EUROPEAN CENTRAL BANK

EUROSYSTEM

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MONTHLY BULLETIN

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JANUARY

EUROPEAN CENTRAL BANK

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EUROSYSTEM

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

MONTHLY BULLETIN

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ABBREVIATIONS

COUNTRIES

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

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
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
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 3	Standard International Trade Classification (revision 3)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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

EDITORIAL

On the basis of its regular economic and monetary analyses, at its meeting on 11 January 2007 the Governing Council decided to leave the key ECB interest rates unchanged. The information that has become available since the Governing Council's decision of 7 December 2006 to raise interest rates has further underpinned the reasoning behind that decision. It has also confirmed that very close monitoring of all developments is of the essence so that risks to price stability over the medium term do not materialise. This will permit medium to longer-term inflation expectations in the euro area to remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area. The ECB's monetary policy continues to be accommodative, with the key ECB interest rates remaining at low levels, money and credit growth very strong, and liquidity in the euro area ample by all plausible measures. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted.

Turning first to the economic analysis, quarter-on-quarter real GDP growth in the euro area was 0.5% in the third quarter of 2006, after very strong growth in the first half of last year. Domestic demand remained the main driver of economic growth, thus confirming the anticipated broadening of the recovery and pointing to the increasingly self-sustaining nature of economic expansion in the euro area. Drawing on the latest information, the evidence from various confidence surveys and indicator-based estimates supports the assessment that robust economic growth has continued and that the situation in labour markets has improved further. While some volatility in the quarter-on-quarter growth rates around the turn of the year may be observed – associated with the impact of changes in indirect taxes in a large euro area country – the information available continues to be in line with the Governing Council's baseline scenario.

Looking ahead, the medium-term outlook for economic activity continues to be favourable and the conditions remain for the euro area economy to grow solidly, at rates around potential. As for the external environment, global economic growth has become more balanced across regions, with some deceleration in the United States and resilient growth elsewhere. Overall, global growth should remain robust and therefore continue to provide support for euro area exports. Domestic demand in the euro area is expected to maintain its momentum. Investment should remain dynamic, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong earnings, and gains in business efficiency. Consumption should also strengthen further over time, in line with developments in real disposable income, as employment conditions continue to improve.

In the Governing Council's view, the risks surrounding this broadly favourable outlook for economic growth over the coming years lie mainly on the downside. The main risks relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices, and concerns about possible disorderly developments due to global imbalances.

With regard to price developments, according to Eurostat's flash estimate, annual HICP inflation was 1.9% in December 2006, unchanged from the previous month. On account of their volatility over recent months, and owing to base effects, energy prices will continue to play an important role in determining the profile of annual rates of HICP inflation in early 2007, together with the impact of higher indirect taxes. Looking further ahead, annual inflation rates are projected to hover around 2% over this year and next.

In the Governing Council's view, the outlook for price developments remains subject to upside risks, stemming in particular from a stronger than anticipated pass-through of previous oil price increases, increases in

administered prices and indirect taxes beyond those announced thus far, and the possibility of renewed oil price increases. More fundamentally, given the favourable momentum of real GDP growth over the past few quarters and positive labour market developments, wage dynamics could be stronger than currently expected. It is therefore crucial that social partners continue to meet their responsibilities. In this context, wage agreements should take into account productivity developments, while recognising the still high level of unemployment and price competitiveness positions. As stated on previous occasions, it is also important that wage settlements move away from automatic, backward-looking indexation mechanisms.

Turning to the monetary analysis, annual M3 growth rose to 9.3% in November. This represents its highest annual rate of growth since the introduction of the euro and, indeed, its strongest aggregate growth in the euro area group of countries since 1990. While the significance of monthly figures should not be overstated, as they may also be influenced by temporary factors, the series of strong monetary data over the past couple of months underscore the continued very dynamic underlying rate of broad money expansion in the euro area. Rising short-term interest rates, in combination with low long-term interest rates, have exerted only a limited influence over monetary developments in recent months. This has mainly taken the form of shifts among the components of M3 rather than constraining the overall expansion of M3 itself. In particular, over recent months the annual growth rate of M1 has moderated somewhat, reflecting shifts from overnight deposits into other components of M3 that offer higher returns.

All in all, the rate of monetary and credit expansion remains rapid, reflecting the low level of interest rates and the strengthening of economic activity in the euro area. In particular, the annual growth rate of loans to the private sector was 11.2% in November, unchanged from the previous month. While – in the context of rising interest rates – the growth of household borrowing has shown signs of stabilising in recent months, albeit at very high rates, the growth of borrowing by non-financial corporations continues to trend upwards. Thus, credit continues to expand rapidly and in a broad-based fashion, thereby remaining the main driver of the current strong monetary growth when viewed from the counterpart side of the MFI balance sheet.

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

To sum up, annual inflation rates are projected to hover around 2% this year and next, with risks to this outlook remaining on the upside. Given the very strong monetary and credit growth in an environment of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium to longer term. Hence, very close monitoring of all developments is of the essence in order to ensure that risks to price stability over the medium term do not materialise. This will permit medium to longer-term inflation expectations in the euro area to remain solidly anchored at levels consistent with price stability. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted.

As regards fiscal policy, almost all euro area countries have submitted their updated stability

programmes. While these programmes generally indicate that governments plan to proceed towards sound budgetary positions, there are also indications that budget targets do not consistently imply sufficient consolidation and that concrete and credible measures have not yet been specified in all programmes. These indications are a cause of concern and entail risks for the future. Against the background of current good times, it is essential that sound budgetary positions are reached in countries with fiscal imbalances and that a pro-cyclical loosening is avoided in all member countries. Moreover, countries need to improve the quality of their tax and expenditure policies as part of a comprehensive medium-term strategy, so as to strengthen confidence in a growth and employment-friendly, and sustainable, fiscal policy environment.

With regard to structural reforms, over recent years euro area countries have become increasingly aware of the necessity to adjust to the challenges of increased global competition, ageing populations and accelerating technological change. In response, some have undertaken reform efforts to create more job opportunities. Both as a reflection of these reforms and as a result of wage moderation in some countries, the euro area has seen a remarkable dynamism in employment growth over the recent period. Notably, around 12 million new jobs were created in the euro area in the eight-year period since the start of Stage Three of EMU. This compares favourably with the little more than two million new jobs created in the same group of countries in the eight years before 1999. However, the Governing Council notes that significant structural impediments continue to exist and contribute to explaining why unemployment rates are still unacceptably high and participation in the labour market is still low by international standards. With other countries in the world also increasing the competitiveness of their markets, it is essential for each euro area country to minimise the market distortions induced by its particular regulations and for the euro area as a whole to remove remaining barriers to market integration.

This requires the implementation of comprehensive reforms necessary to deepen market integration, soften labour market rigidities and improve wage flexibility in order to continue fostering growth and new employment opportunities.

This issue of the Monthly Bulletin contains three articles. The first article briefly presents an overview of the enlarged EU and euro area economies. The second article reviews developments in the structural features of the euro area labour markets over the last decade. The third article examines the economic expansion in China over the past two and a half decades.

ECONOMIC
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# ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy is continuing to expand at a robust pace, despite some moderation in the growth momentum. At the same time, consumer price inflation has declined further in a number of countries, reflecting mainly the significant reduction in energy prices since September 2006. Risks to the global economic outlook relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices and concerns about possible disorderly developments due to global imbalances.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy is continuing to expand at a robust pace, despite some moderation in the growth momentum in a number of countries. Industrial production in the OECD countries excluding the euro area continued to grow at a relatively strong pace in year-on-year terms in October 2006 (see Chart 1). Survey evidence remains consistent with relatively robust global growth, a moderation in manufacturing activity being partly offset by some resilience in the services sector.

With regard to price developments, annual consumer price inflation has declined further in a number of countries, reflecting mainly the significant reduction in energy prices since September 2006. Consumer price inflation excluding food and energy has stabilised at relatively moderate levels. Survey evidence on input prices suggests some further easing in underlying price pressures.

Chart 1 Industrial production in OECD countries

(annual percentage changes; monthly data)

— OECD excluding euro area
····· United States
– – Japan
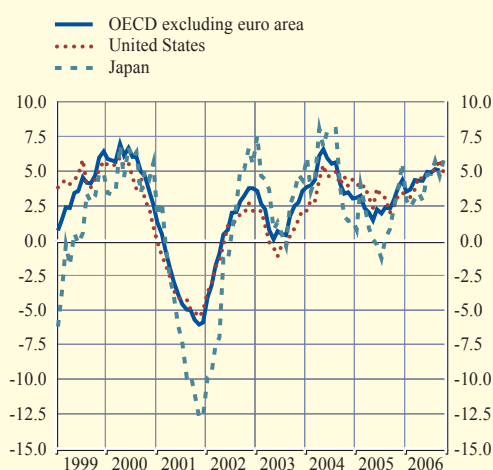
Sources: OECD and ECB calculations.
Note: Last observation refers to October 2006 except for the OECD excluding the euro area (September 2006).

UNITED STATES

In the United States, real GDP grew by 0.5% on a quarterly basis in the third quarter of 2006 (compared with 0.6% in the previous quarter), confirming the gentle moderation in the pace of economic activity observed in recent quarters. The moderation in the third quarter was driven mainly by a further sharp decline in residential fixed investment against the background of a weakening housing market. Increased imports and some inventory adjustment in the manufacturing sector also contributed to the moderation in GDP growth. By contrast, robust growth in some non-residential fixed investment items and resilient private consumption provided support to economic activity. The resilience of private consumption in recent months may have drawn support from steady income growth and lower energy prices as well as from further borrowing by households. In November the personal saving ratio remained negative at around -1%.

As regards consumer prices, developments in November 2006 were relatively mixed. Annual consumer price inflation rose to 2.0%, thereby reversing the downward trend which had started at the beginning of the summer. This increase partly reflected a base effect. By contrast, consumer price inflation excluding food and energy declined slightly, to 2.6%. Meanwhile, producer price inflation rose somewhat in November, although it remained contained.

On 12 December 2006 the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

JAPAN

In Japan, economic activity has continued to recover steadily, while inflation has remained subdued. Output has been supported by strong exports and steady business investment. The Bank of Japan's December 2006 Tankan survey indicated a further improvement in business conditions in the fourth quarter of 2006, in both the manufacturing and non-manufacturing sectors. In addition, the companies questioned reported higher expected sales and profits and fixed investment plans for the current fiscal year ending in March 2007.

As regards price developments in November 2006, the consumer price index posted its seventh consecutive year-on-year increase, rising by 0.3% after 0.4% in October. Annual consumer price inflation excluding fresh food edged up to 0.2% in November from 0.1% in October. Producer price inflation decelerated in November, reflecting the decline in oil prices in recent months. At its meeting on 18-19 December, the Bank of Japan decided to leave its target for the uncollaterised overnight call rate unchanged at 0.25%.

UNITED KINGDOM

In the United Kingdom, real GDP grew by 0.7% on a quarterly basis in the third quarter of 2006. Retail sales data for October and November and survey results indicate a modest strengthening in household consumption in the last quarter of 2006 compared with the previous quarter. Business surveys suggest some weakening in export growth but still high investment expenditure. Overall, GDP growth in the fourth quarter of 2006 and first quarter of 2007 is expected to remain broadly unchanged from the previous quarters.

Annual HICP inflation rose to 2.7% in November 2006 from 2.4% in October. The increase was largely due to higher transport costs, as well as higher prices in the category "recreation and culture" and higher gas prices. Growth in average earnings increased marginally in October but remained contained. House prices have accelerated somewhat in recent months, and by the end of 2006 they were rising at around 10% in annual terms. At its meeting on 10-11 January, the Bank of England's Monetary Policy Committee decided to raise the official Bank Rate by 25 basis points to 5.25%.

Chart 2 Main developments in major industrialised economies

— euro area ---- Japan
···· United States — United Kingdom

Output growth [1]
(quarter-on-quarter percentage changes; quarterly data)

Inflation rates [2]
(consumer prices; annual percentage changes; monthly data)
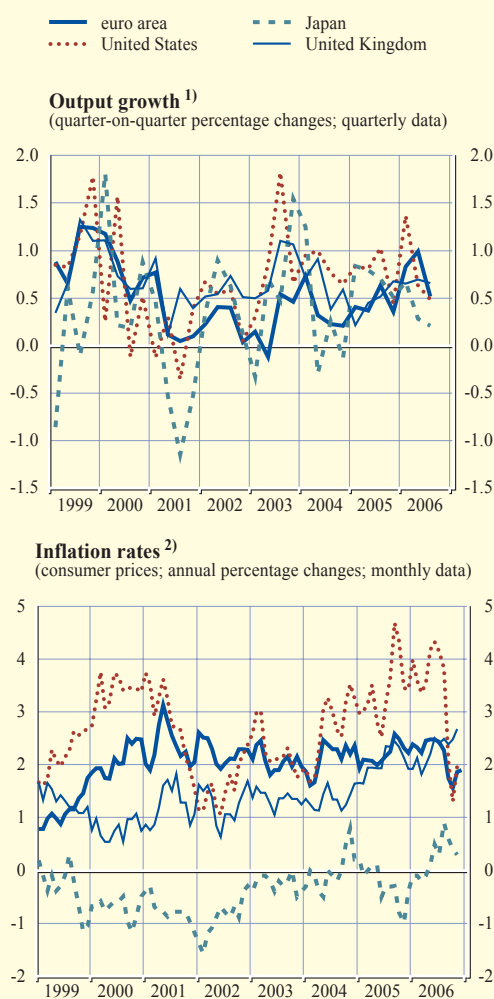
Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.
2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

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OTHER EUROPEAN COUNTRIES

While in a number of EU countries outside the euro area output growth declined in the third quarter of 2006, in some countries the growth momentum remained broadly unchanged or even strengthened. Growth was driven mainly by domestic demand. In most countries, annual HICP inflation increased slightly in November.

In Denmark and Sweden the quarterly rate of real GDP growth declined in the third quarter of 2006 to 0.6% and 1% respectively. In both countries economic activity was driven by domestic demand (and in Sweden also by external demand). In November, annual HICP inflation increased to 1.8% in Denmark and to 1.5% in Sweden, mainly on account of the energy component. On 7 December 2006 Danmarks Nationalbank decided to increase its main policy rate by 25 basis points to 3.75%. On 14 December the Executive Board of Sveriges Riksbank raised its repo rate by 25 basis points to 3%.

In the four largest central and eastern European economies (the Czech Republic, Hungary, Poland and Romania) quarterly output growth remained robust in the third quarter of 2006. In the Czech Republic, Poland and Romania, real GDP growth was driven by domestic demand, while in Hungary it was driven by net exports. Annual HICP inflation increased slightly in November compared with the previous month in the Czech Republic, Hungary and Poland, to 1.0%, 6.4% and 1.3% respectively, mainly due to an increase in inflation excluding energy. In Romania, by contrast, inflation declined to 4.7% as a result of a decrease in food prices.

EMERGING ASIA

In emerging Asia, national account data releases for the third quarter of 2006 pointed to an acceleration of GDP growth in a number of economies, including India, Indonesia and Hong Kong SAR. In these economies, both domestic activity and external trade remained important drivers of growth. Elsewhere in the region, activity has continued to expand steadily in recent months. Inflation increased somewhat in November in certain major economies compared with the previous month.

In China, economic activity has remained robust recently, as indicated by the steady expansion in industrial production and retail sales and the rebound in fixed asset investment in November. In the same month, the trade surplus remained at record levels, driven by a further acceleration in exports. This brought the cumulative surplus in the year to November to USD 157 billion, compared with USD 91 billion in the same period of 2005. Within the limits allowed under the existing exchange rate bands, the Chinese authorities tolerated somewhat greater exchange rate appreciation in the second half of 2006. The renminbi appreciated by around 3.3% against the US dollar in 2006 overall, of which 2.4 percentage points since July. In nominal effective terms, however, the renminbi depreciated by 1.2% in the year to September, according to IMF data. Annual CPI inflation increased to 1.9% in November from 1.4% in October.

LATIN AMERICA

In Latin America, economic activity continues to grow at a solid pace according to the latest indicators. In Mexico, industrial production expanded by 4.6% year on year in October 2006. Inflation remained little changed in November, at 4.1% year on year. In Brazil, economic indicators point to a recovery, with industrial production expanding by 4.9% year on year in October, the highest rate in five months. In November, inflation continued to decline, to an annual rate of 3%, and the central bank lowered its main policy interest rate by 50 basis points. In Argentina, CPI inflation remained high, at 9.8% year on year, in December, while real GDP growth increased in

the third quarter to 8.7% year on year, mainly driven by strong external demand and favourable commodity prices.

1.2 COMMODITY MARKETS

Oil prices remained somewhat volatile in December 2006, before declining sharply in early January. The volatility in December partly reflected increasing expectations of an additional output cut by the Organization of the Petroleum Exporting Countries (OPEC), which was followed by the announcement on 14 December 2006 of an actual cut of 500,000 barrels per day starting from February 2007. However, current above-normal temperatures in the northern hemisphere, which are expected to reduce demand for heating oil, have been taking some pressure off prices, particularly in early January.

Chart 3 Main developments in commodity markets

Brent crude oil (USD/barrel; left-hand scale)
non-energy commodities (USD; index: 2000 = 100; right-hand scale)

Sources: Bloomberg and HWWA.

On 10 January, the price of Brent crude oil stood at USD 54.4 per barrel, which is approximately 30% below its early-August peak. Looking ahead, continued limited spare capacity along the oil supply chain is likely to keep oil prices high and fairly sensitive to unanticipated disturbances. On the basis of information derived from futures contracts, market participants currently expect oil prices to rise in the course of 2007 and to remain at high levels in the medium term.

After a decline at the beginning of November 2006, non-energy commodity prices, as measured by the HWWA aggregate index, rebounded towards the end of the month, with increases in all major price categories. They then reached a new peak at the beginning of December and have since remained at elevated levels. The aggregate price index for non-energy commodities (denominated in US dollars) was approximately 31% higher in December than a year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for foreign demand for goods and services from the euro area, remains favourable. Notwithstanding some expected moderation in the pace of expansion in a number of countries, the economic slowdown at the global level may remain relatively limited, as indicated for instance by the OECD composite leading indicator for the OECD countries as a whole, which stabilised in September 2006 after declining from March to August.

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

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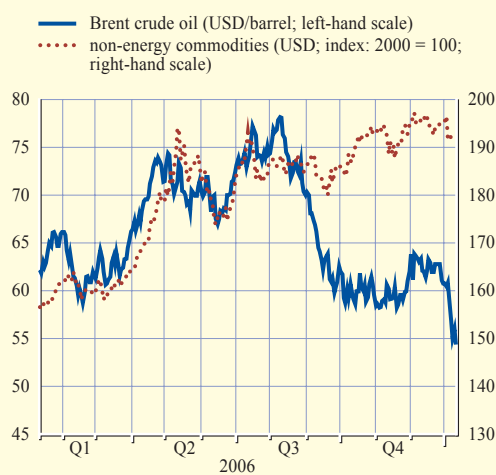
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2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In November 2006 the annual growth rate of M3 increased to 9.3% − the highest rate recorded since the start of Stage Three of EMU. While the rise in M3 growth in November reflects exceptional developments in the MFI net external asset position and needs to be interpreted with some caution, the strength of underlying money and credit expansion is nonetheless apparent. Continued robust M3 growth reflects the low level of interest rates in the euro area and the strength of economic activity. This is particularly visible in the vigorous growth of loans to the private sector. The increases in key ECB interest rates since December 2005 have thus far mainly triggered substitution among the components of M3, rather than curtailing overall M3 growth. Overall, strong monetary and credit developments point to upside risks to price stability at medium to longer-term horizons, particularly in an environment of improved economic activity.

THE BROAD MONETARY AGGREGATE M3

In November 2006 the annual growth rate of the broad monetary aggregate M3 increased to 9.3%, from 8.5% in the previous month. This represents the highest annual rate recorded since the start of Stage Three of EMU. The six-month annualised rate of growth also increased, to 9.2% in November, from 8.4% in the previous month (see Chart 4). The renewed strengthening of monetary dynamics reflects a strong seasonally adjusted month-on-month growth rate of 1.1% in November, a similar magnitude to that observed in August and September.

However, the rise in M3 growth in November mirrors, in large part, exceptional developments in the MFI net external asset position on the counterparts side of the MFI balance sheet. Some caution in interpreting the data is therefore warranted, at least until more information becomes available. Nevertheless, even after discounting the impact of these exceptional transactions, the November data still imply a continued strong rate of underlying broad money growth.

From a medium-term perspective, M3 developments do not currently show any signs of a reversal of the upward trend in the underlying rate of monetary expansion recorded since mid-2004. There has thus been no unwinding of the accumulation of liquidity in the euro area; on the contrary, liquidity continues to build up. Strong underlying monetary expansion stems from the low level of interest rates in the euro area and the current strength of economic activity. In an environment characterised by expectations of increases in short-term interest rates, the strong demand for certain monetary assets, such as short-term debt securities, may reflect the increasing

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)

M3 (three-month centred moving average of the annual growth rate)
M3 (annual growth rate)
M3 (annualised six-month growth rate)
reference value (4 1/2%)
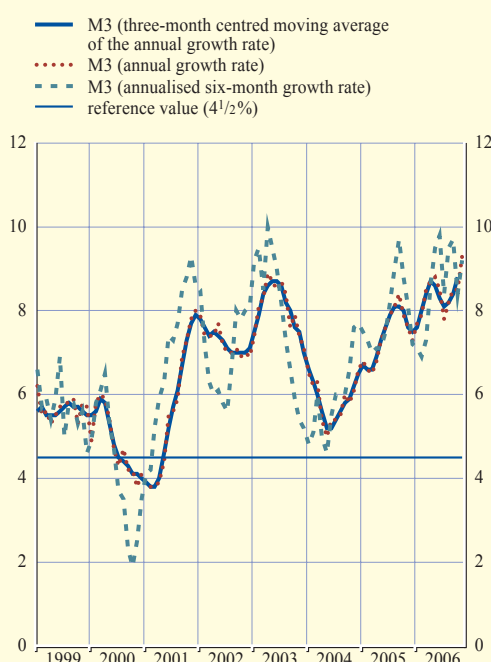
Source: ECB.

attractiveness of these assets relative to alternative longer-term financial assets, as the differential in returns is relatively low at the current juncture. In this context, rises in key ECB interest rates have thus far not curtailed overall M3 growth, but rather have influenced monetary developments mainly via substitution among the components of M3.

Overall, continued strong money and credit growth in a context of ample liquidity points to upside risks to price stability over the medium to longer term, particularly in an environment of improved economic activity.

MAIN COMPONENTS OF M3

The increase in annual M3 growth in November reflects higher annual growth rates of all the main components: M1, short-term deposits other than overnight deposits (M2-M1) and marketable instruments (M3-M2) (see Table 1). The annual growth rate of M1 increased to 6.5%, from 6.2% in October, with a rise in the growth rate of overnight deposits more than offsetting a further decline in the annual growth rate of currency in circulation. However, the increase in the annual growth rate of overnight deposits in November was lower than that of both other short-term deposits and marketable instruments, thereby confirming the ongoing moderating impact of interest rate rises on the demand for the most liquid components of M3.

The annual growth rate of short-term deposits other than overnight deposits increased to 11.8% in November, from 10.8% in October. This development mainly reflects a further increase in the demand for short-term time deposits (deposits with an agreed maturity of up to two years), while the annual growth rate of short-term savings deposits (deposits redeemable at notice of up to three months) continued to decline. The strong demand for short-term time deposits can be attributed to an increasing difference between the remuneration offered on these deposits and that available on other short-term instruments in the context of recent interest rate increases.

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 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Oct.	2006 Nov.
M1	**47.2**	**10.9**	**10.3**	**9.9**	**7.6**	**6.2**	**6.5**
Currency in circulation	7.5	14.8	13.4	11.9	11.3	11.4	10.8
Overnight deposits	39.7	10.2	9.8	9.5	7.0	5.3	5.7
M2 - M1 (= other short-term deposits)	38.5	5.9	6.8	8.4	9.5	10.8	11.8
Deposits with an agreed maturity of up to two years	18.0	6.5	9.7	15.2	19.8	24.2	27.4
Deposits redeemable at notice of up to three months	20.4	5.3	4.6	3.7	2.4	1.4	0.9
M2	**85.7**	**8.5**	**8.6**	**9.2**	**8.4**	**8.2**	**8.8**
M3 - M2 (= marketable instruments)	14.3	3.7	3.3	5.7	6.5	10.2	12.6
M3	**100.0**	**7.8**	**7.8**	**8.7**	**8.1**	**8.5**	**9.3**
Credit to euro area residents		**7.9**	**8.7**	**9.5**	**9.2**	**9.1**	**8.7**
Credit to general government		2.6	2.4	0.9	-0.9	-2.3	-3.9
Loans to general government		0.0	0.8	0.3	-0.6	-0.1	0.5
Credit to the private sector		9.4	10.4	11.8	11.9	12.1	11.9
Loans to the private sector		9.0	10.1	11.2	11.2	11.2	11.2
Longer-term financial liabilities (excluding capital and reserves)		**9.4**	**8.7**	**8.8**	**8.6**	**8.7**	**9.2**

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

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In November, the annual growth rate of marketable instruments included in M3 rose to 12.6%, from 10.2% in October. This reflects, in particular, a higher annual rate of growth of money market fund shares/units, although it has to be noted that – viewed on a monthly basis – the volatility of this series can be relatively high. The demand for debt securities with a maturity of up to two years continued to be very strong, with annual growth rates remaining at around 50%. This may reflect the fact that the return on some short-term debt instruments is linked to shorter-term interest rates and thus allows investors to benefit from unexpected rises in interest rates before maturity (see Box 1 entitled "Developments in short-term debt securities within M3").

The annual growth rate of short-term deposits and repurchase agreements held with MFIs – which represent the broadest aggregation of M3 components for which information is available by holding sector – increased in November. This increase was driven by a higher contribution from the holdings of non-monetary financial intermediaries and, to a lesser extent, non-financial corporations, while the contribution from households remained broadly stable. At the same time, given their overwhelming importance as holders of these instruments, households continue to account for most of the high level of growth in short-term deposits and repurchase agreements.

Box 1

DEVELOPMENTS IN SHORT-TERM DEBT SECURITIES WITHIN M3

When held by the money-holding sector, MFI debt securities issued with an agreed maturity of up to two years are one component of the broad monetary aggregate M3, and are recorded as part of marketable instruments (i.e. the difference between M3 and M2). These short-term debt securities currently account for only 2.4% of the outstanding stock of M3 (and 17% of the stock of marketable instruments in M3), but they have grown very strongly in recent months. In November 2006, their annual growth rate was 49.7%. As a result, the contribution of short-term debt securities to annual M3 growth has been relatively large of late, close to 1 percentage point in October and November 2006 (see Chart A).[1] This box briefly reviews the factors behind the developments in short-term debt securities within M3.

The growth of short-term debt securities has followed the business cycle

Chart A suggests that the evolution of the annual growth rate of short-term MFI debt securities since 1999 has broadly followed the business cycle. In particular, these securities are currently growing strongly in an environment of robust economic activity. A similar pattern was visible in 2000, i.e. during the previous period of strong economic growth. Moreover, when the expansion of economic activity was more subdued between 2002 and 2004, the stock of outstanding short-term debt securities shrank. When assessing this cyclical pattern, it is useful to review the various factors that may influence the demand for and the issuance of short-term debt securities.

The strong demand for short-term debt securities in 2000 and 2006 is likely to be related to the economic recoveries under way in these two periods. During an economic recovery, when cash flows are strong and new investment opportunities are emerging, corporations need to hold liquid instruments for transaction purposes. MFI short-term debt securities may be particularly

1 As the annual growth rates and the contributions can be very volatile on a month-to-month basis, the charts in this box are based on quarterly data.

Chart A Developments in short-term MFI debt securities

(percentage points; annual percentage changes; quarterly data)

- contribution to annual M3 growth (left-hand scale)
- annual rate of growth (right-hand scale)
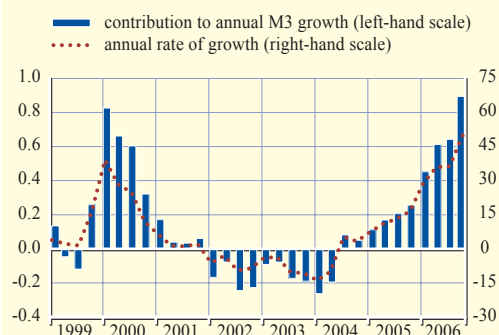
Source: ECB.
Note: The data for the fourth quarter of 2006 refer to October and November.

Chart B Net issuance of short-term debt securities by government

(annual percentage changes)

- net issuance of short-term debt securities by government
- MFI short-term debt securities held by money-holding sector
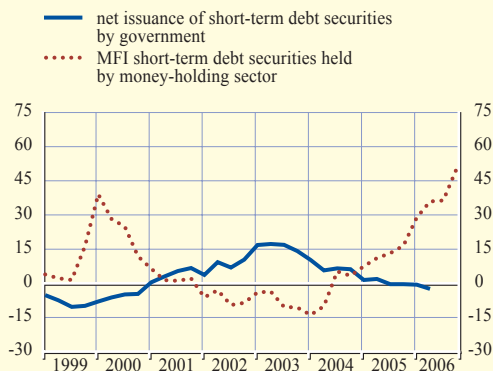
Source: ECB.
Note: The data for the fourth quarter of 2006 for MFI short-term debt securities refer to October and November.

suitable in this respect, as the highest rated of such securities can be sold on the secondary market and, in some cases, are even issued with a sellback option. In this respect, it is likely that MFI short-term debt securities are predominantly held by large non-financial corporations and, to a lesser extent, institutional investors, given that these securities are typically issued in relatively large denominations and their management tends to be more complex than that of other monetary assets.[2] Economic recoveries are typically characterised by periods of rising short-term interest rates. Short-term debt securities may be particularly attractive in such periods, as they are mostly issued at floating rates and, unlike other instruments, thus allow investors to benefit from interest rate increases that occur before the maturity of the security.[3]

In line with the reasoning above, the subdued growth of short-term debt securities between 2002 and 2004 is likely to reflect the subdued economic activity and the relatively stable interest rates observed during this period. An additional factor may have been the then prevailing weakness of the banking sector, within which credit ratings were deteriorating. By contrast with MFI deposits, MFI debt securities are typically not protected from possible default of the MFI by a deposit insurance scheme. Thus, deposits may have made a more attractive investment during this period. Moreover, investors may have preferred purchasing securities with better credit ratings, such as government bonds, to purchasing MFI debt securities. As fiscal deficits rose between 2002 and 2004, the net issuance of short-term debt securities by governments increased, which may have enhanced the substitution out of MFI short-term debt securities (see Chart B). Since 2005, with stronger economic growth and rising tax receipts, the financing needs of the public sector have diminished somewhat and net issuance of government securities has therefore declined. Consequently, investors in short-term government debt securities have

2 This is suggested by the data on sectoral holdings of debt securities in the quarterly financial accounts. The reason why non-financial corporations might prefer debt securities to money market fund shares/units is that the remuneration of an MFI debt security is similar to that of a government debt security, while in the case of mutual fund investments the investor is charged with fees. Furthermore, an investment in debt securities enables investors to choose the preferred asset directly, whereas in the case of a mutual fund investment, this decision lies with the fund managers.
3 From the issuer point of view, issuing short-term debt securities at floating rates permits an easier quotation, and, if needed, hedging instruments against the interest risk are available on the interest rate swap market.

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sought alternative assets and may have switched (back) to short-term MFI debt securities, which are a close proxy for short-term government debt.

Structural factors might also have played a role in the growth of short-term debt securities

Apart from these conjunctural factors, there may also be explanations of a more structural nature for the strong dynamics of short-term debt securities in recent quarters. This is suggested by the cross-country variation in the pickup of MFI short-term debt securities, with some euro area countries exhibiting strong growth rates well ahead of the time at which conjunctural factors, such as the economic recovery or the rise in short-term interest rates, suggested such a strengthening would take place. Moreover, the euro area countries that have contributed most to the rising contribution of short-term debt securities to annual M3 growth in recent quarters differ from those that contributed strongly in 2000. These observations suggest that there may have been structural factors at work – such as regulatory changes in the national markets – which, for instance, have changed the issuance policies of banks.

Overall, on the basis of currently available information, it is likely that the recent strength of growth in short-term debt securities is due both to conjunctural factors and to structural influences. In order to distinguish between these two sets of factors, it will be interesting to observe whether the buoyant developments in debt securities in recent quarters will unwind once the current interest rate tightening cycle is perceived to have come to an end, and, if they unwind, whether this happens via shifts into other components contained in M3 or via financial instruments outside M3.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector remained unchanged at 11.2% in November. The ongoing robust demand for loans reflects both the low level of interest rates in the euro area and the strength of economic activity. At the same time, strong aggregate loan dynamics in November mask divergent sectoral developments.

The annual rate of growth of loans to households remained unchanged at 8.7% in November (see Table 2). The ongoing strength of lending to households continued to be largely attributable to borrowing for house purchase, which continues to be vigorous, despite a continuation of the downward trend in the annual growth rate observed since April 2006 (to 10.2% in November, from 12.2% in April). Developments in housing loans are likely to reflect a moderation in house price growth and housing market activity in a number of euro area economies over the course of 2006, as well as higher interest rates on loans for house purchase, which nonetheless remain at low levels by historical standards. The annual growth rate of consumer credit also declined further in November, to 7.9%, having stood at 8.0% in the previous month.

By contrast, the annual growth rate of MFI loans to non-financial corporations continued the upward trend observed since early 2004, rising to 13.1% in November, from 12.9% in October. This further strengthening was broadly based across loan maturities, which might reflect relatively favourable conditions for external financing via MFI loans. For further details, see Box 2 entitled "Factors underlying the strong acceleration of loans to euro area non-financial corporations".

Looking at developments in overall MFI credit granted to euro area residents, in November the annual growth rate declined somewhat as compared with the previous month. This decrease is attributable to a further moderation in the annual growth rate of credit granted to government and a slight decline in the growth of credit granted to the private sector. The expansion of MFI credit to the private sector over recent months reflects not only continued strong lending to the private sector, but also a high rate of acquisition by MFIs of securities issued by the private sector.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) rose to 9.2%, from 8.7% in October. Against the background of somewhat lower growth in credit to the private sector and somewhat higher growth in longer-term financial liabilities, the rise in annual M3 growth in November was essentially due to an exceptional rise in MFIs' net external asset position. The monthly flow in this position was €94 billion in November 2006, the largest inflow recorded since the beginning of Stage Three of EMU, and, together with a base effect of around €40 billion, amounted to a rise in the annual flow to €180 billion (from €46 billion in October). Such high net capital inflows were last recorded in mid-2003, i.e. at the end of a period in which global financial uncertainties had induced strong external inflows into money (see Chart 5). However, the

Chart 5 Counterparts of M3

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

- credit to the private sector (1)
- credit to general government (2)
- net external assets (3)
- longer-term financial liabilities (excluding capital and reserves) (4)
- other counterparts (including capital and reserves) (5)
- M3
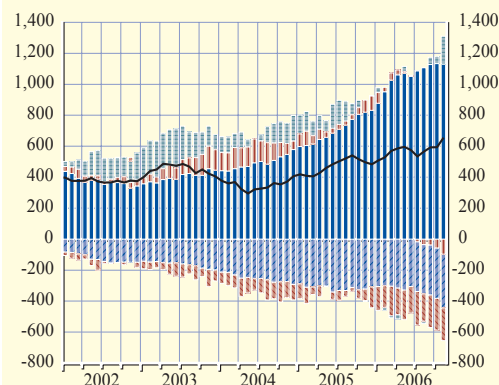
Source: ECB.
Notes: M3 is shown for reference only (M3 = 1+2+3-4+5). Longer-term financial liabilities (excluding capital and reserves) are shown with an inverted sign, since they are liabilities of the MFI sector.

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recent exceptional strength of net external asset flows appears to reflect intra-financial sector transactions.

Summing up the information from the counterparts, the low level of interest rates and the improved economic conditions continued to be the main driving forces behind the strength of MFI loans to the private sector. At the same time, the exceptional increase in the annual flow of the net external asset position of MFIs in November explains almost all of the rise in annual M3 growth on the counterparts side.

FACTORS UNDERLYING THE STRONG ACCELERATION OF LOANS TO EURO AREA NON-FINANCIAL CORPORATIONS

Central banks have a key interest in understanding the factors driving corporate loan developments. For instance, MFI loans to non-financial corporations represent one of the main counterparts to the monetary aggregates and therefore play an important role in the monetary analysis. Moreover, firms' lending as part of overall corporate financing may provide important advance information about their fixed-capital investment behaviour, which, in turn, is relevant for the analysis of the economic situation. In recent quarters, the non-financial corporate sector in the euro area has increasingly had recourse to loan financing. By end-November 2006 MFI loans to non-financial corporations reached an annual nominal growth rate of 13.1%. This strong growth was particularly pronounced with regard to loans at medium and long-term maturities (more than one year), while a pick-up in short-term loans has also been witnessed more recently. This box examines the underlying forces behind this development, which seems to be driven by a confluence of economic and financial factors.

Corporate loan developments are typically driven by a combination of loan supply and demand factors. On the supply side, banks' credit conditions determine the availability of credit as a source of external financing for non-financial corporations. On the demand side, non-financial corporate borrowing is driven by financing needs in excess of firms' internal financing sources (the "financing gap"), as firms seek to finance items such as real fixed investment, the purchase of inventories, balance sheet restructuring and investment of a more financial nature, in particular mergers and acquisitions (M&As).

The increase in non-financial corporate loan growth observed in recent months appears to have been driven by several underlying factors. Turning first to the economic factors driving loan demand, the pick-up in firms' MFI lending has partly occurred in parallel with the recovery in fixed investment. The annual growth rate of non-residential investment reached 5.7% in the second quarter of 2006. This compares with 2.6% in the second quarter of 2005, but remains below the growth rates observed in 1998-2000 during the IT investment boom (see Chart A). The October 2006 bank lending survey also indicated that the strong rise in corporate loan demand was increasingly due to the need to finance fixed investment.[1] Likewise, data on syndicated lending to non-financial corporations suggest that a substantial share of recent loan growth has been driven by financing needs for capital expenditure and other general corporate

1 See Box 2, entitled "The results of the October 2006 bank lending survey for the euro area", in the November 2006 issue of the Monthly Bulletin.

Chart A Real annual growth rate of loans to non-financial corporations and non-residential investment	Chart B Syndicated lending to non-financial corporations in the euro area by purpose
(annual percentage changes)	(EUR billions)

— loans to non-financial corporations
······ non-residential investment

— leveraged buyouts
······ other M&As
- - - refinancing
— other
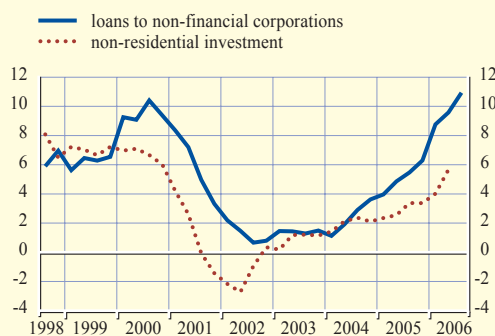
Sources: ECB and Eurostat.
Note: Deflated by the GDP deflator.
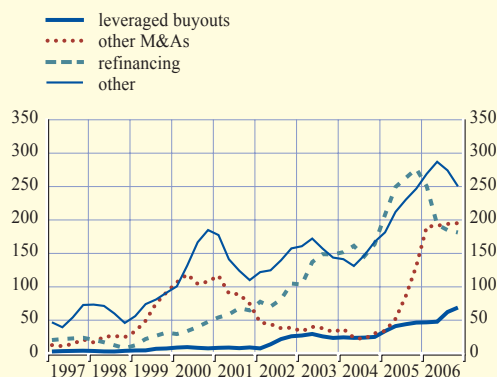
Source: Thomson Deals.

purposes, as well as working capital needs (Chart B; category "other"). More recently, there has also been a rebound in expenditure on inventories.[2] This is likely to have contributed to the pick-up in the nominal growth rate of short-term loans, which reached 10.8% on an annual basis in November 2006.

Financial factors also seem to have played a role in driving recent credit developments in the non-financial corporate sector. In particular, in recent years corporate loan growth has been fuelled by firms' reliance on banks (and cash holdings) to finance an increasing number of M&A transactions, including leveraged buyouts.[3] The value of cash and debt-financed M&A transactions with euro area non-financial corporations acting as acquirers reached around €270 billion on an annual basis in the second quarter of 2006, its highest level since early 2001 (see Chart C). Although M&A activity moderated somewhat in the second half of 2006, it remained strong in historical terms and is therefore likely to have continued to contribute significantly to the rise in loan growth (see Chart B). Moreover, this may also reflect the fact that syndicated lending seems, in recent years, to have replaced debt securities issuance as the primary debt-related financing source for M&A transactions. In addition to the significant rebound in M&A activity, corporate borrowing may also have increased in order to fund other financial investment. According to the balance sheet data of listed companies,[4] there has been a strong increase in euro area firms' financial assets since 2003. By contrast, whereas in previous years non-financial corporations largely had recourse to loan financing in order to restructure and refinance existing debt that had built up during the 1998-2000 period, this effect appears to have abated somewhat in recent years (see Chart B). Furthermore, it cannot be ruled out that funds raised by euro area non-financial corporations are also being used to finance foreign direct investment.

2 As indicated, for example, by the stock of purchased goods in the Purchasing Managers' Index for the euro area, for which expansion was observed during the third quarter of 2006, and as confirmed by the results of the October 2006 bank lending survey, in which "inventories and working capital" was reported as being one of the main factors driving corporate loan demand.
3 See also the box entitled "Recent trends in merger and acquisition activity in the euro area" in the July 2006 issue of the Monthly Bulletin and the box entitled "Recent trends in leveraged buyout transactions in the euro area" in the December 2006 issue of the Monthly Bulletin.
4 Based on data from Thomson Financial Datastream.

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Some additional factors may have increased the capacity of euro area borrowers to acquire debt. First, not only have real interest rates been very low over the past few years, but the spread vis-à-vis some measures of the real cost of equity has also widened, as compared with the situation in 1998-2000. This may have caused a shift towards higher optimal leverage ratios, which has increased the demand for debt. Moreover, the low level of interest rates means that higher debt ratios have not resulted in higher interest payment burdens, which may have further increased firms' borrowing capacity. Furthermore, firms' loan demand may have been affected in regions with booming housing markets. Hence, in addition to corporations that regularly invest in residential property, other firms may also have intended to profit from the rising house prices, which may have contributed to corporate loan growth in some euro area countries in recent years. Notwithstanding the quantitative relevance of this demand impulse, increased property prices are also likely to have had a positive impact on firms' net or collateral value, thereby improving their access to bank financing.

Chart C Non-financial cash and debt-financed M&A transactions

(EUR billions)

— non-financial cash and debt-financed M&A transactions (left-hand scale)
···· MFI loans to non-financial corporations (right-hand scale)

Sources: ECB and Bureau van Dijk (Zephyr database).
Note: 12-month moving total of the flow of loans to non-financial corporations and the value of cash and debt-financed M&A transactions where euro area firms act as acquirer.

Finally, loan supply conditions have undergone remarkable changes in recent years owing to financial and technological innovations. In particular, the increasing importance of loan securitisation and the emergence of credit derivatives markets are likely to have improved banks' credit risk management and may thus have contributed to an outward shift in the banks' loan supply curve.[5] In this context, banks may have improved their ability to diversify their credit risk by selling loans or hedging in the derivatives market. This may have contributed to the observed gradual easing of credit standards applied to loans and credit lines, as reported in the ECB's October 2006 bank lending survey. At the same time, restructuring measures and efforts to increase cost-efficiency have improved banks' lending capacity over recent years.[6]

Overall, the surge in the growth of loans to non-financial corporations observed in recent quarters has been driven by a confluence of factors. As well as being supported by the low level of real interest rates, firms' demand for loans has been fuelled by the need to finance real fixed capital formation, inventories and financial investment, in particular M&A transactions. Moreover, non-financial corporations' access to credit may have improved, for example through an easing of bank credit conditions, partly as a result of improved credit risk management tools in the banking sector, including the emergence of credit derivatives markets.

5 According to the over-the-counter derivatives markets statistics published by the BIS for the first half of 2006, notional amounts outstanding for credit default swap contracts reached around USD 20 trillion by the end of June 2006 (up from USD 10 trillion one year earlier).
6 See "EU banking sector stability", ECB, November 2006.

2.2 SECURITIES ISSUANCE

In October 2006 the annual growth rate of debt securities issued by euro area residents continued to increase at a robust rate. Underlying this development was an increase in the already strong annual growth rate of debt securities issued by non-monetary financial institutions and, to a lesser extent, MFIs. At the same time, the annual growth rate of debt securities issued by non-financial corporations declined slightly and remained at the relatively low levels observed in previous months. The annual rate of growth of quoted shares issued by euro area residents remained stable at a subdued level.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased to 8.0% in October 2006, from 7.4% in September (see Table 3). The annual growth rate of variable rate long-term debt securities, which stood at 16.1% in October, continued to strongly outpace the annual growth rate of fixed rate debt securities (which stood at 5.1%), although the latter has been increasing at a robust pace since June 2006. Issues at variable rates have, therefore, somewhat increased their share in the net issuance of debt securities over recent periods and accounted for around 36% of such issuance over the period between January and October 2006, compared with issues at fixed rates, the share of which stood at 42% over the same period. As regards the maturity structure of debt securities issuance, the annual growth rates of both short and long-term securities issuance increased in October 2006, reaching 6.6% and 8.2% respectively.

Looking at issuance activity by sector, the annual growth rate of debt securities issued by non-financial corporations decreased to 4.5% in October (see Chart 6). The relatively modest growth observed over recent periods – in particular compared with the robust growth in MFI loans to non-financial corporations – seems to be reflecting euro area corporations' ongoing replacement of debt securities issuance with bank loans as a source of external financing. The funds raised through corporate loans may have contributed to the strong merger and acquisition and leveraged

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2006 Oct.	Annual growth rates[1]					
		2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Sep.	2006 Oct.
Debt securities:	**11,020**	**7.5**	**7.4**	**7.4**	**7.1**	**7.4**	**8.0**
MFIs	4,521	9.2	8.9	9.2	8.4	9.0	9.7
Non-monetary financial corporations	1,111	21.5	25.4	26.4	26.6	27.0	29.8
Non-financial corporations	644	3.5	3.4	3.7	4.6	4.8	4.5
General government	4,743	4.3	3.7	3.0	2.8	2.7	3.0
of which:							
Central government	4,445	3.9	3.2	2.5	2.2	2.2	2.6
Other general government	298	12.3	11.8	11.4	11.6	10.2	9.3
Quoted shares:	**5,853**	**1.2**	**1.2**	**1.1**	**1.2**	**1.2**	**1.1**
MFIs	1,016	2.2	1.2	1.5	1.8	1.7	2.0
Non-monetary financial corporations	613	3.2	3.5	2.2	1.5	1.5	1.1
Non-financial corporations	4,224	0.7	0.9	0.9	1.1	1.0	0.9

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

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buyout activity observed in the euro area corporate sector over recent years (see Box 2). In October the annual rate of growth of short-term debt securities issuance by non-financial corporations increased and became positive, reaching 0.6%, while the annual growth rate of long-term debt securities issuance by such corporations decreased to 5.3%.

In October 2006 the annual growth rate of debt securities issued by MFIs increased further, to 9.7%, from 9.0% in September. Growth in fixed rate issuance has strengthened somewhat over the last year, while the growth rate of floating rate issuance has declined significantly. The annual growth rate of fixed rate issuance remains, however, below that of floating rate issuance. The annual growth rate of short-term debt securities issuance increased significantly in October to stand at 18.3%, while the issuance of long-term debt securities continued to grow at rates similar to those observed in previous months (see also the box entitled "Developments in short-term debt securities within M3"). Overall, the strong growth of debt issuance by the MFI sector is likely to reflect considerable demand for funds to refinance the robust growth of MFI loans to non-financial corporations.

In October 2006 the annual growth rate of debt securities issued by non-monetary financial corporations rose significantly to stand at 29.8%. This high level of growth is to a large extent related to non-financial corporations, MFIs and other intermediaries securing external debt financing indirectly via non-monetary financial corporations through financial subsidiaries and special purpose vehicles. In this respect, the high level of issuance by non-monetary financial

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

(annual growth rates)

- total
- monetary financial institutions
- non-monetary financial corporations
- non-financial corporations
- general government
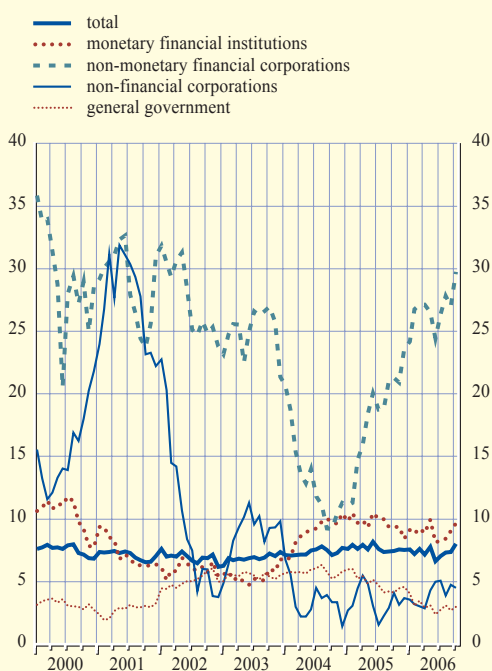
Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

Chart 7 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)

- total
- monetary financial institutions
- non-monetary financial corporations
- non-financial corporations
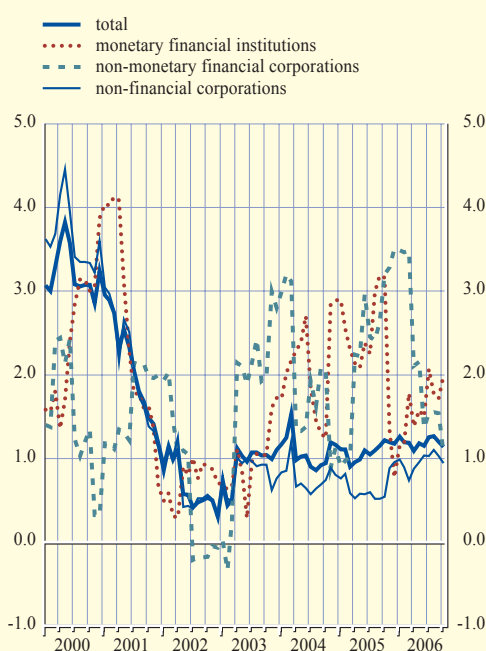
Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

corporations may also reflect issuance related to leveraged buyout activity, which was very strong in the course of 2006.[1]

The annual growth rate of debt securities issued by the general government sector, which increased slightly to 3.0% in October 2006 (from 2.7% in September), appears to have halted its downward trend at a level relatively close to the historically low levels observed at the beginning of 2001. These movements reflect developments in the annual growth rate of debt securities issued by the central government sector (which stood at 2.6% in October). Growth in the issuance activity of the other general government sector continues to be significantly stronger, standing at an annual rate of 9.3% in October 2006, despite moderating over previous months.

QUOTED SHARES
The annual growth rate of quoted shares issued by euro area residents remained broadly stable at 1.1% in October. In terms of sectoral issuance, the annual growth rate of quoted shares issued by non-financial corporations, which account for around three-quarters of outstanding quoted shares, remained broadly unchanged from the previous month, at 0.9% in October (see Chart 7). The annual growth rate of quoted shares issued by MFIs increased somewhat to stand at 2.0% in October.

2.3 MONEY MARKET INTEREST RATES

Between the beginning of December 2006 and early January 2007 money market interest rates rose across the money market maturity spectrum. As the increase in money market interest rates at longer maturities was greater than that observed at shorter maturities, the slope of the money market yield curve steepened somewhat over that period.

Over the period from the beginning of December 2006 to early January 2007 money market interest rates rose, with the most marked increase being observed at the longer end of the money market maturity spectrum. Compared with the beginning of December, interest rates at one, three, six and twelve-month maturities increased by 2, 11, 14 and 21 basis points respectively, to stand at 3.61%, 3.74%, 3.88% and 4.06% on 10 January 2007. As a result, the slope of the money market yield curve steepened. The spread between the twelve-month and the one-month EURIBOR rose from 26 basis points at the beginning of December 2006 to 45 basis points on 10 January 2007 (see Chart 8).

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in March 2007, June 2007 and September 2007 stood at 3.94%, 4.10% and 4.14% respectively on 10 January. These rates were 16, 29 and 37 basis points higher than the corresponding levels observed at the beginning of December.

On 7 December 2006 the Governing Council decided to raise the key ECB interest rates by 25 basis points, with the minimum bid rate in the Eurosystem's main refinancing operations being set at 3.50% as from the operation settled on 13 December 2006. Towards the end of the maintenance period ending on 12 December 2006, the EONIA reached levels of 3.35%, amid market participants' expectations of tight liquidity conditions. Although the ECB conducted a

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1 See Box 4, entitled "Recent trends in leveraged buyout transactions in the euro area", in the December 2006 issue of the Monthly Bulletin.

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Chart 8 Money market interest rates

(percentages per annum; daily data)

— one-month EURIBOR (left-hand scale)
⋯ three-month EURIBOR (left-hand scale)
- - - twelve-month EURIBOR (left-hand scale)
— spread between twelve-month and one-month
EURIBOR (right-hand scale)
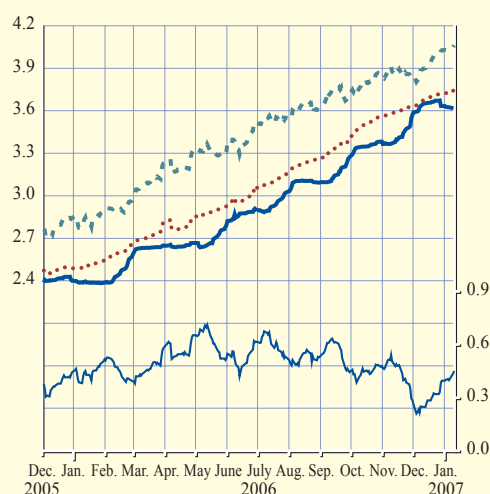
Sources: ECB and Reuters.

Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)

— minimum bid rate in the main refinancing operations
⋯ marginal lending rate
- - - deposit rate
— overnight interest rate (EONIA)
◆◆◆ marginal rate in the main refinancing operations
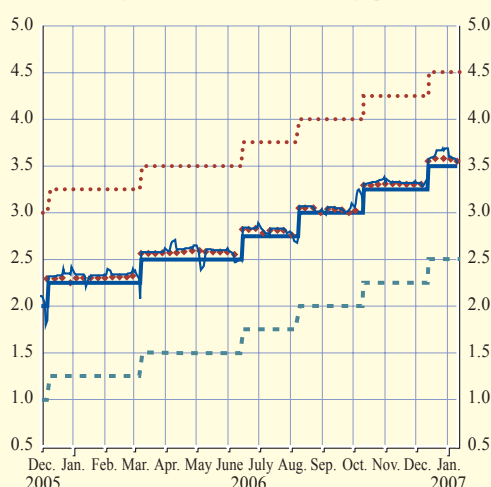
Sources: ECB and Reuters.

liquidity-providing fine-tuning operation on 12 December, the EONIA settled at 3.36%. The EONIA rose to 3.57% at the beginning of the maintenance period starting on 13 December, reflecting the increase in key ECB interest rates. The overnight rate showed a significant further increase during the second week of the maintenance period, which covered the Christmas holidays. On the last trading day of the year the overnight rate rose again, to 3.69%, reflecting the usual end-of-the-year effect. The magnitude of this effect was similar to that seen in the previous two years. As in the past, the ECB provided banks with ample liquidity in December in order to counteract liquidity uncertainty related to the holiday period. On 10 January 2007 the EONIA fell to 3.53%, which implied a spread of 3 basis points above the minimum bid rate (see Chart 9).

In the maintenance period starting on 13 December the marginal and average rates in the Eurosystem's main refinancing operations rose, reflecting the Governing Council's decision of 7 December to increase the key ECB interest rates. Liquidity was provided at a marginal rate of 3.55-3.58% and a weighted average rate of 3.56-3.58%. The one exception was the tender operation covering the end of the year, where the weighted average rate rose to 3.68%, with the unusually large spread between the marginal and weighted average rate in the ECB's tender reflecting heightened uncertainty at the end of the year.

In the Eurosystem's longer-term refinancing operation settled on 21 December 2006 the marginal and weighted average rates stood at 3.66% and 3.67% respectively. These tender rates were 5 and 4 basis points lower respectively than the three-month EURIBOR prevailing on that date.

2.4 BOND MARKETS

Long-term government bond yields increased markedly in the euro area and the United States in the course of December. This was mainly the result of higher real yields. At the same time, inflation expectations and related risk premia – as measured by break-even inflation rates – remained broadly unchanged. The increase in real yields in the euro area mostly reflected market perceptions of a more promising economic outlook, as indicated by better than expected recent economic data releases.

Long-term government bond yields rose in both the euro area and the United States in the course of December, reversing the modest declines seen in November (see Chart 10). In the euro area, ten-year government bond yields increased by around 35 basis points between end-November and 10 January to stand at 4.1% on the latter date. The increase in the comparable long-term rate in the United States was somewhat weaker, with that rate rising by 20 basis points to stand at around 4.7% on 10 January. In Japan, the ten-year bond yield increased by 10 basis points and ended the period under review at around 1.8%. Measures of implied bond market volatility changed very little in both the euro area and the United States, suggesting that market participants' uncertainty regarding the short-term outlook for the bond market remained low by historical standards.

In the United States, real and nominal long-term government bond yields rose in tandem, leaving compensation for expected inflation and associated risk premia broadly unchanged. These yield increases can in turn be linked, to some extent, to better than expected incoming macroeconomic data. In particular, employment surveys published at the beginning of the review period exerted strong upward pressure on long-term government bond yields, which were further supported by strong retail sales growth reported in mid-December. The FOMC's decision, taken on 12 December,

Chart 10 Long-term government bond yields

(percentages per annum; daily data)

- euro area (left-hand scale)
- United States (left-hand scale)
- Japan (right-hand scale)
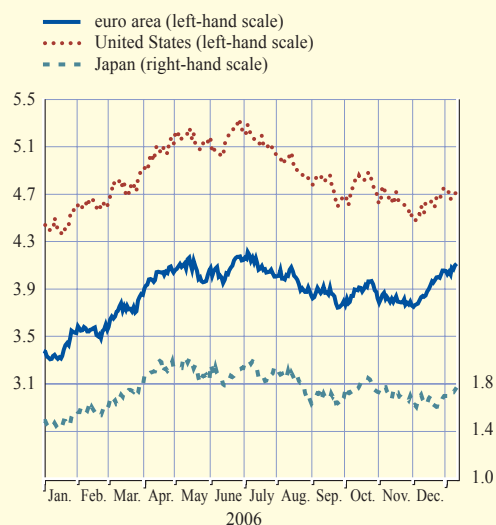
Sources: Bloomberg and Reuters.
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

Chart 11 Zero-coupon spot and forward break-even inflation rates in the euro area

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

- five-year forward break-even inflation rate five years ahead
- five-year spot break-even inflation rate
- ten-year spot break-even inflation rate

Sources: Reuters and ECB calculations.

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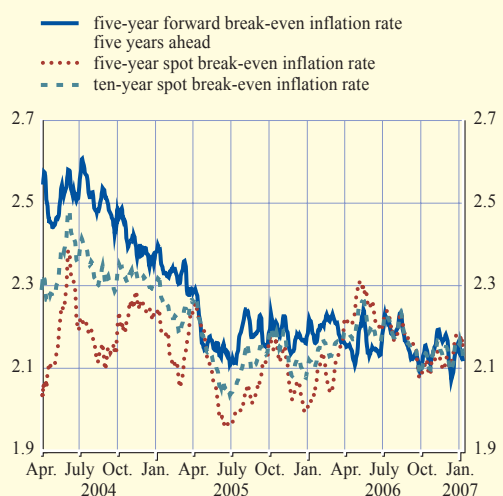
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to leave the federal funds target rate unchanged at 5.25%, which was widely expected by market participants, did not have a marked impact on bond yield developments. Market participants' inflation expectations and related risk premia in the United States – as reflected in long-term break-even inflation rates – seemed to remain broadly unchanged over the review period. On 10 January the break-even inflation rate calculated from 2015-maturity bonds stood at a level of around 2.3%.

