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EUROPEAN CENTRAL BANK

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In 2006 all ECB publications will feature a motif taken from the €5 banknote.

MONTHLY BULLETIN
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This Bulletin was produced under the responsibility of the Executive Board of the ECB. Translations are prepared and published by the national central banks.

The cut-off date for the statistics included in this issue was 5 April 2006.

ISSN 1561-0136 (print)
ISSN 1725-2822 (online)

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ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

At its meeting on 6 April 2006, on the basis of its regular economic and monetary analyses, the Governing Council decided to keep the key ECB interest rates unchanged, following the increase of 25 basis points on 2 March 2006. The information which has become available since the March decision confirms the Governing Council's assessment that the further adjustment of the accommodative monetary policy stance in March was warranted to address upside risks to price stability. It remains essential to ensure that medium to long-term inflation expectations in the euro area are kept solidly anchored at levels consistent with price stability. Such anchoring of inflation expectations is a prerequisite for monetary policy to make an ongoing contribution towards supporting economic growth and job creation in the euro area. With interest rates across the whole maturity spectrum still at very low levels in both nominal and real terms, and monetary and credit growth remaining strong and liquidity ample, monetary policy remains accommodative. The Governing Council will continue to monitor very closely all developments to ensure that risks to price stability over the medium term do not materialise.

Starting with the economic analysis, recent information has confirmed the Governing Council's assessment of an improved outlook for economic growth in the euro area, following the more subdued developments in late 2005. On the basis of the latest data, survey releases and various indicator-based estimates, it appears that growth is strengthening and broadening in the first half of 2006. Indeed, the conditions remain in place for solid growth over the coming quarters. Activity in the world economy remains strong, providing support for euro area exports. Investment activity is expected to remain solid, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, and accumulated and ongoing gains in earnings and business efficiency. Consumption growth should also strengthen over time, in line with developments in real disposable income, as the labour market situation continues to gradually improve. This outlook for economic activity is also confirmed by available forecasts from international organisations and private sector institutions.

The risks to economic growth appear to be broadly balanced over the shorter term. Further ahead, downside risks still relate to potential increases in oil prices and concerns about global imbalances.

In relation to price developments, according to Eurostat's flash estimate, annual HICP inflation was 2.2% in March 2006, compared with 2.3% in February and 2.4% in January. In the short run, inflation rates are likely to remain above 2%, with the precise levels depending largely on developments in the more volatile components of the index. Beyond the short term, changes in administered prices and indirect taxes are expected to significantly affect inflation in 2006 and 2007, and an upward impact may also be expected from the indirect effects of past oil price increases. At the same time, wage dynamics in the euro area have remained moderate over recent quarters and growth in wages is expected to remain contained, partly reflecting strong global competitive pressures particularly in the manufacturing sector. Over the recent past, moderate wage trends have helped to dampen domestic inflationary pressures; looking ahead, it is crucial that the social partners continue to meet their responsibilities in this regard, also in the context of a more favourable economic environment.

Risks to the outlook for price developments remain on the upside and include further increases in oil prices, a possibly stronger pass-through of oil price rises into consumer prices than currently anticipated, additional increases in administered prices and indirect taxes, and – more fundamentally – stronger wage and price developments than expected due to second-round effects of past oil price increases.

Turning to the monetary analysis, the latest developments confirm that the stimulative impact of the low level of interest rates remains

the dominant factor behind the high trend rate of monetary expansion. Moreover, the annual growth rate of credit to the private sector has continued to increase over recent months, with borrowing by households – especially loans for house purchase – and non-financial corporations rising rapidly. Overall, strong monetary and credit growth in an environment of ample liquidity in the euro area continues to point to upside risks to price stability over the medium to longer term.

To sum up, annual inflation rates are projected to remain elevated in 2006 and 2007, and the economic analysis indicates that the risks to price stability remain on the upside. Given the strength of monetary growth and the ample liquidity situation in a context of improving economic activity, cross-checking the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability over the medium to long term prevail. It is essential that medium-term inflation expectations remain firmly anchored at levels consistent with price stability. Accordingly, the Governing Council will continue to monitor very closely all developments to ensure that risks to price stability do not materialise, thereby making an ongoing contribution to sustainable economic growth and job creation.

As regards fiscal policies, while the budgetary results reported for 2005 are mostly better than anticipated a few months ago, the budget balances planned for 2006 imply no significant progress in fiscal consolidation for the euro area as a whole. Given the economic outlook, a faster pace of deficit reduction is necessary. Delaying fiscal consolidation in times of improving economic activity implies risks for the medium term, as has been observed in the past. Speeding up deficit reduction on the basis of credible and fully specified measures as part of a comprehensive reform programme would help to enhance confidence in the medium-term prospects of the euro area and prevent a repeat of past experiences, when complacency in good times contributed to persistent budgetary disequilibria.

With respect to structural reforms, the Governing Council welcomes the call by the European Council, which met in Brussels on 23-24 March 2006, to maintain the momentum of the relaunched Lisbon strategy for growth and employment. As emphasised by the European Council, the focus should now be on ensuring the effective, timely and comprehensive implementation of the measures agreed in the national reform programmes presented by Member States and, if necessary, on strengthening them. These measures are designed to, among other things, enhance the sustainability and quality of public finances, promote flexible labour and product markets, support a favourable business environment, and ensure a fully operational EU internal market, including the markets for energy and services. Applying comprehensive structural reforms is of particular importance for the euro area countries, in order to increase wage and price flexibility and the resilience to shocks, facilitate structural adjustment, raise potential output growth and job creation, and reduce price pressures, thereby facilitating the task of the single monetary policy.

This issue of the Monthly Bulletin contains three articles. The first article focuses on the importance of public expenditure reform for economic growth and stability in the euro area. The second article reviews the main operational, IT and legal aspects of portfolio management at the ECB. The third article provides an overview of the existing monetary and exchange rate arrangements of the euro area with third countries.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

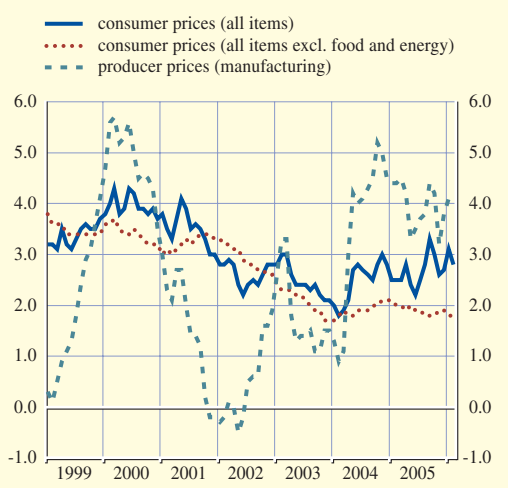
The global economy continued to expand at a relatively strong pace in early 2006 and the underlying growth momentum appears to be fairly healthy. Over the same period, changes in energy prices had a considerable impact on consumer price inflation, which rose in a number of countries in January, before falling slightly in February. Overall, the outlook for the external environment, and thus for euro area external demand, remains positive. Financing conditions continue to be relatively favourable and, together with improved corporate balance sheets and strong profits, should support firms' investment spending in some of the major economies. Oil prices and the persistence of global imbalances remain sources of risk to the global economic outlook.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy has continued to expand at a relatively robust pace. In the OECD countries, industrial activity continued to accelerate, on average, until the end of 2005, growing by 3.8% year on year in December. Despite some weakening in the growth of industrial production in some countries at the beginning of the year, the underlying momentum appears to have remained fairly healthy. Survey evidence suggests that the expansion in both the global manufacturing and services sectors maintained its pace also in early 2006. At the same time, annual consumer price inflation increased in a number of countries, following some moderation in the second half of 2005. This increase largely reflected the direct effect of a renewed increase in oil prices at the turn of the year. In February, annual CPI inflation for the OECD countries was 2.8%, down from 3.0% in January. Excluding food and energy, inflation stood at 1.8% in February, compared with 1.9% in January (see Chart 1).

Chart 1 Price developments in the OECD countries

(annual percentage changes; monthly data)



Source: OECD.

UNITED STATES

In the United States, economic activity slowed sharply in the last quarter of 2005. Part of this slowdown, however, might have been temporary, owing to the effects of hurricane Katrina. According to final data, real GDP grew at an annualised quarterly rate of 1.7% in the fourth quarter, down from 4.1% in the third quarter. This development reflected primarily a slowdown in personal consumption expenditure, a downturn in federal government spending and a deceleration in equipment, software and residential fixed investment, which were partly offset by an upturn in private inventory investment and an acceleration in exports.

Data available for early 2006 suggest that domestic economic activity has bounced back from its period of weakness at the end of 2005. In particular, real personal consumption expenditure was strong. At the same time, industrial production, with the exception of the utility sector, was weak in February after several months of very strong gains. Indices of business sentiment in the manufacturing sector, however, continued to improve at the beginning of 2006.

Looking ahead, the pace of growth in the US economy is expected to remain robust in the near term. Nevertheless, several downside risks to GDP growth persist, possibly exacerbated by a further widening of the trade deficit. In particular, higher long-term interest rates and possible moderation in house prices could restrain private consumption spending in the context of high household indebtedness.

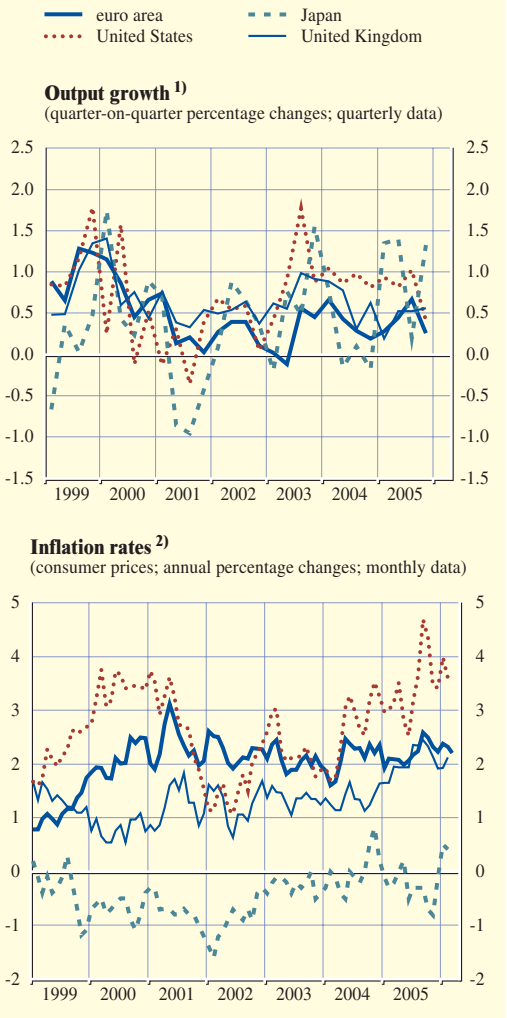
While annual headline inflation eased to 3.6% in February as energy prices retreated, consumer price inflation excluding energy and food remained stable at 2.1%. Inflationary expectations appear to be contained and wage increases remain moderate at present. However, increasing capacity utilisation and possible shortages in the labour market may, in the future, feed into higher price pressures, especially if they combine with further increases in energy prices.

At its meeting on 28 March, the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points for the 15th consecutive time, to 4.75%. In the statement accompanying the meeting, the Committee noted that "some further policy firming may be needed".

JAPAN

In Japan, economic activity has recently accelerated and consumer price deflation has continued to abate. Revised national account data confirmed that in the fourth quarter of 2005 real GDP recorded strong growth, rising by 1.3% on a quarterly basis.

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; for the United States and Japan, national data are used. GDP figures have been seasonally adjusted.
2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

Overall, the latest data confirmed the role of private domestic demand as the main driver of the ongoing economic revival. Looking forward, the outlook for the economy is favourable, supported by past structural reforms in the labour markets and in the corporate and banking sectors, as well as by the renewed strength of regional trade.

With regard to price developments, in February 2006 annual CPI increased by 0.4% on an annual basis, while the CPI excluding fresh food rose by 0.5%. In the case of CPI excluding fresh food, this represented the fourth consecutive month of positive figures.

As a result of the rise in consumer prices in recent months and of expectations of further increases, on 9 March the Bank of Japan announced the end of its quantitative easing policy, the monetary policy framework that had been in place since March 2001. The Bank of Japan has now returned to using the overnight uncollateralised call rate as the operating target for its money market operations, which is currently set at zero.

UNITED KINGDOM

In the United Kingdom, a modest economic recovery took place in the last quarter of 2005. Real GDP increased by 0.6% quarter on quarter, driven mainly by more buoyant private consumption and net trade, while investment contracted. At the same time, the labour market weakened somewhat. Despite the increase in output growth, unemployment picked up and average wages (excluding bonuses) moderated somewhat. Preliminary estimates indicate that economic expansion in the first quarter of 2006 was broadly similar to that in the previous quarter. Real GDP growth is expected to strengthen in the remainder of the year, with private consumption being the main driver.

HICP inflation increased to 2% in February, up from 1.9% in January, and is expected to remain close to the inflation target of 2% in the medium term. Various indicators suggest that the housing market has continued to recover. According to the Halifax index, house prices were up by 6.8% year on year in January.

OTHER EUROPEAN COUNTRIES

In most other EU Member States outside the euro area, output growth increased or remained strong in the fourth quarter of 2005 and the outlook remains favourable. HICP inflation is mostly expected to increase gradually in the medium term, while remaining relatively subdued in some countries.

In Denmark and Sweden, economic activity remained favourable despite some moderation in the fourth quarter of 2005, particularly in Denmark. In both countries, real GDP growth was supported mainly by domestic demand and the short-term growth outlook remains favourable. HICP inflation in Denmark and Sweden remained broadly unchanged in February compared with January (2.1% and 1.1% respectively). Inflationary pressures remained relatively muted owing to intense competition in retailing, moderate wage increases and strong growth in labour productivity.

In the Czech Republic, Hungary and Poland, the three largest central European economies, output growth continued to be strong during the last quarter of 2005 and the available indicators suggest that the underlying dynamics were also favourable in the first quarter of 2006. Output growth in these countries has been increasingly supported by net exports as external demand has gradually recovered. While HICP inflation remained unchanged in February in the Czech Republic and Poland (2.4% and 0.9% respectively), it fell to 2.3% in Hungary, due mainly to a deceleration in energy prices.

EMERGING ASIA

In emerging Asia, economic activity continued to expand at a rapid pace at the beginning of 2006. Domestic demand strengthened further in all major economies in the region, more than offsetting a mild slowdown in net exports. In Indonesia, South Korea, Singapore and Thailand, weaker export performance has been accompanied by a significant appreciation of the nominal and real exchange rates since November 2005. Overall, leading indicators of business activity have continued to improve in recent months, suggesting a robust economic outlook for the region in the near term. Inflationary pressures remained broadly muted in the region in February.

In China, the expansion of domestic demand continued to be driven by investment, which remained robust even in sectors already confronted with problems of excess capacity, such as the steel and automotive industries. The trade surplus narrowed at the beginning of 2006 from the record highs seen in 2005. Chinese CPI inflation fell to 0.9% year on year in February and producer prices also moderated somewhat. Upward pressure on input prices in a context of low pricing power for producers has caused a squeeze in corporate profitability. This development may help contain investment growth over the coming quarters.

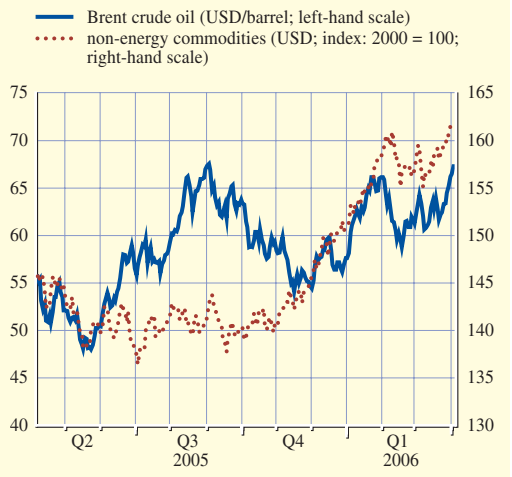
LATIN AMERICA

The latest indicators continue to suggest an incipient acceleration in economic activity in the major Latin American economies. In Brazil, real GDP expanded by 1.5% in the fourth quarter of 2005 compared with a year earlier. Although real GDP growth remained sluggish, the rebound in the investment component was noticeable. More recent indicators continue to point to an improved outlook, with industrial production rising by 3.2% year on year in January. In Mexico, GDP expanded by 2.7% in the fourth quarter of 2005 compared with a year earlier, while industrial production rose by 6% year on year in January. As inflation continued to edge down in Brazil and Mexico, the monetary authorities cut official interest rates further, to 16.5% and 7.25% respectively, in March. In Argentina, economic activity remains very robust, with real GDP expanding by 9.1% year on year in the fourth quarter of 2005 and industrial production rising by an average of 6.8% year on year during the first two months of 2006. However, inflationary pressures remain entrenched, with annual inflation growing by 11.5% in February. Prospects for the region as a whole continue to remain favourable in the near term, with an expected consolidation of domestic demand in the large economies in the context of a benign external environment.

1.2 COMMODITY MARKETS

After surging in December and January and declining in February, oil prices increased again in March and early April, despite a recent downward revision of expected oil demand growth by the International Energy Agency. The geopolitical environment and the ensuing concerns over the security of future oil supplies remained an important factor supporting oil prices. Moreover, towards the end of the period under review, concerns about petrol inventories ahead of the summer driving season in the United States added to the upward pressure on prices. The price of Brent crude oil was USD 66.4 on 5 April. Uncertainty surrounding near-term oil prices is considerable. Market participants expect oil prices to remain at elevated levels also in the medium term, with December 2008 oil futures contracts currently trading at USD 66.9.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWA.

Prices of non-energy commodities have risen considerably in recent months, peaking in early February. Expressed in US dollar terms, non-energy commodity prices were approximately 7% higher in March than one year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for euro area external demand, remains positive. Financing conditions remain relatively favourable, with long-term interest rates and corporate and emerging market spreads at fairly moderate levels. At the same time, improved corporate balance sheets and profits provide support to firms' investment spending in major economies. This assessment is supported by the fact that the six-month rate of change in the OECD Composite Leading Indicator rose further in January, continuing the upward trend observed since April 2005. Against a background of continuing volatility in oil markets, energy prices remain one of the main sources of risk to the global outlook. The persistence of global economic imbalances also continues to pose a downside risk.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In February 2006 annual M3 growth rose to 8.0%, after having shown some signs of moderation in the fourth quarter of 2005. The low level of interest rates remained the key driver of underlying monetary and credit dynamics, while signs of a continued unwinding of past portfolio shifts remained evident in the February data. In an environment of already ample liquidity, improved economic sentiment and an ongoing recovery of the real economy, the strong growth of money and credit points to upside risks to price stability over the medium to longer term. Moreover, these developments imply a need to monitor asset price dynamics carefully, given the potential for price misalignments to emerge.

THE BROAD MONETARY AGGREGATE M3

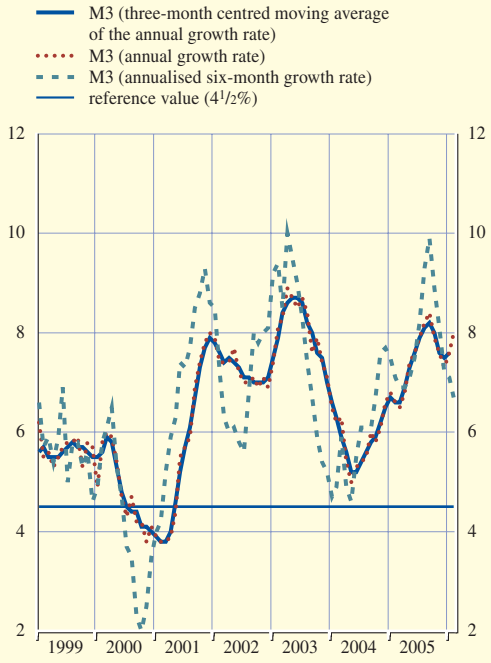
The annual growth rate of the broad monetary aggregate M3 increased further to 8.0% in February 2006, from 7.6% in January, partly reversing the moderation observed in the fourth quarter of 2005. The three-month average of the annual M3 growth rates stood at 7.6% in the period between December 2005 and February 2006, compared with 7.5% in the period between November 2005 and January 2006 (see Chart 4). The renewed strength of M3 growth was particularly visible in its shorter-term dynamics, as measured, for example, by the annualised three-month rate of growth, which rose by 1.2 percentage points in February.

The monetary data for February continue to suggest that the key factor driving M3 growth is the prevailing low level of interest rates. This assessment is supported by the high contribution of the narrow aggregate M1 to annual M3 growth and by the further strengthening of growth in MFI loans to the private sector. At the same time, there is also evidence of an ongoing unwinding of past portfolio shifts. Such an unwinding, which was the key factor behind monetary dynamics in the period between mid-2003 and mid-2004, has a dampening effect on headline M3 growth. However, more recently, this effect has not been strong enough to offset the stimulative impact on monetary growth stemming from stronger credit expansion.

Given the robust growth in money and credit over the past few quarters, liquidity remains ample in the euro area. This points to risks to price stability over the medium to longer term, especially if a significant part of the ample liquidity were to be transformed into transaction balances in an environment of improved economic sentiment and an ongoing recovery of the real economy. In addition, strong monetary and credit growth implies a need to monitor asset price dynamics carefully, given the potential for price misalignments to emerge.

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

MAIN COMPONENTS OF M3

The rise in the annual growth rate of M3 in February reflects an increase in the contributions from short-term deposits other than overnight deposits and from marketable instruments. The contribution of the most liquid components contained in M1 declined slightly, although it was still far greater than that of the other components (see Box 1 for an analysis of the factors underlying the robust contribution of M1 to M3 growth). The decline in the contribution from M1 in February is attributable to a decrease in the annual growth rate of overnight deposits, while the annual growth rate of currency in circulation remained broadly unchanged in comparison with the previous month. In contrast to overnight deposits, the annual rate of growth of short-term deposits other than overnight deposits increased further on account of a substantial strengthening of the growth of time deposits (i.e. deposits with an agreed maturity of up to two years). Overall, the growth of holdings of short-term deposits remained robust, reflecting the low opportunity cost of holding these assets in an environment of low interest rates (see Table 1).

The annual growth rate of marketable instruments included in M3 increased somewhat further in February. This concealed different developments in individual instruments. On the one hand, the annual growth rate of debt securities with a maturity of up to two years, although declining slightly, remained at a remarkably high level of around 30%, which may be related both to dynamic demand for structured products in an environment of relatively positive equity market performance and to some substitution for longer-term debt securities. On the other hand, the annual rate of growth of money market fund shares/units rose somewhat, but remained negative. The subdued development of money market fund shares/units – assets which are held by households and firms to "park" liquidity at times of heightened uncertainty – supports the view of an unwinding of past portfolio shifts in recent months.

The annual growth rate of the private sector's short-term deposits and repurchase agreements held with MFIs (excluding the Eurosystem) − which represent the broadest aggregation of M3

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					
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Jan.	2006 Feb.
M1	**48.4**	**9.6**	**9.8**	**11.2**	**10.9**	**10.2**	**9.9**
Currency in circulation	7.5	18.0	17.3	16.0	14.8	13.5	13.6
Overnight deposits	41.0	8.1	8.5	10.4	10.2	9.7	9.2
M2 - M1 (= other short-term deposits)	37.7	4.5	5.1	5.5	5.9	6.4	7.3
Deposits with an agreed maturity of up to two years	15.9	0.5	2.7	4.6	6.5	8.5	11.1
Deposits redeemable at notice of up to three months	21.8	7.1	6.6	6.0	5.3	4.8	4.6
M2	**86.1**	**7.1**	**7.5**	**8.4**	**8.5**	**8.4**	**8.6**
M3 - M2 (= marketable instruments)	13.9	4.1	4.4	5.5	3.8	3.3	4.0
M3	**100.0**	**6.6**	**7.1**	**8.0**	**7.8**	**7.6**	**8.0**
Credit to euro area residents		**6.4**	**6.6**	**7.0**	**7.9**	**8.5**	**8.8**
Credit to general government		3.4	2.1	1.2	2.7	3.4	2.3
Loans to general government		-0.4	-0.8	-1.1	0.4	0.9	1.0
Credit to the private sector		7.3	7.8	8.6	9.3	9.9	10.6
Loans to the private sector		7.3	7.6	8.4	8.9	9.6	10.3
Longer-term financial liabilities (excluding capital and reserves)		**9.5**	**9.6**	**10.0**	**9.4**	**8.8**	**8.5**

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

components for which information is available by holding sector – rose in February. This increase reflected, to a large extent, a rise in the contribution from other non-monetary financial intermediaries, which had previously been moving downwards since September 2005. The contributions from non-financial corporations and households remained unchanged in February. Overall, the household sector remained the largest contributor to growth in short-term deposits including repurchase agreements.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector strengthened further to 10.3% in February, from 9.6% in the previous month. The strong demand for loans was broadly based across the private sector, reflecting the stimulative impact of the low level of interest rates and possibly also an improved economic outlook.

Developments in MFI loans to households continued to be driven mainly by strong borrowing for house purchase, which grew at an unchanged annual rate of 11.8% in February, but also by a further strengthening of the growth of consumer credit (see Table 2). The strong borrowing for house purchase reflects the low mortgage lending rates prevailing in the euro area as a whole and the robust housing market dynamics in many regions. The annual growth rate of MFI loans to non-financial corporations rose further in February, continuing the upward trend observed since early 2004. This increase, although spanning the maturity spectrum, was mainly attributable to particularly strong growth in loans with a maturity of over one year. As a result of these developments, the gap in the pace of growth between loans to households and loans to non-financial corporations closed in February.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) declined slightly further to 8.5% in February, from 8.7% in January, but the short-term dynamics remained strong. This supports the view that there is a continued inclination of the euro area money-holding sector to invest in longer-term euro area financial instruments. Looking at the components of longer-term financial liabilities, the annual

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					
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Jan.	2006 Feb.
Non-financial corporations	**41.1**	**5.7**	**6.1**	**7.0**	**7.6**	**8.4**	**9.5**
Up to one year	30.3	3.2	4.6	5.8	5.3	5.7	7.0
Over one and up to five years	17.6	6.7	6.5	6.4	8.2	9.1	11.9
Over five years	52.1	6.9	6.9	7.9	8.9	9.8	10.2
Households [2]	**50.1**	**8.1**	**8.2**	**8.6**	**9.0**	**9.5**	**9.4**
Consumer credit [3]	13.1	6.4	6.7	6.9	7.8	8.0	8.2
Lending for house purchase [3]	70.0	10.1	10.2	10.7	11.0	11.8	11.8
Other lending	16.9	2.2	2.1	2.2	2.3	1.8	1.4
Insurance corporations and pension funds	**0.9**	**23.0**	**14.4**	**16.5**	**29.2**	**35.9**	**32.4**
Other non-monetary financial intermediaries	**7.9**	**10.5**	**11.3**	**15.5**	**14.1**	**15.7**	**18.8**

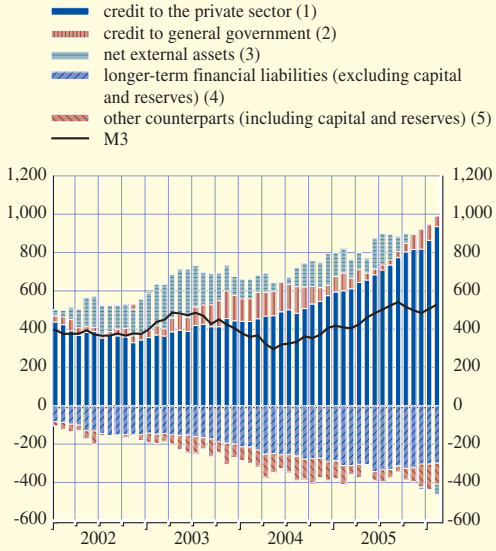
Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown 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.

growth rate of debt securities issued with a maturity of over two years continued to decrease, which may reflect an increasing preference for equity investment and for structured products related to bank securities with shorter maturities.

In February there was a net outflow in the net external asset position of MFIs of €51 billion, after a net outflow of €1 billion in the twelve months to January (see Chart 5). These developments may be related to euro area residents' increased appetite for holding foreign assets, accompanied by a moderation in foreign investment in the euro area. On a monthly basis, a net outflow of €35 billion was recorded. Increasing mergers and acquisitions may have played some role in explaining these capital flows. However, it should be borne in mind that short-term movements in the net external asset position should not be overemphasised on account of the volatility of the series on a monthly basis.

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.

Summing up the information from the counterparts, the low level of interest rates fostered the increasing dynamism of MFI loans to the private sector, which continued to account for the strengthening of annual M3 growth. In this respect, the robust demand for MFI longer-term financial liabilities and the subdued development of the MFI net external asset position only partly offset the credit-driven monetary dynamics.

Box 1

FACTORS EXPLAINING THE ROBUST GROWTH OF M1

An important feature of monetary developments in the euro area over the past few years has been the strong growth of the narrow monetary aggregate M1. Although the annual rate of M1 growth declined slightly in February 2006, it nonetheless remained at a high level of 9.9%. With a contribution of more than 4 percentage points, M1 has been the main contributor to strong annual M3 growth in recent years. The robust expansion of the most liquid part of M3 may be of particular concern in a situation where liquidity is already ample and continuing to increase. This box reviews the growth of M1 from different angles.

Continued robust growth of both currency in circulation and overnight deposits

Insight into M1 dynamics can be gained by looking at the two components of M1, namely currency in circulation and overnight deposits. Despite having a share of only around 15% in

the total M1, developments in currency in circulation have accounted for, on average, around one-quarter of annual M1 growth over the past three years (see Chart A). Even after four years, the unwinding of effects related to the cash changeover is still ongoing. The annual growth rate of currency in circulation has gradually declined, but, at 13.6% in February 2006, it is still higher than what could have been expected on the basis of developments in euro area legacy currencies prior to the changeover.

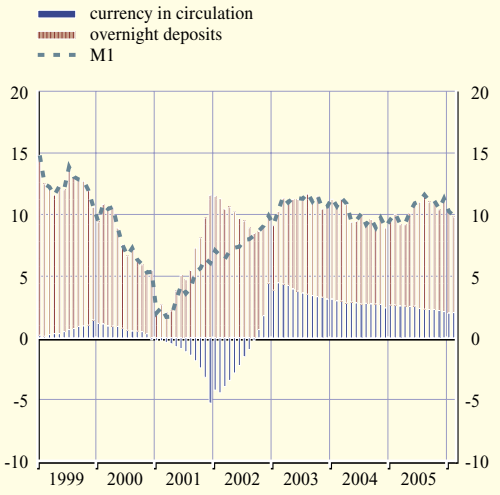
Overnight deposits also show continued strong dynamism, with an annual rate of growth of 9.2% in February 2006. This is consistent with the view that the low level of interest rates in the euro area implies a low opportunity cost of holding assets that are poorly remunerated, on the one hand, but have favourable liquidity features, on the other. Moreover, there is some evidence that the growth of overnight deposits may, in part, have been boosted by financial innovation. This relates, in particular, to the increasing popularity in some countries both of internet accounts and of other high-yielding deposits. These are recorded under overnight deposits on account of their liquidity features but may be used for saving/investment purposes rather than transaction purposes on account of their higher yield.

Households as the main holders of the liquid components contained in M1

The second angle from which M1 developments can be reviewed relates to the holding sectors. As regards currency in circulation, owing to the anonymity of currency, no official statistics are available on the breakdown by domestic holding sector, or on the split between resident and non-resident demand. At the same time, estimates suggest that between 10% and 20% of the euro banknotes in circulation reflect demand from outside the euro area. This could be part of the explanation why the growth of currency in circulation has declined more slowly in recent years than would

Chart A Contributions to annual M1 growth

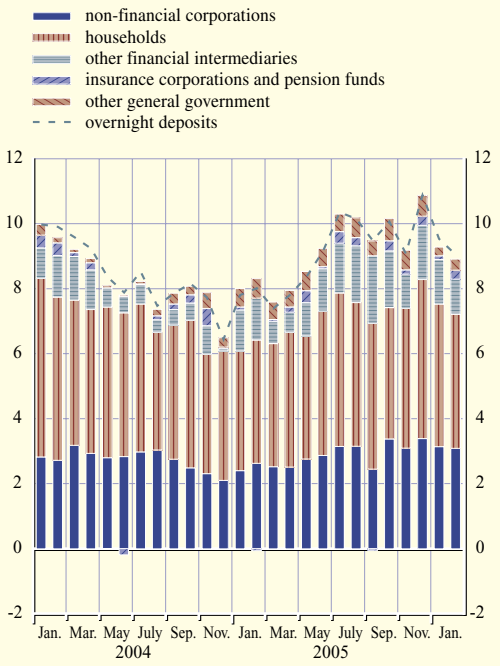
(contributions in percentage points; M1 growth in percentages; adjusted for seasonal and calendar effects)



Source: ECB.

Chart B Contributions to annual growth of overnight deposits

(contributions in percentage points; overnight deposit growth in percentages; not adjusted for seasonal or calendar effects)



Source: ECB.
Notes: Reporting sector comprises MFIs excluding the Eurosystem. Figures may not add up due to rounding.

have been expected on the basis of domestic factors or of effects related to the cash changeover.

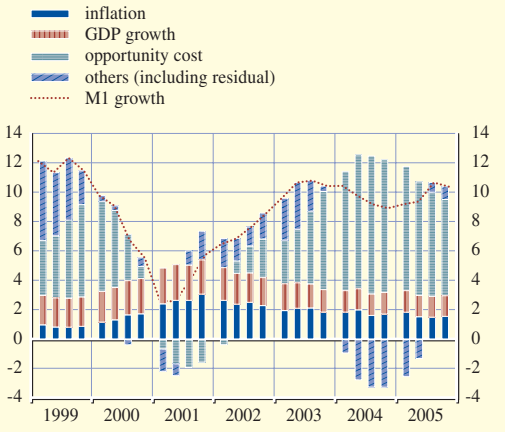
Concerning the origin of demand for overnight deposits, two points are worth emphasis. First, the contribution of other financial intermediaries to the annual growth of overnight deposits has now been more than 1 percentage point for the ninth consecutive month. Given that these sectoral data are only available for the period since 2003, it is difficult at this stage to assess whether this contribution is due to prevailing market conditions – driven, for instance, by the portfolio policies of investment funds – or, partly, to more structural phenomena such as regulatory changes. Second, the contributions of households and non-financial corporations to the growth of overnight deposits have been on a slight upward trend since early 2005, with the former's contribution amounting to more than 4 percentage points and that of the latter to more than 3 percentage points (see Chart B). Overall, the largest contribution to annual M1 growth has thus come from households.

The low level of interest rates as the main driver of recent M1 developments

Finally, M1 developments can also be reviewed in terms of their main economic determinants. In most money demand models, these are prices, real GDP and the opportunity cost of holding money. The latter is usually measured by the difference between the short-term market interest rate and the rate of return on instruments included in M1. Models that allow for so-called non-linearity in the elasticity of money with regard to the opportunity cost, i.e. for a greater effect of a variation in the interest rates in the case of lower interest rates, have recently performed much better than models where the opportunity cost impacts on money in a linear way.[1] Moreover, a non-linear specification is also more likely to pick up any impact on the interest rate elasticity related to financial innovation.

Chart C Contribution of economic determinants to annual M1 growth

(contributions in percentage points; M1 growth in percentages; adjusted for seasonal and calendar effects)



Source: ECB.

As shown in Chart C, in 2005 the contribution of developments in real GDP to annual M1 growth was about 1.5 percentage points, whereas that of the interest rates was about 7 percentage points. The latter contribution has been increasing on account of the dynamic features of the model, which captures the lags in the transmission of changes in the monetary policy stance to monetary macro-developments, throughout 2004. The lower the interest rates, the higher the impact of their variation and the longer the time of adjustment.

1 For a detailed description of the methodology used, see L. Stracca, "The functional form of the demand for euro area M1", Manchester School, Vol. 71(2), 2003, pp. 172-204.

2.2 SECURITIES ISSUANCE

In January 2006 the annual growth rate of debt securities issued by euro area residents remained high at 7.6%, broadly unchanged as compared with the previous month. While the annual growth rate of debt securities issued by MFIs and non-monetary financial institutions was strong, issuance by non-financial corporations remained subdued. The annual rate of growth of quoted shares issued by euro area residents remained low.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents remained broadly unchanged in January 2006, at 7.6% (see Table 3). The strong level of growth continues to be largely driven by robust growth in long-term debt securities, although the latter decreased slightly, to 8.1%, in January. The annual growth rate of short-term debt securities issued increased to 3.2%, albeit remaining at a relatively low level. As in previous periods, the relatively high annual growth rate of long-term debt securities was mainly driven by the strong issuance of long-term debt securities at variable rates, the rate of growth of which increased from 18.4% in December 2005 to 19.0% in January 2006. During the same period the rate of growth of fixed-rate long-term debt securities remained moderate, standing at 4.5% in January 2006, compared with 4.7% in December 2005. However, in terms of gross issuance, there has been a strong increase in this instrument since December 2005. This may indicate an increasing preference on the part of borrowers for raising long-term funds at a fixed rather than variable rate in the more recent period.

As regards sectoral issuance activity, the annual growth rate of debt securities issued by non-financial corporations remained unchanged in January 2006, at 3.5% (see Chart 6). Potential factors behind the moderate growth in net issuance of debt securities in a period of otherwise very favourable financing conditions are the historically high level of redemptions of papers issued in 1999-2001, i.e. during a period in which the euro area corporate bond market was booming, and

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2006 Jan.	Annual growth rates [1] 2005 Q1	2005 Q2	2005 Q3	2005 Q4	2005 Dec.	2006 Jan.
Debt securities:	**10,321**	**7.6**	**7.7**	**7.6**	**7.5**	**7.6**	**7.6**
MFIs	4,143	10.1	9.8	10.0	9.2	8.4	9.1
Non-monetary financial corporations	928	11.7	17.1	19.2	21.6	23.7	24.4
Non-financial corporations	618	2.8	4.6	2.2	3.4	3.5	3.5
General government	4,632	5.5	4.9	4.5	4.4	4.7	4.1
of which:							
Central government	4,347	5.1	4.5	4.1	3.9	4.2	3.7
Other general government	285	13.7	12.0	12.1	12.2	12.9	11.3
Quoted shares:	**5,290**	**1.1**	**1.0**	**1.1**	**1.2**	**1.2**	**1.3**
MFIs	885	2.7	2.2	2.7	2.2	0.8	1.2
Non-monetary financial corporations	536	1.0	2.2	2.6	3.2	3.5	3.5
Non-financial corporations	3,869	0.8	0.6	0.6	0.7	1.0	1.0

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

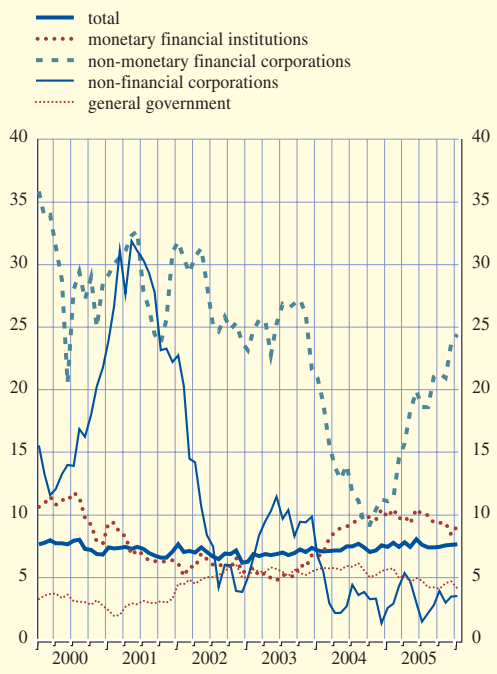
the abundant availability of internal funds. At the same time, the rate of growth of variable-rate long-term debt securities issued by non-financial corporations continued to increase.

The annual growth rate of debt securities issued by MFIs increased to 9.1% in January 2006, from 8.4% in the previous month. This development was mainly the result of continued strong issuance of both short-term and long-term debt securities at variable rates (which represented around two-fifths of the total amount outstanding of debt securities issue by MFIs), while issuance of securities at fixed rates remained subdued. The strong growth in debt issuance is likely to reflect the financing needs of MFIs resulting from the fairly robust growth of MFI loans to the private sector, in particular in countries experiencing high growth in loans to households for house purchase.

Direct issuance of debt securities by non-financial corporations may to some extent also have been substituted by indirect financing through non-monetary financial corporations, such as special purpose vehicles, which continued to issue debt securities at a rapid pace. The annual growth rate of debt securities issued by non-monetary financial corporations increased to 24.4% in January 2006 (from 23.7% in December 2005). However, it is likely that a major part of the net issuance of the non-monetary financial corporate sector can be attributed to the MFI sector, which is increasingly using this financing channel to securitise part of its loan portfolio. The annual growth rate was particularly high for the issuance of long-term debt securities at variable rates (47.0% in January 2006).

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

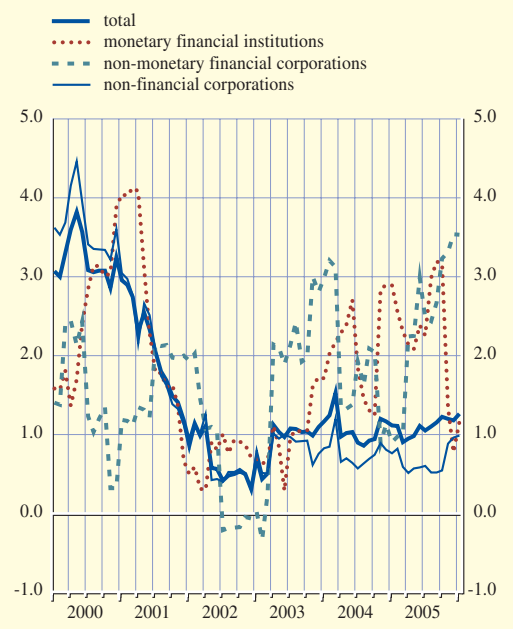
(annual growth rates)



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

The annual growth rate of debt securities issued by the general government decreased slightly to 4.1% in January 2006, from 4.7% in December 2005. As in the past, long-term debt securities at fixed rates continued to dominate the issuance activity of the general government.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained almost unchanged at 1.3% in January 2006. As regards non-financial corporations, which account for around three-quarters of outstanding quoted shares, the annual growth rate of quoted shares issued remained unchanged at 1.0%, which is among the highest growth rates observed since the end of 2001 (see Chart 7). One of the main factors behind this growth in equity issuance has been the development of gross issuance of both initial and secondary public offerings, which have benefited from relatively buoyant equity markets. In the same period, the annual growth rate of quoted shares issued by MFIs increased to 1.2%, from 0.8% in December 2005.

2.3 MONEY MARKET INTEREST RATES

In March 2006 and early April, money market interest rates across all maturities increased, with the largest increases being observed for longer-term rates. As a result, the slope of the money market yield curve steepened significantly over the month.

Over the period from the end of February to 5 April 2006, money market rates at the one-, three-, six- and twelve-month maturities rose by 5, 16, 21 and 27 basis points respectively. On 5 April the one-, three-, six- and twelve-month EURIBOR rates stood at 2.65%, 2.82%, 3.00% and 3.26% respectively. Consequently, the slope of the money market yield curve steepened significantly over the review period. The difference between the twelve- and the one-month EURIBOR increased from 39 basis points at the end of February to 61 basis points on 5 April (see Chart 8).

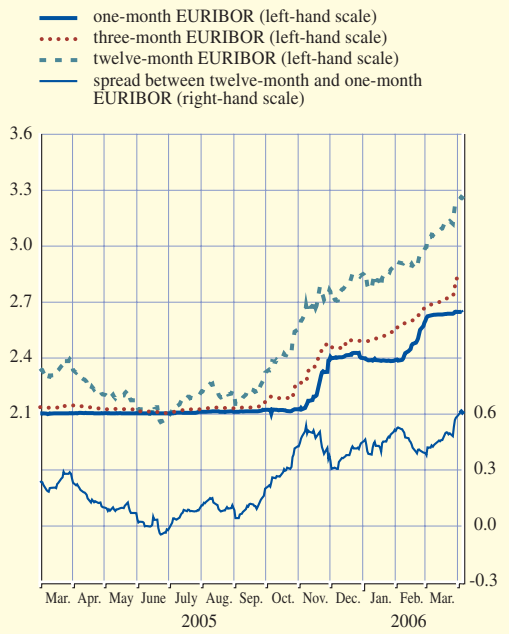
The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in June, September and December 2006 stood at 3.09%, 3.32% and 3.49% respectively on 5 April. Compared with the levels observed at the end of February, this represented an increase of 17, 22 and 27 basis points respectively.

In connection with end-of-February effects, the EONIA rose to 2.40%, before retreating again in early March, in line with market perceptions that liquidity conditions had become looser. The size of the liquidity surplus foreseen both by the ECB and market participants at the end of the maintenance period made it clear that a liquidity-absorbing fine-tuning operation would be necessary on 7 March. Thus, the ECB launched a liquidity-absorbing operation of €5 billion in which market participants offered only €2.6 billion. Consequently, the underbidding had a marked impact on the overnight rate and the EONIA, which declined to 1.45% and 2.08% respectively on that day.

During the maintenance period beginning on 8 March 2006, the EONIA rate rose in line with the 25 basis point increase in key ECB interest rates to a level of 2.58%, implying a spread over the minimum bid rate in the Eurosystem's main refinancing operations of 8 basis points. This suggested that the gradual increase in the spread between the EONIA and the minimum bid rate observed in 2005 halted in the first quarter of 2006. On 31 March the EONIA rose to 2.62% due to end-of-quarter effects and remained slightly above the levels observed earlier in March during the first days of April (see Chart 9).

Chart 8 Short-term money market interest rates

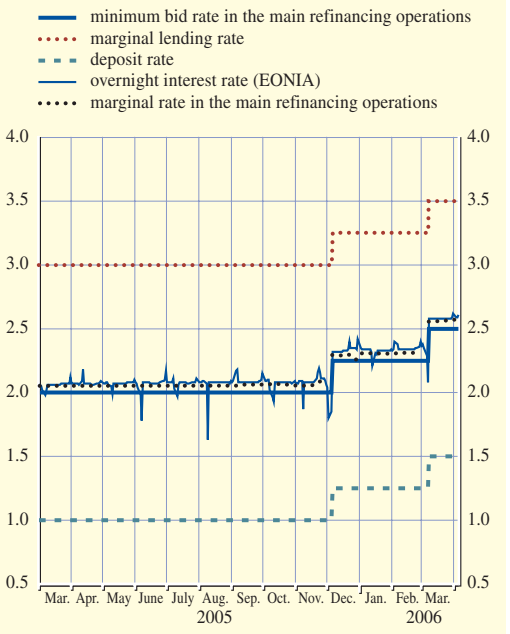
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

During March 2006 the marginal and average rates in the Eurosystem's main refinancing operations remained stable at 2.56% and 2.57% respectively, before rising by one basis point in the last operation in March due to end-of-month effects. In the Eurosystem's longer-term refinancing operation conducted on 29 March, which was the third such operation with the higher allotment volume of €40 billion, the marginal and the weighted average rates rose to 2.73% and 2.75% respectively, i.e. 16 and 18 basis points higher respectively than in the previous operation. Compared with the three-month EURIBOR prevailing on that date, tender rates were lower by 6 and 4 basis points respectively.

2.4 BOND MARKETS

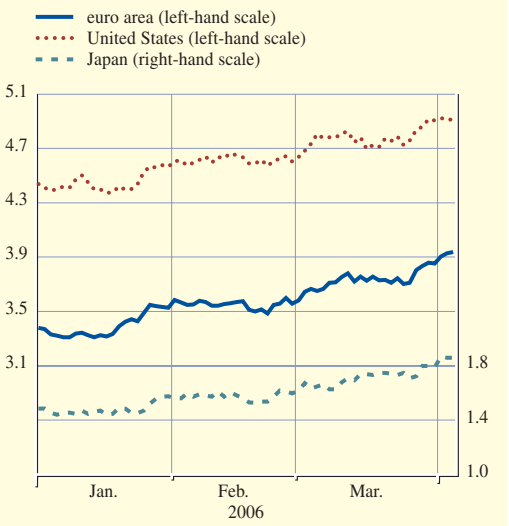
Long-term government bond yields in the major markets increased further in March and early April. The higher yields in global bond markets reflected increases in real interest rates which, in turn, partly emanated from a more favourable outlook for economic growth, as perceived by market participants. All in all, the information from the euro area bond market seems to confirm indications of an imminent improvement in economic activity, while, at the same time, inflation expectations remain broadly stable.

Ten-year government bond yields in both the euro area and the United States rose by around 35 basis points between the end of February and 5 April, to 3.9% and 4.9% respectively (see Chart 10). As a result, the differential between US and euro area ten-year government bond yields

changed little, standing at 100 basis points at the end of the period under review. Despite the recent increases, long-term bond yields on both sides of the Atlantic remained at fairly low levels by historical standards. Japanese ten-year government bond yields increased by around 25 basis points over the same period, standing at 1.9% on 5 April 2006. Market participants' uncertainty about near-term developments in the ten-year segment of the bond market, as indicated by the implied volatility extracted from bond options, remained broadly unchanged in the euro area and in Japan, whereas it increased slightly in the United States in March.

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.

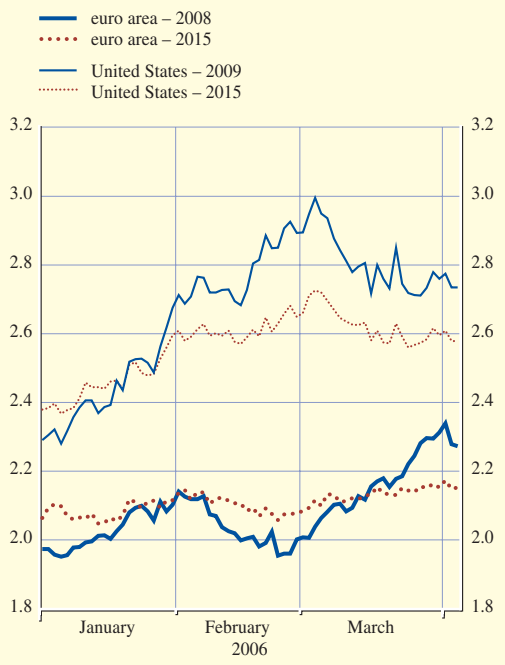
In the United States the increase in long-term government bond yields in March and early April mainly reflected increases in the corresponding real bond yields, which, in the case of ten-year index-linked bonds, rose by around 35 basis points between end-February and 5 April 2006. These increases in nominal and real bond yields seemed to reflect stronger confidence among investors about the short to medium-term prospects for US economic activity, particularly following the Federal Reserve Chairman's most recent assessment that the inverted yield curve in the United States – the spread between ten-year government bond yields and three-month money market rates amounted to -10 basis points on 5 April – should not be interpreted as a signal of a weakening of future economic activity. At the same time, market participants' inflation expectations in the United States – as measured by break-even inflation rates – decreased somewhat across all maturities, reflecting the market's view that inflationary pressures are, for the time being, being contained. In contrast, in previous months break-even inflation rates contributed significantly to the increases in nominal bond yields. As expected, the Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points on 28 March. Furthermore, the statement accompanying this decision increased market participants' expectations of at least one additional rise in the funds rate. This also exerted upward pressure on long-term interest rates.

In Japan the increase in long-term government bond yields was more pronounced following the announcement by the Bank of Japan that it will end its quantitative easing policy over the next few months and keep its policy rate close to zero "for some time". Long-term government bond yields increased to a 19-month high after this decision. However, the comments by the Bank of Japan's Governor that the Bank of Japan will continue to buy long-term Japanese government bonds despite ending its quantitative easing policy may have contributed to moderating the upward pressure on bond yields.

In the euro area, long-term government bond yields increased further in March and early April. Market participants' perception of the outlook for economic activity in the euro area seems to have

Chart 11 Break-even inflation rates in the euro area and the United States

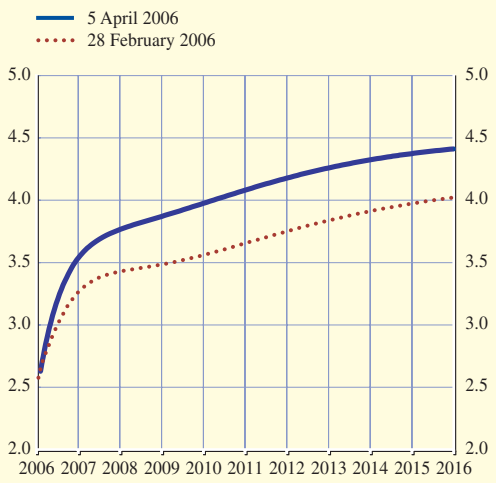
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

improved somewhat, probably as a response to a number of survey indicators which have provided positive signals over recent weeks. Reflecting this, long-term index-linked bond yields increased over the course of March. Box 2 reviews which type of indicators significantly influence euro area long-term government bond yields. In addition, the rise in real yields may also be regarded as a further normalisation of embedded risk premia from the very low levels reached in 2005. As regards euro area inflation expectations, the ten-year break-even inflation rate, derived from the difference between the yields on French nominal and index-linked government bonds maturing in 2015, rose slightly during the review period and stood at close to 2.15% on 5 April.

Generally favourable data releases on economic activity and the business climate are likely to have contributed to the upward shift in the implied forward overnight rate curve for the euro area across all maturities (see Chart 12). However, the Governing Council's decision on 3 March to raise the key ECB interest rates by 25 basis points had only a very muted effect on the term structure of interest rates, since it had been well anticipated by market participants.

Box 2

HOW IS NEWS ABOUT MACROECONOMIC FUNDAMENTALS INCORPORATED INTO THE EURO AREA BOND MARKET?

Central banks in general, and the ECB in particular, monitor closely the long-term segments of the bond market, as long-term interest rates contain information about both expected inflation and the economy's growth prospects as anticipated by market participants. Over the past few months long-term bond yields in the euro area have risen, despite the lower than expected GDP outcome for the last quarter of 2005. The upturn in bond yields instead seems to have mirrored more positive readings of "soft" data on economic activity, i.e. survey-based business cycle indicators, which support the view that euro area economic growth will strengthen over the course of 2006. In fact, it appears that such macroeconomic data announcements influence financial markets in general, and that the importance of these announcements can change over time. This box examines a wide range of macroeconomic indicators released in the euro area and reports upon which types of announcement have significantly influenced long-term euro area bond markets over the past six years.

One common stylised fact in the literature on announcement effects is that many US macroeconomic announcements tend to induce strong financial market reactions, across both asset classes and economies.[1] It is likely that such strong asset price sensitivity can be attributed to the view that the US economy is being perceived by investors as an engine for global growth. In addition, the sensitivity of euro area financial markets to US news may also reflect the timing of the releases. Since US news is generally released before the corresponding news for the euro area, it may function as a leading indicator for euro area financial markets. Thus, the co-movements between US and euro area financial asset prices may, over time, be stronger than the real economy links would suggest.

The US releases that tend to have the greatest influence on euro area markets are those on real activity and employment, such as the advance releases on US GDP and on non-farm payroll data. In addition, more forward-looking survey-based indicators also tend to affect euro area financial market prices, as they may alter market participants' views about the future course of the economy. Among the myriad of available confidence indicators, the manufacturing confidence index released by the Institute for Supply Management (ISM) tends to receive most attention.

It is also interesting to examine, apart from the above-mentioned US releases, the question of which euro area announcements tend to move euro area long-term interest rates significantly. In theory, a better than expected announcement for economic activity or a higher than expected inflation outcome should exert upward pressure on long-term bond yields. The table shows a number of national and euro area-wide aggregated macroeconomic announcements covering real activity, unemployment, business cycle survey indicators and aggregate price and monetary indicators. The plus signs in the table indicate whether the announcements significantly influenced German long-term government

1 See the box entitled "The impact of recent employment data releases in the United States on global bond markets" in the May 2004 issue of the Monthly Bulletin. For more empirical evidence, see, among others, T. G. Andersen, T. Bollerslev, F. X. Diebold and C. Vega, "Micro effects of macro announcements: Real-time price discovery process", American Economic Review, 93, 38-62, and M. Ehrmann and M. Fratscher, "Equal size, equal role? Interest rate interdependence between the euro area and the United States", The Economic Journal, 115 (506), pp. 928-948.

Selected euro area and national macroeconomic announcements and their impact on German long-term bond yields

Euro area activity and employment releases		**National activity and employment releases**	
Industrial production	+	Industrial production (DE)	+
Retail sales		Industrial production (FR)	+
Unemployment		Industrial production (IT)	
Euro area survey indicators		**National survey indicators**	
Business climate		ZEW [1] index (DE)	+
Consumer confidence		IFO [2] index (DE)	+
Purchasing Managers' Index		Business [3] (FR)	+
		Business [4] (IT)	+
Euro area price and monetary releases		**National price releases**	
Flash HICP		Consumer price index (DE)	
HICP		Consumer price index (FR)	+
Producer price index		Consumer price index (IT)	
M3			

Note: The plus signs indicate that the announcements significantly influence the prices of German long-term bond futures.
1) Centre for European Economic Research, Mannheim.
2) IFO institute, Munich.
3) National Institute for Statistics and Economic Studies.
4) Institute for Studies and Economic Analyses.

bond yields in line with theory over the sample period 1999-2005.[2] Given the fairly small and relatively stable spreads between government bond yields within the euro area since 1999, German bond yields can be regarded as providing a fairly sound illustration of interest rate developments for the euro area as a whole over the last couple of years.

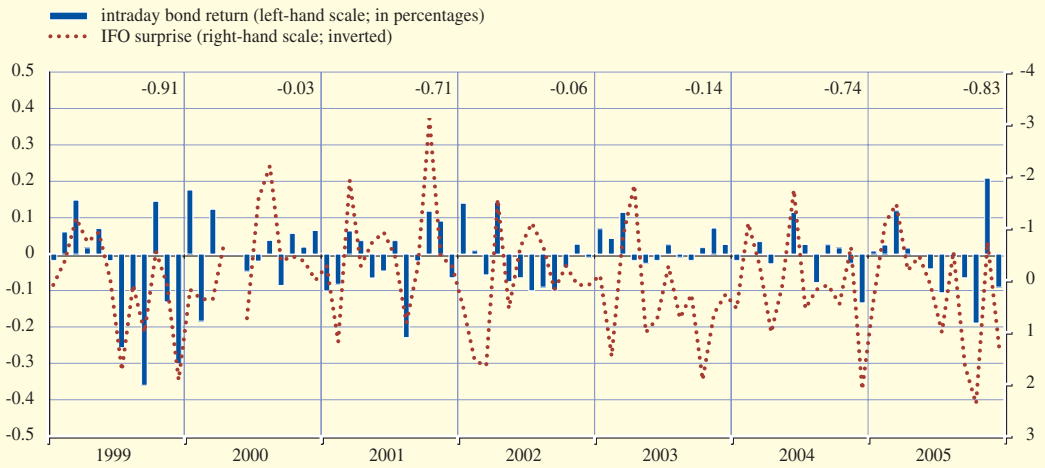
Several notable features emerge from the table. First, relatively few of the euro area aggregate announcements significantly influence German bond markets. This is probably linked to the fact that they are published after the countries participating in EMU have published their domestic data releases, with the result that the added informational value of these releases may generally be considered small. Second, the generally muted bond market reaction to German consumer price index data may be attributable to the fact that regional data have already been published, meaning that national data contain less "new news" for market participants. Third, national survey-based sentiment indicators in general have a significant impact on German long-term bond yields. In theory, asset prices are inherently forward-looking, thereby incorporating, among other things, the expected future macroeconomic environment, such as investors' perception of the outlook for growth and inflation. Thus, it cannot be excluded that these indicators will cause investors to revise their expectations, thereby having a significant impact on bond markets.

The importance of macroeconomic announcements may change over time. Changes in news sensitivity may occur for several reasons. First, if readings of survey-based "soft" data differ significantly from the information stemming from backward-looking "hard" data, it may be the case that market participants attach more importance to the former, as they may provide more forward-looking information than macroeconomic announcements summarising past developments in economic activity. Especially in periods of uncertainty regarding the pace of growth of economic activity, the release of key forward-looking indicators of economic activity may influence the

2 This is determined on the basis of regressing the intraday five-minute percentage changes of the German long-term bond future contract on the surprise components of the respective announcements, the latter calculated as the difference between actual and expected outcome. The significance threshold is set at 90%.

German intraday bond market returns and surprise component in the IFO survey

(correlation coefficient 1999-2005: -0.5)



Note: The surprise component is defined as the difference between the monthly IFO outcomes and the figures expected by market participants surveyed by Bloomberg, divided by the standard deviation. The bond return is calculated as the percentage price changes 10 minutes before to 15 minutes after the IFO releases. The horizontal line of numbers in the upper section of the chart represents the yearly correlation coefficient between the two variables. Given the inverse relationship between prices and yields, a positive intraday number means that bond yields have declined. The May 2000 figure is not included because the IFO release took place at the opening of the German bond market, meaning that a proper price change could not be calculated.

market more than in other situations. Second, policy-makers can sometimes signal a preference for one or more macroeconomic indicators as input for their policy decisions at certain periods of time, which may lead to temporarily stronger responses of financial prices to those announcements. The chart attempts to reflect occurrences of such changes in news sensitivity.

The chart shows, on the one hand, the difference between the actual and expected outcome of the closely monitored IFO business sentiment survey and, on the other, the immediate intraday percentage price change in the German ten-year government bond immediately surrounding the release (with a positive sign indicating that bond yields have declined and vice versa). The horizontal line of numbers in the upper section of the chart represents the yearly correlation coefficients between the two variables. The chart indicates that over the last two years of the sample period, a higher than expected IFO release generally triggered a significant negative (positive) reaction of German bond prices (yields), in line with what theory suggests. However, such a significantly negative relationship cannot always be observed.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In January 2006 MFI short-term interest rates tended to increase, while most long-term rates remained broadly unchanged, in line with market rates.

In January 2006 most short-term deposit and lending rates to households and non-financial corporations increased as compared with the preceding month, following the increase in the key ECB interest rates in December 2005 (see Table 4 and Chart 13). The rate on loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year, which decreased slightly in the same period, constituted an exception. Overall, the increase in

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted[1), 2)])

							Change in basis points up to Jan. 2006		
	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Dec.	2006 Jan.	2005 Jan.	2005 Sep.	2005 Dec.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.95	1.92	1.94	1.97	2.14	2.31	37	34	17
with an agreed maturity of over two years	2.31	2.38	2.21	2.06	2.21	2.44	2	38	23
redeemable at notice of up to three months	2.00	1.96	2.17	2.02	1.98	1.98	0	-4	0
redeemable at notice of over three months	2.52	2.47	2.38	2.29	2.30	2.31	-18	2	1
Overnight deposits from non-financial corporations	0.92	0.94	0.92	0.96	1.02	1.05	12	9	3
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.08	2.00	2.01	2.04	2.26	2.27	23	23	1
with an agreed maturity of over two years	3.46	3.34	3.63	2.98	3.53	3.41	18	43	-12
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.74	6.62	6.61	6.96	6.73	7.03	6	7	30
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.44	3.42	3.35	3.32	3.48	3.57	14	25	9
with an initial rate fixation of over five and up to ten years	4.50	4.35	4.15	3.99	4.02	4.11	-32	12	9
Bank overdrafts to non-financial corporations	5.25	5.26	5.13	5.13	5.13	5.23	-11	10	10
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.98	3.91	3.88	3.81	3.99	4.07	9	26	8
with an initial rate fixation of over five years	4.44	4.33	4.20	4.04	4.07	4.10	-35	6	3
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.05	3.01	2.94	2.94	3.20	3.18	16	24	-2
with an initial rate fixation of over five years	4.06	4.04	3.89	3.87	3.95	3.95	-1	8	0
Memo items									
Three-month money market interest rate	2.17	2.14	2.11	2.14	2.47	2.51	36	37	4
Two-year government bond yield	2.36	2.49	2.07	2.21	2.80	2.86	47	65	6
Five-year government bond yield	2.93	3.08	2.58	2.60	3.07	3.10	18	50	3

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.
2) Quarterly data refer to the end of the quarter.

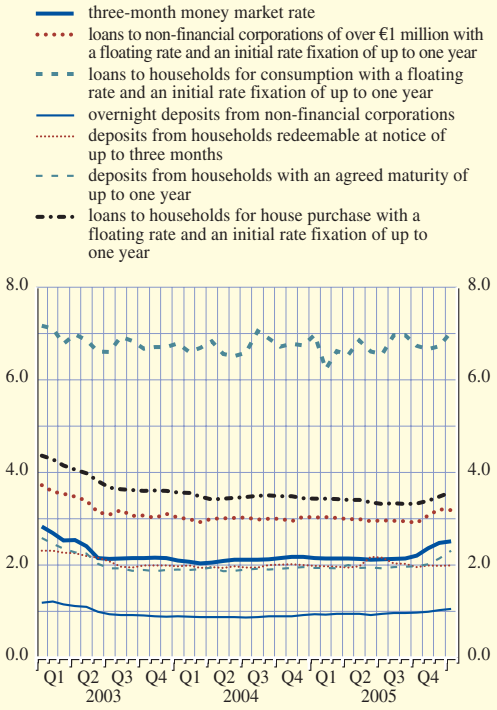
most short-term MFI interest rates in January was greater than that observed for the three-month money market rate during the same period. This was particularly the case for the rate on loans to households for consumption with a floating rate and an initial rate fixation up to one year, which increased by around 30 basis points.

Looking back over a somewhat longer period, most short-term deposit and lending rates to households and non-financial corporations have increased somewhat since September 2005, mostly in line with the increase in money market interest rates. The rate on deposits from households redeemable at notice of up to three months, which has decreased slightly, has been a notable exception.

In January 2006 most long-term MFI interest rates remained broadly unchanged or increased slightly, in line with market rates. There were two notable exceptions, namely the rate on deposits from households with an agreed maturity of over two years, which increased by around 23 basis points, and the rate on deposits from non-financial corporations with an agreed maturity of over

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

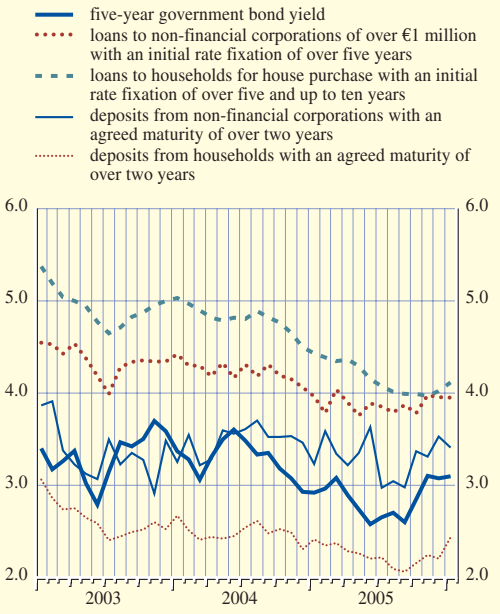
(percentages per annum; rates on new business; weight-adjusted[1])



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])



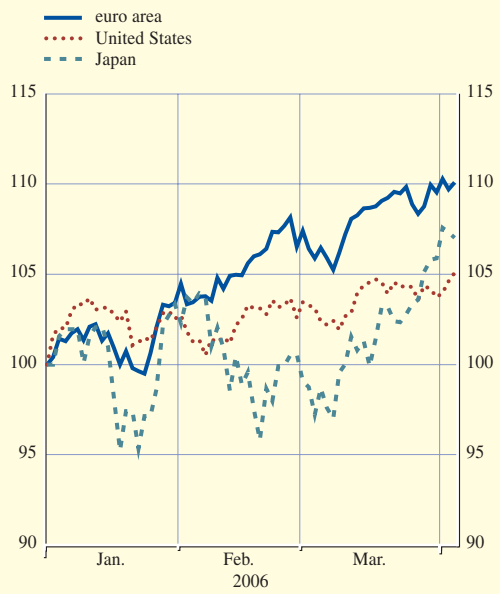
Source: ECB.
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are 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.

two years, which, although decreasing by 12 basis points, remains within the fluctuation range observed for this rate in recent months (see Chart 14).

Since September 2005 most long-term interest rates to households and non-financial corporations have increased in a range of between 5 and 40 basis points. The most significant increase was recorded for rates on deposits from both households and non-financial corporations with an agreed maturity of up to one year. As these increases have in general been smaller than those observed in comparable market rates, spreads of long-term MFI interest rates have tended to decrease since September 2005.

