



In, On and For Emerging Markets

A CEIC Insights Report

Euro Area Economy in a Snapshot Q1 2019



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Executive Summary



Key Highlights

- The euro area is experiencing a pronounced slowdown with real GDP growth decelerating throughout 2018 and averaging 1.9%, the lowest figure in five years. Annual growth in Q4 fell to 1.4% on the basis of weak external demand and poor output in manufacturing.
- The European Central Bank (ECB) is again struggling to keep inflation near its 2% target with euro zone headline HICP falling to 1.4% in March and core inflation to 0.8%. ECB president Mario Draghi announced that the central bank would again postpone the long-awaited increase of key rates and would continue with its TLTROs programme.
- Trade surplus reached EUR 19.5bn in February, the best performance in 11 months, although it was caused by a stronger m/m decline in imports than exports. The tensions between the EU and two of its major partners – the UK and the US – has taken its toll on external trade and has contributed strongly to the slowdown, since many of the euro zone economies are export-oriented.
- On the bright side, unemployment rate in the euro area is reaching its pre-crisis levels and stood at 7.8% in February and even traditionally problematic countries such as Greece and Spain are progressing significantly. Wages growth has also been robust, prompting hope that inflation would soon pick up as well.

Economic Outlook

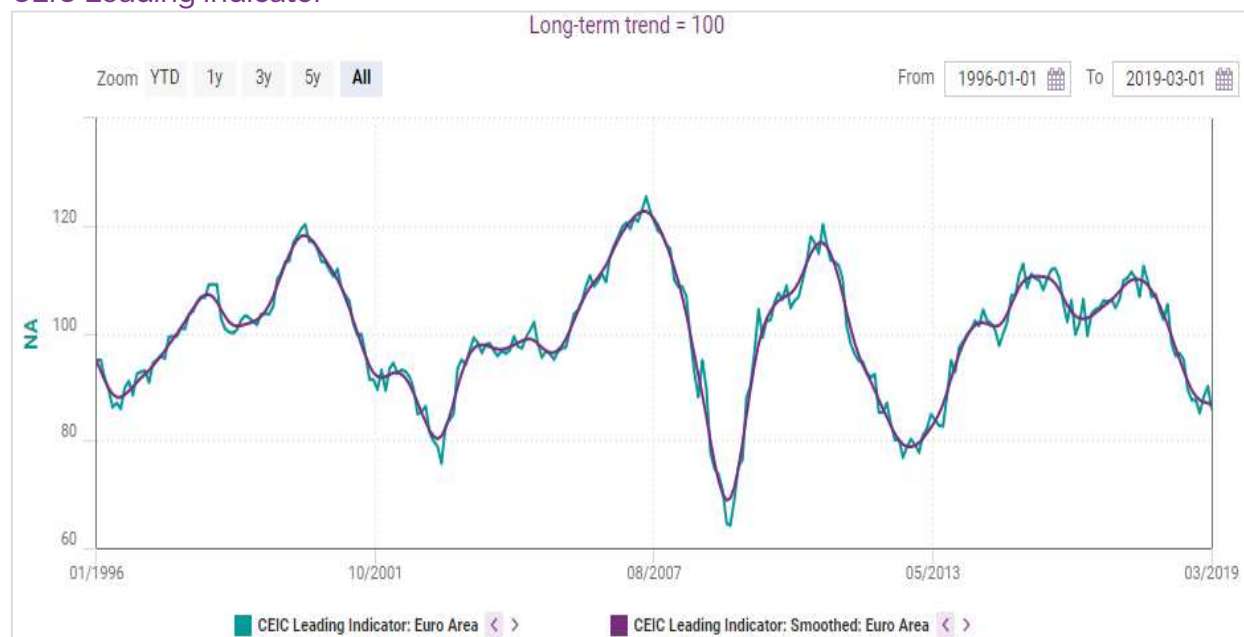
According to preliminary data, the CEIC Leading Indicator for the euro zone economy fell to 86.7 in March 2019, losing 0.3 points compared to the previous month. The indicator has been in decline since August 2017, thereby anticipating the euro zone's weak economic performance throughout 2018 and coinciding with the lukewarm forecasts for 2019. Nevertheless, the indicator's poor performance has mellowed down for the last three quarters and m/m differences have considerably improved, providing hope for positive developments in the near future. While Services PMI has been gaining some ground in Q1 2019, manufacturing has experienced a sharp decrease, hitting its lowest point in March (47.5 below the threshold value of 50).

Despite progressively worsening economic growth forecasts, the risk of recession for the euro area remains low. According to ECB President Mario Draghi the current situation represents merely a slowdown which could be "longer than expected". Nevertheless, the ECB was forced to postpone its plans to tighten monetary policy by increasing interest rates and the policy rate would stay at 0% for the foreseeable future. The euro area still has strong fundamentals in areas such as the labour market, private consumption, investment and foreign trade, which might be just enough to keep it out of recession.

In terms of risks, two major sources are identifiable - economic and political. Among the first is the gradual decline of the manufacturing sector with losses of output and new orders being the chief concern of analysts. The global economic slowdown is another issue given the euro area's trade openness and highly diversified economy. Political risks are mostly associated with the uncertainty regarding Brexit, with the EU giving the UK a six-month extension in April so that the UK government could reach an internal agreement on the conditions of leaving. A further cause of concern, especially in light of the European elections in May is the rise of Eurosceptic political parties across the continent, as is the case in Italy. Continuing tensions with the US government might also weigh negatively, with recent US trade policy threatening the European markets.

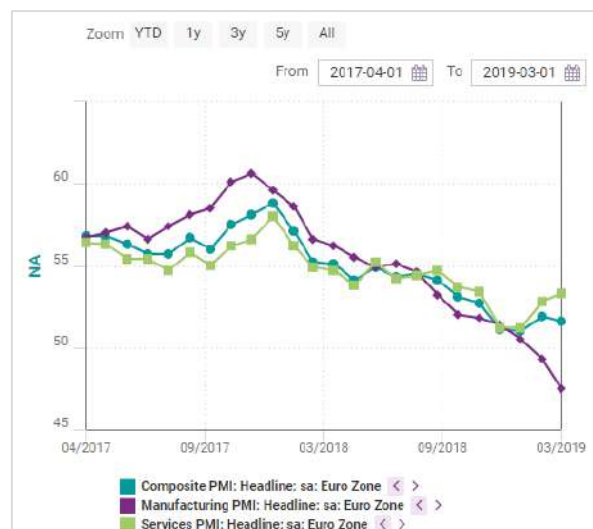
The International Money Fund (IMF) predicts a modest 1.3% growth in 2019, while the ECB projection stands at 1.1%. According to the FocusEconomics consensus forecast, real GDP will grow by 1.3% annually and by 1.1% in Q1 2019.

CEIC Leading Indicator



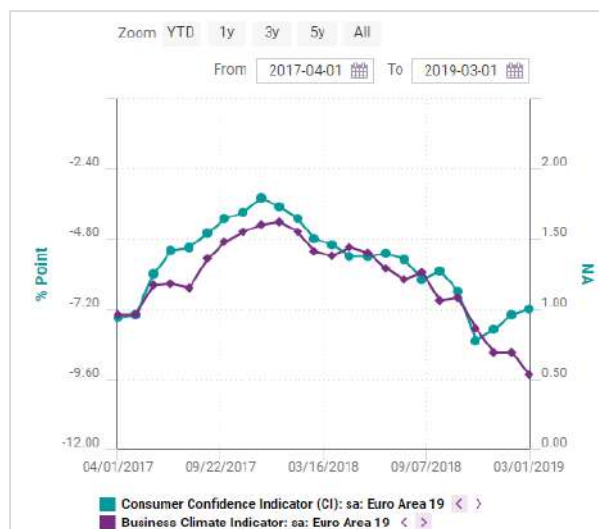
Source: CEIC Data

Purchasing Managers' Index



Source: CEIC Data

Consumer Sentiment Index



Source: CEIC Data

Summary

While the euro area economy kept on growing for six years straight, the second half of 2018 showed a significant slowdown that is expected to continue throughout 2019. The rising global trade uncertainty is affecting economic performance in the euro zone as net exports had a negative contribution to growth. Among major economies only Spain is keeping up with a decent pace (over 2%), with Germany and France experiencing a sharp decline and Italy falling into technical recession.

Real gross domestic product (GDP) growth, as announced by Eurostat, continued to decelerate in Q4 2018 and reached its lowest value in 5 years – 1.4%. It also marked the fifth consecutive month of continuous decline. In q/q terms, the growth was slightly higher than the 0.1% in Q3, but again almost insignificant – 0.2%.

Industrial production index (IPI) growth returned to positive figures in February 2019 and grew at 0.5% after three months of negative performance. Production in the manufacturing and consumer goods sectors contributed to the rebound, while mining and quarrying and energy were dragging down overall production.

Euro area inflation has been rapidly declining since October 2018 and **the harmonized index of consumer prices (HICP)** stood at 1.4% in March, below the 2% target set by the ECB. Core inflation – which does not take into account energy, food, alcohol and tobacco prices – fell to 0.8%, its lowest level since April 2018. This result, combined with the falling orders in manufacturing, signifies that the recovery process of the euro area has hit a bump.

With the recent developments at hand, the ECB decided to keep the policy rate at 0% as well as to maintain negative deposit rates for the foreseeable future, despite announced intentions to increase them. This has been met with a degree of discontent by financial institutions, especially lenders, since it basically taxes bank activities and pushes investors away. Nevertheless, with Draghi's mandate ending in October, there have been indications that the new ECB president might be more open to discussions on the interest rate situation.

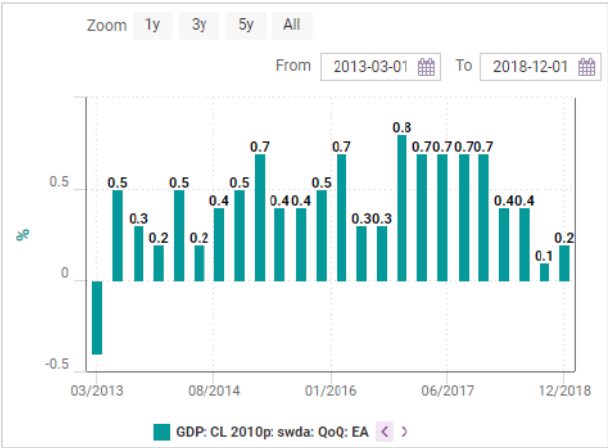
According to Eurostat's seasonally adjusted data, the euro area ran a trade surplus of EUR 19.5bn in February 2019, the best performance in 11 months. In addition to this, after a year of negative growth trade balance finally rebounded and increased 3.8% y/y. Annual growth of exports surpassed imports for the first time in 13 months (4.2% and 3.8% respectively). Despite Brexit uncertainties, trade with the UK was growing, with both imports and exports increasing by 4% y/y in January.

EA Economy: Statistics at a Glance

	Unit	03.2019	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018
GDP: CL 2010p: YoY: EA	%				1.40			1.60	
Industrial Production Index: YoY	%		-0.09	-0.85	-3.99	-2.97	0.86	0.47	0.66
Consumer Price Index: YoY	%	1.40	1.50	1.40	1.50	1.90	2.30	2.10	2.10
PPI: YoY	%		1.86	1.76	1.96	2.96	3.97	3.68	3.69
Imports: YoY	%		3.81	3.70	4.55	5.09	11.54	10.94	8.77
Exports: YoY	%		4.22	2.54	0.43	1.96	7.46	3.01	5.33
Unemployment Rate	%		7.80	7.80	7.90	7.90	8.00	8.00	8.00
Wholesale & Retail Trade Index: YoY	%			4.14	1.70	3.32	5.69	3.65	5.44
Wages and Salaries Index: YoY	%				2.21			2.31	
Money Supply: M2:	%		4.67	4.21	4.32	4.45	4.24	4.22	4.03
Government Bond Yield: Monthly Average: Euro: 10 Years	% pa	0.99	1.12	1.21	1.21	1.41	1.56	1.32	1.37
Policy Rate	% pa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Investment	EUR bn		13.12	-18.48	-56.95	-35.63	18.93	-3.57	-6.46
Current Account	EUR bn		15.47	10.62	41.49	28.83	33.95	25.92	27.18

Source: CEIC Data

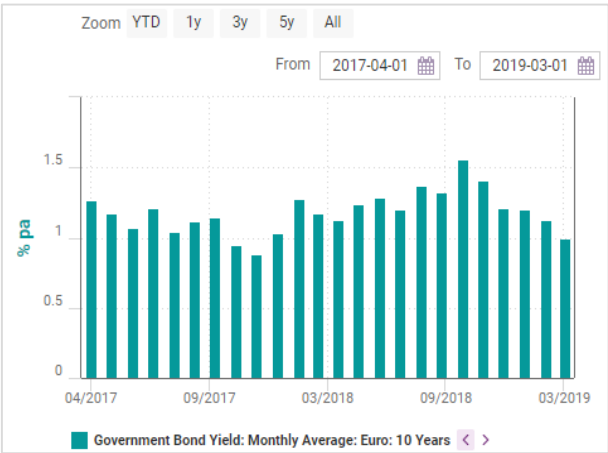
Real GDP Growth: QoQ



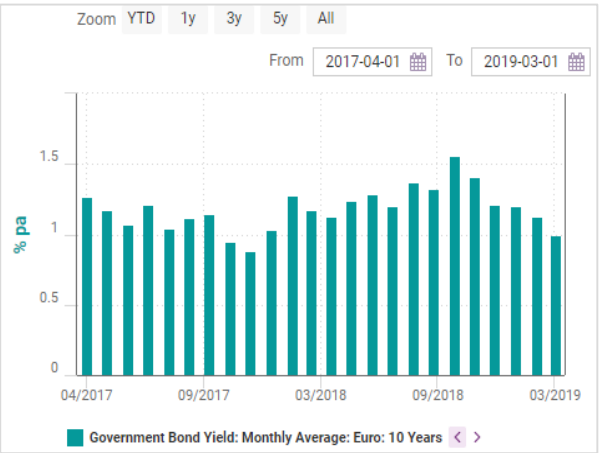
Headline and Core Inflation



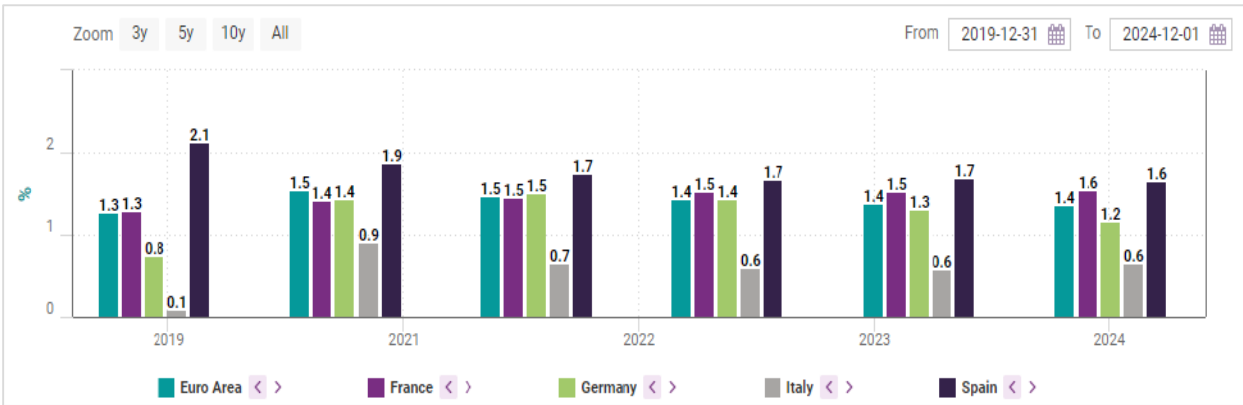
Unemployment Rate: sa: Euro Area



ECB: Government Bond Yield: Current and Projection



IMF GDP Growth Projections



Source: CEIC Data



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Real Sector



Real Sector

The euro area's economy performance in 2018, and especially in the latter half of the year, was way below expectations, as real GDP growth fell to its lowest level in four years. According to Eurostat's seasonally adjusted data, real GDP grew by 1.4% in Q4 2018, marking its fifth consecutive quarter of deceleration. In terms of q/q growth, the increase was only 0.2%, compared to an average of 0.7% during the strong 2017. Growth in fixed investment remained relatively strong in Q4 at 2.8%, albeit weakening from the previous quarter, with the EUR 561bn contributing to around one-fifth of total GDP. Household consumption growth mirrored the performance in the previous quarter, growing by 1%, a somehow low number given the low unemployment rate and rising wages. Government spending managed to rebound from the weak third quarter and recorded a 1.2% growth. The external sector is where things get grimmer, with exports losing steam fast – the 1.5% increase in Q4, given the 6.4% at the end of 2017, contributed to a contraction of 17% of the euro area's external balance, a development influenced by global trade uncertainty and the strained relationship between the US and China.