Government bond yields rose more strongly in the euro area than in the United States, with the spread between US and euro area ten-year government bonds narrowing by around 15 basis points to stand at 60 basis points on 10 January. The increase in euro area nominal long-term bond yields seemed to reflect, to some extent, growing optimism on the part of market participants as regards the economic outlook in the euro area over the short to medium term. This view is supported, for example, by the generally positive economic data releases over the review period and the fact that the yield on the 2015-maturity index-linked bond increased by around 40 basis points between the end of November 2006 and 10 January 2007.

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)

— 10 January 2007
····· 30 November 2006

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

Long-term break-even inflation rates in the euro area remained almost unchanged overall in the period under review. The five-year forward break-even inflation rate five years ahead, a measure of only long-term inflation expectations and related risk premia, decreased marginally, remaining at a level close to 2.1% (see Chart 11). Moreover, break-even inflation rates at five and ten-year maturities stood in early January at levels very close to each other, indicating relatively similar inflation expectations and related risk premia over these horizons.

The upward shift over the review period in the implied forward overnight interest rate curve in the euro area at short to medium-term horizons is probably due in part to the apparent improvement in the economic outlook as perceived by investors (see Chart 12). However, the fact that a noticeable upward shift was observed for the curve as a whole possibly suggests that term premia, in particular at the long end of the curve, might have rebounded somewhat from the very low levels seen over recent months and years.[2] The Governing Council's decision, taken on 7 December, to raise the key ECB interest rates by 25 basis points was well anticipated by markets and thus did not lead to a substantial revision of future interest rate expectations, which would have affected bond yields.

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2   See the box entitled "The recent flattening of the euro area yield curve: what role was played by risk premia?" in the December 2006 issue of the Monthly Bulletin.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In October 2006 most MFI interest rates continued their upward trend, while remaining at relatively low levels.

In October 2006 short-term MFI interest rates generally increased by comparison with the previous month. In most cases, these increases were of broadly the same order of magnitude as those observed for comparable money market rates (see Table 4 and Chart 13). At the same time, changes in MFI interest rates on bank overdrafts and overnight deposits were, as is normally the case, less pronounced.

Taking a longer-term perspective, most short-term MFI interest rates have risen in line with movements in money market rates, which have been increasing since September 2005. Over the last year, short-term MFI interest rates have tended to increase by less than their money market equivalents. From August, however, this tendency has moderated and even reversed, reflecting

Table 4 MFI interest rates on new business

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

| | 2005 Q3 | 2005 Q4 | 2006 Q1 | 2006 Q2 | 2006 Sep. | 2006 Oct. | Change in basis points up to Oct. 2006[2] | | |
							2006 Mar.	2006 June	2006 Sep.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.96	2.14	2.36	2.56	2.87	3.03	67	47	16
with an agreed maturity of over two years	2.02	2.18	2.43	2.57	2.68	2.84	41	27	16
redeemable at notice of up to three months	1.98	1.97	1.98	2.03	2.26	2.29	31	26	3
redeemable at notice of over three months	2.29	2.30	2.37	2.52	2.68	2.74	37	22	6
Overnight deposits from non-financial corporations	0.97	1.03	1.15	1.23	1.36	1.45	30	22	9
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.04	2.26	2.48	2.70	2.98	3.19	71	49	21
with an agreed maturity of over two years	2.98	3.55	3.34	3.23	3.70	4.19	85	96	49
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.97	6.73	6.77	7.15	7.89	7.63	86	48	-26
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.32	3.48	3.74	4.02	4.31	4.42	68	40	11
with an initial rate fixation of over five and up to ten years	4.00	4.03	4.23	4.51	4.63	4.59	36	8	-4
Bank overdrafts to non-financial corporations	5.13	5.14	5.30	5.46	5.69	5.76	46	30	7
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.81	3.99	4.23	4.47	4.74	4.91	68	44	17
with an initial rate fixation of over five years	4.06	4.10	4.19	4.40	4.59	4.59	40	19	0
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.97	3.23	3.50	3.74	4.02	4.22	72	48	20
with an initial rate fixation of over five years	3.88	3.98	4.22	4.26	4.48	4.47	25	21	-1
Memo items									
Three-month money market interest rate	2.14	2.47	2.72	2.99	3.34	3.50	78	51	16
Two-year government bond yield	2.21	2.80	3.22	3.47	3.62	3.69	47	22	7
Five-year government bond yield	2.60	3.07	3.47	3.78	3.70	3.77	30	-1	7

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

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

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

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

Source: ECB.
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled ''Analysing MFI interest rates at the euro area level'' 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])

— five-year government bond yield
····· loans to non-financial corporations of over €1 million with an initial rate fixation of over five years
– – loans to households for house purchase with an initial rate fixation of over five and up to ten years
— deposits from non-financial corporations with an agreed maturity of over two years
— deposits from households with an agreed maturity of over two years
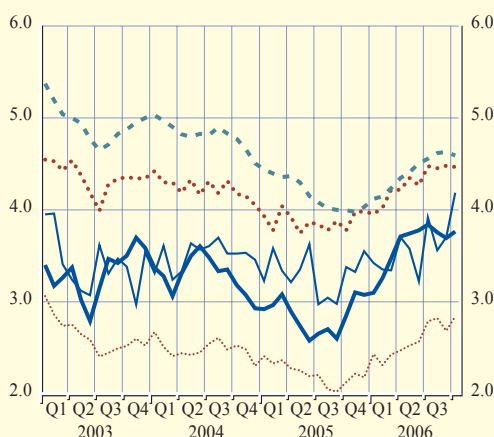
Source: ECB.
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled ''Analysing MFI interest rates at the euro area level'' in the August 2004 issue of the Monthly Bulletin.

the lagged pass-through of previous increases. The three-month market rate rose by around 103 basis points in the period between December 2005 and October 2006. By comparison, MFI interest rates on deposits by households with an agreed maturity of up to one year rose by around 89 basis points. Similarly, increases in MFI interest rates on loans with floating rates and an initial rate fixation of up to one year ranged from 90 to 99 basis points over the same period. In October 2006, however, the month-on-month increases seen in money market rates and MFI rates on deposits and loans were broadly comparable, with the exception of MFI interest rates on short-term loans to households for consumption purposes, for which a decrease was observed.

In October 2006 long-term MFI interest rates on deposits increased significantly, while long-term MFI rates on loans remained broadly unchanged (see Table 4 and Chart 14). In the period up to October 2006 increases in long-term MFI loan rates were generally smaller than the increases observed in market interest rates with a comparable maturity. This is likely to reflect the fact that there are typically some lags in the adjustment of retail banking rates to changes in market interest rates. At the same time, it should also be noted that MFI interest rates on deposits by non-financial

corporations with an agreed maturity of over two years have fluctuated considerably and stood at around 4.2% in October.

Looking back over a somewhat longer period, the majority of long-term MFI interest rates on loans have followed the upward movements observed in equivalent market interest rates since September 2005. Those increases in MFI interest rates have, however, remained smaller than those recorded for long-term market interest rates, thereby reducing bank spreads. The five-year euro area government bond yield, for instance, rose by 70 basis points between December 2005 and October 2006. MFI interest rates on loans to households for house purchase with an initial rate fixation of over five and up to ten years increased by only around 56 basis points over that period. In the case of loans to non-financial corporations with an initial rate fixation of over five years, MFI interest rates increased by 49 basis points irrespective of the size of the loans. The increases observed in long-term deposit rates between December 2005 and October 2006 are comparable to the increases seen in the relevant market rates, suggesting that the interest rate pass-through is now almost complete.

2.6 EQUITY MARKETS

Stock prices increased sharply in December in the euro area and Japan, whereas a more moderate increase was recorded in the United States. Recent developments in the euro area can be seen against the backdrop of continued robust actual and expected earnings growth, generally favourable news concerning the economic outlook and probably also a further increase in investors' appetite for risk.

Broad-based stock price indices continued to rise in major markets in December (see Chart 15). These developments can be seen against the backdrop of generally favourable news concerning the economic outlook in the economies concerned. Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, increased sharply, by around 4%, between end-November 2006 and 10 January 2007. In the United States, the Standard & Poor's 500 index rose by a more modest 1% over the same period. Stock prices in Japan, as measured by the Nikkei 225 index, also rose by around 4%. In both the euro area and the United States, market participants' uncertainty regarding near-term stock market developments, as measured by implied volatility extracted from stock options, increased slightly during the review period. However, implied volatility remained low by historical standards on both sides of the Atlantic.

Stock prices in the United States continued to rise in December. On average, earnings growth figures continued to surprise on the upside. Actual annual earnings growth for corporations in the Standard & Poor's 500 index remained broadly unchanged compared with November, at around 14%, while analysts' expected earnings growth 12 months ahead remained close to the 10% level in December according to I/B/E/S.[3] However, the rise in long-term interest rates and some market speculation that the Federal Reserve could pursue a tighter monetary policy than had previously been expected may have prevented further stock price gains.

Euro area stock prices increased markedly during the review period, despite the rise in long-term interest rates. Several factors contributed to this increase, including continued robust actual corporate earnings growth figures and positive news concerning the economic outlook. Actual

3   Institutional Brokers' Estimates System.

Chart 15 Stock price indices

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

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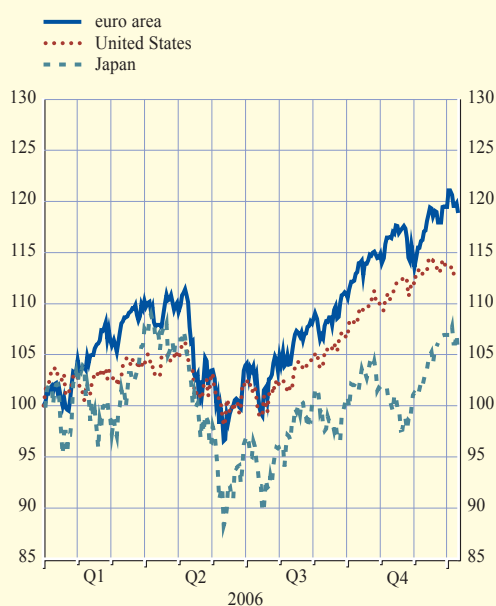
Sources: Reuters and Thomson Financial Datastream.
Note: The indices used are the Dow Jones EURO STOXX broad index for the euro area, the Standard & Poor's 500 index for the United States and the Nikkei 225 index for Japan.

Chart 16 Implied stock market volatility

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

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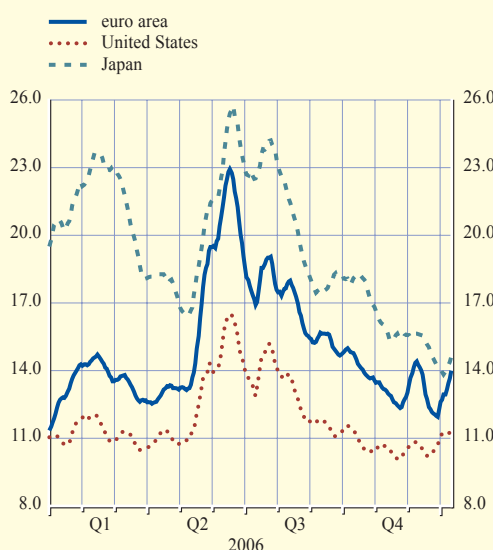
Source: Bloomberg.
Note: The implied volatility series reflects the expected standard deviation of percentage changes in stock prices over a period of up to three months, as implied in the prices of options on stock price indices. The equity indices to which the implied volatilities refer are the Dow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

year-on-year earnings growth for firms in the Dow Jones EURO STOXX index was around 19% in December, a level sustained for most of 2006. According to I/B/E/S, analysts' expected earnings growth for firms in that index declined marginally not only for the next 12 months, but also at longer horizons (three to five years ahead). However, that expected earnings growth remained at around 10% and was thus broadly in line with the robust figures observed during the last two years.

Furthermore, stock prices in the euro area may also have benefited from the perception of a lower level of risk and a greater appetite for risk on the part of market participants, with both driving down the premium which investors require to hold shares. Consistent with an increase in market participants' general appetite for risk is the fact that euro area BBB-rated corporate bond spreads were further compressed during December and early January.

In December and early January long-term interest rates increased markedly on both sides of the Atlantic, whereas significant increases in stock prices were observed only in the euro area. Since long-term interest rates are used to discount future earnings, a strong increase in interest rates usually leads to stock prices responding in a more moderate manner to signs of a more positive economic outlook. Against this background, the strong increase in euro area stock prices might be linked to the robustness of earnings and stock market prospects more generally. The Global Fund Manager Survey in December showed that stock market valuation levels and the outlook for corporate earnings were both perceived as being relatively more favourable in the euro area, possibly allowing more scope for euro area stock prices to react to positive news.

3 PRICES AND COSTS

HICP inflation is estimated to have remained unchanged at 1.9% in December 2006, after having increased on account of a base effect in November. While the latest developments in producer prices continue to point towards upward price pressures as a result of past increases in oil and non-oil commodity prices, cost pressures from the labour market remain contained. In early 2007, HICP inflation is likely to be affected by the rise in indirect taxes in January, although the precise impact of the implemented tax increases remains uncertain. HICP inflation is likely to be volatile over the course of 2007 as a result of base effects and also depending on future oil price developments. Looking further ahead, annual inflation rates are projected to hover around 2% in this year and the next. Risks to the inflation outlook remain on the upside.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR DECEMBER 2006

According to Eurostat's flash estimate, overall HICP inflation was stable at 1.9% in December (see Table 5). No detailed information is available as yet on the changes in the HICP components. Should the flash estimate be confirmed, HICP inflation would have averaged 2.2% in 2006, the same rate as that registered in 2005.

HICP INFLATION UP TO NOVEMBER 2006

HICP inflation rose significantly to 1.9% in November 2006, up from 1.6% in October (see Chart 17). This increase in headline inflation is explained almost in full by an unfavourable base effect on energy prices, but there was also a slight increase in the unprocessed food component. The annual rate of change in the HICP excluding unprocessed food and energy remained unchanged at 1.6%, reflecting broadly stable rates of increase in the prices of the less volatile main components of the HICP.

Developments in energy prices have shaped the pattern of overall HICP inflation to a significant extent for most of 2006. The drop in oil prices, as well as favourable base effects, was the main driver behind the fall in headline inflation between July and October. In November, however, the unfavourable base effect emanating from the decline in energy prices in November 2005 more

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2005	2006	2006 July	2006 Aug.	2006 Sep.	2006 Oct.	2006 Nov.	2006 Dec.
HICP and its components								
Overall index [1]	2.2	.	2.4	2.3	1.7	1.6	1.9	*1.9*
Energy	10.1	.	9.5	8.1	1.5	-0.5	2.1	.
Unprocessed food	0.8	.	3.2	3.9	4.6	4.2	4.4	.
Processed food	2.0	.	2.3	2.2	1.8	2.3	2.2	.
Non-energy industrial goods	0.3	.	0.6	0.6	0.8	0.8	0.8	.
Services	2.3	.	2.1	1.9	2.0	2.1	2.1	.
Other price indicators								
Industrial producer prices	4.1	.	6.0	5.7	4.6	4.0	4.3	.
Oil prices (EUR per barrel)	44.6	52.9	58.8	57.8	50.3	47.6	46.7	47.4
Non-energy commodity prices	9.4	24.8	26.7	26.8	26.4	28.7	22.9	17.7

Sources: Eurostat, HWWA and ECB calculations based on Thomson Financial Datastream.
Note: Data on industrial producer prices refer to the euro area including Slovenia.
1) HICP inflation in December 2006 refers to Eurostat's flash estimate.

than offset the impact of simultaneously falling oil prices. As a result, the annual rate of change in energy prices rose from -0.5% in October to 2.1% in November. As explained in Box 3, base effects relating to energy and also other HICP components are likely to influence the monthly pattern of annual HICP inflation rates significantly in 2007.

Box 3

THE ROLE OF BASE EFFECTS IN DRIVING RECENT AND PROSPECTIVE DEVELOPMENTS IN HICP INFLATION

The annual rate of change in the HICP has recently shown considerable volatility: from 2.3% in August 2006, it decreased sharply to 1.7% in September and 1.6% in October, before rebounding to 1.9% in November. This profile can be largely explained by developments in energy prices, in particular oil prices. However, the changes in the annual rate of growth of the HICP in specific months have been due not only to recent short-term price developments (i.e. movements from one month to the next) but also to price volatility in the previous year, through the so-called "base effect". The base effect can be defined as the contribution to the change in the year-on-year inflation rate in a particular month that stems from a deviation of the month-on-month rate of change in the base month (i.e. the same month one year earlier) from the usual seasonal pattern.[1] For some components, however, this measurement might be surrounded by some uncertainty, as their seasonal pattern may be volatile (unprocessed food prices may be influenced by weather conditions; the seasonality of package holiday prices might shift due to calendar effects), or may change over time (for instance, changes in regulations concerning

discount practices during the sales period might affect the seasonal pattern of non-energy industrial goods prices in the month of January). This box reviews the role of base effects in driving the most recent HICP inflation developments and provides some insight into their prospective impact over the year 2007.

The derivation of a monthly seasonal pattern for each HICP component makes it possible to estimate the respective contributions of base effects and current developments to monthly changes in the annual rate of HICP inflation. As shown in Chart A, base effects contributed significantly to shaping HICP inflation developments in 2006.[2] In particular, substantial base effects, stemming from the strong energy price increases in 2005, had a favourable (downward) impact on the annual

Chart A Decomposition of the monthly changes in the year-on-year rate of change in the HICP in 2006

(annual percentage changes; percentage points)
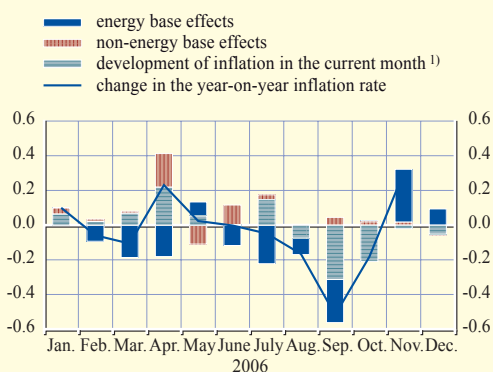
Source: Eurostat and ECB calculations.
1) Calculated as the difference between the change in the year-on-year inflation rate and the combined base effects from energy and non-energy components.

1 See the box entitled "Base effects and their impact on HICP inflation in early 2005" in the January 2005 issue of the Monthly Bulletin.
2 The contributions of base effects to the monthly changes in the year-on-year rate of inflation are calculated as the deviation of the (non-seasonally adjusted) month-on-month change 12 months earlier from the estimated "normal" month-on-month change. The "normal" month-on-month change is obtained by adding an estimated seasonal factor for each month to the average month-on-month change observed since January 1995.

Chart B Seasonally adjusted short-term HICP developments

(annualised three-month percentage changes)

- HICP
- HICP excluding energy and unprocessed food
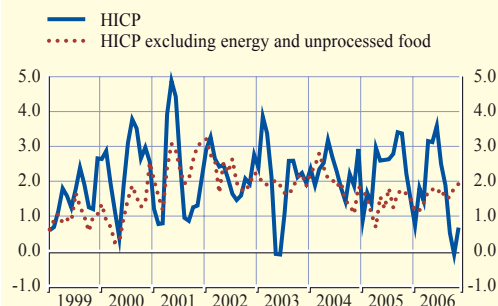
Sources: Eurostat and ECB calculations.
Note: The energy component is not adjusted for seasonal effects.

Chart C Contributions of base effects to the expected monthly changes in annual HICP inflation in 2007

(percentage points)

- energy base effects
- non-energy base effects
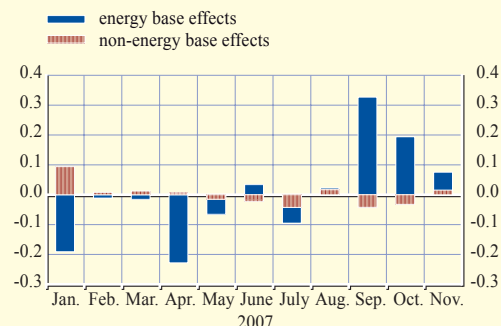
Sources: Eurostat and ECB calculations.

inflation rate for most of the year. In September, around half of the substantial decrease in annual inflation was explained by the strong increase in energy prices one year before, after hurricanes Katrina and Rita. In November, by contrast, a strong unfavourable base effect from energy prices had an upward impact on annual HICP inflation. In December, there is likely to have been a further, albeit more moderate, unfavourable base effect from energy prices. Base effects from non-energy components were, overall, relatively small in 2006, with the notable exception of the period from April to June, owing to some seasonal volatility in services prices. This was due to a shift in the timing of the spring holidays compared with the previous year, which affected package holiday prices.

To complement the analysis of annual changes in the HICP, it is useful to consider recent short-term price changes, e.g. the annualised three-month (seasonally adjusted) rate of change in the HICP.[3] Chart B plots this indicator for both the overall HICP and the HICP excluding energy and unprocessed food. This measure has recently shown very pronounced volatility in the case of the overall HICP index, strongly influenced by month-on-month energy price changes. By contrast, the annualised three-month rate of change in the HICP excluding the most volatile items, energy and unprocessed food, has shown broad stability over the last two years, although it has edged up more recently.

In 2007, base effects are expected to again make a substantial contribution to inflation developments (see Chart C). The most important impact will come from the energy price developments in 2006, which will, overall, favourably influence the headline inflation rate from January to July 2007. In the second half of 2007, by contrast, the year-on-year rate of increase in the HICP will be affected by unfavourable energy base effects, which will be especially strong in September and October. Base effects from non-energy components will, on average for the year as a whole, be relatively weak in 2007. In January, however, the annual HICP inflation rate may be nudged upwards by combined base effects from non-energy industrial goods prices (reflecting deep seasonal discounting in clothing and footwear prices

3 This rate of change can be interpreted as the annual rate of increase that would result if the price increase recorded over the latest three-month period was sustained for a full year. See the box entitled "Analysis of HICP developments based on seasonally adjusted data" in the January 2001 issue of the Monthly Bulletin.

in January 2006) and services prices (notably due to transport price developments a year before). Nevertheless, the total base effect will be favourable in January, due to the above-mentioned strong downward impact of the energy base effect.

Overall, from January to November 2007, cumulated base effects will have an almost neutral impact on the change in the annual rate of increase in the HICP. Total base effects should reduce HICP inflation by 0.4 percentage point from January to July 2007, but then increase it by 0.5 percentage point from August to November 2007.

The above analysis has not only shown that base effects had a significant impact on the monthly changes in the euro area's annual inflation rates in 2006, but also indicated that such effects will also contribute to shape the pattern of headline inflation rates in 2007, when they are expected to lead to a strong upward effect, in particular towards the end of the year. The contribution of base effects to monthly changes in annual headline HICP inflation needs to be taken into account when assessing price developments and underlying inflationary pressures in the course of 2007.

Following a slight decline in October, the annual rate of change in unprocessed food prices again edged up somewhat in November, reflecting an increase in vegetable prices. Despite this impact, however, short-term dynamics indicate that the pressure on overall unprocessed food prices caused by adverse summer weather conditions has eased further, as measured by a fall in the seasonally adjusted annualised three-month rate of change.

The less volatile components of the HICP, i.e. processed food, non-energy industrial goods and services, displayed broadly stable rates of annual increase in November 2006. There was a slight decline in the annual rate of change in processed food prices, while the annual rates of increase in both non-energy industrial goods and services prices remained unchanged. As noted above, the annual rate of increase in the HICP excluding energy and unprocessed food also remained unchanged at 1.6%. Short-term dynamics in this measure have crept up somewhat over the past few months, with the seasonally adjusted annualised three-month rate of change rising from 1.5% in September to 1.9% in November. Taking into account the volatility of short-term movements, the overall assessment of contained domestic price pressures with a relatively limited pass-through of previous increases in oil and non-oil commodity prices at the consumer level nevertheless remained valid.

Chart 17 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)

— total HICP (left-hand scale)
⋯ unprocessed food (right-hand scale)
– – energy (right-hand scale)

— total HICP excluding energy and unprocessed food
⋯ processed food
– – non-energy industrial goods
— services
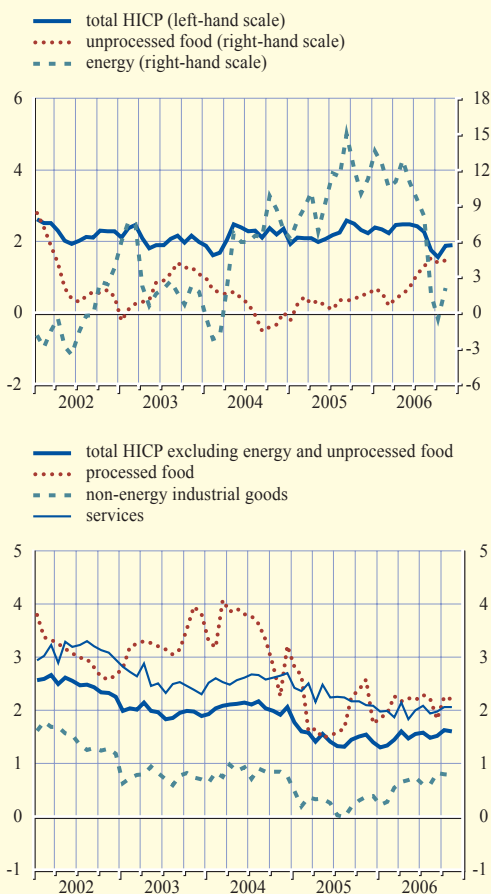
Source: Eurostat.

3.2 INDUSTRIAL PRODUCER PRICES

The annual rate of change in industrial producer prices (excluding construction) increased to 4.3% in November 2006, from 4.0% in October (see Chart 18). As was the case for HICP inflation, this increase in November was due mainly to a base effect in energy prices.

The annual growth rate for prices of intermediate goods eased somewhat further in November, but remained at a very high level. Short-term dynamics in intermediate goods prices, however, have slowed down in recent months, possibly reflecting the decline in oil prices, weaker upward pressure on prices for industrial raw materials and the appreciation of the euro. The annual rate of increase in prices of consumer goods also fell in November, and it appears that the gradual upward movement as a result of the indirect effects of previous increases in commodity prices observed since mid-2005 has currently stalled. By contrast, the annual rate of change in capital goods prices continued to rise, signalling that higher input prices are gradually feeding through. Overall, the pass-through of previous commodity price increases at the producer level remains limited and seems actually to have been mitigated both by the recent decline in oil prices and by the appreciation of the euro. Nevertheless, inflationary tensions further down the production chain still exist and may be passed on to consumers, particularly if the demand situation allows it.

The latest information from the Purchasing Managers' Survey suggests ongoing increases in output prices in manufacturing and services in December, despite a further easing of input prices in manufacturing (see Chart 19). The latter seems to mainly reflect the decline in oil prices observed in the second half of 2006. Although it has moved downwards in recent months, this

Chart 18 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

- total industry excluding construction (left-hand scale)
- intermediate goods (left-hand scale)
- capital goods (left-hand scale)
- consumer goods (left-hand scale)
- energy (right-hand scale)
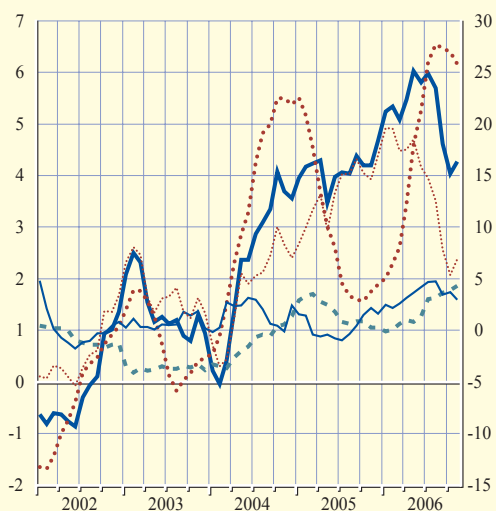
Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Slovenia.

Chart 19 Producer input and output price surveys

(diffusion indices; monthly data)

- manufacturing; input prices
- manufacturing; prices charged
- services; input prices
- services; prices charged
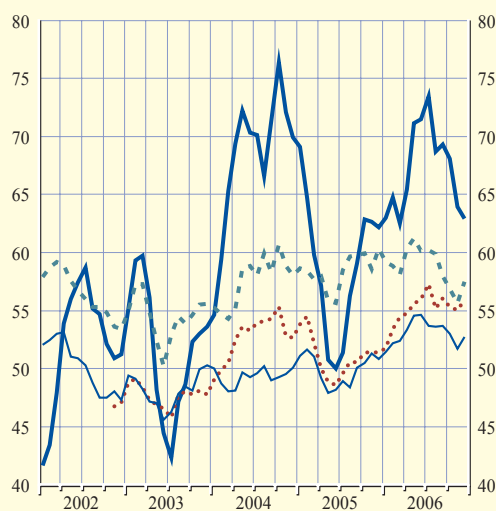
Source: NTC Economics.
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

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

Sources: Eurostat, national data and ECB calculations.
Note: Data on total hourly labour costs and labour productivity refer to the euro area including Slovenia.

index is still substantially above the threshold value of 50, thus indicating ongoing inflationary pressures. Input prices in the services sector edged up in December, after having declined strongly since June. The indicators for prices charged rose in both sectors in December, signalling the disposition and ability of companies to pass on higher input costs to their customers.

3.3 LABOUR COST INDICATORS

The latest information derived from the various indicators of labour costs suggests a decline in wage growth in the third quarter of 2006, further underpinning the assessment that the factors behind the wage rise observed in the second quarter were mainly of a temporary nature (see Table 6 and Chart 20). Overall, inflationary pressure from the labour market remained rather subdued.

All labour cost indicators are now available up to the third quarter of 2006. The annual rate of change in compensation per employee stood at 2.0% in the third quarter of 2006, compared with 2.3% in the second quarter and 2.1% in the first quarter. The annual rate of change in total hourly labour costs in the non-agricultural business sector also fell to 2.0% in the third quarter, from 2.4% in the previous quarter. While this is the lowest growth rate observed since the third quarter of 1998, it should be borne in mind that the data tend to be rather volatile. Setting aside short-term volatility, the annual growth rate of hourly labour costs has hovered at a level of 2¼% for more than two years. Furthermore, negotiated wage growth also declined in the third quarter, to 2.0%, from 2.4% in the previous quarter. With all three labour cost indicators pointing to a moderation in wage growth in the third quarter, the previous assessment of the temporary nature of the factors (such as one-off payments) that affected wage growth in the second quarter has been confirmed.

Chart 20 Selected labour cost indicators

(annual percentage changes; quarterly data)

— compensation per employee
···· negotiated wages
- - - hourly labour costs
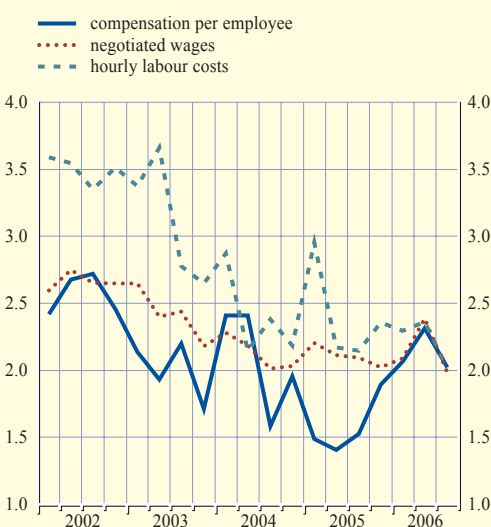
Sources: Eurostat, national data and ECB calculations.
Note: Data on hourly labour costs refer to the euro area including Slovenia.

Chart 21 Sectoral labour cost developments

(annual percentage changes; quarterly data)

—— industry excluding construction CPE
······ construction CPE
– – – market services CPE
—— services CPE

—— industry excluding construction LCI
······ construction LCI
– – – market services LCI
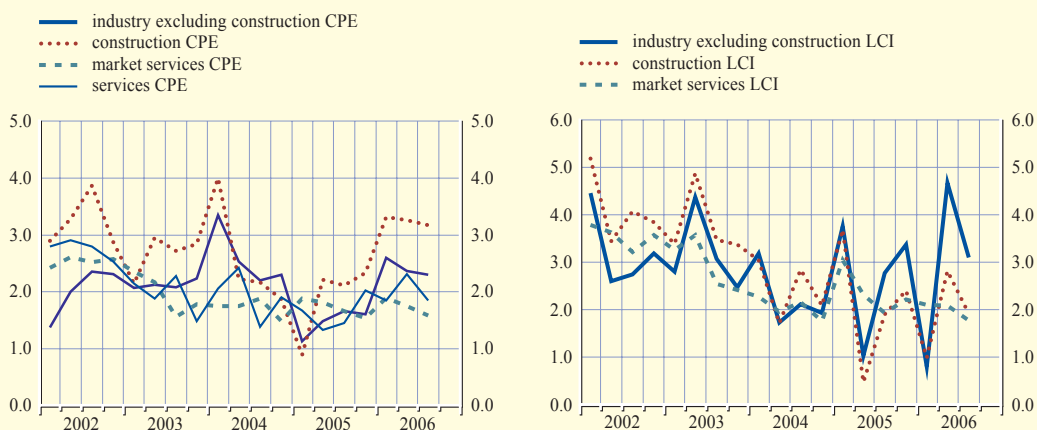
Sources: Eurostat and ECB calculations.
Note: CPE is compensation per employee and LCI is hourly labour cost index.

At the sectoral level, growth in compensation per employee fell across all sectors of the economy in the third quarter of 2006, but particularly in the services sector (see Chart 21). Regarding hourly labour costs, the recent decline in their overall rate of growth was accounted for by all economic sectors, with the sharpest fall in labour cost growth being recorded by the industrial sector, although it remained significantly above that in construction and market services.

The decline in the annual increase in overall compensation per employee was accompanied by a fall in labour productivity growth. As a consequence, annual growth in unit labour costs remained stable at 0.8% in the third quarter. This indicates subdued inflationary pressures stemming from the labour market, although the ongoing improvement in labour markets could eventually lead to higher inflationary pressures. However, this picture of relatively low growth in compensation per employee in the euro area masks very different developments across the euro area economies and the moderate average growth rate appears to depend substantially on low wage growth in a few countries. These differentials in wage growth across the euro area countries are also reflected in differentials in unit labour cost growth.

3.4 THE OUTLOOK FOR INFLATION

In early 2007, euro area HICP inflation is likely to be affected by the expected impact of the rise in the German rate of VAT. Information on the effects of the increase in VAT is currently scarce and mostly anecdotal, and a clearer assessment of this issue will only be possible with subsequent HICP releases. In the short-term, the precise level of HICP inflation will also depend on developments in oil prices. Moreover, HICP inflation will vary as a result of the base effects emanating from previous sharp fluctuations in energy prices. Overall, annual rates of inflation are projected to hover around 2% over this year and next.

Consideration of producer price developments suggests that upward price pressures still exist and could feed through further to consumer prices, in particular if the strength of demand allows it. Underlying pressures from other domestic sources, particularly from the labour market, have

remained contained and are expected to increase only gradually and to a limited extent, if wage moderation persists.

The outlook for inflation remains subject to upside risks, such as a stronger pass-through of past oil price rises to consumer prices than currently anticipated, a further rise in energy prices and increases in administered prices and indirect taxes, in addition to those already expected. More fundamentally, in the light of favourable growth developments and a tightening labour market situation, wage increases could be stronger than currently expected.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Recently released short-term economic indicators suggest that economic activity remained robust in the fourth quarter of 2006, following the very strong pace in the first half of the year. Survey indicators for the industrial sector, despite having declined slightly in recent months, remained at high levels. At the same time, consumption growth is currently supported by increases in consumer confidence and favourable labour market developments. Economic growth in the euro area around the turn of the year is expected to have been driven mainly by domestic demand. Risks to the outlook are considered to be on the downside and are related to fears of a rise in protectionist pressures, a possible disorderly unwinding of global imbalances and the possibility of renewed increases in oil prices.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

The second release of national accounts data for the third quarter of 2006 confirmed that euro area real GDP expanded by 0.5% quarter on quarter in the third quarter, following quarterly growth of 1.0% in the second quarter (see Chart 22). Compared with one year earlier, euro area GDP grew by 2.7% in the third quarter, slightly less than in the second quarter. The main driving force behind economic activity in the third quarter was domestic demand excluding inventories, with a contribution of 0.6 percentage point to quarter-on-quarter GDP growth. The contribution of net exports to GDP growth was negative, after a zero contribution in the second quarter. The contribution of inventories was slightly positive, but lower than in the previous quarter.

In terms of the expenditure breakdown, investment growth remained robust in the third quarter of 2006, albeit lower than the exceptionally high growth rate observed in the previous quarter. Both private and government consumption growth rose strongly in the third quarter, to 0.7% and 0.6% quarter on quarter respectively.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The sectoral composition of economic activity in the third quarter of 2006 (which was reported in the December 2006 issue of the Monthly Bulletin) points to broadly based growth across sectors. Value added growth in industry excluding construction and in construction continued to expand in the third quarter, slowing down somewhat, however, from the strong rates of growth observed in the second quarter. Value added in the services sector was more subdued in the third quarter.

Industrial production excluding construction declined by 0.1% in October, after falling by 1.1% in September. On a three-month moving average basis, industrial production growth declined further to 0.5% in October as compared with the corresponding average three months

Chart 22 Real GDP growth and contributions

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

- ■ domestic demand (excluding inventories)
- ▦ changes in inventories
- ■ net exports
- ⋯ total GDP growth (%)

Sources: Eurostat and ECB calculations.

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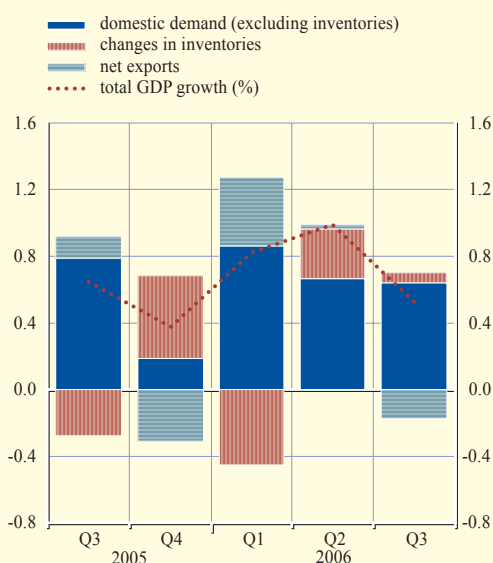
earlier (see Chart 23). In terms of the main components, the three-month moving average growth rate declined for capital and intermediate goods, although remaining positive, while it was unchanged for consumer goods and negative for the energy sector.

Industrial new orders declined by 0.6% month on month in October, after a decline of 1.4% in September. On a three-month moving average basis, industrial new orders grew by 3.2% in the period ending in October as compared with the corresponding average three months earlier, thereby still pointing to positive developments in the industrial sector. This increase is confirmed even after excluding "other transport equipment" – including ships, railway and aerospace equipment – which is a particularly volatile component of the new order data.

Overall, developments in October point to positive growth in the industrial sector at the beginning of the fourth quarter, albeit at a slower pace than that observed in the first half of the year. From a longer-term perspective, growth in industrial production in the course of 2006 did not reach the levels seen in previous

Chart 23 Industrial production growth and contributions

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

- capital goods
- consumer goods
- intermediate goods
- total excluding construction and energy (%)
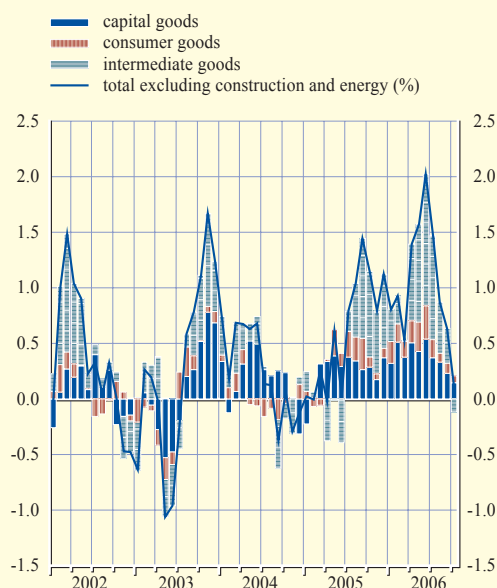
Sources: Eurostat and ECB calculations.
Note: Data shown are calculated as three-month centred moving averages against the corresponding average three months earlier. Data refer to the euro area including Slovenia.

periods of economic expansion, such as from 1999 to 2000. The European Commission survey data on limits to manufacturing production, in conjunction with other relevant economic information, may provide some explanations for this. Compared with previous periods of expansion, lack of equipment currently ranks higher in the euro area as a factor limiting manufacturing production. This may be the result of the low level of investment recorded for some time in the euro area. More details on developments in limits to manufacturing production are provided in Box 4.

Box 4

DEVELOPMENTS IN SURVEY DATA ON LIMITS TO MANUFACTURING PRODUCTION

The ECB closely monitors indicators of slack in the goods market, equipment market and labour market, as these can help to improve the assessment of the economic situation in the euro area. The European Commission's quarterly survey of the manufacturing sector is useful for this purpose. This box focuses on the part of the survey which provides an indication of the factors that limit firms' production. It shows that these indicators co-move with the economic situation in the euro area. However, the strength of the relationship may be affected by changes in the production structure and may vary across business cycles.

Survey questions on limits to production

Indicators of limits to production can be derived from the question "What main factors are currently limiting your production?" included in the European Commission's survey. The respondent can choose several answers from among the following: "none", "insufficient demand", "shortage of labour force", "shortage of material and/or equipment", "financial constraints" and "others". The answers reflect limits to production through either the demand or the supply side. They are reported as a percentage of the total responses, and thus add up to 100%.

Chart A shows the answers given, aggregated for the euro area, over the whole sample period. The largest fraction of the respondents usually report an absence of limits to production, an answer not reflected in the chart. This is followed by insufficient demand, lack of equipment and shortages of labour.[1] While the category "others" does not seem to vary significantly, Chart A shows that insufficient demand, shortage of labour and lack of material and/or equipment demonstrate the clearest cyclical behaviour and move together. This was particularly notable in the periods 1990-1991 and 1999-2001, and more recently since the middle of 2005. Chart A demonstrates that the supply-side indicators of shortages of labour and capital can approach levels close to zero during economic downturns. Conversely, during economic upswings, such as that currently under way, the "insufficient demand" indicator may reach its lowest point at a level above zero.

Chart A Assessment of limits to production

(percentage of total responses)

- insufficient demand
- shortage of material and/or equipment
- shortage of labour
- others
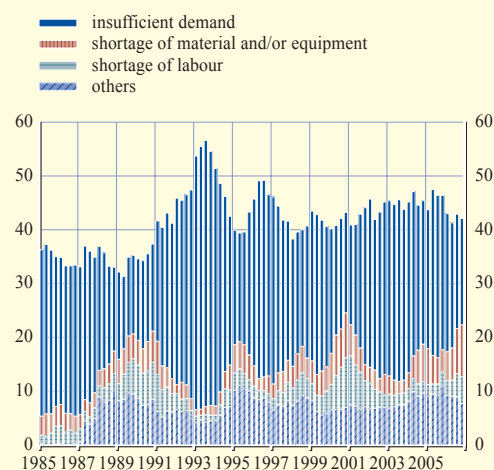
Source: European Commission.
Note: Together with the answer "none" (not shown), the answers reported add up to 100%. Prior to 1992 France is excluded for technical reasons.

Limits to production in the current recovery

Looking at more recent trends, Chart B shows the insufficient demand indicator alongside growth in industrial production excluding construction. For convenience, the scale of the insufficient demand indicator has been inverted, so that an improvement in economic conditions should translate into an increase in both series in the chart. The series have tracked each other fairly closely. Lack of demand appears to have become less of a concern recently, with insufficient demand decreasing broadly in line with the strengthening of economic activity.

Chart C shows the shortage of labour and lack of material and/or equipment indicators. Higher values are consistent with an upturn in activity in the manufacturing sector. Both series exhibit cyclical fluctuations, with shortages in either labour or material/equipment becoming more

[1] "Financial factors" were introduced as an additional possible answer in 2002. Since the analysis starts before this date, "others" is redefined to include the financial factors answer for the entire sample period.

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Chart B Insufficient demand indicator and industrial production excluding construction

(annual percentage changes; percentages)

— annual growth in industrial production excluding
    construction (left-hand scale)
····· insufficient demand (inverted scale; right-hand scale)
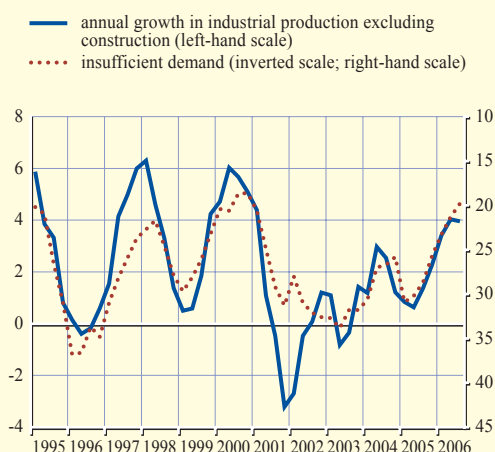
Sources: European Commission and Eurostat.
Note: The insufficient demand indicator is expressed as a percentage of all respondents' answers on impediments to production. It is presented inverted, so that an increase indicates stronger demand pressures. This indicator and the other survey answers on limits to production (not shown) add up to 100%.

Chart C Indicators of limits to production and industrial production excluding construction

(annual percentage changes; percentages)

— annual growth in industrial production excluding
    construction (left-hand scale)
····· shortage of labour (right-hand scale)
- - - shortage of material and/or equipment (right-hand scale)
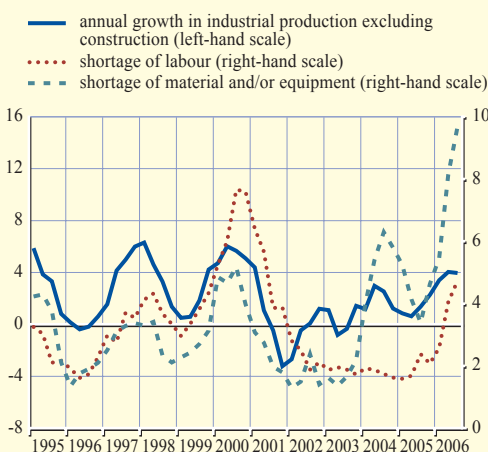
Sources: European Commission and Eurostat.
Note: The indicators are shown as a percentage of all respondents' answers on impediments to production. These indicators and the other answers (not shown) add up to 100%.

evident as economic developments improve. Chart C also shows, however, that the way in which these indicators react may vary across business cycles: both seem to be behaving differently at present compared with the past. In particular, the indicator of lack of equipment seems to have been more prominent in 2006 compared with 1999-2001, and currently exceeds the level observed in mid-2000, when the previous expansion peaked (while the current growth in industrial production excluding construction is still lower and has been considerably lower in recent years than it was during the late 1990s). The increasing tightness observed in the lack of equipment indicator in 2006 may reflect the fact that real investment growth, which reached levels of around 6% ahead of the cyclical peak in 2000, has been much more subdued in recent years, rising from somewhat below 2% in 2003-04 to nearly 3% over the course of 2005 and currently standing at around 4%. The low level of investment recorded for some time and an increase in economic depreciation of existing capital may explain to some extent why bottlenecks in material and/or equipment are being reported.

Labour shortages have recently increased, albeit by less than in 1999-2001. This indicator only started to increase significantly in the second half of 2005 and currently stands at about the same level as in September 1999. Structural reforms may have played a role in this development, by facilitating stronger labour force growth and contributing to a decline in the euro area structural unemployment rate in recent years.[2] In addition, the fact that increasing labour demand was initially able to be satisfied by a rise in hours worked may explain why fewer labour shortages have so far been reported than in the previous economic upturn.

2 See the boxes entitled "Recent developments in total hours worked in the euro area" in the September 2006 issue of the Monthly Bulletin and "A longer-term perspective on structural unemployment in the euro area" in the August 2005 issue of the Monthly Bulletin.

Conclusions

All three indicators of limits to production analysed here have signalled a strengthening in euro area manufacturing sector activity since mid-2005. While the reported level of demand is currently proceeding broadly in line with the improvement seen in manufacturing activity, the tightness in the labour market is currently lower than during the 1999-2001 expansion and the lack of equipment much greater. The robustness of these indicators as evidence of capacity constraints needs to be assessed in conjunction with other information, but together they point to a generally positive economic outlook. In particular the indicator of lack of equipment may suggest a fairly favourable outlook for investment trends in the period ahead, whereas the still relatively low level of reported labour shortages may be consistent with a baseline scenario of only moderate wage pressures.

SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Business-related survey data for the industrial sector remained very positive in December. The Purchasing Managers' Index (PMI) for the euro area manufacturing sector was virtually unchanged in December, falling to 56.5 from 56.6 in November. Although the level in the fourth quarter as a whole was slightly below that in the third quarter, recent developments indicate some stabilisation in the PMI at relatively high levels.

According to the survey data from the European Commission, industrial confidence was unchanged in December, remaining at its highest level since the start of the series in January 1985. Both the assessment of order book levels and the assessment of stocks of finished goods contributed positively to industrial confidence. The assessment of production in the months ahead, however, declined in December, although remaining well above its average over the period 1985-2006. Increases in industrial confidence were recorded in the consumer goods industries, while confidence in the capital goods industries declined. The industrial confidence indicator showed an increase in the fourth quarter of 2006 (see Chart 24). This rise mainly reflected improvements in the assessment of order books and of production and, to a lesser extent, the assessment of stocks.

Turning to the services sector, both the PMI business activity index for the services sector and the European Commission's services confidence indicator continue to point to sustained growth in this sector in December.

Chart 24 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)

industrial production [1] (left-hand scale)
industrial confidence [2] (right-hand scale)
PMI [3] (right-hand scale)
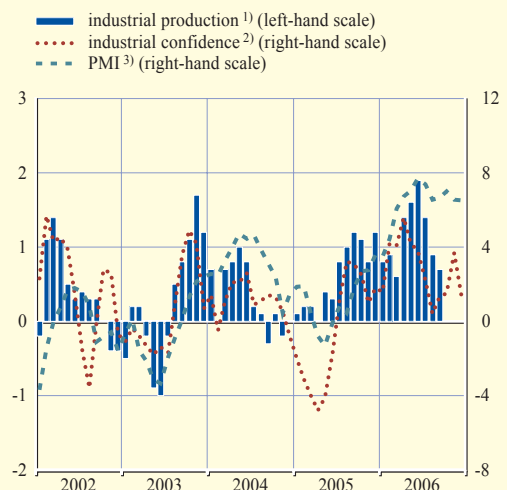
Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.
Note: Data on industrial production refer to the euro area including Slovenia.
1) Manufacturing; three-month-on-three-month percentage changes.
2) Percentage balances; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

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Compared with the previous month, survey indicators for the services sector declined slightly in December. Compared with the previous quarter, the European Commission's confidence indicator increased in the fourth quarter of 2006, while the PMI for the services sector declined further.

INDICATORS OF HOUSEHOLD SPENDING

In the third quarter private consumption rose by 0.6% quarter on quarter, up from 0.3% in the second quarter, reflecting a higher contribution from non-retail sales. The volume of retail sales rose by 0.5% month on month in November 2006, following an increase of 0.1% in October. This meant that the three-month moving average of retail sales grew by only 0.1% in the period up to November as compared with the average three months earlier. New passenger car registrations increased strongly in November, by 2.4%, following a decline of 1.3% in October.

Consumer confidence increased further in the fourth quarter of 2006 (see Chart 25). The rise was due to improvements in the assessments

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

(monthly data)

— total retail sales [1] (left-hand scale)
···· consumer confidence [2] (right-hand scale)
-- -- retail confidence [2] (right-hand scale)

Sources: European Commission Business and Consumer Surveys and Eurostat.
Note: Data on total retail sales refer to the euro area including Slovenia.
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.

relating to the future general economic situation and unemployment, while savings expectations declined and the assessment of the expected financial situation remained unchanged.

Overall, the latest data on retail sales, together with new car registrations and survey data on consumer confidence, provide positive signals with regard to growth in private consumption in the fourth quarter of 2006.

4.2 LABOUR MARKET

The latest available information confirms an ongoing improvement in euro area labour markets over the course of 2006. In particular, employment growth remained robust in the third quarter and the standardised unemployment rate stabilised in November at its lowest value in more than ten years. Employment expectations increased further in the fourth quarter, supporting the picture of sustained employment growth in the short term.

UNEMPLOYMENT

The standardised unemployment rate for the euro area stood at 7.6% in November 2006, the lowest rate recorded since the beginning of the series in 1993 (see Chart 26). The number of unemployed persons in the euro area declined by about 100,000 in November, following a fall in October of 45,000 and a further fall of about 100,000 in September. According to the latest release, unemployment declined in all the months of 2006 for which data are available, with the exception

of August. The decline in unemployment has, however, proceeded at a slower pace in recent months than in the period January-April 2006.

EMPLOYMENT

According to Eurostat, quarter-on-quarter employment growth was 0.4% in the third quarter of 2006, unchanged from the second quarter (see Table 7). The sectoral breakdown for employment which has become available with the second release of euro area national accounts data shows that employment growth was robust in the services sector (0.5%) and construction (0.8%), while it declined slightly in industry excluding construction (-0.1%). The financial and business services sector again recorded the strongest growth in employment (1.1%). Labour productivity growth moderated in the third quarter to 1.2% year on year, down from 1.5% in the second quarter.

In the fourth quarter, employment expectations from the European Commission's business surveys and the PMI increased for the industrial and services sectors. Employment expectations remain at high levels and are consistent with the assessment that euro area labour market conditions are improving in line with stronger economic activity.

Chart 26 Unemployment

(monthly data; seasonally adjusted)

- monthly change in thousands (left-hand scale)
- percentage of the labour force (right-hand scale)
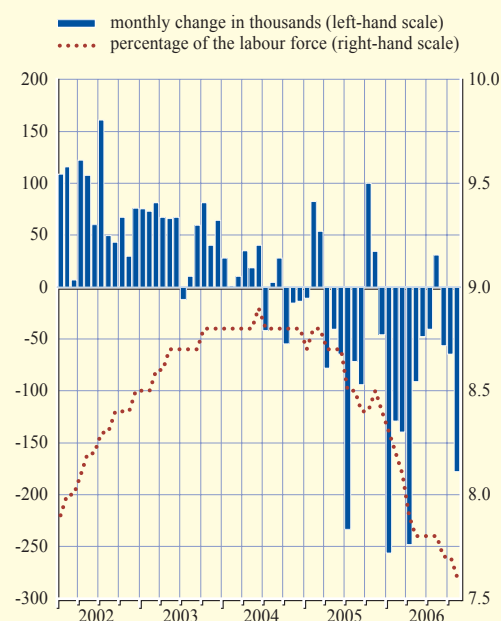
Source: Eurostat.
Note: Data refer to the euro area including Slovenia.

Table 7 Employment growth

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

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

Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Slovenia.

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4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Recent evidence from various confidence surveys and indicator-based estimates supports the assessment that robust economic growth has continued and that the situation in the labour markets has improved further. However, some volatility in the quarter-on-quarter growth rates around the turn of the year may be observed. Global growth is vigorous, supporting euro area exports. On the domestic side, consumer confidence points to a further strengthening in consumption expansion, in line with improvements in the labour markets. In addition, continued positive business confidence indicates that short-term prospects for investment are strong. The risks to this favourable outlook are considered to be on the downside. The main risks relate to fears of a rise in protectionist pressures, concerns about possible disorderly developments owing to global imbalances and the possibility of a renewed increase in oil prices.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

The euro has appreciated in nominal effective terms over the past three months and has strengthened against most major world currencies. This strengthening has been partly offset by the euro's weakening against the currencies of the largest new EU Member States and, more marginally, vis-à-vis the pound sterling.

US DOLLAR/EURO

In the last three months of 2006 the euro strengthened overall in nominal bilateral terms against the US dollar (see Chart 27). After a mild appreciation in October, the euro started to strengthen quickly in November, reaching levels last seen at the end of 2004. The appreciation continued through the first week of December. Thereafter, the single currency returned towards the levels prevailing around mid-November. The weakness of the US dollar in November may be related to market participants' reactions to evidence of a moderation in US economic activity, while robust economic growth continued in the euro area. In December and early January, however, more positive signals on the US economic outlook may have fostered market sentiment towards the US currency. On 10 January 2007 the euro was trading at USD 1.30, i.e. 2.6% above its level at the end of September and 3.4% stronger than its 2006 average.

JAPANESE YEN/EURO

After remaining broadly stable in October, the euro strengthened against the Japanese yen in November and December. The recent weakness of the yen may be related to market participants' expectations about the course of monetary policy in Japan in the near future. The yen's decline in the last quarter of 2006 was consistent with short-term market expectations inferred from currency options. Throughout 2006, such instruments had evidenced expectations of a progressively stronger yen, but, since October, their prices have tended to revert towards levels consistent with short-term expectations of a broad stability of the yen vis-à-vis the euro around the levels prevailing at the end of 2006. On 10 January 2007 the euro was trading at JPY 155.0, slightly below the peak of JYP 157.8 reached on 2 January 2007. This value is 3.8% stronger than its level at the end of September and about 6% higher than its 2006 average (see Chart 27).

Chart 27 Patterns in exchange rates

(daily data)

Source: ECB.

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developments
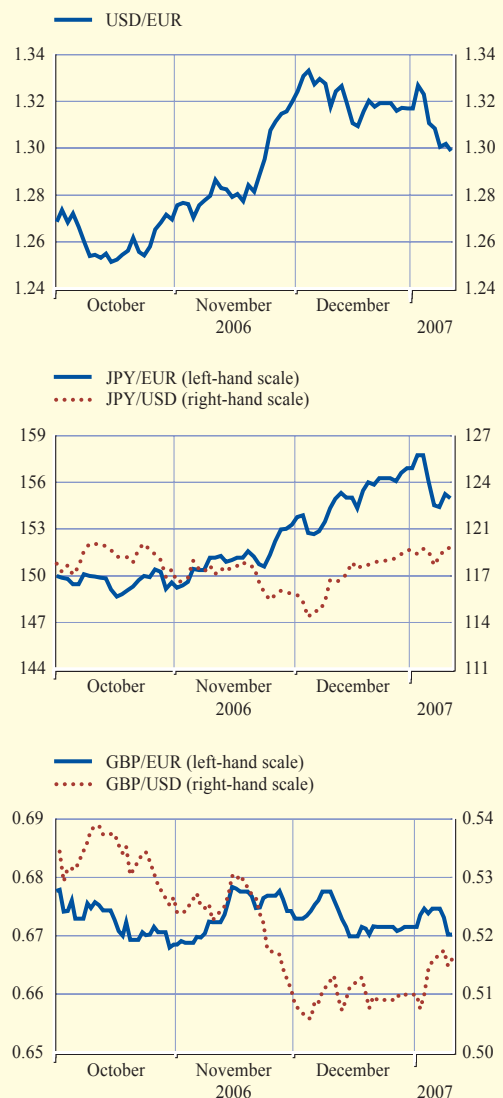
Chart 28 Patterns in exchange rates in ERM II

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

- CYP/EUR
- EEK/EUR
- DKK/EUR
- SKK/EUR

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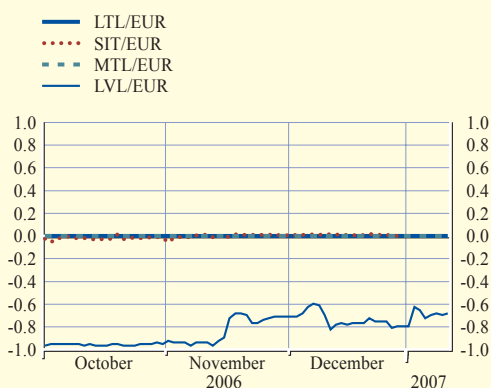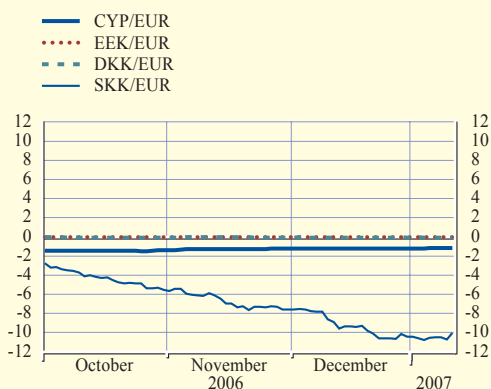
Source: ECB.
Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is ±2.25%; for all other currencies, the standard fluctuation band of ±15% applies.

