

1. Output

Real GDP in the euro area continued growing in the third quarter of 2017. According to Eurostat's latest estimate (released on 12 December), it increased by 0.7% quarter-on-quarter (q-o-q). As compared to 2016-Q3, real GDP increased by 2.8% year-on-year (y-o-y). According to the **Commission's autumn 2017 forecast**, released on 9 November, GDP growth is projected at 2.2% in 2017, 2.1% in 2018 and 1.9% in 2019. The European economy has performed well in the first three quarters of this year, propelled by resilient private consumption and falling unemployment. Investment is picking up amid favourable financing conditions. Given the strong rebound in global demand, net trade is projected to make a slightly positive contribution to GDP growth over the forecast horizon, despite the strength of domestic demand and the euro's appreciation.

In December 2017, the **Commission's Economic Sentiment Indicator** continued to rise (by 1.4 pts. to 116.0), reaching its highest level since October 2000. The increase in euro area was broad based, primarily boosted by marked increases in confidence in the services, retail trade and construction sectors. Confidence rose further in industry and among consumers as well.

Industry confidence (+1.0 pts.) continued the rally it had embarked upon last autumn, thanks to managers' higher production expectations and, to a lesser extent, improved appraisals of the current level of overall order books and of the stocks of finished products.

The **PMI Composite Output Index** for the euro area rose to 58.1 in December (from 57.5 in November), its highest reading since February 2011. The headline index has signalled growth for 54 successive months, with the average level in 2017-Q4 coming in as the highest since 2011-Q1. The euro area manufacturing sector ended 2017 at 60.6 in December, its highest level since the survey began in mid-1997. Euro area service sector business activity rose at the quickest pace for 80 months, underpinned by the steepest increase in new work for over a decade.

In November, **industrial production** rose by 1.0% month-on-month (m-o-m), due to production of capital goods rising by 3.0%, durable consumer goods by 1.6%, intermediate goods by 1.1% and non-durable consumer goods by 0.1%, while production of energy remained unchanged.

2. Private consumption

In 2017-Q3, the growth of **private consumption** decreased to 0.4% q-o-q (0.6% in 2017-Q2) and contributed 0.3 pps. to GDP growth. With respect to the

same period of the preceding year, private consumption was up by 1.9%. In December, **consumer confidence** improved (+0.5), reflecting households' more optimistic assessment of future unemployment and, to a lesser extent, their savings expectations and the future general economic situation, while their assessment of their future financial situation remained broadly unchanged.

In November, the volume of **retail trade** rose by 1.5% compared to October, driven by rises of 2.3% for non-food products, of 1.2% for "food, drinks and tobacco" and of 0.3% for automotive fuel. In December, **retail trade confidence** went higher (+1.9 pts.), which resulted from a strong improvement in managers' views on the present business situation and, to some extent, the adequacy of the volume of stocks

3. Investment

In 2017-Q3, **gross fixed capital formation** decreased by 0.3% (q-o-q) down from 1.7% in the second quarter of 2017. As compared to 2016-Q3, it increased by 2.4%. In 2017-Q4, the rate of **capacity utilisation** in manufacturing (conducted in October) increased to 83.8% (0.6 points higher than in 2017-Q3), approaching further the historical maximum value of 85.1% registered in April 2007. Meanwhile, the rate of capacity utilisation in services fell in 2017-Q4 to 89.6 (-0.6 pts.).

4. Labour market

In November, the **unemployment rate** was 8.7%, down from 8.8% in October and thereby at the lowest level since January 2009. Compared to November 2016, unemployment was down by 1.1 pps.

In 2017-Q3, seasonally-adjusted **employment** was 0.4% higher than in 2017-Q1 and 1.7% higher than in 2016-Q3. According to the Commission's survey results, in November 2017 **employment expectations** saw significant upward revisions in industry, reaching the highest level in more than 30 years. Employment plans also improved in construction, reaching a 10-year high, and services. In retail trade, employment plans edged down from their 30-year high of November.

5. International transactions

In October, the **world trade volume** (goods) decreased 1.2% m-o-m, after having increased by 1.4% in 2017-Q3 (q-o-q). In December, views on **export order books in manufacturing** were slightly more positive (3.0 pts., increase by 0.3 pts.).

In November, the seasonally adjusted **trade balance** was in surplus at €22.5 bn, from €19.0 bn in October. The seasonally adjusted **current-account balance** also recorded a surplus in October (€30.8 bn). This reflected surpluses for goods (€26.2 billion), primary income

(€9.8 billion) and services (€7.3 billion), which were partly offset by a deficit for secondary income (€12.5 billion).

6. Prices

In December 2017, annual **HICP inflation** decreased to 1.4% (1.5% in November). The largest upward impacts to the euro area annual inflation came from fuels for transport (+0.11 percentage points), tobacco (+0.06 pp) and milk, cheese & eggs (+0.05 pp), while telecommunication (-0.10 pp), garments and vegetables (-0.05 pp each) had the biggest downward impacts.

The **Commission's autumn 2017 forecast** projects HICP inflation at 1.5% in 2017, at 1.4% in 2018 and 1.6% in 2019. According to the Commission surveys, **consumer price expectations** decreased (by 2.4 pts. to 13.6) in December.

In November, **industrial producer prices** went up by 0.6% compared with October. Compared to November 2016, they were 2.8% higher.

Brent crude **oil prices** have been moving up over the past months, approaching for the first time in more than three years 70 USD/bbl., reflecting an agreement between Saudi Arabia and Russia on oil production cuts as well as strengthening growth of global oil demand, and, more recently, declining crude oil inventories in the US and increased geopolitical concerns in the Middle East. On 18 January, Brent crude traded at 69.09 USD/bbl. (corresponding to 56.47 EUR/bbl.).

7. Monetary and financial indicators

Money market interest rates have in recent months remained close to the ECB's deposit facility rate. On 17 January, the 3-month EURIBOR was at -0.328%.

At its meeting on 14 December, the ECB Governing Council decided to keep the key ECB **policy interest rates** unchanged and continued to expect them to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases, i.e. the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.40% respectively. As regards non-standard monetary policy measures, monthly asset purchases in 2018 will be at the monthly pace of €30 billion until September 2018, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.

Benchmark sovereign bond yields in the euro area have remained muted in recent months, staying close to 0.3% (ten-year sovereign bond yield in Germany). This differed from developments outside the euro area, where

yields have increased, mainly reflecting revised market expectations of future monetary policy decisions. On 18 January the benchmark sovereign bond yield in the euro area stood at 0.52%.

According to the October 2017 **bank lending survey**, loan growth has continued to be supported by increasing demand across all categories and by easing credit standards on loans to households in the third quarter of 2017. In the third quarter of 2017, credit standards for loans to enterprises were broadly unchanged in net terms. Credit standards on loans to households for house purchase eased further, whilst credit standards on consumer credit and other lending to households also eased, in line with expectations.

The annual rate of change of **M3** in November was 4.9%, stable compared to October. The annual growth of loans to the private sector (adjusted for loan sales, securitisation and notional cash pooling) increased to 2.9% in November, slightly up from 2.8% in October. In particular, the annual growth of adjusted loans to households stood at 2.8% (from 2.7% in October) and the annual growth rate of adjusted loans to non-financial corporations increased to 3.1% in October, from 2.9% in October.

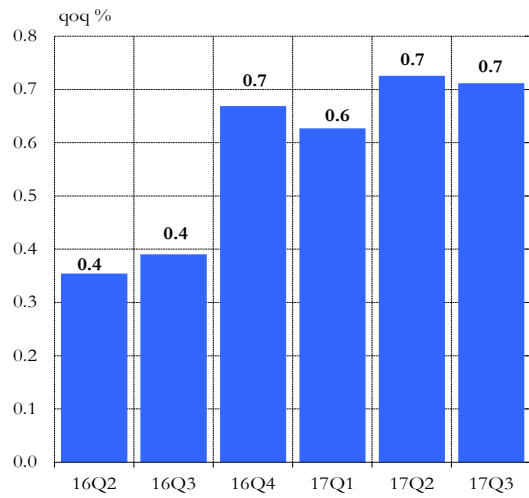
At its meeting on 12-13 December, the **FOMC** decided to raise the target range for the federal funds rate between 1.25% to 1.50%. It reiterated the stance of monetary policy remains accommodative, thereby supporting strong labour market conditions and a sustained return to 2 percent inflation. On 18 January the US 3-month Libor rate stood at 1.739%.

With regard to foreign exchange markets, some strengthening of the euro has been observed in recent weeks. In mid-January the euro is trading vis-à-vis the US dollar near its highest in three years. On January 18, the **EUR/USD exchange rate** stood at 1.22.

