



EUROPEAN CENTRAL BANK

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Address

Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address

Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone

+49 69 1344 0

Website

<http://www.ecb.int>

Fax

+49 69 1344 6000

Telex

411 144 ecb d

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ABBREVIATIONS

COUNTRIES

BE	Belgium	HU	Hungary
CZ	Czech Republic	MT	Malta
DK	Denmark	NL	Netherlands
DE	Germany	AT	Austria
EE	Estonia	PL	Poland
GR	Greece	PT	Portugal
ES	Spain	SI	Slovenia
FR	France	SK	Slovakia
IE	Ireland	FI	Finland
IT	Italy	SE	Sweden
CY	Cyprus	UK	United Kingdom
LV	Latvia	JP	Japan
LT	Lithuania	US	United States
LU	Luxembourg		

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWA	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
PPI	Producer Price Index
SITC Rev. 3	Standard International Trade Classification (revision 3)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

In accordance with Community practice, the EU countries are listed in this Bulletin using the alphabetical order of the country names in the national languages.



EDITORIAL

At its meeting on 3 February 2005, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

This decision reflects the fact that the Governing Council's assessment of price stability over the medium term has not changed. While short-term HICP inflation rates remain subject to certain volatilities, particularly in relation to oil prices, there is no significant evidence of underlying domestic inflationary pressures building up in the euro area. Accordingly, the Governing Council left the key ECB interest rates unchanged at their historically low levels. However, upside risks to price stability over the medium term remain. Continued vigilance is therefore of the essence with regard to those risks.

Starting with the economic analysis underlying the Governing Council's assessment, recent data on economic activity, as well as survey information, suggest ongoing moderate growth in the fourth quarter of 2004 and a broadly unchanged situation around the new year. Looking ahead, the conditions remain in place for economic growth to pick up and become more self-sustained in the course of the year. Global growth remains solid, providing a favourable environment for euro area exports. On the domestic side, investment is expected to continue to benefit from very favourable financing conditions, improved earnings and greater business efficiency. Moreover, consumption growth should develop in line with real disposable income growth.

High and volatile oil prices and persistent global imbalances pose downside risks to growth. On the domestic side, reducing uncertainties associated with the extent and pace of fiscal and structural reforms would

support consumption, as such uncertainties seem to be affecting private sector expectations of future real disposable income growth. As regards exchange rates, the Governing Council confirmed its position, expressed when the euro rose sharply, that such moves are unwelcome and undesirable for economic growth.

Turning to consumer prices, annual HICP inflation stood at 2.4% in December, up from 2.2% in November. Data for January are not yet available, but there are indications of a decline from December's inflation rate. Over the coming months, volatility in annual inflation rates is likely to persist, reflecting in particular oil price developments. Looking further ahead, on the basis of the information available so far, HICP inflation is expected to fall below 2% in the course of 2005, provided no further adverse shocks occur. At the current juncture, the evidence does not suggest that stronger underlying domestic inflationary pressures are building up in the euro area. Wage increases have remained contained over recent quarters and, in the context of ongoing moderate economic growth and weak labour markets, this trend should continue in the future.

However, several upside risks to price stability need to be taken into account. Concerns relate in particular to future oil price developments and, more generally, to the potential risk of second-round effects in wage and price-setting throughout the economy. In addition, developments in indirect taxes and administered prices need to be monitored closely.

Further insight into the outlook for price developments at medium to longer-term horizons is provided by the monetary analysis. The latest monetary data confirm the strengthening of M3 growth observed since mid-2004. This increasingly reflects the stimulative effect of the historically very low level of interest rates in the euro area. As a result of the persistently strong growth in M3

over the past few years, there remains substantially more liquidity in the euro area than is needed to finance non-inflationary economic growth. This could pose risks to price stability over the medium term and warrants vigilance.

The very low level of interest rates is also fuelling private sector demand for credit. Growth in loans to non-financial corporations has picked up further in recent months. Moreover, demand for loans for house purchase has continued to be robust, contributing to strong house price dynamics in several parts of the euro area. The combination of ample liquidity and strong credit growth could, in some parts of the euro area, become a source of unsustainable price increases in property markets.

To sum up, the economic analysis suggests that underlying domestic inflationary pressures remain contained. However, medium-term upside risks to price stability persist and need to be monitored closely. It is important that higher inflation in the short term does not become entrenched in long-term inflation expectations and wage and price-setting behaviour. Cross-checking with the monetary analysis supports the case for continued vigilance with regard to the materialisation of risks to price stability over the medium term.

With regard to fiscal policies, a thorough assessment of the most recent updates of Member States' stability programmes is under way. It is essential that Member States comply with their commitments under the Stability and Growth Pact in the implementation of 2005 budgets and in the setting of medium-term objectives. Where relevant, this implies a correction of excessive deficits this year and determined progress towards budgetary positions which are close to balance or in surplus. Such measures should prevent a repeat of past outcomes, when insufficient

adjustments were made. In light of the need to prepare for population ageing, fiscal strategies should also be part of a comprehensive reform strategy aimed at raising Europe's growth potential.

Discussions on the European fiscal framework now need to be brought to a convincing conclusion. The Governing Council supports proposals that strengthen the preventive arm of the Stability and Growth Pact, which deals with the surveillance of budgetary positions. As regards the corrective arm of the Pact, the mechanisms in place must remain strong and credible in all respects. It would therefore be counterproductive to change the Regulations, dilute the 3% deficit limit or weaken the excessive deficit procedure. The fiscal framework enshrined in the Treaty and in the Stability and Growth Pact is a cornerstone of Economic and Monetary Union and thus of central importance for the cohesion of Monetary Union itself. It is important to avoid any doubts about the effectiveness of the surveillance process and the soundness of the fiscal policies of the single currency area in the long run, as such doubts would ultimately lead to higher risk premia and higher real interest rates in the euro area.

Regarding structural reforms, the ECOFIN Council has recently endorsed the Annual Report on Structural Reforms 2005, prepared by the Economic Policy Committee. The Governing Council fully supports the ECOFIN Council's conclusion that "particular attention should be given to increasing employment rates, especially in the context of ageing populations, within the continuing need to increase growth by raising both employment and productivity." To this end, the Governing Council strongly supports the Commission in its determination to promote the renewed Lisbon Strategy and encourages national governments to show their determination in this regard by implementing structural reforms in Europe. Closing the

existing implementation gap is essential in order to reap the benefits of reforms, in terms of both a higher growth potential in the medium term and improved consumer and business confidence in the short run.

This issue of the Monthly Bulletin contains three articles. The first article reviews conceptual issues surrounding market discipline for banks and describes to what extent market discipline could complement supervisory activities. The second article describes the initial experience with recent changes to the Eurosystem's operational framework for monetary policy implementation. Finally, the third article presents a geographical breakdown of the euro area's balance of payments and international investment position.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Growth in the global economy remains fairly robust and even increased again in some countries towards the end of 2004. At the same time, overall inflationary pressures continue to be relatively well contained, with annual inflation rates declining in many countries in recent months. Although real activity has been supported by the decline in oil prices recorded in the last two months of last year, the subsequent price rise in January 2005 highlights the continued risks posed by oil market developments. Nonetheless, the outlook for the global economy and euro area foreign demand remains relatively favourable.

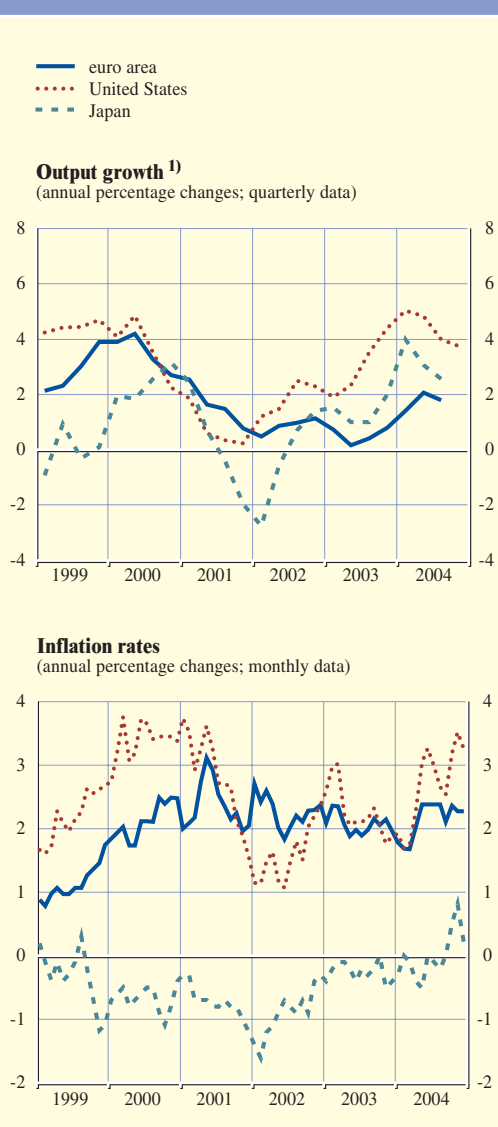
I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy continued to expand at a relatively robust pace in the last few months of 2004. While real GDP growth declined in the United States in the fourth quarter, it increased in the United Kingdom and China. At the same time, growth in Japan appears to have remained relatively weak. Notwithstanding the gradual withdrawal of policy stimulus, global growth continues to be supported by favourable financing conditions. In addition, global activity in the last quarter of 2004 was supported by the decline in oil prices in November and December. Overall inflation pressures continued to be fairly well contained, with headline inflation rates moderating in many countries in December.

UNITED STATES

In the United States economic activity decelerated towards the end of 2004. According to advance data, real GDP growth slowed to an annualised quarterly rate of 3.1% in the fourth quarter from 4.0% in the third quarter. The slowdown primarily reflected a strong negative external trade contribution, partly offsetting a continuation of considerable strength in private consumption and business investment in equipment and software. Recent months have seen a continued gradual receding of accumulated slack in the labour market. In December payroll employment expanded by 157,000 over the previous month, while the unemployment rate remained unchanged at 5.4%. However, as signalled by the Federal Open Market Committee (FOMC) in the minutes of its December 2004 meeting, considerable uncertainty still exists regarding the extent of resource slack in the economy,

Chart I Main developments in major industrialised economies



Sources: National data, BIS, Eurostat, OECD and ECB calculations.
1) Eurostat data are used for the euro area; for the United States national data are used; for Japan OECD data are used. For all countries, GDP figures have been seasonally adjusted.

most notably in terms of the labour force participation rate, which is currently at low levels by historical standards, and its response to any tightening in labour market conditions. Overall economic activity is expected to continue to expand at a fairly robust pace over the coming quarters.

Annual consumer price inflation fell from 3.5% in November 2004 to 3.3% in December, mainly reflecting a decline in energy prices. On 2 February 2005, the U.S. Federal Open Market Committee raised its target for the federal funds rate by 25 basis points, to 2.50%, for the sixth consecutive meeting. Following on from previous statements, it was indicated that “policy accommodation can be removed at a pace that is likely to be measured.” Concerning fiscal policy, projections issued by the Congressional Budget Office in late January indicate that, under unchanged policies, the federal government budget deficit would amount to 3.0% of GDP in the fiscal year 2005.

JAPAN

In Japan the economic recovery lost momentum in the course of 2004, while moderate deflationary pressures persisted. Inventory adjustments in manufacturing, notably in the IT-related sectors, contributed to the marked slowdown in the Japanese economy in the second and third quarters. Reflecting continuing inventory adjustment, industrial production declined by 1.2% month on month in December. At the same time, recent data on private machinery orders may indicate a forthcoming acceleration in investment and export activity. Nonetheless, economic activity is likely to remain relatively weak over the next few quarters as the process of inventory adjustment is completed. As regards price developments, deflationary pressures, although persisting, have moderated somewhat in recent months. However, the ongoing deregulation of utility sectors is likely to continue to exert downward pressure on prices for some time. Annual CPI inflation was 0.2% in December, down from 0.8% in the previous month. Over the same period, the annual rate of decline in the CPI excluding fresh food remained unchanged at -0.2%.

UNITED KINGDOM

In the United Kingdom growth increased again towards the end of 2004, while annual HICP inflation remained well below the government’s 2% target. According to preliminary estimates, real GDP growth picked up from a quarterly rate of 0.5% in the third quarter to 0.7% in the fourth quarter, driven by the service sector, whereas manufacturing output fell. Housing market activity continued to decelerate in the fourth quarter, while the annual rate of house price changes moderated further. Looking ahead, real GDP growth may gradually decline, although exports should be bolstered by the recent depreciation of the pound sterling. With regard to labour market conditions, the employment rate increased slightly to 74.8% in the three months to November 2004 and the number of job vacancies was also up over the same period. The three-month average unemployment rate was unchanged at 4.7% between September and November. Annual growth in average earnings excluding bonuses remained unchanged at 4.4% in the three months to November. Annual HICP inflation rose to 1.6% in December, with upward effects coming from energy, mainly reflecting recent tariff increases by major suppliers.

OTHER EUROPEAN COUNTRIES

In Sweden real GDP grew by a quarterly rate of 0.9% in the third quarter of 2004, compared with 1.0% in the previous quarter, driven mainly by an increase in stocks. At the same time, the contribution from net exports turned negative due to stalling exports. Annual HICP inflation was

0.9% in December, down from 1.1% in November, reflecting declining fuel prices.

In Denmark real GDP growth declined to a quarterly rate of 0.1% in the third quarter. Growth in domestic demand was almost offset by significant import growth, principally due to increasing imports of transport equipment and fuel. HICP inflation remained unchanged at 1.0% in December.

In the other EU Member States, growth in economic activity slowed somewhat in the third quarter, although it continued to be strong, with real GDP growth standing at a year-on-year rate of 4.5% on average. Short-term indicators generally suggest that output growth remained strong in the fourth quarter. The inflation picture across these Member States generally improved towards the end of 2004 and HICP inflation declined to an average of 4.3% in December.

NON-JAPAN ASIA

In non-Japan Asia the latest data releases indicate that the deceleration in economic activity has been rather modest, with the growth momentum even strengthening again in a number of countries. Inflationary pressures continue to ease across the region, reflecting largely benign developments in food and commodity prices. This favourable combination of robust growth and low inflation is likely to continue into the first few months of 2005. In China economic activity accelerated again at the end of 2004. GDP growth reached a higher than expected 9.5% year on year in the fourth quarter of 2004, up from 9.1% in the third quarter. As a result, GDP growth for 2004 stood at 9.5%, up from 9.3% in 2003. The pick-up in economic activity at the end of 2004 was due largely to a robust performance in exports and private consumption, while investment in fixed assets has continued to decelerate since the second quarter of 2004. Inflation meanwhile declined further, from 2.8% in November to 2.4% in December.

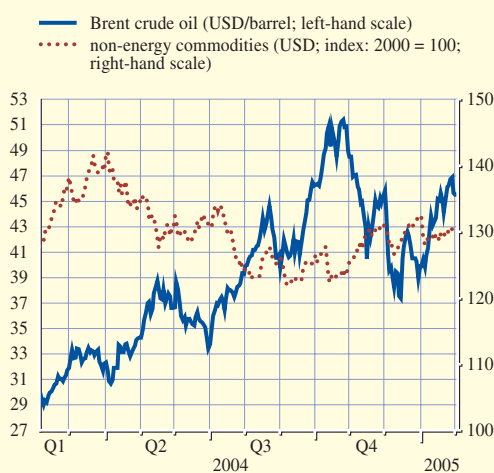
LATIN AMERICA

The latest data releases for Latin America show that the pace of economic expansion remains robust. Across the region's three largest economies, real output growth continues to be broad-based, driven by exports and buoyed by domestic demand. Over the period October-November 2004, industrial production continued to grow at a broadly unchanged pace year on year (8% in Argentina, 5.5% in Brazil and 3.8% in Mexico). Reflecting in part this robust growth performance, inflationary pressures continue to be significant. The economic prospects for the region are fairly positive, while delays in concluding Argentina's external debt negotiations remain the most important source of uncertainty.

COMMODITY MARKETS

Oil prices rebounded rather sharply in January 2005 after strong declines in November and December. This renewed increase reflects a combination of minor supply-side disruptions, a bout

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

of cold weather and re-emerging concerns over the security of oil supplies. More generally, tight spare capacity all along the oil supply chain, and therefore high sensitivity to unanticipated changes in the supply-demand balance, is keeping oil prices both high and volatile. The price of Brent crude oil reached USD 45.4 on 2 February. Market participants expect oil prices to decline only gradually, towards USD 39, by the end of 2007.

After continuously easing from the peak levels of April 2004, prices of non-energy commodities increased slightly towards the end of 2004, ending the year 8.9% higher than 12 months earlier.

OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Growth in the global economy and in euro area foreign demand is expected to remain fairly strong. The Global Purchasing Managers' Index increased slightly in December, its first increase since July 2004. Gains were particularly strong in the global services sector, while the index for the global manufacturing sector increased only slightly. The renewed increase in oil prices in January 2005 highlights an important risk factor in the outlook for global growth and inflation.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The December data confirm the persistence of the stronger monetary dynamics observed since mid-2004. The stimulative impact of the low level of interest rates on M3 continued to offset the dampening effects of the ongoing normalisation of portfolio allocation behaviour by euro area residents. The low level of interest rates also supported a further strengthening of the already robust annual growth of loans to the private sector. As a result of the persistently high growth in M3 over the past few years, liquidity in the euro area continues to be substantially higher than is needed to finance non-inflationary economic growth. This could pose risks to price stability over the medium term.

THE BROAD MONETARY AGGREGATE M3

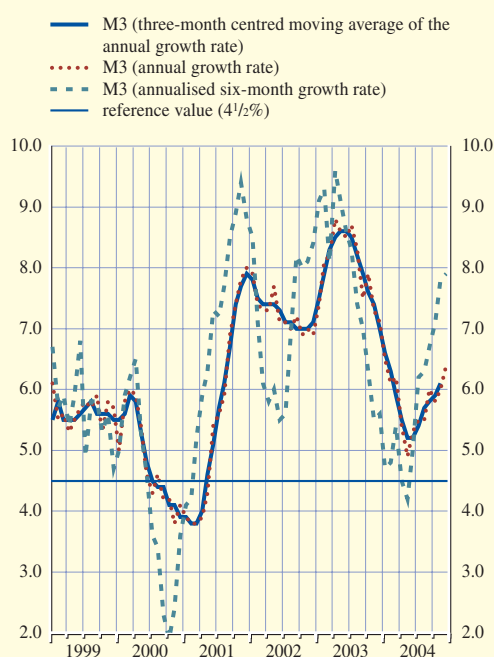
The annual rate of growth in the broad monetary aggregate M3 increased to 6.4% in December 2004, from 6.0% in November (see Table 1). The three-month average of the annual growth rates rose to 6.1% in the period between October and December 2004, from 5.9% in the period between September and November 2004. The shorter-term dynamics of M3 remained robust in December, as reflected in the further rise in the six-month annualised rate of growth to 7.9% (see Chart 3).

Looking through the volatility seen in some components of M3 in December, the assessment presented in previous months remained broadly unchanged. Monetary developments were still influenced by two factors. On the one hand, in an environment of low interest rates, annual M3 growth continued to be driven mainly by the high growth rate of M1 on the components side and by the strong dynamics of credit to the private sector on the counterparts side. On the other hand, the asset allocation behaviour of economic agents in the euro area continued to normalise following the period marked by an exceptional preference for liquidity as a result of the heightened economic and financial uncertainty between 2001 and 2003. However, the risk aversion of euro area residents appears to have remained rather high, so that this normalisation has not been as large or rapid as might have been expected on the basis of past experience.

Given the strength of M3 growth in recent years, as has been confirmed by latest monetary developments, there is significantly more liquidity available in the euro area than is needed to finance non-inflationary economic growth. Should a significant part of this excess liquidity be transformed into transaction balances, particularly at a time when confidence and real economic activity are strengthening, risks to price stability would rise over the medium term. In addition, high

Chart 3 M3 growth and the reference value

(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

excess liquidity and strong credit growth could be a symptom of possibly unsustainable asset price increases, particularly in the housing market.

MAIN COMPONENTS OF M3

In December developments in the components of M3 were rather volatile. This volatility was associated with a shift of funds by non-MFI financial intermediaries from overnight deposits into short-term time deposits (deposits with an agreed maturity of up to and including two years) and repurchase agreements, thus partly reversing the strong inflow into overnight deposits observed in November. Overall, these operations did not have a major impact on M3 dynamics, given that they constituted substitution within M3. Non-financial corporations also increased their holdings of short-term deposits in December, thereby contributing significantly to the strong M3 growth.

Taken together, these developments led to an increase in the annual growth of short-term deposits other than overnight deposits from 3.2% in November to 4.5% in December (see Table 1). Although the move away from overnight deposits depressed the annual growth of M1, the latter nonetheless remained strong and was still the main contributor to M3 growth.

Aside from the special developments in overnight deposits, currency in circulation did not increase between November and December, resulting in a moderation of the annual rate of growth. This is likely to have been linked to the specific calendar effects associated with the timing of the Christmas holidays, rather than being a sign of a more lasting slowdown in the demand for currency.

The contribution of money market fund shares/units to M3 dynamics in December declined in comparison with the previous month. As is the strengthening demand for MFI longer-term financial liabilities, this development is consistent with an ongoing normalisation of portfolio allocation behaviour by euro area residents. However, the process of normalisation is slower than

Table 1 Summary table of monetary variables

(quarterly figures are averages; adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates						
		2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2004 Nov.	2004 Dec.
M1	44.3	11.0	11.0	10.2	9.6	9.3	9.8	8.4
Currency in circulation	6.9	26.5	24.0	21.6	20.3	19.1	19.2	17.0
Overnight deposits	37.4	8.7	9.1	8.5	7.9	7.6	8.2	6.9
M2 - M1 (= other short-term deposits)	40.9	4.8	3.3	1.7	2.0	3.4	3.2	4.5
Deposits with an agreed maturity of up to and including two years	15.9	-3.0	-4.4	-7.0	-5.9	-2.3	-3.1	0.4
Deposits redeemable at notice of up to and including three months	25.0	11.0	9.2	8.1	7.6	7.4	7.5	7.3
M2	85.2	7.9	7.2	6.0	5.8	6.4	6.5	6.5
M3 - M2 (= marketable instruments)	14.8	5.6	2.2	1.9	3.9	3.7	2.9	6.3
M3	100.0	7.5	6.4	5.3	5.6	6.0	6.0	6.4
Credit to euro area residents		5.8	5.8	6.0	6.2	6.0	6.0	6.0
Credit to general government		6.6	6.0	6.4	6.4	3.8	3.3	2.4
Loans to general government		1.5	1.2	2.3	2.3	0.7	-0.1	-0.7
Credit to the private sector		5.6	5.7	5.9	6.2	6.6	6.7	7.0
Loans to the private sector		5.3	5.4	5.6	6.2	6.8	6.9	7.0
Longer-term financial liabilities (excluding capital and reserves)		6.4	7.2	8.3	8.6	9.0	8.8	9.3

Source: ECB.

1) As at the end of the last month available. Figures may not add up due to rounding.

might have been expected on the basis of past regularities and is not strong enough to lead to an unwinding of the accumulated high levels of excess liquidity.

MAIN COUNTERPARTS OF M3

On the counterparts side, the stronger growth of loans to the private sector in recent months reflected not only the stimulative impact of the low level of interest rates, but also improvements in credit supply conditions (see Box 1 entitled “The results of the January 2005 bank lending survey for the euro area”). In December the annual rate of growth of MFI loans to the private sector rose to 7.0%, from 6.9% in November. The main contribution to the expansion of loans to the private sector again came from lending to households for house purchase, which grew at an annual rate of 10.0% in December, unchanged from November (see Table 2). Apart from the low level of mortgage lending rates across the euro area, strong housing market dynamics in several parts of the euro area seem to be fostering mortgage borrowing. Total MFI loans to households grew at an annual rate of 7.8% in December. At the same time, the annual growth of MFI loans to non-financial corporations increased further, confirming the upward trend observed since early 2004.

The annual rate of growth in MFI credit extended to the general government declined to 2.4% in December, from 3.3% in the preceding month (see Table 1). This was mainly related to a decline in MFIs’ holdings of government securities.

Among the other counterparts of M3, the annual growth of MFIs’ longer-term financial liabilities (excluding capital and reserves) rose further to 9.3% in December, from 8.8% in November (see Table 1). As noted before, this development provides additional support for the view that the portfolio allocation behaviour of euro area residents has continued to normalise, with wealth holdings being shifted towards longer-maturity instruments, rather than towards liquid monetary assets.

The monthly inflow to MFIs’ external assets was €30 billion in December. This is the sixth consecutive month in which the change in MFIs’ net external assets was positive. The associated

Table 2 MFI loans to the private sector

(end of period; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of total ¹⁾	Annual growth rates					
		2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Nov.	2004 Dec.
Non-financial corporations	41.8	3.5	3.2	4.0	4.5	5.2	5.4
Up to one year	30.9	-0.8	-2.4	-2.1	-0.5	2.6	2.5
Over one and up to five years	17.4	3.0	3.6	6.4	6.1	5.5	6.1
Over five years	51.7	6.5	6.9	7.2	7.2	6.7	7.0
Households ²⁾	50.4	6.4	6.6	7.3	7.8	7.9	7.8
Consumer credit ³⁾	13.5	2.9	4.4	5.7	6.2	6.5	5.7
Lending for house purchase ³⁾	68.1	8.1	8.4	9.0	9.8	10.0	10.0
Other lending	18.4	3.2	2.3	2.3	1.8	1.9	1.7
Insurance corporations and pension funds	0.6	11.8	8.6	18.8	17.5	10.0	37.1
Other non-monetary financial intermediaries	7.2	11.7	8.9	8.5	8.5	10.1	9.3

Source: ECB.

Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see footnote 2 to Table 2.4 in the “Euro area statistics” section and the relevant technical notes.

1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.

2) As defined in the ESA 95.

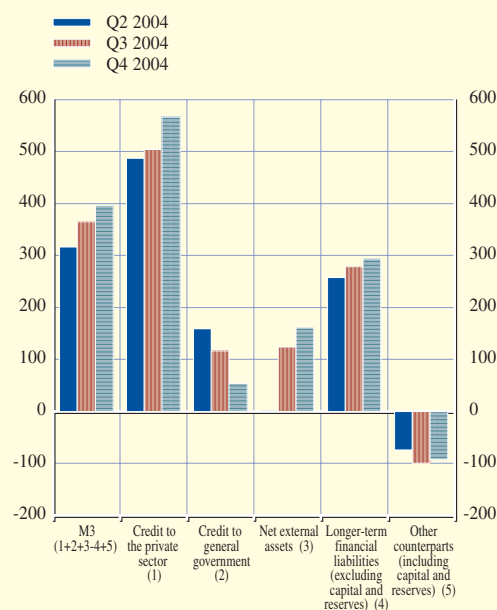
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

net inflow of foreign funds into the euro area could be related to exchange rate expectations that may currently discourage investment in foreign assets by euro area residents, while encouraging investment from abroad in euro area assets.

Summing up the information from the counterparts of M3 (see Chart 4), the continued strong expansion of MFIs' longer-term financial liabilities (excluding capital and reserves), associated with the unwinding of the exceptional earlier portfolio shifts into monetary assets, dampened M3 dynamics in December 2004. However, this dampening effect was counterbalanced by increasingly positive flows in the net external asset position of MFIs (see Box 2 entitled "External capital flows and domestic monetary dynamics in the euro area"). Furthermore, the strengthening of MFI loans to euro area residents, driven by the low level of interest rates, continued to have a strong positive impact on M3 growth. Increasingly, the latter effects have come to dominate, leading to a more rapid expansion of M3 in recent months.

Chart 4 Movements in M3 and its counterparts

(annual flows; end of period; EUR billions; adjusted for seasonal and calendar effects)



Source: ECB.

Box 1

THE RESULTS OF THE JANUARY 2005 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the January 2005 bank lending survey for the euro area carried out by the Eurosystem.¹ Overall, the survey showed a further slight relaxation of credit standards as applied to loans to enterprises and households in the fourth quarter of 2004. Thus, the results indicate a consolidation of past improvements in lending policies of banks located in the euro area. For the first quarter of 2005, reporting banks expect most credit standards to remain broadly unchanged from the previous quarter.

Loans or credit lines to enterprises

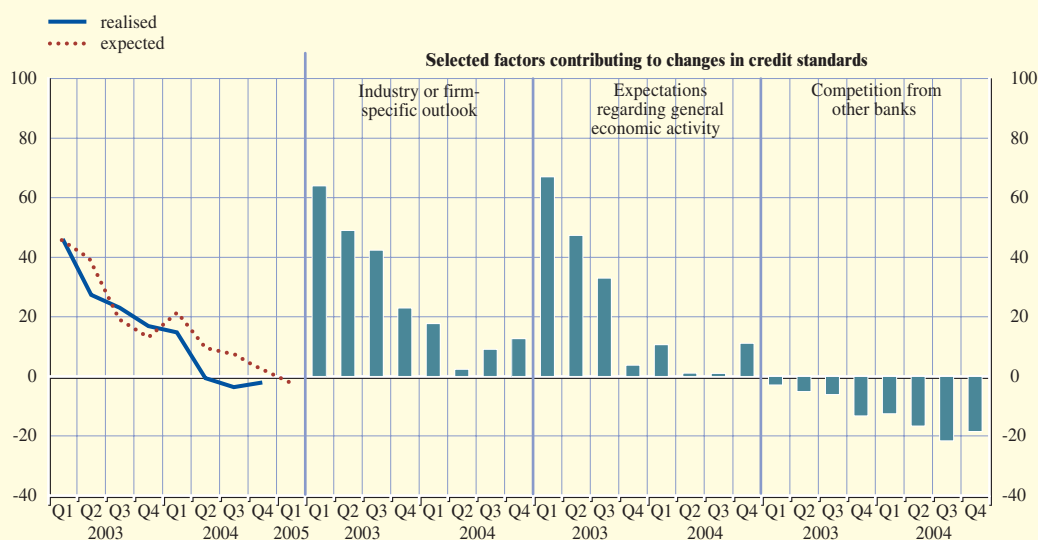
Credit standards: For the fourth quarter of 2004, banks reported a further slight net easing of credit standards,² indicating a continuation of the relatively favourable lending policies of banks in the euro area. This is in line with the gradual relaxation of credit standards for loans or

1 A comprehensive assessment of the results of the January 2005 bank lending survey for the euro area was released on 4 February 2005 and can be found on the ECB's website (www.ecb.int/stats/money/lend/html/index.en.html).

2 The "net easing" refers to the net percentage which is defined as the difference between the proportion of banks reporting that credit standards have been tightened and that of those reporting that they have eased. A positive net percentage would indicate that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage would indicate that banks have tended to ease credit standards ("net easing").

Chart A Changes in credit standards applied to the approval of loans or credit lines to enterprises

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the first quarter of 2005 were reported by banks in the January 2005 survey.

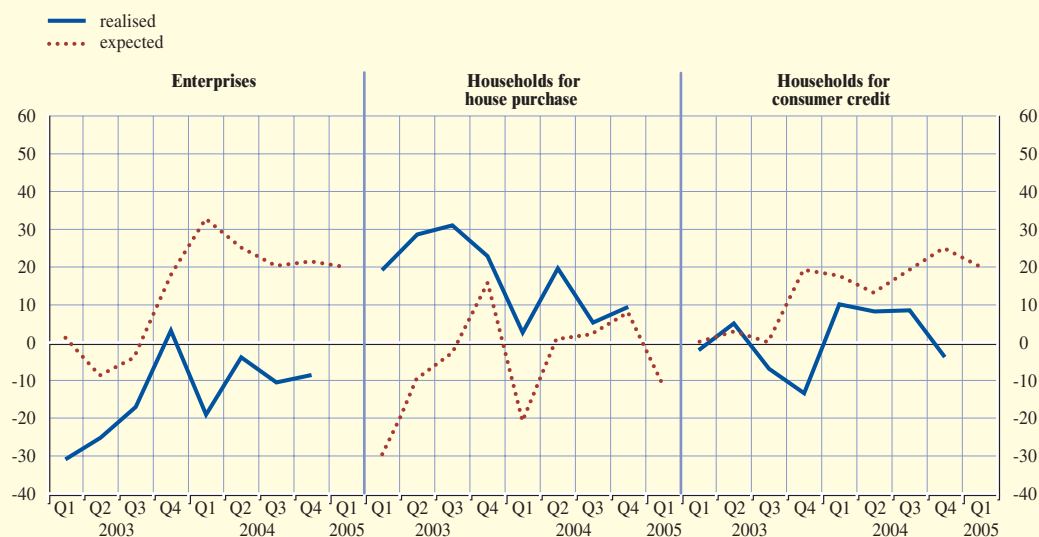
credit lines to enterprises that has been observed since the start of the survey in January 2003 (see Chart A, first panel). Among the factors explaining changes in credit standards, increased competition from other banks was the main factor that contributed to the easing of credit standards (see Chart A, fourth panel). By contrast, banks were more negative in their perceptions regarding the industry or firm-specific outlook and their expectations regarding general economic activity, which both weighed slightly more towards a net tightening of credit standards than in the previous quarter (see Chart A, second and third panels). Regarding the terms and conditions of credit, the slight easing of credit standards was effected mainly through a decline in margins on loans. In terms of borrower size, banks shifted to a net easing of credit standards for small and medium-sized enterprises, from a net tightening in the previous quarter, whereas lending policies continued to be slightly tighter for large enterprises.

Loan demand: Net demand³ for loans by enterprises continued to decline slightly in the fourth quarter of 2004 (see Chart B, first panel). This was due to a decline in the demand for loans by large enterprises, whereas in fact loan demand by small and medium-sized enterprises increased in the January 2005 survey. The major factors contributing to the overall decline in net demand were, according to reporting banks, weak fixed investment, as well as the increased use of alternative sources of corporate financing.

3 The term “net demand” refers to the difference between the proportion of banks reporting an increase in loan demand and that of those reporting a decline.

Chart B Changes in the demand for loans or credit lines to enterprises and households

(net percentages)



Notes: The net percentage refers to the difference between the sum of the percentages for “increased considerably” and “increased somewhat” and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the first quarter of 2005 were reported by banks in the January 2005 survey.

Expectations: For the first quarter of 2005, banks generally expect broadly unchanged credit standards for loans or credit lines to enterprises as compared with the previous quarter (see Chart A, first panel). At the same time, banks expect a substantially higher net demand for corporate loans than in the previous quarter (see Chart B, first panel). This increase in demand is predicted to be more pronounced for small and medium-sized enterprises than for large enterprises.

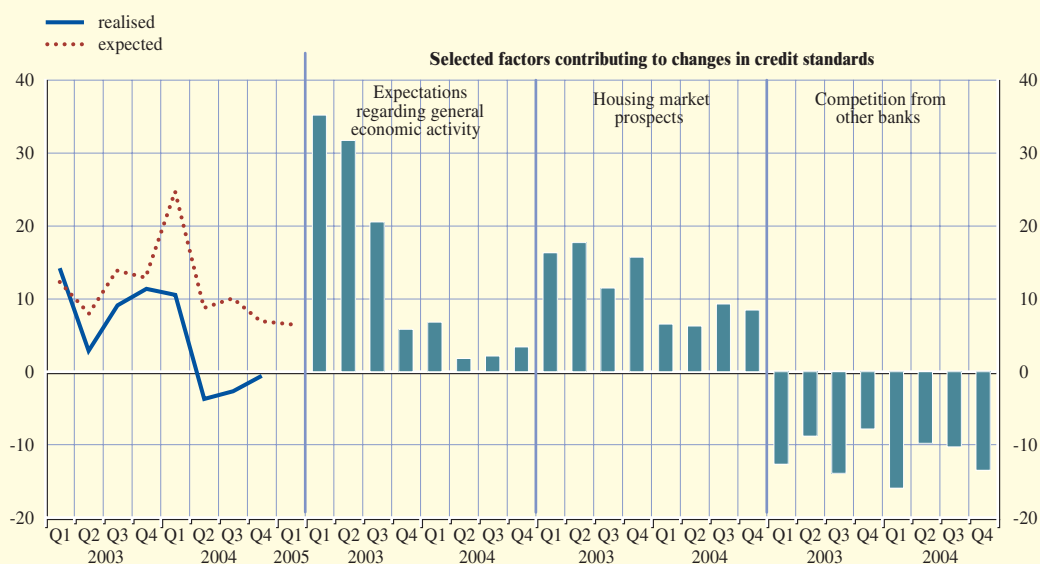
Loans to households for house purchase

Credit standards: Banks continued to report a slight net easing of credit standards applied to the approval of loans to households for house purchase for the fourth quarter of 2004 (see Chart C, first panel). The factors behind this development changed only little from the previous quarter. The net easing partly reflected a slight increase in competition from other banks (see Chart C, fourth panel), while expectations of general economic activity contributed slightly more to a net tightening (see Chart C, second panel). At the same time, banks reported that housing market prospects continued to contribute somewhat less to a net tightening (see Chart C, third panel). As regards the terms and conditions of credit, banks reported that the slight net easing of credit standards applied to housing loans was achieved predominantly via lower margins on average loans. Compared with the previous quarter, margins on riskier loans contributed less to a net tightening of credit standards in the fourth quarter of 2004.

Loan demand: According to reporting banks, the net demand for housing loans increased in the fourth quarter of 2004 (see Chart B, second panel). The main factor that was mentioned as

Chart C Changes in credit standards applied to the approval of loans to households for house purchase

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the first quarter of 2005 were reported by banks in the January 2005 survey.

contributing to this increase was an improvement in housing market prospects, as perceived by those taking out housing loans.

Expectations: For the first quarter of 2005, reporting banks expect a net tightening of credit standards for housing loans, compared with the slight net easing in the fourth quarter (see Chart C, first panel). Banks also expect the net demand for housing loans to decrease over the next three months, as compared with the previous quarter (see Chart B, second panel).

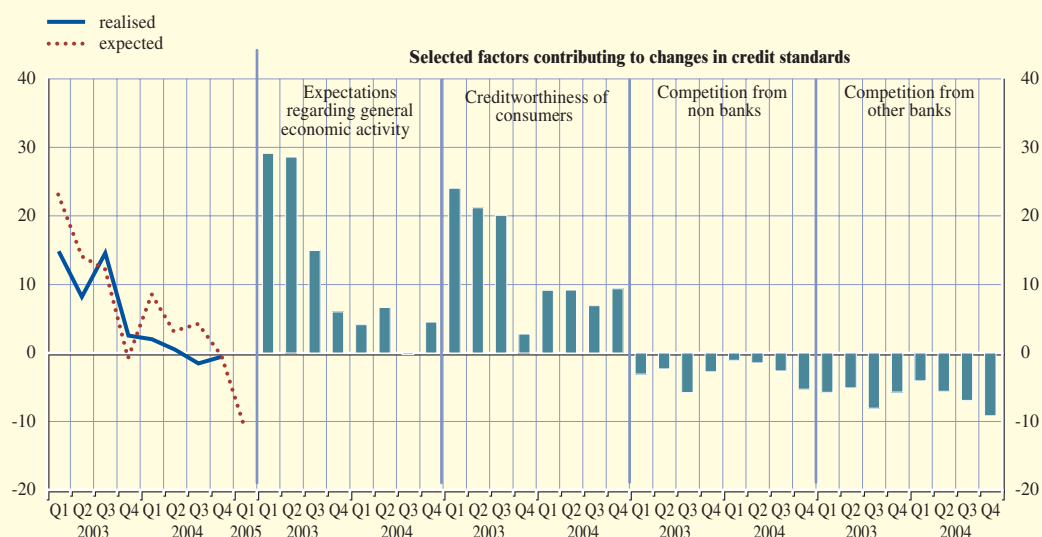
Loans to households for consumer credit and other lending

Credit standards: For loans to households for consumer credit, credit standards showed a further slight net easing in the fourth quarter of 2004 (see Chart D, first panel). Increased competition from non-banks and other banks were the main factors contributing to this development during the fourth quarter of 2004 (see Chart D, fourth and fifth panels). At the same time, banks reported that expectations regarding general economic activity and the creditworthiness of consumers contributed slightly more to a net tightening of their lending policies (see Chart D, second and third panels). Banks modified their terms and conditions of consumer credit mainly through changes in margins on average loans.

Loan demand: According to responding banks, net demand for consumer credit and other lending to households declined significantly in the fourth quarter of 2004, and turned negative (see Chart B, third panel). Banks reported that weaker consumer confidence and improved household savings were mainly responsible for this development.

Chart D Changes in credit standards applied to the approval of loans to households for consumer credit and other lending

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the first quarter of 2005 were reported by banks in the January 2005 survey.

Expectations: For the first quarter of 2005, banks expect a net easing of credit standards compared with the previous quarter (see Chart D, first panel). Reporting banks also predict a significant increase in net demand for consumer credit over the next three months (see Chart B, third panel).

Box 2

EXTERNAL CAPITAL FLOWS AND DOMESTIC MONETARY DYNAMICS IN THE EURO AREA

The strong growth of M3 since mid-2001 has led to an accumulation of excess liquidity in the euro area. These developments have been driven, in part, by exceptional portfolio shifts between money and long-term securities in a context of heightened economic, financial and geopolitical uncertainty.¹ In substance, these portfolio shifts have taken the form of large sales of securities against money by euro area non-MFI residents.

To better understand the nature of such portfolio shifts, it is useful to analyse which sectors were the counterpart sectors for the sale of long-term securities by euro area residents.² If one

1 For a thorough analysis of monetary development in previous years and their implication for price stability, see the article entitled “Monetary analysis in real time” in the October 2004 issue of the Monthly Bulletin.

2 See also Box 1 in the above article entitled “What were the counterparts to the extraordinary portfolio shifts into monetary assets between 2001 and 2003?”

euro area household sells a bond or equity to another household, there is no impact on the overall money stock: money simply circulates within the money-holding sector. Only transactions vis-à-vis MFIs and non-residents typically have an impact on money holdings. This box focuses on transactions between euro area residents and non-residents, which are reflected in the development of the net external assets of the MFI sector.

The sale of a security by a euro area household to a non-resident will typically increase the domestic money stock. For instance, if a non-resident purchases a security from a euro area household by means of a cheque drawn on his bank account with a domestic bank (not included in the money stock), which is paid into the bank account of the household (included in the money stock), the overall domestic money stock will increase. In parallel, the net external assets of the MFI sector will increase because the bank account balance of the non-resident, which is an external liability of the bank, will fall.

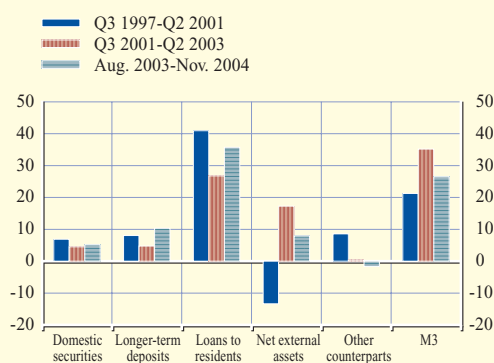
Chart A shows that, in accounting terms, the cumulated increase in M3 between 2001 Q3 and 2003 Q2 was associated with an increase in net external assets, while the changes in other counterparts (e.g. the transactions of banks on domestic securities³) were either of a modest size or – in the case of loans extended to residents – evolved in a direction that, all other things being equal, should have constrained rather than boosted monetary growth.

Another point illustrated by Chart A is that the strong capital inflows from 2001 to 2003 to the euro area (represented by the changes in MFI net external assets over this period) had been preceded by large capital outflows from the euro area between 1998 and 2000. In the late 1990s, euro area companies and households (via mutual funds) built up large holdings of foreign shares, partly in the context of the “New Economy” boom in the United States. In addition, the propensity of economic agents to diversify their portfolio across countries as a way to reduce their overall vulnerability to risk may have led to some internationalisation of portfolios during this period, with a potential impact on domestic monetary growth.

Subsequently, in an environment of heightened financial market and geopolitical uncertainty after 2001, the euro area money-holding sector reallocated its portfolios from equity holdings into money holdings, in search of safer returns and more liquidity. One consequence of this

Chart A Counterparts to M3 in the MFI consolidated balance sheet

(monthly flows; EUR billions; period averages; not adjusted for seasonal and calendar effects)



Source: ECB.
See footnote 3 of this box for an explanation of the main differences between this presentation of the counterparts to M3 and that in the main text of the ECB's Monthly Bulletin.

³ In Chart A, the counterparts to M3 are presented in a different way than in Chart 4 in the main text. In particular, an aggregate “domestic securities” is shown, which is constructed as the sum of MFI longer-term financial liabilities (including capital and reserves) minus longer-term deposits minus the securities issued by non-MFIs held by MFIs. This presentation allows the transactions of MFIs in domestic securities to be distinguished from other counterparts, in particular from net external assets. As a consequence, credit to euro area residents is not shown in the chart. Rather, only loans to residents are presented, since the securities held by MFIs are included in the aggregate “domestic securities”.

reallocation was a repatriation of funds previously invested in foreign equity. In this context, the euro area may have been considered a “safe haven” relative to the rest of the world, leading to the accumulation of capital flows from residents and/or non-residents in the euro area, with a positive impact on monetary growth.

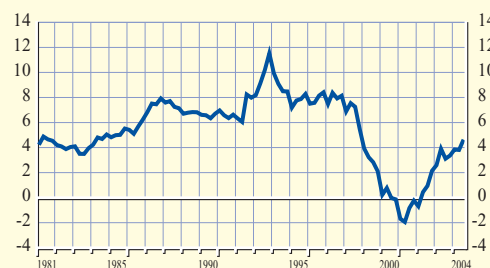
The analysis of developments over the past few years can also be placed in the context of the longer-term development of the stock of net external assets of the euro area MFI sector. Chart B shows that, as a consequence

of the large capital outflows between 1998 and 2000, the stock of net external assets of the MFI sector reached unprecedented lows in relation to the level of GDP in 2001,⁴ before being partially reversed between 2001 and 2003. In that respect, a reversal of past portfolio shifts would most likely imply a renewed decline in net external assets to very low levels.

Overall, this form of analysis highlights the importance of external financial flows as an explanation of domestic monetary dynamics over recent years. It appears useful to account explicitly for this external dimension when assessing the motivations underlying excess money holdings, in particular those associated with heightened risk aversion.⁵

Chart B Ratio of net external assets of MFIs to GDP

(in percentages)



Source: ECB.

4 This is based on a back series of net external assets published for the first time in this issue of the Monthly Bulletin (and available in the statistical section of the ECB’s website).

5 See Box 2 entitled “Risk aversion and developments in monetary aggregates” in the December 2004 issue of the Monthly Bulletin.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issued by euro area residents remained broadly unchanged in November 2004. In the same period, the annual growth rate of quoted shares issued by euro area residents remained at the subdued levels observed over the past two years.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased slightly to 6.8% in November 2004, from 6.7% in October (see Chart 5). While the annual rate of growth of short-term debt securities issuance continued at a moderate pace of 3.1% in November, the issuance of long-term debt securities continued to grow robustly at a rate of 7.2% in the same period.

Turning to the sectoral breakdown, despite easing somewhat the annual growth rate of debt securities issued by MFIs remained high at 8.6% in November 2004, which was considerably higher than the average annual growth rate of around 5% in 2003 (see Table 3). As in previous months, the net issuance of MFIs was dominated by long-term debt securities at variable rates (see also Box 3). These developments in all probability reflected the fact that MFIs took advantage of the historically favourable debt financing costs, especially at the short end of the yield curve, to fund the ongoing robust growth of loans to the non-financial private sector.

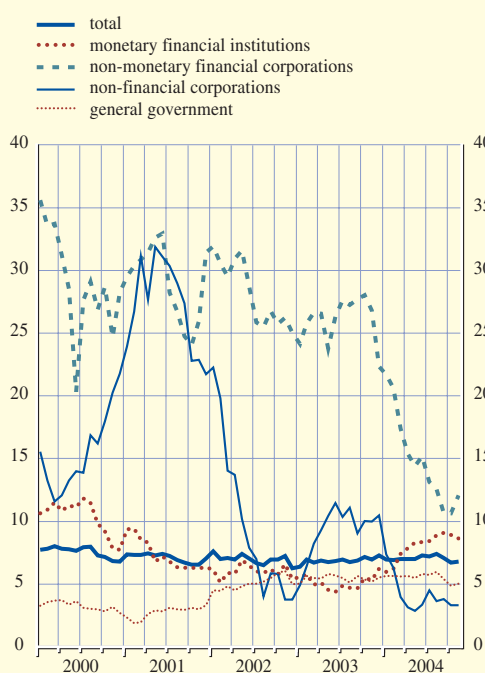
The annual growth rate of debt securities issued by the non-MFI corporate sector increased by 0.7 percentage point to 7.9% in November 2004, reflecting somewhat stronger growth of issuance by non-monetary financial corporations and unchanged growth of issuance by non-financial corporations. The annual growth rate of securities issued by non-monetary financial corporations, which typically provide indirect financing to MFIs and non-financial corporations through financial subsidiaries and special purpose vehicles, increased by 1.5 percentage points to 12.1% in November 2004, which was, however, significantly lower than the average annual growth rate of around 26% in 2003.

The annual growth rate of debt securities issued by non-financial corporations in the euro area remained unchanged at 3.3% in November 2004. This was significantly lower than the average annual growth rate of around 9% prevailing in 2003 and should also be seen against the background of the current low cost of debt securities financing. The relatively low debt securities issuance activity of non-financial corporations may be related to the improvement in corporate earnings observed in 2004, which has bolstered internal savings and, as a result, may have reduced firms' external financing needs. At the same time, debt securities issuance seems to be lagging behind the acceleration of the growth in MFI loans to non-financial corporations observed in recent months. These diverging developments may partly reflect an improvement in bank supply conditions (for example, as evidenced by the net easing of banks' credit standards for the approval of loans, as also reported in the January 2005 bank lending survey (see Box 1).

In the government sector, the annual growth rate of debt securities issued by the general government remained broadly unchanged at 5.0% in November 2004. This reflected a continued moderate growth rate of debt securities issued by the central government sector, of 4.5% in November, and solid issuance by other general government sectors, which grew by 14.2% on an annual basis in the same period.

Chart 5 Sectoral breakdown of debt securities issued by euro area residents

(annual growth rates)

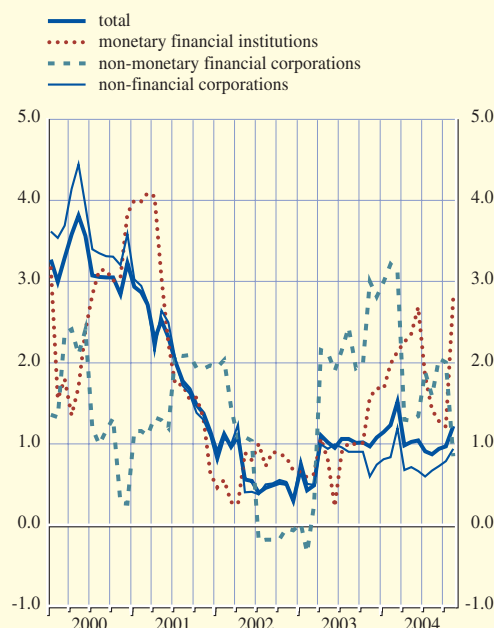


Source: ECB.

Note: Growth rates are calculated on the basis of financial transactions.

Chart 6 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

QUOTED SHARES

In November 2004 the subdued activity in the primary equity market observed over the past two years continued, as reflected in a broadly unchanged annual growth rate of quoted shares issued by euro area residents, at 1.2% (see Chart 6 and Table 3). In particular, the annual growth rate of quoted shares issued by non-financial corporations remained low at 0.9% in November. During the same month, the annual growth rate of quoted shares issued by non-monetary financial corporations (including insurance companies) declined by 1.2 percentage point to 0.8% (mainly as the result of a base effect). At the same time, the annual growth rate of quoted shares issued by MFIs increased by 1.6 percentage point to 2.8% in November, which primarily reflected a large single issue. Overall, the subdued activity in the primary equity market probably reflects a low demand for external finance owing to the improvement in corporate earnings, an only gradual pick-up in M&A activity and a limited need to take recourse to a relatively expensive source of finance, such as equity issuance, in a period of very low debt financing costs.

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2004 Q3	Annual growth rates ¹⁾					
		2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Oct.	2004 Nov.
Debt securities:	9,253	7.1	7.0	7.0	7.3	6.7	6.8
MFIs	3,533	5.4	6.3	8.0	8.7	8.9	8.6
Non-monetary financial corporations	712	26.6	20.7	15.4	12.9	10.6	12.1
Non-financial corporations	604	9.9	6.9	3.2	3.9	3.3	3.3
General government	4,404	5.4	5.6	5.6	5.8	4.9	5.0
of which:							
Central government	4,162	4.6	4.8	5.0	5.2	4.4	4.5
Other general government	241	22.3	21.3	18.4	16.3	14.0	14.2
Quoted shares:	3,759	1.0	1.2	1.1	0.9	1.0	1.2
MFIs	578	1.3	1.9	2.3	1.7	1.2	2.8
Non-monetary financial corporations	362	2.5	3.1	1.6	1.7	2.0	0.8
Non-financial corporations	2,820	0.8	0.9	0.8	0.7	0.8	0.9

Source: ECB.

1) For details, see the technical notes for Tables 4.3 and 4.4 of the "Euro area statistics" section.

Box 3

FIXED RATE AND VARIABLE RATE LONG-TERM DEBT SECURITIES ISSUED BY EURO AREA RESIDENTS

In January 2005 the ECB started to publish new data on the breakdown of long-term debt securities issued by euro area residents, making the distinction between fixed rate and variable rate instruments. In this respect, according to the ECB statistical guidelines¹, variable rate issues include all issues where the coupon is periodically re-fixed by reference to an independent interest rate, including indexed coupons. The new data are available from January 1999 (December 1998 for outstanding amounts).

The new data are a useful instrument for analysing developments in debt securities issuance. They provide information for the analysis of the pass-through of monetary policy to the financing of the various sectors and facilitate the analysis of the sensitivity of the cost of funding to interest rate changes. Moreover, the data may also give an indication of borrowers' expectations with regard to the evolution of short-term interest rates.

According to the new statistics, more than two-thirds of total debt securities outstanding are currently fixed rate long-term debt securities, while the remaining are mostly variable rate long-term debt securities (see Table). Over time, the relative importance of variable rate long-term debt securities has increased, from 15% of total debt securities outstanding at the end of 1998 to 20% at the end of November 2004. This has been mainly due to the increased issuance of variable rate long-term debt securities by financial corporations – i.e. monetary financial institutions (MFIs) and non-monetary financial corporations – and, to a lesser extent, also by non-central government issues. By contrast, the proportion of variable rate issues has decreased for non-financial corporations and the central government sector since 1998.

The share of variable rate long-term debt securities issued by **MFIs** has increased from 19% of total debt securities outstanding at the end of 1998 to 32% at the end of November 2004. Over recent periods, issuers may have had recourse to this instrument to finance the increasing share of variable rate loans granted by MFIs in several countries.

The issuance of variable rate long-term debt securities by **non-monetary financial corporations** has also increased considerably over recent years and their share amounted to more than 40% of total debt securities outstanding at the end of November 2004, compared with only 7% at the end of 1998. Increasing net issuance of variable rate debt securities may partly reflect the fact that some of the largest mortgage-backed securities markets have developed in countries where loans to households for house purchase are predominantly granted at variable rates. In this respect, non-monetary financial corporations have issued variable rate long-term debt securities to match the interest payment flows of assets and liabilities. While much of the issuance in this sector relates to securitisation of mortgage loans, it also includes some debt securities issued indirectly by non-financial corporations through financing subsidiaries.

¹ See Annex XIX of Guideline ECB/2003/2 of 6 February 2003 concerning certain statistical reporting requirements of the European Central Bank and the procedures for reporting by the national central banks of statistical information in the field of money and banking statistics.

Debt securities issued by euro area residents

	Amounts outstanding ¹⁾ (EUR billions, unless otherwise indicated)		Annual growth rates ²⁾ (percentage changes)				
	end-Dec. 1998	end-Nov. 2004	2000	2001	2002	2003	2004
Total economy	6,034	9,337	7.6	7.1	7.0	6.8	7.0
<i>of which (% of total):</i>							
fixed rate long-term debt securities	74	68	6.6	6.0	5.9	5.2	5.0
variable rate long-term debt securities	15	20	11.2	13.4	12.3	9.0	16.7
short-term debt securities	9	10	12.4	7.4	5.5	14.1	3.0
Monetary financial institutions	2,241	3,577	10.5	7.4	6.1	5.1	8.0
<i>of which (% of total):</i>							
fixed rate long-term debt securities	72	54	4.3	2.4	2.8	2.1	3.1
variable rate long-term debt securities	19	32	19.1	22.3	14.3	8.3	18.5
short-term debt securities	8	11	35.1	4.9	3.9	12.1	1.8
Non-monetary financial corporations	196	740	29.2	28.8	28.3	26.2	14.7
<i>of which (% of total):</i>							
fixed rate long-term debt securities	89	56	22.8	18.1	15.1	15.3	6.8
variable rate long-term debt securities	7	42	108.2	107.0	86.3	54.8	29.9
short-term debt securities	5	1	17.6	34.3	7.4	1.1	-11.9
Non-financial corporations	293	607	15.5	27.1	10.2	9.0	4.1
<i>of which (% of total):</i>							
fixed rate long-term debt securities	66	69	11.0	27.1	19.8	12.6	3.6
variable rate long-term debt securities	16	13	21.1	25.1	-5.5	-13.4	10.1
short-term debt securities	16	16	27.9	31.0	-7.1	5.7	0.9
Central government	3,203	4,166	3.2	2.3	4.2	4.6	4.9
<i>of which (% of total):</i>							
fixed rate long-term debt securities	75	82	6.7	5.2	4.8	4.4	5.7
variable rate long-term debt securities	12	7	-6.4	-13.4	-8.0	-9.2	0.5
short-term debt securities	10	10	-8.3	2.6	11.8	19.2	4.8
Other general government	102	248	5.7	15.9	27.7	25.9	17.4
<i>of which (% of total):</i>							
fixed rate long-term debt securities	89	74	-0.6	12.3	22.7	22.6	14.6
variable rate long-term debt securities	7	24	61.6	38.5	57.7	42.8	26.5
short-term debt securities	4	2	26.7	18.5	7.2	-2.0	24.0

Source: ECB.

1) Zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table. Therefore, the proportion of long-term debt securities and that of short-term debt securities may not add up to 100.

2) Annual averages; latest figure for 2004 is November.

In contrast to financial corporations, the share of outstanding variable rate long-term debt securities issued by **non-financial corporations** has decreased slightly from 16% of total debt securities outstanding to 13% between end-1998 and end-November 2004. However, since the beginning of 2004, it appears that corporate borrowers have preferred to issue long-term debt securities at variable rates to lock in low financing costs at the short end of the yield curve.

The share of outstanding variable rate long-term debt securities issued by the **central government** sector, amounting to only 7% of total debt securities outstanding at the end of November 2004, has also decreased over recent years. Net issues of variable rate long-term debt securities have indeed been negative throughout most of the review period. This development reflects, to a large extent, the fact that the Treasury in Italy has progressively substituted variable rate issues in favour of fixed rate issues, in the context of a structural debt management policy since the mid-1990s. The large share of variable rate borrowing in this country has to be seen against the background of the period of higher interest rates prior to the

beginning of Stage Three of EMU. In an environment of price stability, the decrease in the term premium for fixed rate issues has facilitated substitution in favour of fixed rate issues in the long-term segment of the market.

In contrast to the central government sector, the share of outstanding variable rate debt securities issued by the **other general government** sector has risen from less than 10% at the end of 1998 to nearly 25% at the end of November 2004. This suggests that the other general government sector may have sought to take advantage of the period of low short-term interest rates to reduce interest payments on their outstanding debt.

2.3 MONEY MARKET INTEREST RATES

While longer-term rates showed a gradual decline, short-term money market interest rates remained broadly stable in January 2005. As a result, the money market yield curve flattened somewhat over the period.

In January 2005 longer-term money market interest rates declined gradually from the levels reached around the turn of the year. The decline in the case of longer maturities was greater than that at the short-end of the yield curve (see Chart 7). As a consequence, the slope of the money market yield curve flattened slightly. By 2 February, the difference between the twelve-month and the one-month EURIBOR had declined by 6 basis points since the end of December 2004, to stand at 18 basis points.

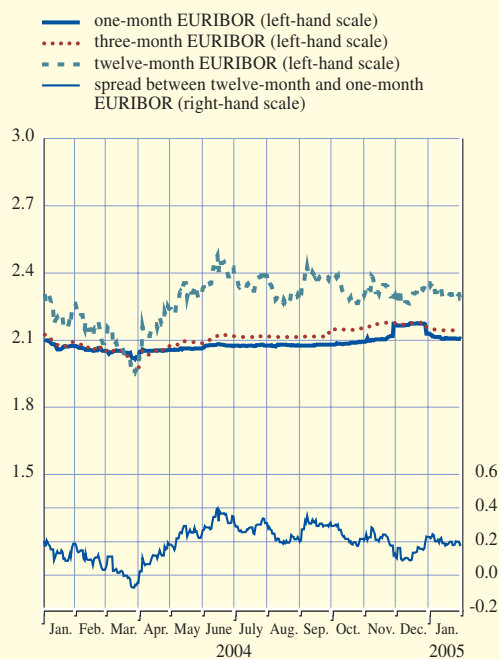
The decline in the EURIBOR observed in January 2005 was also reflected in the development of money market interest rate futures. The rates implied by futures prices on three-month EURIBOR futures contracts maturing in March, June and September 2005 declined steadily in January, reaching levels of 2.16%, 2.25% and 2.38% respectively on 2 February, i.e. 5, 9 and 13 basis points below the levels observed at the beginning of the month.

Money market rates at the shortest maturities were relatively stable between 3 January and 2 February 2005, after the usual increase observed at the year-end. The marginal and weighted average rates in the Eurosystem's main refinancing operations stabilised in January. These tender rates stood at 2.06% and 2.07% respectively and remained unchanged in all operations undertaken in January 2005. The EONIA was slightly higher than in recent months, standing at around 2.08% in most of January, except during the last days of the reserve maintenance period ending on 18 January 2005. After the last main refinancing operation of the maintenance period, the EONIA rate initially declined to below 2.00% on expectations of loose liquidity conditions. On the penultimate and last days of the maintenance period, however, the EONIA rose to 2.12% and 2.14% respectively, after an unexpected significant tightening of liquidity conditions in the euro area. The conduct of a liquidity-providing fine-tuning operation of €8 billion on 18 January 2005 helped to restore more balanced liquidity conditions and limited a more marked rise of the overnight interest rate on the last day of the maintenance period (see Chart 8).

In the Eurosystem's longer-term refinancing operation that was settled on 27 January 2005, the marginal and weighted average interest rates stood at 2.09% and 2.10% respectively, 3 and 4 basis points lower than the corresponding rates in the previous tender (23 December 2004). Compared

Chart 7 Short-term money market interest rates

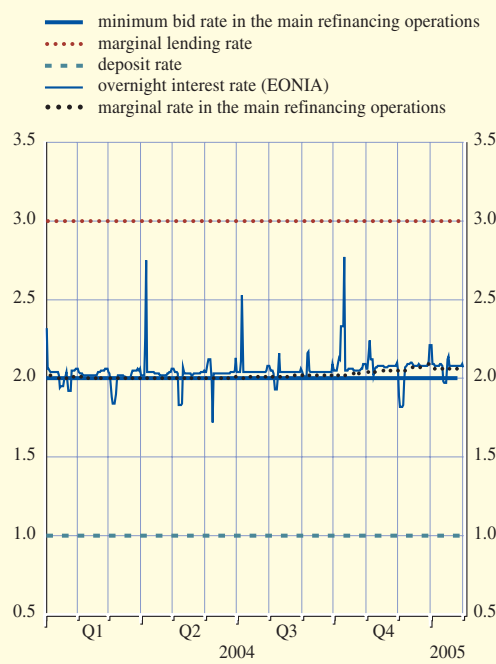
(percentages per annum; percentage points; daily data)



Source: Reuters.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

with the three-month EURIBOR prevailing on 27 January 2005, the marginal and weighted average rates were 5 and 4 basis points lower respectively.

2.4 BOND MARKETS

Overall long-term government bond yields in the euro area and in the United States decreased in January 2005. The decline in bond yields in both markets seemed to result from decreasing break-even inflation rates.

