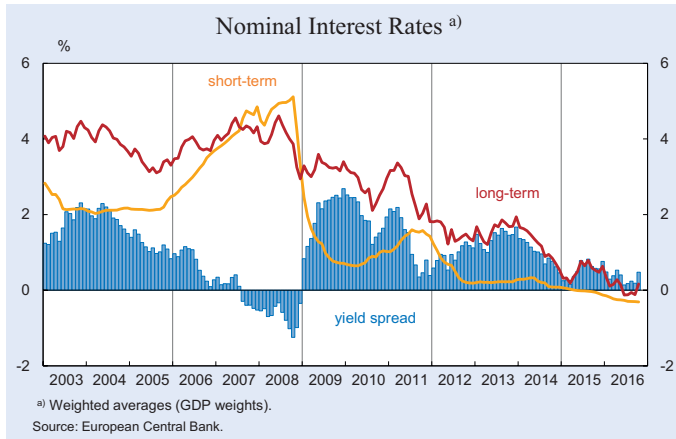
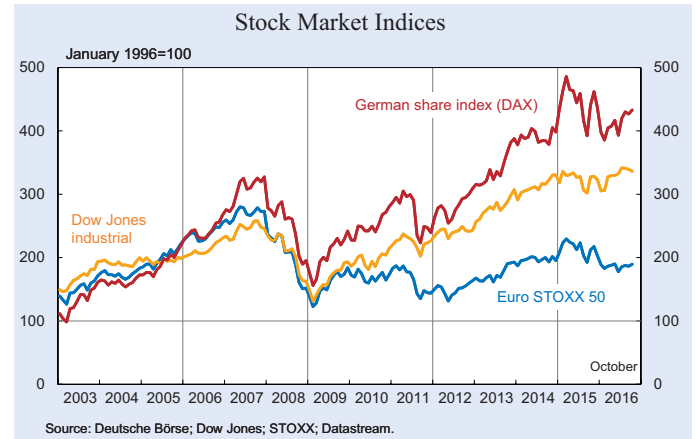


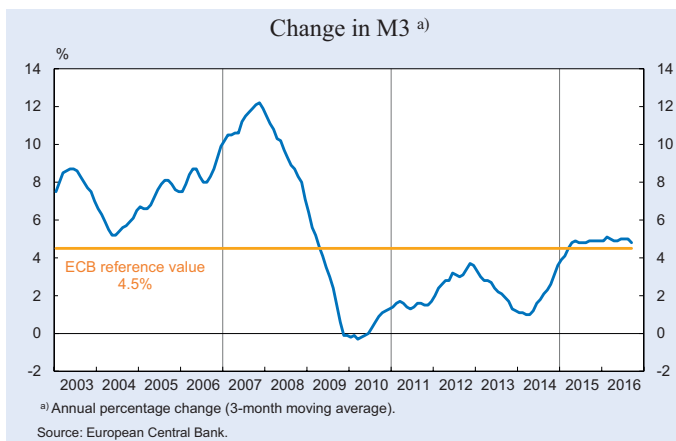
FINANCIAL CONDITIONS IN THE EURO AREA



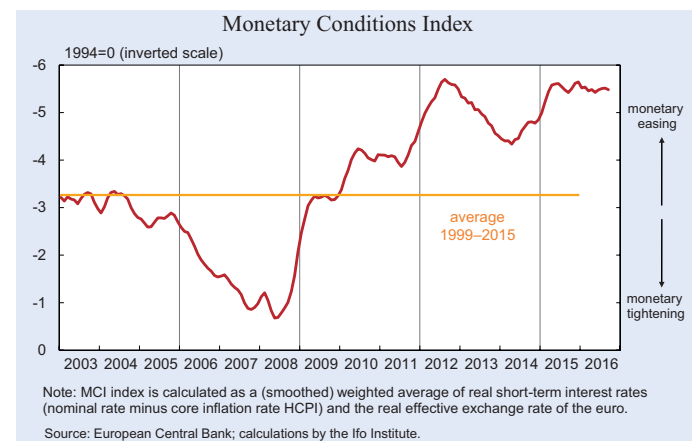
In the three-month period from August 2016 to October 2016 short-term interest rates remained rather constant: the three-month EURIBOR rate stood – 0.31% in October 2016 compared to – 0.30% in August 2016. Yet the ten-year bond yields increased from – 0.06% to 0.17% in the same period. The yield spread reached 0.48% in October 2016, up from 0.24% in August 2016.



