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In 2007 all ECB publications feature a motif taken from the €20 banknote.

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ABBREVIATIONS

COUNTRIES

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

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
HWWI	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
OECD	Organisation for Economic Co-operation and Development
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

On the basis of its regular economic and monetary analyses, the Governing Council decided at its meeting on 8 February 2007 to leave the key ECB interest rates unchanged. The information that has become available since the last meeting of the Governing Council on 11 January 2007 has further underpinned the reasoning behind previous decisions to raise interest rates. It has also confirmed that strong vigilance remains of the essence so as to ensure that risks to price stability over the medium term do not materialise. This will permit medium to longer-term inflation expectations in the euro area to remain solidly anchored at levels consistent with price stability. As emphasised on previous occasions, such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area. The ECB's monetary policy remains accommodative, with the key ECB interest rates still at low levels, money and credit growth vigorous, and liquidity ample by all plausible measures. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term remains warranted.

Turning first to the economic analysis, the latest indicators and survey data suggest that the economic expansion has continued into 2007 and remains solid and broad-based. Looking ahead, while some volatility in the quarter-on-quarter growth rates of real GDP cannot be excluded, the medium-term outlook for economic activity continues to be favourable. Conditions remain in place for the euro area economy to continue to expand at rates around potential. Global economic growth, which has become more balanced across regions, remains robust, providing support for euro area exports. Domestic demand in the euro area is expected to maintain its momentum. Investment should remain dynamic, reflecting the benefits of an extended period of very favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong earnings, and gains in business efficiency. Consumption should also continue to strengthen gradually over time, in line with developments in real disposable income, as labour market conditions – in particular employment growth – continue to improve.

Risks surrounding this favourable outlook for economic growth are broadly balanced over the shorter term. At longer horizons, risks lie mainly on the downside. The main risks relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices, and concerns about possible disorderly developments owing to global imbalances.

With regard to price developments, it is essential to stress the importance of taking a medium-term perspective and to look through the possible volatility of inflation rates over the course of 2007. In this respect, it may be helpful to consider the potential volatility of inflation in greater detail. In the very short term, it appears that the changes in VAT in a large euro area country were not fully reflected in prices in January. Thereafter, it should be noted that, on the basis of current prices for oil and oil futures and previous oil price developments, significant favourable base effects may progressively lead to lower inflation rates in the spring and summer. However, these effects will be temporary. Later in 2007 inflation rates are expected to rise again as a result of unfavourable base effects.

The medium to longer-term outlook for price stability remains subject to upside risks. They continue to include a stronger pass-through of past oil price rises into consumer prices than currently anticipated and additional increases in administered prices and indirect taxes beyond those announced thus far. Furthermore, renewed increases in oil prices cannot be excluded. More fundamentally, stronger than currently expected wage developments pose substantial upward risks to price stability, given the favourable momentum of real GDP growth observed over the past few quarters, the fact that survey measures of capacity utilisation are approaching the peak levels reached in 2000, and the ongoing improvement in labour market performance. It is therefore crucial that the social partners continue to meet their responsibilities. In this context, wage agreements should take into account productivity developments while recognising the still high level of unemployment and price competitiveness positions. Indeed, the Governing Council will monitor upcoming wage negotiations in the euro area countries very carefully.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer horizons. Annual M3 growth rose further to 9.7% in December, marking the highest rate seen since the introduction of the euro. Of course, monthly figures can be volatile and short-term developments should not be overemphasised. However, continued strong money and credit growth confirm the view that the underlying rate of broad money expansion in the euro area remains vigorous, with no evidence as yet that the steady upward trend observed since mid-2004 has been halted or even reversed.

The ongoing robust expansion of money and credit reflects the still accommodative monetary policy stance and the strengthening of economic activity in the euro area. At 10.7%, the annual growth rate of loans to the private sector remained strong in December, although showing a slight moderation with respect to the previous month. Strong growth in private sector credit reflects the continuation of the upward trend in the growth of borrowing by non-financial corporations seen since mid-2004. Meanwhile, in the context of rising mortgage rates throughout the euro area and slowing housing markets in some regions, the growth of household borrowing has shown some further signs of moderation in recent months, albeit remaining at still very high rates.

Taking the appropriate medium to longer-term perspective for assessing trends in money and credit growth, the latest developments confirm the continuation of a persistent upward trend in the underlying rate of monetary expansion. Following several years of robust monetary growth, the liquidity situation in the euro area is ample by all plausible measures. Persistent strong monetary and credit growth in an environment of ample liquidity point to upside risks to price stability over the medium to longer term. Monetary developments therefore continue to require very careful monitoring, particularly against the background of a solid expansion in economic activity and continued strong property market developments in many parts of the euro area.

To sum up, in assessing price trends it is particularly important to look through any short-term volatility. On the basis of the Governing Council's current assessment, after a possible fall over the spring and summer, inflation rates are likely to increase again later in the year. Risks to the medium-term outlook for price stability remain on the upside, relating in particular to stronger than currently expected wage developments. Given the very strong monetary and credit growth in an environment of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium to longer term. Hence, the Governing Council will be strongly vigilant in order to ensure that risks to price stability over the medium term do not materialise. This will support the solid anchoring of medium to longer-term inflation expectations in the euro area at levels consistent with price stability. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term remains warranted.

As regards fiscal policy, first indications confirm that fiscal developments in the euro area were relatively favourable in 2006 on the back of strong output growth and revenue windfalls. It is now essential that the momentum of improving public finances is maintained and that the pace of fiscal consolidation accelerates in 2007 and 2008 so that all euro area countries attain their medium-term objective of a sound fiscal position as soon as possible. Better than expected budgetary outcomes in 2006 and possible further revenue windfalls this year should be used for faster fiscal consolidation. Experience has shown that the temptation to relax expenditure restraint, delay necessary reforms or pursue pro-cyclical policies in an upswing needs to be firmly resisted. Fiscal consolidation measures have the best chance of success when they are based on a credible and comprehensive reform strategy, with a focus on reducing expenditure rather than increasing revenue ratios.

The Governing Council stressed that progress in the area of structural reforms and moderate increases in labour costs in some countries have been key factors in increasing employment and reducing unemployment over the last few years. Indeed, while still high at a rate of 7.5% in December 2006, the standardised unemployment rate was the lowest since the series began in 1993 and has fallen by 1.4 percentage points since its latest peak in June 2004. To fully exploit the beneficial effects of Economic and Monetary Union and the Single Market, further structural reforms must enhance the adjustment capacity of the euro area. This includes sufficient wage differentiation, especially to improve employment opportunities for less skilled workers and in regions with high unemployment. It also encompasses more flexible product and labour markets that would give rise to new investment possibilities and innovation. And it requires the removal of impediments to labour mobility – between jobs, between regions and across borders. Now that Slovenia has entered the euro area, its labour force needs to be granted full access to the labour markets of all euro area countries. Generally, structural reforms, in combination with fiscal consolidation, must support sustainable developments by limiting the burden that is shifted to younger and future generations. Considerable challenges therefore remain, which differ across countries but which all urgently require determined action.

This issue of the Monthly Bulletin contains three articles. The first article considers the challenges to fiscal sustainability in the euro area. The second article provides an overview of the progress made in developing the EU's arrangements for financial crisis management. The third article focuses on migrant remittances to regions neighbouring the EU in the southern, south-eastern and eastern parts of Europe.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

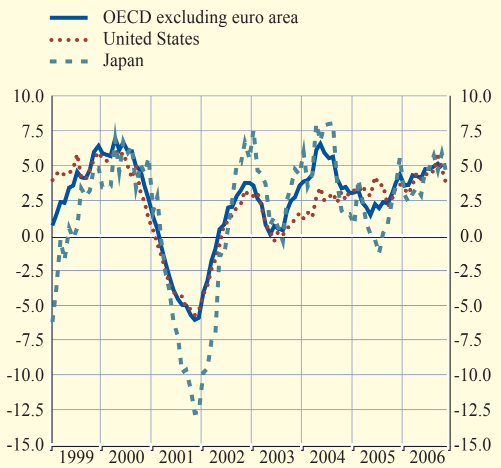
Despite some moderation in its growth momentum, the global economy continues to expand at a robust pace. Consumer prices have remained largely influenced by energy price developments, which drove inflation rates higher at the end of 2006. Risks to the global economic outlook relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices and concerns about a disorderly unwinding of global economic imbalances.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Despite some moderation in its growth momentum, the global economy continues to expand at a robust pace. While moderating slightly, industrial production in the OECD countries (excluding those in the euro area) continued to grow at a rather robust pace in year-on-year terms in October 2006 (see Chart 1). Survey evidence remains consistent with relatively robust global growth as a further deceleration in manufacturing activity may be offset by some resilience in the services sector.

Chart 1 Industrial production in OECD countries

(annual percentage changes; monthly data)



Sources: OECD and ECB calculations.
Note: Last observation refers to November 2006 except for the OECD excluding euro area (October 2006).

With regard to price developments, annual consumer price inflation has remained largely influenced by energy price developments, which drove inflation rates higher at the end of 2006. At the same time, consumer price inflation excluding food and energy has remained stable at relatively moderate levels. Survey evidence on input prices suggests that price pressures have remained relatively strong, despite a significant decrease from the highs reached in mid-2006.

UNITED STATES

In the fourth quarter of 2006 the pace of economic activity strengthened in the United States. According to advance estimates, in the fourth quarter of 2006, real GDP grew by 3.5% on a quarterly annualised basis, compared with 2.0% in the previous quarter. The rise in real GDP growth was largely driven by a strong contribution from personal consumption expenditures. Government spending and net trade, which reflected both strong export activity and a fall in imports, also contributed positively to GDP growth. By contrast, inventory adjustment and a further significant decline in residential investment dampened output growth. For 2006 as a whole, real GDP growth averaged 3.4%, compared with 3.2% in 2005 and 3.9% in 2004.

In relation to prices, the latest national accounts show that in the fourth quarter of 2006 the deflator of personal consumption expenditures excluding food and energy rose by a quarterly annualised rate of 2.1%, slightly below the rate recorded in the previous quarter (2.2%).

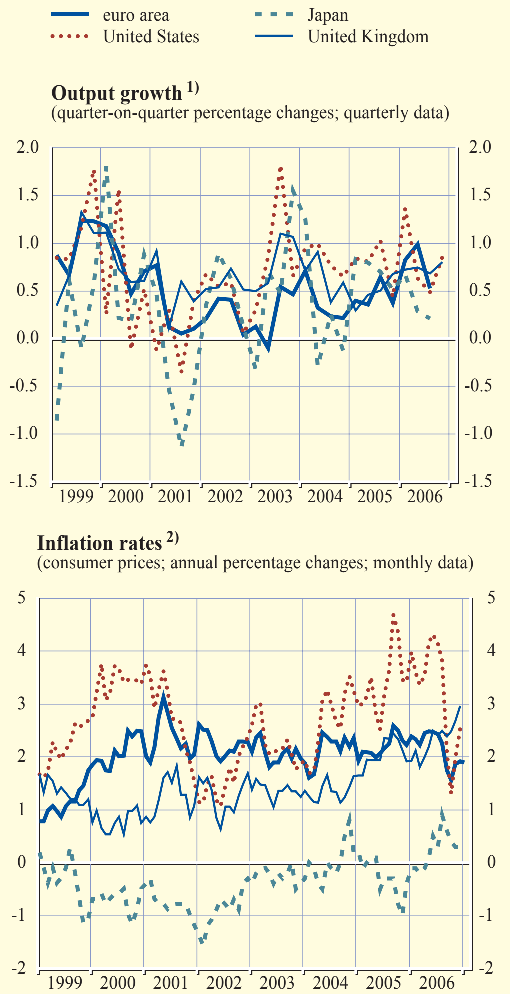
On 31 January 2007 the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

JAPAN

In Japan, economic activity has continued to recover steadily, while inflation has remained subdued. Output has continued to increase in both the manufacturing and non-manufacturing sectors, supported by the strong demand for exports and robust capital expenditures in the business sector. In December industrial production rose by 4.4% year on year, after 4.9% in November. As regards services, the Tertiary Industry Activity Index also continued to grow, posting a 1.1% year-on-year increase in November, after 1.7% in the previous month.

With regard to price developments, consumer price inflation has remained subdued. In December annual CPI inflation stood at 0.3%, the same as in November. Moreover, the impact of the decline in oil prices has continued to materialise through a further deceleration of both CPI inflation excluding fresh food and producer price inflation. In December 2006 annual consumer price inflation excluding fresh food was 0.1%, down from 0.2% in November, while annual producer price inflation stood at 2.5%, after 2.7% in the previous month. At its meeting on 17-18 January, the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.25%.

Chart 2 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.
2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

UNITED KINGDOM

Economic growth in the United Kingdom has been strong over the past five quarters, with a quarterly rate of GDP growth at or above the long-term average of 0.7%. According to the preliminary estimate, real GDP grew by 0.8% on a quarterly basis in the fourth quarter of 2006, slightly above the rate observed in the previous four quarters. In 2006 as a whole, real GDP grew by 2.7%. Strong retail sales data in the fourth quarter, especially in December, point to a strengthening in household consumption. Surveys suggest that investment and export growth momentum remain sustained.

Annual HICP inflation increased strongly from 2.7% in November to 3.0% in December 2006. The increase came mainly from higher transport costs (reflecting the increase in fuel duty), as well as furniture, household goods, recreation and culture prices. Growth in average earnings excluding bonuses remained broadly unchanged compared with previous months, at 3.7% in the three months to November 2006.

On 8 February 2007 the Bank of England's Monetary Policy Committee decided to leave the official Bank Rate paid on commercial bank reserves unchanged at 5.25%.

OTHER EUROPEAN COUNTRIES

In most other EU Member States outside the euro area, output growth remained strong in the third quarter of 2006. In most countries, GDP growth continued to be driven by domestic demand, although the contribution of exports was also strong in some countries. Overall, prospects for economic growth remain favourable. Annual HICP inflation increased in December in most countries, mainly on account of an increase in energy prices.

In Denmark and Sweden, the quarterly rate of real GDP growth in the third quarter of 2006 moderated compared with the previous quarter, to stand at 0.7% and 1.0% respectively. In both countries, economic activity continued to be supported by domestic demand and, in Sweden, also by net exports. Annual HICP inflation eased somewhat in December, compared with the previous month, to 1.7% in Denmark and 1.4% in Sweden.

In the four largest central and eastern European economies (Czech Republic, Hungary, Poland and Romania), quarterly output growth in the third quarter of 2006 remained robust, supported by domestic demand in the Czech Republic, Poland and Romania, and by external demand in Hungary. Annual HICP inflation in all four countries rose in December to 1.5%, 6.6%, 1.4% and 4.9% respectively. HICP inflation excluding the energy component picked up strongly in the Czech Republic but remained broadly unchanged in Hungary and Poland and decelerated in Romania. In the other non-euro area EU Member States, economic activity remained robust, especially in Slovakia and the Baltic States, and annual HICP inflation increased further in December, mainly due to an increase in the energy component.

EMERGING ASIA

In emerging Asia, economic activity continued to expand at a relatively rapid pace in the last quarter of 2006, supported by a combination of robust exports and steady growth in domestic demand. A pick-up in CPI inflation was also evident in several countries in December, although inflationary pressures have remained broadly moderate overall throughout the region.

In China, growth continued to be sustained in the final months of 2006. Compared with the previous quarter, real GDP growth remained broadly unchanged at 10.4% year on year in the fourth quarter of 2006. In particular, strong exports and private consumption were coupled with some moderation in investment, partly as a result of the policy-tightening measures implemented by the authorities in the second half of 2006. Export growth was reflected in a widening trade surplus, which rose to USD 177 billion in 2006, compared with USD 102 billion in 2005. Annual CPI inflation increased to 2.8% in December, up from 1.9% in November, mainly driven by an increase in food prices. In view of the ample liquidity in the banking system, the People's Bank of China decided to raise reserve requirements on deposits – by 50 basis points to 9.5% – as of 15 January.

LATIN AMERICA

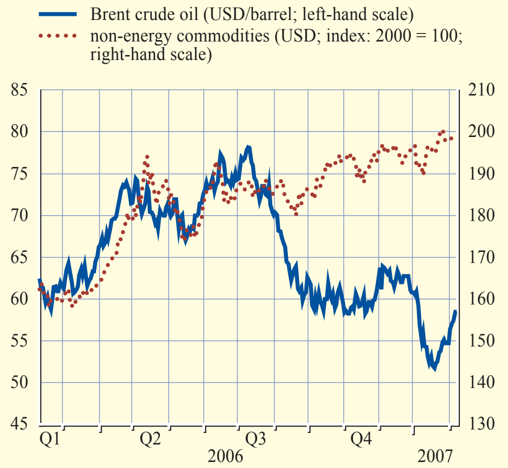
Economic activity remains robust in Latin America. In Brazil, industrial activity has continued to recover from its sluggish performance in the third quarter of 2006, with production rising by 4.2% year on year in November. Inflationary pressures have remained contained, with annual inflation in December 2006 standing at 3.1%. The Banco Central do Brasil further eased monetary policy at its end-January 2007 meeting, cutting its key interest rate by 25 basis points to 13.0%. In

Mexico, industrial production rose by 4.8% year on year in November 2006, while inflation was 4.1% in December. In Argentina, activity remained dynamic, with industrial production expanding by 9.0% year on year in December 2006. However, inflationary pressures remained stubborn, with inflation at 9.8% over the same period.

1.2 COMMODITY MARKETS

Oil prices declined sharply at the beginning of 2007, reaching their lowest level since mid-2005. A mild start to the winter in most parts of the northern hemisphere – and the moderating impact of this on the demand for heating oil – was a key factor behind this decline. The subsequent increases in US product inventories and reports of limited compliance by OPEC producers with the recent supply cut agreement exerted additional downward pressure. However, following colder weather conditions and the decision by the United States to double the size of its Strategic Petroleum Reserve over the next 20 years, prices rose towards the end of January and early February. On 7 February the price of Brent crude oil stood at USD 58.7 per barrel, approximately 25% below its early August peak. Looking ahead, expected robust demand, amid continued limited spare capacity, is likely to sustain oil prices at relatively high levels. On the basis of information derived from futures contracts, market participants currently expect oil prices to rise in the course of 2007 and to remain at high levels in the medium term. However, oil prices remain fairly sensitive to unexpected disturbances in the supply/demand balance and geopolitical developments.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWA.

Despite some correction at the beginning of the year, non-energy commodity prices rebounded in mid-January, reaching a new peak towards the end of the month. This development was mainly supported by increases in the prices of industrial raw materials, particularly agricultural raw materials. The aggregate price index for non-energy commodities (denominated in US dollars) was approximately 24% higher in January than a year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for foreign demand for goods and services from the euro area, remains favourable. The composite leading indicator for the OECD countries as a whole remained stable in November 2006 for the third consecutive month, indicating that the economic slowdown at the global level may remain relatively limited.

Risks to the global outlook relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices and concerns about a disorderly unwinding of global economic imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In December 2006 the annual rate of M3 growth increased to 9.7% – the highest rate recorded since the start of Stage Three of EMU. As in November, the rise in M3 growth in December reflected very strong inflows into the MFI net external asset position, which can be volatile at times. This notwithstanding, the underlying rate of monetary expansion remained vigorous on account of the low level of interest rates in the euro area and the current strength of economic activity. At the same time, the increases in key ECB interest rates appear to have started to influence monetary developments by dampening the growth of credit to the private sector. Overall, strong monetary and credit developments point to upside risks to price stability at the medium to longer-term horizon, particularly in an environment of improved economic activity.

THE BROAD MONETARY AGGREGATE M3

In December 2006 the annual growth rate of the broad monetary aggregate M3 increased to 9.7%, from 9.3% in the previous month. This represented the highest annual rate recorded since the start of Stage Three of EMU. The annualised six-month rate of growth also increased, to 9.9% in December, from 9.6% in the previous month (see Chart 4). The renewed strengthening of monetary dynamics reflected a strong month-on-month growth rate of 0.8% in December, an order of magnitude similar to that observed in the previous month.

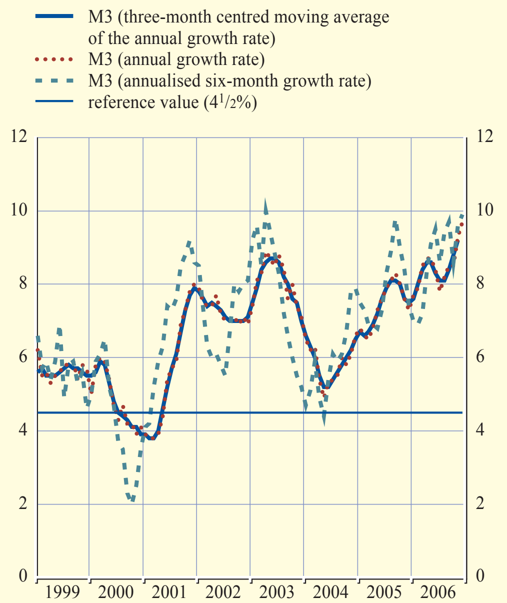
When viewed from the counterparts side, the strengthening of annual M3 growth in December mainly reflected developments in the MFI net external asset position, as was the case in November. This counterpart can display considerable short-term volatility and – especially at a time when sentiment about the euro area nominal exchange rate changes, as occurred in late 2006 – its behaviour is difficult to assess with respect to the implications for underlying monetary dynamics and the outlook for price stability. Moreover, some caution is generally warranted in interpreting monetary developments at the end of the year as these may be affected by influences, such as accounting considerations, that are not fully captured by seasonal adjustment.

The data for January 2007 will reflect the inclusion of Slovenia in euro area monetary statistics (See Box 1, entitled "Implications of the entry of Slovenia into the euro area for monetary statistics").

Viewing the latest data from a medium-term perspective, M3 developments have clearly not shown any signs of a reversal of the upward trend in the underlying rate of monetary expansion observed since mid-2004. The strong underlying monetary expansion stems from the low level of interest rates in the euro area and

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

the current strength of economic activity. In an environment characterised by a relatively low differential between the returns on longer-term financial assets and those on monetary assets, the increases in key ECB interest rates since December 2005 have led to substitution between deposit categories in M3, but did not curtail M3 growth as such.

Overall, the continued strong money and credit growth implied a further build-up of already ample liquidity. This points to upside risks to price stability over the medium to longer term, particularly in an environment of improved economic activity.

Box 1

IMPLICATIONS OF THE ENTRY OF SLOVENIA INTO THE EURO AREA FOR MONETARY STATISTICS

On 1 January 2007, Slovenia adopted the euro, thus increasing the number of euro area countries from 12 to 13. As announced in the "Euro area statistics" section of the January 2007 issue of the Monthly Bulletin, the euro area series for interest rates, the HICP and the monetary statistics cover the EU Member States that had adopted the euro at the time to which the statistics relate. This treatment differs from that applied to other statistics, such as national accounts, which will relate to the Euro 13 (the euro area including Slovenia) for the whole time series in the regular tables and charts of the Monthly Bulletin.

In the monetary statistics, data for Slovenia will thus be included for the first time in the euro area aggregates referring to end-January 2007, which will be published on 27 February and reported in the March 2007 issue of the Monthly Bulletin. This inclusion will not only reflect the addition of the balance sheet positions of Slovenian monetary financial institutions (MFIs) to those of the former euro area, but also the adjustment for the cross-border holdings of the euro area residents with MFIs in all 13 euro area Member States. Against this background, this box explains the methodology adopted for the consolidation of Slovenian MFIs into the euro area MFI balance sheet statistics and highlights some stylised facts about the MFIs resident in Slovenia.

Key facts on the Slovenian MFI sector

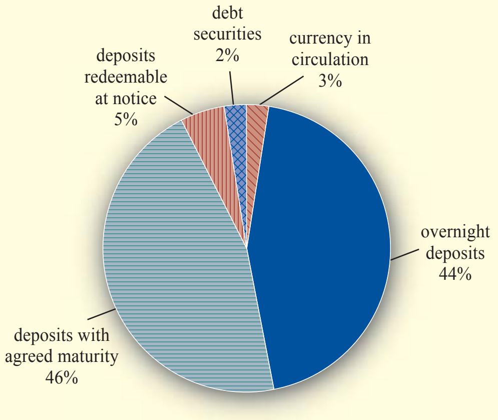
At the end of December 2006, Slovenia had a total of 30 MFIs, including 27 credit institutions, two money market funds and Banka Slovinije. This compares with a total of 7,616 MFIs resident in the euro area (excluding Slovenia), including 6,130 credit institutions, 1,470 money market funds, 12 NCBs and the ECB.[1] The size of the balance sheet of MFIs resident in Slovenia amounted to €41 billion at the end of December 2006, compared with €27,547 billion for the euro area.

According to ECB calculations, Slovenia's contribution to euro area M3 in December 2006 would have amounted to €16 billion of a total euro area M3 of €7,770 billion. As regards the composition of M3 in Slovenia, overnight deposits and deposits with an agreed maturity of up to two years (short-term time deposits) play a prominent role, together accounting for 90% of the total in December 2006, as against 59% for the euro area. The shares of currency in circulation and deposits redeemable at notice of up to three months (short-term savings deposits)

1 For an overview of the development of the MFI sector in the EU, see, for example, http://www.ecb.int/stats/money/mfi/statrep/html/index.en.html.

Chart A Composition of Slovenian M3

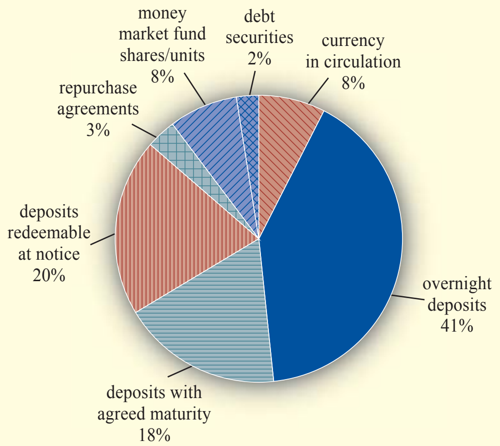
(in percentages of M3 in December 2006)



Source: ECB statistics.

Chart B Composition of euro area M3

(in percentages of M3 in December 2006)



Source: ECB statistics.

were 3% and 5% respectively. This composition differed from that of euro area M3, particularly in terms of its much larger share of short-term time deposits and much smaller share of short-term savings deposits (see Chart B). The share of holdings of MFI short-term debt securities in Slovenia is similar to that in the euro area. Repurchase agreements and money market fund shares and units, which together accounted for over 10% of M3 in December 2006, are of very limited importance in Slovenia, totalling only €8 million in the same month.

The treatment of the enlargement of the euro area in MFI balance sheet statistics

Euro area MFI balance sheet statistics for the period since 1999 refer to those EU Member States that had introduced the euro in the reference month. Data on outstanding amounts referring to periods up to and including December 2000 therefore cover a euro area of 11 participating countries, while data from January 2001 up to and including December 2006 refer to 12 participating countries (the initial 11 countries plus Greece) and data from January 2007 onwards will cover the extended euro area of 13 participating countries (the 12 countries plus Slovenia).

The integration of Slovenia into the euro area monetary statistics has a number of consequences.

First, as of January 2007, MFIs resident in Slovenia report the same set of balance sheet statistics as any other euro area MFI and all positions are reported in euro. Second, as of the reference period January 2007, all respondents in the previously 12 euro area countries treat positions vis-à-vis Slovenian residents as part of “positions against other Monetary Union Member States”. Third, in order to evaluate the effect of the enlargement in January 2007, Slovenia also reports stock data for December 2006, while the other 12 euro area countries report adjustments to the changes in the national stocks due to the inclusion of Slovenia as part of “positions against other Monetary Union Member States” as of January 2007. Euro area flows in January 2007 compared with those in December 2006 will thus be computed as the difference in the respective stocks, adjusted for exchange rate and other revaluations and reclassifications, including the net effect of the enlargement of the euro area.

There will therefore be a break in the stock data of monetary statistics in January 2007 due to the enlargement of the euro area. By contrast, flow data are corrected to take account of this break. Indices of notional stocks, as they are derived from the respective flows, will thus not be affected by a break.[2] This also applies to growth rates, which are derived from those indices and not from the outstanding amounts.[3]

Overall, given the size of Slovenia's contribution to euro area M3, it can safely be assumed that the integration of Slovenia in January 2007 will not significantly affect the dynamics of euro area M3.

2 The index for euro area monetary data for end-January 2007 is derived by multiplying the index of end-December 2006 with the monthly rate of change between end-December 2006 and end-January 2007. The latter is derived using the monthly flows between end-December 2006 and end-January 2007 (as described in the text) and the outstanding amount in December 2006 referring to the euro area already including Slovenia.
3 For details, see the "Technical notes" section of the Monthly Bulletin.

MAIN COMPONENTS OF M3

The rise in the annual growth rate of M3 observed in December reflected a higher annual growth of overnight deposits, while that of other short-term deposits (M2-M1) remained unchanged and that of marketable instruments (M3-M2) declined (see Table 1).

The annual growth rate of M1 increased to 7.5%, from 6.6% in November, as a result of a faster growth of both currency in circulation and overnight deposits. However, the annual growth rate of overnight deposits remained lower than that of either other short-term deposits or marketable

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					
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2006 Nov.	2006 Dec.
M1	**47.7**	**10.3**	**9.8**	**7.6**	**6.7**	**6.6**	**7.5**
Currency in circulation	7.5	13.4	11.9	11.3	11.1	10.8	11.1
Overnight deposits	40.2	9.8	9.5	7.0	5.9	5.8	6.9
M2 - M1 (= other short-term deposits)	38.3	6.8	8.4	9.5	11.2	11.8	11.8
Deposits with an agreed maturity of up to two years	18.2	9.7	15.2	19.8	25.3	27.3	27.4
Deposits redeemable at notice of up to three months	20.1	4.6	3.7	2.4	1.2	0.9	0.7
M2	**86.0**	**8.6**	**9.1**	**8.4**	**8.7**	**8.9**	**9.4**
M3 - M2 (= marketable instruments)	14.0	3.3	5.7	6.4	11.0	12.4	11.5
M3	**100.0**	**7.8**	**8.6**	**8.1**	**9.0**	**9.3**	**9.7**
Credit to euro area residents		**8.7**	**9.5**	**9.2**	**8.9**	**8.7**	**8.2**
Credit to general government		2.4	0.9	-0.9	-3.1	-3.8	-4.8
Loans to general government		0.8	0.3	-0.6	-0.3	0.5	-1.7
Credit to the private sector		10.4	11.8	11.9	11.9	11.9	11.5
Loans to the private sector		10.1	11.2	11.2	11.2	11.2	10.7
Longer-term financial liabilities (excluding capital and reserves)		**8.7**	**8.8**	**8.6**	**9.1**	**9.3**	**9.8**

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

instruments. Against this background, it would be premature to conclude on the basis of one month's data that the substitution of very liquid deposits by more highly remunerated other short-term deposits and marketable instruments, as has been seen in the context of rising market interest rates in the course of 2006, has ceased.

The annual growth rate of short-term deposits other than overnight deposits remained unchanged at 11.8% in December. This reflected the broadly unchanged rate of increase in short-term time deposits (deposits with maturity of up to two years), while the annual growth rate of short-term savings deposits (deposits redeemable at notice of up to three months) continued to decline somewhat. The continued divergence of the dynamics of short-term time deposits and those of savings deposits can, to a large extent, be explained by the widening gap between the remuneration of time deposits, which has increased broadly in line with money market interest rates, and the remuneration of savings deposits, which has shown a more limited reaction to the increase in market rates.

The annual growth rate of marketable instruments included in M3 declined to 11.5% in December, from 12.4% in November. This masks a considerable diversity in the developments across instruments. The annual growth rate of MFI short-term debt securities stood at about 50% in December. The high growth rates of this component in 2006 may be linked to the tightening of monetary policy since floating-rate short-term debt securities allow investors to benefit from rising interest rates. However, monthly flows in November and December were negative and may thus imply some uncertainty among investors about the future path of interest rates. In the case of money market fund shares, the annual growth rate declined somewhat in December, essentially reflecting a reversal of the large monthly inflow observed in November, but remained higher than in previous months.

The annual growth rate of short-term deposits and repurchase agreements held with MFIs (M3 deposits), which represent the broadest aggregation of M3 components for which information is available by holding sector, increased in December. This increase was driven by a higher contribution from the holdings of non-financial corporations and, to a lesser extent, households. The contribution from non-monetary financial intermediaries also increased somewhat, reflecting a build-up of deposits by insurance corporations and pension funds. The rise was less pronounced than in the previous month, however, when most of the sharp increase in the growth rate of M3 deposits was accounted for by other non-monetary financial intermediaries (OFIs).

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector declined to 10.7% in December, from 11.2% in November. The ongoing strong demand for loans reflects the current strength of economic activity and the generally favourable financing conditions in the euro area. At the same time, aggregate loan dynamics in December continued to mask divergent sectoral developments.

In December, the annual rate of growth of loans to households declined to 8.2%, from 8.7% in November. While still vigorous, household borrowing has stabilised and then moderated gradually since mid-2006 (see Table 2). The more moderate pace of lending to households mainly reflects a continuation of the downward trend in the annual growth rate of borrowing for house purchase observed since spring 2006 (to 9.5% in December, from 12.2% in April). Developments in housing loans are likely to reflect higher interest rates on loans for house purchase, which nonetheless remain at low levels by historical standards, and a moderation in house price growth and housing

Table 2 MFI loans to the private sector

(quarterly figures are averages; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2006 Nov.	2006 Dec.
Non-financial corporations	**42.0**	**9.2**	**11.0**	**11.9**	**13.0**	**13.1**	**13.0**
Up to one year	29.3	6.7	8.4	9.2	10.3	10.7	9.3
Over one and up to five years	18.5	11.5	15.8	19.0	20.5	20.8	21.2
Over five years	52.2	10.0	11.0	11.2	12.0	12.0	12.4
Households [2]	**49.6**	**9.6**	**9.8**	**9.3**	**8.7**	**8.7**	**8.2**
Consumer credit [3]	13.0	8.2	8.2	8.5	8.0	7.9	7.8
Lending for house purchase [3]	70.8	11.8	12.1	11.3	10.3	10.2	9.5
Other lending	16.2	2.1	2.1	2.3	2.7	3.1	2.9
Insurance corporations and pension funds	**0.9**	**32.9**	**41.2**	**36.7**	**29.1**	**26.1**	**28.3**
Other non-monetary financial intermediaries	**7.5**	**16.2**	**19.0**	**17.3**	**16.4**	**16.0**	**13.2**

Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see 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.

market activity in a number of euro area economies in the course of 2006. A decline in demand for loans for house purchase was also revealed by the bank lending survey (see the Box entitled "The results of the January 2007 bank lending survey for the euro area). The annual growth rate of consumer credit also declined further in December, to 7.8%.

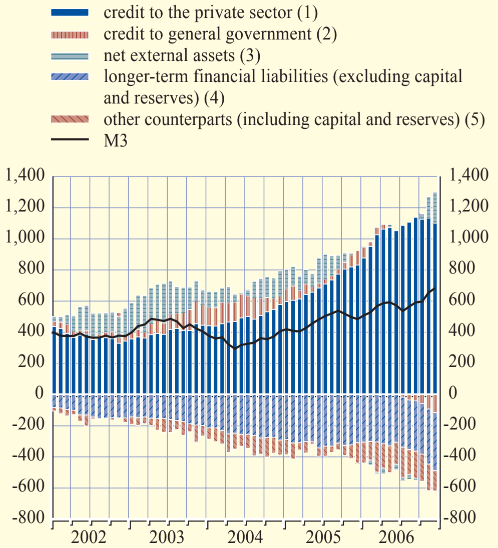
The annual growth rate of MFI loans to non-financial corporations, by contrast, remained broadly unchanged at 13.0% in December. This levelling-off of the annual growth rate reflected a marked decline in the growth rate of loans with a maturity of up to one year, while demand for loans with medium to longer-term maturities continued to strengthen.

Looking at developments in overall MFI credit granted to euro area residents in December, the annual growth rate declined somewhat further in comparison with the previous month. This decrease is attributable to a further moderation in the annual growth rate of credit granted to the government and a slight decline in the growth of credit granted to the private sector. The latter mainly reflects the moderation in loan growth, while the rate of acquisition by MFIs of securities issued by the private sector remained broadly unchanged at a high level.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) rose

Chart 5 Counterparts of M3

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



Source: ECB.
Notes: M3 is shown for reference only (M3 = 1+2+3-4+5). Longer-term financial liabilities (excluding capital and reserves) are shown with an inverted sign, since they are liabilities of the MFI sector.

to 9.8%, from 9.3% in November. Against the background of somewhat lower growth in credit to the private sector and somewhat higher growth in longer-term financial liabilities, the rise in annual M3 growth in December was essentially due, as was the case in November, to a further very strong increase in MFIs' net external asset position. The monthly flow in this position was €73 billion in December 2006, after a record flow of €87 billion in November. In the 12 months to December, the rise in the MFI net external asset position amounted to €203 billion (from €140 billion in November). Such high net capital inflows on an annual basis were last recorded in mid-2003, i.e. at the end of a period in which global financial uncertainties had resulted in strong external inflows into money (see Chart 5).

Summing up the information from the counterparts, the low level of interest rates in the euro area and the strengthening of economic activity continued to be the main forces driving the strong monetary expansion in the euro area. However, rises in key ECB interest rates appear to have started to influence monetary developments by dampening the growth of credit, in particular to the private sector. At the same time, the rise in the annual M3 growth rate in December was due to a further strong increase in the annual inflow to the net external asset position of MFIs.

Box 2

THE RESULTS OF THE JANUARY 2007 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the January 2007 bank lending survey for the euro area conducted by the Eurosystem.[1] Respondent banks reported unchanged net credit standards for loans to enterprises in the fourth quarter of 2006,[2] in line with the pattern of the previous two quarters. At the same time, they also reported strong positive net demand[3] for loans to enterprises in the fourth quarter, increasingly driven by factors related to the increase in economic activity but still underpinned by financing needs related to merger and acquisition (M&A) activity. For the first quarter of 2007, a further increase in net demand for loans to corporations is expected.

As regards lending to households, banks reported a slight net easing of credit standards applied to loans for housing purposes during the fourth quarter of 2006. This development, which is in contrast to the broadly unchanged conditions of the previous quarter, partly reflects an easing of tightening pressures relating to housing market prospects. In the same period net demand for housing loans to households, as perceived by respondent banks, was negative and continued the decline of the previous quarter to reach its lowest level since the start of the bank lending survey in April 2003. Net demand was negative in all the large euro area countries. The negative net demand was also expected to continue in the first quarter of 2007, during which banks plan to keep credit standards for housing loans mostly unchanged.

With regard to credit standards for consumer credit and other lending to households, a net easing was registered in the fourth quarter of 2006, which was broadly similar in magnitude to

1 A comprehensive assessment of the results of the January 2007 bank lending survey for the euro area was published on 9 February 2007 on the ECB's website.
2 The reported net percentage was 0%. The net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks 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").
3 The term "net demand" refers to the difference between the proportion of banks reporting an increase in loan demand and the proportion of banks reporting a decline.

that of the previous two quarters and is expected to continue in the first quarter of 2007. Net demand for consumer credit declined from the third to the fourth quarter of 2006 but continued to be positive. Expectations for net demand in the first quarter of 2007 also declined.

Loans or credit lines to enterprises

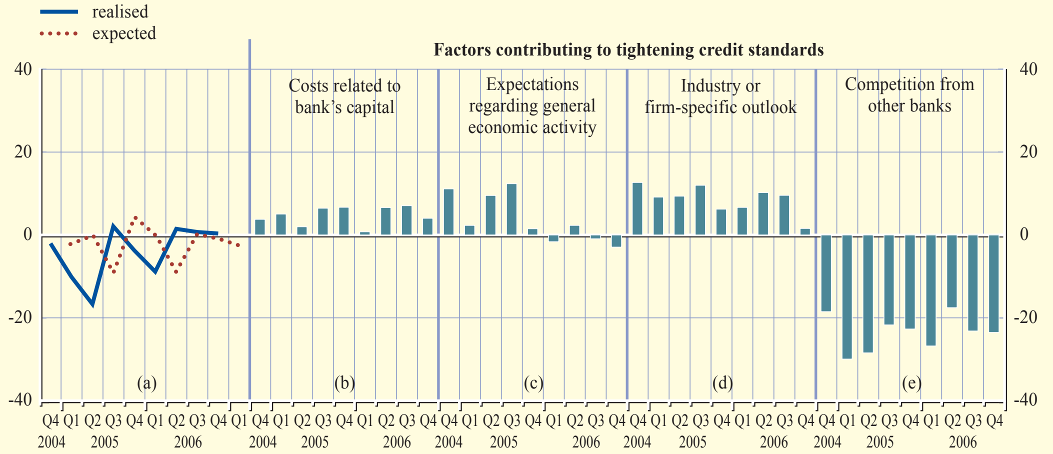
Credit standards: For the fourth quarter of 2006, banks reported unchanged net credit standards for loans or credit lines to enterprises (Chart A, panel a). This is in line with the broadly unchanged standards reported in the previous two quarters and confirms a picture of stable credit standards during most of 2006, following the easing tendencies that had prevailed since mid-2004. Banks also expected credit standards for corporate loans to be unchanged for the next quarter.

Looking at the underlying credit analysis, competitive pressures contributed towards an easing of credit standards as in previous quarters (see Chart A, panel e). At the same time the industry or firm-specific outlook contributed less to a tightening and expectations regarding the general economic outlook more towards an easing than in previous rounds of the survey (see Chart A, panels b and c). In terms of the borrower's size, the unchanged net credit standards applied to small and medium-sized enterprises as well as to large enterprises. As regards maturity, net credit standards remained unchanged from the previous quarter for both short and long-term loans.

Loan demand: In line with the previous five surveys, net demand for loans to enterprises continued to be very strong in the fourth quarter of 2006 (23% in the January survey after 16% in October; see Chart B, panel a). Net loan demand is expected to increase further in the first quarter of 2007. Underlying the increasing loan demand, net loan demand continues to be stronger for small and medium-sized enterprises (25%) than for large corporations (14%) and is at a similar level to the previous quarter for both size classes.

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

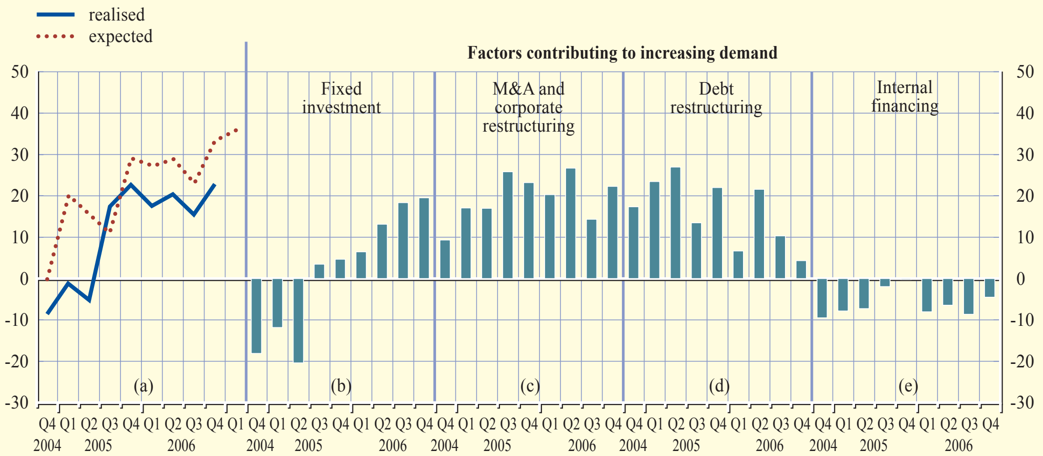
(net percentages)



Notes: In panel a, 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 the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed 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 2007 were reported by banks in the January 2007 survey.

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

(net percentages)



Notes: In panel a, the net percentages refer 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". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decline. "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 2007 were reported by banks in the January 2007 survey.

According to respondent banks, financing needs closely related to the level of economic activity – namely inventories, working capital and fixed capital investments – have become the major factors contributing to the positive net loan demand (Chart B, panel b). This is a continuation of a trend that started in the third quarter of 2005. Financing needs for M&A activity were also reported as an important factor behind the strong demand; the importance of this factor increased after a decline in the previous quarter (Chart B, panel c). Debt restructuring continued to contribute to net loan demand, but its importance decreased compared with previous surveys (see Chart B, panel d). On the other hand, strong earnings in the corporate sector provided a source of internal finance that helped to moderate net demand developments (see Chart B, panel e).

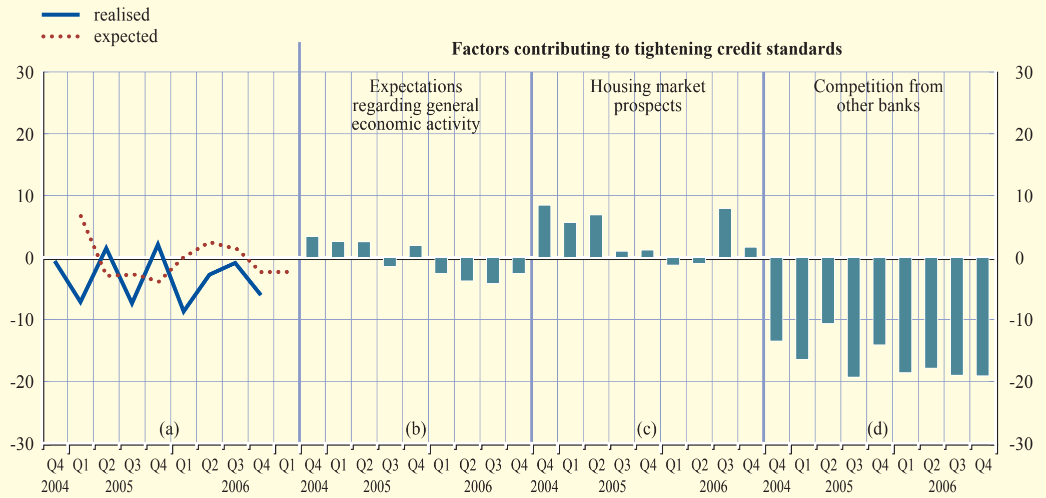
Loans to households for house purchase

Credit standards: Banks reported a slight easing of credit standards for loans to households for house purchase in the fourth quarter of 2006. This is in line with the developments in the last two and a half years, which show a tendency of slightly easing standards (see Chart C, panel a). Banks do not expect changes in credit standards for the first quarter of 2007. As in previous quarters, competition from other banks was the dominant factor behind looser credit standards (see Chart C, panel d). Housing market prospects contributed less to a tightening than in the third quarter (see Chart C, panel c). As regards the terms and conditions for housing loans, banks presumably focused more closely on risk concerns in the fourth quarter, reporting – unlike in previous quarters – that a decrease in the loan-to-value ratio contributed to a net tightening of standards.

Loan demand: Net demand for loans to households for house purchase continued the declining trend which started at the beginning of 2006 (moving from -6% in the October 2006 survey to -10% in January 2007). This declining trend in net demand is consistently reported by respondent

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

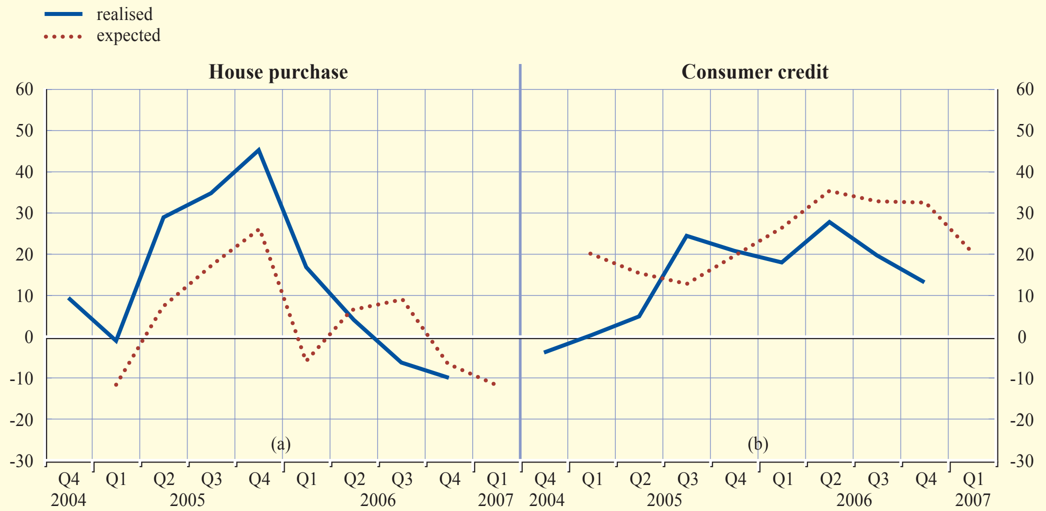
(net percentages)



Notes: In panel a, 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 the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed 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 2007 were reported by banks in the January 2007 survey.

Chart D Changes in demand for loans to households for house purchase and consumer credit

(net percentages)



Notes: In panel a, the net percentages refer 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 2007 were reported by banks in the January 2007 survey.

banks in all the large euro area countries. For the first quarter of 2007 a further decrease in net demand is expected, with expectations at -12% (see Chart D, panel a). A slight deterioration in housing market prospects, as well as a rise in non-housing-related consumption expenditure, contributed to the decrease in net loan demand. On the other hand, consumer confidence contributed towards higher net loan demand.

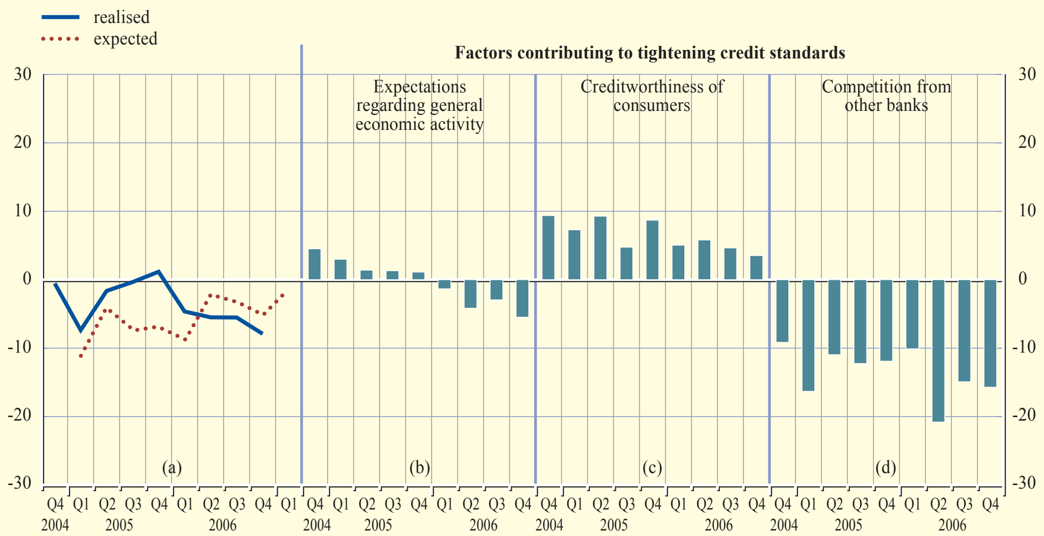
Loans for consumer credit and other lending to households

Credit standards: The credit standards applied to the approval of consumer credit and other lending to households continued to ease in the fourth quarter of 2006 but are expected to ease less in the first quarter of 2007 (see Chart E, panel a). Among the factors contributing to the net easing in credit standards were competitive pressures from banks and non-banks, as well as favourable expectations regarding general economic activity (see Chart E, panels b to d). At the same time concerns about the creditworthiness of consumers seemed to contribute less towards a tightening than previously (see Chart E, panel c). With regard to the terms and conditions, compared with previous quarters the easing of credit standards in the fourth quarter of 2006 was implemented to a lesser degree via lower margins on average loans.

Loan demand: Banks reported positive net demand for consumer credit in the fourth quarter of 2006, although it decreased somewhat to 13% from 20% in the third quarter (see Chart D, panel b). The main factors contributing to the positive net demand were consumer confidence and spending on durable goods, although a decline in the contribution from the latter was – as in the third quarter – the driver behind the decrease in net demand.

Chart E Changes in credit standards applied to the approval of consumer credit and other lending to households

(net percentages)



Notes: In panel a, 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 the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed 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 2007 were reported by banks in the January 2007 survey.

2.2 SECURITIES ISSUANCE

In November 2006 debt securities issued by euro area residents continued to grow at a robust rate. This outcome reflected continued strong growth in debt securities issued by MFIs and non-monetary financial institutions, as well as a pick-up in the growth rate of debt securities issued by non-financial corporations. Issuance of quoted shares continued to be relatively subdued.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased slightly to 8.3% in November 2006, from 8.0% in October (see Table 3). The annual growth rate of variable rate debt securities continued to be significantly stronger than the annual growth rate of fixed rate debt securities, a trend which started in August 2003. The share of variable rate issues in the net issuance of debt securities has therefore somewhat increased over recent months. This seems to suggest that issuers are taking advantage of the high demand for floating rate securities stemming from the relatively small yield differential between short- and long-term securities. Concerning the maturity structure of debt securities issuance, the annual growth rate of both short-term and long-term securities issuance continued to increase in November 2006, reaching 7.1% and 8.4% respectively.

The annual growth rate of debt securities issued by non-financial corporations continued to be relatively subdued compared with the rates of growth of debt securities issued by MFIs and non-monetary financial institutions. Nevertheless, over the last few months the rate of growth has increased somewhat to reach 5.3% in November, a level last seen in April 2005 (see Chart 6). Evidence observed over recent quarters is pointing to a substitution by euro area non-financial corporations of MFI loans for debt securities as a source of external financing. This seems to reflect also the effect of benign bank credit conditions observed over recent months (see Box 2 on “The results of the January 2007 bank lending survey for the euro area”). In November 2006 there was a significant pick-up in the growth rate of short-term debt securities, which turned positive to 4.4% after having been negative since December 2005. At the same time, the annual

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2006 Nov.	Annual growth rates [1] 2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Oct.	2006 Nov.
Debt securities:	**11,111**	**7.5**	**7.4**	**7.4**	**7.1**	**8.0**	**8.3**
MFIs	4,555	9.2	8.9	9.2	8.4	9.7	10.1
Non-monetary financial corporations	1,138	21.5	25.6	26.6	26.8	29.9	30.4
Non-financial corporations	646	3.5	3.2	3.5	4.3	4.1	5.3
General government	4,772	4.3	3.7	3.0	2.8	3.0	2.9
of which:							
Central government	4,469	3.9	3.2	2.5	2.2	2.6	2.5
Other general government	304	12.3	11.8	11.4	11.6	9.3	8.6
Quoted shares:	**5,911**	**1.2**	**1.2**	**1.1**	**1.2**	**1.1**	**0.9**
MFIs	1,024	2.2	1.2	1.5	1.8	2.0	2.0
Non-monetary financial corporations	603	3.2	3.5	2.2	1.5	1.0	1.0
Non-financial corporations	4,284	0.7	0.9	0.9	1.1	0.9	0.7

Source: ECB.
1) For details, see the technical notes for Sections 4.3 and 4.4 of the “Euro area statistics” section.

growth rate of long-term debt securities increased only slightly to reach 5.4% from 5.0% in the previous month.

In November 2006 the annual growth rate of debt securities issued by MFIs increased further to 10.1%, from 9.7% in October, suggesting that banks are continuing to raise funds to meet the considerable demand arising from the robust growth of loans to non-financial corporations. The overall increase in the growth rates of debt securities issued reflected an increase in the growth rate of issuance of long-term debt securities, which reached 9.2%.

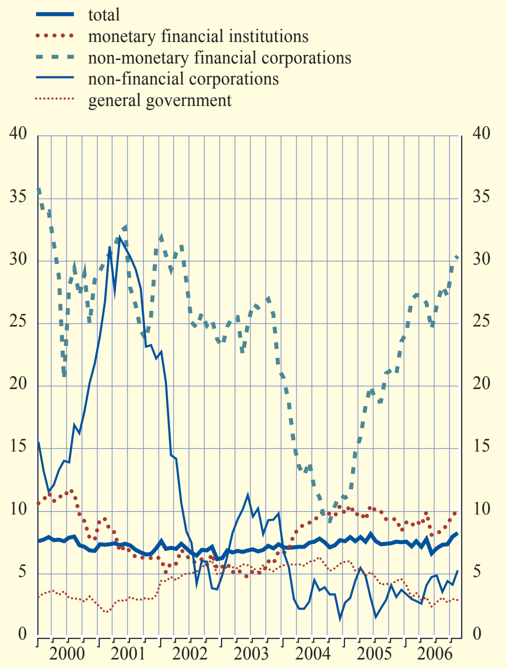
The annual growth rate of debt securities issued by non-monetary financial corporations rose to 30.4% in November. Debt securities issuance in this sector is to a large extent indirectly related to issuance in the other sectors as non-financial corporations and MFIs raise external debt financing via non-monetary financial corporations (i.e. financial subsidiaries and special-purpose vehicles). The high level of issuance activity by non-monetary financial corporations seems also to reflect transactions related to securitisation and leveraged buyout activity, which was very strong in the course of 2006.[1]

The annual growth rate of debt securities issued by the general government sector declined slightly to 2.9% in November 2006, from 3.0% in October. The growth rate of debt securities issued by

1 See the box entitled "Recent trends in leveraged buyout transactions in the euro area" in the December 2006 issue of the Monthly Bulletin.

Chart 6 Sectoral breakdown of debt securities issued by euro area residents

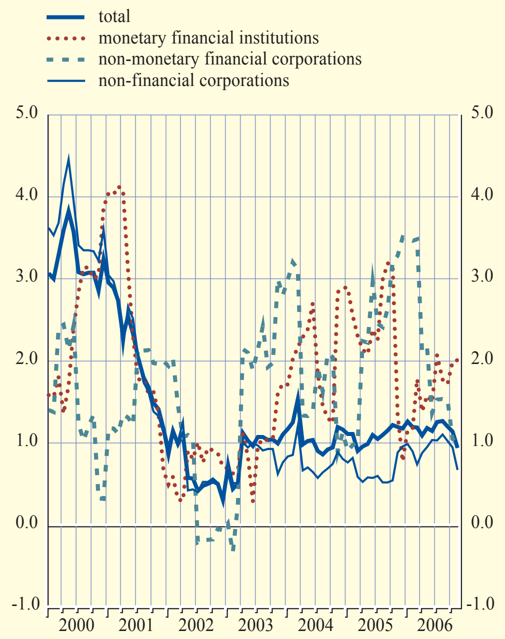
(annual growth rates)



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

Chart 7 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.

the central government sector remained relatively subdued at 2.5% in November, while the growth in the issuance activity of the other general government sector continued to be significantly stronger, standing at an annual rate of 8.6%.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained low at 0.9% in November, reflecting mainly a moderation in the annual growth rate of quoted shares issued by non-financial corporations, which stood at 0.7% in November (see Chart 7). The annual growth rate of quoted shares issued by MFIs and by non-monetary financial corporations remained unchanged at 2.0% and 1.0% respectively.

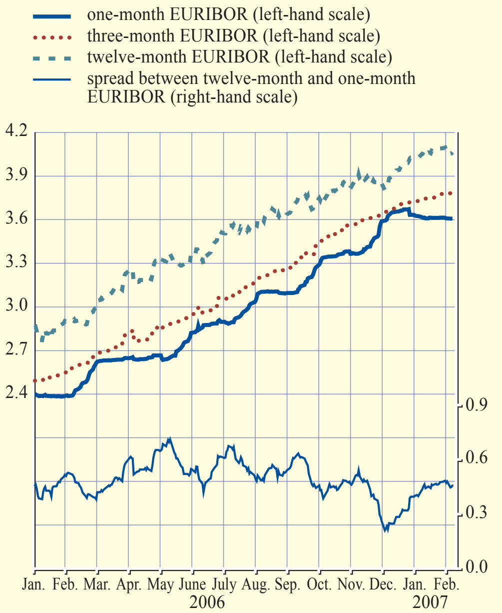
2.3 MONEY MARKET INTEREST RATES

From the end of December 2006 to 7 February 2007, money market interest rates with a maturity of one month declined slightly, while longer-term money market rates rose somewhat. As a result, the slope of the money market yield curve steepened further over the period.

In the period from the end of December 2006 to 7 February 2007, money market rates with a maturity of one month fell by 3 basis points, while money market rates at the three, six and twelve-month maturities rose by 6, 7 and 4 basis points respectively. As a result, the slope of the money market yield curve steepened over the period under review. On 7 February, the one, three, six and twelve-month EURIBOR stood at 3.61%, 3.79%, 3.92% and 4.07% respectively. The

Chart 8 Money market interest rates

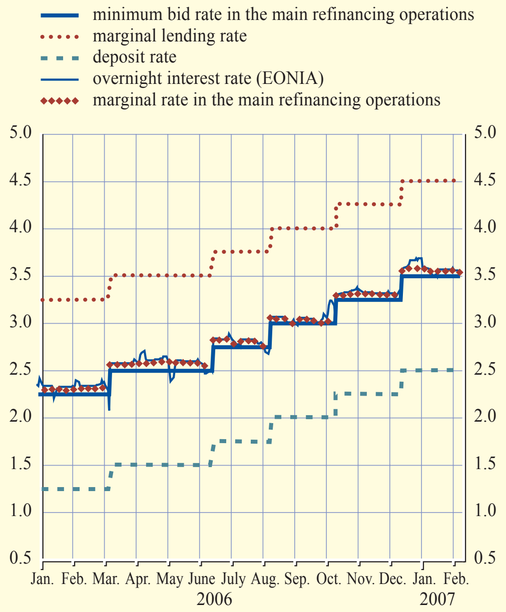
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

spread between the twelve-month and the one-month EURIBOR rose from 39 basis points at the end of December 2006 to 46 basis points on 7 February 2007 (see Chart 8).

The interest rates implied by the prices of three-month EURIBOR futures maturing in March, June and September 2007 stood at 3.91%, 4.07% and 4.12% respectively on 7 February, broadly unchanged from the end of December.

At the beginning of January 2007, the EONIA stood at 3.60%, implying a spread over the minimum bid rate in the Eurosystem's main refinancing operations that was slightly above that observed before Christmas. Towards the end of the maintenance period ending on 16 January 2007, the EONIA drifted lower, as market participants perceived prevailing liquidity conditions to be ample. On 16 January, the EONIA declined to 3.50%. Since the first day of the new maintenance period ending on 13 February, the EONIA has remained broadly stable at 3.57%, although it rose to 3.59% on 31 January owing to end-of-month effects (see Chart 9). Entering the last week of the maintenance period the EONIA declined somewhat, and stood at 3.53% on 7 February (see Chart 9). Hence, except for the usual impact of end-of-month and end-of-maintenance-period effects, the spread between the EONIA and the minimum bid rate remained broadly stable at 7 basis points.

In the maintenance period starting on 17 January, the marginal and average rates in the Eurosystem's main refinancing operations remained broadly stable. Liquidity was provided at a marginal rate of 3.54-3.56% and an average rate of 3.55-3.56%. In the Eurosystem's longer-term refinancing operation settled on 1 February 2007, the marginal and weighted average rates stood at 3.72% and 3.74% respectively. These tender rates were 6 and 4 basis points lower respectively than the three-month EURIBOR prevailing on that date.

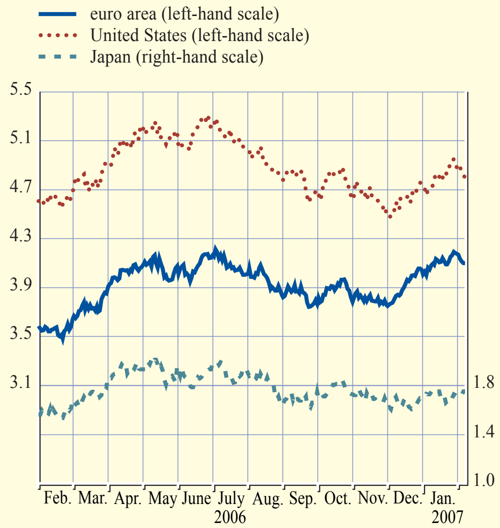
2.4 BOND MARKETS

Long-term government bond yields increased marginally further in the major markets in January and early February. In the euro area, this increase in long-term nominal bond yields was driven by higher real interest rates, likely reflecting market participants' more positive views about future economic growth in the euro area. At the same time, inflation expectations and related risk premia, as measured by euro area long-term break-even inflation rates, remained broadly unchanged over the review period.

Continuing the upward movements that began in early December 2006, long-term government bond yields rose slightly in both the euro area and the United States in the course of January (see Chart 10). In the euro area and the United States ten-year government bond yields increased by about 5 basis points between end-December 2006 and 7 February 2007, to stand at 4.1% and 4.8%, respectively, on the latter date. In consequence, the differential between US long-term bond yields and comparable euro area yields remained unchanged in the review period. Also in Japan the ten-year bond yield increased somewhat compared with end-December 2006, standing at about 1.8% on 7 February. Market participants' uncertainty about near-term bond market developments, as measured by implied volatility extracted from options, declined somewhat in the three major markets. The current levels of implied volatility seem to suggest that risk perceptions and the pricing of risk in global bond markets have become very low recently.