Stock market indices in Europe have been moving sideways since mid-November, standing in mid-January around 2% below last year's high reached on 1 November. In the first three weeks in 2018, the Eurostoxx500 has gained around 4%. The Dow Jones index has kept posting strong gains, hitting multiple record highs in December of last year. Also in 2018 the index already gained 5% in the first three weeks. In Japan, the Nikkei index posted its 2017 high in December and continues to rise in January of this year. On 18 January, the index had gained around 4% since December of last year.

1. OUTPUT

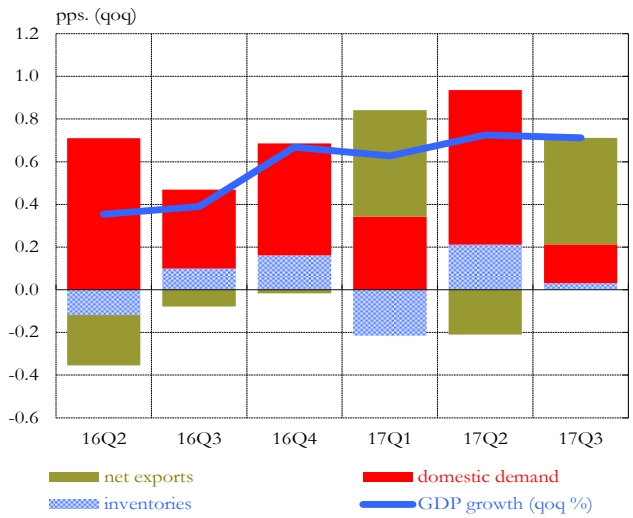
GDP



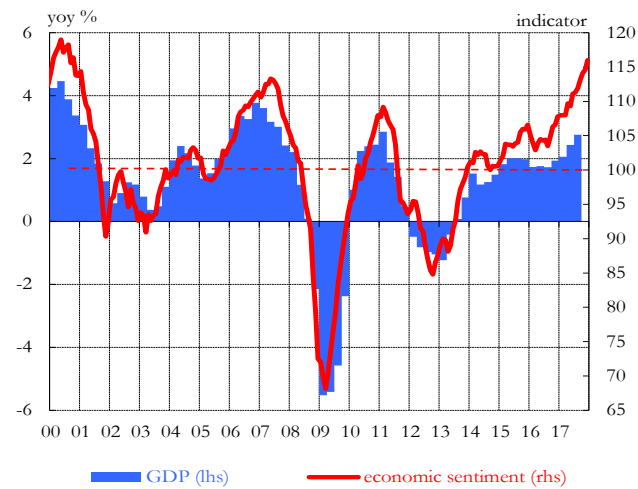
17Q3

BE	0.3
DE	0.8
EE	0.3
IE	4.2
EL	0.3
ES	0.8
FR	0.6
IT	0.4
CY	0.9
LV	1.5
LT	0.1
LU	1.7
MT	1.9
NL	0.4
AT	0.8
PT	0.5
SI	1.0
SK	0.8
FI	0.4
EA	0.7

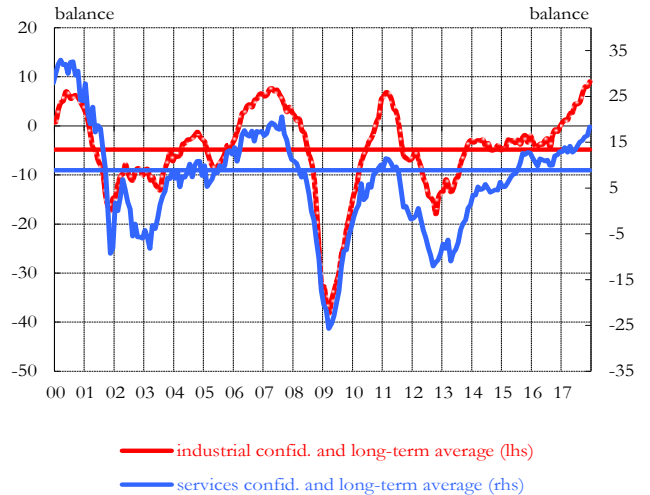
Contributions to GDP growth



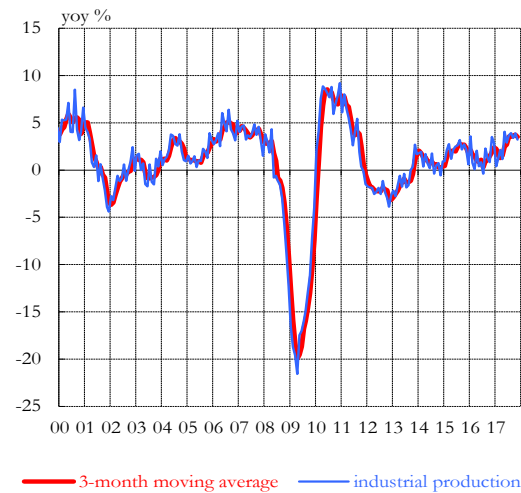
GDP and Economic Sentiment Indicator



Industrial and services confidence



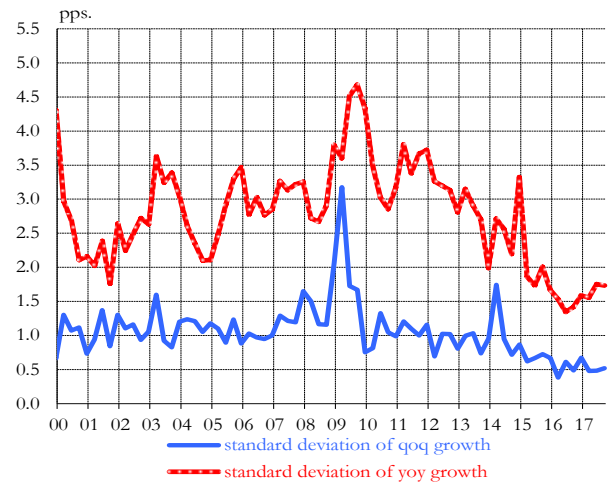
Industrial production



Nov-17

BE	--
DE	5.7
EE	2.7
IE	-10.1
EL	1.0
ES	4.6
FR	2.7
IT	2.2
CY	--
LV	3.6
LT	7.8
LU	1.6
MT	0.3
NL	-4.7
AT	--
PT	3.1
SI	9.9
SK	6.2
FI	3.2
EA	3.2

GDP growth divergence, euro area*

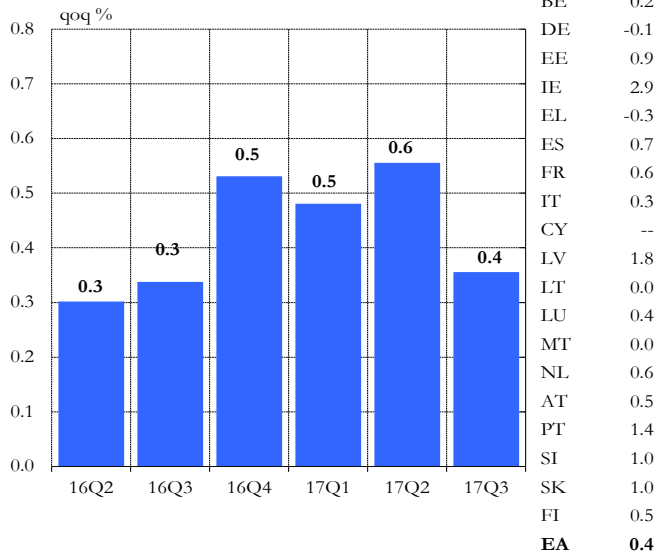


* Calculations since 2015 without Ireland.

