



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 04 | 2005

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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 7 April 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.

All in all, the Governing Council has not changed its assessment of risks to price stability over the medium term. So far, there has been no significant evidence of underlying domestic inflationary pressures building up in the euro area. Accordingly, the Governing Council has left the key ECB interest rates unchanged. Both nominal and real interest rates are at exceptionally low levels, lending ongoing support to economic activity. However, upside risks to price stability over the medium term remain and continued vigilance is therefore of the essence.

As regards the economic analysis underlying the Governing Council's assessment, recent data and survey indicators on economic activity have been mixed. In general, they point to ongoing economic growth at a moderate pace over the short term, with no clear signs as yet of a strengthening in underlying dynamics.

Looking further ahead, the conditions remain in place for moderate economic growth to continue. Global growth remains solid, providing a favourable environment for euro area exports. On the domestic side, investment is expected to continue to be supported by very favourable financing conditions, improved profits and greater business efficiency. Consumption growth should develop in line with real disposable income growth. However, at the same time, persistently high oil prices in particular pose downside risks to growth.

With regard to consumer prices, Eurostat's flash estimate for annual HICP inflation was 2.1% in March, unchanged from February. In the coming months, annual inflation rates are likely to remain somewhat above 2%, although the exact figure will depend largely on how oil

prices develop. Looking further ahead, so far there has been no significant evidence of underlying domestic inflationary pressures building up in the euro area. Wage increases have remained contained over recent quarters and, in the context of moderate economic growth and weak labour markets, this trend is likely to continue for the time being.

However, upside risks to price stability remain. Given recent oil price rises, it is once again paramount that second-round effects stemming from wage and price-setting throughout the economy are avoided. It is particularly important that the social partners assume their responsibilities in this respect. In addition, developments in longer-term inflation expectations need to be monitored closely.

The monetary analysis provides further insight into the outlook for price developments at medium to longer-term horizons. While the latest monetary and credit data show some moderation in the pace of monetary expansion, they confirm that the stimulative effect of the low level of interest rates has remained the dominating force. In addition, the fact that monetary dynamics continue to be driven mainly by the most liquid components suggests that excess liquidity may entail risks of upward inflationary pressures in the medium to longer term. Furthermore, strong monetary and credit growth indicates the need to carefully monitor whether risks are building up in the context of strong house price increases in some regions of the euro area.

To sum up, the economic analysis confirms that underlying domestic inflationary pressures remain contained, while there continue to be medium-term upside risks to price stability which need to be monitored closely. Cross-checking with the monetary analysis supports the case for continued vigilance with regard to the materialisation of such risks.

Turning to fiscal policies, recent information provides a mixed picture and continues to raise concerns. Although public finances remain

sound in a few euro area countries and fiscal consolidation is progressing slowly in others, in several countries fiscal perspectives are worrying, as imbalances are not projected to decline, as planned earlier, and in some cases are even forecast to rise.

Given that inappropriate consolidation strategies and shortcomings in their implementation have, in the past, made compliance with the Stability and Growth Pact difficult, it is now essential that consolidation plans are ambitious and are fully implemented. It is equally essential that the European Commission and the ECOFIN Council strictly enforce the new agreement on the implementation of the Pact so as to restore the framework's credibility. The Governing Council would also like to reiterate the need to deliver on fiscal and structural reforms that enhance the sustainability of public finances and confidence in the growth prospects of all Member States.

As regards structural reforms in the euro area, the Governing Council welcomes the Presidency Conclusions of the Brussels European Council of 22 and 23 March 2005, which state that "it is essential to relaunch the Lisbon Strategy without delay and re-focus priorities on growth and employment". EU countries urgently need to promote innovation and human capital formation, establish a regulatory environment which is friendlier for businesses, accelerate market liberalisation, and increase labour market flexibility.

Attention must now shift towards implementing this reform agenda. Closing the implementation gap is essential in order to reap the full benefits of structural reforms in terms of both a higher growth potential in the medium term and improved consumer and business confidence in the short term.

This issue of the Monthly Bulletin contains three articles. The first article addresses the issue of asset price bubbles and monetary policy. The second focuses on the statistical

comparability of key macroeconomic indicators for the euro area, the United States and Japan. Finally, the third article describes the ESCB-CESR standards for securities clearing and settlement in the European Union.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Growth in the global economy remains fairly robust with the United States and China, the two main engines of growth in 2004, continuing to expand at high rates. At the same time, inflationary pressures continue to be relatively contained in most countries. The outlook for the global economy and for euro area foreign demand remains relatively favourable. The main downside risks relate to oil prices, which reached a new all-time high in early April 2005, and global imbalances.

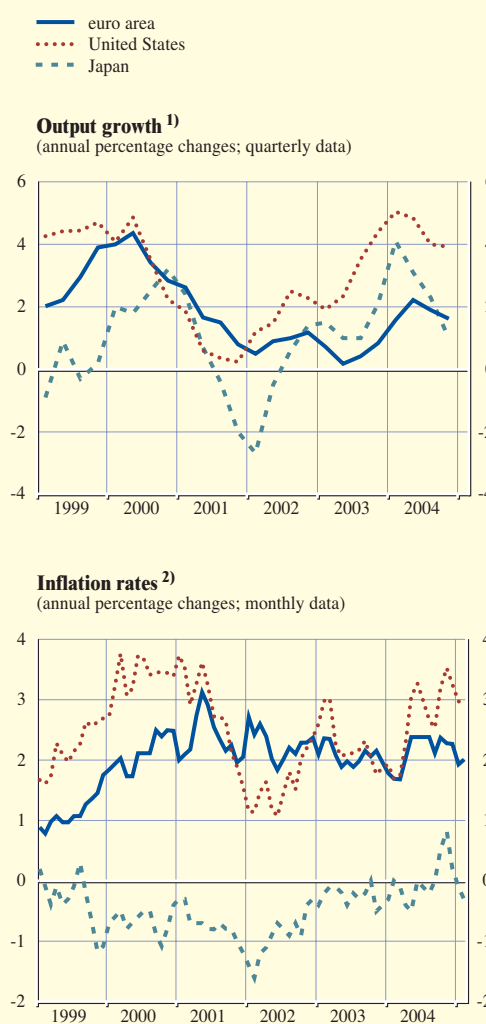
I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy continues to expand at a fairly robust pace, albeit slower than in early 2004. The two most important engines of global growth in 2004, the United States and China, continue to grow at high rates. In China, in particular, economic activity remained buoyant in the first two months of 2005, while some deceleration was seen in other parts of Asia. Global inflationary pressures remain moderate, with annual consumer price inflation – both overall and excluding food and energy – moderating for the OECD countries as a whole in January. However, oil prices reached a new all-time high, reflecting a combination of temporary and structural factors.

UNITED STATES

In the United States the economy continues to grow at a brisk pace, driven by buoyant domestic demand. GDP growth slowed only marginally in the last quarter of 2004, to stand at an annualised quarterly rate of 3.8%. Robust domestic demand contributed, in turn, to a record current account deficit which reached 6.3% of GDP in the fourth quarter of 2004. Available data indicate that the robust expansion of domestic activity has extended into early 2005. In the business sector, capital spending has remained strong, continuing to benefit from high corporate profitability and low financing costs. Household spending, too, has continued at a generally sustained pace. In the labour market, there has been a fairly steady trend increase in job growth through the end of the first quarter. Looking ahead, the growth of the US economy is expected to remain robust. Concerning prices, CPI inflation remained at 3.0% in February, while the CPI excluding food and energy increased to 2.4%, continuing

Chart I Main developments in major industrialised economies



Sources: National data, BIS, Eurostat, OECD and ECB calculations.

1) Eurostat data is used for the euro area; for the United States and Japan, national data are used. For all countries, GDP figures have been seasonally adjusted.

2) HICP for the euro area; CPI for the United States and Japan.

an upward trend that has been evident since early 2004. Changes in the headline personal consumption expenditure (PCE) deflator through February have been similar to those seen in the CPI, although the PCE index excluding food and energy has shown less upward drift. Overall, price pressures appear to have picked up in recent months, with some indications that the pricing power of suppliers may have increased.

Against this background, the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points at its meeting of 22 March 2005. This is the seventh consecutive increase, bringing the policy rate to 2.75%. At its meeting, the Committee stated that “with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal”.

JAPAN

In Japan economic activity has continued to show some weakness. According to recently revised figures, in the fourth quarter of 2004 real GDP recorded a 0.1% increase on a quarterly basis, contrary to the initial estimate of a 0.1% contraction. This revision has somewhat allayed concerns that Japan is falling back into a recession, following negative growth in the second and third quarters of 2004. However, the short-term outlook for the economy remains relatively weak, to some extent reflecting the continuation of a process of inventory adjustment in the manufacturing sector, notably in the IT industry.

After rebounding strongly in January 2005, most monthly indicators of economic activity weakened again in February. The Bank of Japan’s quarterly Tankan survey for March 2005 showed a significant decline from December 2004 in business confidence in the manufacturing sector, although a majority of manufacturers still regard business conditions as favourable. Meanwhile, the deceleration in exports, which began at the end of last year, has continued. In February exports (in terms of both value and volume) declined further.

With regard to price developments, both headline CPI and the CPI excluding fresh food fell in February, mainly as a result of the ongoing liberalisation of utility service charges. Headline CPI declined by 0.3% on an annual basis (after falling by 0.1% in January), while the CPI excluding fresh food decreased by 0.4% (after falling by 0.3% in January). Meanwhile, producer prices have experienced further increases, with the result that corporate profit margins have been squeezed.

UNITED KINGDOM

In the United Kingdom growth remains robust and increasingly balanced across the different spending components. In the fourth quarter of 2004, real GDP growth strengthened to 0.7% quarter on quarter from 0.6% in the previous quarter, implying an annual growth rate of 2.9%. Private consumption growth moderated to a quarterly rate of 0.3%, against the background of a further cooling of the housing market. Although growth in gross fixed capital formation declined somewhat to a quarterly rate of 0.6%, it has strengthened over the past year, supported by improved corporate profitability. Export growth recovered to a quarterly rate of 1.6%, although net exports provided a negative contribution to real GDP growth as imports also picked up. Looking ahead, real GDP growth may slow somewhat in early 2005 as the dampening impact of the recent interest rate increases and of the moderation in housing market activity feeds through. The labour market continues to be tight. The employment rate increased to 74.9% in the three months to January 2005, with the number of job vacancies also rising. Annual growth in average earnings increased slightly in the fourth quarter, although the impact on unit wage costs was mitigated by strong (but smaller) gains in labour productivity. Annual HICP inflation stood at

1.6% in February (unchanged from January), and was thus below the government's 2% inflation target.

OTHER EUROPEAN COUNTRIES

Overall, growth in the other European countries continues to be rather robust, albeit generally slowing gradually from previous levels. In Sweden real GDP slowed to a quarterly rate of 0.3% in the fourth quarter of 2004, compared with a revised 0.7% in the previous quarter, leaving the annual average growth rate at 3.5%. In Denmark quarterly real GDP growth picked up to 0.7% in the fourth quarter, raising the annual growth rate to 2.1%. In both countries, domestic demand was the key driver to growth, although exports picked up markedly. HICP inflation increased in February 2005, to 1.0% in Denmark and 1.2% in Sweden.

In the new EU Member States, economic activity continued to be buoyant in the fourth quarter of 2004, although the pace was generally slower than before. Real annual GDP growth averaged 4.2% in the fourth quarter. The inflation picture improved in most countries in early 2005, with HICP inflation standing at 3.1%, on average, in February. Inflationary pressures have eased on account of lower food and fuel price increases, helped partly by earlier currency appreciation. In addition, the impact of indirect tax increases in early 2004 is fading out of the annual data. Against the background of an improved inflation outlook, the central banks of Hungary, Poland and the Czech Republic lowered their interest rates in late March.

NON-JAPAN ASIA

Economic activity in non-Japan Asia continues to gradually decelerate – except in China. The slowdown in activity, as reflected in the decline in the year-on-year growth of industrial production and exports at the beginning of 2005, was particularly notable in South Korea and Taiwan. Meanwhile, inflationary pressures remained muted in the major economies of the region.

Economic developments in China differ markedly from those in the rest of the region. In January and February taken together, industrial production rose by 16.9%, retail sales rose by 13.6%, and fixed asset investment surged by 24.5%, in year-on-year terms. Chinese exports were particularly robust, growing by 36.6%, year on year, in the two months in question, whereas imports decelerated sharply, resulting in a sizeable trade surplus. Partially reflecting this strong growth momentum, inflation edged up again in January and February taken together.

LATIN AMERICA

In Latin America economic indicators show a robust increase in activity levels, although there are some signs that the pace has slowed. This deceleration has been accompanied by a more export-driven expansion, compared with the rather broad-based economic growth observed earlier. Real output continues to grow in the region's three largest countries, with the latest release for industrial production showing year-on-year gains of 4.4% in Brazil (January), 3.1% in Mexico (January) and 4.9% in Argentina (February). The largely successful conclusion of Argentina's external debt swap has contributed to reducing downside risks relating to the country's high debt levels. Region-wide inflationary pressures persist which, while posing downside risks to domestic demand growth, are to a large extent the result of robust economic activity.

Box 1 describes recent developments in sovereign bond spreads and economic fundamentals in non-Japan Asia and Latin America.

RECENT TRENDS IN SOVEREIGN SPREADS AND ECONOMIC FUNDAMENTALS IN EMERGING MARKETS

In recent years, the emerging economies of Asia and Latin America have experienced robust expansion in economic activity. Reflecting this, the spreads between the yields on sovereign bonds issued by governments in these two regions and yields on US government bonds (sovereign spreads) have declined to their lowest levels since data first became available for these series. Indeed, at around 300 basis points, emerging market bond spreads are now considerably below the levels registered during the Asian crisis of 1997-99, when they reached 1,400 basis points, or during the Argentinean crisis at the end of 2001, when they reached about 1,000 basis points (see the chart). This combination of robust growth and low spreads is strikingly similar to developments prior to the Asian crisis. This box takes a look at the domestic fundamentals underlying the low level of spreads and compares them with the situation prior to the Asian crisis. It thus provides some insights into whether these countries are now in a better position to deal with external shocks than they were in the mid-1990s.

Non-Japan Asia

Non-Japan Asia is currently experiencing robust economic expansion and benign price developments, just as it did prior to the Asian crisis. At the time of that crisis, the economic effects on individual countries differed greatly: while China and Taiwan were relatively unaffected, Korea and Thailand were among the worst hit economies, with severe currency depreciation, high inflation and a significant decline in economic activity (see the table).

Differences in some economic fundamentals can help to explain the variations in the intensity of the crisis in different countries. For example, Korea and Thailand exhibited current account deficits prior to the crisis, whereas China and Taiwan had current account surpluses. The situation has changed quite considerably since then. In 2003 and 2004, all of these countries recorded current account surpluses. Fiscal balances were in deficit in two of these countries, but debt-to-GDP ratios remained low.

In addition to the improvement in macroeconomic fundamentals, these economies, particularly Korea and Thailand, have made progress in the areas of structural and institutional reforms. In Korea and Thailand the banking sectors have been thoroughly restructured. Regarding the policy framework, these two economies have moved to more flexible exchange rate arrangements, while keeping control of inflation. Against this background, it appears that most non-Japan Asia economies are now better placed in

Emerging markets sovereign spreads

(basis points)



Sources: JP Morgan.

Note: The Emerging Markets Bond Index Plus (EMBI+ Performing) is a market capitalisation-weighted index comprised of performing USD-denominated Brady bonds, Eurobonds, and traded loans issued by sovereign entities in emerging markets.

terms of economic fundamentals than prior to the Asian crisis.

Latin America

Similarly, in Latin America, economic conditions generally appear to be better now than in the mid-1990s. The region is going through a period of strong output expansion, while inflation rates remain relatively low (see the table). In addition, in the three largest economies – Argentina, Brazil and Mexico – current account balances have improved. However, while fiscal balances have also improved overall, they still remain an issue, particularly in Brazil and Argentina.

In Latin America, as in non-Japan Asia, these better economic fundamentals have been accompanied by progress in the areas of structural and institutional reforms, making the countries in the region more resilient to shocks. A move to more flexible exchange rate arrangements has also allowed some of the region's largest economies to limit inflationary pressures amid robust expansion.

Overall assessment

The economic situation in these emerging economies appears to be better overall than on the eve of the Asian crisis, although Latin America is – of the two regions considered here – relatively more exposed to downside risks due to higher levels of public debt. Although sovereign spreads are currently at about the same low levels as prior to the Asian crisis, the assessment of the financial markets appears now to be matched by sounder economic conditions. As a result, although some fragility persists, the improvement in economic fundamentals coupled with progress in structural and macroeconomic policies should provide buffers to external shocks.

Macroeconomic indicators in selected emerging economies

(annual averages)

A) Asia

	China	South Korea	Taiwan	Thailand
<i>Real GDP growth (in percentages)</i>				
1994-1996	10.9	8.5	6.5	8.0
1997-1999	7.9	2.4	5.3	-2.5
2003-2004	9.1	3.9	4.5	6.5
<i>CPI inflation (in percentages)</i>				
1994-1996	16.4	5.2	3.6	5.6
1997-1999	0.2	4.3	0.9	4.7
2003-2004	2.5	3.6	0.6	2.3
<i>Current account balance (as a percentage of GDP)</i>				
1994-1996	0.8	-2.3	2.9	-7.3
1997-1999	3.2	5.2	2.2	7.4
2003-2004	3.2	3.0	8.2	5.0
<i>Fiscal balance (as a percentage of GDP)</i>				
1994-1996	-1.7	0.3	-0.5	2.3
1997-1999	-1.8	-1.8	0.8	-2.1
2003-2004 ¹⁾	-2.5	-0.9	-3.1	0.4

B) Latin America

	Argentina	Brazil	Mexico
<i>Real GDP growth (in percentages)</i>			
1994-1996	2.8	4.2	1.1
1997-1999	2.9	1.4	5.2
2003-2004	8.9	2.9	2.9
<i>CPI inflation (in percentages)</i>			
1994-1996	2.6	732.0	25.4
1997-1999	0.1	4.9	17.7
2003-2004	8.9	11.6	4.6
<i>Current account balance (as a percentage of GDP)</i>			
1994-1996	-2.9	-2.0	-2.8
1997-1999	-4.4	-4.2	-2.9
2003-2004 ²⁾	5.8	1.4	-1.3
<i>Fiscal balance (as a percentage of GDP)</i>			
1994-1996	-1.1	-6.4	-0.5
1997-1999	-1.9	-7.1	-1.6
2003-2004 ¹⁾	0.1	-4.0	-1.5

Sources: Global Insight and Banco Central do Brasil.

1) Data only for 2003 with the exception of South Korea and Brazil.

2) Data only for 2003 in the case of Argentina.

1.2 COMMODITY MARKETS

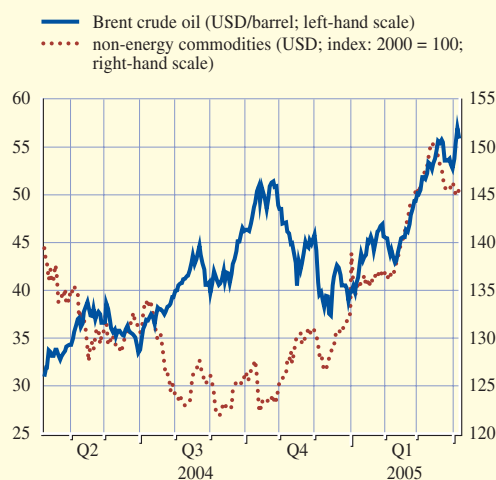
Oil prices reached a new all-time high in early April, accompanied by considerable short-run volatility. February's cold weather in Europe and North America came together with data releases indicating continued tightness in oil market fundamentals to push oil prices up, with the price of Brent crude oil reaching USD 57 on 5 April. Oil prices then declined somewhat on the following day, closing the period under review 13.9% higher than at the end of February. The International Energy Agency (IEA) now expects the average daily oil demand in 2005 to increase by 1.8 million barrels against 2004. This is lower than the 2.7 million barrels per day increase in 2004 but nonetheless a sizeable upward revision from previous IEA projections. With non-OPEC daily production expected to increase by only 0.9 million barrels, this implies continuing demand pressure on OPEC's oil in 2005. Limited spare capacity throughout the oil supply chain, and therefore high sensitivity to unanticipated changes in the balance of supply and demand, is expected to keep oil prices high and volatile in the near term. Market participants expect oil prices to decline only gradually towards USD 50.9 by the end of 2007.

