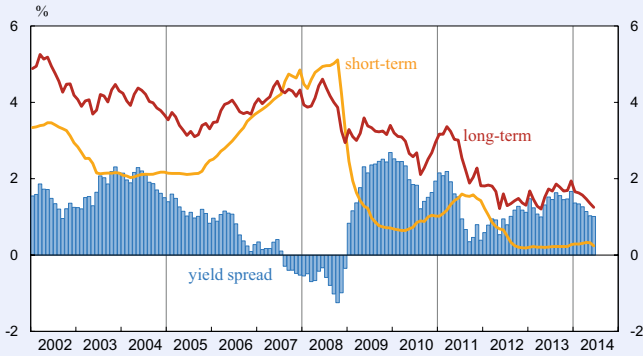


FINANCIAL CONDITIONS IN THE EURO AREA

Nominal Interest Rates ^{a)}

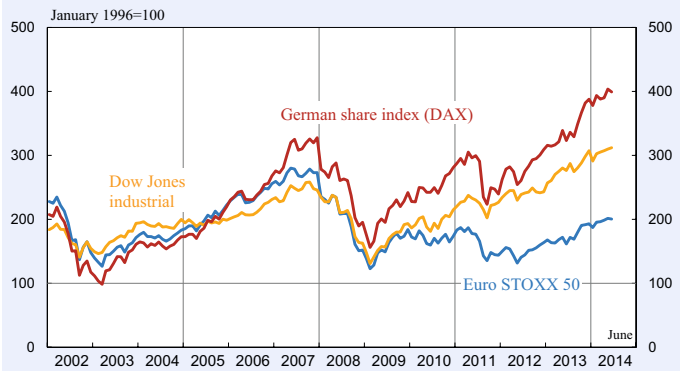


a) Weighted averages (GDP weights).

Source: European Central Bank.

In the three-month period from April 2014 to June 2014 short-term interest rates decreased: the three-month EURIBOR rate declined from 0.33% in April 2014 to 0.24% in June 2014. The ten-year bond yields also decreased from 1.47% to 1.25% in the same period. The yield spread reached 1.01% in June 2014, from 1.14% in April 2014.

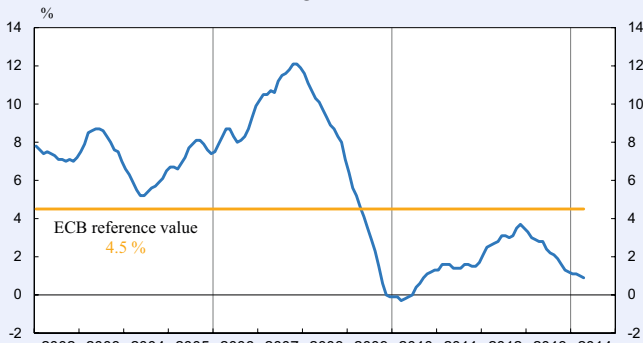
Stock Market Indices



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

The German stock index DAX decreased in June 2014, averaging 9,833 points compared to 9,943 points in May 2014. The Euro STOXX also declined slightly from 3,244 to 3,228 in the same period of time. In contrast the Dow Jones International increased, averaging 16,827 points in June 2014, compared to 16,717 points in May 2014.

Change in M3 ^{a)}

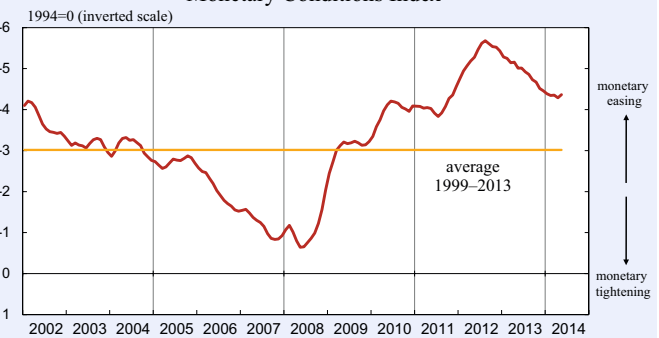


a) Annual percentage change (3-month moving average).

Source: European Central Bank.

The annual growth rate of M3 increased to 1.0% in May 2014, from 0.7% in April 2014. The three-month average of the annual growth rate of M3 over the period from March 2014 to May 2014 amounted to 0.9%, compared to 1.0% in the period from February 2014 to April 2014.

