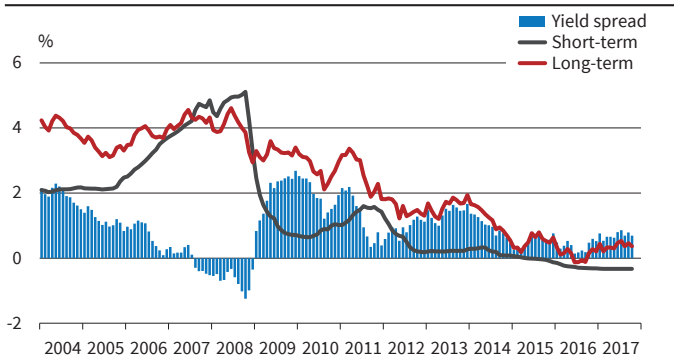


Financial Conditions in the Euro Area

Nominal Interest Rates^a



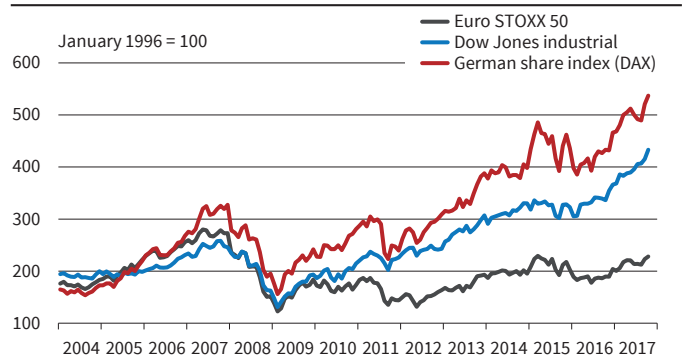
^a Weighted averages (GDP weights).

Source: European Central Bank.

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In the three-month period from August 2017 to October 2017 short-term interest rates remained unchanged: the three-month EURIBOR rate was -0.33% in August 2017 and also in October 2017. In addition the ten-year bond yields reached 0.36% in August 2017 and also remained the same in October 2017, while the yield spread amounted to 0.69% again in both August and October 2017.

Stock Market Indices

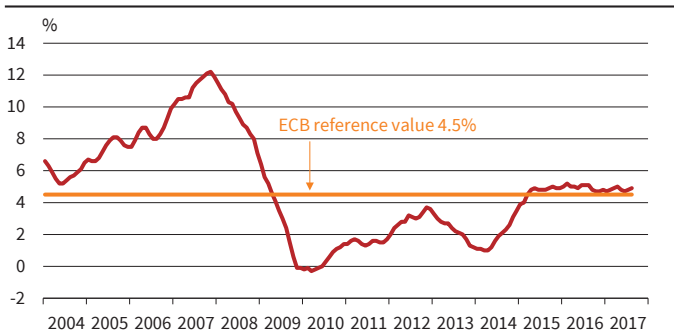


Source: Deutsche Börse; Dow Jones; STOXX.

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The German stock index DAX increased in October 2017, averaging 13,230 points compared to 12,829 points in September 2017. The Euro STOXX also increased from 3,595 to 3,674 in the same period of time. Furthermore the Dow Jones International increased, averaging 23,377 points in October 2017, compared to 22,405 points in September 2017.

Change in M3^a



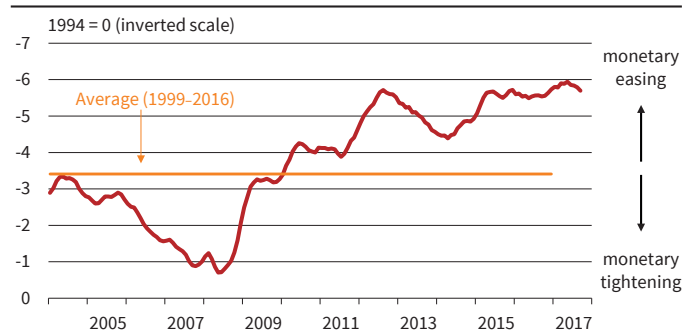
^a Annual percentage change (3-month moving average).

Source: European Central Bank.

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The annual growth rate of M3 decreased to 5.0% in October 2017, from 5.2% in September 2017. The three-month average of the annual growth rate of M3 over the period from August 2017 to October 2017 reached 5.1%.

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.