Chart 10 Long-term government bond yields

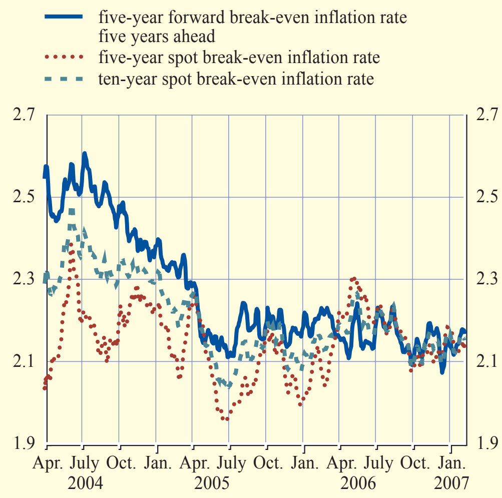
(percentages per annum; daily data)



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

Chart 11 Zero coupon spot and forward break-even inflation rates

(percentages per annum; five-day moving averages of daily data)



Sources: Reuters and ECB calculations.

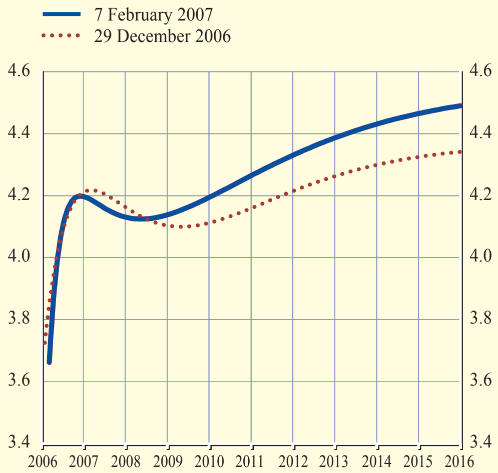
The increase in long-term bond yields in the United States can be linked, to some extent, to better than expected incoming data on economic activity such as the increases in non-farm payroll employment as well as to higher than expected consumer price inflation. Against this background, long-term real interest rates – measured by the yield on 2015-maturity inflation-linked government bonds – remained broadly unchanged in the period under review, while the compensation for expected inflation and associated risk premia – as measured by long-term break-even inflation rates – increased somewhat at the beginning of 2007. On 7 February the break-even inflation rate calculated from 2015-maturity bonds stood at a level of around 2.4%, which was about 5 basis points higher than at end-2006. The FOMC's decision on 31 January to leave the federal funds target rate unchanged at 5.25% was followed by a slight decline in US long-term bond yields. Apparently, market participants perceived the FOMC's accompanying statement as indicating a lower likelihood of further monetary policy tightening in the United States than previously anticipated.

The increase in euro area nominal long-term bond yields was mainly driven by a corresponding increase in long-term real interest rates. In fact, the yield on 2015-maturity index-linked government bonds increased by around 10 basis points between end-2006 and 7 February 2007. The increase in euro area long-term real rates was, at least to some extent, driven by better than expected releases of economic sentiment indicators and industrial production figures for some countries.

Long-term break-even inflation rates remained virtually unchanged overall in the period under review. The five-year forward break-even inflation rate five years ahead, a measure of long-

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB estimates and Reuters.
Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects market expectations of future levels for short-term interest rates. The method used to calculate these implied forward yield curves was outlined in Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are zero coupon swap rates.

term inflation expectations and related risk premia, remained broadly unchanged at a level of around 2.2% on 7 February (see Chart 11). Moreover, break-even inflation rates at both five and ten-year maturities stayed very close to each other over the review period, indicating that inflation expectations and inflation risk premia were rather similar at these horizons.

The implied forward overnight interest rate curve in the euro area experienced an upward shift beyond medium-term horizons between the end of December 2006 and early February 2007 (see Chart 12). This upward shift is probably partly due to an improvement in the outlook for the euro area economy as perceived by investors. However, as forward rates at the long end of the curve increased most markedly, it cannot be excluded that a rebound in term premia also contributed to the rate increases, in particular for the longest forward horizons.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In November 2006 most MFI interest rates continued their upward trend, while remaining at a relatively low level.

In November 2006 short-term MFI interest rates generally increased compared with the previous month. In most cases, these increases were of broadly the same order of magnitude as those observed for comparable money market rates (see Table 4 and Chart 13).

Taking a longer-term perspective, short-term MFI interest rates have risen over the past quarters, in line with movements in money market rates, which have been increasing since September 2005. When this increasing trend started, short-term MFI interest rates rose by somewhat less than their money market equivalents. During the most recent months, however, short-term bank rates have tended to catch up with market rates, reflecting the lagged pass-through of previous increases. The three-month market rate, for instance, rose by around 146 basis points in the period between September 2005 and November 2006. By comparison, MFI interest rates on deposits by households with an agreed maturity of up to one year rose by around 113 basis points. Similarly, the increases in MFI interest rates on loans to households for house purchase and on loans to non-financial corporations with floating rates and an initial rate fixation of up to one year ranged from 117 to 134 basis points over the same period. Bank rates on short-term loans to households for consumption purposes have risen by only 66 basis points since September 2005, possibly reflecting the increasing level of competition in this segment of the market; in November these rates remained stable at around 8.0%.

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted[1])

	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Oct.	2006 Nov.	Change in basis points up to Nov. 2006[2] 2006 Apr.	2006 July	2006 Oct.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	2.14	2.36	2.56	2.87	3.03	3.10	70	41	7
with an agreed maturity of over two years	2.18	2.43	2.57	2.68	2.84	2.83	36	4	-1
redeemable at notice of up to three months	1.97	1.98	2.03	2.26	2.29	2.29	29	21	0
redeemable at notice of over three months	2.30	2.37	2.52	2.68	2.74	2.80	38	23	6
Overnight deposits from non-financial corporations	1.03	1.15	1.23	1.36	1.45	1.49	33	24	4
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.26	2.48	2.70	2.98	3.19	3.25	73	47	6
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.73	6.77	7.15	7.89	7.63	7.62	47	30	-1
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.48	3.74	4.02	4.31	4.42	4.49	67	38	7
with an initial rate fixation of over five and up to ten years	4.03	4.23	4.51	4.63	4.59	4.58	23	3	-1
Bank overdrafts to non-financial corporations	5.14	5.30	5.46	5.69	5.76	5.82	41	30	6
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.99	4.23	4.47	4.74	4.91	5.00	66	42	9
with an initial rate fixation of over five years	4.10	4.19	4.40	4.59	4.60	4.65	46	20	5
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.24	3.50	3.74	4.02	4.22	4.30	79	46	8
with an initial rate fixation of over five years	3.98	4.22	4.26	4.48	4.47	4.57	35	9	10
Memo items									
Three-month money market interest rate	2.47	2.72	2.99	3.34	3.50	3.60	81	50	10
Two-year government bond yield	2.80	3.22	3.47	3.62	3.69	3.71	34	13	2
Five-year government bond yield	3.07	3.47	3.78	3.70	3.77	3.73	2	-11	-4

Source: ECB.
1) The weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For further information, see the box entitled ‘‘Analysing MFI interest rates at the euro area level’’ in the August 2004 issue of the Monthly Bulletin. Quarterly data refer to the end of the quarter.
2) Figures may not add up due to rounding.

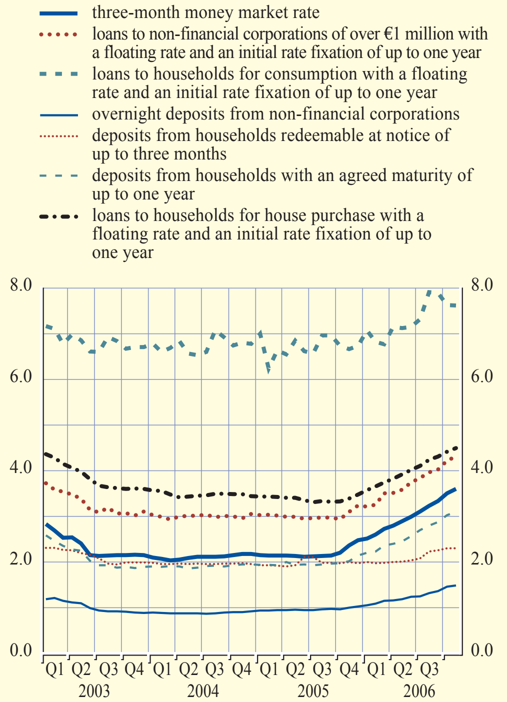
In November 2006 long-term MFI interest rates on deposits from households remained broadly unchanged (see Table 4 and Chart 14). At the same time, MFI interest rates on deposits from non-financial corporations with an agreed maturity of over two years stood at around 3.7%. These interest rates have fluctuated considerably over the past few months, in line with fluctuations in long-term bond yields.

In the period up to November 2006 long-term MFI rates on loans to households were broadly stable. However, long-term rates on loans to non-financial corporations increased by 6 to 10 basis points (see Chart 14).

Looking back over a somewhat longer period, the majority of long-term MFI lending rates have continued to rise since September 2005, notwithstanding the decline in market interest rates at the long end of the maturity spectrum (i.e. over five years) recorded until November 2006. The five-year euro area government bond yield rose by 113 basis points between September 2005 and November 2006. MFI interest rates on loans to households for house purchase with an initial rate

Chart 13 Short-term MFI interest rates and a short-term market rate

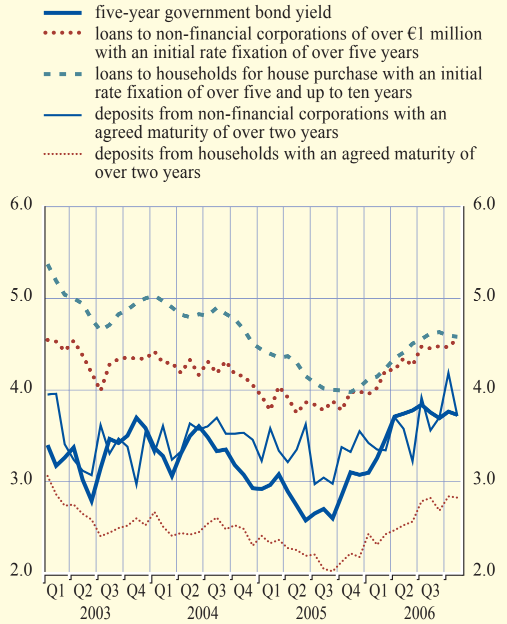
(percentages per annum; rates on new business; weight-adjusted) [1]



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" in the August 2004 issue of the Monthly Bulletin.

Chart 14 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business; weight-adjusted) [1]



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'' in the August 2004 issue of the Monthly Bulletin.

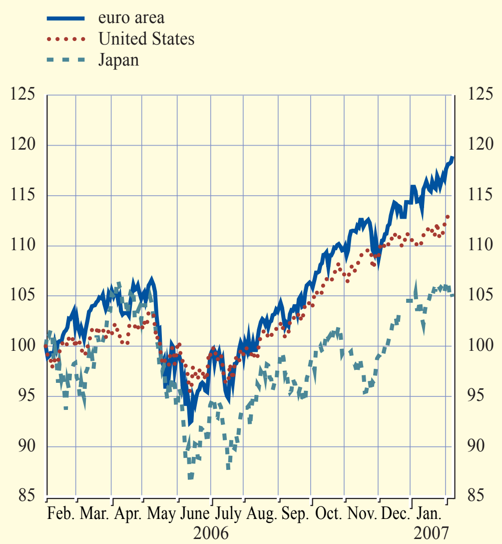
fixation of over five and up to ten years only increased by around 58 basis points over the same period. In the case of loans to non-financial corporations with an initial rate fixation of over five years, MFI interest rates increased by 59 to 69 basis points depending on the size of the loans. The increases in long-term deposit rates for households between September 2005 and November 2006 – of around 80 basis points – are still smaller than the comparable increases in market rates, suggesting a still lagged interest rate pass-through.

2.6 EQUITY MARKETS

Stock prices in the major markets continued to rise in early 2007. The performance of the euro area stock market between the end of December and early February was generally supported by better than expected releases of indicators for economic activity in an environment of continued robust earnings growth. At the same time, stock market uncertainty as measured by implied volatility remained at rather low levels in the major markets.

Chart 15 Stock price indices

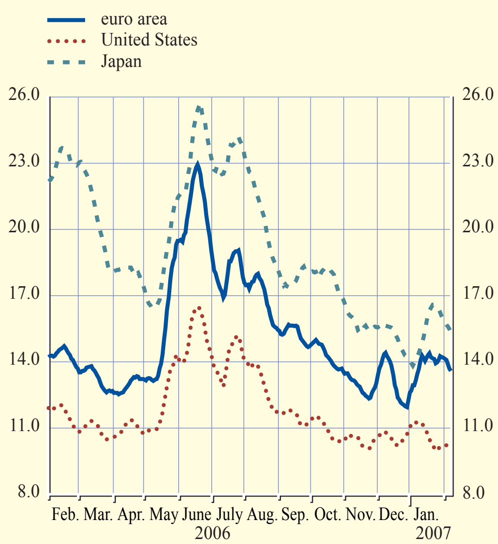
(index: 1 February 2006 = 100; daily data)



Sources: Reuters and Thomson Financial Datastream.
Note: The indices used are 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 16 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 changes in stock prices 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.

Broad-based stock price indices continued to rise in major markets in early 2007 (see Chart 15). Euro area and US stock prices, as measured by the Dow Jones EURO STOXX index and the Standard & Poor's 500 index, increased by around 4% and 2% respectively between the end of 2006 and 7 February 2007. Stock prices in Japan, as measured by the Nikkei 225 index, remained overall broadly unchanged in the same period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, changed little overall in major markets at the beginning of 2007. Hence, global stock market uncertainty remained at low levels in early February 2007 (see Chart 16).

The moderate overall stock price increase in the United States was generally supported by better than expected releases of data, in particular non-farm payroll employment and industrial production, in January and solid earnings growth. In fact, the actual annual earnings growth for corporations in the Standard & Poor's 500 index remained broadly unchanged compared with December 2006, at around 14%. At the same time, while declining slightly in early 2007, analysts' expected earnings growth 12 months ahead remained high at levels of about 8% in January 2007 according to I/B/E/S.[2] Additionally, the relatively strong decline in oil prices might have underpinned developments in stock prices.

Euro area stock prices continued to increase over the review period, up to the highest values seen since late 2000. Better than expected data releases on economic sentiment and industrial production

2 Institutional Brokers Estimate System.

in some countries might have supported stock prices through their likely impact on the earnings outlook of listed companies. Albeit slightly lower compared with December 2006, survey-based measures of expected earnings growth remained robust. In January 2007, according to I/B/E/S, stock market analysts expected earnings per share for companies included in the Dow Jones EURO STOXX index to grow at a rate of around 9% over the next twelve months and at around 7% over the next three to five years. Moreover, the actual year-on-year earnings growth for firms in the Dow Jones EURO STOXX index remained high at about 19% in January 2007. The strong performance of the euro area stock market was probably supported by the perception of a more positive outlook for corporate profits in the euro area relative to other regions as reported in the January Merrill Lynch Global Fund Manager Survey. At the same time, this survey showed a slight increase in risk appetite compared with one month before, from which euro area stock prices might also have benefited. Box 3 looks at developments in earnings and the strong stock market performance in the euro area in recent years.

Implied volatility remained broadly unchanged overall in the euro area, indicating little change in market participants' uncertainty about near-term stock price moves. Hence, euro area stock market uncertainty remained at relatively low levels by historical standards at the beginning of 2007. Moreover, euro area corporate bond spreads at the lower end of the rating spectrum tightened somewhat further over the review period, which may indicate a general decline in the risk premia demanded by investors for more risky assets such as stocks.

Box 3

STOCK PRICES AND EARNINGS IN THE EURO AREA

Against the background of double-digit stock market returns in the euro area each year since 2003, this box takes a closer look at developments in corporate earnings as the generally most important fundamental factor driving stock prices in the long run.

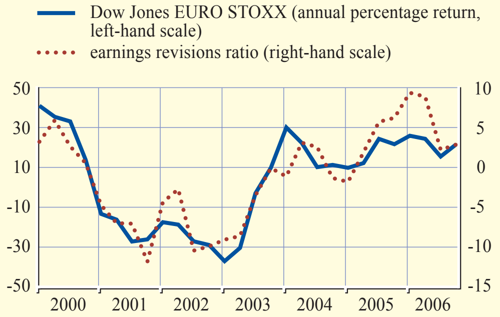
In efficient markets, financial assets are valued according to the present value of the future cash flow that investors expect to receive from holding the asset. Applied to the valuation of stock prices, this implies that expected dividends, which in turn depend on expected earnings and corresponding dividend payout ratios, and the discount rate (which is used to calculate the present value of the future income stream) are the key fundamental stock price determinants. However, market inefficiencies may exist due to some form of irrational behaviour on the part of at least some investors – such as "herding", "positive feedback trading" or "overreaction" behaviour – which may at times drive stock prices away from fundamentals.[1]

If stock prices reflect expected dividends and expected earnings, one could expect them to change each time investors revise their earnings expectations. Chart A therefore plots the annual stock price return in the euro area together with a ratio measuring revisions in twelve-month forward earnings estimates by professional stock market analysts. It reveals that the strong stock market performance in the euro area since the second half of 2003 coincided with a period in which brokers on balance revised up their earnings estimates for the next twelve months. Put differently, upward revisions in expected earnings growth may probably to a large extent explain the strong stock market performance in the euro area in recent years.

1 See the article entitled "The stock market and monetary policy" in the February 2002 issue of the Monthly Bulletin.

Chart A Return on the Dow Jones EURO STOXX index and the earnings revisions ratio

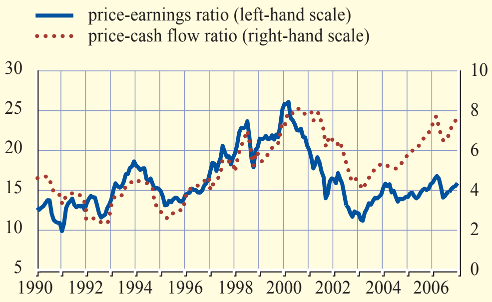
(quarterly averages of daily and monthly data)



Source: Thomson Financial Datastream.
Note: The earnings revisions ratio is calculated as the balance of upward and downward revisions as a percentage of the total number of 12-month forward earnings estimates by brokers for companies in the Dow Jones EURO STOXX index.

Chart B Price-earnings ratio and price-cash flow ratio for the MSCI EMU index

(monthly averages of daily data)



Source: Thomson Financial Datastream.
Note: Operating cash flow refers to funds from operations, representing the sum of net income and all non-cash charges from operations, subtracting non-cash credits from operations.

A company's profitability can be measured in several ways. Reported earnings is the broadest and most recognised performance measure, since it includes, in principle, all income, expenses and charges. Another performance measure is cash flow from operations, which is the net inflow of liquid funds generated from a firm's operations and irrevocably secured during the reference period. Chart B plots the price-earnings ratio based on reported earnings and the price-cash flow ratio for the MSCI EMU stock price index. For most of the time since the early 1990s, the price-cash flow ratio has co-moved relatively closely with the price-earnings ratio. In recent years, however, developments in the two ratios have been quite different. While the strong stock price advances have led to an only moderate increase in the price-earnings ratio, the price-cash flow ratio has risen relatively strongly.

This differing behaviour in the two ratios in part reflects developments in certain non-cash expenses, namely amortisation of intangibles and depreciation, which are deducted from the cash flow from operations when calculating reported earnings. According to individual euro area company data, depreciation has gradually declined in relative terms in recent years. As a result, reported earnings showed stronger increases than operating cash flows in this period. At the same time, the introduction in 2005 of new accounting standards in the euro area, the International Financial Reporting Standards (IFRS), could have boosted reported earnings through its shift in the focus of accounts from historical costs to "fair-value accounting". In general, this shift tends to make profits more volatile than in the past. In particular, it might lead to higher reported earnings during economic "good times" and lower reported earnings in "bad times", the former of which might be relevant in the present context.

To conclude, the strong stock market performance in the euro area in recent years may to a large extent be related to the (better than expected) development of earnings. Some caution is, however, warranted in such an explanation due to the fact that cash flow from operations, a measure that tends to better reflect companies' profit-generating capacity, has in recent years grown more slowly than reported earnings.

3 PRICES AND COSTS

HICP inflation is estimated to have stood at 1.9% in January 2007, unchanged for the third consecutive month. While some upward price pressures continue to exist at the producer level, as also signalled by price-related company survey data, labour cost developments were moderate up to the third quarter of 2006. Looking ahead, short-term developments in inflation will remain strongly influenced by oil prices and the impact of the rise in the German VAT. Risks to the medium to longer-term inflation outlook are on the upside and relate most fundamentally to stronger than expected labour cost pressures.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR JANUARY 2007

According to Eurostat's flash estimate, HICP inflation stood at 1.9% in January 2007, unchanged from December and November 2006 (see Table 5). Eurostat cautioned, however, that this flash estimate was characterised by more uncertainty than usual given the lower than average country coverage. While the full breakdown of the HICP for January is not scheduled to be released before late February, it appears that the contribution from energy prices to headline inflation declined given a favourable base effect and the reduction in oil prices in January.

HICP INFLATION UP TO DECEMBER 2006

In December 2006, stable HICP inflation at a rate of 1.9% masked some diverging movements in its main components, particularly the more volatile energy and unprocessed food components (see Chart 17). The annual rate of change in the HICP excluding unprocessed food and energy also remained unchanged at 1.6%, the rate at which it had been for the past three months.

The annual rate of change in energy prices increased in December as a consequence of an unfavourable base effect reflecting the decline in consumer energy prices in late 2005. By contrast, the annual rate of change in unprocessed food prices fell in December, mainly owing to a fall in the annual changes in fruit and vegetable prices. The decline in the annual rate of change in unprocessed food prices observed since October seems to signal that the upward effect of the adverse weather conditions during the summer on prices has been further unwinding.

Table 5 Price developments

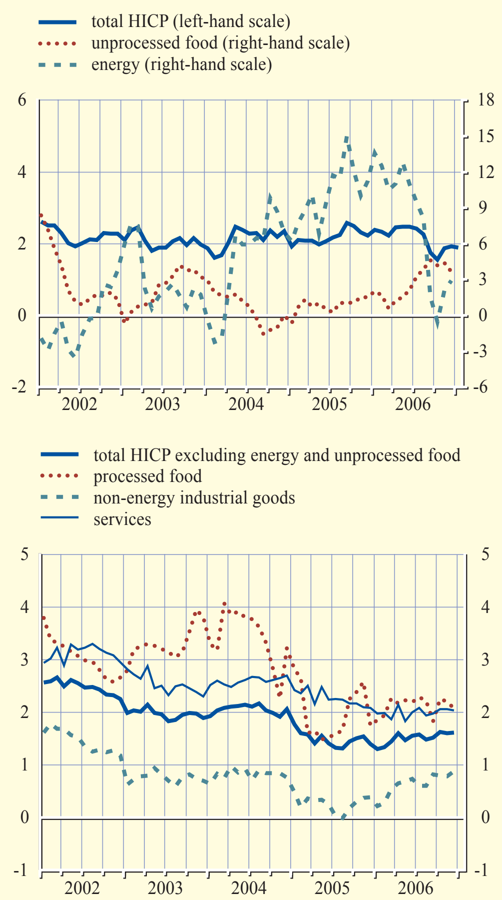
(annual percentage changes, unless otherwise indicated)

	2005	2006	2006 Aug.	2006 Sep.	2006 Oct.	2006 Nov.	2006 Dec.	2007 Jan.
HICP and its components								
Overall index [1)]	2.2	2.2	2.3	1.7	1.6	1.9	1.9	*1.9*
Energy	10.1	7.7	8.1	1.5	-0.5	2.1	2.9	.
Unprocessed food	0.8	2.8	3.9	4.6	4.2	4.4	3.7	.
Processed food	2.0	2.1	2.2	1.8	2.3	2.2	2.1	.
Non-energy industrial goods	0.3	0.6	0.6	0.8	0.8	0.8	0.9	.
Services	2.3	2.0	1.9	2.0	2.1	2.1	2.0	.
Other price indicators								
Industrial producer prices	4.1	5.1	5.7	4.6	4.0	4.3	4.1	.
Oil prices (EUR per barrel)	44.6	52.9	57.8	50.3	47.6	46.7	47.4	42.2
Non-energy commodity prices	9.4	24.8	26.8	26.4	28.7	22.9	17.7	15.6

Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream.
1) HICP inflation in January 2007 refers to Eurostat's flash estimate.

Chart 17 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

As regards the less volatile main components of the HICP, there was a slight decline in the annual rates of change in processed food and services prices in December, while the annual rate of change in non-energy industrial goods prices rose slightly. The rise in the latter may reflect some pass-through of previous increases in oil and non-oil commodity prices to the consumer level. Overall, however, such effects have remained limited to date.

Average annual HICP inflation was 2.2% in 2006, unchanged from 2005. However, this unchanged average rate conceals considerable variation in the monthly profile of annual inflation rates, which mainly reflects short-term movements in energy prices but also base effects. Compared with 2005, unprocessed food prices contributed more strongly to overall inflation in 2006, particularly in the second half of the year, which was a result of adverse weather conditions during the summer and related crop failures. Excluding its two most volatile main components, energy and unprocessed food, HICP inflation was stable at 1.5% on average in 2006 compared with 2005, but with a slight upward tendency over the course of the year. This was related in particular to some increase in the annual rate of change in non-energy industrial goods prices, albeit from a low level, which may show the gradual pass-through of higher costs associated with previous increases in oil and non-oil commodity prices. By contrast, services price inflation hovered around 2% in 2006, compared with an average of 2.3% in 2005, evidencing generally contained domestic price pressures prevailing last year.

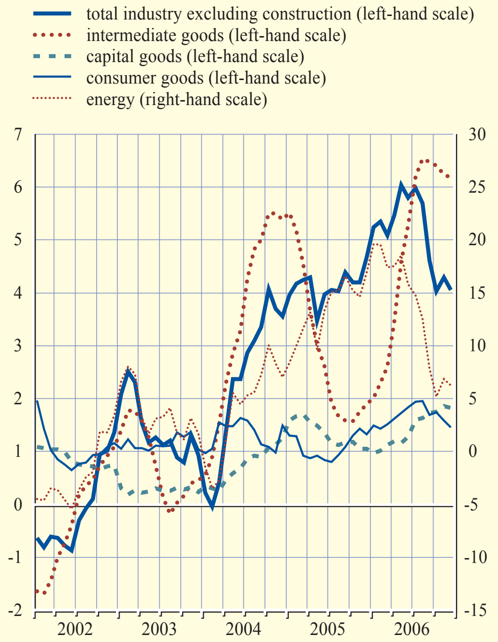
3.2 INDUSTRIAL PRODUCER PRICES

In December 2006 the annual rate of change in overall industrial producer prices (excluding construction) fell to 4.1%, from 4.3% in November. This development was mainly related to developments in energy prices, but also reflected slight declines in the consumer and capital goods components (see Chart 18).

The annual rate of change in energy producer prices declined in December, mainly owing to a base effect, although there also was a small further month-on-month decline as a result of the fall in oil prices since August 2006. The annual rate of change in intermediate goods prices remained unchanged at a very high rate of 6.2% in December, but short-term dynamics in this component eased further on account of falling oil prices. Moreover, prices of several industrial raw materials,

Chart 18 Breakdown of industrial producer prices

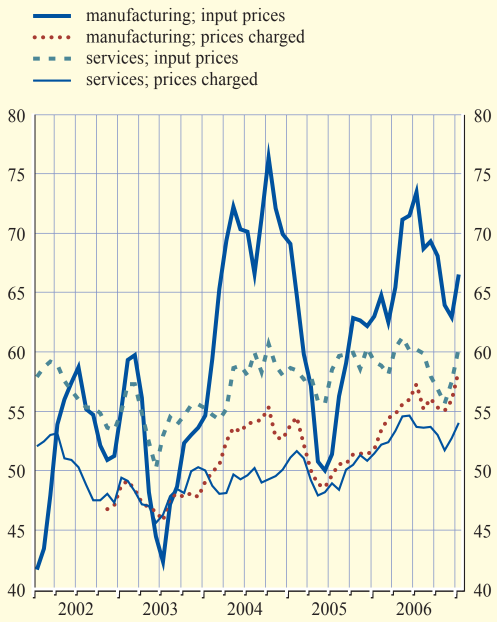
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 19 Producer input and output price surveys

(diffusion indices; monthly data)



Source: NTC Economics.
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease.

which are the main drivers of intermediate goods prices, significantly decelerated towards the end of 2006, which was also apparent from a declining annual rate of change in overall non-energy commodity prices (see Table 5). The annual rate of change in producer prices for consumer goods declined to 1.5% in December, one of the lowest rates of increase observed in 2006 in this component.

The latest developments in producer prices appear to signal that the pass-through of previous commodity price increases along the production chain has stalled recently, or is at least being counteracted by the recent fall in oil prices, the deceleration in non-energy commodity prices and the appreciation of the euro. Nevertheless, while external price pressures have clearly eased, domestic price pressures may have started to build up in the producer sector, as also indicated by survey data on firms' price setting (see Chart 19).

In January 2007 the input price index for the manufacturing sector rose notably, following three consecutive monthly declines. According to NTC Economics, the company conducting the survey, this rise is related to persisting supply shortages for goods used in the production process; this appeared to more than offset the impact of lower oil prices. This also seems to be one of the reasons for the strong increase in the input price index for the services sector. Services sector firms also cited higher labour costs arising from tightening labour markets as pushing up their input costs, although this cannot yet be verified on the basis of the available labour cost data. Prices charged in both the manufacturing and services sectors also climbed further in January, signalling a further pass-through of higher input costs to customers in a context of strong demand and increased pricing power.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
Negotiated wages	2.1	2.1	2.1	2.0	2.1	2.4	2.0
Total hourly labour costs	2.4	2.4	2.1	2.4	2.3	2.4	2.0
Compensation per employee	2.1	1.6	1.5	1.9	2.1	2.3	2.0
Memo items:							
Labour productivity	1.0	0.7	0.9	1.0	1.2	1.5	1.2
Unit labour costs	1.1	0.9	0.6	0.9	0.8	0.8	0.8

Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages do not include Slovenia.

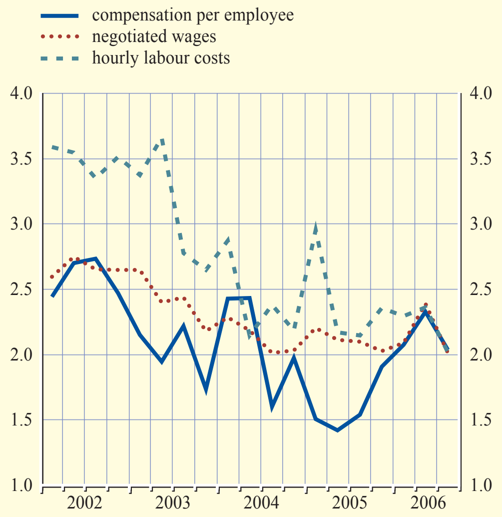
3.3 LABOUR COST INDICATORS

Information from labour cost data up to the third quarter of 2006 indicates that overall wage growth remained moderate and inflationary pressures from the labour markets continued to be subdued, despite robust economic growth and favourable labour market trends. Wages appear to have accelerated somewhat in the first half of 2006, particularly in the second quarter. However, the simultaneous decline in the annual rates of growth in the three labour cost indicators (negotiated wages, hourly labour costs and compensation per employee) to 2.0% in the third quarter of 2006 underscores the assessment that the higher wage growth observed in the first half of 2006 was strongly influenced by temporary factors (see Table 6 and Chart 20).

Developments in unit labour costs confirm the overall picture of mild cost pressure emanating from the labour market in 2006. Moderate wage growth, together with the overall cyclical increase in labour productivity growth, led to a stabilisation of unit labour cost growth at 0.8% in the first three quarters of 2006.

Chart 20 Selected labour cost indicators

(annual percentage changes; quarterly data)

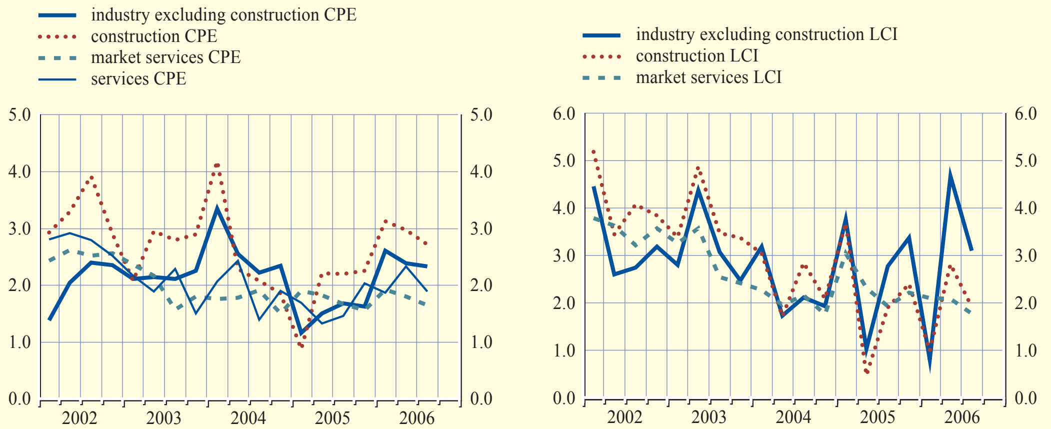


Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages do not include Slovenia.

Overall moderate wage growth in the euro area conceals, however, relatively dispersed wage developments across economic sectors and euro area countries. Looking at sectoral wage developments, wage growth in the industrial sector was somewhat stronger, but also more volatile than that in the services sector in the first three quarters of 2006 (see Chart 21). At the country level, wage growth differentials are relatively high. More specifically, very low wage increases in a few countries contrast with persistent relatively high wage growth in other euro area countries. These wage growth differentials appear to have been only loosely related to relative productivity growth differentials, which are low across the euro area countries. As a consequence, persistent wage growth differentials are also reflected in fairly divergent growth rates of unit labour costs.

Chart 21 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.
Note: CPE is compensation per employee and LCI is hourly labour cost index.

Overall, the risk of higher wage pressure in the context of sustained growth momentum remains.

3.4 THE OUTLOOK FOR INFLATION

In the short term, inflation developments will remain under the strong influence of oil price fluctuations and the impact of the rise in the German VAT. It appears that the effects of the VAT changes in Germany may not have been concentrated in January, but that there may have already been some effects in 2006 and that delayed effects could still occur. In the spring and summer of 2007, given current prices for oil and oil futures, significant base effects may temporarily lead to falling annual inflation rates. However, towards the end of the year inflation rates are expected to rise again as a result of unfavourable base effects.

Beyond the short term, while external price pressures have eased, it appears that domestic price pressures may have started to build up in the producer sector, as signalled by corporate survey data. In the context of sustained economic growth and robust demand, these pressures may eventually lead to higher prices at the consumer level. By contrast, wage developments do not, thus far, signal strong inflationary pressures from the labour market. Box 4 reports in this respect on the results of the Survey of Professional Forecasters which was conducted by the ECB in January 2007.

The medium to longer-term outlook for price stability remains subject to upside risks. These risks relate to a possible renewed upsurge in oil prices, a stronger pass-through of past oil price rises into consumer prices than currently anticipated and increases in administered prices and indirect taxes beyond those announced up to now. More fundamentally, given the favourable momentum of economic activity and positive labour market developments, wage dynamics could be stronger than currently anticipated.

Box 4

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE FIRST QUARTER OF 2007

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the first quarter of 2007, which was conducted between 17 and 24 January 2007. The SPF gathers information on expectations for euro area inflation, GDP growth 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.

Inflation expectations for 2007 and 2008

SPF participants revised down on average their inflation expectations for 2007 to 2.0%, from 2.1% in the SPF round for the fourth quarter of 2006 (see table).[1] This downward revision largely reflects the recent fall in oil prices and generally lower oil price assumptions. Inflation is, however, expected to be affected by the German VAT increase in January, which SPF participants anticipate, on average, to add 0.3 percentage point to annual euro area inflation in 2007. SPF inflation expectations for 2007 are 0.1 percentage point lower than expectations reported in January 2007 by Consensus Economics and the Euro Zone Barometer. For 2008 SPF forecasters provided on average a picture of unchanged inflation expectations at 1.9%, the same average forecast as reported by both Consensus Economics and the Euro Zone Barometer. While wage developments are seen by SPF participants as remaining contained, stronger than currently expected wage growth is explicitly stated by professional forecasters to be a major risk to the inflation outlook, particularly in 2008. Another important risk, according to SPF

1 Additional data are available on the ECB's website at www.ecb.int/stats/prices/indic/forecast/html/index.en.html.

Results from the SPF, Consensus Economics and Euro Zone Barometer

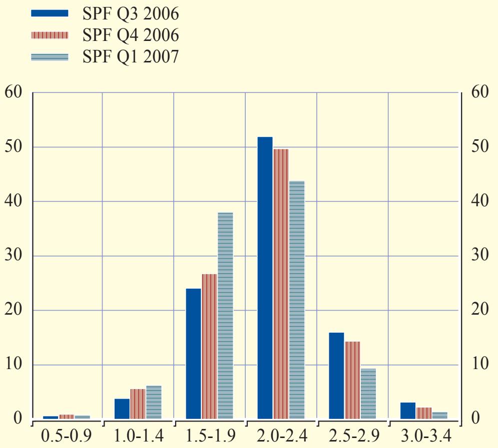
(annual percentage changes, unless otherwise indicated)

	Survey horizon				
HICP inflation	**2007**	**Dec. 2007**	**2008**	**Dec. 2008**	**Longer-term 2)**
SPF Q1 2007	2.0	2.0	1.9	1.9	1.9
Previous SPF (Q4 2006)	*2.1*	-	*1.9*	-	*1.9*
Consensus Economics (January 2007)	2.1	-	1.9	-	1.9
Euro Zone Barometer (January 2007)	2.1	-	1.9	-	1.9
Real GDP growth	**2007**	**Q3 2007**	**2008**	**Q3 2008**	**Longer-term 2)**
SPF Q1 2007	2.1	2.1	2.1	2.1	2.1
Previous SPF (Q4 2006)	*2.0*	-	*2.0*	-	*2.0*
Consensus Economics (January 2007)	2.0	-	2.1	-	1.9
Euro Zone Barometer (January 2007)	2.0	-	2.0	-	2.0
Unemployment rate 1)	**2007**	**Nov. 2007**	**2008**	**Nov. 2008**	**Longer-term 2)**
SPF Q1 2007	7.5	7.4	7.3	7.2	6.9
Previous SPF (Q4 2006)	*7.6*	-	*7.4*	-	*7.0*
Consensus Economics (January 2007)	7.5	-	7.3	-	-
Euro Zone Barometer (January 2007)	7.6	-	7.4	-	6.9

1) As a percentage of the labour force.
2) Longer-term expectations refer to 2011 for the SPF and Euro Zone Barometer and to the period 2012-16 for Consensus Economics (data published in the October 2006 Consensus Economics Survey).

Chart A Probability distribution for average inflation in 2007 in the last three rounds of the SPF [1]

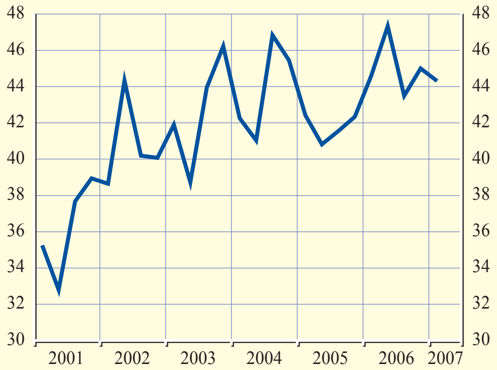
(percentages)



Source: ECB.
1) Corresponds to the aggregation of each individual probability distribution provided by SPF forecasters.

Chart B Probability of inflation being at or above 2% five years ahead

(percentages)



Source: ECB.

participants, is a rebound in oil prices, and a few respondents also referred to government measures as posing upside risks to inflation.

SPF participants were also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability of the future outcome being within a specific interval. The probability distribution resulting from the aggregation of responses also makes it easier to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. In line with the downward revision of the point estimate for 2007, the probability distribution for expected inflation this year has shifted towards lower outcomes compared with the SPF round for the fourth quarter of 2006 (see Chart A, which shows the aggregate probability distribution for average annual rates of HICP inflation in 2007 in the last three rounds of the survey). As a result, survey participants now perceive a 45% likelihood that inflation will stand below 2.0% in 2007, compared with 33% in the previous round. By contrast, there was little variation in the probability distribution for inflation in 2008, although respondents appear slightly more confident of the outturn being in the central interval of 1.5-1.9%. However, there is still a probability of almost 45% associated with inflation being at or above 2%.

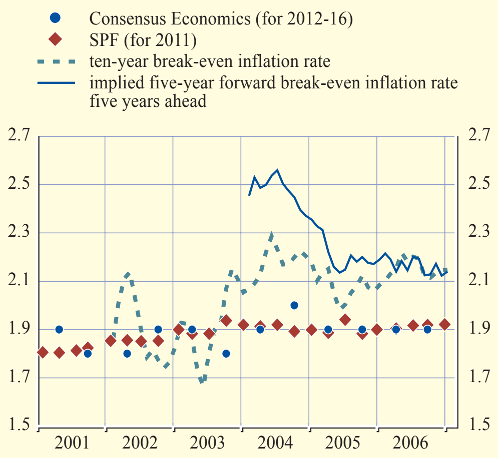
Indicators of longer-term inflation expectations

Longer-term inflation expectations (five years ahead) remained firmly anchored at 1.9% in the 21st consecutive survey. They are fully aligned with the newly released expectations from the Euro Zone Barometer for 2011 and the October 2006 results from Consensus Economics for inflation expectations six to ten years ahead. The average probability distribution for longer-term inflation expectations was unchanged compared with the previous round, with the bulk of the distribution falling in the 1.5-1.9% interval. The probability that inflation will stand at 2% or above five years ahead was also broadly stable at 44% (see Chart B), suggesting an unchanged perception of upward risks to price stability.

SPF survey results can also be compared with the break-even inflation rate, an indicator of longer-term inflation expectations among market participants calculated as the yield spread between nominal and inflation-linked bonds.[2] The ten-year break-even inflation rate derived from French government inflation-linked bonds (linked to the euro area HICP excluding tobacco) maturing in 2015 has been stable over recent months (see Chart C). Similarly, the implied five-year forward break-even inflation rate five years ahead has shown little movement since October 2006. However, break-even inflation rates should not be interpreted as direct measures of inflation expectations, since they may also incorporate various risk premia (such as inflation uncertainty and liquidity premia).

Chart C Longer-term inflation expectations from surveys and break-even inflation rates

(average annual percentage changes)



Sources: Consensus Economics, ECB, Reuters and ECB calculations.
Note: Ten-year break-even inflation rate derived from 2012-maturity bonds until March 2005 and from 2015-maturity bonds thereafter.

Real GDP growth expectations

Expectations for real GDP growth have been revised slightly upwards, by 0.1 percentage point, for 2007 in comparison with the previous SPF round, and now point to real GDP growth at 2.1%. This upward revision mainly reflects improved expectations for domestic demand (in particular private consumption and investment) and for external demand. Expected GDP growth for 2008 has also been revised up by 0.1 percentage point to 2.1%. In both years the risks surrounding the forecasts are assessed to be more on the downside, mostly related to oil prices and global imbalances. Overall, SPF growth expectations for 2007 and 2008 are slightly more optimistic than those reported in the January 2007 Euro Zone Barometer and Consensus Economics. Longer-term growth expectations have also been revised upwards by 0.1 percentage point to 2.1%. According to forecasters, longer-term growth prospects depend principally on further structural reforms in the labour market and social security systems, immigration and improved productivity through ICT spreading in the economy. In general, forecasters reiterated their expectation that more flexible and efficient markets will lead to higher labour productivity and higher growth.

Expectations for the euro area unemployment rate

Unemployment rate expectations for 2007 and 2008 have been revised downwards by 0.1 percentage point and now stand at 7.5% and 7.3% respectively. According to SPF forecasters, unemployment in both years should benefit mainly from ongoing economic growth. As in the previous SPF round, the balance of risks derived from the aggregate distribution is still on the upside for 2007 and 2008, mainly related to the risk of lower economic growth. SPF unemployment rate expectations for 2007 and 2008 are broadly aligned with those reported by Consensus Economics and the Euro Zone Barometer. Longer-term unemployment rate expectations have also been revised down by 0.1 percentage point, to 6.9% in 2011. The balance

2 See also the article entitled "Measures of inflation expectations in the euro area" in the July 2006 issue of the Monthly Bulletin.

of risks derived from the aggregate probability distribution is on the upside in the longer term. Respondents continue to say that the decline in the unemployment rate over the longer-term horizon is mainly dependent on further labour market reforms and on demographic factors.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Following euro area real GDP growth at 0.5% quarter on quarter in the third quarter of 2006, the information available overall points to ongoing robust growth in the fourth quarter. Business confidence survey indicators are at relatively high levels and provide reassuring signals for both industry and services. Euro area labour markets appear to have improved further up to the end of 2006. Looking further ahead, economic activity is expected to continue to expand at a robust pace. Risks to this outlook are assessed to be broadly balanced over the shorter term. At longer horizons, they lie mainly on the downside and relate to a potential rise in protectionist pressures, the possibility of renewed significant increases in oil prices and a possible disorderly unwinding of global imbalances.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

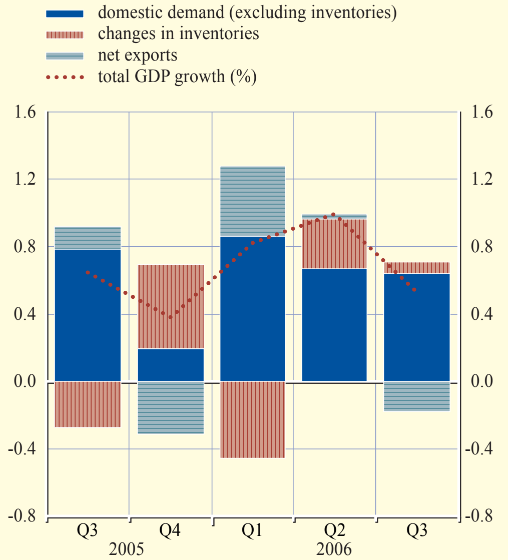
Eurostat's second release confirmed that euro area real GDP growth for the third quarter of 2006 was 0.5% quarter on quarter, a normalisation when compared with the particularly strong growth rates recorded in the first half of last year (see Chart 22). Compared with the first release, there were small changes to the estimates of growth in the components of GDP in the third quarter, but the overall picture remained unchanged, with activity driven by domestic demand and net exports contributing negatively. The robust domestic demand reflected particularly strong consumption growth, which was revised up to 0.7% from the previous estimate of 0.6%. Investment also contributed positively, but expanded more slowly than in the second quarter. This deceleration was relatively broadly based across the components of investment but more pronounced in construction investment. Only growth in investment in metal products and machinery strengthened over the period.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

All the main economic sectors contributed positively to the robust value added growth in the third quarter of 2006, but the slowdown in the growth momentum between the second and the third quarter was also broadly shared. Quarterly value added growth in services almost halved in the third quarter compared with the second, but still remained at 0.5%, in line with the average growth performance of this sector since the beginning of the 1990s. Value added growth in industry (excluding construction) also decreased in the third quarter compared with the previous quarter. However, at 0.9% quarter on quarter, the pace of activity in this sector remained high. Furthermore, in the construction sector, which had displayed a strong pick-up since the beginning of 2006, value added growth declined in the third quarter.

Chart 22 Real GDP growth and contributions

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

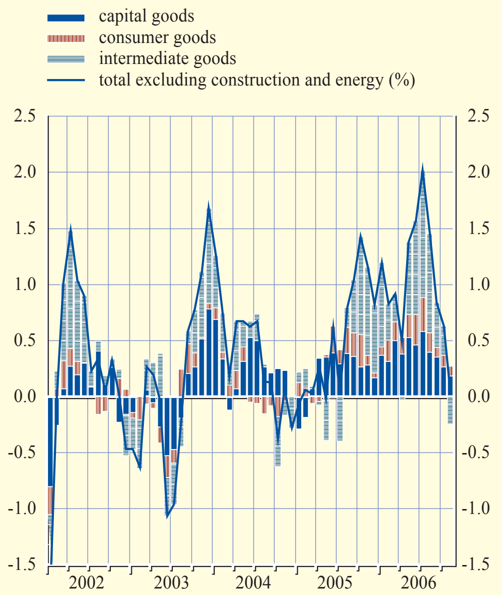


Sources: Eurostat and ECB calculations.

Following strong growth over the previous year, activity in the industrial sector appears to

Chart 23 Industrial production growth and contributions

(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

have expanded somewhat more slowly since the end of the third quarter (see Chart 23). Industrial production (excluding construction) rose only slightly month on month in November and the average growth over the three months from September to November was marginally below that of the previous three months. The slowdown in the growth momentum of industry over recent months was shared by all main industrial groupings, but was most pronounced in the energy sector, which is likely to have been related to the unusually warm weather conditions across Europe during this period.

Significant improvements in the frequency and hence timeliness of the publication of the monthly production data for the construction sector by Eurostat have meant that it is already possible to derive some information regarding the performance of this sector in the fourth quarter of 2006 based on the latest data (see Box 5). Overall, developments in construction production in October and November suggest that production in this sector is likely to continue to expand at a robust rate.

New orders continue to provide positive signals for the industrial sector. Industrial new orders rose month on month in November, and the three-month moving average up to November displays a clear increase compared with the previous three months. This continued upward tendency is also confirmed by the less volatile new orders series which excludes the category “other transport equipment”.

Box 5

RECENT DEVELOPMENTS IN CONSTRUCTION

On 18 January 2007 Eurostat issued its first monthly publication of estimates of euro area construction production, thus considerably improving the timeliness of an important indicator for the euro area economy. Construction accounts for just 6% of economy-wide value added and for around 20% of overall industrial production in the euro area, but it is much more volatile than other parts of the economy such as services. It also forms close to half of overall investment, typically a key driver of the business cycle. Construction output may therefore play a significant role in explaining the cyclical movements of the euro area economy.[1] This box presents the newly available construction data and briefly reviews recent developments in construction.

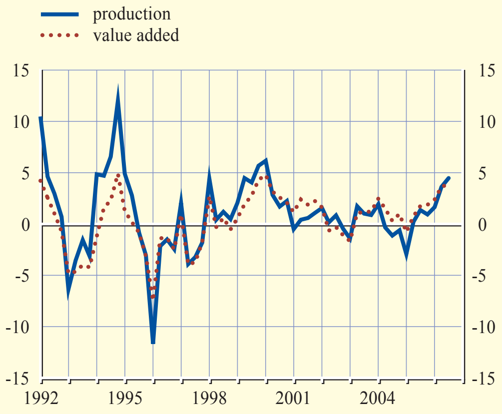
1 For a more detailed analysis of the construction sector, see Box 6 entitled “Construction developments in the euro area”, in the September 2005 issue of the Monthly Bulletin.

Improvements in euro area short-term statistics for construction

Although previously calculated on a monthly basis, construction production data were released only on a quarterly basis and with some lag. The new monthly releases will be available roughly 50 days after the end of the month and reflect an improvement in the extent and timeliness of the underlying national data received by Eurostat. This is a further step towards meeting the requirements of the amended Council Regulation concerning short-term statistics and the Principal European Economic Indicators targets.[2]

Chart A Construction production and value added

(annual percentage changes; seasonally and working-day-adjusted quarterly data)



Source: Eurostat.

Calculated on a monthly basis, construction output can be volatile, the standard deviation of monthly growth being 3.5%. This makes it difficult to interpret monthly movements and suggests looking at a smoother presentation of the monthly series (e.g. annual percentage changes). Chart A shows that the annual percentage changes of the monthly production series follow reasonably closely the annual percentage changes of the quarterly construction value added series available from national accounts, and can thus act as a useful leading indicator of the latter (which is only released around 60 days after the end of a quarter). Both indicators aim to measure the output net of inputs in construction. The small discrepancies that can be observed between the two series may be due to small conceptual differences in the underlying definitions as well as to differences in the practical implementation of output measures in short-term statistics (e.g. incomplete coverage of construction) at the national level. In addition, the seasonal adjustment of the two indicators at the euro area level is not the same.[3]

Recent developments in construction

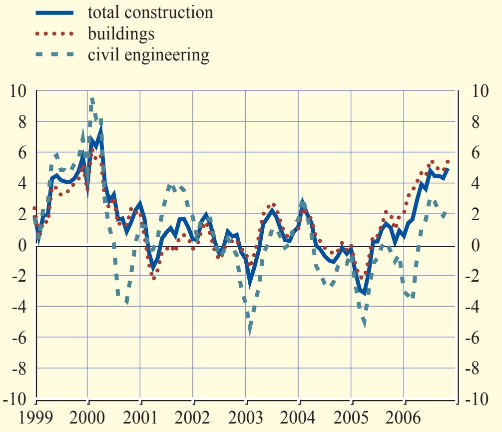
Following a prolonged period of sluggish growth, construction value added has picked up over the past year, expanding at an annual rate of 3.8% in the third quarter of 2006 – the highest rate of growth since early 2000. During the fourth quarter of last year the broad picture of an ongoing expansion prevailed; the three-month average annual growth rate rose to 5.0% in November (see Chart B). This is consistent with survey data that also point to strong activity in the construction sector. For example, the Purchasing Managers' Indices for construction output and new orders were in December at their highest levels since the survey began in 2000. Furthermore, although confidence in the construction sector, as measured by the opinion survey

2 Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98. See also Box 6 entitled "Further progress on the Principal European Economic Indicators" in the December 2005 issue of the Monthly Bulletin.

3 Eurostat compiles the monthly euro area index of construction production by aggregating working-day-adjusted country data and subsequently adjusting this aggregate for seasonal factors. Euro area value added data, on the other hand, are estimated by aggregating seasonally and working-day-adjusted country data. For more details, see Box 5 entitled "Differences between industrial production and value added data in industry in the first quarter of 2004" in the August 2004 issue of the Monthly Bulletin.

Chart B Construction production

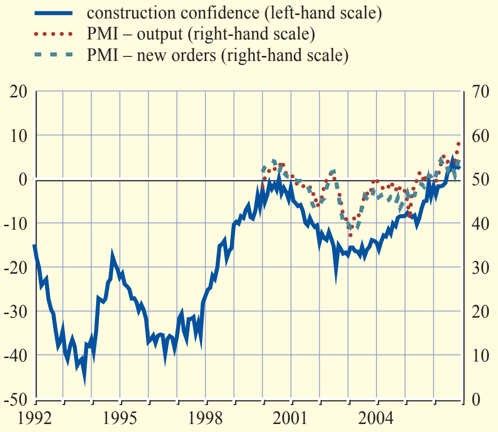
(annual percentage changes, three-month averages; seasonally and working-day-adjusted)



Source: Eurostat.

Chart C Construction survey indicators

(percentage balance and diffusion indicators)



Sources: European Commission Business and Consumer Surveys and NTC Economics.

conducted by the European Commission, fell slightly in the past two months, it remained high by historical standards (see Chart C).

That said, developments have differed within the construction sector. Buildings production, which constitutes around two-thirds of construction, accelerated during 2006 to a pace of growth close to its peak in the late 1990s (see Chart B). By contrast, civil engineering construction, which includes the construction of motorways, bridges and railways and accounts for the remaining third, has been weaker. Although it picked up during the first half of 2006, growth in civil engineering construction has since stabilised at a much lower level.

Differences between countries were also apparent. In several countries, value added growth was consistently strong in 2006, but in other countries growth gained momentum only during the year. The most significant driver of the euro area recovery in construction output during 2006 was the performance of Germany, where the three-month average of annual production growth rose to 9.6% in November. It is possible that this reflected the impact of the VAT increase which took effect in early January 2007, as firms and households brought construction forward to before the start of the year. However, the sustained pick-up in growth throughout the year may also signal the end of a prolonged spell of weak construction in Germany.

To sum up, construction output in the euro area has picked up markedly during the past year, reaching rates of annual growth not seen since the turn of the century. Although the strong growth was partly linked to developments in Germany, the continued strength of the available construction surveys suggests a favourable outlook for the construction sector in the near term.

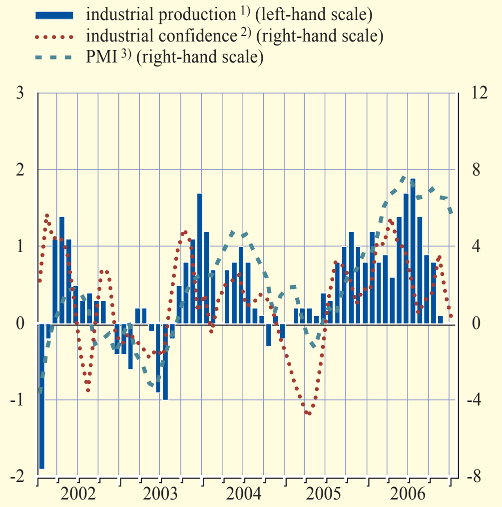
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Survey data for the industrial and services sectors point to ongoing robust growth in both sectors in the last quarter of 2006 and at the start of 2007.

As regards the industrial sector, the European Commission's confidence indicator rose further in the fourth quarter of 2006 and reached a very high level, before falling slightly in January 2007 (see Chart 24). The decline in the index in January reflected a less upbeat assessment of order book levels and stocks of finished goods, whereas expectations for production in the months ahead improved. Although the Purchasing Managers' index (PMI) for the manufacturing sector fell gradually over the months up to January, the level of this indicator is still relatively high and suggests robust growth momentum in the industrial sector. The decline in the index in January was shared by all components except for the employment index, which points to further small improvements in the labour market conditions in industry.

Chart 24 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics 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.

Regarding the business surveys for the services sector, the Commission's confidence indicator was virtually flat at an above-average level from mid-2006 to January 2007. By contrast, the activity index of the PMI survey for the services sector has risen over the past few months and stood in January 2007 at a level substantially above 50 (the theoretical threshold for zero growth), which is thus in line with stronger growth in this sector.

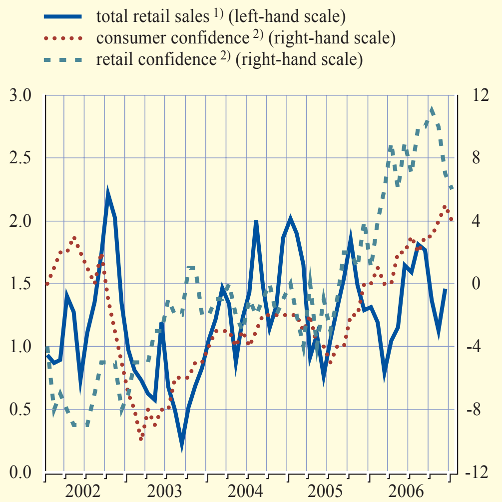
INDICATORS OF HOUSEHOLD SPENDING

Euro area private consumption grew strongly in the third quarter of 2006. As regards information available for the fourth quarter, the volume of retail sales rose by 0.2% quarter on quarter and new passenger car registrations increased by 3.8%. The combined contribution of retail sales and cars to private consumption growth is estimated to have been 0.3 percentage point in the fourth quarter. The average quarterly contribution of non-retail consumption components, for which no short-term indicators are available, to private consumption growth is around 0.3 percentage point, but this contribution has been very volatile over the last few years.

There is some evidence suggesting that the VAT increase in Germany in January 2007 might have contributed positively to euro area private consumption growth in the fourth quarter of 2006, as consumers may have brought forward part of their consumption – in particular large consumption items – to pay the lower tax rate in force until the end of the year. For example, new passenger car registrations in the euro area in the fourth quarter were boosted by an exceptionally strong increase in Germany. Furthermore, the willingness of consumers in the euro area to make major purchases at present (as monitored in the Commission surveys) has risen to a high level over the past year on account of an unprecedentedly strong increase in Germany. In January 2007, this

Chart 25 Retail sales and confidence in the retail trade and household sectors

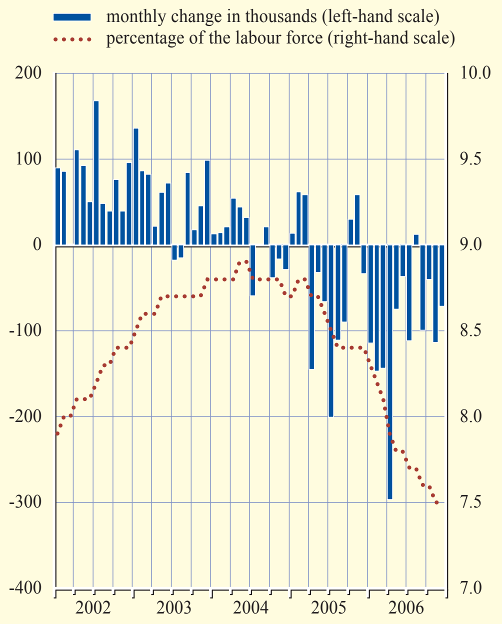
(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month 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 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

index fell sharply for the euro area due to an abrupt decline in the German index, which confirms a close link between this development and the VAT increase.

The confidence of euro area consumers, which is currently at an above-average level, continued to improve in the fourth quarter of 2006, driven by improvements in the assessment of the future general economic situation and improved expectations as regards the unemployment situation, but fell slightly in January 2007 (see Chart 25).

4.2 LABOUR MARKET

The latest available data and indicators point to ongoing improvements in euro area labour markets. Euro area employment grew at a robust rate in the third quarter of 2006 and survey data on employment have displayed further improvements over recent months. Moreover, the euro area unemployment rate continued to decrease in the last quarter of 2006.

UNEMPLOYMENT

The euro area unemployment rate is currently at its lowest level for more than ten years. The standardised unemployment rate for the euro area was 7.5% in December, unchanged from the downwardly revised rate in November (see Chart 26). The number of unemployed persons in the euro area declined further in December by about 70,000, following significant declines in previous months.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2004	2005	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
Whole economy	0.7	0.8	0.2	0.4	0.3	0.4	0.4
of which:							
Agriculture and fishing	-1.7	-1.7	0.2	0.1	-0.5	0.7	-1.4
Industry	-0.6	-0.1	-0.1	0.1	0.0	0.2	0.2
Excluding construction	-1.4	-1.2	-0.2	-0.2	-0.3	0.0	-0.1
Construction	1.4	2.6	0.2	1.0	0.6	0.6	0.8
Services	1.4	1.2	0.3	0.4	0.5	0.5	0.5
Trade and transport	0.9	0.8	0.2	0.5	0.3	0.4	0.3
Finance and business	1.9	2.1	0.7	1.1	0.6	1.1	1.1
Public administration	1.5	1.2	0.3	0.1	0.6	0.3	0.5

Sources: Eurostat and ECB calculations.

EMPLOYMENT

Euro area employment growth has strengthened over the past 18 months and remained robust in the third quarter of 2006. The quarterly growth rate in the third quarter was 0.4%, the same as in the previous quarter (see Table 7). Employment grew quarter on quarter in the third quarter in services (0.5%) and construction (0.8%), but fell slightly (by 0.1%) in industry excluding construction.

Survey information on employment provides positive signals as regards employment growth in the fourth quarter of 2006 and at the start of 2007. The employment index of the PMI and the employment expectations from the European Commission surveys improved in the fourth quarter of 2006 compared with the third for both industry and services. Moreover, the Commission's employment expectations in the construction and retail sectors posted some further improvements in the fourth quarter. In January 2007 both surveys point to further improvements in employment in the industrial sector. As regards services, the Commission's employment expectations fell somewhat in January, while the employment index of the PMI strengthened slightly.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest available data and indicators are in line with ongoing robust underlying growth in the euro area in the last quarter of 2006. The assessment for growth around the turn of the year is, however, subject to a relatively high degree of uncertainty related to the possible effects of the VAT increase in Germany, which is likely to lead to volatility in the euro area growth pattern during that period. Looking beyond the very short term, the economic conditions remain in place for euro area growth to continue at a robust pace. This view is also supported by the latest results of the ECB Survey of Professional Forecasters, which shows a slight upward revision in the forecast for GDP growth to 2.1% for both 2007 and 2008 (see Box 4). The risks to this favourable outlook for growth appear balanced over the short run. Over longer horizons, however, downside risks prevail. These relate mainly to a potential rise in protectionist pressures, renewed significant increases in oil prices and a possible disorderly unwinding of global imbalances.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

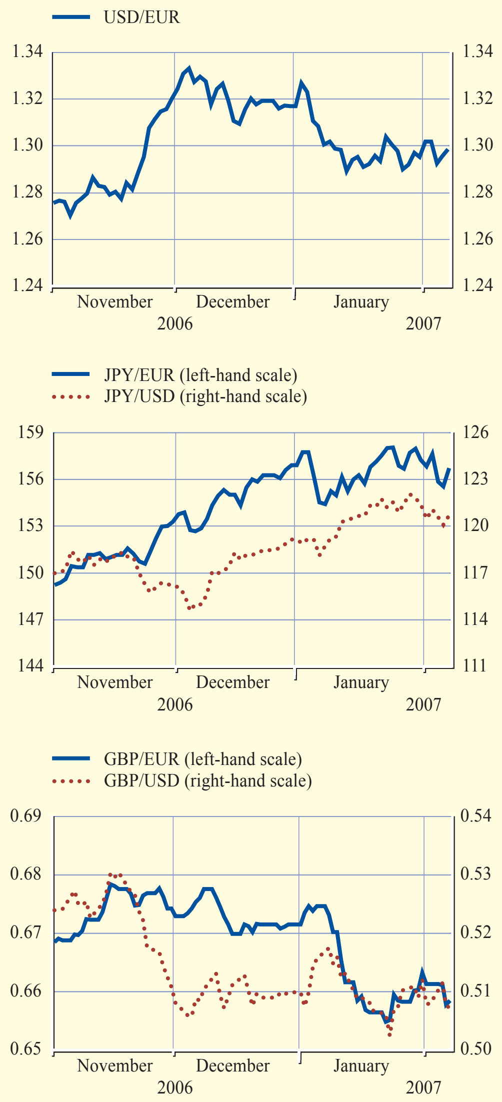
In the three-month period to January 2007, the euro appreciated in nominal effective terms. The single currency strengthened against most major world currencies but depreciated against the pound sterling.