The prices of non-energy commodities declined somewhat in the second half of March, after having increased continuously since the beginning of February. This mainly reflected developments in the prices of foods and beverages, while prices of industrial raw materials remained broadly stable throughout March. Overall, in March non-energy commodity prices, expressed in US dollar terms, stood 7.3% above the level one year ago.

1.3 OVERALL OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Growth in the global economy and in euro area foreign demand is expected to remain relatively strong. Continued favourable financing conditions and structural improvements in corporate balance sheets in many countries, together with robust profit growth, should support further gains in activity. A continued expansion is also suggested by available leading indicators, with the six-month rate of change of the OECD Composite Leading Indicator increasing further in January 2005 from the low reached last October. However, the continuing elevated price of oil, combined with considerable short-run price volatility, constitutes a significant risk weighing on the outlook.

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In February 2005 annual M3 growth declined somewhat but remained broadly robust at the level seen over the past few months. The stimulative impact of the low level of interest rates continued to be the dominant driver of monetary dynamics, outweighing the dampening effect of the ongoing, albeit gradual, normalisation of portfolio allocation behaviour by euro area residents. The low level of interest rates also supported the continued strength of loan dynamics. Overall, liquidity in the euro area is still significantly higher than is needed to finance non-inflationary economic growth. This could pose risks to price stability over the medium term.

THE BROAD MONETARY AGGREGATE M3

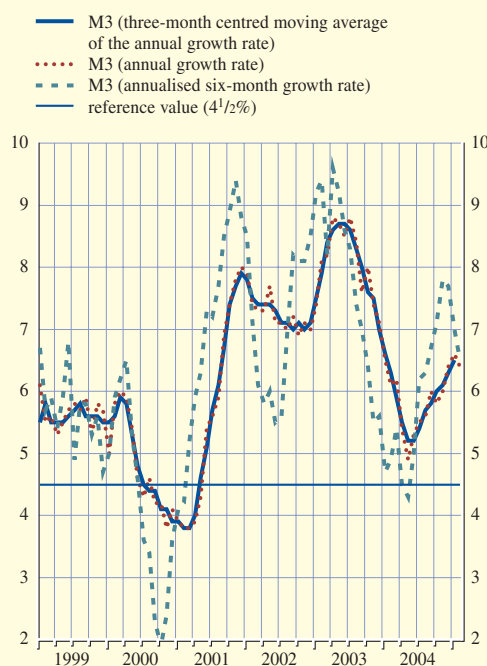
The annual rate of growth of the broad monetary aggregate M3 decreased to 6.4% in February 2005, from 6.6% in January, while the three-month average of the annual growth rates rose further to 6.5% between December 2004 and February 2005, from 6.3% between November 2004 and January 2005 (see Chart 3). While the annual M3 growth rate remained robust, the six-month annualised rate of growth of M3 declined to 6.5% in February, from 7.0% in the previous month, reflecting that the pace of monetary expansion in February was somewhat more moderate than in the second half of 2004.

With regard to the driving factors behind monetary dynamics, the February data are consistent with the assessments made in previous months. Monetary developments continued to be influenced by two opposing forces. On the one hand, the prevailing low level of interest rates continued to fuel monetary dynamics via its stimulative impact both on the liquid components of M1 and on loans to the private sector. On the other hand, the ongoing normalisation of portfolio allocation behaviour following the exceptional preference for liquidity between 2001 and mid-2003 continued to exert a countervailing, dampening effect on M3 growth. However, the process of normalisation is still proceeding more slowly than would have been expected on the basis of past regularities and has not been strong enough to lead to a significant unwinding of the excess liquidity accumulated over the past few years.

There is currently significantly more liquidity available in the euro area than is needed to finance non-inflationary economic growth. A clear reduction of this excess liquidity will depend crucially on a further normalisation of the portfolio allocation behaviour of the euro

Chart 3 M3 growth and the reference value

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



Source: ECB.

area money-holding sector. Viewed from a medium-term perspective, risks to price stability would arise if a significant part of this liquidity were transformed into transaction balances at a time when confidence and economic activity are strengthening. In addition, the combination of high excess liquidity and strong credit growth could become a source of strong asset price increases, in particular in housing markets.

MAIN COMPONENTS OF M3

M1 dynamics continued to be the main contributor to annual M3 growth in February (see Table 1). Among the components of M1, the annual growth of currency in circulation moderated somewhat (to 18.3% in February, from 18.5% in January), while that of overnight deposits showed a further increase (to 8.5% in February, from 7.7% in the preceding month). Growth in overnight deposits appears to have been partly boosted by a shift of funds from marketable instruments, which represented substitution within M3 and did thus not have an impact on overall M3 dynamics. The annual growth of short-term deposits other than overnight deposits declined to 4.1% in February, from 4.4% in January. Taking together overnight deposits, other short-term deposits and the repurchase agreements included in marketable instruments, it appears that the accumulation of these types of deposit instruments slowed in February, which essentially reflects developments in the sectors comprising non-financial corporations and insurance corporations, and was partly counterbalanced by a stronger accumulation of holdings by households.

The contribution of money market fund shares/units to M3 dynamics declined in February, continuing the downward trend observed since mid-2004. Together with the further strengthening in demand for MFI longer-term financial liabilities, this points to an ongoing normalisation in the portfolio allocation behaviour of euro area residents, with wealth holdings being shifted from money into riskier and longer-term assets. However, the process of normalisation is still proceeding more slowly than would have been expected on the basis of past experience.

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					
		2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Jan.	2005 Feb.
M1	45.3	11.0	10.2	9.6	9.3	9.3	9.9
Currency in circulation	7.2	24.0	21.6	20.3	19.1	18.5	18.3
Overnight deposits	38.1	9.1	8.5	7.9	7.6	7.7	8.5
M2 - M1 (= other short-term deposits)	40.4	3.3	1.7	2.0	3.5	4.4	4.1
Deposits with an agreed maturity of up to and including two years	15.5	-4.4	-7.0	-5.8	-2.4	0.6	0.3
Deposits redeemable at notice of up to and including three months	24.9	9.2	8.1	7.6	7.5	7.0	6.7
M2	85.7	7.2	6.0	5.8	6.4	6.9	7.1
M3 - M2 (= marketable instruments)	14.3	2.3	2.0	4.0	3.8	4.7	2.2
M3	100.0	6.4	5.4	5.6	6.0	6.6	6.4
Credit to euro area residents		5.8	6.0	6.2	6.0	6.5	6.6
Credit to general government		6.0	6.4	6.4	3.7	3.5	3.9
Loans to general government		1.2	2.3	2.4	0.7	0.3	0.2
Credit to the private sector		5.7	5.9	6.2	6.6	7.3	7.3
Loans to the private sector		5.4	5.6	6.2	6.8	7.3	7.2
Longer-term financial liabilities (excluding capital and reserves)		7.2	8.3	8.6	8.9	9.1	9.7

Source: ECB.

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

MAIN COUNTERPARTS OF M3

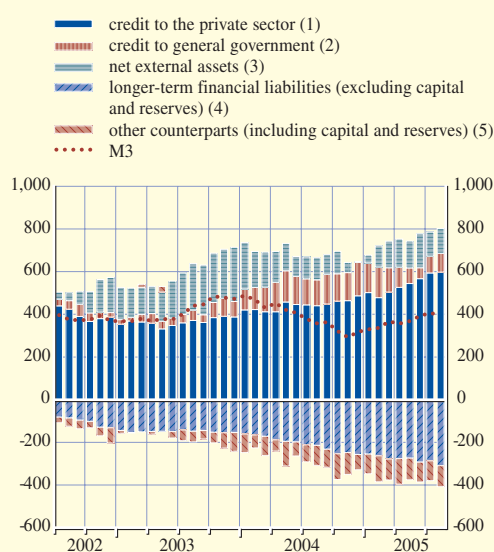
On the counterparts side, the annual rate of growth of MFI loans to the private sector remained robust at 7.2% in February, compared with 7.3% in the preceding month, reflecting not only the stimulative impact of the low level of interest rates but also improvements in credit supply conditions. The robustness of loan growth was broadly based across the main non-financial sectors (see Table 2). In the case of households, loans for house purchase remained the main driver of overall loan growth, with an unchanged annual growth of 10.1% in February. The robust level of growth in loans to non-financial corporations in February conceals some restructuring of debt from longer to shorter-term maturities, with a further strengthening in demand for loans with a maturity of up to one year.

The annual rate of growth of MFI credit to the general government rose to 3.9% in February, from 3.5% in the preceding month (see Table 1). This was mainly due to a sharp increase in MFIs' holdings of securities other than shares issued by general government.

Among the other counterparts of M3, the annual growth of MFIs' longer-term financial liabilities (excluding capital and reserves) rose further to 9.7% in February, from 9.1% in January (see

Chart 4 Counterparts to M3

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



Source: ECB.

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

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total ¹⁾	Annual growth rates					
		2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Jan.	2005 Feb.
Non-financial corporations	41.7	3.2	4.0	4.5	5.4	5.7	5.7
Up to one year	31.0	-2.5	-2.1	-0.6	2.5	2.9	3.4
Over one and up to five years	17.5	3.6	6.4	6.1	6.2	7.9	6.9
Over five years	51.6	6.9	7.2	7.2	6.9	6.7	6.7
Households²⁾	50.4	6.6	7.3	7.8	7.8	8.1	8.1
Consumer credit ³⁾	13.4	4.3	5.7	6.2	5.8	6.5	6.4
Lending for house purchase ³⁾	68.3	8.4	9.0	9.8	10.0	10.1	10.1
Other lending	18.3	2.3	2.3	1.8	1.7	2.4	2.3
Insurance corporations and pension funds	0.8	8.6	18.8	17.5	37.1	16.5	25.5
Other non-monetary financial intermediaries	7.2	9.0	8.7	8.7	9.3	9.7	8.9

Source: ECB.

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

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

2) As defined in the ESA 95.

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

Table 1). As noted earlier, this development provides additional support for the view that the portfolio allocation behaviour of euro area residents has continued to normalise, with wealth holdings being shifted from money into riskier and longer-term assets.

In February the annual flow of net external assets maintained the broadly robust positive level observed since mid-2004 (see Chart 4). The continued positive flow is consistent not only with a shift of the wealth portfolio of non-euro area residents into euro-denominated assets but also with a reluctance of the euro area money-holding sector to invest in foreign assets. The developments in net external assets thus underline the slow pace of the normalisation of portfolio behaviour by the euro area money-holding sector.

Summing up the information from the counterparts of M3, the continued positive annual flow of net external assets, together with the continued strength of demand for MFI loans, maintained a strong positive impact on M3 growth. These effects were counterbalanced by the continued robust expansion of MFIs' longer-term financial liabilities (excluding capital and reserves). Notwithstanding the indications of a shift in wealth portfolios from money into riskier and longer-term assets, the apparently still relatively high degree of risk aversion, the structure of interest rates and uncertainties surrounding exchange rate developments seem to prevent a more rapid normalisation of portfolio allocation behaviour.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issued by euro area residents remained strong at 7.2% in January 2005. In the same period, the net issuance of quoted shares by euro area residents continued to be subdued.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents decreased only slightly to 7.2% in January 2005 from 7.3% one month before (see Chart 5). Underlying this development was a substantial decline in the annual rate of growth of short-term debt securities issuance, which fell by about 3 percentage points to 1.9% in January, whereas the issuance of long-term debt securities continued to grow robustly at a rate of 7.8% in the same period.

Turning to the sectoral breakdown, despite the slight decline in January 2005 the annual growth rate of debt securities issued by MFIs remained high at 9.0%, above the already strong average annual growth rate of 8% in 2004 (see Table 3). As in previous months, the increase in net issuance by MFIs was mainly accounted for by variable rate long-term debt securities. This probably reflects the fact that MFIs took advantage of the very low yields at the short end of the term structure to refinance their longer-term lending activities.

The annual growth rate of debt securities issued by the non-MFI corporate sector increased by 0.8 percentage point to 8.6% in January 2005, reflecting broadly unchanged growth in issuance by non-monetary financial corporations and an increase in the growth of issuance by non-financial corporations. The annual growth rate of securities issued by non-monetary financial corporations, which typically provide indirect financing to MFIs and non-financial corporations through

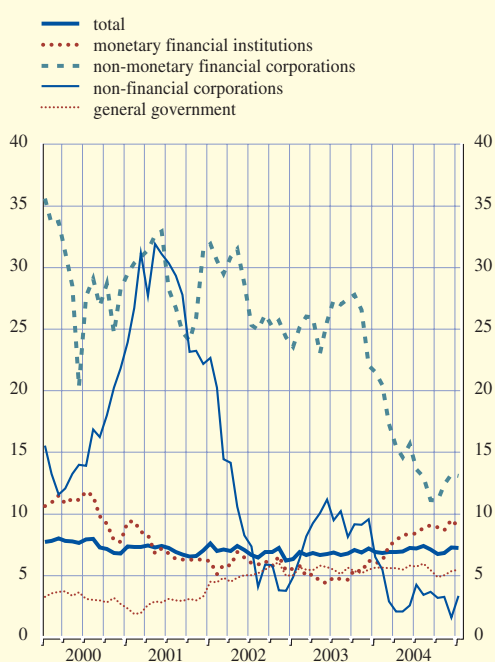
financial subsidiaries and special purpose vehicles, stood at 13.1% in January 2005. Although this was lower than the average annual growth rate of around 15% in 2004, recent data indicate that the issuance activity of this sector remains robust.

The annual growth rate of debt securities issued by non-financial corporations in the euro area increased by 1.8 percentage points to 3.4% in January 2005, thereby compensating for the temporary drop in December 2004. Hence, the growth in net issuance of those securities in January 2005 was similar to the average annual growth rate of around 3.7% in 2004, but significantly lower than the average annual growth rate of around 9% 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, may have reduced firms' external financing needs. In addition, firms seem to have gradually increased their demand for bank loans from the second half of 2004 onwards.

In the government sector, the annual growth rate of debt securities issued by general government remained broadly unchanged at 5.5% in January 2005. This reflected a relatively moderate level of growth of 5.0% in January for debt securities issued by the central government sector and much stronger issuance by the other general government sector, which grew by 14.8% on an annual basis in the same month.

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

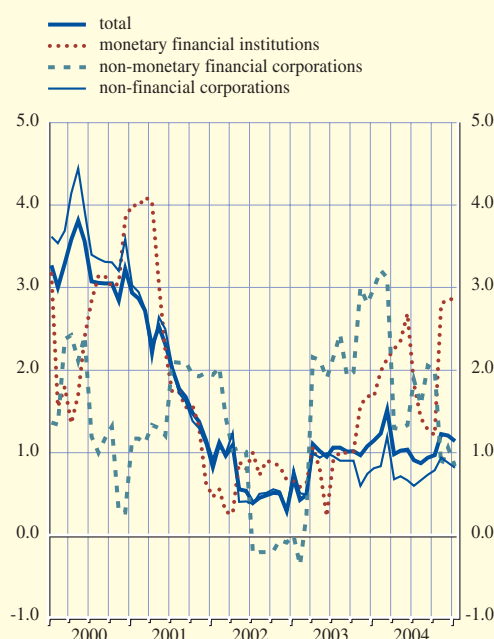
(annual growth rates)



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.

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2004 Q4	Annual growth rates ¹⁾					
		2004 Q1	2004 Q2	2004 Q3	2004 Q4	2004 Dec.	2005 Jan.
Debt securities:	9,307	6.9	7.0	7.3	6.9	7.3	7.2
MFIs	3,592	6.3	8.0	8.7	9.0	9.5	9.0
Non-monetary financial corporations	758	20.5	15.5	13.3	11.9	13.2	13.1
Non-financial corporations	594	6.0	2.3	3.6	3.0	1.6	3.4
General government	4,362	5.6	5.6	5.8	5.1	5.4	5.5
<i>of which:</i>							
Central government	4,113	4.8	5.0	5.2	4.6	4.9	5.0
Other general government	249	21.4	18.5	16.4	14.4	14.1	14.8
Quoted shares:	4,035	1.2	1.1	0.9	1.1	1.2	1.1
MFIs	644	1.9	2.3	1.7	2.0	2.9	2.9
Non-monetary financial corporations	406	3.1	1.6	1.7	1.5	1.1	0.8
Non-financial corporations	2,984	0.9	0.8	0.7	0.8	0.9	0.8

Source: ECB.

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

QUOTED SHARES

The subdued activity in the primary equity market observed in the past two years continued in January 2005, as reflected in a broadly unchanged annual growth rate of quoted shares issued by euro area residents, which stood at 1.1% (see Chart 6 and Table 3). In particular, the annual growth rate of quoted shares issued by non-financial corporations remained low at 0.8% in January. During the same month, the annual growth rate of quoted shares issued by non-monetary financial corporations (including insurance companies) declined by 0.3 percentage point to 0.8%. At the same time, the annual growth rate of quoted shares issued by MFIs remained unchanged at 2.9%. Overall, the subdued activity in the primary equity market probably reflects low demand for external finance owing to the ongoing improvement in corporate earnings, and an only gradual pick-up in investment activity in the euro area.

2.3 MONEY MARKET INTEREST RATES

In March 2005 short-term money market rates remained very stable. Longer-term rates gradually increased in March and then declined in early April, to the level observed at the beginning of the month before. As a result, the money market yield curve remained broadly unchanged between the beginning of March and the beginning of April.

In March 2005 money market rates at the short-end of the yield curve remained very stable. Over the same period, the twelve-month EURIBOR initially rose and then declined after the beginning of April, to the level observed at the beginning of March. As a consequence, the slope of the money market yield curve between the beginning of March and the beginning of April was broadly unchanged. The difference between the twelve-month and the one-month EURIBOR rate stood at 22 basis points on 6 April (see Chart 7).

Over the same period, the rates implied by futures prices on three-month EURIBOR futures contracts maturing in June, September and December 2005 declined slightly, reaching 2.20%, 2.30% and 2.43% respectively on 6 April.

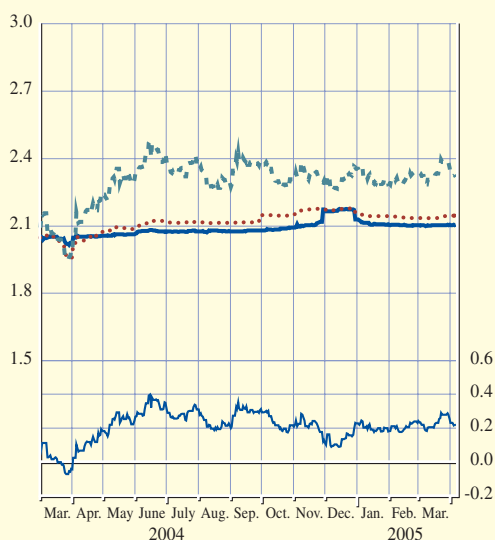
The marginal and weighted average rates in the Eurosystem's main refinancing operations (MROs) stabilised in March. Both tender rates stood at 2.05% in all operations before Easter. The weighted average rate rose by 1 basis point in the regular weekly operation on 29 March 2005, as a result of the end-of-quarter effect. The EONIA remained stable at around 2.07% for most of the month, except during the last days of the reserve maintenance period ending on 7 March. On the last day of that period, the EONIA declined to a level very close to the minimum bid rate in the Eurosystem's MRO, at 2.01%. The conduct of a liquidity-absorbing fine-tuning operation in the amount of €3.5 billion on 7 March 2005 helped to restore more balanced liquidity conditions and prevented a more marked decline of overnight interest rates on the last day of the maintenance period. The EONIA increased slightly around Easter and more markedly towards the end of the month on account of the end-of-quarter effect. On 31 March the EONIA rose to 2.12% but then declined in the following days to the level observed before the end of the month, i.e. 2.07-2.08% as the end-of-quarter effect dissipated quickly (see Chart 8).