UNITED STATES

In the United States, long-term nominal bond yields declined slightly between the end of December 2004 and 2 February 2005, to stand at around 4.2% on the latter date (see Chart 9). In contrast to developments at the long end of the yield curve, short and medium-term maturity yields increased significantly. This seemed to partly reflect revised market expectations with regard to the pace of the tightening of monetary policy in the United States after the release of the minutes of the December 2004 meeting of the FOMC on 4 January.

The yield on ten-year index-linked government bonds increased by around 10 basis points between end-December 2004 and 2 February 2005. This increase may indicate that market participants' long-term average growth expectations for the US economy were revised upwards slightly in January. At the same time there was a decline – of around 10 basis points – in the long-term break-even inflation

rate, derived as the difference between ten-year nominal and index-linked bond yields, which stood at a level of around 2.6% on 2 February. This decline was partly prompted by the release of the US consumer price index for December 2004, which was somewhat lower than expected.

The uncertainty among market participants with regard to future developments in long-term bond yields in the United States, as measured by implied bond market volatility, declined slightly in January, thereby remaining at a level somewhat below its average since 1999 (see Chart 10).

JAPAN

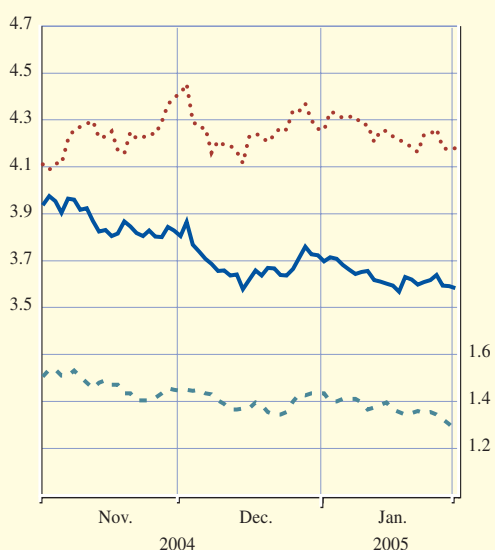
In Japan, long-term government bond yields declined slightly between end-December 2004 and 2 February 2005, and stood at around 1.3% on the latter date. These developments may partly reflect some concern on the part of market participants with regard to the pace of the economic recovery, supported by a stream of mixed economic data releases in January.

In the same month market participants' uncertainty regarding future developments in bond yields, as measured by implied bond market volatility, declined somewhat and remained at the beginning of February at a level below its average since 1999.

Chart 9 Long-term government bond yields

(percentages per annum; daily data)

- euro area (left-hand scale)
- United States (left-hand scale)
- - - Japan (right-hand scale)

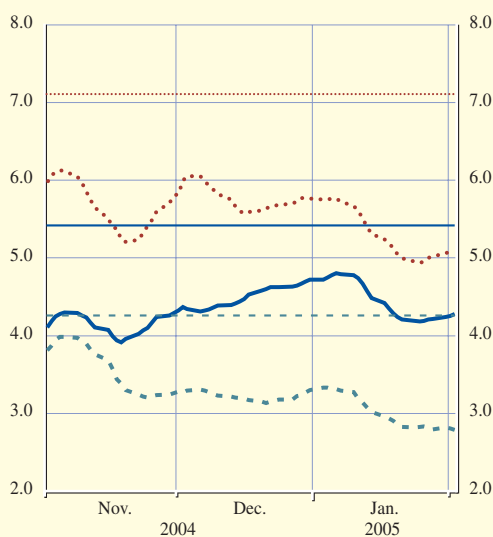


Sources: Bloomberg and Reuters.
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

Chart 10 Implied bond market volatility

(percentages per annum; ten-day moving average of daily data)

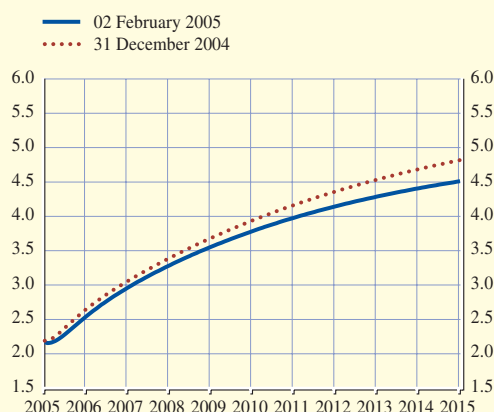
- Germany
- United States
- - - Japan
- Germany average since 1999
- United States average since 1999
- - - Japan average since 1999



Source: Bloomberg.
Note: The implied volatility series represents the nearby implied volatility on the near-contract generic future, rolled over 20 days prior to expiry, as defined by Bloomberg. This means that 20 days prior to expiry of the contracts, a change in the choice of contracts used to obtain the implied volatility is made, from the contract closest to maturity to the next contract.

Chart 11 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Source: ECB estimate.

Note: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects the market expectation of future levels for short-term interest rates. The method used to calculate these implied forward yield curves was outlined on page 26 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

EURO AREA

Long-term government bond yields in the euro area declined by around 10 basis points between end-December 2004 and 2 February 2005, to stand at 3.6% on the latter date. Over the same period the differential between long-term bond yields in both the United States and the euro area remained broadly unchanged and stood at around 55 basis points on 2 February. By contrast with the United States, bond yields in the euro area declined along the entire maturity spectrum (see Chart 11).

The yield on ten-year index-linked government bonds was broadly unchanged between end-December 2004 and 2 February 2005. This seems to suggest that market participants' long-term growth expectations have been stable over recent weeks, halting the declining trend which started in July 2004. At the same time, market participants' long-term inflation expectations in the euro area declined slightly in January, as suggested by the level of the ten-year break-

even inflation rate, derived as the difference in the yields on ten-year nominal and index-linked government bonds (indexed to the euro area HICP excluding tobacco), which decreased by around 5 basis points and stood at around 2.1% on 2 February. Break-even inflation rates to some extent reflect market participants' long-term inflation expectations, although some caution should be exercised in interpreting such rates, as they may be distorted by various risk premia.

The uncertainty surrounding future bond market developments in the euro area, as measured by implied bond market volatility, declined slightly in January, to reach a level somewhat below its average since 1999.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

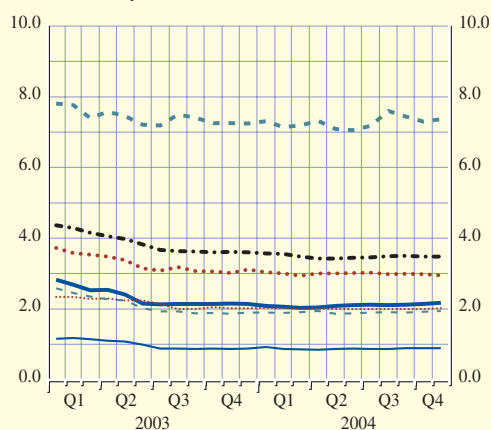
In November 2004 most short-term MFI interest rates on new business remained broadly unchanged, whereas most long-term MFI interest rates on new business declined somewhat.

Most short-term MFI interest rates on new business remained broadly unchanged in November 2004 (see Chart 12 and Table 4). Taking a somewhat longer perspective, in the first eleven months of 2004 short-term MFI interest rates on deposits changed only marginally, whereas most comparable rates on loans declined somewhat. For example, between December 2003 and November 2004 short-term rates on lending to households for house purchase (with a floating rate and an initial rate fixation of up to one year) declined by more than 10 basis points overall. Short-term interest rates on small loans (up to €1 million) to non-financial corporations were broadly unchanged since December 2003, whereas short-term rates on large loans (over €1 million) declined by more than 15 basis points. By contrast, the three-month money market rate remained unchanged overall up to November 2004.

Chart 12 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business; weight-adjusted¹⁾)

- three-month money market rate
- loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year
- - - loans to households for consumption with a floating rate and an initial rate fixation of up to one year
- overnight deposits from non-financial corporations
- deposits from households redeemable at notice of up to three months
- - - deposits from households with an agreed maturity of up to one year
- loans to households for house purchase with a floating rate and an initial rate fixation of up to one year



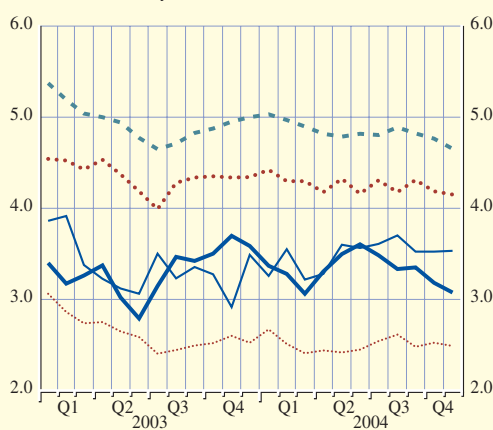
Source: ECB.

1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" on pages 28-30 of the August 2004 issue of the Monthly Bulletin.

Chart 13 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business; weight-adjusted¹⁾)

- five-year government bond yield
- loans to non-financial corporations of over €1 million with an initial rate fixation of over five years
- - - loans to households for house purchase with an initial rate fixation of over five and up to ten years
- deposits from non-financial corporations with an agreed maturity of over two years
- deposits from households with an agreed maturity of over two years



Source: ECB.

1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" on pages 28-30 of the August 2004 issue of the Monthly Bulletin.

Most long-term MFI interest rates on new business remained broadly unchanged or decreased only slightly in November 2004 (see Chart 13 and Table 4). Only the rate for loans to households with an initial rate fixation of over five years and up to ten years decreased by more than 10 basis points.

Looking at a longer horizon, between December 2003 and November 2004 most long-term rates, on loans in particular, declined. However, overall the declines in long-term MFI interest rates during this period were somewhat less pronounced than those in the more volatile market rates of comparable maturity (e.g. the five-year government bond yield declined by over 50 basis points in the same period); this may to some extent reflect the typical sluggish pass-through of changes in market rates to bank interest rates. For example, during this period long-term MFI interest rates on loans (of both up to and over €1 million with an initial rate fixation of over five years) to non-financial corporations declined by some 20-25 basis points, and the rate on loans to households for house purchase with an initial rate fixation of over five and up to ten years declined by about 35 basis points.

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted¹⁾)

							Change in basis points up to Nov. 2004			
	2004 June	2004 July	2004 Aug.	2004 Sep.	2004 Oct.	2004 Nov.	2003 Jan.	2003 Dec.	2004 Aug.	2004 Oct.
MFI interest rates on deposits										
Deposits from households										
with an agreed maturity of up to one year	1.88	1.90	1.92	1.90	1.92	1.94	-65	5	2	2
with an agreed maturity of over two years	2.45	2.54	2.61	2.48	2.53	2.49	-57	-4	-12	-4
redeemable at notice of up to three months	2.00	2.00	2.00	2.00	2.00	2.02	-32	0	2	2
redeemable at notice of over three months	2.54	2.54	2.53	2.52	2.52	2.51	-77	-17	-2	-1
Overnight deposits from non-financial corporations										
with an agreed maturity of up to one year	1.99	1.99	1.98	2.00	2.04	2.04	-68	4	6	0
with an agreed maturity of over two years	3.56	3.61	3.70	3.52	3.53	3.53	-33	4	-17	0
MFI interest rates on loans										
Loans to households for consumption										
with a floating rate and an initial rate fixation of up to one year	7.06	7.18	7.59	7.44	7.30	7.36	-45	12	-23	6
Loans to households for house purchase										
with a floating rate and an initial rate fixation of up to one year	3.45	3.46	3.49	3.50	3.49	3.48	-88	-13	-1	-1
with an initial rate fixation of over five and up to ten years	4.82	4.80	4.89	4.82	4.76	4.65	-72	-35	-24	-11
Bank overdrafts to non-financial corporations										
	5.44	5.37	5.40	5.38	5.40	5.37	-83	-21	-3	-3
Loans to non-financial corporations of up to €1 million										
with a floating rate and an initial rate fixation of up to one year	3.97	4.02	4.02	3.99	4.01	4.01	-86	-1	-1	0
with an initial rate fixation of over five years	4.72	4.68	4.71	4.70	4.65	4.55	-60	-26	-16	-10
Loans to non-financial corporations of over €1 million										
with a floating rate and an initial rate fixation of up to one year	3.01	3.03	2.98	3.00	2.98	2.95	-78	-16	-3	-3
with an initial rate fixation of over five years	4.16	4.31	4.18	4.31	4.19	4.15	-39	-19	-3	-4
Memo items										
Three-month money market interest rate	2.11	2.12	2.11	2.12	2.15	2.17	-66	2	6	2
Two-year government bond yield	2.74	2.70	2.53	2.60	2.47	2.41	-23	-17	-12	-6
Five-year government bond yield	3.60	3.49	3.33	3.35	3.18	3.08	-32	-51	-25	-10

Source: ECB.

1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" on pages 28-30 of the August 2004 issue of the Monthly Bulletin.

2.6 EQUITY MARKETS

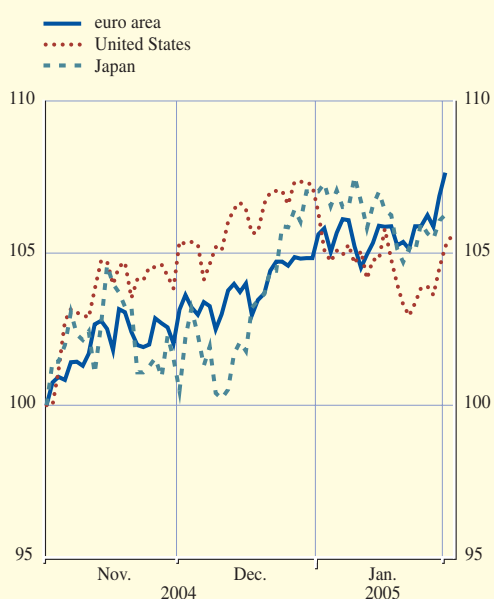
Stock prices in the euro area increased in January, while those in the United States fell over the same period. Stock prices in the euro area benefited from continued positive data on corporate profitability and declines in long-term interest rates.

UNITED STATES

In the United States, the broad-based Standard & Poor's 500 index fell by around 1% between the end of December 2004 and 2 February 2005 (see Chart 14). The overall decline in stock prices seemed to have stemmed, to some extent, from the negative effect of higher real interest rates, which decrease the current value of financial assets. The decline was broadly based, but

Chart 14 Stock price indices

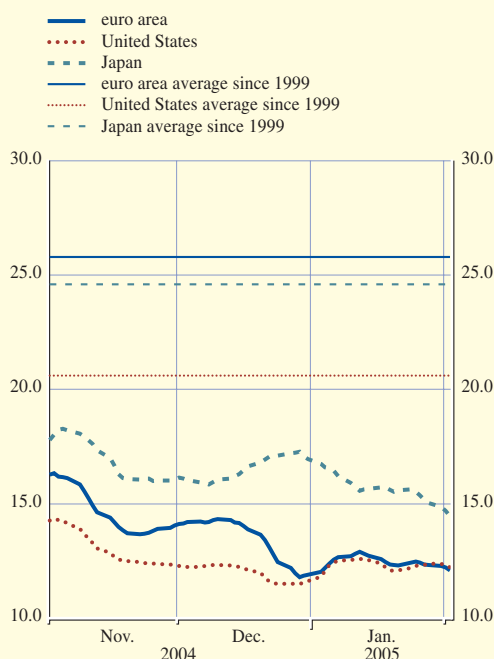
(index: 1 November 2004 = 100; daily data)



Sources: Reuters and Thomson Financial Datastream.
Note: The Dow Jones EURO STOXX broad index for the euro area, the Standard & Poor's 500 index for the United States and the Nikkei 225 index for Japan.

Chart 15 Implied stock market volatility

(percentages per annum; ten-day moving average of daily data)



Source: Bloomberg.
Note: The implied volatility series reflects the expected standard deviation of percentage stock price changes over a period of up to three months, as implied in the prices of options on stock price indices. The equity indices to which the implied volatilities refer are the Dow Jones EURO STOXX 50 for the euro area, the Standard & Poor's 500 for the United States and the Nikkei 225 for Japan.

was notably stronger for stock prices belonging to companies of the technology and telecommunications sectors, which tend to be more volatile. Across the other sectors, the energy sector – where stock prices increased – was a notable exception. The renewed increases in oil prices may have contributed to this development.

The uncertainty in the US stock market, as measured by the implied volatility derived from options on the Standard & Poor's 500 index, was broadly stable between the end of December 2004 and 2 February 2005, and remained at a level well below its average since 1999 (see Chart 15).

JAPAN

Stock prices in Japan, as measured by the Nikkei 225 index, decreased by around 1% between end-December 2004 and 2 February 2005. The mild overall decline in the stock price index reflected some market participants' concerns about the pace of the economic recovery and its negative impact on companies' future profit growth. The downturn in stock prices was more pronounced in the technology sector.

The implied volatility extracted from options on the Nikkei 225 index, a measure of uncertainty in the Japanese stock market, decreased somewhat between end-December 2004 and 2 February 2005 and thereby remained at a level well below its average since 1999.

EURO AREA

In the euro area, stock prices increased by around 3% between end-December 2004 and 2 February 2005. The increase in stock prices reflected the positive impact of lower long-term interest rates, as well as that of favourable data on corporate earnings growth, which stabilised at very high levels in January, according to survey data from Thomson Financial Datastream.

Across sectors, developments were rather mixed. Stock prices in the technology sector declined slightly, while those in the energy and industrial sector outperformed the overall index, a development prompted by rises in oil prices and corporate profitability.

The uncertainty surrounding future developments in euro area equity markets, as measured by the implied stock market volatility extracted from options on the Dow Jones EURO STOXX 50 index, did not change much between end-December 2004 and 2 February 2005. The level of stock market volatility thus continued to be well below its average since 1999.

3 PRICES AND COSTS

HICP inflation rose to 2.4% in December 2004 from 2.2% in November, as increases in food prices more than offset a fall in energy prices. The annual rate of change in overall producer prices remained broadly unchanged in December, while labour cost indicators, available up to the third quarter of 2004, suggest that wage pressures continued to be moderate. Looking ahead, the short-term outlook for HICP inflation remains characterised by volatility, owing to renewed increases in oil prices. Although inflation should return to below 2% during the course of 2005, upside risks remain, particularly in terms of oil price developments and possible further administered price and tax changes.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR JANUARY 2005

At the time of writing, Eurostat's flash estimate for inflation in January 2005 was not available. The release of the flash estimate was scheduled for 4 February 2005. However, overall inflation is likely to have declined in January owing to base effects from increases in tobacco taxes and administered prices in January 2004 and the lagged effects on energy prices of the oil price declines observed between October and December. However, this assessment is surrounded by a higher than usual degree of uncertainty in view of the changing pattern of seasonal sales, which impact particularly on the January HICP outcome.

HICP INFLATION IN DECEMBER 2004

Inflation rose to 2.4% in December 2004, the latest month for which detailed figures are available, from 2.2% in November (see Table 5). This outcome was 0.1 percentage point above Eurostat's flash estimate, released at the beginning of January. The rise in inflation was driven primarily by increases in food prices, both unprocessed and processed, which more than offset a fall in the annual rate of change in energy prices. Developments in the other two main components (non-energy industrial goods and services) were broadly stable. The annual rate of change in the HICP excluding unprocessed food and energy rose to 2.1% in December from 1.9% the previous month, driven by processed food price developments.

The outcome in December means that inflation in 2004 as a whole averaged 2.1%, unchanged from 2003. However, this unchanged average rate conceals some differing dynamics in the main

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Aug.	2004 Sep.	2004 Oct.	2004 Nov.	2004 Dec.	2005 Jan.
HICP and its components								
Overall index	2.1	2.1	2.3	2.1	2.4	2.2	2.4	.
Energy	3.0	4.5	6.5	6.4	9.8	8.7	6.9	.
Unprocessed food	2.1	0.7	-0.2	-1.5	-1.2	-1.0	0.1	.
Processed food	3.3	3.4	3.6	3.3	2.8	2.3	3.2	.
Non-energy industrial goods	0.8	0.8	0.9	0.8	0.8	0.8	0.8	.
Services	2.5	2.6	2.7	2.6	2.6	2.7	2.7	.
Other price indicators								
Industrial producer prices	1.4	2.3	3.1	3.3	4.0	3.7	3.6	.
Oil prices (EUR per barrel)	25.1	30.5	34.1	35.0	39.4	34.5	30.0	33.6
Non-energy commodity prices	-4.5	10.8	11.0	6.9	3.7	0.4	-0.2	-2.0

Sources: Eurostat, Thomson Financial Datastream and HWWA.

components. In particular, subdued developments in unprocessed food prices were offset by strong increases in energy prices. Furthermore, the relative stability of the components of the HICP excluding unprocessed food and energy masks the significant impact of increases in tobacco taxes and administered prices in 2004. Without these factors, the annual rate of change in the HICP excluding unprocessed food and energy would have declined, reflecting moderate wage developments, subdued economic growth and the beneficial impact of the strength of the euro exchange rate on import prices.

Returning to the December 2004 outcome, the volatile components of the HICP – unprocessed food and energy – showed counteracting developments. Energy prices declined by 1.8% month on month, reflecting the oil price declines – particularly in euro terms – observed between October and December. However, the annual rate of change in energy prices, despite declining in December to 6.9% from 8.7%, remained high. Unprocessed food prices rose in December, reflecting mainly increases in vegetable prices and, to a smaller extent, in fruit prices. Nonetheless, owing to favourable developments during the summer of 2004, the annual rate of change in unprocessed food prices remained low, at 0.1%.

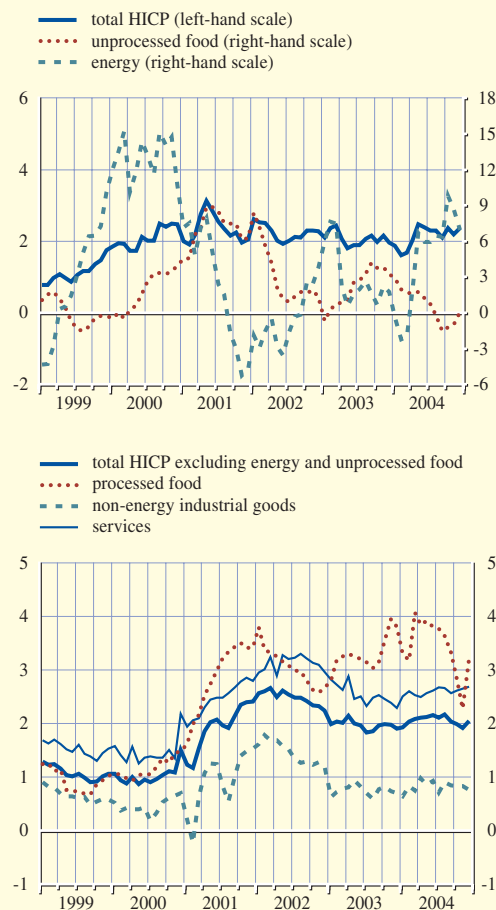
The annual rate of change in the HICP excluding unprocessed food and energy rose to 2.1% in December, from 1.9% the previous month (see Chart 16). As mentioned above, this increase was driven almost entirely by the impact on processed food prices of further tobacco tax increases in Germany and Italy. These pushed up the annual rate of change in processed food prices to 3.2%, from 2.3% in November. Excluding tobacco prices, however, processed food price developments remained moderate. The annual rates of change in non-energy industrial goods and services prices were unchanged at 0.8% and 2.7% respectively. As regards services prices, the strong increase observed in the annual rate of change in prices for passenger transport by air related primarily to changes in arrangements for commission on airline tickets in Italy.

3.2 PRODUCER PRICES

The year-on-year rate of change in the overall PPI excluding construction edged down slightly to 3.6% in December 2004, from 3.7% in November (see Chart 17). However, this small change concealed diverging developments in energy and consumer goods producer prices. The former

Chart 16 Breakdown of HICP inflation: main sub-components

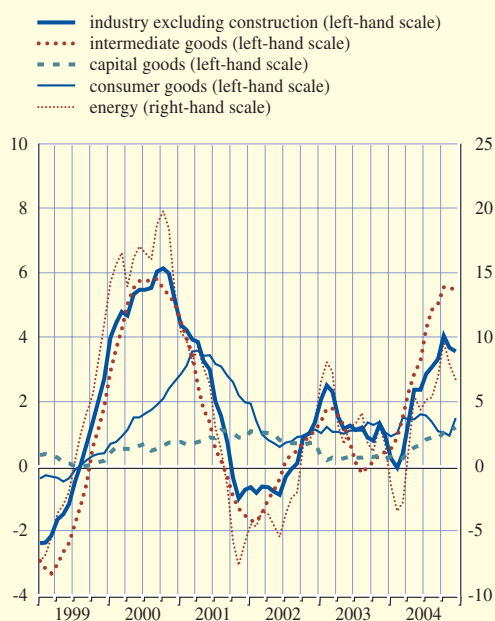
(annual percentage changes; monthly data)



Source: Eurostat.

Chart 17 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

declined in line with oil price developments between October and December, whereas the latter rose sharply as a result of tobacco tax increases in Germany and Italy. This factor also resulted in the annual rate of change in producer prices excluding energy increasing to 2.9% in December from 2.7% in November.

Considering the PPI components in more detail, intermediate goods prices continued to level off in December after a strong increase in the second half of 2004. This reflects developments in the prices of oil and non-energy commodities as well as the appreciation of the euro exchange rate. Capital goods producer prices, by contrast, continued to edge upwards, reflecting longer lags in the transmission of commodity price developments. The annual rate of change in producer prices of consumer goods increased sharply to 1.5% in December, from 1.0% in November. This reflects the impact of the tobacco tax increases in Germany and Italy (duties and taxes, with the exception of VAT, are included in producer prices). Excluding the effects of food and tobacco, which account for approximately 50%

of the consumer goods component, the rate of change remained at a lower level, although it has increased slightly since the beginning of 2004.

Survey data for January 2005 suggest that while producer prices continue to rise, the rate of increase may be starting to ease. In the manufacturing sector, the Eurozone Input Price Index from the Purchasing Managers' Survey declined slightly further in January, following a high in October. The index remained above 50, however, which indicates that input prices rose further. Furthermore, the index for prices charged by manufacturers increased in January, suggesting that some of the increase in input prices is being passed on through the pricing chain.

3.3 LABOUR COST INDICATORS

Over the past month no indicators of labour costs in the fourth quarter of 2004 have become available. Thus, currently available indicators still refer to developments up to the third quarter of 2004 (see Table 6 and Chart 18). Overall, labour cost pressures remained moderate. As explained in the previous edition of the Monthly Bulletin, the sharp decline in the annual rate of growth in compensation per employee in the third quarter related to the timing of payments in the public sector in Italy. However, correcting for this factor does not alter the assessment that underlying wage developments have been moderate, particularly as a broadly similar profile has been observed in hourly labour costs and negotiated wage developments.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

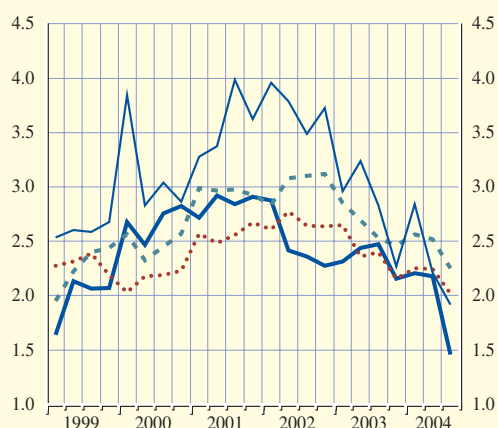
	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Negotiated wages	2.7	2.4	2.4	2.2	2.3	2.2	2.0
Total hourly labour costs	3.7	2.8	2.8	2.3	2.8	2.2	1.9
Gross monthly earnings	3.0	2.6	2.5	2.5	2.6	2.5	2.3
Compensation per employee	2.5	2.3	2.5	2.2	2.2	2.2	1.5
<i>Memo items:</i>							
Labour productivity	0.3	0.4	0.2	0.7	1.2	1.8	1.4
Unit labour costs	2.2	2.0	2.3	1.5	1.0	0.4	0.1

Sources: Eurostat, national data and ECB calculations.

Chart 18 Selected labour cost indicators

(annual percentage changes)

- compensation per employee
- negotiated wages
- - - gross monthly earnings
- hourly labour costs



Sources: Eurostat, national data and ECB calculations.

Similarly, although the rate of increase in labour productivity slowed down slightly in the third quarter of 2004, unit labour cost growth remained at a low level. Looking ahead, provided wage pressures remain contained and economic activity continues to recover, unit labour cost growth should remain low.

3.4 THE OUTLOOK FOR INFLATION

Over the coming months the volatility of annual inflation rates is likely to persist, reflecting in particular oil price developments. In the course of 2005, however, barring further adverse shocks, HICP inflation should fall below 2%. At the current juncture, there is little indication that underlying domestic inflationary pressures are building up in the euro area. However, there are upside risks to the medium-term outlook stemming from oil prices, potential second-round effects and possible further indirect tax or administered price changes. This outlook is broadly shared by private sector forecasters (see the box entitled “Private sector expectations for inflation and economic activity in the euro area: results of the Survey of Professional Forecasters for the first quarter of 2005 and other available indicators”).

Box 4

**PRIVATE SECTOR EXPECTATIONS FOR INFLATION AND ECONOMIC ACTIVITY IN THE EURO AREA:
RESULTS OF THE SURVEY OF PROFESSIONAL FORECASTERS FOR THE FIRST QUARTER OF 2005
AND OTHER AVAILABLE INDICATORS**

This box reports the results of the 26th Survey of Professional Forecasters (SPF), conducted by the ECB between 20 and 26 January 2005. The SPF gathers expectations for euro area inflation, economic activity and unemployment from experts affiliated to financial or non-financial institutions based in the EU. It is important to bear in mind that, given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions. Whenever possible, SPF results are compared with other available indicators of private sector expectations for the same horizons.

Inflation expectations for 2005 and 2006

Compared with the previous survey, inflation expectations for 2005 were unchanged while those for 2006 were revised downwards by 0.1 percentage point. SPF panellists now expect HICP inflation to gradually decline over the two years ahead, from 1.9% on average in 2005 to 1.8% in 2006. These expectations are 0.1 percentage point higher than those reported by Consensus Economics and the Euro Zone Barometer. Over the coming months, a large majority of forecasters expect the lagged upward impact of recent oil price developments to be partly counteracted by a number of other factors. These include moderate wage developments, downward base effects from administered and food prices and the continued strength of the euro.

Results from the SPF, Consensus Economics and Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

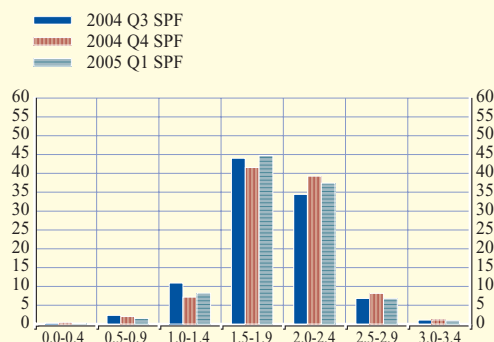
HICP inflation	Survey horizon				
	Dec. 2005	2005	Dec. 2006	2006	Longer term ²⁾
2005 Q1 SPF	1.7	1.9	1.8	1.8	1.9
Previous SPF (2004 Q4)	-	1.9	-	1.9	1.9
Consensus Economics (Jan. 2005)	-	1.8	-	1.7	2.0
Euro Zone Barometer (Jan. 2005)	-	1.8	-	1.7	1.9
Real GDP growth	2005 Q3	2005	2006 Q3	2006	Longer term ²⁾
2005 Q1 SPF	1.9	1.8	2.2	2.1	2.3
Previous SPF (2004 Q4)	-	2.0	-	2.2	2.2
Consensus Economics (Jan. 2005)	-	1.7	-	2.0	2.1
Euro Zone Barometer (Jan. 2005)	-	1.7	-	2.0	2.1
Unemployment rate ¹⁾	Nov. 2005	2005	Nov. 2006	2006	Longer term ²⁾
2005 Q1 SPF	8.7	8.8	8.4	8.5	7.5
Previous SPF (2004 Q4)	-	8.8	-	8.5	7.5
Consensus Economics (Jan. 2005)	-	8.8	-	8.6	-
Euro Zone Barometer (Jan. 2005)	-	8.9	-	8.6	7.8

1) As a percentage of the labour force.

2) In the current and the previous SPF round and in the Euro Zone Barometer longer-term expectations refer to 2009. The Consensus Economics forecast refers to the period 2010-14 (data published in the October 2004 Consensus Economics Survey).

Chart A Probability distribution for average inflation in 2005 in the last three SPF rounds

(percentages)



Sources: Eurostat, national data and ECB calculations.

SPF participants are also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability, expressed as a percentage, that the actual future outcome will fall within a specific interval. The probability distribution resulting from the aggregation of responses also helps to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. Chart A shows the aggregate probability distributions for average annual rates of HICP inflation in 2005 in the last three survey rounds. Since the previous round, the probability distribution has become more concentrated in the 1.5-1.9% interval. This suggests that there has been a

decline in uncertainty among forecasters regarding the average inflation rate in 2005. However, the probability distribution also points to a clear upside risk, as SPF panellists believe there is a 37.6% probability that inflation in 2005 will stand between 2.0 and 2.4%. The main risks cited by forecasters were raw material and oil prices, as well as possible unannounced tax measures.

Indicators of longer-term inflation expectations

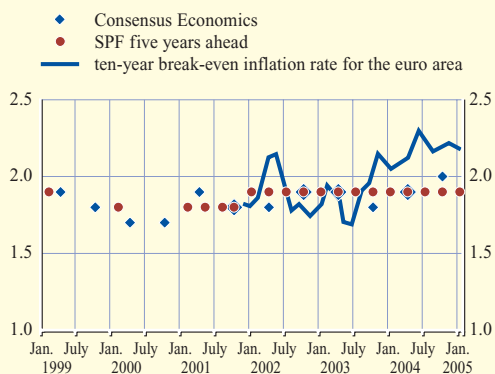
Longer-term inflation expectations remained stable at 1.9% for the 13th consecutive round of the SPF. This is in line with the recently published Euro Zone Barometer estimate and 0.1 percentage point lower than the three-month old Consensus Economics estimate (more up-to-date information on longer-term expectations from Consensus Economics will become available in April 2005). The probability distribution assigned to the longer-term inflation forecast has been shifting back towards lower outcomes for the last two SPF surveys, suggesting a slight improvement in the balance of risks to long-term inflation expectations.¹

Regarding indicators of long-term inflation expectations extracted from financial instruments, the ten-year break-even inflation rate derived from French government bonds linked to the euro area HICP (excluding tobacco) has moderated in the last few weeks, although it still remains at a relatively high level.² However, the spread between the yields on nominal and inflation-linked bonds is not simply a measure of inflation expectations; it may also capture risk premia (such as inflation uncertainty and liquidity premia). The break-even inflation rate may thus increase when investors are more uncertain about their forecasts and are willing to pay a premium for a hedge. The recent decline in the break-even inflation rate may therefore be related to the slight improvement in the balance of risks to long-term expectations expressed in the SPF survey.

¹ Additional data are available on the ECB's website, at www.ecb.int/stats/prices/indic/forecast/html/index.en.html.
² It should be noted that the break-even inflation rate reflects average expected inflation over the (residual) maturity of the bonds used in its construction and is not a point estimate for a precise year (as is the case for some of the survey indicators of long-term inflation expectations). For a thorough description of the conceptual nature of the break-even inflation rate, see the box entitled "Deriving long-term euro area inflation expectations from index-linked bonds issued by the French Treasury" in the February 2002 issue of the Monthly Bulletin.

Chart B Indicators of long-term inflation expectations

(average annual percentage changes)



Sources: French Treasury, Reuters, Consensus Economics and ECB.

Expectations for real GDP growth and unemployment in the euro area

Expected GDP growth in 2005 was revised downwards to 1.8%, which is 0.2 percentage point lower than in the previous SPF. The point estimate for 2006 was, at 2.1%, higher than for 2005 but was revised down by 0.1 percentage point compared with the previous round. On the basis of respondents' explanations, one of the main reasons for the downward revision of GDP growth was the USD/EUR exchange rate. Forecasters have revised their exchange rate assumptions upwards and now expect the euro to remain strong for the rest of 2005. Other reasons given by respondents were oil prices, which are expected to stay at a high level, and

weaker world demand. The balance of risks lay on the downside and was closely related to the above mentioned factors. Regarding upward risks, forecasters cited favourable financing conditions and improvements in profitability. The SPF forecasts are slightly more optimistic than the recent estimates from the Euro Zone Barometer and Consensus Economics, at 1.7% and 2.0% for 2005 and 2006 respectively (see table above). Looking at longer-term GDP growth rates, expectations five years ahead (i.e. for 2009) were revised up by 0.1 percentage point from the previous SPF to 2.3%. However, this revision is mainly due to rounding.

SPF respondents' expectations for unemployment in 2005 and 2006 were unchanged compared with the previous round, at 8.8% and 8.5% respectively. Forecasters did not revise their average point estimates despite the downward revision to GDP growth. However, they cited the expected gradual pace of increase in GDP and continued low capacity utilisation as the main factors preventing unemployment from declining faster in the coming years. The expected rate of unemployment in 2009 stood at 7.5%, unchanged compared with the previous round. Respondents again stressed that the decline in the unemployment rate over the long-term horizon is dependent on further labour market reforms. They said that the pick-up in economic growth and demographic developments were also likely to reduce unemployment.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth declined in the third quarter of 2004 compared with the first half of the year, mainly on account of weaker export and private consumption growth. Available information for the fourth quarter suggests ongoing moderate growth. Labour market conditions remained broadly stable during the second half of 2004. An assessment of the various factors influencing activity in the euro area points to a modest strengthening in activity in the course of 2005.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's second estimate of euro area national accounts confirmed that real GDP increased by 0.3% in the third quarter of 2004, compared with an average increase of 0.6% in the first half of the year (see Chart 19).

The lower real GDP growth in the third quarter of 2004 was mainly accounted for by weaker export and private consumption growth. Export growth declined to 1.5% quarter on quarter, compared with 2.2% on average in the first half of the year. This probably reflected, in part, a correction after particularly strong export growth during the first half of the year. In addition, export growth is also likely to have been affected by the past appreciation of the euro and the deceleration in world trade. Private consumption growth decreased from 0.4% on average in the first half of 2004 to 0.1% in the third quarter. The gradual nature of the improvement in labour markets and the rise in the price of oil in 2004 are likely to have weighed on consumption as a result of their negative effects on real income. Meanwhile, investment growth increased from close to zero in the first half of last year to 0.7% in the third quarter.

In terms of sectors of activity, the lower rate of growth was reflected in all the main sectors, with growth in industry, construction and market services being slower in the third quarter than in the first half of the year.

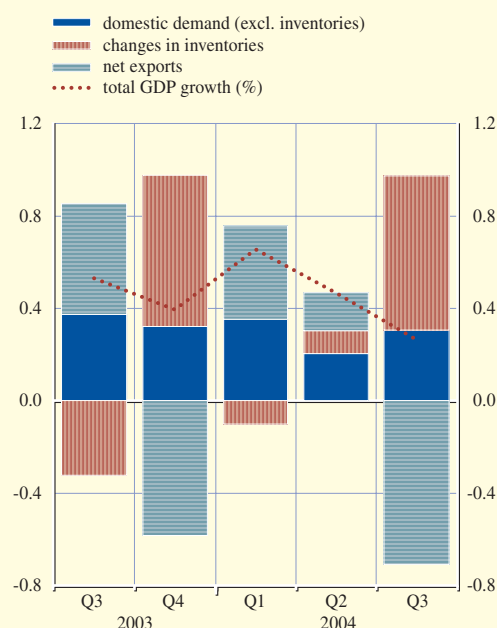
Box 5 reviews the usefulness of output gap estimates, in particular from the perspective of policy analysis in real time.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Growth in euro area industrial production (excluding construction) remained weak in November 2004, pointing to subdued activity in the fourth quarter as a whole. The appreciation of the euro and the slowdown in world growth are two important factors that may account for this development. Industrial production fell by 0.4% month on month in November 2004, after a decline of 0.6% in

Chart 19 Real GDP growth and contributions

(growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Box 5

THE (UN)RELIABILITY OF OUTPUT GAP ESTIMATES IN REAL TIME

The output gap, which is defined as the difference between the actual and potential levels of output of an economy, expressed as a percentage of potential output (which is, in turn, defined as the level of output that can be achieved when the factors of production are utilised at non-inflationary levels), is an indicator commonly used to summarise the overall amount of slack present in the economy. Unfortunately, a number of problems regarding both methodological and statistical aspects of output gap estimation – and the absence of a consensus on how best to measure this indicator – mean that estimates vary, often significantly, across methods. Moreover, estimates tend to be revised substantially over time, even for each given measurement method. This box reviews the usefulness of output gap estimates, in particular from the perspective of regular economic and policy analysis in real time. It concludes that estimates of the output gap are surrounded by such high uncertainty that they are of limited use for practical monetary policy-making. They are no substitute for a more comprehensive assessment of the factors that may influence the degree of slack in the economy.

Output gap estimation problems

The uncertainty characterising output gap estimates stems from various sources. First, there is no agreement on how the output gap should be modelled. Different models and methods tend to produce significantly different estimates (this is called “model uncertainty”). Second, each method requires one or more unobserved parameters to be estimated. These parameters may change over time, for example as a result of structural change. Given the limitations of available estimation techniques and the relatively short sample periods available for many variables, parameters tend to be estimated with a significant degree of uncertainty (this is called “parameter uncertainty”). Finally, the data used to estimate the output gap are often revised over time, sometimes significantly, implying that there can also be large revisions in the output gap estimates (this is called “data uncertainty”).¹

The problem of measurement uncertainty is even more severe for real-time estimates (i.e. estimates of the output gap for the period during which the estimation is carried out), which would typically be those of greatest interest for economic and policy analysis. The unreliability of real-time output gap estimates arises from the lack of data for the most recent period (for which a preliminary estimate based on very limited information is typically used), revisions of published data (which generally are more substantial for the most recent data), end-of-sample instability (i.e. estimates for the period at the end of the sample tend to vary considerably with the addition of one or a small number of observations, independently of data revisions) and, for estimates conditional on projections of the period ahead, revisions in the projections. A number of recent empirical studies have shown that the reliability of real-time output gap estimates is very low.² By implication, forecasts of output gaps suffer from an even higher degree of uncertainty.

1 For more details, see the article entitled “Potential output growth and output gaps: concept, uses and estimates” in the October 2000 issue of the ECB’s Monthly Bulletin.

2 For the United States see Orphanides and van Norden (“The unreliability of output-gap estimates in real time”, *The Review of Economics and Statistics*, November 2002, Vol. 84 (4), pp. 569-583), for the United Kingdom see Nelson and Nikolov (“UK inflation in the 1970s and 1980s: the role of output gap mismeasurement”, *Journal of Economics and Business*, 2003, Vol. 55, pp. 353-370), and for Canada see Cayen and van Norden (“La fiabilité des estimations de l’écart de production au Canada”, Bank of Canada Working Paper 2002-10).

Some evidence for the euro area output gap

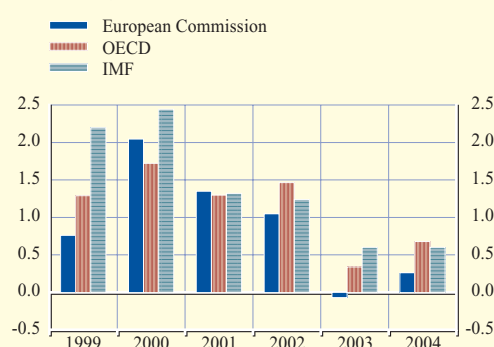
No sufficiently long historical real-time data series exist for the euro area.³ However, it is possible to use estimates published since 1999 by various major international organisations to glean some insight into the magnitude of revisions in real-time output gap estimates. The revisions of the euro area output gap estimates published by the European Commission, the Organisation for Economic Co-operation and Development (OECD) and the IMF from 1999 to 2004 (obtained as the difference between the estimate published during the corresponding year and the latest estimate) are significant and often of the same magnitude as the estimated gap itself or even higher (see Chart A). The size of these revisions seems to have fallen towards the end of this period, but it should be kept in mind that the latest estimates are subject to further changes, reflecting the aforementioned problem of end-of-sample instability.

As shown in Chart B, the range of estimates (both real-time and latest) tends to be relatively large, often larger than 1 percentage point, providing an example of model uncertainty. It can also be observed that the range of real-time estimates often does not overlap with the range of the latest estimates, suggesting that the reliability of real-time estimates is rather low. Only for 2003 and 2004 do the ranges overlap, but further revisions to the most recent data are likely to imply a movement over time of the latest estimates away from the real-time estimates.

The degree of imprecision of real-time output gap estimates can also be assessed by comparing the sign of the real-time estimates with the sign of the latest available estimates. As regards the

Chart A Revisions in output gap estimates

(in percentage points)

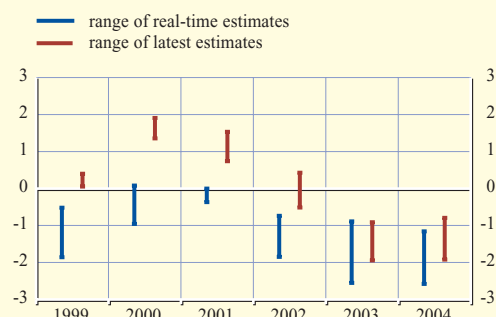


Source: ECB calculations based on data from the European Commission, the OECD and the IMF.

Note: The chart shows the difference between the latest estimates (autumn 2004 by the European Commission and the IMF and December 2004 by the OECD) and the estimates published during the corresponding year (spring estimates by the European Commission and the IMF and June estimates by the OECD).

Chart B Ranges of real-time and latest output gap estimates

(in percentage points)



Source: ECB calculations based on data from the European Commission, the OECD and the IMF.

Note: The chart shows the ranges of the estimates published by the three organisations. The ranges of the estimates published during the corresponding year (spring and June) are shown in blue while the ranges of the latest estimates (autumn 2004 and December 2004) are shown in red.

³ For some evidence on the reliability of euro area output gap estimates see Proietti, Musso and Westermann (“Estimating potential output and the output gap for the euro area: a model-based production function approach”, European University Institute, Florence, Economics Working Paper ECO2002/09), Rünstler (“The information content of output gaps in real time: an application to the euro area”, ECB Working Paper 182, September 2002), and Camba-Méndez and Rodríguez Palenzuela (“Assessment Criteria for Output Gap Estimates”, *Economic Modelling*, May 2003, Vol. 20, No 3, pp. 528-561).

level of the output gap, the latest estimates have a different sign to that of the real-time estimates in around half of the cases (see the table below). More precisely, while the euro area output gap was generally estimated in real time to be negative from 1999 to 2004, for about half of these years it was subsequently estimated to have been positive. Large differences can be observed for the years at the beginning of the period but further revisions to the latest estimates may imply that, for these years also, the sign of the final estimates is different to that of the real-time estimate. Uncertainty regarding the sign of the estimated changes in the output gap seems to be slightly more limited, but here too the degree of uncertainty appears still to be significant.

Comparison of the sign of real-time and latest output gap estimates (for levels and annual growth rates)

	sign of output gap levels			sign of output gap growth rates		
	European Commission	OECD	IMF	European Commission	OECD	IMF
1999	opposite	opposite	opposite	opposite	opposite	opposite
2000	opposite	opposite	opposite	same	same	same
2001	same	opposite	opposite	opposite	opposite	same
2002	opposite	same	same	same	same	opposite
2003	same	same	same	same	same	same
2004	same	same	same	same	same	opposite

Source: ECB calculations based on data from the European Commission, the OECD and the IMF.

Overall, there is strong evidence that euro area real-time output gap estimates tend to be of low reliability. This is consistent with the evidence for other economic areas. While it cannot be excluded that, in some contexts, such as modelling or forecasting, estimates of the output gap can play a useful role (as long as the degree of uncertainty is taken into account), it is clear that for economic and policy analysis they should not be given undue emphasis. On the contrary, rather than focusing on one or a few summary indicators, the real-time assessment of the degree of slack in the economy and, more generally, the economic analysis of the risks to price stability should be based on a wide set of indicators.

October. On a three-month moving average basis, industrial production declined by 0.2% between August and October following a similar decrease in the three months up to September.

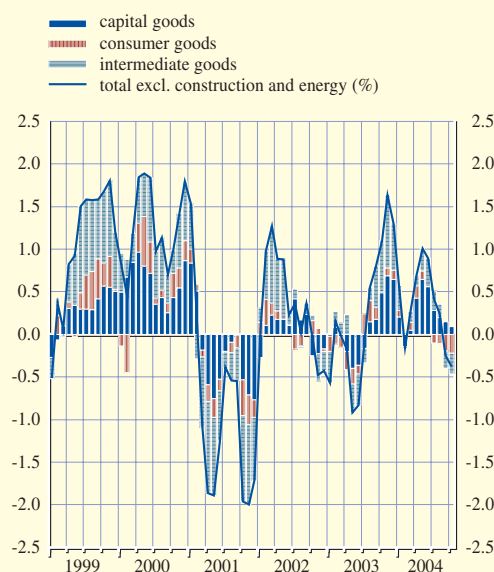
From a sectoral perspective, the less marked decline in November, as compared with October, was due mainly to developments in the production of consumer goods and energy. The latter declined by 0.4% month on month, following a fall of 1.4% the month before. The production of consumer goods declined by a smaller amount in November than in October due to stronger growth in the production of non-durables. By contrast, production of durable consumer goods deteriorated between October and November. Production of intermediate goods fell by 0.1% in November, while production of capital goods declined by 1.7%. On a three-month moving average basis, the latest results point to continued subdued growth in the industrial sector, with positive growth recorded only in the capital goods sector (see Chart 20).

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data for January 2005 suggest that activity may have been somewhat stronger at the beginning of this year than in the fourth quarter of 2004, particularly in the services sector.

Chart 20 Industrial production growth and contributions

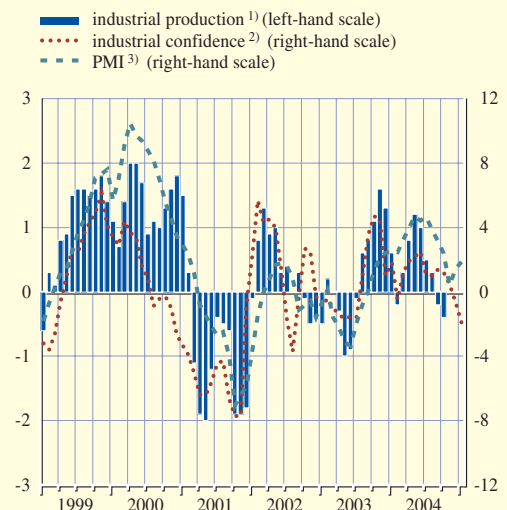
(growth rate and percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.
 Note: Data shown are calculated as three-month centred moving averages against the corresponding average three months earlier.

Chart 21 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Research and ECB calculations.
 1) Manufacturing; three-month on three-month percentage changes.
 2) Percentage balances; changes compared with three months earlier.
 3) Purchasing Managers' Index; deviations from an index value of 50.

The European Commission (EC) industrial confidence indicator showed a slight decline in January 2005. There were only minor changes in the components of confidence; a slight rise in orders was offset by a small decline in production expectations, while the assessment of stock levels was unchanged. This month's release includes a set of questions asked once a quarter. The most notable developments are downward revisions in businesses' assessment of their competitive position outside the European Union and of expectations for new orders, which could suggest that euro area exporters have perceived some negative effects from the appreciation of the euro last year. In January 2005 the manufacturing Purchasing Managers' Index (PMI) rose further, pointing to some strengthening in activity after the decline in the fourth quarter (see Chart 21). Both stronger output and an increase in new orders contributed to the rise in the PMI between December and January. These results suggest there may have been some improvement in industrial activity at the beginning of this year, after weak (and possibly negative) growth in the fourth quarter of last year.

With regard to the services sector, the EC confidence indicator rose between December 2004 and January 2005, reaching a slightly higher level than that in the fourth quarter as a whole. This points to continued positive growth in activity in the services sector. The PMI declined between the third and fourth quarter of 2004. However, as in the case of the EC indicator, the PMI remained at a level consistent with positive rates of growth in this sector.

INDICATORS OF HOUSEHOLD SPENDING

Monthly indicators of household spending suggest that the weakness in consumption growth in the third quarter was, in part, temporary. While growth in new car registrations increased in the

fourth quarter and retail sales are also expected to have risen, consumer confidence remains at low levels.

The latest information on new car registrations showed a decline of 2.6% in December 2004 after the increases recorded in October and November. Despite the most recent decline, however, new car registrations still rose in the fourth quarter by 4.5% quarter on quarter, compared with a decline of 2.6% in the third quarter. The volume of retail sales remained unchanged between October and November following an increase of 0.3% in October, pointing towards an improvement in the fourth quarter of last year (see Chart 22). Thus, recent developments in car registrations and retail sales are expected to have supported consumption growth in the fourth quarter.

The EC consumer confidence indicator remained unchanged between December 2004 and January 2005 and is still below its historical average (see Chart 22). Labour market conditions and uncertainty surrounding the extent and pace of progress in structural reforms has probably weighed on euro area household confidence and, in turn, on consumption.

4.2 LABOUR MARKET

The currently available indicators suggest that labour market conditions remained broadly stable during the second half of 2004.

UNEMPLOYMENT

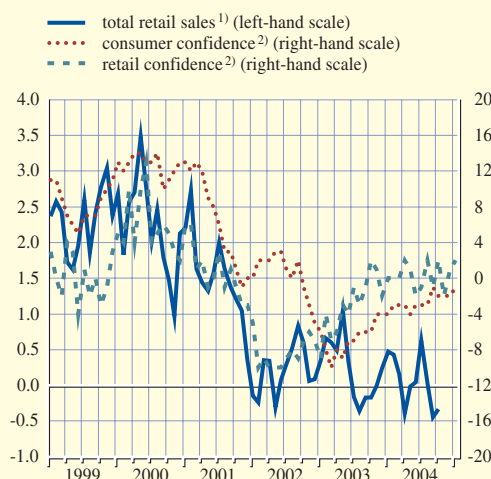
The euro area unemployment rate was 8.9% in December, up from 8.8% in November (revised downwards from 8.9%). The number of unemployed increased by 28,300, a relatively large increase compared with the previous three months (see Chart 23). This largely reflects developments in Germany, which may be explained by the statistical impact of labour market reforms rather than by a deterioration in labour market conditions. Correcting for these statistical effects, the data continue to point to ongoing, albeit slow, improvements in the labour market. For 2004 as a whole, the unemployment rate in the euro area is estimated at 8.9%, unchanged compared with 2003.

EMPLOYMENT

Employment growth stood at 0.1% in the third quarter of 2004, the same rate as observed on average in the first half of the year (see Table 7). Slightly lower employment in the industrial and construction sectors was counterbalanced by higher employment in the services sector. Recent developments in employment, coupled with the slowdown in GDP growth, imply a decline in

Chart 22 Retail sales and confidence in the retail trade and household sectors

(monthly data)



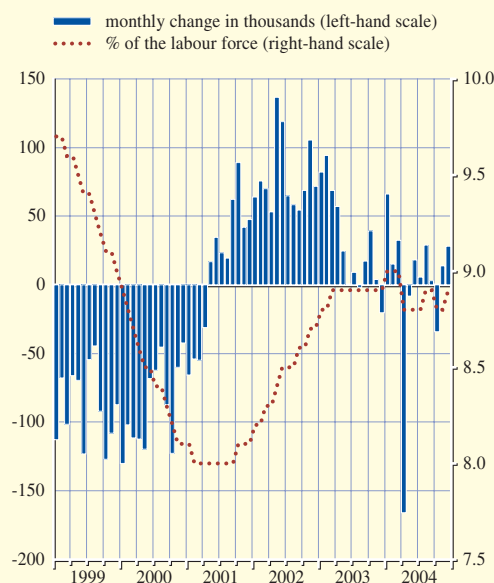
Sources: European Commission Business and Consumer Surveys and Eurostat.

1) Annual percentage changes; three-month centred moving averages; working-day adjusted.

2) Percentage balances; seasonally and mean adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

Chart 23 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Note: The apparent large decline in unemployment in April 2004 is caused by a break in the euro area unemployment series at the beginning of 2004. This will be corrected in future releases.

quarter-on-quarter labour productivity growth. The decline in labour productivity growth between the first half and the third quarter of 2004 was broadly based across sectors and of a similar magnitude in industry, construction and market services.

Indicators of businesses' employment expectations continue to point towards ongoing but modest employment growth. The EC Business Surveys for the manufacturing sector showed an increase in employment expectations between December 2004 and January 2005, while the corresponding PMI fell slightly. As regards the services sector, the EC indicator showed a drop in employment expectations between December and January.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Overall, while information on the fourth quarter is not complete, the latest macroeconomic data and recent survey evidence remain in line with ongoing moderate growth. In the course of 2005, euro area activity should benefit from several favourable factors. First, ongoing robust growth in world trade will continue to sustain exports. Second, the recovery in euro area investment should continue, supported by very favourable financing conditions in the euro area and improved corporate profits. Moreover, consumption growth should develop in line with real disposable income growth. Downside risks mainly relate to oil prices and global imbalances. This outlook is broadly shared by available forecasts. The latest Survey of Professional Forecasters, for instance, puts real GDP growth in 2005 and 2006 at 1.8% and 2.1% respectively (see Box 4).

Table 7 Employment growth

(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Whole economy	0.6	0.2	0.0	0.0	0.1	0.2	0.1
<i>of which:</i>							
Agriculture and fishing	-2.0	-2.3	-0.2	-0.1	-0.5	0.1	0.0
Industry	-1.1	-1.5	-0.5	-0.5	-0.5	0.3	-0.2
Excluding construction	-1.3	-2.0	-0.5	-0.7	-0.6	-0.1	-0.2
Construction	-0.6	0.0	-0.4	0.0	-0.2	1.2	-0.3
Services	1.4	1.0	0.3	0.2	0.4	0.1	0.3
Trade and transport	0.4	0.5	0.4	0.1	0.2	0.2	0.4
Finance and business	2.5	1.3	0.7	0.4	1.0	0.0	0.5
Public administration	1.8	1.2	-0.1	0.1	0.1	0.2	0.1

Sources: Eurostat and ECB calculations.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In January 2005 the decline in the euro was broad-based but particularly pronounced against the US dollar and the Japanese yen. Significant declines were also noted against the main Asian currencies, as well as the Australian dollar and the Canadian dollar.

US DOLLAR/EURO

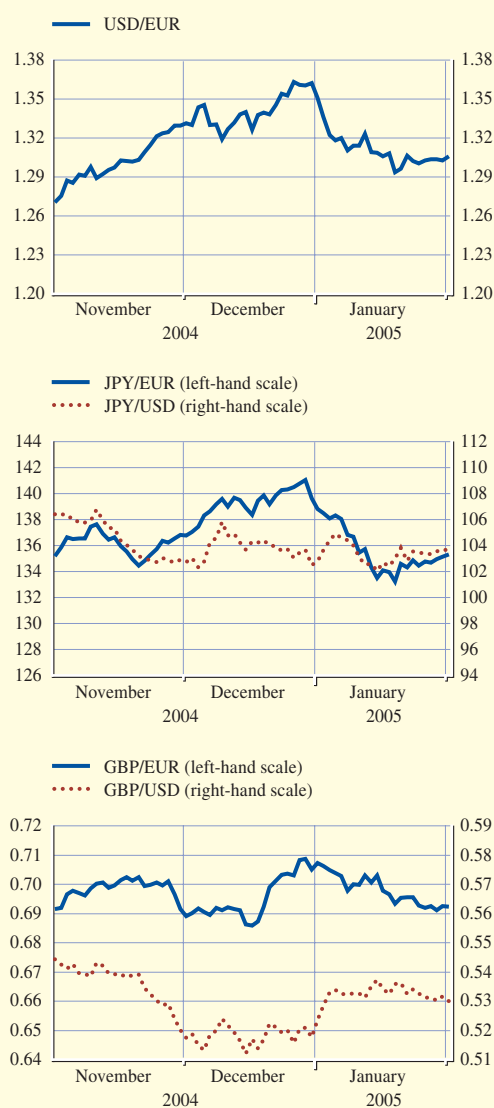
After having appreciated against the US dollar since mid-October 2004, the euro weakened against the US currency in January 2005 in the context of the dollar's rather broad-based appreciation (see Chart 24). This appreciation began in early January with the publication of the minutes of the December Federal Open Market Committee (FOMC) meeting, as market participants interpreted them as signalling a less benign outlook for inflation in the United States. In the course of the month, a stream of positive data releases suggesting robust economic activity in the United States offered further support to the US currency. At the same time, despite the release in mid-January of data showing yet another widening of the US trade deficit in November 2004, market concerns about the US current account appeared to have subsided somewhat. This development seems to have been associated with repeated statements by US policy-makers indicating a willingness to address the fiscal deficit and expressing a preference for a strong US dollar, coupled with news of strong net portfolio capital inflows into the United States in November 2004. On 2 February 2005 the euro stood at USD 1.31, 4.1% lower than its end-December 2004 level and 5.0% above its 2004 average.

JAPANESE YEN/EURO

Following a period of relative strength in December 2004, the euro depreciated vis-à-vis the Japanese yen in January 2005, mainly as a result of better than expected data releases in Japan. More specifically, machinery orders for November 2004 and a number of earnings reports from the Japanese retail sector exceeded market expectations and resulted in a strengthening of the yen. On 2 February 2005 the euro was quoted at JPY 135.3, 3.1% below its end-December 2004 level and 0.6% above its 2004 average.

Chart 24 Patterns in exchange rates

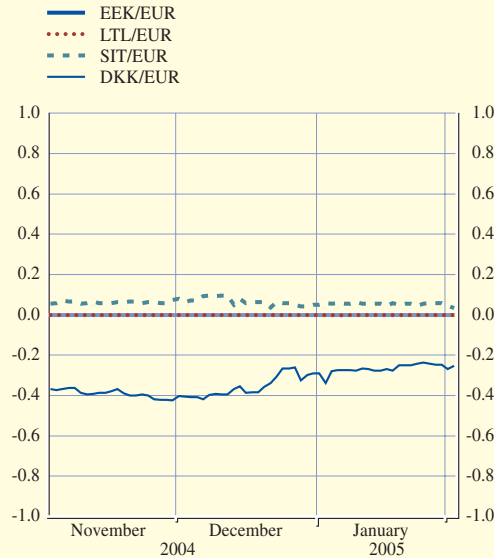
(daily data)



Source: ECB.

Chart 25 Patterns in exchange rates within ERM II

(daily data; deviation from central parity in percentage points)



Source: ECB.
 Note: A positive/negative deviation from the central parity implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is $\pm 2.25\%$; for all other currencies the standard fluctuation band of $\pm 15\%$ applies.

EU MEMBER STATES' CURRENCIES

In ERM II, the Danish krone and the Slovenian tolar moved within very narrow ranges close to their respective central parities (see Chart 25). The Estonian kroon and the Lithuanian litas remained unchanged relative to their ERM II central parities, in line with those countries' unilateral commitments to maintain currency board arrangements within the standard ERM II fluctuation bands.

With regard to the currencies of other EU Member States, the pound sterling edged higher following an unexpected rise in UK inflation which led market participants to revise their expectations about the future path of interest rates in the United Kingdom (see Chart 24). On 2 February 2005 the euro traded against the pound sterling at GBP 0.69, 1.8% lower than its level at the end of December 2004 and 2.0% higher than its 2004 average. During the period under review the euro appreciated slightly against the Swedish krona and the Cyprus pound, while it depreciated against the Slovak koruna, the Czech koruna, the Polish zloty and the Maltese lira. Finally, the euro remained broadly unchanged against the Hungarian forint and the Latvian lats.

