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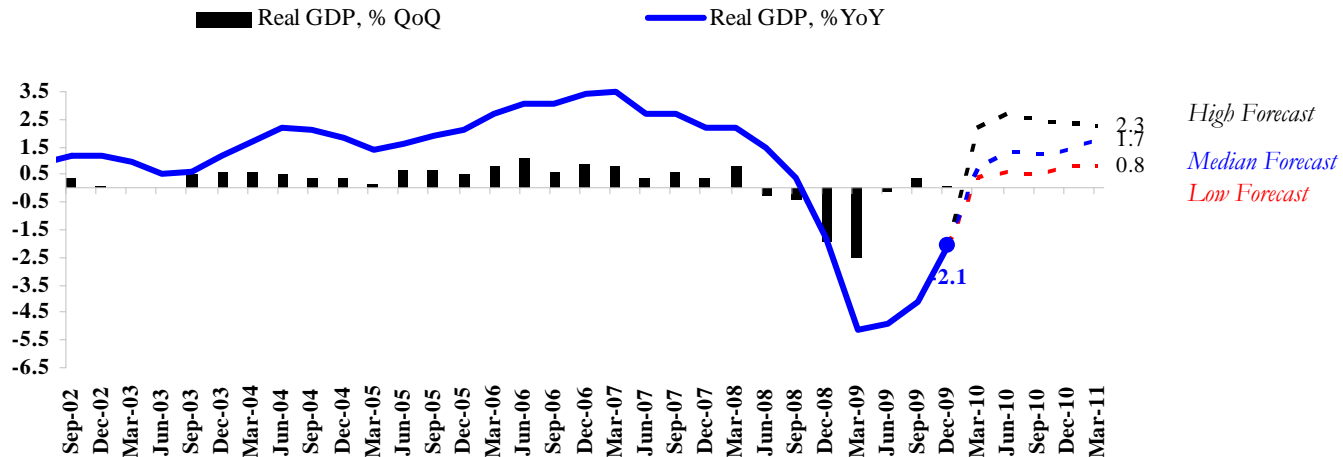
### Executive Summary (March 09, 2010)

EU consumer sentiment deteriorated by 10% in February, and monthly economic sentiment remained essentially flat (-0.1%). Production indicators were mixed: while the Business Climate Indicator improved by 13%, and excess capacity declined, the Baltic Dry index fell by 4%.

Economists predict a weak recovery in growth (on a YoY basis) beginning from Q1 of 2010. Other key updates include:

- ✧ The unemployment rate fell to 9.9% in January.
- ✧ The amount of Home Transaction Loans in January dropped by 73%
- ✧ In January, the Monetary Union Index of Consumer Price was positive, growing 1.0% on a year-on-year basis and 0.3% on a month-on-month basis.

Real Eurozone GDP Growth\*, %

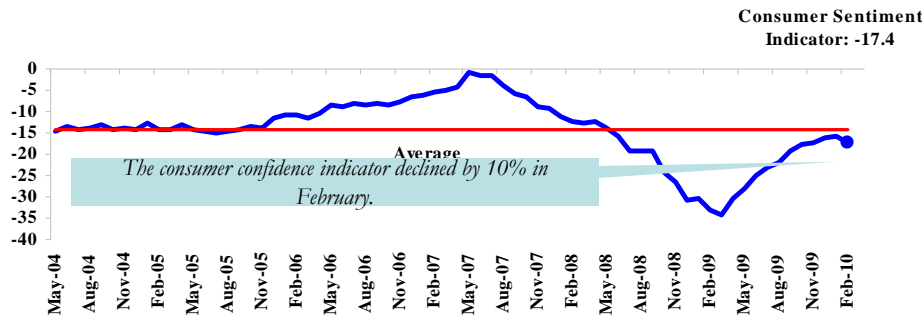


\*Forecasts are based on the poll of economists conducted by Bloomberg.

