



Weekly Observatory

30 October 2009

Overview

Economic sentiment improved more than expected in October, driven by the significant increase in both industry and services sector. Confidence will likely improve further in coming months, but more slowly than in Q3. On hard data, retail sales excluding vehicles both in Spain and Germany fell in September, suggesting a weak consumption in Q3, supported basically by vehicle scrapping schemes. The unemployment rate continues to grow moderately (one decimal point per month since May) and it stands at 9.7% for the euro area as a whole, signalling a slow deterioration in the labour market. As for inflation, the flash HICP for October estimates that annual inflation rose to -0.1% y/y from -0.3% in the previous month, mainly driven by the base effect of energy prices. We foresee slightly positive inflation as from November. Additionally, monetary aggregates show that the bank lending to private sector remains virtually stagnant and inflationary pressures remains low over the medium term. On the ECB, we expect the ECB to keep the key rate on hold at 1% at its next week's meeting.

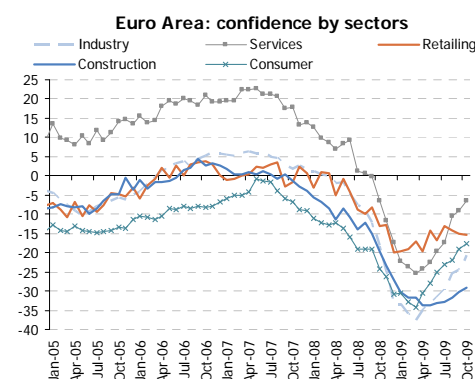
Confidence data suggest a weaker economic outlook in the fourth quarter, in line with our projections

- The **Economic Sentiment Indicator (ESI) for the euro area increased** by +3.4 points to 86.2 in **October**, implying a larger than expected improvement (BBVA ERD: 84.7; consensus: 84.3) and the seventh one in a row. Nevertheless, the current level is still 1.5 standard deviations below the long-term average. Additionally, after the slowdown in the pace of recovery registered in September (+2 points), these figures suggest that confidence should continue to improve in coming months. Nevertheless, it is likely that this will be at slower pace than in Q3 as PMI data released last week also pointed out and in line with our view of a weaker growth in Q4.
- Regarding **individual sectors**, both the **industry (+3.1) and service (+2.5) sentiment were the largest contributors to the overall improvement**, while the increase in consumer (+1.3) and construction (+1) were moderate and retail trade confidence remained unchanged.
- The details show that **the much more optimistic production expectations (+5.8)**, coupled with more positive assessment of order book (+2.9) and the level of stocks (-1.8, which computes with inverted sign), **raised the industrial sentiment**. In addition, hiring intentions also increased by +3.9 points in October, and although remaining at historical low levels, it is likely that its trough might be behind us.
- This month the **quarterly manufacturing survey** was also released, showing that firms in Q4 are utilising their capacity (70.7%) at a slightly higher rate than in the previous quarter (69.6%), interrupting the continuous falls of the level of capacity utilization since the second quarter of 2007.

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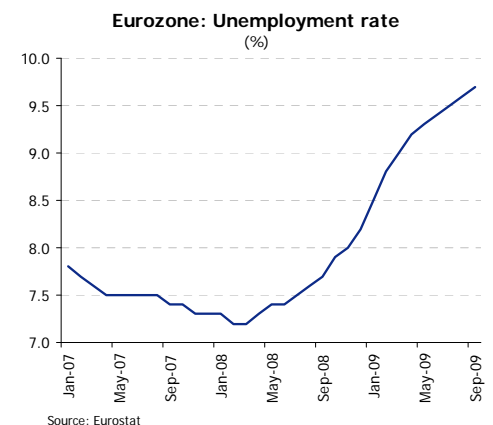
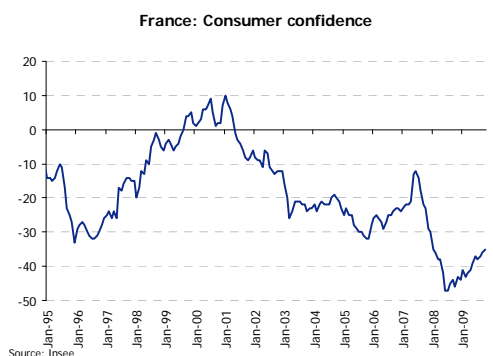
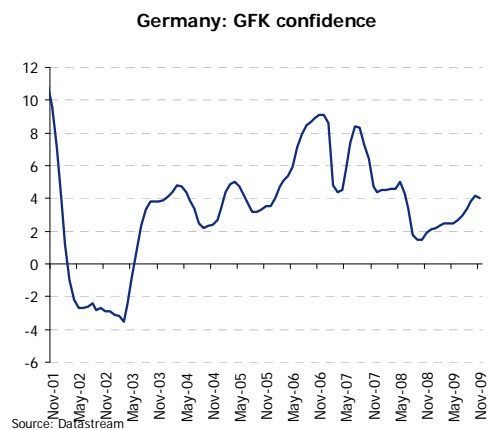
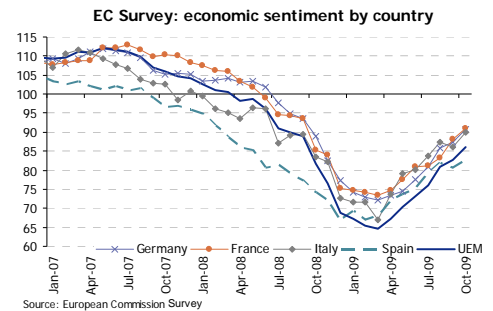