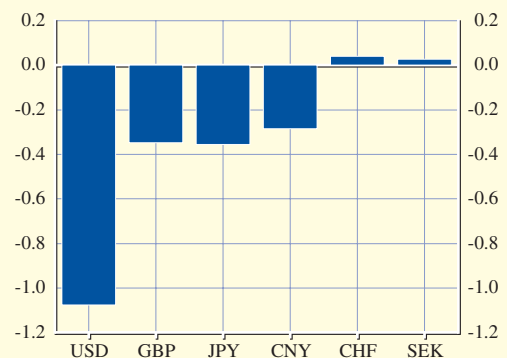
Chart 26 Euro effective exchange rate and its decomposition¹⁾

(daily data)



Contributions to EER changes²⁾

From 31 December 2004 to 2 February 2005 (in percentage points)



Source: ECB.
 1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
 2) Contributions to EER-23 changes are displayed only for the currencies of the six main trading partners of the euro area. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

OTHER CURRENCIES

Turning to other currencies, the euro appreciated by 0.6% vis-à-vis the Swiss franc in January 2005. At the same time the euro depreciated against the Australian dollar and the Canadian dollar and against the most important Asian currencies.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 2 February 2005 the euro stood in nominal effective terms – as measured against the currencies of 23 of the euro area's important trading partners – 2.5% below its end-December 2004 level, which is still 1.5% above its 2004 average (see Chart 26). The broad-based depreciation of the euro in effective terms in January was mainly a reflection of its weakening against the US dollar, the Japanese yen, the pound sterling (i.e. currencies with high relative weight in the trade-weighted effective exchange rate basket) and the Chinese renminbi.

5.2 BALANCE OF PAYMENTS

In November 2004 the seasonally adjusted current account of the euro area was close to balance and the 12-month cumulated current account surplus of the euro area continued to contract, after having peaked in July 2004. In the financial account, 12-month cumulated combined direct and portfolio investment recorded net outflows, compared with net inflows a year earlier. Drawing from newly published data on the geographical breakdown of the euro area balance of payments, the United Kingdom and the United States are the most important counterparts of the euro area in terms of both trade and financial flows.

CURRENT ACCOUNT AND TRADE

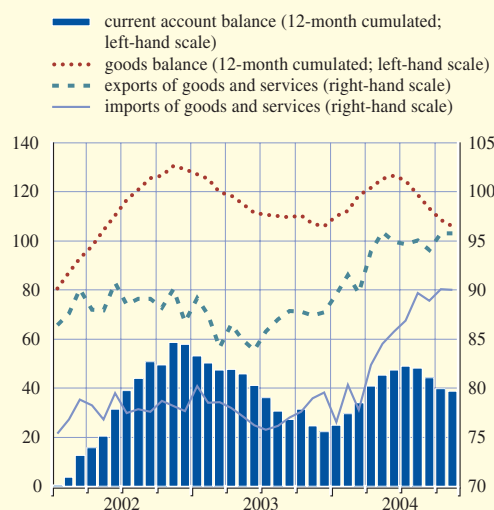
The seasonally adjusted current account of the euro area was close to balance in November 2004 (registering a surplus of €0.4 billion, which corresponded to a €3.2 billion surplus in non-seasonally adjusted terms). This reflected surpluses in both goods and services, which were partly offset by deficits in income and current transfers (see Table 7.1 in the “Euro area statistics” section).

Compared with revised data for October, the seasonally adjusted current account surplus decreased by €1 billion in November 2004. This was mainly the result of a decrease (by €1.4 billion) in the services surplus. The goods surplus and the deficit on current transfers remained broadly unchanged. The decrease in the services surplus recorded in November stemmed from both a fall in exports and a rise in imports of services.

Taking a longer-term perspective, the 12-month cumulated current account surplus of the euro area contracted from a peak of nearly €50 billion in July 2004 to less than €39 billion (about 0.5% of GDP) in November 2004 (see Chart 27). This fall was mainly accounted for by an €18 billion decrease in the cumulated goods surplus, which was only partly offset by an increase in the cumulated services surplus and decreases in the deficits on income and current transfers. The fall in the cumulated goods surplus between July and November 2004 can, in turn, be attributed mostly to an increase in the value of goods imports (by €49 billion), while the value of goods exports rose by €30.7 billion over the same period. According to the decomposition of trade flows into volumes and prices – based on Eurostat's external trade statistics up to October 2004 – the increase in import values observed since July 2004 seems to be mostly attributable to rising import prices which, in turn, resulted predominantly from higher oil prices over this period.

Chart 27 The euro area current account and goods balances

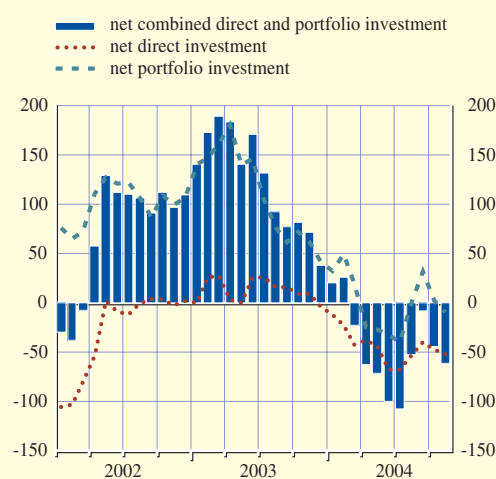
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 28 Net direct and portfolio investment flows

(EUR billions; 12-month cumulated data)



Source: ECB.

Note: A positive (negative) number indicates a net inflow (outflow) into (out of) the euro area.

FINANCIAL ACCOUNT

Combined direct and portfolio investment recorded net outflows of €10.6 billion in November 2004, reflecting net outflows in debt instruments (€14.5 billion) which more than counterbalanced net inflows in equity securities (€4.1 billion). Direct investment flows were balanced. The net outflows in debt instruments were mainly driven by net sales of euro area money market instruments by non-residents.

In the 12-month period to November 2004, combined direct and portfolio investment recorded net outflows of €61.3 billion, compared with cumulated net inflows of €71.8 billion over the same period a year earlier (see Chart 28). This reversal in the direction of capital flows reflects a switch from net inflows to net outflows in both direct investment and portfolio investment. The shift in net direct investment stems mainly from a gradual decline in foreign direct investment inflows into the euro area and an increase in euro area direct investment abroad over the reference period. The decline in portfolio investment was mainly associated with euro area investors increasing their net purchases of foreign money market instruments, while foreigners were net sellers of such euro area securities. This resulted in a switch from net inflows to net outflows in money market instruments in the period under review.

GEOGRAPHICAL BREAKDOWN OF THE EURO AREA BALANCE OF PAYMENTS

In January 2005 the ECB published, for the first time, a geographical breakdown of the euro area balance of payments and international investment position statistics. Based on cumulated flows between the fourth quarter of 2003 and the third quarter of 2004, the euro area recorded a current account surplus vis-à-vis all main partner countries or economic regions, with the exception of Japan and the “other countries” category. The pattern of the euro area’s trade surplus in goods is similar to that of the current account, with the United States, the United Kingdom and “other EU Member States” – in that order – being the main counterparts. By contrast, the euro area had a

deficit in its trade in services with the United States and “other EU Member States”, whereas it showed a small surplus vis-à-vis Japan. Much of the euro area trade surplus in services was vis-à-vis the United Kingdom. Finally, the income account deficit reflects deficits primarily vis-à-vis the United Kingdom and Japan and, to a lesser extent, Switzerland and the United States.

In the financial account, cumulated flows over the same period indicate that the euro area recorded net outflows in direct investment vis-à-vis all partner countries or economic regions considered, with the exception of Switzerland and the United States. Overall euro area cross-border activity in the reference period was of a relatively small magnitude. In terms of assets and liabilities, the United Kingdom and the “offshore financial centres” were the main recipients or channels of euro area direct investment abroad, while the “offshore financial centres”, Switzerland, the United States and the United Kingdom were the main investors in the euro area. Euro area portfolio investment abroad was directed primarily towards the United Kingdom and the United States, particularly in the form of investment in bonds and notes. Euro area investors were also net purchasers of Japanese equity securities.

A more detailed discussion of the data, including methodological issues relating to their compilation, can be found in the associated article published in this issue of the Monthly Bulletin. The article also presents a geographical breakdown of the international investment position of the euro area.

ARTICLES

BANK MARKET DISCIPLINE

This article reviews the conceptual issues surrounding market discipline for banks and describes to what extent market discipline could complement supervisory activities. The potential of market discipline has been explicitly recognised in the New Basel Accord. In addition to capital requirements (Pillar I) and supervisory review (Pillar II), the Accord provides for a greater role of financial markets in complementing traditional supervisory activities by asking banks for increased transparency with regard to their operations (Pillar III). This article puts Pillar III in the broader context of direct and indirect market discipline. It is argued that both direct and indirect market discipline should be enhanced by the transparency requirements of the New Capital Accord, but that other conditions may also need to be met in order for market discipline to become more effective. Nevertheless, the article also shows that aggregated market prices can play a useful role in monitoring banking sector stability.

I INTRODUCTION

In June 2004, the revised framework for capital measurement and capital standards, commonly known as Basel II, was published by the Basel Committee on Banking Supervision (BCBS).¹ The new regulatory framework comprises three components or “pillars”, namely minimum capital requirements (Pillar I), the supervisory review process (Pillar II) and market discipline (Pillar III). By providing a comprehensive and risk-sensitive approach, Basel II is intended to alleviate the shortcomings of the current framework for capital requirements, which dates back to the 1988 Accord. In the new regulatory framework, Pillar III aims to complement minimum capital requirements and the supervisory review process. In particular, it would support the development of market discipline by introducing high-quality disclosure standards, enabling market participants to better assess banks’ risk profiles, risk management and capital strength.

The requirements of Pillar III of Basel II have to be viewed against the backdrop of the substantial changes under way in the financial system. Banks’ operations have increasingly become more complex and sophisticated.² Today banks have considerable exposure to financial markets and are increasingly active in markets for sophisticated financial products such as derivatives. These products are used to hedge existing risks on banks’ balance sheets or to take on new risks. For instance, the growth of credit derivatives and the increasing use of

securitisation have had a profound impact on the structure of banks’ risk profiles. In addition, large banks tend to operate internationally, in some cases with a majority of their operations taking place outside their home country. In the context of the euro area, the introduction of the common currency has provided additional momentum for the development of cross-border banking groups. Finally, consolidation in the banking sector has also had a sizeable impact on the structure and risk dynamics of the banking system as a whole. All of these changes have resulted in greater interest among bank supervisors and central banks in the availability and quality of market signals on banks’ current and prospective financial conditions and risks.

The way in which balance sheets and profit and loss totals of large and complex banking organisations are currently disclosed may provide an incomplete and insufficiently detailed picture for market participants to be able to fully evaluate the quality of a particular bank. Additional data may be needed on the composition of banks’ credit exposures and capital; off-balance sheet activities and the associated risks; and exposures to liquidity,

1 “International Convergence of Capital Measurement and Capital Standards: A Revised Framework”, Basel Committee on Banking Supervision, 2004. For a more detailed discussion of the Basel II framework, see the article entitled “The new Basel Capital Accord: main features and implications” in the January 2005 issue of the ECB’s Monthly Bulletin.

2 For more details see “Financial Stability Review”, ECB, December 2004, and “Report on EU banking structure”, ECB, November 2004.

operational and market risk. This has been acknowledged in Pillar III of the New Basel Accord, which provides for such information to be made available to the market (Box 1).

The ECB takes an active interest in the stability of the financial system and, hence, in the potential contribution of market discipline in this regard. The ECB, together with the ESCB's Banking Supervision Committee

(BSC), regularly monitors risks to financial stability on an area-wide basis in order to identify potential threats to financial stability and to assess the financial system's ability to absorb adverse shocks. The monitoring combines other, more traditional data sources with market information on the stability of the financial system, in order to provide a comprehensive picture of the EU financial system. For instance, the ECB's recent

Box 1

BASEL II AND MARKET DISCIPLINE

Under Pillar III of Basel II, banks will be required to publish detailed information for the top consolidated level of the banking group. Both qualitative and quantitative information will have to be disclosed. In the BCBS's view, disclosure should be consistent with how a bank's management analyses, assesses and administers the bank's risks internally. At present, the implementation of the more advanced methods of the Basel II framework is planned for the end of 2007.

The information to be released focuses on describing the key parameters of a bank's business profile, its risk exposure and risk management. Hence it is planned to make available information on the structure and adequacy of capital, such as details on Tier I capital. In relation to capital adequacy, it is envisaged that credit, market and operational risk will be addressed separately. For the disclosure of credit risk, it is planned to publish data on the portfolio structure, the major types of credit exposure, their geographical and sectoral distribution and details on impaired loans. In addition, information on credit risk mitigation techniques and asset securitisation will be provided to market participants and other analysts. Banks will be required to outline some details on their use of Internal Ratings Based (IRB) approaches, which represent a major component of the new framework. For market risk, banks will be required to summarise the key details of their internal models and to describe the use of stress testing and back testing. Finally, the framework requires banks to disclose details on their approach to operational risk (Basic Indicator, Standardised or Advanced Measurement Approach) and that data on the interest rate risk in the banking book also be published.

The new capital framework will be introduced into EU legislation via the amendment of two existing Directives: the Codified Banking Directive (2000/12/EC) and the Capital Adequacy Directive (93/6/EEC). Pillar III rules at the EU level are in general consistent with the Basel II framework. However, there are some differences, concerning terminology, a few definitions and the frequency of disclosure. For example, the Basel document foresees information disclosure on a *semi-annual* basis, although there will be some exemptions, such as the *annual* disclosure of risk management objectives and policies. Furthermore, information on Tier 1 and total capital adequacy, as well as rapid changes of risk exposures, should be disclosed on a *quarterly* basis. In contrast, according to the draft EU Directive, there will be an *annual* disclosure requirement for all items. However, credit institutions themselves would be free to publish some or all of the required items at a higher frequency.

Financial Stability Review³ uses aggregated market prices of large banks to analyse the stability of the banking system as a whole, complementing other information on banking sector and financial stability.

The interest in market information and market discipline is based on the inherent ability of markets to process information and aggregate this information very rapidly into market prices. It is important to distinguish between two related variants of market discipline.⁴ First, the increased cost of raising new debt or equity in the primary capital markets could exert *direct* market discipline on banks. Depositors, debt and equity holders may impose constraints on a bank's ability to grow without first reducing their exposure to risks or improving their risk management. This could occur through higher financing costs, quantity constraints on the availability of new finance, covenants on bond contracts, or through direct influence on the bank's operations (e.g. in the context of shareholder meetings). Second, the prices of banks' outstanding securities could provide an indication of banks' financial conditions to supervisors, rating agencies and central banks. The monitoring and potential corrective actions in response to adverse signals, especially by supervisors, are referred to as *indirect* market discipline. In particular, supervisors may use signals from secondary markets as screening devices or inputs into early warning models geared towards identifying those banks which need to be more closely examined. In addition, central banks can use market signals to complement their monitoring of the financial system as a whole.

2 DIRECT MARKET DISCIPLINE

Direct market discipline refers to the influence by depositors, debt or equity holders on banks' behaviour. *Equity holders*, as the owners of a bank, can exercise market discipline in an immediate way, as they have the right to replace management. Hence, in theory, if equity holders disagree with the decisions of

the current management concerning a bank's risk profile, they have the right to replace the management. Nevertheless, equity holders have not been considered particularly strong candidates for providing market discipline in banking, because in many circumstances and in particular when the value of their stake in the bank is low, they have an interest in the bank taking on more risk rather than less.⁵ Hence, precisely when – in the view of supervisors – a bank is most in need of market discipline equity holders have strong incentives not to provide it.

Depositors, if they are covered by deposit insurance, have no incentive to monitor banks because their funds are not at risk. Even if they are uninsured, it is frequently argued that they may not be able or have the incentive to exercise discipline effectively. Depositors are thought to consist of individuals (small savers, rather than institutions) who may have neither the expertise nor the time to regularly evaluate a bank's performance. Furthermore, if there are many depositors, each with relatively small deposits, the so-called "free-rider" problem may arise. The "free-rider" problem suggests that, as the monitoring of a bank is a "public" good in the sense that all depositors benefit, each individual depositor may rely on others to do so, resulting in no or too little monitoring of a bank.

Subordinated debt holders, given their subordinated status relative to other bank creditors, such as senior debt holders and depositors, should have particularly strong incentives to monitor a bank's risk-taking. Given that they do not benefit from upside

3 "Financial Stability Review", ECB, December 2004.

4 This terminology was first proposed by the Board of Governors of the Federal Reserve System in "Using subordinated debt as an instrument of market discipline", Staff Study 172, December 1999.

5 Equity holders are entitled to the residual claim on the bank, i.e. after all other claimants, such as depositors, senior debt holders and subordinated debt holders have been satisfied. Once the value of equity in a bank approaches zero, equity holders benefit from higher risk-taking by the bank, because they only receive the upside gain but do not have to bear the downside.

gains in an unlimited way, subordinated debt holders can be expected to naturally be concerned about limiting risk-taking. However, it has also been recognised that the actual power of subordinated debt holders over a bank's management may, in practice, be limited. Hence, some observers have suggested that banks be required to issue short-term subordinated debt frequently (more than four times a year). They have also proposed specific features to strengthen the effectiveness of the discipline arising from subordinated debt holders. These include put options, where subordinated debt holders have the right to demand early repayment of their claims, and the convertibility of subordinated debt into equity. Most recently, caps on the spread over government bonds on primary issues have been proposed in order to impose funding constraints on banks that are perceived to be highly risky.⁶ A serious concern with these proposals is not that market discipline does not work, but that it may work disruptively. If investors are unable to fully distinguish between "good" and "bad" banks, herding behaviour may result in an excessive and non-discriminatory reaction by markets to bad news. Even banks which are initially sound

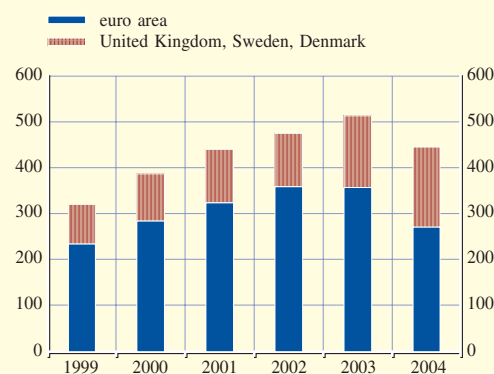
could then be subjected to high interest rates on their liabilities or even be excluded from the market.

Currently, none of the major industrialised countries has a subordinated debt requirement in place. Nevertheless, subordinated debt issues are widespread in the EU and have been increasing over time (Charts 1 and 2). The number and volume of issues increased substantially from 320 issues valued at €56 billion in 1999 to more than 500 issues valued at €70 billion in 2003. Data for the period from January to October suggest that these trends have continued in 2004. Charts 1 and 2 also show that issues in the euro area tend to be somewhat smaller than those in non-euro area EU countries (especially the United Kingdom). Subordinated debt is generally issued by very large banks. Hence, despite their relatively low number, banks issuing subordinated debt tend to represent more than 50% of the total assets in the banking system in all EU countries.

⁶ Mandatory subordinated debt requirements were advocated, inter alia, by the European Shadow Financial Regulatory Committee (Statement No. 7, February 2000, and, more recently, Statement No. 19, October 2004, p. 3).

Chart 1 Number of subordinated debt issues in the EU

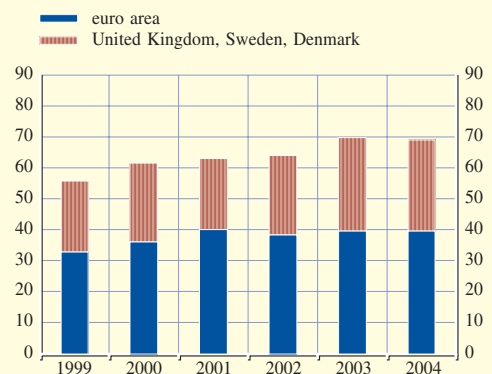
(1999-2004)



Sources: Bondware and ECB calculations.
Notes: Includes large public and private placements only. May not include some very small private placements in some countries. Placements by banking and financial services as classified by Bondware. For 2004, data refer to the period up to October.

Chart 2 Value of subordinated debt issues in the EU

(EUR billions; 1999-2004)



Sources: Bondware and ECB calculations.
Notes: Includes large public and private placements only. May not include some very small private placements in some countries. Placements by banking and financial services as classified by Bondware. For 2004, data refer to the period up to October.

The increase in the number of issues has resulted in a corresponding increase in the amount of subordinated debt outstanding. The total amount outstanding in the EU countries examined in a recent Basel Committee Working Paper⁷ increased by 70% between 1997 and 2001 (the latest figures available). This suggests that subordinated debt markets have most probably become deeper and more active. It also suggests that exposure to potential direct market discipline of banks may have increased. Data for the largest banks suggest that the share of subordinated debt in total assets is now above 2% on average; subordinated debt has become an important source of funding for these banks.

A precondition for direct market discipline to be operational is that market participants in fact monitor the riskiness of banks. This can be examined by analysing whether market prices reflect contemporaneous risk-taking by banks. The evidence in the case of subordinated debt spreads is mixed. While there tends to be a relatively tight relationship between ratings agency assessments of banks and their subordinated debt spreads, there is little relationship between publicly available accounting data and spreads.⁸ The correlation of spreads and ratings may have strengthened over time in the EU, possibly in part due to the increase in the size of the market following the introduction of the common currency, which has resulted in more liquid and deeper markets for subordinated debt, especially in smaller euro area countries.

All available empirical evidence suggests that equity prices react to changes in issuer ratings of leading international ratings agencies.⁹ However, the reason for the ratings change matters. Ratings downgrades, which were caused by an increase in risk (i.e. a perceived change in the standard deviation of expected earnings), have led to an increase in stock prices, while downgrades due to a deterioration of earnings potential (i.e. a change in the average expectation of earnings) have resulted in a decline in stock prices.

It is very difficult to verify empirically whether banks actually change their behaviour in response to adverse signals or pressure from the market. For example, when banks react immediately to a deterioration in spreads, then spreads recover quickly and their movements cannot be identified in the data available. However, the fact that market indicators do seem to be able to predict bank fragility to some extent (see the next section) implies that banks tend to react only imperfectly to a deterioration in market prices.

3 INDIRECT MARKET DISCIPLINE

At first glance, it seems that indirect market discipline is less ambitious than direct market discipline. As already discussed above, indirect market discipline refers to the idea of supervisors (or other players, such as rating agencies) using market prices to complement accounting and other information to identify weak banks or weaknesses in the banking system as a whole. However, as in the case of direct market discipline, proper incentives to monitor banks' risk-taking by market participants are necessary. For this to be the case, investors' money must be at stake. Secondary markets for the securities from which the information is to be obtained, i.e. for bank subordinated debt or equity, must also be liquid and deep. Furthermore, some comparability of market prices across banks is needed, which suggests that banks should issue sufficiently standardised securities, as for example in the context of benchmark issuance programmes.

Even if these conditions are satisfied, further challenges arise in relation to the supervisory

7 The data are from "Markets for Bank Subordinated Debt and Equity in Basel Committee Member Countries", Basel Committee on Banking Supervision, Working Paper No. 12, August 2003. The paper includes Belgium, France, Germany, the Netherlands, Spain, Sweden and the United Kingdom.

8 For a summary of the evidence in the EU, the United States and other countries, see C. Borio et al., eds., "Market Discipline across Countries and Industries", MIT Press, 2004.

9 "Market Discipline across Countries and Industries", op. cit.

use of market prices. First, even if market prices do indeed accurately reflect the probability that a bank will default, they will only reflect the anticipated, private (to the investor) costs of default, and not the social cost, which, *inter alia*, would include the costs arising from disruptions to the financial system. Market participants lack incentives to adopt a systemic view of the risk that a bank may default and may therefore be willing to accept more risk-taking than a supervisor. Second, in an ideal, frictionless world the probabilities of default extracted from bond and equity prices for the same issuer would be identical. However, default probabilities extracted from bond and equity prices are often far from perfectly correlated, even the probabilities of default implied by prices of bonds issued by the same bank may be different. Third, several factors other than default probabilities affect bond market spreads, including taxes, liquidity premia and varying investor appetite for risk-taking.¹⁰

Although in the case of equity prices the link between fundamentals and returns tends to be more stable, it has already been pointed out that equity holders' incentives are only poorly aligned with the interests of supervisors, because in many circumstances equity holders prefer more volatile rather than less volatile assets. However, this drawback in terms of equity prices can be improved by adjusting raw equity returns for changes in leverage and asset volatility. The best known examples of such measures, which have been used frequently in financial stability monitoring, are the expected default frequency and the distance to default.¹¹ The distance to default, for example, measures the number of standard deviations away from the default point, where the latter is the point at which assets are just equal to liabilities (i.e. equity is zero).

Functioning indirect market discipline would require the public issuance of subordinated debt (rather than private placement). In 1999 there were 296 public placements of subordinated debt in the EU, valued at just

under €50 billion. This increased to 441 issues, valued at €69 billion, in 2003. In the first ten months of 2004 alone, there were 419 issues, valued at €69 billion. The latest data on the frequency of issues for the largest banks is only available for 2001 and show that, on average, large EU banks issue subordinated debt about twice a year. In contrast to the frequency of subordinated debt issues, equity issuance is neither a common nor a regular occurrence for major banking organisations in Europe or elsewhere.¹² However, there seems to be considerable potential for equity markets to provide indirect market discipline in the sense that these markets are deep and liquid. And even though the number of banks listed at major stock exchanges is small in Europe, these banks tend to be very large. The share of listed banks for which equity signals would be available represent around 50% of the total assets of the banking system in most EU countries.

If market prices of a bank's liabilities were to predict its fragility and, in particular, if they added information to traditional supervisory data, such as accounting data, these prices may be of use to supervisors, for example in terms of identifying banks requiring closer attention. The predictive properties of two indicators have been examined: subordinated debt spreads and the distance to default.

Empirically, the predictive ability of both subordinated debt spreads and the distance to default is quite poor and tends to be inferior to the predictive ability of simple models using accounting information. The disadvantage of subordinated debt spreads is that a measurable reaction to a bank's deteriorating conditions is only detectable very close to the default point, rather than well in advance, as would be desirable from a supervisory perspective. The

¹⁰ For a discussion of the determinants of corporate bond spreads, see, for example, J. Amato and E. Remolona, "The credit spread puzzle", BIS Quarterly Review, December 2003, pp. 51-63.

¹¹ See, for example, "Financial Stability Review", ECB, December 2004.

¹² "Markets for Bank Subordinated Debt and Equity in Basel Committee Member Countries"; *op.cit.*

distance to default is more useful in this regard, as it tends to suggest a weakness well in advance of any serious problems. Unfortunately, the distance to default is relatively volatile for each individual bank, which implies that only when signals persist over some period of time does it have predictive value. However, when using market indicators to predict fragility in individual banks, there is some improvement at the margin: in a model which combines market indicators with accounting information, fewer sound banks are misclassified as weak.¹³

For the ECB, the most promising use of market indicators may not be so much the monitoring of individual bank fragility as the monitoring of banking system fragility. The ECB takes a macroprudential approach to financial stability and is therefore concerned with the stability of the financial system as a whole. Taking a macroprudential view has two important implications. First, it suggests that by judging the impact of distress in an individual institution, systemic implications are the primary concern. And second, the correlations

in risk exposures across institutions assume critical importance. If many banks are exposed to the same sector or risk, they may encounter difficulties at the same time, with potential adverse consequences for the system as a whole.

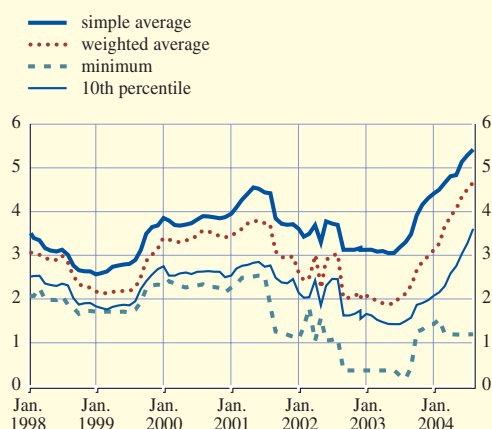
In the context of financial stability monitoring at the ECB, it was found that aggregate measures of the distance to default may be particularly useful.¹⁴ Given the previous discussion, for market indicators to be useful as indicators of financial fragility they should satisfy at least three properties. First, they should reflect the main sources of risk appropriately, namely they should indicate higher risk if the bank's asset value declines, if the bank's asset volatility increases and if the bank's leverage increases. Second, the indicator should yield easily interpretable

¹³ See "Market Discipline across Countries and Industries", op. cit.

¹⁴ For conceptual details and further information concerning its calculation, see "Modelling Risk", KVM Corporation, San Francisco, 2003. See also Financial Stability Review, ECB, December 2004, for an application.

Chart 3 Distance-to-default indicators for 37 large euro area banks

(Jan. 1998 - Sep. 2004)

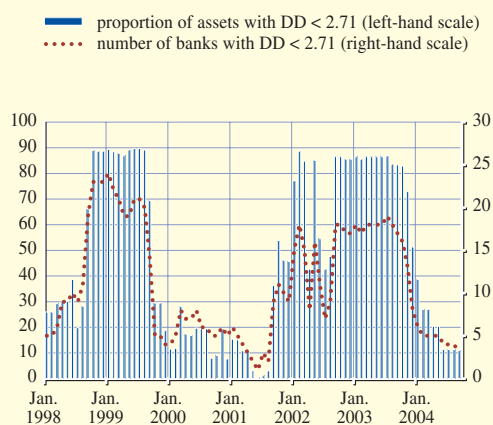


Sources: Thomson Financial Datastream, Bankscope and ECB calculations.

Note: An increase in the distance to default reflects an improving assessment.

Chart 4 Threshold indicators based on distance to default (DD) for 37 large euro area banks

(Jan. 1998 - Sep. 2004)



Sources: Thomson Financial Datastream, Bankscope and ECB calculations.

Notes: The threshold used of $DD < 2.71$ corresponds to the threshold between investment-grade and speculative-grade credit quality used by rating agencies (i.e. an implied probability of default in a year of higher than 0.65).

signals with a high signal-to-noise ratio.¹⁵ Third, given that the objective is to measure systemic risk, the indicator should largely reflect the risk of the system as a whole, rather than that of an individual bank. While subordinated debt spreads satisfy the first condition, their signal-to-noise ratio tends to be low, especially further away from default. Also, when checking the performance of spreads against well-identified historical episodes of financial instability (the Asian crisis in 1997/98 or Russia's default on its obligations in 1998), spreads tend to provide a lagging signal, rather than indicate higher risk in advance.

The distance to default satisfies all three conditions. More specifically, while the signal-to-noise ratio can also be fairly low for an individual bank, aggregated distances to default, when assessed against historical episodes of financial instability, tend to give easily identifiable signals well in advance. Charts 3 and 4 show two different ways to aggregate the distances to default of individual banks into banking system stability indicators. In Chart 3, simple and asset-weighted averages of the distance to default for the 37 largest banks in the EU are reported. The Chart shows a decline between early 2001 and the summer of 2003, which corresponds to deteriorating financial stability. Since then the distance to default has increased, implying a substantial improvement in the stability of the banking system. By September 2004, the average values of this indicator had risen to levels not seen since early 1998. In addition, the distance to default of the weakest bank and the average for the weakest 10% of banks had also improved from the low points reached in early 2003. The asset-weighted distance to default can be a more useful indicator than the simple average, as the former places a greater weight on larger banks, which are potentially more important from a systemic stability perspective. Comparing the simple with the weighted average distance to default, it appears that the stability of large banks, while continuing to be assessed as somewhat weaker than average, has

particularly improved as the gap between the two measures has narrowed.

Even more informative from a macroprudential monitoring perspective may be the threshold indicator reported in Chart 4. The threshold indicator reports the proportion of banks (in numbers or in terms of their share of assets) that are below investment grade at a given point in time, suggesting that the market has at least some reservations about their quality. After fairly high levels of this indicator in 1999 and again in 2002/2003, it has recently fallen substantially, both in terms of assets and in terms of the number of banks. All in all, the development of these market indicators of banking system risk suggest that after a period of some strain in 1999 and 2003, the EU banking system has returned to a situation of relatively low risk of systemic fragility.

4 CONCLUSIONS

This article has outlined some of the theoretical arguments in favour and against the likely effectiveness of market discipline and has referred to the evidence available about its current effectiveness. The resulting conclusions suggest that direct market discipline may be far from operational. At present, market participants most likely neither have the tools nor the incentive to limit risk-taking by banks to a socially optimal level. Even indirect market discipline may – at present – be limited to the largest institutions. At the same time, given these institutions' complexity, the extent of their off-balance sheet operations and their international orientation, it is precisely in these banks that the traditional tools used by supervisors may be most effectively complemented by market discipline. In addition, aggregated market prices can play a useful role as a tool for the macroprudential monitoring of the banking

¹⁵ Any indicator will be measured with some imprecision or error. The more precise the indicator, the higher its signal-to-noise ratio.

system as a whole, rather than individual banks.

One of the crucial preconditions for market discipline to become more operational is that market participants need to have sufficient information about banks. This has been recognised in the New Basel Accord, where disclosure requirements (Pillar III) have been placed alongside minimum capital requirements (Pillar I) and supervisory review (Pillar II). The faithful implementation of the stringent disclosure requirements of Pillar III will be of great use for market participants to improve their ability to monitor increasingly complex financial institutions and potentially deliver useful market signals to supervisors.

All in all, the institutional structure, especially with regard to the rules governing the procedures for dealing with bank fragility, must be conducive to market discipline. Deposit insurance should be limited to small depositors and some creditors of the bank (uninsured depositors, subordinated debt holders) must be credibly left out of the safety net and expect to lose their money in case the bank fails. If market participants widely expect to be bailed out with government funds should a bank run into serious difficulties, their incentive to monitor the behaviour of the bank will be severely impaired. It is possible that in the case of the creditors of very large, systemically important banks, such a commitment by the authorities not to bail out may not be fully credible in the eyes of at least some market participants, resulting in a reduction in the quality of the indicators.

This article suggests that there may be some value in supervisors incorporating market prices into early warning models. In particular, the combination of equity-based measures, such as the distance to default, with subordinated debt spreads and accounting data, seems to have some potential. Market indicators have three important advantages over accounting data: they represent the views of a large number of market participants

condensed into one convenient price; they are inherently forward-looking; and they are available at a relatively high frequency. Bearing these advantages in mind, this article has provided a long list of arguments as to why the risk of obtaining an inaccurate signal cannot be discounted. This underlines the need to rely on multiple indicators and sources of information when attempting to come to a sensible assessment of the stability of financial institutions.

The usefulness of aggregating market indicators into measures of systemic risk in the banking sector has been recognised in the ECB, and these indicators have become part of the ECB's tool kit for financial stability monitoring.¹⁶ They tend to provide an insightful perspective which is complementary to other indicators and serve to further cross-check the ECB's view on financial stability.

¹⁶ "Financial Stability Review", ECB, December 2004.

INITIAL EXPERIENCE WITH THE CHANGES TO THE EUROSYSTEM'S OPERATIONAL FRAMEWORK FOR MONETARY POLICY IMPLEMENTATION

ARTICLES

Initial experience with the changes to the Eurosystem's operational framework for monetary policy implementation

In March 2004 two changes to the Eurosystem's operational framework for monetary policy implementation came into effect. The timing of reserve maintenance periods was amended and the maturity of the main refinancing operations (MROs) was shortened from two weeks to one week. These changes were aimed at stabilising market participants' bidding behaviour in the MROs by eliminating expectations of changes in the key ECB interest rates within the prevailing reserve maintenance period. The main background to the decision to make these changes was the underbidding episodes that had occurred in periods when there were expectations of an interest rate reduction. At the same time, the ECB amended its weekly publication of estimates of average liquidity factors with a view to eliminating misperceptions in the market as to whether or not the allotment decisions in MROs targeted balanced liquidity conditions. This article describes the initial experience with these changes, focusing mainly on credit institutions' bidding behaviour in MROs and the interbank overnight rate.

I INTRODUCTION

In March 2004 two changes to the Eurosystem's operational framework for monetary policy implementation came into effect.

- The timing of reserve maintenance periods was adjusted so that the start and the end of these periods are aligned with the settlement day of the MRO following the Governing Council meeting at which the monthly decision on the monetary policy stance is pre-scheduled. They always start on this day and end on the day prior to the settlement of the MRO following the next such Governing Council meeting. Previously, reserve maintenance periods started on the 24th calendar day of one month and ended on the 23rd calendar day of the subsequent month, irrespective of the Governing Council's meeting schedule.

As a complement, changes in the standing facility rates are now implemented, as a rule, on the first day of the new reserve maintenance period. Previously, these changes took effect on the day after the Governing Council meeting.

- The maturity of the MROs was shortened from two weeks to one week. Together with the above-mentioned changes, this means that MROs no longer straddle reserve maintenance periods.

These changes were intended to stabilise the bidding behaviour of credit institutions, especially in periods of expectations of an imminent interest rate change.¹ Erratic bidding behaviour had been seen in the nine underbidding episodes observed in previous years. Underbidding is when the amount that the ECB intends to allot cannot be allotted due to a low level of bids. The erratic bidding observed before the changes to the framework was mainly attributable to the fact that credit institutions' cost of obtaining liquidity could change during a reserve maintenance period as a result of a decision by the Governing Council to change the key ECB interest rates.

Against this background, two changes to the framework were implemented to neutralise the impact of interest rate change speculation within a reserve maintenance period and therefore stabilise the bidding in MROs. First, the alignment of the start of the maintenance period and the implementation of interest rate decisions aimed to remove expectations of a change in key ECB interest rates during the relevant maintenance period. Second, the shortening of the MRO maturity to avoid the last MRO of the maintenance period maturing in the following period aimed to prevent the bidding behaviour of credit institutions being

¹ The article entitled "Changes to the Eurosystem's operational framework for monetary policy" in the August 2003 issue of the ECB's Monthly Bulletin reviewed in detail all aspects related to the implementation of the changes to the operational framework.

affected by expectations of an interest rate change occurring in the next reserve maintenance period.

In addition to the changes to the framework, the ECB decided to systematically provide its forecast of the average autonomous factors² and its calculation of the benchmark amount³ in MROs on each day that it announces or allots such an operation. Normally the benchmark amount and the allotment amount actually decided by the ECB are identical or only deviate from one another by a few hundred million euro. Previously, the ECB had only made public its forecast of the average autonomous factors on MRO announcement days, on the basis of which the market could approximate the benchmark amount. The additional information makes explicitly clear to the market whether the ECB's allotment decisions in MROs aim to balance liquidity conditions or not. Prior to this change, when credit institutions observed a deviation of the allotment amount from the benchmark amount that they had calculated, there was uncertainty as to whether the deviation was actually due to the ECB deliberately pursuing a non-neutral liquidity target, or whether it was simply due to updates of the autonomous factor forecast, which were not published at that time. This had occasionally led to misinterpretations of the ECB's allotment decisions.

This article reviews the ECB's initial experience with these changes, comparing the situation before and after the changes. For this purpose, it focuses on the period from June 2000, when the variable rate tender with a minimum bid rate was introduced for the MROs, to mid-January 2005. As a general remark, it should be noted that there have neither been any interest rate changes by the ECB, nor any significant expectations of such changes, since the new framework was implemented. Therefore, a definitive assessment of the success of the redesigned framework in preventing interest rate change expectations from destabilising bidding behaviour is not yet possible. Nevertheless, the

changes to the Eurosystem's operational framework and the ECB's communication policy appear to have already contributed to a stabilisation of counterparties' bidding behaviour, as discussed in Section 2. Section 3 describes how the amendments have so far affected liquidity conditions and the dynamics in the overnight rate.

2 CREDIT INSTITUTIONS' BIDDING BEHAVIOUR IN MROs

This section compares the bidding behaviour of counterparties in MROs before and after the changes to the framework were implemented. The focus is on recent developments in the euro area totals for the allotment amount, the bid amount and the number of bidders.

ALLOTMENT AND BID AMOUNTS

The shortening of the MRO maturity from two weeks to one week and the elimination of the overlap between two operations led to a doubling of the average allotment amount in MROs. This is illustrated in Chart 1, in which the actual allotment amount is approximated by the benchmark amount. In addition, the very strong increase in the demand for banknotes over the past two years has gradually enlarged the liquidity deficit and has caused the benchmark amount to increase continuously. Thus, the allotment amount stood in December 2004 at an all-time high of €283.5 billion.

Counterparties quickly adapted their bidding behaviour to the strong increase in the average allotment amount. A slight underbidding only occurred once during the transition period: on 23 March 2004, in the third MRO with a one-

2 Autonomous liquidity factors comprise those items on the consolidated balance sheet of the Eurosystem that are normally not related to monetary policy operations, but affect the liquidity position of credit institutions.

3 The benchmark amount is the allotment amount normally required to establish balanced conditions in the short-term money market, given the ECB's complete liquidity forecast. The published benchmark allotment is rounded to the nearest €500 million.

week maturity, the amount of bids fell short of the benchmark amount by €5 billion. This underbidding did not appear to be related to a deliberate downscaling of counterparties' total bids to levels below the benchmark amount, but seemed to be of a technical nature. Since then, the bid amount has quickly increased to levels steadily above the allotment amount (see Chart 1) and stood at an all-time high of around €384 billion in November 2004.

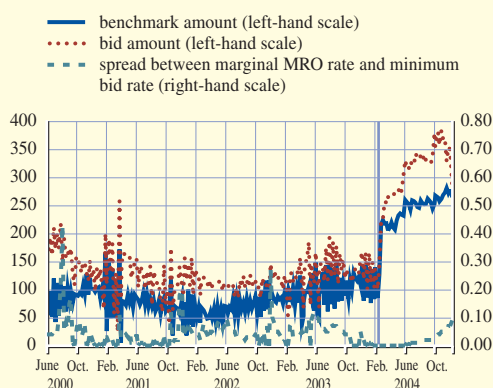
The fact that the bid amount has actually increased more strongly than the allotment amount since the introduction of the changes to the framework is consistent with the observed widening of the spread between the marginal MRO rate and the minimum bid rate (see Chart 1).

The smooth adaptation of market participants' bid volumes indicates that the higher turnover of collateral implied by the shortening of the MRO maturity has, to date, not made it more difficult to procure the necessary collateral, contrary to concerns expressed during the period of consultation with the banking community about the changes. In fact, the shortening of the MRO maturity may even have made it easier for counterparties to mobilise the required collateral, because it is now only tied up for a closed cycle of one week instead of two.

A reduction of the short-term fluctuations in the benchmark amount (and allotment amount) has been observed since the changes to the framework came into effect (see Chart 1). Before the changes to the framework the average weekly (positive or negative) change in the benchmark amount was €33 billion, while it has been €7 billion since the framework was changed. This reduction can be attributed to the fact that the MRO maturity is now always equivalent to the horizon of the liquidity target assumed by the benchmark amount. In the previous framework, the two-week maturity of the MROs was always longer than the horizon of the liquidity target. Therefore, a quite complex relationship existed

Chart 1 Benchmark and bid amounts in MROs

(left-hand scale: EUR billions; right-hand scale: percentage points; weekly data)

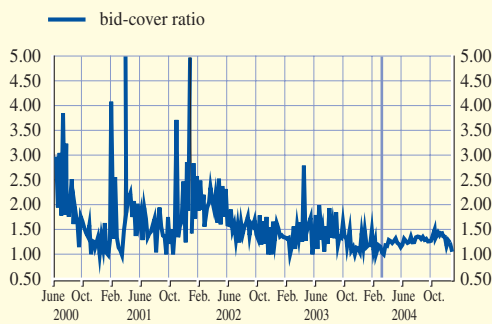


between the volumes of the two outstanding MROs, occasionally leading to sharp weekly fluctuations in the benchmark amount.

The reduced short-term fluctuations in the benchmark amount have contributed to a stabilisation of credit institutions' bidding in MROs. While in the long run counterparties seem to fully scale their total bid amount according to the structural level of the benchmark amount, this scaling seems to be less efficient in the short run, as some market participants appear to have a tendency to submit a fairly constant bid amount. Therefore, the quite strong weekly fluctuations in the benchmark amount (and allotment amount) observed before the changes to the framework also led to fluctuations in the bid-cover ratio, which expresses the number of times the bid amount exceeds the allotment amount (see Chart 2). The average weekly change in the bid-cover ratio was 0.65 before the changes were implemented, while it has been only 0.07 in the period since. The risk of technical underbidding related to the difficulty in scaling bids has therefore significantly diminished with the changes to the framework. In general, the increased stability of the benchmark amount, coupled with the changes to the ECB's

Chart 2 Bid-cover ratio

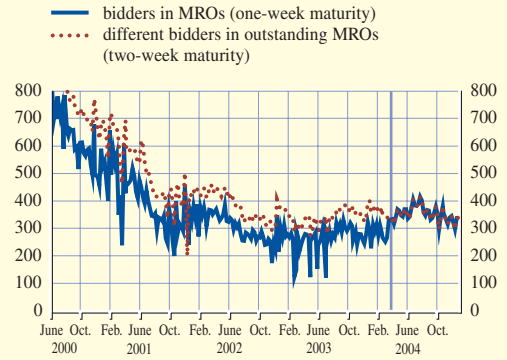
(weekly data)



Source: ECB.
Note: The vertical light blue line marks the implementation of the changes to the operational framework.

Chart 3 Number of bidders in MROs

(weekly data)



Source: ECB.
Note: The vertical light blue line marks the implementation of the changes to the operational framework.

communication policy, may have made it easier for counterparties to anticipate the ECB's allotment amount, and hence to prepare their bids accordingly.

NUMBER OF BIDDERS

Approximately 2,100 credit institutions in the euro area are eligible to participate in the MROs. In 2004, prior to the change in the framework, the average number of bidders in an MRO was 282. This number had been steadily declining since the start of Stage Three of EMU, when over 700 banks participated in the MROs. This declining trend seems to have been reversed, because the average number of bidders has risen to 350 since the changes to the framework were implemented (see Chart 3). However, it should be noted that this apparent increase is probably primarily due to the reduction in the maturity of the MROs from two weeks to one week, which means that banks now need to submit a bid each week instead of every second week in order to satisfy their liquidity needs. The relevance of this aspect is clear when looking at the total number of different bidders in the two outstanding MROs before the changes to the framework (see Chart 3). With an MRO maturity of only one week, these bidders would need to participate

in each of the weekly tenders in order to raise the same amount of liquidity. However, it is possible that the increased transparency and simplicity of the new framework have made it easier for counterparties to prepare their bids and have therefore also facilitated some increased participation in tenders.

3 LIQUIDITY CONDITIONS AND THE OVERNIGHT RATE

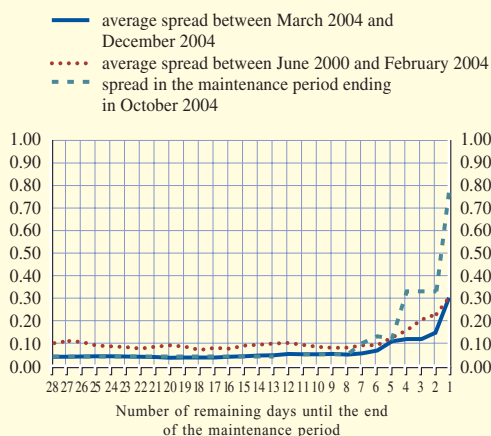
This section reviews how the changes to the operational framework have affected the overnight rate and the ECB's liquidity policy.

THE OVERNIGHT RATE

The average absolute value of the spread between the interbank overnight rate (EONIA) and the minimum bid rate (the "overnight spread") has been significantly lower since the implementation of the changes to the operational framework, except on the last day of each reserve maintenance period (see Chart 4). Comparisons between the two regimes in terms of the end of the reserve maintenance periods are hampered by the fact that the new framework (for which there are fewer observations) includes four periods

Chart 4 Average spread between the EONIA and the minimum bid rate within a reserve maintenance period

(percentage points; daily data)

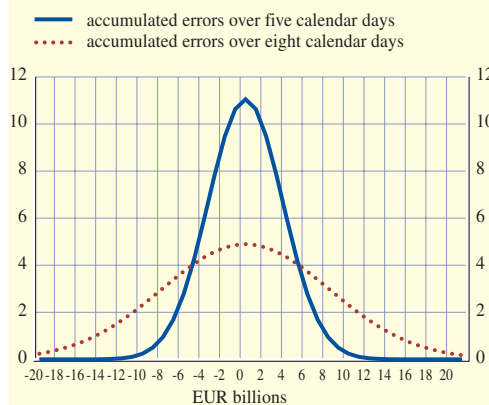


Source: ECB.

Note: End-of-month peaks have been removed from the series to facilitate comparison.

Chart 5 Probability distribution of accumulated autonomous factor forecast errors

(percentages)



Source: ECB.

Note: Based on daily data for the period 8 January to 8 December 2004.

when fine-tuning was conducted at the end of the period. Without the fine-tuning operations, it is likely that the average overnight spreads observed at the end of the reserve maintenance periods would have been higher than before the changes to the framework were introduced.

Indeed, one effect of the changes to the framework is the increased likelihood that large liquidity imbalances will accumulate after the allotment of the last MRO of a reserve maintenance period. This is a result of the fact that the allotment of the last MRO now always takes place on the eighth day before the end of the reserve maintenance period, while in the previous framework the timing of the last allotment varied from month to month, taking place between two and eight days before the end of the reserve maintenance period (four days on average). More precisely, this implies that the ECB, when calibrating the last MRO allotment, now has to forecast liquidity needs over an eight-day horizon, while in the previous framework it only had to rely on a forecast covering five days on average. During the consultation with banks, concerns were expressed that this could prove problematic. The standard deviation of the accumulated

autonomous factor forecast error over eight calendar days is normally around €7 billion, compared with €3 billion over five calendar days (see Chart 5).

At the same time, the new communication policy of the ECB regarding the forecasts of autonomous factors and the benchmark amount has made it somewhat easier for market participants to detect a liquidity imbalance. All other things being equal, these two factors imply an increased scope for the overnight rate to deviate from the minimum bid rate earlier and more substantially after the last MRO allotment of the reserve maintenance period. This can, for instance, be illustrated by the reserve maintenance period ending on 11 October 2004, when a large liquidity imbalance occurred (see Chart 4). At the end of this period, when no fine-tuning took place, the overnight spread not only showed a very large spike on the last day, but also started to increase soon after the allotment of the last MRO.

THE ECB'S LIQUIDITY POLICY

In response to these developments, the ECB has, on four occasions since the changes to the operational framework came into effect, carried out a fine-tuning operation on the last day of the reserve maintenance period, with a view to offsetting large expected liquidity imbalances. These imbalances mainly resulted from changes in the Eurosystem's forecast of autonomous factors. On several occasions, it has been necessary to revise the autonomous factor forecasts due to unforeseen developments in banknotes in circulation and sometimes substantial forecast errors concerning government deposits, about which the ECB was informed at a very late stage. In addition, the forecast of banks' excess reserves (current account holdings in excess of reserve requirements) may be revised substantially on the last day of the reserve maintenance period. Aware of the problems arising from late revisions of autonomous factor forecasts, the Eurosystem – in cooperation with the respective euro area countries – has already taken remedial action and is confident that part of these distortions can be reduced in the near future.

In line with the ECB's overall policy of aiming at neutral liquidity conditions, all four fine-tuning operations were carried out irrespective of whether the liquidity imbalance was positive or negative: on 11 May and 7 December 2004 liquidity-absorbing fine-tuning operations were conducted, while on 8 November 2004 and 18 January 2005 liquidity-providing fine-tuning operations were carried out. The operations aimed to restore balanced liquidity conditions at the end of the reserve maintenance periods. From the moment they were announced, the overnight rate stabilised at a level close to the minimum bid rate.

When it took the decision to conduct a fine-tuning operation on 8 November, the ECB expected a liquidity imbalance of €6.5 billion, which was less than what had been expected at the end of some previous reserve maintenance

periods when the ECB did not conduct fine-tuning operations. This reflects the fact that the ECB, taking into account its initial experience with the new framework and its preference for smooth money market conditions throughout the reserve maintenance period, considered it opportune to address more effectively liquidity imbalances at the end of the reserve maintenance periods.

The policy of addressing such liquidity imbalances has evolved gradually and has benefited from experience in successive reserve maintenance periods. Before the changes to the framework were implemented in March 2004, the end-of-period liquidity imbalances and the resulting volatility in the overnight rate were normally fairly moderate, and the ECB never carried out a fine-tuning operation after the last MRO allotment in response to them. This was consistent with the idea that some volatility in the overnight rate at the end of the reserve maintenance period can enhance credit institutions' incentives to bid in MROs, as they seek to reduce their interest rate risk. Owing to the initial concerns expressed by some credit institutions that the higher collateral turnover brought about by the shorter MRO maturity could increase the risk of underbidding, it was considered important not to reduce incentives to bid. Thus, the ECB decided to wait until experience had been gained of the bidding behaviour under the new framework before adapting the policy that it had followed regarding end-of-period liquidity imbalances.

As the analysis of bidding behaviour in the previous section suggests, it turned out that both bid amounts and bid rates showed that incentives to bid steadily increased after the changes to the framework. Therefore, there seems to be little, if any, need to enhance incentives to bid by allowing excessive volatility in the overnight rate at the end of the period. In addition, some tentative evidence has emerged that such volatility, which can reach elevated levels (as seen in October 2004), can be somewhat disruptive to interbank money

market liquidity and to the smooth operation of the associated derivatives markets. Hence, on several occasions since autumn 2004 the ECB considered it advantageous to address more effectively liquidity imbalances at the end of the reserve maintenance period via fine-tuning operations. When more experience has been gained, the ECB may further revise its policy towards such imbalances.

4 CONCLUSION

Although the ECB has not changed its key interest rates since the implementation of the new operational framework, there is a feeling of confidence that the main goal of the changes – namely to “immunise” bidding behaviour during a reserve maintenance period against expectations of rate changes – is being achieved. This article shows that the implementation of the changes to the operational framework was smooth and that counterparties quickly adapted their bidding behaviour to the increased allotment amounts in the weekly MROs. Bidding levels and the resulting bid-cover ratios have been stable. Some of this stability may be attributable to the enhanced communication with regard to autonomous factor forecasts and the benchmark amount. However, the stabilisation of counterparties’ bidding behaviour seems to stem mainly from the reduction of the weekly fluctuations in the benchmark amount.

The stable bidding behaviour has also been accompanied by an overall stabilisation of the spread between the interbank overnight rate and the minimum bid rate during the reserve maintenance period. However, the increased scope for end-of-period liquidity imbalances in the last week of each reserve maintenance period did on some occasions bring about an undesired level of rate volatility. As a consequence both of this volatility and of the more stable bidding behaviour, the ECB has decided to counter more effectively liquidity imbalances at the end of the reserve maintenance period. Since the introduction of

the changes to the framework, this decision has so far resulted in four fine-tuning operations on the last day of the reserve maintenance period. The new approach has helped to further contain the average volatility of the overnight rate in the last week of the reserve maintenance period.

EURO AREA BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION VIS-À-VIS MAIN COUNTERPARTS

ARTICLES

Euro area
balance of payments
and international
investment position
vis-à-vis
main counterparts

In January 2005 the ECB published, for the first time, a geographical breakdown of the euro area's balance of payments (b.o.p.) and international investment position (i.i.p.). The b.o.p. and the i.i.p. are disaggregated by individual countries (namely Denmark, Sweden, the United Kingdom, Canada, Japan, Switzerland and the United States) and counterpart groupings (namely "other EU Member States", offshore financial centres, EU institutions and international organisations). Statistical data on quarterly b.o.p. transactions are available from the first quarter of 2003 to the third quarter of 2004, while data on the annual i.i.p. are available for end-year 2002 and 2003. The geographical breakdown of the euro area b.o.p. and i.i.p. reveals the importance of trade and financial flows with the United Kingdom, Switzerland and the United States.

I INTRODUCTION

The ECB has compiled monthly and quarterly balance of payments (b.o.p.) and annual international investment position (i.i.p.) statistics for the euro area since 1999, with data going back to 1997.¹ The b.o.p. and the i.i.p. give an account of the cross-border transactions and positions of the euro area as a single economic entity and exclude transactions and positions between countries participating in the euro area. The data are collected by the national authorities of the euro area countries.²

The data presented in this article and published for the first time in January 2005 provide a geographical breakdown in terms of the main non-resident counterparts to the euro area's external transactions (b.o.p.) and positions (i.i.p.). They cover b.o.p. quarterly data from the first quarter of 2003 to the third quarter of 2004 and the i.i.p. at end-year 2002 and 2003. The geographical breakdown of the euro area's b.o.p. and i.i.p. aims to offer a greater understanding of the links between the euro area and other economies.

This article describes the approach taken with the new data, setting out briefly the methodology used to compile them and describing the latest developments in the current and financial accounts as well as the i.i.p.

2 APPROACH AND METHODOLOGICAL ISSUES

The geographical breakdown relates to the main items of the b.o.p. and i.i.p. and provides more

detailed information on investment income and the financial account than on the rest of the current and capital accounts. No geographical breakdown of financial derivatives, reserve assets or transactions in portfolio investment liabilities is given (Box 1 describes alternative sources of positions on portfolio investment liabilities and related income).

The breakdown of the quarterly b.o.p. and annual i.i.p. identifies a number of different counterparts and counterpart groupings: three main partner countries within the European Union but outside the euro area (Denmark, Sweden and the United Kingdom); the other ten EU Member States together; Canada, Japan, Switzerland and the United States individually; offshore financial centres³; and all other countries. The breakdown also identifies as counterparts international organisations outside the European Union, as well as EU institutions and other bodies (for example the European Commission and the European Investment Bank) that are, with the exception of the ECB itself, treated statistically as non-residents of the euro area irrespective of their physical location.

Tables 1 and 2 show the geographical breakdown of the current, capital and financial

1 Estimates of the euro area current account since 1980 are available on the ECB's website (<http://www.ecb.int>).

2 See the ECB Guideline of 16 July 2004 on statistical reporting requirements in the field of balance of payments and international investment position statistics, and the international reserves template (ECB/2004/15), OJ L 354, 30. 11. 2004, p. 34). Article 2.4 and Annex II refer to the geographical breakdown.

3 The list of offshore centres is maintained by the European Commission (Eurostat) and the OECD.

accounts of the euro area b.o.p. for the year to the third quarter of 2004. Table 3 shows the corresponding breakdown for the i.i.p. at end-2003.⁴

The concepts and definitions used in the euro area b.o.p. and i.i.p. are in line with the IMF's Balance of Payments Manual, 5th edition (1993). The collection and compilation of the b.o.p. and i.i.p. statistics are described in the recent ECB publication entitled "European Union balance of payments/international investment position statistical methods" (November 2004).

Goods exports are broken down geographically by country of destination, while imports are allocated to country of origin. The data for extra-EU transactions are taken from customs documentation, whereas the Intrastat reporting system is used for transactions with EU Member States that are not part of the euro area. Trade in services is broken down according to service provider or service acquirer. For

⁴ The ECB's website provides additional tables showing a geographical breakdown of the quarterly b.o.p. from the first quarter of 2003 to the third quarter of 2004 and of the i.i.p. at end-year 2002 and 2003, including data for Canada as well as appropriate methodological notes.

Table 1 Geographical breakdown of the euro area current and capital accounts

(EUR billions; cumulated transactions, Q4 2003-Q3 2004)

	Current account					Capital account
	Total	Goods	Services	Income	Current transfers	
Credits						
Total	1,767.5	1,104.1	344.4	236.7	82.4	25.3
Denmark	35.3	24.3	6.9	3.8	0.4	0.0
Sweden	57.3	39.7	9.8	7.3	0.5	0.0
United Kingdom	354.5	197.2	89.7	58.2	9.4	0.6
Other EU Member States	148.9	122.2	15.7	9.8	1.2	0.1
EU institutions	58.5	0.2	4.3	4.8	49.2	22.1
Japan	46.9	32.5	9.9	4.1	0.3	0.0
Switzerland	121.0	62.1	34.4	18.9	5.6	0.4
United States	298.9	167.3	69.7	54.8	7.1	1.2
Other countries	646.3	458.7	104.0	74.9	8.8	1.0
Debits						
Total	1,722.3	989.6	321.6	275.0	136.1	6.2
Denmark	33.3	23.5	6.1	3.4	0.3	0.0
Sweden	54.4	37.3	7.7	8.7	0.7	0.0
United Kingdom	287.9	137.9	66.9	75.2	7.9	0.3
Other EU Member States	126.8	102.7	18.5	4.0	1.5	0.2
EU institutions	81.7	0.0	0.2	3.6	78.0	0.4
Japan	81.2	50.3	7.0	23.6	0.3	0.0
Switzerland	115.6	50.2	28.3	32.2	5.0	0.2
United States	255.0	107.2	74.0	64.2	9.6	0.4
Other countries	686.2	480.4	113.0	60.1	32.7	4.6
Net						
Total	45.3	114.6	22.8	-38.3	-53.8	19.2
Denmark	2.0	0.8	0.8	0.4	0.0	0.0
Sweden	2.9	2.4	2.0	-1.3	-0.2	0.0
United Kingdom	66.5	59.3	22.8	-17.0	1.4	0.3
Other EU Member States	22.2	19.5	-2.8	5.8	-0.3	-0.1
EU institutions	-23.2	0.2	4.1	1.2	-28.8	21.7
Japan	-34.4	-17.8	2.9	-19.5	-0.1	0.0
Switzerland	5.4	11.8	6.1	-13.3	0.6	0.2
United States	43.9	60.1	-4.2	-9.4	-2.5	0.8
Other countries	-39.9	-21.8	-9.0	14.8	-23.9	-3.6

Source: ECB.

current and capital transfers, allocation is to the donor's country or the recipient's country, as appropriate.

The breakdown of financial transactions and positions and related investment income follow the debtor/creditor principle, i.e. the euro area's financial claims are allocated to the debtor's country of residence, while the euro area's liabilities are allocated to the non-resident investor's country of residence. In the case of direct investment, the geographical breakdown refers to the residence of the foreign affiliate (outward investment) or of the non-resident investor company (inward investment).

Multinational companies may route their financial transactions through affiliates or intermediaries located in financial centres, although the main activities of the group may be conducted elsewhere. For example, many corporations channel direct and portfolio investments through special-purpose enterprises or vehicles, often to increase efficiency in administrative or accounting activities, or for tax reasons; intra-group cash management may be centralised in a special-purpose company.

Offshore centres are therefore treated statistically as financial counterparts of the euro area.

The practice of lodging securities with a custodian in a third country (where neither the holder nor the issuer is resident) complicates the task of identifying non-euro area holders of securities issued by euro area residents. Indeed, the geographical breakdown of portfolio investment liabilities cannot be assessed from the new data published in January 2005. An alternative approach to portfolio investment liabilities is described in Box 1.

In addition to the IMF's portfolio investment and related surveys, the United Kingdom, Japan and the United States publish geographical breakdowns of their own external transactions and/or positions. Some of the euro area's other partner countries publish a breakdown of certain items, as do the European Commission (Eurostat) and the Bank for International Settlements. Despite important limitations⁵ – notably differences in coverage,

⁵ Some of the counterpart countries allocate b.o.p. transactions according to buyer of the securities or intermediary. This approach leads to the overestimation of purchases by international financial centres where custodians are located.

Table 2 Geographical breakdown of the euro area financial account

(EUR billions; cumulated transactions, Q4 2003-Q3 2004)

	Direct investment		Portfolio investment assets				Other investment	
	Abroad	In the euro area	Total	Equity securities	Bonds and notes	Money market instruments	Assets	Liabilities
Total	-100.2	60.2	-270.3	-77.9	-139.2	-53.2	-304.7	267.6
Denmark	-0.7	1.6	-0.4	2.1	-0.3	-2.1	-7.8	7.5
Sweden	-5.8	3.9	-9.8	-1.4	-5.6	-2.8	-17.4	1.8
United Kingdom	-38.8	9.8	-73.8	-7.8	-48.1	-17.8	-202.2	133.0
Other EU Member States	-3.1	1.6	-12.9	-1.1	-9.3	-2.4	-12.3	11.7
EU institutions	0.0	0.1	-5.5	-0.1	-5.7	0.3	0.3	8.9
Japan	-9.1	2.7	-36.1	-17.7	-7.6	-10.8	-1.1	9.6
Switzerland	4.0	10.8	-0.3	0.6	-0.8	-0.1	-2.3	4.9
United States	-0.5	10.9	-60.3	-16.6	-38.4	-5.3	-18.4	54.7
Offshore financial centres	-19.6	13.9	-20.2	-13.0	2.5	-9.6	-36.5	-7.3
International organisations	0.0	0.0	4.1	0.0	3.1	1.0	-4.0	6.2
Other countries	-26.8	5.0	-55.2	-22.7	-29.0	-3.4	-3.0	36.5

Source: ECB.

Note: A positive (negative) number indicates a decrease (increase) in euro area assets or an increase (decrease) in euro area liabilities.

