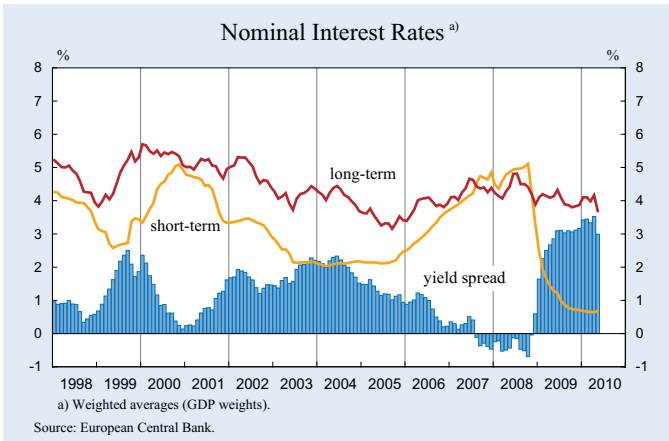
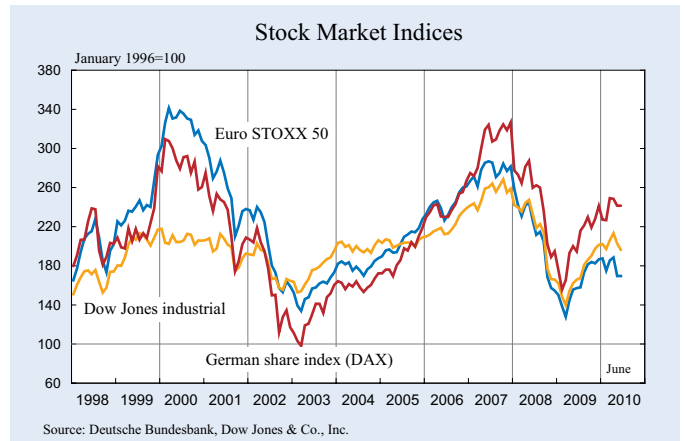


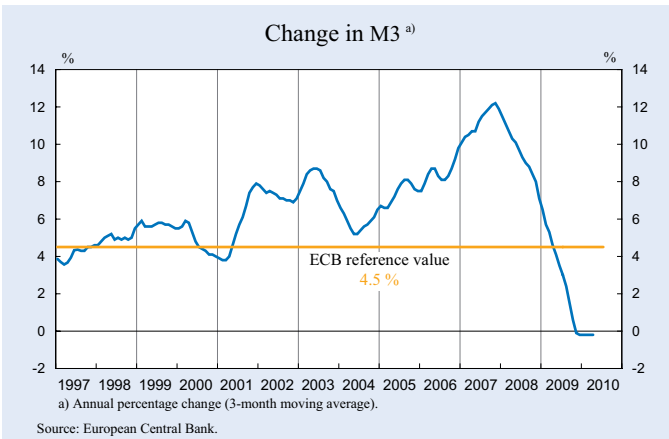
# FINANCIAL CONDITIONS IN THE EURO AREA



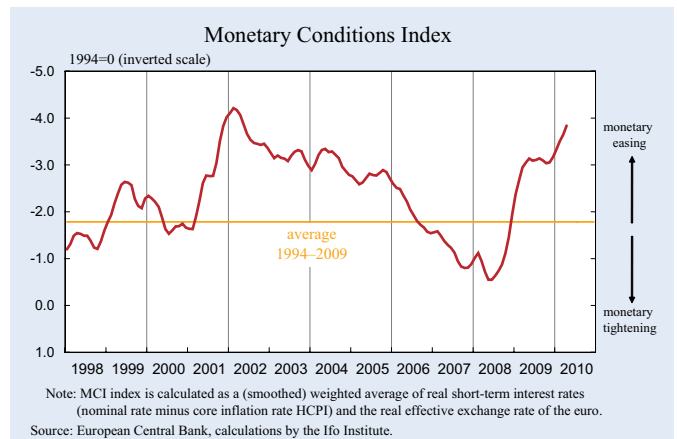
In the three-month period from March to May 2010 short-term interest rates increased slightly. The three-month EURIBOR rate grew from an average 0.65% in March to 0.69% in May. Yet the ten-year bond yields declined from 3.99% in March to 3.68% in May. In the same period of time the yield spread decreased from 3.34% (March) to 2.99% (May).



