EN

EUROPEAN CENTRAL BANK

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ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

At its meeting on 13 January 2005, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

While short-term inflationary pressures persist, they have recently diminished somewhat, mainly due to the decline in oil prices from the peaks seen in October. At the same time, there is currently no significant evidence that underlying domestic inflationary pressures are building up in the euro area. Accordingly, the Governing Council left the key ECB interest rates unchanged at their historically low levels. However, upside risks to price stability over the medium term remain, and continued vigilance is of the essence with regard to those risks.

Starting with the economic analysis underlying the Governing Council's assessment, Eurostat's second estimate of quarter-on-quarter real GDP growth in the third quarter confirmed the previous estimate of 0.3%. While information on the fourth quarter is still incomplete, the latest macroeconomic data and survey evidence, although mixed, appear to suggest ongoing moderate growth.

Looking ahead, the conditions remain in place for economic growth to proceed. On the external side, global growth is expected to remain robust. The strength of global demand should help to sustain euro area exports. On the domestic side, investment should be supported by the very favourable financing conditions in the euro area, improved corporate earnings and greater business efficiency as firms continue to restructure. Moreover, private consumption is likely to evolve in line with the development of real disposable income. Consumption would also be supported if uncertainties surrounding the extent and pace of fiscal consolidation and structural reform in the euro area were reduced.

Downside risks to the economic outlook stemming from oil price developments have diminished somewhat over recent weeks. As regards exchange rates, the Governing Council confirmed its position, expressed when the euro rose sharply, that such moves are unwelcome and undesirable for economic growth.

Turning to prices, annual HICP inflation was 2.3% in December according to Eurostat's flash estimate, up from 2.2% in November. Annual HICP inflation rates of above 2% are likely to persist over the coming months, notwithstanding the recent oil price decline. Looking further ahead, however, the available information indicates that, barring further adverse shocks, HICP inflation will fall below 2% in the course of 2005. Moreover, the latest indicators do not suggest that underlying domestic inflationary pressures are building up in the euro area. Wage increases remain contained, against the background of ongoing moderate economic growth and weak labour markets.

In the context of what is a broadly favourable outlook for price developments over the medium term, upside risks to price stability need to be taken into account. Given past oil price rises, there is a continued need to avoid second-round effects in wage and price-setting throughout the economy. Responsibility on the part of social partners remains very important. Moreover, developments in indirect taxes and administered prices require close monitoring.

Turning to the monetary analysis, the latest data confirm the Governing Council's previous assessment. Monetary and credit growth strengthened in the second half of 2004, largely as a consequence of the prevailing low level of interest rates. Given the strength of monetary dynamics over the past few years, there remains significantly more liquidity in the euro area than is required to finance non-inflationary growth. Overall, the monetary analysis points to upside risks to price stability over the medium to longer term. At the same time, the combination of high excess liquidity and strong credit growth could in some countries become a source of unsustainable price increases in property markets.

To sum up, the economic analysis suggests that underlying domestic inflationary pressures are contained but upside risks to price stability over the medium term need to be monitored closely. In this context, it is crucial that there is no spillover from current short-term developments in consumer price inflation to long-term inflation expectations. Cross-checking with the monetary analysis supports the case for continued vigilance with regard to the materialisation of risks to price stability over the medium term.

With regard to both fiscal policies and structural reforms, the governments and institutions of the European Union will have to confront many important challenges in the course of 2005.

Foremost among these challenges is the need to strengthen public finances by correcting excessive deficits swiftly and returning to a path of vigorous fiscal consolidation. Moreover, throughout the European Union there is a need to address the considerable challenges that population ageing poses to existing pension and social security systems. There is also a need to now bring the ongoing discussions surrounding the European fiscal framework to a convincing conclusion which builds trust and confidence. The existing fiscal framework enshrined in the Treaty and the Stability and Growth Pact is a cornerstone of Economic and Monetary Union and thus of central importance for anchoring expectations of fiscal discipline. The Governing Council is convinced that improvements in the implementation of the Pact are possible. At the same time, it reiterates its position that it would be counterproductive to change the Regulations, dilute the 3% deficit limit or weaken the excessive deficit procedure.

Turning to structural policies, the forthcoming mid-term review of the Lisbon strategy provides an opportunity to give renewed impetus to structural reform in Europe, as called for by the recently published report of the high-level group chaired by Wim Kok. The Governing Council strongly supports a reform agenda which focuses on raising employment growth, fostering investment and stimulating innovation and productivity. Progress in this direction will not only enhance the underlying growth potential of the euro area economy over the medium term, but will also help to bolster consumer and business confidence over a shorter horizon.

This issue of the Monthly Bulletin contains two articles. The first article describes the revised framework for banks' capital requirements set out in the new Basel Capital Accord. It also addresses its potential implications and its application in the EU context. The second article explores the changing patterns in financial flows to emerging market economies.

ECONOMIC AND MONETARY DEVELOPMENTS

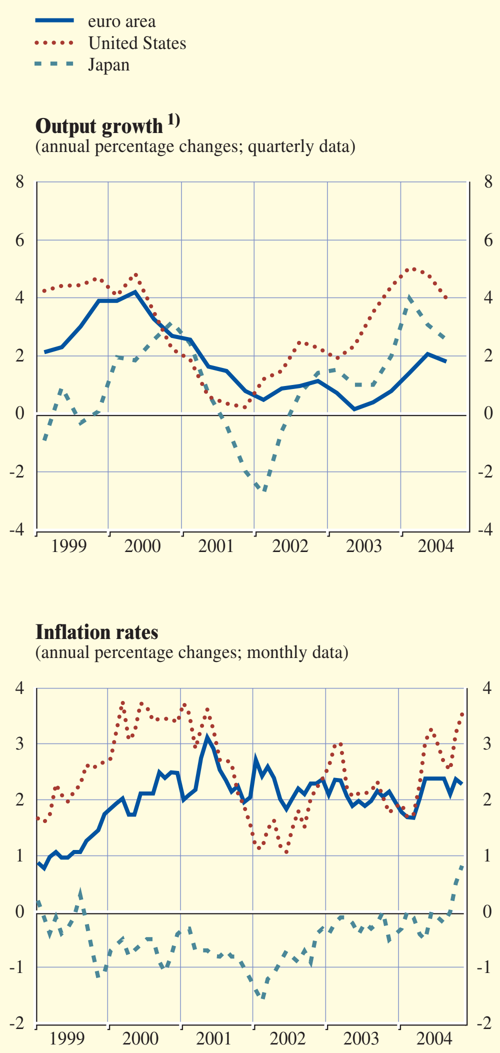
1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Growth in the global economy remains fairly robust, supported by favourable financing conditions and a further decline in oil prices. At the same time inflationary pressures generally continue to be relatively well contained, although developments in energy prices are still having an adverse effect on headline inflation. Overall, the outlook for the global economy and euro area foreign demand remains relatively favourable.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy continued to expand at a fairly robust pace, although the rate of expansion is gradually moderating from the exceptionally high levels observed at the beginning of 2004. While the policy stimulus is gradually being withdrawn in many countries, financing conditions remain favourable and rather sustained lending activity continues to support the global expansion. In addition, the further decline in oil prices in December has helped to mitigate an important growth-dampening factor for the global economy, although oil prices still remain at significantly elevated levels. The good performance of the global economy in 2004 was overshadowed by the consequences of the tragic natural disaster in Asia at the end of December. Although the human loss caused by the tsunami is enormous, the economic costs are expected to be limited and to have little – if any – impact on the global growth process. Global inflationary pressures generally remained fairly well contained as, in many countries, consumer prices excluding food and energy have shown relatively modest increases recently.

Chart 1 Main developments in major industrialised economies



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

UNITED STATES

In the United States economic activity appears to have remained solid following a final estimate of real GDP growth of 4% (quarter on quarter annualised) in the third quarter of 2004. Over the last few months, household spending has shown continued resilience, while available information suggests that expansion in the business sector remains robust. With payroll employment growth of 157,000 in December, accumulated slack in the labour market continues to recede gradually. However, growth in real disposable income in recent months has been relatively subdued, given moderate growth in real wages and continued elevated oil prices. Combined with robust consumption spending, this has translated into a further decline in the personal saving rate as a percentage of disposable income. Regarding inflation in November, there was a further energy-related pick-up in the annual rate of increase in the CPI to 3.5%, while CPI inflation excluding food and energy increased to 2.2%. On 14 December 2004 the Federal Open Market Committee raised the target for the federal funds rate by 25 basis points for the fifth consecutive meeting to 2.25%. The related press release stated that "…the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfil its obligation to maintain price stability".

JAPAN

In Japan the pace of the economic recovery has slowed significantly in recent quarters, while moderate deflationary pressures persist. Based on the new chain-linked national accounts statistics, real GDP growth (quarter on quarter) was only 0.1% in the third quarter of 2004, after -0.1% in the second quarter. Several indicators point to a continued weakness in activity in the manufacturing and services sectors during the fourth quarter. The Bank of Japan's Tankan survey for December shows that the ongoing growth moderation was also accompanied by a slight decline in business confidence. Although consumer confidence remains relatively high, surveyed real spending by households has recently decreased, possibly reflecting in part concerns about future tax increases. More positively, trade data indicate that the export performance of Japanese firms remained healthy towards the end of 2004. At the same time, surveyed firms announced plans for substantial capital investment spending during the rest of the current fiscal year (ending in March 2005). As regards price developments, the annual rate of change in CPI rose from 0.5% in October to 0.8% in November. These recent increases largely reflected a temporary spike in fresh food prices, since the CPI excluding fresh food actually declined by 0.2% (year on year) in November, following a 0.1% fall in October.

UNITED KINGDOM

In the United Kingdom growth moderated noticeably in the second half of last year. Real GDP growth slowed to a quarterly rate of 0.5% in the third quarter, compared with 0.9% in the second quarter. This was mainly due to both developments in the net export contribution and a slowdown in investment. While the net export contribution fell from 0.1 percentage point in the second quarter to -0.3 percentage point in the third quarter, growth in gross fixed capital formation declined to a quarterly rate of 0.6%, compared with 2.4% in the second quarter. At the same time, household expenditure growth remained unchanged in the third quarter, while government consumption increased noticeably. According to the European Commission surveys, economic sentiment in the industrial sector declined further in the fourth quarter, whereas consumer confidence showed some improvement. Regarding prices, annual HICP inflation remained below the 2% target – it was 1.5% in November, up from 1.2% in October – with the largest upward effect coming from the transport services and energy components.

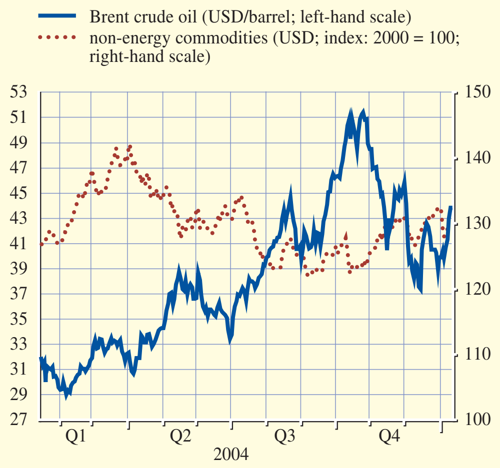
OTHER EUROPEAN COUNTRIES

In Sweden real GDP grew by a quarterly rate of 0.9% in the third quarter of 2004, compared with 1.0% in the previous quarter, mainly driven by an increase in inventories, while the contribution from net exports turned negative due to stalling exports. Annual HICP rose by 0.9% in December, down from 1.1% in November, reflecting declining fuel prices.

In Denmark real GDP growth slowed to a quarterly rate of 0.1% in the third quarter. The rise in domestic demand growth was largely offset by significant import growth, which was mainly due to increasing imports of transport equipment and fuel. The annual rate of HICP inflation declined to 1.0% in November, compared with 1.6% in October, mainly reflecting the decrease in energy and transport equipment prices.

In the largest new Member States, real GDP growth slowed in the third quarter, but remained robust. HICP inflation continued to gradually decline after it had picked up considerably earlier in 2004. In most of these countries inflationary pressures eased mainly on account of favourable developments in food and energy prices.

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

NON-JAPAN ASIA

In non-Japan Asia economic activity continued to decelerate gradually, but remained fairly strong overall. The decline in growth appears to be largely driven by the slowdown in the region's external demand. Available trade data show that the export slowdown continued in the last few months of 2004. Inflationary pressures eased in many countries in November, largely reflecting favourable developments in food prices. The economic fall-out from the tsunami is likely to be fairly limited, despite the tragic loss of human life. Although the tourism sectors in the affected countries are expected to suffer in the short term, the necessary reconstruction efforts may in fact provide a stimulus to regional output growth.

In China available indicators suggest that economic growth has continued to slow, but only gradually. The year-on-year rate of growth in industrial production slowed further to 14.8% in November, after 15.7% in October. Likewise, fixed asset investment growth declined from 26.4% in October to 24.9% in November. Inflation eased noticeably in November – above all reflecting movements in food prices – with overall annual CPI inflation falling to 2.8%, from 4.3% in October.

LATIN AMERICA

Economic activity in Latin America continued to expand at a robust pace. Strong growth in real output – supported by both exports and domestic demand – was widespread across the region's three largest countries. Year-on-year real GDP growth for the third quarter was 8.3% in Argentina, 6.1% in Brazil and 4.4% in Mexico. Reflecting in part these strong demand developments, inflationary pressures persist in all three countries.

COMMODITY MARKETS

Oil prices remained well below their all-time high amid considerable volatility. On 12 January 2005 the price of Brent crude oil was USD 43.1, 16% lower than the all-time high reached at the end of October. Energy demand – one of the main factors behind the strong rally in oil prices in 2004 – eased at the end of 2004, allowing inventories of oil products to rise. Nonetheless, oil prices still remain relatively high, exceeding levels a year ago by 36% in US dollar terms and 33% in euro terms. Tight spare capacity along the oil supply chain, and therefore high sensitivity to unanticipated changes in the supply-demand balance, continues to exert upward pressure on prices. Market participants expect oil prices to remain near the current levels throughout this year and decline only gradually towards USD 38 by the end of 2007.

After continuously easing from the peak levels of April 2004, prices of non-energy commodities increased slightly in November and December. Food prices rebounded after a rather strong decline in earlier months, whereas prices of industrial raw materials eased. In US dollar terms, overall non-energy commodity prices in December 2004 were 8.9% higher than a year earlier.

OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The overall outlook for the global economy and euro area foreign demand remains relatively favourable. However, some growth moderation from the high levels observed in early 2004 is likely to continue in line with developments observed over the most recent quarters. This is also suggested by global coincident and leading indicators (e.g. the OECD Composite Leading Indicator and the Purchasing Managers' Index).

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

Recent data confirm the strengthening of monetary dynamics which has been observed since mid-2004. The stimulative impact of the low level of interest rates on M3 growth has increasingly offset the dampening impact of the ongoing normalisation of the portfolio allocation behaviour of euro area residents, following the exceptional preference for liquidity seen during the period of heightened economic uncertainty between 2001 and mid-2003. The low level of interest rates has also supported a further strengthening of the already robust annual growth rate of loans to the private sector. Overall, there remains significantly more liquidity available in the euro area than is needed to finance non-inflationary growth.

THE BROAD MONETARY AGGREGATE M3

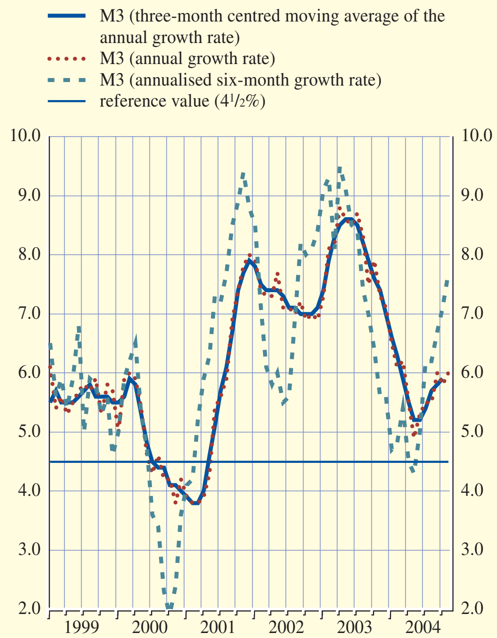
The annual growth rate of the broad monetary aggregate M3 increased to 6.0% in November 2004, from 5.8% in October (see Chart 3). The three-month average of the annual growth rates rose to 5.9% in the period between September and November, from 5.8% in the period between August and October 2004. The shorter-term dynamics of M3 remained robust in November, reflected, for instance, in a further rise in the six-month annualised rate of growth, to 7.7%.

Monetary developments continued to be influenced by two forces. On the one hand, the strong growth of MFI longer-term financial liabilities and the relatively subdued growth of marketable instruments within M3 suggest that the normalisation of the portfolio allocation behaviour of euro area economic residents is ongoing, with money holders shifting funds into longer-term assets. However, the resulting dampening impact on M3 growth has been more modest than would have been expected on the basis of past regularities. On the other hand, the continued strong demand for the most liquid components of M3 and for MFI loans to the private sector reflects the stimulative effect of the prevailing low level of interest rates. Since mid-2004, this effect has been the main driving force behind M3 growth.

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

Chart 3 M3 growth and the reference value

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



Source: ECB.

MAIN COMPONENTS OF M3

Sustained demand for the most liquid components of M3 contained in the narrow monetary aggregate M1 remained the main contributor to robust M3 dynamics. This reflects, to a large extent, the low level of interest rates and hence the low opportunity cost of holding these liquid, but low-return assets. The annual growth rate of M1 increased to 9.7% in November 2004, from 9.0% in October (see Table 1), owing to a higher rate of growth in overnight deposits (8.2% in November, compared with 7.2% in the previous month). At 19.2%, the annual rate of growth in currency in circulation remained very high in November, reflecting continued strong demand for euro banknotes from both inside and outside the euro area.

The annual rate of growth of short-term deposits other than overnight deposits decreased to 3.2% in November, from 3.6% in October. This decline masks diverging developments across the various sub-components. While the annual rate of growth of short-term savings deposits (deposits redeemable at a period of notice of up to and including three months) edged up slightly, the decline in short-term time deposits (deposits with an agreed maturity of up to and including two years) was greater than in the previous month. The subdued demand for the latter type of deposits is likely to reflect the fact that, especially when compared with overnight and savings deposits, their current remuneration does not appear to compensate for their lower liquidity.

The annual rate of growth of marketable instruments included in M3 remained broadly unchanged in November, at 2.9%, having been 2.8% in October. The contribution to M3 growth from these instruments has been relatively subdued since mid-2004. As these instruments are often held as safe and liquid assets during times of heightened uncertainty, their recent behaviour supports the view that euro area residents have continued to normalise their portfolio allocation behaviour, albeit at a still slow pace (see Box 1 entitled "Approaches to identifying and estimating portfolio shifts into and out of M3").

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates						
		2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Oct.	2004 Nov.
M1	**44.8**	**11.4**	**11.0**	**11.0**	**10.2**	**9.6**	**9.0**	**9.7**
Currency in circulation	7.0	29.6	26.5	24.0	21.6	20.3	19.6	19.2
Overnight deposits	37.8	8.8	8.7	9.1	8.5	7.9	7.2	8.2
M2 - M1 (= other short-term deposits)	40.7	5.8	4.8	3.3	1.7	2.0	3.6	3.2
Deposits with an agreed maturity of up to and including two years	15.5	-1.4	-3.0	-4.4	-7.0	-5.8	-2.0	-3.1
Deposits redeemable at notice of up to and including three months	25.2	11.6	11.0	9.2	8.1	7.6	7.4	7.5
M2	**85.5**	**8.5**	**7.9**	**7.2**	**6.0**	**5.8**	**6.3**	**6.5**
M3 - M2 (= marketable instruments)	14.5	7.5	5.6	2.3	2.0	3.9	2.8	2.9
M3	**100.0**	**8.4**	**7.5**	**6.4**	**5.4**	**5.6**	**5.8**	**6.0**
Credit to euro area residents		**5.3**	**5.8**	**5.8**	**6.0**	**6.2**	**6.1**	**6.0**
Credit to general government		4.8	6.6	6.0	6.5	6.5	4.5	3.5
Loans to general government		1.0	1.5	1.2	2.3	2.3	1.6	-0.1
Credit to the private sector		5.4	5.6	5.7	5.9	6.1	6.5	6.7
Loans to the private sector		4.9	5.3	5.4	5.6	6.2	6.8	6.9
Longer-term financial liabilities (excluding capital and reserves)		**5.6**	**6.4**	**7.2**	**8.3**	**8.6**	**8.9**	**8.8**

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

Box 1

APPROACHES TO IDENTIFYING AND ESTIMATING PORTFOLIO SHIFTS INTO AND OUT OF M3

The period of exceptional economic and financial uncertainty between 2001 and 2003 led to a strong preference by investors for liquid assets. The associated extraordinary portfolio shifts were reflected in high M3 growth and a continued build-up of excess liquidity. While there is, in general, a close long-run link between developments in M3 and consumer prices in the euro area, large portfolio shifts may blur this link, at least temporarily. Indeed, there are scenarios in which the risks to price stability associated with the excess liquidity created by such portfolio shifts into money may not materialise. For example, such shifts may be only temporary and unwind later as the uncertainty which caused them recedes. In addition, even if the shifts are of a more permanent nature, they may simply reflect a higher liquidity preference on the part of investors, i.e. a desire to hold safe and liquid assets rather than more risky longer-term assets. In this case they would constitute a structural change in money demand. However, the risk also exists that the excess liquidity stemming from portfolio shifts will at some point translate into transaction balances, particularly at a time when economic confidence and activity strengthen.

While the reality is probably always an amalgam of these various possibilities, a first step in the analysis of risks is to develop an understanding of the size of the portfolio shifts. Against this background, this box offers some approaches to identifying and quantifying these portfolio shifts.

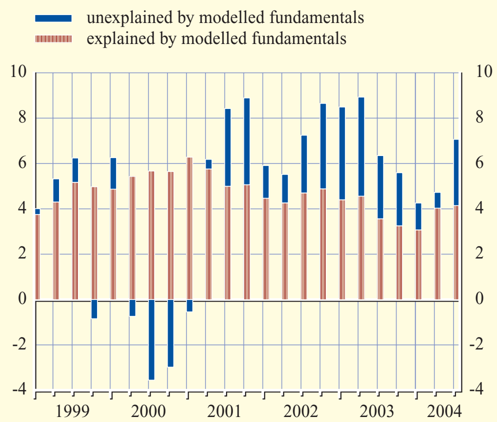
Identifying extraordinary portfolio shifts into money

Ideally, the relationship between heightened uncertainty and the ensuing risk aversion on the one hand, and the demand for the liquid instruments contained in M3 on the other, would be analysed in a structural economic model which explicitly captures the underlying economic behaviour. However, the type and magnitude of the shocks (the events of 11 September 2001 and the protracted decline and volatility in stock markets) that have driven recent portfolio shifts were unprecedented, at least for the period since the early 1980s, for which euro area monetary data are available. Past experience may thus not be a good guide to the explicit modelling of the impact of these shocks in real time. In addition, the complexity of investors' portfolio choices cannot be adequately modelled with the available aggregate data.

Available models of money demand have left "unexplained" a large component of monetary growth in recent periods, especially in the second half of 2001 and the

Chart A Decomposition of quarterly nominal M3 growth in the euro area using a money demand model

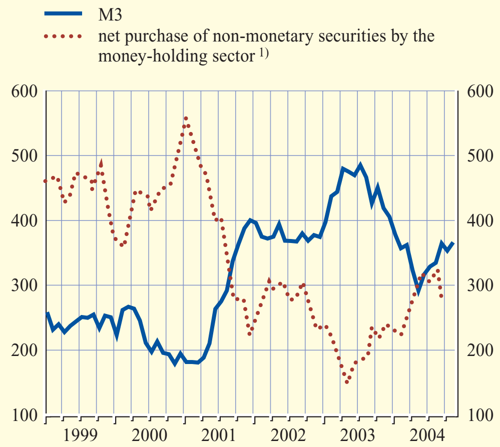
(annualised quarterly percentage changes)



Source: ECB.
Note: Contributions are derived from the model presented in A. Calza, D. Gerdesmeier and J. Levy (2001), "Euro area money demand: Measuring the opportunity costs appropriately", IMF working paper No. 01/179.

Chart B Net purchases of non-monetary securities by the money-holding sector and M3

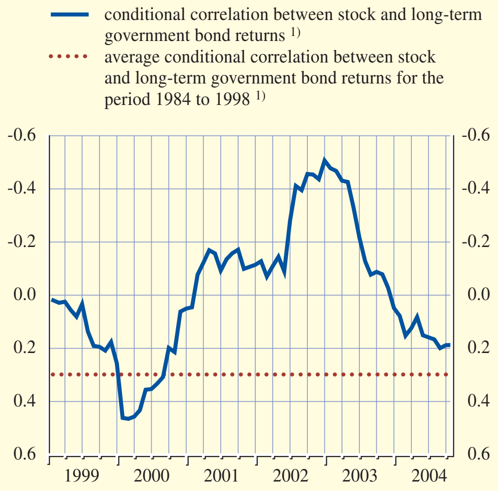
(annual flows; EUR billions)



Source: ECB, ECB calculations.
1) Calculated as loans to euro area residents plus issuance of securities by the money-holding sector plus current account balance minus instruments included in M3, minus long-term deposits with MFIs minus net external transactions of the money-holding sector other than in securities.

Chart C The conditional correlation between stock and long-term government bond returns[1)]

(quarterly data, inverse scale)



Source: ECB estimation.
1) Dow Jones EURO STOXX return index and ten-year government bond return index.

period between the latter part of 2002 and mid-2003 (see Chart A). This indicates the special character of these periods, triggering the search for detailed explanations.

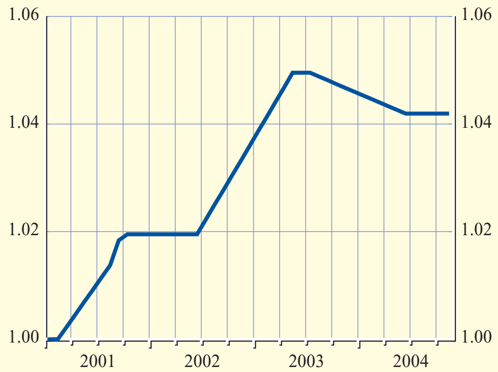
For the purpose of quantifying and explaining portfolio shifts with a view to constructing a corrected measure of M3, other approaches are also of help, in particular selecting judgementally from a broad range of economic indicators those that are perceived to capture in real time and in a relatively stable manner the quantitative impact of extraordinary portfolio shifts into and out of M3. Two such indicators are presented below.

The first indicator is a quantitative measure of the net purchase of non-monetary securities (i.e. financial assets outside M3) by the euro area money-holding sector (see Chart B). The indicator shows a strong decline in those periods in which fundamental factors in the model leave unexplained a large part of the strengthening in money demand, i.e. the second half of 2001 and the period from the latter part of 2002 up to mid-2003. In addition, it shows some normalisation of portfolio allocation behaviour in the period from mid-2003 to spring 2004, when a moderation in M3 dynamics corresponded to a significant extent to increasing investment in non-monetary assets.

The second indicator is a measure of aggregate risk aversion proxied by the conditional correlation between returns on long-term government bond and stock market indices.[1] This measure can provide indications of the timing and pattern of portfolio shifts (see Chart C).

1 For details of this measure of risk aversion, see the box entitled "Risk aversion and developments in monetary aggregates" in the December 2004 issue of the ECB's Monthly Bulletin.

Chart D Portfolio shift correction factors for the level of M3 [1)]



Source: ECB.
1) Derived from a univariate time series model as described in the text. A figure of 1.05 indicates that portfolio shifts amount to 5% of the level of M3.

Chart C indicates that risk aversion of euro area investors increased significantly between 2000 and early 2003, i.e. a period in which M3 growth cannot be adequately explained by macroeconomic fundamentals. Despite a considerable decline, risk aversion remained relatively high in 2003 and 2004, possibly explaining why the portfolio allocation of euro area investors tended to normalise more slowly than would have been expected on the basis of past experience.

Overall, taken together, the indicators confirm the assessment that in the period from 2001 to mid-2003 two phases of extraordinary portfolio shifts can be identified. In addition, the period from mid-2003 onwards, especially between mid-2003 and mid-2004, was characterised by some normalisation of portfolio allocation behaviour, albeit at a relatively slow pace.

Quantifying the impact of extraordinary portfolio shifts with univariate time series models

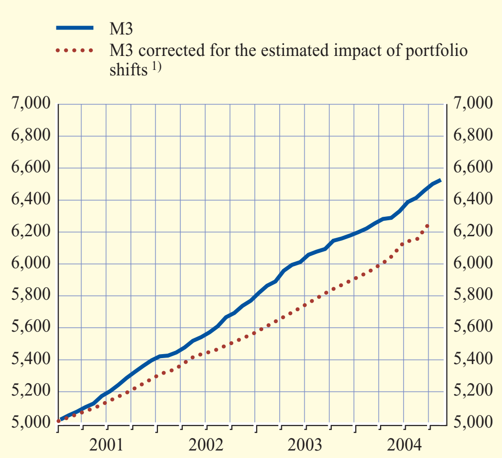
The extraordinary character of the periods under review is confirmed when analysing one-step-ahead forecast errors of a univariate time series model.[2] The pattern of these forecast errors during the period under review is in line with the stylised information on portfolio shifts provided by the indicators presented above. One way to quantify the impact of extraordinary portfolio shifts is the introduction of so called "intervention" variables (dummies and trends) for the level of M3 during the above-mentioned periods in this univariate time series model.[3] More specifically, the impact of the extraordinary portfolio shifts into money in 2001 and between autumn 2002 and early 2003 is modelled as a linearly increasing effect on the level of M3, whereas the gradual unwinding of past portfolio shifts in the period from mid-2003 to mid-2004 is assumed to proceed linearly at a quarter of the pace observed for the earlier shifts into M3. The pattern assumed for the portfolio shifts is statistically significant, with Chart D showing the associated correction factors for the level of M3. (A figure of 1.05 thus indicates that portfolio shifts amount to 5% of the level of M3.)

Applying these correction factors to the level of M3 results in an estimate of M3 corrected for the estimated impact of portfolio shifts[4] (see Charts E and F). The level of this corrected M3

2 For details of the univariate time series model, see the box entitled "Identification and quantification of the distortion of M3 at the start of Stage Three of EMU on the basis of a univariate linear time series model" in the May 2001 issue of the ECB's Monthly Bulletin.
3 Some alternative approaches have been presented in the box entitled "Estimating the size of portfolio shifts from equity to money" in the May 2003 issue of the ECB's Monthly Bulletin.
4 A further small correction for volatile movements in central government deposits between 2002 and 2004 has been introduced in this estimate.

Chart E M3 and M3 corrected for the estimated impact of portfolio shifts

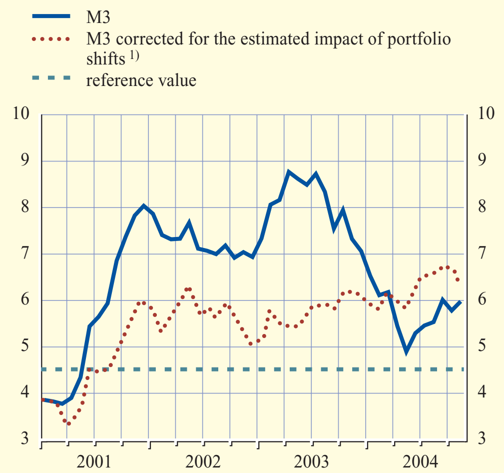
(EUR billions; adjusted for seasonal and calendar effects)



Source: ECB.
Note: The series are constructed from the index of adjusted stocks with base period January 2001.
1) Corrections made using the factors shown in Chart D.

Chart F M3 and M3 corrected for the estimated impact of portfolio shifts

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



Source: ECB.
1) See Chart D.

series has consistently remained below that of official M3 since March 2001. By contrast, since March 2004 the annual rate of growth of the estimate for corrected M3 has, for the first time since early 2001, been higher than that of the official series, consistent with the moderate unwinding of past portfolio shifts.

While the stylised facts are relatively well captured by the estimate of the portfolio shifts, a number of caveats have to be kept in mind. First, the estimates are derived from a very simple model that cannot capture the complex interrelationship of a large number of factors determining portfolio allocation behaviour. Second, the estimate of the correction factors contains judgemental elements. For these reasons, quantifying the exact magnitude of portfolio shifts is not straightforward, and all estimates are inevitably surrounded by considerable uncertainty.

MAIN COUNTERPARTS OF M3

On the counterparts side, the stimulative impact of the low level of interest rates on M3 dynamics was mirrored by a further strengthening of the annual rate of growth of MFI loans to the private sector, to 6.9% in November, from 6.8% in October (with month-on-month growth in November at 0.7% for the third consecutive month). This strengthening has become more broadly based across sectors, with the annual rate of growth of both loans to households and loans to non-financial corporations increasing in November, to 7.9% and 5.2% respectively (see Table 2). The main contribution to growth in loans to the private sector came from lending to households for house purchase, which grew at an annual rate of 9.9% in November. Apart from the low level of mortgage lending rates across the euro area, strong housing market dynamics in several euro area countries seem to be fostering mortgage borrowing. The rise in the annual rate of growth of loans

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of total [1]	Annual growth rates					
		2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Oct.	2004 Nov.
Non-financial corporations	**41.9**	**3.5**	**3.2**	**4.0**	**4.6**	**5.1**	**5.2**
Up to one year	31.1	-0.8	-2.4	-2.1	-0.6	1.5	2.6
Over one and up to five years	17.4	3.0	3.6	6.4	6.0	5.4	5.0
Over five years	51.6	6.5	6.9	7.2	7.4	7.3	6.9
Households [2]	**50.3**	**6.4**	**6.6**	**7.3**	**7.8**	**7.8**	**7.9**
Consumer credit [3]	13.5	2.9	4.4	5.7	6.2	5.9	6.5
Lending for house purchase [3]	68.1	8.1	8.4	9.0	9.9	9.8	9.9
Other lending	18.4	3.2	2.3	2.3	1.7	2.0	1.8
Insurance corporations and pension funds	**0.7**	**11.8**	**8.6**	**18.8**	**18.2**	**9.5**	**10.3**
Other non-monetary financial intermediaries	**7.1**	**11.7**	**8.9**	**8.5**	**8.3**	**9.2**	**10.0**

Source: ECB.
Notes: MFI sector including Eurosystem; sectoral classification based on the ESA 95. For further details, see footnote 2 to Table 2.4 in the “Euro area statistics” section and the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.
2) As defined in the ESA 95.
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

to non-financial corporations in November implies a continuation of the upward trend visible since early 2004.

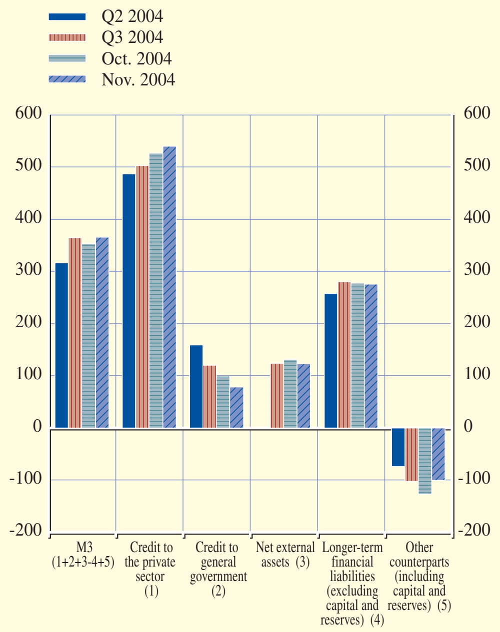
The annual growth rate of MFI credit extended to the general government declined to 3.5% in November, from 4.5% in the previous month (see Table 1). As a consequence, the annual rate of growth in the broader aggregate MFI credit to euro area residents declined slightly to 6.0% in November, from 6.1% in October.

Among the other counterparts of M3 (see Table 1), the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) was 8.8%, broadly unchanged from October. The strong growth in these liabilities points to an ongoing substitution from monetary into longer-term assets and thus a normalisation of the portfolio allocation behaviour of euro area residents.

At the same time, the annual flow in the net external asset position of the euro area MFI sector fell to €123 billion in November, from €132 billion over the twelve months up to October. Short-term movements in the net external asset position can be rather volatile and should thus not be overemphasised.

Chart 4 Movements in M3 and its counterparts

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



Source: ECB.

However, the November data could be seen as pointing to a moderation in the net capital inflows after four consecutive monthly increases.

Summing up the information from the counterparts of M3, the continued strong expansion of MFI longer-term financial liabilities (excluding capital and reserves) associated with the unwinding of the earlier exceptional portfolio shifts into monetary assets contributed to a dampening of M3 growth. By contrast, the strengthening of MFI loans to euro area residents, driven by the low level of interest rates, continues to have a strong positive impact on M3 growth. Increasingly, the latter effect has come to dominate, leading to a more rapid expansion of M3 in recent months.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issued by euro area residents decreased somewhat in October 2004, reflecting similar developments at the sectoral level. The annual growth rate of quoted shares issued by euro area residents remained at the subdued levels observed over the past two years.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents declined to 6.7% in October 2004, from 7.1% in September (see Chart 5). The issuance of long-term debt securities continued to grow robustly at a rate of 7.0% in October, whereas the annual growth rate of short-term debt securities remained moderate.

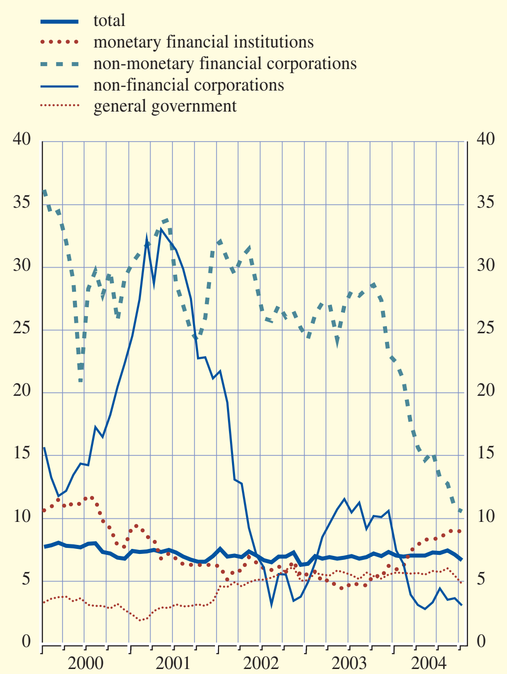
Turning to the sectoral breakdown, the annual growth rate of debt securities issued by MFIs remained high – considerably stronger than the average annual growth rate of around 5% in 2003 – despite easing to 8.9% in October 2004 (see Table 3). This high level is most likely related to the strengthening of the already robust growth of loans to the non-financial private sector, particularly loans to households for house purchase.

The annual growth rate of debt securities issued by the non-MFI corporate sector decreased by 0.4 percentage point to 7.1% in October 2004, reflecting lower growth for both non-monetary financial corporations and non-financial corporations. The annual growth rate of securities issued by non-monetary financial corporations, which typically provide indirect financing of MFIs and non-financial corporations through financial subsidiaries and special- purpose vehicles, declined by 0.3 percentage point in October 2004. Nevertheless, the annual growth rate of debt securities issued by non-monetary financial corporations remained strong at 10.6% in October 2004.

The annual growth rate of debt securities issued by non-financial corporations in the euro area decreased by 0.6 percentage point to 3.1% in October 2004. This was considerably lower than the average annual growth rate of 9.2% in 2003. The relatively low debt securities issuance activity of non-financial corporations may be related to the improvement in corporate earnings observed in 2004, which has bolstered internal savings and, as a result, reduced firms' external financing needs. At the same time, debt securities issuance seems to be lagging behind the increases in the growth of MFI loans to non-financial corporations that have been recorded since March 2004.

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

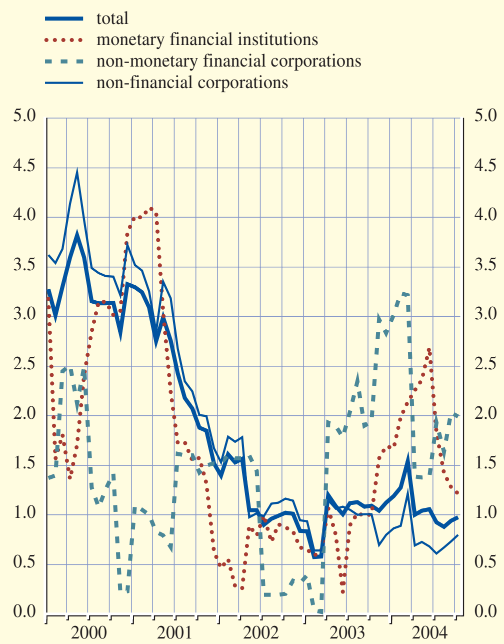
(annual growth rates)



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

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

(annual growth rates)



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

In the government sector, the annual growth rate of debt securities issued by the general government decreased to 4.8% in October 2004, from 5.4% in September. Underlying this decrease was a stronger net redemption of debt securities by the central government sector and relatively low gross issuance by other general government. The annual growth rate of debt securities issued by the central government declined to 4.3% in October, from 4.9% in the previous month, and is now below its average growth rate in 2003. The annual growth rate of debt securities issued by other parts of general government fell to 14.1% in October, from 15.3% in September.

QUOTED SHARES

The subdued activity in the primary equity market over the past two years continued in October 2004. Reflecting similar developments at the sectoral level, the annual growth rate of quoted shares issued by euro area residents remained broadly unchanged at 1.0% in October (see Chart 6 and Table 3). The annual growth rates of quoted shares issued by non-financial corporations and MFIs stood at 0.8% and 1.2% respectively. During the same month, the annual growth rate of quoted shares issued by non-monetary financial corporations (including insurance companies) remained unchanged at 2.0%. The subdued activity in the primary equity market probably reflects improved corporate earnings, which bolstered the availability of internal funds, only a gradual pick-up in M&A activity and the still relatively high cost of equity financing.

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2004 Q3	Annual growth rates [1] 2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Sep.	2004 Oct.
Debt securities:	**9,234**	**7.1**	**7.1**	**7.1**	**7.3**	**7.1**	**6.7**
MFIs	3,533	5.4	6.3	8.0	8.7	9.1	8.9
Non-monetary financial corporations	714	27.2	21.2	15.6	13.0	10.9	10.6
Non-financial corporations	587	10.1	7.0	3.2	3.8	3.7	3.1
General government	4,400	5.4	5.6	5.6	5.8	5.4	4.8
of which:							
Central government	4,159	4.6	4.9	5.0	5.2	4.9	4.3
Other general government	241	22.4	21.5	18.4	16.4	15.3	14.1
Quoted shares:	**3,761**	**1.1**	**1.3**	**1.1**	**0.9**	**0.9**	**1.0**
MFIs	580	1.3	1.9	2.3	1.7	1.3	1.2
Non-monetary financial corporations	362	2.4	3.1	1.7	1.8	2.0	2.0
Non-financial corporations	2,819	0.9	0.9	0.8	0.7	0.7	0.8

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

2.3 MONEY MARKET INTEREST RATES

Short-term money market interest rates were broadly stable for most of December, while longer-term rates increased slightly during that month. As a result, the money market yield curve steepened somewhat during December.

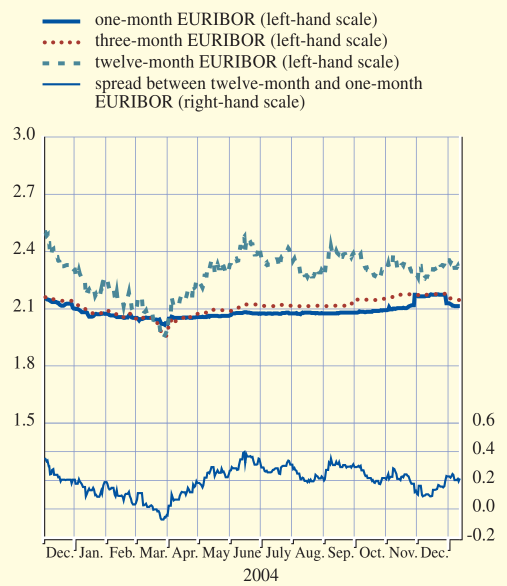
After decreasing in November 2004, long-term money market interest rates rose in December, and on 12 January 2005 twelve-month money market rates were 6 basis points higher than the levels observed at the end of November 2004 (see Chart 7). In December 2004 interest rates at the very short end of the money market yield curve, while being affected by the usual end-of-year effect, remained at levels close to key ECB interest rates (see Chart 8). Consequently, the slope of the money market yield curve steepened. The spread between the twelve-month EURIBOR and the one-month rate was 21 basis points on 12 January 2005, i.e. around 8 basis points larger than at the beginning of December 2004.

The rates implied by futures prices on three-month EURIBOR futures contracts maturing in March, June and September 2005 stood at 2.19%, 2.30% and 2.42% respectively on 12 January, close to those observed at the beginning of December 2004.

After a smooth end to the reserve maintenance period ending on 7 December, interest rates at the shortest maturity were affected by the usual end-of-year effect between the beginning of December 2004 and January 2005. The marginal and weighted average rates in the Eurosystem's main refinancing operations in December, which were both above the 2% minimum bid rate, increased gradually towards the end of the year, but declined again to levels observed at the beginning of December 2004 in the first main refinancing operations of 2005. The EONIA stood at around 2.08%-2.10% for most of December. On 31 December 2004, the EONIA rose to 2.21% on account of the usual end-of-year effect. However, this effect was more limited than in recent years, which may in part be related to the fact that the ECB provided banks with ample liquidity in

Chart 7 Short-term market interest rates

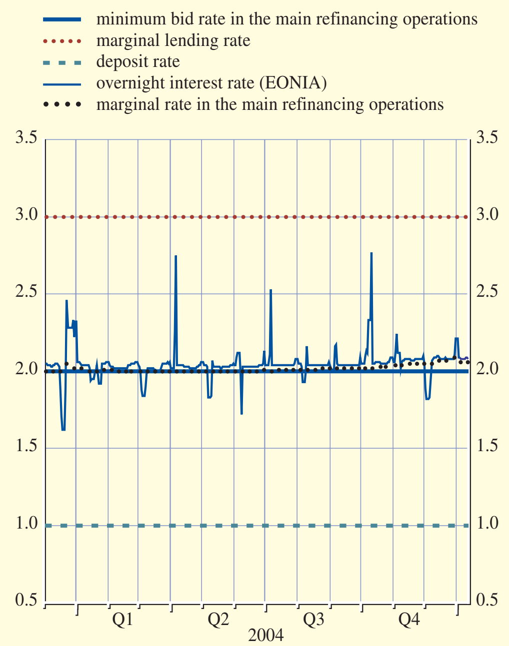
(percentages per annum; percentage points; daily data)



Source: Reuters.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

December. In the longer-term refinancing operation of the Eurosystem settled on 23 December, the tender rates were between 4 and 6 basis points below the three-month EURIBOR prevailing on that date.

2.4 BOND MARKETS

Overall long-term government bond yields decreased slightly in the euro area and the United States in December 2004 and early January 2005. Bond yields on both sides of the Atlantic once again moved in tandem, after the decoupling of interest rates observed over the previous months. While the fall in euro area bond yields was linked to declines in real yields, the decline in US bond yields reflected decreasing break-even inflation rates.

UNITED STATES

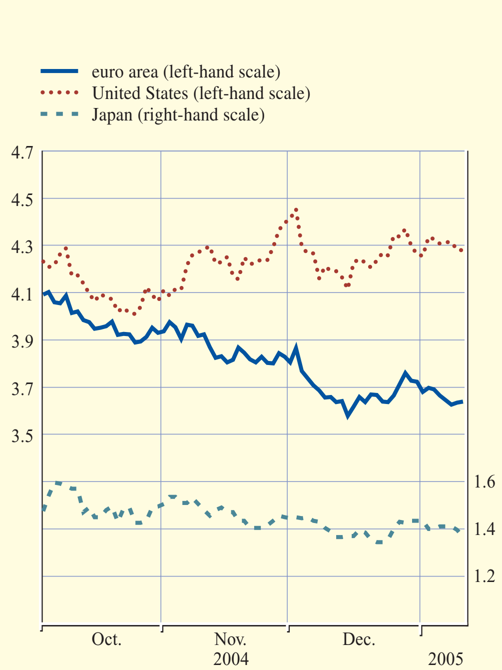
In the United States, long-term nominal bond yields declined overall by around 10 basis points between end-November 2004 and 12 January 2005, to stand at around 4.3% (see Chart 9). The decline mainly occurred following the release of employment data, which were perceived by market participants to be weaker than expected, at the beginning of December. At the beginning of January bond yields rebounded slightly, partly in response to the release by the Federal Open Market Committee of the minutes of its meeting of 14 December, which were perceived as signalling a somewhat higher pace of monetary policy tightening in the United States than previously expected by the market.

The yield on ten-year index-linked government bonds remained broadly unchanged between end-November 2004 and 12 January 2005, suggesting that markets' growth expectations were unaltered overall during the period. Inflationary concerns seemed to have eased slightly, as suggested by a decline of around 15 basis points in long-term break-even inflation rates (derived as the difference between ten-year nominal and index-linked bond yields), to stand at a level of around 2.6% on 12 January 2005. The decline in oil prices may partly explain this development.

The uncertainty among market participants surrounding future developments in long-term bond yields in the United States, as measured by implied bond market volatility, remained almost unchanged in December 2004 and early January 2005 at a level somewhat below its average since 1999 (see Chart 10).

Chart 9 Long-term government bond yields

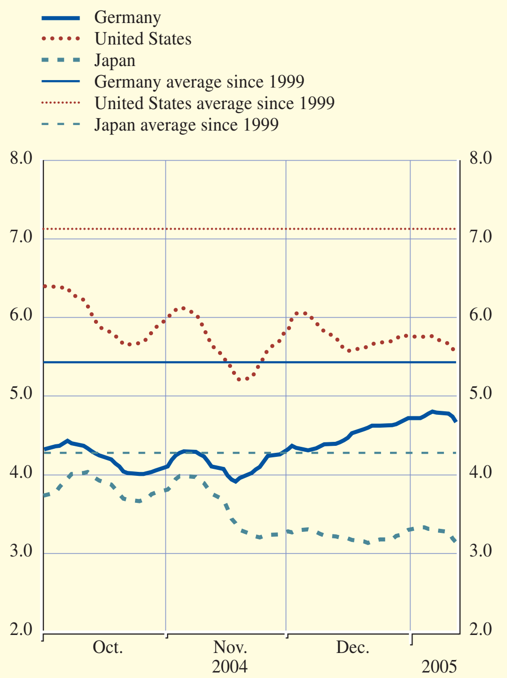
(percentages per annum; daily data)



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

Chart 10 Implied bond market volatility

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



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

JAPAN

In Japan, long-term government bond yields remained broadly unchanged during the period between end-November 2004 and 12 January 2005, to stand at 1.4%, as most important data releases were in line with market expectations. Hence the perceptions of market participants on economic growth and inflation in the Japanese economy remained unchanged overall.

Market participants' uncertainty regarding future developments of bond yields, as measured by implied bond market volatility, remained broadly unchanged in December and at the beginning of January at a level below its average since 1999.

EURO AREA

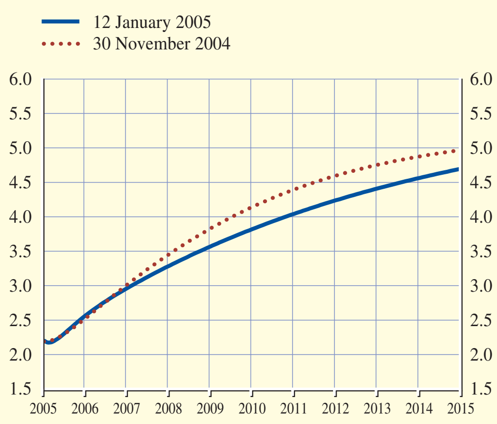
Long-term government bond yields declined by around 20 basis points in the euro area between end-November 2004 and 12 January 2005, to stand at around 3.6%. Euro area and US bond yields once again moved partly in parallel following their decoupling at the end of October and throughout November. The differential between long-term bond yields in the United States and the euro area widened slightly, to stand at around 65 basis points on 12 January.

The overall decline in euro area long-term bond yields appeared to be partly linked to developments in the United States. The lower than expected US employment data release in early December, in particular, also drove euro area bond yields somewhat lower. In addition, concerns among market participants that the exchange rate of the euro may be subject to some further strengthening may have put additional downward pressure on yields. The downward movement in bond yields was only observed in medium and longer-term bond yields, whereas shorter-term bond yields remained broadly unchanged (see Chart 11).

The bulk of the decrease in euro area nominal long-term bond yields can be attributed to the declines in real bond yields, possibly suggesting a slight overall weakening of market participants' growth expectations for the euro area. The yield on ten-year index-linked government bonds declined by around 10 basis points between end-November 2004 and 12 January 2005. In mid-December the yield on ten-year French index-linked securities (indexed to the euro area HICP excluding tobacco) fell to around 1.0%, the lowest level since their issuance in 2001, although it subsequently rebounded to stand higher – at around 1.2% – on 12 January. The ten-year break-even inflation rate, derived as the difference in the yields on ten-year nominal and index-linked government bonds (indexed to the euro area HICP excluding tobacco), declined slightly to stand at around 2.2%, still a relatively high level by historical standards. Break-even inflation rates, however, are an imperfect indicator of market participants' long-term inflation expectations because they

Chart 11 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

may incorporate various risk premia, including an inflation uncertainty premium and a liquidity premium, and may also be affected by purely technical factors.

Corporate bond market spreads remained at a low level (see Box 2), while the uncertainty surrounding future bond market developments in the euro area, as measured by the implied bond market volatility, remained broadly unchanged in December 2004 and early January 2005 at a level below its average since 1999.

Box 2

DETERMINANTS OF THE FALL OF CORPORATE BOND SPREADS IN RECENT YEARS

The spreads of long-term corporate bond yields over government bond yields have narrowed since the end of 2002. The decline was particularly pronounced for the spreads of corporate bonds of relatively low quality (between A and BBB), which are currently trading at historically low levels (see Chart A). This box investigates the factors affecting corporate bond spreads. In particular the strong link between corporate bond spreads and implied stock market volatility is highlighted.[1]

The prices of both corporate bonds and government bonds reflect the probability that the bondholders will not be repaid in cases of default. In general, the probability of default is higher for corporate bonds and thus they trade at a price that is lower than the price of a government bond of comparable maturity and coupon payments. The difference in price, which translates into a difference in yield, is often called the corporate bond yield spread. This spread is a measure of the additional premium required by investors in order to incur a credit risk in addition to the so-called "market risk".

When a company defaults, its assets are used to repay the outstanding claims, with priority given to bondholders over shareholders. However, if the value of the remaining assets is lower than the total value of the debt outstanding, bondholders may not be repaid or be repaid only in part.

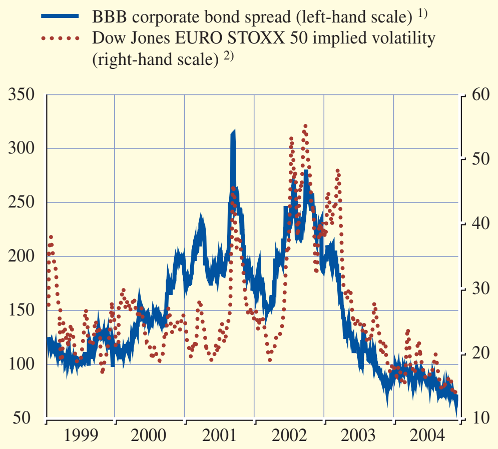
To understand the link between corporate bond spreads and stock market volatility, it is useful to bear in mind that a firm with more volatile assets is more likely to reach the conditions of default since there is a higher probability that the value of the firm will, at a certain point in time, be lower than the value of its outstanding debt. Therefore, when asset volatility is high, bond investors will require additional compensation in the form of a higher yield spread over the market rate. Thus, a positive relationship between corporate bond spreads and asset volatility should be expected.

The volatility of a firm's assets is generally not known to investors. However, they can calculate the implied volatility from options written on the firm's equity, which is a measure of the equity's volatility. Spreads of BBB corporate bond yields over comparable government bond yields and implied volatility extracted from the EURO STOXX 50 index seem indeed to

1 Option pricing theory provides a rigorous framework to analyse the impact of the factors affecting corporate bond spreads. See R. C. Merton (1974), "On the pricing of corporate debt: the risk structures of interest rates," *Journal of Finance*, Vol. 29.

Chart A Corporate bond spreads and implied stock market volatility in the euro area

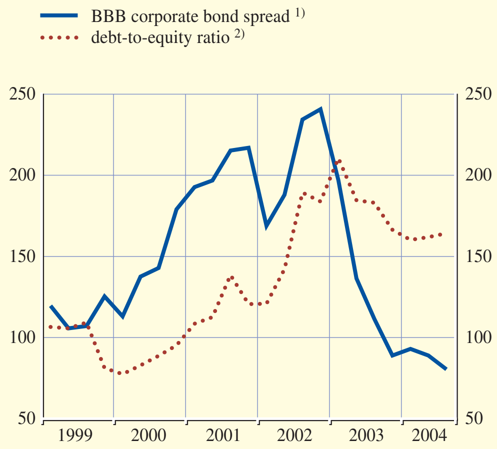
(percentages per annum and basis points; daily data)



Sources: Bloomberg, Thomson Financial Datastream and ECB calculations.
1) Difference between seven to ten-year corporate bond yields and seven to ten-year government bond yields.
2) Expected standard deviation of percentage stock price changes over a period of up to three months, as implied in the prices of options on stock price indices.