Monetary Conditions Index

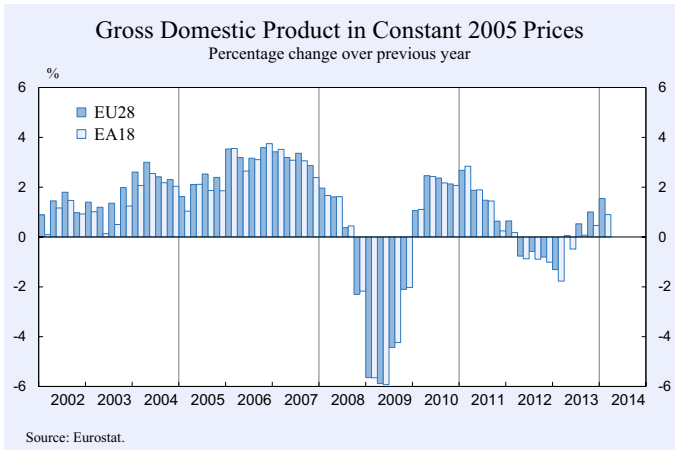


Note: MCI index is calculated as a (smoothed) weighted average of real short-term interest rates (nominal rate minus core inflation rate HCPI) and the real effective exchange rate of the euro.

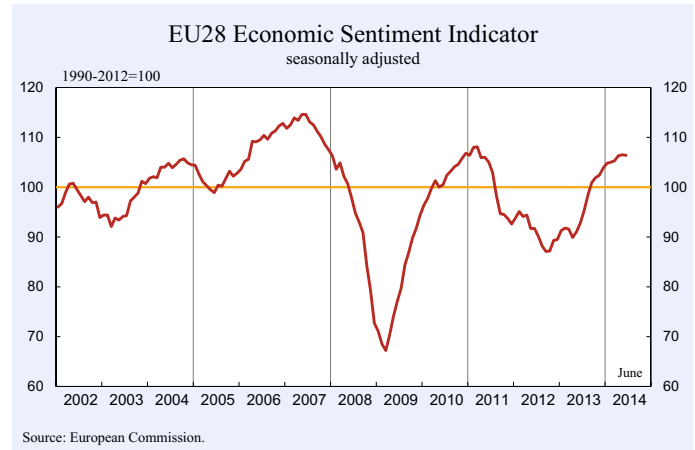
Source: European Central Bank; calculations by the Ifo Institute.

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

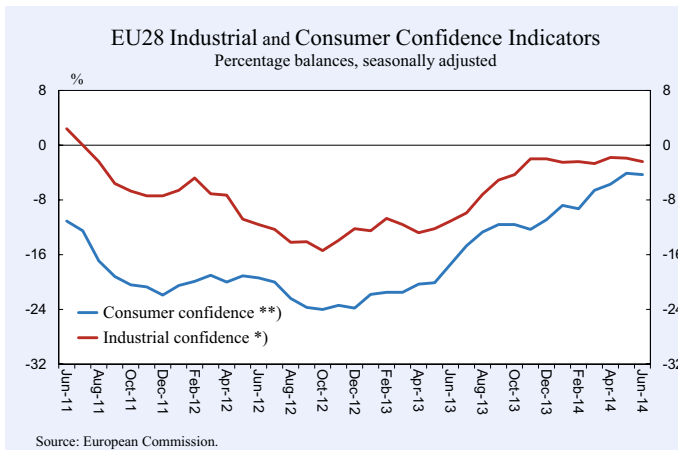
EU SURVEY RESULTS



According to the second Eurostat estimates, GDP grew by 0.2% in the euro area (EA18) and by 0.3% in the EU28 during the first quarter of 2014, compared to the previous quarter. In the fourth quarter of 2013 the growth rates were 0.3% and 0.4%, respectively. Compared to the first quarter of 2013, i.e. year over year, seasonally adjusted GDP rose by 0.9% in the EA18 and by 1.4% in the EU28 in the first quarter of 2014.



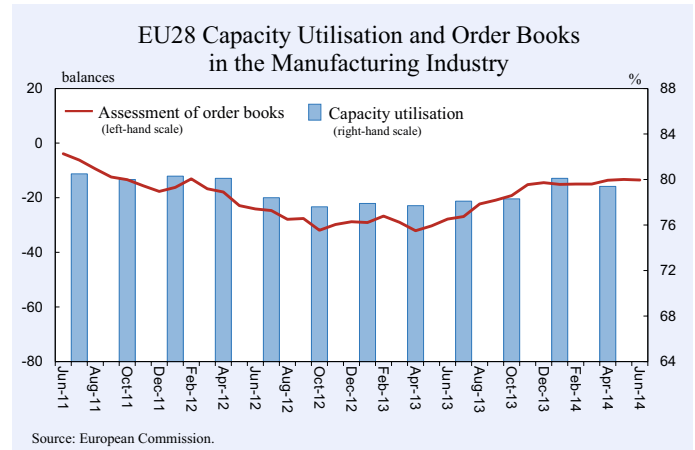
In June 2014 the Economic Sentiment Indicator (ESI) decreased by 0.6 points in the euro area (to 102.0), while it remained broadly stable in the EU28 (-0.1 points at 106.4). In both the EU28 and the EA18 the ESI stands above its long-term average.



* 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.