The German stock index DAX increased in October 2016, averaging 10,665 points compared to 10,593 points in August 2016. The Euro STOXX also grew from 3,023 to 3,055 in the same period of time. Yet the Dow Jones International decreased, averaging 18,142 points in October 2016, compared to 18,400 points in August 2016.

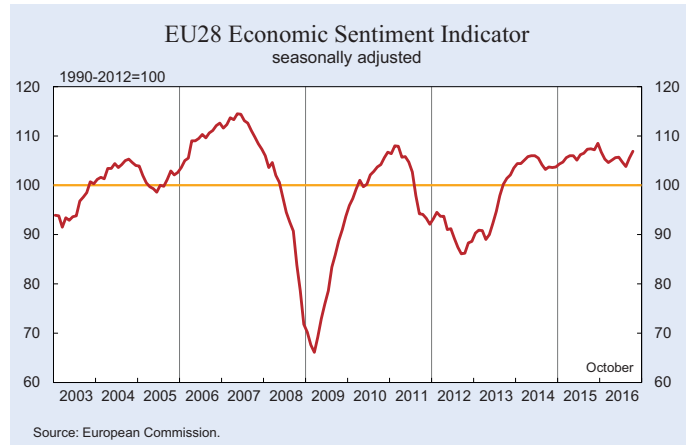
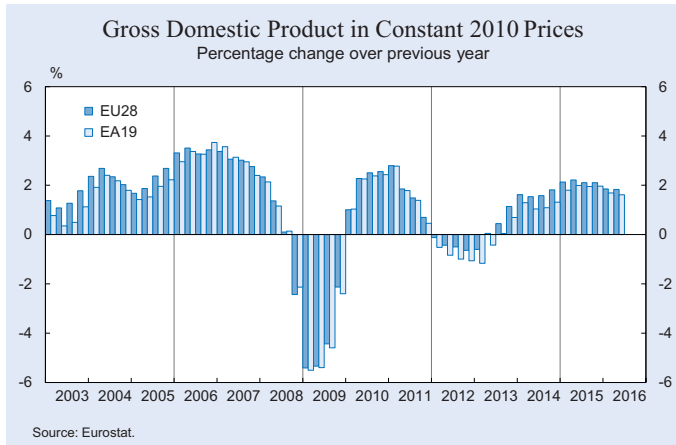


The annual growth rate of M3 decreased to 4.4% in October 2016, from 5.1% in September 2016. The three-month average of the annual growth rate of M3 over the period from August 2016 to October 2016 reached 4.8%.