Source: European

- The **increase in service sector sentiment resulted from the improvement in all its components**, mostly in business development over the past 3 month (4.8), while expectations of demand over the next three months also rose by 1.6 points. Additionally, employment expectations increased for the second consecutive month, after the temporary fall recorded in August.
- **Consumers' confidence** rose slightly further, but at a slower pace than in the previous month, driven by the improvement on the general economic situation over the next year (+3.3) which was partly offset by the worsening of unemployment expectations. The latter would lead consumers to increase their savings in coming months (+1.8), in line with what we have observed in Q2. In addition, inflation expectations remained flat in October, after rebounding from all-time lows in September.
- **Among the largest Member States**, Italy (+3.8), Germany (+3.4) and France (+3.0) registered significant improvements while the increase in the Spanish index was more modest (+1.9), after falling in September.
- **German GFK consumer confidence unexpectedly declined in November** for the first time since September 2008, falling from 4.2 (revised from 4.3) to 4.0 points (BBVA ERD and consensus: 4.5), as concerns about rising energy prices and higher unemployment outweighed signs of economic recovery. However, the index remained above those levels observed from the second quarter of 2008 when the recession began. Additionally looking at the breakdown, economic expectation index rose further in November while income expectations and propensity to buy registered significant declines.
- **French consumer confidence indicator continued to improve in October** to -35 from -36 in September, in line with expectations, although it remains well below its long term average of -18 points. The assessment of the past and future general economic situation improved slightly in October, along with unemployment expectations, which continued to decrease since June's high.
- **Consumer confidence in Italy unexpectedly fell to 111.7 in October** from a seven year high of 113.6 points, while the market was expecting a modest increase (BBVA ERD and consensus: 113.7 points).

Unemployment rate increased by 0.3pp in Q3, and thus it continues to soften the quarterly increases recorded in Q1 and Q2

- In September, the **unemployment rate in the euro area** increased by 0.1pp to 9.7%, as expected, and thus it **cumulated a quarterly increase of 0.3pp in Q3** from 9.3% in Q2. Therefore, the worsening in unemployment rate continues to soften after the considerable increases of 0.7pp and 0.5pp recorded in Q1 and Q2, respectively, when the recession was more severe. Overall, it is clear there continues to be more labour hoarding in Europe than in previous recession.
- **By countries**, German unemployment rate remained broadly stable at 7.6% for the sixth month in a row, reflecting the impact of unemployment subsidies and part-time work schemes, while it increased by 0.2pp (to 10%) in France and by 0.5pp (to 19.3%) in Spain. There was no release for Italy. In October, German unemployment rate unexpectedly fell to 8.1% (according to the national definition, not the Eurostat definition, consensus: 8.3%), and after another unexpected decline in September.



- Consistent with our outlook of lower growth at the end of this year and beginning of 2010, **we continue to expect higher unemployment in 2010.**

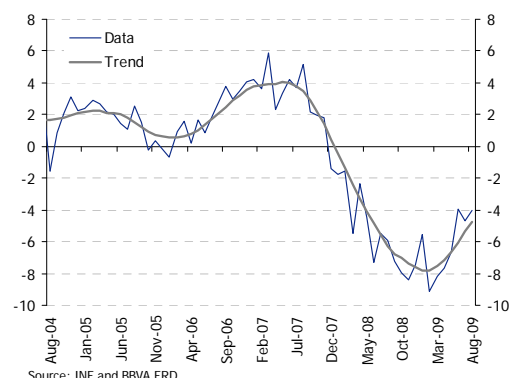
Retail sales excluding vehicles fell in September, pointing to a weak consumption in the third quarter which should be supported by vehicle scrapping schemes