Chart 15 Stock price indices

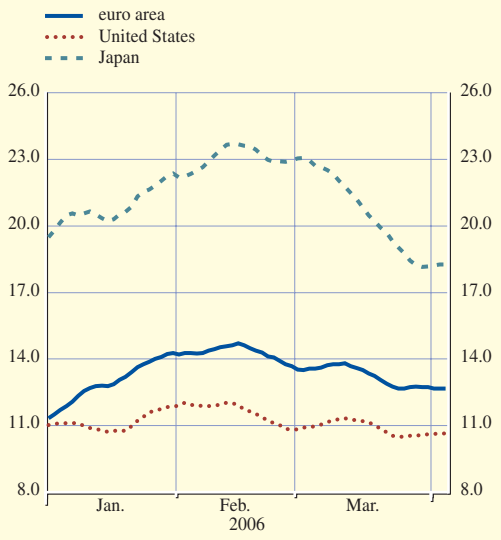
(index: 1 January 2006 = 100; daily data)



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

2.6 EQUITY MARKETS

Prices in the global stock markets continued to increase in March and early April amid strong corporate earnings and improved economic growth prospects for the major economies. Stock market uncertainty, as measured by implied volatility, remained virtually unchanged in the euro area, the United States and Japan.

In March and early April equity prices in the major economies continued their upward movement (see Chart 15). Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, rose by around 3% between the end of February and 5 April, while stock prices in the United States and Japan, as measured by the Standard & Poor's 500 index and the Nikkei 225 index, rose by 2% and 6% respectively. At the same time, stock market uncertainty in those major markets, as measured by the implied volatility extracted from stock options, decreased somewhat and remained at relatively low levels by historical standards (see Chart 16).

In the United States stock prices continued to be supported by the relatively strong growth of reported earnings in the course of March, which, from the point of view of investors, more than offset the effects of the increase in real long-term bond yields over the review period. In March, Thomson Financial Datastream reported that analysts expected 12% growth in earnings per share over the next 12 months for corporations included in the Standard & Poor's 500 index. The decision by the Federal Reserve on 28 March to further increase the federal funds target rate had only a limited impact on US stock prices.

In March and early April euro area stock prices continued to display the relatively strong performance of the preceding months, proving fairly resilient to the concomitant increase in real long-term bond yields. Stock prices in the euro area seemed to benefit from market participants' perception of a more favourable outlook for the euro area economy than previously anticipated. In addition, the still relatively strong actual and expected earnings growth of euro area corporations continued to support stock prices. In March Thomson Financial Datastream reported a growth rate of around 18% in actual earnings for corporations included in the Dow Jones EURO STOXX index. The strong corporate profitability during recent quarters might in part also be linked to merger and acquisition (M&A) activity, as some corporations have used cash to finance their activities. In this regard, the increase in actual and anticipated M&A activity also had an impact on stock market prices in the euro area, as aggregate stock prices tend to benefit from announcements of companies' acquisitions.

As regards sectoral stock price performance, the healthcare sector benefited most from the increased M&A activity referred to above. In addition, the technology, telecommunications, consumer goods and industrial sectors also outperformed the broad Dow Jones EURO STOXX index. Survey data pointing to an improvement of the outlook for the euro area economy had a particularly positive effect on stock prices in the consumer goods and industrial sectors.

3 PRICES AND COSTS

Euro area inflation was estimated at 2.2% in March 2006. While domestic inflationary pressures remain subdued at present, pressures from commodity prices remain strong and are expected to continue to have an impact on the short-term inflation outlook. In addition, changes in administered prices and indirect taxes are expected to affect inflation significantly in 2006 and 2007. Risks to the inflation outlook are judged to be on the upside and are mainly related to commodity prices and their pass-through to consumer prices, especially as some impact has already started to become visible in the later stages of the production chain. Further risks include additional increases in administered prices and indirect taxes and – more fundamentally – stronger wage and price increases as a result of second-round effects related to past hikes in oil prices.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR MARCH 2006

According to Eurostat's flash estimate, HICP inflation declined to 2.2% in March, from 2.3% in February (see Table 5). Although no detailed breakdown of the HICP components in March is yet available, the decline in the annual growth rate of the headline index may have been partly due to developments in energy prices.

HICP INFLATION UP TO FEBRUARY 2006

Overall HICP inflation eased somewhat to 2.3% in February, compared with 2.4% in the previous month. This mainly reflected an easing of energy price inflation, but – to some extent – also a decline in the annual growth rate of unprocessed food prices.

In February the annual growth rate of energy prices fell by 1.1 percentage points to 12.5%, following a fall in oil prices during the month. A decline of the annual rates of change was broadly shared across most of the components of energy prices. Unprocessed food prices increased, month on month, in February, but to a lesser extent than in January in year-on-year terms. Developments in both of these components of the overall index were favourably influenced by base effects. With regard to unprocessed food prices, there seems to be no evidence thus far that avian influenza may have had a direct impact on euro area food prices. This notwithstanding, it is possible that some effect may be observed in the next few months, so that it may represent a small upward risk, particularly for unprocessed food prices.

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

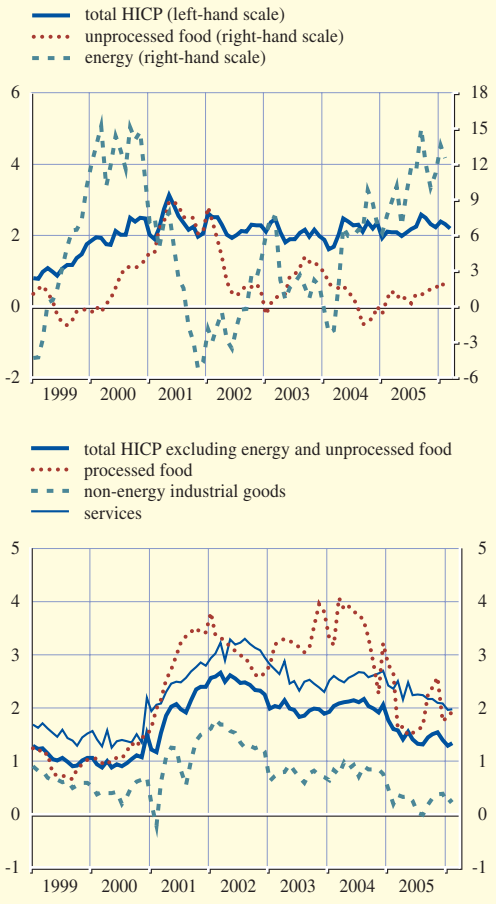
	2004	2005	2005 Oct.	2005 Nov.	2005 Dec.	2006 Jan.	2006 Feb.	2006 Mar.
HICP and its components								
Overall index [1]	2.1	2.2	2.5	2.3	2.2	2.4	2.3	*2.2*
Energy	4.5	10.1	12.1	10.0	11.2	13.6	12.5	.
Unprocessed food	0.6	0.8	1.1	1.5	1.5	2.0	1.7	.
Processed food	3.4	2.0	2.4	2.6	1.8	1.8	1.9	.
Non-energy industrial goods	0.8	0.3	0.3	0.4	0.4	0.2	0.3	.
Services	2.6	2.3	2.2	2.1	2.1	2.0	2.0	.
Other price indicators								
Industrial producer prices	2.3	4.1	4.2	4.2	4.7	5.2	5.4	.
Oil prices (EUR per barrel)	30.5	44.6	49.3	47.9	48.5	52.5	51.8	52.6
Non-energy commodity prices	10.8	9.4	17.4	22.5	29.8	23.1	23.1	17.7

Sources: Eurostat, HWWA and ECB calculations based on Thomson Financial Datastream.
1) HICP inflation in March 2006 refers to Eurostat's flash estimate.

The annual rate of change in the HICP excluding energy and unprocessed food prices remained stable at 1.3% in February. This was due to broadly stable annual growth rates across all of its components. The annual growth rate of processed food prices rose slightly to 1.9%, compared with 1.8% in January, while services price inflation remained stable at 2.0%. Non-energy industrial goods prices rose by a slightly higher rate of 0.3%, compared with 0.2% in January, continuing the path of very small increases observed since the beginning of last year (see Chart 17). In this respect, indirect effects of past oil price increases on consumer goods appear to have remained contained thus far. This can be attributed, to some extent, to a combination of strong international competitive forces and relatively subdued consumption, which have helped prevent higher input costs from being translated into higher consumer goods prices.

Chart 17 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

3.2 INDUSTRIAL PRODUCER PRICES

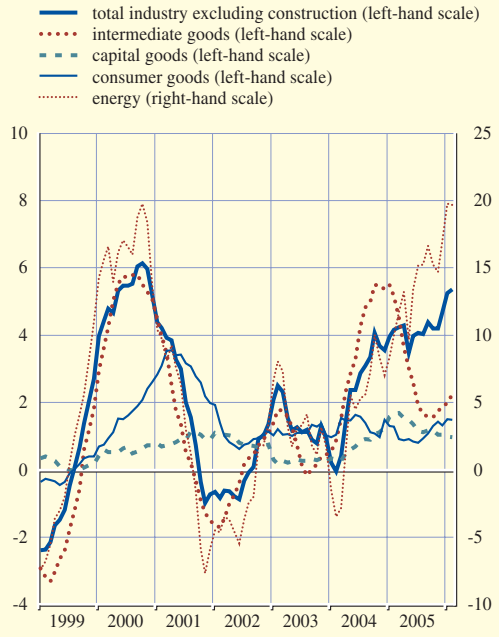
The annual rate of change in overall industrial producer prices (excluding construction) increased further to 5.4% in February, from 5.2% in January (see Chart 18). The increase was mainly due to a further rise in the annual rate of change in producer prices of intermediate goods to 2.2%, from 2.0% in January. As a consequence, the annual rate of growth of producer prices excluding energy and construction continued to rise, to 1.7%, from 1.6% in the previous month. As intermediate goods producer prices are closely related to developments in the prices of industrial raw materials and as the latter have been on an upward path since late 2004, further upward pressure on intermediate goods producer prices may occur in the coming months.

Energy producer prices declined slightly to 19.7% in year-on-year terms, from 19.8% in January. Month on month, they grew at a much slower rate of 1.0% in February, compared with the record increase of 4.0% in the previous month. This was consistent with the easing in oil prices registered in February.

Producer prices in the consumer goods industry increased by 0.2%, month on month, while their annual growth rate remained unchanged at 1.5% in comparison with January. The recent slight pick-up in the annual growth rate suggests that energy price pressures may have started to feed through in part to the later stages of production. Moreover, the above-mentioned pressure on intermediate goods producer prices could in turn also exert upward pressure on producer prices

Chart 18 Breakdown of industrial producer prices

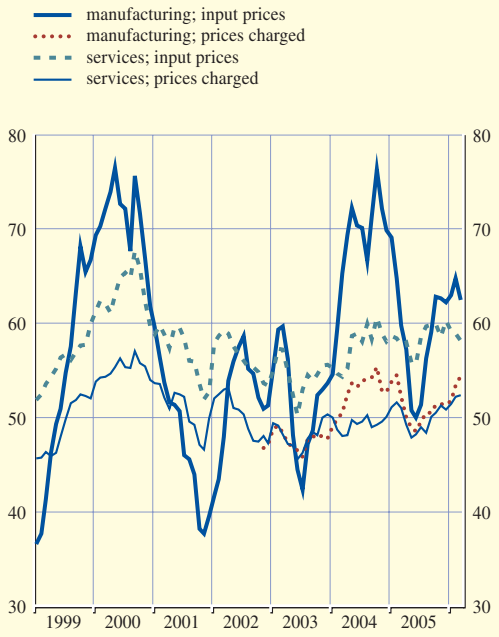
(annual percentage changes; monthly data)



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.

for consumer goods. Finally, increases in producer prices for capital goods have remained contained. Their annual growth rate stood at 1.0% in February, at the same level as in the previous month.

In March price-related survey indicators suggested that input price inflation decreased in the services sector and, especially, in the manufacturing sector (see Chart 19). The Eurozone Manufacturing Input Price Index decreased to 62.5 in March, possibly reflecting stable energy prices in February and March. However, the level of the index remained high, pointing to a significant increase in input prices that is likely to be associated with the recent upsurge in prices of industrial raw materials. The respective indicator for services decreased further from the peak observed in December, to 58.1 in March. The level of this indicator remained close to 60, suggesting that input price increases have remained relatively stable in recent months, but clearly above the (no-change) value of 50. Selling price indicators pointed to an upward movement of increases in prices charged in both the manufacturing and the services sector for three successive months, suggesting that firms are passing on higher input costs to their final output prices.

3.3 LABOUR COST INDICATORS

The annual growth rate of euro area hourly labour costs in the non-agricultural business sector was 2.4% in the fourth quarter of 2005, slightly up from 2.3% in the previous quarter (see Table 6). On the whole, and discounting the temporary upswing in the first quarter of 2005, the

picture that emerges is one of a levelling-off of the annual rate of change in the series at around 2.5% since the second half of 2004. In terms of developments across the different sectors, hourly labour cost growth eased slightly in industry in the final quarter of 2005, while it picked up somewhat in market services. A more detailed analysis of the latest developments in euro area sectoral wages and labour costs can be found in Box 3.

Box 3

LATEST DEVELOPMENTS IN SECTORAL WAGES AND LABOUR COSTS IN THE EURO AREA

In the context of monitoring wage and labour cost developments in the euro area, it is also useful to examine wage pressures at a sectoral level. To the extent that spill-overs across sectors exist, a sectoral approach may provide early signals of a possible build-up of economy-wide wage pressures, or at least a more precise picture of parts of the economy where second-round effects and/or more general wage pressures could be building up.

Developments in hourly labour costs and compensation per employee

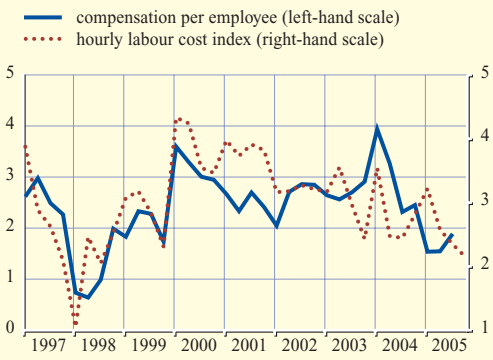
There is a need to cross-check the information provided by any individual indicator of wage developments with that offered by other indicators in order to avoid drawing false conclusions from possibly misleading volatility in a particular series. In terms of sectoral developments, the two sets of series used for the euro area are the series on sectoral compensation per employee (CPE) and the sectoral hourly labour cost index (LCI). Differences between the CPE and LCI series are to be expected mainly due to the fact that the LCI is based on hourly data, while the CPE is calculated in terms of employees. As a result, changes in hours worked may drive a wedge between developments in the two series. For example, a reduction in the hours worked per employee would ceteris paribus imply a lower growth rate for CPE compared with the LCI.

Charts A and B provide a comparison of the respective series for industry excluding construction (which accounted for 23.4% of the total compensation of employees in 2004) and for a sub-

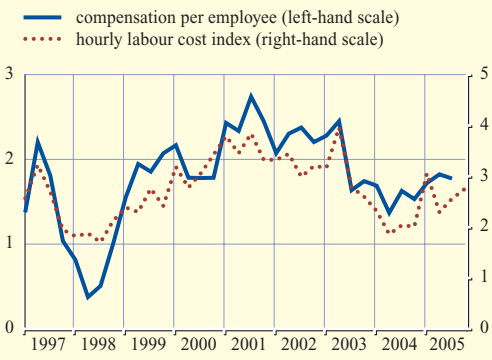
Charts A-B Developments in compensation per employee and hourly labour cost

(annual percentage changes; quarterly data)

A Industry excluding construction



B Trade, hotels and transport services[1)]



Sources: Eurostat and ECB calculations.
1) Also includes repairs, restaurants, storage and communication.

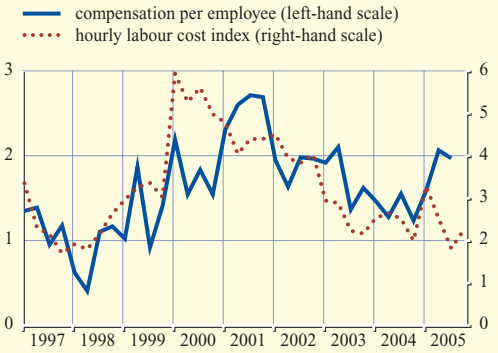
sector of services, namely trade, hotels and transport (which accounted for 20.9% of the total compensation of employees in 2004). These groupings correspond to the highest levels of disaggregation available for the compensation per employee data.

The charts indicate that all series show some volatility, but that medium-term developments in the two indicators run broadly in parallel within a sector. In industry excluding construction (Chart A), there has been a deceleration in wage growth since 2000 that seems to have continued in recent quarters, possibly reflecting the strong competitive pressures in this sector from low-cost countries outside the euro area. For trade, hotels and transport services (Chart B), the series suggest a profile of decelerating wage growth from 2001 to mid-2004, and some correction since then. However, given the volatility of the series, it seems too early to speak of a pick-up here. As regards labour cost developments in the financial intermediation and real estate sector (Chart C), the smoother LCI series point to a levelling-off of the moderation in wage growth since 2004, while the CPE series for this sector suggests some rise in wage growth in the last few quarters. Once again, the volatility of the series suggests caution when assessing short-term developments.

Chart C Developments in compensation per employee and in hourly labour costs

(annual percentage changes; quarterly data)

C Financial intermediation and real estate[1)]



Sources: Eurostat and ECB calculations.
1) Also includes renting and business activities.

A more disaggregated look at hourly labour cost trends

It is also worth looking at the further disaggregation offered by the LCI, although it should be borne in mind that more disaggregated data are more prone to volatility. Charts D, E and F provide further breakdowns of the series presented in Charts A, B and C above.

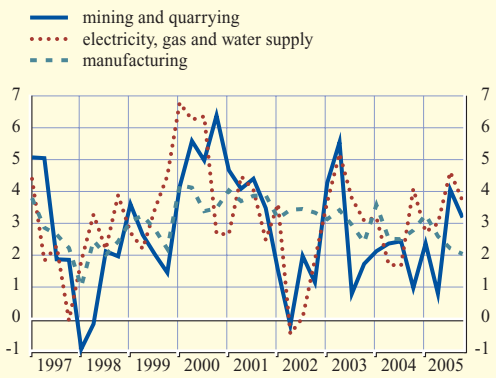
Within industry excluding construction (Chart D), labour cost growth in manufacturing has eased smoothly since 2001, while it appears to have picked up in the other two components of industry excluding construction (namely mining and quarrying, and electricity, gas and water supply) in recent quarters. The latter two sub-sectors, however, are much more volatile as well, and it is therefore more difficult to identify trends.

Turning to the group of market services presented in Chart E, the levelling-off and recent slight pick-up in the growth rate is common to trade and to hotels and restaurants, while transport, storage and communications seem to be bouncing back in terms of the labour cost growth rate, largely making up for the drop witnessed in 2003 and 2004. Finally, in the other two market services sub-sectors shown in Chart F – financial intermediation, and real estate, renting and business activities – labour cost growth appears to have levelled-off since 2004, while labour cost developments in financial intermediation services appear to be subject to higher volatility than in real estate, renting and business activities.

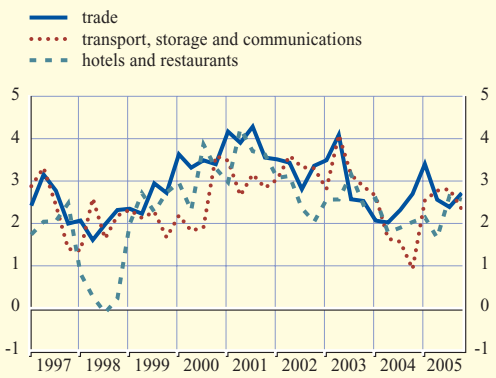
Charts D-E The hourly labour cost series, broken down by individual economic activity

(annual percentage changes; quarterly data)

D Breakdown of industry excluding construction



E Breakdown of trade, hotels and transport services[1)]



Sources: Eurostat and ECB calculations.
1) Also includes repairs, restaurants, storage and communications.

Unit labour costs at the sectoral level

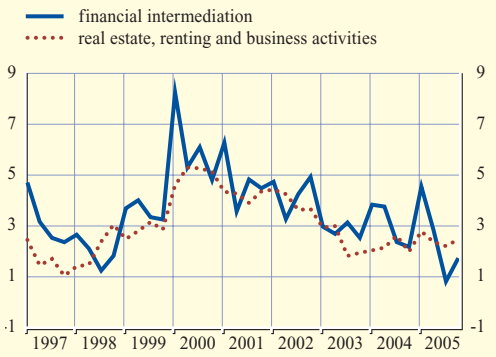
In order to assess inflationary pressures, developments in wage growth should be viewed in conjunction with developments in productivity, i.e. in terms of the development of unit labour costs (ULC). Charts G and H suggest that a general pattern of moderation in ULC growth since 2001 has been common to all the sectors shown. At a more disaggregated level, ULC growth has been consistently lower in industry excluding construction and in trade, hotels and transport services than in the rest of the economy. By contrast, ULC growth was more pronounced in the construction, financial intermediation and the non-market services sectors. In part, this reflects the different productivity performances of these sectors.[1]

As regards non-market services, a sector which is relatively insulated from the market forces of competition and globalisation, it is worth highlighting that a deceleration of ULC growth has been observed since 2003. While the largest component of this sector is public sector jobs, which are often characterised by a relatively strong position of trade unions during wage negotiations, the observed ULC growth deceleration in this sector points to some adjustment towards the market trend, possibly partly related to the relatively weak fiscal positions of several euro area countries.

Chart F The hourly labour cost series, broken down by individual economic activity

(annual percentage changes; quarterly data)

F Financial intermediation and real estate[1)]



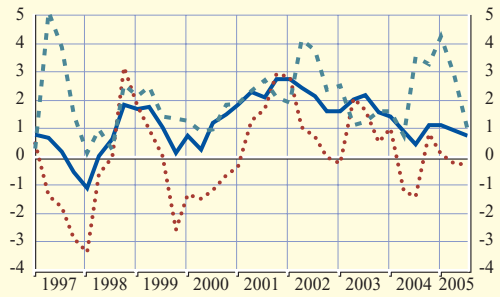
Sources: Eurostat and ECB calculations.
1) Also includes renting and business activities.

1 For more evidence on sectoral productivity performances in the euro area services sector, see Box 4 of this issue of the Monthly Bulletin.

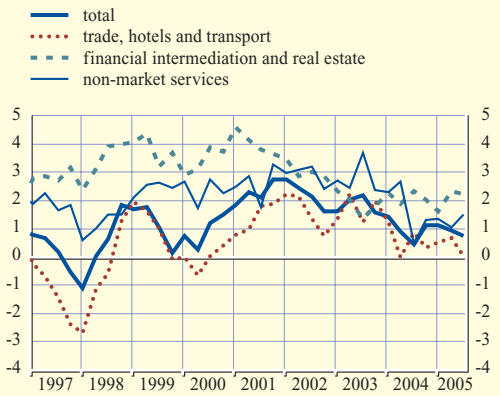
Charts G-H Sectoral unit labour cost developments

(annual percentage changes; quarterly data)

G Industry



H Services



Sources: Eurostat and ECB calculations.
Note: The categories shown correspond to the broad NACE 1.1 groupings: total (A-P), agriculture (A-B), industry excluding construction (C-E), construction (F), trade, hotels, transport (G-I), financial intermediation and real estate (J-K), non-market services (L-P).

In conclusion, the analysis above seems to be consistent with the view that thus far there has been no significant pick-up in euro area labour cost growth, nor any significant inflationary pressures building up in the euro area labour market. In some of the market services sectors, namely the trade, hotels and transport sectors and, to some extent, the financial intermediation and real estate sectors, wage growth picked up in 2005, but supportive productivity developments have kept ULC growth contained thus far. Finally, as the more disaggregated data are usually subject to greater volatility and revisions, it is still too early to assess whether the recent increase in wage growth in some sectors represents a temporary or a more persistent movement.

Combining the above information with other available labour cost indicators, it appears that wage developments remained modest in 2005 (see Chart 20), reflecting the relatively subdued conditions in the euro area labour market and competitive pressures from low-cost countries outside the euro area. The annual growth rate of the euro area indicator of negotiated wages remained moderate at 2.1% in 2005, similar to the rate registered in 2004. Available information for developments in compensation per employee also paints a picture of a broad levelling-off of the deceleration of

Table 6 Labour cost indicators

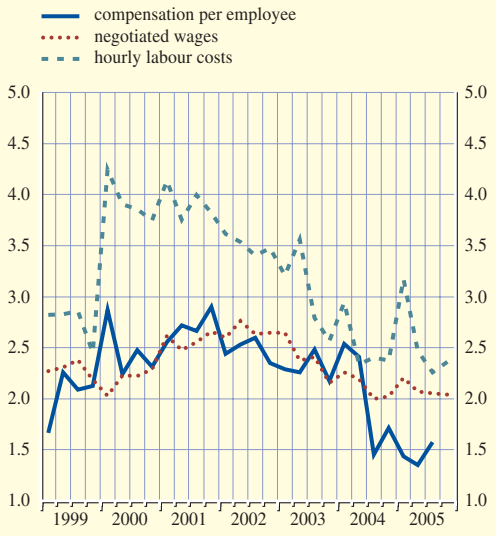
(annual percentage changes, unless otherwise indicated)

	2004	2005	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
Negotiated wages	2.1	2.1	2.0	2.2	2.1	2.1	2.0
Total hourly labour costs	2.5	2.6	2.4	3.2	2.5	2.3	2.4
Compensation per employee	2.0	.	1.7	1.4	1.4	1.6	.
Memo items:							
Labour productivity	1.1	.	0.6	0.3	0.4	0.8	.
Unit labour costs	1.0	.	1.1	1.1	0.9	0.7	.

Sources: Eurostat, national data and ECB calculations.

Chart 20 Selected labour cost indicators

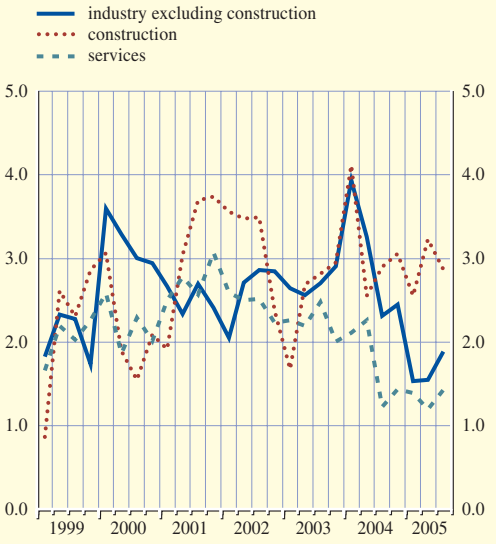
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Chart 21 Sectoral compensation per employee

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

labour costs generally witnessed since the early 2000s, but still at a moderate rate of growth. The annual growth rate of overall compensation per employee has been hovering around 1.5% since mid-2004, while – at the sectoral level – wages have continued to grow more strongly in industry than in services (see Chart 21).

Considering that productivity growth is expected to have picked up in the second half of 2005, unit labour cost growth should also have remained subdued in this period, thereby keeping inflationary pressures stemming from the labour market contained. Data on euro area unit labour costs are available up to the third quarter of 2005. Moderate labour cost developments combined with a recovery in productivity growth resulted in an easing of the annual growth rate of unit labour costs in 2005 to reach 0.7% in the third quarter. In this respect, there have not thus far been any significant inflationary pressures stemming from euro area wage dynamics.

3.4 THE OUTLOOK FOR INFLATION

While domestic inflationary pressures have remained subdued, external pressures from commodity prices remain strong. In this respect, inflation is expected to remain above 2% in the short term. Changes in administered prices and indirect taxes are expected to have a significant impact on price developments in 2006 and 2007. As regards inflation risks, these are mainly judged to be on the upside and relate primarily to future rises in commodity prices. Some upward risks also stem from a possible strengthening of indirect effects from past increases in commodity prices on the prices of other goods, especially as some impact has already started to become visible in the later stages of the production chain. Finally, stronger-than-anticipated wage developments, possibly due to second-round effects of past oil price increases, as well as additional increases in administered prices and indirect taxes, also constitute upside risks to the inflation outlook.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Following the more subdued developments in the last quarter of 2005, economic activity is likely to strengthen in 2006, as suggested by a number of economic indicators since the start of the year. There are also tentative indications of an improvement in the labour market. Furthermore, the euro area continues to enjoy a supportive external economic environment, as well as favourable financing conditions. While risks to the outlook appear broadly balanced in the short term, in the longer term the outlook remains subject to risks arising from global imbalances and uncertainties concerning oil price developments.

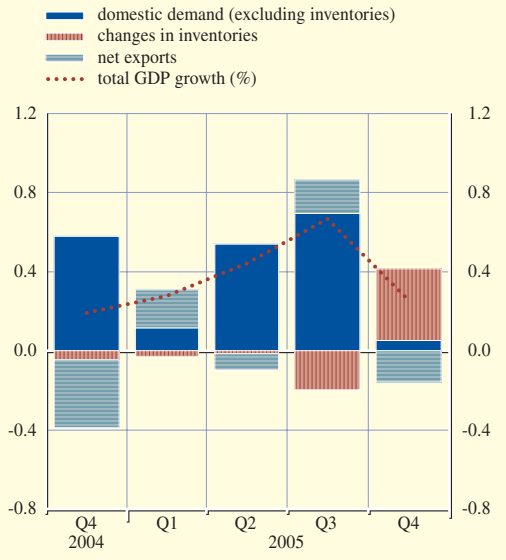
4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

According to Eurostat's first release, euro area real GDP increased by 0.3% quarter on quarter in the fourth quarter of 2005, in line with the flash estimate. This followed a quarter-on-quarter expansion of 0.7% in the previous quarter, an upward revision of 0.1 percentage point on the initial estimate (see Chart 22).

Chart 22 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

The decline in growth in the fourth quarter appears, in part, to be a correction from the unexpectedly strong growth recorded in the third quarter. A decrease in consumption growth and a negative net trade contribution were behind this development. Having picked up in the third quarter, private consumption declined by 0.2% in quarter-on-quarter terms. The negative net trade contribution stemmed from a more pronounced deceleration in exports than in imports. The decline in export growth reflected a correction of the robust expansion of euro area exports in the third quarter and the fall in October. The renewed pick-up in exports observed from November onwards suggests that the slowdown should be considered as temporary. Investment growth remained relatively buoyant, again indicating that the downturn in real output growth in the fourth quarter is likely to have been only temporary.

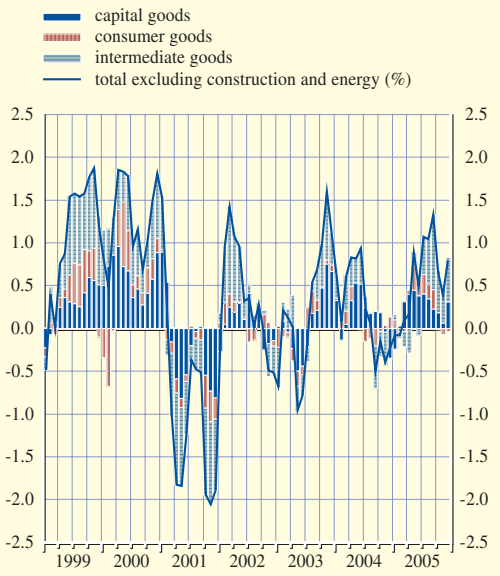
Changes in inventories also contributed positively to real GDP growth in the fourth quarter, which may mirror the deceleration in domestic demand. In this regard, a further revision of inventories cannot be ruled out at this stage, as they are calculated as a residual, which also incorporates the statistical discrepancy resulting from the use of chain-linking in the national accounts (see Box 5 entitled "Improvements to euro area GDP and national accounts" in the December 2005 issue of the Monthly Bulletin). Looking at recent country national accounts releases (which were not included in the euro area first release), some further revisions to the growth of the expenditure components may be expected, including a likely upward revision to private consumption growth and a downward revision to investment growth. Furthermore, some recently positive indicators of household expenditure suggest that the weakening of consumption was temporary.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

With regard to the sectoral composition of real GDP growth in the euro area, value added data for the fourth quarter of 2005 indicate a deceleration in activity in both the services and industrial sectors. Industrial activity was restricted by the decline in export growth, but at the same time was supported by resilient construction activity. Nevertheless, value added growth in the industrial sector continued to outpace that in the services sector at the end of 2005. For the year as a whole, however, the expansion of value added in the services sector was somewhat faster than in the industrial sector.

Chart 23 Industrial production growth and contributions

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



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

In January 2006 euro area industrial production (excluding construction) increased by 0.1% month on month. In the same month, there was a decline in energy and consumer goods production. In the case of the consumer goods industry, more detailed data show that the negative developments resulted from a decrease in non-durable consumer goods production, which made a more significant contribution than the increase in durables. By contrast, both intermediate and capital goods production increased, the latter recording the strongest rise. In terms of three-month moving averages, growth in industrial production (excluding construction and energy) went up to 0.8% in January (see Chart 23).

The latest new orders data point to ongoing robust activity at the start of the year. Although industrial new orders in the euro area fell by 6.0% month on month in January, this followed rises of 5.4% in December and 4.9% in November. On a three-month moving average basis, the index increased by 6.7% in January. The January data were heavily influenced by erratic orders for heavy transport equipment. Excluding ships, railway and aerospace equipment, industrial new orders grew by 0.2% month on month.

Taking a longer-term perspective, one of the factors often seen as constraining growth in the euro area is limited competition in the services sector, which, in turn, has an adverse impact on the sector's productivity growth. Box 4 entitled "Labour productivity and price developments in the euro area services sector: the role of competition" analyses the determinants of labour productivity in the euro area services sector, stressing that more competition in the services sector would help to enhance efficiency and flexibility, and hence, productivity.

Another factor relates to the restrictions on the free movement of workers within the European Union. In this regard, Box 5 entitled "Cross-border labour mobility within the enlarged EU" takes a closer look at the different experiences of cross-border migration following the enlargement of the EU in May 2004.

Box 4

LABOUR PRODUCTIVITY AND PRICE DEVELOPMENTS IN THE EURO AREA SERVICES SECTOR: THE ROLE OF COMPETITION

Limited competition in the euro area services sector is often considered to be one of the factors that hinders labour productivity growth and which contributes, in part, to higher inflation in the services sector than in the manufacturing sector. More competition in the services markets is therefore a key objective of the Lisbon Strategy. This box discusses the impact of competition on labour productivity and prices in the euro area services sector.[1]

Labour productivity

The euro area and the majority of the euro area countries recorded a slowdown, relative to the 1980s, in the growth of labour productivity per person employed in the period from 1991 to 2003, both for the whole economy and for the services sector as a whole (see Table A).[2] In the United States, by contrast, the rate of labour productivity growth for the services sector as a whole picked up considerably, in comparison with the 1980s, in the period from 1991 to 2003, exceeding that recorded in the euro area and increasing further in the period from 1996 to 2003.[3]

Labour productivity growth across the euro area services industries appears to be characterised by a high degree of diversity. In the wholesale and retail trade sectors, in particular, the increase in labour productivity was far smaller in the euro area than in the United States both in the

Table A Labour productivity growth per person employed

(annual percentage changes)

	Total economy		Total services		Wholesale and retail trade		Hotels and restaurants	
	Euro area	United States 4)	Euro area	United States 4)	Euro area	United States 4)	Euro area	United States 4)
1981-1990 1)	1.83	1.33	0.90	0.61	1.50	1.86	-1.59	-0.30
1991-2003 2)	1.28	1.52	0.69	1.57	1.09	3.85	-1.94	0.54
1996-2003 3)	0.95	1.75	0.59	2.33	0.71	5.49	-1.62	-0.84

	Transport and storage and communication		Financial intermediation		Real estate, renting and business activities		Community, social and personal services	
	Euro area	United States 4)	Euro area	United States 4)	Euro area	United States 4)	Euro area	United States 4)
1981-1990 1)	2.76	1.72	1.83	-1.06	-0.83	-1.65	-0.17	0.05
1991-2003 2)	3.85	2.72	1.60	3.71	-1.35	-0.34	n.a.	-0.37
1996-2003 3)	4.32	2.52	2.50	5.16	-2.06	-0.13	-0.01	-0.02

Sources: OECD STAN, Groningen Growth and Development Centre Database, NCBs and ECB calculations.
1) The euro area aggregate does not include Greece.
2) The euro area aggregate does not include Greece. Ireland is included up to 2002.
3) Ireland is included only up to 2002.
4) Data for all sectors for the United States are up to 2001.

1 For more information and analysis on this topic, see Task Force of the Monetary Policy Committee of the European System of Central Banks, "Competition, productivity and prices in the euro area services sector", ECB Occasional Paper No. 44, April 2006.
2 See the article entitled "Labour productivity developments in the euro area: aggregate trends and sectoral patterns" in the July 2004 issue of the Monthly Bulletin.
3 It is worth emphasising that several measurement issues arise in the computation of labour productivity growth and price changes in the services sector which should be borne in mind when interpreting the results and making international comparisons.

1980s and in the period from 1991 to 2003. In these two sectors, the gap between the euro area and the United States has widened considerably since 1995. Part of the explanation is to be found in economies of scale. The wholesale and retail trade sectors are the services sectors with the largest number of firms and the smallest number of employees per firm in the euro area. A complementary explanation is that the increase in US labour productivity stemmed from the introduction of new technologies in this traditionally labour-intensive industry in the 1980s and in the period from 1991 to 2003, while new technologies were introduced in the euro area six to ten years later than in the United States.

Labour productivity growth in financial intermediation was also significantly weaker in the euro area than in the United States in the period from 1996 to 2003. This difference is rooted mainly in activities auxiliary to financial intermediation (such as stock exchanges and stock brokerage services, financial and mortgage advisory services, etc.) that exhibit stronger labour productivity growth in the United Sates. However, in both economies, there was a notable pick-up in productivity growth. These results are widely discussed in the literature[4], which points to a greater exposure of the financial intermediation sector to international competition compared with other services sectors, and to a wider use of ICT technologies in this sector.

In contrast to the two sectors above, labour productivity growth in transport, storage and communications in the euro area was higher than in the United States (both in the 1980s and in the period from 1991 to 2003), and this gap widened in the period from 1996 to 2003. This positive development can be attributed to increased competition in this sector in the euro area following, in particular, the liberalisation of the telecommunications sector which, in turn, has been associated with an increase in productivity and profitability due to enhanced efficiency, product innovation and the use of ICT technologies.

Price developments

Turning to price developments, the rates of change for value-added prices for total services and for the majority of the industries forming the services sector decreased, compared with the 1980s, in the period from 1991 to 2003 in the euro area (see Table B), but they generally remained higher than for the whole economy. In particular, there was a fall over time in value-added price changes in transport, storage and communications. This has mainly been related to the above-mentioned opening-up of the transport and telecommunications sectors to competition since the first half of the 1990s in the majority of euro area countries. Similarly, there have been significant moderations in the value-added price changes in the financial intermediation and the wholesale and retail trade sectors in the euro area. However, in the latter sectors, the most recent fall in price changes was even more pronounced in the United States, reflecting better productivity performance.

Competition

Several findings in the literature lead to the conclusion that competition is an important factor in explaining both labour productivity and price developments in the services sector. It is

4 See, for example, M. O'Mahony and B. van Ark, "EU Productivity Performance Overview", in M. O'Mahony and B. van Ark (eds.), EU Productivity and Competitiveness: An Industry Perspective, Can Europe Resume the Catching-up Process?, European Commission, DG Enterprise, Brussels 2003.

Table B Value added deflator

(annual percentage changes)

	Total economy		Total services		Wholesale and retail trade		Hotels and restaurants	
	Euro area	United States [4]	Euro area	United States [4]	Euro area	United States [4]	Euro area	United States [4]
1981-1990 [1]	5.81	4.25	6.27	5.24	6.04	2.96	10.07	6.56
1991-2003 [1]	2.10	2.12	2.49	2.55	1.93	0.48	4.67	4.39
1996-2003 [2]	1.64	1.81	1.90	1.94	1.42	-0.87	4.37	5.37

	Transport, storage and communications		Financial intermediation		Real estate, renting and business activities		Community, social and personal services [3]	
	Euro area	United States [4]	Euro area	United States [4]	Euro area	United States [4]	Euro area	United States [4]
1981-1990 [1]	4.66	3.68	6.29	8.48	6.39	5.89	6.50	6.26
1991-2003 [1]	0.41	0.76	1.41	4.12	3.12	2.98	2.94	3.77
1996-2003 [2]	-0.38	0.10	0.46	2.47	2.37	3.10	2.47	3.37

Sources: OECD STAN, Groningen Growth and Development Centre Database, NCBs and ECB calculations.
1) The euro area aggregate does not include Greece and Ireland.
2) The euro area aggregate does not include Ireland.
3) Data for the euro area are up to 2002.
4) Data for all sectors for the United States are up to 2001.

generally found that deregulation and liberalisation contribute to higher levels and rates of growth in labour productivity. At the same time, higher competition is generally found to exert downward pressure on costs and prices.

Proxies capturing the degree of regulation indicate that the regulatory environment in the euro area countries has become more supportive of services market competition over time, although for the most part it remains tighter than in the United States (see Table C, in which a higher index indicates stricter regulation). However, results differ across service industries. Retail and professional services, for example, showed only limited progress in terms of deregulation in the period between the mid-1990s and 2003.

Differences in the degree of regulation across countries and services industries remain considerable. Some network industries (telecommunications and air transport) have experienced a marked opening-up to international competition since the beginning of the 1990s, even though there is further scope for an increase in effective competition.[5]

Table C Product market regulation [1]

	Overall product market regulation		Sector-specific administrative barriers		Retail		Professional services	
	Level in 2003	Change from 1998 to 2003	Level in 2003	Change from 1998 to 2003	Level in 2003	Change from 1998 to 2003	Level in 2003	Change from 1996 to 2003
Euro area [2]	1.5	-0.7	1.7	-0.5	2.8	-0.3	2.3	-0.3
United States	1.0	-0.3	1.0	0.2	2.6	-	1.8	-

Source: OECD.
1) A higher index indicates stricter regulation.
2) Simple average.

5 See R. Martin, M. Roma and I. Vansteenkiste, "Regulatory reforms in selected EU network industries", ECB Occasional Paper No 28, 2005.

Given the great and increasing importance of the services sector in the euro area, it is essential that its development, including the degree of competition, is monitored very closely. Measures aimed at increasing services market competition may increase economic efficiency and economies of scale. This would support a higher level and rate of growth in labour productivity in the services sector, and would promote a more dynamic economy. In addition, measures aimed at increasing services market competition may have a dampening impact on relative price changes in some services sectors, and may thus also temporarily curb aggregate inflation. Overall, a higher level of competition in the services sector would tend to support more efficient and more flexible services markets, facilitate adjustment processes and increase the resilience of the euro area to economic shocks.

Box 5

CROSS-BORDER LABOUR MOBILITY WITHIN THE ENLARGED EU

The free movement of workers is one of the key principles of the internal market. However, following the enlargement of the EU in May 2004, a number of temporary restrictions were imposed on the movement of workers from eight of the ten new EU Member States (EU10)[1] to the old Member States (EU15). These restrictions were applied within the framework of transitional arrangements (TA) by most of the EU15 Member States, namely Belgium, Denmark, Germany, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.[2] The TA can remain in place for up to seven years, split into three phases according to the "2 plus 3 plus 2" formula. The first two-year phase is due to end on 30 April 2006.

In February 2006 the European Commission adopted a Communication to the EU Council and other Community institutions reporting on the functioning of the TA.[3] On the basis of the Report, the Council must review the functioning of the TA. Upon completion of this review, the EU15 Member States must notify the Commission no later than 30 April 2006 of their intentions with regard to the second phase of the TA. If they fail to do so, Community law on the free movement of workers will apply from 1 May 2006. All EU15 Member States are required to implement the Treaty provisions on the free movement of labour by 30 April 2011, at the latest.

The Report provides the Council with evidence on the volume and the structure of labour migration from the new EU countries to the EU15 countries. The key findings can be summarised as follows:

(1) In the first quarter of 2005, the percentage of EU10 workers in the working age population of the EU15 was fairly small, ranging from 0.1% in France and the Netherlands to 1.4% in

1 No restrictions were applied to the movement of workers from Cyprus and Malta.
2 Ireland, Sweden and the United Kingdom decided not to apply any TA. However, it should be noted that Ireland and the United Kingdom imposed restrictions on access to their social security systems.
3 "Report on the Functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (period 1 May 2004-30 April 2006)", Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, COM(2006) 48 final.

Table A Resident working population by nationality (2003 and 2005)

(percentage of the total working age population)

Country of destination	Nationality			
	Foreign nationals from EU15		Foreign nationals from EU10	
	2003	2005	2003	2005
Belgium	5.4	5.8	0.2	0.2
Denmark	1.0	1.1	.	.
Germany	2.7	2.8	.	0.7
Greece	0.2	0.3	0.3	0.4
Spain	1.1	1.2	0.2	0.2
France	1.9	1.9	0.1	0.1
Ireland	3.4	3.0	.	2.0
Italy	.	.	.	.
Luxembourg	37.2	37.6	0.3	0.3
Netherlands	1.5	1.4	0.1	0.1
Austria	1.7	1.9	0.7	1.4
Portugal	0.3	0.4	.	.
Finland	0.3	0.4	0.3	0.3
Sweden	2.2	2.3	0.2	0.2
United Kingdom	1.8	1.7	0.2	0.4
EU15	2.0	2.1	0.2	0.4

Source: European Commission, based on the Eurostat Labour Force Survey, 2003-2005 Q1, Ireland 2005 Q2.
Notes: Missing data due to unreliable data or small sample sizes. Italy is excluded, since it does not disaggregate by nationality. EU15 aggregate without Italy, and without Germany, Italy and Ireland for EU10 nationals.

Austria and 2% in Ireland. Table A also shows the share of EU10 workers in the EU15 countries in the years 2003 and 2005. The largest increases were 0.7 percentage point in Austria and 0.2 percentage point in the United Kingdom. For the EU15 as a whole, the share rose by only 0.2 percentage point over the two-year period and a considerable number of work permits were granted to only short-term or seasonal workers. The Commission notes that immigration from non-EU countries is generally a more significant phenomenon than intra-EU mobility.

(2) The sectoral composition and skill composition of EU10 citizens resident in EU15 countries suggest that migrants from the EU10 have not crowded out workers in the EU15. Instead they tend to play a complementary role in the EU15 labour markets, as the proportion of lower-skilled EU10 migrants in EU15 Member States is much lower and the proportion of EU10 medium-skilled workers is much higher than for EU15 nationals (see Table B). Furthermore, the broad sectoral composition of the national workforce did not change significantly between 2003 and 2005.

The migration of workers from the EU10 was also found to have had a positive impact on the EU15 economies, since it has alleviated labour market shortages in certain areas, as well as boosted employment and improved public finances. The Report notes that the countries that have not applied the TA (Ireland, Sweden and the United Kingdom) are "upbeat" about the impact of migration from the EU10 on the EU labour markets.

(3) There is no direct link between the temporary restrictions on labour migration from the EU10 and the magnitude of the migration flows from these countries. However, it is argued that the TA might have had negative labour market impacts, since they might have increased the occurrence of illegal work and created biased destination patterns.

Table B EU15 resident working age population by nationality and education level in 2005

(percentage share)

Education level	Nationality			
	Domestic	Foreign nationals from other EU15	Foreign nationals from EU10	Foreign nationals from non-EU
Low	31	36	21	48
Medium	46	39	57	35
High	23	25	22	17
Total	100	100	100	100

Source: European Commission, based on the Eurostat Labour Force Survey, 2005 Q1, France and Austria 2005 Q2.
Note: Educational level: low (lower secondary), medium (upper secondary), high (tertiary).

Notwithstanding this assessment, some countries have already announced that they intend to retain their TA for the second three-year phase. This means that they will be able to continue to regulate the migration flow to their country, even though a high degree of labour mobility is desirable in an integrated EU market in order to facilitate employment and adjustment to changing demand conditions. An inefficient allocation of labour resources may negatively affect the longer-term level and growth rate of potential output and, in the short-run, limit the pace at which an economy can grow. Furthermore, in the context of an enlarged euro area and the absence of country-specific monetary and exchange rate policies, restrictions on the migration of workers may reduce the ability of national labour markets to adjust efficiently in the face of asymmetric shocks and economic fluctuations.

From the perspective of the new Member States, labour migration may present a number of challenges as well as benefits, especially in the short run. Labour migration flows from the new EU Member States may squeeze the pool of young and educated workers. Labour shortages (e.g. in medical personnel) are already giving cause for concern in a number of these countries. Whether increased cross-border mobility will have a positive or negative impact on the new EU Member States depends mainly on whether labour migration is primarily temporary or permanent. Returning migrants may boost economic growth by bringing in capital, skills and new ideas acquired abroad, thus offsetting the initial losses caused by the "brain drain".

The restrictions on labour mobility from the new Member States will only be temporary, as they have to be lifted by 2011 at the latest. However, the delay in liberalising the labour market may be costly for the EU as a whole, as it will hinder the optimal use of labour resources at a time of growing concern about Europe's international competitiveness. Today's East-West labour migration flows include a large number of temporary workers, some of whom work illegally. Such employment relationships deprive immigrants of the protection of employment laws and prevent the host country from collecting tax revenues. Furthermore, it would not be desirable for a significant number of the most talented and mobile individuals from the new Member States to be diverted to traditional migration centres outside Europe, rather than taking on employment in another EU Member State.

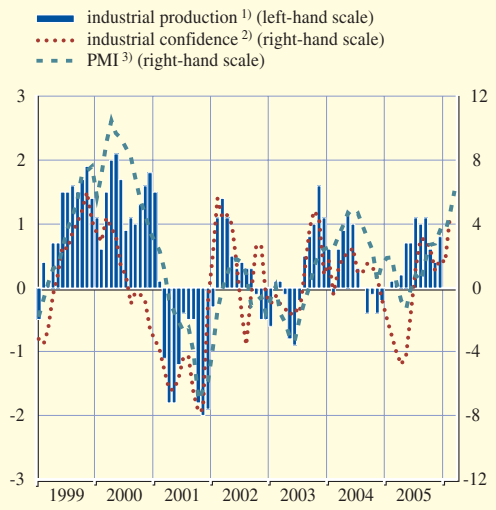
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Survey data for both the industrial and services sectors point to stronger economic growth in the first quarter of 2006. In the case of the industrial sector, the latest releases of the PMI and the EC industrial confidence indicator showed increases. In March, the manufacturing PMI indicated an improvement in the business situation of the industrial sector for the ninth consecutive month. The rise in the EC industrial confidence indicator in the same month was driven by a positive increase in all components of the index (order books, production expectations and the assessment of stocks), with the strongest rise recorded in the last component. It was also broadly based among the three main industrial groupings (consumer goods, investment goods and intermediate goods). The EC industrial confidence indicator now stands at its highest level in more than five years. While, at times, survey indicators exhibit discrepancies with respect to underlying economic developments, they have provided useful information for conjunctural analysis in recent years. In particular, the currently positive industrial confidence indicators can be interpreted as suggesting that there has been a constant upward trend in industrial activity since the second quarter of 2005 (see Chart 24).

Turning to the services sector, both the PMI for services and the EC services confidence indicator point to positive developments at the start of this year. In March, the PMI for services remained unchanged at a level that in February was its highest in over five years. The EC services confidence indicator rose slightly in March to a level somewhat higher than in the fourth quarter of last year.

Chart 24 Industrial production, industrial confidence and the PMI

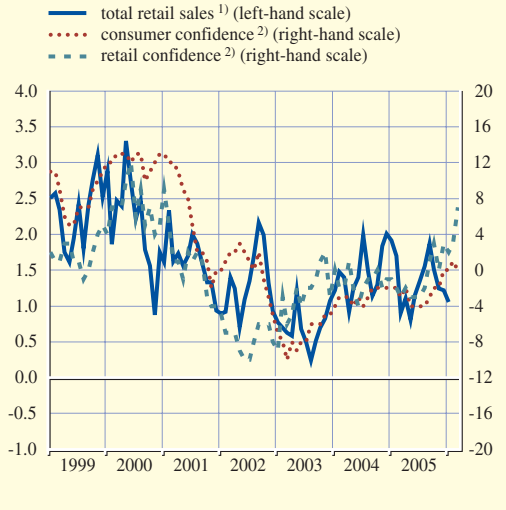
(monthly data; seasonally adjusted)



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.

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

INDICATORS OF HOUSEHOLD SPENDING

Available information regarding household spending suggests that the expansion in private consumption was stronger again at the beginning of 2006, following weak growth in the fourth quarter of last year. The volume of euro area retail sales declined by 0.2% month on month in February, after a rise of 0.5% month on month in January. The decrease in February resulted from a fall in sales of food products that was partly compensated by higher sales of non-food products. However, in the three months to February, the retail trade index rose. Data for euro area new car registrations decreased by 0.5% in February. On a three-month moving average basis, the latest developments translate into a 0.8% decrease. However, when interpreting these data, it should be borne in mind that their short-term movements may be rather volatile.

Driven by a worsening in unemployment expectations, consumer confidence decreased marginally in March to stand at its long-term average. In the same month, savings expectations improved slightly, signalling prospects of higher financial wealth, but the assessment of the general economic situation deteriorated marginally. Taking into account the continued rise in retail confidence, the latest data generally point to some strengthening in private consumption growth in the first quarter of 2006 (see Chart 25).

4.2 LABOUR MARKET

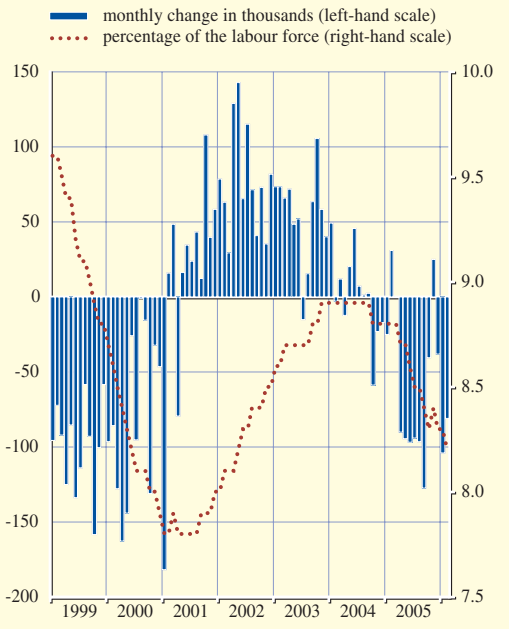
The latest data available suggest that euro area labour market conditions are continuing to pick up gradually. An improvement in both actual and expected employment conditions has been observed since last summer for both the industrial and services sectors.

UNEMPLOYMENT

The unemployment rate in the euro area stood at 8.2% in February 2006, down from 8.3% in January (see Chart 26), and the number of unemployed decreased for the third consecutive month. The new unemployment data, together with other information on actual and expected employment developments, indicate an improvement in labour market conditions.

Chart 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

EMPLOYMENT

Employment rose by 0.3% quarter on quarter in the euro area in the third quarter of 2005 (see Table 7), following an increase of 0.1% in the first quarter and 0.2% in the second quarter (the latter having been revised upwards by 0.1 pecentage point). The rise in the third quarter stemmed mainly from developments in the services sector, especially in finance and business services. Furthermore, employment in the industry sector rose by 0.1% in the third quarter.

Available information from both the EC Surveys and the manufacturing PMI points to positive

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
Whole economy	0.3	0.7	0.3	0.2	0.1	0.2	0.3
of which:							
Agriculture and fishing	-2.0	-0.8	0.3	-0.3	-1.0	-0.1	-0.7
Industry	-1.0	-0.9	0.0	0.0	-0.6	0.1	0.1
Excluding construction	-1.5	-1.6	-0.5	0.2	-0.8	-0.1	-0.1
Construction	0.2	1.1	1.1	-0.3	-0.1	0.4	0.5
Services	0.9	1.4	0.4	0.4	0.4	0.2	0.4
Trade and transport	0.3	0.9	0.4	0.2	0.1	0.2	0.2
Finance and business	1.3	2.5	0.7	0.5	0.7	0.3	0.6
Public administration	1.3	1.3	0.3	0.4	0.5	0.2	0.4

Sources: Eurostat and ECB calculations.

developments at the start of 2006. Employment expectations for the industrial sector increased considerably in March for the second consecutive month according to the EC Surveys, in line with the upward trend registered since mid-2005. Moreover, employment expectations derived from the manufacturing PMI survey increased in March to above the 50 (or no change) threshold. In the services sector, employment expectations are more consistently favourable than in the industrial sector, as both the PMI and the EC Survey data for the services sector have continuously pointed to an upward trend since the summer of 2005. The EC Surveys show that employment expectations in construction rose in March to reach the highest level in more than five years.

Over the last decade, despite its slower pace of real output growth, the euro area has exhibited employment developments comparable with those observed in the United States. This is in line with estimates that show that the structural rate of unemployment fell in the euro area over the same period. Against this background, Box 6 makes a comparative analysis of employment dynamics in the euro area and the United States since 1995.

Box 6

A COMPARISON OF EMPLOYMENT DEVELOPMENTS IN THE EURO AREA AND THE UNITED STATES SINCE 1995

Although the euro area's performance in terms of economic activity has been weaker than that of the United States over the past decade, employment developments in the two economies have on average been similar. This may be seen as an indication that employment growth in the euro area reflects not only cyclical developments, but also some structural improvements in the labour market. Indeed, many estimates suggest that the structural rate of unemployment has fallen in the euro area since 1995, albeit remaining at a high level.[1] This box compares employment developments in the euro area and the United States since 1995.

1 See Box 6 entitled "A longer-term perspective on structural unemployment in the euro area" in the August 2005 issue of the ECB Monthly Bulletin.

Between 1995 and 2005, the average quarter-on-quarter growth rate of real GDP was 0.8% in the United States as opposed to 0.5% in the euro area (see Chart A). Nevertheless, employment growth in the same period was similar in the two economies (0.3% quarter on quarter on average), with the euro area and the United States increasing employment by around 16 and 17 million jobs respectively.

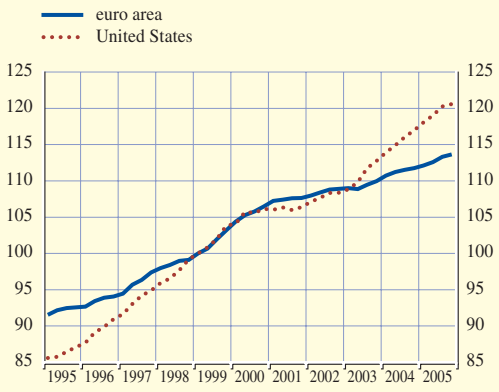
This overall similarity of employment performance notwithstanding, employment developments in the two economies differed at times during the period (see Chart B). In line with the relative performance in activity, employment growth in the United States outpaced that in the euro area until 1998. Then, over the next two years, employment grew at about the same rate in both economies. However, during the period 2000-2003, employment increased on average at a quarterly rate of 0.25% (and cumulatively by around 3.5%) in the euro area, while quarterly employment growth in the United States was on average close to zero (and fell by a cumulative 0.7%). Since 2004 employment growth has picked up considerably in the United States (reaching a quarterly rate of 0.4% on average in the last two years), but has slowed slightly in the euro area (to an average rate of 0.2% quarter on quarter).[2]

In the latter part of the decade, employment developments thus differed markedly from the pattern of general economic performance in the United States, unlike in the euro area. This was reflected in labour productivity developments. Labour productivity growth[3] was on average significantly higher in the United States than in the euro area during the period 2000-2005 (see Chart C).

It is difficult to ascertain whether the observed differences in labour productivity performance were the cause or the consequence of the differences in employment developments. However, in the United States, the increase in trend labour productivity underpinned by a more efficient

Chart A Real GDP developments in the euro area and the United States

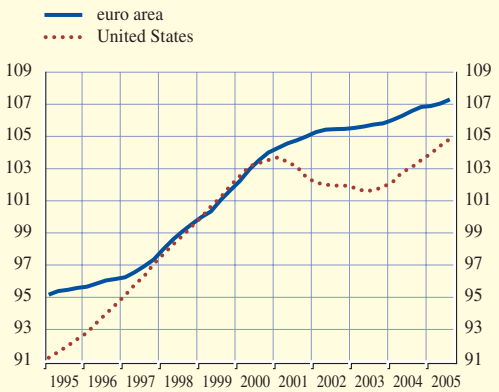
(index: Q1 1999 = 100)



Source: ECB calculations based on data from the European Commission.

Chart B Employment developments in the euro area and the United States

(index: Q1 1999 = 100)



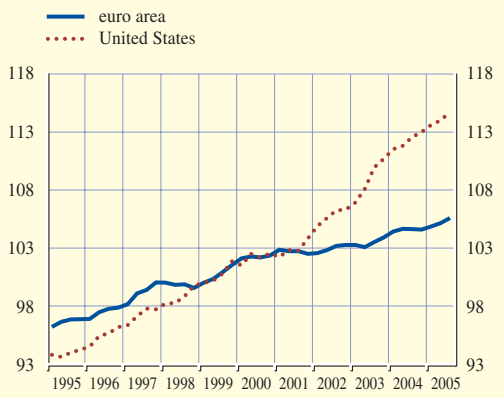
Source: ECB calculations based on data from the European Commission.

2 Analysing employment in terms of total hours worked gives a very similar picture, although the difference between the euro area and the United States after 2000 is less pronounced.
3 Labour productivity is calculated here as real GDP divided by the number of people employed.

use of IT capital accumulated during the 1990s seems to have played a significant role in bringing about the differences in employment growth.

Chart C Labour productivity developments in the euro area and the United States

(index: Q1 1999 = 100)



Source: ECB calculations based on data from the European Commission.

In the euro area, employment has increased continuously over the last few years. This may be related to sustained real wage moderation, but may also reflect the progress in labour market reforms achieved in some euro area countries. Some of these reforms were specifically aimed at increasing labour market participation.[4] However, the very same measures which raised labour market participation may have temporarily led to lower productivity growth. In recent years, active labour market policies have been aimed more at disadvantaged groups, resulting in an increase in the employment of low-skilled workers (with lower potential productivity). Lower productivity in the euro area, however, also reflects other factors, such as the relatively low use of new productivity-enhancing technologies.[5]

Looking ahead, a challenge for the euro area is to raise both labour utilisation and labour productivity growth. A good combination of both can pave the way for higher potential growth in the longer run. In this respect, reforms which enhance productivity (e.g. policies aimed at open and competitive product markets, increasing educational attainment, stimulating innovation and promoting the use of productivity-enhancing technologies) in the euro area are necessary to prepare the ground for future solid growth in economic activity.

4 Labour market reforms introduced in Germany and France, for example, are discussed in detail in Box 5 entitled "Some country-specific factors behind recent euro area employment developments", in the January 2006 issue of the Monthly Bulletin. See also S. Nickell (2003): "Labour Market Institutions and Unemployment in OECD Countries", *CESifo DICE Report* 1, No 2, pp. 13-26 for more evidence.

5 See also Box 9 entitled "Developments in euro area labour productivity" in the March 2005 issue of the Monthly Bulletin.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Based on the latest available information, the decline in real GDP growth registered in the fourth quarter of 2005 is very likely to have been temporary, partly reflecting a correction from the unexpectedly strong growth recorded in the previous quarter. Recent improvements in economic indicators, such as consumer and business confidence, suggest that real activity should strengthen in 2006. This scenario of sustained growth is in line with forecasts by international and private sector organisations. It is also in line with the latest ECB staff macroeconomic projections for the euro area published in March. While the risks to the outlook appear balanced over the shorter term, longer-term risks still emanate mainly from prevailing global imbalances and uncertainties concerning oil price developments.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In March and early April 2006 the euro experienced a broad-based appreciation, rising against the majority of currencies included in its nominal effective exchange rate index. The strengthening of the euro occurred against the backdrop of renewed market concerns over the widening of the US external imbalance and an improving euro area economic outlook.

US DOLLAR/EURO

After declining in February 2006, the euro rebounded against the US dollar in the course of March and early April amid some fluctuations (see Chart 27). In the first half of March, the euro strengthened principally in response to market participants refocusing their attention on the size of the US current account deficit, which widened to 7% of GDP in the fourth quarter of 2005. In the second half of the month, however, changing market expectations over the future course of monetary policy in the United States seem to have temporarily supported the dollar. Towards the end of the period under review, evidence of an improving business climate in the euro area, as reflected in business confidence survey data, renewed support for the euro. As a result of these counterbalancing factors, the euro stood at USD 1.23 on 5 April, 3.3% above its end-February level and 1.4% below its 2005 average.

JAPANESE YEN/EURO

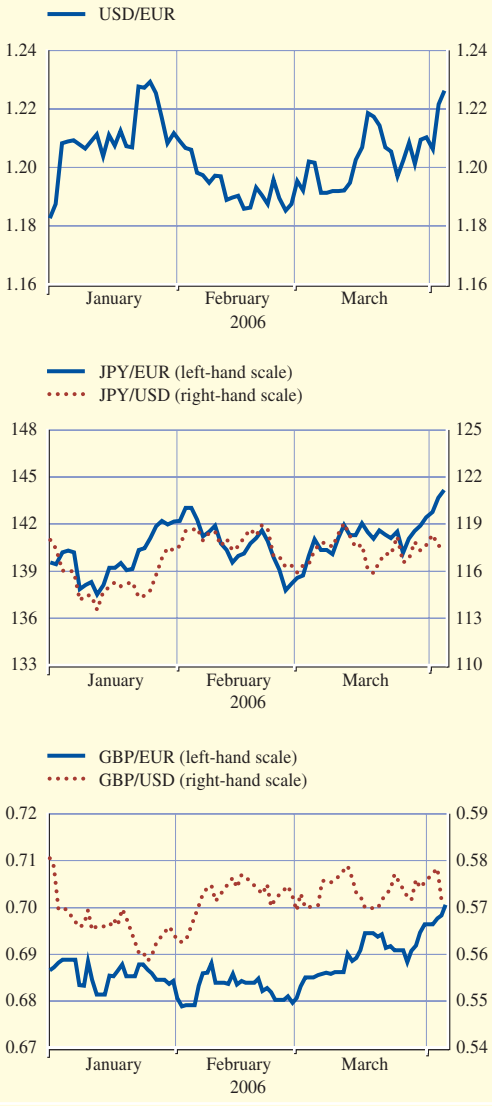
The euro also appreciated against the Japanese yen in March and in early April. The Bank of Japan's announcement on 9 March that it would be abandoning its quantitative easing policy did not seem to have a major impact on the euro/yen exchange rate. Nonetheless, market expectations that the interest rate differential would remain in favour of the euro area, coupled with positive news on euro area economic prospects, seem to have supported the euro during this period. On 5 April the euro stood at JPY 144.2, i.e. 4.3% above its end-February level and 5.3% above its 2005 average (see Chart 27).

EU MEMBER STATES' CURRENCIES

Most currencies participating in ERM II remained stable and continued to trade at or close to their respective central rates (see Chart 28). An exception was the Slovak koruna, which fell by 1.1%, thereby returning closer to its central rate, to trade 2.4% stronger than its

Chart 27 Patterns in exchange rates

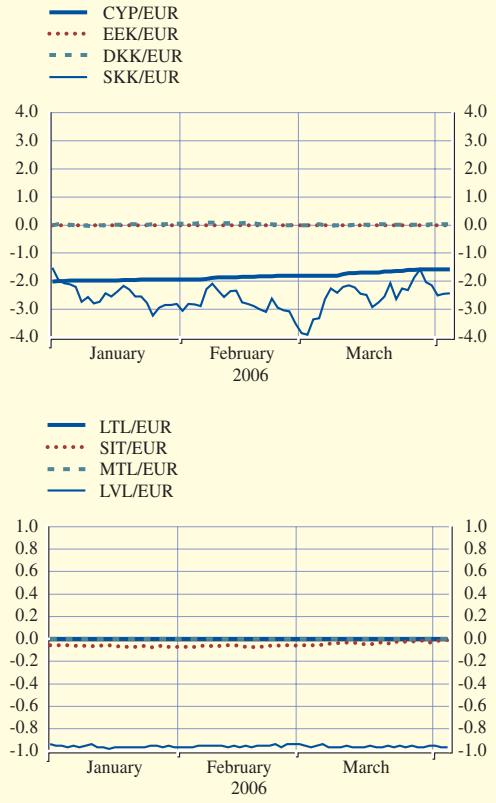
(daily data)



Source: ECB.

