

# Monitor

## Periphery business cycle monitor

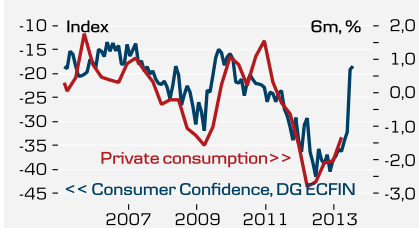
### Summary and outlook

- **The tightening in sovereign spreads in the periphery since end of June is broadly in line with fundamentals.** In recent months, the economic outlook for euro area periphery countries has shown signs of improvement. Most of the soft indicators have started to increase. The improvement in soft data are also beginning to spill over to some hard data. The rapid increase in unemployment rates across the periphery has lost momentum and in some periphery countries the unemployed rate has declined slightly. Other hard data also show early signs of stabilisation in most periphery countries.
- **We look for a continued gradual improvement in data** as the headwinds from fiscal tightening, credit tightening and fears of a euro breakup fade. On a six-month horizon, we expect the improvement in sentiment to support a slow stabilisation of domestic private sector demand, while export growth picks up more speed driven by the global recovery. Nevertheless, the short-term outlook remains challenging. The ongoing economic stabilisation is fragile and could derail in case of unforeseen shocks.

### Country details

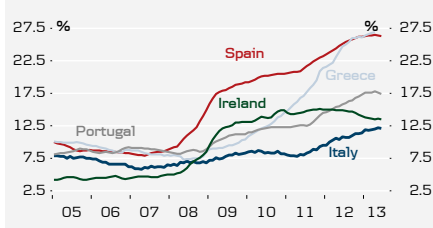
- In **Italy**, consumer confidence has improved significantly and is at the highest level since January 2010. PMIs are also improving. Hard data generally show continued deterioration but the pace of decrease in industrial production is slowing.
- The composite PMI for **Spain** remained at a two-year high in July and continues to point to growth in Spain. Hard data shows tentative signs of stabilisation and the unemployment rate declined slightly in May and June. GDP declined 0.1% q/q in Q2 from -0.5% in Q1.
- Manufacturing PMI for **Greece** bottomed in early 2012 and continues to improve. Consumer confidence has also improved slowly from very low levels reached last autumn but declined in June and July. Hard data shows fragile signs of stabilisation.
- In **Portugal**, economic sentiment has improved since October 2010 but consumer confidence has lost some momentum in recent months. Industrial production shows signs of improvement and the unemployment rate declined in May and June.
- In **Ireland**, manufacturing PMI points to growth again after staying below 50 for three months but consumer confidence remains subdued. Signals from hard data are also mixed. The unemployment rate has stabilised in the recent month after declining since late 2011.

#### Italian consumer confidence has improved significantly



Source: Markit, Macrobond Financial

#### High increases in unemployment rates are losing momentum



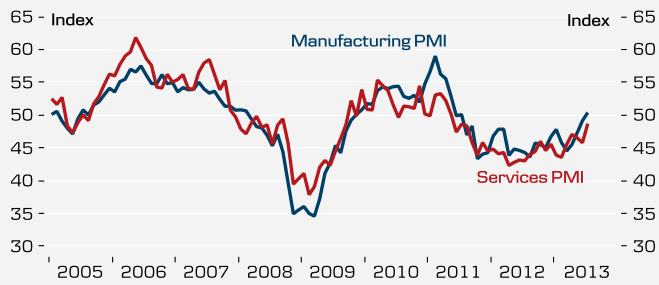
Source: Markit, Macrobond Financial

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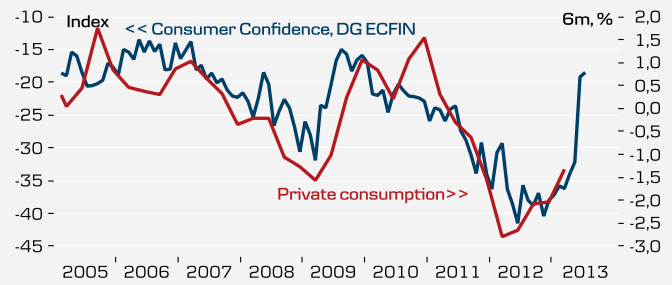
# Italy