The German stock index DAX declined in June 2010, averaging 5,966 points compared to 6,136 points in April. The Euro STOXX also decreased from 2,937 in April to 2,642 in June. The Dow Jones International declined as well, averaging 10,159 points in June compared to 11,052 points in April.

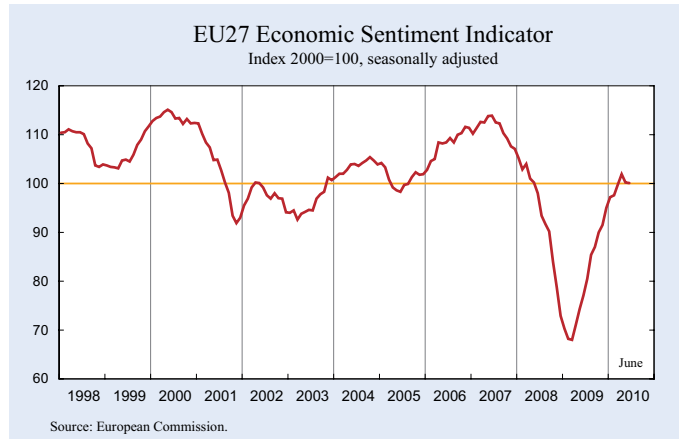
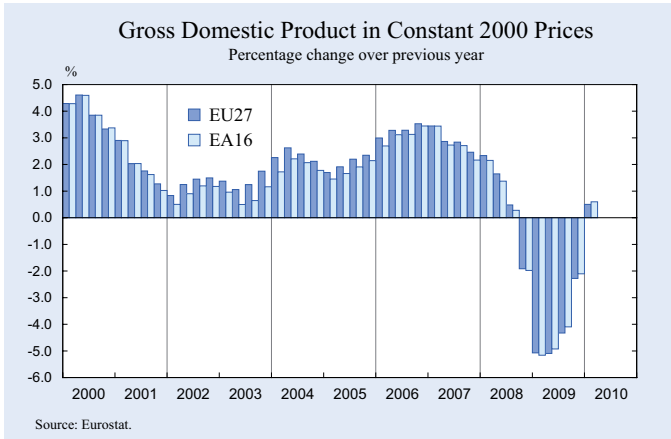


The annual growth rate of M3 stood at -0.2% in May 2010, unchanged from the previous month. The three-month average of the annual growth rate of M3 over the period from March to May 2010 stood also at -0.2%, unchanged from the previous period.



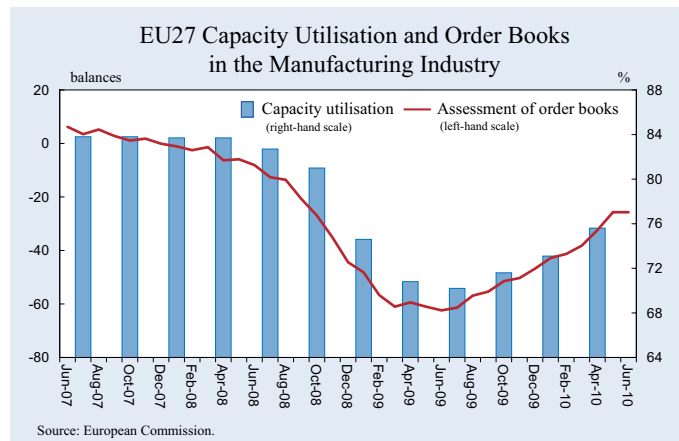
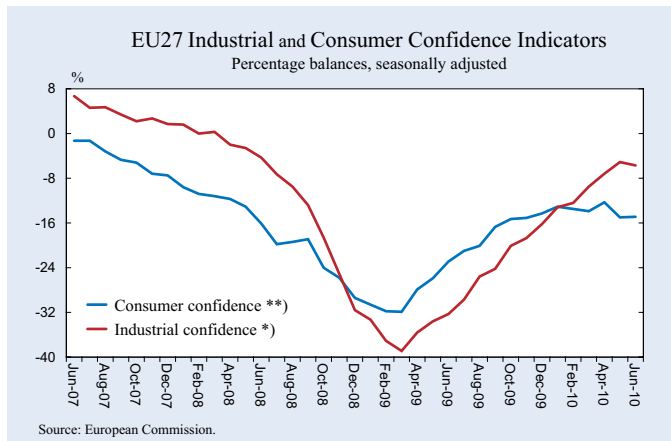
Between April and November 2009 the monetary conditions index remained rather stable after its rapid growth that had started in mid-2008. Yet the index started to grow again since December 2009, signalling greater monetary easing. In particular, this is the result of decreasing real short-term interest rates.