Chart 28 Patterns in exchange rates in ERM II

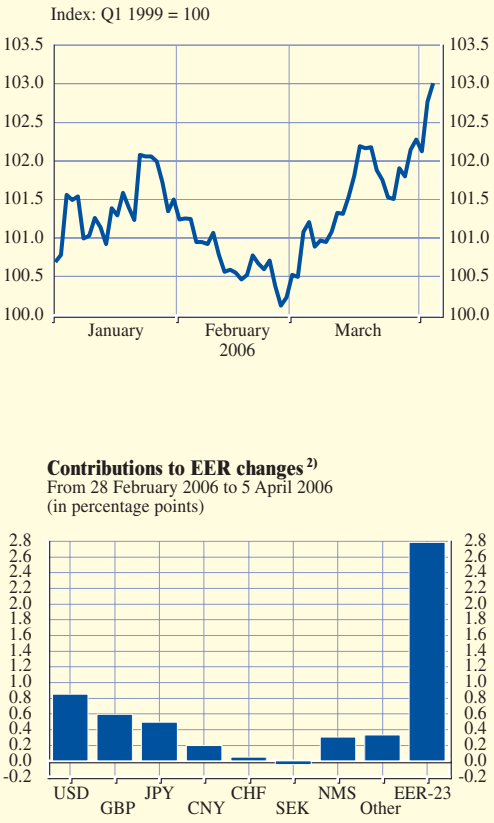
(daily data; deviation from the central parity in percentage points)



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-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States that joined the EU on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

ERM II central parity on 5 April. With regard to the currencies of other EU Member States, the euro appreciated against the pound sterling – standing on 5 April at GBP 0.70, 3.1% above its end-February level and 2.5% stronger than its 2005 average – while it fell by 1% against the Swedish krona. The euro strengthened against the currencies of the largest new EU Member States, possibly because of diminishing global demand for emerging market assets against the background of rising yields on assets of more mature economies. The rise of the euro was particularly pronounced against the Hungarian forint and the Polish zloty (5.1% and 4.9%), as market concerns over the domestic and external imbalances in Hungary and political uncertainty in Poland appear to have taken their toll.

OTHER CURRENCIES

Between end-February and 5 April the euro fell against the Norwegian krone (1.7%), while it rose against the Swiss franc (0.8%), the Canadian and Australian dollars (5.2% and 5.4% respectively) and several Asian currencies.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 5 April the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's most important trading partners – was 2.8% above its level at the end of February and close to its average level in 2005 (see Chart 29). Box 7 analyses, in a historical perspective, the co-movements of the currencies included in the euro effective exchange rate with the euro and the US dollar.

Box 7

HOW CLOSE ARE THE CO-MOVEMENTS OF MAIN CURRENCIES?

Since the collapse of the Bretton Woods system in the early 1970s, exchange rates have fluctuated, often in an unpredictable manner. However, careful observation of exchange rate behaviour suggests that some currencies may co-move in a systematic fashion. For instance, the Swiss franc and the euro often co-move closely against the US dollar, whereas the Canadian and US dollars have historically tended to move in similar directions against the euro. As a result, the exchange rate of the Swiss franc, for example, vis-à-vis the euro exhibits far lower volatility than its dollar exchange rate, while the opposite holds true for the Canadian dollar. In other words, some free-floating currencies may systematically co-move and exhibit very different levels of volatility against different currencies.

One way of measuring the degree of co-movement of currencies is to compute the elasticity to movements in the dollar and the euro using a third currency as the numeraire. Using the Japanese yen as the reference currency, it is possible to estimate the regression:

$$\Delta\ln(e¥/x,t)= \alpha + \beta\Delta\ln(e¥/€,t) + \gamma\Delta\ln(e¥/\$,t) + \varepsilon t \qquad (1)$$

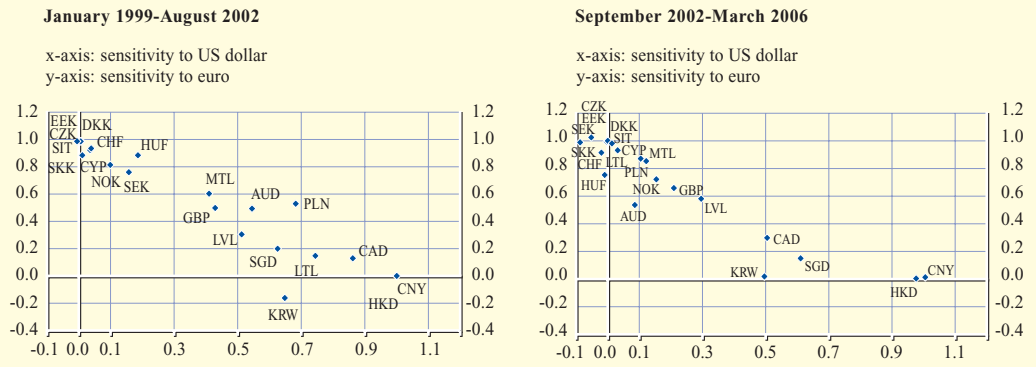
where e¥/x,t is the exchange rate of currency x, for which the association with the euro and the US dollar is to be computed. The coefficient β indicates the sensitivity of the currency to changes in the euro exchange rate. The closer this coefficient is to 1, the stronger the co-movement of currency x with the euro.[1] The same interpretation holds for γ: the closer this coefficient is to 1, the stronger the co-movement of currency x with the dollar. Estimating equation (1) via ordinary least squares for the euro vis-à-vis the currencies included in the euro effective exchange rate, namely the currencies of 23 of the main trading partners of the euro area, provides estimates of β and γ for all these currencies.

The sample period, from January 1999 to March 2006, was split down the middle and equation (1) was estimated over both sub-samples. The results, as presented in the chart, show a relatively strong association between the euro and most of the other European currencies over

1 A coefficient close to 1 does not necessarily imply that the exchange rate was stable against the euro (or the US dollar) over the sample. Such a measure of "stability" is rather given by the coefficient of determination (or R-square) in the estimated regression, which indicates what proportion of the variability in the exchange rate of interest can be "explained" by the exchange rates of the numeraire currency against the euro and the US dollar. Indeed, R-square values very close to 1 were observed for the Danish krone, the Estonian kroon, the Hong Kong dollar and the Chinese yuan.

Sensitivity to euro and dollar movements

(monthly data)



Source: ECB staff calculations.

both sub-sample periods.[2] By contrast, the Asian currencies included in the EER-23 as well as the Canadian dollar tend to move much more closely with the US dollar. Finally, since the launch of the euro, the pound sterling has, on average, tended to move midway between the euro and the US dollar.

The table shows developments in the sensitivity of currencies to movements in the euro exchange rate. It illustrates that for most currencies, the extent of the co-movement remained largely unchanged during both sub-sample periods. Nevertheless, in some cases, the association with the euro increased over the later period. This is most notably the case for the Lithuanian litas after Lithuania switched its currency board from the US dollar to the euro in 2002. It is also

Sensitivity of currencies to movements in the euro exchange rate

		Jan. 99-Aug. 02	Sep. 02-Mar. 06	Change in coefficient
Australian dollar	AUD	0.49	0.54	0.04
Canadian dollar	CAD	0.13	0.30	0.17
Swiss franc	CHF	0.92	0.91	-0.01
Chinese yuan	CNY	0.00	0.01	0.01
Cyprus pound	CYP	0.93	0.93	0.00
Czech koruna	CZK	1.06	1.03	-0.04
Danish krone	DKK	0.99	1.00	0.01
Estonian kroon	EEK	0.99	1.00	0.01
Pound sterling	GBP	0.50	0.66	0.16
Hong Kong dollar	HKD	0.00	0.00	0.00
Hungarian forint	HUF	0.88	0.75	-0.13
Korean won	KRW	-0.16	0.02	0.18
Lithuanian litas	LTL	0.15	1.00	0.85
Latvian lats	LVL	0.30	0.58	0.28
Maltese lira	MTL	0.60	0.87	0.27
Norwegian krone	NOK	0.81	0.72	-0.09
Polish zloty	PLN	0.53	0.85	0.32
Swedish krona	SEK	0.76	1.04	0.28
Singapore dollar	SGD	0.20	0.15	-0.05
Slovenian tolar	SIT	0.99	0.98	-0.01
Slovak koruna	SKK	0.88	0.99	0.11

Note: Data in the first two columns indicate the sensitivity of each currency to movements in the euro exchange rate (coefficient β in equation 1) in each period. The figures in the last column indicate the change in the sensitivity coefficients between the two periods.

2 When looking at these estimates, it should be kept in mind that they are surrounded by statistical uncertainty.

the case for the Polish zloty, the Swedish krona, the Latvian lats, the Maltese lira and the pound sterling. However, the degree of co-movement between the pound sterling and the euro has also remained lower than that of most other European currencies in recent years. For the Norwegian krone and the Hungarian forint, the association with the euro fell in the later period.

5.2 BALANCE OF PAYMENTS

The latest balance of payments data show solid growth for the values of extra-euro area imports and exports for the three-month average up to January 2006. Meanwhile, the 12-month cumulated current account registered a deficit of €30.2 billion in January, compared with a surplus of €39.1 billion a year earlier. This switch largely reflected a fall in the goods surplus, resulting from a rising oil trade deficit due to higher oil prices. In the financial account, combined direct and portfolio investment recorded net outflows of €14.4 billion in the 12-month period to January 2006, owing to declining investment in euro area debt securities and increasing euro area investment in foreign equity securities.

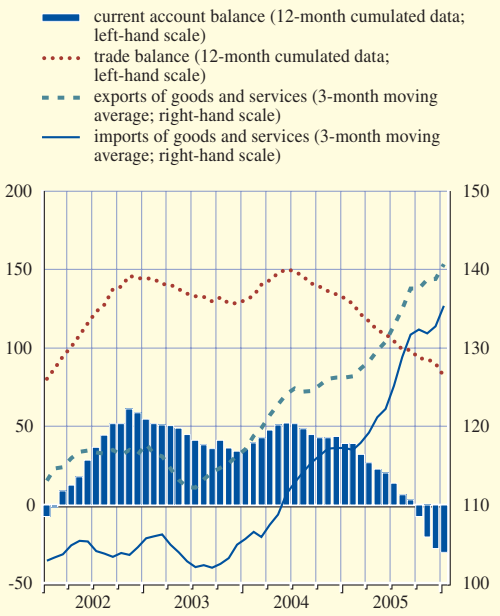
TRADE AND THE CURRENT ACCOUNT

After slowing down in the fourth quarter of 2005, the latest balance of payments data show solid growth for imports and exports, with the three-month moving average of the values of both imports and exports of goods and services rising by 2.3% in January 2006 compared with the corresponding figures in October 2005 (see Chart 30). This reflects robust growth in the values of imports and exports of goods (4.1% and 3.3% respectively), while trade in services was significantly weaker, with imports and exports of services actually falling by 3.7% and 0.9% respectively over the same period (see Table 8).

The breakdown of extra-euro area trade in goods into volumes and prices (available up to December 2005) shows that the slowdown in the value of goods exports in the fourth quarter of last year largely reflects a deceleration in export volumes, with the quarter-on-quarter growth rate slowing down from 4.1% in the third quarter to 0.4% in the fourth quarter (see Chart 31). This deceleration seems to reflect a correction of the exceptionally strong export growth of the third quarter and particularly weak data for October, when export volumes fell by 3.0% compared with September. Meanwhile, the rebound in export volumes in November and December suggests that exports remain on a firm upward trend, supported by favourable global demand conditions. Euro area export prices (proxied by unit value indices) increased marginally in the fourth quarter, continuing the gradual rise which began in the first half of 2004 partly as a result of higher costs from rising oil prices.

Chart 30 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Table 8 Main items of the euro area balance of payments

(EUR billions; seasonally adjusted data, unless otherwise indicated)

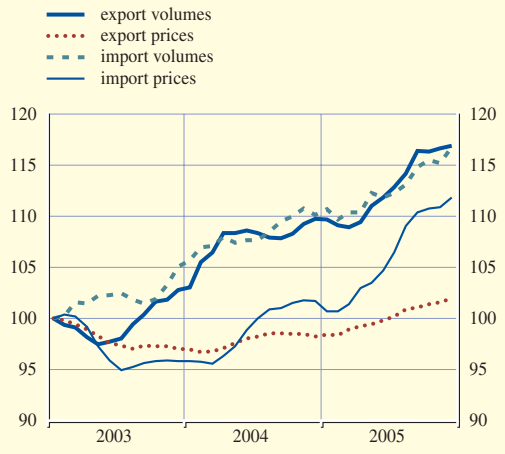
			Three-month moving average figures ending				12-month cumulated figures ending	
	2005 Dec.	2006 Jan.	2005 Apr.	2005 July	2005 Oct.	2006 Jan.	2005 Jan.	2006 Jan.
Current account	-4.4	-3.3	1.7	-0.8	-5.3	-5.7	39.1	-30.2
Goods balance	2.3	-0.2	6.7	5.5	2.8	2.0	102.1	50.7
Exports	108.0	108.2	97.1	100.7	104.5	107.9	1,131.1	1,231.0
Imports	105.7	108.4	90.5	95.2	101.8	106.0	1,029.1	1,180.3
Services balance	3.7	2.2	2.4	2.2	2.5	3.3	29.8	31.5
Exports	31.9	33.2	31.2	32.1	33.1	32.8	362.2	387.4
Imports	28.1	31.0	28.7	29.9	30.6	29.4	332.3	356.0
Income balance	-3.9	-0.4	-2.9	-4.0	-5.1	-4.8	-32.8	-50.5
Current transfers balance	-6.5	-4.9	-4.5	-4.4	-5.4	-6.3	-59.9	-61.9
Financial account [1]	-36.2	-12.3	-1.2	19.4	5.5	-19.1	22.1	13.7
Combined direct and portfolio investment	-19.0	-33.1	-4.7	36.3	-3.2	-33.2	3.1	-14.4
Direct investment	-5.3	5.1	-7.0	-27.9	-6.8	-4.4	-48.2	-138.2
Portfolio investment	-13.8	-38.2	2.4	64.2	3.6	-28.9	51.3	123.9
Equities	31.8	-8.2	-16.0	53.2	4.9	5.6	39.2	143.0
Debt instruments	-45.6	-29.9	18.4	11.0	-1.3	-34.4	12.1	-19.1
Bonds and notes	-18.0	-38.6	7.4	10.1	-12.2	-24.1	39.3	-56.5
Money market instruments	-27.5	8.7	11.0	0.9	10.9	-10.3	-27.2	37.4

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.

Turning to imports, the weaker growth in the value of goods imports in the fourth quarter of 2005 was partly related to a deceleration in the growth of import prices, mainly accounted for by the decline in oil prices over the same period (see Chart 31). Meanwhile, the slowdown in the growth

Chart 31 Extra-euro area exports and imports

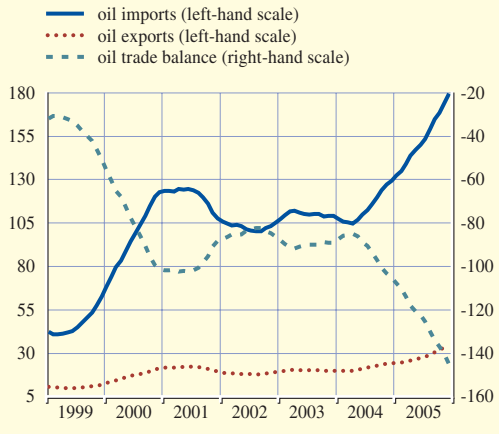
(indices: January 2003 = 100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations.
Note: Latest observation refers to December 2005.

Chart 32 Euro area oil imports, exports and balance in value terms

(EUR billions; 12-month cumulated data)



Sources: Eurostat and ECB calculations.
Note: Latest observation refers to December 2005.

rate of import volumes (1.7% in the fourth quarter, compared with 2.7% in the previous quarter) may be related to the deceleration in the growth of domestic demand in the fourth quarter.

Taking a longer-term perspective, the 12-month cumulated current account up to January 2006 registered a deficit of €30.2 billion (around 0.4% of GDP), compared with a surplus of €39.1 billion a year earlier (around 0.5% of GDP). This switch in the current account balance largely reflects a fall in the goods surplus of €51.4 billion and, to a lesser extent, a €17.7 billion increase in the income deficit. Meanwhile, the balances for services and current transfers remained broadly stable.

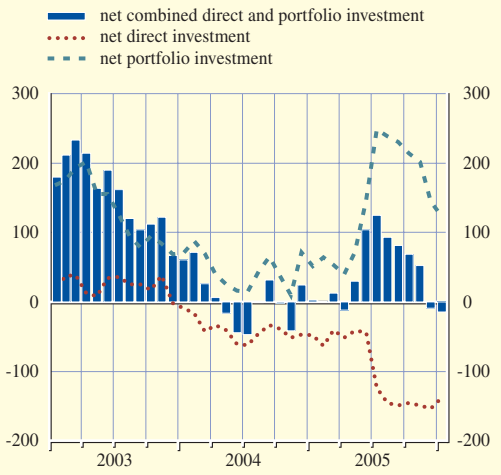
The fall in the 12-month cumulated goods surplus to less than half of its value a year ago (from €102.1 billion in January 2005 to €50.7 billion in January 2006) is almost entirely due to the increased cost of oil imports resulting from higher oil prices. Chart 32 highlights the much smaller magnitude of euro area exports of oil – mostly consisting of refined petroleum products – relative to oil imports. Overall, in 2005 the oil deficit rose by approximately €40 billion, resulting from an increase in the value of oil imports of almost €50 billion, which was only marginally offset by the increase in oil exports of around €10 billion.

FINANCIAL ACCOUNT

The large net average monthly outflows of €33.2 billion in euro area combined direct and portfolio investment in the three months from November 2005 to January 2006 reflected large net outflows in debt instruments (€34.4 billion). Euro area debt instruments recorded net sales by foreign investors in December 2005 and January 2006.

Chart 33 Net direct and portfolio investment flows

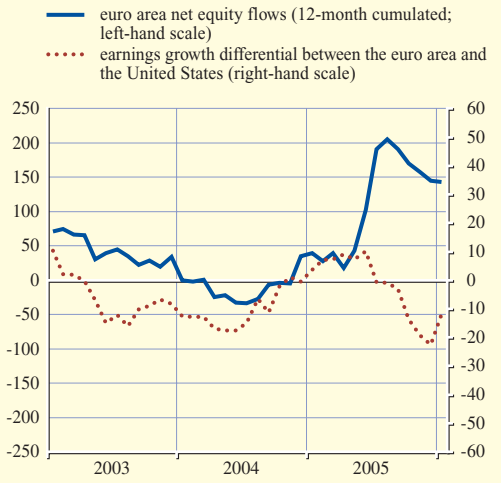
(EUR billions; 12-month cumulated data)



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

Chart 34 Net equity flows and earnings growth differential

(EUR billions; percentage points)



Sources: Eurostat and ECB calculations.
Note: Latest observation refers to January 2006. Corporate earnings growth is defined as the year-on-year change in corporate earnings on a monthly basis. Corporate earnings are computed as the ratio between market capitalisation and the price/earnings ratio associated with the DataStream Total Market stock price indices of the euro area and the United States.

From a longer-term perspective, combined direct and portfolio investment recorded net outflows of €14.4 billion in the 12-month period to January 2006, compared with net inflows of €3.1 billion in the same period a year earlier. The 12-month cumulated inflows in combined direct and portfolio investment have declined sharply since the summer of 2005 and have switched to net outflows since December 2005 (see Chart 33).

These developments were mainly accounted for by falling foreign investment in euro area debt securities and increasing euro area investment in foreign equity securities. On the one hand, foreign investment in euro area bonds has been declining, possibly because of the widening of the long-term interest rate differential between the United States and the euro area. On the other hand, net equity inflows continued on the declining trend that started in August 2005, as a result of increasing euro area investment in foreign equity securities. The decline in net equity inflows, after the exceptional operation related to the restructuring of Royal Dutch Shell, might be partly associated with lower annual euro area corporate earnings growth relative to other regions of the world since July 2005 (see Chart 34). With regard to developments in direct investment, net outflows have been fairly stable since October 2005.

ARTICLES

THE IMPORTANCE OF PUBLIC EXPENDITURE REFORM FOR ECONOMIC GROWTH AND STABILITY

Public expenditure can promote growth by financing essential public services, such as security, infrastructure and education. It can also smooth economic fluctuations by means of automatic stabilisers, for example, supporting the incomes of unemployed or retired workers. Stability requires, nevertheless, that expenditure is fully financed by revenue in the medium term, guaranteeing in this way that current policies, as reflected in government accounts, are sustainable.

This article shows that public expenditure-to-GDP ratios have steadily increased in the euro area countries since the 1960s before peaking and, in some cases, declining in more recent years. Public expenditure is, nevertheless, much higher than in most industrialised countries outside the euro area. According to many observers, it exceeds the levels required for the efficient provision of essential public services. The increasing levels of spending coincided with rising taxes and disincentives to work and invest, as well as growing fiscal imbalances. More recently, population ageing is pointing to additional expenditure pressures that risk undermining fiscal sustainability.

Several euro area countries have already made important progress with regard to expenditure reform. They have experienced remarkably strong fiscal and growth performance. But more progress is needed in a number of countries, notably in those Member States which have been in excessive deficit over recent years. Expenditure reform should be underpinned by compliance with the EU fiscal and policy coordination framework and by improvements in national fiscal institutions.

1 INTRODUCTION

In recent years, the expenditure side of public budgets has gradually received greater attention in the economic policy debate, both at the national and the EU level. On the theme of the "quality" of public finances there has been growing debate on how much governments should spend and on what, and how expenditure reform can contribute to more economic growth and stability. Awareness of the importance of expenditure reform has also been raised by persistent deficits and high debt, coupled with tax rates that are comparatively high from an international perspective and strong spending pressures stemming from population ageing.

This article focuses on the relevance of public expenditure for growth and stability. Naturally, public spending can also pursue other objectives, such as redistribution or social cohesion, which can be seen as contributing to economic welfare.

Section two reviews expenditure trends and patterns in the euro area. Section three examines the conceptual and empirical linkages between public expenditure, economic growth and fiscal sustainability. Expenditure reform experiences are addressed in Section four. Section five discusses expenditure reform in the context of fiscal institutions and European economic policy coordination. Section six provides concluding remarks.

2 EXPENDITURE TRENDS AND PATTERNS IN THE EURO AREA

The importance of public expenditure and the potential for reform in the euro area economies becomes apparent when looking at trends and international comparisons in public expenditure developments. The expenditure-to-GDP ratio of the euro area increased significantly from 30.4% of GDP in 1960 to 45.0% of GDP in 1980 and gradually rose further to 49.0% of GDP in 1998, before declining somewhat to stand at 47.7% of GDP in 2004 (see Table 1). From an international

Table 1 Total general government expenditure

(percentages of GDP)

	1960	1980	1998	2004	Maximum (year)
Belgium	33.2	56.1	51.2	50.2	61.0 (1983)
Germany	31.8	47.1	48.7	47.5	50.2 (1996)
Greece	20.6	29.0	49.5	49.9	52.0 (2000)
Spain	20.3 [1]	31.5	41.0	39.0	47.6 (1993)
France	33.4	45.7	53.5	54.0	55.4 (1996)
Ireland	26.0	46.1	34.8	34.2	49.8 (1982)
Italy	28.1	43.0	49.6	48.6	57.1 (1993)
Luxembourg	25.4	48.4	42.1	45.6	51.7 (1981)
Netherlands	29.3	53.3	46.0	47.1	57.1 (1983)
Austria	34.1	46.8	53.9	50.4	56.7 (1995)
Portugal	14.7	34.8	42.3	46.5	46.5 (2004)
Finland	26.3	39.1	52.8	51.5	61.0 (1993)
Euro area	30.4	45.0	49.0	47.7	51.9 (1993)
United Kingdom	36.1	43.2	40.0	44.1	45.4 (1984)
Japan	16.6	31.5	42.5	38.6	42.5 (1998)
United States	28.2	33.8	33.0	34.3	37.2 (1992)

Sources: European Commission, OECD for Spain in 1964, and ECB for euro area aggregated data.
1) Data for 1964.

perspective, public expenditure-to-GDP ratios in the euro area are very high. They exceed those of the United States and Japan by a wide margin. These two countries' public spending is roughly one-quarter lower than that of countries in the euro area.

This general picture, however, masks significant differences between countries. Spending ratios ranged from approximately 35% of GDP in Ireland to well above 50% of GDP in France in 2004. The overall increase of 17.3 percentage points of GDP for the euro area between 1960 and 2004 corresponds to a rise in spending ratios in all countries. However, this average reflects a minimum increase of 8.2 percentage points of GDP in Ireland and a maximum increase of 31.8 percentage points of GDP in Portugal.

There was an important break in the upward trend in expenditure as expenditure-to-GDP ratios peaked at some point in the 1980s or 1990s in most euro area countries. In the majority of cases, this maximum level exceeded 50% of GDP. Following the peaks in public expenditure, a few countries started to reduce public spending ratios in the 1980s, and most other euro area countries curtailed their spending commitments from the early to mid-1990s. In some cases, this reduction was very significant, exceeding 10 percentage points of GDP compared with peak levels.

When looking at the composition of public expenditure at the euro area level in 2004, one can see that broadly two-fifths of total public spending was dedicated to public consumption, the main component of which is constituted by the wages of government employees (see Table 2). One-tenth of public expenditure or about 5% of GDP was for public education. A further two-fifths of total spending was allocated to transfers and subsidies to households and enterprises. This mainly consisted of social security-related spending and, to a much smaller extent, industrial support. Only about 5% of government spending related to public investment. The servicing of public debt fell strongly in recent years to little more than 6% of total spending.

The small reduction in the euro area expenditure ratio since the start of Stage Three of EMU was mainly achieved thanks to a decrease in interest payments. This is above all the consequence of declining long-term interest rates implicit in the outstanding stock of government debt after entering Monetary Union (the "EMU premium").

Table 2 Composition of total general government expenditure in the euro area

(percentages of GDP)

	1998	2004
Total expenditure	49.0	47.7
Interest	4.6	3.2
Primary expenditure	44.4	44.5
Compensation of employees	10.6	10.5
Current transfers	25.4	25.3
of which: subsidies	2.1	1.8
Investment	2.4	2.5
Capital transfers	1.4	1.4
Other expenditure	4.6	4.8
Memo item: government consumption	19.7	20.3

Source: ECB.

By contrast, the primary expenditure-to-GDP ratio remained broadly stable.

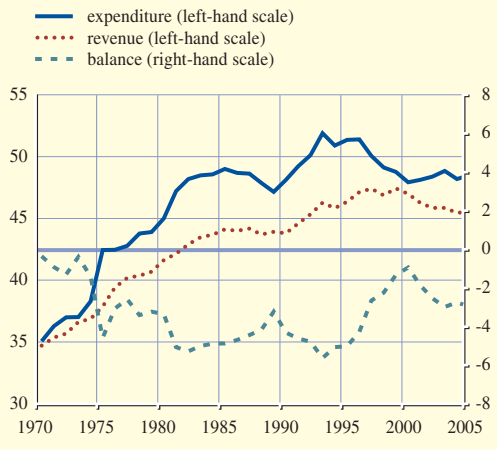
In analysing the link between public expenditure and the impact of public finances on economic stability and growth, it is useful to look at the relationship between public spending and deficit and debt developments. The emergence of chronic deficits in Europe coincided with strong expenditure increases in the 1970s and early 1980s (see Chart 1). It was only when expenditure ratios started to decline more markedly in the second half of the 1990s that fiscal deficits were also significantly corrected. The reversal in aggregate deficits after the year 2000 came about when tax cuts were not accompanied by a corresponding decline in the expenditure ratio.

Indirectly, expenditure developments also influence debt developments. Chart 2 shows that the public debt ratio of the euro area continued to rise as long as expenditure remained on a steep upward path and deficits were high. This trend briefly reversed in the second half of the 1990s but the recent period has again seen increasing debt ratios.

When discussing public expenditure and related challenges, it is also crucial to anticipate future developments that could strongly affect government commitments. In this regard, the most important factor is the fiscal cost of population ageing. This can be expected to burden public budgets over the decades to come in Europe in the form of pension, health care and long-term care spending. Age-related public expenditure projections point to a future increase in total pension expenditure in most countries of between 3% and 8% of GDP, but in

Chart 1 General government balance, expenditure and revenue ratios in the euro area

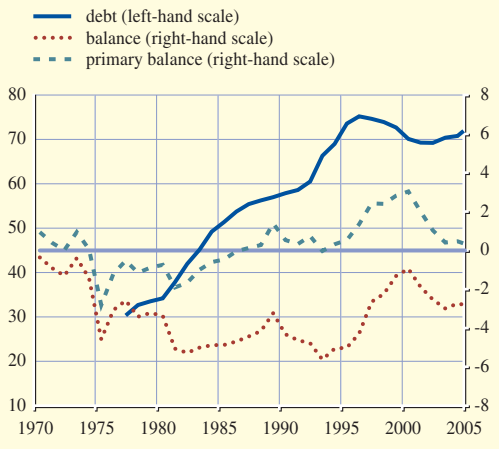
(percentages of GDP)



Source: European Commission.

Chart 2 General government debt and balance ratios in the euro area

(percentages of GDP)



Source: European Commission.

Table 3 Projected changes in selected age-related expenditure-to-GDP ratios between 2004 and 2050

	Pensions (1)	Health (2)	Long-term care (3)	Total [1] (1+2+3)
Belgium	5.1	1.4	1.0	7.5
Germany	1.7	1.2	1.0	3.9
Greece	na	1.7	na	na
Spain	7.1	2.2	0.2	9.5
France	2.0	1.8	na	na
Ireland	6.4	2.0	0.6	9.0
Italy	0.4	1.3	0.7	2.4
Luxembourg	7.4	1.2	0.6	9.2
Netherlands	3.5	1.3	0.6	5.4
Austria	-1.2	1.6	0.0	0.4
Portugal	9.7	0.5	na	na
Finland	3.1	1.4	1.8	6.3
Euro area	2.6	1.5	0.5	4.6

Sources: Economic Policy Committee, Ageing Working Group, January 2006.
Note: na = not available.
1) Small expenditure reductions may be expected due to lower spending on education and unemployment.

Box 1

EXPENDITURE COMPARABILITY ISSUES

A number of drawbacks in the measurement of public finances and a lack of consistent cross-country information make it difficult to fully compare public spending behaviour across different countries, in terms of both levels and composition.[1] In particular:

– Some countries substitute direct spending with tax expenditure, for example by providing tax allowances for married couples and children instead of direct transfers.

– Whereas some countries tax social transfers in the same way as wage income, others exempt them partially or completely from taxation. As a result, expenditure and revenue levels in this category are on average higher in the first group of countries.

– Mandatory private insurance schemes for pensions, unemployment or health care reduce the headline figures for public expenditure in some countries. Conversely, state contributions to voluntary payments into social security funds increase spending levels.

– Public-private partnerships (PPPs) are treated differently across countries and can temporarily reduce the level of public investment spending, especially if cost accounting for a PPP project is spread over a longer time period than for a conventional public investment.

– In some cases, contingent liabilities like state-backed loan guarantees may not be reflected in public expenditure figures, therefore, the potential future spending commitments of the government may be understated. Additionally, the size of contingent liabilities varies considerably across different countries.

1 See, for instance, "Enhancing the Effectiveness of Public Spending: Experience in OECD Countries", by I. Joumard, P. Kongsrud, Y.-S. Nam and R. Price, OECD Economics Department Working Paper No 380, 2004.

These factors can explain differences between countries in the figures for total spending and on certain categories of up to several percentage points of GDP. Fiscal reforms can also increase or reduce such differences over time. However, a correction of expenditure data for such influences over time and across countries is not available.

certain euro area countries this ratio may be even higher (see Table 3). If unchecked, these obligations would again put public expenditure on a significant upward trend in the coming decades.

3 LINKAGES BETWEEN PUBLIC EXPENDITURE, ECONOMIC GROWTH AND FISCAL SUSTAINABILITY

Public expenditure policies are key for promoting economic growth and preserving a stable macroeconomic environment, which require sustainable public finances. From this perspective, expenditure policies are of high quality if they (i) provide essential goods and services, (ii) make efficient use of public resources in undertaking these activities, and (iii) underpin macroeconomic stability, being medium-term oriented, predictable and sustainable. While the first two conditions refer to objectives of effectiveness and efficiency, the third one is instrumental for the attainment of the other two. Moreover, expenditure policies can underpin the institutional framework in which an economy operates and which itself is the fundamental precondition for growth and stability.

A minimum of public spending is indispensable to allow a market economy to function. Legal constraints and rules that secure property rights and efficient markets minimise political uncertainty, promote competition, secure adequate information and allow efficient risk management. This, in turn, induces economic agents to work, save, invest, specialise and innovate, which is conducive to employment and growth. Expenditure policies that, for example, secure sufficient funds for internal and external security and public administration, favour a high quality civil service, and abstain from undue subsidies, also ensure that institutions and private markets work smoothly and that the wheels of the economy are well oiled.

Core public spending includes mainly essential expenditure for administrative services and justice, basic research, basic education and health, public infrastructure and internal and external security. Spending on these categories can raise the growth potential of an economy not only through the institutional channel mentioned before but also by increasing the labour supply and the quality and stock of human and physical capital. Infrastructure spending may not only be beneficial by itself but may also crowd in additional private investment. However, the benefits of additional expenditure must also be assessed against the costs of the required taxation – a dimension that is often neglected.

The limits of core spending are hard to assess precisely. If it is assumed to be approximated by the sum of government consumption, in the euro area the level was around 20% of GDP during the last decade (see Table 2 above). However, not all spending included under these categories is likely to be core or essential. It is not a given that the government should be the principal provider of higher education, electricity or other services. Moreover, some public investment spending may go into projects motivated by other political aims, including prestige, rather than responding to genuine infrastructure needs.

The remaining main spending category is transfers and subsidies which is of a redistributive nature and is typically considered "unproductive", as it does not stimulate growth,

but may have significant economic costs due to distortive taxes and adverse incentives effects. Public spending on early retirement or to maintain inefficient industries is particularly noteworthy in this regard as such measures reduce incentives to work and invest in productive activities. Nevertheless, spending on basic social safety nets could be seen as productive. They reduce the need for precautionary savings and enhance the ability of economic agents to take risks. Redistributive social spending, as noted above, has been the fastest growing spending category in recent decades and reached an average of around 20% of GDP in the euro area.

Public spending is managed in the most efficient way when it minimises the need for financing to attain a certain policy objective. The efficiency of public spending can be improved through a number of techniques, such as performance budgeting, human resource management tools and market-like pricing mechanisms. Audit and public procurement rules and cost-benefit analysis can also help in this regard. For some services, public financing (or financial support) can be combined with the private provision of services if this allows a better use of public money. In the area of social spending, efficiency can be increased if outlays are better targeted to the poor.

In order to promote growth and stability, expenditure policies have to be sustainable. Sustainability enhances the confidence of economic agents in the stability of the future economic environment and their willingness to invest. This, in turn, supports growth, which further boosts sustainability. If governments want to enhance sustainability by lowering deficits and debt without raising taxes, expenditure restraint and reform are the only option. If additional tax cuts are found to be warranted, this would require further expenditure retrenchment. Moreover, public expenditure may stabilise demand in periods of economic fluctuation via automatic stabilisers. However, the resulting higher deficits can stabilise demand effectively only if public accounts are perceived to be sustainable. Agents are then less likely to react to rising deficits with increased savings that would undo the stabilising effect.

Empirical evidence abounds that higher public spending *per se* does not always translate into better outcomes.[1] Above a certain point, public spending can even be harmful to growth and sustainability. Moreover, there is clear evidence that spending-induced fiscal deficits are detrimental to attaining these objectives. In any case, the existing literature does not allow for the determination of an objective and unambiguous classification of "high quality"

1 For a survey of results see "Quality of public finances and growth", by A. Afonso, W. Ebert, L. Schuknecht and M. Thöne, ECB Working Paper No 438, February 2005.

Box 2

MEASURING AND ASSESSING EXPENDITURE EFFICIENCY

The adequate measurement and assessment of public sector efficiency is a difficult empirical issue, and related literature that includes international comparisons is particularly scarce. One possible approach is to compute indicators of public sector performance, which can then be assessed against the amount of public resources used. The resulting efficiency indicators allow comparisons to be made between countries.[1] Such indicators can measure performance and efficiency in providing opportunities and a level playing-field in the market process and the

1 See "Public Sector Efficiency: An International Comparison", by A. Afonso, L. Schuknecht and V. Tanzi, 2005. *Public Choice* 123 (3-4), pp. 321-347.

traditional "Musgravian" tasks of government: macroeconomic stabilisation, income redistribution and efficient resource allocation. These indicators can then be aggregated to form composite performance and efficiency measures.

Most studies on public spending efficiency analysis apply non-parametric approaches, such as Data Envelopment Analysis. They look at measures of public sector outputs/outcomes, and compare these to the inputs measured in monetary terms or quantitative input measures. For instance, countries, municipalities or schools are seen as decision management units, which use inputs (the number of teachers or public spending on education) and produce education services whose quality can be measured through the level of student proficiency (e.g. in tests conducted by the Programme for International Student Assessment – PISA).[2] Using these approaches it is possible to derive a theoretical production frontier and the distance of each observation (decision management unit) from the frontier is used to obtain efficiency scores.

On the whole, this literature finds some differences in the effectiveness and major differences in the efficiency of public spending across industrialised countries. A better public sector "performance" is largely not correlated with more public spending. This points to declining marginal returns of higher public spending and the possibility of attaining favourable outcomes for key policy objectives with much lower spending than is the case today in many countries.

2 For an example see "Non-Parametric Approaches to Public Education and Health Efficiency in OECD Countries", by A. Afonso and M. St. Aubyn, 2005. *Journal of Applied Economics* 8 (2), pp. 227-246.

expenditure items, their optimum level, and their precise impact on sustainability and growth. Nevertheless, empirical studies and simulation models have facilitated a better understanding of the transmission mechanisms and the effects of expenditure policies on the economy. Quality indicators for public finances and commonly used methodologies for their assessment and international comparison can be illustrative and helpful for assessing expenditure efficiency (see Box 2).

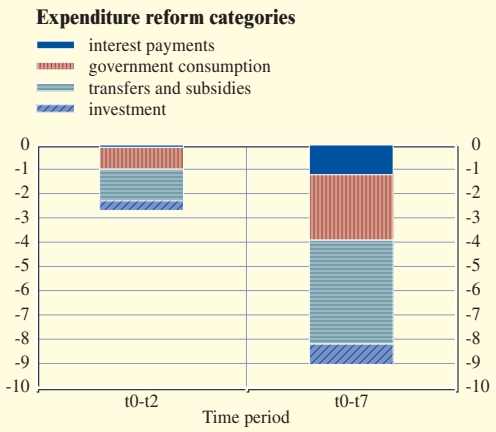
4 EXPENDITURE REFORM EXPERIENCES

National experiences of public expenditure reform in the euro area over recent decades are very heterogeneous. Some euro area countries have significantly reduced their total and primary expenditure ratios. Others have made little visible progress in curtailing public spending, despite the fact that interest payments have declined significantly since the early 1990s due to the structural fall in interest rates (the "EMU premium").

Seven euro area countries embarked on sizeable expenditure retrenchment and reform programmes of public spending. These "reform countries" are characterised by primary expenditure cuts exceeding 5% of GDP compared with their respective historic spending peaks. Expenditure reforms, however, were typically not undertaken in isolation but as part of a broader, comprehensive agenda of reforms. Historically, two "waves" of reform can be discerned, one starting in the early 1980s, and another commencing in the early to mid-1990s in the context of the EMU convergence process and following the signing of the Maastricht Treaty. Four countries began reforms in the first wave (Belgium, Ireland, Luxembourg and the Netherlands), and another three countries started reforms in the second wave (Spain, Austria and Finland), with the Netherlands and Ireland also engaging in a second major reform effort during this period. By contrast, the other five euro area countries made little or no progress on primary expenditure reform and currently report public expenditure ratios near or at their all time high. These also happen to be the five countries that

Chart 3 Reductions in individual expenditure categories over 2 and 7 years following historic spending peaks in the reform countries

(changes in GDP ratios)



Source: European Commission.
Note: Luxembourg is not included due to lack of data.

are subject to an excessive deficit procedure at the time of writing. To illustrate both short-term reform efforts and the efforts made over a full "reform wave", Chart 3 shows the expenditure reductions that the reform countries (excluding Luxembourg) have undertaken within two and seven years after their respective expenditure peaks.

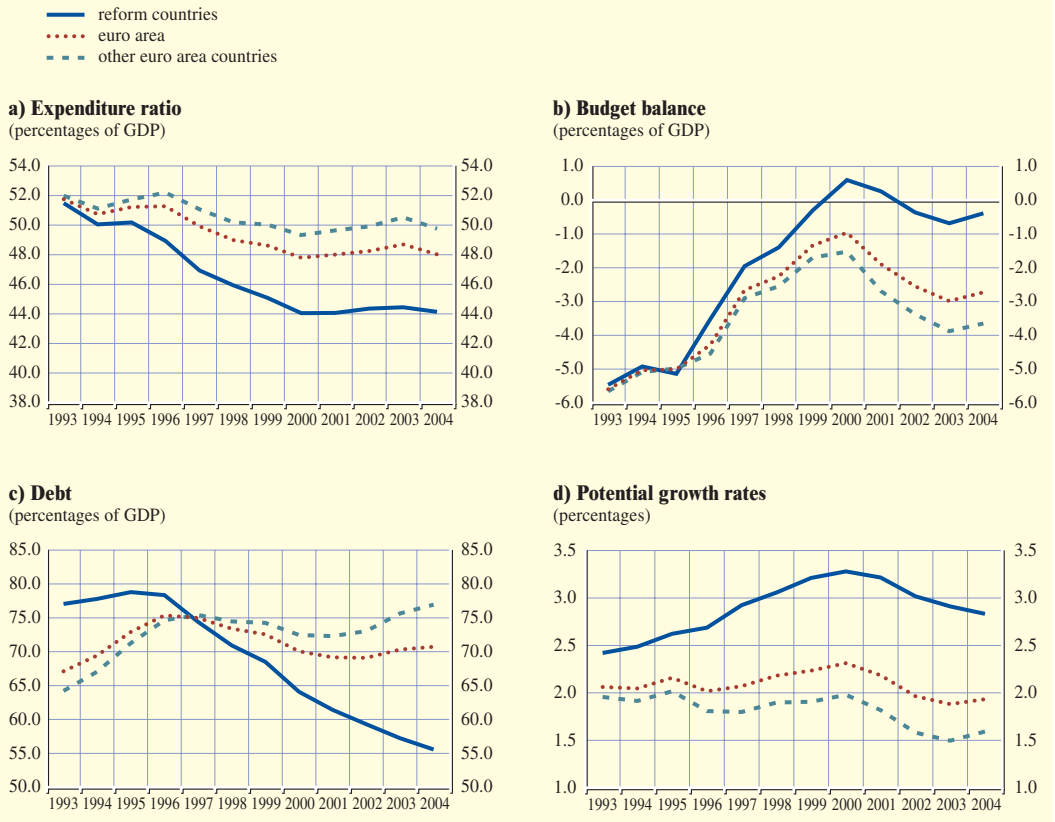
The empirical evidence suggests that on average the reform countries were able to cut total expenditure by nearly 3% of GDP within two years and by about 9% of GDP over seven years. The reductions have occurred mostly in the area of primary expenditure. While falling interest payments did contribute to some extent to the overall decrease in public spending over time, the bulk of the expenditure retrenchment was achieved by discretionary cuts in the areas of government consumption and income transfers and subsidies. This indicates that a strong effort was made to streamline government commitments in these reform countries. Reductions in government consumption were often accomplished by lower spending on the public wage bill, which, in turn, was brought about by a combination of wage restraint and personnel reductions. Cuts in income transfers were achieved by the adjustment and/or better targeting of benefits. Despite some decline, productive spending such as on investment and education has typically not been affected disproportionately, so that these reforms also resulted in an improved composition of public expenditure. Furthermore, the reforms have on average allowed substantial and fully financed tax cuts.

On the whole, the countries that undertook sizeable expenditure retrenchment as part of broader reform agendas have been remarkable success stories when looking at the post-reform development of macroeconomic indicators. Chart 4 presents fiscal and economic indicators for this group compared with the other euro area countries as well as with the euro area as a whole in the period following the adoption of the Maastricht Treaty.

Since 1993, the reform countries have on average reduced their public expenditure-to-GDP ratios from 52% to around 44%. The remaining five euro area countries continued registering expenditure ratios that, on average, stayed above or close to 50% of GDP. In recent years, however, expenditure ratios have broadly stagnated in both groups.

Expenditure reforms generally coincided with an overall stronger and more persistent improvement in the fiscal balance. This can clearly be seen from the comparison of the reform countries with the other five shown in Chart 4b. While most reforms helped to correct what were at times grave fiscal imbalances, some were associated with remarkable turnarounds in debt dynamics, which then enabled further favourable developments of the debt-to-GDP ratio (see Chart 4c). These charts also provide an interesting picture of recent years. The reform countries on average experienced some deterioration in their fiscal balances during the recent period of weak economic growth as automatic stabilisers were allowed to operate. But they were able to maintain deficits at reasonably low levels that still enabled the downward debt trend to continue. The five other countries, however,

Chart 4 Indicators for reform countries and other euro area countries as well as the euro area average



Source: European Commission.
Notes: Country groups are GDP-weighted. Luxembourg is not included. Expenditure ratios exclude proceeds from the sale of UMTS licences. The European Commission estimates potential output via a production function.

experienced a re-emergence of major imbalances and renewed upward debt dynamics. This suggests that expenditure retrenchment can be a highly effective way to secure lasting fiscal consolidation.[2]

Expenditure retrenchment and reform coincided with a significant rebound in employment and potential growth. For the reform countries, potential growth increased by almost 1 percentage point to well above 3% during the reform period between the early and late 1990s (see Chart 4d). The other countries, by contrast, experienced a flat potential growth rate of around 2%. In recent years, the gap in potential growth between the two country groups has remained broadly stable.

There are also two important features regarding the timing of reform. Front-loading the adjustment effort is a remarkable common characteristic of these expenditure reform experiences. A significant share of retrenchment measures was usually implemented in the initial two years, when primary expenditure came down by an average of 1.5% of GDP per year. Moreover, expenditure reforms started in a context of low economic growth or recession.

2 For further related discussions and empirical evidence, see for instance "Fiscal Adjustments in OECD Countries: Composition and Macroeconomic Effects", by A. Alesina and R. Perotti, 1997, IMF *Staff Papers*, 44 (2), pp. 210-248; "Non-Keynesian fiscal consolidation in the EU? *Ex post* evidence and *ex ante* analysis", by G. Giudice, A. Turrini and J. in't Veld, 2004, CEPR Discussion Paper 4388; "Reforming Public Expenditure in Industrialised Countries. Are there Trade-Offs?", by L. Schuknecht and V. Tanzi, 2005, ECB Working Paper No 435.

Box 3

EXAMPLES OF SUCCESSFUL EXPENDITURE REFORMS

Ireland faced a persistent slowdown in GDP growth in the early 1980s, accompanied by rising unemployment and inflation as well as widening fiscal deficits. Following some retrenchment after 1982, a comprehensive turnaround was undertaken from 1987 which, under the "Programme for National Recovery", centred on a deep-rooted expenditure reform. These reforms resulted in a decline in primary spending of over 11% of GDP up to 1989 compared with the maximum level of 41.6% of GDP in 1982. Total spending was lastingly reduced by more than 15% of GDP, to stand at 34.2% of GDP in 2004 compared with the peak level of 49.8% of GDP in 1982.

The Irish expenditure reform comprised fiscal consolidation with comprehensive structural reform measures. On the fiscal side, public consumption was brought down by a combination of wage constraint and a significant reduction in civil service personnel. Public employment declined by almost 14% between 1982 and 1989. In addition, expenditure reforms involved sizeable reductions in income transfers and subsidies, the latter being cut by almost two-thirds in 1988 alone. Furthermore, social spending and specifically health and pension expenditure was reduced to a considerable extent. Eligibility for social security benefits was tightened and targeting was improved while the real value of benefits was frozen. This enhanced labour market incentives. Economic growth picked up in the wake of the reform and delivered fiscal surpluses, enabling a rapid decline in public debt and significant tax cuts to be achieved.

Spain entered a period of growth slowdown in 1992 and went into recession the year after, contributing to significant fiscal deficits and an unemployment rate of close to 24%. The government implemented an ambitious and comprehensive reform programme in the mid-1990s. Total and primary expenditure declined by almost 3% of GDP in the first two years of adjustment after 1993 and fell by over 8% and close to 6% respectively by 2004.

The main reform period was 1994-97. The biannual budget for 1994 and 1995 focused on restraint in public sector wages and reductions in public employment and lowered spending on subsidies and social transfers (especially in the areas of unemployment, pensions and disability benefits). For 1996 and 1997, discretionary expenditure was compressed further with a particular squeeze on government consumption and subsidies. The determined expenditure reform, coupled with significant structural reforms, laid the groundwork for a broad-based fiscal consolidation, improved labour market performance and economic recovery. The achievement was facilitated by institutional improvements as well as by constructively engaging in the Maastricht convergence process.

These features are understandable from a perspective of political economy if one considers that the urgency of reform is more imminent in bad times and, once the political will is mustered to undertake bold spending cuts, it appears natural to implement these quickly and early in the reform process.

5 THE IMPORTANCE OF THE INSTITUTIONAL FRAMEWORK FOR EXPENDITURE REFORM

Despite their economic benefits, expenditure reforms are often politically difficult to implement. From a political economy perspective, the time it takes for benefits to materialise and the resistance of special interests

that fear to lose from such reforms can bias the political process against expenditure rationalisation. One way to remedy such biases is via fiscal institutions. Effective institutions are crucial for maintaining a high degree of effectiveness, efficiency and affordability in public spending and for countering opportunistic (e.g. election-oriented) expenditure policies. In the euro area, European and national institutions each have a role in supporting sound expenditure policies and reform.

The design of Monetary Union has kept public expenditure and its institutional underpinning a prerogative of national sovereignty. Nevertheless, at the European level there are rules and institutions that underpin the different national systems in strengthening the "quality" of public finances. The Stability and Growth Pact, based on the Treaty, not only specifies a 3% of GDP reference value as a limit for government deficits, but essentially provides a medium-term framework for multilateral budgetary surveillance. It provides for the monitoring of the development of fiscal variables (including public expenditure) across the EU and presents Member States with a structured process and methodology to define a multi-annual fiscal policy perspective and commit to budgetary targets. This, at least indirectly, also influences and constrains public spending.

The revised Stability and Growth Pact places great emphasis on further improvements to the governance of fiscal policy at the national level. The ECOFIN Council, in its report entitled "Improving the implementation of the Stability and Growth Pact", stated that "national budgetary rules should be complementary to the Member States' commitments under the Stability and Growth Pact". The report also points to the possibility of extending the multilateral surveillance process to the matter of how to implement and improve existing national rules. Finally, the ECOFIN report includes specific references to the overall quality of public finances as elements to be taken into account when assessing fiscal developments in the EU.[3]

At the structural level, the Broad Economic Policy Guidelines and the Employment Guidelines, which are now subsumed under the Integrated Guidelines, jointly formulate a comprehensive and integrated strategy of macroeconomic, microeconomic and employment policies, geared to improve Member States' growth performance. These include advice on public expenditure policies and their institutional underpinning. In the new set of Integrated Guidelines for 2005-2008, Member States are asked to direct the composition of public spending towards growth-enhancing items, adapt tax structures and benefit systems to strengthen potential growth, and properly assess the relationship between public spending and the achievement of policy objectives. It was also agreed that "Member States should, in view of the projected costs of ageing populations, reform pension and health care systems to ensure that they are financially viable". This agreement is fully in line with the so-called "three-pronged strategy" to deal with the budgetary challenges of population ageing, which calls for countries to raise employment, reduce public debt and reform pension systems.[4]

More recently, the ECOFIN Council (24 January, 2006) has argued that "improving the quality of public finances can contribute to increasing growth and employment" and mandated further work on improving the efficiency and effectiveness of public spending. The ECOFIN Council also invited a comprehensive analysis of fiscal rules and institutions in the EU and asked for reinforced efforts to improve the availability of fiscal data. Moreover, it called for further progress to be made on the measurement of public expenditure efficiency and in the information content of public budgets. Hence, Member States can avail themselves of the EU framework to embed national expenditure reform efforts in a multilateral context, benefiting from peer review and benchmarking mechanisms.

3 "Improving the implementation of the Stability and Growth Pact (SGP)", Presidency Conclusions of the Brussels European Council, 22-23 March 2005.

4 See the article entitled "The need for comprehensive reforms to cope with population ageing" in the ECB Monthly Bulletin of April 2003.

Complementary to and with the help of the fiscal policy framework at the European level, national budgetary institutions can and should be strengthened through fiscal rules that enshrine expenditure discipline and efficiency at all levels of government. Such expenditure rules are already widespread in the euro area and provide additional tools to control public spending, thereby complementing the EU rules-based fiscal policy framework. In most cases, they allow the fixing of expenditure targets "ex ante" in the process of budgetary formation. However, clear implementation mechanisms and "ex post" control and enforcement are indispensable for such rules to be effective.

Expenditure reforms in a number of euro area countries were arguably boosted by the establishment of the European fiscal framework. The fiscal convergence required to enter Monetary Union and the need to comply with the rules of the Stability and Growth Pact thereafter induced countries to reconsider their expenditure commitments. But in the countries that significantly reformed public expenditure, the incentives deriving from European rules were typically complemented by institutional improvements to the national budgetary procedures. These included (i) the introduction of effective expenditure ceilings and budgetary control mechanisms in Spain and Finland, (ii) the strengthening of fiscal rules in Belgium, the Netherlands and Austria, (iii) the conclusion of an ambitious fiscal contract within the coalition government of the Netherlands, (iv) legal changes to the budgetary legislation process and enhanced control over expenditure in Finland, (v) the introduction of a fiscal council in Belgium, (vi) multi-year budgeting e.g. in the Netherlands and (vii) far-reaching delegation of fiscal control to the Minister of Finance as implemented in Ireland.

Box 4

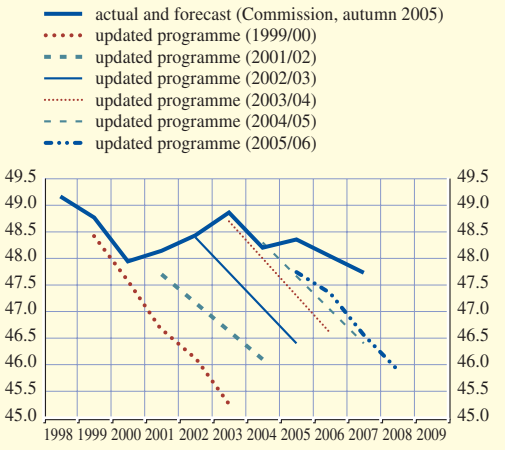
EXPENDITURE RETRENCHMENT IN STABILITY PROGRAMMES

All euro area countries report their medium-term budget plans including expenditure policies in annual updates of their stability programmes. However, implementation of expenditure plans in the euro area has been persistently disappointing. The stability programmes foresaw sizeable reductions in the ratio of government expenditure each year, with which the actual development compares poorly (see the chart).

The disappointing discrepancy between plans and actual developments was mainly due to the poor performance of countries that did not significantly reform public expenditure. Higher expenditure ratios were also in part due to overoptimistic growth forecasts. However, insufficient expenditure adjustment measures and overruns on spending compared with plans have contributed even more substantially.

Euro area general government total expenditure, planned and actual

(percentages of GDP)



Sources: European Commission and EU Member States' Stability and Convergence Programmes.

These experiences show that institutional innovations are typically country-specific and, in order to be effective, have to be tailor-made for the national set-up of budgetary procedures. However, despite considerable progress in some Member States, the overall development of public expenditure in the euro area still points to a clear need for improvement, in particular in those countries that have not yet reformed public expenditure sufficiently (see Box 4).

6 CONCLUSION

Public expenditure policies respecting sound government finances are key to fostering growth and preserving macroeconomic stability. Public expenditure supports growth via public services, such as security, infrastructure, education and basic social safety nets. If public expenditure enhances growth and is appropriately financed, it also guarantees the sustainability of fiscal accounts and it can smooth economic fluctuations via automatic stabilisers.

This article shows that public expenditure ratios have steadily increased in the euro area countries since the 1960s before peaking and, in some cases, declining in more recent years. Public expenditure in the euro area is, moreover, much higher than in most other industrialised countries. According to many observers, it exceeds the levels required for the efficient provision of essential public services. The increasing levels of spending coincided with rising taxes and disincentives to work and invest, as well as growing fiscal imbalances. More recently, population ageing is pointing to additional expenditure pressures that risk undermining fiscal sustainability.

This article explains that further expenditure reforms are needed in many countries to reduce the level of spending on non-core tasks of the public sector, enhance the efficiency and incentive effects of public spending and prioritise productive objectives within public sector activity. Moreover, spending reductions would alleviate fiscal imbalances while also allowing for lower taxes. Such measures would support macroeconomic stability, promote growth and create a better environment for price stability.

The positive experiences of some euro area countries with expenditure reforms have received too little attention in the past. They point to a virtuous circle of expenditure reform, growth and sustainability when the strategy is ambitious and comprehensive. These cases also show that institutional reforms of domestic budgetary procedures and compliance with the European governance framework for fiscal and structural policies can support the reform process decisively. Such countries have experienced strong fiscal and growth performance.

PORTFOLIO MANAGEMENT AT THE ECB

The ECB owns and manages three kinds of portfolios: the foreign reserve portfolios; the own funds portfolio; and the portfolios corresponding to the pension fund. This article outlines the approach followed in managing these portfolios and provides information about this activity. It also briefly outlines the main operational, IT and legal aspects of this activity.

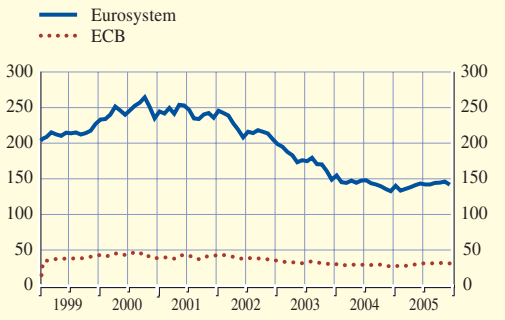
1 GENERAL DESCRIPTION OF THE PORTFOLIO MANAGEMENT FRAMEWORK

The ECB currently owns three kinds of portfolios. The first and largest comprises the foreign reserves of the ECB, which at the end of 2005 had a market value equivalent to around €41 billion, of which around €31 billion was in foreign currencies – the US dollar and the Japanese yen – and around €10 billion was in gold and special drawing rights (SDRs). The ECB's foreign reserves are one component of the foreign reserves of the Eurosystem, the other component being the foreign reserves of the euro area NCBs. At the end of 2005, total Eurosystem foreign reserves amounted to around €320 billion, of which €142 billion was in foreign exchange assets and €178 billion in gold, SDRs and IMF reserve positions. Reflecting mostly portfolio choices of NCBs, the foreign reserves of the Eurosystem declined steadily, net of exchange rate changes, between 1999 and 2005. By contrast, – leaving aside the one-off impacts of the foreign exchange market interventions of September and November 2000 – in broad terms, the ECB's foreign reserves remained stable over this period, with changes mainly reflecting exchange rate fluctuations and accumulated portfolio returns (see Chart 1).

The purpose of the ECB's foreign reserve portfolio is to ensure that, whenever needed, the Eurosystem has a sufficient amount of liquid resources for its foreign exchange policy operations involving non-EU currencies, such as the interventions that took place in September and November 2000.[1] It should be noted, however, that the ECB's capacity to intervene in the foreign exchange market is not restricted by its foreign reserve holdings. This is because:

Chart 1 Eurosystem and ECB foreign exchange reserves

(EUR billion equivalent)



Source: ECB.
Note: Official foreign reserve assets excluding gold, SDRs and IMF reserve positions; market values.

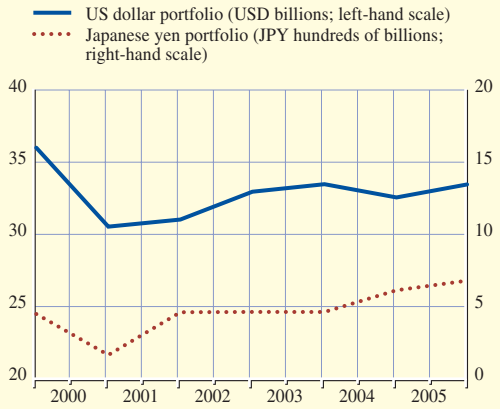
- NCBs are committed to providing an additional amount of foreign reserves to the ECB, should the need arise;
- the ECB could fund interventions without having recourse to foreign reserve holdings, for example by using foreign exchange swaps with the market or with the relevant central banks;
- foreign exchange operations involving EU currencies, including interventions related to the Exchange Rate Mechanism II, can be funded within the ESCB[2].

The distribution between US dollar and Japanese yen assets reflects both estimated needs in case of market intervention and risk optimisation. At the start of 1999 the ratio of US dollar to Japanese yen assets was 90/10. At the end of 2005, following foreign exchange market

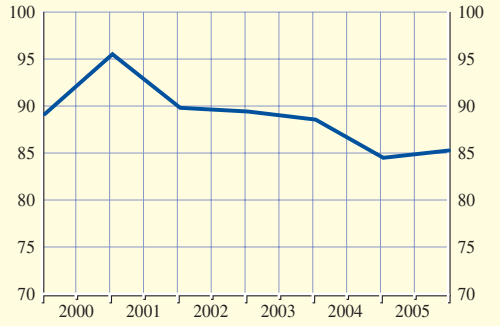
1 Further information about the Eurosystem's foreign exchange operations is available at the following internet address: http://www.ecb.int/ecb/orga/tasks/html/foreign-exchange.en.html.
2 The ESCB is composed of the ECB and the NCBs of all 25 EU Member States.

Chart 2 Currency distribution of the ECB's foreign exchange reserves

a) Sizes of US dollar and Japanese yen portfolios
(market values)



b) Percentage of the ECB's foreign exchange reserves invested in US dollars
(market values; in EUR equivalent)



Source: ECB.
Note: Portfolio sizes are calculated as official reserve assets, plus deposits in foreign currency with residents, minus future predetermined net drains on foreign currency holdings due to repos and forward transactions.

fluctuations and some rebalancing operations, the ratio was around 85/15 (see Chart 2).

The second portfolio is the own funds portfolio. The invested paid-up capital and the general reserve fund of the ECB form the basis of this portfolio, which amounted to around €6.4 billion at the end of 2005. The purpose of the own funds portfolio is to provide the ECB with a reserve to meet possible losses. The portfolio is invested in euro-denominated assets.

The third, and by far the smallest, portfolio is the ECB's pension fund portfolio, where the money of the ECB's retirement plan is invested. The ECB's pension fund amounted to €161 million at the end of 2005, with total contributions by the ECB and its staff of around €20 million in 2005. The assets of the ECB's pension fund are owned directly by the ECB but are earmarked for the retirement plan; the financial results of the portfolio investment are retained within the fund.

The three portfolios are very different not only in terms of size, but also as regards composition, purpose, objective and management. However, the ECB applies some overarching portfolio management principles and rules to all three portfolios.

– First, the ECB applies a "market neutrality principle": it endeavours, in its portfolio management activities, not to cause any undue distortion in market prices. In practice, this means that the ECB's portfolio management activities are only conducted in markets that are deep and liquid enough to ensure that portfolio management transactions are easily absorbed at market-determined prices.

– Second, the ECB applies professional ethics rules, as set out in the "Code of Conduct of the ECB" and the "Rules on professional conduct and professional secrecy". These documents give guidance on matters of professional ethics to all ECB employees. In this context, insider trading rules, aimed at avoiding the use of inside information for private investment activities by the people involved in portfolio management, are obviously of particular relevance.[3]

– Third, the ECB applies a strict separation between portfolio management and other activities: a Chinese Wall, which is reflected in the ECB's organisational structure,

3 Further information about the ECB's corporate governance is available at the following internet address: http://www.ecb.int/ecb/orga/governance/html/index.en.html.

ensures that the people involved in portfolio management activities do not receive any privileged information from other parts of the ECB. The idea behind this is to prevent any conflict of interest between the policy and the investment activities of the ECB.

2 ORGANISATIONAL ASPECTS

The ECB has organised portfolio management activities in distinct ways for its foreign reserves, own funds and pension fund portfolios, thereby taking account of the different objectives assigned to each portfolio.

For the ECB's foreign reserves, the portfolio management objective is to maximise returns through prudent portfolio management, subject to the stringent security and liquidity requirements that derive from the portfolio's purpose. Investment guidelines and benchmarks are defined within the ECB using internally developed methods (see Sections 3 and 4 respectively).

While some functions, such as risk management and accounting, are carried out in a centralised manner at the ECB, most of the front and back office functions are decentralised across the Eurosystem.

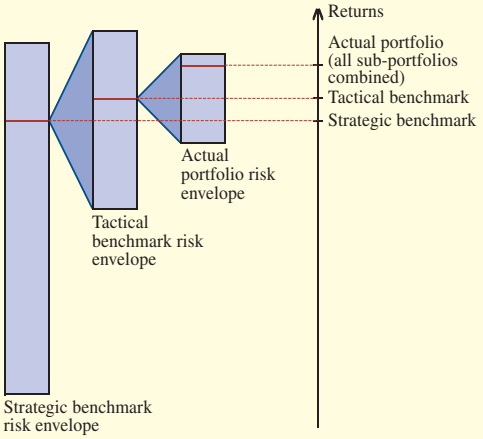
Two portfolio management mandates have been defined to reflect this decentralised approach.[4]

– The first mandate for the ECB's foreign reserves envisages the outperformance of the foreign reserve portfolio strategic benchmarks (one in US dollars and one in Japanese yen) in compliance with specific investment guidelines and avoiding frequent changes in positions (normally positions are reviewed and possibly changed only once a month). This mandate has been given to the ECB's Investment Committee, which reports to the Executive Board. The results of the positions put forward by the Investment Committee and approved by the Executive Board constitute the tactical benchmarks for the ECB's foreign reserves (one in US dollars and one in Japanese yen).

– The second mandate envisages the outperformance of the tactical benchmarks; it also includes the settlement of the market transactions necessary to invest the ECB's foreign reserves, in compliance with specific investment guidelines. The resulting portfolio management structure and task allocation are shown in Chart 3 and Table 1.

Until the end of 2005, the latter mandate was given in identical terms to each NCB. Since 1 January 2006, euro area NCBs have had the freedom to abstain from taking up the ECB's foreign reserve management mandates. Those NCBs that abstain from taking up a mandate would not be involved in operational activities related to the ECB's foreign reserve management but would

Chart 3 Management structure of the ECB's foreign reserve portfolio



Source: ECB.
Note: The boxes display risk envelopes for the strategic benchmark, tactical benchmark and actual portfolios; the horizontal red lines represent the selected risk levels, which respectively reflect the outcome of the strategic benchmark design process, the tactical benchmark positioning and the actual portfolio positioning; the vertical axis displays returns resulting from the portfolio decisions.

4 In this context, the term "mandate" refers to the allocation of the responsibility to manage a portfolio to a business unit or an external party. A mandate specifies the benchmark portfolio against which portfolio management performance will be assessed, the portfolio management objective and the relevant investment guidelines, such as a list of eligible instruments and a set of risk limits.

Table 1 Allocation of foreign reserve portfolio management tasks

(• = full responsibility for a task; ◦ = local responsibility to contribute to a task)

Activity		ECB	NCBs
Investment decisions		•	•
Execution			•
Settlement	Confirmation generation and matching		•
	Custodians and correspondents instructions		•
Reconciliation	Portfolio management system/sub-account statements	•	•
	Sub-account statements/accounting	•	
Accounting		•	
Deal capturing and risk management system		•	◦
Risk management (e.g. performance attribution, limits, eligible countries/counterparties/issuers)		•	
Foreign reserve management framework		•	(ESCB committee)

Source: ECB.

remain involved in strategic activities, such as the work on benchmarks and investment guidelines. Those NCBs that take up an ECB foreign reserve management mandate are eligible for a mandate corresponding to either a US dollar sub-portfolio or a Japanese yen sub-portfolio. The Deutsche Bundesbank and the Banque de France are eligible for two mandates. The allocation of mandates will be reviewed as a rule every three years or if a specific need arises. Compared with the framework which was in place until the end of 2005, the new framework is expected to bring efficiency gains. The initial allocation of portfolio management mandates is shown below (see Table 2). It follows approximately the capital key of the ECB, i.e. the shares of the different NCBs in the paid-up capital of the ECB[5].

As regards the ECB's own funds, the portfolio management objective is to generate returns over the long term in excess of the average main refinancing rate of the ECB. Investment guidelines and the benchmark are specified so as to fulfil this objective. The ECB's Investment Division has been given a mandate to outperform the own funds portfolio benchmark, in compliance with specific investment guidelines.

Table 2 Allocation of the ECB's foreign reserve sub-portfolios

(on 31 January 2006)

US dollar portfolio (in USD millions)		Japanese yen portfolio (in JPY hundreds of millions)	
BE	1,398	DE	628
DE	11,039	FR	442
GR	1,040	NL	2,510
ES	4,262	AT	1,307
FR	7,765	PT	1,109
IE	505	FI	810
IT	7,153		
LU	121		

Source: ECB.

For the ECB's pension fund, the portfolio management objective involves maximising the fund's asset value and minimising the risk that the retirement plan's liabilities exceed its assets. An external service provider selected by the ECB currently manages the whole pension fund portfolio.

