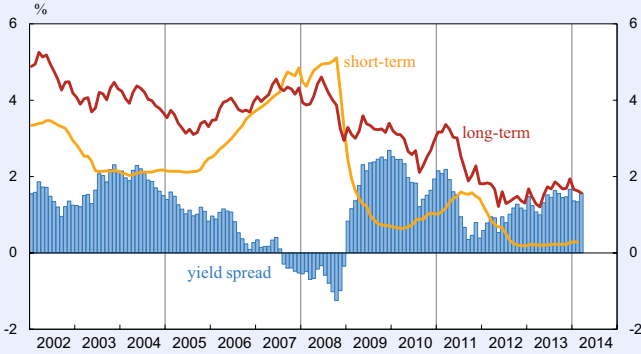


FINANCIAL CONDITIONS IN THE EURO AREA

Nominal Interest Rates ^{a)}

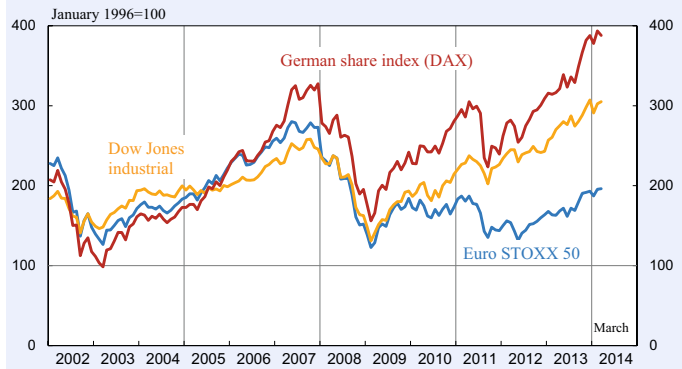


a) Weighted averages (GDP weights).

Source: European Central Bank.

In the three-month period from December 2013 to February 2014 short-term interest rates increased: the three-month EURIBOR rate grew slightly from 0.27% in December 2013 to 0.29% in February 2014. On the other hand, the ten-year bond yields decreased from 1.66% to 1.57% in the period between January 2014 and March 2014. The yield spread increased from 1.37% in January 2014 to 1.57% in March 2014.

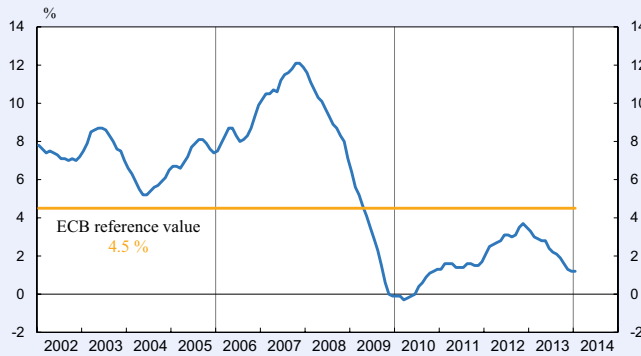
Stock Market Indices



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

The German stock index DAX decreased in March 2014, averaging 9,556 points compared to 9,692 points in February 2014. The Euro STOXX grew slightly from 3,149 to 3,162 in the same period of time. The Dow Jones International increased also, averaging 16,458 points in March 2014, compared to 16,322 points in February 2014.

Change in M3 ^{a)}

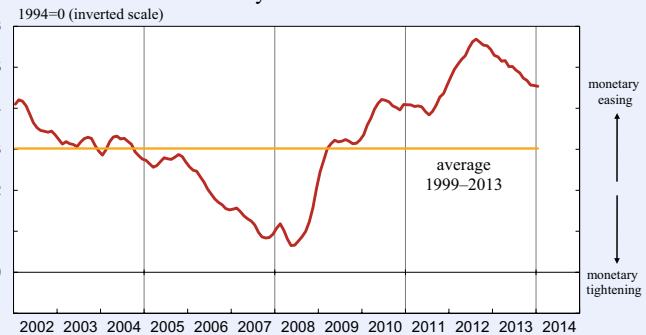


a) Annual percentage change (3-month moving average).

Source: European Central Bank.

The annual growth rate of M3 stood at 1.3% in February 2014, compared to 1.2% in January 2014. The three-month average of the annual growth rate of M3 over the period from December 2013 to February 2014 amounted to 1.2%, unchanged from the period from September 2013 to November 2013.

Monetary Conditions Index

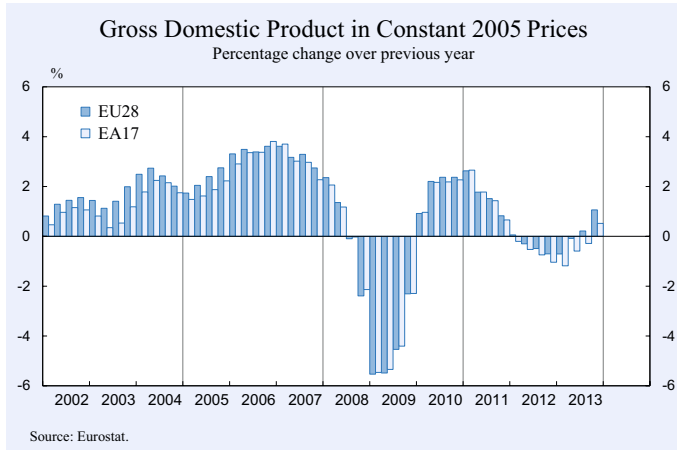


Note: MCI index is calculated as a (smoothed) weighted average of real short-term interest rates (nominal rate minus core inflation rate HCPI) and the real effective exchange rate of the euro.