In the Eurosystem's longer-term refinancing operation that was settled on 30 March 2005, the marginal and weighted average interest rates stood at 2.09% and 2.10%, i.e. 1 basis point higher than the corresponding rates in the previous tender (24 February 2005). Compared with the three-month EURIBOR prevailing on 30 March, rates were 6 and 5 basis points lower respectively.

Chart 7 Short-term money market interest rates

(percentages per annum; percentage points; daily data)

- one-month EURIBOR (left-hand scale)
- ... three-month EURIBOR (left-hand scale)
- - - twelve-month EURIBOR (left-hand scale)
- spread between twelve-month and one-month EURIBOR (right-hand scale)

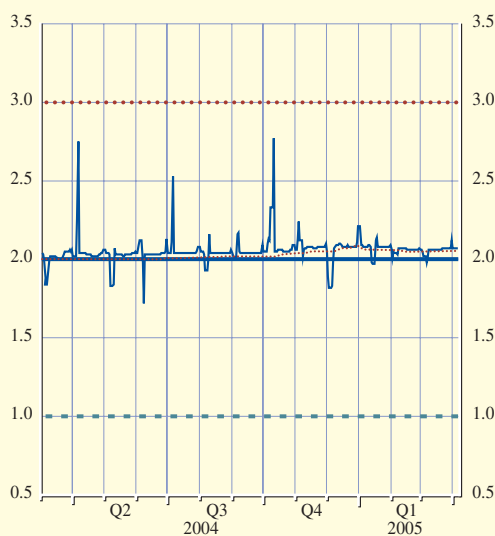


Source: Reuters.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)

- minimum bid rate in the main refinancing operations
- ... marginal lending rate
- - - deposit rate
- overnight interest rate (EONIA)
- ... marginal rate in the main refinancing operations



Sources: ECB and Reuters.

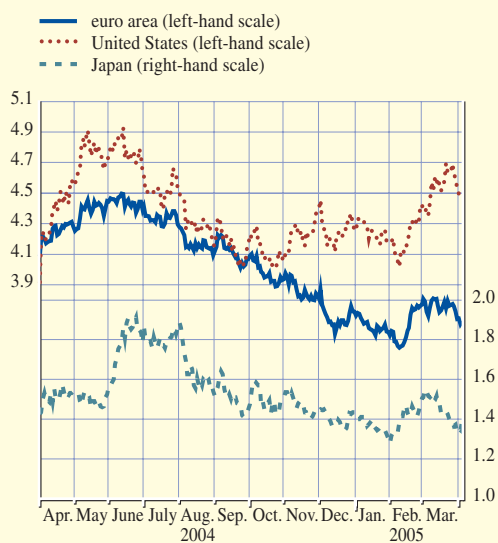
2.4 BOND MARKETS

Long-term government bond yields in the euro area declined slightly in March and early April, whereas US bond yields ended the review period at higher levels, probably to some extent reflecting relative shifts in the growth outlook for the two economies as perceived by market participants. At the same time, increases in break-even inflation rates suggest some heightened inflation concerns among investors, in particular over shorter horizons, in both the euro area and the United States, probably reflecting the high and rising oil prices.

Developments in long-term interest rates over recent weeks were divergent across the major global markets. While ten-year government bond yields in the United States increased by about 5 basis points between the end of February and 6 April, comparable bond yields in the euro area and Japan both decreased by around 10 basis points (see Chart 9). As a result, the differential between US and euro area ten-year government bond yields widened and stood at around 80 basis points on 6 April. These diverging developments across the major markets seemed to mainly reflect relative changes in investors' growth expectations following the latest data releases on economic activity in the economies concerned, which generally turned out somewhat better than expected in the United States than in the euro area and Japan from the viewpoint of market participants. In addition, further rising oil prices over the review period seemed to trigger some heightened inflation concerns among investors, in particular over shorter horizons, as reflected in

Chart 9 Long-term government bond yields

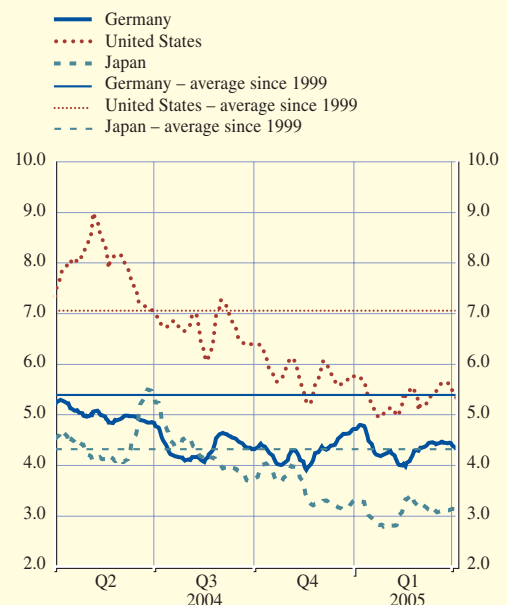
(percentages per annum; daily data)



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.

higher break-even inflation rates. Market participants' uncertainty about near-term bond market developments, as indicated by implied bond market volatility, remained relatively low in the major economies (see Chart 10).

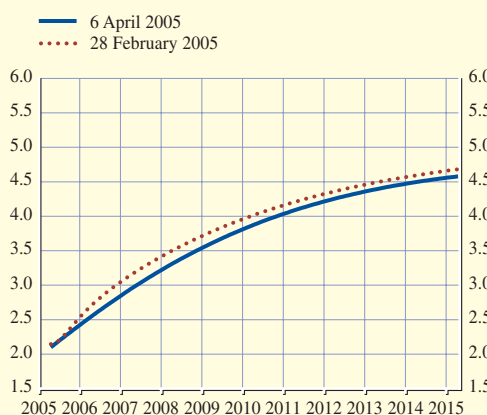
In the United States, interest rates rose across the entire maturity spectrum in March and early April on the back of apparently heightened inflation concerns among market participants and overall favourable data releases concerning the economic outlook. Moreover, the yield curve flattened between its short and long ends, reflecting market expectations of a somewhat faster pace of monetary policy tightening than previously anticipated. Two-year bond yields, for example, increased quite sharply following the Federal Reserve's decision to raise the federal funds target rate by another 25 basis points to 2¼% on 22 March. Although this measure was well anticipated, market participants were surprised by the FOMC statement accompanying that decision, which stated that "pressures on inflation have picked up in recent months and pricing power is more evident." Accordingly, the ten-year break-even inflation rate increased to around 2.9% on 6 April. At the same time, market expectations for economic growth in the United States may have been revised upwards somewhat following favourable data releases on economic activity, as suggested by a slight increase in the yields on ten-year index-linked bonds in March.

In contrast to the United States, market participants seemed to revise downwards somewhat their expectations for economic growth in the euro area probably on account of the continued high and rising oil prices accompanied by generally mixed macroeconomic data releases. Reflecting this, the yield on the 2012-maturity index-linked French government bond (linked to the euro area HICP excluding tobacco) declined by around 25 basis points between the end of February and 6 April. However, the fact that the yield on the comparable 2008-maturity index-linked Italian government bond declined more strongly (by 40 basis points) suggests that investors have become more concerned about the short to medium-term growth prospects for the euro area. This interpretation is also in line with the fact that the implied forward overnight interest rate curve for the euro area shifted downwards mainly over short and medium-term horizons (see Chart 11). However, it cannot be excluded that some of the movements in real as well as nominal interest rates in March as in previous months also reflected factors other than macroeconomic fundamentals (see Box 2).

At the same time, market participants' concerns related to inflationary pressures in the euro area may have grown slightly, as suggested by an increase of about 15 basis points in the ten-year break-even inflation rate (calculated as the yield differential between comparable French nominal and index-linked government bonds maturing in 2012) between the end of February and 6 April, which stood at around 2.2% on the latter date. However, the shorter-maturity break-even inflation rate calculated from Italian nominal and index-linked bonds maturing in 2008 increased more

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 in the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

strongly (by about 30 basis points), indicating that market participants' inflationary concerns might have picked up mainly for shorter horizons. The increases in euro area break-even inflation rates seemed to be mainly related to recent oil price developments.

Box 2

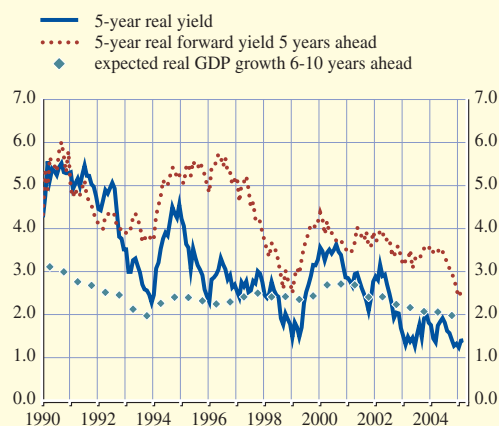
RECENT DEVELOPMENTS IN LONG-TERM REAL INTEREST RATES

Long-term real interest rates in the euro area and the United States underwent a strong decline from mid-2004 until mid-February 2005. The fall affected in particular long-term forward real interest rates, which reached very low levels by historical standards, whereas shorter-term spot rates declined less in the euro area and even increased in the United States. Despite the recent rebound, long-term spot as well as forward rates remain at low levels compared with growth expectations as extracted from survey measures. This box assesses the factors which may have been behind these recent developments in long-term real interest rates.

Charts A and B plot five-year real spot bond yields and five-year real (implied) forward bond yields five years ahead in the euro area and the United States over the past 14 years.¹ Since mid-2004, the real forward yield has declined far more strongly than the five-year real spot yield. This is notable as, on average, shorter-term spot rates tend to fluctuate more than forward rates. Indeed, both in the euro area and the United States, the five-year real forward rates five years ahead remained rather stable over the previous few years despite some sharper movements in the five-year real spot rate.

Chart A Five-year spot and forward real yields and real GDP growth expectations six to ten years ahead for the euro area

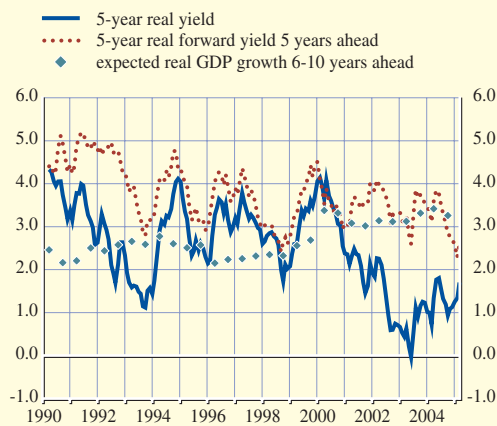
(percentages per annum; monthly data)



Sources: Consensus Economics, Deutsche Bundesbank and ECB calculations.

Chart B Five-year spot and forward real yields and real GDP growth expectations six to ten years ahead for the United States

(percentages per annum; monthly data)



Sources: Consensus Economics, BIS and ECB calculations.

¹ Five-year real spot bond yields and five-year real (implied) forward bond yields five years ahead are derived by respectively discounting five-year zero coupon government bond yields and five-year forward zero coupon government bond yields five years ahead with inflation expectations for comparable periods from Consensus Economics.

The explanations for the decline in long-term forward rates which have been put forward recently can be grouped into three broad categories. Firstly, there is the macroeconomic view which stresses the importance of long-term fundamental factors in interest rate determination. Secondly, it has been argued that structural factors have boosted the demand for bonds and thereby may have eroded the risk premium on bonds, especially those of longer maturities. Finally, speculative positioning may have exacerbated the decline in long-term bond yields, while ample liquidity in the global economy after extended periods of accommodative monetary policy has also been mentioned as a possible factor facilitating the decline in yields.

Regarding macroeconomic fundamental factors, concerns among market participants about the long-term growth prospects in the major economies seem to have played a fairly minor role in explaining recent bond market developments. Despite market disappointment over fourth quarter real GDP growth figures in some euro area countries and a number of weaker than expected data releases, long-term growth prospects six to ten years ahead as measured by Consensus Economics, for example, have not significantly weakened in the euro area (see Chart A). In the United States, economic growth prospects appear to have been perceived as robust by market participants and policy rates have at the same time been raised. Therefore, developments in long-term growth expectations do not appear to justify the decline in real bond yields in the United States and the euro area.

This implies that other factors, which primarily relate to changes in risk premia, are behind recent bond market developments. Structural changes, which generally appear to have increased the demand for longer-term bonds, may have led to an overall lower risk premium demanded on bonds. In the euro area, pension funds in particular appear to have increased their holdings of long-term securities. This is illustrated in Chart C, which shows the one-year net cumulative purchases of longer-term securities and quoted shares by pension funds and insurance corporations in the euro area.² Purchases of long-term bonds by pension funds and insurance corporations have increased in the period following the bursting of the so-called IT bubble in early 2000. At the same time, their purchases of equities have slowed down significantly. While flow-of-funds data on purchases of long-term securities (i.e. with a maturity over one year) by pension funds and insurance corporations are only available up to the third quarter of 2004, anecdotal evidence suggests a continuation of the trend of increased purchases of long-term securities.

A number of changes in the regulatory environment for pension funds and life insurance corporations appear to be under way in the euro area and the United States, which aim to reduce the problems of mismatches between the duration of their assets and liabilities. It is generally perceived that these regulatory changes will favour the purchase of bonds over other asset classes by pension funds and life insurance corporations. As a result of these changes and anticipatory effects of the proposed legislation, there may have been an increase in the structural demand for bonds of longer maturities from pension funds and life insurance corporations.

At the same time, pension savings have increased, at least in the euro area, and are likely to continue to do so – especially in the light of the demographic challenges, such as ageing

² The flow-of-funds data also include non-life insurance corporations. However, the distortion in overall trends from this specific sector is expected to be of a relatively small magnitude.

populations in most developed economies. This may have led to lower risk premia on long-term bonds.

In addition, in the United States, the massive purchases of government bonds by Asian central banks probably had a significant impact on long-term bond yields.³ There is, however, some indication that this factor played a less prominent role in most recent bond yield developments because the demand for US Treasuries from foreign official and institutional investors has levelled off in early 2005, as indicated by data published by the Federal Reserve.

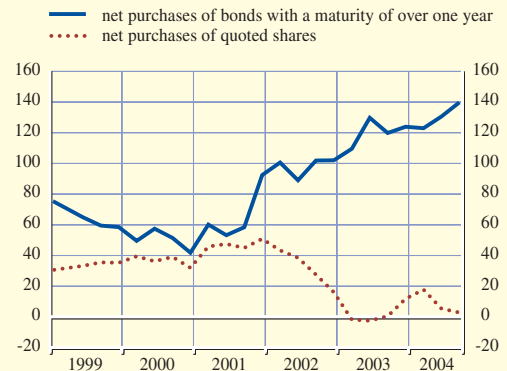
While some of these more structural factors point to a possible permanent change in long-term real interest rates, the speed of the decline in long-term yields which occurred from mid-2004 may suggest that other temporary market factors related to speculative behaviour may also have played a role. The alleged widespread use of so-called carry trades, which generate interest income as they involve borrowing at low short-term interest rates and investing in longer-term instruments, may have amplified the trend of declining yields set in motion by more structural factors. As such trades appear to exploit market trends, they may have amplified the downturn in long-term interest rates. Speculative flows of this sort are likely to be reversed at some point and hence should not have a permanent effect on the level of long-term interest rates.

It cannot be excluded that the low risk premium embedded in long-term bonds may also be linked to the abundant liquidity in the global financial system after extended periods of monetary policy accommodation. However, it should be noted that although the view of ample liquidity giving rise to asset price inflation may appear intuitively plausible, it is very hard to support empirically.

All in all, the recent decline in long-term real interest rates is unlikely to reflect significant changes in the growth expectations of market participants, but seems to relate more to declines in risk premia demanded on long-term bonds stemming from structural and temporary factors. This development warrants continued attention and a thorough analysis of the determinants of financial asset prices.

Chart C One-year net cumulative purchases of long-term bonds and equities by insurance corporations and pension funds in the euro area

(EUR billions; quarterly data)



Source: ECB.

³ See B. S. Bernanke, V. R. Reinhart and B. P. Sack, "Monetary policy alternatives at the zero bound: an empirical assessment", Finance and Economics Discussion Series of the Federal Reserve Board, September 2004.

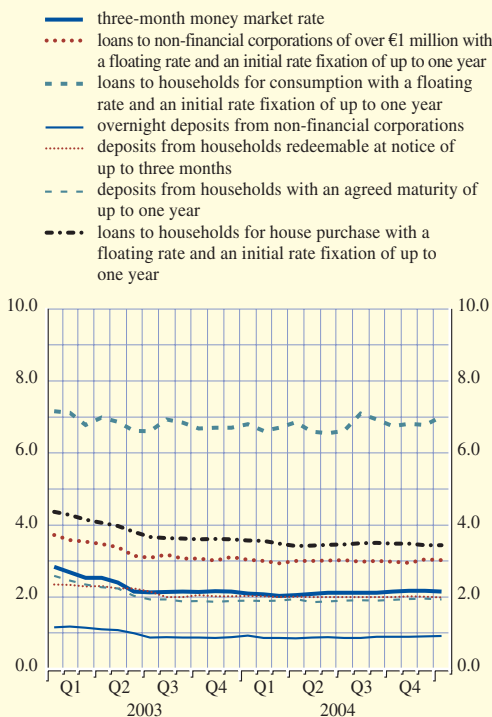
2.5 INTEREST RATES ON LOANS AND DEPOSITS

In January 2005 most short-term MFI interest rates on new business remained broadly unchanged, whereas long-term MFI interest rates on new business showed mixed developments.

Most short-term MFI interest rates on new business remained broadly unchanged in January 2005 (see Chart 12 and Table 4). The only notable exception was an increase in the short-term rate on loans to households for consumption by 23 basis points due mainly to an increase in this rate in a couple of countries. However, it should be noted that this MFI interest rate is very volatile and short-term movements are difficult to interpret. Since January 2004 short-term MFI interest rates on deposits have tended to increase slightly, mirroring movements in corresponding money market rates, whereas most comparable rates on loans have declined somewhat. For example, between January 2004 and January 2005 short-term interest rates on lending to households for house purchase (with a floating rate and an initial rate fixation of up to one year) decreased by more than 10 basis points overall, whereas short-term interest rates on small loans (up to

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

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

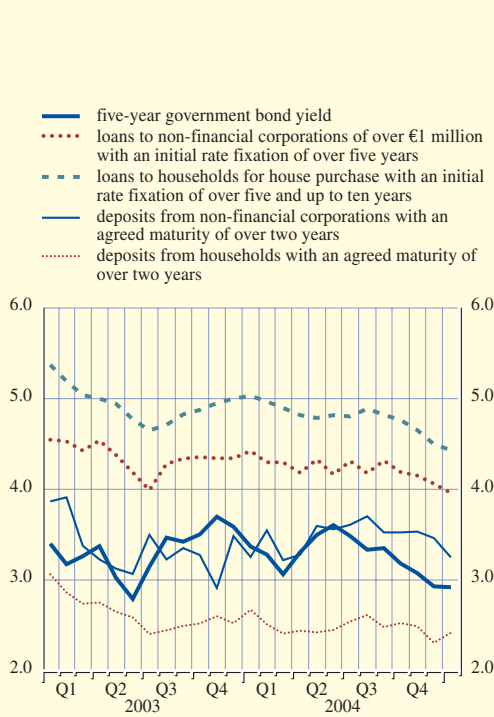


Source: ECB.

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

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

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



Source: ECB.