3 INVESTMENT GUIDELINES

Investment guidelines translate the general portfolio management objectives into specific principles and rules, including issuer and counterparty eligibility criteria as well as a framework for market and credit risk management. There are significant differences between the pension fund and the other two kinds of portfolios as regards investment guidelines. Box 1 includes information about the pension fund; the comments which follow refer to the other two portfolios only.

5 Further information on the paid-up capital of the ECB is available at the following internet address: http://www.ecb.int/ecb/orga/capital/html/index.en.html.

Box 1

LEGAL ASPECTS OF THE ECB'S PORTFOLIO MANAGEMENT

This box outlines the main legal aspects related to the ECB's portfolio management in relation to the ECB's foreign reserves, own funds and the pension fund, as well as the recently established Eurosystem reserves management services framework.

Foreign reserves management

To document operations involving its foreign reserve assets, the ECB uses:

- the FBE Master Agreement for Financial Transactions, 2004 edition, (the European Master Agreement or "EMA") with counterparties incorporated under the laws of 15 EU jurisdictions and Swiss law for (i) repurchase agreements and buy/sell-back agreements, and (ii) over-the-counter derivatives and foreign exchange operations;
- the Bond Market Association ("TBMA") Master Repurchase Agreement, 1996 version, for repurchase agreements and buy/sell-back agreements with counterparties incorporated under US federal or state laws;
- the TBMA ISMA Global Master Repurchase Agreement, 2000 version, for repurchase agreements and buy/sell-back agreements with counterparties incorporated under the laws of jurisdictions outside the EU, Switzerland and the United States;
- the International Swaps and Derivatives Association ("ISDA") Master Agreement (multi-currency, cross-border), 1992 version, for over-the-counter derivatives and foreign exchange operations with all counterparties, except those incorporated under the laws of 15 EU jurisdictions or Swiss law; and
- the ECB Master Netting Agreement to document operations with all counterparties except the counterparties with which the ECB has signed an EMA and which are incorporated under the laws of 14 EU jurisdictions or Swiss law.

Own funds management

To document its own funds operations, the ECB uses the EMA and the ECB Master Netting Agreement. The contractual framework of the ECB regarding its securities lending with respect to the own funds portfolio aims to ensure the following objectives:

- to minimise risks regarding the lending of the portfolio;
- to facilitate lending activities; and
- to ensure the confidentiality of the composition of the ECB's portfolio.

To this effect, the securities lending and agency agreement ensures, among other things, that the ECB is indemnified for any loss possibly occurring during repo and reverse repo operations under the securities lending programme. It was also an important consideration to enter into a contract with an entity based in the euro area, carrying out securities lending activities itself, while benefiting from the guarantee of the mother company. To ensure that the composition of the ECB's portfolio is kept confidential, the ECB requires that appropriate – and identical – confidentiality undertakings are entered into between the securities lending agent and the

different eligible counterparts. A similar arrangement is under consideration regarding the US dollar assets of the foreign reserves portfolio.

Pension fund management

The pension fund is invested in bonds, equities and money market instruments. The ECB is the contracting party with the service providers of the pension fund, on behalf of the pension fund. Until recently there was one contract with a service provider that performed the function of both investment manager and custodian. Since then, the two functions have been separated and there is a separate investment management agreement with a service provider acting as the investment manager of the pension fund and a custody agreement with the custodian institution.

The industry standard agreements were used as a basis, tailored to the specific requirements of the ECB's pension fund. Liability issues are of course always key issues with respect to agreements of the kind. In addition, the ECB's control over the custody network used and the financial instruments applied had to be ensured. Because of the dual framework (separate custodian and investment manager) the exact split of responsibilities between the two service providers had also to be set out. As regards the investment manager, the agreement had to cater for market risk limits, defined using the tracking error concept, which will ensure that the performance of the managed portfolios does not deviate substantially from that of the corresponding benchmarks. For certain asset categories, it was foreseen to use already existing funds operated by the investment manager, alongside other investors. In order to meet the ECB's requirements, some modifications to the existing policies of these funds were necessary. The special tax status of the ECB also had to be reflected in the structure, with appropriate tax and corporate action service level ensured by the custodian. Because of the relatively complex structure, it was also necessary for all charges to be identified and made transparent and billed directly to the ECB.

ISSUER AND COUNTERPARTY ELIGIBILITY CRITERIA

The ECB's foreign reserves and own funds portfolios are invested in fixed income instruments, i.e. money market instruments, bills and bonds and corresponding derivative instruments.

In selecting eligible issuers for the ECB's foreign reserves, the main focus is on ensuring that the foreign reserves are invested in line with their primary operational objectives, namely security and liquidity. In particular, the following issuers are currently eligible: the governments of the United States, Japan and Canada; some highly rated agencies and international or supranational organisations in which EU members are not majority shareholders; and the BIS.

Eligible issuers for the ECB's own funds are grouped into three categories: government issuers, non-government issuers and covered bond issuers. Government issuers include in particular EU Member States and regional governments, provided that they fulfil a minimum rating. Non-government issuers include some highly rated agencies and corporations, and the BIS. In addition, both government and non-government securities are only used in managing the ECB's own funds if they are traded in a deep and liquid market, i.e. a market in which the ECB's transactions can be easily absorbed with no undue price impact. Non-government issuers also need to fulfil a minimum rating threshold and other criteria, including a minimum size of equity capital.

Counterparties for the ECB's foreign reserves and own funds management operations are chosen on the basis of prudence and operational efficiency. They need to (i) be supervised by a recognised supervisor; (ii) be incorporated in an eligible country; (iii) fulfil minimum creditworthiness criteria as defined by the ECB; and (iv) be approved individually by the ECB. The minimum creditworthiness criteria are differentiated with respect to the credit risk resulting from different instruments. The minimum creditworthiness is higher for transactions creating direct credit risk exposure, such as uncollateralised deposits, than for delivery-versus-payment (DvP) transactions. In the case of own funds, uncollateralised deposits are allowed only with the BIS. For an unrated counterparty, a formal written guarantee from the parent company of the counterparty, which must have an adequate rating, will be required as a prerequisite for the counterparty's eligibility. Presently, the minimum credit rating for counterparties eligible for non-collateralised transactions is A (the second best rating in ratings by several international rating agencies).

Table 3 summarises the number of eligible counterparties, issuers and countries for ECB foreign reserves and own funds.

It is also worth noting that transactions made in the context of the ECB's portfolio management face another constraint, namely respecting the prohibition of monetary financing embodied in the Treaty and the associated Council Regulation[6]. In particular, purchases of debt instruments issued by Member States or Community institutions or bodies in the primary market are strictly prohibited, whereas such purchases in the secondary market, although not prohibited, must not be used to circumvent the prohibition. In this context, secondary market purchases or debt instruments issued by Member States are subject to monitoring thresholds. However, in the specific context of the foreign reserve portfolio, there is an exemption, which permits the ECB to purchase debt instruments issued by the non-participating Member States in the primary market, if these purchases are conducted for the sole purpose of the foreign exchange reserves management[7].

Table 3 Number of eligible counterparties, issuers and countries

(on 31 January 2006)

	Foreign reserves	Own funds
Total counterparties	119[1)]	26[2)]
of which: eligible for DvP transactions	*81*	*26*
of which: eligible for deposits	*45*	*1 (BIS)*
Eligible private sector issuers	1	52
Eligible public sector issuers	8	35
Eligible countries	21	26

Source: ECB.
1) For foreign reserves, 39 counterparties are eligible for deposits and DvP transactions.
2) For own funds, the BIS is eligible for deposits and DvP transactions.

MANAGEMENT OF CREDIT RISK

While the first credit risk-related restrictions for investments in the context of the ECB's foreign reserves and own funds are the counterparty and issuer eligibility criteria described in the previous section, more precise tools are needed for the management of credit risk. These are limits which assure that excessive risk-taking and concentration is avoided. The different categories of limits implemented and monitored in the ECB's credit risk management system are the following:

– Country risk limits. Country exposure results from issuer and counterparty exposure, whereby the jurisdiction of organisation/incorporation of the issuer or counterparty is taken into account. Country limits depend on the relevance of the countries for the ECB's investment activities, their credit rating and their size in terms of GDP.

6 This prohibition is referred to in Article 101 of the Treaty, to which Council Regulation (EC) No 3603/93 of 13 December 1993 is linked.

7 This specific exemption is mentioned in Article 2 of Council Regulation (EC) No 3603/93. As mentioned earlier, this exemption is not relevant for the ECB, which has decided that EU Member States and international or supranational organisations in which EU Member States are majority shareholders are not eligible issuers for the ECB's foreign reserve management.

– Issuer risk limits. These apply to exposure arising from the holding of securities of issuers or groups of issuers. Issuer limits depend on the relevance of the issuers, their ratings and the size of outstanding issues.

– Counterparty risk limits. Specific sub-limits for counterparty risk arising from uncollateralised deposits are applicable in foreign reserves management. Counterparty limits depend on the counterparties' rating (or its guarantor's rating) and equity. Furthermore, a ceiling applies to all counterparties.

– Counterparty settlement limits. This limit applies to exposure arising from non-DvP transactions. In the case of the ECB's own funds, there is no settlement risk limit since all transactions are DvP transactions.

For the ECB's foreign reserves, total limits are allocated to the NCBs which manage sub-portfolios in a decentralised way, according to a distribution key reflecting portfolio sizes.

MANAGEMENT OF MARKET RISK

The market risk for the ECB's foreign reserve and own funds portfolios is managed through a multi-layered benchmark framework and deviation bands around these benchmarks for the activities of portfolio management. Essentially, the overall market risk is managed by ensuring that the individual investment portfolios are expected to avoid losses at given prudent confidence levels.

Market risk exposure, implied by all investment portfolios, and the compliance of portfolio management with the market risk framework are monitored daily by means of the IT systems described in Box 2. Market risk exposure is measured by a variety of indicators, including Value at Risk (VaR) figures for the holdings expressed in local currencies and euro, modified durations, tracking errors and exposures to specific instrument classes.[8] VaR figures are calculated both on an absolute basis and relative to the respective benchmarks.

Within this framework, deviation bands around the benchmarks, expressed in terms of modified duration and relative VaR, provide leeway for portfolio management. While VaR figures have been monitored for several years, relative VaR limits will only become binding this year and modified duration limits will correspondingly

8 Modified duration is a measure of the interest rate exposure of a portfolio. It reflects the weighted average time to maturity of the instruments held in the portfolio. VaR is an estimate of the maximum possible loss at a given confidence level (e.g. 95%) over a given investment horizon (e.g. one year). Tracking error is the standard deviation of differences between portfolio returns and benchmark returns observed at a given frequency (e.g. daily) over a given period of time (e.g. three months).

Box 2

IT SYSTEMS FOR THE ECB'S PORTFOLIO MANAGEMENT

All of the ECB's portfolio management activities, except pension fund management, are supported by a single, integrated portfolio management system. This system ensures that all instruments eligible with the ECB's foreign reserve and own fund management frameworks are processed and monitored in compliance with the ECB's requirements in the front, middle and back office areas. A customised accounting module has been developed and integrated into the system to cope with the special ESCB accounting requirements.

The system was procured in 1997 with a public tender and followed a thorough selection process, in which seven systems were short listed and evaluated on the basis of a pre-agreed set of conditions to select the one that best matched the ECB's functional and technical requirements. The system was implemented in 1998 to be operational by 1 January 1999.

Since then, several new versions have been introduced to ensure that the system continues to fit the ECB's evolving needs, for example, to support the new features and instruments introduced as a result of changes in the ECB's investment framework.

Since 1997 several NCBs within the ESCB have selected the same system as the ECB for the management of their own portfolios. The increasing number of central banks using the same IT platform for their own purposes has provided unique opportunities to undertake joint projects, exploit synergies and better manage the relationship with the vendor.

The technical architecture ensures that every NCB that is involved in the management of ECB foreign reserves, in accordance with the decentralised set-up, is connected to the same central servers while having access only to the transactions related to its investment and intervention portfolios. No interfaces or batch transaction transfers are therefore needed.

Although the system also covers back office functionalities, only the front and middle office functionalities are utilised in the ECB's installation, whereas each NCB is responsible for settling the transactions undertaken as the ECB's agent via its own system.

The ECB also uses several other systems in its portfolio management activities. These include a pension fund administration system, a system for cash and security reconciliation, an electronic trading platform for securities transactions, and a system for risk analytics. A database for the analysis of historical risk and performance-related figures is currently being developed.

be discontinued. The market risk limits are specified to ensure that position-taking is possible while potential market risk is still contained at prudent levels. In the past, the positions which were taken have on average remained significantly below the allowed deviation bands, reflecting a prudent attitude towards risk taking on the part of portfolio managers at the ECB and the NCBs. Benchmarks and deviation bands are reviewed regularly to ensure their compliance with the overall risk-return preferences of the ECB.

The liquidity risk profile of the ECB's foreign reserves is also monitored daily to ensure that adequate amounts of assets are held in cash or highly liquid securities.

4 BENCHMARK DESIGN

For the ECB's foreign reserves, establishing the strategic asset allocation is a two-step process. The first step is to determine the foreign reserves' currency mix, thus to derive the optimal shares of the US dollar and Japanese yen holdings, taking into account first policy needs and then risk considerations. The second step is to propose an optimal asset allocation within each of the currencies. Currently, risk-return preferences are formulated separately for the management of the currency allocation and the management of the US dollar and Japanese yen sub-portfolios.

For the ECB's own funds, the strategic asset allocation process is similar to the second step described above, with somewhat different parameters reflecting the longer-term orientation and lower liquidity requirements of the ECB's own funds.

Given the importance of selecting adequate investment benchmarks, as shown by many theoretical and empirical studies, considerable resources are devoted to the development of the methodologies used in the benchmark design process. The investment function of the ECB has developed a purpose-built econometric model, which relies on publicly available

macroeconomic forecasts, to derive forward-looking return expectations for the individual asset classes included in the investment universe for the foreign reserves and own funds. The use of forward-looking returns is a considerable improvement on using past returns as inputs for the benchmark design process. The standard mean variance optimisation technique is supplemented by alternative optimisation techniques designed to enhance the robustness of the analysis. The benchmark design process is continuously reviewed and improvements and refinements are sought.

5 PORTFOLIO MANAGEMENT RESULTS

The ECB publishes financial results in its Annual Reports. In 2005 net profits amounted to exactly zero, following losses of €1.6 billion in 2004 (see Table 4). The development of the ECB's financial results is heavily affected by adverse exchange rate movements: for example, the strengthening of the euro against the US dollar brought about the losses in 2003 and 2004, since a large portion of the ECB's assets are unhedged foreign reserves. In line with the ECB's prudent accounting policies, which take into account this significant exposure, valuation gains are not recognised as income, but are taken to revaluation accounts; whereas valuation losses are treated as an expense. The effect of this asymmetric treatment of unrealised gains and losses is to defer profits until the corresponding assets are sold or until they mature. The annual financial result will therefore be different from that indicated by a fully fledged mark-to-market return.

Exchange rate shocks explain only part of the developments in the ECB's annual profits: for example, the profits in 2001 and 2002 were mainly driven by bond market developments: bond yields decreased significantly to very low levels and brought about significant capital gains. Low interest rates, however, left little room for interest income to offset the losses realised on the exchange rate in 2003 and 2004. Since 2004 the level of interest rate risk to which the three portfolios are exposed has been reduced significantly, given the low level reached by interest rates and the prevailing level of interest rate volatility.

Table 4 Annual profit and loss of the ECB since 1999

(in EUR millions)

Year	P & L
1999	-247
2000	1,990
2001	1,822
2002	1,220
2003	-477
2004	-1,636
2005	0

Source: ECB.

The portfolio management mandates, which the ECB has defined for its foreign reserves and own funds, assign an important role to the maximisation of portfolio performance over the benchmark return. This reflects the idea that, within the strict constraints imposed by the roles and objectives of the portfolios, as reflected in the risk management framework, portfolio managers can add value to the portfolios over time. Although portfolio management performance was negative at times, particularly in 2002, it was positive and non-negligible in most years between 1999 and 2005 and thus on a cumulated basis. This mainly reflected the daily activities of the various portfolio managers.

Portfolio managers also add value to the ECB's portfolios by putting forward business cases for new instruments to be included in the investment universe. Over time, the ECB's investment universe has been enlarged, by adding new categories of instruments such as covered bonds, new eligible issuers within eligible categories of instruments, and derivative instruments, such as money market and bond futures. Portfolio managers have also proposed new portfolio management mandates, such as those mentioned above for security lending for the own funds portfolio and the foreign reserves' US dollar portfolio.

Portfolio managers also play an important role in the financial market monitoring activities of the ECB and the Eurosystem. Portfolio managers must closely monitor and analyse financial market developments – both current and structural – in various degrees of detail, from broad asset classes down to individual financial instruments. They rely on many sources of information including, in particular, research and views submitted by market counterparties.

The resulting body of continuously updated knowledge about financial market developments is considered to have considerable value for the ECB and the Eurosystem. To spread this knowledge, portfolio managers are responsible for preparing regular briefings about financial market developments seen from an investor's perspective. In addition, they answer occasional queries about financial markets. Thus, analyses of financial market developments and innovations and structural changes in financial markets benefit significantly from the insights gained in the portfolio management process.

6 SETTLEMENT FRAMEWORK

Different settlement frameworks are in place for the various types of portfolios owned by the ECB. Whereas the euro area NCBs that opt to participate in the ECB's foreign reserve management (currently all 12 euro area NCBs) perform the settlement of regular ECB foreign reserve management transactions, the ECB settles all transactions for its own funds portfolio. The processing of transactions for the ECB's pension fund is currently carried out by an external party.

The ECB strives to apply the highest standards in the processing of transactions for its foreign reserve and own funds portfolios. In cooperation with counterparties, efforts are also made to further improve the secure and efficient processing of transactions in the industry as a whole, particularly as regards the application of best practices in the exchange of trade confirmations.

NCBs carry out operations involving the ECB's foreign reserve assets as declared agents for the ECB. Thus, when dealing with portfolio management counterparties, NCBs identify the operations they carry out for their own account and those that they carry out in the name of and for the account of the ECB, i.e. this agency status is disclosed. To facilitate this arrangement, accounts with financial intermediaries – including correspondents, securities and gold custodians/depositories and central clearers for exchange-traded derivatives – have been opened in the ECB's name with individual NCBs having operating authority over these accounts. Moreover, common requirements and procedures for ECB and NCB operations have been defined to ensure that adequate separation between the ECB's and the NCBs' assets is maintained. Such common guidelines also ensure that the ECB's foreign reserve management transactions are processed in a harmonised way throughout the entire Eurosystem, in line with best practices and high safety standards. Comprehensive controls are in place at both the ECB and NCB levels, including the regular, detailed reconciliation of external statements for the ECB's cash, securities, gold and futures accounts against the various systems used. Detailed data on settlement failures are collected and analysed by the ECB, with regular reporting to the ECB's decision-making bodies.

The ECB and the NCBs actively manage the collateral received as part of the ECB's own funds and foreign reserve management transactions. Following pooling/netting of relevant collateralised operations, exposures vis-à-vis counterparties are calculated and the need for any margin calls[9] is assessed.

7 CONCLUSION

The ECB owns and manages three kinds of portfolios: foreign reserves, own funds and the

9 Margin calls are requests for counterparties to post additional collateral.

pension fund. Each portfolio has a particular purpose, which is reflected in the way it is managed. The ECB's portfolio management activities are subject to strict rules which ensure market neutrality, ethical behaviour and a strict separation between portfolio management and policy-making. Detailed investment guidelines are in place to ensure that market and credit risks are strictly controlled and provide clear and fair criteria for the selection of eligible issuers and counterparties.

Significant resources are allocated to the design of portfolio benchmarks, which are the main drivers of portfolio returns and risks. Portfolio management mandates are defined and allocated with a view to maximising, within the given constraints, portfolio performance over benchmark while keeping administrative and other costs as low as possible. As regards the ECB's foreign reserves, a change in the process of allocation of sub-portfolios was implemented in January 2006, which is expected to lead to efficiency gains.

Updated information will be published as needs arise, in particular in the ECB's Annual Reports.

MONETARY AND EXCHANGE RATE ARRANGEMENTS OF THE EURO AREA WITH SELECTED THIRD COUNTRIES AND TERRITORIES

Since its inception, the euro area has established close monetary and exchange rate relations with a number of third countries and territories. In Europe, although they are not members of the European Union, Monaco, San Marino and the Vatican City use the euro as their official currency and even issue their own euro coins. Outside Europe, the euro is used in the two French overseas territories of Mayotte and Saint-Pierre-and-Miquelon, which also do not form part of the European Union. The use of the euro in these countries and territories is not a case of "unilateral euroisation" but takes place with the official approval of the European Community. In addition, a number of countries and territories that share a history of close economic and political ties with a euro area country, namely French Polynesia, New Caledonia, Wallis and Futuna Islands, Cape Verde, the Comoros and the countries of the CFA[1] franc zone, have pegged their currencies to the euro with the official approval of the European Community.

This article, which is mainly of a descriptive nature, provides an overview of the existing monetary and exchange rate arrangements of the euro area.[2] After briefly recalling the rationale for establishing such arrangements, and their legal basis, the article gives short descriptions of the various arrangements with a view to providing greater information about the cases where the euro is officially used outside the Community or where it serves as a fixed peg for third currencies. Possible future monetary and exchange rate arrangements involving the euro area are also discussed.

1 INTRODUCTION

The Treaty establishing the European Community (hereinafter "the Treaty") explicitly provides for the conclusion of monetary and exchange rate agreements with third countries and international organisations. Article 111 of the Treaty distinguishes between three different forms of arrangements. First, in accordance with Article 111(1) of the Treaty, the Community may, under certain conditions and following special procedures, conclude formal agreements on exchange rate systems for the euro in relation to non-Community currencies. One such example was the "Bretton Woods" system of fixed, but adjustable, exchange rates. Second, in the absence of such an exchange rate system, the Community may, under Article 111(2) of the Treaty, formulate "general orientations" for the euro area's exchange rate policy in relation to non-Community currencies. Third, Article 111(3) of the Treaty establishes that the Community can conclude agreements concerning monetary and exchange rate matters with one or more states or international organisations. The involvement of the ECB in each of the possible Community actions is explicitly ensured under Article 111 of the Treaty.

The scope of exchange rate agreements under Article 111(3) of the Treaty covers, by way of exclusion, all cases not covered by Articles 111(1) and 111(2) of the Treaty. In this context, it should be mentioned, for the sake of clarity, that the Community's Exchange Rate Mechanism II (ERM II) does not fall under any of the options covered by Article 111 of the Treaty. The mechanism deals with the exchange rate relations between the euro and other Community currencies and not with non-Community currencies, which are exclusively the subject of Article 111 of the Treaty.

To date, the Community has only made use of the third type of arrangement[3], i.e. as covered

1 CFA stands for Communauté Financière Africaine.
2 This article does not consider cases of "unilateral official euroisation". In these cases, the decision to attribute to the euro – or to one of the preceding legacy currencies before 1999 – the status of official legal tender has been taken without any involvement of the European Union. The two cases of unilateral official euroisation are the Republic of Montenegro and Kosovo.
3 The term "arrangement", as used in this article, covers both bilateral agreements and unilateral decisions taken by the Council.

by Article 111(3) of the Treaty.[4] This article addresses the monetary and exchange rate arrangements established under this provision and is structured as follows. Part 2 briefly recalls the rationale for the conclusion of monetary and exchange rate arrangements. The Community's legal basis for the conclusion of such arrangements is described in Part 3. A more detailed overview of the various arrangements in place is provided in Part 4, which also examines possible future monetary and exchange rate arrangements involving the euro area.

2 THE RATIONALE FOR MONETARY AND EXCHANGE RATE ARRANGEMENTS WITH SELECTED THIRD COUNTRIES AND TERRITORIES

All the countries and territories that are currently involved in monetary arrangements with the European Community had one immediate motivation for introducing the euro, namely that they were using a legacy currency of the euro as their official currency prior to its introduction.[5] Previously, Monaco, Mayotte and Saint-Pierre-and-Miquelon used the French franc as their official currency, while San Marino and the Vatican City used the Italian lira. The most straightforward solution for the disappearance of these national currencies was to replace them with their successor currency, the euro, thereby ensuring the continuity of existing links between the third countries and territories concerned and the European Community.

The fact that these countries and territories were using a legacy currency of course had a broader background. The common element in this was a history of close economic and political ties between each of these countries and the anchor country. In the cases of Monaco, San Marino and the Vatican City, their geographical situation and size were a major factor in the development of such ties.

With regard to the advantages of introducing the euro by mutual agreement with the European Community, one major tangible benefit is the elimination of transaction costs associated with the exchange of the currencies involved. This benefit will be greater for small open economies, as a larger share of all transactions conducted by their residents is with non-residents. Among the other benefits – often mentioned in economic literature – of introducing another country's currency are the positive effects on macro-economic stability, risk premia for borrowers, the development of the domestic financial sector and international economic and financial integration.

The main reason behind the exchange rate arrangements discussed in this article was the continuation of existing relations. More generally, the advantage of fixed exchange rate pegs for the pegging countries is seen in the contribution they can make to economic stability. In the cases described, it is not so much the fixed exchange rate, but rather the substantial fiscal transfers made by the guaranteeing country and needed to finance the current account deficits of the beneficiary country, which provide for such stability. Furthermore, a stable exchange rate is generally conducive to economic and financial integration with the anchor country/currency area.

The introduction of the euro in third countries and territories and guaranteed currency pegs may also have a number of potential benefits for the euro area. The introduction of the euro outside the Community will result in an increase in seigniorage revenues. In the cases under discussion, this benefit can, however, be assumed to be very small, owing to the small

4 Formally, monetary and exchange rate arrangements involving the euro are concluded or established by the European Community. Any decisions to this end are, however, exclusively taken by those EU Member States that have adopted the euro. Against this background, the described arrangements are referred to as arrangements of the euro area.

5 The term "legacy currency" refers to the former currencies of the EU Member States that have been replaced by the euro.

size of the economies and the fact that Monaco, San Marino and the Vatican City are allowed to issue certain amounts of their own euro coins (see below). Furthermore, the agreements with third countries may also be used to ensure their cooperation in areas of interest to the euro area, such as the fight against counterfeiting, money laundering, tax evasion, and banking supervision and regulation. Finally, the introduction of the euro in third countries and territories can serve as a means for the Community to confirm and further strengthen economic, financial and historic ties with third countries and territories.

While monetary and exchange rate arrangements are motivated by their potential benefits, it should be noted that their conclusion is not without cost or risk. The obligation of third countries to ensure the applicability of relevant EU legislation, for example, obviously involves costs. In addition, sacrificing the possibility to adjust their exchange rate may also be seen as a cost to third countries that have introduced the euro.[6]

3 THE LEGAL FRAMEWORK

As explained above, the scope of application of Articles 111(1) and 111(2) of the Treaty covering exchange rate systems and general orientations for the euro area's exchange rate policy is rather clear-cut. However, the same cannot be said of Article 111(3) of the Treaty, especially regarding the conclusion of monetary agreements. Consequently, the fundamental question emerges as to whether the Treaty provides for a legal basis for the conclusion of such agreements. Indeed, while the Treaty foresees the single currency as the currency of the European Community (implying within its boundaries), it does not mention the currency's introduction outside the Community. In the meantime, however, a consensus has emerged whereby the expression "agreements concerning monetary […] matters", used in Article 111(3), would also cover the introduction of the euro outside the Community's boundaries. Accordingly, Article 111(3) has now become the generally accepted legal basis for the introduction of the euro outside the Community. To date, Article 111(3) has only been invoked for the conclusion of monetary agreements with countries that were using a legacy currency before its substitution by the euro.

Notwithstanding the above, and reflecting the initial uncertainty surrounding the appropriate legal basis, the euro was introduced in the French overseas territories of Mayotte and Saint-Pierre-and-Miquelon on 1 January 1999 (at the same time as it was introduced in the Community) pursuant to Article 123(4), which allows the Council to take measures "for the rapid introduction of the euro".[7]

The scope of monetary agreements with third countries and territories may go far beyond the mere use of the euro as an official currency. Monetary agreements deal with a number of related matters, such as the fight against counterfeiting and issues falling within the competence of the Eurosystem, for example monetary policy operations, payments system issues and banknotes.

As for exchange rate arrangements on the basis of Article 111(3), their scope, as explained above, is best described by way of exclusion. Consequently, they cover all matters that are not covered by Articles 111(1) and 111(2) of the Treaty. Until now, the most pertinent cases have been arrangements concerning the pegging of third currencies to the euro.

With regard to the conclusion of monetary and exchange rate agreements, Article 111(3) of the Treaty lays down a procedure that involves the

6 A broader overview of the potential costs and risks associated with the conclusion of monetary and exchange rate arrangements is provided in the following Monthly Bulletin articles: "Exchange rate regimes for emerging market economies" (February 2003 issue) and "The international role of the euro: main developments since the inception of Stage Three of Economic and Monetary Union" (November 2003 issue).

7 Council Decision 1999/95/EC of 31 December 1998 concerning the monetary arrangements in Saint-Pierre-and-Miquelon and Mayotte; OJ L 30, 4.2.1999, p. 29.

Council, the Commission and the ECB. In practical terms, this procedure can be broken down into three stages. In the initial stage, the Council, based on a recommendation from the European Commission and after consulting the ECB, sets out the mandate for the negotiation and conclusion of such agreements. The second stage consists of the negotiations themselves, leading to a draft agreement covering all issues included in the mandate. Besides the European Commission, which by law is required to be fully associated with the negotiations, the ECB also participates. Finally, the Council concludes the agreement (whereby the Council can mandate a Member State to act on its behalf).

Deviating from the procedure pertaining to the conclusion of bilateral monetary and exchange rate agreements, Article 111(3) of the Treaty also allows for unilateral decisions by the Council concerning the monetary and exchange rate relations of the euro area vis-à-vis third countries. The ECB is also consulted by the Council prior to such decisions being taken.

4 EXISTING MONETARY AND EXCHANGE RATE ARRANGEMENTS

The European Community's existing monetary and exchange rate arrangements are described below. The first section refers to the agreements concluded with Monaco, San Marino and the Vatican City, as independent European countries, to replace a legacy currency with the euro. Reference is also made to ongoing negotiations with Andorra. The following section describes the arrangements concerning the introduction of the euro in the French territories of Mayotte and Saint-Pierre-and-Miquelon, which are part of France but not of the European Community. Additionally, some clarification is provided on the use of the euro in the French overseas departments, which are an integral part of the euro area. The third section deals with the existing exchange rate pegs between the euro and the Cape Verde escudo, the CFA franc and the Comorian franc. The exchange rate peg between the euro and the CFP franc, which is used in French Polynesia, New Caledonia and Dependencies and Wallis and Futuna Islands, is discussed in the fourth section, given its specific legal basis.[8] Finally, the fifth section provides an overview of potential future cases of monetary and exchange rate arrangements were Denmark and the United Kingdom to join the euro area. These concern Greenland and the Faroe Islands, which are autonomous regions within the Kingdom of Denmark, and the Channel Islands (Jersey and Guernsey), the Isle of Man, Gibraltar, the Falkland Islands and Saint Helena and Dependencies, all of which maintain special relations with the United Kingdom.

4.1 THE MONETARY AGREEMENTS WITH MONACO, SAN MARINO AND THE VATICAN CITY, AND NEGOTIATIONS WITH ANDORRA

Following the introduction of the euro in 1999, the European Community initiated the renegotiation of existing arrangements with Monaco, San Marino and the Vatican City. Until end-2001, the French franc was used in Monaco on the basis of a monetary agreement with France, while in San Marino and the Vatican City the Italian lira was the official currency on the basis of agreements with Italy. In Declaration No. 6 attached to the Treaty, the Community made a commitment to renegotiate these agreements in view of the introduction of the euro. On behalf of the Community, France negotiated with Monaco, while Italy took care of the negotiations with San Marino and the Vatican City. The ECB also participated in these negotiations on issues falling within its field of competence. At the end of 2000, agreements were concluded with San Marino and the Vatican City, and in 2001, just before the introduction of the euro banknotes and coins, an agreement

8 CFP stands for Change Franc Pacifique.

Table 1 Maximum annual amount of euro coins that Monaco, San Marino and the Vatican City are currently allowed to issue

Monaco	San Marino	Vatican City
1/500th of the amount of coins minted in the same year by France	€1,944,000	€1,000,000 plus €300,000 in a year when: – the Holy See becomes vacant; – a Jubilee Year takes place; – an Ecumenical Year is opened.

National sides of the €1 coin issued by Monaco, San Marino and the Vatican City

was signed with Monaco.[9] These agreements have a number of aspects in common.

First, the agreements allow the three countries to use the euro as their official currency, obliging them to grant legal tender status to euro banknotes and coins from 1 January 2002. Second, while these countries are not allowed to issue any banknotes, they are entitled to issue a specified amount of euro coins each year. In the case of San Marino and the Vatican City, the amount of coins that may be minted has been set in absolute amounts, whereas the annual amount for Monaco has been defined in terms of a ratio of the amount of coins minted by France in the same year. The amounts of euro coins that San Marino and the Vatican City are allowed to issue on an annual basis are adjusted periodically according to an Italian consumer price indicator. The agreement with Monaco does not provide for such a periodic adjustment. Table 1 gives an overview of the amounts of euro coins that the three countries are currently allowed to issue on an annual basis. The reason for the differences in the methodologies used to determine the annual amounts for San Marino and the Vatican City, on the one hand, and Monaco, on the other, is historical: the previous bilateral agreements with Italy also used absolute amounts for San Marino and the Vatican City, while a ratio of coin issuance was used in the previous bilateral agreement between France and Monaco.

The euro coins issued by the three countries must be identical to the euro coins issued by the countries of the euro area in terms of face value, legal tender status, technical characteristics, artistic features of the common side and the shared artistic features of the national side. The national sides of the €1 circulation coins issued by Monaco, San Marino and the Vatican City are shown above.

Monaco, San Marino and the Vatican City are allowed to mint circulation coins, collector coins and commemorative coins. Circulation coins are issued in the denominations agreed for euro coins (1, 2, 5, 10, 20 and 50 cent and 1 and 2 euro). The circulation coins issued by the three countries are legal tender in all countries using the euro as their official currency. Collector coins are issued on the occasion of national events and denominated in values which are different from circulation coins. They are only legal tender in the country of issue. Finally, like the euro area countries, these countries are also allowed to issue commemorative circulation coins. These coins have a face value of two euro and are issued to commemorate events of historic importance.

9 Monetary Agreement between the Italian Republic, on behalf of the European Community, and the Republic of San Marino (2001/C 209/01 of 27.7.2001, signed on 29.11.2000); Monetary Agreement between the Italian Republic, on behalf of the European Community, and the Vatican City and, on its behalf, the Holy See (2001/C 299/01 of 25.10.2001, signed on 29.12.2000); Council Decision of 7 October 2003 on the adoption of amendments to be made to Articles 3 and 7 of the Monetary Convention between the Italian Republic, on behalf of the European Community, and the Vatican City State, represented by the Holy See, and authorising the Italian Republic to give effect to these amendments (2003/738/EC); Monetary Agreement between the Government of the French Republic, on behalf of the European Community, and the Government of His Serene Highness the Prince of Monaco (2001/L 142/59 of 31.05.2002, signed on 24./26.12.2001).

Like all other circulation coins, they are legal tender in all countries using the euro as their official currency. The totals of the face value of the circulation, collector and commemorative coins issued by Monaco, San Marino and the Vatican City have to remain within their respective annual quotas. San Marino is allowed to continue issuing gold coins denominated in "scudi", without this having an impact on the amount of euro that it is allowed to issue annually.[10] Coins denominated in scudi do not have legal tender status outside San Marino. The Vatican City is allowed to issue collector coins in a currency other than the euro, but these coins would not be legal tender in the European Commuity.

The euro coins of Monaco, San Marino and the Vatican City are minted at the institutions responsible for minting the French and Italian euro coins.[11] The costs of minting are charged to Monaco, San Marino and the Vatican City, but all revenues from issuance accrue to their national budgets.

Third, to underline the common responsibility for euro banknotes and coins, it has been agreed that Monaco, San Marino and the Vatican City will cooperate closely with the European Community to combat counterfeiting of euro banknotes and coins and suppress and punish such counterfeiting occurring within their territories.

In the case of Monaco, it has been agreed that local credit institutions will have access to euro area payment systems and Eurosystem monetary policy operations. The agreement effectively builds on the monetary arrangements between France and Monaco that were in place until end-2001, whereby all credit institutions located in Monaco were, in practical terms, treated like credit institutions located in France. They were supervised by the responsible French authorities, had access to monetary policy operations of the Banque de France under the same terms and conditions as French banks and were subject to the same minimum reserve and statistical reporting requirements. French monetary, banking and balance of payments statistics included Monegasque data. Furthermore, credit institutions residing in Monaco participated fully in French payment systems on the same footing as French banks. The monetary agreement between the European Community and Monaco concluded at end-2001 provides for a continuation of this situation within the new context of EMU. To this end, it stipulates that Monegasque credit institutions will have access to interbank settlement and payment and securities settlement systems in the European Union under the same conditions as credit institutions in France, and will be subject to the same measures adopted by the Banque de France for the implementation of ECB provisions on monetary policy instruments and procedures as credit institutions in France. To facilitate the continuation of these arrangements following the introduction of the euro, the agreement with Monaco spells out the conditions for access by Monegasque credit institutions to euro area payment systems and Eurosystem monetary policy operations. These conditions state that Monegasque banks will remain under the supervision of the relevant French authorities and that the EU legal framework relevant for EMU, including ECB legal acts, will apply equally to Monaco. By making the EU legal framework governing the activities of credit institutions also applicable to Monaco, the European Community aims to ensure the principle of a "level playing-field" in the financial sector.

The agreements with San Marino and the Vatican City provide for the possibility that credit institutions operating within these territories will, in the future, also have access to euro area payment systems, but, so far, no such access has been established.

10 San Marino issued gold coins with a value expressed in "scudi" (singular "scudo") for the first time in 1974.

11 In France, euro coins are minted by the "Hôtel de la Monnaie de Paris". In Italy, this task is performed by the "Istituto Poligrafico e Zecca dello Stato".

In order to facilitate the implementation of the monetary agreement between the European Community and Monaco, a "Joint Committee" has been established, consisting of representatives from Monaco, France, the European Commission and the ECB. The committee convenes, as a rule, on a yearly basis.

Since the beginning of 2002 Andorra has been using the euro as its currency. However, contrary to Monaco, San Marino and the Vatican City, this is not on the basis of a monetary agreement with the European Community. Andorra, which had been using French francs and Spanish pesetas until end-2001, unilaterally granted legal tender status to euro banknotes and coins on 1 January 2002.[12] In 2003, Andorra formally requested that the Community conclude a monetary agreement with it and, in 2004, the Community decided that it was prepared to open negotiations. These were initiated in 2004 and are currently ongoing.

4.2 THE EURO IN MAYOTTE, SAINT-PIERRE-AND-MIQUELON AND THE FRENCH OVERSEAS DEPARTMENTS

Four EU Member States, namely Denmark, France, the Netherlands and the United Kingdom, maintain special relationships with overseas countries and territories (OCTs), all of which are part of the respective EU Member States and, thus, do not enjoy independent status.[13] Furthermore, these OCTs are not part of the Community; instead they enjoy a special "association" status. Part Four of the Treaty specifies the substance of this association, the general purpose of which is to "promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole". Annex 1 contains a complete overview of the monetary and exchange rate regimes applicable in the 21 OCTs associated with the Community.

Of the 21 OCTs officially associated with the Community, seven are part of a euro area country. Five of them – French Polynesia, Mayotte, New Caledonia and Dependencies, Saint-Pierre-and-Miquelon and Wallis and Futuna Islands – are part of France. Another two – Aruba and the Netherlands Antilles – belong to the Kingdom of the Netherlands.[14]

By 1998, five of these OCTs had their own currency, while the French franc was the official currency of Mayotte and Saint-Pierre-and-Miquelon. As neither of these two territories are part of the European Community, implying that the euro would not have automatically replaced the French franc as of 1 January 1999, a special arrangement was agreed upon. On 31 December 1998, the EU Council explicitly decided that the euro would replace the French franc as the official currency of Mayotte and Saint-Pierre-and-Miquelon with effect from 1 January 1999 and that France would grant legal tender status to euro banknotes and coins in these territories from 1 January 2002. Unlike Monaco, San Marino and the Vatican City, Mayotte and Saint-Pierre-and-Miquelon are not entitled to issue their own euro coins.

In its decision, the Council also dealt with two related matters. Until end-1998, banks operating in Saint-Pierre-and-Miquelon had access to refinancing facilities provided by the "Institut d'Emission des Départements d'Outre-Mer" (IEDOM), a French public institution with its own legal personality and financial autonomy. The French authorities had planned for the IEDOM to continue performing the same function, from 1 January 1999, both in Mayotte and in Saint-Pierre-and-Miquelon, thereby ensuring that the banks operating in these territories had access to refinancing operations. Furthermore, the IEDOM should have been made responsible for putting euro banknotes and coins into circulation in these two territories. However, as the IEDOM did not have the status of a national central bank of the euro area,

12 The law concerning the unilateral adoption of the euro by Andorra was passed on 11 October 2000.
13 While the OCTs are not independent, most of them enjoy a certain degree of autonomy.
14 The Kingdom of the Netherlands consists of Aruba, the Netherlands Antilles and the Netherlands.

especially as regards its independence, it was deemed incompatible with the Treaty and the Statute of the ESCB and of the ECB to allow the IEDOM to perform these Eurosystem tasks in the two French territories. Against this background, in its decision of 31 December 1998, the Council took note that France would reform the status and role of the IEDOM in order to ensure its compatibility with the Treaty. This has indeed been achieved by making the IEDOM an agency of the Banque de France.

Another problem concerned the issue of how to ensure that, for the sake of creating a level playing field in the financial sector, all EU legal acts relevant to EMU would also be applied in Mayotte and Saint-Pierre-and-Miquelon, given that these territories are not part of the European Community. In order to resolve this problem, the Council Decision obliges France to ensure that all relevant parts of Community legislation are applied in the two territories concerned.

The specific relations with the French territories of Mayotte and Saint-Pierre-and-Miquelon should not be confused with the status that French Guyana, Guadeloupe, Martinique and La Réunion enjoy as French departments. These four departments are an integral part of both France and of the European Community. Consequently, the euro was introduced in these four overseas departments at the same time and under the same conditions as in metropolitan France.

4.3 THE EXCHANGE RATE PEGS OF THE CAPE VERDE ESCUDO, THE CFA FRANC AND THE COMORIAN FRANC TO THE EURO

With the start of EMU, the competence not only for monetary policy but also for exchange rate policy was transferred to the Community. As a result, euro area member countries can no longer conclude exchange rate agreements with third countries. Furthermore, the transfer of competencies implies that the continuation of exchange rate agreements concluded before 1999 requires the approval of the Community.

In 1998 France and Portugal asked for their existing exchange rate agreements to be continued. In the case of France, this involved three agreements. The first was an agreement with the West African Economic and Monetary Union, consisting of Benin, Burkina Faso, Guinea-Bissau, the Ivory Coast, Mali, Niger, Senegal and Togo. France's counterpart in the second agreement was the Central African Economic and Monetary Union, which comprises Cameroon, the Central African Republic, Chad, Congo, Equatorial Guinea and Gabon. The currencies in use in these two monetary unions have the same name: the CFA franc. The third exchange rate agreement with France involved the Comoros. These agreements were intended to ensure the convertibility of the CFA and Comorian francs into the French franc at a fixed parity. Portugal had concluded an exchange rate agreement with Cape Verde with a view to allowing the convertibility of the Cape Verde escudo into the Portuguese escudo at a fixed parity. In order to ensure the convertibility of the CFA and Comorian francs vis-à-vis the French franc, and the Cape Verde escudo vis-à-vis the Portuguese escudo, both France and Portugal had provided limited credit facilities on which their counterparts under the exchange rate agreements could draw, in the event they were short of foreign exchange needed to convert domestic currency into the anchor currency.

The request to extend these exchange rate agreements and to replace the pegs to the two legacy currencies with pegs to the euro was endorsed by the Council of the European Union. As a result, the CFA franc, the Comorian franc and the Cape Verde escudo have been pegged to the euro since 1 January 1999.[15] However, in its decisions of 23 November 1998 (CFA and Comorian franc) and of 21 December 1998 (Cape Verde escudo), the Council made it clear that, despite the permission to peg these three currencies to the euro, neither the Community nor the ECB nor any part of the Eurosystem

15 The fixed exchange rates are €1 = XAF 655.957, €1 = KMF 491.96775 and €1= CVE 110.265 respectively.

would become party to the agreements. In particular, the decisions preclude any financial or other obligation on the part of the European Union and the Eurosystem as a result of these pegs and, in particular, any intervention by the ECB or the Eurosystem. Rather, all obligations under the bilateral agreements are borne by France and Portugal, with the related risks being of a budgetary nature. In this context, both France and Portugal have given assurances that the potential financial implications of the guarantees would not be substantial.

While France and Portugal have to bear all obligations under the above exchange rate agreements, they remain dependent on the Community for any amendments. Therefore, should the parties wish to change the nature or scope of the agreements, they must first submit their proposals to the Commission, the ECB and the Economic and Financial Committee in order to prepare for the procedure prescribed by Article 111(3) of the Treaty (see the section referring to the legal framework). Moreover, if the parties were to agree on a change of parity between the euro and one or more of the third currencies concerned, they would have to inform the Economic and Financial Committee.

4.4 THE EXCHANGE RATE PEG OF THE CFP FRANC TO THE EURO

In addition to the arrangements described in the previous section, a peg has also been established between the euro and the CFP franc, which is used in French Polynesia, New Caledonia and Dependencies and Wallis and Futuna Islands. The currency of these territories, which are part of France but not of the Community,[16] had formerly been pegged to the French franc.

For the replacement of the former peg by a peg to the euro[17] as from 1 January 1999, no specific decision by the Council was needed, unlike in the case of the Cape Verde escudo, the CFA franc and the Comorian franc. This was because the replacement had already been settled under the Protocol on France, an annex to the Treaty. The Protocol stipulates that "France will keep the privilege of monetary emission in its overseas territories under the terms established by its national laws, and will be solely entitled to determine the parity of the CFP franc." This also implies that, when France wants to change the parity of the CFP franc to the euro, it has the freedom to do so without being obliged to involve any Community institution.

The task of issuing banknotes and coins denominated in CFP francs has been assigned to the Institution d'Emission d'Outre-Mer (IEOM), which, like the IEDOM (see above), is also a public institution of the French Republic with its own legal personality and financial autonomy. While there are no financial links between the IEOM and the Banque de France or any other part of the Eurosystem, the Governor of the Banque de France is involved in the IEOM's governance in his capacity as Chairman of the supervisory board of the IEOM.

4.5 POTENTIAL FUTURE MONETARY AND EXCHANGE RATE ARRANGEMENTS

All monetary and exchange rate arrangements so far entered into by the Community pertain to cases where EU Member States were engaged in bilateral arrangements of the same kind before joining the euro area. In the case of those Member States that have not yet adopted the euro, only Denmark and the United Kingdom maintain special monetary and exchange rate arrangements of a comparable nature. Accordingly, the need for similar arrangements could arise if Denmark and the United Kingdom were to join the euro area. In order to allow for a better understanding of what may be at stake in the future, a brief overview of the relevant monetary and exchange rate relations is provided below. They concern Greenland and the Faroe

16 The territories belong to the group of overseas countries and territories (OCTs) which, as explained earlier in this article, enjoy a special "association" status within the Community.

17 The fixed exchange rate is €1 = XPF 119.332.

Islands, in the case of Denmark, and the Channel Islands, the Isle of Man, the Falkland Islands, Saint Helena and Dependencies and Gibraltar, in the case of the United Kingdom.

With regard to Denmark, both Greenland and the Faroe Islands are autonomous regions within the Kingdom of Denmark. At the same time, they are not part of the Community, although Greenland has the status of overseas country and territory associated with the Community.

On the Faroe Islands, the Faroese krone banknotes and the Danish krone are both legal tender.[18] The Faroese banknotes have the same denominations and sizes as the Danish banknotes and are convertible at a rate of 1:1. As there are no coins issued in Faroese krone, only Danish coins are in circulation. The authority to issue banknotes in the Faroe Islands rests with the Danish Prime Minister and is exercised in cooperation with the local government. Banknotes in Faroese krone are printed by Danmarks Nationalbank. Banks in the Faroe Islands have the same access to Danmarks Nationalbank's monetary policy operations as Danish banks. Furthermore they also fall under the supervision of the Danish Financial Supervisory Authority.

Monetary relations between Greenland are even closer, as the region is an integral part of the Danish currency area. In Greenland, only the Danish krone is legal tender. For the remainder the situation is comparable with the Faroe Islands.

As regards the situation that would arise if Denmark were to adopt the euro, the Protocol on Denmark, which is attached to the Treaty, stipulates that such a step will "not affect the right of the National Bank of Denmark to carry out its existing tasks concerning those parts of the Kingdom of Denmark which are not part of the Community."

Turning to the United Kingdom, within Europe the country maintains special monetary relations with the Channel Islands (Jersey and Guernsey), the Isle of Man and Gibraltar. Outside Europe, this is the case of the Falkland Islands and Saint Helena and Dependencies. The Channel Islands have a specific constitutional status as British Crown Dependencies. As such they are not independent but rather possessions of the British Crown. They are part neither of the United Kingdom nor of the European Union. Each of the Crown Dependencies has the authority to issue its own currency and duly does (the Jersey pound, the Guernsey pound and the Manx pound). Both the local pounds and the pound sterling are legal tender in the relevant islands, where they are kept at parity.

Gibraltar has a special status. It is an overseas territory of the United Kingdom and, at the same time, part of the European Union.[19] However, certain Community provisions do not apply to Gibraltar. Both the pound sterling and the Gibraltar pound, the latter issued by local authorities, have legal tender status in Gibraltar. The two currencies are at parity.

The Falkland Islands and Saint Helena and Dependencies have the status of British overseas territories, as well as overseas countries and territories associated with the Community. They also issue their own currency, namely the Falkland pound and the Saint Helena pound. Local pounds and the pound sterling are legal tender in the territories and are convertible at a rate of 1:1. The Falkland pound and the pound sterling are also legal tender in South Georgia and the South Sandwich Islands.

5 FINAL REMARKS

The conclusion of monetary and exchange rate relations is not an objective of the Community in itself, but rather derives from specific circumstances and needs as explained in this

18 As unlike Greenland, the Faroe Islands are not part of the group of 21 OCTs associated with the Community.

19 Gibraltar is not part of the group of 21 OCTs associated with the Community.

article. The overriding purpose of all arrangements has been to ensure the continuity of existing arrangements following the introduction of the euro and, thus, to avoid a disruption of relations. The limited number of arrangements concluded so far has functioned smoothly and has not posed any problems in terms of the pursuit of the European Union's policies, especially as regards the conduct of the ECB's monetary and exchange rate policies. At the same time, the exchange rate arrangements have helped the countries and territories concerned to develop their economic links with the Community, especially in the area of trade, on the basis of a stable exchange rate. This holds even more true for those countries and territories with which the Community has established monetary arrangements.

Annex 1 Prevailing monetary and exchange rate regimes in the overseas countries and territories (OCTs) associated with the Community

OCT (Member State affiliation)	Currency	Monetary and exchange rate regimes
1. OCTs where the euro has been introduced		
Mayotte (FR) Saint-Pierre-and-Miquelon (FR)	euro	The Eurosystem's monetary regime and policies apply
2. OCTs with a currency pegged to the euro		
French Polynesia (FR) New Caledonia (FR) Wallis and Futuna Islands (FR)	CFP (Change Franc Pacifique) franc	Parity with the euro is guaranteed by the French Treasury (FCFP 1000 = EUR 8.38)
3. OCTs which are part of a monetary union with a non-participating EU Member State		
Greenland (DK)	Danish krone	Greenland is part of the Danish currency area
4. OCTs which operate a currency board with a peg to the currency of a non-participating EU Member State		
Falkland Islands (UK)	Falkland pound (FKP) and pound sterling	Currency board with a peg to the pound sterling (FKP and SHP: GBP = 1:1)
South Georgia and the South Sandwich Islands (UK)	Falkland pound (FKP) and pound sterling	
Saint Helena and Dependencies (UK)	Saint Helenian pound (SHP) and pound sterling	
5. OCTs which have pegged their own currency to the US dollar		
Aruba (NL)	Aruban guilder	Unilateral peg to the US dollar
Netherlands Antilles (NL)	Antillean guilder	Unilateral peg to the US dollar
Bermuda (UK)	Bermudian dollar	Unilateral peg to the US dollar
Cayman Islands (UK)	Cayman dollar	Currency board with a peg to the US dollar
6. OCTs which are part of a monetary union with third countries		
Anguilla (UK) Montserrat (UK)	Eastern Caribbean dollar	Part of the Eastern Caribbean Currency Union, which operates a currency board with a peg to the US dollar[1)]
7. OCTs which have unilaterally adopted a non-EU currency		
Pitcairn Islands (UK)	New Zealand dollar	Unilateral (New Zealand) dollarisation
Turks and Caicos Islands (UK) British Virgin Islands (UK)	US dollar	Unilateral dollarisation
8. OCTs without a currency		
French Southern and Antarctic Territories (FR)[2)] British Antarctic Territory (UK) British Indian Ocean Territory (UK)	no currency	-

1) The following countries are members of the Eastern Caribbean Currency Union: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent & the Grenadines.
2) The Antarctic Treaty, which was signed on 1 December 1959 and entered into force on 23 June 1961, establishes the legal framework for the management of Antarctica. At the end of 2003 there were 45 treaty member nations: 28 consultative and 17 non-consultative. The consultative members include the seven nations that claim portions of Antarctica as national territory. The claimant nations are Argentina, Australia, Chile, France, New Zealand, Norway and the United Kingdom (source: CIA, The World Factbook). These claims are not recognised by the Antarctic Treaty.

EURO AREA STATISTICS

CONTENTS[1]

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-financial and non-monetary financial corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.9	-	6.1	10.0	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.5	2.18	3.44
2005 Q2	9.8	7.5	7.1	-	7.6	13.1	2.12	3.41
Q3	11.2	8.4	8.0	-	8.4	13.2	2.13	3.26
Q4	10.9	8.5	7.8	-	8.9	14.6	2.34	3.42
2006 Q1	.	.	.	-	.	.	2.61	3.56
2005 Oct.	11.1	8.6	7.9	8.0	8.9	14.8	2.20	3.32
Nov.	10.5	8.2	7.6	7.6	9.0	14.1	2.36	3.53
Dec.	11.3	8.4	7.3	7.5	9.1	15.7	2.47	3.41
2006 Jan.	10.2	8.4	7.6	7.6	9.6	15.8	2.51	3.39
Feb.	9.9	8.6	8.0	.	10.3	.	2.60	3.55
Mar.	.	.	.	.	.	.	2.72	3.73

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
2004	2.1	2.3	2.5	2.1	1.9	81.6	0.7	8.9
2005	2.2	4.1	2.6	1.3	1.2	81.2	.	8.6
2005 Q2	2.0	3.9	2.5	1.2	0.7	81.0	0.8	8.7
Q3	2.3	4.2	2.3	1.6	1.5	81.0	0.8	8.5
Q4	2.3	4.4	2.4	1.7	2.0	81.4	.	8.4
2006 Q1	.	.	.	.	.	.	.	.
2005 Oct.	2.5	4.2	-	-	0.3	81.1	-	8.3
Nov.	2.3	4.2	-	-	3.0	-	-	8.4
Dec.	2.2	4.7	-	-	2.8	-	-	8.3
2006 Jan.	2.4	5.2	-	-	2.6	81.7	-	8.3
Feb.	2.3	5.4	-	-	.	-	-	8.2
Mar.	2.2	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2004	63.0	106.7	-46.8	71.2	280.7	103.8	105.9	1.2439
2005	-15.8	58.5	-153.8	144.7	320.2	103.0	105.2	1.2441
2005 Q2	-9.7	18.4	-11.6	103.3	302.3	103.4	105.6	1.2594
Q3	-0.9	16.3	-97.6	92.6	310.9	101.9	104.1	1.2199
Q4	-9.9	8.3	-24.6	-55.0	320.2	100.9	103.2	1.1884
2006 Q1	.	.	.	.	.	101.2	103.5	1.2023
2005 Oct.	-6.8	3.2	-6.4	-6.6	310.5	101.4	103.5	1.2015
Nov.	-6.4	2.5	-12.9	-34.7	322.7	100.7	103.0	1.1786
Dec.	3.2	2.5	-5.3	-13.8	320.2	100.7	103.1	1.1856
2006 Jan.	-10.3	-6.8	5.1	-38.2	332.0	101.4	103.6	1.2103
Feb.	.	.	.	.	332.1	100.7	103.0	1.1938
Mar.	.	.	.	.	.	101.5	103.9	1.2020

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

	2006 10 Mar.	2006 17 Mar.	2006 24 Mar.	2006 31 Mar.
Gold and gold receivables	163,289	163,182	163,088	180,785
Claims on non-euro area residents in foreign currency	151,609	150,140	151,044	144,696
Claims on euro area residents in foreign currency	25,329	25,827	26,880	25,763
Claims on non-euro area residents in euro	11,166	11,942	11,784	11,389
Lending to euro area credit institutions in euro	408,027	400,566	408,028	404,053
Main refinancing operations	298,000	290,501	298,001	284,000
Longer-term refinancing operations	110,018	110,018	110,018	120,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	9	47	0	53
Credits related to margin calls	0	0	9	0
Other claims on euro area credit institutions in euro	4,335	5,113	5,120	5,914
Securities of euro area residents in euro	94,592	93,830	95,315	94,845
General government debt in euro	40,587	40,587	40,587	40,570
Other assets	153,322	152,811	154,281	159,462
Total assets	1,052,256	1,043,998	1,056,127	1,067,477

2. Liabilities

	2006 10 Mar.	2006 17 Mar.	2006 24 Mar.	2006 31 Mar.
Banknotes in circulation	555,480	554,745	553,259	557,150
Liabilities to euro area credit institutions in euro	159,729	160,253	159,926	156,118
Current accounts (covering the minimum reserve system)	159,696	160,241	159,915	155,762
Deposit facility	32	12	11	355
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	0	0	1
Other liabilities to euro area credit institutions in euro	158	158	158	136
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	59,950	52,036	66,134	63,071
Liabilities to non-euro area residents in euro	13,231	13,665	13,835	14,709
Liabilities to euro area residents in foreign currency	257	157	147	148
Liabilities to non-euro area residents in foreign currency	10,306	9,578	11,827	9,178
Counterpart of special drawing rights allocated by the IMF	5,920	5,920	5,920	5,825
Other liabilities	66,133	66,307	63,739	66,706
Revaluation accounts	119,113	119,113	119,113	132,437
Capital and reserves	61,979	62,066	62,069	61,999
Total liabilities	1,052,256	1,043,998	1,056,127	1,067,477

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

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						
2005 6 Dec.	354,476	300	333,500	2.25	2.29	2.31	8
14	378,799	345	308,500	2.25	2.29	2.30	7
21	391,591	393	314,000	2.25	2.30	2.31	8
29	315,797	386	315,000	2.25	2.25	2.42	6
2006 4 Jan.	359,312	353	316,000	2.25	2.30	2.31	7
11	378,353	368	309,000	2.25	2.30	2.31	7
18	400,188	409	324,000	2.25	2.30	2.31	7
25	392,854	408	316,000	2.25	2.30	2.31	7
1 Feb.	387,275	389	290,000	2.25	2.30	2.31	7
8	421,394	384	293,500	2.25	2.31	2.31	7
15	414,904	394	295,000	2.25	2.31	2.31	7
22	402,410	393	308,000	2.25	2.31	2.32	6
28	370,255	346	301,500	2.25	2.32	2.34	8
8 Mar.	379,105	393	298,000	2.50	2.56	2.57	7
15	366,649	411	290,500	2.50	2.56	2.57	7
22	395,001	419	298,000	2.50	2.56	2.57	7
29	362,447	391	284,000	2.50	2.57	2.58	7
5 Apr.	380,014	397	280,000	2.50	2.57	2.58	7
	Longer-term refinancing operations						
2005 28 Apr.	47,958	148	30,000	-	2.08	2.09	91
26 May	48,282	140	30,000	-	2.08	2.08	98
30 June	47,181	141	30,000	-	2.06	2.07	91
28 July	46,758	166	30,000	-	2.07	2.08	92
1 Sep.	62,563	153	30,000	-	2.08	2.09	91
29	52,795	142	30,000	-	2.09	2.10	84
28 Oct.	51,313	168	30,000	-	2.17	2.19	90
1 Dec.	52,369	152	30,000	-	2.40	2.41	84
22 [5)]	89,877	165	12,500	-	2.45	2.46	98
23 [5)]	45,003	127	17,500	-	2.44	2.45	97
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

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
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1
7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	1
12 July	Collection of fixed-term deposits	9,605	11	9,605	2.00	-	-	-	1
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

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) An exceptional operation based on longer-term refinancing operation (LTRO) procedures was carried out because an erroneous bid had prevented the ECB from executing its LTRO in the full amount on the previous day.

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
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Q1	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
Q2	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9
Q3	13,562.1	7,125.7	498.5	1,697.7	1,085.4	3,154.9
2005 Oct.	13,712.6	7,184.5	503.4	1,712.0	1,127.0	3,185.8
Nov.	13,972.9	7,250.1	508.2	1,721.2	1,286.6	3,206.8
Dec.	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Jan.	14,165.7	7,451.5	517.8	1,766.1	1,215.4	3,215.0

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 17 Jan.	153.3	154.1	0.8	0.0	2.29
7 Feb.	154.7	155.4	0.7	0.0	2.30
7 Mar.	157.7	158.3	0.6	0.0	2.30
11 Apr.	158.9	.	.	.	.

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	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004	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 Q1	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
Q2	286.8	273.1	90.0	0.1	0.0	0.2	0.1	512.8	53.5	-62.0	145.5	658.5
Q3	304.8	303.5	90.0	0.0	0.3	0.1	0.0	531.5	63.1	-46.2	150.2	681.8
Q4	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 17 Jan.	317.6	316.4	89.6	0.2	0.2	0.1	0.0	559.2	44.2	-33.5	154.1	713.3
7 Feb.	325.2	310.0	96.2	0.0	0.3	0.1	0.0	548.4	56.6	-28.7	155.4	703.9
7 Mar.	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2

Source: ECB.

1) End of period.

MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [1]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	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 Q1	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	301.0	12.5	179.3
Q2	1,353.6	638.4	21.2	0.6	616.6	176.9	158.8	2.0	16.1	-	14.1	319.6	13.3	191.3
Q3	1,351.1	609.8	21.2	0.6	588.0	183.8	165.6	1.9	16.3	-	14.9	328.9	13.3	200.4
2005 Oct.	1,370.1	630.5	21.2	0.6	608.6	184.2	166.4	2.1	15.7	-	14.4	326.9	13.3	200.8
Nov.	1,386.9	630.8	21.2	0.6	608.9	184.3	167.7	2.0	14.6	-	14.4	339.0	13.4	204.9
Dec.	1,404.8	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.1
2006 Jan.	1,445.5	664.4	20.7	0.6	643.1	187.4	167.5	2.2	17.6	-	14.9	349.5	14.8	214.6
Feb. [p]	1,445.2	657.6	20.7	0.6	636.3	187.1	167.2	2.2	17.8	-	15.1	353.6	14.7	217.2
	MFIs excluding the Eurosystem													
2003	19,795.4	12,113.1	817.5	7,101.8	4,193.9	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,567.8	161.8	1,046.4
2004	21,351.8	12,825.3	811.3	7,556.1	4,457.8	3,187.7	1,299.9	465.2	1,422.6	72.5	942.9	2,942.9	159.6	1,220.9
2005 Q1	22,026.3	13,050.2	805.4	7,669.3	4,575.4	3,295.2	1,358.5	481.2	1,455.5	73.1	970.0	3,182.3	156.5	1,299.1
Q2	22,769.9	13,255.2	807.3	7,918.5	4,529.4	3,394.2	1,383.9	506.9	1,503.5	75.1	999.3	3,404.2	163.1	1,478.7
Q3	23,052.0	13,430.5	814.9	8,068.2	4,547.4	3,373.5	1,360.6	505.8	1,507.2	81.4	1,013.6	3,517.2	164.2	1,471.5
2005 Oct.	23,294.3	13,589.9	811.0	8,133.4	4,645.4	3,434.5	1,399.9	522.0	1,512.5	83.7	990.1	3,577.3	165.1	1,453.9
Nov.	23,762.4	13,697.7	805.4	8,217.6	4,674.7	3,551.3	1,483.9	543.5	1,523.9	87.1	1,009.4	3,717.0	165.3	1,534.7
Dec.	23,601.5	13,682.8	831.2	8,283.1	4,568.5	3,504.7	1,439.7	552.1	1,512.9	84.9	1,006.9	3,643.7	165.6	1,513.0
2006 Jan.	23,913.0	13,800.3	826.5	8,383.0	4,590.7	3,547.5	1,459.1	555.8	1,532.6	87.0	1,032.1	3,745.6	164.5	1,536.0
Feb. [p]	24,135.2	13,882.4	817.4	8,461.6	4,603.4	3,586.8	1,466.4	567.5	1,552.9	84.6	1,048.8	3,787.7	164.7	1,580.1

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										
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Q1	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
Q2	1,353.6	540.9	433.6	76.4	18.7	338.5	-	0.6	173.6	24.4	180.5
Q3	1,351.1	550.3	396.5	47.4	15.3	333.9	-	0.6	186.6	27.4	189.7
2005 Oct.	1,370.1	554.7	413.6	46.3	17.5	349.7	-	0.6	184.2	27.3	189.8
Nov.	1,386.9	558.9	409.6	47.9	17.9	343.8	-	0.6	194.1	28.1	195.7
Dec.	1,404.8	582.7	385.4	24.4	14.5	346.5	-	0.1	201.9	27.6	207.2
2006 Jan.	1,445.5	564.4	438.8	57.9	17.6	363.3	-	0.1	208.1	30.7	203.4
Feb. [p]	1,445.2	568.6	429.2	56.5	19.7	353.0	-	0.1	210.8	29.7	206.8
	MFIs excluding the Eurosystem										
2003	19,795.4	-	10,774.8	134.4	6,275.5	4,364.9	648.8	3,161.4	1,145.0	2,606.4	1,458.9
2004	21,351.8	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,199.5	2,815.0	1,675.6
2005 Q1	22,026.3	-	11,653.2	126.3	6,706.2	4,820.7	687.6	3,614.8	1,213.5	3,085.7	1,771.5
Q2	22,769.9	-	11,848.9	135.1	6,920.5	4,793.3	696.4	3,761.8	1,258.7	3,228.0	1,976.0
Q3	23,052.0	-	11,905.5	135.1	6,986.7	4,783.7	712.9	3,807.0	1,277.3	3,353.7	1,995.6
2005 Oct.	23,294.3	-	12,058.9	133.1	7,029.7	4,896.1	712.6	3,843.7	1,276.3	3,419.3	1,983.4
Nov.	23,762.4	-	12,130.7	137.2	7,056.3	4,937.2	716.7	3,872.2	1,295.4	3,609.2	2,138.2
Dec.	23,601.5	-	12,207.6	150.2	7,201.5	4,855.9	698.9	3,858.7	1,309.2	3,510.1	2,017.1
2006 Jan.	23,913.0	-	12,216.6	133.7	7,212.7	4,870.2	695.4	3,889.3	1,341.1	3,608.1	2,162.6
Feb. [p]	24,135.2	-	12,261.0	143.1	7,234.6	4,883.2	695.5	3,955.8	1,355.8	3,689.1	2,178.1

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										
2003	14,551.8	7,942.6	840.1	7,102.5	1,793.1	1,364.1	429.0	623.6	2,885.7	174.2	1,132.6
2004	15,719.1	8,389.6	832.9	7,556.8	1,906.8	1,439.9	466.9	666.2	3,236.9	173.6	1,345.9
2005 Q1	16,259.8	8,496.9	827.0	7,670.0	1,993.2	1,510.4	482.8	683.6	3,483.3	169.0	1,433.8
Q2	17,038.8	8,747.6	828.4	7,919.2	2,051.5	1,542.7	508.9	713.7	3,723.8	176.4	1,625.7
Q3	17,317.9	8,904.9	836.1	8,068.8	2,033.9	1,526.2	507.7	726.7	3,846.1	177.5	1,628.8
2005 Oct.	17,452.5	8,966.3	832.3	8,134.0	2,090.4	1,566.3	524.1	702.7	3,904.2	178.4	1,610.5
Nov.	17,880.2	9,044.9	826.6	8,218.2	2,197.2	1,651.6	545.6	708.3	4,056.1	178.6	1,695.2
Dec.	17,843.4	9,135.6	851.9	8,283.8	2,159.4	1,605.3	554.1	707.1	3,980.7	180.3	1,680.3
2006 Jan.	18,116.9	9,230.8	847.2	8,383.7	2,184.6	1,626.6	558.0	719.9	4,095.1	179.3	1,707.2
Feb. (p)	18,315.1	9,300.3	838.1	8,462.2	2,203.2	1,633.5	569.7	737.4	4,141.2	179.4	1,753.6
	Transactions										
2003	794.4	384.0	12.1	371.8	170.4	116.3	54.1	19.3	224.8	-3.8	-0.2
2004	1,268.0	499.7	-7.0	506.7	91.9	58.1	33.8	34.6	437.6	2.7	201.5
2005 Q1	448.3	106.8	-6.6	113.4	82.5	66.2	16.4	15.4	187.2	-4.1	60.5
Q2	533.0	207.8	0.9	206.9	39.7	15.8	23.8	25.5	126.4	1.0	132.7
Q3	256.6	160.5	7.8	152.7	-14.7	-12.6	-2.1	2.9	107.2	1.0	-0.4
2005 Oct.	134.4	61.2	-3.8	65.0	31.5	15.8	15.7	7.9	56.3	0.9	-23.4
Nov.	217.6	77.7	-5.7	83.4	62.5	44.0	18.4	1.4	25.4	0.3	50.4
Dec.	-49.8	88.7	23.7	65.0	-37.9	-46.2	8.3	-4.5	-81.6	2.1	-16.7
2006 Jan.	291.2	86.0	-4.6	90.6	32.6	26.9	5.7	10.6	130.6	-1.3	32.6
Feb. (p)	158.0	68.3	-9.7	77.9	18.6	6.9	11.7	15.1	10.6	0.1	45.3

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									
2003	14,551.8	397.9	155.7	6,292.3	581.5	1,878.5	1,004.7	2,634.0	1,598.3	8.9
2004	15,719.1	468.4	162.4	6,655.9	604.9	2,061.7	1,047.0	2,842.2	1,842.9	33.6
2005 Q1	16,259.8	471.8	187.4	6,723.8	614.5	2,145.5	1,063.0	3,110.5	1,942.9	0.4
Q2	17,038.8	496.6	211.5	6,939.3	621.3	2,242.9	1,132.6	3,252.4	2,156.5	-14.2
Q3	17,317.9	507.1	182.4	7,002.0	631.5	2,284.1	1,162.1	3,381.1	2,185.4	-17.8
2005 Oct.	17,452.5	510.5	179.4	7,047.2	629.0	2,316.0	1,158.7	3,446.6	2,173.3	-8.2
Nov.	17,880.2	514.5	185.1	7,074.2	629.7	2,334.3	1,174.0	3,637.3	2,333.9	-2.6
Dec.	17,843.4	532.9	174.6	7,216.1	614.0	2,327.8	1,196.5	3,537.7	2,224.3	19.7
2006 Jan.	18,116.9	520.9	191.6	7,230.3	608.4	2,339.2	1,222.1	3,638.7	2,365.9	-0.3
Feb. (p)	18,315.1	524.9	199.6	7,254.3	610.8	2,385.2	1,240.1	3,718.8	2,384.9	-3.5
	Transactions									
2003	794.4	79.0	15.1	313.7	56.7	133.5	36.8	130.8	-31.5	60.3
2004	1,268.0	70.5	6.1	377.4	22.3	197.1	50.5	276.8	229.4	37.7
2005 Q1	448.3	3.3	25.0	57.3	9.7	65.2	13.2	212.0	106.9	-44.4
Q2	533.0	24.8	24.1	175.2	6.7	80.3	24.5	61.4	169.2	-33.2
Q3	256.6	10.6	-29.4	66.0	10.0	37.7	19.0	127.9	18.9	-4.2
2005 Oct.	134.4	3.4	-3.0	44.9	-6.0	31.2	1.8	62.9	-11.8	11.1
Nov.	217.6	4.0	5.7	24.6	-9.3	10.8	4.0	69.0	106.4	2.4
Dec.	-49.8	18.4	-10.5	121.0	-16.0	-6.2	17.5	-96.1	-101.0	23.2
2006 Jan.	291.2	-11.9	17.0	18.6	8.3	7.7	5.8	131.6	124.4	-10.3
Feb. (p)	158.0	4.0	8.0	19.9	3.9	36.7	16.6	45.8	26.6	-3.6

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.