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

(daily data)

Index: Q1 1999 = 100
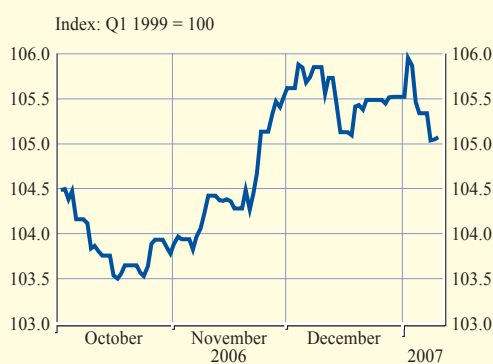
Contributions to EER changes [2]
From 29 September 2006 to 10 January 2007
(in percentage points)
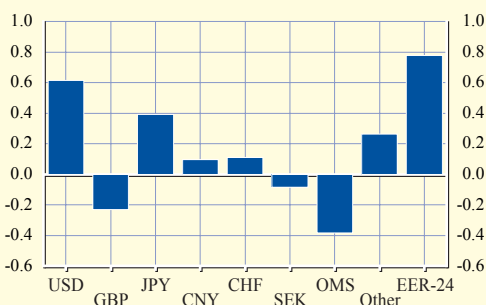
Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

EU MEMBER STATES' CURRENCIES

Since the end of September 2006, most currencies participating in ERM II have remained stable and have continued to trade at or close to their respective central rates (see Chart 28). The Slovak koruna strengthened steadily in the last three months of 2006 after a short-lived period of weakness recorded in July, trading on 10 January 2007 10% stronger than its ERM II central parity. Národná banka Slovenska intervened in the last week of December to limit the appreciation of the currency. Since then the Slovak koruna seems to have stabilised vis-à-vis the euro. As regards the currencies of the largest new EU Member States, the euro has weakened since the end of September against the Polish zloty (by 1.7%), the Czech koruna (by 2.1%), the new Romanian leu (by 3.5%) and the Hungarian forint (by 6%). With regard to the currencies of other EU Member States, the euro

depreciated against the pound sterling – by about one percentage point, being quoted on 10 January 2007 at GBP 0.67, which is about 1.5% below its 2006 average – and it weakened by about 1.5% against the Swedish krona.

OTHER CURRENCIES

Between the end of September 2006 and 10 January 2007 the euro appreciated against most of the other main world currencies. It rose by about 8% vis-à-vis the Canadian dollar, by about 1.5% against the Chinese renminbi and the Swiss franc and by slightly less than 1% against the Norwegian krone.

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 10 January 2007 the nominal effective exchange rate – as measured against the currencies of 24 of the euro area's important trading partners – was about 0.7% above its level at the end of September and 1.5% higher than its average level in 2006 (see Chart 29). Since the beginning of 2007 the nominal effective exchange rate index of the euro is calculated against 24, instead of 23, most important trading partners. This group now includes Bulgaria and Romania – which joined the EU on 1 January 2007 – and excludes Slovenia, which adopted the euro on the same date. In early January 2007 the new nominal effective exchange rate index stood at around 105.5, thereby remaining broadly within the range of values observed in recent years.

5.2 BALANCE OF PAYMENTS

According to the latest b.o.p. data, the 12-month cumulated current account up to October 2006 registered a deficit of around 0.3% of GDP, shifting from a surplus a year earlier, mainly owing to a decline in the goods surplus resulting from higher import prices for oil and other commodities. Meanwhile, the value of both exports and imports of goods and services registered robust growth in the three-month period up to October. In the financial account, combined direct and portfolio investment registered cumulative net inflows of €2.4 billion in the 12-month period up to October 2006 compared with net inflows of €34 billion a year earlier, partly owing to a shift in debt securities flows.

Chart 30 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)

— current account balance (12-month cumulated data; left-hand scale)
······ trade balance (12-month cumulated data; left-hand scale)
– – – exports of goods and services (3-month moving average; right-hand scale)
— imports of goods and services (3-month moving average; right-hand scale)

Source: ECB.

TRADE AND THE CURRENT ACCOUNT

The latest b.o.p. data show that exports and imports are continuing on their robust upward trend. In October 2006 the three-month moving average of the value of exports and imports of goods and services grew by 2.8% and 3.4% respectively, showing an acceleration in growth vis-à-vis the previous three-month period up to July 2006 (see Table 8). The pick-up in trade

**ECONOMIC
AND MONETARY
DEVELOPMENTS**

Exchange rate
and balance
of payments
developments

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2006 Sep.	2006 Oct.	3-month moving average figures ending				12-month cumulated figures ending	
			2006 Jan.	2006 April	2006 July	2006 Oct.	2005 Oct.	2006 Oct.
EUR billions								
Current account	1.1	-0.0	-2.7	-2.5	-1.3	-1.0	14.2	-22.6
Goods balance	2.4	2.7	1.6	1.8	1.1	1.3	56.9	17.1
Exports	120.4	119.6	108.0	112.6	114.3	118.6	1,196.6	1,360.7
Imports	118.1	116.9	106.5	110.9	113.2	117.4	1,139.7	1,343.6
Services balance	2.8	2.0	3.7	3.3	3.1	2.1	31.9	36.5
Exports	35.5	35.4	35.0	35.3	35.5	35.3	390.1	423.5
Imports	32.7	33.3	31.3	32.0	32.5	33.2	358.2	386.9
Income balance	2.7	3.1	-1.9	-1.7	-0.5	2.5	-10.6	-4.9
Current transfers balance	-6.8	-7.8	-6.1	-5.9	-5.0	-6.9	-64.0	-71.3
Financial account [1]	39.7	-0.2	-10.7	31.3	12.8	10.4	81.5	131.6
Combined net direct and portfolio investment	15.3	10.4	-36.5	10.9	25.4	1.0	34.0	2.4
Net direct investment	-21.2	-12.8	-8.8	-6.8	-10.0	-13.9	-186.9	-118.3
Net portfolio investment	36.6	23.2	-27.7	17.8	35.3	14.9	221.0	120.8
Equities	20.4	10.2	2.1	7.0	35.3	6.2	179.9	151.4
Debt instruments	16.2	13.0	-29.8	10.8	0.0	8.8	41.1	-30.7
Bonds and notes	10.9	8.8	-19.9	11.4	14.5	3.7	2.5	28.9
Money market instruments	5.3	4.2	-9.9	-0.6	-14.5	5.1	38.6	-59.6
Percentage changes over previous period								
Goods and services								
Exports	3.2	-0.6	3.3	3.5	1.2	2.8	8.0	12.4
Imports	-0.1	-0.4	2.8	3.7	1.9	3.4	12.6	15.5
Goods								
Exports	3.9	-0.7	3.7	4.2	1.5	3.8	7.9	13.7
Imports	0.7	-1.0	3.6	4.1	2.1	3.7	13.7	17.9
Services								
Exports	0.7	-0.3	2.1	1.0	0.6	-0.5	8.4	8.6
Imports	-2.8	1.9	-0.0	2.4	1.3	2.3	8.9	8.0

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.

flows was primarily due to strong growth in trade in goods as the value of exports and imports of goods increased by 3.8% and 3.7% respectively. Meanwhile, trade in services remained somewhat weaker, with the value of exports declining by 0.5% and imports rising by 2.3%.

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

On the imports side, volumes grew robustly in the third quarter (by around 2.5%), thus explaining most of the recent increase in import values, as import prices grew by less than 1% over the same quarter. Import volumes seem to be supported by the continued solid growth of domestic demand in the euro area, while the lagged effects of the appreciation of the euro since the beginning of the year may have also stimulated imports. In terms of product composition, import volumes of

intermediate goods displayed the strongest growth in the third quarter, which may indicate that robust export activity, combined with the high import content of exports, may also be boosting imports. Meanwhile, the moderate growth in import prices in the third quarter appears to be partly due to the lagged impact of the euro appreciation as well as the significant decline in oil prices.

Taking a longer-term perspective, the 12-month cumulated current account registered a deficit of €22.6 billion (0.3% of GDP) in October 2006, with deficits in the income balance and current transfers offsetting the surpluses in the balances for goods and services. The shift in the current account from a surplus of €14.2 billion a year earlier to a deficit was primarily on account of a €39.8 billion decline in the goods surplus, largely owing to higher import prices for oil and other commodities (see Chart 30).

Chart 31 Euro area combined direct and portfolio investment

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

――― net direct and portfolio investment
······ net foreign direct investment
– – – net debt instruments
――― net equity flows

Source: ECB.

FINANCIAL ACCOUNT

In the three-month period up to October 2006, euro area combined direct and portfolio investment recorded monthly average net inflows of €1.0 billion. This was the result of net inflows in portfolio investment (€14.9 billion), which more than offset net outflows in direct investment (€13.9 billion). Portfolio investment recorded net inflows in both equity and debt instruments (see Table 8).

In the 12-month period up to October 2006, cumulative net inflows in combined direct and portfolio investment amounted to €2.4 billion, compared with a net inflow of €34.0 billion a year earlier. This was the result of net inflows in portfolio equity of €151.4 billion, which were almost matched by net outflows in both direct investment (€118.3 billion) and portfolio debt instruments (€30.7 billion) (see Chart 31).

The decline in the 12-month cumulative net inflows in combined direct and portfolio investment from a year earlier was mainly the result of a shift in net debt instruments from net inflows to net outflows. This shift was due to money market instruments registering net outflows of €59.6 billion in the 12-month period up to October 2006, after net inflows of €38.6 billion the previous year. Meanwhile, portfolio equity continued to register strong net inflows in 12-month cumulated terms, in line with the favourable equity returns in the euro area. The robust external demand for euro area equity may also indicate that foreign investors have switched part of their euro area investments from debt instruments to equity investments.

Recently released data show that the international investment position (i.i.p.) of the euro area vis-à-vis the rest of world recorded net liabilities of €811 billion (equivalent to 10.1% of GDP) at the end of 2005. Further details of developments in the euro area's i.i.p. position are given in Box 5.
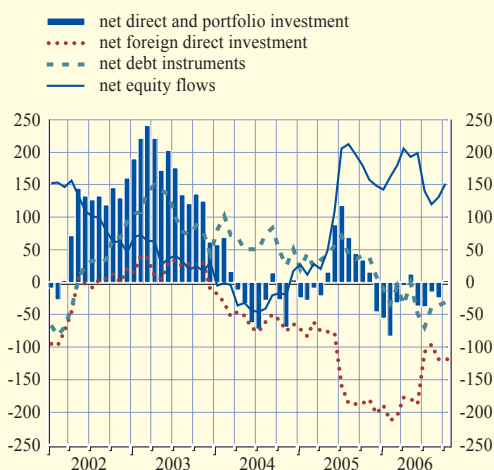
Box 5

EXPLAINING CHANGES IN THE NET INTERNATIONAL INVESTMENT POSITION OF THE EURO AREA

At the end of 2005 the net international investment position (i.i.p.) of the euro area showed net liabilities of 10.1% of GDP. This reflected an increase of 3.6 percentage points in the net liability position compared with the end of 1999 (see Chart A). This box describes the main factors underlying developments in the i.i.p. and shows that the increase in the euro area's net international liability position during the period from 1999 to 2005 was largely driven by revaluation effects resulting from movements in exchange rates.

According to statistical standards, the i.i.p. is valued on the basis of the prevailing market prices of assets and exchange rates at the end of each period. Developments in the i.i.p. are therefore explained by revaluations due to variations in exchange rates and asset prices, such as stock and bond prices, in addition to financial transactions. In the b.o.p., these net financial transactions are the counterpart to the movements in the current account and capital account.[1] For example, in terms of the i.i.p., a current account surplus corresponds to net financial transactions that decrease (increase) an external debtor (creditor) position.

Chart B shows the evolution of the annual changes in the euro area net i.i.p. from 2000 to 2005, broken down into their various components, such as: financial transactions in the b.o.p.; changes related to exchange rates and asset prices (revaluation effects); and changes due to "other adjustments".[2]

More than half of the total increase in the euro area's net liability position between the end of 1999 and the end of 2005 can be attributed to revaluations due to exchange rate effects (i.e. the appreciation of the euro), while financial transactions, changes in asset prices, and "other adjustments" contributed equally to the remainder.

1 In practice, the balance is achieved by net errors and omissions.
2 Note that "other adjustments" were derived as the residual resulting from an estimation procedure.

Chart A Net i.i.p. of the euro area

(as a percentage of GDP)

net i.i.p. (right-hand scale)
total liabilities (left-hand scale)
total assets (left-hand scale)
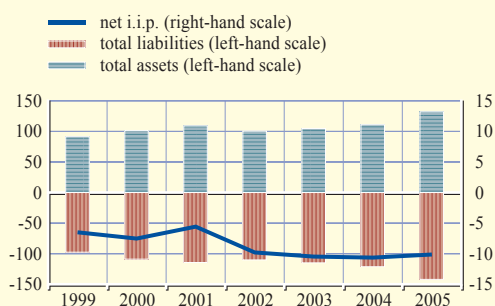
Source: ECB.
Note: Data refer to outstanding amounts at year-end.

Chart B Breakdown of changes in the euro area net i.i.p.

(as a percentage of GDP)

financial transactions
changes related to exchange rates
changes related to asset prices
other adjustments
total changes in net i.i.p.
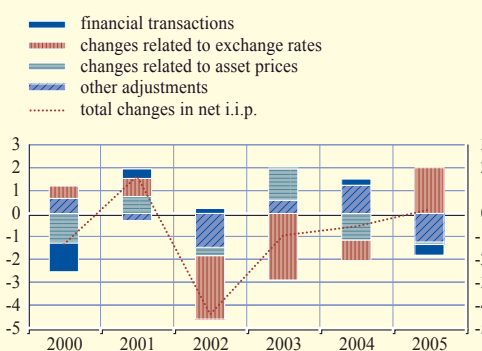
Source: ECB.

As in many industrialised economies, euro area cross-border assets are mostly denominated in foreign currencies, whereas cross-border liabilities are mainly denominated in the domestic currency (i.e. in euro). This makes the revaluation of external assets relatively more responsive to exchange rate movements. An appreciation of the euro therefore lowers the value (in euro) of external assets more than external liabilities and leads to an increase in net liabilities. Accordingly, increases in the euro area's net liabilities due to exchange rate revaluations mostly occurred in 2002-03 reflecting the appreciation of the effective exchange rate of the euro over the same period (see Chart B).

Revaluations due to asset price changes also contributed to the increase in the euro area's net liability position between 1999 and 2005. However, cumulative net asset price revaluations were relatively small, which might reflect broadly synchronised movements in price indices of cross-border assets and liabilities together with broadly similar compositions of the euro area's external assets and liabilities in terms of the types of financial instruments (i.e. equity, debt and other categories of investments). Finally, b.o.p. financial transactions were overall relatively close to balance and had little impact on the euro area net i.i.p. over the period examined.

ARTICLES

THE ENLARGED EU AND EURO AREA ECONOMIES

On 1 January 2007, Bulgaria and Romania joined the European Union, which now comprises 27 Member States. At the same time, Slovenia adopted the euro, increasing the number of euro area countries from 12 to 13. As the economic weight of these new member countries is relatively small compared with the group of countries they join, the statistical macroeconomic features of the EU and euro area economies do not change significantly as a result of these enlargements. That said, EU enlargement opens up new opportunities for trade and investment for both the existing and new EU Member States. However, in order to fully exploit these opportunities, it is important that the Single Market for goods, services, capital and labour is fully implemented across all 27 Member States.

Adopting the euro implies for Slovenia that the benefits of the Single Market are further enhanced by the single currency, which offers a credible framework for monetary policy and price stability in an environment characterised by the absence of exchange rate uncertainty within the euro area. In order to fully reap the advantages of the euro and to allow adjustment mechanisms to operate efficiently within the enlarged currency area, all remaining barriers between Slovenia and the rest of the euro area should be removed as soon as possible, including those related to labour mobility.

1 INTRODUCTION

Following several years of extensive preparations, Bulgaria and Romania joined the EU on 1 January 2007. The accession of these two countries raises the number of EU Member States to 27 and adds almost 30 million inhabitants. At the same time, Slovenia is the first country of those that entered the EU in May 2004 to adopt the euro, increasing the number of euro area countries from 12 to 13. This article first focuses on the economic aspects of enlargement by reviewing a number of key economic features of Bulgaria and Romania and the enlarged EU. The article subsequently looks at key features of Slovenia and the enlarged euro area. In addition, it briefly reviews the completion of the Slovenian convergence process towards the euro area during the second half of 2006.

2 THE ENLARGEMENT OF THE EU

The accession of Bulgaria and Romania constitutes the second enlargement of the EU to include countries in central and eastern Europe, following the enlargement of May 2004, when eight countries in this region together with Cyprus and Malta joined the EU.[1] The accession negotiations with Bulgaria and Romania were concluded in December 2004 and a Treaty of Accession was signed in April 2005. In September 2006, the European Commission announced that, in the light of the overall progress made by the two countries, Bulgaria and Romania should be prepared for membership by 1 January 2007, provided that a number of outstanding issues in areas such as judicial reform, and the fight against corruption and organised crime were addressed.

The latest enlargement does not fundamentally change the key characteristics of the EU economy, as the economic weight of the new Member States is relatively small. At the same time, the economic diversity within the EU increases further, as the institutional and structural features of the new Member States are in many respects still different from those of the other Member States. Table 1 contains a number of key macroeconomic features of the enlarged EU.

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1 See the article entitled "The EU economy following the accession of the new Member States" in the May 2004 issue of the Monthly Bulletin.

Table 1 Key economic characteristics of the enlarged EU

	Reporting period	Unit	EU25	EU27	Bulgaria	Romania
Population and economic activity						
Total population [1]	2005	millions	462.3	491.7	7.7	21.6
GDP	2005	EUR billions	10,847	10,948	21	79
GDP per capita	2005	EUR thousands	23.5	23.3	2.8	3.7
GDP per capita (PPP)	2005	EU25=100	100	98.7	32.1	34.7
GDP (share of world GDP) [2]	2005	%	20.3	20.8	0.1	0.3
Sectors of production [3]						
Agriculture, fishing, forestry	2005	% of total	1.9	2.0	10.9	14.3
Industry (including construction)	2005	% of total	26.2	26.3	29.8	36.8
Services (including non-market services)	2005	% of total	71.9	71.7	58.3	48.1
External trade						
Exports of goods and services [4]	2005	% of GDP	13.4	-	60.8	33.0
Imports of goods and services [4]	2005	% of GDP	13.8	-	77.4	43.4
Current account balance [4]	2005	% of GDP	-0.6	-0.7	-11.3	-8.7
Labour market						
Labour force participation rate [5]	2005	%	70.2	69.7	62.1	62.3
Unemployment rate	2005	%	8.8	8.8	10.1	7.9
Employment rate [5]	2005	%	63.8	63.4	55.8	57.6
General government						
Surplus (+) or deficit (-)	2005	% of GDP	-2.3	-2.3	2.4	-1.5
Revenue	2005	% of GDP	44.8	44.7	41.1	36.8
Expenditure	2005	% of GDP	47.1	47.0	38.7	38.2
Gross debt outstanding	2005	% of GDP	63.2	62.8	29.8	15.9
Monetary and financial indicators						
Credit to the private sector	2005	% of GDP	127.0	126.1	44.5	20.8
Stock market capitalisation	2005	% of GDP	77.0	76.4	5.1	19.2

Sources: Eurostat, IMF, European Commission, ECB and ECB calculations.
Note: Comparisons between the economies in the table are based on a conversion of national data into a common currency using the average nominal exchange rates prevailing in the corresponding period, unless otherwise indicated.
1) Annual average.
2) GDP shares are based on a purchasing power parity (PPP) valuation of country GDPs.
3) Based on real value added. Data for Bulgaria and Romania refer to 2004 for agriculture, fishing, forestry and to 2003 for industry (including construction) and services (including non-market services).
4) Balance of payments data. EU data are compiled on the basis of transactions with residents of countries outside the EU (i.e. excluding intra-EU flows). Data for Bulgaria and Romania are compiled on the basis of transactions with the rest of the world (i.e. including intra-EU flows).
5) Share of the working age population (i.e. those aged between 15 and 64).

POPULATION AND ECONOMIC ACTIVITY

The latest enlargement has increased the population of the EU by approximately 6% to a total of 492 million people. In both new Member States, however, the population has been on a declining trend since the start of the transition process towards a market economy, owing to declining net birth rates and emigration.

Economic activity in the countries forming the EU27, as measured by GDP, was approximately €10,900 billion in 2005. On the basis of current exchange rates, the latest enlargement represents an increase of 0.9% in GDP, of which Bulgaria and Romania contributed 0.2 and 0.7 percentage point respectively. This increase is much less than in the case of previous enlargements. The accession of the ten countries in May 2004, for example, raised the total GDP of the EU by around 5%, whereas the enlargement involving Austria, Finland and Sweden in 1995 increased total economic activity of the 12 existing Member States by around 7%. The economies of Bulgaria and Romania are, however, growing rapidly. Over the past five years, real GDP growth in both countries has mostly fluctuated between 4% and 6% per annum. In both

countries, domestic demand, fostered by rapid consumption and investment growth, has been the main engine of growth. The level of GDP per capita in purchasing power parity (PPP) terms in Bulgaria and Romania remains low, however, at 32.1% and 34.7% of the EU25 average in 2005.

Beyond this immediate statistical effect of enlargement on EU aggregate figures, the extension of the Single Market will increase the flows of goods, services, capital and labour between the EU25 and the two new Member States, thus leading to gains in welfare and employment in the longer term. Standard theories of international trade and economic integration predict that benefits arise from deeper integration and the creation of a single market, provided that adequate national economic policies are pursued. The integration of different economies brings advantages through increased trade, and, in the Single Market context, through a more efficient allocation of resources, enhanced competition and economies of scale realised through the free movement of goods, services, capital and labour.

PRODUCTION STRUCTURE

The structure of production in the two new Member States is characterised by a larger share of agriculture and industry and a smaller share of services in value added than the average of the EU25 countries. Particularly in Romania, total output is generated to a relatively large degree in agriculture (14.3%) and industry (36.8%, including construction), compared with 1.9% and 26.2% respectively in the EU25. Since the start of the transition process towards a market economy, however, a profound structural reorientation has taken place in both countries from agriculture and industry on the one hand towards services on the other.

EXTERNAL TRADE

After enlargement, EU25 trade with and between Bulgaria and Romania is now intra-EU

trade. Consequently, in Table 1 such trade is no longer recorded as international (i.e. extra-EU) trade. Conversely, trade between Bulgaria or Romania and the rest of the world excluding the EU25 countries now counts as extra-EU27 trade. Although official data are not yet available, it is likely that the accession of Bulgaria and Romania slightly reduces the trade openness of the EU as a whole as measured by the share of total extra-EU exports and imports in GDP.

For both Bulgaria and Romania, the rest of the EU accounts for the main share of foreign trade (around 60-65% of the total trade of both countries). Given increasing integration with the EU already before they joined, export growth in both countries has been buoyant but was outpaced by even stronger import growth in recent years. Consequently, in both countries large current account deficits have emerged, which reached 11.3% and 8.7% of GDP in Bulgaria and Romania respectively in 2005. Although these deficits have been largely covered by inflows of foreign direct investment in recent years, they are also associated with strong domestic demand growth and represent an important challenge for the authorities.[2]

LABOUR MARKET

The labour markets in Bulgaria and Romania still bear the legacy of the transition process to a market economy and the above-mentioned significant reorientation in the economic structure over the past 15 years. Following declines in earlier years, labour force participation and employment rates have stabilised, although they are still substantially below the EU27 average. The relatively low employment rates in Bulgaria and Romania are mainly attributable to the low participation rates of males (although female participation rates are also lower than in the rest of the EU, the differences are less pronounced) and older

2 For more details see "Macroeconomic and financial stability challenges for acceding and candidate countries", ECB Occasional Paper No 46, July 2006.

workers (i.e. those aged between 55 and 64). Unemployment rates have been declining in Bulgaria and Romania and stood at 10.1% and 7.9% respectively in 2005.

FISCAL POSITION AND THE SIZE OF THE GOVERNMENT SECTOR

The accession of the two new Member States does not change the weighted average government deficit ratio in the EU in 2005, which was 2.3% of GDP. Bulgaria had a surplus of 2.4% of GDP in 2005 and Romania a deficit of 1.5% of GDP in that year. The public expenditure and revenue shares in GDP are both lower than the EU25 average in the two new EU countries at less than or around 40%. As the public debt ratio in Bulgaria and Romania is substantially below the level in the other EU countries, the average EU debt-to-GDP ratio is slightly lower after enlargement.

FINANCIAL STRUCTURE

Financial markets in Bulgaria and Romania are still at an early stage of development, which is reflected in low ratios of outstanding credit to the private sector to GDP and low levels of stock market capitalisation. The financial sectors in these two countries have been growing rapidly, however, reflecting the transition to a market economy, low starting levels of financial intermediation, the macroeconomic policies pursued and cyclical developments. A key aspect of the development of the financial sector in both countries has been a strong increase in the amount of bank credit to the private sector, particularly to households. Although a rapid expansion of credit is a natural phenomenon associated with the transition and catching-up process, it may also pose some risks to both macroeconomic and financial stability. Macroeconomic risks relate in particular to an overheating economy and an associated worsening of the current account. Regarding financial stability, the speed of credit growth may put strain on banks' risk assessment and risk management capacities, which, in combination with over-optimism

about future returns, may lead to a misallocation of credit.[3]

3 THE ENLARGEMENT OF THE EURO AREA

On 11 July 2006, the EU Council adopted a decision allowing Slovenia to join the euro area and adopt the euro as its currency as from 1 January 2007.[4] As Slovenia only adds 0.3% of GDP to the euro area, its inclusion does not lead to noticeable changes in most features of the euro area as a whole (see Table 2).

POPULATION AND ECONOMIC ACTIVITY

Measured in terms of population, the euro area is one of the largest economies in the world, with a total population of 316 million people including the Slovenian population of two million, which represents about 0.6% of the enlarged euro area's population.

Euro area (including Slovenia) economic activity was €8,027 billion in 2005, of which Slovenia contributed around €28 billion, i.e. 0.3% of the euro area's GDP. In turn, the inclusion of Slovenia in the euro area has led to a small rise in the euro area's share of world GDP, from 14.8% to 14.9%. Slovenia's economy is still in a catching-up process relative to the euro area, with GDP per capita in PPP terms standing at 76% of the euro area average in 2005. In recent years, real GDP growth in Slovenia has been robust, averaging 3.4% in the period from 2001 to 2005, compared with 1.4% for the euro area.

PRODUCTION STRUCTURE

The production structure in Slovenia is broadly similar to that of the euro area. In the Slovenian economy the services sector contributes 62.3%

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3 For more details see the article entitled "Financial development in central, eastern and south-eastern Europe" in the November 2006 issue of the Monthly Bulletin.
4 See also the box entitled "Adoption of the euro by Slovenia as from 1 January 2007" in the August 2006 issue of the Monthly Bulletin.

Table 2 Key economic characteristics of the enlarged euro area

	Reporting period	Unit	Euro area excl. Slovenia	Euro area incl. Slovenia	Slovenia
Population and economic activity					
Total population [1]	2005	millions	313.6	315.6	2.0
GDP	2005	EUR billions	7,999	8,027	28
GDP per capita	2005	EUR thousands	25.5	25.4	13.8
GDP per capita (PPP)	2005	EU25=100	106.3	106.2	80.6
GDP (share of world GDP) [2]	2005	%	14.8	14.9	0.1
Sectors of production [3]					
Agriculture, fishing, forestry	2005	% of total	2.0	2.0	2.7
Industry (including construction)	2005	% of total	26.5	26.6	36.3
Services (including non-market services)	2005	% of total	71.5	71.5	62.3
External trade					
Exports of goods and services [4]	2005	% of GDP	20.3	20.2	64.6
Imports of goods and services [4]	2005	% of GDP	19.3	19.1	65.1
Current account balance [4]	2005	% of GDP	-0.1	-0.1	-2.0
Labour market					
Labour force participation rate [5]	2005	%	69.9	69.9	70.7
Unemployment rate	2005	%	8.6	8.6	6.5
Employment rate [5]	2005	%	64.4	64.4	66.0
General government					
Surplus (+) or deficit (-)	2005	% of GDP	-2.5	-2.5	-1.4
Revenue	2005	% of GDP	45.2	45.2	45.8
Expenditure	2005	% of GDP	47.6	47.6	47.2
Gross debt outstanding	2005	% of GDP	70.8	70.6	28.0
Monetary and financial indicators					
Credit to the private sector	2005	% of GDP	119.4	119.2	58.6
Stock market capitalisation	2005	% of GDP	63.2	63.1	24.2

Sources: Eurostat, IMF, European Commission, ECB and ECB calculations.
1) Annual average.
2) GDP shares are based on a purchasing power parity (PPP) valuation of country GDPs.
3) Based on real value added. Data for Slovenia refer to 2004 for agriculture, fishing, forestry and to 2003 for industry (including construction) and services (including non-market services).
4) Balance of payments data. Euro area data are compiled on the basis of transactions with residents of countries outside the euro area (i.e. excluding intra-euro area flows). For the euro area including Slovenia: ECB estimates based on national data.
5) Share of the working age population (i.e. those aged between 15 and 64).

to total value added, industry (including construction) 36.3% and agriculture 2.7%. The employment shares in the respective sectors are also broadly similar. Compared with the euro area excluding Slovenia, the major difference is the higher share of industry and the lower share of services both in value added and employment.

EXTERNAL TRADE

Slovenia is a small and very open economy, which traded mostly with the euro area already prior to adopting the euro. In 2005 the 12 euro area countries accounted for 67% of Slovenia's imports and 54% of its exports. In turn,

Slovenia's inclusion in the euro area has made the enlarged euro area a slightly more closed economy, reducing the degree of openness of the euro area as measured by the share of extra-euro area total exports and imports in GDP by about 0.1 and 0.2 percentage point to 20.2% and 19.1% respectively.

LABOUR MARKET

The labour market in Slovenia has been reformed significantly during the transition process, although further reforms are required to support economic growth over the medium to longer term. In 2005, the labour force participation and employment rates stood

slightly above the euro area averages, while Slovenia's unemployment rate was lower, at 6.5%. The relatively high employment rate in Slovenia is mainly attributable to the relatively high participation rate of females.

In this context it should be noted that some countries in the euro area still retain restrictions regarding the free movement of workers from the Member States that joined the EU in May 2004, including Slovenia. Six euro area countries still have restrictions in place, namely Belgium, Germany, France, Luxembourg, the Netherlands and Austria, although some of these countries have announced simplifications of their existing national access regimes to varying degrees. However, now that Slovenia is part of the euro area, it is essential to ensure that all production factors, including labour, can move freely within the single currency area. Removing all remaining barriers, including those related to labour mobility, is a necessary condition for the functioning of Monetary Union and important in order to promote the efficient allocation of factors of production in the euro area. In addition, the free movement of labour should be seen as one, among many, adjustment channels which exist in a monetary union to absorb localised shocks.

FISCAL POSITION AND THE SIZE OF THE GOVERNMENT SECTOR

The general government fiscal deficit in Slovenia has declined in recent years, reaching 1.4% in 2005, which is below the euro area average. The ratio of public debt to GDP has remained below 30% of GDP, which is significantly below the euro area average. The general government sector accounts for a similar share of the Slovenian economy as in the euro area.

FINANCIAL STRUCTURE

Financial markets in Slovenia are generally less developed than in the euro area, which is also reflected in the significantly lower share of outstanding credit to the private sector in GDP and the lower level of stock market capitalisation. The financial sector has, however, been developing rapidly, with bank credit to the private sector growing at an annual rate of 26% in September 2006.

THE CONVERGENCE PROCESS OF INTEREST RATES IN SLOVENIA IN THE SECOND HALF OF 2006

The convergence of Slovenian short-term interest rates towards comparable euro area levels started well before the ECOFIN Council decision in July 2006 that Slovenia fulfilled the necessary conditions to adopt the euro (for an overview of developments up to March 2006 see the ECB's Convergence Report, May 2006). This notwithstanding, in May 2006 Slovenian short-term interest rates were still above comparable euro area levels, reflecting the monetary and exchange rate policies pursued by Banka Slovenije. By contrast, long-term interest rates were around comparable euro area levels, reflecting market confidence in general economic and fiscal developments in Slovenia and the credible monetary and exchange rate policy (see Chart 1).

Since May 2006, Banka Slovenije has taken three steps to reduce the difference between policy rates in Slovenia and the euro area. First, it cut interest rates on 60-day tolar bills and long-term deposits by 25 basis points in June. Furthermore, Banka Slovenije did not follow the 25-basis-point increases in key ECB interest rates in both October and December. This was in contrast to August, when it increased the main policy rate by 25 basis points in line with the ECB move. These steps contributed to closing the spread between the short-term interest rate in Slovenia and the euro area. In May the Slovenian three-month interest rate was 61 basis points above the three-month euro interbank offered rate (EURIBOR). The spread declined to 40 basis points in June and gradually closed by October. In December 2006 the three-month interest rate in Slovenia stood at 3.7%, which was very close to the euro area average. The spread between the long-term interest rates in Slovenia and the euro area

Chart I Short and long-term interest rates in Slovenia and the euro area

a. Short-term interest rate
(three-month money market interest rates; monthly data; percentages per annum)

Slovenia
••••• euro area
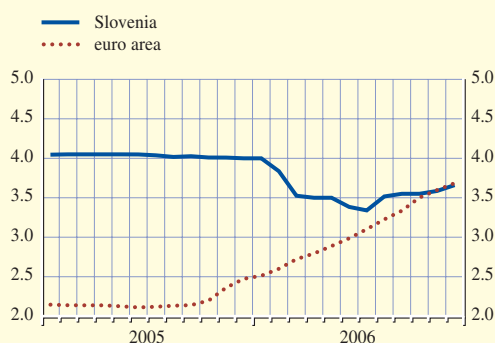
b. Long-term interest rate
(ten-year government bond yields; monthly data; percentages per annum)
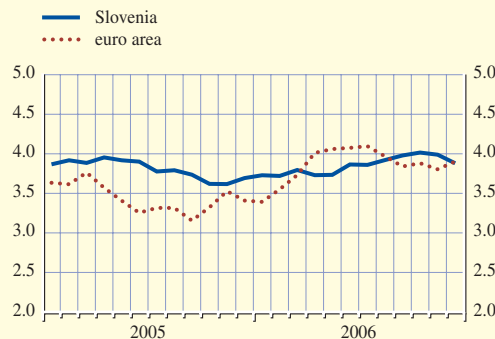
Slovenia
••••• euro area

Source: ECB.

average, as measured by 10-year benchmark government bond yields, was slightly negative at the end of 2006.

On 11 July 2006, the ECOFIN Council also adopted a regulation fixing the irrevocable conversion rate between the Slovenian tolar and the euro. The conversion rate was set at the central rate agreed on 28 June 2004 when the Slovenian currency entered the exchange rate mechanism II (ERM II). On the day of this decision, the tolar was trading at SIT 239.64 to the euro, i.e. at the parity, while on 29 December it was irrevocably fixed at SIT 239.640 to the euro. The tolar-euro exchange rate stayed close

to the parity during the whole period of ERM II participation.

4 CONCLUSION

On 1 January 2007, Bulgaria and Romania joined the EU, which now comprises 27 Member States. At the same time, Slovenia adopted the euro, increasing the size of the euro area from 12 to 13 countries. Given that the economic weight of Bulgaria and Romania is relatively small, the statistical aggregate macroeconomic features of the EU did not change much as a result of this enlargement. In fact, the most notable change in the EU is a 6% increase in total population. Nevertheless, in line with previous expansions of the EU, the latest enlargement round opens up new opportunities for trade and investment for both the existing and new EU Member States. To fully reap the benefits of enlargement, a fully operational Single Market must be implemented, allowing a free flow of goods, services, capital and labour. Removing the remaining barriers within the EU will be an important means to promote the efficient allocation of factors of production as well as deeper economic and financial integration.

Following the decision by the ECOFIN Council that Slovenia could adopt the euro as of 1 January 2007, the country smoothly completed the convergence of its short-term interest rates vis-à-vis the euro area during the second half of 2006. During the same period, the exchange rate against the euro remained stable and was irrevocably fixed at the end of December at the previous ERM II central rate of SIT 239.640 to the euro. Owing to its small size, the entry of Slovenia into the euro area has had only a very limited statistical impact on the aggregate euro area economic characteristics. However, adopting the euro implies for Slovenia that the benefits of the Single Market are further enhanced by the single currency, which offers a credible framework for monetary policy and price stability in an environment characterised by the absence of exchange rate uncertainty

within the euro area. In order to fully reap the benefits of the euro and to allow adjustment mechanisms to operate efficiently within the enlarged currency area, all remaining barriers between Slovenia and the rest of the euro area should be removed, including those related to labour mobility.

DEVELOPMENTS IN THE STRUCTURAL FEATURES OF THE EURO AREA LABOUR MARKETS OVER THE LAST DECADE

This article reviews developments in the structural features of the euro area labour markets over the last ten years. It identifies several improvements in the labour market performance of the euro area, including rising labour force participation and employment rates, as well as declining unemployment rates. Women and older workers in particular, and to some extent workers with lower skills, have experienced significant improvements in their labour market situation. In line with these improvements over the last ten years, available information points to a steady, though gradual, decline in the structural unemployment rate in the euro area. This decline may be related to the fact that many euro area countries have made some progress with labour market reform, such as improving incentives to work. In addition, wage developments characterised by moderate outcomes have made an important contribution to stronger employment growth. Nevertheless, the performance of the euro area labour markets is still far from being efficient and sufficiently flexible. Unemployment rates continue to be unacceptably high and participation in the labour market is low by international standards. This indicates that labour market and wage rigidities remain a problem and represent important challenges that need to be addressed by further reform.

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1 INTRODUCTION

The structural features of the euro area labour markets affect the economic environment in which the ECB's monetary policy is conducted in three main ways. First, the structural features of labour supply and demand, such as labour force participation, employment and unemployment, influence an economy's output level and its potential growth rate. Second, these features, together with the structural features of wage formation, have an impact on labour costs, which are in turn an important determinant of price developments. Third, along with the flexibility of labour and product market institutions, the structural features of the euro area labour markets determine the adjustment flexibility and resilience of the euro area economy to economic shocks.

Accordingly, this article reviews developments in the structural features of the euro area labour markets over the last ten years, a period characterised by signs of an improvement in the performance of euro area labour markets and by some progress with structural reform in both labour and product markets.[1] Section 2 surveys recent euro area trends and patterns in labour force participation, employment and unemployment, while Section 3 analyses recent trends and patterns in wages. Section 4 reviews the progress made in reforming labour market institutions, briefly assesses how far such

reforms may explain recent labour market developments and finally addresses further necessary structural reforms. Section 5 summarises the main findings and concludes.

2 RECENT TRENDS AND PATTERNS IN LABOUR FORCE PARTICIPATION, EMPLOYMENT AND UNEMPLOYMENT RATES

LABOUR FORCE PARTICIPATION

Over the last decade, the euro area has made progress in increasing the share of the working age population participating in the labour market as employed or unemployed, i.e. its labour force participation rate, narrowing the gap with the United States. Between 1995 and 2006 the labour force participation rate increased by 5.1 percentage points to 70.4% (see Table 1). To a considerable extent, this increase was the result of an increase in the participation of older persons (aged 55-64) and women, while the participation rate among young persons (aged 15-24) and prime-age men (aged 25-54) remained broadly unchanged. Among young persons, the labour force participation rate was associated with an increased participation in

[1] This article follows up the article entitled "The composition of employment growth in the euro area in recent years" in the November 2002 issue of the Monthly Bulletin. The data used refer to the euro area excluding Slovenia. The main source of information is the EU Labour Force Survey published by Eurostat.

	Age	Euro area			United States		
		Level		Change from 1995 to 2006	Level		Change from 1995 to 2005
		1995	2006		1995	2005	
All	15-64	65.3	70.4	5.1	76.9	75.4	-1.5
Men	15-64	76.4	78.4	2.0	84.3	81.8	-2.5
	25-54	92.8	93.0	0.2	91.6	90.5	-1.1
Women	15-64	54.2	62.4	8.1	69.7	69.3	-0.4
	25-54	66.8	75.5	8.8	75.6	75.3	-0.4
Older persons	55-64	36.0	44.8	8.8	57.2	62.9	5.7
Young persons	15-24	43.7	44.1	0.4	66.3	60.8	-5.5

Sources: Eurostat and Bureau of Labor Statistics.
Note: Euro area figures refer to the second quarter of the year.
1) Ratio of those in employment and those in unemployment (i.e. the labour force) to the working age population.

education. Whereas 61.2% of young persons participated in education in 1995, in 2006 the share was 66%. As a result, the last decade has seen a steady "catch-up" in the educational attainment of young persons compared with older persons, as indicated by a rising share of young persons having attained at least secondary education level.

Several factors may have contributed to the rise in labour force participation rates observed among women and older persons. These include a structural change in female labour supply with women staying longer in education and subsequently displaying a greater preference for participating in the labour force than in the past.[2] Moreover, tax and benefit system reforms aimed at increasing work incentives for women and older workers seem to be gradually bearing fruit.

Nevertheless, while the labour force participation rate among prime-age men in the euro area exceeds that in the United States, US participation rates among older workers and young persons are much higher than in the euro area. Finally, over the period considered, the increase in the labour force participation rate in the euro area occurred alongside a slight increase in the growth rate of its working-age population that was partly driven by a rise in immigration (see Box 1).

2 Evidence on the impact of education decisions on the participation of young women can be found in V. Genre, R. Gómez Salvador and A. Lamo, "European women, why do(n't) they work?", ECB Working Paper No 454, March 2005. Generally, the increased share of more educated workers is estimated to have made an important contribution to euro area labour productivity growth (see G. Schwerdt and J. Turunen, "Growth in euro area labour quality", ECB Working Paper No 575, January 2006).

Box 1

IMMIGRATION AND LABOUR SUPPLY

Part of the increase in labour supply over the last decade is a result of increased immigration. The chart shows the net flow of migrants into the EU-15[1] and the United States since the 1960s. Three phases of migration can be identified in Europe until the late 1990s: the guest-worker phase (1950s and 1960s, when a number of countries initiated programmes to recruit foreign workers), the family-reunification phase (1970s, when existing immigrants decided to stay in

1 Data are not available for the euro area aggregate.

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their host countries and were joined by their families) and the asylum-seeker phase (late 1980s and early 1990s, when a number of political events, wars and ethnic conflicts caused the number of people seeking asylum to rise).

More recently, a fourth phase seems to have arisen. Since 1998, net migration to the EU-15 has increased from around 500,000 people per year to close to two million in 2003. Furthermore, since 1999, net migration to the EU-15 has risen above that to the United States. Indeed, part of the increase in recent years reflects new immigration, possibly as a result of globalisation, but part is also the result of the large-scale regularisation of existing, but illegal, immigrants in some Member States. Enlargement of the European Union to 25 Member States in 2004 also contributed to an increase in net migration to the EU-15.

Net migration flow into the EU-15 and United States

(millions of persons)

— EU-15
····· United States

Source: European Commission.
Notes: Net migration is measured as the difference between the total population on 1 January and 31 December for a given calendar year, minus the difference between births and deaths (or natural increase). The EU-15 refers to the EU Member States prior to May 2004.

The extent to which migration flows have contributed to labour supply varies strongly across euro area countries. In 2002-03 the percentage of working and residing foreign nationals was highest in Luxembourg at around 40%, around 10% in Austria, Greece, Germany and Belgium, and less than 5% in Italy, the Netherlands, Portugal and Finland. In the period 2005-06, the immigrant population in Spain and Ireland rose notably due to high inflows of migrants and the Spanish regularisation programme of 2005.

Both economic theory and empirical evidence suggest that the net economic gains from immigration are likely to be positive for receiving countries. The net inflow of migrants will also contribute to boosting labour supply in the euro area, helping to offset some of the negative effects of demographic change.[2]

2 See the article entitled "Demographic change in the euro area: projections and consequences" in the October 2006 issue of the Monthly Bulletin, and A. Maddaloni, A. Musso, P. Rother, M. Ward-Warmedinger and T. Westermann, "Macroeconomic implications of demographic developments in the euro area", ECB Occasional Paper No 51, August 2006.

EMPLOYMENT

As with labour force participation, the euro area has also made progress in increasing employment rates over the last decade, reducing the differences vis-à-vis the United States. In this regard, the euro area employment rate rose by 6.6 percentage points to 64.4% in 2006; increases in the employment rates among women and older workers were the largest (see Table 2). Interestingly, in terms of employment by educational attainment, rates grew most significantly among less-skilled workers. This may reflect, inter alia, wage policies that support job creation at the lower end of the wage scale. However, significant differences in employment rates remain across skill groups. Currently, more than 80% of those with tertiary education are employed, while among those with below secondary education the proportion remains under 60%.

Table 2 Employment rates[1] in the euro area and the United States by gender and age group

(percentages per annum; changes in percentage points)

	Age	Euro area			United States		
		Level		Change from	Level		Change from
		1995	2006	1995 to 2006	1995	2005	1995 to 2005
All	15-64	57.8	64.4	6.6	72.5	71.5	-1.0
Men	15-64	69.2	72.4	3.3	79.5	77.6	-1.9
	25-54	85.4	86.8	1.4	87.6	86.9	-0.7
Women	15-64	46.6	56.4	9.8	65.8	65.7	-0.1
	25-54	58.5	69.0	10.5	72.2	72.0	-0.2
Older persons	55-64	33.0	41.6	8.6	55.1	60.8	5.7
Younger persons	15-24	33.6	36.7	3.1	58.3	53.9	-4.4
Skills	25-64						
below secondary education		50.5	57.2	6.7	53.9	56.5	2.6
at least secondary education		71.1	74.3	3.2	75.1	72.8	-2.3
tertiary education		81.9	83.5	1.6	85.8	82.0	-3.8
Part-time ratio[2]	15-64	13.8	19.3	5.5	13.2	12.8	-0.4

Sources: Eurostat, Bureau of Labor Statistics and OECD.
Note: Euro area figures refer to the second quarter of the year.
1) Ratio of those in employment to the working age population.
2) Ratio of part-time employment to total employment.

From a sectoral perspective, the trend towards a service-based economy has continued in the euro area over the last decade. While the agricultural and industrial sectors have lost around 1.5 and 3.5 percentage points respectively in their employment shares over the last decade, the services sector increased its weight to around 70% in 2006. However, a sizeable gap persists compared with the sectoral employment structure in the United States, where employment in services accounted for 77% of total employment in 2004. To some

extent, this may be explained by the greater flexibility of wages in the services sector in the United States, as suggested by the greater wage differential with respect to the total economy (for more on this, see Section 3).

Despite the latest improvements in employment rates in the euro area, there is still some way to go to reach the employment rate targets envisaged by the Lisbon agenda for 2010 (overall employment of 70%, 60% of women and 50% of older workers). As Chart 1 shows, the United States outperformed all of these targets in 1995 and 2005.

The increase in euro area employment over the last decade is lower when measured in terms of hours worked than in terms of persons in employment. This is due to the fact that the rise in the employment rate over the last decade was accompanied by a significant decline in the average annual hours worked per worker to a level much lower than in the United States. This decline was mainly driven by a significant increase in the part-time employment rate from 13.8% to 19.3% between 1995 and 2006 (see Table 2). In general, more part-time work may be voluntary, indicating an increased flexibility

Chart 1 Employment rates in view of the Lisbon agenda targets for 2010: 1995 and 2006

(percentages)
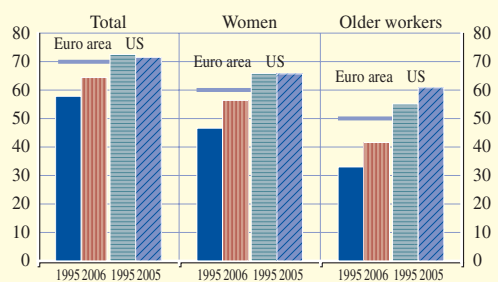
Sources: Eurostat and Bureau of Labor Statistics.
Note: The thick horizontal lines indicate the respective employment targets set by the Lisbon agenda.

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Table 3 Unemployment rates[1] in the euro area and the United States by gender, age group and skills

(percentages per annum; changes in percentage points)

	Age	Euro area			United States		
		Level		Change from 1995 to 2006	Level		Change from 1995 to 2005
		1995	2006		1995	2005	
All	15-64	11.4	8.3	-3.1	5.6	5.1	-0.5
Men	15-64	9.5	7.5	-2.0	5.6	5.1	-0.5
Women	15-64	14.1	9.4	-4.7	5.7	5.2	-0.5
Younger persons	15-24	23.1	16.2	-6.9	12.1	11.3	-0.8
Skills	25-64						
below secondary education		13.3	9.9	-3.4	10.0	10.5	0.5
at least secondary education		8.6	7.2	-1.4	5.0	5.6	0.6
tertiary education		6.7	4.7	-2.0	2.7	3.3	0.6
Long-term unemployment[2]	>15	49.5	46.8	-2.7	9.7	11.8	2.1

Sources: Eurostat, Bureau of Labor Statistics and OECD.
Notes: Euro area figures refer to the second quarter of the year. US figures for 2005 relating to skills refer to 2004.
1) Ratio of those in unemployment to the labour force.
2) Share of those in unemployment who have been unemployed for over a year.

of working time arrangements. However, the decline in annual hours worked per worker was also a result of legal arrangements providing for a decline in working hours, a trend that seems to have come to a halt only more recently.[3] In the case of females, the gap in average annual hours worked per worker between the United States and the euro area tends to shrink when the sum of hours worked in the market and at home is considered, pointing to a stronger allocation of household production to the market in the United States than in the euro area.[4]

Turning to the resilience of economies to shocks, both the euro area and the United States reacted to the latest economic downturn by a stronger downward adjustment in hours worked per worker than in employment. However, employment in the euro area has shown a greater resilience to the downturn than in the United States. This is remarkable, since in previous slowdowns, labour input in the euro area has adjusted mostly via employment. More flexible working time arrangements and moderate wage developments are likely to have contributed to this development.

UNEMPLOYMENT

The positive trend in employment rates has been mirrored by lower unemployment. Over the last decade, the overall euro area

unemployment rate among persons aged 15-64 declined by 3.1 percentage points to 8.3% in 2006 (see Table 3). The reduction in the euro area unemployment rate mainly benefited young persons, women and, by educational level, low-skilled persons. As regards the decline in youth unemployment, to the extent that it was accompanied by an increase in the employment rate in that age group, this may reflect, inter alia, a continuous rise in young people's educational attainment, increasing their employability. To the extent that the decline in youth unemployment was not accompanied by an increase in the youth employment rate, it is likely that it reflects an increased participation in education.

When looking at indicators of labour market performance that may reflect more fundamental and structural changes in the labour market, such as changes in long-term unemployment (i.e. the percentage of unemployed persons

3 See also the box entitled "Developments in total hours worked, employment and average hours worked" in the September 2006 issue of the Monthly Bulletin, and N. Leiner-Killinger, C. Madaschi and M. Ward-Warmedinger, "Trends and patterns in working time across euro area countries 1970-2004: causes and consequences", ECB Occasional Paper No 41, December 2005.
4 See R. Freeman and R. Schettkat, "Jobs and home work", *Economic Policy* 20(41), Blackwell, 2005. Their study is based on time-use surveys/diaries that organise the 24 hours in a day into hours spent working in the market, in the household, for leisure and for personal time.

being unemployed for more than a year), its decline from 49.5% in 1995 to 46.8% in 2006 was limited. Overall, the high level of long-term unemployment is one of the most striking indications of the still insufficient functioning of the euro area labour markets.

As another indicator capturing more structural changes in the labour market, estimates of the non-accelerating inflation rate of unemployment (NAIRU) fell moderately over the last decade. The NAIRU is a theoretical concept defined as that level of unemployment which is consistent with a stable inflation rate. Occasionally the relationship modelled is between unemployment and wage inflation, in which case the structural unemployment rate estimated is labelled as the non-accelerating wage inflation rate of unemployment (NAWRU). In the past, the NAIRU/NAWRU was assumed to approximate to the long-term average unemployment rate, but was later recognised to change over time.[5]

The measurement of the NAIRU/NAWRU can be quite imprecise, particularly when looking at real-time estimates.[6] The ECB does not therefore rely on measures of the NAIRU/NAWRU level in the context of its regular monetary policy assessment. Nevertheless, NAIRU/NAWRU developments can provide some information on longer-term trends. Indeed, although estimates vary, the broad pattern across measures used by international organisations appears to be similar and suggests a gradual, but steady, decline since the mid-1990s, from a level of around 9.3% in 1995 to around 8.0% in 2006 (see Chart 2). It is also notable that the NAIRU/NAWRU estimates continued to fall during the period of weak economic growth between 2001 and 2005. The positive developments in the NAIRU/NAWRU over the last decade have largely been attributed to the benefits of greater wage flexibility, as well as the labour and product market reforms

5 For a more detailed analysis of developments in structural unemployment in the euro area, see the box entitled "A longer term perspective on structural unemployment in the euro area" in the August 2005 issue of the Monthly Bulletin.

6 See, for example, the evidence reported in D. Staiger, J. Stock and M. Watson (1997), "How precise are estimates of the natural rate of unemployment" in C. Romer and D. Romer (eds) *Reducing inflation: motivation and strategy*, University of Chicago Press, 1997.

implemented in several euro area countries.[7] However, the NAIRU/NAWRU still remains at a high level, suggesting the need for further reforms to increase labour market flexibility.

Finally, an assessment of changes in the Beveridge curve – i.e. the relationship between vacancies and unemployment – for the euro area may provide an indication of changes in labour market functioning arising from structural factors. The Beveridge curve presents a broad description of developments in the matching process of unemployed persons and vacancies. Movements along the curve, i.e. where vacancies and unemployment move in different directions, reflect cyclical fluctuations in economic activity. These movements are characterised by anti-clockwise loops.[8] An inward (outward) shift of the curve, where vacancies and unemployment decline (increase) simultaneously, may indicate an improvement (deterioration) in the matching process owing to structural factors such as more (less) efficient labour market institutions.

Since the mid-1990s, developments in the euro area Beveridge curve have been mainly driven by cyclical movements (see Chart 3). Indeed, the vacancy rate increased pro-cyclically between 1994 and 2001, while the unemployment rate declined. This was followed by a period of economic slowdown, when the vacancy rate fell and the unemployment rate started to increase. The vacancy rate has increased again since the start of 2005, contributing to lower unemployment. It is worth noting that there is no evidence of any further outward movements in the Beveridge curve relationship during this ten-year period. This suggests that adverse impacts of shocks of a more structural nature, such as those relating to the reduced effectiveness of the job matching process and sectoral shifts, have come to a halt. At the same time, no inward movements have been seen either, and today's performance is significantly worse than in the early 1980s, suggesting the need to improve the efficiency of the matching process.

Chart 4 Growth in euro area compensation per employee and its components

(annual percentage changes)

- negotiated wages
- social security contributions
- wage drift
- compensation per employee
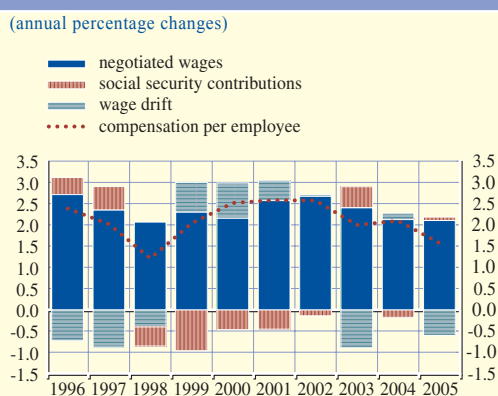
Sources: Eurostat, ECB and ECB calculations.

3 RECENT TRENDS AND PATTERNS IN WAGES

The last ten years have been characterised by overall moderate developments in wages and labour costs. The annual growth rate of nominal compensation per employee in the euro area averaged 2.2% between 1995 and 2005, compared with more than 5% per year in the previous ten-year period. Average wage growth per hour worked has been somewhat stronger at approximately 2.6%, owing to the trend decline in hours worked per worker. Furthermore, despite a sustained decline in labour productivity growth, annual growth in unit labour costs in the euro area averaged about 1.4% between 1995 and 2005, less than half the growth rate observed in the previous ten-year period. This has facilitated the conduct of monetary policy and the maintenance of price stability in the euro area. In addition, overall moderate wage developments have made an important contribution to the improved performance of the euro area labour markets observed in recent years.

7 See, for example, S. Nickell, "Labour market institutions and unemployment in OECD countries", CESIFO DICE Report 1, No 2 (2003), pp. 13-26.

8 For a more detailed analysis of the unemployment-vacancy relationship in the euro area and the possible shocks affecting it, see the box entitled "The unemployment-vacancy relationship in the euro area" in the December 2002 issue of the Monthly Bulletin.

A number of structural factors are likely to have contributed to the overall moderate wage bargaining outcomes in recent years. Negotiated wages and salaries can be considered to be the basic component of labour costs (see Chart 4).[9] Growth in negotiated wages is the largest component of compensation per employee growth and moderate wage bargaining outcomes are thus confirmed as the main driving force of overall lower wage growth in the last decade. An enhanced common understanding between parties involved in the wage bargaining process that lower wage increases foster employment creation, contribute to keeping inflation low and stable and improve competitiveness is likely to have been a significant factor. Other factors, such as the still high levels of unemployment due to structural rigidities, changes in production structures and technologies, and increased downward pressure on labour costs stemming from enhanced global competition (including competition from the new EU Member States), are also likely to have contributed to dampening bargaining outcomes. Social security contributions – the second main component of overall compensation per employee growth – are generally stipulated by law. In the period between 1998 and 2002 they were subject to cuts, reflecting the contribution to lower wage growth of specific reforms aimed at lowering the cost of labour in a number of euro area countries (see Chart 4).

The recent wage developments in the euro area are an aggregation of diverse developments across euro area countries.[10] Differences in the extent of wage rigidities across euro area countries and compared with the United States are likely to have played an important role (see Box 2 for empirical evidence on wage rigidities). Wage rigidities, in turn, may be determined by a number of institutional factors. For example, backward-looking indexation clauses that adjust wage growth based on past inflation, while less common now than in the past, still exist in some euro area countries, potentially giving rise to real wage rigidities.[11]

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9 See, for example, the box entitled "Recent developments in euro area wage drift" in the October 2006 issue of the Monthly Bulletin.

10 Divergence in labour cost developments across euro area countries is an important determinant of the dispersion in HICP inflation rates and has important implications for cost competitiveness and economic growth in euro area countries. See the report entitled "Inflation differentials in the euro area: potential causes and policy implications", ECB (2003).

11 Wage indexation clauses are automatic in Belgium and Luxembourg (as well as applying to minimum wages in France), are included in most contracts in Spain, and can be invoked in a few other euro area countries.

Box 2

WAGE RIGIDITIES IN THE EURO AREA AND THE UNITED STATES

A number of studies have attempted to estimate the degree of downward nominal wage rigidity (i.e. the ease with which nominal wages adjust downwards) in European countries. Two studies of cross-country variation during the mid-1990s using data from the European Community Household Panel (Dessy, 2005, and Knoppik and Beissinger, 2005) find that nominal wage rigidity varies considerably across the EU-15.[1] Using industry level data for 19 OECD countries, Holden and Wulfsberg (2005) also find significant downward nominal wage rigidity.[2] Evidence on the extent of real wage rigidity is far scarcer. Barwell and Schweitzer (2004), Bauer, Bonin, and Sunde (2003), Böckerman, Laaksonen and Vainiomäki (2003), Dessy (2005), and Devicienti, Maida and Sestito (2005) find varying degrees of downward real wage rigidity in the United

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1 O. Dessy (2005), "Nominal wage rigidity in Europe: estimates, causes and consequences", paper prepared for the European Economics Association Annual Conference, Vienna 2005, University of Milan. C. Knoppik and T. Beissinger (2005), "Downward nominal wage rigidity in Europe: an analysis of European micro data from the ECHP 1994-2001", IZA Discussion Paper No 1492.

2 S. Holden and F. Wulfsberg (2005), "Downward nominal wage rigidity in the OECD", mimeo, available at http://folk.uio.no/sholden/#wp.

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Kingdom, Germany, Finland, Italy and other European countries.[3] However, significant differences in data and measurement methods used in these independent studies make comparisons of their conclusions as regards the extent of rigidities across countries difficult.

Research by the International Wage Flexibility Project (IWFP), an international network of academics and policymakers, aims to fill this gap by measuring downward nominal and real wage rigidity using microeconomic data for a number of euro area countries and the United States.[4] Estimates from the IWFP point to significant wage rigidities. Compared with the United States, real wage rigidities appear to be more common in European countries. However, overall there is significant heterogeneity in the nature and extent of both types of rigidity across countries. In terms of the causes of wage rigidity, the results suggest that downward real wage rigidities appear to be positively associated with union presence. This suggests that participants in collective bargaining may give more attention to developments in real, as opposed to nominal, wages. Unions may also have the bargaining power to protect real wages.