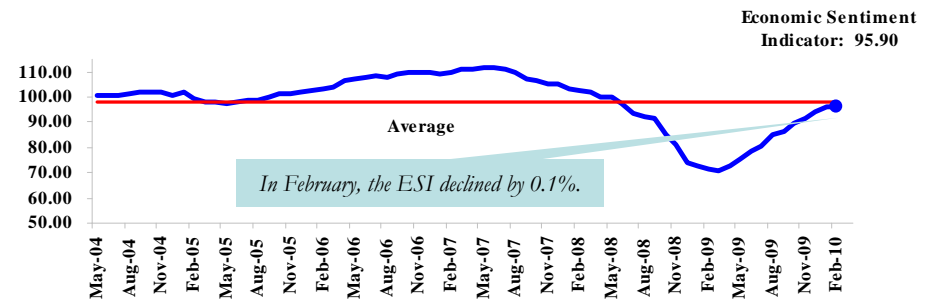
Sources: Bloomberg; Corporate Executive Board research.

## Outlook: Consumer, Producer and Investor Sentiment

The EU Consumer Sentiment Indicator\*



The Monthly Economic Sentiment Indicator\*

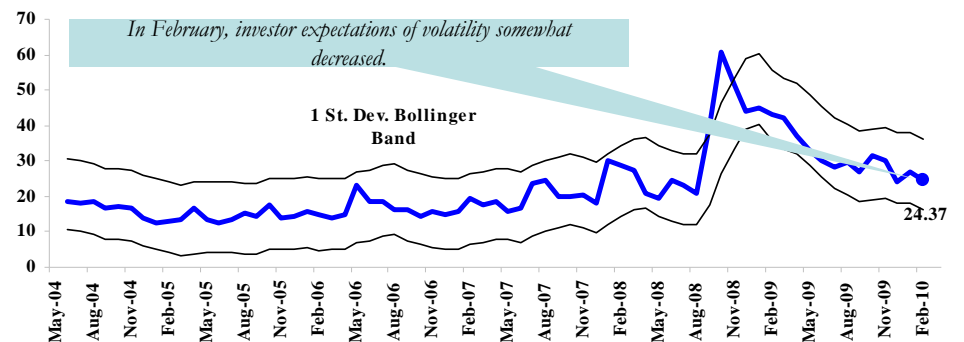


**EU Consumer Sentiment** deteriorated by 10% in February and remained negative. Values below zero indicate a pessimistic outlook on financial position of households, general economic situation, unemployment, and savings.

Further, the **Economic Sentiment Indicator** fell by 0.1%, reflecting an expected improvement in general economic activity of industrial, service, consumer, construction, and retail companies. Values below 100 indicate a below-average economic sentiment.