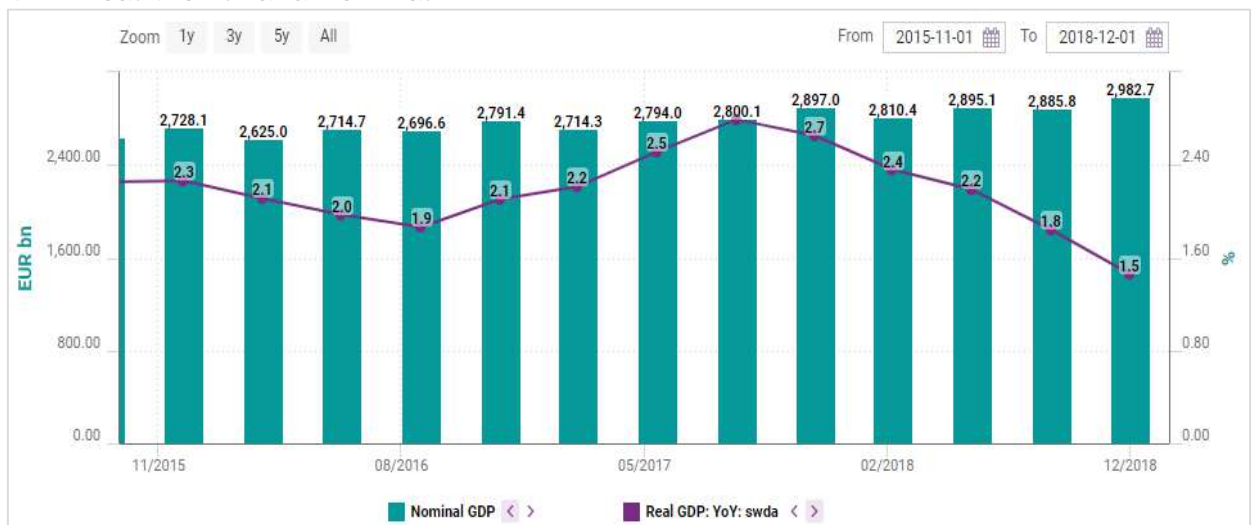
In terms of GVA growth, the manufacturing and industry sectors, which contribute to around one-third of total GVA, did poorly in Q4, contracting by 0.7% and 1% respectively. Manufacturing has been declining since 2017, an unsurprising performance mirrored by the rapid fall in manufacturing PMI which slumped under the threshold value of 50 in February. One of the main reasons for this disappointing performance was the 2% contraction of the sector in the euro zone's strongest economy – Germany – with firms reporting lower demand related to Brexit and global trade uncertainties as well as troubles in the automotive sector. The wholesale and retail, transport, accommodation and food sectors performed decently, growing by 1.8% as a whole. Nevertheless, these sectors' growth has also been decelerating since the end of 2017.

A bright spot in the euro area's economic performance was the retail sales volume growth which was 2.5% in February, surpassing the results from the previous three months. All major groups of goods recorded an annual increase, including clothing, footwear and leather, which had been declining almost constantly during 2018. Non-food products were the main growth driver, increasing by 3.8%, while food, beverages and tobacco decelerated compared to January and grew modestly by 0.9%. Among the euro zone's major economies, Germany's retail sales grew by an impressive 4.7%, while problem-ridden Italy brought up the rear, increasing by 0.9%.

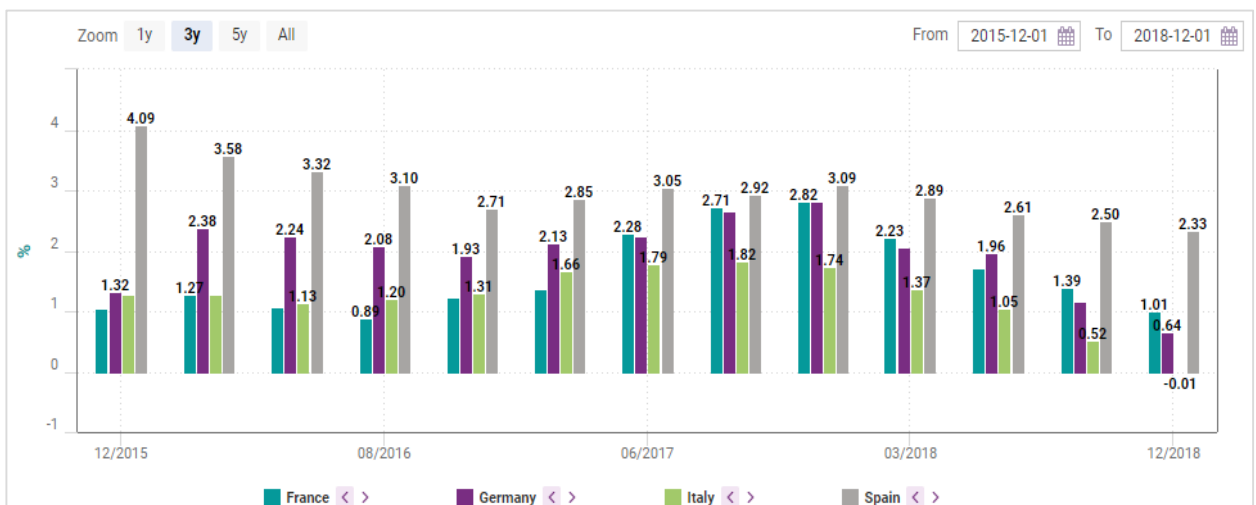
Euro area unemployment continues to decline and as of February it was at its lowest level since the 2007-2008 financial crisis – 7.8% seasonally adjusted. Nevertheless, youth unemployment (ages 15 to 24) continues to be more than two times higher, standing at 16.1%. Unemployment rates vary greatly between euro zone member states ranging from 3.1% in Germany to 18% in Greece. Wages and salaries growth decelerated moderately in Q4 2018 after three quarters of consecutive growth and stood at 2.2%. Gross average salaries growth was particularly strong in Germany (3.4%) despite troubles in the manufacturing sector. In addition to this, average wages in Germany continue to be the highest among the top four euro zone economies, amounting to EUR 3,938 per month.

After a weak start of 2019, construction output in the euro zone accelerated in February, growing by 4.9% y/y and 2.3% m/m seasonally adjusted. Both building and civil engineering performed strongly with the latter recording its strongest growth in 12 years. On the other hand, construction costs decelerated slightly in Q3 2019 but their growth has remained above 2% since May 2018. Nevertheless, construction confidence in the euro zone was at a record high in the second half of 2018, reaching 8.4 pp in January.

GDP: Real Growth and Nominal



Real GDP Growth: Top 4 Economies

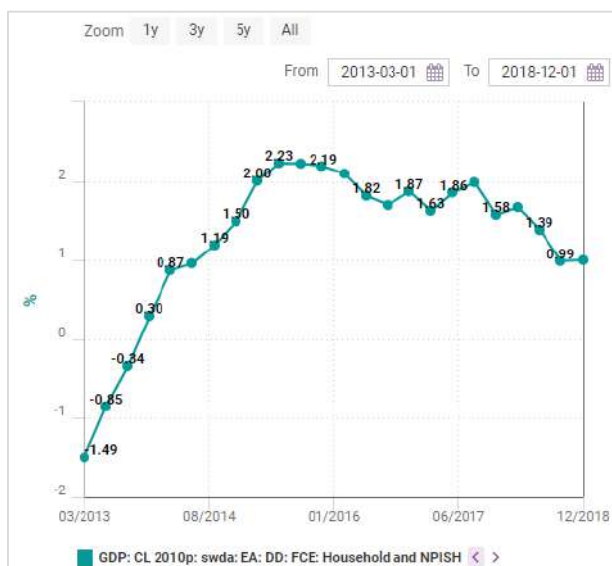


Source: CEIC Data

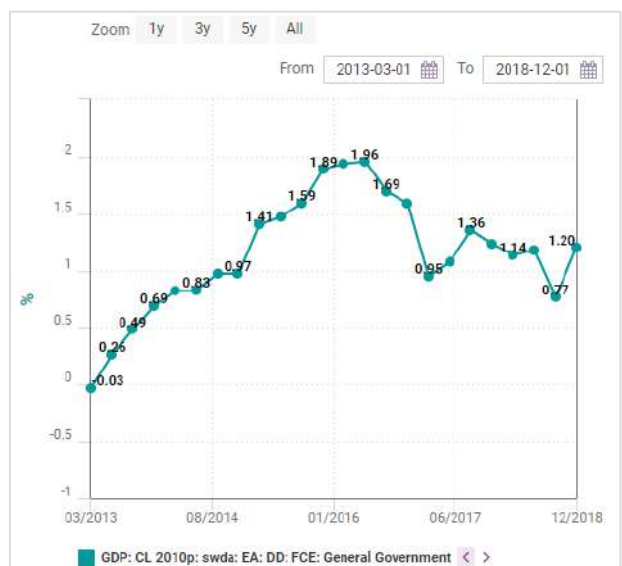
GDP by Expenditure

	Unit	12.2018	09.2018	06.2018	03.2018	12.2017	09.2017	06.2017	03.2017
GDP: CL 2010p: swda: EA	EUR bn	2652.14	2646.33	2642.62	2631.69	2621.89	2603.72	2586.45	2569.30
Domestic Demand (DD)	EUR bn	2542.81	2539.22	2525.07	2514.95	2500.06	2491.38	2485.86	2467.87
DD: Final Consumption Expenditure (FCE)	EUR bn	1969.59	1962.55	1960.71	1955.98	1948.97	1944.48	1934.98	1926.58
DD: FCE: General Government	EUR bn	545.64	541.99	541.73	539.46	539.15	537.86	535.41	533.39
DD: FCE: Household and NPISH	EUR bn	1424.01	1420.58	1419.01	1416.55	1409.87	1406.67	1399.62	1393.24
DD: Gross Capital Formation (GCF)	EUR bn	573.60	577.06	564.72	559.30	551.41	547.21	551.23	541.59
DD: GCF: Gross Fixed Capital Formation	EUR bn	564.73	557.55	554.80	546.28	545.46	539.27	539.65	528.24
Exports	EUR bn	1315.51	1300.42	1297.68	1283.61	1291.26	1264.46	1248.23	1235.32
Exports: Goods	EUR bn	971.69	961.54	964.42	954.98	959.51	938.55	923.76	914.73
Exports: Services	EUR bn	343.77	338.87	333.49	328.90	331.98	326.08	324.50	320.65
Imports	EUR bn	1206.21	1193.25	1179.69	1166.32	1168.89	1151.59	1147.46	1133.53
Imports: Goods	EUR bn	899.31	891.77	883.78	874.94	875.95	861.76	851.32	843.95
Imports: Services	EUR bn	308.75	303.49	298.07	293.62	295.19	291.91	297.46	291.19