3 For complete references, a summary of this work and the results of the International Wage Flexibility Project, see W. Dickens, L. Goette, E. L. Groshen, S. Holden, J. Messina, M. Schweitzer, J. Turunen and M. Ward-Warmedinger, "How wages change: micro evidence from the International Wage Flexibility Project", ECB Working Paper No 697, November 2006. A paper stemming from the same project also measures downward wage rigidity after controlling for measurement error, see W. Dickens, L. Goette, E. L. Groshen, S. Holden, J. Messina, M. Schweitzer, J. Turunen and M. Ward-Warmedinger, "The interactions of labour market institutions and inflation: micro evidence from the International Wage Flexibility Project", paper presented at the San Francisco Federal Reserve Bank Conference "Labor Markets and the Macroeconomy", San Francisco, 3-4 March 2006.
4 See W. Dickens et al. (2006).

Chart 5 Inter-industry wage differentials in the euro area

(percentage differences with respect to the total economy average wage)
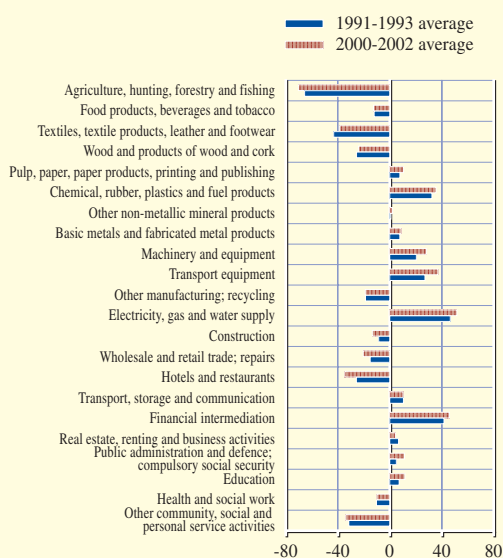
Sources: OECD STAN database and ECB calculations.
Notes: Average percentage differentials with respect to the average level of compensation per employee for the economy as a whole. Averages for three-year periods rather than single years are used to avoid any single-year specific particularities in the data.

Developments in inter-industry wage differentials provide additional insight into the degree of wage flexibility in the euro area and different inflationary pressures from wages across the different sectors. There are substantial and persistent differences in relative wage levels across the different sectors, with services jobs being paid on average over 15% less than jobs in manufacturing (see Chart 5).[12] These differences appear to persist even after correcting for hours worked and skills across industries.[13]

12 V. Genre, D. Momferatou and G. Mourre, "Wage diversity in the euro area: an overview of labour cost differentials across industries", ECB Occasional Paper No 24, February 2005.
13 This is a common finding in the empirical literature on international wage differentials. See, inter alia, E. Groshen, "Sources of intra-industry wage dispersion: how much do employers matter?", *Quarterly Journal of Economics*, vol. 106, No 3, 1991, pp. 869-84; D. Levine, "Can wage increases pay for themselves? Tests with a production function", *Economic Journal*, vol. 102, No 414, 1992, pp. 1102-15; and J. Kouwenberg and R. Van Opstal, "Inter-industry wage differentials: evidence from micro data", CPB Report 1999/3, pp. 26-29.

Focusing on dispersion at a more disaggregated level, it is worth noting that this overall negative differential for services mainly results from lower wages in both the wholesale and retail trade sector and the hotel and restaurant sector, while workers in financial intermediation services are among the highest paid. Sectoral wage differentials in the euro area and the United States have been rather similar in terms of ranking of industries and overall wage structure. However, wage dispersion appears to be somewhat higher in the services sector in the United States than in the euro area.

Wage differentials corrected for worker-specific characteristics are likely to be explained to some extent by firm-specific characteristics, such as firm size and capital intensity. Furthermore, evidence suggests that euro area sectoral wage differentials persist over time and there is no evidence of a convergence of wages between low and high paid industries (see Chart 5). Indeed, it appears that the gap between wages in manufacturing and services has widened somewhat in the last decade, driven by more positive labour productivity developments in manufacturing and reflecting increased wage flexibility in services.

4   PROGRESS WITH STRUCTURAL REFORM

Sections 2 and 3 of this article identify several improvements in the performance of the euro area labour markets over the last decade. However, they also indicate that the levels of labour force participation, employment and unemployment are still unsatisfactory, suggesting the need for greater flexibility in order to increase the adjustment capacity of the euro area labour markets, as well as their resilience to shocks, thereby supporting the smooth functioning of EMU. Against this background, this section reviews the progress made with reforms of labour market institutions, analyses how such progress may have supported the labour market situation in the euro area

countries, and considers where further progress is still necessary.

Progress in implementing structural reforms can best be assessed on the basis of indicators that gauge the associated change in market restrictiveness. In this regard, the OECD has set up various indicators comparing the design and changes in institutions across countries, including indicators measuring, for example, features of employment protection legislation, tax and benefit systems, and product market regulation. More recently, with the intention of measuring the progress made within the framework of the Lisbon agenda, Eurostat has set up a "structural indicators" database to monitor structural reform across EU countries. There are, however, several caveats to analyses measuring the progress of structural reform. First, several of these indicators are summary measures (such as the OECD indicator on employment protection legislation) that compare various aspects of institutions that differ widely across countries, with the choice of weights of the single elements necessarily including subjective judgement. Second, some indicators are published with long lags or are available only at a very low frequency, e.g. at five-year intervals, and thus do not reflect most recent developments. Nevertheless, despite these caveats, such indicators are the only available numerical measures to compare countries' progress with the implementation of structural reforms.

TAX AND BENEFIT SYSTEMS
Over the last decade, on average euro area countries have made progress in increasing the incentives to work, particularly by reducing disincentives to work longer and the financial incentives to retire early. Over the last six years, tax wedges, which capture the amount of income tax paid plus employee and employer social security contributions, have declined for various groups, including families with a second earner and persons with below-average incomes, pointing to increased incentives for female

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Table 4 Progress with structural reforms in tax and benefit systems

(percentages per annum; changes in percentage points)

	euro area		United States	
	%	**Change**	**%**	**Change**
Tax wedges[1]	**2005**	**2000-2005**	**2005**	**2000-2005**
One-earner married couple, 2 children (100% of average earnings)	31.3	-1.7	11.9	-4.0
Two-earner married couple, no children (100% and 33% of average earnings)	38.1	-1.7	26.7	-1.1
Single person, no children (67% of average earnings)	37.8	-1.6	26.7	-0.5
	2005	**2001-2005**	**2005**	**2001-2005**
"Low-wage trap"[2]	42.7	1.7	31.0	-3.0
"Unemployment trap"[3]	77.2	1.7	70.0	0.0
Early retirement	**2003**	**1993-2003**	**2003**	**1993-2003**
Implicit tax rate on continuing work from 60 to 65[4]	48.1	-23.5	12.8	6.5
	2005	**2001-2005**		
Average exit age from labour force[5]	60.7	0.8		
Unemployment benefits	**2004**	**2001-2004**	**2004**	**2001-2004**
Net replacement rates				
One-earner married couple, 2 children (67% of average earnings), initial phase of unemployment[6]	80.0	-0.8	51.0	-2.0
One-earner married couple, 2 children (67% of average earnings), long-term unemployment[7]	72.0	-1.0	48.0	-3.0
	2003	**1995-2003**	**2003**	**1995-2003**
OECD summary measure of benefit entitlements[8]	35.7	3.3	14.0	2.0

Sources: Eurostat, OECD and ECB calculations.
Notes: Unweighted averages for the euro area unless otherwise stated. Indicators refer to different time periods according to data availability.
1) Tax wedges capture the amount of income tax paid plus employee and employer social security contributions less cash benefits as a percentage of labour costs.
2) The "low-wage trap" is defined as the percentage of gross earnings taxed away by higher taxes and reduced benefits when taking up a higher paid job. It is measured here for a single person with no children, moving from 33% to 67% of the average earnings of a production worker.
3) The "unemployment trap" is defined as the percentage of gross earnings taxed away through higher taxes and social security contributions, as well as benefit withdrawal when an unemployed person takes up a job. It is measured here for a single person with no children with 67% of the average earnings of a full-time production worker in the manufacturing industry.
4) Average annual change in pension/social wealth (i.e. the present value of the future stream of pension/social benefits), net of additional contributions paid, resulting from a decision to postpone retirement from age 60 to age 65. The calculations are made for a single earner with average earnings; they exclude Greece and Austria. For more details, see *OECD Employment Outlook 2006*, p. 134.
5) Estimated value by Eurostat; weighted average.
6) The net replacement rate is defined as after tax and including unemployment benefits, social assistance, and family and housing benefits in the initial phase of unemployment but following any waiting period. Children are aged four and six and neither childcare benefits nor childcare costs are considered.
7) The net replacement rate is defined as after tax and including unemployment benefits, social assistance, and family and housing benefits in the 60th month of benefit receipt. Children are aged four and six and neither childcare benefits nor childcare costs are considered.
8) Average of the gross unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment, excluding Luxembourg.

labour supply and persons with low skills (see Table 4).[14] Nevertheless, tax wedges remain significantly above US levels. At the same time, Eurostat's structural indicator of the "low-wage trap", which measures the cost – in terms of higher taxes paid and reduced benefits received – of taking up a higher paid job, has increased slightly to 42.7% of the additional income between 2001 and 2005 (see Table 4 for details).

Considerable progress has been made over the last decade to reduce the incentives for older workers to retire early, as indicated by the strong decline in the implicit tax rate on continuing work from 60 to 65, reflecting the decline in the pensions "lost" due to later retirement. At the same time, the average exit age from the euro area labour force increased

14 The time period considered for the change in tax wedges refers to 2000-05 given that the OECD broadened the definition of the average wage concept, starting with 2005, to include not only manual workers but also non-manual workers. This led to a break in the series between 2004 and 2005. However, tax wedges have tended to follow a declining trend also for the period 1995-2004. For more details see OECD, "Taxing wages 2004-2005", Paris, 2006.

by more than nine months to 60.7 years between 2001 and 2005.

By contrast, euro area countries have, on average, been comparably less successful in increasing the incentives for the unemployed to take up work opportunities. In this regard, net replacement rates declined slightly between 2001 and 2004 and the OECD summary measure of benefit entitlements for the unemployed even increased between 1995 and 2003. At the same time, the Eurostat structural indicator of the so-called "unemployment trap", which measures the percentage of gross income taxed away when an unemployed person takes up a job, also increased slightly to a high level of 77.2% in 2005 (see Table 4 for details). The fact that the income situation of the unemployed did not change significantly mirrors the fact that several euro area countries focused instead on tightening work availability criteria and reducing the duration of unemployment benefits. Consequently, a further improvement in euro area labour utilisation requires a continuation of tax and benefit reforms, including lower taxation of labour and adjustments in the income support paid to the unemployed where this reduces incentives to search for work.

Generally, apart from improved incentives arising from tax and benefit systems, labour supply could be further raised, inter alia, by flexible working arrangements, sufficient childcare possibilities, and improved education and training opportunities.

EMPLOYMENT PROTECTION LEGISLATION

In the area of employment protection legislation, euro area countries have made progress particularly in making the use of temporary employment contracts more flexible. As a result, the share of young people working on temporary contracts in the euro area, for example, rose to 50.3% in 2006, compared with 41% in 1996. At the same time, the level of employment protection legislation for permanent contracts has fallen only slightly since 1990. For the euro area as a whole, the OECD indicator on employment protection legislation for temporary contracts declined from 3.1 in 1990 to 2.2 in 2003, whereas the indicator covering permanent contracts declined from 2.7 in 1990 to only 2.5 in 2003.[15] As a caveat, this indicator does not account for changes in the level of employment protection legislation in small firms. The increased flexibility of temporary employment contracts should have supported the employment possibilities of older workers, women and young persons in particular, whose chances of being hired tend to be more adversely affected by high levels of employment protection legislation. The reasoning behind this is that for firms, the cost of an unsatisfactory hiring is higher in a context of high employment protection and, as a result, they may decide to avoid hiring workers whose capabilities are not immediately obvious (e.g. young workers without work experience and women starting work after a career break). At the same time, the rise in the share of persons working on temporary contracts has been criticised for increasing the duality in the labour market, with potential adverse effects on productivity in the long term owing, for example, to lower investments in education and training for temporary workers.[16] It is thus important to reform regulation on regular contracts, wherever it has adverse effects on hiring incentives.

WAGE FLEXIBILITY

A broadly unchanged degree of wage bargaining centralisation and coverage over the last decade has been accompanied by a slight decline in trade union density, i.e. the percentage of employees organised in a trade union.[17] At the same time, as indicated in Section 3, an

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15 The unweighted indicator ranges from 0 to 6 with higher values indicating stricter regulation.

16 For a discussion, see *OECD Employment Outlook 2006* and O. Blanchard and A. Landier, "The perverse effects of partial labour market reform: fixed-term contracts in France", *Economic Journal*, Vol. 112, 2002, pp. 214-244.

17 Data for this indicator are available only up to 2000. Between 1998 and 2000, the unweighted euro area OECD index on wage bargaining centralisation increased from 3.0 to 3.2. At the same time, trade union density declined from 38% in 1990 to 33% in 2000, mainly driven by developments in Germany. For more details, see *OECD Employment Outlook 2004*.

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enhanced common understanding between the parties involved in the wage bargaining process that lower wage increases foster employment, in some cases resulting in explicit tripartite agreements, seems to have been emerging over the last ten years, contributing to moderate wage developments. These developments may also have been supported by globalisation-induced pressure on wages and the increase in migration to the euro area. At the same time, the implementation of sub-minimum wage regulations in some euro area countries may have helped to reduce the "employment-harming" effects of existing minimum wages on young persons, contributing to the decline in their unemployment rate over the last decade. Five out of eight euro area countries with minimum wages in place have sub-minimum wage regulations for young persons. Overall, minimum wages adversely affect employment when set at too high a level.

Finally, the reforms directly linked to the euro area labour markets have been accompanied by a general increase in product market competition over the last decade, arising from increased privatisation, the opening-up of network industries and efforts to reduce administrative and business start-up costs.[18] In addition, EU internal and financial market integration has deepened visibly over the last decade. All these reforms and their interactions have tended to support the overall trend in employment creation experienced by the euro area since the mid-1990s.

Looking back over the last decade, governments and social partners in euro area countries have become increasingly aware of the necessity to implement structural reforms and have stepped up their reform efforts. However, progress with structural reform implementation has been mixed across euro area countries with some countries being less successful in implementing far-reaching reforms, as indicated by still unacceptably high unemployment and low labour force participation rates. Further substantial efforts are therefore needed for the euro area countries to reduce their high

levels of unemployment and improve their competitiveness. In this regard, ambitious efforts are required to further raise work incentives for low-paid workers and unemployed persons, as well as to make labour market regulation more flexible where it impedes the employment opportunities of young persons, females and older workers in particular. In addition, further reforms in the area of product market regulation are required, such as continuing the process of opening up network industries, and additional measures to reduce administrative burdens and start-up costs as put forward by the spring 2006 European Council.

5 CONCLUSION

The euro area labour markets have witnessed a broad improvement in performance, accompanied by moderate wage developments and some progress with structural reform over the last decade. Looking back, euro area countries have become increasingly aware of the necessity to adjust to the challenges of increasing global competition, ageing populations and technological change, and have stepped up reform efforts, thereby supporting confidence and overcoming resistance to reform. Overall, the changes in the structural features of the labour markets, along with a greater flexibility and thus ability to absorb economic shocks, have contributed to lower inflation and greater economic stability in the euro area. However, significant structural impediments continue to exist that explain why unemployment rates are still unacceptably high and participation in the labour market is low by international standards. Considerable challenges therefore remain. These challenges, which differ across countries, require an increased openness and determination to change the status quo and habits of both firms and workers.

18 The OECD measures of product market regulation in the euro area have declined from an index value of 2.1 in 1998 to 1.5 in 2003 (unweighted average). The indicator ranges from 0 to 6 with higher values indicating stricter regulation.

The comprehensiveness of adequately tailored national reform packages is important if labour market outcomes are to be improved. These must include labour, product, financial and fiscal reforms, alongside increased efforts to complete and deepen the EU internal market for goods and services, and to increase R&D and innovation. Such comprehensive reform packages must include measures increasing employment opportunities for young persons, women and older workers in particular. It is therefore essential for each euro area country to remove its country-specific market distortions and to implement rigorously the announcements in the National Reform Programmes that are at the heart of the Lisbon process.

PUTTING CHINA'S ECONOMIC EXPANSION IN PERSPECTIVE

China's economic expansion over the past quarter of a century has been one of the strongest in world history. Following years of rapid expansion, the country has become the world's third largest exporter and a key trading partner of the euro area. Together with net domestic and global benefits, this rapid expansion has brought about a number of policy challenges, and structural imbalances have emerged both internally and externally. Currently, these imbalances relate to the risks of abundant liquidity, overcapacity in some industries and external surpluses, and appear linked to the tightly managed exchange rate regime and ample domestic savings, among other factors. While there is broad consensus that China's near-term prospects are benign, the authorities have acknowledged the need for policy adjustment to ensure that the outlook also remains favourable in the long run. Promoting more balanced domestic demand and supply conditions would be consistent with a gradual and orderly resolution of global imbalances in the medium term.

1 INTRODUCTION

The emergence of China in the global economy is one of the most profound economic transformations that the world has witnessed in recent decades. Since the early 1990s, when market-oriented reforms and measures to open up to foreign competition began to be intensified, China's GDP has recorded annual growth rates that are remarkable for an economy of its size. The country's share of global output increased from 1.7% in 1990 to 5% in 2005 and it has rapidly climbed from being the eleventh largest economy in the world in 1990, as measured in US dollars at current exchange rates, to the fourth largest in 2005 – the second largest if adjustments are made for differences in purchasing power.[1] In only 15 years, real GDP per capita has increased from being roughly comparable to that of India – another economy to have experienced above-average growth over the period – to more than double that figure in 2005.

The most important achievements of China's economic expansion are briefly reviewed in Section 2. This expansion brings with it many benefits and opportunities both domestically, for example rising living standards and welfare, and for the global economy, for instance higher potential growth, trade and competition, and lower prices of manufactured imports. But it also creates new challenges, especially in the long run, as the country becomes an increasingly strong competitor on global markets and quickly climbs the technology ladder. Moreover, this rapid development also confronts Chinese policy-makers with the problem of how best to control domestic policy conditions.

This article focuses on the macroeconomic challenges arising in China that have a direct bearing on the euro area external environment, given China's weight in global trade. These challenges, which are discussed in Section 3, mainly relate to the unbalanced growth pattern of domestic demand and the high and growing external surpluses. Section 4 argues – in line with certain arguments produced in the recent policy debate, both in China and in the international community – that the challenges are at least partly related to the de facto pegged exchange rate regime. Section 5 concludes.

2 ECONOMIC ACHIEVEMENTS

China's rapid expansion is the result of a combination of structural factors and policy choices. In structural terms, China has benefited from an exceptionally high rate of capital accumulation. Real gross fixed capital formation

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1 Taking into account recent data revisions, China's nominal GDP at market exchange rates was USD 2.2 trillion in 2005, compared with USD 12.5 trillion in the United States, USD 10 trillion in the euro area, and USD 4.6 trillion in Japan, according to data from the IMF World Economic Outlook. In nominal terms, China accounted for 5% of 2005 world GDP, compared with 28% for the United States and 22.4% for the euro area. In purchasing power parity terms, the United States accounted for 20.1% of world GDP in 2005, ahead of China (15.4%) and the euro area (14.8%).

has risen by more than 13% per year since 1990, consistently outpacing real GDP growth, and the investment share of nominal GDP increased from around 25% in 1990 to almost 41% in 2005. In turn, these high rates of capital accumulation have been supported by high savings, currently equivalent to almost half of nominal GDP. A remarkable increase in labour productivity, as measured by GDP per worker, in particular in the manufacturing sector, has been another important driver of growth. China has benefited from a cheap, abundant and relatively well-qualified labour force. The increasing trade specialisation in Asia – which has been labelled "the Asian production chain" – has also resulted in competitiveness gains, cheaper products and ultimately higher trade volumes and faster growth.[2]

Domestic reforms implemented during the 1990s have progressively reduced the weight of the public sector in the economy and have transformed the structure of the industrial sector. In 1994, 82% of industrial value added was generated by the public sector through state and collectively owned enterprises. In 2005 this share had shrunk to around 41%, whereas the share generated by privately and foreign-owned enterprises increased.[3] Productivity improvements have also been brought about by the increased exposure of Chinese enterprises to foreign competition through trade and technology transfers, taking place via FDI and joint ventures with foreign capital. Trade openness, as measured by the share of exports plus imports in GDP, increased from 27% in 1990 to 69% in 2005, with a particularly steep acceleration following the country's accession to the WTO in 2001. Chinese openness today is significantly higher than in many advanced economies and emerging markets.[4] Although processing trade[5] accounts for a large portion of Chinese trade – up to 44% according to official data – it is also the area where technology transfers are most important.

Rapid growth has deeply transformed China's economic structure, as shown for example by the dramatic change in the sectoral composition of Chinese output. With productivity in agriculture (as measured by GDP per worker) only around one-fifth of the level in the whole economy, China is one of the countries with the highest productivity differential between agriculture and the rest of the economy. Insofar as this differential is reflected in wages, it has triggered a mass relocation of labour from the rural and state-owned sectors of the economy to more productive sectors, such as manufacturing, services and privately owned enterprises.

Although around 40% of China's labour force is still employed in the agricultural sector, this share has fallen dramatically from almost 71% in 1978. The primary sector's share of nominal GDP has also declined, from 28% in 1978 to 13% in 2005. However, value added per worker in agriculture still remains lower than in many comparable economies, suggesting that China has ample opportunity to increase agricultural output and productivity.

Alongside the obvious domestic benefits, China's rapid growth has had a tremendous impact on the rest of the world. China is one of the main engines of world growth, contributing around a third of global real GDP growth since 2000. It is a major global exporter, making up around 6.6% of total world exports in 2005. It is also one of the world's largest recipients of foreign investment, absorbing around 25% of total FDI flows to emerging market economies in 2005. China's export share has increased steadily over time, especially in advanced

2   Many recent papers attempt to measure whether growth in China is driven mainly by improvements in total factor productivity or increases in factor utilisation (Box 1 of the IMF's Staff Report for the 2005 Article IV Consultation on China provides an estimate. A survey of the available studies can be found in O. Blanchard and F. Giavazzi (2006), "Rebalancing Growth in China: A Three-Handed Approach", CEPR Discussion Paper No 5403). Most of these papers conclude that total factor productivity continues to be an important driver of GDP growth, although its growth rate has declined recently.

3   See also OECD (2005), Economic Survey of China, Chapter 2.

4   China's trade openness in 2005 was higher than the average for Latin American countries (45%), and was significantly higher than in the euro area (39%), Japan (28%) and the United States (26%).

5   Defined as the processing of imported intermediate goods that become inputs for the production of re-exported goods.

Chart 1 Share of imports from China

(as a percentage of each economy's total imports)

- euro area
- United States
- Japan
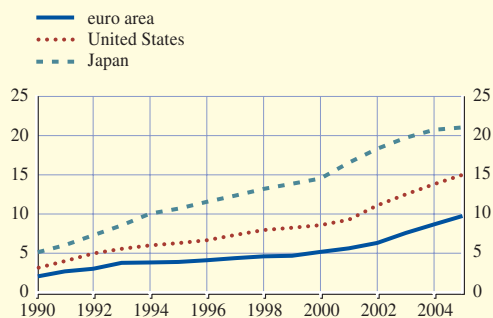
Source: IMF Direction of Trade Statistics.

economies. Between 1990 and 2005, it gained market shares in each of the world's three largest economies: from 2% to 9.8% in the euro area, from 3.1% to 15% in the United States and from 5.1% to 21% in Japan (Chart 1).[6] Over the same period, China also gained importance as a destination market for advanced economies' exports. It now accounts for 3.5% of extra-euro area exports and 4.6% of US exports (against slightly more than 1% for both countries in 1990), whereas China's share of Japanese exports rose to 13.5% in 2005, from around 2% in 1990. As a result, China now runs substantial trade surpluses with the euro area and especially the United States.

In the United States and the euro area, China's market share gains have been largely offset by losses by other Asian economies, such as Japan. For example, in the euro area, imports from Japan fell from around 9% of the total in 1990 to 4.7% in 2005. On balance, over the past ten years, the market share of Asia as a whole in the euro area has changed little.

Although imports from China represent a challenge for a number of producers, in particular those in advanced economies operating in the more traditional, labour-intensive manufacturing sectors where China has a competitive advantage, in net terms China's rapid rise has been mutually beneficial both to China and to the global economy. The

euro area, in particular, has a significant interest in China's steady transition to a stronger, more balanced and more open economy.

China is the third largest country of origin of euro area imports, and its share of 9.8% of total euro area imports is rapidly catching up with the shares of the United Kingdom (12%) and the United States (10.3%). The euro area has become a key market for Chinese products, absorbing almost 15% of its exports, the largest share after the United States and ahead of Japan. Euro area exports to China increased almost threefold between 2000 and 2005, rising much faster than euro area exports to the rest of the world. Investment in China has allowed European firms to remain competitive by gaining access to competitively priced inputs and to penetrate the rapidly growing Chinese market. Symmetrically, the openness of European markets to Chinese exports has been a key factor in China's development. Moreover, investment from European firms has brought capital goods, knowledge and technology that has helped China develop its productive capacity.

China's industrial expansion has also created a seemingly insatiable demand for imports of raw materials, intermediate and capital goods, which is having a sizeable impact on the global economy. China is currently the second largest energy consumer globally, in addition to being a major consumer of a number of other commodities and base metals, and in the past three years has accounted for over 50% of the growth in the global demand for these commodities. Commodity exporters, such as Chile, Brazil, Australia and Canada, have seen their exports surge as a result. Neighbouring economies such as Japan, Korea and Taiwan have also benefited from China's demand for intermediate and capital goods. Finally, China has had a significant impact on global prices. The country's demand for commodities contributes to an upward pressure on prices. At

6   These shares are calculated using the IMF Direction of Trade Database, and refer to external trade in goods only.

the same time, competitively priced Chinese exports help to restrain inflationary pressures in advanced economies. It is not always easy to gauge the net effect of these opposite trends.[7]

Wage growth globally may have also moderated as a result of competition from China and the increase in the global labour supply that stemmed from the country's integration in the global economy. The emergence of China's economy has changed the global balance between labour, which is abundant in the country, and physical capital, which is scarce. Economic theory suggests that the relative price of labour should fall and that of capital should rise as a result. Although China may not have been the only force behind this development, it is interesting to note that the fall in the wage shares in GDP and the rise in the profit shares observed globally in recent years are consistent with the prediction made by the theory.

3 MACROECONOMIC CHALLENGES

China's recent growth experience has been marked by deep structural changes in the composition of domestic demand. These changes, which have been partly the result of deliberate policy choices, have also created a number of macroeconomic challenges for Chinese policy-makers. In particular, external imbalances have widened significantly, especially since 2004, at least in part owing to a falling consumption ratio and rising domestic savings. Additionally, the marginal product of capital has decreased and risks of overcapacity have emerged in some sectors. Moreover, the economy has become increasingly dependent on investment and exports as engines for domestic growth. The Chinese authorities have recognised these challenges, in particular the need to rebalance the composition of domestic demand between consumption and investment. The international community has also stressed that rebalancing domestic demand in China would offer an important contribution towards an orderly resolution of global imbalances.

CONSUMPTION, SAVINGS AND EXTERNAL IMBALANCES

Although domestic consumption has grown at robust rates in China, it has lagged behind the overall growth rate of the economy for many years. As a result, its share of GDP has fallen steadily over time (see Chart 2); its current share of 46% is significantly lower than, for example, 86% in the United States, 78% in the euro area, 71% in India and 67% in Korea. Correspondingly, a falling consumption share of GDP has been matched by a rapid increase in savings. Overall domestic savings account for around a half of Chinese GDP, one of the highest shares among economies of comparable size and level of development.[8]

An increase in gross savings and a fall in consumption are not uncommon across catching-up economies, and it has been argued that a similar pattern was to be expected in China. However, China's saving ratio is high by any standard, and it has been more than sufficient to finance the high and growing level of capital formation that has characterised the country's growth pattern over the past decades. As the domestic savings-investment gap has widened, China's external imbalances have increased, as reflected in the high and growing trade and current account surpluses and rising foreign exchange reserves. The trade balance rose to a record surplus of USD 134 billion in 2005 (6% of GDP). Net foreign assets have also increased and the country has turned into a net supplier of capital to the rest of the world – an unusual position for an emerging economy (see Chart 3). Moreover, as a high proportion of the country's stock of external assets are foreign

7   In the literature, it is generally found that the emergence of low-cost producers has led to a fall of imported inflation in developed economies, although estimates of the exact impact vary widely across studies. For example, the IMF finds that globalisation has reduced inflation in advanced economies by an average of a quarter of a percentage point a year over the past decade. See Chapter III of the IMF's World Economic Outlook of April 2006. See also N. Pain, I. Koske and M. Sollie (2006), "Globalisation and Inflation in the OECD Economies", OECD Economics Department Working Papers, No 524.

8   This share has increased sharply from 32% in 1980, on account of growing private and public savings.

Chart 2 Consumption, savings and investment

(as a percentage of nominal GDP)

- consumption
- savings
- investment
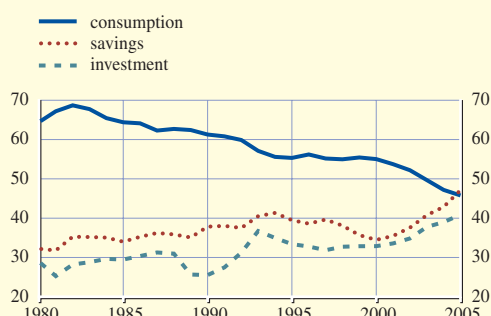
Source: IMF World Economic Outlook database.

Chart 3 Net foreign assets[1]

(USD billions; quarterly data)
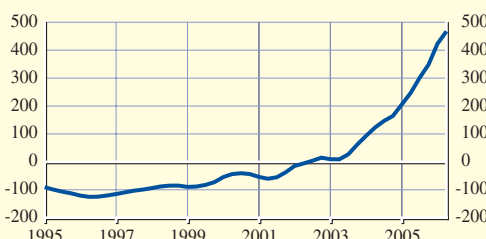
Source: NiGEM database.
1) Data after end-2004 are based on estimates by the National Institute of Economic and Social Research.

exchange reserves held in US dollars, China has also become an important source of financing of the US current account deficit.

External imbalances in China have attracted much attention recently, not least because of their role in the build-up of global imbalances. However, these imbalances are symptoms of domestic structural weaknesses that relate to the country's saving and consumption behaviour. Many studies have tried to explain the structural drivers of Chinese savings. The broad consensus is that the rise in savings has been caused by a combination of factors, in particular: (i) a decline in the share of disposable income in GDP, which has closely matched the fall in the consumption share;[9] (ii) an increase in precautionary savings due to the need to provide for healthcare, basic education and retirement given the lack of sufficient public provision of these services as a result of the restructuring of public enterprises; (iii) financial system weaknesses, which impose borrowing constraints and limit households' access to consumer finance; and (iv) demographic trends, in particular the fall in the dependency ratio.[10] A sustainable reduction of external imbalances ultimately requires an adjustment of the underlying forces driving these structural trends.

INVESTMENT AND THE RISK OF OVERCAPACITY

Aggregate investment has risen rapidly in recent years, both in level and as a share of GDP, to become the single most important driver of overall growth, accounting for around 50% of real GDP growth over the past five years. The investment share of nominal GDP has also increased substantially in the past decade, to 41% in 2005 – a record high by regional standards and a level comparable to that in several other South-East Asian economies prior to the 1997-98 crisis (see Chart 4).

Sustained investment growth and increasing investment shares of GDP are not necessarily indicative of a risk of overcapacity. In principle,

9 In turn, the fall in the share of disposable income in GDP reflects both weak wage growth and a decline in investment income as a share of GDP. The former is related to the availability of substantial under-utilised labour resources in the economy. The latter is related to the low interest rates on bank deposits, which have been the dominant vehicle of household savings. The low-dividend policy and the narrow shareholding base have also prevented households from benefiting from the increase in corporate wealth. See IMF Regional Economic Outlook, May 2006.

10 According to World Bank data, China's dependency ratio was 45% in 2003, down from 67% in 1980. As a comparison, the dependency ratio in India and Mexico was 60% in 2003 (source: World Development Indicators). However, China's dependency ratio is projected to start rising again after 2010 to reach around 65% in 2050, mainly as a result of the birth control programme implemented since 1979 (the "one-child policy"; see United Nations, World Population Prospects: The 2004 Revision Population Database).

(as a percentage of GDP)

—— China
· · · · Malaysia
- - - Thailand
—— Indonesia
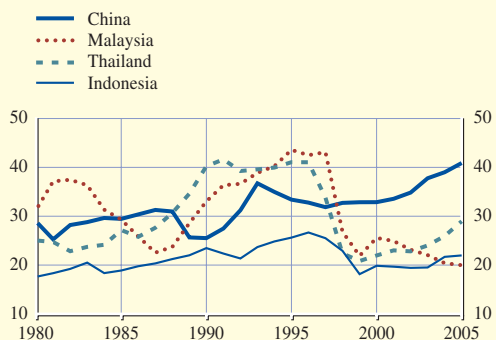
(net profits as a percentage of corporate assets; monthly data)

Source: IMF World Economic Outlook database.
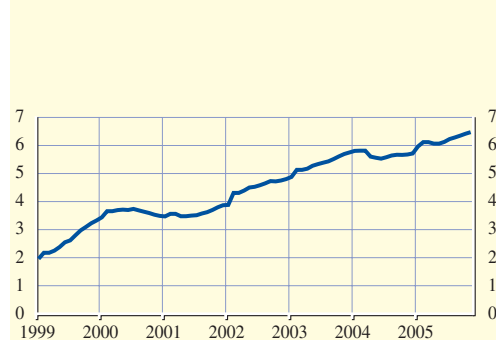
Source: CEIC database.

rapid investment growth may result from a rational response of the corporate sector to current and expected demand conditions. High investment shares of GDP are also common for catching-up economies. Ceteris paribus, fast growing economies need comparatively faster capital accumulation to keep the capital stock constant as a share of GDP.

Indices of corporate profitability have remained broadly sound in China, whereas excessive investment should have led to overproduction, falling prices and a profit squeeze (see Chart 5). However, other indices of capital efficiency, such as the marginal product of capital, have fallen recently, suggesting that the productivity of additional investment has fallen (see Chart 6). It has been argued that such falls can be expected following a protracted period of investment growth. Moreover, although the different classification of investment across countries renders international comparisons not entirely appropriate, the marginal product of capital in China in 2005 was still comparable to the level in Korea and Indonesia.

In a country with a low capital-to-labour ratio, a falling marginal product of capital may also signal an inefficient allocation of capital. A significant share of Chinese investment is financed through retained profits. In addition, Chinese financial markets are still in their

infancy: the vast majority of financial assets are intermediated by the banking system. The equity market is relatively thin. Traded securities, such as corporate bonds, are negligible. Other financial services, including insurance, are also relatively little developed. This suggests that the efficiency gains in capital allocation from promoting more sophisticated financial intermediaries and products could potentially be very high.

Data at industry level suggest that the risk of overcapacity may be more material in some sectors of the Chinese economy. For example, the automobile and steel industries – which combined account for over 15% of total industrial output – have experienced rapid production and inventory growth, a shift to net exports and, at the same time, a significant fall in prices, profits and capacity utilisation rates, which taken together may be seen as evidence of excessive investment. This issue may not be detected by aggregate indicators of capital efficiency (such as the marginal product of capital, or indicators of corporate profitability) because the build-up of overcapacity in those sectors is partly offset by the lack of investment in other sectors of the Chinese economy, such as public and rural infrastructures, transportation and agriculture.

This problem is acknowledged by the Chinese authorities, who earlier in 2005 identified a

Chart 6 Marginal product of capital[1]

(percentages)

China
Korea
Indonesia
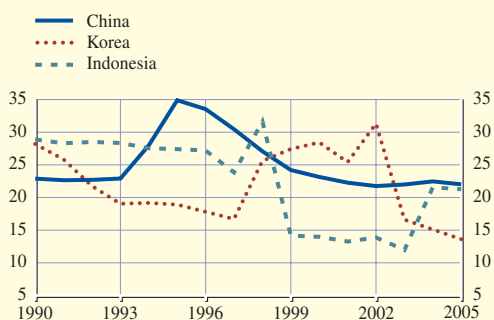
Source: IMF World Economic Outlook database.
1) Calculated as $100*(GFCF/\Delta GDP)$, where GFCF is gross fixed capital formation.

Chart 7 Contributions to GDP growth

(annual growth rate and percentage point contributions)

gross capital formation
final consumption expenditure
net trade
GDP growth
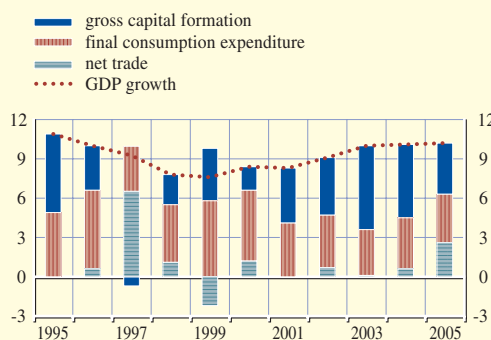
Source: National Bureau of Statistics of China.

number of sectors where problems of excess capacity were acute and targeted them with administrative measures to curb further capacity build-up.[11] The latest evidence points to a slowdown in investment growth in the second half of 2006, especially in the sectors most affected by overcapacity. However, investment is still the major driver of GDP growth.

REBALANCING GROWTH

As the share of consumption in GDP has fallen, Chinese growth has become increasingly dependent on investment and foreign demand (see Chart 7). It has been argued that excessive reliance on investment and exports as drivers of growth is undesirable from the point of view of the Chinese policy-maker. High investment can lead to overcapacity, falling prices and corporate profits, as well as rising non-performing loans, with implications for financial stability. Excessive reliance on exports exposes the economy to sudden changes in foreign demand conditions. Therefore, rebalancing the current drivers of growth away from investment and exports and towards consumption is seen as an important way of reducing these risks.

The Chinese authorities have acknowledged this challenge on several occasions. For example, the 11th Five-Year Programme,

adopted in March 2006, explicitly calls for a rebalancing of the economy.[12] Moreover, the central bank has consistently motivated its recent policy action with the need to slow down investment and increase consumption. Looking ahead, it is possible that the policy measures introduced so far to curb liquidity and lending growth might contain investment and give a temporary boost to consumption. However, consumption, saving and investment decisions reflect structural and institutional factors. The IMF has recommended a number of structural reforms to stimulate a more permanent increase in consumption and make GDP growth more balanced over the medium term. These include fiscal reforms to reduce uncertainties surrounding the provision of basic social services such as pensions and health care, and financial sector reform to promote a more efficient allocation of resources, remove borrowing constraints and ensure long-term

11 The sectors targeted included the automotive, steel, ferrous metal and electricity sectors. The measures adopted were: instructions to banks to tighten lending to these sectors; measures to promote industrial consolidation; and controlled start-up licences. Similar measures were also introduced in the cement, coal, aluminium and coke industries.
12 A key goal of the plan, laying out the government's policy agenda for 2006-10, is "to maintain balanced and fairly rapid" growth (Chapter 1). The need to move to growth "that is less energy, resource and capital intensive" is also stressed by the Communiqué of the Fifth Plenary Session of the 16th Central Committee of the CCP on 11 October 2005.

growth prospects. These policy measures would reduce precautionary savings and boost consumption, thereby making Chinese domestic demand more self-sustained.

This mix of policy recommendations is widely supported by the international community. Indeed, structural domestic reforms to promote more balanced demand and supply conditions in the economy are also consistent with a gradual and orderly resolution of global imbalances in the medium term.

4   MONETARY AND EXCHANGE RATE POLICY

A fixed exchange rate vis-à-vis the US dollar has been part of the Chinese development model. Whether the renminbi peg to the dollar has also served the purpose of promoting external trade in the context of China's so-called export-led model of growth is debatable. According to one argument, the peg has not led to trade creation as it has not brought about exchange rate stability in effective terms. In fact, despite the peg, the real effective exchange rate (EER) has swung widely in recent years, mainly reflecting the volatility of the US dollar – and hence of the renminbi – against the currencies of some major trading partners, such

as the euro and the Japanese yen (Chart 8). Thus, because China has substantial trade flows with Europe and Japan, in principle, the peg may have caused trade diversion away from Europe and Japan and towards the United States.[13] Consistent with this, the renminbi real EER has been only weakly correlated with China's current account balance.

Historically, the peg has been an important element of the stabilisation policies pursued in the past decades. Together with other structural reforms that have opened up the Chinese economy to competition and liberalised price-setting mechanisms for most goods and services, the peg has helped to successfully stabilise inflation in recent years. Chinese CPI inflation has fallen significantly since the exchange rate reforms of 1994, and has remained relatively stable since then (see Chart 9).

However, recently there has been growing evidence that maintaining a hard peg to the US dollar is becoming increasingly challenging. The argument boils down to the "inconsistent trinity" hypothesis, which postulates that it is impossible for a country to simultaneously

13 M. Obstfeld (2006), "The Renminbi's Dollar Peg at the Crossroads", CEPR Discussion Paper No 5771.

Chart 8 Renminbi exchange rate

(cumulative percentage change since January 1999)

- real EER
- yen
- US dollar
- euro
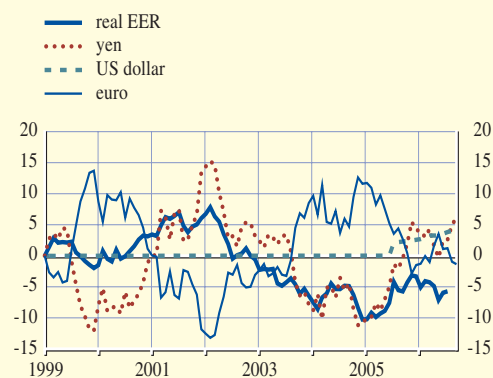
Source: IMF International Financial Statistics.
Note: An upward movement represents an appreciation of the renminbi.

Chart 9 Renminbi exchange rate and CPI inflation

- CPI inflation (annual percentage change; right-hand scale)
- RMB/USD (left-hand scale, inverted scale)
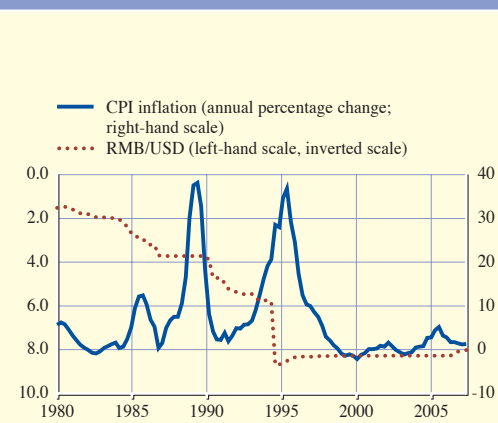
Source: NiGEM database.

achieve a fixed exchange rate and an independent monetary policy in the presence of free capital movements. So far in China, it has been possible to peg the exchange rate without overriding domestic monetary policy by controlling the capital account and by maintaining restrictions on cross-border capital movements. This has allowed a certain degree of monetary autonomy to be retained through the use of administrative measures, such as reserve requirements on deposits and the so-called "window guidance" policy, which aims at controlling the growth of domestic credit to certain sectors.

However, capital controls tend to lose effectiveness over time. Rising capital inflows, compounded by large current account surpluses, have exacerbated the trade-off between the fixed exchange rate and monetary autonomy. China recorded a current account surplus of USD 161 billion in 2005 (7.2% of GDP), on top of which net financial inflows helped to further increase the overall balance of payments surplus. Net FDI inflows averaged nearly 5% of GDP annually in the five years prior to the Asian crisis. They have fallen since then but were still USD 71 billion in 2005 (3.2% of GDP). Other capital flows – probably mostly speculative in nature – grew significantly in 2004 (to USD 91 billion) but have turned negative since then.

Overall, the twin surpluses of the Chinese balance of payments create appreciation pressures on the renminbi exchange rate, offset by repeated official intervention in foreign exchange markets. Official intervention, defined as the change in the stock of reserves, was USD 207 billion in 2005, or 9.3% of GDP, a trend which has continued in 2006. As a result, the stock of foreign exchange reserves has grown around sixfold since the beginning of 2000, to USD 1 trillion in October 2006, the highest stock in the world, equivalent to more than 600% of overall short-term debts.[14]

Over time, the People's Bank of China has conducted large-scale open market operations to partially sterilise the domestic monetary expansion caused by foreign exchange intervention. As a rough estimate, the central bank currently sterilises around two-thirds of the increase in reserves and in September 2006 the outstanding stock of sterilisation debt was around 40% of official reserves. The majority of this debt had a maturity of less than one year.

However, sterilisation entails some costs which are likely to increase more than proportionally with the rise in the stock of reserves. There may potentially be sizeable capital losses on the balance sheet of the monetary authority due to valuation effects on the reserves stock, if the exchange rate is allowed to appreciate – although the exact importance of this channel in practice is widely debated in the literature. There may also be implications for bank profitability and financial sector stability, as sterilisation bond yields have in some cases fallen below the yields paid by banks on deposits. More broadly, the subordination of monetary policy to foreign exchange policy hinders progress in interest rate liberalisation, which is a key condition for the development of an effective transmission mechanism for monetary policy. The development of strong domestic institutions for independent policy-making may also be delayed, and the economy may become increasingly exposed to external shocks. This vulnerability in particular will become increasingly relevant as China's integration in the global economy advances.

Despite increasing rates of sterilisation, these interventions – which in terms of magnitude and duration are quite unique in the history of the current international monetary system – have fuelled liquidity growth in the economy. This growth is demonstrated by the strong rise in M2, which has consistently overshot the official target, and partly explains the strong investment growth witnessed in recent years. This makes the case for reforms, both to

14 For a comprehensive discussion of the main challenges stemming from China's twin surpluses of the balance of payments, see also the People's Bank of China, *Financial Stability Review,* September 2005, Part II, page 17.

structural policies in order to lower high savings, and to the monetary policy framework in order to allow for greater exchange rate flexibility, including the possibility for currency appreciation to rebalance the economy towards a path that is more sustainable internally as well as externally.

One concern is that exchange rate flexibility may lead to financial distress in a system which, because of the protection offered thus far by capital controls, is yet to develop tools to appropriately deal with exchange rate risk. Indeed, this has proven to be a problem in several countries where sudden currency changes have imposed a burden on firms and banks with large unhedged foreign currency positions. But this risk appears manageable in China, as the overall exposure of domestic firms to foreign exchange risk is relatively small by international standards.[15] With the existing capital controls in place, the banking system would also be sheltered from sudden reversals of foreign capital flows leading to large exchange rate changes. Indeed, greater exchange rate flexibility could, in fact, facilitate capital account liberalisation by preparing the economy to deal with the impact of larger cross-border capital flows in a gradual manner. The experience of economies such as Chile and Israel confirms the importance of rightly sequencing exchange rate reform and capital account convertibility.[16]

Greater exchange rate flexibility in China would improve investment decisions and boost consumers' purchasing power. Combined with fiscal reforms to reduce uncertainties surrounding the provision of basic public services, as well as financial reforms to remove borrowing constraints, these measures would reduce precautionary savings and boost consumption, thereby making Chinese domestic demand more self-sustained and less dependent on exports. It would promote a more efficient allocation of resources between tradable and non-tradable sectors, support more balanced domestic growth, and also be conducive to financial sector reform and capital account

liberalisation, which are key policy objectives stated by the Chinese authorities.

China has made some progress on this front with the exchange rate reforms implemented since 21 July 2005. The authorities have allowed a small nominal appreciation and have emphasised their resolve to move towards a more market-determined exchange rate system. They have also taken measures to develop the foreign exchange market and, on several occasions in 2006, they made use of the flexibility allowed by the existing fluctuation bands to enable a greater appreciation of the renminbi. These steps have been welcome and have to be seen as part of an ongoing process. Lack of significant progress could result in a backlash of increased trade disputes and calls for protectionism across developed economies.

More exchange rate flexibility would be beneficial not only domestically but also for the rest of the world, where it would be conducive to a redistribution of global trade flows and would contribute to a gradual adjustment of global imbalances over the medium term. For this reason, the international community has encouraged China to build on the measures implemented since summer 2005 and to aim at a greater role of market forces in exchange rate determination.[17] In all likelihood this would entail a more significant orderly appreciation of the renminbi vis-à-vis the major floating currencies, which China's economy should be able to fully withstand. This would also help to promote more balanced demand conditions and more solid growth prospects domestically.

15 E. Prasad, T. Rumbaugh and Q. Wang (2005), "Putting the Cart Before the Horse? Capital Account Liberalization and Exchange Rate Flexibility in China", IMF Policy Discussion Paper 05/01.
16 See Obstfeld (2006), op. cit.
17 See, for example, the Statement by G-7 Finance Ministers and Central Bank Governors on 23 September 2005, available from http://www.ustreas.gov/press/releases/js2943.htm.

5 CONCLUSIONS

The emergence of China has had a tremendous impact on global growth and trade, but it has also created a number of challenges, both internally and externally. Although the near to medium-term prospects remain favourable, the Chinese authorities have acknowledged the need for some policy adjustment, in particular for a more balanced pattern of growth of domestic demand. Promoting more balanced demand and supply conditions, a greater role of financial markets in the determination of domestic asset prices and a further move towards a more significant orderly appreciation of the renminbi against other currencies, including major floating currencies, would also be consistent with a gradual and orderly resolution of global imbalances in the medium term.

EURO AREA STATISTICS

CONTENTS[1]

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

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

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

Conventions used in the tables

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

EURO AREA OVERVIEW

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

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1,2]	M3 [1,2] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-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
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2006	.	.	.	-	.	.	3.08	3.86
2006 Q1	10.3	8.6	7.8	-	10.1	16.2	2.61	3.56
Q2	9.9	9.2	8.7	-	11.2	16.0	2.90	4.05
Q3	7.6	8.4	8.1	-	11.2	15.6	3.22	3.97
Q4	.	.	.	-	.	.	3.59	3.86
2006 July	7.4	8.2	7.8	8.1	11.1	15.7	3.10	4.10
Aug.	7.2	8.4	8.2	8.2	11.3	15.7	3.23	3.97
Sep.	7.2	8.4	8.5	8.4	11.5	16.1	3.34	3.84
Oct.	6.2	8.2	8.5	8.8	11.2	17.3	3.50	3.88
Nov.	6.5	8.8	9.3	.	11.2	.	3.60	3.80
Dec.	.	.	.	.	.	.	3.68	3.90

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2005	2.2	4.1	2.4	1.4	1.2	81.2	0.8	8.6
2006	.	.	.	.	.	.	.	.
2006 Q1	2.3	5.2	2.3	2.2	3.4	82.2	1.0	8.2
Q2	2.5	5.8	2.3	2.9	4.1	83.0	1.3	7.9
Q3	2.1	5.4	2.0	2.7	4.0	83.8	1.4	7.8
Q4	.	.	.	.	.	.	.	.
2006 July	2.4	6.0	-	-	3.4	83.6	-	7.8
Aug.	2.3	5.7	-	-	5.5	-	-	7.8
Sep.	1.7	4.6	-	-	3.3	-	-	7.8
Oct.	1.6	4.0	-	-	3.5	83.9	-	7.7
Nov.	1.9	4.3	-	-	.	-	-	7.6
Dec.	1.9	.	-	-	.	-	-	.

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
2005	3.7	48.2	-202.3	156.9	320.1	103.0	105.2	1.2441
2006	.	.	.	.	.	103.4	105.7	1.2556
2006 Q1	-10.8	-2.8	-31.5	22.9	327.1	101.2	103.5	1.2023
Q2	-6.6	6.3	-12.1	98.9	323.8	103.5	105.8	1.2582
Q3	2.8	6.9	-38.2	22.6	325.0	104.3	106.5	1.2743
Q4	.	.	.	.	.	104.5	106.9	1.2887
2006 July	3.2	5.6	-9.4	1.0	330.1	104.3	106.6	1.2684
Aug.	-1.0	-2.8	-7.6	-15.0	326.4	104.4	106.6	1.2811
Sep.	0.6	4.1	-21.2	36.6	325.0	104.2	106.4	1.2727
Oct.	0.1	4.7	-12.8	23.2	325.5	103.7	105.9	1.2611
Nov.	.	.	.	.	327.0	104.4	106.7	1.2881
Dec.	.	.	.	.	.	105.6	108.0	1.3213

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. Assets

	2006 15 December	2006 22 December	2006 29 December	2007 5 January
Gold and gold receivables	174,056	174,015	176,768	176,821
Claims on non-euro area residents in foreign currency	143,578	146,966	142,291	144,021
Claims on euro area residents in foreign currency	25,211	22,865	23,402	22,448
Claims on non-euro area residents in euro	11,236	11,550	11,967	12,419
Lending to euro area credit institutions in euro	440,000	441,498	450,540	450,501
Main refinancing operations	320,001	321,498	330,452	330,499
Longer-term refinancing operations	119,999	120,000	120,000	120,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	0	88	2
Credits related to margin calls	0	0	0	0
Other claims on euro area credit institutions in euro	10,414	10,797	11,360	12,885
Securities of euro area residents in euro	78,386	77,984	77,614	80,723
General government debt in euro	39,927	39,912	39,359	39,359
Other assets	215,446	216,734	217,679	215,239
Total assets	1,138,254	1,142,321	1,150,980	1,154,416

2. Liabilities

	2006 15 December	2006 22 December	2006 29 December	2007 5 January
Banknotes in circulation	613,890	628,011	628,238	619,263
Liabilities to euro area credit institutions in euro	176,279	177,226	174,051	180,865
Current accounts (covering the minimum reserve system)	176,259	177,196	173,482	178,700
Deposit facility	19	29	567	69
Fixed-term deposits	0	0	0	2,096
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	1	2	0
Other liabilities to euro area credit institutions in euro	84	87	65	133
Debt certificates issued	0	0	0	95
Liabilities to other euro area residents in euro	53,943	40,510	53,354	61,338
Liabilities to non-euro area residents in euro	16,162	16,948	16,614	16,098
Liabilities to euro area residents in foreign currency	87	88	89	160
Liabilities to non-euro area residents in foreign currency	10,224	11,856	12,621	11,937
Counterpart of special drawing rights allocated by the IMF	5,701	5,701	5,582	5,611
Other liabilities	73,566	73,561	73,788	70,531
Revaluation accounts	123,721	123,721	121,991	121,990
Capital and reserves	64,597	64,612	64,587	66,395
Total liabilities	1,138,254	1,142,321	1,150,980	1,154,416

Source: ECB.

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

With effect from [1]	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
			Fixed rate	Minimum bid rate			
	Level	Change	Level	Level	Change	Level	Change
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 [2]	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 [3]	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25

Source: ECB.

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

1.3 Eurosystem monetary policy operations allotted through tenders [1], [2]

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations [3]

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7
Main refinancing operations							
2006 13 Sep.	356,118	369	300,500	3.00	3.04	3.04	7
20	346,764	394	311,000	3.00	3.03	3.04	7
27	313,570	354	313,000	3.00	3.00	3.03	6
3 Oct.	342,164	342	312,000	3.00	3.02	3.04	8
11	367,380	378	308,000	3.25	3.29	3.30	7
18	378,950	398	318,500	3.25	3.29	3.30	7
25	378,282	387	314,000	3.25	3.30	3.31	7
1 Nov.	382,135	366	307,000	3.25	3.31	3.32	7
8	392,532	372	303,000	3.25	3.31	3.32	7
15	403,488	368	304,000	3.25	3.31	3.32	7
22	392,901	371	321,500	3.25	3.30	3.31	7
29	385,957	343	308,000	3.25	3.30	3.31	7
6 Dec.	374,364	333	329,000	3.25	3.30	3.31	7
13	383,656	344	320,000	3.50	3.55	3.56	7
20	388,526	370	321,500	3.50	3.58	3.58	8
28	379,862	373	330,500	3.50	3.58	3.68	7
2007 4 Jan.	395,644	348	330,500	3.50	3.57	3.58	6
10	381,305	375	310,500	3.50	3.55	3.56	7
Longer-term refinancing operations							
2005 23 Dec. [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
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	91
28 Sep.	49,801	136	40,000	-	3.30	3.32	84
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91
21 Dec.	74,150	161	40,000	-	3.66	3.67	98

2. Other tender operations

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

Source: ECB.
1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
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
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Q1	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
Q2	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3
2006 July	14,797.1	7,787.3	553.4	1,891.9	1,192.2	3,372.4
Aug.	14,850.7	7,760.2	576.3	1,906.6	1,234.7	3,372.8
Sep.	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8
Oct. [2]	15,421.0	8,133.9	615.2	1,965.1	1,264.5	3,442.4

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
Q2	162.6	163.3	0.7	0.0	2.57
Q3	165.8	166.4	0.6	0.0	3.04
2006 10 Oct.	166.3	167.0	0.7	0.0	3.03
7 Nov.	166.2	167.0	0.8	0.0	3.30
12 Dec.	172.5	173.2	0.7	0.0	3.30
2007 16 Jan. [3]	174.3	.	.	.	.