METHODOLOGICAL ASPECTS OF PORTFOLIO INVESTMENT

The ECB applies the internationally recommended “debtor/creditor” approach to the euro area’s b.o.p. and i.i.p. statistics. Thus assets (holdings of securities) are allocated geographically according to issuer or borrower (the actual debtor) and not according to seller of the securities (whether the previous holder or an intermediary). The application of this approach is not difficult, since the holder of securities can usually identify the debtor.

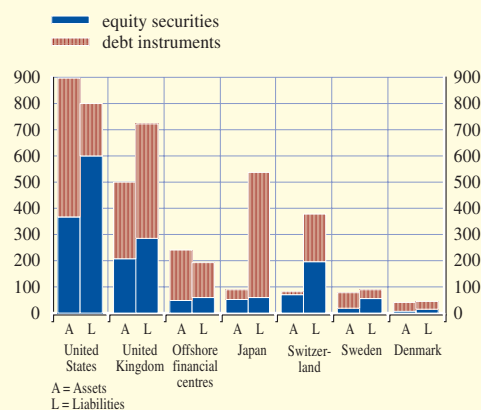
In the case of liabilities, geographical breakdown is more difficult because reporting agents in the euro area often cannot identify the current holder of securities that they have issued (the actual creditor). The source for estimating the breakdown of liabilities is the Coordinated Portfolio Investment Survey (CPIS), which was first conducted by the International Monetary Fund (IMF) at end-year 1997 and which, since end-year 2001, is conducted annually. 68 countries supplied a geographical breakdown of their residents’ portfolio claims abroad at end-year 2002, using information provided by the resident asset holders or by resident custodians. All euro area countries (as well as ten other EU Member States) contribute to the survey. Their liabilities are reported as claims by counterpart countries. The survey distinguishes between debt securities (long and short-term) and equities held as portfolio investment. Further details are available from the IMF’s website (www.imf.org/external/np/sta/pi/cpis.htm).

The CPIS provides a reliable geographical breakdown of most securities held as portfolio investment. It does not, however, cover (mostly debt) securities held by monetary authorities and international organisations. The IMF therefore conducts two complementary annual surveys – entitled “Securities held as Foreign Exchange Reserves” (SEFER) and “Survey of Securities held by International Organizations” (SSIO) – to establish the geographical breakdown of securities held as reserve assets. The SEFER and SSIO cover around one-fifth of euro area debt securities held outside the euro area. Based partly on estimates (because the SEFER and SSIO are not broken down by holding countries/organisations), the three sources provide a geographical breakdown of euro area portfolio investment liabilities, euro area equity and euro area debt securities.

The IMF surveys are only annual and the results become available well after the reference period; end-2003 data will become available in the course of 2005. The results of the latest available surveys relate to end-2002 and were used for allocating i.i.p. liabilities as at end-2002 and the related income in the b.o.p. since then. They show that the United States held the largest portfolio claims on the euro area, followed by the United Kingdom, Japan and Switzerland. While the United States held mainly equity, the United Kingdom and (especially) Japan held mainly debt securities.

Geographical breakdown of euro area portfolio investment

(EUR billions; outstanding amounts at end-2002)



Source: Assets – ECB; Liabilities – IMF Coordinated Portfolio Investment Survey 2002 (as of August 2004); ECB calculations.

Table 3 Geographical breakdown of the euro area international investment position

(EUR billions; outstanding amounts at end-2003)

	Direct investment		Portfolio investment assets				Other investment	
	Abroad	In the euro area	Total	Equity securities	Bonds and notes	Money market instruments	Assets	Liabilities
Total	2,110.4	2,030.7	2,607.4	1,054.6	1,317.0	235.8	2,587.3	2,902.1
Denmark	25.9	24.2	48.3	8.3	37.5	2.5	49.9	16.3
Sweden	63.5	74.6	91.7	26.0	53.6	12.0	49.1	31.0
United Kingdom	485.0	831.2	568.3	223.5	262.3	82.4	1,064.8	1,041.4
Other EU Member States	108.8	3.2	45.0	9.6	34.9	0.6	72.5	60.3
EU institutions	0.0	0.1	46.1	0.0	45.5	0.6	4.5	168.2
Japan	53.6	48.7	117.5	80.7	35.2	1.6	86.4	72.3
Switzerland	231.6	160.4	84.7	75.7	7.9	1.2	170.6	223.1
United States	492.8	496.2	960.3	441.6	423.6	95.0	368.4	440.1
Offshore financial centres	218.5	258.7	284.5	74.9	197.0	12.5	229.7	469.3
International organisations	0.0	0.1	27.8	0.5	26.2	1.1	38.9	45.6
Other countries	430.5	133.3	333.2	113.8	193.3	26.2	452.6	334.4

Source: ECB.

periodicity and timeliness – these sources provide complementary “mirror” data, referred to on the ECB’s website.

3 GEOGRAPHICAL BREAKDOWN OF THE EURO AREA BALANCE OF PAYMENTS

CURRENT ACCOUNT

Based on cumulated flows between the fourth quarter of 2003 and the third quarter of 2004, the geographical breakdown of the euro area b.o.p. shows that the euro area recorded a current account surplus vis-à-vis all partner countries/counterpart groupings considered, with the exceptions of Japan, EU institutions and the “other countries” category (see Table 1). The overall surplus in the current account over this period reflects surpluses in trade in goods and services that were partly offset by deficits in income and current transfers.

The pattern of the euro area’s surplus in trade in goods resembles that of the current account, with the United States, the United Kingdom and “other EU Member States” – in that order – as the main counterparts. By contrast, the euro area had a deficit in its trade in services with the United States and “other EU Member States”, while it showed a small surplus vis-à-

vis Japan. Much of the euro area trade surplus in services was vis-à-vis the United Kingdom. Finally, the euro area deficit in the income account reflects deficits primarily vis-à-vis the United Kingdom and Japan and, to a lesser extent, Switzerland and the United States.

Given the importance of trade in euro area current account developments, it is worthwhile to look into the credit and debit sides of the euro area trade balance to gain a better understanding of the relative importance of countries and regions in euro area trade flows. To this end, the geographical breakdown of the euro area b.o.p. indicates that the United Kingdom is the largest importer of euro area goods, with a share of 18% of total euro area exports, followed by the United States (15%), Switzerland (6%), Sweden (4%), Japan (3%) and Denmark (2%) (see Chart 1). Over the same period, the share of the goods exported to “other EU Member States” amounts to 11%, while “other countries” accounts for the remainder.

No quarterly geographical breakdown of euro area exports of services had been published prior to January 2005. It appears that the three largest importers of euro area services are the same as those in the case of goods. The United Kingdom imports 26% of euro area exports of

services, followed by the United States (20%), Switzerland (10%), Japan (3%), Sweden (3%) and Denmark (2%). The share of services exported to “other EU Member States” amounts to 5% (see Chart 2).

A comparison of the geographical structure of exports of goods with that of exports of services shows that euro area exports of services are more concentrated than those of goods, as the corresponding share of the three largest partners is much larger (56% compared with 39%). The share of “other EU Member States” in euro area exports of goods (11%) is much larger than the corresponding share in euro area exports of services (5%).

Turning to the debit side of the euro area goods balance, the United Kingdom accounts for 14% of total goods imports, with the United States close behind with 11%. Switzerland and Japan each account for 5% of the total, while the shares of Sweden and Denmark are 4% and 2% respectively. As a grouping, “other EU Member States” has a weight similar to that in goods exports (about 10%). However, the “other countries” category accounts for a larger share of goods imported by the euro area than exported. This difference is partly related to the

importance of oil products in total goods imports.

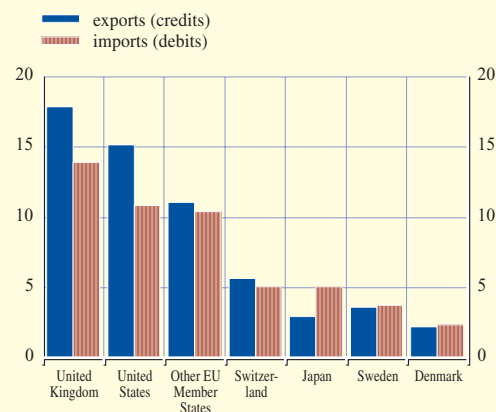
In the case of services imports, however, the United States emerges as the main supplier to the euro area with 23%, followed by the United Kingdom and Switzerland with shares of 21% and 9% respectively. As on the export side, services imports are geographically more concentrated than goods imports. The three largest partners, i.e. the United Kingdom, Switzerland and the United States, together account for 54% of the euro area’s total services imports compared with 25% of its total goods imports. Finally, the share of “other EU Member States” in the services imported by the euro area is lower than the corresponding share in the imports of goods (6% as opposed to 10%).

FINANCIAL ACCOUNT

Based on cumulated flows between the fourth quarter of 2003 and the third quarter of 2004, the euro area recorded net outflows in foreign direct investment (FDI) vis-à-vis almost all partner countries/counterpart groupings considered, with the notable exceptions of Switzerland and the United States (see Table 2). Overall euro area cross-border

Chart 1 Geographical breakdown of euro area trade in goods

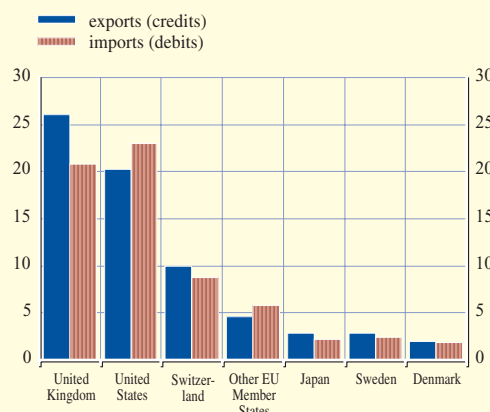
(as a percentage of total cumulated transactions in Q4 2003 - Q3 2004)



Source: ECB.

Chart 2 Geographical breakdown of euro area trade in services

(as a percentage of total cumulated transactions in Q4 2003 - Q3 2004)



Source: ECB.

activity in this period was of a relatively small magnitude,⁶ which is consistent with the slowdown of cross-border flows across all regions of the world in 2003. This may relate to a higher risk aversion and a consolidation of investment positions by international investors in the aftermath of the burst of the investment technology bubble in 2001 and 2002, as well as increased geo-political risks in the first half of 2003. In terms of assets and liabilities, the United Kingdom and offshore financial centres were the main recipients or channels of euro area FDI abroad, while offshore centres, Switzerland and the United States were the main investors in the euro area.

As stated above, the geographical breakdown of portfolio investment is available only on the asset side. It shows that euro area portfolio investment abroad was directed primarily towards the United Kingdom and the United States, particularly in the form of investment in bonds and notes. Euro area investors were also large net purchasers of Japanese equity securities, especially given the relatively low level of their stocks of these securities, as reflected in the i.i.p. (see Table 3). The strengthening of the Japanese economy and market expectations of improved corporate profitability in Japan may have contributed to the developments during this period.

With regard to other investment, the geographical breakdown indicates large net inflows from the United States and large net outflows to the United Kingdom and offshore financial centres in the reference period.

4 GEOGRAPHICAL BREAKDOWN OF THE EURO AREA INTERNATIONAL INVESTMENT POSITION

FOREIGN DIRECT INVESTMENT

At end-2003 the outstanding amount of euro area holdings of FDI was €2.1 trillion, 56% of which was invested in the United Kingdom, Switzerland and the United States (see Table 3). The United Kingdom and the United States

each attracted almost one-quarter of all euro area FDI. They were followed by Switzerland and “other EU Member States” (see Chart 3). The sizeable direct investment in the United Kingdom and the United States is linked to the technology boom and the rise in equity prices over the 1990s, which encouraged very large cross-border merger and acquisition activities vis-à-vis these two countries.⁷ Euro area FDI in “other EU Member States” was fuelled in the 1990s by privatisation, economic liberalisation, deregulation and the prospect of EU membership. The low wage costs and the intention of firms to establish a strategic position within these new markets were additional important pull factors behind euro area FDI in these countries.

On the liability side, the outstanding amount of FDI holdings in the euro area was €2.0 trillion at end-2003, 73% of which originated from the United Kingdom, Switzerland and the United States. The United Kingdom was the source of 41% of all FDI in the euro area. It was followed in size by the United States, Switzerland and Sweden (see Chart 3). Geographical proximity, established trade links, further development of the single market and perhaps the establishment of EMU are often seen as the main potential factors behind the significant UK direct investment in the euro area.

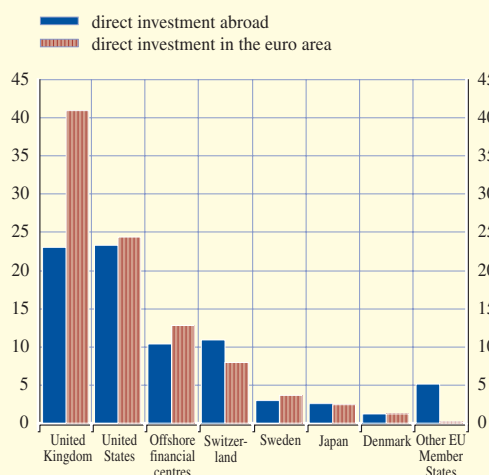
Offshore financial centres attracted €219 billion from and invested €259 billion in the euro area. The importance of the offshore centres probably relates to the large number of special-purpose entities that are financial holding companies or

⁶ Between the fourth quarter of 2003 and the third quarter of 2004, euro area FDI outflows amounted to €100.2 billion, while FDI inflows amounted to €60.2 billion. This represents a decrease in cross-border FDI activity compared with the previous four quarters, when the flows amounted to €156.5 billion and €172.2 billion respectively.

⁷ See “Understanding the impact of the external dimension on the euro area: trade, capital flows and other international macroeconomic linkages” by R. Anderton, F. di Mauro and F. Moneta, April 2004, *ECB Occasional Paper Series* No 12; and “On the determinants of euro area FDI to the United States: the knowledge-capital-Tobin’s Q framework” by R. A. De Santis, R. Anderton and A. Hijzen, April 2004, *ECB Working Paper Series* No 329.

Chart 3 Geographical breakdown of euro area direct investment

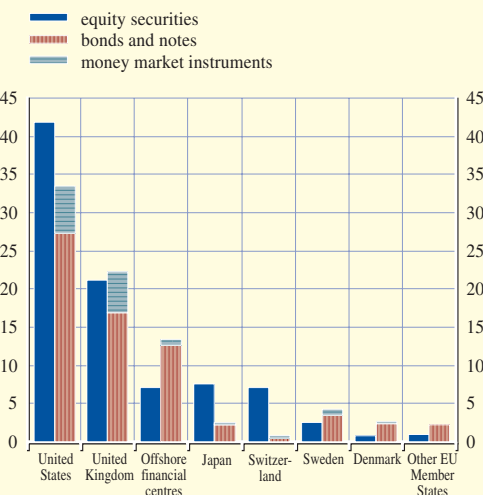
(as a percentage of total outstanding amounts at end-2003)



Source: ECB.

Chart 4 Geographical breakdown of euro area portfolio investment assets

(as a percentage of total outstanding amounts at end-2003)



Source: ECB.

serve to issue debt instruments and channel the funding to various affiliates.

PORTFOLIO INVESTMENT

The outstanding amount of euro area holdings of portfolio investment was €2.6 trillion at end-2003, 63% of which was invested in the United Kingdom, Japan and the United States (see Table 3). The United States and the United Kingdom attracted respectively more than one-third and one-fifth of all euro area portfolio investment.

The disaggregation of portfolio investment by type of securities shows that the United Kingdom and the United States were the main recipients of euro area investment abroad in both equity securities and bonds and notes and money market instruments (see Chart 4). Slightly over 5% of euro area equity securities were held vis-à-vis Japan, Switzerland and offshore financial centres; 13.5% of euro area debt instruments were held vis-à-vis offshore financial centres.

The sizeable portfolio investment in the United Kingdom and the United States reflects

the economic importance of these two countries. Conversely, the relatively large portfolio investment vis-à-vis offshore financial centres probably relates to the low tax rates to be paid on the issuance of portfolio securities. A further point of interest is that euro area holdings of Swiss equities amount to €76 billion, whereas those of debt instruments amount only to €9 billion. This finding reflects the relatively important role played by the Swiss equity market for Swiss corporations.

OTHER INVESTMENT

At end-2003 the outstanding amount of euro area holdings in the “other investment” category (mainly positions vis-à-vis banks abroad) was €2.6 trillion, 41% of which was vis-à-vis the United Kingdom and 14% vis-à-vis the United States (see Table 3). On the liability side, the outstanding amount of other investment claims on the euro area (mainly the claims of banks abroad) was €2.9 trillion at end-2003, 36% and 15% of which originated from the United Kingdom and the United States respectively.

EURO AREA STATISTICS



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1) For further information, please contact us at: statistics@ecb.int. See the ECB's website (www.ecb.int) for longer runs and more detailed data.

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WHAT'S NEW

From now on, Sections 4.2 and 4.3 will contain a breakdown of long-term securities, other than shares, issued by euro area residents into fixed rate and variable rate issues. The tables in these sections have been rearranged to accommodate the new information.

A geographical breakdown of the quarterly balance of payments and end-year international investment position of the euro area is introduced in this issue in a new Section 7.3. Other tables in Chapter 7 have been rearranged to accommodate the new information.

Conventions used in the tables

“-”	data do not exist/data are not applicable
“.”	data are not yet available
“..”	nil or negligible
“billion”	10 ⁹
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted



EURO AREA OVERVIEW

Summary of economic indicators for the euro area
(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 ¹⁾	M2 ¹⁾	M3 ^{1),2)}	M3 ^{1),2)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ¹⁾	Securities other than shares issued in euro by non- financial and non- monetary financial corporations ¹⁾	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2003	10.9	8.0	8.0	-	4.9	20.2	2.33	4.16
2004	10.0	6.3	5.8	-	6.0	.	2.11	4.14
2004 Q1	11.0	7.2	6.4	-	5.4	15.8	2.06	4.15
Q2	10.2	6.0	5.3	-	5.6	10.7	2.08	4.36
Q3	9.6	5.8	5.6	-	6.2	9.9	2.12	4.21
Q4	9.3	6.4	6.0	-	6.8	.	2.16	3.84
2004 Aug.	9.2	5.7	5.5	5.7	6.1	9.6	2.11	4.17
Sep.	9.7	6.3	6.0	5.8	6.5	8.6	2.12	4.11
Oct.	9.0	6.3	5.8	5.9	6.7	8.3	2.15	3.98
Nov.	9.8	6.5	6.0	6.1	6.9	9.3	2.17	3.87
Dec.	8.4	6.5	6.4	.	7.0	.	2.17	3.69
2005 Jan.	.	.	.	.	.	.	2.15	3.63

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2003	2.1	1.4	2.8	0.5	0.3	81.0	0.2	8.9
2004	2.1	2.3	.	.	.	81.4	.	8.9
2004 Q1	1.7	0.2	2.8	1.4	1.0	80.7	0.2	9.0
Q2	2.3	2.0	2.2	2.1	3.1	81.2	0.3	8.8
Q3	2.2	3.1	1.9	1.8	2.8	81.8	0.4	8.9
Q4	2.3	3.8	.	.	.	82.0	.	8.8
2004 Aug.	2.3	3.1	-	-	2.0	-	-	8.9
Sep.	2.1	3.3	-	-	3.5	-	-	8.9
Oct.	2.4	4.0	-	-	1.1	82.0	-	8.8
Nov.	2.2	3.7	-	-	0.2	-	-	8.8
Dec.	2.4	3.6	-	-	.	-	-	8.9
2005 Jan.	.	.	-	-	.	82.0	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 ³⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2003	35.0	105.3	-3.4	41.7	306.5	99.9	101.7	1.1312
2004	.	.	.	.	279.6	103.8	105.9	1.2439
2004 Q1	17.2	28.6	-23.6	-3.1	308.4	104.7	106.7	1.2497
Q2	9.9	31.5	-12.9	21.7	301.4	102.1	104.1	1.2046
Q3	14.0	24.6	5.3	3.6	298.2	102.8	104.9	1.2220
Q4	.	.	.	.	279.6	105.7	107.8	1.2977
2004 Aug.	5.4	5.8	7.3	1.1	301.7	102.7	104.8	1.2176
Sep.	2.6	5.0	2.5	43.9	298.2	103.0	105.2	1.2218
Oct.	1.8	7.7	-11.6	6.2	294.2	104.2	106.3	1.2490
Nov.	4.2	6.1	-0.1	-10.5	291.6	105.6	107.6	1.2991
Dec.	.	.	.	.	279.6	107.1	109.3	1.3408
2005 Jan.	.	.	.	.	.	105.8	108.1	1.3119

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.

Note: For more information on the data, see the relevant tables later in this section.

- Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the technical notes for details.
- M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
- For the definition of the trading partner groups and other information, please refer to the General notes.



MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem (EUR millions)

1. Assets

	2005 7 Jan.	2005 14 Jan.	2005 21 Jan.	2005 28 Jan.
Gold and gold receivables	125,713	125,670	125,609	125,558
Claims on non-euro area residents in foreign currency	156,471	156,144	154,701	154,402
Claims on euro area residents in foreign currency	16,391	17,161	17,097	17,615
Claims on non-euro area residents in euro	7,356	7,143	7,293	6,698
Lending to euro area credit institutions in euro	334,015	340,033	354,530	353,005
Main refinancing operations	259,000	265,001	279,499	272,999
Longer-term refinancing operations	75,000	75,000	75,000	79,999
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	12	27	27	4
Credits related to margin calls	3	5	4	3
Other claims on euro area credit institutions in euro	3,180	3,431	3,511	3,553
Securities of euro area residents in euro	70,522	70,980	71,841	72,601
General government debt in euro	41,317	41,317	41,319	41,319
Other assets	118,672	119,167	120,267	120,031
Total assets	873,637	881,046	896,168	894,782

2. Liabilities

	2005 7 Jan.	2005 14 Jan.	2005 21 Jan.	2005 28 Jan.
Banknotes in circulation	497,170	490,989	486,871	486,121
Liabilities to euro area credit institutions in euro	132,473	143,691	141,096	139,686
Current accounts (covering the minimum reserve system)	132,394	143,648	141,048	139,610
Deposit facility	79	43	43	46
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	5	30
Other liabilities to euro area credit institutions in euro	126	148	132	125
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	45,280	46,442	70,117	69,813
Liabilities to non-euro area residents in euro	7,965	8,126	8,308	8,321
Liabilities to euro area residents in foreign currency	223	227	259	203
Liabilities to non-euro area residents in foreign currency	11,461	12,591	10,122	11,337
Counterpart of special drawing rights allocated by the IMF	5,573	5,573	5,573	5,573
Other liabilities	50,420	50,312	51,024	50,936
Revaluation accounts	64,842	64,842	64,842	64,842
Capital and reserves	58,104	58,105	57,824	57,825
Total liabilities	873,637	881,046	896,168	894,782

Source: ECB.

1.2 Key ECB interest rates

(levels in percentages per annum; changes in percentage points)

	With effect from ¹⁾		Main refinancing operations				Marginal lending facility	
	Deposit facility		Fixed rate tenders	Variable rate tenders				
			Fixed rate	Minimum bid rate				
	Level	Change	Level	Level	Change	Level	Change	
	1	2	3	4	5	6	7	
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-	
4 ²⁾	2.75	0.75	3.00	-	...	3.25	-1.25	
22	2.00	-0.75	3.00	-	...	4.50	1.25	
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00	
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50	
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25	
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25	
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25	
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50	
28 ³⁾	3.25	...	-	4.25	...	5.25	...	
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25	
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25	
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25	
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25	
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50	
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50	
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50	
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25	
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50	

Source: ECB.

- 1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.
- 2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

1.3 Eurosystem monetary policy operations allotted through tenders ^{1), 2)}

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations ³⁾

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (... days)
				Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2004 5 Oct.	325,420	298	255,500	2.00	2.02	2.03	7
12	338,406	345	244,500	2.00	2.02	2.03	8
20	380,224	382	253,000	2.00	2.03	2.03	5
25	355,097	356	268,000	2.00	2.03	2.04	9
3 Nov.	381,182	331	264,500	2.00	2.04	2.04	6
9	358,101	316	258,000	2.00	2.04	2.04	8
17	384,039	341	262,500	2.00	2.05	2.05	7
24	368,690	346	270,000	2.00	2.05	2.06	7
1 Dec.	370,856	323	273,500	2.00	2.05	2.06	7
8	329,144	298	282,000	2.00	2.05	2.06	7
15	354,121	339	276,000	2.00	2.07	2.08	7
22	350,812	340	283,500	2.00	2.07	2.08	8
30	284,027	355	270,000	2.00	2.09	2.17	6
2005 5 Jan.	324,154	321	259,000	2.00	2.06	2.07	7
12	343,644	332	265,000	2.00	2.06	2.07	7
19	362,771	364	279,500	2.00	2.06	2.07	7
26	368,794	358	273,000	2.00	2.06	2.07	7
2 Feb.	332,198	329	277,500	2.00	2.06	2.06	6
Longer-term refinancing operations							
2004 29 Jan.	47,117	145	25,000	-	2.03	2.04	91
26 Feb.	34,597	139	25,000	-	2.01	2.03	91
1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders				Running for (... days)
					Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2000 5 Jan. ⁵⁾	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.

2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.

3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

5) This operation was conducted with a maximum rate of 3.00%.

1.4 Minimum reserve and liquidity statistics

(EUR billions; period averages of daily positions, unless otherwise indicated; interest rates as percentages per annum)

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at ¹⁾ :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Q1	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
Q2	12,148.5	6,524.1	439.1	1,515.1	859.0	2,811.2
2004 July	12,182.0	6,517.4	442.6	1,527.7	857.0	2,837.3
Aug.	12,167.5	6,470.2	446.4	1,531.1	884.2	2,835.5
Sep.	12,209.6	6,488.0	435.3	1,535.3	880.8	2,870.3
Oct.	12,262.1	6,496.9	448.2	1,546.5	888.8	2,881.7
Nov.	12,371.7	6,535.7	452.7	1,551.1	946.6	2,885.6

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2002	128.8	129.5	0.8	0.0	3.06
2003	131.8	132.6	0.8	0.0	2.00
2004 Q1	133.4	134.1	0.7	0.0	2.00
Q2	136.4	137.1	0.7	0.0	2.00
Q3	138.7	139.3	0.6	0.0	2.02
2004 11 Oct.	138.7	139.3	0.6	0.0	2.02
8 Nov.	137.8	138.4	0.7	0.0	2.03
7 Dec.	137.9	138.5	0.6	0.0	2.05
2005 18 Jan.	138.4	139.1	0.7	0.0	2.07
7 Feb.	139.3	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors							Liquidity-absorbing factors			Credit institutions current accounts	Base money
	Monetary policy operations of the Eurosystem							Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations					
1	2	3	4	5	6	7	8	9	10	11	12	
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
Q2	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
Q3	299.4	251.6	75.0	0.1	0.0	0.2	0.0	462.8	56.3	-32.4	139.3	602.3
2004 11 Oct.	298.8	256.4	75.0	0.3	0.0	0.0	0.0	465.1	58.2	-32.1	139.3	604.4
8 Nov.	298.3	257.9	75.0	0.1	0.2	0.3	0.0	469.7	55.1	-32.1	138.4	608.4
7 Dec.	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 18 Jan.	290.3	272.9	75.0	0.2	0.2	0.1	0.0	496.0	45.3	-41.9	139.1	635.2

Source: ECB.

1) End of period.



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units ¹⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets	
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
2002	1,042.8	416.2	24.2	0.6	391.3	94.6	86.0	1.0	7.6	-	13.2	374.2	11.9	132.7
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004 Q1	1,102.7	467.6	22.6	0.7	444.3	143.4	128.9	1.5	13.0	-	13.1	320.7	14.0	143.9
Q2	1,200.0	560.9	22.2	0.6	538.0	147.8	133.5	1.9	12.3	-	13.3	311.3	14.1	152.7
2004 July	1,192.2	548.7	22.2	0.6	525.8	148.5	134.0	1.8	12.7	-	13.2	312.8	14.2	154.8
Aug.	1,175.0	527.1	22.2	0.6	504.3	151.1	135.6	1.8	13.7	-	13.2	313.7	14.3	155.7
Sep.	1,193.5	544.3	22.2	0.6	521.5	150.7	135.2	1.9	13.6	-	13.5	309.2	14.2	161.7
Oct.	1,224.8	572.6	22.2	0.6	549.8	152.9	137.3	1.7	13.9	-	13.8	307.5	14.2	163.9
Nov.	1,206.6	550.5	22.2	0.6	527.6	156.6	141.7	1.3	13.5	-	14.1	305.5	14.3	165.7
Dec. ^(p)	1,197.3	546.6	21.5	0.6	524.4	154.8	140.0	1.7	13.1	-	14.2	291.5	14.2	176.0
MFIs excluding the Eurosysteem														
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003	19,800.7	12,114.5	819.1	7,101.8	4,193.6	2,947.4	1,245.9	425.7	1,275.8	67.3	895.1	2,566.6	161.8	1,048.1
2004 Q1	20,395.4	12,217.9	823.3	7,170.1	4,224.5	3,081.5	1,305.7	431.7	1,344.2	78.0	926.4	2,832.2	160.0	1,099.5
Q2	20,757.1	12,434.0	818.3	7,319.8	4,296.0	3,157.8	1,351.7	444.4	1,361.7	76.8	948.7	2,869.8	159.7	1,110.3
2004 July	20,854.9	12,540.7	824.6	7,355.8	4,360.3	3,170.7	1,347.8	446.6	1,376.3	78.4	936.8	2,870.5	160.4	1,097.4
Aug.	20,869.4	12,511.3	819.2	7,347.5	4,344.6	3,177.0	1,349.0	446.2	1,381.9	77.2	925.6	2,909.7	160.4	1,108.3
Sep.	20,984.0	12,569.7	812.2	7,401.3	4,356.2	3,184.0	1,351.0	444.7	1,388.3	77.5	920.6	2,902.6	161.0	1,168.6
Oct.	21,158.6	12,679.4	812.2	7,447.4	4,419.8	3,205.1	1,348.7	447.5	1,408.9	77.9	925.0	2,908.8	161.7	1,200.7
Nov.	21,345.9	12,717.4	808.2	7,510.7	4,398.5	3,221.9	1,351.4	453.5	1,417.1	78.3	944.7	2,973.7	161.2	1,248.6
Dec. ^(p)	21,358.3	12,825.5	814.4	7,549.6	4,461.5	3,190.8	1,301.5	462.7	1,426.6	72.5	946.3	2,936.9	160.3	1,225.9

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Q1	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
Q2	1,200.0	465.1	413.2	67.1	18.4	327.6	-	1.6	145.5	23.5	151.1
2004 July	1,192.2	478.6	388.2	58.5	16.5	313.2	-	1.6	146.7	24.2	152.8
Aug.	1,175.0	475.7	367.4	58.2	15.9	293.2	-	1.6	151.5	23.3	155.5
Sep.	1,193.5	480.6	380.4	57.8	16.3	306.3	-	1.6	148.5	23.6	158.8
Oct.	1,224.8	487.0	401.4	64.1	18.2	319.2	-	1.6	147.5	24.2	163.2
Nov.	1,206.6	491.9	379.2	53.0	17.9	308.3	-	0.5	145.7	24.9	164.3
Dec. ^(p)	1,197.3	517.3	346.7	24.7	15.0	306.9	-	0.5	137.9	27.2	167.7
MFIs excluding the Eurosysteem											
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	532.8	2,992.5	1,108.7	2,594.2	1,431.7
2003	19,800.7	0.0	10,774.7	132.3	6,277.6	4,364.9	648.8	3,160.3	1,151.0	2,607.6	1,458.4
2004 Q1	20,395.4	0.0	10,863.5	140.7	6,310.3	4,412.5	680.6	3,303.4	1,160.4	2,833.8	1,553.7
Q2	20,757.1	0.0	11,087.8	156.6	6,408.5	4,522.8	686.0	3,369.3	1,177.6	2,871.5	1,564.9
2004 July	20,854.9	0.0	11,158.1	143.0	6,422.1	4,592.9	691.5	3,401.6	1,181.5	2,874.7	1,547.5
Aug.	20,869.4	0.0	11,113.1	134.8	6,401.4	4,576.8	701.3	3,417.8	1,182.2	2,880.7	1,574.4
Sep.	20,984.0	0.0	11,174.2	146.3	6,441.4	4,586.5	687.0	3,446.6	1,187.2	2,839.2	1,649.8
Oct.	21,158.6	0.0	11,291.2	133.4	6,491.6	4,666.2	695.0	3,476.3	1,191.2	2,824.8	1,680.1
Nov.	21,345.9	0.0	11,318.8	129.8	6,527.8	4,661.2	691.8	3,487.5	1,208.8	2,882.1	1,756.9
Dec. ^(p)	21,358.3	0.0	11,477.2	137.9	6,636.9	4,702.4	676.3	3,502.8	1,206.6	2,812.2	1,683.3

Source: ECB.

- 1) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
- 2) Amounts held by euro area residents.
- 3) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period; transactions during period)

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002	13,931.2	7,618.5	837.2	6,781.2	1,588.1	1,221.0	367.1	572.7	2,839.7	179.5	1,132.7
2003	14,555.3	7,944.2	841.7	7,102.5	1,794.4	1,367.4	427.0	623.8	2,884.5	174.1	1,134.3
2004 Q1	15,063.8	8,016.8	846.0	7,170.8	1,867.7	1,434.5	433.2	649.4	3,152.9	173.9	1,203.1
Q2	15,331.2	8,160.9	840.5	7,320.4	1,931.6	1,485.2	446.3	662.9	3,181.1	173.8	1,221.0
2004 July	15,354.5	8,203.3	846.8	7,356.5	1,930.2	1,481.8	448.4	653.3	3,183.3	174.7	1,209.9
Aug.	15,385.1	8,189.6	841.5	7,348.1	1,932.6	1,484.6	448.0	643.3	3,223.4	174.6	1,221.6
Sep.	15,486.9	8,236.4	834.5	7,401.9	1,932.7	1,486.2	446.6	643.1	3,211.8	175.2	1,287.7
Oct.	15,578.8	8,282.5	834.5	7,448.0	1,935.2	1,486.0	449.2	647.0	3,216.3	175.9	1,322.0
Nov.	15,775.6	8,341.8	830.4	7,511.3	1,947.9	1,493.1	454.8	660.2	3,279.2	175.5	1,371.1
Dec. ^(p)	15,715.2	8,386.2	835.9	7,550.2	1,905.9	1,441.5	464.4	666.9	3,228.5	174.5	1,353.2
Transactions											
2002	602.8	299.2	-9.4	308.6	72.2	43.4	28.8	7.7	245.3	-1.3	-20.1
2003	770.2	385.7	13.6	372.1	171.6	117.7	53.9	19.4	223.9	-3.6	-26.9
2004 Q1	428.8	84.6	5.8	78.8	56.7	53.5	3.2	24.6	212.5	-0.4	50.9
Q2	269.5	150.2	-7.1	157.3	65.2	51.0	14.2	8.4	32.8	1.6	11.4
2004 July	11.2	43.2	6.4	36.8	-5.0	-4.4	-0.6	-8.5	-7.7	0.9	-11.7
Aug.	37.3	-8.7	-5.3	-3.4	-0.4	0.0	-0.4	-9.7	45.6	0.0	10.4
Sep.	142.2	53.3	-6.8	60.1	1.8	3.1	-1.3	-1.4	22.4	0.6	65.5
Oct.	118.8	49.6	0.2	49.5	1.9	-0.9	2.8	2.9	30.5	0.7	33.2
Nov.	243.6	65.3	-3.9	69.1	12.5	6.8	5.7	12.2	106.3	-0.4	47.8
Dec. ^(p)	4.9	55.4	5.2	50.2	-39.4	-51.0	11.7	5.0	-12.3	0.3	-4.2

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ¹⁾	Debt securities issued ²⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2002	13,931.2	341.2	136.4	5,969.9	470.5	1,818.1	1,006.4	2,627.1	1,550.9	10.8
2003	14,555.3	397.9	153.6	6,294.4	581.4	1,875.3	1,010.7	2,635.1	1,597.8	9.1
2004 Q1	15,063.8	399.6	183.8	6,326.1	602.6	1,947.9	1,025.8	2,857.4	1,699.1	21.5
Q2	15,331.2	423.0	223.7	6,426.9	609.2	1,996.9	1,024.1	2,895.0	1,716.0	16.4
2004 July	15,354.5	436.2	201.5	6,438.7	613.1	2,014.2	1,031.6	2,898.9	1,700.3	19.9
Aug.	15,385.1	433.4	193.0	6,417.4	624.1	2,023.9	1,038.3	2,904.1	1,729.8	21.2
Sep.	15,486.9	438.0	204.1	6,457.6	609.5	2,046.3	1,044.7	2,862.9	1,808.6	15.2
Oct.	15,578.8	444.4	197.4	6,509.8	617.1	2,055.2	1,047.0	2,849.0	1,843.2	15.8
Nov.	15,775.6	448.7	182.8	6,545.7	613.4	2,057.4	1,055.8	2,907.0	1,921.2	43.4
Dec. ^(p)	15,715.2	468.5	162.6	6,652.0	603.8	2,063.7	1,050.8	2,839.4	1,851.0	23.5
Transactions										
2002	602.8	101.4	-5.8	222.0	70.0	105.3	39.7	75.9	-92.3	86.5
2003	770.2	79.0	12.9	315.8	57.5	130.8	39.0	130.3	-55.7	60.6
2004 Q1	428.8	1.7	30.2	25.2	22.4	61.3	8.2	174.9	115.9	-10.9
Q2	269.5	23.4	39.4	102.4	2.3	48.8	9.2	32.3	13.8	-2.1
2004 July	11.2	13.3	-22.2	10.8	3.9	12.7	6.6	-6.8	-8.5	1.4
Aug.	37.3	-2.8	-8.5	-19.3	11.0	11.4	2.5	15.5	21.3	6.3
Sep.	142.2	4.6	11.1	44.2	-13.3	30.4	10.0	-12.3	67.1	0.3
Oct.	118.8	6.4	-6.7	55.2	7.4	13.8	1.0	10.9	23.7	7.2
Nov.	243.6	4.4	-14.6	41.2	-3.1	11.4	6.1	96.8	63.9	37.7
Dec. ^(p)	4.9	19.8	-20.2	111.1	-9.2	14.5	1.0	-39.7	-58.3	-14.1

Source: ECB.

1) Amounts held by euro area residents.

2) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics

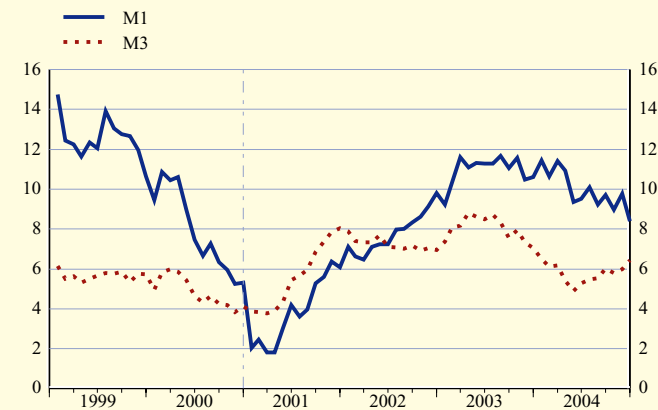
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates¹⁾ and counterparts

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2002	2,441.7	2,475.9	4,917.6	852.5	5,770.2	-	3,989.2	2,072.2	7,723.3	6,778.9	188.4
2003	2,676.1	2,559.6	5,235.7	907.9	6,143.7	-	4,143.6	2,225.6	8,156.0	7,100.9	226.9
2004 Q1	2,769.2	2,552.2	5,321.4	901.0	6,222.4	-	4,242.0	2,263.5	8,239.1	7,165.0	311.8
Q2	2,790.3	2,581.9	5,372.2	926.7	6,298.9	-	4,308.9	2,311.5	8,400.5	7,293.2	284.9
2004 July	2,831.9	2,592.8	5,424.8	932.5	6,357.2	-	4,343.7	2,329.2	8,456.4	7,348.8	288.2
Aug.	2,837.6	2,604.1	5,441.7	940.2	6,381.9	-	4,370.1	2,340.9	8,473.2	7,371.1	316.4
Sep.	2,868.9	2,621.1	5,490.0	935.8	6,425.7	-	4,396.9	2,330.0	8,520.6	7,415.2	338.9
Oct.	2,881.6	2,642.6	5,524.2	940.3	6,464.5	-	4,417.8	2,331.9	8,574.4	7,465.0	349.5
Nov.	2,907.3	2,637.7	5,544.9	940.0	6,484.9	-	4,444.9	2,322.0	8,643.5	7,518.0	348.8
Dec. (p)	2,894.0	2,671.2	5,565.2	963.3	6,528.5	-	4,459.5	2,295.4	8,684.3	7,548.7	368.7
Transactions											
2002	217.3	89.3	306.5	68.0	374.5	-	189.1	35.1	347.2	311.9	172.3
2003	258.1	114.6	372.7	32.5	405.2	-	237.5	133.6	445.9	372.9	95.3
2004 Q1	92.3	-13.3	79.1	-1.8	77.2	-	76.4	25.7	89.6	74.5	76.4
Q2	20.6	31.8	52.4	22.5	74.9	-	76.6	46.6	165.0	136.0	-17.0
2004 July	41.6	10.1	51.8	5.9	57.6	-	29.2	16.7	55.1	56.3	4.3
Aug.	6.1	11.7	17.8	7.5	25.3	-	25.2	8.9	22.0	27.2	23.3
Sep.	33.0	18.9	51.8	-4.9	46.9	-	40.5	-9.1	52.7	50.5	27.7
Oct.	13.9	23.0	36.9	3.9	40.7	-	25.5	1.4	56.2	53.1	11.8
Nov.	28.5	-2.5	25.9	-0.1	25.8	-	33.8	-10.0	74.0	58.8	3.9
Dec. (p)	-11.7	35.3	23.6	23.7	47.3	-	30.4	-26.4	52.4	42.0	30.5
Growth rates											
2002 Dec.	9.8	3.7	6.6	8.7	6.9	7.1	4.9	1.7	4.7	4.8	172.3
2003 Dec.	10.6	4.7	7.6	3.8	7.1	7.0	6.0	6.4	5.8	5.5	95.3
2004 Mar.	11.4	2.1	6.7	3.0	6.2	5.9	7.0	6.6	5.7	5.3	93.7
June	9.5	1.7	5.6	3.4	5.3	5.2	7.7	7.4	6.2	6.0	1.5
2004 July	10.1	1.7	5.9	2.9	5.5	5.4	7.5	6.4	6.3	6.2	38.7
Aug.	9.2	2.0	5.7	4.9	5.5	5.7	7.5	6.6	6.0	6.1	102.3
Sep.	9.7	2.7	6.3	4.6	6.0	5.8	7.9	5.3	6.3	6.5	124.0
Oct.	9.0	3.6	6.3	2.8	5.8	5.9	7.8	4.3	6.5	6.7	131.7
Nov.	9.8	3.2	6.5	2.9	6.0	6.1	7.7	3.3	6.7	6.9	123.6
Dec. (p)	8.4	4.5	6.5	6.3	6.4	-	8.1	2.4	7.0	7.0	160.8

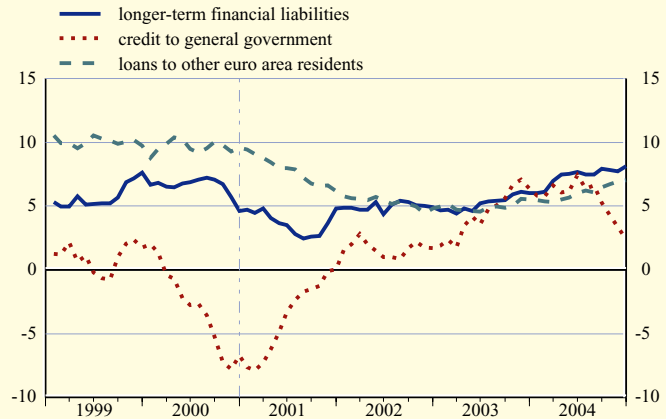
C1 Monetary aggregates

(annual growth rates; seasonally adjusted)



C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).

2) Values in section 'growth rates' are sums of the transactions during the 12 months ending in the period indicated.

2.3 Monetary statistics

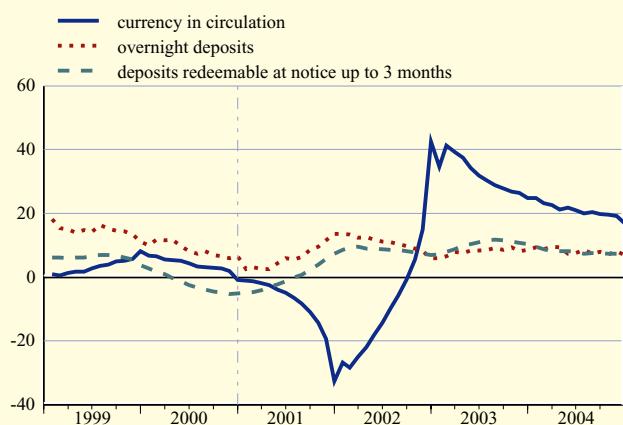
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

2. Components of monetary aggregates and longer-term financial liabilities

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002	332.3	2,109.4	1,077.0	1,399.0	240.4	484.5	127.6	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,288.6	1,037.0	1,522.6	222.4	597.1	88.5	1,791.2	90.6	1,253.1	1,008.7
2004 Q1	406.2	2,363.1	1,003.9	1,548.3	214.4	597.0	89.6	1,857.1	90.1	1,268.3	1,026.6
Q2	420.5	2,369.7	995.2	1,586.7	220.2	611.5	95.0	1,900.6	89.1	1,298.5	1,020.6
2004 July	425.2	2,406.7	998.3	1,594.5	228.6	611.2	92.7	1,917.2	89.4	1,306.8	1,030.4
Aug.	433.2	2,404.4	996.3	1,607.8	227.8	618.5	93.8	1,932.1	89.3	1,311.4	1,037.3
Sep.	439.9	2,429.0	1,002.6	1,618.5	225.2	615.6	95.0	1,948.9	88.4	1,318.8	1,040.8
Oct.	446.3	2,435.2	1,020.2	1,622.4	224.5	622.7	93.1	1,955.4	89.4	1,327.8	1,045.3
Nov.	453.3	2,453.9	1,006.8	1,630.9	225.3	617.3	97.5	1,951.7	89.7	1,342.9	1,060.5
Dec. ^(p)	453.4	2,440.6	1,037.6	1,633.5	243.2	619.4	100.7	1,966.9	89.5	1,354.6	1,048.5
Transactions											
2002	99.3	118.0	-1.1	90.3	10.7	70.6	-13.3	118.7	-10.0	41.0	39.4
2003	77.8	180.3	-28.8	143.4	-8.9	58.9	-17.5	149.3	-13.2	62.7	38.7
2004 Q1	18.6	73.7	-38.8	25.5	-7.0	1.2	4.0	51.7	-0.5	14.4	10.8
Q2	14.4	6.2	-6.7	38.5	5.4	10.1	6.9	41.8	-1.0	30.7	5.1
2004 July	4.7	36.9	2.3	7.8	8.4	-0.3	-2.2	11.9	0.3	8.2	8.8
Aug.	8.0	-1.9	-1.6	13.3	-0.8	7.3	1.0	16.8	-0.1	5.6	2.8
Sep.	6.6	26.3	8.0	10.8	-2.6	-1.7	-0.6	26.7	-0.9	7.8	6.9
Oct.	6.5	7.4	19.0	3.9	-0.6	6.9	-2.4	11.9	1.0	9.3	3.2
Nov.	7.0	21.5	-11.1	8.6	0.8	-4.9	3.9	5.9	0.3	15.1	12.5
Dec. ^(p)	0.1	-11.8	32.5	2.8	18.0	2.5	3.2	23.5	-0.2	13.2	-6.1
Growth rates											
2002 Dec.	42.6	5.9	-0.1	6.9	4.6	17.1	-9.5	7.4	-8.8	3.5	4.0
2003 Dec.	24.9	8.5	-2.7	10.4	-3.9	11.3	-17.4	8.9	-12.7	5.3	3.9
2004 Mar.	22.7	9.7	-6.1	8.2	-1.2	7.0	-9.3	10.5	-9.9	5.4	4.5
June	21.1	7.7	-6.9	8.0	2.0	4.6	-0.5	10.4	-7.1	7.0	5.1
2004 July	20.0	8.5	-6.3	7.4	1.8	3.5	1.7	10.0	-4.9	7.1	4.7
Aug.	20.3	7.4	-5.7	7.5	4.5	5.0	4.8	10.3	-3.3	7.0	4.1
Sep.	19.9	8.1	-4.3	7.6	3.2	4.2	10.9	10.9	-3.0	7.2	4.4
Oct.	19.6	7.2	-2.0	7.4	1.9	4.4	-4.8	10.5	-2.1	7.4	4.3
Nov.	19.2	8.2	-3.1	7.5	0.2	4.7	-1.0	9.9	-1.4	7.9	4.5
Dec. ^(p)	17.0	6.9	0.4	7.3	9.8	3.5	15.8	10.6	-1.2	8.3	4.4

C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown ¹⁾

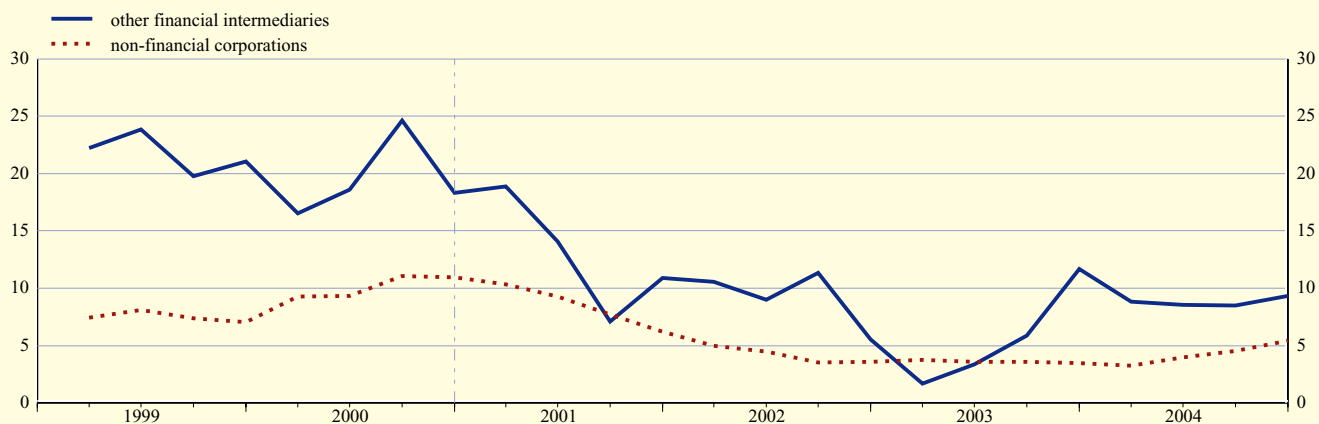
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries ²⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.4	22.1	511.6	321.9	3,034.2	958.7	527.0	1,548.5
2004 Q1	46.3	32.2	503.8	303.8	3,055.3	955.1	526.2	1,574.0
2004 Q2	53.7	39.8	509.7	305.7	3,093.3	966.4	537.2	1,589.7
2004 July	56.7	41.9	506.0	302.7	3,101.7	963.4	540.7	1,597.5
2004 Aug.	53.9	39.1	490.4	287.1	3,095.4	946.7	545.0	1,603.7
2004 Sep.	52.5	37.6	508.3	301.2	3,104.2	952.5	545.9	1,605.8
2004 Oct.	54.8	39.1	511.9	305.2	3,123.1	961.1	546.8	1,615.2
2004 Nov.	54.0	37.8	534.6	328.5	3,142.7	975.3	549.1	1,618.3
2004 Dec. ^(p)	48.7	30.8	542.1	334.2	3,154.5	974.5	548.0	1,632.0
Transactions								
2002	-4.1	-8.0	23.9	14.2	103.7	-26.6	31.8	98.5
2003	4.2	2.2	53.8	26.1	102.3	-8.0	15.5	94.8
2004 Q1	10.8	10.0	-2.8	-11.6	22.5	-3.5	4.0	22.1
2004 Q2	7.0	7.3	8.5	4.5	59.8	16.1	11.7	32.1
2004 July	3.0	2.0	-4.4	-3.1	9.5	-2.6	3.9	8.3
2004 Aug.	-2.8	-2.8	-12.4	-12.6	-5.4	-16.4	4.3	6.8
2004 Sep.	-1.3	-1.4	19.2	15.0	12.4	7.1	1.5	3.9
2004 Oct.	2.4	1.6	5.2	4.6	20.3	9.2	1.3	9.8
2004 Nov.	-0.7	-1.3	24.0	24.4	23.3	15.3	2.8	5.2
2004 Dec. ^(p)	-5.2	-6.9	9.1	5.3	20.7	-1.3	2.7	19.2
Growth rates								
2002 Dec.	-10.3	-28.4	5.5	5.1	3.6	-2.6	6.5	7.1
2003 Dec.	11.8	11.6	11.7	8.8	3.5	-0.8	3.0	6.5
2004 Mar.	8.6	6.3	8.9	2.9	3.2	-2.4	3.6	6.9
2004 June	18.8	25.6	8.5	3.0	4.0	-2.1	6.4	7.2
2004 July	15.3	26.2	8.8	5.5	4.4	-1.0	6.0	7.4
2004 Aug.	21.6	37.0	6.9	3.1	4.1	-1.6	5.6	7.3
2004 Sep.	17.5	31.5	8.5	5.6	4.5	-0.5	6.1	7.2
2004 Oct.	9.4	14.7	9.3	7.5	5.1	1.5	5.6	7.2
2004 Nov.	10.0	14.0	10.1	8.6	5.2	2.6	5.5	6.7
2004 Dec. ^(p)	37.1	39.1	9.3	8.7	5.4	2.5	6.1	7.0

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) This category includes investment funds.

2.4 MFI loans, breakdown ¹⁾

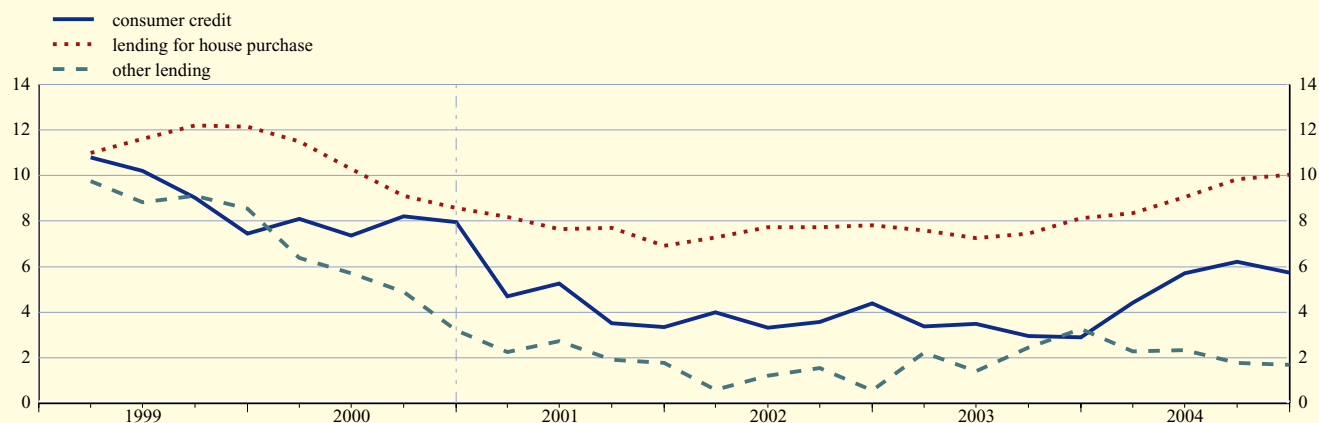
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households ²⁾

	Total		Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years		
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts														
2002	3,327.0	518.9	105.9	178.3	234.7	2,188.5	22.3	65.1	2,101.1	619.6	153.9	99.7	366.0	
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.8	675.6	145.0	95.5	435.1	
2004 Q1	3,564.7	484.5	109.9	182.3	192.3	2,400.3	14.2	61.6	2,324.5	679.8	141.8	95.1	442.9	
Q2	3,663.2	502.2	115.1	187.1	199.9	2,463.8	15.2	64.7	2,383.9	697.1	147.5	99.2	450.4	
2004 July	3,691.5	503.9	113.9	188.6	201.5	2,491.6	14.9	65.2	2,411.6	695.9	143.9	99.4	452.6	
Aug.	3,707.8	504.8	114.6	188.2	202.0	2,508.6	14.8	65.5	2,428.4	694.3	142.4	99.2	452.7	
Sep.	3,736.3	507.5	115.2	188.4	203.9	2,534.2	14.9	65.8	2,453.4	694.5	144.6	99.0	451.0	
Oct.	3,757.6	509.4	114.9	189.5	205.0	2,553.6	15.5	66.5	2,471.6	694.7	143.6	99.6	451.4	
Nov.	3,779.4	509.9	114.8	189.7	205.4	2,572.0	15.3	65.7	2,491.1	697.5	146.5	99.4	451.6	
Dec. ^(p)	3,804.3	513.5	117.2	190.9	205.4	2,592.4	15.5	65.8	2,511.1	698.5	144.6	99.7	454.2	
Transactions														
2002	183.2	21.9	7.1	5.3	9.4	157.9	-0.4	2.3	156.0	3.5	-3.1	2.2	4.4	
2003	211.8	13.6	8.7	6.4	-1.4	177.5	-5.9	1.7	181.7	20.7	-6.5	-5.0	32.2	
2004 Q1	48.2	2.1	-1.6	1.8	1.9	44.9	-0.1	-0.8	45.7	1.3	-2.3	0.4	3.2	
Q2	82.0	13.5	4.8	3.6	5.1	59.9	0.9	2.6	56.5	8.5	3.1	1.0	4.4	
2004 July	28.7	1.9	-1.2	1.4	1.7	28.0	-0.4	0.5	27.9	-1.2	-3.6	-0.1	2.4	
Aug.	17.1	1.1	0.7	-0.5	0.8	17.2	-0.1	0.3	16.9	-1.2	-1.5	-0.1	0.5	
Sep.	29.8	2.4	0.7	0.3	1.4	26.2	0.2	0.4	25.6	1.3	2.4	-0.2	-1.0	
Oct.	21.6	1.7	-0.3	0.7	1.2	19.9	0.5	0.3	19.1	0.0	-0.9	0.9	0.0	
Nov.	22.5	0.8	-0.1	0.3	0.7	18.7	-0.4	-0.6	19.7	3.0	3.2	-0.2	-0.1	
Dec. ^(p)	25.7	4.3	2.8	1.3	0.1	21.6	0.3	0.2	21.1	-0.2	-1.1	0.4	0.5	
Growth rates														
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.8	-1.8	3.7	8.1	0.6	-2.0	2.2	1.2	
2003 Dec.	6.4	2.9	8.3	3.6	-0.2	8.1	-26.2	2.6	8.7	3.3	-4.3	-5.1	8.5	
2004 Mar.	6.6	4.4	0.1	6.3	5.3	8.4	4.6	-3.3	8.8	2.3	-1.1	-1.9	4.4	
June	7.3	5.7	3.3	5.9	6.9	9.0	9.1	1.0	9.3	2.3	-1.4	1.7	3.8	
2004 July	7.3	5.5	3.7	5.9	6.2	9.2	7.7	0.6	9.5	2.4	-1.0	1.5	3.7	
Aug.	7.5	6.5	6.2	6.2	6.9	9.3	5.7	0.6	9.6	2.1	-0.5	1.6	3.0	
Sep.	7.8	6.2	4.4	5.4	8.0	9.8	4.3	0.6	10.2	1.8	-0.1	-0.1	2.8	
Oct.	7.8	5.9	3.7	5.2	7.9	9.8	9.1	-0.2	10.2	2.0	1.0	1.1	2.6	
Nov.	7.9	6.5	7.1	4.5	8.0	10.0	6.2	-0.9	10.3	1.9	1.2	1.2	2.3	
Dec. ^(p)	7.8	5.7	5.2	5.0	6.8	10.0	6.6	4.6	10.2	1.7	-0.5	2.3	2.3	

C6 Loans to households

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) Including non-profit institutions serving households.