Chart B Corporate bond spreads and debt to equity ratio in the euro area

(percentages and basis points; quarterly data)



Sources: ECB and Thomson Financial Datastream.
1) Difference between seven to ten-year corporate bond yields and seven to ten-year government bond yields.
2) Debt includes loans granted by monetary financial institutions and other financial corporations, debt securities issued and pension fund reserves of non-financial corporations. Equity includes quoted shares issued by non-financial corporations.

share common trends (see Chart A). When implied volatility decreases, the corporate bond spreads of risky firms narrow and vice versa.

The probability of default is also related to the firm's indebtedness, which can be measured by the debt-to-equity ratio. When the size of a firm's debt is big compared to the value of its equity, it could be difficult for the firm to meet its debt obligations. Thus, bondholders are likely to require a higher premium as compensation for a higher risk of default. The level of corporate bond spreads should thus be linked to the debt-to-equity ratio. Indeed, over the past few years some co-movement between the aggregate debt-to-equity ratio of euro area corporations and corporate bond spreads has been observed (see Chart B).

Finally, one may conjecture that the low level of euro area corporate bond spreads is also related to the low level of interest rates, which might have had a positive effect on the leverage position of firms. If the value of a firm is affected by the level of interest rates, lower interest rates should imply, for a given level of debt, a lower debt-to-equity ratio. Therefore, the credit spread and the level of interest rates should be positively related. The empirical evidence suggests that this is indeed the case.

Summing up, the current level of corporate bond spreads can in part be linked to the environment of low uncertainty surrounding future profitability, as measured by the implied stock market volatility. In addition, the decline in debt-to-equity ratios in the euro area since the end of 2002, reflecting some improvement in corporate profitability and a cautious debt financing policy, as well as the low level of interest rates, may have contributed to the decline in corporate bond spreads.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

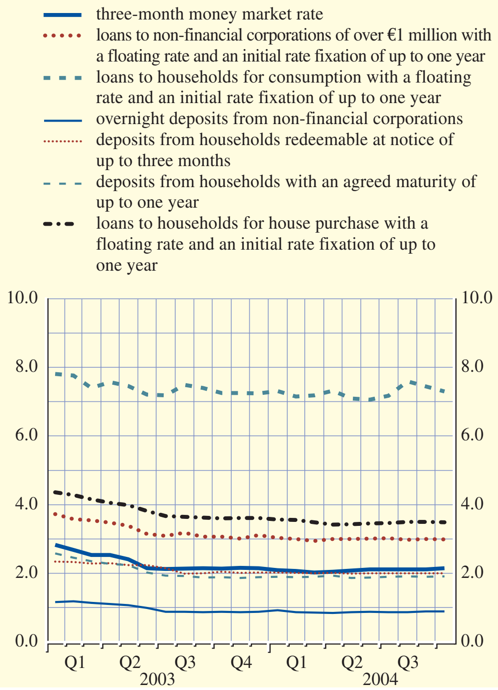
In October 2004 most MFI interest rates on new business remained broadly unchanged or declined slightly.

Most short-term MFI interest rates on new business remained, on average, broadly unchanged in October 2004 (see Chart 12 and Table 4). The only notable exception was a decrease of 15 basis points in the rate for loans to households for consumption with a floating rate and an initial rate fixation of up to one year.

Taking a somewhat longer perspective, in the first ten months of 2004 short-term MFI interest rates on deposits remained virtually unchanged, whereas most comparable rates on loans declined slightly. For example, between December 2003 and October 2004, short-term rates on lending to households for house purchase (with a floating rate and an initial rate fixation of up to one year) declined overall by more than 10 basis points. Short-term interest rates on small loans (of up to €1 million) to non-financial corporations have been broadly unchanged since December 2004, whereas short-term rates on large loans (of over €1 million) have declined by more than 10 basis points. In comparison, the three-month money market rate remained unchanged overall in the year to October 2004.

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

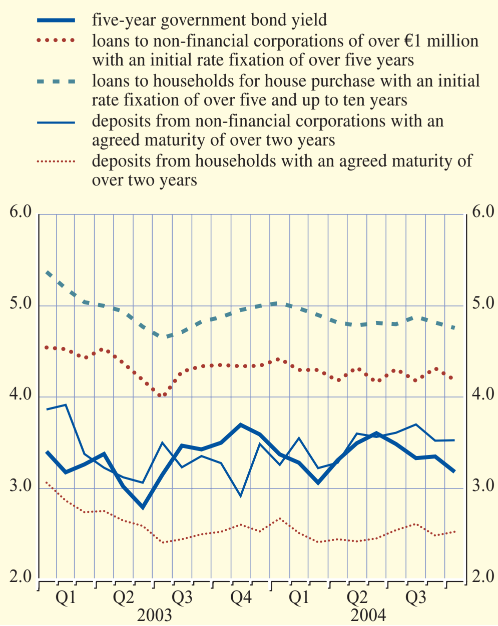
(percentages per annum; rates on new business; weight-adjusted [1])



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

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

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



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

Table 4 MFI interest rates on new business

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

	2004 May	2004 June	2004 July	2004 Aug.	2004 Sep.	2004 Oct.	Change in basis points up to Oct. 2004: 2003 Jan.	2003 Dec.	2004 July	2004 Sep.
MFI interest rates on deposits										
Deposits from households										
with an agreed maturity of up to one year	1.86	1.88	1.90	1.92	1.90	1.92	-67	3	2	2
with an agreed maturity of over two years	2.42	2.45	2.54	2.61	2.48	2.53	-53	0	-1	5
redeemable at notice of up to three months	2.00	2.00	2.00	2.00	2.00	2.00	-34	-2	0	0
redeemable at notice of over three months	2.55	2.54	2.54	2.53	2.52	2.52	-76	-16	-2	0
Overnight deposits from non-financial corporations	0.87	0.88	0.87	0.87	0.90	0.89	-27	1	2	-1
Deposits from non-financial corporations										
with an agreed maturity of up to one year	1.96	1.99	1.99	1.98	2.00	2.04	-68	4	5	4
with an agreed maturity of over two years	3.60	3.56	3.61	3.70	3.52	3.53	-33	4	-8	1
MFI interest rates on loans										
Loans to households for consumption										
with a floating rate and an initial rate fixation of up to one year	7.09	7.06	7.18	7.59	7.44	7.29	-52	5	11	-15
Loans to households for house purchase										
with a floating rate and an initial rate fixation of up to one year	3.43	3.45	3.46	3.49	3.50	3.48	-88	-13	2	-2
with an initial rate fixation of over five and up to ten years	4.79	4.81	4.80	4.88	4.82	4.76	-61	-24	-4	-6
Bank overdrafts to non-financial corporations	5.46	5.44	5.37	5.40	5.38	5.40	-80	-18	3	2
Loans to non-financial corporations of up to €1 million										
with a floating rate and an initial rate fixation of up to one year	3.99	3.97	4.02	4.02	3.99	4.01	-86	-1	-1	2
with an initial rate fixation of over five years	4.64	4.72	4.68	4.71	4.70	4.65	-50	-16	-3	-5
Loans to non-financial corporations of over €1 million										
with a floating rate and an initial rate fixation of up to one year	3.00	3.01	3.03	2.98	3.00	2.99	-74	-12	-4	-1
with an initial rate fixation of over five years	4.32	4.16	4.31	4.18	4.31	4.19	-35	-15	-12	-12
Memo items										
Three-month money market interest rate	2.09	2.11	2.12	2.11	2.12	2.15	-68	0	3	3
Two-year government bond yield	2.55	2.74	2.70	2.53	2.60	2.47	-17	-11	-23	-13
Five-year government bond yield	3.50	3.60	3.49	3.33	3.35	3.18	-22	-41	-31	-17

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

Most long-term MFI interest rates on new business remained broadly unchanged or decreased only slightly in October 2004 (see Chart 13 and Table 4). Only the rate for loans (of over €1 million) to non-financial corporations with an initial rate fixation of over five years decreased by more than 10 basis points.

Looking at a longer horizon, between December 2003 and October 2004 most long-term interest rates declined less than the more volatile market rates of comparable maturity (e.g. the five-year government bond yield declined by about 40 basis points in the same period). For example, during this period, MFI interest rates on loans (of both up to and over €1 million) to non-financial corporations with an initial rate fixation of over five years declined by about 15 basis points, whereas the rate on loans to households for house purchase with an initial rate fixation of over five and up to ten years declined by about 25 basis points.

2.6 EQUITY MARKETS

Stock prices in the euro area and the United States continued to increase in December 2004 and early January 2005. Equity market prices benefited from continued positive releases on corporate profitability and declines in oil prices and long-term interest rates.

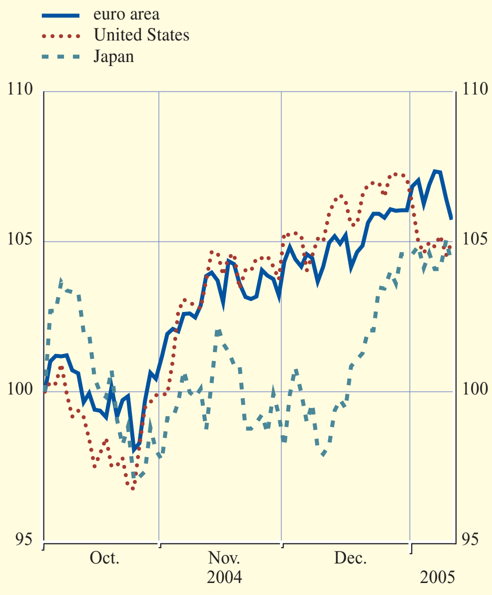
UNITED STATES

In the United States, the broad-based Standard & Poor's 500 index increased by around 1% between end-November 2004 and 12 January 2005 (see Chart 14). Continuing improvements in actual earnings per share – which according to survey data from Thomson Financial Datastream grew by around 22% on an annual basis in December – together with declines in oil prices and long-term government bond yields appear to have been the main drivers behind the increases in stock prices.

The uncertainty in the US stock market, as measured by the implied volatility derived from options on the Standard & Poor's 500 index, was unchanged between end-November 2004 and 12 January 2005, and remained at levels well below its average since 1999 (see Chart 15).

Chart 14 Stock price indices

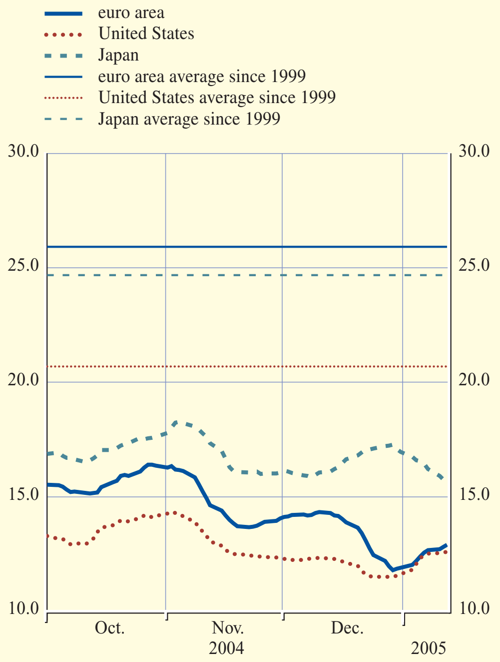
(index: 1 October 2004 = 100; daily data)



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

Chart 15 Implied stock market volatility

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



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

JAPAN

Stock prices in Japan, as measured by the Nikkei 225 index, increased by around 5% between end-November 2004 and 12 January 2005. Financial sector stocks increased most significantly. It appears that strong corporate profitability continues to be the main driver of the upturn in Japanese equity prices.

The implied volatility extracted from options on the Nikkei 225 index, a measure of uncertainty in the Japanese stock market, remained unchanged between end-November 2004 and 12 January 2005 and thereby remained at a level that was well below its average since 1999.

EURO AREA

In the euro area, stock prices increased by around 2% between end-November 2004 and 12 January 2005. Similarly to developments in the United States, euro area stocks also benefited from the high growth in actual earnings per share – about 30% in December on an annual basis according to survey data from Thomson Financial Datastream – and from declines in oil prices. In addition, the decline in real interest rates was a factor in supporting euro area stock prices.

Most of the sectors in the Dow Jones EURO STOXX index increased, with the largest increases in the utility and financial sectors. However, the technology, basic material and energy sectors all declined, the latter most likely on account of the declines in oil prices.

The uncertainty surrounding future developments in euro area equity markets, as measured by the implied stock market volatility extracted from options on the Dow Jones EURO STOXX 50 index, remained broadly unchanged between end-November 2004 and 12 January 2005. The level of stock market volatility continues to be well below its average since 1999.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area HICP inflation increased slightly to 2.3% in December 2004, from 2.2% in the previous month. It appears that the rise in HICP inflation between November and December reflects increases in tobacco taxes in Germany and Italy that were only partly offset by a lower contribution from the energy component resulting from the recent fall in oil prices. Available indicators suggest that domestic price pressures from labour costs remained moderate in the third quarter. Looking forward, base effects from increases last year in administered prices and taxes, lower oil prices and moderate domestic price pressures should enable inflation to return to below 2% during the course of 2005. However, upside risks remain, particularly in terms of oil price developments and further administered price and tax changes.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR DECEMBER 2004

According to Eurostat's flash estimate, euro area HICP inflation increased slightly to 2.3% in December 2004, from 2.2% in the previous month (see Table 5). Although no detailed breakdown is currently available, it appears that the rise in HICP inflation between November and December reflects increases in tobacco taxes in Germany and Italy that were only partly offset by a lower contribution from the energy component resulting from the recent fall in oil prices. There is, however, still some uncertainty surrounding this December estimate, given the preliminary nature of the data. The official release of the December data is scheduled for 20 January 2005. Should the early estimate of 2.3% in December be confirmed, this would imply an annual inflation rate in 2004 of 2.1%, which is the same rate that prevailed in 2003.

HICP INFLATION IN NOVEMBER 2004

In November, the latest month for which detailed figures are available, a drop in energy prices and a base effect in processed food prices resulted in HICP inflation in the euro area decreasing to 2.2%, from 2.4% in October. This outcome was in line with Eurostat's flash estimate released at the end of November. The base effect in processed food prices was behind the decline in the annual rate of change in the HICP excluding unprocessed food and energy to 1.9%, from 2.0% in the previous month (for a more detailed description of base effects and their impact on inflation, see Box 3 entitled "Base effects and their impact on HICP inflation in early 2005").

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 July	2004 Aug.	2004 Sep.	2004 Oct.	2004 Nov.	2004 Dec.
HICP and its components								
Overall index [1]	2.1	.	2.3	2.3	2.1	2.4	2.2	*2.3*
Energy	3.0	.	5.9	6.5	6.4	9.8	8.7	.
Unprocessed food	2.1	.	0.7	-0.2	-1.5	-1.2	-1.0	.
Processed food	3.3	.	3.8	3.6	3.3	2.8	2.3	.
Non-energy industrial goods	0.8	.	0.7	0.9	0.8	0.8	0.8	.
Services	2.5	.	2.7	2.7	2.6	2.6	2.6	.
Other price indicators								
Industrial producer prices	1.4	.	2.9	3.1	3.3	4.0	3.6	.
Oil prices (EUR per barrel)	25.1	30.5	30.7	34.1	35.0	39.4	34.5	30.0
Non-energy commodity prices	-4.5	10.8	18.0	11.0	6.9	3.7	0.4	-0.2

Sources: Eurostat, Thomson Financial Datastream and HWWA.
1) HICP inflation in December 2004 refers to Eurostat's flash estimate.

Box 3

BASE EFFECTS AND THEIR IMPACT ON HICP INFLATION IN EARLY 2005

The measure of inflation that is given prominence by the ECB is the year-on-year rate of change in the HICP. When the change in this rate between two consecutive months is described, base effects are often mentioned. This box clarifies what is meant by a base effect – from both a technical as well as a conceptual viewpoint. It also highlights two particular base effects, relating to the impact of fiscal measures implemented in early 2004, which will have a downward impact on HICP inflation in early 2005.

Calculation of annual inflation rates

The annual inflation rate (π_t) is calculated as the percentage difference between the consumer price index in a given month (p_t) and the index value 12 months earlier (p_{t-12}). This can be approximated by:

$$\pi_t = [\ln(p_t) - \ln(p_{t-12})] \times 100 \,,$$

where ln stands for the natural logarithm. Thus, the difference between the annual inflation rates in two subsequent months is approximately the same as the difference between the month-on-month rate in the current month and the month-on-month rate twelve months previously:

$$\pi_t - \pi_{t-1} = [(\ln(p_t) - \ln(p_{t-1})) - (\ln(p_{t-12}) - \ln(p_{t-13}))] \times 100 \,.$$

This illustrates the fact that the change in the year-on-year inflation rate from one month to the next reflects the impact of both recent price changes and price movements in the base month, i.e. 12 months earlier. For example, if the price index jumps in the period from *t-13* to *t-12*, this will reduce the change in annual inflation between *t-1* and *t*. Note that the logic behind these definitions is the same if the annual rate of change is calculated (more precisely) as:

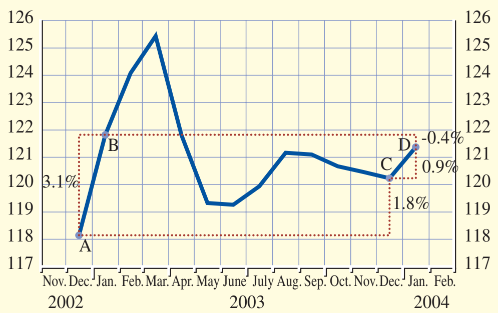
$$\pi_t = [(p_t - p_{t-12}) / p_{t-12}] \times 100 \,.$$

Technical definition of a base effect

In a purely technical sense, the contribution to the change in the annual inflation rate from the month-on-month rate of change one year earlier (i.e. $\ln(p_{t-12}) - \ln(p_{t-13})$) could be referred to as a base effect. One illustrative example is the annual rate of change in the HICP energy component, which declined to -0.4% (from B to D in the chart) in January 2004 from 1.8% (from A to C) in December 2003, despite a month-on-month increase of 0.9% (from C to D) in January 2004. The decline in the year-on-year rate of change, of 2.2 percentage points, was fully explained by

Chart HICP energy

(index: 1996 = 100)



Source: Eurostat.

the month-on-month rate of increase of 3.1% (from A to B) in January 2003 – which is the base effect – as it dropped out of the year-on-year rate of change in January 2004.

Economic definition of a base effect

From an economic point of view, however, it may sometimes be useful to consider a base effect as the contribution to changes in the annual rate of inflation from unusual or extreme changes in the price index (or sub-index) during the base period, i.e. the period that is used as the basis for the calculation of annual rates. While such a definition would seem to make economic sense, it nonetheless leaves open a number of issues and therefore does not, on its own, help to precisely identify and quantify the size of a base effect. For example, judgement is always required in assessing whether a price movement is unusual or extreme. This economic definition would imply that base effects are identified only with exogenous factors which influence the general inflationary pattern and can be traced to movements in specific HICP components (e.g. a tax effect on tobacco prices or a sharp increase in food prices due to an outbreak of disease among livestock).

In addition, base effects will arise when there are unusual seasonal fluctuations. Clothing prices, for instance, typically show sharp month-on-month declines in January and July at the time of the winter and summer sales. It could be the case that the month-on-month rate of change that drops out of the year-on-year rate (i.e. the technical definition of a base effect) is large, but normal for the season, while the current month-on-month rate is smaller than the average increase for that month. From a technical viewpoint the change in the annual inflation rate is driven by a base effect. However, from an economic perspective the change in inflation is driven by developments in the current month, i.e. a smaller than normal seasonal change.

Another issue in the context of base effects is that most price series normally show an upward trend (although this may not be the case for certain items of technical equipment such as PCs) because the rate of change in the HICP is generally positive (in line with the ECB's definition of price stability, which allows a positive annual change in the HICP below but close to 2%). To calculate a base effect in a meaningful way that isolates unusual or extreme developments, one has to take account of this upward trend. This can be done by comparing the historical averages of the respective HICP series with the actual developments.

However, when assessing seasonality or calculating the average price change for an HICP item in a particular month, one has to bear in mind that the seasonal pattern of the index may change over time. For example, prices of package holidays (which are part of the services component) have a very strong seasonality which has a tendency to change somewhat from one year to another in response to, for instance, the timing of the Easter weekend. The result is that the annual rate of change is also volatile. In addition, seasonal sales for Italy and Spain were introduced in the HICP in January 2001, as a result of which there is a statistical break in the index. For this reason, caution is warranted when judging whether a price change is unusual for a particular month.

Base effects in early 2005

Base effects are expected to have a downward effect on annual euro area HICP inflation at the beginning of 2005. In particular, the fact that price increases due to the German health care reform and tobacco tax increases in various countries will drop out of the year-on-year rate of change should have a downward impact on inflation. For instance, the health component of the HICP rose by 5.7% month on month in January 2004. The average increase in January since 1996 is 0.9%, which means that the difference, i.e. 4.8 percentage points, could be seen as the base effect. The mechanical impact on HICP inflation from this would be around 0.2 percentage point (taking into account that health-related goods and services had a weight of 4.0% in the overall HICP in 2004). In addition, tobacco prices rose by 5.3% month on month in March 2004, which is 4.9 percentage points higher than the average increase for this component over the period 1996 to 2003. The mechanical impact on HICP inflation from this base effect is approximately 0.1 percentage point (with tobacco products having a weight of 2.4% in the HICP). Importantly, it cannot be ruled out that pressure on public finances might result in additional but as yet unplanned increases in administered prices and indirect taxes. This would offset the downward effect on inflation from these base effects.

Approximately half of the decline in the overall annual inflation rate in November was due to a month-on-month fall in energy prices of 1.2%. This decline, which reflects the oil price decline – particularly in euro terms – since October, resulted in the annual rate of change in energy prices decreasing to 8.7% in November, from 9.8% in October. Although disaggregated HICP data for December are not yet available, a further fall in energy prices may be expected given the further declines in oil prices (in euro terms) in the period up to end-December. This hypothesis is confirmed by information from the European Commission's weekly Oil Bulletin, which provides useful information on short-term developments in consumer energy prices (see Box 4 entitled "Using information from the weekly Oil Bulletin to monitor short-term energy price developments"). Although the oil sub-components of HICP energy may decline in line with recent oil price developments, this may be attenuated to some extent by developments in some of the non-oil energy sub-components, namely gas and heat energy. These sub-components, which account for approximately one-quarter of the energy component, tend to respond with a longer lag to oil price developments and thus the annual rate of change in these sub-components is still increasing in response to earlier oil price increases. Although unprocessed food prices rose slightly in November, their annual rate of change remained low and negative.

The annual rate of increase in the HICP excluding unprocessed food and energy edged down slightly to 1.9% in November, from 2.0% the previous month (see Chart 16). As already indicated, this decline was due entirely to a base effect in processed food prices, resulting from an increase in tobacco taxes in November 2003. However, this decline is likely to have been reversed in December on account of tobacco tax increases in Germany and Italy. Nonetheless, processed food price developments excluding tobacco were much more moderate. This may in part reflect subdued unprocessed food price developments.

The annual rates of change in non-energy industrial goods and services prices were unchanged in November 2004 at 0.8% and 2.6% respectively. The annual rate of change in both of these sub-components is still affected by changes in administered health care goods and services prices made earlier in 2004, and would be approximately 0.3 percentage point lower without these changes. However, even allowing for these administered price changes, services inflation remained just below 2.5% for most of 2004 and even edged up slightly during the course of the year. This tendency has been observed in most of the services sub-components, but one specific factor which has made an impact is the slight rise in the year-on-year rate of increase in rents. While this rise – which may possibly be linked to strong house price increases – is not dramatic, rents have a significant weight in the services component (15%) and have restricted the scope for

Box 4

USING INFORMATION FROM THE WEEKLY OIL BULLETIN TO MONITOR SHORT-TERM ENERGY PRICE DEVELOPMENTS

The recent volatility in oil prices has increased the uncertainty surrounding short-term developments in energy prices and the overall inflation rate. In this context, useful and timely information on short-term energy price movements is provided by the European Commission's weekly Oil Bulletin.[1] This box considers the uses and limitations of data from the Oil Bulletin in monitoring short-term developments in energy prices and overall inflation.

The Oil Bulletin, compiled by the European Commission's Directorate-General Energy and Transport, reports consumer prices of petroleum products. It gives data for all European Union countries, both including and excluding duties and taxes. The Oil Bulletin provides consumer price information for three types of product: two automobile fuels (Euro-super 95 and diesel) and one home heating fuel (heating gas oil).[2] The prices reported for the euro area may be linked to energy prices in the HICP. Euro area prices are aggregated from individual country data using information on national consumption as weights for each of the products.[3] Petroleum product prices are collected at the country level and, with a few exceptions, on a weekly basis.

The Oil Bulletin is useful for a number of reasons. First, it is published weekly, which allows a detailed examination of the pass-through of oil prices into consumer energy prices. Second, it is also very timely: the data which are collected on Monday each week are generally available by Wednesday. Third, unlike energy price data available from commodity markets, such as crude oil prices, the Oil Bulletin data are consumer prices, making them particularly relevant to HICP inflation analysis. Although only "oil" energy prices are available, these cover over 50% of the HICP energy component (see Table A for a breakdown of this component). Even though the Oil Bulletin does not give data for "non-oil" energy sub-components – electricity, gas,

Table A Weights of euro area HICP energy sub-components

(in percentages)

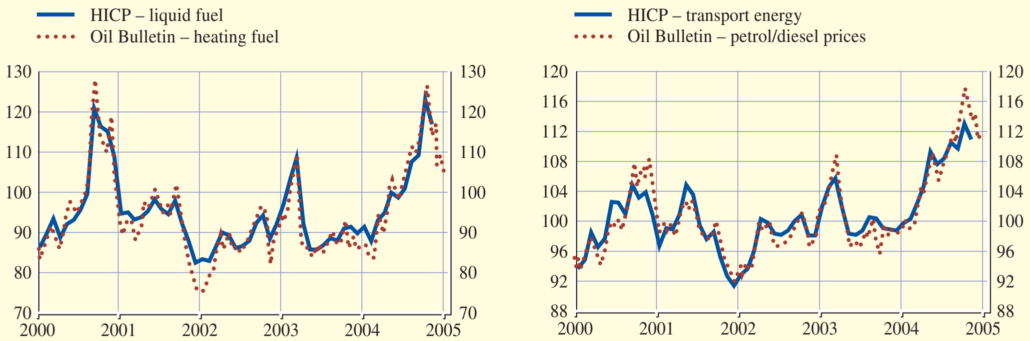
	Share in total HICP 1)	Share in HICP energy 1)
HICP energy	**8.1**	**100.0**
"Oil" energy	*4.3*	*52.7*
Liquid fuels	0.6	7.9
Fuels and lubricants for personal transport equipment	3.6	44.8
"Non-oil" energy	*3.8*	*47.3*
Electricity	2.0	24.6
Gas	1.3	16.2
Solid fuels	0.1	1.0
Heat energy	0.4	5.5

Source: Eurostat.
1) Weights are for 2004.

1 Further information on the Oil Bulletin is available on the European Commission's website, at http://europa.eu.int/comm/energy/oil/bulletin/index_en.htm.
2 Data are also reported on fuel oil prices (excluding VAT), but as these do not directly refer to consumer prices they are not reported here.
3 Euro area aggregates are compiled only when full country coverage is reached.

Chart Oil Bulletin (weekly data) and HICP energy components (monthly data)

(index 2000 = 100)



Sources: Eurostat, European Commission DG Energy and Transport and ECB calculations.

solid fuels and heat energy, which account for slightly under 50% of overall energy – these items do not react in the short-term to oil price developments.[4]

Nonetheless, using the Oil Bulletin data for inferring HICP developments has some limitations. First, mapping the weekly data from the Oil Bulletin to the monthly data from the HICP is not straightforward, as each country collects its HICP data over different time periods in terms of both the number of days over which prices are collected and the time of the month at which they are collected. In this context Eurostat is finalising a proposal to harmonise further the collection periods for HICP data. Second, although both Oil Bulletin data and HICP data refer to pump prices, the former have various different sources, whereas the latter are generally collected directly from the pumps. Third, for prices including tax only a relatively short sample is available for the euro area (from January 2000 to date), although prices excluding tax are available for many countries back to 1994.

Despite these caveats, the data from the Oil Bulletin follow the HICP's "oil" energy sub-components quite closely (see Chart). The left-hand section of the Chart shows the relationship between the liquid fuels sub-component of the HICP (mainly domestic heating fuel) and the heating fuel data from the Oil Bulletin. Some short-term movements and turning-points evident from the latter are smoothed out by the monthly HICP data. The range of movement in home heating fuel prices tends to be larger than that of petrol/diesel prices. This reflects the lower tax content of the heating fuel prices, which means that movements in oil prices tend to have a larger percentage impact on the final prices charged to consumers. The right-hand section of the Chart shows the relationship between the transport energy sub-component (petrol/diesel) of the HICP and the petrol/diesel data from the Oil Bulletin. The degree of fit is slightly lower between these two series. This may perhaps reflect the different distribution channels for home heating fuel and transport fuel and the different ways in which the Oil Bulletin and HICP data are collected.

In addition to the link between Oil Bulletin data and the HICP "oil" energy sub-components, the Oil Bulletin data give some insight into the very short-term dynamics of oil energy prices

4 For example, the peak correlation between monthly changes in oil prices and the gas and heat energy sub-components of the HICP is with a lag of 10-12 months.

Table B Comovement of oil prices and Oil Bulletin energy prices

week(-2)	week(-1)	week(0)	week(1)	week(2)	week(3)	week(4)	week(5)
0.01	0.09	0.45	0.57	0.23	0.12	0.04	-0.01

Source: ECB calculations. Oil prices are in euro. Sample period 2000-2004.
Note: week(1) denotes the correlation between weekly changes in oil prices and changes in energy prices one week later. Week(-1) denotes the correlation between oil price changes and energy price changes one week earlier. Week(0) denotes the contemporaneous correlation.

and the speed of pass-through from oil prices to energy prices faced by consumers. Table B illustrates the correlation between weekly changes in oil prices and energy prices from the Oil Bulletin. It shows that, first, there is no evidence that retailers anticipate oil price increases, as the correlation between energy price changes and oil price changes one or two weeks later is not statistically significant. Second, most of the pass-through appears to take place either contemporaneously (a correlation of 0.45) or within one week (0.57), although there is also some correlation with energy price movements two weeks later (0.23). Thereafter, the correlation is close to zero. This suggests that most movements in oil prices show up very quickly in oil energy prices faced by consumers (within two weeks); the weekly frequency of the Oil Bulletin is therefore very useful for monitoring these developments.

In conclusion, data from the Oil Bulletin provide timely and high-frequency information on short-term developments in consumer energy prices, which is the most volatile component of the HICP. This facilitates the monitoring and analysis of short-term developments in inflation.

a downward movement in services inflation. In terms of other developments, although there has been an increase in certain sub-components, such as air transport services, which may be linked indirectly to oil prices, there is as yet no evidence of substantial indirect effects on the HICP excluding energy from past increases in oil prices.

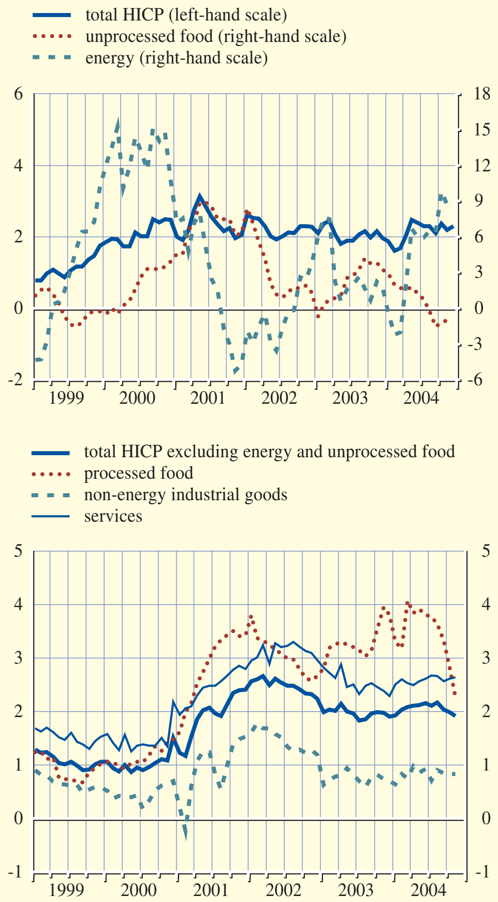
3.2 PRODUCER PRICES

The year-on-year rate of change in the overall PPI excluding construction declined to 3.6% in November 2004, from 4.0% in October. This decline in the year-on-year rate, which is the first since February 2004, mainly reflects a decline in the energy component, although the rate of increase in intermediate goods prices also levelled off, for the first time in 15 months (see Chart 17). Further down the pricing chain, the headline rate of change in consumer goods continued to fall, but this was due mainly to a base effect from tobacco tax increases in November 2003. This masks some increase in inflation for durable consumer goods and non-durable consumer goods excluding food and tobacco.

Looking at the PPI components in more detail, the year-on-year rate of change in energy producer prices decreased to 7.9% in November 2004, from 9.6% in the previous month. This mainly reflects the decline in oil prices observed in November. Meanwhile, the year-on-year rate of change in intermediate goods prices remained unchanged in November at 5.5%. Although the annual rate of change remains at a relatively high level, this levelling-off may reflect the recent decline in oil prices and the beneficial effect of the strong euro in moderating the euro price of industrial raw materials. In the capital goods industries, the year-on-year rate of change remained unchanged at 1.1% in November. While the annual rate has increased since early 2004, it has

Chart 16 Breakdown of HICP inflation: main sub-components

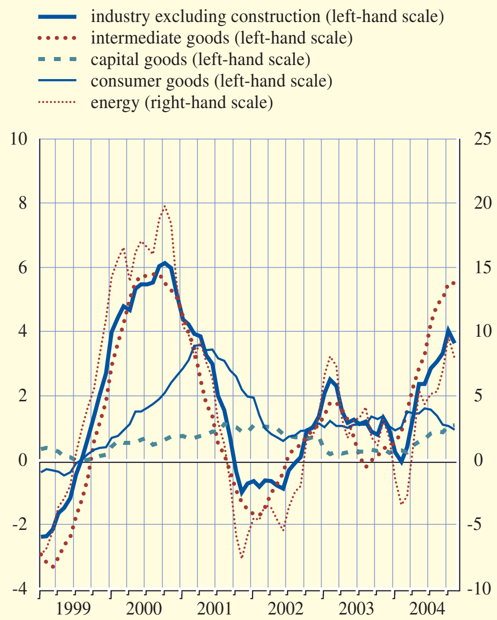
(annual percentage changes; monthly data)



Source: Eurostat.

Chart 17 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

remained at a relatively moderate level. In the consumer goods industries, the year-on-year rate eased slightly to 1.0% in November 2004. The decline mainly reflects a base effect in tobacco prices, but also some decline in food prices. Excluding food and tobacco, there is some evidence of an increase in price pressures on consumer goods, most likely reflecting some limited indirect effects from past commodity price increases. For example, the year-on-year rate of change in durable consumer goods increased slightly further to 1.1%.

In summary, while the recent easing in commodity prices is being reflected in headline producer prices and the earlier stages of the pricing chain, some limited lagged effects from past rises are now being observed further down the pricing chain.

Survey data suggest that while further increases in producer prices can be expected for December 2004, the rate of increase may have started to fall. For example, in the manufacturing sector, the Eurozone Input Price Index from the Purchasing Managers' Survey declined further in December, following a high in October, but the index remained above 50, thus indicating that input prices rose. The index for prices charged by manufacturers also declined slightly in December, while still indicating an increase in output prices.

3.3 LABOUR COST INDICATORS

All available labour cost indicators for the third quarter of 2004 confirm that wage pressures remained moderate (see Table 6). The sharp decline in the annual rate of change in compensation per employee relates to the timing of public sector payments in Italy. Nonetheless, if this factor is excluded, the underlying pattern is also moderate. This picture is confirmed by developments in other indicators of labour costs. Euro area hourly labour costs in the non-agricultural business sector grew by 2.0% year-on-year in the third quarter, down from 2.2% in the second quarter. While the rate of growth in gross monthly earnings was slightly higher, at 2.4%, it too has come down from the rates observed in 2001 and 2002 (see Chart 18). The annual growth rate in the indicator of negotiated wages declined to 2.0% in the third quarter, from 2.2% in the second quarter. The relatively close correspondence between actual wage developments and negotiated wages does not suggest the presence of "wage drift" at the current juncture.

At the sectoral level, the data confirm a picture of moderate labour cost developments up to the third quarter of 2004. Annual growth in industry compensation per employee declined further to 2.1% in the third quarter (see Chart 19). Much of the increase observed in growth in industry compensation per employee in 2002 and 2003 related to an increase in average hours worked rather than an increase in hourly labour costs. In terms of services developments, although the sharp decline in the annual growth rate of compensation per employee relates to the timing of public sector payments in Italy, the annual growth rate in market-related services compensation per employee also remained at a relatively low level.

Despite the slowdown in annual labour productivity growth to 1.4% from 1.8% in the second quarter, unit labour cost growth declined further to 0.1% in the third quarter. However, this reflected the decline in nominal compensation per employee growth and, adjusting for the effect of developments in compensation in the Italian public sector, unit labour cost growth would have increased slightly in the third quarter. Overall, wage pressures have remained contained thus far, in the context of ongoing moderate growth and subdued labour market developments.

3.4 THE OUTLOOK FOR INFLATION

HICP inflation is anticipated to remain above 2% in the coming months, as the still relatively high level of oil prices may exert upward pressure on consumer energy prices. Looking further ahead, however, the available information indicates that, barring further adverse shocks, HICP inflation

Table 6 Labour cost indicators

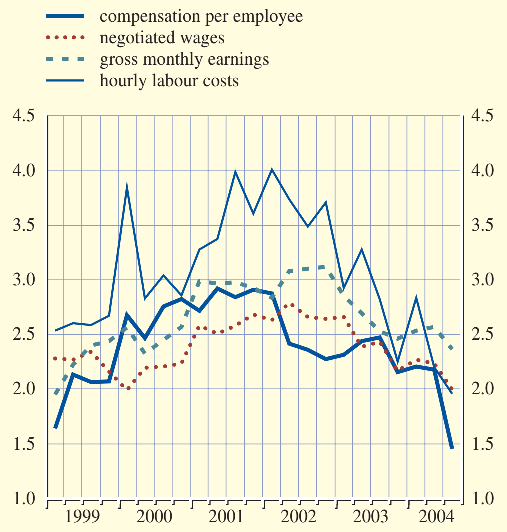
(annual percentage changes, unless otherwise indicated)

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

Sources: Eurostat, national data and ECB calculations.

Chart 18 Selected labour cost indicators

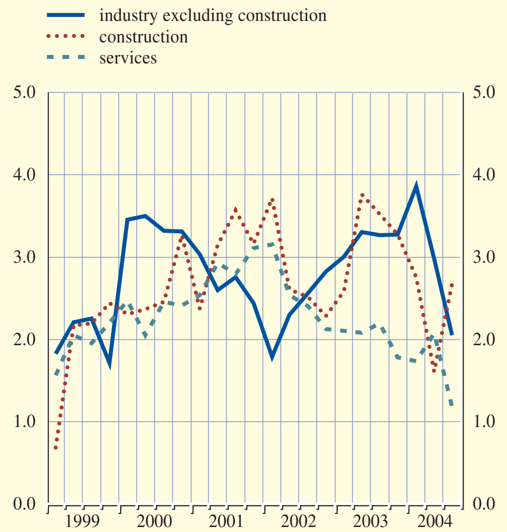
(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

Chart 19 Sectoral compensation per employee

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

will fall below 2% in the course of 2005. Moreover, there is little indication as yet that underlying inflationary pressures are building up in the euro area, although this remains conditional on ongoing wage moderation and improvements in labour productivity growth. Additional risks to the medium-term outlook come from oil price developments and the way in which wage developments respond to oil prices, and from further indirect tax or administered price changes.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth declined in the third quarter of 2004 compared with the first half of the year, mainly on account of weaker exports and private consumption. Available information on developments in the fourth quarter suggests that this weakness may, at least in part, have been temporary, particularly as regards private consumption. However, growth seemed to remain moderate at the end of last year. Notably, industrial production and survey indicators suggest that activity in the industrial sector was relatively weak. The currently available data indicate that labour market conditions remained broadly stable during the second half of 2004. Looking ahead, an assessment of the various factors which are likely to influence growth and labour markets in the euro area points to a modest strengthening in activity in the course of 2005.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

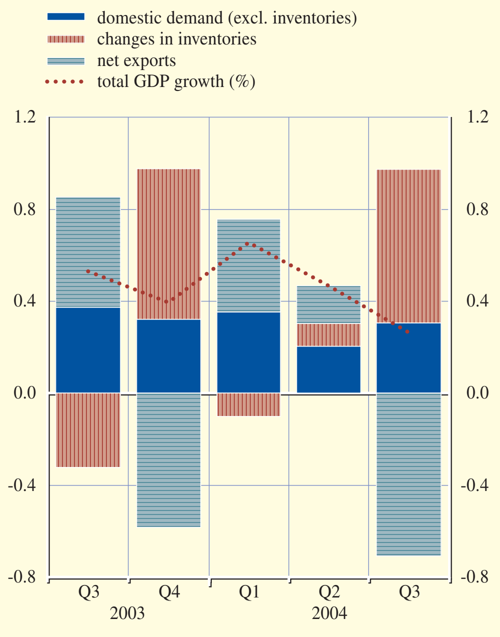
REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's second estimate of euro area national accounts confirmed that euro area real GDP growth was 0.3% quarter on quarter in the third quarter of 2004, compared with 0.6% on average in the first half of the year (see Chart 20).

The main features of the composition of growth were also unchanged from the first estimate, both as regards expenditure components and sectors of activity. Thus, the slowdown in real GDP growth in the third quarter of 2004 compared with the first half of the year was mainly accounted for by weaker exports and private consumption. Export growth declined to 1.5% quarter on quarter in the third quarter, compared with 2.2% on average in the first half of the year. This slowdown probably reflects in part a correction after particularly strong growth in exports in the first half of the year. At the same time, the slowdown in world trade towards more sustainable rates of growth and the past appreciation of the euro may have dampened euro area exports. Private consumption growth decreased from 0.4% on average in the first half of 2004 to 0.1% in the third quarter. The gradual nature of the improvement in labour markets and the negative impact of past rises in oil prices on real incomes are likely to have weighed on consumption. However, as indicated below in the analysis of consumption indicators for the fourth quarter, some of the weakness of consumption in the third quarter seems to have been temporary and related to the more volatile components of consumption. Meanwhile, investment growth increased, from close to zero in the first half of last year to 0.7% in the third quarter, on account of stronger equipment investment and a stabilisation in construction investment. This strengthening in

Chart 20 Real GDP growth and contributions to growth

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



Sources: Eurostat and ECB calculations.

investment is in line with the favourable environment created by strong external demand, low financing costs and restored internal finances.

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

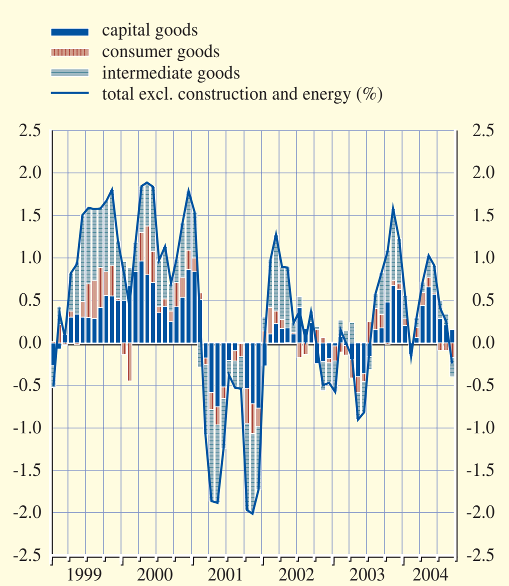
SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Industrial production data for October 2004 show that growth remained weak in industry at the start of the fourth quarter. Euro area industrial production (excluding construction and energy) decreased by 0.6% in October 2004 compared with the previous month. On a three-month moving average basis, industrial production was broadly unchanged from August to October 2004 compared with the previous three months (see Chart 21). The slowdown in world growth, after the strong pace observed at the beginning of 2004, is likely to have had some impact on euro area industrial activity. The past appreciation of the euro may also have dampened growth in industrial activity in the second half of 2004.

The slowdown in industrial production in the course of 2004 was similar across the main industrial sectors, albeit starting from different levels of growth. Thus, in the three months to October, growth in production of capital goods remained robust, while falling to zero for intermediate goods and turning negative for consumer goods. This sectoral pattern is similar to previous cycles, although production in the consumer goods sector seems to have been relatively weak in recent quarters. This partly reflects different cyclical developments in expenditure

Chart 21 Industrial production growth and contributions

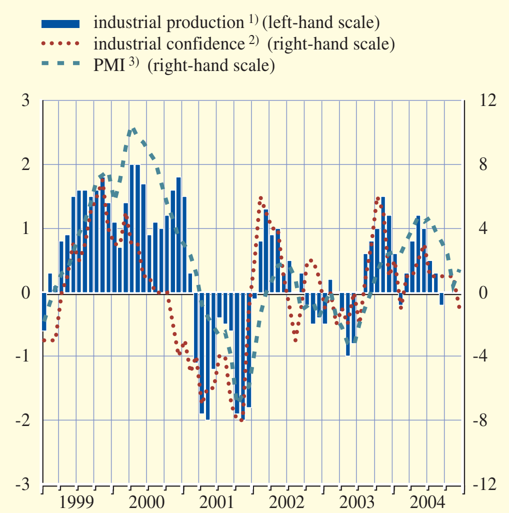
(growth rate and percentage point contributions; seasonally adjusted)



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

Chart 22 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



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

components, with strong exports favouring capital goods industries and weak consumption dampening demand for consumer goods production. Moreover, it could reflect gradual structural changes in the relative importance of the various industrial sectors in the euro area, with less consumer goods produced domestically and a growing prevalence of capital goods firms.

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Recent survey data are somewhat mixed, but overall they suggest that industrial and services activity may have increased in late 2004, albeit at a slow pace.

As regards the manufacturing sector, survey data suggest that industrial production growth was positive, although possibly low, in the fourth quarter. According to the European Commission (EC) Business Surveys, industrial confidence declined slightly in December, owing to lower expectations. Assessments of order books and of stocks were unchanged compared with the previous month. For the fourth quarter as a whole, industrial confidence was broadly unchanged, thereby remaining at its highest level since the recovery started in mid-2003, which suggests that growth has remained positive in the sector. In December 2004 the manufacturing Purchasing Managers' Index (PMI) recouped some of its fall of the previous month. For the fourth quarter as a whole, however, the PMI decreased (see Chart 22). Except for an increase in stocks of purchases, which usually denotes rising production plans in the months ahead, all the components of the PMI contributed to its decline in the fourth quarter. However, the current level of the PMI has been associated with positive, albeit relatively low, growth in industry in the past.

Concerning the services sector, the latest available survey data point to positive, albeit low, growth in the fourth quarter. Both the European Commission's services confidence indicator and the PMI were broadly unchanged in December 2004. In the fourth quarter as a whole, both surveys showed a decline but were still consistent with ongoing growth in the sector.

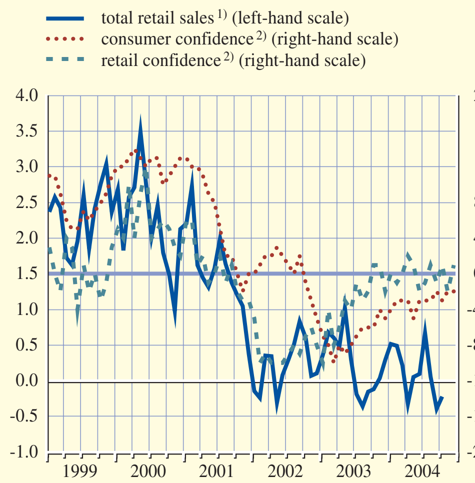
INDICATORS OF HOUSEHOLD SPENDING

Monthly indicators of household spending in the fourth quarter of 2004 suggest that the previous quarter's weakness was, in part, temporary.

The volume of euro area retail sales was unchanged in November after having risen by 0.4% month on month in October. Moreover, new passenger car registrations in the euro area rose further in October and November, standing at an average level more than 5% higher than in the third quarter. For both these components of consumer spending, developments suggest a positive contribution to consumption in the fourth quarter, in contrast to the previous quarter when they both fell and therefore contributed negatively to overall consumption.

Chart 23 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month centred moving averages; working-day adjusted.
2) Percentage balances; seasonally and mean adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

However, consumer confidence remained low. It was unchanged in December from the previous month, at a level broadly maintained throughout the year (see Chart 23). Labour market conditions and uncertainty surrounding the extent and pace of progress in structural reforms have likely weighed on euro area household confidence and, thereby, possibly also on consumption.

4.2 LABOUR MARKET

The currently available indicators suggest that labour market conditions remained broadly stable during the second half of 2004. Any improvement appears to be of a very gradual nature.

UNEMPLOYMENT

The euro area unemployment rate was unchanged at 8.9% in November 2004, while the number of unemployed increased by around 9,000 persons (see Chart 24). It should be noted that there is currently a break in the euro area series for the first few months of 2004 (most visible in April), affecting both the unemployment rate and the number of unemployed. This should be corrected in future releases of unemployment statistics. Disregarding this break, the increase in the number of unemployed in November was lower than that recorded on average in the previous months of 2004. It was also lower than that observed on average in the third quarter, thereby denoting a further gradual improvement.

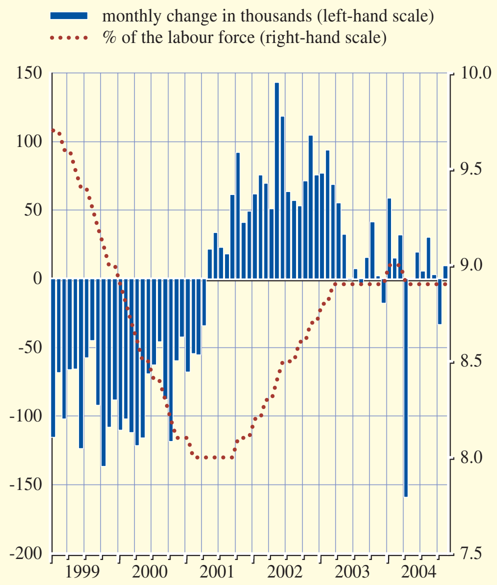
EMPLOYMENT

Employment growth in the third quarter of 2004 was 0.1% quarter on quarter, the same rate as observed on average in the first half of the year (see Table 7). Slight declines in employment in the industrial and construction sectors were offset by increases in employment in services. Given the slowdown in GDP in the third quarter, this ongoing employment growth implied a decline in quarter-on-quarter labour productivity growth (see Chart 25). Reflecting value-added developments across sectors, the slowdown in labour productivity between the first half and the third quarter of 2004 was broadly based across the sectors and of a similar magnitude in industry, construction and market services. From a longer-term perspective, however, labour productivity growth has increased significantly from around mid-2003, which reflects the usual pattern of cyclical developments in activity and employment.

Indicators of businesses' employment expectations in the fourth quarter of 2004 point to ongoing employment growth at the end of the year, although no significant strengthening is suggested. The EC Business Surveys for the

Chart 24 Unemployment

(monthly data; seasonally adjusted)



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

Table 7 Employment growth

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

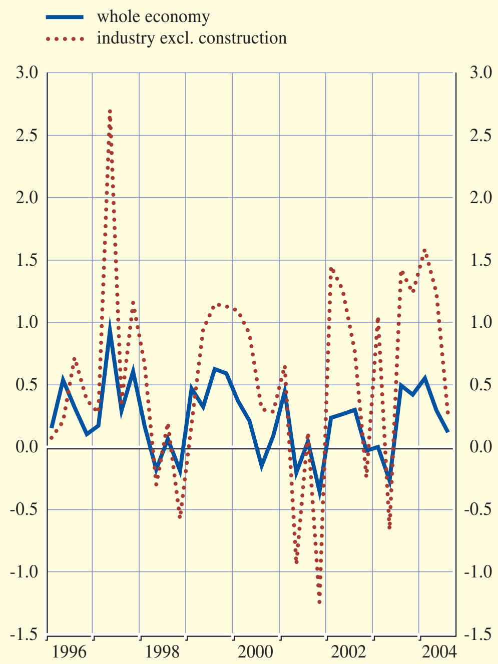
	Annual rates		Quarterly rates				
	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Whole economy	0.6	0.2	0.0	0.0	0.1	0.2	0.1
of which:							
Agriculture and fishing	-2.0	-2.3	-0.2	-0.1	-0.5	0.1	0.0
Industry	-1.1	-1.5	-0.5	-0.5	-0.5	0.3	-0.2
Excluding construction	-1.3	-2.0	-0.5	-0.7	-0.6	-0.1	-0.2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

Sources: Eurostat and ECB calculations.

manufacturing sector showed a slight increase in employment expectations on average in the fourth quarter, while the corresponding PMI declined slightly. Both surveys are at levels which have indicated small decreases in industrial employment in the past. As regards the services sector, employment expectations in the fourth quarter were, on average, unchanged according to the EC surveys, while they improved further according to the PMI.

Chart 25 Labour productivity

(quarterly percentage changes; seasonally adjusted)



Source: Eurostat.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Overall, while the information on the fourth quarter is still incomplete, the latest macroeconomic data and recent survey evidence remain mixed but appear to suggest ongoing moderate growth. In the course of 2005, euro area activity should benefit from several favourable factors. First, ongoing robust growth in world trade will continue to sustain exports. Second, the recovery in euro area investment should continue, supported by world growth, very favourable financing conditions in the euro area, restored corporate profits and greater efficiency as firms continue to restructure. Moreover, private consumption is likely to evolve in line with the development of real disposable income. Consumption would also be supported if uncertainties surrounding the extent and pace of fiscal consolidation and structural reform in the euro area were reduced.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In December 2004 the euro continued to strengthen vis-à-vis all major currencies. The appreciation of the euro was particularly pronounced against the US dollar and the Japanese yen, amid financial market concerns regarding the large US current account deficit and news of weaker economic performance in Japan. However, in early January 2005, the euro retreated against most major currencies, notably against the US dollar.

US DOLLAR/EURO

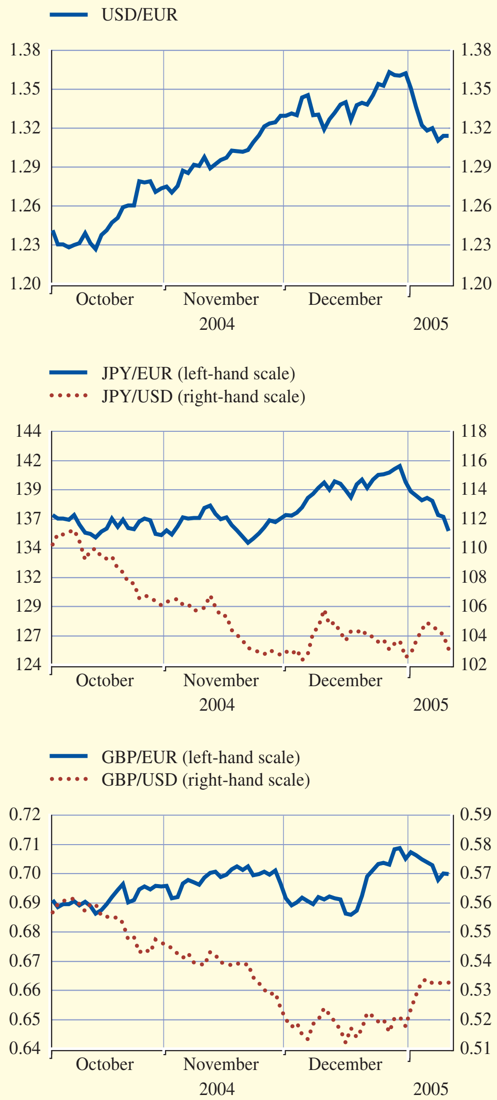
In December 2004 the euro continued to appreciate against the US dollar, before depreciating in early January 2005 to stand on 12 January at a level 1.2% below that recorded at the end of November 2004 (see Chart 26). The main factor behind the fall in the US dollar in December 2004 was the continued focus by market participants on the size and persistence of the US current account deficit and its financing needs. Although data releases indicated resilient real personal consumption and business sentiment in the United States, they did not immediately lend support to the US currency. On 14 December 2004 the Federal Open Market Committee (FOMC) decided to raise its target for the federal funds rate by 25 basis points to 2.25%. This decision had been widely expected among market participants and, consequently, did not have a notable impact on developments in foreign exchange markets. In early January 2005, however, the publication of the minutes of this FOMC meeting seemed to raise market concerns about the inflation outlook in the United States, thereby exerting some upward pressure on the US currency. On 12 January 2005 the euro stood at USD 1.31, 1.2% lower than its end-November 2004 level and 5.6% higher than its 2004 average.

JAPANESE YEN/EURO

The euro also appreciated against the Japanese yen in December, against the background of weaker prospects for the Japanese economy (see Chart 26). At the same time, the Japanese currency remained broadly stable against the US dollar, possibly in connection with statements by the Japanese authorities expressing concerns over the past appreciation of the yen vis-à-vis the US currency. In early

Chart 26 Patterns in exchange rates

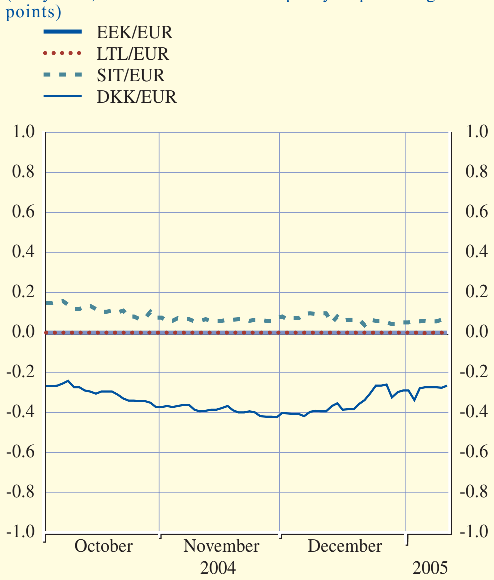
(daily data)



Source: ECB.

