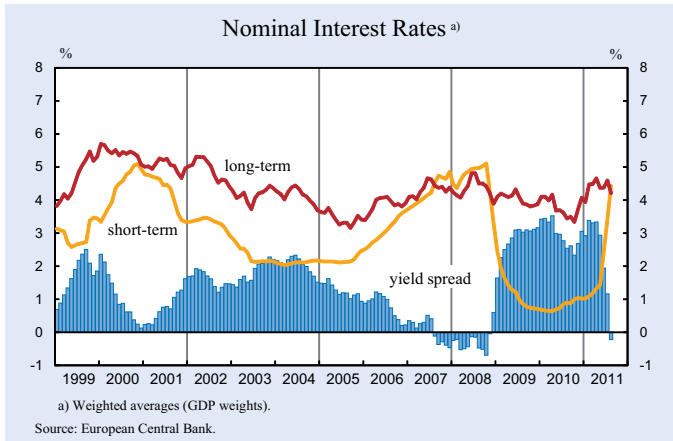
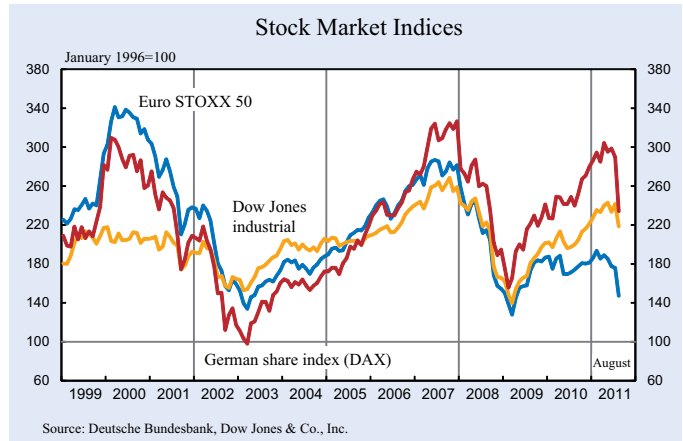


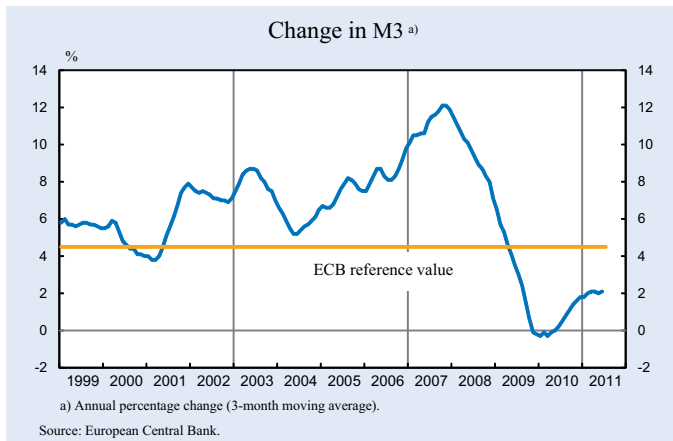
FINANCIAL CONDITIONS IN THE EURO AREA



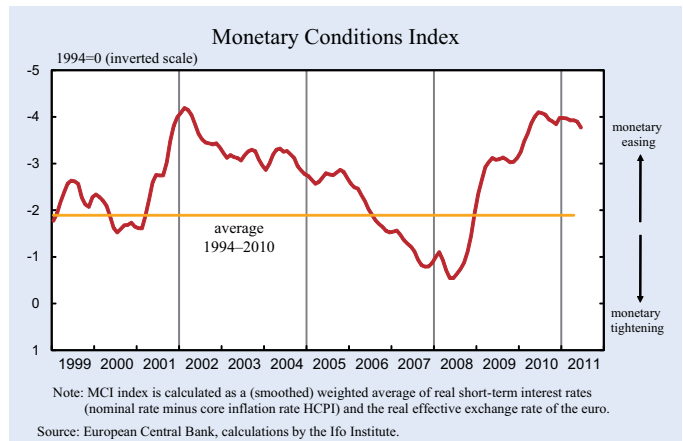
In the three-month period from June to August 2011 short-term interest rates increased. The three-month EURIBOR rate grew from an average 2.43% in June 2011 to 4.43% in August 2011. Yet the ten-year bond yields decreased from 4.37% in June 2011 to 4.21% in August 2011. In the same period of time the yield spread also decreased from 1.94% to -0.22%.