2.4 MFI loans, breakdown ¹⁾

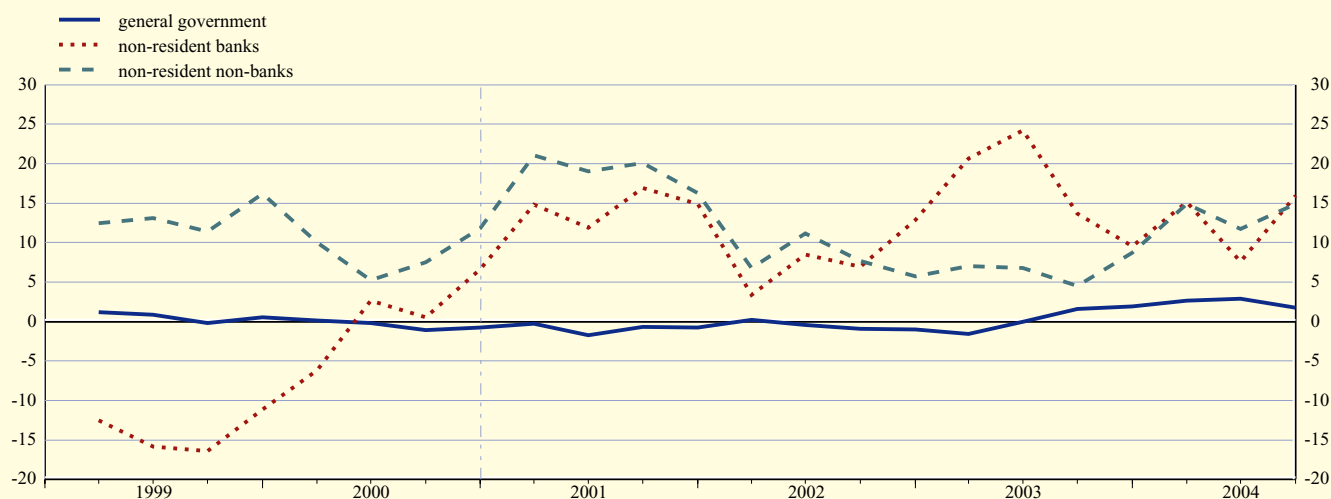
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003	819.1	130.0	265.1	388.9	35.0	1,762.7	1,182.2	580.6	59.3	521.2
2004 Q1	823.3	134.6	261.3	388.5	38.9	1,955.5	1,308.6	646.9	61.1	585.8
Q2	818.3	129.7	253.4	391.4	43.7	1,965.3	1,322.7	642.6	60.8	581.8
Q3 ^(p)	812.2	126.2	252.3	390.5	43.0	1,965.9	1,317.4	648.3	60.9	587.4
Transactions										
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	135.2	34.5	-1.2	35.7
2003	15.2	-4.4	-12.3	16.6	15.3	159.5	109.3	49.9	-4.9	54.7
2004 Q1	5.8	5.7	-3.9	0.1	3.9	164.0	107.4	56.4	1.7	54.7
Q2	-6.7	-5.9	-8.5	2.8	4.8	5.3	11.1	-5.9	-0.5	-5.4
Q3 ^(p)	-5.7	-3.3	-1.0	-0.9	-0.7	22.5	7.8	14.4	0.1	14.3
Growth rates										
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Dec.	1.9	-3.3	-4.4	4.4	77.5	9.3	9.6	8.7	-7.5	10.8
2004 Mar.	2.7	0.8	-2.2	3.0	63.2	15.1	15.1	14.9	4.1	16.1
June	2.9	2.0	-4.0	4.2	54.4	8.9	7.6	11.7	2.9	12.8
Sep. ^(p)	1.7	-1.7	-4.1	3.8	40.7	15.6	15.9	14.9	1.9	16.4

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

2.5 Deposits held with MFIs, breakdown ¹⁾

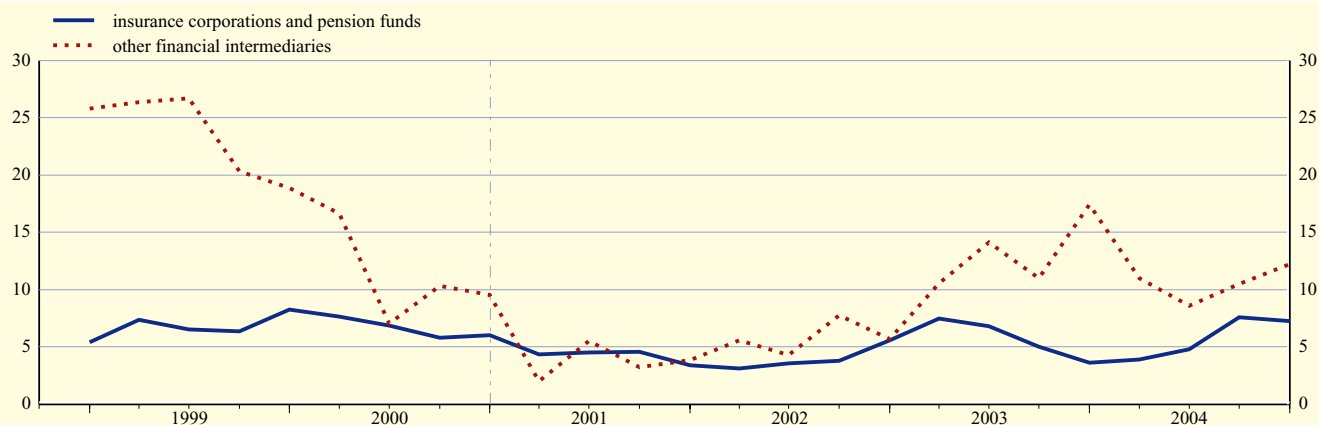
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries ²⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	523.1	55.8	-	-	-	-	17.8	493.6	152.7	-	-	-	-	97.1
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	567.6	183.1	130.6	143.3	6.1	0.1	104.4
2004 Q1	557.2	64.7	42.2	426.1	1.3	1.0	22.0	586.4	197.0	119.7	145.7	7.8	0.1	116.1
2004 Q2	565.3	59.9	42.1	439.8	1.3	1.0	21.2	595.8	194.3	122.3	153.6	8.3	0.1	117.2
2004 July	567.0	55.8	46.2	440.8	1.3	1.0	21.9	595.0	186.7	123.2	158.0	8.4	0.1	118.6
Aug.	566.4	53.7	46.9	441.2	1.3	1.0	22.3	590.8	176.5	128.0	161.8	8.2	0.1	116.1
Sep.	573.5	61.5	47.3	442.4	1.2	1.0	20.0	598.0	189.9	120.2	164.9	8.1	0.1	114.8
Oct.	579.0	58.6	49.0	446.0	1.3	1.3	22.8	620.8	187.3	133.6	166.9	8.4	0.1	124.5
Nov.	584.3	63.2	47.7	449.9	1.3	1.3	20.8	631.3	197.4	126.4	176.5	9.7	0.1	121.3
Dec. ^(p)	582.3	59.1	51.5	449.0	1.2	1.3	20.3	633.3	182.8	138.8	183.0	10.0	0.1	118.6
Transactions														
2002	27.6	7.8	-	-	-	-	1.4	26.6	-4.7	-	-	-	-	12.8
2003	19.0	1.6	-3.1	18.7	0.3	0.4	1.1	84.8	27.5	-0.7	38.8	3.2	0.0	16.0
2004 Q1	14.6	5.7	0.3	5.6	0.0	0.2	2.8	15.2	14.0	-14.7	1.5	1.6	0.0	12.7
2004 Q2	7.3	-4.9	0.0	13.7	0.0	-0.6	-0.9	12.1	-1.3	3.9	8.2	0.6	0.0	0.8
2004 July	1.6	-4.1	4.0	1.0	0.0	0.0	0.7	-1.1	-7.7	0.9	4.3	0.0	0.0	1.4
Aug.	-0.3	-2.1	0.8	0.5	0.0	0.0	0.4	-4.7	-10.3	4.3	3.9	-0.1	0.0	-2.4
Sep.	7.0	7.9	0.5	1.0	-0.1	0.0	-2.3	8.4	14.0	-7.4	3.3	-0.1	0.0	-1.3
Oct.	5.4	-2.9	1.9	3.3	0.0	0.3	2.8	23.8	-2.2	13.6	2.2	0.4	0.0	9.8
Nov.	5.5	5.1	-1.2	3.5	0.1	0.0	-2.0	12.3	10.9	-6.7	10.0	1.3	0.0	-3.2
Dec. ^(p)	-1.8	-4.0	3.9	-0.9	-0.1	0.0	-0.6	3.3	-14.1	12.8	6.7	0.5	0.0	-2.6
Growth rates														
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.6	2.8	-6.7	4.7	40.9	60.8	6.0	17.4	17.8	-0.6	36.8	70.6	-	17.1
2004 Mar.	3.9	5.1	9.9	2.4	40.8	52.8	18.6	11.0	17.1	-13.2	22.3	47.6	-	17.8
June	4.8	-6.4	12.7	6.4	40.0	-44.0	-6.3	8.6	7.8	-10.2	18.5	44.5	-	20.5
2004 July	5.5	0.3	18.9	5.1	32.4	-45.2	3.6	9.3	9.1	-9.3	23.6	51.6	-	14.1
Aug.	5.9	4.4	19.6	4.3	18.6	-43.4	16.6	9.5	6.1	-5.9	25.9	67.2	-	11.3
Sep.	7.6	6.9	46.4	4.8	13.6	-52.5	6.9	10.5	7.4	-6.2	28.3	63.5	-	11.7
Oct.	8.3	10.3	32.9	5.2	3.3	38.3	24.2	11.2	7.5	1.7	27.0	48.4	-	7.8
Nov.	9.4	22.7	33.2	5.9	3.8	-37.9	7.2	11.7	12.7	-4.2	29.0	73.7	-	4.9
Dec. ^(p)	7.2	1.0	24.0	6.6	-8.2	-43.1	5.3	12.2	1.7	5.0	27.9	67.5	-	14.6

C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) This category includes investment funds.

2.5 Deposits held with MFIs, breakdown ¹⁾

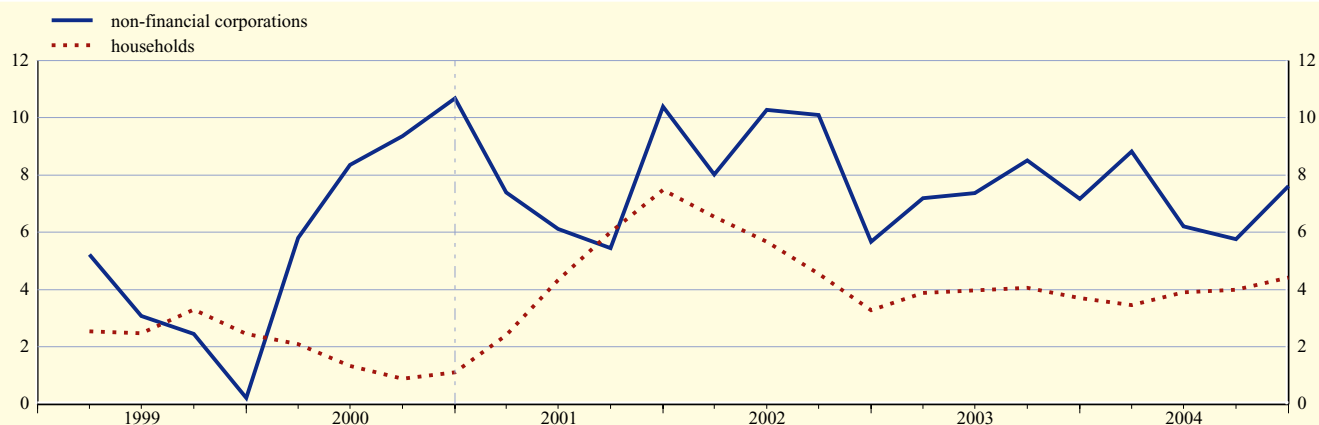
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households ²⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	990.0	595.6	-	-	-	-	34.7	3,806.3	1,173.0	-	-	-	-	74.7
2003	1,050.2	633.3	280.2	67.6	38.1	1.0	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Q1	1,036.7	624.2	275.9	69.9	39.9	1.0	25.8	3,997.9	1,320.7	527.4	608.6	1,401.2	88.2	51.9
Q2	1,054.0	650.6	265.6	70.3	41.0	1.0	25.5	4,055.5	1,367.5	517.0	612.4	1,422.3	85.8	50.4
2004 July	1,053.5	642.6	271.0	70.8	41.6	1.0	26.5	4,069.2	1,372.1	517.0	613.3	1,428.3	85.9	52.6
Aug.	1,052.9	639.2	271.0	70.7	42.2	1.0	28.8	4,053.7	1,351.0	515.2	615.8	1,431.3	85.8	54.6
Sep.	1,067.2	657.6	269.7	70.6	42.6	1.1	25.6	4,060.8	1,363.2	511.4	615.0	1,431.9	85.5	53.7
Oct.	1,071.7	648.6	283.9	69.7	42.5	1.1	25.9	4,078.5	1,376.9	509.1	617.6	1,434.4	86.0	54.4
Nov.	1,077.9	660.5	279.7	69.8	41.2	1.1	25.5	4,089.8	1,381.0	509.1	618.7	1,439.8	86.8	54.4
Dec. ^(p)	1,117.2	674.0	295.1	73.1	43.7	1.1	30.3	4,159.3	1,402.2	514.0	633.1	1,466.3	88.0	55.7
Transactions														
2002	54.3	28.9	-	-	-	-	-1.3	120.5	65.3	-	-	-	-	-1.9
2003	70.5	40.9	53.5	-29.8	10.2	0.0	-4.2	141.9	95.2	-71.2	35.9	117.4	-13.7	-21.8
2004 Q1	-14.5	-9.5	-5.3	2.6	1.9	0.0	-4.2	18.0	8.5	-17.4	7.7	21.9	-1.7	-1.0
Q2	21.2	27.8	-8.9	0.9	1.1	0.6	-0.3	53.5	43.7	-11.0	3.3	21.2	-2.4	-1.5
2004 July	-1.0	-8.2	5.2	0.4	0.6	0.0	1.0	13.6	4.9	-0.4	0.9	5.9	0.1	2.1
Aug.	0.7	-3.0	0.8	-0.1	0.6	0.0	2.3	-15.5	-21.0	-1.7	2.2	3.0	-0.1	2.0
Sep.	15.9	19.1	-0.6	0.1	0.4	0.0	-3.2	8.0	12.4	-3.3	-0.7	0.6	-0.3	-0.9
Oct.	5.9	-8.3	14.7	-0.7	0.0	0.0	0.3	18.4	13.9	-1.8	2.7	2.5	0.5	0.7
Nov.	10.7	13.1	-3.3	0.1	1.2	0.0	-0.4	9.9	4.4	0.6	1.1	3.0	0.8	0.0
Dec. ^(p)	40.5	14.2	16.0	3.1	2.5	0.0	4.7	70.3	21.5	5.4	14.5	26.5	1.2	1.3
Growth rates														
2002 Dec.	5.7	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.2	6.7	23.1	-30.7	41.5	-3.5	-12.4	3.7	7.9	-11.5	6.4	9.3	-13.2	-29.2
2004 Mar.	8.8	11.9	3.1	13.2	23.1	-3.9	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
June	6.2	10.1	-3.5	14.8	17.1	52.2	-13.5	3.9	7.6	-8.0	4.5	7.0	-7.7	-18.6
2004 July	6.7	10.7	-3.1	13.3	17.8	54.9	-6.2	4.0	7.8	-7.8	4.7	6.6	-5.5	-15.9
Aug.	6.1	10.9	-5.2	8.5	17.9	55.7	-1.1	3.6	6.2	-7.7	5.0	6.3	-4.0	-10.4
Sep.	5.8	9.8	-2.7	7.2	18.8	64.7	-16.0	4.0	7.1	-7.7	4.8	6.4	-3.5	-4.5
Oct.	5.7	8.7	-0.2	7.5	17.3	21.3	-17.6	4.4	7.9	-7.4	5.1	6.3	-3.0	-2.9
Nov.	5.1	8.1	-1.3	4.8	18.1	73.8	-12.8	4.0	6.3	-6.7	5.3	6.2	-2.4	-2.1
Dec. ^(p)	7.6	7.1	6.8	9.5	21.8	72.2	0.9	4.4	6.7	-5.4	5.3	6.1	-2.1	5.2

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown ¹⁾

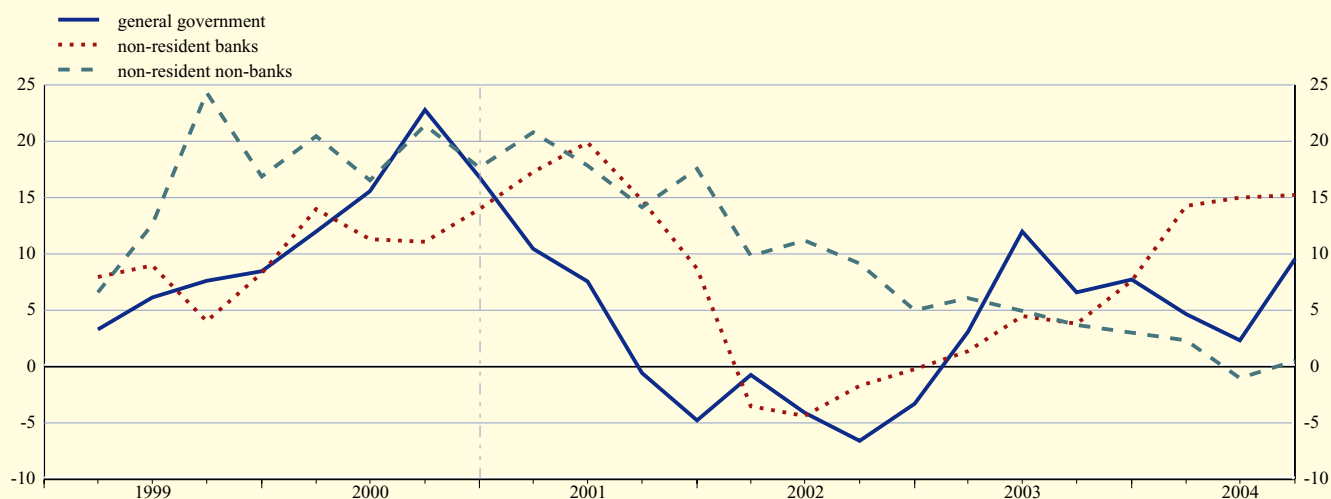
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	271.2	132.3	31.1	66.9	40.9	2,245.1	1,580.9	664.3	96.1	568.2
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2	294.4	156.6	31.6	64.5	41.7	2,471.5	1,788.9	682.6	102.0	580.6
Q3 ^(p)	288.2	146.3	32.9	66.5	42.5	2,452.1	1,764.0	687.9	104.8	583.2
Transactions										
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	19.3	21.1	-0.5	-2.3	1.0	138.5	117.5	21.1	-1.3	22.4
2004 Q1	1.5	8.4	-1.1	-4.5	-1.3	155.3	129.6	25.8	4.8	21.0
Q2	21.2	15.4	1.6	2.1	2.1	21.3	41.3	-20.1	1.2	-21.3
Q3 ^(p)	-4.9	-10.3	2.3	2.1	1.1	6.9	-5.4	12.1	2.7	9.3
Growth rates										
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	7.7	19.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June	2.4	7.9	-7.6	-0.1	-4.4	10.1	15.0	-1.0	7.9	-2.4
Sep. ^(p)	9.5	13.2	5.0	3.6	11.0	10.7	15.2	0.5	12.2	-1.3

C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

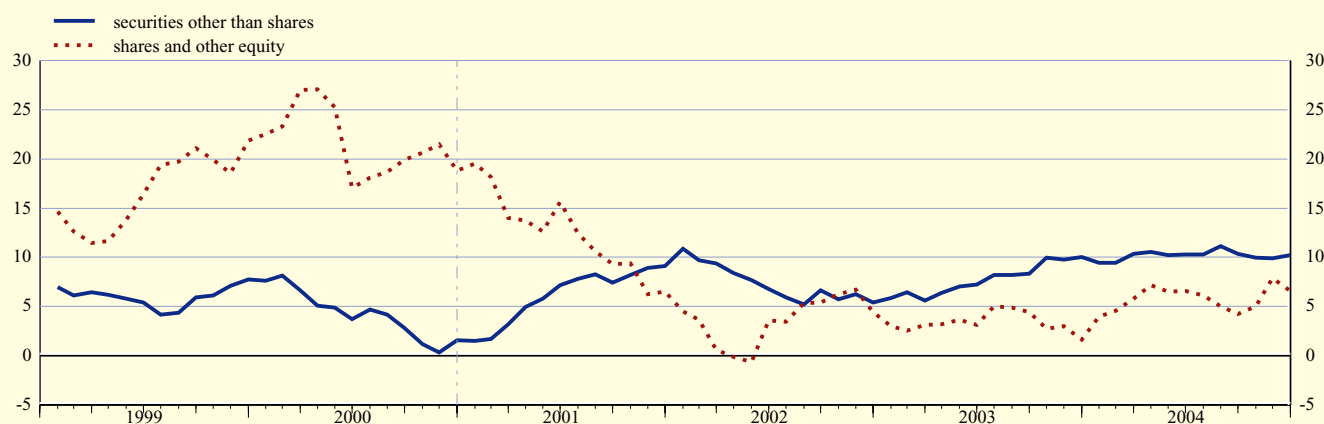
2.6 MFI holdings of securities, breakdown ¹⁾

(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2002	3,228.2	1,122.2	48.2	1,119.5	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003	3,576.4	1,218.4	57.4	1,230.3	15.6	407.1	18.6	629.1	1,068.7	279.7	615.4	173.7
2004 Q1	3,767.6	1,283.3	60.9	1,287.9	17.8	413.6	18.0	686.1	1,115.8	285.7	640.7	189.5
Q2	3,854.8	1,298.9	62.8	1,334.2	17.6	426.3	18.1	697.0	1,154.8	294.7	654.0	206.0
2004 July	3,900.0	1,313.8	62.5	1,330.4	17.4	429.4	17.3	729.2	1,151.3	292.3	644.4	214.5
Aug.	3,918.5	1,318.6	63.3	1,332.1	16.9	429.2	17.0	741.5	1,143.8	291.0	634.5	218.2
Sep.	3,912.7	1,325.5	62.9	1,335.1	15.9	427.2	17.5	728.7	1,127.2	286.6	634.0	206.6
Oct.	3,941.0	1,346.7	62.2	1,328.3	20.3	430.0	17.6	736.0	1,134.8	287.4	637.6	209.8
Nov.	3,970.1	1,355.8	61.3	1,332.9	18.4	436.3	17.2	748.2	1,176.2	294.2	650.5	231.5
Dec. ^(p)	3,935.4	1,366.3	60.3	1,285.9	15.5	446.5	16.2	744.6	1,160.2	289.2	657.1	213.9
Transactions												
2002	167.0	47.2	-0.5	38.6	-0.8	25.9	3.2	53.4	42.7	14.0	7.0	21.8
2003	329.2	91.5	5.0	80.2	1.0	51.8	1.9	97.7	16.0	7.2	19.5	-10.7
2004 Q1	155.1	61.6	1.1	45.9	1.4	4.2	-1.2	42.2	44.7	6.1	24.6	14.0
Q2	90.3	15.1	1.9	44.9	0.0	13.7	0.1	14.7	26.1	6.2	8.4	11.5
2004 July	41.5	17.9	-0.6	-4.3	-0.2	0.5	-0.9	29.2	-1.2	-2.0	-8.6	9.4
Aug.	19.7	4.7	1.3	-0.5	-0.5	-0.2	-0.2	15.1	-6.5	-1.2	-9.7	4.3
Sep.	6.5	8.3	0.9	4.1	-0.5	-2.3	0.9	-5.0	-18.6	-4.7	-1.4	-12.4
Oct.	35.6	20.9	0.2	-7.2	4.7	2.6	0.3	14.1	5.5	0.4	2.8	2.4
Nov.	41.6	8.8	0.4	4.2	-1.4	5.9	0.2	23.4	38.7	5.9	12.0	20.8
Dec. ^(p)	-22.8	10.6	0.1	-46.7	-2.5	11.9	-0.6	4.3	-18.5	-5.6	5.2	-18.2
Growth rates												
2002 Dec.	5.4	4.4	-1.8	3.7	-4.3	8.1	21.9	10.1	4.4	5.5	1.3	13.6
2003 Dec.	10.0	8.1	10.3	7.0	5.8	14.7	9.7	17.6	1.6	2.7	3.5	-5.8
2004 Mar.	10.4	9.6	6.2	7.2	5.6	10.7	4.6	19.0	5.8	6.2	7.5	-0.3
June	10.2	9.4	7.3	8.6	10.1	10.3	2.2	15.7	6.5	6.3	5.3	11.1
2004 July	10.3	9.5	6.5	7.2	6.0	11.2	-7.0	18.7	6.1	4.3	4.4	14.4
Aug.	11.2	10.0	12.8	7.6	4.5	10.3	-7.0	21.7	5.0	3.7	2.6	14.6
Sep.	10.3	10.6	13.0	6.3	-0.3	8.0	-3.8	19.9	4.2	2.7	3.2	9.8
Oct.	9.9	11.4	11.7	4.2	33.5	6.6	-2.1	20.4	5.0	2.2	4.4	11.1
Nov.	9.9	11.5	10.2	3.6	21.6	6.7	-3.0	21.8	7.9	4.5	4.8	23.3
Dec. ^(p)	10.2	12.1	8.8	3.3	5.8	8.9	-7.9	21.8	6.6	1.8	5.4	18.2

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2.7 Revaluation of selected MFI balance sheet items ¹⁾
(EUR billions)

1. Write-offs/write-downs of loans to households ²⁾

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.0	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.0	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004 Q1	-1.3	-0.5	-0.2	-0.6	-1.3	-0.1	0.0	-1.1	-2.5	-1.0	-0.1	-1.4
2004 Q2	-0.5	-0.2	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.0	-0.4	0.0	-0.7
2004 July	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2
Aug.	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.2	-0.1	0.0	-0.2
Sep.	-0.2	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
Oct.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.1	0.0	-0.3
Nov.	-0.2	0.0	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	0.0	-0.3
Dec. ^(p)	-0.6	-0.4	-0.1	-0.1	-0.8	-0.1	0.0	-0.7	-1.5	-0.6	-0.1	-0.8

2. Write-offs/write-downs of loans to non-financial corporations and non-euro area residents

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2002	-9.7	-2.1	-2.7	-4.9	-7.2	-	-
2003	-17.6	-8.8	-1.3	-7.6	-1.0	-0.4	-0.6
2004 Q1	-6.2	-3.3	-0.6	-2.3	-0.9	-0.3	-0.5
2004 Q2	-2.9	-2.0	0.2	-1.1	0.7	0.2	0.5
2004 July	-0.5	-0.3	-0.1	-0.1	-0.1	0.0	-0.1
Aug.	-0.4	-0.1	0.0	-0.2	0.0	0.0	0.0
Sep.	-0.9	-0.5	-0.1	-0.4	0.0	0.0	0.0
Oct.	-0.7	-0.3	0.0	-0.3	0.0	0.0	0.0
Nov.	-0.8	-0.4	-0.1	-0.3	-0.2	0.0	-0.2
Dec. ^(p)	-3.8	-1.9	-0.2	-1.7	-0.2	0.0	-0.2

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2002	39.6	9.9	0.6	13.2	-0.1	5.8	0.2	9.9	-12.3	-5.0	-1.5	-5.8
2003	-1.2	-0.7	-0.4	3.1	-0.1	-1.2	-0.1	-2.0	19.2	7.9	5.0	6.4
2004 Q1	16.6	2.5	0.3	11.1	0.1	1.5	0.0	1.0	2.3	-0.3	1.0	1.7
2004 Q2	-8.6	-0.8	0.0	-5.0	0.0	-0.8	0.0	-2.1	0.1	-0.6	0.0	0.7
2004 July	0.2	-0.7	0.0	0.5	0.0	0.2	0.0	0.1	-2.3	-0.3	-1.0	-1.0
Aug.	2.3	0.0	0.0	2.2	0.0	0.0	0.0	0.0	-1.0	-0.1	-0.2	-0.6
Sep.	-0.3	0.0	-0.1	-1.1	0.0	0.4	0.0	0.5	1.8	0.3	0.7	0.7
Oct.	0.6	0.2	0.0	0.5	-0.1	0.1	0.0	0.0	2.3	0.7	0.8	0.8
Nov.	0.8	0.5	-0.1	0.6	-0.1	0.4	-0.1	-0.5	2.8	1.0	0.9	1.0
Dec. ^(p)	-1.8	0.0	-0.1	0.5	-0.1	-2.1	0.0	-0.1	2.6	0.7	1.4	0.6

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

(percentages of total; outstanding amounts in EUR billions; end of period)

1. Deposits

	MFIs ²⁾							Non-MFIs						
	All currencies outstanding amount	Euro ³⁾	Non-euro currencies					All currencies outstanding amount	Euro ³⁾	Non-euro currencies				
			Total							Total				
			USD	JPY	CHF	GBP				USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2002	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.8	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,412.5	90.4	9.6	5.7	0.5	1.5	1.2	6,451.0	97.1	2.9	1.7	0.3	0.1	0.4
Q2	4,522.8	90.3	9.7	5.7	0.5	1.5	1.3	6,565.1	97.1	2.9	1.7	0.3	0.1	0.4
Q3 ³⁾	4,586.5	90.5	9.5	5.6	0.5	1.5	1.3	6,587.7	97.1	2.9	1.8	0.3	0.1	0.4
	By non-euro area residents													
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2	1,788.9	45.1	54.9	36.8	1.7	3.3	10.4	682.6	52.5	47.5	30.5	1.9	2.0	9.9
Q3 ³⁾	1,764.0	46.8	53.2	35.9	1.7	3.1	9.6	687.9	52.9	47.1	29.9	1.8	1.9	9.8

2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro ³⁾	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3 ³⁾	3,597.2	84.2	15.8	8.0	1.8	2.0	2.6

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) For non-euro area residents, the term "MFIs" refers to institutions of a similar type to euro area MFIs.

3) Including items expressed in the national denominations of the euro.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

(percentages of total; outstanding amounts in EUR billions; end of period)

3. Loans

	MFIs ²⁾							Non-MFIs						
	All currencies outstanding amount	Euro ³⁾	Non-euro currencies				All currencies outstanding amount	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2002	4,017.8	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3	
2003	4,193.6	-	-	-	-	-	7,920.9	96.5	3.5	1.6	0.3	1.2	0.3	
2004 Q1	4,224.5	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4	
Q2	4,296.0	-	-	-	-	-	8,138.1	96.4	3.6	1.6	0.2	1.3	0.4	
Q3 ^(p)	4,356.2	-	-	-	-	-	8,213.5	96.5	3.5	1.6	0.2	1.3	0.4	
To non-euro area residents														
2002	1,146.2	48.3	51.7	32.4	4.5	9.1	583.9	36.2	63.8	47.6	2.3	4.7	5.6	
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	580.6	38.7	61.3	43.9	2.4	4.6	
2004 Q1	1,308.6	49.1	50.9	30.4	4.7	2.7	9.4	646.9	40.0	60.0	41.9	2.5	4.4	
Q2	1,322.7	49.2	50.8	30.9	4.7	2.4	9.2	642.6	38.6	61.4	42.6	2.4	4.4	
Q3 ^(p)	1,317.4	51.1	48.9	30.4	3.7	2.2	9.0	648.3	40.5	59.5	41.8	2.5	4.4	

4. Holdings of securities other than shares

	Issued by MFIs ²⁾							Issued by non-MFIs						
	All currencies outstanding amount	Euro ³⁾	Non-euro currencies				All currencies outstanding amount	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003	1,275.8	95.5	4.5	1.7	0.3	0.9	1.3	1,671.6	98.0	2.0	1.0	0.5	0.3	0.2
2004 Q1	1,344.2	95.5	4.5	1.6	0.3	0.9	1.3	1,737.3	97.9	2.1	1.0	0.5	0.2	0.2
Q2	1,361.7	95.4	4.6	2.2	0.4	0.4	1.4	1,796.2	98.0	2.0	1.1	0.5	0.1	0.2
Q3 ^(p)	1,388.3	95.5	4.5	2.1	0.3	0.5	1.4	1,795.7	98.1	1.9	1.0	0.5	0.1	0.2
Issued by non-euro area residents														
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003	275.2	44.9	55.1	30.8	1.2	4.9	15.5	353.9	45.8	54.2	31.3	5.9	5.9	6.4
2004 Q1	307.2	44.4	55.6	29.8	1.2	5.0	16.7	378.9	44.3	55.7	31.2	6.2	5.5	7.1
Q2	310.7	46.0	54.0	33.0	1.1	0.6	16.9	386.3	44.9	55.1	33.8	6.7	1.0	7.4
Q3 ^(p)	321.4	47.2	52.8	32.5	1.0	0.5	16.3	407.4	44.0	56.0	32.8	7.3	0.8	8.6

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) For non-euro area residents, the term "MFIs" refers to institutions of a similar type to euro area MFIs.

3) Including items expressed in the national denominations of the euro.

2.9 Aggregated balance sheet of euro area investment funds ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2003 Q2	2,959.5	232.6	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.1
Q3	3,085.6	248.3	1,405.3	65.3	1,340.0	932.3	234.6	126.3	138.8
Q4	3,175.0	235.2	1,389.4	67.4	1,322.0	1,033.7	243.9	133.7	139.1
2004 Q1	3,353.6	266.5	1,433.9	70.3	1,363.6	1,102.8	262.6	136.7	151.2
Q2	3,366.1	244.8	1,429.4	69.2	1,360.2	1,117.1	277.1	139.7	157.9
Q3 ^(p)	3,385.2	246.4	1,471.6	71.7	1,399.8	1,090.6	280.4	143.5	152.7

2. Liabilities

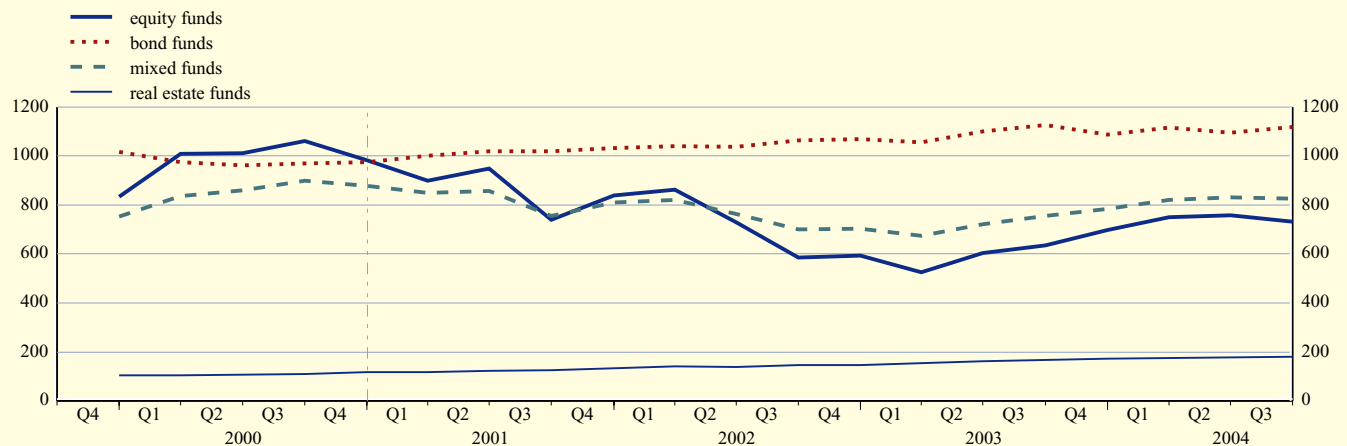
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2003 Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4	3,175.0	44.2	3,011.7	119.1
2004 Q1	3,353.6	49.6	3,171.2	132.8
Q2	3,366.1	50.3	3,189.0	126.7
Q3 ^(p)	3,385.2	48.7	3,209.0	127.4

3. Total assets/liabilities broken down by investment policy and type of investor

	Total 1	Funds by investment policy					Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2003 Q2	2,959.5	603.3	1,099.6	720.8	161.4	374.4	2,140.5	819.0
Q3	3,085.6	635.4	1,127.0	754.2	167.7	401.4	2,249.1	836.5
Q4	3,175.0	697.8	1,086.6	783.4	171.7	435.6	2,318.4	856.6
2004 Q1	3,353.6	750.5	1,116.6	821.2	175.9	489.5	2,470.4	883.2
Q2	3,366.1	756.5	1,094.4	830.2	179.1	505.8	2,479.1	887.0
Q3 ^(p)	3,385.2	732.3	1,117.2	825.5	181.5	528.7	2,484.6	900.6

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. Data refer to euro area countries excluding Ireland. For further details, see the General notes.

2.10 Assets of euro area investment funds broken down by investment policy and type of investor

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
Equity funds									
2003 Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1	750.5	32.8	32.2	3.0	29.2	635.7	23.4	-	26.5
Q2	756.5	31.5	31.6	3.2	28.3	642.8	25.3	-	25.3
Q3 ^(p)	732.3	31.5	32.8	3.5	29.3	618.7	24.4	-	25.0
Bond funds									
2003 Q2	1,099.6	82.4	927.9	33.0	894.9	31.1	20.9	-	37.3
Q3	1,127.0	93.6	934.7	30.7	904.1	29.1	21.7	-	47.9
Q4	1,086.6	82.5	905.9	31.6	874.3	31.0	21.6	-	45.5
2004 Q1	1,116.6	97.3	918.4	35.3	883.1	32.9	21.4	-	46.6
Q2	1,094.4	79.1	910.0	36.3	873.7	33.0	21.8	-	50.5
Q3 ^(p)	1,117.2	80.5	930.9	38.6	892.3	31.9	23.4	-	50.4
Mixed funds									
2003 Q2	720.8	49.4	311.9	20.9	291.0	237.0	91.9	0.3	30.3
Q3	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
Q4	783.4	49.5	324.0	22.1	301.9	272.5	100.5	0.3	36.7
2004 Q1	821.2	52.9	333.9	21.2	312.6	287.0	107.2	0.3	39.9
Q2	830.2	52.2	340.1	22.3	317.8	279.0	114.9	0.3	43.6
Q3 ^(p)	825.5	52.3	347.7	21.8	325.8	270.6	115.3	0.3	39.4
Real estate funds									
2003 Q2	161.4	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1	175.9	14.7	9.1	0.6	8.5	0.8	7.7	135.6	8.0
Q2	179.1	15.0	8.5	0.6	7.9	0.7	7.7	138.6	8.7
Q3 ^(p)	181.5	14.4	8.5	0.6	7.9	0.7	7.5	142.3	8.0

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
General public funds							
2003 Q2	2,140.5	181.6	912.4	691.7	168.3	104.2	82.2
Q3	2,249.1	199.0	927.7	736.5	176.6	108.9	100.4
Q4	2,318.4	191.7	913.6	815.8	183.8	115.5	98.0
2004 Q1	2,470.4	219.3	948.8	878.2	198.8	117.5	107.8
Q2	2,479.1	202.0	945.9	890.3	210.9	119.9	110.1
Q3 ^(p)	2,484.6	205.5	972.6	866.0	212.3	123.1	105.2
Special investors' funds							
2003 Q2	819.0	51.0	470.3	189.2	56.1	16.5	36.0
Q3	836.5	49.3	477.6	195.8	58.0	17.4	38.4
Q4	856.6	43.4	475.8	217.9	60.1	18.3	41.2
2004 Q1	883.2	47.2	485.1	224.6	63.8	19.1	43.3
Q2	887.0	42.7	483.6	226.9	66.2	19.8	47.8
Q3 ^(p)	900.6	40.9	499.0	224.6	68.2	20.4	47.5

Source: ECB.



FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

	Currency and deposits											Memo: deposits of non-banks with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs ¹⁾		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2003 Q1	14,468.8	5,637.5	290.7	4,948.1	1,836.2	1,572.0	1,433.8	106.1	176.2	222.5	323.9	
Q2	14,968.6	5,751.3	311.9	5,029.4	1,918.4	1,560.2	1,456.1	94.7	200.3	209.6	329.8	
Q3	15,074.4	5,755.8	322.7	5,070.8	1,956.6	1,555.8	1,469.0	89.3	183.9	178.4	345.4	
Q4	15,467.1	5,874.4	352.4	5,183.3	2,027.5	1,559.2	1,511.4	85.2	153.6	185.2	348.4	
2004 Q1	15,649.5	5,908.5	350.8	5,181.2	2,021.0	1,545.0	1,533.9	81.2	183.8	192.8	395.0	
Q2	15,923.1	6,045.7	372.0	5,264.5	2,101.6	1,529.7	1,553.9	79.4	223.7	185.3	396.3	
Transactions												
2003 Q1	155.3	41.4	3.1	-4.0	-29.5	-11.5	42.7	-5.7	32.8	9.4	32.2	
Q2	213.1	131.4	21.3	85.7	83.8	-8.8	22.2	-11.4	24.1	0.3	11.4	
Q3	133.1	12.3	11.4	12.1	6.8	-3.8	12.9	-3.9	-13.7	2.5	17.2	
Q4	152.9	124.2	29.7	118.0	79.0	7.9	36.3	-5.2	-30.3	6.8	10.9	
2004 Q1	140.2	31.6	-1.6	-4.6	-7.2	-15.8	22.3	-3.9	30.2	7.6	40.7	
Q2	283.5	136.4	21.2	83.1	78.8	-14.5	20.7	-1.9	39.4	-7.4	0.8	
Growth rates												
2003 Q1	4.3	5.9	31.2	4.3	7.3	-0.3	7.3	-10.6	5.1	14.5	13.7	
Q2	4.6	6.4	27.6	4.5	7.6	-1.0	8.9	-19.0	22.3	13.7	22.6	
Q3	4.7	6.5	23.9	4.7	8.2	-0.7	9.1	-23.5	22.8	13.4	24.5	
Q4	4.5	5.5	21.2	4.3	7.6	-1.0	8.1	-23.4	9.5	8.9	24.5	
2004 Q1	4.4	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	7.7	24.8	
Q2	4.7	5.3	19.5	4.1	8.2	-1.7	6.3	-15.7	12.8	4.5	21.1	
Securities other than shares												
			Shares ²⁾					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2003 Q1	1,953.3	190.2	1,763.1	3,276.9	1,536.1	1,740.8	396.6	3,601.1	3,252.2	349.0		
Q2	1,947.9	165.0	1,783.0	3,591.3	1,754.1	1,837.3	402.7	3,678.0	3,324.8	353.2		
Q3	1,944.2	165.9	1,778.3	3,630.0	1,768.5	1,861.5	406.6	3,744.4	3,388.1	356.3		
Q4	1,932.4	177.8	1,754.7	3,868.5	1,993.6	1,874.9	404.3	3,791.7	3,432.4	359.3		
2004 Q1	1,944.2	178.6	1,765.6	3,945.7	2,022.3	1,923.5	418.6	3,851.0	3,484.4	366.7		
Q2	1,985.7	196.0	1,789.7	3,993.2	2,084.0	1,909.3	423.3	3,898.5	3,529.3	369.2		
Transactions												
2003 Q1	-23.2	-24.5	1.3	65.5	2.9	62.6	29.8	71.6	65.3	6.3		
Q2	-40.2	-18.2	-22.0	61.5	23.7	37.8	3.6	60.4	56.1	4.3		
Q3	11.5	0.0	11.4	50.5	33.2	17.3	2.5	58.8	55.7	3.2		
Q4	9.3	8.5	0.8	-25.1	-24.8	-0.3	-10.3	44.5	42.2	2.3		
2004 Q1	15.7	0.5	15.2	24.3	-1.2	25.5	15.0	68.6	60.2	8.4		
Q2	41.2	15.7	25.5	54.9	56.6	-1.8	-0.4	51.0	47.5	3.5		
Growth rates												
2003 Q1	-0.5	-17.9	1.6	2.8	0.8	5.6	11.8	6.3	6.6	3.6		
Q2	-2.2	-16.0	-0.7	3.8	1.2	7.1	13.4	6.5	6.8	3.7		
Q3	-3.4	-25.6	-0.7	4.6	2.2	6.9	9.1	6.6	6.9	3.4		
Q4	-2.2	-16.4	-0.5	4.4	2.0	6.9	8.3	6.7	6.9	4.7		
2004 Q1	-0.2	-4.8	0.3	3.4	2.0	4.6	2.7	6.4	6.6	5.2		
Q2	4.0	15.0	3.0	2.9	3.6	2.2	1.7	6.1	6.2	4.9		

Source: ECB.

- 1) Covering deposits with euro area central government (S.1311 in ESA 95), other financial intermediaries (S.123 in ESA 95) and insurance corporations and pension funds (S.125 in ESA 95).
- 2) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households ¹⁾			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2003 Q1	15,607.8	8,142.7	7,168.9	884.2	68.5	815.7	3,609.7	1,194.5	2,415.3	3,648.8	286.8	3,362.0	256.4
Q2	16,176.5	8,242.9	7,236.1	877.0	69.7	807.3	3,651.8	1,213.2	2,438.6	3,714.1	291.4	3,422.6	253.8
Q3	16,245.3	8,327.6	7,293.6	885.7	70.8	814.9	3,657.7	1,184.8	2,472.9	3,784.2	286.0	3,498.2	275.6
Q4	16,567.1	8,468.4	7,397.1	956.4	80.6	875.8	3,660.8	1,164.7	2,496.0	3,851.2	287.4	3,563.8	266.5
2004 Q1	16,907.2	8,519.5	7,466.6	961.0	84.7	876.3	3,655.6	1,161.5	2,494.1	3,902.9	281.9	3,621.0	305.5
Q2	17,129.0	8,668.4	7,597.6	953.7	90.1	863.6	3,699.5	1,168.9	2,530.6	4,015.1	294.0	3,721.2	303.8
Transactions													
2003 Q1	266.0	93.9	66.5	5.7	7.9	-2.2	45.0	18.5	26.5	43.2	-7.6	50.8	7.1
Q2	235.6	116.1	84.0	-4.8	3.2	-8.0	51.5	24.2	27.3	69.4	5.3	64.1	2.6
Q3	137.2	81.7	58.7	8.7	1.1	7.6	1.8	-25.9	27.7	71.2	-4.7	75.9	22.9
Q4	111.9	113.0	118.5	22.3	9.8	12.5	17.1	-16.1	33.2	73.6	4.6	69.0	-1.4
2004 Q1	195.7	48.3	76.5	6.0	4.0	2.0	-13.6	-6.2	-7.4	55.8	-4.0	59.8	33.5
Q2	270.8	154.2	134.7	-8.9	5.4	-14.3	67.4	13.5	54.0	95.7	8.7	86.9	-2.0
Growth rates													
2003 Q1	4.4	4.8	4.0	-1.5	28.5	-3.4	4.5	-0.9	7.4	6.7	-0.3	7.4	-4.1
Q2	4.8	4.9	4.0	0.9	34.4	-1.3	4.2	1.4	5.7	6.5	-1.5	7.3	3.7
Q3	5.2	5.4	4.3	2.8	33.0	0.8	4.4	1.0	6.1	7.1	-1.4	7.9	16.1
Q4	4.8	5.0	4.6	3.6	36.2	1.2	3.2	0.1	4.8	7.1	-0.8	7.8	12.9
2004 Q1	4.4	4.4	4.7	3.7	26.5	1.7	1.6	-2.0	3.3	7.4	0.4	8.0	22.5
Q2	4.4	4.8	5.4	3.2	29.2	1.0	2.0	-2.9	4.4	8.0	1.6	8.5	20.9
Securities other than shares issued by													
	Total			General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	Total			Total	Short-term	Long-term	Total	Short-term	Long-term				
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2003 Q1	4,848.0	4,284.2	529.9	3,754.3	563.8	167.2	396.6	2,116.2	219.4	281.4			
Q2	4,990.4	4,402.6	563.6	3,838.9	587.8	166.4	421.4	2,452.0	205.7	285.6			
Q3	4,978.2	4,394.3	557.8	3,836.5	583.9	165.0	418.8	2,475.4	174.3	289.8			
Q4	4,898.0	4,307.9	539.1	3,768.8	590.1	164.1	426.0	2,728.6	181.7	290.4			
2004 Q1	5,067.5	4,473.0	576.2	3,896.8	594.5	180.4	414.1	2,836.7	189.0	294.4			
Q2	5,134.8	4,528.0	593.6	3,934.4	606.8	191.4	415.4	2,845.3	181.9	298.7			
Transactions													
2003 Q1	158.6	129.6	49.9	79.7	29.0	22.3	6.7	-0.2	9.5	4.2			
Q2	101.3	85.5	33.9	51.6	15.7	-0.6	16.4	14.5	-0.6	4.2			
Q3	44.8	42.4	-5.8	48.2	2.4	-0.9	3.3	4.0	2.4	4.2			
Q4	-12.9	-20.8	-18.4	-2.4	7.8	-0.8	8.7	0.4	7.4	4.1			
2004 Q1	134.4	135.0	35.7	99.3	-0.7	16.2	-16.8	1.6	7.3	4.0			
Q2	114.8	100.2	17.2	83.0	14.6	10.8	3.7	4.7	-7.1	4.3			
Growth rates													
2003 Q1	6.3	6.0	16.7	4.7	8.1	15.3	5.3	0.4	14.7	5.4			
Q2	7.1	6.5	15.5	5.3	11.6	27.7	6.1	0.7	13.4	5.8			
Q3	6.6	6.2	14.5	5.1	9.8	20.0	6.1	0.9	13.2	5.8			
Q4	6.2	5.7	12.4	4.8	10.3	13.7	9.1	0.8	8.9	6.0			
2004 Q1	5.5	5.7	8.6	5.2	4.5	8.2	2.9	1.0	7.5	5.9			
Q2	5.6	5.8	5.1	5.9	4.1	15.2	-0.3	0.4	4.8	5.8			

Source: ECB.

1) Including non-profit institutions serving households.

3.3 Main financial assets and liabilities of insurance corporations and pension funds

(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

Main financial assets												
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2003 Q1	3,336.9	536.1	61.7	454.2	1.8	18.3	332.9	63.6	269.3	1,382.8	56.3	1,326.5
Q2	3,471.2	538.1	63.8	450.5	1.6	22.3	337.4	65.1	272.3	1,412.0	54.3	1,357.7
Q3	3,524.6	533.3	57.5	455.3	1.8	18.7	339.4	65.8	273.5	1,433.4	57.1	1,376.3
Q4	3,634.0	542.4	58.9	462.3	2.1	19.1	328.0	66.7	261.3	1,461.1	58.3	1,402.9
2004 Q1	3,784.1	557.2	64.7	468.3	2.3	22.0	338.2	69.4	268.8	1,530.7	56.2	1,474.5
Q2	3,809.4	565.4	59.9	481.9	2.3	21.2	335.3	71.0	264.3	1,537.1	52.8	1,484.3
Transactions												
2003 Q1	67.6	12.6	4.3	7.8	0.1	0.5	-8.7	-6.3	-2.4	54.0	7.1	46.9
Q2	43.0	2.3	2.2	-3.9	0.0	3.9	4.4	1.4	3.0	18.9	-2.2	21.0
Q3	34.2	-6.2	-6.4	3.8	0.3	-3.8	2.0	0.7	1.3	22.5	2.8	19.6
Q4	60.2	10.2	1.5	7.9	0.3	0.5	-11.4	0.9	-12.2	37.2	1.2	36.0
2004 Q1	93.2	14.6	5.7	5.9	0.2	2.8	10.0	2.7	7.3	42.2	-1.8	44.0
Q2	33.9	7.3	-4.9	13.7	-0.6	-0.9	-2.8	1.6	-4.5	28.0	-3.4	31.4
Growth rates												
2003 Q1	5.9	7.5	37.1	4.8	-10.2	3.3	-1.4	-11.4	1.4	10.0	18.9	9.6
Q2	6.8	6.8	28.9	3.9	-1.6	17.4	-0.6	-11.9	2.6	12.0	41.9	11.1
Q3	6.6	5.0	11.7	3.6	-1.6	28.2	0.8	-11.6	4.4	10.1	22.0	9.7
Q4	6.2	3.6	2.9	3.5	17.9	6.1	-4.0	-4.7	-3.8	9.9	18.0	9.6
2004 Q1	6.9	3.9	5.0	3.0	38.5	18.7	1.5	9.0	-0.2	8.7	0.1	9.1
Q2	6.4	4.8	-6.4	6.9	6.5	-6.3	-0.6	9.1	-3.0	9.2	-2.1	9.6

Main financial assets							Main liabilities							
Shares ¹⁾				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations	Securities other than shares	Quoted shares	Insurance technical reserves					
Total	Quoted shares	Mutual fund shares	Money market fund shares						Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims			
												Taken from euro area MFIs		
13	14	15	16	17	18	19	20	21	22	23	24	25		
Outstanding amounts														
2003 Q1	973.4	409.5	563.9	60.1	111.7	3,586.1	61.0	42.7	10.9	101.5	3,412.8	2,899.0	513.7	
Q2	1,070.0	471.9	598.1	64.5	113.7	3,692.6	60.6	44.8	11.1	134.3	3,486.6	2,966.3	520.3	
Q3	1,103.4	489.4	614.0	60.8	115.1	3,757.5	62.7	44.3	11.7	133.5	3,549.7	3,024.6	525.1	
Q4	1,186.1	540.9	645.2	64.5	116.4	3,812.4	51.9	35.4	12.1	153.8	3,594.5	3,065.1	529.4	
2004 Q1	1,238.3	557.5	680.7	63.9	119.7	3,879.1	61.6	46.3	12.2	153.7	3,651.5	3,111.3	540.3	
Q2	1,251.1	555.1	696.0	65.0	120.5	3,930.2	69.6	53.7	12.7	154.2	3,693.6	3,150.3	543.3	
Transactions														
2003 Q1	7.0	-4.0	11.0	2.1	2.6	83.7	15.2	11.3	0.0	-0.9	69.4	60.1	9.3	
Q2	15.3	4.0	11.4	4.7	2.0	62.2	-0.3	2.3	0.2	4.5	57.8	51.2	6.6	
Q3	14.5	4.9	9.6	-4.2	1.4	58.0	2.0	-0.5	0.5	0.0	55.5	50.8	4.7	
Q4	22.7	7.0	15.8	4.3	1.4	32.8	-10.8	-8.9	0.5	3.9	39.2	35.5	3.8	
2004 Q1	23.2	2.0	21.2	-0.7	3.2	76.8	9.6	10.8	0.0	0.7	66.5	54.6	11.8	
Q2	0.6	-8.5	9.1	0.1	0.9	53.5	7.6	7.0	0.4	-0.9	46.4	42.3	4.1	
Growth rates														
2003 Q1	3.0	-0.3	6.3	19.6	6.2	5.9	7.5	8.5	0.6	-0.1	6.4	6.8	3.9	
Q2	3.5	-0.4	7.0	23.2	5.9	6.0	0.8	4.5	1.2	1.8	6.4	6.9	4.0	
Q3	4.9	0.1	8.6	18.5	4.8	6.4	6.7	9.4	7.9	3.2	6.6	7.1	3.6	
Q4	5.8	2.6	8.4	12.1	6.9	6.8	12.9	12.7	11.1	6.7	6.7	7.0	4.8	
2004 Q1	7.8	4.3	10.3	6.9	7.2	6.4	0.9	8.5	11.3	8.9	6.4	6.6	5.2	
Q2	5.7	1.1	9.3	-0.7	6.1	6.0	14.0	18.8	13.2	2.7	6.0	6.2	4.7	

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories ¹⁾	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) ³⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	350.6	1,137.7	-797.1	10.0	0.0	1,938.8	-0.2	390.9	330.7	464.6	491.4	224.1	37.2
1998	411.4	1,201.7	-823.6	33.2	0.2	2,412.6	11.0	419.6	360.1	515.3	845.0	213.7	47.9
1999	448.8	1,290.5	-863.7	21.8	0.2	3,113.5	1.3	559.2	429.1	878.8	942.2	259.2	43.7
2000	485.5	1,389.6	-913.1	25.7	-16.7	2,911.8	1.3	350.9	264.6	829.9	1,189.1	251.3	24.6
2001	459.1	1,441.3	-973.6	-10.7	2.0	2,597.7	-0.5	579.0	449.1	731.2	602.3	248.8	-12.2
2002	389.9	1,428.1	-1,021.8	-17.5	1.1	2,310.5	0.9	656.6	279.7	632.8	468.4	220.8	51.3
2003	390.7	1,439.5	-1,054.3	5.0	0.5	2,422.1	1.7	678.6	426.8	578.8	456.6	240.7	38.9

	Changes in net worth ⁴⁾				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,570.8	668.9	489.9	634.3	521.6	256.0
2002	466.7	1,478.6	-1,021.8	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	420.2	1,469.4	-1,054.3	5.0	2,392.7	676.2	514.0	539.3	420.3	242.8

2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth ⁴⁾		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares ²⁾	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	150.3	591.9	-453.2	272.3	26.0	-12.1	65.8	100.8	104.8	521.3	317.8	12.1	175.9	120.1
1998	193.7	635.1	-470.6	439.8	45.7	-11.5	110.9	204.5	147.6	569.1	485.9	22.8	257.2	194.9
1999	212.0	683.1	-490.7	654.0	24.5	93.6	186.0	336.3	106.7	547.6	759.3	47.5	434.1	261.1
2000	306.1	751.6	-522.4	921.0	74.2	87.4	230.4	511.4	79.9	554.9	1,147.2	61.0	597.1	480.7
2001	215.7	778.9	-558.8	638.2	101.6	44.6	169.2	232.1	91.3	590.5	762.6	99.7	355.5	295.9
2002	172.0	757.6	-580.9	515.7	31.8	-55.7	174.2	253.1	108.7	633.2	579.0	21.0	352.0	190.8
2003	157.5	745.6	-597.3	354.6	69.3	-57.9	107.6	191.3	75.1	644.7	437.1	55.0	174.1	194.9

3. Households⁵⁾

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth ⁴⁾		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio ⁶⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	165.1	376.0	-211.5	429.2	69.3	-20.8	192.5	217.6	424.6	615.6	169.7	168.3	3,818.3	16.1
1998	176.7	388.0	-216.2	446.4	92.9	-119.0	287.4	209.3	408.4	593.5	214.6	213.3	3,924.7	15.1
1999	188.2	417.6	-231.5	474.8	122.6	-28.5	195.8	245.2	394.7	580.0	268.4	266.9	4,086.0	14.2
2000	197.6	438.1	-241.6	435.0	66.2	35.3	122.6	245.9	406.2	607.7	226.4	224.7	4,290.6	14.2
2001	183.8	445.7	-259.0	416.3	180.7	82.7	45.4	229.1	423.9	649.7	176.2	174.3	4,576.4	14.2
2002	162.0	454.2	-279.4	481.9	220.6	83.1	-1.0	211.3	430.7	671.8	213.2	211.1	4,712.3	14.3
2003	164.8	461.4	-291.0	532.2	224.2	16.6	83.6	229.8	436.9	694.2	260.2	257.9	4,854.2	14.3

Source: ECB.

- 1) Including net acquisition of valuables.
- 2) Excluding financial derivatives.
- 3) Financial derivatives, other accounts receivable/payable and statistical discrepancies.
- 4) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
- 5) Including non-profit institutions serving households.
- 6) Gross saving as a percentage of disposable income.



FINANCIAL MARKETS

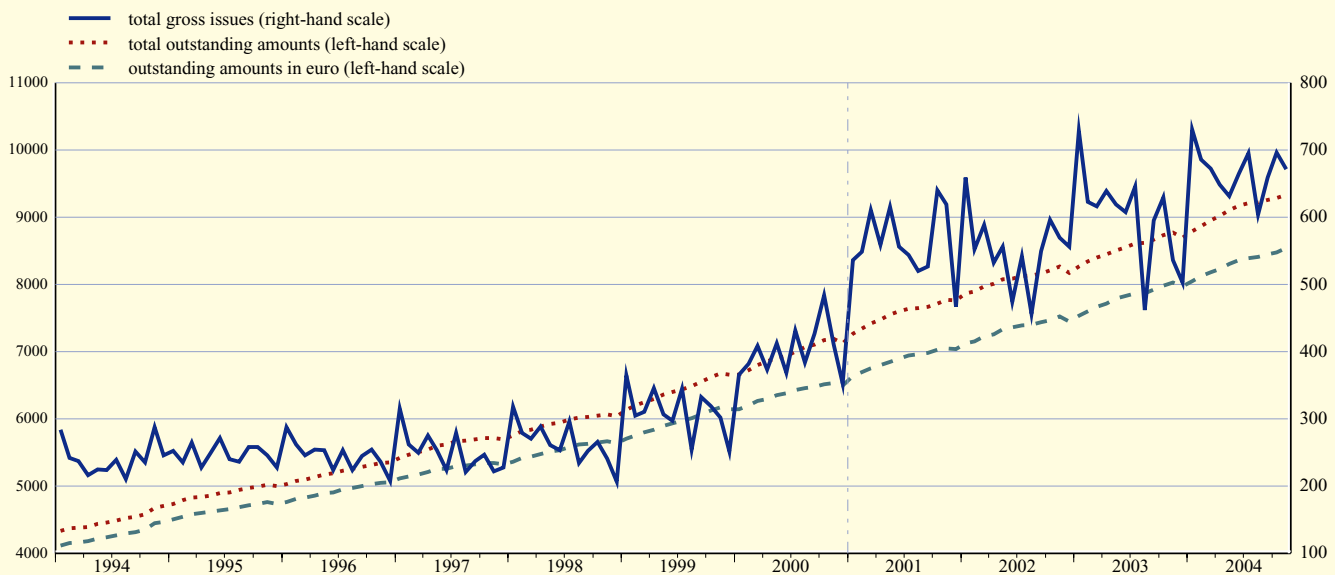
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions, unless otherwise indicated; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro ¹⁾				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2003 Nov.	9,243.3	556.0	491.3	64.7	8,774.1	536.4	490.3	46.1	91.5	93.2	92.4	46.6
Dec.	9,207.0	520.9	553.5	-32.5	8,698.3	503.0	557.3	-54.3	91.6	93.8	94.6	-55.4
2004 Jan.	9,277.8	738.5	665.4	73.1	8,789.7	730.8	644.7	86.1	91.5	94.2	94.8	77.6
Feb.	9,353.8	698.5	622.7	75.8	8,865.9	685.5	605.6	79.9	91.6	94.6	94.2	77.6
Mar.	9,462.4	717.7	608.9	108.8	8,951.5	672.8	597.1	75.8	91.3	92.7	95.3	54.9
Apr.	9,488.4	648.8	624.7	24.1	9,019.0	648.5	587.1	61.3	91.2	93.3	95.0	46.8
May	9,588.2	649.3	549.7	99.5	9,101.8	631.1	543.7	87.4	91.2	93.9	94.9	76.5
June	9,695.5	711.0	602.6	108.5	9,167.8	664.4	598.4	66.0	91.2	94.3	94.7	59.6
July	9,715.0	707.7	686.5	21.2	9,209.2	695.1	654.1	41.0	91.1	94.1	94.6	35.2
Aug.	9,745.7	619.8	589.1	30.7	9,221.4	603.6	588.8	14.8	91.2	94.7	94.7	14.0
Sep.	9,855.5	723.4	613.7	109.7	9,252.6	659.6	618.9	40.6	91.3	94.9	94.4	41.4
Oct.	.	.	.	.	9,287.6	696.7	656.4	40.3	91.3	93.7	94.9	30.2
Nov.	.	.	.	.	9,337.3	671.1	614.6	56.4	91.5	94.5	94.3	54.3
Long-term												
2003 Nov.	8,355.0	143.4	93.5	50.0	7,892.2	136.5	90.4	46.0	91.5	89.6	88.1	42.6
Dec.	8,348.7	119.3	120.5	-1.2	7,867.7	112.1	114.6	-2.5	91.7	90.4	93.1	-5.3
2004 Jan.	8,406.1	195.8	137.6	58.2	7,915.2	178.4	139.2	39.3	91.6	92.9	90.9	39.1
Feb.	8,491.5	193.5	109.2	84.3	7,997.9	182.7	98.8	83.9	91.7	92.2	88.0	81.6
Mar.	8,553.4	213.6	150.9	62.6	8,063.5	189.6	132.7	56.9	91.4	88.8	94.1	39.7
Apr.	8,594.6	163.6	124.2	39.4	8,114.0	155.3	110.4	44.9	91.3	88.5	94.7	32.9
May	8,696.3	174.7	72.3	102.4	8,198.1	156.7	67.9	88.7	91.3	89.3	90.9	78.1
June	8,781.7	204.2	120.8	83.3	8,269.7	181.0	113.1	67.9	91.3	92.9	92.3	63.9
July	8,817.2	190.3	153.3	36.9	8,304.8	173.4	139.2	34.2	91.2	91.8	93.7	28.6
Aug.	8,844.2	87.3	60.6	26.7	8,320.1	75.3	58.6	16.7	91.2	86.9	91.5	11.9
Sep.	8,936.8	191.1	99.9	91.2	8,367.5	156.4	102.6	53.8	91.3	91.6	88.8	52.1
Oct.	.	.	.	.	8,386.6	158.6	132.0	26.6	91.3	88.1	93.7	16.0
Nov.	.	.	.	.	8,436.8	151.0	93.2	57.8	91.4	89.4	92.1	49.1

C13 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).

1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type

(EUR billions unless otherwise indicated; nominal values)

1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2002	8,172	3,123	565	544	3,760	180	91.2	85.7	83.3	86.6	97.3	95.8
2003	8,698	3,288	678	592	3,923	219	91.6	85.5	87.8	88.4	97.7	95.4
2003 Q4	8,698	3,288	678	592	3,923	219	91.6	85.5	87.8	88.4	97.7	95.4
2004 Q1	8,952	3,403	680	592	4,045	232	91.3	85.2	87.6	87.8	97.4	95.5
Q2	9,168	3,476	707	608	4,138	239	91.2	84.7	88.5	87.6	97.4	95.5
Q3	9,253	3,533	712	604	4,162	241	91.3	84.7	89.4	87.5	97.6	95.7
2004 Aug.	9,221	3,514	713	612	4,144	239	91.2	84.6	88.9	87.3	97.5	95.5
Sep.	9,253	3,533	712	604	4,162	241	91.3	84.7	89.4	87.5	97.6	95.7
Oct.	9,288	3,565	721	606	4,152	243	91.3	84.6	89.7	87.6	97.6	95.7
Nov.	9,337	3,577	740	607	4,166	248	91.5	84.8	90.3	87.8	97.6	95.7
	Short-term											
2002	787	361	7	91	325	4	88.9	78.0	100.0	94.6	99.2	87.1
2003	831	360	6	94	367	3	91.2	81.8	100.0	94.1	99.6	87.6
2003 Q4	831	360	6	94	367	3	91.2	81.8	100.0	94.1	99.6	87.6
2004 Q1	888	374	5	102	403	4	90.7	81.4	100.0	94.7	98.3	83.7
Q2	898	378	5	108	402	5	90.3	80.5	100.0	95.2	98.2	83.2
Q3	885	370	6	100	405	5	91.2	82.1	96.1	95.7	98.5	82.8
2004 Aug.	901	383	6	106	401	5	90.9	81.8	96.2	95.2	98.5	84.1
Sep.	885	370	6	100	405	5	91.2	82.1	96.1	95.7	98.5	82.8
Oct.	901	384	6	99	407	4	91.3	82.5	96.0	95.4	98.6	83.4
Nov.	900	391	6	98	400	5	92.1	84.2	94.9	95.6	99.0	89.9
	Total long-term ¹⁾											
2002	7,384	2,763	559	452	3,435	176	91.4	86.7	83.1	84.9	97.1	96.0
2003	7,868	2,927	672	498	3,555	215	91.7	86.0	87.6	87.3	97.5	95.5
2003 Q4	7,868	2,927	672	498	3,555	215	91.7	86.0	87.6	87.3	97.5	95.5
2004 Q1	8,063	3,029	675	490	3,642	228	91.4	85.7	87.6	86.3	97.3	95.7
Q2	8,270	3,098	701	500	3,737	234	91.3	85.2	88.4	85.9	97.3	95.8
Q3	8,368	3,163	706	505	3,758	237	91.3	85.0	89.3	85.9	97.5	95.9
2004 Aug.	8,320	3,131	707	505	3,743	234	91.2	84.9	88.8	85.7	97.4	95.8
Sep.	8,368	3,163	706	505	3,758	237	91.3	85.0	89.3	85.9	97.5	95.9
Oct.	8,387	3,181	715	507	3,745	239	91.3	84.9	89.7	86.1	97.5	96.0
Nov.	8,437	3,185	733	508	3,766	243	91.4	84.9	90.3	86.3	97.5	95.8
	Of which long-term fixed rate											
2002	5,853	1,872	367	380	3,097	137	91.5	86.6	75.0	85.0	97.0	95.9
2003	6,117	1,885	405	423	3,240	164	91.8	85.4	80.3	86.8	97.4	95.5
2003 Q4	6,117	1,885	405	423	3,240	164	91.8	85.4	80.3	86.8	97.4	95.5
2004 Q1	6,246	1,926	410	414	3,324	172	91.6	84.9	80.3	85.7	97.3	95.6
Q2	6,363	1,943	416	419	3,409	177	91.5	84.5	81.2	85.1	97.3	95.7
Q3	6,389	1,950	411	417	3,431	181	91.6	84.1	82.3	85.4	97.4	95.9
2004 Aug.	6,357	1,941	415	418	3,407	177	91.5	84.2	81.7	85.2	97.3	95.7
Sep.	6,389	1,950	411	417	3,431	181	91.6	84.1	82.3	85.4	97.4	95.9
Oct.	6,367	1,944	410	418	3,414	181	91.6	84.0	82.7	85.5	97.4	95.9
Nov.	6,387	1,936	417	417	3,432	185	91.6	83.9	83.5	85.7	97.5	95.7
	Of which long-term variable rate											
2002	1,393	821	188	67	277	39	91.1	87.4	98.8	85.2	97.4	96.1
2003	1,594	959	264	59	261	51	91.3	87.5	98.8	89.5	97.5	95.5
2003 Q4	1,594	959	264	59	261	51	91.3	87.5	98.8	89.5	97.5	95.5
2004 Q1	1,653	1,008	262	63	265	55	91.2	87.5	98.8	89.4	97.5	95.7
Q2	1,730	1,048	282	67	276	57	90.8	86.7	98.9	89.9	97.5	95.9
Q3	1,789	1,100	292	74	267	56	90.7	86.7	99.0	87.8	97.5	96.0
2004 Aug.	1,774	1,076	289	74	279	57	90.6	86.5	98.9	87.5	97.5	95.9
Sep.	1,789	1,100	292	74	267	56	90.7	86.7	99.0	87.8	97.5	96.0
Oct.	1,828	1,123	302	75	272	57	90.6	86.6	99.0	88.1	97.6	96.1
Nov.	1,858	1,135	313	77	275	59	90.8	86.7	99.1	88.4	97.6	96.2

Source: ECB.

1) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type

(EUR billions unless otherwise indicated; nominal values)

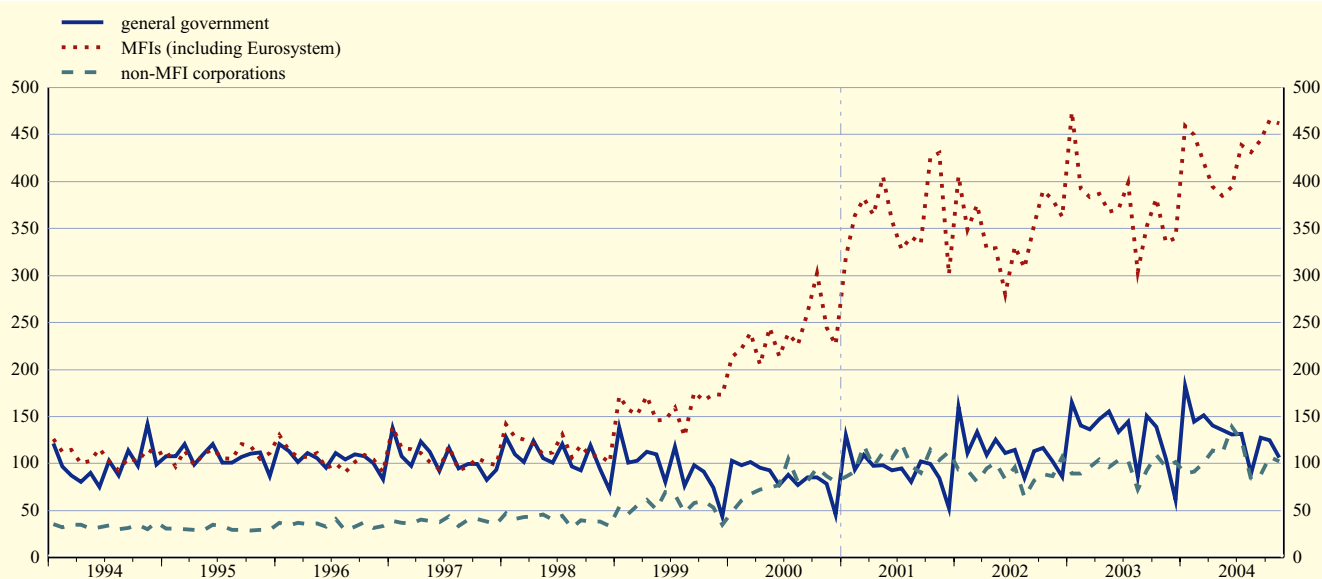
2. Gross issues

(transactions during the period)

	Total						Long-term ¹⁾					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total						Long-term fixed rate					
2002	6,632.9	4,193.0	250.3	820.1	1,291.0	78.4	1,183.8	389.2	131.2	65.0	561.8	36.4
2003	7,205.1	4,485.6	244.7	909.4	1,478.8	86.5	1,282.6	414.3	111.5	88.9	626.4	41.4
2003 Q4	1,669.4	1,057.2	69.8	237.1	283.6	21.7	251.4	96.7	22.7	21.8	100.4	9.8
2004 Q1	2,089.2	1,328.5	38.1	243.4	453.0	26.2	376.8	135.6	16.8	11.7	199.7	13.2
Q2	1,944.0	1,173.1	63.8	300.3	387.5	19.3	307.6	91.3	21.7	19.5	166.8	8.1
Q3	1,958.2	1,313.3	41.5	254.9	333.2	15.2	247.2	86.6	9.6	14.0	130.9	6.1
2004 Aug.	603.6	430.8	6.2	77.2	85.3	4.0	42.9	15.3	1.0	1.7	23.8	1.2
Sep.	659.6	443.8	12.1	75.8	120.4	7.4	99.2	39.4	2.5	3.4	49.8	4.2
Oct.	696.7	464.8	21.4	85.8	119.1	5.6	92.7	28.4	5.3	8.2	49.0	1.8
Nov.	671.1	461.9	28.7	73.9	97.8	8.8	92.6	32.2	13.2	3.1	39.7	4.3
	Of which short-term						Long-term variable rate					
2002	4,993.8	3,538.3	42.3	740.4	646.6	26.3	392.1	237.8	76.2	12.8	49.5	15.7
2003	5,331.9	3,698.2	41.3	796.1	767.6	28.6	509.8	336.7	91.7	11.7	53.3	16.4
2003 Q4	1,252.3	855.8	10.9	206.1	172.4	7.1	147.5	92.2	36.2	5.4	9.0	4.7
2004 Q1	1,538.4	1,071.9	10.0	224.7	223.7	8.1	146.6	105.5	11.3	6.6	18.4	4.9
Q2	1,451.0	969.0	11.1	271.0	191.3	8.5	159.4	96.9	31.0	7.8	21.1	2.7
Q3	1,553.1	1,118.9	10.6	230.1	185.9	7.6	136.6	95.2	21.3	10.0	8.6	1.6
2004 Aug.	528.3	390.2	3.8	75.1	56.8	2.5	26.4	22.2	1.5	0.4	2.0	0.3
Sep.	503.1	361.5	3.2	71.2	64.5	2.6	52.2	40.1	6.4	1.1	4.0	0.6
Oct.	538.1	393.6	4.2	75.1	63.1	2.1	61.0	38.7	11.9	1.9	7.0	1.6
Nov.	520.1	393.0	2.9	68.1	53.4	2.7	54.1	33.0	12.5	2.1	4.7	1.7

C14 Gross issues of securities, other than shares, by sector

(EUR billions; transactions during the month; nominal values)



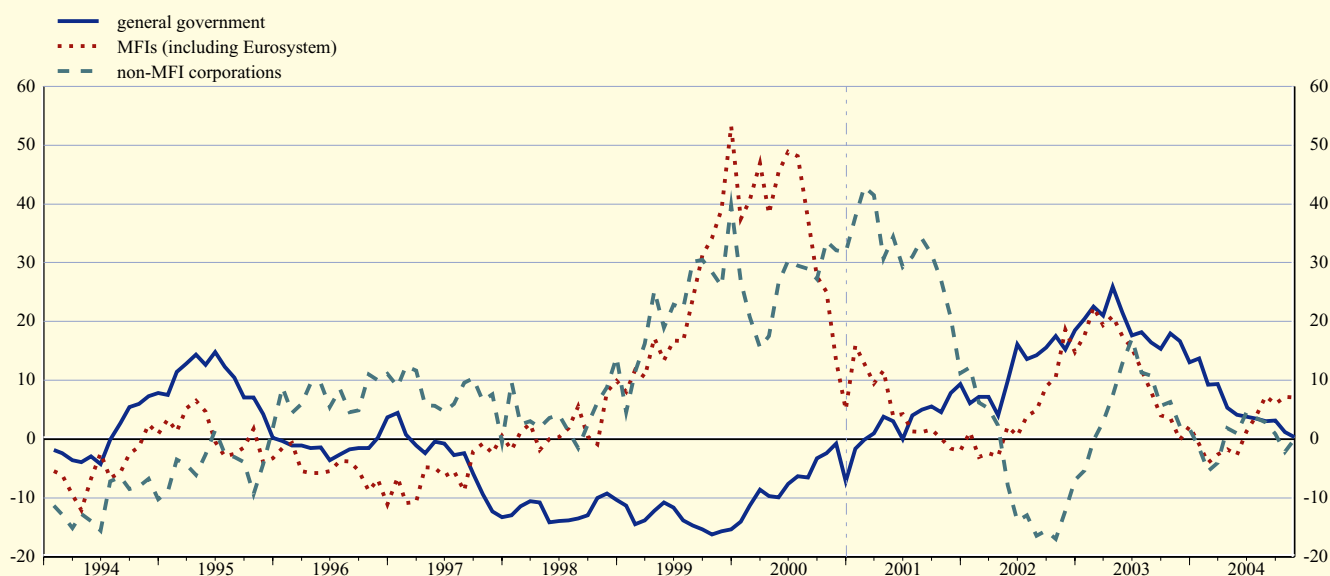
Source: ECB.

1) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

4.3 Annual growth rates of securities, other than shares, issued by euro area residents ¹⁾
(percentage changes)

	Total						Short-term					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
In all currencies combined												
2002	7.0	6.1	28.3	10.2	4.2	27.7	5.5	3.9	7.4	-7.1	11.8	7.2
2003	6.8	5.1	26.2	9.0	4.6	25.9	14.1	12.1	1.1	5.7	19.2	-2.0
2003 Q4	7.1	5.4	26.6	9.9	4.6	22.3	8.4	2.2	-11.2	5.1	16.6	-10.8
2004 Q1	7.0	6.3	20.7	6.9	4.8	21.3	3.5	-1.8	-17.9	-1.8	11.4	6.8
Q2	7.0	8.0	15.4	3.2	5.0	18.4	1.7	-1.7	-16.6	2.1	5.2	15.4
Q3	7.3	8.7	12.9	3.9	5.2	16.3	4.0	4.9	-11.1	3.9	3.1	27.2
2004 June	7.3	8.4	15.2	3.4	5.2	17.3	2.8	1.3	-16.8	5.8	3.6	21.2
July	7.2	8.4	13.1	4.5	5.2	15.9	3.7	4.0	-17.4	4.8	3.3	17.3
Aug.	7.4	8.9	12.6	3.7	5.4	16.7	4.8	7.3	-8.6	3.6	2.8	35.1
Sep.	7.1	9.1	10.7	3.8	4.9	15.3	4.1	6.0	3.4	0.7	2.8	41.7
Oct.	6.7	8.9	10.6	3.3	4.4	14.0	3.3	7.2	1.6	-2.4	0.9	38.6
Nov.	6.8	8.6	12.1	3.3	4.5	14.2	3.1	7.1	2.0	-0.2	-0.2	53.1
In euro												
2002	6.7	4.8	36.4	11.4	4.2	28.7	5.3	3.3	7.1	-8.3	12.0	3.1
2003	6.5	3.9	32.0	10.0	4.4	24.9	15.7	15.8	0.9	4.8	19.3	-8.0
2003 Q4	6.8	4.2	32.7	10.8	4.5	21.5	10.4	5.9	-11.1	4.0	16.6	-13.9
2004 Q1	6.8	5.3	24.7	7.0	4.9	20.5	4.3	-1.0	-17.9	-2.5	11.3	7.4
Q2	6.6	6.7	18.9	2.6	5.0	18.0	1.5	-2.5	-15.5	1.7	5.0	12.8
Q3	6.8	7.1	16.6	2.8	5.3	16.2	3.0	2.5	-13.7	4.4	3.0	22.6
2004 June	6.8	6.9	18.8	2.3	5.2	17.0	2.3	-0.1	-16.8	6.1	3.5	16.4
July	6.8	6.9	17.1	3.4	5.3	15.8	2.7	1.7	-20.6	4.8	3.3	12.5
Aug.	6.9	7.2	16.5	2.5	5.5	16.7	3.3	3.9	-11.0	4.2	2.6	30.7
Sep.	6.7	7.8	14.1	2.7	5.0	15.3	3.4	4.3	-0.6	2.0	2.8	38.0
Oct.	6.3	7.6	13.8	2.3	4.4	14.2	3.0	6.7	-2.5	-1.2	1.1	38.6
Nov.	6.4	7.3	15.7	2.3	4.5	14.1	3.1	7.5	-3.2	1.2	-0.1	62.6

C15 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined
(percentage changes)



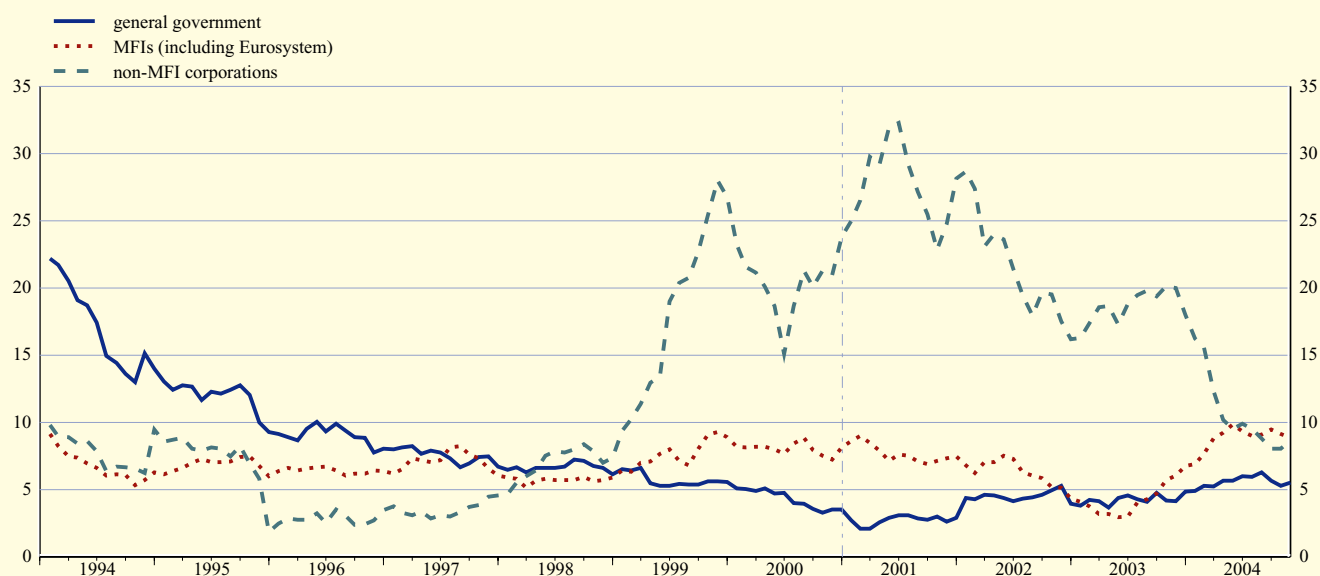
Source: ECB.

1) For the calculation of the growth rates, see the Technical notes.

4.3 Annual growth rates of securities, other than shares, issued by euro area residents (percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
In all currencies combined												
2002	5.9	2.8	15.1	19.8	4.8	22.7	12.3	14.3	86.3	-5.5	-8.0	57.7
2003	5.2	2.1	15.3	12.6	4.4	22.6	9.0	8.3	54.8	-13.4	-9.2	42.8
2003 Q4	5.7	2.9	16.6	13.1	4.6	20.5	11.6	11.6	49.8	-15.7	-6.6	32.0
2004 Q1	5.6	3.0	12.0	9.9	5.3	18.3	14.1	15.2	38.9	-8.5	-4.3	33.1
Q2	5.5	3.8	9.0	3.6	5.8	15.2	16.3	18.8	28.2	-0.1	0.9	29.8
Q3	4.9	3.0	4.2	1.3	6.1	13.6	17.9	19.0	29.2	20.7	3.0	25.0
2004 June	5.4	3.7	7.7	2.2	6.2	13.3	16.9	18.5	29.6	6.8	1.4	31.3
July	4.8	3.0	4.3	1.5	6.0	13.0	18.1	18.6	30.1	22.8	4.0	26.1
Aug.	4.8	2.7	3.2	0.7	6.3	14.4	18.6	19.4	30.3	22.7	4.3	23.5
Sep.	4.6	3.1	2.5	1.1	5.7	13.4	17.3	19.6	25.0	27.5	0.3	19.9
Oct.	4.2	2.2	2.3	1.6	5.4	12.3	17.9	20.4	24.9	29.3	0.1	18.5
Nov.	4.0	1.8	3.7	0.3	5.4	12.0	18.9	20.3	26.1	34.3	3.6	18.9
In euro												
2002	5.4	0.9	20.6	22.2	4.6	23.6	13.2	14.6	85.5	-1.2	-6.9	61.2
2003	4.6	0.1	20.5	13.1	4.2	21.2	9.1	7.7	54.9	-8.9	-9.2	43.6
2003 Q4	5.2	0.9	23.3	13.4	4.5	19.4	11.1	10.1	50.0	-11.7	-6.9	32.1
2004 Q1	5.4	1.6	16.4	9.7	5.4	17.6	13.7	14.4	38.8	-5.7	-4.5	31.9
Q2	5.1	2.0	13.2	2.3	5.8	15.0	15.9	18.2	28.3	2.2	0.9	28.8
Q3	4.7	1.2	8.3	-0.2	6.2	13.9	17.3	18.1	29.5	18.6	3.0	24.0
2004 June	5.1	1.9	11.8	0.3	6.3	13.3	16.3	17.4	29.8	8.1	1.4	30.5
July	4.7	1.3	8.7	0.3	6.2	13.3	17.4	17.5	30.4	19.8	4.0	25.1
Aug.	4.6	0.8	7.4	-0.8	6.4	14.8	17.9	18.4	30.6	19.7	4.4	22.5
Sep.	4.4	1.2	6.4	-0.6	5.9	13.9	16.9	19.2	25.2	25.1	0.2	18.8
Oct.	3.9	0.3	5.8	0.3	5.5	12.8	17.3	19.9	25.2	26.8	0.1	17.7
Nov.	3.6	-0.3	7.9	-1.3	5.4	12.1	18.3	19.6	26.5	31.8	3.6	18.1

C16 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined (percentage changes)



Source: ECB.

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

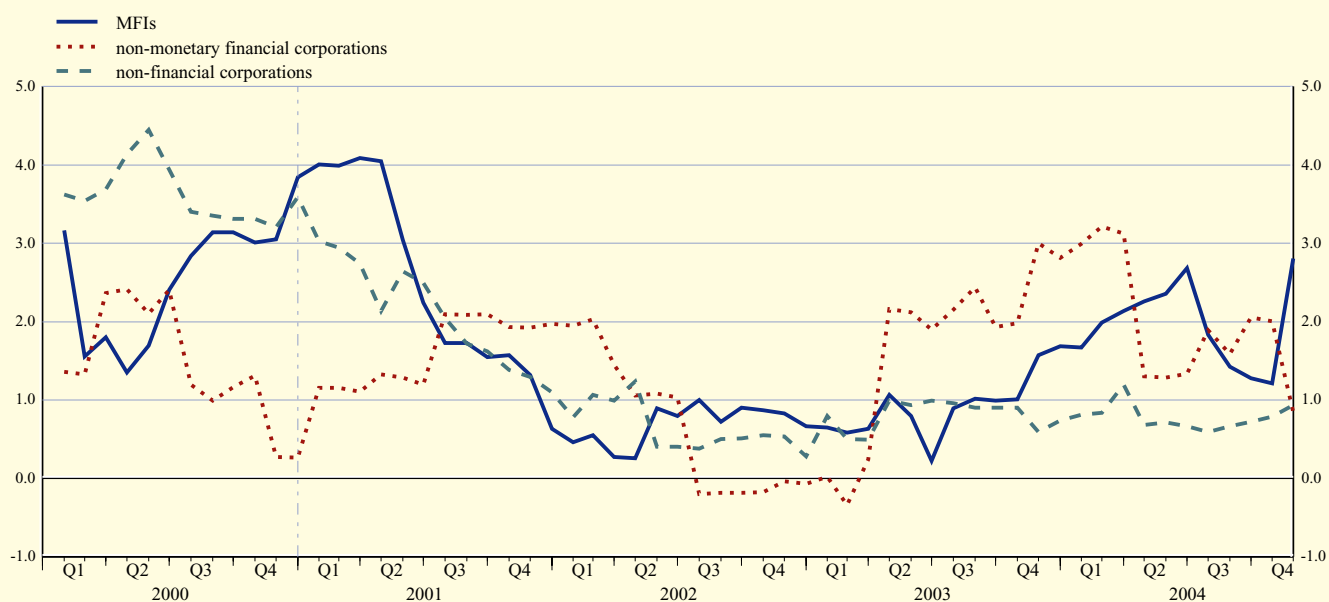
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2002 Nov.	3,436.9	100.3	0.5	487.4	0.8	345.9	0.0	2,603.6	0.5
Dec.	3,118.5	100.3	0.3	450.7	0.7	283.6	-0.1	2,384.2	0.3
2003 Jan.	2,978.6	100.3	0.7	425.8	0.6	261.1	0.0	2,291.7	0.8
Feb.	2,885.2	100.3	0.4	425.3	0.6	270.8	-0.3	2,189.1	0.5
Mar.	2,763.7	100.3	0.5	413.0	0.6	236.2	0.2	2,114.5	0.5
Apr.	3,113.1	100.9	1.1	471.4	1.1	291.8	2.2	2,350.0	1.0
May	3,145.8	100.9	1.0	476.7	0.8	291.3	2.1	2,377.8	0.9
June	3,256.3	100.9	0.9	504.2	0.2	300.6	1.9	2,451.5	1.0
July	3,366.6	101.1	1.1	528.0	0.9	330.9	2.1	2,507.8	1.0
Aug.	3,413.5	101.1	1.1	506.5	1.0	325.5	2.4	2,581.6	0.9
Sep.	3,276.8	101.2	1.0	494.8	1.0	307.1	1.9	2,474.9	0.9
Oct.	3,484.2	101.2	1.0	535.2	1.0	333.2	2.0	2,615.8	0.9
Nov.	3,547.1	101.3	1.0	549.5	1.6	337.9	3.0	2,659.7	0.6
Dec.	3,647.6	101.4	1.1	569.5	1.7	348.6	2.8	2,729.5	0.7
2004 Jan.	3,788.7	101.4	1.1	584.1	1.7	372.3	3.0	2,832.3	0.8
Feb.	3,852.2	101.5	1.2	587.9	2.0	374.3	3.2	2,890.0	0.8
Mar.	3,766.7	101.8	1.5	571.9	2.1	355.0	3.1	2,839.8	1.2
Apr.	3,748.6	101.9	1.0	579.4	2.3	361.1	1.3	2,808.2	0.7
May	3,688.0	101.9	1.0	568.1	2.4	350.6	1.3	2,769.4	0.7
June	3,790.3	102.0	1.0	582.5	2.7	362.0	1.3	2,845.9	0.7
July	3,680.0	102.1	0.9	562.3	1.8	354.0	1.9	2,763.7	0.6
Aug.	3,673.9	102.0	0.9	562.5	1.4	353.1	1.6	2,758.3	0.7
Sep.	3,759.5	102.1	0.9	577.6	1.3	362.3	2.1	2,819.7	0.7
Oct.	3,840.8	102.2	1.0	598.0	1.2	372.6	2.0	2,870.3	0.8
Nov.	3,956.8	102.5	1.2	621.9	2.8	386.5	0.8	2,948.4	0.9

C17 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

1) For the calculation of the index and the growth rates, see the Technical notes.

4.4 Quoted shares issued by euro area residents ¹⁾

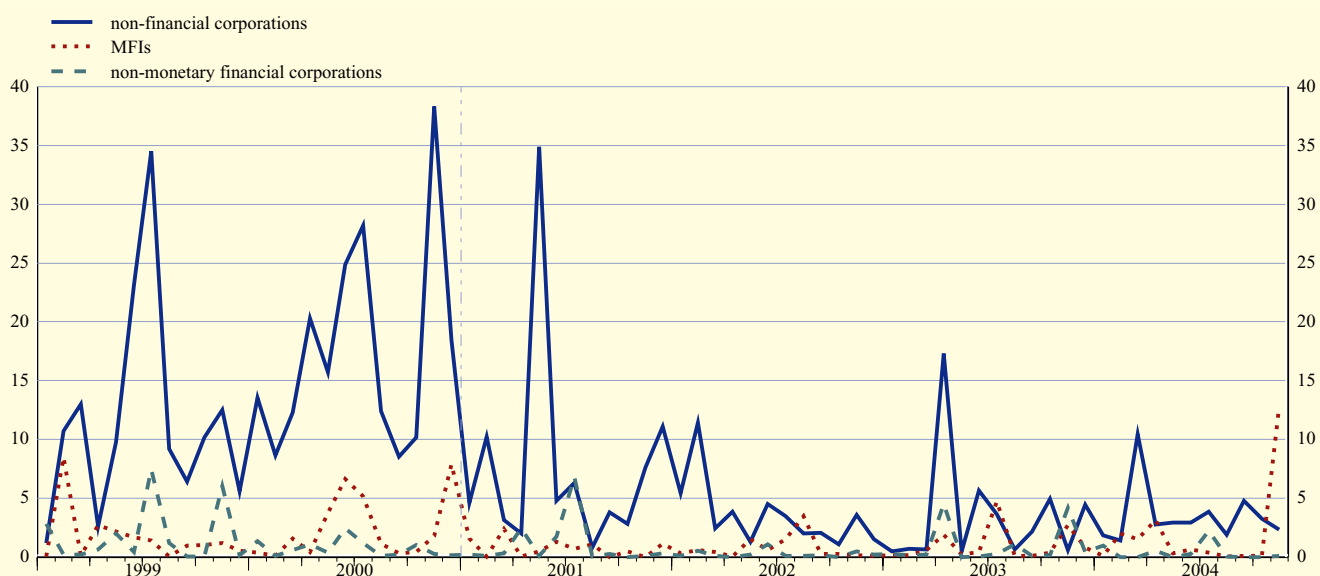
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2002 Nov.	4.3	0.7	3.6	0.2	0.4	-0.2	0.5	0.0	0.5	3.6	0.3	3.3
2002 Dec.	1.8	1.6	0.2	0.1	0.0	0.1	0.2	0.1	0.1	1.5	1.6	-0.1
2003 Jan.	0.9	1.4	-0.5	0.1	0.0	0.1	0.3	0.0	0.3	0.5	1.4	-0.9
2003 Feb.	1.0	1.3	-0.3	0.1	0.0	0.1	0.1	0.8	-0.7	0.7	0.5	0.2
2003 Mar.	1.4	1.5	-0.1	0.6	0.1	0.5	0.2	0.0	0.1	0.6	1.3	-0.7
2003 Apr.	23.7	4.9	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.8	12.5
2003 May	0.7	2.2	-1.6	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.8	-1.3
2003 June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
2003 July	8.6	2.0	6.6	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.8	1.8
2003 Aug.	1.8	1.4	0.4	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.3	-0.7
2003 Sep.	2.3	2.1	0.3	0.1	0.1	0.0	0.1	1.5	-1.5	2.2	0.4	1.8
2003 Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.8	1.1
2003 Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
2003 Dec.	5.7	1.6	4.0	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
2004 Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
2004 Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
2004 Apr.	6.4	0.6	5.8	3.1	0.1	3.1	0.5	0.1	0.4	2.8	0.5	2.3
2004 May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
2004 June	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
2004 July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
2004 Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
2004 Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
2004 Oct.	3.4	0.4	3.0	0.1	0.0	0.1	0.0	0.0	0.0	3.3	0.3	3.0
2004 Nov.	15.2	3.3	11.8	12.8	0.3	12.4	0.1	0.0	0.1	2.3	3.0	-0.7

C18 Gross issues of quoted shares by sector of the issuer

(EUR billions; transactions during the month; market values)



Source: ECB.

1) For the calculation of the index and the growth rates, see the Technical notes.

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents

(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight ¹⁾	With agreed maturity			Redeemable at notice ^{1,2)}		Overnight ¹⁾	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2003 Dec.	0.69	1.89	2.40	2.41	2.02	2.68	0.86	2.00	2.44	3.34	1.99
2004 Jan.	0.69	1.90	2.38	2.74	2.03	2.65	0.93	1.99	2.08	3.10	1.95
Feb.	0.69	1.89	2.16	2.45	2.02	2.63	0.86	1.98	2.22	3.60	1.98
Mar.	0.70	1.91	2.13	2.31	2.00	2.59	0.86	1.96	2.16	3.35	1.98
Apr.	0.70	1.96	2.13	2.41	2.02	2.57	0.85	1.97	2.04	3.46	1.95
May	0.70	1.86	2.15	2.43	2.00	2.55	0.86	1.96	2.06	3.74	1.95
June	0.70	1.87	2.21	2.42	2.00	2.55	0.87	1.98	2.27	3.76	1.98
July	0.70	1.90	2.21	2.54	1.99	2.55	0.86	1.99	2.59	4.00	1.99
Aug.	0.71	1.91	2.18	2.67	2.00	2.53	0.87	1.98	2.36	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.31	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.32	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.22	3.39	2.02

2. Interest rates on loans to households (new business)

	Bank overdraft ¹⁾	Consumer credit				Annual percentage rate of charge ³⁾	Lending for house purchase				Annual percentage rate of charge ³⁾	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge ³⁾		By initial rate fixation					Annual percentage rate of charge ³⁾	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2003 Dec.	9.69	7.64	6.54	7.66	7.69	3.62	4.18	5.01	4.89	4.41	3.86	4.98	5.08		
2004 Jan.	9.87	7.63	7.22	8.56	8.35	3.61	4.30	5.02	4.85	4.47	4.08	5.10	5.18		
Feb.	9.81	7.45	7.06	8.49	8.20	3.54	4.22	4.96	4.86	4.31	4.13	5.07	5.04		
Mar.	9.71	7.38	6.90	8.37	8.05	3.47	4.14	4.87	4.71	4.28	3.96	5.06	4.96		
Apr.	9.73	7.35	6.64	8.30	7.86	3.42	4.06	4.77	4.69	4.24	3.89	4.97	4.95		
May	9.68	7.33	6.77	8.27	7.96	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94		
June	9.55	7.12	6.74	8.42	7.96	3.42	4.12	4.82	4.69	4.17	3.93	4.97	5.01		
July	9.57	7.18	6.86	8.52	8.07	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01		
Aug.	9.62	7.67	6.89	8.58	8.26	3.50	4.19	4.87	4.65	4.29	3.91	5.07	5.02		
Sep.	9.59	7.45	6.96	8.45	8.18	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00		
Oct.	9.53	7.37	6.87	8.34	7.98	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92		
Nov.	9.47	7.42	6.84	8.23	7.96	3.45	4.07	4.66	4.58	4.08	3.96	4.89	4.82		

3. Interest rates on loans to non-financial corporations (new business)

	Bank overdraft ¹⁾	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1	2	3	4	5	6	7
2003 Dec.		5.58	4.03	4.79	4.85	3.12	3.41	4.29
2004 Jan.		5.67	4.01	4.88	4.87	3.02	3.39	4.29
Feb.		5.63	4.00	4.93	4.78	3.00	3.19	4.30
Mar.		5.56	3.95	4.81	4.73	2.95	3.27	4.37
Apr.		5.51	3.88	4.75	4.69	3.00	3.28	4.21
May		5.46	4.00	4.62	4.59	3.00	3.30	4.21
June		5.46	3.97	4.81	4.71	2.99	3.26	4.08
July		5.36	4.02	4.85	4.65	3.02	3.28	4.27
Aug.		5.37	4.06	4.89	4.73	2.99	3.12	4.30
Sep.		5.37	4.00	4.85	4.68	2.99	3.37	4.45
Oct.		5.39	4.02	4.87	4.64	2.98	3.30	4.27
Nov.		5.37	4.03	4.79	4.55	2.95	3.35	4.32

Source: ECB.

- 1) For this instrument category, new business and outstanding amounts coincide. End-of-period.
- 2) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.
- 3) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of documents, guarantees, etc.

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents

(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

4. Interest rates on deposits (outstanding amounts)

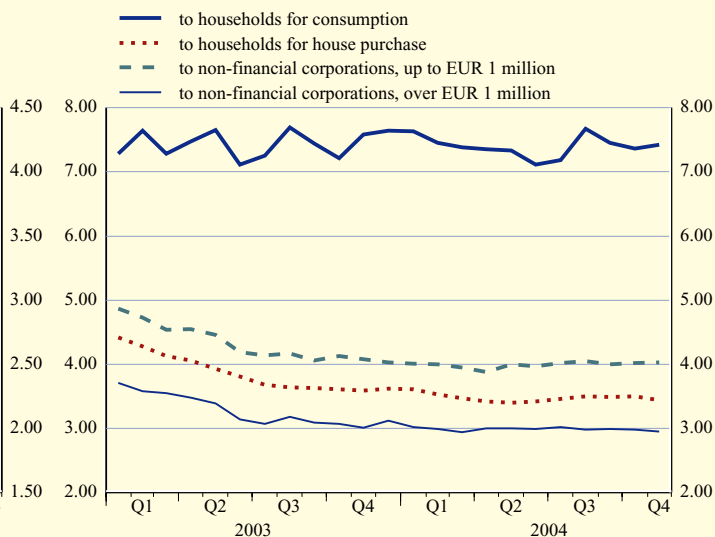
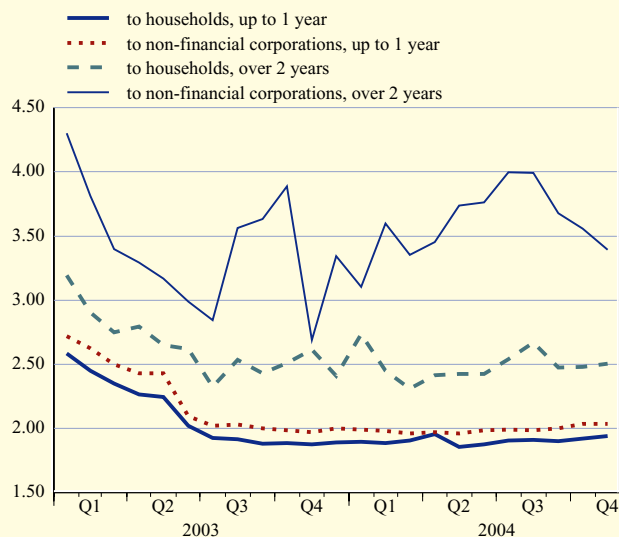
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1,2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Dec.	0.69	1.97	3.54	2.02	2.68	0.86	2.14	4.25	1.98
2004 Jan.	0.69	1.94	3.36	2.03	2.65	0.93	2.09	4.28	1.95
Feb.	0.69	1.93	3.42	2.02	2.63	0.86	2.09	4.22	1.97
Mar.	0.70	1.92	3.32	2.00	2.59	0.86	2.08	4.17	1.93
Apr.	0.70	1.90	3.35	2.02	2.57	0.85	2.09	4.17	1.92
May	0.70	1.89	3.28	2.00	2.55	0.86	2.07	4.15	1.93
June	0.70	1.88	3.27	2.00	2.55	0.87	2.09	4.11	1.94
July	0.70	1.89	3.25	1.99	2.55	0.86	2.10	4.10	1.96
Aug.	0.71	1.89	3.22	2.00	2.53	0.87	2.13	4.02	1.97
Sep.	0.72	1.89	3.22	2.00	2.52	0.90	2.13	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.11	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.85	2.00

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2003 Dec.	5.09	4.88	5.14	8.04	7.05	6.00	4.56	4.23	4.66
2004 Jan.	5.05	4.89	5.11	8.15	7.02	5.92	4.58	4.07	4.56
Feb.	5.01	4.91	5.11	8.13	7.16	5.95	4.62	4.06	4.58
Mar.	4.98	4.82	5.03	8.05	7.16	5.89	4.56	3.96	4.61
Apr.	4.90	4.75	5.01	8.03	7.08	5.85	4.51	3.91	4.59
May	4.89	4.72	4.99	7.99	7.04	5.82	4.50	3.87	4.55
June	4.87	4.69	4.97	7.93	6.99	5.80	4.47	3.89	4.53
July	4.91	4.63	4.94	7.93	6.98	5.76	4.48	3.88	4.50
Aug.	4.88	4.58	4.91	7.93	6.95	5.77	4.45	3.84	4.48
Sep.	4.82	4.58	4.90	8.05	7.14	5.85	4.46	3.99	4.52
Oct.	4.69	4.53	4.88	8.04	7.08	5.80	4.42	3.97	4.48
Nov.	4.67	4.52	4.86	7.93	6.99	5.82	4.41	3.95	4.48

C19 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)

C20 New loans at floating rate and up to 1 year initial rate fixation
(percentages per annum excluding charges; period averages)



Source: ECB.

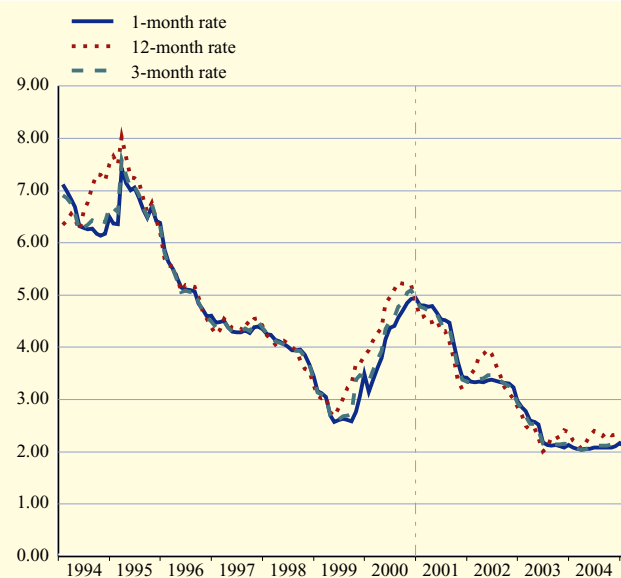
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2003 Q4	2.02	2.11	2.15	2.20	2.36	1.17	0.06
2004 Q1	2.02	2.06	2.06	2.07	2.15	1.12	0.05
Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
Q4	2.08	2.12	2.16	2.20	2.32	2.30	0.05
2004 Jan.	2.02	2.08	2.09	2.12	2.22	1.13	0.06
Feb.	2.03	2.06	2.07	2.09	2.16	1.12	0.05
Mar.	2.01	2.04	2.03	2.02	2.06	1.11	0.05
Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	0.05
June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05

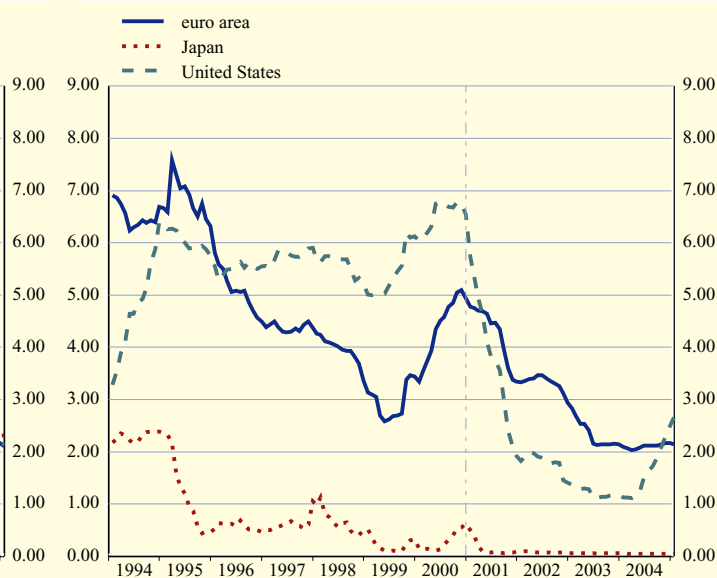
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.

4.7 Government bond yields

(percentages per annum; period averages)

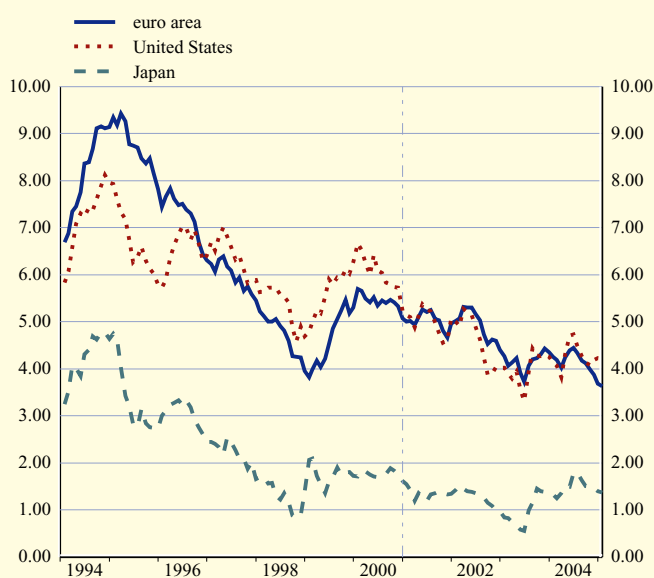
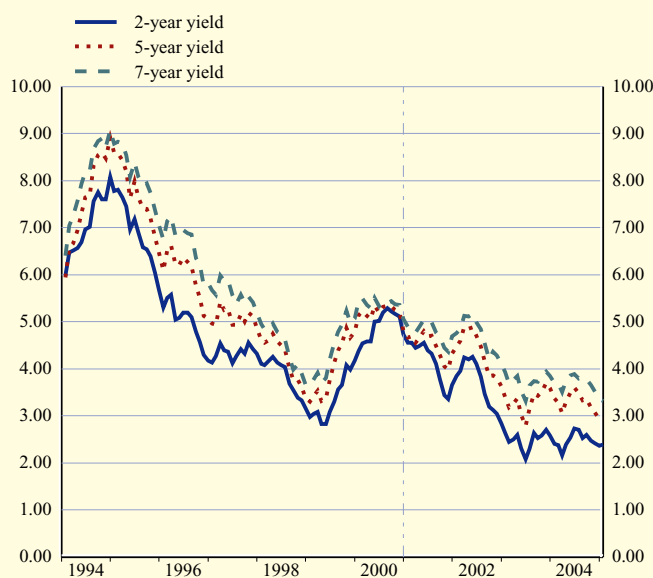
	Euro area ¹⁾					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2002	3.68	3.94	4.35	4.70	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2003 Q4	2.62	2.91	3.59	3.88	4.36	4.27	1.38
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2004 Jan.	2.41	2.71	3.37	3.70	4.26	4.13	1.33
Feb.	2.38	2.71	3.28	3.69	4.18	4.06	1.25
Mar.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37

C23 Euro area government bond yields

(monthly; percentages per annum)

C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

- 1) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.

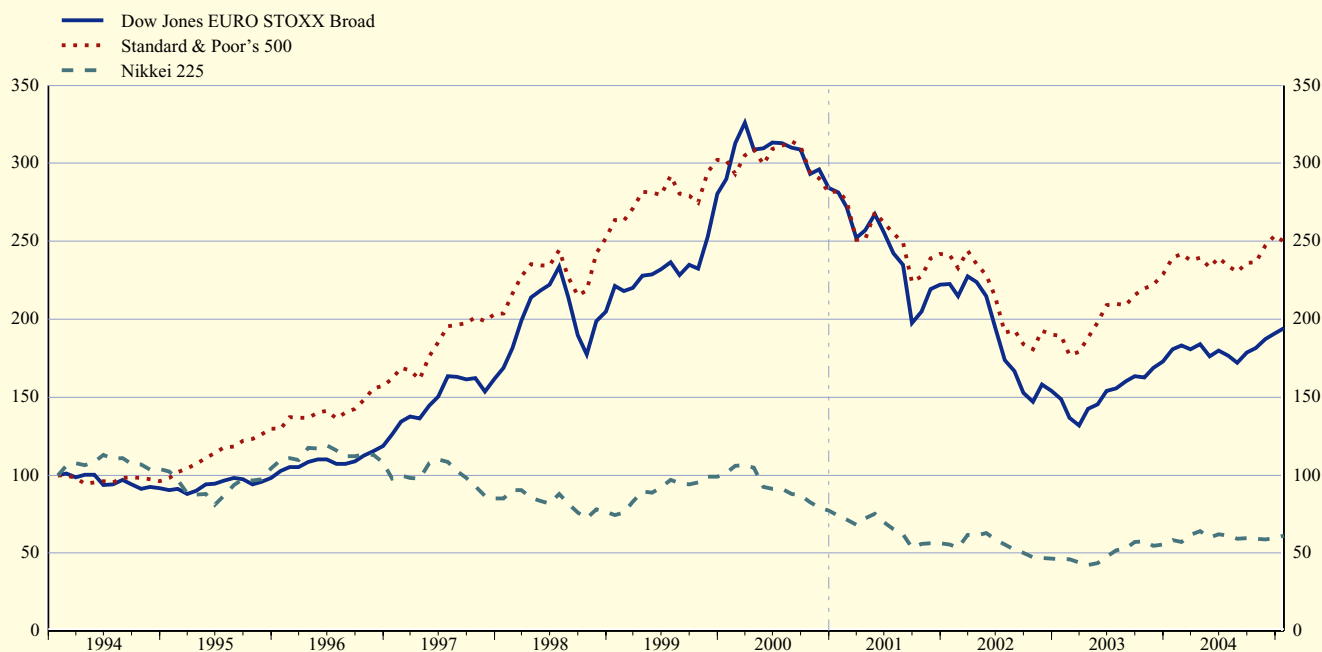
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2003 Q4	233.0	2,614.3	233.7	160.2	211.2	266.7	221.9	240.2	317.5	219.7	360.6	320.2	1,057.1	10,423.3
2004 Q1	251.6	2,846.5	245.0	166.9	222.1	279.9	240.5	257.1	353.0	248.7	405.3	366.6	1,132.7	10,996.9
Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2004 Jan.	250.6	2,839.1	250.3	165.6	221.7	277.2	242.0	257.5	349.2	239.6	405.1	350.3	1,131.9	10,876.4
Feb.	253.9	2,874.8	244.7	168.4	224.1	275.6	243.7	260.1	359.0	252.1	412.3	370.0	1,143.5	10,618.6
Mar.	250.5	2,829.0	240.3	166.7	220.9	286.3	236.1	254.1	351.4	254.5	399.3	379.3	1,124.0	11,441.1
Apr.	255.0	2,860.9	247.6	168.3	227.8	300.2	241.0	262.6	321.3	264.7	402.0	389.3	1,133.4	11,962.8
May	244.4	2,728.0	240.2	160.8	223.0	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.6	11,141.0
June	249.8	2,792.2	246.1	164.9	227.9	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	162.1	221.6	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.7	11,390.8
Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.2

C25 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.



PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total ¹⁾	100.0	100.0	58.7	41.3	100.0	11.8	7.7	31.0	8.1	41.3
	1	2	3	4	5	6	7	8	9	10
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2004	115.7	2.1	1.8	2.6	-	-	-	-	-	-
2003 Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	0.9	-0.5	0.2	1.2	0.7
Q2	115.8	2.3	2.1	2.6	0.8	1.1	-0.1	0.4	3.3	0.6
Q3	115.9	2.2	2.0	2.6	0.5	0.4	-0.3	0.1	1.9	0.7
Q4	116.6	2.3	2.1	2.7	0.5	0.3	0.2	0.2	1.8	0.6
2004 July	115.7	2.3	2.1	2.7	0.1	0.2	-0.4	-0.2	0.6	0.2
Aug.	115.9	2.3	2.1	2.7	0.3	0.1	-0.3	0.3	1.5	0.3
Sep.	116.1	2.1	1.8	2.6	0.0	-0.1	-0.1	0.0	-0.1	0.1
Oct.	116.5	2.4	2.2	2.6	0.3	0.0	-0.1	0.1	2.9	0.2
Nov.	116.4	2.2	2.0	2.7	0.0	-0.1	0.3	0.1	-1.2	0.2
Dec.	116.9	2.4	2.0	2.7	0.1	1.1	0.8	0.0	-1.8	0.2

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total ¹⁾	19.5	11.8	7.7	39.1	31.0	8.1	10.4	6.4	6.4	2.9	15.0	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.7	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2003 Q4	3.7	3.8	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2004 Aug.	2.1	3.6	-0.2	2.1	0.9	6.5	2.5	2.0	2.9	-2.5	2.6	5.2
Sep.	1.4	3.3	-1.5	2.0	0.8	6.4	2.5	1.9	2.7	-2.8	2.5	5.2
Oct.	1.2	2.8	-1.2	2.7	0.8	9.8	2.6	2.1	2.7	-2.5	2.4	5.2
Nov.	1.0	2.3	-1.0	2.5	0.8	8.7	2.6	2.1	2.8	-2.6	2.4	5.4
Dec.	2.0	3.2	0.1	2.0	0.8	6.9	2.6	2.1	3.3	-2.6	2.4	5.4

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2004.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry and commodity prices

	Industrial producer prices										World market prices of raw materials ¹⁾	Oil prices ²⁾ (EUR per barrel)		
	Industry excluding construction									Construction ³⁾			Manufacturing	
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy		Total	Total excluding energy		
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total ⁴⁾	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5	89.5	100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	102.0	2.0	1.7	1.1	0.9	3.0	1.9	3.1	2.6	2.4	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.8	0.3	-4.1	-0.9	26.5
2003	103.4	1.4	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.2	0.9	-4.0	-4.5	25.1
2004	105.7	2.3	1.9	3.5	0.7	1.3	0.7	1.4	3.7	.	2.5	18.4	10.8	30.5
2003 Q4	103.4	1.0	0.6	0.3	0.3	1.2	0.5	1.3	2.0	1.7	0.5	-4.2	-1.2	24.5
2004 Q1	103.9	0.2	0.9	1.0	0.3	1.1	0.4	1.3	-2.6	1.8	0.2	-2.5	9.8	25.0
Q2	105.3	2.0	1.7	2.8	0.6	1.5	0.6	1.6	3.7	2.1	2.5	28.8	20.9	29.3
Q3	106.4	3.1	2.4	4.7	0.9	1.3	0.8	1.4	5.8	2.8	3.5	26.9	11.9	33.3
Q4	107.2	3.8	2.7	5.5	1.1	1.2	1.1	1.2	8.1	.	4.0	22.9	1.3	34.5
2004 Aug.	106.4	3.1	2.5	4.8	0.9	1.4	0.8	1.5	5.4	-	3.5	25.5	11.0	34.1
Sep.	106.6	3.3	2.5	5.0	0.9	1.1	0.8	1.1	7.0	-	3.8	30.5	6.9	35.0
Oct.	107.5	4.0	2.7	5.5	1.1	1.1	1.0	1.1	9.7	-	4.3	35.1	3.7	39.4
Nov.	107.2	3.7	2.7	5.5	1.1	1.0	1.1	0.9	7.9	-	3.9	21.0	0.4	34.5
Dec.	107.0	3.6	2.9	5.4	1.2	1.5	1.1	1.5	6.7	-	3.8	12.8	-0.2	30.0
2005 Jan.	.	.	.	.	.	.	.	.	.	-	.	18.8	-2.0	33.6

3. Hourly labour costs⁵⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2000	100.0	3.1	3.5	2.0	3.0	3.6	3.6	2.2
2001	103.5	3.6	3.7	2.9	3.4	4.0	3.2	2.6
2002	107.4	3.7	3.6	4.2	3.8	4.0	3.5	2.7
2003	110.5	2.8	2.7	3.2	2.9	3.4	2.7	2.4
2003 Q3	110.9	2.8	2.7	3.2	3.1	3.1	2.8	2.4
Q4	111.4	2.3	2.2	2.5	2.2	2.8	2.4	2.2
2004 Q1	112.2	2.8	2.9	2.7	3.2	3.2	2.8	2.3
Q2	112.7	2.2	2.3	2.0	2.4	2.2	2.2	2.2
Q3	113.2	1.9	2.0	1.8	1.9	2.4	1.9	2.0

Sources: Eurostat, HWWA (columns 12 and 13), Thomson Financial Datastream (column 14), ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and column 7 in Table 3 in Section 5.1) and ECB calculations (column 8 in Table 3 in Section 5.1).

- 1) Refers to the prices expressed in euro.
- 2) Brent Blend (for one-month forward delivery).
- 3) Residential buildings, based on non-harmonised data.
- 4) In 2000.
- 5) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, components are not consistent with the total.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated; seasonally adjusted)

4. Unit labour costs, compensation per employee and labour productivity

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2000	100.0	1.3	1.2	-0.3	1.7	0.3	3.3	2.1
2001	102.6	2.6	3.8	2.4	3.5	1.0	3.5	2.6
2002	104.8	2.2	0.0	0.7	2.6	1.9	3.6	2.4
2003	106.9	2.0	4.4	1.1	3.6	1.9	1.6	2.9
2003 Q3	107.3	2.3	6.0	1.7	3.7	1.5	0.9	3.9
Q4	107.1	1.5	3.3	0.2	3.7	2.1	1.6	2.0
2004 Q1	107.2	1.0	-3.7	0.2	2.2	0.9	1.7	1.8
Q2	107.5	0.4	-4.7	-2.5	1.7	-0.4	1.1	2.2
Q3	107.3	0.1	-2.9	-2.2	3.3	0.1	2.5	0.0
Compensation per employee								
2000	100.0	2.7	2.1	3.4	2.6	1.8	2.4	2.8
2001	102.8	2.8	2.0	2.7	3.1	2.8	2.5	3.1
2002	105.4	2.5	2.8	2.4	2.8	2.7	2.0	2.7
2003	107.9	2.3	3.0	3.2	3.3	1.9	1.7	2.3
2003 Q3	108.3	2.5	2.5	3.3	3.5	1.5	1.3	3.1
Q4	108.6	2.2	2.7	3.3	3.3	1.5	1.6	2.0
2004 Q1	109.4	2.2	-0.3	3.9	2.8	1.3	1.0	2.4
Q2	109.9	2.2	0.0	3.0	1.6	1.0	1.1	3.3
Q3	109.9	1.5	3.6	2.0	2.7	1.1	1.9	0.9
Labour productivity ²⁾								
2000	100.0	1.3	0.8	3.7	0.9	1.4	-0.9	0.7
2001	100.3	0.3	-1.8	0.3	-0.4	1.8	-1.0	0.4
2002	100.6	0.3	2.8	1.6	0.2	0.8	-1.6	0.3
2003	100.9	0.4	-1.3	2.1	-0.3	0.0	0.1	-0.6
2003 Q3	101.0	0.2	-3.2	1.6	-0.2	-0.1	0.4	-0.7
Q4	101.4	0.7	-0.5	3.1	-0.4	-0.5	0.0	0.0
2004 Q1	102.0	1.2	3.5	3.6	0.6	0.4	-0.7	0.5
Q2	102.3	1.8	4.9	5.6	-0.1	1.4	0.0	1.1
Q3	102.4	1.4	6.7	4.4	-0.6	1.0	-0.5	0.9

5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand			Exports ³⁾	Imports ³⁾	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.9	8.5
2001	102.4	2.4	2.3	2.3	2.4	2.0	1.4	0.8
2002	105.0	2.5	2.1	2.3	2.1	1.8	-0.4	-1.7
2003	107.2	2.1	1.8	2.0	2.2	1.3	-0.6	-1.3
2003 Q3	107.5	2.1	1.8	1.9	2.7	1.2	-0.8	-1.6
Q4	108.0	2.0	1.6	1.9	1.6	1.2	-0.7	-1.9
2004 Q1	108.5	1.9	1.5	1.6	1.6	1.8	-0.7	-2.2
Q2	109.2	2.1	2.1	1.9	1.9	2.7	1.3	0.9
Q3	109.5	1.8	1.9	2.0	0.5	3.1	2.0	2.4

Sources: ECB calculations based on Eurostat data.

1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.

2) Value added (at constant prices) per person employed.

3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand				External balance ¹⁾			
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2000	6,580.8	6,521.5	3,767.7	1,309.1	1,418.6	26.1	59.3	2,440.5	2,381.1
2001	6,847.3	6,730.0	3,926.7	1,372.7	1,441.3	-10.7	117.3	2,555.3	2,438.1
2002	7,082.3	6,895.9	4,040.4	1,444.8	1,428.1	-17.5	186.5	2,594.6	2,408.2
2003	7,265.3	7,104.9	4,160.0	1,500.4	1,439.5	5.0	160.4	2,584.9	2,424.5
2003 Q3	1,824.3	1,776.0	1,043.5	379.2	359.7	-6.4	48.3	650.8	602.5
Q4	1,838.6	1,796.6	1,048.5	378.7	365.1	4.2	42.0	653.9	611.9
2004 Q1	1,859.6	1,812.8	1,060.3	381.5	367.4	3.7	46.8	665.0	618.2
Q2	1,880.2	1,833.3	1,066.7	386.4	372.5	7.8	46.9	690.6	643.7
Q3	1,891.4	1,856.8	1,074.2	387.1	377.5	18.0	34.6	705.0	670.4
	<i>percentage of GDP</i>								
2003	100.0	97.8	57.3	20.7	19.8	0.1	2.2	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	<i>quarter-on-quarter percentage changes</i>								
2003 Q3	0.5	0.1	0.3	0.7	0.4	-	-	2.6	1.4
Q4	0.4	1.0	0.0	0.5	1.0	-	-	0.2	1.9
2004 Q1	0.7	0.3	0.7	0.1	-0.2	-	-	1.6	0.6
Q2	0.5	0.3	0.1	0.4	0.3	-	-	2.8	2.5
Q3	0.3	1.0	0.1	0.5	0.7	-	-	1.5	3.5
	<i>annual percentage changes</i>								
2000	3.5	3.0	2.8	2.3	4.9	-	-	12.2	11.1
2001	1.6	0.9	1.9	2.4	-0.4	-	-	3.3	1.6
2002	0.9	0.3	0.6	3.1	-2.7	-	-	1.9	0.5
2003	0.5	1.2	1.0	1.6	-0.5	-	-	0.2	2.0
2003 Q3	0.4	0.8	0.8	1.6	-0.2	-	-	0.2	1.4
Q4	0.8	1.5	0.5	1.5	0.2	-	-	0.3	2.1
2004 Q1	1.4	1.2	1.0	1.7	1.0	-	-	3.8	3.3
Q2	2.1	1.6	1.1	1.7	1.5	-	-	7.4	6.6
Q3	1.8	2.6	0.9	1.5	1.8	-	-	6.2	8.7
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2000	3.5	3.0	1.6	0.5	1.1	-0.1	0.5	-	-
2001	1.6	0.9	1.1	0.5	-0.1	-0.5	0.7	-	-
2002	0.9	0.3	0.4	0.6	-0.6	-0.1	0.6	-	-
2003	0.5	1.1	0.5	0.3	-0.1	0.4	-0.6	-	-
2003 Q3	0.4	0.8	0.5	0.3	0.0	0.1	-0.4	-	-
Q4	0.8	1.4	0.3	0.3	0.0	0.8	-0.6	-	-
2004 Q1	1.4	1.1	0.6	0.3	0.2	0.0	0.3	-	-
Q2	2.1	1.6	0.6	0.3	0.3	0.3	0.5	-	-
Q3	1.8	2.5	0.5	0.3	0.4	1.3	-0.7	-	-

Source: Eurostat.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.

2) Including acquisitions less disposals of valuables.

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)						Intermediate consumption of FISIM ¹⁾	Taxes less subsidies on products	
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities			Public administration, education, health and other services
	1	2	3	4	5	6	7	8	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,079.0	145.2	1,366.8	337.0	1,278.8	1,644.4	1,306.8	203.1	704.9
2001	6,342.7	150.5	1,405.8	351.5	1,349.0	1,719.7	1,366.1	211.8	716.4
2002	6,561.4	147.9	1,429.1	364.2	1,390.3	1,795.2	1,434.7	222.2	743.1
2003	6,730.0	150.8	1,436.1	375.7	1,419.0	1,866.7	1,481.8	229.9	765.2
2003 Q3	1,692.2	38.1	359.3	94.3	356.8	469.7	374.0	57.8	189.9
Q4	1,701.5	38.5	362.3	95.7	357.9	473.5	373.6	57.4	194.5
2004 Q1	1,721.8	38.2	366.4	97.0	362.5	479.9	377.7	58.3	196.1
Q2	1,745.1	38.1	373.8	99.2	365.9	486.2	381.8	59.6	194.7
Q3	1,752.8	37.5	376.9	99.9	367.8	489.8	381.0	58.5	197.1
<i>percentage of value added</i>									
2003	100.0	2.2	21.3	5.6	21.1	27.7	22.0	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q3	0.5	-0.8	0.9	-0.1	0.7	0.6	0.3	0.6	0.4
Q4	0.3	1.3	0.6	0.0	-0.1	0.2	0.5	-0.9	0.8
2004 Q1	0.7	3.2	1.0	0.2	0.9	0.5	0.2	0.4	0.1
Q2	0.8	0.5	1.2	0.4	0.8	0.8	0.4	1.4	-2.0
Q3	0.1	1.0	0.1	-0.3	0.2	-0.1	0.3	-0.7	1.4
<i>annual percentage changes</i>									
2000	3.8	-0.8	4.3	2.7	4.5	4.9	2.2	7.2	1.8
2001	1.9	-2.4	0.6	0.0	3.2	2.9	1.8	4.7	0.3
2002	1.0	0.6	0.2	-0.5	1.2	0.8	2.2	0.7	-0.3
2003	0.5	-3.8	0.0	-0.4	0.5	1.4	0.6	1.5	1.0
2003 Q3	0.4	-5.5	-0.5	-0.2	0.7	1.7	0.4	1.6	0.8
Q4	0.7	-2.2	0.8	-0.3	0.4	1.3	0.8	0.0	1.2
2004 Q1	1.3	2.2	1.2	0.4	1.5	1.6	1.0	0.2	2.1
Q2	2.3	4.3	3.7	0.4	2.3	2.1	1.4	1.5	-0.7
Q3	1.9	6.2	2.8	0.2	1.9	1.4	1.4	0.2	0.3
<i>contributions to annual percentage changes of value added in percentage points</i>									
2000	3.8	0.0	1.0	0.2	1.0	1.3	0.5	-	-
2001	1.9	-0.1	0.1	0.0	0.7	0.8	0.4	-	-
2002	1.0	0.0	0.1	0.0	0.3	0.2	0.5	-	-
2003	0.5	-0.1	0.0	0.0	0.1	0.4	0.1	-	-
2003 Q3	0.4	-0.1	-0.1	0.0	0.2	0.5	0.1	-	-
Q4	0.7	-0.1	0.2	0.0	0.1	0.4	0.2	-	-
2004 Q1	1.3	0.1	0.3	0.0	0.3	0.4	0.2	-	-
Q2	2.3	0.1	0.8	0.0	0.5	0.6	0.3	-	-
Q3	1.9	0.1	0.6	0.0	0.4	0.4	0.3	-	-

Source: Eurostat.