- **Spanish retail sales dropped by 3.4% y/y in September (wda).** On a monthly basis, retail sales fell by 0.6% from August to September (seasonally adjusted). Despite this, the consumer and industrial confidence indices released by the European Commission, show some improvement in October for Spain (quite modest in case of the consumer: +1 point), although both indices remain below average.
- **German retail sales excluding vehicles registered an unexpected decline of -0.5% m/m (-3.9% y/y) in September,** well below the market forecast of a 1.0% m/m increase. Additionally, August data was revised downward to -1.8% m/m (from -1.5%). Overall, retail sales excluding vehicles cumulated a quarterly drop of -0.8% q/q in Q3, after declining by -0.9% q/q and -0.2% q/q in Q1 and Q2, respectively. These figures suggest a weak consumption growth in the third quarter, after increasing by slightly more than 0.5% q/q in the two previous quarters, partly due to the support of vehicle scrapping scheme to private consumption.

Euro area inflation estimated at -0.1% y/y in October, as expected

- According to the flash estimate published by Eurostat, **annual inflation in the euro area rose to -0.1% y/y in October** from -0.3% in September. The October figure coincides with our forecast which suggests that this increase is mainly driven by the base effect of energy prices, while core inflation should continue to decelerate by 0.1pp to 1% y/y in October. Therefore, **we maintain unchanged our forecast for the 2009 average for both core and headline inflation at 1.3% and 0.3%, respectively.** The bottom line of subdued inflation in the months ahead and mild inflation in 2010 continues to hold, with slightly positive annual inflation as from November this year.
- According to the flash estimate of the Federal Statistical Office, **German consumer price index in October remained flat in a yearly basis** (0.1% m/m), in line with expectations and after registering a decline in September (-0.3% y/y). Fuel and food prices registered sharp year on year declines, leaving the annual rate in a very low level as in previous months. With regard harmonized CPI, it is expected to remain unchanged in a yearly basis and to increase by 0.2% m/m.
- The **consumer price index flash estimate for Italy showed an increase to 0.1% m/m in October**, matching the expectations (BBVA ERD and consensus: 0.1% m/m), after the negative figure of September. On a yearly basis, consumer prices continued rising to 0.3% y/y, although they remain in very low levels. Additionally, harmonized CPI registered an increase of 0.5% m/m (0.4% y/y), in line with forecasts.
- The **Spanish HCPI flash showed that headline inflation may have risen by 0.4 percentage points to -0.6% y/y in October**, figure slightly above consensus (Bloomberg: -0.7%). Overall, we still expect year over year headline inflation to return into positive, but relatively low, numbers by the end of the year.

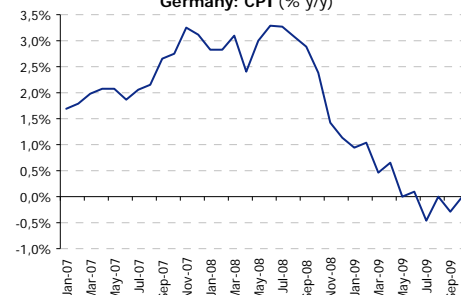
Spain: retail sales wda
(YoY %)



October 2009	Eurozone HICP					
	y/y			m/m		
	Forecast	Current	Previous	Forecast	Current	Previous
	%	%	%	%	%	%
Headline	-0.1	-0.3	-0.2	0.3	0.0	0.3
Energy	-8.2	-11.0	-10.2	0.2	-1.2	1.8
Fresh Food	-1.5	-1.3	-1.2	0.1	0.1	-1.1
Core excluding Fresh Food and Core	1.0	1.1	1.2	0.3	0.2	0.3
Services	1.7	1.8	1.8	0.0	-0.7	0.2
Non-Energy Industrial Goods	0.3	0.5	0.6	0.8	1.5	0.5
Processed Food	0.4	0.5	0.6	0.0	-0.1	0.1

Source: European Commission & ERD BBVA

Germany: CPI (% y/y)



Italy: CPI inflation
(% y/y)



Industrial producer prices fell in September, driven by lower energy prices

- Italian industrial producer prices declined by -0.3 m/m (-7.9% y/y) in September, driven by decreasing energy prices both in monthly and yearly basis.
- Industrial producer prices in France fell by -0.3% m/m (-8.1% y/y) in September, in line with expectations (BBVA ERD: -0.3% m/m; consensus -0.4% m/m), after a moderate growth in August. This decline is explained by the marked decrease of oil products and intermediate good prices along with food products, beverages and tobacco prices, while other industrial product prices remained almost flat.