The German stock index DAX declined in August 2011, averaging 5,785 points compared to 7,159 points in July 2011. The Euro STOXX also decreased from 2,743 to 2,230 in the same period of time. The Dow Jones International declined as well, averaging 11,327 points in August 2011 compared to 12,512 points in July 2011.

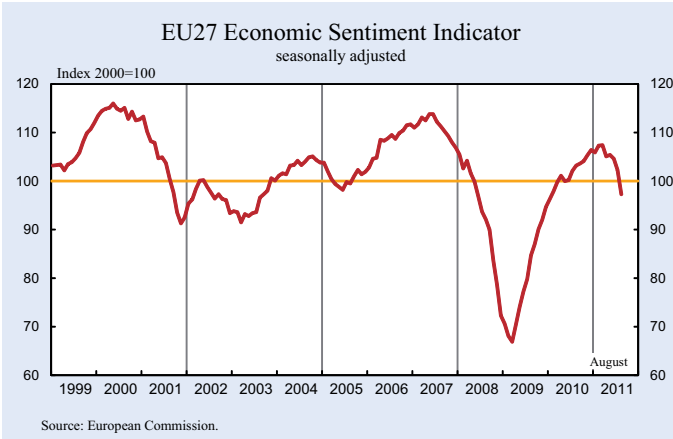
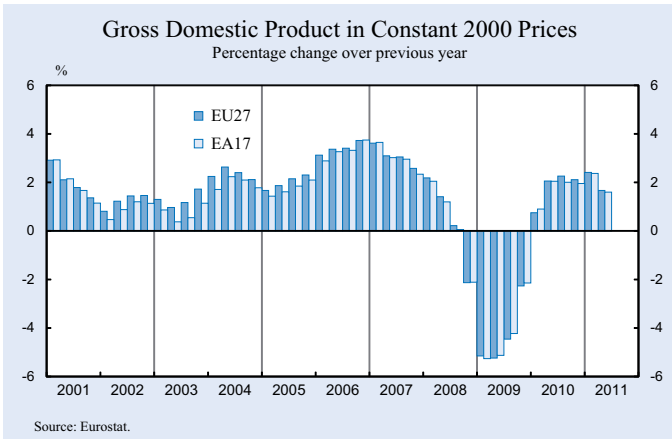


The annual growth rate of M3 increased to 2.0% in July 2011, compared to 1.9% in June. The three-month average of the annual growth rate of M3 over the period from May to July 2011 slightly rose to 2.1%, from 2.0% in the period from April to June 2011.