1) The use of financial intermediation services indirectly measured (FISIM) is treated as intermediate consumption which is not allocated among branches.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction							Construction	Manufacturing	
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy					Energy				
			Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable		Non-durable			
% of total ¹⁾	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2000	5.0	100.1	5.2	5.2	6.2	8.2	1.7	6.1	0.9	1.9	2.5	5.6
2001	0.6	100.5	0.4	0.1	-0.7	1.7	0.3	-2.1	0.8	1.4	0.8	0.3
2002	-0.3	99.9	-0.5	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.2	0.8	-0.8
2003	0.3	100.2	0.3	0.0	0.3	0.0	-0.5	-4.4	0.2	3.0	0.0	0.0
2003 Q4	1.4	101.3	1.4	1.4	1.5	2.0	-0.1	-1.4	0.2	2.7	0.5	1.4
2004 Q1	1.4	101.3	1.0	1.0	0.7	0.7	0.5	1.1	0.4	2.0	1.3	0.9
Q2	3.3	102.3	3.1	3.2	2.7	4.9	1.5	3.1	1.2	2.8	-0.1	3.3
Q3	2.9	102.5	2.8	2.9	3.0	5.1	0.6	-0.7	0.8	2.3	-0.3	3.1
2004 June	3.5	102.4	3.5	3.6	3.0	6.4	1.2	1.7	1.2	2.4	0.6	3.8
July	2.7	102.7	2.7	2.8	3.5	4.0	0.3	0.5	0.2	1.6	0.8	2.9
Aug.	3.3	102.1	2.0	2.3	2.2	4.9	0.6	-1.0	0.8	1.3	1.2	2.6
Sep.	2.8	102.8	3.5	3.5	3.2	6.4	0.8	-1.6	1.3	3.9	-2.8	3.6
Oct.	.	102.2	1.1	1.0	1.2	4.3	-1.1	-2.9	-0.8	-1.5	.	1.1
Nov.	.	101.7	0.2	-0.6	0.6	0.3	-0.9	-4.3	-0.3	2.1	.	-0.3
	<i>month-on-month percentage changes (s.a.)</i>											
2004 June	-0.5	-	-0.1	-0.2	0.0	0.0	-0.4	-1.5	-0.2	0.1	0.8	-0.1
July	0.4	-	0.3	0.5	1.0	0.2	0.3	0.9	0.2	-0.1	0.7	0.4
Aug.	-0.1	-	-0.6	-0.7	-0.7	-0.3	-0.6	-2.7	-0.2	0.6	-1.5	-0.6
Sep.	-0.3	-	0.7	0.6	0.2	1.1	0.1	0.3	0.1	-0.1	-2.0	0.5
Oct.	.	-	-0.6	-0.6	-0.3	-0.2	-0.7	-0.6	-0.7	-1.4	.	-0.7
Nov.	.	-	-0.4	-0.8	-0.1	-1.7	-0.3	-1.2	-0.2	-0.4	.	-0.7

4. Industrial new orders and turnover, retail sales and passenger car registrations

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a.) thousands ³⁾	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food		Total		
									Textiles, clothing, footwear	Household equipment			
% of total ¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8			
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001	98.5	-1.6	102.1	1.9	4.0	101.6	1.6	1.7	1.5	0.7	-0.2	968	-0.8
2002	98.0	-0.5	101.4	-0.6	1.9	101.7	0.0	0.9	-0.6	-2.0	-2.0	925	-4.4
2003	98.7	0.8	101.0	-0.3	1.8	102.0	0.3	1.2	-0.4	-2.8	0.1	912	-1.5
2004	.	.	.	.	.	.	.	.	.	.	.	922	1.1
2004 Q1	101.4	4.5	103.9	2.5	1.1	102.3	0.4	0.4	0.3	-1.9	2.1	911	0.9
Q2	108.1	12.2	105.9	6.3	1.1	102.2	0.0	-0.4	0.3	-0.3	2.3	928	3.0
Q3	105.7	7.5	106.5	5.7	0.9	102.0	0.0	-0.8	0.6	0.8	1.8	904	-3.5
Q4	.	.	.	.	.	.	.	.	.	.	.	945	3.6
2004 July	105.5	5.1	106.1	2.4	1.2	102.5	0.6	0.4	0.8	1.1	2.1	911	-1.8
Aug.	104.9	10.5	105.3	9.5	1.6	101.8	-0.1	-1.9	1.1	2.0	2.0	873	-9.5
Sep.	106.6	7.8	108.2	6.2	0.4	101.7	-0.3	-0.8	0.1	-0.7	1.2	928	-0.6
Oct.	106.5	0.0	104.7	1.7	0.0	102.0	-0.7	-1.1	-0.5	-1.9	0.6	949	3.9
Nov.	108.2	12.2	108.0	8.1	1.0	101.8	0.2	-0.2	0.3	2.7	0.6	955	4.8
Dec.	.	.	.	.	.	.	.	.	.	.	.	930	1.8
	<i>month-on-month percentage changes (s.a.)</i>												
2004 July	-	-0.9	-	-2.2	-0.3	-	-0.3	0.2	-0.6	-0.1	-0.7	-	-1.9
Aug.	-	-0.5	-	-0.8	-0.1	-	-0.8	-1.3	-0.5	-1.7	-0.6	-	-4.2
Sep.	-	1.6	-	2.8	-0.4	-	-0.1	0.3	-0.1	-1.4	0.2	-	6.3
Oct.	-	-0.2	-	-3.2	0.2	-	0.3	0.2	0.2	1.2	-0.2	-	2.3
Nov.	-	1.6	-	3.2	0.3	-	-0.1	0.2	-0.4	0.0	-0.6	-	0.7
Dec.	-	.	-	.	.	-	.	.	.	.	.	-	-2.6

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).

1) In 2000.

2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.

3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

(percentage balances,¹⁾ unless otherwise indicated; seasonally adjusted)

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator ³⁾				
		Industrial confidence indicator				Capacity utilisation ^{3),4)} (percentages)	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2001	100.9	-9	-15	13	1	82.8	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.3	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.0	-18	-5	-21	38	-9
2004	100.0	-5	-15	8	10	81.4	-14	-4	-14	30	-8
2003 Q4	97.6	-8	-22	9	8	81.0	-16	-5	-17	34	-9
2004 Q1	98.6	-7	-21	10	10	80.7	-14	-4	-13	30	-9
Q2	99.9	-5	-17	8	10	81.2	-14	-3	-15	32	-8
Q3	100.6	-4	-12	7	9	81.8	-14	-4	-14	29	-8
Q4	100.9	-3	-12	8	10	82.0	-13	-3	-13	29	-6
2004 Aug.	100.9	-4	-13	7	8	-	-14	-4	-14	30	-8
Sep.	100.9	-3	-12	8	11	-	-13	-3	-12	28	-7
Oct.	101.5	-3	-11	7	11	82.0	-13	-4	-13	29	-8
Nov.	100.9	-3	-12	8	10	-	-13	-4	-14	29	-5
Dec.	100.2	-4	-12	9	9	-	-13	-3	-13	29	-6
2005 Jan.	100.6	-5	-11	9	7	82.0	-13	-3	-13	28	-7
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total ⁵⁾	Order books	Employment expectations	Total ⁵⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁵⁾	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2001	-10	-16	-4	-8	-5	17	-1	15	16	8	20
2002	-19	-26	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	12
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2003 Q4	-19	-27	-11	-8	-12	15	3	11	6	11	15
2004 Q1	-19	-28	-9	-8	-12	15	1	11	8	6	20
Q2	-16	-23	-9	-8	-10	15	2	11	6	12	17
Q3	-15	-24	-7	-8	-10	14	0	12	8	11	17
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2004 Aug.	-15	-24	-6	-7	-10	12	2	13	9	12	17
Sep.	-15	-22	-9	-9	-11	16	0	11	6	9	20
Oct.	-14	-23	-5	-7	-13	14	7	12	9	12	17
Nov.	-14	-20	-7	-10	-17	12	-1	11	8	8	17
Dec.	-13	-21	-6	-7	-12	12	2	10	8	8	14
2005 Jan.	-14	-20	-8	-6	-8	11	1	13	12	8	17

Source: European Commission (Economic and Financial Affairs DG).

- 1) Difference between the percentages of respondents giving positive and negative replies.
- 2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period from January 1985.
- 3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
- 4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 5) The confidence indicators are calculated as simple averages of the components shown; the assessment of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets ¹⁾

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total ²⁾	100.0	100.0	84.3	15.7	4.6	18.8	7.1	25.2	14.5	29.8
	1	2	3	4	5	6	7	8	9	10
2000	131.417	2.2	2.5	0.5	-1.5	0.6	1.9	3.0	5.9	1.6
2001	133.184	1.3	1.6	0.2	-0.5	0.3	0.5	1.4	3.8	1.3
2002	133.960	0.6	0.7	-0.1	-2.0	-1.3	-0.6	0.4	2.5	1.8
2003	134.211	0.2	0.2	0.1	-2.3	-2.0	0.0	0.5	1.3	1.2
2003 Q3	134.143	0.2	0.2	0.2	-2.1	-2.1	0.0	0.8	1.2	1.1
Q4	134.105	0.1	0.1	0.4	-1.5	-2.2	0.1	1.0	1.1	0.7
2004 Q1	134.244	0.2	0.0	1.2	-1.4	-2.4	-0.2	1.1	2.3	0.4
Q2	134.477	0.3	0.1	1.2	-0.5	-1.8	0.7	0.8	2.2	0.2
Q3	134.676	0.4	0.2	1.5	-0.2	-1.5	1.6	0.5	2.0	0.4
	<i>quarter-on-quarter changes (s.a.)</i>									
2003 Q3	0.047	0.0	-0.1	0.7	-0.2	-0.5	-0.4	0.4	0.7	-0.1
Q4	-0.038	0.0	0.0	0.0	-0.1	-0.7	0.0	0.1	0.4	0.1
2004 Q1	0.139	0.1	0.1	0.1	-0.5	-0.6	-0.2	0.2	1.0	0.1
Q2	0.233	0.2	0.1	0.4	0.1	-0.1	1.2	0.2	0.0	0.2
Q3	0.199	0.1	0.0	0.8	0.0	-0.2	-0.3	0.4	0.5	0.1

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total ²⁾	100.0		78.6		21.4		50.0		50.0	
	1	2	3	4	5	6	7	8	9	10
2001	11.126	8.0	8.570	7.0	2.557	15.8	5.358	6.8	5.768	9.7
2002	11.851	8.4	9.215	7.4	2.636	16.4	5.860	7.3	5.991	9.9
2003	12.589	8.9	9.847	7.8	2.742	17.2	6.310	7.9	6.279	10.2
2004	12.701	8.9	9.985	7.9	2.716	17.1	6.354	7.9	6.347	10.2
2003 Q4	12.673	8.9	9.959	7.9	2.714	17.2	6.340	7.9	6.333	10.2
2004 Q1	12.748	9.0	10.051	8.0	2.697	17.0	6.341	7.9	6.407	10.3
Q2	12.609	8.8	9.877	7.8	2.733	17.2	6.335	7.9	6.274	10.1
Q3	12.644	8.9	9.910	7.8	2.734	17.2	6.347	7.9	6.297	10.1
Q4	12.641	8.8	9.900	7.8	2.741	17.3	6.345	7.9	6.296	10.1
2004 July	12.624	8.8	9.900	7.8	2.724	17.2	6.337	7.9	6.288	10.1
Aug.	12.653	8.9	9.914	7.8	2.739	17.2	6.351	7.9	6.302	10.1
Sep.	12.656	8.9	9.916	7.8	2.740	17.2	6.354	7.9	6.302	10.1
Oct.	12.622	8.8	9.888	7.8	2.734	17.2	6.340	7.9	6.282	10.1
Nov.	12.636	8.8	9.897	7.8	2.739	17.2	6.341	7.9	6.295	10.1
Dec.	12.664	8.9	9.916	7.8	2.748	17.3	6.354	7.9	6.310	10.1

Sources: ECB calculations based on Eurostat data (in Table 1 in Section 5.3) and Eurostat (Table 2 in Section 5.3).

- 1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
- 2) Employment in 2003; unemployment 2004.
- 3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
- 4) Rates are expressed as a percentage of the labour force for the relevant gender.



GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus ¹⁾ (as a percentage of GDP)

1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden ²⁾	
	1	2	Direct taxes			Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes		
			Households	Corporations	3		4	5	6	7				8	9	10
1995	46.9	46.4	11.5	9.1	2.0	13.3	0.9	17.3	8.4	5.5	2.4	0.4	0.3	42.4
1996	47.6	47.3	11.9	9.2	2.3	13.4	0.8	17.5	8.7	5.6	2.4	0.4	0.3	43.1
1997	47.9	47.4	12.1	9.2	2.6	13.6	0.7	17.5	8.7	5.5	2.4	0.5	0.4	43.6
1998	47.3	47.0	12.4	9.7	2.3	14.2	0.7	16.4	8.5	4.9	2.4	0.3	0.3	43.3
1999	47.8	47.5	12.8	9.8	2.6	14.4	0.6	16.4	8.4	5.0	2.3	0.3	0.3	43.8
2000	47.5	47.2	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.3	0.3	43.6
2001	46.8	46.6	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.3	0.3	42.8
2002	46.3	45.9	12.2	9.6	2.3	13.8	0.4	16.0	8.4	4.7	2.3	0.3	0.3	42.3
2003	46.3	45.7	11.8	9.3	2.2	13.9	0.4	16.2	8.5	4.8	2.3	0.7	0.5	42.4

2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure ³⁾		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Investment	Capital transfers		Paid by EU institutions	
							7	8						9
1995	52.0	47.6	11.2	4.8	5.8	25.9	22.7	2.3	0.6	4.4	2.7	1.7	0.1	46.2
1996	52.0	48.1	11.2	4.8	5.8	26.3	23.2	2.3	0.6	3.9	2.6	1.3	0.0	46.2
1997	50.6	46.9	11.1	4.7	5.2	26.0	23.1	2.1	0.6	3.6	2.4	1.2	0.1	45.4
1998	49.6	45.8	10.7	4.6	4.8	25.7	22.6	2.1	0.6	3.8	2.5	1.3	0.1	44.8
1999	49.1	45.2	10.7	4.7	4.3	25.6	22.5	2.1	0.5	3.9	2.5	1.4	0.1	44.8
2000	48.5	44.6	10.6	4.7	4.1	25.3	22.2	1.9	0.5	3.9	2.5	1.3	0.1	44.4
2001	48.6	44.6	10.5	4.8	4.0	25.3	22.3	1.9	0.5	4.0	2.6	1.4	0.0	44.6
2002	48.7	44.9	10.6	4.9	3.7	25.6	22.8	1.9	0.5	3.8	2.5	1.3	0.0	45.0
2003	49.1	45.2	10.7	4.9	3.5	26.0	23.1	1.8	0.5	3.9	2.6	1.3	0.1	45.6

3. Euro area – deficit/surplus, primary deficit/surplus and government consumption

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾								
	Total	Central gov.	State gov.	Local gov.	Social security funds		7	Compensation of employees		Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
								8	9						
1995	-5.2	-4.4	-0.5	-0.1	-0.2	0.6	20.4	11.2	4.8	5.0	1.9	2.4	8.6	11.8	
1996	-4.3	-3.8	-0.4	0.0	-0.1	1.4	20.5	11.2	4.8	5.1	1.9	2.4	8.6	11.9	
1997	-2.7	-2.4	-0.4	0.1	0.1	2.5	20.2	11.1	4.7	5.0	1.8	2.4	8.4	11.8	
1998	-2.3	-2.2	-0.2	0.1	0.1	2.5	19.9	10.7	4.6	5.0	1.8	2.4	8.2	11.7	
1999	-1.3	-1.7	-0.1	0.1	0.4	2.9	19.9	10.7	4.7	5.0	1.8	2.3	8.2	11.6	
2000	-1.0	-1.4	-0.1	0.1	0.5	3.1	19.9	10.6	4.7	5.1	1.8	2.3	8.2	11.7	
2001	-1.7	-1.6	-0.4	0.0	0.3	2.3	20.1	10.5	4.8	5.2	1.8	2.2	8.2	11.8	
2002	-2.4	-2.0	-0.5	-0.2	0.2	1.3	20.4	10.6	4.9	5.3	1.8	2.3	8.3	12.1	
2003	-2.7	-2.2	-0.4	-0.1	0.0	0.7	20.7	10.7	4.9	5.4	1.8	2.3	8.4	12.3	

4. Euro area countries – deficit (-)/surplus (+)⁵⁾

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	0.2	1.3	-4.1	-0.9	-1.4	4.4	-0.6	6.0	2.2	-1.5	-2.8	7.1
2001	0.6	-2.8	-3.7	-0.4	-1.5	0.9	-2.6	6.4	-0.1	0.3	-4.4	5.2
2002	0.1	-3.7	-3.7	-0.1	-3.2	-0.2	-2.3	2.8	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-4.6	0.4	-4.1	0.1	-2.4	0.8	-3.2	-1.1	-2.8	2.3

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' deficit/surplus.

- Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.1% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- Including proceeds from the sale of UMTS licences.

6.2 Debt ¹⁾

(as a percentage of GDP)

1. Euro area – by financial instrument and sector of the holder

	Total	Financial instruments				Holders				Other creditors ³⁾
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1994	70.7	2.8	16.2	10.7	41.0	56.3	30.2	9.6	16.5	14.4
1995	74.9	2.8	17.9	10.1	44.1	58.6	32.8	8.7	17.1	16.2
1996	76.1	2.8	17.3	10.2	45.8	59.0	32.7	10.2	16.2	17.1
1997	75.5	2.7	16.3	9.0	47.4	56.7	31.0	11.8	13.9	18.7
1998	73.8	2.7	15.1	7.9	48.1	53.1	28.8	12.7	11.6	20.7
1999	72.8	2.9	14.3	6.8	48.9	48.5	27.1	9.7	11.7	24.4
2000	70.4	2.7	13.2	6.1	48.4	44.2	23.4	9.1	11.7	26.2
2001	69.4	2.7	12.5	6.3	48.0	42.2	22.1	8.3	11.7	27.3
2002	69.4	2.7	11.8	6.6	48.3	39.0	20.5	6.9	11.6	30.4
2003	70.7	2.1	11.8	8.2	48.5	38.8	20.6	7.3	10.8	31.9

2. Euro area – by issuer, maturity and currency denomination

	Total	Issued by ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies ⁵⁾	Other currencies
1994	70.7	58.9	5.3	5.9	0.6	12.3	58.3	7.2	17.8	27.1	25.7	68.3	2.3
1995	74.9	62.6	5.6	5.9	0.8	12.9	62.0	5.6	18.9	26.8	29.2	72.7	2.2
1996	76.1	63.8	6.0	5.7	0.5	12.2	63.9	5.3	20.5	25.8	29.7	74.1	2.0
1997	75.5	63.2	6.2	5.5	0.6	11.1	64.3	4.6	19.8	25.9	29.8	73.5	2.0
1998	73.8	62.0	6.2	5.3	0.4	9.4	64.4	4.8	17.1	26.9	29.8	72.0	1.8
1999	72.8	61.2	6.1	5.2	0.3	9.2	63.6	3.2	15.5	27.7	29.7	70.9	2.0
2000	70.4	59.1	6.0	5.0	0.3	8.2	62.2	2.9	15.3	28.3	26.8	68.6	1.8
2001	69.4	58.1	6.2	4.9	0.3	8.7	60.7	1.6	15.9	26.4	27.1	67.9	1.6
2002	69.4	57.8	6.4	4.8	0.3	9.1	60.3	1.6	16.8	25.3	27.3	68.0	1.4
2003	70.7	58.3	6.7	5.2	0.6	9.2	61.5	1.5	15.6	26.4	28.8	69.7	1.0

3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	109.1	60.2	114.0	61.1	56.8	38.3	111.2	5.5	55.9	65.8	53.3	44.6
2001	108.0	59.4	114.7	57.5	56.5	35.9	110.6	5.5	52.9	66.1	55.8	43.8
2002	105.4	60.9	112.5	54.4	58.8	32.7	107.9	5.7	52.6	65.7	58.4	42.6
2003	100.0	64.2	109.9	50.7	63.7	32.1	106.2	5.3	54.1	64.5	60.3	45.6

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' debt.

- 1) Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
- 2) Holders resident in the country whose government has issued the debt.
- 3) Includes residents of euro area countries other than the country whose government has issued the debt.
- 4) Excludes debt held by general government in the country whose government has issued it.
- 5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

6.3 Change in debt ¹⁾ (as a percentage of GDP)

1. Euro area – by source, financial instrument and sector of the holder

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	Other creditors ⁷⁾
		1	2	3	4	5	6	7	8	9	10	11	12	13
1995	7.7	5.2	0.4	2.4	-0.3	0.1	2.5	0.0	5.1	5.1	4.1	-0.4	2.6
1996	3.9	4.4	-0.2	0.1	-0.4	0.1	0.1	0.4	3.3	2.4	1.0	1.7	1.4
1997	2.3	2.3	0.5	-0.4	-0.1	0.0	-0.3	-0.8	3.4	0.0	-0.4	2.0	2.3
1998	1.7	1.9	-0.2	0.0	-0.1	0.1	-0.5	-0.7	2.8	-1.1	-0.9	1.4	2.8
1999	1.9	1.5	0.3	0.0	-0.1	0.2	-0.3	-0.8	2.7	-2.6	-0.5	-2.6	4.5
2000	1.0	1.0	0.2	-0.1	0.0	0.0	-0.4	-0.4	1.8	-2.0	-2.4	-0.1	3.0
2001	1.8	1.7	0.1	0.0	0.0	0.1	-0.2	0.4	1.4	-0.3	-0.4	-0.5	2.1
2002	2.2	2.4	-0.4	0.2	0.0	0.1	-0.3	0.6	1.9	-1.8	-0.9	-1.1	4.0
2003	3.1	2.9	0.3	-0.1	0.0	-0.5	0.3	1.8	1.4	0.8	0.7	0.5	2.3

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁹⁾	Deficit-debt adjustment ⁹⁾											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other ¹¹⁾
				Total	Currency and deposits	Securities ¹⁰⁾	Loans	Shares and other equity	Privatisations	Equity injections				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1995	7.7	-5.2	2.5	0.3	0.2	-0.1	0.4	-0.1	-0.4	0.2	0.4	-0.1	2.4	-0.6
1996	3.9	-4.3	-0.5	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.1	-0.2
1997	2.3	-2.7	-0.4	-0.4	0.1	0.0	0.0	-0.5	-0.7	0.2	0.5	0.2	-0.4	-0.1
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.5	-0.8	0.2	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.2	0.5	0.1	0.0	-0.7	-0.8	0.1	0.3	0.3	0.0	0.4
2000	1.0	0.1	1.1	0.6	0.7	0.1	0.2	-0.5	-0.4	0.2	0.2	0.1	-0.1	0.4
2001	1.8	-1.7	0.1	-0.5	-0.6	0.0	0.2	0.0	-0.3	0.2	0.1	0.0	0.0	0.4
2002	2.2	-2.4	-0.2	-0.4	0.0	0.1	0.1	-0.5	-0.4	0.2	-0.4	0.0	0.2	0.4
2003	3.1	-2.7	0.3	-0.3	-0.1	0.0	0.0	-0.2	-0.4	0.1	0.3	-0.2	-0.1	0.4

Source: ECB.

- 1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$.
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 1999.
- 6) Holders resident in the country whose government has issued the debt.
- 7) Includes residents of euro area countries other than the country whose government has issued the debt.
- 8) Including proceeds from sales of UMTS licences.
- 9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 10) Excluding financial derivatives.
- 11) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).

6.4 Quarterly revenue, expenditure and deficit/surplus ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
1999 Q1	44.1	43.6	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.3
Q2	48.3	47.8	13.7	13.6	16.2	2.2	1.3	0.5	0.3	43.7
Q3	45.2	44.7	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.3
Q4	52.0	51.4	14.5	14.9	17.1	3.1	0.8	0.7	0.3	46.8
2000 Q1	44.0	43.5	11.2	13.2	15.7	1.9	0.7	0.5	0.3	40.4
Q2	48.3	47.7	14.1	13.6	16.0	2.1	1.1	0.6	0.3	44.0
Q3	44.9	44.4	12.1	12.8	16.0	2.0	0.8	0.4	0.3	41.1
Q4	51.3	50.8	14.3	14.5	17.0	3.1	0.9	0.5	0.3	46.1
2001 Q1	43.0	42.5	10.7	12.9	15.5	1.8	0.8	0.4	0.2	39.4
Q2	47.7	47.3	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.1
Q3	44.4	44.0	11.9	12.5	15.8	1.9	0.8	0.4	0.3	40.6
Q4	50.7	50.1	13.9	14.3	16.8	3.2	0.9	0.5	0.3	45.4
2002 Q1	42.7	42.2	10.4	13.0	15.7	1.7	0.7	0.4	0.2	39.3
Q2	46.4	45.8	12.9	12.9	15.8	2.0	1.4	0.6	0.4	41.9
Q3	44.4	44.0	11.5	13.0	15.8	2.0	0.7	0.4	0.3	40.5
Q4	50.6	50.0	13.8	14.6	16.7	3.2	0.8	0.6	0.3	45.4
2003 Q1	42.7	42.2	10.0	13.1	15.9	1.7	0.7	0.5	0.2	39.2
Q2	47.2	45.5	12.4	12.9	16.1	2.1	1.2	1.7	1.4	42.8
Q3	43.9	43.4	11.1	12.9	15.9	1.9	0.7	0.5	0.3	40.2
Q4	51.1	50.0	13.5	14.8	16.8	3.2	0.8	1.1	0.3	45.3
2004 Q1	42.2	41.7	9.8	13.0	15.7	1.7	0.6	0.5	0.3	38.8
Q2	45.7	45.1	12.5	13.1	15.7	2.1	0.9	0.6	0.4	41.7
Q3	43.5	43.2	11.0	12.8	15.7	2.0	0.7	0.4	0.3	39.9

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits		Investment	Capital transfers		
								7	8				
1999 Q1	47.7	44.5	10.5	4.3	4.7	25.0	21.8	1.3	3.3	1.9	1.3	-3.6	1.0
Q2	47.9	44.3	10.6	4.5	4.3	24.8	21.6	1.5	3.6	2.4	1.2	0.4	4.7
Q3	47.7	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.5	1.6
Q4	51.7	46.9	11.2	5.3	3.9	26.5	22.9	1.7	4.8	3.1	1.7	0.3	4.2
2000 Q1	46.6	43.3	10.3	4.4	4.3	24.2	21.2	1.2	3.3	2.0	1.4	-2.6	1.7
Q2	47.1	43.6	10.5	4.6	4.0	24.5	21.3	1.4	3.4	2.4	1.1	1.2	5.2
Q3	43.7	43.4	10.2	4.5	4.1	24.5	21.4	1.5	0.3	2.5	1.1	1.2	5.3
Q4	50.8	46.9	11.2	5.3	3.9	26.5	22.7	1.6	3.9	3.2	1.5	0.4	4.3
2001 Q1	45.9	42.6	10.2	4.1	4.1	24.1	21.2	1.2	3.3	2.0	1.4	-2.9	1.2
Q2	47.1	43.6	10.5	4.7	4.0	24.5	21.3	1.4	3.4	2.4	1.1	0.6	4.6
Q3	47.1	43.3	10.2	4.6	4.0	24.6	21.5	1.5	3.7	2.5	1.2	-2.7	1.3
Q4	52.5	47.4	11.3	5.6	3.8	26.7	23.0	1.6	5.1	3.2	1.8	-1.8	1.9
2002 Q1	46.5	43.0	10.5	4.2	3.8	24.6	21.6	1.2	3.4	2.0	1.4	-3.8	0.0
Q2	47.6	44.1	10.5	4.9	3.7	24.9	21.7	1.3	3.5	2.4	1.1	-1.1	2.6
Q3	47.7	44.0	10.2	4.7	3.7	25.4	21.9	1.4	3.7	2.6	1.1	-3.2	0.5
Q4	52.2	47.7	11.3	5.7	3.5	27.2	23.5	1.5	4.5	2.8	1.6	-1.5	2.0
2003 Q1	47.1	43.6	10.5	4.3	3.7	25.1	21.9	1.1	3.5	2.0	1.5	-4.5	-0.8
Q2	48.3	44.8	10.7	4.8	3.5	25.8	22.4	1.4	3.5	2.4	1.1	-1.1	2.4
Q3	47.9	44.3	10.4	4.8	3.4	25.6	22.2	1.4	3.6	2.6	1.0	-4.0	-0.5
Q4	52.6	47.8	11.3	5.8	3.3	27.4	23.8	1.5	4.8	3.3	1.5	-1.5	1.8
2004 Q1	46.6	43.3	10.4	4.3	3.4	25.2	21.9	1.1	3.3	2.1	1.3	-4.4	-1.1
Q2	47.4	44.1	10.6	4.8	3.3	25.4	22.1	1.3	3.4	2.4	0.9	-1.8	1.5
Q3	47.0	43.6	10.1	4.6	3.4	25.5	22.1	1.3	3.4	2.5	0.9	-3.4	-0.1

Source: ECB calculations based on Eurostat and national data.

- Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are not included. Including these transactions would increase both revenue and expenditure by, on average, about 0.2% of GDP. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.
- The fiscal burden comprises taxes and social contributions.



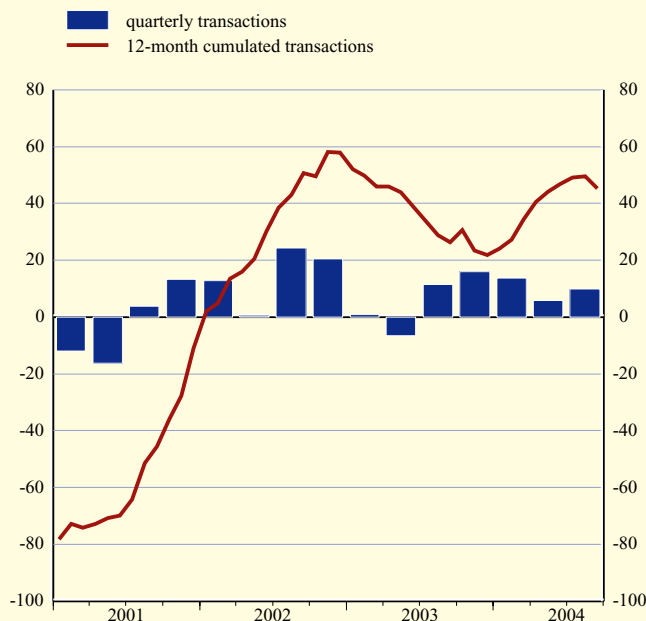
EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments (EUR billions; net transactions)

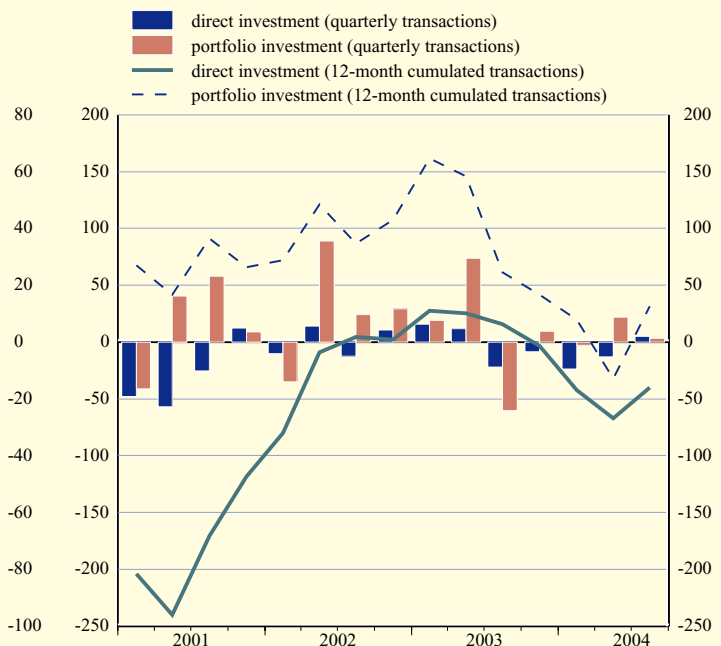
1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-11.0	73.4	-0.3	-32.6	-51.5	6.5	-4.6	-45.5	-118.1	66.1	-0.8	-10.5	17.8	50.1
2002	57.8	128.9	16.0	-38.5	-48.6	10.2	68.0	-62.1	2.1	107.3	-10.9	-158.3	-2.3	-5.9
2003	21.8	105.3	17.9	-44.8	-56.5	13.2	35.0	-17.9	-3.4	41.7	-12.4	-73.7	29.9	-17.1
2003 Q3	11.5	36.9	4.4	-10.0	-19.8	2.7	14.2	-12.6	-22.1	-60.3	-4.5	72.3	2.0	-1.6
Q4	15.9	29.9	5.0	-6.3	-12.7	7.5	23.4	-7.5	-8.7	9.3	-3.8	-18.0	13.6	-15.9
2004 Q1	13.6	28.6	0.1	-8.0	-7.0	3.6	17.2	-12.2	-23.6	-3.1	6.6	-1.5	9.4	-5.0
Q2	5.8	31.5	9.6	-18.9	-16.4	4.0	9.9	-0.2	-12.9	21.7	-0.4	-5.7	-2.8	-9.7
Q3	9.9	24.6	8.1	-5.1	-17.6	4.1	14.0	-4.1	5.3	3.6	-4.4	-11.9	3.4	-9.9
2003 Nov.	2.8	8.3	0.8	0.0	-6.4	1.2	4.0	11.7	4.6	1.8	0.6	-0.8	5.5	-15.7
Dec.	6.1	8.4	2.4	-1.9	-2.8	5.1	11.2	-22.6	-8.9	-27.4	-6.2	12.6	7.3	11.4
2004 Jan.	-2.7	5.3	-1.0	-8.6	1.7	0.3	-2.4	-18.7	-7.2	-9.1	1.8	-1.1	-3.0	21.1
Feb.	5.4	9.8	0.4	-0.1	-4.7	2.1	7.5	18.2	9.1	13.3	1.3	-14.1	8.6	-25.7
Mar.	11.0	13.6	0.7	0.7	-4.0	1.2	12.2	-11.7	-25.5	-7.2	3.5	13.8	3.7	-0.4
Apr.	-0.2	9.8	1.8	-7.8	-4.0	0.8	0.6	-17.5	-1.9	-7.6	-1.1	-4.3	-2.7	17.0
May	1.6	10.2	4.0	-6.6	-5.8	2.3	4.0	11.4	0.0	-0.5	-0.8	12.1	0.7	-15.4
June	4.4	11.6	3.8	-4.4	-6.5	0.9	5.3	6.0	-11.0	29.8	1.5	-13.5	-0.8	-11.3
July	4.6	13.8	3.0	-6.0	-6.2	1.4	6.0	-18.1	-4.5	-41.4	-0.8	28.5	0.2	12.1
Aug.	3.8	5.8	2.2	1.0	-5.2	1.6	5.4	5.1	7.3	1.1	-6.4	-0.6	3.7	-10.5
Sep.	1.5	5.0	2.9	-0.2	-6.2	1.1	2.6	8.9	2.5	43.9	2.8	-39.8	-0.5	-11.5
Oct.	1.2	7.7	2.4	-3.3	-5.6	0.6	1.8	-21.5	-11.6	6.2	-3.3	-13.8	0.9	19.7
Nov.	3.2	6.1	0.4	1.4	-4.6	1.0	4.2	30.5	-0.1	-10.5	1.2	39.9	-0.1	-34.7
<i>12-month cumulated transactions</i>														
2004 Nov.	39.9	106.9	22.9	-35.9	-54.0	18.4	58.3	-30.1	-51.9	-9.4	-6.6	19.6	18.1	-28.2

C26 B.o.p. current account balance (EUR billions)



C27 B.o.p. net direct and portfolio investment (EUR billions)



Source: ECB.

7.1 Balance of payments

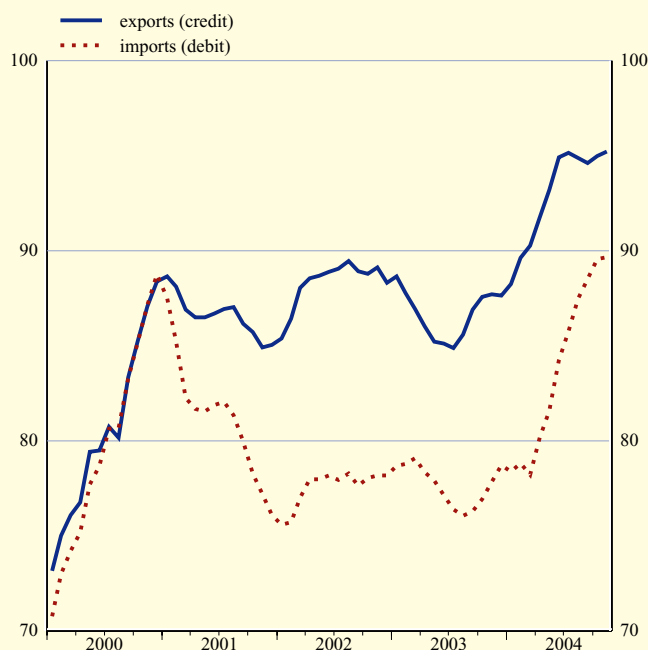
(EUR billions; transactions)

2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2001	1,706.5	1,717.6	-11.0	1,034.8	961.4	322.2	322.5	270.7	303.3	78.8	130.3	17.4	10.9
2002	1,721.5	1,663.6	57.8	1,062.9	934.0	333.5	317.5	239.6	278.1	85.4	133.9	19.2	9.0
2003	1,677.5	1,655.7	21.8	1,040.2	934.9	328.8	311.0	227.6	272.5	80.8	137.3	23.3	10.1
2003 Q3	415.9	404.4	11.5	258.0	221.2	87.3	82.9	55.3	65.3	15.2	35.0	4.1	1.5
Q4	434.3	418.4	15.9	272.1	242.2	85.0	79.9	57.9	64.2	19.3	32.0	9.3	1.9
2004 Q1	430.2	416.5	13.6	265.9	237.3	76.0	75.9	56.6	64.7	31.7	38.7	5.1	1.6
Q2	454.2	448.4	5.8	285.7	254.2	88.8	79.2	64.2	83.1	15.5	31.9	5.3	1.3
Q3	448.8	438.9	9.9	280.5	255.9	94.6	86.5	57.9	63.0	15.9	33.5	5.6	1.5
2004 Sep.	151.9	150.4	1.5	95.8	90.8	30.9	28.0	20.0	20.2	5.1	11.4	1.7	0.6
Oct.	152.1	150.9	1.2	100.1	92.4	29.1	26.7	18.8	22.0	4.2	9.8	1.0	0.4
Nov.	151.9	148.7	3.2	101.3	95.2	26.4	26.0	18.7	17.3	5.5	10.1	1.4	0.4
	Seasonally adjusted												
2003 Q3	418.7	412.0	6.7	260.7	228.9	80.9	78.0	58.1	68.4	19.0	36.7	-	-
Q4	423.7	413.8	9.8	263.0	236.2	83.6	78.5	55.8	66.4	21.3	32.8	-	-
2004 Q1	434.8	419.3	15.5	270.8	234.7	84.4	79.8	59.4	68.8	20.2	36.0	-	-
Q2	453.2	438.0	15.3	284.8	252.7	88.1	81.7	59.8	71.4	20.5	32.1	-	-
Q3	452.1	448.5	3.6	283.8	265.5	87.8	81.4	60.7	66.9	19.8	34.7	-	-
2004 Mar.	144.9	139.8	5.1	89.7	77.8	27.7	26.3	20.5	23.5	6.9	12.1	-	-
Apr.	150.5	142.3	8.2	93.9	82.4	28.9	27.0	21.0	24.0	6.6	8.9	-	-
May	151.3	146.5	4.7	95.9	84.5	29.9	27.3	18.7	23.1	6.8	11.7	-	-
June	151.5	149.1	2.4	94.9	85.8	29.3	27.4	20.1	24.3	7.2	11.6	-	-
July	149.6	147.3	2.3	94.6	86.9	28.6	27.0	20.2	21.9	6.1	11.5	-	-
Aug.	151.7	149.8	1.9	95.1	89.7	29.4	26.8	20.1	21.6	7.1	11.8	-	-
Sep.	150.8	151.4	-0.5	94.1	88.9	29.7	27.7	20.3	23.4	6.7	11.4	-	-
Oct.	151.6	150.3	1.4	95.8	90.1	28.6	26.5	20.8	23.0	6.5	10.6	-	-
Nov.	150.0	149.5	0.4	95.8	90.0	27.6	26.9	20.2	22.1	6.4	10.6	-	-

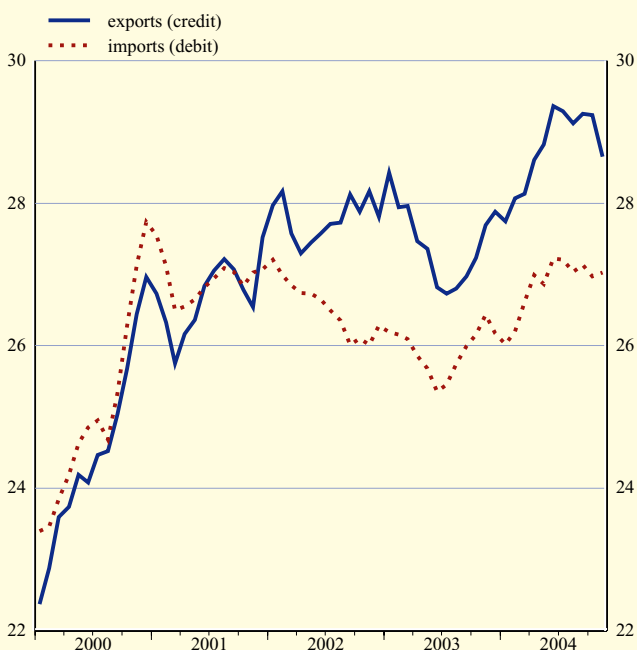
C28 B.o.p. goods

(EUR billions, seasonally adjusted; three-month moving average)



C29 B.o.p. services

(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.1 Balance of payments

(EUR billions)

3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	14.7	6.0	256.0	297.3	43.4	38.8	10.4	10.1	18.0	45.1	67.1	72.0	117.1	131.5
2002	14.8	6.2	224.8	271.9	47.2	48.7	8.2	7.1	19.8	52.3	66.2	70.4	83.4	93.4
2003	14.7	6.2	212.9	266.2	48.9	53.4	10.6	9.7	19.0	49.8	64.7	77.4	69.8	76.0
2003 Q3	3.7	1.7	51.6	63.6	11.7	14.4	2.4	1.8	4.6	10.3	16.7	20.5	16.1	16.6
Q4	3.9	1.6	54.1	62.6	13.7	13.0	3.1	3.2	4.7	9.7	16.8	17.2	15.8	19.6
2004 Q1	3.7	1.3	53.0	63.3	12.0	12.6	3.1	2.4	4.7	9.4	16.9	21.4	16.2	17.6
Q2	3.7	1.6	60.5	81.5	18.0	17.4	3.0	2.5	8.5	26.5	15.9	17.7	15.1	17.3
Q3	3.8	1.8	54.1	61.3	14.1	13.1	2.6	2.3	6.8	12.8	16.0	17.0	14.5	16.1

4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
2001	-311.9	-232.9	-20.0	-213.0	-79.0	-0.1	-78.8	193.8	134.9	4.0	131.0	58.8	0.9	58.0
2002	-175.1	-173.7	-19.8	-153.9	-1.5	0.0	-1.5	177.2	122.1	2.4	119.7	55.1	0.5	54.7
2003	-130.3	-106.9	2.2	-109.1	-23.4	-0.2	-23.2	126.9	109.6	2.8	106.8	17.3	0.1	17.2
2003 Q3	-36.1	-37.0	-1.4	-35.5	0.9	-0.1	1.0	14.0	16.3	0.0	16.3	-2.3	-0.4	-1.9
Q4	-31.6	-19.3	1.6	-20.9	-12.3	0.2	-12.4	22.9	34.1	0.6	33.5	-11.2	0.5	-11.7
2004 Q1	-27.8	-21.3	-5.8	-15.5	-6.5	-0.1	-6.4	4.2	13.7	-0.6	14.3	-9.5	-0.3	-9.2
Q2	-28.6	-24.9	-3.6	-21.3	-3.7	0.0	-3.7	15.6	11.1	0.6	10.5	4.5	0.8	3.8
Q3	-12.2	-22.4	-1.1	-21.3	10.1	0.0	10.1	17.5	15.8	1.5	14.3	1.7	0.4	1.3
2003 Nov.	0.7	4.1	-1.4	5.4	-3.3	0.1	-3.4	3.8	5.7	0.4	5.3	-1.9	0.1	-2.0
Dec.	-20.8	-16.9	1.1	-18.0	-3.8	0.1	-3.9	11.8	17.9	-0.1	18.0	-6.1	0.1	-6.2
2004 Jan.	-9.4	-4.3	0.3	-4.6	-5.1	0.0	-5.1	2.2	7.8	0.2	7.5	-5.6	-0.1	-5.5
Feb.	-5.8	-3.2	-1.2	-2.0	-2.6	0.0	-2.6	14.9	4.7	0.3	4.4	10.3	-0.1	10.3
Mar.	-12.6	-13.8	-4.9	-8.9	1.2	-0.1	1.3	-12.9	1.2	-1.2	2.4	-14.2	-0.1	-14.1
Apr.	-15.1	-7.3	-0.4	-6.9	-7.8	0.1	-7.9	13.2	8.3	0.2	8.1	4.9	0.0	4.8
May	-2.3	-5.7	0.0	-5.7	3.5	0.0	3.5	2.2	3.4	0.3	3.1	-1.2	0.3	-1.5
June	-11.2	-11.9	-3.2	-8.7	0.7	0.0	0.7	0.2	-0.7	0.0	-0.7	0.8	0.4	0.5
July	-17.5	-14.7	0.1	-14.8	-2.8	0.0	-2.8	13.0	11.2	0.2	11.1	1.7	-0.1	1.8
Aug.	10.4	-5.9	0.2	-6.1	16.3	0.0	16.2	-3.0	-2.2	0.4	-2.5	-0.9	0.0	-0.9
Sep.	-5.1	-1.8	-1.3	-0.5	-3.3	0.0	-3.3	7.5	6.7	1.0	5.7	0.9	0.5	0.4
Oct.	-25.5	-15.6	0.2	-15.7	-9.9	0.0	-9.9	13.9	4.9	0.2	4.7	9.0	0.0	9.0
Nov.	-11.9	-13.4	-13.0	-0.4	1.6	0.1	1.5	11.7	5.6	0.1	5.5	6.1	0.4	5.8

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes				Money market instruments					
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	
			General gov.		General gov.			General gov.							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	-0.4	4.0	-105.2	-2.1	232.5	0.2	-67.1	-89.6	-1.2	113.3	-2.4	-40.7	17.3	-0.1	4.1
2002	-0.4	-7.6	-31.0	-4.4	85.5	-0.7	-17.4	-71.0	-0.9	157.2	2.0	-31.9	-19.5	-1.1	41.9
2003	-0.3	-12.9	-54.4	-2.6	117.5	-2.4	-45.1	-132.0	-0.2	188.7	0.2	-41.3	11.2	0.4	12.4
2003 Q3	-0.1	-6.2	-12.3	-0.8	27.3	-1.4	-8.4	-33.3	-0.4	-9.9	0.1	-1.0	-3.6	-0.1	-11.6
Q4	0.0	-3.6	-21.9	-0.4	45.5	-0.4	-7.3	-18.9	-0.4	33.4	-0.2	-13.1	1.3	1.3	-5.6
2004 Q1	0.0	-6.0	-24.8	-0.9	24.5	-0.5	-26.3	-20.2	-0.6	42.1	-0.2	-10.6	-3.8	-1.1	22.7
Q2	0.0	-12.4	-3.6	-0.7	-4.8	0.3	-10.7	-17.8	-0.2	80.2	0.1	-5.0	-3.4	-2.4	-1.0
Q3	0.0	-2.5	-3.0	-0.6	38.9	0.7	-23.0	-15.2	-0.2	33.5	0.0	-14.7	-3.5	-0.6	-7.4
2003 Nov.	0.0	1.4	-5.0	-	11.1	0.0	-8.4	-7.4	-	12.5	-0.1	-2.7	1.1	-	-0.6
Dec.	0.0	-0.3	-6.9	-	12.0	0.0	2.8	-1.6	-	-5.7	0.0	-6.4	2.3	-	-23.5
2004 Jan.	0.0	-3.4	-6.8	-	1.5	0.0	-13.0	-6.3	-	25.8	0.1	-15.5	-2.3	-	10.7
Feb.	0.1	-3.1	-6.7	-	20.5	0.0	-1.6	-1.4	-	11.0	-0.2	-5.5	-0.4	-	0.8
Mar.	0.0	0.5	-11.4	-	2.5	-0.4	-11.6	-12.5	-	5.3	0.0	10.4	-1.1	-	11.2
Apr.	0.0	-1.0	2.6	-	-20.1	0.2	-2.8	-5.8	-	38.0	0.0	-15.3	-3.9	-	0.5
May	0.0	-1.8	0.5	-	0.8	0.1	-7.3	-7.4	-	15.3	-0.2	2.6	0.7	-	-3.8
June	0.0	-9.7	-6.8	-	14.4	0.0	-0.5	-4.6	-	26.9	0.3	7.6	-0.3	-	2.3
July	0.0	-8.9	0.2	-	10.6	-0.3	-12.9	0.8	-	-11.3	0.3	-19.1	2.0	-	-2.7
Aug.	0.0	-4.2	-7.3	-	15.7	0.4	-12.0	-0.4	-	6.2	-0.2	-3.5	-0.9	-	7.3
Sep.	0.0	10.6	4.0	-	12.6	0.6	1.9	-15.6	-	38.5	-0.1	7.9	-4.6	-	-12.0
Oct.	0.0	-2.9	-3.3	-	16.3	0.3	-13.6	-5.1	-	15.6	-0.1	1.2	-3.9	-	1.8
Nov.	0.0	-10.8	-6.2	-	21.0	0.4	-9.9	-6.6	-	18.8	0.2	-13.2	0.9	-	-5.0

6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2001	-268.6	258.1	0.2	4.4	3.0	-	-0.4	-229.3	233.0	-47.0	22.8	-182.3	210.2	-42.5	-	21.1
2002	-224.6	66.3	-0.9	19.3	0.1	-	-8.2	-168.0	25.8	-34.4	52.3	-133.6	-26.4	-55.8	-	29.3
2003	-241.8	168.0	-0.8	10.2	-0.4	-	-3.8	-154.7	137.6	-59.8	66.0	-94.8	71.6	-85.9	-	24.0
2003 Q3	90.5	-18.2	0.3	5.8	-0.3	-	5.3	88.2	-8.0	-11.9	10.6	100.1	-18.6	2.3	-	-21.4
Q4	-79.0	61.0	-0.7	-0.6	3.2	-	-4.6	-71.3	53.8	-16.5	18.1	-54.8	35.7	-10.1	-	12.4
2004 Q1	-182.0	180.5	-0.6	-1.2	-0.6	-0.5	-6.4	-156.1	158.5	-10.5	0.4	-145.6	158.1	-24.7	-20.0	29.6
Q2	-23.8	18.1	0.9	1.6	-4.8	-4.7	3.1	-5.5	22.3	-2.4	6.8	-3.1	15.5	-14.4	4.5	-8.8
Q3	-19.9	7.9	-1.5	3.2	0.4	-0.2	2.2	-24.1	6.6	-7.8	-5.7	-16.3	12.3	5.4	-10.3	-4.1
2003 Nov.	-36.8	36.0	0.4	-2.8	1.2	-	1.5	-34.6	28.0	-5.9	10.0	-28.7	18.0	-3.8	-	9.4
Dec.	10.4	2.2	-0.9	1.3	0.8	-	-4.0	3.9	0.2	-4.8	10.2	8.7	-9.9	6.6	-	4.6
2004 Jan.	-68.9	67.8	-0.5	2.6	-0.3	-0.3	-4.6	-62.6	76.4	-1.3	4.3	-61.3	72.1	-5.5	-4.1	-6.7
Feb.	-28.8	14.6	-0.4	-4.3	0.4	0.3	-0.2	-23.8	16.6	-5.5	-0.6	-18.3	17.2	-5.1	-5.0	2.6
Mar.	-84.3	98.1	0.2	0.5	-0.7	-0.5	-1.5	-69.7	65.5	-3.7	-3.2	-66.0	68.7	-14.1	-10.8	33.7
Apr.	-52.5	48.3	0.6	0.6	-1.4	-1.2	-0.3	-50.5	54.3	-6.3	0.4	-44.1	53.9	-1.2	3.0	-6.4
May	10.3	1.8	-0.1	-0.3	-0.2	0.0	0.5	17.6	10.4	3.6	3.6	14.0	6.8	-7.0	4.5	-8.8
June	18.5	-32.0	0.5	1.3	-3.2	-3.5	2.9	27.4	-42.5	0.4	2.7	27.0	-45.2	-6.2	-3.1	6.4
July	55.7	-27.3	-0.3	1.5	-0.3	-0.5	-0.4	46.0	-12.7	3.1	-7.8	42.9	-4.9	10.3	1.7	-15.7
Aug.	-32.2	31.6	-0.2	0.2	-0.2	-0.3	0.1	-31.4	18.9	-5.8	2.4	-25.6	16.5	-0.4	-2.3	12.5
Sep.	-43.4	3.7	-1.0	1.5	0.9	0.7	2.6	-38.7	0.4	-5.2	-0.2	-33.5	0.6	-4.6	-9.7	-0.9
Oct.	-15.2	1.4	0.1	1.1	2.0	2.3	0.3	-9.9	-0.8	7.4	5.5	-17.3	-6.3	-7.4	-1.8	0.8
Nov.	-67.1	107.1	0.5	2.0	-0.8	-0.7	-0.4	-60.1	97.0	-0.9	2.9	-59.3	94.1	-6.6	0.1	8.5

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2001	0.2	0.0	4.5	0.0	-0.1	4.4	-	-	-1.3	0.0	-0.5	0.1
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-7.9	-0.3
2003	-0.8	0.0	10.2	0.0	-0.1	0.6	-	-	-0.9	0.0	-4.1	0.3
2003 Q3	0.3	0.0	5.8	0.0	0.0	-0.1	-	-	-0.2	0.0	4.8	0.5
Q4	-0.7	0.0	-0.6	0.0	0.0	3.1	-	-	0.1	0.0	-4.1	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.1	-0.3
Q2	0.9	0.0	1.5	0.1	0.0	-4.4	0.4	-4.7	-0.5	0.0	2.8	0.2
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.1	0.0	2.1	0.1

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2001	-215.2	-14.0	222.8	10.2	-3.3	-30.2	-	-	-8.9	1.2	14.7	5.2
2002	-163.0	-5.0	27.9	-2.1	-2.1	-50.1	-	-	-3.6	-3.6	26.3	6.6
2003	-154.1	-0.5	137.7	-0.1	0.2	-83.6	-	-	-2.5	3.3	21.4	-0.7
2003 Q3	88.4	-0.2	-6.9	-1.0	-0.1	-1.3	-	-	3.8	-1.5	-15.1	-4.8
Q4	-70.7	-0.6	53.6	0.2	-1.0	-8.6	-	-	-0.5	2.5	11.0	-1.1
2004 Q1	-153.6	-2.6	157.0	1.6	-2.5	-20.6	-0.6	-20.0	-1.7	4.8	24.6	0.3
Q2	-4.8	-0.6	22.3	0.0	-3.2	-10.3	-14.7	4.5	-0.9	1.6	-8.4	-2.0
Q3	-22.4	-1.7	5.1	1.5	1.8	4.4	14.7	-10.3	-0.8	0.0	-6.6	2.5

8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	
					Total	Currency and deposits		Securities				Financial derivatives
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2001	17.8	0.6	-1.0	-4.2	22.5	10.0	-5.3	-1.1	20.4	-1.6	0.0	0.0
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	29.9	1.7	0.0	-1.6	29.8	-1.8	1.6	0.0	23.1	6.9	0.1	0.0
2003 Q3	2.0	0.1	0.0	-0.7	2.6	-1.1	4.1	0.0	-4.5	4.1	0.0	0.0
Q4	13.6	0.6	0.0	1.8	11.2	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.4	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	0.0	0.0
Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.4	0.1	0.0
Q3	3.4	0.0	-0.1	1.5	2.0	2.6	-3.6	0.0	1.0	2.1	0.0	0.0

Source: ECB.

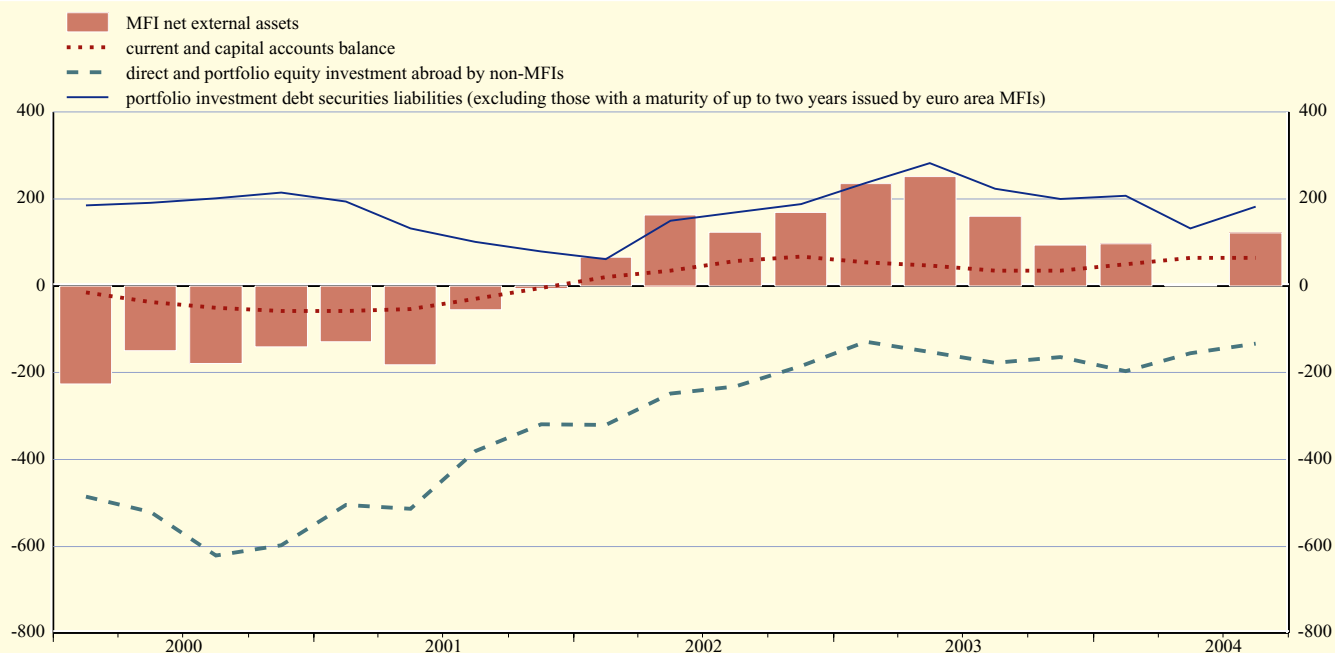
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3										Memo: Transactions in the external counterpart of M3	
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions		Total of columns 1 to 10
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity ¹⁾	Debt instruments ²⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2001	-4.6	-291.8	192.9	-177.6	172.2	78.6	-39.5	20.6	-0.8	50.1	0.2	-6.9
2002	68.0	-155.4	176.8	-121.5	48.7	188.6	-55.7	21.1	-10.9	-5.9	153.8	169.4
2003	35.0	-132.4	126.8	-175.2	122.7	200.8	-86.3	20.2	-12.4	-17.1	82.2	93.5
2003 Q3	14.2	-34.5	14.4	-49.2	29.7	-13.4	2.0	-16.1	-4.5	-1.6	-59.1	-56.6
Q4	23.4	-33.3	22.4	-39.5	41.9	19.5	-7.0	7.8	-3.8	-15.9	15.5	20.3
2004 Q1	17.2	-21.9	4.5	-48.8	8.2	57.4	-25.3	23.3	6.6	-5.0	16.2	37.6
Q2	9.9	-25.0	14.9	-24.8	-5.0	68.1	-19.3	-5.8	-0.4	-9.7	2.9	0.5
Q3	14.0	-11.2	17.1	-21.8	37.9	37.6	5.8	-1.9	-4.4	-9.9	63.2	64.0
2003 Nov.	4.0	2.0	3.7	-11.4	11.1	9.9	-2.6	10.9	0.6	-15.7	12.6	18.3
Dec.	11.2	-21.9	11.7	-6.3	13.2	-30.3	7.4	0.6	-6.2	11.4	-9.2	-9.5
2004 Jan.	-2.4	-9.7	2.3	-15.4	-6.6	33.6	-5.8	-11.3	1.8	21.1	7.6	22.2
Feb.	7.5	-4.6	15.0	-8.5	20.5	7.5	-4.6	2.4	1.3	-25.7	10.7	8.5
Mar.	12.2	-7.6	-12.8	-25.0	-5.8	16.3	-14.8	32.2	3.5	-0.4	-2.2	6.9
Apr.	0.6	-14.7	13.1	-7.0	-22.9	31.3	-2.6	-6.7	-1.1	17.0	6.9	6.2
May	4.0	-2.2	1.9	-6.2	4.1	8.7	-7.2	-8.4	-0.8	-15.4	-21.5	-20.0
June	5.3	-8.0	-0.2	-11.6	13.8	28.1	-9.4	9.2	1.5	-11.3	17.5	14.3
July	6.0	-17.6	13.1	2.9	6.4	-12.7	10.0	-16.1	-0.8	12.1	3.2	-0.8
Aug.	5.4	10.2	-3.0	-8.5	15.4	14.5	-0.6	12.5	-6.4	-10.5	29.0	30.1
Sep.	2.6	-3.8	7.0	-16.2	16.1	35.8	-3.7	1.7	2.8	-11.5	31.0	34.7
Oct.	1.8	-25.6	13.9	-12.4	14.9	14.4	-5.4	1.1	-3.3	19.7	19.1	19.6
Nov.	4.2	1.1	11.3	-11.9	25.0	11.2	-7.5	8.1	1.2	-34.7	8.1	9.5
<i>12-month cumulated transactions</i>												
2004 Nov.	58.3	-104.5	73.4	-126.0	94.3	158.4	-44.2	25.4	-6.6	-28.2	100.3	121.7

C30 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

1. Balance of payments: current and capital accounts

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2003 Q4 to 2004 Q3	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	1,767.5	654.5	35.3	57.3	354.5	148.9	58.5	23.2	46.9	121.0	298.9	623.1
Goods	1,104.1	383.6	24.3	39.7	197.2	122.2	0.2	14.1	32.5	62.1	167.3	444.5
Services	344.4	126.3	6.9	9.8	89.7	15.7	4.3	4.2	9.9	34.4	69.7	99.8
Income	236.7	83.9	3.8	7.3	58.2	9.8	4.8	4.4	4.1	18.9	54.8	70.5
of which: investment income	221.6	79.3	3.7	7.2	56.9	9.7	1.8	4.3	4.1	12.7	53.0	68.3
Current transfers	82.3	60.6	0.4	0.5	9.4	1.2	49.2	0.4	0.3	5.6	7.1	8.3
Capital account	25.3	22.8	0.0	0.0	0.6	0.1	22.1	0.0	0.0	0.4	1.2	0.9
Debits												
Current account	1,722.3	584.2	33.3	54.4	287.9	126.8	81.7	18.2	81.2	115.6	255.0	668.1
Goods	989.6	301.4	23.5	37.3	137.9	102.7	0.0	8.5	50.3	50.2	107.2	472.0
Services	321.6	99.4	6.1	7.7	66.9	18.5	0.2	4.6	7.0	28.3	74.0	108.4
Income	275.0	94.9	3.4	8.7	75.2	4.0	3.6	3.6	23.6	32.2	64.2	56.5
of which: investment income	268.7	91.7	3.4	8.6	74.3	2.0	3.6	3.5	23.5	31.7	63.4	55.0
Current transfers	136.1	88.5	0.3	0.7	7.9	1.5	78.0	1.5	0.3	5.0	9.6	31.2
Capital account	6.2	1.0	0.0	0.0	0.3	0.2	0.4	0.1	0.0	0.2	0.4	4.5
Net												
Current account	45.3	70.3	2.0	2.9	66.5	22.2	-23.2	5.0	-34.4	5.4	43.9	-45.0
Goods	114.6	82.2	0.8	2.4	59.3	19.5	0.2	5.7	-17.8	11.8	60.1	-27.4
Services	22.8	26.9	0.8	2.0	22.8	-2.8	4.1	-0.4	2.9	6.1	-4.2	-8.6
Income	-38.3	-10.9	0.4	-1.3	-17.0	5.8	1.2	0.8	-19.5	-13.3	-9.4	13.9
of which: investment income	-47.1	-12.5	0.3	-1.4	-17.4	7.7	-1.7	0.9	-19.4	-19.0	-10.3	13.3
Current transfers	-53.8	-27.9	0.0	-0.2	1.4	-0.3	-28.8	-1.1	-0.1	0.6	-2.5	-22.8
Capital account	19.2	21.8	0.0	0.0	0.3	-0.1	21.7	0.0	0.0	0.2	0.8	-3.6

2. Balance of payments: direct investment

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2003 Q4 to 2004 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-39.9	-31.4	0.9	-1.9	-29.0	-1.5	0.1	4.7	-6.4	14.8	10.4	-5.7	-26.3
Abroad	-100.2	-48.3	-0.7	-5.8	-38.8	-3.1	0.0	1.2	-9.1	4.0	-0.5	-19.6	-28.0
Equity/reinvested earnings	-87.8	-38.2	-2.1	-6.2	-22.6	-7.3	0.0	0.8	-5.2	3.1	-18.7	-12.9	-16.7
Other capital	-12.3	-10.1	1.5	0.4	-16.2	4.2	0.0	0.4	-3.8	1.0	18.2	-6.7	-11.3
In the euro area	60.2	16.9	1.6	3.9	9.8	1.6	0.1	3.4	2.7	10.8	10.9	13.9	1.7
Equity/reinvested earnings	74.6	37.0	1.5	1.9	33.2	0.3	0.1	2.8	1.9	9.6	13.1	10.6	-0.4
Other capital	-14.4	-20.0	0.1	2.0	-23.4	1.3	0.0	0.6	0.7	1.2	-2.2	3.3	2.1

Source: ECB.