US DOLLAR/EURO

In the last three months the euro has generally strengthened against the US dollar (see Chart 27). However, this appreciation derives entirely from the strength of the euro in November 2006 (when it reached levels last seen towards the end of 2004), as market participants reacted to evidence of moderation in US economic activity and favourable economic prospects in the euro area. Since the first week of December 2006 the euro has tended to weaken, and this tendency became more pronounced in the course of January. This development may have been fostered by markets' reaction to more positive news on US economic activity – including a rebound in the US housing market. Developments in the prices of currency derivatives in the last two months have been consistent with diminishing expectations of a further appreciation of the euro over the short term. On 7 February the euro traded at USD 1.30, i.e. 2.3% above its end-October level and 3.4% stronger than its 2006 average (see Chart 27).

Chart 27 Patterns in exchange rates

(daily data)



Source: ECB.

JAPANESE YEN/EURO

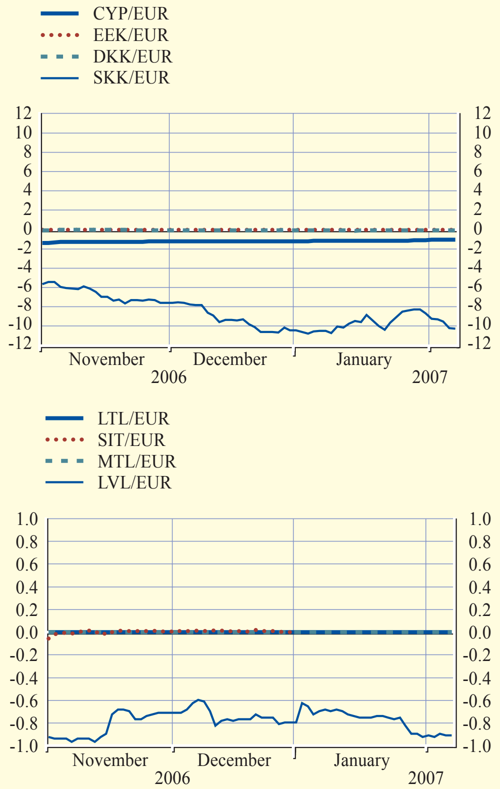
With the exception of a short-lived rebound in the first week of January 2007, the euro continued to strengthen vis-à-vis the Japanese yen for the third month in a row. This tendency showed some signs of stabilisation in the first week of February. Much of the yen's weakness continues to be associated with market expectations regarding the course of monetary policy in Japan. However, the yen's decline in January was accompanied by developments in the prices of currency options that point to firmer expectations of a strengthening of the Japanese currency vis-à-vis the euro in the short term. On 7 February the euro traded at JPY 156.74, i.e. 4.8% stronger than its end-October level and around 7% higher than its 2006 average (see Chart 27).

EU MEMBER STATES' CURRENCIES

Since the end of October 2006 most currencies participating in ERM II have remained stable

Chart 28 Patterns in exchange rates in ERM II

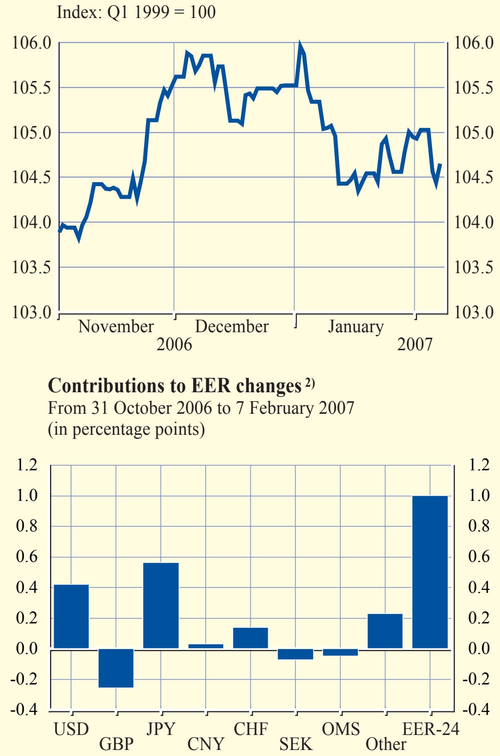
(daily data; deviation from the central parity in percentage points)



Source: ECB.
Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is ±2.25%; for all other currencies, the standard fluctuation band of ±15% applies.

Chart 29 Euro effective exchange rate and its decomposition [1)]

(daily data)



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-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

and continued to trade at or close to their respective central rates (see Chart 28). The Slovak koruna recorded a phase of sharp strengthening until the last week of December, when Národná banka Slovenska intervened in the currency market. Since then the koruna first weakened in January by about 2% vis-à-vis the euro, subsequently appreciating again, almost reaching the levels prevailing at the beginning of January. On 7 February it traded over 10% above its ERM II central rate. Over the same period the euro fell by about 1% against the Swedish krona and by 1.5% against the pound sterling, being quoted at GBP 0.66 on 7 February, about 3.5% below its 2006 average. Developments in the euro's exchange rate against the pound sterling seem to be related to market participants' expectations of a widening of the interest rate differential in favour of pound sterling-denominated assets. Such expectations seem to have been supported by the decision taken by the Bank of England in January to raise its key official rate by 25 basis points, to 5.25%. As for the currencies of the other EU Member States not participating in ERM II, since the end of October 2006 the euro weakened against the Romanian leu (by about 4.5%) and the Hungarian forint (by 2.7%) while it remained broadly stable against the Czech koruna and the Polish zloty.

OTHER CURRENCIES

Between end-October and 7 February the euro appreciated vis-à-vis most other currencies. It rose by more than 7% against the Canadian dollar, by about 1.5% against the Swiss franc and by half a percentage point against the Chinese renminbi. By contrast, it depreciated by nearly 3% vis-à-vis the Norwegian krone.

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 7 February the nominal effective exchange rate – as measured against the currencies of 24 of the euro area's important trading partners – was slightly less than 1% above its level at the end of October and 1% higher than its average level in 2006 (see Chart 29). Box 6 presents the harmonised competitiveness indicators for individual euro area countries, which provide a comparable measure of competitiveness that is also consistent with the real effective exchange rate of the euro.

Box 6

THE INTRODUCTION OF HARMONISED COMPETITIVENESS INDICATORS FOR EURO AREA COUNTRIES

An assessment of the international price and cost competitiveness of individual euro area countries should help to enhance our understanding of the macroeconomic environment in the euro area at both the aggregate and individual Member State levels. To this end, the Eurosystem has recently started to publish the harmonised competitiveness indicators (HCIs)[1] on a regular basis, as a means of providing a comparable measure of individual euro area countries' price competitiveness that is also consistent with the real effective exchange rates (REER) of the euro. The HCIs are based on consumer price indices and are constructed using the same methodology and data sources as the euro REERs. These indicators complement other competitiveness indicators published by some Eurosystem NCBs, which may follow different methodologies and, in some cases, use different cost and price measures to account for specific circumstances in their countries.

The HCIs are calculated on the basis of weighted averages of the bilateral exchange rates of each euro area country vis-à-vis the currencies of its trading partners. For the time being, they are deflated only by seasonally adjusted consumer price indices (HICP for European countries, all-item CPI for all other partner countries).[2] The weights are based on bilateral data on exports and imports of manufactured goods (i.e. excluding agricultural, raw material and energy products). Exports are double-weighted to account for "third-market effects", i.e. to capture the competition faced in foreign markets from both local producers and exporters from third

1 The HCIs based on consumer price indices are simultaneously published by the ECB and Eurosystem NCBs on their websites. See http://www.ecb.int/stats/exchange/hci/html/hci_2006-12.en.html.
2 The Eurosystem is investigating the feasibility of using other deflators as well. For the euro area as a whole, measures of real effective exchange rates are also calculated using the GDP deflator, the PPI, or measures of unit labour costs.

countries. The group of trading partners for each euro area country comprises the other euro area countries plus the same 44 extra-euro area trading partners as in the euro EER.[3]

A comparison of the evolution of the HCIs across euro area countries between the first quarter of 1999 and the fourth quarter of 2006 shows that most countries recorded an increase in their HCIs, which points to a deterioration in the price competitiveness of these countries (see the table below). This is not surprising given that the corresponding measure of the euro REER appreciated by 4.3% over this period. However, the table also shows that the HCI changes differed substantially across countries. At one end of the spectrum, Germany, Austria and Finland experienced a moderate decline in their HCIs, indicating an improvement in their price competitiveness, whereas, at the other end, rises in the HCIs were particularly strong in Ireland and Spain.

Developments in HCIs based on consumer price indices across euro area countries

(annual percentage changes; percentages)

	Change in HCI Q1 1999-Q4 2006[1)]	Average annual HICP inflation (1999-2006)	Extra-euro area trade share[3)]
Belgium	2.5	2.0	45.9
Germany	-2.7	1.5	57.6
Ireland	17.0	3.4	67.7
Greece	4.0	3.2	43.8
Spain	11.2	3.2	37.5
France	0.8	1.8	46.9
Italy	4.3	2.3	48.2
Luxembourg	8.5	2.7	39.2
Netherlands	6.9	2.5	52.0
Austria	-2.0	1.7	38.9
Portugal	7.5	3.0	30.9
Slovenia	1.1	5.7	36.4
Finland	-2.7	1.5	60.0
euro area[2)]	*4.3*	*2.0*	

Sources: Eurostat, European Commission (Ameco database) and ECB calculations.
1) A negative (positive) number signifies an increase (decrease) in price competitiveness.
2) In the first column, the figure for the euro area refers to the REER based on consumer price indices. In the second column, the euro area HICP inflation rate refers to the countries participating in the euro area before 2007.
3) Shares are measured in overall trade terms, including third-market effects.

The cross-country divergence in HCI changes may be due to different price developments and different foreign trade specialisations. The table indicates that persistent inflation differentials among euro area countries had a significant impact on the diversity of HCI developments. The countries that appeared to have improved their price competitiveness since 1999 are those that also recorded the lowest HICP inflation rates during this period, while inflation in Ireland, Greece, Spain and Portugal has been well above the euro area average.[4] The country-specific pattern of foreign trade flows determines the relevance of both changes in foreign consumer prices and exchange rate developments. Concerning exchange rate developments, the extent to which a change in the euro exchange rate affects the HCI of a particular euro area country is

3 See http://www.ecb.int/stats/exchange/hci/html/index.en.html for additional methodological information. The ECB euro effective exchange rate indices have been adjusted to account for the adoption of the euro by Slovenia on 1 January 2007. Slovenia has been removed as a euro area trading partner and the list of trading partners in the EER-42 has been expanded to also include Chile, Venezuela and Iceland. As a result, the broadest euro EER index is now computed against 44 partner countries (EER-44).

4 Slovenia entered the euro area on 1 January 2007. The country experienced rather high inflation rates at the beginning of the period under review, which was, however, largely offset in the real exchange rate by developments in the nominal tolar exchange rate against the euro.

closely related to the exposure of that country to extra-euro area trade. The share of extra-euro area trade in total cross-border trade is the lowest for Portugal (31%) and the highest for Ireland (almost 68%). In addition, the geographical allocation of extra-euro area trade of each euro area country also affects HCI developments. For example, the appreciation of the euro vis-à-vis the US dollar over the past two years has had a rather strong impact on the HCI of Ireland, because a relatively large share of the foreign trade of that country is with the United States.

The HCIs currently available may enable a refined assessment of the economic situation – particularly of the external sector – across euro area countries and thereby of the euro area as a whole. In a monetary union where national policy-makers no longer have the possibility to use a country's nominal exchange rate to compensate for competitiveness losses, a careful examination of developments in competitiveness indicators remains particularly important. In the end, protracted losses in price competitiveness could signal impediments associated with structural rigidities in the wage and price-setting mechanisms and/or a lack of competition, which in turn would call for resolute action in these areas.

At the same time, changes in competitiveness indicators should not be interpreted in isolation. The existence of a degree of diversity is a natural phenomenon in any single currency area of the size of the euro area. For example, some divergence could be justified insofar as it reflects longer-term catching-up processes or equilibrium price and cost adjustments in response to idiosyncratic economic shocks.[5] Nevertheless, movements in these indicators also seem to reflect a sustained dispersion in wage developments across the euro area, while differences in labour productivity growth across euro area countries are narrower. Such developments are partly related to inertial components of wage-setting rules, such as those caused by automatic indexation clauses of wages and prices, which still exist in some euro area countries. Looking in more detail at product groups, there has been a relatively higher degree of price dispersion in the consumer services sector, probably mostly owing to the dispersion of wage developments in that sector. In future extensions of this set of HCIs, it will be useful to compare the present set of HCIs based on consumer price developments with indicators based on deflators that include fewer non-traded products and services, which may be more closely associated with the competitiveness of the countries' external sector.

5 See the article entitled "Monetary policy and inflation differentials in a heterogeneous currency area" in the May 2005 issue of the Monthly Bulletin for a comprehensive discussion of inflation differentials.

5.2 BALANCE OF PAYMENTS

The 12-month cumulated current account up to November 2006 registered a deficit of 0.3% of GDP, shifting from a surplus a year earlier, mainly owing to the decline in the goods surplus. However, three-month moving averages to November 2006 suggest that the decline in the trade surplus may have come to a halt amid robustly growing exports. In the financial account, combined direct and portfolio investment registered cumulative net inflows of €80.7 billion in the 12-month period up to November 2006 compared with net inflows of €15.8 billion a year earlier. This reflected lower net outflows in direct investment and larger net inflows in portfolio investment.

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2006 Oct.	2006 Nov.	3-month moving average figures ending 2006 Feb.	2006 May	2006 Aug.	2006 Nov.	12-month cumulated figures ending 2005 Nov.	2006 Nov.
			EUR billions					
Current account	1.8	-2.0	-2.1	-4.2	-3.2	0.7	5.6	-26.4
Goods balance	3.7	7.0	1.4	1.5	0.3	4.9	53.5	24.4
Exports	119.0	122.3	109.9	112.9	114.5	120.4	1,207.7	1,372.7
Imports	115.3	115.3	108.4	111.3	114.2	115.5	1,154.2	1,348.3
Services balance	2.6	2.4	3.6	2.9	2.7	2.9	34.3	36.2
Exports	35.3	36.0	35.1	35.1	35.6	35.7	395.8	424.9
Imports	32.7	33.6	31.6	32.2	32.9	32.9	361.4	388.7
Income balance	3.4	-2.5	-1.8	-2.6	-0.7	0.8	-15.5	-12.6
Current transfers balance	-7.9	-9.0	-5.3	-6.0	-5.6	-7.9	-66.7	-74.4
Financial account [1]	-4.3	-17.7	-4.9	32.9	2.3	7.4	68.9	113.3
Combined net direct and portfolio investment	7.2	33.5	-21.7	23.1	6.2	19.2	15.8	80.7
Net direct investment	-15.3	-11.6	-16.3	-0.4	-9.7	-18.0	-180.4	-133.4
Net portfolio investment	22.5	45.1	-5.3	23.6	15.9	37.3	196.2	214.1
Equities	10.1	21.0	10.5	5.0	26.6	17.1	157.7	177.5
Debt instruments	12.4	24.1	-15.8	18.6	-10.8	20.2	38.5	36.6
Bonds and notes	8.6	16.6	-14.8	24.4	-0.4	16.6	-1.3	77.2
Money market instruments	3.8	7.5	-1.0	-5.8	-10.3	3.6	39.8	-40.6
			Percentage changes over previous period					
Goods and services								
Exports	-1.0	2.6	3.9	2.1	1.4	4.0	8.4	12.1
Imports	-0.1	0.6	4.1	2.5	2.4	0.9	12.7	14.6
Goods								
Exports	-0.7	2.8	4.9	2.7	1.4	5.2	8.0	13.7
Imports	-0.5	0.0	5.2	2.7	2.6	1.1	13.8	16.8
Services								
Exports	-1.8	2.1	0.8	0.0	1.4	0.3	9.5	7.4
Imports	1.1	2.8	0.6	2.0	2.1	-0.1	9.5	7.5

Source: ECB.
Note: Figures may not add up due to rounding.
1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

TRADE AND THE CURRENT ACCOUNT

According to the latest b.o.p. data, the three-month average of the (seasonally adjusted) value of extra-euro area exports of goods and services grew by 4.0% in November, showing an acceleration in growth vis-à-vis developments in August 2006 (Table 8). The pick-up in exports was primarily attributable to strong growth in trade in goods, as the value of goods exports increased by 5.2% while services exports were subdued, rising by only 0.3%.

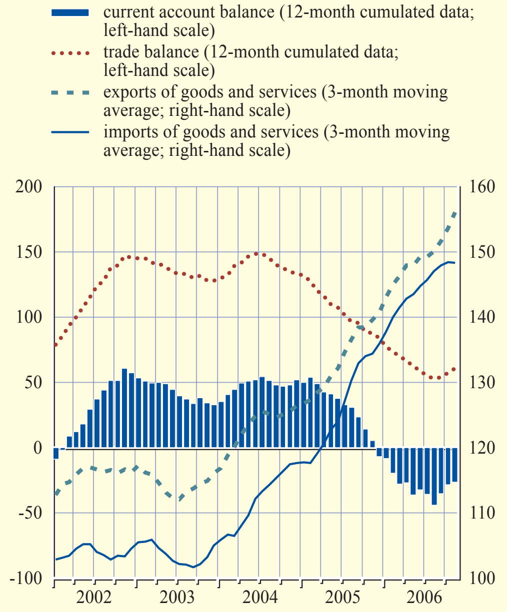
The breakdown of trade in goods by volume and price shows that export volumes grew by around 2% in the three-month period up to September 2006 and accounted for most of the growth in export values over the same period, while export prices registered only a marginal increase. In particular, export volumes registered a very sharp increase in September, largely as a result of German exports. The strength of export volumes in the third quarter seems to correspond to robust growth in foreign demand over the same period, with exports to China and the new EU Member States growing particularly strongly.

On the imports side, the value of imports of goods and services grew by less than 1% in the three-month period to November 2006, mainly owing to the significant decline in oil prices since September 2006. The moderation in import growth mostly reflected developments in trade in goods (with imports of goods growing by 1.1%).

Turning to the breakdown of goods imports by volume and price, import volumes of goods grew robustly, by around 2.5%, in the three-month period up to September 2006. Import volumes seem to have been supported by the continued solid growth of domestic demand in the euro area. The lagged effects of the appreciation of the euro since the beginning of the year may have also had a stimulating effect. In terms of product composition, import volumes of intermediate goods showed the strongest growth in the third quarter. This could indicate that robust export activity may have also boosted imports given the high imported input content of exports.

Chart 30 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Taking a longer-term perspective, the 12-month cumulated current account to November 2006 recorded a deficit of €26.4 billion. The shift to a deficit from a surplus of €5.6 billion a year earlier is primarily attributable to the €29.1 billion decline in the goods surplus which, in turn, is mostly a result of higher average import prices for oil and other commodities in 2006 (Chart 30). However, the robust expansion of exports and moderation of imports of goods and services observed in the three-month period to November 2006 suggest that the decline in the trade surplus and, correspondingly, the widening of the current account deficit may have come to a halt.

The geographical breakdown of the 12-month cumulated euro area current account up to the third quarter of 2006 compared with the same period one year earlier shows that the goods surplus increased particularly vis-à-vis the new EU Member States and the United States, while the deficit with the group of "other countries" (i.e. all countries except Switzerland that do not belong to either the European Union or the G7) rose substantially. Overall, the shift of the 12-month cumulated euro area current account up to the third quarter of 2006 to a deficit of €36.0 billion from a surplus of €23.1 billion over the same period a year earlier was mostly on account of an increase in the deficit with "other countries" and in particular with oil-exporting countries.

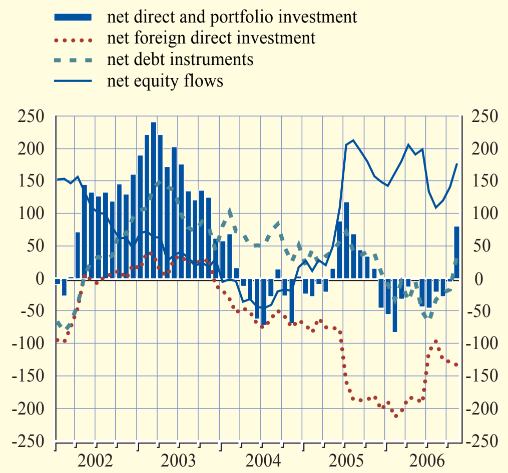
FINANCIAL ACCOUNT

In the three-month period up to November 2006, euro area combined direct and portfolio investment recorded monthly average net inflows of €19.2 billion. This was the result of net inflows in portfolio investment (€37.3 billion), which more than offset net outflows in direct investment (€18.0 billion). Portfolio investment recorded net inflows in all three key components: equity, bonds and notes and money market instruments (Table 8).

In the 12-month period up to November 2006, cumulative net inflows in combined direct and portfolio investment amounted to €80.7 billion, compared with net inflows of €15.8 billion a year earlier, reflecting lower net outflows in direct investment and larger net inflows in equity securities and long-term debt instruments (Chart 31), which were mainly driven by the favourable economic prospects for the euro area.

Chart 31 Euro area combined direct and portfolio investment

(EUR billions; monthly data; 12-month cumulated flows)



Source: ECB.

The geographical breakdown of the euro area financial account indicates that in the 12-month period to September 2006 compared with the same period one year earlier, direct investment in the euro area increased, particularly from the United Kingdom, the United States and offshore financial centres; meanwhile euro area direct investment in the United States also increased. As for euro area portfolio investment abroad, the largest increase occurred in equity securities issued by the United States and offshore financial centres.

ARTICLES

CHALLENGES TO FISCAL SUSTAINABILITY IN THE EURO AREA

Fiscal sustainability is a prerequisite for stability, growth and cohesion in a monetary union. Fiscal policies need to guarantee the sustainability of public finances through sound deficit and debt positions that are underpinned by solid growth prospects and viable social security systems. Over and beyond that, fiscal policies should also minimise further sustainability risks that arise from their links to domestic and external imbalances. The provisions of the revised Stability and Growth Pact support a comprehensive approach to fiscal sustainability within the EU fiscal framework. In the light of these considerations, a rigorous implementation of the revised Pact is of crucial importance, particularly with regard to the excessive deficit procedure and more determined progress with fiscal consolidation and reform.

1 INTRODUCTION

Fiscal sustainability is a precondition for stability and growth. The perception that public finances are on an unsustainable path would create uncertainty in the economy and lead agents to take into account in their decisions the consequences of a persistent deterioration of public finances, i.e. either major policy reversals or disruptive market reactions. Moreover, increased uncertainty could lead to a tendency towards shorter-term contracts, and could lower welfare, as risk-averse agents would spend more resources on hedging against uncertainty.

Such concerns are even more relevant in a monetary union. In this environment, national policy-makers may be inclined to run larger fiscal deficits as market signals via the national exchange rate are eliminated and those from interest rate risk premia may be muted. An unsustainable fiscal situation increases the risk of national policy positions being geared more and more towards short-term domestic objectives that may diverge from – or even run counter to – the common goals of the monetary union. For example, countries with increasing fiscal problems could be in favour of a loose implementation of the EU's fiscal rules, which could, over time, erode public confidence in the conduct of sound economic policies. Moreover, national policy objectives could conflict with those of the central bank as regards the need to preserve price stability, thereby undermining cohesion. The institutional framework of EMU set out in the Treaty establishing the European Community (the "Treaty"), in particular the independence of the central bank (Article 108 of the Treaty) and the no-bail-out clause (Article 103 of the Treaty), ensures that unsound fiscal policies in one country do not undermine the stability of the union.[1] In addition to these provisions, prudence calls for a close monitoring of sustainability-related developments in Member States, so that emerging risks can be addressed in a timely manner.

The analysis of fiscal sustainability needs to consider the possible links between fiscal policies and both domestic and external imbalances, in addition to the standard parameters, i.e. fiscal balances and public debt, as well as GDP growth and interest rates. Domestic imbalances, as evidenced by large asset price swings and boom-bust cycles in output growth, for instance, can increase the risk of fiscal policies (inadvertently) becoming pro-cyclical, and the correction of such imbalances can imply additional fiscal pressures. In addition, external imbalances – which also reflect domestic imbalances – can undermine growth and fiscal sustainability by triggering corrections in household and corporate sector behaviour.

The EU framework for policy coordination takes account of the need for an institutional mechanism to counteract the risks to fiscal sustainability in EMU. With regard to economic policies, the Broad Economic Policy Guidelines represent the overarching policy instrument for the coordination of the general orientation of

1 See the article entitled "The relationship between monetary policy and fiscal policies in the euro area" in the February 2003 issue of the Monthly Bulletin.

policies, as well as of specific policy recommendations. In the fiscal area, the framework of the Stability and Growth Pact, which combines the requirement of fiscal discipline with incentives for structural reforms, facilitates a comprehensive approach to sound economic and fiscal policies. Nevertheless, challenges remain and it is now essential to ensure that the Pact is implemented in a rigorous and consistent manner.

This article considers the challenges to fiscal sustainability that arise from conventional determinants, as well as those that result from the link between fiscal policies and domestic and external imbalances. Section 2 discusses fiscal sustainability in general, also covering the implications of imbalances. Section 3 deals with experience in the euro area and in individual countries with regard to key variables. Section 4 focuses on policy measures to ensure fiscal sustainability and Section 5 elaborates on how the revised Pact contributes to the implementation of sustainability-oriented policies. The final section concludes and presents an overview of current policy requirements in the euro area.[2]

2 FISCAL SUSTAINABILITY

THE NOTION AND DETERMINANTS OF FISCAL SUSTAINABILITY

Fiscal sustainability is generally defined as a government's ability to service its debt obligations over time. In technical terms, sustainability requires that the current policies of the government satisfy the intertemporal budget constraint, namely the need for the discounted present value of future primary balances (i.e. the budget balance excluding interest payments) to be equal to the outstanding stock of debt (see the box below). Consequently, a positive differential between the average interest rate and economic growth means that, all other things being equal, the higher the level of outstanding debt, the larger the future primary surpluses necessary to ensure fiscal sustainability.

2 The data in this article refer to the euro area excluding Slovenia.

Box

THE THEORETICAL FRAMEWORK OF FISCAL SUSTAINABILITY

The purpose of this box is to present the formal conditions for the sustainability of public finances. Key components, as shown below, are the stock of debt, the primary balance, the interest rate and economic growth. This formal discussion confirms the importance of low debt and deficits, stable monetary conditions and high growth, as detailed from a more policy-oriented perspective in this article.

The theoretical analysis of fiscal sustainability starts from the government's budget constraint in a single given period. The change in government's nominal debt (B) from one period to another ($B_t - B_{t-1}$) is indicated by the interest payments on outstanding government debt from the previous period ($r_t B_{t-1}$) minus the primary budget balance (D_t), where r is the average nominal interest rate and the primary balance equals government revenue minus non-interest expenditure, so that:

$$B_t - B_{t-1} = r_t B_{t-1} - D_t \qquad [1]$$

In an economy in which nominal GDP (Y) rises at a rate of g_t (i.e. where $Y_t = (1+g_t)Y_{t-1}$), the government's budget constraint [1] can be expressed by dividing its elements by nominal GDP:

$$b_t = \frac{1+r}{1+g} b_{t-1} - d_t \, , \qquad [2]$$

where $b_t = \frac{B_t}{Y_t}$ and $d_t = \frac{D_t}{Y_t}$, while both the nominal interest rate and the growth rate of nominal GDP are assumed to remain constant over time.

Equation [2] shows that the evolution of the debt-to-GDP ratio depends on three factors, namely the primary budget balance ratio (d_t), the legacy of past fiscal policies that resulted in debt financing (b_{t-1}) and the ratio between the nominal interest rate and nominal GDP growth $\left(\frac{1+r}{1+g}\right)$. If the nominal interest rate is higher than the growth rate of nominal GDP, a primary budget surplus is needed to maintain the government debt ratio at its current level.

This finding can be extended for longer time horizons. By re-arranging equation [2] and substituting b_t forward up to year T–1, it is possible to derive the government's intertemporal budget constraint from the year 0 to the year T:

$$b_{-1} = \frac{1+g}{1+r} d_0 + \ldots + \left(\frac{1+g}{1+r}\right)^{T+1} d_T + \left(\frac{1+g}{1+r}\right)^{T+1} b_T \qquad [3]$$

Over the infinite horizon, equation [3] yields:

$$b_{-1} = \sum_{i=0}^{+\infty} \left(\frac{1+g}{1+r}\right)^{i+1} d_i + \lim_{T\to+\infty} \left(\frac{1+g}{1+r}\right)^{T+1} b_T \, . \qquad [4]$$

The stock of debt inherited from the previous period must equal the discounted sum of future primary balances plus the discounted value of debt in the final period. Applying the so-called no-Ponzi condition, public debt in the infinite future can be assumed to be zero. This is because rational agents will only hold public debt if they can expect such debt to be redeemed by the government at least in the very long term. Thus, fiscal sustainability can be defined as follows:

$$b_{-1} = \sum_{i=0}^{+\infty} \left(\frac{1+g}{1+r}\right)^{i+1} d_i \, . \qquad [5]$$

This equation indicates that a given fiscal policy is sustainable if the present discounted value of primary budget surpluses is equal to the current level of public debt. In other words, where public sector debt exists, the government will have to run primary budget surpluses in the future if public finances are to be sustainable.

For practical purposes, however, this concept of fiscal sustainability has a number of shortcomings. Most notably, the theoretical infinite-horizon concept would allow very high levels of public debt at a given point in time, the sole requirement being that primary surpluses in the future be large enough to cover them. Similarly, this concept would also permit very large primary deficits in the short run, as long as they were followed by primary surpluses in the more distant future. Uncertainty regarding economic and policy developments in the very long term calls for adjustments to the theoretical concept for practical purposes.

To address the aforementioned problems, the time frame for practical sustainability analyses is generally limited to a finite horizon of, say, 20 or 50 years, for instance. Fiscal sustainability is then assumed to be ensured as long as the debt-to-GDP ratio remains below a given threshold. Thus, using the current debt level as a starting point, a typical analysis of fiscal sustainability would project the development of the debt ratio over the relevant period, applying assumptions regarding interest rates and GDP growth rates, as well as the primary surplus. If the projected debt ratio exceeds a certain threshold, it would be deemed to be increasingly unsustainable and policy changes would be considered necessary.

The importance of the growth rate of the economy stems from the fact that debt sustainability is measured relative to output, as a proxy of the tax base of future revenues. Stronger growth contributes to a more rapid reduction of the value of the debt stock relative to output. For example, this is reflected in the fiscal reference values of the Maastricht Treaty: with nominal GDP growth of 5% (3% real growth, plus 2% inflation), fiscal deficits of 3% of GDP would stabilise the debt ratio at 60% of GDP. In particular, if the debt ratio were to be above that level at the outset, a deficit of 3% of GDP would give rise to a declining debt ratio, bringing it down to the reference value over time. At a debt level of 60% of GDP, the impact of a fiscal deficit in the order of 3% of GDP on the debt ratio would just offset the decline in the debt ratio that results from nominal GDP growth, leaving the debt ratio constant.

By contrast, with nominal GDP growth of 3% – which may be a more realistic projection for some euro area countries in the medium term – the beneficial impact of nominal growth on the debt ratio is much smaller. An unchanged average deficit of 3% would therefore result in the debt ratio approaching 100% of GDP over time, which is far less safe than the Maastricht reference value.

The concept of public debt used for sustainability analysis needs to be comprehensive. The theoretical approach is based on net public debt, i.e. outstanding gross liabilities minus government assets. In practice, however, most public assets are very difficult to value, as there is no liquid market for a large proportion of those assets and as price estimates are uncertain.

In terms of size, the impact of implicit government obligations is, for most countries, of equal or even greater importance. Essentially, a realistic projection of government obligations needs not only to cover the level of outstanding explicit government debt, which is usually in the form of debt contracts such as bond issues or bank credits. It also needs to include future obligations which the government will, in all probability, have to honour under current policies, even if such obligations are not supported by legally enforceable contracts.

The most prominent of those implicit liabilities arise from public pay-as-you-go pension schemes in an environment of demographic ageing. Such systems involve a government promise to pay pensions to current contributors, with those pensions, in turn, covered by the contributions of future generations. While such promises are, to a large extent, not strictly enforceable in a legal sense, the system is built on current contributors' trust in the fact that they will receive an old-age pension financed by future generations. Thus, a government will generally not renege completely on its obligations.

Reflecting this commitment, the statistical recording of implicit pension liabilities in a supplementary table is one of the major issues under consideration in the current review of the 1993 System of National Accounts. The backward-looking approach focuses on the recording of pension claims accumulated in the past and requires the solution of methodological and technical questions regarding the quantification of accrued liabilities. A similar situation can be seen in the area of expenditure on health and long-term care. The hypothesis underlying projections for these outlays is that current policies will remain unchanged, even if there is no explicit government obligation to guarantee the current levels of medical and social services in the future.

ADDITIONAL SOURCES OF RISK TO FISCAL SUSTAINABILITY

The analysis of fiscal sustainability needs to take the links between fiscal policies and domestic and external imbalances into account. First, inappropriate fiscal policies can contribute to the emergence or accumulation of domestic and external imbalances, the correction of which can, in turn, undermine fiscal sustainability. Second, in an environment of slow growth and low investor and consumer confidence, an unsound fiscal position can undermine economic sentiment further, and can thus contribute to a perpetuation of low growth and fiscal imbalances.

As regards the link between fiscal policies and the accumulation of imbalances, fiscal policy-makers face the problem of identifying the cyclical state of the economy in real time. The identification of a period of boom (or bust) requires not only timely estimates of current economic growth, but also an accurate estimate of the rate of trend growth. As the trend growth rate may vary over time, it is difficult to estimate it with any certainty in real time.

In particular, it was often argued in past boom phases that the strong growth observed at the time did not reflect cyclical developments, but rather an upward shift in the trend growth rate. Assuming that a neutral fiscal policy refers to a balanced budget when output growth is at trend, in the case of higher trend growth, a balanced budget in cyclically adjusted terms would be consistent with a lower actual fiscal balance. In the case of unchanged trend growth, however, such a lower actual balance would imply an expansionary fiscal stance. Thus, fiscal policies would actually contribute to the overheating of the economy reflected in domestic or external imbalances. Moreover, in periods of strong demand and asset price growth, certain tax revenues (e.g. property, turnover and capital gains taxes) tend to be growing exceptionally fast, i.e. their elasticity with regard to their specific tax base may change pro-cyclically. Rising fiscal revenues, in turn, allow stronger public expenditure growth, which may boost demand and wage growth without showing up in worsening fiscal balance-to-GDP ratios in the upswing phase of the cycle.

Overall, expansionary fiscal policies in boom times may contribute to the emergence and persistence of real economic imbalances. As a consequence, the fiscal position at the end of a boom tends to be weaker than might be assessed on the basis of constant tax elasticities, and there is thus less room for manoeuvre to deal with the implications of a downturn without jeopardising fiscal sustainability.

Turning to the impact of fiscal policies in an environment of subdued growth, the slow growth performance and unsound fiscal positions may reinforce each other in a vicious circle. An environment of low growth, which could be a consequence of a preceding unsustainable boom period, weakens fiscal sustainability, in particular when fiscal imbalances are large to start with. On the external side, if the correction of accumulated external imbalances requires gains in price competitiveness, this may generally entail lower inflation (compared with competitors) as well as slow wage and domestic demand growth if nominal exchange rate changes are ruled out. But these developments also tend to weaken fiscal balances, as revenues decline, while expenditure on unemployment and other social security transfers could rise. Moreover, an adjustment of domestic asset prices in a downturn is likely to trigger capital losses or negative wealth effects, leading to further adverse surprises on the revenue side, such that

Selected fiscal and macroeconomic indicators

	Public debt (as a percentage of GDP)	Fiscal deficit (as a percentage of GDP)	Cumulative change in the consumer price index (in percentages relative to the euro area)	Cumulative change in unit labour costs (whole economy) (in percentages relative to the euro area)	Cumulative current account balance[1] (as a percentage of GDP)
	2006	2006	1999-2006	1999-2006	1999-2006
Belgium[2]	89.4	-0.2	-0.4	-0.2	27.4
Germany	67.8	-2.3	-4.4	-9.7	10.7
Ireland	25.8	1.2	11.5	13.0	-6.2
Greece[3]	104.8	-2.6	9.7	12.3	-45.4
Spain	39.7	1.5	9.0	9.9	-28.2
France	64.7	-2.7	-1.9	2.3	3.0
Italy	107.2	-4.7	2.3	9.2	-5.6
Luxembourg[2]	7.4	-1.5	5.3	11.1	56.7
Netherlands	50.5	0.0	3.7	5.9	37.5
Austria	62.1	-1.3	-2.8	-6.9	-1.6
Portugal	67.4	-4.6	7.7	16.5	-55.8
Finland	38.8	2.9	-3.9	-1.8	44.1
Euro area	69.5	-2.0			-0.4

Sources: ECB and European Commission (Public debt and fiscal deficit, Autumn 2006 forecast. Cumulative change in unit labour costs, AMECO, full-time equivalent).
1) For 2006, up to the third quarter.
2) Data for the cumulative current account balance refer to the period from 2002 to 2006 (third quarter).
3) Data for the cumulative change in unit labour costs need to be interpreted cautiously. Alternative estimates by the Bank of Greece suggest a cumulative change of 19.5% relative to the euro area.

the fiscal balance tends to deteriorate more than would be expected on the basis of adverse demand effects alone. At the same time, the public debt ratio will tend to rise, as the denominator in the ratio will grow more slowly than before.

Overall, the combined effects of larger deficits and weaker growth may give rise to a substantial worsening in fiscal sustainability when domestic or external imbalances unravel. The greater the imbalances, the larger are the potential implications for sustainability via these channels.

At the same time, an unsound fiscal position will tend to undermine economic confidence. When faced with large fiscal imbalances, consumers may prefer to raise that part of their current income that is devoted to precautionary savings, rather than the part they consume. Similarly, enterprises may opt to put off investment decisions in view of uncertainty over eventual tax increases. As a consequence, unsound fiscal positions and low growth reinforce each other, perpetuating the slump and undermining fiscal sustainability further.

As a consequence of the above, a comprehensive assessment of fiscal sustainability needs to take account of the linkages between fiscal positions and macroeconomic developments, so that it can flag emerging risks in a timely manner. For fiscal policy-makers, the above considerations highlight the need for prudent policies, in particular in boom phases.

3 EXPERIENCE IN EMU VARIES FROM COUNTRY TO COUNTRY

Looking at medium-term fiscal developments in the euro area, fiscal sustainability has shown no permanent improvement since the inception of EMU. The average debt ratio is only marginally lower than in 1998 and, indeed, a three-year upward movement therein has only been reversed in 2006 (see the table above, as well as Chart 1). More than half the euro area countries report debt ratios above the reference value of 60% laid down in the Maastricht Treaty. Two of the countries currently in excessive deficit (Greece and Italy) have very high debt ratios. The average debt level of all countries in excessive deficit (the two aforementioned countries plus Germany and Portugal) has risen rapidly since 2001. This has more than offset the decline in the average debt ratio of those countries that are not running excessive deficits.

The data also show that debt developments are driven mainly by persistently large fiscal deficits and slow growth (see Chart 2); only for a few countries have significant deficit-debt adjustments been recorded.[3] After 1998 the average euro area fiscal deficit initially declined, continuing a trend that had started during the preparations for EMU. However, fiscal balances did not improve sufficiently during this period, which was marked by a relatively favourable economic environment. After 2000 many countries experienced a worsening of their fiscal imbalances. While this was partly due to the deterioration in the economic environment, an easing of the fiscal policy stance in a number of countries also contributed to the rising euro area deficit ratio in 2001 and 2002.

The development of the fiscal deficits in countries in excessive deficit resembles that of the euro area average, albeit at a higher level. Given their insufficiently sound budgetary positions in 2000, at the end of the previous period of strong growth, these countries experienced very high deficit ratios after that date. The modest improvement observed in the average deficit ratio since 2004 has not sufficed to reverse the increase in the average debt ratio for these countries.

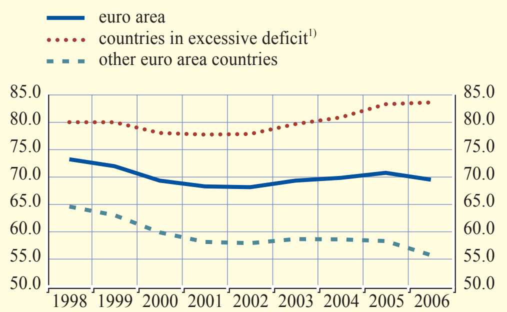
In addition to the explicit debt burden, projected implicit future liabilities that are due to demographic ageing are substantial. Taking a comprehensive forward-looking approach, the ratio of ageing-related expenditure to GDP (net of some offsetting effects from lower projected expenditure on education and unemployment) is projected by the European Commission and the Economic Policy Committee (EPC) to rise by 5 percentage points, or more, in half the euro area countries by 2050 (see Chart 3).[4] The largest increase is projected for Portugal, namely 9.7 percentage points. For Greece, for

3 See the article entitled "EMU and the conduct of fiscal policies" in the January 2004 issue of the Monthly Bulletin.

4 See also A. Maddaloni, A. Mussa, P. Rother, M. Ward-Warmedinger and T. Westermann, "Macroeconomic implications of demographic developments in the euro area", ECB Occasional Paper No 51, August 2006.

Chart 1 Public debt

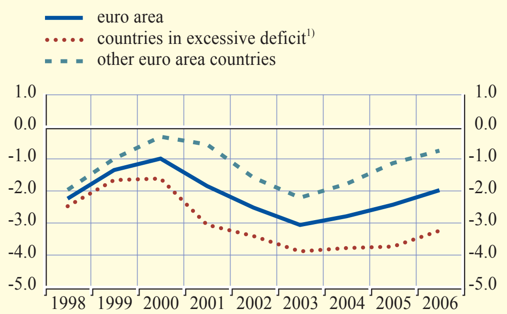
(as a percentage of GDP)



Source: European Commission.
1) Countries in excessive deficit as of February 2007.

Chart 2 Fiscal balances

(as a percentage of GDP)



Source: European Commission.
Note: The fiscal balance data exclude UMTS receipts.
1) Countries in excessive deficit as of February 2007.

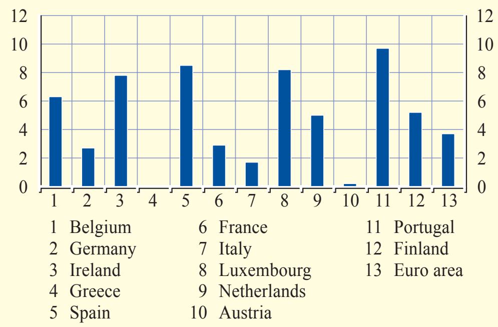
which most recent data are not yet available, projections in the previous study undertaken by the EPC also point towards a very heavy ageing-induced burden. For the euro area average, the projected increase is close to 4 percentage points. It should also be noted that these projections may even turn out to be optimistic, as they are based on favourable assumptions regarding labour productivity. In addition, not all factors that have driven expenditure in the past were included in the projections for expenditure on health and long-term care.

Turning to possible pressures on fiscal sustainability that result from boom-bust episodes, there have not as yet been many empirical assessments of the fiscal costs of such adjustments. However, looking at the period since the late 1980s, a number of studies have shown that the adjustment of domestic, external and asset price disequilibria has, in a number of industrialised countries, resulted in both major deteriorations in fiscal balances and significant bailout costs in the corporate and banking sectors.[5] These countries experienced increases in the debt ratio that ranged from 10 to 50 percentage points in the 1990s. They included economies which experienced sharp downturns and exchange rate devaluations, but in some cases also drawn-out adjustment periods without significant devaluations. Moreover, at the end of the stock market boom in 2000, the mis-estimation of trend growth, coupled with the fact that positive revenue surprises were mistakenly perceived to be permanent, also led to important mis-judgements of the true fiscal position in a number of countries.

With regard to further potential imbalances, persistent inflation differentials have been recorded within the euro area. Two of the countries in excessive deficit (Greece and Portugal) and two countries with sound fiscal positions (Spain and Ireland) have recorded the largest increases in the consumer price index relative to the euro area average (see the table). While temporary differences in inflation rates, in themselves, are not necessarily a problem for a monetary union, as they can contribute to a convergence of price levels across countries, they may contribute over time to the emergence of external imbalances.[6]

Chart 3 Burden of ageing-induced expenditure between 2004 and 2050

(change as a percentage of GDP)



Source: "The impact of ageing on public expenditure: projections for the EU25 Member States on pension, health care, long-term care, education and unemployment transfers (2004-2050)", Economic Policy Committee and European Commission, 2006.
Note: Data for Greece are not available.

Unit labour costs have developed along divergent lines since the inception of EMU. While differences in the development of this indicator in EMU may, as in the case of inflation, reflect equilibrating effects, they may also point to emerging imbalances. Changes in the unit labour costs in two of the countries in excessive deficit (Greece and Portugal), together with Spain, account for some of the largest cumulative increases relative to the euro area average (see the table). These three countries also had the largest cumulative current account deficits over the period from 1999 to 2006, which ranged between around 28% and 56% of 2006 GDP.[7] The increases in unit labour costs were also very high in Italy.

5 F. Eschenbach and L. Schuknecht, "Deficits and Asset Prices", *Economic Policy*, July 2004, pp. 315-346, and "The Fiscal Costs of Financial Instability Revisited", ECB Working Paper No 191, November 2002.
6 See also the article entitled "Monetary policy and inflation differentials in a heterogeneous currency area" in the May 2005 issue of the Monthly Bulletin for a more detailed analysis.
7 See the article entitled "Competitiveness and the export performance of the euro area" in the July 2006 issue of the Monthly Bulletin for complementary analysis.

In summary, the experience gained in euro area countries indicates a number of risks to fiscal sustainability. The average debt ratio in the euro area remains high, with considerable cross-country dispersion, and debt ratios have been rising in a number of countries, reflecting persistently large fiscal deficits. Projections for fiscal policies in the coming years suggest an only slow and moderate improvement in fiscal balances. In addition, the projections of the European Commission and the EPC point to substantial ageing-related fiscal pressures in several countries unless decisive consolidation and reform measures are implemented swiftly. Potential fiscal burdens that arise from the correction of accumulated internal and external imbalances may represent additional risks to long-term fiscal sustainability for some countries.

4 WHAT CAN FISCAL POLICIES DO TO ENSURE SUSTAINABILITY?

Fiscal policies have an impact on all the variables determining fiscal sustainability that were discussed above. Budget deficits translate immediately into increases in the level of debt, and thus constitute a major risk to sustainability. Moreover, the design of social security and health care arrangements drives the accumulation of implicit liabilities. Over and beyond these direct effects, fiscal policies are also an important factor for medium and long-term growth and can have a major impact on the emergence and correction of internal and external imbalances.

DEFICIT AND DEBT

Starting with deficit and debt developments, attaining and maintaining sound fiscal positions (as regards both the fiscal balance and public debt) is particularly important in a monetary union. The risks posed by fiscal indiscipline have long been acknowledged. National policy-makers tend to act within short time frames that are influenced by the electoral timetable. This generates a tendency towards larger fiscal deficits, as the associated burdens of a higher debt ratio become visible only over time. The deficit bias of national policies is more pronounced in a monetary union, as immediate market reactions to a country's errant policies are subdued. There is no nominal exchange rate to serve as an indicator of the market's assessment of an individual country's macroeconomic prospects, and a possible interest rate risk premium may be compressed if markets assume that country risk is reduced by membership in a currency union.

In order to keep the accumulation of implicit liabilities contained, pension and health care systems need to be designed in a way that makes them robust in terms of the impact of demographic ageing through the reform of existing public systems and greater reliance on private savings in funded pillars.[8]

GROWTH

For long-term fiscal sustainability, the impact of fiscal policies on trend growth is of key importance. Even small differences in long-term growth rates can have major implications for fiscal sustainability on account of the length of the time horizon involved. In the same vein, given both the size of the public sector in the euro area and the involvement of the public sector in all important economic relationships, the potential for growth-friendly fiscal policies is large.[9]

Starting with the overall macroeconomic environment, fiscal soundness as discussed above strengthens public confidence in economic stability, reduces economic uncertainty and facilitates long-term economic relationships that contribute to economic efficiency. In addition, the size of government matters. The larger its size, the higher is the

8 For more details, see the article entitled "Demographic changes in the euro area – projections and consequences" in the October 2006 issue of the Monthly Bulletin.

9 For more details, see the articles entitled "Fiscal policies and economic growth" and "The importance of public expenditure reform for economic growth and stability" in the August 2001 and April 2006 issues of the Monthly Bulletin respectively.

level of taxation, and thus the greater is the impact of tax distortions. Consequently, governments can contribute to long-term growth by limiting the size of the government sector and reducing the importance of tax distortions.

The harmful effects of fiscally induced distortions are particularly visible in the labour market. On the demand side, a large tax wedge on labour raises total labour costs and reduces demand for labour. The combined effect of unemployment benefits and labour taxation can also act as a significant disincentive in respect of the labour supply. The loss of benefits and the need to pay taxes and social security contributions can make it unattractive for unemployed workers to re-enter employment. Similar disincentives apply with regard to the decision to retire if pension entitlements increase only marginally for years worked beyond the minimum retirement age.

The composition of public expenditure provides governments with a further channel through which to support long-term growth. From a macroeconomic perspective, public expenditure for productive purposes, such as investment or education, is more likely to strengthen growth than expenditure for redistributive purposes. Nevertheless, even productive expenditure does not necessarily contribute to growth. First, its financing gives rise to additional distortions, which then need to be compensated for. Second, such expenditure needs to be managed efficiently, i.e. such that the minimum amount of financing is used for any given purpose. In productive as well as redistributive spending, raising expenditure efficiency can make an important contribution to reducing the negative growth effects of government expenditure.

IMBALANCES

Fiscal policies should also confront the risks to fiscal sustainability that arise from internal and external imbalances. As noted above, a primary concern for fiscal policies must be, at the very least, to refrain from contributing to an overheating of the economy. Thus, in periods of boom, governments must take particular care to ensure that their policies do not – perhaps inadvertently – create additional demand pressures, which may lead to economic overheating.

Fiscal prudence is particularly warranted in a number of areas. Given the importance of public sector employment in euro area economies, public sector wage developments can have a significant impact on overall wage behaviour. Strong rises in public sector wages, even when reflecting a favourable fiscal situation, may lead to wage pressures in the private sector. Similarly, increases in the number of public sector employees may aggravate labour market shortages, also leading to upward wage dynamics. In addition, in the area of social security, there is a risk of the coverage and size of benefits being raised during good times, implying government obligations that will be difficult to reverse in bad times. This also points to the need for governments to preserve fiscal flexibility, i.e. the ability to adjust the budget swiftly in response to changes in the economic environment. Finally, fiscal policies can have a major impact on developments in the real estate sector. Tax provisions have the potential to give further impetus to a domestic real estate boom. The deductibility of mortgage interest from taxable income, for example, lowers real after-tax interest rates for residential investment, and can thus contribute to overheating. The composition of the tax burden (i.e. taxes on consumption versus income/labour taxes) can also affect the composition of demand and, therefore, the national savings-investment balance.

NEED FOR A COMPREHENSIVE APPROACH INTEGRATING FISCAL PRUDENCE AND STRUCTURAL REFORMS

As discussed in Section 2, adjusting the economy in response to imbalances generates additional risks to fiscal sustainability. To reduce these risks, policies need to follow a comprehensive approach to fiscal reform. In addition to a prudent stance, fiscal and structural policies should be consistent with the flexible adjustment of prices and wages, as well as with the sectoral and geographical reallocation of labour and capital. Reforms in this direction will increase potential output and foster economic activity in the euro area, as well as help to prepare for future challenges, including demographic change, and exploit the opportunities created by technological progress and globalisation.

Fiscal structural reform as part of a comprehensive growth-friendly reform programme can address many issues simultaneously and create important spill-over effects. For example, a well-designed pension reform, including the development of a privately funded pension pillar, can reduce the implicit pension debt by lowering future public pension obligations. In addition, such a reform can reduce the incentives for early retirement: since the pension from the funded pillar depends only on the individual's accrued capital, every additional year in employment raises the pension benefits accordingly. Furthermore, such a pension reform allows contributions to the pay-as-you-go system to be lowered, which reduces the perceived tax wedge on labour and creates incentives for the labour supply. Positive incentive effects can also be strengthened by linking contributions to the pay-as-you-go pension system more closely to the benefits they generate, e.g. in the form of a so-called notional defined contribution system.[10] However, fiscal reforms need to be embedded in a comprehensive reform strategy. Notably, as far as older workers are concerned, increased incentives for the supply of labour will only result in higher levels of employment and growth if labour markets are flexible enough to absorb the additional supply.

5 CURRENT CHALLENGES FOR FISCAL SUSTAINABILITY UNDER THE REVISED STABILITY AND GROWTH PACT

The institutional framework set out in the Treaty for economic and fiscal policies establishes incentives for fiscal and structural policies to contribute to fiscal sustainability. Central to the monitoring and surveillance of fiscal policies is the Stability and Growth Pact. In 2005 the Pact was revised in a manner intended to place a greater focus on the sustainability of public finances.[11]

FISCAL SUSTAINABILITY UNDER THE REVISED PACT

Compliance with the requirement laid down in the Pact that budgets be "close to balance or in surplus" over the medium term should ensure that fiscal policies are sustainable, while also providing sufficient scope for the operation of automatic stabilisers over the cycle. The fulfilment of this medium-term objective would normally lead to a convergence of debt ratios at levels well below the reference value of 60% of GDP.

In reflection of the growing relevance for fiscal policies of considerations such as population ageing in recent years, however, analysis of the sustainability of public finances has broadened and become more embedded in the EU fiscal framework. Indeed, one of the objectives behind last year's revision of the Pact was to introduce a stronger focus on debt and sustainability. This is reflected in several ways.

Starting with the preventive arm, medium-term budgetary objectives (MTOs) now more explicitly reflect the goal of long-term fiscal sustainability. Member States' MTOs vary, depending on their respective debt-to-GDP ratios and estimated potential GDP growth (two key determinants of sustainability). As soon as an appropriate methodology has been agreed, it is intended to take implicit liabilities that stem from population ageing directly into account in the setting of MTOs. Countries that have not

10 See also the article entitled "Demographic change in the euro area: projections and consequences" in the October 2006 issue of the Monthly Bulletin.

11 See the article entitled "The reform of the Stability and Growth Pact" in the August 2005 issue of the Monthly Bulletin for details.

yet attained their MTOs are required to take steps to do so. As a benchmark, euro area countries and countries that participate in ERM II are to strive to improve their structural budget balances by 0.5% of GDP each year until their MTOs have been met. Furthermore, major structural reforms with a verifiable impact on long-term sustainability may be taken into account when assessing a temporary deviation from the MTOs, or the adjustment path chosen to reach them. In this regard, special attention is paid to pension reforms introducing a multi-pillar system that includes a mandatory, fully funded pillar. Finally, and perhaps of the greatest relevance for the prevention of domestic and external imbalances, the preventive arm's revised provisions suggest a higher adjustment effort in good times, while the continued requirement to maintain a sound budgetary position places a limit on pro-cyclical policies.

Under the corrective arm of the Pact, reports by the European Commission on the existence of an excessive deficit consider (among the "other relevant factors") the respective country's situation as regards the sustainability of the level of its debt. In addition, the short-term fiscal costs of multi-pillar pension reforms can, under certain circumstances, be taken into account for decisions on whether or not an excessive deficit exists.

To facilitate the continuous monitoring of fiscal sustainability, in particular with regard to demographic ageing, countries have agreed to outline their policies in their annual stability programmes. The basis for the assessment of sustainability by the Commission and the Ecofin Council are the projections produced by the Working Group on Ageing under the auspices of the Economic Policy Committee. In its examination of countries' stability programmes, as in the case of its own Sustainability Report, the European Commission also provides an assessment of long-term fiscal sustainability, drawing on projections of ageing-induced fiscal burdens and its own qualitative considerations.

CHALLENGES FOR THE IMPLEMENTATION OF THE REVISED STABILITY AND GROWTH PACT

While the revision of the Pact has introduced new provisions that could help to promote fiscal sustainability, the challenge now is to put these into effect through a rigorous and consistent implementation of the revised framework. Experience thus far has been mixed in this respect and major challenges still lie ahead. There have been some positive developments since the reform of the Pact. Both actual and planned recourse to temporary measures, which may improve deficits in the short run, but have little or no impact on sustainability in the long run, have declined.

Looking ahead, the MTOs set by Member States broadly comply with the requirements of the reformed Pact. However, planned progress towards MTOs has generally been modest among those Member States with budgetary imbalances. Moreover, concerns about macroeconomic disequilibria are not translating into more ambitious fiscal consolidation and reform. Several countries that are currently in excessive deficit have set a very late target date by which they intend to reach their respective MTOs, or have not provided such a date at all, which raises questions regarding the role of these objectives from a medium-term perspective. Furthermore, planned fiscal adjustment is generally back-loaded, with most countries projected to have undertaken little or no consolidation in 2006 and, instead, focusing consolidation efforts on the later years of the programme horizon. Finally, the measures needed to ensure such consolidation are often not specified, or do not appear fully credible in the light of past experience.

The European Commission's autumn 2006 economic forecasts pointed towards improving fiscal balances in the euro area in the period from 2006 to 2008. However, the projected development of structural budget balances indicates shortfalls in terms of structural consolidation in many Member States unless further policy measures are taken. In the context of the economic expansion projected for many countries, this suggests that there is a significant risk of Member States failing to take advantage of "good times" in order to achieve sound budgetary positions and appropriately address sustainability risks.

In the context of the revised corrective arm of the Pact, a number of countries have received extended deadlines for the correction of their excessive deficits. In particular, extended deadlines have been granted to Germany, Italy and Portugal, while Greece had already received an extension of the deadline for correcting its excessive deficit in February 2005 (i.e. prior to the reform of the Pact). This notwithstanding, Italy and Portugal are both at risk, according to the Commission's forecasts, of failing to comply with their commitments under the excessive deficit procedure unless further consolidation measures are implemented. Any delay in correcting excessive deficits in a sustainable manner can contribute to a perceived weakening of fiscal sustainability. Therefore, it is essential that, should the risks to these countries' compliance with commitments materialise, the appropriate steps be set in motion under the countries' excessive deficit procedures.

6 CONCLUSION AND POLICY OUTLOOK

The analysis of fiscal sustainability has traditionally focused on fiscal deficits, debt, output growth and interest rates. With regard to government obligations, this article has reiterated that government deficits and public debt – coupled with substantial implicit fiscal liabilities that reflect ageing-induced fiscal burdens – are large for the euro area as a whole and that the current and projected imbalances imply very substantial risks to sustainability in some countries. Furthermore, a comprehensive approach to fiscal sustainability needs to take into account the links between fiscal policies and domestic and external imbalances. A number of euro area countries, including some with very high deficit and debt ratios, have experienced large increases both in the domestic price level relative to that of the euro area and in relative unit labour costs, and have accumulated a large stock of external liabilities through current account deficits.

Fiscal policies need to ensure sustainability, paying due attention to a number of determinants. Low deficit and debt ratios limit the burden of future debt servicing, while preserving scope for the operation of automatic stabilisers. Viable social security systems, implying that the fiscal burdens resulting from population ageing are contained, boost expectations of sustainability. Growth-friendly policies facilitate the task of maintaining sustainability. But there is also the additional challenge of how to minimise fiscal risks stemming from internal and external imbalances. To this end, governments must be careful, especially in boom periods, to ensure that their policies do not contribute to an overheating of the economy, a loss of competitiveness and rising external indebtedness. Fiscal reforms that reduce tax distortions and contribute to the efficient allocation of resources, in particular in the labour markets, strengthen growth and give the economy greater flexibility to react to shocks, thereby helping to prevent imbalances and facilitate required adjustment.

In the context of the revised Pact, the 2007 budgets and the stability programmes of end-2006, these findings have important policy implications. It is essential that fiscal strategies address fiscal sustainability concerns in a comprehensive manner. In particular in countries with economic and fiscal imbalances, it is of the utmost importance to seize the opportunity presented by good times to make rapid progress along the path towards sound fiscal positions. In keeping with the intentions behind the reform of the Pact, namely the enhancement of the sustainability and quality of fiscal policies in the EU, Member States' fiscal strategies should take appropriate account of the broader challenges to fiscal sustainability that stem from the macroeconomic environment, such as those related to asset price booms and shifts in cost and price competitiveness. In some countries, both the scale of the required fiscal adjustment and more general sustainability concerns call for more ambitious and comprehensive fiscal consolidation and reform strategies than are currently envisaged.

THE EU ARRANGEMENTS FOR FINANCIAL CRISIS MANAGEMENT

The increased integration of financial markets and market infrastructures, the growing number of institutions active on a cross-border basis and the diversification of financial activities in the EU have helped to make markets more liquid and efficient and to increase the resilience and shock-absorbing capacity of the integrated financial sector. This increased integration also entails addressing effectively financial disturbances and their cross-border systemic implications at the EU level. Against this background, the specific arrangements for managing financial crises at the EU level between the authorities responsible for safeguarding financial stability have been considerably enhanced. The enhancements include legislative initiatives, the adoption of non-binding voluntary agreements on cooperation between authorities, and an improvement in the practical arrangements for managing a cross-border crisis situation, which have been tested through the organisation of financial crisis simulation exercises. This article provides an overview of the progress made in developing the EU financial crisis management arrangements and of the challenges ahead regarding further enhancements.

1 INTRODUCTION

Financial stability arrangements are based on the principle that the first line of defence against financial crises rests with financial institutions themselves, which are responsible for their own safety and soundness. The second line of defence involves measures taken by public authorities to prevent financial crises. These measures include (i) financial regulation, which lays down the prudential rules with which financial institutions have to comply to ensure effective risk management as well as disclosure rules to promote market discipline; (ii) financial supervision, which is aimed at ensuring that financial institutions in practice monitor and manage effectively all relevant risks; and (iii) financial stability monitoring and assessment, which identifies sources of vulnerability and risks for the financial system as a whole. If, despite all these preventive measures, financial institutions run into trouble, public authorities may be required to intervene in order to facilitate, if necessary, an orderly winding up of the institution and to mitigate more generally adverse effects on the stability of the financial system.

In the EU, financial crisis management arrangements between public authorities are based on central banks, financial supervisors and finance ministries exercising their statutory responsibilities. Measures to enhance the specific arrangements for dealing with potential crisis situations have focused on improving coordination and introducing wider cooperation processes, both among the different authorities and across Member States. The overall objective of such enhancements is to enable financial stability tasks to be carried out more effectively by facilitating the exchange of information and the consistency of potential policy action taken by different authorities within and across Member States.

This article is structured as follows. Section 2 presents the impetus given to the enhancement of EU crisis management arrangements following the introduction of the euro. Section 3 illustrates the main features of the EU crisis management arrangements, focusing on the regulatory, voluntary cooperation and central banking arrangements. Section 4 addresses the initiatives taken to make the arrangements more effective, namely the organisation of financial crisis simulation exercises at the EU level and also by the Eurosystem. Section 5 concludes, with an assessment of the progress achieved thus far and challenges ahead.

2 BACKGROUND

Following the introduction of the euro on 1 January 1999, the landscape of the European financial system changed significantly. There is evidence that the increased degree of financial integration in the EU – particularly in the euro area – at the level of markets, market infrastructures and financial institutions (with regard to the large cross-border financial groups) has significantly improved market liquidity and efficiency.[1] At the same time, however, it has also led to broader and deeper systemic interlinkages between Member States, increasing the likelihood of potential financial market disturbances in one Member State spreading across borders. These developments prompted a review of the financial stability arrangements in place at the EU level, to assess whether they were able to accommodate changes in the financial markets and still provide a sufficient safeguard for financial stability.

The Economic and Financial Committee (EFC)[2] issued a report in April 2000 concluding that, whereas the institutional arrangements provided a coherent and flexible basis for safeguarding financial stability in increasingly integrated markets, their operational features could be improved. To this end, the report put forward the following main recommendations:[3] (i) strengthen cross-sectoral cooperation; (ii) enhance the exchange of information between the responsible authorities; (iii) reinforce cooperation between supervisors and central banks to tackle crisis situations; and (iv) work on the convergence of supervisory practices.

Subsequently, the EFC also examined the specific arrangements for financial crisis management in a report issued in April 2001.[4] The main conclusion of the report was the need to further strengthen cross-border cooperation and coordination between the responsible authorities in order to ensure the effective safeguarding of financial stability. The report put forward the following four main recommendations (endorsed by the EFC and the ECOFIN Council). First, supervisory authorities should take measures to ensure that large financial groups can produce accurate information at short notice, have adequate contingency procedures in place and perform stress-testing exercises on a regular basis. Second, Member States should remove any remaining legal or practical obstacles that could prevent the timely exchange of necessary information, both on a cross-border and cross-sector basis, among supervisors, central banks, overseers of payment systems and the bodies administering deposit-guarantee schemes. In addition, each authority should develop its own checklist that should not only identify the main issues to be addressed in a crisis but also specify which other authorities have to be informed. Third, the development of ex-ante agreements was recommended as an effective means to deal with information-sharing issues and the assignment of responsibilities among authorities in the event of a crisis, especially as regards large financial groups. Finally, the competition authorities were called upon to maintain timely and robust procedures for considering the competitive implications of crisis management measures.