Chart 27 Patterns in exchange rates within ERM II

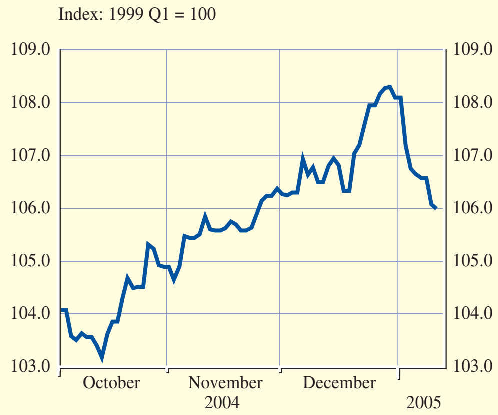
(daily data; deviation from central parity in percentage points)



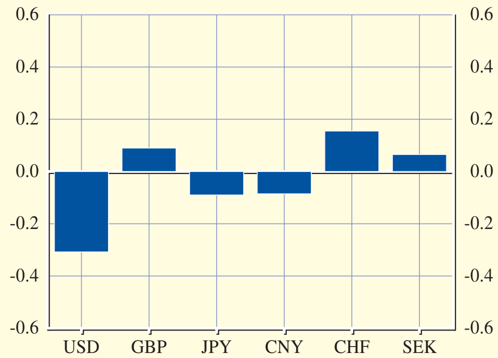
Source: ECB.
Note: A positive/negative deviation from the central parity implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is ±2.25%; for all other currencies the standard fluctuation band of ±15% applies.

Chart 28 Euro effective exchange rate and its decomposition [1]

(daily data)



Contributions to EER changes [2]
From 30 November 2004 to 12 January 2005
(in percentage points)



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

January 2005 the Japanese yen gained ground against the euro. On 12 January the euro was quoted at JPY 135.5, 0.8% below its end-November 2004 level and 0.8% higher than its 2004 average.

EU MEMBER STATES' CURRENCIES

In ERM II, the Danish krone and the Slovenian tolar moved within very narrow ranges close to their respective central parities (see Chart 27). The Estonian kroon and the Lithuanian litas remained unchanged relative to their ERM II central parities, in line with those countries' unilateral commitments to maintain currency board arrangements within the standard ERM II fluctuation bands.

With regard to the currencies of other EU Member States, the euro continued to appreciate against the pound sterling during the period under review (see Chart 26). The weakening of the pound sterling appears to be associated with information pointing towards some moderation in UK economic growth and evidence of weakening housing market activity in the United Kingdom. On 12 January 2005 the euro traded against the pound sterling at GBP 0.70, 0.5% higher than its level at the end of November 2004 and 3.1% higher than its 2004 average. In December 2004 and early January 2005 the euro continued to depreciate against the Polish zloty, the Czech koruna and the Slovak koruna, while it appreciated against the Swedish krona and the Hungarian forint. As regards the Latvian lats, the Latvian authorities have changed the peg of their currency from the special drawing rights (SDR) currency basket (pegged at LVL/SDR 0.7997) to the euro. This re-pegging took effect on 1 January 2005 at LVL/EUR 0.702804. Finally, the euro remained broadly unchanged against the Cyprus pound and the Maltese lira.

OTHER CURRENCIES

As far as other currencies are concerned, the euro appreciated against the Swiss franc in December 2004 and early January 2005. Other notable developments were the continued appreciation of the euro against the Canadian dollar and major Asian currencies in December 2004. The appreciation against these Asian currencies was, however, reversed in early January, given their formal or informal links with the US dollar.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 12 January 2005 the euro stood in nominal effective terms – as measured against the currencies of 23 of the euro area's important trading partners – at a level similar to its end-November 2004 level and 2.1% higher than its average level in 2004 (see Chart 28).

5.2 BALANCE OF PAYMENTS

In October 2004, in seasonally adjusted terms, extra-euro area exports of goods grew faster than imports, supported by favourable external demand conditions. As a result, the euro area goods surplus rose relative to the previous month, thereby contributing to an increase in the current account balance. Despite this development, the 12-month cumulated current account surplus continued to contract, yet remained higher than it was one year earlier. In the financial account, there were net outflows in combined direct and portfolio investment of the euro area in the 12-month period up to October 2004, compared with cumulated net inflows over the same period a year earlier.

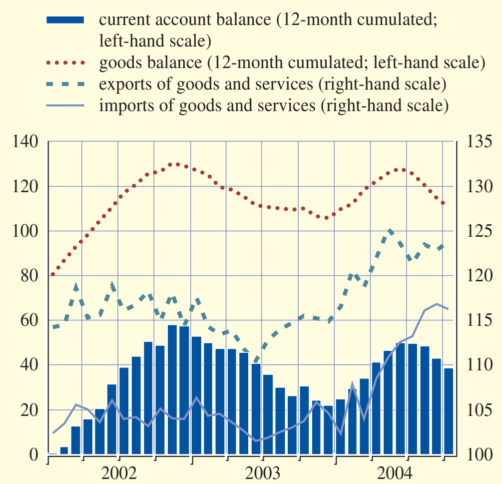
CURRENT ACCOUNT AND TRADE

The seasonally adjusted current account of the euro area recorded a surplus of €0.9 billion in October 2004 (corresponding to a €1.1 billion surplus in non-seasonally adjusted terms). This reflected surpluses in both goods and services that were only partially offset by deficits in income and current transfers (see Section 7.1 of the "Euro area statistics" section). The seasonally adjusted current account balance increased by €3.1 billion in October 2004. This was due to increases in the goods and services surpluses (of €1.2 billion and €0.5 billion respectively) and decreases in the deficits in income and current transfers (of €1.1 billion and €0.4 billion respectively).

After decreasing by 0.5% in September 2004, the seasonally adjusted value of exports of goods and services increased by 0.8% (month on month) in October. Exports of goods grew by 2.0%, supported by favourable demand conditions. Meanwhile, the seasonally adjusted value of imports of goods and services declined by 0.6% in October 2004, which represents the first month-on-month decrease since April 2004. This was the result of a fall in the imports of services, which was only partially offset by an increase in the imports of goods. The latter seems to have been partly driven by rising oil prices. Against this background, the surplus in goods and services expanded by €1.7 billion in October 2004 (see Chart 29).

Chart 29 The euro area current account and goods balances

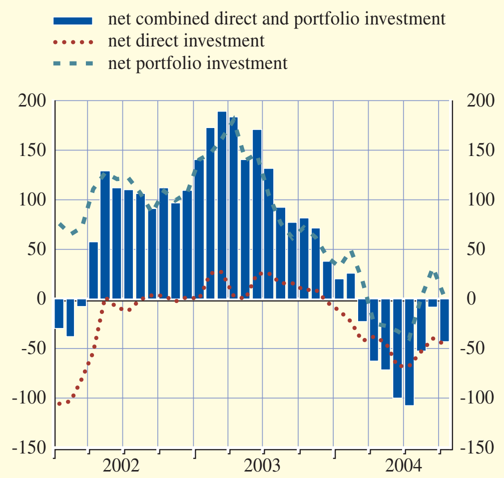
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 30 Net direct and portfolio investment flows

(EUR billions; 12-month cumulated data)



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

Taking a longer-term perspective, the cumulated current account surplus of the euro area amounted to €38.8 billion (about 0.5% of GDP) in the 12-month period ending in October 2004, compared with €30.7 billion a year earlier (see Chart 29). This increase mainly reflected a contraction of €7.9 billion in the income deficit due to both a rise in income receipts and a fall in payments. The surpluses in goods and services and the deficit in current transfers were broadly unchanged.

FINANCIAL ACCOUNT

Net outflows of €3.7 billion in combined direct and portfolio investment were recorded in October 2004, reflecting net outflows in direct investment (€9.7 billion) and debt instruments (€4.2 billion) which were only partly offset by large net inflows in equity securities (€10.1 billion). Developments in direct investment flows were largely accounted for by euro area residents' net investment abroad in the form of equity capital and reinvested earnings. Net inflows in portfolio investment were driven mainly by net purchases of euro area equities by non-residents.

In the 12-month period up to October 2004, combined direct and portfolio investment of the euro area showed cumulated net outflows of €35.8 billion, compared with net inflows of €81.8 billion over the same period a year earlier. This reversal in the direction of capital flows reflected a switch from net inflows to net outflows in direct investment and lower net inflows in portfolio investment (see Chart 30). The shift in net direct investment stemmed mainly from a sizeable decline in foreign direct investment inflows into the euro area, which exceeded the decline in euro area direct investment abroad. The decrease in net inflows in portfolio investment mostly reflected a switch from net purchases (€41.6 billion) to net sales (€8.5 billion) of euro area money market instruments by foreign residents. The strong economic performance of other regions in the world, particularly in the first half of 2004, could account for these developments. However, the trend in combined direct and portfolio investment has changed since July 2004, possibly reflecting a renewed appetite for euro area financial instruments among external investors.

ARTICLES

THE NEW BASEL CAPITAL ACCORD: MAIN FEATURES AND IMPLICATIONS

In June 2004 the Basel Committee on Banking Supervision released a revised framework for the "International Convergence of Capital Measurement and Capital Standards", commonly known as the new Basel Capital Accord or "Basel II". This article describes the revised framework, reviews a number of possible effects of the regime and highlights the regime's application in the EU context. It starts by summarising the main details of the framework and continues with a discussion of the potential impact on banks, firms and Eurosystem activities. Particular attention is devoted to the potential for increased pro-cyclicality, given that this has been a major topic of debate. Finally, a number of key issues relating to the implementation of the revised framework within the EU are considered, with a particular focus on supervisory cooperation.

INTRODUCTION

On 26 June 2004 the central bank governors and heads of the banking supervisory authorities of the G10 countries endorsed the revised framework for the "International Convergence of Capital Measurement and Capital Standards", commonly known as the new Basel Capital Accord or "Basel II". This endorsement represents the culmination of a very challenging project that was carried out by the Basel Committee on Banking Supervision (BCBS)[1] and its member institutions over a period of more than five years. The first proposal was published in June 1999, and two subsequent consultative packages were released in 2001 and 2003.

The specific purpose of Basel II is to address the major shortcomings of the current framework for capital requirements. To this end, Basel II introduces more sophisticated approaches for calculating credit risk capital requirements, in line with current best practices among banks. Furthermore, the new framework aims to reduce the scope for "capital arbitrage"[2] and to make more accurate provision for the effect of risk mitigation measures. In addition, the revised framework introduces a capital charge for operational risk as well as comprehensive requirements for market disclosure. Finally, the scope for supervisory action is extended, as supervisors are expected to evaluate how well banks are assessing their capital needs relative to their risks, and to intervene if needed.

Basel II aims to safeguard banks' safety and soundness and to increase the stability of the financial system as a whole. In order to achieve this, the BCBS has provided the new capital adequacy framework with a structure that strengthens incentives for prudent bank management. It also envisages bank supervisors being directly involved in validating a bank's measurement of risk and in assigning a capital buffer. Finally, by introducing disclosure requirements, it creates an environment in which market participants have better access to information on risks in individual banking organisations and, on this basis, they can exert more effective market discipline.

This comprehensive approach responds to the need for better risk control by bringing regulatory capital closer to the concept of risk-based economic capital. The stability of the banking sector will therefore be enhanced by increased alignment of capital requirements with the risks taken by individual banks. Moreover, the incentive to develop or improve a tailored risk management function within the individual banking organisations will foster efficiency and stability within the system. The active role for supervisory authorities will encourage banks to further develop their risk management functions, while market participants will have sufficient information to adequately assess the risks, performance and overall capital adequacy of an institution.

1 The Basel Committee on Banking Supervision comprises central banks and supervisory authorities from the G10 countries, Spain and Luxembourg. The Committee constitutes a standard-setting body for all aspects of banking supervision and provides a forum for regular cooperation. The ECB participates as an observer.
2 Strategies that reduce a bank's regulatory capital requirements without a corresponding reduction in its risk exposure.

1 THE STRUCTURE OF THE BASEL II FRAMEWORK

The Basel II framework has been developed on the basis of a three-pillar structure, namely minimum capital requirements (Pillar I), the supervisory review process (Pillar II) and market discipline (Pillar III).

The first pillar, minimum capital requirements, develops and expands on the rules introduced in the 1988 Capital Accord (Basel I). It provides for substantial improvements in the calculation of the denominator of a bank's capital ratio, referred to as the risk-weighted assets, in order to better reflect the risk profile of banks. The definition of regulatory capital (the numerator) remains basically unchanged. The general minimum capital requirement (at least 8% of risk-weighted assets) is also unaffected.

The main innovations in Pillar I are as follows:

i) The inclusion of operational risk as a new category of risk in the definition of risk-weighted assets. This is the risk of a loss resulting from inadequacies or failures on the part of internal processes, people or systems, or from external events;

ii) The introduction of three increasingly sophisticated and risk-sensitive options for the computation of credit risk (standardised approach, foundation internal ratings-based approach, advanced internal ratings-based approach) and operational risk (basic indicator approach, standardised approach and advanced measurement approach).

With regard to the measurement of credit risk, the standardised approach included under the new framework is conceptually the same as for the 1988 Capital Accord, but with a higher level of risk sensitivity.[3] Under Basel I, individual risk weights depend on which broad category the borrower falls into, i.e. sovereigns, banks or corporates. Under the new framework, the risk weights are further tailored using a credit rating provided by a recognised external credit assessment institution (ECAI) that meets supervisory eligibility standards.

The internal ratings-based approach (IRB) to credit risk is one of the most innovative elements of Basel II. In the "foundation" and "advanced" versions, the IRB approach allows banks to quantify certain key elements needed to calculate their capital requirements. Hence, the risk weights – and thus the capital charges – are determined through a combination of quantitative inputs provided either by banks or by supervisory authorities and risk weight functions specified by the BCBS (see Box 1).

In the case of operational risk, which is a new category of risk subject to capital requirements, a regulatory capital scheme based on three different methods is introduced. Under the first method (the basic indicator approach), a bank's capital requirement to cover operational risk would be equal to 15% of its average annual gross income over the previous three years. According to the second method (the standardised approach), a bank's gross income is divided into eight different business lines. The capital charge is calculated for each business line by multiplying the respective gross income by a factor – determined by the BCBS – assigned to that business line. The total operational risk capital requirement is then the sum of the individual capital requirements of these eight business areas. The third and most sophisticated calculation method consists of the advanced measurement approach (AMA). Under the AMA, the regulatory capital requirement is calculated on the basis of banks' internal operational risk measurement systems that have to take account not only of actual internal and external loss data but also of scenario analyses and factors relating to the banks' business environment and internal controls.

3 For instance, for corporate lending, the 1988 Capital Accord provided only one risk weight category of 100%, while Basel II provides five categories under the standardised approach, namely 20%, 50%, 75% (for exposures qualifying as retail portfolios), 100% and 150%.

As far as the computation of market risk is concerned, the approaches provided for by the 1996 amendment to the Capital Accord of 1988 are left basically unchanged by the new framework.

Under Pillar II, the supervisory review process, banks have to assess capital adequacy on the basis of their own internal risk management methodology, and supervisors will review whether a bank's capital is consistent with its overall risk profile and strategy. The supervisory review of capital adequacy will also cover the question of whether a bank should hold additional capital against risks not covered by Pillar I and may require supervisory action where this is the case. An active role for supervisory authorities will encourage banks to better develop and use their risk management functions. Pillar II provides supervisors with considerably more discretion than before in assessing banks' capital adequacy. In this context, a consistent application of supervisory practices across countries, in particular across EU Member States, is of the utmost importance in order to eliminate any undue compliance burden and ensure a level playing-field.

The aim of Pillar III is to improve market discipline by introducing disclosure requirements according to which banks will have to publish detailed qualitative and quantitative information concerning their risks, capital and risk management. These requirements cover not only the way in which a bank calculates its capital adequacy but also the techniques it uses in its risk assessment. The core set of disclosure recommendations includes specific and detailed provisions for supervisory recognition of internal methodologies for credit risk, credit risk mitigation techniques and asset securitisation.

For the Basel II framework to effectively promote the safety and soundness of credit institutions, smooth interaction between these three pillars will be needed. The effectiveness of this interplay will depend on the extent to which the three pillars – in particular the supervisory review process and market disclosure – are enforced in all of the countries concerned. The attainment of sufficient convergence in the implementation of these elements will be essential.

Box 1

THEORETICAL UNDERPINNING OF THE INTERNAL RATINGS-BASED APPROACH

The Basel II approach to credit risk measurement represents a significant step forward in banking regulation because it combines practical applicability with a solid theoretical basis. Given that the new methodology is suitable for implementation by banks of different sizes, business structures and risk profiles, a common approach to modelling credit risk across all types of bank is available for regulatory purposes for the first time. The internal ratings-based approach (IRB) is closely linked to key results of modern asset pricing theory. Its methodology is based on a model which establishes the likelihood of a borrowing company being unable to repay its debt, as determined by the difference between the value of its assets and the nominal value of its debt. The value of the firm's assets is modelled as a variable which changes over time, in part as a result of the impact of random shocks. Default is assumed to occur when a firm's assets are insufficient to cover its debt. The corresponding measure of credit risk within a certain time frame (commonly set at one year) is the probability of default.[1]

1 For more details on this theoretical model, see in particular M. Gordy, "A risk-factor model foundation for ratings-based bank capital rules", *Journal of Financial Intermediation,* Volume 12, 2003, pp. 199-232.

In the IRB approach, the required minimum capital is based on the distribution of losses due to default in a portfolio of loans or similar instruments. The horizon of the risk assessment is set at one year. The IRB model further assumes a 99.9% confidence level. This means that once in a thousand years the actual loss is expected to exceed the model's estimate. In addition, as a result of the agreement reached by the BCBS in January 2004, the IRB capital requirements cover only unexpected losses, i.e. losses which are not covered by provisions.

The calculation of capital requirements for a loan's default risk under Basel II relies on six components:

– *Probability of default (PD):* estimate of the likelihood of the borrower defaulting on its obligations within a given horizon, e.g. one year.

– *Loss given default (LGD):* loss on the loan following default on the part of the borrower, commonly expressed as a percentage of the debt's original nominal value.

– *Exposure at default (EAD):* nominal value of the borrower's debt.

– *Maturity* of the loan.

– *Correlation to systematic risk:* estimate of the link between the joint default of two separate borrowers. The IRB model relies on a single-factor asset value model to describe the co-movement of defaults in a portfolio. The unobservable common factor can be interpreted as a variable which represents the state of the economic cycle. IRB correlations to the single systematic risk factor are a function of the firm's size and credit quality in accordance with the BCBS framework.

– *Risk weight function:* function relating the loss forecast to minimum capital requirements; IRB risk weights are specified under the BCBS framework.

The main difference between the foundation and advanced IRB approaches lies in the definition of the input variables. Both approaches rely on banks' PD estimates, but banks' internal estimates of LGD, EAD and loan maturity are only taken account of in the advanced IRB approach.

The Basel II framework recognises the importance of asset type in explaining the risk profile of instruments subject to default risk and therefore distinguishes between corporate loans, commercial real estate financing and the retail portfolio. The model assumes very low concentration in the loan portfolio and that an individual borrower's default risk does not depend on the composition of the entire portfolio. This characteristic of the IRB considerably reduces the complexity of the approach and also allows smaller, less sophisticated banks to apply a modern risk management concept.

2 POTENTIAL IMPACT OF BASEL II

IMPACT ON BANKS

The new capital adequacy regime has been calibrated by the BCBS in order to keep the overall minimum capital requirements for the banking system unchanged on average. However, among banks there may be a redistribution of capital according to actual risk profiles and business activities.

The BCBS has studied the potential impact of the Basel II framework by means of several quantitative impact studies (QISs) carried out prior to the finalisation of the framework. Overall, the results of the last QIS (QIS3)[4] were consistent with the objectives set by the BCBS. They showed that minimum capital requirements would remain broadly unchanged for large banks operating internationally, given that such banks are likely to use the IRB approaches. For smaller, domestically-oriented banks, capital requirements could be substantially lower under the IRB approaches. However, the results varied considerably depending on banks' portfolio composition. Thus, the impact of the new capital requirements may vary significantly across banks.

The potential impact of the Basel II framework in the EU was analysed in the "Barcelona Report".[5] This report was produced in response to the European Council's request, made at its meeting in Barcelona in March 2002, to the European Commission for a report on the consequences of Basel II for all sectors of the European economy. The report, published in 2004, analysed the macroeconomic consequences of the revised framework. It concluded that the Basel II framework may slightly reduce the overall capital requirements for banks in the EU15 by around 5%. Moreover, there is likely to be a redistribution of regulatory capital requirements among banks and between banking systems across countries.

A number of countries, both G10 and non-G10, are currently undertaking a further quantitative impact study, which is the fourth exercise of this kind. A number of others intend to carry out QISs with a specific focus. The results of these analyses are expected to be available in the course of 2005 and may lead the BCBS to fine-tune some of the framework's technical parameters.

IMPACT ON FIRMS

In the discussion on the impact of the new framework, a number of commentators have focused on the potentially negative effects that the new capital requirements might have on the financing of small and medium-sized enterprises (SMEs). In particular, concerns have been expressed that quantitative rating methods such as the IRB approach might put more emphasis on financial ratios than on qualitative factors such as an entrepreneur's ability or business plans. This shift in the evaluation of credit quality might lead to higher risk assessments and in turn raise the financing costs of SMEs. In addition, start-up companies might be disadvantaged, as they generally lack a rating history. Higher credit costs or a decrease in the supply of credit might lead to a deterioration in SMEs' financial situation. Since SMEs are an important component of the EU economy, these developments – if they were to materialise – might potentially have adverse effects on economic growth, innovation and employment. However, the final shape of the Basel II framework should dispel these concerns, as SMEs are in general expected to obtain rather more favourable treatment than under the current regime.

IMPACT ON SOME OF THE EUROSYSTEM'S ACTIVITIES

The use of the standardised and IRB approaches for credit risk is expected to shape the risk management practices of Eurosystem

4 More details are provided in "Quantitative Impact Study 3: Overview of global results", BCBS, 2003.

5 "Study on the financial and macroeconomic consequences of the draft proposed new capital requirements for banks and investment firms in the EU", PriceWaterhouseCoopers Risk Management, 2004.

counterparties and influence the availability of external credit ratings. This in turn will have a major impact on the assessment of whether collateral is eligible for Eurosystem credit operations.

In order for marketable debt instruments to be included in the "tier one" list of collateral[6] accepted by the Eurosystem, they must meet high credit standards. These are assessed by taking into account, inter alia, available assessments by rating agencies. The eligibility criteria of ECAIs and the process of recognising such ECAIs for prudential supervision purposes at the national level will influence the quality of the ratings and the level playing-field in the market for ratings.

In August 2004 the Governing Council of the ECB approved in principle the inclusion of bank loans from all euro area countries in the single list of collateral[7]. However, making such assets generally eligible requires the adoption of specific solutions to provide a credit risk assessment where a rating is not available. One of the alternatives under examination is to consider a counterparty's IRB approach when assessing the credit quality of assets provided by that counterparty as collateral.

3 REGULATORY CAPITAL REQUIREMENTS AND PRO-CYCLICALITY

When the new framework was being developed, concerns were voiced that the new requirements would lead to increased pro-cyclicality in the financial system; the ECB too has repeatedly commented on this important policy issue.[8] Pro-cyclicality refers here to the phenomenon of banks' loan business tending to follow the same cyclical pattern as that of the real economy, i.e. strong growth in an economic upturn and slow growth or even contraction in an economic downturn. In general, banks' activities show pro-cyclical characteristics, regardless of the rules for capital requirements. This pro-cyclicality arises, for instance, on account of the existence of asymmetric information or market imperfections. In the context of Basel II, the discussion focuses, in particular, on the potential creation of additional pro-cyclicality in the financial system.[9]

The Basel II framework may potentially give rise to pro-cyclical effects on account of the fact that the three main components of the IRB system are themselves – albeit to different degrees – influenced by cyclical movements (see Box 1 for a summary of the IRB approach). First, a downturn may lead to an increase in banks' estimates of borrowers' default probabilities if banks use a short-term assessment horizon. Such a "point-in-time" rating changes as a result of variation in the credit quality over the course of the business cycle. By contrast, a "through-the-cycle" rating process requires a longer-term analysis of borrowers' default risk on the basis of a scenario which takes into account the effect of, for example, an economic slowdown. Second, the losses that occur in the event of a default may increase in an economic downturn, as it has historically been observed that recoveries from defaulted debt are lower in a recessionary environment. Third, the exposure at default of a loan may also increase, as borrowers might, during a downturn, make full use of their credit lines.

6 The "tier one" list of collateral contains marketable assets that fulfill certain uniform euro area-wide eligibility criteria specified by the ECB.
7 By replacing the current two-tier system of collateral with a single list, the Eurosystem intends to harmonise the collateral framework.
8 See, in particular, the ECB's comments on the BCBS' second and third consultation papers and on the European Commission's third consultative proposals on the review of the EU capital adequacy regime for banks and investment firms. In the new EU capital requirements framework (recast Directives 2000/12/EC and 93/6/EEC) it is envisaged that the ECB will contribute to the periodic monitoring of the directives' possible effects on the economic cycle (Article 156 of recast Directive 2000/12/EC). The European Commission will then report to the European Parliament and the European Council.
9 A detailed survey of the discussion on this issue is provided by L. Allen and A. Saunders, "Incorporating Systemic Influences Into Risk Measurements: A Survey of the Literature", *Journal of Financial Services Research,* 2004.

The aforementioned arguments indicate that in an economic downturn the higher risk sensitivity of banks' rating systems may lead to increases in regulatory capital requirements. In the event of a significant slowdown, banks' capital ratios may even fall close to the 8% minimum level. If they cannot easily adjust their capital level, the ensuing pressure may lead them to reduce lending to a level even below that warranted by the lower demand in a recessionary environment. This could then exacerbate the downturn.

In order to address pro-cyclicality concerns, the Basel II framework includes a number of specific measures which constitute a substantial improvement on earlier proposals. First, the BCBS decided to flatten the risk weight function used under Pillar I to compute minimum capital requirements. This led to a reduction in the risk sensitivity of the capital requirements.

Second, banks are asked, under Pillar II, to evaluate their risk-bearing capacity with respect to scenarios which would particularly affect their credit exposures. In addition, banks using the IRB approach are required to implement a more specific credit risk "stress test" to evaluate how certain events would affect their capital requirements. For this purpose, the banks' analysis should take into consideration the impact of at least mild economic downturns. In general, work is still ongoing on the development of reliable and practical methodologies for credit risk stress tests under the IRB approach. It therefore seems advisable that both banks and supervisors should devote further efforts to developing suitable methodologies.

Given the potentially cyclical behaviour of minimum capital requirements, banks could pre-emptively set aside sufficient capital in the form of buffers over and above the regulatory minimum. Such buffers, which are encouraged under the Basel II framework, can diminish the potentially negative macroeconomic effects of a downturn. In some countries, the practice of "dynamic provisioning" is encouraged. Under this approach, the possible loss over the whole life of the loan is taken into account in the provisioning process, thereby giving due consideration to the loan's full risk profile over the business cycle. Finally, under the IRB approach, banks should, in their assessment of borrowers' credit risks, draw on a longer time horizon. This is particularly relevant in the case of banks which lend to firms in cyclically sensitive sectors, and which should, in periods of upturn, be more conservative in their assessment of the default risk.

Concerns relating to pro-cyclicality were extensively addressed when the new framework was being developed, and, compared with earlier drafts of the new framework, the scope for such effects has been substantially reduced. Box 2 provides empirical evidence of the weak pro-cyclicality of the "final package" of the Basel II framework. The potential tools to reduce the creation of additional pro-cyclicality in the financial system, such as forward-looking credit risk assessments, stress tests and dynamic provisioning, should be seen as complementary measures.

Box 2

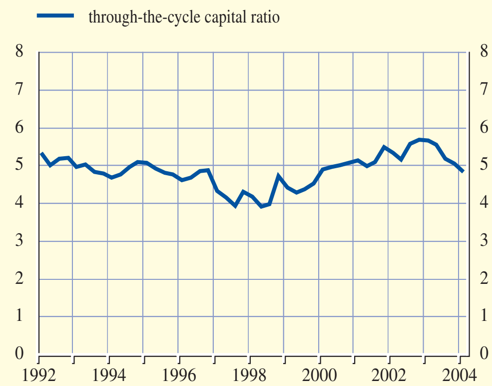
EMPIRICAL EVIDENCE ON PRO-CYCLICALITY IN AN EU CONTEXT

An empirical study was carried out by the ECB on the extent of capital volatility arising from the capital requirements under the IRB approach. To that end, the Moody's KMV approach, an established indicator of credit risk, was used to calculate IRB capital requirements. A hypothetical portfolio of loans to 6,000 large, non-financial EU firms was constructed. The sample of loans was diversified across the EU15, reflecting the increasing integration of the EU banking system, the growth of cross-border banking and the planned harmonised implementation of Basel II across the EU. The study covered the period from 1992 to 2004 and therefore included several turbulent phases, such as 1998 (LTCM default) and the period following March 2000 (when the technology bubble burst).

In order to obtain the foundation IRB capital requirements, the Moody's KMV credit risk indicator was transformed into a rating system which used ten rating grades and a cyclically neutral perspective. In this sense, the empirical analysis aimed to replicate, as closely as possible, the implementation of a foundation IRB approach using a "through-the-cycle" perspective.

Foundation IRB capital requirements for the hypothetical portfolio

(in %)



Sources: Moody's KMV, ECB calculations.

The chart summarises the main results of the empirical analysis. Two main points emerge. First, banks' regulatory capital requirements under the IRB approach remain below 8% for the hypothetical EU15 corporate portfolio. The median capital requirement is 4.9% and the standard deviation is 0.4%. In this context, it is important to bear in mind that the estimated decline in regulatory minimum capital requirements compared with Basel I does not automatically mean a decline in the overall capital held by banks to cover the risks. Second, the final version of the Basel II framework will reduce pro-cyclicality concerns if the IRB is implemented as envisaged. As the chart indicates, the "through-the-cycle" approach produces relatively low capital volatility overall.

4 THE NEW EU CAPITAL REQUIREMENTS FRAMEWORK

The Basel II framework is the basis for the legislative changes currently under way in the EU. The existing EU capital framework, based on the 1988 Capital Accord, was in need of a global review with the aim of making it more risk-sensitive and bringing it into line with up-to-date, sophisticated risk management practices, thus ultimately enhancing financial stability in the EU.

The new EU capital framework will be introduced into EU legislation via a recasting of two existing directives: the Codified Banking Directive (2000/12/EC) and the Capital Adequacy Directive (93/6/EEC). In this context, it should be noted that the ECB regards this new legislative structure as a first step in a longer-term process, the ultimate objective of which would be to merge similar requirements from a range of different directives under a common framework – a backbone of banking regulation – that would enhance financial integration and make an effective contribution to the further development of the Single Market.[10]

A robust capital adequacy framework is essential for the EU. However, the full benefits for financial integration will only be reaped if such a framework is implemented and enforced consistently among Member States. This has already been acknowledged in the context of the initiatives implementing the Lamfalussy approach[11], in particular in respect of activities in the EU framework for financial supervision which aims to address the supervisory challenges stemming from increasingly integrated financial markets. In that context, regulatory convergence needs to be complemented by supervisory convergence.

Although based on Basel II, the revised EU capital adequacy framework incorporates certain differences reflecting specific features of the European economy. First, by contrast with the Basel II framework, which is aimed at banks operating internationally, the EU framework will, in principle, be applied on a consolidated and individual basis to all credit institutions, as well as investment firms, irrespective of their level of complexity or sophistication. This grouping of institutions with differing levels of complexity has led to the development of rules on the partial use of the more sophisticated approaches. Hence, less complex institutions can now apply more sophisticated approaches to one part of their credit risk portfolio and simpler approaches to the remaining parts of the portfolio.

Second, the EU framework also aims to ensure that prudential standards are appropriate to the risks incurred. In this context, for certain investment firms the existing simpler approach of setting a lower limit for the calculation of capital requirements (the "expenditure-based capital charge") can continue to be applied, instead of the new specific operational risk requirement.

Third, in its aim of supporting the overarching objective of enhancing financial integration, the EU framework provides for improved cooperation and coordination among supervisory authorities by enhancing the role of the authority responsible for consolidated supervision. The "consolidating supervisor" is generally the national supervisory authority of the Member State in which the parent institution of a cross-border group of companies is authorised. The consolidating supervisor is responsible for the highest level of supervision of an EU cross-border group. This role will now include coordinating and approving the use of the more sophisticated approaches for calculating capital requirements in relation to an EU cross-border group. The outcome of the application to use such approaches should be determined jointly by the supervisory authorities concerned, but if they fail to reach a decision within a certain period of time, it will fall to the consolidating supervisor to determine whether or not an application is to be approved.

This provision is seen as promoting a level playing-field for European financial institutions in the international market, for example by maintaining the competitive position of a pan-European group applying for approval of its internal risk models vis-à-vis its US counterpart (which need only submit one

10 See the ECB's comments on the European Commission's third consultative document on regulatory capital, November 2003.

11 Procedures for the adoption of what is known in the Lamfalussy framework as "Level 2 legislation", as proposed by the Committee of Wise Men on the Regulation of European Securities Markets. According to this concept, the Commission must submit draft measures implementing technical details of "Level 1 legislation" (framework principles adopted in directives or regulations) to a regulatory committee. For more details, see the article entitled "Developments in the EU framework for financial regulation, supervision and stability" in the November 2004 issue of the ECB's Monthly Bulletin.

such application). It should be noted that an enhanced role for the consolidating supervisor is very much supported by some of the larger cross-border institutions, which would like to limit the supervisory burden and avoid multiple requests from national supervisors.

Finally, the EU capital framework also requires enhanced supervisory disclosure. Supervisors are obliged to publicly disclose information concerning the implementation of rules, the exercise of matters of national discretion and the methodologies adopted in reviewing and evaluating the soundness of the institutions that they oversee. These provisions aim to foster increased transparency and ensure a level playing-field across the EU.

FINANCIAL FLOWS TO EMERGING MARKET ECONOMIES: CHANGING PATTERNS AND RECENT DEVELOPMENTS

Emerging market economies have become increasingly important on account of their rising integration into global markets. Following a spate of financial crises in the late 1990s and early 2000s, these economies are currently enjoying a period of relative stability and improving fundamentals. At the same time, the pattern of their integration is going through an extraordinary period. For these economies as a group, the current account is in surplus and this surplus has widened considerably, rendering them net exporters of capital to the rest of the world. Official reserves have accumulated at a rapid pace to unprecedented levels and other financial flows, which last year emerged unexpectedly from a five-year trough, are becoming more concentrated in particular categories and among certain economies. The growth of the Chinese economy is just one factor, albeit a major one, driving these developments. This article explores some of the factors affecting financial flows, including those in official reserves, and raises some questions about the unusual changes taking place.

1 THE INCREASING IMPORTANCE OF EMERGING MARKET ECONOMIES IN FINANCIAL MARKETS AND THE GLOBAL ECONOMY

Emerging market economies (EMEs) are currently experiencing an upturn in their fortunes. Following several years of very mixed performance marked by crisis episodes and reform-related difficulties, fundamentals are now improving and confidence is rising. As a result, emerging market economies are outperforming advanced economies in many respects, including in terms of economic and trade growth. Their current account surplus, which emerged after the Asian crisis in 1997-98 and was expected to dissipate as affected economies recovered, in fact continues to widen. While financial flows to these economies have doubled recently, their official reserves have risen at an even faster pace.[1] If changes in official reserves are included in financial flows, emerging market economies have increasingly become – contrary to conventional wisdom – net exporters of capital to the rest of the world, thus transferring surplus savings to more mature economies. These developments, in particular the pick-up in financial inflows and considerable reserve accumulation, are the subject of this article, which seeks to shed some light on these phenomena.

Developments in emerging market finance have become increasingly important as their role in global markets has grown. Through greater integration into financial markets, emerging market economies have not only been in a position to improve their own growth prospects, they have simultaneously offered greater diversification opportunities to foreign investors (from advanced economies and, increasingly, other less advanced economies). However, developments in emerging market economies may also pose risks for global financial market stability and consequently the analysis of these economies has become an intrinsic part of the assessment of such stability. This is not least because they tend to exhibit greater variability in economic fundamentals and, as a result, greater volatility in financial flows. At an institutional level, emerging market economies have become instrumental in shaping the new international financial architecture. This is not only because they have replaced mature economies as the main focus of assistance packages from international financial institutions, but also because the absolute level of assistance received through lending programmes has set new records and launched a debate about appropriate levels of support.

1 This article uses both a narrow and a broad definition of financial flows. The narrow definition (referred to in this article simply as "financial flows") encompasses all net private flows in the form of foreign direct investment, portfolio investment, other private investment (such as bank loans, trade credits and financial derivatives), as well as official flows, mainly in the form of financial assistance and portfolio investment. A broader definition, which the article uses in Sections 4 and 5 and which is referred to as "financial flows including official reserves", also includes the changes in official reserve assets.

For the purposes of this article, emerging market economies are represented by a group of economies selected from the EU neighbouring regions, Latin America and Asia.[2] This group comprises most of the key emerging market economies tapping international financial markets and thus captures the main developments affecting all such economies.

Emerging market economies have rapidly integrated into the world economy. Indeed, it could be argued that globalisation primarily reflects the integration (mainly via trade rather than financial flows) of these economies with mature economies. The share in world exports of the group of selected EMEs is expected to rise to 30% in 2004, i.e. over 60% more than the export share of the euro area, three times the share of the United States and over four times the share of Japan.

At the global level, this group of economies contributes significantly to world population and production. The group includes the two most populous countries in the world and accounts for over half of the world's population. Its combined gross domestic product (GDP) accounts for roughly one-third of world GDP (in purchasing power parity, PPP, terms), well above the 21% for the United States and 16% for the euro area. Within the group, China is by far the largest economy. Based on nominal GDP in 2003, it was twice the size of the second largest economy in the group, Mexico, and accounted for over 25% of the group's total. Moreover, for 2004, the group's contribution to the world's real GDP growth – using PPP weights – is estimated to reach 1.1 percentage points, with Asia alone accounting for 0.7 percentage point, i.e. more than the euro area or Japan (see Table 1).

The euro area is the single most important trading partner and provider of foreign direct investment (FDI) for several of these economies, notably for its European neighbours and in Latin America. At the same time, the selected group of EMEs accounts for 23% of euro area imports, 17% of euro area exports, and just under 15% of both euro area gross FDI outflows and the consolidated foreign claims of euro area banks. In addition to the macroeconomic and financial aspects of the relationship between the European Union and these economies, there is also an institutional

2 These economies comprise, on the European fringe, Russia and Turkey; in Latin America, Argentina, Brazil, Chile, Colombia, Mexico and Venezuela; and in Asia, China, Hong Kong SAR, India, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand.

Table 1 Importance of emerging market economies in the global economy

(percentages; 2004 projections)

	Share in world population	Share in world GDP (PPP terms)	Share in world goods exports 1)	Contribution to world real GDP growth 2)	Share in the EMBI Global 3)
Euro area	4.8	15.5	18.4	0.5	-
United States	4.7	21.0	11.2	1.3	-
Japan	2.0	6.8	7.0	0.5	-
Selected non-EU emerging market economies	54.0	34.9	30.1	1.1	-
of which:					
Asia	44.2	25.0	23.0	0.7	6.3
Latin America	6.4	6.5	4.2	0.2	51.0
European neighbours	3.4	3.5	2.9	0.2	19.7
Global total	100.0	100.0	100.0	4.9	100.0

Sources: IMF Direction of Trade Statistics, Eurostat, JPMorgan Chase, IMF World Economic Outlook and ECB calculations.
1) Data refer to 2003 and are net of intra-euro area exports.
2) Average (in percentage points) of real GDP growth rates weighted by nominal GDP in US dollars.
3) The EMBI Global refers to the JPMorgan Emerging Markets Bond Index Global, which is a benchmark index for emerging market US dollar-denominated debt. Data are for September 2004.

dimension, e.g. the prospect of accession of Turkey to the EU, the Partnership and Cooperation Agreement with Russia, the framework inter-regional agreement with the countries of MERCOSUR (the "Common Market of the South" of Latin America) and the Asia-Europe Meeting (ASEM) with several Asian countries.

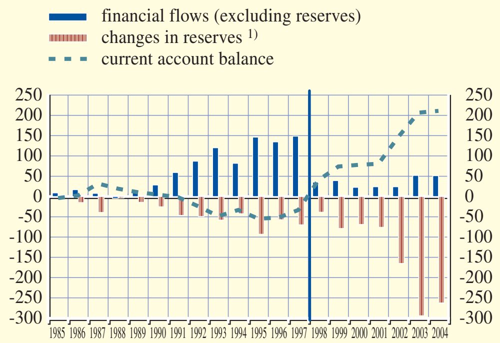
Of interest is not only the increasing role that emerging market economies are playing in global economic and financial spheres, but also the nature of their integration, which is going through an unusual period. The group's current account is in surplus long after their main crisis period. Following the financial crises in several Asian economies in 1997-98, it came as no surprise that the current accounts of these countries, and by aggregation the current account position for the selected group as a whole, swung into surplus. Financial inflows collapsed as international investors lost confidence in these economies and withdrew funds. Most currencies in the region were forced off their peg to the US dollar and plummeted, causing a surge in exports and a fall in imports. However, as the situation stabilised, the reverse could have been expected. Yet this did not happen. The current account surplus was not only maintained during the recovery phase, it has recently risen further (see Chart 1).

The surplus represents net financing provided to the rest of the world arising from a surplus of savings (at around 28% of the group's GDP) over investment (at around 22%). The current account surplus is accompanied by rising reserve accumulation, which has been no less dramatic. Reserves have reached unprecedented levels, particularly in Asia, partly driven by a desire to stabilise exchange rates in the face of appreciation pressures.

Moreover, financial flows have also experienced change. Not only have flows risen recently, there have been changes in both the type of flows and their geographical spread. Significantly, China has received increasingly

Chart 1 EMEs as importers/exporters of capital from/to the rest of the world

(USD billions)



Sources: IMF WEO database and ECB calculations.
1) For reserves, negative changes correspond to an increase in the level of reserves.

large inflows, so much so that were it not for China, net financial flows of the group would be negative. The changes provide insights into developments in borrower and investor sentiment, economic and financial structures across emerging market economies and, crucially, the nature of their integration into global financial markets. Section 2 explores the factors determining the recent changes in financial flows. Section 3 looks in more detail at the nature of the changes taking place. The issue of reserves is discussed in Section 4, while Section 5 examines regional differences in financial flows, including official reserves. Section 6 concludes.

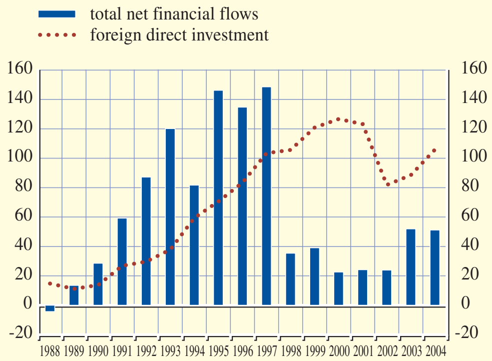
2 DETERMINANTS OF EME FINANCIAL FLOWS

In a surprise development, financial inflows to emerging market economies turned markedly upwards in 2003, more than doubling inflows during the previous year. This followed a five-year retrenchment in financial flows to these economies that had led to speculation about the demise of the asset class. Indeed, up to November 2002, primary bond markets were effectively closed to emerging market issuers in a six-month "drought".[3]

3 See "Global Financial Stability Report", IMF, March 2003.

Chart 2 Total net financial flows[1] and FDI flows to selected emerging market economies

(USD billions)



Source: IMF WEO database.
1) Excluding changes in reserves.

The five-year retrenchment period followed a series of crises in emerging markets. The series of crises began in Thailand in 1997 and spread rapidly through much of emerging Asia, followed in succession by Russia, Brazil, Turkey, Argentina and Uruguay. The adverse investment climate was perpetuated by the onset of unfavourable macroeconomic conditions in mature economies in 2000. By the end of that year, net inflows to EMEs had fallen to their lowest level in a decade.

The long period of retrenchment of financial flows from emerging market economies after 1997 marked the end of the expansion into a promising new asset class. New investment opportunities had opened up in the late 1980s and early 1990s as a wave of capital account liberalisation swept through these economies, removing restrictions on capital mobility. Investors had increasingly ventured into these markets and, with the exception of exposures to Mexico in 1994, fared relatively well until signs of strain emerged in certain of these economies. Chart 2 traces the rise, fall and partial recovery of net financial inflows to the group of selected EMEs since the late 1980s and, for comparison, the key component, FDI flows.

EME DETERMINANTS OF FINANCIAL FLOWS

The rejuvenation of financial inflows to emerging market economies in 2003 and 2004 was due to a combination of factors in both these and mature economies. In emerging markets, economic fundamentals improved in this period owing not least to reform processes in previously afflicted economies. The absence of crises and the presence of stability set the stage for the return of financial flows.

The "silver lining" of the crises was that emerging market economies endeavoured to put their house in order and many of the difficulties of the reform process have been overcome. This has been an important factor supporting the return of financial flows. In particular, most emerging market economies have made remarkable progress in: (i) improving the soundness of domestic macroeconomic policies, as well as the transparency and communication of monetary policy; (ii) the liberalisation, deregulation and privatisation of the economic system, as well as in areas such as banking supervision, financial sector stability and other aspects of domestic institutional and market infrastructure; and (iii) enhancing the availability and quality of information on local economies and financial markets.

These improvements have contributed to a strengthening of fundamentals, which has also played a role in attracting net inflows. Indeed, current macroeconomic conditions in emerging market economies, including large borrowers such as Brazil and Turkey, are currently healthier than they have been in a long time (see Table 2).

Overall, the real GDP growth of the group of emerging market economies accelerated to an (unweighted) average of around 6% in 2003 and is set to rise to close to 7% in 2004, the fastest pace in more than 20 years. A number of countries are growing at even higher rates, such as China and Russia, as well as Argentina and Turkey which are recovering after the crises of

Table 2 Main macroeconomic indicators of emerging market economies [1]

	2001	2002	2003	2004 [2]
Real GDP growth (%)	3.7	4.9	6.0	6.7
CPI inflation (%)	5.6	5.1	5.1	4.9
General government balance (as a % of GDP)	-4.2	-4.5	-3.8	-3.3
Balance on current account (as a % of GDP)	1.6	2.7	2.6	2.0

Sources: IMF WEO database and ECB calculations.
1) Weighted averages (using PPP shares in world output) of the figures for the emerging market economies selected in this article.
2) Figures for 2004 are estimates.

2001-02. These rates of growth exceed those of mature economies and are unusual in that they reflect sound growth in all three EME regions simultaneously. To a degree, the high growth rates of these economies are mutually reinforcing. Resource-exporting economies have benefited from strong growth in resource-importing economies such as China and, to a lesser extent, India.

Other macroeconomic indicators have also improved. Inflation, at around 5%, is on a declining trend, although some countries (including Russia, Turkey and Venezuela) are still expected to record double-digit inflation rates in 2004. The soundness of public finances has improved overall, with general government deficits decreasing to close to 3% of GDP on average. Some countries however are still running high public deficits, such as India (almost 10%) and Turkey (6%), in part due to high levels of outstanding sovereign debt.

Reassuring to investors is arguably also the accumulation of reserves (predominantly in Asia). These provide a substantial cushion against possible limited access to global financial markets in the future and scope to stabilise the exchange rate of the domestic currency. This accumulation has been made possible by current account surpluses of emerging market economies as a group since 1998. The average balance on their current accounts rose sharply in 2002-03 to an unprecedented level and is expected to be close to 2% of GDP in 2004.

Indeed, improving economic and financial conditions have fostered a virtuous cycle supporting inflows. The commitment to a reform agenda and continuous improvement in fundamentals have helped stabilise exchange rates against key currencies, especially in Asia. The reform efforts and results led to a number of emerging market economies, including systemically relevant ones, receiving a rating upgrade of their foreign currency-denominated long-term debt in the last two years. Partly in consequence, their bond and equity markets have outperformed those of mature economies.

In a positive development, occurrences that could have been expected to dampen inflows across the board had a contained effect. Although subject to further verification, it is conceivable that improvements by emerging market economies, such as greater transparency and better information in terms of availability, timeliness and quality, assisted investors in better assessing risk and discriminating accordingly. This would explain the absence of contagion from, and limited effect of, negative factors such as SARS in East Asia in early 2003.

EXTERNAL DETERMINANTS OF FINANCIAL FLOWS

Due to the increasing integration of emerging market economies into global financial markets, mature and emerging market economies became increasingly intertwined over the course of the 1990s through a variety of channels, including trade, interest rate differentials and financial asset price trends.

In this respect, the upswing in financial flows in 2003 may be partly attributable to developments, which were to some extent interrelated, in advanced economies.

Undoubtedly, a key external contributor to improved emerging market inflows has been the improved growth and growth prospects in the three major mature economies as a group and individually. One channel is via exports. The economic recovery in mature economies in 2003 improved the prospects for EME exports and, in consequence, expectations of emerging market economies' macroeconomic performance and future corporate profits, thereby raising financial inflows (e.g. to Asia). Another channel is via reduced risk aversion. The confidence inspired by faster growth in mature economies rejuvenated investor sentiment and contributed to a shift away from safe-haven assets, such as triple A-rated mature economy government bonds, towards lower-rated debt such as that of most emerging market sovereigns.

In addition, the abundance of liquidity coupled with the persistence of historically low yields in mature economies have driven a "search for yield" that enticed investors back into emerging markets. Cash positions were built up as investor aversion towards mature economy financial assets grew around the turn of the century, partly in response to the bursting of the equity bubble in late 2000. Moreover, nominal and real interest rates in many mature economies – and thus the opportunity cost of holding money – fell to historically low levels.

As a consequence of the widening interest rate differentials with mature economies, investments in emerging markets became increasingly attractive. This is in line with the so-called "old view" of the determinants of flows to emerging market economies, which is based on divergent monetary conditions. There are however new developments in this regard. One is the greater investment interest shown by financial institutions with liabilities carrying guaranteed nominal returns (such as life insurers). The need to generate the promised returns coupled with the rating upgrades of debt to investment grade for several emerging market economies have enticed these institutions into the asset class. Another is the large rise in "carry", that is, investment in high-yielding EME instruments using debt raised at lower cost in mature markets. While the first development may bring stability to the asset class, the second is more likely to increase its vulnerability in that "carry" is highly sensitive to a narrowing of the interest rate differential.

The initial pick-up in inflows to emerging market economies in early 2003 is thought to have been encouraged by rising financial asset prices in mature economies at that time. These price rises both increased risk tolerance and reduced the need to close EME positions to cover losses elsewhere. This reflects a "new view" of the relationship between mature economies and financial flows to emerging market economies, based on asset price developments in mature economies rather than on monetary conditions as in the "old view". This new view arose as equity and bond markets in advanced economies faltered and flows to emerging market economies weakened, and it appears to have retained its validity as these markets recover. Since March 2003, the strengthening of advanced economy equity markets and declining risk premia on corporate bond yields in mature economies have helped to lessen investor aversion towards EME assets and fuel net inflows to these economies.

An indication of investor risk aversion is provided by the Chicago Board Options Exchange SPX volatility index, a market estimate of future volatility based on the weighted average of the implied volatilities for a wide range of strike prices. Although only a proxy for risk aversion in relation to the US equity market (by gauging uncertainty surrounding future equity returns), it is nevertheless revealing in that it has declined steadily from its peak of about 40% in

September 2002 (at the time of the Brazilian presidential election) to around 13% at the end of the first quarter of 2004, a level well below its ten-year average.[4]

THE RECOVERY IN FINANCIAL FLOWS: WEAK OR STRONG?

Although much is made of the recent upswing in financial flows, by historical standards the recovery in inflows appears rather moderate so far. This is especially the case if inflows to China are excluded (which results in the net group inflow of USD 51 billion turning into a net group *outflow* of an estimated USD 43 billion). As discussed previously, the fundamentals of emerging market economies have improved and are reasonably sound, even if less stable than those of mature economies. Economic growth is strong in both advanced and emerging market economies, and the growth differential favours EMEs. Circumstances also support strong net inflows in line with both the "old" and "new" views of their relationship with mature economies, namely, interest rate differentials favouring EMEs and rising asset prices in advanced economies respectively. Yet even though net inflows in 2003 and 2004 were double the average of the previous three years, they pale in comparison with the size of the current account surplus and change in official reserves. Remarkably, they are only one-third of the financial inflows at the height of the last peak in 1995-97.

This raises the question of whether the 1995-97 peak is an appropriate benchmark, or whether – as has since been claimed – the net inflows of the mid-1990s were symptomatic of a bubble inflated by a range of advanced and emerging market factors. According to this interpretation, upon the opening-up of capital accounts in emerging market economies, strong demand for finance in those economies was readily accommodated by mature economy investors, against a backdrop of healthy growth prospects relative to advanced economies and fixed exchange rates that effectively removed exchange rate risk. The novelty of the asset class may also have played a role insofar as credit and investment decisions may have been made on the basis of analytical tools more suited to advanced economies and of poorer information (in terms of availability, timeliness and quality) than in mature economies.

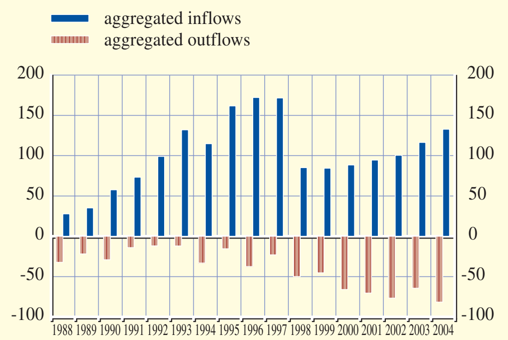
To the extent that these factors played a role, the magnitude of net inflows in the mid-1990s might be considered excessive. If so, the lower levels currently observed may better reflect economic and financial conditions, and provide the basis for a more appropriate benchmark. Unlike in the mid-1990s, there is now less scope for moral hazard-induced inflows. Not only have many emerging market economies (though few in emerging Asia) shifted to a floating exchange rate regime, which removes the scope for speculative attacks on pegged rate regimes, FDI has replaced more footloose types of finance such as bank lending and portfolio flows. Moreover, investors are now better able to discriminate among EMEs and thus target their investment. This is borne out by the fall in contagion, which may be due in part to efforts by EMEs to develop the availability and quality of information and in part to improved credit analysis. Importantly, the swing from current account deficits to surpluses also implies a diminished need for external financing.

A major development of the last few years that suppresses the figures for *net* group inflows is the strength of financial outflows. The strength of outflows can be gauged by a comparison of aggregated net inflows with aggregated net outflows of individual economies in the group for each year. Aggregated net inflows (outflows) represent the sum of net inflows (outflows) for all those economies in the group that recorded a net inflow (outflow). Chart 3 shows that aggregated net inflows have been

4 See "Determinants of the rally in emerging market debt – Liquidity and fundamentals" in the *Global Financial Stability Report*, IMF, April 2004.

Chart 3 Aggregated net financial flows[1)] of individual emerging market economies

(USD billions)



Sources: IMF WEO database and ECB calculations.
1) Excluding changes in reserves.

on a steady upward trend since 1999, but that aggregated net outflows are on average considerably higher now than in the boom years of the mid-1990s, which drags down the figures for net flows for the group as a whole. Of these net outflows, while some are signs of weakness (e.g. capital flight from Russia owing to banking sector instability in 2004), others are quite the opposite (e.g. outward investment from the major financial centres of Singapore and Hong Kong SAR).

There has also been an increasing concentration of net inflows and dispersion of net outflows. By way of illustration, seven economies were expected to attract more net inflows in 2004 than thirteen did in 1993 (a year of comparable net inflows for the group as a whole). This may in part reflect increased investor discrimination, but the rapid emergence of a relatively large economy – China – is highly significant. Since 2002 net inflows to China have risen by twice as much as total aggregated inflows, and in 2004 China was set to account for as much as 70% of the total.

On the basis of the above, there are grounds to conclude that the recent net inflows to emerging market economies are not particularly poor when set in a historical context. However, whether 2003-04 net inflows provide a better benchmark in view of the large current account surplus and the group's even larger build-up of reserves remains an open question and constitutes an important avenue of further research. In this regard, a pertinent issue is the extent to which the large size of foreign exchange reserves relative to other financial flows represents "insurance" and could supplant the role of the IMF in a crisis situation.

3 CHANGES IN FINANCIAL FLOW COMPOSITION

The doubling of net financial inflows in 2003 to around USD 50 billion – a level which is expected to hold in 2004 – not only represents the highest level of inflows since the onset of the Asian crisis in 1997, but also reflects a change in composition compared with both the retrenchment period and the previous rise in flows prior to 1997. Overall, the upswing in net financial flows reflected a resumption of growth in net FDI inflows which, at around 170% of total net flows, provided the mainstay of net financial inflows, as they have over the past decade. These FDI inflows (estimated at over USD 100 billion in 2004) were partially offset by net outflows of bank loans and related flows[5] (of around USD 30 billion) as well as official flows (USD 15 billion). Portfolio inflows and outflows were roughly in balance, after recovering from large net outflows in 2001-02. These developments, shown in Chart 4, reveal changes in investor sentiment towards different types of investment.