7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

3. Balance of payments: portfolio investment assets by instrument

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2003 Q4 to 2004 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-270.3	-102.4	-0.4	-9.8	-73.8	-12.9	-5.5	-7.1	-36.1	-0.3	-60.3	-20.2	-44.0
Equity	-77.9	-8.5	2.1	-1.4	-7.8	-1.1	-0.1	-2.4	-17.7	0.6	-16.6	-13.0	-20.4
Debt securities	-192.4	-93.9	-2.5	-8.4	-66.0	-11.8	-5.3	-4.7	-18.4	-0.9	-43.6	-7.2	-23.6
Bonds and notes	-139.2	-69.1	-0.3	-5.6	-48.1	-9.3	-5.7	-4.4	-7.6	-0.8	-38.4	2.5	-21.5
Money market instruments	-53.2	-24.9	-2.1	-2.8	-17.8	-2.4	0.3	-0.3	-10.8	-0.1	-5.3	-9.6	-2.1

4. Balance of payments: other investment by sector

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2003 Q4 to 2004 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	-37.1	-76.5	-0.3	-15.6	-69.2	-0.6	9.2	0.6	8.5	2.6	36.3	-43.8	2.2	33.0
Assets	-304.7	-239.4	-7.8	-17.4	-202.2	-12.3	0.3	-0.9	-1.1	-2.3	-18.4	-36.5	-4.0	-2.1
General government	-1.9	-2.5	0.0	0.0	-2.6	0.2	0.0	0.0	0.0	0.1	0.5	0.0	-1.6	1.7
MFIs	-259.0	-199.7	-5.8	-13.7	-168.5	-12.2	0.4	-0.2	-2.6	-0.6	-29.7	-19.3	-2.2	-4.5
Other sectors	-43.9	-37.2	-2.0	-3.7	-31.1	-0.3	-0.1	-0.6	1.5	-1.8	10.8	-17.1	-0.1	0.7
Liabilities	267.6	162.9	7.5	1.8	133.0	11.7	8.9	1.5	9.6	4.9	54.7	-7.3	6.2	35.1
General government	-5.7	-6.0	0.0	0.0	0.0	0.0	-6.0	0.0	-0.7	-0.5	0.7	0.0	0.2	0.7
MFIs	244.2	158.1	7.4	0.5	129.5	9.8	11.0	1.1	7.1	1.0	40.3	-6.2	6.2	36.5
Other sectors	29.1	10.8	0.1	1.2	3.5	1.9	4.0	0.4	3.2	4.5	13.7	-1.2	-0.2	-2.1

5. International investment position

(End-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2003	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	79.7	-250.1	1.8	-11.1	-346.3	105.6	-0.1	33.0	5.0	71.2	-3.3	-40.2	-0.1	264.2
Abroad	2,110.4	683.3	25.9	63.5	485.0	108.8	0.0	73.0	53.6	231.6	492.8	218.5	0.0	357.6
Equity/reinvested earnings	1,647.3	524.9	22.6	40.3	377.0	85.0	0.0	59.5	45.4	171.4	350.5	206.0	0.0	289.5
Other capital	463.1	158.3	3.4	23.2	107.9	23.8	0.0	13.5	8.2	60.1	142.3	12.5	0.0	68.0
In the euro area	2,030.7	933.4	24.2	74.6	831.2	3.2	0.1	39.9	48.7	160.4	496.2	258.7	0.1	93.4
Equity/reinvested earnings	1,474.4	732.2	18.9	60.2	650.8	2.3	0.0	37.5	38.4	109.7	347.0	135.1	0.1	74.2
Other capital	556.4	201.1	5.2	14.4	180.5	1.0	0.1	2.4	10.2	50.7	149.1	123.6	0.0	19.1
Portfolio investment assets	2,607.4	799.4	48.3	91.7	568.3	45.0	46.1	57.0	117.5	84.7	960.3	284.5	27.8	276.2
Equity	1,054.6	267.4	8.3	26.0	223.5	9.6	0.0	6.8	80.7	75.7	441.6	74.9	0.5	107.0
Debt securities	1,552.8	532.0	40.0	65.7	344.8	35.5	46.1	50.2	36.8	9.0	518.7	209.6	27.3	169.2
Bonds and notes	1,317.0	433.8	37.5	53.6	262.3	34.9	45.5	49.0	35.2	7.9	423.6	197.0	26.2	144.2
Money market instruments	235.8	98.2	2.5	12.0	82.4	0.6	0.6	1.2	1.6	1.2	95.0	12.5	1.1	25.0
Other investment	-314.8	-76.5	33.5	18.1	23.4	12.2	-163.8	2.1	14.1	-52.5	-71.8	-239.6	-6.8	116.1
Assets	2,587.3	1,240.7	49.9	49.1	1,064.8	72.5	4.5	14.2	86.4	170.6	368.4	229.7	38.9	438.4
General government	92.7	9.4	0.0	0.0	4.2	2.4	2.8	0.0	0.3	0.1	2.8	1.1	33.2	45.8
MFIs	1,768.1	961.8	42.2	33.1	834.2	51.7	0.7	6.8	70.3	109.0	233.9	153.0	5.1	228.1
Other sectors	726.4	269.5	7.7	16.0	226.4	18.4	1.0	7.3	15.8	61.5	131.7	75.6	0.5	164.5
Liabilities	2,902.1	1,317.2	16.3	31.0	1,041.4	60.3	168.2	12.1	72.3	223.1	440.1	469.3	45.6	322.3
General government	43.5	25.6	0.0	0.1	4.1	0.2	21.1	0.0	1.6	0.3	5.2	0.3	3.0	7.6
MFIs	2,333.1	1,012.1	13.2	15.5	816.6	48.3	118.5	6.7	50.6	192.0	350.7	436.2	41.3	243.5
Other sectors	525.5	279.5	3.2	15.3	220.7	11.8	28.6	5.4	20.1	30.8	84.3	32.8	1.4	71.2

Source: ECB.

7.4 International investment position (including international reserves)

(EUR billions, unless otherwise indicated; end-of-period outstanding amounts)

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2000	-506.9	-7.7	369.9	-832.7	2.0	-437.3	391.2
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.5	79.7	-823.5	-7.5	-314.8	306.5
Outstanding assets							
2000	6,763.5	102.8	1,632.4	2,327.7	105.8	2,306.4	391.2
2001	7,628.1	111.4	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	102.5	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.9	2,110.4	2,607.4	156.6	2,587.3	306.5
% share of total assets							
2003	100.0	-	27.2	33.6	2.0	33.3	3.9
Outstanding liabilities							
2000	7,270.3	110.5	1,262.5	3,160.4	103.8	2,743.7	-
2001	8,026.9	117.2	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	111.2	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	117.4	2,030.7	3,430.9	164.1	2,902.1	-
% share of total liabilities							
2003	100.0	-	23.8	40.2	1.9	34.0	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2000	1,284.7	115.2	1,169.5	347.7	1.7	346.0	976.6	32.1	944.4	285.9	1.8	284.2
2001	1,555.8	124.6	1,431.2	395.6	0.8	394.8	1,175.1	32.5	1,142.6	366.1	2.8	363.3
2002	1,544.1	127.7	1,416.4	333.3	0.3	333.0	1,264.6	37.1	1,227.5	408.6	2.9	405.7
2003	1,647.3	114.8	1,532.5	463.1	0.4	462.7	1,474.4	47.6	1,426.8	556.4	2.9	553.5

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments													
	Assets				Liabilities	Bonds and notes					Money market instruments								
	Eurosystem		MFIs excluding Eurosystem			Non-MFIs		Eurosystem		MFIs excluding Eurosystem		Non-MFIs		Eurosystem		MFIs excluding Eurosystem		Non-MFIs	
			General gov.	Other sectors				General gov.	Other sectors			General gov.	Other sectors			General gov.	Other sectors		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
2000	0.5	43.6	5.7	1,105.2	1,620.1	3.1	335.3	5.7	704.4	1,372.7	0.5	87.5	0.1	36.2	167.5				
2001	0.6	38.5	6.7	1,070.9	1,640.5	2.0	424.8	8.2	783.6	1,514.8	2.8	135.1	0.2	41.6	180.5				
2002	0.7	43.8	8.3	800.5	1,366.1	6.4	404.8	8.0	787.2	1,628.8	1.2	193.8	1.3	46.7	186.7				
2003	1.8	52.6	11.5	988.8	1,516.2	8.3	463.7	8.0	837.1	1,701.3	1.1	184.8	0.6	49.2	213.4				

Source: ECB.

7.4 International investment position (including international reserves)

(EUR billions, unless stated otherwise; end-of-period outstanding amounts)

4. Other investment by instrument

	Eurosysteem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2000	2.9	0.1	41.8	0.3	2.8	77.5	-	-	53.5	0.2	47.2	12.1
2001	3.0	0.1	40.5	0.2	3.1	68.6	-	-	55.8	0.2	44.8	12.3
2002	3.4	0.1	57.2	0.2	1.3	58.7	-	-	54.4	0.1	42.8	13.5
2003	4.2	0.6	65.3	0.2	1.4	53.2	49.1	4.1	38.1	0.0	39.7	3.8

	MFIs (excluding Eurosysteem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2000	1,422.4	37.1	2,128.1	42.2	173.5	435.7	-	-	100.9	109.2	322.8	39.8
2001	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosysteem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Q1	308.4	136.4	393.539	4.6	23.2	144.2	9.7	29.3	105.5	-	-	-	-0.2	0.0	20.4	-10.5
2004 Q2	301.4	127.8	392.324	4.6	22.4	146.7	11.4	27.6	107.1	-	-	-	0.6	0.0	18.3	-10.2
2004 Oct.	294.2	131.0	391.961	4.2	20.1	138.9	8.7	31.3	98.9	-	-	-	0.1	0.0	19.2	-11.0
2004 Nov.	291.6	133.4	391.219	4.1	19.4	134.7	9.8	28.0	96.8	-	-	-	0.1	0.0	18.8	-11.5
2004 Dec.	279.6	125.4	389.998	3.9	18.6	131.6	11.5	25.5	94.6	-	-	-	0.1	0.0	19.1	-12.8
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Q1	37.9	8.5	24.656	0.2	0.0	29.1	1.0	5.4	22.8	-	-	-	0.0	0.0	2.5	-0.4
2004 Q2	37.4	8.0	24.656	0.2	0.0	29.2	1.5	3.7	24.0	-	-	-	0.0	0.0	2.4	-0.5
2004 Oct.	37.9	8.2	24.656	0.2	0.0	29.5	1.5	7.2	20.8	-	-	-	0.0	0.0	1.8	-1.2
2004 Nov.	36.5	8.4	24.656	0.2	0.0	27.9	2.2	5.5	20.2	-	-	-	0.0	0.0	1.8	-0.8
2004 Dec.	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	-	-	-	0.0	0.0	2.6	-1.3

Source: ECB.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2000	21.7	29.5	1,002.2	492.4	216.3	262.8	875.3	1,023.4	590.9	182.8	220.7	743.6	122.7
2001	6.1	-0.7	1,062.3	505.8	234.8	289.1	931.9	1,014.3	579.0	178.8	228.4	740.6	107.7
2002	2.0	-3.0	1,083.7	512.5	227.8	309.4	948.8	984.4	559.3	163.3	234.1	717.0	105.2
2003	-2.2	0.5	1,058.4	500.9	222.8	300.3	924.3	987.9	553.8	164.1	240.8	714.9	109.1
2003 Q2	-5.7	-2.5	257.4	122.9	53.1	72.7	226.0	243.8	135.9	40.3	59.8	178.3	25.3
Q3	-2.2	-1.0	265.3	125.8	56.5	75.5	232.9	243.6	135.7	39.9	60.4	176.9	26.8
Q4	-0.4	1.5	269.8	125.7	57.6	76.3	232.8	250.1	138.8	41.9	61.5	180.3	27.0
2004 Q1	4.6	-0.3	277.4	130.6	58.5	75.7	241.1	250.6	137.1	41.4	62.1	181.8	26.1
Q2	11.7	8.6	286.1	134.4	59.5	78.5	245.6	262.3	145.2	44.3	62.0	185.9	29.1
Q3	8.6	13.6	288.5	136.3	60.3	78.3	249.5	276.1	154.4	44.3	63.5	193.8	35.4
2004 June	16.1	15.1	95.7	44.9	19.8	26.5	81.8	88.7	49.6	14.5	20.6	61.9	10.7
July	7.5	8.5	95.8	45.4	20.1	25.8	83.2	90.6	50.5	14.2	20.7	64.0	10.8
Aug.	13.0	19.7	96.5	45.9	20.0	26.3	82.9	93.3	52.1	15.1	21.5	64.8	12.1
Sep.	6.1	13.5	96.1	45.1	20.2	26.2	83.3	92.3	51.9	15.1	21.3	65.0	12.5
Oct.	2.8	6.9	96.0	45.2	20.5	25.8	82.6	92.5	51.1	15.6	21.8	65.7	12.4
Nov.	14.9	18.6	98.4	45.8	20.5	27.0	84.9	95.6	52.9	15.6	22.3	67.6	11.7
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2000	12.4	6.1	100.0	100.0	100.0	100.0	100.0	99.9	99.9	100.0	100.0	100.0	99.9
2001	5.1	-0.8	105.0	102.1	108.5	107.8	105.5	98.9	99.3	96.4	100.6	97.9	99.3
2002	2.9	-0.7	108.0	105.0	106.2	114.9	108.3	98.3	98.8	89.7	104.1	96.4	101.4
2003	1.0	3.7	109.0	105.9	107.9	114.9	109.3	101.8	100.5	95.2	110.5	100.1	104.9
2003 Q2	-1.9	2.9	106.2	104.2	103.0	111.6	107.0	101.7	100.5	94.3	109.8	100.1	104.5
Q3	0.8	2.4	109.7	106.9	110.2	116.0	110.7	101.3	99.9	93.1	111.5	99.6	109.6
Q4	3.0	5.5	112.1	107.3	112.2	117.2	111.2	104.1	102.0	97.6	113.5	101.7	106.1
2004 Q1	7.4	4.5	115.7	112.0	115.3	116.8	115.6	105.0	100.7	98.4	115.7	103.3	100.8
Q2	11.2	5.5	117.6	113.4	116.2	119.5	116.4	106.2	101.3	104.0	115.0	104.0	99.8
Q3	7.2	7.6	117.8	113.9	117.2	119.4	117.8	108.7	103.1	103.9	116.7	107.2	111.2
2004 June	14.3	9.2	117.4	113.1	115.7	120.7	115.8	106.0	101.8	101.3	113.8	103.2	104.0
July	6.3	2.3	117.5	113.8	117.9	117.7	118.0	107.2	101.9	98.2	113.5	105.7	105.7
Aug.	10.9	13.3	117.9	114.6	116.0	120.4	117.3	110.1	103.6	107.0	118.5	107.7	111.2
Sep.	5.2	8.0	118.1	113.4	117.7	120.2	118.1	108.9	103.8	106.6	118.2	108.1	116.6
Oct.	2.3	-0.4	118.7	113.8	120.0	119.0	118.1	108.0	99.4	110.9	122.6	109.8	102.4
Nov.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2000	8.3	22.0	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	100.0	99.9	99.9
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.5	102.9	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.3	98.8	96.1	85.0
2003 Q2	-3.9	-5.2	96.7	95.8	95.3	99.2	96.6	93.7	91.5	93.6	98.7	95.8	78.7
Q3	-3.0	-3.3	96.5	95.6	94.8	99.1	96.2	94.0	91.9	93.9	98.2	95.5	79.7
Q4	-3.3	-3.8	96.1	95.1	95.0	99.1	95.7	93.8	92.1	94.0	98.2	95.3	82.9
2004 Q1	-2.6	-4.6	95.7	94.8	93.8	98.6	95.3	93.3	92.2	92.1	97.2	94.7	84.3
Q2	0.4	3.0	97.1	96.3	94.7	100.0	96.4	96.5	97.0	93.3	97.7	96.1	94.9
Q3	1.3	5.6	97.7	97.2	95.2	99.8	96.8	99.3	101.4	93.4	98.5	97.2	103.9
2004 June	1.6	5.4	97.6	96.8	94.8	100.3	96.8	98.2	98.9	93.9	98.5	96.8	100.7
July	1.1	6.0	97.7	97.1	94.6	100.1	96.7	99.1	100.6	94.8	99.2	97.7	99.9
Aug.	1.9	5.6	98.0	97.6	95.8	99.7	96.9	99.4	102.0	92.6	98.5	97.0	106.5
Sep.	0.8	5.1	97.5	96.9	95.1	99.7	96.7	99.4	101.5	92.7	98.0	97.0	105.2
Oct.	0.5	7.3	96.9	96.8	94.7	99.1	95.9	100.4	104.3	92.1	96.9	96.5	118.8
Nov.	.	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations based on Eurostat data (volume indices and seasonal adjustment of unit value indices).

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	Other EU Member States				Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
		United Kingdom	Sweden	Denmark	Others							
	1	2	3	4	5	6	7	8	9	10	11	12
Exports (f.o.b.)												
2000	1,002.2	189.1	39.4	23.5	97.1	63.9	172.5	34.5	153.6	56.9	47.0	124.8
2001	1,062.3	202.3	37.0	24.4	105.8	66.3	180.2	34.5	165.4	60.4	49.8	136.1
2002	1,083.7	205.7	37.1	25.3	112.1	64.0	184.1	33.0	170.2	59.5	43.4	149.3
2003	1,058.4	194.7	38.6	24.9	117.7	63.3	166.4	31.3	170.5	59.5	37.9	153.6
2003 Q2	257.4	47.3	9.5	6.1	29.3	15.6	40.3	7.6	41.4	14.6	9.5	36.1
Q3	265.3	48.3	9.8	6.3	30.2	15.3	41.6	7.8	43.3	15.1	9.1	38.6
Q4	269.8	49.3	9.8	6.1	29.7	15.9	41.5	8.1	43.1	15.0	8.9	42.3
2004 Q1	277.4	49.1	10.0	6.1	31.3	15.5	42.5	8.4	46.6	15.2	9.6	43.2
Q2	286.1	50.3	10.3	6.3	31.5	16.2	43.9	8.0	47.1	15.7	9.8	46.9
Q3	288.5	51.7	10.5	6.4	31.0	17.1	43.3	8.4	48.5	16.7	10.2	44.5
2004 June	95.7	16.9	3.5	2.1	9.9	5.4	14.6	2.8	15.8	5.4	3.2	16.1
July	95.8	17.4	3.5	2.1	10.0	5.9	14.5	2.8	16.8	5.6	3.4	13.9
Aug.	96.5	17.0	3.5	2.2	10.4	5.6	14.5	2.8	16.0	5.6	3.4	15.5
Sep.	96.1	17.3	3.5	2.2	10.6	5.6	14.3	2.8	15.6	5.5	3.5	15.2
Oct.	96.0	17.5	3.6	2.2	11.3	5.5	14.2	2.6	15.7	5.4	3.3	14.7
Nov.	98.4	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total exports</i>												
2003	100.0	18.4	3.7	2.3	11.1	6.0	15.7	3.0	16.1	5.6	3.6	14.5
Imports (c.i.f.)												
2000	1,023.4	159.5	39.1	22.3	78.8	50.4	142.0	67.3	217.0	73.7	40.3	132.9
2001	1,014.3	154.5	35.6	22.0	88.9	52.9	138.7	58.5	208.1	74.0	40.9	140.2
2002	984.4	149.6	35.6	22.9	93.5	52.1	125.6	52.7	204.7	67.8	39.4	140.5
2003	987.9	138.8	36.9	23.7	102.1	50.4	110.3	52.1	215.9	68.9	39.7	149.0
2003 Q2	243.8	34.3	9.1	5.9	25.3	12.6	28.2	13.2	52.9	16.9	9.7	35.6
Q3	243.6	33.8	9.1	5.8	25.4	12.4	27.3	12.6	53.2	17.0	9.7	37.3
Q4	250.1	34.4	9.4	5.9	26.8	12.4	26.6	12.9	56.4	16.5	10.5	38.3
2004 Q1	250.6	33.6	9.3	6.0	27.0	12.7	26.2	13.4	55.4	16.4	10.6	40.0
Q2	262.3	34.3	9.7	5.8	26.2	13.2	29.9	12.8	63.0	16.9	10.8	39.6
Q3	276.1	37.2	10.1	6.1	26.9	13.6	28.6	13.6	66.4	18.7	11.4	43.4
2004 June	88.7	11.7	3.3	2.0	7.9	4.4	9.8	4.2	21.7	6.2	3.6	13.8
July	90.6	12.3	3.3	2.0	8.7	4.5	9.6	4.6	21.5	6.1	3.7	14.3
Aug.	93.3	12.7	3.4	2.0	9.0	4.5	9.6	4.6	23.0	6.3	3.8	14.3
Sep.	92.3	12.2	3.3	2.1	9.1	4.6	9.5	4.5	21.9	6.3	3.8	14.8
Oct.	92.5	12.1	3.3	2.0	9.9	4.6	9.4	4.3	21.1	6.6	3.8	15.3
Nov.	95.6	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total imports</i>												
2003	100.0	14.0	3.7	2.4	10.3	5.1	11.2	5.3	21.9	7.0	4.0	15.1
Balance												
2000	-21.3	29.5	0.3	1.2	18.4	13.5	30.4	-32.9	-63.4	-16.9	6.7	-8.1
2001	48.0	47.8	1.4	2.4	17.0	13.4	41.5	-24.0	-42.8	-13.6	8.9	-4.1
2002	99.2	56.0	1.5	2.4	18.6	11.9	58.5	-19.6	-34.5	-8.3	4.0	8.8
2003	70.5	55.9	1.7	1.1	15.6	12.9	56.1	-20.9	-45.4	-9.4	-1.8	4.6
2003 Q2	13.6	12.9	0.4	0.2	4.0	3.0	12.1	-5.6	-11.5	-2.3	-0.2	0.5
Q3	21.7	14.5	0.6	0.5	4.8	2.9	14.3	-4.8	-9.8	-2.0	-0.6	1.3
Q4	19.7	14.9	0.5	0.2	2.8	3.5	14.9	-4.8	-13.3	-1.4	-1.6	4.1
2004 Q1	26.8	15.5	0.7	0.2	4.3	2.8	16.3	-5.0	-8.9	-1.2	-1.1	3.2
Q2	23.9	15.9	0.6	0.5	5.3	3.1	14.0	-4.8	-15.8	-1.2	-1.0	7.3
Q3	12.3	14.5	0.4	0.3	4.1	3.5	14.7	-5.3	-17.9	-2.0	-1.2	1.2
2004 June	6.9	5.2	0.1	0.1	1.9	1.0	4.8	-1.5	-5.9	-0.8	-0.4	2.3
July	5.3	5.1	0.2	0.1	1.3	1.4	4.9	-1.8	-4.7	-0.5	-0.4	-0.4
Aug.	3.2	4.3	0.1	0.1	1.4	1.1	4.9	-1.8	-6.9	-0.7	-0.4	1.2
Sep.	3.8	5.1	0.2	0.1	1.4	1.0	4.8	-1.7	-6.3	-0.8	-0.4	0.3
Oct.	3.5	5.5	0.2	0.1	1.4	0.9	4.8	-1.7	-5.4	-1.3	-0.5	-0.6
Nov.	2.8	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5 and 12).



EXCHANGE RATES

8.1 Effective exchange rates ¹⁾

(period averages; index 1999 Q1=100)

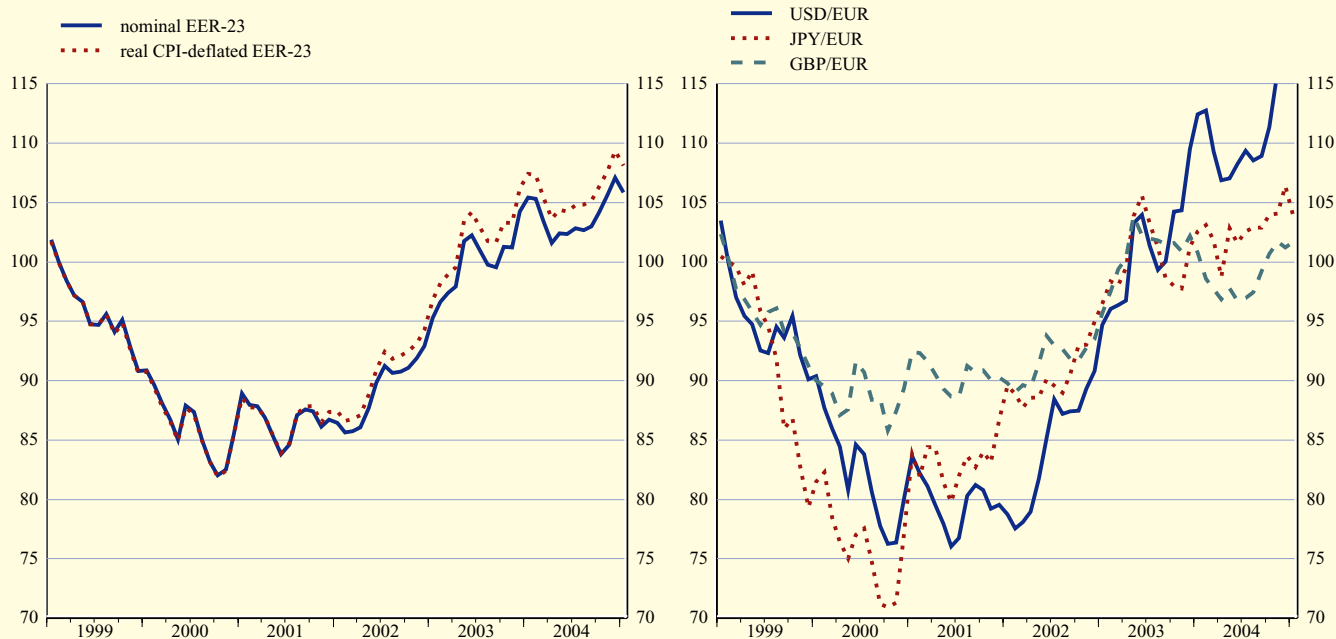
	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2002	89.2	90.3	91.9	90.4	88.1	88.5	94.8	90.9
2003	99.9	101.7	102.2	101.7	99.5	99.5	106.6	101.6
2004	103.8	105.9	105.3	.	.	.	111.0	105.3
2003 Q4	102.2	104.3	104.1	104.5	102.2	101.5	109.1	103.9
2004 Q1	104.7	106.7	106.4	106.9	104.6	104.2	111.6	106.1
Q2	102.1	104.1	103.6	104.7	101.7	101.1	109.2	103.7
Q3	102.8	104.9	104.5	105.3	101.4	101.7	110.1	104.5
Q4	105.7	107.8	106.8	.	.	.	113.0	107.1
2004 Jan.	105.4	107.4	107.0	-	-	-	112.5	106.9
Feb.	105.3	107.3	106.9	-	-	-	112.3	106.7
Mar.	103.4	105.4	105.2	-	-	-	110.2	104.7
Apr.	101.6	103.7	103.2	-	-	-	108.3	103.0
May	102.4	104.4	103.9	-	-	-	109.5	104.1
June	102.3	104.2	103.7	-	-	-	109.6	104.0
July	102.8	104.8	104.4	-	-	-	110.1	104.4
Aug.	102.7	104.8	104.3	-	-	-	109.9	104.4
Sep.	103.0	105.2	104.6	-	-	-	110.3	104.7
Oct.	104.2	106.3	105.5	-	-	-	111.5	105.8
Nov.	105.6	107.6	106.6	-	-	-	113.1	107.0
Dec.	107.1	109.3	108.2	-	-	-	114.4	108.4
2005 Jan.	105.8	108.1	106.9	-	-	-	112.9	107.0
	<i>% change versus previous month</i>							
2005 Jan.	-1.2	-1.1	-1.2	-	-	-	-1.3	-1.3
	<i>% change versus previous year</i>							
2005 Jan.	0.4	0.7	-0.1	-	-	-	0.4	0.1

C31 Effective exchange rates

(monthly averages; index 1999 Q1=100)

C32 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

1) For the definition of the trading partner groups and other information, please refer to the General notes.

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	US dollar	Pound sterling	Japanese yen	Swiss franc	Swedish krona	South Korean won	Hong Kong dollar	Danish krona	Singapore dollar	Canadian dollar	Norwegian krona	Australian dollar	Icelandic krona	New Zealand dollar	South African rand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	0.9456	0.62883	118.06	1.4670	9.1611	1,175.50	7.3750	7.4305	1.6912	1.4838	7.5086	1.7376	86.18	2.0366	9.9072
2003	1.1312	0.69199	130.97	1.5212	9.1242	1,346.90	8.8079	7.4307	1.9703	1.5817	8.0033	1.7379	86.65	1.9438	8.5317
2004	1.2439	0.67866	134.44	1.5438	9.1243	1,422.62	9.6881	7.4399	2.1016	1.6167	8.3697	1.6905	87.14	1.8731	8.0092
2003 Q4	1.1890	0.69753	129.45	1.5537	9.0093	1,404.56	9.2219	7.4361	2.0507	1.5659	8.2227	1.6622	89.16	1.9032	8.0159
2004 Q1	1.2497	0.67987	133.97	1.5686	9.1843	1,464.18	9.7201	7.4495	2.1179	1.6482	8.6310	1.6337	87.22	1.8532	8.4768
Q2	1.2046	0.66704	132.20	1.5374	9.1450	1,400.41	9.3925	7.4393	2.0518	1.6374	8.2634	1.6907	87.70	1.9180	7.9465
Q3	1.2220	0.67216	134.38	1.5363	9.1581	1,411.03	9.5310	7.4367	2.0867	1.5998	8.3890	1.7226	87.48	1.8701	7.7869
Q4	1.2977	0.69507	137.11	1.5335	9.0128	1,415.11	10.0964	7.4343	2.1481	1.5835	8.1987	1.7132	86.19	1.8526	7.8379
2004 Jan.	1.2613	0.69215	134.13	1.5657	9.1368	1,492.23	9.7951	7.4481	2.1415	1.6346	8.5925	1.6374	87.69	1.8751	8.7788
Feb.	1.2646	0.67690	134.78	1.5734	9.1763	1,474.74	9.8314	7.4511	2.1323	1.6817	8.7752	1.6260	86.72	1.8262	8.5555
Mar.	1.2262	0.67124	133.13	1.5670	9.2346	1,429.40	9.5547	7.4493	2.0838	1.6314	8.5407	1.6370	87.23	1.8566	8.1326
Apr.	1.1985	0.66533	129.08	1.5547	9.1653	1,381.58	9.3451	7.4436	2.0193	1.6068	8.2976	1.6142	87.59	1.8727	7.8890
May	1.2007	0.67157	134.48	1.5400	9.1277	1,412.29	9.3618	7.4405	2.0541	1.6541	8.2074	1.7033	87.97	1.9484	8.1432
June	1.2138	0.66428	132.86	1.5192	9.1430	1,406.18	9.4648	7.4342	2.0791	1.6492	8.2856	1.7483	87.55	1.9301	7.8110
July	1.2266	0.66576	134.08	1.5270	9.1962	1,420.66	9.5672	7.4355	2.0995	1.6220	8.4751	1.7135	87.71	1.8961	7.5137
Aug.	1.2176	0.66942	134.54	1.5387	9.1861	1,409.37	9.4968	7.4365	2.0886	1.6007	8.3315	1.7147	87.08	1.8604	7.8527
Sep.	1.2218	0.68130	134.51	1.5431	9.0920	1,403.06	9.5290	7.4381	2.0719	1.5767	8.3604	1.7396	87.65	1.8538	7.9943
Oct.	1.2490	0.69144	135.97	1.5426	9.0620	1,426.19	9.7284	7.4379	2.0947	1.5600	8.2349	1.7049	87.58	1.8280	7.9861
Nov.	1.2991	0.69862	136.09	1.5216	8.9981	1,411.15	10.1028	7.4313	2.1446	1.5540	8.1412	1.6867	87.15	1.8540	7.8566
Dec.	1.3408	0.69500	139.14	1.5364	8.9819	1,408.77	10.4264	7.4338	2.2002	1.6333	8.2207	1.7462	83.99	1.8737	7.6847
2005 Jan.	1.3119	0.69867	135.63	1.5469	9.0476	1,362.01	10.2269	7.4405	2.1501	1.6060	8.2125	1.7147	82.12	1.8620	7.8386
<i>% change versus previous month</i>															
2005 Jan.	-2.2	0.5	-2.5	0.7	0.7	-3.3	-1.9	0.1	-2.3	-1.7	-0.1	-1.8	-2.2	-0.6	2.0
<i>% change versus previous year</i>															
2005 Jan.	4.0	0.9	1.1	-1.2	-1.0	-8.7	4.4	-0.1	0.4	-1.7	-4.4	4.7	-6.4	-0.7	-10.7

	Cyprus pound	Czech koruna	Estonian kroon	Hungarian forint	Lithuanian litas	Latvian lats	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu	New Turkish lira ¹⁾
	16	17	18	19	20	21	22	23	24	25	26	27	28
2002	0.57530	30.804	15.6466	242.96	3.4594	0.5810	0.4089	3.8574	225.9772	42.694	1.9492	31,270	1,439,680
2003	0.58409	31.846	15.6466	253.62	3.4527	0.6407	0.4261	4.3996	233.8493	41.489	1.9490	37,551	1,694,851
2004	0.58185	31.891	15.6466	251.66	3.4529	0.6652	0.4280	4.5268	239.0874	40.022	1.9533	40,510	1,777,052
2003 Q4	0.58404	32.096	15.6466	259.82	3.4526	0.6528	0.4287	4.6232	236.1407	41.184	1.9494	39,735	1,721,043
2004 Q1	0.58615	32.860	15.6466	260.00	3.4530	0.6664	0.4283	4.7763	237.6479	40.556	1.9517	40,550	1,665,395
Q2	0.58480	32.022	15.6466	252.16	3.4528	0.6542	0.4255	4.6877	238.8648	40.076	1.9493	40,664	1,759,532
Q3	0.57902	31.593	15.6466	248.80	3.4528	0.6597	0.4266	4.4236	239.9533	40.020	1.9559	40,994	1,807,510
Q4	0.57769	31.125	15.6466	245.94	3.4528	0.6801	0.4314	4.2342	239.8298	39.454	1.9559	39,839	1,871,592
2004 Jan.	0.58647	32.724	15.6466	264.32	3.4531	0.6707	0.4301	4.7128	237.3167	40.731	1.9557	41,107	1,698,262
Feb.	0.58601	32.857	15.6466	263.15	3.4532	0.6698	0.4284	4.8569	237.5123	40.551	1.9535	40,563	1,682,658
Mar.	0.58598	32.985	15.6466	253.33	3.4528	0.6596	0.4266	4.7642	238.0683	40.400	1.9465	40,029	1,620,374
Apr.	0.58630	32.519	15.6466	250.41	3.4529	0.6502	0.4251	4.7597	238.4520	40.151	1.9465	40,683	1,637,423
May	0.58589	31.976	15.6466	252.91	3.4528	0.6557	0.4259	4.7209	238.7400	40.164	1.9464	40,554	1,818,487
June	0.58239	31.614	15.6466	253.02	3.4528	0.6565	0.4254	4.5906	239.3591	39.923	1.9547	40,753	1,814,266
July	0.58171	31.545	15.6466	249.89	3.4528	0.6596	0.4259	4.4651	239.9023	39.899	1.9558	40,962	1,784,116
Aug.	0.57838	31.634	15.6466	248.85	3.4528	0.6586	0.4261	4.4310	239.9900	40.111	1.9559	40,946	1,799,918
Sep.	0.57696	31.601	15.6466	247.66	3.4528	0.6610	0.4277	4.3748	239.9677	40.049	1.9559	41,075	1,838,497
Oct.	0.57595	31.491	15.6466	246.69	3.4528	0.6690	0.4297	4.3182	239.9067	39.997	1.9559	41,082	1,860,247
Nov.	0.57789	31.286	15.6466	245.36	3.4528	0.6803	0.4319	4.2573	239.7891	39.546	1.9559	39,848	1,883,365
Dec.	0.57909	30.636	15.6466	245.80	3.4528	0.6900	0.4325	4.1354	239.7987	38.872	1.9559	38,696	1,870,690
2005 Jan.	0.58170	30.304	15.6466	246.48	3.4528	0.6963	0.4322	4.0794	239.7719	38.573	1.9559	38,168	1.7784
<i>% change versus previous month</i>													
2005 Jan.	0.5	-1.1	0.0	0.3	0.0	0.9	-0.1	-1.4	0.0	-0.8	0.0	-1.4	-
<i>% change versus previous year</i>													
2005 Jan.	-0.8	-7.4	0.0	-6.7	0.0	3.8	0.5	-13.4	1.0	-5.3	0.0	-7.1	-

Source: ECB.

1) Data prior to January 2005 refer to the Turkish lira; 1,000,000 Turkish liras are equivalent to 1 new Turkish lira.



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.4	1.0	1.3
2004 Q2	2.5	0.8	3.2	1.2	5.8	0.5	7.4	3.3	3.4	3.8	8.0	1.2	1.4
Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
Q4	2.7	1.2	4.4	2.8	7.2	3.0	5.9	2.2	4.5	3.5	6.0	1.1	1.4
2004 Aug.	3.2	0.9	3.9	2.8	7.8	2.2	7.2	2.5	4.9	3.7	7.0	1.2	1.3
Sep.	2.8	0.9	3.8	1.8	7.7	3.0	6.7	3.2	4.7	3.4	6.4	1.2	1.1
Oct.	3.1	1.6	4.0	2.0	7.2	3.1	6.4	2.7	4.6	3.4	6.3	1.4	1.2
Nov.	2.6	1.0	4.4	2.6	7.2	2.9	5.7	1.9	4.5	3.8	6.0	1.1	1.5
Dec.	2.5	1.0	4.8	3.9	7.4	2.8	5.5	1.9	4.4	3.3	5.8	0.9	1.6
General government deficit (-)/surplus (+) as a % of GDP													
2001	-5.9	2.1	0.3	-2.4	-2.1	-2.0	-4.4	-6.4	-3.8	-2.8	-6.0	2.8	0.7
2002	-6.8	0.7	1.4	-4.6	-2.7	-1.5	-9.2	-5.8	-3.6	-2.4	-5.7	0.0	-1.7
2003	-12.6	0.3	3.1	-6.4	-1.5	-1.9	-6.2	-9.6	-3.9	-2.0	-3.7	0.3	-3.3
General government gross debt as a % of GDP													
2001	25.3	49.2	4.4	64.3	14.9	22.9	53.5	62.0	36.7	28.1	48.7	54.4	38.8
2002	28.8	48.8	5.3	67.4	14.1	22.4	57.2	62.3	41.1	29.5	43.3	52.6	38.3
2003	37.8	45.9	5.3	70.9	14.4	21.4	59.1	70.4	45.4	29.4	42.6	52.0	39.8
Long-term government bond yield as a % per annum, period average													
2004 July	5.11	4.62	-	6.58	4.89	4.58	8.47	4.65	7.44	4.65	5.03	4.57	5.14
Aug.	5.02	4.45	-	6.58	4.88	4.57	8.44	4.70	7.36	4.66	5.02	4.42	5.03
Sep.	5.02	4.38	-	6.58	4.87	4.56	8.58	4.70	6.96	4.63	5.04	4.37	4.95
Oct.	4.82	4.23	-	6.58	4.63	4.38	8.23	4.71	6.80	4.47	5.08	4.25	4.81
Nov.	4.55	4.09	-	6.45	4.58	4.25	7.64	4.70	6.45	4.31	4.92	4.13	4.74
Dec.	4.05	3.86	-	6.26	4.58	3.95	7.17	4.70	6.00	4.07	4.58	3.90	4.58
3-month interest rate as a % per annum, period average													
2004 July	2.47	2.22	2.41	5.23	4.05	2.69	-	2.94	6.34	4.03	3.96	2.20	4.86
Aug.	2.57	2.21	2.41	5.16	4.12	2.71	-	2.96	6.60	4.01	3.96	2.20	4.96
Sep.	2.72	2.21	2.41	5.15	4.14	2.68	-	2.96	7.12	4.07	4.16	2.20	4.95
Oct.	2.67	2.21	2.41	5.15	4.20	2.69	11.09	2.96	6.89	4.10	4.26	2.21	4.90
Nov.	2.61	2.21	2.41	5.13	4.49	2.70	9.57	2.95	6.81	4.06	4.22	2.20	4.88
Dec.	2.57	2.20	2.41	5.16	4.39	2.65	-	2.96	6.72	4.05	3.74	2.18	4.87
Real GDP													
2002	1.5	1.0	7.2	2.1	6.4	6.8	3.5	2.6	1.3	3.3	4.6	2.0	1.8
2003	3.7	0.4	5.1	1.9	7.5	9.7	3.0	-0.3	3.8	2.5	4.5	1.5	2.2
2004 Q1	3.5	1.7	7.1	3.5	8.8	6.6	4.0	2.1	6.9	3.9	5.4	2.7	3.0
Q2	3.9	2.4	5.8	4.1	7.7	7.4	4.2	-1.6	6.1	4.7	5.5	3.4	3.5
Q3	3.6	1.9	5.9	3.5	9.1	6.2	4.0	1.4	4.8	4.9	5.3	3.7	3.1
Current and capital accounts balance as a % of GDP													
2002	-5.7	2.3	-9.9	-4.5	-6.5	-4.8	-6.9	0.5	-2.6	0.7	-7.6	5.3	-1.7
2003	-6.2	3.3	-12.7	-3.3	-7.6	-6.5	-9.0	-5.5	-2.2	-1.0	-0.5	6.4	-1.6
2004 Q1	-2.3	3.0	-11.5	-12.6	-8.5	-8.7	-9.8	-8.3	-1.4	0.6	1.2	7.6	-1.4
Q2	-5.2	3.5	-17.9	-11.1	-16.7	-10.7	-9.0	-4.7	-2.9	-2.6	-7.5	8.3	-2.5
Q3	-7.2	2.4	-7.7	.	-10.2	-6.0	-7.6	-4.7	-0.6	0.5	-3.4	8.8	-2.6
Unit labour costs													
2002	6.0	1.8	4.1	-	0.3	-1.2	8.9	-	-2.0	6.0	4.1	0.9	3.3
2003	3.3	2.2	4.6	-	4.1	1.5	7.0	-	.	4.8	3.7	0.6	.
2004 Q1	.	1.5	4.7	-	-	.	-	-	.	-	5.2	-0.2	3.4
Q2	.	1.0	4.8	-	-	.	-	-	.	-	5.4	.	3.1
Q3	.	1.8	5.2	-	-	.	-	-	.	-	.	.	0.9
Standardised unemployment rate as a % of labour force (s.a.)													
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.8	8.0	19.2	6.5	17.5	5.6	5.0
2004	8.3	5.4	9.2	5.0	9.8	10.7	5.9	.	18.8	6.0	18.0	6.3	.
2004 Q2	8.4	5.4	9.6	4.7	9.8	11.1	5.8	7.4	18.9	6.1	18.5	6.4	4.7
Q3	8.3	5.3	9.1	5.0	9.7	10.6	5.8	7.1	18.7	5.9	17.8	6.4	4.5
Q4	8.3	5.2	8.4	5.3	9.7	9.7	6.1	.	18.4	5.8	17.2	6.4	.
2004 Sep.	8.3	5.3	8.8	5.1	9.7	10.3	5.9	7.0	18.6	5.9	17.7	6.6	4.5
Oct.	8.3	5.2	8.5	5.1	9.7	10.0	6.0	7.0	18.6	5.9	17.5	6.2	4.6
Nov.	8.3	5.2	8.4	5.3	9.7	9.6	6.1	6.9	18.4	5.8	17.2	6.4	.
Dec.	8.3	5.1	8.3	5.5	9.6	9.4	6.2	.	18.3	5.8	16.9	6.4	.
2005 Jan.	.	.	.	5.6	.	.	.	.	.	.	.	.	.

Sources: European Commission (Economic and Financial Affairs DG and Eurostat); national data, Reuters and ECB calculations.

9.2 In the United States and Japan

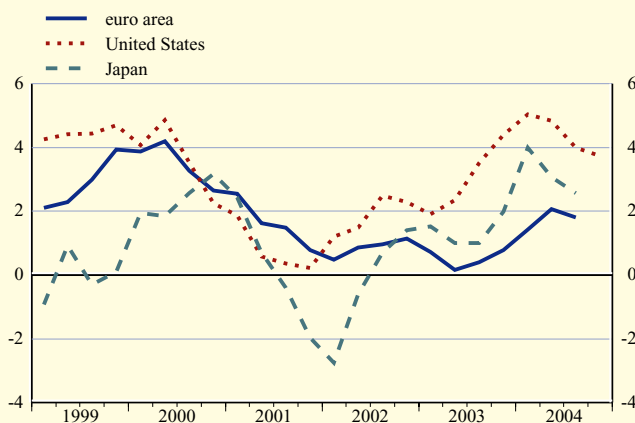
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs ¹⁾ (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.3	1.9	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.2	3.0	0.0	6.0	6.3	1.22	4.00	1.1312	-4.6	47.7
2004	2.7	.	4.4	4.8	5.5	5.2	1.62	4.26	1.2439	.	.
2003 Q4	1.9	3.5	4.4	1.6	5.9	4.6	1.17	4.27	1.1890	-4.3	47.7
2004 Q1	1.8	-0.6	5.0	3.2	5.7	4.4	1.12	4.00	1.2497	-4.5	48.3
Q2	2.9	-2.0	4.8	5.6	5.6	5.7	1.30	4.58	1.2046	-4.4	48.0
Q3	2.7	-1.4	4.0	5.5	5.4	4.8	1.75	4.29	1.2220	-4.4	48.3
Q4	3.3	.	3.7	5.0	5.4	5.6	2.30	4.17	1.2977	.	.
2004 Sep.	2.5	-	-	4.7	5.4	5.2	1.90	4.13	1.2218	-	-
Oct.	3.2	-	-	5.5	5.5	5.2	2.08	4.08	1.2490	-	-
Nov.	3.5	-	-	4.4	5.4	5.6	2.31	4.19	1.2991	-	-
Dec.	3.3	-	-	5.1	5.4	6.1	2.50	4.23	1.3408	-	-
2005 Jan.	.	-	-	.	.	.	2.66	4.21	1.3119	-	-
Japan											
2001	-0.7	4.4	0.2	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.3
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	.	.
2004	0.0	.	.	5.5	4.7	1.9	0.05	1.50	134.44	.	.
2003 Q4	-0.3	-4.3	2.0	4.2	5.1	1.5	0.06	1.38	129.45	.	.
2004 Q1	-0.1	-6.5	4.0	6.8	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	-6.7	3.1	7.4	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.9	2.6	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	.	.	1.7	4.6	2.0	0.05	1.45	137.11	.	.
2004 Sep.	0.0	-3.8	-	4.1	4.6	2.0	0.05	1.50	134.51	-	-
Oct.	0.5	0.7	-	-0.8	4.7	2.0	0.05	1.49	135.97	-	-
Nov.	0.8	.	-	4.5	4.5	2.0	0.05	1.46	136.09	-	-
Dec.	0.2	.	-	1.4	4.4	2.1	0.05	1.40	139.14	-	-
2005 Jan.	.	.	-	.	.	.	0.05	1.37	135.63	-	-

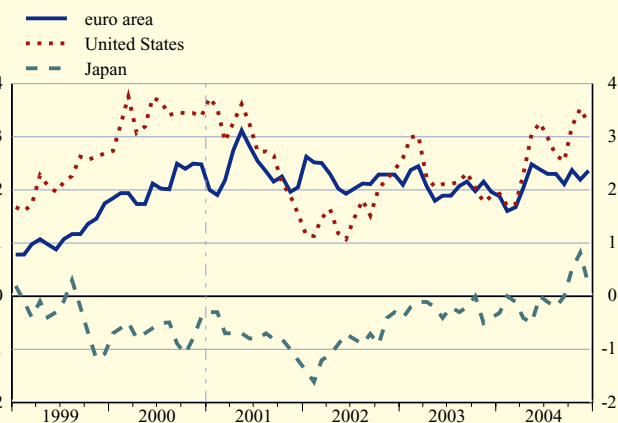
C33 Real gross domestic product

(annual percentage changes; quarterly)



C34 Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

- 1) Data for the United States are seasonally adjusted.
- 2) Average-of-period values; M3 for US, M2+CDs for Japan.
- 3) For more information, see Sections 4.6 and 4.7.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).

9.2 In the United States and Japan

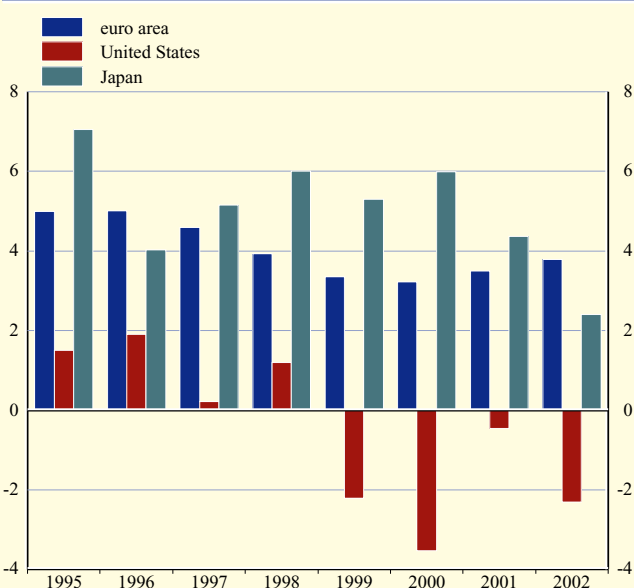
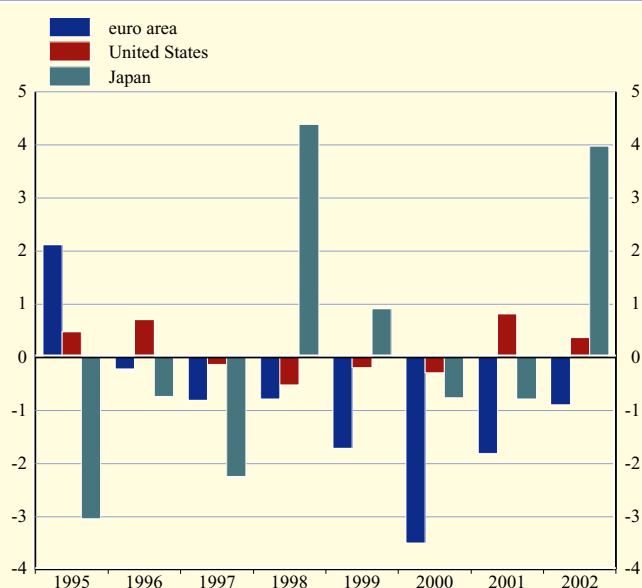
(as a percentage of GDP)

2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving 1	Gross capital formation 2	Net lending to the rest of the world 3	Gross capital formation 4	Gross fixed capital formation 5	Net acquisition of financial assets 6	Gross saving 7	Net incurrence of liabilities 8	Securities and shares 9	Capital expenditures ²⁾ 10	Net acquisition of financial assets 11	Gross saving ³⁾ 12	Net incurrence of liabilities 13
United States													
2000	18.0	20.8	-4.0	9.5	9.0	12.3	7.5	12.6	2.4	12.6	2.3	11.1	5.8
2001	16.4	19.1	-3.7	8.0	8.4	1.8	7.6	0.9	1.8	12.7	5.3	10.7	5.7
2002	14.2	18.4	-4.4	7.3	7.2	1.4	8.0	1.1	-0.1	12.8	4.3	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	4.3	8.6	2.4	0.8	13.1	7.2	10.7	8.0
2002 Q4	13.3	18.3	-4.7	7.1	7.0	5.4	8.3	4.3	0.7	12.9	3.4	10.5	8.1
2003 Q1	12.8	18.2	-5.0	6.9	6.9	3.6	7.8	2.4	0.9	12.8	6.7	10.2	9.1
Q2	13.2	18.1	-4.8	6.8	7.0	5.3	8.5	3.3	2.0	13.1	10.0	10.5	12.4
Q3	13.7	18.6	-4.6	7.0	7.1	3.2	8.7	1.1	0.2	13.3	9.3	11.2	6.8
Q4	14.4	18.8	-4.3	7.2	7.2	5.0	9.2	2.7	0.0	13.2	3.0	10.7	4.0
2004 Q1	13.7	19.1	-4.9	7.4	7.1	5.9	8.9	4.0	1.0	13.1	5.8	10.3	9.9
Q2	13.9	19.8	-5.4	7.7	7.3	4.0	8.8	2.3	-0.6	13.3	6.5	10.3	7.6
Q3	13.9	19.7	-5.4	7.6	7.4	4.4	9.1	2.0	-0.1	13.5	5.1	10.2	7.3
Japan													
2000	27.8	26.3	2.3	15.4	15.5	0.9	14.5	-1.0	0.2	5.2	3.9	10.5	-0.1
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.6	24.0	2.8	13.8	14.0	-1.7	15.3	-7.4	-0.8	4.8	-0.2	9.0	-2.1
2003	26.3	23.9	.	.	.	3.2	16.0	-5.2	-0.2	.	-1.2	9.2	-0.8
2002 Q4	24.0	25.2	2.2	.	.	5.5	.	9.8	0.7	.	10.2	.	-1.7
2003 Q1	28.0	23.4	2.9	.	.	17.5	.	-1.8	1.7	.	-13.2	.	2.9
Q2	23.6	23.3	.	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	25.7	24.0	.	.	.	9.8	.	-5.5	-2.9	.	-5.5	.	1.1
Q4	27.8	24.8	.	.	.	11.5	.	6.5	1.2	.	8.7	.	-1.2
2004 Q1	30.7	24.0	.	.	.	11.3	.	0.6	-0.4	.	-7.5	.	2.6
Q2	.	23.0	.	.	.	-13.4	.	-12.7	-0.8	.	5.6	.	-6.0
Q3	.	23.8	.	.	.	5.0	.	-2.0	-1.8	.	-4.3	.	1.6

C35 Net lending of non-financial corporations
(as a percentage of GDP)

C36 Net lending of households¹⁾
(as a percentage of GDP)



Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.

1) Including non-profit institutions serving households.

2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.

3) Gross saving in the United States is increased by expenditures on consumer durable goods.



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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

The average growth rate for the quarter ending in month t is calculated as:

$$a) \left(\frac{0.5I_t + \sum_{i=1}^2 I_{t-i} + 0.5I_{t-3}}{0.5I_{t-12} + \sum_{i=1}^2 I_{t-i-12} + 0.5I_{t-15}} - 1 \right) \times 100$$

where I_t is the index of adjusted outstanding amounts as at month t (see also below). Likewise, for the year ending in month t , the average growth rate is calculated as:

$$b) \left(\frac{0.5I_t + \sum_{i=1}^{11} I_{t-i} + 0.5I_{t-12}}{0.5I_{t-12} + \sum_{i=1}^{11} I_{t-i-12} + 0.5I_{t-24}} - 1 \right) \times 100$$

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

Monthly transactions are calculated from monthly differences in outstanding amounts adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

If L_t represents the outstanding amount at the end of month t , C_t^M the reclassification adjustment in month t , E_t^M the exchange rate adjustment and V_t^M the other revaluation adjustments, the transactions F_t^M in month t are defined as:

$$c) F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$$

Similarly, the quarterly transactions F_t^Q for the quarter ending in month t are defined as:

$$d) F_t^Q = (L_t - L_{t-3}) - C_t^Q - E_t^Q - V_t^Q$$

where L_{t-3} is the amount outstanding at the end of month $t-3$ (the end of the previous quarter)

and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t .

For those quarterly series for which monthly observations are now available (see below), the quarterly transactions can be derived as the sum of the three monthly transactions in the quarter.

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates may be calculated from transactions or from the index of adjusted outstanding amounts. If F_t^M and L_t are defined as above, the index I_t of adjusted outstanding amounts in month t is defined as:

$$e) I_t = I_{t-1} \times \left(1 + \frac{F_t^M}{L_{t-1}} \right)$$

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

The annual growth rate a_t for month t – i.e. the change in the 12 months ending in month t – may be calculated using either of the following two formulae:

$$f) a_t = \left[\prod_{i=0}^{11} \left(1 + \frac{F_{t-i}^M}{L_{t-i}} \right) - 1 \right] \times 100$$

$$g) a_t = \left(\frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in g) by dividing the index of December 2002 by the index of December 2001.

Growth rates for intra-annual periods may be derived by adapting formula g). For example, the month-on-month growth rate a_t^M may be calculated as:

$$h) a_t^M = \left(\frac{I_t}{I_{t-1}} - 1 \right) \times 100$$

Finally, the three-month moving average (centred) for the annual growth rate of M3 is obtained as $(a_{t+1} + a_t + a_{t-1})/3$, where a_t is defined as in f) or g) above.

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

If F_t^Q and L_{t-3} are defined as above, the index I_t of adjusted outstanding amounts for the quarter ending in month t is defined as:

$$i) I_t = I_{t-3} \times \left(1 + \frac{F_t^Q}{L_{t-3}} \right)$$

The annual growth rate in the four quarters ending in month t , i.e. a_t , may be calculated using formula g).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

The approach used relies on a multiplicative decomposition through X-12-ARIMA.² The seasonal adjustment may include a day-of-the-week adjustment, and for some series is carried out indirectly by means of a linear combination of components. In particular, this is the case for M3, derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.³ The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions.

Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

If T_t represents the transactions in quarter t and L_t represents the outstanding amount at the end of quarter t , then the growth rate for the quarter t is calculated as:

$$j) \frac{\sum_{i=0}^3 T_{t-i}}{L_{t-4}} \times 100$$

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of adjusted outstanding amounts. If N_t^M represents the

¹ For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.int), under the "Money, banking and financial markets" sub-section.

² For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

³ It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

transactions (net issues) in month t and L_t the level outstanding at the end of the month t , the index I_t of adjusted outstanding amounts in month t is defined as:

$$k) \quad I_t = I_{t-1} \times \left(1 + \frac{N_t}{L_{t-1}} \right)$$

As a base, the index is set equal to 100 on December 2001. The growth rate a_t for month t corresponding to the change in the 12 months ending in month t , may be calculated using either of the following two formulae:

$$l) \quad a_t = \left[\prod_{i=0}^{11} \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$m) \quad a_t = \left(\frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used rather than an “F”. The reason for this is to distinguish between the different ways of obtaining “net issues” for securities issues statistics, where the ECB collects information on gross issues and redemptions separately, and “transactions” used for the monetary aggregates.

The average growth rate for the quarter ending in month t is calculated as:

$$n) \quad \left(\frac{0.5I_t + \sum_{i=1}^2 I_{t-i} + 0.5I_{t-3}}{0.5I_{t-12} + \sum_{i=1}^2 I_{t-i-12} + 0.5I_{t-15}} - 1 \right) \times 100$$

where I_t is the index of adjusted outstanding amounts as at month t . Likewise, for the year ending in month t , the average growth rate is calculated as:

$$o) \quad \left(\frac{0.5I_t + \sum_{i=1}^{11} I_{t-i} + 0.5I_{t-12}}{0.5I_{t-12} + \sum_{i=1}^{11} I_{t-i-12} + 0.5I_{t-24}} - 1 \right) \times 100$$

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

RELATING TO TABLE I IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods and services are pre-adjusted to take “working day” and “Easter” effects into account. Data on income and current transfers credits are subject to a “working day” pre-adjustment. The seasonal adjustment for these

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website (www.ecb.int), under the “Money, banking and financial markets” sub-section.

items is carried out using these pre-adjusted series. Current transfers debits are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal factors are revised at semi-annual intervals or as required.



GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website (www.ecb.int). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 2 February 2005.

All data relate to the Euro 12, unless otherwise indicated. For the monetary data, the Harmonised Index of Consumer Prices (HICP), investment fund and financial market statistics, the statistical series relating to the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate. Where applicable, this is shown in the tables by means of a footnote; in the charts, the break is indicated by a dotted line. In these cases, where underlying data are available, absolute and percentage changes for 2001, calculated from a base in 2000, use a series which takes into account the impact of Greece’s entry into the euro area.

Given that the composition of the ECU does not coincide with the former currencies of the countries which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States which have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated,

price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group “Other EU Member States” comprises the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Sweden and United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term “up to (x) years” means “up to *and including* (x) years”.

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational

framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed

on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item “net external assets”.

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the “Money and Banking Statistics Sector

Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector¹, as last amended by Regulation ECB/2003/10².

In line with this Regulation, the balance sheet item “money market paper” has been merged with the item “debt securities” on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors’ funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-

¹ OJL 356, 30.12.1998, p. 7.

² OJL 250, 2.10.2003, p. 19.

profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity (“short-term” refers to an original maturity of up to one year; “long-term” refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues

differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (i.e. debt securities) issued by euro area residents. Columns 9 to 11 show the percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for issuers resident in the euro area which is in line with the ESA 95³. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in Section 4.1, column 5. The outstanding amounts for total and long-term debt securities issued by MFIs in Table 4.2.1, column 2, are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2 of Section 2.1, column 8.

The total gross issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total gross issues by euro area residents in Section 4.1, column 6. The residual difference between long-term debt securities in Section 4.1, column 6, and total fixed and variable rate long-term debt securities in Table 2 of Section 4.2, column 7 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of

the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Annual percentage changes for monthly data refer to the end of the month, whereas for quarterly and yearly data, those percentage changes refer to the annual change in the period average. See the technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest

³ The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in

each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics⁴. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial

4 OJL 162, 5.6.1998, p. 1.

Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001⁵. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.4 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Section 6.4 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000⁶ amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general

⁵ OJ L 86, 27.3.2001, p. 11.

⁶ OJ L 172, 12.7.2000, p. 3.

government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002⁷ on quarterly non-financial accounts for general government.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)⁸, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2004), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org).

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital

account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt

⁷ OJ L 179, 9.7.2002, p. 1.

⁸ OJ L 354, 30.11.2004, p. 34.

securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in this issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the

recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.



CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM¹

9 JANUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

6 FEBRUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

6 MARCH 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

3 APRIL 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 MAY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

¹ The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000, on pages 219 to 220 of the ECB's Annual Report 2001 and on pages 234 to 235 of the ECB's Annual Report 2002 respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage

point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER, 2 DECEMBER 2004 AND 13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

3 FEBRUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.





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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Bank lending survey: a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Central parity: the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction,

retail and services sectors, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross monthly earnings: gross monthly wages and salaries of employees, including employees' social security contributions.

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of all hours worked by them (including overtime).

Implied volatility: a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Yield curve: a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