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
2004	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
Q2	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
2006 11 July	334.3	316.5	120.0	0.2	0.0	0.6	0.3	578.8	67.0	-42.1	166.3	745.7
8 Aug.	327.6	329.7	120.0	0.2	0.0	0.1	0.6	588.2	73.0	-51.5	167.1	755.4
5 Sep.	327.3	314.0	120.0	0.1	0.0	0.1	0.4	588.7	61.4	-55.6	166.4	755.2
10 Oct.	326.7	308.7	120.0	0.1	0.3	0.2	0.0	588.5	59.1	-59.1	167.0	755.7
7 Nov.	327.4	311.9	120.0	0.1	0.0	0.1	0.0	592.8	60.2	-60.6	167.0	759.8
12 Dec.	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8

Source: ECB.
1) End of period.
2) The end-October 2006 reserve base is used for the calculation of the reserve requirements of euro area credit institutions for the maintenance period ending in January 2007 and therefore includes the reserve bases of credit institutions in Slovenia. For reserve base figures as from end-October 2006, credit institutions located in other euro area countries may have decided to deduct from their own reserve bases any liabilities owed to institutions located in Slovenia.
3) Owing to the adoption of the euro by Slovenia on 1 January 2007, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 12 countries of the euro area for the period 13-31 December 2006 and the reserve requirements for the 13 countries now in the euro area for the period 1-16 January 2007.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs
(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [1]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
						Eurosystem								
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006 Q1	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.7
Q2	1,532.1	731.1	20.3	0.6	710.1	192.8	170.3	2.3	20.2	-	16.4	343.7	14.6	233.5
2006 July	1,554.2	741.4	20.3	0.6	720.4	197.9	173.6	2.1	22.1	-	16.4	352.6	14.8	231.2
Aug.	1,529.5	709.0	20.3	0.6	688.0	204.4	179.0	2.2	23.3	-	16.4	348.9	14.8	236.0
Sep.	1,521.6	694.2	20.3	0.6	673.2	206.5	179.9	2.2	24.4	-	16.5	348.5	14.8	241.1
Oct.	1,532.3	699.2	20.4	0.6	678.2	210.5	182.8	2.2	25.5	-	16.8	350.3	14.9	240.7
Nov. (p)	1,532.1	689.8	20.4	0.6	668.9	215.9	188.0	2.4	25.5	-	17.0	350.5	14.8	244.0
						MFIs excluding the Eurosystem								
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,653.0	13,684.0	826.9	8,287.4	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,672.0	165.7	1,540.9
2006 Q1	24,358.8	14,024.0	816.3	8,551.5	4,656.3	3,584.9	1,440.5	573.5	1,570.9	83.6	1,096.6	3,850.2	166.3	1,553.2
Q2	24,722.0	14,323.9	809.3	8,784.3	4,730.3	3,588.0	1,402.8	600.0	1,585.3	86.6	1,109.1	3,872.9	167.9	1,573.6
2006 July	24,900.1	14,439.5	806.2	8,859.0	4,774.4	3,601.0	1,385.0	612.4	1,603.5	86.2	1,111.7	3,956.7	168.2	1,536.9
Aug.	24,926.5	14,447.8	800.9	8,874.1	4,772.8	3,585.6	1,362.6	609.4	1,613.6	89.4	1,115.4	3,961.4	168.4	1,558.5
Sep.	25,371.9	14,611.2	804.2	8,982.4	4,824.5	3,601.1	1,354.4	618.2	1,628.5	88.6	1,133.5	4,105.0	168.9	1,663.7
Oct.	25,561.7	14,667.6	806.1	9,038.7	4,822.9	3,614.1	1,340.8	632.8	1,640.5	93.9	1,152.2	4,217.5	169.6	1,646.8
Nov. (p)	25,940.5	14,789.9	804.0	9,121.0	4,864.9	3,623.1	1,336.7	637.2	1,649.3	91.1	1,188.7	4,307.0	170.4	1,770.3

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
			Eurosystem								
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006 Q1	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
Q2	1,532.1	598.2	487.4	69.3	21.5	396.5	-	0.1	206.2	30.6	209.5
2006 July	1,554.2	607.7	490.1	64.7	19.3	406.1	-	0.1	214.0	31.0	211.3
Aug.	1,529.5	603.9	467.6	63.7	15.0	388.9	-	0.1	211.4	31.7	214.8
Sep.	1,521.6	607.7	448.3	55.2	16.1	377.0	-	0.1	211.6	33.8	220.0
Oct.	1,532.3	613.3	454.0	53.4	20.1	380.5	-	0.1	211.7	31.1	222.1
Nov. (p)	1,532.1	617.2	443.3	52.0	19.9	371.4	-	0.1	212.7	33.2	225.6
			MFIs excluding the Eurosystem								
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,653.0	-	12,214.6	149.2	7,214.2	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,052.7
2006 Q1	24,358.8	-	12,419.6	148.1	7,322.0	4,949.5	686.7	3,991.5	1,368.7	3,733.7	2,158.7
Q2	24,722.0	-	12,708.7	138.1	7,512.7	5,057.9	703.1	4,060.7	1,376.2	3,701.4	2,171.9
2006 July	24,900.1	-	12,750.8	129.6	7,517.2	5,103.9	713.5	4,095.8	1,395.6	3,779.3	2,165.3
Aug.	24,926.5	-	12,723.6	121.1	7,521.6	5,080.8	721.8	4,125.9	1,400.8	3,793.8	2,160.5
Sep.	25,371.9	-	12,884.7	147.8	7,615.0	5,121.9	728.0	4,160.6	1,404.9	3,905.2	2,288.4
Oct.	25,561.7	-	12,890.8	138.5	7,636.6	5,115.7	729.1	4,211.4	1,414.4	4,003.0	2,313.0
Nov. (p)	25,940.5	-	13,022.0	140.7	7,698.9	5,182.4	720.3	4,242.8	1,437.5	4,012.3	2,505.5

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

2.2 Consolidated balance sheet of euro area MFIs
(EUR billions; outstanding amounts at end of period; transactions during period)

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
				Outstanding amounts							
2004	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,892.3	9,135.6	847.5	8,288.1	2,148.5	1,595.0	553.6	710.5	4,009.0	180.4	1,708.2
2006 Q1	18,475.4	9,389.1	837.0	8,552.1	2,184.2	1,608.4	575.8	784.5	4,199.2	181.0	1,737.5
Q2	18,738.2	9,614.6	829.6	8,785.0	2,175.4	1,573.1	602.3	786.6	4,216.6	182.5	1,762.5
2006 July	18,867.3	9,686.2	826.5	8,859.6	2,173.3	1,558.7	614.6	792.5	4,309.3	183.0	1,723.1
Aug.	18,883.3	9,696.0	821.2	8,874.7	2,153.2	1,541.6	611.5	791.1	4,310.3	183.2	1,749.6
Sep.	19,262.0	9,807.7	824.6	8,983.1	2,154.6	1,534.3	620.4	802.3	4,453.5	183.7	1,860.2
Oct.	19,438.3	9,865.7	826.4	9,039.3	2,158.6	1,523.6	635.0	820.4	4,567.9	184.5	1,841.3
Nov. (p)	19,750.8	9,946.0	824.3	9,121.7	2,164.3	1,524.7	639.6	829.3	4,657.4	185.2	1,968.6
				Transactions							
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,606.3	711.2	12.8	698.4	154.9	75.3	79.6	50.2	448.2	1.4	240.4
2006 Q1	597.9	240.5	-10.4	250.8	54.4	28.6	25.8	67.6	206.5	-0.2	29.1
Q2	367.0	235.5	-7.2	242.7	13.3	-15.6	28.9	9.5	86.1	1.5	21.0
2006 July	114.8	72.5	-3.8	76.3	-4.8	-16.6	11.7	1.6	84.2	0.3	-38.9
Aug.	21.1	12.4	-5.3	17.7	-21.9	-21.3	-0.6	-4.9	8.3	0.2	27.1
Sep.	361.6	117.3	6.1	111.2	-1.7	-10.4	8.7	13.8	123.8	0.7	107.7
Oct.	171.1	59.8	2.6	57.3	5.4	-9.0	14.3	15.6	109.2	0.8	-19.7
Nov. (p)	384.5	89.7	-1.9	91.6	8.8	0.8	8.0	5.9	152.7	0.7	126.7

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [1]	Debt securities issued [2]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter- MFI liabilities
	1	2	3	4	5	6	7	8	9	10
				Outstanding amounts						
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,892.3	532.8	173.6	7,228.8	615.8	2,322.6	1,200.6	3,545.6	2,258.9	13.7
2006 Q1	18,475.4	532.3	193.1	7,337.0	603.1	2,402.7	1,255.2	3,764.0	2,365.3	22.6
Q2	18,738.2	553.7	207.4	7,534.2	616.5	2,455.3	1,243.5	3,732.0	2,381.4	14.0
2006 July	18,867.3	562.7	194.3	7,536.5	627.3	2,470.2	1,274.0	3,810.3	2,376.6	15.3
Aug.	18,883.3	559.0	184.8	7,536.6	632.4	2,489.2	1,271.6	3,825.5	2,375.3	9.0
Sep.	19,262.0	563.2	203.0	7,631.1	639.4	2,507.8	1,268.8	3,939.0	2,508.5	1.2
Oct.	19,438.3	567.1	191.9	7,656.7	635.3	2,545.5	1,277.5	4,034.2	2,535.1	-4.8
Nov. (p)	19,750.8	571.5	192.7	7,718.8	629.2	2,568.1	1,273.8	4,045.6	2,731.2	20.0
				Transactions						
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,606.3	64.4	10.8	498.1	-3.0	213.5	88.2	448.0	337.1	-50.8
2006 Q1	597.9	-0.5	19.6	103.0	9.0	77.1	27.0	240.6	87.7	34.5
Q2	367.0	21.4	15.2	204.8	14.9	64.9	4.4	19.4	16.7	5.3
2006 July	114.8	9.0	-13.1	2.5	12.6	16.6	20.7	79.7	-14.2	1.1
Aug.	21.1	-3.7	-9.5	0.6	4.2	23.4	-5.0	20.3	-4.6	-4.7
Sep.	361.6	4.2	18.2	94.1	-3.8	15.4	1.0	108.2	134.9	-10.5
Oct.	171.1	3.9	-11.1	25.6	-1.0	37.1	5.8	93.8	24.8	-7.8
Nov. (p)	384.5	4.4	0.8	68.6	15.0	30.3	-6.7	66.6	173.4	32.0

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.

1. Monetary aggregates [1] and counterparts

	M1	M2-M1	M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Loans	Net external assets [2]
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2004	2,908.7	2,660.5	5,569.2	964.6	6,533.8	-	4,465.3	2,294.6	8,694.9	7,548.8	385.9
2005	3,423.4	2,650.6	6,074.0	993.7	7,067.6	-	5,005.8	2,468.0	9,556.8	8,281.4	455.8
2006 Q1	3,496.6	2,722.5	6,219.1	1,007.5	7,226.6	-	5,142.0	2,439.1	9,909.9	8,561.6	442.0
Q2	3,564.3	2,779.0	6,343.3	1,028.0	7,371.3	-	5,223.6	2,391.4	10,140.7	8,755.5	481.1
2006 July	3,545.9	2,804.9	6,350.7	1,036.3	7,387.0	-	5,282.2	2,378.7	10,251.7	8,836.0	500.9
Aug.	3,571.0	2,836.7	6,407.7	1,057.8	7,465.5	-	5,296.3	2,370.3	10,333.3	8,908.0	479.5
Sep.	3,592.1	2,882.1	6,474.1	1,087.9	7,562.1	-	5,316.1	2,368.7	10,442.2	8,999.5	503.3
Oct.	3,585.3	2,909.0	6,494.2	1,082.9	7,577.1	-	5,364.0	2,358.2	10,529.4	9,055.4	518.7
Nov. (p)	3,609.3	2,939.0	6,548.2	1,090.7	7,638.9	-	5,391.4	2,344.1	10,597.7	9,116.3	604.7
Transactions											
2004	238.6	110.7	349.3	57.7	407.0	-	341.7	54.5	578.1	506.1	166.0
2005	338.6	138.8	477.5	6.5	483.9	-	396.8	92.6	831.8	699.4	1.9
2006 Q1	74.9	74.6	149.5	28.8	178.3	-	102.8	-13.6	337.0	267.0	-19.6
Q2	70.3	60.0	130.2	27.6	157.8	-	106.0	-28.0	250.2	203.7	56.4
2006 July	-18.4	26.0	7.5	11.4	19.0	-	49.1	-15.5	107.8	82.1	9.8
Aug.	25.0	32.4	57.4	21.0	78.3	-	16.0	-12.6	83.0	74.6	-19.2
Sep.	20.3	44.3	64.6	21.4	86.0	-	19.5	-1.9	114.3	94.4	9.7
Oct.	-6.8	27.0	20.2	-2.1	18.1	-	44.6	-8.0	85.5	56.9	11.5
Nov. (p)	25.3	33.7	59.0	22.9	81.9	-	39.5	-14.2	77.9	70.0	94.0
Growth rates											
2004 Dec.	8.9	4.3	6.7	6.4	6.6	6.5	8.2	2.4	7.1	7.2	166.0
2005 Dec.	11.4	5.4	8.5	0.7	7.3	7.5	8.8	4.0	9.5	9.2	1.9
2006 Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.7	2.0	11.6	10.9	-8.5
June	9.3	8.8	9.1	4.9	8.5	8.3	8.0	0.1	11.6	11.0	-1.8
2006 July	7.4	9.2	8.2	5.3	7.8	8.1	8.7	-0.7	11.8	11.1	3.0
Aug.	7.2	9.8	8.4	7.1	8.2	8.2	8.4	-1.4	12.0	11.3	-11.0
Sep.	7.2	9.9	8.4	9.3	8.5	8.4	8.2	-1.5	12.2	11.5	24.9
Oct.	6.2	10.8	8.2	10.2	8.5	8.8	8.2	-2.3	12.1	11.2	46.4
Nov. (p)	6.5	11.8	8.8	12.6	9.3	.	8.4	-3.9	11.9	11.2	179.6

C1 Monetary aggregates
(annual growth rates; seasonally adjusted)

- M1
- M3

C2 Counterparts
(annual growth rates; seasonally adjusted)

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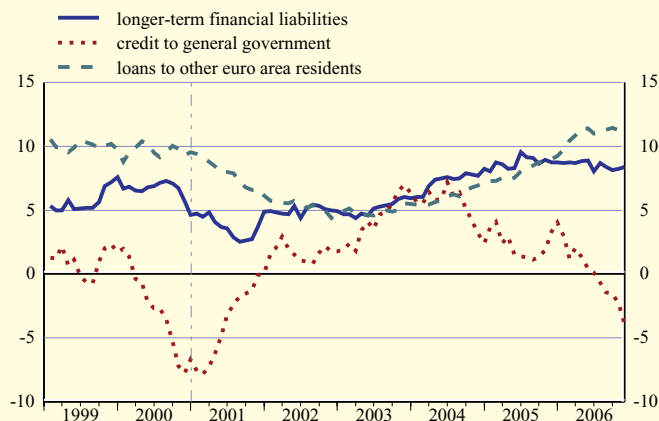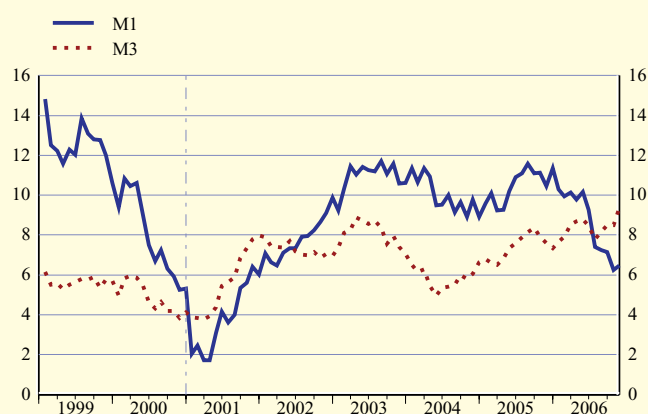
Source: ECB.
1) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).
2) Values in the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.

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						
2004	456.4	2,452.3	1,024.5	1,636.0	242.3	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,903.0	1,107.9	1,542.7	236.6	630.8	126.2	2,203.9	87.0	1,515.3	1,199.6
2006 Q1	535.5	2,961.1	1,159.3	1,563.3	240.9	603.5	163.1	2,240.0	88.4	1,559.7	1,253.8
Q2	547.8	3,016.6	1,215.6	1,563.4	247.2	619.0	161.7	2,290.5	92.2	1,601.0	1,239.9
2006 July	552.3	2,993.6	1,242.1	1,562.8	252.5	623.3	160.5	2,304.6	93.8	1,611.4	1,272.4
Aug.	558.7	3,012.3	1,270.0	1,566.7	255.3	624.0	178.5	2,313.5	95.7	1,617.2	1,270.0
Sep.	563.4	3,028.6	1,314.4	1,567.6	269.6	641.1	177.2	2,328.4	97.7	1,626.4	1,263.6
Oct.	572.3	3,013.0	1,342.5	1,566.5	255.4	635.5	192.0	2,341.0	99.6	1,647.6	1,275.9
Nov. (p)	574.5	3,034.7	1,377.7	1,561.2	257.2	633.7	199.8	2,360.8	101.7	1,651.6	1,277.3
					Transactions						
2004	67.7	170.9	-2.2	112.9	24.5	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	274.7	69.3	69.5	-6.7	-3.2	16.4	199.2	-4.3	113.9	88.0
2006 Q1	15.2	59.8	53.8	20.8	4.3	-5.6	30.1	39.9	1.4	34.8	26.7
Q2	12.2	58.0	59.6	0.3	7.1	17.0	3.5	58.0	3.8	42.1	2.2
2006 July	4.5	-22.9	26.6	-0.6	5.2	6.1	0.1	14.5	1.6	10.5	22.6
Aug.	6.4	18.6	28.4	4.0	2.8	-0.2	18.3	13.0	1.9	5.9	-4.9
Sep.	4.7	15.6	43.4	0.9	14.2	6.3	0.9	9.5	2.0	10.7	-2.7
Oct.	8.9	-15.7	28.2	-1.2	-14.2	-2.5	14.7	12.1	1.9	21.1	9.4
Nov. (p)	2.3	23.1	38.8	-5.1	1.7	19.5	1.7	33.6	2.1	5.4	-1.6
					Growth rates						
2004 Dec.	17.4	7.5	-0.2	7.4	11.3	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-2.8	-0.5	15.7	10.0	-4.7	8.3	8.1
2006 Mar.	12.4	9.8	12.7	4.4	3.8	-0.5	43.5	8.7	-3.2	9.1	9.1
June	11.1	8.9	17.2	3.0	2.6	0.8	30.4	8.1	1.6	9.0	7.2
2006 July	11.5	6.7	18.9	2.5	4.7	0.7	29.8	8.6	4.1	9.2	8.6
Aug.	11.4	6.5	20.9	2.2	5.2	0.8	42.3	8.2	7.1	9.3	7.8
Sep.	11.0	6.5	21.5	1.8	12.3	1.2	43.6	8.1	10.7	9.4	6.5
Oct.	11.4	5.3	24.2	1.4	8.3	2.0	54.0	7.6	13.8	10.0	6.9
Nov. (p)	10.8	5.7	27.4	0.9	8.9	6.1	49.7	8.6	16.5	9.7	5.9

C3 Components of monetary aggregates
(annual growth rates; seasonally adjusted)

- currency in circulation
- overnight deposits
- deposits redeemable at notice up to 3 months
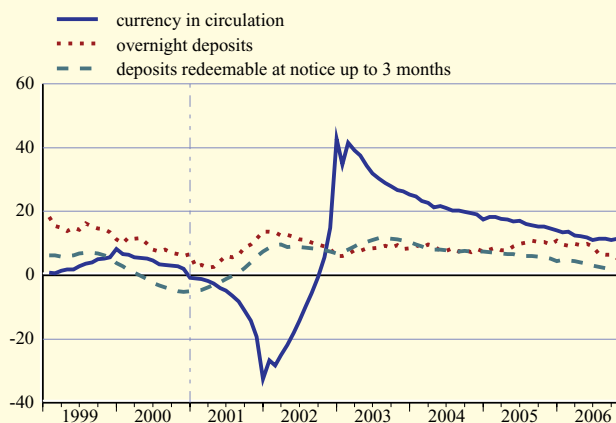
C4 Components of longer-term financial liabilities
(annual growth rates; seasonally adjusted)

- debt securities over 2 years
- deposits with agreed maturity over 2 years
- capital and reserves
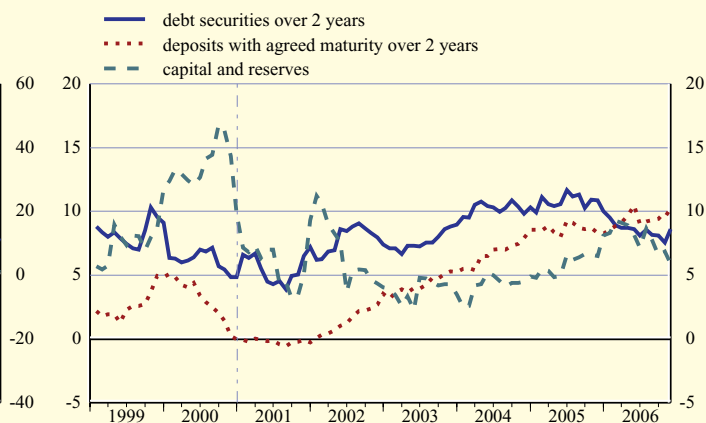
Source: ECB.

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 [2)]

	Insurance corporations and pension funds		Other financial intermediaries [3)]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006 Q1	81.9	57.1	661.9	412.0	3,525.1	1,060.8	626.7	1,837.6
Q2	84.7	59.6	673.5	419.6	3,640.0	1,098.6	650.9	1,890.5
2006 July	90.1	64.4	667.0	407.8	3,685.4	1,110.9	668.0	1,906.6
Aug.	86.7	61.3	678.6	415.9	3,679.0	1,086.3	670.8	1,921.8
Sep.	89.5	63.4	702.3	437.7	3,730.0	1,108.2	682.6	1,939.2
Oct.	89.1	62.5	700.7	435.6	3,766.9	1,119.1	693.0	1,954.8
Nov. (p)	95.0	68.5	702.3	434.6	3,807.0	1,130.5	701.9	1,974.6
	Transactions							
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006 Q1	17.1	15.6	46.6	45.2	108.9	27.0	35.8	46.1
Q2	2.8	2.6	13.8	9.0	120.8	39.6	26.4	54.8
2006 July	5.5	4.9	-4.9	-9.6	44.0	12.5	16.2	15.3
Aug.	-3.4	-3.2	11.8	8.2	-4.9	-24.3	3.7	15.7
Sep.	2.8	2.1	25.2	21.8	51.1	21.8	11.8	17.5
Oct.	-0.5	-1.0	-1.9	-2.2	37.5	10.8	10.6	16.1
Nov. (p)	6.1	6.2	4.4	0.7	44.5	12.7	10.0	21.8
	Growth rates							
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Mar.	40.3	44.1	17.0	16.8	10.5	7.7	14.9	10.6
June	32.5	36.3	16.2	16.7	11.3	8.0	17.4	11.4
2006 July	41.2	49.4	15.6	16.5	11.8	9.2	18.4	11.1
Aug.	34.3	43.9	19.3	21.9	12.0	9.2	19.5	11.2
Sep.	37.1	48.6	17.7	19.5	12.7	10.5	20.6	11.4
Oct.	29.0	37.4	17.7	19.8	12.9	10.6	20.1	11.8
Nov. (p)	26.1	35.9	15.9	17.5	13.1	10.8	21.1	11.8

C5 Loans to financial intermediaries and non-financial corporations
(annual growth rates)
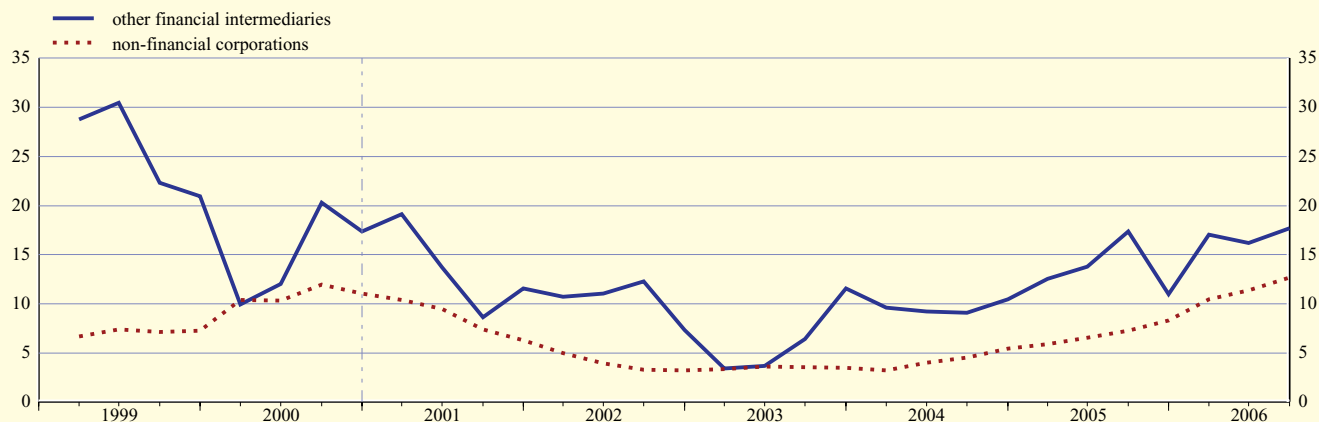
Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) This category includes investment funds.

2.4 MFI loans, breakdown [1]
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2], [3]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2
2005	4,193.3	554.1	129.1	200.7	224.3	2,917.7	15.2	67.5	2,835.0	721.6	147.3	99.9	474.4
2006 Q1	4,282.5	557.1	126.2	200.9	230.1	3,006.3	15.1	67.9	2,923.4	719.1	146.4	98.1	474.5
Q2	4,386.2	576.1	130.6	205.5	240.0	3,081.7	15.8	70.0	2,995.9	728.4	150.7	98.3	479.5
2006 July	4,416.4	579.6	131.2	206.0	242.3	3,110.4	15.8	70.4	3,024.2	726.4	146.8	98.5	481.2
Aug.	4,429.8	580.1	130.2	205.5	244.4	3,124.7	15.8	70.5	3,038.5	725.0	145.5	98.5	481.0
Sep.	4,460.7	582.7	131.0	206.3	245.3	3,149.2	16.5	70.9	3,061.8	728.8	146.9	99.2	482.7
Oct.	4,482.0	584.1	132.7	206.2	245.2	3,168.5	15.7	71.3	3,081.5	729.4	146.3	99.4	483.7
Nov. (p)	4,516.7	585.5	132.5	206.7	246.3	3,194.8	15.9	71.1	3,107.8	736.4	150.6	100.0	485.8
Transactions													
2004	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1
2005	359.8	40.7	9.0	11.6	20.0	302.9	0.7	4.8	297.4	16.2	3.8	1.3	11.1
2006 Q1	78.3	5.2	-2.2	1.2	6.2	71.8	0.0	0.4	71.4	1.2	-0.2	0.4	1.0
Q2	105.4	19.3	4.5	4.3	10.4	75.6	0.6	1.9	73.0	10.5	4.5	0.7	5.4
2006 July	31.7	3.9	0.8	0.5	2.6	29.2	0.0	0.5	28.7	-1.4	-3.8	0.1	2.2
Aug.	14.2	0.5	-0.8	-0.5	1.8	14.4	0.0	0.1	14.3	-0.6	-1.4	0.2	0.6
Sep.	32.0	4.3	1.0	1.0	2.2	24.7	0.7	0.4	23.5	3.1	1.4	0.7	1.0
Oct.	22.1	3.1	1.5	0.0	1.5	17.9	-0.4	0.3	17.9	1.2	-0.7	0.4	1.5
Nov. (p)	36.6	2.4	0.2	0.6	1.5	27.0	0.3	-0.2	26.9	7.2	4.2	0.8	2.2
Growth rates													
2004 Dec.	7.9	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.6	5.2	7.5	11.8	2.3	2.6	1.3	2.4
2006 Mar.	9.8	8.0	5.9	5.8	11.1	12.2	6.9	6.0	12.4	2.2	1.6	2.1	2.4
June	9.6	8.4	6.2	4.8	13.1	11.8	7.5	8.1	12.0	2.1	0.8	2.4	2.4
2006 July	9.5	8.7	8.5	4.0	13.1	11.4	7.3	7.9	11.6	2.3	1.3	2.4	2.6
Aug.	9.2	8.3	6.9	4.0	13.2	11.1	9.1	7.4	11.2	2.3	1.4	2.5	2.5
Sep.	9.1	8.3	5.7	4.2	13.5	11.0	10.0	7.4	11.1	2.5	1.4	3.3	2.6
Oct.	8.7	8.0	5.8	3.6	13.2	10.4	9.9	7.4	10.5	2.5	1.5	3.7	2.6
Nov. (p)	8.7	7.9	6.4	3.5	12.6	10.2	10.9	6.5	10.3	3.1	2.4	3.9	3.1

C6 Loans to households
(annual growth rates)
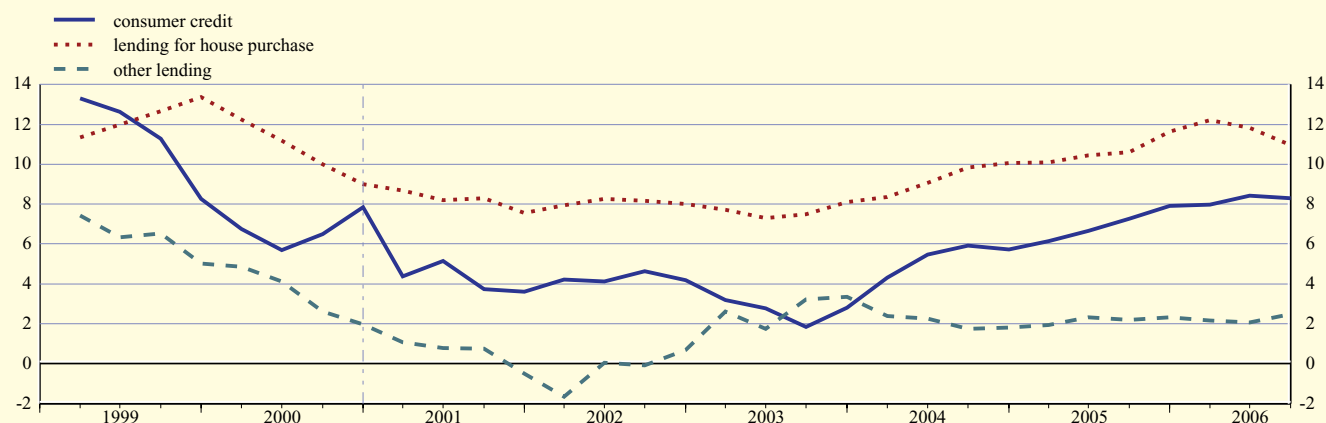
- consumer credit
- lending for house purchase
- other lending

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) Including non-profit institutions serving households.

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
					Outstanding amounts					
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006 Q1	816.3	118.5	240.9	427.7	29.2	2,594.7	1,821.6	773.1	62.9	710.2
Q2	809.3	106.7	234.5	436.0	32.0	2,611.3	1,839.8	771.5	66.5	705.0
Q3 (p)	804.2	102.1	230.1	438.9	33.1	2,740.7	1,923.4	817.3	67.4	750.0
					Transactions					
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	4.7	84.3
2006 Q1	-10.4	-6.3	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.5	3.6	9.9
Q3 (p)	-3.0	-2.4	-4.3	2.7	1.1	124.9	79.3	45.5	0.2	45.3
					Growth rates					
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	7.7	14.2
2006 Mar.	1.2	-8.0	-3.9	5.8	29.5	13.7	14.4	11.9	1.7	12.9
June	0.1	-13.9	-6.3	7.4	12.2	11.2	10.9	11.7	7.3	12.1
Sep. (p)	-0.6	-12.5	-7.9	7.1	1.3	12.3	12.0	13.0	4.3	13.8

- general government
- non-resident banks
- non-resident non-banks

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 [2]

	Insurance corporations and pension funds							Other financial intermediaries [3]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	882.8	233.9	185.0	332.2	10.5	0.1	121.1
2006 Q1	613.0	65.6	50.4	474.8	1.1	1.4	19.7	989.2	271.5	195.1	376.3	11.0	0.1	135.2
Q2	625.7	68.6	47.9	484.7	1.0	1.4	22.1	1,048.2	278.1	213.3	407.0	10.8	0.2	138.8
2006 July	633.0	65.3	51.9	488.6	1.0	1.4	24.9	1,037.5	263.6	212.4	416.0	9.9	0.2	135.4
Aug.	635.5	61.6	52.0	491.9	1.0	0.3	28.7	1,037.9	257.6	215.0	416.2	9.4	0.2	139.4
Sep.	637.3	66.7	51.1	492.7	1.0	1.4	24.4	1,084.5	272.2	236.2	420.6	10.2	0.3	145.0
Oct.	637.6	66.0	48.4	493.0	1.0	1.4	27.9	1,091.4	260.4	240.8	443.7	10.2	0.2	136.0
Nov. (p)	635.0	63.6	50.4	491.5	1.0	1.4	27.2	1,113.9	271.2	243.9	450.5	10.8	0.2	137.1
	Transactions													
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	178.4	40.1	37.3	99.2	1.5	0.0	0.4
2006 Q1	0.6	-2.0	-1.4	5.0	-0.1	0.0	-0.8	98.2	38.3	10.7	34.4	0.5	0.0	14.2
Q2	12.9	3.0	-2.4	10.0	0.0	0.0	2.4	61.7	7.6	18.5	31.3	-0.1	0.1	4.3
2006 July	7.3	-3.3	4.0	3.9	0.0	0.0	2.8	-10.7	-14.6	-0.9	9.1	-1.0	0.0	-3.4
Aug.	2.5	-3.7	0.1	3.3	0.0	-1.1	3.8	0.1	-6.5	2.7	0.3	-0.4	0.0	4.0
Sep.	1.7	5.0	-0.9	0.8	0.0	1.1	-4.3	46.0	14.4	20.9	4.4	0.7	0.1	5.6
Oct.	0.4	-0.7	-2.8	0.3	0.0	0.0	3.6	5.8	-11.8	4.6	22.0	0.1	0.0	-9.0
Nov. (p)	-2.3	-2.3	2.2	-1.5	0.0	0.0	-0.7	26.0	11.7	4.5	7.9	0.7	0.0	1.3
	Growth rates													
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	27.2	22.2	25.0	48.4	14.3	-	0.4
2006 Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	31.9	20.7	41.8	53.2	6.1	-	4.7
June	4.9	11.8	-1.7	4.6	-8.9	0.8	7.5	27.7	18.2	43.5	43.4	-1.8	-	-1.8
2006 July	4.7	1.3	-0.9	5.1	-7.1	-0.7	24.0	25.0	13.5	36.7	43.4	-14.4	-	-3.5
Aug.	5.1	3.9	1.3	5.5	-8.2	-79.2	13.2	25.2	14.0	36.7	43.3	-16.1	-	-2.5
Sep.	5.6	10.9	-0.4	5.5	-12.0	-3.8	8.6	25.3	7.9	39.5	41.0	-3.2	-	8.0
Oct.	4.4	-1.3	-0.1	5.2	-13.5	-4.4	16.2	24.1	7.8	37.1	43.8	-6.0	-	-3.9
Nov. (p)	4.8	-6.4	19.3	4.6	-14.3	-3.8	17.9	26.6	16.1	37.3	40.6	-1.1	-	0.4

C8 Total deposits by sector
(annual growth rates)

- insurance corporations and pension funds (total)
- other financial intermediaries (total)
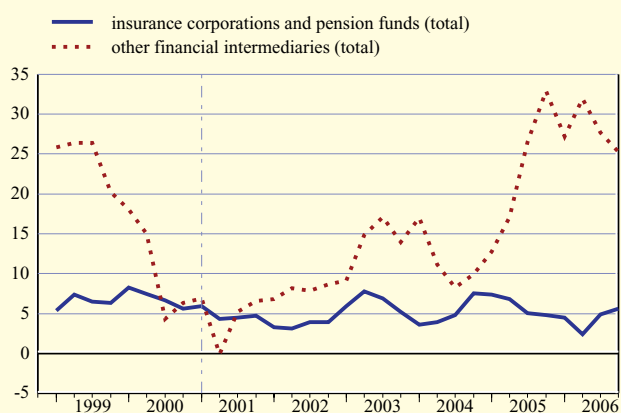
C9 Total deposits and deposits included in M3 by sector
(annual growth rates)
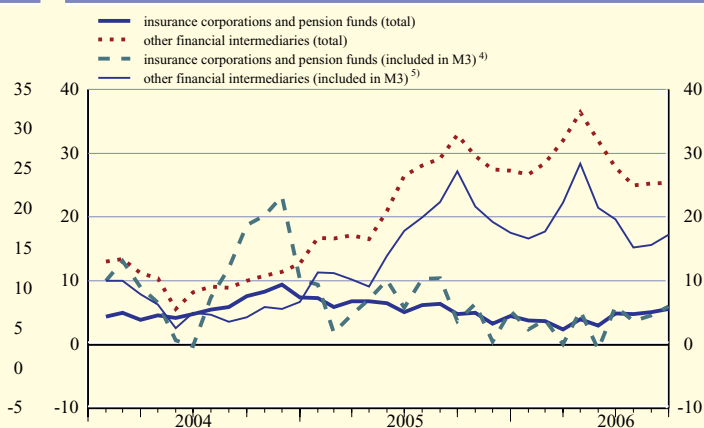
- insurance corporations and pension funds (total)
- other financial intermediaries (total)
- insurance corporations and pension funds (included in M3) [4]
- other financial intermediaries (included in M3) [5]

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) This category includes investment funds.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

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

	Non-financial corporations							Households [3]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006 Q1	1,199.9	745.5	313.0	71.9	46.7	1.2	21.6	4,355.8	1,673.8	549.3	623.6	1,367.7	86.3	55.1
Q2	1,236.7	783.6	313.1	73.2	43.6	1.2	22.0	4,422.9	1,725.6	569.4	616.5	1,363.9	89.0	58.5
2006 July	1,231.1	775.3	315.8	72.4	42.8	1.3	23.5	4,434.3	1,718.3	587.3	613.6	1,362.0	90.2	63.0
Aug.	1,243.8	769.9	330.3	72.4	43.1	2.4	25.7	4,421.4	1,686.7	602.9	612.5	1,360.8	91.7	66.9
Sep.	1,268.8	790.3	334.6	73.7	43.8	1.3	25.1	4,439.1	1,703.2	613.8	608.8	1,355.5	93.0	64.8
Oct.	1,277.3	781.8	354.0	72.8	42.5	1.3	24.9	4,442.7	1,695.7	629.9	605.0	1,350.1	95.1	66.9
Nov. (p)	1,296.7	799.6	352.7	77.6	41.8	1.3	23.7	4,453.1	1,698.5	644.7	602.2	1,341.6	97.7	68.5
	Transactions													
2004	80.8	48.5	17.1	6.6	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Q1	-10.4	-23.0	8.9	4.8	2.0	0.0	-3.1	14.0	-11.9	16.0	-8.1	13.9	1.8	2.3
Q2	40.0	39.3	2.0	1.3	-3.0	0.0	0.4	68.5	52.2	21.0	-7.0	-3.7	2.7	3.4
2006 July	-5.6	-8.3	2.8	-0.8	-0.8	0.0	1.5	11.4	-7.3	18.0	-2.9	-1.9	1.1	4.5
Aug.	13.2	-5.2	14.8	0.1	0.3	1.1	2.2	-12.5	-31.5	15.8	-1.1	-1.2	1.5	3.9
Sep.	24.2	20.1	3.8	1.2	0.7	-1.1	-0.6	18.7	16.4	10.6	-2.2	-5.3	1.3	-2.1
Oct.	9.7	-8.5	19.4	0.2	-1.3	0.0	-0.1	3.7	-7.5	16.1	-3.8	-5.4	2.1	2.1
Nov. (p)	21.8	18.7	-0.1	5.1	-0.7	0.0	-1.2	11.7	3.1	15.7	-2.8	-8.5	2.6	1.6
	Growth rates													
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Mar.	9.7	9.8	11.5	6.6	14.2	-27.6	-9.8	4.2	7.4	6.6	-1.7	3.2	-2.7	7.6
June	10.1	8.9	15.4	8.3	4.3	-19.5	1.1	4.2	6.0	11.5	-2.5	2.2	2.1	14.9
2006 July	9.4	8.1	14.4	8.8	1.0	-5.6	10.1	4.0	4.6	14.5	-2.8	1.8	4.4	17.5
Aug.	10.0	7.9	16.2	9.0	2.7	88.2	13.6	4.4	4.8	17.0	-3.0	1.5	7.3	22.9
Sep.	10.9	10.1	13.8	14.5	-0.5	4.2	10.6	4.6	4.8	19.2	-2.8	1.1	10.8	25.7
Oct.	9.8	6.7	18.0	13.5	-4.8	4.6	18.8	4.7	4.1	21.8	-3.2	0.9	14.0	30.7
Nov. (p)	10.9	8.1	19.7	19.7	-7.0	4.8	0.9	4.7	3.5	24.1	-3.3	0.5	16.9	30.5
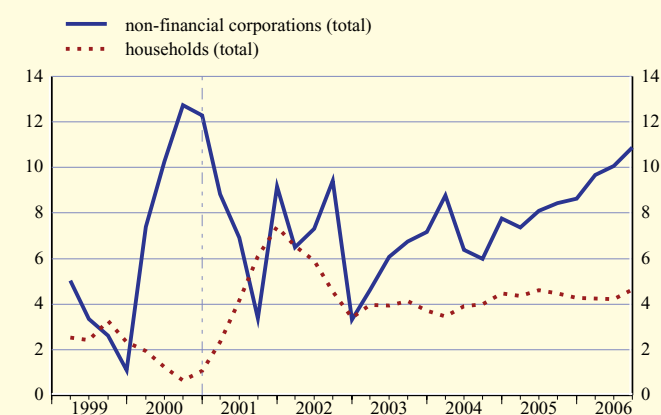
- non-financial corporations (total)
- households (total)

- non-financial corporations (total)
- households (total)
- non-financial corporations (included in M3) [4]
- households (included in M3) [5]
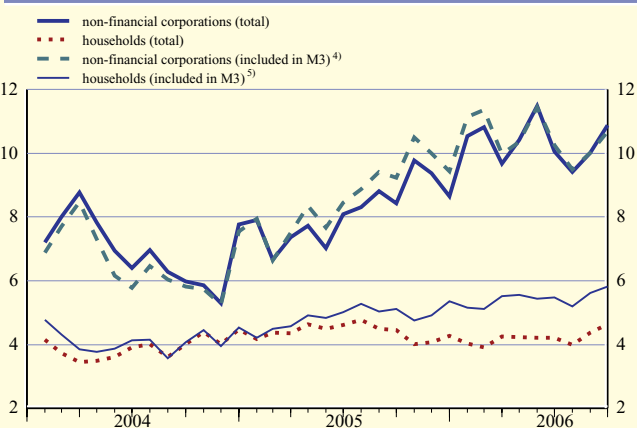
Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
3) Including non-profit institutions serving households.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown [1]
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3 (p)	333.1	147.8	41.5	83.7	60.1	3,374.4	2,499.1	875.3	132.4	742.9
	Transactions									
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3 (p)	15.9	9.7	1.9	1.1	3.2	162.6	124.4	38.2	4.1	34.0
	Growth rates									
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.1	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep. (p)	16.2	10.1	15.5	17.5	33.0	13.6	14.4	11.4	5.7	12.5

C12 Deposits by government and non-euro area residents
(annual growth rates)
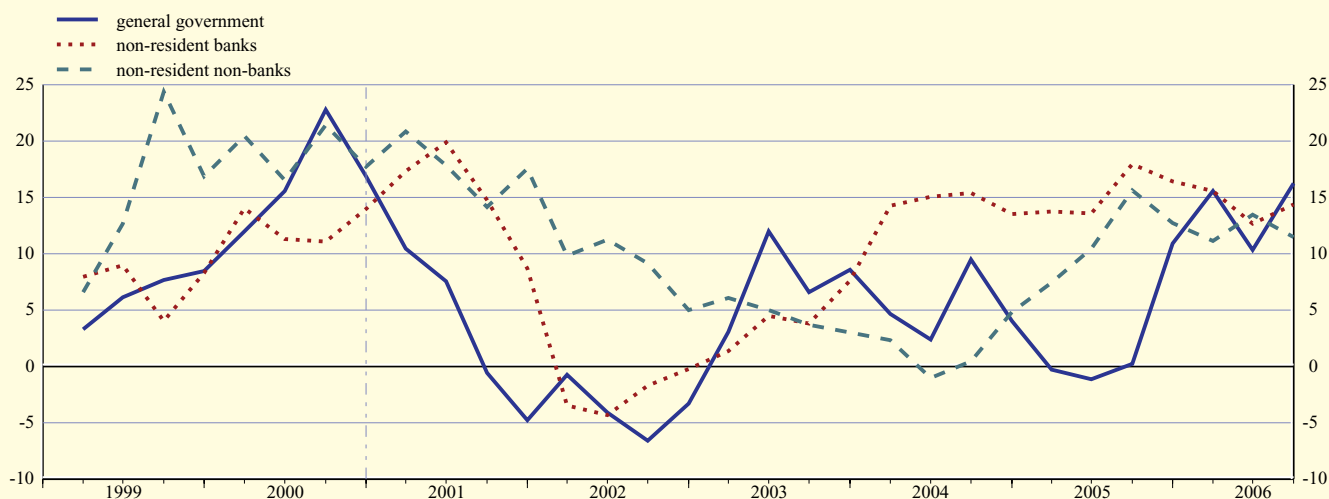
- general government
- non-resident banks
- non-resident non-banks

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											
2004	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,434.7	1,450.4	67.3	1,412.5	17.0	525.7	25.8	936.2	1,258.1	308.5	700.1	249.4
2006 Q1	4,567.1	1,501.6	69.3	1,423.8	16.6	544.9	28.6	982.2	1,368.7	323.6	773.0	272.1
Q2	4,584.4	1,519.5	65.8	1,385.6	17.2	572.6	27.4	996.4	1,372.9	334.5	774.7	263.8
2006 July	4,629.2	1,533.9	69.6	1,367.9	17.2	584.1	28.3	1,028.2	1,376.4	331.1	780.5	264.8
Aug.	4,624.1	1,545.0	68.6	1,345.4	17.3	580.5	28.9	1,038.5	1,386.1	336.3	779.2	270.7
Sep.	4,682.6	1,559.0	69.5	1,337.7	16.7	589.4	28.7	1,081.5	1,414.9	343.3	790.2	281.5
Oct.	4,716.4	1,569.5	71.0	1,324.2	16.6	602.5	30.3	1,102.3	1,445.6	344.2	808.0	293.4
Nov. (p)	4,740.9	1,579.2	70.1	1,320.2	16.5	608.3	28.9	1,117.7	1,482.5	372.0	816.7	293.8
	Transactions											
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	360.6	85.7	2.0	51.4	-0.9	71.6	7.6	143.2	100.5	26.9	50.4	23.3
2006 Q1	171.9	59.2	3.5	23.5	0.2	22.2	3.4	59.9	93.8	10.7	66.9	16.1
Q2	53.3	15.1	-2.0	-20.6	1.0	29.1	-0.3	31.0	16.8	13.5	8.5	-5.3
2006 July	42.0	13.2	3.7	-19.2	-0.1	11.0	0.9	32.4	-3.2	-4.2	1.7	-0.7
Aug.	-7.3	10.3	-1.0	-26.1	0.2	-1.4	0.7	10.0	3.4	3.6	-4.8	4.6
Sep.	49.1	18.1	0.6	-9.9	-0.8	9.0	-0.4	32.6	25.7	2.7	13.8	9.2
Oct.	32.2	10.7	1.3	-12.1	-0.2	12.9	1.5	18.2	25.2	0.2	15.6	9.3
Nov. (p)	58.1	16.9	0.9	-4.5	0.4	8.4	-0.5	36.6	34.8	28.0	5.9	0.8
	Growth rates											
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.1	6.3	3.6	4.1	-4.5	15.9	43.3	18.5	8.7	9.5	7.6	10.7
2006 Mar.	9.5	8.3	1.2	1.5	-0.4	16.4	67.6	20.9	11.2	10.0	14.8	2.6
June	7.4	5.9	1.0	-1.0	12.4	17.4	50.9	17.4	11.6	12.6	12.1	9.0
2006 July	8.1	6.2	6.6	-2.2	8.9	20.1	48.1	20.7	11.3	10.1	13.4	6.9
Aug.	7.8	7.1	4.9	-3.5	9.4	20.4	46.2	19.2	11.8	12.0	12.7	8.8
Sep.	9.3	8.6	5.7	-3.5	1.7	21.9	50.7	23.3	12.8	12.8	12.9	12.4
Oct.	8.8	9.1	5.0	-5.3	-1.0	21.3	39.0	23.6	14.5	12.8	13.9	18.5
Nov. (p)	8.3	9.7	4.9	-8.4	2.3	19.1	27.5	26.4	15.3	16.8	14.4	16.1

C13 MFI holdings of securities
(annual growth rates)
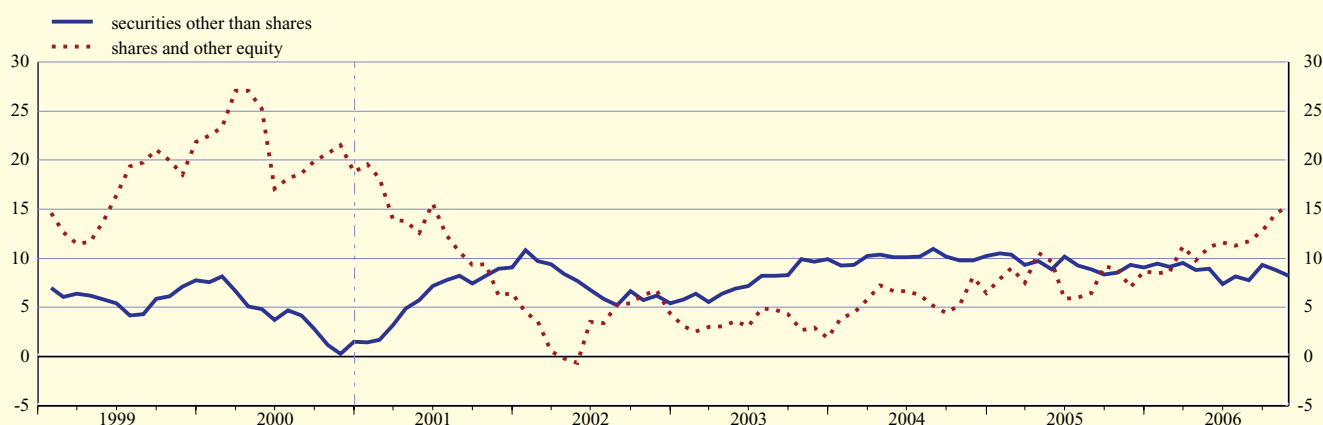
— securities other than shares
····· shares and other equity

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
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Q1	-1.1	-0.4	-0.2	-0.5	-1.3	-0.1	0.0	-1.2	-2.0	-0.5	-0.3	-1.2
Q2	-0.7	-0.2	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-1.4	-0.1	-0.6	-0.7
2006 July	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Aug.	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2
Sep.	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.4
Oct.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Nov. (p)	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-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
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
Q2	-2.6	-0.6	-1.1	-0.9	-0.1	0.0	0.0
2006 July	-0.6	-0.1	-0.2	-0.3	0.0	0.0	0.0
Aug.	-1.0	0.0	-0.8	-0.2	-0.1	0.0	-0.1
Sep.	-0.9	-0.3	-0.2	-0.4	-0.1	0.0	-0.1
Oct.	-0.4	0.1	-0.2	-0.3	0.0	0.0	0.0
Nov. (p)	-0.7	-0.2	-0.2	-0.4	-0.1	0.0	-0.1

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005	24.8	3.4	0.5	7.5	0.7	1.6	0.3	10.7	37.4	4.6	17.4	15.4
2006 Q1	-5.1	-1.1	-0.1	-4.1	-0.1	-0.8	0.0	1.2	17.1	3.9	6.8	6.3
Q2	-13.2	0.2	-0.1	-4.4	0.0	-1.2	-0.2	-7.4	-14.3	-2.3	-6.9	-5.1
2006 July	4.9	0.3	0.0	2.5	0.0	1.2	0.0	0.9	6.0	0.9	3.5	1.7
Aug.	3.3	0.8	0.0	1.3	0.0	0.0	0.0	1.4	5.4	1.0	3.2	1.3
Sep.	4.2	1.0	0.0	2.2	0.0	0.1	0.0	0.8	4.5	1.2	1.7	1.6
Oct.	0.1	0.1	0.0	-1.7	0.0	0.8	0.0	0.8	5.4	0.7	2.1	2.6
Nov. (p)	0.0	0.4	-0.1	2.2	-0.1	0.5	-0.1	-2.7	2.1	-0.3	2.8	-0.4

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items [1]
(percentages of total; outstanding amounts in EUR billions; end of period)

1. Deposits

	MFIs [2]							Non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
By euro area residents														
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,363.4	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,470.1	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,650.8	96.6	3.4	2.0	0.3	0.1	0.6
Q3 (p)	5,121.9	90.4	9.6	5.8	0.5	1.3	1.2	7,762.7	96.4	3.6	2.2	0.3	0.1	0.6
By non-euro area residents														
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.4	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3 (p)	2,499.1	47.5	52.5	34.1	2.2	2.6	10.4	875.3	51.6	48.4	31.4	1.6	2.2	10.1

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3 (p)	4,383.2	80.9	19.1	10.0	1.7	1.8	3.2

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) For non-euro area residents, the term "MFIs" refers to institutions of a similar type to euro area MFIs.
3) Including items expressed in the national denominations of the euro.

2.8 Currency breakdown of selected MFI balance sheet items [1]
(percentages of total; outstanding amounts in EUR billions; end of period)

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
To euro area residents														
2004	4,457.8	-	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4
2005	4,569.7	-	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5
2006 Q1	4,656.3	-	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5
Q2	4,730.3	-	-	-	-	-	-	9,593.6	96.4	3.6	1.7	0.1	1.2	0.5
Q3 (p)	4,824.5	-	-	-	-	-	-	9,786.7	96.3	3.7	1.7	0.2	1.1	0.6
To non-euro area residents														
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006 Q1	1,821.6	49.6	50.4	30.3	3.8	2.4	9.2	773.1	38.9	61.1	44.1	1.7	3.9	7.8
Q2	1,839.8	49.6	50.4	29.4	2.8	2.4	10.6	771.5	40.3	59.7	42.2	1.1	4.1	8.3
Q3 (p)	1,923.4	50.2	49.8	29.3	2.3	2.2	10.7	817.3	41.3	58.7	41.2	1.9	3.6	8.6

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Issued by euro area residents														
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.7	97.8	2.2	1.2	0.3	0.1	0.6
Q3 (p)	1,628.5	95.7	4.3	2.1	0.2	0.3	1.3	1,972.5	97.7	2.3	1.3	0.3	0.1	0.6
Issued by non-euro area residents														
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	395.5	49.4	50.6	29.7	0.8	0.6	15.9	540.7	36.2	63.8	36.3	8.6	0.8	12.6
2006 Q1	422.4	51.0	49.0	28.2	0.8	0.6	16.0	559.7	37.2	62.8	35.2	6.1	0.8	15.1
Q2	438.8	52.1	47.9	28.0	1.0	0.5	15.1	557.6	38.0	62.0	34.9	6.2	0.8	14.7
Q3 (p)	471.1	51.2	48.8	29.4	0.7	0.7	14.7	610.3	36.2	63.8	36.8	5.4	0.7	15.7

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) For non-euro area residents, the term "MFIs" refers to institutions of a similar type to euro area MFIs.
3) Including items expressed in the national denominations of the euro.

2.9 Aggregated balance sheet of euro area investment funds [1]
(EUR billions; outstanding amounts at end of period)

1. Assets

| | Total | Deposits | Holdings of securities other than shares | | | Holdings of shares/ other equity | Holdings of investment fund shares | Fixed assets | Other assets |
| | | | Total | Up to 1 year | Over 1 year | | | | |
	1	2	3	4	5	6	7	8	9
2005 Q1	4,058.4	288.2	1,692.1	79.3	1,612.8	1,320.2	376.0	163.1	218.7
Q2	4,313.4	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.0
Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2 (p)	5,135.4	316.4	1,908.1	145.2	1,762.9	1,775.8	601.8	180.3	352.9

2. Liabilities

| | Total | Deposits and loans taken | Investment fund shares | Other liabilities |
	1	2	3	4
2005 Q1	4,058.4	61.6	3,798.0	198.8
Q2	4,313.4	58.6	4,034.4	220.4
Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2 (p)	5,135.4	76.4	4,787.2	271.8

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

| | Total | Funds by investment policy | | | | | Funds by type of investor | |
| | | Equity funds | Bond funds | Mixed funds | Real estate funds | Other funds | General public funds | Special investors' funds |
	1	2	3	4	5	6	7	8
2005 Q1	4,058.4	864.6	1,285.8	984.4	201.1	722.5	3,041.3	1,017.0
Q2	4,313.4	1,097.2	1,510.2	1,011.1	207.1	487.9	3,245.6	1,067.9
Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2 (p)	5,135.4	1,442.1	1,569.8	1,255.8	217.4	650.2	3,911.3	1,224.1

C14 Total assets of investment funds
(EUR billions)

- equity funds
- bond funds
- mixed funds
- real estate funds
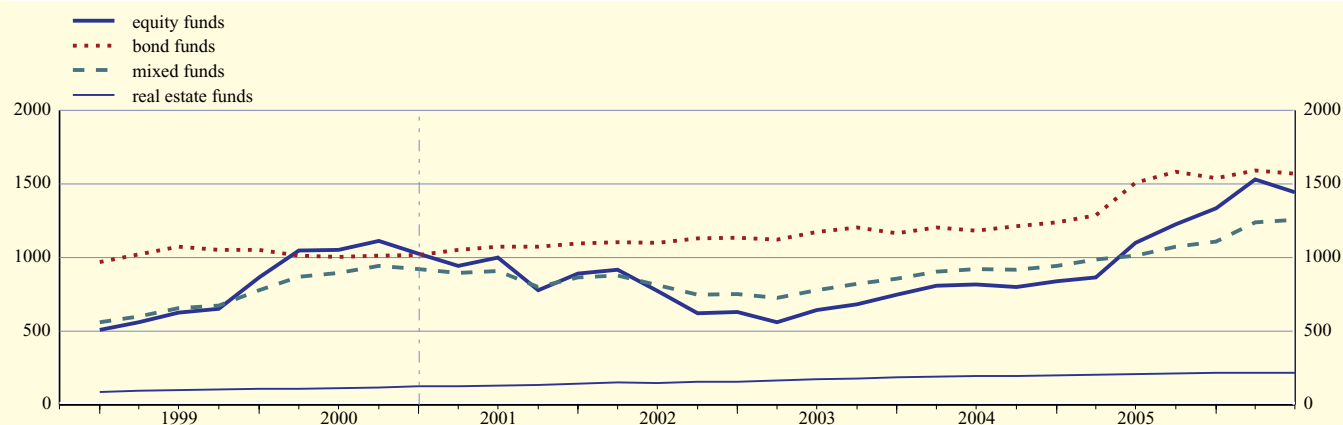
Source: ECB.
1) Other than money market funds. For further details, see the General notes.