# EU SURVEY RESULTS



According to the first Eurostat estimates, GDP increased by 0.2% in both the euro area (EU16) and the EU27 during the first quarter of 2010, compared to the previous quarter. In the fourth quarter of 2009 the growth rate had amounted to 0.1% for the euro area and 0.2% for the EU27. Compared to the first quarter of 2009, i.e. year over year, seasonally adjusted GDP increased by 0.6% in the euro area and by 0.5% in the EU27.

In June 2010, the Economic Sentiment Indicator (ESI) remained broadly unchanged at 100.1 (down by 0.1 points) in the EU27 and at 98.7 (up by 0.3 points) in the euro area (EU16). The ESI reached its long-term average, albeit it will still require further improvement for the economic activity to reach its pre-crisis level



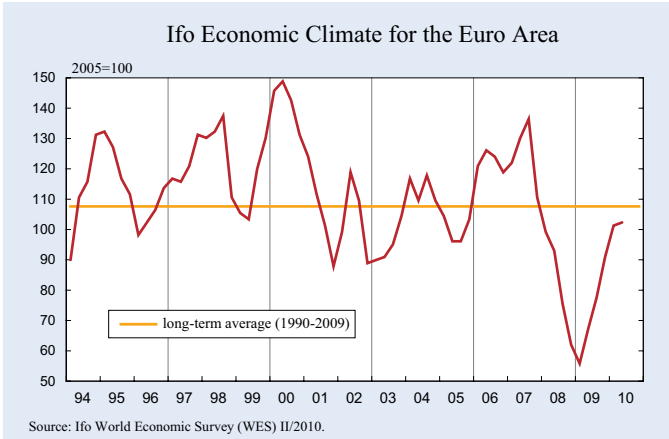
\* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

\*\* 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.

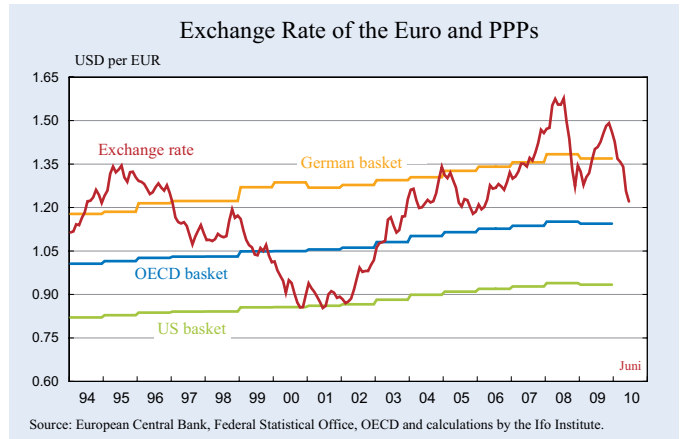
Managers' assessment of *order books* improved from - 32.4 in April to - 25.7 in June 2010. In March the indicator had reached - 38.2. *Capacity utilisation* increased to 75.6 in the second quarter of 2010 from 73.1 in the previous quarter.