Households and NPISH: Consumption Expenditure: YoY

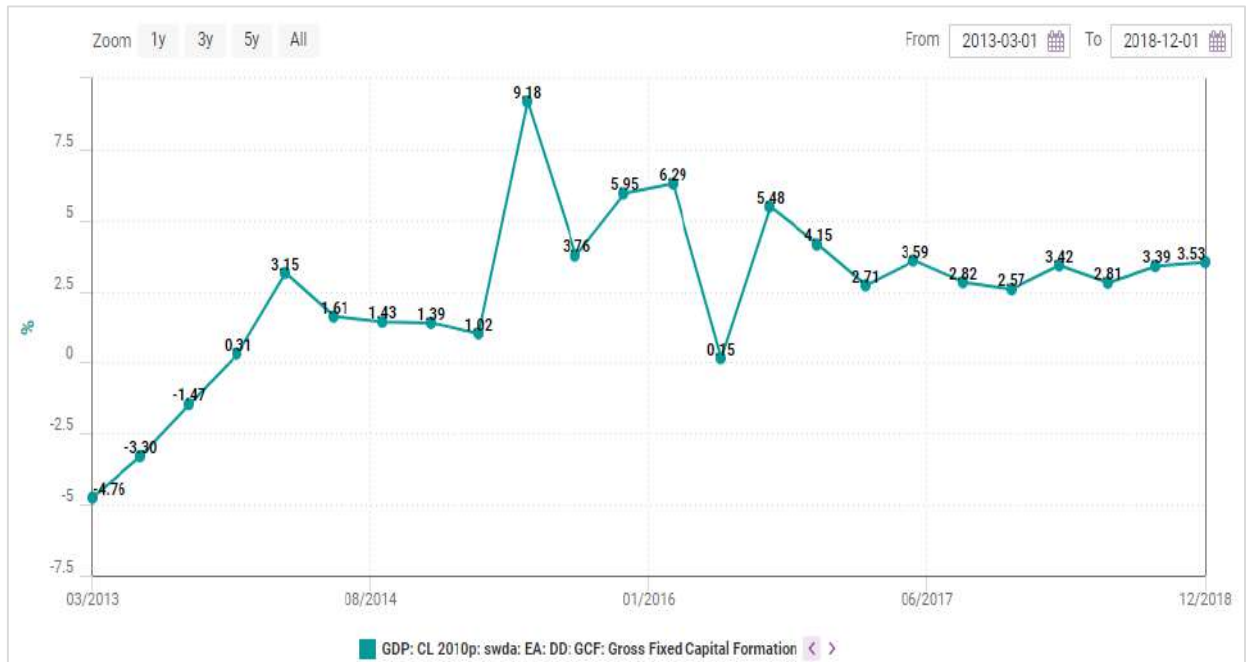


General Government: Consumption Expenditure: YoY

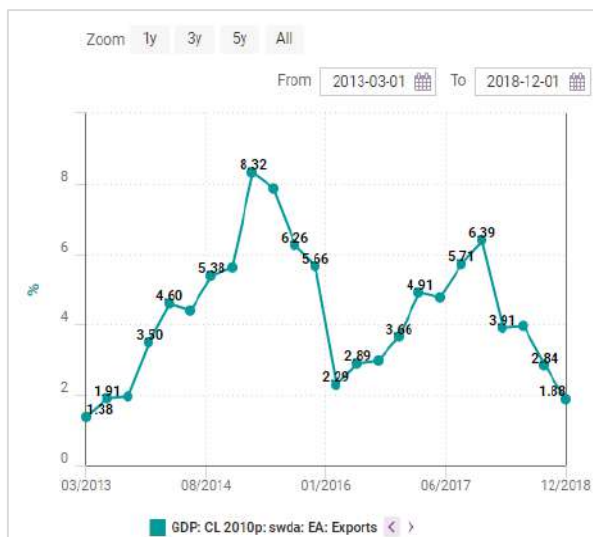


Source: CEIC Data

Fixed Investment: YoY



Exports of Goods and Services: YoY

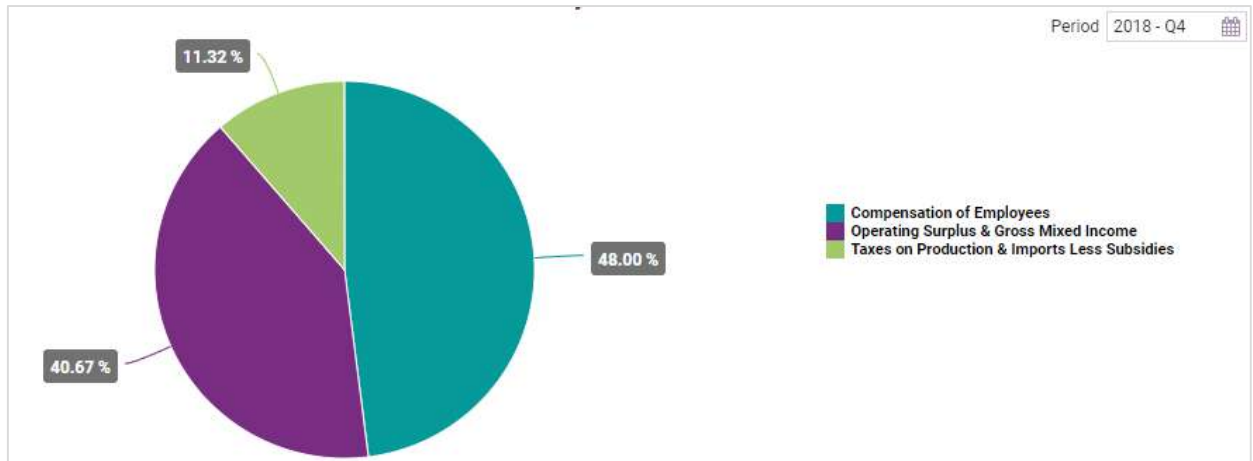


Imports of Goods and Services: YoY

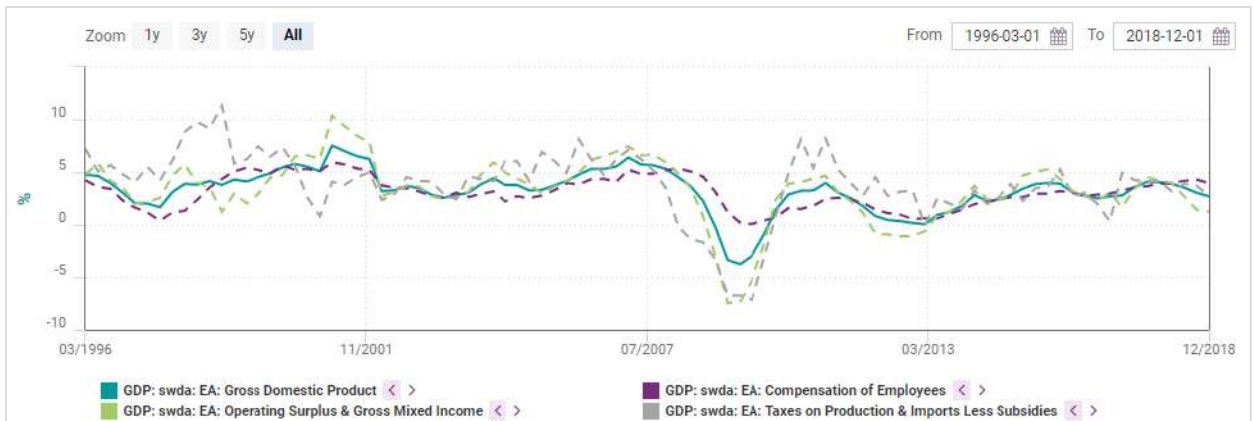


Source: CEIC Data

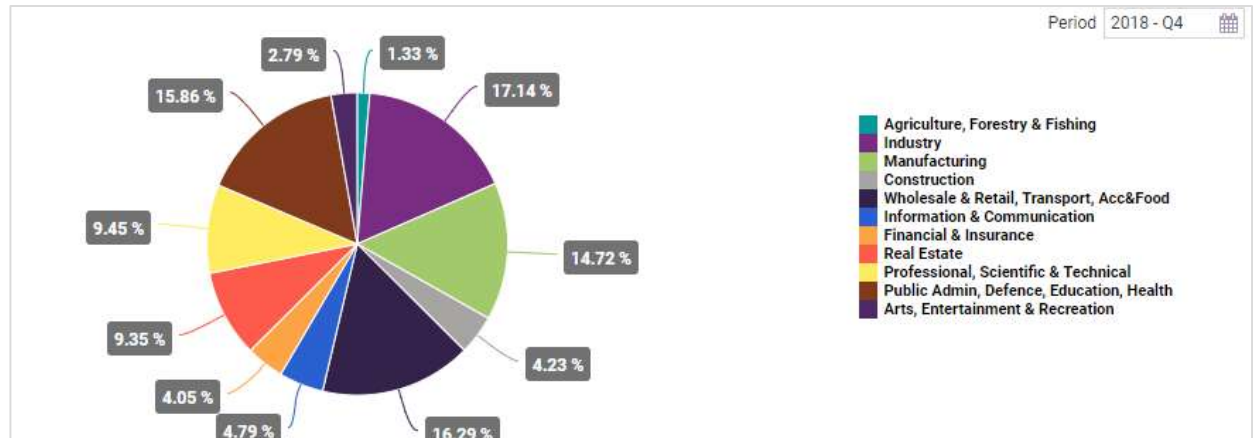
GDP: by Income



GDP by Income: YoY



Gross Value Added: by Industry

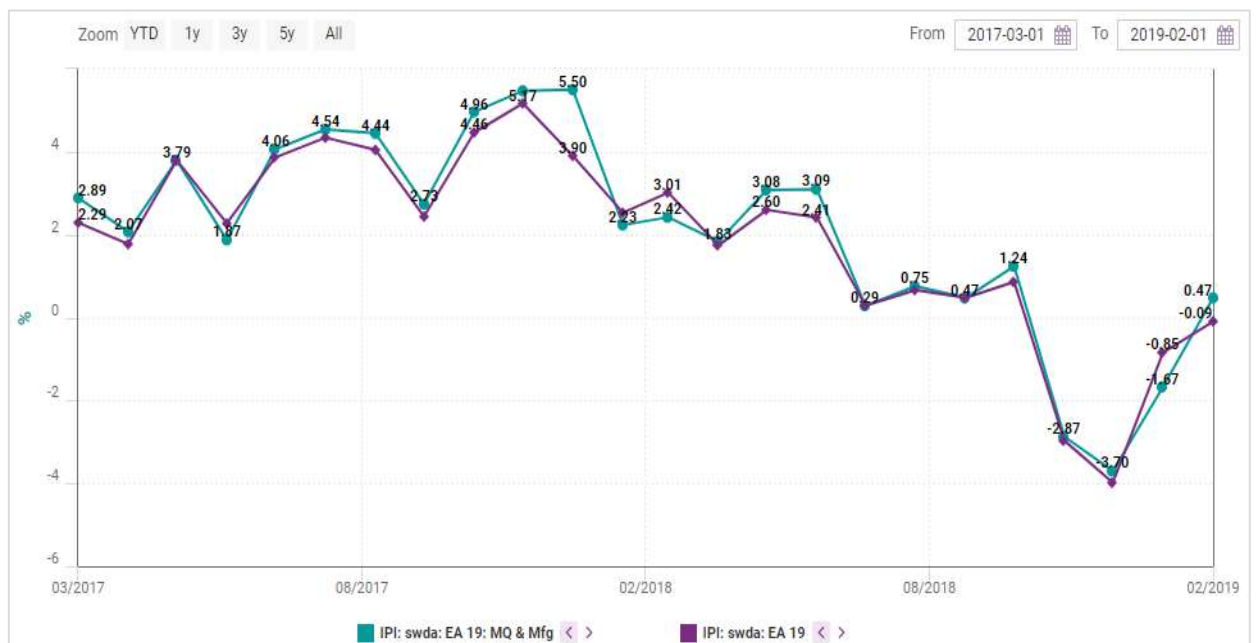


Source: CEIC Data

GVA Growth: Major Industries

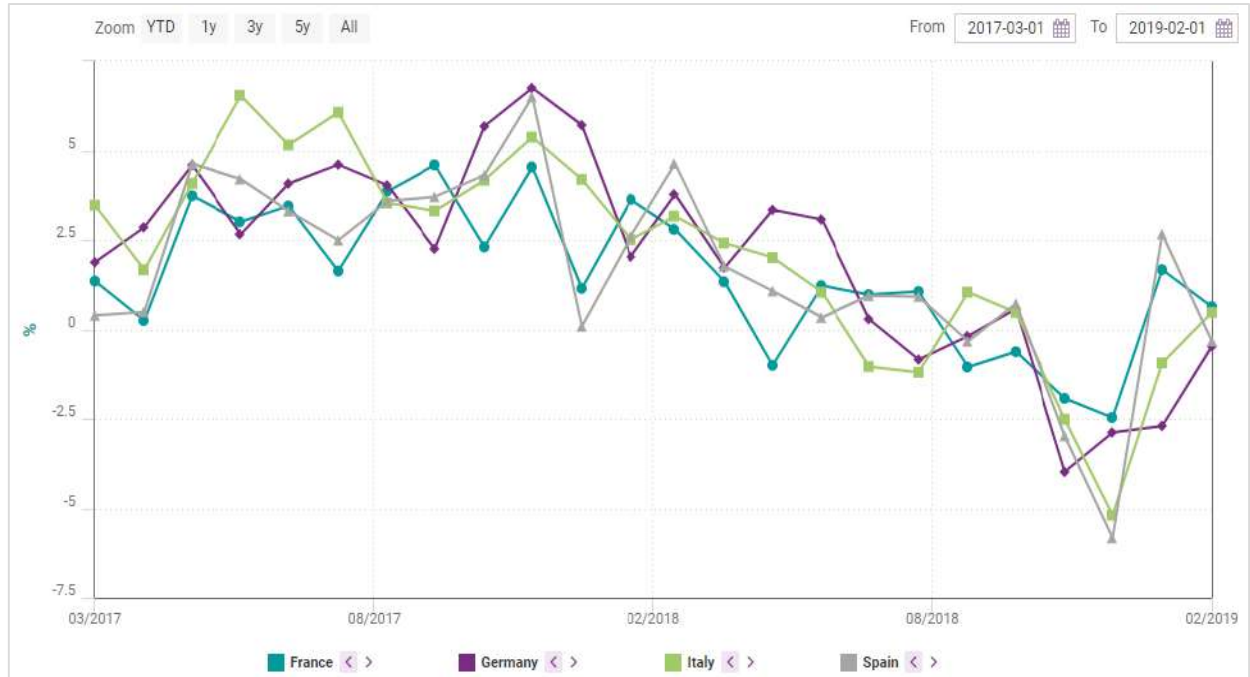


Industrial Production Index: YoY

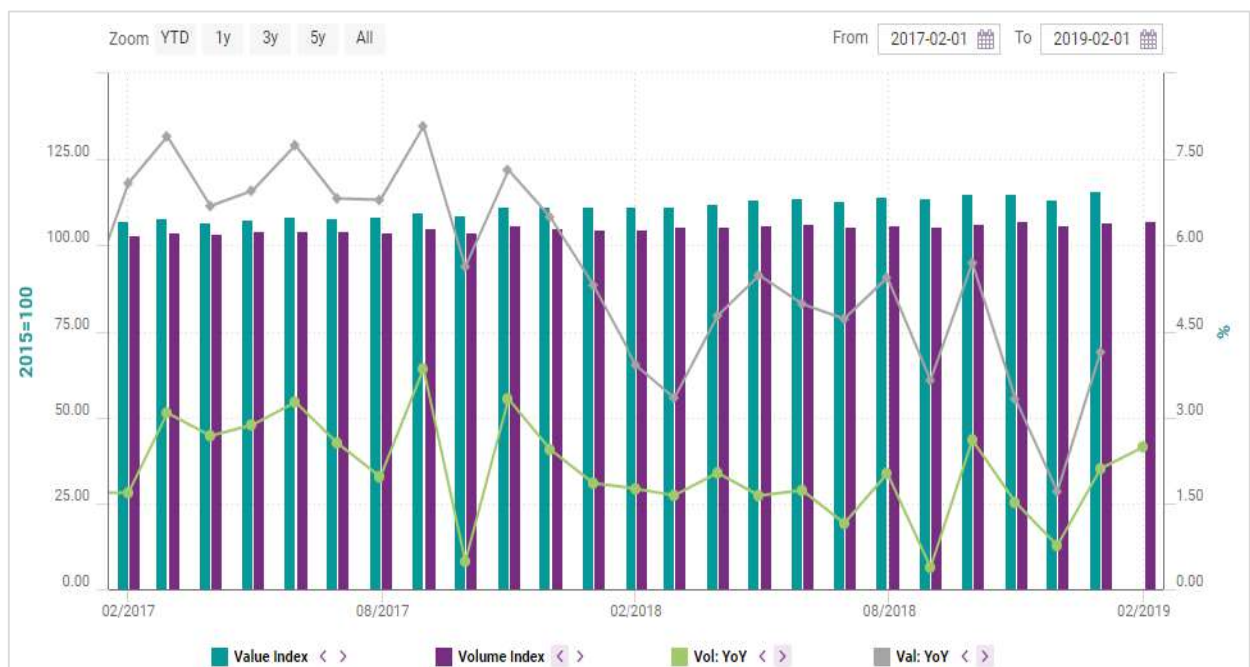


Source: CEIC Data

IPI: Top 4 Economies

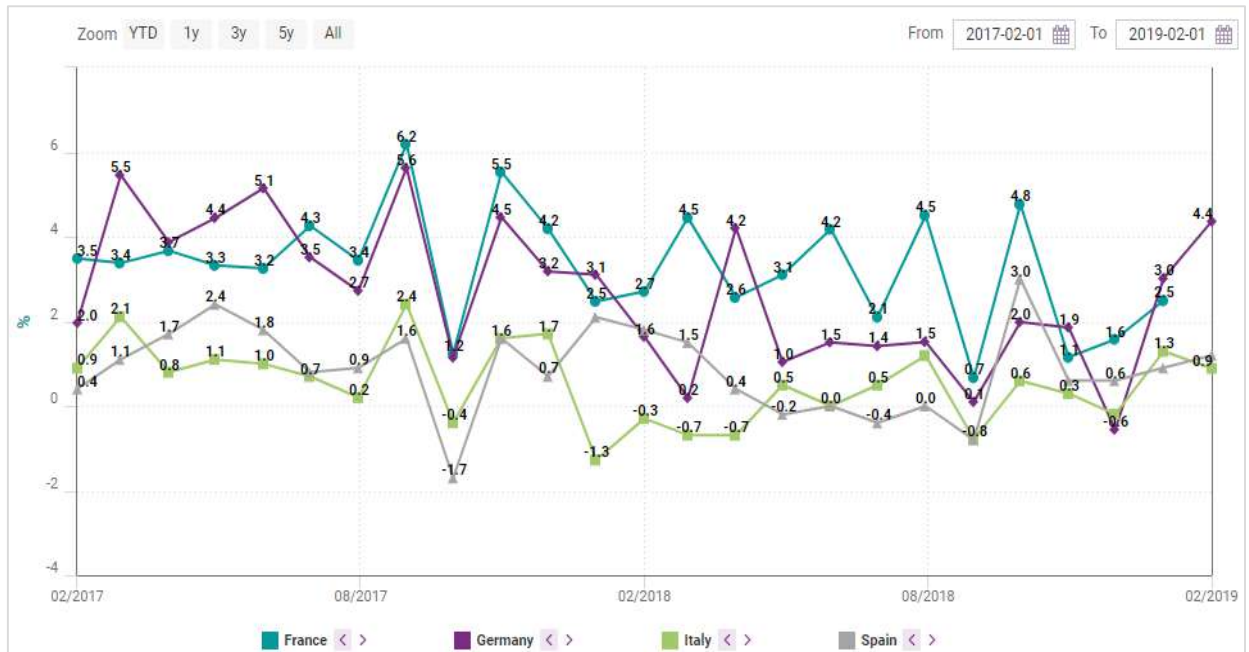


Wholesale and Retail Trade Index: Volume and Value

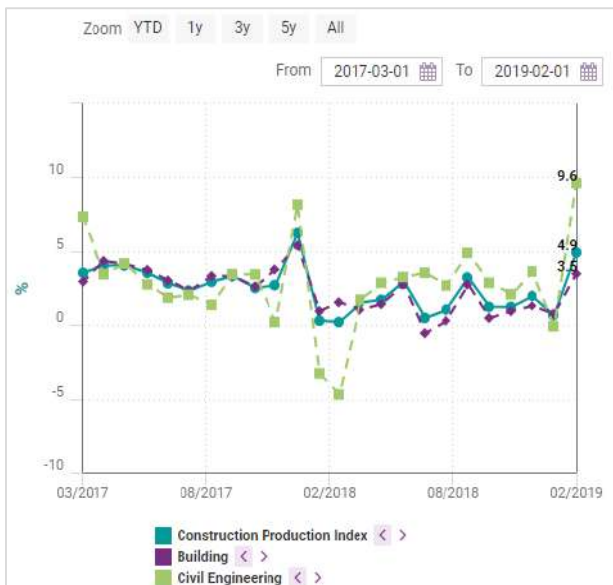


Source: CEIC Data

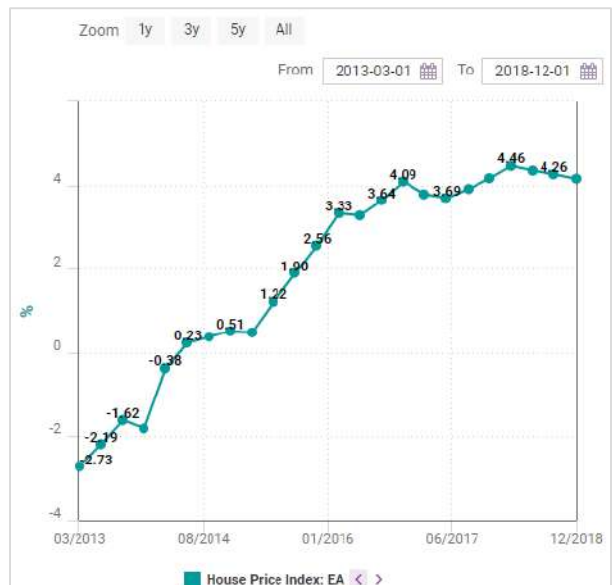
Retail Sales: Top 4 Economies



Construction Production Index: YoY

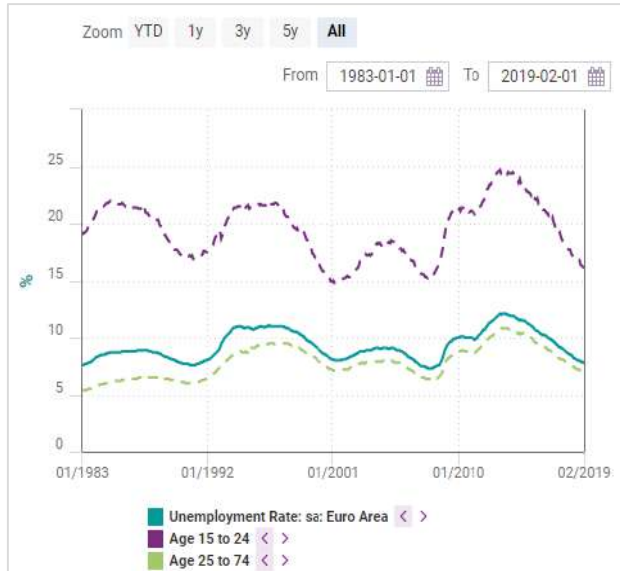


House Price Index: YoY



Source: CEIC Data

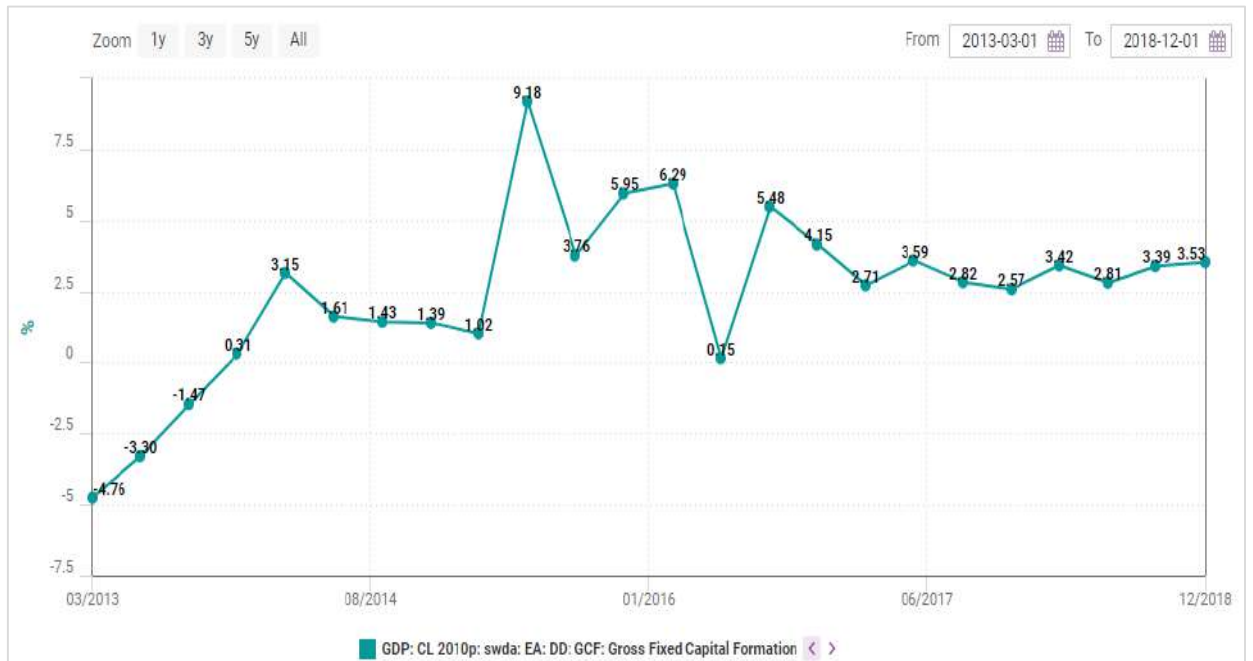
Unemployment Rate



Wages and Salaries Index: YoY



Unemployment Rate: Top 4 Economies



Source: CEIC Data



Monetary & Financial Sector



Monetary & Financial Sector

Consumer price inflation in the euro zone has been declining rapidly since last October and as of March stands at 1.4%, below the ECB's target of 2%. Since 2015, the euro area has suffered from persistently low inflation rates that have only managed to reach the ECB's target for short periods. With the central bank's closure of the bond buying programme last year, the policymakers of the euro zone were expecting a new positive environment that would allow raising of interest rates, but these were put on hold because of the deeper than expected slowdown – with speculation about a possible renewal of the quantitative easing programme on the table. Core inflation (excluding prices for energy, food, alcohol and tobacco) has decelerated to 0.8% though this hardly comes as a surprise, since this indicator has been fluctuating around 1% for years now.

In March consumer prices rose most sharply among alcoholic, tobacco and narcotics goods (3.4%) and housing, water, electricity and other fuels (2.9%) with the latter also accelerating compared to the previous month. Prices of food and alcoholic beverages increased near the average by 1.4%, while the cost of services kept on decelerating and fell between total and core inflation at 1.1%. The strongest deflation was observed in communications, where the price increase has traditionally been negative, and the monthly performance mirrored last month's at -2.1%. Prices of clothing and footwear and recreation and culture also decreased, albeit marginally. Country-wise, the highest inflation y/y was observed in the Netherlands and Latvia (2.8% for both) followed by Slovakia (2.7%). Southern economies Portugal, Italy and Greece had overall consumer prices rising under 1%, while the ones closest to the ECB target were Luxembourg (2.2%) and Austria (1.8%).

Unlike consumer prices, producer prices experienced a more robust increase in February by 1.9%, which also marked the first month of acceleration since October. While most groups of goods went up only moderately, electricity, gas and air conditioning supply (8.6%), energy (7.7%) and mining and quarrying (6.7%) were those that spurred the aggregate development. Producer prices of consumer goods increased by exactly 0%, ending almost a year of continuous deflation.