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								
2005 Q1	864.6	33.8	37.0	4.0	33.0	729.9	33.3	-	30.6
Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2 (p)	1,442.1	52.1	51.4	6.5	44.9	1,220.4	69.7	-	48.6
	Bond funds								
2005 Q1	1,285.8	97.8	1,046.0	44.8	1,001.2	39.4	34.5	-	68.0
Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2 (p)	1,569.8	106.5	1,264.6	87.3	1,177.3	38.5	48.2	-	112.1
	Mixed funds								
2005 Q1	984.4	61.1	388.4	22.5	365.9	315.0	155.3	0.2	64.5
Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2 (p)	1,255.8	71.8	483.8	40.3	443.6	318.2	253.4	0.2	128.4
	Real estate funds								
2005 Q1	201.1	14.3	8.4	0.7	7.7	1.1	7.5	160.8	9.0
Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2 (p)	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2005 Q1	3,041.3	241.7	1,134.4	1,058.3	285.7	141.1	180.1
Q2	3,245.6	247.7	1,207.1	1,125.1	313.7	144.8	207.2
Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2 (p)	3,911.3	256.7	1,321.1	1,448.1	452.9	151.2	281.2
	Special investors' funds						
2005 Q1	1,017.0	46.6	557.7	261.9	90.3	22.0	38.6
Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2 (p)	1,224.1	59.7	587.0	327.7	148.9	29.1	71.7

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	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2005 Q1	16,977.4	6,358.0	409.6	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	328.2	373.5
Q2	17,426.5	6,528.6	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	336.1	369.7
Q3	17,775.6	6,528.9	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	341.5	389.2
Q4	18,218.0	6,730.1	465.5	5,732.3	2,559.1	1,604.4	1,488.5	80.3	173.6	358.8	366.8
2006 Q1	18,710.2	6,751.8	459.7	5,733.7	2,517.7	1,629.2	1,505.9	80.9	193.1	365.3	376.9
Q2	18,641.8	6,906.1	478.9	5,859.2	2,619.4	1,653.9	1,501.6	84.2	207.4	360.6	373.9
					Transactions						
2005 Q1	146.3	13.3	-2.6	-4.0	7.4	-17.4	15.7	-9.7	25.0	-5.1	22.5
Q2	303.8	163.7	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	7.4	-12.5
Q3	95.0	0.5	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	5.1	11.4
Q4	297.3	204.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	16.6	-12.3
2006 Q1	154.1	24.2	-5.8	4.2	-40.5	26.6	17.5	0.6	19.6	6.3	4.6
Q2	310.8	159.9	19.2	130.1	103.2	27.7	-4.1	3.3	15.2	-4.7	-3.4
					Growth rates						
2005 Q1	4.7	5.7	16.5	5.1	7.9	1.5	5.6	-3.3	1.7	5.6	3.9
Q2	4.6	5.8	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	7.5	1.4
Q3	4.4	5.4	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	5.8	1.5
Q4	5.0	6.0	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	7.1	2.7
2006 Q1	5.0	6.2	12.2	5.6	8.4	4.5	2.9	2.7	2.9	10.8	-2.4
Q2	4.9	6.0	10.9	5.8	7.1	7.0	2.2	9.2	-1.6	6.9	0.1

	Securities other than shares			Shares [1]				Insurance technical reserves		
	Total	Short-term	Long-term	Total	Quoted shares	Investment fund and money market fund shares/units	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					
2005 Q1	1,963.1	229.8	1,733.4	4,333.5	2,304.9	2,028.6	411.2	4,322.8	3,931.4	391.4
Q2	2,010.8	238.1	1,772.6	4,456.0	2,370.9	2,085.0	408.5	4,431.2	4,036.5	394.7
Q3	2,002.3	234.5	1,767.8	4,716.3	2,550.9	2,165.3	409.5	4,528.1	4,129.0	399.1
Q4	1,992.3	220.1	1,772.2	4,851.2	2,677.6	2,173.6	399.6	4,644.3	4,242.5	401.8
2006 Q1	2,060.7	254.5	1,806.2	5,159.5	2,940.1	2,219.3	381.1	4,738.3	4,330.2	408.0
Q2	2,089.7	258.2	1,831.6	4,992.3	2,847.8	2,144.5	379.5	4,653.7	4,244.6	409.1
					Transactions					
2005 Q1	19.8	-5.7	25.5	36.8	3.0	33.8	6.4	76.4	67.5	8.9
Q2	29.6	9.6	20.0	36.7	20.2	16.5	-1.0	73.9	70.3	3.6
Q3	-5.2	2.5	-7.7	24.7	-7.9	32.6	2.9	75.0	70.7	4.4
Q4	5.6	-14.5	20.1	6.1	7.3	-1.2	-8.6	81.5	78.8	2.7
2006 Q1	68.2	34.1	34.1	-32.3	-47.3	15.0	5.1	94.0	87.1	6.9
Q2	40.7	6.0	34.7	41.1	45.3	-4.2	-2.7	69.0	68.0	1.1
					Growth rates					
2005 Q1	3.9	15.8	2.6	1.4	1.1	1.8	-3.3	6.8	6.9	5.7
Q2	3.5	8.2	3.0	0.7	-0.9	2.4	-3.4	7.0	7.2	5.4
Q3	2.6	5.7	2.2	0.9	-1.7	3.6	-1.9	7.2	7.4	5.5
Q4	2.5	-3.4	3.3	2.5	1.0	4.1	-0.1	7.3	7.5	5.1
2006 Q1	5.0	13.8	3.8	0.8	-1.2	3.1	-0.4	7.5	7.8	4.5
Q2	5.4	11.8	4.6	0.9	-0.1	2.0	-0.8	7.2	7.5	3.8

Source: ECB.
1) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors
(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from outside the euro area by non-MFIs
		Total		General government			Non-financial corporations			Households [1]			
		Total	Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2005 Q1	18,251.8	9,030.9	7,877.9	925.3	77.4	847.9	3,811.7	1,190.4	2,621.3	4,293.9	292.2	4,001.8	465.5
Q2	18,805.1	9,246.5	8,110.3	926.7	82.2	844.5	3,907.7	1,239.2	2,668.5	4,412.0	302.7	4,109.3	528.5
Q3	19,266.9	9,377.0	8,240.1	930.9	87.5	843.4	3,943.1	1,226.4	2,716.7	4,503.0	300.2	4,202.8	555.5
Q4	19,525.3	9,600.9	8,450.6	937.8	79.8	858.1	4,044.7	1,266.6	2,778.1	4,618.4	306.5	4,311.9	588.9
2006 Q1	20,155.4	9,824.3	8,645.3	932.7	86.7	846.0	4,181.0	1,286.4	2,894.6	4,710.6	302.6	4,408.1	648.1
Q2	20,092.7	9,913.1	8,856.4	861.6	88.7	772.9	4,233.1	1,305.8	2,927.3	4,818.4	312.1	4,506.2	694.5
	Transactions												
2005 Q1	235.6	101.9	87.2	-6.2	-3.4	-2.7	43.1	5.8	37.3	64.9	0.7	64.2	15.8
Q2	342.0	199.1	187.8	0.8	4.8	-4.0	84.6	39.3	45.3	113.7	10.4	103.2	51.6
Q3	207.4	131.0	133.4	4.5	5.3	-0.9	33.4	-16.6	50.0	93.1	-2.5	95.6	28.6
Q4	281.6	268.2	227.0	14.4	-7.5	21.9	131.5	45.5	86.0	122.2	6.5	115.7	45.6
2006 Q1	302.4	204.7	176.8	-5.0	6.9	-11.9	120.8	21.7	99.1	88.8	-2.3	91.1	56.7
Q2	326.0	240.3	219.0	-7.6	2.3	-9.9	134.1	47.4	86.7	113.9	9.9	104.0	59.8
	Growth rates												
2005 Q1	4.5	5.7	6.0	-1.9	-10.1	-1.0	4.8	3.1	5.6	8.3	3.9	8.7	5.6
Q2	4.8	6.2	6.6	-0.8	-10.1	0.2	5.2	4.8	5.3	8.7	4.9	9.0	18.3
Q3	5.1	6.6	7.1	0.2	-2.8	0.5	5.8	4.4	6.5	8.8	5.0	9.1	23.4
Q4	6.0	7.8	8.2	1.5	-0.9	1.7	7.7	6.2	8.4	9.3	5.2	9.6	32.0
2006 Q1	6.2	8.9	9.2	1.6	12.4	0.6	9.7	7.6	10.7	9.7	4.1	10.1	39.2
Q2	5.9	9.1	9.3	0.7	8.7	-0.1	10.7	7.9	12.1	9.5	3.8	9.9	36.1

	Securities other than shares issued by								Quoted shares issued by non-financial corporations	Deposit liabilities of general government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations						
		Total	Short-term	Long-term	Total	Short-term	Long-term				
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2005 Q1	5,499.4	4,834.2	602.4	4,231.8	665.2	237.0	428.2	3,138.6	279.1	303.7
Q2	5,714.5	5,032.5	625.7	4,406.8	682.0	246.0	436.0	3,243.6	293.6	307.0
Q3	5,703.2	5,026.3	611.8	4,414.5	676.8	239.1	437.7	3,580.2	296.1	310.5
Q4	5,623.4	4,960.3	587.6	4,372.7	663.1	233.9	429.2	3,675.5	311.7	313.8
2006 Q1	5,611.5	4,943.6	597.1	4,346.5	668.0	245.8	422.2	4,082.8	319.6	317.1
Q2	5,605.2	4,921.3	610.7	4,310.7	683.9	250.5	433.4	3,940.1	314.1	320.2
	Transactions									
2005 Q1	135.6	125.6	11.1	114.5	10.0	15.3	-5.4	4.7	-9.3	2.8
Q2	123.6	112.9	24.5	88.4	10.7	9.0	1.8	1.4	14.5	3.3
Q3	-8.8	-4.1	-13.7	9.6	-4.8	-7.0	2.3	79.3	2.6	3.4
Q4	-24.7	-19.7	-24.4	4.7	-5.0	-5.2	0.2	20.5	14.4	3.3
2006 Q1	89.0	79.0	9.7	69.3	10.0	12.1	-2.1	-2.5	7.9	3.3
Q2	69.9	47.2	13.1	34.1	22.7	4.6	18.1	18.2	-5.4	3.1
	Growth rates									
2005 Q1	4.8	4.8	1.4	5.3	5.0	8.3	3.3	0.5	4.6	4.5
Q2	4.8	5.1	1.9	5.5	3.1	5.8	1.7	0.5	7.1	4.5
Q3	3.7	4.0	-0.4	4.7	1.1	4.3	-0.6	3.2	5.3	4.5
Q4	4.2	4.5	-0.4	5.3	1.7	5.5	-0.3	3.6	7.7	4.2
2006 Q1	3.3	3.5	-0.6	4.1	1.6	3.7	0.5	3.1	14.1	4.4
Q2	2.2	2.0	-2.4	2.7	3.4	1.8	4.2	3.6	6.6	4.2

Source: ECB.
1) Including non-profit institutions serving households.

3.3 Main financial assets and liabilities of insurance corporations and pension funds
(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

Main financial assets

	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2005 Q1	4,373.8	597.0	65.7	508.8	2.7	19.8	364.7	63.1	301.6	1,765.1	82.3	1,682.9
Q2	4,509.3	595.8	61.2	511.3	2.7	20.6	360.4	64.7	295.7	1,829.9	83.8	1,746.0
Q3	4,682.9	602.9	60.0	517.7	2.7	22.4	367.1	70.6	296.6	1,874.9	81.8	1,793.1
Q4	4,769.2	612.6	67.8	521.6	2.6	20.6	370.6	76.6	294.0	1,898.1	84.3	1,813.8
2006 Q1	4,917.7	613.0	65.6	525.2	2.5	19.7	383.5	81.0	302.5	1,917.4	88.1	1,829.3
Q2	4,919.0	625.7	68.6	532.6	2.4	22.1	383.6	82.0	301.6	1,930.6	88.7	1,842.0
Transactions												
2005 Q1	83.8	12.5	6.4	6.9	0.2	-1.0	-2.4	0.9	-3.3	45.0	-1.8	46.8
Q2	58.8	-2.0	-5.3	2.2	0.2	0.8	-4.6	1.6	-6.2	34.2	0.6	33.6
Q3	82.1	7.1	-1.2	6.4	0.1	1.8	2.2	1.3	0.8	35.8	-2.0	37.8
Q4	71.4	8.7	7.4	3.1	0.0	-1.9	1.3	5.6	-4.3	41.4	1.8	39.5
2006 Q1	91.5	0.6	-2.0	3.6	-0.1	-0.8	12.9	4.4	8.5	39.6	3.1	36.5
Q2	66.7	12.9	3.0	7.6	0.0	2.4	0.8	1.2	-0.4	25.4	-1.0	26.5
Growth rates												
2005 Q1	6.0	6.8	2.2	8.3	-11.6	-10.5	-1.2	1.1	-1.7	9.6	6.9	9.7
Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-2.0	2.4	-2.9	9.6	6.0	9.8
Q3	7.0	4.8	-2.8	5.3	30.1	12.0	-1.2	5.0	-2.5	9.7	3.0	10.0
Q4	7.0	4.5	12.5	3.7	18.4	-0.8	-1.0	15.0	-4.3	9.1	-1.6	9.6
2006 Q1	6.9	2.4	-1.7	3.0	7.2	-0.3	3.2	20.4	-0.3	8.6	4.3	8.8
Q2	6.9	4.9	11.8	4.0	-3.1	7.5	4.8	19.2	1.6	7.8	2.3	8.0

Main financial assets / Main liabilities

	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Investment fund and money market fund shares/ units	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													
2005 Q1	1,517.3	725.9	791.4	67.0	129.7	4,536.1	90.1	58.2	21.5	220.3	4,204.3	3,587.3	617.0
Q2	1,591.4	758.1	833.3	87.0	131.9	4,654.9	92.8	63.8	21.6	223.3	4,317.2	3,702.7	614.5
Q3	1,703.8	830.5	873.3	87.8	134.3	4,782.1	92.4	65.2	22.2	251.2	4,416.2	3,793.8	622.4
Q4	1,751.6	853.1	898.5	80.6	136.3	4,904.0	64.9	64.6	22.2	285.9	4,530.9	3,901.8	629.0
2006 Q1	1,864.9	911.3	953.6	79.7	138.9	5,029.0	82.4	81.9	22.1	298.7	4,625.8	3,987.1	638.7
Q2	1,837.6	879.0	958.7	84.1	141.3	5,053.9	85.3	84.7	22.0	272.5	4,674.1	4,032.0	642.1
Transactions													
2005 Q1	25.2	7.0	18.2	-0.3	3.4	85.6	9.7	8.6	0.6	0.0	75.3	62.7	12.7
Q2	29.1	4.5	24.6	6.6	2.0	75.7	2.8	5.5	0.0	0.5	72.4	68.5	4.0
Q3	34.5	16.9	17.6	0.9	2.4	78.0	-0.4	1.4	0.5	1.1	76.8	68.9	7.9
Q4	18.6	-4.8	23.4	-8.1	1.4	85.9	-0.5	-0.6	0.1	4.0	82.3	76.7	5.6
2006 Q1	34.6	0.8	33.7	-0.8	3.8	112.8	17.3	17.1	0.0	0.1	95.4	84.6	10.9
Q2	24.2	6.1	18.1	3.4	3.3	76.6	3.0	2.8	0.0	0.1	73.5	70.1	3.4
Growth rates													
2005 Q1	3.5	2.0	4.8	6.2	4.2	6.3	5.4	23.7	-6.1	1.2	6.6	6.9	4.9
Q2	5.4	3.2	7.5	17.0	4.9	6.5	3.5	17.6	-5.4	1.4	6.9	7.3	4.6
Q3	6.9	4.4	9.2	19.7	5.1	6.8	1.1	22.8	5.7	0.9	7.2	7.6	5.0
Q4	7.4	3.4	11.1	-1.5	7.4	7.4	14.4	30.8	6.0	2.7	7.5	7.9	5.0
2006 Q1	7.7	2.4	12.6	-2.2	7.5	7.8	21.2	40.4	3.1	2.6	7.8	8.3	4.6
Q2	7.0	2.5	11.1	-5.3	8.3	7.6	20.8	32.5	2.8	2.4	7.6	8.1	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

	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inven-tories[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]
		Net acquisition of non-financial assets					Net acquisition of financial assets						
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	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
		Changes in net worth[4]				Net incurrence of liabilities				
	14	15	16	17	18	19	20	21	22	23
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5

2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth[4]		Net incurrence of liabilities			
	Total			Total					Total		Total			
		Gross fixed capital formation	Consumption of fixed capital (-)		Currency and deposits	Securities other than shares[2]	Loans	Shares and other equity		Gross saving		Securities other than shares[2]	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

3. Households[5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth[4]		Net incurrence of liabilities		Memo:	
	Total			Total					Total		Total		Gross disposable income	Gross saving ratio[6]
		Gross fixed capital formation	Consumption of fixed capital (-)		Currency and deposits	Securities other than shares[2]	Shares and other equity	Insurance technical reserves		Gross saving		Loans		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7

Source: ECB.
1) Including net acquisition of valuables.
2) Excluding financial derivatives.
3) Financial derivatives and other accounts receivable/payable.
4) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
5) Including non-profit institutions serving households.
6) Gross saving divided by gross disposable income and net increase in claims on pension funds reserves.

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 Oct.	10,741.9	798.4	15.3	9,150.4	745.0	36.7	10,180.1	794.9	53.8	7.5	54.3	6.4
Nov.	10,819.3	801.7	79.1	9,210.4	734.6	61.6	10,267.1	781.5	74.2	7.6	71.2	7.3
Dec.	10,833.2	871.0	12.6	9,187.3	794.8	-24.2	10,249.2	841.6	-24.8	7.5	75.9	6.1
2006 Jan.	10,882.4	972.1	55.1	9,266.1	927.6	84.7	10,332.3	987.8	103.1	7.6	61.5	7.1
Feb.	10,990.5	918.2	105.6	9,345.3	846.4	76.6	10,439.4	903.3	89.3	7.2	61.7	7.5
Mar.	11,144.0	1,052.7	153.3	9,426.2	937.9	80.8	10,523.7	999.4	97.2	7.6	70.3	7.9
Apr.	11,166.8	874.8	19.5	9,478.0	821.7	48.7	10,581.8	882.9	68.0	7.2	56.2	7.9
May	11,295.7	1,011.1	129.0	9,592.4	940.5	114.5	10,705.0	992.7	128.3	7.8	91.1	8.3
June	11,354.6	895.6	63.3	9,611.4	794.0	23.2	10,735.4	847.0	31.9	6.6	24.4	7.2
July	11,367.1	877.8	11.9	9,647.0	821.3	35.0	10,784.8	868.9	44.8	7.0	53.8	7.0
Aug.	11,399.1	838.9	31.5	9,668.2	780.9	20.7	10,814.4	823.5	24.0	7.3	74.1	7.2
Sep.	11,524.0	1,008.5	124.3	9,719.1	882.7	50.3	10,883.2	928.4	57.0	7.4	57.1	6.9
Oct.	.	.	.	9,823.5	1,021.1	102.5	11,019.5	1,083.4	123.0	8.0	123.6	8.2
Long-term												
2005 Oct.	9,774.0	166.5	32.5	8,282.7	137.4	18.4	9,180.2	159.3	31.6	8.0	44.8	6.8
Nov.	9,856.4	168.3	83.3	8,347.6	131.9	65.8	9,269.8	152.6	80.5	8.2	76.7	7.7
Dec.	9,900.0	178.4	41.8	8,374.6	147.2	25.2	9,302.2	166.0	27.4	8.3	72.1	6.2
2006 Jan.	9,943.1	195.9	48.3	8,413.9	173.5	44.5	9,342.6	195.4	56.9	8.1	57.3	7.3
Feb.	10,032.8	214.8	88.2	8,475.3	170.4	59.8	9,428.1	196.1	72.0	7.6	49.7	7.8
Mar.	10,131.0	245.3	98.5	8,546.3	194.3	71.4	9,497.0	220.1	79.8	7.8	60.3	8.1
Apr.	10,167.1	174.6	34.6	8,575.7	141.4	28.1	9,534.9	170.5	48.0	7.5	49.4	8.1
May	10,267.8	205.9	101.0	8,661.9	167.6	86.3	9,628.4	187.2	95.9	7.7	63.9	7.8
June	10,325.9	198.4	59.3	8,725.4	167.5	64.6	9,712.2	192.4	80.8	6.8	52.7	7.3
July	10,358.7	185.5	33.1	8,751.1	158.3	26.0	9,753.2	176.9	37.1	7.2	49.0	7.0
Aug.	10,374.8	90.2	16.3	8,762.2	71.3	11.2	9,771.1	87.6	20.6	7.5	65.5	7.4
Sep.	10,472.8	221.9	98.7	8,817.3	156.5	56.0	9,840.6	175.2	63.4	7.6	54.0	7.2
Oct.	.	.	.	8,888.9	173.1	69.4	9,934.4	204.9	87.0	8.2	102.9	8.3

C15 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents
(EUR billions)

- total gross issues (right-hand scale)
- total outstanding amounts (left-hand scale)
- outstanding amounts in euro (left-hand scale)
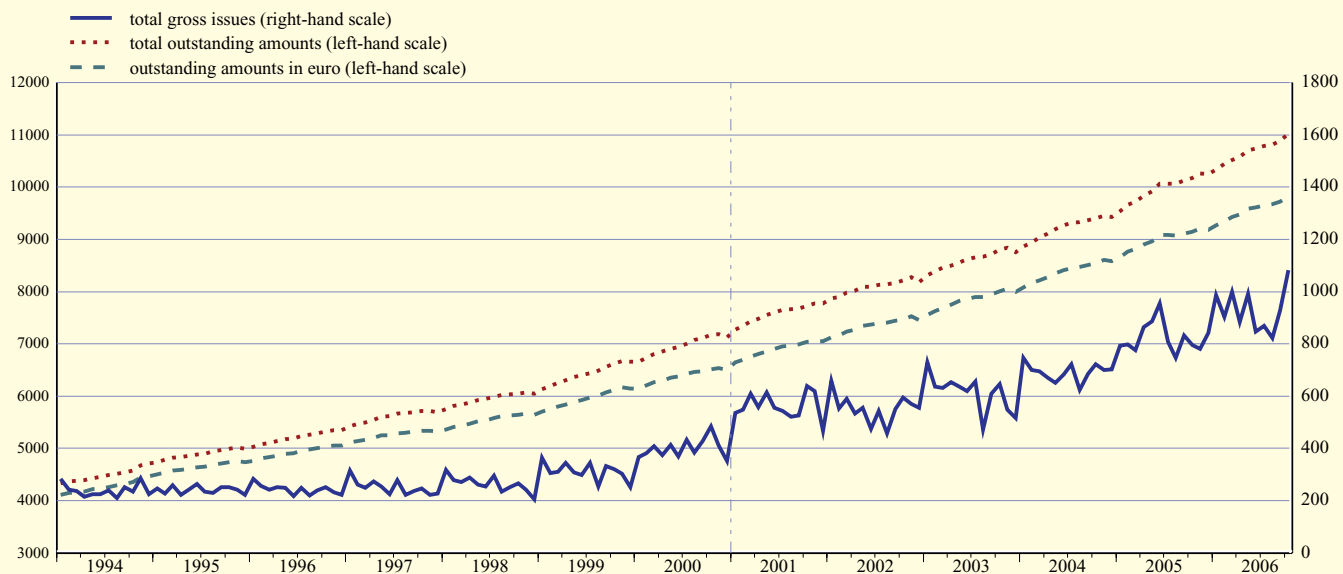
Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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	9,429	3,713	737	591	4,138	250	8,307	5,480	223	1,028	1,493	83
2005	10,249	4,109	925	613	4,319	283	9,878	6,983	325	1,032	1,444	95
2005 Q4	10,249	4,109	925	613	4,319	283	2,418	1,747	116	250	279	26
2006 Q1	10,524	4,259	968	622	4,385	289	2,890	2,106	83	257	421	22
Q2	10,735	4,337	1,031	639	4,430	298	2,723	1,976	108	261	355	22
Q3	10,883	4,436	1,068	637	4,445	298	2,621	1,927	77	264	334	18
2006 July	10,785	4,369	1,047	640	4,429	299	869	613	29	86	135	6
Aug.	10,814	4,396	1,055	633	4,431	300	823	637	19	82	80	6
Sep.	10,883	4,436	1,068	637	4,445	298	928	678	28	97	119	5
Oct.	11,020	4,521	1,111	644	4,445	298	1,083	800	54	115	105	9
Short-term												
2004	926	447	7	90	376	5	6,368	4,574	44	931	785	33
2005	947	482	7	90	363	5	7,808	6,046	45	942	742	33
2005 Q4	947	482	7	90	363	5	1,940	1,531	10	221	170	8
2006 Q1	1,027	539	7	98	377	5	2,279	1,817	13	242	199	8
Q2	1,023	531	10	101	376	5	2,172	1,739	16	229	180	8
Q3	1,043	561	11	97	369	4	2,181	1,732	15	249	176	8
2006 July	1,032	536	10	102	378	5	692	543	5	77	63	3
Aug.	1,043	557	10	96	375	5	736	593	5	80	55	2
Sep.	1,043	561	11	97	369	4	753	596	5	91	58	3
Oct.	1,085	603	11	100	367	4	878	707	4	106	59	3
Long-term [1]												
2004	8,503	3,266	729	501	3,762	245	1,940	905	179	97	708	49
2005	9,302	3,627	918	522	3,957	278	2,069	937	279	89	702	61
2005 Q4	9,302	3,627	918	522	3,957	278	478	216	106	29	109	18
2006 Q1	9,497	3,720	961	524	4,008	285	612	289	70	15	222	15
Q2	9,712	3,806	1,021	537	4,054	293	550	237	92	32	175	14
Q3	9,841	3,875	1,057	540	4,075	293	440	195	62	16	158	9
2006 July	9,753	3,834	1,037	537	4,051	294	177	69	24	8	72	3
Aug.	9,771	3,839	1,044	536	4,057	295	88	44	14	1	25	3
Sep.	9,841	3,875	1,057	540	4,075	293	175	82	23	6	62	3
Oct.	9,934	3,919	1,100	544	4,078	294	205	93	50	9	46	6
Of which long-term fixed rate												
2004	6,380	1,929	416	410	3,439	186	1,194	408	70	61	620	36
2005	6,712	2,016	458	412	3,609	217	1,227	412	91	54	621	48
2005 Q4	6,712	2,016	458	412	3,609	217	264	95	35	16	103	14
2006 Q1	6,814	2,061	475	407	3,647	225	401	156	31	8	195	12
Q2	6,909	2,080	500	413	3,684	232	331	109	42	20	150	10
Q3	6,961	2,107	508	413	3,700	233	274	93	22	11	140	8
2006 July	6,919	2,086	501	412	3,688	233	109	29	5	6	66	2
Aug.	6,925	2,088	503	411	3,690	234	55	22	7	1	21	3
Sep.	6,961	2,107	508	413	3,700	233	111	42	10	4	53	2
Oct.	7,011	2,129	526	415	3,706	234	115	41	22	5	41	4
Of which long-term variable rate												
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,257	1,343	456	94	304	60	715	429	188	28	58	12
2005 Q4	2,257	1,343	456	94	304	60	185	95	70	12	4	4
2006 Q1	2,329	1,383	482	97	307	60	172	108	39	4	18	3
Q2	2,429	1,424	517	108	319	61	177	95	50	12	15	4
Q3	2,488	1,443	543	110	331	60	134	76	39	4	13	2
2006 July	2,459	1,434	532	109	323	61	56	30	19	2	4	1
Aug.	2,465	1,435	537	109	324	61	25	15	7	1	2	0
Sep.	2,488	1,443	543	110	331	60	53	31	13	1	7	0
Oct.	2,523	1,458	567	113	326	60	77	41	27	4	3	2

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

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type
(EUR billions unless otherwise indicated; 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	675.3	350.4	75.2	8.4	209.7	31.5	679.7	354.0	73.1	8.2	212.8	31.7
2005	714.8	315.5	175.8	21.9	169.2	32.2	716.4	318.9	171.6	22.0	171.4	32.4
2005 Q4	103.2	44.8	81.2	-0.2	-34.8	12.3	201.4	78.1	59.2	5.8	47.3	11.0
2006 Q1	289.7	158.5	44.9	10.7	68.8	6.9	193.5	106.7	65.0	7.3	8.4	6.1
Q2	228.3	84.5	65.6	20.9	48.4	8.9	171.7	88.9	53.1	14.2	7.1	8.4
Q3	125.9	78.4	35.6	-2.2	14.6	-0.5	185.1	94.8	52.2	1.9	33.8	2.3
2006 July	44.8	27.8	15.9	0.4	-0.6	1.3	53.8	20.1	14.2	-2.0	19.4	2.2
Aug.	24.0	19.6	7.6	-6.6	2.9	0.6	74.1	36.8	24.1	-4.5	15.0	2.7
Sep.	57.0	30.9	12.1	3.9	12.3	-2.3	57.1	37.9	14.0	8.4	-0.5	-2.6
Oct.	123.0	72.2	41.4	8.8	-0.1	0.7	123.6	58.3	45.3	5.3	15.0	-0.3
						Long-term						
2004	615.3	297.8	73.8	12.0	201.9	29.8	618.0	299.1	71.7	12.0	205.3	30.0
2005	707.8	292.7	176.2	22.2	184.2	32.5	709.4	294.5	172.1	22.2	188.1	32.6
2005 Q4	139.5	40.6	81.3	8.6	-3.7	12.7	193.7	68.7	59.3	7.8	46.1	11.6
2006 Q1	208.7	100.5	44.9	2.8	53.4	7.0	167.4	70.0	65.0	8.1	18.4	6.0
Q2	224.7	88.2	62.6	15.5	49.4	8.9	166.0	86.0	50.1	8.9	12.7	8.5
Q3	121.1	62.5	34.9	2.4	21.4	-0.1	168.6	67.3	51.5	4.6	42.5	2.6
2006 July	37.1	23.4	15.6	-0.1	-2.7	0.9	49.0	18.3	14.2	-2.1	16.6	2.1
Aug.	20.6	6.7	7.5	-0.9	6.6	0.7	65.5	19.1	24.0	1.4	18.4	2.6
Sep.	63.4	32.4	11.8	3.3	17.5	-1.6	54.0	30.0	13.3	5.3	7.5	-2.1
Oct.	87.0	37.2	41.7	4.6	2.6	0.9	102.9	35.4	45.2	3.0	19.3	0.0

C16 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted
(EUR billions; transactions during the month; nominal values)

- net issues
- net issues, seasonally adjusted
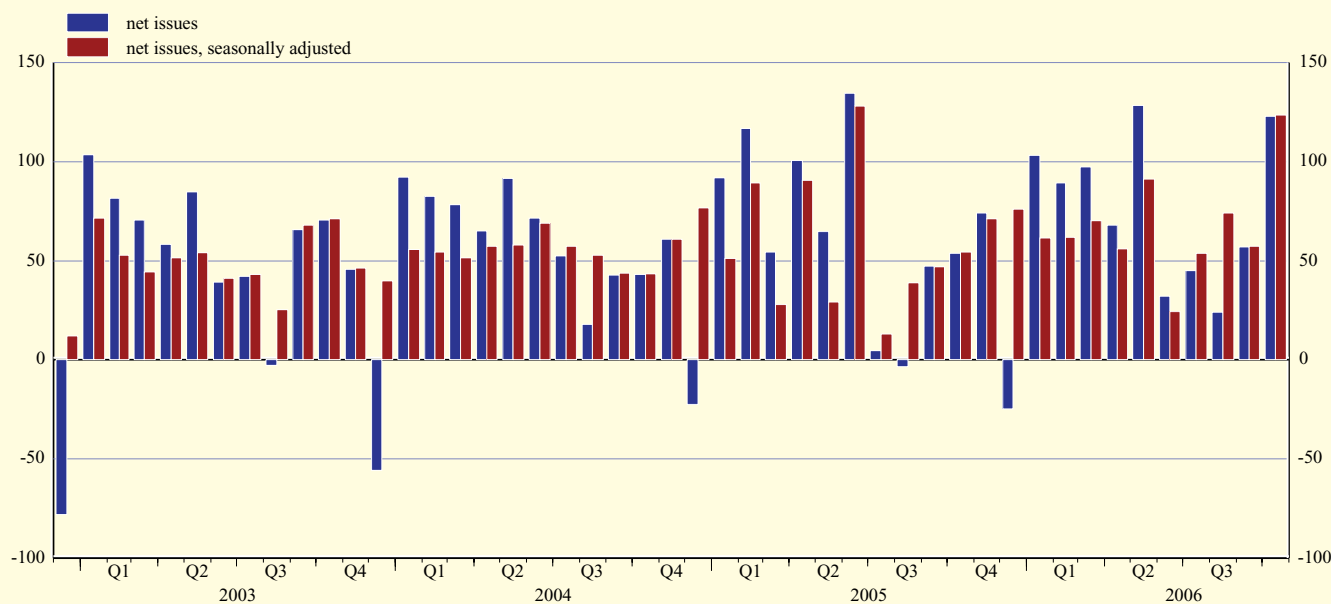
Source: ECB.

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 Oct.	7.5	9.4	21.3	4.1	3.7	12.2	6.4	8.4	23.2	2.0	2.2	9.0
Nov.	7.6	9.4	20.9	3.1	4.0	12.3	7.3	9.2	21.9	1.5	3.3	13.8
Dec.	7.5	8.4	23.6	3.7	4.1	12.9	6.1	6.6	21.0	2.9	2.9	13.9
2006 Jan.	7.6	9.1	24.2	3.5	3.6	11.3	7.1	7.7	25.8	4.6	3.1	12.7
Feb.	7.2	8.9	26.8	3.2	2.5	11.9	7.5	8.1	30.6	4.6	2.8	14.2
Mar.	7.6	9.3	27.1	3.0	3.0	11.6	7.9	9.3	31.4	4.3	2.6	13.0
Apr.	7.2	8.9	27.1	2.8	2.5	10.2	7.9	9.2	31.2	3.8	2.7	11.4
May	7.8	9.9	26.5	4.3	2.6	12.1	8.3	10.5	31.3	7.3	1.8	10.5
June	6.6	8.1	24.4	5.0	1.8	12.3	7.2	9.7	27.7	7.1	0.7	10.5
July	7.0	8.3	26.3	5.1	2.2	11.7	7.0	8.9	26.9	5.6	1.2	10.6
Aug.	7.3	8.4	27.8	3.9	2.5	12.1	7.2	8.8	25.4	3.2	2.3	10.1
Sep.	7.4	9.0	27.0	4.8	2.2	10.2	6.9	8.8	22.9	5.2	1.9	7.5
Oct.	8.0	9.7	29.8	4.5	2.6	9.3	8.2	10.1	28.4	5.3	2.5	7.4
						Long-term						
2005 Oct.	8.0	9.2	21.4	4.3	4.7	12.5	6.8	8.4	23.7	4.9	2.3	9.1
Nov.	8.2	9.3	21.0	3.7	5.1	13.0	7.7	9.0	22.3	5.5	3.6	14.2
Dec.	8.3	8.9	23.9	4.4	4.9	13.2	6.2	5.8	21.4	6.2	3.0	14.6
2006 Jan.	8.1	9.1	24.4	5.0	4.2	11.8	7.3	7.3	26.1	7.4	3.2	13.1
Feb.	7.6	8.4	27.1	6.1	3.0	12.6	7.8	7.6	30.7	7.6	2.9	15.0
Mar.	7.8	8.2	27.5	5.1	3.6	12.1	8.1	7.9	31.8	6.3	3.3	13.6
Apr.	7.5	8.1	27.4	5.6	3.0	10.5	8.1	7.8	31.2	6.2	3.7	12.0
May	7.7	8.4	26.7	7.0	3.2	12.5	7.8	7.7	31.1	8.5	2.6	11.0
June	6.8	7.3	24.3	6.4	2.3	12.7	7.3	8.7	27.2	6.6	1.6	10.7
July	7.2	7.6	26.2	6.0	2.6	11.9	7.0	8.0	26.4	4.7	2.1	10.6
Aug.	7.5	7.7	27.6	5.5	3.1	12.4	7.4	7.9	24.9	3.5	3.3	9.9
Sep.	7.6	8.2	26.8	5.7	3.0	10.8	7.2	8.4	22.2	5.2	2.8	8.0
Oct.	8.2	8.5	29.6	5.3	3.5	9.9	8.3	9.1	28.0	4.4	3.5	8.1

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

- general government
- MFIs (including Eurosystem)
- non-MFI corporations
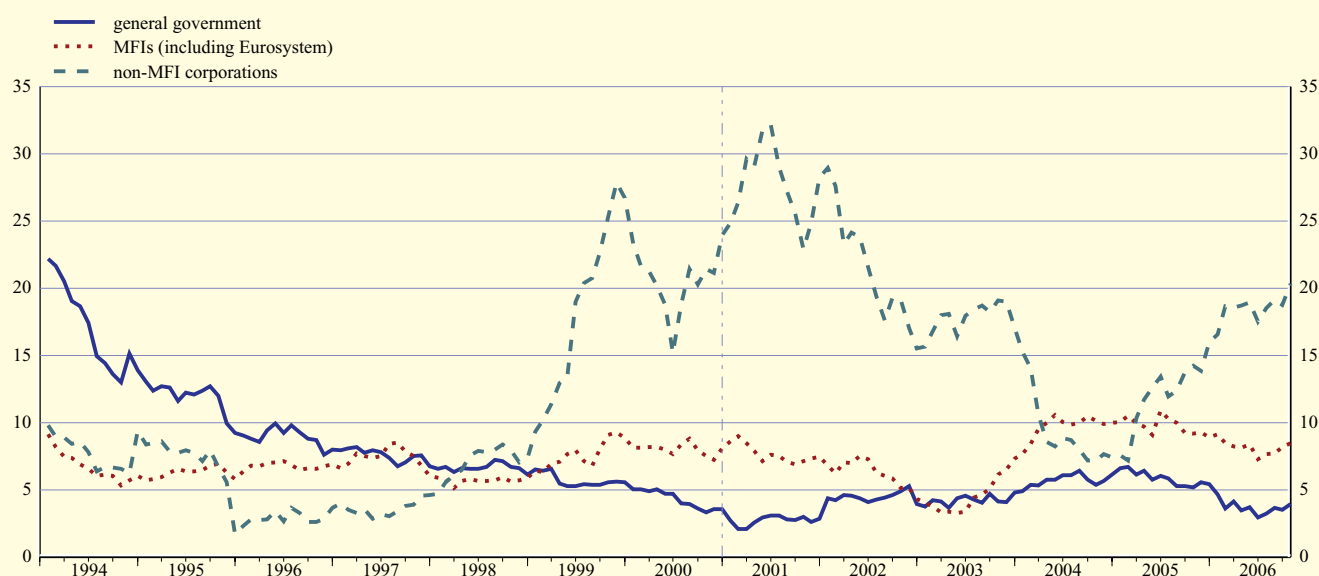
Source: ECB.
1) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

	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	3.4	5.8	14.7	16.2	18.5	27.1	8.8	0.3	26.5
2005	4.7	3.1	5.7	0.3	5.5	15.0	19.4	18.3	35.7	22.6	9.8	4.7
2005 Q4	4.7	3.9	6.4	0.5	4.8	15.9	19.0	15.3	43.5	19.6	11.7	1.9
2006 Q1	4.3	4.2	8.9	0.7	3.6	15.6	18.9	14.3	48.4	24.5	7.8	1.1
Q2	4.2	4.4	11.7	1.0	3.0	13.5	16.8	11.9	45.6	28.3	3.6	5.1
Q3	4.4	4.6	15.1	0.8	2.8	13.8	15.2	10.1	39.7	30.1	4.1	5.8
2006 May	4.4	4.7	11.9	1.8	3.0	14.0	17.3	12.2	45.0	30.3	5.1	6.5
June	3.8	4.1	13.2	1.1	2.3	14.2	14.6	10.0	37.6	30.7	2.7	7.5
July	4.3	4.6	14.4	0.7	2.8	13.7	15.3	10.1	40.1	31.3	4.3	5.6
Aug.	4.5	4.7	15.7	0.4	3.0	14.0	15.5	10.1	41.5	29.7	4.2	6.4
Sep.	4.7	5.1	17.1	1.3	2.9	12.9	15.0	10.2	37.6	27.7	5.2	3.2
Oct.	5.1	5.1	20.2	0.5	3.3	12.0	16.1	10.8	39.6	29.5	6.3	2.5
In euro												
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.6	17.8	27.2	9.1	0.2	25.3
2005	4.3	0.9	9.1	-0.1	5.4	15.3	18.8	17.2	35.1	22.6	10.2	5.3
2005 Q4	4.2	1.9	8.5	0.6	4.7	16.2	18.3	13.9	41.2	21.2	12.2	2.2
2006 Q1	3.7	2.4	9.1	0.5	3.5	16.1	18.1	12.9	45.7	26.4	8.2	0.9
Q2	3.6	2.8	10.0	0.8	3.1	13.9	15.6	10.2	41.6	31.6	3.7	4.0
Q3	3.6	3.1	11.2	-0.3	2.9	13.7	13.7	8.2	35.2	33.9	4.2	4.4
2006 May	3.8	3.1	10.3	1.5	3.1	14.4	16.0	10.4	40.9	34.2	5.2	4.9
June	3.2	2.6	9.9	0.8	2.4	14.1	12.8	7.6	33.4	34.6	2.7	5.9
July	3.6	3.0	11.0	-0.5	2.9	13.6	13.7	8.1	35.2	35.4	4.4	4.1
Aug.	3.7	3.2	11.3	-0.9	3.1	13.9	14.1	8.3	36.7	33.5	4.2	5.1
Sep.	3.9	3.7	12.9	0.4	2.9	12.9	13.9	8.7	34.4	31.1	5.2	2.0
Oct.	4.2	3.5	14.8	-1.2	3.5	12.0	15.3	9.4	37.2	32.9	6.4	1.7

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

general government
MFIs (including Eurosystem)
non-MFI corporations
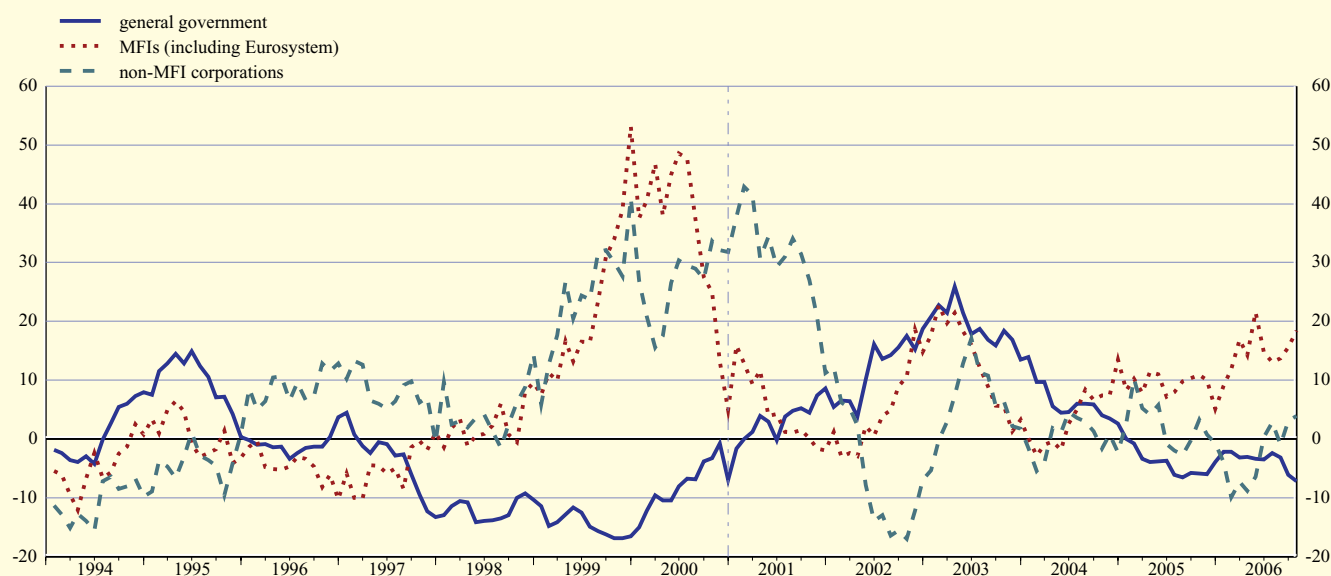
Source: ECB.
1) For the calculation of the growth rates, see the Technical notes.

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 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	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	103.0	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.2	103.1	1.1	698.0	2.4	441.5	3.0	3,241.6	0.6
July	4,631.1	103.1	1.0	727.9	2.3	466.7	2.5	3,436.6	0.6
Aug.	4,605.9	103.1	1.1	723.4	3.0	457.1	2.4	3,425.4	0.5
Sep.	4,827.2	103.3	1.1	764.1	3.2	483.7	2.6	3,579.3	0.5
Oct.	4,659.4	103.4	1.2	752.4	3.2	480.5	3.2	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.3	3,559.2	0.9
Dec.	5,056.2	103.8	1.2	836.4	0.8	540.8	3.5	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.5	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.5	3,928.7	0.9
Mar.	5,629.8	103.9	1.2	962.3	1.8	579.1	3.5	4,088.4	0.7
Apr.	5,653.2	104.0	1.1	948.8	1.4	572.9	2.1	4,131.5	0.9
May	5,364.6	104.2	1.2	896.7	1.6	533.5	2.2	3,934.4	1.0
June	5,376.5	104.3	1.1	905.0	1.5	529.6	1.4	3,941.9	1.0
July	5,372.7	104.4	1.3	918.4	2.1	543.3	1.5	3,910.9	1.0
Aug.	5,536.2	104.5	1.3	958.6	1.8	594.3	1.6	3,983.4	1.1
Sep.	5,679.5	104.5	1.2	986.1	1.7	606.3	1.5	4,087.1	1.0
Oct.	5,853.3	104.6	1.1	1,015.6	2.0	613.3	1.1	4,224.4	0.9

C19 Annual growth rates for quoted shares issued by euro area residents
(annual percentage changes)

- MFIs
- non-monetary financial corporations
- non-financial corporations

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

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 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.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	3.0	0.9	0.0	0.0	0.0	0.2	0.3	-0.1	3.7	2.7	1.0
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.9	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.4	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.6	2.2	6.3	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.4
June	9.4	2.6	6.7	0.8	0.3	0.5	0.0	0.0	0.0	8.5	2.4	6.2
July	13.5	6.6	6.9	4.5	0.0	4.5	5.1	3.5	1.6	3.9	3.0	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.0
Sep.	4.0	0.4	3.5	0.0	0.0	0.0	1.3	0.0	1.3	2.7	0.4	2.3
Oct.	5.7	1.2	4.5	2.5	0.0	2.5	0.5	0.0	0.5	2.7	1.2	1.5

C20 Gross issues of quoted shares by sector of the issuer
(EUR billions; transactions during the month; market values)

- non-financial corporations
- MFIs
- non-monetary financial corporations
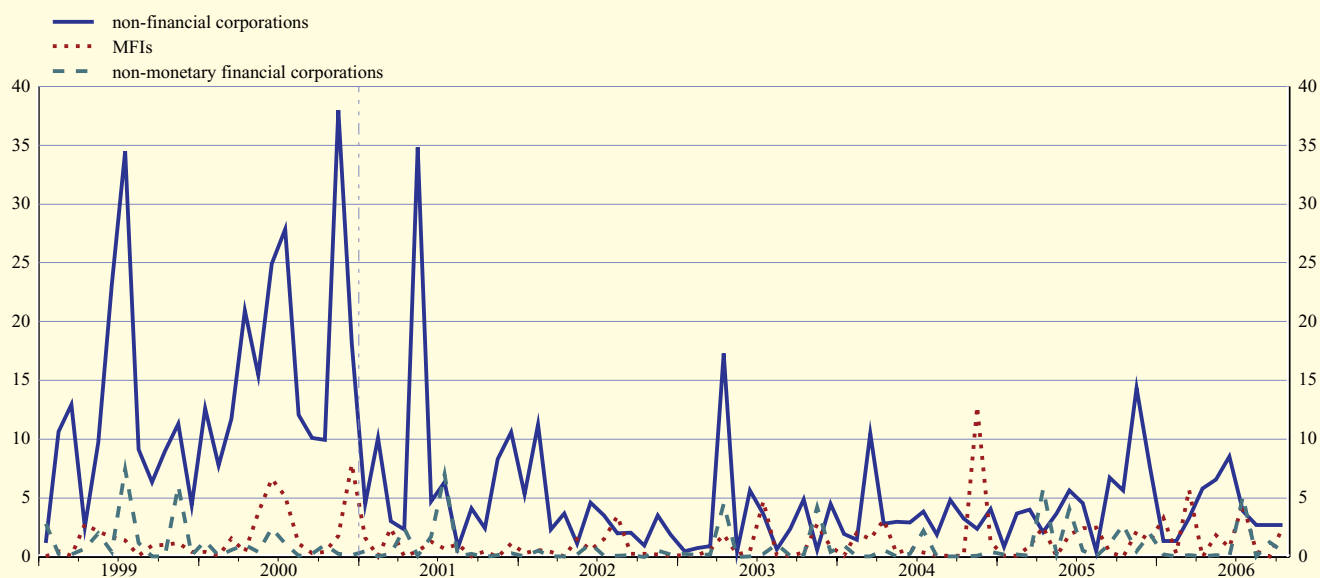
Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

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 Nov.	0.70	2.02	2.34	2.18	2.00	2.27	1.00	2.08	2.18	3.52	2.02
Dec.	0.71	2.15	2.25	2.21	1.97	2.30	1.02	2.25	2.48	3.55	2.22
2006 Jan.	0.73	2.21	2.47	2.56	2.00	2.32	1.05	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.93	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.63	1.32	2.92	3.25	3.78	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.98	3.45	3.82	2.96
Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14

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 Nov.	9.70	6.75	6.40	7.85	7.61	3.38	3.71	3.98	3.98	3.84	4.00	4.28	4.37
Dec.	9.67	6.76	6.36	7.43	7.45	3.49	3.85	4.03	4.01	3.98	4.06	4.57	4.40
2006 Jan.	9.80	6.94	6.48	8.13	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34
Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.24	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76
June	9.84	7.11	6.31	7.82	7.71	4.00	4.19	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.33	6.33	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74
Aug.	9.95	7.86	6.39	8.15	8.12	4.21	4.36	4.60	4.39	4.59	4.64	5.26	4.94
Sep.	10.06	7.86	6.26	8.09	7.98	4.30	4.36	4.61	4.44	4.65	4.76	5.30	4.98
Oct.	10.04	7.50	6.02	8.17	7.77	4.42	4.45	4.58	4.46	4.72	4.93	5.18	4.80

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 Nov.	5.09	3.91	4.44	4.03	3.10	3.60	3.98
Dec.	5.12	3.99	4.50	4.12	3.25	3.58	3.96
2006 Jan.	5.23	4.07	4.59	4.13	3.18	3.72	3.96
Feb.	5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.	5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.	5.40	4.34	4.73	4.15	3.51	3.94	4.22
May	5.36	4.38	4.83	4.26	3.57	4.13	4.32
June	5.45	4.47	4.84	4.33	3.74	4.12	4.23
July	5.52	4.57	4.99	4.38	3.84	4.21	4.36
Aug.	5.56	4.69	5.09	4.60	3.97	4.33	4.49
Sep.	5.69	4.75	5.02	4.54	4.02	4.41	4.47
Oct.	5.76	4.91	5.16	4.56	4.24	4.38	4.46

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. 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 Nov.	0.70	1.96	3.15	2.00	2.27	1.00	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.97	2.30	1.02	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.11	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.13	1.97	2.34	1.08	2.38	3.47	2.27
Mar.	0.76	2.16	3.01	1.98	2.37	1.14	2.48	3.46	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.53	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.57	2.71
Aug.	0.85	2.52	3.05	2.23	2.63	1.32	2.93	3.64	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.68	2.90
Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05

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 Nov.	4.48	4.17	4.53	7.86	6.77	5.66	4.29	3.79	4.25
Dec.	4.54	4.14	4.52	7.89	6.77	5.62	4.35	3.84	4.24
2006 Jan.	4.62	4.14	4.50	7.99	6.78	5.60	4.42	3.88	4.26
Feb.	4.59	4.17	4.54	7.97	6.78	5.68	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.81	4.27	4.62	8.31	6.81	5.86	4.93	4.40	4.53
Oct.	4.89	4.29	4.65	8.35	6.81	5.88	5.07	4.51	4.57

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

- by households, up to 1 year
- by non-financial corporations, up to 1 year
- by households, over 2 years
- by non-financial corporations, over 2 years

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

- to households for consumption
- to households for house purchase
- to non-financial corporations, up to EUR 1 million
- to non-financial corporations, over EUR 1 million
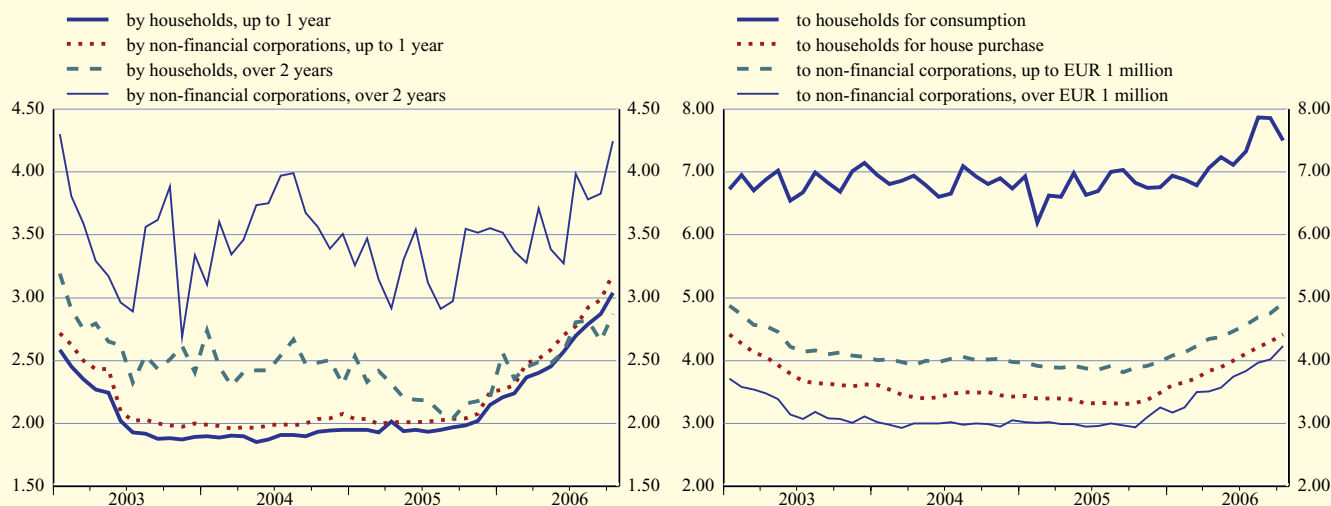
Source: ECB.

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

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

- 1-month rate
- 3-month rate
- 12-month rate

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

- euro area
- Japan
- United States
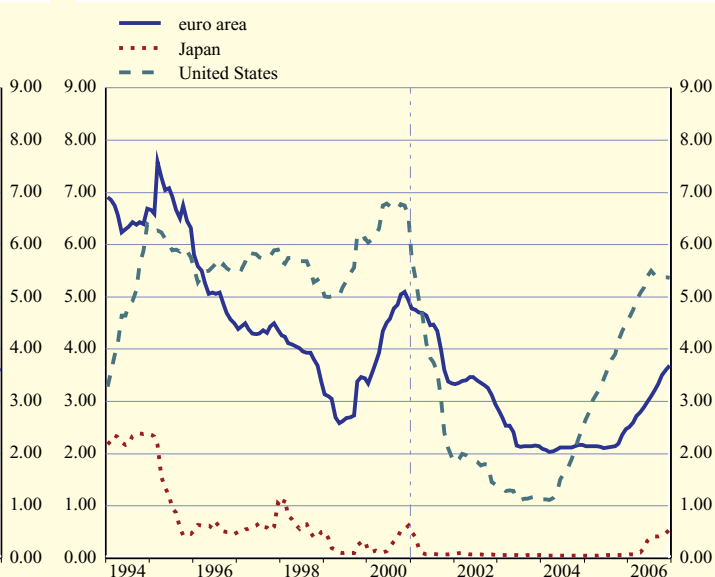
Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.

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
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
2005 Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2005 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
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.08	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64

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

- 2-year yield
- 5-year yield
- 7-year yield

C26 10-year government bond yields
(monthly; percentages per annum)

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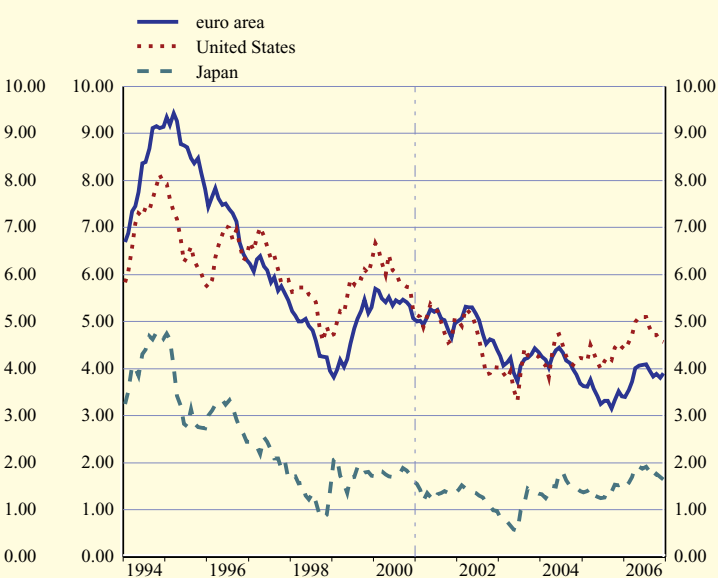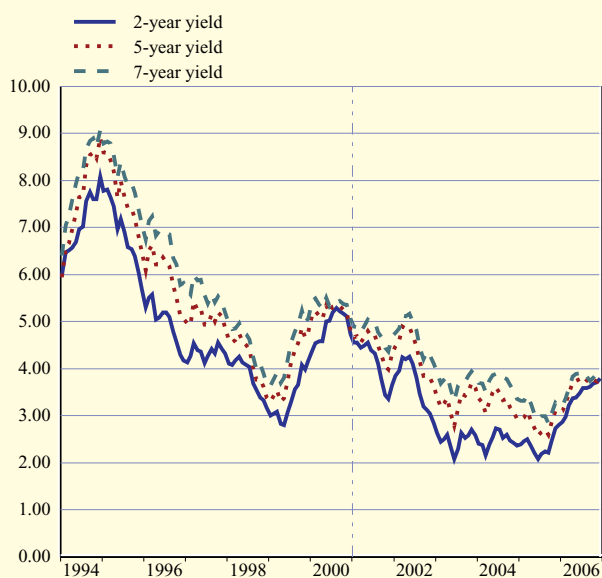
Source: ECB.
1) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.

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
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,121.2
2005 Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2005 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
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2

C27 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225
(January 1994 = 100; monthly averages)
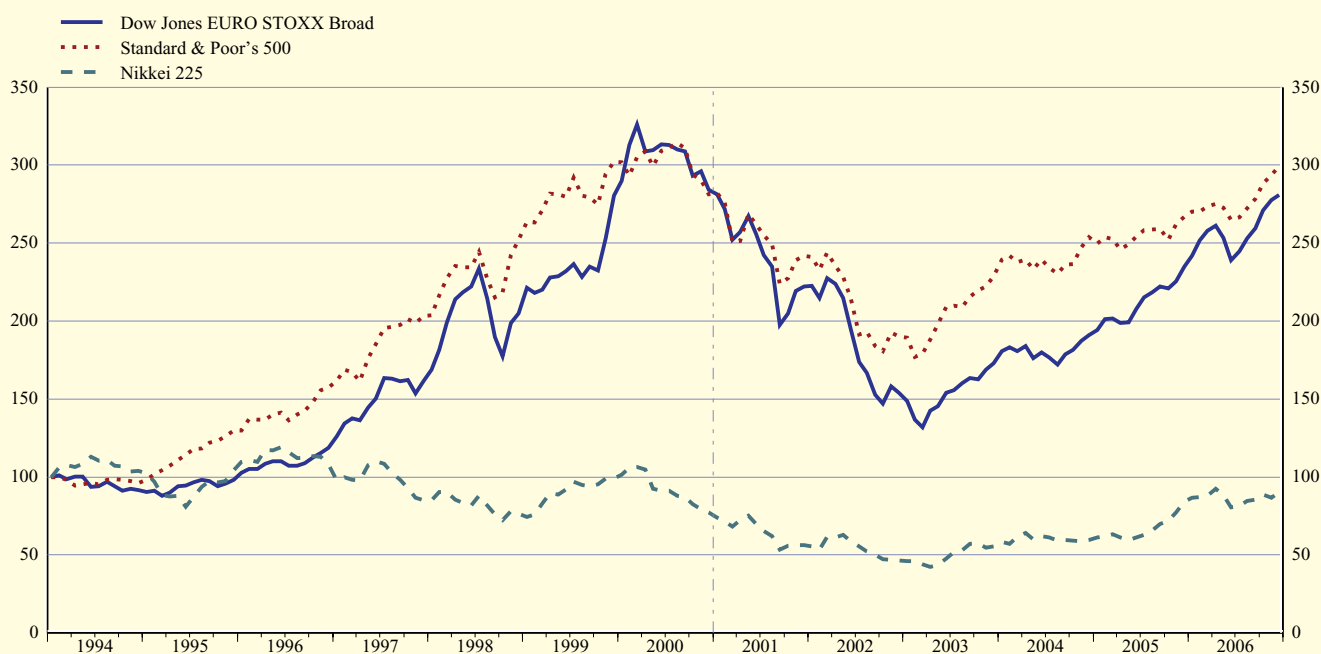
Source: ECB.

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	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% 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	-	-	-	-	-	-
2005 Q3	100.3	2.3	1.4	2.4	2.2	0.7	0.6	-0.3	0.1	5.6	0.6
Q4	101.0	2.3	1.5	2.4	2.1	0.6	0.7	0.6	0.2	0.4	0.5
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.3	0.5	0.7	0.1	1.3	0.4
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.4	0.6	0.3	3.9	0.5
Q3	102.5	2.1	1.5	2.3	2.0	0.4	0.5	1.9	0.1	0.6	0.6
2006 July	102.4	2.4	1.6	2.7	2.1	0.2	0.2	0.7	0.0	1.4	0.2
Aug.	102.5	2.3	1.5	2.5	1.9	0.1	0.1	0.8	0.0	0.1	0.1
Sep.	102.5	1.7	1.5	1.6	2.0	-0.1	0.2	0.6	0.1	-3.2	0.2
Oct.	102.6	1.6	1.6	1.3	2.1	0.0	0.5	-0.3	0.1	-1.8	0.3
Nov.	102.6	1.9	1.6	1.7	2.1	0.3	0.1	0.6	0.1	-0.5	0.1
Dec. [2]	.	1.9	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [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
2005 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
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
Q2	2.0	2.2	1.6	3.1	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
2006 June	2.2	2.2	2.1	3.1	0.7	11.0	2.5	2.1	2.8	-3.6	2.2	2.3
July	2.7	2.3	3.2	2.7	0.6	9.5	2.5	2.1	2.8	-3.5	2.5	2.3
Aug.	2.9	2.2	3.9	2.4	0.6	8.1	2.5	2.1	2.6	-3.9	2.3	2.3
Sep.	2.9	1.8	4.6	1.0	0.8	1.5	2.5	2.1	2.4	-3.4	2.3	2.4
Oct.	3.0	2.3	4.2	0.5	0.8	-0.5	2.5	2.2	2.4	-2.7	2.4	2.4
Nov.	3.0	2.2	4.4	1.1	0.8	2.1	2.5	2.1	2.3	-2.7	2.5	2.4

Sources: Eurostat and ECB calculations.
1) Referring to the index period 2006.
2) Estimate based on provisional national releases covering around 95% of the euro area, as well as on early information on energy prices.

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

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										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	82.4	31.6	21.2	29.6	4.0	25.6	17.6			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	6.9	-4.0	-4.5	25.1
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.2	18.4	10.8	30.5
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	3.1	7.6	28.5	9.4	44.6
2006	.	.	.	.	.	.	.	.	.	.	.	.	19.7	24.8	52.9
2005 Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	2.9	7.3[6]	34.2	23.2	48.6
2006 Q1	113.9	5.2	3.2	1.7	2.3	1.0	1.5	1.4	1.5	18.9	2.6	-	36.4	23.6	52.3
Q2	115.7	5.8	3.9	2.7	4.4	1.2	1.7	1.6	1.8	17.3	3.5	6.8[6]	30.0	26.2	56.2
Q3	116.8	5.4	3.7	3.6	6.4	1.7	1.9	1.8	1.9	11.7	3.5	-	13.4	26.6	55.7
Q4	.	.	.	.	.	.	.	.	.	.	.	.	3.9	23.0	47.3
2006 July	116.9	6.0	4.3	3.5	6.2	1.6	1.9	1.8	2.0	14.8	-	-	21.6	26.7	58.8
Aug.	117.1	5.7	4.0	3.7	6.5	1.6	2.0	1.8	2.0	12.6	-	-	14.8	26.8	57.8
Sep.	116.5	4.6	2.8	3.6	6.5	1.7	1.7	1.7	1.7	7.8	-	-	4.0	26.4	50.3
Oct.	116.5	4.0	2.5	3.6	6.4	1.8	1.7	1.7	1.7	5.4	-	-	3.9	28.7	47.6
Nov.	116.5	4.3	2.9	3.5	6.2	1.9	1.6	1.7	1.6	6.9	-	-	4.5	22.9	46.7
Dec.	.	.	.	.	.	.	.	.	.	.	-	-	3.2	17.7	47.4

3. Hourly labour costs[7]

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

Sources: Eurostat, 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.