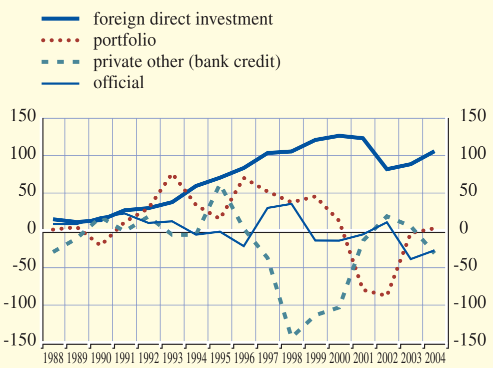
FOREIGN DIRECT INVESTMENT

Foreign direct investment remains by far the largest, least volatile and only continuously positive component of net inflows to the group of selected economies. This in part reflects the fact that FDI is unlike other types of finance in

5 "Bank loans and related flows" refer to the category entitled "private other investments" in the IMF's World Economic Outlook (WEO) database, from which data for this article were drawn. Note that while this category is mainly composed of bank-related flows, it also includes other items such as trade credit.

Chart 4 Net flows to the group of emerging market economies by type of flow

(USD billions)



Sources: IMF WEO database and ECB calculations.

that, in the context of flows between advanced and emerging market economies, the balance falls overwhelmingly in favour of the latter, not least on account of their lower production costs. Hence, FDI inflows to EMEs continue to dwarf FDI outflows from EMEs.

The recovery in mature economy growth after 2001 contributed to the pick-up in FDI inflows. Empirical studies confirm the link between advanced economy growth and FDI inflows, as well as portfolio flows, which is also observed. Yet the recent inflows (of around USD 100 billion on an upward trend) remain well below the peak in 2000 (of around USD 130 billion), even though advanced economy growth rates are no lower now than then. The 2000 peak followed a decade of rising FDI inflows (primarily to both Asia and Latin America in roughly equal measure) that was brought to an end not only by the fall in mature economy growth, but more specifically by rising political and economic instability in certain countries in Latin America. As a result, FDI inflows to Latin America are still less than half the levels in 2001 before the Argentine crisis.

More than any other type of financial flow, FDI is highly concentrated among a few countries. Since the dramatic fall in FDI to Latin America, Asia has consolidated its position as the main recipient region, and within Asia, China as the main recipient economy. China alone absorbed almost half of total net FDI inflows into the selected group in the past two years, while the top four recipients (a group which invariably also includes Mexico and Brazil) account for over 80% of all flows. Particularly in the case of China, this raises concerns about the extent to which the country is attracting FDI away from other emerging market economies.

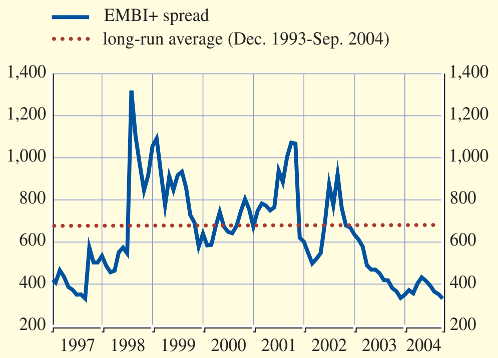
PORTFOLIO FLOWS

Portfolio flows are less stable than FDI flows and more influenced by short-term prospects, which suggests a balanced outlook for emerging market economies based on current trends. The switch in portfolio flows from large net outflows in the two years to end-2000 (during which bond markets were in effect closed to new emerging market issuers for six months) to small net inflows in 2003-04 disguises a rally in both emerging bond and equity markets, evident from falling bond spreads and rising aggregated inflows of individual economies. These aggregated inflows, spread over almost half of all major EMEs (but concentrated especially in China and South Korea), were offset by net outflows from Asian financial centres (Hong Kong SAR and Singapore), as well as Russia.

The rebound in inflows reflects improved economic growth rates and low interest rates in mature economies as well as strong fundamentals in emerging market economies, as discussed in Section 2. The improved fundamentals have been underpinned by a two-year period of rating upgrades affecting two-thirds of the group, including Argentina, Turkey, Russia and Brazil. Overall, investment-grade issuers now account for around two-thirds of the group's members and over half of the group's stock of outstanding external government bonds. Buoyed by the rally, both bond and equity returns rose strongly over the last two years relative to those in advanced economies.

Chart 5 EMBI+ spread since 1997 and the long-run average[1)]

(basis points)



Sources: JPMorgan Chase and ECB calculations.
1) EMBI+ "Performing" index (which excludes defaulted bonds).

The resumed interest in EME bonds in the search for yield has led to a large fall in bond spreads and a sharp decrease in spread dispersion across the credit spectrum. Bond spreads fell from their recent peak in September 2002 to more than 300 basis points below their ten-year average level, i.e. a level similar to that prevailing before tensions mounted in Asian economies in late 1997, as the Emerging Markets Bond Index Plus (EMBI+) spread over US Treasuries in Chart 5 illustrates. The narrowing in spreads has more recently been supported by the (short-run) positive impact of higher oil prices in international markets on weaker, net oil-exporting borrowers (such as Venezuela and Ecuador).

Several sovereign issuers have used the favourable conditions to better structure their liabilities and pre-finance future requirements, which has helped improve fiscal balances. This involved, for example, reducing the share of domestic debt linked to the exchange rate and of variable interest rate debt, and issuing cheaper Eurobonds in exchange for Brady bond debt, which became an expensive and illiquid form of financing in the late 1990s. Increasingly, and in a sign of growing EME readiness to accept a contractual solution in the event of a debt workout, collective action clauses covered by New York law have featured in new issues.

While prompting strong net issuance, the fall of the EMBI+ spread (see Chart 5) has also raised concerns over weakening investor discrimination in bond markets and potential mispricing. This reduction in investor discrimination, evident also from the compression of bond spreads across EMEs, may reflect a shift in the investor base. Cross-over investors (investors who move into and out of competing asset classes as profit opportunities shift) have taken an increasing interest in emerging market economies and are now estimated to account for around half of the market share. The increasing importance of opportunistic cross-over investors is likely to have increased the vulnerability of emerging markets to changes in interest rates in the United States. This implies that EME bond markets could now be more exposed to unexpected deviations from the expected path of future interest rate increases in the United States, which puts at risk particularly those economies that have large external financing, are sub-investment-grade borrowers or have a vulnerable debt structure.

BANKING-RELATED AND OTHER FLOWS[6]

After only two years of net inflows to emerging market economies, cross-border loans are set to weaken again in 2004. In contrast to all other components, bank flows appear to be negatively related to growth in mature economies and the growth differential between mature and emerging economies.[7] Moreover, bank lending to emerging market economies is, along with private portfolio flows, the most

6 The discussion here is based on the IMF's WEO database figures for "private other capital flows", which are mainly made up of bank lending. Determining actual bank lending with greater accuracy necessitates recourse to other sources, which introduces data consistency problems. Nevertheless, trends appear similar across sources.

7 There is empirical support for these relationships: see, for example, C. M. Reinhart and V. R. Reinhart (2001), "What Hurts Most: G-3 Exchange Rate or Interest Rate Volatility?" in S. Edwards and J. Frankel (2001), *Preventing Currency Crises in Emerging Markets*, University of Chicago Press, pp. 73-99.

volatile component of financial flows. (Such bank lending was mainly responsible for the collapse in financial inflows following the Asian crisis, when bank-related flows fell from a peak of over USD 50 billion in 1995, to minus USD 140 billion in 1998, before recovering to around USD 20 billion in 2002.) It is not surprising therefore that cross-border loans were expected to swing sharply into negative net outflows in 2004.

While bank flows and portfolio flows share a high degree of volatility, bank flows distinguish themselves in their discrimination according to credit quality. This is evident in the shift to better quality credits and sovereigns both within and across EME regions, and the increase in the share of claims backed by third-party guarantees.

Asia is by far the largest bank borrowing region, which is partly a reflection of bank-based domestic financial systems. Indeed, changes in banking flows to Asia drove the precipitous rise and fall of banking flows to the group of selected EMEs between 1995 and 1999, and their subsequent rebound. Increased net lending to Asia (mainly China, Taiwan and South Korea) is motivated by both interest rate differentials with US rates and speculative views on exchange rates. Banking flows into and out of European neighbours have been roughly in balance since the late 1990s, except for 2003 when net flows turned positive due to lending from almost every major banking system to all sectors. By contrast, Latin America has recorded net banking-related outflows since the mid-1990s, reflecting not least deposits by Latin American banks in foreign banking systems to contain exchange rate risk.

OFFICIAL FLOWS

The demand for official inflows has receded of late, as crises have passed. From modest net outflows averaging USD 5 billion between 1999 and 2002, official flows turned sharply downwards in 2003-04 as the need of emerging market economies as a whole for official inflows declined. Asia recorded its sixth year of net official outflows following net disbursements to the region in 1997-98 and increasing outward assistance from Singapore. Only Indonesia has yet to settle obligations outstanding to the IMF (of around USD 10 billion) following the Asian crisis. European neighbours also recorded large outflows as Russia continued to amortise IMF loans. For Latin America, official flows have shrunk over the last two years as there have been no more large receipts of official assistance, such as by Brazil in 2001 and 2002, and significant repayments (e.g. by Brazil and Argentina) are yet to commence.

4 FROM NET INFLOWS TO NET OUTFLOWS: RESERVE ACCUMULATION

Despite the recent upturn in net financial inflows, major emerging market economies were net exporters of capital in 2004 for the seventh year in a row. This reflects the switch of their current account balance from deficit to surplus after the Asian and Russian crises, as shown in Chart 1. Such a trend runs counter to standard economic theory, according to which capital is expected to flow from capital-abundant mature markets to capital-scarce emerging markets, where its marginal productivity should be higher. Net financial *outflows* including official reserves first occurred in 1998 for the selected group. These outflows rose most significantly between 2001 and 2003 to over USD 200 billion, compared with average *inflows* of USD 30 billion for 1990-97 and USD 3 billion for 1980-89.

The most significant aspect of the net outflows has been the growth in official reserves, which has been driven by Asia, and especially China. Part of the motivation for the accumulation of reserves is the wish by a number of economies to rebuild reserves after depletion during their currency crisis in the late 1990s, and to fulfil a precautionary need of self-insurance against future crises. However, for certain economies, it also reflects the desire to accommodate a current account surplus with the United States and keep the domestic currency from appreciating against the weakening US dollar. Maintaining a stable exchange rate with the US dollar is a cornerstone of these economies' development model.

Growth in reserves overshadowed even the unprecedented rise in the current account surplus. The current account surplus rose by one and a half times on account of growing trade surpluses in Asia (especially in China, Singapore and Taiwan) and a shift from trade deficits to trade surpluses in Latin America (especially in Brazil and Argentina). Reserve accumulation however quadrupled in the three years to 2003. The addition to reserves is expected to reach USD 260 billion in 2004, following USD 290 billion in 2003 and USD 165 billion in 2002, compared with an average of USD 75 billion in the three prior years. Of this, Asia accounted for around 85% and China alone for around half.

This raises the question about the point at which reserves are sufficient and further accumulation is unwarranted. The rapid accumulation of reserves is not without risks and costs. It may increase opportunity costs, pose risks for central bank balance sheets (via increasing exposure to US bond prices and exchange rate movements), put upward pressure on goods, services and asset prices (to the extent that sterilisation is incomplete), and may to some extent hinder the necessary adjustment of global current account imbalances.

Already the stock of reserves held by emerging market economies well exceeds reserves of mature economies, at almost USD 2 trillion in 2003 (see Chart 6). Asia's reserves dwarf those of Latin America and the European neighbours, whose stocks amounted to USD 160 billion each in 2003 (the largest are in Brazil and Russia). Recent figures for Asian central banks confirm the upward trend in reserve accumulation, with stocks in Asia amounting to almost USD 1.4 trillion at the end

Chart 6 Stocks of reserves

(USD billions)

Sources: IMF (2004) and ECB calculations.

of September 2004. Of Asia's reserves, China alone holds over USD 500 billion, and Hong Kong SAR, Taiwan and South Korea together a further USD 500 billion. It is now estimated that seven Asian countries hold reserves in excess of 30% of GDP (compared with an average for the world of 10%).[8] In this respect, Asian economies are most exposed to the risks and costs. Losses on sterilisation have already been recorded, owing to the positive yield differential between domestically issued bonds and US Treasuries, as the case of South Korea illustrates.

5 REGIONAL DIFFERENCES IN FINANCIAL FLOWS

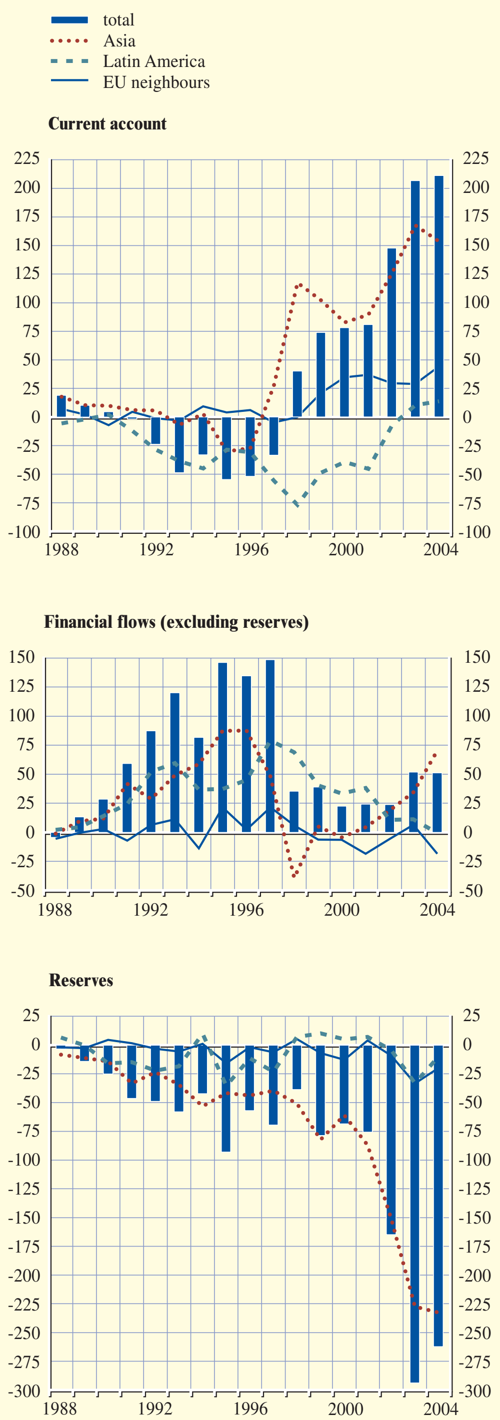
Not only have there been marked changes in the financing composition, but also in the distribution across regions. The three EME regions under consideration have experienced quite different developments in financial flows, both excluding and including reserve accumulation, and current account balances as Chart 7 shows.

Asia emerges as the driver of trends for the overall group. From the late 1990s, its

8 R. Subbaraman, J. Russel and H. Shiraishi (2003), "Damocles: low risks, but for how long?" in *Global Economics*, Lehman Brothers, 3 December. The seven economies are China, Hong Kong SAR, Malaysia, Singapore, South Korea, Taiwan and Thailand.

Chart 7 Regional differences in capital movements

(USD billions)



Sources: IMF WEO database and ECB calculations.

current account surplus, official reserves and other financial flows rose dramatically, far exceeding those of Latin America and European neighbours and dictating composite movements. The most striking development is arguably the rapid increase in reserves to unprecedented levels, as mentioned earlier. In view of these developments, Asia is also the largest exporter of capital.

Within Asia, China dominates. For 2004, China alone is expected to account for almost 20% of the group's current account surplus, almost 60% of reserve accumulation and over 180% of other net financial inflows. While Asia commands almost three-quarters of all FDI inflows, China alone commands almost half. A growing proportion of China's FDI inflows comes from other Asian economies such as South Korea and Taiwan. At the same time, net FDI receipts by several other Asian economies have come under pressure. On the upside, strong growth in China has raised demand for raw materials and investment goods, which has particularly benefited its regional neighbours, offsetting to varying degrees the negative impact of its low-wage competition with some of these countries. Partly in consequence, emerging Asia has been the fastest growing EME region over the last two years.

Latin America differs from the other two regions in that it eliminated its current account deficit and its financial inflows collapsed over the past several years. These years were marked by economic and political instability following successive years of crises and tensions.

Strikingly, the region's net financial inflows fell from a high in 1997 to negligible amounts in 2004. The region's traditional reliance on FDI suffered from both a reassessment of risk in light of measures taken by the authorities in the Argentine crisis and the gradual exhaustion of privatisation and M&A possibilities. As a result, FDI inflows are only half the 1997-2001 average. Official assistance, which buoyed inflows to Argentina and Brazil in 2001-02, has also come to an end. On the other hand, there has been a rally in bond and equity markets over the last two years as a result of both advanced economy and EME factors discussed in Section 2, in particular the "search for yield", which was greeted by active debt liability management by sovereigns to reduce vulnerability. Unfortunately, the rally has done little more than restore net portfolio inflows to just above balance following the massive exit between 1999 and 2001 as the Brazilian real was devalued and the Argentine crisis loomed. Bank credit remains a drag on net inflows as regional banks are parking deposits in overseas financial institutions.

The crisis and tensions prevented reserve accumulation until 2003, when the financial account swung into surplus. This shift out of a long-term deficit reflected, in the initial reversal of its downward trend, the devaluation of some currencies (such as the Brazilian real in 1999 and the Argentine peso in 2001), and later increased demand for raw materials (not least from China) and more recently increased oil prices.

The two major emerging economies *neighbouring Europe*, Russia and Turkey, both suffered debt-related crises, in 1998 and 2001 respectively. However, they currently enjoy improving macroeconomic fundamentals (good growth, falling inflation) and financing conditions (falling domestic interest rates and spreads, and improved sovereign credit ratings).

Turkey's economy continues to strengthen under the stabilising influence of political calm, official assistance, an IMF programme and advances towards the commencement of accession negotiations with the EU. Russia is enjoying strong demand for its natural resources and the windfall from high oil prices, posting its fifth fiscal surplus in a row and a rising current account surplus. The counterpart to this is a jump in reserves, which are the largest among emerging market economies outside Asia.

In contrast to the other two regions, net financial flows to both countries have been negative continuously since 1999 (with the exception of 2003 owing to a spike in bank loans to Russia), notwithstanding a large assistance package to Turkey in 2002. Net FDI inflows are negligible, while in bond markets, Russia's fiscal surplus obviates the need for government borrowing, although corporates (especially oil and gas companies) remain active. Turkey, on the other hand, continues to tap bond markets to finance its shrinking fiscal deficit.

6 CONCLUSION

Emerging market economies have become an important part of the global economy and global financial system. Latest developments in EME financial flows including official reserves are unprecedented and pose a number of challenges to conventional thinking, to domestic policy-making and to the international community. Not least important are the questions of how to interpret the switch by EMEs to becoming net providers of capital, the sustainability of reserve accumulation and the basis on which to judge the strength of the recent upturn in financial flows.

The remarkable thing about the recovery in financial flows after a five-year lull has been the concentration of flows by composition (in FDI) and by region (in Asia). Without FDI, or without Asia, net financial flows to emerging market economies would have been negative. Furthermore, China's rapid rise to a position of dominance within the group cannot be ignored. This is illustrated best by China's net receipts of FDI, which account for over 90% of total net EME financial flows. This raises questions about the relative role of portfolio and banking flows when FDI flows are overwhelmingly dominant. It also raises questions about whether the smaller economies are having difficulty raising finance with China absorbing such a large share of inflows.

The accumulation of reserves is also predominantly an Asian phenomenon. To the extent that it is motivated by the desire to self-insure against exchange rate or financial pressures, it raises a question about the role of the IMF in potential future crises in the region. A more imminent issue concerns the appropriateness of the high level of reserves and its sustainability in view of the accompanying rising risks and costs.

The persistence, indeed widening, of the current account surplus for the group of emerging market economies, even as crises have passed and economies recovered, is remarkable. Though not in such a pronounced manner as in reserve accumulation and other financial flows, Asia is the driving force here too. The extent to which domestic savings continue to exceed domestic investment will determine the durability of these surpluses, and concomitantly, net exports of capital to the rest of the world. The desirability of net resource flows from emerging market economies to mature economies hinges not least on the balance between the benefits of promoting mature economy demand for their exports and the scope for productive investment in emerging market economies.

EURO AREA STATISTICS

CONTENTS[1]

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

Conventions used in the tables

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

EURO AREA OVERVIEW

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

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-financial and non-monetary financial corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2003	10.9	8.0	8.0	-	4.9	20.7	2.33	4.16
2004	.	.	.	-	.	.	2.11	4.14
2004 Q1	11.0	7.2	6.4	-	5.4	16.2	2.06	4.15
Q2	10.2	6.0	5.4	-	5.6	10.9	2.08	4.36
Q3	9.6	5.8	5.6	-	6.2	10.0	2.12	4.21
Q4	.	.	.	-	.	.	2.16	3.84
2004 July	10.1	5.9	5.5	5.4	6.2	10.5	2.12	4.34
Aug.	9.2	5.7	5.5	5.7	6.1	9.7	2.11	4.17
Sep.	9.7	6.3	6.0	5.8	6.5	8.7	2.12	4.11
Oct.	9.0	6.3	5.8	5.9	6.8	8.2	2.15	3.98
Nov.	9.7	6.5	6.0	.	6.9	.	2.17	3.87
Dec.	.	.	.	.	.	.	2.17	3.69

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2003	2.1	1.4	2.8	0.5	0.3	81.0	0.2	8.9
2004	.	.	.	.	.	.	.	.
2004 Q1	1.7	0.2	2.8	1.4	1.0	80.7	0.2	9.0
Q2	2.3	2.0	2.2	2.1	3.1	81.1	0.3	8.9
Q3	2.2	3.1	2.0	1.8	2.8	81.6	0.4	8.9
Q4	.	.	.	.	.	.	.	.
2004 July	2.3	2.9	-	-	2.6	81.6	-	8.9
Aug.	2.3	3.1	-	-	2.0	-	-	8.9
Sep.	2.1	3.3	-	-	3.6	-	-	8.9
Oct.	2.4	4.0	-	-	1.2	81.7	-	8.9
Nov.	2.2	3.6	-	-	.	-	-	8.9
Dec.	2.3	.	-	-	.	-	-	.

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
2003	35.0	105.3	-3.4	41.7	306.5	99.9	101.7	1.1312
2004	.	.	.	.	.	103.8	105.9	1.2439
2004 Q1	17.2	28.6	-23.6	-3.1	308.4	104.7	106.7	1.2497
Q2	12.7	32.7	-19.2	20.9	301.4	102.1	104.1	1.2046
Q3	10.3	25.0	5.9	16.9	298.2	102.8	104.9	1.2220
Q4	.	.	.	.	.	105.7	107.8	1.2977
2004 July	3.9	13.9	-8.5	-30.7	301.3	102.8	104.9	1.2266
Aug.	4.9	6.0	9.3	6.3	301.7	102.7	104.8	1.2176
Sep.	1.4	5.1	5.1	41.4	298.2	103.0	105.1	1.2218
Oct.	1.8	8.1	-9.7	5.9	294.2	104.2	106.3	1.2490
Nov.	.	.	.	.	291.6	105.6	107.7	1.2991
Dec.	.	.	.	.	.	107.1	109.3	1.3408

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.

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

MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2004 17 Dec.	2004 24 Dec.	2004 31 Dec.	2005 7 Jan.
Gold and gold receivables	129,947	129,930	125,730	125,713
Claims on non-euro area residents in foreign currency	167,810	167,117	153,820	156,471
Claims on euro area residents in foreign currency	18,253	17,947	16,969	16,391
Claims on non-euro area residents in euro	7,297	7,452	6,849	7,356
Lending to euro area credit institutions in euro	351,295	358,656	345,113	334,015
Main refinancing operations	276,000	283,498	270,001	259,000
Longer-term refinancing operations	75,000	75,000	75,000	75,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	285	155	109	12
Credits related to margin calls	10	3	3	3
Other claims on euro area credit institutions in euro	3,003	3,708	3,763	3,180
Securities of euro area residents in euro	70,053	69,842	70,244	70,522
General government debt in euro	41,934	41,533	41,317	41,317
Other assets	119,607	119,521	120,428	118,672
Total assets	909,199	915,706	884,233	873,637

2. Liabilities

	2004 17 Dec.	2004 24 Dec.	2004 31 Dec.	2005 7 Jan.
Banknotes in circulation	496,161	504,587	501,256	497,170
Liabilities to euro area credit institutions in euro	145,390	140,568	138,734	132,473
Current accounts (covering the minimum reserve system)	145,304	140,434	138,624	132,394
Deposit facility	86	134	105	79
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	5	0
Other liabilities to euro area credit institutions in euro	126	126	126	126
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	48,181	50,480	42,192	45,280
Liabilities to non-euro area residents in euro	10,231	11,194	10,912	7,965
Liabilities to euro area residents in foreign currency	278	275	247	223
Liabilities to non-euro area residents in foreign currency	13,182	13,241	10,679	11,461
Counterpart of special drawing rights allocated by the IMF	5,807	5,807	5,573	5,573
Other liabilities	59,264	58,847	51,443	50,420
Revaluation accounts	70,696	70,696	64,842	64,842
Capital and reserves	59,883	59,885	58,229	58,104
Total liabilities	909,199	915,706	884,233	873,637

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

Source: ECB.

1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.

2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7
	Main refinancing operations						
2004 15 Sep.	332,636	357	253,000	2.00	2.02	2.02	7
22	331,112	380	262,500	2.00	2.02	2.02	7
29	327,330	353	259,000	2.00	2.02	2.03	6
5 Oct.	325,420	298	255,500	2.00	2.02	2.03	7
12	338,406	345	244,500	2.00	2.02	2.03	8
20	380,224	382	253,000	2.00	2.03	2.03	5
25	355,097	356	268,000	2.00	2.03	2.04	9
3 Nov.	381,182	331	264,500	2.00	2.04	2.04	6
9	358,101	316	258,000	2.00	2.04	2.04	8
17	384,039	341	262,500	2.00	2.05	2.05	7
24	368,690	346	270,000	2.00	2.05	2.06	7
1 Dec.	370,856	323	273,500	2.00	2.05	2.06	7
8	329,144	298	282,000	2.00	2.05	2.06	7
15	354,121	339	276,000	2.00	2.07	2.08	7
22	350,812	340	283,500	2.00	2.07	2.08	8
30	284,027	355	270,000	2.00	2.09	2.17	6
2005 5 Jan.	324,154	321	259,000	2.00	2.06	2.07	7
12	343,644	332	265,000	2.00	2.06	2.07	7
	Longer-term refinancing operations						
2003 18 Dec.	24,988	114	15,000	-	2.12	2.14	105
2004 29 Jan.	47,117	145	25,000	-	2.03	2.04	91
26 Feb.	34,597	139	25,000	-	2.01	2.03	91
1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98

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
2000 5 Jan. [5)]	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) This operation was conducted with a maximum rate of 3.00%.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

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

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
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2004 Q1	133.4	134.1	0.7	0.0	2.00
Q2	136.4	137.1	0.7	0.0	2.00
Q3	138.7	139.3	0.6	0.0	2.02
2004 11 Oct.	138.7	139.3	0.6	0.0	2.02
8 Nov.	137.8	138.4	0.7	0.0	2.03
7 Dec.	137.9	138.5	0.6	0.0	2.05
2005 18 Jan.	138.4	.	.	.	.

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
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
Q2	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
2004 6 July	308.2	245.4	75.0	0.3	0.0	0.1	0.0	449.1	65.0	-24.1	138.8	588.1
10 Aug.	300.8	253.6	75.0	0.0	0.0	0.2	0.0	460.9	61.1	-31.8	139.1	600.1
7 Sep.	299.4	251.6	75.0	0.1	0.0	0.2	0.0	462.8	56.3	-32.4	139.3	602.3
11 Oct.	298.8	256.4	75.0	0.3	0.0	0.0	0.0	465.1	58.2	-32.1	139.3	604.4
8 Nov.	298.3	257.9	75.0	0.1	0.2	0.3	0.0	469.7	55.1	-32.1	138.4	608.4
7 Dec.	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1

Source: ECB.
1) End of period.

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							
2002	1,042.8	416.2	24.2	0.6	391.3	94.6	86.0	1.0	7.6	-	13.2	374.2	11.9	132.7
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004 Q1	1,102.7	467.6	22.6	0.7	444.3	143.4	128.9	1.5	13.0	-	13.1	320.7	14.0	143.9
Q2	1,200.0	560.9	22.2	0.6	538.0	147.8	133.5	1.9	12.3	-	13.3	311.3	14.1	152.7
2004 July	1,192.2	548.7	22.2	0.6	525.8	148.5	134.0	1.8	12.7	-	13.2	312.8	14.2	154.8
Aug.	1,175.0	527.1	22.2	0.6	504.3	151.1	135.6	1.8	13.7	-	13.2	313.7	14.3	155.7
Sep.	1,193.5	544.3	22.2	0.6	521.5	150.7	135.2	1.9	13.6	-	13.5	309.2	14.2	161.7
Oct.	1,224.8	572.6	22.2	0.6	549.8	152.9	137.3	1.7	13.9	-	13.8	307.5	14.2	163.9
Nov. (p)	1,206.6	550.5	22.2	0.6	527.6	156.6	141.7	1.3	13.5	-	14.1	305.5	14.3	165.7
							MFIs excluding the Eurosystem							
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003	19,801.2	12,114.5	819.1	7,101.8	4,193.6	2,947.6	1,246.0	425.7	1,275.9	67.3	895.1	2,566.8	161.8	1,048.1
2004 Q1	20,395.0	12,217.9	823.3	7,170.1	4,224.5	3,081.2	1,305.6	431.6	1,344.0	78.0	926.4	2,832.0	160.0	1,099.5
Q2	20,757.3	12,434.0	818.3	7,319.8	4,296.0	3,157.8	1,351.7	444.4	1,361.7	76.8	948.7	2,869.8	159.7	1,110.4
2004 July	20,855.1	12,540.7	824.6	7,355.8	4,360.3	3,170.7	1,347.8	446.6	1,376.3	78.4	936.8	2,870.5	160.4	1,097.5
Aug.	20,869.6	12,511.3	819.2	7,347.5	4,344.6	3,177.0	1,349.0	446.2	1,381.9	77.2	925.6	2,909.7	160.4	1,108.4
Sep.	20,981.4	12,569.2	812.0	7,403.0	4,354.2	3,186.1	1,355.7	442.9	1,387.5	77.4	920.0	2,902.9	161.0	1,164.7
Oct.	21,160.7	12,679.0	812.1	7,447.9	4,419.0	3,209.2	1,352.8	447.9	1,408.5	77.9	924.6	2,908.9	161.7	1,199.5
Nov. (p)	21,348.9	12,712.6	807.9	7,507.0	4,397.7	3,225.0	1,354.9	453.7	1,416.4	78.3	944.2	2,973.9	161.2	1,253.6

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						
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Q1	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
Q2	1,200.0	465.1	413.2	67.1	18.4	327.6	-	1.6	145.5	23.5	151.1
2004 July	1,192.2	478.6	388.2	58.5	16.5	313.2	-	1.6	146.7	24.2	152.8
Aug.	1,175.0	475.7	367.4	58.2	15.9	293.2	-	1.6	151.5	23.3	155.5
Sep.	1,193.5	480.6	380.4	57.8	16.3	306.3	-	1.6	148.5	23.6	158.8
Oct.	1,224.8	487.0	401.4	64.1	18.2	319.2	-	1.6	147.5	24.2	163.2
Nov. (p)	1,206.6	491.9	379.2	53.0	17.9	308.3	-	0.5	145.7	24.9	164.3
					MFIs excluding the Eurosystem						
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	532.8	2,992.5	1,108.7	2,594.2	1,431.7
2003	19,801.2	0.0	10,774.7	132.3	6,277.6	4,364.9	649.3	3,160.3	1,151.0	2,607.6	1,458.4
2004 Q1	20,395.0	0.0	10,863.5	140.7	6,310.3	4,412.5	680.0	3,303.4	1,160.4	2,833.8	1,553.7
Q2	20,757.3	0.0	11,087.8	156.6	6,408.5	4,522.8	686.0	3,369.3	1,177.7	2,871.5	1,564.9
2004 July	20,855.1	0.0	11,158.1	143.0	6,422.1	4,592.9	691.5	3,401.6	1,181.6	2,874.7	1,547.5
Aug.	20,869.6	0.0	11,113.1	134.8	6,401.4	4,576.8	701.3	3,417.8	1,182.3	2,880.7	1,574.4
Sep.	20,981.4	0.0	11,171.6	146.3	6,442.2	4,583.2	687.0	3,447.5	1,182.4	2,839.2	1,653.7
Oct.	21,160.7	0.0	11,288.6	133.3	6,491.2	4,664.1	695.0	3,477.4	1,186.6	2,824.5	1,688.6
Nov. (p)	21,348.9	0.0	11,316.5	130.7	6,527.2	4,658.6	691.8	3,488.5	1,204.2	2,881.1	1,766.7

Source: ECB.

1) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.

2) Amounts held by euro area residents.

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

2.2 Consolidated balance sheet of euro area MFIs

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2002	13,931.2	7,618.5	837.2	6,781.2	1,588.1	1,221.0	367.1	572.7	2,839.7	179.5	1,132.7
2003	14,555.6	7,944.2	841.7	7,102.5	1,794.5	1,367.5	427.0	623.8	2,884.8	174.1	1,134.3
2004 Q1	15,063.5	8,016.8	846.0	7,170.8	1,867.6	1,434.5	433.1	649.4	3,152.7	173.9	1,203.1
Q2	15,331.3	8,160.9	840.5	7,320.4	1,931.6	1,485.2	446.3	662.9	3,181.1	173.8	1,221.1
2004 July	15,351.8	8,203.3	846.8	7,356.5	1,930.2	1,481.8	448.4	650.4	3,183.3	174.7	1,210.0
Aug.	15,385.3	8,189.6	841.5	7,348.1	1,932.6	1,484.6	448.0	643.3	3,223.4	174.6	1,221.8
Sep.	15,486.9	8,237.8	834.2	7,403.6	1,935.6	1,490.9	444.8	642.3	3,212.1	175.2	1,283.8
Oct.	15,582.0	8,282.9	834.3	7,448.5	1,939.7	1,490.1	449.6	646.4	3,216.3	175.9	1,320.8
Nov. (p)	15,779.7	8,337.8	830.1	7,507.6	1,951.7	1,496.7	455.0	659.2	3,279.4	175.5	1,376.1
	Transactions										
2002	602.8	299.2	-9.4	308.6	72.2	43.4	28.8	7.7	245.3	-1.3	-20.1
2003	770.6	385.7	13.6	372.1	171.7	117.7	54.0	19.4	224.2	-3.6	-26.9
2004 Q1	428.2	84.6	5.8	78.8	56.5	53.5	3.1	24.6	212.0	-0.4	51.0
Q2	269.9	150.2	-7.1	157.3	65.3	51.0	14.3	8.4	33.0	1.6	11.4
2004 July	8.3	43.2	6.4	36.8	-5.0	-4.4	-0.6	-11.4	-7.7	0.9	-11.7
Aug.	40.1	-8.7	-5.3	-3.4	-0.4	0.0	-0.4	-6.8	45.6	0.0	10.5
Sep.	141.9	54.8	-7.0	61.8	4.7	7.8	-3.1	-2.2	22.8	0.6	61.4
Oct.	122.0	48.5	0.3	48.3	3.6	-1.4	5.0	3.1	30.2	0.7	35.9
Nov. (p)	244.7	60.9	-4.0	64.9	11.7	6.1	5.6	11.9	106.7	-0.4	53.9

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [1]	Debt securities issued [2]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	13,931.2	341.2	136.4	5,969.9	470.5	1,818.1	1,006.4	2,627.1	1,550.9	10.8
2003	14,555.6	397.9	153.6	6,294.4	582.0	1,875.1	1,010.7	2,635.1	1,597.8	9.0
2004 Q1	15,063.5	399.6	183.8	6,326.1	602.0	1,948.1	1,025.9	2,857.4	1,699.1	21.5
Q2	15,331.3	423.0	223.7	6,426.9	609.2	1,996.9	1,024.2	2,895.0	1,716.0	16.4
2004 July	15,351.8	436.2	201.5	6,438.7	613.1	2,014.2	1,028.8	2,898.9	1,700.3	19.9
Aug.	15,385.3	433.4	193.0	6,417.4	624.1	2,023.9	1,038.4	2,904.1	1,729.8	21.2
Sep.	15,486.9	438.0	204.0	6,458.5	609.6	2,047.9	1,039.7	2,862.8	1,812.5	13.8
Oct.	15,582.0	444.4	197.4	6,509.4	617.1	2,056.6	1,042.2	2,848.6	1,851.8	14.6
Nov. (p)	15,779.7	448.7	183.7	6,545.2	613.5	2,059.2	1,050.8	2,906.0	1,931.1	41.5
	Transactions									
2002	602.8	101.4	-5.8	222.0	70.0	105.3	39.7	75.9	-92.3	86.5
2003	770.6	79.0	12.9	315.8	58.0	130.6	39.0	130.3	-55.7	60.6
2004 Q1	428.2	1.7	30.2	25.2	21.3	61.7	8.2	174.9	115.9	-10.9
Q2	269.9	23.4	39.4	102.4	2.8	48.6	9.3	32.3	13.8	-2.1
2004 July	8.3	13.3	-22.2	10.8	3.9	12.7	3.7	-6.8	-8.5	1.4
Aug.	40.1	-2.8	-8.5	-19.4	11.0	11.4	5.5	15.5	21.3	6.3
Sep.	141.9	4.6	11.1	45.1	-13.3	30.5	4.7	-12.4	71.0	0.6
Oct.	122.0	6.4	-6.7	53.9	7.4	13.6	1.2	10.6	28.3	7.4
Nov. (p)	244.7	4.4	-13.7	41.1	-3.1	11.7	6.0	96.1	65.3	37.0

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.

2.3 Monetary statistics

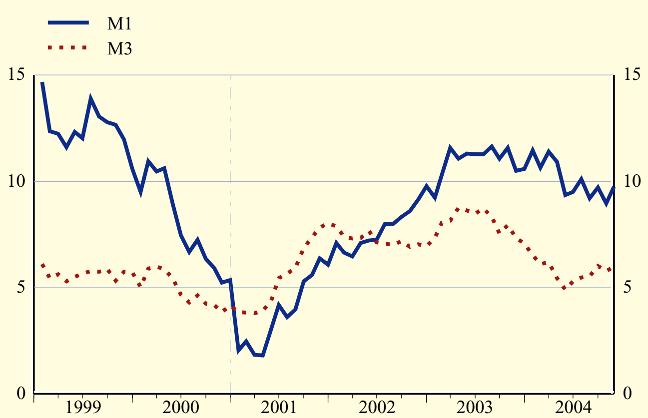
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [1] and counterparts

	M1	M2-M1	M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Loans	Net external assets [2]
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2002	2,441.7	2,475.9	4,917.6	852.5	5,770.2	-	3,989.2	2,072.2	7,723.3	6,778.9	184.5
2003	2,676.1	2,559.6	5,235.7	908.4	6,144.1	-	4,143.5	2,225.7	8,156.0	7,100.9	222.5
2004 Q1	2,769.2	2,552.2	5,321.4	900.6	6,222.0	-	4,242.2	2,263.5	8,239.0	7,165.0	320.7
Q2	2,790.3	2,581.9	5,372.2	926.7	6,298.9	-	4,309.0	2,311.5	8,400.5	7,293.2	272.8
2004 July	2,831.9	2,592.8	5,424.7	932.5	6,357.1	-	4,341.0	2,329.2	8,453.5	7,348.8	283.7
Aug.	2,837.5	2,604.1	5,441.6	940.2	6,381.8	-	4,370.3	2,340.9	8,473.2	7,371.1	317.0
Sep.	2,868.6	2,621.8	5,490.3	934.7	6,425.0	-	4,395.1	2,334.5	8,519.7	7,416.9	338.4
Oct.	2,881.1	2,642.6	5,523.7	939.8	6,463.5	-	4,415.1	2,336.0	8,574.7	7,465.5	349.9
Nov. (p)	2,906.8	2,637.7	5,544.5	938.2	6,482.7	-	4,443.5	2,325.3	8,639.0	7,514.3	344.7
					Transactions						
2002	217.3	89.3	306.5	68.0	374.5	-	189.1	35.1	347.2	311.9	171.1
2003	258.1	114.6	372.7	32.9	405.6	-	237.4	133.7	445.9	372.9	94.8
2004 Q1	92.3	-13.3	79.1	-2.7	76.4	-	76.6	25.6	89.4	74.5	89.7
Q2	20.6	31.8	52.4	22.9	75.3	-	76.5	46.6	165.1	136.0	-37.9
2004 July	41.6	10.1	51.7	5.9	57.6	-	26.3	16.7	52.3	56.3	11.8
Aug.	6.0	11.7	17.7	7.5	25.3	-	28.1	8.9	24.9	27.2	28.4
Sep.	32.7	19.6	52.3	-6.0	46.3	-	36.9	-4.7	51.7	52.2	26.6
Oct.	13.8	22.3	36.0	4.4	40.5	-	24.5	1.0	57.4	51.9	12.7
Nov. (p)	28.5	-2.5	26.0	0.2	26.2	-	33.6	-10.9	69.5	54.6	-0.4
					Growth rates						
2002 Dec.	9.8	3.7	6.6	8.7	6.9	7.1	4.9	1.7	4.7	4.8	171.1
2003 Dec.	10.6	4.7	7.6	3.8	7.1	7.0	6.0	6.4	5.8	5.5	94.8
2004 Mar.	11.4	2.1	6.7	3.0	6.2	5.9	7.0	6.6	5.7	5.3	96.5
June	9.5	1.7	5.6	3.5	5.3	5.2	7.7	7.4	6.2	6.0	1.2
2004 July	10.1	1.7	5.9	2.9	5.5	5.4	7.4	6.4	6.3	6.2	39.9
Aug.	9.2	2.0	5.7	4.8	5.5	5.7	7.5	6.6	6.0	6.1	102.6
Sep.	9.7	2.8	6.3	4.5	6.0	5.8	7.8	5.5	6.3	6.5	124.2
Oct.	9.0	3.6	6.3	2.8	5.8	5.9	7.7	4.5	6.5	6.8	131.8
Nov. (p)	9.7	3.2	6.5	2.9	6.0	.	7.6	3.5	6.7	6.9	123.3

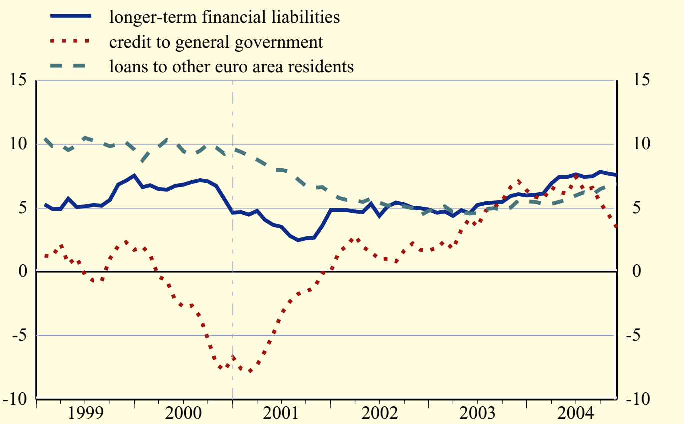
C1 Monetary aggregates

(annual growth rates; seasonally adjusted)



C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

2.3 Monetary statistics

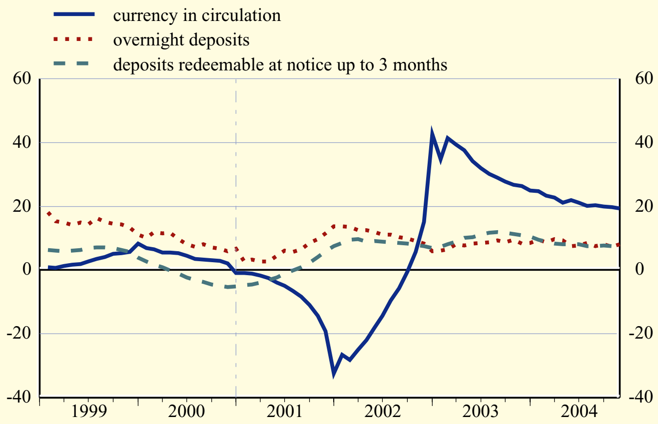
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2002	332.3	2,109.4	1,077.0	1,399.0	240.4	484.5	127.6	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,288.6	1,037.0	1,522.6	222.4	597.7	88.4	1,791.2	90.6	1,253.1	1,008.7
2004 Q1	406.2	2,363.1	1,003.9	1,548.3	214.4	596.5	89.7	1,857.2	90.1	1,268.3	1,026.6
Q2	420.5	2,369.7	995.2	1,586.7	220.2	611.5	95.0	1,900.6	89.1	1,298.5	1,020.8
2004 July	425.2	2,406.6	998.3	1,594.5	228.6	611.2	92.7	1,917.2	89.4	1,306.8	1,027.6
Aug.	433.2	2,404.3	996.3	1,607.8	227.8	618.5	93.8	1,932.1	89.3	1,311.4	1,037.5
Sep.	439.8	2,428.7	1,003.4	1,618.4	226.3	615.6	92.8	1,952.8	88.4	1,318.1	1,035.8
Oct.	446.3	2,434.8	1,020.3	1,622.3	224.6	622.7	92.6	1,957.4	89.4	1,327.9	1,040.5
Nov. (p)	453.3	2,453.5	1,007.0	1,630.7	225.3	617.3	95.6	1,955.4	89.7	1,342.9	1,055.5
					Transactions						
2002	99.3	118.0	-1.1	90.3	10.7	70.6	-13.3	118.7	-10.0	41.0	39.4
2003	77.8	180.3	-28.8	143.4	-8.9	59.5	-17.7	149.2	-13.2	62.7	38.7
2004 Q1	18.6	73.7	-38.8	25.5	-7.0	0.1	4.2	51.8	-0.5	14.4	10.9
Q2	14.4	6.2	-6.7	38.5	5.4	10.6	6.8	41.7	-1.0	30.7	5.2
2004 July	4.7	36.8	2.3	7.8	8.4	-0.3	-2.2	11.9	0.3	8.2	6.0
Aug.	8.0	-1.9	-1.6	13.3	-0.8	7.3	1.0	16.8	-0.1	5.6	5.7
Sep.	6.6	26.1	8.9	10.7	-1.5	-1.7	-2.8	29.0	-0.9	7.1	1.7
Oct.	6.5	7.3	18.3	3.9	-1.7	6.9	-0.8	10.1	1.0	10.0	3.5
Nov. (p)	7.0	21.5	-11.1	8.6	0.8	-4.9	4.3	5.9	0.3	15.1	12.3
					Growth rates						
2002 Dec.	42.6	5.9	-0.1	6.9	4.6	17.1	-9.5	7.4	-8.8	3.5	4.0
2003 Dec.	24.9	8.5	-2.7	10.4	-3.9	11.4	-17.4	8.9	-12.7	5.3	3.9
2004 Mar.	22.7	9.7	-6.1	8.2	-1.2	7.0	-9.5	10.5	-9.9	5.4	4.5
June	21.1	7.7	-6.9	8.0	2.0	4.7	-0.6	10.4	-7.1	7.0	5.1
2004 July	20.0	8.5	-6.3	7.4	1.8	3.5	1.9	10.0	-4.9	7.1	4.4
Aug.	20.3	7.4	-5.7	7.5	4.5	5.0	4.7	10.3	-3.3	7.0	4.2
Sep.	19.9	8.1	-4.2	7.6	3.7	4.2	8.2	11.1	-3.0	7.2	3.9
Oct.	19.6	7.2	-2.0	7.4	1.9	4.4	-5.4	10.6	-2.1	7.4	3.9
Nov. (p)	19.2	8.2	-3.1	7.5	0.2	4.7	-1.5	9.9	-1.4	7.9	4.0

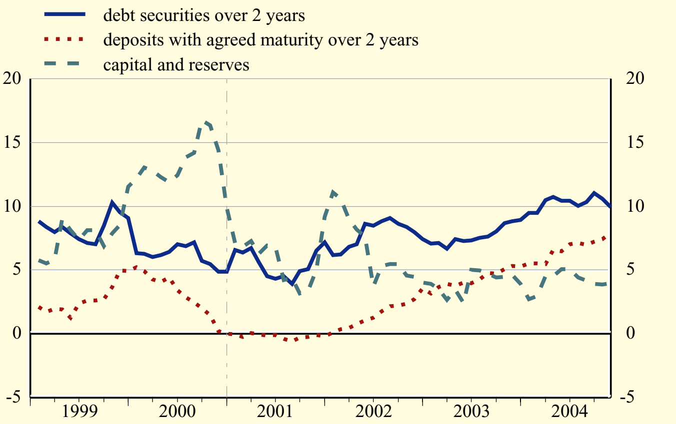
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1]

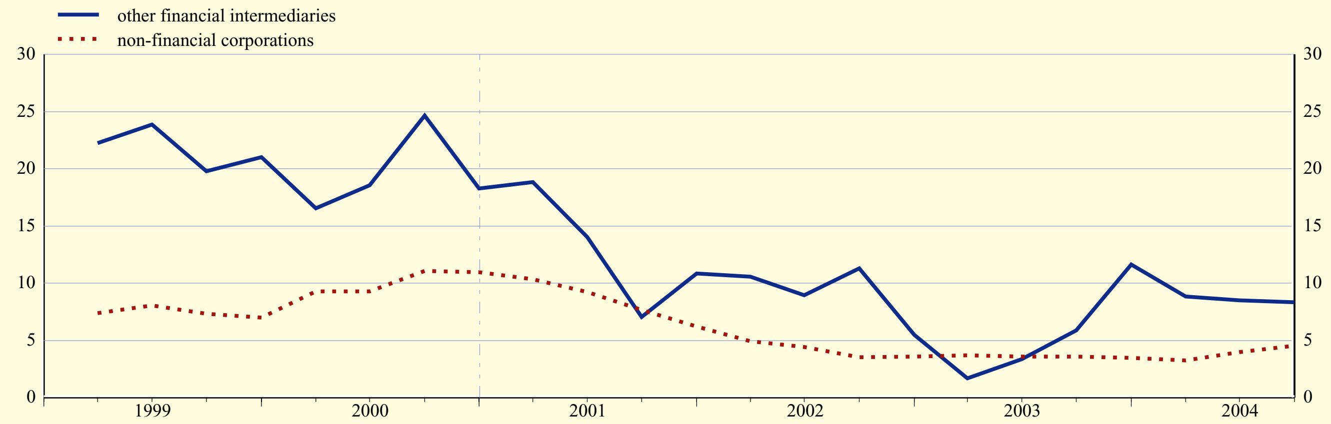
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds: Total	Insurance corporations and pension funds: Up to 1 year	Other financial intermediaries [2]: Total	Other financial intermediaries [2]: Up to 1 year	Non-financial corporations: Total	Non-financial corporations: Up to 1 year	Non-financial corporations: Over 1 year and up to 5 years	Non-financial corporations: Over 5 years
	1	2	3	4	5	6	7	8
				Outstanding amounts				
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.4	22.1	511.6	321.9	3,034.2	958.7	527.0	1,548.5
2004 Q1	46.3	32.2	503.8	303.8	3,055.3	955.1	526.2	1,574.0
Q2	53.7	39.8	509.7	305.7	3,093.3	966.4	537.2	1,589.7
2004 July	56.7	41.9	506.0	302.7	3,101.7	963.4	540.7	1,597.5
Aug.	53.9	39.1	490.4	287.1	3,095.4	946.7	545.0	1,603.7
Sep.	52.8	37.9	507.4	301.4	3,106.4	952.2	545.2	1,609.0
Oct.	54.9	39.2	511.5	304.9	3,124.2	960.4	545.8	1,618.0
Nov. (p)	54.2	37.8	534.2	328.3	3,142.1	976.0	546.1	1,620.0
				Transactions				
2002	-4.1	-8.0	23.9	14.2	103.7	-26.6	31.8	98.5
2003	4.2	2.2	53.8	26.1	102.3	-8.0	15.5	94.8
2004 Q1	10.8	10.0	-2.8	-11.6	22.5	-3.5	4.0	22.1
Q2	7.0	7.3	8.5	4.5	59.8	16.1	11.7	32.1
2004 July	3.0	2.0	-4.4	-3.1	9.5	-2.6	3.9	8.3
Aug.	-2.8	-2.8	-12.4	-12.6	-5.4	-16.4	4.3	6.8
Sep.	-1.0	-1.1	18.3	15.1	14.6	6.8	0.8	7.0
Oct.	2.2	1.4	5.7	4.1	19.2	8.9	0.9	9.4
Nov. (p)	-0.6	-1.2	24.0	24.4	20.9	16.0	0.9	4.1
				Growth rates				
2002 Dec.	-10.3	-28.4	5.5	5.1	3.6	-2.6	6.5	7.1
2003 Dec.	11.8	11.6	11.7	8.8	3.5	-0.8	3.0	6.5
2004 Mar.	8.6	6.3	8.9	2.9	3.2	-2.4	3.6	6.9
June	18.8	25.6	8.5	3.0	4.0	-2.1	6.4	7.2
2004 July	15.3	26.2	8.8	5.4	4.4	-1.0	6.0	7.4
Aug.	21.6	37.0	6.9	3.1	4.1	-1.6	5.6	7.3
Sep.	18.2	32.4	8.3	5.6	4.6	-0.6	6.0	7.4
Oct.	9.5	14.7	9.2	7.4	5.1	1.5	5.4	7.3
Nov. (p)	10.3	14.1	10.0	8.5	5.2	2.6	5.0	6.9

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) This category includes investment funds.

