

# Preview

29 June 2009

## EMU economic indicators (week of 29 June to 5 July 2009)

- **EMU industrial confidence and economic sentiment** (June): up
- **M3 growth** (May): declining further
- **German adjusted unemployment** (June): sharper rise
- **EMU inflation flash estimate** (June): falling prices
- **ECB Council**: policy unchanged

Region	Indicator	Date	BHF forecast	Previous
EMU	<b>Economic sentiment / Jun</b>	Mon 29 Jun, 11:00	<b>70.7</b> <b>2.0% mom</b>	69.3 3.1% mom
EMU	<b>Industrial confidence / Jun</b>	Mon 29 Jun, 11:00	<b>-31.5</b> <b>2.0 pp mom</b>	-33.5 1.5 pp mom
GE	<b>Unemployment / Jun</b> (number, change, rate)	Tues 30 Jun, 9:55	3.400m (nsa) +240k yoy (nsa) 8.1% (nsa) 3.491m (sa) <b>+35k mom (sa)</b> <b>8.3% (sa)</b>	3.458m (nsa) +175k yoy (nsa) 8.2% (nsa) 3.456m (sa) +1k mom (sa) 8.2% (sa)
EMU	<b>Money supply M3 / May</b>	Tues 30 Jun, 10:00	<b>3.9% yoy</b> <b>4.6% 3ma</b>	4.9% yoy 5.2% 3ma
IT	HICP / Jun p	Tues 30 Jun, 11:00	0.1% mom 0.5% yoy	0.2% mom 0.8% yoy
EMU	<b>HICP flash estimate / Jun</b>	Tues 30 Jun, 11:00	<b>-0.2% yoy</b>	0.0% yoy
GE	<b>Retail sales / May</b>	Wed 1 Jul, 8:00	<b>95.7</b> <b>-0.2% mom</b> <b>-1.4% yoy</b>	95.9 0.5% mom 0.2% yoy
GE	PMI mfg / Jun rev	Wed 1 Jul, 9:55	40.5 0.9 pp mom	39.6 4.2 pp mom
EMU	PMI mfg / Jun rev	Wed 1 Jul, 10:00	42.4 1.7 pp mom	40.7 3.9 pp mom
EMU	Unemployment rate / May	Thur 2 Jul, 11:00	9.5%	9.2%
EMU	<b>ECB Council meeting / refi rate</b>	Thur 2 Jul, 13:45	<b>1.00%</b>	1.00%

**German retail sales** could have decreased slightly in **May**, as retailers' business assessment improved but consumer confidence deteriorated. **EMU economic sentiment** and **EMU industrial confidence** will probably have improved substantially in **June**, just like most of the corresponding national indicators. The **Purchasing Managers' Indices for the German** and **EMU manufacturing sector** in **June** are unlikely to be revised significantly.

Overnight deposits had risen extremely fast – by about €90bn – in April, mainly due to international transactions. As a result of this, **M3 growth** in April declined less than expected. However, as the deleveraging process continues and since credit has started to contract, we expect money holdings to follow

that downward trend. The spike in April is likely to be followed by a substantial reduction in May. Against this background, we expect M3 growth to have fallen by 1 percentage point to 3.9 % yoy. The growth of **loans to the private non-bank sector** could have declined from 3.2 to 2.4 % yoy in May.

**Euro area "Big Five" HICP June 2009**

	Weight in % *)	% mom	% yoy
Germany	26.07	0.4	0.0
France	20.60	0.1	-0.6
Italy	18.50	0.1	0.5
Spain	12.79	0.3	-1.1
Netherlands	5.09	-0.4	1.4
	83.05		
EMU "flash estimate"		0.2	-0.2

The **Eurostat flash estimate** is likely to show that **euro area inflation** entered negative territory at **-0.2% yoy in June**. This would correspond with a monthly increase in HICP of 0.2 % in unadjusted terms. Inflation rates yoy could remain negative until autumn this year, mainly due to energy price-related base effects. But weak aggregate demand is having a dampening effect on consumer prices as well.

After unadjusted unemployment did not recede in April, the usual spring upswing on the labour market set in belatedly in May. Thus adjusted unemployment only rose by 1k, after having increased by almost 60k on average in the first four months of 2009. **We expect unadjusted unemployment to have fallen again in June**, albeit much less sharply than last year; the unemployment level would thus be 240k higher than in June 2008. **Adjusted unemployment could have risen by 35k**. Given the severity of the current recession, this would be another relatively moderate increase, but the extensive use of short-time work schemes and statistical changes are dampening the upward trend at present.

The harmonized **EMU unemployment rate** could have gone up to 9.5% **in May**. In many European countries, particularly in Spain, unemployment has been rising since spring 2008, and since the beginning of this year, it has begun to increase in Germany too.

The **ECB Council** will hold its regular monthly meeting on Thursday. The interest rate decision will be announced at 13:45hrs, the press conference is scheduled for 14:30hrs. We expect the refinancing rate to be left unchanged at 1.0%. The statement is unlikely to differ much from the one in June. The ECB is expected to reiterate that risks to the economic outlook are balanced, thus signaling that it has no intention of changing its policy stance at the moment. However, it will be interesting to learn how the ECB evaluates the results of the one year repo operation. We would expect it to downplay the significance of the massive liquidity injection as being only temporary.

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