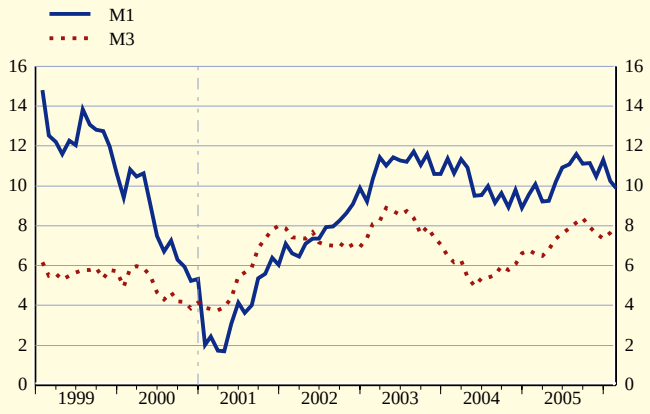
2.3 Monetary statistics

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

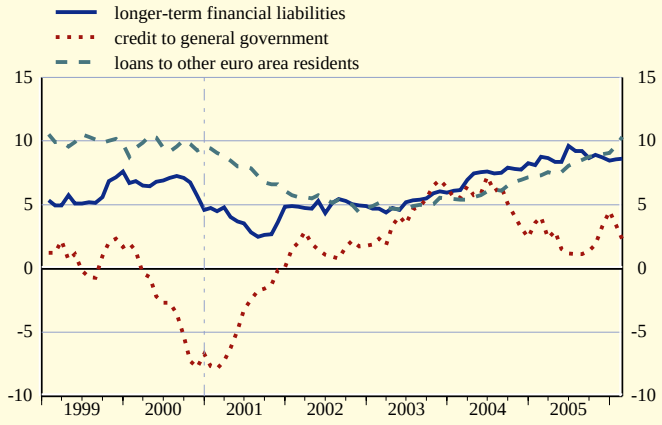
1. Monetary aggregates [1] and counterparts

	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		Net external assets [2]
										Loans	
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2003	2,678.5	2,554.0	5,232.4	909.2	6,141.6	-	4,137.9	2,222.3	8,152.2	7,095.3	237.2
2004	2,908.7	2,660.5	5,569.2	963.8	6,533.0	-	4,460.8	2,294.0	8,686.6	7,549.3	385.4
2005 Q1	3,008.1	2,680.1	5,688.3	949.6	6,637.9	-	4,575.4	2,331.1	8,833.4	7,677.2	381.8
Q2	3,257.9	2,559.8	5,817.7	981.9	6,799.6	-	4,790.2	2,360.6	9,110.1	7,892.5	468.2
Q3	3,346.1	2,626.1	5,972.2	996.1	6,968.3	-	4,871.3	2,371.1	9,338.3	8,083.5	454.6
2005 Oct.	3,368.1	2,631.4	5,999.5	989.3	6,988.8	-	4,902.2	2,406.6	9,393.3	8,148.6	442.4
Nov.	3,385.0	2,638.2	6,023.1	1,002.2	7,025.4	-	4,944.9	2,473.1	9,478.1	8,214.7	409.3
Dec.	3,421.3	2,650.1	6,071.5	994.9	7,066.3	-	4,992.7	2,482.8	9,543.1	8,277.1	435.5
2006 Jan.	3,446.1	2,672.0	6,118.1	995.4	7,113.5	-	5,037.8	2,480.5	9,648.5	8,372.7	455.9
Feb. (p)	3,466.6	2,694.9	6,161.5	995.1	7,156.6	-	5,095.1	2,473.0	9,770.7	8,470.0	421.9
	Transactions										
2003	258.4	113.6	372.0	33.1	405.1	-	235.8	132.3	443.9	371.0	98.5
2004	238.6	110.7	349.3	57.2	406.5	-	342.6	54.2	574.7	506.4	165.9
2005 Q1	96.6	13.4	110.0	-19.0	91.0	-	96.6	32.0	145.5	128.1	-6.5
Q2	85.3	36.1	121.4	32.6	154.0	-	123.3	12.6	227.7	173.1	52.7
Q3	89.1	66.0	155.1	14.8	169.9	-	69.1	14.6	220.2	194.1	-27.8
2005 Oct.	22.5	4.5	27.0	-10.7	16.3	-	35.7	11.0	86.6	64.9	-11.4
Nov.	15.8	6.0	21.8	-1.1	20.7	-	27.6	25.4	76.7	65.4	-37.8
Dec.	27.4	12.2	39.6	-7.3	32.3	-	30.5	8.3	61.0	61.9	16.3
2006 Jan.	26.3	24.0	50.2	8.4	58.6	-	28.6	3.4	95.8	86.3	6.1
Feb. (p)	19.0	21.1	40.1	0.7	40.8	-	46.4	-8.0	119.2	96.6	-35.2
	Growth rates										
2003 Dec.	10.6	4.6	7.6	3.9	7.1	7.0	6.0	6.3	5.8	5.5	98.5
2004 Dec.	8.9	4.3	6.7	6.3	6.6	6.5	8.3	2.4	7.1	7.2	165.9
2005 Mar.	9.2	4.9	7.1	2.8	6.5	6.6	8.7	2.4	7.4	7.6	96.6
June	10.9	5.1	8.1	5.1	7.6	7.6	9.6	1.2	8.2	8.1	160.1
Sep.	11.1	6.4	8.8	6.0	8.4	8.2	8.7	1.4	9.1	8.8	76.9
2005 Oct.	11.1	5.9	8.6	4.0	7.9	8.0	8.9	1.9	9.4	8.9	51.0
Nov.	10.5	5.9	8.2	3.9	7.6	7.6	8.7	3.3	9.4	9.0	0.4
Dec.	11.3	5.4	8.4	1.0	7.3	7.5	8.5	4.5	9.4	9.1	-14.4
2006 Jan.	10.2	6.4	8.4	3.3	7.6	7.6	8.6	3.4	9.9	9.6	-1.2
Feb. (p)	9.9	7.3	8.6	4.0	8.0	.	8.6	2.3	10.6	10.3	-51.3

C1 Monetary aggregates
(annual growth rates; seasonally adjusted)



C2 Counterparts
(annual growth rates; seasonally adjusted)



Source: ECB.
1) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).
2) Values in the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.

2.3 Monetary statistics

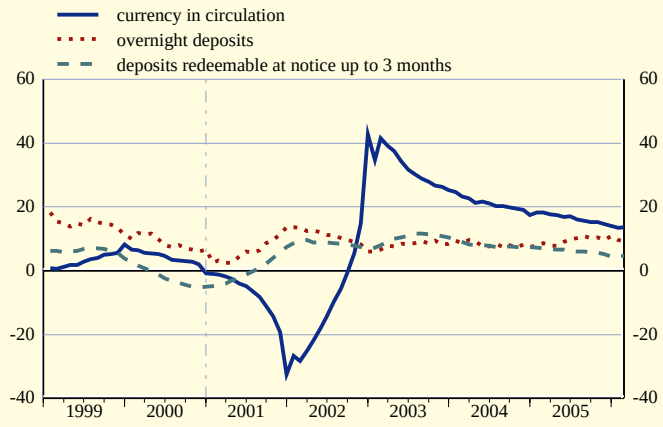
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2003	388.7	2,289.8	1,030.5	1,523.4	219.5	597.0	92.7	1,791.2	91.1	1,251.5	1,004.0
2004	456.4	2,452.3	1,024.5	1,636.0	241.4	620.1	102.3	1,964.9	90.2	1,359.5	1,046.3
2005 Q1	476.7	2,531.5	1,022.0	1,658.1	229.2	614.3	106.0	2,038.9	90.7	1,383.9	1,061.8
Q2	493.1	2,764.8	1,040.7	1,519.2	239.4	624.0	118.5	2,120.6	90.9	1,448.9	1,129.8
Q3	507.4	2,838.7	1,084.5	1,541.6	242.8	633.4	120.0	2,159.6	88.4	1,466.0	1,157.3
2005 Oct.	513.7	2,854.4	1,084.9	1,546.4	238.1	629.8	121.4	2,182.3	87.5	1,475.0	1,157.4
Nov.	518.4	2,866.5	1,089.4	1,548.8	238.4	633.8	130.0	2,196.2	87.3	1,484.9	1,176.6
Dec.	520.4	2,900.9	1,107.4	1,542.7	234.8	629.0	131.1	2,204.2	87.0	1,506.0	1,195.5
2006 Jan.	528.3	2,917.8	1,117.4	1,554.6	239.4	611.6	144.4	2,208.9	88.0	1,518.5	1,222.3
Feb. (p)	535.2	2,931.4	1,136.0	1,558.9	226.8	611.8	156.5	2,235.1	87.9	1,531.6	1,240.6
	Transactions										
2003	78.7	179.7	-30.7	144.2	-9.7	57.9	-15.1	149.8	-13.0	62.5	36.5
2004	67.7	170.9	-2.2	112.9	24.1	21.9	11.2	185.8	-0.9	107.2	50.5
2005 Q1	20.3	76.4	-8.6	21.9	-12.3	-5.6	-1.1	60.3	0.1	23.5	12.7
Q2	16.5	68.8	13.1	23.0	10.1	9.5	13.0	64.0	-0.6	37.0	22.9
Q3	14.2	74.9	43.6	22.5	3.3	9.2	2.2	34.8	-2.5	19.8	17.0
2005 Oct.	6.4	16.1	-0.3	4.8	-4.7	-7.1	1.0	22.3	-0.7	8.9	5.2
Nov.	4.7	11.1	3.7	2.2	0.3	-6.0	4.6	10.5	-0.2	9.4	8.0
Dec.	2.0	25.4	18.3	-6.1	-3.7	-5.1	1.5	7.8	-0.3	9.1	13.9
2006 Jan.	7.9	18.3	11.9	12.0	4.7	-3.3	6.9	7.4	1.0	13.1	7.0
Feb. (p)	6.9	12.1	16.9	4.2	-12.7	1.6	11.8	17.1	-0.1	12.4	16.9
	Growth rates										
2003 Dec.	25.2	8.5	-2.9	10.5	-4.3	11.1	-14.9	9.0	-12.5	5.3	3.7
2004 Dec.	17.4	7.5	-0.2	7.4	11.1	3.7	12.3	10.3	-1.0	8.6	5.0
2005 Mar.	17.7	7.8	1.9	6.8	4.0	1.8	6.4	10.6	0.5	9.1	5.4
June	17.1	9.8	3.4	6.1	10.1	2.3	10.4	11.7	1.3	9.4	6.8
Sep.	15.3	10.3	7.0	5.8	8.6	3.6	14.5	10.3	-2.2	8.8	6.5
2005 Oct.	15.2	10.4	6.0	5.7	5.3	1.3	17.5	10.9	-3.7	8.7	6.5
Nov.	14.6	9.7	6.6	5.2	6.7	0.6	17.0	10.9	-4.3	8.3	6.3
Dec.	14.0	10.8	6.6	4.3	-2.9	-0.8	20.3	10.0	-4.7	7.9	7.4
2006 Jan.	13.5	9.7	8.5	4.8	3.6	-1.4	31.1	9.6	-3.8	8.4	8.0
Feb. (p)	13.6	9.2	11.1	4.6	2.8	-0.4	30.2	9.0	-4.1	8.7	8.8

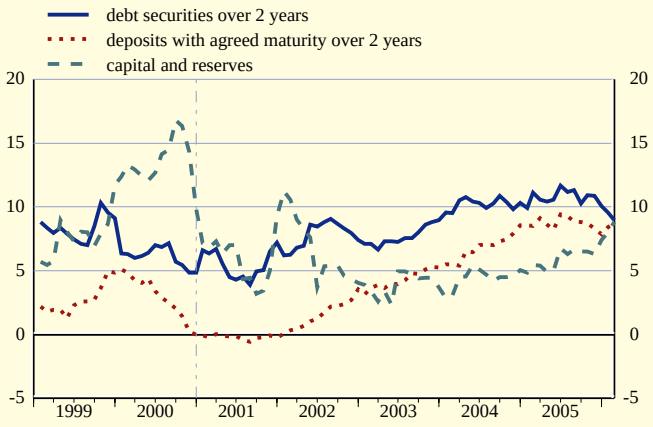
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1]

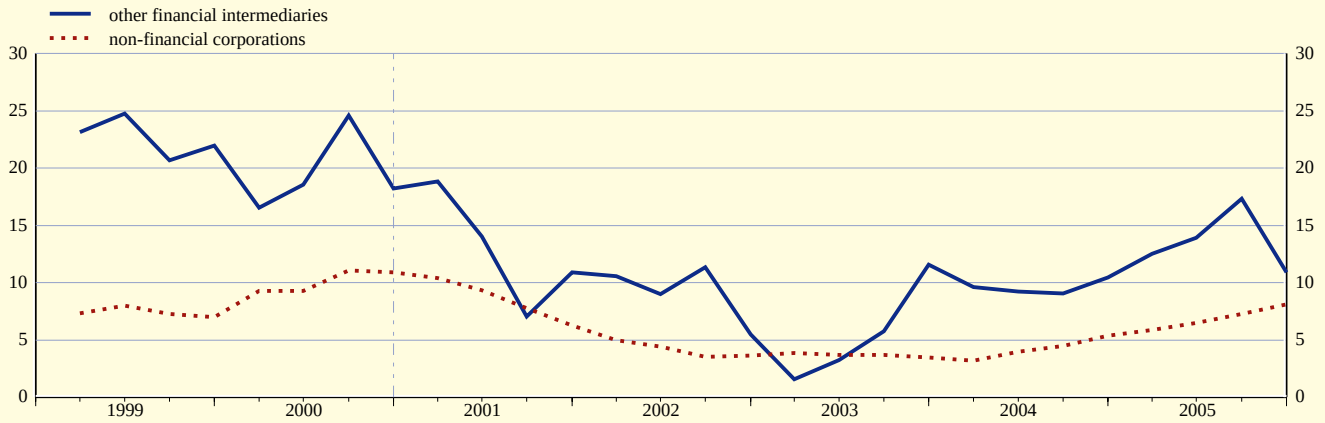
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries [2]		Non-financial corporations			
	Total	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							
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.3	334.4	3,152.8	973.8	547.8	1,631.2
2005 Q1	58.2	39.7	560.8	351.1	3,189.9	983.8	555.2	1,650.9
Q2	63.8	43.9	581.1	362.9	3,282.3	1,025.1	564.4	1,692.7
Q3	65.2	42.8	601.1	370.2	3,322.5	1,011.2	576.4	1,734.8
2005 Oct.	68.9	45.6	601.7	369.1	3,342.6	1,018.2	586.4	1,738.0
Nov.	75.4	50.7	617.0	377.4	3,374.0	1,027.6	589.7	1,756.7
Dec.	64.4	41.5	619.9	369.6	3,406.3	1,036.1	592.8	1,777.5
2006 Jan.	76.4	52.9	640.7	391.7	3,443.3	1,044.5	601.1	1,797.7
Feb. [p]	78.6	52.7	664.8	413.7	3,479.2	1,055.1	611.9	1,812.3
	Transactions							
2003	4.2	2.2	53.4	26.2	102.7	-6.9	16.1	93.4
2004	13.1	9.1	52.1	27.7	163.0	23.7	31.1	108.2
2005 Q1	8.6	7.9	10.9	14.9	37.6	7.8	8.1	21.7
Q2	5.5	4.2	16.5	9.5	82.4	34.6	9.8	37.9
Q3	1.4	-1.0	19.7	7.3	41.7	-13.2	12.0	42.9
2005 Oct.	3.7	2.8	-1.9	-2.7	27.2	8.9	10.6	7.7
Nov.	6.4	5.1	13.3	7.7	31.9	9.5	3.8	18.6
Dec.	-11.0	-9.3	2.0	-7.9	35.9	6.1	6.9	22.9
2006 Jan.	12.0	11.5	25.3	25.1	28.2	9.1	8.3	10.8
Feb. [p]	2.1	-0.3	22.9	21.2	36.0	10.6	11.1	14.3
	Growth rates							
2003 Dec.	11.8	11.6	11.6	8.8	3.5	-0.7	3.2	6.4
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.5	6.0	7.0
2005 Mar.	23.7	21.8	12.5	17.5	5.9	3.9	6.6	6.9
June	17.5	9.8	13.9	18.8	6.5	5.6	6.2	7.2
Sep.	22.7	13.3	17.4	22.1	7.3	5.6	6.6	8.6
2005 Oct.	24.0	15.8	15.6	19.1	7.5	5.5	8.2	8.4
Nov.	37.3	33.0	12.9	12.7	7.7	4.8	8.5	9.2
Dec.	30.0	30.7	10.9	8.6	8.1	5.5	9.4	9.3
2006 Jan.	35.9	36.4	15.7	14.6	8.4	5.7	9.1	9.8
Feb. [p]	32.4	28.7	18.8	18.5	9.5	7.0	11.9	10.2

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.4 MFI loans, breakdown [1]

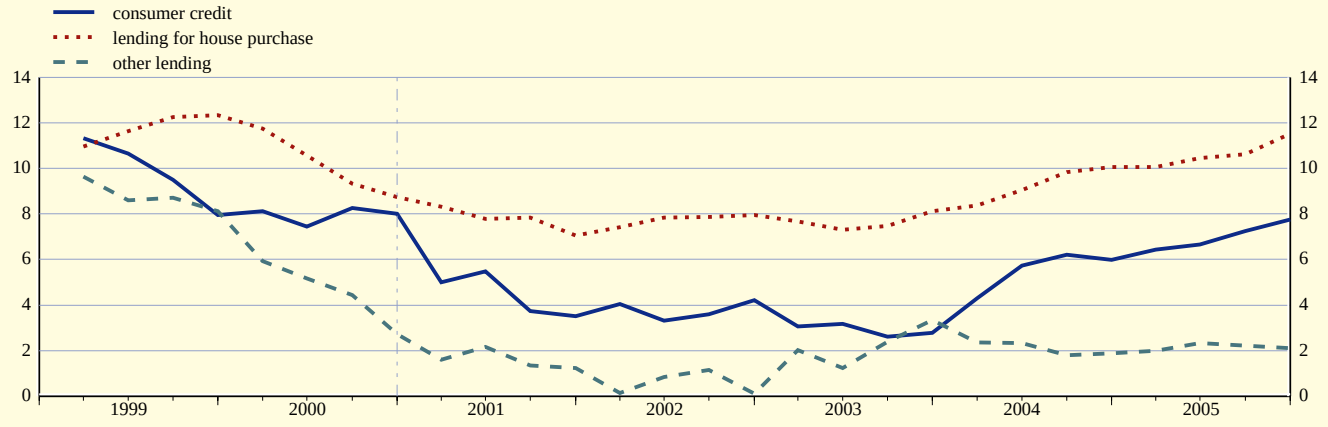
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1
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 Q1	3,860.4	519.3	120.2	191.1	208.0	2,640.3	14.3	67.1	2,558.9	700.9	144.4	98.7	457.8
Q2	3,991.3	537.3	124.4	197.3	215.6	2,737.2	14.8	66.2	2,656.2	716.8	149.9	101.0	465.8
Q3	4,079.5	544.7	125.8	199.0	220.0	2,819.8	15.1	67.6	2,737.1	714.9	145.4	101.3	468.2
2005 Oct.	4,120.2	548.8	126.9	200.0	221.9	2,851.0	14.9	67.8	2,768.3	720.4	145.3	101.7	473.3
Nov.	4,151.2	550.1	126.4	200.7	223.0	2,877.1	15.0	68.3	2,793.9	724.0	147.8	102.4	473.8
Dec.	4,192.5	553.7	128.7	201.9	223.2	2,917.5	15.2	68.2	2,834.1	721.3	146.9	99.8	474.5
2006 Jan.	4,222.7	554.3	128.3	201.6	224.4	2,949.3	15.1	68.1	2,866.1	719.1	146.0	97.4	475.7
Feb. (p)	4,238.9	554.9	127.1	202.3	225.5	2,966.4	15.0	68.4	2,883.0	717.6	145.5	98.1	473.9
	Transactions												
2003	211.6	13.1	8.4	6.2	-1.5	177.2	-5.9	1.6	181.4	21.3	-6.1	-4.9	32.2
2004	278.6	29.0	7.1	8.6	13.3	236.9	0.9	2.9	233.1	12.7	-0.8	2.0	11.6
2005 Q1	56.2	4.4	-0.3	1.6	3.1	49.5	-0.2	1.3	48.4	2.2	1.3	-0.4	1.3
Q2	102.5	15.7	4.0	6.0	5.7	75.7	0.5	0.5	74.6	11.1	5.6	0.5	5.0
Q3	90.0	8.7	1.5	2.1	5.1	83.1	0.3	1.3	81.4	-1.8	-4.7	0.1	2.7
2005 Oct.	36.1	4.4	1.3	1.1	2.0	30.6	-0.3	0.3	30.7	1.0	-0.8	0.0	1.7
Nov.	31.8	2.7	-0.5	0.7	2.4	26.0	0.1	0.4	25.4	3.1	2.8	0.6	-0.3
Dec.	38.2	4.0	2.5	1.2	0.3	35.0	0.3	0.4	34.2	-0.8	-0.7	-0.9	0.8
2006 Jan.	25.0	1.3	-0.1	-0.2	1.5	25.3	-0.1	0.0	25.4	-1.6	-0.5	-2.4	1.3
Feb. (p)	17.0	0.8	-1.1	0.7	1.3	17.2	0.0	0.2	17.0	-1.1	-0.4	0.8	-1.5
	Growth rates												
2003 Dec.	6.4	2.8	8.0	3.5	-0.2	8.1	-26.2	2.5	8.6	3.4	-4.0	-4.9	8.5
2004 Dec.	7.9	6.0	6.3	4.7	6.9	10.0	6.0	4.6	10.2	1.9	-0.5	2.0	2.6
2005 Mar.	8.0	6.4	7.7	4.6	7.4	10.1	5.0	8.0	10.1	2.0	2.1	1.1	2.2
June	8.4	6.7	6.6	5.8	7.5	10.5	4.1	4.6	10.7	2.3	3.8	0.6	2.3
Sep.	8.6	7.2	7.7	6.2	8.0	10.6	6.7	4.8	10.8	2.2	2.4	1.2	2.4
2005 Oct.	8.9	7.8	9.1	6.4	8.3	10.9	1.2	4.7	11.1	2.4	2.4	0.3	2.8
Nov.	9.1	8.1	8.8	6.6	9.1	11.1	4.5	6.3	11.3	2.3	2.0	1.1	2.7
Dec.	9.3	7.8	7.1	6.7	9.1	11.5	5.4	6.7	11.7	2.1	2.4	0.0	2.5
2006 Jan.	9.5	8.0	6.7	7.2	9.6	11.8	7.4	7.0	12.0	1.8	2.1	-1.6	2.4
Feb. (p)	9.4	8.2	6.7	7.3	9.9	11.8	8.0	7.2	11.9	1.4	1.7	-0.7	1.8

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.4 MFI loans, breakdown [1)]

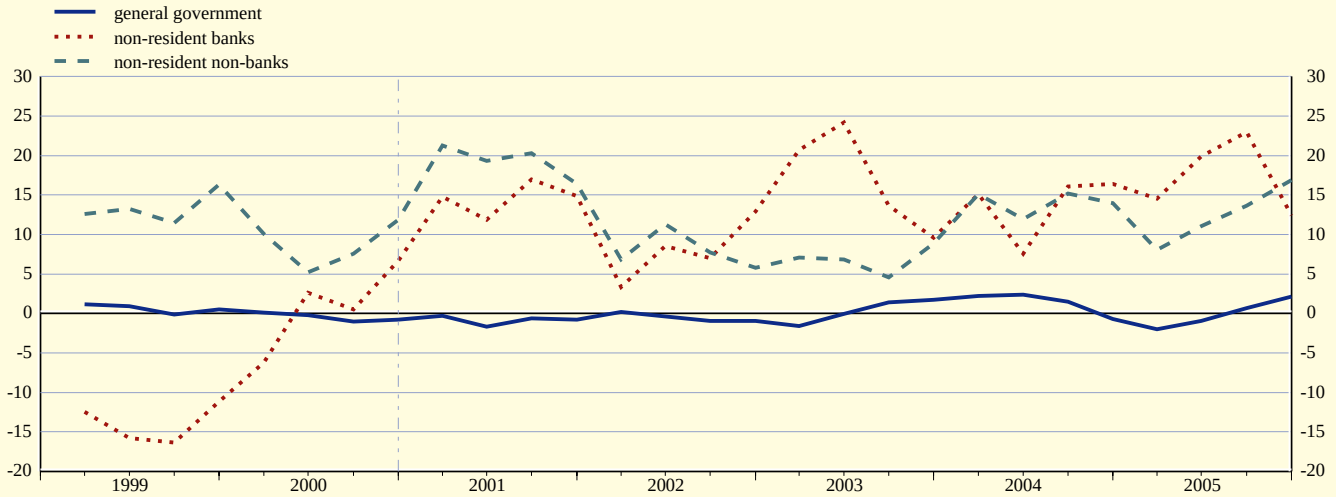
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.3	129.5	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	805.4	128.2	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	807.3	123.8	247.5	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3	814.9	124.1	247.1	411.0	32.7	2,375.5	1,633.1	742.5	64.1	678.4
Q4 [p]	831.2	128.6	246.8	423.7	32.1	2,466.0	1,680.8	785.3	67.6	717.6
	Transactions									
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-5.9	2.0	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005 Q1	-6.6	-1.6	-4.2	0.5	-1.3	124.8	98.6	26.2	0.6	25.5
Q2	1.2	-4.7	-0.8	0.6	6.0	93.9	81.1	12.9	0.2	12.7
Q3	7.8	0.3	-0.5	3.8	4.1	85.3	52.0	33.4	2.0	31.4
Q4 [p]	14.7	2.8	-2.7	15.1	-0.6	-24.9	-63.7	38.7	3.6	35.1
	Growth rates									
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Dec.	-0.7	1.5	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-2.0	-2.5	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-1.0	-1.3	-2.6	4.0	-34.7	17.0	19.9	11.0	2.1	12.0
Sep.	0.7	1.0	-2.4	4.1	-15.6	19.9	23.0	13.6	5.3	14.5
Dec. [p]	2.1	-2.4	-3.2	4.9	34.9	13.9	12.5	16.9	10.4	17.6

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

2.5 Deposits held with MFIs, breakdown [1]

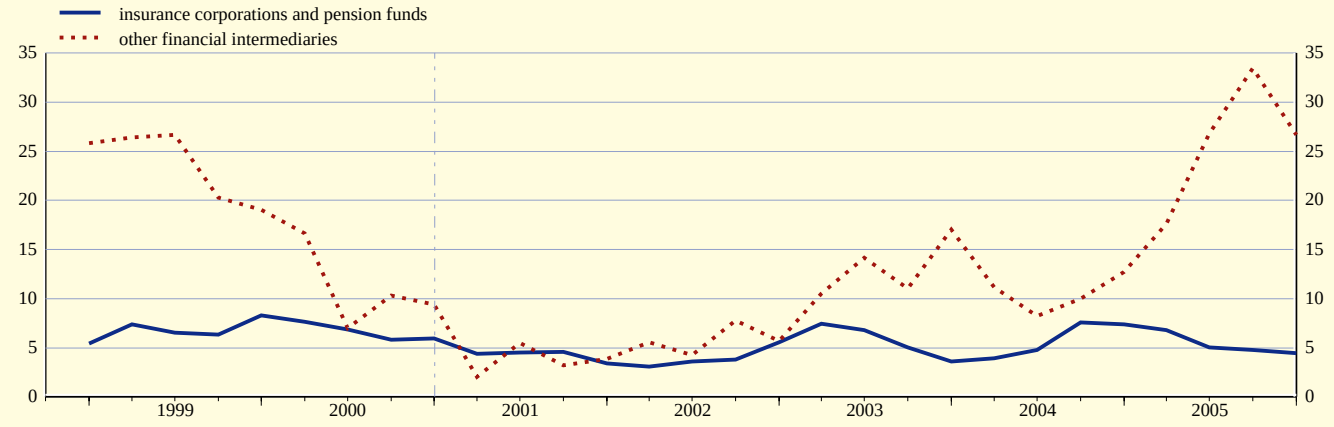
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	565.6	180.9	130.8	143.3	6.1	0.1	104.4
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 Q1	597.0	65.7	48.5	460.3	1.3	1.3	19.8	692.9	213.3	134.2	205.2	11.5	0.1	128.7
Q2	595.7	61.2	48.3	463.0	1.1	1.6	20.5	792.2	226.7	149.1	264.3	11.1	0.1	140.7
Q3	602.9	60.0	50.8	466.9	1.1	1.6	22.4	833.0	242.6	169.7	275.6	10.6	0.1	134.4
2005 Oct.	609.9	66.6	48.1	468.5	1.1	1.5	24.1	847.1	232.3	176.5	285.5	11.0	0.1	141.7
Nov.	605.4	67.9	42.1	469.7	1.2	1.5	23.1	852.3	225.6	180.1	298.3	11.1	0.1	137.0
Dec.	612.3	67.6	52.0	469.6	1.2	1.4	20.5	874.7	233.3	186.1	324.5	10.5	0.1	120.2
2006 Jan.	621.0	72.4	49.8	471.6	1.2	1.4	24.6	907.7	259.4	178.6	330.1	10.0	0.1	129.5
Feb. (p)	615.1	69.1	47.3	473.5	1.2	1.4	22.6	932.6	256.0	191.3	342.4	10.3	0.1	132.5
	Transactions													
2003	19.0	1.6	3.9	11.8	0.3	0.4	1.1	82.8	25.3	0.8	37.6	3.2	0.1	16.0
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.2	0.9	5.8	43.7	4.1	0.0	17.7
2005 Q1	12.5	6.4	-3.1	10.0	0.1	0.0	-1.0	48.8	32.1	-9.4	16.0	1.3	0.0	8.7
Q2	-2.1	-5.3	-0.5	2.7	0.2	0.0	0.8	66.3	10.7	11.9	31.0	0.8	0.0	11.9
Q3	7.2	-1.2	2.6	3.9	0.0	0.1	1.9	43.3	15.8	20.4	14.0	-0.5	0.0	-6.3
2005 Oct.	6.9	6.7	-2.9	1.5	0.0	0.0	1.6	9.9	-10.3	6.6	5.9	0.4	0.0	7.3
Nov.	-4.6	1.2	-6.0	1.2	0.0	0.0	-0.9	4.5	-7.0	3.7	12.5	0.2	0.0	-4.8
Dec.	6.1	-0.6	9.3	-0.1	0.0	0.0	-2.6	1.0	-1.7	6.2	13.9	-0.6	0.0	-16.8
2006 Jan.	8.8	4.9	-2.1	1.9	0.0	0.0	4.1	34.7	26.7	-7.0	6.2	-0.5	0.0	9.4
Feb. (p)	-6.1	-3.3	-2.5	1.8	0.0	0.0	-2.0	23.2	-4.1	12.3	11.8	0.3	0.0	2.9
	Growth rates													
2003 Dec.	3.6	2.8	9.9	2.9	41.3	58.8	6.0	17.0	16.3	0.5	35.2	70.4	-	17.1
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.4	67.6	-	17.1
2005 Mar.	6.8	2.3	16.4	7.5	1.7	-51.5	-10.4	17.6	8.5	9.3	40.1	50.0	-	11.4
June	5.1	1.8	15.3	4.8	18.1	31.3	-3.0	26.8	16.5	15.1	52.5	50.1	-	21.0
Sep.	4.8	-2.8	7.9	5.1	26.4	33.0	12.0	33.4	27.3	33.4	49.5	46.3	-	18.9
2005 Oct.	5.0	13.3	-2.0	4.6	22.4	2.8	5.5	29.7	22.7	25.1	51.0	45.9	-	14.6
Nov.	3.2	6.0	-12.1	4.1	18.3	2.9	10.9	27.8	13.0	33.9	48.0	27.1	-	13.9
Dec.	4.5	12.2	-1.2	4.3	36.2	2.9	-1.0	26.7	21.9	26.6	46.8	14.3	-	0.1
2006 Jan.	3.8	5.8	-3.8	4.3	18.5	1.3	4.4	26.4	16.7	30.3	49.8	-4.4	-	3.6
Feb. (p)	3.7	12.1	-5.2	3.6	27.7	1.2	1.6	28.1	13.1	40.0	52.9	-1.0	-	3.8

C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.5 Deposits held with MFIs, breakdown [1]

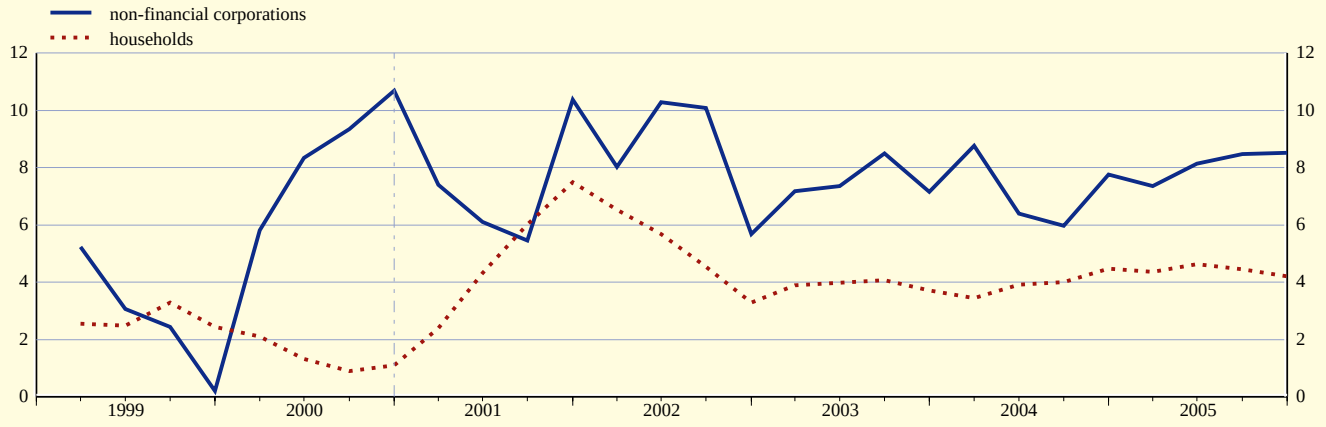
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.6	1,311.8	544.0	600.8	1,379.2	89.9	52.9
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 Q1	1,096.3	675.3	280.2	72.1	44.0	1.1	23.6	4,176.4	1,408.6	513.2	632.8	1,481.9	88.7	51.2
Q2	1,133.5	722.2	274.1	71.9	41.6	1.5	22.1	4,246.0	1,629.3	511.2	630.8	1,336.3	87.2	51.2
Q3	1,152.8	719.6	296.9	68.8	43.9	1.2	22.4	4,245.6	1,626.2	515.2	626.9	1,341.8	83.9	51.6
2005 Oct.	1,169.5	734.5	302.9	65.6	44.5	1.2	20.7	4,246.4	1,629.2	517.5	625.4	1,339.8	83.4	51.2
Nov.	1,177.9	742.9	299.1	66.6	44.8	1.2	23.3	4,259.2	1,642.4	520.6	623.3	1,336.8	83.7	52.5
Dec.	1,210.1	768.1	304.8	67.0	44.5	1.2	24.4	4,340.2	1,685.4	532.7	630.3	1,354.2	84.5	53.1
2006 Jan.	1,182.1	739.8	301.7	66.8	47.2	1.2	25.3	4,339.8	1,668.0	534.2	632.3	1,366.7	85.2	53.5
Feb. [p]	1,178.0	736.4	304.1	67.5	46.8	1.2	21.8	4,346.3	1,666.7	541.1	630.5	1,368.8	85.5	53.7
	Transactions													
2003	70.4	40.9	19.7	3.9	10.2	0.0	-4.2	141.9	95.3	-45.8	10.4	117.4	-13.7	-21.8
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 Q1	-20.0	-0.5	-12.1	-1.1	-0.2	0.0	-6.1	14.2	4.9	-2.0	-0.1	15.8	0.2	-4.5
Q2	33.3	41.3	-7.7	0.2	1.1	-0.1	-1.5	67.1	63.3	-3.6	-2.3	11.1	-1.4	0.0
Q3	20.4	-1.6	22.8	-3.1	2.2	-0.3	0.3	-0.8	-3.2	3.8	-4.0	5.5	-3.3	0.4
2005 Oct.	20.7	14.9	6.0	0.8	0.6	0.0	-1.7	0.9	3.5	1.9	-1.5	-2.1	-0.5	-0.3
Nov.	7.3	7.9	-4.3	0.9	0.3	0.0	2.5	12.2	13.0	2.8	-2.0	-3.0	0.2	1.3
Dec.	33.5	25.8	6.3	0.6	-0.3	0.0	1.2	81.1	43.1	12.1	6.9	17.4	0.9	0.7
2006 Jan.	-26.5	-27.7	-2.3	-0.2	2.7	0.0	0.9	0.5	-17.3	2.1	2.1	12.6	0.7	0.4
Feb. [p]	-5.5	-4.0	1.8	0.7	-0.4	0.0	-3.5	5.7	-1.5	6.4	-1.8	2.1	0.3	0.2
	Growth rates													
2003 Dec.	7.2	6.7	7.5	6.2	41.5	-3.9	-12.4	3.7	7.9	-7.7	1.8	9.3	-13.2	-29.2
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 Mar.	7.4	9.3	3.7	4.3	15.2	68.0	-8.3	4.4	6.6	-2.7	3.8	5.6	0.1	-1.3
June	8.1	10.6	4.4	3.3	14.9	-5.8	-13.4	4.6	7.8	-1.3	2.9	4.8	1.1	1.5
Sep.	8.5	9.1	10.7	-1.7	16.5	-26.5	-12.7	4.4	7.8	0.5	1.8	4.6	-2.4	-4.0
2005 Oct.	9.8	12.7	7.1	0.4	18.2	-28.2	-20.0	4.0	7.1	1.1	1.1	4.2	-3.5	-5.8
Nov.	9.4	11.7	6.8	1.6	16.2	-29.8	-9.0	4.0	7.5	1.6	0.6	3.8	-4.1	-3.5
Dec.	8.5	12.9	3.7	-2.2	8.9	-29.0	-17.9	4.2	8.5	2.9	-0.5	3.2	-4.5	-4.5
2006 Jan.	10.2	11.8	9.0	-0.8	18.8	-27.9	1.6	4.1	7.6	3.4	-0.4	3.4	-3.4	2.6
Feb. [p]	10.4	11.5	11.0	0.3	15.9	-27.7	-4.4	4.0	7.1	4.4	-0.7	3.4	-3.7	4.0

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown [1]

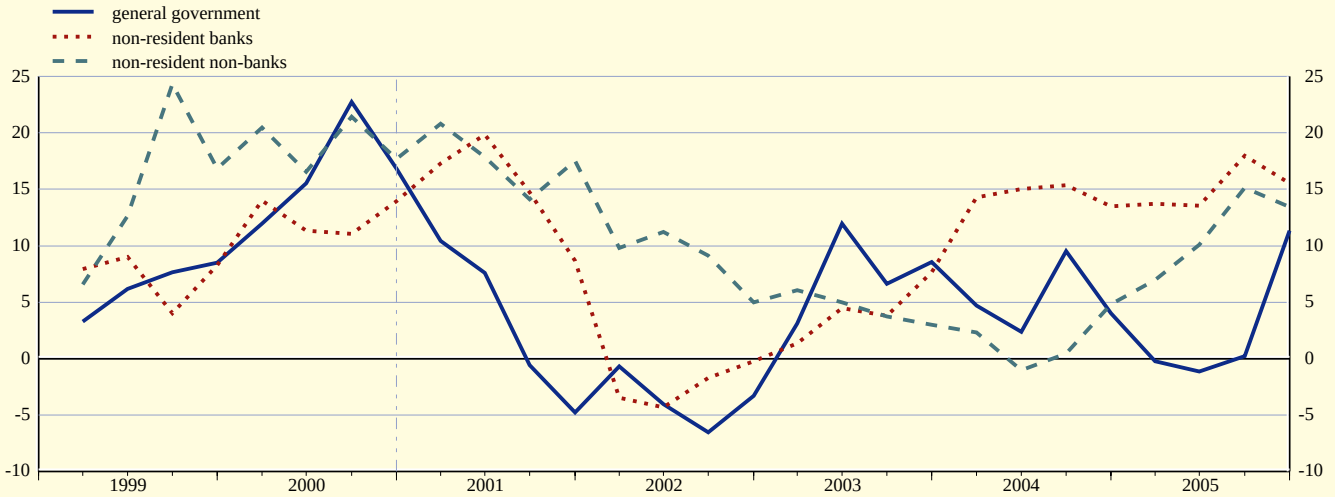
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.1	1,935.7	733.4	105.4	628.0
Q2	288.3	135.1	35.1	69.7	48.4	2,784.9	2,034.1	750.8	118.6	632.3
Q3	287.5	135.1	36.0	71.3	45.2	2,907.1	2,108.2	798.9	125.2	673.7
Q4 [p]	314.3	150.2	38.4	80.9	44.9	3,042.3	2,234.1	808.1	126.8	681.3
	Transactions									
2003	21.5	23.3	-0.5	-2.3	1.0	138.7	117.5	21.1	-1.1	22.3
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.8	32.0	6.9	25.1
2005 Q1	-12.2	-11.4	2.8	-2.1	-1.6	188.2	147.1	41.0	2.0	39.1
Q2	18.3	8.8	1.7	2.2	5.7	42.2	42.7	-0.5	13.2	-13.7
Q3	-0.9	-0.3	0.9	1.7	-3.2	122.7	74.9	47.8	6.7	41.2
Q4 [p]	26.8	15.1	2.4	9.6	-0.3	16.8	11.8	5.0	1.6	3.5
	Growth rates									
2003 Dec.	8.6	21.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.2	3.7
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar.	-0.3	-10.5	19.6	8.3	8.6	11.8	13.7	7.0	4.1	7.5
June	-1.2	-13.8	19.3	8.3	16.9	12.6	13.5	10.1	15.8	9.0
Sep.	0.2	-7.9	14.1	7.9	5.9	17.2	18.0	15.1	18.7	14.5
Dec. [p]	11.3	8.8	25.6	16.5	1.3	14.9	15.5	13.4	22.6	11.8

C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

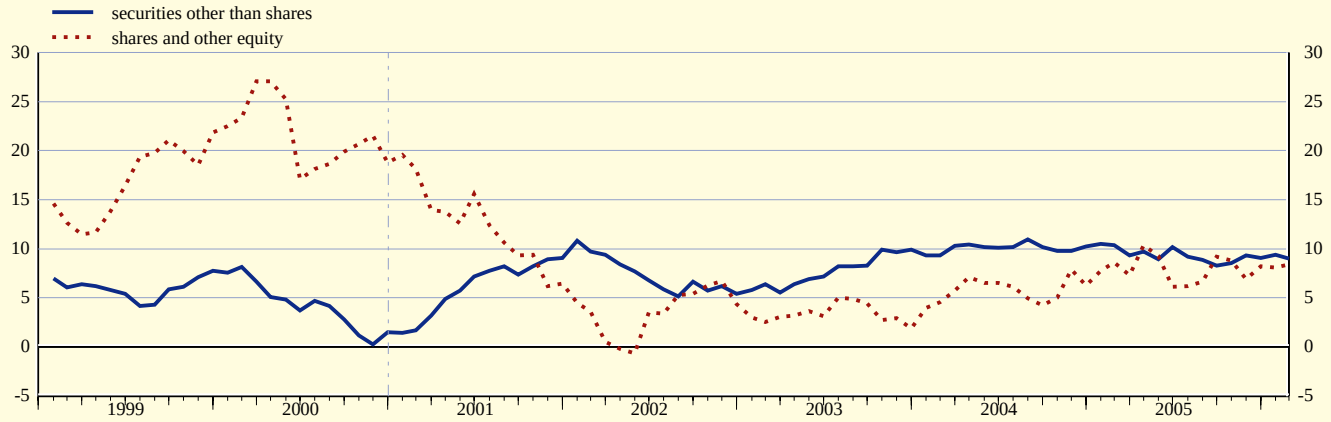
2.6 MFI holdings of securities, breakdown [1)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.7	59.9	1,284.1	15.8	449.0	16.3	751.7	1,158.1	286.4	656.4	215.2
2005 Q1	4,093.1	1,388.9	66.6	1,342.8	15.8	464.9	16.3	797.9	1,216.6	296.0	674.1	246.5
Q2	4,269.0	1,435.8	67.7	1,368.1	15.8	488.0	18.9	874.7	1,234.8	295.3	704.1	235.5
Q3	4,269.9	1,439.3	67.9	1,344.0	16.6	486.1	19.7	896.4	1,257.6	297.5	716.2	244.0
2005 Oct.	4,345.3	1,442.8	69.7	1,383.1	16.9	499.6	22.4	910.8	1,228.0	297.3	692.7	238.0
Nov.	4,470.2	1,452.6	71.3	1,466.5	17.4	519.1	24.5	918.9	1,250.1	311.1	698.3	240.7
Dec.	4,436.7	1,448.9	64.0	1,422.7	17.0	527.9	24.1	932.0	1,251.4	310.1	696.8	244.5
2006 Jan.	4,514.5	1,469.7	63.0	1,442.3	16.9	530.0	25.8	967.0	1,290.0	322.7	709.4	258.0
Feb. [p]	4,562.0	1,485.9	67.0	1,448.8	17.6	541.2	26.3	975.2	1,315.7	322.1	726.7	266.8
	Transactions											
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004	368.4	148.1	4.9	40.3	1.3	34.8	-1.3	140.4	67.6	2.2	34.5	30.8
2005 Q1	137.7	29.1	4.7	55.3	-0.5	17.0	-0.5	32.5	56.7	9.3	15.9	31.6
Q2	128.9	46.2	-1.8	11.6	-1.0	21.9	1.6	50.3	15.0	5.1	25.5	-15.7
Q3	1.2	1.8	0.2	-20.6	0.9	-2.9	0.9	20.8	6.6	1.1	2.7	2.8
2005 Oct.	48.3	4.5	1.7	13.4	0.3	12.8	2.8	12.9	1.9	0.2	7.9	-6.2
Nov.	77.4	7.0	1.0	42.4	-0.1	16.9	1.6	8.7	20.0	13.1	1.5	5.3
Dec.	-34.0	-4.1	-7.2	-43.2	-0.4	8.6	-0.3	12.6	-4.9	-1.5	-4.6	1.1
2006 Jan.	102.9	28.1	-0.1	23.7	0.3	3.5	2.1	45.3	32.0	10.3	10.6	11.1
Feb. [p]	35.7	16.5	3.2	6.8	0.4	11.6	0.0	-2.9	21.5	-1.5	15.1	7.9
	Growth rates											
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.4	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Mar.	9.3	9.1	14.1	3.9	-4.1	11.1	-4.6	19.1	7.3	1.9	4.0	26.4
June	10.2	11.4	8.1	1.4	-9.9	12.7	4.2	24.2	6.1	1.4	6.5	11.6
Sep.	8.3	8.9	5.9	-0.1	2.6	12.6	10.6	20.3	9.2	4.7	10.2	12.2
2005 Oct.	8.5	7.5	8.2	1.5	-19.3	14.8	23.6	19.7	8.8	4.6	10.9	8.1
Nov.	9.3	7.3	9.0	4.3	-14.2	17.2	31.3	17.2	6.9	7.1	9.1	0.5
Dec.	9.1	6.2	-1.6	4.7	-4.4	16.5	34.2	17.8	8.2	9.6	7.4	8.8
2006 Jan.	9.4	8.1	-7.7	3.7	-15.9	16.1	49.6	18.5	8.1	10.9	7.1	7.1
Feb. [p]	9.0	8.0	-2.5	2.0	-10.4	15.9	52.5	19.4	8.4	10.5	9.5	2.6

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items [1]

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.2	-2.8	-0.3	-4.1
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 Q1	-1.3	-0.6	-0.2	-0.5	-1.2	-0.1	0.0	-1.1	-2.7	-1.1	-0.1	-1.6
Q2	-0.8	-0.3	-0.2	-0.3	-0.8	0.0	0.0	-0.7	-1.6	-0.8	-0.1	-0.8
Q3	-0.9	-0.4	-0.2	-0.3	-0.6	0.0	0.0	-0.5	-0.9	-0.4	0.0	-0.5
2005 Oct.	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
Nov.	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4
Dec.	-0.5	-0.1	-0.2	-0.1	-1.0	-0.1	-0.5	-0.4	-2.4	-0.2	-1.7	-0.5
2006 Jan.	-0.6	-0.2	-0.1	-0.2	-0.9	-0.1	0.0	-0.8	-1.0	-0.3	-0.1	-0.6
Feb. (p)	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3

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
2003	-17.5	-8.8	-1.3	-7.4	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005 Q1	-5.1	-2.5	-0.7	-1.9	-0.3	-0.1	-0.3
Q2	-3.8	-1.9	-0.2	-1.8	-0.3	0.0	-0.3
Q3	-1.8	-0.9	-0.2	-0.7	-0.2	-0.1	-0.2
2005 Oct.	-1.4	-1.1	-0.1	-0.2	0.0	0.0	0.0
Nov.	-0.7	-0.4	0.0	-0.2	0.0	0.0	0.0
Dec.	-5.2	-0.6	-3.3	-1.3	-0.3	-0.2	-0.1
2006 Jan.	-1.7	-0.8	-0.2	-0.6	-0.1	0.0	-0.1
Feb. (p)	-0.8	-0.3	-0.1	-0.3	0.0	0.0	0.0

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
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	8.1	1.3	3.4	3.5
2005 Q1	5.9	1.0	0.1	3.8	0.1	-0.7	0.1	1.6	4.6	0.5	2.7	1.4
Q2	17.2	2.9	0.2	7.8	0.2	1.6	0.1	4.4	9.8	0.9	4.3	4.6
Q3	-3.1	0.2	0.1	-3.6	-0.1	0.3	0.0	0.0	14.3	1.8	7.1	5.4
2005 Oct.	-2.2	-0.4	0.0	-1.0	0.0	-0.1	0.0	-0.6	-0.9	-0.3	-0.8	0.2
Nov.	6.0	-0.4	0.1	1.2	0.5	0.3	0.1	4.2	7.9	1.0	3.5	3.4
Dec.	1.0	0.0	0.0	-0.6	0.0	0.2	0.0	1.3	6.0	0.7	2.6	2.6
2006 Jan.	-3.0	-1.0	-0.1	-1.2	-0.1	-0.1	0.0	-0.5	6.1	2.0	2.1	2.1
Feb. (p)	2.3	0.1	0.0	0.0	0.0	-0.3	0.1	2.4	4.1	0.9	2.2	1.0

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	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
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 Q1	4,820.7	91.0	9.0	5.4	0.5	1.4	1.1	6,832.5	97.0	3.0	1.9	0.3	0.1	0.4
Q2	4,793.3	90.9	9.1	5.5	0.4	1.4	1.1	7,055.6	96.9	3.1	1.9	0.3	0.1	0.4
Q3	4,783.7	90.6	9.4	5.7	0.5	1.5	1.1	7,121.8	96.7	3.3	2.0	0.3	0.1	0.4
Q4 (p)	4,855.9	90.9	9.1	5.7	0.4	1.4	1.0	7,351.7	96.7	3.3	2.0	0.3	0.1	0.4
	By non-euro area residents													
2003	1,580.8	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004	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 Q1	1,935.7	46.9	53.1	35.2	2.4	2.9	9.7	733.4	54.6	45.4	29.4	1.5	2.0	9.2
Q2	2,034.1	45.8	54.2	36.0	2.4	3.1	9.5	750.8	52.5	47.5	30.6	1.5	2.3	9.9
Q3	2,108.2	46.8	53.2	34.3	2.5	3.0	9.7	798.9	51.9	48.1	31.1	1.8	2.0	9.9
Q4 (p)	2,234.1	45.9	54.1	35.5	2.4	3.0	9.6	808.1	52.2	47.8	31.8	1.7	2.1	9.1

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
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,794.9	83.4	16.6	8.2	1.7	1.9	2.9
Q2	3,942.7	82.4	17.6	9.0	1.8	1.9	3.0
Q3	3,994.3	81.9	18.1	9.0	1.8	2.0	3.2
Q4 (p)	4,052.2	81.2	18.8	9.4	1.8	2.0	3.3

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	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2003	4,193.9	-	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3
2004	4,457.8	-	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4
2005 Q1	4,575.4	-	-	-	-	-	-	8,474.8	96.5	3.5	1.5	0.2	1.3	0.4
Q2	4,529.4	-	-	-	-	-	-	8,725.8	96.4	3.6	1.6	0.2	1.3	0.4
Q3	4,547.4	-	-	-	-	-	-	8,883.1	96.3	3.7	1.6	0.2	1.3	0.4
Q4 (p)	4,568.5	-	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5
	To non-euro area residents													
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	575.7	38.8	61.2	43.6	2.4	4.6	7.0
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 Q1	1,463.8	51.8	48.2	29.2	3.4	2.1	9.2	672.7	41.8	58.2	42.1	1.4	4.3	7.1
Q2	1,582.4	49.3	50.7	31.0	4.2	2.0	9.0	710.1	41.0	59.0	43.1	1.1	4.4	7.2
Q3	1,633.1	49.2	50.8	29.5	4.3	2.0	10.1	742.5	40.1	59.9	42.4	1.6	3.9	8.4
Q4 (p)	1,680.8	47.7	52.3	30.9	4.4	2.1	10.0	785.3	39.3	60.7	42.8	1.7	4.1	8.3

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	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004	1,422.6	95.8	4.2	1.8	0.3	0.5	1.3	1,765.1	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1	1,455.5	95.4	4.6	2.1	0.4	0.4	1.5	1,839.7	98.3	1.7	0.9	0.4	0.1	0.3
Q2	1,503.5	95.5	4.5	2.1	0.3	0.4	1.5	1,890.8	98.2	1.8	1.0	0.4	0.1	0.3
Q3	1,507.2	95.5	4.5	2.0	0.3	0.4	1.5	1,866.4	98.1	1.9	1.0	0.3	0.1	0.4
Q4 (p)	1,512.9	95.8	4.2	1.9	0.3	0.4	1.3	1,991.8	97.9	2.1	1.1	0.3	0.1	0.5
	Issued by non-euro area residents													
2003	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1	359.8	48.9	51.1	30.3	1.0	0.5	16.5	438.0	43.7	56.3	32.7	7.2	0.8	9.1
Q2	397.4	47.9	52.1	30.3	0.8	0.5	17.8	477.3	41.1	58.9	34.0	7.9	0.8	9.9
Q3	407.2	49.5	50.5	29.1	0.8	0.6	17.0	489.2	40.2	59.8	36.0	6.1	0.9	11.1
Q4 (p)	398.6	47.8	52.2	30.9	0.8	0.7	16.2	533.4	35.9	64.1	37.6	7.2	0.9	12.6

Source: ECB.

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

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

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

2.9 Aggregated balance sheet of euro area investment funds [1)]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	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
2004 Q2	3,631.6	263.7	1,540.5	75.7	1,464.7	1,206.9	299.8	151.0	169.7
Q3	3,652.8	265.6	1,585.6	78.5	1,507.1	1,179.2	302.5	155.5	164.3
Q4	3,790.0	259.4	1,617.6	78.1	1,539.5	1,250.5	317.3	158.6	186.7
2005 Q1	4,013.0	286.9	1,687.3	79.2	1,608.1	1,324.7	342.4	163.3	208.5
Q2	4,263.4	294.9	1,778.7	91.3	1,687.4	1,404.9	379.1	167.7	238.1
Q3 [p]	4,572.2	301.4	1,856.0	100.7	1,755.2	1,556.6	417.0	170.4	270.8

2. Liabilities

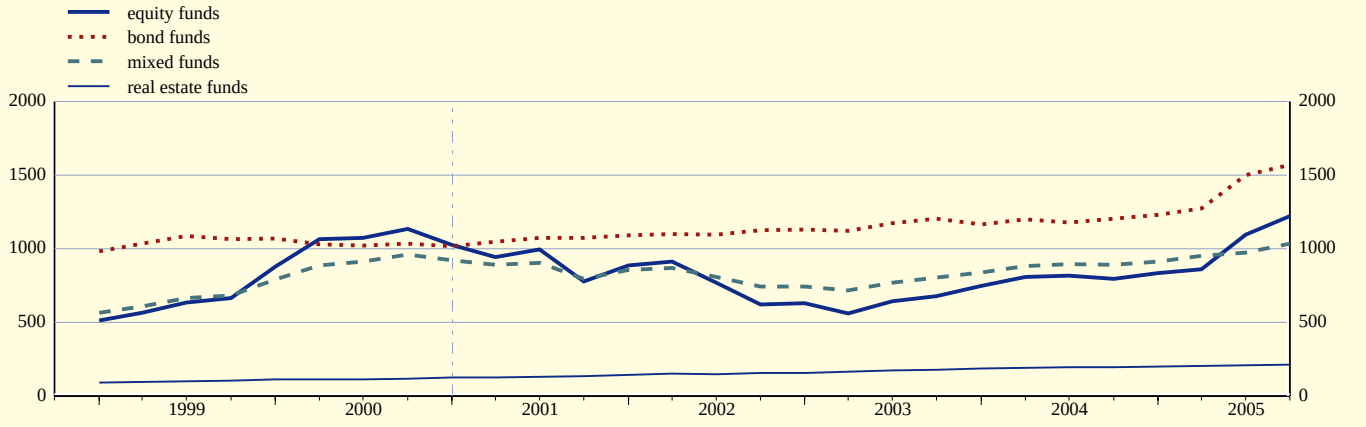
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2004 Q2	3,631.6	54.2	3,441.1	136.3
Q3	3,652.8	53.3	3,463.1	136.4
Q4	3,790.0	52.3	3,588.4	149.2
2005 Q1	4,013.0	60.5	3,764.0	188.5
Q2	4,263.4	57.8	3,996.9	208.6
Q3 [p]	4,572.2	59.5	4,306.0	206.7

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
2004 Q2	3,631.6	814.5	1,178.1	893.6	193.5	552.0	2,669.4	962.2
Q3	3,652.8	796.8	1,204.8	889.1	196.4	565.8	2,686.6	966.2
Q4	3,790.0	834.3	1,229.8	912.0	196.9	617.0	2,795.5	994.4
2005 Q1	4,013.0	861.9	1,274.8	951.7	201.2	723.4	2,981.1	1,032.0
Q2	4,263.4	1,094.4	1,498.4	974.6	207.2	488.8	3,179.6	1,083.8
Q3 [p]	4,572.2	1,221.8	1,568.9	1,032.2	211.8	537.6	3,448.0	1,124.2

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2004 Q2	814.5	33.9	34.0	3.5	30.5	692.1	27.2	-	27.2
Q3	796.8	33.9	35.5	4.0	31.5	673.3	27.0	-	27.1
Q4	834.3	30.8	36.7	4.0	32.6	705.8	30.2	-	30.8
2005 Q1	861.9	33.7	36.7	4.0	32.7	729.8	31.3	-	30.5
Q2	1,094.4	44.8	41.2	4.5	36.8	936.6	37.9	-	33.9
Q3 (p)	1,221.8	48.0	42.8	4.9	37.9	1,045.1	50.2	-	35.8
	Bond funds								
2004 Q2	1,178.1	85.2	979.7	39.5	940.2	35.5	23.5	-	54.2
Q3	1,204.8	87.0	1,003.8	42.1	961.8	34.4	25.2	-	54.4
Q4	1,229.8	83.7	1,016.9	43.3	973.6	39.9	25.1	-	64.2
2005 Q1	1,274.8	97.5	1,042.1	44.7	997.4	39.4	28.1	-	67.7
Q2	1,498.4	110.2	1,225.8	58.4	1,167.4	38.4	32.6	-	91.3
Q3 (p)	1,568.9	110.0	1,285.7	67.0	1,218.7	38.4	35.0	-	99.8
	Mixed funds								
2004 Q2	893.6	56.3	366.1	24.0	342.1	300.3	123.7	0.3	46.8
Q3	889.1	56.3	374.5	23.7	350.8	291.2	124.4	0.3	42.4
Q4	912.0	54.5	374.7	21.7	353.0	304.1	131.0	0.3	47.4
2005 Q1	951.7	60.4	387.6	22.4	365.2	314.1	134.8	0.2	54.7
Q2	974.6	64.9	417.3	21.2	396.2	276.6	146.5	0.2	69.0
Q3 (p)	1,032.2	66.3	425.1	21.6	403.5	300.0	160.2	0.2	80.4
	Real estate funds								
2004 Q2	193.5	16.1	9.2	0.7	8.6	0.7	8.3	149.8	9.3
Q3	196.4	15.5	9.2	0.7	8.5	0.8	8.1	154.1	8.7
Q4	196.9	15.7	7.6	0.7	6.9	1.0	7.5	156.4	8.7
2005 Q1	201.2	14.3	8.4	0.7	7.7	1.1	7.5	160.9	9.0
Q2	207.2	14.0	8.2	0.8	7.5	1.1	7.6	167.2	9.0
Q3 (p)	211.8	15.2	8.7	1.2	7.6	1.3	8.1	169.8	8.7

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						
2004 Q2	2,669.4	217.6	1,018.3	958.4	227.2	129.7	118.2
Q3	2,686.6	221.5	1,049.0	939.5	229.6	133.5	113.6
Q4	2,795.5	217.3	1,072.4	1,000.1	239.2	137.6	128.9
2005 Q1	2,981.1	241.3	1,129.5	1,058.7	259.5	141.2	150.7
Q2	3,179.6	247.2	1,202.2	1,124.9	284.0	144.9	176.3
Q3 (p)	3,448.0	250.8	1,256.1	1,257.8	320.9	145.2	217.3
	Special investors' funds						
2004 Q2	962.2	46.1	522.2	248.5	72.6	21.3	51.5
Q3	966.2	44.1	536.6	239.7	72.9	22.0	50.8
Q4	994.4	42.0	545.2	250.3	78.1	21.0	57.8
2005 Q1	1,032.0	45.5	557.7	266.0	82.9	22.0	57.8
Q2	1,083.8	47.6	576.5	280.0	95.1	22.8	61.8
Q3 (p)	1,124.2	50.6	599.9	298.9	96.2	25.2	53.4

Source: ECB.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	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 [1]	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2004 Q2	16,109.3	6,056.9	372.3	5,263.9	2,101.2	1,529.5	1,553.9	79.4	223.7	197.0	341.7
Q3	16,173.8	6,081.9	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	210.0	356.0
Q4	16,518.0	6,241.7	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	230.6	337.8
2005 Q1	16,831.8	6,257.1	408.4	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	228.5	374.1
Q2	17,292.8	6,423.8	430.8	5,550.1	2,448.6	1,552.8	1,471.1	77.7	211.5	231.4	370.5
Q3	17,639.9	6,426.1	439.5	5,565.0	2,440.3	1,571.6	1,475.5	77.6	182.4	239.2	393.8
	Transactions										
2004 Q2	293.4	139.2	21.4	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.8	-3.1
Q3	119.1	29.4	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.0	13.1
Q4	149.5	168.5	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	20.6	-14.0
2005 Q1	160.4	14.9	-5.2	-4.0	7.4	-17.4	15.7	-9.7	25.0	-0.9	16.3
Q2	279.8	160.3	22.3	111.0	111.0	-10.1	11.0	-0.9	24.1	2.9	-3.0
Q3	98.6	2.8	8.7	15.7	-7.4	18.8	4.4	-0.1	-29.4	7.8	12.0
	Growth rates										
2004 Q2	4.5	5.3	19.5	4.2	8.3	-1.7	6.3	-15.7	12.8	3.9	7.7
Q3	4.5	5.6	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	10.7	6.0
Q4	4.5	6.2	17.4	5.1	7.1	1.6	6.2	3.6	3.9	16.2	4.6
2005 Q1	4.6	5.9	16.4	5.1	7.9	1.5	5.6	-3.3	1.7	12.2	3.6
Q2	4.4	6.2	15.7	5.5	9.0	1.8	4.9	-2.1	-5.5	18.1	3.6
Q3	4.3	5.7	14.6	5.3	8.4	2.7	4.5	-6.3	-10.8	14.5	3.2

	Securities other than shares			Shares [2]				Insurance technical reserves		
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	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
	12	13	14	15	16	17	18	19	20	21
	Outstanding amounts									
2004 Q2	1,951.1	166.3	1,784.8	4,078.7	2,095.1	1,983.6	438.7	4,022.7	3,642.1	380.6
Q3	1,960.7	166.0	1,794.7	4,042.3	2,060.0	1,982.3	438.9	4,088.9	3,704.5	384.4
Q4	1,937.0	160.0	1,777.0	4,178.2	2,180.2	1,998.0	421.8	4,161.1	3,774.4	386.7
2005 Q1	1,973.4	157.8	1,815.6	4,329.0	2,279.5	2,049.5	429.2	4,272.3	3,876.5	395.8
Q2	2,035.5	161.9	1,873.6	4,456.4	2,348.3	2,108.1	426.7	4,377.1	3,978.9	398.2
Q3	2,026.7	160.2	1,866.5	4,698.6	2,510.3	2,188.3	429.2	4,488.4	4,086.1	402.3
	Transactions									
2004 Q2	39.9	10.8	29.2	56.8	52.6	4.2	0.0	57.6	53.0	4.5
Q3	11.0	0.3	10.7	16.6	9.5	7.1	-2.4	62.1	58.3	3.8
Q4	-19.1	-9.5	-9.5	-60.4	-51.4	-9.0	-15.8	60.5	58.1	2.4
2005 Q1	36.6	-4.4	41.0	34.9	0.5	34.3	7.9	74.0	64.9	9.1
Q2	33.9	3.0	30.9	22.7	3.8	18.9	0.8	62.9	60.2	2.7
Q3	-3.0	-2.4	-0.6	18.1	-17.2	35.3	4.9	80.5	76.6	4.0
	Growth rates									
2004 Q2	1.6	10.0	0.8	3.1	3.1	3.1	1.7	6.3	6.4	5.1
Q3	1.3	2.9	1.2	2.4	2.6	2.2	0.6	6.2	6.4	5.0
Q4	1.8	5.0	1.6	1.3	0.9	1.7	-0.8	6.4	6.5	5.5
2005 Q1	3.5	-1.8	4.0	1.2	0.6	1.8	-2.4	6.4	6.5	5.3
Q2	3.2	-6.4	4.1	0.3	-1.8	2.6	-2.2	6.5	6.6	4.7
Q3	2.5	-8.0	3.4	0.4	-3.1	4.0	-0.5	6.8	7.0	4.7

Source: ECB.