Following the 2001 recommendations, the ECOFIN Council asked the EFC to continue to give high priority to crisis management arrangements. In 2004 the EFC set new priorities for enhancing the EU framework for financial stability and crisis management. In particular, special attention was paid to the extension of the arrangements on crisis management to finance ministries and to the organisation of an EU-wide financial crisis simulation exercise involving the relevant authorities. These developments are described below.

1 See the article entitled "The contribution of the ECB and the Eurosystem to European financial integration" in the May 2006 issue of the Monthly Bulletin.
2 The EFC was set up by the Treaty establishing the European Community to provide advice to the EU Council meeting in the composition of the ministers of economy and finance (the ECOFIN Council) and to the European Commission. In its composition dealing with financial stability issues – the Financial Stability Table – the EFC comprises high-level representatives of finance ministries, central banks and supervisory committees.
3 The recommendations, endorsed by the EFC and subsequently by the ECOFIN Council, are available at http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/misc/ACF16BD.htm.
4 Available at www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/misc/Brouwerreport.html.

Overview of the EU framework for financial crisis management

	Authorities responsible for financial stability		
	Central banks	**Banking supervisors**	**Finance ministries**
Regulatory arrangements	Capital Requirements Directive (CRD)		
	Financial Conglomerates Directive (FCD) 1)		
Voluntary cooperation arrangements	2005 MoU on crisis management		
	2003 MoU on crisis management		
	2001 MoU on payment systems		
	Regional MoUs 2)		
	National MoUs 2)		
Central banking arrangements	Eurosystem		
EU committees	BSC and CEBS		FSC
	EFC		EFC
Tools for practical implementation	Financial crisis simulation exercises		
	Development of practices by EU Committees		

1) The exchange of information between supervisory authorities and finance ministries regarding the regulated entities of a financial conglomerate is subject to the sectoral rules in EU legislation for credit institutions, insurance companies and securities firms.
2) Regional and national memoranda of understanding (MoUs) may involve different sets of authorities, including either the central banks or banking supervisors or both. Some Member States' finance ministries are also party to MoUs.

3 THE EU CRISIS MANAGEMENT ARRANGEMENTS

As a result of the implementation of the above recommendations, the specific arrangements for dealing with financial crises in the EU between the authorities responsible for safeguarding financial stability have been considerably enhanced. Measures taken include legislative initiatives and the adoption of agreements on voluntary cooperation between authorities. This section provides an overview of the current arrangements for crisis management and the recent enhancements regarding the regulatory, voluntary cooperation and central banking frameworks. The role of the EU committees will also be briefly touched upon (see table).

3.1 THE REGULATORY FRAMEWORK

With regard to the regulatory framework, the following two pieces of legislation contain provisions that have a direct bearing on crisis management situations, in particular by defining the information flows between the authorities potentially involved in the management of cross-border crises, notably supervisors and central banks.[5]

THE CAPITAL REQUIREMENTS DIRECTIVE

The Capital Requirements Directive (CRD)[6], which transposes the "Basel II" framework into EU legislation, sets forth requirements concerning the tasks relating to the monitoring and supervision of banking groups in both "normal" and emergency situations (Articles 129 to 132). It includes the coordination and cooperation between the home-country and host-country supervisors of a credit institution or banking group.[7]

The CRD (i) assigns a coordinating role to the authority responsible for the supervision of the banking group on a consolidated basis – the consolidating supervisor[8]; (ii) strengthens and

5 These directives were among the measures adopted under the EU's broader Financial Services Action Plan (FSAP), which is outside the scope of this article. Further information on the FSAP can be found at www.ec.europa.eu.
6 The CRD, comprising Directive 2006/48/EC and Directive 2006/49/EC, was published in the Official Journal on 30 June 2006.
7 The terminology in this article regarding the consolidating supervisor of a banking group and the host-country supervisors of subsidiaries and branches of a banking group is consistent with the Committee of European Banking Supervisors' (CEBS) guidelines on supervisory cooperation for cross-border banking and investment firm groups of 25 January 2006, which are available at www.c-ebs.org.
8 As a rule, the consolidating supervisor is from the Member State where the credit institution or the financial holding company heading the group is based.

clarifies the requirements for information-sharing and cooperation among all the authorities responsible for the supervision of the entities comprising the banking group and (iii) requires the competent supervisory authorities to have written coordination and cooperation arrangements in place.

With regard to specific provisions relevant for crisis management, the CRD requires (i) the consolidating supervisor to alert central banks and ministries of finance as soon as is practicable in the event of an emergency which threatens the stability of the financial system of a Member State (Article 130); and (ii) the competent supervisory authorities to cooperate closely and to share information which is essential or relevant to their respective tasks (Article 132).[9]

THE FINANCIAL CONGLOMERATES DIRECTIVE

Developments in financial markets have led to an increase in the number of financial groups with significant cross-sectoral financial activities, i.e. financial conglomerates. Such groups, which are defined as combining at least one entity from the insurance sector and one entity from the banking or the investment services sector, are subject to the regulatory framework set forth in the Financial Conglomerates Directive (FCD),[10] which provides for supplementary supervision of the regulated entities comprising a financial conglomerate operating in the EU.

The FCD contains a number of significant provisions of relevance for crisis management. In particular, the tasks to be carried out by the coordinating supervisor[11] include the coordination of the gathering and dissemination of relevant or essential information in "normal" times and emergency situations, including the dissemination of information which is of importance for a given authority's supervisory task under sectoral rules (Article 11).

Furthermore, as in the CRD provisions mentioned above, the authorities responsible for the supervision of regulated entities in a financial conglomerate are obliged to cooperate closely with one another (Article 12). This entails, among other things: (i) the gathering and the exchange of information with regard to adverse developments in regulated entities or in other entities of a financial conglomerate which could seriously affect the regulated entities; and (ii) the sharing of information with central banks, the European System of Central Banks (ESCB) and the European Central Bank (ECB) as may be needed for the performance of their respective tasks.

The concrete application of the regulatory provisions in the area of crisis management will benefit from the procedures envisaged in the multilateral memoranda of understanding (MoUs) on crisis management, which are described in the next section.

3.2 THE FRAMEWORK FOR VOLUNTARY COOPERATION

The cooperation among EU authorities in the area of crisis management has been enhanced to a large extent through voluntary agreements in the form of MoUs between various authorities. Such agreements, which set out procedures for cooperation and information-sharing in potential crisis situations, have been adopted at the EU, regional and national levels.

9 Information is regarded as essential if it materially influences the assessment of the financial soundness of an institution.
10 Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council.
11 The FCD provides for the identification of the coordinating supervisor, which coordinates the supplementary supervision of the financial conglomerate and manages the information-sharing and cooperation among the supervisors of the regulated entities in the financial conglomerate. The FCD also lays down a structured way for the coordinating supervisor to exercise its responsibilities.

MEMORANDA OF UNDERSTANDING ON COOPERATION IN CRISIS SITUATIONS AT THE EU LEVEL

The MoUs on crisis management are a key component of the EU institutional framework for safeguarding financial stability. They are generally designed to provide basic principles and practical arrangements for cross-border cooperation between authorities in the event of disturbances with cross-border systemic implications. A disturbance has cross-border systemic implications if it risks propagating across institutions, financial markets, payment systems or other market infrastructures and has the potential to ultimately hinder the adequate functioning of the financial system in more than one Member State.

There are currently two multilateral MoUs on crisis management and one on payment systems oversight. They have been adopted by the responsible authorities of all EU Member States (see Box 1). The MoUs are not legally binding and are based on the principle of voluntary cooperation, as they are without prejudice to the exercise of statutory responsibilities by the relevant authorities.

Box 1

MULTILATERAL MEMORANDA OF UNDERSTANDING ADOPTED BY EU MEMBER STATES

Following the 2001 EFC recommendations, the first EU-wide MoU on cooperation in crisis management situations was adopted in March 2003 under the auspices of the ESCB's Banking Supervision Committee (BSC).[1] This MoU was designed to contribute to effective crisis management by ensuring a smooth interaction between the authorities concerned, thus facilitating an early assessment of the systemic scope of a crisis at both the national and EU levels. It sets out specific principles and procedures for the identification of the authorities responsible for the management of a crisis in the EU. It also indicates the required flows of information between banking supervisors and central banks, and the practical arrangements for sharing information across borders. It establishes a framework for cross-border communication between banking supervisors and central banks, including a list of emergency contacts.[2]

As a follow-up to the priorities set by the EFC in 2004, a second MoU was adopted by the EU banking supervisors, central banks and finance ministries under the aegis of the EFC in May 2005.[3] This MoU provides a set of principles and procedures for sharing information, views and assessments in order to assist the signatory authorities in pursuing their respective policy functions and to preserve the overall stability of the financial systems of individual Member States and of the EU as a whole. In particular, the authorities concerned should be in a position, if need be, to engage in informed discussions among themselves at the cross-border level through existing networks and committees. To further support cooperation between authorities, the 2005 MoU also includes arrangements for the development of contingency plans for the management of crisis situations, along with stress-testing and simulation exercises. Lastly, the MoU includes an explicit statement that it should not be construed as representing an exception

1 The BSC contributes to the macro-prudential and structural monitoring of the EU financial system, to the cooperation and exchange of information between banking supervisors and central banks on issues of common interest, and to the analysis of the impact of regulatory and supervisory requirements on financial stability.
2 See the related press release, available at www.ecb.int/press/pr/date/2003/html/pr030310_3.en.html. The authorities of the Member States that joined the EU in 2004 signed this agreement in June of that year.
3 See the related press release, available at www.ecb.int/press/pr/date/2005/html/pr050518_1.en.html.

to (i) the principle of the firm's owners'/shareholders' primary financial responsibility, (ii) the need for creditor vigilance, and (iii) the primacy of market-led solutions when it comes to solving crisis situations in individual institutions.

In addition, since January 2001 a multilateral MoU has been in place regarding cooperation between banking supervisors and central banks in their capacity as payment systems overseers.[4] Although this agreement does not specifically focus on crisis management, it does contain a number of provisions dealing with the transmission of information in the event of liquidity or solvency problems. This relates in particular to the potential risk of contagion should the inability of a market participant to meet its obligations in a large-value payment system jeopardise counterparties' ability to meet their obligations at short notice.

4 See the related press release, available at www.ecb.int/press/pr/date/2001/html/pr010402.en.html.

REGIONAL AGREEMENTS

The EU-wide MoUs on crisis management provide a broad framework for voluntary cooperation among the authorities responsible for safeguarding financial stability. This framework has been, and still is being, developed at the bilateral and regional levels.

In line with the 2001 recommendations of the EFC, authorities from some Member States may require closer cooperation structures, for instance as a result of specific systemic interlinkages stemming from banking groups with a significant presence in those countries. Such enhanced cooperation structures have been set up in the form of bilateral or regional agreements. Box 2 briefly reviews two examples of regional MoUs and discusses how they complement the EU-wide arrangements.

Box 2

REGIONAL MEMORANDA OF UNDERSTANDING ON CRISIS MANAGEMENT

This box describes two regional MoUs, namely the MoU between the central banks of the Nordic region and the MoU between Dutch and Belgian authorities.

The central banks of the Nordic region – Denmark, Finland, Iceland, Norway and Sweden – have adopted a regional agreement represented by the MoU on the "Management of a financial crisis in banks with cross-border establishments".[1] This agreement is based on two principles. First, the establishment of a structure for crisis management and the dissemination of relevant information is expected to facilitate cooperation between the central banks. Second, the non-legally binding nature of the MoU is considered an appropriate way to enable such cooperation without curtailing the flexibility of the central banks as independent institutions. On the basis of these principles, the agreement addresses the significant cross-border activity of one particular Nordic banking group, which may have implications for financial stability in more than one of these countries.

The MoU between the Nordic central banks specifies the same provisions as the 2003 MoU between EU banking supervisors and central banks. While the EU-wide MoU provides a broad

1 Available on the websites of the central banks involved.

framework, the Nordic MoU sets out more specific and detailed arrangements for cooperation and information exchange concerning the management of crises affecting banking groups. It includes conditions under which measures regarding liquidity and solvency can be taken, practical arrangements with regard to the coordination of the central banks (namely the activation of a crisis management group), specifications for the necessary contacts and information-gathering, and the coordination of public communication. In addition, the Nordic MoU widens the scope of 2003 MoU, given that it has been signed by the authorities of two non-EU Member States (Iceland and Norway).

The Nationale Bank van België/Banque Nationale de Belgique, the Commission Bancaire, Financière et des Assurances and De Nederlandsche Bank have also recently adopted a regional agreement.[2] As in the case of the Nordic countries, the adoption of this agreement is based on the view that the financial systems of Belgium and the Netherlands are so closely intertwined that they require further cooperation in the areas of supervision and financial crisis management.

To this end, the agreement is aimed at facilitating cross-border cooperation, in part by setting up a crisis management committee composed of the three authorities, which would deal with consultation and coordination practices, collect information, prepare decisions and maintain contacts with the crisis-affected institution and other market participants. The MoU is also aimed at ensuring that specific information is available in a crisis. Lastly, it acknowledges the need for closer cross-border cooperation as required by the CRD.

2 See the related press release, available on the websites of the institutions involved.

NATIONAL ARRANGEMENTS

The national arrangements for financial crisis management also form an important component of the overall EU financial stability framework. Effective communication and policy action at the cross-border level depend to a large degree on the smoothness of the interaction between authorities in the national setting.

The national arrangements drawn up between the authorities responsible for safeguarding financial stability with the aim of facilitating their interaction in potential crisis situations involve a variety of institutional mechanisms. These mechanisms include financial stability committees, MoUs and other formal or informal coordination instruments. An example is the MoU in the UK, which establishes a framework for cooperation in the field of financial stability between the Treasury, the Bank of England and the Financial Services Authority. It sets out the role of each authority and explains how they work together towards the common objective of financial stability.[12]

EU COMMITTEES

A number of committees organise cooperation and information-sharing at the EU level among the authorities responsible for safeguarding financial stability. They include the EFC, the BSC, the Committee of European Banking Supervisors (CEBS) and the Financial Services Committee (FSC).[13]

These committees play an important role in enhancing the arrangements for financial crisis management, for example in the design and

12 The MoU is available on the Bank of England's website, at http://www.bankofengland.co.uk/financialstability/mou.pdf.

13 The EFC comprises representatives of finance ministries and central banks; the BSC and the CEBS comprise representatives of central banks and banking supervisory authorities; and the FSC comprises representatives of finance ministries. The ECB is represented in all these committees, either as a member or an observer.

implementation of the aforementioned MoUs. In cases where EU-wide multilateral cooperation among the authorities might be needed, the existing EU committees may be used, within the scope of their role and tasks, to facilitate the exchange of information, views and assessments.

In this context, it should be noted that work has been carried out by the CEBS[14] with regard to the implementation of the CRD and related convergence of supervisory practices.[15] Furthermore, joint work is currently being undertaken by the BSC and the CEBS on the central banking and supervisory practices for handling financial crises at the cross-border level. The aim is to enhance the operational effectiveness of the existing arrangements, including the relevant provisions of the CRD.

3.3 THE CENTRAL BANKING FRAMEWORK

In a potential financial crisis situation, central banks have an important role to play as monetary authorities and in the context of their responsibility for contributing to the smooth functioning of payment systems and to the safeguarding of financial system stability.

In exercising these responsibilities, central banks are able to detect warning signs or disturbances in the money markets or the financial markets in general, as well as in payment systems, that could evolve into crisis situations. In addition, they are able to assess the potential channels for contagion arising from a financial market disturbance or crisis, and accordingly the likely propagation of the disturbance across financial institutions, markets and market infrastructures.

In case of financial market disturbances, central banks have the necessary tools to help restore the smooth functioning of the markets' liquidity distribution channels. These tools may include fine-tuning operations, aimed at providing aggregate liquidity to the markets, or measures concerning payment systems, such as delaying the closure of the systems so that pending payments can be settled. In addition, central banks have available standing facilities which provide liquidity with an overnight maturity to counterparties on the latter's initiative. The interest rate on standing facilities is normally substantially higher than the corresponding market rate. As a result, counterparties normally only use standing facilities when there are no other alternatives.[16]

One of the specific tools available to central banks in a crisis situation is the provision of emergency liquidity assistance (ELA) to individual credit institutions against adequate collateral. Generally, this tool consists of providing liquidity support in exceptional circumstances to a temporarily illiquid credit institution which cannot obtain liquidity through either the market or participation in monetary policy operations. This exceptional and temporary liquidity provision should respect the prohibition of monetary financing embodied in the Treaty establishing the European Community and the associated EU Council Regulation.[17] A credit institution cannot, however, assume automatic access to central bank liquidity. As a central banking function, the provision of ELA is within the discretion of the national central bank, which will consider the relevant factors that may justify the access to this lending of last resort. Specifically, the provision of ELA may be justified to prevent or mitigate potential systemic effects on financial institutions, including repercussions for market infrastructure such as the disruption of payment and settlement

14 According to Commission Decision 2004/5/EC of 5 November 2003, the role of the CEBS is to: advise the European Commission, in particular as regards the preparation of draft implementing measures in the field of banking activities; contribute to the consistent implementation of Community directives and to the convergence of Member States' supervisory practices throughout the Community; and enhance supervisory cooperation, including the exchange of information.

15 In particular, the development of guidelines for the effective and consistent implementation of the revised legal framework for cross-border banking groups and for the enhanced operational networking of national supervisors.

16 See *The monetary policy of the ECB*, ECB, 2004, p. 74.

17 This prohibition is referred to in Article 101 of the Treaty, to which Council Regulation (EC) No 3603/93 is attached.

systems. Central bank liquidity support should not be seen as a primary means of managing financial crises, since it is limited to the temporary provision of liquidity in very exceptional circumstances. Hence if, despite preventive arrangements, a crisis at a financial institution occurs, a private sector solution is preferable whenever possible. When such private solutions are deemed insufficient or impossible, the relevant components of the financial safety net could be considered, such as specific supervisory measures, recourse to the deposit insurance schemes and ultimately the winding down of the institution concerned.

The cooperation between EU central banks in a cross-border crisis situation will be facilitated, where warranted, by the procedures set out in the EU-wide and regional MoUs. In particular, the envisaged procedures will support the sharing of information on emerging financial disturbances, the assessment of potential systemic implications, and the coordination of policy action, if deemed necessary, between central banks, as well as between central banks and other authorities.

Within the specific setting of the Eurosystem, the necessary mechanisms to tackle a financial crisis are in place.

First, the Eurosystem has set up the appropriate operational procedures to contain, within the scope of its functions, the potential systemic effects of a financial disturbance. This includes procedures for the conduct of monetary policy and foreign exchange operations, the operation of TARGET, the oversight of payment systems (also considering potential consequences for the functioning of other market infrastructures) and the safeguarding of financial stability. In this context, the Eurosystem/ESCB committees established to provide assistance and advice to the ECB's decision-making bodies also provide the necessary technical infrastructure for managing the effects of a potential disturbance across the euro area.[18]

Second, the Eurosystem also has procedures in place regarding the provision of ELA to individual credit institutions in the euro area, which are under the responsibility of the national central banks (NCBs). These procedures are aimed at ensuring an adequate flow of information within the Eurosystem to the decision-making bodies of the ECB. In this way, the impact of an ELA intervention on aggregate liquidity conditions in the euro area can be managed in a manner consistent with the maintenance of the appropriate single monetary policy stance.

4 TESTING THE FRAMEWORK: THE RUNNING OF FINANCIAL CRISIS SIMULATION EXERCISES

As described in the previous sections, the EU financial crisis management arrangements comprise principles and procedures which support cooperation and information-sharing between authorities. Most of the components of these arrangements are of a practical nature, which allows authorities the necessary flexibility and discretion concerning the specific action to be taken vis-à-vis the unique features of a crisis situation. This degree of flexibility and discretion is also important given the risk that private parties could engage in excessive risk-taking in the expectation of public support in the event of difficulties, thus reducing the incentives for prudent behaviour and thereby even making a crisis more likely to occur. Therefore, as a principle, market-led solutions should be the primary avenue for resolving crisis situations in individual institutions. This principle was reaffirmed in the EU context in the 2001 EFC recommendations and the 2005 MoU.

Given the practical nature of financial crisis management arrangements, they are likely to become more effective as the EU authorities

18 Among the committees assisting the work of the decision-making bodies of the ECB, the Market Operations Committee (MOC), the Payment and Settlement Systems Committee (PSSC) and the BSC are those which could be most directly involved in financial crisis management.

become more familiar with their functioning. Authorities have therefore organised financial crisis simulation exercises, which aim as far as possible to replicate real-life crisis situations, and to test the functioning of the arrangements and the operational use of the tools provided in the EU rules and procedures. By revealing potential pressure points in these arrangements, crisis simulation exercises may also help authorities to identify possible refinements to the procedures for cooperation in crisis management.

4.1 THE SCOPE AND USEFULNESS OF SIMULATION EXERCISES

Simulation exercises can focus on different aspects of the processes underlying financial crisis management. First, the focus may be on policy arrangements, i.e. the arrangements for cooperation and information-sharing between authorities which are designed to ensure an effective decision-making process. In particular, the authorities may need to ascertain whether there are adequate procedures to exchange information with the necessary content to assess the nature and the systemic implications of a crisis, as well as to coordinate the policy decisions needed to safeguard the stability of the financial system. The crisis scenario may involve conflicting incentives among the participating authorities in order to simulate difficult policy choices.

Second, the focus may be on contingency arrangements. In this case, the simulation exercise is aimed at testing the technical and operational procedures and infrastructures. This type of exercise is designed to create a crisis scenario that would test the most relevant procedures in place to ensure the continuous and effective performance of authorities' tasks. Emphasis is placed on pressure factors, such as time, ambiguity, uncertainty, information overload and logistical limitations. In addition, the exercise tests the authorities' internal communication and decision-making procedures, as well as related processes such as contact with external parties or public communication.

The organisation of a simulation exercise includes different stages, all of which may provide valuable information. The learning process begins with the design of the exercise. For the organisers, thinking about the main elements of an unfolding crisis scenario can contribute to a better understanding of the initial signals and transmission channels of a potential disturbance, which could be complex to assess in a real situation. This can also provide input into regular financial stability analysis through the identification of additional indicators and factors which may warrant monitoring.

The actual conduct of the exercise can also bring valuable lessons, since the simulation of a crisis can be viewed as a "training facility". The participants become more aware of the information flows and decision-making processes in a crisis situation, and improve their own ability to use the existing arrangements under pressure and in cases of heightened uncertainty and possible ambiguity. Moreover, the challenge of making the necessary assessments and decisions under a very tight time constraint is an important experience for participating authorities. As a corollary, exercises can increase the ability of key persons to respond in a timely and effective manner to the rapid unfolding of complex events. Finally, participation in a simulation exercise can lead to better relationships between different authorities, which may increase the preparedness for cooperation in an emergency situation.

The evaluation phase of an exercise can provide information on the adequacy of existing frameworks for financial crisis management. A simulation exercise can highlight the existence of legal, regulatory or behavioural obstacles to the smooth interplay among authorities. This is especially important in a cross-border context, where the exchange of information, coordination and decision-taking are more complex than at the national level.

Conflicting views can arise regarding the systemic impact of a crisis and the tools which should be used to resolve it. A simulation exercise can also provide insight into whether policy and operational arrangements need to be upgraded, and whether the various tools the authorities have at their disposal to address a crisis are adequate or should be further developed. Overall, a simulation exercise contributes to the better ex-ante planning of the management of a potential crisis.

A financial crisis simulation exercise cannot, and should not seek to, deliver a blueprint for crisis management. Given the uniqueness of the factors behind the origin and the propagation of a financial crisis, there is no "right answer" regarding the process and outcome of crisis management. The value of an exercise rather lies in the lessons learnt as regards the interplay between organisations and the adequacy of existing arrangements.

4.2 THE EXPERIENCE WITH SIMULATION EXERCISES

Financial crisis simulation exercises based on the arrangements described in this article have taken place at the national, regional and EU levels.

At the EU level, financial crisis simulation exercises have been organised to test the effectiveness of the overall financial stability arrangements. The first such exercise took place in September 2003 under the aegis of the BSC and was aimed at testing the provisions of the 2003 MoU. It provided useful insights into the different aspects of cross-border cooperation between banking supervisors and NCBs in the event of a systemic financial crisis.

A recent EU-wide financial crisis management simulation exercise took place in April 2006 at the ECB under the aegis of the EFC and was aimed at testing the 2005 MoU. The exercise involved representatives from all the EU banking supervisors, central banks and finance ministries. On the basis of the findings of the exercise, the ECOFIN Council agreed on further work to enhance cooperation among Member State authorities responsible for financial market stability.[19]

In the context of the Eurosystem arrangements to safeguard financial stability, the Eurosystem central banks have also carried out exercises to assess the ability of the Eurosystem to address a complex financial crisis with potential systemic implications for several countries in the euro area. The most recent exercise took place in May 2006.

The exercises involved all the relevant central banking functions, including the conduct of monetary policy, the operation of TARGET, the oversight of payment systems (also considering potential consequences for the functioning of other market infrastructures) and the safeguarding of financial stability. Given the high degree of financial integration within the euro area, the exercises placed particular emphasis on the systemic interlinkages between the components of the financial system, including institutions, markets and market infrastructures, both on a national and on a cross-border basis. The conduct of the exercises confirmed the preparedness of the Eurosystem to deal with potentially systemic events that could affect the financial system of the euro area.

5 CONCLUSION

Since the introduction of the euro, the debate regarding the adequacy of the EU's institutional arrangements for financial stability has focused on the capability of a framework based mostly on the exercise of national responsibilities to prevent and manage crises in increasingly integrated financial markets. In this context, the specific EU arrangements for financial crisis management have been subject to comprehensive assessments, enhancements,

19 See the ECOFIN Council press release available at www.eu2006.fi/calendar/vko41/en_GB/1147696509264/?u4.highlight=

and testing through simulation exercises, which have reinforced the ability of the current institutional set-up to handle crises effectively.

The approach followed thus far has involved the development of procedures aimed at supporting the interaction between the different sets of authorities, both at the cross-border and national levels, in order to ensure the effective safeguarding of financial stability in the single financial market. These procedures take account of the fact that the authorities, in the context of their responsibilities, need to retain the necessary discretion and flexibility to tackle the specific aspects of a potential crisis situation. Accordingly, the procedures were introduced by measures of differing nature, including legislative measures, voluntary cooperation agreements and the reinforcement of the practical application of the overall framework for financial crisis management, in part through extensive testing in simulation exercises.

This approach has the merit of providing a comprehensive, multi-layered and flexible framework at the EU level, with the potential to adapt to the specific challenges that a crisis situation may pose for the responsible authorities, particularly in terms of coping with cross-border systemic implications. In addition, such a framework is open to further practical refinements in particular areas, should these be considered necessary in view of developments in the financial landscape. The periodic assessment of the effective functioning of the institutional arrangements for crisis management may also provide the basis for such refinements. In this respect, the ECOFIN Council concluded at its meeting of 10 October 2006 in Luxembourg that, following the April 2006 EU-wide simulation exercise, efforts should be continued to further deepen the cooperation among relevant authorities and to ensure that EU arrangements for financial stability correspond to the developments in the financial markets.

MIGRANT REMITTANCES TO REGIONS NEIGHBOURING THE EU

Migration to the EU from regions neighbouring the EU is not a new phenomenon. But now there is an increasing focus internationally on the payments – usually referred to as "remittances" – that migrants make to their country of origin. The flow of remittances has increased substantially over recent years, and remittances play an increasingly important role in the economies of many receiving countries. At the same time, the channels through which remittances are sent have been viewed as being at risk of use by money launderers and those that finance terrorism. This article focuses on migrant remittances to the EU's neighbouring regions. The evidence available suggests that remittances are particularly important for the countries that have been granted the prospect of EU membership. Moreover, international efforts to improve remittance data and ensure that providers of remittance transfer services operate in a safe and sound manner are well underway. The article concludes that it is a challenge for the receiving economies to improve the absorption of remittance flows into their economies for the benefit of domestic growth and development.

1 INTRODUCTION

Migration is a worldwide phenomenon. The focus of this article is on migrants from countries in the regions located to the south, south-east and east of the EU (hereafter "EU neighbouring regions"), from which the flow of migrants to the EU is noticeable. Once they have a source of income, migrants tend to "remit" funds to relatives in their country of origin. The concept of "remittance" basically refers to the process of transferring money from one person to another, primarily as a form of support to households in the country of origin. The intensity of this flow may vary greatly, depending on the motivations of the individuals concerned and a number of economic factors, such as differences in income levels.

Although remittances are the result of the decisions of individuals, they are also increasingly being viewed as a development policy issue. The economic literature has examined the impact of remittances on the recipient economies. Drawbacks have been identified, such as increased consumption, possibly leading to a worsening of the current and capital account balances and dependency on income generated abroad, which in turn may weaken incentives for the recipient to pursue a job. However, the prevailing view is that receiving countries benefit from a stable flow of often countercyclical external funding, enabling them – under certain conditions – to smoothen the economic cycle, improve creditworthiness and increase capital formation.[1]

Workers' remittances have become an important component of global financial flows from developed to developing countries, representing the second largest source of external financing for developing countries – the largest source being foreign direct investment (FDI) – and, in many cases, a more significant source than government grants and debt forgiveness. In some instances, the flows represent a very significant percentage of the receiving countries' GDP and help to finance countries' external imbalances.

International institutions have recognised the importance of remittances as a potential tool for increasing growth and as a way of compensating the loss of human capital in the migrant's country of origin. Efforts are being made internationally to improve the statistical data, thus enabling a better understanding of remittance flows and their policy implications. Work has been carried out globally to define general principles for remittance transfer services with a view to increasing the efficiency, soundness and transparency of such services. In the EU, a number of issues related to remittances are being addressed in the proposed directive

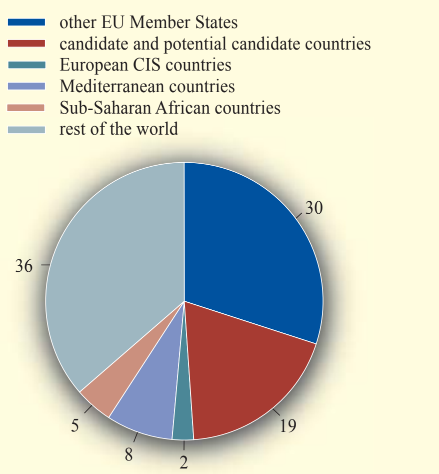
1 Migration of labour has potentially important implications for monetary policy via its effects on supply and demand. However, it is difficult to assess these effects precisely, in part due to the unavailability of reliable and timely data.

on payment services in the internal market[2]. Finally, remittance flows also receive attention in efforts to fight money laundering and combat the financing of terrorism.

The second section of this article reviews immigration and expatriation data for the EU, with a particular focus on migratory flows into the EU from the EU neighbouring regions. The third section describes statistical and payment systems definitions of remittances and empirical findings about why migrants remit funds to their countries of origin. The fourth section gives an overview of remittance flows to the EU neighbouring regions, and the fifth section reviews remittances relative to receiving economies. The sixth section describes international initiatives to improve data on remittance flows and activities already being implemented to enhance the safety and efficiency of international remittance services. The final section describes the challenges for improving the use of remittances in receiving countries, looking at some of the characteristics of local banking markets.

Chart 1 Origin of non-nationals residing in the 27 Member States of the EU

(percentage)



Sources: OECD, GéDAP/EMZ report and ECB calculations.
Note: Population data are in many EU countries based on a population census and in some countries on a population registry.

2 MIGRATION TO THE EU: SOME FIGURES

The nationality of residents in the 27 EU Member States varies considerably from country to country. Taking the EU as a whole, data from the OECD's database on immigrants and expatriates[3] and from a report published by the European Commission[4] show that 95% of the EU's population live in their country of citizenship and that, of the remaining 5%, 70% originate from countries outside the EU and 30% are migrants originating from other EU Member States (see Chart 1). In figures, using data for the period from 1999 to 2003, this means that, with a total EU population of 481 million, of the 24 million people that make up the EU's non-national population, 17 million have emigrated from countries outside the EU and 7 million can be classed as intra-EU migrants[5].

This article focuses on migrants from the EU neighbouring regions[6]:

– The biggest group is that of citizens that originate from countries neighbouring the EU that are negotiating EU membership or have officially been given the prospect of joining the EU at some point (i.e. Albania, Bosnia-Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Serbia, Montenegro and Turkey). Citizens from

2 "Proposal for a Directive of the European Parliament and of the Council on payment services in the internal market and amending Directives 97/7/EC, 2000/12/EC and 2002/65/EC" (COM(2005) 603 final).
3 http://www.oecd.org/document/51/0,2340,en_2825_494553_34063091_1_1_1_1,00.html.
4 "Migration and Asylum in Europe 2002" authored by the Groupe d'étude de Démographie Appliquée and the Berlin Institute for Comparative Social Research (GéDAP/EMZ report) as part of a project financed by the European Commission.
5 The latter figure may be an underestimate, since the underlying data was compiled at the beginning of this century, and excludes changes brought about as a result of the freedoms granted to the citizens of the ten central and eastern European and Mediterranean countries that joined the EU on 1 May 2004 and of Bulgaria and Romania, which joined on 1 January 2007.
6 Going beyond the regions considered in this article, Chart 1 shows that immigrants and expatriates from the rest of the world account for around one-third of all non-nationals residing in the EU.

these candidate and potential candidate countries account for 19% of the EU's non-national population, i.e. 4.6 million.

- The second group comprises citizens from the countries on the southern and eastern shores of the Mediterranean, which account for 8% of the EU's non-national population, i.e. 1.9 million.

- The third group is citizens from Sub-Saharan African countries. This group represents 5% of the EU's non-national population, i.e. 1.1 million.

- The fourth region, accounting for 2% of the EU's non-national population, i.e. 0.9 million, encompasses citizens from Russia and the other European countries of the Commonwealth of Independent States (CIS).

Migrants from these four regions come from countries whose institutional, economic and financial relations with the EU are expected to deepen in the next decade, albeit to varying degrees. This will occur in one of three ways: i) as a result of EU enlargement; ii) through the implementation of the European Neighbourhood Policy (concerning Mediterranean and former CIS countries); or iii) by the conclusion of preferential trade agreements (e.g. with the Sub-Saharan African countries).

3 DEFINITION AND DETERMINANTS OF MIGRANT REMITTANCES

DEFINITION

Remittances are by nature global and are thus defined with a global perspective. Nevertheless, there are two dimensions in defining remittances: the statistical dimension and the payment systems dimension. For each dimension there are divergences in terms of purpose and coverage:

- In terms of purpose, statisticians look at remittances predominantly as part of the balance of payments (b.o.p.), whereas payment systems experts consider remittances in terms of payment transactions between individuals.

- In terms of coverage, statisticians include transfers between individuals, including those in cash or kind, whereas payment systems experts mainly focus on electronic transfers, but also acknowledge the existence of remittance systems involving cash.

Accordingly, the IMF's Balance of Payments Manual and the report on "General Principles for International Remittance Services", the latter jointly prepared by the G10 Committee on Payment and Settlement Systems (CPSS) and the World Bank, give different definitions of migrant remittances. Box 1 presents these two definitions in more detail.

DETERMINANTS

The economic literature identifies a number of reasons why migrants remit funds to their country of origin.[7]

Migrants generally care about family members back home and regularly transfer mostly small amounts of money to support their family's ability to consume or to pay for the education of the family's children. Traditionally, such remittances will be higher when migrants are away from their country of origin for only a short period or at the beginning of a more permanent stay abroad. Remittances will tend to decline the longer a migrant lives outside the country of origin. Crucially, the ability to remit depends on salary levels – which is often directly related to a person's skill levels – and the cost of living in the country of residence.

Moreover, self-interests to remit arise, for example, when transfers are made as: repayments to the family that pre-financed the

7 See, for example, "Determinants of Workers' Remittances – Evidence from the European Neighbouring Region", ECB Working Paper No. 688, October 2006, by Ioana Schiopu and Nikolaus Siegfried.

Box 1

DEFINITIONS OF REMITTANCES

Statistical definition

Official statistics on remittances are primarily collected and reported through the b.o.p. framework, which is conceptually based on the IMF's Balance of Payments Manual, fifth edition, 1993 (BPM5).

The BPM5 divides remittances into three categories with separate definitions:

1. Workers' remittances (WRs) cover current transfers by migrants employed in other countries than that of their citizenship for more than a year who are thus considered residents there. WRs are recorded in the b.o.p. current account under current transfers.
2. Compensation of employees (CoEs) comprise wages, salaries and other benefits (in cash or in kind) earned by individuals – in countries other than those in which they are citizens and (still considered) residents – for work performed for and paid by residents of those host countries. Employees, in this context, include seasonal or other short-term (i.e. less than one year) workers and border workers who have centres of economic interest in their own countries. CoEs are recorded in the b.o.p. current account under income.
3. Migrants' transfers (MTs) are not transactions between two parties but contra-entries to flows of goods and changes in financial items that arise from the migration (change of residence for at least a year) of individuals from one country to another. The transfers recorded are thus equal to the net worth of the migrants at the time of migration (cash and goods transferred). MTs are recorded in the b.o.p. capital account under capital transfers.

Definition in relation to remittance service providers

The CPSS and World Bank report's definition is: *"cross-border person-to-person payments of relatively low value"*. The emphasis in this definition is on person-to-person payments rather than payments for goods and services or business-to-business payments. Nevertheless, as the definition is used to define general principles for remittance services, in an industry that performs a wider range of payments than migrants' recurring payments from developed to developing countries, the definition also captures other cross-border person-to-person transfers that are of a low value. Examples of such payments include payments by non-migrants (e.g. from parents financing a child studying abroad), ad hoc rather than recurring payments (e.g. money to cover a domestic emergency) and payments between other countries.

initial emigration; insurance against income shocks in the migrant's home country; or payments in exchange for services provided by family members back home, such as taking care of relatives and looking after property, and arrangements regarding inheritance issues.

4 REMITTANCE FLOWS TO THE EU NEIGHBOURING REGIONS

GROSS REMITTANCE FLOWS

Worldwide remittance flows have increased in recent years. Using the data for officially recorded flows of remittances – workers' remittances, compensation of employees and migrants' transfers – the World Bank[8] estimated worldwide flows of USD 226 billion for 2004, the last year for which a sufficiently broad statistical estimate exists, up from USD 69 billion in 1990. Flows to developing countries were estimated to be USD 160 billion in 2004, compared with USD 31 billion in 1990. The World Bank also estimated that the flows could be 50% higher, or even more, if unrecorded flows (i.e. remittances through unregulated money transfer firms or money carried in cash by family and friends) are taken into account.

The total for remittance inflows into the EU neighbouring regions has grown in nominal terms to USD 49 billion in 2004, up from USD 17 billion in 1990. In relative terms, however, and comparing these figures with developing countries more generally, the share of the region declined from 55% in 1990 to 31% of gross remittances in 2004.

Focusing on the period from 2000 to 2004, the Mediterranean countries were the largest beneficiaries among the EU neighbouring regions, with a steady increase in gross remittances received (see Chart 2). In 2004 the Mediterranean countries received more than double the inflow of remittances of any other EU neighbouring region.

Given the scarcity of data, it is not possible to calculate the percentage of remittance inflows into the EU neighbouring regions that originate from senders residing in the EU. Nevertheless, some estimates are available: a study published by the European Investment Bank[9] concluded that the EU is by far the main source of remittance flows to Turkey, Morocco, Algeria and Tunisia, while most remittance flows to Egypt, Lebanon, Jordan and Syria come from outside the EU.

NET REMITTANCE FLOWS

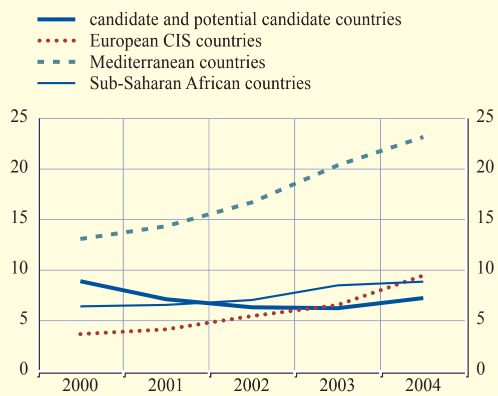
The EU neighbouring regions also host migrants who also remit funds to their countries of origin. Looking at the inflow minus outflow of remittances – i.e. net remittances – can provide a more precise estimate of the importance of such flows in supporting the external position of the receiving economies (see Chart 3). Comparing gross and net remittances in 2004, the difference is largest for the Mediterranean countries (USD 23 billion gross, USD 14 billion net) and the European CIS countries (USD 10

8 "Global Economic Prospects, Economic Implications of Remittances and Migration, 2006", World Bank, November 2005.

9 "Study on improving the efficiency of workers' remittances in Mediterranean countries", funded by the Facility for Euro-Mediterranean Investment and Partnership, 2006, European Investment Bank.

Chart 2 Gross migrants' remittances received by regions neighbouring the EU

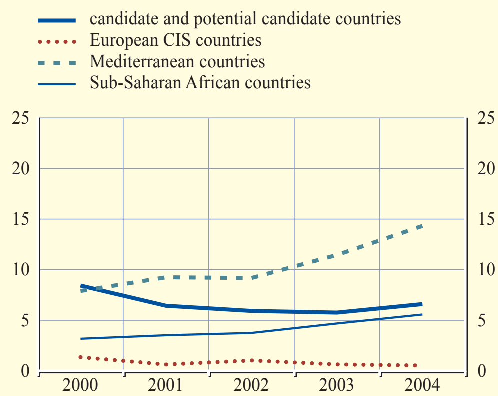
(USD billions)



Source: IMF Balance of Payments statistics.

Chart 3 Net migrants' remittances received by regions neighbouring the EU

(USD billions)



Source: IMF Balance of Payments statistics.

billion gross, USD 0.5 billion net). The difference is less pronounced in the other two regions: the economies of the candidate and potential candidate countries benefited from net inflows of USD 6.6 billion in 2004 (USD 7.2 billion in gross terms), whereas the Sub-Saharan African countries received net inflows of USD 5.6 billion (USD 8.9 billion in gross terms).

5 REMITTANCES RELATIVE TO RECEIVING ECONOMIES

With some indicators (see Table 1), it is possible to compare the importance of remittances for both the four regions and individual countries. The ratio of net remittances to GDP illustrates how important remittances can be as a source of income for the receiving economy. The ratio of gross remittances to imported goods and services illustrates their importance in financing external imbalances, whereas the ratio of gross remittances to FDI illustrates their importance relative to the source of external financing that is normally considered the most sound in terms of long-term sustainability.

Comparing all countries of the EU neighbouring regions, the ratio of net remittances to GDP in most countries is between 5% and 10%. However, this ratio is over 15% for Albania,

Table 1 Remittances relative to receiving economies in 2004

(percentages)

	Net remittances/GDP	Gross remittances/ Imports of goods and services	Gross remittances/FDI
Candidate and potential candidate countries			
Croatia	5.11	10.50	168.17
Former Yugoslav Republic of Macedonia	14.35	25.04	517.70
Turkey	0.27	0.80	28.34
Albania	15.58	38.67	368.26
Bosnia-Herzegovina	23.96	31.67	366.35
Mediterranean countries			
Egypt	4.29	12.62	271.01
Israel	0.82	7.96	240.25
Jordan	18.32	26.12	396.11
Lebanon	6.70	34.20	301.41
Libya	-2.03	2.32	21.29
Morocco	9.43	24.32	551.78
Tunisia	5.23	10.69	253.99
European CIS countries			
Armenia	14.06	41.72	288.59
Belarus	1.81	3.32	333.35
Georgia	8.63	18.99	94.76
Moldova	28.12	38.98	537.43
Russia	-0.46	3.14	26.63
Ukraine	3.62	6.71	142.10
Sub-Saharan African countries			
Côte d'Ivoire	-2.27	4.98	176.36
Ethiopia	7.66	20.28	n.a.
Ghana	14.52	24.03	924.14
Kenya	3.47	11.00	1,221.65
Mozambique	0.61	4.21	40.95
Nigeria	3.16	14.15	121.22
South Africa	-0.18	1.04	87.64
Tanzania	-0.09	2.32	29.75
Uganda	3.80	24.23	232.87

Source: IMF Balance of Payments statistics.
Note: Countries in the table are a sample of countries for which data are available. A negative sign in the table represents negative net remittances (outflows of remittances exceeding inflows). N.a. indicates that statistics are not available in the source.

Bosnia-Herzegovina, Jordan and Moldova, but remains low for larger economies, such as Turkey. Looking at the ratio between gross remittances and imported goods and services, remittance flows finance more than 20% of imports in 11 of the 27 countries included in Table 1. For many of these countries, remittances are a multiple of FDI, ranging from three times more (Albania, Armenia, Belarus, Bosnia-Herzegovina, Moldova and Morocco) to around ten times more (Ghana and Kenya).

6 INTERNATIONAL EFFORTS TO IMPROVE REMITTANCE DATA AND REMITTANCE TRANSFER SERVICES

In June 2004 the G8 Heads of State and Government agreed on an international action plan to facilitate remittances through formal financial systems – to fight money laundering and combat the financing of terrorism – as well as to improve remittance transfer services.

A first necessary step to implement the measures was to gain statistical evidence of the actual size of the transfers. This section first reviews the international efforts to enhance the availability and quality of remittance data and then briefly presents the general principles, as defined by the CPSS and the World Bank, aimed at ensuring that remitted funds reach the beneficiary in a safe and efficient manner.

INTERNATIONAL EFFORTS TO IMPROVE REMITTANCE DATA

There is a general consensus that existing statistical definitions are not clear enough and remittances are not always recorded under the correct entries in the b.o.p. Moreover, the measurement of this phenomenon is generally considered to be incomplete, underestimated and not comparable across countries, regions and over time.

The first step in dealing with identified shortcomings has been made with the proposed new definitions for b.o.p. statistics (see Box 2). Implementing the new definitions would make it easier to analyse the impact that remittances can have on investment and growth in both the sender and recipient economies, thereby helping governments to set priorities for the development of remittance transfers as a tool for economic development.

Box 2

NEW APPROACH TO THE DEFINITIONS FOR THE COLLECTION OF INFORMATION ON REMITTANCES

New definitions

The United Nations Technical Subgroup on the Movement of Natural Persons has developed a number of new concepts and definitions concerning remittances, which were subsequently reviewed by the IMF's Balance of Payments Committee and, subject to some clarifications, endorsed. These definitions will be incorporated in the updated Balance of Payments Manual[1], which is expected to be released by the IMF by the end of 2008:

1. Personal Transfers (PTs) consist of all current transfers in cash or in kind made, or received, by resident households to or from other non-resident households. PTs include all current transfers from resident to non-resident households, independently of (a) the sources of income of the sender, (b) the relationship between the households, and (c) the purpose for which the transfer is made. PTs are meant to be introduced as a standard item, replacing "workers' remittances".

1 As supplementary items for points 2 and 3 below.

2. Personal Remittances (PRs), taking the perspective of the receiving country, are defined as the sum of PTs, the net compensation of employees and the capital transfers between households, i.e. representing in essence all household-to-household transfers.

3. Total Remittances (TRs), taking the perspective of the receiving country, are defined as the sum of PRs and social benefits, i.e. including all transfers directly to households from other institutional sectors.

INTERNATIONAL EFFORTS TO IMPROVE REMITTANCE TRANSFER SERVICES

Efforts to enhance payment systems standards for remittances made headway with the publication in January 2007 of a joint report by the CPSS and the World Bank on "General Principles for International Remittance Services". The report analyses features of the market for remittances that can lead to inefficiencies in the way remittance transfer services are provided, leading to the prices of such services being higher than would be the case in an efficient market and/or to services of lower quality. To address these issues, the report sets out five general principles for ensuring secure and efficient international remittance transfer services:

– The market for remittance services should be transparent and have adequate consumer protection.

– Improvements to payment systems infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.

– Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.

– Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.

– Remittance services should be supported by appropriate governance and risk management practices.

Although the above principles are designed to be generally applicable, each country will have to assess whether the size of its remittance market justifies significant action and individual countries may want to prioritise the most important bilateral corridors or corridors where they believe their efforts will be most productive.[10] If action is required, its implementation will also need the active participation of remittance service providers.

7 CHALLENGES FOR IMPROVING THE ABSORPTION OF REMITTANCES

Activities already underway in the areas of statistics and remittance transfer services do not obviate the need to enhance the use of remittances in receiving countries, by ensuring that they contribute to capital formation and are directed into investment. The economic literature finds that this is the prime condition for ensuring that remittances help to increase output growth. The challenges here are closely linked to the ability of the banking sectors in receiving countries to provide the population and enterprises with deposit facilities and credits for investment and consumption, for

10 As an example, in 2002, the central banks of the United States and Mexico linked their automated clearing house systems, paving the way for quick, low-cost transfers from originators in the United States to recipients in Mexico. Public sector intervention may, however, not always be the most appropriate solution. The CPSS and World Bank report includes an annex that lists possible actions to implement the general principles.

example in the form of microfinance. If no such financial services are available, remittances are either consumed or stored in cash, which is inefficient, less secure and risks feeding the informal economy. It is worth noting that a number of initiatives have been launched by credit institutions and governments to address this issue.

Indicators for the geographic and demographic penetration of branches and automated teller machines (ATMs) shown in Table 2 point to the outreach of the local banking markets in the EU neighbouring regions, both in terms of traditional channels (i.e. branches) and technology (i.e. ATMs). The table also includes indicators for the penetration of loan accounts and deposit accounts to the inhabitants of these

Table 2 Banking sector outreach indicators

	Bank branches		ATMs		Per 1,000 inhabitants	
	/1,000 square kilometres	/100,000 inhabitants	/1,000 square kilometres	/100,000 inhabitants	Loan accounts	Deposit accounts
Candidate and potential candidate countries						
Croatia	18.62	23.36	31.96	40.10	n.a.	n.a.
Turkey	7.81	8.50	16.54	18.00	264.51	1,114.23
Albania	2.45	2.11	2.74	2.37	4.42	161.25
Bosnia-Herzegovina	3.15	3.86	4.38	5.36	114.09	429.40
Mediterranean countries						
Egypt	2.45	3.62	1.21	1.78	n.a.	n.a.
Israel	47.82	14.74	61.01	18.81	709.90	n.a.
Jordan	5.98	10.02	5.60	9.38	80.39	465.48
Lebanon	79.18	18.01	73.90	16.81	93.42	382.53
European CIS countries						
Armenia	8.23	7.59	1.49	1.37	41.23	111.38
Belarus	2.28	4.79	2.41	5.06	n.a.	n.a.
Georgia	2.32	3.14	0.86	1.17	n.a.	n.a.
Russia	0.19	2.24	0.53	6.28	54.11	1,892.28
Ukraine	n.a.	n.a.	0.78	0.93	n.a.	n.a.
Sub-Saharan African countries						
Ghana	1.43	1.60	n.a.	n.a.	n.a.	n.a.
Kenya	0.77	1.38	0.56	0.99	n.a.	69.98
Namibia	0.11	4.47	0.30	12.11	80.74	422.96
Nigeria	2.41	1.62	n.a.	n.a.	n.a.	n.a.
South Africa	2.22	5.99	6.49	17.50	n.a.	n.a.
Tanzania	0.23	0.57	0.07	0.17	n.a.	n.a.
Uganda	0.67	0.53	0.90	0.70	5.79	46.64
Selected EU Member States						
Belgium	181.65	53.15	229.28	67.09	59.47	3,080.31
Bulgaria	9.81	13.87	21.09	29.79	73.85	1,351.37
Denmark	47.77	37.63	66.51	52.39	450.99	2,706.07
Greece	25.53	30.81	39.39	47.55	776.48	2,417.64
Spain	78.90	95.87	104.18	126.60	556.48	2,075.96
Italy	102.05	52.07	131.71	67.20	328.15	975.64
Lithuania	1.81	3.39	15.34	28.78	58.86	1,166.45
Malta	375.00	30.08	462.50	37.09	407.21	2,495.81

Source: "Reaching out: Access to and use of banking services across countries", Working Paper Series No. 3754, Policy Research Working Paper, World Bank, October 2005, by Thorsten Beck, Asli Demirguc-Kunt and Maria Soledad Martinez Peria.
Notes: Data are based on regulator surveys from 2001-05. No data are available for the countries in the EU neighbouring regions that are not included in the table. N.a. indicates that statistics are not available in the source.

countries. When these ratios are low, the banking sector cannot viably compete with money transfer operators, with wide networks or other transfer channels.

International benchmarks for banking sector outreach do not exist and are not easily defined. Table 2 includes indicators of banking sector outreach for a number of EU Member States.

Because of the large amount of missing data, caution is necessary in drawing conclusions relating to the different regions. Nevertheless, the data show that there are large differences across countries. They also indicate that the markets in the candidate and potential candidate countries, particularly Croatia, Turkey and Bosnia-Herzegovina, are characterised by the highest outreach of the banking sector. Outreach is also high in Israel and Lebanon. Although there seems to be a fair distribution of banks in Armenia, only a small part of the population has bank accounts. The opposite is found in Russia where many bank accounts exist but banks and ATMs are sparsely distributed across the vast territory of the country. Most people living in Sub-Saharan African countries do not have access to banking services, except those living in Namibia and Zimbabwe.

In sum, banking services in many countries in the four regions are underdeveloped. The challenges of better integrating remittance proceeds into receiving economies include building trust in banking sectors through public activities to ensure the enforceability of laws, consumer protection and monetary and financial stability. Banks and public authorities need to work together to increase the financial literacy of the population. Moreover, banks and financial institutions need to provide appropriate outreach to the populations by means of distribution channels and financial products.

Addressing these general challenges might possibly take more time than implementing specific measures to improve the efficiency and soundness of remittance transfer services. Nevertheless, it is necessary in order to be able to reap the full benefits of a steadily increasing inflow of funds via private transfers from migrants into the EU neighbouring regions.

8 CONCLUSION

This article addressed migrant remittances, with a special focus on the EU neighbouring regions. As is the case globally, remittance flows are high and increasing, and are often much larger than FDIs, thus having an impact on the macroeconomic stability of the beneficiary countries. The EU is very often the primary destination of migration for these countries – and probably the most important origin of remittances – as well as a significant institutional partner. In the years to come, several initiatives taken at the global level will have to be considered and eventually implemented in the EU and its neighbouring regions (e.g. enhancing the statistical coverage and improving transfer services). In the EU, key issues relating to remittance transfer services are being addressed in the proposed directive on payment services. Crucially, efforts will have to be intensified to ensure that, in receiving countries, the banking sector reaches out to households that receive remittances to improve the absorption of the remittance flows into the economy for the benefit of domestic growth and development.

EURO AREA STATISTICS

CONTENTS[1]

1) For further information, please contact us at: statistics@ecb.int. See the ECB Statistical Data Warehouse on the Statistics section of the ECB website (http://sdw.ecb.int) for longer runs and more detailed data.

ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2007 TO INCLUDE SLOVENIA

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), 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 indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from a base in 2000 and in 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB web site at http://www.ecb.int/stats/services/downloads/html/index.en.html

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-MFI 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
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2006	8.6	8.7	8.4	-	10.9	.	3.08	3.86
2006 Q1	10.3	8.6	7.8	-	10.1	16.2	2.61	3.56
Q2	9.8	9.1	8.6	-	11.2	16.0	2.90	4.05
Q3	7.6	8.4	8.1	-	11.2	15.6	3.22	3.97
Q4	6.7	8.7	9.0	-	11.2	.	3.59	3.86
2006 Aug.	7.3	8.4	8.2	8.1	11.3	15.6	3.23	3.97
Sep.	7.2	8.4	8.5	8.4	11.5	16.1	3.34	3.84
Oct.	6.3	8.2	8.5	8.8	11.3	17.2	3.50	3.88
Nov.	6.6	8.9	9.3	9.2	11.2	18.0	3.60	3.80
Dec.	7.5	9.4	9.7	.	10.7	.	3.68	3.90
2007 Jan.	.	.	.	.	.	.	3.75	4.10

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
2005	2.2	4.1	2.4	1.4	1.3	81.2	0.8	8.6
2006	2.2	5.1	.	.	.	83.3	.	7.8
2006 Q1	2.3	5.2	2.3	2.2	3.4	82.2	1.0	8.2
Q2	2.5	5.8	2.3	2.9	4.1	83.0	1.3	7.8
Q3	2.1	5.4	2.0	2.7	3.9	83.8	1.4	7.7
Q4	1.8	4.1	.	.	.	84.2	.	7.6
2006 Aug.	2.3	5.7	-	-	5.4	-	-	7.7
Sep.	1.7	4.6	-	-	3.3	-	-	7.7
Oct.	1.6	4.0	-	-	3.7	83.9	-	7.6
Nov.	1.9	4.3	-	-	2.4	-	-	7.6
Dec.	1.9	4.1	-	-	.	-	-	7.5
2007 Jan.	1.9	.	-	-	.	84.4	-	.

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-24 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2005	3.7	48.2	-202.3	156.9	320.1	103.3	104.1	1.2441
2006	.	.	.	.	325.8	103.6	104.4	1.2556
2006 Q1	-10.8	-2.8	-31.5	22.9	327.1	101.7	102.5	1.2023
Q2	-9.2	6.4	-16.4	96.3	323.8	103.8	104.6	1.2582
Q3	-2.6	8.0	-41.3	28.4	325.0	104.5	105.3	1.2743
Q4	.	.	.	.	325.8	104.6	105.3	1.2887
2006 Aug.	-5.3	-2.3	-4.7	-15.8	326.4	104.6	105.4	1.2811
Sep.	1.7	5.7	-27.1	44.2	325.0	104.4	105.2	1.2727
Oct.	2.0	5.8	-15.3	22.5	325.5	103.9	104.7	1.2611
Nov.	2.7	6.0	-11.6	45.1	327.0	104.5	105.2	1.2881
Dec.	.	.	.	.	325.8	105.6	106.0	1.3213
2007 Jan.	.	.	.	.	.	104.9	105.3	1.2999

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.

1) 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.

2) 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.

3) 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

	2007 12 January	2007 19 January	2007 26 January	2007 2 February
Gold and gold receivables	176,793	176,756	176,720	176,681
Claims on non-euro area residents in foreign currency	143,835	142,399	142,344	143,819
Claims on euro area residents in foreign currency	23,641	22,808	22,098	23,063
Claims on non-euro area residents in euro	12,748	14,139	13,760	14,359
Lending to euro area credit institutions in euro	430,501	432,504	437,508	422,505
Main refinancing operations	310,500	312,500	317,502	292,503
Longer-term refinancing operations	120,000	120,000	120,000	130,001
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	1	4	6	0
Credits related to margin calls	0	0	0	1
Other claims on euro area credit institutions in euro	12,751	12,126	12,534	11,620
Securities of euro area residents in euro	81,150	81,872	82,066	82,156
General government debt in euro	39,359	39,359	39,359	39,309
Other assets	217,522	219,263	221,759	223,159
Total assets	1,138,300	1,141,226	1,148,148	1,136,671

2. Liabilities

	2007 12 January	2007 19 January	2007 26 January	2007 2 February
Banknotes in circulation	611,242	606,068	602,691	605,753
Liabilities to euro area credit institutions in euro	169,092	176,541	177,871	182,051
Current accounts (covering the minimum reserve system)	166,934	174,613	176,124	180,794
Deposit facility	60	17	20	31
Fixed-term deposits	2,096	1,906	1,727	1,225
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	2	5	0	1
Other liabilities to euro area credit institutions in euro	138	101	106	93
Debt certificates issued	44	37	1	0
Liabilities to other euro area residents in euro	61,146	62,496	68,710	48,308
Liabilities to non-euro area residents in euro	16,450	16,789	19,340	16,745
Liabilities to euro area residents in foreign currency	164	166	169	160
Liabilities to non-euro area residents in foreign currency	14,367	13,351	13,326	15,831
Counterpart of special drawing rights allocated by the IMF	5,611	5,611	5,611	5,611
Other liabilities	71,660	71,679	71,935	73,731
Revaluation accounts	121,990	121,990	121,990	121,990
Capital and reserves	66,396	66,397	66,398	66,398
Total liabilities	1,138,300	1,141,226	1,148,148	1,136,671

Source: ECB.

1.2 Key ECB interest rates
(levels in percentages per annum; changes in percentage points)

With effect from [1]	Deposit facility		Main refinancing operations			Marginal lending 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
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25

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				
2006 11 Oct.	367,380	378	308,000	3.25	3.29	3.30	7
18	378,950	398	318,500	3.25	3.29	3.30	7
25	378,282	387	314,000	3.25	3.30	3.31	7
1 Nov.	382,135	366	307,000	3.25	3.31	3.32	7
8	392,532	372	303,000	3.25	3.31	3.32	7
15	403,488	368	304,000	3.25	3.31	3.32	7
22	392,901	371	321,500	3.25	3.30	3.31	7
29	385,957	343	308,000	3.25	3.30	3.31	7
6 Dec.	374,364	333	329,000	3.25	3.30	3.31	7
13	383,656	344	320,000	3.50	3.55	3.56	7
20	388,526	370	321,500	3.50	3.58	3.58	8
28	379,862	373	330,500	3.50	3.58	3.68	7
2007 4 Jan.	395,644	348	330,500	3.50	3.57	3.58	6
10	381,305	375	310,500	3.50	3.55	3.56	7
17	412,215	381	312,500	3.50	3.55	3.56	7
24	428,181	395	317,500	3.50	3.55	3.56	7
31	399,269	352	292,500	3.50	3.56	3.56	7
7 Feb.	381,952	346	279,500	3.50	3.54	3.55	7
			Longer-term refinancing operations				
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91
23 Feb.	63,980	164	40,000	-	2.57	2.57	98
30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	91
28 Sep.	49,801	136	40,000	-	3.30	3.32	84
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91
21 Dec.	74,150	161	40,000	-	3.66	3.67	98
2007 1 Feb.	79,099	164	50,000	-	3.72	3.74	85

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	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
2005 9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	1
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	1
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1
8 Aug.	Collection of fixed-term deposits	19,860	21	18,000	2.75	-	-	-	1
5 Sep.	Collection of fixed-term deposits	13,635	17	11,500	3.00	-	-	-	1
10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	1
12 Dec.	Reverse transaction	21,565	25	2,500	-	3.25	3.32	3.33	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.

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
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Q1	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
Q2	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3
2006 July	14,797.1	7,787.3	553.4	1,891.9	1,192.2	3,372.4
Aug.	14,850.7	7,760.2	576.3	1,906.6	1,234.7	3,372.8
Sep.	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8
Oct. [2]	15,421.0	8,133.9	615.2	1,965.1	1,264.5	3,442.4
Nov. [2]	15,542.9	8,199.6	613.2	1,973.0	1,285.8	3,471.2

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
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
Q2	162.6	163.3	0.7	0.0	2.57
Q3	165.8	166.4	0.6	0.0	3.04
2006 10 Oct.	166.3	167.0	0.7	0.0	3.03
7 Nov.	166.2	167.0	0.8	0.0	3.30
12 Dec.	172.5	173.2	0.7	0.0	3.30
2007 16 Jan. [3]	174.3	175.3	1.0	0.0	3.57
13 Feb.	175.8	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	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 [4]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2004	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	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
Q2	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
Q3	327.3	314.0	120.0	0.1	0.0	0.1	0.4	588.7	61.4	-55.6	166.4	755.2
2006 10 Oct.	326.7	308.7	120.0	0.1	0.3	0.2	0.0	588.5	59.1	-59.1	167.0	755.7
7 Nov.	327.4	311.9	120.0	0.1	0.0	0.1	0.0	592.8	60.2	-60.6	167.0	759.8
12 Dec.	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007 16 Jan.	325.8	322.3	120.0	0.1	0.0	0.2	1.0	619.5	45.0	-72.7	175.3	794.9

Source: ECB.

1) End of period.
2) Includes the reserve bases of credit institutions in Slovenia. On a transitional basis, credit institutions located in euro area countries may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Slovenia. Starting from the reserve base as at end-January 2007, the standard treatment will apply (see Regulation (EC) No 1637/2006 of the ECB of 2 November 2006 concerning transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Slovenia (ECB/2006/15)).
3) Owing to the adoption of the euro by Slovenia on 1 January 2007, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 12 countries of the euro area for the period 13-31 December 2006 and the reserve requirements for the 13 countries now in the euro area for the period 1-16 January 2007.
4) Starting from 1 January 2007, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by Banka Slovenije before 1 January 2007 and were still outstanding after this date.