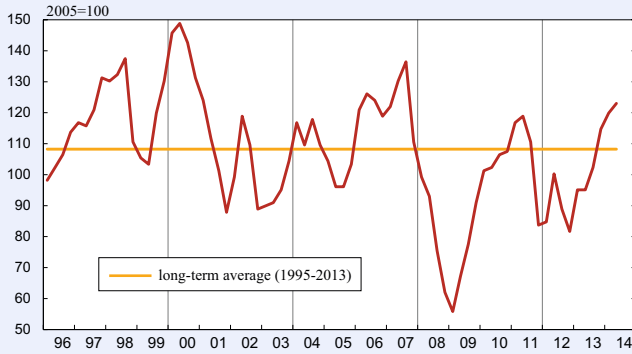
In June 2014, the *industrial confidence indicator* decreased by 0.5 in the EU28 by 1.2 in the euro area (EA18). The *consumer confidence indicator* also decreased slightly by 0.2 in the EU28 and by 0.4 in the EA18.



Managers' assessment of *order books* reached -13.5 in June 2014 and remained rather constant compared to -13.3 in May 2014. In March 2014 the indicator had amounted to -15.0. *Capacity utilisation* slightly decreased to 79.4 in the second quarter of 2014, from 80.1 in the previous quarter.

EURO AREA INDICATORS

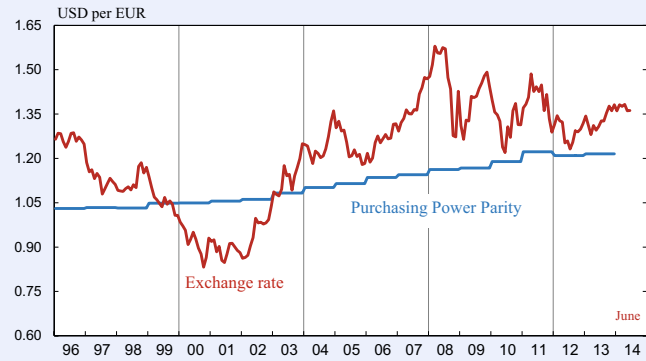
Ifo Economic Climate for the Euro Area



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

The Ifo Economic Climate Indicator for the euro area (EA18) continued to rise in the second quarter of 2014, reaching its highest level since the end of 2007. The economic recovery is expected to take shape more clearly in the months ahead. The rise in the Ifo indicator is due to less unfavourable assessments of the current economic situation. The economic outlook for the next six months remains good.

Exchange Rate of the Euro and PPPs

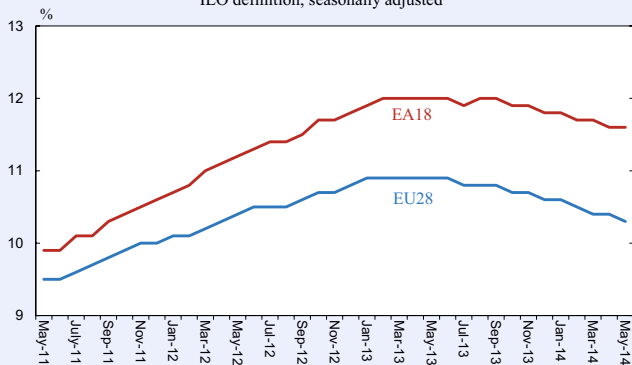


Source: European Central Bank; OECD; calculations by the Ifo Institute.

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

Unemployment Rate

ILO definition, seasonally adjusted

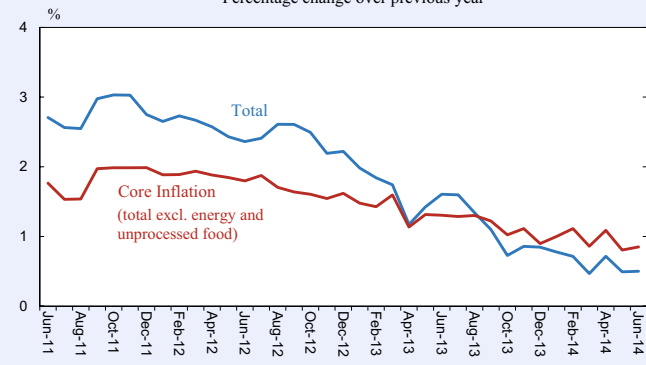


Source: Eurostat.

Euro area (EA18) unemployment (seasonally adjusted) amounted to 11.6% in May 2014, stable compared to April 2014. EU28 unemployment rate was 10.3% in May 2014, down from 10.4% in April 2014. In both zones, rates have reduced compared to May 2013, when they were 12.0% and 10.9%, respectively. In May 2014 the lowest unemployment rate was registered in Austria (4.7%), Germany (5.1%) and Malta (5.7%), while the rate was highest in Greece (26.8%) and Spain (25.1%).

Inflation Rate (HICP)

Percentage change over previous year



Source: Eurostat.

Euro area annual inflation (HICP) was 0.5% in June 2014, stable compared to May 2014. A year earlier the rate had amounted to 1.6%. Year-on-year EA18 core inflation (excluding energy and unprocessed foods) increased to 0.85% in June 2014, from 0.81% in May 2014.