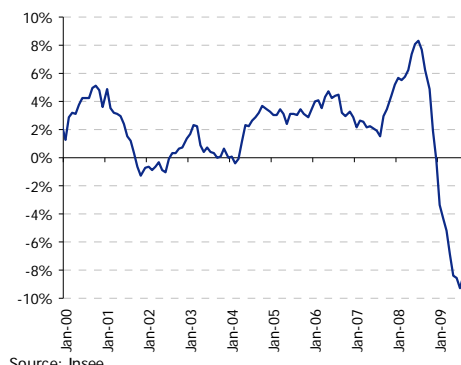
Monetary aggregates show that the bank lending to private sector in the euro area remains virtually stagnant

- The M3 continued to decelerate in annual terms to 1.8% (BBVA ERD: 2.2%; consensus: 2.1%) in September after 2.6% in August, while M1 fell to 12.8% (13.6% in August), stopping its upward trend. In addition, the annual growth rate of short-term deposits other than overnight deposits fell further, while marketable instruments slowed its declining pace.
- Looking at its counterparts, **loans to private sector fell by -0.3% y/y in September**, after growing slightly by 0.1% y/y in the previous month. However, **the series adjusted for sales and securitisation show that loans to private sector grew 0.9% y/y, decelerating from 1.3% y/y recorded in August.**
- Loans to household rose slightly in September (0.3% m/m) by the fourth month in a row, although on annual basis they declined by -0.3%. Finally, loans to non-financial corporations fell again by -0.1% m/m, after the slight increase recorded in August (+0.1% m/m) and the significant falls in June and July (-0.7% m/m and -0.4% m/m, respectively).
- Overall, looking at the asset side of the consolidated balance sheet of the MFI sector, banks have continued to expand their credit to euro area residents (from 2.8% to 3.1% y/y), but mainly driven by the credit to public sector (from 11.5% to 13.6% y/y).

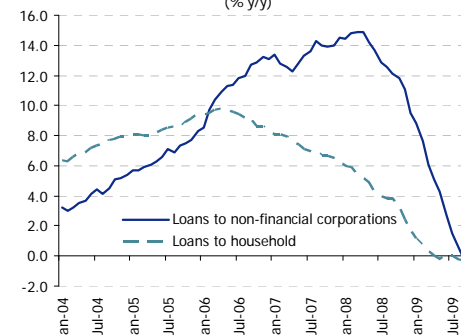
The Bank Lending Survey (BLS) published by Eurostat show a further improvement in Q3

- On the one hand, **the tightening of credit standards to enterprises declined significantly further**, to 8%, compared with 21% in Q2, closing to a halt. The **most important driving forces** continued to be **expectations regarding general economic activity and the industry**. However, problems in accessing to market financing and banks' liquidity position have almost disappeared as drag on credit supply.
- On the other hand, **the tightening of credit standards to households decreased further**, both for house purchase (from 22% to 14%) and consumer credit (from 21% to 13%). **The lower perception of risks by banks regarding economic outlook and housing market prospects were the main drivers**. What is more, banks expect to tighten even less the credit standards applied to loans to households in the coming three months.

France: Industrial producer prices
(% y/y)



Eurozone: Loans to private sector
(% y/y)