During the ECB's April meeting, ECB President Mario Draghi's stance toward the euro area's economic slowdown was to use "all available instruments" to tackle it. Key ECB interest rates will remain unchanged (refinancing rate at 0%, marginal lending rate at 0.25% and deposit facility rate at -0.4%) at least until the end of 2019 (Draghi's term ends in October) and "as long as necessary" to reach the inflation target. The ECB also announced a new round of TLTROs (targeted longer-term refinancing operations) which aims to ease the credit flow to consumers over the next two years by providing favourable bank lending conditions.

The ECB meeting did not have a major impact on the stock markets or on the value of the euro and trade has remained resilient as of lately. The euro had a difficult second half of 2019 jumping from 0.81 to 0.88 EUR/USD from April to November and its average value in March stood at 0.89 EUR/USD. The performance of the common euro zone currency has been affected by the rising US yields coupled with disappointing inflation development. The weaker euro could, however, have one upside – it would provide trade benefits for export-oriented countries in the euro zone. On the stock market, the euro area rebounded from the end of 2018 and increased by 11.7% since December with the Dow Jones Euro 50 Stoxx index reaching 366.94 at the end of March. While investors would no doubt be worried about the manufacturing decline in the euro zone, the six-month Brexit delay is a cause of relief and would provide at least a short-term normalization of the EU-UK relations.

Headline and Core Inflation



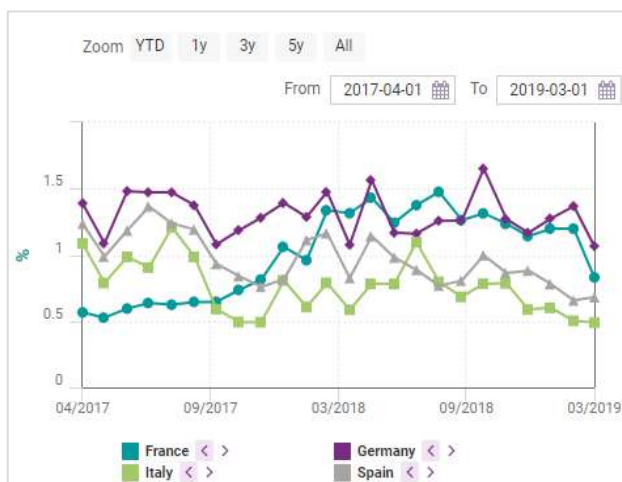
Harmonised Index of Consumer Prices



CPI: Top 4 Economies



Core CPI: Top 4 Economies

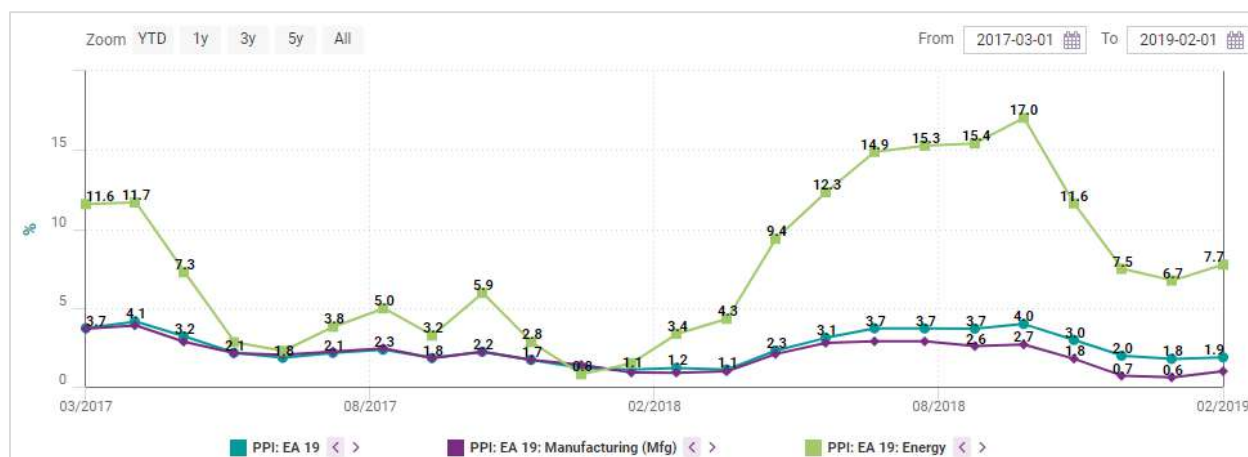


Source: CEIC Data

Harmonised Consumer Price Index

	Unit	03.2019	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018	07.2018
Harmonised Consumer Price Index: Euro Area	%	1.40	1.49	1.39	1.52	1.92	2.29	2.08	2.08	2.19
Food & Non Alcoholic	%	1.35	1.84	1.31	1.22	1.34	1.58	2.11	1.94	2.01
Alcoholic, Tobacco & Narcotics	%	3.38	3.90	3.72	3.80	4.22	4.37	4.41	4.35	4.45
Housing, Water, Electricity, Gas & Other Fuels	%	2.87	2.64	2.57	2.87	3.51	3.57	3.12	2.87	2.82
Communications	%	-2.10	-2.11	-1.97	-1.84	-1.94	-1.53	-1.15	-0.80	-0.60
Restaurants & Hotels	%	1.58	1.81	1.87	1.91	2.06	1.93	2.13	2.04	2.21
MS: Insurance	%	1.19	1.64	1.61	1.74	1.76	1.63	0.56	0.55	0.62
Services	%	1.14	1.36	1.57	1.34	1.37	1.73	1.42	1.53	1.61
All Items: excl Energy & Seasonal Food	%	0.96	1.16	1.22	1.06	1.12	1.34	1.16	1.24	1.33
Clothing & Footwear	%	-0.07	1.13	1.20	0.44	0.39	0.29	-0.23	-0.51	0.60
Furnishings, Household Equipment	%	0.29	0.45	0.40	0.43	0.49	0.48	0.39	0.26	0.25
Health	%	0.88	0.88	0.86	0.83	0.88	0.80	0.89	0.85	0.77
Transport	%	2.12	1.24	0.83	2.17	3.96	4.92	4.45	4.60	4.60
Recreation & Culture	%	-0.01	0.68	1.32	0.27	-0.08	1.83	0.99	1.38	1.51
Education	%	0.00	0.00	0.00	-0.07	-0.10	-0.13	-3.29	-3.55	-2.00
Miscellaneous Goods & Services	%	1.45	1.57	1.56	1.67	1.71	1.66	1.35	1.34	1.33
Goods excl Services	%	1.62	1.58	1.24	1.67	2.36	2.72	2.62	2.57	2.68

Producer Price Index: EA 19



Source: CEIC Data

Producer Price Index: EA

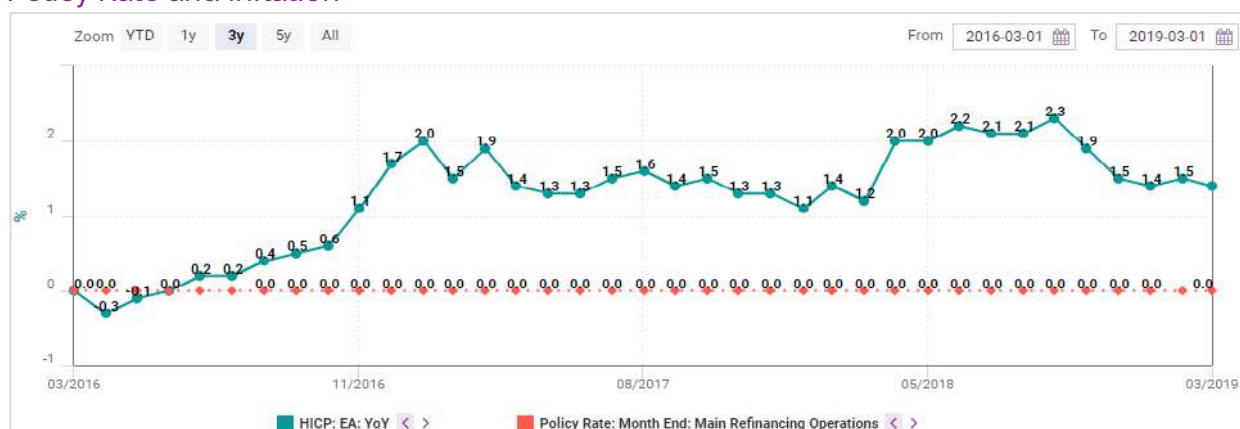
	Unit	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018	07.2018
PPI: EA 19	%	1.86	1.76	1.96	2.96	3.97	3.68	3.69	3.70
Industry: excl Construction	%	1.86	1.86	1.96	2.96	3.97	3.68	3.69	3.59
MQ & Mfg	%	0.98	0.49	0.88	1.87	2.87	2.77	2.88	2.88
Mining & Quarrying (MQ)	%	6.74	5.86	8.54	13.16	17.71	15.53	14.29	12.57
Manufacturing (Mfg)	%	0.98	0.59	0.69	1.77	2.67	2.57	2.87	2.88
Electricity, Gas & Air Conditioning Supply (EA)	%	8.63	11.55	9.81	10.42	12.31	10.98	9.91	8.67
Intermediate Goods	%	1.36	1.65	2.15	2.74	2.84	3.15	3.46	3.36
Energy	%	7.74	6.73	7.47	11.61	17.04	15.42	15.27	14.87
Capital Goods	%	0.49	0.49	0.30	0.79	1.30	1.09	1.29	1.09
Consumer Goods	%	0.00	-0.20	-0.49	-0.49	-0.79	-0.88	-0.79	-0.79
Consumer Durables	%	0.79	0.89	0.69	0.69	0.59	0.59	0.59	0.59
Consumer Non Durables	%	0.00	-0.39	-0.69	-0.69	-0.89	-0.98	-0.88	-0.98