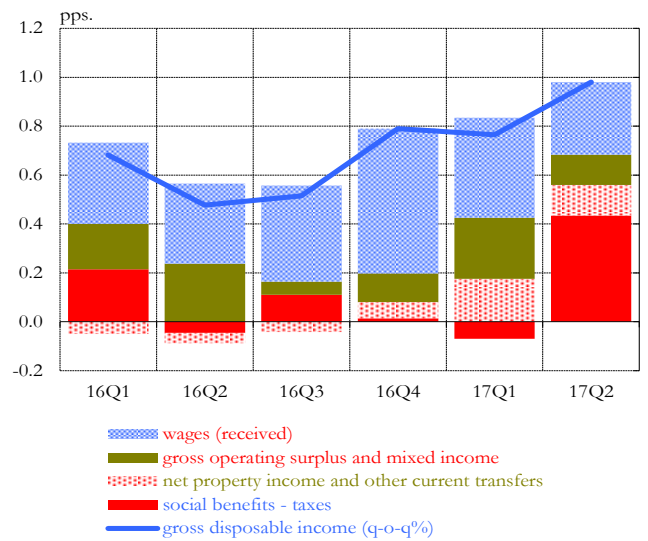
2. PRIVATE CONSUMPTION

Private consumption

17Q3

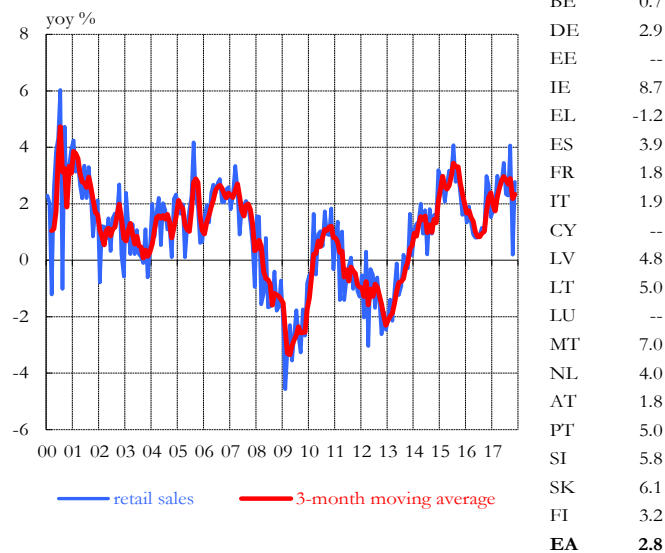


Household adjusted gross disposable income

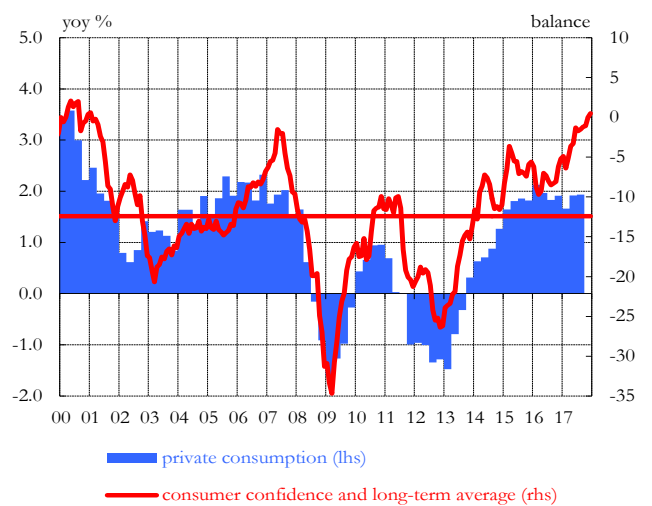


Retail sales

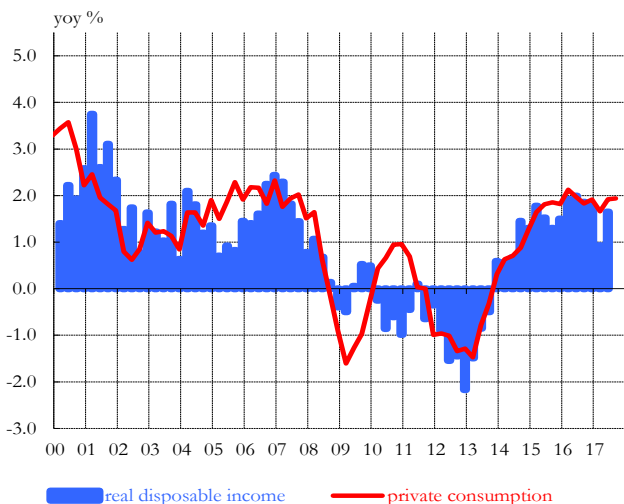
Nov-17



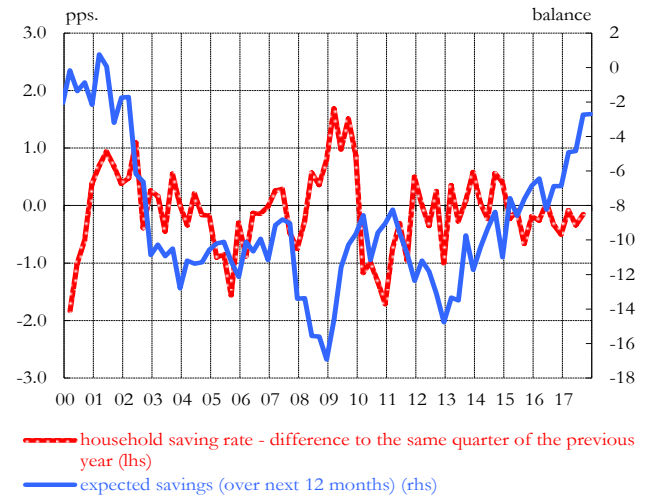
Consumer confidence and private consumption



Households: real disposable income and consumption



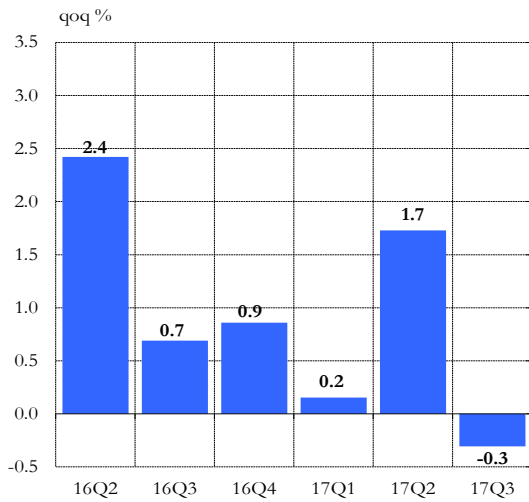
Households: actual saving rate and expected savings



3. INVESTMENT

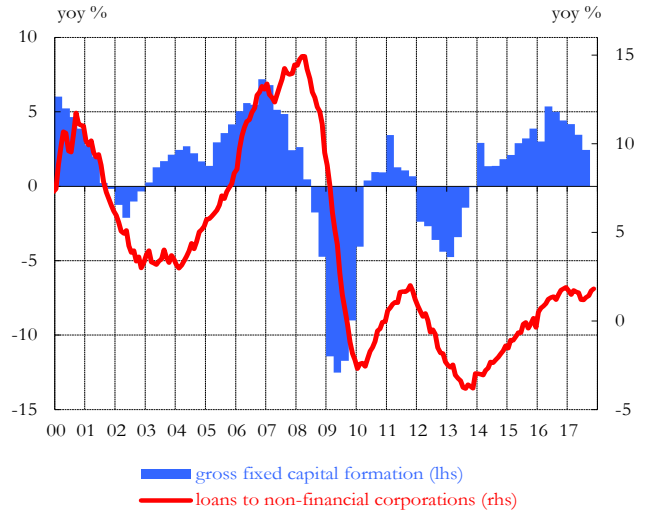
Gross fixed capital formation

17Q3

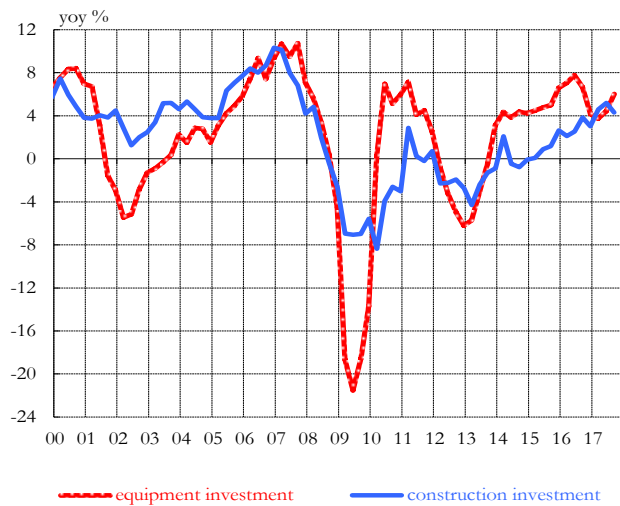


BE	1.0
DE	0.4
EE	-7.6
IE	-36.0
EL	-6.1
ES	1.3
FR	0.9
IT	3.0
CY	--
LV	1.4
LT	2.1
LU	-13.5
MT	10.7
NL	2.4
AT	0.4
PT	-0.2
SI	-0.7
SK	6.2
FI	2.3
EA	-0.3

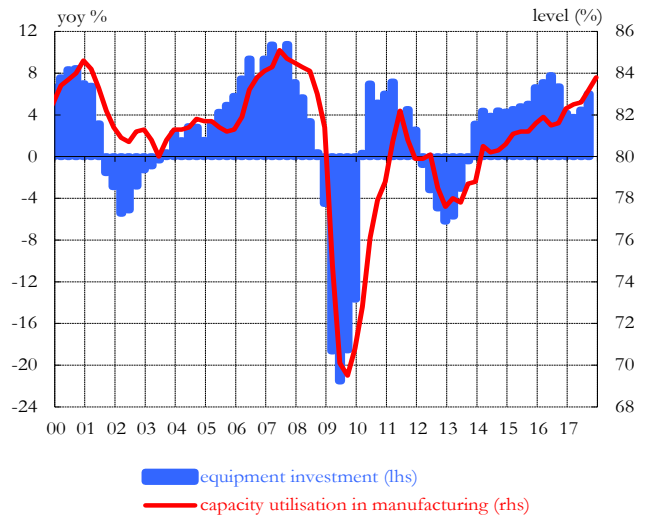
Gross fixed capital formation and corporate loans