4. Unit labour costs, compensation per employee and labour productivity
(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
				Unit labour costs [1]				
2002	104.7	2.4	1.2	1.0	3.2	1.8	3.1	3.4
2003	106.4	1.7	6.0	0.7	3.0	2.4	1.0	2.4
2004	107.5	1.1	-10.3	-0.4	2.7	-0.1	2.6	2.4
2005	108.5	0.9	6.7	-1.2	3.5	0.2	2.0	1.8
2005 Q3	108.2	0.6	6.3	-1.1	2.2	-0.4	2.1	1.8
Q4	109.0	0.9	7.3	-2.2	3.0	0.0	2.3	2.7
2006 Q1	109.2	0.8	3.5	-1.9	3.3	-0.2	2.4	2.4
Q2	109.3	0.8	1.4	-2.4	1.9	0.0	1.6	3.2
Q3	109.1	0.8	1.1	-2.4	2.2	-0.4	2.5	2.5
				Compensation per employee				
2002	105.2	2.6	2.2	2.0	3.2	2.4	2.6	3.1
2003	107.3	2.0	2.6	2.1	2.7	1.8	2.2	1.9
2004	109.6	2.1	2.1	2.6	2.6	1.3	2.1	2.3
2005	111.3	1.6	2.4	1.5	1.9	1.3	2.1	1.6
2005 Q3	111.3	1.5	1.8	1.7	2.1	1.3	1.9	1.3
Q4	112.2	1.9	1.7	1.6	2.3	1.2	1.7	2.7
2006 Q1	112.9	2.1	0.7	2.6	3.3	1.9	1.6	1.9
Q2	113.6	2.3	0.7	2.4	3.3	2.2	1.0	3.0
Q3	113.6	2.0	1.5	2.3	3.2	1.5	1.4	2.3
				Labour productivity [2]				
2002	100.5	0.2	1.0	1.0	0.0	0.6	-0.5	-0.3
2003	100.9	0.3	-3.2	1.5	-0.4	-0.5	1.2	-0.4
2004	101.9	1.0	13.8	2.9	-0.1	1.3	-0.4	-0.1
2005	102.6	0.7	-4.1	2.7	-1.6	1.1	0.1	-0.2
2005 Q3	102.9	0.9	-4.2	2.8	-0.1	1.7	-0.1	-0.4
Q4	102.9	1.0	-5.3	3.9	-0.6	1.2	-0.5	0.1
2006 Q1	103.4	1.2	-2.8	4.6	0.0	2.1	-0.8	-0.5
Q2	104.0	1.5	-0.7	4.8	1.3	2.2	-0.6	-0.2
Q3	104.1	1.2	0.4	4.8	1.0	1.9	-1.1	-0.2

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2002	105.1	2.6	2.0	1.9	3.1	1.4	-0.2	-2.0
2003	107.3	2.1	2.0	2.1	2.4	1.2	-1.3	-1.8
2004	109.3	1.9	2.1	2.1	2.4	2.4	1.1	1.5
2005	111.4	1.9	2.2	2.1	2.2	2.1	2.6	3.6
2005 Q3	111.6	1.8	2.3	2.1	2.2	1.9	2.5	3.7
Q4	112.3	2.0	2.4	2.2	2.7	2.1	3.0	4.1
2006 Q1	112.4	1.7	2.7	2.3	1.9	2.6	2.8	5.4
Q2	113.0	1.8	2.7	2.2	2.5	2.9	3.0	5.3
Q3	113.5	1.8	2.1	2.0	1.5	3.0	3.0	3.7

Sources: ECB calculations based on Eurostat data.
1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
2) Value added (volumes) per person employed.
3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.2 Output and demand

1. GDP and expenditure components

		GDP							
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2002	7,251.3	7,059.0	4,141.1	1,465.1	1,465.0	-12.3	192.4	2,628.7	2,436.3
2003	7,460.8	7,304.2	4,277.6	1,526.2	1,498.5	1.9	156.6	2,624.4	2,467.8
2004	7,736.0	7,574.4	4,425.2	1,580.1	1,563.1	6.0	161.5	2,822.5	2,660.9
2005	7,994.7	7,876.5	4,579.0	1,636.6	1,639.4	21.5	118.2	3,027.7	2,909.4
2005 Q3	2,008.4	1,980.6	1,153.2	410.3	414.2	2.9	27.8	770.8	743.0
Q4	2,029.9	2,006.9	1,160.3	417.1	418.8	10.7	23.0	785.2	762.3
2006 Q1	2,048.6	2,030.4	1,174.7	419.9	427.6	8.3	18.2	816.0	797.8
Q2	2,079.0	2,059.4	1,184.1	425.1	440.5	9.7	19.6	830.6	811.0
Q3	2,101.1	2,080.2	1,196.5	425.4	445.9	12.4	20.9	853.1	832.2
	percentage of GDP								
2005	100.0	98.5	57.3	20.5	20.5	0.3	1.5	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2005 Q3	0.6	0.5	0.7	0.5	1.4	-	-	2.6	2.4
Q4	0.4	0.7	0.1	0.2	0.5	-	-	0.9	1.8
2006 Q1	0.8	0.4	0.7	1.2	1.2	-	-	3.5	2.5
Q2	1.0	1.0	0.3	0.1	2.3	-	-	1.1	1.1
Q3	0.5	0.7	0.7	0.6	0.6	-	-	1.8	2.4
	annual percentage changes								
2002	0.9	0.4	0.8	2.4	-1.5	-	-	1.7	0.3
2003	0.8	1.5	1.2	1.8	1.0	-	-	1.1	3.1
2004	2.0	1.8	1.5	1.2	2.3	-	-	6.8	6.7
2005	1.4	1.6	1.3	1.3	2.5	-	-	4.3	5.3
2005 Q3	1.6	1.7	1.8	1.4	3.4	-	-	5.4	5.7
Q4	1.8	2.0	1.1	1.6	3.3	-	-	5.0	5.8
2006 Q1	2.2	2.2	1.8	2.4	4.2	-	-	9.2	9.5
Q2	2.9	2.7	1.8	2.0	5.4	-	-	8.3	8.0
Q3	2.7	2.8	1.8	2.1	4.6	-	-	7.5	8.0
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2005 Q3	0.6	0.5	0.4	0.1	0.3	-0.3	0.1	-	-
Q4	0.4	0.7	0.1	0.0	0.1	0.5	-0.3	-	-
2006 Q1	0.8	0.4	0.4	0.2	0.2	-0.5	0.4	-	-
Q2	1.0	1.0	0.2	0.0	0.5	0.3	0.0	-	-
Q3	0.5	0.7	0.4	0.1	0.1	0.1	-0.2	-	-
	contributions to annual percentage changes of GDP in percentage points								
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.8	0.9	0.2	0.5	0.2	0.2	-	-
2005	1.4	1.6	0.8	0.3	0.5	0.1	-0.2	-	-
2005 Q3	1.6	1.6	1.0	0.3	0.7	-0.4	0.0	-	-
Q4	1.8	2.0	0.6	0.3	0.7	0.3	-0.2	-	-
2006 Q1	2.2	2.2	1.1	0.5	0.8	-0.2	0.0	-	-
Q2	2.9	2.6	1.0	0.4	1.1	0.1	0.2	-	-
Q3	2.7	2.8	1.0	0.4	0.9	0.4	-0.1	-	-

Sources: Eurostat and ECB calculations.
1)   Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.
2)   Including acquisitions less disposals of valuables.
3)   Annual data are not adjusted for the variations in the number of working days.

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2002	6,517.7	153.0	1,383.7	374.2	1,389.5	1,746.7	1,470.6	733.6
2003	6,703.7	152.2	1,385.3	390.2	1,423.5	1,824.5	1,528.0	757.1
2004	6,943.3	157.5	1,420.3	413.8	1,472.3	1,897.8	1,581.6	792.6
2005	7,160.8	144.7	1,458.6	435.1	1,517.8	1,973.6	1,631.1	833.9
2005 Q3	1,797.5	36.1	366.2	109.9	381.7	496.1	407.5	210.8
Q4	1,815.1	36.6	368.0	112.5	382.6	500.9	414.5	214.8
2006 Q1	1,831.0	36.4	373.2	114.2	385.6	507.8	413.9	217.6
Q2	1,858.7	37.2	377.4	117.5	391.6	514.5	420.5	220.2
Q3	1,880.4	37.8	382.4	120.6	396.4	522.7	420.6	220.6
	percentage of value added							
2005	100.0	2.0	20.4	6.1	21.2	27.6	22.8	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2005 Q3	0.5	0.5	0.8	0.5	0.7	0.6	0.1	1.5
Q4	0.4	0.5	0.5	1.0	0.5	0.2	0.2	0.5
2006 Q1	0.8	-2.5	1.4	-0.4	0.9	1.2	0.4	0.7
Q2	1.1	1.3	1.4	2.5	1.3	1.0	0.4	-0.1
Q3	0.6	0.2	0.9	0.7	0.6	0.5	0.3	0.3
	annual percentage changes							
2002	0.9	-0.8	-0.3	0.0	1.2	1.5	1.7	0.2
2003	0.7	-5.7	0.0	0.5	0.1	1.8	1.3	1.5
2004	2.1	11.7	2.2	1.5	2.6	1.6	1.4	0.8
2005	1.4	-5.5	1.3	0.8	1.8	2.1	1.0	1.3
2005 Q3	1.5	-6.4	1.8	1.8	2.2	1.9	1.0	2.5
Q4	1.7	-6.3	2.6	1.9	2.0	2.1	1.0	2.3
2006 Q1	2.1	-3.0	3.5	2.4	2.8	2.1	0.8	3.0
Q2	2.9	-0.2	4.2	3.6	3.4	3.0	1.2	2.7
Q3	2.9	-0.5	4.3	3.8	3.3	2.9	1.3	1.5
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2005 Q3	0.5	0.0	0.2	0.0	0.1	0.2	0.0	-
Q4	0.4	0.0	0.1	0.1	0.1	0.0	0.0	-
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.3	0.1	-
Q2	1.1	0.0	0.3	0.2	0.3	0.3	0.1	-
Q3	0.6	0.0	0.2	0.0	0.1	0.1	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2002	0.9	0.0	-0.1	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.0	0.0	0.0	0.5	0.3	-
2004	2.1	0.3	0.5	0.1	0.5	0.4	0.3	-
2005	1.4	-0.1	0.3	0.0	0.4	0.6	0.2	-
2005 Q3	1.5	-0.1	0.4	0.1	0.5	0.5	0.2	-
Q4	1.7	-0.1	0.5	0.1	0.4	0.6	0.2	-
2006 Q1	2.1	-0.1	0.7	0.1	0.6	0.6	0.2	-
Q2	2.9	0.0	0.9	0.2	0.7	0.8	0.3	-
Q3	2.9	0.0	0.9	0.2	0.7	0.8	0.3	-

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

5.2 Output and demand
(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
2003	0.4	100.3	0.3	0.1	0.1	0.3	-0.1	-0.4	-4.4	0.4	2.8	0.6
2004	2.1	102.3	2.0	2.1	1.9	2.2	3.3	0.5	0.1	0.6	2.0	-0.1
2005	1.1	103.6	1.2	1.3	1.1	0.8	2.6	0.5	-0.9	0.8	1.3	-0.1
2005 Q4	1.9	104.9	2.1	2.3	2.3	2.4	3.0	1.2	1.9	1.1	2.0	0.8
2006 Q1	3.7	106.0	3.4	3.5	3.4	2.9	5.0	2.1	2.4	2.0	3.7	1.5
Q2	3.0	107.2	4.1	4.2	4.5	5.7	5.2	2.4	3.8	2.2	0.8	3.5
Q3	4.0	108.1	4.0	4.2	4.1	5.6	5.0	1.8	5.1	1.2	1.8	4.3
2006 May	4.2	107.8	5.5	6.3	6.6	6.9	8.1	4.2	8.2	3.5	-0.7	5.0
June	4.3	107.9	4.8	5.2	5.9	7.3	5.2	2.7	4.0	2.5	1.7	3.6
July	3.8	107.3	3.4	3.7	3.7	5.1	3.8	1.5	3.2	1.2	2.4	5.5
Aug.	5.2	109.0	5.5	5.9	5.6	7.8	7.1	2.4	9.0	1.6	2.7	3.7
Sep.	3.5	107.9	3.3	3.5	3.4	4.5	4.7	1.5	4.7	1.0	0.4	3.6
Oct.	3.5	107.8	3.5	4.0	4.2	5.1	4.2	2.6	4.9	2.2	-0.7	4.4
month-on-month percentage changes (s.a.)												
2006 May	2.0	-	1.7	2.1	2.4	2.2	2.8	1.7	4.3	1.3	-1.7	2.2
June	0.2	-	0.1	-0.1	0.1	0.3	-0.7	-0.5	-1.4	-0.3	3.1	-0.4
July	-0.1	-	-0.5	-0.6	-0.9	-0.8	-0.4	-0.5	-0.6	-0.5	0.8	1.5
Aug.	1.3	-	1.6	2.0	1.9	2.9	1.9	1.3	4.3	0.7	-1.5	-2.1
Sep.	-0.8	-	-1.0	-1.2	-1.1	-2.2	-0.6	-0.7	-3.2	-0.3	-0.9	1.1
Oct.	-0.3	-	-0.1	-0.1	0.1	0.5	-0.8	0.3	0.1	0.3	-1.9	-0.5

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	98.4	0.3	101.3	-0.2	2.2	103.7	0.7	1.3	0.2	-1.8	0.6	911	-1.5
2004	105.4	7.4	106.2	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.9	4.6	110.7	3.7	2.2	106.6	1.3	0.7	1.7	2.6	1.3	936	1.6
2005 Q4	117.6	7.4	113.3	4.2	2.3	107.3	1.3	0.7	1.7	3.1	1.7	934	-1.0
2006 Q1	117.5	12.0	115.5	9.0	2.2	107.4	0.8	0.2	1.2	1.4	2.2	946	2.0
Q2	118.5	7.9	118.2	6.4	3.0	107.9	1.7	0.7	2.4	2.5	3.4	958	2.4
Q3	122.7	10.1	119.7	6.4	3.2	108.6	1.8	0.9	2.5	2.9	4.4	937	-1.9
2006 June	117.9	5.5	118.1	6.4	2.8	108.0	1.4	0.8	1.7	1.6	2.4	950	-2.5
July	120.2	9.7	118.8	7.2	3.6	108.4	1.9	2.1	1.8	1.8	2.7	919	-4.7
Aug.	124.8	14.4	120.8	9.2	3.6	109.1	2.2	0.0	4.0	7.1	5.7	938	-1.2
Sep.	123.0	7.3	119.6	3.6	2.5	108.2	1.3	0.6	1.9	0.4	4.8	955	0.8
Oct.	122.3	12.5	119.5	10.7	1.8	108.3	0.8	-1.1	2.0	1.3	4.2	943	-0.3
Nov.	.	.	.	.	2.5	108.7	1.1	-0.2	2.2	.	.	965	4.5
month-on-month percentage changes (s.a.)													
2006 June	-	-2.1	-	-1.6	0.2	-	0.2	0.7	-0.3	-0.7	-0.7	-	-1.8
July	-	2.0	-	0.5	0.6	-	0.4	0.6	0.1	0.3	0.3	-	-3.3
Aug.	-	3.8	-	1.7	0.6	-	0.6	-1.0	1.8	3.6	2.7	-	2.1
Sep.	-	-1.4	-	-0.9	-0.7	-	-0.8	0.1	-1.4	-4.2	-0.7	-	1.8
Oct.	-	-0.6	-	-0.1	0.1	-	0.1	-0.1	0.3	1.0	-0.1	-	-1.3
Nov.	-	.	-	.	0.6	-	0.3	0.1	0.5	.	.	-	2.4

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. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [4] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2003	93.7	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.7	-5	-16	8	10	81.5	-14	-4	-14	30	-9
2005	98.4	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	107.3	2	0	6	13	.	-9	-3	-9	15	-9
2005 Q4	100.6	-6	-15	10	7	81.5	-13	-4	-15	22	-9
2006 Q1	103.0	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	107.2	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.6	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	110.3	6	6	4	15	.	-7	-3	-7	10	-9
2006 July	108.7	4	3	5	13	83.6	-8	-4	-10	13	-7
Aug.	107.8	2	3	5	10	-	-9	-4	-10	11	-10
Sep.	109.3	4	4	4	13	-	-8	-3	-9	12	-7
Oct.	110.4	5	5	4	14	83.9	-8	-3	-8	11	-9
Nov.	110.3	6	6	4	16	-	-7	-3	-7	10	-9
Dec.	110.1	6	7	3	13	-	-6	-3	-5	9	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2003	-16	-23	-9	-10	-12	16	-1	4	-5	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-13	13	4	11	5	10	18
2006	0	-5	5	0	2	14	13	18	13	18	23
2005 Q4	-3	-8	2	-5	-9	15	10	14	10	13	19
2006 Q1	-2	-8	3	-3	-4	15	9	15	10	14	20
Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2006 July	2	-2	5	0	2	15	12	20	16	18	26
Aug.	2	-4	8	3	6	13	15	19	13	20	25
Sep.	4	0	9	3	8	12	15	18	12	19	24
Oct.	3	-2	6	4	9	13	14	21	14	23	26
Nov.	3	-4	10	3	10	14	11	19	12	19	26
Dec.	2	-2	7	0	5	13	7	19	12	20	25

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

2. Unemployment
(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		75.6		24.4		48.5		51.5	
	1	2	3	4	5	6	7	8	9	10
2002	11.698	8.2	8.614	6.9	3.084	17.1	5.499	6.8	6.199	10.0
2003	12.482	8.7	9.289	7.4	3.193	17.9	5.958	7.4	6.524	10.4
2004	12.832	8.8	9.623	7.5	3.210	18.2	6.169	7.6	6.664	10.5
2005	12.658	8.6	9.564	7.4	3.094	17.8	6.135	7.5	6.522	10.1
2005 Q3	12.435	8.5	9.436	7.3	3.000	17.4	6.060	7.4	6.375	9.9
Q4	12.454	8.5	9.425	7.3	3.029	17.6	5.934	7.2	6.519	10.1
2006 Q1	12.050	8.2	9.082	7.0	2.969	17.2	5.779	7.0	6.271	9.7
Q2	11.589	7.9	8.774	6.7	2.816	16.4	5.607	6.8	5.982	9.2
Q3	11.492	7.8	8.648	6.6	2.844	16.6	5.477	6.6	6.016	9.2
2006 June	11.528	7.8	8.732	6.7	2.796	16.3	5.562	6.7	5.966	9.2
July	11.489	7.8	8.668	6.6	2.821	16.4	5.511	6.7	5.978	9.2
Aug.	11.521	7.8	8.666	6.6	2.855	16.6	5.496	6.6	6.025	9.3
Sep.	11.467	7.8	8.611	6.6	2.856	16.6	5.423	6.6	6.044	9.3
Oct.	11.406	7.7	8.565	6.6	2.841	16.6	5.361	6.5	6.045	9.3
Nov.	11.226	7.6	8.489	6.5	2.737	16.1	5.247	6.3	5.979	9.2

Source: Eurostat.
1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 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								Sales	Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees			Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	47.0	46.5	11.9	8.7	2.9	13.3	0.7	17.1	8.5	5.4	2.3	0.5	0.3	42.7
1998	46.5	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.8	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.9	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.4	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.8	44.3	11.4	8.6	2.5	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.2	44.7	11.7	8.7	2.7	13.7	0.3	15.5	8.2	4.5	2.2	0.5	0.3	41.2

2. Euro area − expenditure

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

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]						Collective consumption	Individual consumption
	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)		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.8	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.7	10.6	4.7	4.8	1.9	2.3	8.2	11.5
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.2	0.5	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3

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

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

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' deficit/surplus.
1) Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

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

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

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

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

	Total	Issued by [4)]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	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
1996	75.1	62.9	5.9	5.7	0.5	11.6	63.5	8.6	19.1	25.7	30.2	73.1	2.0
1997	74.1	62.1	6.1	5.4	0.6	9.9	64.2	8.5	18.3	25.3	30.5	72.1	2.0
1998	72.8	61.1	6.1	5.2	0.4	8.9	63.9	7.6	15.8	26.4	30.6	70.9	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.7	64.3	6.6	13.6	28.0	30.4	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.8	62.6	5.9	13.4	28.0	28.0	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	5.0	13.7	26.8	27.8	66.7	1.7
2002	68.2	56.7	6.3	4.8	0.4	8.2	60.0	5.0	15.4	25.3	27.5	66.7	1.5
2003	69.3	57.0	6.6	5.1	0.6	8.5	60.8	5.0	14.4	26.1	28.9	68.2	1.1
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.4	4.7	14.3	26.6	28.9	68.8	1.1
2005	70.8	58.1	6.8	5.4	0.5	8.7	62.1	4.7	14.7	26.1	30.0	69.6	1.2

3. Euro area countries

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

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

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	1.9	2.5	0.0	-0.3	-0.2	0.0	-0.3	-1.1	3.3	-0.6	-0.8	1.9	2.6
1998	1.8	2.2	-0.2	0.0	-0.1	0.1	-0.3	-0.6	2.6	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.6	0.0	-2.0	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.0	-2.1	-0.3	3.0
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	-0.1	-0.6	-0.1	2.0
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.7	-0.5	-0.7	-0.2	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	1.0	0.6	2.1	0.1	0.5	0.7	3.0
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	-0.4	-0.3	0.1	3.5
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.2	0.0	2.6	-0.8	-0.5	0.6	3.9

2. Euro area − deficit-debt adjustment

	Change in debt [8]	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	Loans	Securities [11]	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	1.9	-2.6	-0.7	-0.4	0.1	0.0	-0.1	-0.5	-0.7	0.1	0.0	0.1	-0.3	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.5	-0.7	0.2	-0.2	0.0	0.0	0.1
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.5	-0.7	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.0	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1

Source: ECB.
1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

6.4 Quarterly revenue, expenditure and deficit/surplus [1]
(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total		Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income			Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2000 Q2	47.7	47.2	13.8	13.4	15.8	2.1	1.2	0.5	0.3	43.2
Q3	44.1	43.7	11.9	12.5	15.6	2.0	0.8	0.4	0.2	40.3
Q4	49.9	49.4	13.9	14.1	16.6	2.9	1.0	0.5	0.3	44.9
2001 Q1	42.3	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.0	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	14.0	16.3	2.9	1.1	0.5	0.3	44.1
2002 Q1	42.0	41.6	10.1	12.7	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	2.0	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.2	16.2	2.9	0.9	0.6	0.3	44.1
2003 Q1	42.0	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.5	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.7
Q3	42.9	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.3	48.3	13.1	14.3	16.2	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.5	41.0	9.6	12.8	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.1	44.3	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.7	12.6	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.5	48.4	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.2	41.7	10.0	13.0	15.4	1.7	0.6	0.5	0.3	38.6
Q2	45.0	44.3	12.0	13.3	15.3	2.0	0.9	0.6	0.3	40.9
Q3	43.4	42.7	11.1	12.8	15.3	1.9	0.8	0.7	0.3	39.5
Q4	49.6	48.8	13.5	14.5	16.2	2.9	0.9	0.8	0.3	44.5
2006 Q1	42.9	42.3	10.4	13.3	15.3	1.6	0.8	0.6	0.3	39.3
Q2	46.0	45.4	12.7	13.7	15.3	1.9	1.1	0.6	0.3	41.9

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
2000 Q2	46.2	42.8	10.3	4.6	3.9	24.0	20.7	1.4	3.4	2.3	1.1	1.5	5.4
Q3	43.1	42.7	10.1	4.6	4.0	24.2	20.9	1.5	0.3	2.5	1.1	1.0	5.0
Q4	49.7	45.9	11.0	5.3	3.7	25.9	22.0	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.7	42.3	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.1
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-1.9	1.6
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.4	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.6	1.7
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.1	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.5	1.9
Q3	47.0	43.3	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.1	-4.1	-0.9
Q4	51.1	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.2	1.6	-1.8	1.3
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.9
Q2	46.7	43.3	10.4	4.9	3.1	24.9	21.6	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.2	42.8	10.0	4.6	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-3.5	-0.3
Q4	50.8	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.8	43.4	10.3	4.6	3.1	25.3	21.6	1.2	3.4	1.9	1.5	-4.6	-1.4
Q2	46.4	43.0	10.3	5.0	3.1	24.7	21.5	1.1	3.4	2.3	1.0	-1.4	1.6
Q3	45.9	42.5	9.9	4.7	3.0	24.9	21.5	1.2	3.4	2.4	1.0	-2.5	0.5
Q4	50.8	46.0	11.1	5.7	2.8	26.3	22.7	1.4	4.8	3.1	1.6	-1.2	1.7
2006 Q1	46.0	42.8	10.1	4.8	3.0	24.9	21.3	1.1	3.2	1.9	1.3	-3.1	-0.1
Q2	46.2	42.8	10.3	5.1	3.0	24.4	21.4	1.1	3.4	2.4	1.1	-0.2	2.8

Source: ECB calculations based on Eurostat and national data.
1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.
2) The fiscal burden comprises taxes and social contributions.

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

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2003 Q3	70.4	2.7	11.7	5.5	50.5
Q4	69.3	2.1	12.3	5.0	49.9
2004 Q1	70.8	2.1	12.3	5.5	50.8
Q2	71.4	2.2	12.1	5.5	51.5
Q3	71.3	2.3	12.1	5.6	51.4
Q4	69.8	2.2	11.9	5.1	50.7
2005 Q1	71.2	2.2	11.9	5.3	51.8
Q2	72.1	2.4	11.7	5.3	52.7
Q3	71.6	2.4	11.8	5.3	52.1
Q4	70.8	2.4	11.8	4.9	51.6
2006 Q1	71.2	2.5	11.8	5.1	51.8
Q2	71.2	2.5	11.6	5.1	52.0

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2003 Q3	2.9	-4.1	-1.3	-1.2	-1.2	0.0	-0.1	0.2	-0.1	0.0	2.9
Q4	-2.0	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.6	-1.5
2004 Q1	8.5	-5.1	3.4	2.0	1.4	-0.1	0.2	0.5	-0.1	1.5	8.6
Q2	5.6	-1.6	4.0	4.1	3.4	0.2	0.3	0.3	0.0	-0.1	5.6
Q3	2.0	-3.5	-1.4	-1.1	-1.4	0.0	0.2	0.1	-0.3	-0.1	2.3
Q4	-3.1	-1.3	-4.4	-3.4	-2.6	0.0	-0.2	-0.7	0.0	-1.0	-3.1
2005 Q1	7.3	-4.6	2.7	2.4	1.4	0.2	0.4	0.4	0.0	0.3	7.2
Q2	5.8	-1.4	4.4	3.6	2.7	0.2	0.3	0.4	0.2	0.6	5.7
Q3	0.4	-2.5	-2.1	-2.6	-2.5	-0.1	0.3	-0.3	0.0	0.5	0.4
Q4	-0.7	-1.2	-1.9	-0.6	-0.3	0.1	-0.4	0.0	-0.1	-1.2	-0.6
2006 Q1	5.0	-3.1	1.9	1.6	1.1	0.1	0.7	-0.3	-0.4	0.7	5.4
Q2	2.7	-0.2	2.5	3.1	2.4	0.1	0.3	0.2	0.7	-1.2	2.1

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

- deficit
- change in debt
- borrowing requirement
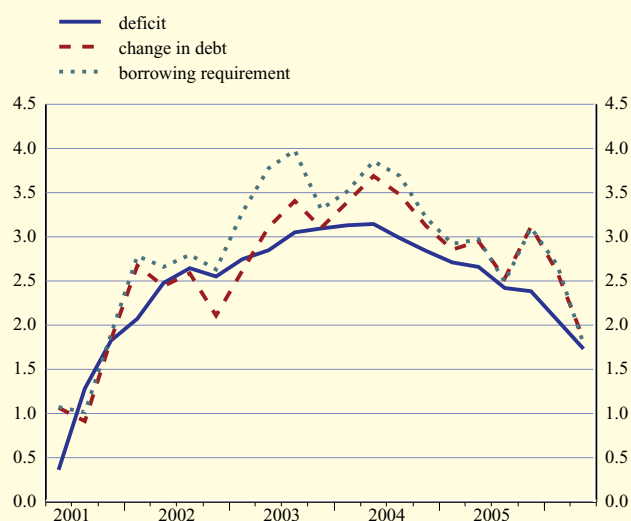
C29 Maastricht debt
(annual change in the debt to GDP ratio and underlying factors)

- deficit-debt adjustment
- primary deficit/surplus
- growth/interest rate differential
- change in debt to GDP ratio
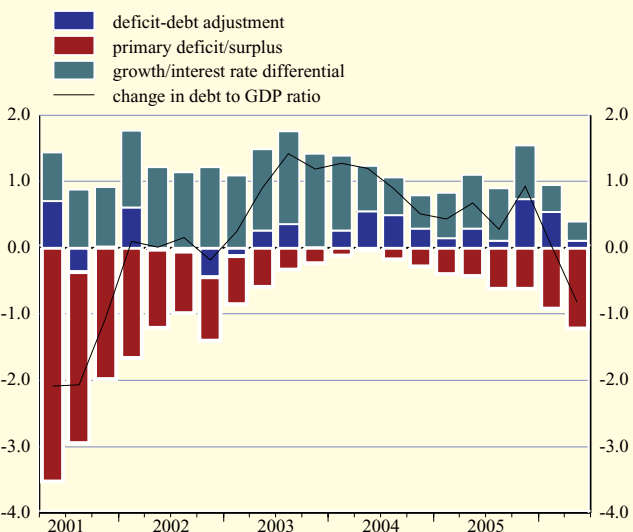
Source: ECB calculations based on Eurostat and national data.
1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

# EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	32.4	105.0	22.0	-38.1	-56.4	12.3	44.8	-0.5	-11.4	73.6	-14.4	-76.1	27.8	-44.3
2004	55.6	103.5	30.8	-19.8	-58.8	16.6	72.2	-21.1	-64.2	68.2	-6.6	-30.9	12.4	-51.1
2005	-8.2	48.2	36.0	-22.2	-70.2	11.9	3.7	37.4	-202.3	156.9	-10.7	75.5	18.0	-41.1
2005 Q3	-1.0	13.5	9.8	-4.1	-20.2	2.7	1.7	23.5	-107.3	78.1	-0.4	50.7	2.4	-25.2
Q4	-8.1	3.9	11.0	-6.4	-16.6	4.6	-3.6	-42.4	-36.5	-49.5	-6.2	41.5	8.3	46.0
2006 Q1	-12.8	-2.8	4.8	1.4	-16.2	2.0	-10.8	65.7	-31.5	22.9	-8.5	76.8	6.1	-54.9
Q2	-7.6	6.3	12.1	-10.3	-15.8	1.0	-6.6	51.1	-12.1	98.9	-1.7	-32.5	-4.5	-44.5
Q3	0.8	6.9	9.4	6.1	-21.6	2.0	2.8	43.7	-38.2	22.6	4.6	57.4	-2.7	-46.5
2005 Oct.	-6.2	1.3	4.4	-6.2	-5.7	0.5	-5.7	-13.6	-12.9	-2.7	-4.2	6.1	0.1	19.3
Nov.	-1.1	0.8	3.2	0.2	-5.2	0.9	-0.2	2.3	-6.4	-45.8	1.9	51.6	1.0	-2.2
Dec.	-0.8	1.8	3.5	-0.4	-5.8	3.1	2.3	-31.1	-17.2	-1.0	-4.0	-16.1	7.2	28.8
2006 Jan.	-10.2	-6.3	0.9	0.0	-4.7	0.8	-9.4	-3.2	-2.7	-36.4	-2.9	41.1	-2.3	12.6
Feb.	-0.6	0.5	2.3	0.8	-4.3	1.0	0.4	19.5	-29.1	21.4	-3.3	28.6	1.9	-19.9
Mar.	-2.1	3.0	1.5	0.6	-7.2	0.2	-1.9	49.5	0.3	37.9	-2.3	7.1	6.5	-47.6
Apr.	-7.5	0.6	3.0	-5.0	-6.1	0.2	-7.3	25.1	8.3	-6.0	-5.6	29.5	-1.1	-17.8
May	-10.9	0.6	3.8	-9.9	-5.4	0.2	-10.7	31.9	-4.6	44.4	2.0	-8.2	-1.7	-21.2
June	10.8	5.2	5.3	4.5	-4.3	0.6	11.4	-5.9	-15.9	60.5	1.9	-53.8	1.4	-5.5
July	2.5	5.6	5.6	-1.8	-7.0	0.7	3.2	12.3	-9.4	1.0	1.8	19.6	-0.8	-15.4
Aug.	-2.1	-2.8	0.2	7.2	-6.7	1.1	-1.0	-8.3	-7.6	-15.0	-3.8	18.8	-0.8	9.3
Sep.	0.5	4.1	3.6	0.6	-7.9	0.1	0.6	39.7	-21.2	36.6	6.6	18.9	-1.0	-40.4
Oct.	-0.4	4.7	3.3	-0.7	-7.7	0.4	0.1	-0.2	-12.8	23.2	7.2	-17.9	0.1	0.2
12-month cumulated transactions														
2006 Oct.	-21.9	17.8	36.2	-3.7	-72.2	9.4	-12.5	131.6	-118.3	120.8	-0.5	119.2	10.4	-119.1

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

- quarterly transactions
- 12-month cumulated transactions
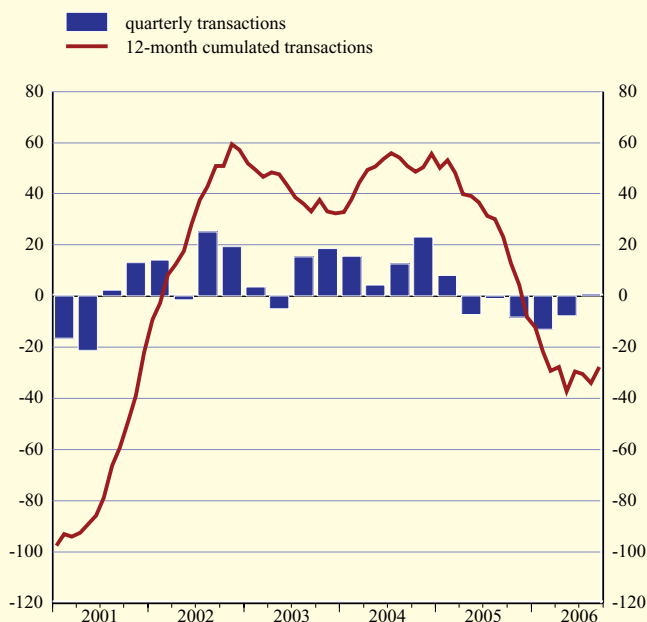
C31 B.o.p. net direct and portfolio investment
(EUR billions)

- direct investment (quarterly transactions)
- portfolio investment (quarterly transactions)
- direct investment (12-month cumulated transactions)
- portfolio investment (12-month cumulated transactions)
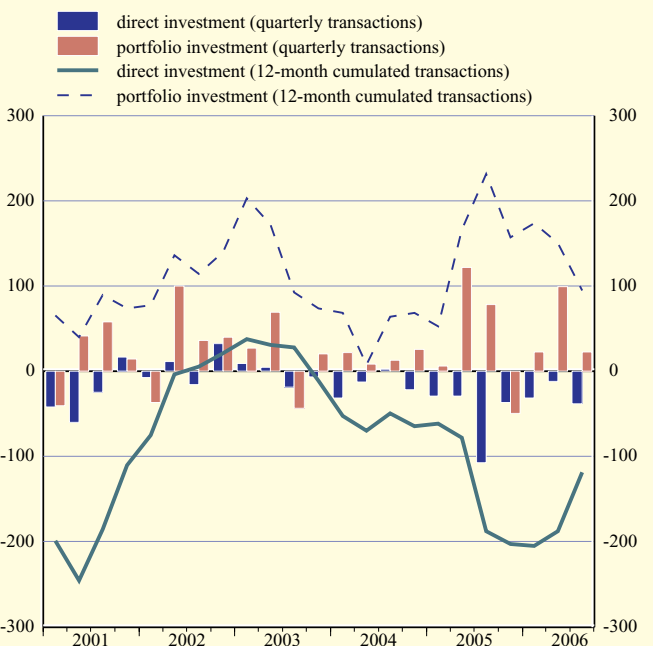
Source: ECB.

2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	1,696.5	1,664.1	32.4	1,036.8	931.9	334.2	312.2	242.7	280.9	82.8	139.2	23.9	11.5
2004	1,859.5	1,803.9	55.6	1,132.4	1,028.9	364.8	334.1	280.7	300.5	81.6	140.5	24.6	8.0
2005	2,048.4	2,056.7	-8.2	1,224.3	1,176.1	400.3	364.3	338.9	361.1	85.1	155.2	23.8	11.9
2005 Q3	520.0	520.9	-1.0	309.8	296.2	110.1	100.2	84.3	88.4	15.9	36.1	4.7	2.0
Q4	555.1	563.2	-8.1	327.8	323.9	106.0	95.0	98.7	105.1	22.5	39.2	8.3	3.8
2006 Q1	542.3	555.1	-12.8	329.7	332.6	96.6	91.8	86.3	84.9	29.6	45.8	5.9	3.9
Q2	578.9	586.5	-7.6	341.8	335.4	106.6	94.5	113.2	123.5	17.3	33.1	4.6	3.6
Q3	576.5	575.7	0.8	344.5	337.5	113.3	103.9	104.1	97.9	14.7	36.3	4.3	2.3
2006 Aug.	188.1	190.2	-2.1	106.8	109.6	37.3	37.1	38.1	30.8	5.9	12.7	1.6	0.5
Sep.	197.8	197.3	0.5	121.7	117.5	36.9	33.3	35.0	34.4	4.2	12.1	0.8	0.6
Oct.	204.6	204.9	-0.4	128.5	123.8	37.5	34.1	33.7	34.4	4.9	12.6	1.2	0.8
Seasonally adjusted													
2005 Q3	524.4	531.7	-7.3	313.1	305.1	102.2	93.7	88.0	94.4	21.1	38.4	.	.
Q4	535.7	549.6	-14.0	317.8	314.6	104.7	93.4	92.5	101.6	20.8	40.0	.	.
2006 Q1	559.4	565.9	-6.5	333.4	328.4	105.6	96.0	92.7	98.2	27.7	43.3	.	.
Q2	574.5	576.5	-2.0	340.7	335.8	106.6	97.8	106.0	106.8	21.3	36.1	.	.
Q3	586.9	591.8	-4.9	351.9	350.9	105.8	97.8	109.8	104.4	19.5	38.7	.	.
2006 Feb.	195.8	197.9	-2.1	112.2	110.6	36.3	32.4	29.3	32.3	18.0	22.6	.	.
Mar.	186.1	191.4	-5.3	112.3	110.1	34.6	31.8	32.8	36.5	6.4	13.0	.	.
Apr.	185.6	185.8	-0.2	113.4	111.9	35.1	32.0	30.5	29.0	6.6	12.9	.	.
May	194.2	200.9	-6.7	112.5	111.8	35.6	33.0	38.7	43.9	7.3	12.2	.	.
June	194.7	189.8	4.9	114.8	112.1	35.9	32.8	36.8	33.9	7.3	11.0	.	.
July	190.4	192.5	-2.1	115.5	115.6	35.1	31.5	33.6	32.8	6.2	12.6	.	.
Aug.	197.1	201.0	-3.9	115.9	117.2	35.2	33.6	38.4	36.6	7.5	13.5	.	.
Sep.	199.5	198.4	1.1	120.4	118.1	35.5	32.7	37.7	35.0	5.8	12.6	.	.
Oct.	198.2	198.3	0.0	119.6	116.9	35.4	33.3	35.8	32.8	7.5	15.3	.	.

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

exports (credit)
imports (debit)
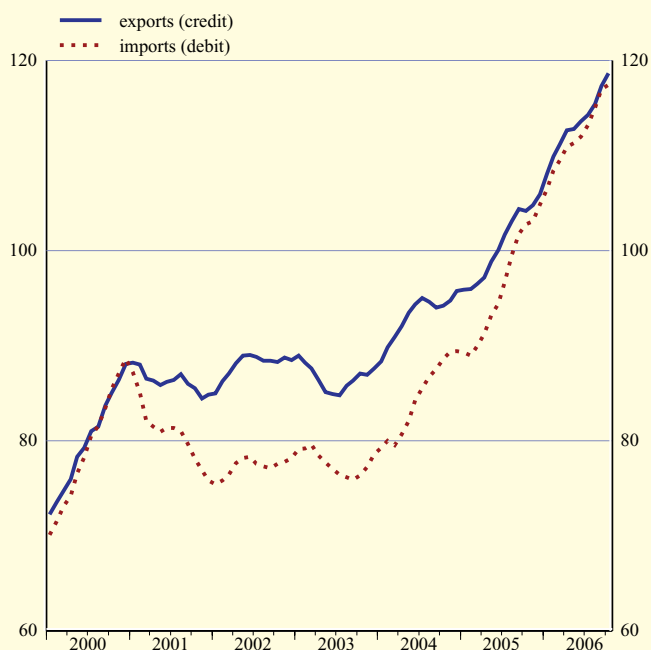
C33 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)

exports (credit)
imports (debit)
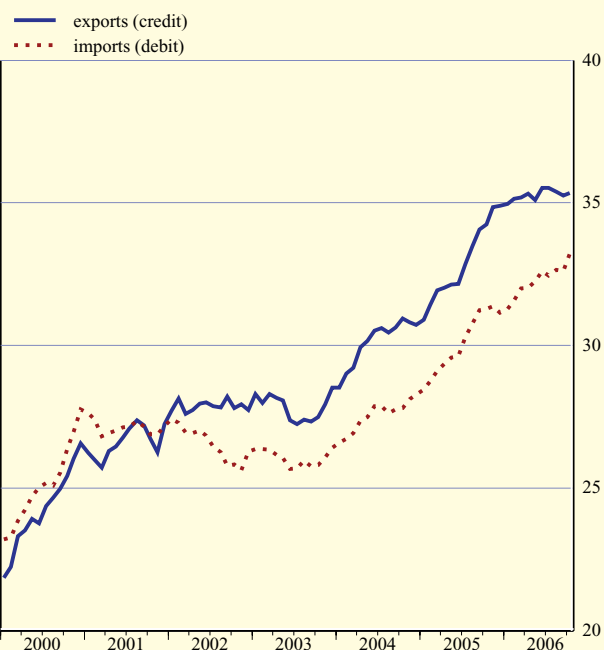
Source: ECB.

7.1 Balance of payments
(EUR billions)

3. Income account
(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	15.1	7.5	227.7	273.4	64.7	57.8	10.3	10.8	18.7	52.9	65.6	79.4	68.4	72.6
2004	15.4	7.9	265.3	292.6	94.7	74.3	13.4	12.9	24.5	56.0	67.5	77.5	65.2	71.9
2005	15.7	9.4	323.2	351.6	112.7	89.4	13.8	13.8	31.2	71.4	78.9	80.0	86.6	97.1
2005 Q2	3.9	2.4	80.3	100.5	26.8	20.0	3.5	3.7	10.3	30.0	19.4	23.2	20.3	23.6
Q3	3.9	2.9	80.4	85.5	27.8	26.1	3.1	3.0	7.5	15.8	20.6	17.0	21.3	23.6
Q4	4.0	2.5	94.7	102.6	36.4	33.4	4.1	4.2	7.3	14.0	21.3	22.5	25.5	28.5
2006 Q1	4.0	2.0	82.3	82.9	19.8	12.2	4.2	3.5	8.2	16.1	23.5	21.2	26.7	29.9
Q2	4.1	2.9	109.1	120.6	36.4	19.2	4.4	4.0	13.2	40.8	24.6	21.4	30.5	35.2

4. Direct investment
(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	-146.4	-130.3	-1.7	-128.6	-16.1	0.0	-16.1	135.0	125.1	3.1	122.0	10.0	0.1	9.9
2004	-154.8	-164.9	-21.4	-143.5	10.1	0.1	10.0	90.6	94.1	1.5	92.6	-3.5	0.5	-4.0
2005	-294.0	-234.5	-12.0	-222.5	-59.5	-0.2	-59.3	91.7	59.8	0.6	59.2	31.9	-0.3	32.2
2005 Q3	-133.6	-108.9	-5.3	-103.6	-24.6	0.0	-24.7	26.2	12.6	1.0	11.6	13.6	0.2	13.4
Q4	-72.7	-58.4	-0.4	-58.0	-14.4	0.1	-14.4	36.2	26.8	-1.5	28.3	9.4	-0.4	9.8
2006 Q1	-50.5	-41.7	-1.8	-39.9	-8.8	0.2	-9.1	19.0	14.7	0.7	14.0	4.3	-0.3	4.6
Q2	-111.0	-88.7	-6.2	-82.4	-22.4	-1.1	-21.3	98.9	86.6	0.5	86.1	12.3	1.0	11.3
Q3	-56.2	-52.6	-9.4	-43.2	-3.6	-0.1	-3.5	18.0	14.3	0.7	13.6	3.7	-0.4	4.1
2005 Oct.	-22.4	-10.6	0.3	-10.8	-11.8	0.0	-11.7	9.4	11.5	0.3	11.3	-2.1	0.4	-2.5
Nov.	-10.4	-7.2	0.1	-7.3	-3.2	-0.3	-2.9	4.0	2.5	-1.6	4.1	1.5	0.1	1.5
Dec.	-39.9	-40.5	-0.8	-39.8	0.6	0.4	0.2	22.7	12.8	-0.2	12.9	10.0	-0.9	10.8
2006 Jan.	-6.5	4.4	-0.6	5.0	-10.9	-0.1	-10.8	3.8	6.2	0.2	6.0	-2.4	0.1	-2.5
Feb.	-39.4	-33.8	-1.6	-32.3	-5.6	0.1	-5.7	10.3	12.0	0.4	11.6	-1.7	0.1	-1.8
Mar.	-4.6	-12.2	0.4	-12.6	7.6	0.2	7.4	4.9	-3.4	0.2	-3.6	8.3	-0.5	8.9
Apr.	-84.4	-59.8	-1.9	-57.9	-24.6	-0.5	-24.1	92.7	78.2	0.0	78.1	14.6	0.2	14.4
May	-14.6	-18.5	-3.3	-15.2	3.9	-0.3	4.2	10.1	8.5	0.4	8.1	1.5	0.4	1.1
June	-12.0	-10.3	-1.0	-9.3	-1.7	-0.2	-1.4	-3.9	-0.1	0.1	-0.1	-3.8	0.4	-4.2
July	-13.1	-11.6	-1.2	-10.4	-1.4	0.0	-1.4	3.7	3.4	0.2	3.2	0.2	-0.2	0.4
Aug.	-8.2	-13.3	-3.1	-10.2	5.0	-0.1	5.1	0.6	5.0	0.3	4.7	-4.3	-0.1	-4.2
Sep.	-34.9	-27.7	-5.1	-22.6	-7.3	0.0	-7.2	13.7	5.9	0.2	5.7	7.7	-0.2	7.9
Oct.	-17.5	-10.2	-5.7	-4.5	-7.3	0.1	-7.4	4.6	-1.5	1.2	-2.7	6.2	1.4	4.8

Source: ECB.

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs	General gov.		Eurosystem	MFIs excluding Eurosystem	Non-MFIs	General gov.		Eurosystem	MFIs excluding Eurosystem	Non-MFIs	General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	-0.3	-13.9	-65.8	-2.6	110.4	-2.4	-45.0	-129.5	-0.2	200.0	0.2	-45.9	23.7	0.6	42.2
2004	0.0	-22.4	-84.2	-3.7	123.9	1.2	-81.9	-96.6	-2.1	272.1	0.0	-43.2	-15.2	0.1	14.5
2005	-0.1	-14.1	-120.4	-3.4	282.8	-0.7	-118.6	-137.9	-0.8	242.5	0.1	-14.3	0.0	0.1	37.7
2005 Q3	-0.1	-4.9	-27.6	-0.9	148.5	-0.4	-20.0	-44.9	0.1	16.3	0.1	-6.8	7.3	0.2	10.5
Q4	0.0	-4.8	-53.8	-0.8	63.0	0.6	-24.6	-26.9	-0.2	18.5	0.1	-4.7	5.9	5.9	-22.6
2006 Q1	0.0	-19.1	-77.9	-0.6	121.2	-0.1	-53.7	-36.2	-0.2	80.8	0.7	2.5	-10.3	-3.8	15.0
Q2	0.0	11.6	7.6	-2.6	35.5	1.0	-23.9	-26.2	0.1	115.4	-3.2	-7.1	-0.7	-3.2	-11.0
Q3	0.0	-5.7	-20.1	.	73.6	-0.4	-45.4	-21.2	.	55.7	1.9	-15.7	-1.3	.	1.2
2005 Oct.	0.0	4.6	-11.0	-	-3.8	0.6	-17.3	-9.6	-	19.6	0.0	6.4	3.2	-	4.7
Nov.	0.0	-6.7	-20.7	-	11.3	0.1	-3.5	-13.7	-	2.5	0.1	-5.1	-1.7	-	-8.5
Dec.	0.0	-2.7	-22.1	-	55.5	-0.2	-3.7	-3.7	-	-3.6	0.0	-6.0	4.3	-	-18.7
2006 Jan.	0.0	-6.7	-37.2	-	35.5	0.2	-32.8	-2.5	-	1.0	0.4	3.0	-7.5	-	10.2
Feb.	0.0	-3.7	-23.4	-	36.2	-0.2	-7.1	-16.9	-	25.0	0.3	1.5	-2.3	-	12.0
Mar.	0.0	-8.7	-17.4	-	49.5	-0.1	-13.8	-16.8	-	54.9	0.0	-2.0	-0.5	-	-7.1
Apr.	0.0	3.5	-5.8	-	-9.4	0.5	-6.1	-11.4	-	26.1	-1.1	-6.5	0.2	-	3.9
May	0.0	3.4	12.2	-	-10.2	0.4	-11.2	-11.8	-	65.8	-1.6	-2.2	-2.0	-	1.7
June	0.0	4.6	1.2	-	55.1	0.0	-6.6	-3.0	-	23.5	-0.5	1.6	1.1	-	-16.6
July	0.0	2.3	-8.2	-	45.5	0.2	-10.5	-4.0	-	0.6	0.4	-18.3	-1.9	-	-5.2
Aug.	0.0	-4.8	-5.0	-	-2.5	0.0	-8.9	-8.1	-	8.4	1.0	0.0	1.9	-	2.9
Sep.	0.0	-3.2	-7.0	-	30.6	-0.7	-26.1	-9.1	-	46.7	0.5	2.6	-1.3	-	3.5
Oct.	0.0	-5.4	-1.3	-	17.0	-1.8	-16.2	-18.7	-	45.5	0.4	-5.0	-0.5	-	9.2

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets	Currency and deposits	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Currency and deposits	Liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2003	-252.2	176.0	-0.8	10.6	-0.2	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-98.5	-	34.0
2004	-314.4	283.5	-0.2	7.7	-1.5	-2.0	-3.6	-261.7	244.9	4.4	-17.4	-266.2	262.3	-50.9	-10.4	34.4
2005	-569.6	645.1	-0.6	6.7	5.2	-2.4	-2.4	-397.7	479.4	-98.6	51.7	-299.1	427.7	-176.5	-6.6	161.5
2005 Q3	-106.2	156.9	0.9	5.0	7.7	4.7	1.2	-86.7	123.1	-20.9	14.7	-65.8	108.4	-28.0	-16.0	27.6
Q4	-129.0	170.5	-0.8	-0.9	-2.0	-1.1	-2.0	-88.4	120.0	-38.0	5.3	-50.4	114.8	-37.8	13.5	53.5
2006 Q1	-218.3	295.1	-3.4	6.6	7.6	3.8	-3.6	-136.4	222.2	-13.3	12.8	-123.2	209.4	-86.1	-8.4	69.8
Q2	-103.9	71.4	0.8	2.3	-11.2	-12.1	0.3	-57.6	10.1	-31.4	21.1	-26.2	-10.9	-35.9	15.5	58.6
Q3	-158.3	215.7	-1.3	3.8	12.0	8.1	6.0	-120.2	165.0	-37.3	19.1	-82.9	145.9	-48.8	-7.2	40.8
2005 Oct.	-53.1	59.2	0.1	-1.1	0.7	-0.3	1.8	-46.4	52.7	-3.8	3.3	-42.6	49.3	-7.4	3.3	5.8
Nov.	-147.4	198.9	-0.9	2.2	-1.2	1.3	0.2	-113.0	174.5	-1.0	0.4	-112.0	174.0	-32.2	-3.8	22.0
Dec.	71.4	-87.6	0.1	-2.0	-1.5	-2.1	-4.1	71.0	-107.1	-33.2	1.5	104.2	-108.6	1.8	13.9	25.6
2006 Jan.	-103.2	144.3	0.1	4.9	3.7	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.8	118.6	-35.9	-15.8	24.2
Feb.	-44.5	73.1	-4.4	0.2	1.2	1.0	-1.2	-3.9	36.3	-7.4	9.8	3.5	26.4	-37.5	-3.4	37.9
Mar.	-70.5	77.6	1.0	1.6	2.6	0.5	0.0	-61.5	68.3	-12.5	4.0	-48.9	64.3	-12.7	10.9	7.8
Apr.	-82.1	111.6	0.1	-1.3	-4.4	-4.8	4.3	-64.3	82.3	-5.5	9.8	-58.8	72.5	-13.4	6.0	26.3
May	-72.3	64.1	0.0	5.0	-4.1	-4.5	-4.8	-45.1	40.6	-8.4	2.5	-36.7	38.1	-23.1	-3.5	23.3
June	50.5	-104.3	0.6	-1.3	-2.6	-2.9	0.9	51.8	-112.8	-17.4	8.8	69.3	-121.6	0.6	13.1	9.0
July	-53.7	73.3	0.8	0.1	7.0	6.9	1.8	-42.9	64.5	-13.1	7.6	-29.8	56.9	-18.6	-2.8	7.0
Aug.	-2.3	21.2	-2.5	1.3	0.5	-0.1	-0.5	7.9	18.4	-7.7	5.8	15.7	12.6	-8.2	-5.7	1.9
Sep.	-102.3	121.2	0.5	2.5	4.5	1.4	4.7	-85.3	82.1	-16.5	5.7	-68.8	76.4	-22.0	1.3	31.9
Oct.	-108.6	90.7	0.9	-0.9	-2.2	-3.8	-2.1	-84.3	67.7	-48.0	-2.2	-36.4	69.9	-22.9	2.2	26.0

Source: ECB.

**EURO AREA
STATISTICS**

External
transactions
and
positions

7.1 Balance of payments
(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-0.8	0.0	10.7	0.0	-0.1	0.8	-0.2	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.7	0.1	0.0	-0.3	1.7	-2.0	-1.3	0.0	-3.4	-0.2
2005	-0.5	-0.1	6.7	0.0	0.0	6.4	8.9	-2.4	-1.2	0.0	-2.2	-0.3
2005 Q2	-1.2	-0.1	0.4	0.0	0.0	-7.1	1.5	-8.6	-0.5	0.0	-2.0	0.0
Q3	0.9	0.0	4.9	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1
Q4	-0.8	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0
2006 Q1	-3.4	0.0	6.6	0.1	0.0	7.8	4.0	3.8	-0.1	0.0	-3.2	-0.4
Q2	0.8	0.0	2.4	0.0	0.0	-10.8	1.4	-12.1	-0.4	0.0	0.2	0.1

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2003	-152.1	-0.5	134.8	-0.1	-0.9	-95.3	-9.1	-86.3	-2.3	4.3	29.4	0.3
2004	-257.8	-3.9	242.0	2.9	-6.1	-40.6	-30.2	-10.4	-4.3	9.3	23.5	1.6
2005	-394.6	-3.1	477.8	1.6	-8.7	-151.4	-144.8	-6.6	-16.5	11.5	143.8	6.2
2005 Q2	-97.2	1.7	43.7	0.8	-5.9	-40.9	-62.0	21.1	-4.6	2.1	53.5	1.3
Q3	-81.5	-5.2	120.4	2.7	1.4	-22.9	-6.9	-16.0	-6.6	1.9	27.3	-1.7
Q4	-91.9	3.5	124.8	-4.8	-1.9	-36.9	-50.3	13.5	0.9	4.9	47.7	0.9
2006 Q1	-132.6	-3.9	216.3	5.9	-3.8	-74.0	-65.5	-8.4	-8.4	4.4	60.0	5.4
Q2	-58.1	0.5	15.7	-5.5	-3.6	-34.7	-50.3	15.5	2.4	4.0	59.6	-4.9

8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
2003	27.8	1.7	0.0	-1.6	27.7	-2.5	1.9	-0.1	22.2	6.3	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.7	-3.0	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2005 Q2	3.1	1.3	0.0	1.3	0.5	-4.1	0.6	0.0	0.9	3.0	0.0	0.0
Q3	2.4	0.5	0.0	2.6	-0.7	1.4	1.4	0.0	-4.9	1.4	-0.1	0.0
Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	6.1	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.6	4.6	0.0	-0.5
Q2	-1.4	1.4	0.0	-0.5	-3.0	0.9	2.4	0.0	-6.8	0.5	0.0	0.7

Source: ECB.