PPI: Top 4 Economies

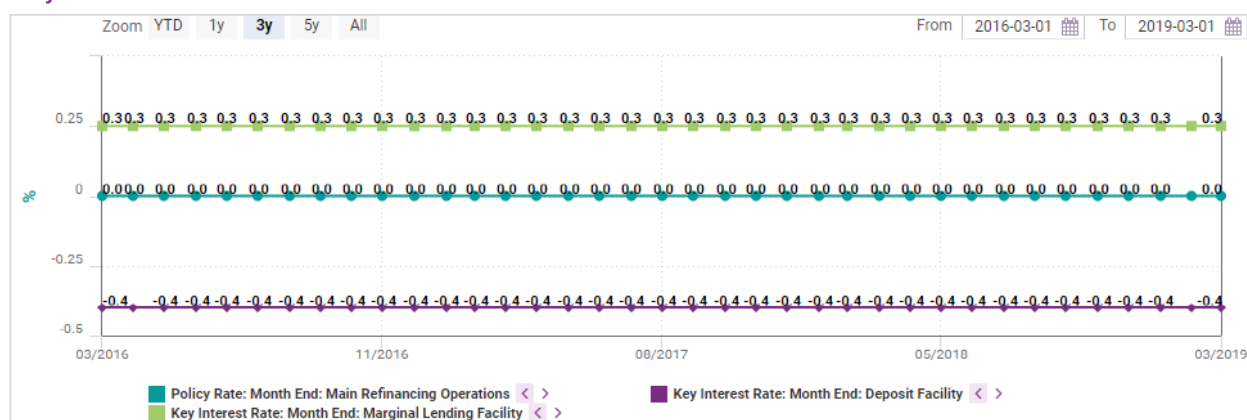


Source: CEIC Data

Policy Rate and Inflation



Key Rates

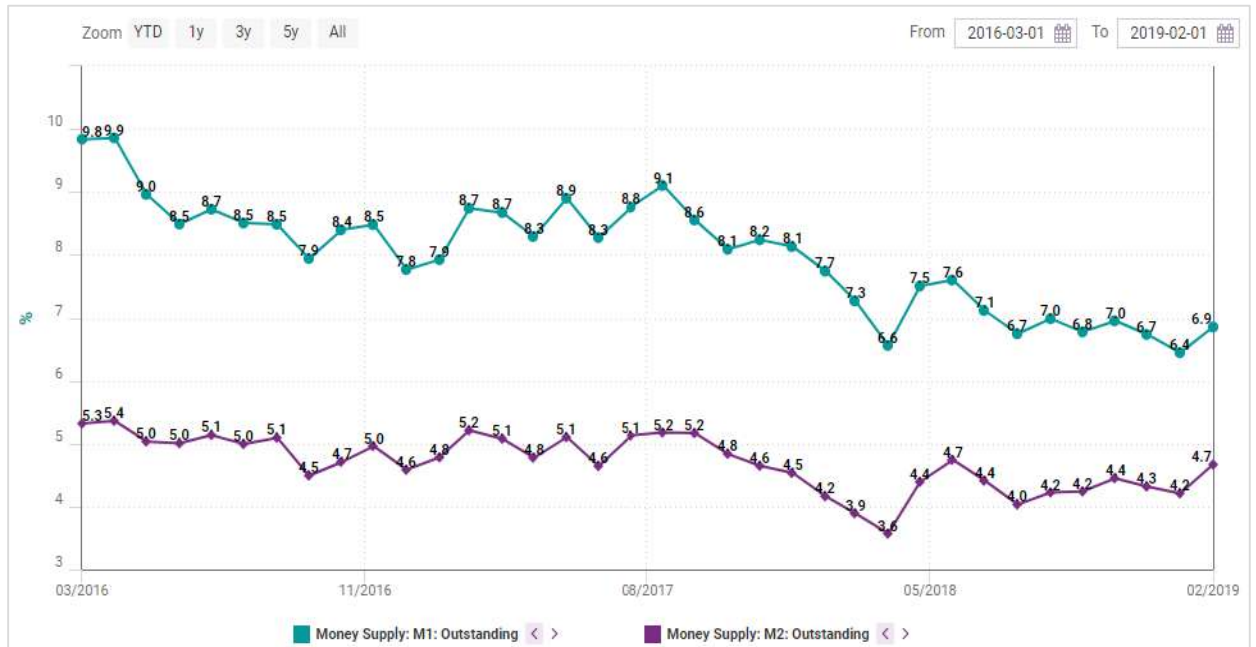


Key Rates

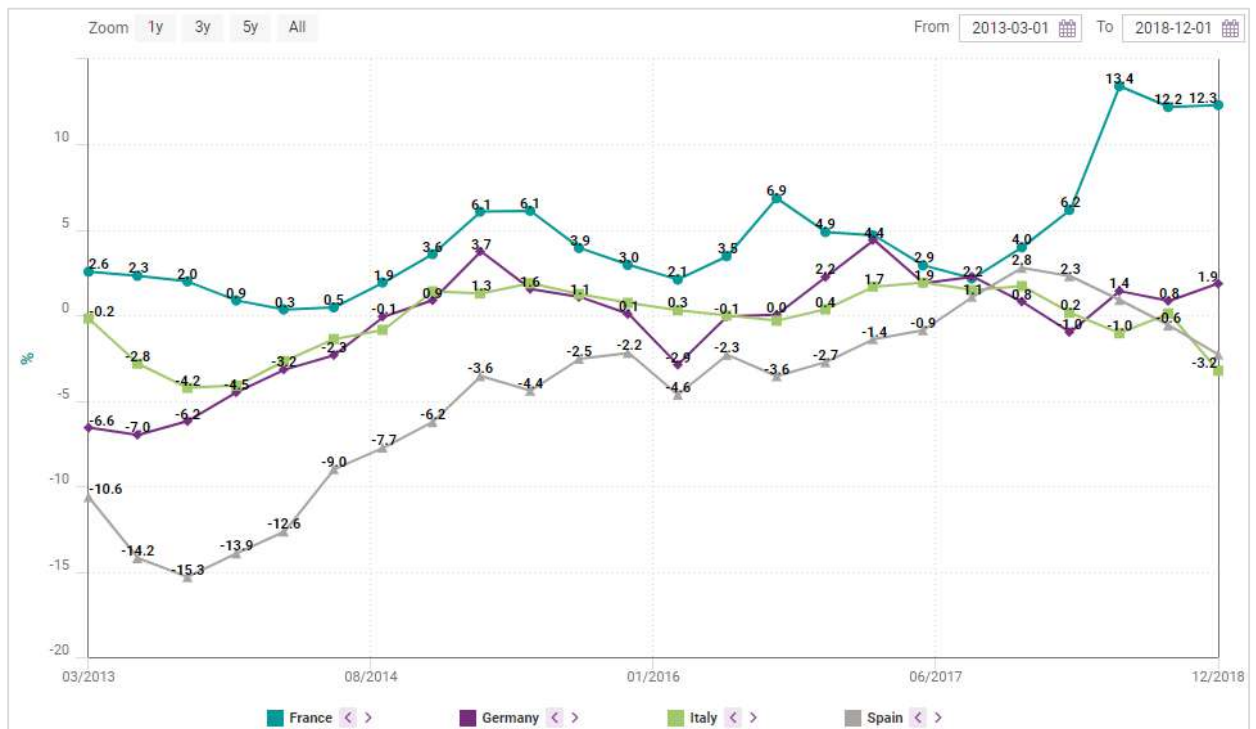
	Unit	03.2019	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018
Policy Rate: Month End: Main Refinancing Operations	% pa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Key Interest Rate: Month End: Deposit Facility	% pa	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
Key Interest Rate: Month End: Marginal Lending Facility	% pa	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
RRR: Reserve Coefficient: OvernightDeposit,Deposit,Debt Sec., MMPaper	%		1.00	1.00	1.00	1.00	1.00	1.00	1.00
MFI: Lending Rate: NB: HH: Consumer Credit (CC): Fixation: Total	% pa		5.66	5.76	5.39	5.58	5.64	5.69	5.83
MFI: Lending Rate: NB: HH: House Purchase (HP): Fixation: Total	% pa		1.80	1.81	1.81	1.83	1.81	1.81	1.82
Euro Index Average (EONIA): Overnight	% pa	-0.36	-0.37	-0.36	-0.36	-0.35	-0.34	-0.35	-0.34
Short Term Interest Rate: Month End: EURIBOR: 3 Months	% pa	-0.32	-0.31	-0.31	-0.31	-0.32	-0.32	-0.32	-0.32
Euro Interbank Rate: Month Average: Overnight: Euro Area	% pa	-0.37	-0.37	-0.37	-0.36	-0.36	-0.37	-0.36	-0.36

Source: CEIC Data

Money Supply: YoY Growth



Total Loans Growth: Top 4 Economies



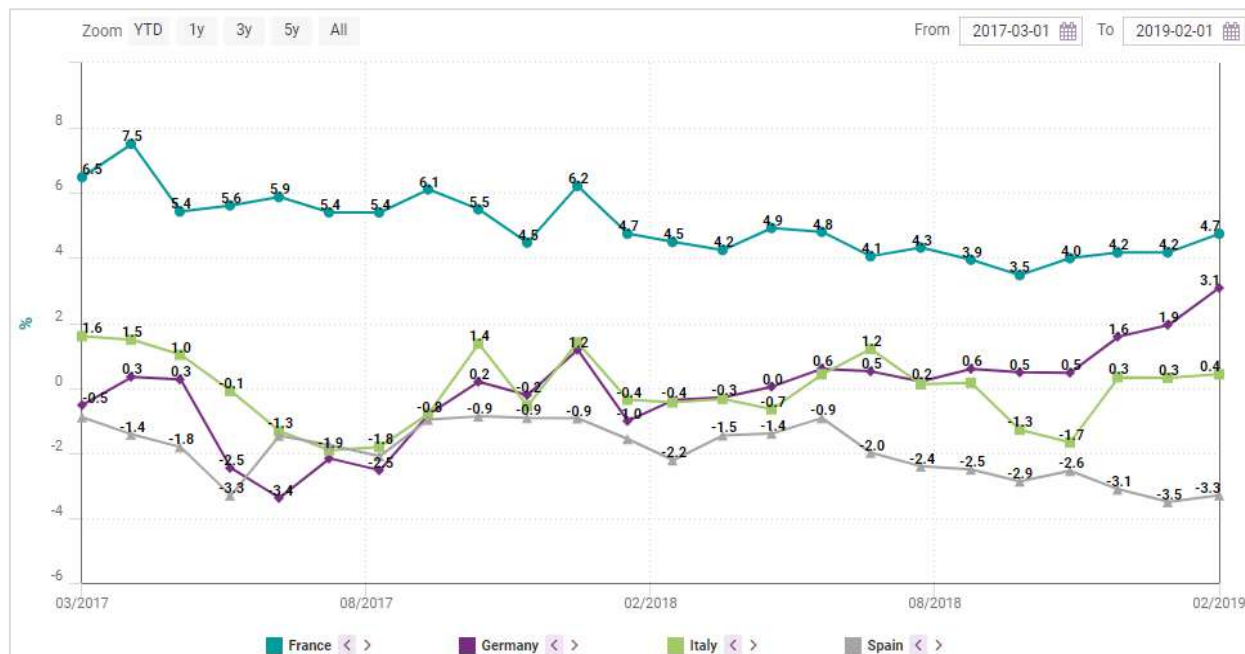
Source: CEIC Data

Eurosystem: Reserve and Foreign Assets

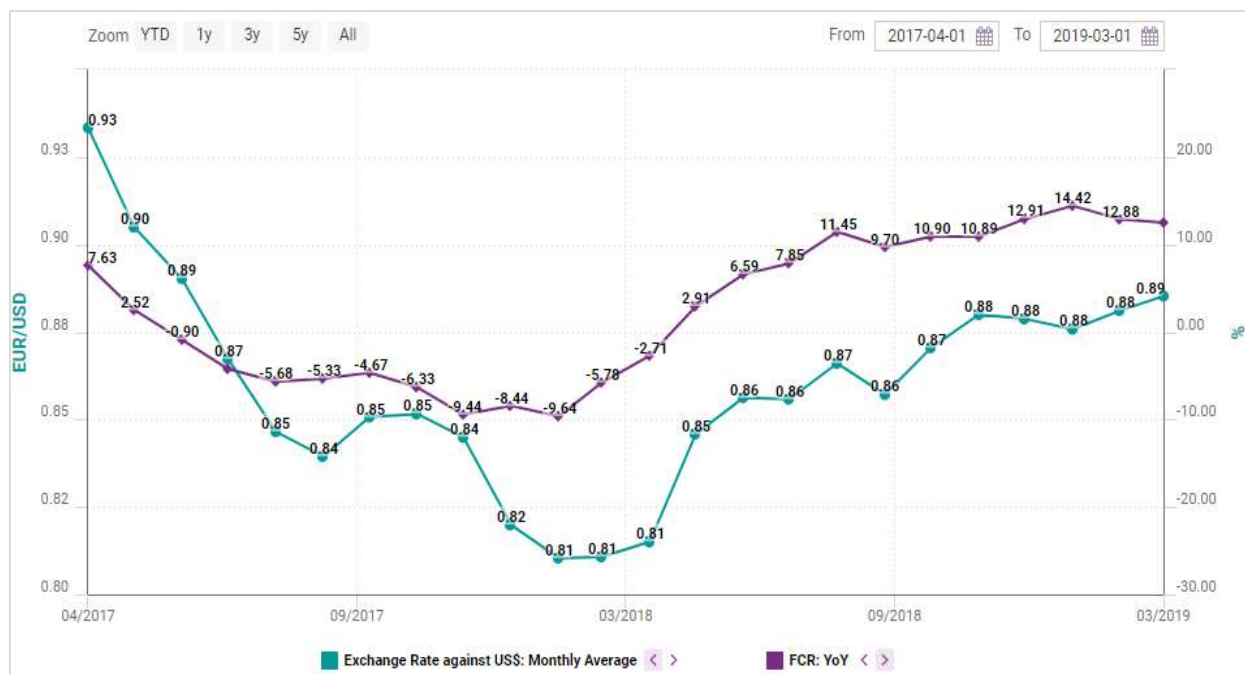
	Unit	03.2019	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018
Official Reserve Assets (ORA)	EUR bn	741.14	732.86	728.40	719.05	700.37	696.85	673.93	674.95
ORA: ow Include Financial Derivatives	EUR bn	259.56	252.04	251.57	253.15	250.66	248.02	245.05	242.28
ORA: Foreign Currency Reserves (FCR)	%	12.50	12.88	14.42	12.91	10.89	10.90	9.70	11.45
ORA: FCR: Securities	EUR bn	219.77	212.76	209.33	202.74	208.15	206.62	202.73	200.67
ORA: FCR: Securities: ow Issuer Headquartered in EA	EUR bn	0.11	0.10	0.10	0.10	0.10	0.11	0.13	0.13
ORA: FCR: Total Currency & Deposits with (CD)	EUR bn	39.90	39.21	42.27	50.42	42.35	41.24	42.06	41.34
ORA: FCR: CD: Other National Central Banks, BIS & IMF	EUR bn	31.75	28.93	31.00	41.72	29.30	32.01	35.69	32.32
ORA: FCR: CD: Banks	EUR bn	8.15	10.28	11.28	8.70	13.05	9.23	6.37	9.02
ORA: FCR: CD: Banks: HQ in Euro Area & Located Abroad	EUR bn	0.25	1.23	1.48	0.51	1.82	1.81	0.47	1.15
ORA: FCR: CD: Banks: HQ & Located Outside Euro Area	EUR bn	7.90	9.05	9.80	8.19	11.23	7.43	5.90	7.87
ORA: IMF Reserve Position	EUR bn	22.26	22.17	22.11	22.15	20.99	21.15	19.85	19.81
ORA: SDR	EUR bn	52.75	52.28	52.07	51.76	51.66	51.62	50.92	50.77
ORA: Gold Including Gold Deposits & Gold Swapped	EUR bn	400.80	402.36	399.22	388.45	372.34	372.04	354.26	358.19
ORA: Gold Including Gold Deposits & Gold Swapped: Volume	Unit mn	346.54	346.54	346.54	346.53	346.54	346.53	346.53	346.53
ORA: Other Claim	EUR bn	5.66	4.08	3.40	3.54	4.86	4.17	4.12	4.16
ORA: Other Claim: excl Financial Derivatives	EUR bn	5.67	4.00	3.43	3.54	4.68	4.01	3.85	3.87
ORA: Other Claim: Financial Derivatives	EUR bn	-0.10	0.07	-0.04	-0.01	0.16	0.16	0.27	0.26
ORA: Other Claim: Other	EUR bn	0.10	0.00	0.00	0.00	0.03	0.00	0.01	0.02
Other Foreign Currency Assets (FC)	EUR bn	20.07	20.95	21.59	20.60	17.55	20.13	17.96	20.58
FC: Securities Not Included in Office Reserve Assets	EUR bn	7.25	7.06	6.70	6.03	6.44	6.07	5.84	5.85
FC: Deposits Not Included in Office Reserve Assets	EUR bn	12.98	13.95	14.96	14.62	11.05	14.11	12.05	14.64
FC: Loans Not Included in Office Reserve Assets	EUR bn	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
FC: Financial Not Included in Office Reserve Assets	EUR bn	-0.20	-0.10	-0.11	-0.10	0.02	-0.09	0.04	0.05
FC: Other	EUR bn	0.03	0.02	0.02	0.03	0.03	0.02	0.02	0.02