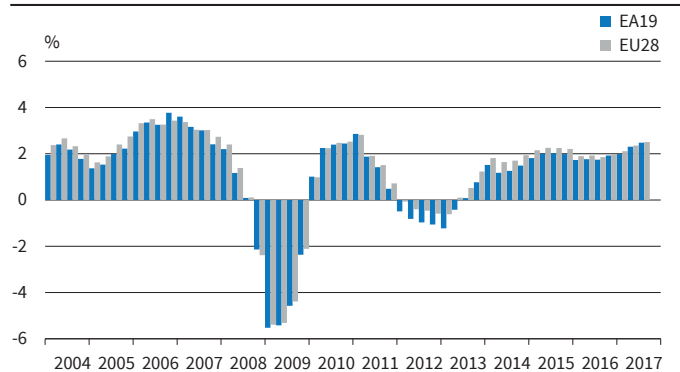
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Between April 2010 and July 2011 the monetary conditions index remained rather stable. This index then continued its fast upward trend since August 2011 and reached its first peak in July 2012, signalling greater monetary easing. In particular, this 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, but its downward trend thereafter continued also in September 2017.

EU Survey Results

Gross Domestic Product in Constant 2010 Prices

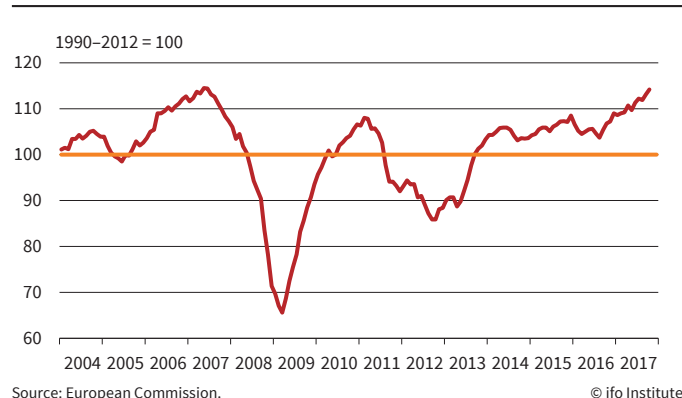
Percentage change over previous year



According to the Eurostat estimates, GDP grew by 0.6% in both the euro area (EA19) and the EU28 during the third quarter of 2017, compared to the previous quarter. In the second quarter of 2017 the GDP grew by 0.7% in both zones. Compared to the third quarter of 2016, i.e. year over year, seasonally adjusted GDP rose by 2.5% in both the EA19 and the EU28 in the third quarter of 2017.

EU28 Economic Sentiment Indicator

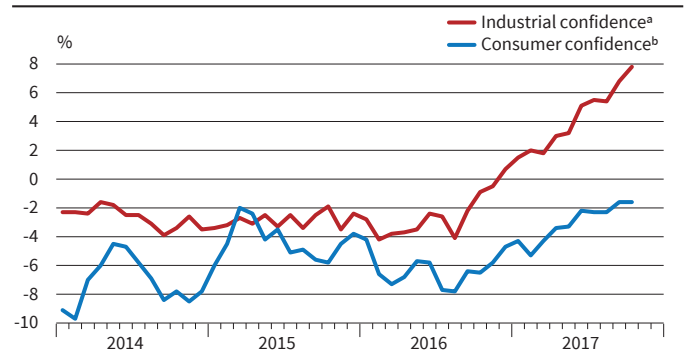
Seasonally adjusted



In October 2017 the Economic Sentiment Indicator (ESI) increased in both the euro area (+ 0.9 points to 114.0) and the EU28 (+ 1.1 points to 114.2). In both the EU28 and the EA19 the ESI stands above its long-term average.

EU28 Industrial and Consumer Confidence Indicators

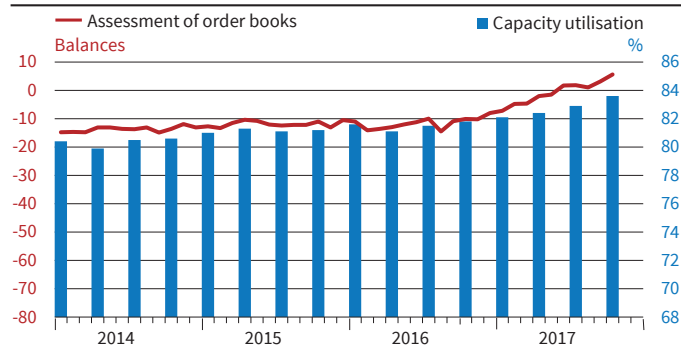
Percentage balances, seasonally adjusted



In October 2017, the *industrial confidence indicator* increased by 1.0 in the EU28 and by 1.2 in the euro area (EA19). The *consumer confidence indicator* remained unchanged in the EU28, while the same indicator increased by 0.2 in the EA19.

- 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.