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

Table 4 MFI interest rates on new business

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

							Change in basis points up to Jan. 2005			
	2004 Aug.	2004 Sep.	2004 Oct.	2004 Nov.	2004 Dec.	2005 Jan.	2003 Jan.	2004 Jan.	2004 Oct.	2004 Dec.
MFI interest rates on deposits										
Deposits from households										
with an agreed maturity of up to one year	1.92	1.90	1.92	1.94	1.95	1.94	-65	4	2	-1
with an agreed maturity of over two years	2.61	2.48	2.53	2.49	2.31	2.42	-64	-25	-11	11
redeemable at notice of up to three months	2.00	2.00	2.00	2.02	2.01	1.98	-36	-5	-2	-3
redeemable at notice of over three months	2.53	2.52	2.52	2.51	2.52	2.49	-79	-16	-3	-3
Overnight deposits from non-financial corporations										
with an agreed maturity of up to one year	1.98	2.00	2.04	2.04	2.08	2.04	-68	5	0	-4
with an agreed maturity of over two years	3.70	3.52	3.53	3.53	3.46	3.25	-62	-1	-28	-21
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	6.93	6.75	6.81	6.78	7.01	-16	21	26	23
Loans to households for house purchase										
with a floating rate and an initial rate fixation of up to one year	3.49	3.50	3.49	3.48	3.44	3.43	-93	-13	-6	-1
with an initial rate fixation of over five and up to ten years	4.89	4.82	4.76	4.65	4.50	4.43	-94	-60	-33	-7
Bank overdrafts to non-financial corporations										
	5.40	5.38	5.40	5.37	5.27	5.36	-84	-29	-4	9
Loans to non-financial corporations of up to €1 million										
with a floating rate and an initial rate fixation of up to one year	4.02	3.99	4.01	4.01	3.98	3.98	-89	-7	-3	0
with an initial rate fixation of over five years	4.71	4.70	4.65	4.55	4.44	4.46	-69	-39	-19	2
Loans to non-financial corporations of over €1 million										
with a floating rate and an initial rate fixation of up to one year	2.98	3.00	2.98	2.95	3.04	3.03	-70	0	5	-1
with an initial rate fixation of over five years	4.18	4.32	4.19	4.15	4.06	3.96	-59	-46	-23	-10
Memo items										
Three-month money market interest rate	2.11	2.12	2.15	2.17	2.17	2.15	-68	6	0	-2
Two-year government bond yield	2.53	2.60	2.47	2.41	2.36	2.39	-25	-2	-8	3
Five-year government bond yield	3.33	3.35	3.18	3.08	2.93	2.92	-48	-45	-26	-1

Source: ECB.

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

€1 million) to non-financial corporations declined by about 5 basis points. By contrast, the three-month money market rate increased by 6 basis points over the same period.

Long-term MFI interest rates on new business showed mixed developments in January 2005 (see Chart 13 and Table 4). For example, MFI interest rates on deposits from households with an agreed maturity of over two years increased by about 10 basis points in January 2005, while rates on deposits from non-financial corporations with the same maturity decreased by around 20 basis points. These mixed developments were due mainly to heterogeneous movements in interest rates at the country level.

Looking at a longer horizon, between January 2004 and January 2005 most long-term rates on loans and deposits declined. However, overall the declines in long-term MFI interest rates on deposits during this period were somewhat less pronounced than those in rates on comparable

loans. For example, during this period long-term MFI interest rates on loans (of both up to and over €1 million with an initial rate fixation of over five years) to non-financial corporations fell by around 40 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 60 basis points. At the same time, MFI interest rates on deposits from households with an agreed maturity of over two years fell by only 25 basis points and rates on deposits from non-financial corporations remained broadly unchanged, thereby causing the spread between deposit rates and market interest rates with comparable maturities to widen. For example, over the same period, yields on five-year government bonds declined by 45 basis points.

2.6 EQUITY MARKETS

Overall, the upward trend in euro area stock prices observed since mid-2004 was interrupted in March when they remained broadly unchanged in line with global stock market developments. Several factors influenced global stock prices in March and early April, some of them working in opposite directions. On the one hand, renewed concerns about the high and rising oil prices seemed to have had an overall dampening impact on stock prices. On the other hand, continued strong corporate profitability in particular in the euro area probably exerted countervailing upward pressure.

Equity prices in the major economies declined slightly in March, interrupting the general upward trend which has prevailed since August 2004 (see Chart 14). Overall, stock prices in the euro area and Japan, as measured by the Dow Jones EURO STOXX index and the Nikkei 225 index, changed little between the end of February and 6 April. Stock prices in the United States, as measured by the Standard & Poor's 500 index, dropped by around 1.5% over the same period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, increased notably only in the United States and remained broadly unchanged in the euro area. The levels of implied stock market volatility in early April were still fairly low by historical standards in all markets (see Chart 15).

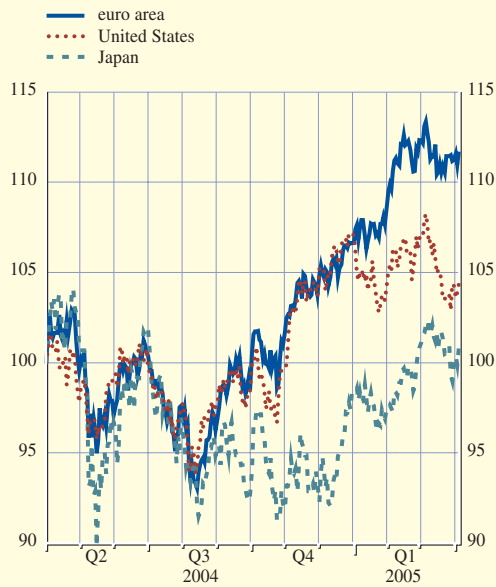
Several factors influenced stock prices in the United States. In particular, the sharp rise in oil prices seems to have had an overall dampening effect. The response of stock prices to higher oil prices should reflect, among other things, anticipations of higher input costs of firms which, in turn, tend to lower expected corporate earnings. In addition, the increase in long-term bond yields – acting as a discount factor for stocks – probably exerted downward pressure on US stock prices.

As in the United States, the high and rising oil prices throughout the review period also had a dampening effect on stock prices in the euro area. At the same time, continued strong profitability among euro area corporations probably worked in the opposite direction. Earnings data from Thomson Financial Datastream indicate that aggregate earnings per share of the companies of the Dow Jones EURO STOXX index continued to grow at an annual rate of around 35% in March 2005. Market participants' uncertainty regarding the near-term outlook for stock prices, as measured by the implied volatility extracted from options on the Dow Jones EURO STOXX 50 index, changed little in the euro area over the last month (see Chart 15). Implied stock market volatility in the euro area thus still remained far below the average over the period since 1999.

Across sectors, the performances were mixed, with the healthcare sector outperforming the broad-based Dow Jones EURO STOXX index. At the same time, the stock prices of corporations

Chart 14 Stock price indices

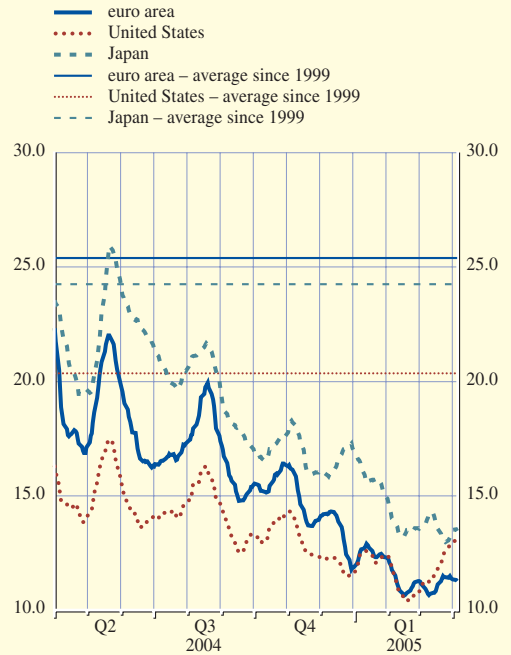
(index: 1 April 2004 = 100; daily data)



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.

included in the technology and telecom sectors declined, partly reflecting concerns among investors that these firms may not live up to the relatively high earnings expectations implicit in the prices of these stocks.

3 PRICES AND COSTS

Euro area HICP inflation rose to 2.1% in February 2005, from 1.9% in the previous month due to upward pressure from energy and unprocessed food prices. The annual increase in the HICP excluding unprocessed food and energy, however, declined to 1.6%. According to Eurostat's flash estimate, annual HICP inflation remained unchanged at 2.1% in March. The annual growth rate of producer prices rose for the second consecutive month to 4.2% in February. This renewed upward movement is mainly attributable to rising oil prices which are reflected in greater increases in energy producer prices. Recently released labour cost indicators confirm that wage growth was moderate during 2004. Looking ahead, oil prices are likely to impact euro area HICP inflation over the short term. Overall, the latest indicators do not suggest that underlying domestic inflationary pressures are strengthening in the euro area.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR MARCH 2005

According to Eurostat's flash estimate, euro area HICP inflation remained unchanged at 2.1% in March 2005 (see Table 5). Although a detailed breakdown is currently not available, the annual rate of growth in energy prices is likely to have increased, reflecting recent oil price trends. The annual increase in processed food prices may have declined, however, on account of a base effect related to the introduction of tobacco taxes in some euro area countries in March of last year. Uncertainty surrounding this estimate remains significant, given the preliminary nature of the data.

HICP INFLATION IN FEBRUARY 2005

Euro area HICP inflation rose to 2.1% in February 2005, which was up 0.2 percentage point from the previous month (see Chart 16) and 0.1 percentage point above Eurostat's flash estimate. This was mainly a reflection of the relatively strong increase in its more volatile components, namely energy and unprocessed food. The annual growth rate of energy prices, in particular, rose on account of soaring oil prices in February. The rise in the annual rate of growth in unprocessed food stemmed both from a base effect and unfavourable weather conditions during February in some euro area countries.

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Oct.	2004 Nov.	2004 Dec.	2005 Jan.	2005 Feb.	2005 Mar.
HICP and its components								
Overall index ¹⁾	2.1	2.1	2.4	2.2	2.4	1.9	2.1	2.1
Energy	3.0	4.5	9.8	8.7	6.9	6.2	7.7	.
Unprocessed food	2.1	0.6	-1.2	-1.0	0.0	-0.6	0.7	.
Processed food	3.3	3.4	2.8	2.3	3.2	2.8	2.6	.
Non-energy industrial goods	0.8	0.8	0.8	0.8	0.8	0.5	0.2	.
Services	2.5	2.6	2.6	2.7	2.7	2.4	2.4	.
Other price indicators								
Industrial producer prices	1.4	2.3	4.1	3.7	3.5	3.9	4.2	.
Oil prices (EUR per barrel)	25.1	30.5	39.4	34.5	30.0	33.6	35.2	40.4
Non-energy commodity prices	-4.5	10.8	3.7	0.4	-0.2	3.1	3.1	-0.4

Sources: Eurostat, Thomson Financial Datastream and HWWA.

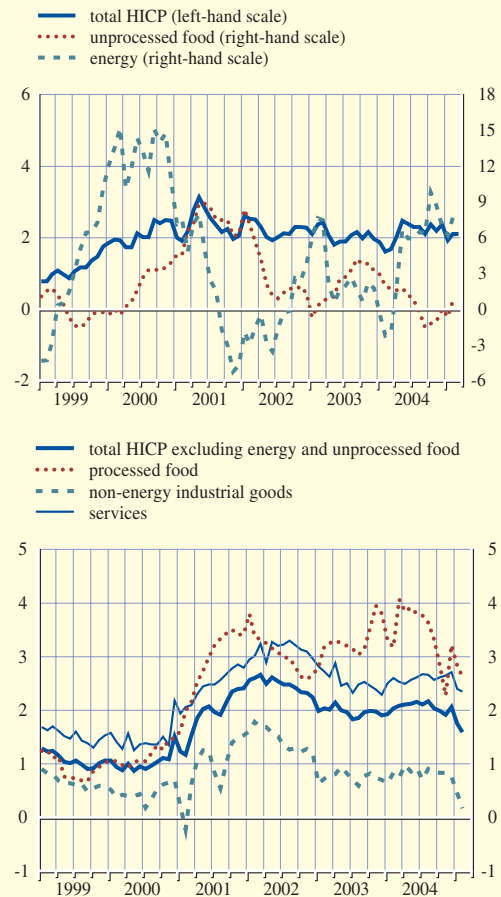
1) HICP inflation in March 2005 refers to Eurostat's flash estimate.

The annual rate of change in the HICP excluding unprocessed food and energy slipped to 1.6% in February, 0.1 percentage point lower than in the previous month. This decline, however, was primarily attributable to the negative contributions from the prices of some volatile and highly seasonal components, such as clothing, footwear and package holidays. The annual growth rate of processed food also eased, possibly reflecting past declines in the prices of unprocessed food. The annual growth rate of non-energy industrial goods prices fell further to 0.2% in February, from 0.5% in January. At this stage, it is still difficult to ascertain whether this development is due to changing volatility in the seasonal sales pattern or whether it reflects a more sustained moderation. Finally, the annual rate of growth of services prices in February was stable at 2.4%, concealing, however, a sharp fall in the seasonally volatile prices of package holidays compared with the previous month.

As regards survey data on consumers' inflation perceptions, Box 3 entitled "Consumers' inflation perceptions: still at odds with official statistics?" elaborates on the discrepancy between perceived inflation, as determined by the European Commission's Consumer Survey, and actual HICP inflation developments over recent years.

Chart 16 Breakdown of HICP inflation: main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

Box 3

CONSUMERS' INFLATION PERCEPTIONS: STILL AT ODDS WITH OFFICIAL STATISTICS?

Following the introduction of euro banknotes and coins in January 2002, the close link that previously existed between consumers' inflation perceptions and actual HICP inflation appears to have broken down (see Chart). Consumers' inflation perceptions are surveyed every month by the European Commission, which then provides a qualitative indicator. This indicator corresponds to the difference between the weighted proportion of respondents stating that consumer prices have risen over the last twelve months and the weighted proportion of respondents stating that prices have fallen or remained broadly unchanged over the same period. Hence, the indicator of perceived inflation takes the form of a balance statistic and only gives qualitative information on the perceptions of the directional change in inflation over the last twelve months. While no drastic movement in actual inflation was observed in early 2002, the

qualitative indicator of perceived inflation increased dramatically and reached a peak in January 2003. Since then, inflation perceptions have moderated, gradually reducing the gap with actual price developments. In 2004, the downward adjustment in euro area inflation perceptions continued but there is still room for a further correction.

A number of arguments have been put forward to explain the discrepancy between inflation perceptions and actual inflation developments that occurred in the immediate aftermath of the cash changeover.¹ In particular, the prices of several items, to which consumers may attach a higher weight than their actual share in the HICP because they are more frequently purchased (e.g. food, energy), indeed rose more, in relative terms, at the time of the cash changeover. Although some of these price increases were unrelated to the introduction of the euro banknotes and coins, many consumers seem to have associated them with the changeover. In fact, Eurostat has estimated the impact of the cash changeover to lie between 0.12 and 0.29 percentage point of euro area HICP headline inflation in 2002.

In the latest European Commission survey on the general public and the euro, published in December 2004², 95% of the euro area public thinks that the introduction of the euro encouraged price increases. This assessment is, remarkably, shared across gender, age, educational levels, social categories and geographical backgrounds.

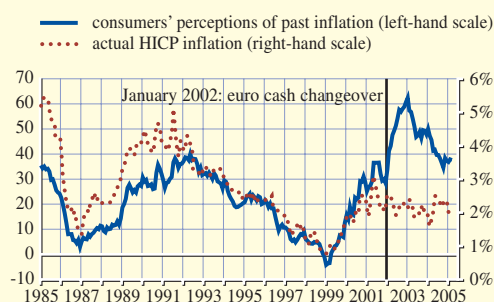
Recent empirical studies have highlighted the role of psychological factors in explaining the discrepancy between consumers' inflation perceptions and actual inflation developments. These psychological factors include, in particular, the role of *a priori* expectations. For example, the firm conviction that prices would be raised or rounded up, to the consumers' disadvantage, seems to have had a sustained and significant influence on subsequent inflation perceptions.³

In addition, there is evidence that the public's slow adaptation to the euro may have played a role. Indeed, it has been shown that inflation perceptions seem to be affected by consumers' difficulty in adapting to the new currency.⁴ One reason explaining the inertia in the correction of inflation perceptions might thus be that nearly half of the public in the euro area continues to report "a lot" or "some" difficulties in handling the euro, according to the December 2004 European Commission survey on the general public and the euro.

Finally, national currencies remain a strong point of reference for a large proportion of the euro area public. In the December 2004 European Commission survey, 25% of those surveyed

Consumers' perceptions of past inflation and actual HICP inflation

(percentage balances; annual percentage changes)



Sources: European Commission and ECB calculations.
Note: The latest observation for actual HICP inflation refers to Eurostat's flash estimate for March 2005. HICP backdata before 1990 are based on national CPI and are not fully comparable with HICP.

1 For more details, see the Monthly Bulletin boxes on euro area inflation perceptions published in July 2002 and October 2003.

2 European Commission (2004), "The euro, three years later", Flash Eurobarometer 165, December.

3 Traut-Mattausch E., Schulz-Hardt S., Greitemeyer T. and Frey D. (2004), "Expectancy confirmation in spite of disconfirming evidence: the case of price increases due to the introduction of the euro", *European Journal of Social Psychology*, vol. 34, No. 6, pp. 739-760.

4 Mastrobuoni G. (2004), "The effect of the euro-conversion on prices and price perceptions", CEPS Working Paper, No. 101, September.

reported that they mentally counted only in national currency during regular daily transactions and another 22% were thinking either in euro and/or in national currency. The proportion of people using national currency units as a reference increased dramatically for exceptional purchases, such as the purchase of a car or a house, with only 19% mentally counting only in euro during these exceptional purchases. There might thus remain a degree of confusion between a reference price level in national currency terms that has remained “frozen in time” in consumers’ minds and the 12-month-before price reference in euro that consumers are supposed to recall when replying to inflation perception surveys.

A closer look at euro area country developments

Consumers’ inflation perceptions increased, albeit to varying extents, in all euro area countries at the time of the cash changeover (see Table). Since mid-2003, however, a clear downward trend in this indicator could be observed in Germany, Italy, Ireland and the Netherlands. To a lesser extent, inflation perceptions in Spain, Luxembourg and Portugal also decreased, while they remained broadly stable in Greece, France, Austria and Finland. An upward trend in inflation perceptions was only identified in Belgium. The tendency towards a downward adjustment in perceived inflation in most euro area countries may be explained by two factors. Firstly, in some cases, most notably in Italy, the Netherlands and Portugal, the downward adjustment in inflation perceptions coincided with a decrease in actual HICP inflation. Secondly, the downward adjustment in some countries seems to be a reaction to the large upward overshooting of perceived inflation in 2002 and 2003. In particular, this is likely to be behind the decline in perceived inflation in Germany over the last two years. However, despite the recent decrease in inflation perceptions in most euro area countries, it is noteworthy that the majority of consumers still have the impression that inflation is high compared with the proportion who thought so at the end of 2001. Only in the cases of Germany and the Netherlands is the level of the qualitative indicator of perceived inflation now lower than it was at the time of the introduction of euro banknotes and coins.

Consumers’ perceptions of past inflation across euro area countries

(percentage balances; seasonally adjusted)

	2001	2002	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2004 Q4 minus 2001 Q4
Belgium	40	39	45	49	48	47	48	52	18
Germany	39	68	47	28	34	28	27	24	-16
Greece	28	36	67	67	67	67	68	67	49
Spain	31	44	59	54	59	54	52	53	28
France	21	43	45	47	52	46	46	43	16
Ireland	48	51	60	47	55	45	44	46	10
Italy	29	38	67	51	67	53	42	40	24
Luxembourg	-	35	39	39	42	38	38	40	-
The Netherlands	44	73	72	37	50	37	33	29	-15
Austria	16	30	37	39	42	41	36	38	27
Portugal	37	42	51	45	47	48	41	44	7
Finland	-13	0	-7	-8	-11	-9	-9	-5	11
Euro area	31	51	51	41	48	41	38	37	8

Sources: European Commission and ECB calculations.

