

IA- BBVA UEM

May 4th, 2007*Signs of stabilization*

- The IA BBVA UEM remained unchanged in April, recording an improvement in the expectations component and a decline in the real one.
- The manufacturing sector increased, while both employment and construction declined. Expenditures did not change.
- The improvements in Germany and France were offset by lower figures in Italy, Spain and other countries.

Including data from April (available information: 51%) our IA-BBVA UEM activity index remained unchanged from the past month. The gains experimented in the expectations component were offset by the decline in the real component. The information from the IA BBVA signals that first quarter GDP growth is expected to be around 0.6% q/q. The still high value of the indicator for April shows a good start for the second quarter.

Among components, manufacturing led the improvements, recovering from March's fall. In contrast, both construction and employment recorded a decrease, the latest following the downward trend initiated in August 2006. In addition, the expenditure component remained unchanged since February.

The country breakdown shows improvements both in Germany and France, picking up from the recent fall in March. On the other hand, the indicator fell in Italy and Spain, adding to similar figures for other EMU countries, offsetting the improvements of the two biggest euro area economies.

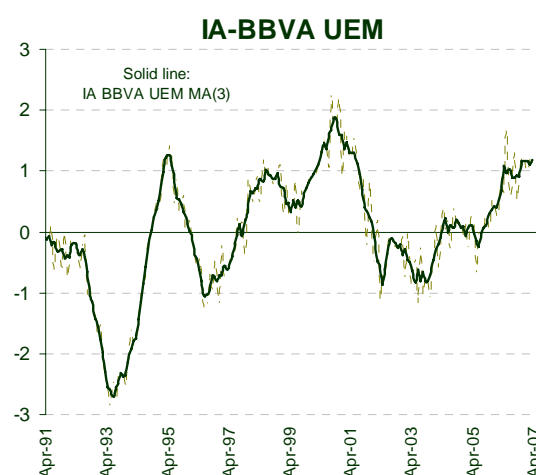
To sum up, our IA BBVA shows that activity in the first quarter has moderated a bit, after good behaviour at the end of the 2006. The effect of the VAT hike on activity seems to be less important than previously thought, and probably the quarterly growth rate volatility during 2007 will be smaller.

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.

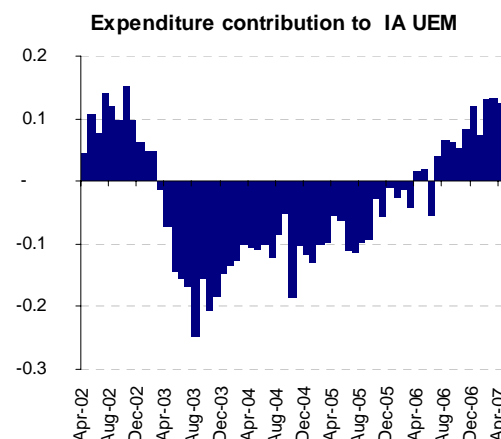
For further information please see our "EuropaWatch Nov.05" publication at the BBVA's Servicio de Estudios -website <http://serviciodeestudios.bbva.com/>

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IA - BBVA UEM		Current		Previous	
	Information Used	Value	MA(3)	Value	MA(3)
Avg. 1Q06	100%	0,53	0,53	0,51	0,53
Avg. 2Q06	100%	0,97	1,02	0,99	1,03
Avg. 3Q06	100%	0,88	0,90	0,88	0,90
Avg. 4Q06	98%	1,17	1,08	1,16	1,09
Avg. 2006	99%	0,89	0,89	0,88	0,89
Avg. 1Q07	85%	1,11	1,15	1,07	1,11
Jan.07	96%	0,94	1,17	0,99	1,13
Feb.07	94%	1,26	1,11	1,10	1,07
Mar.07	65%	1,14	1,18	1,13	1,13
Apr.07	51%	1,14	1,14	---	---



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