## PMIs - improvement in Q2 and into Q3



Source: Macrobond Financial

## Consumer confidence - improved significantly in June



Source: Macrobond Financial

## Industrial production - pace of decrease is slowing



Source: Macrobond Financial

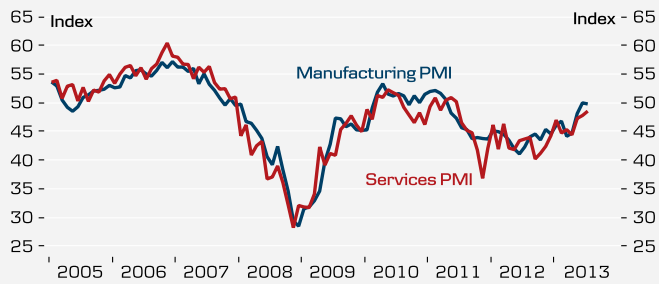
## Unemployment rate - continues to increase



Source: Reuters EcoWin

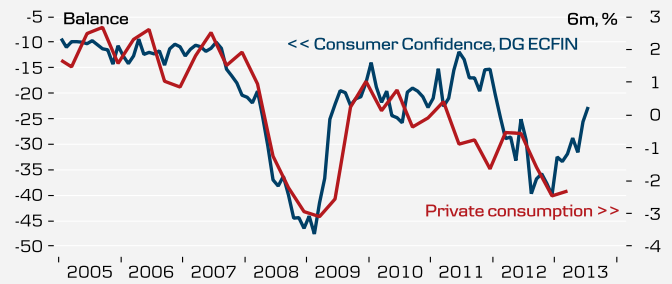
# Spain

## PMIs - around a two-year high



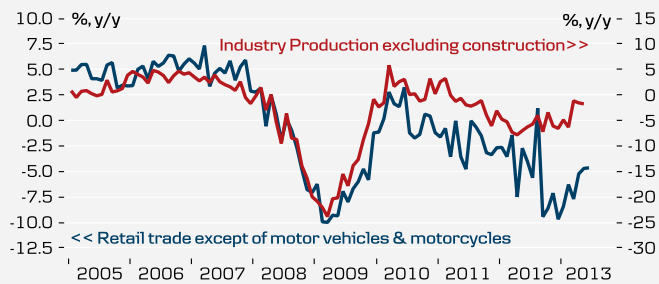
Source: Macrobond Financial

## Consumer confidence - has improved since late 2012



Source: Markit, Macrobond Financial

## Retail sales - tentative sign of stabilisation



Source: Macrobond Financial

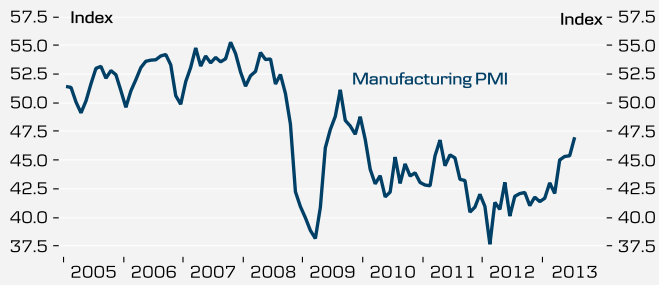
## Unemployment rate - declined in May and June