Overall, notwithstanding the different patterns across countries, there would appear to be scope, at the euro area level, for further correction of the gap between inflation perceptions and actual inflation as time passes and the public continues to get used to the euro.

3.2 PRODUCER PRICES

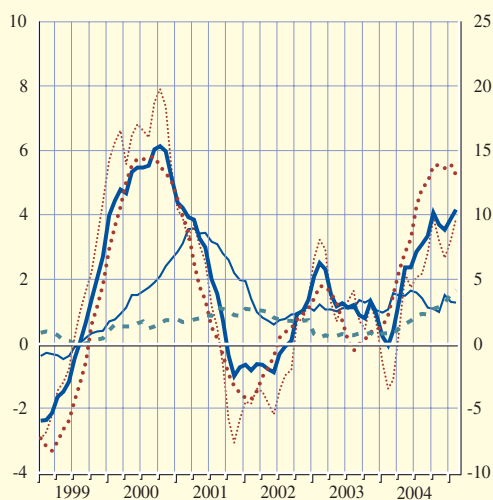
The annual growth rate of overall producer prices excluding construction increased to 4.2% in February 2005, up from 3.9% in January (see Chart 17). This renewed upward movement was mainly due to the high, and rising, annual rate of growth of energy producer prices, which is a reflection of the oil price increases over the same period. In fact, the annual growth rate of energy producer prices increased from 8.1% in January to 9.7% in February. By contrast, the annual growth rate of producer prices in industry excluding construction and energy fell slightly, to 2.8% in February. As regards the various components of producer prices, the annual increase in intermediate goods prices declined somewhat to 5.2% in February, from 5.6% in the previous month. Nevertheless, the annual increase in intermediate goods prices remained relatively high, probably reflecting the rising levels of raw material prices over recent months. The year-on-year rate of change in consumer goods producer prices remained constant at 1.3% in February, thus continuing the relatively low growth trend observed over the last couple of years. This development suggests that pressures on consumer price inflation stemming from rising prices at the producer level have thus far been very limited. Turning to capital goods producer prices, the annual rate of increase went up from 1.5% in January to 1.7% in February, continuing the gradual upward trend that has been apparent since early 2004.

As regards survey data, the Eurozone Input Price Index from the Purchasing Managers' Survey for March 2005 showed a further decrease in the manufacturing sector (see Chart 18). At the same

Chart 17 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

- industry excluding construction (left-hand scale)
- intermediate goods (left-hand scale)
- - - capital goods (left-hand scale)
- consumer goods (left-hand scale)
- energy (right-hand scale)

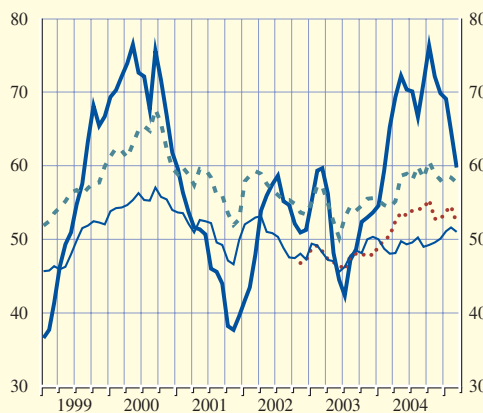


Sources: Eurostat and ECB calculations.

Chart 18 Producer input and output price surveys

(diffusion indices; monthly data)

- manufacturing; input prices
- manufacturing; prices charged
- - - services; input prices
- services; prices charged



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

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
Negotiated wages	2.4	2.2	2.2	2.3	2.3	2.0	2.2
Total hourly labour costs	2.7	2.3	2.1	3.0	2.1	1.8	2.2
Compensation per employee	2.4	.	2.2	2.2	2.2	1.5	.
<i>Memo items:</i>							
Labour productivity	0.4	1.3	0.7	1.3	1.8	1.3	0.9
Unit labour costs	2.0	.	1.5	0.9	0.4	0.1	.

Sources: Eurostat, national data and ECB calculations.

time, the input prices index remained above 50, signalling a continued, albeit slower, expansion of input prices. This was probably the result of high oil prices and buoyant prices of certain raw materials, such as steel. The index for prices charged in the manufacturing sector also fell in March, but remained above 50, likewise reflecting a continued, albeit slower, expansion of prices at the producer level. This suggests that producers continued to pass on some of the increase in input prices through the pricing chain. In the services sector, the index for both input prices and prices charged declined in March but remained above 50, signalling a continued expansion.

3.3 LABOUR COST INDICATORS

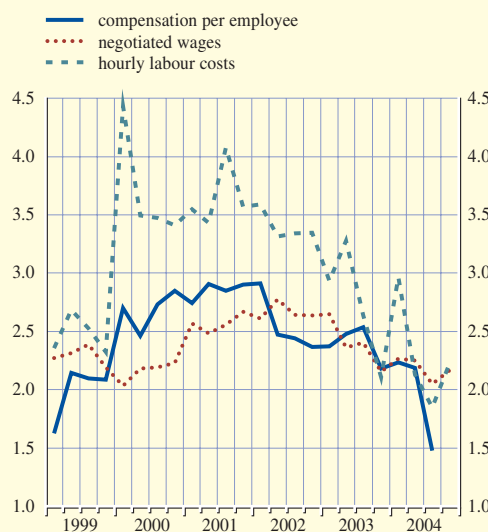
Labour cost indicators for the fourth quarter of 2004 continue to point to moderate wage developments. At 2.2%, the annual rate of growth of negotiated wages for the fourth quarter was up 0.2 percentage point on the previous quarter but slightly lower than in the first half of the year (see Table 6).

Other labour cost indicators substantiate the overall picture of moderate wage growth in the euro area (see Chart 19). The annual growth rate in hourly labour costs in the non-agricultural business sector rose in the fourth quarter of last year to 2.2%, from 1.8% in the previous quarter. This overall picture of moderation can be seen more clearly from a longer-term perspective, with hourly labour cost growth in 2004 as a whole standing at 2.3%, down from 3.4% and 2.7% in 2002 and 2003 respectively.

Turning to compensation per employee, some rebound might be expected in the fourth quarter due to the easing-off of the exceptional impact of Italian public sector data in the third quarter. Nonetheless, from a longer-term perspective, the overall picture is again one of broadly based moderation across the industry, services and, albeit to a lesser extent, construction sectors.

Chart 19 Selected labour cost indicators

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

The annual increase in labour productivity fell to 0.9% in the fourth quarter of last year from 1.3% in the third quarter, continuing its cyclical slowdown. This development is likely to imply a rise in the annual growth of unit labour costs in the fourth quarter, albeit to a level that is still relatively low by historical standards.

All in all, the inflationary pressures emanating from the labour market in the period up to end-2004 were very limited.

3.4 THE OUTLOOK FOR INFLATION

Annual HICP inflation is likely to remain somewhat above 2% in the coming months, with short-term developments being determined by oil price movements. In the medium term, the latest indicators do not suggest that strong underlying domestic inflationary pressures are building up in the euro area. Wage growth, in particular, should remain subdued, reflecting moderate economic growth and the ongoing weakness of the labour markets. At the same time, however, several upside risks need to be taken into account. Sustained oil price hikes and developments in indirect taxes and administered prices must be closely monitored. Vigilance also remains necessary in terms of the potential risk of past increases in inflation leading to second-round effects in wage and price-setting. Responsibility of social partners is particularly important in this respect. In addition, developments in longer-term inflation expectations need to be closely observed.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth slowed to 0.2% quarter on quarter on average in the second half of 2004, from 0.6% in the first half of last year. The slow growth in the fourth quarter was the result of negative contributions from changes in inventories and net exports, which partly offset a rebound in the contribution of domestic demand. Industrial production regained some momentum at the turn of the year, but recent survey indicators have been mixed. Indicators of household spending have also given mixed signals concerning developments in private consumption at the start of the year. With regard to the labour market, available data and indicators suggest that conditions were broadly unchanged at the beginning of 2005.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Growth in euro area real GDP is estimated to have weakened in the second half of 2004. Estimates point to a growth rate of 0.2% quarter on quarter in both the third and fourth quarters of 2004, after 0.6% on average in the first half of the year.

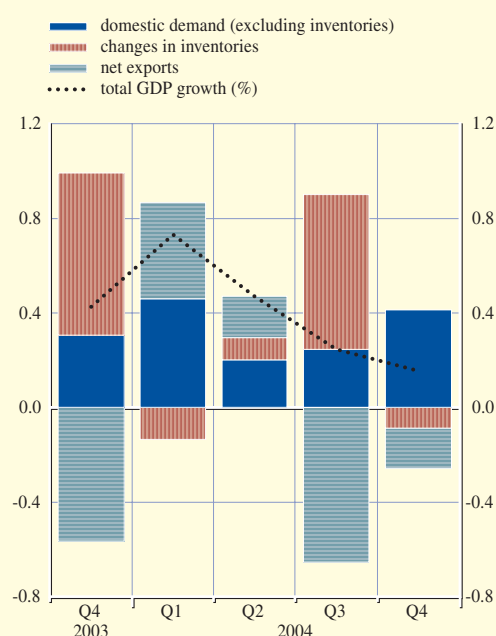
The expenditure breakdown of real GDP growth in the fourth quarter of 2004 reveals relatively favourable developments in domestic demand (excluding inventories), but developments in inventories and net exports were less positive. The contribution to growth of domestic demand (excluding inventories) strengthened in the fourth quarter, while inventory changes and net exports contributed negatively (see Chart 20). The increased contribution of domestic demand is attributable to a rebound in private consumption growth, which followed two quarters of stagnation, while investment growth maintained its momentum. The negative contribution of inventories in the fourth quarter may reflect a partial reversal of the exceptionally strong increase in stocks in the previous quarter. On the external side, the decline in export growth in the fourth quarter, which reflected the slowdown in foreign demand and the effects of the appreciation of the euro, was more than counterbalanced by a significant decline in import growth. Hence, net exports were less of a drag on growth in the fourth quarter than in the third.

Statistical working-day effects are judged to have contributed to the low real GDP growth estimate for the fourth quarter of 2004. For the year as a whole, on account of an exceptionally high number of working days in 2004, real GDP is estimated to have increased by 1.8% on a working-day-adjusted basis and by 2% on a non-adjusted basis.

The decline in growth between the first and second halves of 2004 was broadly spread across sectors. However, while the services

Chart 20 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

sector appears to have regained some momentum between the third and fourth quarters, the slowdown in growth in the industry sector as a whole seems to have continued. More specifically, value added in industry excluding construction decelerated further in the last quarter of 2004, while the construction sector appears to have recovered somewhat.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Following a contraction in the fourth quarter of 2004, industrial production (excluding construction) started 2005 positively, supporting the view that a rebound might be expected in the first quarter. Industrial production rose month on month in both December 2004 and January 2005, resulting in a high starting point for the first quarter. In fact, industrial production in January exceeded its average value in the fourth quarter of 2004 by 0.6%. Signs of some improvement can also be derived from a less volatile three-month moving average. In terms of three-month-on-three-month changes, growth in industrial production turned positive in the period to January, having declined previously.

Among the main industrial groupings, production in January rose month on month in the capital and intermediate goods sectors, while it stagnated in the consumer goods sector and contracted in the energy sector. In January growth was strongest in the capital goods sector, where the decline in the fourth quarter of 2004 had been most pronounced. Still, based on three-month moving averages, production in the capital goods sector declined strongly in the period from November 2004 to January 2005 compared with the previous three months, while production in the intermediate and consumer goods sectors rose over the same horizon (see Chart 21). In the case of the consumer goods sector, the improvement hides different developments in the industries producing durable and non-durable consumer goods. While the non-durable consumer goods industries showed some improvement, the durable goods industries contracted.

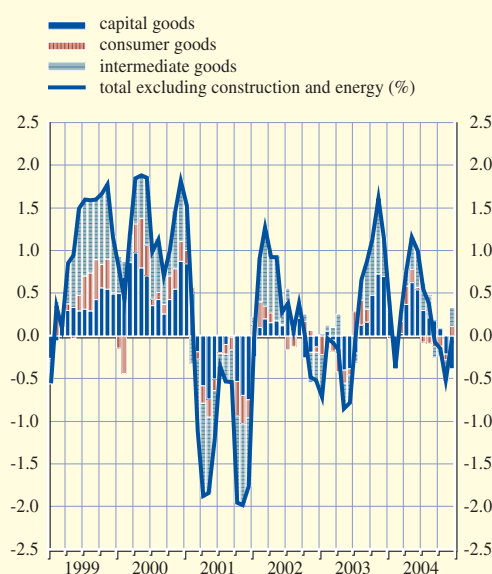
Actual new orders in manufacturing fell significantly in January. The decline did not, however, fully offset the strong increase in the previous month, hence developments in new orders still appear to have been in line with the upward trend observed in 2004. This interpretation is confirmed by the fact that the spike in new orders recorded in December seems to be linked to significant new orders in the transportation industries in some euro area countries.

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data for the industry and services sectors indicate ongoing but moderate growth in the first quarter of 2005. As regards the industry sector, the Purchasing Managers' Index (PMI) and the European Commission's confidence indicator suggest that conditions may have at best stabilised

Chart 21 Industrial production growth and contributions

(growth rate and percentage point contributions; seasonally adjusted)

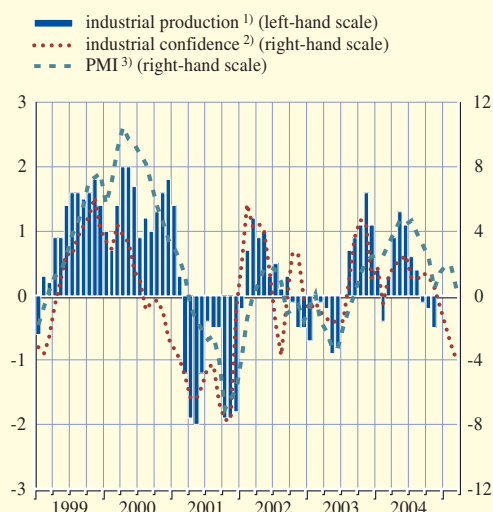


Sources: Eurostat and ECB calculations.

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

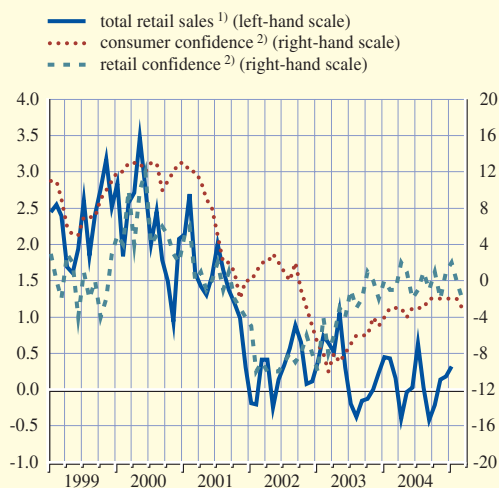
(monthly data; seasonally adjusted)



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.

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.

in the first quarter (see Chart 22). Following a slight pick-up at the turn of the year, the PMI fell again in March. All components of the PMI contributed to this decline. On average, the PMI was flat in the first quarter, compared with the fourth quarter of 2004, and exceeded only slightly the threshold for expansion. The picture derived from the PMI is broadly confirmed by the European Commission's industrial confidence indicator. In March this indicator continued the decline observed over recent months and fell back to the level recorded at the end of 2003, reversing all the improvements observed in 2004. The deterioration in industrial confidence in March was spread across all components of the indicator.

In the services sector, conditions appear to have remained broadly unchanged since the fourth quarter of 2004, when services sector value added rose by 0.4% quarter on quarter. The PMI for the services sector was broadly unchanged in the first quarter of 2005, compared with the fourth quarter of 2004. The European Commission's services confidence indicator declined in March but has been basically flat since the end of 2003.

INDICATORS OF HOUSEHOLD SPENDING

Available indicators of household spending give mixed signals on whether the strengthening in private consumption growth recorded at the end of 2004 was sustained in the first quarter of 2005. The pick-up in private consumption in the fourth quarter of 2004, which followed two quarters of stagnation, was attributable to a significant increase in new passenger car registrations and a positive contribution from non-retail trade consumption. Over the same quarter, developments in retail sales remained subdued. However, in the first two months of 2005, as well as in December

2004, the volatile indicator of new passenger car registrations contracted on a month-on-month basis, making another positive contribution from car sales to private consumption growth unlikely in the first quarter of 2005. By contrast, retail sales volumes rose in January and February, providing some positive signals for the first quarter (see Chart 23). However, low – and, in March, declining – consumer confidence remains a factor weighing on private consumption growth at the start of 2005.

4.2 LABOUR MARKET

Employment data point to unchanged growth in the second half of 2004. Available unemployment and survey data signal broadly unchanged labour market conditions at the start of 2005.

UNEMPLOYMENT

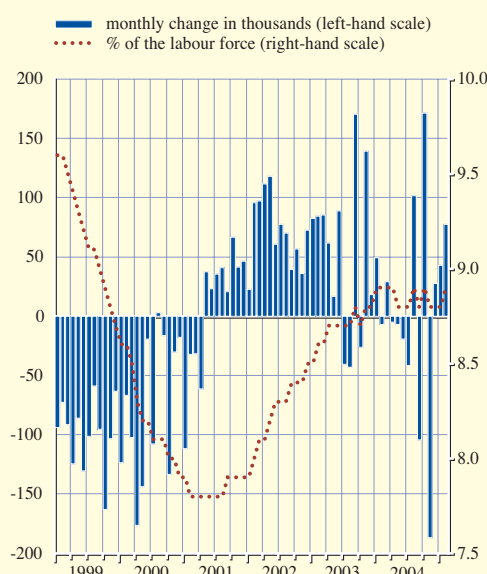
The euro area standardised unemployment rate is estimated to have increased to 8.9% in February, compared with 8.8% in January (see Chart 24). In terms of age groups, the unemployment rate for those aged 25 and over increased by 0.1 percentage point to 7.6% in February, while the rate for those younger than 25 remained unchanged at 18.5%.

With the release of the January data, past euro area unemployment data were revised significantly on account of several methodological changes in computing harmonised unemployment data in both Germany and Italy. Methodological changes in deriving harmonised unemployment rates for Germany became necessary in order to avoid major disruptions in euro area data in view of modifications to the German unemployment benefit system within the context of the “Hartz IV” reform. The methodological changes concerning the German data consist of amendments to the source of the data used. Overall, the effects of the revisions in Germany and Italy amount to an average reduction of 0.2 percentage point in the euro area unemployment rate since the mid-1990s.

The change in the source of German data has led to a substantial increase in the volatility of the euro area unemployment data compared with previous data vintages. This increased volatility warrants caution when interpreting short-term developments. In February the number of euro area unemployed rose by 77,600, following smaller increases in January and December and a substantial decline in November.

Chart 24 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
Whole economy	0.2	0.5	0.0	0.1	0.3	0.2	0.2
<i>of which:</i>							
Agriculture and fishing	-2.4	-1.3	-0.4	-0.6	-0.2	0.1	-0.5
Industry	-1.4	-0.8	-0.4	-0.6	0.3	-0.1	0.1
Excluding construction	-1.9	-1.6	-0.6	-0.7	0.2	-0.5	0.4
Construction	0.0	1.3	0.1	-0.2	0.7	0.9	-0.5
Services	1.0	1.1	0.2	0.4	0.3	0.3	0.2
Trade and transport	0.4	0.7	0.1	0.1	0.3	0.4	0.1
Finance and business	1.3	2.6	0.4	1.0	0.4	0.7	0.4
Public administration	1.2	0.7	0.2	0.3	0.2	0.1	0.3

Sources: Eurostat and ECB calculations.

EMPLOYMENT

Employment in the euro area grew by 0.2% quarter on quarter in the fourth quarter of 2004, similar to the rate for the previous quarter (see Table 7). This development was the result of stronger growth in industry, which was offset by weaker growth in the services sector. In 2004 as a whole, employment is estimated to have increased by 0.5%, after 0.2% in 2003.