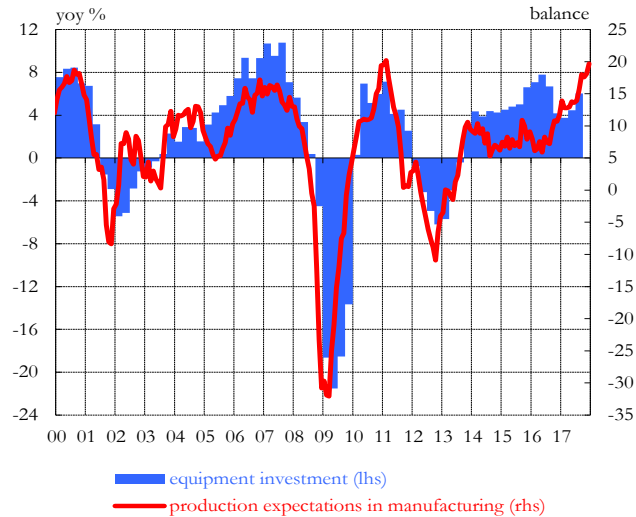
Equipment and construction investment



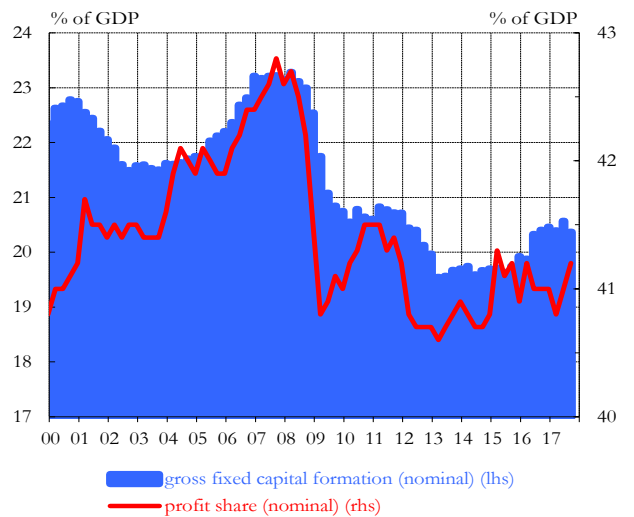
Equipment investment and capacity utilisation



Equipment investment and production expectations

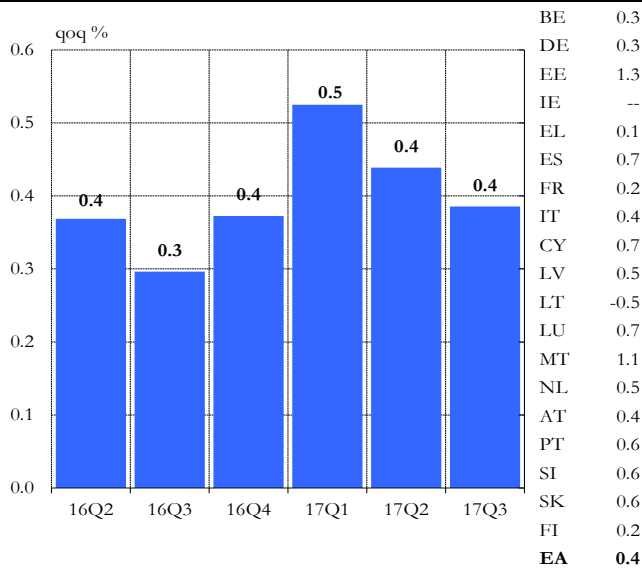


Gross fixed capital formation and profit share

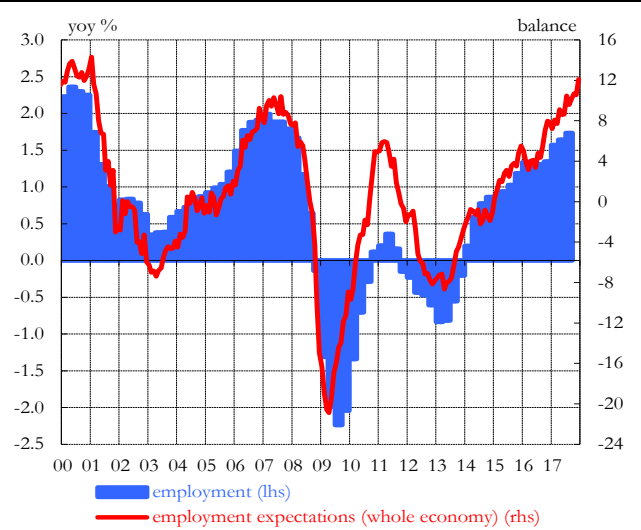


4. LABOUR MARKET

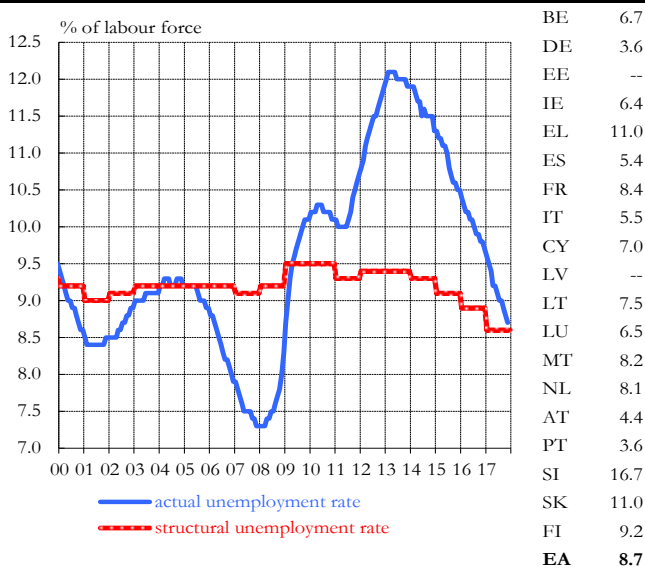
Employment



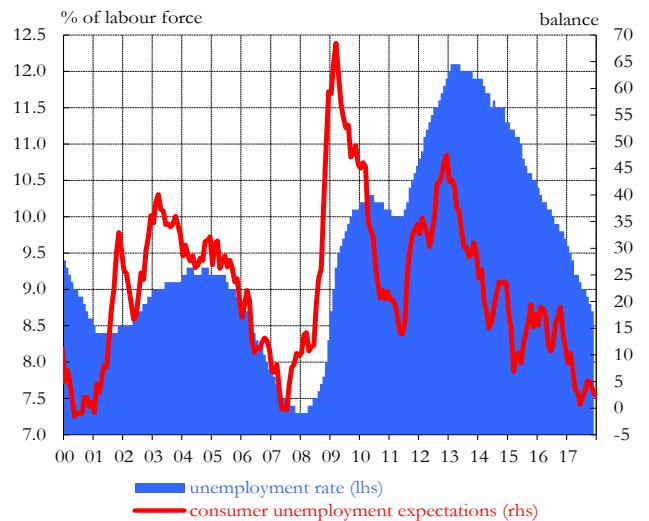
Employment and employment expectations



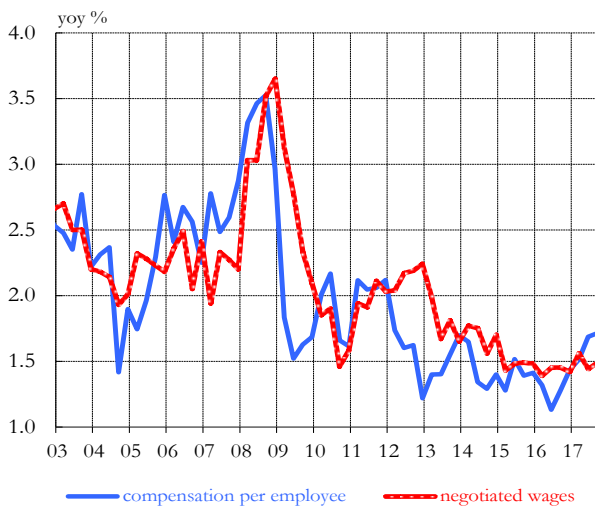
Actual and structural unemployment rate



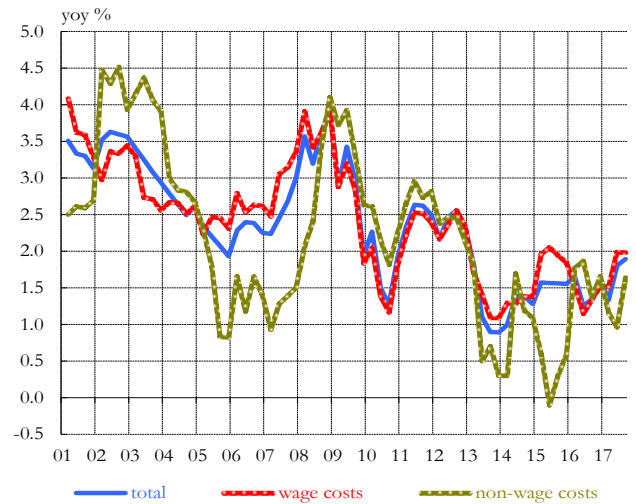
Unemployment rate and unemployment expectations