**Investor anxiety** was lower in February.

Euro STOXX Volatility Index\*

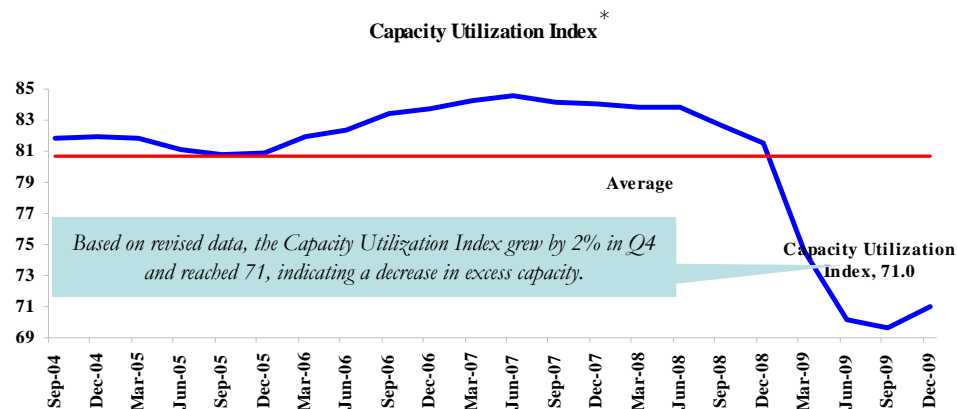
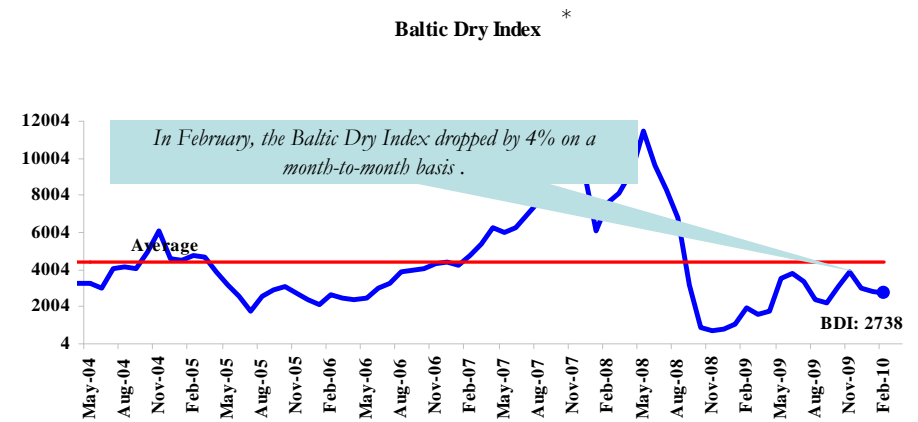
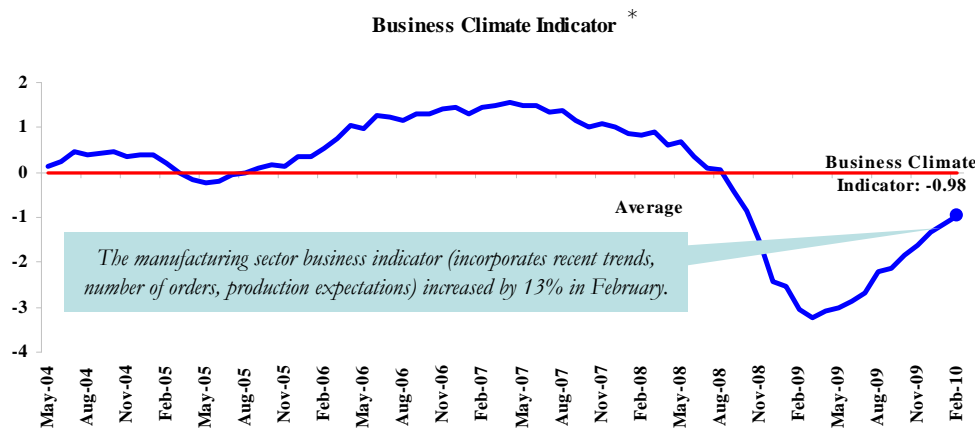


\*Please refer to Glossary for definitions.

Sources: Bloomberg; Corporate Executive Board research.

### Production Indicators

**Business Climate Indicator** – an indicator for the manufacturing sector of the Euro zone based on production trends in recent months, order books, export order books, stocks, and production expectations – continued its upward trend and grew by 13% in February (values below zero indicate a pessimistic outlook). Moreover, excess capacity, as indicated by revised data for the **Capacity Utilization Index**, decreased by 2% in Q4. At the same time, the **Baltic Dry Index** (indirectly measures global supply and demand for the commodities) fell by 4%.



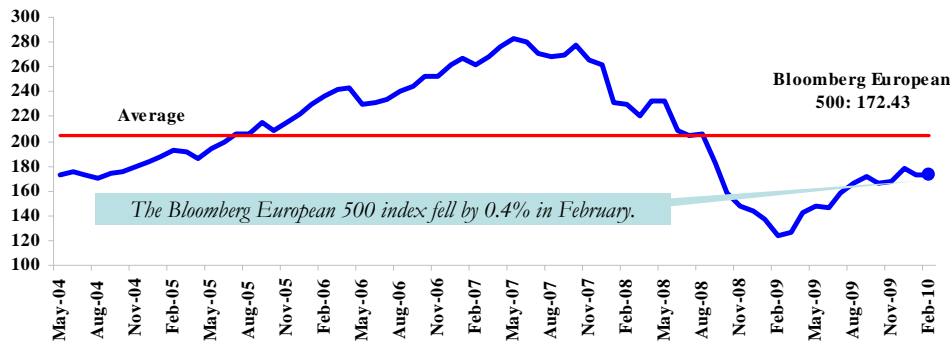
\*Please refer to Glossary for definitions.

Sources: Bloomberg; Corporate Executive Board research.

