

## IA- BBVA UEM

September 7<sup>th</sup>, 2007***Less momentum in activity for the second consecutive month***

- **The decline of the IA BBVA UEM indicator continued in August, although it remains well into positive territory.**
- **Both the real and the expectations component decline.**
- **The employment indicator explains the largest share of the fall.**

In August, our activity IA-BBVA UEM indicator fell for the third consecutive month to 0.88. On a moving average basis this is its second monthly fall. With 53% of the information available for the third quarter, the indicator so far points to a decline from 1.16 in the second quarter to 1.01 now. This confirms that activity in the euro area is pointing towards some moderation, although the indicator is still at high historical levels, suggesting solid growth.

All sectoral components fell, with the exception of the production indicator, which presented a marginal improvement from 0.48 to 0.50. The expenditure, construction and expectations components explained each around 0.03 points of the deterioration in the overall index, whereas the employment indicator accounted for 0.08 points. Over the past two months the production, employment and construction components have been the most affected by the decline.

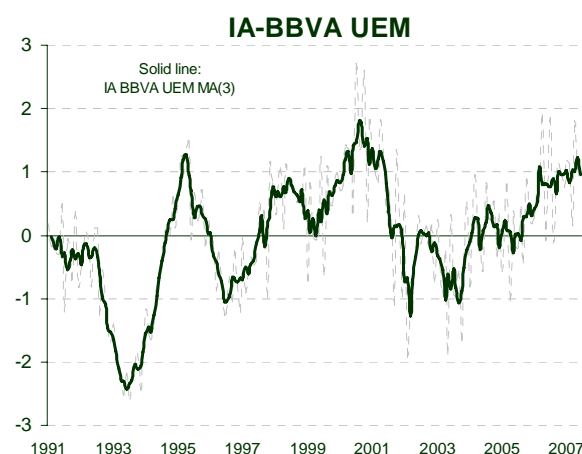
Across countries, France and Germany explain most of the fall, whereas Italy and Spain present small improvements. Over the past two months France has been the most negative country, together with Germany and Spain. The sub-indicator for Italy has held relatively well, with marginal gains.

Overall, August results point to somewhat less of momentum in activity. However, the lack of correlation between the indicator in the second quarter and the first estimations of GDP growth for the area, which were disappointing (0.3%), blur somewhat the interpretation for the third quarter.

The IA – BBVA UEM is a weighted average of 149 activity indicators drawn from different activity areas (such as expenditure, output and employment) and from different economic regions (EMU aggregate and its main economic areas). The index has been calculated using a “Principal Components Approach” upon standardized, stationary and outliers-corrected time series. It is constructed to have an average value of zero and a standard deviation of one. An IA BBVA UEM reading of zero is associated with trend growth, thus values above (under) zero signal accelerations (decelerations) of activity. IA BBVA UEM monthly values may be subject to revision as more real information on the data is gathered. Information not available by the time of the monthly calculation of the IA BBVA UEM will be forecasted by means of ARIMA models of the indicators.

For further information please see our “EuropaWatch Nov.05” publication at the BBVA’s Servicio de Estudios -website <http://serviciodeestudios.bbva.com/>

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IA - BBVA UEM		Current		Previous	
	Information Used	Value	MA(3)	Value	MA(3)
Avg. 3Q06	100%	0,87	0,88	0,87	0,89
Avg. 4Q06	100%	1,18	1,07	1,17	1,07
Avg. 2006	100%	0,87	0,86	0,88	0,87
Avg. 1Q07	100%	1,12	1,09	1,11	1,08
Avg. 2Q07	100%	1,12	1,16	1,07	1,14
Avg. 3Q07	53%	0,95	1,01	...	...
Apr.07	100%	0,52	1,08	0,52	1,09
May.07	100%	1,54	1,12	1,56	1,07
Jun.07	100%	1,31	1,29	1,11	1,27
Jul.07	63%	1,02	1,07	1,13	1,13
Aug. 07	43%	0,88	0,95	...	...

IA BBVA UEM will be published on the first Friday of every month.