Compensation per head and negotiated wages (nominal)

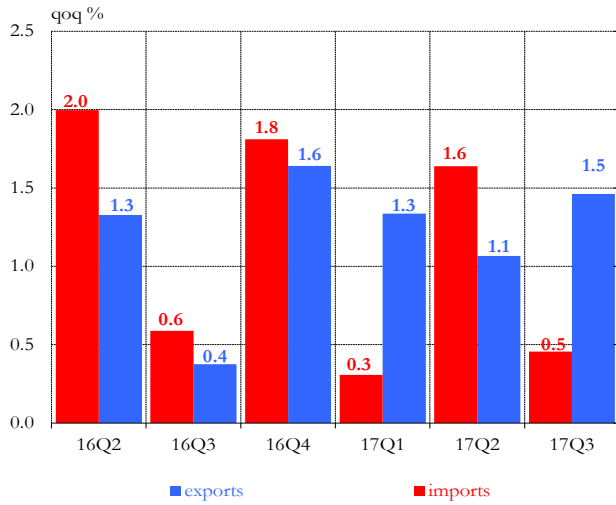


Labour costs in the private business sector (nominal)

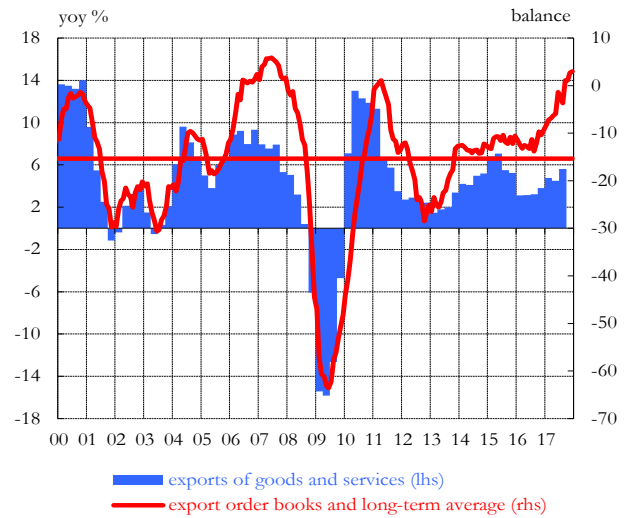


5. INTERNATIONAL TRANSACTIONS

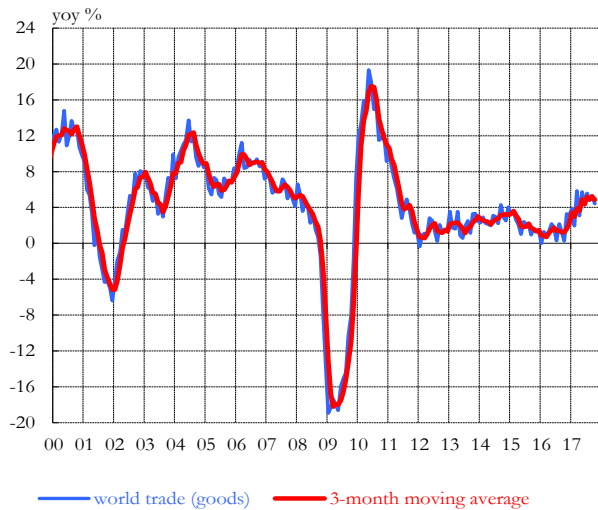
Exports and imports of goods and services



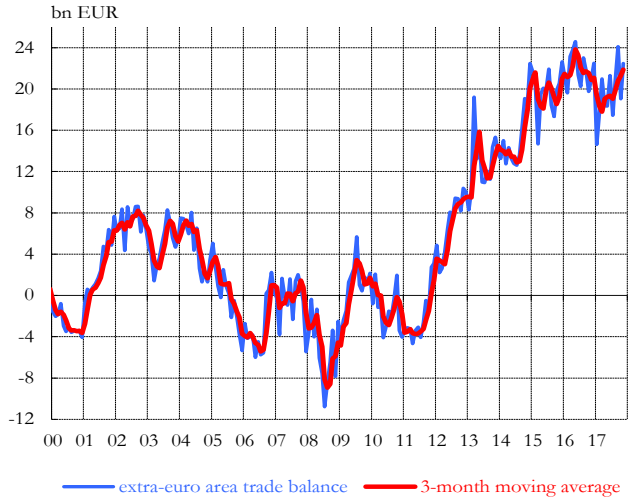
Exports and export order books



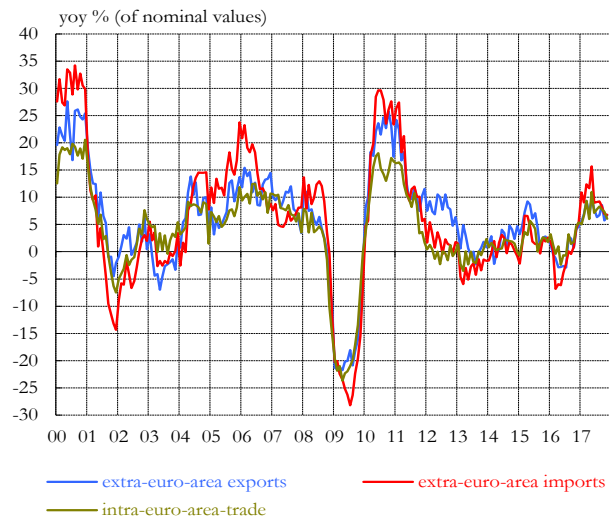
World trade



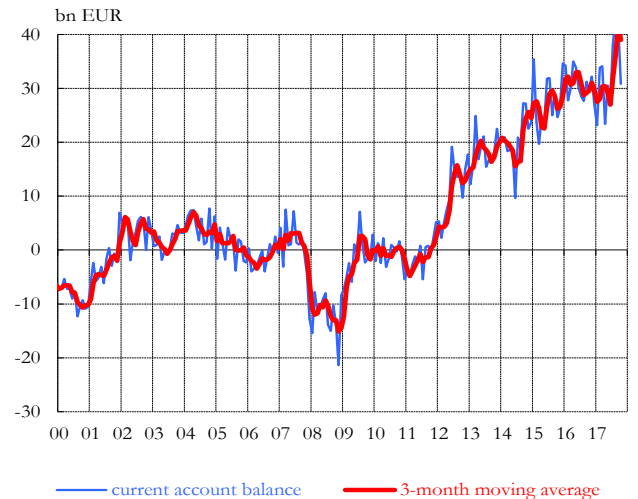
Extra euro-area trade balance



Extra- and intra-euro-area trade



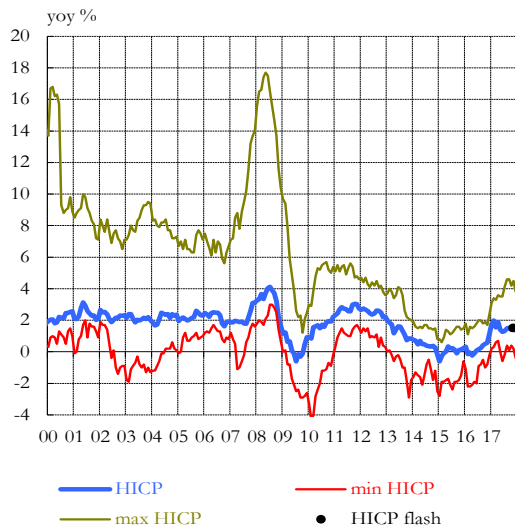
Current-account balance



6. PRICES

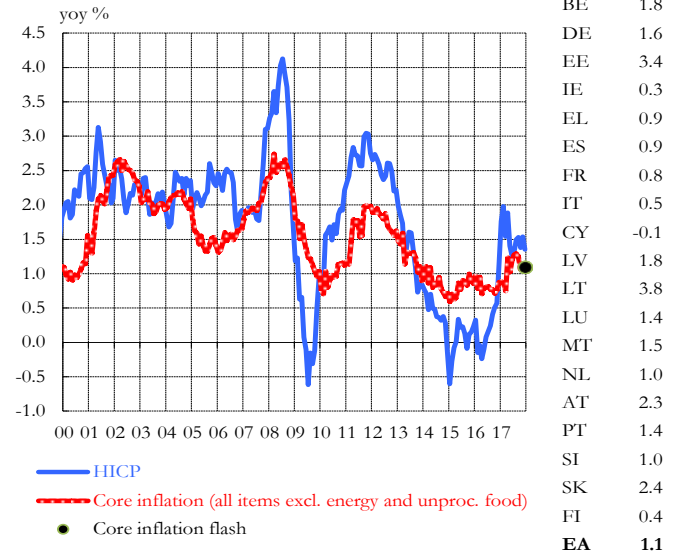
Harmonised index of consumer prices (HICP)