Source: Reuters EcoWin

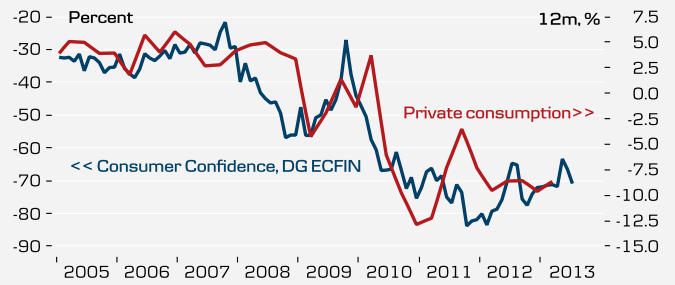
# Greece

**Manufacturing PMI - on an upward trend since 2012**



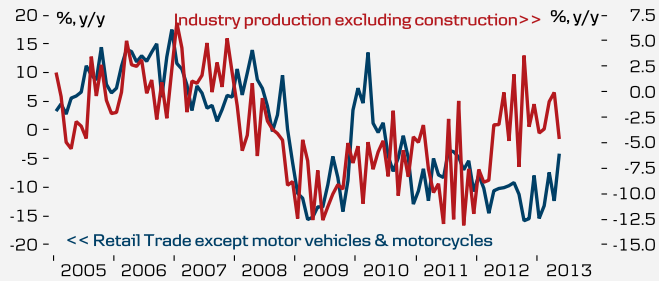
Source: Markit, Macrobond Financial

**Consumer confidence - declined in June and July**



Source: Macrobond Financial

**Retail sales - fragile sign of stabilisation**



Source: Markit, Reuters EcoWin

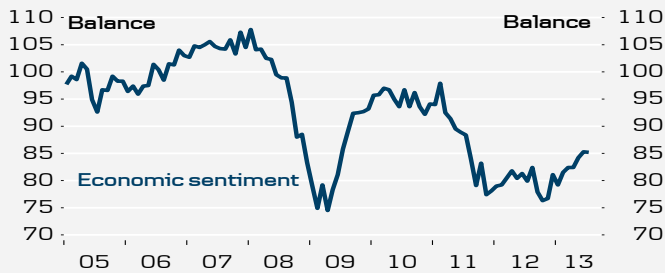
**Unemployment rate - pace of increase is slowing down**