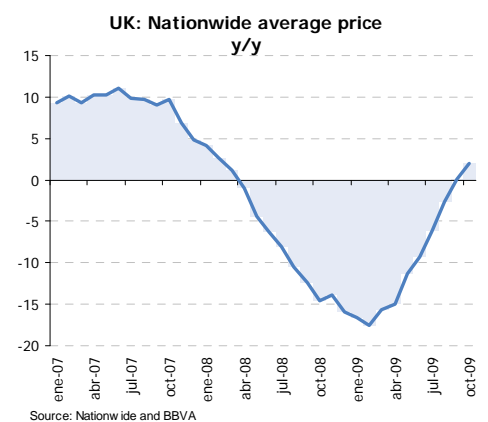
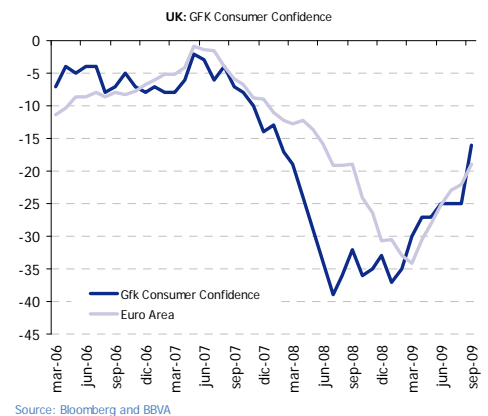
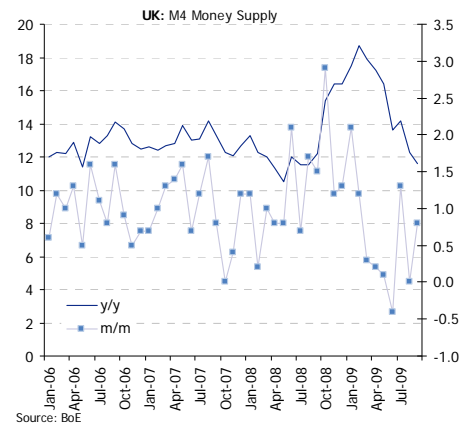
- Additionally, the BLS also reported banks' answer about **loan demand**. The net demand for housing loans was positive in Q3 (10%, after 4% in Q2), while for consumer credit continued to decline, but at a slower pace than in the previous quarter. Regarding demand for corporate loans, fixed investment was the most important factor contributing to negative demand (-20% after -29%), although the improvement in market financing conditions also contributed negatively.
- Overall, the ECB noted that *"the cumulated net tightening during the financial turmoil has not yet started to reverse itself and remains very substantial"*.

UK: GfK consumer confidence raising and house prices record first yearly increase

- The main measure of **M4 rose by 0.8% m/m in September and gained 11.6% on the year**. However, the measure of M4 that excludes financial companies that specialize in intermediating between banks fell -0.9% m/m percent in September (-1.7% 3-month y/y). This is the weakest reading on record and raises concerns on the effectiveness of the Quantitative Easing.
- The **GfK consumer confidence printed in October -16**, above expectations (BBVA:-15, CF: .14) and 3 points above September record. This implies that consumer confidence is at the highest level since 22 months. "Climate for major purchases" and "economic situation for the next 12 months" have been the main contributors to the increase.
- **Nationwide house prices have registered their first annual growth rate in 19th months**. The average price rose by 2% y/y (0.4% m/m) in October. In spite of concerns related with unemployment prospects it seems that low interest environment and some signs of shortage of housing supply are driving prices up.

ECB comment

- In our last observatory, we stressed that the general tone on the economic outlook by the ECB members improved slightly. And this week, Mr. Noyer, Bank of France Governor, suggested a **significant revision of the 2010 growth forecasts**, saying that "we see a growth rebound in the second half, helped by stimulus package and monetary policies" and "for the eurozone, as well as for France, the (economic growth forecast for 2010) is slightly above 1%". Nevertheless, most ECB members continue to see "a lot of uncertainty" over growth next year and they "are less sure that a lasting recovery".
- **On monetary policy**, Mr. Noyer argued that **"for the moment, nothing would justify" an increase of ECB interest rates**.
- **On the exit strategy**, Mr. Weber suggest that **the bank may start to withdraw its non-standard measures next year by scaling back its very long-term loans to bank**, saying that "looking at the latest developments on financial markets and the corresponding stabilization on banks' refinancing markets, it is inappropriate to continue the current operative regime without any changes for too long".