Dec-17

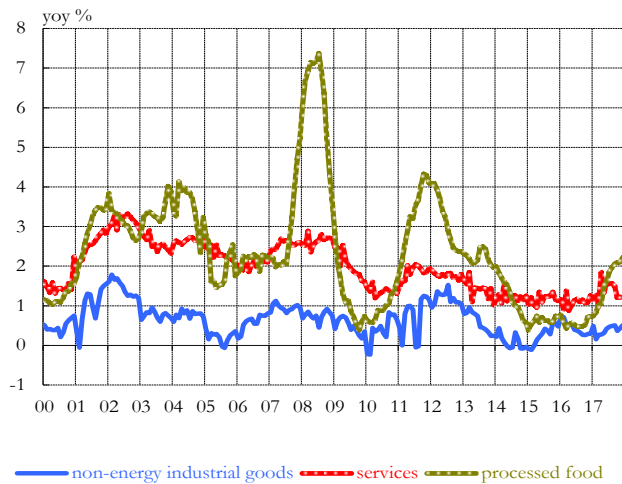


HICP headline and core inflation

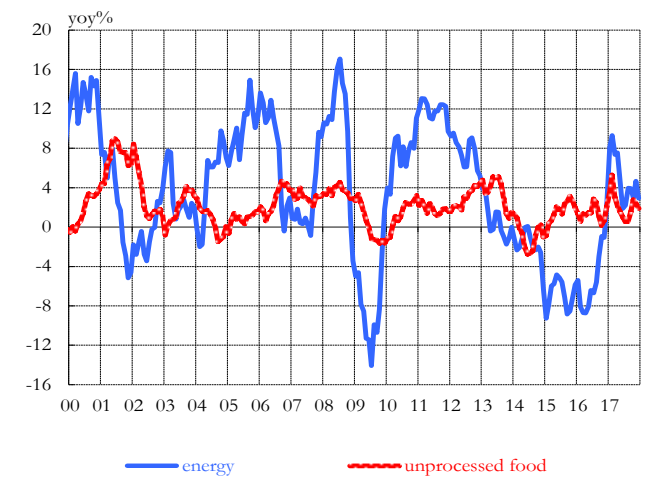
Dec-17



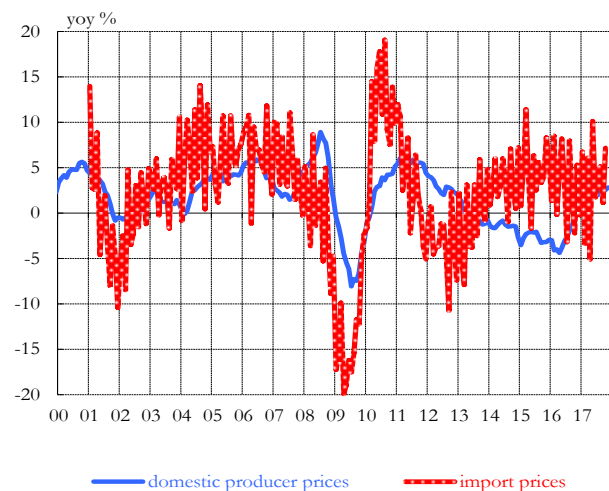
Breakdown of core inflation



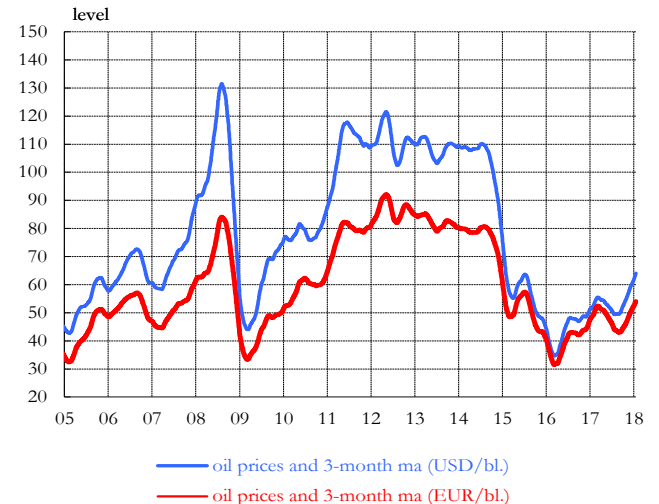
Energy and unprocessed food



Domestic producer prices and import prices

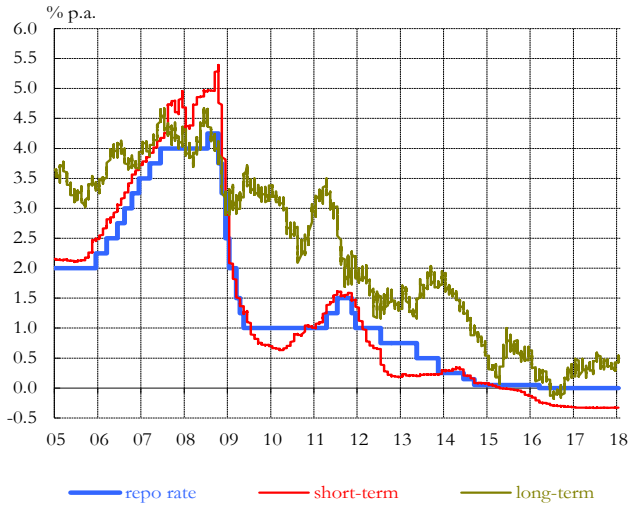


Oil prices

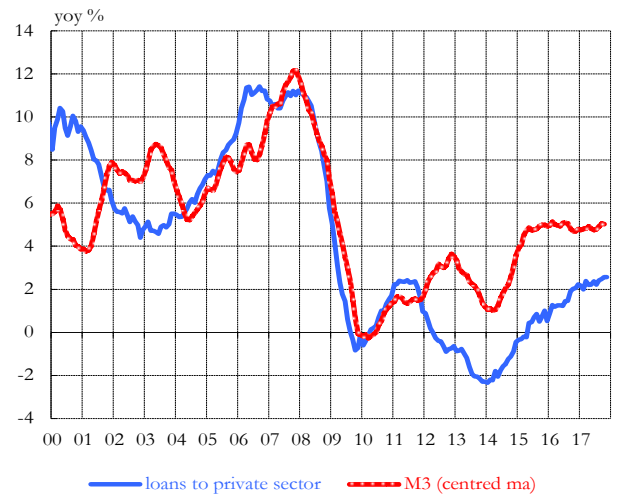


7. MONETARY AND FINANCIAL INDICATORS

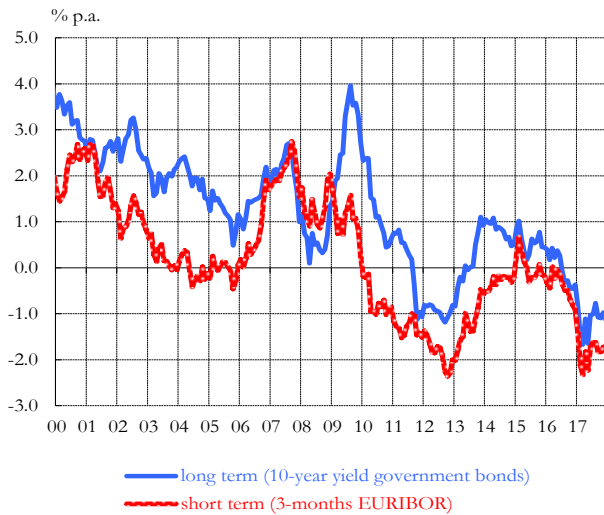
Nominal interest rates



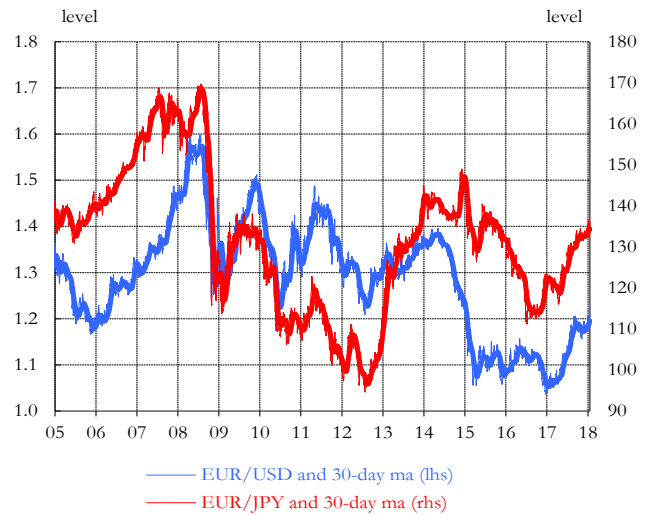
Loans to private sector and money supply