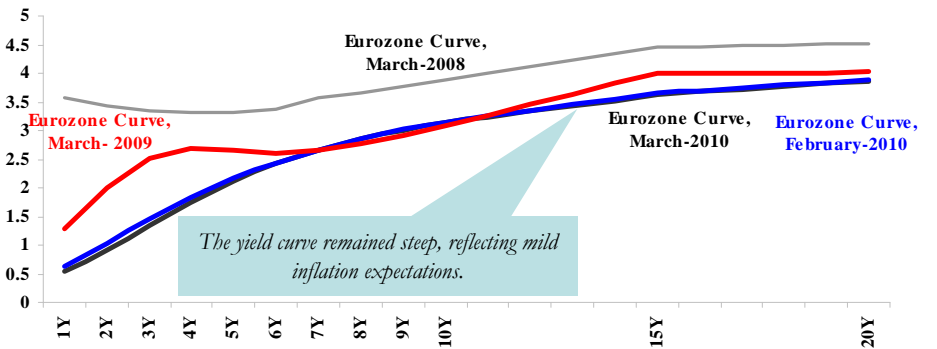
### Financial Indicators

In February, European stocks fell by 0.4% and remained at historic lows. In January, the Index of Consumer Prices was positive growing by 1% on a year-on-year basis; it was 0.3% on a month-to-month basis. Inflation-adjusted Money supply grew by 1.9% on a YoY basis. At the same time, the yield curve did not change, reflecting continued expectations of mild inflation.

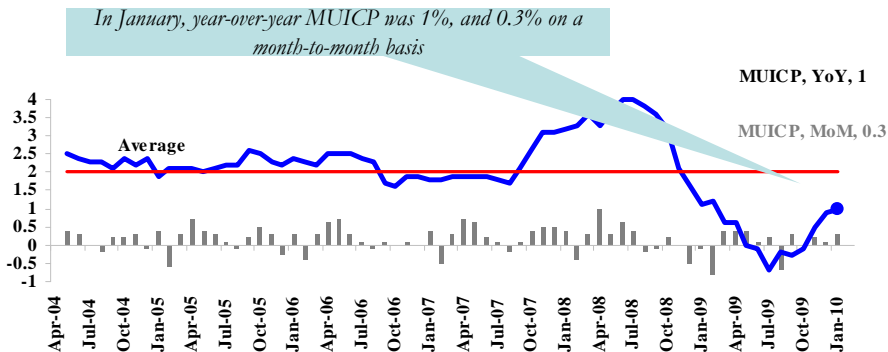
Bloomberg European 500 Index



European Bond Commission Eurozone Yield Curves, %

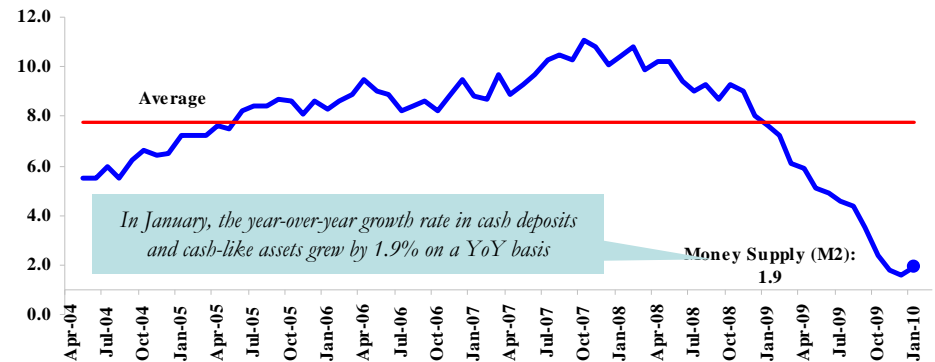


Monetary Union Index of Consumer Prices (YoY %, MoM%)



Money Supply Change, YoY %

Inflation-Adjusted



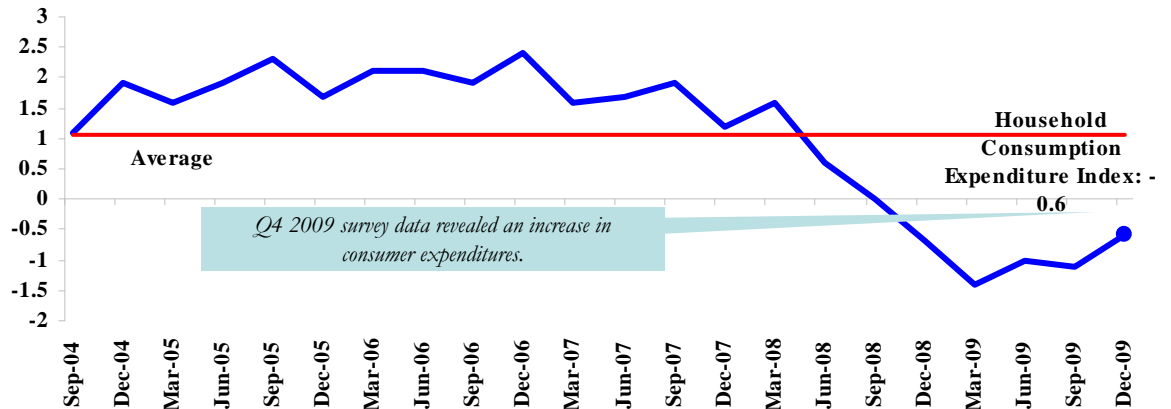
Sources: FRB of New York; Bloomberg; Corporate Executive Board research.