2 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
	Eurosystem													
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006 Q1	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.6
Q2	1,532.1	731.1	20.3	0.6	710.1	192.8	170.3	2.3	20.2	-	16.4	343.7	14.6	233.5
2006 July	1,554.2	741.4	20.3	0.6	720.4	197.9	173.6	2.1	22.1	-	16.4	352.6	14.8	231.2
Aug.	1,529.5	709.0	20.3	0.6	688.0	204.4	179.0	2.2	23.3	-	16.4	348.9	14.8	236.0
Sep.	1,521.6	694.2	20.3	0.6	673.2	206.5	179.9	2.2	24.4	-	16.5	348.5	14.8	241.1
Oct.	1,532.3	699.2	20.4	0.6	678.2	210.5	182.8	2.2	25.5	-	16.8	350.3	14.9	240.7
Nov.	1,532.1	689.8	20.4	0.6	668.9	215.9	188.0	2.4	25.5	-	17.0	350.5	14.8	244.0
Dec. (p)	1,558.8	696.0	19.7	0.6	675.6	217.0	187.5	2.5	27.0	-	17.2	351.1	14.8	262.8
	MFIs excluding the Eurosystem													
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,633.8	13,684.0	826.9	8,287.4	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006 Q1	24,333.7	14,024.0	816.3	8,551.5	4,656.3	3,584.9	1,440.5	573.5	1,570.9	83.6	1,096.6	3,825.1	166.3	1,553.2
Q2	24,681.0	14,323.9	809.3	8,784.3	4,730.3	3,588.0	1,402.8	600.0	1,585.3	86.6	1,109.1	3,831.9	167.9	1,573.6
2006 July	24,876.2	14,439.5	806.2	8,859.0	4,774.4	3,601.2	1,385.1	612.3	1,603.8	87.0	1,111.7	3,931.8	168.2	1,536.9
Aug.	24,895.9	14,447.0	800.9	8,875.1	4,771.0	3,584.9	1,362.7	609.3	1,612.8	83.2	1,122.3	3,931.5	168.4	1,558.5
Sep.	25,302.4	14,580.0	804.2	8,985.0	4,790.8	3,596.0	1,351.4	618.0	1,626.6	82.4	1,139.7	4,070.0	168.8	1,665.5
Oct.	25,530.8	14,667.4	806.1	9,040.7	4,820.6	3,611.7	1,341.0	632.6	1,638.1	85.9	1,158.9	4,190.6	169.6	1,646.7
Nov.	25,881.9	14,770.2	804.1	9,122.1	4,843.9	3,623.2	1,339.6	638.1	1,645.5	83.6	1,196.0	4,270.5	170.2	1,768.2
Dec. (p)	25,987.7	14,912.5	810.0	9,154.9	4,947.6	3,553.3	1,275.9	647.7	1,629.6	83.1	1,194.4	4,336.0	172.5	1,736.0

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
	Eurosystem										
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006 Q1	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
Q2	1,532.1	598.2	487.4	69.3	21.5	396.5	-	0.1	206.2	30.6	209.5
2006 July	1,554.2	607.7	490.1	64.7	19.3	406.1	-	0.1	214.0	31.0	211.3
Aug.	1,529.5	603.9	467.6	63.7	15.0	388.9	-	0.1	211.4	31.7	214.8
Sep.	1,521.6	607.7	448.3	55.2	16.1	377.0	-	0.1	211.6	33.8	220.0
Oct.	1,532.3	613.3	454.0	53.4	20.1	380.5	-	0.1	211.7	31.1	222.1
Nov.	1,532.1	617.2	443.3	52.0	19.9	371.4	-	0.1	212.7	33.2	225.6
Dec. (p)	1,558.8	647.0	431.6	33.7	15.9	382.0	-	0.1	209.9	35.3	234.7
	MFIs excluding the Eurosystem										
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,633.8	-	12,214.6	149.2	7,214.2	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006 Q1	24,333.7	-	12,419.6	148.1	7,322.0	4,949.5	686.7	3,991.5	1,368.7	3,733.7	2,133.6
Q2	24,681.0	-	12,708.7	138.1	7,512.7	5,057.9	703.1	4,060.7	1,376.2	3,701.4	2,130.9
2006 July	24,876.2	-	12,750.8	129.6	7,517.2	5,103.9	714.4	4,095.8	1,395.6	3,779.3	2,140.4
Aug.	24,895.9	-	12,723.4	121.1	7,521.6	5,080.6	722.9	4,125.9	1,400.8	3,794.1	2,128.7
Sep.	25,302.4	-	12,854.4	147.7	7,615.5	5,091.3	728.0	4,160.2	1,410.7	3,900.3	2,248.9
Oct.	25,530.8	-	12,891.8	138.4	7,636.6	5,116.8	729.1	4,211.4	1,420.2	4,002.9	2,275.3
Nov.	25,881.9	-	13,022.0	140.6	7,699.7	5,181.7	720.4	4,242.3	1,443.3	4,012.8	2,441.1
Dec. (p)	25,987.7	-	13,253.6	122.6	7,881.3	5,249.7	696.4	4,242.0	1,445.0	3,992.9	2,357.8

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										
2004	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,873.1	9,135.6	847.5	8,288.1	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006 Q1	18,450.2	9,389.1	837.0	8,552.1	2,184.2	1,608.4	575.8	784.5	4,174.0	181.0	1,737.4
Q2	18,697.2	9,614.6	829.6	8,785.0	2,175.4	1,573.1	602.3	786.6	4,175.6	182.5	1,762.5
2006 July	18,842.2	9,686.2	826.5	8,859.6	2,173.1	1,558.7	614.4	792.5	4,284.4	183.0	1,723.1
Aug.	18,862.6	9,697.0	821.2	8,875.7	2,153.1	1,541.6	611.5	799.3	4,280.4	183.2	1,749.6
Sep.	19,235.2	9,810.2	824.6	8,985.7	2,151.5	1,531.3	620.2	809.3	4,418.5	183.6	1,862.0
Oct.	19,420.0	9,867.8	826.4	9,041.4	2,158.6	1,523.8	634.8	827.1	4,540.9	184.4	1,841.1
Nov.	19,724.4	9,947.2	824.5	9,122.7	2,168.1	1,527.6	640.4	836.5	4,621.0	185.0	1,966.6
Dec. (p)	19,747.0	9,985.3	829.7	9,155.6	2,113.6	1,463.4	650.2	829.8	4,687.0	187.3	1,944.0
	Transactions										
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,605.8	711.2	12.8	698.4	154.8	75.3	79.6	50.5	447.4	1.4	240.4
2006 Q1	594.2	240.5	-10.4	250.8	54.4	28.6	25.8	67.6	202.9	-0.2	29.1
Q2	343.9	235.5	-7.2	242.7	13.3	-15.6	28.9	9.5	62.9	1.5	21.1
2006 July	131.2	72.5	-3.8	76.3	-5.0	-16.5	11.6	1.6	100.7	0.3	-38.9
Aug.	14.7	12.4	-5.3	17.7	-21.8	-21.3	-0.5	-4.9	1.7	0.2	27.1
Sep.	357.2	118.7	6.1	112.6	-4.8	-13.4	8.6	12.8	120.3	0.6	109.6
Oct.	179.6	59.3	2.6	56.7	8.5	-5.8	14.2	15.3	117.3	0.8	-21.6
Nov.	376.4	88.8	-1.8	90.6	12.6	3.5	9.1	6.8	143.0	0.6	124.8
Dec. (p)	26.0	43.9	5.2	38.6	-47.5	-58.4	10.9	-9.0	64.4	2.2	-27.9

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
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,873.1	532.8	173.6	7,228.7	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006 Q1	18,450.2	532.2	193.1	7,337.0	603.1	2,402.7	1,255.2	3,764.0	2,340.2	22.6
Q2	18,697.2	553.7	207.4	7,534.2	616.5	2,455.3	1,243.5	3,732.0	2,340.5	14.0
2006 July	18,842.2	562.7	194.3	7,536.5	627.4	2,469.9	1,274.0	3,810.3	2,351.7	15.3
Aug.	18,862.6	559.0	184.8	7,536.6	639.7	2,489.9	1,272.8	3,825.7	2,343.5	10.5
Sep.	19,235.2	563.2	202.9	7,631.6	645.6	2,509.3	1,275.4	3,934.1	2,468.9	4.2
Oct.	19,420.0	567.1	191.8	7,656.6	643.2	2,547.9	1,283.3	4,034.0	2,497.4	-1.4
Nov.	19,724.4	571.5	192.6	7,719.6	636.8	2,571.3	1,279.4	4,046.0	2,666.8	40.4
Dec. (p)	19,747.0	592.2	156.4	7,897.2	613.3	2,585.4	1,273.3	4,028.2	2,592.6	8.4
	Transactions									
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,605.8	64.4	10.9	498.0	-3.0	213.5	93.5	448.0	331.3	-50.8
2006 Q1	594.2	-0.6	19.6	103.0	9.0	77.1	28.5	240.6	82.7	34.5
Q2	343.9	21.5	15.2	204.8	14.9	64.9	1.0	19.4	-3.0	5.3
2006 July	131.2	9.0	-13.1	2.5	12.0	17.0	20.8	79.7	2.3	1.1
Aug.	14.7	-3.7	-9.5	0.6	2.7	23.7	-4.1	20.5	-11.4	-4.1
Sep.	357.2	4.2	18.0	94.4	-4.9	16.2	7.6	103.3	127.6	-9.4
Oct.	179.6	3.9	-11.1	25.1	0.7	37.9	5.1	98.6	26.7	-7.4
Nov.	376.4	4.4	0.8	69.5	14.6	31.3	-7.1	67.1	146.9	48.9
Dec. (p)	26.0	20.7	-36.2	177.7	-22.6	14.2	2.7	-19.3	-79.1	-32.1

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.

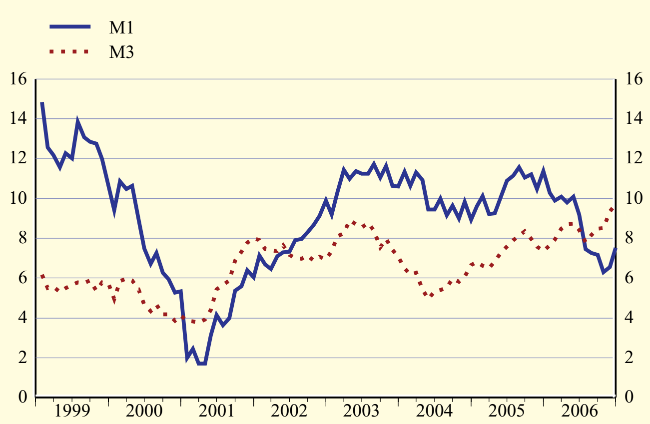
2.3 Monetary statistics

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

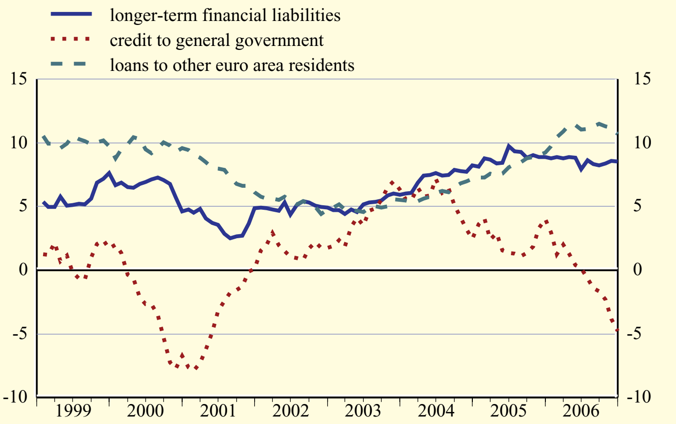
1. Monetary aggregates [1] and counterparts

	M1	M2-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	Loans	Net external assets [2]
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2004	2,909.5	2,660.5	5,570.0	964.6	6,534.6	-	4,465.3	2,294.6	8,694.9	7,548.8	373.4
2005	3,424.9	2,650.6	6,075.5	993.7	7,069.1	-	5,005.8	2,468.0	9,556.8	8,281.4	421.8
2006 Q1	3,492.3	2,722.5	6,214.9	1,007.5	7,222.3	-	5,142.0	2,439.1	9,909.9	8,561.6	425.7
Q2	3,555.9	2,779.0	6,334.9	1,028.0	7,362.9	-	5,223.6	2,391.4	10,140.6	8,755.5	444.5
2006 July	3,550.6	2,804.9	6,355.4	1,036.2	7,391.7	-	5,282.0	2,378.8	10,251.5	8,836.0	471.1
Aug.	3,572.2	2,836.7	6,408.9	1,065.6	7,474.5	-	5,297.6	2,370.3	10,342.6	8,909.0	454.6
Sep.	3,590.5	2,881.8	6,472.4	1,096.3	7,568.6	-	5,322.4	2,365.7	10,451.8	9,002.2	467.9
Oct.	3,594.1	2,908.9	6,502.9	1,093.1	7,596.0	-	5,369.7	2,358.5	10,538.1	9,057.5	484.1
Nov.	3,615.3	2,938.7	6,554.1	1,098.0	7,652.1	-	5,401.3	2,347.2	10,606.9	9,117.3	563.4
Dec. (p)	3,677.5	2,954.4	6,631.8	1,079.3	7,711.2	-	5,434.4	2,316.0	10,644.3	9,149.4	636.2
					Transactions						
2004	239.3	110.7	350.0	57.7	407.7	-	341.7	54.5	578.1	506.1	162.4
2005	339.6	138.8	478.4	6.5	484.9	-	402.1	92.6	832.1	699.4	-1.1
2006 Q1	69.2	74.6	143.7	28.8	172.5	-	104.2	-13.6	337.0	267.0	0.4
Q2	66.1	60.0	126.1	27.6	153.7	-	102.5	-28.0	250.1	203.7	28.8
2006 July	-5.3	26.0	20.7	11.4	32.1	-	49.1	-15.5	107.7	82.1	17.2
Aug.	21.6	32.4	54.0	19.5	73.5	-	16.9	-12.6	83.2	74.6	-16.0
Sep.	17.6	44.0	61.5	21.9	83.5	-	25.9	-4.9	114.5	95.9	0.5
Oct.	3.5	27.2	30.7	-0.2	30.5	-	43.8	-4.7	84.6	56.4	12.4
Nov.	22.6	33.5	56.2	20.0	76.1	-	43.7	-11.5	78.8	69.0	87.1
Dec. (p)	62.2	15.7	77.9	-16.6	61.3	-	41.0	-25.1	41.9	37.9	72.6
					Growth rates						
2004 Dec.	8.9	4.3	6.7	6.4	6.6	6.5	8.2	2.4	7.1	7.2	162.4
2005 Dec.	11.4	5.4	8.5	0.7	7.3	7.5	8.9	4.0	9.5	9.2	-1.1
2006 Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.8	2.0	11.6	10.9	-7.3
June	9.2	8.8	9.0	4.9	8.4	8.3	7.9	0.1	11.6	11.0	-34.9
2006 July	7.5	9.2	8.2	5.3	7.8	8.1	8.6	-0.7	11.8	11.1	-14.5
Aug.	7.3	9.8	8.4	7.0	8.2	8.1	8.3	-1.4	12.0	11.3	-29.2
Sep.	7.2	9.9	8.4	9.1	8.5	8.4	8.2	-1.6	12.2	11.5	-9.9
Oct.	6.3	10.8	8.2	10.2	8.5	8.8	8.3	-2.3	12.1	11.3	18.9
Nov.	6.6	11.8	8.9	12.4	9.3	9.2	8.6	-3.8	11.9	11.2	140.3
Dec. (p)	7.5	11.8	9.4	11.5	9.7	.	8.5	-4.8	11.5	10.7	203.1

C1 Monetary aggregates [3]
(annual growth rates; seasonally adjusted)



C2 Counterparts [3]
(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 the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.
3) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.3 Monetary statistics

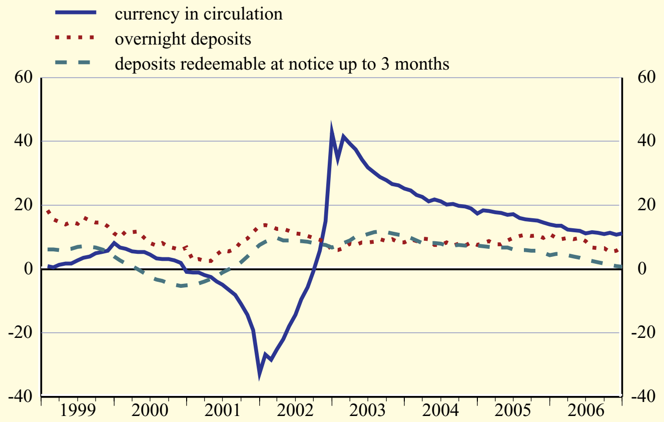
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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						
2004	456.4	2,453.1	1,024.5	1,636.0	242.3	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,904.5	1,107.9	1,542.7	236.6	630.8	126.2	2,203.9	87.0	1,515.3	1,199.6
2006 Q1	535.5	2,956.8	1,159.3	1,563.3	240.9	603.5	163.1	2,240.0	88.4	1,559.7	1,253.8
Q2	547.8	3,008.2	1,215.6	1,563.4	247.2	619.0	161.7	2,290.5	92.2	1,601.0	1,239.9
2006 July	552.3	2,998.3	1,242.1	1,562.8	252.5	623.4	160.3	2,304.4	93.8	1,611.4	1,272.4
Aug.	558.7	3,013.5	1,270.0	1,566.7	255.3	631.2	179.2	2,313.5	95.7	1,617.2	1,271.2
Sep.	563.4	3,027.1	1,314.3	1,567.5	270.1	647.3	178.9	2,328.3	97.7	1,626.3	1,270.1
Oct.	572.3	3,021.8	1,342.5	1,566.4	255.3	643.4	194.4	2,341.0	99.6	1,647.4	1,281.7
Nov.	574.6	3,040.8	1,377.4	1,561.3	257.3	641.3	199.4	2,364.5	101.7	1,652.2	1,282.9
Dec. (p)	578.3	3,099.2	1,401.2	1,553.2	256.9	628.3	194.2	2,399.8	102.5	1,659.9	1,272.2
					Transactions						
2004	67.7	171.6	-2.2	112.9	24.5	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	275.6	69.3	69.5	-6.7	-3.2	16.4	199.2	-4.3	113.9	93.3
2006 Q1	15.1	54.0	53.8	20.8	4.3	-5.6	30.1	39.9	1.4	34.8	28.1
Q2	12.3	53.8	59.6	0.3	7.1	17.0	3.5	58.0	3.8	42.1	-1.3
2006 July	4.5	-9.8	26.6	-0.6	5.2	5.5	0.6	14.3	1.6	10.5	22.7
Aug.	6.4	15.2	28.4	4.0	2.9	-1.7	18.4	13.3	1.9	5.7	-4.0
Sep.	4.7	12.9	43.2	0.7	14.8	5.3	1.8	9.4	2.0	10.6	3.9
Oct.	8.9	-5.3	28.3	-1.1	-14.8	-0.8	15.4	12.2	1.9	21.0	8.8
Nov.	2.3	20.3	38.4	-4.9	1.9	19.1	-1.1	37.4	2.1	6.2	-2.0
Dec. (p)	3.7	58.5	23.9	-8.2	-0.4	-12.2	-4.0	34.3	0.8	7.7	-1.8
					Growth rates						
2004 Dec.	17.4	7.5	-0.2	7.4	11.3	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-2.8	-0.5	15.7	10.0	-4.7	8.3	8.7
2006 Mar.	12.3	9.7	12.7	4.4	3.8	-0.5	43.5	8.7	-3.2	9.1	9.5
June	11.1	8.8	17.2	3.0	2.6	0.8	30.4	8.1	1.6	9.0	6.8
2006 July	11.5	6.7	18.9	2.5	4.7	0.6	30.2	8.6	4.1	9.2	8.3
Aug.	11.4	6.5	20.9	2.2	5.2	0.4	42.9	8.2	7.1	9.3	7.6
Sep.	11.0	6.5	21.5	1.8	12.6	0.7	44.9	8.1	10.7	9.4	6.8
Oct.	11.4	5.4	24.2	1.4	8.2	1.7	55.9	7.6	13.8	9.9	7.4
Nov.	10.8	5.8	27.3	0.9	9.0	5.8	49.3	8.8	16.5	9.7	6.4
Dec. (p)	11.1	6.9	27.4	0.7	9.0	4.3	50.3	10.0	17.8	9.1	4.5

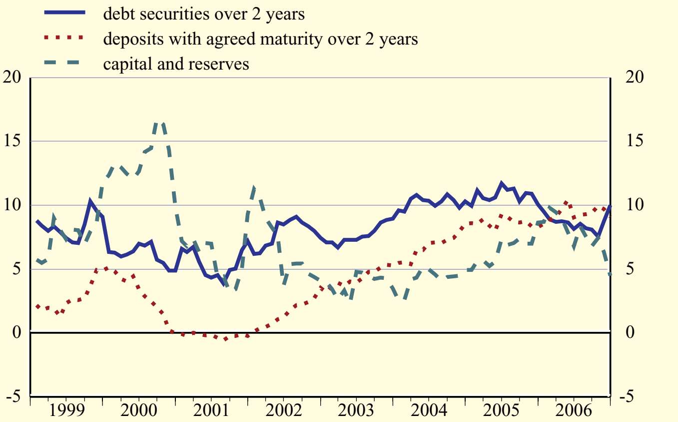
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.4 MFI loans, breakdown [1]

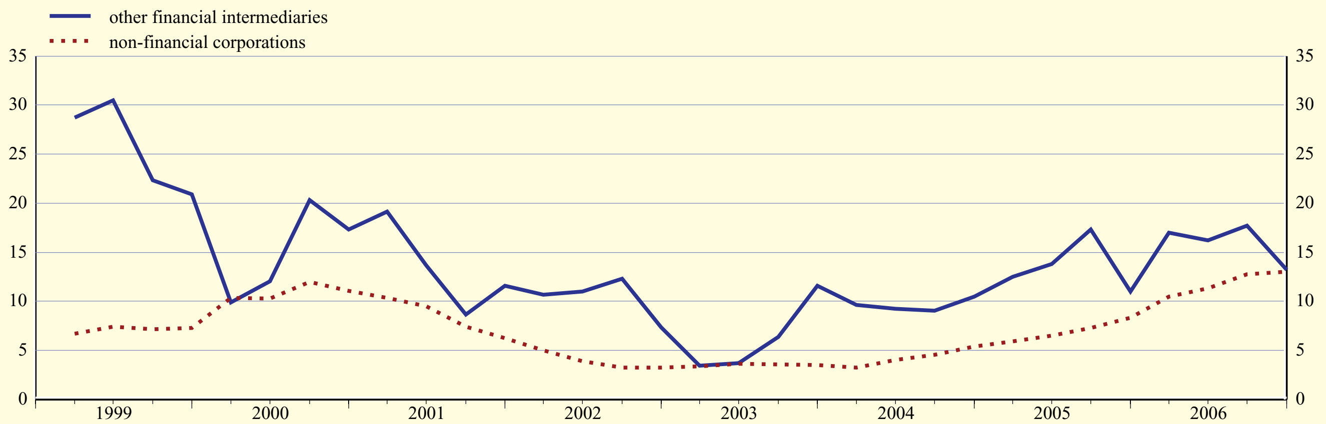
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations [2]

	Insurance corporations and pension funds		Other financial intermediaries [3]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006 Q1	81.9	57.1	661.9	412.0	3,525.1	1,060.8	626.7	1,837.6
Q2	84.7	59.6	673.5	419.6	3,640.0	1,098.6	650.9	1,890.5
Q3	89.5	63.0	703.6	439.0	3,731.0	1,106.4	681.7	1,942.9
2006 Oct.	89.1	62.0	701.8	436.9	3,767.6	1,116.9	692.1	1,958.5
Nov.	95.0	68.1	704.1	434.7	3,806.1	1,129.0	700.5	1,976.7
Dec. (p)	82.9	55.1	688.9	419.7	3,847.0	1,126.1	711.7	2,009.3
	Transactions							
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006 Q1	17.1	15.6	46.6	45.2	108.9	27.0	35.8	46.1
Q2	2.8	2.6	13.8	9.0	120.8	39.6	26.4	54.8
Q3	4.8	3.4	32.4	20.7	91.2	8.3	30.8	52.1
2006 Oct.	-0.4	-1.0	-2.0	-2.2	37.1	10.5	10.6	16.1
Nov.	6.1	6.2	4.9	-0.4	43.0	13.4	9.4	20.2
Dec. (p)	-12.1	-13.0	-14.2	-14.6	42.6	-2.2	12.0	32.8
	Growth rates							
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Mar.	40.3	44.1	17.0	16.8	10.5	7.7	14.9	10.6
June	32.5	36.3	16.2	16.7	11.3	8.0	17.4	11.4
Sep.	37.0	47.6	17.7	19.5	12.7	10.3	20.4	11.6
2006 Oct.	29.0	36.4	17.7	19.8	12.9	10.4	20.0	12.0
Nov.	26.1	35.0	16.0	17.3	13.1	10.7	20.8	12.0
Dec. (p)	28.3	33.1	13.2	15.7	13.0	9.3	21.2	12.4

C5 Loans to financial intermediaries and non-financial corporations [4]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) This category includes investment funds.
4) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.4 MFI loans, breakdown [1]

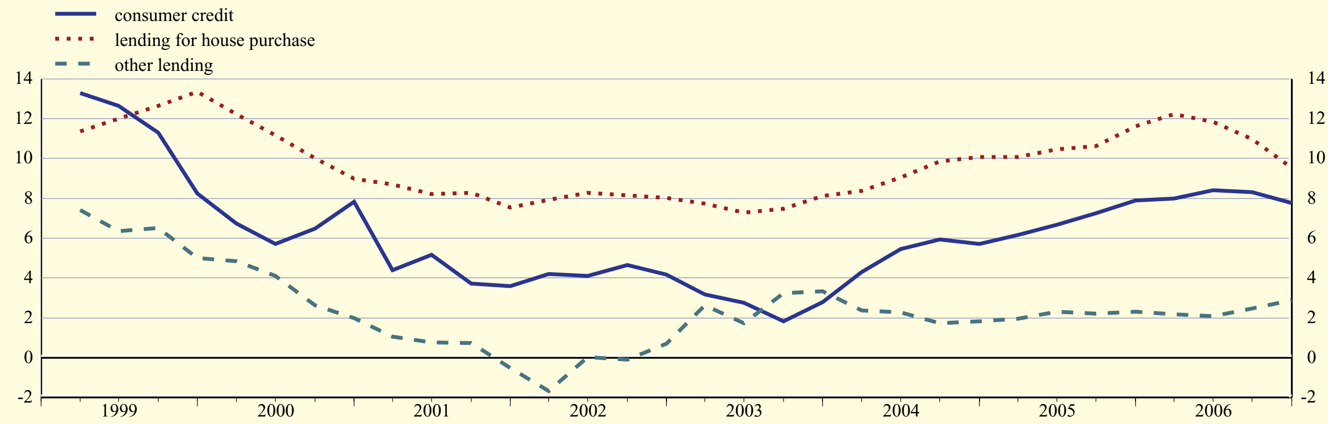
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2, 3]

	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												
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2
2005	4,193.3	554.1	129.1	200.7	224.3	2,917.7	15.2	67.5	2,835.0	721.6	147.3	99.9	474.4
2006 Q1	4,282.5	557.1	126.2	200.9	230.1	3,006.3	15.1	67.9	2,923.4	719.1	146.4	98.1	474.5
Q2	4,386.2	576.1	130.6	205.5	240.0	3,081.7	15.8	70.0	2,995.9	728.4	150.7	98.3	479.5
2006 July	4,416.4	579.6	131.2	206.0	242.3	3,110.4	15.8	70.4	3,024.2	726.4	146.8	98.5	481.2
Aug.	4,429.8	580.1	130.2	205.5	244.4	3,124.7	15.8	70.5	3,038.5	725.0	145.5	98.5	481.0
Sep.	4,461.1	582.9	130.2	206.1	246.5	3,149.5	16.4	70.9	3,062.2	728.7	146.7	99.1	483.0
Oct.	4,482.3	584.3	131.9	206.0	246.4	3,168.7	15.6	71.2	3,081.9	729.3	146.0	99.3	484.0
Nov.	4,516.9	585.2	131.7	206.5	247.0	3,195.6	15.8	71.0	3,108.7	736.1	150.1	100.0	486.0
Dec. (p)	4,536.1	588.6	134.0	205.6	249.0	3,213.6	16.2	71.8	3,125.6	733.9	148.3	100.1	485.5
	Transactions												
2004	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1
2005	359.8	40.7	9.0	11.6	20.0	302.9	0.7	4.8	297.4	16.2	3.8	1.3	11.1
2006 Q1	78.3	5.2	-2.2	1.2	6.2	71.8	0.0	0.4	71.4	1.2	-0.2	0.4	1.0
Q2	105.4	19.3	4.5	4.3	10.4	75.6	0.6	1.9	73.0	10.5	4.5	0.7	5.4
2006 July	31.7	3.9	0.8	0.5	2.6	29.2	0.0	0.5	28.7	-1.4	-3.8	0.1	2.2
Aug.	14.2	0.5	-0.8	-0.5	1.8	14.4	0.0	0.1	14.3	-0.6	-1.4	0.2	0.6
Sep.	32.3	4.5	0.3	0.8	3.4	24.9	0.6	0.4	23.9	2.9	1.1	0.5	1.2
Oct.	22.0	3.0	1.5	0.0	1.5	17.8	-0.4	0.3	17.9	1.2	-0.7	0.4	1.5
Nov.	36.5	2.4	0.4	0.7	1.4	26.7	0.3	-0.2	26.6	7.3	4.0	0.8	2.5
Dec. (p)	22.3	3.9	2.5	-0.8	2.2	18.9	0.4	0.8	17.7	-0.5	-1.6	0.7	0.5
	Growth rates												
2004 Dec.	7.9	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.6	5.2	7.5	11.8	2.3	2.6	1.3	2.4
2006 Mar.	9.8	8.0	5.9	5.8	11.1	12.2	6.9	6.0	12.4	2.2	1.6	2.1	2.4
June	9.6	8.4	6.2	4.8	13.1	11.8	7.5	8.1	12.0	2.1	0.8	2.4	2.4
2006 July	9.5	8.7	8.5	4.0	13.1	11.4	7.3	7.9	11.6	2.3	1.3	2.4	2.6
Aug.	9.2	8.3	6.9	4.0	13.2	11.1	9.1	7.4	11.2	2.3	1.4	2.5	2.5
Sep.	9.1	8.3	5.1	4.1	14.0	11.0	9.5	7.3	11.1	2.5	1.3	3.2	2.7
Oct.	8.7	8.0	5.2	3.5	13.7	10.4	9.4	7.3	10.5	2.5	1.3	3.6	2.6
Nov.	8.7	7.9	5.9	3.5	13.1	10.2	10.6	6.4	10.3	3.1	2.2	3.8	3.2
Dec. (p)	8.2	7.8	5.5	3.1	13.2	9.5	11.2	6.2	9.6	2.9	1.3	4.0	3.2

C6 Loans to households [4]

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) Including non-profit institutions serving households.
4) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.4 MFI loans, breakdown [1]

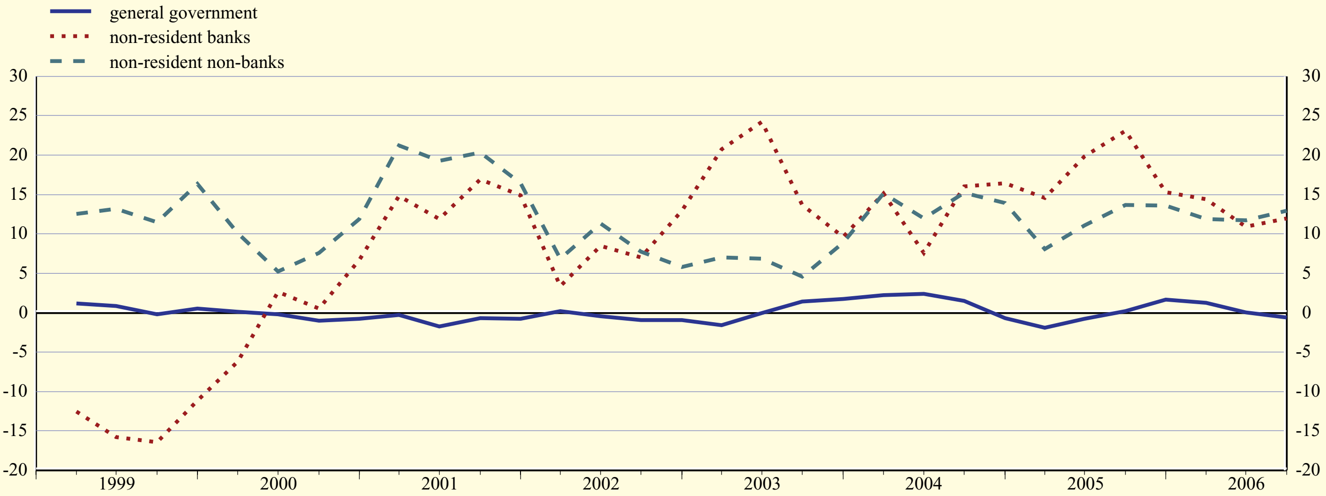
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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									
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006 Q1	816.3	118.5	240.9	427.7	29.2	2,594.7	1,821.6	773.1	62.9	710.2
Q2	809.3	106.7	234.5	436.0	32.0	2,611.3	1,839.8	771.5	66.5	705.0
Q3 (p)	804.2	102.1	230.1	438.9	33.1	2,736.1	1,923.4	817.3	67.4	750.0
	Transactions									
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	4.7	84.3
2006 Q1	-10.4	-6.3	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.5	3.6	9.9
Q3 (p)	-3.0	-2.4	-4.3	2.7	1.1	120.3	79.3	45.5	0.2	45.3
	Growth rates									
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	7.7	14.2
2006 Mar.	1.2	-8.0	-3.9	5.8	29.5	13.7	14.4	11.9	1.7	12.9
June	0.1	-13.9	-6.3	7.4	12.2	11.2	10.9	11.7	7.3	12.1
Sep. (p)	-0.6	-12.5	-7.9	7.1	1.3	12.1	12.0	13.0	4.3	13.8

C7 Loans to government and non-euro area residents [3]

(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.
3) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.5 Deposits held with MFIs, breakdown [1)]

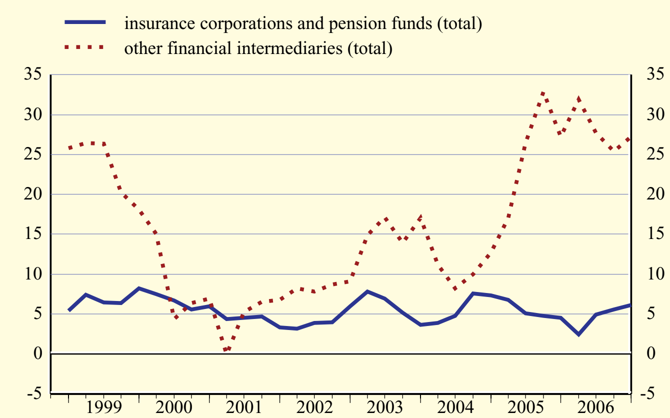
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries [2)]

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	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													
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	882.8	233.9	185.0	332.2	10.5	0.1	121.1
2006 Q1	613.0	65.6	50.4	474.8	1.1	1.4	19.7	989.2	271.5	195.1	376.3	11.0	0.1	135.2
Q2	625.7	68.6	47.9	484.7	1.0	1.4	22.1	1,048.2	278.1	213.3	407.0	10.8	0.2	138.8
Q3	637.3	66.8	51.1	492.7	1.0	1.4	24.4	1,084.8	272.2	235.9	420.7	10.2	0.3	145.5
2006 Oct.	637.7	66.0	48.3	493.0	1.0	1.4	27.9	1,091.5	260.4	240.8	443.8	10.2	0.2	136.0
Nov.	636.3	63.7	50.4	492.6	1.0	1.4	27.2	1,121.3	271.5	245.0	456.4	10.8	0.2	137.3
Dec. (p)	649.7	70.1	57.0	495.3	1.0	1.4	24.9	1,128.1	276.6	251.6	472.0	10.6	0.2	117.1
	Transactions													
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	178.4	40.1	37.3	99.2	1.5	0.0	0.4
2006 Q1	0.6	-2.0	-1.4	5.0	-0.1	0.0	-0.8	98.2	38.3	10.7	34.4	0.5	0.0	14.2
Q2	12.9	3.0	-2.4	10.0	0.0	0.0	2.4	61.7	7.6	18.5	31.3	-0.1	0.1	4.3
Q3	11.5	-1.9	3.2	8.0	-0.1	0.0	2.2	35.7	-6.7	22.4	13.9	-0.7	0.1	6.7
2006 Oct.	0.4	-0.7	-2.8	0.3	0.0	0.0	3.6	5.6	-11.8	5.0	21.9	0.1	0.0	-9.5
Nov.	-1.1	-2.2	2.2	-0.4	0.0	0.0	-0.7	33.4	12.0	5.5	13.7	0.7	0.0	1.4
Dec. (p)	13.4	6.4	6.6	2.8	0.0	0.0	-2.3	6.7	5.2	6.6	15.5	-0.2	0.0	-20.3
	Growth rates													
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	27.2	22.2	25.0	48.4	14.3	-	0.4
2006 Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	31.9	20.7	41.8	53.2	6.1	-	4.7
June	4.9	11.8	-1.7	4.6	-8.9	0.8	7.5	27.7	18.2	43.5	43.4	-1.8	-	-1.8
Sep.	5.6	10.9	-0.4	5.5	-12.0	-3.8	8.6	25.4	7.9	39.3	41.0	-3.2	-	8.4
2006 Oct.	4.4	-1.3	-0.1	5.2	-13.5	-4.4	16.2	24.1	7.8	37.1	43.9	-6.0	-	-3.9
Nov.	5.0	-6.2	19.4	4.8	-14.3	-3.8	17.9	27.4	16.2	37.9	42.5	-1.1	-	0.5
Dec. (p)	6.2	3.9	10.5	5.5	-16.0	-3.4	21.1	27.2	19.0	37.3	38.7	3.0	-	-2.7

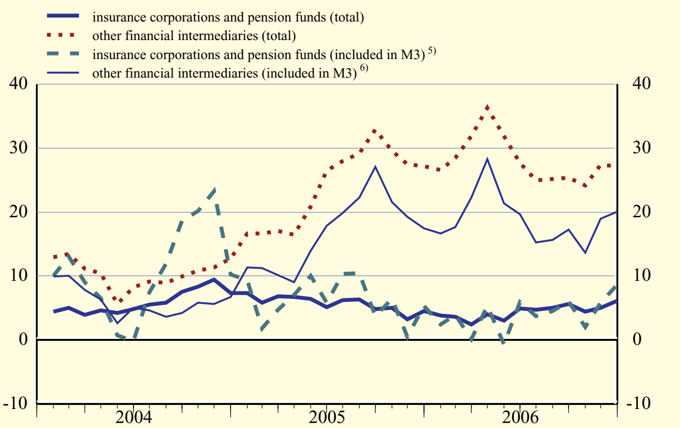
C8 Total deposits by sector [4)]

(annual growth rates)



C9 Total deposits and deposits included in M3 by sector [4)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) This category includes investment funds.
4) Data refer to the changing composition of the euro area. For further information, see the General notes.
5) Covers deposits in columns 2, 3, 5 and 7.
6) Covers deposits in columns 9, 10, 12 and 14.

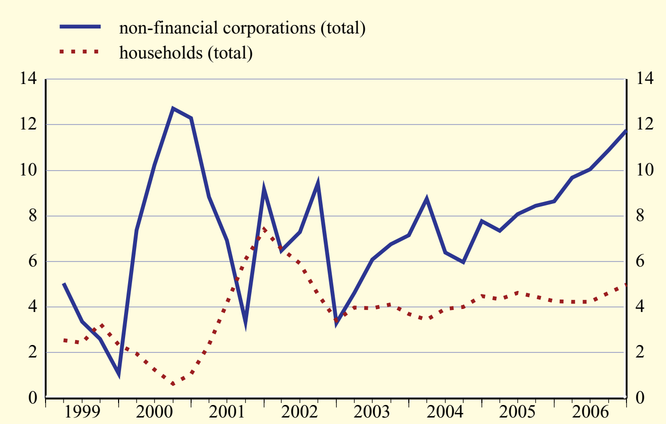
2.5 Deposits held with MFIs, breakdown [1]

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

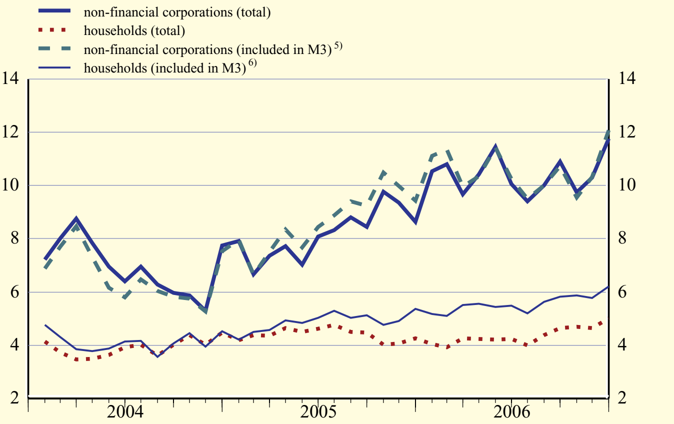
2. Deposits by non-financial corporations and households [2]

	Non-financial corporations							Households [3]						
	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													
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006 Q1	1,199.9	745.5	313.0	71.9	46.7	1.2	21.6	4,355.8	1,673.8	549.3	623.6	1,367.7	86.3	55.1
Q2	1,236.7	783.6	313.0	73.2	43.6	1.2	22.0	4,422.9	1,725.6	569.4	616.5	1,363.9	89.0	58.5
Q3	1,269.0	790.6	334.7	73.4	43.8	1.3	25.1	4,439.1	1,703.2	613.8	608.9	1,355.4	93.0	64.8
2006 Oct.	1,277.1	782.1	353.9	72.3	42.5	1.3	24.9	4,442.8	1,695.7	629.9	605.2	1,350.0	95.1	66.9
Nov.	1,289.4	799.7	351.3	71.3	42.0	1.3	23.7	4,452.6	1,698.2	644.7	602.0	1,341.5	97.7	68.5
Dec. (p)	1,345.6	852.3	356.7	70.1	40.5	1.3	24.7	4,554.3	1,750.3	669.4	606.7	1,358.1	99.8	70.0
	Transactions													
2004	80.8	48.5	17.1	6.6	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Q1	-10.4	-23.0	8.9	4.8	2.0	0.0	-3.1	14.0	-11.9	16.0	-8.1	13.9	1.8	2.3
Q2	40.0	39.3	2.0	1.3	-3.0	0.0	0.4	68.5	52.2	21.0	-7.0	-3.7	2.7	3.4
Q3	32.0	6.9	21.6	0.2	0.2	0.0	3.1	17.5	-22.2	44.3	-6.3	-8.5	3.9	6.3
2006 Oct.	9.3	-8.5	19.2	0.1	-1.3	0.0	-0.1	3.8	-7.5	16.1	-3.7	-5.4	2.1	2.1
Nov.	14.7	18.6	-1.4	-0.8	-0.5	0.0	-1.2	11.1	2.8	15.7	-3.1	-8.4	2.6	1.6
Dec. (p)	56.2	52.6	5.4	-1.2	-1.4	0.0	0.9	101.7	52.1	24.8	4.7	16.5	2.1	1.5
	Growth rates													
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Mar.	9.7	9.8	11.5	6.6	14.2	-27.6	-9.8	4.2	7.4	6.6	-1.7	3.2	-2.7	7.6
June	10.1	8.9	15.4	8.3	4.3	-19.5	1.1	4.2	6.0	11.5	-2.5	2.2	2.1	14.9
Sep.	10.9	10.1	13.9	14.0	-0.5	4.2	10.6	4.6	4.8	19.2	-2.8	1.1	10.8	25.7
2006 Oct.	9.7	6.7	18.0	12.8	-4.8	4.6	18.8	4.7	4.1	21.8	-3.2	0.9	14.0	30.7
Nov.	10.3	8.1	19.2	10.1	-6.6	4.9	0.9	4.6	3.5	24.1	-3.4	0.5	16.9	30.5
Dec. (p)	11.8	11.2	18.4	6.5	-9.2	5.9	0.3	5.0	3.9	25.9	-3.7	0.3	18.2	32.6

C10 Total deposits by sector [4]
(annual growth rates)



C11 Total deposits and deposits included in M3 by sector [4]
(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) Including non-profit institutions serving households.
4) Data refer to the changing composition of the euro area. For further information, see the General notes.
5) Covers deposits in columns 2, 3, 5 and 7.
6) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown [1)]

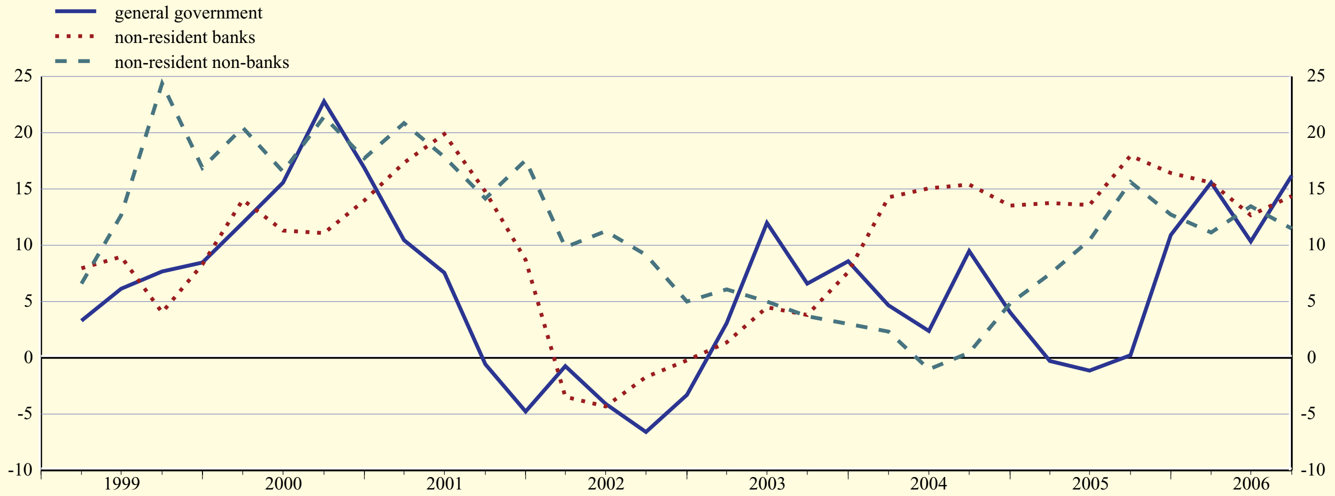
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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									
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3 (p)	333.0	147.7	41.5	83.7	60.1	3,369.2	2,499.1	875.3	132.4	742.9
	Transactions									
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3 (p)	15.8	9.6	1.9	1.1	3.2	157.6	124.5	38.2	4.1	34.0
	Growth rates									
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.1	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep. (p)	16.2	10.1	15.5	17.5	33.0	13.4	14.4	11.4	5.7	12.5

C12 Deposits by government and non-euro area residents [3)]

(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.
3) Data refer to the changing composition of the euro area. For further information, see the General notes.

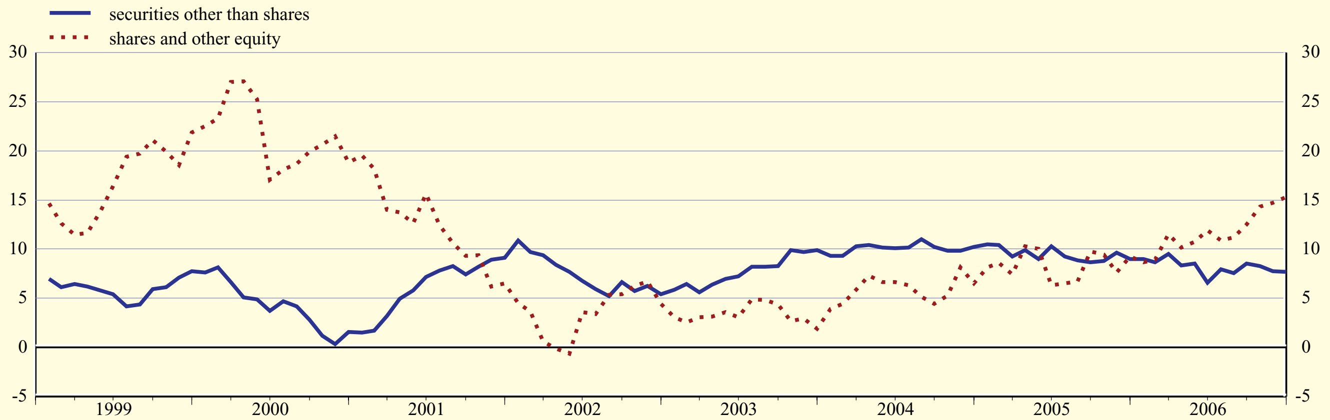
2.6 MFI holdings of securities, breakdown [1]

(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											
2004	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006 Q1	4,551.2	1,501.6	69.3	1,423.8	16.6	544.9	28.6	966.3	1,359.5	323.6	773.0	262.9
Q2	4,544.0	1,519.5	65.8	1,385.6	17.2	572.6	27.4	955.9	1,372.4	334.5	774.7	263.3
2006 July	4,612.7	1,534.2	69.6	1,367.9	17.2	584.0	28.3	1,011.5	1,368.2	331.1	780.5	256.5
Aug.	4,605.2	1,545.0	67.9	1,345.4	17.3	580.5	28.9	1,020.4	1,381.2	335.0	787.3	258.9
Sep.	4,652.8	1,557.7	68.9	1,334.7	16.7	589.3	28.7	1,056.8	1,415.5	342.4	797.2	275.8
Oct.	4,691.7	1,568.4	69.7	1,324.5	16.6	602.3	30.3	1,080.0	1,447.4	344.1	814.8	288.5
Nov.	4,722.3	1,575.4	70.1	1,323.1	16.5	609.1	28.9	1,099.1	1,479.7	372.2	823.9	283.6
Dec. (p)	4,661.6	1,557.2	72.5	1,259.7	16.2	618.0	29.7	1,108.3	1,491.9	377.3	817.1	297.5
	Transactions											
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	353.9	85.7	2.0	51.4	-0.9	71.6	7.6	136.5	106.7	26.8	50.7	29.2
2006 Q1	173.1	59.2	3.5	23.5	0.2	22.2	3.4	61.1	89.0	10.7	66.9	11.4
Q2	24.6	15.1	-2.0	-20.6	1.0	29.1	-0.3	2.3	22.4	13.5	8.5	0.3
2006 July	65.6	12.8	3.7	-19.2	-0.1	10.9	0.9	56.5	-10.7	-4.2	1.7	-8.2
Aug.	-10.2	9.3	-0.4	-26.1	0.2	-1.2	0.7	7.2	-0.7	3.2	-4.7	0.8
Sep.	38.8	16.8	0.7	-12.9	-0.8	8.9	-0.4	26.5	32.2	3.2	12.8	16.3
Oct.	37.4	11.0	0.5	-8.9	-0.1	12.8	1.5	20.6	26.4	1.0	15.3	10.1
Nov.	63.8	14.1	2.2	-1.9	0.4	9.4	-0.5	40.0	30.8	28.4	6.8	-4.4
Dec. (p)	-55.6	-18.2	2.4	-58.8	-0.2	9.9	0.9	8.3	6.2	3.0	-9.1	12.2
	Growth rates											
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.0	6.3	3.6	4.1	-4.5	15.9	43.3	18.0	9.2	9.5	7.6	13.6
2006 Mar.	9.5	8.3	1.2	1.5	-0.4	16.4	67.6	21.0	11.5	10.0	14.9	3.8
June	6.6	5.9	1.0	-1.0	12.4	17.4	50.9	13.4	11.9	12.6	12.1	10.2
2006 July	7.9	6.2	6.6	-2.2	8.9	20.0	48.1	19.9	10.9	10.1	13.4	4.5
Aug.	7.6	7.0	5.9	-3.5	9.4	20.4	46.2	18.3	11.2	11.8	12.7	5.9
Sep.	8.5	8.5	6.9	-3.7	1.7	21.9	50.7	19.8	12.5	12.8	12.8	11.1
Oct.	8.2	8.9	5.2	-5.3	-1.0	21.3	39.0	20.9	14.3	13.0	13.7	17.5
Nov.	7.7	9.3	7.0	-8.2	2.2	19.3	27.5	23.9	14.7	17.2	14.3	12.9
Dec. (p)	7.7	8.3	16.8	-9.0	3.4	19.5	24.5	24.6	15.3	18.7	13.9	15.1

C13 MFI holdings of securities [2]

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

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
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Q1	-1.1	-0.4	-0.2	-0.5	-1.3	-0.1	0.0	-1.2	-2.0	-0.5	-0.3	-1.2
Q2	-0.7	-0.2	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-1.4	-0.1	-0.6	-0.7
2006 July	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Aug.	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2
Sep.	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.4
Oct.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Nov.	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.3
Dec. (p)	-0.6	-0.2	-0.2	-0.3	-0.6	-0.1	0.0	-0.5	-1.2	-0.2	-0.5	-0.5

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
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
Q2	-2.6	-0.6	-1.1	-0.9	-0.1	0.0	0.0
2006 July	-0.6	-0.1	-0.2	-0.3	0.0	0.0	0.0
Aug.	-1.0	0.0	-0.8	-0.2	-0.1	0.0	-0.1
Sep.	-0.9	-0.3	-0.2	-0.4	-0.1	0.0	-0.1
Oct.	-0.4	0.1	-0.2	-0.3	0.0	0.0	0.0
Nov.	-0.7	-0.2	-0.2	-0.4	-0.1	0.0	-0.1
Dec. (p)	-2.9	-0.6	-1.2	-1.1	-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
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005	22.7	3.4	0.5	7.6	0.7	1.6	0.3	8.6	28.1	4.6	17.1	6.4
2006 Q1	-6.5	-1.1	-0.1	-4.1	-0.1	-0.8	0.0	-0.2	16.0	3.9	6.8	5.2
Q2	-9.4	0.2	-0.1	-4.4	0.0	-1.2	-0.2	-3.6	-11.1	-2.3	-6.9	-1.9
2006 July	4.6	0.3	0.0	2.5	0.0	1.2	0.0	0.6	5.8	0.9	3.5	1.5
Aug.	3.3	0.8	0.0	1.3	0.0	0.0	0.0	1.3	4.8	1.0	3.2	0.7
Sep.	3.8	1.0	0.0	2.2	0.0	0.1	0.0	0.3	3.6	1.2	1.7	0.7
Oct.	0.1	0.1	0.0	-1.7	0.0	0.8	0.0	0.8	5.4	0.7	2.1	2.6
Nov.	0.0	0.4	-0.1	2.2	-0.1	0.6	-0.1	-2.8	1.5	-0.4	2.3	-0.4
Dec. (p)	-5.0	-0.6	-0.1	-4.1	0.0	-0.6	-0.1	0.5	6.1	2.1	2.3	1.7

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													
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,363.4	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,470.1	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,650.8	96.6	3.4	2.0	0.3	0.1	0.6
Q3 (p)	5,091.3	90.4	9.6	5.9	0.5	1.3	1.2	7,763.1	96.4	3.6	2.2	0.3	0.1	0.6
	By non-euro area residents													
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.4	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3 (p)	2,499.1	47.5	52.5	34.1	2.2	2.6	10.4	875.3	51.6	48.4	31.4	1.6	2.2	10.1

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
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3 (p)	4,383.1	80.9	19.1	10.0	1.7	1.8	3.2

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													
2004	4,457.8	-	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4
2005	4,569.7	-	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5
2006 Q1	4,656.3	-	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5
Q2	4,730.3	-	-	-	-	-	-	9,593.6	96.4	3.6	1.7	0.1	1.2	0.5
Q3 (p)	4,790.8	-	-	-	-	-	-	9,789.3	96.3	3.7	1.7	0.2	1.1	0.6
	To non-euro area residents													
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006 Q1	1,821.6	49.6	50.4	30.3	3.8	2.4	9.2	773.1	38.9	61.1	44.1	1.7	3.9	7.8
Q2	1,839.8	49.6	50.4	29.4	2.8	2.4	10.6	771.5	40.3	59.7	42.2	1.1	4.1	8.3
Q3 (p)	1,923.4	50.2	49.8	29.3	2.3	2.2	10.7	817.3	41.3	58.7	41.2	1.9	3.6	8.6

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													
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.7	97.8	2.2	1.2	0.3	0.1	0.6
Q3 (p)	1,626.6	95.8	4.2	2.1	0.2	0.3	1.3	1,969.4	97.7	2.3	1.3	0.3	0.1	0.6
	Issued by non-euro area residents													
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	395.5	49.4	50.6	29.7	0.8	0.6	15.9	540.7	36.2	63.8	36.3	8.6	0.8	12.6
2006 Q1	422.4	51.0	49.0	28.2	0.8	0.6	16.0	559.7	37.2	62.8	35.2	6.1	0.8	15.1
Q2	438.8	52.1	47.9	28.0	1.0	0.5	15.1	557.6	38.0	62.0	34.9	6.2	0.8	14.7
Q3 (p)	471.1	51.2	48.8	29.4	0.7	0.7	14.7	610.3	36.2	63.8	36.8	5.4	0.7	15.7

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	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
2005 Q2	4,313.4	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.0
Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2	5,135.6	316.7	1,908.3	145.2	1,763.1	1,776.1	600.9	180.3	353.2
Q3 (p)	5,355.2	315.5	1,983.9	178.4	1,805.5	1,865.1	637.1	181.3	372.2

2. Liabilities

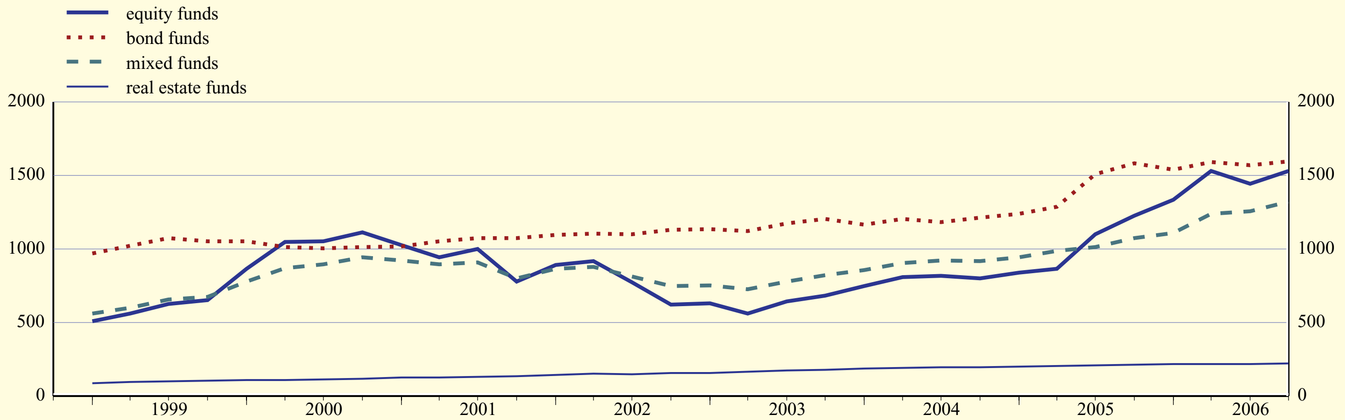
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2005 Q2	4,313.4	58.6	4,034.4	220.4
Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2	5,135.6	76.4	4,787.2	271.9
Q3 (p)	5,355.2	75.7	4,992.4	287.0

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2005 Q2	4,313.4	1,097.2	1,510.2	1,011.1	207.1	487.9	3,245.6	1,067.9
Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2	5,135.6	1,441.6	1,569.3	1,256.4	217.4	650.9	3,910.9	1,224.7
Q3 (p)	5,355.2	1,531.2	1,597.0	1,320.4	221.0	685.6	4,080.6	1,274.5

C14 Total assets of investment funds [2]

(EUR billions)



Source: ECB.

1) Other than money market funds. For further details, see the General notes.

2) Data refer to the changing composition of the euro area. For further information, 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								
2005 Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2	1,441.6	52.2	51.3	6.4	44.9	1,220.3	69.2	-	48.6
Q3 (p)	1,531.2	53.6	75.9	33.2	42.7	1,281.3	68.2	-	52.3
	Bond funds								
2005 Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3 (p)	1,597.0	105.5	1,285.6	86.6	1,199.0	41.5	51.0	-	113.4
	Mixed funds								
2005 Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2	1,256.4	71.9	483.9	40.3	443.6	318.3	253.6	0.2	128.5
Q3 (p)	1,320.4	68.1	509.6	45.1	464.5	331.9	273.2	0.3	137.2
	Real estate funds								
2005 Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9
Q3 (p)	221.0	16.4	6.0	1.6	4.4	1.9	6.2	180.1	10.4

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
	1	2	3	4	5	6	7
	General public funds						
2005 Q2	3,245.6	247.7	1,207.1	1,125.1	313.7	144.8	207.2
Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2	3,910.9	256.9	1,321.1	1,448.1	452.1	151.2	281.5
Q3 (p)	4,080.6	260.1	1,371.5	1,527.7	473.7	151.1	296.5
	Special investors' funds						
2005 Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2	1,224.7	59.9	587.2	328.1	148.8	29.1	71.7
Q3 (p)	1,274.5	55.4	612.4	337.3	163.4	30.2	75.7

Source: ECB.

3 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)

	Total	Currency and deposits									Memo: deposits of non-MFIs with banks outside the euro area
		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	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2005 Q2	17,432.6	6,535.9	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	343.4	369.7
Q3	17,796.2	6,536.5	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	349.1	389.2
Q4	18,205.4	6,737.7	465.5	5,732.3	2,559.1	1,604.4	1,488.5	80.3	173.6	366.4	366.8
2006 Q1	18,674.1	6,759.1	459.4	5,733.7	2,517.7	1,629.2	1,505.9	80.9	193.1	372.9	376.9
Q2	18,756.9	6,913.7	478.9	5,859.1	2,619.4	1,653.9	1,501.6	84.2	207.4	368.2	385.5
Q3	19,063.8	6,957.3	486.8	5,908.4	2,601.6	1,715.7	1,497.1	93.9	202.9	359.2	373.9
	Transactions										
2005 Q2	300.6	163.6	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	7.3	-12.5
Q3	101.3	0.8	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	5.4	11.4
Q4	292.7	204.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	16.6	-12.3
2006 Q1	142.8	23.9	-6.1	4.2	-40.5	26.6	17.5	0.6	19.6	6.3	4.6
Q2	303.7	160.2	19.6	130.1	103.2	27.7	-4.1	3.3	15.2	-4.7	-0.9
Q3	177.0	55.6	7.9	50.4	-17.7	62.9	-4.5	9.7	-4.5	1.9	-16.4
	Growth rates										
2005 Q2	4.6	5.8	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	7.3	1.4
Q3	4.5	5.4	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	5.8	1.5
Q4	5.1	6.0	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	6.9	2.7
2006 Q1	4.9	6.2	12.2	5.6	8.4	4.5	2.9	2.7	2.9	10.6	-2.4
Q2	4.8	6.0	10.9	5.8	7.1	7.0	2.2	9.2	-1.6	6.9	0.8
Q3	5.1	6.8	10.7	6.4	6.7	9.7	1.6	20.7	11.7	5.8	-6.4

	Securities other than shares			Shares [1]				Insurance technical reserves		
	Total	Short-term	Long-term	Total	Quoted shares	Investment fund and money market fund shares/units		Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
							Money market fund shares/units			
	12	13	14	15	16	17	18	19	20	21
	Outstanding amounts									
2005 Q2	1,997.8	237.8	1,760.0	4,447.7	2,366.9	2,080.8	409.2	4,451.2	4,042.5	408.7
Q3	1,990.7	236.2	1,754.6	4,710.3	2,549.3	2,161.0	410.3	4,558.7	4,144.7	414.0
Q4	1,968.5	219.0	1,749.5	4,839.6	2,669.5	2,170.0	400.5	4,659.5	4,242.0	417.5
2006 Q1	2,044.7	251.2	1,793.5	5,121.4	2,911.7	2,209.8	379.0	4,748.9	4,327.4	421.5
Q2	2,068.3	253.1	1,815.2	4,980.6	2,837.5	2,143.1	378.1	4,794.2	4,371.0	423.3
Q3	2,111.0	259.7	1,851.3	5,120.6	2,959.6	2,161.0	383.8	4,874.8	4,448.8	426.0
	Transactions									
2005 Q2	26.2	8.4	17.7	34.4	21.4	13.0	-0.7	76.4	72.0	4.4
Q3	-3.2	4.7	-7.9	26.9	-6.7	33.6	3.0	76.7	71.3	5.4
Q4	0.3	-17.3	17.6	2.4	1.7	0.7	-8.4	85.9	82.3	3.6
2006 Q1	62.9	31.8	31.1	-31.4	-44.8	13.4	4.2	87.5	82.0	5.4
Q2	36.0	4.3	31.7	41.7	45.7	-4.1	-2.3	65.7	64.2	1.6
Q3	48.7	12.2	36.5	4.3	17.4	-13.1	7.1	68.5	68.4	0.1
	Growth rates									
2005 Q2	3.5	8.8	2.8	0.6	-0.9	2.3	-3.3	7.2	7.3	5.7
Q3	2.6	7.6	1.9	0.9	-1.6	3.6	-1.8	7.4	7.6	6.1
Q4	2.3	-2.9	3.1	2.5	0.9	4.2	0.1	7.6	7.7	6.1
2006 Q1	4.4	12.0	3.4	0.7	-1.2	3.0	-0.5	7.5	7.8	4.7
Q2	4.8	9.9	4.1	0.9	-0.2	2.1	-0.9	7.1	7.4	3.9
Q3	7.4	13.1	6.7	0.4	0.8	-0.1	0.2	6.7	7.2	2.6

Source: ECB.