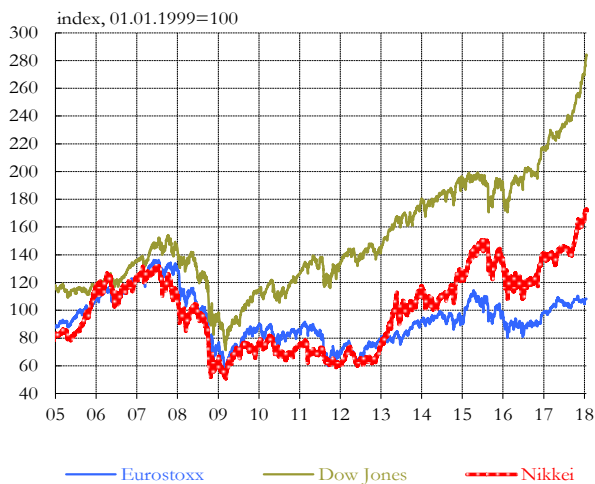
Real interest rates



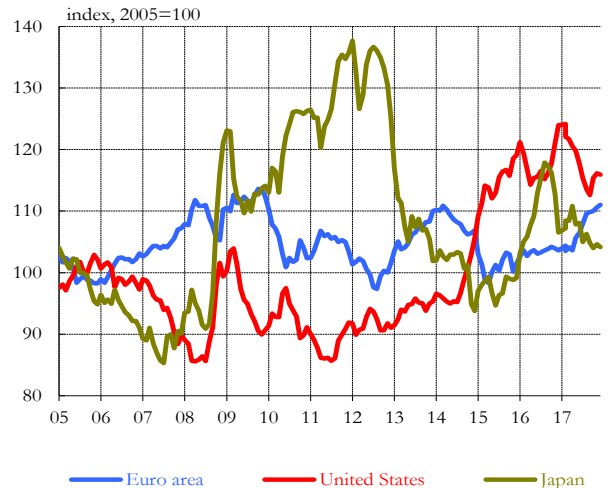
Euro vis-à-vis US dollar and JP yen



Stock market indices



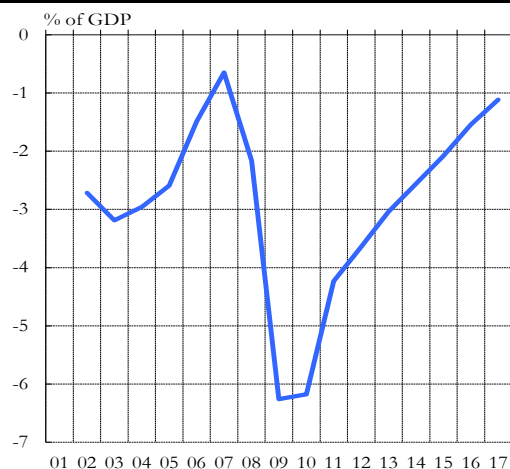
Nominal effective exchange rates



8. PUBLIC FINANCES

General government balance

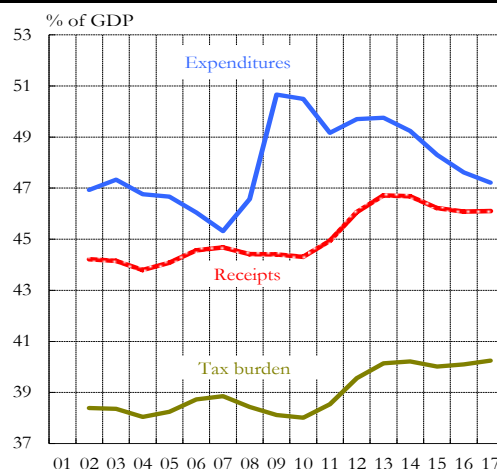
2017



General government expenditure and receipts

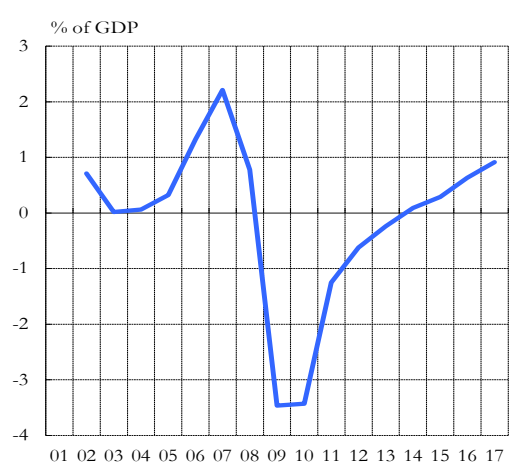
tax burden

2017



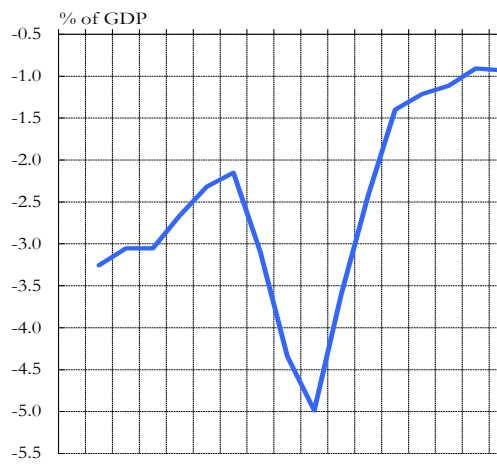
Primary balance

2017



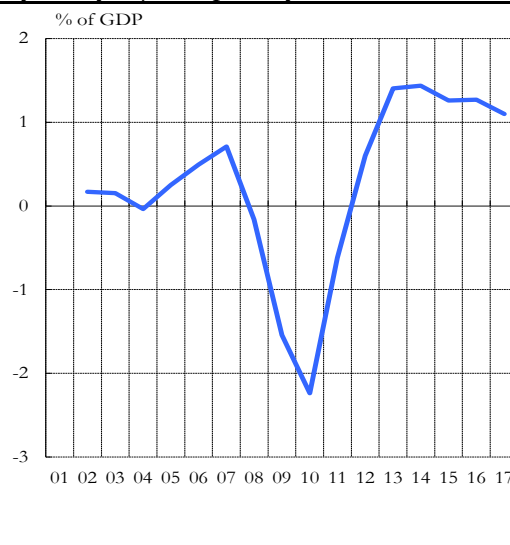
Cyclically adjusted balance

2017



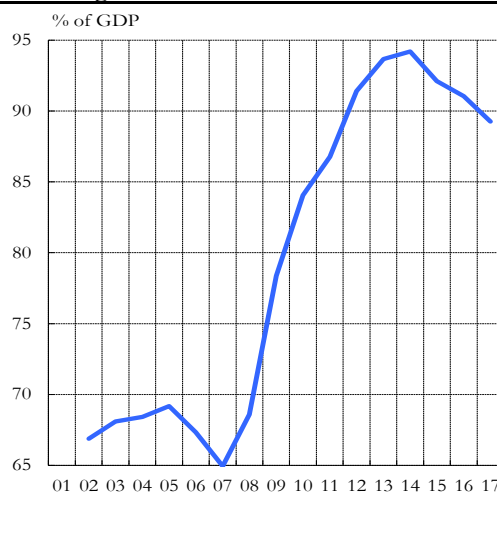
Cyclically adjusted primary balance

2017



General government debt

2017



* Figures are from the Commission's autumn 2017 forecast

KEY INDICATORS FOR THE EURO AREA



Euro area	Indicators as from 2011 refer to Belgium (BE), Germany (DE), Estonia (EE), Ireland (IE), Greece (GR), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), the Netherlands (NL), Austria (AT), Portugal (PT), Slovenia (SI), Slovakia (SK) and Finland (FI).	
Indicator	Note	Source
1. Output		
Sentiment Indicator	The economic sentiment indicator is the weighted average (of the industrial confidence indicator (40%), the services confidence indicator (30%), the consumer confidence indicator (20%), the construction confidence indicator (5%) and the retail trade confidence indicator (5%)). Data are seasonally adjusted.	DG ECFIN
Industrial confidence indicator	The industrial confidence indicator is the arithmetic average of the balances (%) referring to the questions on production expectations, order books and stocks (the latter with inverted sign) from the survey of manufacturing industry. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Services confidence indicator	The services confidence indicator is the arithmetic average of the balances (%) referring to the questions on business situation and recent and expected evolution of demand from the survey of services. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Industrial production	Monthly Industry Production Index (2010=100), NACE Rev.2, Total industry (excluding construction). Mom% and qoq% ch. are seasonally and working day adjusted, yoy% ch. are working-day adjusted.	Eurostat
Gross domestic product	Real gross domestic product at constant market prices (chain-linked volumes (2010), ESA 2010), EUR. Data are seasonally and working-day adjusted.	Eurostat
Labour productivity	Labour productivity defined as the difference between GDP growth and employment growth.	Eurostat
GDP divergence	Standard deviation of GDP growth rates of the euro-area Member States.	Eurostat
2. Private consumption		
Consumer confidence indicator	The consumer confidence indicator is the arithmetic average of the balances (%) referring to the questions on the financial situation of households, general economic situation, unemployment expectations (with inverted sign) and savings; all over next 12 months. The long-term average refers to the period as from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Retail confidence indicator	The retail confidence indicator is the arithmetic average of the balances (%) referring to the questions on the present and the future business situation and the volume of stocks (with inverted sign). The long-term average refers to the period from publishing of the indicator up to now. Data are seasonally adjusted.	DG ECFIN
Private consumption	Real household & NPISH final consumption expenditure at constant market prices (chain-linked volumes (2010), ESA 2010), EUR. Data are seasonally and working-day adjusted.	Eurostat
Retail sales	Retail trade (NACE Rev.2 G47) excluding motor vehicles, motorcycles; Deflated turnover, mom% ch. and qoq% ch. are seasonally adjusted, yoy% ch. are working-day adjusted.	Eurostat
3. Investment		
Capacity utilisation	In percent of full capacity in the manufacturing sector. Data are seasonally adjusted (collected in January, April, July and October).	DG ECFIN
Production expectations	Production expectations in manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Gross fixed capital formation	Real gross fixed capital formation at constant market prices (chain-linked volumes (2010), ESA 2010), EUR. Data are seasonally and working-day adjusted.	Eurostat
Equipment investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year (2010), ESA 2010), EUR, real machinery and equipment and weapons systems. Data are seasonally and working-day adjusted.	Eurostat
Construction investment	Gross fixed capital formation at constant market prices (chain-linked volumes, reference year (2010), ESA 2010), EUR, dwellings and other buildings and structures. Data are seasonally and working-day adjusted.	Eurostat
Change in stocks	Changes in inventories and acquisitions less disposals of valuables (at prices of previous year).	Eurostat
Profit share	Ratio of nominal gross operating surplus and gross mixed income to nominal GDP	Eurostat

KEY INDICATORS FOR THE EURO AREA



4. Labour market		
Employment expectations (manufacturing)	Managers' employment expectations over the next three months in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Employment expectations (services)	Managers' employment expectations over the next three months in the services sector. Data are seasonally adjusted.	DG ECFIN
Employment expectations (whole economy)	Weighted average of managers' employment expectations over the next three months in the manufacturing (19%), services (65%), construction (6%) and retail sectors (10%). Weights in brackets according to value-added share on GDP of the respective sector. Data are seasonally adjusted.	DG ECFIN
Employment	Total domestic employment (number of persons). Data are seasonally adjusted for Ireland, Greece, France, Cyprus, Malta, Netherlands, Portugal and Slovakia, and seasonally and working day adjusted data for the remaining Member States.	Eurostat