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

2) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	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												
2004 Q2	17,298.3	8,719.6	7,593.6	932.9	91.5	841.4	3,740.7	1,187.9	2,552.8	4,045.9	292.1	3,753.9	431.5
Q3	17,407.6	8,800.7	7,671.3	928.7	90.1	838.6	3,744.8	1,171.7	2,573.1	4,127.3	289.7	3,837.5	426.1
Q4	17,776.6	8,925.6	7,794.7	927.8	80.9	846.9	3,787.2	1,193.8	2,593.5	4,210.5	294.8	3,915.7	434.8
2005 Q1	18,145.9	9,014.7	7,877.9	922.3	77.5	844.9	3,818.4	1,192.9	2,625.4	4,274.1	294.8	3,979.3	455.4
Q2	18,670.5	9,222.4	8,102.7	922.3	82.3	840.0	3,911.6	1,240.8	2,670.7	4,388.5	305.3	4,083.2	526.0
Q3	19,139.6	9,356.1	8,238.6	931.5	87.6	843.9	3,943.0	1,224.0	2,719.0	4,481.6	302.7	4,179.0	537.7
	Transactions												
2004 Q2	259.4	150.2	134.5	-9.2	5.4	-14.5	70.1	16.8	53.4	89.2	8.6	80.6	-3.6
Q3	147.0	78.8	86.1	-5.2	-1.4	-3.8	0.1	-16.6	16.7	83.8	-1.9	85.7	1.9
Q4	116.0	142.7	139.7	1.6	-9.2	10.8	57.2	25.3	31.8	83.9	6.4	77.5	0.8
2005 Q1	235.4	88.9	87.2	-6.3	-3.4	-2.8	29.3	5.2	24.1	65.9	0.8	65.0	6.7
Q2	321.5	197.1	185.7	-0.7	4.8	-5.5	86.7	38.6	48.2	111.1	10.4	100.7	59.6
Q3	214.0	128.7	139.5	9.5	5.3	4.2	24.2	-16.5	40.7	95.0	-2.6	97.7	18.4
	Growth rates												
2004 Q2	4.2	4.9	5.3	1.7	28.1	-0.6	2.5	-2.3	4.8	8.0	0.8	8.6	1.3
Q3	4.3	4.8	5.7	0.9	24.6	-1.2	2.2	-1.5	4.0	8.3	2.0	8.8	5.5
Q4	4.3	5.0	5.9	-0.9	-1.6	-0.9	3.2	1.8	3.8	8.1	3.1	8.5	2.2
2005 Q1	4.4	5.4	6.0	-2.0	-10.1	-1.2	4.2	2.6	5.0	8.2	5.0	8.4	1.4
Q2	4.7	5.8	6.6	-1.1	-10.1	-0.2	4.6	4.4	4.7	8.5	5.4	8.8	16.0
Q3	5.1	6.3	7.2	0.4	-2.8	0.8	5.3	4.5	5.6	8.6	5.2	8.9	20.1

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central 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									
2004 Q2	5,260.4	4,618.7	611.4	4,007.3	641.7	219.5	422.2	2,843.1	181.9	293.4
Q3	5,352.4	4,706.8	611.7	4,095.1	645.6	212.8	432.8	2,763.8	194.0	296.6
Q4	5,357.3	4,719.1	588.1	4,131.0	638.2	203.1	435.0	2,980.4	213.5	299.9
2005 Q1	5,477.9	4,826.0	599.8	4,226.2	651.9	218.2	433.7	3,138.6	212.0	302.7
Q2	5,683.9	5,020.6	620.2	4,400.4	663.2	223.2	440.0	3,243.6	214.7	306.0
Q3	5,681.8	5,018.5	607.8	4,410.7	663.3	218.6	444.7	3,570.9	221.3	309.4
	Transactions									
2004 Q2	111.4	94.8	20.2	74.6	16.6	10.1	6.5	1.8	-7.1	3.1
Q3	46.5	42.5	0.3	42.2	4.0	-6.7	10.8	6.3	12.1	3.2
Q4	-52.4	-41.4	-23.4	-18.0	-11.0	-9.8	-1.2	2.3	19.4	4.0
2005 Q1	139.3	122.4	10.3	112.1	16.9	16.5	0.4	4.7	-0.2	2.8
Q2	120.2	114.9	21.7	93.2	5.3	4.8	0.5	-1.8	2.7	3.4
Q3	-3.7	-1.5	-12.3	10.7	-2.2	-4.7	2.5	79.0	6.6	3.4
	Growth rates									
2004 Q2	4.8	5.1	4.9	5.2	2.1	11.4	-2.0	0.4	4.8	4.8
Q3	5.0	5.2	6.5	5.0	3.2	6.9	1.5	0.5	11.3	4.8
Q4	4.7	5.3	6.0	5.2	0.1	2.1	-0.8	0.5	17.5	4.7
2005 Q1	4.7	4.8	1.3	5.3	4.2	4.8	3.9	0.5	12.8	4.5
Q2	4.8	5.2	1.5	5.7	2.4	2.2	2.5	0.4	18.7	4.6
Q3	3.8	4.1	-0.6	4.8	1.4	3.2	0.5	3.0	14.7	4.6

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											
2004 Q2	4,036.2	565.4	59.9	482.0	2.3	21.2	347.9	61.7	286.2	1,611.1	65.0	1,546.1
Q3	4,097.2	573.6	61.5	489.8	2.3	20.0	353.8	64.6	289.2	1,652.4	63.6	1,588.8
Q4	4,191.5	583.2	59.2	500.8	2.5	20.8	333.4	57.4	276.0	1,711.1	67.1	1,644.0
2005 Q1	4,321.3	597.0	65.7	508.8	2.7	19.8	335.3	59.2	276.1	1,759.2	66.2	1,693.0
Q2	4,446.3	595.7	61.2	511.3	2.7	20.5	325.2	57.7	267.4	1,823.8	66.5	1,757.3
Q3	4,601.9	602.9	60.0	517.7	2.7	22.4	329.6	62.4	267.2	1,863.2	65.7	1,797.5
	Transactions											
2004 Q2	29.8	7.2	-4.9	13.7	-0.6	-0.9	-6.4	-1.7	-4.7	25.3	0.3	25.0
Q3	54.6	8.2	1.6	7.8	-0.1	-1.1	5.9	2.9	3.0	27.0	-1.5	28.5
Q4	53.6	9.9	-1.7	10.6	0.2	0.7	-20.5	-7.3	-13.2	52.5	3.2	49.2
2005 Q1	91.4	12.5	6.4	6.9	0.2	-1.0	-0.3	1.8	-2.1	51.6	-1.1	52.7
Q2	51.2	-2.1	-5.3	2.2	0.2	0.8	-10.2	-1.4	-8.8	37.7	-0.6	38.2
Q3	78.8	7.2	-1.2	6.4	0.1	1.9	4.2	4.6	-0.4	34.8	-0.7	35.5
	Growth rates											
2004 Q2	6.0	4.8	-6.4	6.9	6.5	-6.3	0.6	0.0	0.7	10.2	2.3	10.5
Q3	6.5	7.5	6.8	7.7	-12.8	6.7	2.2	7.3	1.2	9.9	-2.7	10.4
Q4	5.6	7.4	1.2	8.2	-12.0	7.8	-5.6	-6.9	-5.3	9.8	4.1	10.0
2005 Q1	5.7	6.8	2.2	8.3	-11.6	-10.5	-6.1	-6.8	-5.9	9.7	1.4	10.1
Q2	6.2	5.1	1.8	5.7	23.8	-3.0	-7.3	-6.5	-7.4	10.5	0.1	10.9
Q3	6.7	4.8	-2.8	5.3	30.1	12.0	-7.6	-3.5	-8.5	10.7	1.3	11.1

Main financial assets / Main liabilities

	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Mutual fund shares	Money market fund shares/ units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
	13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2004 Q2	1,376.2	660.6	715.6	65.8	135.6	4,234.2	89.1	53.7	24.4	193.9	3,926.8	3,335.9	590.9
Q3	1,379.7	655.4	724.3	65.1	137.7	4,294.1	90.7	52.5	23.1	186.4	3,993.9	3,396.5	597.4
Q4	1,425.1	686.4	738.7	70.3	138.8	4,372.2	79.5	48.6	23.7	207.9	4,061.2	3,461.7	599.5
2005 Q1	1,487.5	713.7	773.8	70.2	142.4	4,514.2	90.1	58.2	24.0	220.3	4,179.8	3,563.9	615.9
Q2	1,557.2	744.1	813.1	90.2	144.5	4,628.0	92.8	63.8	24.2	223.3	4,287.6	3,674.9	612.7
Q3	1,658.3	809.0	849.3	91.4	148.0	4,769.0	91.4	65.2	24.8	251.2	4,401.6	3,781.2	620.4
	Transactions												
2004 Q2	2.6	-3.0	5.6	-0.4	1.2	59.9	4.2	7.0	0.6	0.1	55.0	49.8	5.2
Q3	11.3	5.3	6.0	-0.6	2.2	63.3	1.7	-1.1	-1.2	2.1	60.7	55.1	5.6
Q4	10.6	3.4	7.1	5.2	1.2	42.2	-11.0	-3.6	0.5	0.1	52.6	49.4	3.2
2005 Q1	24.1	5.9	18.2	0.0	3.5	84.5	9.7	8.6	0.7	0.0	74.1	61.3	12.9
Q2	23.1	1.3	21.8	6.7	2.8	63.8	2.8	5.5	0.1	0.5	60.4	57.3	3.1
Q3	29.5	15.1	14.4	1.4	3.1	85.7	0.7	1.4	0.5	1.1	83.5	75.9	7.6
	Growth rates												
2004 Q2	3.8	1.0	6.4	-2.0	-0.5	6.1	3.4	18.8	28.5	3.5	6.2	6.5	4.5
Q3	3.9	1.1	6.6	3.8	-0.1	6.1	6.1	17.5	14.5	4.7	6.2	6.5	4.5
Q4	2.8	0.3	5.3	4.9	6.3	6.0	5.5	36.9	2.0	1.6	6.3	6.5	4.8
2005 Q1	3.6	1.8	5.2	6.6	6.0	6.0	5.4	23.7	2.5	1.2	6.3	6.5	4.6
Q2	5.0	2.4	7.4	17.4	7.1	6.0	3.5	17.6	0.5	1.4	6.3	6.7	4.2
Q3	6.3	3.9	8.5	20.6	7.6	6.4	2.3	22.8	7.8	0.9	6.8	7.2	4.5

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
1998	403.1	1,203.4	-823.6	23.2	0.3	2,812.4	10.5	479.9	487.6	516.4	1,050.4	219.6	48.0
1999	444.7	1,293.4	-863.7	14.8	0.2	3,360.5	-0.1	564.8	550.4	797.6	1,155.7	264.3	27.8
2000	492.4	1,396.5	-913.1	17.3	-8.2	3,341.8	-2.2	361.6	343.3	780.7	1,549.6	252.7	56.0
2001	461.8	1,452.1	-973.6	-18.8	2.1	2,893.7	1.7	588.0	574.1	694.5	809.5	257.0	-31.0
2002	407.2	1,442.1	-1,004.8	-31.3	1.1	2,591.5	-0.1	801.9	384.6	521.9	615.5	228.5	39.3
2003	431.5	1,471.3	-1,033.2	-7.1	0.5	2,835.6	-1.5	729.1	584.7	634.5	628.6	241.8	18.3
2004	492.0	1,538.9	-1,069.5	23.0	-0.5	3,087.4	-2.1	962.5	609.2	697.8	543.5	260.3	16.3

	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
1998	497.3	1,299.1	-823.6	21.9	2,718.6	670.8	376.3	514.6	933.3	224.6
1999	509.8	1,352.0	-863.7	21.5	3,295.9	836.9	557.3	760.8	874.1	267.6
2000	527.7	1,419.4	-913.1	21.4	3,307.1	502.7	466.3	874.1	1,205.8	257.9
2001	496.4	1,449.4	-973.6	20.6	2,859.7	616.4	493.8	651.1	822.0	263.2
2002	496.2	1,480.9	-1,004.8	20.1	2,502.8	634.5	450.5	541.0	638.7	232.1
2003	483.9	1,486.1	-1,033.2	31.1	2,783.4	676.7	574.0	590.9	690.2	251.4
2004	550.0	1,592.2	-1,069.5	27.2	3,029.9	1,045.9	638.0	525.7	562.0	262.2

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
1998	184.5	632.5	-468.3	464.7	45.6	16.2	119.3	231.6	145.0	563.1	504.2	13.1	274.5	206.0
1999	207.6	684.0	-489.4	670.8	23.6	80.3	186.3	348.0	108.4	546.5	770.0	46.8	429.1	282.9
2000	310.7	756.1	-522.1	971.7	73.7	68.7	245.2	546.1	83.3	556.7	1,199.1	66.9	615.5	505.0
2001	214.8	784.8	-558.4	671.9	108.4	45.2	185.3	241.1	87.1	585.7	799.5	101.5	382.4	304.1
2002	151.7	765.0	-581.5	443.3	25.1	-15.7	66.5	253.8	90.1	614.6	504.9	18.3	260.2	213.9
2003	150.9	760.0	-598.4	449.5	89.7	-26.3	148.9	206.5	74.6	626.2	525.8	77.9	209.5	224.6
2004	180.9	771.5	-610.1	323.8	85.8	-32.7	88.4	167.1	134.5	702.9	370.2	21.9	157.9	181.5

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	Disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	178.8	392.2	-217.2	462.7	93.4	-130.2	277.4	211.9	428.2	604.9	213.7	212.3	3,971.6	15.2
1999	190.3	419.8	-231.3	489.8	122.5	-30.1	201.2	249.7	412.3	587.6	268.2	266.5	4,116.9	14.3
2000	200.4	439.3	-240.3	441.0	67.0	45.3	124.7	246.9	418.9	608.4	223.1	221.1	4,337.4	14.0
2001	187.9	449.7	-257.8	431.1	178.7	92.4	48.8	236.7	440.8	652.6	178.9	177.2	4,630.2	14.1
2002	201.1	461.1	-260.7	483.5	223.0	71.5	5.8	218.5	472.2	695.0	212.8	210.6	4,789.7	14.5
2003	217.8	483.6	-268.2	537.1	207.8	13.4	90.7	240.8	507.0	737.2	248.1	245.9	4,953.9	14.9
2004	245.7	530.5	-287.1	564.3	227.8	76.3	19.3	248.7	522.0	751.8	288.2	285.8	5,112.5	14.7

Source: ECB.

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

4 FINANCIAL MARKETS

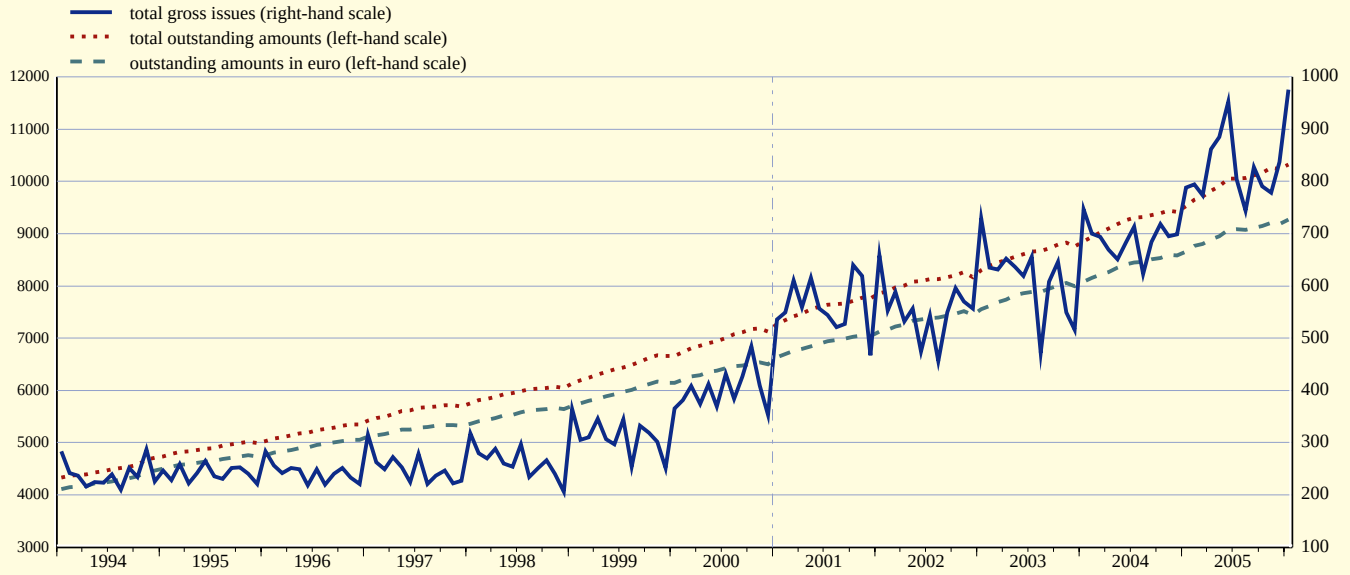
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(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	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005 Jan.	10,100.3	791.5	61.9	8,656.0	740.6	74.3	9,529.4	787.7	90.4	7.5	52.5	7.2
Feb.	10,220.5	818.3	119.4	8,763.6	752.2	107.0	9,643.3	794.8	117.1	7.8	81.8	7.9
Mar.	10,328.4	821.9	106.9	8,808.8	727.7	43.9	9,711.4	773.7	54.2	7.4	35.5	7.6
Apr.	10,384.6	861.8	56.2	8,893.8	814.7	84.9	9,820.8	861.2	101.2	7.8	85.9	8.6
May	10,449.9	899.7	66.4	8,954.3	844.7	61.5	9,911.2	884.4	66.1	7.4	36.4	7.9
June	10,643.4	1,026.8	193.6	9,079.1	902.7	125.4	10,051.8	952.4	135.0	8.1	138.2	9.2
July	10,615.7	813.7	-27.8	9,082.1	762.8	2.9	10,058.2	804.2	6.0	7.6	3.0	8.1
Aug.	10,622.9	757.3	3.5	9,074.6	704.7	-11.2	10,059.8	743.9	-2.9	7.4	35.0	7.0
Sep.	10,721.8	893.3	100.4	9,110.7	786.5	37.4	10,114.0	827.7	46.2	7.4	45.5	7.2
Oct.	10,736.2	797.0	14.8	9,147.2	744.1	36.7	10,168.3	790.6	53.5	7.5	52.0	6.4
Nov.	10,814.1	801.2	79.5	9,207.6	734.0	62.0	10,257.2	779.0	76.3	7.6	77.1	7.2
Dec.	10,827.4	868.8	12.1	9,184.5	793.1	-24.2	10,239.6	837.5	-24.4	7.6	77.4	5.9
2006 Jan.	.	.	.	9,263.6	923.6	86.3	10,321.2	975.3	102.6	7.6	64.6	7.1
	Long-term											
2005 Jan.	9,184.2	205.4	65.7	7,830.3	181.8	57.1	8,592.3	201.9	67.8	8.0	68.4	8.0
Feb.	9,300.1	224.3	115.6	7,927.6	184.0	97.1	8,695.4	203.2	105.8	8.2	76.0	8.8
Mar.	9,374.6	204.6	74.4	7,977.6	165.0	49.7	8,762.2	185.4	57.6	8.2	47.5	8.7
Apr.	9,427.6	186.1	53.1	8,036.5	167.0	58.8	8,840.3	184.8	70.2	8.4	66.0	9.3
May	9,498.0	183.5	70.9	8,097.7	153.9	61.5	8,928.5	169.4	67.8	8.0	40.9	8.7
June	9,681.8	306.2	183.8	8,244.4	238.7	147.0	9,094.8	261.3	157.1	8.9	144.7	10.6
July	9,676.3	155.3	-5.7	8,237.6	131.5	-6.9	9,091.3	146.1	-2.3	8.4	-2.7	8.8
Aug.	9,674.8	86.4	-5.1	8,224.3	63.4	-17.0	9,088.6	76.9	-9.4	8.1	21.8	7.4
Sep.	9,742.6	188.2	68.6	8,267.3	143.5	43.6	9,148.7	162.9	55.0	8.0	47.9	7.4
Oct.	9,774.2	166.1	32.6	8,285.3	137.5	18.8	9,183.5	159.4	32.1	8.0	42.2	6.8
Nov.	9,856.4	168.1	83.1	8,349.9	131.5	65.5	9,272.7	152.2	80.1	8.2	82.9	7.7
Dec.	9,899.3	176.6	41.1	8,376.6	145.8	25.0	9,305.5	165.2	27.8	8.3	76.0	6.0
2006 Jan.	.	.	.	8,416.3	170.8	46.2	9,346.4	192.7	58.8	8.1	60.6	7.4

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

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
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	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004	9,417	3,713	738	595	4,120	250	8,277	5,480	223	1,028	1,464	83
2005	10,240	4,109	928	613	4,307	283	9,837	6,983	324	1,031	1,405	95
2005 Q1	9,711	3,849	758	607	4,238	259	2,356	1,620	50	248	412	25
Q2	10,052	3,993	831	619	4,343	266	2,698	1,884	110	281	400	23
Q3	10,114	4,046	843	617	4,338	271	2,376	1,732	49	251	323	21
Q4	10,240	4,109	928	613	4,307	283	2,407	1,746	115	250	270	26
2005 Oct.	10,168	4,089	857	627	4,322	273	791	564	26	85	108	7
Nov.	10,257	4,120	879	623	4,355	280	779	556	30	87	95	11
Dec.	10,240	4,109	928	613	4,307	283	838	626	59	78	67	8
2006 Jan.	10,321	4,143	928	618	4,347	285	975	703	13	93	159	8
	Short-term											
2004	912	447	7	90	362	5	6,338	4,574	44	931	756	33
2005	934	482	7	90	350	5	7,768	6,046	45	942	702	33
2005 Q1	949	457	8	105	374	5	1,766	1,327	12	229	188	9
Q2	957	462	7	105	377	5	2,082	1,628	11	258	178	8
Q3	965	475	7	99	379	5	1,990	1,560	12	235	175	9
Q4	934	482	7	90	350	5	1,930	1,531	10	221	160	8
2005 Oct.	985	490	7	102	380	5	631	489	4	75	61	3
Nov.	985	496	7	99	377	5	627	488	4	79	53	2
Dec.	934	482	7	90	350	5	672	554	2	67	46	3
2006 Jan.	975	501	7	96	367	5	783	613	3	88	75	3
	Long-term [1]											
2004	8,505	3,266	731	505	3,758	245	1,939	905	179	97	708	49
2005	9,305	3,627	921	523	3,956	278	2,069	937	278	89	703	61
2005 Q1	8,762	3,393	750	502	3,863	254	591	293	38	19	224	16
Q2	9,095	3,531	824	513	3,966	261	616	256	99	24	222	15
Q3	9,149	3,571	836	518	3,959	265	386	172	37	17	148	12
Q4	9,305	3,627	921	523	3,956	278	477	215	105	29	109	18
2005 Oct.	9,184	3,598	851	524	3,942	268	159	75	22	10	47	4
Nov.	9,273	3,624	872	524	3,977	275	152	68	26	8	42	8
Dec.	9,305	3,627	921	523	3,956	278	165	72	57	11	20	5
2006 Jan.	9,346	3,642	921	522	3,980	280	193	90	9	5	83	5
	Of which long-term fixed rate											
2004	6,380	1,929	416	414	3,435	186	1,193	408	70	61	620	36
2005	6,714	2,016	459	413	3,608	217	1,228	413	92	54	621	48
2005 Q1	6,517	1,968	427	409	3,517	196	387	137	21	15	199	15
Q2	6,675	2,003	445	416	3,607	203	343	101	28	15	187	12
Q3	6,674	2,014	436	415	3,601	207	235	80	8	8	133	8
Q4	6,714	2,016	459	413	3,608	217	263	96	35	16	103	14
2005 Oct.	6,692	2,032	440	420	3,591	209	106	44	8	8	43	3
Nov.	6,733	2,034	442	416	3,626	215	83	27	6	3	40	7
Dec.	6,714	2,016	459	413	3,608	217	74	24	21	5	20	3
2006 Jan.	6,744	2,037	457	408	3,623	220	143	62	3	1	72	4
	Of which long-term variable rate											
2004	1,872	1,148	311	77	276	59	620	404	110	32	60	14
2005	2,258	1,343	458	94	303	60	713	429	186	28	58	12
2005 Q1	1,959	1,212	320	79	292	58	168	129	17	3	17	2
Q2	2,117	1,292	375	83	310	57	238	128	71	7	29	3
Q3	2,164	1,310	396	86	315	58	124	76	29	6	8	5
Q4	2,258	1,343	458	94	303	60	184	95	70	11	4	4
2005 Oct.	2,173	1,314	407	87	306	58	45	25	14	2	3	1
Nov.	2,210	1,327	426	90	307	59	58	30	20	4	2	1
Dec.	2,258	1,343	458	94	303	60	81	39	36	5	0	2
2006 Jan.	2,266	1,342	460	95	308	60	38	23	6	2	6	1

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

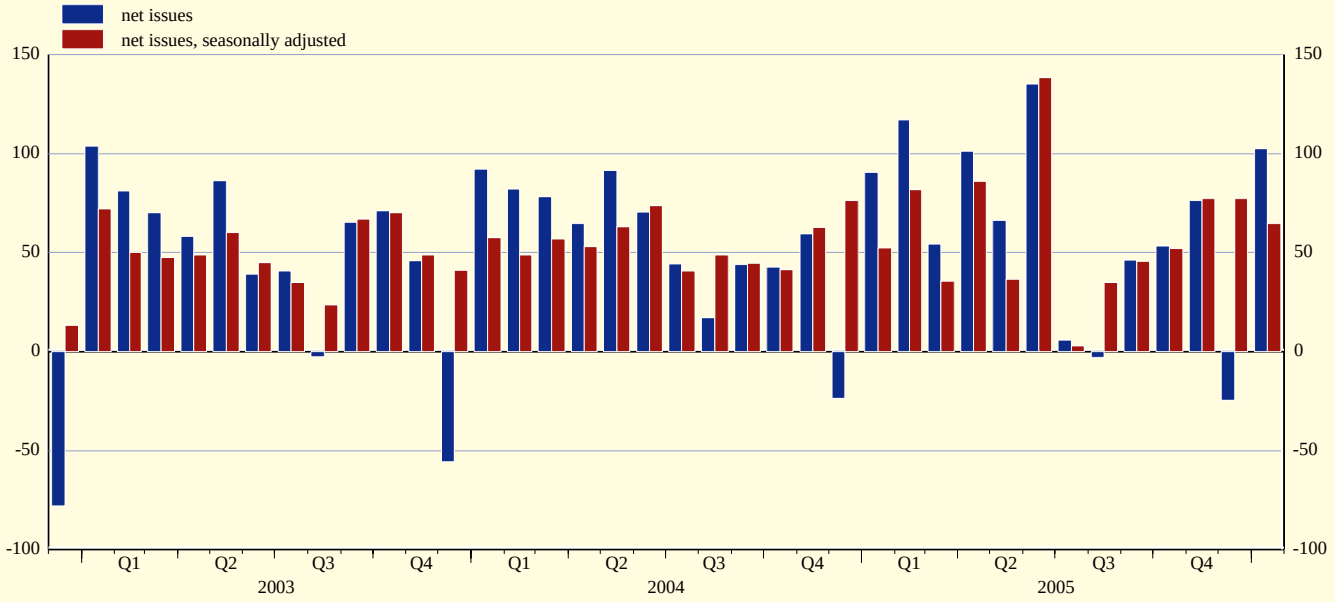
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

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	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004	662.9	350.4	75.2	8.2	197.6	31.5	666.9	353.1	73.3	7.9	200.8	31.7
2005	718.5	315.2	177.1	20.7	173.0	32.3	720.4	317.7	173.5	20.8	175.8	32.6
2005 Q1	261.6	114.5	13.2	13.7	111.3	9.0	169.8	72.1	29.3	10.2	50.0	8.3
Q2	302.3	117.9	69.8	8.8	99.2	6.5	260.4	122.3	62.6	4.9	64.6	6.0
Q3	49.2	38.4	12.0	-0.7	-4.8	4.5	83.6	49.9	18.0	1.1	8.3	6.3
Q4	105.4	44.4	82.2	-1.0	-32.6	12.4	206.5	73.5	63.5	4.6	52.9	12.0
2005 Oct.	53.5	41.9	14.6	9.6	-15.4	2.8	52.0	32.3	17.6	7.5	-6.6	1.3
Nov.	76.3	21.1	20.3	-2.8	30.9	6.9	77.1	22.4	16.3	-2.6	34.8	6.3
Dec.	-24.4	-18.6	47.3	-7.8	-48.1	2.7	77.4	18.8	29.6	-0.2	24.8	4.4
2006 Jan.	102.6	50.1	1.7	5.6	42.7	2.4	64.6	37.7	14.6	2.8	7.8	1.8
	Long-term											
2004	615.5	297.8	73.9	11.8	202.4	29.7	618.7	298.8	72.0	11.7	206.2	30.0
2005	709.4	292.7	177.6	21.1	185.5	32.6	711.5	294.3	174.0	21.1	189.4	32.8
2005 Q1	231.1	111.5	12.8	-1.2	99.3	8.7	191.8	85.3	29.2	3.1	66.8	7.5
Q2	295.1	112.7	70.1	8.7	97.1	6.6	251.6	110.8	62.6	3.5	68.4	6.3
Q3	43.3	28.2	12.3	5.9	-7.6	4.5	67.1	29.2	18.4	7.7	5.5	6.3
Q4	139.9	40.3	82.4	7.8	-3.4	12.8	201.0	69.1	63.8	6.7	48.7	12.8
2005 Oct.	32.1	24.1	15.1	6.2	-16.3	2.8	42.2	24.0	18.1	5.5	-6.7	1.3
Nov.	80.1	19.2	20.0	0.1	33.7	7.1	82.9	26.6	16.3	-0.9	34.4	6.6
Dec.	27.8	-3.0	47.3	1.4	-20.9	2.9	76.0	18.5	29.5	2.1	21.0	4.9
2006 Jan.	58.8	28.1	2.0	0.2	25.9	2.6	60.6	34.5	14.8	3.0	6.5	1.8

C14 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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



Source: ECB.

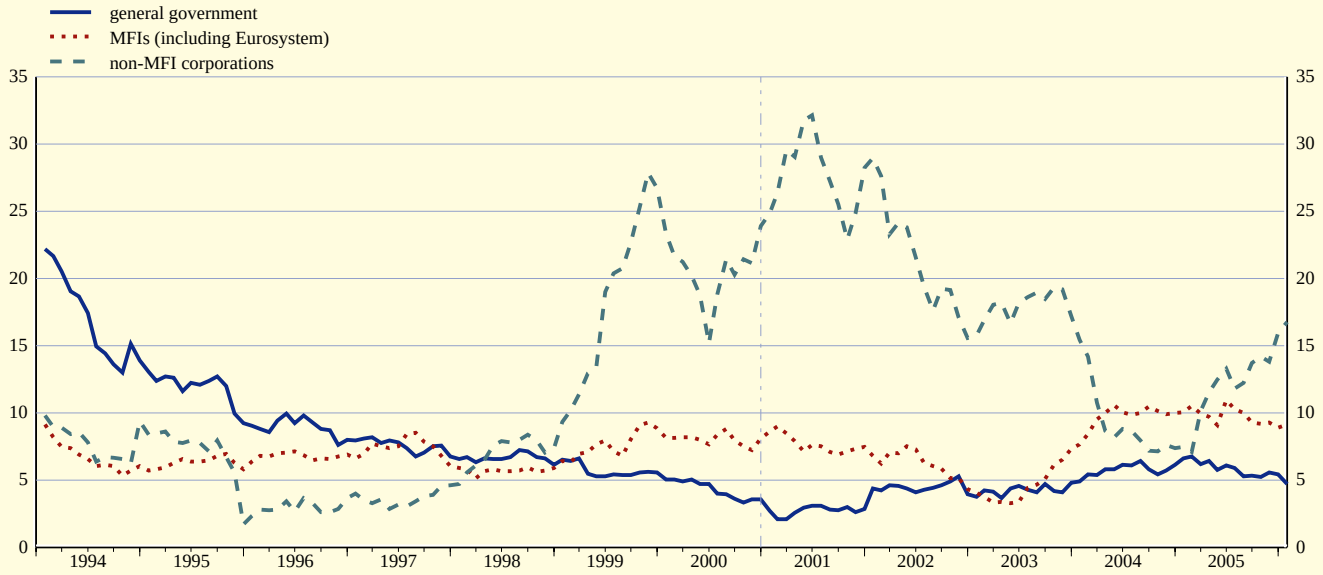
4.3 Growth rates of securities, other than shares, issued by euro area residents [1)]

(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	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005 Jan.	7.5	9.8	11.1	2.6	5.1	15.1	7.2	9.4	15.4	0.4	4.4	16.1
Feb.	7.8	10.5	11.3	2.9	5.3	13.0	7.9	10.2	16.1	2.6	4.9	15.6
Mar.	7.4	9.7	14.5	4.3	4.6	11.9	7.6	9.7	20.0	3.6	4.1	13.7
Apr.	7.8	9.9	15.7	5.4	4.7	12.7	8.6	10.4	19.1	5.9	5.3	15.6
May	7.4	9.3	18.3	4.7	4.2	11.7	7.9	9.8	19.4	5.2	4.6	10.4
June	8.1	10.5	19.9	3.0	4.6	11.3	9.2	10.6	26.6	5.1	5.5	11.7
July	7.6	10.0	18.6	1.5	4.3	12.9	8.1	10.6	22.0	2.6	4.2	9.8
Aug.	7.4	10.0	18.6	2.2	3.8	12.0	7.0	9.8	21.4	1.8	2.7	8.7
Sep.	7.4	9.4	21.0	2.8	3.8	11.7	7.2	9.1	22.2	2.0	3.5	9.7
Oct.	7.5	9.4	21.3	3.9	3.6	12.1	6.4	8.5	23.6	2.1	2.0	8.8
Nov.	7.6	9.4	20.9	3.0	4.1	12.3	7.2	8.9	22.4	0.8	3.5	14.1
Dec.	7.6	8.4	23.7	3.5	4.2	12.9	5.9	6.3	20.6	1.9	2.9	14.3
2006 Jan.	7.6	9.1	24.4	3.5	3.7	11.3	7.1	7.6	26.7	4.4	3.2	12.8
	Long-term											
2005 Jan.	8.0	10.1	11.0	2.8	6.1	14.8	8.0	9.8	14.9	2.6	5.5	16.0
Feb.	8.2	10.5	11.0	1.8	6.4	12.6	8.8	10.8	15.6	2.5	6.3	15.6
Mar.	8.2	10.0	14.2	4.6	5.8	11.5	8.7	10.1	19.8	2.7	5.9	14.3
Apr.	8.4	9.7	15.4	6.1	6.0	12.6	9.3	10.0	18.8	3.0	7.5	16.2
May	8.0	9.1	18.1	4.8	5.4	11.7	8.7	9.7	19.2	1.8	6.6	11.3
June	8.9	10.9	19.7	4.3	5.7	11.3	10.6	12.2	26.9	2.7	7.2	11.5
July	8.4	10.3	18.5	2.6	5.4	13.2	8.8	10.8	22.2	2.7	5.3	10.4
Aug.	8.1	10.0	18.7	3.4	4.8	12.3	7.4	9.3	22.0	4.3	3.4	9.2
Sep.	8.0	9.3	21.1	3.6	4.9	12.2	7.4	8.4	22.5	4.5	3.9	10.1
Oct.	8.0	9.2	21.4	4.2	4.8	12.5	6.8	8.4	24.2	5.4	2.1	8.9
Nov.	8.2	9.3	21.1	3.5	5.1	12.9	7.7	8.8	22.9	5.3	3.6	14.6
Dec.	8.3	8.9	24.0	4.2	4.9	13.3	6.0	5.6	21.0	5.7	2.8	15.2
2006 Jan.	8.1	9.1	24.7	5.0	4.2	11.8	7.4	7.5	27.1	7.3	3.1	13.3

C15 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



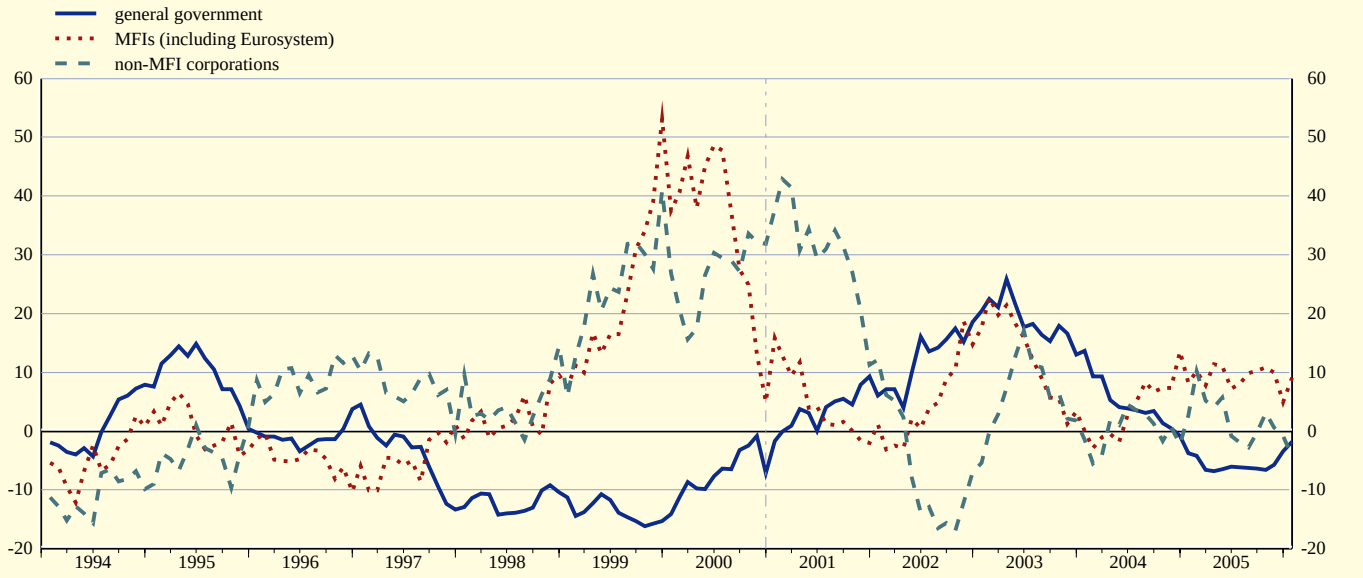
Source: ECB.

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	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	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	3.3	5.8	14.7	16.3	18.5	27.3	8.6	0.6	26.4
2005	4.7	3.1	5.8	0.2	5.5	15.0	19.3	18.3	35.2	22.4	9.9	4.6
2005 Q1	4.7	2.8	4.0	-1.2	6.3	13.7	18.3	19.4	23.9	27.7	7.7	12.3
Q2	4.8	2.5	6.1	1.2	5.8	14.7	19.3	18.9	34.4	26.5	8.5	3.1
Q3	4.5	3.0	6.6	0.5	5.0	15.6	20.6	19.7	38.1	17.6	11.6	1.6
Q4	4.7	3.9	6.6	0.4	4.8	15.9	19.0	15.3	43.2	19.2	11.8	1.9
2005 Aug.	4.5	3.1	6.3	0.9	5.0	15.7	19.9	19.2	37.1	15.9	10.5	0.8
Sep.	4.2	3.0	6.7	0.3	4.5	14.6	20.7	17.4	42.3	18.3	16.6	3.5
Oct.	4.7	4.1	7.0	1.1	4.7	15.4	18.6	15.2	42.3	17.8	11.7	2.3
Nov.	4.9	4.3	5.3	-0.1	5.2	16.5	18.4	14.7	43.5	19.3	10.5	0.9
Dec.	4.7	3.7	8.2	0.3	4.7	16.8	19.0	14.8	45.2	22.4	9.7	1.5
2006 Jan.	4.5	4.6	8.2	0.5	4.0	14.9	19.3	15.1	47.0	23.2	8.7	1.0
	In euro											
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.7	17.8	27.4	9.0	0.5	25.3
2005	4.3	0.9	9.3	-0.3	5.4	15.3	18.8	17.2	34.6	22.4	10.3	5.2
2005 Q1	4.3	0.5	7.9	-2.5	6.2	13.7	17.5	18.2	24.1	26.7	7.8	12.9
Q2	4.4	0.3	10.2	0.8	5.8	15.1	18.8	18.0	34.4	24.6	9.0	3.7
Q3	4.1	1.0	10.2	0.3	4.9	16.0	20.4	18.9	37.6	18.4	12.1	2.5
Q4	4.3	1.9	8.8	0.5	4.7	16.2	18.2	13.9	40.9	20.7	12.3	2.2
2005 Aug.	4.1	1.0	9.9	0.7	4.8	16.2	19.7	18.4	36.9	17.2	11.0	1.7
Sep.	3.8	1.0	9.9	0.1	4.3	14.8	20.1	16.0	40.5	19.7	17.2	4.3
Oct.	4.3	2.2	9.7	1.3	4.6	15.7	17.9	14.0	39.8	19.2	12.2	2.5
Nov.	4.5	2.2	7.2	-0.1	5.1	16.9	17.6	13.1	41.1	20.9	11.0	1.0
Dec.	4.2	1.8	9.1	0.4	4.5	17.2	18.2	13.2	42.9	23.8	10.2	1.7
2006 Jan.	4.0	2.7	8.7	0.1	3.9	15.4	18.5	13.6	44.6	24.9	9.1	1.2

C16 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)

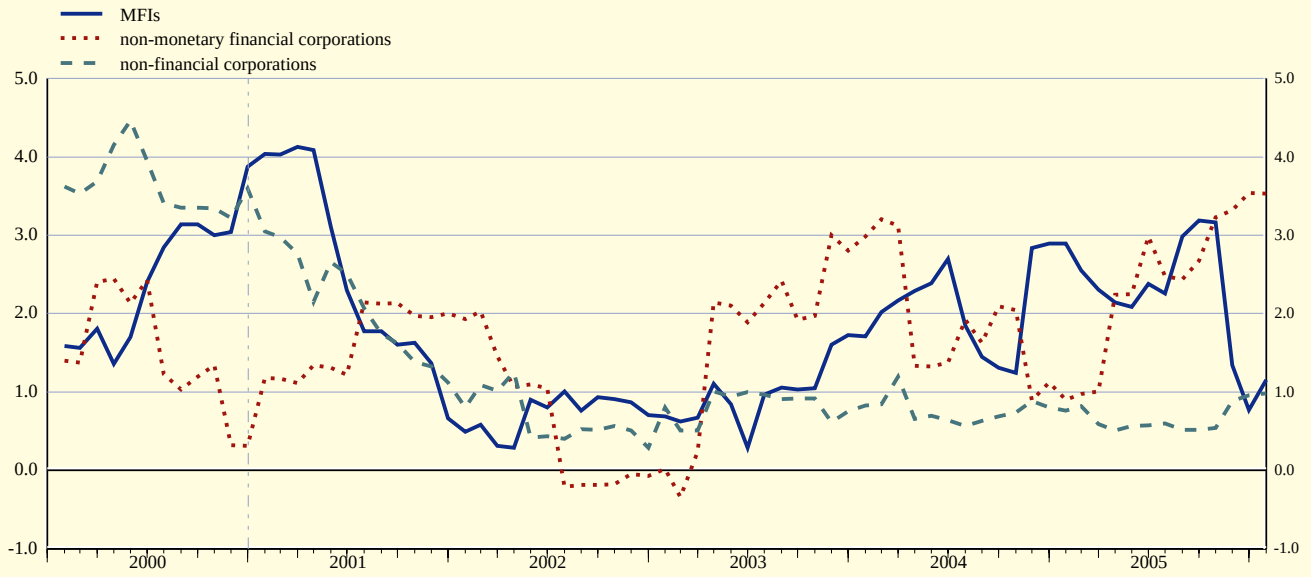
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2004 Jan.	3,788.6	101.5	1.2	584.1	1.7	375.1	3.0	2,829.4	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	377.1	3.2	2,887.1	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.2	357.7	3.1	2,836.9	1.2
Apr.	3,748.5	101.9	1.0	579.4	2.3	363.7	1.3	2,805.4	0.7
May	3,687.9	101.9	1.0	568.1	2.4	353.0	1.3	2,766.8	0.7
June	3,790.1	102.0	1.0	582.5	2.7	364.4	1.4	2,843.2	0.6
July	3,679.8	102.1	0.9	562.3	1.8	356.2	1.9	2,761.3	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	355.3	1.6	2,703.4	0.6
Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
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	102.6	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	0.9	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	102.9	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.7	103.1	1.1	698.0	2.4	441.5	3.0	3,242.1	0.6
July	4,631.7	103.1	1.1	727.9	2.3	466.7	2.5	3,437.1	0.6
Aug.	4,606.4	103.1	1.1	723.4	3.0	457.1	2.4	3,425.9	0.5
Sep.	4,827.7	103.3	1.2	764.1	3.2	483.7	2.7	3,579.9	0.5
Oct.	4,659.9	103.4	1.2	752.4	3.2	480.5	3.2	3,427.1	0.5
Nov.	4,882.5	103.7	1.2	809.2	1.3	513.6	3.3	3,559.8	0.9
Dec.	5,056.8	103.8	1.2	836.4	0.8	540.8	3.5	3,679.6	1.0
2006 Jan.	5,289.7	103.9	1.3	884.8	1.2	535.8	3.5	3,869.1	1.0

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

(annual percentage changes)



Source: ECB.

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

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

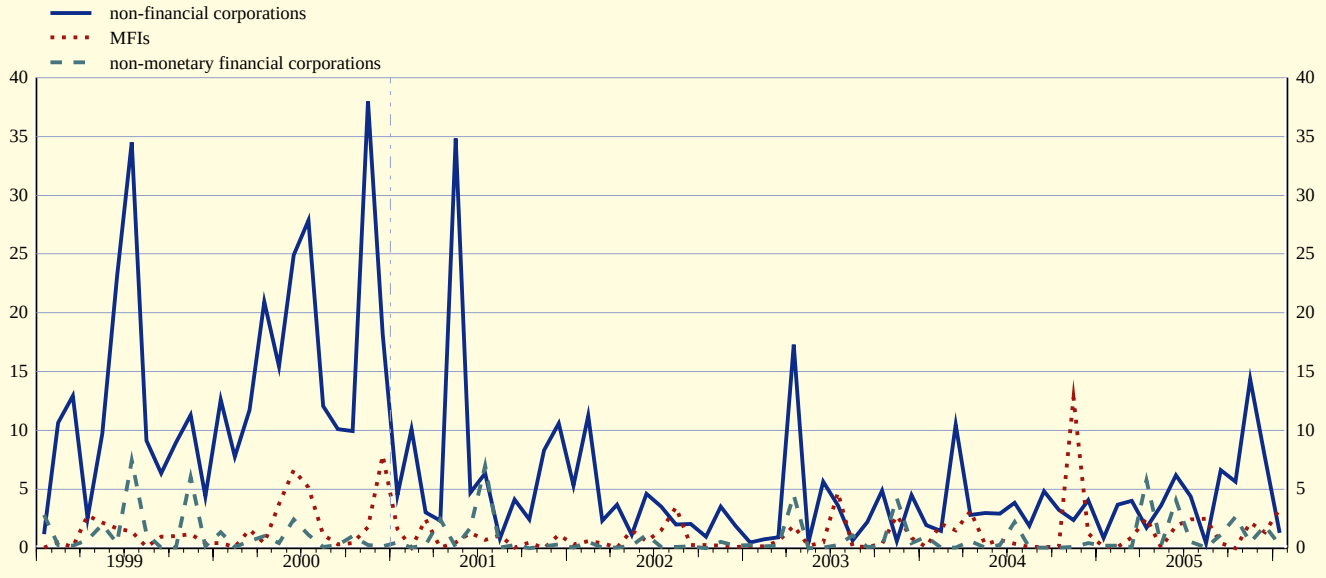
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2004 Jan.	3.0	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.9	1.0	0.9
Feb.	3.5	0.9	2.5	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.7	0.7
Mar.	12.0	1.1	10.9	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.0	9.5
Apr.	6.5	1.3	5.2	3.1	0.1	3.1	0.6	0.1	0.5	2.8	1.2	1.6
May	3.3	3.7	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	3.0	3.6	-0.6
June	3.9	2.2	1.7	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.4
July	6.4	3.8	2.6	0.4	0.0	0.4	2.2	0.0	2.2	3.9	3.8	0.1
Aug.	2.0	3.1	-1.1	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	1.0	0.9
Sep.	4.9	2.2	2.8	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.3	0.7	2.6	0.1	0.0	0.1	0.0	0.0	0.0	3.2	0.7	2.5
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.	10.0	2.3	7.7	2.5	0.0	2.5	5.8	0.0	5.7	1.7	2.3	-0.5
May	3.9	2.9	1.0	0.0	0.0	0.0	0.2	0.2	0.0	3.6	2.7	1.0
June	12.1	4.9	7.2	1.9	1.0	0.9	4.1	0.7	3.3	6.2	3.2	3.0
July	7.4	6.6	0.8	2.4	2.9	-0.4	0.5	0.0	0.5	4.4	3.7	0.7
Aug.	2.9	2.2	0.7	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.2	5.9	0.4	0.0	0.4	1.1	0.0	1.1	6.6	2.2	4.4
Oct.	8.3	1.6	6.7	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	3.6	1.3	4.3	-3.0	1.9	0.4	1.5	7.7	2.6	5.1
2006 Jan.	4.9	0.7	4.1	3.3	0.0	3.3	0.3	0.0	0.2	1.3	0.7	0.6

C18 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [1]	With agreed maturity			Redeemable at notice [1), 2)]		Overnight [1]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2005 Feb.	0.74	1.95	2.19	2.33	1.97	2.49	0.93	2.03	2.25	3.47	2.03
Mar.	0.74	1.93	2.16	2.40	1.96	2.47	0.94	2.00	2.35	3.15	1.99
Apr.	0.74	2.01	2.09	2.32	1.95	2.45	0.95	2.01	2.23	2.92	2.00
May	0.75	1.94	2.01	2.20	1.97	2.43	0.95	2.01	2.12	3.31	2.00
June	0.69	1.95	2.21	2.20	2.17	2.38	0.91	2.01	2.05	3.57	2.00
July	0.68	1.94	2.01	2.19	2.15	2.34	0.94	2.02	2.21	3.11	2.00
Aug.	0.69	1.95	2.07	2.32	2.03	2.31	0.96	2.02	2.22	2.90	2.01
Sep.	0.69	1.97	2.05	2.04	2.02	2.29	0.96	2.04	2.23	2.97	2.04
Oct.	0.69	1.98	2.28	2.16	1.96	2.27	0.97	2.04	2.58	3.44	2.02
Nov.	0.70	2.02	2.34	2.18	1.99	2.27	0.99	2.08	2.18	3.44	2.03
Dec.	0.71	2.15	2.25	2.21	1.98	2.30	1.02	2.25	2.48	3.53	2.22
2006 Jan.	0.73	2.33	2.47	2.56	1.99	2.32	1.04	2.27	2.40	3.48	2.25

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 Feb.	9.65	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	4.00	4.73	4.49
Mar.	9.60	6.62	6.72	8.12	7.83	3.40	3.89	4.35	4.27	3.97	3.84	4.60	4.57
Apr.	9.62	6.60	6.64	8.19	7.81	3.40	3.89	4.36	4.28	3.95	3.97	4.71	4.62
May	9.64	6.96	6.56	8.00	7.82	3.38	3.85	4.28	4.20	3.93	3.86	4.68	4.61
June	9.61	6.62	6.50	7.90	7.72	3.32	3.76	4.13	4.09	3.89	3.84	4.60	4.50
July	9.52	6.67	6.61	7.96	7.80	3.33	3.70	4.06	4.05	3.87	3.89	4.54	4.29
Aug.	9.58	6.99	6.70	8.10	7.99	3.32	3.72	4.00	3.99	3.89	3.80	4.59	4.41
Sep.	9.61	7.04	6.43	7.94	7.84	3.31	3.69	3.98	3.96	3.82	3.85	4.51	4.25
Oct.	9.65	6.82	6.36	7.99	7.74	3.33	3.67	3.99	3.95	3.82	3.88	4.50	4.28
Nov.	9.70	6.74	6.33	7.84	7.61	3.38	3.69	3.97	3.96	3.85	4.00	4.29	4.33
Dec.	9.78	6.75	6.36	7.42	7.44	3.49	3.84	4.03	4.01	3.98	4.06	4.57	4.37
2006 Jan.	9.97	6.89	6.50	8.12	7.86	3.61	3.90	4.14	4.05	4.10	4.15	4.59	4.29

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 Feb.	5.30	3.91	4.76	4.36	3.01	3.33	3.81
Mar.	5.28	3.90	4.50	4.32	3.02	3.47	4.11
Apr.	5.22	3.88	4.51	4.34	3.00	3.53	3.99
May	5.14	3.91	4.45	4.24	2.99	3.60	3.80
June	5.12	3.87	4.45	4.14	2.92	3.44	3.88
July	5.12	3.86	4.40	4.11	2.96	3.57	3.77
Aug.	5.04	3.91	4.45	4.13	2.87	3.52	3.81
Sep.	5.14	3.81	4.36	4.03	2.90	3.39	3.87
Oct.	5.10	3.88	4.43	4.01	2.88	3.58	3.80
Nov.	5.09	3.91	4.44	3.99	3.08	3.58	3.98
Dec.	5.12	3.98	4.50	4.10	3.22	3.57	3.93
2006 Jan.	5.24	4.07	4.59	4.08	3.18	3.71	3.91

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)

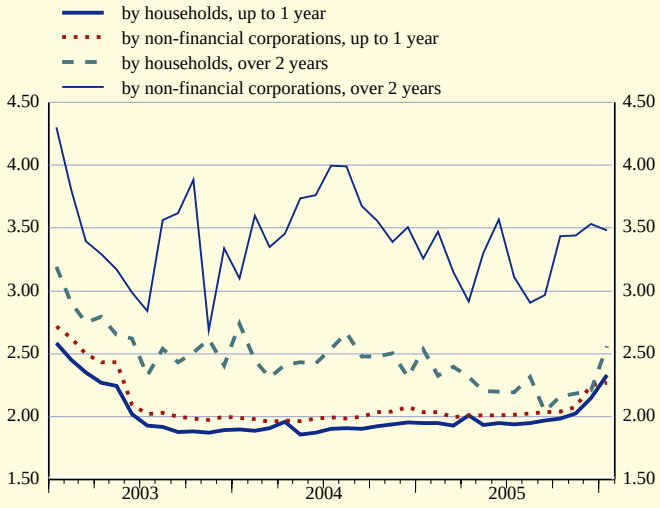
4. Interest rates on deposits (outstanding amounts)

	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 Feb.	0.74	1.92	3.26	1.97	2.49	0.93	2.11	3.70	2.00
Mar.	0.74	1.92	3.22	1.96	2.47	0.94	2.09	3.71	1.99
Apr.	0.74	1.93	3.22	1.95	2.45	0.95	2.10	3.57	1.99
May	0.75	1.92	3.19	1.97	2.43	0.95	2.11	3.51	2.00
June	0.69	1.92	3.22	2.17	2.38	0.91	2.10	3.55	2.01
July	0.68	1.91	3.18	2.15	2.34	0.94	2.11	3.50	1.98
Aug.	0.69	1.92	3.18	2.03	2.31	0.96	2.10	3.52	2.00
Sep.	0.69	1.91	3.19	2.02	2.29	0.96	2.11	3.50	2.01
Oct.	0.69	1.93	3.17	1.96	2.27	0.97	2.12	3.45	2.03
Nov.	0.70	1.96	3.15	1.99	2.27	0.99	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.98	2.30	1.02	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.11	1.99	2.32	1.04	2.32	3.47	2.21

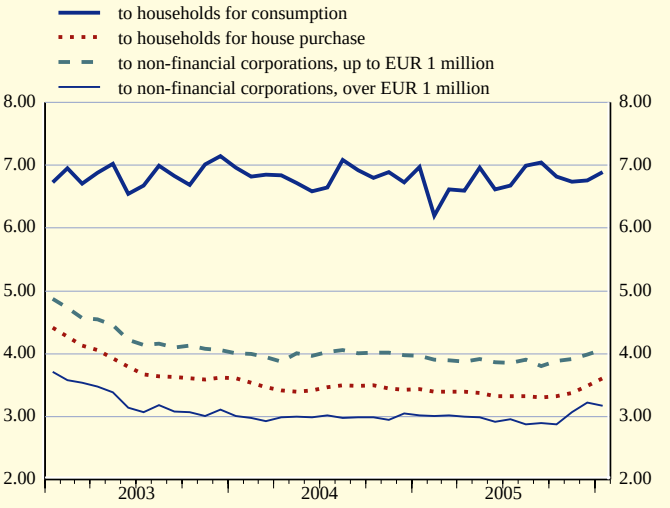
5. Interest rates on loans (outstanding amounts)

	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 Feb.	4.74	4.45	4.76	8.06	7.03	5.76	4.39	3.92	4.46
Mar.	4.75	4.41	4.78	8.07	6.97	5.77	4.38	3.91	4.40
Apr.	4.69	4.38	4.74	8.02	6.94	5.76	4.34	3.86	4.37
May	4.63	4.36	4.71	8.00	6.87	5.74	4.33	3.85	4.35
June	4.62	4.33	4.67	7.92	6.93	5.72	4.32	3.85	4.35
July	4.57	4.29	4.63	7.89	6.86	5.70	4.30	3.82	4.29
Aug.	4.54	4.24	4.60	7.96	6.86	5.73	4.25	3.80	4.28
Sep.	4.51	4.23	4.59	7.94	6.85	5.71	4.25	3.78	4.26
Oct.	4.49	4.19	4.58	7.95	6.80	5.70	4.24	3.77	4.25
Nov.	4.51	4.17	4.53	7.88	6.77	5.70	4.29	3.79	4.25
Dec.	4.54	4.14	4.52	7.93	6.78	5.67	4.35	3.84	4.24
2006 Jan.	4.62	4.14	4.50	8.00	6.78	5.66	4.42	3.88	4.26

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



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



Source: ECB.

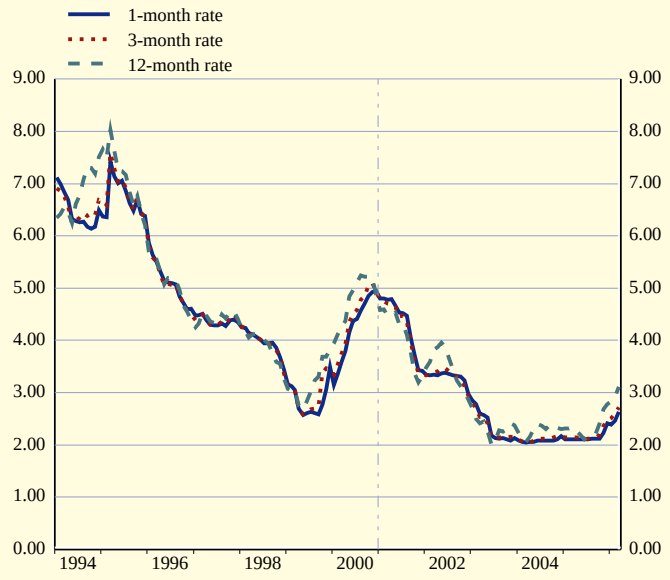
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
Q2	2.07	2.10	2.12	2.14	2.19	3.28	0.05
Q3	2.08	2.11	2.13	2.15	2.20	3.77	0.06
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
2005 Mar.	2.06	2.10	2.14	2.19	2.33	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05
May	2.07	2.10	2.13	2.14	2.19	3.27	0.05
June	2.06	2.10	2.11	2.11	2.10	3.43	0.05
July	2.07	2.11	2.12	2.13	2.17	3.61	0.06
Aug.	2.06	2.11	2.13	2.16	2.22	3.80	0.06
Sep.	2.09	2.12	2.14	2.17	2.22	3.91	0.06
Oct.	2.07	2.12	2.20	2.27	2.41	4.17	0.06
Nov.	2.09	2.22	2.36	2.50	2.68	4.35	0.06
Dec.	2.28	2.41	2.47	2.60	2.78	4.49	0.07
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

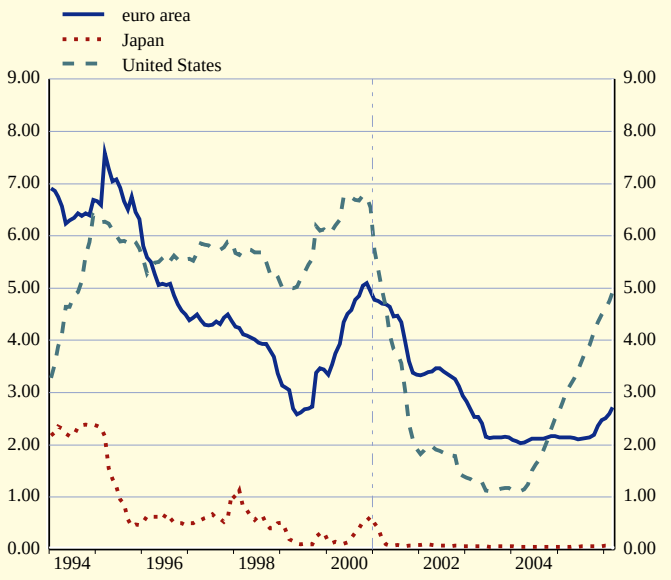
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

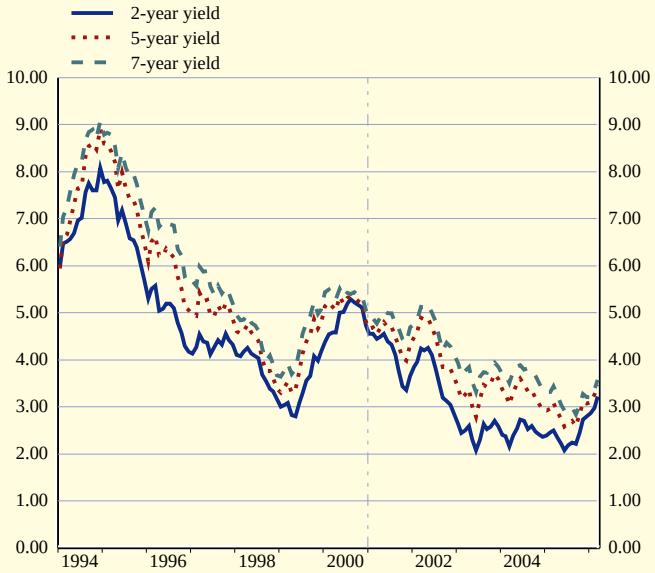
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area [1]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
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
2005 Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32
May	2.22	2.41	2.74	3.05	3.41	4.14	1.27
June	2.07	2.24	2.58	2.93	3.25	4.00	1.24
July	2.19	2.34	2.66	2.99	3.32	4.16	1.26
Aug.	2.24	2.40	2.70	2.99	3.32	4.26	1.43
Sep.	2.21	2.34	2.60	2.84	3.16	4.19	1.38
Oct.	2.45	2.61	2.85	3.05	3.32	4.45	1.54
Nov.	2.73	2.86	3.10	3.28	3.53	4.53	1.52
Dec.	2.80	2.88	3.07	3.21	3.41	4.46	1.54
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

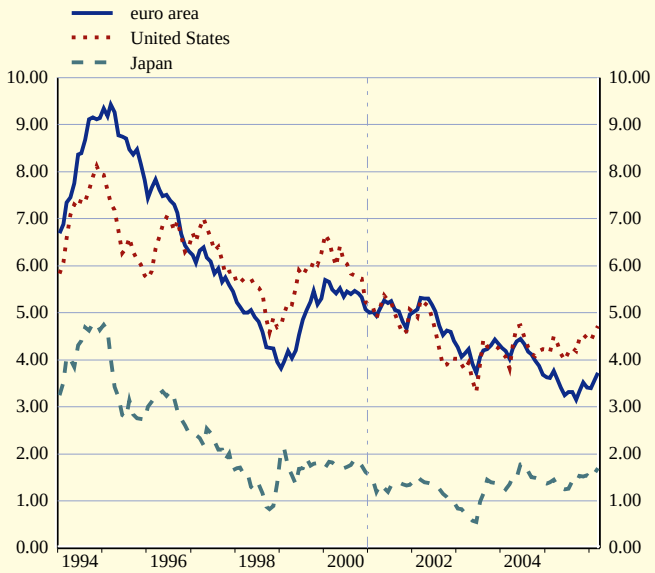
C23 Euro area government bond yields

(monthly; percentages per annum)



C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

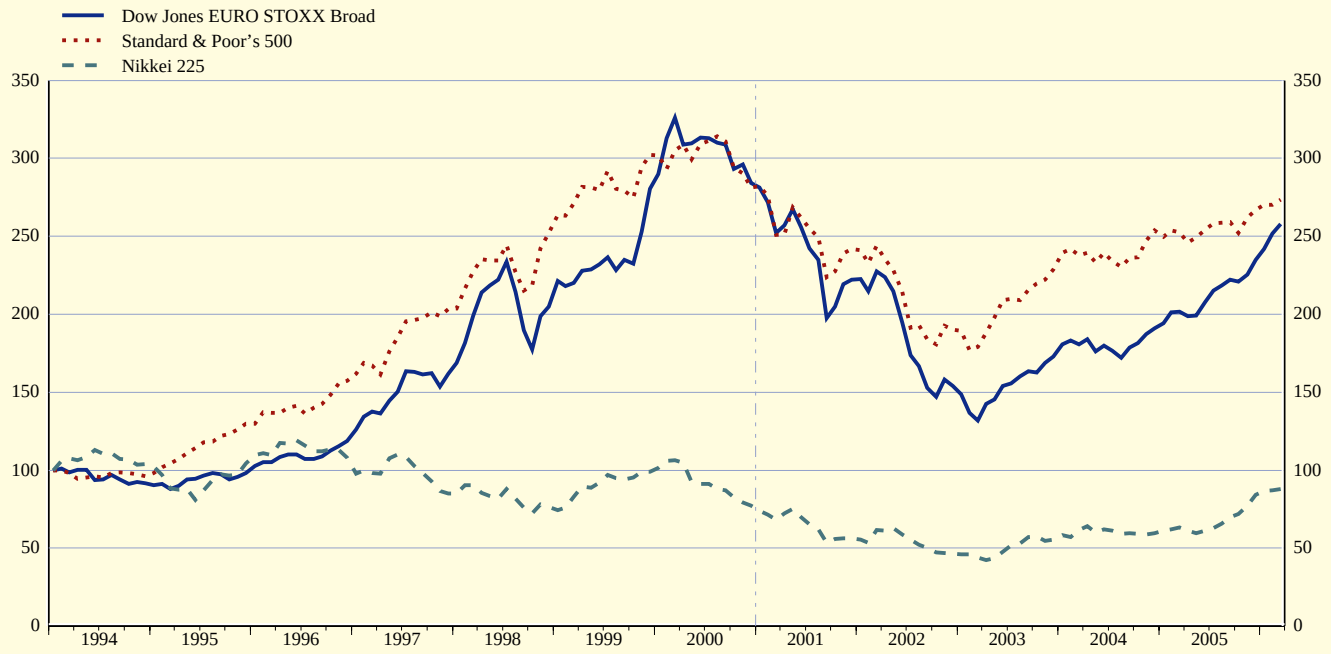
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	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
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
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
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.9
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
2005 Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.5
Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2
May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4
June	288.2	3,151.7	297.7	181.0	240.4	373.4	277.4	302.0	301.5	331.2	421.7	462.8	1,202.3	11,402.8
July	298.4	3,267.1	302.0	184.9	249.5	398.3	288.2	313.8	308.6	336.8	437.5	463.4	1,220.9	11,718.9
Aug.	303.1	3,303.3	311.5	185.7	257.1	405.8	293.4	318.9	297.6	343.9	444.7	473.0	1,224.3	12,205.0
Sep.	308.4	3,351.8	321.7	184.4	263.0	429.3	298.5	322.9	305.7	357.0	436.5	462.5	1,225.6	12,986.6
Oct.	306.8	3,340.1	322.4	182.4	260.6	405.3	302.6	317.3	312.4	347.7	434.0	466.8	1,192.0	13,384.9
Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0
Dec.	325.7	3,550.1	348.4	190.8	268.4	418.5	330.8	342.7	339.2	373.5	418.5	496.1	1,262.4	15,664.0
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

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

(January 1994 = 100; monthly averages)



Source: ECB.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices

	Total					Total (s.a., percentage change on previous period)					
	Index 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
			Total excl. unprocessed food and energy								
% of total [1]	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
2002	93.9	2.2	2.5	1.7	3.1	-	-	-	-	-	-
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	-	-	-	-	-	-
2004 Q4	98.6	2.3	2.0	2.1	2.7	0.4	0.3	0.0	0.0	1.8	0.6
2005 Q1	98.8	2.0	1.7	1.8	2.4	0.4	0.7	0.5	0.0	0.3	0.5
Q2	99.9	2.0	1.5	1.8	2.3	0.7	0.3	0.2	0.1	4.5	0.5
Q3	100.3	2.3	1.4	2.4	2.2	0.8	0.5	0.0	0.0	5.6	0.6
Q4	101.0	2.3	1.5	2.4	2.1	0.4	0.7	0.6	0.2	0.4	0.5
2005 Oct.	101.0	2.5	1.5	2.6	2.2	0.1	0.1	0.0	0.1	0.2	0.2
Nov.	100.8	2.3	1.5	2.4	2.1	-0.2	0.2	0.4	0.1	-3.0	0.1
Dec.	101.1	2.2	1.4	2.4	2.1	0.1	0.2	0.5	0.0	-0.7	0.1
2006 Jan.	100.7	2.4	1.3	2.7	2.0	0.2	0.1	0.0	-0.1	2.4	0.1
Feb.	100.9	2.3	1.3	2.6	2.0	0.2	0.1	0.5	0.1	0.4	0.2
Mar. [2]	.	2.2	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [1]	19.3	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
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.4	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
2004 Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	2.9	-2.6	2.4	5.3
2005 Q1	1.6	2.4	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.5
Q2	1.2	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.4	1.8	0.8	2.8	0.1	12.7	2.5	2.1	2.6	-2.2	2.3	3.0
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
2005 Sep.	1.8	2.3	1.0	3.4	0.2	15.0	2.5	2.1	2.6	-2.2	2.3	2.9
Oct.	1.9	2.4	1.1	2.9	0.3	12.1	2.5	1.9	2.9	-2.8	2.4	2.7
Nov.	2.2	2.6	1.5	2.5	0.4	10.0	2.4	1.9	2.8	-2.7	2.2	2.7
Dec.	1.7	1.8	1.5	2.7	0.4	11.2	2.5	2.0	2.6	-2.7	2.2	2.8
2006 Jan.	1.9	1.8	2.0	3.1	0.2	13.6	2.5	2.0	2.3	-2.8	2.2	2.4
Feb.	1.8	1.9	1.7	3.0	0.3	12.5	2.6	2.1	2.6	-3.4	2.3	2.1

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2006.