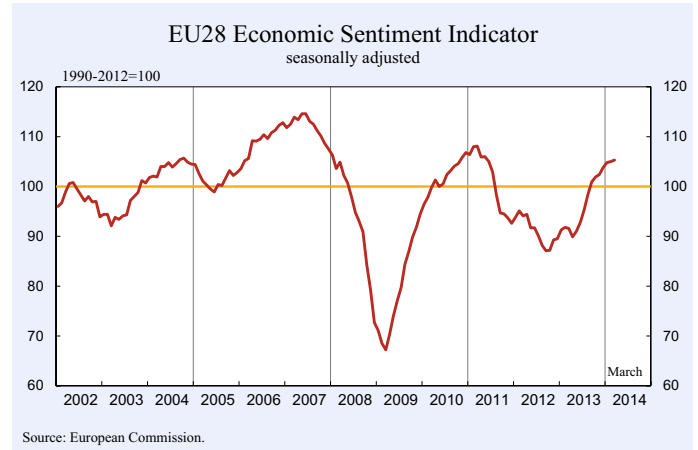
Source: European Central Bank; calculations by the Ifo Institute.

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 January 2014 the index continued its downward trend, initiated in August 2012.

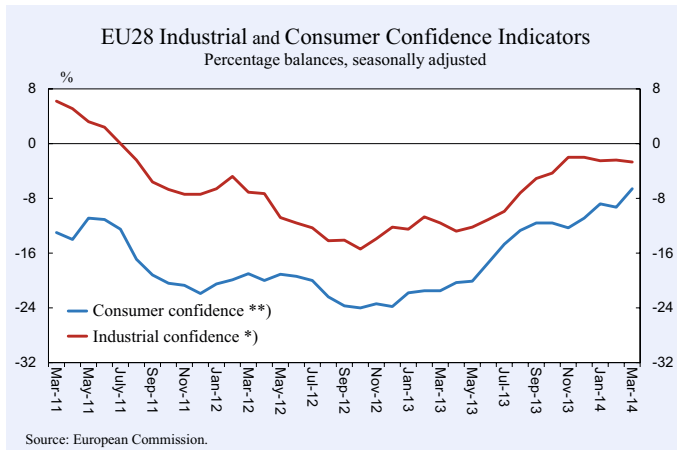
EU SURVEY RESULTS



According to the second Eurostat estimates, GDP grew by 0.3% in the euro area (EA17) and by 0.4% in the EU28 during the fourth quarter of 2013, compared to the previous quarter. In the third quarter of 2013 the growth rates were 0.1% and 0.3%, respectively. Compared to the fourth quarter of 2012, i.e. year over year, seasonally adjusted GDP rose by 0.5% in the EA17 and by 0.1% in the EU28 in the fourth quarter of 2013.



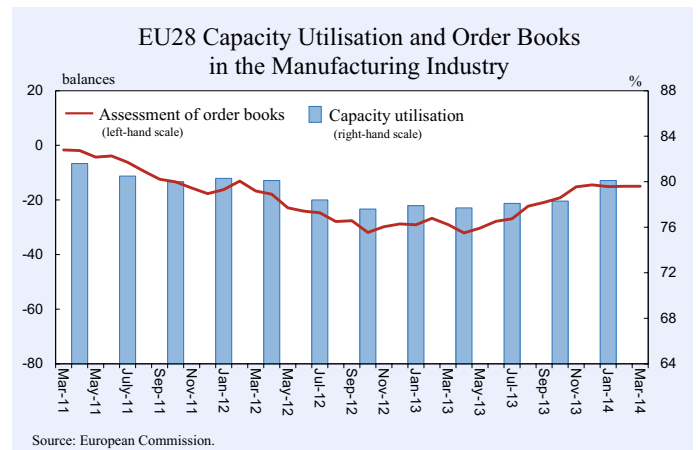
In March 2014 the Economic Sentiment Indicator (ESI) increased by 1.2 points in the euro area (to 102.4) and 0.3 points in the EU28 (to 105.3). In both the EU28 and the EA17 the ESI stands above its long-term average.



* 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.