Compensation of employees per head	Nominal compensation of employees divided by the number of employees. Data are seasonally and working-day adjusted.	DG ECFIN
Unemployment expectations	Consumers' unemployment expectations over the next twelve months. Data are seasonally adjusted.	DG ECFIN
Unemployment rate	Harmonised unemployment rate (in percent of labour force), ILO definition. Data are seasonally adjusted.	Eurostat
Structural unemployment rate	Non-accelerating inflation rate of unemployment. Data are seasonally adjusted.	DG ECFIN
Total labour costs	Nominal wage- and non-wage costs less subsidies in the private business sector. Data are seasonally and working-day adjusted.	Eurostat
Wage costs	Nominal wage and salary costs include direct remuneration, bonuses, and allowances, payments to employees saving schemes, payments for days not worked and remuneration in kind. Data are seasonally and working-day adjusted.	Eurostat
Non-wage costs	Nominal non-wage costs include the employers' social contributions plus employment taxes less subsidies. Data are seasonally and working-day adjusted.	Eurostat
Labour productivity	Ratio between GDP and employment. Data are seasonally and working-day adjusted.	DG ECFIN
5. International transactions		
World trade	Volume, 2010=100, seasonally adjusted	CPB
Export order books	Managers' export order expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Extra-euro area exports	Nominal extra-euro area exports of goods, fob. Data are seasonally adjusted.	Eurostat
Extra-euro area imports	Nominal extra-euro area imports of goods, cif. Data are seasonally adjusted.	Eurostat
Extra-euro area trade balance	Difference between extra-euro area exports and extra-euro area imports. Data are seasonally adjusted.	Eurostat
Intra-euro area trade	Nominal intra-euro area trade in goods, fob. Data are seasonally adjusted.	Eurostat
Current-account balance	Transactions in goods and services plus income and current transfers between residents and non-residents of the euro area. Data are seasonally and working-day adjusted.	ECB
Exports of goods and services	Exports of goods and services at constant market prices (chain-linked volumes, reference year 2010), EUR. Data are seasonally and working-day adjusted.	Eurostat
Imports of goods and services	Imports of goods and services at constant market prices (chain-linked volumes, reference year 2010), EUR. Data are seasonally and working-day adjusted.	Eurostat
Direct investment	Nominal transactions/positions in assets abroad by euro-area residents less nominal transactions/positions in euro-area assets by non-residents. To be regarded as a direct investment, ownership in an enterprise must be equivalent to more than 10% of the ordinary shares or voting power.	ECB
Portfolio investment	Nominal transactions/positions in securities (including equities) abroad by euro-area residents less nominal transactions/positions in euro-area securities (including equities) by non-residents. To be regarded as a portfolio investment, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.	ECB

KEY INDICATORS FOR THE EURO AREA



6. Prices		
HICP	Harmonised index of consumer prices (index 2015=100)	Eurostat
Core HICP	HICP excluding energy and unprocessed food (index 2015=100)	Eurostat
Producer prices	Domestic producer price index, total industry excluding construction (index 2010=100)	Eurostat
Selling price expectation	Managers' selling-price expectations in the manufacturing sector. Data are seasonally adjusted.	DG ECFIN
Import prices	Import price index, manufacturing (index 2010=100)	Eurostat
Oil prices	Price of north sea Brent in USD/barrel and EUR/barrel	ICE
Non-energy commodity prices	Market price for non-fuel commodities in EUR terms (index 2010=100)	HWWI
7. Monetary and financial indicators		
Nominal interest rate (3-month)	3-month EURIBOR interbank rate (360 days)	ECB/ Global Insight
Nominal interest rate (10-year)	10-year interest rate on government bonds for euro area (based upon the 10-year German government bond)	ECB/ Global Insight
ECB repo rate	Minimum bid rate of main refinancing operations, end of period.	ECB/ Global Insight
Money demand (M3)	Monetary aggregate including currency in circulation (banknotes and coins), operational deposits in central bank, money in current accounts, saving accounts, money market deposits, certificates of deposit, all other deposits and repurchase agreements. Data are seasonally adjusted.	ECB
Loans to private sector	Loans by MFI (monetary and financial institutions) to euro area residents (excl government). Data are seasonally adjusted.	ECB
Real long-term interest rates	Nominal interest rate (10-year) deflated by HICP index	DG ECFIN
Real short-term interest rates	Nominal interest rate (3-month) deflated by HICP index	DG ECFIN
Stock markets	Eurostoxx50, Dow Jones and Nikkei indices (1.1.1999=100)	Global Insight
Exchange rates	EUR/USD and EUR/JPY reference rates	ECB
Nominal effective exchange rate	Graph – Monthly Nominal Effective Exch. Rates vs. rest of IC36 (index 2005 = 100) Table - ECB Nominal effective exch. rate, based on weighted averages of bilateral euro exchange rates (EA19) against the currencies of the EER-18 group.	DG ECFIN/ ECB
8. Public finance		
General government balance	Net lending (+) or net borrowing (-) of general government	DG ECFIN
Primary government balance	Net lending (+) or net borrowing (-) of general government minus interest payment	DG ECFIN
Cyclically adjusted balance	Net lending (+) or net borrowing (-) of general government corrected for the influence of the business cycle	DG ECFIN
Cyclically adjusted primary balance	Primary government balance corrected for the influence of the business cycle	DG ECFIN
General government expenditures and receipts	Nominal expenditures and receipts; tax burden includes taxes on production and imports (incl. taxed paid to EU), current taxes on income and wealth (direct taxes) and actual social contributions	DG ECFIN
General government debt	Cumulative sum of net lending (+) or net borrowing (-) positions of general government	DG ECFIN