2) Estimate based on first releases by Germany, Spain and Italy (and, when available, by other Member States), 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										Construction [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		
			Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	6.8	-4.1	-0.9	26.5
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	7.1	-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	7.0	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	.	.	28.5	9.4	44.6
2005 Q1	108.2	4.1	3.8	2.8	5.1	1.6	1.2	1.4	1.1	10.0	3.5	-	22.9	1.9	36.6
Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.1	3.1	7.8 [6]	22.4	2.2	42.2
Q3	110.8	4.2	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.7	.	-	33.5	11.6	50.9
Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	.	.	34.2	23.2	48.6
2006 Q1	.	.	.	.	.	.	.	.	.	.	.	-	35.7	21.2	52.3
2005 Oct.	112.0	4.2	2.8	1.4	1.6	1.2	1.3	1.3	1.3	15.3	-	-	23.1	17.4	49.3
Nov.	111.8	4.2	2.7	1.5	1.8	1.0	1.4	1.2	1.5	14.7	-	-	33.0	22.5	47.9
Dec.	112.0	4.7	3.0	1.5	1.9	1.0	1.3	1.3	1.3	17.0	-	-	48.6	29.8	48.5
2006 Jan.	113.3	5.2	3.3	1.6	2.0	1.0	1.5	1.4	1.5	19.8	-	-	43.4	23.1	52.5
Feb.	113.9	5.4	3.3	1.7	2.2	1.0	1.5	1.4	1.5	19.7	-	-	38.0	23.1	51.8
Mar.	.	.	.	.	.	.	.	.	.	.	-	-	26.8	17.7	52.6

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	3.2	4.5	3.2	4.3	3.6	2.7
2003	110.8	3.0	2.8	3.8	3.0	3.9	2.9	2.4
2004	113.6	2.5	2.3	3.0	2.8	3.2	2.2	2.1
2005	116.5	2.6	2.3	2.9	2.6	2.5	2.6	2.1
2004 Q4	114.7	2.4	1.9	4.0	2.8	2.9	2.0	2.0
2005 Q1	115.4	3.2	2.7	4.0	3.2	3.2	3.2	2.2
Q2	116.2	2.5	2.2	2.7	2.6	2.3	2.4	2.1
Q3	116.8	2.3	2.2	2.4	2.3	2.0	2.2	2.1
Q4	117.5	2.4	2.1	2.5	2.2	2.6	2.5	2.0

Sources: Eurostat, HWWA (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.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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]							
2001	102.2	2.2	1.5	1.4	2.3	1.4	4.0	2.6
2002	104.5	2.2	1.4	1.1	3.0	1.6	3.0	2.9
2003	106.5	1.9	2.8	1.0	1.6	1.7	1.9	2.8
2004	107.5	1.0	-7.2	-0.2	2.3	0.6	2.1	1.7
2004 Q3	107.4	0.4	-8.6	-1.4	3.5	0.9	2.3	0.5
Q4	108.0	1.1	-4.6	0.8	3.3	0.3	2.0	1.3
2005 Q1	108.3	1.1	2.1	0.1	4.2	0.5	1.6	1.4
Q2	108.4	0.9	5.0	-0.3	2.9	0.7	2.3	1.1
Q3	108.2	0.7	2.4	-0.3	1.0	0.0	2.2	1.5
	Compensation per employee							
2001	102.7	2.7	1.3	2.5	3.1	2.5	2.6	3.0
2002	105.3	2.5	3.0	2.6	3.2	2.2	1.9	2.9
2003	107.7	2.3	0.9	2.7	2.5	2.0	1.8	2.6
2004	109.9	2.0	0.6	3.0	3.1	1.6	1.4	2.1
2004 Q3	109.8	1.5	0.4	2.3	2.9	1.6	1.6	0.8
Q4	110.4	1.7	2.2	2.5	3.1	1.5	1.2	1.5
2005 Q1	110.9	1.4	2.2	1.5	2.6	1.7	1.6	1.1
Q2	111.4	1.4	1.9	1.5	3.2	1.8	2.1	0.4
Q3	111.6	1.6	0.3	1.9	2.9	1.8	2.0	0.9
	Labour productivity [2]							
2001	100.5	0.5	-0.2	1.1	0.8	1.1	-1.4	0.4
2002	100.7	0.2	1.6	1.5	0.2	0.6	-1.1	0.0
2003	101.1	0.4	-1.8	1.7	0.9	0.3	-0.1	-0.2
2004	102.2	1.1	8.5	3.2	0.8	0.9	-0.7	0.4
2004 Q3	102.3	1.0	9.9	3.8	-0.6	0.7	-0.8	0.3
Q4	102.2	0.6	7.1	1.6	-0.2	1.2	-0.8	0.1
2005 Q1	102.4	0.3	0.1	1.4	-1.6	1.2	0.0	-0.3
Q2	102.7	0.4	-2.9	1.8	0.3	1.2	-0.3	-0.7
Q3	103.1	0.8	-2.0	2.2	1.9	1.7	-0.2	-0.6

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	105.0	2.6	2.0	1.9	2.9	1.4	-0.3	-2.0
2003	107.1	2.0	1.9	2.0	2.2	1.1	-1.2	-1.8
2004	109.2	1.9	2.0	2.0	2.4	2.4	1.2	1.5
2005	111.1	1.7	2.1	1.9	2.1	2.3	2.4	3.6
2004 Q4	109.9	1.8	2.3	2.0	2.3	3.1	2.4	3.7
2005 Q1	110.5	2.0	2.2	1.8	2.0	3.0	2.9	3.6
Q2	110.8	1.6	1.8	1.7	1.2	2.4	2.3	3.0
Q3	111.2	1.6	2.2	1.9	1.7	2.3	2.2	3.9
Q4	111.8	1.7	2.3	2.2	3.4	1.6	2.2	4.0

Sources: ECB calculations based on Eurostat data.

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

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

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2002	7,248.2	7,058.7	4,141.5	1,465.2	1,465.2	-13.2	189.5	2,623.6	2,434.1
2003	7,446.4	7,283.4	4,266.8	1,522.8	1,493.4	0.4	163.0	2,625.1	2,462.0
2004	7,723.2	7,562.6	4,411.5	1,577.0	1,557.0	17.2	160.6	2,815.4	2,654.8
2005	7,968.4	7,853.2	4,556.6	1,631.1	1,628.4	37.0	115.2	2,996.2	2,881.0
2004 Q4	1,951.2	1,918.1	1,118.4	397.3	394.9	7.5	33.0	721.6	688.6
2005 Q1	1,966.9	1,931.9	1,124.7	400.2	398.6	8.4	35.0	717.9	682.9
Q2	1,982.0	1,951.4	1,133.3	404.8	404.6	8.7	30.6	736.2	705.6
Q3	2,002.0	1,975.4	1,147.3	408.5	411.4	8.2	26.5	767.1	740.6
Q4	2,017.5	1,994.4	1,151.3	417.7	413.8	11.6	23.0	775.0	751.9
	percentage of GDP								
2005	100.0	98.6	57.2	20.5	20.4	0.5	1.4	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2004 Q4	0.2	0.5	0.9	0.0	0.4	-	-	0.3	1.3
2005 Q1	0.3	0.1	0.1	0.0	0.2	-	-	-0.9	-1.5
Q2	0.4	0.5	0.3	0.8	1.0	-	-	2.0	2.3
Q3	0.7	0.5	0.5	0.9	1.1	-	-	3.4	3.1
Q4	0.3	0.4	-0.2	0.0	0.8	-	-	0.5	0.9
	annual percentage changes								
2002	0.9	0.4	0.9	2.6	-1.5	-	-	1.6	0.2
2003	0.7	1.3	1.0	1.7	0.8	-	-	1.1	2.9
2004	2.1	2.0	1.5	1.1	2.3	-	-	6.5	6.6
2005	1.3	1.5	1.3	1.4	2.1	-	-	3.8	4.5
2004 Q4	1.6	1.9	1.9	0.7	1.6	-	-	5.8	7.1
2005 Q1	1.2	1.6	1.3	0.8	1.2	-	-	3.1	4.3
Q2	1.2	1.7	1.5	1.2	1.9	-	-	2.6	4.2
Q3	1.6	1.7	1.9	1.6	2.7	-	-	4.9	5.4
Q4	1.7	1.6	0.8	1.7	3.2	-	-	5.1	5.0
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2004 Q4	0.2	0.5	0.5	0.0	0.1	0.0	-0.3	-	-
2005 Q1	0.3	0.1	0.1	0.0	0.0	0.0	0.2	-	-
Q2	0.4	0.5	0.2	0.2	0.2	0.0	-0.1	-	-
Q3	0.7	0.5	0.3	0.2	0.2	-0.2	0.2	-	-
Q4	0.3	0.4	-0.1	0.0	0.2	0.4	-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	0.7	1.3	0.6	0.3	0.2	0.2	-0.6	-	-
2004	2.1	2.0	0.9	0.2	0.5	0.4	0.1	-	-
2005	1.3	1.5	0.8	0.3	0.4	0.0	-0.2	-	-
2004 Q4	1.6	1.9	1.1	0.1	0.3	0.4	-0.3	-	-
2005 Q1	1.2	1.5	0.8	0.2	0.2	0.4	-0.3	-	-
Q2	1.2	1.7	0.9	0.2	0.4	0.2	-0.5	-	-
Q3	1.6	1.7	1.1	0.3	0.5	-0.3	-0.1	-	-
Q4	1.7	1.5	0.4	0.3	0.6	0.1	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	6,512.2	153.3	1,378.6	369.6	1,385.2	1,752.5	1,473.0	736.0
2003	6,686.8	152.9	1,387.3	386.7	1,415.4	1,815.0	1,529.5	759.6
2004	6,928.8	153.6	1,430.2	411.1	1,462.3	1,886.6	1,584.9	794.5
2005	7,141.7	147.9	1,473.7	433.3	1,507.8	1,955.9	1,623.1	826.6
2004 Q4	1,749.3	38.6	359.5	104.6	369.7	478.0	398.9	201.9
2005 Q1	1,765.3	37.2	363.1	104.7	372.7	484.3	403.3	201.6
Q2	1,778.9	37.1	367.1	107.0	375.6	487.7	404.4	203.1
Q3	1,793.5	36.8	369.9	109.7	379.9	490.6	406.6	208.5
Q4	1,804.1	36.8	373.5	111.9	379.6	493.4	408.8	213.4
	percentage of value added							
2005	100.0	2.1	20.6	6.1	21.1	27.4	22.7	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2004 Q4	0.2	0.2	-0.5	0.6	0.4	0.3	0.4	0.3
2005 Q1	0.3	-2.6	0.2	-0.5	0.5	0.8	0.3	0.0
Q2	0.5	-1.3	0.8	1.9	0.7	0.4	-0.1	0.0
Q3	0.6	-0.3	0.9	0.5	0.8	0.4	0.4	1.5
Q4	0.4	-0.3	0.6	1.3	0.5	0.0	0.3	-0.7
	annual percentage changes							
2002	1.0	-0.2	-0.2	0.1	1.2	1.4	2.0	0.1
2003	0.7	-4.0	0.1	1.0	0.5	1.3	1.1	0.8
2004	2.1	7.4	2.3	2.1	2.3	1.9	1.7	1.3
2005	1.4	-2.7	0.9	1.4	2.1	1.9	0.9	0.8
2004 Q4	1.7	6.3	0.6	1.2	2.3	1.8	1.6	0.7
2005 Q1	1.4	-1.3	0.4	-0.4	2.2	2.2	1.2	-0.3
Q2	1.2	-4.0	0.6	1.4	2.0	1.9	0.7	1.0
Q3	1.6	-4.0	1.4	2.4	2.4	1.9	1.0	1.7
Q4	1.8	-4.5	2.6	3.1	2.4	1.6	0.8	0.7
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2004 Q4	0.2	0.0	-0.1	0.0	0.1	0.1	0.1	-
2005 Q1	0.3	-0.1	0.0	0.0	0.1	0.2	0.1	-
Q2	0.5	0.0	0.2	0.1	0.2	0.1	0.0	-
Q3	0.6	0.0	0.2	0.0	0.2	0.1	0.1	-
Q4	0.4	0.0	0.1	0.1	0.1	0.0	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.0	0.1	0.1	0.3	0.2	-
2004	2.1	0.2	0.5	0.1	0.5	0.5	0.4	-
2005	1.4	-0.1	0.2	0.1	0.4	0.5	0.2	-
2004 Q4	1.7	0.1	0.1	0.1	0.5	0.5	0.4	-
2005 Q1	1.4	0.0	0.1	0.0	0.5	0.6	0.3	-
Q2	1.2	-0.1	0.1	0.1	0.4	0.5	0.2	-
Q3	1.6	-0.1	0.3	0.1	0.5	0.5	0.2	-
Q4	1.8	-0.1	0.5	0.2	0.5	0.4	0.2	-

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	
				Manufacturing	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	0.3	100.3	0.3	0.0	0.0	0.3	-0.1	-0.4	-4.5	0.3	3.0	-0.1
2004	2.1	102.2	1.9	2.0	1.9	2.2	3.0	0.5	0.1	0.6	1.9	-0.2
2005	1.0	103.5	1.2	1.2	1.1	0.8	2.5	0.6	-0.9	0.9	1.2	-0.3
2005 Q1	-0.4	102.3	0.6	0.4	0.2	0.5	2.1	-0.9	-3.7	-0.4	1.4	-4.2
Q2	1.1	103.1	0.7	0.8	0.4	-0.4	2.2	0.7	-1.5	1.1	1.2	-0.1
Q3	1.2	104.0	1.5	1.5	1.4	0.9	2.9	1.7	-0.1	2.0	0.4	1.1
Q4	2.0	104.5	2.0	2.2	2.2	2.4	3.0	0.9	1.7	0.8	1.8	1.7
2005 Aug.	1.9	104.4	2.7	3.1	3.2	3.5	2.9	3.5	2.7	3.6	-0.6	2.4
Sep.	1.3	104.2	1.3	1.6	1.6	0.8	2.9	1.8	-0.1	2.2	-0.4	0.6
Oct.	0.5	103.5	0.3	0.7	0.6	0.9	0.4	0.5	-0.8	0.7	-1.0	0.5
Nov.	2.8	104.9	3.0	3.5	3.3	3.7	4.7	0.9	3.1	0.6	2.1	0.6
Dec.	2.7	105.1	2.8	2.4	2.7	2.6	3.9	1.5	3.3	1.2	3.8	4.1
2006 Jan.	.	105.2	2.6	2.4	2.5	2.2	4.5	0.8	3.2	0.5	3.7	.
	month-on-month percentage changes (s.a.)											
2005 Aug.	0.7	-	0.8	1.3	1.4	2.1	0.0	1.3	1.2	1.3	-2.4	0.6
Sep.	-0.1	-	-0.2	-0.3	-0.3	-1.0	0.8	-0.6	-1.3	-0.4	0.7	-0.8
Oct.	-0.5	-	-0.7	-0.7	-0.7	-0.1	-1.2	-0.8	-0.6	-0.8	-1.2	-0.1
Nov.	1.1	-	1.4	1.3	1.3	1.7	1.5	0.2	1.7	0.0	2.9	0.6
Dec.	0.6	-	0.2	-0.1	0.0	-0.5	-0.4	0.7	0.0	0.8	3.0	2.3
2006 Jan.	.	-	0.1	0.3	0.3	0.4	1.2	-0.4	0.6	-0.6	-2.7	.

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
2003	98.4	0.2	101.3	-0.2	2.2	103.7	0.7	1.3	0.2	-1.9	0.6	911	-1.5
2004	105.3	7.3	106.4	5.1	2.3	105.2	1.5	1.2	1.7	1.9	3.3	922	1.1
2005	110.8	4.6	110.4	3.7	2.3	106.7	1.3	0.7	1.7	2.0	1.4	933	1.2
2005 Q1	106.4	2.8	106.9	2.3	2.5	106.4	1.7	1.4	1.8	1.4	1.0	921	0.6
Q2	108.9	3.3	110.7	4.2	1.7	106.2	0.8	0.3	1.1	1.5	0.5	937	1.0
Q3	110.7	5.0	111.6	4.0	2.6	106.9	1.6	0.5	2.3	2.3	2.1	942	4.6
Q4	117.2	7.3	112.4	4.1	2.3	107.3	1.2	0.6	1.8	2.6	1.8	932	-1.2
2005 Sep.	112.0	6.0	113.9	4.8	3.0	106.9	1.7	1.3	1.7	1.4	2.0	953	4.6
Oct.	111.5	4.5	107.3	1.5	2.6	107.3	1.3	1.3	1.4	2.0	1.8	942	0.1
Nov.	116.9	9.8	115.1	5.6	2.6	107.4	1.5	0.7	2.1	3.1	1.7	931	-2.0
Dec.	123.2	7.5	114.9	5.1	2.0	107.2	0.9	0.0	1.8	2.6	1.9	922	-1.8
2006 Jan.	115.8	9.6	114.4	7.8	2.7	107.7	1.3	0.5	1.7	4.2	1.8	943	2.1
Feb.	.	.	.	.	2.4	107.5	1.0	-0.5	2.2	.	.	938	2.6
	month-on-month percentage changes (s.a.)												
2005 Sep.	-	1.5	-	0.4	-0.3	-	-0.6	0.1	-1.3	-3.1	-0.7	-	2.2
Oct.	-	-0.5	-	-5.9	0.5	-	0.4	0.5	0.2	1.3	0.1	-	-1.2
Nov.	-	4.9	-	7.3	0.1	-	0.1	-0.4	0.4	1.2	-0.1	-	-1.1
Dec.	-	5.4	-	-0.2	0.0	-	-0.1	-0.3	0.0	-0.2	0.7	-	-1.0
2006 Jan.	-	-6.0	-	-0.4	0.6	-	0.5	0.8	0.2	0.8	0.0	-	2.2
Feb.	-	.	-	.	-0.1	-	-0.2	-0.7	0.2	.	.	-	-0.5

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
2002	94.5	-11	-25	11	3	81.2	-11	-1	-12	27	-3
2003	93.6	-11	-25	10	3	81.0	-18	-5	-21	38	-9
2004	99.4	-5	-16	8	10	81.6	-14	-4	-14	30	-8
2005	98.1	-7	-17	11	6	81.2	-14	-4	-15	28	-8
2005 Q1	98.7	-6	-15	11	6	81.5	-13	-3	-13	30	-8
Q2	96.1	-10	-20	13	3	81.0	-14	-3	-16	31	-7
Q3	97.7	-8	-18	11	6	81.0	-15	-4	-17	29	-8
Q4	100.1	-6	-15	10	7	81.4	-12	-4	-15	22	-9
2006 Q1	102.6	-2	-9	9	11	.	-11	-3	-11	20	-8
2005 Oct.	100.2	-6	-16	10	8	81.1	-13	-5	-15	23	-9
Nov.	99.7	-7	-16	9	6	-	-13	-5	-17	23	-8
Dec.	100.5	-5	-13	10	8	-	-11	-4	-12	19	-9
2006 Jan.	101.5	-4	-12	10	9	81.7	-11	-3	-11	19	-9
Feb.	102.7	-2	-10	8	11	-	-10	-3	-11	19	-8
Mar.	103.5	-1	-6	9	12	-	-11	-3	-12	21	-7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2002	-17	-25	-10	-15	-18	17	-11	2	-3	-4	14
2003	-18	-25	-11	-11	-14	17	-2	4	-5	3	14
2004	-14	-22	-6	-9	-14	14	0	11	7	8	17
2005	-9	-15	-3	-9	-14	14	2	11	6	10	17
2005 Q1	-11	-15	-6	-10	-15	12	-2	11	8	7	17
Q2	-11	-18	-5	-10	-16	13	-1	9	0	9	17
Q3	-9	-16	-2	-9	-15	15	1	11	6	10	17
Q4	-5	-11	0	-6	-11	16	9	14	10	13	18
2006 Q1	-4	-10	2	-4	-5	16	8	15	11	14	19
2005 Oct.	-7	-14	0	-5	-12	13	10	14	10	13	19
Nov.	-3	-8	2	-8	-13	18	7	14	11	13	18
Dec.	-6	-11	-1	-5	-7	17	9	13	9	13	18
2006 Jan.	-4	-9	1	-6	-7	17	5	15	13	17	17
Feb.	-5	-12	2	-5	-5	16	7	14	8	13	21
Mar.	-3	-10	4	-1	-1	14	11	15	11	13	20

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period from January 1985.
3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
5) The confidence indicators are calculated as simple averages of the components shown; the 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	84.4	15.6	4.5	18.1	7.2	24.9	15.3	30.0
	1	2	3	4	5	6	7	8	9	10
2001	134.493	1.5	1.7	0.2	-0.8	0.1	0.7	1.7	4.2	1.3
2002	135.464	0.7	0.8	0.1	-1.6	-1.6	0.1	0.5	2.6	2.0
2003	135.838	0.3	0.3	0.3	-2.0	-1.5	0.2	0.3	1.3	1.3
2004	136.835	0.7	0.6	1.3	-0.8	-1.6	1.1	0.9	2.5	1.3
2004 Q3	136.900	0.8	0.6	1.6	-0.4	-1.8	2.1	0.9	2.4	1.3
Q4	137.241	1.0	0.9	1.6	-0.6	-0.9	1.5	1.1	2.5	1.4
2005 Q1	137.363	0.9	0.8	1.2	-1.3	-1.1	1.4	1.1	2.1	1.4
Q2	137.576	0.8	0.8	1.0	-1.0	-1.3	1.2	0.9	2.2	1.4
Q3	137.940	0.8	0.9	0.4	-1.6	-0.9	0.7	0.6	2.2	1.6
	quarter-on-quarter percentage changes (s.a.)									
2004 Q3	0.408	0.3	0.1	1.4	0.3	-0.5	1.1	0.4	0.7	0.3
Q4	0.341	0.2	0.3	0.1	-0.3	0.2	-0.3	0.2	0.5	0.4
2005 Q1	0.122	0.1	0.3	-1.0	-1.0	-0.8	-0.1	0.1	0.7	0.5
Q2	0.213	0.2	0.1	0.7	-0.1	-0.1	0.4	0.2	0.3	0.2
Q3	0.364	0.3	0.2	0.5	-0.7	-0.1	0.5	0.2	0.6	0.4

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		24.4		48.5		51.5	
	1	2	3	4	5	6	7	8	9	10
2002	11.760	8.3	8.740	7.0	3.020	16.8	5.515	6.9	6.245	10.1
2003	12.548	8.7	9.420	7.5	3.128	17.6	5.975	7.4	6.573	10.5
2004	12.899	8.9	9.750	7.6	3.149	18.0	6.186	7.6	6.713	10.5
2005	12.543	8.6	9.484	7.3	3.060	17.7	6.084	7.4	6.460	10.0
2004 Q4	12.872	8.8	9.734	7.6	3.138	18.1	6.261	7.6	6.611	10.3
2005 Q1	12.848	8.8	9.627	7.5	3.221	18.4	6.217	7.6	6.631	10.3
Q2	12.674	8.7	9.601	7.4	3.072	17.7	6.156	7.5	6.517	10.1
Q3	12.377	8.5	9.402	7.3	2.975	17.3	6.038	7.4	6.339	9.9
Q4	12.223	8.4	9.215	7.1	3.008	17.6	5.886	7.2	6.337	9.8
2005 Sep.	12.259	8.4	9.280	7.2	2.980	17.4	5.991	7.3	6.269	9.8
Oct.	12.219	8.3	9.219	7.1	3.000	17.5	5.929	7.2	6.290	9.8
Nov.	12.244	8.4	9.235	7.1	3.009	17.6	5.888	7.2	6.356	9.9
Dec.	12.206	8.3	9.190	7.1	3.016	17.7	5.840	7.1	6.365	9.9
2006 Jan.	12.102	8.3	9.084	7.0	3.018	17.6	5.796	7.1	6.306	9.8
Feb.	12.021	8.2	8.987	7.0	3.034	17.7	5.773	7.0	6.248	9.7

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

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) Employment in 2004; unemployment 2005.
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			Indirect taxes		Social contributions			Sales		Capital taxes	
				Households	Corporations		Received by EU institutions		Employers	Employees				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	47.0	46.6	11.7	9.1	2.3	13.2	0.7	17.3	8.5	5.5	2.4	0.3	0.2	42.5
1997	47.2	46.7	11.9	9.1	2.5	13.4	0.7	17.3	8.6	5.5	2.3	0.5	0.3	42.9
1998	46.7	46.4	12.2	9.6	2.3	14.0	0.6	16.2	8.4	4.9	2.3	0.3	0.3	42.7
1999	47.2	47.0	12.6	9.7	2.5	14.2	0.6	16.2	8.4	4.9	2.3	0.3	0.3	43.3
2000	46.9	46.6	12.8	9.8	2.6	14.0	0.6	16.0	8.3	4.8	2.2	0.3	0.3	43.0
2001	46.1	45.8	12.4	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.3	0.3	42.0
2002	45.5	45.2	11.9	9.4	2.2	13.6	0.4	15.7	8.2	4.6	2.2	0.3	0.3	41.5
2003	45.5	44.8	11.6	9.2	2.1	13.6	0.4	15.9	8.3	4.7	2.2	0.7	0.5	41.6
2004	45.0	44.5	11.5	8.8	2.3	13.7	0.3	15.7	8.2	4.6	2.1	0.5	0.4	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
1996	51.3	47.4	11.1	4.8	5.6	25.9	22.9	2.2	0.6	3.8	2.6	1.3	0.0	45.6
1997	49.9	46.3	10.9	4.7	5.0	25.6	22.8	2.1	0.6	3.6	2.4	1.2	0.1	44.9
1998	49.0	45.2	10.6	4.6	4.6	25.4	22.3	2.1	0.5	3.8	2.4	1.4	0.1	44.4
1999	48.6	44.7	10.6	4.7	4.1	25.3	22.3	2.1	0.5	3.9	2.5	1.4	0.1	44.5
2000	47.9	44.1	10.5	4.7	3.9	25.0	21.9	2.0	0.5	3.8	2.5	1.3	0.0	44.0
2001	48.0	44.0	10.4	4.8	3.8	25.0	21.9	1.9	0.5	4.0	2.5	1.4	0.0	44.1
2002	48.1	44.2	10.5	4.9	3.6	25.3	22.4	1.9	0.5	3.8	2.4	1.4	0.0	44.5
2003	48.5	44.5	10.6	4.9	3.4	25.7	22.8	1.9	0.5	4.0	2.6	1.4	0.1	45.2
2004	47.8	43.9	10.5	4.9	3.2	25.4	22.6	1.8	0.5	3.8	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
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.3	20.3	11.1	4.8	4.9	1.9	2.4	8.5	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.7	4.9	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.7	10.6	4.6	4.9	1.8	2.3	8.1	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.7	4.9	1.8	2.3	8.2	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.5	4.7	4.9	1.8	2.2	8.1	11.7
2001	-1.9	-1.7	-0.4	0.0	0.3	2.0	19.8	10.4	4.8	5.0	1.8	2.2	8.0	11.8
2002	-2.6	-2.1	-0.5	-0.2	0.2	1.0	20.2	10.5	4.9	5.1	1.8	2.2	8.1	12.1
2003	-3.0	-2.3	-0.4	-0.2	0.0	0.3	20.4	10.6	4.9	5.2	1.8	2.2	8.1	12.3
2004	-2.7	-2.3	-0.3	-0.3	0.1	0.4	20.3	10.5	4.9	5.2	1.8	2.1	8.0	12.3

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.6	-2.9	-6.1	-0.5	-1.5	0.8	-3.2	6.5	-0.2	0.1	-4.2	5.2
2002	0.0	-3.8	-4.9	-0.3	-3.2	-0.4	-2.7	2.1	-2.0	-0.4	-2.8	4.3
2003	0.1	-4.1	-5.7	0.0	-4.1	0.2	-3.2	0.2	-3.2	-1.2	-2.9	2.5
2004	0.0	-3.7	-6.6	-0.1	-3.7	1.4	-3.2	-1.2	-2.1	-1.0	-3.0	2.1

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) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM). 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				
		Coins 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
1995	74.0	2.8	17.6	8.0	45.7	58.6	30.7	10.7	17.1	15.4
1996	75.4	2.8	17.1	7.9	47.5	59.1	30.4	12.5	16.2	16.3
1997	74.5	2.8	16.1	6.6	49.1	56.7	28.7	14.0	14.1	17.7
1998	73.1	2.7	15.1	5.6	49.6	53.3	26.9	14.9	11.5	19.7
1999	72.4	2.9	14.3	4.3	50.9	49.4	25.7	12.1	11.6	22.9
2000	69.9	2.7	13.2	3.7	50.3	44.8	22.5	11.1	11.1	25.1
2001	68.6	2.7	12.5	3.9	49.5	42.6	21.0	10.6	11.0	25.9
2002	68.5	2.7	11.8	4.5	49.5	40.2	19.5	9.8	10.9	28.3
2003	69.8	2.0	12.4	4.9	50.4	39.7	19.9	10.5	9.3	30.1
2004	70.2	2.2	11.9	4.7	51.4	39.3	19.1	10.9	9.4	30.9

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	74.0	61.8	5.6	5.9	0.8	11.5	62.5	7.6	18.6	26.7	28.8	71.8	2.2
1996	75.4	63.1	5.9	5.8	0.5	11.2	64.2	7.1	20.0	26.1	29.2	73.2	2.2
1997	74.5	62.4	6.1	5.4	0.6	9.7	64.8	6.8	19.4	25.9	29.3	72.3	2.2
1998	73.1	61.3	6.1	5.3	0.4	8.5	64.6	6.4	16.7	27.0	29.4	71.0	2.1
1999	72.4	60.9	6.1	5.1	0.3	7.3	65.0	5.7	15.1	27.9	29.3	70.4	1.9
2000	69.9	58.7	5.9	4.9	0.3	6.5	63.4	5.0	15.0	28.4	26.5	68.1	1.8
2001	68.6	57.4	6.1	4.8	0.3	6.8	61.7	3.7	15.6	26.4	26.6	67.1	1.5
2002	68.5	57.0	6.3	4.8	0.3	7.6	60.9	3.5	16.4	25.2	26.8	67.2	1.3
2003	69.8	57.4	6.6	5.2	0.6	7.6	62.2	3.6	15.3	26.4	28.1	68.8	1.0
2004	70.2	57.8	6.7	5.2	0.5	7.6	62.7	3.6	15.5	26.8	27.9	69.3	0.9

3. Euro area countries [6]

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	108.3	59.6	114.4	56.3	56.8	35.9	110.9	6.7	51.5	67.0	53.6	43.6
2002	105.8	61.2	111.6	53.2	58.8	32.4	108.3	6.8	51.3	66.7	56.1	42.3
2003	100.4	64.8	108.8	49.4	63.2	31.5	106.8	6.7	52.6	65.1	57.7	45.2
2004	96.2	66.4	109.3	46.9	65.1	29.8	106.5	6.6	53.1	64.3	59.4	45.1

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) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM).

6.3 Change in debt [1]

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	3.9	4.2	0.0	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	0.7	2.1	1.3
1997	2.0	2.2	0.4	-0.4	-0.1	0.0	-0.3	-1.1	3.3	-0.1	-0.5	1.9	2.1
1998	1.8	2.0	0.0	0.0	-0.1	0.1	-0.3	-0.6	2.7	-1.0	-0.5	1.5	2.8
1999	2.0	1.6	0.5	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.9	-0.2	-2.2	3.9
2000	1.0	0.9	0.1	0.0	0.0	0.0	-0.4	-0.4	1.9	-2.2	-1.9	-0.4	3.3
2001	1.8	1.6	0.0	0.1	0.0	0.2	-0.1	0.4	1.4	-0.2	-0.6	0.0	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.0	-0.8	-0.5	3.2
2003	3.1	3.3	-0.1	0.0	0.0	-0.6	0.9	0.5	2.3	0.6	1.0	0.9	2.5
2004	3.1	3.2	0.0	-0.1	0.0	0.2	0.0	0.0	2.9	1.1	-0.1	0.7	2.0

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	Exchange rate effects	Other changes in volume	Other [10]
				Total	Currency and deposits	Securities [11]	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	0.0	-0.1	0.0	-0.3
1997	2.0	-2.7	-0.7	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.4	0.2	-0.4	-0.2
1998	1.8	-2.3	-0.5	-0.4	0.1	0.0	-0.1	-0.4	-0.6	0.2	0.0	0.0	0.0	0.0
1999	2.0	-1.3	0.7	0.0	0.5	0.0	0.1	-0.6	-0.7	0.0	0.5	0.3	0.0	0.2
2000	1.0	0.0	1.1	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.1	0.1	0.0	0.0
2001	1.8	-1.9	-0.1	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	0.0	0.0	0.1	0.2
2002	2.2	-2.5	-0.3	0.1	0.0	0.0	0.1	0.0	-0.3	0.1	-0.4	0.0	0.1	-0.1
2003	3.1	-3.0	0.1	0.1	0.0	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.1
2004	3.1	-2.7	0.4	0.3	0.2	0.1	0.2	-0.1	-0.3	0.1	0.0	0.0	-0.1	0.2

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 1999.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) 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
1999 Q3	44.6	44.2	11.7	13.0	15.9	2.0	0.8	0.4	0.3	40.9
Q4	50.6	49.9	14.2	14.4	16.7	2.8	0.8	0.7	0.3	45.6
2000 Q1	43.5	42.9	11.0	13.1	15.4	1.9	0.7	0.5	0.3	39.8
Q2	47.6	47.1	13.8	13.4	15.7	2.1	1.2	0.5	0.3	43.2
Q3	44.2	43.8	11.9	12.6	15.7	2.0	0.8	0.4	0.2	40.5
Q4	49.7	49.2	13.9	14.1	16.6	2.8	0.9	0.5	0.3	44.8
2001 Q1	42.3	41.9	10.5	12.7	15.2	1.8	0.8	0.4	0.2	38.7
Q2	46.9	46.5	13.4	13.0	15.6	2.0	1.7	0.4	0.2	42.2
Q3	43.5	43.2	11.7	12.4	15.5	1.9	0.9	0.3	0.3	39.9
Q4	49.1	48.7	13.5	13.9	16.3	3.0	1.1	0.5	0.3	44.0
2002 Q1	42.0	41.6	10.2	12.8	15.4	1.7	0.8	0.4	0.2	38.6
Q2	45.6	45.1	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.6	43.2	11.2	12.8	15.5	2.0	0.7	0.4	0.3	39.7
Q4	49.1	48.5	13.4	14.1	16.2	3.0	0.9	0.6	0.3	44.0
2003 Q1	42.0	41.6	9.8	12.8	15.6	1.8	0.7	0.4	0.2	38.5
Q2	46.2	44.7	12.1	12.7	15.8	2.0	1.3	1.5	1.3	41.9
Q3	43.0	42.5	10.9	12.7	15.6	1.9	0.7	0.5	0.2	39.4
Q4	49.4	48.4	13.1	14.3	16.3	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.6	41.1	9.6	12.9	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.2	44.3	12.2	13.0	15.4	2.0	0.9	0.9	0.6	41.2
Q3	42.7	42.2	10.7	12.7	15.4	1.9	0.7	0.5	0.3	39.0
Q4	49.4	48.4	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.5	41.9	10.0	13.0	15.4	1.7	0.7	0.5	0.3	38.7
Q2	44.6	44.0	11.9	13.0	15.3	2.0	0.9	0.6	0.3	40.5
Q3	43.4	42.8	11.1	12.9	15.3	1.9	0.7	0.6	0.3	39.6

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	Social benefits	Subsidies		Investment	Capital transfers		
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q3	47.1	43.5	10.2	4.5	4.0	24.8	21.2	1.6	3.6	2.5	1.1	-2.5	1.5
Q4	50.4	45.6	11.0	5.3	3.7	25.7	22.1	1.6	4.8	3.1	1.7	0.2	3.9
2000 Q1	46.0	42.7	10.2	4.5	4.1	24.0	20.9	1.2	3.2	2.0	1.3	-2.5	1.6
Q2	46.4	43.0	10.3	4.6	3.9	24.2	20.9	1.4	3.4	2.3	1.1	1.2	5.0
Q3	43.0	42.7	10.1	4.5	4.0	24.2	20.8	1.5	0.3	2.5	1.0	1.2	5.1
Q4	49.5	45.7	11.0	5.3	3.7	25.7	21.9	1.6	3.8	3.1	1.5	0.2	4.0
2001 Q1	45.5	42.1	10.1	4.1	4.0	24.0	20.8	1.2	3.4	1.9	1.5	-3.2	0.8
Q2	46.4	43.0	10.3	4.6	3.9	24.2	20.8	1.4	3.5	2.4	1.1	0.4	4.3
Q3	46.3	42.6	10.0	4.6	3.9	24.2	20.9	1.5	3.7	2.5	1.2	-2.8	1.1
Q4	51.0	46.1	10.9	5.6	3.6	25.9	22.1	1.6	4.9	3.2	1.8	-1.9	1.7
2002 Q1	46.0	42.6	10.3	4.2	3.7	24.3	21.2	1.2	3.4	1.9	1.5	-4.0	-0.3
Q2	46.8	43.3	10.3	4.9	3.6	24.5	21.2	1.4	3.5	2.3	1.1	-1.2	2.4
Q3	46.9	43.2	10.1	4.7	3.5	25.0	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.6	3.4	26.4	22.6	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.7	43.2	10.4	4.4	3.5	24.9	21.5	1.2	3.5	1.9	1.6	-4.7	-1.1
Q2	47.6	44.1	10.5	4.7	3.4	25.4	21.8	1.4	3.6	2.4	1.2	-1.4	2.0
Q3	47.1	43.4	10.3	4.7	3.3	25.2	21.6	1.4	3.7	2.6	1.1	-4.2	-0.9
Q4	51.2	46.3	10.9	5.7	3.1	26.6	22.8	1.5	4.9	3.3	1.6	-1.8	1.3
2004 Q1	46.3	43.0	10.4	4.4	3.3	24.9	21.5	1.1	3.4	2.0	1.4	-4.8	-1.5
Q2	46.9	43.4	10.5	4.8	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-1.7	1.5
Q3	46.1	42.7	10.0	4.6	3.2	25.0	21.4	1.3	3.4	2.5	0.9	-3.4	-0.2
Q4	50.6	45.7	10.8	5.6	3.0	26.2	22.5	1.4	4.9	3.1	1.8	-1.1	1.9
2005 Q1	46.6	43.2	10.3	4.4	3.2	25.2	21.5	1.1	3.4	1.9	1.5	-4.1	-0.9
Q2	46.4	43.0	10.3	4.8	3.1	24.7	21.5	1.2	3.4	2.3	1.1	-1.8	1.3
Q3	45.8	42.4	9.9	4.6	3.1	24.8	21.3	1.3	3.4	2.4	1.0	-2.5	0.6

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

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

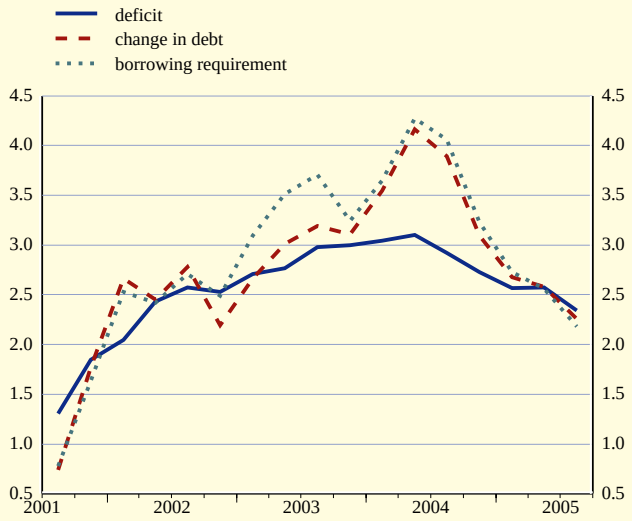
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Coins and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2002 Q4	68.5	2.7	11.8	4.5	49.5
2003 Q1	69.6	2.7	11.7	5.2	49.9
Q2	70.1	2.7	11.6	5.7	50.2
Q3	70.3	2.7	11.6	5.5	50.5
Q4	69.8	2.0	12.4	4.9	50.4
2004 Q1	71.1	2.0	12.5	5.5	51.2
Q2	71.8	2.2	12.4	5.7	51.5
Q3	71.7	2.2	12.2	5.6	51.6
Q4	70.2	2.2	11.9	4.7	51.4
2005 Q1	71.3	2.2	11.9	4.9	52.3
Q2	72.1	2.3	11.7	5.1	52.9
Q3	71.7	2.4	11.7	4.9	52.6

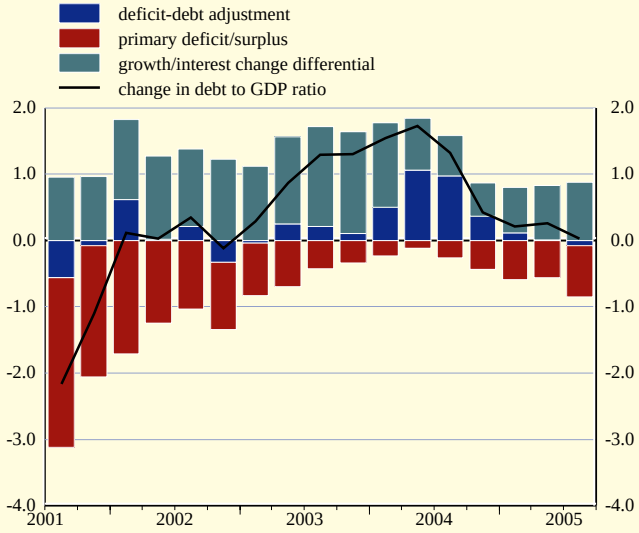
2. Euro area – deficit-debt adjustment

	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	Securities	Loans	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2002 Q4	-1.1	-1.7	-2.9	0.1	0.2	-0.1	0.1	-0.1	-1.8	-1.2	0.7
2003 Q1	7.8	-4.7	3.1	2.4	1.8	0.2	0.1	0.3	0.0	0.8	7.9
Q2	3.5	-1.4	2.1	2.9	2.0	0.0	0.1	0.9	-0.2	-0.6	3.8
Q3	2.8	-4.2	-1.4	-1.2	-1.3	-0.1	0.1	0.1	0.1	-0.3	2.7
Q4	-1.3	-1.8	-3.2	-3.4	-2.1	-0.2	-0.3	-0.8	-0.3	0.5	-1.0
2004 Q1	9.4	-4.8	4.6	2.1	1.4	0.2	0.5	0.0	0.1	2.4	9.3
Q2	6.0	-1.7	4.3	3.7	3.4	0.3	0.0	0.1	-0.3	0.8	6.3
Q3	1.7	-3.4	-1.7	-0.9	-1.2	0.2	0.1	0.1	-0.2	-0.6	1.9
Q4	-4.2	-1.1	-5.3	-3.6	-2.6	-0.2	0.0	-0.7	-0.2	-1.6	-4.0
2005 Q1	7.6	-4.1	3.5	1.7	1.5	0.3	-0.2	0.1	0.5	1.3	7.1
Q2	5.5	-1.8	3.7	3.4	2.7	0.3	0.3	0.1	0.0	0.3	5.5
Q3	0.5	-2.5	-2.0	-2.3	-2.7	0.3	0.2	-0.1	0.1	0.2	0.4

C26 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C27 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.

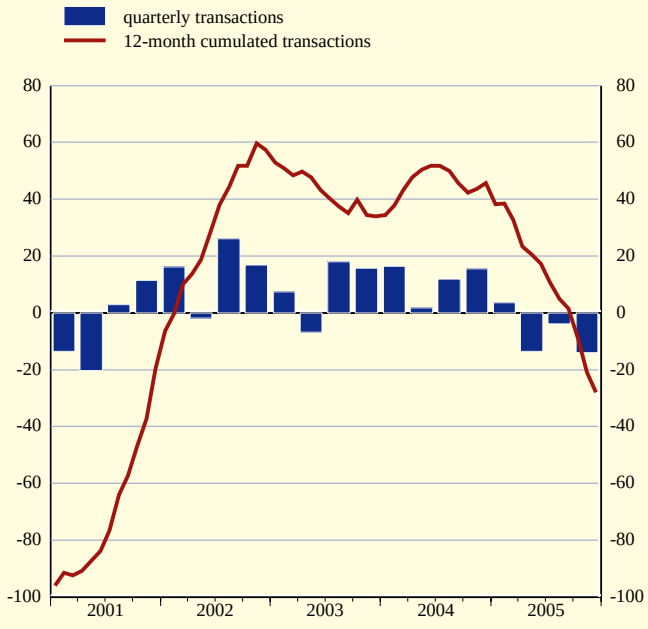
7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

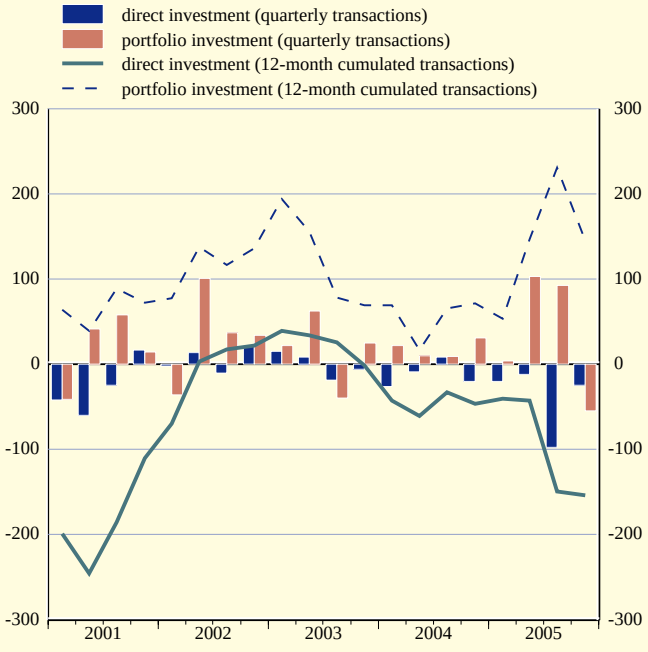
1. Summary balance of payments

	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	33.9	108.2	19.5	-37.4	-56.4	12.9	46.8	4.1	-1.7	68.9	-11.2	-80.2	28.2	-50.9
2004	45.6	106.7	28.3	-33.1	-56.3	17.4	63.0	-8.3	-46.8	71.2	-4.8	-40.4	12.5	-54.7
2005	-28.0	58.5	31.8	-52.0	-66.4	12.2	-15.8	44.2	-153.8	144.7	-15.9	50.3	18.9	-28.4
2004 Q4	15.5	21.6	6.3	1.9	-14.3	5.9	21.4	2.3	-19.9	30.7	-4.1	-6.8	2.4	-23.7
2005 Q1	3.5	15.6	3.2	-3.0	-12.2	1.1	4.6	25.9	-20.0	3.8	-7.2	44.5	4.8	-30.5
Q2	-13.6	18.4	10.2	-26.0	-16.1	3.9	-9.7	43.4	-11.6	103.3	3.3	-54.7	3.1	-33.7
Q3	-3.8	16.3	8.1	-9.0	-19.3	3.0	-0.9	29.8	-97.6	92.6	-8.7	41.3	2.2	-29.0
Q4	-14.0	8.3	10.3	-13.9	-18.7	4.1	-9.9	-54.9	-24.6	-55.0	-3.3	19.2	8.8	64.8
2005 Jan.	-5.8	1.4	0.5	-4.1	-3.6	-0.8	-6.6	18.3	-10.5	-17.3	-3.4	51.0	-1.6	-11.7
Feb.	5.9	5.9	1.2	1.4	-2.6	1.1	6.9	27.1	-2.7	23.3	1.3	0.4	4.9	-34.0
Mar.	3.5	8.3	1.5	-0.4	-6.0	0.8	4.3	-19.4	-6.8	-2.1	-5.0	-7.0	1.5	15.1
Apr.	-11.0	3.8	2.5	-13.0	-4.3	0.2	-10.8	-11.2	-11.6	-14.0	-0.5	15.6	-0.8	22.0
May	-3.0	6.0	3.2	-7.0	-5.3	1.6	-1.5	39.4	7.9	18.2	0.7	10.0	2.6	-38.0
June	0.4	8.5	4.4	-6.0	-6.5	2.1	2.5	15.3	-7.9	99.1	3.0	-80.3	1.4	-17.8
July	1.4	9.8	3.8	-6.5	-5.6	0.8	2.2	3.4	-83.7	75.3	0.9	8.4	2.6	-5.6
Aug.	-2.8	0.8	1.6	0.4	-5.7	0.8	-2.0	-1.3	-12.2	-12.9	-7.0	30.9	-0.1	3.3
Sep.	-2.4	5.7	2.7	-2.8	-8.0	1.4	-1.1	27.7	-1.7	30.3	-2.6	2.0	-0.3	-26.6
Oct.	-7.5	3.2	4.2	-9.4	-5.5	0.8	-6.8	-9.9	-6.4	-6.6	-1.5	4.3	0.2	16.7
Nov.	-7.2	2.5	2.7	-5.5	-6.9	0.9	-6.4	-8.8	-12.9	-34.7	1.0	36.6	1.2	15.2
Dec.	0.7	2.5	3.5	1.0	-6.3	2.5	3.2	-36.2	-5.3	-13.8	-2.8	-21.7	7.4	32.9
2006 Jan.	-11.3	-6.8	-0.3	-1.7	-2.5	1.0	-10.3	-12.3	5.1	-38.2	-2.1	25.3	-2.3	22.5
	12-month cumulated transactions													
2006 Jan.	-33.5	50.3	31.0	-49.6	-65.2	14.0	-19.5	13.7	-138.2	123.9	-14.6	24.5	18.2	5.8

C28 B.o.p. current account balance
(EUR billions)



C29 B.o.p. net direct and portfolio investment
(EUR billions)



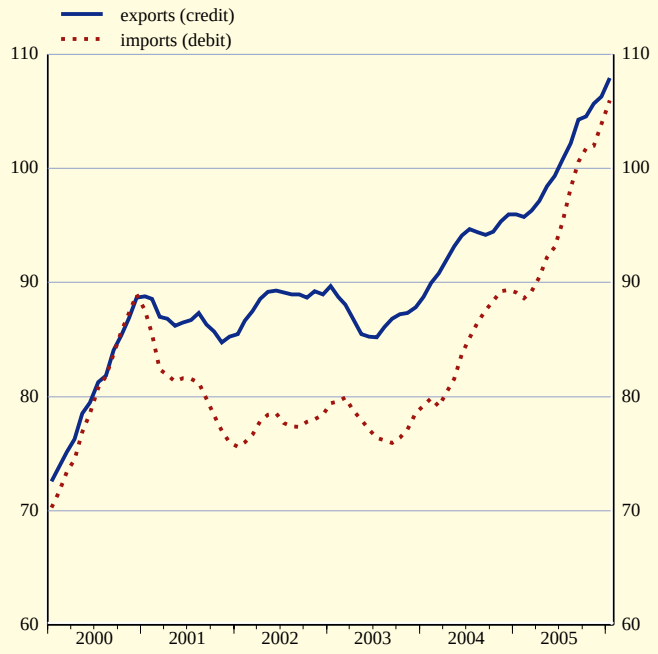
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

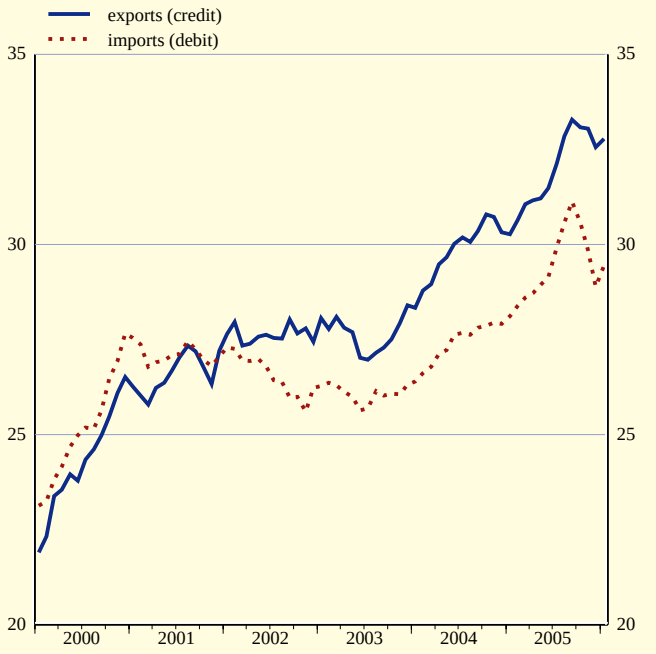
2. Current and capital accounts

	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	1,691.0	1,657.1	33.9	1,041.2	933.0	331.9	312.3	236.3	273.6	81.7	138.1	23.7	10.8
2004	1,840.7	1,795.1	45.6	1,133.1	1,026.4	360.3	332.0	266.2	299.3	81.0	137.3	24.0	6.6
2005	1,996.6	2,024.6	-28.0	1,222.1	1,163.6	386.0	354.2	306.3	358.3	82.2	148.5	22.2	10.1
2004 Q4	485.0	469.5	15.5	299.9	278.3	92.6	86.2	74.5	72.6	18.0	32.3	7.6	1.7
2005 Q1	460.5	457.0	3.5	278.9	263.3	83.9	80.7	65.3	68.4	32.3	44.5	4.8	3.7
Q2	498.7	512.3	-13.6	304.9	286.5	96.1	86.0	81.0	107.1	16.7	32.8	5.7	1.8
Q3	505.6	509.4	-3.8	309.2	292.8	107.1	99.0	73.9	82.8	15.4	34.7	4.8	1.8
Q4	531.9	545.9	-14.0	329.2	320.9	98.8	88.5	86.1	100.0	17.7	36.5	6.9	2.8
2005 Nov.	176.7	183.9	-7.2	112.7	110.1	31.2	28.5	28.3	33.8	4.5	11.5	1.5	0.7
Dec.	185.9	185.1	0.7	108.3	105.8	34.1	30.6	34.5	33.5	9.0	15.3	3.7	1.2
2006 Jan.	163.7	174.9	-11.3	100.9	107.8	29.8	30.0	23.4	25.1	9.6	12.0	1.7	0.7
	Seasonally adjusted												
2004 Q4	470.3	460.4	9.9	287.8	268.0	91.0	83.8	71.4	74.8	20.1	33.9	.	.
2005 Q1	473.7	469.2	4.5	289.0	267.8	93.2	85.8	70.7	77.4	20.8	38.2	.	.
Q2	487.8	487.6	0.3	298.0	279.3	94.4	87.4	73.9	86.2	21.5	34.6	.	.
Q3	509.6	521.2	-11.6	312.8	301.7	99.8	93.4	77.0	90.0	20.0	36.1	.	.
Q4	518.8	540.0	-21.3	318.8	311.6	97.7	86.7	82.8	104.0	19.5	37.7	.	.
2005 May	162.7	162.3	0.4	99.7	94.0	31.3	29.4	24.8	27.3	6.9	11.6	.	.
June	163.2	162.8	0.4	100.0	93.1	32.0	29.4	24.1	28.8	7.1	11.5	.	.
July	168.2	171.3	-3.1	102.4	98.6	33.1	31.0	25.7	30.6	6.9	11.1	.	.
Aug.	170.1	176.4	-6.3	104.1	103.1	33.4	31.3	25.7	29.6	7.0	12.3	.	.
Sep.	171.3	173.5	-2.2	106.3	100.0	33.3	31.0	25.6	29.8	6.1	12.7	.	.
Oct.	167.7	175.0	-7.4	103.2	102.1	32.5	29.3	25.5	32.8	6.5	10.8	.	.
Nov.	174.2	183.7	-9.5	107.6	103.8	33.3	29.2	28.0	38.1	5.3	12.6	.	.
Dec.	176.9	181.3	-4.4	108.0	105.7	31.9	28.1	29.3	33.2	7.8	14.3	.	.
2006 Jan.	171.6	174.9	-3.3	108.2	108.4	33.2	31.0	26.4	26.8	3.7	8.7	.	.

C30 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C31 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
2002	15.1	6.2	230.6	277.1	54.9	55.2	7.5	7.1	19.9	52.1	65.4	71.9	83.0	90.8
2003	14.8	6.1	221.4	267.5	59.4	52.6	10.0	9.7	18.6	53.5	65.7	79.1	67.8	72.6
2004	15.2	6.2	251.0	293.1	77.8	67.5	11.7	12.3	24.0	57.3	74.6	84.3	63.0	71.6
2004 Q3	3.8	1.8	59.9	66.0	16.5	16.3	2.5	2.9	5.7	11.3	19.3	17.6	15.9	17.8
Q4	4.0	1.6	70.5	71.0	25.5	15.1	3.0	3.5	5.4	10.4	19.5	22.7	17.1	19.4
2005 Q1	3.7	1.4	61.7	67.0	15.6	13.2	2.8	2.9	6.1	11.2	19.2	19.1	18.0	20.5
Q2	3.7	1.8	77.3	105.3	23.9	24.4	3.2	3.6	9.8	30.0	21.7	24.1	18.7	23.1
Q3	3.8	1.9	70.1	80.9	16.5	20.8	2.8	3.0	7.4	15.4	23.6	19.3	19.7	22.4

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	-139.7	-122.6	-2.3	-120.3	-17.1	0.0	-17.1	138.0	120.4	3.1	117.4	17.6	0.1	17.5
2004	-130.8	-141.6	-18.5	-123.0	10.8	0.1	10.7	84.0	76.6	1.2	75.5	7.4	0.7	6.7
2005	-206.9	-124.8	-8.4	-116.5	-82.1	0.2	-82.3	53.1	14.6	-0.4	14.9	38.6	0.3	38.3
2004 Q4	-65.2	-68.6	-8.6	-60.0	3.4	0.1	3.3	45.4	36.4	1.0	35.4	9.0	-0.1	9.1
2005 Q1	-32.3	-15.5	-2.4	-13.0	-16.9	0.1	-16.9	12.3	12.2	0.3	11.8	0.1	0.3	-0.2
Q2	-25.9	-20.5	-1.8	-18.6	-5.4	0.0	-5.5	14.4	4.6	0.4	4.2	9.8	-0.1	10.0
Q3	-102.6	-78.3	-4.8	-73.5	-24.3	0.1	-24.4	4.9	-8.8	0.9	-9.6	13.7	0.4	13.3
Q4	-46.1	-10.6	0.7	-11.3	-35.5	0.0	-35.5	21.5	6.6	-1.9	8.5	14.9	-0.3	15.3
2005 Jan.	-13.9	-7.7	-0.5	-7.2	-6.2	0.0	-6.2	3.4	4.7	0.1	4.7	-1.3	0.1	-1.4
Feb.	-5.9	-2.1	-1.2	-0.9	-3.9	0.0	-3.9	3.2	2.9	0.3	2.6	0.3	0.1	0.2
Mar.	-12.5	-5.7	-0.8	-4.9	-6.8	0.1	-6.9	5.7	4.5	-0.1	4.6	1.2	0.2	1.0
Apr.	-15.6	2.1	-1.8	3.9	-17.7	0.0	-17.7	4.1	7.8	-0.2	8.0	-3.7	0.1	-3.9
May	8.0	-4.5	-0.5	-4.0	12.5	0.0	12.5	-0.1	-2.1	0.2	-2.3	2.0	0.0	1.9
June	-18.3	-18.0	0.5	-18.5	-0.3	0.0	-0.3	10.4	-1.2	0.4	-1.5	11.6	-0.3	11.9
July	-83.5	-75.6	-3.2	-72.3	-7.9	0.1	-8.0	-0.2	0.9	0.2	0.7	-1.2	0.0	-1.2
Aug.	-7.4	-1.9	-0.6	-1.4	-5.5	0.0	-5.5	-4.7	-4.9	0.2	-5.1	0.2	0.1	0.1
Sep.	-11.6	-0.8	-1.0	0.2	-10.8	0.0	-10.9	9.9	-4.8	0.4	-5.2	14.7	0.3	14.4
Oct.	-9.4	6.9	0.6	6.3	-16.3	0.0	-16.3	3.0	5.9	0.1	5.8	-3.0	0.0	-2.9
Nov.	-21.6	-5.2	0.5	-5.7	-16.3	0.0	-16.3	8.7	0.0	-1.7	1.8	8.6	-0.1	8.7
Dec.	-15.1	-12.2	-0.3	-11.9	-2.9	0.0	-2.9	9.9	0.6	-0.3	0.9	9.3	-0.2	9.5
2006 Jan.	1.8	6.5	-0.6	7.2	-4.7	-0.2	-4.5	3.3	5.6	0.1	5.4	-2.3	-0.1	-2.2

Source: ECB.