## Consumption & Employment Indicators

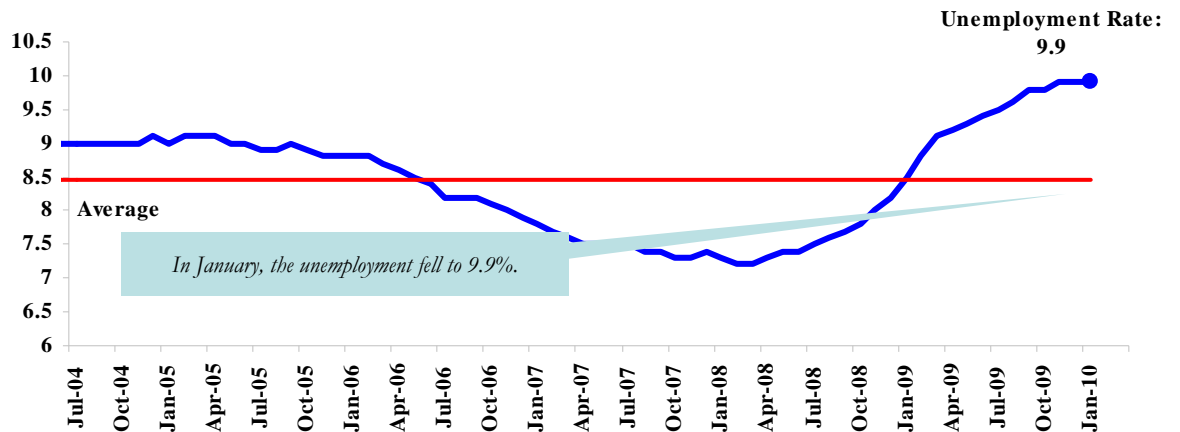
The Household Final Consumption Expenditure Index has increased in the fourth quarter of 2009.

At the end of January, the Unemployment Rate was 9.9%, a 0.1% decrease compared to December.

Consumer Expenditures on Goods and Services, Index



Eurozone Unemployment Rate, %

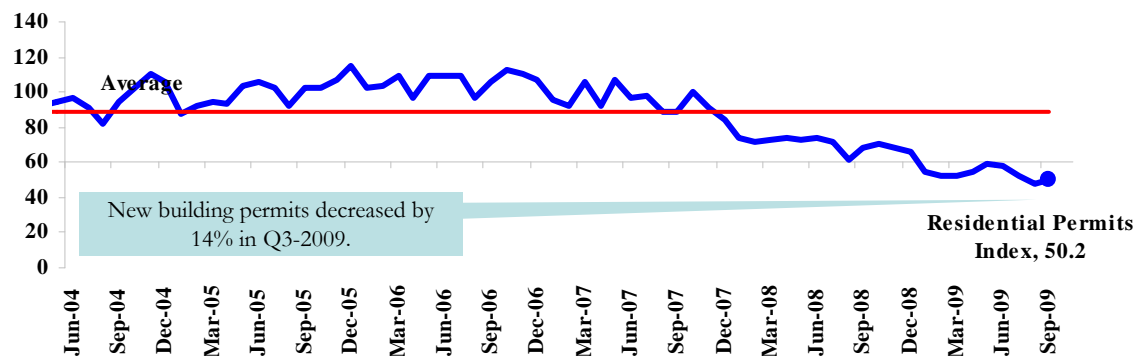


Sources: Bloomberg; Corporate Executive Board research.