Employment expectations have been broadly stable over recent months, pointing to ongoing but modest employment growth. The European Commission's employment expectations for the industry sector improved slightly in the first two months of 2005 but deteriorated in March. The PMI employment index for the industry sector fell in March, after increasing slightly in February. In the services sector, according to both the Commission's surveys and the PMI, employment expectations improved slightly in the course of the first quarter of 2005.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Following subdued real GDP growth in the fourth quarter of 2004, the macroeconomic data and survey information available for early 2005 give mixed signals. In general, they point to ongoing economic growth at a moderate pace over the short term, with no clear signs as yet of a strengthening in underlying dynamics. Looking further ahead, the conditions remain in place for moderate economic growth to continue. On the external side, exports are expected to support euro area growth on account of dynamic global growth. On the domestic side, investment is expected to benefit from very favourable financing conditions and increased earnings. Private consumption growth should develop in line with real disposable income growth. However, persistently high oil prices, in particular, pose downside risks to growth.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In March and early April 2005 the euro declined in effective terms by almost 1% compared with its end-February level. This period was characterised mainly by a depreciation of the euro against the US dollar, after some initial movements in the opposite direction. The development against the US dollar (and Asian currencies linked to it) was only partly offset by the euro's appreciation against the currencies of several EU Member States.

US DOLLAR/EURO

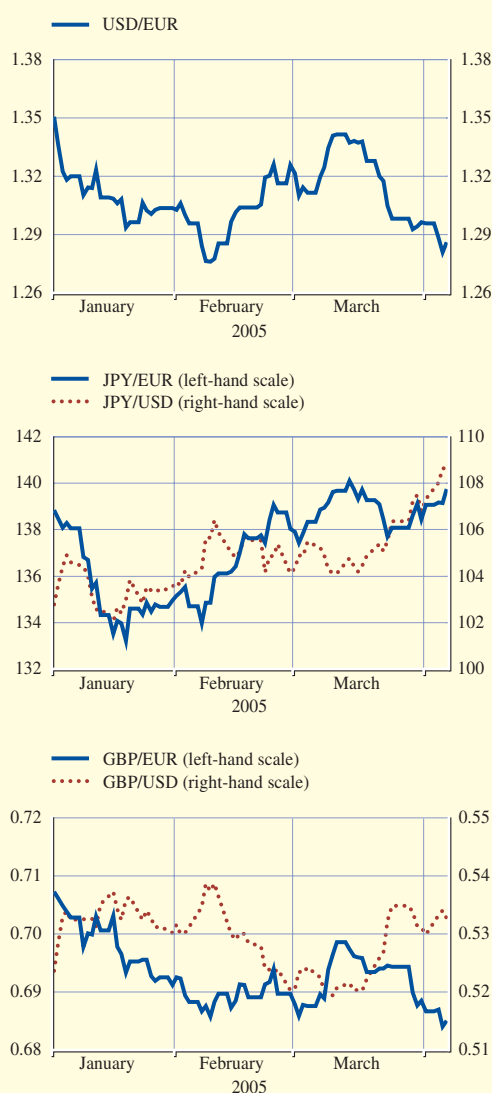
After appreciating against the US dollar in the first half of March 2005, the euro subsequently depreciated, closing on 6 April below its level at the end of February. The fluctuations in the euro/dollar exchange rate appear to have been linked to a shift in market focus from concerns relating to global imbalances to the increasingly positive bond yield differential between the United States and the euro area.

In more detail, at the beginning of March the US currency continued its broad-based decline, despite evidence of a strong US economic performance and rising US bond yields. Two main factors seem to account for this. First, the dollar remained under pressure from the preoccupation of market participants with the magnitude of the US fiscal and current account deficits, which has been weighing on the US currency since 2002. This concern was reinforced in March 2005 by news of a further widening in the US trade deficit in January and strong outflows of foreign direct investment in the fourth quarter of 2004. Second, market speculation about possible foreign exchange reserve diversification on the part of some central banks might also have added to the negative sentiment towards the US dollar.

Later in March and early April, however, these factors were increasingly obscured by markets focusing on factors supporting the dollar, in particular the increasing interest rate differential between the United States and the euro area. In addition, a data release showing strong net capital flows into the United States in January also seems to have alleviated market concerns regarding the financing of the US current account deficit. Overall, on 6 April

Chart 25 Patterns in exchange rates

(daily data)



Source: ECB.

2005 the euro stood at USD 1.29, 3.0% lower than its level at the end of February and 3.4% above its average in 2004.

JAPANESE YEN/EURO

After trading within fairly narrow ranges between mid-January and the first week of February 2005, the Japanese yen lost ground against the euro until mid-March. This decline was mainly related to market perceptions of weaker than expected economic activity in Japan. Subsequently, the upward revision of the earlier released GDP growth data for the fourth quarter of 2004 and some tentative signs that the growth of the Japanese economy might gradually pick up in 2005 seem to have enabled the yen to recover some of its earlier losses in the second half of March. Towards the end of March and early April, however, weaker than expected economic data once again led to a weakening of the yen. On 6 April 2005 the euro was quoted at JPY 139.8, 1.2% above its end-February level and 3.9% higher than its 2004 average.

EU MEMBER STATES' CURRENCIES

In ERM II, the Danish krone and the Slovenian tolar moved in very narrow ranges close to their respective central parities (see Chart 26). 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, between the end of February and 6 April 2005 the euro depreciated by 0.7% against the pound sterling, while it appreciated moderately against the Swedish krona. The euro also appreciated against the Polish zloty (by 5.6%) and to a lesser extent against the Slovak koruna, the Hungarian forint and the Czech koruna (by 2.7%, 2.2% and 0.7% respectively). In the same period, the euro remained broadly unchanged against the Cyprus pound, the Latvian lats and the Maltese lira.

OTHER CURRENCIES

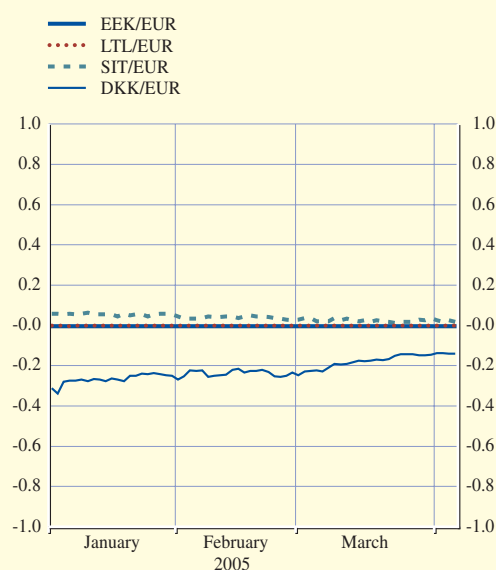
Regarding other currencies, the euro appreciated by almost 1% vis-à-vis the Swiss franc between the end of February and 6 April. Other notable developments included the continued depreciation of the euro vis-à-vis the Canadian dollar (by almost 4%).

EFFECTIVE EXCHANGE RATE OF THE EURO

On 6 April 2005 the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was almost 1% below its end-February level and 1.0% higher than its average level in 2004 (see Chart 27). The moderate depreciation of the euro in effective terms was driven primarily by its

Chart 26 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 against the euro implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is $\pm 2.25\%$; for all other currencies the standard fluctuation band of $\pm 15\%$ applies.

weakening against the US dollar, the Chinese renminbi, the pound sterling, the Hong Kong dollar and the Canadian dollar. This was to some extent counterbalanced by its appreciation against the Japanese yen and currencies of several EU Member States.

5.2 BALANCE OF PAYMENTS

In January 2005 the value of extra-euro area goods exports increased compared with the previous month, in line with the rebound that took place in the last quarter of 2004. The value of goods imports was flat. Meanwhile, both exports and imports of services increased in January, following decreases in two consecutive quarters. In the euro area financial account, net combined direct and portfolio investment was close to balance on a 12-month cumulated basis in January. This follows a gradual decline in net capital outflows in the second half of 2004, which was in turn related to higher net inflows in equity portfolio investment over the same period.

CURRENT ACCOUNT

The seasonally adjusted current account of the euro area showed a surplus of €3.2 billion in January 2005, reflecting surpluses in goods (€8.7 billion) and services (€2.3 billion) that were partly offset by a deficit in current transfers (€7.8 billion). The income account was balanced for the first time since balance of payments data have been available for the euro area (i.e. since 1999), rather than in deficit as had been the case previously. This reflects stronger increases in income receipts than payments, which is in turn related partly to favourable equity market developments abroad.

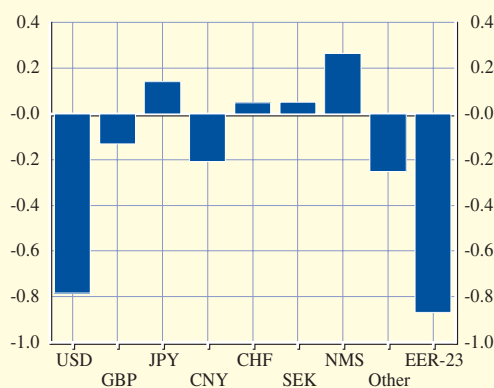
The value of extra-euro area exports of goods grew by 1.7% in January 2005 compared with December 2004, in line with the rebound that took place in the last quarter of 2004 (the three-month moving average of the value of goods exports for the period ending in January was 2.7% higher than three months earlier, see Chart 28). This partly reflects the ongoing strength of foreign demand, particularly in the United States. A more complete analysis of recent developments in extra-euro area trade in goods, particularly its geographical composition as well as insights from a longer-term perspective, is presented in Box 4. Meanwhile, the value of imports of goods was flat in January, continuing a slowdown that followed the strong rise in the third quarter (the three-

Chart 27 Euro effective exchange rate and its decomposition¹⁾



Contributions to EER changes²⁾

From 28 February to 6 April 2005
(in percentage points)



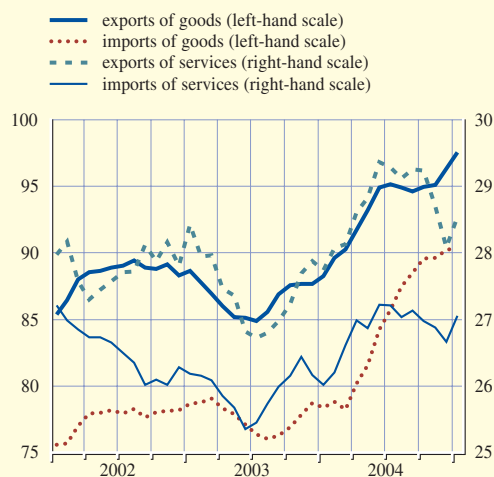
Source: ECB.

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

Chart 28 Euro area exports and imports of goods and services

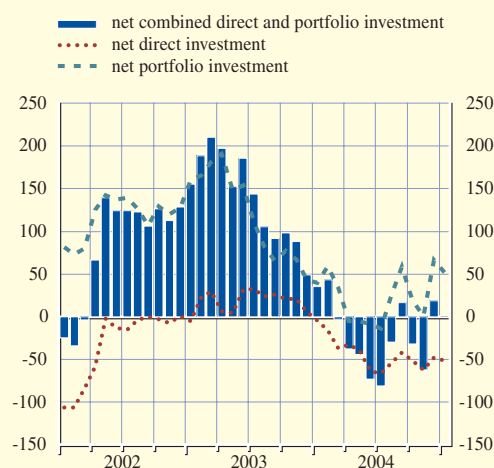
(EUR billions; three-month moving averages; seasonally adjusted)



Source: ECB.

Chart 29 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.

month moving average of the value of goods imports in January was only 0.9% higher than three months earlier). In the same month, both exports and imports of services increased again in value terms. This follows decreases in two consecutive quarters, with a particularly pronounced fall in the value of services exports in the last quarter of 2004 (-4% quarter on quarter).

The 12-month cumulated surplus on the euro area current account amounted to €37.8 billion in the period to January 2005, i.e. around 0.5% of GDP, compared with €24.9 billion a year earlier. This increase resulted from a lower deficit in income and a higher surplus in services, partly counterbalanced by a lower goods surplus. The deficit in current transfers was broadly unchanged.

FINANCIAL ACCOUNT

In January 2005 euro area combined direct and portfolio investment recorded large net outflows of €31.2 billion. This was accounted for by net outflows in direct investment (€13.1 billion), equity portfolio investment (€5.5 billion) and portfolio investment in debt instruments (€12.6 billion).

Looking at developments over the 12-month period to January 2005, the euro area combined direct and portfolio investment account was close to balance, having shown net inflows of €20.3 billion in the same period a year earlier (see Chart 29). This development was the result of higher net outflows in direct investment and portfolio investment in debt instruments. The higher net outflows in direct investment over this period stemmed primarily from a decline in foreign direct investment inflows into the euro area. This reduction may be partly related to stronger economic growth prospects in the global economy relative to the euro area. As to portfolio investment, the most notable development related to the increased net purchases of euro area equity securities by non-residents. As reported in previous issues of the Monthly Bulletin, market surveys show that euro area equity securities were perceived to be – in relative terms – more attractively priced.

Box 4

RECENT DEVELOPMENTS IN EXTRA-EURO AREA TRADE VOLUMES AND PRICES

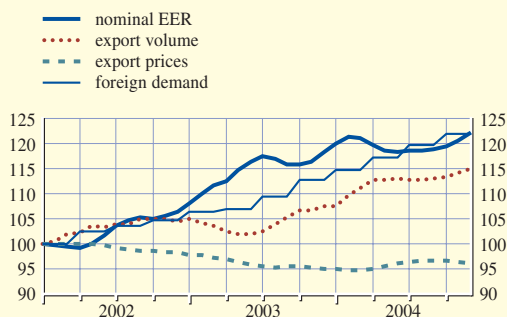
This box describes the latest developments in euro area trade volumes and prices (proxied by unit value indices) at the aggregate level and vis-à-vis selected trading partners, focusing on trade in goods only. All data exclude intra-euro area transactions. Overall, euro area exports were somewhat sluggish in the second half of 2004, in spite of a moderate pick-up in the last quarter of the year. On the import side, import prices have not fallen significantly since the beginning of the euro's appreciation, while the strong rise in import volumes in the third quarter of 2004 mainly reflected robust growth in the import-intensive categories of euro area demand. Regarding the geographical composition of trade, recent developments confirm the increasing importance of Asia and the countries that joined the EU on 1 May 2004 in trade with the euro area.

Real exports picked up moderately in the last quarter of 2004, growing by 1.8% quarter on quarter after a 0.1% increase in the third quarter. Two main factors may explain the sluggishness of exports in the second half of 2004: first, the slowdown in foreign demand for euro area products over this period and second, the effect of the euro's appreciation, compounded by export price increases (in euro terms) in the second and third quarters of the year. The rise in euro area export prices may in turn be related to higher costs, originating in particular from higher oil prices.

Turning to imports, an increase of 0.7% quarter on quarter in volume terms was recorded in the last quarter of 2004, a marked slowdown compared with the third quarter (see Chart C). This development can be attributed mainly to the evolution of euro area demand, particularly the import-intensive categories of expenditure, such as inventories, which grew strongly in the third quarter and subsequently decreased in the fourth. The impact of the euro's appreciation on import volumes appears to have been relatively muted, due in particular to the fact that overall import prices (in euro terms) have not fallen significantly since 2002. Import prices of manufacturing goods have fallen by around 5%, whereas total import prices have increased slightly because of

Chart A Extra-euro area exports

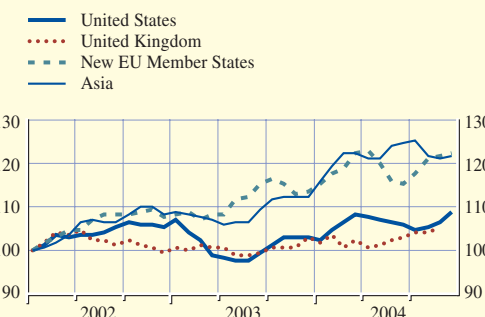
(index: January 2002 = 100; three-month moving averages)



Sources: ECB and Eurostat.
Note: Last observation relates to December 2004.

Chart B Extra-euro area export volumes by partner country

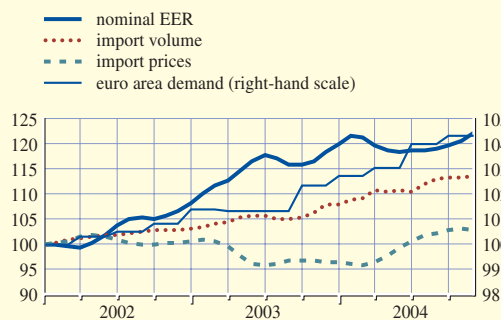
(index: January 2002 = 100; three-month moving averages; monthly data)



Source: Eurostat.
Note: Last observation relates to December 2004 except for the United Kingdom, for which it relates to November 2004.

Chart C Extra-euro area imports

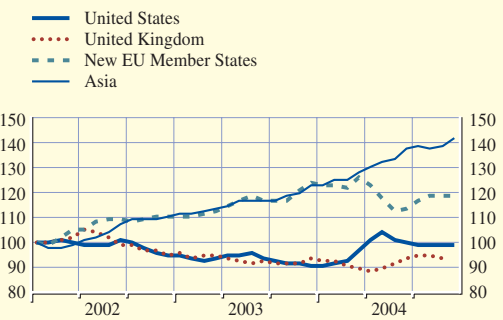
(index: January 2002 = 100; three-month moving averages except for euro area demand)



Sources: ECB and Eurostat.
Note: Last observation relates to December 2004.

Chart D Extra-euro area import volumes by partner country

(index: January 2002 = 100; three-month moving averages; monthly data)



Source: Eurostat.
Note: Last observation relates to December 2004 except for the United Kingdom, for which it relates to November 2004.

the strong rise in oil prices that started in 2003. In the last quarter of 2004, import prices increased only moderately (by 0.4%), after having increased strongly in the second and third quarters (by 3.5% and 3.1% respectively). This moderate increase was possibly a result of oil prices having risen less markedly in the last quarter of 2004 than in the previous two quarters. It was also due to the fact that import prices of manufactured goods actually fell in the last quarter (by 0.8%) – consistent with the strong appreciation of the euro over this period. This contrasts with the second and third quarters, when they increased by 1.5% and 1.3% respectively, possibly in response to an increase in the costs of exporters to the euro area due to high oil prices.

Taking a longer-run perspective, Asia and the new EU Member States have gained importance as trading partners of the euro area since 1999. Exports to these two rapidly developing regions have increased by approximately 20% each since 2002, whereas exports to the United Kingdom and to the United States have increased by less than 10% over the same period (see Chart B). Although euro area exports to the United States were stimulated by the fast growth of the US economy in 2003 and especially 2004, they seem to have been affected by the appreciation of the euro against the US dollar. Imports from Asia and the new EU Member States have also been more dynamic than imports from the United Kingdom and the United States since 2002 (see Chart D).

These trends are consistent with structural changes ongoing since 1995. Between 1995 and 2004, the shares of Asia and of the new EU Member States in total extra-euro area trade (adding up the total values of imports and exports) increased from 18.5% to 20% and from 7.1% to 10.6% respectively. In the case of Asia, the decrease in the share of Japan (from 5.7% to 3.9%) was more than compensated by a rise in the shares of other Asian countries, particularly China (from 2.9% to nearly 6%). By contrast, the share of the United States was in 2004 roughly equal to that in 1995, slightly below 13%, whereas the share of the United Kingdom decreased from nearly 18% in 1995 to 15.6% in 2004. Such changes partly reflect the rapidly growing internationalisation of production and the catching-up process, particularly regarding the significant expansion of euro area trade with the new EU Member States.

ARTICLES

ASSET PRICE BUBBLES AND MONETARY POLICY



At times, asset prices seem to rise beyond levels that are considered consistent with an appropriate valuation of the underlying asset. Such developments may indicate the existence of a “bubble” in the asset market, i.e. a rapid and sustained increase in prices that is bound to revert – possibly in a disruptive manner – at some time in the future. History has shown that boom-bust cycles in asset prices can harm the entire economy. Whenever the building-up of a bubble is associated with excess credit and liquidity creation – which is very often the case – asset price crashes can become the cause of deflationary trends, as observed in some economies in the past.