Source: CEIC Data

Domestic Credit Growth: Top 4 Economies

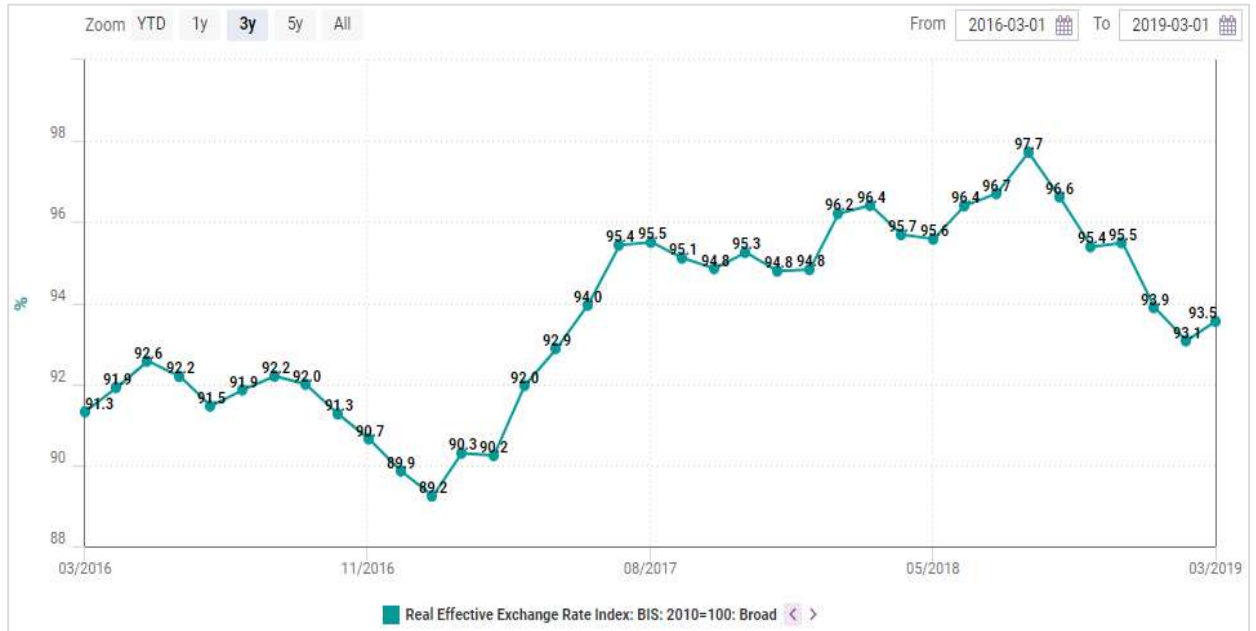


FX Rate and Foreign Currency Reserves Growth

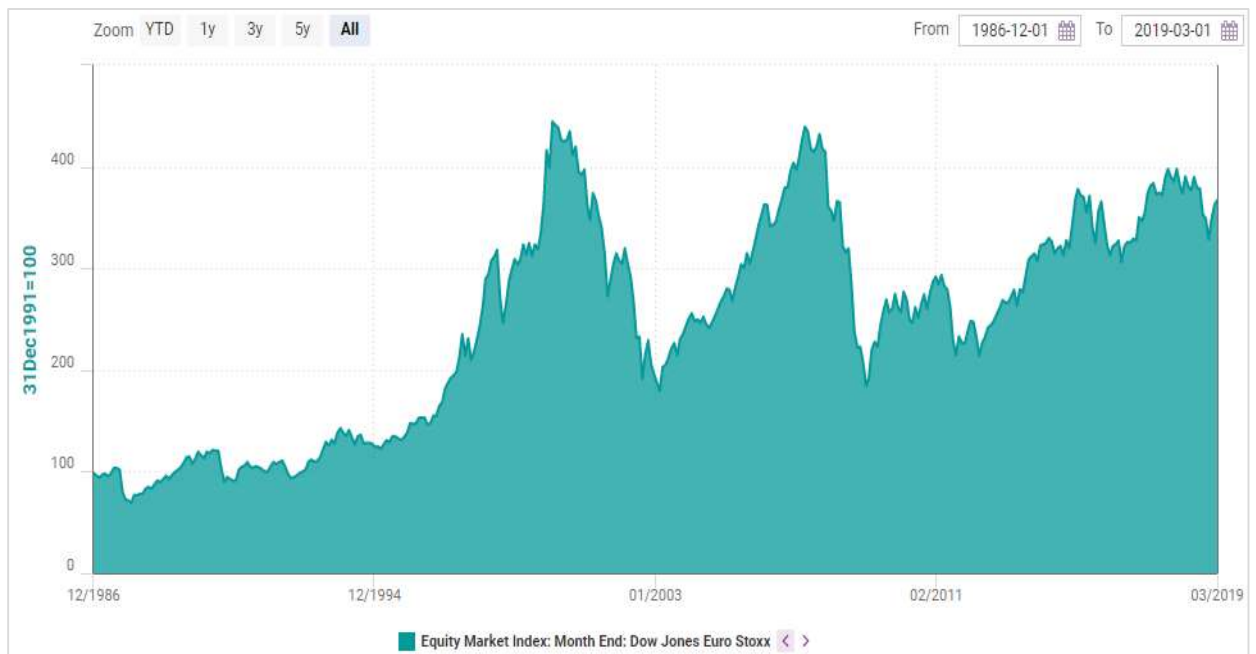


Source: CEIC Data

Real Effective Exchange Rate Index: BIS: 2010=100: Broad



Equity Market Index: Month End: Dow Jones Euro Stoxx



Source: CEIC Data



In, On and For Emerging Markets

Euro Area Economy in a Snapshot, Q1 2019

A CEIC Insights Report



Fiscal Sector

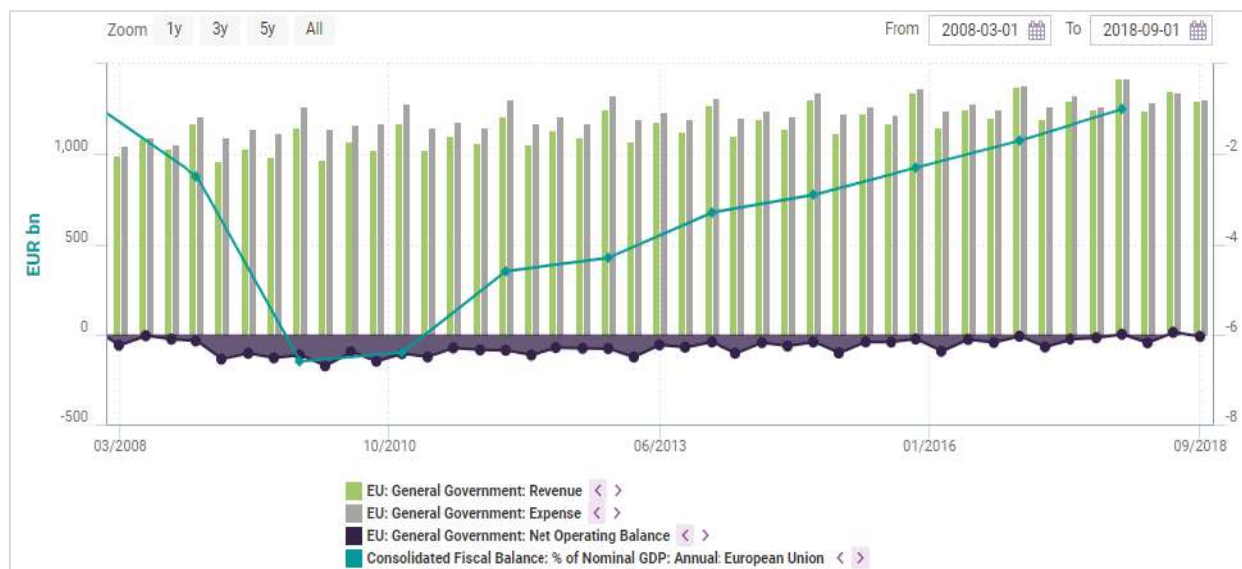


Fiscal Sector

According to the European Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN), the euro zone fiscal deficit stood at 0.6%, its best performance since 2000 and the ninth consecutive year of deficit decrease. Forecasts for the next two years show that fiscal regulation would be loosened, albeit very slightly, and deficits for 2019 and 2020 would amount to 0.8% and 0.7% respectively. The euro area follows a notoriously strict fiscal policy aimed at decreasing deficit and if possible achieving a surplus – a strategy which has put policymakers at odds with some euro zone member states that see tightening fiscal balances as an obstacle in the path of economic development. Lately this has been the case with Italy, whose intentions to increase its fiscal deficit to 2.4% instead of the euro zone approved 2% was met with ire by the latter. On the other hand, Spain's government has pledged to reduce its fiscal deficit to 1.8% in 2019 from 2.6% as of Q4 2018 – an intention which seems highly unrealistic, for two reasons: the deceleration of Spain's GDP in light of global tendencies, and the political instability that has pushed for a snap election on April 28.

Despite the total euro zone public debt's reaching a record high EUR 10.2tn in 2018 according to DG ECFIN, it decreased as a percentage of nominal GDP, amounting to 86.9%. Among the four largest euro area economies only Germany was close to the Maastricht criteria of 60% debt-to-GDP ratio with 60.9% as of Q4 2018, while Italy again was among the most indebted with 132.2%. With the combination of high debt, increasing deficit and practically no GDP growth, Italy seems to be the most fiscally-troubled member of the euro zone, replacing Greece as the chief source of woe for Brussels. In fact, the Greek economy has been on a fast track to recovery lately, running eight consecutive quarters of fiscal surplus (0.9% as of Q3 2018) and 10-year bond yields falling to 3% in April, showing a high confidence of investors.

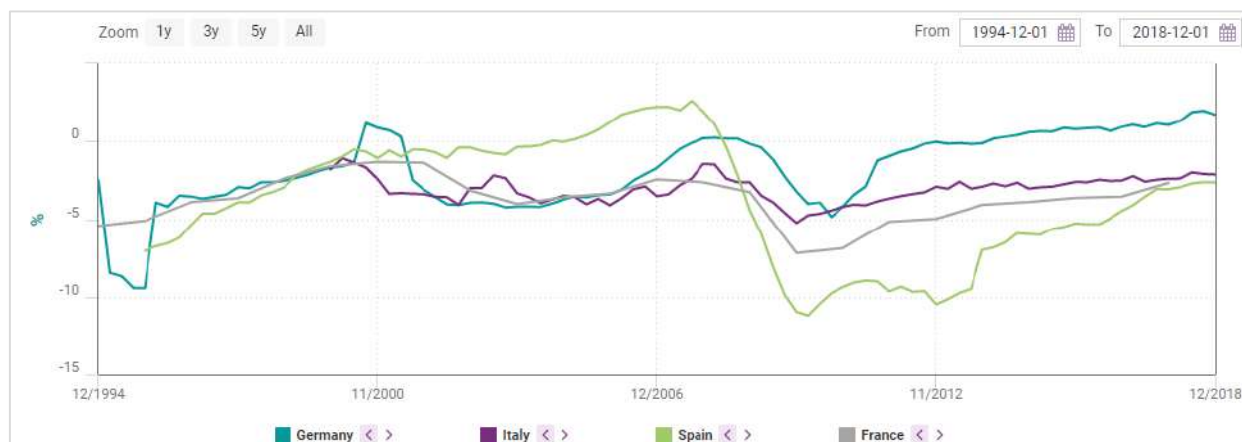
General Government Balance: Euro Area



General Government Balance: Top 4

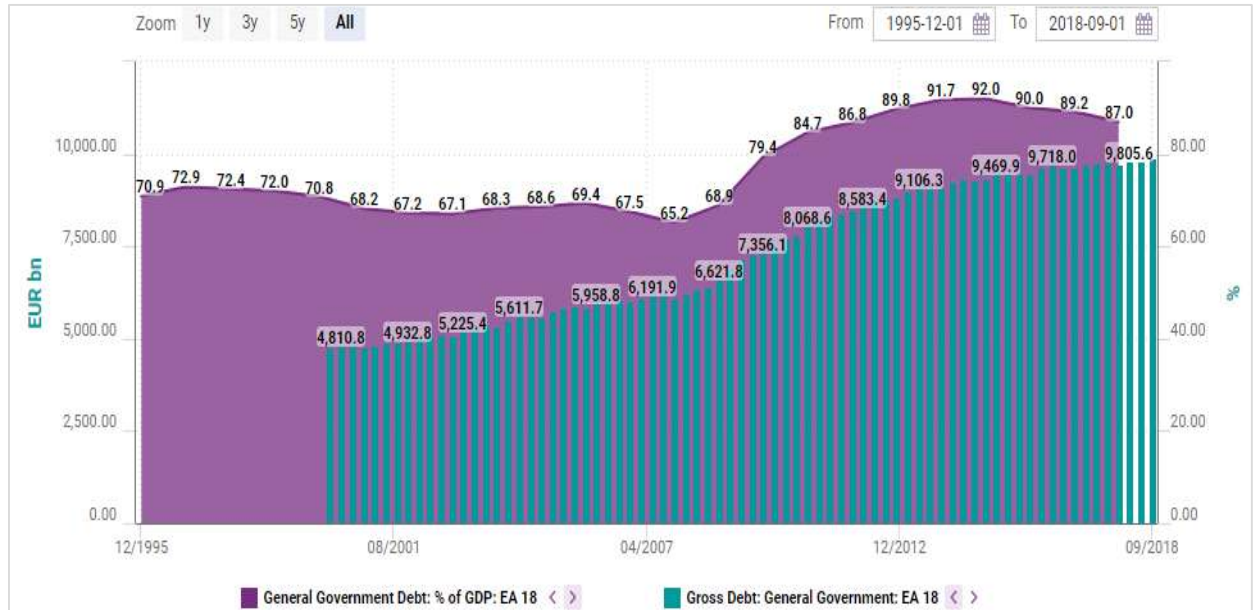
	Unit	12.2018	09.2018	06.2018	03.2018	12.2017	09.2017	06.2017	03.2017
Germany	EUR bn	0.44	9.33	30.60	17.64	8.22	6.00	11.42	8.37
France	EUR bn	-15.00	-16.40	-14.97	-13.28	-13.68	-17.81	-14.93	-17.43
Italy	EUR bn	-9.16	-9.64	-2.12	-16.63	-8.44	-7.79	-8.75	-16.57
Spain	EUR bn	-18.00	8.16	-17.87	-4.10	-17.62	7.48	-20.43	-5.33