Source: Reuters EcoWin

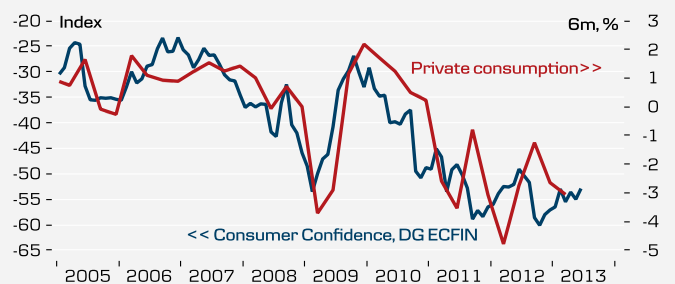
# Portugal

**Economic sentiment - on an upward trend since late 2012**



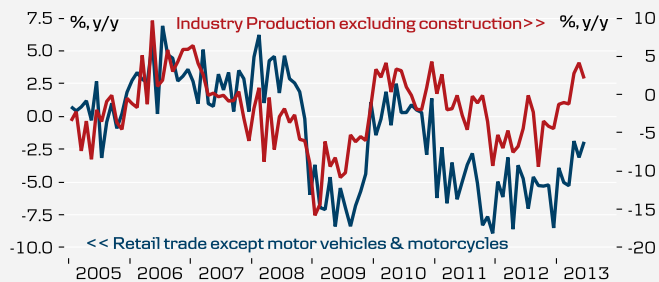
Source: Markit, Macrobond Financial

**Consumer confidence - struggling to improve further**



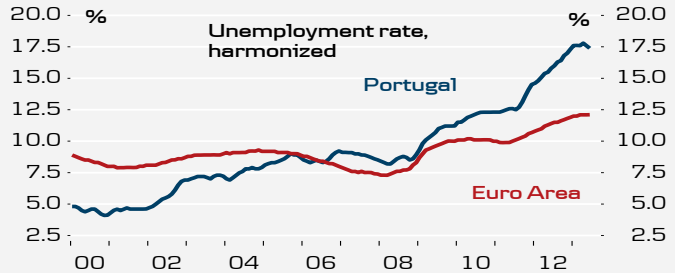
Source: Reuters EcoWin

**Industrial production - shows sign of improvement**



Source: Macrobond Financial

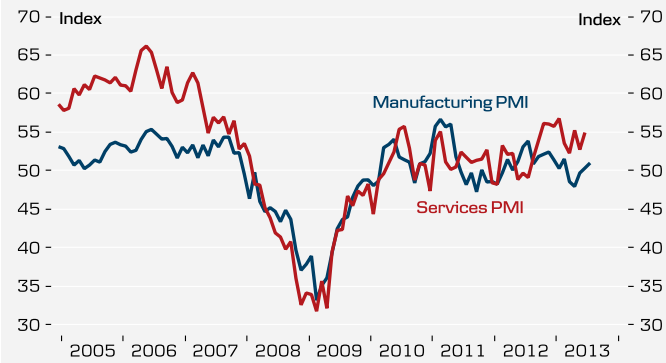
**Unemployment rate - declined in May and June**



Source: Reuters EcoWin

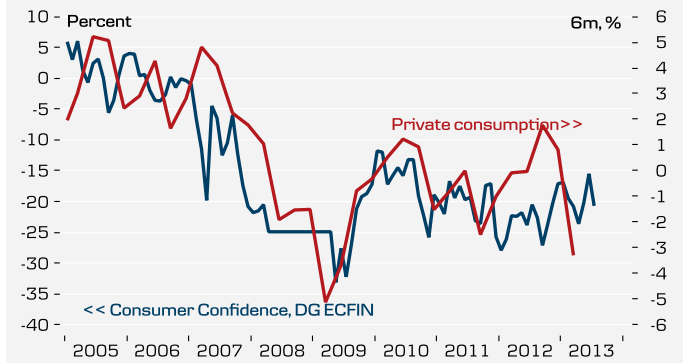
# Ireland

Manufacturing PMI - signals growth again



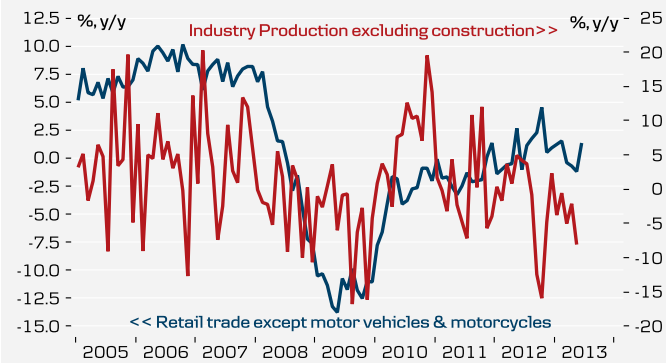
Source: Macrobond Financial

Consumer confidence - failing to pick up



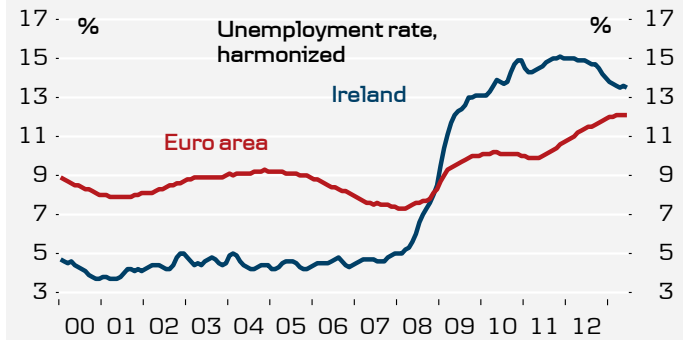
Source: Macrobond Financial

Retail sales increasing - industrial production declining



Source: Reuters EcoWin

Unemployment rate - stabilised recently



Source: Reuters EcoWin

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