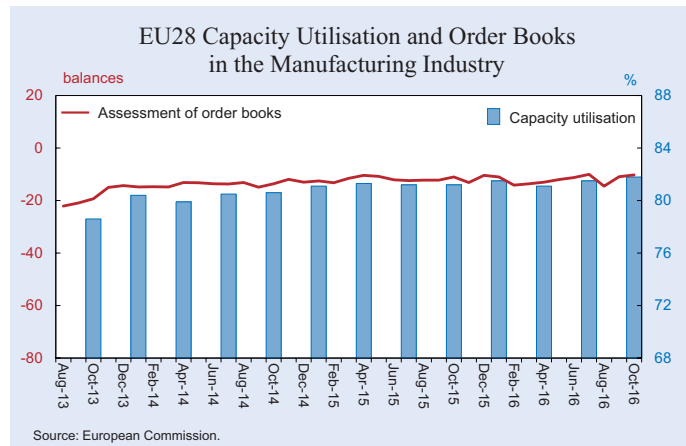
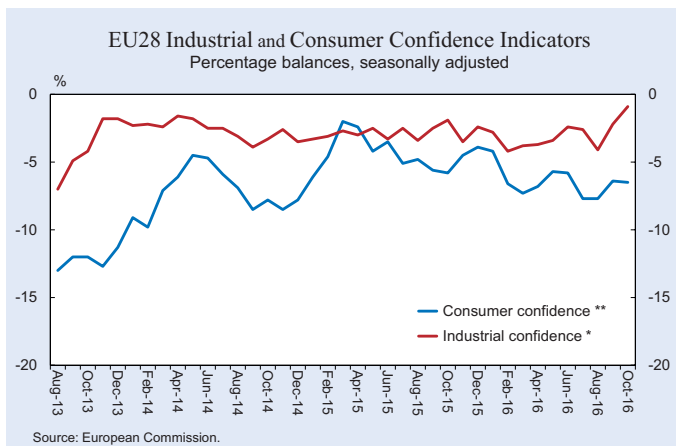
Between April 2010 and July 2011 the monetary conditions index remained rather stable. This index then continued its fast upward trend since August 2011 and reached its peak in July 2012, signalling greater monetary easing. In particular, this was the result of decreasing real short-term interest rates. In September 2016 the index started to decline while some minor fluctuations have been observed in last months on a high level, comparable to that of July 2012.

EU SURVEY RESULTS



According to the Eurostat estimates, GDP grew by 0.3% in the euro area (EA19) and by 0.4% in the EU28 during the third quarter of 2016, compared to the previous quarter. In the second quarter of 2016 the GDP grew also by 0.3% and 0.4%, respectively. Compared to the third quarter of 2015, i.e. year over year, seasonally adjusted GDP rose by 1.6% in the EA19 and by 1.8% in the EU28 in the third quarter of 2016.

In October 2016 the Economic Sentiment Indicator (ESI) increased by 1.4 points in both the euro area (to 106.3) and the EU28 (to 106.9). In both the EU28 and the EA19 the ESI stands above its long-term average.



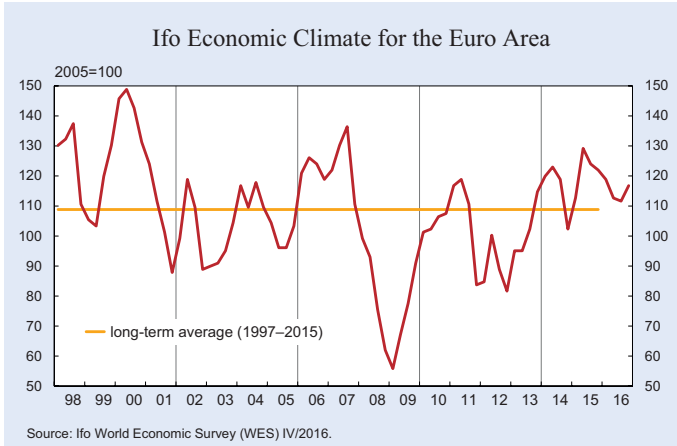
* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

** 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.

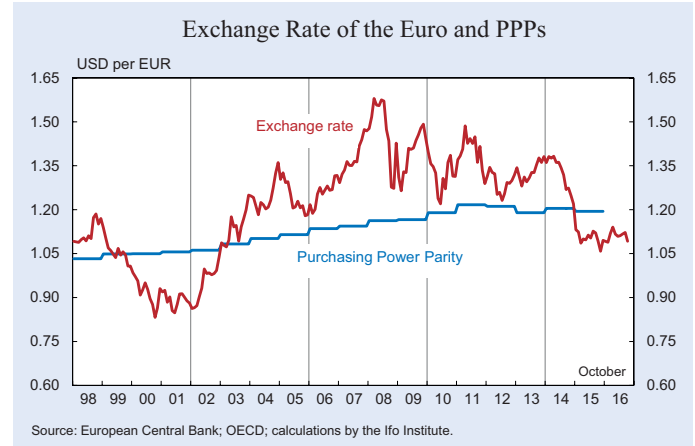
In October 2016, the *industrial confidence indicator* increased by 1.3 in the EU28 and by 1.2 in the euro area (EA19). The *consumer confidence indicator* decreased by 0.1 in the EU28 but increased by 0.2 in the EA19.