7.1 Balance of payments
(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			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				General gov.					General gov.					General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	-0.3	-13.9	-63.1	-2.6	111.6	-2.4	-45.0	-129.4	-0.2	197.5	0.2	-45.9	21.6	0.6	38.0
2004	0.0	-22.4	-80.4	-3.4	137.5	1.2	-81.4	-94.7	-2.1	255.8	-0.1	-43.3	-9.7	0.1	8.6
2005	-0.1	-14.8	-111.5	.	271.3	-0.7	-121.4	-160.9	.	240.8	0.0	-17.1	3.4	.	55.8
2004 Q4	0.0	-0.9	-23.8	-0.2	82.9	0.6	-20.9	-27.2	-0.5	41.3	-0.1	-12.2	5.6	4.3	-14.6
2005 Q1	0.0	-27.5	-20.6	-0.9	36.5	-0.1	-35.4	-38.9	-0.3	45.3	0.3	5.9	-6.6	-3.7	45.1
Q2	0.0	21.7	-22.2	-0.6	26.7	-0.7	-40.4	-33.2	-0.1	151.2	-0.4	-9.1	-5.0	-2.4	14.7
Q3	-0.1	-5.1	-26.4	-1.0	149.7	-0.4	-21.6	-53.6	0.1	28.5	0.1	-7.3	5.1	0.2	23.7
Q4	0.0	-3.9	-42.2	.	58.4	0.6	-24.0	-35.2	.	15.8	-0.1	-6.5	9.9	.	-27.8
2005 Jan.	0.0	-9.2	-7.7	-	10.5	-0.1	-27.0	-2.1	-	4.9	0.2	-4.1	-5.9	-	23.1
Feb.	0.0	-16.5	-3.7	-	9.2	-0.2	-4.0	-16.4	-	37.5	0.1	17.2	-1.9	-	1.9
Mar.	0.0	-1.8	-9.3	-	16.8	0.2	-4.5	-20.4	-	2.9	0.0	-7.3	1.2	-	20.1
Apr.	0.0	9.9	-5.2	-	-47.4	-0.9	-13.3	-10.6	-	51.8	-0.3	-10.5	1.3	-	11.2
May	0.0	6.7	-15.4	-	22.9	-0.1	-16.1	-5.5	-	27.5	0.0	-2.2	-6.0	-	6.4
June	0.0	5.1	-1.6	-	51.3	0.2	-11.1	-17.1	-	72.0	0.0	3.5	-0.2	-	-3.0
July	-0.1	-3.5	-14.6	-	109.0	0.2	-4.3	-16.0	-	0.5	-0.6	0.0	-0.4	-	5.1
Aug.	0.0	2.0	-8.9	-	23.9	-0.5	-5.6	-15.2	-	-7.4	0.3	-11.5	1.0	-	8.9
Sep.	0.0	-3.5	-3.0	-	16.8	-0.2	-11.6	-22.4	-	35.3	0.4	4.2	4.5	-	9.7
Oct.	0.0	4.9	-7.7	-	-9.8	0.6	-16.0	-13.4	-	19.7	0.0	7.0	5.2	-	3.0
Nov.	0.0	-6.6	-16.2	-	16.0	0.1	-3.8	-14.8	-	2.8	0.0	-6.1	1.2	-	-7.3
Dec.	0.0	-2.1	-18.3	-	52.3	-0.1	-4.1	-7.1	-	-6.8	0.0	-7.4	3.4	-	-23.5
2006 Jan.	0.0	-5.2	-23.7	-	20.7	0.2	-31.8	-2.3	-	-4.7	0.4	1.9	-6.1	-	12.5

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2003	-254.1	173.9	-0.8	10.0	-0.4	-	-3.4	-152.4	134.8	-50.7	52.3	-101.7	82.5	-100.5	-	32.6
2004	-314.3	273.9	-0.2	7.1	-2.2	-2.0	-2.6	-259.6	246.9	-20.0	-3.3	-239.6	250.2	-52.4	-13.2	22.5
2005	-549.6	600.0	-1.0	5.9	3.6	-3.3	-2.2	-385.4	472.8	-101.4	44.9	-283.9	427.9	-166.9	-40.2	123.5
2004 Q4	-71.8	65.0	1.4	3.5	3.1	3.7	-1.6	-73.8	58.8	0.9	-0.9	-74.6	59.7	-2.5	10.3	4.4
2005 Q1	-170.6	215.1	0.5	4.7	4.0	2.7	0.3	-126.8	195.8	-21.5	10.3	-105.2	185.6	-48.3	-19.0	14.2
Q2	-162.6	107.9	-1.3	0.3	-7.4	-8.5	-1.8	-97.5	45.6	-18.7	22.4	-78.8	23.2	-56.4	11.5	63.8
Q3	-104.0	145.3	0.4	4.3	7.3	4.7	1.2	-85.5	125.0	-21.9	15.9	-63.6	109.2	-26.2	-16.8	14.7
Q4	-112.5	131.6	-0.6	-3.4	-0.2	-2.1	-1.9	-75.6	106.3	-39.3	-3.7	-36.3	110.0	-36.0	-16.0	30.7
2005 Jan.	-50.4	101.4	0.7	3.9	0.2	-1.3	2.6	-33.8	95.4	-9.0	12.9	-24.9	82.5	-17.4	-16.1	-0.5
Feb.	-65.5	65.9	0.1	-3.5	-1.8	0.3	-4.3	-60.8	61.8	-8.2	4.6	-52.6	57.2	-3.0	5.2	11.9
Mar.	-54.7	47.8	-0.2	4.3	5.5	3.7	2.0	-32.1	38.6	-4.4	-7.2	-27.8	45.8	-27.9	-8.0	2.9
Apr.	-120.5	136.1	0.1	-0.2	-5.2	-5.3	-2.1	-98.1	94.6	-9.1	0.1	-89.0	94.5	-17.4	11.5	43.8
May	-12.7	22.7	-0.8	-0.2	0.2	2.3	0.5	17.5	21.1	-3.4	11.0	20.9	10.1	-29.6	-3.7	1.4
June	-29.4	-50.9	-0.7	0.7	-2.5	-5.5	-0.2	-16.8	-70.1	-6.2	11.4	-10.7	-81.4	-9.4	3.7	18.6
July	-42.2	50.6	0.3	-1.1	-0.7	-4.5	0.9	-39.1	47.3	-6.5	4.8	-32.7	42.5	-2.7	-1.5	3.5
Aug.	20.7	10.2	0.2	0.8	6.0	8.4	0.5	20.5	-0.3	-0.7	4.3	21.2	-4.6	-6.0	-5.7	9.2
Sep.	-82.5	84.5	-0.1	4.6	2.0	0.9	-0.2	-66.9	78.0	-14.7	6.8	-52.2	71.2	-17.5	-9.6	2.0
Oct.	-52.9	57.3	0.0	-1.0	0.3	-0.6	2.0	-49.1	51.5	-5.0	0.6	-44.1	50.9	-4.1	2.6	4.8
Nov.	-126.4	163.0	-0.7	1.7	0.2	0.8	0.2	-114.0	170.1	-1.6	-3.4	-112.3	173.5	-12.0	-9.9	-9.0
Dec.	66.9	-88.6	0.0	-4.1	-0.7	-2.3	-4.1	87.5	-115.3	-32.7	-0.9	120.2	-114.4	-19.9	-8.7	34.9
2006 Jan.	-104.0	129.3	-0.2	8.0	1.2	1.8	-2.4	-71.2	117.4	9.1	-1.9	-80.3	119.4	-33.8	-18.0	6.2

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
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	0.4	-0.7	-1.1	0.0	-7.8	-0.3
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-0.3	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.1	0.1	0.0	-0.3	1.8	-2.0	-2.0	0.0	-2.6	0.0
2004 Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.2	0.1
Q4	1.7	-0.3	3.5	0.0	0.0	3.6	-0.1	3.7	-0.5	0.0	-1.6	-0.1
2005 Q1	0.5	0.0	4.7	0.0	0.0	4.4	1.7	2.7	-0.5	0.0	0.6	-0.2
Q2	-1.2	-0.1	0.3	0.0	0.0	-6.9	1.6	-8.5	-0.5	0.0	-1.8	0.0
Q3	0.4	0.0	4.3	0.0	0.0	7.5	2.8	4.7	-0.3	0.0	1.3	-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
2002	-163.0	-5.0	27.9	-2.1	-1.9	-51.0	-21.8	-29.1	-3.5	-3.7	25.5	6.6
2003	-151.9	-0.5	134.8	-0.1	-1.2	-97.1	-10.9	-86.3	-2.3	4.1	28.3	0.1
2004	-256.5	-3.1	244.0	2.9	-6.0	-41.3	-28.1	-13.2	-5.0	8.6	11.7	2.2
2004 Q3	-22.1	-1.7	4.9	1.5	1.8	-8.7	4.2	-12.9	-0.8	0.0	-0.3	3.7
Q4	-75.6	1.8	59.1	-0.3	-0.1	-0.8	-11.2	10.3	-1.6	2.5	2.4	-0.5
2005 Q1	-124.8	-1.9	193.0	2.8	-2.8	-42.7	-23.8	-19.0	-2.8	2.9	6.2	5.2
Q2	-97.3	-0.2	44.5	1.2	-5.2	-49.2	-60.8	11.5	-2.0	1.1	61.4	1.3
Q3	-83.5	-2.0	122.1	2.9	2.3	-21.7	-4.9	-16.8	-6.8	0.5	17.1	-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
2002	-2.6	0.7	0.2	-2.0	-1.5	-1.7	-17.1	0.0	8.5	8.9	-0.2	0.0
2003	28.2	1.7	0.0	-1.6	28.1	-2.5	1.9	-0.1	22.1	6.7	0.1	0.0
2004	12.5	1.2	0.5	4.0	6.9	-3.8	4.0	0.3	18.7	-12.2	-0.1	0.0
2004 Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.1	1.4	1.7	0.0	0.0
Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	-0.1	3.4	-2.8	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.1	-2.7	0.0	0.0
Q2	3.1	1.3	0.0	1.3	0.5	-4.4	1.1	0.0	0.9	2.9	0.0	0.0
Q3	2.2	0.5	0.0	2.6	-1.0	1.6	0.9	0.0	-4.4	1.0	-0.1	0.0

Source: ECB.

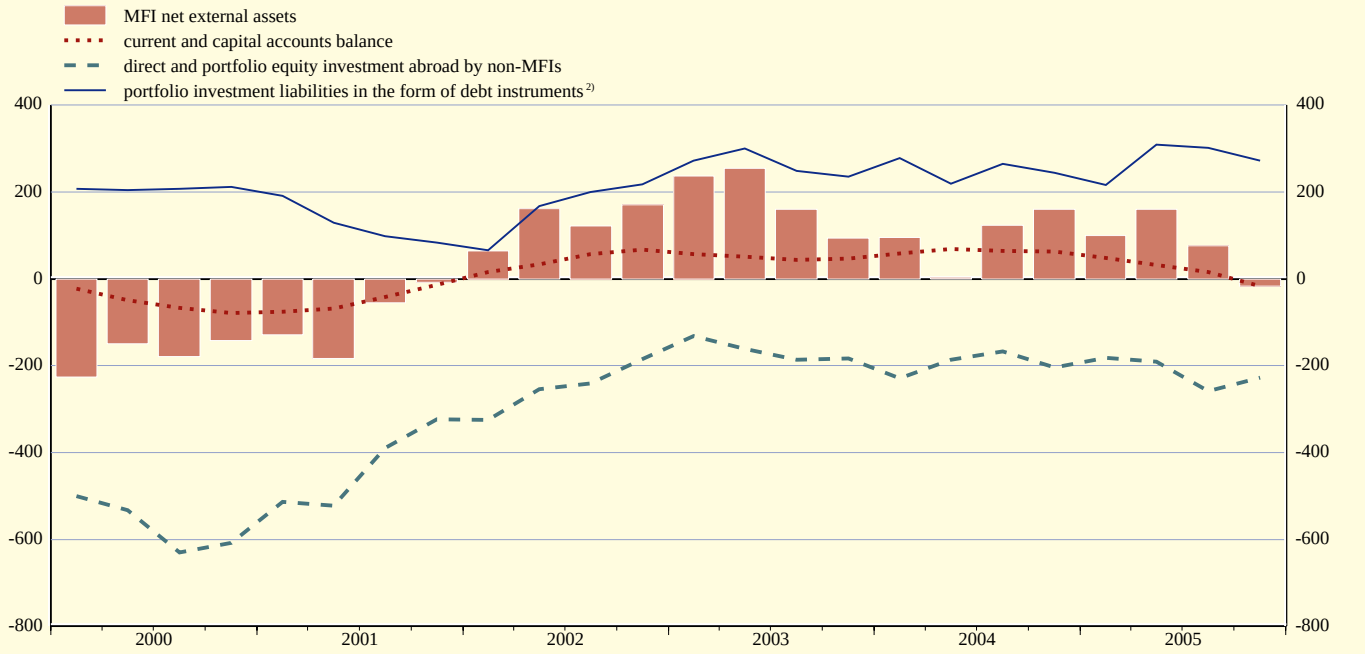
7.2 Monetary presentation of the balance of payments

(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	46.8	-137.4	137.9	-170.9	115.9	235.8	-100.9	29.2	-11.2	-50.9	94.3	94.1
2004	63.0	-112.4	83.3	-184.8	127.5	244.5	-54.6	19.9	-4.8	-54.7	127.0	160.7
2005	-15.8	-198.7	52.8	-269.0	227.9	272.4	-163.3	121.3	-15.9	-28.4	-16.8	-16.2
2004 Q4	21.4	-56.7	45.4	-45.4	90.3	13.3	0.6	2.7	-4.1	-23.7	43.9	57.2
2005 Q1	4.6	-30.0	12.0	-66.2	29.3	71.2	-44.4	14.6	-7.2	-30.5	-46.6	-24.8
Q2	-9.7	-24.1	14.5	-60.3	0.9	171.6	-63.8	62.0	3.3	-33.7	60.5	65.0
Q3	-0.9	-97.9	4.5	-75.0	154.3	45.4	-18.9	16.0	-8.7	-29.0	-10.0	-20.7
Q4	-9.9	-46.8	21.9	-67.5	43.3	-15.8	-36.2	28.8	-3.3	64.8	-20.7	-35.7
2005 Jan.	-6.6	-13.4	3.3	-15.7	7.4	22.9	-17.2	2.1	-3.4	-11.7	-32.3	-15.8
Feb.	6.9	-4.8	3.1	-22.0	16.4	35.8	-4.8	7.6	1.3	-34.0	5.5	13.7
Mar.	4.3	-11.8	5.5	-28.6	5.5	12.5	-22.4	4.9	-5.0	15.1	-19.9	-22.7
Apr.	-10.8	-13.8	3.9	-14.6	-57.8	60.1	-22.5	41.6	-0.5	22.0	7.7	2.3
May	-1.5	8.5	-0.1	-26.9	11.2	31.9	-29.4	1.9	0.7	-38.0	-41.6	-39.5
June	2.5	-18.8	10.7	-18.9	47.5	79.6	-11.9	18.4	3.0	-17.8	94.4	102.1
July	2.2	-80.3	-0.3	-31.1	116.0	3.8	-3.4	4.4	0.9	-5.6	6.7	0.6
Aug.	-2.0	-6.9	-4.8	-23.0	25.5	0.4	0.0	9.7	-7.0	3.3	-4.8	1.7
Sep.	-1.1	-10.7	9.6	-20.8	12.8	41.1	-15.5	1.8	-2.6	-26.6	-11.9	-22.9
Oct.	-6.8	-10.0	3.0	-15.8	-10.6	16.8	-3.8	6.8	-1.5	16.7	-5.2	-6.6
Nov.	-6.4	-22.0	8.7	-29.7	15.9	-4.0	-11.8	-8.8	1.0	15.2	-41.8	-43.6
Dec.	3.2	-14.8	10.1	-22.0	38.0	-28.6	-20.6	30.8	-2.8	32.9	26.3	14.5
2006 Jan.	-10.3	2.6	3.4	-32.0	17.2	0.2	-32.6	3.8	-2.1	22.5	-27.3	-1.0
	12-month cumulated transactions											
2006 Jan.	-19.5	-182.7	52.9	-285.4	237.6	249.7	-178.7	123.0	-14.6	5.8	-11.8	-1.4

C32 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)

2004 Q4 to 2005 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	1,949.7	716.6	40.4	64.3	386.0	166.7	59.2	26.5	50.2	132.1	330.8	693.6
Goods	1,192.8	415.6	27.8	44.3	206.8	136.4	0.2	15.3	33.3	68.1	178.8	481.8
Services	379.7	136.2	7.4	10.3	96.1	18.3	4.1	5.4	10.9	36.6	73.9	116.7
Income	294.7	104.5	4.7	9.1	74.1	10.7	5.9	5.2	5.7	21.1	71.7	86.6
of which: investment income	279.6	99.3	4.6	9.0	72.5	10.5	2.6	5.1	5.6	14.9	70.3	84.4
Current transfers	82.4	60.4	0.4	0.5	9.1	1.3	49.1	0.6	0.2	6.3	6.4	8.6
Capital account	22.9	20.3	0.0	0.0	0.9	0.1	19.2	0.0	0.1	0.4	0.4	1.6
	Debits											
Current account	1,948.2	629.6	34.2	59.8	305.3	142.1	88.3	19.4	79.2	124.2	296.7	799.1
Goods	1,121.0	327.9	25.5	39.8	149.5	113.1	0.0	8.9	50.6	55.4	115.6	562.6
Services	351.9	110.7	6.1	8.3	73.4	22.7	0.2	5.6	7.3	30.0	74.7	123.5
Income	330.9	97.2	2.3	10.8	74.5	4.8	4.8	3.3	21.0	33.8	97.7	78.0
of which: investment income	324.2	93.9	2.2	10.7	73.5	2.6	4.8	3.2	20.9	33.2	96.8	76.2
Current transfers	144.4	93.8	0.4	0.9	7.8	1.5	83.3	1.6	0.3	5.0	8.6	35.0
Capital account	9.0	1.1	0.0	0.1	0.6	0.2	0.2	0.1	0.0	0.4	0.6	6.8
	Net											
Current account	1.5	87.0	6.2	4.5	80.8	24.6	-29.1	7.0	-29.0	7.9	34.1	-105.5
Goods	71.8	87.7	2.4	4.5	57.3	23.3	0.2	6.4	-17.2	12.7	63.1	-80.9
Services	27.8	25.4	1.3	2.0	22.7	-4.5	3.9	-0.2	3.6	6.7	-0.8	-6.8
Income	-36.2	7.3	2.4	-1.7	-0.5	5.9	1.1	1.9	-15.3	-12.7	-26.0	8.7
of which: investment income	-44.7	5.4	2.4	-1.7	-1.0	7.9	-2.2	1.9	-15.2	-18.3	-26.5	8.1
Current transfers	-62.0	-33.4	0.0	-0.4	1.3	-0.1	-34.2	-1.1	0.0	1.2	-2.2	-26.5
Capital account	14.0	19.2	0.0	0.0	0.3	-0.1	19.0	-0.1	0.1	0.0	-0.1	-5.1

2. Balance of payments: direct investment

(cumulated transactions)

2004 Q4 to 2005 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	-149.1	-108.3	2.0	-1.9	-107.9	-0.5	0.0	-5.2	1.0	9.6	-7.3	-7.4	-31.4
Abroad	-226.0	-159.2	0.3	-5.2	-134.4	-19.8	0.0	-1.5	-1.2	-0.7	-10.8	-12.1	-40.7
Equity/reinvested earnings	-182.9	-133.2	-2.8	-1.8	-106.0	-22.5	0.0	-0.7	-0.5	-5.7	-12.2	-6.7	-23.9
Other capital	-43.1	-26.0	3.1	-3.4	-28.4	2.7	0.0	-0.8	-0.6	5.0	1.5	-5.4	-16.7
In the euro area	76.9	50.9	1.7	3.3	26.5	19.3	0.0	-3.7	2.1	10.3	3.4	4.7	9.2
Equity/reinvested earnings	44.3	36.2	-0.9	3.6	31.7	1.8	0.0	-4.4	0.8	1.9	-0.6	5.3	5.1
Other capital	32.6	14.7	2.6	-0.3	-5.2	17.5	0.0	0.7	1.3	8.4	4.0	-0.6	4.1

Source: ECB.

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

(EUR billions)

3. Balance of payments: portfolio investment assets by instrument

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-400.6	-185.1	-8.2	-12.0	-126.8	-23.8	-14.4	-5.7	-23.2	-3.1	-62.7	-58.1	-62.6
Equity	-105.0	-25.1	0.1	-2.9	-18.2	-4.0	0.0	-3.9	-14.6	-2.0	-14.0	-16.2	-29.2
Debt instruments	-295.6	-160.0	-8.3	-9.1	-108.5	-19.7	-14.3	-1.8	-8.7	-1.1	-48.7	-41.9	-33.5
Bonds and notes	-271.9	-124.7	-6.1	-9.2	-74.4	-20.3	-14.6	-2.0	-15.8	0.4	-69.3	-30.6	-29.9
Money market instruments	-23.7	-35.3	-2.1	0.1	-34.2	0.6	0.3	0.2	7.2	-1.5	20.6	-11.3	-3.5

4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	24.4	-38.7	-9.9	8.3	-38.5	-9.1	10.5	-4.7	15.3	-11.8	35.4	-4.3	6.3	26.8
Assets	-509.0	-351.9	-16.0	2.0	-312.2	-23.4	-2.3	-7.2	3.5	-19.5	-35.5	-51.0	-1.8	-45.5
General government	6.9	1.1	0.0	-0.3	0.8	1.4	-0.8	-0.1	0.0	-0.1	-0.1	0.0	-1.7	7.7
MFIs	-382.5	-245.6	-13.4	2.7	-210.5	-22.9	-1.6	-6.4	4.2	-16.2	-42.6	-35.2	0.2	-40.8
Other sectors	-133.4	-107.4	-2.5	-0.4	-102.6	-1.9	0.1	-0.7	-0.7	-3.2	7.1	-15.9	-0.3	-12.3
Liabilities	533.3	313.2	6.0	6.3	273.8	14.2	12.9	2.5	11.9	7.7	70.9	46.8	8.1	72.3
General government	-1.9	0.6	0.0	0.0	-1.3	0.0	1.9	0.0	-0.1	0.0	-1.0	0.0	-0.4	-1.0
MFIs	438.1	231.0	6.0	5.2	198.3	13.0	8.5	2.0	11.0	4.9	60.9	41.9	8.6	77.8
Other sectors	97.1	81.6	0.0	1.0	76.8	1.3	2.5	0.5	1.0	2.8	10.9	4.9	-0.1	-4.5

5. International investment position

(end-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	33.1	-273.1	-10.4	-11.8	-361.5	110.8	-0.2	22.7	-4.0	35.3	-63.5	-30.9	0.0	346.7
Abroad	2,265.1	759.8	26.1	71.1	537.6	125.1	0.0	66.8	55.9	220.3	486.6	272.2	0.0	403.5
Equity/reinvested earnings	1,825.7	608.4	22.9	43.8	432.7	108.9	0.0	58.3	50.5	171.0	377.2	255.7	0.0	304.8
Other capital	439.3	151.4	3.1	27.2	104.9	16.2	0.0	8.5	5.4	49.4	109.4	16.5	0.0	98.7
In the euro area	2,231.9	1,032.9	36.5	82.8	899.1	14.3	0.2	44.1	59.8	185.1	550.2	303.0	0.1	56.8
Equity/reinvested earnings	1,642.1	814.3	23.0	67.4	719.4	4.4	0.1	40.4	48.8	129.6	387.7	177.0	0.0	44.2
Other capital	589.9	218.6	13.4	15.4	179.8	9.9	0.1	3.7	11.1	55.4	162.4	126.1	0.0	12.6
Portfolio investment assets	2,984.0	941.1	45.1	100.8	680.8	56.8	57.6	63.4	174.3	91.9	1,050.2	310.3	28.4	324.4
Equity	1,238.7	315.3	6.6	32.9	261.4	14.4	0.0	12.6	109.5	82.3	483.3	106.8	0.9	128.0
Debt instruments	1,745.3	625.8	38.5	67.9	419.4	42.4	57.6	50.8	64.8	9.7	566.9	203.5	27.5	196.3
Bonds and notes	1,458.6	513.8	34.4	58.7	322.5	41.1	57.1	48.7	39.9	8.5	463.5	185.9	27.1	171.2
Money market instruments	286.7	112.1	4.1	9.2	96.9	1.3	0.5	2.1	25.0	1.2	103.4	17.6	0.3	25.1
Other investment	-196.1	34.7	26.1	30.2	90.7	20.8	-133.0	3.6	20.0	-68.9	-42.6	-232.8	-13.4	103.3
Assets	2,940.3	1,472.4	53.8	67.1	1,261.0	85.5	5.0	14.5	85.0	174.1	415.3	258.2	39.8	481.0
General government	98.6	10.4	1.1	0.0	4.1	2.2	3.1	0.0	0.2	0.1	2.8	1.2	34.3	49.6
MFIs	2,004.7	1,136.1	45.0	54.2	971.8	64.0	1.1	7.4	67.1	106.8	244.4	171.5	4.8	266.7
Other sectors	837.0	325.9	7.8	12.9	285.2	19.3	0.8	7.1	17.7	67.2	168.1	85.6	0.7	164.6
Liabilities	3,136.4	1,437.6	27.7	36.9	1,170.3	64.8	138.0	10.9	65.0	243.0	457.9	491.1	53.2	377.7
General government	43.6	24.0	0.0	0.2	5.3	0.0	18.5	0.0	0.9	0.1	4.1	0.3	2.9	11.3
MFIs	2,539.6	1,143.3	23.9	20.5	955.2	52.2	91.6	6.9	44.5	207.0	355.4	449.5	48.7	284.4
Other sectors	553.2	270.2	3.8	16.2	209.8	12.5	27.9	4.0	19.6	35.9	98.4	41.3	1.6	82.1

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						
2001	-389.0	-5.6	422.9	-834.8	2.5	-372.3	392.7
2002	-703.6	-9.7	184.5	-937.6	-12.0	-304.6	366.1
2003	-809.3	-10.9	43.1	-914.0	-8.3	-236.8	306.6
2004	-946.4	-12.2	33.1	-1,049.4	-14.8	-196.1	280.8
2005 Q2	-1,007.3	-12.6	110.8	-1,217.4	-18.1	-184.9	302.3
Q3	-1,049.4	-13.2	224.2	-1,349.6	-23.0	-212.0	310.9
	Outstanding assets						
2001	7,758.3	110.9	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.6	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.6	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.6	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q2	9,687.9	121.5	2,386.0	3,353.2	194.3	3,452.2	302.3
Q3	10,156.4	127.4	2,516.7	3,545.2	217.6	3,566.0	310.9
	Outstanding liabilities						
2001	8,147.3	116.4	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.3	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.5	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,579.0	123.8	2,231.9	4,033.4	177.2	3,136.4	-
2005 Q2	10,695.2	134.1	2,275.1	4,570.6	212.4	3,637.0	-
Q3	11,205.9	140.5	2,292.4	4,894.8	240.6	3,778.0	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12
2001	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q2	1,910.2	151.8	1,758.3	475.8	1.2	474.6	1,664.7	48.1	1,616.6	610.5	3.7	606.8
Q3	2,007.6	159.4	1,848.2	509.1	1.0	508.1	1,667.1	51.5	1,615.6	625.3	4.1	621.2

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
2001	0.6	38.5	6.7	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q2	2.5	87.8	18.8	1,265.0	1,993.8	6.9	641.7	10.2	1,007.6	2,290.0	0.9	242.5	6.5	62.7	286.8
Q3	2.9	96.7	21.1	1,375.9	2,292.4	7.3	661.5	10.1	1,056.7	2,282.9	0.8	249.3	6.3	56.7	319.5

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			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2001	2.3	0.8	40.2	0.2	3.1	70.1	-	-	55.8	0.2	44.7	12.3
2002	3.6	0.1	57.2	0.2	1.3	59.4	-	-	54.5	0.1	42.2	13.8
2003	4.4	0.6	65.3	0.2	1.4	54.2	50.1	4.1	39.1	0.0	40.2	3.8
2004	4.5	0.1	73.2	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5
2005 Q2	4.8	0.2	79.0	0.2	1.4	62.3	47.7	14.6	42.3	0.0	41.7	3.0
Q3	4.4	0.2	83.3	0.3	1.4	55.8	44.9	10.9	42.5	0.0	42.4	2.9

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2001	1,666.4	48.8	2,362.1	49.3	176.4	511.7	-	-	101.2	109.7	349.7	40.7
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	-	-	92.7	104.4	365.2	47.8
2003	1,739.6	38.4	2,242.9	30.9	170.3	538.4	208.7	329.8	96.7	106.6	383.5	46.3
2004	1,955.8	44.3	2,424.3	42.0	172.3	558.6	227.5	331.1	106.2	109.5	394.7	48.9
2005 Q2	2,276.9	66.3	2,780.4	70.0	184.6	685.6	329.6	356.0	127.8	116.5	484.3	62.0
Q3	2,362.8	61.5	2,905.5	66.0	182.7	717.5	334.7	382.8	137.3	121.5	495.4	60.8

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Financial derivatives	Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities							
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	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	306.6	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.7	1.0	80.2	26.5	0.9	0.0	20.3	-16.3
2004	280.8	125.4	389.998	3.9	18.6	132.9	12.5	25.5	94.7	0.5	58.5	35.6	0.2	0.0	19.1	-12.8
2005 Q1	285.0	127.7	387.359	4.0	17.4	135.8	7.7	27.8	100.4	0.5	59.8	40.1	-0.1	0.0	21.4	-15.1
Q2	302.3	138.2	382.323	4.2	16.5	143.4	12.4	28.3	103.0	0.5	62.8	39.7	-0.4	0.0	23.4	-17.7
Q3	310.9	149.4	380.258	4.2	13.8	143.5	10.8	27.3	105.7	0.5	66.1	39.0	-0.3	0.0	24.0	-19.5
2005 Dec.	320.2	163.4	375.861	4.3	10.6	141.8	12.7	21.3	107.8	-	-	-	0.0	0.0	25.6	-17.9
2006 Jan.	332.0	176.3	375.626	4.3	7.8	143.6	7.4	30.2	105.9	-	-	-	0.2	0.0	24.7	-20.0
Feb.	332.1	175.5	374.888	4.3	7.2	145.0	7.0	26.8	111.3	-	-	-	0.0	0.0	24.7	-19.7
	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 Q1	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	0.0	7.7	14.9	0.0	0.0	2.7	-0.9
Q2	39.7	8.4	23.145	0.2	0.0	31.2	3.8	5.1	22.3	0.0	8.2	14.1	0.0	0.0	2.6	-1.4
Q3	41.1	9.1	23.145	0.2	0.0	31.8	4.7	5.1	22.0	0.0	8.9	13.1	0.0	0.0	2.3	-1.5
2005 Dec.	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	-	-	-	0.0	0.0	2.9	-0.9
2006 Jan.	42.2	10.9	23.145	0.2	0.0	31.1	1.8	5.7	23.7	-	-	-	0.0	0.0	2.7	-1.3
Feb.	43.1	10.8	23.145	0.2	0.0	32.1	1.5	5.3	25.3	-	-	-	0.0	0.0	2.3	-1.2

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	1,083.7	512.4	227.8	309.7	949.2	985.0	559.4	163.1	234.5	717.3	105.2
2003	-2.3	0.5	1,060.0	501.3	222.8	300.5	925.0	990.8	553.9	164.1	240.9	716.3	109.0
2004	8.9	9.4	1,147.3	547.4	246.9	313.4	997.3	1,075.0	604.2	183.6	256.0	770.0	129.5
2005	7.2	12.2	1,235.4	582.4	264.8	326.7	1,067.8	1,211.7	686.4	200.0	267.2	841.4	180.4
2004 Q3	9.1	14.6	287.9	138.5	61.7	78.4	250.7	275.7	157.1	46.1	63.8	195.7	36.6
Q4	8.9	12.7	292.0	139.0	62.7	78.1	253.3	279.0	158.5	47.5	65.0	199.2	36.7
2005 Q1	3.4	8.6	291.8	138.3	62.3	77.5	255.7	278.9	155.2	44.5	63.3	198.0	36.1
Q2	6.2	10.8	302.2	143.5	63.7	80.2	258.8	291.6	165.8	49.1	65.0	201.5	40.5
Q3	9.9	14.4	318.6	149.2	70.0	84.2	274.6	315.8	180.8	52.5	68.6	217.4	51.3
Q4	9.3	14.6	322.8	151.4	68.8	84.9	278.8	325.4	184.6	53.8	70.3	224.5	52.4
2005 Aug.	14.4	20.1	107.0	50.3	23.5	28.3	92.4	107.7	62.8	18.4	23.2	73.8	18.3
Sep.	12.9	13.8	107.8	50.6	24.0	28.6	93.0	105.2	60.2	17.2	23.3	72.3	18.2
Oct.	6.6	11.6	104.6	49.1	22.2	27.5	90.1	105.7	59.3	17.5	22.7	72.5	17.3
Nov.	10.6	14.3	108.4	51.0	22.8	28.6	93.1	107.3	60.8	18.6	23.5	74.2	17.9
Dec.	10.8	18.0	109.8	51.4	23.8	28.8	95.6	112.5	64.5	17.7	24.1	77.8	17.2
2006 Jan.	15.1	25.2	110.3	50.5	17.5	29.2	93.9	112.8	63.2	11.1	25.3	73.6	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.2	98.2	98.8	89.6	104.2	96.3	101.4
2003	1.0	3.7	109.0	105.9	108.0	114.8	109.2	102.0	100.5	95.2	110.4	100.0	104.9
2004	8.8	6.6	117.9	115.2	121.0	119.8	118.3	107.9	103.8	108.4	118.3	107.3	105.7
2005	4.5	4.0	123.7	117.8	129.6	122.5	124.3	112.7	104.6	118.0	120.9	114.7	107.0
2004 Q3	7.7	8.3	117.6	115.7	120.2	119.5	118.2	108.8	105.2	108.3	117.2	108.1	114.6
Q4	7.5	6.2	119.7	115.7	123.6	119.5	119.9	109.4	104.3	113.6	119.9	110.4	105.9
2005 Q1	1.2	2.4	118.8	113.8	122.9	118.0	120.1	109.7	102.7	107.8	116.6	109.9	105.9
Q2	4.3	4.7	121.9	117.0	125.0	121.2	121.1	111.1	104.3	117.2	119.1	111.0	103.1
Q3	7.1	4.6	126.9	120.2	136.6	125.6	127.5	114.1	105.5	122.0	123.4	117.7	109.6
Q4	5.3	4.2	127.4	120.2	133.8	125.3	128.4	116.0	105.8	124.8	124.4	120.4	109.6
2005 Aug.	11.6	9.3	127.6	121.8	137.6	126.4	128.6	116.2	109.3	125.9	124.9	119.2	118.3
Sep.	9.9	3.8	128.7	122.2	140.3	127.5	129.4	113.7	104.8	121.5	125.0	117.7	113.0
Oct.	2.8	3.4	124.1	117.5	130.2	122.1	124.8	114.3	103.2	122.8	121.7	117.7	109.3
Nov.	7.4	4.4	128.6	121.7	132.5	126.6	129.0	115.2	104.9	129.6	125.0	119.4	113.9
Dec.	5.8	4.8	129.5	121.3	138.6	127.1	131.5	118.5	109.3	122.1	126.5	124.2	105.6
2006 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.
	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	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.1	2.5	96.9	96.4	94.4	99.5	96.2	97.2	98.4	92.6	97.9	96.2	99.5
2005	2.6	7.8	99.4	100.3	94.5	101.4	98.0	104.8	111.0	92.6	100.0	98.3	137.0
2004 Q3	1.3	5.8	97.6	97.2	94.9	99.8	96.8	98.9	101.1	93.2	98.5	97.2	103.9
Q4	1.2	6.1	97.3	97.6	93.9	99.5	96.5	99.5	102.9	91.5	98.2	96.8	112.9
2005 Q1	2.2	6.0	97.9	98.7	93.7	99.9	97.1	99.3	102.3	90.3	98.3	96.8	111.1
Q2	1.8	5.8	98.8	99.6	94.2	100.7	97.6	102.4	107.6	91.6	98.8	97.5	128.3
Q3	2.6	9.3	100.1	100.8	94.8	102.0	98.3	108.0	116.0	94.1	100.7	99.1	152.6
Q4	3.8	10.0	101.0	102.3	95.1	103.1	99.1	109.4	118.0	94.2	102.3	100.0	155.9
2005 Aug.	2.5	9.9	100.2	100.7	94.9	102.4	98.4	108.6	116.6	95.8	100.8	99.8	151.0
Sep.	2.8	9.6	100.2	100.9	94.7	102.2	98.4	108.4	116.7	93.0	101.1	98.9	157.8
Oct.	3.7	7.8	100.7	101.8	94.7	102.9	98.9	108.2	116.6	93.4	101.5	99.1	154.8
Nov.	3.0	9.5	100.8	102.1	95.4	103.0	98.9	109.0	117.6	94.2	102.1	100.0	153.7
Dec.	4.8	12.6	101.4	103.2	95.2	103.3	99.5	111.2	119.8	95.0	103.4	100.9	159.4
2006 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.

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	1,083.7	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.4
2003	1,060.0	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.5	59.5	37.9	100.8
2004	1,147.3	25.7	41.8	203.9	128.0	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.4
2005	1,235.4	28.5	44.8	202.3	141.9	42.9	70.1	34.6	184.9	43.5	34.0	165.6	72.7	46.7	122.8
2004 Q3	287.9	6.5	10.5	51.5	31.8	9.2	17.1	7.9	43.3	9.8	8.4	38.3	16.6	10.3	26.7
Q4	292.0	6.7	10.7	51.2	32.7	9.3	17.1	7.7	43.8	10.0	8.2	37.8	15.9	10.5	30.5
2005 Q1	291.8	6.7	10.9	49.8	33.1	9.8	17.4	8.0	43.4	10.3	8.5	39.0	17.1	11.0	26.8
Q2	302.2	7.0	11.1	49.8	34.0	10.6	16.9	8.2	45.5	10.0	8.4	40.5	17.2	11.2	31.8
Q3	318.6	7.3	11.4	51.3	36.1	11.3	17.9	9.0	47.1	11.4	8.5	43.9	19.3	12.3	31.8
Q4	322.8	7.5	11.3	51.4	38.7	11.2	18.0	9.4	48.8	11.8	8.6	42.2	19.2	12.2	32.4
2005 Aug.	107.0	2.5	3.8	17.5	11.9	4.0	6.2	3.1	15.9	3.8	2.9	14.5	6.7	4.1	10.1
Sep.	107.8	2.5	3.8	17.0	12.4	3.9	5.9	3.1	15.9	3.9	2.8	14.9	6.6	4.1	11.0
Oct.	104.6	2.4	3.7	16.6	12.5	3.6	5.9	3.0	15.8	3.8	2.8	13.8	6.1	4.0	10.6
Nov.	108.4	2.6	3.8	17.4	12.8	3.9	5.9	2.9	16.3	3.9	2.9	14.1	6.4	4.2	11.4
Dec.	109.8	2.5	3.9	17.3	13.4	3.7	6.2	3.4	16.8	4.2	3.0	14.3	6.7	4.0	10.4
2006 Jan.	110.3	.	.	.	.	4.0	6.2	3.1	16.9	4.0	3.0	14.4	6.2	4.6	.
	% share of total exports														
2005	100.0	2.3	3.6	16.4	11.5	3.5	5.7	2.8	15.0	3.5	2.8	13.4	5.9	3.8	9.9
	Imports (c.i.f.)														
2002	985.0	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.7	52.7	142.8	67.8	39.4	81.4
2003	990.8	23.7	36.9	138.9	102.0	47.4	50.4	19.3	110.3	74.5	52.2	141.2	68.9	39.8	85.3
2004	1,075.0	25.3	39.7	144.0	107.2	56.4	53.5	22.8	113.8	92.1	53.9	163.2	72.8	45.1	85.4
2005	1,211.7	25.3	41.9	150.4	116.6	72.9	57.8	24.8	120.5	117.7	52.8	187.2	95.0	52.7	96.2
2004 Q3	275.7	6.4	10.1	37.5	26.1	14.6	13.6	6.0	28.7	23.5	13.7	42.5	19.1	11.6	22.2
Q4	279.0	6.5	10.2	36.6	27.3	16.0	13.8	6.1	28.9	25.3	13.5	43.3	19.8	11.7	20.3
2005 Q1	278.9	6.1	10.0	35.8	27.0	16.6	13.5	6.2	29.0	26.3	12.9	41.0	20.3	12.1	22.1
Q2	291.6	6.4	10.3	36.7	28.8	17.5	14.4	5.9	30.0	27.7	12.5	46.1	21.8	12.0	21.5
Q3	315.8	6.3	10.6	38.6	29.9	18.9	15.0	6.1	30.7	31.1	13.6	49.4	26.8	13.8	25.0
Q4	325.4	6.5	11.0	39.2	30.8	19.9	15.0	6.6	30.9	32.5	13.8	50.7	26.1	14.8	27.6
2005 Aug.	107.7	2.1	3.5	12.9	9.9	6.8	5.1	2.1	10.3	10.6	4.7	17.3	9.8	4.8	7.9
Sep.	105.2	2.1	3.5	12.9	10.3	6.5	5.0	2.1	10.2	10.3	4.5	16.6	9.1	4.7	7.5
Oct.	105.7	2.2	3.6	12.8	10.1	6.4	5.0	2.1	10.1	10.2	4.3	15.8	8.3	4.8	9.9
Nov.	107.3	2.1	3.7	13.2	10.2	6.4	4.9	2.2	10.3	10.7	4.6	17.2	9.1	4.9	7.6
Dec.	112.5	2.2	3.7	13.2	10.5	7.0	5.0	2.3	10.5	11.6	4.8	17.7	8.7	5.1	10.2
2006 Jan.	112.8	.	.	.	.	7.7	5.0	2.1	10.6	11.1	4.6	18.1	8.5	5.1	.
	% share of total imports														
2005	100.0	2.1	3.5	12.4	9.6	6.0	4.8	2.1	10.0	9.7	4.4	15.4	7.8	4.3	7.9
	Balance														
2002	98.7	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.5	-31.8	-19.7	-2.3	-8.3	4.0	19.1
2003	69.2	1.1	1.7	56.0	15.5	-18.2	12.9	5.5	56.0	-39.3	-20.9	-5.7	-9.4	-1.8	15.6
2004	72.3	0.5	2.1	59.9	20.9	-20.8	12.6	8.9	60.0	-51.8	-20.8	-13.3	-9.0	-4.8	28.0
2005	23.7	3.2	2.8	51.9	25.3	-29.9	12.3	9.8	64.4	-74.2	-18.8	-21.6	-22.2	-6.1	26.6
2004 Q3	12.3	0.1	0.4	13.9	5.8	-5.3	3.5	1.9	14.6	-13.7	-5.3	-4.3	-2.5	-1.3	4.5
Q4	13.0	0.2	0.5	14.7	5.4	-6.7	3.3	1.6	14.9	-15.3	-5.3	-5.5	-3.9	-1.2	10.2
2005 Q1	12.8	0.6	0.9	13.9	6.1	-6.8	3.9	1.8	14.4	-16.0	-4.5	-2.0	-3.1	-1.1	4.8
Q2	10.6	0.6	0.9	13.2	5.2	-6.9	2.5	2.3	15.5	-17.7	-4.1	-5.6	-4.7	-0.9	10.3
Q3	2.8	1.1	0.8	12.7	6.2	-7.6	2.8	2.9	16.5	-19.7	-5.0	-5.5	-7.5	-1.5	6.8
Q4	-2.6	1.0	0.3	12.1	7.9	-8.7	3.0	2.8	17.9	-20.7	-5.1	-8.5	-6.9	-2.5	4.8
2005 Aug.	-0.8	0.3	0.3	4.6	2.0	-2.7	1.1	1.0	5.6	-6.8	-1.7	-2.8	-3.1	-0.7	2.2
Sep.	2.5	0.4	0.2	4.0	2.2	-2.6	0.9	1.1	5.7	-6.4	-1.7	-1.7	-2.5	-0.6	3.4
Oct.	-1.1	0.3	0.1	3.8	2.4	-2.8	0.9	1.0	5.6	-6.5	-1.5	-2.1	-2.2	-0.7	0.7
Nov.	1.2	0.4	0.1	4.2	2.6	-2.5	0.9	0.7	6.0	-6.9	-1.8	-3.1	-2.7	-0.7	3.8
Dec.	-2.6	0.3	0.2	4.1	2.9	-3.3	1.2	1.1	6.3	-7.4	-1.8	-3.3	-2.1	-1.1	0.3
2006 Jan.	-2.5	.	.	.	.	-3.8	1.1	1.0	6.3	-7.0	-1.6	-3.7	-2.2	-0.5	.

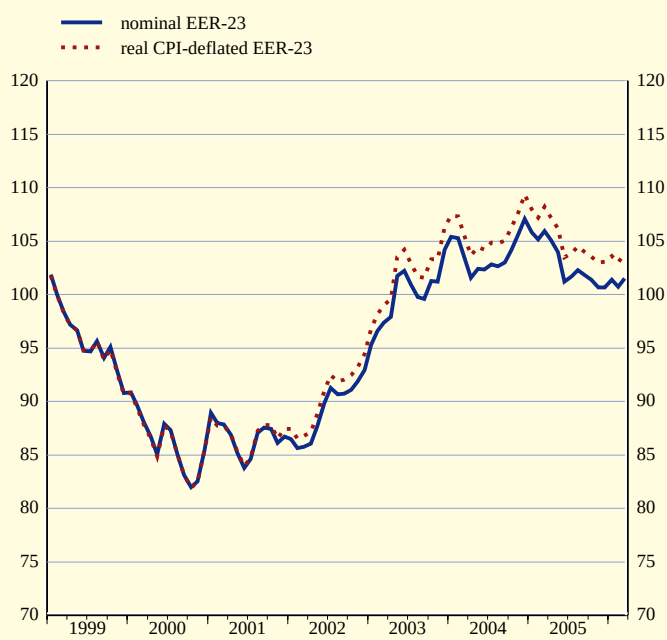
Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

8 EXCHANGE RATES

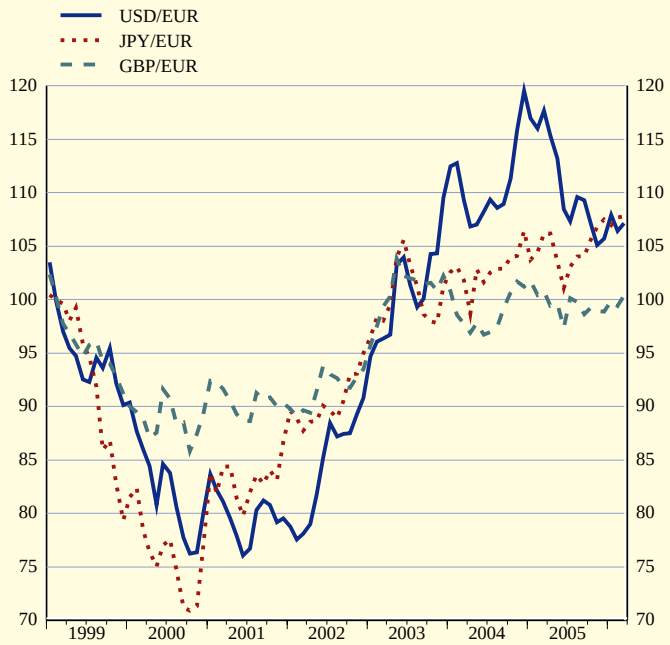
8.1 Effective exchange rates [1]
(period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2003	99.9	101.7	102.2	101.4	97.6	99.0	106.6	101.6
2004	103.8	105.9	105.2	105.2	103.3	103.7	111.0	105.4
2005	102.9	105.2	103.6	104.3	100.8	101.8	109.5	103.5
2005 Q1	105.7	107.8	106.9	107.2	104.4	104.6	112.6	106.6
Q2	103.4	105.6	104.2	104.8	101.2	102.6	110.1	104.1
Q3	101.9	104.1	102.4	103.2	99.1	100.6	108.3	102.4
Q4	100.9	103.2	101.2	102.1	98.4	99.4	107.2	101.2
2006 Q1	101.2	103.5	102.2	.	.	.	107.2	101.0
2005 Mar.	106.0	108.2	107.3	-	-	-	112.9	106.8
Apr.	105.1	107.2	105.8	-	-	-	111.9	105.8
May	104.0	106.2	104.6	-	-	-	110.6	104.6
June	101.2	103.5	102.1	-	-	-	107.6	101.9
July	101.7	103.9	102.3	-	-	-	108.0	102.1
Aug.	102.3	104.5	102.8	-	-	-	108.7	102.7
Sep.	101.8	104.0	101.9	-	-	-	108.2	102.3
Oct.	101.4	103.5	101.5	-	-	-	107.8	101.7
Nov.	100.7	103.0	100.9	-	-	-	106.9	100.9
Dec.	100.7	103.1	101.1	-	-	-	106.9	101.0
2006 Jan.	101.4	103.6	102.0	-	-	-	107.5	101.3
Feb.	100.7	103.0	101.8	-	-	-	106.6	100.5
Mar.	101.5	103.9	102.6	-	-	-	107.4	101.3
	% change versus previous month							
2006 Mar.	0.8	0.8	0.8	-	-	-	0.8	0.8
	% change versus previous year							
2006 Mar.	-4.2	-4.0	-4.3	-	-	-	-4.8	-5.2

C33 Effective exchange rates
(monthly averages; index 1999 Q1=100)



C34 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
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
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
2005 Q3	7.4588	9.3658	0.68344	1.2199	135.62	1.5533	1,255.21	9.4782	2.0436	1.4668	7.8817	1.6054
Q4	7.4586	9.4731	0.67996	1.1884	139.41	1.5472	1,231.69	9.2157	2.0065	1.3956	7.8785	1.5983
2006 Q1	7.4621	9.3525	0.68625	1.2023	140.51	1.5590	1,173.72	9.3273	1.9567	1.3894	8.0227	1.6274
2005 Sep.	7.4584	9.3342	0.67760	1.2256	136.06	1.5496	1,261.46	9.5138	2.0603	1.4452	7.8087	1.6009
Oct.	7.4620	9.4223	0.68137	1.2015	138.05	1.5490	1,256.66	9.3191	2.0326	1.4149	7.8347	1.5937
Nov.	7.4596	9.5614	0.67933	1.1786	139.59	1.5449	1,226.38	9.1390	2.0017	1.3944	7.8295	1.6030
Dec.	7.4541	9.4316	0.67922	1.1856	140.58	1.5479	1,212.30	9.1927	1.9855	1.3778	7.9737	1.5979
2006 Jan.	7.4613	9.3111	0.68598	1.2103	139.82	1.5494	1,190.02	9.3851	1.9761	1.4025	8.0366	1.6152
Feb.	7.4641	9.3414	0.68297	1.1938	140.77	1.5580	1,157.96	9.2640	1.9448	1.3723	8.0593	1.6102
Mar.	7.4612	9.4017	0.68935	1.2020	140.96	1.5691	1,171.84	9.3270	1.9486	1.3919	7.9775	1.6540
	% change versus previous month											
2006 Mar.	0.0	0.6	0.9	0.7	0.1	0.7	1.2	0.7	0.2	1.4	-1.0	2.7
	% change versus previous year											
2006 Mar.	0.2	3.4	-0.4	-8.9	1.5	1.3	-11.9	-9.4	-9.5	-13.4	-2.6	-1.6

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	New Romanian leu [1]
	13	14	15	16	17	18	19	20	21	22	23	24
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37,551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	239.57	38.599	1.9558	3.6209
2005 Q3	29.688	15.6466	0.57328	0.6960	3.4528	245.57	0.4293	4.0186	239.49	38.672	1.9558	3.5250
Q4	29.304	15.6466	0.57339	0.6965	3.4528	251.84	0.4293	3.9152	239.51	38.494	1.9558	3.6379
2006 Q1	28.599	15.6466	0.57449	0.6961	3.4528	254.56	0.4293	3.8346	239.51	37.456	1.9558	3.5638
2005 Sep.	29.317	15.6466	0.57296	0.6961	3.4528	245.83	0.4293	3.9160	239.47	38.459	1.9558	3.5097
Oct.	29.675	15.6466	0.57319	0.6965	3.4528	251.85	0.4293	3.9229	239.53	38.923	1.9559	3.5997
Nov.	29.266	15.6466	0.57351	0.6963	3.4528	251.04	0.4293	3.9701	239.51	38.678	1.9557	3.6543
Dec.	28.972	15.6466	0.57346	0.6967	3.4528	252.68	0.4293	3.8501	239.51	37.872	1.9558	3.6589
2006 Jan.	28.722	15.6466	0.57376	0.6960	3.4528	250.71	0.4293	3.8201	239.49	37.492	1.9558	3.6449
Feb.	28.407	15.6466	0.57436	0.6961	3.4528	251.57	0.4293	3.7941	239.49	37.390	1.9558	3.5393
Mar.	28.650	15.6466	0.57530	0.6961	3.4528	260.85	0.4293	3.8837	239.55	37.478	1.9558	3.5074
	% change versus previous month											
2006 Mar.	0.9	0.0	0.2	0.0	0.0	3.7	0.0	2.4	0.0	0.2	0.0	-0.9
	% change versus previous year											
2006 Mar.	-3.8	0.0	-1.4	0.0	0.0	6.6	-0.6	-3.2	-0.1	-2.0	0.0	-

	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]
	25	26	27	28	29	30	31	32	33	34	35
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851
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
2005 Q3	9.9250	7.3728	77.64	12,216.99	4.6008	1.7640	68.335	34.7864	7.9392	50.375	1.6372
Q4	9.6057	7.3831	73.86	11,875.37	4.4881	1.7124	64.821	34.1294	7.7706	48.780	1.6132
2006 Q1	9.6793	7.3426	78.43	11,178.36	4.4814	1.8128	62.292	33.8349	7.4067	47.273	1.6026
2005 Sep.	9.9177	7.4384	76.15	12,542.23	4.6190	1.7515	68.782	34.7750	7.7936	50.305	1.6430
Oct.	9.7189	7.3822	73.29	12,118.09	4.5330	1.7212	66.777	34.3262	7.9139	49.153	1.6331
Nov.	9.5273	7.3791	72.98	11,834.55	4.4534	1.7088	64.258	33.9184	7.8502	48.469	1.6033
Dec.	9.5746	7.3882	75.36	11,675.40	4.4796	1.7072	63.454	34.1538	7.5439	48.731	1.6038
2006 Jan.	9.7630	7.3772	74.58	11,472.89	4.5425	1.7616	63.590	34.3284	7.3811	47.965	1.6158
Feb.	9.6117	7.3191	76.57	11,048.98	4.4487	1.7741	61.776	33.6802	7.3079	47.014	1.5830
Mar.	9.6581	7.3300	83.74	11,009.15	4.4514	1.8956	61.499	33.4973	7.5171	46.836	1.6071
	% change versus previous month										
2006 Mar.	0.5	0.1	9.4	-0.4	0.1	6.8	-0.4	-0.5	2.9	-0.4	1.5
	% change versus previous year										
2006 Mar.	-11.6	-1.7	5.8	-11.1	-11.3	4.8	-14.4	-8.2	-5.6	-8.0	-

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.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
	HICP												
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.7	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	2.5	2.8	0.8	2.1
2005 Q2	1.2	1.6	3.6	2.1	6.7	2.4	3.6	2.2	2.2	2.2	2.6	0.5	1.9
Q3	1.6	2.2	4.3	1.7	6.7	2.2	3.5	2.1	1.8	2.3	2.2	0.9	2.4
Q4	2.2	2.0	4.0	1.9	7.5	3.0	3.2	3.5	1.2	2.6	3.7	1.1	2.1
2005 Oct.	2.4	1.9	4.5	2.2	7.7	3.0	3.1	3.0	1.6	3.2	3.5	0.9	2.3
Nov.	2.2	1.8	4.0	2.0	7.6	2.9	3.3	4.3	1.1	2.1	3.6	1.2	2.1
Dec.	1.9	2.2	3.6	1.4	7.1	3.0	3.3	3.4	0.8	2.4	3.9	1.3	1.9
2006 Jan.	2.4	2.0	4.7	2.0	7.6	3.5	2.5	2.4	0.9	2.6	4.1	1.1	1.9
Feb.	2.4	2.1	4.5	2.3	7.0	3.4	2.3	2.3	0.9	2.3	4.3	1.1	2.0
	General government deficit (-)/surplus (+) as a % of GDP [1]												
2002	-6.8	1.4	1.5	-4.5	-2.3	-1.4	-8.5	-5.8	-3.3	-2.7	-7.8	-0.3	-1.7
2003	-12.5	1.2	2.6	-6.3	-1.2	-1.2	-6.5	-10.4	-4.8	-2.7	-3.8	0.2	-3.3
2004	-3.0	2.9	1.7	-4.1	-0.9	-1.4	-5.4	-5.1	-3.9	-2.1	-3.1	1.6	-3.2
	General government gross debt as a % of GDP [1]												
2002	29.8	47.6	5.8	65.2	14.2	22.4	55.5	63.2	41.2	29.8	43.7	52.4	38.2
2003	36.8	45.0	6.0	69.8	14.6	21.4	57.4	72.8	45.3	29.4	43.1	52.0	39.7
2004	36.8	43.2	5.5	72.0	14.7	19.6	57.4	75.9	43.6	29.8	42.5	51.1	41.5
	Long-term government bond yield as a % per annum, period average												
2005 Sep.	3.26	3.05	-	4.81	3.87	3.50	5.64	4.41	4.57	3.74	3.13	2.98	4.25
Oct.	3.46	3.22	-	4.22	3.87	3.50	6.49	4.41	4.91	3.62	3.25	3.17	4.40
Nov.	3.76	3.46	-	4.22	3.56	3.64	6.81	4.39	5.38	3.62	3.70	3.39	4.37
Dec.	3.61	3.35	-	4.09	3.59	3.79	6.89	4.39	5.16	3.69	3.62	3.37	4.27
2006 Jan.	3.39	3.31	-	3.96	3.60	3.62	6.66	4.39	4.95	3.73	3.59	3.33	3.97
Feb.	3.41	3.48	-	3.96	3.60	3.53	6.71	4.38	4.79	3.72	3.75	3.42	4.05
	3-month interest rate as a % per annum, period average												
2005 Sep.	1.80	2.18	2.32	3.80	2.82	2.32	5.65	3.26	4.51	4.03	2.93	1.67	4.60
Oct.	1.91	2.22	2.32	3.59	2.78	2.31	6.15	3.24	4.55	4.01	3.03	1.72	4.59
Nov.	2.24	2.39	2.32	3.51	2.84	2.42	6.20	3.19	4.64	4.01	3.19	1.72	4.62
Dec.	2.17	2.48	2.59	3.47	3.16	2.53	6.21	3.22	4.62	4.00	3.12	1.89	4.64
2006 Jan.	2.14	2.52	2.61	3.42	4.03	2.56	6.02	3.20	4.49	4.00	3.17	2.03	4.60
Feb.	2.00	2.66	2.62	3.24	4.03	2.61	-	3.18	4.26	3.84	3.34	2.11	4.58
	Real GDP												
2004	4.7	1.9	7.8	3.9	8.5	7.0	4.6	-1.5	5.2	4.2	5.5	3.7	3.1
2005	6.0	3.4	9.8	3.8	10.2	7.4	4.1	2.5	2.6	3.9	6.0	2.7	1.8
2005 Q2	5.8	3.4	10.2	3.6	11.4	7.7	4.3	1.5	2.1	4.9	5.1	2.4	1.7
Q3	5.8	4.8	10.4	4.0	11.4	8.5	4.4	5.4	2.7	4.0	6.2	2.9	1.9
Q4	6.9	3.8	11.5	3.6	10.5	8.3	4.2	2.5	2.8	5.1	7.6	2.9	1.8
	Current and capital accounts balance as a % of GDP												
2004	-5.7	2.4	-11.9	-4.9	-11.9	-6.4	-8.5	-8.0	-3.8	-2.5	-3.1	6.9	-1.8
2005	-2.5	3.5	-9.8	-6.0	-11.3	-5.9	-6.8	-9.3	-1.3	-1.2	-7.7	6.2	.
2005 Q2	-4.1	5.0	-10.9	1.6	-9.9	-6.7	-7.6	-10.6	-0.8	0.4	-11.9	5.8	-1.1
Q3	-4.3	5.0	-6.6	3.2	-11.2	-6.7	-7.1	-0.6	-1.4	0.6	-4.7	6.8	-3.2
Q4	-4.2	2.8	-12.3	-16.2	-14.0	-5.4	-5.9	-18.4	-1.8	-4.2	-11.5	5.4	.
	Unit labour costs												
2004	1.1	0.3	3.0	-	7.2	1.0	4.2	-	.	3.8	2.1	-0.6	2.1
2005	.	0.6	3.7	-	5.4	.	.	-	.	.	2.7	1.4	.
2005 Q2	-0.1	1.7	2.4	-	-	1.3	-	-	.	-	3.6	0.1	3.5
Q3	2.0	-1.7	4.1	-	-	3.5	-	-	.	-	4.1	0.6	.
Q4	.	0.5	5.6	-	-	.	-	-	.	-	.	.	.
	Standardised unemployment rate as a % of labour force (s.a.)												
2004	8.3	5.5	9.7	4.7	10.4	11.4	6.1	7.3	19.0	6.3	18.2	6.4	4.7
2005	7.9	4.8	7.9	5.2	9.0	8.2	7.2	7.3	17.8	6.3	16.4	.	4.7
2005 Q3	7.8	4.6	7.4	5.3	9.1	7.8	7.3	7.2	17.7	6.4	16.2	.	4.7
Q4	7.7	4.1	7.0	5.0	8.3	6.9	7.5	7.4	17.3	6.4	16.3	.	5.0
2006 Q1	.	.	.	.	.	.	7.5	.	.	.	.	.	.
2005 Nov.	7.7	4.1	7.0	5.0	8.3	6.8	7.5	7.3	17.3	6.4	16.3	.	5.0
Dec.	7.7	4.0	6.7	4.9	8.1	6.8	7.5	7.6	17.2	6.4	16.1	.	4.9
2006 Jan.	7.7	4.4	6.3	5.3	8.2	6.9	7.6	7.9	17.2	6.3	15.9	.	.
Feb.	7.7	4.4	5.9	5.2	8.0	6.6	7.6	8.0	17.0	6.3	15.8	.	.
Mar.	.	.	.	.	.	.	7.4	.	.	.	.	.	.

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

1) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM).

9.2 In the United States and Japan

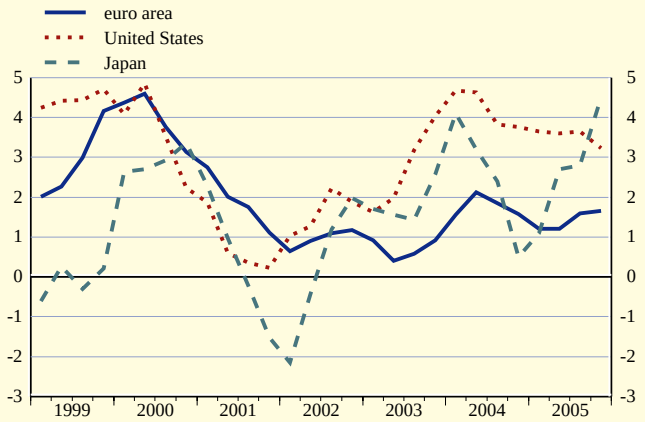
(annual percentage changes, unless otherwise indicated)

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										
2002	1.6	0.6	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	2.5	2.7	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-3.1	4.2	5.0	5.5	5.1	1.62	4.26	1.2439	-4.7	48.6
2005	3.4	1.9	3.5	3.9	5.1	6.0	3.56	4.28	1.2441	.	.
2005 Q1	3.0	2.3	3.6	4.8	5.2	5.8	2.84	4.30	1.3113	-3.7	49.5
Q2	2.9	3.0	3.6	3.4	5.1	4.9	3.28	4.16	1.2594	-3.5	48.6
Q3	3.8	2.2	3.6	3.1	5.0	5.8	3.77	4.21	1.2199	-4.5	48.5
Q4	3.7	0.2	3.2	4.3	4.9	7.4	4.34	4.48	1.1884	.	.
2006 Q1	.	.	.	.	.	.	4.76	4.57	1.2023	.	.
2005 Nov.	3.5	-	-	4.7	5.0	7.3	4.35	4.53	1.1786	-	-
Dec.	3.4	-	-	4.5	4.9	7.6	4.49	4.46	1.1856	-	-
2006 Jan.	4.0	-	-	5.0	4.7	8.0	4.60	4.41	1.2103	-	-
Feb.	3.6	-	-	4.5	4.8	8.0	4.76	4.56	1.1938	-	-
Mar.	.	-	-	.	.	.	4.92	4.72	1.2020	-	-
	Japan										
2002	-0.9	-3.2	0.1	-1.2	5.4	3.3	0.08	1.27	118.06	-8.4	143.9
2003	-0.3	-3.8	1.8	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.3	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	2.8	1.3	4.4	1.9	0.06	1.39	136.85	.	.
2005 Q1	-0.2	-1.0	1.1	1.4	4.6	2.0	0.05	1.41	137.01	.	.
Q2	-0.1	0.9	2.7	0.3	4.4	1.7	0.05	1.28	135.42	.	.
Q3	-0.3	0.3	2.8	0.1	4.3	1.8	0.06	1.36	135.62	.	.
Q4	-0.5	-2.1	4.5	3.4	4.5	2.0	0.06	1.53	139.41	.	.
2006 Q1	.	.	.	.	.	.	0.08	1.58	140.51	.	.
2005 Nov.	-0.8	-2.5	-	3.4	4.6	2.1	0.06	1.52	139.59	-	-
Dec.	-0.1	-2.1	-	3.7	4.4	2.0	0.07	1.54	140.58	-	-
2006 Jan.	0.5	.	-	2.2	4.5	1.9	0.07	1.47	139.82	-	-
Feb.	0.4	.	-	3.7	4.1	.	0.07	1.57	140.77	-	-
Mar.	.	.	-	.	.	.	0.10	1.70	140.96	-	-

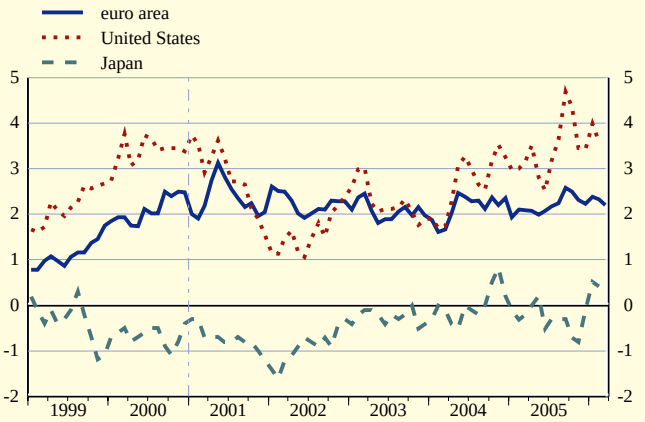
C35 Real gross domestic product

(annual percentage changes; quarterly)



C36 Consumer price indices

(annual percentage changes; monthly)



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

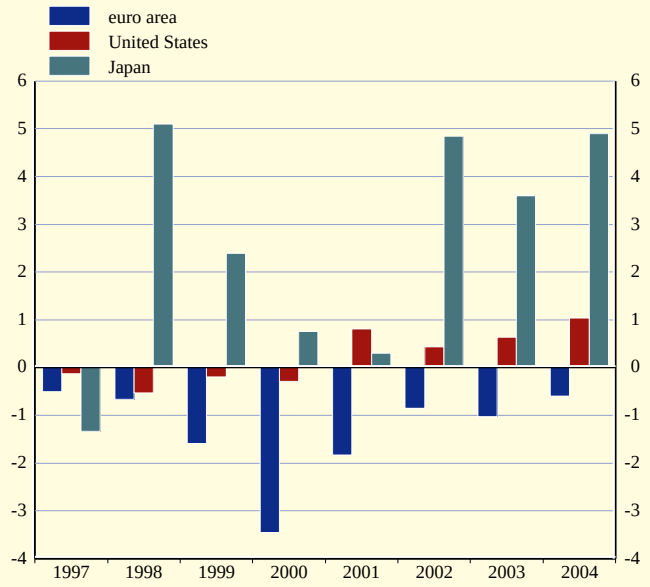
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M3 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

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

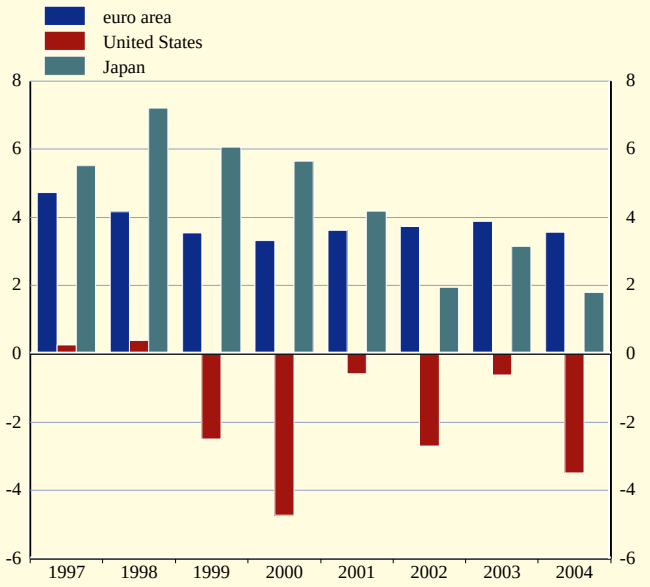
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	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 expend-itures [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	3.9	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.1	0.2	13.3	8.4	11.3	9.0
2004	13.4	19.6	-5.6	7.3	7.0	4.3	8.0	3.2	0.3	13.5	6.0	11.0	9.5
2005	13.3	20.1	-6.3	7.4	7.3	2.5	8.2	1.2	-0.6	13.7	4.2	9.6	9.5
2004 Q1	13.4	19.0	-5.0	7.1	6.8	5.0	8.2	3.6	1.0	13.3	6.0	11.0	9.5
Q2	13.3	19.8	-5.6	7.4	7.0	3.3	8.1	2.0	-0.5	13.6	5.1	10.7	9.1
Q3	13.5	19.8	-5.5	7.3	7.1	4.0	8.4	2.6	-0.1	13.6	6.3	10.9	8.8
Q4	13.5	19.9	-6.2	7.5	7.2	4.8	7.3	4.6	0.8	13.6	6.7	11.4	10.6
2005 Q1	13.4	20.2	-6.4	7.6	7.2	3.2	7.7	2.7	0.5	13.7	4.3	10.0	8.3
Q2	13.2	19.8	-6.0	7.2	7.3	2.8	8.1	1.5	-0.4	13.9	4.3	9.4	10.0
Q3	13.6	19.9	-5.9	7.2	7.4	1.6	8.6	-0.3	-1.9	13.8	4.2	9.9	10.5
Q4	13.2	20.5	-6.7	7.6	7.4	2.2	8.3	1.1	-0.5	13.5	3.8	9.1	9.0
	Japan												
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.3	7.7	-2.2
2003	25.6	22.9	3.1	13.3	13.4	2.4	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.7	13.3	13.6	4.2	17.7	-0.5	1.0	4.7	3.1	6.6	-1.0
2005	.	23.2	.	.	.	4.4	.	2.0	1.2	.	2.8	.	0.7
2004 Q1	28.7	25.5	3.9	.	.	12.5	.	-1.9	-0.6	.	-7.2	.	2.6
Q2	21.4	20.2	3.6	.	.	-13.7	.	-11.2	0.6	.	8.0	.	-6.2
Q3	23.9	23.0	3.9	.	.	10.2	.	0.0	0.1	.	-1.3	.	1.9
Q4	26.1	21.4	3.0	.	.	11.7	.	14.0	2.6	.	9.7	.	-0.6
2005 Q1	31.5	25.4	3.7	.	.	10.3	.	-3.4	-1.7	.	-12.1	.	2.9
Q2	.	23.7	.	.	.	-15.4	.	-13.8	2.2	.	8.9	.	-6.3
Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	.	23.9	.	.	.	15.8	.	18.2	3.3	.	15.5	.	3.4

C37 Net lending of non-financial corporations
(as a percentage of GDP)



C38 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:

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

where L_{t-3} is the amount outstanding at the end of month t-3 (the end of the previous quarter) and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t.

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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:

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

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:

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

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

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used rather than an "F". The reason for this is to distinguish between the different ways of obtaining "net issues" for securities issues statistics and the equivalent "transactions" calculated used for the monetary aggregates.

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

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

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

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

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

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:

p) $$a_t = \left[\prod_{i=0}^{5}\left(1 + N^M_{t-i} / L_{t-1-i}\right) - 1\right] x100$$

q) $$a_t = \left(I_t / I_{t-6} - 1\right) x100$$

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, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, 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). Services available under the "Data services" sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 5 April 2006.

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

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

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

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

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

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

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

OVERVIEW

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

MONETARY POLICY STATISTICS

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

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

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

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

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

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, 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, 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

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

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-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.

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

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 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

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.

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 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.

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

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 four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in 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-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER, 2 DECEMBER 2004 AND 13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

3 FEBRUARY, 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

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 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 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

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 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 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.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2005

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Bank lending survey (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.

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.

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) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-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 a national central bank.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

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.

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 European Central Bank and the national central banks 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 to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital

formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

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 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.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to 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.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

ISSN 1561013-6