2.4 MFI loans, breakdown [1]

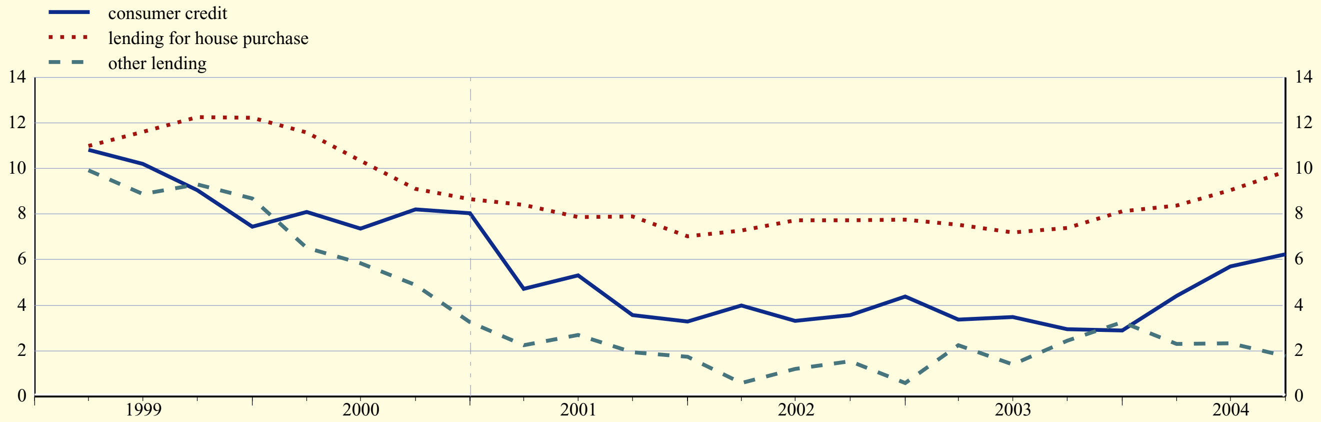
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2002	3,327.0	518.9	105.9	178.3	234.7	2,188.5	22.3	65.1	2,101.1	619.6	153.9	99.7	366.0
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.8	675.6	145.0	95.5	435.1
2004 Q1	3,564.7	484.5	109.9	182.3	192.3	2,400.3	14.2	61.6	2,324.5	679.8	141.8	95.1	442.9
Q2	3,663.2	502.2	115.1	187.1	199.9	2,463.8	15.2	64.7	2,383.9	697.1	147.5	99.2	450.4
2004 July	3,691.5	503.9	113.9	188.6	201.5	2,491.6	14.9	65.2	2,411.6	695.9	143.9	99.4	452.6
Aug.	3,707.8	504.8	114.6	188.2	202.0	2,508.6	14.8	65.5	2,428.4	694.3	142.4	99.2	452.7
Sep.	3,736.4	507.6	115.6	188.6	203.4	2,534.4	15.0	65.9	2,453.5	694.4	144.8	98.7	450.8
Oct.	3,757.3	509.5	115.2	189.7	204.5	2,553.4	15.5	66.6	2,471.3	694.5	143.8	99.4	451.3
Nov. (p)	3,776.5	509.7	115.2	189.6	204.9	2,570.4	15.2	66.0	2,489.2	696.4	146.1	99.2	451.1
	Transactions												
2002	182.2	21.9	7.1	5.4	9.4	156.9	-0.3	2.3	154.9	3.6	-3.0	2.2	4.4
2003	211.8	13.6	8.7	6.4	-1.4	177.5	-5.9	1.7	181.7	20.7	-6.5	-5.0	32.2
2004 Q1	48.2	2.1	-1.6	1.8	1.9	44.9	-0.1	-0.8	45.7	1.3	-2.3	0.4	3.2
Q2	82.0	13.5	4.8	3.6	5.1	59.9	0.9	2.6	56.5	8.5	3.1	1.0	4.4
2004 July	28.7	1.9	-1.2	1.4	1.7	28.0	-0.4	0.5	27.9	-1.2	-3.6	-0.1	2.4
Aug.	17.1	1.1	0.7	-0.5	0.8	17.2	-0.1	0.3	16.9	-1.2	-1.5	-0.1	0.5
Sep.	29.9	2.5	1.1	0.5	0.9	26.3	0.2	0.5	25.6	1.1	2.6	-0.4	-1.1
Oct.	21.3	1.7	-0.2	0.7	1.2	19.6	0.5	0.3	18.9	-0.1	-0.9	0.9	-0.1
Nov. (p)	20.5	0.5	-0.1	0.0	0.7	17.3	-0.5	-0.3	18.1	2.7	3.3	-0.2	-0.4
	Growth rates												
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.8	-1.4	3.7	8.0	0.6	-1.9	2.1	1.2
2003 Dec.	6.4	2.9	8.3	3.6	-0.2	8.1	-26.2	2.6	8.7	3.3	-4.3	-5.1	8.5
2004 Mar.	6.6	4.4	0.1	6.3	5.3	8.4	4.6	-3.3	8.8	2.3	-1.1	-1.9	4.4
June	7.3	5.7	3.3	5.9	6.9	9.0	9.1	1.0	9.3	2.3	-1.4	1.7	3.8
2004 July	7.3	5.5	3.7	5.9	6.2	9.2	7.7	0.6	9.5	2.4	-1.0	1.5	3.7
Aug.	7.5	6.5	6.2	6.2	6.9	9.3	5.7	0.6	9.6	2.1	-0.5	1.6	3.0
Sep.	7.8	6.2	4.8	5.5	7.8	9.9	4.5	0.7	10.2	1.8	0.0	-0.4	2.8
Oct.	7.8	5.9	4.0	5.3	7.7	9.8	9.3	0.0	10.1	2.0	1.1	0.9	2.6
Nov. (p)	7.9	6.5	7.4	4.5	7.8	9.9	5.4	-0.4	10.2	1.8	1.4	1.0	2.2

C6 Loans to households

(annual growth rates)



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

2.4 MFI loans, breakdown [1]

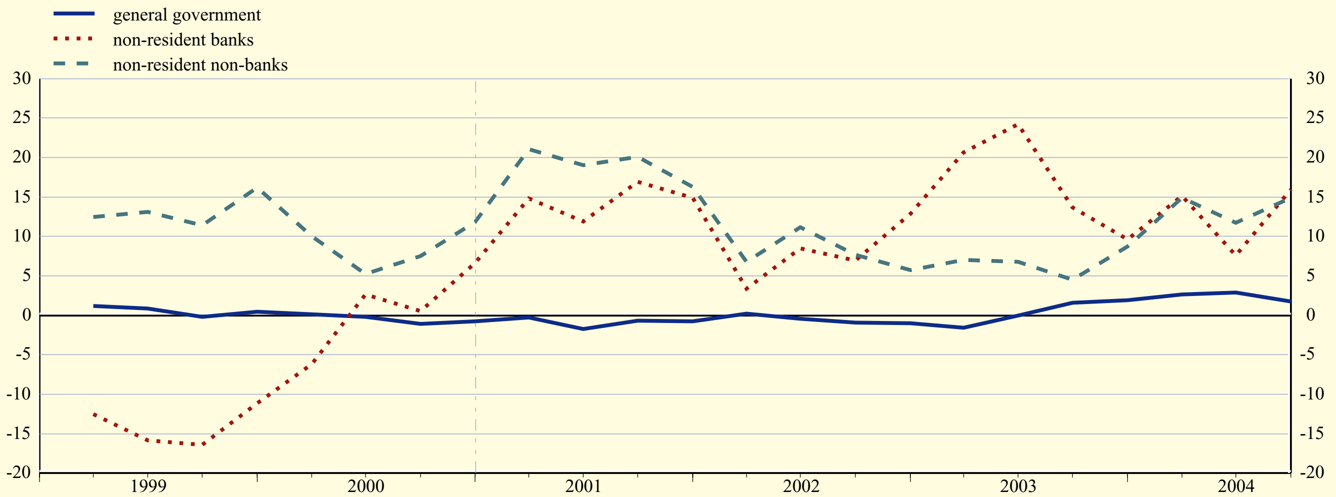
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003	819.1	130.0	265.1	388.9	35.0	1,762.7	1,182.2	580.6	59.3	521.2
2004 Q1	823.3	134.6	261.3	388.5	38.9	1,955.5	1,308.6	646.9	61.1	585.8
Q2	818.3	129.7	253.4	391.4	43.7	1,965.3	1,322.7	642.6	60.8	581.8
Q3 (p)	812.0	126.2	252.3	390.5	43.0	1,965.7	1,317.4	648.3	60.9	587.4
	Transactions									
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	135.2	34.5	-1.2	35.7
2003	15.2	-4.4	-12.3	16.6	15.3	159.8	109.5	50.0	-4.9	54.8
2004 Q1	5.8	5.7	-3.9	0.1	3.9	163.9	107.3	56.3	1.7	54.6
Q2	-6.7	-5.9	-8.5	2.8	4.8	5.4	11.1	-5.8	-0.5	-5.4
Q3 (p)	-5.9	-3.3	-1.0	-0.9	-0.7	22.3	7.8	14.4	0.1	14.3
	Growth rates									
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Dec.	1.9	-3.3	-4.4	4.4	77.5	9.3	9.6	8.7	-7.5	10.8
2004 Mar.	2.7	0.8	-2.2	3.0	63.2	15.1	15.1	14.9	4.1	16.1
June	2.9	1.9	-4.0	4.2	54.4	8.9	7.6	11.7	2.8	12.8
Sep. (p)	1.7	-1.8	-4.1	3.8	40.7	15.6	15.9	14.9	1.9	16.4

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

2.5 Deposits held with MFIs, breakdown [1]

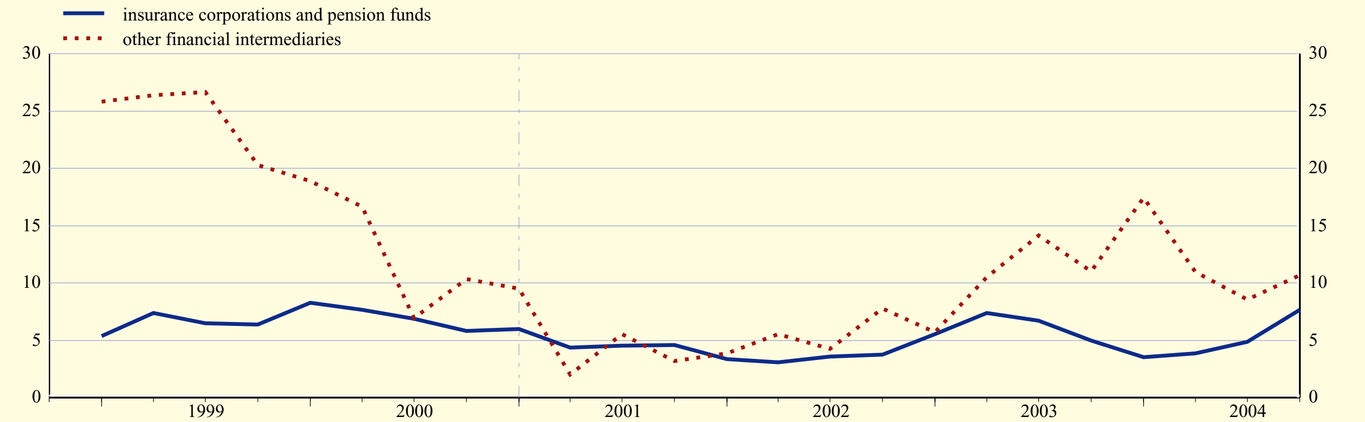
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2002	523.1	55.8	-	-	-	-	17.8	493.6	152.7	-	-	-	-	97.1
2003	541.9	58.9	41.7	420.5	1.3	0.3	19.1	567.6	183.1	130.6	143.3	6.1	0.1	104.4
2004 Q1	556.6	64.7	42.2	426.1	1.3	0.3	22.0	586.4	197.0	119.7	145.7	7.8	0.1	116.1
Q2	565.3	59.9	42.1	439.8	1.3	1.0	21.2	595.8	194.3	122.3	153.6	8.3	0.1	117.2
2004 July	567.0	55.8	46.2	440.8	1.3	1.0	21.9	595.0	186.7	123.2	158.0	8.4	0.1	118.6
Aug.	566.4	53.7	46.9	441.2	1.3	1.0	22.3	590.8	176.5	128.0	161.8	8.2	0.1	116.1
Sep.	573.7	61.7	47.3	442.4	1.2	1.0	20.0	598.9	189.7	120.3	164.8	8.1	0.1	115.9
Oct.	579.0	58.5	49.0	446.0	1.3	1.3	22.8	620.6	187.1	133.7	166.8	8.4	0.1	124.6
Nov. (p)	584.2	63.2	47.6	449.9	1.3	1.3	20.8	631.2	197.1	126.7	176.3	9.7	0.1	121.3
	Transactions													
2002	27.6	7.8	-	-	-	-	1.4	26.6	-4.7	-	-	-	-	12.8
2003	18.5	1.6	-3.1	18.7	0.3	-0.1	1.1	84.8	27.5	-0.7	38.8	3.2	0.0	16.0
2004 Q1	14.4	5.7	0.3	5.6	0.0	0.0	2.8	15.2	14.0	-14.7	1.5	1.6	0.0	12.7
Q2	7.9	-4.9	0.0	13.7	0.0	0.0	-0.9	12.1	-1.3	3.9	8.2	0.6	0.0	0.8
2004 July	1.6	-4.1	4.0	1.0	0.0	0.0	0.7	-1.1	-7.7	0.9	4.3	0.0	0.0	1.4
Aug.	-0.3	-2.1	0.8	0.5	0.0	0.0	0.4	-4.7	-10.3	4.3	3.9	-0.1	0.0	-2.4
Sep.	7.1	8.1	0.4	1.0	-0.1	0.0	-2.3	9.4	13.8	-7.3	3.2	-0.1	0.0	-0.2
Oct.	5.2	-3.1	1.9	3.3	0.0	0.3	2.8	22.7	-2.2	13.6	2.2	0.4	0.0	8.7
Nov. (p)	5.5	5.1	-1.2	3.5	0.0	0.0	-2.0	12.3	10.8	-6.5	9.8	1.3	0.0	-3.2
	Growth rates													
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.5	2.8	-6.7	4.7	40.9	-12.5	6.0	17.4	17.8	-0.6	36.8	70.7	-	17.1
2004 Mar.	3.8	5.1	9.9	2.4	40.8	1.8	18.6	11.0	17.1	-13.2	22.3	47.6	-	17.8
June	4.9	-6.4	12.7	6.4	40.0	3.8	-6.3	8.6	7.8	-10.2	18.5	44.5	-	20.5
2004 July	5.6	0.3	18.9	5.1	32.4	3.1	3.6	9.3	9.1	-9.3	23.6	51.6	-	14.1
Aug.	5.9	4.4	19.6	4.3	18.6	7.1	16.6	9.5	6.1	-5.9	25.9	67.2	-	11.3
Sep.	7.7	7.3	46.2	4.8	13.6	6.7	6.8	10.7	7.3	-6.1	28.3	63.5	-	12.8
Oct.	8.3	10.3	32.8	5.2	3.3	38.3	24.2	11.2	7.4	1.7	26.9	48.4	-	7.8
Nov. (p)	9.5	22.6	33.1	5.9	1.6	40.9	7.1	11.7	12.5	-3.9	28.8	73.7	-	4.9

C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.5 Deposits held with MFIs, breakdown [1]

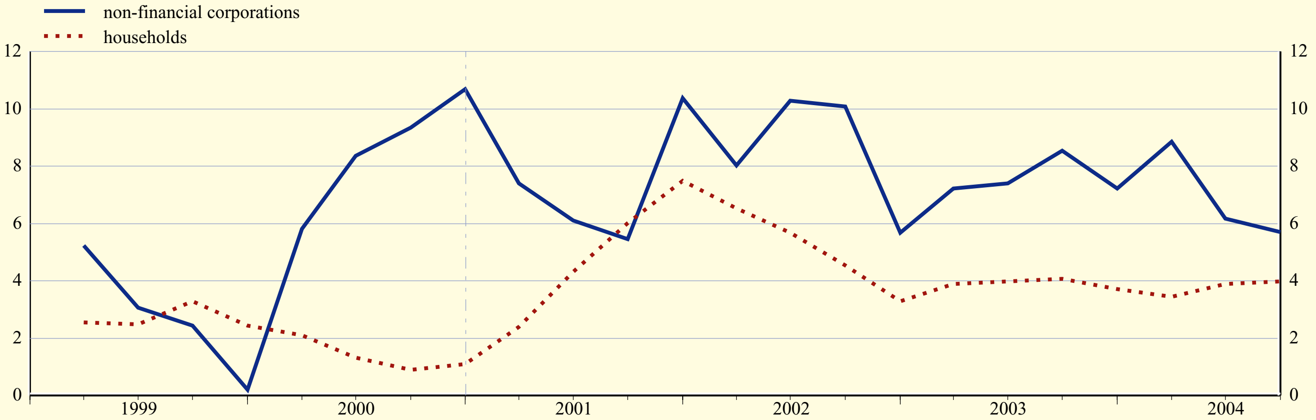
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2002	990.0	595.6	-	-	-	-	34.7	3,806.3	1,173.0	-	-	-	-	74.7
2003	1,050.7	633.3	280.2	67.6	38.1	1.5	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Q1	1,037.4	624.2	275.9	69.9	39.9	1.7	25.8	3,997.9	1,320.7	527.4	608.6	1,401.2	88.2	51.9
Q2	1,054.0	650.6	265.6	70.3	41.0	1.0	25.5	4,055.5	1,367.5	517.0	612.4	1,422.3	85.8	50.4
2004 July	1,053.5	642.6	271.0	70.8	41.6	1.0	26.5	4,069.2	1,372.1	517.0	613.3	1,428.3	85.9	52.6
Aug.	1,052.9	639.2	271.0	70.7	42.2	1.0	28.8	4,053.7	1,351.0	515.2	615.8	1,431.3	85.8	54.6
Sep.	1,067.1	657.3	269.6	70.9	42.6	1.1	25.6	4,060.6	1,363.2	512.2	614.2	1,431.8	85.5	53.7
Oct.	1,071.6	648.3	283.9	69.9	42.5	1.1	25.9	4,078.3	1,376.9	509.3	617.4	1,434.3	86.0	54.4
Nov. (p)	1,077.7	660.1	279.7	70.1	41.2	1.1	25.5	4,089.7	1,381.1	509.1	618.6	1,439.6	86.8	54.4
	Transactions													
2002	54.3	28.9	-	-	-	-	-1.3	120.5	65.3	-	-	-	-	-1.9
2003	70.9	40.9	53.5	-29.8	10.2	0.4	-4.2	141.9	95.2	-71.2	35.9	117.4	-13.7	-21.8
2004 Q1	-14.4	-9.5	-5.3	2.6	1.9	0.2	-4.2	18.0	8.5	-17.4	7.7	21.9	-1.7	-1.0
Q2	20.5	27.8	-8.9	0.9	1.1	0.0	-0.3	53.5	43.7	-11.0	3.3	21.2	-2.4	-1.5
2004 July	-1.0	-8.2	5.2	0.4	0.6	0.0	1.0	13.6	4.9	-0.4	0.9	5.9	0.1	2.1
Aug.	0.7	-3.0	0.8	-0.1	0.6	0.0	2.3	-15.5	-21.0	-1.7	2.2	3.0	-0.1	2.0
Sep.	15.7	18.8	-0.7	0.4	0.4	0.0	-3.2	7.8	12.5	-2.4	-1.6	0.5	-0.3	-0.9
Oct.	6.0	-8.3	14.8	-0.8	0.0	0.0	0.3	18.4	13.9	-2.6	3.4	2.5	0.5	0.7
Nov. (p)	10.7	13.0	-3.3	0.1	1.1	0.0	-0.4	9.9	4.5	0.5	1.2	2.9	0.8	0.0
	Growth rates													
2002 Dec.	5.7	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.2	6.7	23.1	-30.7	41.5	49.6	-12.4	3.7	7.9	-11.5	6.4	9.3	-13.2	-29.2
2004 Mar.	8.8	11.9	3.1	13.2	23.1	20.6	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
June	6.2	10.1	-3.5	14.8	17.1	20.6	-13.5	3.9	7.6	-8.0	4.5	7.0	-7.7	-18.6
2004 July	6.7	10.7	-3.1	13.3	17.8	21.5	-6.2	4.0	7.8	-7.8	4.7	6.6	-5.5	-15.9
Aug.	6.0	10.9	-5.2	8.5	17.9	22.0	-1.1	3.6	6.2	-7.7	5.0	6.3	-4.0	-10.4
Sep.	5.7	9.7	-2.7	7.8	18.8	17.3	-16.1	4.0	7.1	-7.5	4.7	6.4	-3.5	-4.5
Oct.	5.6	8.7	-0.2	7.9	17.3	21.3	-17.6	4.4	7.9	-7.4	5.1	6.3	-3.0	-2.9
Nov. (p)	5.0	8.0	-1.3	5.2	18.0	23.0	-12.8	4.0	6.3	-6.7	5.3	6.2	-2.4	-2.1

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown [1]

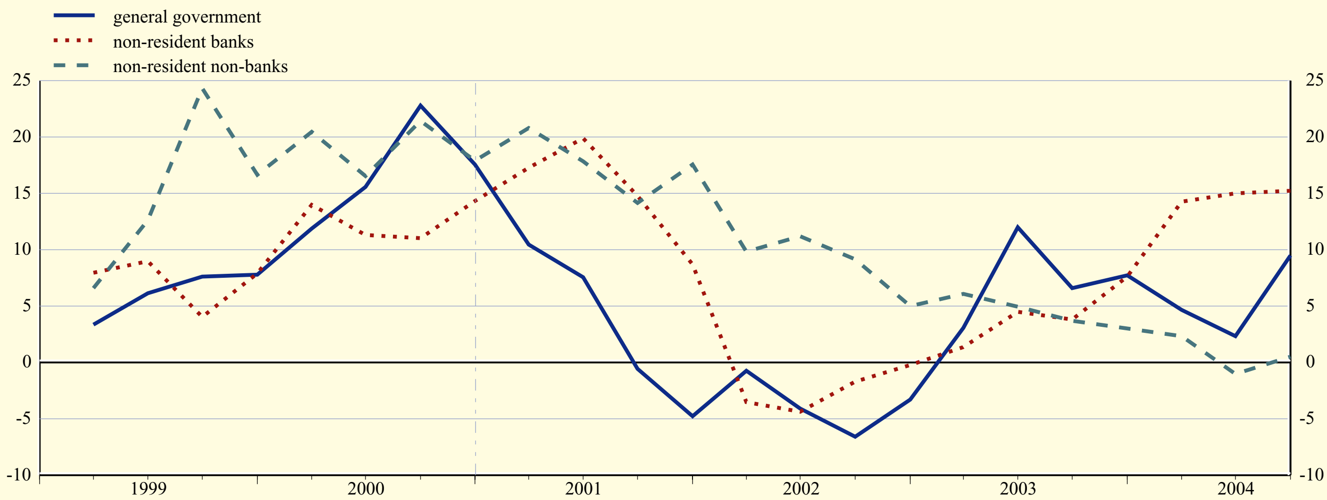
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
					Outstanding amounts					
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	271.2	132.3	31.1	66.9	40.9	2,245.1	1,580.9	664.3	96.1	568.2
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2	294.4	156.6	31.6	64.5	41.7	2,471.5	1,788.9	682.6	102.0	580.6
Q3 (p)	288.2	146.3	32.9	66.5	42.5	2,451.9	1,764.0	687.9	104.8	583.2
					Transactions					
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	19.3	21.1	-0.5	-2.3	1.0	138.5	117.5	21.1	-1.3	22.4
2004 Q1	1.5	8.4	-1.1	-4.5	-1.3	155.3	129.6	25.8	4.8	21.0
Q2	21.2	15.4	1.6	2.1	2.1	21.3	41.3	-20.1	1.2	-21.3
Q3 (p)	-4.9	-10.3	2.3	2.1	1.1	6.7	-5.4	12.1	2.7	9.3
					Growth rates					
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	7.7	19.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June	2.4	7.9	-7.6	-0.1	-4.4	10.1	15.0	-1.0	7.9	-2.4
Sep. (p)	9.5	13.1	5.0	3.6	11.0	10.7	15.2	0.5	12.2	-1.3

C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

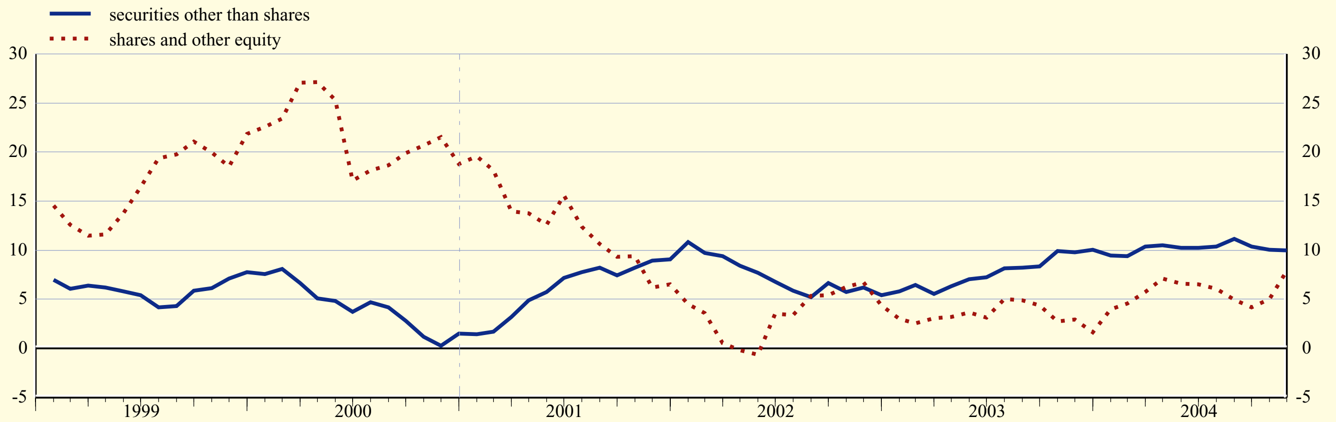
2.6 MFI holdings of securities, breakdown [1]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2002	3,228.2	1,122.2	48.2	1,119.5	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003	3,576.9	1,218.5	57.4	1,230.4	15.6	407.2	18.6	629.3	1,068.7	279.7	615.4	173.7
2004 Q1	3,767.1	1,283.1	60.9	1,287.9	17.8	413.5	18.0	685.9	1,115.8	285.7	640.7	189.5
Q2	3,854.8	1,298.9	62.8	1,334.2	17.6	426.3	18.1	697.0	1,154.8	294.7	654.0	206.0
2004 July	3,900.0	1,313.8	62.5	1,330.4	17.4	429.4	17.3	729.2	1,151.3	295.2	641.6	214.5
Aug.	3,918.5	1,318.6	63.3	1,332.1	16.9	429.2	17.0	741.5	1,143.8	291.0	634.5	218.2
Sep.	3,915.0	1,325.1	62.5	1,339.7	15.9	425.4	17.5	728.9	1,127.0	286.8	633.2	207.0
Oct.	3,945.1	1,346.7	61.8	1,332.5	20.4	430.4	17.5	735.9	1,134.9	287.5	637.1	210.3
Nov. (p)	3,973.1	1,355.4	61.0	1,336.5	18.5	436.6	17.2	748.1	1,176.3	294.7	649.5	232.1
	Transactions											
2002	167.0	47.2	-0.5	38.6	-0.8	25.9	3.2	53.4	42.7	14.0	7.0	21.8
2003	329.7	91.6	5.1	80.3	1.0	51.9	2.0	98.0	16.0	7.2	19.5	-10.7
2004 Q1	154.2	61.3	1.0	45.8	1.4	4.1	-1.2	41.8	44.7	6.1	24.6	14.0
Q2	90.8	15.2	1.9	44.9	0.0	13.8	0.1	14.9	26.1	6.2	8.4	11.5
2004 July	41.5	17.9	-0.6	-4.3	-0.2	0.5	-0.9	29.2	-1.2	0.8	-11.4	9.4
Aug.	19.7	4.7	1.3	-0.5	-0.5	-0.2	-0.2	15.1	-6.5	-4.0	-6.8	4.3
Sep.	8.7	7.9	0.5	8.8	-0.5	-4.1	0.9	-4.8	-18.7	-4.5	-2.2	-12.0
Oct.	37.3	21.2	0.2	-7.7	4.7	4.9	0.3	13.8	5.9	0.3	3.0	2.6
Nov. (p)	40.6	8.5	0.4	3.6	-1.3	5.8	0.2	23.5	38.6	5.9	11.8	20.9
	Growth rates											
2002 Dec.	5.4	4.4	-1.8	3.7	-4.3	8.1	21.9	10.1	4.4	5.5	1.3	13.6
2003 Dec.	10.1	8.1	10.5	7.0	5.8	14.7	9.7	17.6	1.6	2.7	3.5	-5.8
2004 Mar.	10.4	9.6	6.4	7.3	5.6	10.7	4.7	19.1	5.8	6.2	7.5	-0.3
June	10.3	9.4	7.4	8.6	10.1	10.3	2.2	15.7	6.5	6.3	5.3	11.1
2004 July	10.4	9.5	5.5	7.2	5.9	11.3	-7.2	19.1	6.1	5.3	3.9	14.4
Aug.	11.2	10.0	12.9	7.6	4.6	10.2	-6.5	21.7	5.0	3.7	2.6	14.6
Sep.	10.4	10.6	12.3	6.6	-0.1	7.6	-3.7	19.9	4.2	2.8	3.1	10.1
Oct.	10.1	11.4	11.1	4.6	33.6	6.7	-2.4	20.4	5.0	2.3	4.3	11.4
Nov. (p)	10.0	11.4	9.5	3.8	21.8	6.8	-2.9	21.8	7.9	4.6	4.6	23.7

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items [1]

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.3	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.0	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004 Q1	-1.3	-0.5	-0.2	-0.6	-1.3	-0.1	0.0	-1.1	-2.5	-1.0	-0.1	-1.4
Q2	-0.5	-0.2	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.0	-0.4	0.0	-0.7
2004 July	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2
Aug.	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.2	-0.1	0.0	-0.2
Sep.	-0.2	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.4	-0.1	0.0	-0.2
Oct.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.1	0.0	-0.3
Nov. (p)	-0.2	0.0	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	0.0	-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
2002	-9.7	-2.1	-2.7	-4.9	-7.2	-	-
2003	-17.6	-8.8	-1.3	-7.6	-1.0	-0.4	-0.6
2004 Q1	-6.2	-3.3	-0.6	-2.3	-0.9	-0.3	-0.5
Q2	-2.9	-2.0	0.2	-1.1	0.7	0.2	0.5
2004 July	-0.5	-0.3	-0.1	-0.1	-0.1	0.0	-0.1
Aug.	-0.4	-0.1	0.0	-0.2	0.0	0.0	0.0
Sep.	-0.9	-0.5	-0.1	-0.4	0.0	0.0	0.0
Oct.	-0.7	-0.3	0.0	-0.3	0.0	0.0	0.0
Nov. (p)	-0.8	-0.4	-0.1	-0.3	-0.2	0.0	-0.2

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2002	39.6	9.9	0.6	13.2	-0.1	5.8	0.2	9.9	-12.3	-5.0	-1.5	-5.8
2003	-1.2	-0.7	-0.4	3.1	-0.1	-1.2	-0.1	-2.0	19.2	7.9	5.0	6.4
2004 Q1	16.6	2.5	0.3	11.1	0.1	1.5	0.0	1.0	2.3	-0.3	1.0	1.7
Q2	-8.6	-0.8	0.0	-5.0	0.0	-0.8	0.0	-2.1	0.1	-0.6	0.0	0.7
2004 July	0.2	-0.7	0.0	0.5	0.0	0.2	0.0	0.1	-2.3	-0.3	-1.0	-1.0
Aug.	2.3	0.0	0.0	2.2	0.0	0.0	0.0	0.0	-1.0	-0.1	-0.2	-0.6
Sep.	-0.3	0.0	-0.1	-1.1	0.0	0.4	0.0	0.5	1.8	0.3	0.7	0.7
Oct.	0.6	0.2	0.0	0.5	-0.1	0.1	0.0	0.0	2.3	0.7	0.8	0.8
Nov. (p)	0.7	0.6	-0.1	0.7	-0.1	0.4	-0.1	-0.6	2.8	1.3	0.6	0.9

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

2.8 Currency breakdown of selected MFI balance sheet items [1]

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

1. Deposits

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2002	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.8	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,412.5	90.4	9.6	5.7	0.5	1.5	1.2	6,451.0	97.1	2.9	1.7	0.3	0.1	0.4
Q2	4,522.8	90.3	9.7	5.7	0.5	1.5	1.3	6,565.1	97.1	2.9	1.7	0.3	0.1	0.4
Q3 (p)	4,583.2	90.5	9.5	5.6	0.5	1.5	1.3	6,588.5	97.1	2.9	1.8	0.3	0.1	0.4
	By non-euro area residents													
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2	1,788.9	45.1	54.9	36.8	1.7	3.3	10.4	682.6	52.5	47.5	30.5	1.9	2.0	9.9
Q3 (p)	1,764.0	46.8	53.2	35.9	1.7	3.1	9.6	687.9	52.9	47.1	29.9	1.8	1.9	9.8

2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3 (p)	3,598.3	84.2	15.8	8.0	1.8	2.0	2.6

Source: ECB.

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

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

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

2.8 Currency breakdown of selected MFI balance sheet items [1]

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

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2002	4,017.8	-	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3
2003	4,193.6	-	-	-	-	-	-	7,920.9	96.5	3.5	1.6	0.3	1.2	0.3
2004 Q1	4,224.5	-	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4
Q2	4,296.0	-	-	-	-	-	-	8,138.1	96.4	3.6	1.6	0.2	1.3	0.4
Q3 (p)	4,354.2	-	-	-	-	-	-	8,215.0	96.5	3.5	1.6	0.2	1.3	0.4
	To non-euro area residents													
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	9.1	583.9	36.2	63.8	47.6	2.3	4.7	5.6
2003	1,182.2	50.2	49.8	29.5	4.7	2.3	9.3	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1	1,308.6	49.1	50.9	30.6	4.7	2.5	9.4	646.9	40.0	60.0	41.9	2.5	4.4	8.0
Q2	1,322.7	49.2	50.8	30.9	4.7	2.4	9.2	642.6	38.6	61.4	42.6	2.4	4.4	8.8
Q3 (p)	1,317.4	51.1	48.9	30.4	3.7	2.2	9.0	648.3	40.5	59.5	41.8	2.5	4.4	7.4

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003	1,275.9	95.5	4.5	2.1	0.3	0.5	1.4	1,671.7	98.0	2.0	1.1	0.5	0.1	0.2
2004 Q1	1,344.0	95.5	4.5	2.1	0.3	0.4	1.5	1,737.2	97.9	2.1	1.1	0.5	0.1	0.2
Q2	1,361.7	95.4	4.6	2.2	0.4	0.4	1.4	1,796.2	98.0	2.0	1.1	0.5	0.1	0.2
Q3 (p)	1,387.5	95.5	4.5	2.1	0.3	0.5	1.4	1,798.6	98.1	1.9	1.0	0.5	0.1	0.2
	Issued by non-euro area residents													
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003	275.5	44.9	55.1	35.1	1.2	0.6	16.2	353.8	45.8	54.2	36.0	5.9	1.1	6.4
2004 Q1	307.1	44.4	55.6	34.2	1.2	0.6	17.3	378.8	44.3	55.7	35.9	6.2	0.8	7.2
Q2	310.7	46.0	54.0	33.0	1.1	0.6	16.9	386.3	44.9	55.1	33.8	6.7	1.0	7.4
Q3 (p)	321.5	47.3	52.7	32.5	1.0	0.5	16.3	407.4	44.0	56.0	32.8	7.3	0.8	8.6

Source: ECB.

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

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

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

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

1. Assets

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
2003 Q1	2,746.9	217.2	1,331.8	70.6	1,261.2	767.3	205.8	116.7	108.1
Q2	2,959.5	232.6	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.1
Q3	3,085.6	248.3	1,405.3	65.3	1,340.0	932.3	234.6	126.3	138.8
Q4	3,175.0	235.2	1,389.4	67.4	1,322.0	1,033.7	243.9	133.7	139.1
2004 Q1	3,353.6	266.5	1,433.9	70.3	1,363.6	1,102.8	262.6	136.7	151.2
Q2 (p)	3,365.8	245.1	1,428.5	69.2	1,359.3	1,117.3	277.5	139.7	157.8

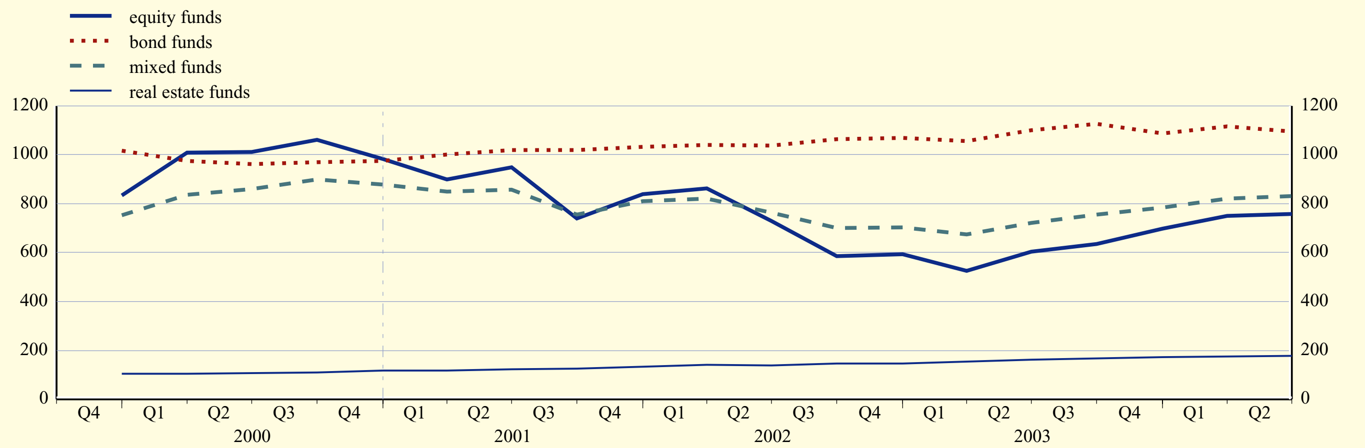
2. Liabilities

	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2003 Q1	2,746.9	40.2	2,628.3	78.4
Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4	3,175.0	44.2	3,011.7	119.1
2004 Q1	3,353.6	49.6	3,171.2	132.8
Q2 (p)	3,365.8	50.2	3,188.6	127.1

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
2003 Q1	2,746.9	525.9	1,054.1	675.3	153.9	337.7	1,975.5	771.4
Q2	2,959.5	603.3	1,099.5	720.8	161.4	374.4	2,140.4	819.1
Q3	3,085.6	635.4	1,127.0	754.2	167.7	401.4	2,249.0	836.6
Q4	3,175.0	697.8	1,086.6	783.4	171.7	435.6	2,318.2	856.8
2004 Q1	3,353.6	750.5	1,116.6	821.2	175.9	489.5	2,470.6	883.1
Q2 (p)	3,365.8	756.5	1,094.5	830.4	179.0	505.4	2,478.8	887.0

C12 Total assets of investment funds
(EUR billions)



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

2.10 Assets of euro area investment funds broken down by investment policy and type of investor
(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
	Equity funds								
2003 Q1	525.9	24.5	30.2	2.8	27.5	438.5	16.5	-	16.1
Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1	750.5	32.8	32.2	3.0	29.2	635.7	23.4	-	26.5
Q2 (p)	756.5	31.4	31.8	3.3	28.5	642.8	25.2	-	25.3
	Bond funds								
2003 Q1	1,054.1	77.5	899.8	35.8	864.0	26.6	18.6	-	31.5
Q2	1,099.5	82.4	927.8	33.0	894.8	31.1	20.9	-	37.3
Q3	1,127.0	93.6	934.7	30.7	904.1	29.1	21.7	-	47.9
Q4	1,086.6	82.5	905.9	31.6	874.3	31.0	21.6	-	45.5
2004 Q1	1,116.6	97.3	918.4	35.3	883.1	32.9	21.4	-	46.6
Q2 (p)	1,094.5	79.3	909.8	36.3	873.5	33.0	21.9	-	50.5
	Mixed funds								
2003 Q1	675.3	50.4	300.8	21.8	278.9	209.9	83.7	0.7	29.9
Q2	720.8	49.4	311.9	20.9	291.0	237.0	91.9	0.3	30.3
Q3	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
Q4	783.4	49.5	324.0	22.1	301.9	272.5	100.5	0.3	36.7
2004 Q1	821.2	52.9	333.9	21.2	312.6	287.0	107.2	0.3	39.9
Q2 (p)	830.4	52.3	340.1	22.3	317.8	279.1	115.0	0.3	43.6
	Real estate funds								
2003 Q1	153.9	14.7	8.3	0.5	7.7	0.7	8.6	115.1	6.5
Q2	161.4	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1	175.9	14.7	9.1	0.6	8.5	0.8	7.7	135.6	8.0
Q2 (p)	179.0	15.0	8.5	0.6	7.9	0.6	7.7	138.6	8.6

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						
2003 Q1	1,975.5	165.6	882.6	599.9	155.1	101.3	71.0
Q2	2,140.4	181.6	912.3	691.7	168.3	104.2	82.2
Q3	2,249.0	199.0	927.6	736.5	176.6	108.9	100.4
Q4	2,318.2	191.7	913.6	815.8	183.8	115.4	98.0
2004 Q1	2,470.6	219.3	948.9	878.2	198.8	117.5	107.8
Q2 (p)	2,478.8	202.3	944.9	890.4	211.3	119.9	109.9
	Special investors' funds						
2003 Q1	771.4	51.6	449.2	167.4	50.7	15.4	37.1
Q2	819.1	51.0	470.4	189.2	56.1	16.5	36.0
Q3	836.6	49.3	477.7	195.8	58.0	17.4	38.4
Q4	856.8	43.4	475.9	217.9	60.1	18.3	41.2
2004 Q1	883.1	47.2	485.0	224.6	63.8	19.1	43.3
Q2 (p)	887.0	42.7	483.6	226.9	66.2	19.8	47.8

Source: ECB.

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Total	Currency and deposits									Memo: deposits of non-banks with banks outside the euro area
		Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs [1]	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2003 Q1	14,469.1	5,637.8	290.7	4,948.4	1,836.2	1,572.0	1,434.1	106.1	176.2	222.5	323.9
Q2	14,968.9	5,751.6	311.9	5,029.7	1,918.4	1,560.2	1,456.4	94.7	200.3	209.6	329.8
Q3	15,074.8	5,756.2	322.7	5,071.2	1,956.6	1,555.8	1,469.5	89.3	183.9	178.4	345.4
Q4	15,467.6	5,874.9	352.4	5,183.7	2,027.5	1,559.2	1,511.9	85.2	153.6	185.2	348.4
2004 Q1	15,650.2	5,909.2	350.8	5,181.8	2,021.0	1,545.0	1,534.5	81.2	183.8	192.8	395.0
Q2	15,923.1	6,045.7	372.0	5,264.5	2,101.6	1,529.7	1,553.9	79.4	223.7	185.3	396.3
	Transactions										
2003 Q1	155.6	41.6	3.1	-3.7	-29.5	-11.5	43.0	-5.7	32.8	9.4	32.2
Q2	213.1	131.4	21.3	85.7	83.8	-8.8	22.2	-11.4	24.1	0.3	11.4
Q3	133.2	12.4	11.4	12.2	6.8	-3.8	13.0	-3.9	-13.7	2.5	17.2
Q4	152.9	124.2	29.7	118.1	79.0	7.9	36.3	-5.2	-30.3	6.8	10.9
2004 Q1	140.4	31.8	-1.6	-4.4	-7.2	-15.8	22.5	-3.9	30.2	7.6	40.7
Q2	282.8	135.7	21.2	82.5	78.8	-14.5	20.1	-1.9	39.4	-7.4	0.8
	Growth rates										
2003 Q1	4.3	5.9	31.2	4.3	7.3	-0.3	7.3	-10.6	5.1	14.5	13.7
Q2	4.6	6.4	27.6	4.5	7.6	-1.0	8.9	-19.0	22.3	13.7	22.6
Q3	4.7	6.5	23.9	4.7	8.2	-0.7	9.1	-23.5	22.8	13.4	24.5
Q4	4.5	5.5	21.2	4.3	7.6	-1.0	8.1	-23.4	9.5	8.9	24.5
2004 Q1	4.4	5.3	20.9	4.3	8.8	-1.3	6.6	-23.0	5.9	7.7	24.8
Q2	4.7	5.3	19.5	4.1	8.2	-1.7	6.3	-15.7	12.8	4.5	21.1

	Securities other than shares			Shares [2]				Insurance technical reserves		
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares		Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
							Money market fund shares			
	12	13	14	15	16	17	18	19	20	21
	Outstanding amounts									
2003 Q1	1,953.3	190.2	1,763.1	3,276.9	1,536.1	1,740.8	396.6	3,601.1	3,252.2	349.0
Q2	1,947.9	165.0	1,783.0	3,591.3	1,754.1	1,837.3	402.7	3,678.0	3,324.8	353.2
Q3	1,944.2	165.9	1,778.3	3,630.0	1,768.5	1,861.5	406.6	3,744.4	3,388.1	356.3
Q4	1,932.4	177.8	1,754.7	3,868.5	1,993.6	1,874.9	404.3	3,791.7	3,432.4	359.3
2004 Q1	1,944.2	178.6	1,765.6	3,945.7	2,022.3	1,923.5	418.6	3,851.0	3,484.4	366.7
Q2	1,985.7	196.0	1,789.7	3,993.2	2,084.0	1,909.3	423.3	3,898.5	3,529.3	369.2
	Transactions									
2003 Q1	-23.2	-24.5	1.3	65.5	2.9	62.6	29.8	71.6	65.3	6.3
Q2	-40.2	-18.2	-22.0	61.5	23.7	37.8	3.6	60.4	56.1	4.3
Q3	11.5	0.0	11.4	50.5	33.2	17.3	2.5	58.8	55.7	3.2
Q4	9.3	8.5	0.8	-25.1	-24.8	-0.3	-10.3	44.5	42.2	2.3
2004 Q1	15.7	0.5	15.2	24.3	-1.2	25.5	15.0	68.6	60.2	8.4
Q2	41.2	15.7	25.5	54.9	56.6	-1.8	-0.4	51.0	47.5	3.5
	Growth rates									
2003 Q1	-0.5	-17.9	1.6	2.8	0.8	5.6	11.8	6.3	6.6	3.6
Q2	-2.2	-16.0	-0.7	3.8	1.2	7.1	13.4	6.5	6.8	3.7
Q3	-3.4	-25.6	-0.7	4.6	2.2	6.9	9.1	6.6	6.9	3.4
Q4	-2.2	-16.4	-0.5	4.4	2.0	6.9	8.3	6.7	6.9	4.7
2004 Q1	-0.2	-4.8	0.3	3.4	2.0	4.6	2.7	6.4	6.6	5.2
Q2	4.0	15.0	3.0	2.9	3.6	2.2	1.7	6.1	6.2	4.9

Source: ECB.

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

2) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from banks outside the euro area by non-banks
		Total		General government			Non-financial corporations			Households 1)			
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2003 Q1	15,607.8	8,142.7	7,168.9	884.2	68.5	815.7	3,609.7	1,194.5	2,415.3	3,648.8	286.8	3,362.0	256.4
Q2	16,176.7	8,243.1	7,236.3	877.2	69.7	807.5	3,651.8	1,213.2	2,438.6	3,714.1	291.4	3,422.6	253.8
Q3	16,245.3	8,327.6	7,293.7	885.8	70.8	815.0	3,657.7	1,184.8	2,472.9	3,784.2	286.0	3,498.2	275.6
Q4	16,567.1	8,468.4	7,397.1	956.4	80.6	875.8	3,660.8	1,164.7	2,496.0	3,851.2	287.4	3,563.8	266.5
2004 Q1	16,907.2	8,519.5	7,466.6	961.0	84.7	876.3	3,655.6	1,161.5	2,494.1	3,902.9	281.9	3,621.0	305.5
Q2	17,129.0	8,668.4	7,597.6	953.7	90.1	863.6	3,699.5	1,168.9	2,530.6	4,015.1	294.0	3,721.2	303.8
	Transactions												
2003 Q1	266.0	93.9	66.5	5.7	7.9	-2.2	45.0	18.5	26.5	43.2	-7.6	50.8	7.1
Q2	235.7	116.3	84.2	-4.6	3.2	-7.8	51.5	24.2	27.3	69.4	5.3	64.1	2.6
Q3	137.1	81.6	58.7	8.6	1.1	7.6	1.8	-25.9	27.7	71.2	-4.7	75.9	22.9
Q4	111.9	112.9	118.5	22.3	9.9	12.4	17.1	-16.1	33.2	73.6	4.6	69.0	-1.4
2004 Q1	195.7	48.3	76.5	6.0	4.0	2.0	-13.6	-6.2	-7.4	55.8	-4.0	59.8	33.5
Q2	270.8	154.2	134.7	-8.9	5.4	-14.3	67.4	13.5	54.0	95.7	8.7	86.9	-2.0
	Growth rates												
2003 Q1	4.4	4.8	4.0	-1.5	28.5	-3.4	4.5	-0.9	7.4	6.7	-0.3	7.4	-4.1
Q2	4.8	4.9	4.0	0.9	34.4	-1.3	4.2	1.4	5.7	6.5	-1.5	7.2	3.7
Q3	5.2	5.4	4.3	2.8	33.0	0.8	4.4	1.0	6.1	7.1	-1.4	7.9	16.1
Q4	4.8	5.0	4.6	3.6	36.2	1.2	3.2	0.1	4.8	7.1	-0.8	7.8	12.9
2004 Q1	4.4	4.4	4.7	3.7	26.5	1.7	1.6	-2.0	3.3	7.4	0.4	8.0	22.5
Q2	4.4	4.8	5.4	3.2	29.2	0.9	2.0	-2.9	4.4	8.0	1.6	8.5	20.9

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2003 Q1	4,848.0	4,284.2	529.9	3,754.3	563.8	167.2	396.6	2,116.2	219.4	281.4
Q2	4,990.4	4,402.6	563.6	3,838.9	587.8	166.4	421.4	2,452.0	205.7	285.6
Q3	4,978.2	4,394.3	557.8	3,836.5	583.9	165.0	418.8	2,475.4	174.3	289.8
Q4	4,898.0	4,307.9	539.1	3,768.8	590.1	164.1	426.0	2,728.6	181.7	290.4
2004 Q1	5,067.5	4,473.0	576.2	3,896.8	594.5	180.4	414.1	2,836.7	189.0	294.4
Q2	5,134.8	4,528.0	593.6	3,934.4	606.8	191.4	415.4	2,845.3	181.9	298.7
	Transactions									
2003 Q1	158.6	129.6	49.9	79.7	29.0	22.3	6.7	-0.2	9.5	4.2
Q2	101.3	85.5	33.9	51.6	15.7	-0.6	16.4	14.5	-0.6	4.2
Q3	44.8	42.4	-5.8	48.2	2.4	-0.9	3.3	4.0	2.4	4.2
Q4	-12.9	-20.8	-18.4	-2.4	7.8	-0.8	8.7	0.4	7.4	4.1
2004 Q1	134.4	135.0	35.7	99.3	-0.7	16.2	-16.8	1.6	7.3	4.0
Q2	114.8	100.2	17.2	83.0	14.6	10.8	3.7	4.7	-7.1	4.3
	Growth rates									
2003 Q1	6.3	6.0	16.7	4.7	8.1	15.3	5.3	0.4	14.7	5.4
Q2	7.1	6.5	15.5	5.3	11.6	27.7	6.1	0.7	13.4	5.8
Q3	6.6	6.2	14.5	5.1	9.8	20.0	6.1	0.9	13.2	5.8
Q4	6.2	5.7	12.4	4.8	10.3	13.7	9.1	0.8	8.9	6.0
2004 Q1	5.5	5.7	8.6	5.2	4.5	8.2	2.9	1.0	7.5	5.9
Q2	5.6	5.8	5.1	5.9	4.1	15.2	-0.3	0.4	4.8	5.8

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2003 Q1	3,336.7	535.8	61.7	454.2	1.6	18.3	332.9	63.6	269.3	1,382.8	56.3	1,326.5
Q2	3,471.0	537.8	63.8	450.5	1.3	22.3	337.4	65.1	272.3	1,412.0	54.3	1,357.7
Q3	3,524.1	532.9	57.5	455.3	1.4	18.7	339.4	65.8	273.5	1,433.4	57.1	1,376.3
Q4	3,633.6	541.9	58.9	462.3	1.6	19.1	328.0	66.7	261.3	1,461.1	58.3	1,402.9
2004 Q1	3,783.4	556.6	64.7	468.3	1.7	22.0	338.2	69.4	268.8	1,530.7	56.2	1,474.5
Q2	3,809.4	565.4	59.9	481.9	2.3	21.2	335.3	71.0	264.3	1,537.1	52.8	1,484.3
	Transactions											
2003 Q1	67.4	12.4	4.3	7.8	-0.2	0.5	-8.7	-6.3	-2.4	54.0	7.1	46.9
Q2	43.0	2.3	2.2	-3.9	0.0	3.9	4.4	1.4	3.0	18.9	-2.2	21.0
Q3	34.1	-6.3	-6.4	3.8	0.1	-3.8	2.0	0.7	1.3	22.5	2.8	19.6
Q4	60.1	10.2	1.5	7.9	0.2	0.5	-11.4	0.9	-12.2	37.2	1.2	36.0
2004 Q1	93.1	14.4	5.7	5.9	0.0	2.8	10.0	2.7	7.3	42.2	-1.8	44.0
Q2	34.5	7.9	-4.9	13.7	0.0	-0.9	-2.8	1.6	-4.5	28.0	-3.4	31.4
	Growth rates											
2003 Q1	5.9	7.4	37.1	4.8	-17.5	3.3	-1.4	-11.4	1.4	10.0	18.9	9.6
Q2	6.8	6.7	28.9	3.9	-9.5	17.4	-0.6	-11.9	2.6	12.0	41.9	11.1
Q3	6.6	5.0	11.7	3.6	-12.4	28.2	0.8	-11.6	4.4	10.1	22.0	9.7
Q4	6.1	3.5	2.9	3.5	4.7	6.1	-4.0	-4.7	-3.8	9.9	18.0	9.6
2004 Q1	6.9	3.8	5.0	3.0	24.7	18.7	1.5	9.0	-0.2	8.7	0.1	9.1
Q2	6.4	4.9	-6.4	6.9	30.5	-6.3	-0.6	9.1	-3.0	9.2	-2.1	9.6

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

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	350.6	1,137.7	-797.1	10.0	0.0	1,938.8	-0.2	390.9	330.7	464.6	491.4	224.1	37.2
1998	411.4	1,201.7	-823.6	33.2	0.2	2,412.6	11.0	419.6	360.1	515.3	845.0	213.7	47.9
1999	448.8	1,290.5	-863.7	21.8	0.2	3,113.5	1.3	559.2	429.1	878.8	942.2	259.2	43.7
2000	485.5	1,389.6	-913.1	25.7	-16.7	2,911.8	1.3	350.9	264.6	829.9	1,189.1	251.3	24.6
2001	459.1	1,441.3	-973.6	-10.7	2.0	2,597.7	-0.5	579.0	449.1	731.2	602.3	248.8	-12.2
2002	389.9	1,428.1	-1,021.8	-17.5	1.1	2,310.5	0.9	656.6	279.7	632.8	468.4	220.8	51.3
2003	391.0	1,439.5	-1,054.0	5.0	0.5	2,421.8	1.7	678.6	426.8	578.8	456.6	240.7	38.6

	Changes in net worth [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,570.8	668.9	489.9	634.3	521.6	256.0
2002	466.7	1,478.6	-1,021.8	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	420.2	1,469.2	-1,054.0	5.0	2,392.7	676.2	514.0	539.3	420.3	242.8

2. Non-financial corporations

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

3. Households [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	165.1	376.0	-211.5	429.2	69.3	-20.8	192.5	217.6	424.6	615.6	169.7	168.3	3,818.3	16.1
1998	176.7	388.0	-216.2	446.4	92.9	-119.0	287.4	209.3	408.4	593.5	214.6	213.3	3,924.7	15.1
1999	188.2	417.6	-231.5	474.8	122.6	-28.5	195.8	245.2	394.7	580.0	268.4	266.9	4,086.0	14.2
2000	197.6	438.1	-241.6	435.0	66.2	35.3	122.6	245.9	406.2	607.7	226.4	224.7	4,290.6	14.2
2001	183.8	445.7	-259.0	416.3	180.7	82.7	45.4	229.1	423.9	649.7	176.2	174.3	4,576.4	14.2
2002	162.0	454.2	-279.4	481.9	220.6	83.1	-1.0	211.3	430.7	671.8	213.2	211.1	4,712.3	14.3
2003	165.1	461.5	-290.8	531.9	224.2	16.6	83.6	229.8	436.9	693.9	260.2	257.9	4,853.9	14.3

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

FINANCIAL MARKETS

4

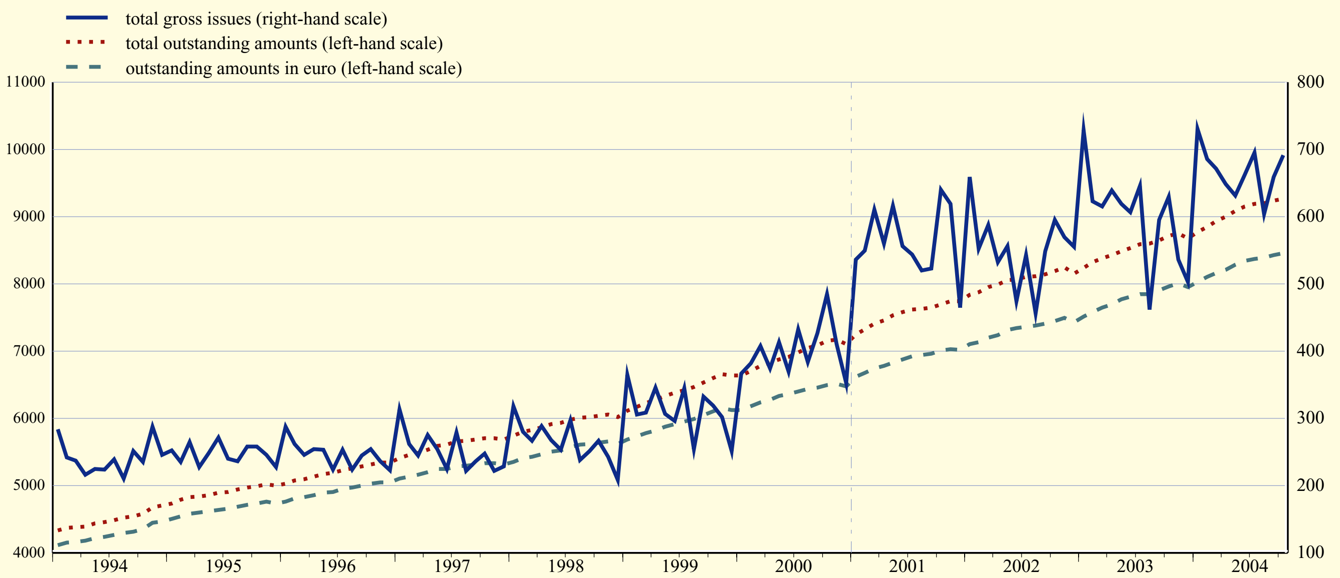
4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

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

	Total in euro[1]				By euro area residents							
					Total				Of which in euro			
	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2003 Oct.	9,156.6	635.5	579.5	56.0	8,717.0	629.7	562.3	67.4	91.3	93.7	94.7	57.4
Nov.	9,224.0	556.0	491.3	64.7	8,755.0	536.4	490.2	46.2	91.5	93.2	92.4	46.6
Dec.	9,188.8	520.5	551.9	-31.4	8,680.6	502.5	555.5	-53.0	91.6	93.7	94.6	-54.3
2004 Jan.	9,259.0	738.2	665.7	72.5	8,771.3	730.5	645.1	85.4	91.5	94.2	94.8	77.0
Feb.	9,335.7	698.8	622.4	76.5	8,848.1	685.9	605.3	80.6	91.6	94.6	94.2	78.3
Mar.	9,443.8	716.8	608.2	108.6	8,933.3	671.8	596.3	75.5	91.3	92.7	95.3	54.7
Apr.	9,469.8	648.8	624.7	24.2	9,000.9	648.7	587.2	61.5	91.2	93.2	95.0	46.8
May	9,569.1	649.3	549.8	99.5	9,083.0	631.0	543.7	87.3	91.2	93.9	94.9	76.5
June	9,676.2	709.8	601.6	108.2	9,148.7	663.0	597.3	65.6	91.2	94.3	94.7	59.3
July	9,695.9	707.7	686.2	21.5	9,190.4	695.0	653.8	41.3	91.1	94.1	94.6	35.5
Aug.	9,726.7	619.8	589.0	30.8	9,202.8	603.5	588.7	14.8	91.2	94.7	94.8	14.1
Sep.	9,836.3	722.7	613.3	109.4	9,233.7	658.8	618.4	40.3	91.3	94.9	94.5	41.2
Oct.	.	.	.	.	9,262.6	691.2	657.0	34.3	91.3	93.7	95.0	24.0
	Long-term											
2003 Oct.	8,283.2	179.2	126.2	53.0	7,836.0	168.3	121.1	47.2	91.3	91.7	94.1	40.4
Nov.	8,334.6	143.4	93.5	50.0	7,872.1	136.5	90.4	46.0	91.5	89.6	88.1	42.6
Dec.	8,329.3	119.3	119.5	-0.2	7,848.7	112.1	113.6	-1.5	91.6	90.4	93.0	-4.3
2004 Jan.	8,386.1	195.5	137.9	57.6	7,895.6	178.1	139.5	38.7	91.6	92.8	91.0	38.5
Feb.	8,472.2	193.8	108.8	85.0	7,978.9	183.1	98.5	84.6	91.7	92.2	88.0	82.2
Mar.	8,533.8	213.1	150.5	62.5	8,044.2	189.1	132.3	56.8	91.4	86.7	94.1	39.6
Apr.	8,575.0	163.6	124.1	39.4	8,094.7	155.4	110.5	45.0	91.2	88.5	94.7	32.9
May	8,676.2	174.7	72.3	102.4	8,178.4	156.7	68.0	88.7	91.3	89.3	90.9	78.1
June	8,761.0	203.1	120.3	82.8	8,249.3	179.9	112.6	67.3	91.3	92.9	92.2	63.3
July	8,796.7	190.2	153.0	37.2	8,284.7	173.3	138.9	34.5	91.2	91.8	93.7	28.9
Aug.	8,823.9	87.3	60.5	26.8	8,300.1	75.3	58.5	16.8	91.2	86.9	91.5	11.9
Sep.	8,916.1	190.4	99.5	90.9	8,347.3	155.7	102.2	53.5	91.3	91.5	88.8	51.8
Oct.	.	.	.	.	8,360.6	154.0	133.3	20.7	91.3	88.2	94.4	10.0

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

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.