Managers' assessment of *order books* reached - 10.2 in October 2016, compared to - 10.9 in September 2016. In August 2016 the indicator had amounted to - 14.5. *Capacity utilisation* reached 81.8 in the fourth quarter of 2016, up from 81.5 in the third quarter of 2016.

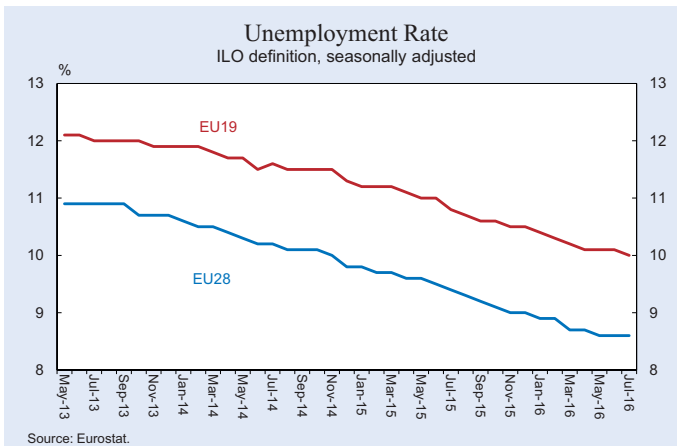
EURO AREA INDICATORS



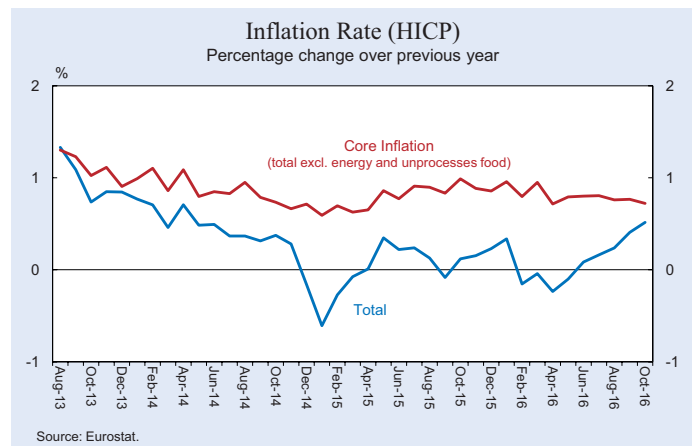
The Ifo Economic Climate Indicator for the euro area (EA19) rose from 111.6 points to 116.8 points in the fourth quarter of 2016. The current economic situation remains unchanged and the improved economic climate was entirely due to more positive expectations. The economic recovery in the euro area is expected to continue at a sluggish pace.



The exchange rate of the euro against the US dollar averaged approximately 1.11 \$/€ between August 2016 and October 2016. (In July 2016 the rate had also amounted to around 1.11 \$/€.)



Euro area (EA19) unemployment (seasonally adjusted) amounted to 10.0% in September 2016, stable compared to that of August 2016. EU28 unemployment rate was 8.5% in September 2016, again stable compared to that of August 2016. In September 2016 the lowest unemployment rate was recorded in the Czech Republic (4.0%) and Germany (4.1%), while the rate was highest in Greece (23.2%) and Spain (19.3%).



Euro area annual inflation (HICP) was 0.5% in October 2016, up from 0.4% in September 2016. A year earlier the rate had amounted to 0.1%. Year-on-year EA19 core inflation (excluding energy and unprocessed foods) amounted to 0.7% in October 2016, down from 0.8% in September 2016.