1) 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)

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from outside the euro area by non-MFIs
		Total		General government			Non-financial corporations			Households [1]			
			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												
2005 Q2	18,808.1	9,251.4	8,110.3	926.7	82.2	844.5	3,912.2	1,241.4	2,670.8	4,412.4	303.2	4,109.2	528.5
Q3	19,270.4	9,381.7	8,240.1	931.0	87.5	843.4	3,947.4	1,228.4	2,718.9	4,503.4	300.7	4,202.7	555.5
Q4	19,544.9	9,624.3	8,450.6	937.9	79.8	858.1	4,062.7	1,270.6	2,792.1	4,623.7	307.1	4,316.6	588.9
2006 Q1	20,179.7	9,848.4	8,645.3	932.6	86.7	845.9	4,199.9	1,290.9	2,909.0	4,715.9	302.4	4,413.5	648.1
Q2	20,255.2	10,071.9	8,856.4	919.0	88.7	830.3	4,330.0	1,339.9	2,990.1	4,822.9	311.9	4,511.0	689.1
Q3	20,643.4	10,244.1	9,017.2	911.1	87.7	823.4	4,429.4	1,355.4	3,074.0	4,903.6	309.1	4,594.6	750.8
	Transactions												
2005 Q2	341.9	199.1	187.8	0.8	4.8	-4.0	84.4	39.1	45.3	113.8	10.5	103.3	51.6
Q3	205.6	130.8	133.4	4.5	5.3	-0.9	33.2	-16.8	50.0	93.1	-2.5	95.6	28.6
Q4	280.5	267.7	227.0	14.4	-7.5	21.9	131.1	45.3	85.8	122.2	6.5	115.7	45.6
2006 Q1	303.0	205.7	176.8	-5.0	6.9	-12.0	122.0	22.2	99.7	88.8	-2.3	91.0	56.7
Q2	327.8	242.7	219.0	-7.2	2.3	-9.5	136.7	49.1	87.5	113.2	9.8	103.4	67.0
Q3	206.7	182.8	166.4	-2.8	-1.0	-1.8	101.5	21.1	80.4	84.1	-2.4	86.4	42.8
	Growth rates												
2005 Q2	4.8	6.2	6.6	-0.8	-10.1	0.2	5.2	4.8	5.3	8.7	4.9	9.0	18.3
Q3	5.1	6.6	7.1	0.2	-2.8	0.5	5.8	4.4	6.5	8.8	5.0	9.1	23.4
Q4	5.9	7.8	8.2	1.5	-0.9	1.7	7.7	6.1	8.4	9.3	5.2	9.6	32.0
2006 Q1	6.2	8.9	9.2	1.6	12.4	0.6	9.7	7.5	10.7	9.7	4.2	10.1	39.2
Q2	5.9	9.2	9.3	0.7	8.7	-0.1	10.8	8.0	12.1	9.5	3.8	9.9	37.5
Q3	5.8	9.6	9.6	-0.1	0.9	-0.2	12.4	11.2	13.0	9.1	3.9	9.4	38.2

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of general government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2005 Q2	5,713.7	5,031.8	625.2	4,406.7	681.9	246.1	435.8	3,242.4	293.6	307.0
Q3	5,702.6	5,025.8	611.3	4,414.5	676.8	239.3	437.5	3,579.5	296.1	310.5
Q4	5,620.2	4,957.5	586.9	4,370.6	662.7	234.0	428.7	3,674.9	311.7	313.8
2006 Q1	5,612.2	4,944.6	596.1	4,348.5	667.6	246.0	421.7	4,082.3	319.6	317.1
Q2	5,606.8	4,921.5	608.5	4,313.1	685.3	252.1	433.2	3,942.2	314.1	320.2
Q3	5,676.5	4,988.2	596.2	4,391.9	688.4	251.9	436.5	4,084.9	314.3	323.6
	Transactions									
2005 Q2	123.7	113.2	24.7	88.5	10.5	8.8	1.7	1.4	14.5	3.3
Q3	-10.5	-4.0	-13.6	9.7	-6.5	-6.9	0.4	79.3	2.6	3.4
Q4	-25.3	-20.0	-24.4	4.4	-5.3	-5.1	-0.2	20.5	14.4	3.3
2006 Q1	88.6	78.6	9.4	69.2	10.0	12.1	-2.1	-2.5	7.9	3.3
Q2	69.5	46.3	11.9	34.5	23.2	6.0	17.1	18.0	-5.4	3.0
Q3	16.8	10.7	-11.8	22.6	6.1	-0.6	6.7	3.4	0.2	3.5
	Growth rates									
2005 Q2	4.8	5.1	1.9	5.6	3.0	5.7	1.6	0.5	7.1	4.5
Q3	3.7	4.1	-0.3	4.7	0.8	4.3	-1.1	3.2	5.3	4.5
Q4	4.2	4.6	-0.4	5.3	1.3	5.5	-0.8	3.6	7.7	4.2
2006 Q1	3.2	3.5	-0.7	4.1	1.3	3.8	-0.1	3.1	14.1	4.4
Q2	2.1	2.0	-2.7	2.7	3.1	2.5	3.5	3.6	6.6	4.2
Q3	2.6	2.3	-2.5	3.0	5.0	5.2	4.9	1.1	5.8	4.2

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											
2005 Q2	4,534.1	595.8	61.2	511.3	2.7	20.6	365.8	67.5	298.3	1,839.3	84.5	1,754.8
Q3	4,707.6	602.9	60.0	517.7	2.7	22.4	372.7	73.2	299.4	1,885.5	82.2	1,803.3
Q4	4,802.2	612.6	67.8	521.6	2.6	20.6	376.1	79.0	297.0	1,911.5	84.8	1,826.7
2006 Q1	4,972.1	613.0	65.6	525.2	2.5	19.7	389.5	83.6	305.9	1,937.6	88.4	1,849.2
Q2	4,967.2	625.7	68.6	532.6	2.4	22.1	389.3	84.8	304.6	1,950.6	88.8	1,861.8
Q3	5,136.9	637.3	66.8	543.8	2.4	24.4	386.3	80.7	305.6	2,010.1	93.2	1,916.9
	Transactions											
2005 Q2	60.6	-2.0	-5.3	2.2	0.2	0.8	-4.4	1.4	-5.8	36.3	0.6	35.7
Q3	81.5	7.1	-1.2	6.4	0.1	1.8	2.2	1.2	1.1	36.2	-2.2	38.4
Q4	75.8	8.7	7.4	3.1	0.0	-1.9	1.3	5.4	-4.1	41.6	1.9	39.7
2006 Q1	94.5	0.6	-2.0	3.6	-0.1	-0.8	13.5	4.6	8.9	42.7	2.9	39.8
Q2	68.6	12.9	3.0	7.6	0.0	2.4	0.4	1.3	-0.8	28.7	-1.1	29.9
Q3	78.0	11.5	-1.9	11.2	-0.1	2.2	1.6	0.2	1.4	35.0	5.3	29.7
	Growth rates											
2005 Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-1.7	2.2	-2.6	9.7	6.2	9.9
Q3	7.0	4.8	-2.8	5.3	30.1	12.0	-1.0	4.3	-2.1	9.8	2.6	10.1
Q4	7.0	4.5	12.5	3.7	18.4	-0.8	-0.9	13.2	-3.9	9.2	-1.8	9.8
2006 Q1	7.1	2.4	-1.7	3.0	7.2	-0.3	3.4	18.9	0.0	8.8	3.8	9.1
Q2	7.1	4.9	11.8	4.0	-3.1	7.5	4.8	18.2	1.7	8.1	1.6	8.4
Q3	6.7	5.6	10.9	4.9	-6.9	8.6	4.5	15.5	1.8	7.9	10.8	7.7

	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	Investment fund and money market fund shares/ units				Total				Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
				Money market fund shares/ units				Taken from euro area MFIs					
	13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2005 Q2	1,598.1	759.7	838.4	86.1	135.1	4,663.5	92.8	63.8	22.2	223.3	4,325.2	3,707.5	617.7
Q3	1,708.9	830.4	878.6	86.9	137.7	4,801.8	92.4	65.2	22.9	251.2	4,435.3	3,808.5	626.8
Q4	1,762.2	859.4	902.9	79.6	139.8	4,910.0	66.3	64.6	23.0	285.9	4,534.8	3,900.4	634.4
2006 Q1	1,889.6	920.8	968.8	81.8	142.4	5,032.2	83.7	81.9	22.9	298.7	4,626.9	3,983.5	643.4
Q2	1,856.7	886.2	970.4	85.7	144.8	5,053.6	86.6	84.7	23.1	272.5	4,671.4	4,024.1	647.3
Q3	1,956.8	927.8	1,029.0	87.9	146.5	5,175.3	91.2	89.5	23.7	308.3	4,752.1	4,101.0	651.1
	Transactions												
2005 Q2	28.4	4.0	24.5	6.3	2.2	78.7	2.8	5.5	0.1	0.5	75.3	70.3	5.0
Q3	33.4	16.2	17.2	0.9	2.6	80.2	-0.4	1.4	0.6	1.1	78.9	69.7	9.3
Q4	22.6	0.4	22.2	-8.3	1.6	90.6	-0.5	-0.6	0.2	4.0	86.9	80.1	6.8
2006 Q1	33.9	-2.2	36.2	-0.1	3.8	107.6	17.3	17.1	0.0	0.1	90.3	79.5	10.7
Q2	23.2	5.4	17.8	3.4	3.3	67.8	3.0	2.8	0.3	0.1	64.4	61.2	3.2
Q3	27.6	6.9	20.7	0.9	2.4	76.8	4.5	4.8	0.5	4.1	67.7	64.6	3.0
	Growth rates												
2005 Q2	5.5	3.4	7.3	16.7	5.2	6.7	3.5	17.6	-4.4	1.4	7.1	7.5	5.0
Q3	6.8	4.3	9.0	19.4	5.4	7.1	1.1	22.8	6.7	0.9	7.5	7.8	5.5
Q4	7.4	3.8	10.7	-2.4	7.7	7.7	14.4	30.8	7.2	2.7	7.9	8.2	5.8
2006 Q1	7.8	2.5	12.6	-1.8	7.8	7.9	21.2	40.4	3.9	2.6	7.9	8.4	5.1
Q2	7.1	2.6	11.1	-4.8	8.4	7.4	20.8	32.5	4.7	2.4	7.4	7.8	4.9
Q3	6.3	1.3	11.0	-4.7	8.1	7.1	26.3	37.1	4.2	3.3	7.0	7.5	3.8

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
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	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
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5

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
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

3. Households [5]

	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	Gross disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7

Source: ECB.
1) Including net acquisition of valuables.
2) Excluding financial derivatives.
3) Financial derivatives and other accounts receivable/payable.
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 divided by gross disposable income and net increase in claims on pension funds reserves.

4 FINANCIAL MARKETS

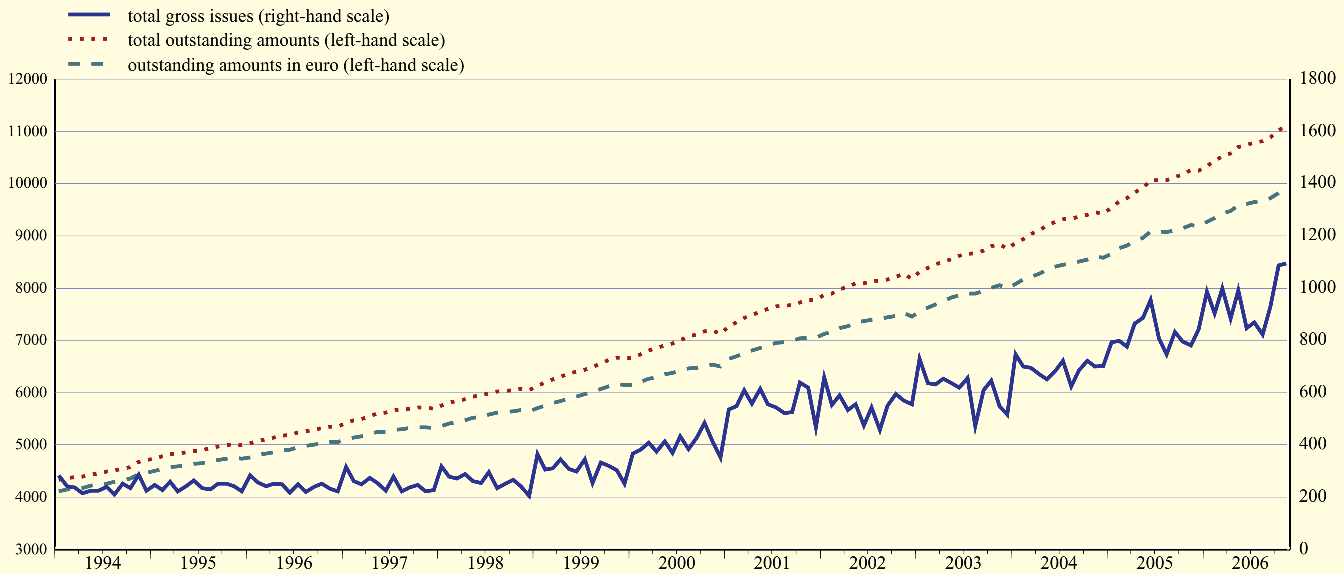
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions and period growth rates; seasonally adjusted; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro [1)]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2)] Net issues	Seasonally adjusted [2)] 6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2005 Nov.	10,819.4	801.7	79.1	9,210.5	734.7	61.6	10,267.2	781.5	74.2	7.6	71.2	7.3
Dec.	10,833.3	871.0	12.6	9,187.3	794.8	-24.2	10,249.3	841.6	-24.8	7.5	75.9	6.1
2006 Jan.	10,882.5	972.1	55.1	9,266.1	927.6	84.7	10,332.3	987.8	103.1	7.6	61.5	7.1
Feb.	10,990.5	918.2	105.6	9,345.4	846.5	76.6	10,439.5	903.3	89.3	7.2	61.7	7.5
Mar.	11,144.0	1,052.7	153.2	9,426.3	937.9	80.7	10,523.7	999.4	97.2	7.6	70.3	7.9
Apr.	11,166.7	874.8	19.4	9,477.9	821.7	48.5	10,581.7	882.9	67.9	7.2	56.0	7.9
May	11,295.2	1,010.7	128.6	9,591.9	940.1	114.1	10,704.6	992.3	127.9	7.8	90.8	8.3
June	11,354.3	895.6	63.1	9,611.0	794.0	23.0	10,735.3	847.1	31.7	6.6	24.1	7.2
July	11,366.6	877.8	11.6	9,646.5	821.3	34.8	10,784.3	868.9	44.6	7.0	53.6	7.0
Aug.	11,398.8	839.2	31.7	9,668.0	781.2	20.9	10,814.0	823.8	24.2	7.3	74.3	7.2
Sep.	11,523.7	1,008.8	123.9	9,718.8	883.0	49.9	10,882.8	928.7	56.6	7.4	56.7	6.9
Oct.	.	.	.	9,822.5	1,023.7	101.8	11,018.4	1,086.4	122.3	8.0	123.1	8.2
Nov.	.	.	.	9,915.5	1,038.8	92.5	11,111.1	1,094.0	108.4	8.3	101.1	8.3
						Long-term						
2005 Nov.	9,856.5	168.4	83.3	8,347.7	131.9	65.8	9,269.8	152.6	80.5	8.2	76.8	7.7
Dec.	9,900.1	178.4	41.8	8,374.6	147.2	25.2	9,302.3	166.0	27.4	8.3	72.1	6.2
2006 Jan.	9,943.2	195.9	48.3	8,414.0	173.5	44.5	9,342.6	195.4	56.9	8.1	57.3	7.3
Feb.	10,032.8	214.8	88.2	8,475.4	170.4	59.8	9,428.2	196.1	72.0	7.6	49.7	7.8
Mar.	10,131.0	245.3	98.5	8,546.3	194.3	71.4	9,497.0	220.1	79.7	7.8	60.3	8.1
Apr.	10,167.0	174.6	34.4	8,575.6	141.4	27.9	9,534.8	170.5	47.8	7.5	49.2	8.1
May	10,267.2	205.5	100.6	8,661.3	167.2	85.9	9,627.8	186.8	95.6	7.7	63.5	7.7
June	10,325.5	198.5	59.0	8,725.0	167.6	64.3	9,711.9	192.5	80.5	6.7	52.5	7.3
July	10,358.2	185.5	32.9	8,750.7	158.3	25.8	9,752.7	176.9	36.9	7.2	48.8	7.0
Aug.	10,374.5	90.4	16.4	8,761.9	71.5	11.4	9,770.7	87.9	20.8	7.5	65.7	7.3
Sep.	10,472.5	222.2	98.3	8,817.0	156.8	55.5	9,840.2	175.5	63.0	7.6	53.6	7.1
Oct.	.	.	.	8,887.8	173.4	68.8	9,933.2	205.7	86.4	8.1	102.3	8.3
Nov.	.	.	.	8,984.3	168.4	95.9	10,028.5	193.9	110.0	8.4	103.0	9.1

C15 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.
2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2004	9,429	3,713	737	591	4,138	250	8,307	5,480	223	1,028	1,493	83
2005	10,249	4,109	925	613	4,319	283	9,878	6,983	325	1,032	1,444	95
2005 Q4	10,249	4,109	925	613	4,319	283	2,418	1,747	116	250	279	26
2006 Q1	10,524	4,259	969	621	4,385	289	2,890	2,106	85	256	421	22
Q2	10,735	4,337	1,032	638	4,430	298	2,722	1,976	108	261	355	22
Q3	10,883	4,436	1,069	635	4,445	298	2,621	1,927	78	264	334	18
2006 Aug.	10,814	4,396	1,056	631	4,431	300	824	637	20	81	80	6
Sep.	10,883	4,436	1,069	635	4,445	298	929	678	29	97	119	5
Oct.	11,018	4,521	1,110	644	4,445	298	1,086	801	56	115	105	9
Nov.	11,111	4,555	1,138	646	4,469	304	1,094	835	44	114	93	9
						Short-term						
2004	926	447	7	90	376	5	6,368	4,574	44	931	785	33
2005	947	482	7	90	363	5	7,808	6,046	45	942	742	33
2005 Q4	947	482	7	90	363	5	1,940	1,531	10	221	170	8
2006 Q1	1,027	539	7	98	377	5	2,279	1,817	14	242	199	8
Q2	1,023	531	10	101	376	5	2,172	1,739	16	229	180	8
Q3	1,043	561	12	96	369	4	2,181	1,732	16	248	176	8
2006 Aug.	1,043	557	11	96	375	5	736	593	6	80	55	2
Sep.	1,043	561	12	96	369	4	753	596	5	91	58	3
Oct.	1,085	603	11	100	367	4	881	707	6	106	59	3
Nov.	1,083	596	11	102	369	4	900	732	4	104	58	2
						Long-term [1]						
2004	8,503	3,266	729	501	3,762	245	1,940	905	179	97	708	49
2005	9,302	3,627	918	522	3,957	278	2,069	937	279	89	702	61
2005 Q4	9,302	3,627	918	522	3,957	278	478	216	106	29	109	18
2006 Q1	9,497	3,720	962	523	4,008	285	612	289	71	14	222	15
Q2	9,712	3,806	1,022	536	4,054	293	550	237	92	32	175	14
Q3	9,840	3,875	1,058	539	4,075	293	440	195	62	16	158	9
2006 Aug.	9,771	3,839	1,045	535	4,057	295	88	44	14	2	25	3
Sep.	9,840	3,875	1,058	539	4,075	293	175	82	23	6	62	3
Oct.	9,933	3,919	1,099	543	4,078	294	206	94	50	9	46	6
Nov.	10,028	3,959	1,127	544	4,099	300	194	103	40	10	35	7
						Of which long-term fixed rate						
2004	6,380	1,929	416	410	3,439	186	1,194	408	70	61	620	36
2005	6,712	2,016	458	412	3,609	217	1,227	412	91	54	621	48
2005 Q4	6,712	2,016	458	412	3,609	217	264	95	35	16	103	14
2006 Q1	6,814	2,061	475	407	3,647	225	401	156	31	8	195	12
Q2	6,909	2,080	500	413	3,684	232	331	109	42	20	150	10
Q3	6,961	2,107	508	413	3,700	233	274	94	22	11	140	8
2006 Aug.	6,925	2,088	503	411	3,690	234	55	22	7	1	21	3
Sep.	6,961	2,107	508	413	3,700	233	111	42	10	4	53	2
Oct.	7,010	2,129	526	415	3,706	234	115	42	23	5	41	4
Nov.	7,045	2,135	530	417	3,726	237	100	43	11	9	33	4
						Of which long-term variable rate						
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,257	1,343	456	94	304	60	715	429	188	28	58	12
2005 Q4	2,257	1,343	456	94	304	60	185	95	70	12	4	4
2006 Q1	2,329	1,383	482	97	307	60	172	108	39	4	18	3
Q2	2,429	1,424	517	108	319	61	176	95	50	12	15	4
Q3	2,487	1,443	543	110	331	60	134	76	40	4	13	2
2006 Aug.	2,465	1,435	536	109	324	61	25	15	7	1	2	0
Sep.	2,487	1,443	543	110	331	60	53	31	13	1	7	0
Oct.	2,523	1,458	566	113	326	60	78	42	27	4	3	2
Nov.	2,571	1,479	590	112	327	63	78	44	29	1	2	3

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

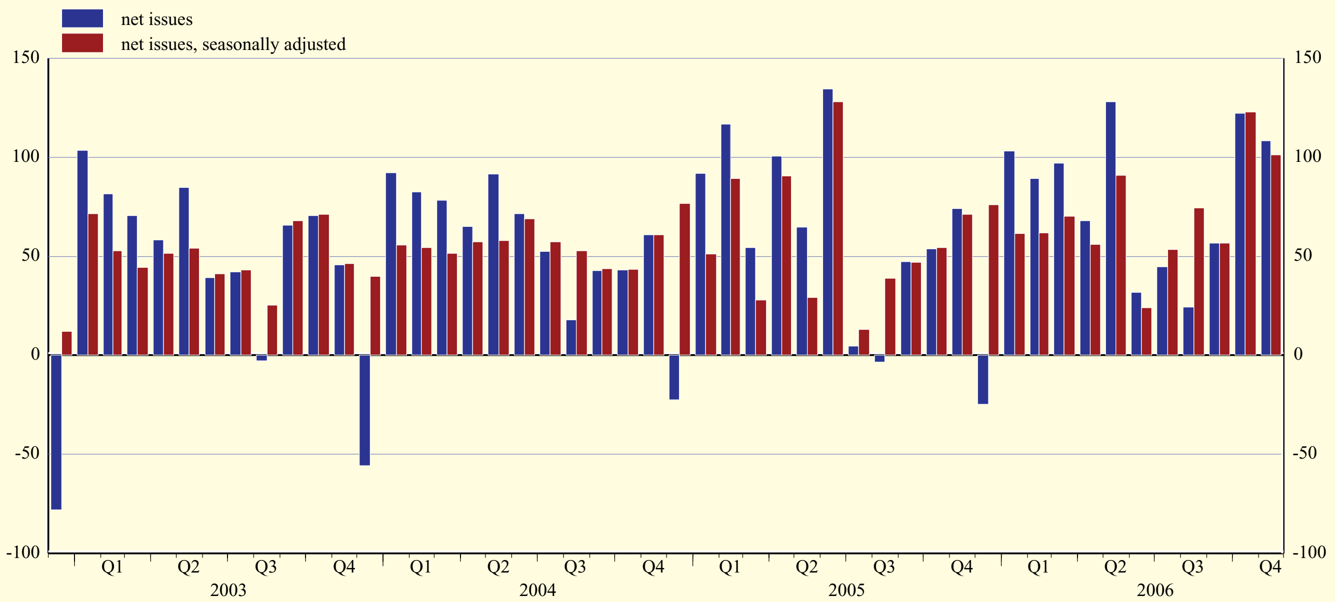
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004	675.3	350.4	75.2	8.4	209.7	31.5	679.7	354.0	73.1	8.2	212.8	31.7
2005	714.8	315.5	175.8	21.9	169.2	32.2	716.5	318.9	171.6	22.1	171.4	32.4
2005 Q4	103.2	44.8	81.2	-0.2	-34.8	12.3	201.4	78.1	59.2	5.8	47.3	11.0
2006 Q1	289.7	158.5	46.2	9.3	68.8	6.9	193.4	106.7	66.3	6.0	8.4	6.1
Q2	227.5	84.1	65.3	20.8	48.4	8.9	170.9	88.4	52.8	14.1	7.1	8.4
Q3	125.4	77.8	36.3	-2.8	14.6	-0.5	184.6	94.3	52.9	1.3	33.8	2.3
2006 Aug.	24.2	19.5	8.3	-7.1	2.9	0.6	74.3	36.8	24.8	-5.0	15.0	2.7
Sep.	56.6	30.5	12.2	3.9	12.3	-2.3	56.7	37.5	14.0	8.3	-0.5	-2.6
Oct.	122.3	72.4	40.9	8.5	-0.1	0.7	123.1	58.4	44.9	5.0	15.0	-0.3
Nov.	108.4	41.3	30.6	4.1	27.1	5.4	101.1	43.7	24.6	5.3	24.1	3.4
	Long-term											
2004	615.3	297.8	73.8	12.0	201.9	29.8	618.0	299.1	71.7	12.0	205.3	30.0
2005	707.9	292.7	176.2	22.2	184.2	32.5	709.5	294.5	172.1	22.2	188.1	32.6
2005 Q4	139.6	40.6	81.4	8.6	-3.7	12.7	193.7	68.7	59.4	7.8	46.1	11.6
2006 Q1	208.7	100.5	46.0	1.7	53.4	7.0	167.3	70.0	66.0	7.0	18.4	6.0
Q2	223.9	87.8	62.3	15.5	49.4	8.9	165.2	85.5	49.7	8.9	12.7	8.5
Q3	120.6	62.0	34.9	2.5	21.4	-0.1	168.1	66.8	51.5	4.7	42.5	2.6
2006 Aug.	20.8	6.7	7.5	-0.8	6.6	0.7	65.7	19.0	24.1	1.5	18.4	2.6
Sep.	63.0	32.0	11.8	3.3	17.5	-1.6	53.6	29.6	13.3	5.3	7.5	-2.1
Oct.	86.4	37.4	41.4	4.1	2.6	0.9	102.3	35.5	44.8	2.6	19.3	0.0
Nov.	110.0	47.3	30.4	2.3	24.2	5.7	103.0	53.7	24.8	2.1	18.5	3.8

C16 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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

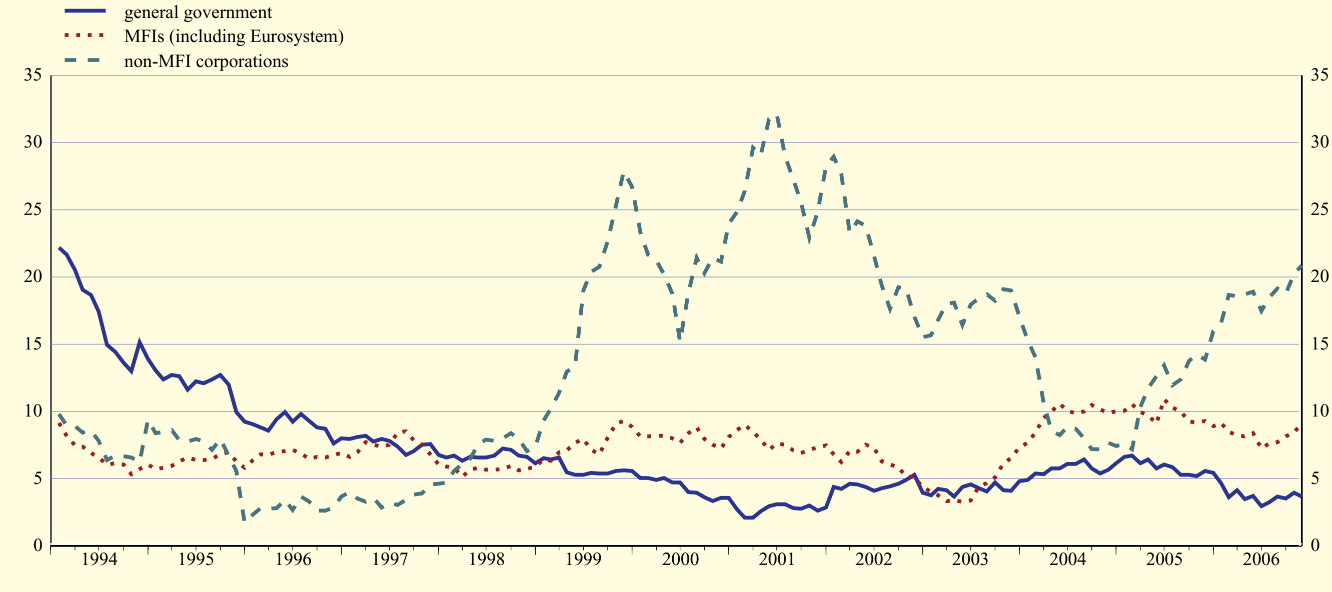


Source: ECB.

4.3 Growth rates of securities, other than shares, issued by euro area residents [1)]
(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005 Nov.	7.6	9.4	20.9	3.1	4.0	12.3	7.3	9.2	21.9	1.5	3.3	13.8
Dec.	7.5	8.4	23.6	3.7	4.1	12.9	6.1	6.6	21.0	2.9	2.9	13.9
2006 Jan.	7.6	9.1	24.3	3.4	3.6	11.3	7.1	7.7	26.1	4.2	3.1	12.7
Feb.	7.2	8.9	26.9	3.0	2.5	11.9	7.5	8.1	30.9	4.1	2.8	14.2
Mar.	7.6	9.3	27.3	2.8	3.0	11.6	7.9	9.3	31.8	3.9	2.6	13.0
Apr.	7.2	8.9	27.3	2.6	2.5	10.2	7.9	9.2	31.5	3.4	2.7	11.4
May	7.8	9.9	26.6	4.1	2.6	12.1	8.3	10.5	31.5	6.8	1.8	10.5
June	6.6	8.1	24.5	4.8	1.8	12.3	7.2	9.6	28.0	6.6	0.7	10.5
July	7.0	8.3	26.4	4.9	2.2	11.7	7.0	8.9	26.8	5.5	1.2	10.6
Aug.	7.3	8.4	28.0	3.5	2.5	12.1	7.2	8.8	25.4	3.0	2.3	10.1
Sep.	7.4	9.0	27.2	4.4	2.2	10.2	6.9	8.8	23.0	5.0	1.9	7.5
Oct.	8.0	9.7	29.9	4.1	2.6	9.3	8.2	10.1	28.4	4.9	2.5	7.4
Nov.	8.3	10.1	30.4	5.3	2.5	8.6	8.3	9.6	29.2	3.7	3.3	6.7
	Long-term											
2005 Nov.	8.2	9.3	21.0	3.7	5.1	13.0	7.7	9.0	22.3	5.5	3.6	14.2
Dec.	8.3	8.9	23.9	4.4	4.9	13.2	6.2	5.8	21.4	6.2	3.0	14.6
2006 Jan.	8.1	9.1	24.6	4.8	4.2	11.8	7.3	7.3	26.4	6.9	3.2	13.1
Feb.	7.6	8.4	27.2	5.8	3.0	12.6	7.8	7.6	31.0	7.1	2.9	15.0
Mar.	7.8	8.2	27.6	4.9	3.6	12.1	8.1	7.9	32.1	5.8	3.3	13.6
Apr.	7.5	8.1	27.5	5.4	3.0	10.5	8.1	7.8	31.5	5.8	3.7	12.0
May	7.7	8.4	26.7	6.8	3.2	12.5	7.7	7.7	31.3	8.1	2.6	11.0
June	6.7	7.2	24.4	6.2	2.3	12.7	7.3	8.7	27.4	6.2	1.6	10.7
July	7.2	7.6	26.3	5.8	2.6	11.9	7.0	7.9	26.2	4.7	2.1	10.6
Aug.	7.5	7.7	27.7	5.3	3.1	12.4	7.3	7.8	24.7	3.5	3.3	9.9
Sep.	7.6	8.1	26.9	5.5	3.0	10.8	7.1	8.4	22.1	5.2	2.8	8.0
Oct.	8.1	8.4	29.6	5.0	3.5	9.9	8.3	9.1	27.8	4.2	3.5	8.1
Nov.	8.4	9.2	30.1	5.4	3.3	9.2	9.1	10.6	28.8	2.8	3.9	7.5

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)

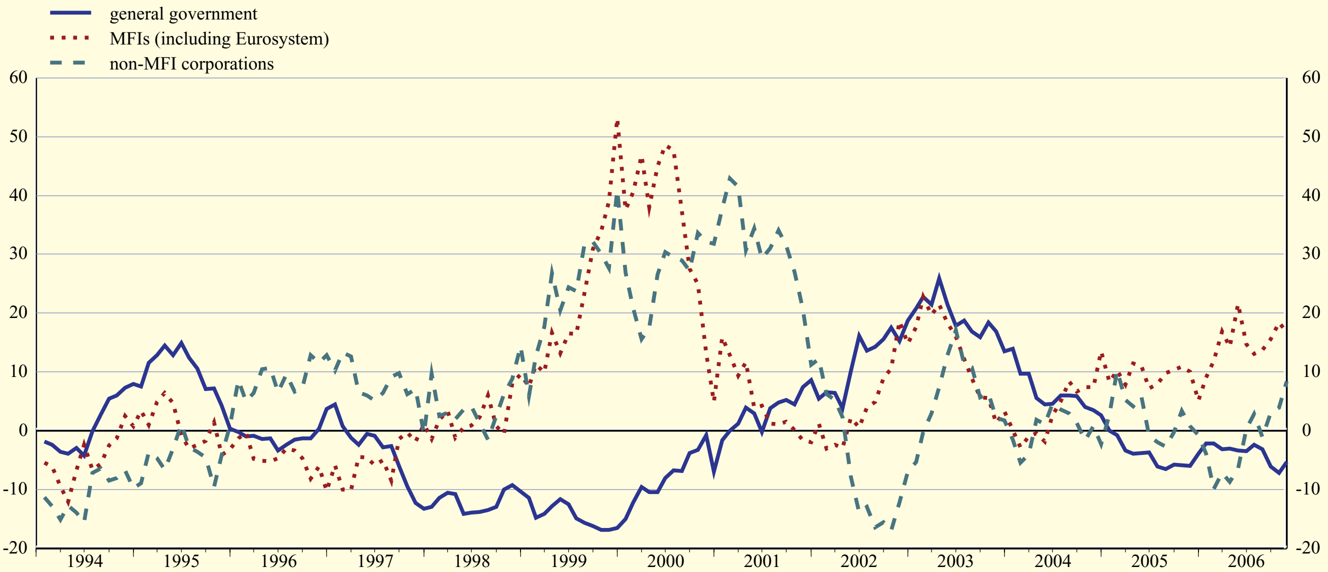


Source: ECB.
1) For the calculation of the growth rates, see the Technical notes.The 6-month growth rates have been annualised.

4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)
(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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2004	5.1	3.1	6.5	3.4	5.8	14.7	16.2	18.5	27.1	8.8	0.3	26.5
2005	4.7	3.1	5.7	0.3	5.5	15.0	19.4	18.3	35.7	22.6	9.8	4.7
2005 Q4	4.7	3.9	6.4	0.5	4.8	15.9	19.0	15.3	43.5	19.6	11.7	1.9
2006 Q1	4.3	4.2	8.9	0.7	3.6	15.6	18.9	14.3	48.4	24.5	7.8	1.1
Q2	4.2	4.4	11.7	1.0	3.0	13.5	16.8	11.9	45.6	28.3	3.6	5.1
Q3	4.4	4.6	15.1	0.8	2.8	13.8	15.2	10.1	39.6	30.1	4.1	5.8
2006 June	3.8	4.1	13.2	1.1	2.3	14.2	14.5	10.0	37.6	30.7	2.7	7.5
July	4.3	4.5	14.4	0.7	2.8	13.7	15.3	10.1	40.0	31.3	4.3	5.6
Aug.	4.5	4.7	15.7	0.4	3.0	14.0	15.5	10.1	41.4	29.7	4.2	6.4
Sep.	4.7	5.1	17.1	1.3	2.9	12.9	14.9	10.1	37.5	27.7	5.2	3.2
Oct.	5.1	5.1	20.1	0.5	3.3	12.0	16.0	10.7	39.5	29.5	6.3	2.5
Nov.	5.1	5.6	21.2	2.2	3.0	10.2	16.5	11.5	39.0	24.4	6.6	5.7
	In euro											
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.6	17.8	27.2	9.1	0.2	25.3
2005	4.3	0.9	9.1	-0.1	5.4	15.3	18.8	17.2	35.1	22.6	10.2	5.3
2005 Q4	4.2	1.9	8.5	0.6	4.7	16.2	18.3	13.9	41.2	21.2	12.2	2.2
2006 Q1	3.7	2.4	9.1	0.5	3.5	16.1	18.1	12.9	45.7	26.4	8.2	0.9
Q2	3.6	2.8	10.0	0.8	3.1	13.9	15.5	10.2	41.5	31.6	3.7	4.0
Q3	3.6	3.1	11.2	-0.3	2.9	13.7	13.7	8.1	35.1	33.9	4.2	4.4
2006 June	3.2	2.6	9.9	0.8	2.4	14.1	12.8	7.6	33.3	34.6	2.7	5.9
July	3.6	3.0	11.0	-0.5	2.9	13.6	13.7	8.1	35.1	35.4	4.4	4.1
Aug.	3.7	3.2	11.3	-0.9	3.1	13.9	14.0	8.3	36.6	33.5	4.2	5.1
Sep.	3.9	3.7	12.8	0.4	2.9	12.9	13.8	8.6	34.3	31.1	5.2	2.0
Oct.	4.2	3.5	14.8	-1.2	3.5	12.0	15.2	9.3	37.0	32.9	6.4	1.7
Nov.	4.4	4.4	15.9	0.6	3.2	10.4	15.7	10.3	36.4	26.8	6.8	4.9

C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)



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

4.4 Quoted shares issued by euro area residents [1)]

(EUR billions, unless otherwise indicated; market values)

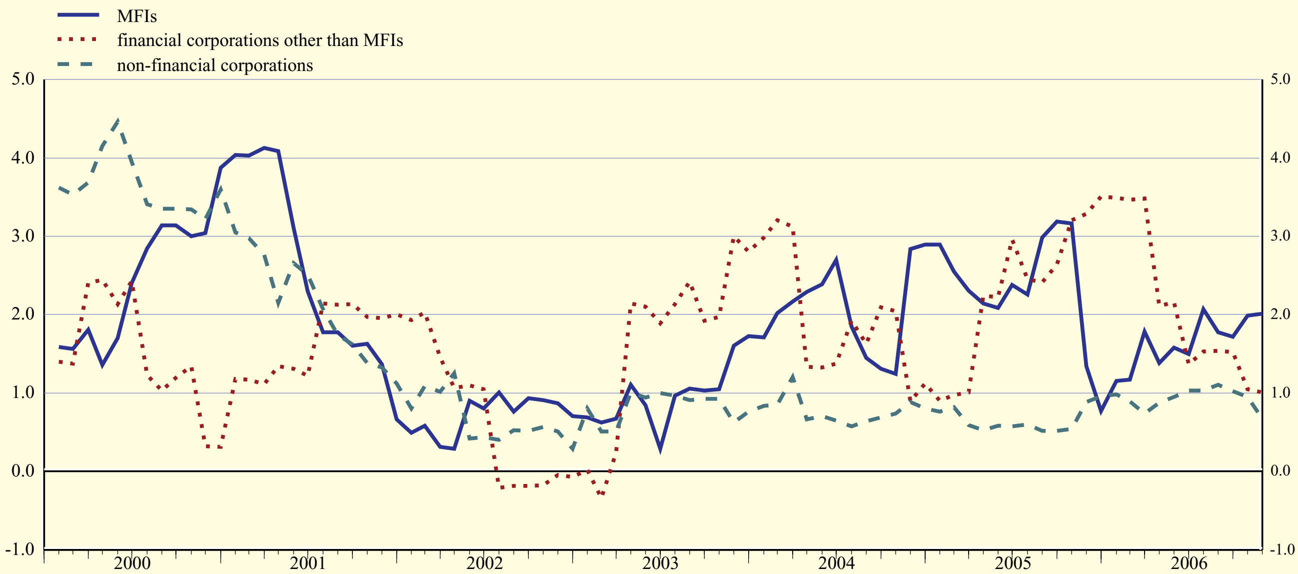
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		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
2004 Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	103.0	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.2	103.1	1.1	698.0	2.4	441.6	3.0	3,241.6	0.6
July	4,631.1	103.1	1.0	727.9	2.3	466.7	2.5	3,436.6	0.6
Aug.	4,605.9	103.1	1.1	723.4	3.0	457.1	2.4	3,425.4	0.5
Sep.	4,827.2	103.3	1.1	764.1	3.2	483.7	2.6	3,579.3	0.5
Oct.	4,659.4	103.4	1.2	752.4	3.2	480.5	3.2	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.3	3,559.2	0.9
Dec.	5,056.3	103.8	1.2	836.4	0.8	540.8	3.5	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.5	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.5	3,928.7	0.9
Mar.	5,629.9	103.9	1.2	962.3	1.8	579.1	3.5	4,088.5	0.7
Apr.	5,653.3	104.0	1.1	948.8	1.4	572.9	2.1	4,131.6	0.9
May	5,364.7	104.2	1.2	896.7	1.6	533.5	2.2	3,934.5	1.0
June	5,376.5	104.3	1.1	905.0	1.5	529.6	1.4	3,941.9	1.0
July	5,372.5	104.4	1.3	918.4	2.1	543.3	1.5	3,910.7	1.0
Aug.	5,536.3	104.5	1.3	958.6	1.8	594.6	1.5	3,983.1	1.1
Sep.	5,680.3	104.5	1.2	986.1	1.7	606.6	1.5	4,087.6	1.0
Oct.	5,857.4	104.6	1.1	1,015.6	2.0	613.3	1.0	4,228.4	0.9
Nov.	5,910.9	104.7	0.9	1,024.3	2.0	602.8	1.0	4,283.9	0.7

C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



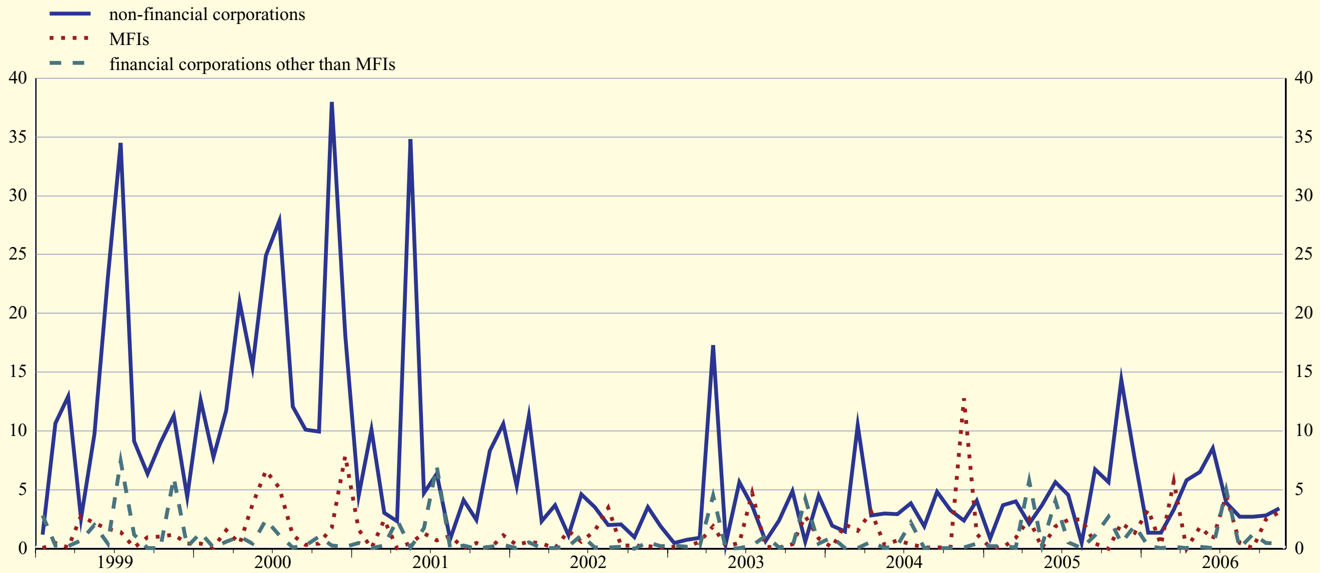
Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

4.4 Quoted shares issued by euro area residents [1)]
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			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
2004 Nov.	15.3	3.6	11.7	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.3	-0.9
Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	3.0	0.9	0.0	0.0	0.0	0.2	0.3	-0.1	3.7	2.7	1.0
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.9	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.4	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.5	2.2	6.3	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.3
June	9.4	2.6	6.7	0.8	0.3	0.5	0.0	0.0	0.0	8.5	2.4	6.2
July	13.4	6.6	6.8	4.5	0.0	4.5	5.0	3.5	1.5	3.9	3.0	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.0
Sep.	4.0	0.4	3.5	0.0	0.0	0.0	1.3	0.0	1.3	2.7	0.4	2.3
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.0	5.0	3.1	0.0	3.1	0.4	0.1	0.3	3.4	1.9	1.5

C20 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
2005 Dec.	0.71	2.15	2.25	2.21	1.97	2.30	1.02	2.25	2.48	3.55	2.22
2006 Jan.	0.73	2.21	2.47	2.56	2.00	2.32	1.05	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.93	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.63	1.32	2.92	3.25	3.78	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.98	3.45	3.82	2.96
Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14
Nov.	0.91	3.10	3.32	2.82	2.30	2.81	1.49	3.25	3.47	3.66	3.23

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

	Bank overdrafts [1]	Consumer credit				Lending for house purchase					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 and up to 10 years	Over 10 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	8	9	10	11	12	13
2005 Dec.	9.67	6.76	6.36	7.43	7.45	3.49	3.85	4.03	4.01	3.98	4.06	4.57	4.40
2006 Jan.	9.80	6.94	6.48	8.13	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34
Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.24	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76
June	9.84	7.11	6.31	7.82	7.71	4.00	4.19	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.33	6.33	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74
Aug.	9.95	7.86	6.39	8.15	8.12	4.21	4.36	4.60	4.39	4.59	4.64	5.26	4.94
Sep.	10.06	7.86	6.26	8.09	7.98	4.30	4.36	4.61	4.44	4.65	4.76	5.30	4.98
Oct.	10.05	7.50	6.02	8.17	7.77	4.42	4.45	4.58	4.46	4.72	4.93	5.18	4.80
Nov.	10.09	7.66	6.16	8.15	7.83	4.49	4.49	4.58	4.47	4.76	4.96	5.25	4.90

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

	Bank overdrafts [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
2005 Dec.	5.12	3.99	4.50	4.12	3.25	3.58	3.96
2006 Jan.	5.23	4.07	4.59	4.13	3.18	3.72	3.96
Feb.	5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.	5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.	5.40	4.34	4.73	4.15	3.51	3.94	4.22
May	5.36	4.38	4.83	4.26	3.57	4.13	4.32
June	5.45	4.47	4.84	4.33	3.74	4.12	4.23
July	5.52	4.57	4.99	4.38	3.84	4.21	4.36
Aug.	5.56	4.69	5.09	4.60	3.97	4.33	4.49
Sep.	5.69	4.75	5.02	4.54	4.02	4.41	4.47
Oct.	5.76	4.91	5.16	4.57	4.24	4.37	4.45
Nov.	5.82	5.00	5.24	4.68	4.31	4.62	4.57

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)

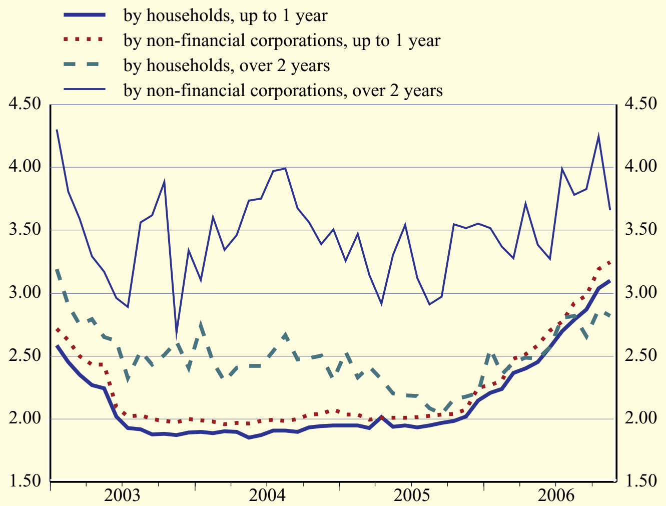
4. Interest rates on deposits (outstanding amounts)

	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
2005 Dec.	0.71	2.01	3.15	1.97	2.30	1.02	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.11	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.13	1.97	2.34	1.08	2.38	3.47	2.27
Mar.	0.76	2.16	3.01	1.98	2.37	1.14	2.48	3.46	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.53	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.57	2.71
Aug.	0.85	2.52	3.05	2.23	2.63	1.32	2.93	3.64	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.68	2.90
Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05
Nov.	0.91	2.78	3.05	2.30	2.81	1.49	3.22	3.79	3.14

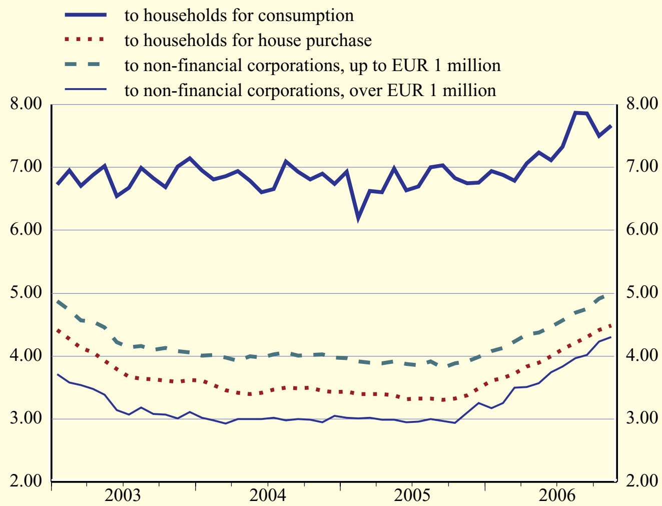
5. Interest rates on loans (outstanding amounts)

	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
2005 Dec.	4.54	4.14	4.52	7.89	6.77	5.62	4.35	3.84	4.24
2006 Jan.	4.62	4.14	4.50	7.99	6.78	5.60	4.42	3.88	4.26
Feb.	4.59	4.17	4.54	7.97	6.78	5.68	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.81	4.27	4.62	8.31	6.81	5.86	4.93	4.40	4.53
Oct.	4.89	4.29	4.65	8.36	6.81	5.88	5.07	4.51	4.57
Nov.	4.98	4.33	4.68	8.35	6.81	5.91	5.14	4.59	4.63

C21 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)



C22 New loans at floating rate and up to 1 year initial rate fixation (percentages per annum excluding charges; period averages)

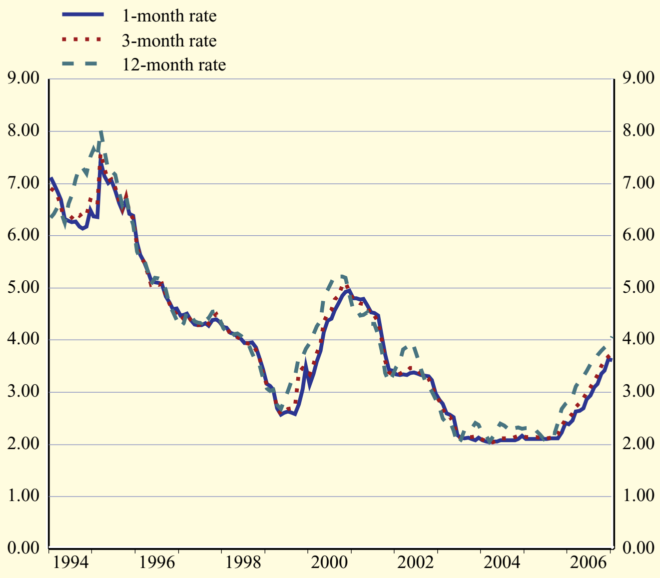


Source: ECB.

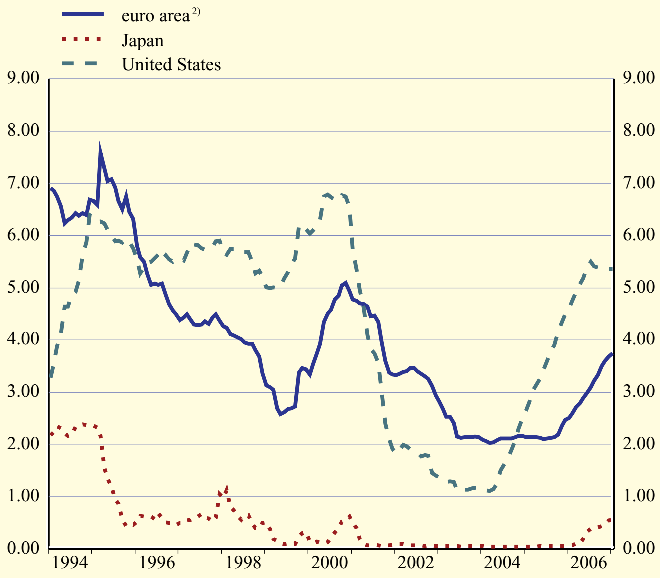
4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area [1),2)]					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
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2005 Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
Q4	3.36	3.46	3.59	3.72	3.86	5.37	0.49
2006 Jan.	2.33	2.39	2.51	2.65	2.83	4.60	0.07
Feb.	2.35	2.46	2.60	2.72	2.91	4.76	0.07
Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.96	3.22	5.07	0.11
May	2.58	2.69	2.89	3.06	3.31	5.18	0.19
June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40
Aug.	2.97	3.09	3.23	3.41	3.62	5.42	0.41
Sep.	3.04	3.16	3.34	3.53	3.72	5.38	0.42
Oct.	3.28	3.35	3.50	3.64	3.80	5.37	0.44
Nov.	3.33	3.42	3.60	3.73	3.86	5.37	0.48
Dec.	3.50	3.64	3.68	3.79	3.92	5.36	0.56
2007 Jan.	3.56	3.62	3.75	3.89	4.06	5.36	0.56

C23 Euro area money market rates [2)]
(monthly; percentages per annum)



C24 3-month money market rates
(monthly; percentages per annum)

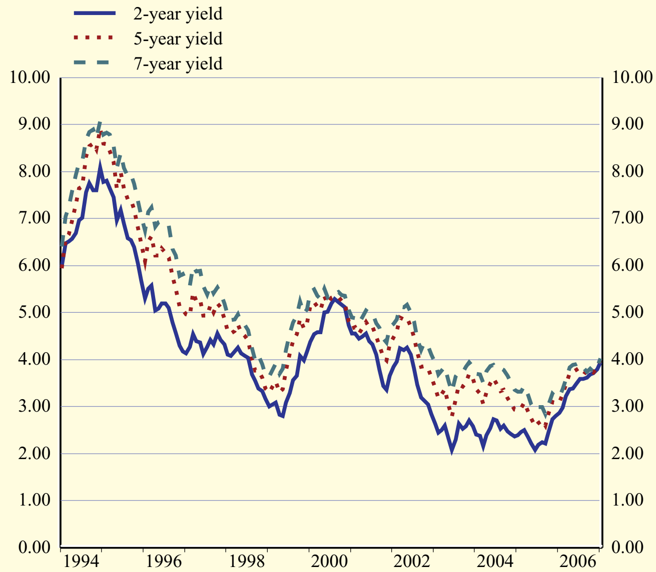


Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.

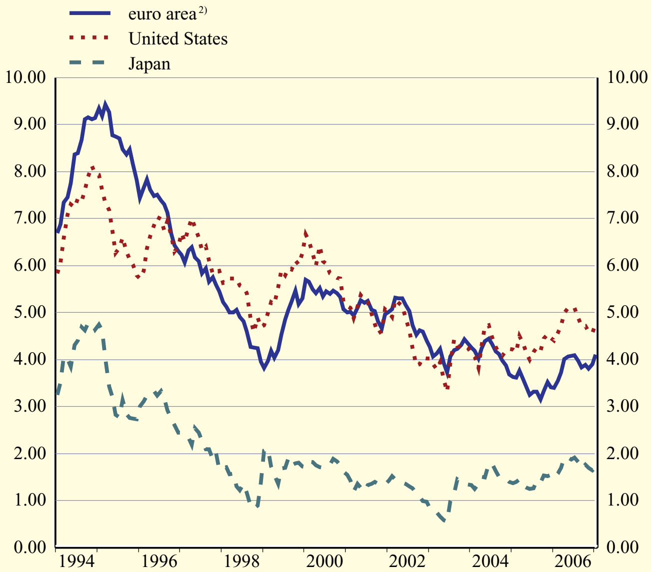
4.7 Government bond yields
(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
2005 Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2006 Jan.	2.86	2.94	3.10	3.21	3.39	4.41	1.47
Feb.	2.97	3.07	3.26	3.37	3.55	4.56	1.57
Mar.	3.22	3.30	3.47	3.57	3.73	4.72	1.70
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.08	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64
2007 Jan.	3.94	3.96	4.02	4.02	4.10	4.76	1.71

C25 Euro area government bond yields [2)]
(monthly; percentages per annum)



C26 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.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.

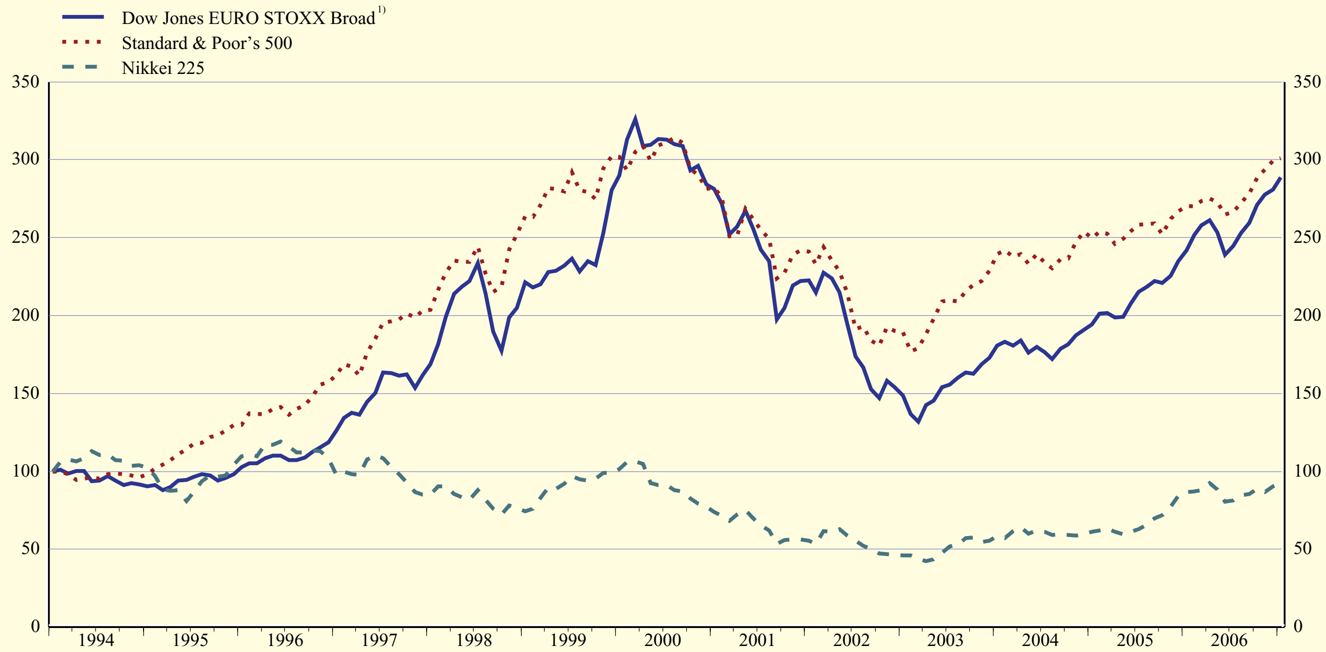
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1)]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,121.2
2005 Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2006 Jan.	335.5	3,626.9	356.5	196.1	276.1	429.6	340.6	361.4	344.6	391.3	414.6	519.2	1,277.7	16,103.4
Feb.	349.0	3,743.8	375.9	198.0	288.5	424.3	361.7	383.9	351.7	417.8	409.1	513.8	1,277.2	16,187.6
Mar.	358.0	3,814.9	386.5	203.1	294.9	417.4	372.5	393.6	366.3	430.4	422.7	532.9	1,293.7	16,325.2
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2
2007 Jan.	400.4	4,157.8	476.4	229.1	328.2	426.5	419.8	452.2	350.4	505.0	485.0	538.1	1,423.9	17,270.0

C27 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

5 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 [1]

	Total					Total (s.a., percentage change on previous period)					
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total [2]	100.0	100.0	83.4	59.2	40.8	100.0	11.8	7.4	30.7	9.2	40.8
	1	2	3	4	5	6	7	8	9	10	11
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-
2005 Q4	101.0	2.3	1.5	2.4	2.1	0.5	0.7	0.7	0.3	0.4	0.5
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.7	0.0	1.3	0.4
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.4	0.6	0.3	3.9	0.5
Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.5	1.9	0.1	0.6	0.6
Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.8	0.7	0.2	-4.2	0.5
2006 Aug.	102.5	2.3	1.5	2.5	1.9	0.1	0.1	0.8	0.0	0.1	0.1
Sep.	102.5	1.7	1.5	1.6	2.0	-0.1	0.2	0.6	0.1	-3.2	0.2
Oct.	102.6	1.6	1.6	1.3	2.1	0.0	0.5	-0.2	0.0	-1.8	0.2
Nov.	102.6	1.9	1.6	1.7	2.1	0.1	0.1	0.4	0.1	-0.5	0.1
Dec.	103.0	1.9	1.6	1.8	2.0	0.1	0.1	-0.1	0.1	0.1	0.2
2007 Jan. [3]	.	1.9	.	.	.	.	.	.	.	.	.

	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 [2]	19.3	11.8	7.4	39.9	30.7	9.2	10.3	6.3	6.4	2.9	14.5	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.4	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2005 Q4	1.9	2.2	1.4	2.7	0.4	11.1	2.5	1.9	2.7	-2.7	2.3	2.7
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
Q2	2.0	2.2	1.6	3.1	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2006 July	2.7	2.3	3.2	2.7	0.6	9.5	2.5	2.1	2.8	-3.5	2.5	2.3
Aug.	2.9	2.2	3.9	2.4	0.6	8.1	2.5	2.1	2.6	-3.9	2.3	2.3
Sep.	2.9	1.8	4.6	1.0	0.8	1.5	2.5	2.1	2.4	-3.4	2.3	2.4
Oct.	3.0	2.3	4.2	0.5	0.8	-0.5	2.5	2.2	2.4	-2.7	2.4	2.4
Nov.	3.0	2.2	4.4	1.1	0.8	2.1	2.5	2.1	2.3	-2.7	2.5	2.4
Dec.	2.7	2.1	3.7	1.4	0.9	2.9	2.5	2.1	2.2	-2.3	2.4	2.4

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Referring to the index period 2006.
3) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs
(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]	World market prices of raw materials [3]		Oil prices [4] (EUR per barrel)
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy			Total		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	6.9	-4.0	-4.5	25.1
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.2	18.4	10.8	30.5
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	3.1	7.6	28.5	9.4	44.6
2006	115.7	5.1	3.4	2.9	4.9	1.4	1.7	1.6	1.7	13.2	.	.	19.7	24.8	52.9
2005 Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	2.9	7.3 [6]	34.2	23.2	48.6
2006 Q1	113.9	5.2	3.2	1.7	2.3	1.0	1.5	1.4	1.5	18.9	2.6	-	36.4	23.6	52.3
Q2	115.7	5.8	3.9	2.7	4.4	1.2	1.7	1.6	1.8	17.3	3.5	6.8 [6]	30.0	26.2	56.2
Q3	116.8	5.4	3.7	3.6	6.4	1.7	1.9	1.8	1.9	11.7	3.5	-	13.4	26.6	55.7
Q4	116.5	4.1	2.8	3.5	6.3	1.8	1.6	1.7	1.6	6.1	.	.	3.9	23.0	47.3
2006 Aug.	117.1	5.7	4.0	3.7	6.5	1.6	2.0	1.8	2.0	12.6	-	-	14.8	26.8	57.8
Sep.	116.5	4.6	2.8	3.6	6.5	1.7	1.7	1.8	1.7	7.8	-	-	4.0	26.4	50.3
Oct.	116.5	4.0	2.5	3.6	6.4	1.8	1.7	1.7	1.7	5.2	-	-	3.9	28.7	47.6
Nov.	116.6	4.3	2.9	3.5	6.2	1.9	1.6	1.7	1.6	6.9	-	-	4.5	22.9	46.7
Dec.	116.5	4.1	2.9	3.4	6.2	1.8	1.5	1.7	1.4	6.2	-	-	3.2	17.7	47.4
2007 Jan.	.	.	.	.	.	.	.	.	.	.	-	-	-9.6	15.6	42.2

3. Hourly labour costs [7]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2002	107.5	3.5	3.4	4.0	3.3	4.2	3.6	2.7
2003	110.8	3.1	2.9	3.8	3.1	3.8	2.9	2.4
2004	113.5	2.4	2.3	2.2	2.8	2.7	2.0	2.1
2005	116.2	2.4	2.6	1.9	2.5	2.2	2.4	2.1
2005 Q3	116.5	2.1	2.4	1.4	2.6	1.8	1.9	2.1
Q4	117.2	2.3	2.6	1.5	2.5	2.5	2.2	2.0
2006 Q1	117.8	2.3	2.8	0.9	2.5	2.4	2.1	2.1
Q2	118.4	2.3	2.6	1.6	3.1	1.4	2.1	2.4
Q3	119.0	2.0	2.2	1.8	2.6	1.4	1.8	2.0

Sources: Eurostat, HWWI (columns 13 and 14 in Table 2 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 15 in Table 2 in Section 5.1), 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 12 in Table 2 in Section 5.1 and column 8 in Table 3 in Section 5.1).