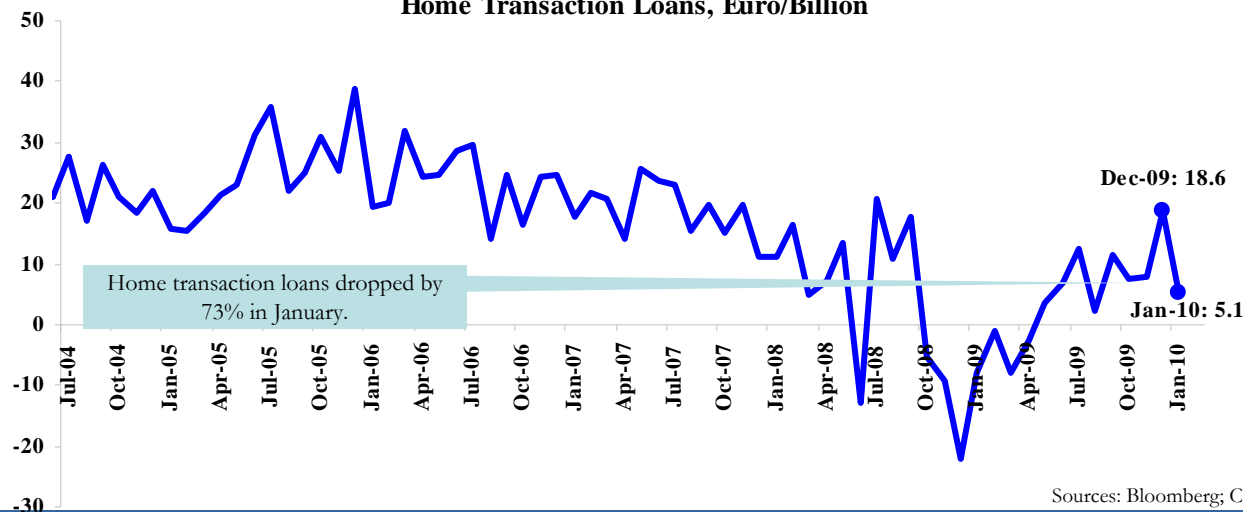
## Property Market Indicators

The number of residential permits declined by 14% in Q3 2009, while the amount of loans for house purchase remained on an upward trend in Q4.

### The Residential Permits in Eurozone, Index



### Home Transaction Loans, Euro/Billion



Sources: Bloomberg; Corporate Executive Board research.

### Economic News

#### [Now comes the pain](#)

*(The Economist)* March 4 – Greece’s new austerity measures may prove to be enough—if they are fully implemented.

#### [Greece to Press U.S. to Crack Down on ‘Speculators’](#)

*(Bloomberg)* March 9 – Greek Prime Minister George Papandreou will press President Barack Obama to help Europe combat “unprincipled speculators,” who he said have roiled markets and threaten a new global financial crisis.

#### [A Europe Bailout Fund Gains Backing](#)

*(The Wall Street Journal)* March 9 – The European Union’s executive arm said on Monday it is preparing proposals that could lead to the creation of a bailout fund for financially troubled euro-zone countries.

The comments – coming a day after German Finance Minister Wolfgang Schäuble said in a newspaper interview he backed a plan for a European institution with “comparable powers of intervention to the International Monetary Fund” – signal that Greece’s financial problems are speeding efforts to address important failings in the euro zone.

#### [ECB’s Weber Opposes ‘Institutionalization’ of Emergency Aid](#)

*(Bloomberg)* March 9 – European Central Bank council member Axel Weber indicated he’s opposed to the establishment of a European Monetary Fund if its purpose is to provide emergency financial aid to countries.

#### [Banks Haven’t Learned Lessons From Crash](#)

*(Bloomberg)* March 9 – U.K. Treasury Minister Paul Myners said banks haven’t learned their lessons from the credit crunch, arguing market discipline must go hand-in-hand with government action to restore public faith in financial institutions.