Data Release Calendar

Date	Country	Indicator	Montly / tuarterly	Prior	Forecast
2-Nov	Euro zone	Markit Mfg PMI	Oct	49.3	50.7
4-Nov	Euro zone	Markit Services PMI	Oct	50.9	52.3
4-Nov	Euro zone	Markit Composite PMI	Oct	51.1	53.0
4-Nov	Euro zone	Producer prices	Sep	0.4 % m/m ; -7.5 % y/y	-0.3 % m/m ; -7.6 % y/y
5-Nov	Euro zone	Retail sales	Sep	-0.2 % m/m ; 2.6 % y/y	0.2 % m/m ; -2.3 % y/y
12-Nov	Euro zone	Industrial production	Sep	0.9 % m/m ; -15.4 % y/y	
13-Nov	Euro zone	GDP flash estimate	Q3	-0.2 % q/q ; -4.8 % y/y	
2-Nov	France	Markit/CDAF Mfg PMI	Oct	53.0	
4-Nov	France	Markit/CDAF Services PMI	Oct	53.2	
6-Nov	France	Trade Balance	Sep	-3411Bln €	-3200Bln €
2-Nov	Italy	Markit/ADACI Mfg PMI	Oct	47.6	
4-Nov	Italy	Markit/ADACI Services PMI	Oct	48.5	
3-Nov	Spain	Unemployment mom net	Oct	80.4K	
3-Nov	Spain	Social Security Affiliations	Oct	-66.2K	
5-Nov	Spain	Industrial Prod. Wda	Sep	-13.1 % y/y	
2-Nov	Germany	Markit/BME Mfg PMI	Oct	49.6	
4-Nov	Germany	Markit Services PMI	Oct	52.1	
6-Nov	Germany	Industrial Orders	Sep	1.4 % m/m	1.2 % m/m
9-Nov	Germany	Industrial Output	Sep	1.7 % m/m	
10-Nov	Germany	ZEW economic sentiment	Nov	56.0	
10-Nov	Germany	ZEW current conditions	Nov	-72.2	
13-Nov	Germany	GDP flash	Q3	0.3 % q/q ; -7.1 % y/y	
During the week					
12~17 Nov	Germany	Wholesale Price Index	Oct	-0.2 % m/m ; -8.1 % y/y	
2-Nov	United Kingdom	CIPS/Markit Mfg PMI	Oct	49.5	50.0
4-Nov	United Kingdom	CIPS/Markit Serv PMI	Oct	55.3	55.0
5-Nov	United Kingdom	Industrial Output	Sep	-2.5 % m/m ; -11.2 % y/y	0.6 % m/m ; -10.8 % y/y
5-Nov	United Kingdom	Manufacturing Output	Sep	-1.9 % m/m ; -11.3 % y/y	0.6 % m/m ; -10.1 % y/y
6-Nov	United Kingdom	PPI Input Prices	Oct	-0.5 % m/m ; -6.5 % y/y	
6-Nov	United Kingdom	PPI Output Prices	Oct	0.5 % m/m ; 0.4 % y/y	0.1 % m/m ; 1.6 % y/y
6-Nov	United Kingdom	PPI Core Output	Oct	0.5 % m/m ; 1.4 % y/y	
During the week:					
2~6 Nov	United Kingdom	Halifax House Prices	Oct	1.6 % m/m	
2~6 Nov	United Kingdom	Halifax House Prices 3m/y	Oct	-7.4 %	