1) Residential buildings, based on non-harmonised data.
2) Residential property price indicator for the euro area, based on non-harmonised sources.
3) Refers to the prices expressed in euro.
4) Brent Blend (for one-month forward delivery).
5) In 2000.
6) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
7) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.

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

(seasonally adjusted)

	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	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
				Unit labour costs [1]				
2002	104.7	2.4	1.2	1.0	3.2	1.8	3.1	3.4
2003	106.4	1.7	6.0	0.7	3.0	2.4	1.0	2.4
2004	107.5	1.1	-10.3	-0.4	2.7	-0.1	2.6	2.4
2005	108.5	0.9	6.7	-1.2	3.5	0.2	2.0	1.8
2005 Q3	108.2	0.6	6.3	-1.1	2.2	-0.4	2.1	1.8
Q4	109.0	0.9	7.3	-2.2	3.0	0.0	2.3	2.7
2006 Q1	109.2	0.8	3.5	-1.9	3.3	-0.2	2.4	2.4
Q2	109.3	0.8	1.4	-2.4	1.9	0.0	1.6	3.2
Q3	109.1	0.8	1.1	-2.4	2.2	-0.4	2.5	2.5
				Compensation per employee				
2002	105.2	2.6	2.2	2.0	3.2	2.4	2.6	3.1
2003	107.3	2.0	2.6	2.1	2.7	1.8	2.2	1.9
2004	109.6	2.1	2.1	2.6	2.6	1.3	2.1	2.3
2005	111.3	1.6	2.4	1.5	1.9	1.3	2.1	1.6
2005 Q3	111.3	1.5	1.8	1.7	2.1	1.3	1.9	1.3
Q4	112.2	1.9	1.7	1.6	2.3	1.2	1.7	2.7
2006 Q1	112.9	2.1	0.7	2.6	3.3	1.9	1.6	1.9
Q2	113.6	2.3	0.7	2.4	3.3	2.2	1.0	3.0
Q3	113.6	2.0	1.5	2.3	3.2	1.5	1.4	2.3
				Labour productivity [2]				
2002	100.5	0.2	1.0	1.0	0.0	0.6	-0.5	-0.3
2003	100.9	0.3	-3.2	1.5	-0.4	-0.5	1.2	-0.4
2004	101.9	1.0	13.8	2.9	-0.1	1.3	-0.4	-0.1
2005	102.6	0.7	-4.1	2.7	-1.6	1.1	0.1	-0.2
2005 Q3	102.9	0.9	-4.2	2.8	-0.1	1.7	-0.1	-0.4
Q4	102.9	1.0	-5.3	3.9	-0.6	1.2	-0.5	0.1
2006 Q1	103.4	1.2	-2.8	4.6	0.0	2.1	-0.8	-0.5
Q2	104.0	1.5	-0.7	4.8	1.3	2.2	-0.6	-0.2
Q3	104.1	1.2	0.4	4.8	1.0	1.9	-1.1	-0.2

5. Gross domestic product deflators

	Total (s.a. 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
2002	105.1	2.6	2.0	1.9	3.1	1.4	-0.2	-2.0
2003	107.3	2.1	2.0	2.1	2.4	1.2	-1.3	-1.8
2004	109.3	1.9	2.1	2.1	2.4	2.4	1.1	1.5
2005	111.4	1.9	2.2	2.1	2.2	2.1	2.6	3.6
2005 Q3	111.6	1.8	2.3	2.1	2.2	1.9	2.5	3.7
Q4	112.3	2.0	2.4	2.2	2.7	2.1	3.0	4.1
2006 Q1	112.4	1.7	2.7	2.3	1.9	2.6	2.8	5.4
Q2	113.0	1.8	2.7	2.2	2.5	2.9	3.0	5.3
Q3	113.6	1.8	2.1	2.0	1.5	3.0	3.0	3.7

Sources: ECB calculations based on Eurostat data.
1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
2) Value added (volumes) 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)								
2002	7,251.3	7,059.0	4,141.1	1,465.1	1,465.0	-12.3	192.4	2,628.7	2,436.3
2003	7,460.8	7,304.2	4,277.6	1,526.2	1,498.5	1.9	156.6	2,624.4	2,467.8
2004	7,736.0	7,574.4	4,425.2	1,580.1	1,563.1	6.0	161.5	2,822.5	2,660.9
2005	7,994.7	7,876.5	4,579.0	1,636.6	1,639.4	21.5	118.2	3,027.7	2,909.4
2005 Q3	2,008.4	1,980.6	1,153.2	410.3	414.2	2.9	27.8	770.8	743.0
Q4	2,029.9	2,006.9	1,160.3	417.1	418.8	10.7	23.0	785.2	762.3
2006 Q1	2,048.6	2,030.4	1,174.7	419.9	427.6	8.3	18.2	816.0	797.8
Q2	2,079.0	2,059.4	1,184.1	425.1	440.5	9.7	19.6	830.6	811.0
Q3	2,101.1	2,080.2	1,196.5	425.4	445.9	12.4	20.9	853.1	832.2
	percentage of GDP								
2005	100.0	98.5	57.3	20.5	20.5	0.3	1.5	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2005 Q3	0.6	0.5	0.7	0.5	1.4	-	-	2.6	2.4
Q4	0.4	0.7	0.1	0.2	0.5	-	-	0.9	1.8
2006 Q1	0.8	0.4	0.7	1.2	1.2	-	-	3.5	2.5
Q2	1.0	1.0	0.3	0.1	2.3	-	-	1.1	1.1
Q3	0.5	0.7	0.7	0.6	0.6	-	-	1.8	2.4
	annual percentage changes								
2002	0.9	0.4	0.8	2.4	-1.5	-	-	1.7	0.3
2003	0.8	1.5	1.2	1.8	1.0	-	-	1.1	3.1
2004	2.0	1.8	1.5	1.2	2.3	-	-	6.8	6.7
2005	1.4	1.6	1.3	1.3	2.5	-	-	4.3	5.3
2005 Q3	1.6	1.7	1.8	1.4	3.4	-	-	5.4	5.7
Q4	1.8	2.0	1.1	1.6	3.3	-	-	5.0	5.8
2006 Q1	2.2	2.2	1.8	2.4	4.2	-	-	9.2	9.5
Q2	2.9	2.7	1.8	2.0	5.4	-	-	8.3	8.0
Q3	2.7	2.8	1.8	2.1	4.6	-	-	7.5	8.0
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2005 Q3	0.6	0.5	0.4	0.1	0.3	-0.3	0.1	-	-
Q4	0.4	0.7	0.1	0.0	0.1	0.5	-0.3	-	-
2006 Q1	0.8	0.4	0.4	0.2	0.2	-0.5	0.4	-	-
Q2	1.0	1.0	0.2	0.0	0.5	0.3	0.0	-	-
Q3	0.5	0.7	0.4	0.1	0.1	0.1	-0.2	-	-
	contributions to annual percentage changes of GDP in percentage points								
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.8	0.9	0.2	0.5	0.2	0.2	-	-
2005	1.4	1.6	0.8	0.3	0.5	0.1	-0.2	-	-
2005 Q3	1.6	1.6	1.0	0.3	0.7	-0.4	0.0	-	-
Q4	1.8	2.0	0.6	0.3	0.7	0.3	-0.2	-	-
2006 Q1	2.2	2.2	1.1	0.5	0.8	-0.2	0.0	-	-
Q2	2.9	2.6	1.0	0.4	1.1	0.1	0.2	-	-
Q3	2.7	2.8	1.0	0.4	0.9	0.4	-0.1	-	-

Sources: Eurostat and ECB calculations.
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.
3) Annual data are not adjusted for the variations in the number of working days.

2. Value added by economic activity

	Gross value added (basic prices)							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
	Current prices (EUR billions, seasonally adjusted)							
2002	6,517.7	153.0	1,383.7	374.2	1,389.5	1,746.7	1,470.6	733.6
2003	6,703.7	152.2	1,385.3	390.2	1,423.5	1,824.5	1,528.0	757.1
2004	6,943.3	157.5	1,420.3	413.8	1,472.3	1,897.8	1,581.6	792.6
2005	7,160.8	144.7	1,458.6	435.1	1,517.8	1,973.6	1,631.1	833.9
2005 Q3	1,797.5	36.1	366.2	109.9	381.7	496.1	407.5	210.8
Q4	1,815.1	36.6	368.0	112.5	382.6	500.9	414.5	214.8
2006 Q1	1,831.0	36.4	373.2	114.2	385.6	507.8	413.9	217.6
Q2	1,858.7	37.2	377.4	117.5	391.6	514.5	420.5	220.2
Q3	1,880.4	37.8	382.4	120.6	396.4	522.7	420.6	220.6
	percentage of value added							
2005	100.0	2.0	20.4	6.1	21.2	27.6	22.8	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted[1])							
	quarter-on-quarter percentage changes							
2005 Q3	0.5	0.5	0.8	0.5	0.7	0.6	0.1	1.5
Q4	0.4	0.5	0.5	1.0	0.5	0.2	0.2	0.5
2006 Q1	0.8	-2.5	1.4	-0.4	0.9	1.2	0.4	0.7
Q2	1.1	1.3	1.4	2.5	1.3	1.0	0.4	-0.1
Q3	0.6	0.2	0.9	0.7	0.6	0.5	0.3	0.3
	annual percentage changes							
2002	0.9	-0.8	-0.3	0.0	1.2	1.5	1.7	0.2
2003	0.7	-5.7	0.0	0.5	0.1	1.8	1.3	1.5
2004	2.1	11.7	2.2	1.5	2.6	1.6	1.4	0.8
2005	1.4	-5.5	1.3	0.8	1.8	2.1	1.0	1.3
2005 Q3	1.5	-6.4	1.8	1.8	2.2	1.9	1.0	2.5
Q4	1.7	-6.3	2.6	1.9	2.0	2.1	1.0	2.3
2006 Q1	2.1	-3.0	3.5	2.4	2.8	2.1	0.8	3.0
Q2	2.9	-0.2	4.2	3.6	3.4	3.0	1.2	2.7
Q3	2.9	-0.5	4.3	3.8	3.3	2.9	1.3	1.5
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2005 Q3	0.5	0.0	0.2	0.0	0.1	0.2	0.0	-
Q4	0.4	0.0	0.1	0.1	0.1	0.0	0.0	-
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.3	0.1	-
Q2	1.1	0.0	0.3	0.2	0.3	0.3	0.1	-
Q3	0.6	0.0	0.2	0.0	0.1	0.1	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2002	0.9	0.0	-0.1	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.0	0.0	0.0	0.5	0.3	-
2004	2.1	0.3	0.5	0.1	0.5	0.4	0.3	-
2005	1.4	-0.1	0.3	0.0	0.4	0.6	0.2	-
2005 Q3	1.5	-0.1	0.4	0.1	0.5	0.5	0.2	-
Q4	1.7	-0.1	0.5	0.1	0.4	0.6	0.2	-
2006 Q1	2.1	-0.1	0.7	0.1	0.6	0.6	0.2	-
Q2	2.9	0.0	0.9	0.2	0.7	0.8	0.3	-
Q3	2.9	0.0	0.9	0.2	0.7	0.8	0.3	-

Sources: Eurostat and ECB calculations.
1) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
2003	0.4	100.3	0.3	0.1	0.1	0.3	-0.1	-0.4	-4.4	0.4	2.8	0.6
2004	2.1	102.3	2.0	2.1	2.0	2.2	3.3	0.5	0.1	0.6	2.0	-0.1
2005	1.1	103.7	1.3	1.3	1.1	0.9	2.8	0.5	-0.9	0.8	1.3	-0.1
2005 Q4	1.9	105.0	2.2	2.4	2.3	2.4	3.2	1.2	1.9	1.1	1.9	0.8
2006 Q1	3.7	106.0	3.4	3.5	3.4	2.9	5.0	2.1	2.4	2.0	3.7	1.6
Q2	3.0	107.3	4.1	4.2	4.5	5.7	5.3	2.4	3.8	2.2	0.8	3.7
Q3	4.1	108.1	3.9	4.3	4.1	5.6	5.1	1.8	5.1	1.2	1.6	4.5
2006 June	4.4	108.0	4.9	5.2	5.9	7.3	5.3	2.7	4.0	2.5	1.7	3.8
July	3.8	107.3	3.4	3.7	3.7	5.1	3.9	1.5	3.2	1.2	2.4	5.7
Aug.	5.2	109.0	5.4	5.9	5.6	7.8	7.2	2.4	9.0	1.6	2.3	3.9
Sep.	3.5	108.0	3.3	3.6	3.4	4.5	4.8	1.5	4.7	1.0	0.3	3.8
Oct.	3.7	107.9	3.7	4.3	4.4	5.4	4.9	2.7	5.1	2.2	-1.6	4.9
Nov.	3.3	108.1	2.4	3.4	3.1	3.2	5.1	2.2	4.9	1.7	-3.6	6.0
	month-on-month percentage changes (s.a.)											
2006 June	0.2	-	0.1	-0.1	0.1	0.2	-0.7	-0.5	-1.4	-0.3	3.1	-0.3
July	-0.2	-	-0.6	-0.6	-0.9	-0.8	-0.4	-0.5	-0.6	-0.5	0.8	1.5
Aug.	1.3	-	1.6	2.0	1.9	2.8	2.0	1.3	4.3	0.8	-1.7	-2.0
Sep.	-0.8	-	-1.0	-1.2	-1.1	-2.2	-0.6	-0.7	-3.1	-0.3	-0.8	1.1
Oct.	-0.2	-	0.0	0.1	0.2	0.6	-0.4	0.3	0.2	0.3	-2.5	-0.3
Nov.	0.5	-	0.2	0.4	0.2	-0.2	1.1	0.1	1.0	-0.1	0.7	1.5

4. Industrial new orders and turnover, retail sales and new 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. 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 (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	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
2004	105.4	7.4	106.2	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.9	4.6	110.7	3.7	2.2	106.6	1.3	0.7	1.7	2.3	1.2	936	1.6
2006	.	.	.	.	2.8	108.2	1.4	0.3	2.2	.	.	955	1.9
2006 Q1	117.5	12.0	115.5	9.0	2.2	107.3	0.8	0.3	1.2	1.6	2.3	947	2.0
Q2	118.6	7.9	118.2	6.4	3.0	107.9	1.6	0.7	2.3	2.7	3.5	958	2.4
Q3	122.8	10.2	119.7	6.4	3.2	108.6	1.8	0.9	2.5	3.1	4.4	939	-1.9
Q4	.	.	.	.	2.7	108.9	1.5	-0.6	2.8	.	.	975	5.1
2006 July	120.3	9.7	118.8	7.2	3.6	108.4	1.9	2.1	1.7	2.0	2.7	920	-4.7
Aug.	124.9	14.4	120.7	9.2	3.6	109.1	2.2	-0.1	3.9	7.3	5.8	940	-1.2
Sep.	123.2	7.5	119.7	3.6	2.5	108.2	1.2	0.6	1.9	0.5	4.9	957	0.7
Oct.	122.7	12.9	119.6	10.9	1.9	108.4	0.8	-1.5	2.2	1.6	4.5	947	-0.2
Nov.	124.4	6.3	122.3	8.0	2.7	108.9	1.4	-0.5	2.8	3.2	5.8	972	4.5
Dec.	.	.	.	.	3.5	109.3	2.1	0.1	3.3	.	.	1,007	12.5
	month-on-month percentage changes (s.a.)												
2006 July	-	2.0	-	0.6	0.6	-	0.4	0.6	0.2	0.3	0.2	-	-3.2
Aug.	-	3.8	-	1.6	0.6	-	0.6	-1.0	1.7	3.6	2.7	-	2.1
Sep.	-	-1.3	-	-0.9	-0.7	-	-0.8	0.1	-1.3	-4.2	-0.7	-	1.9
Oct.	-	-0.4	-	0.0	0.1	-	0.1	-0.3	0.4	1.1	0.1	-	-1.1
Nov.	-	1.4	-	2.2	0.7	-	0.5	0.2	0.7	1.5	0.8	-	2.6
Dec.	-	.	-	.	0.5	-	0.3	0.3	0.3	.	.	-	3.6

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 [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
2003	93.1	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.2	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.9	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.3	-9	-3	-9	15	-9
2005 Q4	100.1	-6	-15	10	7	81.5	-13	-4	-15	22	-10
2006 Q1	102.6	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	106.8	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.2	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	109.9	6	6	4	15	84.2	-7	-3	-7	10	-9
2006 Aug.	107.4	3	3	5	10	-	-9	-4	-10	11	-10
Sep.	108.9	4	4	4	13	-	-8	-3	-9	12	-7
Oct.	110.0	5	5	4	14	83.9	-8	-3	-8	11	-9
Nov.	109.9	6	6	4	16	-	-7	-3	-7	10	-9
Dec.	109.8	6	8	3	14	-	-6	-3	-5	9	-9
2007 Jan.	109.2	5	6	4	15	84.4	-7	-2	-7	8	-9

	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
2003	-16	-23	-9	-10	-12	16	0	4	-4	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	0	-5	5	0	3	14	13	18	13	18	23
2005 Q4	-3	-8	2	-5	-9	15	10	14	10	13	19
2006 Q1	-2	-8	3	-3	-4	15	9	15	10	14	20
Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2006 Aug.	2	-4	8	3	6	13	16	19	13	20	25
Sep.	4	0	9	3	8	12	15	18	12	19	24
Oct.	3	-2	7	4	9	13	14	21	14	23	26
Nov.	3	-4	10	3	10	13	12	19	12	19	26
Dec.	2	-2	7	0	5	13	8	19	12	20	25
2007 Jan.	1	-8	10	-1	1	16	11	20	16	20	23

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 1990 to 2006.

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 assessments 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	84.6	15.4	4.3	17.7	7.5	25.0	15.0	30.4
	1	2	3	4	5	6	7	8	9	10
2002	134.862	0.7	0.8	0.3	-1.8	-1.2	-0.1	0.6	2.0	2.0
2003	135.465	0.4	0.5	0.1	-2.7	-1.4	0.8	0.7	0.7	1.8
2004	136.427	0.7	0.7	0.8	-1.7	-1.4	1.5	0.9	1.9	1.5
2005	137.480	0.8	0.9	-0.1	-1.7	-1.2	2.5	0.8	2.1	1.2
2005 Q3	137.538	0.7	0.9	-0.7	-2.3	-0.9	1.7	0.4	2.1	1.3
Q4	138.033	0.7	1.0	-0.8	-1.1	-1.2	2.4	0.6	2.6	0.8
2006 Q1	138.477	1.0	1.1	0.4	-0.4	-1.0	2.4	0.7	2.9	1.3
Q2	139.076	1.3	1.3	1.3	0.4	-0.6	2.3	1.2	3.7	1.3
Q3	139.593	1.4	1.5	1.1	-1.1	-0.5	2.9	1.3	4.0	1.4
	quarter-on-quarter percentage changes (s.a.)									
2005 Q3	0.316	0.2	0.3	-0.1	0.2	-0.2	0.2	0.2	0.7	0.3
Q4	0.495	0.4	0.4	0.1	0.1	-0.2	1.0	0.5	1.1	0.1
2006 Q1	0.444	0.3	0.2	0.7	-0.5	-0.2	0.5	0.3	0.6	0.6
Q2	0.599	0.4	0.4	0.7	0.7	0.0	0.6	0.4	1.1	0.3
Q3	0.517	0.4	0.5	-0.1	-1.3	-0.1	0.7	0.3	1.1	0.5

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		75.6		24.5		47.8		52.2	
	1	2	3	4	5	6	7	8	9	10
2003	12.457	8.7	9.286	7.4	3.171	17.8	5.945	7.3	6.511	10.4
2004	12.812	8.8	9.611	7.5	3.201	18.2	6.158	7.5	6.654	10.5
2005	12.591	8.6	9.519	7.4	3.073	17.7	6.105	7.4	6.487	10.1
2006	11.516	7.8	8.702	6.7	2.816	16.5	5.506	6.7	6.010	9.2
2005 Q4	12.322	8.4	9.315	7.2	3.007	17.4	5.911	7.2	6.411	9.9
2006 Q1	12.065	8.2	9.082	7.0	2.983	17.3	5.749	7.0	6.316	9.7
Q2	11.563	7.8	8.767	6.7	2.797	16.4	5.592	6.8	5.971	9.2
Q3	11.381	7.7	8.579	6.6	2.802	16.4	5.432	6.6	5.949	9.1
Q4	11.183	7.6	8.451	6.5	2.731	16.1	5.270	6.4	5.913	9.1
2006 July	11.404	7.7	8.616	6.6	2.788	16.4	5.477	6.6	5.928	9.1
Aug.	11.418	7.7	8.598	6.6	2.821	16.5	5.454	6.6	5.964	9.2
Sep.	11.321	7.7	8.522	6.5	2.799	16.4	5.365	6.5	5.956	9.1
Oct.	11.282	7.6	8.507	6.5	2.775	16.3	5.306	6.4	5.976	9.2
Nov.	11.168	7.6	8.443	6.5	2.725	16.0	5.259	6.4	5.909	9.1
Dec.	11.098	7.5	8.405	6.4	2.694	15.9	5.246	6.3	5.852	9.0

Source: Eurostat.

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 2005; unemployment 2006.
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.

6 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]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	47.0	46.5	11.9	8.7	2.9	13.3	0.7	17.1	8.5	5.4	2.3	0.5	0.3	42.7
1998	46.5	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.8	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.9	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.4	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.8	44.3	11.4	8.6	2.5	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.2	44.7	11.7	8.7	2.7	13.7	0.3	15.5	8.2	4.5	2.2	0.5	0.3	41.2

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.6	46.0	10.9	4.8	5.0	25.4	22.6	2.1	0.6	3.6	2.4	1.2	0.1	44.7
1998	48.8	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.2
1999	48.4	44.5	10.6	4.8	4.0	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.6	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
2001	47.7	43.8	10.3	4.8	3.8	24.9	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.3	44.3	10.5	5.0	3.3	25.5	22.7	1.9	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.8	10.4	5.0	3.1	25.2	22.5	1.8	0.5	3.8	2.5	1.4	0.0	44.5
2005	47.6	43.7	10.4	5.1	3.0	25.3	22.5	1.7	0.5	3.9	2.5	1.4	0.0	44.6

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		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.8	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.7	10.6	4.7	4.8	1.9	2.3	8.2	11.5
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3

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

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	0.0	-3.7	-0.4	-5.2	-0.3	-3.2	-2.9	2.1	-2.0	-0.5	-2.9	-2.5	4.1
2003	0.0	-4.0	0.3	-6.1	0.0	-4.2	-3.5	0.3	-3.1	-1.6	-2.9	-2.8	2.5
2004	0.0	-3.7	1.5	-7.8	-0.2	-3.7	-3.4	-1.1	-1.8	-1.2	-3.2	-2.3	2.3
2005	-2.3	-3.2	1.1	-5.2	1.1	-2.9	-4.1	-1.0	-0.3	-1.5	-6.0	-1.4	2.7

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

1) 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 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1)]
(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2)]				Other creditors [3)]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1996	75.1	2.8	17.0	7.9	47.3	58.3	30.3	12.1	15.9	16.8
1997	74.1	2.8	16.0	6.5	48.8	55.4	28.3	13.6	13.5	18.7
1998	72.8	2.7	15.1	5.6	49.3	52.1	26.4	14.5	11.2	20.7
1999	72.0	2.9	14.2	4.2	50.6	48.5	25.4	12.0	11.2	23.4
2000	69.4	2.7	13.1	3.6	50.0	44.1	22.0	11.0	11.0	25.3
2001	68.3	2.8	12.3	4.0	49.2	42.1	20.6	10.4	11.1	26.2
2002	68.2	2.7	11.7	4.6	49.2	40.2	19.2	9.9	11.1	28.0
2003	69.3	2.1	12.3	5.0	49.9	39.1	19.2	10.3	9.6	30.2
2004	69.8	2.2	11.9	5.1	50.7	37.3	18.2	10.0	9.1	32.6
2005	70.8	2.4	11.8	4.9	51.6	35.4	17.1	10.3	8.0	35.4

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		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5)]	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	75.1	62.9	5.9	5.7	0.5	11.6	63.5	8.6	19.1	25.7	30.2	73.1	2.0
1997	74.1	62.1	6.1	5.4	0.6	9.9	64.2	8.5	18.3	25.3	30.5	72.1	2.0
1998	72.8	61.1	6.1	5.2	0.4	8.9	63.9	7.6	15.8	26.4	30.6	70.9	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.7	64.3	6.6	13.6	28.0	30.4	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.8	62.6	5.9	13.4	28.0	28.0	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	5.0	13.7	26.8	27.8	66.7	1.7
2002	68.2	56.7	6.3	4.8	0.4	8.2	60.0	5.0	15.4	25.3	27.5	66.7	1.5
2003	69.3	57.0	6.6	5.1	0.6	8.5	60.8	5.0	14.4	26.1	28.9	68.2	1.1
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.4	4.7	14.3	26.6	28.9	68.8	1.1
2005	70.8	58.1	6.8	5.4	0.5	8.7	62.1	4.7	14.7	26.1	30.0	69.6	1.2

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	103.3	60.3	32.2	110.7	52.5	58.2	105.6	6.5	50.5	65.8	55.5	29.1	41.3
2003	98.6	63.9	31.1	107.8	48.7	62.4	104.3	6.3	52.0	64.6	57.0	28.5	44.3
2004	94.3	65.7	29.7	108.5	46.2	64.4	103.9	6.6	52.6	63.8	58.6	28.7	44.3
2005	93.2	67.9	27.4	107.5	43.1	66.6	106.6	6.0	52.7	63.4	64.0	28.0	41.3

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]	Currency 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
1997	1.9	2.5	0.0	-0.3	-0.2	0.0	-0.3	-1.1	3.3	-0.6	-0.8	1.9	2.6
1998	1.8	2.2	-0.2	0.0	-0.1	0.1	-0.3	-0.6	2.6	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.6	0.0	-2.0	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.0	-2.1	-0.3	3.0
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	-0.1	-0.6	-0.1	2.0
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.7	-0.5	-0.7	-0.2	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	1.0	0.6	2.1	0.1	0.5	0.7	3.0
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	-0.4	-0.3	0.1	3.5
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.2	0.0	2.6	-0.8	-0.5	0.6	3.9

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Loans	Securities [11]	Shares and other equity				Exchange rate effects		
									Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	1.9	-2.6	-0.7	-0.4	0.1	0.0	-0.1	-0.5	-0.7	0.1	0.0	0.1	-0.3	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.5	-0.7	0.2	-0.2	0.0	0.0	0.1
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.5	-0.7	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.0	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1

Source: ECB.

1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ 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 2001.
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) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding 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]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2000 Q3	44.1	43.7	11.9	12.5	15.6	2.0	0.8	0.4	0.2	40.3
Q4	49.9	49.4	13.9	14.1	16.6	2.9	1.0	0.5	0.3	44.9
2001 Q1	42.3	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.0	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	14.0	16.3	2.9	1.1	0.5	0.3	44.1
2002 Q1	42.0	41.6	10.1	12.7	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	2.0	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.2	16.2	2.9	0.9	0.6	0.3	44.1
2003 Q1	42.0	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.5	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.8
Q3	42.8	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.3	48.3	13.1	14.3	16.2	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.5	41.0	9.6	12.8	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.1	44.4	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.7	12.6	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.5	48.5	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.2
2005 Q1	42.2	41.7	10.0	13.0	15.4	1.7	0.6	0.5	0.3	38.6
Q2	45.0	44.3	12.0	13.3	15.3	2.0	0.9	0.6	0.3	40.9
Q3	43.4	42.7	11.1	12.8	15.3	1.9	0.8	0.7	0.3	39.5
Q4	49.6	48.8	13.5	14.5	16.2	2.9	0.9	0.8	0.3	44.5
2006 Q1	42.8	42.4	10.4	13.3	15.4	1.6	0.8	0.5	0.3	39.3
Q2	46.0	45.6	12.7	13.7	15.3	2.0	1.1	0.4	0.3	42.0
Q3	43.4	42.9	11.5	12.7	15.3	1.9	0.7	0.4	0.3	39.8

2. Euro area − quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000 Q3	43.0	42.7	10.1	4.6	4.0	24.2	20.9	1.5	0.3	2.5	1.1	1.0	5.0
Q4	49.7	45.9	11.0	5.3	3.7	25.9	22.0	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.7	42.3	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.1
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-1.9	1.6
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.4	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.6	1.7
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.1	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.5	1.9
Q3	47.0	43.3	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.1	-4.1	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.2	1.6	-1.8	1.3
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.9
Q2	46.8	43.4	10.4	4.9	3.1	25.0	21.6	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.1	42.7	10.0	4.6	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-3.4	-0.3
Q4	50.8	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.8	43.4	10.3	4.6	3.1	25.3	21.6	1.2	3.4	1.9	1.5	-4.5	-1.4
Q2	46.5	43.1	10.3	5.0	3.1	24.8	21.6	1.1	3.4	2.3	1.0	-1.5	1.6
Q3	46.2	42.4	9.9	4.7	3.0	24.8	21.5	1.2	3.8	2.4	1.3	-2.8	0.2
Q4	50.8	46.0	11.1	5.7	2.8	26.3	22.7	1.4	4.8	3.1	1.6	-1.2	1.7
2006 Q1	45.8	42.7	10.1	4.6	3.0	24.9	21.3	1.1	3.1	1.9	1.2	-3.0	0.1
Q2	46.0	42.7	10.3	5.0	3.0	24.4	21.4	1.0	3.3	2.4	1.0	0.0	3.0
Q3	46.3	42.0	9.8	4.7	3.0	24.5	21.2	1.1	4.3	2.5	1.8	-2.9	0.1

Source: ECB calculations based on Eurostat and national data.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt
(as a percentage of GDP)

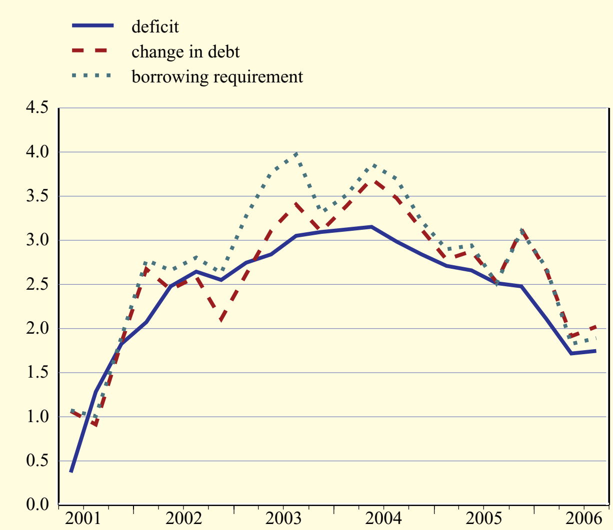
1. Euro area − Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2003 Q4	69.3	2.1	12.3	5.0	49.9
2004 Q1	70.8	2.1	12.3	5.5	50.8
Q2	71.4	2.2	12.1	5.5	51.5
Q3	71.3	2.3	12.1	5.6	51.4
Q4	69.8	2.2	11.9	5.1	50.7
2005 Q1	71.1	2.2	11.9	5.3	51.7
Q2	72.0	2.4	11.7	5.3	52.6
Q3	71.6	2.4	11.8	5.3	52.1
Q4	70.8	2.4	11.8	4.9	51.6
2006 Q1	71.2	2.5	11.8	5.1	51.8
Q2	71.2	2.5	11.6	5.1	52.0
Q3	70.8	2.5	11.7	4.9	51.7

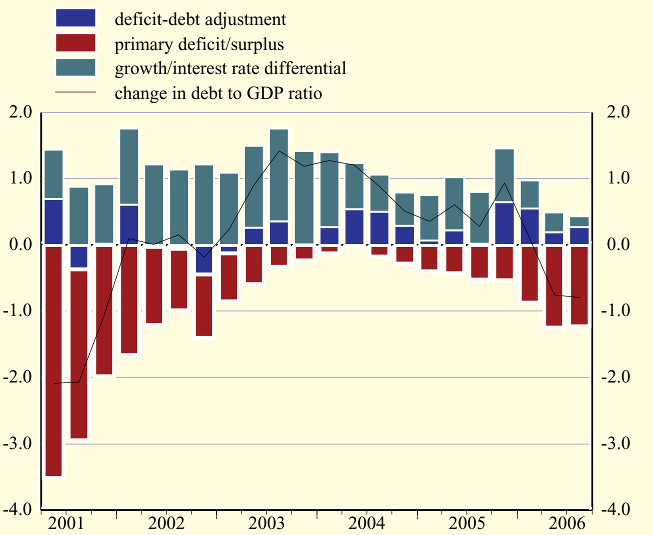
2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2003 Q4	-2.0	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.6	-1.5
2004 Q1	8.5	-5.1	3.4	2.0	1.4	-0.1	0.2	0.5	-0.1	1.5	8.6
Q2	5.6	-1.6	3.9	4.1	3.4	0.2	0.3	0.3	0.0	-0.2	5.5
Q3	2.0	-3.4	-1.4	-1.1	-1.4	0.0	0.2	0.2	-0.3	-0.1	2.3
Q4	-3.1	-1.3	-4.5	-3.4	-2.6	0.1	-0.2	-0.7	0.0	-1.0	-3.1
2005 Q1	7.0	-4.5	2.4	2.5	1.4	0.2	0.4	0.4	-0.2	0.2	7.2
Q2	5.8	-1.5	4.4	3.6	2.7	0.2	0.3	0.4	0.2	0.5	5.6
Q3	0.7	-2.8	-2.2	-2.6	-2.5	-0.2	0.3	-0.3	0.0	0.4	0.6
Q4	-0.7	-1.2	-1.9	-0.6	-0.3	0.1	-0.4	0.0	0.0	-1.3	-0.7
2006 Q1	5.0	-3.0	2.0	1.5	1.1	0.1	0.6	-0.3	-0.4	0.8	5.3
Q2	2.8	0.0	2.8	3.1	2.4	0.1	0.3	0.2	0.6	-0.9	2.1
Q3	1.2	-2.9	-1.8	-0.9	-0.6	-0.1	0.1	-0.2	0.2	-1.1	0.9

C28 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C29 Maastricht debt
(annual change in the debt to GDP ratio and underlying factors)



Source: ECB calculations based on Eurostat and national data.
1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

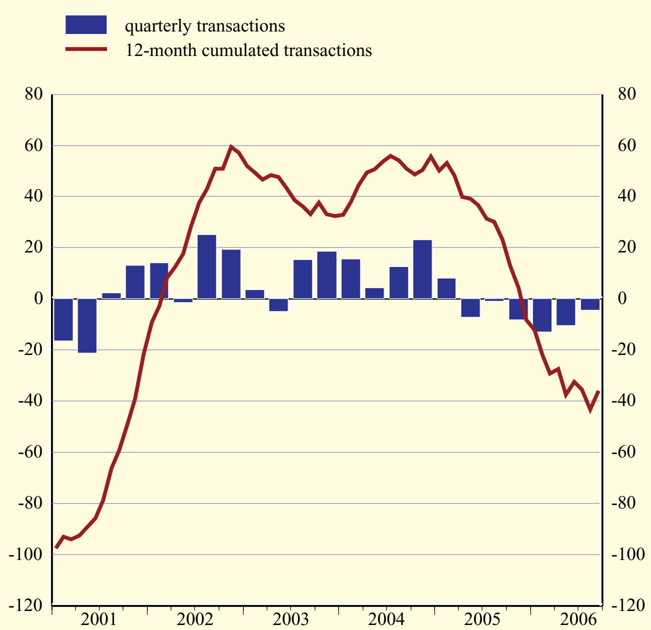
EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

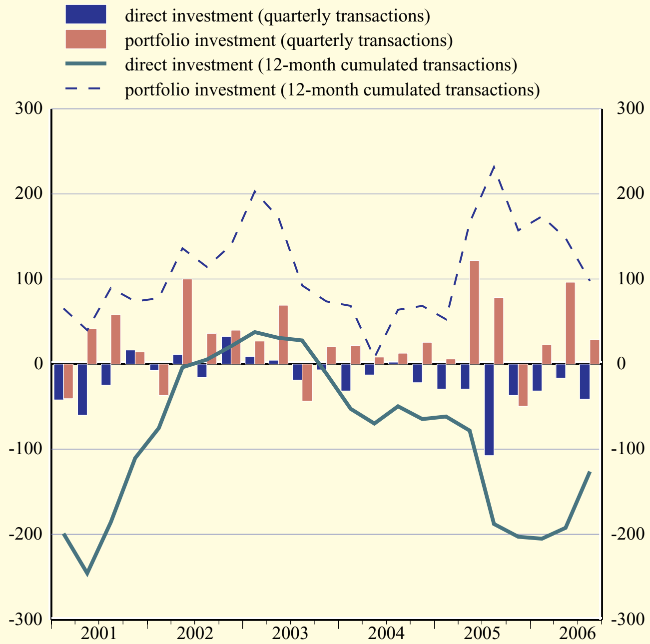
1. Summary balance of payments

	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
2003	32.4	105.0	22.0	-38.1	-56.4	12.3	44.8	-0.5	-11.4	73.6	-14.4	-76.1	27.8	-44.3
2004	55.6	103.5	30.8	-19.8	-58.8	16.6	72.2	-21.1	-64.2	68.2	-6.6	-30.9	12.4	-51.1
2005	-8.2	48.2	36.0	-22.2	-70.2	11.9	3.7	37.4	-202.3	156.9	-10.7	75.5	18.0	-41.1
2005 Q3	-1.0	13.5	9.8	-4.1	-20.2	2.7	1.7	23.5	-107.3	78.1	-0.4	50.7	2.4	-25.2
Q4	-8.1	3.9	11.0	-6.4	-16.6	4.6	-3.6	-42.4	-36.5	-49.5	-6.2	41.5	8.3	46.0
2006 Q1	-12.8	-2.8	4.8	1.4	-16.2	2.0	-10.8	65.7	-31.5	22.9	-8.5	76.8	6.1	-54.9
Q2	-10.5	6.4	11.9	-13.1	-15.7	1.3	-9.2	48.5	-16.4	96.3	-2.8	-27.2	-1.4	-39.3
Q3	-4.5	8.0	10.7	-0.4	-22.8	1.9	-2.6	52.1	-41.3	28.4	7.7	60.6	-3.2	-49.5
2005 Nov.	-1.1	0.8	3.2	0.2	-5.2	0.9	-0.2	2.3	-6.4	-45.8	1.9	51.6	1.0	-2.2
Dec.	-0.8	1.8	3.5	-0.4	-5.8	3.1	2.3	-31.1	-17.2	-1.0	-4.0	-16.1	7.2	28.8
2006 Jan.	-10.2	-6.3	0.9	0.0	-4.7	0.8	-9.4	-3.2	-2.7	-36.4	-2.9	41.1	-2.3	12.6
Feb.	-0.6	0.5	2.3	0.8	-4.3	1.0	0.4	19.5	-29.1	21.4	-3.3	28.6	1.9	-19.9
Mar.	-2.1	3.0	1.5	0.6	-7.2	0.2	-1.9	49.5	0.3	37.9	-2.3	7.1	6.5	-47.6
Apr.	-7.3	0.7	3.1	-4.9	-6.2	0.3	-7.0	17.4	1.8	-7.4	-6.5	30.6	-1.1	-10.4
May	-11.5	0.5	3.9	-10.4	-5.4	0.3	-11.2	31.9	-3.4	40.2	1.8	-5.1	-1.7	-20.7
June	8.3	5.2	4.9	2.3	-4.1	0.7	9.0	-0.8	-14.8	63.5	1.8	-52.7	1.4	-8.2
July	0.3	4.6	5.0	-1.5	-7.8	0.7	1.0	6.2	-9.5	-0.1	3.3	13.8	-1.3	-7.2
Aug.	-6.3	-2.3	1.3	1.5	-6.8	1.0	-5.3	1.6	-4.7	-15.8	-2.5	25.5	-0.8	3.7
Sep.	1.5	5.7	4.5	-0.4	-8.2	0.2	1.7	44.3	-27.1	44.2	6.9	21.4	-1.1	-46.0
Oct.	1.5	5.8	3.9	-0.4	-7.7	0.4	2.0	-4.3	-15.3	22.5	6.9	-18.4	0.1	2.3
Nov.	1.7	6.0	1.3	1.8	-7.4	1.0	2.7	-17.7	-11.6	45.1	-4.3	-46.0	-0.8	15.1
	12-month cumulated transactions													
2006 Nov.	-25.5	25.1	36.1	-11.2	-75.5	9.8	-15.8	113.3	-133.4	214.1	-5.0	29.7	8.0	-97.5

C30 B.o.p. current account balance
(EUR billions)



C31 B.o.p. net direct and portfolio investment
(EUR billions)



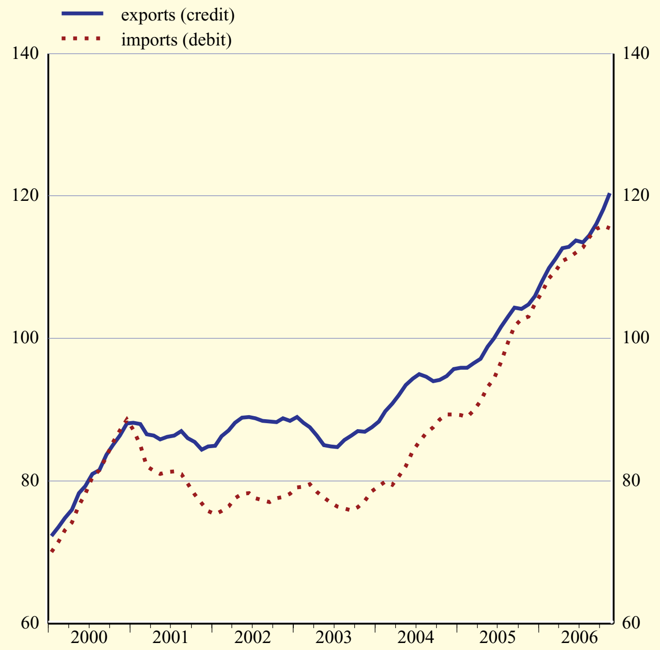
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

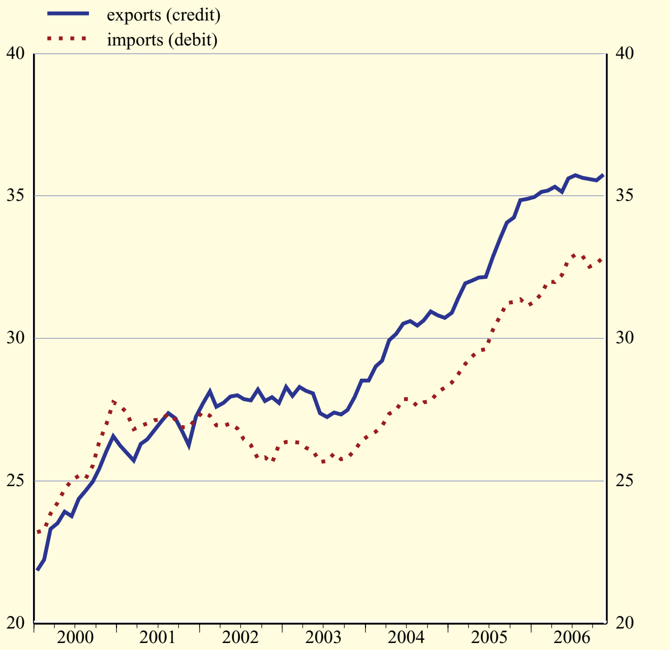
2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	1,696.5	1,664.1	32.4	1,036.8	931.9	334.2	312.2	242.7	280.9	82.8	139.2	23.9	11.5
2004	1,859.5	1,803.9	55.6	1,132.4	1,028.9	364.8	334.1	280.7	300.5	81.6	140.5	24.6	8.0
2005	2,048.4	2,056.7	-8.2	1,224.3	1,176.1	400.3	364.3	338.9	361.1	85.1	155.2	23.8	11.9
2005 Q3	520.0	520.9	-1.0	309.8	296.2	110.1	100.2	84.3	88.4	15.9	36.1	4.7	2.0
Q4	555.1	563.2	-8.1	327.8	323.9	106.0	95.0	98.7	105.1	22.5	39.2	8.3	3.8
2006 Q1	542.3	555.1	-12.8	329.7	332.6	96.6	91.8	86.3	84.9	29.6	45.8	5.9	3.9
Q2	579.9	590.4	-10.5	342.2	335.8	106.9	95.0	113.4	126.5	17.3	33.0	4.4	3.2
Q3	571.5	576.0	-4.5	341.0	333.0	114.4	103.7	100.7	101.1	15.4	38.2	4.4	2.5
2006 Sep.	198.6	197.1	1.5	121.0	115.3	37.4	32.9	35.4	35.8	4.9	13.1	0.9	0.8
Oct.	204.0	202.4	1.5	127.9	122.1	37.4	33.5	33.8	34.2	4.9	12.6	1.3	0.8
Nov.	206.3	204.7	1.7	129.5	123.6	34.1	32.8	37.4	35.6	5.3	12.7	1.8	0.8
	Seasonally adjusted												
2005 Q3	524.4	531.7	-7.3	313.1	305.1	102.2	93.7	88.0	94.4	21.1	38.4	.	.
Q4	535.7	549.6	-14.0	317.8	314.6	104.7	93.4	92.5	101.6	20.8	40.0	.	.
2006 Q1	559.4	565.9	-6.5	333.4	328.4	105.6	96.0	92.7	98.2	27.7	43.3	.	.
Q2	575.4	580.0	-4.6	341.2	336.2	106.9	98.3	106.2	109.5	21.2	36.0	.	.
Q3	582.2	592.2	-10.0	348.4	346.2	106.8	97.6	106.5	107.7	20.5	40.7	.	.
2006 Mar.	186.1	191.4	-5.3	112.3	110.1	34.6	31.8	32.8	36.5	6.4	13.0	.	.
Apr.	185.5	185.5	0.0	113.5	111.9	35.1	31.8	30.4	29.0	6.4	12.9	.	.
May	194.6	201.8	-7.2	112.8	112.1	35.8	33.1	38.9	44.5	7.2	12.2	.	.
June	195.3	192.7	2.7	114.9	112.2	36.0	33.4	36.9	36.1	7.6	11.0	.	.
July	190.2	194.3	-4.1	113.0	114.1	35.4	32.4	35.6	34.4	6.2	13.5	.	.
Aug.	191.4	199.7	-8.3	115.5	116.3	35.5	32.9	32.8	36.8	7.6	13.7	.	.
Sep.	200.6	198.3	2.3	119.8	115.9	35.9	32.3	38.1	36.5	6.7	13.6	.	.
Oct.	197.7	195.9	1.8	119.0	115.3	35.3	32.7	35.9	32.6	7.5	15.4	.	.
Nov.	196.9	198.9	-2.0	122.3	115.3	36.0	33.6	33.8	36.3	4.8	13.7	.	.

C32 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C33 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											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	15.1	7.5	227.7	273.4	64.7	57.8	10.3	10.8	18.7	52.9	65.6	79.4	68.4	72.6
2004	15.4	7.9	265.3	292.6	94.7	74.3	13.4	12.9	24.5	56.0	67.5	77.5	65.2	71.9
2005	15.7	9.4	323.2	351.6	112.7	89.4	13.8	13.8	31.2	71.4	78.9	80.0	86.6	97.1
2005 Q3	3.9	2.9	80.4	85.5	27.8	26.1	3.1	3.0	7.5	15.8	20.6	17.0	21.3	23.6
Q4	4.0	2.5	94.7	102.6	36.4	33.4	4.1	4.2	7.3	14.0	21.3	22.5	25.5	28.5
2006 Q1	4.0	2.0	82.3	82.9	19.8	12.2	4.2	3.5	8.2	16.1	23.5	21.2	26.7	29.9
Q2	4.0	2.5	109.4	124.0	36.4	18.9	4.5	4.2	13.2	42.9	24.7	21.9	30.8	36.1
Q3	4.0	3.0	96.7	98.1	24.6	15.2	4.4	4.1	8.4	21.4	26.3	19.1	32.9	38.2

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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	-146.4	-130.3	-1.7	-128.6	-16.1	0.0	-16.1	135.0	125.1	3.1	122.0	10.0	0.1	9.9
2004	-154.8	-164.9	-21.4	-143.5	10.1	0.1	10.0	90.6	94.1	1.5	92.6	-3.5	0.5	-4.0
2005	-294.0	-234.5	-12.0	-222.5	-59.5	-0.2	-59.3	91.7	59.8	0.6	59.2	31.9	-0.3	32.2
2005 Q3	-133.6	-108.9	-5.3	-103.6	-24.6	0.0	-24.7	26.2	12.6	1.0	11.6	13.6	0.2	13.4
Q4	-72.7	-58.4	-0.4	-58.0	-14.4	0.1	-14.4	36.2	26.8	-1.5	28.3	9.4	-0.4	9.8
2006 Q1	-50.5	-41.7	-1.8	-39.9	-8.8	0.2	-9.1	19.0	14.7	0.7	14.0	4.3	-0.3	4.6
Q2	-109.2	-88.2	-6.2	-82.0	-21.0	-1.1	-20.0	92.8	79.5	0.5	78.9	13.4	1.0	12.4
Q3	-69.0	-60.3	-10.4	-50.0	-8.7	-0.1	-8.6	27.7	25.3	1.2	24.1	2.4	-0.3	2.7
2005 Nov.	-10.4	-7.2	0.1	-7.3	-3.2	-0.3	-2.9	4.0	2.5	-1.6	4.1	1.5	0.1	1.5
Dec.	-39.9	-40.5	-0.8	-39.8	0.6	0.4	0.2	22.7	12.8	-0.2	12.9	10.0	-0.9	10.8
2006 Jan.	-6.5	4.4	-0.6	5.0	-10.9	-0.1	-10.8	3.8	6.2	0.2	6.0	-2.4	0.1	-2.5
Feb.	-39.4	-33.8	-1.6	-32.3	-5.6	0.1	-5.7	10.3	12.0	0.4	11.6	-1.7	0.1	-1.8
Mar.	-4.6	-12.2	0.4	-12.6	7.6	0.2	7.4	4.9	-3.4	0.2	-3.6	8.3	-0.5	8.9
Apr.	-82.9	-59.1	-1.8	-57.3	-23.8	-0.5	-23.3	84.7	70.9	0.0	70.8	13.9	0.2	13.6
May	-14.3	-19.0	-3.2	-15.8	4.7	-0.3	5.0	10.9	8.7	0.4	8.3	2.2	0.4	1.8
June	-12.0	-10.1	-1.2	-8.9	-1.9	-0.2	-1.7	-2.8	-0.1	0.1	-0.2	-2.7	0.4	-3.1
July	-16.4	-13.3	-1.5	-11.8	-3.2	0.0	-3.2	6.9	5.4	0.4	5.1	1.5	-0.1	1.6
Aug.	-4.8	-7.9	-3.6	-4.3	3.1	-0.1	3.2	0.1	5.7	0.4	5.3	-5.6	-0.1	-5.5
Sep.	-47.8	-39.2	-5.3	-33.9	-8.6	0.0	-8.6	20.7	14.1	0.4	13.7	6.6	-0.1	6.6
Oct.	-20.1	-12.8	-5.7	-7.1	-7.3	0.1	-7.4	4.8	-1.3	1.2	-2.5	6.1	1.4	4.7
Nov.	-11.7	-14.3	-1.7	-12.6	2.6	-0.2	2.8	0.0	-4.2	0.2	-4.4	4.2	-1.9	6.1

Source: ECB.

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs	General gov.		Eurosystem	MFIs excluding Eurosystem	Non-MFIs	General gov.		Eurosystem	MFIs excluding Eurosystem	Non-MFIs	General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	-0.3	-13.9	-65.8	-2.6	110.4	-2.4	-45.0	-129.5	-0.2	200.0	0.2	-45.9	23.7	0.6	42.2
2004	0.0	-22.4	-84.2	-3.7	123.9	1.2	-81.9	-96.6	-2.1	272.1	0.0	-43.2	-15.2	0.1	14.5
2005	-0.1	-14.1	-120.4	-3.4	282.8	-0.7	-118.6	-137.9	-0.8	242.5	0.1	-14.3	0.0	0.1	37.7
2005 Q3	-0.1	-4.9	-27.6	-0.9	148.5	-0.4	-20.0	-44.9	0.1	16.3	0.1	-6.8	7.3	0.2	10.5
Q4	0.0	-4.8	-53.8	-0.8	63.0	0.6	-24.6	-26.9	-0.2	18.5	0.1	-4.7	5.9	5.9	-22.6
2006 Q1	0.0	-19.1	-77.9	-0.6	121.2	-0.1	-53.7	-36.2	-0.2	80.8	0.7	2.5	-10.3	-3.8	15.0
Q2	0.0	11.6	7.4	-2.6	35.7	1.0	-23.4	-27.0	0.1	113.8	-3.2	-7.4	-0.9	-3.2	-11.3
Q3	0.0	-5.3	-25.7	-0.8	67.8	-0.4	-51.8	-15.6	-0.2	75.9	1.9	-25.6	0.7	3.1	6.5
2005 Nov.	0.0	-6.7	-20.7	-	11.3	0.1	-3.5	-13.7	-	2.5	0.1	-5.1	-1.7	-	-8.5
Dec.	0.0	-2.7	-22.1	-	55.5	-0.2	-3.7	-3.7	-	-3.6	0.0	-6.0	4.3	-	-18.7
2006 Jan.	0.0	-6.7	-37.2	-	35.5	0.2	-32.8	-2.5	-	1.0	0.4	3.0	-7.5	-	10.2
Feb.	0.0	-3.7	-23.4	-	36.2	-0.2	-7.1	-16.9	-	25.0	0.3	1.5	-2.3	-	12.0
Mar.	0.0	-8.7	-17.4	-	49.5	-0.1	-13.8	-16.8	-	54.9	0.0	-2.0	-0.5	-	-7.1
Apr.	0.0	3.5	-5.8	-	-10.0	0.2	-6.1	-11.4	-	25.8	-1.1	-7.0	0.6	-	3.9
May	0.0	3.5	12.1	-	-11.7	0.1	-11.0	-12.1	-	63.6	-1.6	-2.0	-2.1	-	1.6
June	0.0	4.6	1.1	-	57.5	0.6	-6.3	-3.4	-	24.4	-0.4	1.6	0.6	-	-16.8
July	0.0	2.4	-12.3	-	43.1	0.2	-13.1	-2.1	-	3.8	0.4	-18.2	-0.9	-	-3.3
Aug.	0.0	-4.6	-7.8	-	-4.1	0.0	-9.0	-9.1	-	12.8	1.0	0.2	1.2	-	3.5
Sep.	0.0	-3.1	-5.5	-	28.7	-0.6	-29.7	-4.4	-	59.3	0.5	-7.7	0.4	-	6.3
Oct.	0.0	-5.4	-1.3	-	16.7	-1.8	-16.2	-19.0	-	45.6	0.4	-5.0	-0.5	-	8.9
Nov.	0.0	-1.3	-6.7	-	29.0	-0.6	-27.6	-6.6	-	51.4	0.3	-8.7	4.9	-	10.9

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets	Currency and deposits	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Currency and deposits	Liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2003	-252.2	176.0	-0.8	10.6	-0.2	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-98.5	-	34.0
2004	-314.4	283.5	-0.2	7.7	-1.5	-2.0	-3.6	-261.7	244.9	4.4	-17.4	-266.2	262.3	-50.9	-10.4	34.4
2005	-569.6	645.1	-0.6	6.7	5.2	-2.4	-2.4	-397.7	479.4	-98.6	51.7	-299.1	427.7	-176.5	-6.6	161.5
2005 Q3	-106.2	156.9	0.9	5.0	7.7	4.7	1.2	-86.7	123.1	-20.9	14.7	-65.8	108.4	-28.0	-16.0	27.6
Q4	-129.0	170.5	-0.8	-0.9	-2.0	-1.1	-2.0	-88.4	120.0	-38.0	5.3	-50.4	114.8	-37.8	13.5	53.5
2006 Q1	-218.3	295.1	-3.4	6.6	7.6	3.8	-3.6	-136.4	222.2	-13.3	12.8	-123.2	209.4	-86.1	-8.4	69.8
Q2	-106.1	78.9	0.8	2.3	-11.2	-12.1	0.3	-57.6	10.5	-15.5	21.7	-42.2	-11.2	-38.1	13.0	65.8
Q3	-154.1	214.7	0.2	4.9	12.4	8.5	6.5	-119.4	160.7	-32.7	21.2	-86.8	139.6	-47.3	7.9	42.6
2005 Nov.	-147.4	198.9	-0.9	2.2	-1.2	1.3	0.2	-113.0	174.5	-1.0	0.4	-112.0	174.0	-32.2	-3.8	22.0
Dec.	71.4	-87.6	0.1	-2.0	-1.5	-2.1	-4.1	71.0	-107.1	-33.2	1.5	104.2	-108.6	1.8	13.9	25.6
2006 Jan.	-103.2	144.3	0.1	4.9	3.7	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.8	118.6	-35.9	-15.8	24.2
Feb.	-44.5	73.1	-4.4	0.2	1.2	1.0	-1.2	-3.9	36.3	-7.4	9.8	3.5	26.4	-37.5	-3.4	37.9
Mar.	-70.5	77.6	1.0	1.6	2.6	0.5	0.0	-61.5	68.3	-12.5	4.0	-48.9	64.3	-12.7	10.9	7.8
Apr.	-83.1	113.7	0.2	-1.4	-4.5	-4.9	4.3	-64.5	82.4	0.0	10.1	-64.4	72.4	-14.3	4.9	28.4
May	-73.2	68.1	0.0	4.6	-4.4	-4.7	-4.8	-45.1	40.6	-3.4	2.5	-41.7	38.1	-23.7	-4.8	27.7
June	50.2	-102.9	0.6	-0.9	-2.3	-2.6	0.8	52.0	-112.6	-12.0	9.1	64.0	-121.7	-0.1	12.9	9.8
July	-59.2	73.0	1.5	1.0	7.2	7.1	1.8	-48.2	64.8	-10.4	8.5	-37.8	56.2	-19.7	6.7	5.4
Aug.	1.6	23.8	-1.8	1.3	0.6	0.0	-0.5	7.3	18.5	-7.2	6.7	14.6	11.8	-4.5	-1.5	4.5
Sep.	-96.5	117.9	0.5	2.6	4.6	1.5	5.1	-78.5	77.5	-15.0	5.9	-63.5	71.5	-23.1	2.7	32.7
Oct.	-109.8	91.4	-0.3	-0.9	-2.2	-3.8	-2.2	-84.3	67.7	-47.9	-2.2	-36.5	69.9	-22.9	2.2	26.7
Nov.	-155.3	109.3	0.6	3.2	-3.9	-4.4	1.6	-116.0	73.9	-14.3	12.0	-101.6	61.9	-36.0	-7.6	30.7

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
2003	-0.8	0.0	10.7	0.0	-0.1	0.8	-0.2	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.7	0.1	0.0	-0.3	1.7	-2.0	-1.3	0.0	-3.4	-0.2
2005	-0.5	-0.1	6.7	0.0	0.0	6.4	8.9	-2.4	-1.2	0.0	-2.2	-0.3
2005 Q3	0.9	0.0	4.9	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1
Q4	-0.8	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0
2006 Q1	-3.4	0.0	6.6	0.1	0.0	7.8	4.0	3.8	-0.1	0.0	-3.2	-0.4
Q2	0.8	0.0	2.4	0.0	0.0	-10.8	1.4	-12.1	-0.4	0.0	0.2	0.1
Q3	0.2	0.0	4.8	0.0	0.0	12.3	3.8	8.5	0.1	0.0	6.3	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
2003	-152.1	-0.5	134.8	-0.1	-0.9	-95.3	-9.1	-86.3	-2.3	4.3	29.4	0.3
2004	-257.8	-3.9	242.0	2.9	-6.1	-40.6	-30.2	-10.4	-4.3	9.3	23.5	1.6
2005	-394.6	-3.1	477.8	1.6	-8.7	-151.4	-144.8	-6.6	-16.5	11.5	143.8	6.2
2005 Q3	-81.5	-5.2	120.4	2.7	1.4	-22.9	-6.9	-16.0	-6.6	1.9	27.3	-1.7
Q4	-91.9	3.5	124.8	-4.8	-1.9	-36.9	-50.3	13.5	0.9	4.9	47.7	0.9
2006 Q1	-132.6	-3.9	216.3	5.9	-3.8	-74.0	-65.5	-8.4	-8.4	4.4	60.0	5.4
Q2	-58.1	0.5	16.0	-5.5	-3.5	-37.0	-50.0	13.0	2.4	3.9	66.8	-4.9
Q3	-118.6	-0.9	159.1	1.6	2.4	-45.9	-53.8	7.9	-3.8	3.3	36.5	2.9

8. Reserve assets

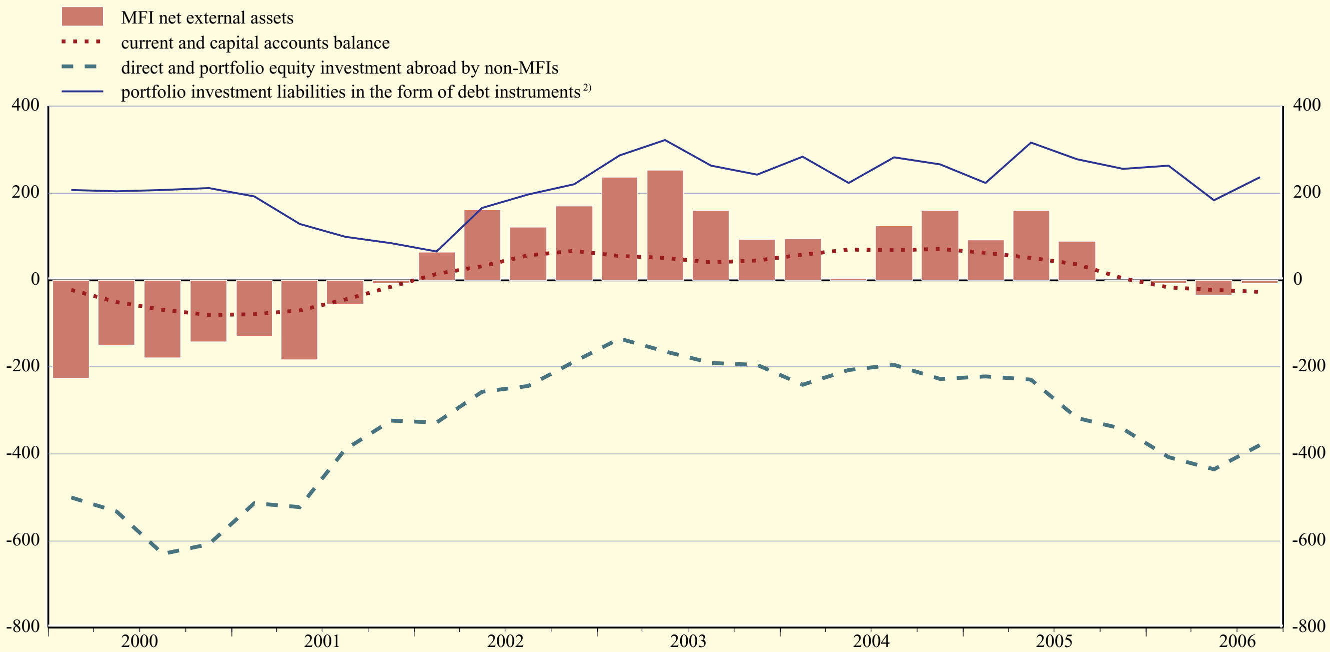
	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
2003	27.8	1.7	0.0	-1.6	27.7	-2.5	1.9	-0.1	22.2	6.3	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.7	-3.0	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2005 Q3	2.4	0.5	0.0	2.6	-0.7	1.4	1.4	0.0	-4.9	1.4	-0.1	0.0
Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	6.1	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.6	4.6	0.0	-0.5
Q2	-1.4	1.4	0.0	-0.5	-3.0	0.9	2.4	0.0	-6.8	0.5	0.0	0.7
Q3	-3.2	0.9	-0.3	0.8	-4.6	1.0	-2.9	0.0	-3.9	1.1	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	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2003	44.8	-144.7	135.0	-171.6	114.7	242.4	-98.8	30.6	-14.4	-44.3	93.8	93.7
2004	72.2	-133.6	90.1	-196.0	113.9	266.7	-52.5	30.8	-6.6	-51.1	134.0	160.8
2005	3.7	-281.8	92.0	-258.2	239.6	256.1	-171.3	159.1	-10.7	-41.1	-12.7	-0.6
2005 Q3	1.7	-128.3	26.1	-65.1	153.0	20.1	-20.4	28.8	-0.4	-25.2	-9.7	-7.5
Q4	-3.6	-72.4	36.6	-74.9	48.2	-7.8	-39.8	51.4	-6.2	46.0	-22.5	-33.3
2006 Q1	-10.8	-49.0	19.3	-124.4	116.1	73.8	-78.5	66.2	-8.5	-54.9	-50.8	-37.7
Q2	-9.2	-101.9	91.8	-20.4	29.2	98.2	-49.3	66.1	-2.8	-39.3	62.4	43.6
Q3	-2.6	-58.6	28.0	-40.5	34.5	73.0	-34.9	49.1	7.7	-49.5	6.1	19.2
2005 Nov.	-0.2	-10.3	4.0	-36.1	11.3	-5.5	-33.5	22.2	1.9	-2.2	-48.2	-42.9
Dec.	2.3	-39.5	23.6	-21.5	41.6	-20.6	0.4	21.5	-4.0	28.8	32.5	18.4
2006 Jan.	-9.4	-5.8	3.8	-47.1	31.8	3.6	-32.2	21.8	-2.9	12.6	-23.9	-11.9
Feb.	0.4	-37.9	10.2	-42.6	31.3	31.0	-36.3	36.7	-3.3	-19.9	-30.3	-26.6
Mar.	-1.9	-5.3	5.4	-34.7	52.9	39.2	-10.0	7.7	-2.3	-47.6	3.5	0.9
Apr.	-7.0	-80.6	84.5	-16.6	-14.1	20.1	-18.8	32.7	-6.5	-10.4	-16.7	-15.9
May	-11.2	-10.8	10.5	-2.1	-12.2	61.0	-28.1	22.9	1.8	-20.7	11.2	6.9
June	9.0	-10.6	-3.1	-1.7	55.5	17.1	-2.4	10.6	1.8	-8.2	68.0	52.6
July	1.0	-15.0	7.1	-15.3	24.9	4.0	-12.5	7.2	3.3	-7.2	-2.5	21.1
Aug.	-5.3	-1.1	0.2	-15.7	1.1	8.9	-3.9	4.0	-2.5	3.7	-10.7	-18.9
Sep.	1.7	-42.5	20.7	-9.5	8.5	60.1	-18.5	37.8	6.9	-46.0	19.3	17.0
Oct.	2.0	-14.5	3.4	-20.8	6.2	31.8	-25.1	24.5	6.9	2.3	16.7	18.6
Nov.	2.7	-9.8	1.9	-8.4	33.4	63.3	-39.9	32.2	-4.3	15.1	86.1	75.9
	12-month cumulated transactions											
2006 Nov.	-15.8	-273.4	168.1	-236.1	260.9	319.5	-227.3	259.7	-5.0	-97.5	153.0	138.1

C34 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)

2005 Q4 to 2006 Q3	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	2,248.7	821.2	46.3	71.5	432.9	211.7	58.8	29.9	55.2	147.2	379.1	816.1
Goods	1,340.8	467.0	30.9	47.7	220.0	168.2	0.1	17.6	34.1	74.7	198.9	548.4
Services	423.9	149.3	8.3	11.5	102.7	21.6	5.3	6.2	11.8	41.2	78.6	136.8
Income	399.1	144.1	6.5	11.6	100.1	19.7	6.1	5.7	8.5	25.0	94.9	120.9
of which: investment income	383.1	138.7	6.4	11.5	98.3	19.5	2.9	5.7	8.4	18.8	93.5	118.0
Current transfers	84.9	60.9	0.5	0.7	10.1	2.3	47.3	0.4	0.8	6.3	6.6	9.9
Capital account	23.0	19.3	0.0	0.1	0.8	0.2	18.2	0.0	0.0	0.4	0.6	2.7
	Debits											
Current account	2,284.7	732.0	38.7	68.3	364.4	166.7	93.9	21.6	84.8	138.9	336.7	970.7
Goods	1,325.3	375.4	26.8	44.3	170.2	134.2	0.0	10.6	52.8	67.3	128.5	690.7
Services	385.5	121.7	7.0	9.0	81.1	24.4	0.1	5.2	7.5	30.7	87.0	133.5
Income	417.7	136.4	4.4	14.3	104.5	6.7	6.5	4.5	24.0	35.6	114.0	103.1
of which: investment income	407.7	131.2	4.4	14.2	103.4	2.8	6.5	4.4	23.9	35.1	113.2	99.8
Current transfers	156.2	98.6	0.5	0.8	8.6	1.4	87.3	1.3	0.4	5.3	7.2	43.4
Capital account	13.3	1.8	0.0	0.2	1.2	0.3	0.2	0.1	0.1	0.5	1.2	9.6
	Net											
Current account	-36.0	89.2	7.6	3.2	68.6	45.0	-35.1	8.4	-29.6	8.2	42.4	-154.6
Goods	15.4	91.6	4.1	3.5	49.8	34.1	0.1	7.1	-18.7	7.4	70.4	-142.3
Services	38.4	27.6	1.3	2.5	21.6	-2.9	5.2	1.1	4.3	10.5	-8.3	3.3
Income	-18.6	7.6	2.1	-2.6	-4.4	12.9	-0.5	1.2	-15.5	-10.7	-19.1	17.9
of which: investment income	-24.6	7.5	2.1	-2.6	-5.0	16.7	-3.7	1.3	-15.5	-16.3	-19.7	18.2
Current transfers	-71.3	-37.6	0.0	-0.1	1.5	0.9	-39.9	-1.0	0.4	1.0	-0.6	-33.5
Capital account	9.7	17.5	0.0	-0.1	-0.3	-0.1	18.0	-0.1	0.0	-0.1	-0.6	-6.9

2. Balance of payments: direct investment
(cumulated transactions)

2005 Q4 to 2006 Q3	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						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-125.8	-79.2	-2.2	14.8	-69.3	-22.5	0.0	-0.7	1.3	-5.0	-3.8	4.7	-43.1
Abroad	-301.5	-165.2	-0.5	2.7	-144.6	-22.7	0.0	-6.0	-3.4	-10.1	-38.0	-28.3	-50.6
Equity/reinvested earnings	-248.6	-155.6	-0.9	-0.5	-132.4	-21.8	0.0	-1.9	-2.0	-6.8	-9.8	-23.3	-49.1
Other capital	-53.0	-9.5	0.4	3.2	-12.2	-0.9	0.0	-4.1	-1.4	-3.3	-28.2	-5.0	-1.5
In the euro area	175.7	86.0	-1.7	12.1	75.3	0.2	0.0	5.3	4.7	5.1	34.2	33.1	7.5
Equity/reinvested earnings	146.3	71.0	-2.4	11.7	60.8	0.8	0.0	3.9	4.0	10.2	8.9	42.5	5.8
Other capital	29.4	15.0	0.8	0.4	14.4	-0.6	0.0	1.4	0.7	-5.1	25.3	-9.5	1.6

Source: ECB.