4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer

(EUR billions, unless otherwise indicated; nominal values)

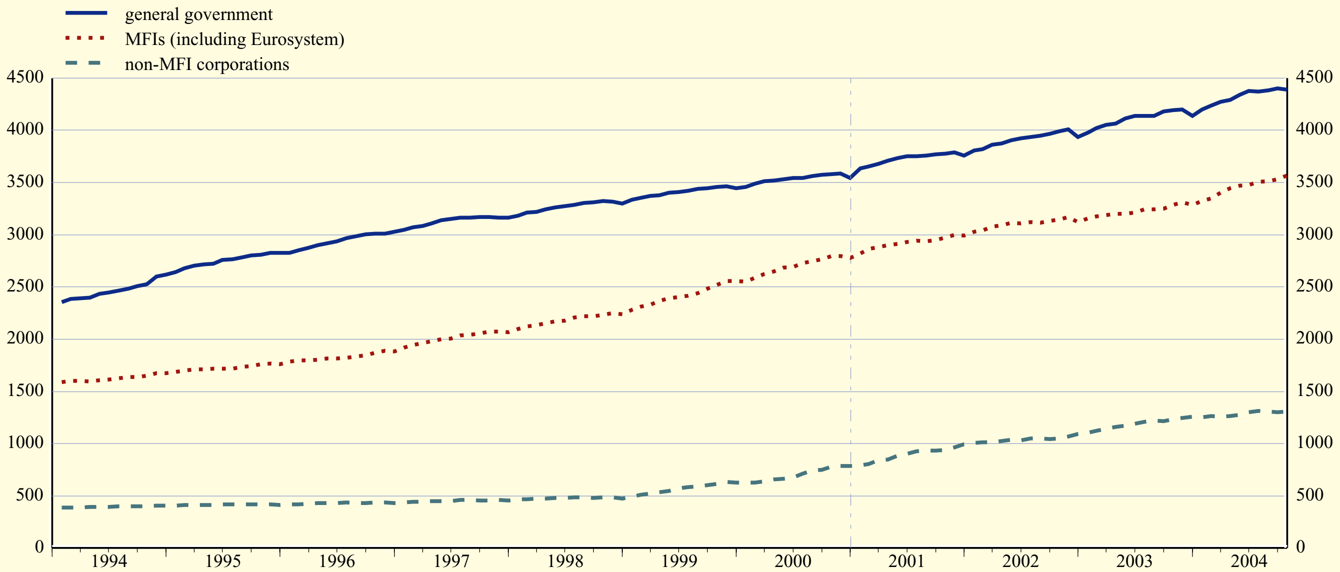
1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2003 Oct.	8,717.0	3,288.7	658.1	576.0	3,981.3	212.9	91.3	85.3	86.5	87.6	97.4	95.4
Nov.	8,755.0	3,310.8	665.7	577.3	3,983.9	217.4	91.5	85.5	86.9	87.9	97.5	95.6
Dec.	8,680.6	3,287.5	680.2	575.8	3,918.8	218.3	91.6	85.5	87.8	88.0	97.7	95.3
2004 Jan.	8,771.3	3,319.6	679.7	575.2	3,974.7	222.0	91.5	85.4	87.6	87.7	97.6	95.5
Feb.	8,848.1	3,347.1	688.2	578.5	4,006.2	228.2	91.6	85.6	87.9	87.6	97.6	95.6
Mar.	8,933.3	3,402.9	681.9	576.0	4,041.4	231.0	91.3	85.2	87.7	87.4	97.4	95.5
Apr.	9,000.9	3,442.9	687.9	578.3	4,059.6	232.2	91.2	84.9	87.7	87.3	97.4	95.4
May	9,083.0	3,468.2	687.4	587.4	4,106.3	233.8	91.2	84.8	88.0	87.3	97.5	95.6
June	9,148.7	3,475.9	708.8	590.6	4,135.1	238.4	91.2	84.7	88.5	87.2	97.4	95.5
July	9,190.4	3,506.9	717.5	598.1	4,130.7	237.3	91.1	84.6	88.7	86.9	97.5	95.5
Aug.	9,202.8	3,514.2	714.8	594.1	4,141.0	238.6	91.2	84.6	88.9	86.9	97.5	95.5
Sep.	9,233.7	3,532.9	713.7	586.8	4,159.1	241.2	91.3	84.7	89.4	87.1	97.6	95.7
Oct.	9,262.6	3,565.0	721.6	588.1	4,145.3	242.6	91.3	84.6	89.7	87.2	97.6	95.7
						Long-term						
2003 Oct.	7,836.0	2,922.8	649.9	475.9	3,577.8	209.5	91.3	85.7	86.4	86.2	97.3	95.6
Nov.	7,872.1	2,937.3	657.3	479.8	3,583.8	214.0	91.5	85.8	86.8	86.6	97.4	95.8
Dec.	7,848.7	2,927.4	671.1	483.5	3,551.9	214.9	91.6	86.0	87.6	86.9	97.5	95.5
2004 Jan.	7,895.6	2,941.8	671.1	478.7	3,586.0	218.0	91.6	85.9	87.5	86.3	97.5	95.6
Feb.	7,978.9	2,977.2	680.0	481.6	3,616.5	223.7	91.7	86.0	87.8	86.3	97.5	95.7
Mar.	8,044.2	3,028.8	674.1	475.5	3,638.8	227.1	91.4	85.7	87.5	85.8	97.3	95.6
Apr.	8,094.7	3,059.3	679.5	471.1	3,657.1	227.7	91.2	85.4	87.6	85.5	97.3	95.6
May	8,178.4	3,090.3	679.3	478.9	3,700.9	229.1	91.3	85.2	87.9	85.6	97.4	95.7
June	8,249.3	3,097.8	700.5	484.0	3,733.6	233.5	91.3	85.2	88.4	85.4	97.3	95.8
July	8,284.7	3,121.9	709.2	492.4	3,729.3	232.0	91.2	85.0	88.6	85.1	97.4	95.7
Aug.	8,300.1	3,131.7	705.9	489.6	3,739.5	233.4	91.2	84.9	88.8	85.1	97.4	95.8
Sep.	8,347.3	3,163.2	704.8	489.0	3,754.2	236.2	91.3	85.0	89.3	85.3	97.5	95.9
Oct.	8,360.6	3,180.7	712.7	491.1	3,738.0	238.0	91.3	84.9	89.6	85.5	97.5	95.9

C14 Outstanding amounts of securities other than shares by sector

(EUR billions; end-of-period outstanding amounts; nominal values)



Source: ECB.

4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer

(EUR billions, unless otherwise indicated; nominal values)

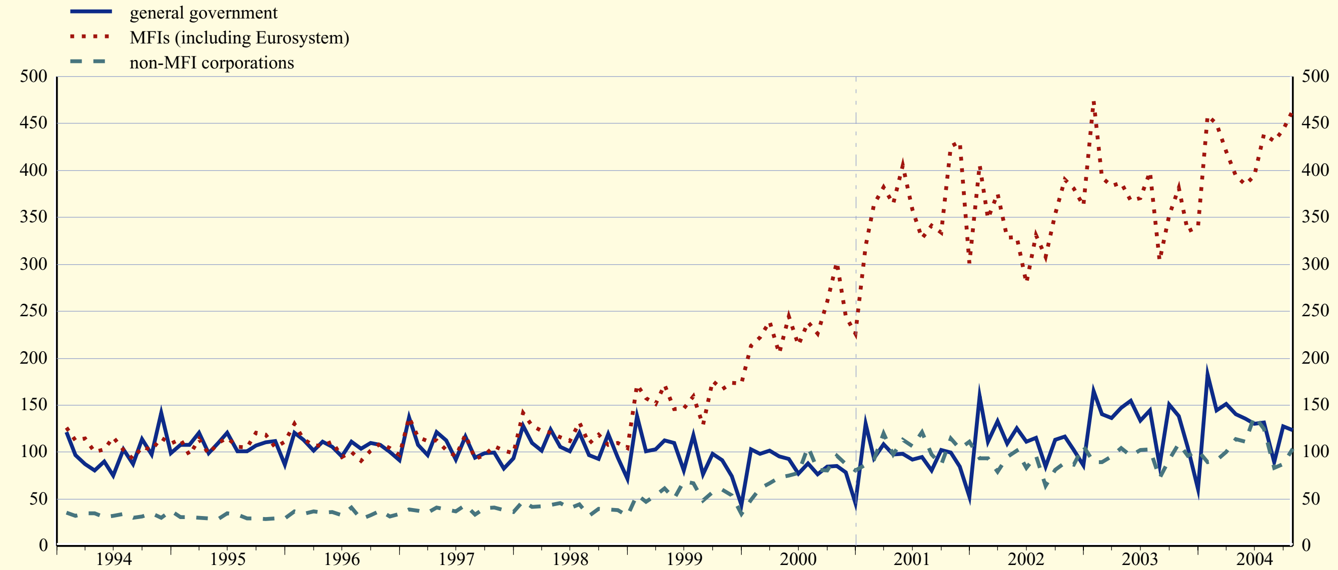
2. Gross issues

(transactions during the month)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2003 Oct.	629.7	381.6	21.4	87.9	130.7	8.0	93.7	91.5	95.8	96.3	98.1	94.0
Nov.	536.4	335.2	20.2	75.7	97.4	7.8	93.2	92.0	86.7	95.9	96.2	98.2
Dec.	502.5	340.1	28.2	73.2	55.5	5.6	93.7	92.6	97.1	94.6	99.3	79.8
2004 Jan.	730.5	458.5	8.5	80.8	173.6	9.2	94.2	92.9	90.8	95.8	97.1	97.4
Feb.	685.9	449.8	18.3	73.2	136.1	8.5	94.6	93.3	95.8	96.1	97.5	97.8
Mar.	671.8	420.1	10.9	89.5	143.2	8.0	92.7	90.9	89.5	97.1	95.5	94.1
Apr.	648.7	394.3	19.9	94.2	134.9	5.3	93.2	90.8	92.9	96.8	97.6	97.2
May	631.0	384.5	10.0	100.8	130.5	5.2	93.9	91.8	89.4	97.1	98.0	97.9
June	663.0	394.3	33.5	104.7	122.1	8.5	94.3	92.6	98.0	95.8	97.6	94.5
July	695.0	438.7	23.2	101.8	127.5	3.9	94.1	92.6	95.5	94.9	98.0	92.1
Aug.	603.5	430.8	6.2	77.2	85.3	4.0	94.7	93.7	93.4	97.2	97.9	98.4
Sep.	658.8	443.5	12.1	75.5	120.3	7.4	94.9	93.4	95.7	98.1	98.4	97.0
Oct.	691.2	463.7	18.7	85.3	118.0	5.6	93.7	92.4	90.7	96.9	97.4	92.8
	Long-term											
2003 Oct.	168.3	75.7	17.5	10.7	58.9	5.5	91.7	84.4	96.1	89.4	100.0	94.5
Nov.	136.5	62.4	16.6	10.7	40.9	5.8	89.6	86.9	85.2	91.2	93.5	99.6
Dec.	112.1	63.0	24.9	9.6	11.4	3.2	90.4	88.5	97.6	81.5	98.6	68.1
2004 Jan.	178.1	72.4	5.0	7.4	86.9	6.3	92.8	87.4	88.7	80.7	98.2	99.4
Feb.	183.1	85.6	15.0	6.2	70.2	6.0	92.2	86.5	96.0	88.5	98.2	99.0
Mar.	189.1	98.5	8.1	5.0	72.0	5.6	86.7	79.5	88.2	92.3	95.4	95.7
Apr.	155.4	69.3	15.9	4.8	63.0	2.5	88.5	79.3	93.8	78.3	97.5	100.0
May	156.7	68.1	6.8	9.4	69.7	2.7	89.3	79.9	86.7	85.3	98.8	99.6
June	179.9	66.7	29.8	14.5	63.5	5.5	92.9	88.2	98.0	82.1	97.4	99.1
July	173.3	71.5	19.6	18.0	62.9	1.4	91.8	85.9	97.1	85.4	98.3	100.0
Aug.	75.3	40.6	2.4	2.2	28.5	1.5	86.9	78.9	91.5	79.4	98.0	95.8
Sep.	155.7	81.9	8.9	4.4	55.8	4.8	91.5	85.2	95.9	91.6	99.5	99.6
Oct.	154.0	70.1	15.4	10.2	54.8	3.4	88.2	78.5	91.7	95.8	97.7	94.7

C15 Gross issues of securities other than shares by sector

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

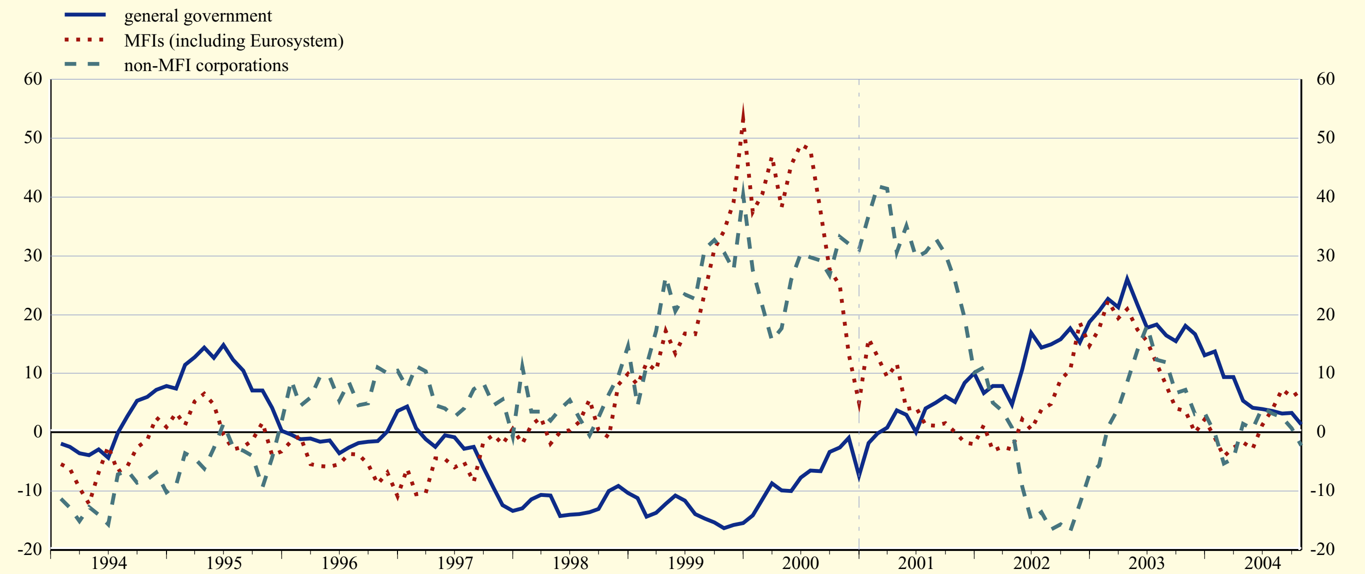


Source: ECB.

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

	Total													
	Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			Total		MFIs (including Euro-system)	Non-MFI	
	Total	Index Dec. 01 = 100		Total	Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non-monetary financial corporations
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	In all currencies combined													
2003 Oct.	7.2	114.2	5.5	19.3	28.6	10.2	5.4	4.6	21.5	10.3	128.3	3.6	7.2	13.7
Nov.	7.0	114.8	5.3	18.7	27.4	10.1	5.2	4.4	23.1	7.3	128.3	-0.1	3.1	9.7
Dec.	7.3	114.1	6.2	17.0	23.1	10.6	5.5	4.7	22.3	6.9	120.8	2.2	3.3	20.5
2004 Jan.	7.0	115.2	5.9	15.1	22.4	7.4	5.7	4.9	21.9	5.2	127.6	-0.9	-0.2	16.6
Feb.	7.0	116.3	6.2	13.9	21.0	6.4	5.7	4.9	21.1	1.4	127.0	-4.1	-5.3	-8.0
Mar.	7.0	117.3	7.4	10.9	17.6	3.9	5.6	4.9	20.6	2.3	129.7	-2.6	-4.4	-15.0
Apr.	7.0	118.1	7.9	9.6	15.7	3.1	5.6	5.0	18.7	1.7	132.1	-1.8	1.5	-5.9
May	7.0	119.2	8.3	8.9	14.6	2.8	5.5	4.9	17.6	0.7	131.9	-2.8	0.5	-5.8
June	7.3	120.1	8.4	9.5	15.3	3.3	5.8	5.2	17.4	2.8	131.7	1.3	4.2	-7.1
July	7.2	120.6	8.4	9.1	13.3	4.4	5.7	5.2	16.0	3.7	132.7	4.0	3.2	-6.9
Aug.	7.4	120.8	8.9	8.4	12.8	3.5	6.0	5.4	16.8	4.8	132.4	7.3	2.5	0.6
Sep.	7.1	121.3	9.1	7.5	10.9	3.7	5.4	4.9	15.3	4.1	130.5	6.0	0.7	9.0
Oct.	6.7	121.8	8.9	7.1	10.6	3.1	4.8	4.3	14.1	3.3	132.5	7.2	-2.3	8.0
	In euro													
2003 Oct.	6.9	113.6	4.2	22.9	35.8	11.0	5.3	4.6	20.9	12.5	131.5	7.7	6.8	14.1
Nov.	6.8	114.2	4.2	22.0	33.7	10.9	5.1	4.3	22.4	9.3	132.2	3.1	2.3	9.4
Dec.	7.0	113.4	5.0	19.4	27.1	11.4	5.5	4.7	21.3	8.8	124.0	5.6	2.9	18.9
2004 Jan.	6.8	114.5	4.9	16.9	26.3	7.5	5.7	5.0	21.2	5.9	130.3	-0.5	-0.9	16.3
Feb.	6.9	115.7	5.4	16.0	25.4	6.4	5.8	5.1	20.4	2.0	129.6	-3.7	-5.7	-8.5
Mar.	6.8	116.4	6.4	12.4	21.4	3.3	5.6	4.9	19.8	2.7	132.1	-2.2	-4.7	-16.0
Apr.	6.6	117.1	6.6	10.8	19.0	2.4	5.6	5.0	18.2	1.5	134.4	-2.9	1.4	-8.2
May	6.6	118.2	6.8	10.2	18.1	2.1	5.5	4.9	17.5	0.6	134.1	-3.5	0.3	-6.6
June	6.8	119.1	6.9	10.7	18.9	2.2	5.8	5.3	17.1	2.4	133.4	-0.1	4.5	-7.2
July	6.8	119.6	6.9	10.5	17.3	3.2	5.9	5.3	15.9	2.7	134.5	1.7	3.0	-9.3
Aug.	7.0	119.8	7.2	9.7	16.7	2.2	6.1	5.5	16.8	3.3	134.9	3.9	3.0	-2.0
Sep.	6.7	120.3	7.8	8.7	14.3	2.4	5.5	5.0	15.4	3.4	133.1	4.3	1.7	6.3
Oct.	6.3	120.7	7.6	8.2	13.7	2.0	4.8	4.3	14.3	3.0	135.4	6.6	-1.5	4.9

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



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

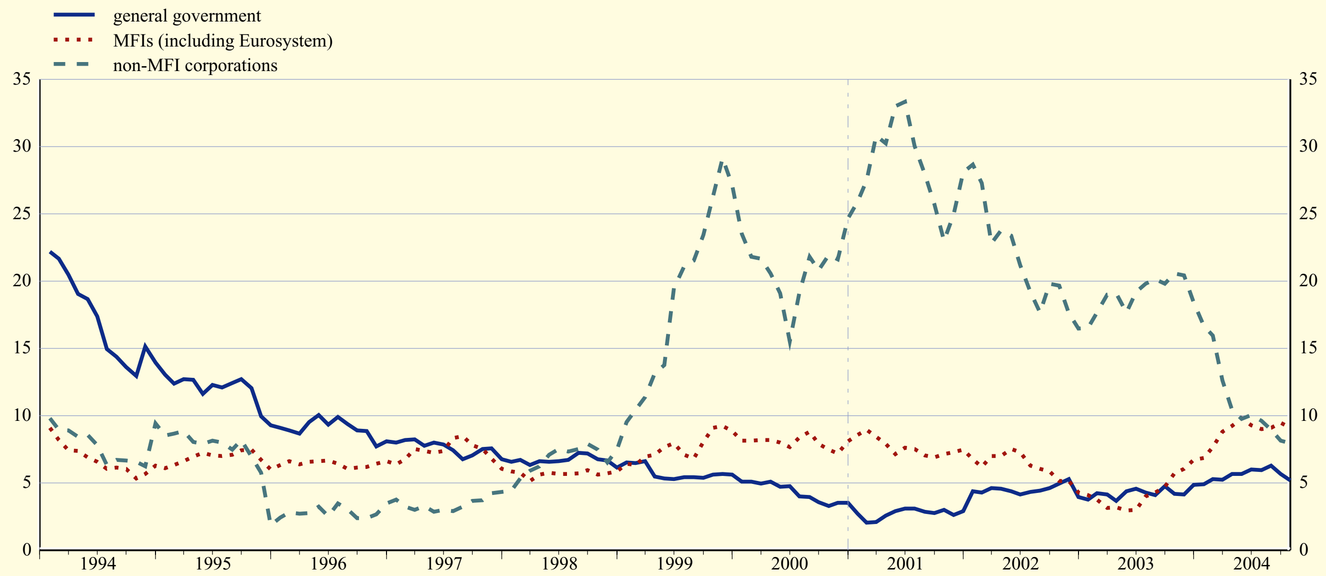
4.3 Annual growth rates of securities other than shares issued by euro area residents [1)] (cont'd)

(percentage changes)

Short-term				Long-term									
corporations	General government			Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			
Non-financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	Other general gov.	
15	16	17	18	19	20	21	22	23	24	25	26	27	
In all currencies combined													
6.7	18.1	18.3	-2.9	6.9	112.8	5.7	20.6	28.8	10.9	4.2	3.3	22.0	2003 Oct.
2.5	16.7	17.0	-3.7	6.9	113.4	6.0	20.4	27.6	11.8	4.1	3.2	23.6	Nov.
1.8	13.1	13.3	-5.6	7.4	113.4	6.7	18.4	23.1	12.5	4.8	3.9	22.9	Dec.
-1.4	13.8	13.6	31.3	7.2	114.0	6.9	16.7	22.5	9.4	4.9	4.0	21.7	2004 Jan.
-5.1	9.4	9.2	21.1	7.6	115.2	7.7	16.0	21.5	9.0	5.3	4.4	21.1	Feb.
-3.5	9.4	9.4	9.6	7.6	116.0	8.8	12.6	18.2	5.6	5.2	4.4	20.9	Mar.
2.1	5.4	5.2	21.7	7.7	116.7	9.2	10.4	16.0	3.3	5.7	5.0	18.6	Apr.
1.1	4.2	4.1	17.4	7.8	117.9	9.8	9.8	14.9	3.2	5.6	5.0	17.7	May
5.2	4.0	3.8	23.3	7.8	118.9	9.3	10.1	15.6	2.9	6.0	5.4	17.3	June
4.1	3.6	3.4	19.0	7.6	119.4	9.0	9.6	13.6	4.5	6.0	5.4	15.9	July
2.7	3.2	2.9	37.0	7.7	119.7	9.1	8.9	12.9	3.7	6.3	5.7	16.5	Aug.
0.0	3.3	2.9	41.3	7.4	120.4	9.5	8.1	10.9	4.4	5.7	5.1	14.9	Sep.
-3.1	1.3	1.0	38.8	7.0	120.7	9.1	8.0	10.6	4.4	5.2	4.7	13.7	Oct.
In euro													
6.2	18.1	18.3	-5.1	6.4	111.8	3.8	24.9	36.2	12.2	4.0	3.2	21.3	2003 Oct.
1.7	16.9	17.1	-7.0	6.5	112.5	4.3	24.4	34.1	13.2	4.0	3.1	23.0	Nov.
1.5	13.3	13.5	-4.7	6.9	112.4	5.0	21.2	27.3	13.7	4.7	3.9	21.8	Dec.
-2.3	13.9	13.7	40.2	6.9	113.0	5.6	19.1	26.5	10.0	4.9	4.1	20.9	2004 Jan.
-5.5	9.3	9.2	23.3	7.5	114.3	6.5	18.6	26.0	9.4	5.4	4.6	20.4	Feb.
-3.7	9.0	9.1	4.1	7.2	114.9	7.5	14.5	22.1	5.1	5.3	4.5	20.0	Mar.
2.2	5.1	5.0	17.5	7.2	115.5	7.8	12.0	19.5	2.5	5.6	5.0	18.2	Apr.
0.9	4.1	4.0	19.9	7.3	116.7	8.1	11.4	18.6	2.5	5.7	5.0	17.4	May
5.5	3.7	3.6	18.9	7.4	117.7	7.8	11.4	19.3	1.4	6.1	5.4	17.1	June
4.1	3.5	3.4	14.6	7.3	118.1	7.5	11.3	17.7	3.0	6.1	5.6	15.9	July
3.4	3.0	2.7	33.1	7.4	118.3	7.6	10.5	17.0	2.0	6.4	5.9	16.6	Aug.
1.3	3.2	2.9	37.7	7.1	119.1	8.2	9.5	14.4	2.7	5.8	5.3	15.1	Sep.
-2.0	1.5	1.2	38.8	6.6	119.3	7.7	9.2	13.9	2.9	5.2	4.7	14.0	Oct.

C17 Annual growth rates of long-term debt securities by sector of the issuer in all currencies combined

(percentage changes)



Source: ECB.

4.4 Quoted shares issued by euro area residents [1]

(EUR billions, unless otherwise indicated; market values)

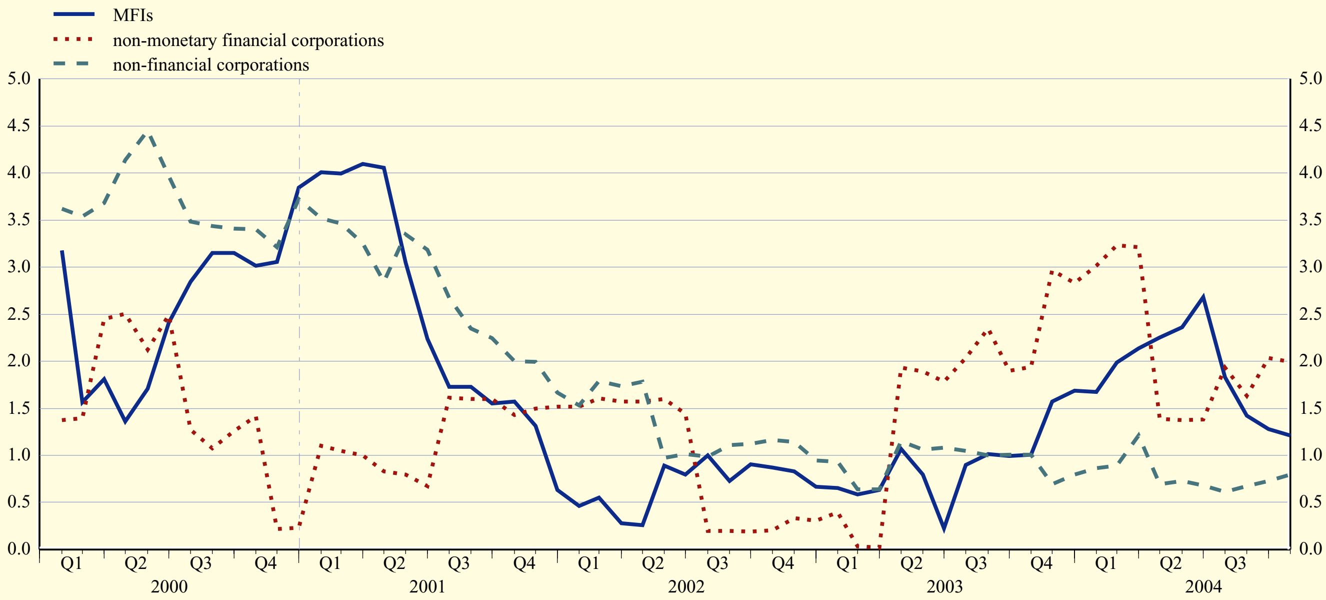
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2002 Oct.	3,252.7	100.7	1.0	446.9	0.9	321.2	0.2	2,484.5	1.2
Nov.	3,436.6	100.8	1.0	487.4	0.8	345.9	0.3	2,603.3	1.1
Dec.	3,118.2	100.8	0.8	450.7	0.7	283.6	0.3	2,383.9	0.9
2003 Jan.	2,978.3	100.8	0.8	425.8	0.6	261.1	0.4	2,291.4	0.9
Feb.	2,884.9	100.8	0.6	425.3	0.6	270.8	0.0	2,188.8	0.6
Mar.	2,763.4	100.8	0.6	413.0	0.6	236.2	0.0	2,114.2	0.6
Apr.	3,112.9	101.5	1.2	471.4	1.1	291.8	1.9	2,349.7	1.1
May	3,145.6	101.5	1.1	476.7	0.8	291.3	1.9	2,377.5	1.1
June	3,256.1	101.5	1.0	504.2	0.2	300.6	1.8	2,451.3	1.1
July	3,366.4	101.7	1.1	528.0	0.9	330.9	2.0	2,507.5	1.0
Aug.	3,413.3	101.7	1.1	506.5	1.0	325.5	2.3	2,581.3	1.0
Sep.	3,276.6	101.7	1.1	494.8	1.0	307.1	1.9	2,474.6	1.0
Oct.	3,483.9	101.8	1.1	535.2	1.0	333.2	1.9	2,615.5	1.0
Nov.	3,546.8	101.8	1.0	549.5	1.6	337.9	3.0	2,659.5	0.7
Dec.	3,647.3	102.0	1.1	569.5	1.7	348.6	2.8	2,729.2	0.8
2004 Jan.	3,788.5	102.0	1.2	584.1	1.7	372.3	3.0	2,832.0	0.9
Feb.	3,851.9	102.1	1.3	587.9	2.0	374.3	3.2	2,889.7	0.9
Mar.	3,766.4	102.4	1.5	571.9	2.1	355.0	3.2	2,839.5	1.2
Apr.	3,748.3	102.5	1.0	579.4	2.3	361.1	1.4	2,807.9	0.7
May	3,687.7	102.5	1.0	568.1	2.4	350.6	1.4	2,769.1	0.7
June	3,790.0	102.6	1.1	582.5	2.7	362.0	1.4	2,845.6	0.7
July	3,679.7	102.6	0.9	562.3	1.8	354.0	1.9	2,763.4	0.6
Aug.	3,673.7	102.6	0.9	562.5	1.4	353.1	1.6	2,758.0	0.7
Sep.	3,760.9	102.7	0.9	579.6	1.3	362.3	2.0	2,819.0	0.7
Oct.	3,840.2	102.8	1.0	598.0	1.2	372.6	2.0	2,869.7	0.8

C18 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents

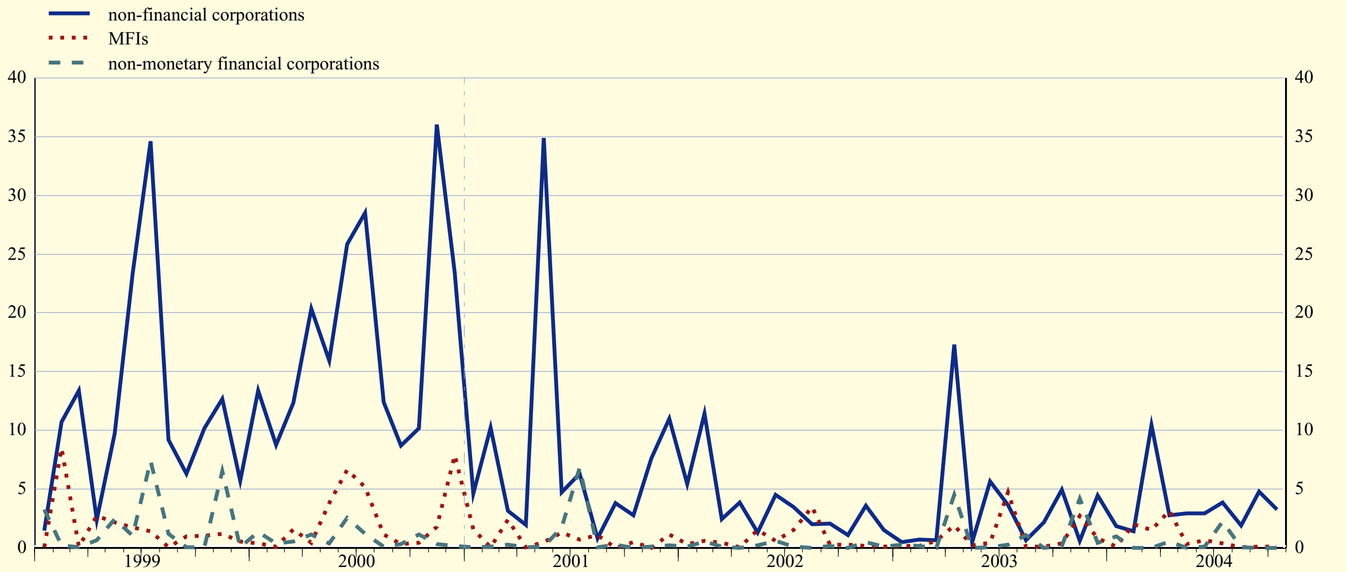
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2002 Oct.	1.3	0.1	1.2	0.3	0.0	0.2	0.0	0.0	0.0	1.1	0.1	1.0
Nov.	4.3	0.7	3.6	0.2	0.4	-0.2	0.5	0.0	0.5	3.6	0.3	3.3
Dec.	1.7	0.5	1.3	0.1	0.0	0.1	0.1	0.1	0.0	1.5	0.4	1.1
2003 Jan.	0.9	1.4	-0.5	0.1	0.0	0.1	0.3	0.0	0.3	0.5	1.4	-0.9
Feb.	1.0	1.3	-0.3	0.1	0.0	0.1	0.1	0.8	-0.7	0.7	0.5	0.2
Mar.	1.2	0.7	0.5	0.6	0.1	0.5	0.0	0.0	0.0	0.6	0.5	0.1
Apr.	23.7	4.8	18.9	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.6	12.7
May	0.7	2.2	-1.6	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.8	-1.3
June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
July	8.6	1.9	6.7	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.7	1.9
Aug.	1.8	1.2	0.6	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.1	-0.4
Sep.	2.3	1.8	0.5	0.1	0.1	0.0	0.0	1.3	-1.3	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.1	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.5	4.2	0.8	0.1	0.8	0.4	0.8	-0.4	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.4	0.6	5.8	3.1	0.1	3.1	0.5	0.1	0.4	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.7	2.1	1.6	0.7	1.6	-1.0	0.1	0.0	0.1	2.9	0.4	2.5
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.4	0.3	3.1	0.1	0.0	0.1	0.0	0.0	0.0	3.3	0.2	3.0

C19 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [1]	With agreed maturity			Redeemable at notice [1,2]		Overnight [1]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2003 Nov.	0.70	1.88	2.24	2.61	2.01	2.70	0.87	1.97	2.36	2.69	1.97
Dec.	0.69	1.89	2.40	2.41	2.02	2.68	0.86	2.00	2.44	3.34	1.99
2004 Jan.	0.69	1.90	2.38	2.74	2.03	2.65	0.93	1.99	2.08	3.10	1.95
Feb.	0.69	1.89	2.16	2.45	2.02	2.63	0.86	1.98	2.22	3.60	1.98
Mar.	0.70	1.91	2.13	2.31	2.00	2.59	0.86	1.96	2.16	3.35	1.98
Apr.	0.70	1.96	2.13	2.41	2.02	2.57	0.85	1.97	2.04	3.46	1.95
May	0.70	1.86	2.15	2.43	2.00	2.55	0.86	1.96	2.06	3.74	1.95
June	0.70	1.87	2.21	2.42	2.00	2.55	0.87	1.98	2.27	3.76	1.98
July	0.70	1.90	2.21	2.54	1.99	2.55	0.86	1.99	2.59	4.00	1.99
Aug.	0.71	1.91	2.18	2.67	2.00	2.53	0.87	1.98	2.36	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.31	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.32	3.56	2.00

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

	Bank overdraft [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
2003 Nov.	9.64	7.58	6.78	7.96	7.89	3.59	4.09	4.93	4.84	4.39	4.15	5.24	5.17
Dec.	9.69	7.64	6.54	7.66	7.69	3.62	4.18	5.01	4.89	4.41	3.86	4.98	5.08
2004 Jan.	9.87	7.63	7.22	8.56	8.35	3.61	4.30	5.02	4.85	4.47	4.08	5.10	5.18
Feb.	9.81	7.45	7.06	8.49	8.20	3.54	4.22	4.96	4.86	4.31	4.13	5.07	5.04
Mar.	9.71	7.38	6.90	8.37	8.05	3.47	4.14	4.87	4.71	4.28	3.96	5.06	4.96
Apr.	9.73	7.35	6.65	8.30	7.86	3.42	4.06	4.77	4.69	4.24	3.89	4.97	4.95
May	9.68	7.33	6.77	8.27	7.96	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94
June	9.55	7.12	6.74	8.42	7.96	3.42	4.12	4.81	4.69	4.17	3.93	4.97	5.01
July	9.57	7.18	6.86	8.52	8.07	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01
Aug.	9.62	7.67	6.89	8.58	8.26	3.50	4.19	4.86	4.65	4.29	3.91	5.07	5.02
Sep.	9.59	7.45	6.96	8.45	8.18	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00
Oct.	9.53	7.39	6.91	8.34	8.01	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92

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

	Bank overdraft [1]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2003 Nov.	5.41	4.08	4.93	4.72	3.01	3.29	4.24
Dec.	5.58	4.03	4.79	4.85	3.12	3.41	4.29
2004 Jan.	5.67	4.01	4.88	4.87	3.02	3.39	4.29
Feb.	5.63	4.00	4.93	4.78	3.00	3.19	4.30
Mar.	5.56	3.95	4.81	4.73	2.95	3.27	4.37
Apr.	5.51	3.88	4.75	4.69	3.00	3.28	4.21
May	5.46	4.00	4.62	4.59	3.00	3.30	4.21
June	5.46	3.97	4.81	4.71	2.99	3.26	4.08
July	5.36	4.02	4.85	4.65	3.02	3.28	4.27
Aug.	5.37	4.06	4.89	4.73	2.99	3.12	4.30
Sep.	5.37	4.00	4.85	4.68	2.99	3.37	4.45
Oct.	5.39	4.02	4.87	4.64	2.98	3.30	4.27

Source: ECB.

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

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

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

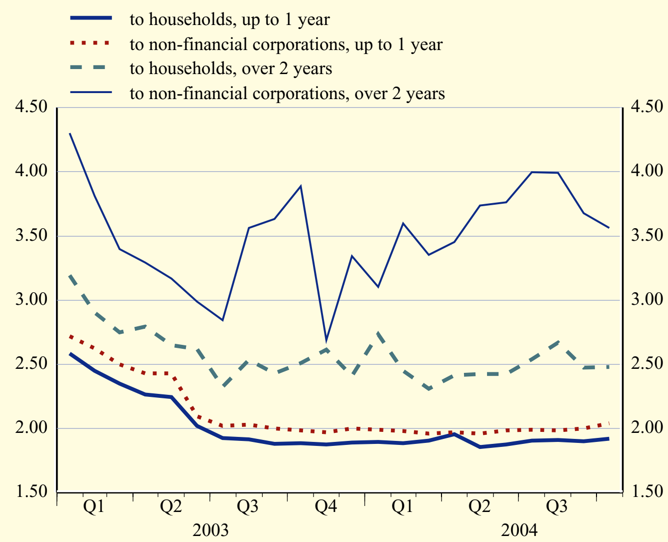
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Nov.	0.70	1.98	3.44	2.01	2.70	0.87	2.13	4.43	1.98
Dec.	0.69	1.97	3.54	2.02	2.68	0.86	2.14	4.25	1.98
2004 Jan.	0.69	1.94	3.36	2.03	2.65	0.93	2.09	4.28	1.95
Feb.	0.69	1.93	3.42	2.02	2.63	0.86	2.09	4.22	1.97
Mar.	0.70	1.92	3.32	2.00	2.59	0.86	2.08	4.17	1.93
Apr.	0.70	1.90	3.35	2.02	2.57	0.85	2.09	4.17	1.92
May	0.70	1.89	3.28	2.00	2.55	0.86	2.07	4.15	1.93
June	0.70	1.88	3.27	2.00	2.55	0.87	2.09	4.11	1.94
July	0.70	1.89	3.25	1.99	2.55	0.86	2.10	4.10	1.96
Aug.	0.71	1.89	3.22	2.00	2.53	0.87	2.13	4.02	1.97
Sep.	0.72	1.89	3.22	2.00	2.52	0.90	2.13	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.11	3.88	1.98

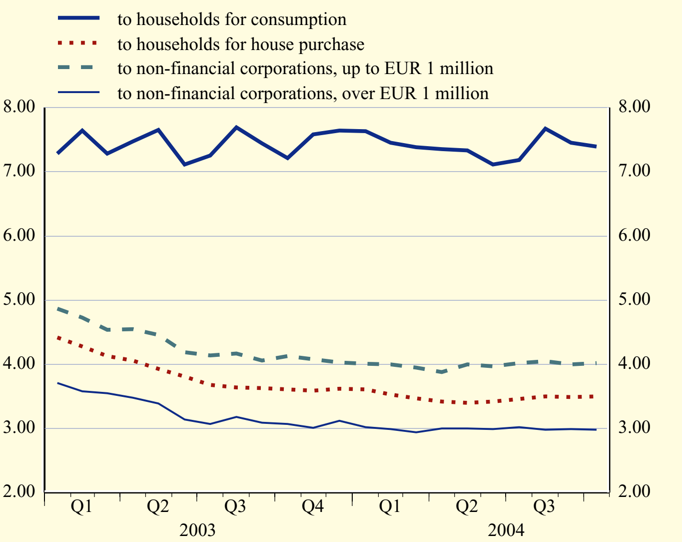
5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2003 Nov.	4.97	4.90	5.17	7.98	7.09	5.82	4.52	4.18	4.67
Dec.	5.09	4.88	5.14	8.04	7.05	6.00	4.56	4.23	4.66
2004 Jan.	5.05	4.89	5.11	8.15	7.02	5.92	4.58	4.07	4.56
Feb.	5.01	4.91	5.11	8.13	7.16	5.95	4.62	4.06	4.58
Mar.	4.98	4.82	5.03	8.05	7.16	5.89	4.56	3.96	4.61
Apr.	4.90	4.75	5.01	8.03	7.08	5.85	4.51	3.91	4.59
May	4.89	4.72	4.99	7.99	7.04	5.82	4.50	3.87	4.55
June	4.87	4.69	4.97	7.93	6.99	5.80	4.47	3.89	4.53
July	4.91	4.63	4.94	7.93	6.98	5.76	4.48	3.88	4.50
Aug.	4.88	4.58	4.91	7.93	6.95	5.77	4.45	3.84	4.48
Sep.	4.82	4.58	4.90	8.05	7.14	5.85	4.46	3.99	4.52
Oct.	4.69	4.54	4.88	8.04	7.08	5.80	4.42	3.97	4.48

C20 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)



C21 New loans at floating rate and up to 1 year initial rate fixation (percentages per annum excluding charges; period averages)



Source: ECB.

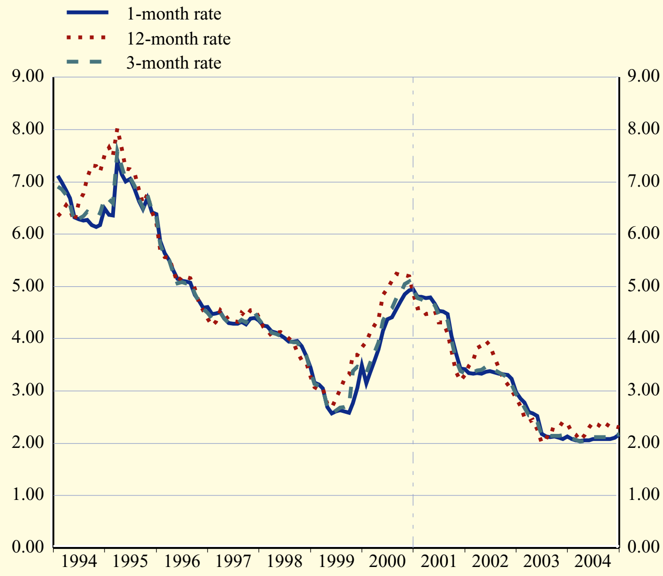
4.6 Money market interest rates

(percentages per annum; period averages)

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

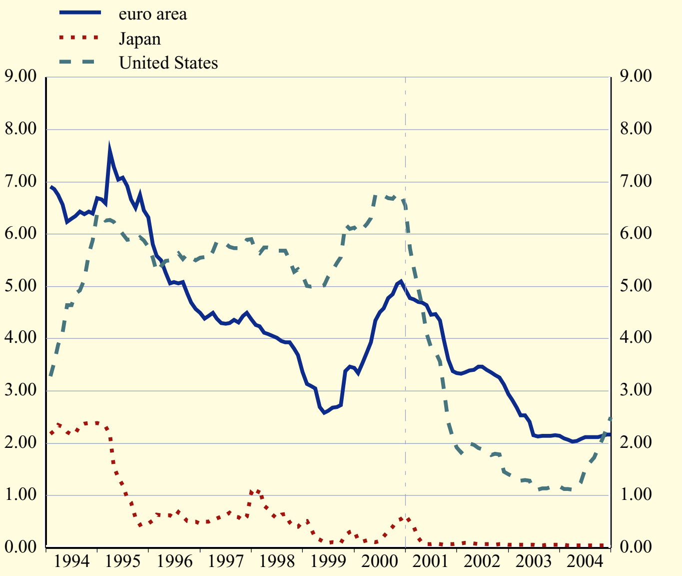
C22 Euro area money market rates

(monthly; percentages per annum)



C23 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

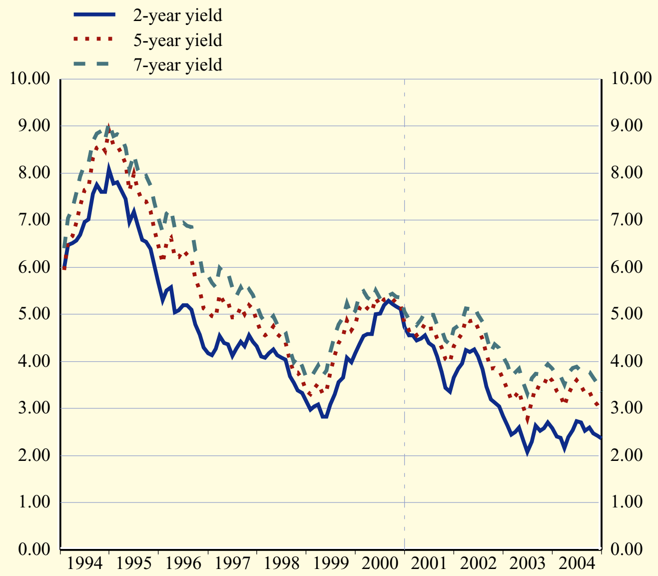
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area 1)					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2002	3.68	3.94	4.35	4.70	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2003 Q4	2.62	2.91	3.59	3.88	4.36	4.27	1.38
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2003 Dec.	2.58	2.88	3.59	3.85	4.36	4.26	1.35
2004 Jan.	2.41	2.71	3.37	3.70	4.26	4.13	1.33
Feb.	2.38	2.71	3.28	3.69	4.18	4.06	1.25
Mar.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40

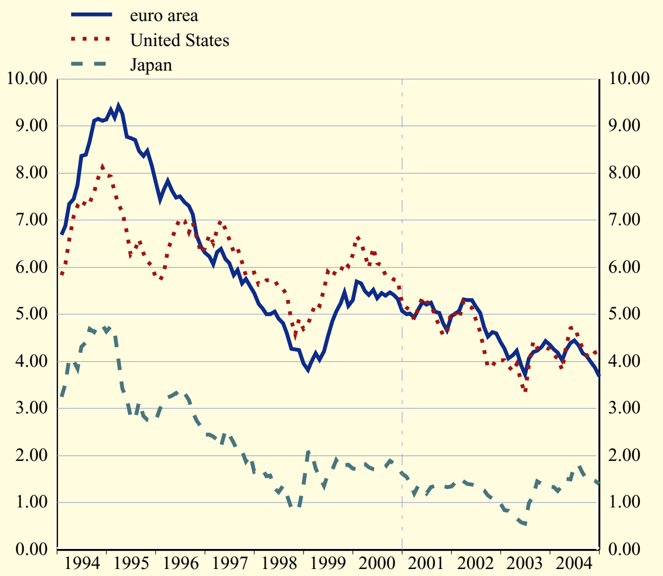
C24 Euro area government bond yields

(monthly; percentages per annum)



C25 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

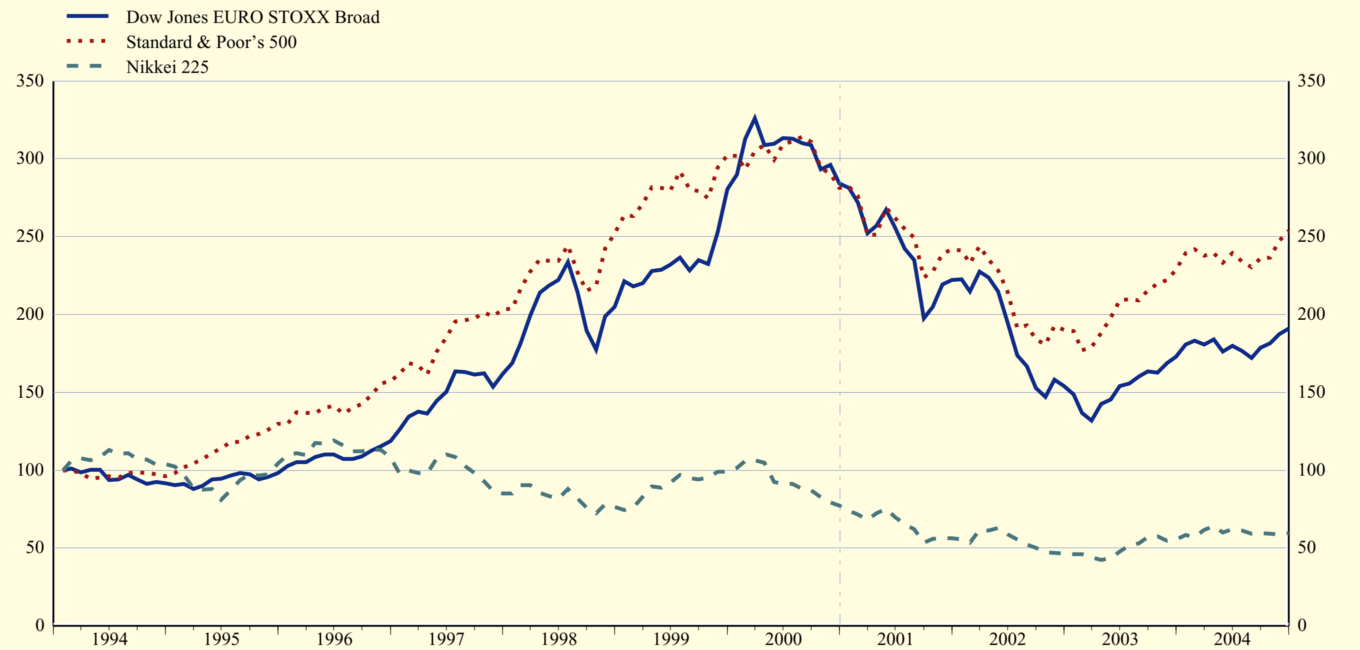
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2003 Q4	233.0	2,614.3	233.7	160.2	211.2	266.7	221.9	240.2	317.5	219.7	360.6	320.2	1,057.1	10,423.3
2004 Q1	251.6	2,846.5	245.0	166.9	222.1	279.9	240.5	257.1	353.0	248.7	405.3	366.6	1,132.7	10,996.9
Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2003 Dec.	239.6	2,702.2	242.0	160.4	214.5	274.5	230.1	247.9	320.2	231.0	374.4	331.5	1,081.2	10,315.9
2004 Jan.	250.6	2,839.1	250.3	165.6	221.7	277.2	242.0	257.5	349.2	239.6	405.1	350.3	1,131.9	10,876.4
Feb.	253.9	2,874.8	244.7	168.4	224.1	275.6	243.7	260.1	359.0	252.1	412.3	370.0	1,143.5	10,618.6
Mar.	250.5	2,829.0	240.3	166.7	220.9	286.3	236.1	254.1	351.4	254.5	399.3	379.3	1,124.0	11,441.1
Apr.	255.0	2,860.9	247.6	168.3	227.8	300.2	241.0	262.6	321.3	264.7	402.0	389.3	1,133.4	11,962.8
May	244.4	2,728.0	240.2	160.8	223.0	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.6	11,141.0
June	249.8	2,792.2	246.1	164.9	227.9	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	162.1	221.6	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.7	11,390.8
Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3

C26 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1)]

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total [2)]	100.0	100.0	58.7	41.3	100.0	11.8	7.7	31.0	8.1	41.3
	1	2	3	4	5	6	7	8	9	10
2000	106.0	2.1	2.5	1.5	-	-	-	-	-	-
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2003 Q3	113.4	2.0	1.7	2.5	0.5	0.6	1.5	0.1	0.5	0.6
Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	0.9	-0.5	0.2	1.2	0.7
Q2	115.8	2.3	2.1	2.6	0.8	1.1	-0.1	0.4	3.3	0.6
Q3	115.9	2.2	2.0	2.6	0.5	0.4	-0.3	0.1	1.9	0.7
2004 July	115.7	2.3	2.1	2.7	0.1	0.2	-0.4	-0.2	0.6	0.2
Aug.	115.9	2.3	2.1	2.7	0.3	0.1	-0.3	0.3	1.5	0.3
Sep.	116.1	2.1	1.8	2.6	0.0	-0.1	-0.1	0.0	-0.1	0.1
Oct.	116.5	2.4	2.2	2.6	0.3	0.0	-0.1	0.1	2.9	0.2
Nov.	116.4	2.2	2.0	2.6	0.0	-0.1	0.3	0.1	-1.2	0.2
Dec. [3)]	.	2.3	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [2)]	19.5	11.8	7.7	39.1	31.0	8.1	10.4	6.4	6.4	2.9	15.0	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
2000	1.4	1.2	1.8	3.0	0.5	13.0	1.5	1.3	2.5	-7.1	2.4	2.5
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2003 Q3	3.2	3.1	3.4	1.0	0.7	2.1	2.4	1.9	2.8	-0.4	2.6	3.2
Q4	3.7	3.8	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
2004 July	2.6	3.8	0.7	1.8	0.7	5.9	2.5	1.9	2.9	-2.4	2.6	5.3
Aug.	2.1	3.6	-0.2	2.1	0.9	6.5	2.5	2.0	2.9	-2.5	2.6	5.2
Sep.	1.4	3.3	-1.5	2.0	0.8	6.4	2.5	1.9	2.7	-2.8	2.5	5.2
Oct.	1.2	2.8	-1.2	2.7	0.8	9.8	2.6	2.1	2.7	-2.5	2.4	5.2
Nov.	1.0	2.3	-1.0	2.5	0.8	8.7	2.6	2.1	2.8	-2.6	2.4	5.4

Sources: Eurostat and ECB calculations.
1) Data prior to 2001 refer to the Euro 11.
2) Referring to the index period 2004.
3) Estimate based on first releases by Germany, Spain and Italy (and, when available, by other Member States), as well as on early information on energy prices.