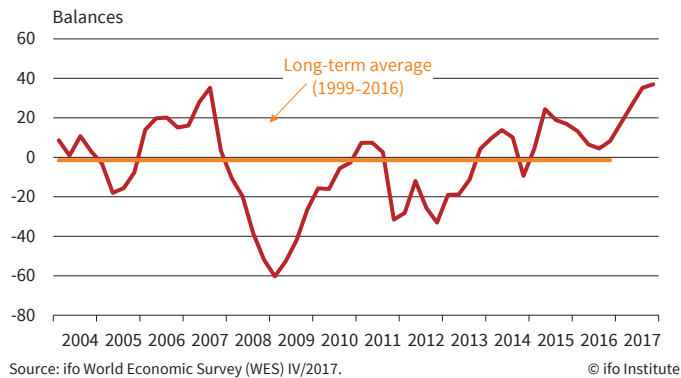
EU28 Capacity Utilisation and Order Books in the Manufacturing Industry



Managers' assessment of *order books* reached 5.6 in October 2017, compared to 3.1 in September 2017. In August 2017 the indicator had amounted to 1.0. *Capacity utilisation* reached 83.6 in the fourth quarter of 2017, up from 82.9 in the third quarter of 2017.

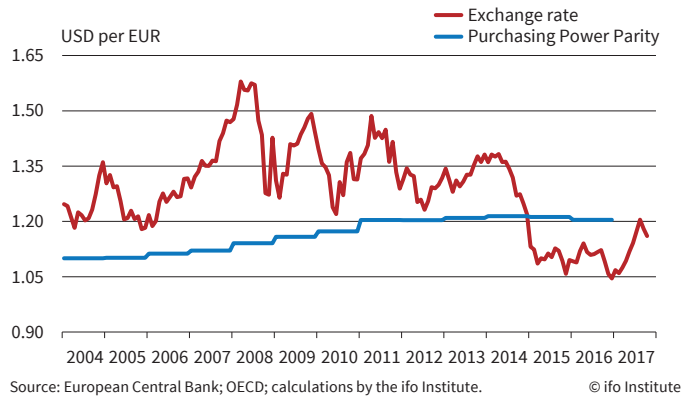
Euro Area Indicators

ifo Economic Climate for the Euro Area



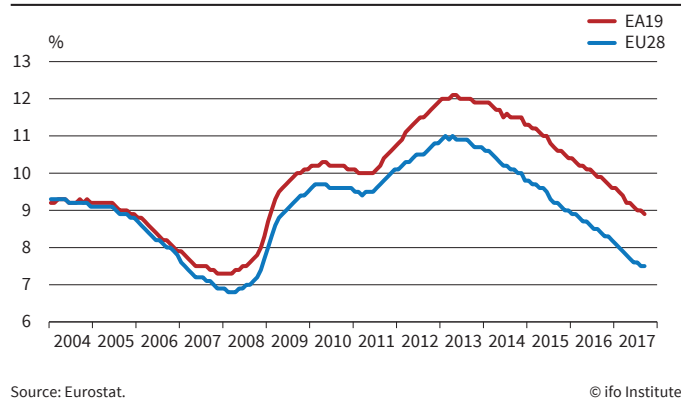
The ifo Economic Climate Indicator for the euro area (EA19) hit a new high this quarter. It rose from 35.2 points to 37.0 balance points in the fourth quarter of 2017, reaching its highest level since autumn 2000. The current economic situation was assessed to be significantly better, whereas the six-month outlook was less brightened. The upturn in the euro area will continue in the months ahead, but is expected to lose impetus somewhat.

Exchange Rate of the Euro and Purchasing Power Parity



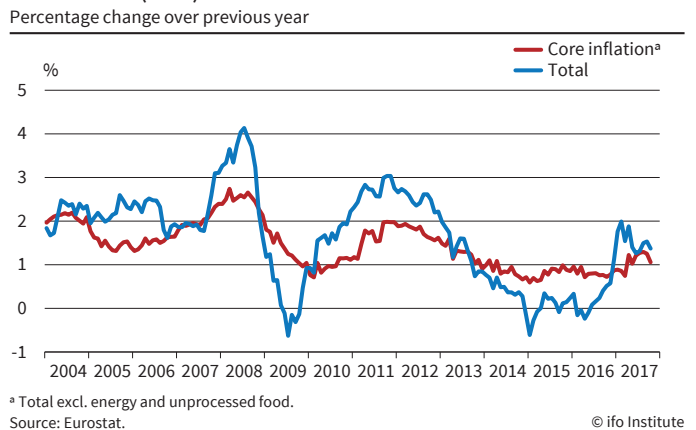
The exchange rate of the euro against the US dollar averaged approximately 1.18 \$/€ between August 2017 and October 2017. (In July 2017 the rate had amounted to around 1.17 \$/€.)

Unemployment Rate



Euro area (EA19) unemployment (seasonally adjusted) amounted to 8.9% in September 2017, down from 9.0% in August 2017. EU28 unemployment rate was 7.5% in September 2017, stable compared to August 2017. In September 2017 the lowest unemployment rate was recorded in the Czech Republic (2.7%) and Germany (3.6%), while the rate was highest in Greece (21.0%) and Spain (16.7%).

Inflation Rate (HICP)



Euro area annual inflation (HICP) was 1.4% in October 2017, down from 1.5% in September 2017. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 1.1% in October 2017, down from 1.3% in September 2017.