The primary objective of the ECB is the maintenance of price stability. While the ECB does not target asset prices, it monitors asset price dynamics closely because of the potentially very high costs for price stability and for the economy as a whole that are associated with strong appreciations and subsequent rapid reversals in asset prices.

I INTRODUCTION

There are several reasons for asset price fluctuations. For example, sustained increases often simply reflect the adjustment of prices to a rise in their fundamental value. The latter could be defined as the present value of the “true” earning capacity of that asset or the “true” value of the services that the holder of that asset will receive from using it over time.

However, a surge in the valuation of assets can also be caused by non-fundamental forces. As a number of historical examples tend to suggest, a record of high stock returns or capital gains on residential property trading might at times induce an increasing number of investors to enter the market in the belief that business profits and the price of stocks, or the price of houses, will continue to rise.¹ Growing numbers of traders can bid up prices for a while. The visible capital gains that this process generates initially tend to validate expectations that stocks, or real estate, can be re-sold at systematically higher prices. However, as more and more market participants are motivated by the short-run profits they expect to make from trading in the asset, rather than by its use or earning capacity over a longer horizon, market prices start drifting further and further away from their long-run fundamental determinants.

Asset price trends become fragile and sensitive to news when they are driven by non-

fundamental factors. As returns start to fall short of the levels experienced in the past, market sentiment might turn around and a generalised sell-off might ensue.

The formation of bubbles blurs the information content of asset prices. In normal times, asset prices are very important information variables. Asset prices are inherently forward-looking variables, in the sense that they are determined mainly by the expectations of market participants about the future evolution of their underlying pay-offs.² However, as noted above, when a bubble forms, expectations of the productive potential of the underlying asset might come to reflect excessively optimistic beliefs.

The formation of bubbles can distort the allocation of resources in the economy and harm macroeconomic stability for a prolonged period of time. Given its implications for macroeconomic stability, an asset price collapse – when expectations of excessive returns are sharply corrected – can mark the beginning of periods of economic contraction. The liquidation of imprudent positions in the market can be disorderly. In conditions of heavy losses, in particular on property prices, and heightened uncertainty, there is a risk that

1 See, among others, C. Kindleberger (1978), “Manias, panics and crashes”, Basic Books, New York.

2 See the article entitled “Extracting information from financial asset prices” in the November 2004 issue of the Monthly Bulletin.

asset price deflation will translate into consumer price deflation. In conjunction with faltering demand, depressed sentiment and excessive risks in bank balance sheets, falling prices of goods and services can pose a particular challenge for a stability-oriented central bank.

This article deals with the issue of asset price bubbles and monetary policy. It focuses on positive bubbles. The formation of negative bubbles is also possible, but they often result from a process reversing a previous unsustainable build-up in prices. Therefore, the arguments put forward in this article are also applicable, to a large extent, to negative bubbles. The article focuses on the markets for stocks and houses in particular, because the value of an increasingly large proportion of an economy's wealth is determined in those markets. It first touches upon the identification problem facing central banks whenever prices of stocks and houses appreciate rapidly and on why such rapid appreciations can put macroeconomic stability at risk. It then outlines the options that monetary policy possesses in such circumstances and how the ECB, in particular, takes account of abnormal developments in asset prices in the context of its monetary policy strategy.

2 THE IDENTIFICATION ISSUE

A look into the determinants of the price of an asset reveals that detecting the bubble component of observed price dynamics is difficult. The price of an asset that is to be held for a given length of time is determined by four main factors: first, the expected stream of returns that the asset might yield (e.g. dividends, rents, etc.); second, the expected stream of returns that an alternative investment, say a government bond, would produce; third, the price at which the owner of the asset expects to re-sell it in the future; and, fourth, the perceived (relative) risk associated with holding that particular asset and the liquidity services it possibly provides to the holders.

One major difficulty in identifying a suspected bubble lies in the fact that all the determinants of the price of an asset depend on private individuals' subjective expectations of uncertain magnitudes. It is therefore very difficult to disentangle the purely psychological component of the price from the objective valuation of the asset. In particular, it is hard for any analyst to presume that his judgement regarding the "correct" valuation of an asset is superior to that emerging from the decisions of large numbers of sophisticated market participants operating in a competitive environment. Consequently, there may well be different views about the appropriate valuation of stock and house prices.

The difficulty of making a judgement is compounded by the fact that bubbles often manifest themselves as overreactions to fundamental news. Positive fundamental news can trigger the bubble in the first place and generate widely-shared optimistic expectations that the bubble, for a while, tends to confirm. Indeed, academic literature on bubbles reflects this dilemma. One extreme theoretical view – identified as the "efficient market hypothesis" – claims that a profit-oriented rational person who is aware of the existence of the bubble would attempt to sell the inflated asset short. In this context, the bubble would immediately be arbitrated away and could thus not be observed in the real world. On the empirical side, existing econometric research is at best inconclusive in its attempt to detect the existence of asset price bubbles in history.³

However, while strong systematic evidence in favour of the "irrationality" hypothesis is hard to put forward, even a casual look at some historical episodes offers some remarkable evidence. For example, Chart B in Box 1 provides a comparison between the price/earnings ratios prevailing in the US stock market

³ For a recent survey of empirical attempts to detect bubbles, see, for example, R. Gürkaynak (2005), "Econometric Tests of Asset Price Bubbles: Taking Stock", Finance and Economics Discussion Series No 2005-04, Federal Reserve Board.

Box I

APPROACHES TO ASSESSING STOCK PRICE VALUATIONS

This box describes the fundamental determinants of stock prices along the lines of a framework which is often used to value stocks, the so-called dividend discount model.

This modelling framework applies a present value approach to stock prices. The current stock price, P_t , is the discounted sum of all expected future dividends, D_{t+i} :

$$P_t = \sum_{i=1}^{\infty} \left(\frac{E_t \{D_{t+i}\}}{(1+r)^i} \right)$$

with E_t indicating rational expectations based on information available in period t and r the discount rate, which is assumed, for ease of exposition, to be constant. Key fundamental stock price determinants are thus the expected dividend growth and the discount rate. The discount rate is typically broken down into a measure of opportunity costs, which are the returns expected on investing in risk-free assets and a corresponding equity-specific risk premium. As all these fundamental components of stock prices are not directly observable, the valuation of stocks in practice is surrounded by a large degree of uncertainty.

Some proxy for the variables entering the dividend discount model could be gained from a variety of sources. Expected earnings growth, as reported by stock market analysts, is often used as a proxy for expected dividend growth, on the assumption of a constant dividend pay-out ratio. Chart A plots the annual revisions made to long-term earnings growth expectations and stock prices for the euro area and the United States over the last decade. It illustrates that earnings expectations indeed seem to play an important role for stock price developments. The chart also

Chart A Revisions to long-term earnings growth expectations and stock price indices in the euro area and the United States

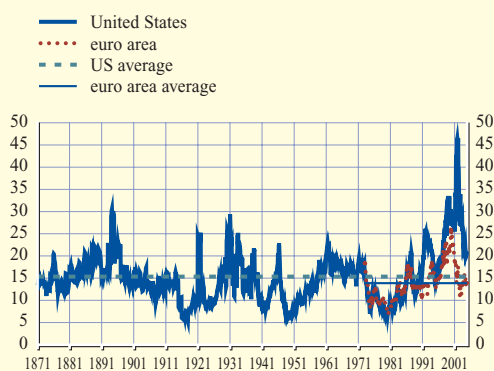
(monthly data; stock price index: January 1994 = 100; revisions in percentage points)



Sources: I/B/E/S Global Aggregates on Datastream.
Note: The stock price index for the euro area is the MSCI EMU aggregate, and that for the United States is the Standard & Poor's 500 index aggregate.

Chart B Stock market price/earnings ratio in the euro area and the United States

(monthly data; euro area: 1973-2004; United States: 1871-2004)



Sources: Thomson Financial Datastream (euro area) and Global Financial Data (United States).
Notes: For the euro area, the ratio between the EMU Datastream market index and Datastream earnings is used, and for the United States the ratio between the Standard & Poor's 500 index and reported earnings is used.

indicates that, between 1998 and 2000 (a period which has often been labelled as the “dot-com bubble”), the strong rise in stock prices apparently reflected continuing upward revisions to long-term earnings growth expectations. At the time the stock markets peaked in 2000, long-term earnings expectations had reached very high values (annual upward revisions of between 2 and 4 percentage points with an underlying expected long-term earnings growth of around 17%). This could have raised some concern regarding the sustainability of such steep increases in profits.

Turning to the discount rate, the equity risk premium component remains an elusive value to pin down with any degree of certainty. It reflects both investors’ risk preferences and the perceived risk properties of the return on equity vis-à-vis that on other assets. An implied discount rate can be derived from the dividend discount model, assuming certain values for the expected stream of dividends, e.g. current dividend payments and expected (long-term) earnings growth.¹ In a second step, a measure of the implied equity risk premium could be derived by subtracting a measure of the risk-free interest rate from the discount rate. Significant differences between this implied equity risk premium and its longer-term average might signal mispricing in the stock market, at least with regard to the discount rate. However, as the equity risk premium could be affected by many factors, such an exercise remains highly uncertain.

The dividend discount model can, under certain assumptions, also be used to derive popular stock market valuation indicators, such as the price-earnings ratio and the dividend yield.² The prevailing values of these stock market valuation indicators are typically compared with their historical averages to assess the fair value of a stock market.³ The idea is that these valuation indicators should, over time, eventually revert to some long-run equilibrium level, as determined by the long-run growth potential of dividends and the long-run level of the discount rate.

Chart B plots the price-earnings ratios and their historical averages for the euro area and the United States. The price-earnings ratios in the euro area and the United States were well above their historical averages in the years around the turn of the century. This could have raised at least some suspicion about the existence of a bubble.

Nevertheless, this approach is subject to many caveats. A price-earnings ratio not in line with its historical averages is not necessarily a sign that stock prices are exceeding their fundamental values. It might reflect structural changes in the fundamental determinants of stock prices. Furthermore, the price-earnings ratio depends on the stock price index considered and, more importantly, the measure of earnings used.

In summary, the fundamental stock price determinants, i.e. dividend (or corporate earnings) growth and the discount rate, which includes an equity-specific risk premium, are not directly observable, making it hard to identify the fundamental value of stock prices. This notwithstanding, a cross-check of various approaches to assessing stock price valuations may help to assess such prices, always keeping the corresponding uncertainty in mind.

1 See also the article entitled “Extracting information from financial asset prices” in the November 2004 issue of the Monthly Bulletin.

2 See also the annex to the article entitled “The stock market and monetary policy” in the February 2002 issue of the Monthly Bulletin.

3 Another prominent method to evaluate the stock market is to compare the earnings yields, i.e., the inverted price-earnings ratio, with the nominal long-term interest rate. For a critical assessment of this stock market valuation indicator, see C. Asness (2003), “Fight the Fed model: the relationship between future returns and stock and bond market yields”, *Journal of Portfolio Management*, Vol. 30 (1), pp. 11-24.

over an extended period and in the euro area stock market since 1973, with their respective long-term averages. The box highlights the extreme changes in recent valuations in connection with the build-up of international equity prices in the late 1990s, at a time when the introduction of new information and telecommunication technologies, coupled with concrete signs of gains in productivity, had led many market participants to believe in the

advent of a “new economy”. Chart A in Box 2 depicts the house price-to-rent ratio in the Japanese real estate market since 1970. The peak that this indicator reached in the early 1990s is, again, apparent. In all cases, valuation indicators were clearly out of line with respect to their long-term averages. When the exaggerated beliefs driving market valuations turned out to be wrong, prices fell significantly.

Box 2

APPROACHES TO ASSESSING HOUSE PRICE VALUATIONS

This box describes two common approaches used to assess whether house prices are in line with their equilibrium determinants or not.

The *asset pricing approach* uses the similarities that exist between a housing investment and an equity investment. When someone buys a house (or an equity), he/she will receive a flow of rent payments (or dividend payments) and will make a gain/loss when selling the house (or the equity). As a consequence, the price of a house should not be very different from the discounted flow of all its future rents. In this model, the ratio of the price (P_t) to the rent (R_t) is positively correlated to the growth rate of rents (g) and negatively correlated to the discount rate, which is the sum of a risk-free rate (i) and a housing risk premium (HRP). This relationship can be represented as follows:

$$\frac{P_t}{R_t} = \frac{(1+g)}{i + HRP_t - g}$$

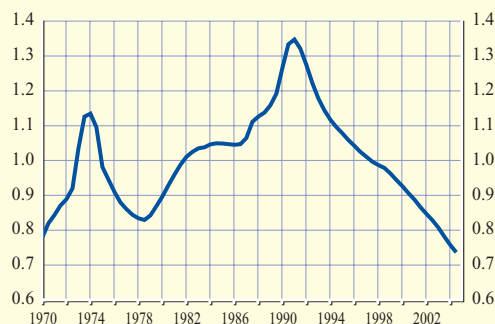
While the risk-free rate can be proxied by a long-term government bond yield, it is difficult to evaluate both the housing risk premium and the future growth rate of rents. Thus, practitioners tend to use the price-to-rent ratio directly as an indicator of valuation. For example, a price-to-rent ratio significantly above its historical average might be seen as a sign of an overvaluation of house prices.

This approach is subject to several caveats. First, housing markets differ in liquidity, for example because of the presence of substantial transaction costs and borrowing constraints. Such differences may explain lasting differences between house prices and rents. Indeed, the model presupposes that homeowners can quickly change rents in order to accommodate changes in house prices, but the presence of national regulations often prevents them from doing so. Second, it cannot be excluded that a misalignment of prices, when observed, is due to the violation of one of the hypotheses made in the model, in particular the hypothesis of a constant growth of rental income, of an unchanged housing risk premium, or of an unchanged discount factor.

Despite the caveats mentioned above, house price-to-rent ratios are often useful housing valuation indicators. As an illustration, Chart A below shows the house price-to-rent ratio in Japan since the early 1970s. The housing market bubble at the end of the 1980s and the beginning of the 1990s is highly visible, as this ratio almost doubled between the trough of the late 1970s and the peak of the early 1990s.

Chart A Ratio of house prices to rents in Japan

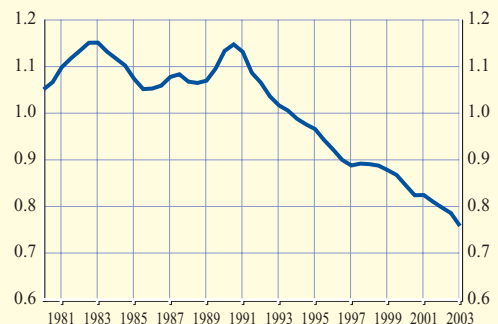
(average between 1970 and 2004 = 1)



Source: Statistics Bureau and Japan Real Estate Economic Research Institute.
Note: For house prices, a series of urban land prices is used.

Chart B Ratio of house prices to households' disposable income in Japan

(average between 1970 and 2003 = 1)



Source: Japan Real Estate Economic Research Institute and national accounts.

A second commonly used method for house price valuation involves the estimation of a more *structural economic model*. This comprises demand and supply equations for the housing market. The supply of housing is normally determined by the profitability of housing production, with construction firms seeking to maximise profits from house building. However, supply is relatively inert in the short term, suggesting that demand is the main force driving house prices at this horizon. In addition, given that some factors of production (e.g. land) are fixed, supply might also be relatively slow to adjust, even in the long run.

Although the set of explanatory variables included in a housing demand equation could vary substantially, households' disposable income and mortgage interest rates are generally included, while housing demand may also be influenced by demographic trends. Alternatively, measures of affordability are often used to gauge the state and likely future evolution of housing demand. A simple measure of affordability is the ratio of house prices to households' disposable income. Changes in mortgage rates can also be taken into account so as to calculate interest-adjusted affordability. When affordability or interest-adjusted affordability declines, this might indicate that the house price dynamics are diverging from what developments in income and mortgage rates would suggest. In such circumstances, this could be a signal of an overvaluation of house prices.

Caution is also warranted in using the structural model approach. First, the set of explanatory variables is often limited and might not take all relevant information into account. Second, as with all econometric approaches, this method is based on average behaviour and might be misleading in the presence of structural changes in the demand or supply of housing.

Despite the caveats mentioned above, affordability ratios are useful housing valuation indicators. As an illustration, Chart B shows the ratio of house prices to households' disposable income for Japan since the early 1980s. The housing market bubble of the early 1990s is also visible, although less clearly than in the case of the price-to-rent ratio.

Overall, the caveats with respect to each method always need to be taken into account. At the very least, they suggest that housing values should be assessed by different approaches and by cross-checking different information from various indicators.

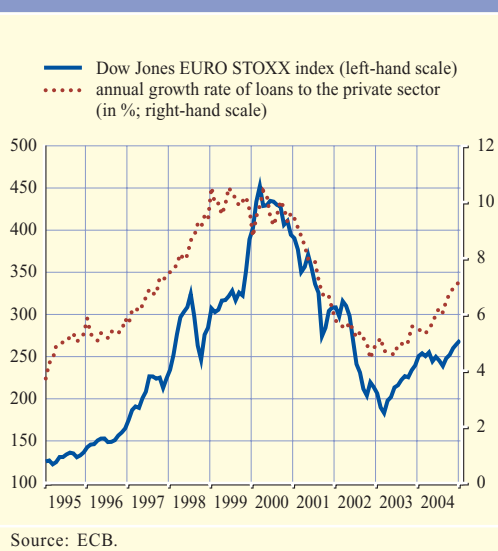
In summary, while mere numbers on asset price escalations are often an insufficient indicator of the existence of non-fundamental forces at play, concomitant and mutually reinforcing signs of “excesses” may sound an alarm bell.

Furthermore, aggregate indicators of monetary and financial imbalances can provide evidence to help assess the sustainability of an asset price boom. Among these latter indicators, intense empirical research has singled out a number of monetary and financial variables that seem to have a clear correlation with asset price inflation, particularly during asset price bubbles that end up in financial distress. For example, the volume of aggregate credit demonstrates a fairly systematic leading relationship with episodes of asset price turbulence. Chart 1 provides evidence of the link between the annual growth of loans to the private sector and an index of stock valuation in the euro area since the mid-1990s. This positive correlation can emerge for a number of reasons. In particular, both sets of variables may react in the same way to monetary policy or cyclical shocks to the economy. For example, strong money and credit growth may be indicative of a loose monetary policy, which may fuel price developments in asset markets. In addition, it is quite likely that the correlation reflects a two-way causation. On the one hand, an increase in credit will support investment in financial and non-financial assets. On the other hand, an increase in the value of assets translates into greater creditworthiness, since these assets can be used as collateral for loans.⁴

A number of studies confirm this relation from a historical perspective.⁵ They suggest that measures of the deviation of aggregate credit from their past trend, in conjunction with indicators of asset price overvaluation (e.g. deviation from historical trends) can improve the predictability of financial crises that follow the burst of the bubble.

The close association between potentially disruptive asset price booms and excess credit and liquidity creation is particularly important

Chart 1 Credit growth and stock prices in the euro area



for central banks because it could signal too expansionary a monetary policy stance at times in which no other indicators would send unambiguous signals in that direction. Indeed, certain historical episodes suggest that major asset price escalations can be encouraged by lax monetary conditions which are not immediately reflected in an increase in consumer price inflation. There are various possible explanations for this evidence. First, enhanced capital formation and expected strong productivity advancements during the formation of a bubble could contribute to cutting production costs and thus encourage moderation in firms’ pricing decisions. Second, if the improved domestic prospects which accompany the formation of the bubble attract foreign investors, the exchange rate might appreciate and favour conditions of subdued domestic price increases.

⁴ See the Box entitled “The link between asset prices and monetary development” in the September 2004 issue of the ECB’s Monthly Bulletin, and the references cited therein.