2. Industry and commodity prices

	Industrial producer prices											World market prices of raw materials[1]		Oil prices[2] (EUR per barrel)
	Industry excluding construction									Construction[3]	Manufacturing	Total		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy					
			Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
						Total	Durable	Non-durable						
% of total[4]	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5		89.5	100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	102.0	2.0	1.7	1.1	0.9	3.0	1.9	3.1	2.6	2.4	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.8	0.3	-4.1	-0.9	26.5
2003	103.4	1.4	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.2	0.9	-4.0	-4.5	25.1
2004	.	.	.	.	.	.	.	.	.	.	.	18.4	10.8	30.5
2003 Q4	103.4	1.0	0.6	0.3	0.3	1.2	0.5	1.3	2.0	1.7	0.5	-4.2	-1.2	24.5
2004 Q1	103.9	0.2	0.9	1.0	0.3	1.1	0.4	1.3	-2.6	1.8	0.2	-2.5	9.8	25.0
Q2	105.3	2.0	1.7	2.8	0.6	1.5	0.6	1.6	3.7	2.1	2.5	28.8	20.9	29.3
Q3	106.4	3.1	2.4	4.7	0.9	1.3	0.8	1.4	5.8	.	3.5	26.9	11.9	33.3
Q4	.	.	.	.	.	.	.	.	.	.	.	22.9	1.3	34.5
2004 July	106.0	2.9	2.4	4.3	0.8	1.5	0.7	1.7	5.2	-	3.2	24.9	18.0	30.7
Aug.	106.4	3.1	2.5	4.8	0.9	1.4	0.8	1.5	5.4	-	3.5	25.5	11.0	34.1
Sep.	106.6	3.3	2.5	5.0	0.9	1.1	0.8	1.1	7.0	-	3.8	30.5	6.9	35.0
Oct.	107.5	4.0	2.7	5.5	1.1	1.1	1.0	1.1	9.6	-	4.3	35.1	3.7	39.4
Nov.	107.2	3.6	2.6	5.5	1.1	1.0	1.1	0.9	7.9	-	3.9	21.0	0.4	34.5
Dec.	.	.	.	.	.	.	.	.	.	-	.	12.8	-0.2	30.0

3. Hourly labour costs[5]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2000	100.0	3.1	3.5	2.0	3.0	3.6	3.6	2.2
2001	103.5	3.6	3.7	2.9	3.4	4.0	3.2	2.6
2002	107.4	3.7	3.6	4.2	3.8	4.0	3.5	2.7
2003	110.5	2.8	2.7	3.2	2.9	3.4	2.7	2.4
2003 Q3	110.9	2.8	2.7	3.2	3.1	3.1	2.8	2.4
Q4	111.4	2.3	2.2	2.5	2.2	2.8	2.4	2.2
2004 Q1	112.2	2.8	2.9	2.7	3.2	3.2	2.8	2.3
Q2	112.6	2.2	2.3	2.0	2.4	2.2	2.2	2.2
Q3	113.2	2.0	2.1	1.6	1.8	2.3	2.1	2.0

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

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

5.1 HICP, other prices and costs

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

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

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2000	100.0	1.3	1.2	-0.3	1.7	0.3	3.3	2.1
2001	102.6	2.6	3.8	2.4	3.5	1.0	3.5	2.6
2002	104.8	2.2	0.0	0.7	2.6	1.9	3.6	2.4
2003	106.9	2.0	4.4	1.1	3.6	1.9	1.6	2.9
2003 Q3	107.3	2.3	5.9	1.7	3.7	1.5	0.9	3.9
Q4	107.1	1.5	3.3	0.2	3.7	2.1	1.6	2.0
2004 Q1	107.2	1.0	-3.7	0.2	2.2	0.9	1.7	1.8
Q2	107.5	0.4	-4.7	-2.5	1.7	-0.4	1.1	2.2
Q3	107.3	0.1	-2.9	-2.2	3.3	0.1	2.5	0.0
	Compensation per employee							
2000	100.0	2.7	2.1	3.4	2.6	1.8	2.4	2.8
2001	102.8	2.8	2.0	2.7	3.1	2.8	2.5	3.1
2002	105.4	2.5	2.8	2.4	2.8	2.7	2.0	2.7
2003	107.9	2.3	3.0	3.2	3.3	1.9	1.7	2.3
2003 Q3	108.3	2.5	2.5	3.3	3.5	1.5	1.3	3.1
Q4	108.6	2.2	2.7	3.3	3.3	1.5	1.6	2.0
2004 Q1	109.4	2.2	-0.3	3.9	2.8	1.3	1.0	2.4
Q2	109.9	2.2	0.0	3.0	1.6	1.0	1.1	3.3
Q3	109.9	1.5	3.6	2.1	2.7	1.1	1.9	0.9
	Labour productivity [2]							
2000	100.0	1.3	0.8	3.7	0.9	1.4	-0.9	0.7
2001	100.3	0.3	-1.8	0.3	-0.4	1.8	-1.0	0.4
2002	100.6	0.3	2.8	1.6	0.2	0.8	-1.6	0.3
2003	100.9	0.4	-1.3	2.1	-0.3	0.0	0.1	-0.6
2003 Q3	101.0	0.2	-3.2	1.6	-0.2	-0.1	0.4	-0.7
Q4	101.4	0.7	-0.5	3.1	-0.4	-0.5	0.0	0.0
2004 Q1	102.0	1.2	3.5	3.6	0.6	0.4	-0.7	0.5
Q2	102.3	1.8	4.9	5.6	-0.1	1.4	0.0	1.1
Q3	102.4	1.4	6.7	4.4	-0.6	1.0	-0.5	0.9

5. Gross Domestic Product deflators

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

Sources: ECB calculations based on Eurostat data.

1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.
2) Value added (at constant prices) per person employed.
3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

1. GDP and expenditure components

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

Source: Eurostat.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.
2) Including acquisitions less disposals of valuables.

5.2 Output and demand

2. Value added by economic activity

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

Source: Eurostat.

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

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

3. Industrial production

	Total	Industry excluding construction									Construction	Manufacturing
		Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy						Energy		
				Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [1]	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2000	5.0	100.1	5.2	5.2	6.2	8.2	1.7	6.1	0.9	1.9	2.5	5.6
2001	0.6	100.5	0.4	0.1	-0.7	1.7	0.3	-2.1	0.8	1.4	0.8	0.3
2002	-0.3	99.9	-0.5	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.2	0.8	-0.8
2003	0.3	100.2	0.3	0.0	0.3	0.0	-0.5	-4.4	0.2	3.0	0.0	0.0
2003 Q4	1.4	101.3	1.4	1.4	1.5	1.9	0.0	-1.4	0.2	2.7	0.5	1.4
2004 Q1	1.4	101.3	1.0	1.0	0.7	0.7	0.5	1.1	0.3	2.0	1.3	0.9
Q2	3.2	102.3	3.1	3.2	2.7	4.9	1.5	3.1	1.2	2.8	-0.1	3.3
Q3	2.9	102.6	2.8	2.9	3.0	5.2	0.6	-0.7	0.8	2.1	-0.3	3.0
2004 May	4.2	102.5	3.8	3.9	3.2	5.7	2.4	5.2	1.9	3.8	-0.1	4.1
June	3.5	102.4	3.5	3.6	3.0	6.4	1.2	1.7	1.1	2.5	0.6	3.8
July	2.7	102.7	2.6	2.8	3.5	4.0	0.3	0.5	0.2	1.3	0.8	2.9
Aug.	3.2	102.1	2.0	2.2	2.1	4.9	0.6	-1.0	0.8	1.1	1.2	2.5
Sep.	2.8	102.8	3.6	3.5	3.2	6.4	0.8	-1.6	1.3	4.0	-2.8	3.6
Oct.	.	102.3	1.2	1.0	1.2	4.3	-1.0	-3.3	-0.6	-0.9	.	1.1
	month-on-month percentage changes (s.a.)											
2004 May	0.8	-	0.5	0.5	0.0	1.0	0.1	0.2	0.1	0.3	-0.1	0.6
June	-0.5	-	-0.1	-0.2	0.0	0.0	-0.4	-1.5	-0.2	0.1	0.8	-0.1
July	0.5	-	0.3	0.5	1.0	0.2	0.3	1.0	0.2	-0.3	0.6	0.4
Aug.	-0.1	-	-0.7	-0.7	-0.7	-0.3	-0.5	-2.7	-0.2	0.6	-1.5	-0.7
Sep.	-0.2	-	0.8	0.7	0.2	1.2	0.1	0.3	0.1	0.0	-2.0	0.6
Oct.	.	-	-0.6	-0.6	-0.3	-0.2	-0.6	-0.8	-0.6	-0.9	.	-0.7

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. 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
2000	100.2	12.3	100.0	10.8	4.1	100.0	2.1	1.9	2.0	1.0	4.1	977	-1.8
2001	98.5	-1.6	102.1	1.9	4.0	101.6	1.6	1.7	1.5	0.7	-0.2	968	-0.8
2002	98.0	-0.6	101.4	-0.6	1.9	101.7	0.0	0.9	-0.6	-2.0	-2.0	925	-4.4
2003	98.6	0.7	101.0	-0.3	1.8	102.0	0.3	1.2	-0.3	-2.7	0.3	912	-1.5
2003 Q4	101.7	4.5	102.0	0.5	1.5	102.0	0.0	0.5	-0.3	-3.4	0.6	918	-2.5
2004 Q1	101.5	4.6	103.8	2.5	1.1	102.4	0.5	0.5	0.4	-1.8	2.2	911	0.9
Q2	108.2	12.3	105.9	6.3	1.1	102.3	0.1	-0.3	0.3	-0.3	2.4	928	3.0
Q3	105.8	7.9	106.5	5.7	1.0	102.0	0.1	-0.8	0.7	0.8	1.8	904	-3.5
2004 June	106.5	13.1	108.5	11.2	1.6	102.9	1.2	0.8	1.6	1.3	3.7	929	0.6
July	105.8	5.5	106.0	2.4	1.2	102.6	0.6	0.4	0.8	1.1	2.3	912	-1.8
Aug.	105.0	10.8	105.3	9.5	1.6	101.8	0.0	-1.8	1.2	2.0	2.0	873	-9.5
Sep.	106.7	8.0	108.2	6.2	0.5	101.7	-0.3	-0.8	0.1	-0.7	1.3	928	-0.6
Oct.	106.6	0.3	104.6	1.6	0.1	102.1	-0.6	-0.8	-0.5	-1.8	0.7	949	3.9
Nov.	.	.	.	.	1.1	102.1	0.4	0.2	0.4	.	.	956	4.8
	month-on-month percentage changes (s.a.)												
2004 June	-	-5.9	-	5.6	1.2	-	1.8	1.4	1.9	4.1	1.5	-	0.3
July	-	-0.6	-	-2.2	-0.3	-	-0.3	0.2	-0.6	-0.1	-0.6	-	-1.9
Aug.	-	-0.7	-	-0.7	-0.1	-	-0.8	-1.3	-0.5	-1.7	-0.6	-	-4.2
Sep.	-	1.6	-	2.7	-0.4	-	-0.1	0.3	-0.1	-1.4	0.2	-	6.3
Oct.	-	-0.1	-	-3.3	0.2	-	0.4	0.3	0.1	1.2	-0.2	-	2.3
Nov.	-	.	-	.	0.4	-	0.0	0.3	-0.3	.	.	-	0.7

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).
1) In 2000.
2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.
3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry: Industrial confidence indicator: Total [5]	Order books	Stocks of finished products	Production expectations	Capacity utilisation [3),4] (percentages)	Consumer confidence indicator [3]: 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
	1	2	3	4	5	6	7	8	9	10	11
2001	100.8	-9	-15	14	1	83.0	-5	2	-10	14	2
2002	94.4	-11	-25	11	3	81.5	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.0	-18	-5	-21	38	-9
2004	100.1	-5	-15	8	10	.	-14	-4	-14	30	-8
2003 Q4	97.7	-7	-22	9	8	81.1	-16	-5	-17	33	-9
2004 Q1	98.9	-7	-21	10	11	80.7	-14	-4	-13	30	-9
Q2	100.0	-5	-16	8	10	81.1	-15	-3	-15	32	-8
Q3	100.7	-4	-12	8	9	81.6	-14	-4	-13	29	-8
Q4	100.9	-3	-12	8	9	.	-13	-4	-13	29	-6
2004 July	100.0	-4	-12	8	8	81.6	-14	-4	-14	30	-9
Aug.	101.0	-4	-12	7	8	-	-14	-4	-14	30	-7
Sep.	101.1	-3	-12	8	11	-	-13	-3	-12	28	-7
Oct.	101.4	-3	-11	7	10	81.7	-14	-4	-13	29	-8
Nov.	100.9	-3	-12	8	10	-	-13	-4	-14	29	-5
Dec.	100.3	-4	-12	8	8	-	-13	-3	-13	29	-6

	Construction confidence indicator: Total [5]	Order books	Employment expectations	Retail trade confidence indicator: Total [5]	Present business situation	Volume of stocks	Expected business situation	Services confidence indicator: Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2001	-11	-16	-4	-7	-5	17	-1	15	16	8	20
2002	-19	-27	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	11
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2003 Q4	-20	-27	-11	-8	-12	15	3	10	6	11	15
2004 Q1	-19	-28	-9	-8	-12	15	1	11	8	6	20
Q2	-16	-23	-9	-8	-10	15	2	12	6	11	17
Q3	-16	-24	-7	-8	-10	14	0	12	8	11	18
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2004 July	-16	-25	-7	-9	-10	15	-1	12	8	12	16
Aug.	-15	-24	-6	-7	-10	12	2	13	9	12	17
Sep.	-16	-22	-9	-9	-11	16	0	12	6	9	20
Oct.	-14	-23	-5	-7	-13	14	7	13	9	12	17
Nov.	-14	-20	-7	-10	-17	12	-1	11	8	8	17
Dec.	-14	-21	-6	-7	-12	12	2	10	8	8	13

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

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

5.3 Labour markets [1)]

(annual percentage changes, unless otherwise indicated)

1. Employment

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

2. Unemployment

(seasonally adjusted)

	Total		By age [3)]				By gender [4)]			
			Adult		Youth		Male		Female	
	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2)]	100.0		78.2		21.8		50.1		49.9	
	1	2	3	4	5	6	7	8	9	10
2000	11.644	8.5	8.906	7.3	2.738	16.8	5.517	7.0	6.127	10.4
2001	11.126	8.0	8.570	7.0	2.557	15.8	5.358	6.8	5.768	9.7
2002	11.851	8.4	9.215	7.4	2.636	16.4	5.860	7.3	5.991	9.9
2003	12.589	8.9	9.847	7.8	2.742	17.2	6.310	7.9	6.279	10.2
2003 Q3	12.628	8.9	9.880	7.9	2.748	17.3	6.334	7.9	6.294	10.2
Q4	12.674	8.9	9.960	7.9	2.714	17.2	6.339	7.9	6.335	10.3
2004 Q1	12.743	9.0	10.047	8.0	2.696	17.0	6.337	7.9	6.406	10.3
Q2	12.617	8.9	9.878	7.8	2.739	17.3	6.347	7.9	6.270	10.1
Q3	12.657	8.9	9.913	7.8	2.744	17.3	6.369	7.9	6.288	10.1
2004 June	12.630	8.9	9.893	7.8	2.737	17.2	6.353	7.9	6.277	10.1
July	12.636	8.9	9.904	7.8	2.732	17.2	6.355	7.9	6.280	10.1
Aug.	12.666	8.9	9.918	7.8	2.748	17.3	6.372	7.9	6.294	10.1
Sep.	12.669	8.9	9.918	7.8	2.751	17.3	6.379	7.9	6.290	10.1
Oct.	12.635	8.9	9.888	7.8	2.748	17.3	6.370	7.9	6.265	10.1
Nov.	12.645	8.9	9.890	7.8	2.754	17.3	6.374	7.9	6.271	10.1

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

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

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area − revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	46.9	46.4	11.5	9.1	2.0	13.3	0.9	17.3	8.4	5.5	2.4	0.4	0.3	42.4
1996	47.6	47.3	11.9	9.2	2.3	13.4	0.8	17.5	8.7	5.6	2.4	0.4	0.3	43.1
1997	47.9	47.4	12.1	9.2	2.6	13.6	0.7	17.5	8.7	5.5	2.4	0.5	0.4	43.6
1998	47.3	47.0	12.4	9.7	2.3	14.2	0.7	16.4	8.5	4.9	2.4	0.3	0.3	43.3
1999	47.8	47.5	12.8	9.8	2.6	14.4	0.6	16.4	8.4	5.0	2.3	0.3	0.3	43.8
2000	47.5	47.2	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.3	0.3	43.6
2001	46.8	46.6	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.3	0.3	42.8
2002	46.3	45.9	12.2	9.6	2.3	13.8	0.4	16.0	8.4	4.7	2.3	0.3	0.3	42.3
2003	46.3	45.7	11.8	9.3	2.2	13.9	0.4	16.2	8.5	4.8	2.3	0.7	0.5	42.4

2. Euro area − expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		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
1995	52.0	47.6	11.2	4.8	5.8	25.9	22.7	2.3	0.6	4.4	2.7	1.7	0.1	46.2
1996	52.0	48.1	11.2	4.8	5.8	26.3	23.2	2.3	0.6	3.9	2.6	1.3	0.0	46.2
1997	50.6	46.9	11.1	4.7	5.2	26.0	23.1	2.1	0.6	3.6	2.4	1.2	0.1	45.4
1998	49.6	45.8	10.7	4.6	4.8	25.7	22.6	2.1	0.6	3.8	2.5	1.3	0.1	44.8
1999	49.1	45.2	10.7	4.7	4.3	25.6	22.5	2.1	0.5	3.9	2.5	1.4	0.1	44.8
2000	48.5	44.6	10.6	4.7	4.1	25.3	22.2	1.9	0.5	3.9	2.5	1.3	0.1	44.4
2001	48.6	44.6	10.5	4.8	4.0	25.3	22.3	1.9	0.5	4.0	2.6	1.4	0.0	44.6
2002	48.7	44.9	10.6	4.9	3.7	25.6	22.8	1.9	0.5	3.8	2.5	1.3	0.0	45.0
2003	49.1	45.2	10.7	4.9	3.5	26.0	23.1	1.8	0.5	3.9	2.6	1.3	0.1	45.6

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	-5.2	-4.4	-0.5	-0.1	-0.2	0.6	20.4	11.2	4.8	5.0	1.9	2.4	8.6	11.8
1996	-4.3	-3.8	-0.4	0.0	-0.1	1.4	20.5	11.2	4.8	5.1	1.9	2.4	8.6	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.5	20.2	11.1	4.7	5.0	1.8	2.4	8.4	11.8
1998	-2.3	-2.2	-0.2	0.1	0.1	2.5	19.9	10.7	4.6	5.0	1.8	2.4	8.2	11.7
1999	-1.3	-1.7	-0.1	0.1	0.4	2.9	19.9	10.7	4.7	5.0	1.8	2.3	8.2	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	3.1	19.9	10.6	4.7	5.1	1.8	2.3	8.2	11.7
2001	-1.7	-1.6	-0.4	0.0	0.3	2.3	20.1	10.5	4.8	5.2	1.8	2.2	8.2	11.8
2002	-2.4	-2.0	-0.5	-0.2	0.2	1.3	20.4	10.6	4.9	5.3	1.8	2.3	8.3	12.1
2003	-2.7	-2.2	-0.4	-0.1	0.0	0.7	20.7	10.7	4.9	5.4	1.8	2.3	8.4	12.3

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

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

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

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 0.1% 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) Including proceeds from the sale of UMTS licences.

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

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

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

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1994	70.7	58.9	5.3	5.9	0.6	12.3	58.3	7.2	17.8	27.1	25.7	68.3	2.3
1995	74.9	62.6	5.6	5.9	0.8	12.9	62.0	5.6	18.9	26.8	29.2	72.7	2.2
1996	76.1	63.8	6.0	5.7	0.5	12.2	63.9	5.3	20.5	25.8	29.7	74.1	2.0
1997	75.5	63.2	6.2	5.5	0.6	11.1	64.3	4.6	19.8	25.9	29.8	73.5	2.0
1998	73.8	62.0	6.2	5.3	0.4	9.4	64.4	4.8	17.1	26.9	29.8	72.0	1.8
1999	72.8	61.2	6.1	5.2	0.3	9.2	63.6	3.2	15.5	27.7	29.7	70.9	2.0
2000	70.4	59.1	6.0	5.0	0.3	8.2	62.2	2.9	15.3	28.3	26.8	68.6	1.8
2001	69.4	58.1	6.2	4.9	0.3	8.7	60.7	1.6	15.9	26.4	27.1	67.9	1.6
2002	69.4	57.8	6.4	4.8	0.3	9.1	60.3	1.6	16.8	25.3	27.3	68.0	1.4
2003	70.7	58.3	6.7	5.2	0.6	9.2	61.5	1.5	15.6	26.4	28.8	69.7	1.0

3. Euro area countries

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

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

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

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

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

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

2. Euro area − deficit-debt adjustment

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

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

6.4 Quarterly revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area − quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
1999 Q1	44.1	43.6	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.3
Q2	48.3	47.8	13.7	13.6	16.2	2.2	1.3	0.5	0.3	43.7
Q3	45.2	44.7	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.3
Q4	52.0	51.4	14.5	14.9	17.1	3.1	0.8	0.7	0.3	46.8
2000 Q1	44.0	43.5	11.2	13.2	15.7	1.9	0.7	0.5	0.3	40.4
Q2	48.3	47.7	14.1	13.6	16.0	2.1	1.1	0.6	0.3	44.0
Q3	44.9	44.4	12.1	12.8	16.0	2.0	0.8	0.4	0.3	41.1
Q4	51.3	50.8	14.3	14.5	17.0	3.1	0.9	0.5	0.3	46.1
2001 Q1	43.0	42.5	10.7	12.9	15.5	1.8	0.8	0.4	0.2	39.4
Q2	47.7	47.3	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.1
Q3	44.4	44.0	11.9	12.5	15.8	1.9	0.8	0.4	0.3	40.6
Q4	50.7	50.1	13.9	14.3	16.8	3.2	0.9	0.5	0.3	45.4
2002 Q1	42.7	42.2	10.4	13.0	15.7	1.7	0.7	0.4	0.2	39.3
Q2	46.4	45.8	12.9	12.9	15.8	2.0	1.4	0.6	0.4	41.9
Q3	44.4	44.0	11.5	13.0	15.8	2.0	0.7	0.4	0.3	40.5
Q4	50.6	50.0	13.8	14.6	16.7	3.2	0.8	0.6	0.3	45.4
2003 Q1	42.7	42.2	10.0	13.1	15.9	1.7	0.7	0.5	0.2	39.2
Q2	47.2	45.5	12.4	12.9	16.1	2.1	1.2	1.7	1.4	42.8
Q3	43.9	43.4	11.1	12.9	15.9	1.9	0.7	0.5	0.3	40.2
Q4	51.1	50.0	13.5	14.8	16.8	3.2	0.8	1.1	0.3	45.3
2004 Q1	42.2	41.7	9.8	13.0	15.7	1.7	0.6	0.5	0.3	38.8
Q2	45.7	45.1	12.5	13.1	15.7	2.1	0.9	0.6	0.4	41.7
Q3	43.5	43.2	11.0	12.8	15.7	2.0	0.7	0.4	0.3	39.9

2. Euro area − quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q1	47.7	44.5	10.5	4.3	4.7	25.0	21.8	1.3	3.3	1.9	1.3	-3.6	1.0
Q2	47.9	44.3	10.6	4.5	4.3	24.8	21.6	1.5	3.6	2.4	1.2	0.4	4.7
Q3	47.7	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.5	1.6
Q4	51.7	46.9	11.2	5.3	3.9	26.5	22.9	1.7	4.8	3.1	1.7	0.3	4.2
2000 Q1	46.6	43.3	10.3	4.4	4.3	24.2	21.2	1.2	3.3	2.0	1.4	-2.6	1.7
Q2	47.1	43.6	10.5	4.6	4.0	24.5	21.3	1.4	3.4	2.4	1.1	1.2	5.2
Q3	43.7	43.4	10.2	4.5	4.1	24.5	21.4	1.5	0.3	2.5	1.1	1.2	5.3
Q4	50.8	46.9	11.2	5.3	3.9	26.5	22.7	1.6	3.9	3.2	1.5	0.4	4.3
2001 Q1	45.9	42.6	10.2	4.1	4.1	24.1	21.2	1.2	3.3	2.0	1.4	-2.9	1.2
Q2	47.1	43.6	10.5	4.7	4.0	24.5	21.3	1.4	3.4	2.4	1.1	0.6	4.6
Q3	47.1	43.3	10.2	4.6	4.0	24.6	21.5	1.5	3.7	2.5	1.2	-2.7	1.3
Q4	52.5	47.4	11.3	5.6	3.8	26.7	23.0	1.6	5.1	3.2	1.8	-1.8	1.9
2002 Q1	46.5	43.0	10.5	4.2	3.8	24.6	21.6	1.2	3.4	2.0	1.4	-3.8	0.0
Q2	47.6	44.1	10.5	4.9	3.7	24.9	21.7	1.3	3.5	2.4	1.1	-1.1	2.6
Q3	47.7	44.0	10.2	4.7	3.7	25.4	21.9	1.4	3.7	2.6	1.1	-3.2	0.5
Q4	52.2	47.7	11.3	5.7	3.5	27.2	23.5	1.5	4.5	2.8	1.6	-1.5	2.0
2003 Q1	47.1	43.6	10.5	4.3	3.7	25.1	21.9	1.1	3.5	2.0	1.5	-4.5	-0.8
Q2	48.3	44.8	10.7	4.8	3.5	25.8	22.4	1.4	3.5	2.4	1.1	-1.1	2.4
Q3	47.9	44.3	10.4	4.8	3.4	25.6	22.2	1.4	3.6	2.6	1.0	-4.0	-0.5
Q4	52.6	47.8	11.3	5.8	3.3	27.4	23.8	1.5	4.8	3.3	1.5	-1.5	1.8
2004 Q1	46.6	43.3	10.4	4.3	3.4	25.2	21.9	1.1	3.3	2.1	1.3	-4.4	-1.1
Q2	47.4	44.1	10.6	4.8	3.3	25.4	22.1	1.3	3.4	2.4	0.9	-1.8	1.5
Q3	47.0	43.6	10.1	4.6	3.4	25.5	22.1	1.3	3.4	2.5	0.9	-3.4	-0.1

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

EXTERNAL TRANSACTIONS AND POSITIONS

7

7.1 Balance of payments

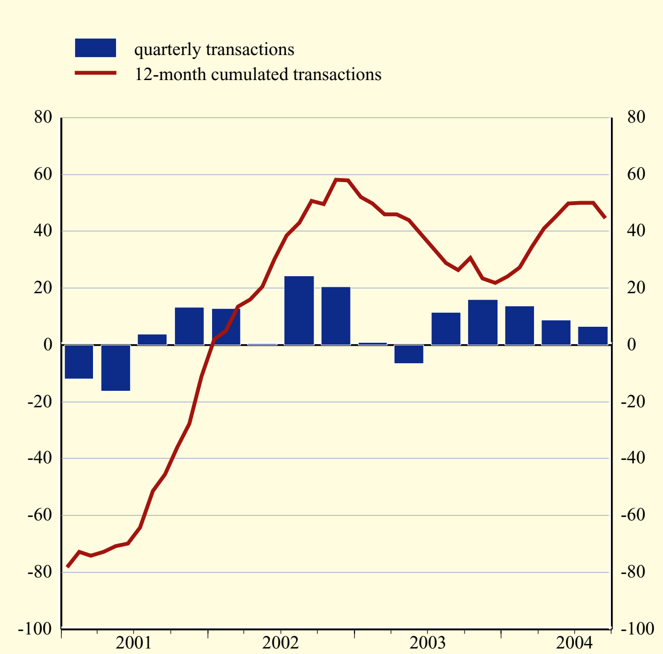
(EUR billions; net transactions)

1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-11.0	73.4	-0.3	-32.6	-51.5	6.5	-4.6	-45.5	-118.1	66.1	-0.8	-10.5	17.8	50.1
2002	57.8	128.9	16.0	-38.5	-48.6	10.2	68.0	-62.1	2.1	107.3	-10.9	-158.3	-2.3	-5.9
2003	21.8	105.3	17.9	-44.8	-56.5	13.2	35.0	-17.9	-3.4	41.7	-12.4	-73.7	29.9	-17.1
2003 Q3	11.5	36.9	4.4	-10.0	-19.8	2.7	14.2	-12.6	-22.1	-60.3	-4.5	72.3	2.0	-1.6
Q4	15.9	29.9	5.0	-6.3	-12.7	7.5	23.4	-7.5	-8.7	9.3	-3.8	-18.0	13.6	-15.9
2004 Q1	13.6	28.6	0.1	-8.0	-7.0	3.6	17.2	-12.2	-23.6	-3.1	6.6	-1.5	9.4	-5.0
Q2	8.7	32.7	8.8	-16.4	-16.4	4.1	12.7	-11.7	-19.2	20.9	-0.6	-9.9	-2.9	-1.1
Q3	6.5	25.0	5.0	-5.7	-17.8	3.8	10.3	4.3	5.9	16.9	-2.6	-19.7	3.8	-14.6
2003 Oct.	7.0	13.1	1.8	-4.4	-3.5	1.2	8.2	3.4	-4.3	34.9	1.8	-29.8	0.8	-11.5
Nov.	2.8	8.3	0.8	0.0	-6.4	1.2	4.0	11.7	4.6	1.8	0.6	-0.8	5.5	-15.7
Dec.	6.1	8.4	2.4	-1.9	-2.8	5.1	11.2	-22.6	-8.9	-27.4	-6.2	12.6	7.3	11.4
2004 Jan.	-2.7	5.3	-1.0	-8.6	1.7	0.3	-2.4	-18.7	-7.2	-9.1	1.8	-1.1	-3.0	21.1
Feb.	5.4	9.8	0.4	-0.1	-4.7	2.1	7.5	18.2	9.1	13.3	1.3	-14.1	8.6	-25.7
Mar.	11.0	13.6	0.7	0.7	-4.0	1.2	12.2	-11.7	-25.5	-7.2	3.5	13.8	3.7	-0.4
Apr.	0.2	10.2	1.5	-7.5	-4.0	0.8	1.0	-23.3	-4.7	-9.9	0.5	-6.4	-2.7	22.3
May	2.4	10.5	3.8	-6.0	-5.9	2.3	4.8	9.5	-0.7	-0.8	-1.0	11.0	1.1	-14.3
June	6.0	12.0	3.5	-2.9	-6.6	1.0	7.0	2.1	-13.8	31.7	-0.1	-14.4	-1.3	-9.1
July	2.8	13.9	1.8	-6.6	-6.3	1.1	3.9	-12.0	-8.5	-30.7	-0.9	27.5	0.6	8.0
Aug.	3.3	6.0	1.4	1.1	-5.2	1.6	4.9	6.3	9.3	6.3	-5.0	-8.3	3.9	-11.2
Sep.	0.3	5.1	1.8	-0.2	-6.3	1.1	1.4	10.0	5.1	41.4	3.2	-38.9	-0.7	-11.5
Oct.	1.1	8.1	1.7	-3.0	-5.6	0.6	1.8	-22.0	-9.7	5.9	-2.9	-16.4	0.9	20.3
	12-month cumulated transactions													
2004 Oct.	38.9	111.1	18.7	-35.0	-56.0	18.4	57.2	-52.5	-51.0	15.2	-5.1	-35.7	24.1	-4.8

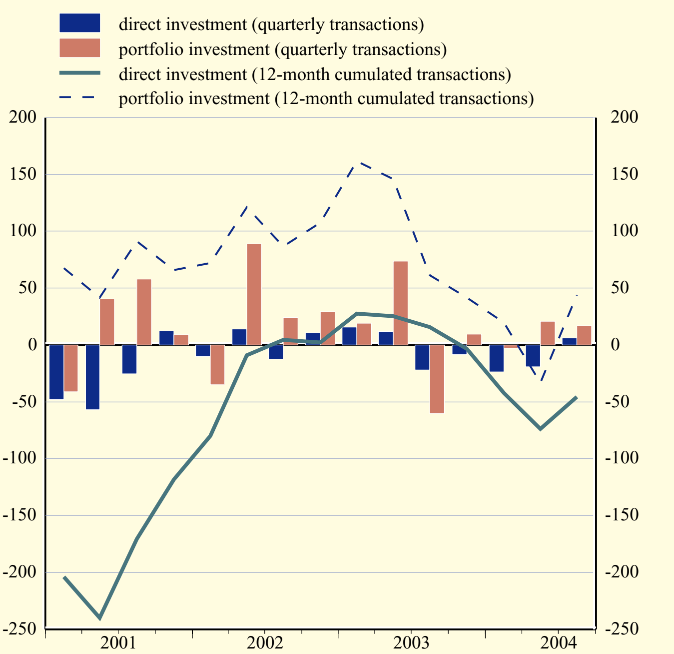
C27 B.o.p. current account balance

(EUR billions)



C28 B.o.p. net direct and portfolio investment

(EUR billions)



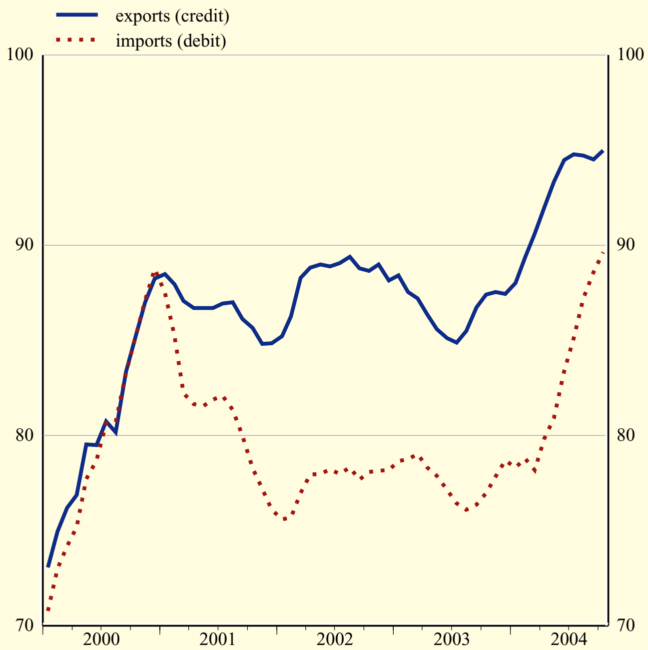
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

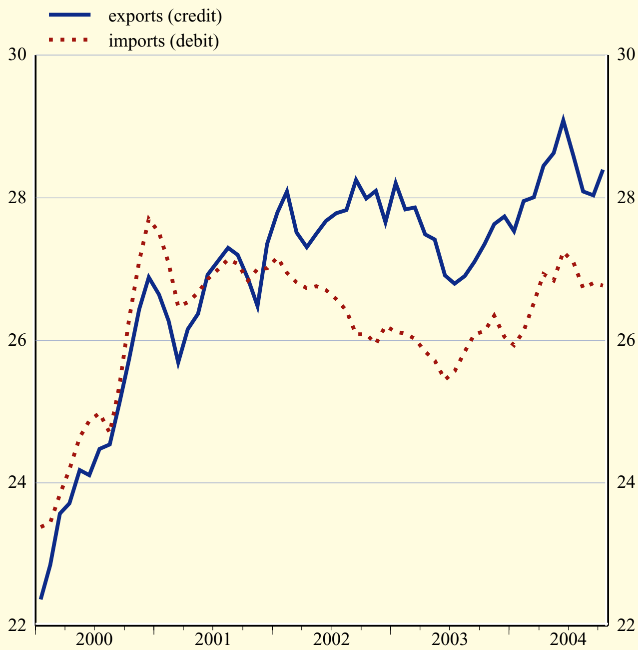
2. Current account
(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11
2003 Q3	418.8	413.1	5.8	260.2	229.1	81.3	78.2	58.0	68.6	19.3	37.0
Q4	422.4	412.5	9.9	262.4	236.1	83.2	78.1	55.8	66.2	20.9	32.1
2004 Q1	435.4	418.5	16.8	271.8	234.5	84.0	79.6	59.4	68.7	20.2	35.7
Q2	451.0	433.6	17.4	283.5	250.2	87.3	81.7	59.7	69.1	20.5	32.6
Q3	445.9	446.8	-0.9	283.5	265.7	84.1	80.4	58.8	65.8	19.5	35.0
2003 Oct.	139.9	134.6	5.2	87.7	77.6	27.8	26.1	18.1	22.1	6.3	8.8
Nov.	141.0	139.1	1.8	87.2	78.9	28.0	27.0	18.9	21.2	6.8	12.1
Dec.	141.5	138.7	2.8	87.4	79.6	27.5	25.0	18.8	22.8	7.9	11.2
2004 Jan.	142.5	137.4	5.2	89.4	76.5	27.2	25.8	19.1	23.2	6.9	11.9
Feb.	146.7	141.7	5.0	91.4	80.3	29.3	27.5	19.8	22.1	6.3	11.8
Mar.	146.1	139.4	6.6	91.1	77.7	27.6	26.3	20.5	23.5	6.9	12.0
Apr.	149.6	141.7	7.9	93.5	81.5	28.5	27.0	21.1	23.7	6.6	9.5
May	150.7	144.9	5.8	95.4	83.6	29.8	27.3	18.8	22.5	6.8	11.5
June	150.6	147.0	3.6	94.6	85.1	29.0	27.5	19.9	22.9	7.2	11.5
July	147.0	146.4	0.6	94.4	86.7	27.0	26.5	19.5	21.6	6.2	11.6
Aug.	150.1	149.3	0.7	95.1	89.9	28.3	26.2	19.6	21.3	7.0	12.0
Sep.	148.9	151.1	-2.2	94.0	89.2	28.8	27.7	19.7	22.9	6.4	11.4
Oct.	151.0	150.1	0.9	95.8	89.8	28.0	26.4	20.9	22.9	6.3	11.0

C29 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



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



Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

3. 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
2001	1,706.5	1,717.6	-11.0	1,034.8	961.4	322.2	322.5	270.7	303.3	78.8	130.3	17.4	10.9
2002	1,721.5	1,663.6	57.8	1,062.9	934.0	333.5	317.5	239.6	278.1	85.4	133.9	19.2	9.0
2003	1,677.5	1,655.7	21.8	1,040.2	934.9	328.8	311.0	227.6	272.5	80.8	137.3	23.3	10.1
2003 Q3	415.9	404.4	11.5	258.0	221.2	87.3	82.9	55.3	65.3	15.2	35.0	4.1	1.5
Q4	434.3	418.4	15.9	272.1	242.2	85.0	79.9	57.9	64.2	19.3	32.0	9.3	1.9
2004 Q1	430.2	416.5	13.6	265.9	237.3	76.0	75.9	56.6	64.7	31.7	38.7	5.1	1.6
Q2	451.5	442.9	8.7	284.3	251.6	87.7	78.9	64.1	80.4	15.4	31.9	5.3	1.2
Q3	442.3	435.8	6.5	280.7	255.8	90.1	85.1	56.1	61.7	15.4	33.2	5.2	1.4
2003 Oct.	148.6	141.7	7.0	97.6	84.5	29.3	27.5	17.4	21.8	4.4	7.9	1.6	0.4
Nov.	135.3	132.5	2.8	87.0	78.6	26.1	25.3	16.5	16.5	5.7	12.1	1.8	0.6
Dec.	150.4	144.2	6.1	87.5	79.1	29.6	27.2	24.0	25.9	9.2	12.0	5.9	0.9
2004 Jan.	139.8	142.5	-2.7	80.9	75.7	23.9	24.9	17.5	26.1	17.5	15.8	0.8	0.5
Feb.	134.9	129.5	5.4	85.7	75.9	24.9	24.5	17.5	17.6	6.7	11.5	2.6	0.5
Mar.	155.5	144.6	11.0	99.3	85.7	27.2	26.5	21.6	20.9	7.4	11.4	1.8	0.6
Apr.	147.9	147.7	0.2	93.2	83.1	27.7	26.1	22.1	29.6	4.9	8.9	1.1	0.4
May	144.3	141.9	2.4	91.8	81.3	29.1	25.4	18.4	24.4	5.0	10.8	2.7	0.3
June	159.3	153.3	6.0	99.3	87.3	30.9	27.4	23.6	26.4	5.6	12.1	1.5	0.5
July	153.2	150.4	2.8	98.4	84.5	30.7	28.9	19.2	25.7	5.0	11.3	1.7	0.6
Aug.	139.2	135.9	3.3	86.3	80.3	29.6	28.2	17.6	16.5	5.7	10.8	2.0	0.4
Sep.	149.9	149.5	0.3	96.0	91.0	29.8	28.0	19.3	19.5	4.8	11.1	1.6	0.5
Oct.	151.6	150.4	1.1	100.2	92.1	28.5	26.9	18.7	21.7	4.2	9.8	1.0	0.4

4. Income account

	Total		Compensation of employees		Investment income							
					Total		Direct investment					
							Total		Equity		Debt	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12
2001	270.7	303.3	14.7	6.0	256.0	297.3	53.8	48.8	43.4	38.8	10.4	10.1
2002	239.6	278.1	14.8	6.2	224.8	271.9	55.4	55.8	47.2	48.7	8.2	7.1
2003	227.6	272.5	14.7	6.2	212.9	266.2	59.5	63.0	48.9	53.4	10.6	9.7
2003 Q2	61.4	78.7	3.6	1.6	57.8	77.0	18.0	19.1	14.9	16.4	3.1	2.7
Q3	55.3	65.3	3.7	1.7	51.6	63.6	14.1	16.2	11.7	14.4	2.4	1.8
Q4	57.9	64.2	3.9	1.6	54.1	62.6	16.8	16.2	13.7	13.0	3.1	3.2
2004 Q1	56.6	64.7	3.7	1.3	53.0	63.3	15.1	15.0	12.0	12.6	3.1	2.4
Q2	64.1	80.4	3.7	1.6	60.4	78.8	20.9	18.0	17.7	15.4	3.2	2.6

	Investment income							
	Portfolio investment						Other investment	
	Total		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	13	14	15	16	17	18	19	20
2001	85.1	117.1	18.0	45.1	67.1	72.0	117.1	131.5
2002	86.0	122.7	19.8	52.3	66.2	70.4	83.4	93.4
2003	83.7	127.2	19.0	49.8	64.7	77.4	69.8	76.0
2003 Q2	21.9	38.0	6.2	21.4	15.7	16.6	17.9	19.9
Q3	21.4	30.8	4.6	10.3	16.7	20.5	16.1	16.6
Q4	21.4	26.9	4.7	9.7	16.8	17.2	15.8	19.6
2004 Q1	21.6	30.8	4.7	9.4	16.9	21.4	16.2	17.6
Q2	24.3	43.6	8.5	25.8	15.9	17.8	15.1	17.3

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

5. Direct investment

	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
2001	-311.9	-232.9	-20.0	-213.0	-79.0	-0.1	-78.8	193.8	134.9	4.0	131.0	58.8	0.9	58.0
2002	-175.1	-173.7	-19.8	-153.9	-1.5	0.0	-1.5	177.2	122.1	2.4	119.7	55.1	0.5	54.7
2003	-130.3	-106.9	2.2	-109.1	-23.4	-0.2	-23.2	126.9	109.6	2.8	106.8	17.3	0.1	17.2
2003 Q3	-36.1	-37.0	-1.4	-35.5	0.9	-0.1	1.0	14.0	16.3	0.0	16.3	-2.3	-0.4	-1.9
Q4	-31.6	-19.3	1.6	-20.9	-12.3	0.2	-12.4	22.9	34.1	0.6	33.5	-11.2	0.5	-11.7
2004 Q1	-27.8	-21.3	-5.8	-15.5	-6.5	-0.1	-6.4	4.2	13.7	-0.6	14.3	-9.5	-0.3	-9.2
Q2	-32.6	-27.4	-3.7	-23.7	-5.2	0.0	-5.2	13.4	8.2	0.6	7.6	5.2	0.8	4.4
Q3	-6.3	-17.4	-0.4	-16.9	11.0	0.0	11.0	12.2	10.4	0.5	10.0	1.8	-0.1	1.9
2003 Oct.	-11.6	-6.5	1.8	-8.3	-5.1	0.0	-5.1	7.2	10.4	0.2	10.3	-3.2	0.3	-3.5
Nov.	0.7	4.1	-1.4	5.4	-3.3	0.1	-3.4	3.8	5.7	0.4	5.3	-1.9	0.1	-2.0
Dec.	-20.8	-16.9	1.1	-18.0	-3.8	0.1	-3.9	11.8	17.9	-0.1	18.0	-6.1	0.1	-6.2
2004 Jan.	-9.4	-4.3	0.3	-4.6	-5.1	0.0	-5.1	2.2	7.8	0.2	7.5	-5.6	-0.1	-5.5
Feb.	-5.8	-3.2	-1.2	-2.0	-2.6	0.0	-2.6	14.9	4.7	0.3	4.4	10.3	-0.1	10.3
Mar.	-12.6	-13.8	-4.9	-8.9	1.2	-0.1	1.3	-12.9	1.2	-1.2	2.4	-14.2	-0.1	-14.1
Apr.	-16.0	-7.6	-0.5	-7.1	-8.4	0.1	-8.5	11.3	5.7	0.2	5.5	5.5	0.0	5.5
May	-4.5	-7.9	-0.1	-7.8	3.3	0.0	3.4	3.8	5.1	0.4	4.7	-1.3	0.3	-1.6
June	-12.1	-12.0	-3.2	-8.8	-0.2	0.0	-0.2	-1.7	-2.6	0.0	-2.6	0.9	0.4	0.5
July	-11.7	-9.7	0.3	-9.9	-2.0	0.0	-2.0	3.2	5.6	0.2	5.4	-2.4	-0.1	-2.3
Aug.	9.6	-5.9	0.2	-6.2	15.5	0.0	15.5	-0.3	-1.6	0.1	-1.8	1.3	0.0	1.3
Sep.	-4.2	-1.8	-0.9	-0.9	-2.4	0.0	-2.4	9.3	6.5	0.2	6.3	2.9	0.0	2.9
Oct.	-22.2	-15.8	0.1	-15.9	-6.4	0.0	-6.4	12.5	4.7	0.2	4.6	7.8	0.0	7.8

6. Portfolio investment by instrument

	Total		Equity		Debt instruments					
					Assets			Liabilities		
	Assets	Liabilities	Assets	Liabilities	Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
	1	2	3	4	5	6	7	8	9	10
2001	-283.8	349.9	-101.6	232.5	-182.2	-156.5	-25.8	117.4	113.3	4.1
2002	-177.4	284.7	-39.0	85.5	-138.4	-89.0	-49.4	199.1	157.2	41.9
2003	-277.0	318.6	-67.6	117.5	-209.4	-179.5	-29.9	201.1	188.7	12.4
2003 Q3	-66.1	5.8	-18.6	27.3	-47.5	-43.1	-4.4	-21.4	-9.9	-11.6
Q4	-64.0	73.4	-25.5	45.5	-38.5	-26.5	-12.0	27.9	33.4	-5.6
2004 Q1	-92.4	89.3	-30.8	24.5	-61.5	-46.9	-14.6	64.8	42.1	22.7
Q2	-52.7	73.6	-16.2	-5.9	-36.5	-31.5	-5.0	79.5	81.1	-1.6
Q3	-61.2	78.1	0.8	36.4	-62.0	-40.3	-21.7	41.7	49.2	-7.6
2003 Oct.	-32.7	67.6	-14.7	22.4	-18.0	-11.9	-6.1	45.2	26.7	18.5
Nov.	-21.2	23.0	-3.6	11.1	-17.5	-15.8	-1.7	11.8	12.5	-0.6
Dec.	-10.2	-17.2	-7.2	12.0	-3.0	1.2	-4.2	-29.2	-5.7	-23.5
2004 Jan.	-47.2	38.0	-10.2	1.5	-37.0	-19.3	-17.6	36.5	25.8	10.7
Feb.	-19.0	32.3	-9.8	20.5	-9.2	-3.0	-6.2	11.8	11.0	0.8
Mar.	-26.2	19.0	-10.9	2.5	-15.3	-24.6	9.2	16.5	5.3	11.2
Apr.	-26.2	16.2	1.6	-19.8	-27.7	-9.6	-18.1	36.0	36.2	-0.2
May	-12.9	12.1	-1.3	0.4	-11.6	-15.8	4.2	11.6	15.5	-3.8
June	-13.6	45.3	-16.4	13.4	2.8	-6.0	8.8	31.9	29.4	2.4
July	-33.7	3.0	-3.0	8.7	-30.7	-12.4	-18.3	-5.7	-1.5	-4.2
Aug.	-30.8	37.1	-10.7	15.6	-20.1	-14.1	-6.0	21.4	13.0	8.4
Sep.	3.3	38.0	14.5	12.1	-11.2	-13.8	2.6	25.9	37.7	-11.8
Oct.	-27.1	33.0	-6.2	16.4	-20.9	-18.3	-2.6	16.7	14.5	2.2

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

7. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	-0.4	4.0	-105.2	-2.1	-103.2	0.2	-67.1	-89.6	-1.2	-88.4	-2.4	-40.7	17.3	-0.1	17.3
2002	-0.4	-7.6	-31.0	-4.4	-26.6	-0.7	-17.4	-71.0	-0.9	-70.1	2.0	-31.9	-19.5	-1.1	-18.5
2003	-0.3	-12.9	-54.4	-2.6	-51.8	-2.4	-45.1	-132.0	-0.2	-131.8	0.2	-41.3	11.2	0.4	10.8
2003 Q3	-0.1	-6.2	-12.3	-0.8	-11.5	-1.4	-8.4	-33.3	-0.4	-32.9	0.1	-1.0	-3.6	-0.1	-3.5
Q4	0.0	-3.6	-21.9	-0.4	-21.5	-0.4	-7.3	-18.9	-0.4	-18.5	-0.2	-13.1	1.3	1.3	0.0
2004 Q1	0.0	-6.0	-24.8	-0.9	-24.0	-0.5	-26.3	-20.2	-0.6	-19.6	-0.2	-10.6	-3.8	-1.1	-2.7
Q2	0.0	-12.4	-3.7	-0.7	-3.0	0.4	-8.8	-23.1	-0.2	-22.9	0.1	-7.2	2.1	-2.6	4.7
Q3	0.0	-2.8	3.6	.	.	0.6	-25.7	-15.2	.	.	-0.1	-12.8	-8.7	.	.
2003 Oct.	0.0	-4.7	-10.0	-	-	-0.4	-1.6	-9.9	-	-	-0.1	-4.1	-2.0	-	-
Nov.	0.0	1.4	-5.0	-	-	0.0	-8.4	-7.4	-	-	-0.1	-2.7	1.1	-	-
Dec.	0.0	-0.3	-6.9	-	-	0.0	2.8	-1.6	-	-	0.0	-6.4	2.3	-	-
2004 Jan.	0.0	-3.4	-6.8	-	-	0.0	-13.0	-6.3	-	-	0.1	-15.5	-2.3	-	-
Feb.	0.1	-3.1	-6.7	-	-	0.0	-1.6	-1.4	-	-	-0.2	-5.5	-0.4	-	-
Mar.	0.0	0.5	-11.4	-	-	-0.4	-11.6	-12.5	-	-	0.0	10.4	-1.1	-	-
Apr.	0.0	-1.0	2.5	-	-	0.2	-2.8	-7.0	-	-	0.0	-15.3	-2.8	-	-
May	0.0	-1.8	0.5	-	-	0.2	-7.4	-8.6	-	-	-0.2	2.6	1.8	-	-
June	0.0	-9.7	-6.7	-	-	0.0	1.4	-7.5	-	-	0.3	5.5	3.1	-	-
July	0.0	-9.0	6.0	-	-	-0.3	-13.1	1.0	-	-	0.3	-18.3	-0.3	-	-
Aug.	0.0	-4.2	-6.4	-	-	0.3	-14.0	-0.5	-	-	-0.1	-2.5	-3.4	-	-
Sep.	0.0	10.4	4.1	-	-	0.6	1.4	-15.8	-	-	-0.2	7.9	-5.1	-	-
Oct.	0.0	-2.9	-3.3	-	-	0.3	-13.6	-4.9	-	-	-0.1	1.2	-3.7	-	-

8. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2001	-268.6	258.1	0.2	4.4	3.0	-	-0.4	-229.3	233.0	-47.0	22.8	-182.3	210.2	-42.5	-	21.1
2002	-224.6	66.3	-0.9	19.3	0.1	-	-8.2	-168.0	25.8	-34.4	52.3	-133.6	-26.4	-55.8	-	29.3
2003	-241.8	168.0	-0.8	10.2	-0.4	-	-3.8	-154.7	137.6	-59.8	66.0	-94.8	71.6	-85.9	-	24.0
2003 Q3	90.5	-18.2	0.3	5.8	-0.3	-	5.3	88.2	-8.0	-11.9	10.6	100.1	-18.6	2.3	-	-21.4
Q4	-79.0	61.0	-0.7	-0.6	3.2	-	-4.6	-71.3	53.8	-16.5	18.1	-54.8	35.7	-10.1	-	12.4
2004 Q1	-182.0	180.5	-0.6	-1.2	-0.6	-0.5	-6.4	-156.1	158.5	-10.5	0.4	-145.6	158.1	-24.7	-20.0	29.6
Q2	-23.6	13.7	0.9	1.6	-4.1	-4.0	3.1	-6.5	22.3	-2.4	6.7	-4.1	15.5	-13.9	4.7	-13.2
Q3	-21.1	1.4	-1.2	3.3	0.0	-0.4	2.5	-24.2	7.4	-3.1	-0.2	-21.1	7.5	4.3	2.9	-11.8
2003 Oct.	-52.6	22.9	-0.2	0.9	1.1	-	-2.0	-40.6	25.6	-5.8	-2.1	-34.8	27.7	-12.9	-	-1.6
Nov.	-36.8	36.0	0.4	-2.8	1.2	-	1.5	-34.6	28.0	-5.9	10.0	-28.7	18.0	-3.8	-	9.4
Dec.	10.4	2.2	-0.9	1.3	0.8	-	-4.0	3.9	0.2	-4.8	10.2	8.7	-9.9	6.6	-	4.6
2004 Jan.	-68.9	67.8	-0.5	2.6	-0.3	-0.3	-4.6	-62.6	76.4	-1.3	4.3	-61.3	72.1	-5.5	-4.1	-6.7
Feb.	-28.8	14.6	-0.4	-4.3	0.4	0.3	-0.2	-23.8	16.6	-5.5	-0.6	-18.3	17.2	-5.1	-5.0	2.6
Mar.	-84.3	98.1	0.2	0.5	-0.7	-0.5	-1.5	-69.7	65.5	-3.7	-3.2	-66.0	68.7	-14.1	-10.8	33.7
Apr.	-53.1	46.6	0.6	0.6	-1.2	-0.9	-0.3	-51.5	54.3	-6.4	0.4	-45.1	53.9	-1.0	3.2	-8.0
May	10.7	0.2	-0.1	-0.3	0.1	0.2	0.5	17.6	10.4	3.6	3.6	14.0	6.8	-6.8	4.7	-10.4
June	18.7	-33.2	0.5	1.3	-3.0	-3.3	2.9	27.4	-42.5	0.3	2.7	27.0	-45.2	-6.1	-3.2	5.2
July	57.5	-30.0	-0.3	1.7	-0.4	-0.6	-0.4	47.6	-12.5	6.8	-6.5	40.7	-6.0	10.6	5.0	-18.8
Aug.	-35.3	27.0	-0.2	0.0	-0.3	-0.5	0.1	-32.0	18.8	-5.2	3.4	-26.8	15.5	-2.8	0.0	8.1
Sep.	-43.3	4.4	-0.7	1.5	0.8	0.6	2.9	-39.8	1.1	-4.7	3.0	-35.1	-1.9	-3.6	-2.1	-1.0
Oct.	-16.4	0.0	0.1	1.1	2.0	2.3	0.3	-9.9	-0.8	7.4	5.5	-17.3	-6.3	-8.6	-3.2	-0.6

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

9. Other investment by instrument

	Eurosystem				General goverment							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.2	0.0	4.5	0.0	-0.1	4.4	-	-	-1.3	0.0	-0.5	0.1
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-7.9	-0.3
2003	-0.8	0.0	10.2	0.0	-0.1	0.6	-	-	-0.9	0.0	-4.1	0.3
2003 Q2	0.2	0.0	4.8	0.0	0.0	-1.4	-	-	-0.3	0.0	3.7	0.2
Q3	0.3	0.0	5.8	0.0	0.0	-0.1	-	-	-0.2	0.0	4.8	0.5
Q4	-0.7	0.0	-0.6	0.0	0.0	3.1	-	-	0.1	0.0	-4.1	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.1	-0.3
Q2	0.9	0.0	1.5	0.1	0.0	-3.6	0.4	-4.0	-0.5	0.0	2.9	0.2

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2001	-215.2	-14.0	222.8	10.2	-3.3	-30.2	-	-	-8.9	1.2	14.7	5.2
2002	-163.0	-5.0	27.9	-2.1	-2.1	-50.1	-	-	-3.6	-3.6	26.3	6.6
2003	-154.1	-0.5	137.7	-0.1	0.2	-83.6	-	-	-2.5	3.3	21.4	-0.7
2003 Q2	-103.5	1.8	28.8	-1.6	0.4	-17.1	-	-	-5.2	-0.9	-4.6	5.4
Q3	88.4	-0.2	-6.9	-1.0	-0.1	-1.3	-	-	3.8	-1.5	-15.1	-4.8
Q4	-70.7	-0.6	53.6	0.2	-1.0	-8.6	-	-	-0.5	2.5	11.0	-1.1
2004 Q1	-153.6	-2.6	157.0	1.6	-2.5	-20.6	-0.6	-20.0	-1.7	4.8	24.6	0.3
Q2	-5.9	-0.6	22.2	0.0	-3.2	-9.8	-14.5	4.7	-0.9	1.3	-12.8	-1.7

10. Reserve assets

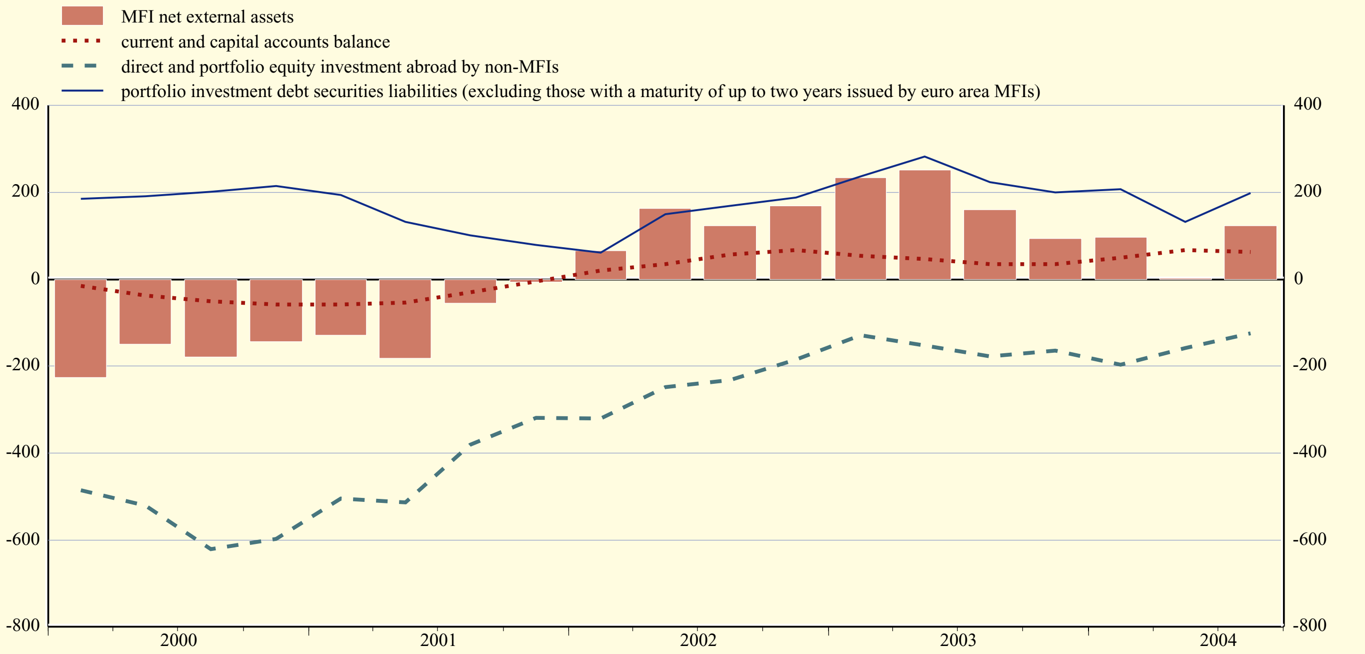
	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
2001	17.8	0.6	-1.0	-4.2	22.5	10.0	-5.3	-1.1	20.4	-1.6	0.0	0.0
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	29.9	1.7	0.0	-1.6	29.8	-1.8	1.6	0.0	23.1	6.9	0.1	0.0
2003 Q2	2.3	0.5	0.0	-2.6	4.4	-0.5	0.0	-0.1	4.6	0.3	0.0	0.0
Q3	2.0	0.1	0.0	-0.7	2.6	-1.1	4.1	0.0	-4.5	4.1	0.0	0.0
Q4	13.6	0.6	0.0	1.8	11.2	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.4	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	0.0	0.0
Q2	-2.9	0.5	0.1	0.6	-4.1	-3.3	2.2	0.0	5.4	-8.4	0.0	0.0

Source: ECB.