In June 2010, the *industrial confidence indicator* decreased by 1 point in the EU27 but remained unchanged in the euro area (EU16). On the other hand, the *consumer confidence indicator* remained unchanged in the EU27 but increased by 1 point in the euro area. However, these indicators stood below the long-term average in both areas in June 2010.

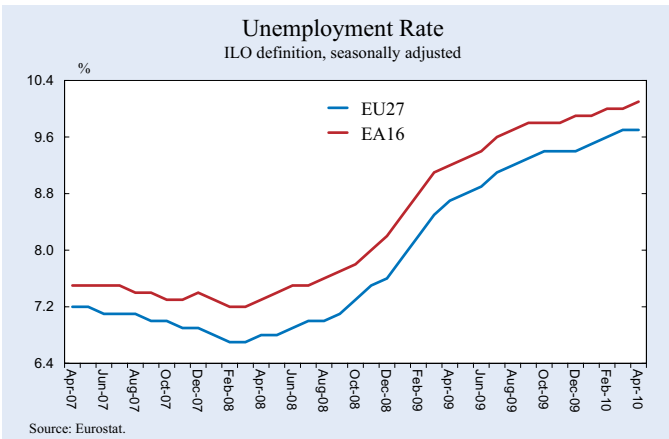
# EURO AREA INDICATORS



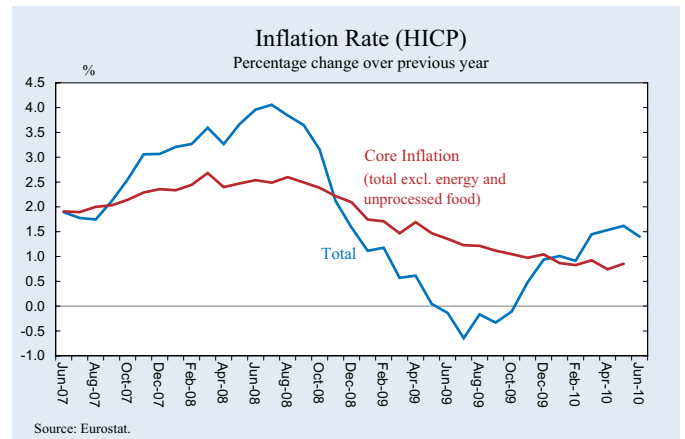
The Ifo indicator of the economic climate in the euro area (EU16) rose somewhat in the second quarter of 2010 and continues to stay below its long-term average. The assessments of the current economic situation improved only slightly *vis-à-vis* the first quarter. The expectations for the coming six months weakened somewhat but remain positive on the whole. These results indicate that the economic recovery will continue in the second half of the year, albeit at a slower pace.



The exchange rate of the euro against the US dollar averaged 1.22 \$/€ in June 2010, a decrease from 1.26 \$/€ in May. (In April the rate had amounted to 1.34 \$/€.)



Euro area (EU16) unemployment (seasonally adjusted) amounted to 10.1% in April 2010, compared to 10.0% in March. It was 9.2% in April 2009. EU27 unemployment stood at 9.7% in April 2010, unchanged compared to March. The rate was 8.7% in April 2009. In April 2010 the lowest rate was registered in the Netherlands (4.1%) and Austria (4.9%), while the unemployment rate was highest in Latvia (22.5%) and Spain (19.7%).



Euro area annual inflation (HICP) was 1.6% in May 2010, compared to 1.5% in April. A year earlier the rate had amounted to 0.0%. The EU27 annual inflation rate reached 2.0% in May 2010, unchanged compared to April. A year earlier the rate had been 0.8%. An EU-wide HICP comparison shows that in May 2010 the lowest annual rates were observed in Latvia (- 2.4%), Ireland (- 1.9%) and the Netherlands (0.4%), and the highest rates in Greece (5.3%), Hungary (4.9%) and Romania (4.4%). Year-on-year EU16 core inflation (excluding energy and unprocessed foods) fell to 0.85% in May 2010 from 0.92% in March.