KEY INDICATORS FOR THE EURO AREA

	Units	08Q2	08Q3	08Q4	09Q1	09Q2		2007	2008	2009 (f)*	2010 (f)*	OVERVIEW
Activity												
GDP	q/q	-0.3	-0.3	-1.8	-2.5	-0.2		2.6	0.6	-3.9	-0.1	Slight fall and well above expectations, Germany and France suprised with positive record
	y/y	1.5	0.5	-1.7	-4.9	-4.8						
Private Consumption	q/q	-0.4	0.0	-0.5	-0.5	0.1		1.6	0.3	-0.8	0.2	Mild recovery, higher effect of subsidies for car purchases than expected
	y/y	0.5	0.0	-0.7	-1.4	-0.9						
Gross Fixed Capital Formation	q/q	-1.4	-1.4	-3.4	-5.3	-0.5		4.3	-0.2	2.3	1.8	Lower fall than expected
	y/y	1.1	-1.0	-5.5	-11.0	-11.4						
Export	q/q	-0.5	-0.9	-7.2	-8.8	-1.5		5.8	1.1	-14.0	2.1	Lower than expected fall as demand from Asia was higher than expected
	y/y	4.0	1.4	-6.7	-16.6	-17.7						
Import	q/q	-1.2	0.3	-4.7	-7.8	-2.9		5.2	1.2	-12.4	2.4	Further declines due to the drop in domestic demand
	y/y	2.6	1.1	-3.8	-12.9	-14.4						
* The last up-date of this projections was done in August 2009												
	Units	08Q2	08Q3	08Q4	09Q1	09Q2		Jul-09	Aug-09	Sep-09	Oct-09	
ISA (*)		1.6	0.6	-1.4	-4.1	-4.9						0.5% q/q drop in 09Q3
(*) BBVA Synthetic Indicator of Economic Activity												
Industrial Production Index	q/q	-1.1	-1.6	-8.0	-8.6	-1.1	m/m	0.2	1.1			Industrial production grew robustly in August and was revised upwards for June and July. Between July and August, IP rose by a strong 1.6% over the previous quarter
(excluding construction)	y/y	1.1	-1.6	-9.6	-18.2	-18.2	y/y	-15.9	-15.4			
Capital Goods	q/q	-1.6	-2.3	-5.9	-15.9	-1.7	m/m	-1.6	1.0			
	y/y	3.3	-1.0	-8.4	-23.9	-24.0	y/y	-23.7	-22.3			
Intermediate Goods	q/q	-1.9	-2.8	-11.0	-11.7	0.0	m/m	1.4	0.8			
	y/y	0.1	-2.8	-13.7	-25.0	-23.6	y/y	-19.9	-19.5			
Durable Consumer Goods	q/q	-1.6	-5.0	-7.1	-6.5	-4.4	m/m	0.7	5.9			
	y/y	-1.9	-7.5	-12.7	-18.8	-21.1	y/y	-20.7	-20.6			
Non Durable Consumer Goods	q/q	-1.9	-0.7	-1.2	-1.4	-0.1	m/m	0.3	-1.3			
	y/y	-1.0	-1.6	-3.7	-5.1	-3.3	y/y	-1.5	-4.4			
Energy	q/q	1.3	-0.6	-2.6	-2.8	-2.9	m/m	0.1	0.6			
	y/y	2.1	-0.3	-4.1	-4.6	-8.5	y/y	-5.5	-6.0			
Industrial New Orders	q/q	-3.9	-4.3	-17.1	-11.0		m/m	3.0	2.0			Strongly up in August and revised upwards for July
	y/y	-0.1	-1.3	-22.4	-10.0		y/y	-24.9	-23.2			
Construction Production Index	q/q	-2.5	-1.8	-3.0	-1.5		m/m	-1.4	-0.4			Construction output continued to fall, but moderating
	y/y	-3.9	-5.1	-7.5	-8.5		y/y	-9.8	-11.3			
Retail Sales	q/q	-0.6	-0.6	-0.8	-0.8	-0.3	m/m	-0.2	-0.2			Retail sales fell in August, slightly higher than expected
	y/y	-0.3	-1.3	-1.8	-2.1	0.0	y/y	-1.8	-2.7			
Trade balance	€Bn	-7.2	-12.0	-6.3	-9.3	2.5	€Bn	6.0	1.0			Large fall in exports, partly because of the reversion of special positive items in July
Exports	q/q	0.0	0.2	-8.3	-15.2	-1.4	m/m	4.7	-5.8			
	y/y	7.3	4.7	-4.6	-22.0	-23.1	y/y	-18.0	-23.0			
Imports	q/q	0.8	1.4	-9.4	-14.1	-5.0	m/m	0.8	-1.3			
	y/y	10.5	9.7	-3.2	-20.5	-25.1	y/y	-29.0	-27			
Economic Sentiment Indicator	Level	97.7	89.9	75.6	65.7	70.2	Level	76	80.8	82.8	86.2	ESI continued its upward trends, increasing in October more than expected
Industry	Level	-2.9	-9.7	-25.3	-35.8	-33.3	Level	-29.6	-25.4	-24.4	-20.9	
Services	Level	8.2	0.6	-11.9	-23.7	-22.2	Level	-17.5	-10.6	-9.0	-6.5	
Consumer	Level	-13.9	-19.1	-27.1	-32.5	-27.9	Level	-23.0	-22.0	-19.0	-17.7	
Retail Trade	Level	-3.3	-8.9	-15.3	-18.6	-17.0	Level	-13.2	-14.1	-15.1	-15.3	
Construction	Level	-10.2	-13.8	-23.4	-31.3	-33.5	Level	-32.9	-31.6	-30.4	-29.1	
PMI Composite	Level	50.8	47.6	40.2	37.6	43.2	Level	47.0	50.4	51.1	53.0	Continue to improve, at a higher rate than in the previous month, but smaller than those increases registered in Q2
Manufacturing	Level	50.2	46.6	36.8	34.0	40.0	Level	46.2	48.2	49.3	50.7	
Services	Level	50.6	48.4	43.4	40.8	44.4	Level	45.7	49.9	50.9	52.3	