7.2 Monetary presentation of the balance of payments
(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2001	-4.6	-291.8	192.9	-177.6	172.2	78.6	-39.5	20.6	-0.8	50.1	0.2	-6.9
2002	68.0	-155.4	176.8	-121.5	48.7	188.6	-55.7	21.1	-10.9	-5.9	153.8	169.4
2003	35.0	-132.4	126.8	-175.2	122.7	200.8	-86.3	20.2	-12.4	-17.1	82.2	93.8
2003 Q3	14.2	-34.5	14.4	-49.2	29.7	-13.4	2.0	-16.1	-4.5	-1.6	-59.1	-56.4
Q4	23.4	-33.3	22.4	-39.5	41.9	19.5	-7.0	7.8	-3.8	-15.9	15.5	20.6
2004 Q1	17.2	-21.9	4.5	-48.8	8.2	57.4	-25.3	23.3	6.6	-5.0	16.2	37.2
Q2	12.7	-28.9	12.6	-24.7	-6.0	68.5	-18.0	-10.1	-0.6	-1.1	4.4	0.7
Q3	10.3	-5.9	12.3	-20.3	35.5	53.1	4.3	-9.2	-2.6	-14.6	62.7	64.4
2003 Oct.	8.2	-13.4	6.9	-21.9	17.6	39.9	-11.8	-3.6	1.8	-11.5	12.1	11.5
Nov.	4.0	2.0	3.7	-11.4	11.1	9.9	-2.6	10.9	0.6	-15.7	12.6	18.4
Dec.	11.2	-21.9	11.7	-6.3	13.2	-30.3	7.4	0.6	-6.2	11.4	-9.2	-9.3
2004 Jan.	-2.4	-9.7	2.3	-15.4	-6.6	33.6	-5.8	-11.3	1.8	21.1	7.6	22.0
Feb.	7.5	-4.6	15.0	-8.5	20.5	7.5	-4.6	2.4	1.3	-25.7	10.7	8.5
Mar.	12.2	-7.6	-12.8	-25.0	-5.8	16.3	-14.8	32.2	3.5	-0.4	-2.2	6.7
Apr.	1.0	-15.6	11.2	-7.2	-22.6	28.9	-2.2	-8.3	0.5	22.3	8.0	6.3
May	4.8	-4.4	3.5	-6.3	3.8	8.8	-6.7	-9.9	-1.0	-14.3	-21.8	-20.3
June	7.0	-8.9	-2.1	-11.1	12.8	30.8	-9.1	8.0	-0.1	-9.1	18.2	14.7
July	3.9	-12.0	3.3	6.7	4.5	-4.5	10.2	-19.2	-0.9	8.0	0.1	-0.8
Aug.	4.9	9.3	-0.3	-10.3	15.4	22.5	-3.1	8.2	-5.0	-11.2	30.5	30.1
Sep.	1.4	-3.3	9.3	-16.8	15.6	35.0	-2.8	1.8	3.2	-11.5	32.0	35.1
Oct.	1.8	-22.3	12.5	-11.9	15.0	13.6	-6.6	-0.3	-2.9	20.3	19.2	19.7
	12-month cumulated transactions											
2004 Oct.	57.2	-98.9	57.4	-123.4	76.9	172.1	-40.7	15.0	-5.1	-4.8	105.8	131.0

C31 Main b.o.p. transactions underlying the developments in MFI net external assets
(EUR billions; 12-month cumulated transactions)



Source: ECB.
1) Excluding money market fund shares/units.
2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.3 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2000	21.7	29.5	1,002.2	492.4	216.4	262.8	875.3	1,023.7	590.9	182.8	220.7	743.6	122.7
2001	6.1	-0.7	1,062.3	505.8	234.8	289.1	931.9	1,014.1	578.8	178.8	228.4	740.5	107.7
2002	2.0	-3.0	1,083.6	512.5	227.8	309.4	948.8	984.4	559.3	163.3	234.1	717.0	105.2
2003	-2.4	0.4	1,056.8	500.1	222.4	299.8	922.9	986.7	553.3	163.9	240.5	714.1	109.0
2003 Q2	-5.8	-2.6	257.0	122.8	53.0	72.6	225.6	243.6	135.7	40.3	59.8	178.3	25.3
Q3	-2.2	-1.0	264.9	125.7	56.4	75.4	232.7	243.5	135.5	39.9	60.3	176.6	26.8
Q4	-0.6	1.3	269.5	125.5	57.5	76.2	232.6	249.9	138.9	42.0	61.5	180.3	27.0
2004 Q1	4.9	0.1	277.3	130.4	58.4	75.7	240.9	250.7	137.7	41.4	62.1	182.3	26.3
Q2	11.9	8.8	286.1	134.1	59.4	78.5	245.3	262.4	145.7	44.2	62.0	186.0	29.3
Q3	8.5	13.8	287.9	136.1	60.2	77.9	249.0	276.1	154.3	44.0	63.4	193.3	35.9
2004 May	8.8	5.7	94.7	44.2	19.5	25.9	80.3	86.2	47.8	14.5	20.4	61.5	9.6
June	16.3	15.3	95.6	44.8	19.7	26.5	81.7	88.9	50.0	14.5	20.6	62.0	10.8
July	7.6	8.8	95.8	45.3	20.1	25.8	83.2	90.4	50.2	14.1	20.7	63.9	10.9
Aug.	12.9	19.9	96.3	45.9	20.0	26.2	82.8	94.0	52.4	15.0	21.5	64.7	12.3
Sep.	5.7	13.5	95.8	45.0	20.1	25.9	83.0	91.6	51.7	14.9	21.2	64.8	12.7
Oct.	2.6	6.9	95.4	45.1	20.4	25.9	82.2	92.5	50.5	15.5	22.1	65.4	11.7
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2000	12.4	6.1	100.0	100.0	100.0	100.0	100.0	99.9	99.9	100.0	100.0	100.0	99.9
2001	5.1	-0.8	105.0	102.0	108.4	107.8	105.5	98.9	99.3	96.4	100.6	97.9	99.3
2002	2.9	-0.7	108.0	105.0	106.2	114.9	108.3	98.3	98.8	89.7	104.1	96.4	101.4
2003	0.9	3.6	108.9	105.7	107.8	114.7	109.1	101.7	100.4	95.1	110.3	99.9	104.8
2003 Q2	-2.0	2.8	106.1	104.1	102.8	111.5	106.8	101.7	100.5	94.2	109.9	100.1	104.7
Q3	0.7	2.3	109.5	106.8	110.0	115.7	110.4	101.2	99.8	92.8	111.1	99.4	109.0
Q4	2.8	5.3	112.0	107.2	112.0	117.2	111.1	103.9	101.9	97.7	113.5	101.7	106.5
2004 Q1	7.9	4.7	115.9	111.7	115.1	116.8	115.6	104.8	101.0	98.2	115.8	103.4	102.4
Q2	11.5	5.5	117.7	113.3	115.7	119.4	116.2	106.2	101.8	103.8	115.2	104.1	101.3
Q3	7.4	7.8	117.8	114.1	116.9	118.8	117.7	108.7	102.9	103.3	117.0	107.2	112.5
2004 May	8.8	1.7	117.0	112.2	114.1	117.8	114.4	105.0	100.2	102.7	113.9	103.5	101.7
June	14.6	9.3	117.4	113.0	115.0	120.5	115.4	106.1	102.7	101.1	114.0	103.3	105.2
July	6.3	2.5	117.4	113.8	117.5	117.6	117.7	106.9	101.5	97.9	113.4	105.5	107.0
Aug.	11.0	13.7	117.8	114.7	115.7	120.1	116.9	111.1	104.4	106.3	119.1	107.8	113.6
Sep.	5.6	8.1	118.2	114.0	117.4	118.7	118.4	108.0	102.8	105.5	118.7	108.5	116.9
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2000	8.3	22.0	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	100.0	99.9	99.9
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.5	102.9	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.3	98.8	96.1	85.0
2003 Q2	-3.9	-5.2	96.7	95.8	95.3	99.1	96.6	93.6	91.4	93.6	98.7	95.8	78.6
Q3	-3.0	-3.3	96.6	95.6	94.8	99.2	96.3	94.0	92.0	94.0	98.4	95.6	80.1
Q4	-3.3	-3.8	96.0	95.1	95.0	99.0	95.6	93.9	92.3	94.0	98.2	95.3	82.5
2004 Q1	-2.8	-4.4	95.5	94.8	93.9	98.7	95.2	93.5	92.3	92.2	97.1	94.8	83.6
Q2	0.3	3.1	97.0	96.1	94.9	100.2	96.5	96.5	96.9	93.3	97.6	96.1	94.2
Q3	1.0	5.5	97.6	96.9	95.3	99.8	96.7	99.3	101.5	93.3	98.2	97.0	103.9
2004 May	0.0	4.0	96.9	96.1	94.9	100.3	96.2	96.3	96.9	92.7	97.3	96.0	92.6
June	1.5	5.5	97.5	96.7	94.9	100.6	97.0	98.2	98.9	93.9	98.3	96.8	100.5
July	1.2	6.1	97.7	97.0	94.9	100.2	96.9	99.1	100.5	94.7	99.3	97.8	99.8
Aug.	1.8	5.4	97.9	97.5	96.0	99.8	97.2	99.3	102.0	92.6	98.1	96.8	105.5
Sep.	0.1	5.1	97.1	96.2	95.1	99.6	96.2	99.4	102.1	92.6	97.2	96.3	106.3
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

7.3 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	Other EU Member States				Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
		United Kingdom	Sweden	Denmark	Others							
	1	2	3	4	5	6	7	8	9	10	11	12
	Exports (f.o.b.)											
2000	1,002.2	189.1	39.4	23.5	97.2	63.9	172.5	34.5	153.6	56.4	47.0	125.2
2001	1,062.3	202.3	37.0	24.4	105.8	66.3	180.2	34.5	165.4	60.4	49.8	136.0
2002	1,083.6	205.7	37.1	25.3	112.1	64.0	184.1	33.0	170.2	59.5	43.4	149.2
2003	1,056.8	193.4	38.5	24.7	117.5	63.3	166.4	31.3	170.5	59.4	37.9	153.8
2003 Q2	257.0	47.0	9.5	6.1	29.3	15.6	40.3	7.6	41.4	14.5	9.5	36.3
Q3	264.9	48.1	9.7	6.2	30.4	15.3	41.6	7.8	43.4	15.2	9.1	38.1
Q4	269.5	49.0	9.8	6.1	29.5	15.9	41.5	8.1	43.1	15.0	8.9	42.6
2004 Q1	277.3	49.1	10.0	6.1	31.2	15.5	42.5	8.4	46.6	15.1	9.6	43.2
Q2	286.1	50.3	10.3	6.3	31.5	16.2	43.9	8.0	47.1	16.2	9.8	46.4
Q3	287.9	51.4	10.4	6.4	31.2	17.1	43.3	8.4	48.5	17.1	10.2	44.0
2004 May	94.7	16.5	3.5	2.0	10.5	5.3	14.5	2.6	15.5	4.9	3.4	16.0
June	95.6	16.9	3.4	2.1	9.9	5.4	14.6	2.8	15.8	5.7	3.2	15.8
July	95.8	17.3	3.5	2.1	10.1	5.9	14.5	2.8	16.8	5.5	3.4	13.9
Aug.	96.3	16.9	3.5	2.1	10.5	5.6	14.5	2.8	16.1	5.9	3.4	15.1
Sep.	95.8	17.2	3.5	2.1	10.5	5.6	14.3	2.8	15.6	5.7	3.5	15.0
Oct.	95.4	.	.	.	.	.	.	.	.	.	.	.
	% share of total exports											
2003	100.0	18.3	3.6	2.3	11.1	6.0	15.7	3.0	16.1	5.6	3.6	14.5
	Imports (c.i.f.)											
2000	1,023.7	159.5	39.1	22.3	78.8	50.4	142.0	67.3	217.0	73.7	40.3	133.2
2001	1,014.1	154.5	35.6	22.0	88.9	52.9	138.7	58.5	208.2	74.0	40.9	139.9
2002	984.4	149.6	35.6	22.9	93.5	52.1	125.6	52.7	204.7	67.8	39.4	140.5
2003	986.7	137.8	36.7	23.6	102.1	50.4	110.4	52.1	216.0	69.0	39.6	149.1
2003 Q2	243.6	34.3	9.1	5.9	25.3	12.6	28.2	13.2	52.9	16.9	9.6	35.5
Q3	243.5	33.7	9.1	5.7	25.4	12.3	27.2	12.6	53.2	17.0	9.7	37.4
Q4	249.9	34.1	9.3	5.9	26.8	12.4	26.6	12.9	56.4	16.5	10.5	38.4
2004 Q1	250.7	33.6	9.4	6.0	27.0	12.7	26.2	13.4	55.5	16.5	10.7	39.8
Q2	262.4	34.3	9.8	5.8	26.2	13.2	29.9	12.8	63.1	16.9	10.8	39.5
Q3	276.1	37.2	10.1	6.1	26.9	13.6	28.6	13.6	66.6	18.9	11.4	43.0
2004 May	86.2	11.4	3.3	1.9	8.5	4.4	9.8	4.2	20.8	5.6	3.5	12.8
June	88.9	11.8	3.3	2.0	7.9	4.4	9.8	4.2	21.8	6.2	3.6	13.9
July	90.4	12.3	3.3	2.0	8.7	4.5	9.5	4.6	21.6	6.2	3.7	14.0
Aug.	94.0	12.7	3.4	2.0	9.1	4.5	9.6	4.6	23.0	6.4	3.8	15.0
Sep.	91.6	12.2	3.4	2.1	9.1	4.6	9.5	4.4	22.0	6.3	3.9	14.1
Oct.	92.5	.	.	.	.	.	.	.	.	.	.	.
	% share of total imports											
2003	100.0	14.0	3.7	2.4	10.3	5.1	11.2	5.3	21.9	7.0	4.0	15.1
	Balance											
2000	-21.5	29.6	0.3	1.2	18.4	13.5	30.4	-32.9	-63.4	-17.3	6.7	-8.0
2001	48.2	47.9	1.4	2.4	17.0	13.4	41.5	-24.0	-42.8	-13.5	8.9	-3.9
2002	99.1	56.0	1.5	2.4	18.6	11.9	58.5	-19.6	-34.5	-8.3	4.0	8.7
2003	70.1	55.6	1.8	1.2	15.4	12.9	56.1	-20.8	-45.5	-9.5	-1.7	4.7
2003 Q2	13.5	12.7	0.4	0.2	4.0	3.0	12.1	-5.6	-11.5	-2.4	-0.1	0.7
Q3	21.4	14.4	0.6	0.5	4.9	2.9	14.3	-4.8	-9.8	-1.8	-0.6	0.7
Q4	19.6	14.9	0.5	0.2	2.7	3.5	14.9	-4.9	-13.3	-1.5	-1.6	4.2
2004 Q1	26.6	15.5	0.7	0.2	4.2	2.8	16.3	-5.0	-8.9	-1.3	-1.1	3.3
Q2	23.7	15.9	0.6	0.5	5.3	3.1	14.0	-4.8	-16.0	-0.8	-1.0	6.9
Q3	11.9	14.2	0.3	0.2	4.2	3.5	14.7	-5.2	-18.1	-1.8	-1.2	1.0
2004 May	8.5	5.1	0.2	0.1	2.0	0.9	4.7	-1.6	-5.3	-0.7	-0.1	3.1
June	6.7	5.2	0.1	0.1	1.9	1.0	4.8	-1.5	-6.0	-0.5	-0.4	1.9
July	5.4	5.0	0.1	0.1	1.4	1.4	5.0	-1.8	-4.8	-0.6	-0.4	-0.1
Aug.	2.3	4.2	0.1	0.1	1.4	1.1	4.9	-1.8	-7.0	-0.5	-0.4	0.1
Sep.	4.2	4.9	0.1	0.0	1.4	1.0	4.8	-1.7	-6.4	-0.6	-0.4	0.9
Oct.	2.9	.	.	.	.	.	.	.	.	.	.	.

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

7.4 International investment position

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

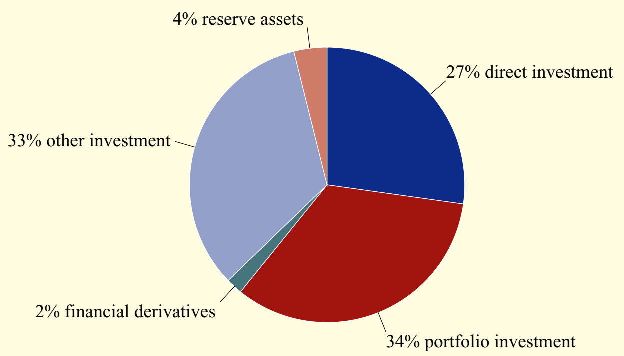
1. Summary international investment position

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

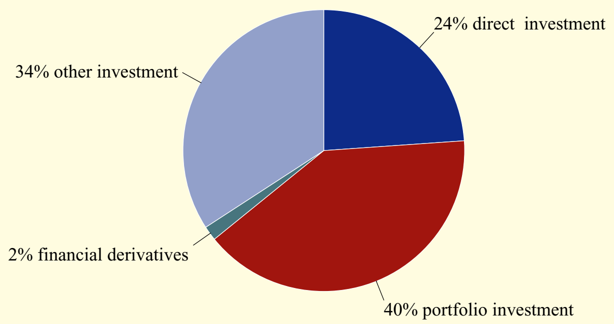
2. Direct investment

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

C32 International investment position by item at end-2003



Assets



Liabilities

Source: ECB.

7.4 International investment position
(EUR billions; end-of-period outstanding amounts)

3. Portfolio investment by instrument

	Equity		Debt instruments					
			Assets			Liabilities		
	Assets	Liabilities	Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
	1	2	3	4	5	6	7	8
2000	1,154.9	1,620.1	1,172.8	1,048.4	124.3	1,540.3	1,372.7	167.5
2001	1,116.7	1,640.5	1,398.3	1,218.6	179.8	1,695.3	1,514.8	180.5
2002	853.2	1,366.1	1,449.4	1,206.4	243.0	1,815.5	1,628.8	186.7
2003	1,054.6	1,516.2	1,552.8	1,317.0	235.8	1,914.6	1,701.3	213.4

4. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2000	0.5	43.6	1,110.9	5.7	1,105.2	3.1	335.3	710.1	5.7	704.4	0.5	87.5	36.3	0.1	36.2
2001	0.6	38.5	1,077.6	6.7	1,070.9	2.0	424.8	791.8	8.2	783.6	2.8	135.1	41.8	0.2	41.6
2002	0.7	43.8	808.8	8.3	800.5	6.4	404.8	795.2	8.0	787.2	1.2	193.8	47.9	1.3	46.7
2003	1.8	52.6	1,000.2	11.5	988.8	8.3	463.7	845.1	8.0	837.1	1.1	184.8	49.9	0.6	49.2

5. Other investment by instrument

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

	MFIs (excluding 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
2000	1,422.4	37.1	2,128.1	42.2	173.5	435.7	-	-	100.9	109.2	322.8	39.8
2001	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9

Source: ECB.

7.5 International reserves

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

	Reserve assets														Memo: Assets	Memo: 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															
2000 Dec.	391.2	119.2	404.157	4.3	21.2	246.5	16.8	20.5	208.5	0.0	155.3	53.2	0.7	0.0	16.3	-21.7
2001 Dec.	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	55.9	0.4	0.0	24.7	-28.5
2002 Dec.	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 Nov.	321.9	131.0	394.294	4.6	25.4	160.9	11.2	26.9	121.8	-	-	-	1.0	0.0	15.8	-17.5
Dec.	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Jan.	309.7	127.0	393.542	4.5	23.5	154.7	10.2	32.5	111.7	-	-	-	0.3	0.0	19.3	-17.1
Feb.	298.5	125.4	393.540	4.5	23.3	145.2	10.1	32.6	102.4	-	-	-	0.1	0.0	20.8	-10.9
Mar.	308.4	136.4	393.539	4.6	23.2	144.2	9.7	29.3	105.5	-	-	-	-0.2	0.0	20.4	-10.5
Apr.	303.9	128.0	393.536	4.7	23.7	147.5	10.5	26.5	110.8	-	-	-	-0.2	0.0	20.4	-12.7
May	298.9	126.5	392.415	4.7	23.3	144.4	10.6	25.8	108.0	-	-	-	0.1	0.0	18.8	-9.3
June	301.4	127.8	392.324	4.6	22.4	146.7	11.4	27.6	107.1	-	-	-	0.6	0.0	18.3	-10.2
July	301.3	127.5	392.221	4.6	22.1	147.1	9.8	27.1	110.2	-	-	-	0.1	0.0	19.6	-9.5
Aug.	301.7	131.9	392.222	4.6	21.7	143.4	8.3	30.2	104.7	-	-	-	0.2	0.0	20.5	-8.7
Sep.	298.2	131.4	392.200	4.6	20.5	141.8	8.0	31.2	102.5	-	-	-	0.1	0.0	19.1	-8.5
Oct.	294.2	131.0	391.961	4.2	20.1	138.9	8.7	31.3	98.9	-	-	-	0.1	0.0	19.2	-11.0
Nov.	291.6	133.4	391.219	4.1	19.4	134.7	9.8	28.0	96.8	-	-	-	0.1	0.0	18.8	-11.5
	of which held by the European Central Bank															
2001 Dec.	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002 Dec.	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 Nov.	39.6	8.2	24.656	0.2	0.0	31.2	1.0	5.2	25.0	-	-	-	0.0	0.0	2.6	-2.4
Dec.	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 Jan.	38.3	8.0	24.656	0.2	0.0	30.1	1.3	6.9	21.9	-	-	-	0.0	0.0	2.5	-2.0
Feb.	36.1	7.9	24.656	0.2	0.0	28.0	1.1	7.7	19.2	-	-	-	0.0	0.0	2.8	-0.4
Mar.	37.9	8.5	24.656	0.2	0.0	29.1	1.0	5.4	22.8	-	-	-	0.0	0.0	2.5	-0.4
Apr.	37.7	8.0	24.656	0.2	0.0	29.5	1.0	4.7	23.8	-	-	-	0.0	0.0	2.6	-0.5
May	37.4	7.9	24.656	0.2	0.0	29.2	1.4	5.5	22.3	-	-	-	0.0	0.0	2.4	-0.6
June	37.4	8.0	24.656	0.2	0.0	29.2	1.5	3.7	24.0	-	-	-	0.0	0.0	2.4	-0.5
July	38.0	8.0	24.656	0.2	0.0	29.8	1.4	4.6	23.9	-	-	-	0.0	0.0	2.5	-1.0
Aug.	37.5	8.3	24.656	0.2	0.0	29.0	1.2	5.9	21.9	-	-	-	0.0	0.0	3.2	-0.9
Sep.	38.0	8.3	24.656	0.2	0.0	29.6	0.9	6.8	21.9	-	-	-	0.0	0.0	2.0	-1.0
Oct.	37.9	8.2	24.656	0.2	0.0	29.5	1.5	7.2	20.8	-	-	-	0.0	0.0	1.8	-1.2
Nov.	36.5	8.4	24.656	0.2	0.0	27.9	2.2	5.5	20.2	-	-	-	0.0	0.0	1.8	-0.8

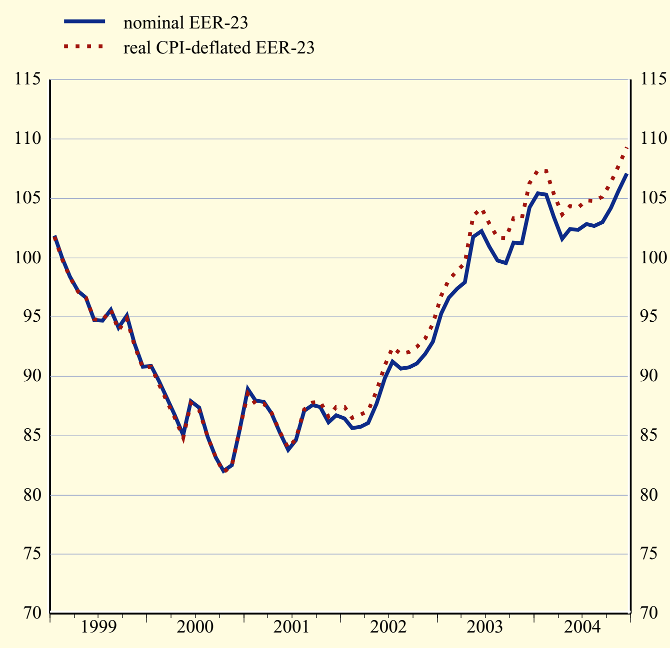
Source: ECB.

EXCHANGE RATES

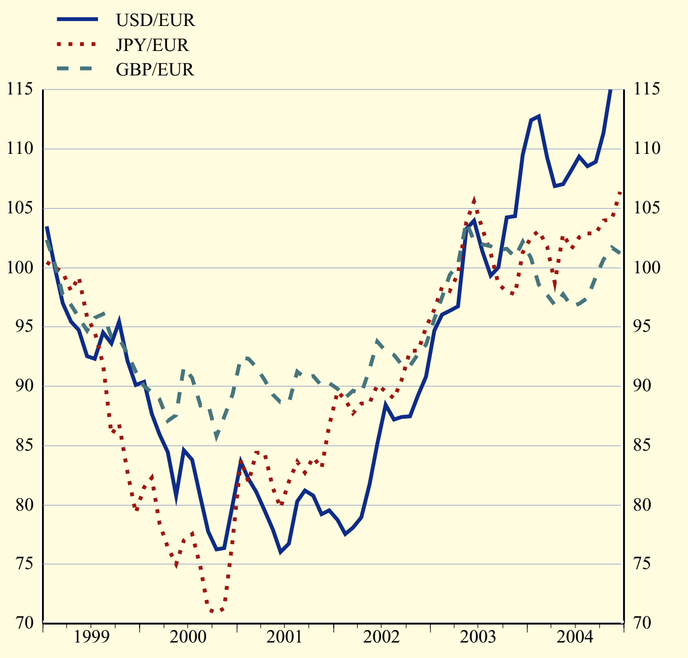
8.1 Effective exchange rates [1)]
(period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2002	89.2	90.4	91.9	90.4	88.1	88.5	94.8	90.9
2003	99.9	101.7	102.2	101.7	99.5	99.5	106.6	101.6
2004	103.8	105.9	105.3	.	.	.	111.0	105.3
2003 Q4	102.2	104.3	104.1	104.5	102.2	101.5	109.1	103.9
2004 Q1	104.7	106.7	106.4	106.9	104.6	104.2	111.6	106.1
Q2	102.1	104.1	103.6	104.7	101.7	101.1	109.2	103.7
Q3	102.8	104.9	104.4	105.3	101.4	101.7	110.1	104.5
Q4	105.7	107.8	106.7	.	.	.	113.0	107.1
2003 Dec.	104.2	106.3	105.9	-	-	-	111.2	105.9
2004 Jan.	105.4	107.4	107.0	-	-	-	112.5	106.8
Feb.	105.3	107.3	106.9	-	-	-	112.3	106.7
Mar.	103.4	105.4	105.2	-	-	-	110.2	104.6
Apr.	101.6	103.6	103.2	-	-	-	108.3	102.9
May	102.4	104.4	103.9	-	-	-	109.5	104.0
June	102.3	104.2	103.7	-	-	-	109.6	104.0
July	102.8	104.9	104.4	-	-	-	110.1	104.4
Aug.	102.7	104.8	104.3	-	-	-	109.9	104.4
Sep.	103.0	105.1	104.6	-	-	-	110.3	104.7
Oct.	104.2	106.3	105.5	-	-	-	111.5	105.8
Nov.	105.6	107.7	106.6	-	-	-	113.1	107.2
Dec.	107.1	109.3	108.0	-	-	-	114.4	108.4
	% change versus previous month							
2004 Dec.	1.4	1.4	1.3	-	-	-	1.2	1.1
	% change versus previous year							
2004 Dec.	2.8	2.8	2.0	-	-	-	2.9	2.3

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



C34 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)



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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	US dollar	Pound sterling	Japanese yen	Swiss franc	Swedish krona	South Korean won	Hong Kong dollar	Danish krone	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar	Icelandic krona	New Zealand dollar	South African rand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	0.9456	0.62883	118.06	1.4670	9.1611	1,175.50	7.3750	7.4305	1.6912	1.4838	7.5086	1.7376	86.18	2.0366	9.9072
2003	1.1312	0.69199	130.97	1.5212	9.1242	1,346.90	8.8079	7.4307	1.9703	1.5817	8.0033	1.7379	86.65	1.9438	8.5317
2004	1.2439	0.67866	134.44	1.5438	9.1243	1,422.62	9.6881	7.4399	2.1016	1.6167	8.3697	1.6905	87.14	1.8731	8.0092
2003 Q4	1.1890	0.69753	129.45	1.5537	9.0093	1,404.56	9.2219	7.4361	2.0507	1.5659	8.2227	1.6622	89.16	1.9032	8.0159
2004 Q1	1.2497	0.67987	133.97	1.5686	9.1843	1,464.18	9.7201	7.4495	2.1179	1.6482	8.6310	1.6337	87.22	1.8532	8.4768
Q2	1.2046	0.66704	132.20	1.5374	9.1450	1,400.41	9.3925	7.4393	2.0518	1.6374	8.2634	1.6907	87.70	1.9180	7.9465
Q3	1.2220	0.67216	134.38	1.5363	9.1581	1,411.03	9.5310	7.4367	2.0867	1.5998	8.3890	1.7226	87.48	1.8701	7.7869
Q4	1.2977	0.69507	137.11	1.5335	9.0128	1,415.11	10.0964	7.4343	2.1481	1.5835	8.1987	1.7132	86.19	1.8526	7.8379
2003 Dec.	1.2286	0.70196	132.43	1.5544	9.0228	1,463.90	9.5386	7.4419	2.1016	1.6131	8.2421	1.6626	89.68	1.8982	7.9934
2004 Jan.	1.2613	0.69215	134.13	1.5657	9.1368	1,492.23	9.7951	7.4481	2.1415	1.6346	8.5925	1.6374	87.69	1.8751	8.7788
Feb.	1.2646	0.67690	134.78	1.5734	9.1763	1,474.74	9.8314	7.4511	2.1323	1.6817	8.7752	1.6260	86.72	1.8262	8.5555
Mar.	1.2262	0.67124	133.13	1.5670	9.2346	1,429.40	9.5547	7.4493	2.0838	1.6314	8.5407	1.6370	87.23	1.8566	8.1326
Apr.	1.1985	0.66533	129.08	1.5547	9.1653	1,381.58	9.3451	7.4436	2.0193	1.6068	8.2976	1.6142	87.59	1.8727	7.8890
May	1.2007	0.67157	134.48	1.5400	9.1277	1,412.29	9.3618	7.4405	2.0541	1.6541	8.2074	1.7033	87.97	1.9484	8.1432
June	1.2138	0.66428	132.86	1.5192	9.1430	1,406.18	9.4648	7.4342	2.0791	1.6492	8.2856	1.7483	87.55	1.9301	7.8110
July	1.2266	0.66576	134.08	1.5270	9.1962	1,420.66	9.5672	7.4355	2.0995	1.6220	8.4751	1.7135	87.71	1.8961	7.5137
Aug.	1.2176	0.66942	134.54	1.5387	9.1861	1,409.37	9.4968	7.4365	2.0886	1.6007	8.3315	1.7147	87.08	1.8604	7.8527
Sep.	1.2218	0.68130	134.51	1.5431	9.0920	1,403.06	9.5290	7.4381	2.0719	1.5767	8.3604	1.7396	87.65	1.8538	7.9943
Oct.	1.2490	0.69144	135.97	1.5426	9.0620	1,426.19	9.7284	7.4379	2.0947	1.5600	8.2349	1.7049	87.58	1.8280	7.9861
Nov.	1.2991	0.69862	136.09	1.5216	8.9981	1,411.15	10.1028	7.4313	2.1446	1.5540	8.1412	1.6867	87.15	1.8540	7.8566
Dec.	1.3408	0.69500	139.14	1.5364	8.9819	1,408.77	10.4264	7.4338	2.2002	1.6333	8.2207	1.7462	83.99	1.8737	7.6847
	% change versus previous month														
2004 Dec.	3.2	-0.5	2.2	1.0	-0.2	-0.2	3.2	0.0	2.6	5.1	1.0	3.5	-3.6	1.1	-2.2
	% change versus previous year														
2004 Dec.	9.1	-1.0	5.1	-1.2	-0.5	-3.8	9.3	-0.1	4.7	1.3	-0.3	5.0	-6.3	-1.3	-3.9

	Cyprus pound	Czech koruna	Estonian kroon	Hungarian forint	Lithuanian litas	Latvian lats	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu	Turkish lira
	16	17	18	19	20	21	22	23	24	25	26	27	28
2002	0.57530	30.804	15.6466	242.96	3.4594	0.5810	0.4089	3.8574	225.9772	42.694	1.9492	31,270	1,439,680
2003	0.58409	31.846	15.6466	253.62	3.4527	0.6407	0.4261	4.3996	233.8493	41.489	1.9490	37,551	1,694,851
2004	0.58185	31.891	15.6466	251.66	3.4529	0.6652	0.4280	4.5268	239.0874	40.022	1.9533	40,510	1,777,052
2003 Q4	0.58404	32.096	15.6466	259.82	3.4526	0.6528	0.4287	4.6232	236.1407	41.184	1.9494	39,735	1,721,043
2004 Q1	0.58615	32.860	15.6466	260.00	3.4530	0.6664	0.4283	4.7763	237.6479	40.556	1.9517	40,550	1,665,395
Q2	0.58480	32.022	15.6466	252.16	3.4528	0.6542	0.4255	4.6877	238.8648	40.076	1.9493	40,664	1,759,532
Q3	0.57902	31.593	15.6466	248.80	3.4528	0.6597	0.4266	4.4236	239.9533	40.020	1.9559	40,994	1,807,510
Q4	0.57769	31.125	15.6466	245.94	3.4528	0.6801	0.4314	4.2342	239.8298	39.454	1.9559	39,839	1,871,592
2003 Dec.	0.58459	32.329	15.6466	264.74	3.4525	0.6631	0.4304	4.6595	236.6662	41.132	1.9533	40,573	1,761,551
2004 Jan.	0.58647	32.724	15.6466	264.32	3.4531	0.6707	0.4301	4.7128	237.3167	40.731	1.9557	41,107	1,698,262
Feb.	0.58601	32.857	15.6466	263.15	3.4532	0.6698	0.4284	4.8569	237.5123	40.551	1.9535	40,563	1,682,658
Mar.	0.58598	32.985	15.6466	253.33	3.4528	0.6596	0.4266	4.7642	238.0683	40.400	1.9465	40,029	1,620,374
Apr.	0.58630	32.519	15.6466	250.41	3.4529	0.6502	0.4251	4.7597	238.4520	40.151	1.9465	40,683	1,637,423
May	0.58589	31.976	15.6466	252.91	3.4528	0.6557	0.4259	4.7209	238.7400	40.164	1.9464	40,554	1,818,487
June	0.58239	31.614	15.6466	253.02	3.4528	0.6565	0.4254	4.5906	239.3591	39.923	1.9547	40,753	1,814,266
July	0.58171	31.545	15.6466	249.89	3.4528	0.6596	0.4259	4.4651	239.9023	39.899	1.9558	40,962	1,784,116
Aug.	0.57838	31.634	15.6466	248.85	3.4528	0.6586	0.4261	4.4310	239.9900	40.111	1.9559	40,946	1,799,918
Sep.	0.57696	31.601	15.6466	247.66	3.4528	0.6610	0.4277	4.3748	239.9677	40.049	1.9559	41,075	1,838,497
Oct.	0.57595	31.491	15.6466	246.69	3.4528	0.6690	0.4297	4.3182	239.9067	39.997	1.9559	41,082	1,860,247
Nov.	0.57789	31.286	15.6466	245.36	3.4528	0.6803	0.4319	4.2573	239.7891	39.546	1.9559	39,848	1,883,365
Dec.	0.57909	30.636	15.6466	245.80	3.4528	0.6900	0.4325	4.1354	239.7987	38.872	1.9559	38,696	1,870,690
	% change versus previous month												
2004 Dec.	0.2	-2.1	0.0	0.2	0.0	1.4	0.1	-2.9	0.0	-1.7	0.0	-2.9	-0.7
	% change versus previous year												
2004 Dec.	-0.9	-5.2	0.0	-7.2	0.0	4.1	0.5	-11.2	1.3	-5.5	0.1	-4.6	6.2

Source: ECB.

DEVELOPMENTS OUTSIDE THE EURO AREA

9

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
	HICP												
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	.	3.0	.	.	.	.	2.7	.	3.6	.	.	.
2004 Q2	2.5	0.8	3.2	1.2	5.8	0.5	7.4	3.3	3.4	3.8	8.0	1.2	1.4
Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
Q4	2.7	.	4.4	.	.	.	.	2.2	.	3.5	.	.	.
2004 Aug.	3.2	0.9	3.9	2.8	7.8	2.2	7.2	2.5	4.9	3.7	7.0	1.2	1.3
Sep.	2.8	0.9	3.8	1.8	7.7	3.0	6.7	3.2	4.7	3.4	6.4	1.2	1.1
Oct.	3.1	1.6	4.0	2.0	7.2	3.1	6.4	2.7	4.6	3.4	6.3	1.4	1.2
Nov.	2.6	1.0	4.4	2.6	7.2	2.9	5.7	1.9	4.5	3.8	6.0	1.1	1.5
Dec.	2.5	.	4.8	.	.	.	.	1.9	.	3.3	.	.	.
	General government deficit (-)/surplus (+) as a % of GDP												
2001	-5.9	2.1	0.3	-2.4	-2.1	-2.0	-4.4	-6.4	-3.8	-2.8	-6.0	2.8	0.7
2002	-6.8	0.7	1.4	-4.6	-2.7	-1.5	-9.2	-5.8	-3.6	-2.4	-5.7	0.0	-1.7
2003	-12.6	0.3	3.1	-6.4	-1.5	-1.9	-6.2	-9.6	-3.9	-2.0	-3.7	0.3	-3.3
	General government gross debt as a % of GDP												
2001	25.3	49.2	4.4	64.3	14.9	22.9	53.5	62.0	36.7	28.1	48.7	54.4	38.8
2002	28.8	48.8	5.3	67.4	14.1	22.4	57.2	62.3	41.1	29.5	43.3	52.6	38.3
2003	37.8	45.9	5.3	70.9	14.4	21.4	59.1	70.4	45.4	29.4	42.6	52.0	39.8
	Long-term government bond yield as a % per annum, period average												
2004 June	5.02	4.53	-	5.49	4.93	4.47	8.55	4.65	7.27	4.69	5.09	4.72	5.24
July	5.11	4.62	-	6.58	4.89	4.58	8.47	4.65	7.44	4.65	5.03	4.57	5.14
Aug.	5.02	4.45	-	6.58	4.88	4.57	8.44	4.70	7.36	4.66	5.02	4.42	5.03
Sep.	5.02	4.38	-	6.58	4.87	4.56	8.58	4.70	6.96	4.63	5.04	4.37	4.95
Oct.	4.82	4.23	-	6.58	4.63	4.38	8.23	4.71	6.80	4.47	5.08	4.25	4.81
Nov.	4.55	4.09	-	6.45	4.58	4.25	7.64	4.70	6.45	4.31	4.92	4.13	4.74
	3-month interest rate as a % per annum, period average												
2004 June	2.33	2.21	2.42	5.30	3.94	2.68	11.10	2.90	5.91	4.46	4.33	2.20	4.79
July	2.47	2.22	2.41	5.23	4.05	2.69	-	2.94	6.34	4.03	3.96	2.20	4.86
Aug.	2.57	2.21	2.41	5.16	4.12	2.71	-	2.96	6.60	4.01	3.96	2.20	4.96
Sep.	2.72	2.21	2.41	5.15	4.14	2.68	-	2.96	7.12	4.07	4.16	2.20	4.95
Oct.	2.67	2.21	2.41	5.15	4.20	2.69	11.09	2.96	6.89	4.10	4.26	2.21	4.90
Nov.	2.61	2.21	2.41	5.13	4.49	2.70	9.57	2.95	6.81	4.06	4.22	2.20	4.88
	Real GDP												
2002	1.5	1.0	7.2	2.1	6.4	6.8	3.5	2.6	1.3	3.3	4.6	2.0	1.8
2003	3.7	0.4	5.1	1.9	7.5	9.7	3.0	-0.3	3.8	2.5	4.5	1.5	2.2
2004 Q1	3.5	1.7	7.1	3.5	8.8	6.7	4.0	2.1	6.9	3.9	5.4	2.7	3.0
Q2	3.9	2.4	5.8	4.1	7.7	7.4	4.2	-1.6	6.1	4.7	5.5	3.4	3.5
Q3	3.6	1.9	5.9	3.5	9.1	6.1	4.0	1.4	4.8	4.9	5.3	3.7	3.1
	Current and capital accounts balance as a % of GDP												
2002	-5.7	2.3	-9.9	-4.5	-6.5	-4.8	-6.9	0.5	-2.6	0.7	-7.6	5.3	-1.7
2003	-6.2	3.3	-12.7	-3.3	-7.6	-6.5	-9.0	-5.5	-2.2	-1.0	-0.5	6.4	-1.6
2004 Q1	-2.3	3.0	-11.5	-12.6	-8.5	-8.7	-9.8	-8.3	-1.4	0.6	1.2	7.6	-1.4
Q2	-5.2	3.6	-17.9	-11.1	-16.7	-10.7	-9.0	-4.7	-2.9	-2.6	-7.5	8.3	-2.5
Q3	-7.2	2.2	-7.7	.	-10.2	-6.0	-7.6	-4.7	-0.6	0.5	.	8.8	-2.6
	Unit labour costs												
2002	6.0	1.8	4.1	-	0.3	-1.2	8.9	-	-2.0	6.0	4.1	0.9	3.3
2003	3.3	2.2	4.6	-	4.1	1.5	7.0	-	.	4.8	3.7	0.6	.
2004 Q1	.	1.5	4.7	-	-	.	-	.	-	-	-	-	.
Q2	.	1.0	4.8	-	-	.	-	.	-	-	-	-	.
Q3	.	1.8	5.2	-	-	.	-	.	-	-	-	-	.
	Standardised unemployment rate as a % of labour force (s.a.)												
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.7	8.0	19.2	6.5	17.5	5.6	5.0
2004	.	.	.	5.0	.	10.7	.	.	.	.	.	.	.
2004 Q2	8.4	5.4	9.6	4.7	9.8	11.1	5.8	7.4	18.9	6.1	18.5	6.4	4.7
Q3	8.4	5.3	9.1	5.0	9.7	10.6	5.8	7.1	18.7	5.9	17.9	6.4	4.5
Q4	.	.	.	5.3	.	9.7	.	.	.	.	.	.	.
2004 Aug.	8.4	5.3	9.1	5.0	9.7	10.6	5.8	7.0	18.7	5.9	17.9	6.2	4.5
Sep.	8.4	5.3	8.8	5.1	9.7	10.3	5.9	7.0	18.6	5.9	17.8	6.6	4.5
Oct.	8.4	5.2	8.5	5.1	9.7	10.0	6.0	7.0	18.5	5.9	17.6	6.2	.
Nov.	8.4	5.2	8.4	5.2	9.7	9.6	6.1	.	18.4	5.8	17.3	6.4	.
Dec.	.	.	.	5.5	.	9.4	.	.	.	.	.	.	.

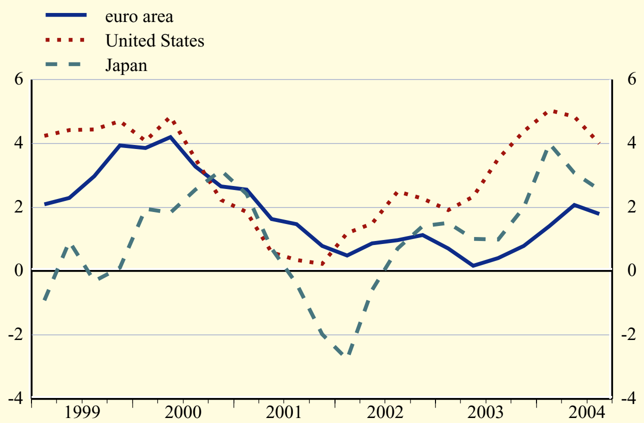
Sources: European Commission (Economic and Financial Affairs DG and Eurostat); national data, Reuters and ECB calculations.

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

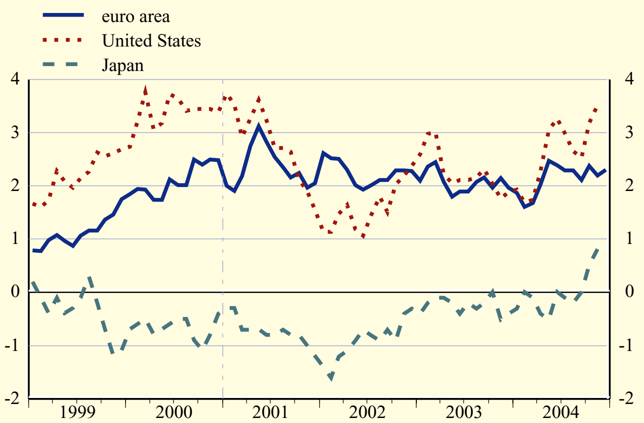
1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.3	1.9	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.2	3.0	0.0	6.0	6.3	1.22	4.00	1.1312	-4.6	47.7
2004	.	.	.	.	5.5	.	1.62	4.26	1.2439	.	.
2003 Q4	1.9	3.5	4.4	1.6	5.9	4.6	1.17	4.27	1.1890	-4.3	47.7
2004 Q1	1.8	-0.6	5.0	3.2	5.7	4.5	1.12	4.00	1.2497	-4.5	48.3
Q2	2.9	-2.0	4.8	5.6	5.6	5.8	1.30	4.58	1.2046	-4.4	48.0
Q3	2.7	-1.4	4.0	5.5	5.4	4.8	1.75	4.29	1.2220	-4.4	48.3
Q4	.	.	.	.	5.4	.	2.30	4.17	1.2977	.	.
2004 Aug.	2.7	-	-	6.2	5.4	4.6	1.73	4.27	1.2176	-	-
Sep.	2.5	-	-	4.8	5.4	5.2	1.90	4.13	1.2218	-	-
Oct.	3.2	-	-	5.3	5.5	5.3	2.08	4.08	1.2490	-	-
Nov.	3.5	-	-	4.4	5.4	5.7	2.31	4.19	1.2991	-	-
Dec.	.	-	-	.	5.4	.	2.50	4.23	1.3408	-	-
					Japan						
2001	-0.7	4.4	0.2	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.3
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	.	.
2004	.	.	.	.	.	1.9	0.05	1.50	134.44	.	.
2003 Q4	-0.3	-4.3	2.0	4.2	5.1	1.5	0.06	1.38	129.45	.	.
2004 Q1	-0.1	-6.5	4.0	6.8	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	-6.7	3.1	7.4	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.9	2.6	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	.	.	.	.	.	2.0	0.05	1.45	137.11	.	.
2004 Aug.	-0.2	-8.5	-	9.8	4.8	1.8	0.05	1.63	134.54	-	-
Sep.	0.0	-3.8	-	4.1	4.6	2.0	0.05	1.50	134.51	-	-
Oct.	0.5	0.7	-	-0.8	4.7	2.0	0.05	1.49	135.97	-	-
Nov.	0.8	.	-	4.3	4.5	2.0	0.05	1.46	136.09	-	-
Dec.	.	.	-	.	.	2.1	0.05	1.40	139.14	-	-

C35 Real gross domestic product
(annual percentage changes; quarterly)



C36 Consumer price indices
(annual percentage changes; monthly)



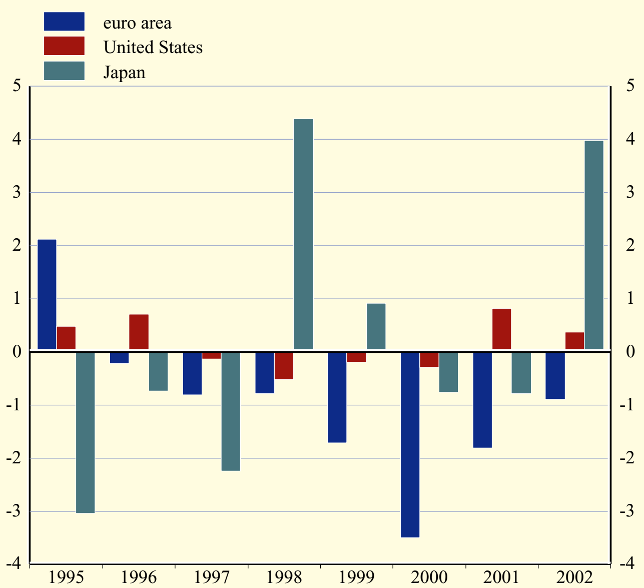
Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M3 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

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

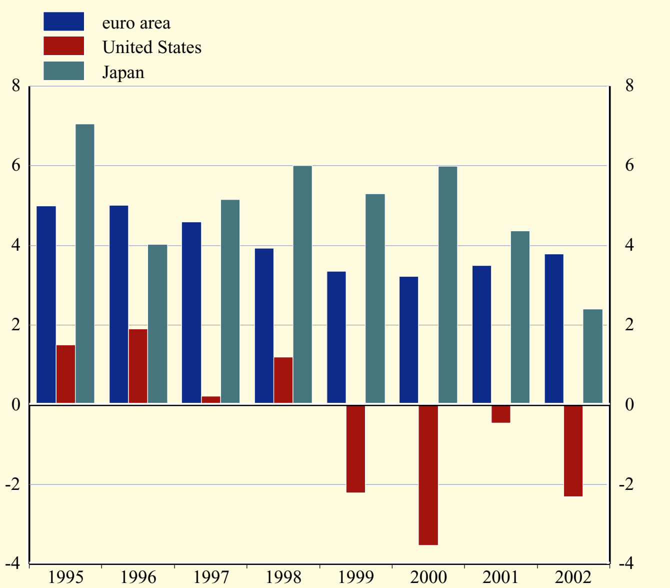
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures [2]	Net acquisition of financial assets	Gross saving [3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
						United States							
2000	18.0	20.8	-4.0	9.5	9.0	12.3	7.5	12.6	2.4	12.6	2.3	11.1	5.8
2001	16.4	19.1	-3.7	8.0	8.4	1.8	7.6	0.9	1.8	12.7	5.3	10.7	5.7
2002	14.2	18.4	-4.4	7.3	7.2	1.4	8.0	1.1	-0.1	12.8	4.3	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	4.3	8.6	2.4	0.8	13.1	7.2	10.7	8.0
2002 Q4	13.3	18.3	-4.7	7.1	7.0	5.4	8.3	4.3	0.7	12.9	3.4	10.5	8.1
2003 Q1	12.8	18.2	-5.0	6.9	6.9	3.6	7.8	2.4	0.9	12.8	6.7	10.2	9.1
Q2	13.2	18.1	-4.8	6.8	7.0	5.3	8.5	3.3	2.0	13.1	10.0	10.5	12.4
Q3	13.7	18.6	-4.6	7.0	7.1	3.2	8.7	1.1	0.2	13.3	9.3	11.2	6.8
Q4	14.4	18.8	-4.3	7.2	7.2	5.0	9.2	2.7	0.0	13.2	3.0	10.7	4.0
2004 Q1	13.7	19.1	-4.9	7.4	7.1	5.9	8.9	4.0	1.0	13.1	5.8	10.3	9.9
Q2	13.9	19.8	-5.4	7.7	7.3	4.0	8.8	2.3	-0.6	13.3	6.5	10.3	7.6
Q3	13.9	19.7	-5.4	7.6	7.4	4.4	9.1	2.0	-0.1	13.5	5.1	10.2	7.3
						Japan							
2000	27.8	26.3	2.3	15.4	15.5	0.9	14.5	-1.0	0.2	5.2	3.9	10.5	-0.1
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.8	24.0	2.8	13.8	14.0	-1.7	15.7	-7.4	-0.8	4.8	-0.2	8.5	-2.1
2003	.	23.9	.	.	.	3.2	.	-5.2	-0.2	.	-1.2	.	-0.8
2002 Q4	24.2	25.2	2.2	.	.	5.5	.	9.8	0.7	.	10.2	.	-1.7
2003 Q1	28.2	23.4	2.9	.	.	17.5	.	-1.8	1.7	.	-13.2	.	2.9
Q2	.	23.3	.	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	.	24.0	.	.	.	9.8	.	-5.5	-2.9	.	-5.5	.	1.1
Q4	.	24.8	.	.	.	11.5	.	6.5	1.2	.	8.7	.	-1.2
2004 Q1	.	24.0	.	.	.	11.3	.	0.6	-0.4	.	-7.5	.	2.6
Q2	.	23.0	.	.	.	-13.4	.	-12.7	-0.8	.	5.6	.	-6.0
Q3	.	23.8	.	.	.	5.0	.	-2.0	-1.8	.	-4.3	.	1.6

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



C38 Net lending of households [1]
(as a percentage of GDP)



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

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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.

from transactions or from the index of adjusted outstanding amounts. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of adjusted outstanding amounts in month t is defined as:

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

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

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

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

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

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

RELATING TO TABLE 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 and services are pre-adjusted to take "working day" and "Easter" effects into account. Data on income and current transfers credits are subject to a "working day" pre-adjustment. The seasonal adjustment for these items is carried out using these pre-adjusted series. Current transfers debits are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal factors are revised at semi-annual intervals or as required.

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.

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 12 January 2005.

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

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

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

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

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

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

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

OVERVIEW

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

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

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

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

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

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers" (ECB, November 1999). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

In line with this Regulation, the balance sheet item "money market paper" has been merged with the item "debt securities" on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-

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

profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity ("short-term" refers to an original maturity of up to one year; "long-term" refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues differ from the change in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (debt securities) issued by euro residents. Columns 9 to 11 show the percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for euro area resident issuers which is in line with the ESA 95[3]. The ECB is included in the Eurosystem.

The total outstanding amounts in column 1 of Section 4.2 are identical to the data on outstanding amounts of Section 4.1, column 5. The outstanding amounts of securities issued by MFIs in Section 4.2, column 2, are broadly comparable with debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Section 2.1, column 8.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity and by sector of the issuer), which are based on financial transactions that occur when an institutional unit acquires or disposes of financial assets and incurs or redeems liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

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.

3 The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[4]. 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[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

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

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.4 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Section 6.4 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000 [6] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general 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 [7] on quarterly non-financial accounts for general government.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1, 7.2, 7.4 and 7.5) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[8], and Eurostat documents. Additional references about the

6 OJ L 172, 12.7.2000, p. 3.
7 OJ L 179, 9.7.2002, p. 1.
8 OJ L 354, 30.11.2004, p. 34.

methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (November 2004), and in the following task force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), which can be downloaded from the ECB's website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org).

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 7 provides a sectoral breakdown of euro area purchasers of securities issued by non-euro area residents. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 8 and 9 the breakdown between "loans" and "currency and deposits" is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms with 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 the liabilities of portfolio investment, the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs, apart from shares of money market funds and debt securities issued by MFIs with a maturity of up to two years. A specific 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 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 7.3.1 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 shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 and

7.2). The difference for imports accounted for around 5% in the 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).

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-euro area residents, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.5, 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 Section 7.5 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.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM [1]

9 JANUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

6 FEBRUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

6 MARCH 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

3 APRIL 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 MAY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000, on pages 219 to 220 of the ECB's Annual Report 2001 and on pages 234 to 235 of the ECB's Annual Report 2002 respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER , 2 DECEMBER 2004 AND 13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Bank lending survey: a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Central parity: the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services sectors, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross monthly earnings: gross monthly wages and salaries of employees, including employees' social security contributions.

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of all hours worked by them (including overtime).

Implied volatility: a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Yield curve: a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.