(EUR billions)

3. Balance of payments: portfolio investment assets by instrument

(cumulated transactions)

2005 Q4 to 2006 Q3	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						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-466.4	-131.7	-0.7	-5.3	-121.3	-5.8	1.5	-7.3	-30.7	-4.2	-129.9	-93.9	-68.7
Equity	-167.7	-19.3	0.6	-3.3	-18.2	1.6	0.0	-1.5	-22.4	-2.6	-60.5	-33.1	-28.2
Debt instruments	-298.7	-112.5	-1.4	-2.1	-103.1	-7.4	1.5	-5.8	-8.3	-1.6	-69.4	-60.8	-40.4
Bonds and notes	-258.2	-96.4	-1.8	-1.9	-84.4	-9.9	1.5	-4.3	-7.8	1.0	-61.8	-47.8	-41.1
Money market instruments	-40.5	-16.0	0.5	-0.2	-18.7	2.5	0.0	-1.5	-0.6	-2.5	-7.6	-12.9	0.7

4. Balance of payments: other investment by sector

(cumulated transactions)

2005 Q4 to 2006 Q3	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	151.7	52.6	-1.1	6.9	45.8	-10.5	11.5	-0.8	34.2	-12.7	15.1	52.5	15.6	-4.7
Assets	-607.5	-401.0	-21.0	-1.8	-352.5	-25.5	-0.2	-2.1	20.2	-45.1	-22.6	-72.0	-0.9	-84.0
General government	6.8	-2.7	-0.1	-0.6	-1.7	0.2	-0.4	0.0	0.0	0.0	0.6	0.0	-1.4	10.3
MFIs	-405.1	-234.2	-20.3	-0.1	-190.5	-23.6	0.3	-1.6	19.8	-38.4	-27.0	-47.3	0.6	-77.0
Other sectors	-209.2	-164.1	-0.5	-1.1	-160.2	-2.1	-0.1	-0.6	0.4	-6.7	3.8	-24.7	-0.1	-17.3
Liabilities	759.2	453.6	19.9	8.7	398.3	15.0	11.7	1.3	14.0	32.4	37.8	124.5	16.5	79.3
General government	1.1	-1.5	0.0	0.0	-0.5	0.0	-1.0	0.0	-0.2	1.9	-0.7	0.0	2.9	-1.4
MFIs	526.4	256.9	19.5	8.0	216.0	12.5	0.9	1.3	11.7	27.5	6.6	123.4	13.6	85.4
Other sectors	231.7	198.1	0.4	0.7	182.7	2.5	11.8	0.0	2.5	2.9	31.9	1.0	0.0	-4.7

5. International investment position

(end-of-period outstanding amounts)

2005	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	327.8	-157.7	0.8	-17.3	-292.9	151.7	-0.2	25.2	4.7	36.2	-1.5	-13.9	-0.3	435.2
Abroad	2,712.4	941.2	33.8	81.0	651.8	174.7	0.0	76.1	68.8	241.8	558.0	316.0	0.0	510.4
Equity/reinvested earnings	2,186.8	738.9	29.7	56.8	502.1	150.3	0.0	64.9	63.6	193.7	419.2	297.0	0.0	409.5
Other capital	525.6	202.3	4.1	24.2	149.6	24.5	0.0	11.2	5.2	48.1	138.9	19.0	0.0	100.9
In the euro area	2,384.6	1,099.0	32.9	98.3	944.6	23.0	0.2	50.9	64.1	205.6	559.5	329.9	0.3	75.2
Equity/reinvested earnings	1,776.3	873.3	26.8	81.9	757.0	7.5	0.1	45.9	53.5	141.2	396.0	199.7	0.0	66.8
Other capital	608.3	225.7	6.1	16.4	187.6	15.5	0.1	5.1	10.7	64.4	163.5	130.2	0.3	8.4
Portfolio investment assets	3,873.8	1,199.6	61.2	119.3	860.7	88.5	69.9	83.3	270.3	122.3	1,305.1	411.4	30.8	451.0
Equity	1,733.0	421.9	10.9	46.5	342.2	22.2	0.0	21.6	182.3	112.1	616.5	155.6	1.4	221.6
Debt instruments	2,140.8	777.8	50.3	72.8	518.6	66.3	69.9	61.7	87.9	10.2	688.6	255.7	29.4	229.4
Bonds and notes	1,826.1	649.4	45.9	61.6	407.8	64.3	69.8	60.2	62.3	7.8	589.4	228.5	28.7	199.7
Money market instruments	314.7	128.4	4.3	11.2	110.8	2.0	0.1	1.5	25.6	2.4	99.2	27.2	0.7	29.7
Other investment	-296.0	-49.5	51.8	15.4	17.8	9.1	-143.7	4.5	9.4	-81.7	-13.9	-216.5	-22.7	74.5
Assets	3,671.4	1,866.6	77.0	61.9	1,618.0	100.0	9.7	21.7	92.5	208.8	509.6	354.1	41.8	576.2
General government	101.8	17.8	0.2	0.3	8.9	1.0	7.4	0.1	0.1	0.1	3.3	1.2	35.8	43.4
MFIs	2,523.5	1,432.2	65.7	44.5	1,242.9	78.2	0.9	11.6	67.1	121.8	315.5	245.0	5.3	325.0
Other sectors	1,046.0	416.6	11.0	17.1	366.3	20.8	1.4	10.0	25.4	87.0	190.7	107.9	0.6	207.8
Liabilities	3,967.3	1,916.1	25.1	46.5	1,600.1	90.9	153.5	17.2	83.1	290.5	523.5	570.7	64.5	501.8
General government	46.2	23.5	0.0	0.3	3.3	0.0	20.0	0.0	0.8	0.1	7.4	0.2	3.2	11.1
MFIs	3,180.7	1,488.7	20.0	26.3	1,270.5	71.4	100.5	12.2	55.5	243.9	400.6	518.2	59.9	401.8
Other sectors	740.4	403.9	5.2	20.0	326.3	19.5	33.0	5.0	26.8	46.6	115.5	52.3	1.4	88.9

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						
2002	-709.9	-9.8	181.4	-943.1	-12.6	-301.7	366.1
2003	-781.2	-10.5	90.7	-919.3	-7.5	-251.8	306.7
2004	-824.8	-10.6	109.7	-1,001.2	-14.9	-199.5	281.0
2005	-811.1	-10.1	327.8	-1,148.7	-14.4	-296.0	320.1
2006 Q2	-860.2	-10.3	355.5	-1,235.8	-2.1	-301.7	323.8
Q3	-965.2	-11.5	397.6	-1,293.6	-15.5	-378.8	325.1
	Outstanding assets						
2002	7,427.6	102.5	2,007.3	2,292.6	133.1	2,628.5	366.1
2003	7,970.9	106.9	2,171.1	2,659.0	160.8	2,673.4	306.7
2004	8,775.6	113.3	2,338.5	3,035.8	174.1	2,946.2	281.0
2005	10,813.8	135.2	2,712.4	3,873.8	236.1	3,671.4	320.1
2006 Q2	11,355.4	135.9	2,847.5	3,977.1	268.2	3,938.8	323.8
Q3	11,860.0	141.9	2,928.8	4,207.1	300.0	4,099.1	325.1
	Outstanding liabilities						
2002	8,137.6	112.3	1,826.0	3,235.8	145.7	2,930.2	-
2003	8,752.1	117.4	2,080.3	3,578.3	168.3	2,925.2	-
2004	9,600.5	123.9	2,228.8	4,037.0	189.0	3,145.7	-
2005	11,624.9	145.3	2,384.6	5,022.5	250.5	3,967.3	-
2006 Q2	12,215.6	146.1	2,492.0	5,212.9	270.3	4,240.5	-
Q3	12,825.2	153.4	2,531.1	5,500.7	315.4	4,477.9	-

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
2002	1,546.4	132.7	1,413.7	460.9	1.6	459.3	1,294.8	42.1	1,252.7	531.1	2.9	528.3
2003	1,728.7	124.8	1,603.8	442.4	2.1	440.3	1,508.6	46.3	1,462.3	571.8	3.2	568.6
2004	1,899.2	145.0	1,754.2	439.3	3.1	436.2	1,659.7	44.0	1,615.8	569.1	8.2	560.9
2005	2,186.8	167.1	2,019.7	525.6	6.9	518.8	1,776.3	46.0	1,730.3	608.3	10.1	598.2
2006 Q2	2,300.2	165.2	2,135.0	547.3	7.2	540.0	1,881.5	44.5	1,837.0	610.5	10.1	600.4
Q3	2,380.3	177.2	2,203.0	548.5	6.9	541.5	1,924.2	46.3	1,877.9	606.9	10.0	596.9

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	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	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,662.1	1.2	189.4	1.2	47.1	209.3
2003	1.7	53.6	11.5	1,026.4	1,570.7	8.3	461.1	8.0	846.7	1,759.6	1.1	191.5	0.6	48.5	248.0
2004	2.1	74.0	16.1	1,160.6	1,756.4	6.2	541.6	9.7	938.6	2,045.4	0.9	231.5	0.4	54.2	235.2
2005	3.0	100.6	26.6	1,602.9	2,428.5	6.6	693.6	11.5	1,114.3	2,276.2	0.8	260.6	0.4	52.9	317.7
2006 Q2	2.8	105.0	29.6	1,627.9	2,567.9	5.7	732.5	10.7	1,141.0	2,331.6	3.3	253.9	7.3	57.6	313.4
Q3	2.9	113.4	31.5	1,725.7	2,769.3	6.1	789.0	10.9	1,179.1	2,413.3	1.4	283.1	4.2	59.7	318.0

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

	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: Total	Loans	Currency and deposits	Other assets	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12
2002	3.6	0.1	57.2	0.2	1.4	62.9	58.2	4.7	54.5	0.1	42.3	13.8
2003	4.4	0.6	66.0	0.2	0.2	59.4	53.6	5.8	41.6	0.0	42.0	3.8
2004	4.5	0.1	74.4	0.2	0.2	62.7	54.5	8.3	41.7	0.0	42.1	3.4
2005	4.8	0.2	82.2	0.2	0.1	58.0	46.2	11.8	43.7	0.0	42.6	3.6
2006 Q2	7.9	0.2	90.5	0.3	0.1	60.5	40.4	20.1	42.7	0.0	39.6	3.3
Q3	7.3	0.2	95.6	0.3	0.1	48.2	36.6	11.6	42.7	0.0	46.3	3.4

	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: Total	Loans	Currency and deposits	Other assets	Trade credits	Loans	Other liabilities
	13	14	15	16	17	18	19	20	21	22	23	24
2002	1,686.3	60.8	2,251.1	48.5	174.4	493.8	205.7	288.1	90.7	104.7	364.5	47.8
2003	1,739.8	38.4	2,243.1	30.9	168.9	535.9	207.0	328.9	84.2	107.0	386.4	45.7
2004	1,957.6	45.2	2,423.5	42.1	172.0	568.7	237.1	331.6	93.4	110.0	400.2	49.7
2005	2,462.3	56.2	3,046.0	52.3	184.5	729.8	374.8	355.0	131.7	124.9	546.4	69.1
2006 Q2	2,590.6	53.6	3,198.2	47.1	190.9	856.9	491.5	365.3	135.5	134.2	649.5	77.8
Q3	2,712.1	56.8	3,361.6	52.3	180.3	910.3	548.0	362.3	141.1	130.1	704.5	83.8

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	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: With monetary authorities and the BIS	With banks	Securities: Total	Equity	Bonds and notes	Money market instruments	Financial derivatives			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
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	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.2	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
Q3	325.1	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	0.5	79.1	30.0	-0.1	0.0	26.8	-21.9
2006 Nov.	327.0	179.4	366.229	4.3	5.4	137.9	4.0	20.2	113.3	-	-	-	0.4	0.0	24.5	-19.8
Dec.	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	-	-	-	0.3	0.0	24.6	-21.5
	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	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q1	40.5	11.1	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
Q3	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	0.0	18.4	6.9	0.0	0.0	2.9	-0.7
2006 Nov.	40.1	10.4	21.312	0.2	0.0	29.4	0.8	3.4	25.2	-	-	-	0.0	0.0	2.7	-0.1
Dec.	39.9	9.9	20.572	0.4	0.0	29.6	1.6	1.5	26.5	-	-	-	0.0	0.0	2.8	-0.3

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.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2002	2.0	-3.0	1,083.5	512.8	227.7	309.6	949.2	984.6	559.4	163.5	234.2	717.7	105.2
2003	-2.3	0.5	1,060.1	501.3	222.7	300.4	924.0	990.4	553.2	164.3	241.0	716.4	109.0
2004	8.9	9.4	1,146.9	547.7	247.6	313.7	999.4	1,075.3	605.4	184.1	256.3	770.4	129.5
2005	7.7	13.4	1,241.6	593.0	270.5	333.7	1,072.6	1,224.7	705.7	207.2	276.4	847.5	186.1
2005 Q2	6.8	12.1	304.2	145.9	65.8	82.3	261.1	295.0	169.4	51.4	67.1	202.8	42.1
Q3	10.1	15.6	319.9	151.2	71.6	85.7	275.4	319.1	184.8	54.1	71.1	218.6	53.2
Q4	9.8	15.7	324.3	155.7	69.7	86.5	279.0	329.6	189.5	56.5	72.7	226.2	53.5
2006 Q1	15.8	22.2	332.7	159.3	71.1	89.1	285.3	336.5	197.5	52.5	74.0	224.7	55.8
Q2	9.3	14.1	339.4	162.4	71.4	89.5	291.5	344.2	204.0	52.0	74.5	232.9	56.4
Q3	8.0	10.2	347.4	167.5	72.3	90.8	298.0	354.9	212.5	51.0	75.5	238.7	59.9
2006 June	8.3	13.3	113.6	54.5	23.9	30.1	97.9	115.2	68.7	17.4	24.8	78.2	18.8
July	7.4	12.6	111.5	53.8	22.8	29.4	95.6	117.0	69.7	16.6	24.8	78.5	19.4
Aug.	8.0	10.8	115.2	55.6	23.4	30.7	99.6	120.0	73.5	17.4	25.3	80.5	21.7
Sep.	8.5	7.6	120.7	58.0	26.2	30.7	102.9	117.9	69.3	16.9	25.4	79.8	18.8
Oct.	15.8	13.1	119.6	57.5	25.0	30.8	102.6	117.2	69.9	17.2	25.6	81.0	.
Nov.	12.0	7.4	121.6	58.2	26.2	31.2	102.5	117.1	69.3	17.9	25.9	78.5	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2002	2.9	-0.7	107.9	105.0	106.2	115.2	108.4	98.1	98.9	89.8	104.1	96.4	101.4
2003	1.0	3.7	109.1	105.9	108.0	115.0	109.3	101.9	100.4	95.4	110.5	100.1	104.9
2004	9.1	6.7	118.2	115.4	121.5	120.1	118.7	107.9	104.4	108.1	118.6	107.6	105.7
2005	4.8	5.2	124.4	120.1	131.1	125.0	124.8	114.1	108.1	122.5	124.7	116.0	110.6
2005 Q2	4.7	6.2	123.0	119.4	128.1	124.4	122.2	112.5	107.0	122.8	122.8	112.1	107.0
Q3	6.9	5.9	127.5	121.6	138.3	127.4	127.5	116.1	109.4	126.6	127.3	119.0	115.2
Q4	5.6	5.4	127.9	123.6	134.0	127.6	128.4	117.7	109.3	132.1	127.8	121.9	111.7
2006 Q1	10.6	8.2	129.5	124.8	135.4	130.0	130.0	116.5	109.8	121.0	128.7	119.2	108.4
Q2	5.1	3.3	131.9	127.2	136.4	130.1	133.0	118.7	111.4	122.5	130.4	123.8	104.2
Q3	5.0	3.8	134.6	129.9	138.7	132.1	135.4	121.7	115.5	121.5	130.4	125.6	113.8
2006 June	4.9	4.5	132.4	127.9	137.5	130.7	133.8	119.3	112.1	124.7	131.5	125.8	102.6
July	4.4	4.6	129.9	126.0	131.1	128.1	130.8	119.9	112.7	119.0	128.8	124.4	108.1
Aug.	4.8	3.8	133.7	128.7	134.3	133.8	135.5	122.8	119.3	123.8	130.8	126.9	121.9
Sep.	5.9	3.2	140.3	134.9	150.7	134.5	139.9	122.3	114.5	121.6	131.6	125.7	111.3
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.
Nov.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.7	99.6	101.9	100.0	84.5
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	-0.2	2.4	96.7	96.3	94.2	99.6	96.2	97.1	98.1	93.0	97.8	96.1	99.4
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.4	92.4	100.3	98.1	136.8
2005 Q2	2.0	5.5	98.7	99.2	95.0	100.9	97.7	102.3	107.3	91.6	99.0	97.2	128.2
Q3	3.0	9.2	100.1	101.0	95.8	102.5	98.7	107.2	114.4	93.4	101.1	98.7	150.4
Q4	4.0	9.8	101.1	102.3	96.2	103.4	99.3	109.3	117.4	93.5	103.0	99.6	156.2
2006 Q1	4.7	13.0	102.5	103.6	97.1	104.5	100.3	112.7	121.8	95.0	104.1	101.3	167.9
Q2	4.0	10.5	102.6	103.6	96.8	104.9	100.2	113.1	124.0	92.8	103.5	101.0	176.3
Q3	2.8	6.2	102.9	104.7	96.5	104.7	100.6	113.8	124.6	91.7	104.9	102.1	171.5
2006 June	3.3	8.4	102.7	103.8	96.6	105.2	100.3	112.9	124.4	91.7	102.4	100.2	178.9
July	2.9	7.6	102.7	104.1	96.4	104.9	100.1	114.2	125.7	91.4	104.7	101.7	175.9
Aug.	3.1	6.7	103.1	105.3	96.7	104.8	100.8	114.3	125.1	92.3	105.1	102.2	173.7
Sep.	2.5	4.3	102.9	104.7	96.4	104.5	100.8	112.8	123.0	91.4	104.7	102.3	164.8
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	European Union (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2002	1,083.5	25.3	37.1	205.7	112.1	27.0	64.0	21.4	184.1	29.9	33.1	140.4	59.5	43.5	100.3
2003	1,060.1	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.2	135.5	59.5	37.7	101.2
2004	1,146.9	25.6	41.8	203.9	128.1	35.3	66.1	31.8	173.7	40.3	33.2	149.8	63.8	40.6	113.0
2005	1,241.6	28.9	45.0	202.9	144.7	43.1	70.7	34.6	185.2	43.4	34.1	166.0	73.0	47.0	123.1
2005 Q2	304.2	7.2	11.1	49.8	34.7	10.5	17.2	8.2	45.3	10.1	8.5	40.6	17.2	11.4	32.6
Q3	319.9	7.4	11.4	51.2	36.7	11.3	17.9	9.1	47.3	11.4	8.5	44.0	19.4	12.2	32.1
Q4	324.3	7.6	11.4	51.7	39.1	11.4	18.0	9.5	48.8	11.7	8.6	42.5	19.2	12.3	32.5
2006 Q1	332.7	7.5	11.6	52.7	40.7	12.1	18.0	9.7	50.3	12.5	8.8	44.0	19.0	13.3	32.6
Q2	339.4	7.7	12.2	53.9	42.9	13.0	18.4	9.9	49.4	12.8	8.3	45.1	19.2	13.3	33.4
Q3	347.4	7.8	12.8	54.9	45.1	14.2	19.3	9.5	49.0	13.6	8.5	45.9	19.1	13.5	34.2
2006 June	113.6	2.6	4.2	18.3	14.3	4.5	6.1	3.3	16.2	4.4	2.8	15.2	6.5	4.5	10.7
July	111.5	2.6	4.3	17.8	14.6	4.5	6.4	3.0	16.1	4.3	2.8	14.9	6.2	4.3	9.8
Aug.	115.2	2.6	4.3	19.0	14.9	4.7	6.4	3.2	16.4	4.5	2.8	14.8	6.3	4.5	10.9
Sep.	120.7	2.6	4.3	18.2	15.6	5.1	6.5	3.3	16.4	4.8	2.9	16.2	6.5	4.7	13.5
Oct.	119.6	.	.	.	.	5.2	7.1	3.1	16.3	4.9	2.9	15.8	6.2	4.7	.
Nov.	121.6	.	.	.	.	5.2	6.8	3.3	16.5	5.0	2.9	15.8	6.5	4.7	.
	% share of total exports														
2005	100.0	2.3	3.6	16.4	11.7	3.5	5.7	2.8	14.9	3.5	2.7	13.4	5.9	3.8	9.9
	Imports (c.i.f.)														
2002	984.6	23.0	35.7	149.7	93.5	42.1	52.0	17.7	125.6	61.7	52.8	143.0	67.8	39.4	80.6
2003	990.4	23.7	37.0	138.9	102.1	47.4	50.6	19.3	110.3	74.5	52.1	141.9	68.9	39.8	84.0
2004	1,075.3	25.3	39.6	144.0	107.2	56.4	53.0	22.8	113.8	92.0	53.9	161.2	72.7	45.1	88.3
2005	1,224.7	26.3	42.2	152.4	118.1	75.9	57.9	24.9	120.2	118.1	53.0	190.1	96.1	53.5	96.1
2005 Q2	295.0	6.6	10.3	36.9	29.2	18.4	14.3	5.8	29.8	27.9	12.6	43.8	22.2	12.3	24.9
Q3	319.1	6.6	10.7	39.4	30.0	19.9	14.8	6.1	30.8	31.5	13.6	50.9	26.9	14.0	23.9
Q4	329.6	6.7	11.1	39.7	30.9	20.5	15.4	6.7	31.0	32.5	13.9	53.3	26.4	15.0	26.5
2006 Q1	336.5	6.7	11.3	40.8	32.2	23.9	15.1	6.7	31.8	33.4	14.0	51.2	26.9	15.7	26.9
Q2	344.2	6.7	11.4	43.0	34.2	24.9	15.4	7.5	31.7	34.6	14.0	53.2	26.9	15.9	24.6
Q3	354.9	7.0	12.2	41.5	36.4	24.0	15.8	7.1	31.9	35.7	14.1	55.3	28.0	16.6	29.2
2006 June	115.2	2.1	3.9	13.9	11.6	8.5	5.3	2.5	10.8	11.9	4.8	17.4	9.0	5.4	8.0
July	117.0	2.5	4.1	14.0	11.9	7.7	5.3	2.3	10.7	11.7	4.7	18.3	8.9	5.6	9.5
Aug.	120.0	2.2	4.0	14.1	12.0	8.7	5.3	2.4	10.7	11.8	4.8	18.7	10.5	5.6	9.1
Sep.	117.9	2.3	4.1	13.4	12.5	7.6	5.2	2.4	10.5	12.2	4.6	18.3	8.6	5.5	10.6
Oct.	117.2	.	.	.	.	7.3	5.1	2.3	10.6	12.7	4.6	18.1	9.3	5.7	.
Nov.	117.1	.	.	.	.	7.1	5.2	2.3	10.3	12.9	4.4	17.1	9.2	5.8	.
	% share of total imports														
2005	100.0	2.2	3.4	12.5	9.7	6.2	4.7	2.0	9.8	9.6	4.3	15.5	7.8	4.4	7.8
	Balance														
2002	98.9	2.3	1.4	56.0	18.6	-15.1	12.0	3.7	58.4	-31.8	-19.7	-2.6	-8.3	4.1	19.7
2003	69.7	1.2	1.7	56.0	15.5	-18.2	12.7	5.5	56.0	-39.3	-20.9	-6.4	-9.4	-2.0	17.2
2004	71.5	0.3	2.2	59.9	20.9	-21.1	13.1	8.9	59.9	-51.8	-20.6	-11.4	-8.9	-4.5	24.6
2005	16.9	2.6	2.8	50.5	26.6	-32.8	12.7	9.7	65.0	-74.7	-19.0	-24.1	-23.1	-6.6	27.0
2005 Q2	9.3	0.5	0.8	12.9	5.5	-7.8	2.9	2.4	15.5	-17.8	-4.1	-3.3	-4.9	-0.9	7.7
Q3	0.8	0.8	0.7	11.9	6.7	-8.6	3.1	3.0	16.5	-20.1	-5.0	-6.9	-7.5	-1.8	8.2
Q4	-5.3	0.9	0.4	12.0	8.2	-9.1	2.6	2.7	17.8	-20.8	-5.3	-10.8	-7.2	-2.7	5.9
2006 Q1	-3.8	0.8	0.3	11.9	8.5	-11.7	2.9	3.0	18.4	-21.0	-5.1	-7.3	-7.8	-2.4	5.7
Q2	-4.7	1.1	0.7	10.9	8.7	-11.9	2.9	2.3	17.7	-21.8	-5.7	-8.1	-7.7	-2.6	8.7
Q3	-7.5	0.8	0.7	13.4	8.7	-9.8	3.4	2.4	17.1	-22.1	-5.6	-9.5	-9.0	-3.1	5.0
2006 June	-1.5	0.5	0.3	4.3	2.7	-4.0	0.9	0.8	5.5	-7.5	-2.1	-2.2	-2.5	-0.9	2.7
July	-5.6	0.1	0.2	3.8	2.7	-3.2	1.1	0.7	5.4	-7.4	-1.9	-3.4	-2.7	-1.3	0.3
Aug.	-4.7	0.3	0.3	4.8	2.9	-4.1	1.1	0.8	5.7	-7.3	-2.0	-3.9	-4.2	-1.0	1.8
Sep.	2.8	0.3	0.2	4.8	3.1	-2.5	1.2	0.9	5.9	-7.4	-1.7	-2.1	-2.1	-0.8	2.9
Oct.	2.4	.	.	.	.	-2.1	2.0	0.8	5.7	-7.8	-1.7	-2.3	-3.1	-1.0	.
Nov.	4.5	.	.	.	.	-1.9	1.6	0.9	6.1	-7.9	-1.5	-1.3	-2.7	-1.1	.

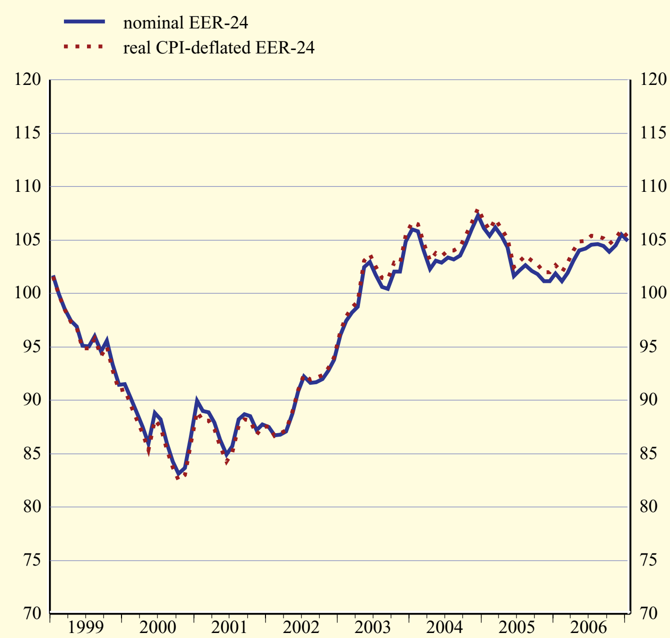
Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

EXCHANGE RATES

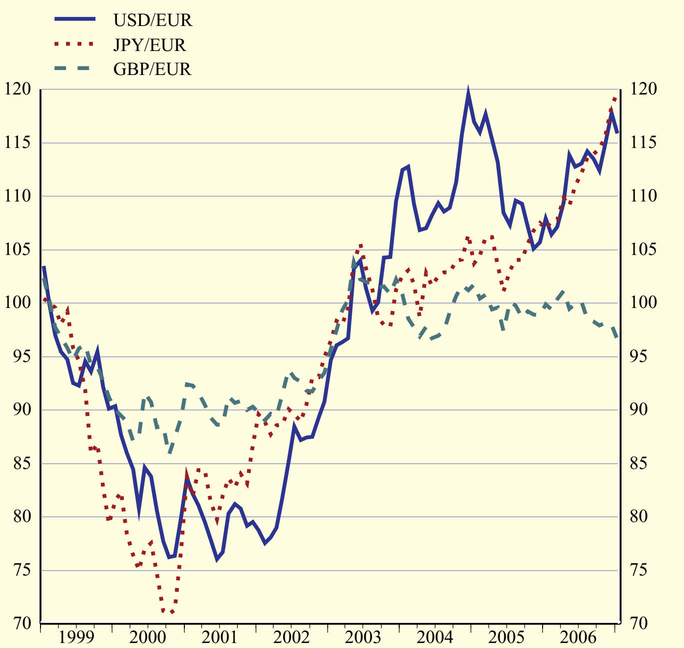
8.1 Effective exchange rates [1)]
(period averages; index 1999 Q1=100)

	EER-24						EER-44	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2004	104.4	105.1	104.2	103.0	100.0	101.8	111.2	105.6
2005	103.3	104.1	102.5	100.8	97.6	99.4	109.7	103.7
2006	103.6	104.4	102.9	.	.	.	110.0	103.4
2005 Q4	101.4	102.2	100.1	99.0	94.9	96.9	107.3	101.2
2006 Q1	101.7	102.5	101.0	99.0	94.3	96.8	107.4	101.2
Q2	103.8	104.6	103.0	100.8	95.4	98.4	110.1	103.6
Q3	104.5	105.3	103.7	101.4	95.8	98.5	111.2	104.5
Q4	104.6	105.3	104.1	.	.	.	111.3	104.2
2006 Jan.	101.9	102.7	100.8	-	-	-	107.7	101.5
Feb.	101.2	102.0	100.6	-	-	-	106.8	100.6
Mar.	102.0	102.9	101.4	-	-	-	107.6	101.4
Apr.	103.1	104.0	102.5	-	-	-	108.8	102.5
May	104.0	104.8	103.3	-	-	-	110.5	104.0
June	104.2	104.9	103.3	-	-	-	111.1	104.4
July	104.6	105.4	103.8	-	-	-	111.3	104.7
Aug.	104.6	105.4	103.7	-	-	-	111.3	104.6
Sep.	104.4	105.2	103.4	-	-	-	111.1	104.3
Oct.	103.9	104.7	103.5	-	-	-	110.4	103.6
Nov.	104.5	105.2	103.9	-	-	-	111.1	104.1
Dec.	105.6	106.0	104.8	-	-	-	112.3	104.9
2007 Jan.	104.9	105.3	104.2	-	-	-	111.5	104.0
	% change versus previous month							
2007 Jan.	-0.6	-0.6	-0.6	-	-	-	-0.8	-0.8
	% change versus previous year							
2007 Jan.	3.0	2.5	3.3	-	-	-	3.5	2.5

C35 Effective exchange rates
(monthly averages; index 1999 Q1=100)



C36 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)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2006 Q2	7.4581	9.2979	0.68778	1.2582	143.81	1.5631	1,194.34	9.7618	1.9989	1.4108	7.8314	1.6838
Q3	7.4604	9.2304	0.67977	1.2743	148.09	1.5768	1,217.10	9.9109	2.0125	1.4283	8.0604	1.6831
Q4	7.4557	9.1350	0.67314	1.2887	151.72	1.5928	1,209.29	10.0269	2.0091	1.4669	8.2712	1.6740
2006 July	7.4602	9.2170	0.68782	1.2684	146.70	1.5687	1,205.89	9.8600	2.0083	1.4303	7.9386	1.6869
Aug.	7.4609	9.2098	0.67669	1.2811	148.53	1.5775	1,231.42	9.9627	2.0185	1.4338	7.9920	1.6788
Sep.	7.4601	9.2665	0.67511	1.2727	148.99	1.5841	1,212.64	9.9051	2.0101	1.4203	8.2572	1.6839
Oct.	7.4555	9.2533	0.67254	1.2611	149.65	1.5898	1,202.31	9.8189	1.9905	1.4235	8.3960	1.6733
Nov.	7.4564	9.1008	0.67397	1.2881	151.11	1.5922	1,205.01	10.0246	2.0049	1.4635	8.2446	1.6684
Dec.	7.4549	9.0377	0.67286	1.3213	154.82	1.5969	1,222.34	10.2704	2.0354	1.5212	8.1575	1.6814
2007 Jan.	7.4539	9.0795	0.66341	1.2999	156.56	1.6155	1,217.83	10.1390	1.9983	1.5285	8.2780	1.6602
	% change versus previous month											
2007 Jan.	0.0	0.5	-1.4	-1.6	1.1	1.2	-0.4	-1.3	-1.8	0.5	1.5	-1.3
	% change versus previous year											
2007 Jan.	-0.1	-2.5	-3.3	7.4	12.0	4.3	2.3	8.0	1.1	9.0	3.0	2.8

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovak koruna	Bulgarian lev	New Romanian leu [1]
	13	14	15	16	17	18	19	20	21	22	23
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	40.022	1.9533	40,510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	38.599	1.9558	3.6209
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	37.234	1.9558	3.5258
2006 Q2	28.378	15.6466	0.57538	0.6960	3.4528	266.83	0.4293	3.9482	37.690	1.9558	3.5172
Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	37.842	1.9558	3.5415
Q4	28.044	15.6466	0.57748	0.6969	3.4528	260.25	0.4293	3.8478	35.929	1.9558	3.4791
2006 July	28.448	15.6466	0.57500	0.6960	3.4528	277.49	0.4293	3.9962	38.377	1.9558	3.5715
Aug.	28.194	15.6466	0.57585	0.6960	3.4528	274.41	0.4293	3.9046	37.669	1.9558	3.5271
Sep.	28.383	15.6466	0.57650	0.6961	3.4528	274.42	0.4293	3.9649	37.497	1.9558	3.5274
Oct.	28.290	15.6466	0.57672	0.6961	3.4528	267.10	0.4293	3.9014	36.804	1.9558	3.5191
Nov.	28.029	15.6466	0.57770	0.6970	3.4528	258.84	0.4293	3.8248	35.884	1.9558	3.4955
Dec.	27.778	15.6466	0.57811	0.6976	3.4528	253.97	0.4293	3.8125	34.967	1.9558	3.4137
2007 Jan.	27.840	15.6466	0.57842	0.6975	3.4528	253.88	0.4293	3.8795	34.751	1.9558	3.3922
	% change versus previous month										
2007 Jan.	0.2	0.0	0.1	0.0	0.0	0.0	0.0	1.8	-0.6	0.0	-0.6
	% change versus previous year										
2007 Jan.	-3.1	0.0	0.8	0.2	0.0	1.3	0.0	1.6	-7.3	0.0	-6.9

	Chinese yuan renminbi [2]	Croatian kuna [2]	Icelandic krona	Indonesian rupiah [2]	Malaysian ringgit [2]	New Zealand dollar	Philippine peso [2]	Russian rouble [2]	South African rand	Thai baht [2]	New Turkish lira [3]
	24	25	26	27	28	29	30	31	32	33	34
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771
2006	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1.8090
2006 Q2	10.0815	7.2786	92.72	11,479.67	4.5853	2.0172	65.819	34.1890	8.1745	47.981	1.8473
Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1.9118
Q4	10.1339	7.3657	88.94	11,771.01	4.6734	1.9143	64.108	34.2713	9.4458	47.109	1.8781
2006 July	10.1347	7.2509	94.33	11,582.39	4.6527	2.0551	66.291	34.1393	8.9892	48.197	1.9712
Aug.	10.2141	7.2893	90.08	11,649.96	4.7078	2.0220	65.712	34.2755	8.9034	48.192	1.8802
Sep.	10.0971	7.3945	89.31	11,646.15	4.6724	1.9453	64.029	34.0549	9.4553	47.640	1.8870
Oct.	9.9651	7.3913	86.29	11,569.46	4.6390	1.9066	63.022	33.8849	9.6481	47.068	1.8654
Nov.	10.1286	7.3482	89.29	11,772.03	4.6927	1.9263	64.186	34.2602	9.3616	47.049	1.8786
Dec.	10.3356	7.3564	91.59	12,003.18	4.6909	1.9094	65.274	34.7316	9.3092	47.224	1.8920
2007 Jan.	10.1238	7.3711	91.02	11,796.04	4.5596	1.8699	63.552	34.4578	9.3440	45.850	1.8536
	% change versus previous month										
2007 Jan.	-2.0	0.2	-0.6	-1.7	-2.8	-2.1	-2.6	-0.8	0.4	-2.9	-2.0
	% change versus previous year										
2007 Jan.	3.7	-0.1	22.0	2.8	0.4	6.1	-0.1	0.4	26.6	-4.4	14.7

Source: ECB.
1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.
2) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.
3) Data prior to January 2005 refer to the Turkish lira; 1 new Turkish lira is equivalent to 1,000,000 old Turkish liras.

DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	HICP													
2005	5.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	7.3	2.1	1.9	4.4	2.2	6.6	3.8	4.0	2.6	1.3	6.6	4.3	1.5	2.3
2006 Q2	8.3	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	7.2	4.6	1.9	2.2
Q3	6.7	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	5.9	4.8	1.5	2.4
Q4	6.1	1.1	1.6	4.5	1.5	6.2	4.2	6.4	1.1	1.3	4.8	3.5	1.4	2.7
2006 Aug.	6.8	2.6	1.9	5.0	2.7	6.8	4.3	4.7	3.0	1.7	6.1	5.0	1.6	2.5
Sep.	5.6	2.2	1.5	3.8	2.2	5.9	3.3	5.9	3.1	1.4	5.5	4.5	1.2	2.4
Oct.	5.7	0.8	1.4	3.8	1.7	5.6	3.7	6.3	1.7	1.1	4.8	3.1	1.2	2.4
Nov.	6.1	1.0	1.8	4.7	1.3	6.3	4.4	6.4	0.9	1.3	4.7	3.7	1.5	2.7
Dec.	6.5	1.5	1.7	5.1	1.5	6.8	4.5	6.6	0.8	1.4	4.9	3.7	1.4	3.0
	General government deficit (-)/surplus (+) as a % of GDP													
2003	0.3	-6.6	1.1	2.0	-6.3	-1.2	-1.3	-7.2	-10.0	-4.7	-1.5	-3.7	0.1	-3.3
2004	2.7	-2.9	2.7	2.3	-4.1	-0.9	-1.5	-6.5	-5.0	-3.9	-1.5	-3.0	1.8	-3.2
2005	2.4	-3.6	4.9	2.3	-2.3	0.1	-0.5	-7.8	-3.2	-2.5	-1.5	-3.1	3.0	-3.3
	General government gross debt as a % of GDP													
2003	46.0	30.1	44.4	5.7	69.1	14.4	21.2	58.0	70.2	43.9	21.5	42.7	51.8	38.9
2004	38.4	30.7	42.6	5.2	70.3	14.5	19.4	59.4	74.9	41.8	18.8	41.6	50.5	40.4
2005	29.8	30.4	35.9	4.5	69.2	12.1	18.7	61.7	74.2	42.0	15.9	34.5	50.4	42.4
	Long-term government bond yield as a % per annum, period average													
2006 July	4.43	4.04	4.06	-	4.21	4.32	4.28	7.55	4.31	5.56	7.11	5.42	3.96	4.49
Aug.	4.66	3.85	3.93	-	4.28	4.36	4.28	7.49	4.34	5.62	7.41	5.13	3.84	4.49
Sep.	4.40	3.90	3.79	-	4.28	4.38	4.28	7.58	4.34	5.48	7.49	4.79	3.70	4.44
Oct.	4.26	3.89	3.88	-	4.26	4.55	4.28	7.47	4.34	5.40	7.56	4.42	3.73	4.51
Nov.	4.38	3.78	3.78	-	4.26	4.95	4.28	7.01	4.34	5.20	7.56	4.25	3.62	4.45
Dec.	4.18	3.68	3.78	-	4.26	4.90	4.28	6.81	4.33	5.14	7.42	4.15	3.65	4.54
	3-month interest rate as a % per annum, period average													
2006 July	-	2.29	3.20	3.18	3.20	4.43	3.13	6.90	3.63	4.19	8.57	4.92	2.56	4.73
Aug.	-	2.36	3.33	3.32	3.21	5.07	3.27	7.11	3.69	4.19	8.72	4.93	2.70	4.94
Sep.	3.40	2.49	3.45	3.40	3.39	4.84	3.38	7.88	3.65	4.21	8.66	4.95	2.83	5.03
Oct.	3.50	2.65	3.61	3.57	3.62	4.97	3.53	8.20	3.62	4.21	8.62	5.02	2.96	5.13
Nov.	-	2.64	3.72	3.66	3.80	4.36	3.61	-	3.90	4.20	8.71	4.94	3.08	5.23
Dec.	-	2.56	3.84	3.81	3.76	4.21	3.72	8.20	3.90	4.20	8.19	4.82	3.21	5.29
	Real GDP													
2005	5.5	6.1	3.1	10.5	3.8	10.2	7.6	4.2	2.2	3.4	4.1	6.0	2.9	1.9
2006	.	.	.	.	.	.	.	.	.	.	.	.	.	2.8
2006 Q2	6.6	6.0	3.1	11.8	4.1	11.1	8.5	4.1	2.8	5.4	7.8	6.7	5.0	2.7
Q3	6.7	5.8	3.1	11.0	3.6	11.8	7.1	4.2	2.7	5.6	8.3	9.8	4.7	2.9
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.	3.0
	Current and capital accounts balance as a % of GDP													
2004	-5.8	-6.5	2.4	-11.7	-4.1	-11.9	-6.4	-8.1	-6.6	-3.8	-7.5	-3.3	6.9	-1.5
2005	-11.3	-1.9	3.7	-9.5	-5.1	-11.4	-5.9	-5.9	-6.4	-1.4	-7.9	-8.6	6.3	-2.2
2006 Q1	-22.1	0.7	-0.5	-11.3	-12.1	-13.0	-9.6	-7.9	-11.7	-1.6	-8.9	-6.4	5.7	-3.3
Q2	-12.2	-6.5	3.0	-10.6	-4.0	-16.5	-9.0	-6.2	-7.4	-1.5	-14.3	-9.5	6.0	-3.4
Q3	-4.3	-5.7	5.5	-10.9	14.2	-23.3	-11.7	-4.1	.	-0.6	-9.9	-10.1	7.2	-2.9
	Unit labour costs													
2004	5.9	1.8	1.0	4.4	1.6	6.6	3.0	5.6	1.1	-2.0	.	3.2	-1.0	2.0
2005	.	-0.5	1.2	2.7	-0.1	5.8	3.7	.	-0.1	-0.7	.	0.5	0.6	.
2006 Q1	-	0.6	1.4	3.7	-	-	3.6	-	0.3	-	-	1.9	-2.3	.
Q2	-	.	1.2	5.1	-	-	3.5	-	-0.1	-	-	3.7	-0.2	.
Q3	-	.	1.3	5.6	-	-	14.9	-	.	-	-	0.5	0.2	.
	Standardised unemployment rate as a % of labour force (s.a.)													
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.2	7.2	7.3	17.7	7.1	16.3	.	4.8
2006	8.9	7.2	3.8	5.6	4.9	6.9	5.9	7.5	7.4	14.0	.	13.3	.	.
2006 Q2	9.1	7.3	4.2	6.0	4.9	7.1	5.9	7.3	7.5	14.2	7.3	13.6	.	5.4
Q3	9.2	7.1	3.6	5.7	4.9	6.7	6.0	7.6	7.3	13.6	7.6	13.2	.	5.4
Q4	8.1	6.8	3.3	4.5	4.7	6.2	5.7	7.7	7.0	13.0	.	12.4	.	.
2006 Sep.	9.0	7.1	3.5	5.5	4.7	6.5	6.2	7.7	7.3	13.3	7.7	13.0	.	5.4
Oct.	8.0	6.9	3.3	4.8	4.8	6.3	5.8	7.7	7.1	13.3	7.9	12.7	.	5.4
Nov.	8.1	6.8	3.3	4.5	4.7	6.2	5.6	7.7	7.1	13.1	7.9	12.4	.	.
Dec.	8.1	6.7	3.2	4.3	4.7	6.1	5.7	7.8	7.0	12.8	.	12.0	.	.
2007 Jan.	.	.	.	.	.	.	.	7.9	.	.	.	.	.	.

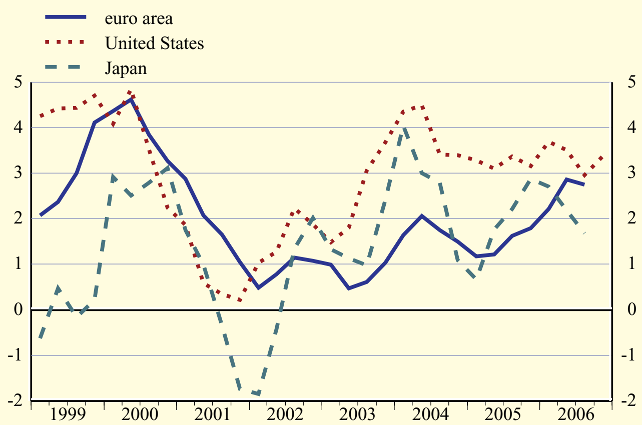
Sources: European Commission (Economic and Financial Affairs DG and Eurostat), national data, Reuters and ECB calculations.

9.2 In the United States and Japan
(annual percentage changes, unless otherwise indicated)

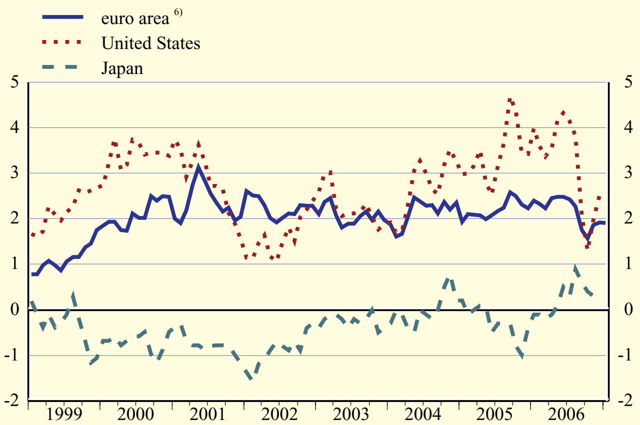
1. Economic and financial developments

	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						
2003	2.3	0.8	2.5	1.3	6.0	7.0	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	3.0	5.5	4.7	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	0.5	3.2	4.0	5.1	4.4	3.56	4.28	1.2441	-3.7	49.2
2006	3.2	.	3.4	5.0	4.6	4.7	5.19	4.79	1.2556	.	.
2005 Q4	3.7	-0.9	3.1	4.6	5.0	4.1	4.34	4.48	1.1884	-3.4	49.2
2006 Q1	3.6	2.1	3.7	4.9	4.7	4.6	4.76	4.57	1.2023	-2.3	49.8
Q2	4.0	-0.2	3.5	5.5	4.6	4.7	5.21	5.07	1.2582	-2.3	48.6
Q3	3.3	-2.0	3.0	6.1	4.7	4.5	5.43	4.90	1.2743	-2.6	48.5
Q4	1.9	.	3.4	3.7	4.5	5.0	5.37	4.63	1.2887	.	.
2006 Sep.	2.1	-	-	6.8	4.6	4.3	5.38	4.72	1.2727	-	-
Oct.	1.3	-	-	4.3	4.4	4.7	5.37	4.73	1.2611	-	-
Nov.	2.0	-	-	3.2	4.5	5.0	5.37	4.60	1.2881	-	-
Dec.	2.5	-	-	3.5	4.5	5.3	5.36	4.57	1.3213	-	-
2007 Jan.	.	-	-	.	4.6	.	5.36	4.76	1.2999	-	-
					Japan						
2003	-0.2	-3.8	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	1.9	1.1	4.4	1.8	0.06	1.39	136.85	.	.
2006	0.2	.	.	4.6	4.1	1.1	0.30	1.74	146.02	.	.
2005 Q4	-0.7	-2.1	2.9	3.0	4.5	1.9	0.06	1.53	139.41	.	.
2006 Q1	-0.1	-1.6	2.7	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.2	4.2	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	-2.9	1.7	5.4	4.1	0.5	0.41	1.80	148.09	.	.
Q4	0.3	.	.	5.6	4.1	0.7	0.49	1.70	151.72	.	.
2006 Sep.	0.6	-2.4	-	5.2	4.2	0.6	0.42	1.68	148.99	-	-
Oct.	0.4	-4.4	-	7.4	4.1	0.6	0.44	1.76	149.65	-	-
Nov.	0.3	.	-	4.9	4.0	0.7	0.48	1.70	151.11	-	-
Dec.	0.3	.	-	4.7	4.1	0.8	0.56	1.64	154.82	-	-
2007 Jan.	.	.	-	.	.	.	0.56	1.71	156.56	-	-

C37 Real gross domestic product
(annual percentage changes; quarterly)



C38 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).

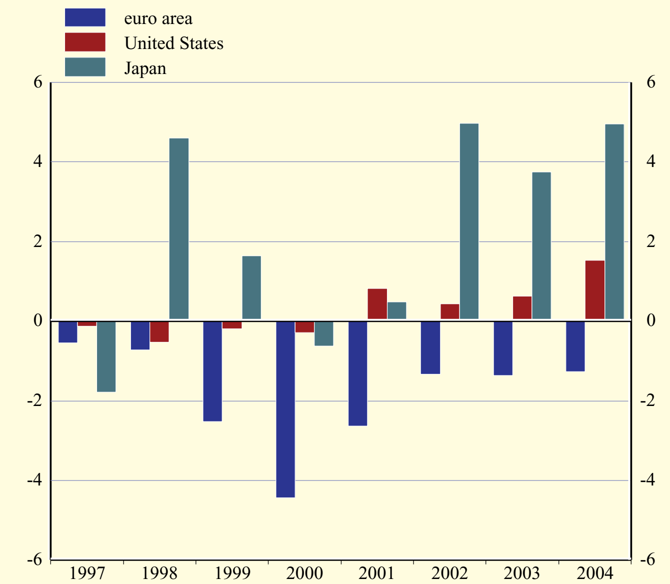
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M2 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).
6) Data refer to the changing composition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

9.2 In the United States and Japan
(as a percentage of GDP)

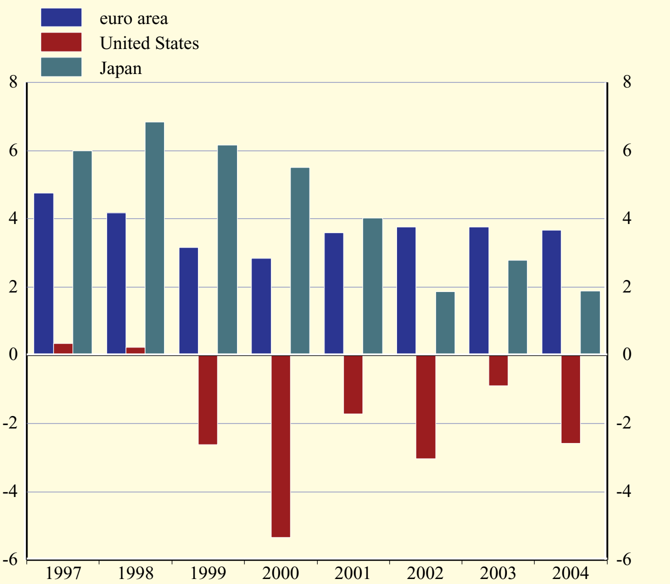
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households[1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures[2]	Net acquisition of financial assets	Gross saving[3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
						United States							
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	4.5	11.4	7.5
2003	13.3	18.5	-4.7	6.8	6.8	0.8	7.6	0.1	0.4	13.3	8.4	11.3	9.3
2004	13.2	19.3	-5.6	7.0	6.7	6.7	7.6	5.2	0.4	13.5	7.5	11.2	10.1
2005	12.9	19.7	-6.2	7.1	7.0	3.2	7.9	2.6	-0.7	13.8	4.7	9.6	9.7
2004 Q4	12.9	19.6	-6.1	7.2	6.8	7.5	6.7	6.4	0.8	13.6	7.7	11.3	11.8
2005 Q1	13.2	19.8	-6.3	7.3	6.9	3.4	7.4	3.6	0.2	13.6	5.6	10.0	8.4
Q2	12.7	19.5	-6.1	6.9	7.0	3.4	7.9	3.1	-0.4	14.0	4.3	9.4	10.4
Q3	13.2	19.5	-5.7	6.8	7.0	3.3	8.5	1.8	-1.2	13.9	5.4	10.0	10.3
Q4	12.7	20.2	-6.8	7.3	7.1	2.7	7.9	2.0	-1.2	13.6	3.4	9.1	9.7
2006 Q1	14.5	20.3	-6.3	7.5	7.2	3.1	8.4	1.9	-0.8	13.6	5.2	9.1	9.3
Q2	13.6	20.2	-6.4	7.6	7.3	3.2	8.1	2.4	-1.4	13.3	1.5	8.2	8.3
Q3	13.5	20.1	-6.6	7.7	7.4	3.8	8.3	2.6	-1.4	12.9	1.9	8.3	6.6
						Japan							
2002	25.2	23.2	2.8	12.9	13.2	-1.7	16.3	-7.5	-0.9	5.5	-0.2	7.8	-2.1
2003	25.4	22.9	3.1	13.2	13.2	2.4	16.9	-5.4	0.2	3.6	0.3	7.0	-0.7
2004	25.8	22.8	3.6	13.6	13.4	4.2	17.8	-0.5	1.0	4.8	3.1	6.8	-1.0
2005	26.4	23.3	3.5	14.4	14.2	4.4	17.1	-7.4	-5.0	4.4	2.9	6.4	0.8
2004 Q4	27.0	21.7	3.1	.	.	11.9	.	14.2	2.6	.	9.9	.	-0.6
2005 Q1	31.6	25.9	3.7	.	.	10.5	.	-3.5	-1.7	.	-12.3	.	3.0
Q2	22.3	24.2	3.2	.	.	-15.6	.	-14.0	2.3	.	9.1	.	-6.4
Q3	24.6	23.6	3.8	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	27.0	24.2	3.4	.	.	16.2	.	-17.3	-20.1	.	15.9	.	3.7
2006 Q1	31.9	23.8	4.2	.	.	12.2	.	-2.6	-2.4	.	-5.6	.	5.6
Q2	.	23.4	.	.	.	-19.7	.	-16.6	1.3	.	9.5	.	-9.1
Q3	.	24.3	.	.	.	12.1	.	6.3	0.2	.	-1.3	.	2.9

C39 Net lending of non-financial corporations
(as a percentage of GDP)

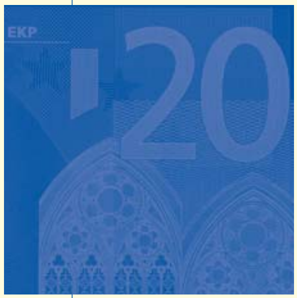


C40 Net lending of households[1]
(as a percentage of GDP)



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.

LIST OF CHARTS



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:

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

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

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

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:

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

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

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

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:

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

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:

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

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

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:

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

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:

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

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 STATISTICS[1]

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:

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

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 notional stocks. If N_t^M represents the transactions (net

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.

issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of notional stocks in month t is defined as:

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

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:

$$\text{l)}\quad a_t = \left[\prod_{i=0}^{11}\left(1 + N^M_{t-i} \big/ L_{t-1-i}\right) - 1\right] \times 100$$

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

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 and the equivalent "transactions" calculated used for the monetary aggregates.

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

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

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

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

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.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS[4]

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of the seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

Similar as depicted in formula l) and m), the growth rate a_t for month t corresponding to the change in the 6 months ending in month t, may be calculated using either of the following two formulae:

$$\text{p)}\quad a_t = \left[\prod_{i=0}^{5}\left(1 + N^M_{t-i} \big/ L_{t-1-i}\right) - 1\right] \times 100$$

$$\text{q)}\quad a_t = \left(I_t \big/ I_{t-6} - 1\right) \times 100$$

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.

RELATING TO TABLE 1 IN SECTION 5.1

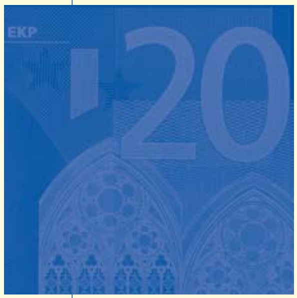
SEASONAL ADJUSTMENT OF THE HICP[4]

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, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. 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 (and trading day) 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). This allows user-friendly access to data via the ECB Statistical Data Warehouse (http://sdw.ecb.int/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of 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 7 February 2007.

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (i.e. the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series refer to the changing composition of the euro area. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from bases in 2000 and 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB's website at http://www.ecb.int/stats/services/downloads/html/index.en.html.

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data after 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia.

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 Bulgaria, the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, 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, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; 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 sector[1], as last amended by Regulation ECB/2003/10[2].

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,

1 OJ L 356, 30.12.1998, p. 7.
2 OJ L 250, 2.10.2003, p. 19.

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-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.

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 other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. 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, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted 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 growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. 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 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 hourly labour costs, 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 statistics[3]. 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 Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[4]. Industrial producer prices reflect the ex-

3 OJ L 162, 5.6.1998, p. 1.
4 OJ L 86, 27.3.2001, p. 11.

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 changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[5] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[6]. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. 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 6.5 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 Sections 6.4 and 6.5 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 2000[7] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with

5 OJ L 69, 13.3.2003, p. 1.
6 OJ L 169, 8.7.2003, p. 37.
7 OJ L 172, 12.7.2000, p. 3.

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. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general 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 2002[8] on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

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)[9], 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 2005), 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 annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

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

8 OJ L 179, 9.7.2002, p. 1.
9 OJ L 354, 30.11.2004, p. 34.

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 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 available four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest available 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 the February 2005 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 quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

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. Mainland China excludes Hong Kong.

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

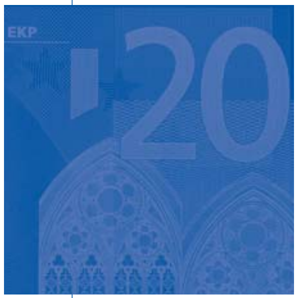
Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights 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-24 group of trading partners is composed of the 14 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-44 group includes, in addition to the EER-24, the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. 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.



ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

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, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 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.

1 DECEMBER 2005

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.

16 DECEMBER 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 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. 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 2007.

12 JANUARY AND 2 FEBRUARY 2006

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 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 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, on pages 234 to 235 of the ECB's Annual Report 2002, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.

marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

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 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

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.

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

31 AUGUST 2006

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 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

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 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50%, both with effect from 13 December 2006.

21 DECEMBER 2006

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 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. 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 2008.

11 JANUARY AND 8 FEBRUARY 2007

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 3.50%, 4.50% and 2.50% respectively.

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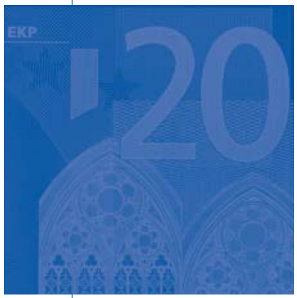

GLOSSARY

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.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): 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.

Borrowing requirement (general government): net incurrence of debt by general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Central parity (or central rate): 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.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

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 gross debt (deposits, loans and debt securities excluding financial derivatives) 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) on 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-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

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.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

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-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 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.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

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 industries, 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).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

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 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.

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

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).

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 (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

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: an increase in the general price level, e.g. in the consumer price index.

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.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

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 an NCB 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 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.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

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 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.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

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 labour productivity (defined as 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.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual 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 or yield at two selected maturities.

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