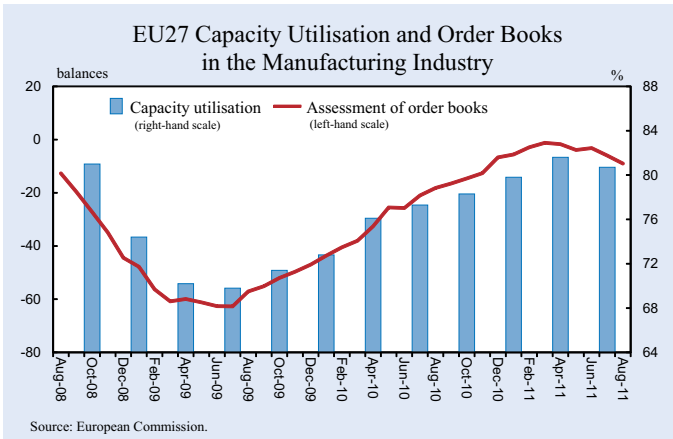
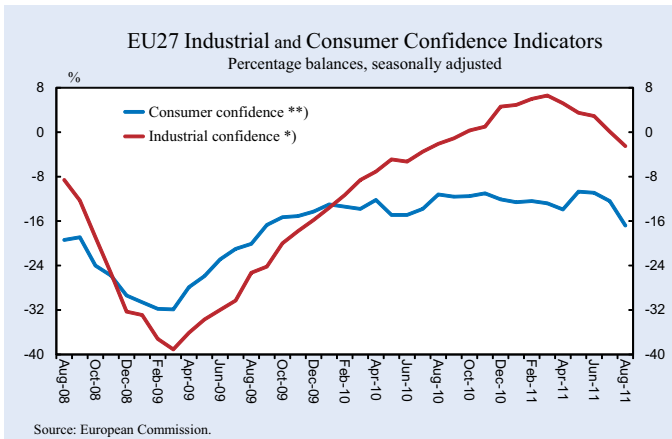
Between April and November 2009 the monetary conditions index remained rather stable after its rapid growth that had started in mid-2008. The index started to grow again since December 2009, signalling greater monetary easing and reached its peak in June 2010. In particular, this has been the result of decreasing real short-term interest rates. In June 2011 the index has continued its slow downward trend.

EU SURVEY RESULTS



According to the second Eurostat estimates, GDP increased by 0.2% in both the euro area (EU17) and the EU27 during the second quarter of 2011, compared to the previous quarter. In the first quarter of 2011 the growth rates were 0.8% in the euro area and 0.7% in the EU27. Compared to the second quarter of 2010, i.e. year over year, seasonally adjusted GDP increased by 1.6% in the euro area and by 1.7% in the EU27.

The Economic Sentiment Indicator (ESI) continued its downward trend in August in both the EU27 and the euro area (EU17). The indicator declined by 5.0 point in the EU27 and by 4.7 points in the euro area, to 97.3 and 98.3 respectively. In both the EU27 and the euro area the ESI stands below its long-term average.



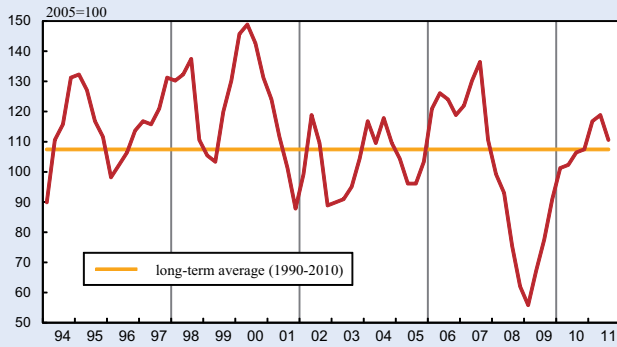
* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).
** New consumer confidence indicators, calculated as an arithmetic average of the following questions: financial and general economic situation (over the next 12 months), unemployment expectations (over the next 12 months) and savings (over the next 12 months). Seasonally adjusted data.

Managers' assessment of order books worsened from -6.0 in July to -9.0 in August 2011. In June 2011 the indicator had reached -3.2. Capacity utilisation also increased to 80.7 in the third quarter of 2011, from 81.6 in the previous quarter.

In August 2011, the *industrial confidence indicator* declined by 2.6 points in the EU27 and by 3.8 points in the euro area (EU17). On the other hand, the *consumer confidence indicator* decreased also in both the EU27 (-4.4) and the euro area (-5.3).