### Glossary

- ✧ **Baltic Dry Index (BDI)** – *A number issued daily by the London-based Baltic Exchange. The index provides an assessment of the price of moving the major raw materials by sea. The index indirectly measures global supply and demand for the commodities shipped aboard dry bulk carriers, such as building materials, coal, crude oil, metallic ores, and grains.*
- ✧ **Bloomberg European 500 Index**- *A capitalization-weighted index of the 500 most capitalized European companies. The index was developed with a base value of 120.33 as of December 31, 1996.*
- ✧ **Business Climate Indicator (BCI)**- *A timely indicator for the manufacturing sector of the Eurozone, the BCI is a factor analysis of five seasonally adjusted balances from the industry survey: production trends in recent months, order books, export order books, stocks, and production expectations. The BCI is the common factor among the 5 input balances. Compiled monthly by the Directorate General for Economic and Financial Affairs (DG ECFIN). Positive indicator means that production trends will increase, order books are more than efficient, export order books are more than efficient, current stocks of finished products are too large, and production will increase over next 3 months.*
- ✧ **Capacity Utilization**- *The percentage of production capacity in the manufacturing, mining, and electric and gas utilities sectors that is actually used. This index is equal to an output index divided by a capacity index. Updated quarterly by the Directorate General for Economic and Financial Affairs (DG ECFIN).*
- ✧ **Consumer Confidence Index**- *A measure of optimism about the macroeconomic future and personal financial situation. The index is an arithmetic average of the answers to survey questions on the financial situation of households, general economic situation, unemployment expectations, and savings, all over the next 12 months. Compiled monthly by the Directorate General for Economic and Financial Affairs (DG ECFIN). Positive numbers mean consumers expect financial position of their household and general economic situation to get better, unemployment to decrease, and they expect to save money, all over the next 12 months. Negative values mean the opposite.*
- ✧ **Economic Sentiment**- *A measure of the general economic activity and business cycles of the Eurozone. It is the weighted average of five regular harmonized surveys: 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%). Compiled monthly by the Directorate General for Economic and Financial Affairs (DG ECFIN). Values greater than 100 indicate an above-average economic sentiment, whereas values below 100 indicate a below-average position.*
- ✧ **ECB Eurozone curve** – *This is a risk free zero-coupon curve create for the purpose of having a consistent benchmark curve for the 12 Eurozone countries. The curve follows the methodology determined by the EFFAS-EBC Committee for Methods & Measures. The 12 countries represented by this curve are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal, and Spain.*
- ✧ **GDP**- *The total value of all goods and services produced in the economy less the value of any goods or services used in their creation. Compiled quarterly by Eurostat.*

## Glossary (continued)

- ✧ **Household Final Consumption Expenditure-** *The final expenditure households and non-profit institutions serving households use to consume goods and services. This index is held constant at 2000 prices. Investments, direct duties, and taxes are excluded. Compiled quarterly by Eurostat.*
- ✧ **Money Supply Change (M2)-** *The year-over-year change in M2, a measure of money supply. M2 consists of currency in circulation, overnight deposits, deposits with an agreed maturity of up to two years, and deposits redeemable at a period of notice up to three months. Calculated daily by Bloomberg with the guidance of the ECB.*
- ✧ **The Residential Permits in Eurozone Index-** *A measure of new building starts, with a base year of 2000. Residential buildings are constructions in which at least half of the building is used for residential purposes. Compiled monthly by Eurostat.*
- ✧ **Unemployment Rate-** *The percentage of the labor force that is unemployed, as opposed to employed or inactive. Unemployed persons are those aged 15 to 74 who were without work, available for employment, and actively seeking employment. Based on the Community Labour Force Survey and compiled monthly by Eurostat.*
- ✧ **VSTOXX-** *The implied volatility of the Dow Jones EURO STOXX 50, based on real time options prices. To reflect the market expectations of near-term volatility, this index measures the square root of the implied variance across all options of a given time to expiration. Calculated daily by STOXX, Ltd.*



# Signposts of Economic Recovery

*Monthly Dashboard of Eurozone Economic Indicators – March 2010*

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### Professional Services Note

The Quantitative Research Team has worked to ensure the accuracy of the information it provides to the Corporate Executive Board members. This project relies upon data obtained from many sources, however, and the Quantitative Research Team cannot guarantee the accuracy of the information or its analysis in all cases. Furthermore, the Quantitative Research Team is not engaged in rendering legal, accounting, or other professional services. Its projects should not be construed as professional advice on any particular set of facts or circumstances. Members requiring such services are advised to consult an appropriate professional. Neither Corporate Executive Board nor its programs are responsible for any claims or losses that may arise from any errors or omissions in their reports, whether caused by Corporate Executive Board or its sources.