Consolidated Fiscal Balance: % of Nominal GDP

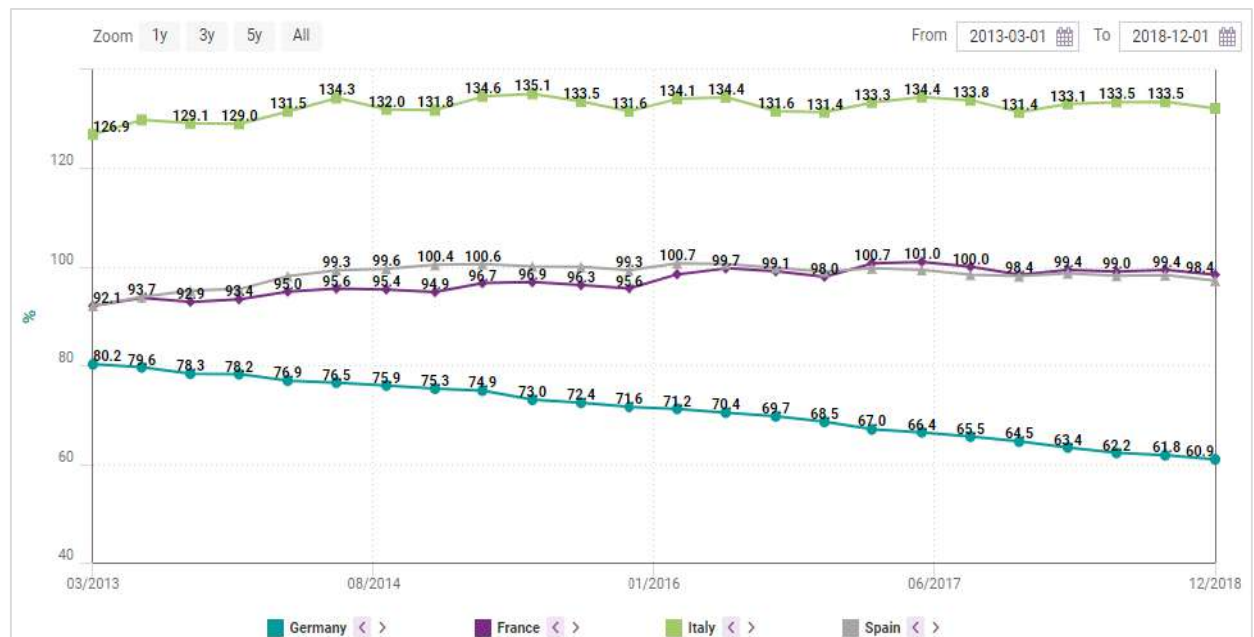


Source: CEIC Data

Government Debt: EA 18

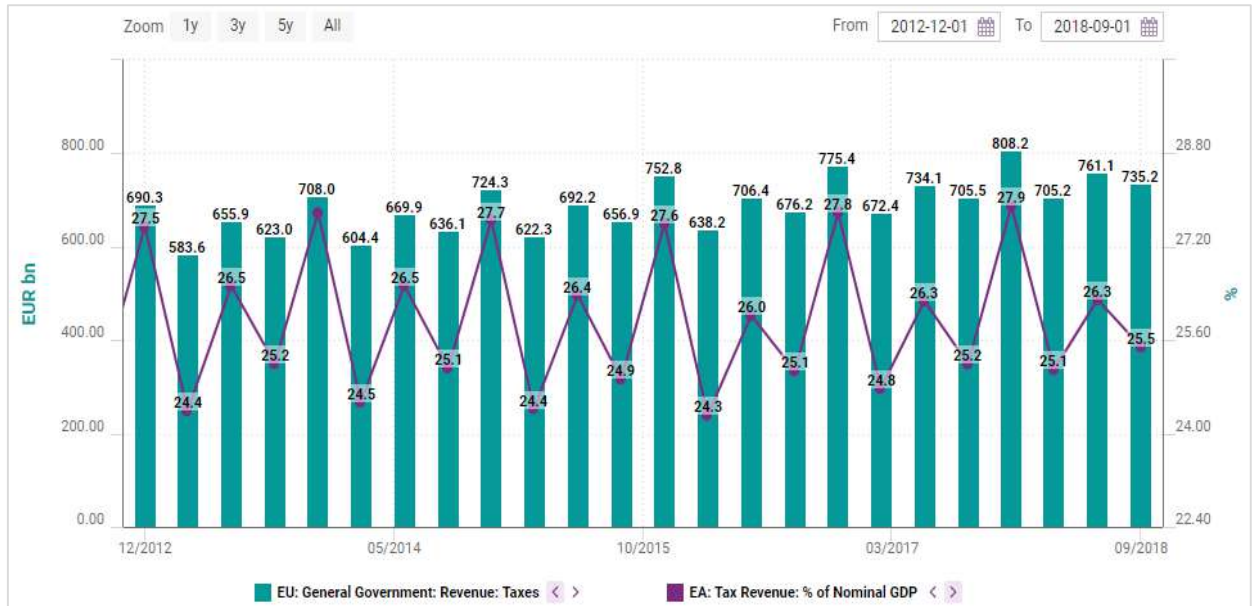


Government Debt: % of GDP: Top 4

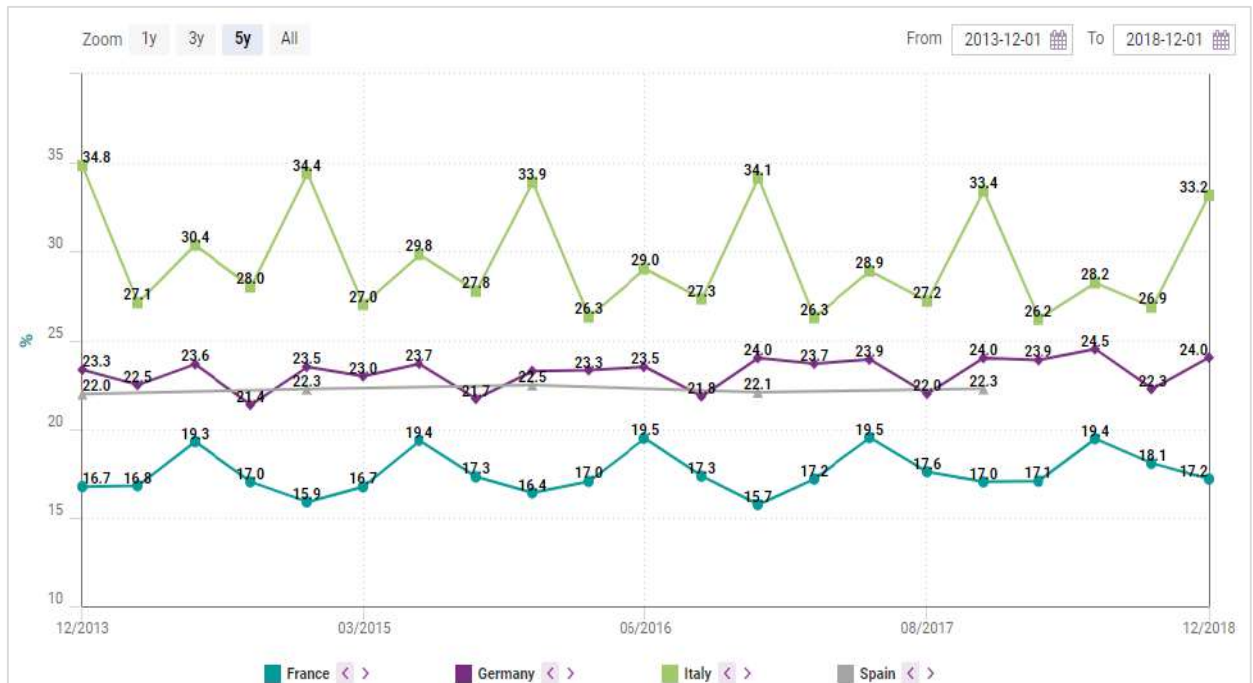


Source: CEIC Data

Euro Area: Tax Revenue

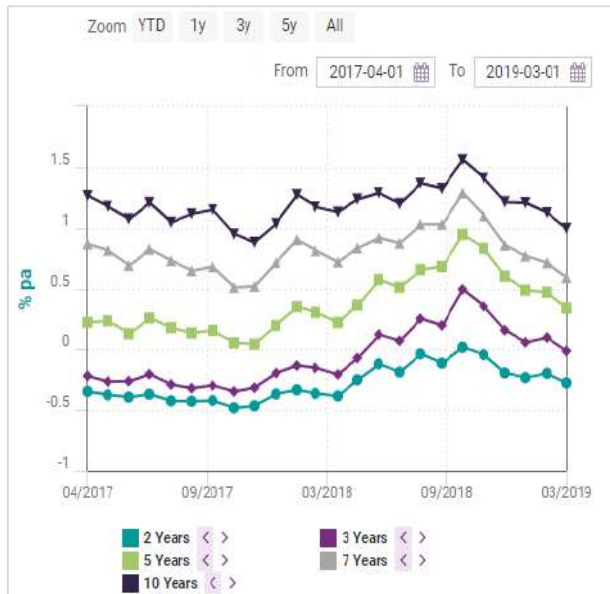


Government Debt: % of GDP: Top 4

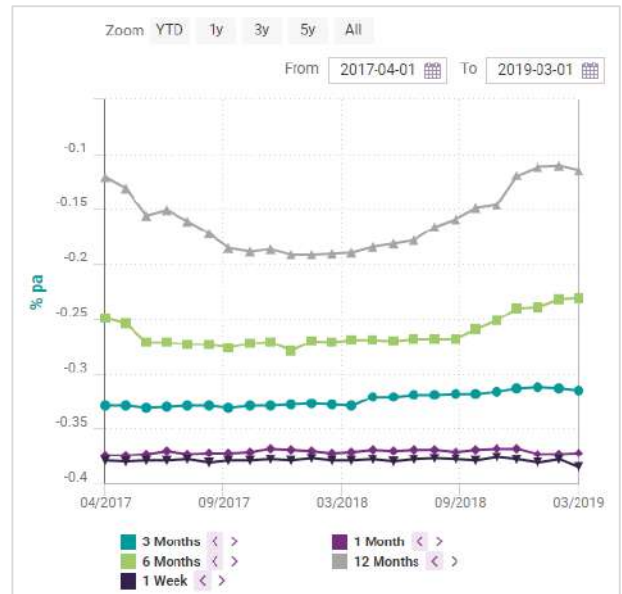


Source: CEIC Data

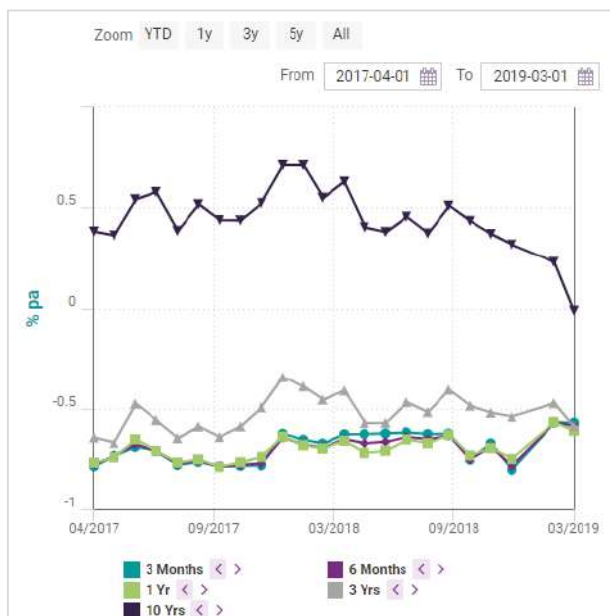
Government Bond Yield: Monthly Average: Euro



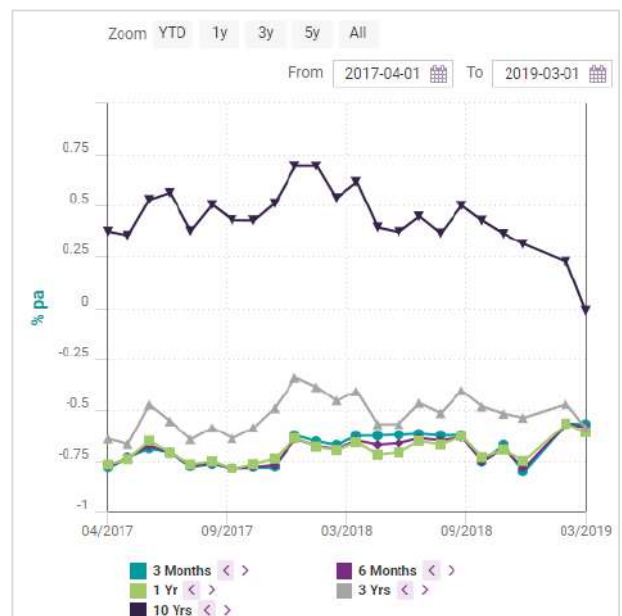
Euro Interbank Offered Rate



Govt Bond Yield: Spot Rate: AAA



Govt Bond Yield: Par Yield Rate: AAA



Source: CEIC Data



In, On and For Emerging Markets

Euro Area Economy in a Snapshot, Q1 2019

A CEIC Insights Report



External Sector



External Sector

According to Eurostat's seasonally and working-day adjusted data, the euro area had its highest trade surplus in 11 months in February, amounting to EUR 19.5bn, increasing by 8% y/y and 12.1% m/m. This development shows that the euro zone has rebounded from the weak 2018, which saw imports increasing by 6.2%, while exports rose by a mere 3.7% compared to 2017. Exports rose faster than imports (4.2% vs 3.8%), which would explain the euro zone's continuous positive performance since the end of 2011. Nevertheless, in m/m terms the situation does not look particularly stellar, as both exports and imports declined, with the imports falling more sharply, to increase the trade surplus.

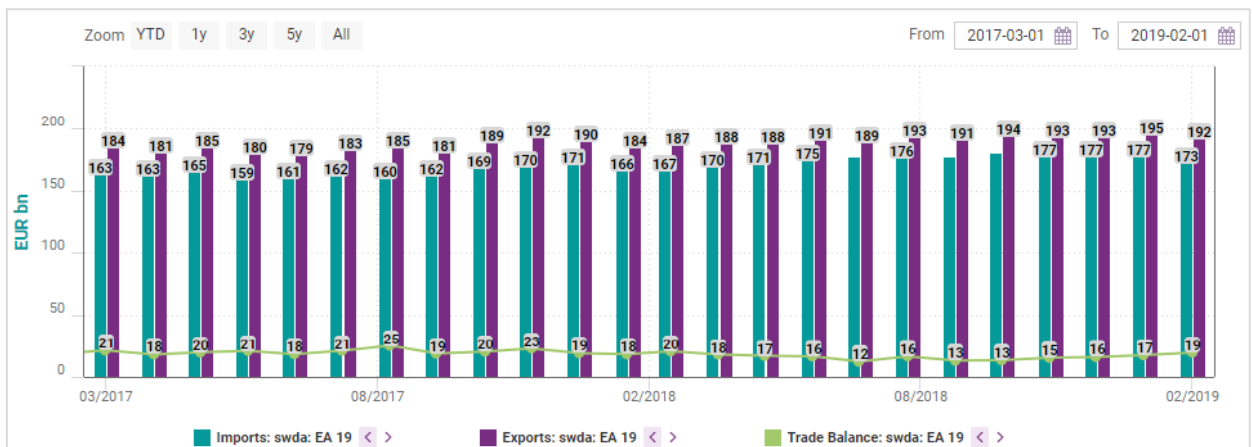
Manufactured products, which represent the bulk of the traded goods (84% and 72% of exports and imports, respectively), rose in both directions (4.8% increase in exports and 5.5% in imports) while the biggest jump among export goods was observed in beverages and tobacco (12%). In contrast, mineral fuels and lubricants exports declined sharply (-12.6%) for a third month in a row. Imported goods that increased the strongest were food and live animals (7.8%) while mineral fuels declined by 2%.

A review of the performance of the euro area member states shows that, rather unusually, the improvement in the trade balance was not caused by the usual suspect – Germany. The euro zone's largest economy has had its share of troubles as of late, and its trade balance decreased by 4.2% y/y, falling for the ninth month in a row. Total trade surplus amounted to EUR 18.7bn increasing by a meagre EUR 60mn m/m. The decline of manufacturing output could be traced as the source of Germany's disappointing performance, which is particularly worrying, since the country largely relies on exports being the world's second-largest exporter after China. Moreover, as the majority of trade in the euro zone is between its members, the decline of German exports signifies a decreased demand among other euro area countries. On the other hand, the euro area's second biggest economy – France – had a positive external demand with total exports rising by 7.3% in February, while imports decelerated to 3.2%.

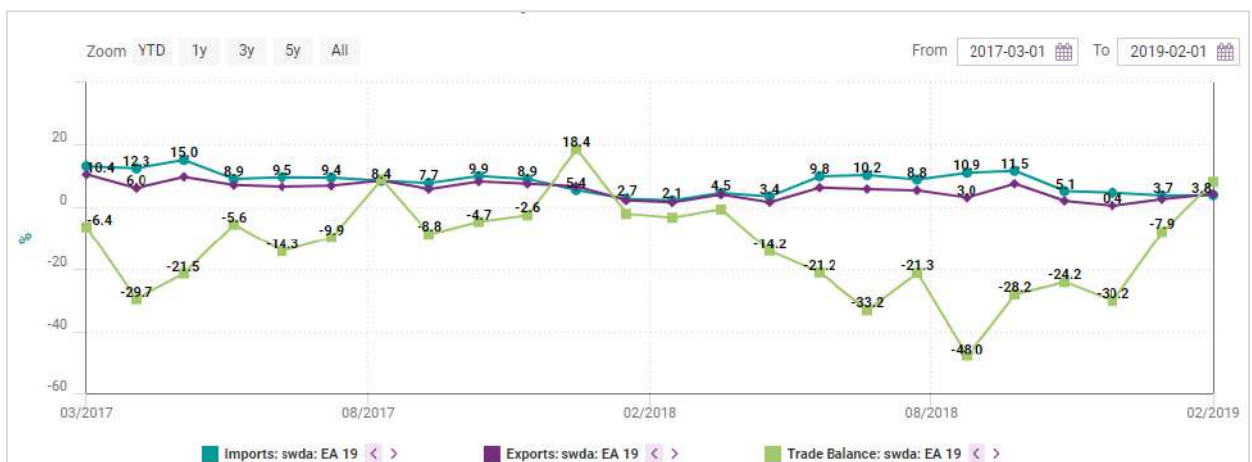
The US remained the largest trade partner of the euro zone and in February the total bilateral trade surplus amounted to EUR 9.8bn (EUR 27.8bn of exports vs EUR 18bn of imports). The increase of bilateral trade on both fronts is somehow peculiar given the increasing animosity between the two sides since the election of US President Trump. According to Trump, the EU as a whole treats the United States "very unfairly" and he has threatened to impose tariffs on USD 11bn worth of EU goods including French cheese and Italian wine. At the same time, these trade tensions contributed to an increase of the euro area's trade deficit with US rival China, which amounted to EUR 9.6bn in February.

The euro zone's current account surplus stood at EUR 26.8bn seasonally adjusted in February, dropping by 16% y/y and 28% m/m. Current account balance has been consistently positive and rising since 2012, with most euro zone members running a surplus, and amounted to 3.5% of the euro zone's GDP as of Q4 2018. This development was influenced mostly by powerhouse Germany, which has followed a strict policy of maintaining a high current account surplus, amounting to 7.5% of GDP at the end of 2018 – way above other big economies, with Italy being a distant second at 2.9%. This policy could, however, prove problematic, especially in light of the recent climate of external pressure – with the euro zone counting on external above domestic demand, it might become more susceptible to weakening global trade and therefore losing its pace at least in the short term.