EURO AREA INDICATORS

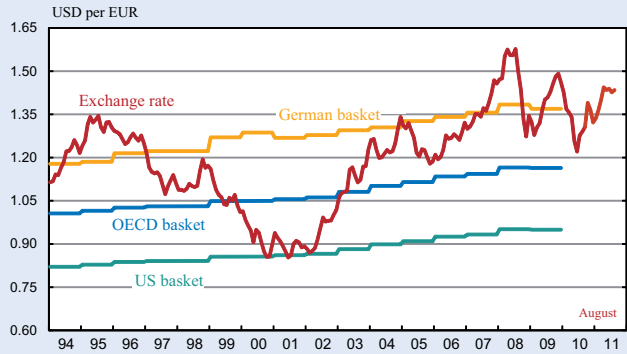
Ifo Economic Climate for the Euro Area



Source: Ifo World Economic Survey (WES) III/2011.

The Ifo indicator of the economic climate in the euro area (EU17) has fallen in the third quarter for the first time since the beginning of 2009 and now stands only slightly above its long-term average. The assessments of the current situation are somewhat less positive compared to the second quarter of 2011. Above all the expectations for the coming six months weakened noticeably. Economic activity in the euro area is entering a difficult phase.

Exchange Rate of the Euro and PPPs

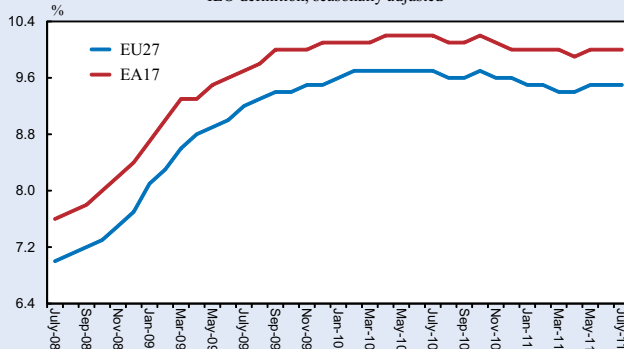


Source: European Central Bank, Federal Statistical Office, OECD and calculations by the Ifo Institute.

The exchange rate of the euro against the US dollar averaged approximately 1.43 \$/€ between June and August 2011. (In May 2011 the rate had also amounted to around 1.43 \$/€.)

Unemployment Rate

ILO definition, seasonally adjusted

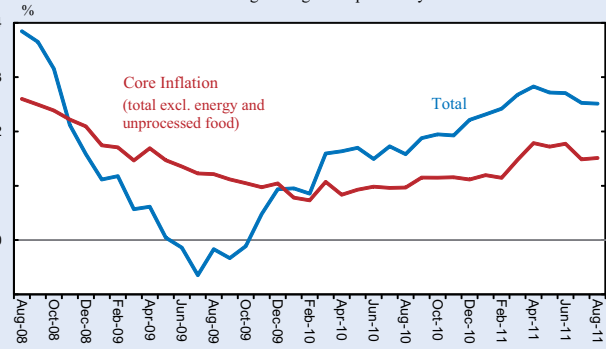


Source: Eurostat.

Euro area (EU17) unemployment (seasonally adjusted) amounted to 10.0% in July 2011, unchanged compared to June. It was 10.2% in July 2010. EU27 unemployment stood at 9.5% in July 2011, unchanged compared to June. The rate was 9.7% in July 2010. In July 2011 the lowest rate was registered in Austria (3.7%), the Netherlands (4.3%) and Luxembourg (4.6%), while the unemployment rate was highest in Spain (21.2%).

Inflation Rate (HICP)

Percentage change over previous year



Source: Eurostat.

Euro area annual inflation (HICP) was 2.5% in August 2011, unchanged compared to April. A year earlier the rate had amounted to 1.6%. The EU27 annual inflation rate reached 2.9% in August 2011, unchanged compared to April. A year earlier the rate had been 2.0%. An EU-wide HICP comparison shows that in August 2011 the lowest annual rates were observed in Ireland (1.0%), Sweden (1.6%) and the Czech Republic and Slovenia (both 1.9%), and the highest rates in Romania (7.3%) and Estonia (5.1%). Year-on-year EU17 core inflation (excluding energy and unprocessed foods) slightly increased to 1.51% in August 2011 from 1.49% in July.