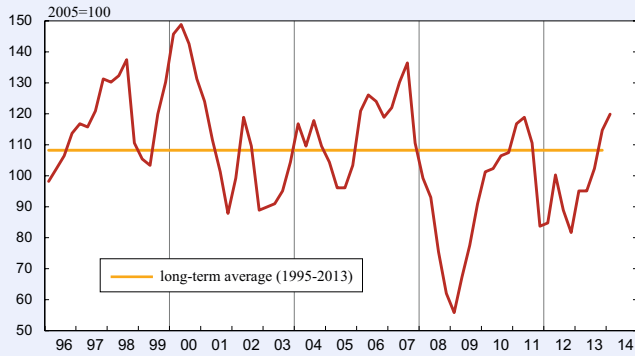
In March 2014, the *industrial confidence indicator* decreased by 0.3 in the EU28 but increased by 0.2 in the euro area (EA17). In comparison the *consumer confidence indicator* increased by 2.7 in the EU28 and by 3.4 in the EA17.



Managers' assessment of order books reached -15.0 in February 2014 and remained unchanged in March 2014. In January 2014 the indicator had amounted to -15.1. Capacity utilisation increased to 80.1 in the first quarter of 2014, from 78.3 in the previous quarter.

EURO AREA INDICATORS

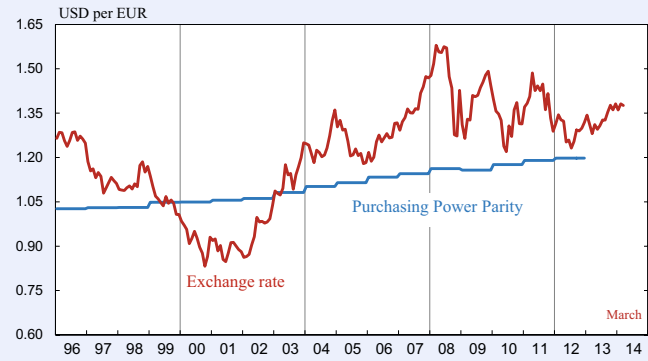
Ifo Economic Climate for the Euro Area



Source: Ifo World Economic Survey (WES) I/2014.

The Ifo Economic Climate Indicator for the euro area (EA17) continued to rise in the first quarter of 2014. The improvement was mainly due to far less unfavourable assessments of the current economic situation. The economic outlook for the next six months remains unchanged at the highest level for around three years. The economic recovery should become more marked in the months ahead.

Exchange Rate of the Euro and PPPs

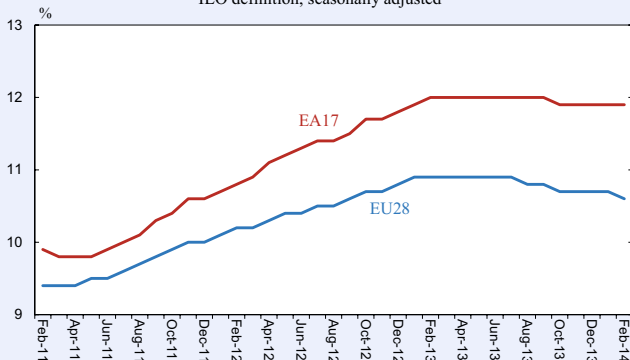


Source: European Central Bank; OECD; calculations by the Ifo Institute.

The exchange rate of the euro against the US dollar averaged approximately 1.37 \$/€ between January 2014 and March 2014. (In December 2013 the rate had amounted to around 1.38 \$/€.)

Unemployment Rate

ILO definition, seasonally adjusted

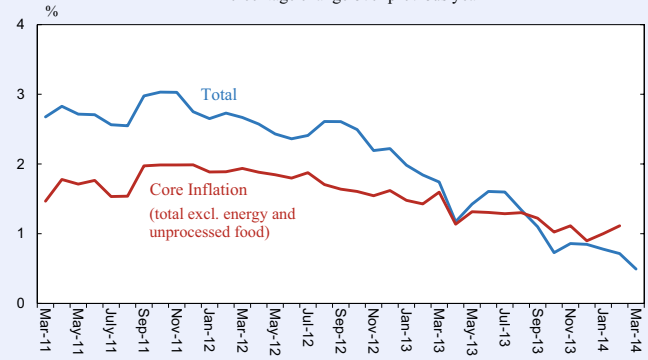


Source: Eurostat.

Euro area (EA17) unemployment (seasonally adjusted) amounted to 11.9% in February 2014, stable since October 2013. EU28 unemployment rate was 10.6% in February 2014, down from 10.7% in January 2014. In both zones, rates have slightly reduced compared to February 2013, when they were 12.0% and 10.9%, respectively. In February 2014 the lowest unemployment rate was registered in Austria (4.8%), Germany (5.1%) and Luxembourg (6.1%), while the rate was highest in Greece (27.5%) and Spain (25.6%).

Inflation Rate (HICP)

Percentage change over previous year



Source: Eurostat.

Euro area annual inflation (HICP) was 0.5% in March 2014, down from 0.7% in February 2014. A year earlier the rate had amounted to 1.7%. Year-on-year EA17 core inflation (excluding energy and unprocessed foods) increased to 1.11% in February 2014, from 1.00% in January 2014.