Monthly Trade Balance



Monthly Trade Balance: YoY Growth



Source: CEIC Data

Trade Balance: Top 4



EA: Exports: by Main Category

	Unit	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018	07.2018
Exports: swda: EA 19	EUR bn	192.13	194.81	193.22	192.67	194.10	190.68	192.68	189.22
Food, Drink and Tobacco	EUR bn	14.63	14.54	14.07	14.03	14.05	13.79	14.08	13.98
Food and Live Animals Chiefly for Food	EUR bn	11.24	11.22	10.94	10.89	10.90	10.68	10.90	10.82
Beverages and Tobacco	EUR bn	3.39	3.32	3.13	3.14	3.15	3.11	3.18	3.16
Raw Materials	EUR bn	4.68	4.69	4.62	4.67	4.63	4.50	4.65	4.77
Crude Materials, Inedible Except Fuels	EUR bn	4.13	4.11	4.07	4.13	4.10	3.95	4.08	4.20
Mineral Fuels, Lubricants	EUR bn	8.50	8.21	8.79	9.53	10.46	9.72	10.16	9.86
Petroleum Products	EUR bn		7.37	8.09	8.91	9.63	8.84	9.31	8.87
Animals & Vegetable Oils, Fats & Waxes	EUR bn	0.56	0.58	0.55	0.55	0.53	0.55	0.57	0.57
Manufactured Products	EUR bn	161.89	164.17	161.59	162.10	161.09	160.19	161.16	156.73
Chemicals & Related Products, nes	EUR bn	35.37	36.61	34.26	34.86	34.89	34.89	34.71	33.59
Other Manufactured Products	EUR bn	46.32	46.86	46.08	46.64	46.53	45.97	46.45	45.42
Manufactured Gds	EUR bn	23.34	23.81	23.12	23.47	23.58	23.32	23.66	23.18
Machinery and Transport Equipment	EUR bn	80.20	80.70	81.26	80.59	79.66	79.33	80.00	77.71
Miscellaneous Manufactured Articles	EUR bn	22.99	23.06	22.95	23.17	22.95	22.65	22.79	22.24
Goods, nes	EUR bn	2.42	3.19	4.16	2.34	3.87	2.47	2.64	3.88

Source: CEIC Data

EA: Imports: by Main Category

	Unit	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018	07.2018
Imports: swda: EA 19	EUR bn	172.63	177.39	177.33	177.37	180.76	177.72	176.25	177.04
Food, Drink and Tobacco	EUR bn	11.86	11.96	11.50	11.43	11.71	11.44	11.50	11.60
Food and Live Animals Chiefly for Food	EUR bn	10.63	10.70	10.36	10.18	10.52	10.25	10.32	10.39
Beverages and Tobacco	EUR bn	1.23	1.27	1.14	1.25	1.19	1.20	1.18	1.21
Raw Materials	EUR bn	7.28	7.32	7.61	7.36	7.44	7.30	7.18	7.44
Crude Materials, Inedible Except Fuels	EUR bn	6.42	6.56	6.80	6.45	6.66	6.51	6.34	6.64
Mineral Fuels, Lubricants	EUR bn	27.39	28.67	29.03	29.34	32.49	31.54	31.42	30.68
Petroleum Products	EUR bn		20.84	21.03	21.09	24.20	22.65	23.05	22.89
Animals & Vegetable Oils, Fats & Waxes	EUR bn	0.86	0.76	0.81	0.91	0.77	0.79	0.84	0.80
Manufactured Products	EUR bn	124.78	126.54	125.80	126.44	126.97	125.07	123.58	124.92
Chemicals & Related Products, nes	EUR bn	20.40	20.54	20.00	20.29	20.46	20.01	20.15	20.36
Other Manufactured Products	EUR bn	44.12	44.67	44.61	45.56	45.79	44.55	44.15	44.71
Manufactured Gds	EUR bn	19.79	20.20	19.94	20.50	20.82	20.22	20.19	20.67
Machinery and Transport Equipment	EUR bn	60.26	61.32	61.19	60.58	60.72	60.52	59.28	59.84
Miscellaneous Manufactured Articles	EUR bn	24.33	24.47	24.67	25.07	24.97	24.33	23.96	24.03
Goods, nes	EUR bn	1.33	2.89	3.39	2.81	2.15	2.36	2.57	2.40

EA: Exports: by Main Trading Partner

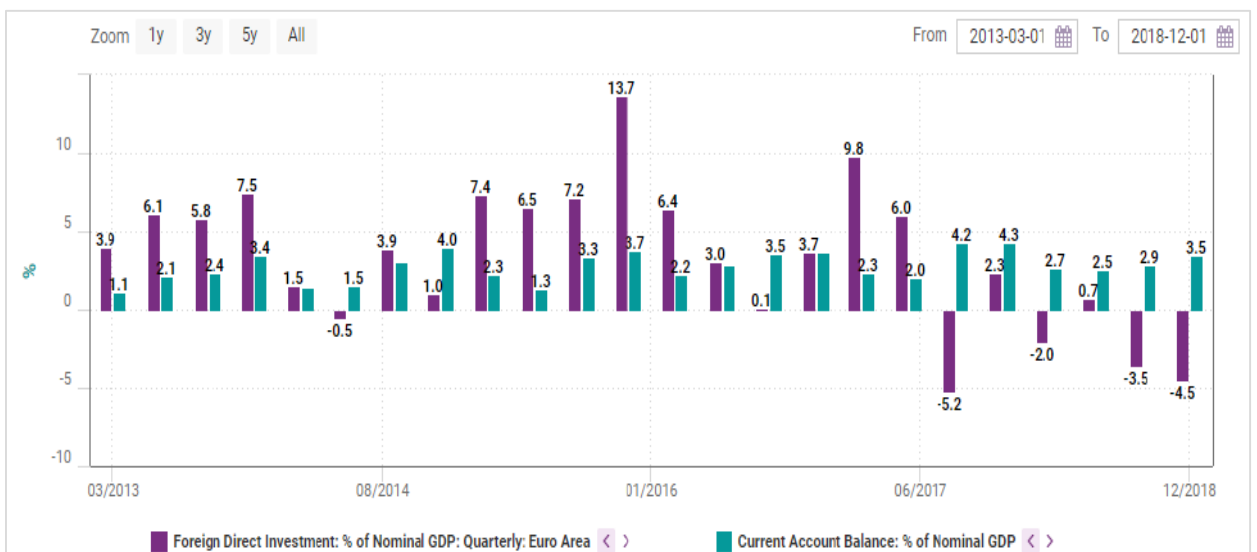
	Unit	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018	07.2018
Intra EA	EUR bn	164.09	166.02	162.33	163.33	165.29	163.16	163.26	164.05
United Kingdom	EUR bn		23.83	23.35	23.15	23.44	22.92	23.18	22.25
United States	EUR bn	27.76	28.88	27.93	27.58	28.26	27.06	27.95	26.53
China (except Hong Kong SAR)	EUR bn	14.63	15.60	14.18	15.03	15.12	15.08	14.56	13.56
Poland	EUR bn		11.66	11.61	11.73	11.63	11.44	11.80	11.28
Switzerland	EUR bn	11.81	11.31	10.73	10.72	10.65	10.41	10.44	10.31
Czech Republic	EUR bn		7.54	7.55	7.58	7.72	7.81	7.64	7.51
Sweden	EUR bn		6.14	5.99	6.27	6.18	6.09	6.32	6.27
Russia	EUR bn	5.79	5.81	5.64	5.54	5.40	5.32	5.47	5.30
Hungary	EUR bn		4.91	4.97	4.89	4.79	4.77	4.80	4.73
Turkey	EUR bn	4.54	4.26	4.21	3.99	4.10	4.07	4.42	4.88
Japan	EUR bn	4.31	4.54	4.44	4.25	4.31	4.28	4.37	4.63
Denmark	EUR bn		3.63	3.59	3.63	3.61	3.55	3.63	3.61
Romania	EUR bn		3.87	3.69	3.71	3.73	3.67	3.75	3.67
South Korea	EUR bn	3.35	3.14	2.98	3.29	3.01	3.38	3.37	2.98

Source: CEIC Data

EA: Imports: by Main Trading Partner

	Unit	02.2019	01.2019	12.2018	11.2018	10.2018	09.2018	08.2018	07.2018
Intra EA	EUR bn	161.78	162.51	161.12	160.56	161.53	159.91	162.03	162.97
United Kingdom	EUR bn		14.24	13.98	14.04	14.42	14.60	14.24	14.37
United States	EUR bn	17.99	16.86	17.56	16.89	17.00	18.09	16.83	16.63
Russia	EUR bn	9.45	10.74	10.33	10.59	10.65	10.80	10.62	10.56
Poland	EUR bn		10.61	10.40	10.51	10.39	10.30	10.34	10.26
Czech Republic	EUR bn		9.04	8.80	9.32	9.13	8.98	8.86	8.51
Switzerland	EUR bn	8.06	8.56	8.25	8.60	8.65	8.10	8.14	7.94
Sweden	EUR bn		5.32	5.35	5.35	5.52	5.15	5.26	5.29
Hungary	EUR bn		5.13	5.02	4.83	4.76	4.67	4.87	4.71
Turkey	EUR bn	4.68	4.66	4.48	4.66	5.10	4.60	4.33	4.62
Japan	EUR bn	4.75	4.70	4.51	4.52	4.50	4.50	4.43	4.53
Norway	EUR bn	2.64	3.83	3.53	3.72	4.13	3.55	3.67	3.80
Romania	EUR bn		3.16	3.08	3.07	3.24	3.17	3.15	3.14
South Korea	EUR bn	2.91	3.43	3.19	2.94	2.89	2.89	3.09	3.86
China (except Hong Kong SAR)	EUR bn	24.15	24.16	24.01	24.63	24.97	23.86	24.02	24.35

Current Account Balance and Foreign Direct Investment

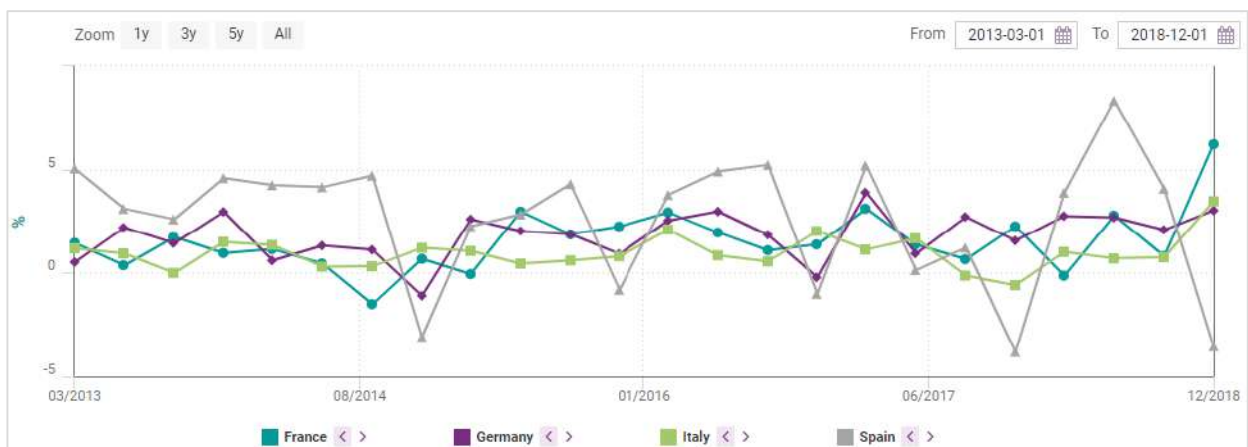


Source: CEIC Data

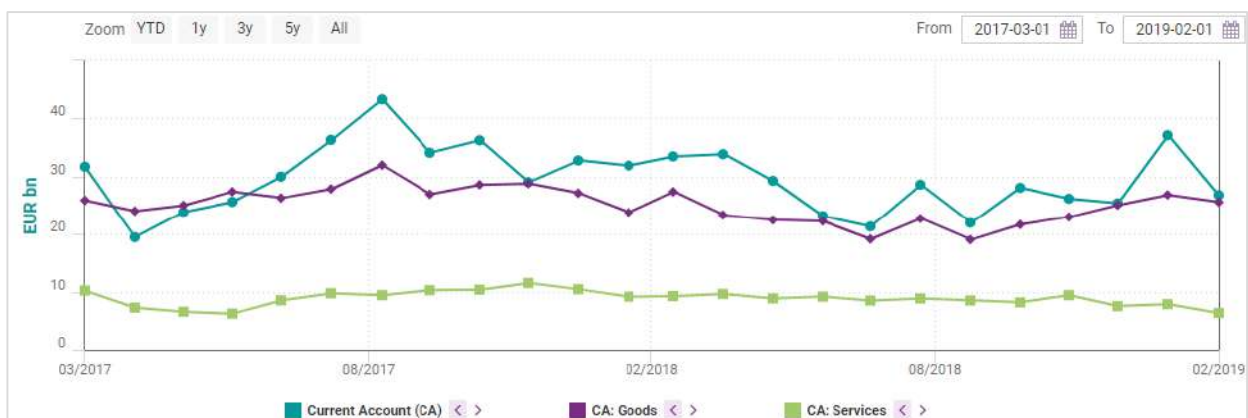
Current Account Balance: Top 4



Foreign Direct Investment: Top 4

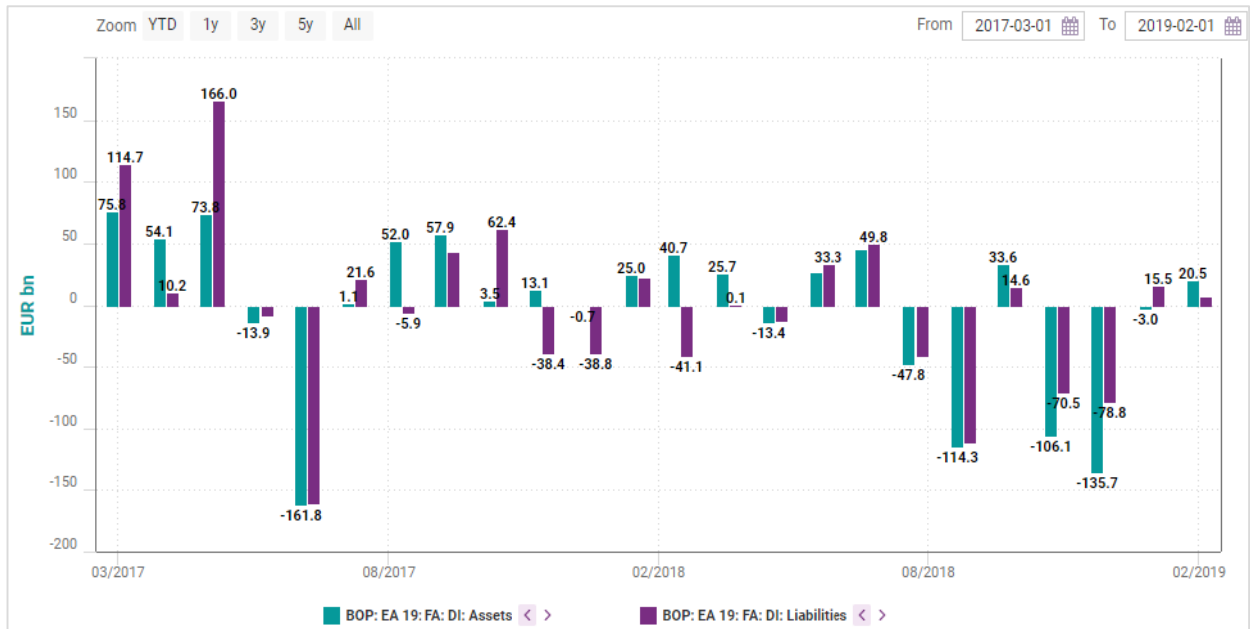


Current Account Balance (Seasonally Adjusted)

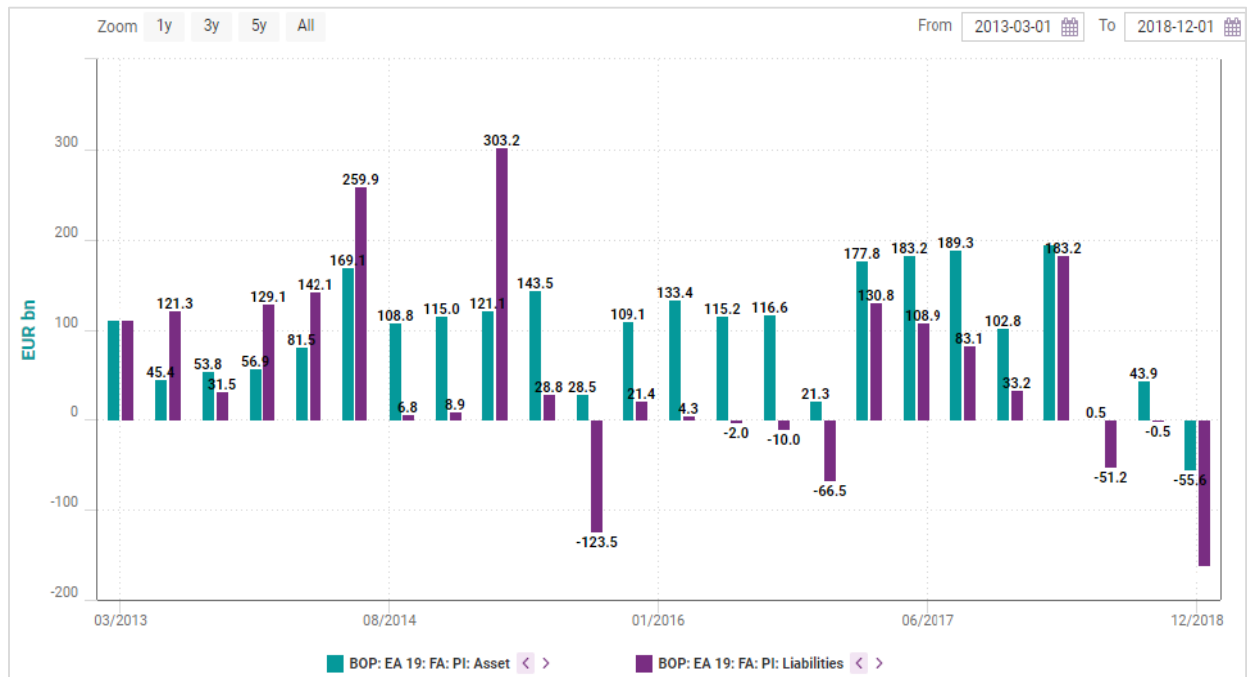


Source: CEIC Data

Direct Investment



Portfolio Investment



Source: CEIC Data



In, On and For Emerging Markets



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