KEY INDICATORS FOR THE EURO AREA

	Units	08Q2	08Q3	08Q4	09Q1	09Q2	Jul-09	Aug-09	Sep-09	Oct-09	OVERVIEW
Labour market											
Employment	y/y	1.1	0.6	0.0	-1.2	-1.8					Easing the declining pace (-0.5 q/q Q2)
Unemployment rate		7.4	7.6	8.0	8.8	9.3	9.5	9.6	9.7		Continues to grow at a slow pace
Employment expectations											
Industry	Level	-3.0	-8.6	-22.7	-34.7	-35.7	Level -32.3	-29.5	-30.3	-26.4	Slights signs of recovery, but still well below average
Services	Level	8.1	4.0	-5.1	-15.5	-16.0	Level -11.4	-12.5	-11.1	-7.9	
Retailing	Level	3.7	1.9	-2.5	-9.1	-10.2	Level -9.6	-9.1	-5.8	-6.5	
Construction	Level	-3.2	-6.8	-15.9	-26.3	-24.6	Level -25.3	-22.8	-18.8	-16.4	
Consumer (Unemployment)	Level	10.4	22.5	48.5	63.9	58.5	Level 52.9	53.4	47.5	47.9	
Total Labour Costs	y/y	2.5	3.6	4.2	3.6	4.0					
Wage costs	y/y	2.5	3.6	4.1	3.4	3.9					
Non-wage costs	y/y	2.4	3.5	4.6	4.1	4.2					After the significant deceleration in Q109, labour costs accelerated again in Q2, possibly due to composition effect.
Unit Labour Costs	y/y	2.8	3.5	4.7							
Compensation per employee	y/y	3.4	3.8	3.8							
Labour Productivity	y/y	0.7	0.2	-1.2							
ECB Negotiated wages		2.8	3.4								
Prices											
HICP											
Headline						m/m	-0.7	0.3	0.0		
Energy	y/y	3.6	3.8	2.3	1.0	0.2	y/y -0.7	-0.2	-0.3	-0.1	According to Eurostat flash estimate, annual inflation rose to -0.1% y/y, as expected
Unprocessed Food	y/y	13.6	15.1	2.2	-6.1	-10.7	m/m -1.8	1.8	-1.2		
Core	y/y	3.7	3.9	3.0	2.8	0.8	y/y -14.4	-10.2	-11.0		
Services	y/y	2.5	2.5	2.2	1.6	1.5	m/m -1.2	-1.1	0.1		
Non-Energy Industrial Goods	y/y	2.4	2.6	2.6	2.2	2.2	y/y -1.1	-1.2	-1.3		
Processed Food	y/y	0.8	0.7	0.9	0.7	0.7	m/m -0.5	0.3	0.2		
	y/y	6.9	6.7	4.3	2.1	1.1	y/y 1.2	1.2	1.1		
	y/y						m/m 0.8	0.2	-0.7		
Industrial price index	q/q	2.5	2.1	-3.1	-3.2	-1.5	y/y 1.9	1.8	1.8		
Non-Energy	y/y	6.8	8.2	3.3	-1.8	-5.6	m/m -2.5	0.5	1.5		
Energy	y/y	3.7	4.2	2.4	-1.1	-3.0	y/y 0.5	0.6	0.5		
	y/y	16.6	20.7	5.7	-4.8	-12.5	m/m 0.1	0.1	-0.1		
	y/y						y/y 0.8	0.6	0.5		
M3	y/y	10.1	9.0	8.0	5.6	4.1	y/y -0.7	0.5			
Loans to households	y/y	4.8	3.9	2.5	0.8		y/y -0.7	-8.4	-7.5		Increased in August, driven by higher energy prices
Loans to non-financial corp.	y/y	14.3	12.6	10.9	7.7		y/y -4.1	-4.2			
	y/y						y/y -19.9	-16.7			
Price expectations											
Industry	Level	14.0	16.0	-0.4	-12.1	-35.7	Level -3.0	2.6	1.8		Continuing the downward pace
Services	Level	9.8	10.6	-1.4	-6.5	-17.0	Level 0.0	-0.2	-0.3		Increased on monthly basis
Retailing	Level	24.3	16.8	5.0	-4.8	-33.5	Level 1.6	0.7	-0.1		Fell again in September
Construction	Level	6.5	3.5	-14.2	-25.2	-27.9	Level -11.2	-8.7	-8.6	-8.1	Remains at historical low levels
Consumer	Level	28.3	23.2	12.3	3.5	58.5	Level -8.7	-6.9	-5.5	-4.8	
	Level						Level -5.3	-10.2	-8.8	-9.2	
	Level						Level -29.4	-25.1	-26.0	-22.7	
	Level						Level -12.1	-16.2	-13.9	-13.8	
ECB Refi rate (end of period)	%	4.00	4.25	2.50	1.50	1.00	% 1.00	1.00	1.00	1.00	The ECB kept its key interest rates unchanged in October meeting