	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	Memo: Transactions in the external counterpart of M3
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2003	44.8	-144.7	135.0	-171.6	114.7	242.4	-98.8	30.6	-14.4	-44.3	93.8	93.7
2004	72.2	-133.6	90.1	-196.0	113.9	266.7	-52.5	30.8	-6.6	-51.1	134.0	160.8
2005	3.7	-281.8	92.0	-258.2	239.6	256.1	-171.3	159.1	-10.7	-41.1	-12.7	0.1
2005 Q3	1.7	-128.3	26.1	-65.1	153.0	20.1	-20.4	28.8	-0.4	-25.2	-9.7	-19.2
Q4	-3.6	-72.4	36.6	-74.9	48.2	-7.8	-39.8	51.4	-6.2	46.0	-22.5	-15.0
2006 Q1	-10.8	-49.0	19.3	-124.4	116.1	73.8	-78.5	66.2	-8.5	-54.9	-50.8	-34.1
Q2	-6.6	-103.8	97.9	-19.3	28.9	100.1	-47.1	58.9	-1.7	-44.5	63.0	66.7
Q3	2.8	-46.7	18.4	-42.6	40.3	47.9	-36.8	46.9	4.6	-46.5	-11.8	8.1
2005 Oct.	-5.7	-22.6	9.0	-17.3	-4.6	18.4	-6.7	7.7	-4.2	19.3	-6.7	-5.2
Nov.	-0.2	-10.3	4.0	-36.1	11.3	-5.5	-33.5	22.2	1.9	-2.2	-48.2	-44.9
Dec.	2.3	-39.5	23.6	-21.5	41.6	-20.6	0.4	21.5	-4.0	28.8	32.5	35.1
2006 Jan.	-9.4	-5.8	3.8	-47.1	31.8	3.6	-32.2	21.8	-2.9	12.6	-23.9	5.7
Feb.	0.4	-37.9	10.2	-42.6	31.3	31.0	-36.3	36.7	-3.3	-19.9	-30.3	-19.2
Mar.	-1.9	-5.3	5.4	-34.7	52.9	39.2	-10.0	7.7	-2.3	-47.6	3.5	-20.6
Apr.	-7.3	-82.0	92.5	-17.0	-13.5	20.4	-17.8	30.6	-5.6	-17.8	-17.5	-7.3
May	-10.7	-11.0	9.7	-1.6	-10.6	63.3	-27.2	18.5	2.0	-21.2	11.0	11.2
June	11.4	-10.7	-4.3	-0.7	53.1	16.4	-2.0	9.8	1.9	-5.5	69.5	62.8
July	3.2	-11.8	3.8	-14.1	27.3	-1.0	-11.6	8.8	1.8	-15.4	-9.0	4.5
Aug.	-1.0	-5.1	0.7	-11.1	2.6	3.8	-7.7	1.5	-3.8	9.3	-10.6	-12.0
Sep.	0.6	-29.8	13.9	-17.4	10.4	45.0	-17.5	36.6	6.6	-40.4	7.9	15.6
Oct.	0.1	-11.9	3.3	-20.5	6.4	31.7	-25.1	23.9	7.2	0.2	15.1	15.4
12-month cumulated transactions												
2006 Oct.	-12.5	-261.2	166.5	-264.4	244.6	227.3	-220.6	239.6	-0.5	-119.1	-0.2	46.3

B.o.p. items balancing transactions in the external counterpart of M3

C34 Main b.o.p. transactions underlying the developments in MFI net external assets
(EUR billions; 12-month cumulated transactions)

- MFI net external assets
- current and capital accounts balance
- direct and portfolio equity investment abroad by non-MFIs
- portfolio investment liabilities in the form of debt instruments [2]
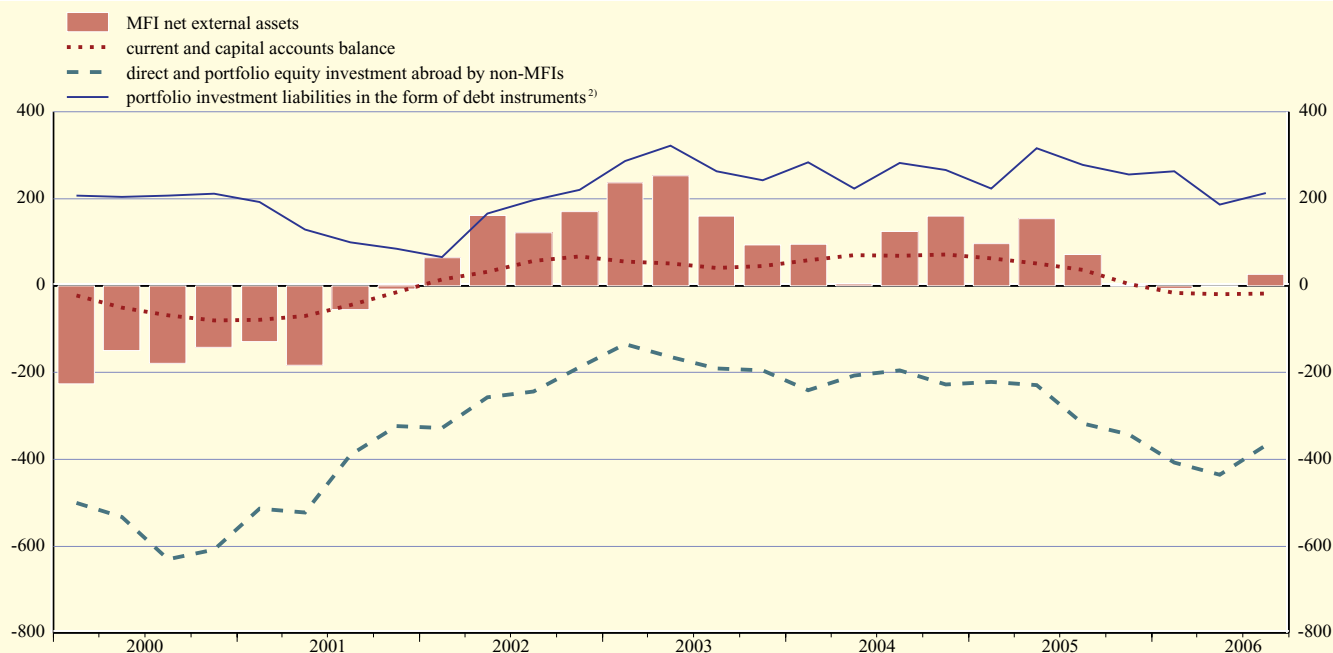
Source: ECB.
1) Excluding money market fund shares/units.
2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.3 Geographical breakdown of the balance of payments and international investment position
(EUR billions)

1. Balance of payments: current and capital accounts
(cumulated transactions)

2005 Q3 to 2006 Q2	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	2,196.2	797.3	44.9	70.1	421.7	201.7	58.9	29.6	54.8	144.0	376.0	794.5
Goods	1,309.1	453.8	30.6	46.5	216.2	160.4	0.1	17.1	34.0	72.6	195.3	536.3
Services	419.3	147.4	8.3	11.3	101.5	21.1	5.2	6.1	12.1	40.6	78.2	135.0
Income	382.5	135.1	5.6	11.6	94.1	18.0	5.8	5.9	8.0	24.6	95.6	113.3
of which: investment income	366.4	129.8	5.5	11.4	92.4	17.9	2.6	5.9	7.9	18.5	94.2	110.2
Current transfers	85.3	61.0	0.5	0.7	9.8	2.2	47.8	0.4	0.8	6.2	6.9	10.0
Capital account	23.5	19.9	0.0	0.1	0.8	0.3	18.7	0.0	0.0	0.4	0.5	2.6
Debits												
Current account	2,225.8	708.4	37.9	66.4	351.6	161.4	91.1	20.7	83.2	139.2	333.5	940.8
Goods	1,288.2	365.2	26.2	43.1	167.2	128.7	0.0	10.0	52.4	65.6	124.7	670.2
Services	381.6	120.3	7.0	9.2	79.4	24.6	0.2	5.5	7.6	31.0	86.2	131.0
Income	401.9	126.9	4.2	13.4	96.8	6.7	5.8	4.0	22.8	37.3	114.7	96.1
of which: investment income	391.6	121.9	4.2	13.3	95.8	2.8	5.8	3.9	22.7	36.7	113.8	92.5
Current transfers	154.1	96.0	0.5	0.8	8.2	1.4	85.1	1.2	0.3	5.3	7.8	43.5
Capital account	13.2	1.4	0.0	0.2	0.8	0.2	0.2	0.1	0.0	0.3	1.1	10.2
Net												
Current account	-29.6	88.8	7.1	3.7	70.0	40.3	-32.2	8.9	-28.4	4.8	42.5	-146.3
Goods	20.9	88.6	4.4	3.4	49.0	31.7	0.1	7.1	-18.4	7.0	70.6	-133.9
Services	37.7	27.1	1.2	2.2	22.1	-3.5	5.0	0.6	4.5	9.6	-8.0	4.0
Income	-19.4	8.2	1.4	-1.8	-2.7	11.3	0.0	1.9	-14.8	-12.7	-19.1	17.1
of which: investment income	-25.2	7.9	1.4	-1.8	-3.4	15.0	-3.2	1.9	-14.8	-18.3	-19.7	17.7
Current transfers	-68.8	-35.0	0.0	-0.1	1.6	0.8	-37.3	-0.8	0.4	0.9	-1.0	-33.4
Capital account	10.3	18.4	0.0	-0.1	0.0	0.0	18.5	-0.1	0.0	0.1	-0.6	-7.6

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

2005 Q3 to 2006 Q2	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	-187.5	-128.6	2.7	13.6	-121.4	-23.5	0.0	-1.7	1.2	2.2	-20.2	9.2	-49.5
Abroad	-367.9	-243.6	1.6	3.7	-224.9	-23.9	0.0	-6.8	-2.6	-7.6	-31.3	-19.8	-56.2
Equity/reinvested earnings	-297.6	-221.3	0.3	-0.1	-199.2	-22.2	0.0	-2.3	-2.0	-7.3	-4.9	-10.4	-49.4
Other capital	-70.2	-22.3	1.3	3.7	-25.6	-1.7	0.0	-4.6	-0.6	-0.2	-26.4	-9.4	-6.8
In the euro area	180.3	115.0	1.1	10.0	103.5	0.4	0.0	5.1	3.9	9.7	11.0	29.0	6.7
Equity/reinvested earnings	140.8	89.4	0.3	9.4	78.3	1.3	0.0	4.3	3.6	9.1	-9.6	38.5	5.6
Other capital	39.5	25.6	0.8	0.5	25.2	-1.0	0.0	0.8	0.2	0.6	20.6	-9.5	1.1

Source: ECB.

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						
2005 Q3 to 2006 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-440.9	-125.9	0.4	-12.3	-100.1	-11.4	-2.5	-9.6	-32.9	1.9	-99.8	-77.2	-97.3
Equity	-169.1	-14.3	0.7	-5.5	-9.1	-0.4	0.0	-4.4	-23.2	4.7	-51.3	-24.6	-55.9
Debt instruments	-271.7	-111.5	-0.4	-6.7	-90.9	-11.0	-2.5	-5.2	-9.7	-2.8	-48.5	-52.6	-41.3
Bonds and notes	-255.3	-101.1	-0.5	-3.6	-80.9	-13.1	-3.1	-4.2	-6.1	-1.2	-51.7	-49.5	-41.5
Money market instruments	-16.4	-10.4	0.1	-3.1	-10.0	2.1	0.5	-1.1	-3.6	-1.6	3.2	-3.1	0.2

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. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2005 Q3 to 2006 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	136.5	5.2	-8.8	13.5	0.8	-12.0	11.8	-2.6	35.1	-19.2	45.1	56.6	9.3	6.9
Assets	-557.4	-383.8	-25.4	4.7	-336.3	-26.5	-0.3	-3.9	18.4	-41.7	7.3	-59.3	-2.4	-91.9
General government	2.1	-5.4	1.4	-0.8	-5.5	0.2	-0.7	0.1	0.0	0.0	0.6	0.0	-1.3	8.2
MFIs	-371.7	-217.1	-26.0	5.2	-173.0	-23.5	0.3	-3.3	16.9	-36.9	-7.3	-46.1	-0.7	-77.1
Other sectors	-187.8	-161.3	-0.8	0.3	-157.8	-3.2	0.2	-0.8	1.5	-4.8	14.1	-13.2	-0.4	-23.0
Liabilities	693.9	389.0	16.6	8.8	337.1	14.5	12.1	1.3	16.7	22.4	37.8	116.0	11.7	98.8
General government	-4.1	-2.9	0.0	0.0	-2.6	0.0	-0.3	0.0	0.0	-0.3	-0.8	0.0	-0.2	0.1
MFIs	488.5	225.8	16.0	7.6	188.6	12.2	1.3	1.7	14.0	17.7	17.3	111.6	11.7	88.7
Other sectors	209.5	166.1	0.6	1.2	151.0	2.3	11.1	-0.3	2.7	5.0	21.3	4.4	0.2	10.0

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

Source: ECB.

7.4 International investment position (including international reserves)
(EUR billions, unless otherwise indicated; end-of-period outstanding amounts)

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2002	-709.9	-9.8	181.4	-943.1	-12.6	-301.7	366.1
2003	-781.2	-10.5	90.7	-919.3	-7.5	-251.8	306.7
2004	-824.8	-10.6	109.7	-1,001.2	-14.9	-199.5	281.0
2005	-811.1	-10.1	327.8	-1,148.7	-14.4	-296.0	320.1
2006 Q1	-960.3	-11.5	327.7	-1,217.9	-6.7	-390.6	327.2
Q2	-955.0	-11.4	340.7	-1,280.3	-2.0	-337.2	323.8
Outstanding assets							
2002	7,427.6	102.5	2,007.3	2,292.6	133.1	2,628.5	366.1
2003	7,970.9	106.9	2,171.1	2,659.0	160.8	2,673.4	306.7
2004	8,775.6	113.3	2,338.5	3,035.8	174.1	2,946.2	281.0
2005	10,813.8	135.2	2,712.4	3,873.8	236.1	3,671.4	320.1
2006 Q1	11,277.9	134.9	2,747.5	4,082.3	269.7	3,851.3	327.2
Q2	11,297.5	135.2	2,837.0	3,963.5	268.3	3,904.9	323.8
Outstanding liabilities							
2002	8,137.6	112.3	1,826.0	3,235.8	145.7	2,930.2	-
2003	8,752.1	117.4	2,080.3	3,578.3	168.3	2,925.2	-
2004	9,600.5	123.9	2,228.8	4,037.0	189.0	3,145.7	-
2005	11,624.9	145.3	2,384.6	5,022.5	250.5	3,967.3	-
2006 Q1	12,238.3	146.4	2,419.8	5,300.2	276.4	4,241.9	-
Q2	12,252.5	146.6	2,496.3	5,243.8	270.3	4,242.1	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12
2002	1,546.4	132.7	1,413.7	460.9	1.6	459.3	1,294.8	42.1	1,252.7	531.1	2.9	528.3
2003	1,728.7	124.8	1,603.8	442.4	2.1	440.3	1,508.6	46.3	1,462.3	571.8	3.2	568.6
2004	1,899.2	145.0	1,754.2	439.3	3.1	436.2	1,659.7	44.0	1,615.8	569.1	8.2	560.9
2005	2,186.8	167.1	2,019.7	525.6	6.9	518.8	1,776.3	46.0	1,730.3	608.3	10.1	598.2
2006 Q1	2,219.1	163.4	2,055.7	528.4	6.8	521.6	1,814.7	44.3	1,770.4	605.1	10.0	595.1
Q2	2,288.0	165.6	2,122.4	549.0	7.3	541.7	1,883.6	44.4	1,839.2	612.6	10.1	602.6

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors				General gov.	Other sectors				General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,662.1	1.2	189.4	1.2	47.1	209.3
2003	1.7	53.6	11.5	1,026.4	1,570.7	8.3	461.1	8.0	846.7	1,759.6	1.1	191.5	0.6	48.5	248.0
2004	2.1	74.0	16.1	1,160.6	1,756.4	6.2	541.6	9.7	938.6	2,045.4	0.9	231.5	0.4	54.2	235.2
2005	3.0	100.6	26.6	1,602.9	2,428.5	6.6	693.6	11.5	1,114.3	2,276.2	0.8	260.6	0.4	52.9	317.7
2006 Q1	2.9	121.5	28.7	1,722.1	2,671.4	6.7	733.4	11.0	1,145.7	2,309.8	0.2	247.7	4.1	58.4	319.0
Q2	2.8	104.9	29.7	1,611.5	2,561.9	5.8	732.5	10.7	1,144.3	2,369.8	3.3	253.6	7.3	57.0	312.0

Source: ECB.

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
2002	3.6	0.1	57.2	0.2	1.4	62.9	58.2	4.7	54.5	0.1	42.3	13.8
2003	4.4	0.6	66.0	0.2	0.2	59.4	53.6	5.8	41.6	0.0	42.0	3.8
2004	4.5	0.1	74.4	0.2	0.2	62.7	54.5	8.3	41.7	0.0	42.1	3.4
2005	4.8	0.2	82.2	0.2	0.1	58.0	46.2	11.8	43.7	0.0	42.6	3.6
2006 Q1	8.2	0.2	86.5	0.3	0.1	50.2	42.1	8.1	43.3	0.0	40.8	2.7
Q2	7.9	0.2	88.5	0.3	0.1	60.6	40.4	20.2	42.6	0.0	41.1	2.8

	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	1,686.3	60.8	2,251.1	48.5	174.4	493.8	205.7	288.1	90.7	104.7	364.5	47.8
2003	1,739.8	38.4	2,243.1	30.9	168.9	535.9	207.0	328.9	84.2	107.0	386.4	45.7
2004	1,957.6	45.2	2,423.5	42.1	172.0	568.7	237.1	331.6	93.4	110.0	400.2	49.7
2005	2,462.3	56.2	3,046.0	52.3	184.5	729.8	374.8	355.0	131.7	124.9	546.4	69.1
2006 Q1	2,575.2	55.5	3,236.0	54.7	189.2	789.0	420.2	368.9	140.4	130.2	607.3	83.3
Q2	2,588.6	53.6	3,197.0	47.2	190.9	823.8	470.0	353.7	136.7	134.1	653.4	77.9

5. International reserves

		Reserve assets													Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
						Eurosystem										
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.2	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
2006 Aug.	326.4	179.4	369.671	4.4	7.3	135.3	3.9	23.2	108.1	-	-	-	0.2	0.0	26.2	-19.7
Sep.	325.0	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	-	-	-	-0.1	0.0	26.8	-21.9
Oct.	325.5	174.7	367.426	4.4	5.9	140.5	4.1	22.0	114.4	-	-	-	0.0	0.0	23.6	-18.6
Nov.	327.0	179.4	366.229	4.3	5.4	137.9	4.0	20.2	113.3	-	-	-	0.4	0.0	24.5	-19.8
						of which held by the European Central Bank										
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q1	40.5	11.1	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
2006 Aug.	40.4	10.3	21.312	0.2	0.0	29.8	0.7	4.4	24.7	-	-	-	0.0	0.0	2.8	-0.4
Sep.	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	-	-	-	0.0	0.0	2.9	-0.7
Oct.	40.6	10.1	21.312	0.2	0.0	30.2	0.8	3.3	26.2	-	-	-	0.0	0.0	2.7	-0.2
Nov.	40.1	10.4	21.312	0.2	0.0	29.4	0.8	3.4	25.2	-	-	-	0.0	0.0	2.7	-0.1

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.)				Memo:	Imports (c.i.f.)				Memo:	
	Exports	Imports	Total	Intermediate	Capital	Consumption	Manufactures		Total Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2002	2.0	-3.0	1,083.5	512.8	227.8	309.5	949.2	984.6	559.5	163.5	234.2	717.7	105.2
2003	-2.3	0.5	1,060.2	501.3	222.8	300.3	924.0	990.4	553.2	164.4	241.0	716.4	109.0
2004	8.9	9.4	1,146.9	547.8	247.4	313.6	999.4	1,075.3	605.4	184.1	256.3	770.3	129.5
2005	7.7	13.4	1,241.5	593.0	270.4	333.8	1,072.6	1,224.7	705.7	207.1	276.4	847.5	186.1
2005 Q2	6.8	12.1	304.2	145.9	65.9	82.4	261.0	295.1	169.4	51.4	67.1	202.8	42.1
Q3	10.1	15.6	320.1	151.2	71.7	85.8	275.4	319.5	185.3	54.2	71.1	218.6	53.2
Q4	9.8	15.7	324.1	155.6	69.5	86.4	279.1	329.2	189.1	56.4	72.7	226.0	53.5
2006 Q1	15.8	22.2	332.6	159.3	71.1	89.1	285.2	336.3	197.3	52.5	73.9	224.7	55.8
Q2	9.3	14.1	339.4	162.3	71.5	89.6	291.4	344.3	204.0	52.0	74.5	233.1	56.4
Q3	7.8	10.1	347.1	166.6	72.0	90.7	297.5	355.2	212.6	50.6	75.3	238.6	59.8
2006 May	14.4	20.3	113.1	54.2	23.8	30.3	97.5	115.0	69.2	17.5	25.2	77.6	19.9
June	8.3	13.3	113.6	54.4	24.0	30.1	97.8	115.3	68.7	17.5	24.8	78.4	18.8
July	7.4	12.5	111.5	53.7	22.8	29.4	95.6	117.2	69.7	16.5	24.8	78.5	19.5
Aug.	7.7	10.6	115.2	55.3	23.7	30.7	99.3	120.0	73.5	17.3	25.3	80.3	21.6
Sep.	8.3	7.4	120.4	57.7	25.4	30.6	102.7	118.0	69.4	16.8	25.2	79.8	18.7
Oct.	16.8	14.7	120.4	57.5	25.0	31.2	102.0	118.7	71.2	17.1	25.9	80.2	.
	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	108.4	98.1	98.9	89.8	104.1	96.4	101.4
2003	1.0	3.7	109.1	105.9	108.1	114.9	109.3	101.9	100.4	95.4	110.5	100.1	104.9
2004	9.1	6.7	118.2	115.4	121.5	119.9	118.7	107.9	104.4	108.1	118.6	107.6	105.7
2005	4.8	5.2	124.4	120.1	131.2	124.9	124.8	114.1	108.1	122.5	124.7	116.0	110.6
2005 Q2	4.7	6.2	122.9	119.4	128.3	124.4	122.1	112.5	107.0	122.8	122.8	112.1	107.0
Q3	6.9	5.9	127.5	121.6	138.4	127.4	127.5	116.2	109.7	126.8	127.3	119.0	115.2
Q4	5.6	5.4	127.8	123.6	133.7	127.3	128.4	117.5	109.1	131.9	127.8	121.8	111.7
2006 Q1	10.6	8.2	129.4	124.8	135.4	129.8	130.0	116.4	109.6	121.0	128.7	119.2	108.4
Q2	5.1	3.3	131.9	127.2	136.7	130.1	132.9	118.8	111.4	122.5	130.3	123.9	104.2
Q3	4.8	3.7	134.5	129.2	138.0	131.8	135.2	121.8	115.5	120.6	130.0	125.6	113.7
2006 May	9.3	7.3	131.8	127.4	136.1	132.1	133.3	119.0	113.6	123.2	131.6	123.2	110.1
June	4.8	4.5	132.4	127.8	137.8	130.8	133.8	119.4	112.1	124.8	131.4	126.1	102.6
July	4.3	4.6	129.9	125.6	131.5	128.0	130.8	120.1	112.7	118.1	128.4	124.4	108.3
Aug.	4.5	3.7	133.6	127.9	136.1	133.6	135.1	122.9	119.3	122.8	130.6	126.6	121.6
Sep.	5.6	3.0	139.9	134.2	146.4	133.9	139.6	122.4	114.6	120.9	130.9	125.7	111.2
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.7	99.6	101.9	100.0	84.5
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	-0.2	2.4	96.7	96.3	94.2	99.6	96.2	97.1	98.1	93.0	97.8	96.1	99.4
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.4	92.4	100.3	98.1	136.8
2005 Q2	2.0	5.5	98.7	99.2	95.0	100.9	97.7	102.3	107.3	91.6	99.0	97.2	128.2
Q3	3.0	9.2	100.1	101.0	95.8	102.5	98.7	107.2	114.4	93.4	101.1	98.7	150.4
Q4	4.0	9.8	101.1	102.3	96.2	103.4	99.3	109.3	117.4	93.5	103.0	99.6	156.2
2006 Q1	4.7	13.0	102.5	103.6	97.1	104.5	100.3	112.7	121.8	95.0	104.1	101.3	167.9
Q2	4.0	10.5	102.6	103.6	96.8	104.9	100.2	113.1	124.0	92.8	103.5	101.0	176.3
Q3	2.8	6.2	102.9	104.7	96.5	104.7	100.6	113.8	124.6	91.7	104.9	102.1	171.5
2006 May	4.7	12.1	102.6	103.7	97.3	104.7	100.2	113.1	123.8	93.1	104.0	101.5	176.5
June	3.3	8.4	102.7	103.8	96.6	105.2	100.3	112.9	124.4	91.7	102.4	100.2	178.9
July	2.9	7.6	102.7	104.1	96.4	104.9	100.1	114.2	125.7	91.4	104.7	101.7	175.9
Aug.	3.1	6.7	103.1	105.3	96.7	104.8	100.8	114.3	125.1	92.3	105.1	102.2	173.7
Sep.	2.5	4.3	102.9	104.7	96.4	104.5	100.8	112.8	123.0	91.4	104.7	102.3	164.8
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
							Exports (f.o.b.)								
2002	1,083.5	25.3	37.1	205.7	112.1	27.0	64.0	21.4	184.1	29.9	33.1	140.4	59.5	43.5	100.3
2003	1,060.2	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.2	135.5	59.5	37.7	101.2
2004	1,146.9	25.6	41.8	203.9	128.1	35.3	66.1	31.8	173.7	40.3	33.2	149.8	63.8	40.6	113.0
2005	1,241.5	28.9	45.0	202.9	144.7	43.1	70.7	34.6	185.2	43.4	34.1	166.0	73.0	47.0	123.1
2005 Q2	304.2	7.2	11.1	49.8	34.7	10.5	17.1	8.2	45.3	10.0	8.5	40.6	17.2	11.4	32.6
Q3	320.1	7.4	11.4	51.3	36.7	11.3	17.9	9.1	47.3	11.4	8.5	44.1	19.4	12.2	32.3
Q4	324.1	7.6	11.4	51.6	39.1	11.4	18.0	9.5	48.8	11.8	8.6	42.4	19.2	12.3	32.3
2006 Q1	332.6	7.5	11.6	52.6	40.7	12.1	18.0	9.7	50.3	12.5	8.8	43.9	19.0	13.3	32.5
Q2	339.4	7.7	12.2	53.9	42.9	13.0	18.3	9.8	49.4	12.8	8.4	45.1	19.2	13.3	33.5
Q3	347.1	7.7	12.8	54.9	45.1	14.2	19.3	9.5	48.9	13.5	8.5	45.8	19.0	13.4	34.4
2006 May	113.1	2.6	4.1	17.9	14.1	4.3	6.1	3.3	16.6	4.2	2.8	14.6	6.3	4.4	11.8
June	113.6	2.6	4.2	18.2	14.3	4.5	6.1	3.3	16.2	4.4	2.8	15.2	6.5	4.5	10.8
July	111.5	2.6	4.3	17.8	14.6	4.5	6.4	3.0	16.1	4.3	2.8	14.8	6.2	4.3	9.9
Aug.	115.2	2.6	4.3	19.0	14.9	4.6	6.4	3.2	16.4	4.5	2.8	14.7	6.2	4.5	11.0
Sep.	120.4	2.6	4.3	18.1	15.5	5.1	6.5	3.3	16.4	4.8	2.9	16.3	6.5	4.7	13.5
Oct.	120.4	.	.	.	.	5.2	7.1	3.1	16.2	4.8	2.9	15.8	6.2	4.8	-
							% share of total exports								
2005	100.0	2.3	3.6	16.4	11.7	3.5	5.7	2.8	14.9	3.5	2.7	13.4	5.9	3.8	9.9
							Imports (c.i.f.)								
2002	984.6	23.0	35.7	149.7	93.5	42.1	52.1	17.7	125.6	61.7	52.7	143.0	67.8	39.4	80.5
2003	990.4	23.7	37.0	138.9	102.1	47.4	50.6	19.3	110.3	74.5	52.2	141.8	68.9	39.8	84.0
2004	1,075.3	25.3	39.6	144.0	107.2	56.4	53.0	22.8	113.8	92.1	53.9	161.1	72.7	45.1	88.4
2005	1,224.7	26.3	42.2	152.4	118.1	75.9	57.9	24.9	120.2	118.1	53.0	190.0	96.0	53.5	96.2
2005 Q2	295.1	6.6	10.3	36.9	29.2	18.4	14.3	5.8	29.8	27.9	12.5	43.9	22.3	12.3	24.8
Q3	319.5	6.6	10.7	39.5	30.0	20.0	14.8	6.1	30.9	31.4	13.7	51.0	26.6	14.0	24.3
Q4	329.2	6.6	11.1	39.6	30.9	20.5	15.3	6.7	31.0	32.5	13.9	53.1	26.6	15.0	26.4
2006 Q1	336.3	6.7	11.3	40.8	32.2	23.8	15.1	6.7	31.8	33.4	13.9	51.3	26.9	15.7	26.8
Q2	344.3	6.7	11.4	43.1	34.2	24.9	15.4	7.5	31.8	34.6	14.0	53.3	27.1	15.9	24.5
Q3	355.2	7.0	12.2	41.6	36.2	24.1	15.9	7.2	32.0	35.6	14.1	55.5	27.6	16.5	29.8
2006 May	115.0	2.3	3.9	14.6	11.4	8.6	5.1	2.5	10.5	11.4	4.7	18.0	9.2	5.3	7.7
June	115.3	2.2	3.9	14.0	11.6	8.5	5.3	2.5	10.8	11.9	4.9	17.4	9.0	5.4	8.0
July	117.2	2.5	4.1	14.0	11.9	7.7	5.3	2.3	10.7	11.7	4.6	18.4	8.9	5.6	9.6
Aug.	120.0	2.2	4.0	14.2	12.0	8.8	5.3	2.4	10.7	11.7	4.8	18.7	10.0	5.5	9.6
Sep.	118.0	2.3	4.1	13.4	12.4	7.7	5.3	2.4	10.6	12.2	4.6	18.4	8.6	5.4	10.7
Oct.	118.7	.	.	.	.	7.4	5.1	2.3	10.7	12.6	4.6	18.3	9.1	5.7	-
							% share of total imports								
2005	100.0	2.2	3.4	12.5	9.7	6.2	4.7	2.0	9.8	9.6	4.3	15.5	7.8	4.4	7.8
							Balance								
2002	98.9	2.3	1.4	56.0	18.6	-15.1	12.0	3.7	58.4	-31.8	-19.6	-2.6	-8.3	4.1	19.7
2003	69.7	1.2	1.7	56.0	15.5	-18.2	12.7	5.5	56.0	-39.3	-20.9	-6.3	-9.4	-2.0	17.2
2004	71.5	0.3	2.2	59.9	20.9	-21.1	13.1	8.9	59.9	-51.8	-20.7	-11.3	-8.9	-4.5	24.6
2005	16.8	2.6	2.8	50.5	26.6	-32.8	12.7	9.7	65.0	-74.7	-19.0	-24.0	-23.0	-6.6	26.9
2005 Q2	9.1	0.5	0.8	12.9	5.4	-7.8	2.8	2.3	15.5	-17.8	-4.1	-3.3	-5.0	-0.9	7.8
Q3	0.6	0.8	0.6	11.8	6.7	-8.7	3.1	2.9	16.4	-20.1	-5.1	-6.9	-7.2	-1.8	8.0
Q4	-5.1	0.9	0.4	12.0	8.2	-9.0	2.6	2.8	17.9	-20.8	-5.3	-10.6	-7.3	-2.7	5.9
2006 Q1	-3.7	0.8	0.3	11.9	8.4	-11.7	2.9	3.0	18.5	-21.0	-5.1	-7.3	-7.9	-2.4	5.7
Q2	-4.9	1.0	0.7	10.8	8.7	-12.0	2.9	2.3	17.7	-21.8	-5.7	-8.1	-7.9	-2.6	9.0
Q3	-8.1	0.7	0.6	13.3	8.9	-9.9	3.4	2.3	16.9	-22.1	-5.6	-9.7	-8.6	-3.1	4.6
2006 May	-1.9	0.3	0.2	3.3	2.7	-4.3	1.1	0.9	6.0	-7.2	-1.8	-3.4	-2.9	-0.9	4.2
June	-1.6	0.5	0.3	4.3	2.7	-4.1	0.9	0.8	5.4	-7.5	-2.1	-2.2	-2.5	-0.9	2.8
July	-5.7	0.1	0.2	3.8	2.8	-3.2	1.1	0.7	5.4	-7.4	-1.9	-3.5	-2.7	-1.3	0.3
Aug.	-4.9	0.3	0.3	4.8	3.0	-4.1	1.1	0.8	5.7	-7.3	-2.0	-4.0	-3.8	-1.0	1.5
Sep.	2.4	0.3	0.2	4.7	3.2	-2.6	1.2	0.9	5.8	-7.4	-1.7	-2.2	-2.1	-0.8	2.8
Oct.	1.7	.	.	.	.	-2.2	1.9	0.8	5.5	-7.8	-1.8	-2.5	-2.9	-0.9	-

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

EXCHANGE RATES

(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
2004	103.8	105.9	105.2	104.4	100.7	103.2	111.0	105.4
2005	102.9	105.2	103.6	102.5	98.5	101.2	109.5	103.5
2006	103.4	105.7	104.3	.	.	.	109.8	103.3
2005 Q4	100.9	103.2	101.1	100.6	95.8	98.6	107.2	101.2
2006 Q1	101.2	103.5	102.0	100.6	95.2	98.5	107.2	101.0
Q2	103.5	105.8	104.3	102.7	96.5	100.3	109.9	103.5
Q3	104.3	106.5	105.1	103.4	97.0	100.4	111.0	104.3
Q4	104.5	106.9	105.7	.	.	.	111.1	104.3
2005 Dec.	100.7	103.1	101.0	-	-	-	106.9	101.0
2006 Jan.	101.4	103.7	101.9	-	-	-	107.5	101.3
Feb.	100.7	102.9	101.7	-	-	-	106.6	100.4
Mar.	101.5	103.9	102.5	-	-	-	107.4	101.3
Apr.	102.7	105.1	103.6	-	-	-	108.6	102.4
May	103.8	106.2	104.6	-	-	-	110.3	103.9
June	103.9	106.2	104.6	-	-	-	110.9	104.3
July	104.3	106.6	105.2	-	-	-	111.0	104.5
Aug.	104.4	106.6	105.2	-	-	-	111.1	104.3
Sep.	104.2	106.4	104.9	-	-	-	110.9	104.1
Oct.	103.7	105.9	104.9	-	-	-	110.2	103.5
Nov.	104.4	106.7	105.4	-	-	-	110.9	104.2
Dec.	105.6	108.0	106.6	-	-	-	112.1	105.2
	% change versus previous month							
2006 Dec.	1.2	1.2	1.1	-	-	-	1.0	1.0
	% change versus previous year							
2006 Dec.	4.8	4.7	5.6	-	-	-	4.9	4.2

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

— nominal EER-23
· · · real CPI-deflated EER-23
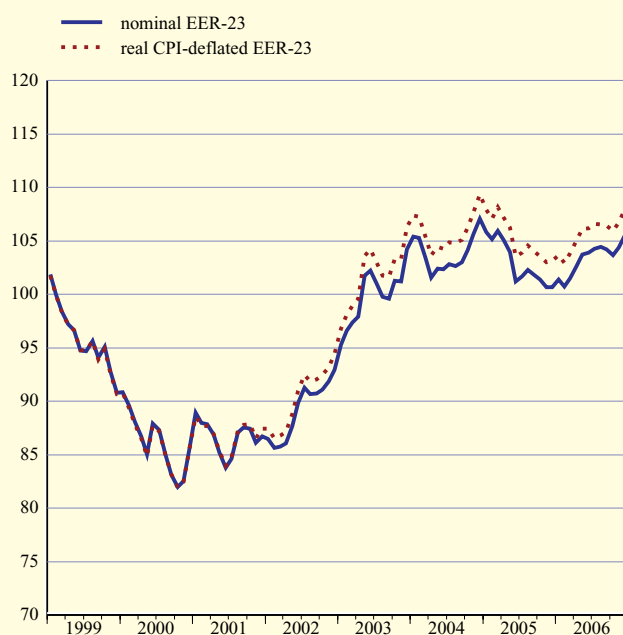
C36 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)

— USD/EUR
· · · JPY/EUR
– – GBP/EUR
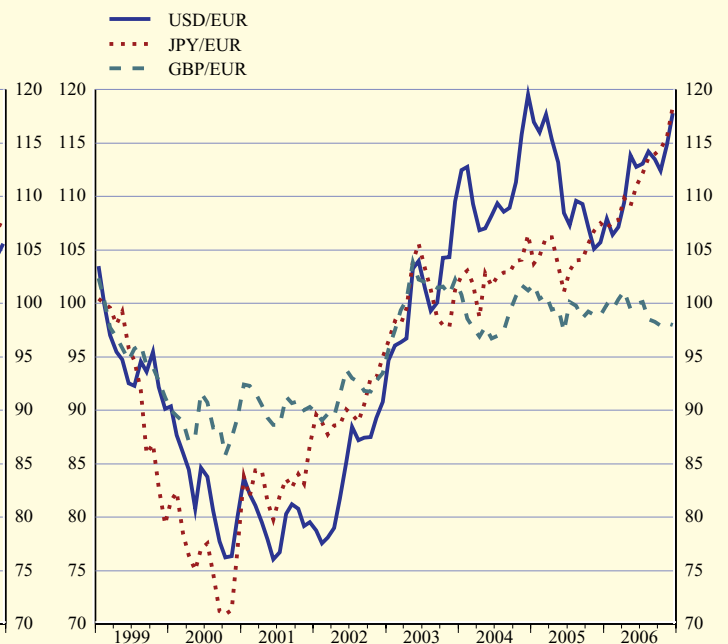
Source: ECB.
1) For the definition of the trading partner groups and other information, please refer to the General notes.

8.2 Bilateral exchange rates
(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2006 Q2	7.4581	9.2979	0.68778	1.2582	143.81	1.5631	1,194.34	9.7618	1.9989	1.4108	7.8314	1.6838
Q3	7.4604	9.2304	0.67977	1.2743	148.09	1.5768	1,217.10	9.9109	2.0125	1.4283	8.0604	1.6831
Q4	7.4557	9.1350	0.67314	1.2887	151.72	1.5928	1,209.29	10.0269	2.0091	1.4669	8.2712	1.6740
2006 June	7.4566	9.2349	0.68666	1.2650	145.11	1.5601	1,207.64	9.8210	2.0129	1.4089	7.8559	1.7104
July	7.4602	9.2170	0.68782	1.2684	146.70	1.5687	1,205.89	9.8600	2.0083	1.4303	7.9386	1.6869
Aug.	7.4609	9.2098	0.67669	1.2811	148.53	1.5775	1,231.42	9.9627	2.0185	1.4338	7.9920	1.6788
Sep.	7.4601	9.2665	0.67511	1.2727	148.99	1.5841	1,212.64	9.9051	2.0101	1.4203	8.2572	1.6839
Oct.	7.4555	9.2533	0.67254	1.2611	149.65	1.5898	1,202.31	9.8189	1.9905	1.4235	8.3960	1.6733
Nov.	7.4564	9.1008	0.67397	1.2881	151.11	1.5922	1,205.01	10.0246	2.0049	1.4635	8.2446	1.6684
Dec.	7.4549	9.0377	0.67286	1.3213	154.82	1.5969	1,222.34	10.2704	2.0354	1.5212	8.1575	1.6814
	% change versus previous month											
2006 Dec.	0.0	-0.7	-0.2	2.6	2.5	0.3	1.4	2.5	1.5	3.9	-1.1	0.8
	% change versus previous year											
2006 Dec.	0.0	-4.2	-0.9	11.4	10.1	3.2	0.8	11.7	2.5	10.4	2.3	5.2

	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
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
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	239.60	37.234	1.9558	3.5258
2006 Q2	28.378	15.6466	0.57538	0.6960	3.4528	266.83	0.4293	3.9482	239.63	37.690	1.9558	3.5172
Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	239.62	37.842	1.9558	3.5415
Q4	28.044	15.6466	0.57748	0.6969	3.4528	260.25	0.4293	3.8478	239.63	35.929	1.9558	3.4791
2006 June	28.386	15.6466	0.57504	0.6960	3.4528	272.39	0.4293	4.0261	239.65	38.062	1.9558	3.5501
July	28.448	15.6466	0.57500	0.6960	3.4528	277.49	0.4293	3.9962	239.65	38.377	1.9558	3.5715
Aug.	28.194	15.6466	0.57585	0.6960	3.4528	274.41	0.4293	3.9046	239.62	37.669	1.9558	3.5271
Sep.	28.383	15.6466	0.57650	0.6961	3.4528	274.42	0.4293	3.9649	239.59	37.497	1.9558	3.5274
Oct.	28.290	15.6466	0.57672	0.6961	3.4528	267.10	0.4293	3.9014	239.60	36.804	1.9558	3.5191
Nov.	28.029	15.6466	0.57770	0.6970	3.4528	258.84	0.4293	3.8248	239.64	35.884	1.9558	3.4955
Dec.	27.778	15.6466	0.57811	0.6976	3.4528	253.97	0.4293	3.8125	239.66	34.967	1.9558	3.4137
	% change versus previous month											
2006 Dec.	-0.9	0.0	0.1	0.1	0.0	-1.9	0.0	-0.3	0.0	-2.6	0.0	-2.3
	% change versus previous year											
2006 Dec.	-4.1	0.0	0.8	0.1	0.0	0.5	0.0	-1.0	0.1	-7.7	0.0	-6.7

	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
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771
2006	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1.8090
2006 Q2	10.0815	7.2786	92.72	11,479.67	4.5853	2.0172	65.819	34.1890	8.1745	47.981	1.8473
Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1.9118
Q4	10.1339	7.3657	88.94	11,771.01	4.6734	1.9143	64.108	34.2713	9.4458	47.109	1.8781
2006 June	10.1285	7.2575	94.38	11,850.97	4.6364	2.0462	67.259	34.1587	8.8431	48.541	2.0258
July	10.1347	7.2509	94.33	11,582.39	4.6527	2.0551	66.291	34.1393	8.9892	48.197	1.9712
Aug.	10.2141	7.2893	90.08	11,649.96	4.7078	2.0220	65.712	34.2755	8.9034	48.192	1.8802
Sep.	10.0971	7.3945	89.31	11,646.15	4.6724	1.9453	64.029	34.0549	9.4553	47.640	1.8870
Oct.	9.9651	7.3913	86.29	11,569.46	4.6390	1.9066	63.022	33.8849	9.6481	47.068	1.8654
Nov.	10.1286	7.3482	89.29	11,772.03	4.6927	1.9263	64.186	34.2602	9.3616	47.049	1.8786
Dec.	10.3356	7.3564	91.59	12,003.18	4.6909	1.9094	65.274	34.7316	9.3092	47.224	1.8920
	% change versus previous month										
2006 Dec.	2.0	0.1	2.6	2.0	0.0	-0.9	1.7	1.4	-0.6	0.4	0.7
	% change versus previous year										
2006 Dec.	7.9	-0.4	21.5	2.8	4.7	11.8	2.9	1.7	23.4	-3.1	18.0

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.

DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
HICP														
2005	5.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	.	2.1	1.9	4.4	2.2	.	3.8	.	.	.	.	.	.	.
2006 Q2	8.3	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	7.2	4.6	1.9	2.2
Q3	6.7	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	5.9	4.8	1.5	2.4
Q4	.	1.1	1.6	4.5	1.5	.	4.2	.	.	.	.	.	.	.
2006 Aug.	6.8	2.6	1.9	5.0	2.7	6.8	4.3	4.7	3.0	1.7	6.1	5.0	1.6	2.5
Sep.	5.6	2.2	1.5	3.8	2.2	5.9	3.3	5.9	3.1	1.4	5.5	4.5	1.2	2.4
Oct.	5.7	0.8	1.4	3.8	1.7	5.6	3.7	6.3	1.7	1.1	4.8	3.1	1.2	2.4
Nov.	6.1	1.0	1.8	4.7	1.3	6.3	4.4	6.4	0.9	1.3	4.7	3.7	1.5	2.7
Dec.	.	1.5	1.7	5.1	1.5	.	4.5	.	.	.	.	.	.	.
General government deficit (-)/surplus (+) as a % of GDP														
2003	0.3	-6.6	1.1	2.0	-6.3	-1.2	-1.3	-7.2	-10.0	-4.7	-1.5	-3.7	0.1	-3.3
2004	2.7	-2.9	2.7	2.3	-4.1	-0.9	-1.5	-6.5	-5.0	-3.9	-1.5	-3.0	1.8	-3.2
2005	2.4	-3.6	4.9	2.3	-2.3	0.1	-0.5	-7.8	-3.2	-2.5	-1.5	-3.1	3.0	-3.3
General government gross debt as a % of GDP														
2003	46.0	30.1	44.4	5.7	69.1	14.4	21.2	58.0	70.2	43.9	21.5	42.7	51.8	38.9
2004	38.4	30.7	42.6	5.2	70.3	14.5	19.4	59.4	74.9	41.8	18.8	41.6	50.5	40.4
2005	29.8	30.4	35.9	4.5	69.2	12.1	18.7	61.7	74.2	42.0	15.9	34.5	50.4	42.4
Long-term government bond yield as a % per annum, period average														
2006 June	.	4.05	4.03	-	4.03	4.14	4.34	7.26	4.27	5.55	.	4.66	3.93	4.50
July	.	4.04	4.06	-	4.21	4.32	4.28	7.55	4.31	5.56	.	5.42	3.96	4.49
Aug.	.	3.85	3.93	-	4.28	4.36	4.28	7.49	4.34	5.62	.	5.13	3.84	4.49
Sep.	.	3.90	3.79	-	4.28	4.38	4.28	7.58	4.34	5.48	.	4.79	3.70	4.44
Oct.	.	3.89	3.88	-	4.26	4.55	4.28	7.47	4.34	5.40	.	4.42	3.73	4.51
Nov.	.	3.78	3.78	-	4.26	4.95	4.28	7.01	4.34	5.20	.	4.25	3.62	4.45
3-month interest rate as a % per annum, period average														
2006 June	.	2.16	3.08	3.06	3.19	4.16	3.00	-	3.45	4.17	.	4.20	2.47	4.73
July	.	2.29	3.20	3.18	3.20	4.43	3.13	6.90	3.63	4.19	.	4.92	2.56	4.73
Aug.	.	2.36	3.33	3.32	3.21	5.07	3.27	7.11	3.69	4.19	.	4.93	2.70	4.94
Sep.	.	2.49	3.45	3.40	3.39	4.84	3.38	7.88	3.65	4.21	.	4.95	2.83	5.03
Oct.	.	2.65	3.61	3.57	3.62	4.97	3.53	8.20	3.62	4.21	.	5.02	2.96	5.13
Nov.	.	2.64	3.72	3.66	3.80	4.36	3.61	-	3.90	4.20	.	4.94	3.08	5.23
Real GDP														
2004	5.6	4.2	1.9	8.1	4.1	8.6	7.3	4.9	0.0	5.2	8.4	5.4	4.1	3.1
2005	5.5	6.1	3.0	10.5	3.8	10.2	7.6	4.2	2.2	3.4	4.1	6.0	2.9	1.8
2006 Q1	5.6	6.4	3.5	11.7	3.6	13.1	8.1	4.4	-1.8	4.8	6.9	6.7	4.4	2.4
Q2	6.6	6.0	3.9	11.8	4.1	11.1	8.5	4.1	5.5	5.4	7.8	6.7	5.0	2.7
Q3	6.7	5.8	3.8	11.0	3.6	11.8	7.1	4.2	.	5.6	8.3	9.8	4.7	2.9
Current and capital accounts balance as a % of GDP														
2004	-5.8	-6.5	2.4	-11.7	-4.1	-11.9	-6.4	-8.1	-6.6	-3.8	-7.5	-3.3	6.9	-1.5
2005	-11.3	-1.9	3.9	-9.5	-5.1	-11.4	-5.9	-5.9	-6.4	-1.4	-7.9	-8.6	6.3	-2.1
2005 Q4	-20.2	-2.4	3.5	-7.9	-23.7	-14.3	-6.0	-4.5	-15.9	-1.7	-8.0	-14.9	5.7	-2.1
2006 Q1	-22.1	0.7	0.7	-11.3	-12.1	-13.0	-9.6	-7.9	-11.7	-1.6	-8.9	-6.4	5.7	-2.8
Q2	-12.2	-6.5	2.6	-10.6	-4.0	-16.5	-9.0	-6.2	-7.4	-1.5	-14.3	-9.5	6.0	-3.0
Unit labour costs														
2004	5.9	1.8	1.0	4.4	1.6	6.6	3.0	5.6	1.1	-2.0	.	3.2	-1.0	2.0
2005	.	-0.5	1.2	2.7	-0.1	5.8	3.7	.	-0.1	-0.7	.	0.5	0.6	.
2006 Q1	-	0.6	1.4	3.7	-	-	3.6	-	0.3	-	-	1.9	-2.3	.
Q2	-	.	1.2	5.1	-	-	3.5	-	-0.1	-	-	3.7	-0.2	.
Q3	-	.	1.3	5.6	-	-	14.9	-	.	-	-	0.5	0.2	.
Standardised unemployment rate as a % of labour force (s.a.)														
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.2	7.2	7.3	17.7	8.0	16.3	7.8	4.8
2006	.	7.2	.	.	4.9	.	5.9	7.5	.	.	.	.	.	.
2006 Q2	9.1	7.3	4.2	6.0	4.9	7.1	5.9	7.3	7.6	14.4	7.8	13.6	.	5.4
Q3	9.2	7.1	3.6	5.7	4.9	6.7	6.0	7.6	7.5	14.1	7.7	13.0	.	5.4
Q4	.	6.8	.	.	4.7	.	5.7	7.7	.	.	.	.	.	.
2006 Aug.	9.2	7.1	3.7	5.7	4.9	6.7	6.0	7.6	7.5	14.1	7.7	13.0	.	5.4
Sep.	9.0	7.1	3.5	5.5	4.7	6.5	6.2	7.6	7.5	13.9	7.6	12.8	.	5.5
Oct.	8.0	6.9	3.3	4.8	4.8	6.3	5.8	7.6	7.4	13.8	.	12.6	.	.
Nov.	8.0	6.8	3.3	4.5	4.7	6.2	5.6	7.7	7.4	13.6	.	12.3	.	.
Dec.	.	6.7	.	.	4.7	.	5.7	7.7	.	.	.	.	.	.

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

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2003	2.3	0.8	2.5	1.3	6.0	7.0	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	3.0	5.5	4.7	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	0.5	3.2	4.0	5.1	4.3	3.56	4.28	1.2441	-3.7	49.2
2006	.	.	.	.	4.6	.	5.19	4.79	1.2556	.	.
2005 Q4	3.7	-0.9	3.1	4.6	5.0	4.0	4.34	4.48	1.1884	-3.4	49.2
2006 Q1	3.6	2.1	3.7	4.9	4.7	4.7	4.76	4.57	1.2023	-2.3	49.8
Q2	4.0	-0.2	3.5	5.5	4.6	4.8	5.21	5.07	1.2582	-2.0	48.6
Q3	3.3	-2.0	3.0	6.1	4.7	4.6	5.43	4.90	1.2743	.	.
Q4	.	.	.	.	4.5	.	5.37	4.63	1.2887	.	.
2006 Aug.	3.8	-	-	5.9	4.7	4.6	5.42	4.88	1.2811	-	-
Sep.	2.1	-	-	6.8	4.6	4.4	5.38	4.72	1.2727	-	-
Oct.	1.3	-	-	4.5	4.4	4.8	5.37	4.73	1.2611	-	-
Nov.	2.0	-	-	3.7	4.5	5.1	5.37	4.60	1.2881	-	-
Dec.	.	-	-	.	4.5	.	5.36	4.57	1.3213	-	-
Japan											
2003	-0.2	-3.8	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	1.9	1.1	4.4	1.8	0.06	1.39	136.85	.	.
2006	.	.	.	.	.	.	0.30	1.74	146.02	.	.
2005 Q4	-0.7	-2.1	2.9	3.0	4.5	1.9	0.06	1.53	139.41	.	.
2006 Q1	-0.1	-1.6	2.7	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.2	4.2	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	-2.9	1.7	5.4	4.1	0.5	0.41	1.80	148.09	.	.
Q4	.	.	.	.	.	.	0.49	1.70	151.72	.	.
2006 Aug.	0.9	-3.6	-	5.9	4.2	0.5	0.41	1.81	148.53	-	-
Sep.	0.6	-2.4	-	5.2	4.2	0.6	0.42	1.68	148.99	-	-
Oct.	0.4	.	-	7.4	4.1	0.6	0.44	1.76	149.65	-	-
Nov.	0.3	.	-	4.8	.	0.7	0.48	1.70	151.11	-	-
Dec.	.	.	-	.	.	.	0.56	1.64	154.82	-	-

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

- euro area
- United States
- Japan
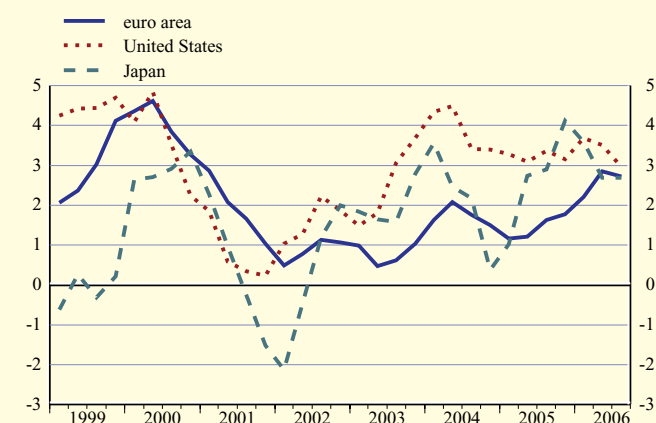
C38 Consumer price indices
(annual percentage changes; monthly)

- euro area
- United States
- Japan
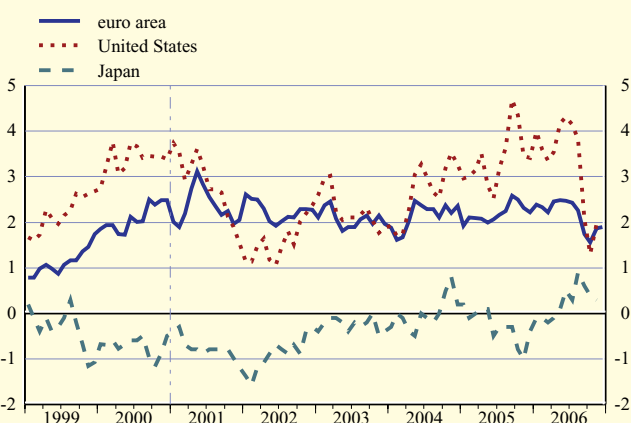
Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M2 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

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	4.5	11.4	7.5
2003	13.3	18.5	-4.7	6.8	6.8	0.8	7.6	0.1	0.4	13.3	8.4	11.3	9.3
2004	13.2	19.3	-5.6	7.0	6.7	6.7	7.6	5.2	0.4	13.5	7.5	11.2	10.1
2005	12.9	19.7	-6.2	7.1	7.0	3.2	7.9	2.6	-0.7	13.8	4.7	9.6	9.7
2004 Q4	12.9	19.6	-6.1	7.2	6.8	7.5	6.7	6.4	0.8	13.6	7.7	11.3	11.8
2005 Q1	13.2	19.8	-6.3	7.3	6.9	3.4	7.4	3.6	0.2	13.6	5.6	10.0	8.4
Q2	12.7	19.5	-6.1	6.9	7.0	3.4	7.9	3.1	-0.4	14.0	4.3	9.4	10.4
Q3	13.2	19.5	-5.7	6.8	7.0	3.3	8.5	1.8	-1.2	13.9	5.4	10.0	10.3
Q4	12.7	20.2	-6.8	7.3	7.1	2.7	7.9	2.0	-1.2	13.6	3.4	9.1	9.7
2006 Q1	14.5	20.3	-6.3	7.5	7.2	3.1	8.4	1.9	-0.8	13.6	5.2	9.1	9.3
Q2	13.6	20.2	-6.4	7.6	7.3	3.2	8.1	2.4	-1.4	13.3	1.5	8.2	8.3
Q3	13.5	20.1	-6.6	7.7	7.4	3.8	8.3	2.6	-1.4	12.9	1.9	8.3	6.6
Japan													
2002	25.2	23.2	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.8	-0.2	7.7	-2.1
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	25.4	22.8	3.6	13.2	13.5	4.2	17.6	-0.5	1.0	4.7	3.1	6.5	-1.0
2005	.	23.3	.	.	.	4.4	.	-7.4	-5.0	.	2.9	.	0.8
2004 Q4	26.5	21.7	3.1	.	.	11.9	.	14.2	2.6	.	9.9	.	-0.6
2005 Q1	32.1	25.9	3.7	.	.	10.5	.	-3.5	-1.7	.	-12.3	.	3.0
Q2	.	24.2	.	.	.	-15.6	.	-14.0	2.3	.	9.1	.	-6.4
Q3	.	23.6	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	.	24.2	.	.	.	16.2	.	-17.3	-20.1	.	15.9	.	3.7
2006 Q1	.	23.8	.	.	.	12.2	.	-2.6	-2.4	.	-5.6	.	5.6
Q2	.	23.4	.	.	.	-19.7	.	-16.6	1.3	.	9.5	.	-9.1
Q3	.	24.3	.	.	.	12.1	.	6.3	0.2	.	-1.3	.	2.9

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

- euro area
- United States
- Japan
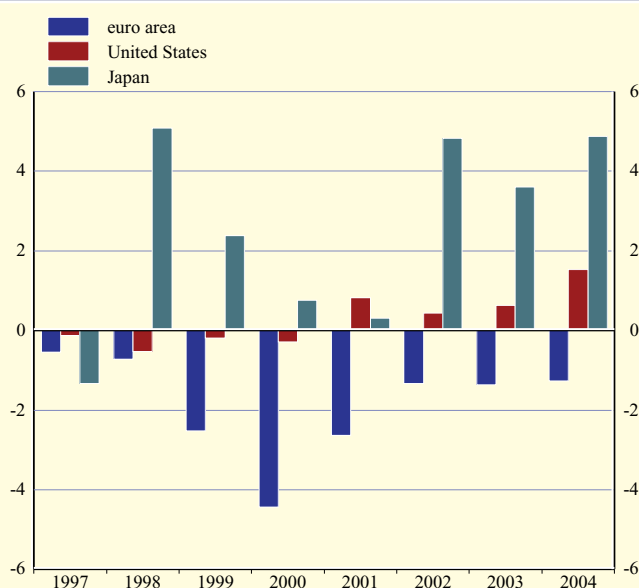
C40 Net lending of households [1]
(as a percentage of GDP)

- euro area
- United States
- Japan
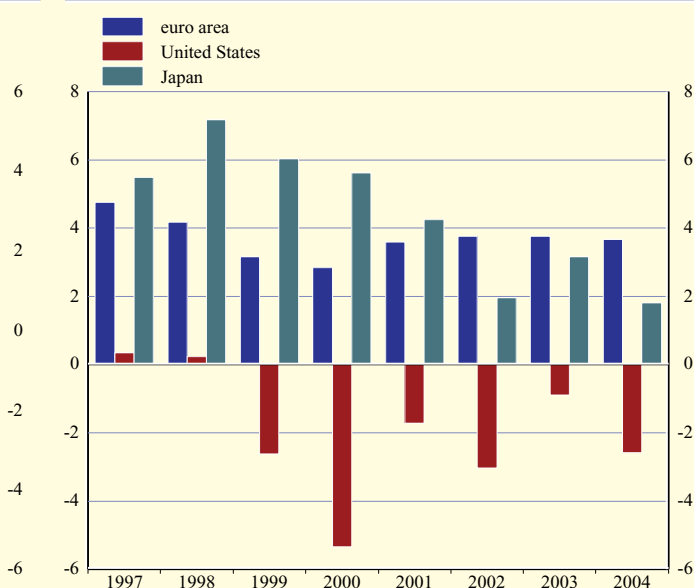
Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.
1) Including non-profit institutions serving households.
2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.
3) Gross saving in the United 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:

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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:

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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:

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

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

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

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

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS[4]

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

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

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

p) $\quad a_t = \left[\displaystyle\prod_{i=0}^{5}\left(1 + {N_{t-i}^M}\middle/{L_{t-1-i}}\right) - 1\right] \times 100$

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP[4]

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.int). 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 10 January 2007.

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

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

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

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

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

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

In the tables, the term "up to (x) years" means "up to and including (x) years".

OVERVIEW

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

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

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

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

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

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area.

MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/ liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers" (ECB, November 1999). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

In line with this Regulation, the balance sheet item "money market paper" has been merged with the item "debt securities" on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/ liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, 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.

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity ("short-term" refers to an original maturity of up to one year; "long-term" refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. The ECB is included in the Eurosystem.

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

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI

interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[3]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[4]. Industrial producer prices reflect the ex-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.

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

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[5] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[6]. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New

passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[7] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with 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

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.

framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002[8] on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[9], and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (November 2005), and in the following task force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003)

and "Foreign direct investment" (March 2004), which can be downloaded from the ECB's website. In addition, the report of the ECB/ Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between "loans" and "currency and deposits" is based on 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

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

loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest 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).

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.

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

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

1 DECEMBER 2005

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

1.25% respectively, both with effect from 6 December 2005.

16 DECEMBER 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the

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1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 can be found on pages 176 to 180 of the ECB's Annual report 1999, on pages 205 to 208 of the ECB's Annual report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.

marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by

25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

31 AUGUST 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50%, both with effect from 13 December 2006.

11 JANUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2006

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For a complete list of documents published by the European Central Bank and by the European Monetary Institute, please visit the ECB's website (http://www.ecb.int).

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"Annual Report 2005", April 2006.

CONVERGENCE REPORT
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"The predictability of the ECB's monetary policy", January 2006.
"Hedge funds: developments and policy implications", January 2006.
"Assessing house price developments in the euro area", February 2006.
"Fiscal policies and financial markets", February 2006.
"The importance of public expenditure reform for economic growth and stability", April 2006.
"Portfolio management at the ECB", April 2006.
"Monetary and exchange rate arrangements of the euro area with selected third countries and territories", April 2006.
"The contribution of the ECB and the Eurosystem to European financial integration", May 2006.
"The single list in the collateral framework of the Eurosystem", May 2006.
"Equity issuance in the euro area", May 2006.
"Measures of inflation expectations in the euro area", July 2006.
"Competitiveness and the export performance of the euro area", July 2006.
"Sectoral money holding: determinants and recent developments", August 2006.
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"Integrated financial and non-financial accounts for the institutional sectors in the euro area", October 2006.
"Monetary policy 'activism'", November 2006.
"The Eurosystem's experience with fine-tuning operations at the end of the reserve maintenance period", November 2006.
"Financial development in central, eastern and south-eastern Europe", November 2006.
"The enlarged EU and euro area economies", January 2007.
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STATISTICS POCKET BOOK
Available monthly since August 2003.

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates

on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.