⁵ See, for example, C. Borio and P. Lowe (2004), “Securing sustainable price stability: should credit come back from the wilderness?”, BIS Working Papers No 157. See also the references cited in Box 3 of this article.

In these conditions, inflation forecasts could become an inaccurate indicator of the imbalances building up in the economy. More generally, it is very hard to construct forecasts incorporating a likely future path for the bubble, because it is difficult to characterise the probability distribution assigned to alternative scenarios concerning the possible future evolution of a bubble process.⁶ This problem is compounded by the fact that macroeconomic frameworks are generally not well designed to adequately capture the mutual interrelations between financial and real variables, as these often run through intricate confidence and information asymmetry channels which are inherently difficult to model. Thus, macroeconomic projections are unlikely to be able to trace out with an acceptable degree of precision the effects of the balance sheet problems that are likely to accompany the bubble process and, in particular, its resolution.

In this respect, lengthening the projection horizon to include possibly the whole bubble period is certainly useful from a conceptual point of view. But at the same time this recommendation is hardly viable, because the difficulty in assigning probabilities to different bubble evolution processes increases with the length of the scenario. Thus, any standard inflation forecast has to be complemented with a broader perspective on macroeconomic developments. As stated above, credit and monetary indicators are key components of this broader macroeconomic perspective.

3 BUBBLES AND MACROECONOMIC INSTABILITY

Asset price bubbles are a concern for stability-oriented central banks for a number of reasons. As pointed out above, bubbles can distort economic and financial decisions. Because of various frictions, assets are not only used as stores of value, but can also be mobilised as collateral for borrowing. Thus, whenever the market price of firms' or households' stock

of capital rises above levels consistent with future revenue streams, this can alter the cost of capital, as firms might find it easier to raise funds in the capital market. At the same time, as households are typically encouraged to spend out of their capital gains when asset prices advance, durable and sizeable bubbles can boost consumer expenditure.

The sudden reversal of a bubble, however, alters the economic conditions that formed the basis for consumption and investment plans. The balance sheets of firms and households deteriorate. Many firms might find themselves unable to pay back their loans, leading to deterioration of bank balance sheets. Furthermore, a sharp correction of the price for capital can lead to the realisation that the amount of investment undertaken when asset prices were soaring was probably disproportionate. The resulting overhang of excess capacity in structures and equipment can deter economic agents from making further investments and contribute to low levels of utilisation of the existing stock for a protracted period of time. Both phenomena can slow down economic recovery.

Consumers could also be induced to curtail their consumption plans, as the fall in asset prices will reduce the value of their wealth. Those with excessive mortgage debt on over-valued property might find the share of income committed for the payment of interest and principal too high to sustain. In this respect, empirical evidence tends to suggest that a deflating bubble in the housing market is more costly than an equally-sized crash in the stock market, as housing equity is more widespread and more intensely used as collateral for securing credit. Box 3 offers a taxonomy of the main stylised facts related to boom-bust cycles with the potential for a disorderly correction.

Borrowers' difficulties in servicing debt and the depreciation of direct asset holdings can

⁶ See D. Gruen, M. Plumb and A. Stone (2003), "How Should Monetary Policy Respond to Asset-Price Bubbles?", Reserve Bank of Australia Research Discussion Paper, 03-11.

Box 3

SOME STYLISED FACTS ON BOOM-BUST CYCLES IN ASSET PRICES

Recently a number of studies have been analysing historical boom-bust cycles in asset prices in order to detect regularities with regard to the costliness of booms, and to assess the potential for identifying dangerous booms at an early stage.¹

A recent IMF survey² analyses periods of bust in housing and equity markets and reaches the following conclusions:

- Housing price busts appear less frequently than equity price busts. Housing price peak to trough periods on average last longer than equity price busts (four years versus two and a half years). Price declines during housing (equity) price busts are in the order of around 30% (45%) on average. 40% (25%) of housing (equity) price booms are followed by busts.
- The output losses associated with asset price busts are substantial. The loss incurred during a typical housing (equity) price bust amounts to 8% (4%) of GDP.
- Bank-based financial systems incur larger losses than market-based financial systems during housing price busts, while the opposite is true for equity price busts. All major banking crises in industrial countries during the post-war period coincided with housing price busts.

An ECB Working Paper³ focuses on aggregate asset price *boom* periods. By distinguishing between high and low cost booms⁴ it derives the following facts:

- High cost booms typically last around a year longer than low cost booms (four versus three years), lead to a build-up of larger real and financial imbalances and are accompanied by stronger real estate price booms and higher inflation towards the end of the booms.
- During the early stages of booms, real money growth and real credit growth are larger for high cost booms.
- Towards the end of high cost booms the stance of monetary policy is typically looser than during low cost booms.⁵

1 See ECB Workshop entitled “Asset Prices and Monetary Policy” at www.ecb.int/events/conferences/html/assetmp.en.html

2 T. Helbling and M. Terrones (2003), “When Bubbles Burst”, World Economic Outlook, IMF, April 2003, Chapter II. The authors base their results on a sample of 14 (for housing prices) or 19 (for equity prices) industrialised countries between 1959 and 2002. Busts are defined as bottom quartile peak to trough real price decreases.

3 C. Detken and F. Smets (2004), “Asset Price Booms and Monetary Policy”, ECB Working Paper 364. The authors use aggregate asset price indices (source: BIS), covering private residential and commercial housing prices as well as share prices for 18 industrialised countries for the period from 1970 to 2002. Booms are defined as periods in which real aggregate asset prices exceed a recursive, sluggishly adjusting (stochastic) trend by more than 10%.

4 High cost booms are defined as a drop of more than 3 percentage points in average three-year post-boom real GDP growth relative to average boom-year real GDP growth.

5 This result is confirmed, in the case of the US Great Depression, by L. Christiano, R. Motto and M. Rostagno (2003), “The Great Depression and the Friedman-Schwartz hypothesis”, *Journal of Money, Credit and Banking* 35(6), Part 2, pp. 1119-1197.

cause serious balance sheet problems for financial intermediaries. In an attempt to repair their balance sheets, banks might become reluctant to expose themselves to further risks, thus reinforcing the negative impact of an asset price deflation on the business cycle.

In extreme cases, such as the Great Depression of the past century, a combination of the above-mentioned factors created a situation in which it became very difficult to re-establish confidence and revive spending. The financial crisis that ensued from the bursting bubble took

years to correct. The problem has often been aggravated by the impossibility for a central bank to reduce the nominal market interest rate to levels below zero.

4 CENTRAL BANK RESPONSES TO ASSET PRICE BUBBLES

Concerns that a bubble, if left to run its full course, could degenerate into a severe source of harm for the economy might provide some

motivation for an active role on the part of monetary policy in the face of suspected misalignments in asset markets. Whether and, if so, to what extent and in which form a central bank ought to intervene in these circumstances are contentious issues. Box 4 presents a review of the recent academic debate surrounding such issues.

Two radical proposals have received some attention, but have failed to gain support. One such proposal is to elevate an asset price index

Box 4

THE ACADEMIC DEBATE OVER MONETARY POLICY AND ASSET PRICE TARGETING

The most radical proposal with regard to the importance of asset prices in the conduct of monetary policy is to include asset prices directly in the price index defining price stability. This argument was originally put forward by Alchian and Klein (1973), who reasoned that from a welfare perspective a central bank should be concerned with stable prices for both current and future consumer goods by focusing on a “cost-of-life” index. Asset prices were supposed to proxy for the prices of future consumption, which are, in fact, unobservable. Recently there has been an argument in favour of including at least housing prices on account of their favourable forecasting properties for future consumer price inflation.¹ Furthermore, the point has been made that only a “cost-of-life” index would be unbiased in times of changing preferences between current and future consumption.²

Academic literature on the subject clearly identifies several conceptual and implementation-based problems with regard to including asset prices in the policy-relevant price index.

1. Asset prices are likely to be a bad proxy for future goods prices for at least two reasons. First, the relevant asset price index should theoretically cover all assets, including human capital and the value of consumer durables. Second, asset prices can move in directions unrelated to expectations about future inflation. In order to measure asset price inflation and react appropriately, the central bank would need to be able to determine the fundamental value of assets.³

1 See A. Alchian and B. Klein (1973), “On a Correct Measure of Inflation”, *Journal of Money, Credit and Banking*, 5(1), pp. 173-191. On arguments in favour of including a house price index in the index targeted by a central bank, see C. Goodhart (2001), “What Weight Should Be Given to Asset Prices in the Measurement of Inflation?”, *The Economic Journal*, 111, pp. 335-356 and C. Goodhart and B. Hofmann (2000), “Do Asset Prices Help to Predict Consumer Price Inflation?”, *The Manchester School Supplement*, 68, pp. 122-140.

2 See M. Bryan, S. Cecchetti and R. O’Sullivan (2003), “A Stochastic Index of the Cost of Life”, in: W. Hunter, G. Kaufmann and M. Pomerleano (eds.), *Asset price bubbles*, MIT Press, Cambridge.

3 See A. Filardo (2000), “Monetary Policy and Asset Prices”, *Economic Review*, Federal Reserve Bank of Kansas City, third quarter. See also E. Diewert (2002), “Harmonized Indexes of Consumer Prices: Their Conceptual Foundations”, *Swiss Journal of Economics and Statistics*, 138 (4), pp. 547-637 and F. Smets (1997), “Financial Asset Prices and Monetary Policy: Theory and Evidence”, CEPR Discussion paper, 1751.

2. Targeting asset prices by including them in the relevant price index, and thus establishing a more or less mechanical policy response, creates moral hazard problems with regard to investors' behaviour towards risk. Risk taking would increase in anticipation of the asset price stabilising attempts of monetary policy.⁴
3. "Inflation indeterminacy" could arise as a result of a circularity between asset price determination and a monetary policy stance with forward-looking behaviour. If central banks conduct policy in response to asset price developments and asset prices themselves are at least partly the result of private agents' expectations of the future monetary policy stance, then – under certain conditions – inflation expectations can become self-fulfilling. The inflation rate will become "indeterminate" and could potentially be very volatile.⁵
4. If the central bank is successful and credible in pursuing the objective of consumer price stability then this will also stabilise expectations of future inflation rates. It is then not clear what can be gained by explicitly targeting a (necessarily deficient) proxy for future consumer prices.⁶ Indeed, this may be seen as a case whereby the central bank double-counts consumer price pressures in its information set.
5. The weight given to current consumption goods prices and asset prices would have to be determined. Based on traditional expenditure shares, the weight of asset prices could easily exceed 90%, which would lead to an extremely volatile monetary policy. Other methods relate the shares to the forecasting ability of future consumption prices. Results for the weights differ substantially, depending on the method chosen.⁷
6. Monetary policy cannot control the fundamental factors which affect asset prices in the long run. Attempts to steer asset prices on a mechanical basis could easily turn out to be futile.

4 C. Goodhart and H. Huang (1999), "A Model of the Lender of Last Resort", IMF Working Paper, 99/39.

5 B. Bernanke and M. Woodford (1997), "Inflation Forecasts and Monetary Policy", *Journal of Money, Credit and Banking*, 29(4), pp. 663-684.

6 See B. Bernanke and M. Gertler (2001), "Should Central Banks Respond to Movements in Asset Prices?", *American Economic Review*, 91, pp. 253-257. See also S. Cecchetti, H. Genberg and S. Wadhvani (2003), "Asset Prices in a Flexible Inflation Targeting Framework", in: W. Hunter, G. Kaufmann and M. Pomerleano (eds.), *Asset price bubbles*, MIT Press, Cambridge.

7 See, for example, Bryan, Cecchetti, O'Sullivan (2003), *op. cit.*

to a target variable by including asset prices in the price index on the basis of which a central bank defines price stability. While the theoretical foundations that underpin this argument are, as Box 4 suggests, questionable, there are also many practical obstacles to its implementation which would disqualify this approach as a viable option for monetary policy.

A second option available to a central bank confronting an abnormal trend in asset prices would be to "prick" the bubble when sufficient evidence had been gathered in support of the suspicion that a bubble might indeed be in progress. In this case a late stage in the maturity

of the bubble might be reached before the central bank intervenes with a vigorous tightening of policy in order to counter speculation. The presumption would be that, by substantially increasing the cost of maintaining a speculative position in the market, such corrective action would force liquidation of the most stretched positions. However, experience indicates that the market reaction to such an abrupt change in the prevailing monetary conditions is highly unpredictable. In addition, attempts to prick the bubble may require very large changes in interest rates, which could pose serious risks to the economy. Furthermore, the bubble can prove resilient to even aggressive interest

rate hikes in a first phase. In a second phase, though, even marginal incremental interventions can precipitate a generalised sell-off, which can multiply the contractionary impact of the tightening.⁷ For these reasons, a policy of “pricking the bubble” is not a viable option for a stability-oriented central bank.

A third option has received some qualified support in the policy debate. This approach amounts to a cautious policy of “leaning against the wind” of an incipient bubble. The central bank would adopt a somewhat tighter policy stance in the face of an inflating asset market than it would otherwise allow if confronted with a similar macroeconomic outlook under more normal market conditions. In this way a central bank would, already at an earlier stage of market dynamics, err on the side of caution in trying to avoid feeding the bubble with an accommodative policy. It would thus possibly tolerate a certain deviation from its price stability objective in the shorter term in exchange for enhanced prospects of preserving price and economic stability in the future.

A policy of “leaning against the wind” involves relatively limited risks where a rise in the stock market stems from the spread of optimistic expectations about future productivity gains. If such expectations were to prove exaggerated ex post, the decision to pursue a tighter policy at an early stage would indeed be vindicated in retrospect, as a less accommodative stance would have diminished the contribution of monetary policy to an unjustified collective euphoria. More restrictive credit conditions in the early phases of the process would presumably restrain the course of market valuations and thus make the eventual reversal less disruptive for the stability of the economy as a whole. Conversely, were optimistic private expectations to be confirmed ex post, the cost inflicted by a somewhat more restrictive policy stance would be limited by the economy’s expanded production possibilities and enhanced growth prospects.

A policy of “leaning against the wind” would appear more attractive the higher the costs that the central bank ascribes to large, fundamentally unjustified swings in the valuation of assets and the more serious the risk that – if left unchecked – market movements would tend to gain momentum as time progresses.

One argument in favour of a policy of “leaning against the wind” is symmetry. Through such a policy, the central bank would dispel expectations that monetary policy would only act in support of the economy in the event of a sharp decline in asset prices, but would abstain whenever prices rise. As investors would no longer feel hedged on the downside, this would counter a systematic under-pricing of risk in the markets. A better assessment of the risks would minimise the incentive for traders to engage in speculative strategies and for banks to build up excessively risky positions, thereby removing the momentum for the bubble to progress further.

The symmetry implicit in a “leaning against the wind” approach would also help in designing policy after the bubble has burst. In that phase, measures to counter deflationary pressures could be implemented without running the risk of encouraging moral hazard practices in the future.

Despite these attractive features, a policy of “leaning against the wind” also entails risks. First, it should be borne in mind that bubbles are often the result of underlying structural imbalances which can be appropriately addressed through other policies. These policies, such as prudential regulation measures, changes to the tax code and a general overhaul of government subsidies and transfers, would often be the optimal

⁷ Many analysts have attributed the depth and persistence of the Great Depression to an attempt on the part of the Federal Reserve system to “prick” an ongoing stock market bubble. See, for example, E. White (1990), “When the ticker ran late: The stock market boom and crash of 1929”, in: E. White (ed., 1990), *Crashes and Panics: The Lessons from History*, Homewood, Ill.: Dow-Jones Irwin, pp. 143-187.

option for correcting structural imbalances lying behind the unsustainable asset appreciation. Secondly, a disorderly market reaction to a policy intervention can never be completely ruled out, even in cases where the policy is implemented gradually over an extended time horizon.

Finally, such an approach might be perceived as dictating a rather mechanistic reaction to asset price developments. However, a prudent policy response to a suspected asset price misalignment is unlikely to take the form of a simple reaction rule expanded by an asset price index.

5 MONEY, ASSET PRICES AND THE ECB'S MONETARY POLICY STRATEGY

The above discussion has illustrated a number of principles of prudent monetary policy in conditions of suspected asset overvaluation. The ECB's monetary policy strategy can be seen as one strategic framework which incorporates these principles.

The ECB's primary objective pursuant to the Treaty is unambiguously centred on the maintenance of price stability. The ECB does not target the price of any asset. Most of the time market forces ensure an efficient allocation of resources through the free determination of relative prices.

The medium-term orientation inscribed in the ECB's concept of monetary policy reflects the need to evaluate the impact of economic shocks – including those driving asset prices – over sufficiently long horizons. A longer time horizon is essential to trace out all the implications of lower-frequency asset price cycles. This policy approach reduces the risk that, by adopting a short-sighted perspective, the central bank might overlook risks to price stability at longer horizons.

The ECB's two-pillar strategy rests on a broad analytical framework which can also help to deal with the problem of identifying the

underlying distortions in asset prices and trace out the intricate repercussions of asset price movements for the economy.⁸ Under the economic analysis, the ECB monitors asset prices as leading indicators of economic activity and assesses their impact on spending and consumer price formation from a short to medium-term perspective. A better understanding of the state of expectations facilitates an assessment of the outlook for near-term consumer price inflation. At the same time, a key component of economic analysis is the study of the repercussions of movements in the prices of stocks and property for wealth, the cost of capital and the balance sheet positions of various euro area sectors and, through these channels, for consumption and investment. This aspect of economic analysis measures the consumer price pressures likely to emerge from asset-price-induced shifts in the balance between demand and supply over the short to medium term.

In the monetary analysis, the assessment of money and credit plays an important role in shaping the medium to long-term outlook for price developments. This complementary perspective makes it possible to follow the interactions between price formation in the market and credit and liquidity creation in the financial sector. Monetary analysis can contribute to assessing the extent to which generously valued assets can be traced to – and at the same time become a source of – excess creation of liquidity and over-extension of credit. Detecting and understanding this link helps the ECB form an opinion on whether an observed movement in asset prices might already reflect the inflating of an unsustainable bubble. Constructed measures of “excess liquidity” – also defined in terms of the quantity of money that would result from standard money demand models – and “excess credit” formation provide valuable quantitative evidence for the central bank. For example, such evidence may signal a looser monetary policy stance than that derived from the

⁸ See “The monetary policy of the ECB”, ECB, 2004.

economic analysis and the projections of consumer price inflation. This, in addition to more standard measures of asset price overvaluation, would help to corroborate suspicions that a bubble might be forming.

Cross-checking between economic and monetary analysis lengthens the horizon over which the ECB traces out the likely developments in consumer prices. Thanks to the medium to long-term perspective provided by the monetary pillar and to the systematic monitoring of monetary and credit developments conducted within the monetary analysis, the two-pillar strategy does not overlook the potential role of such developments as driving forces for consumer price inflation in the medium to long run. As a consequence, this approach has an important positive side effect. It makes it possible to take account of the risks that might be associated with unsustainable asset price developments. In addition, it may contribute to limiting the emergence of unsustainable developments in asset valuations. Ultimately, this cross-check leads to a better assessment of the correctness of the policy stance. Early indications that a process of surging equity or house prices in the euro area might be interacting with conditions of abundant liquidity would lead to heightened vigilance.

The ECB's mandate to preserve a euro area perspective ensures that economic and monetary analyses are firmly concentrated on phenomena with an area-wide dimension. This does not imply that regional developments – such as sizeable misalignments in the prices of property in a number of regions – should go unnoticed. Indeed these need to be carefully assessed in order to better understand the nature of shocks and their potential for impacting upon the stability of the monetary and financial system of the euro area as a whole. Signs of contagion and spill over effects transmitted by an integrated credit system need to be fully taken into account. All this information is important for taking monetary policy decisions.

6 CONCLUSION

Asset price bubbles pose many challenges to central banks. Historical episodes have shown that they can evolve quickly and that the costs of their bursting can be very high for the economy.

Asset price bubbles are difficult to identify in real time and are thus often only identified ex post. This notwithstanding, it appears that there are a number of tools which can help to identify the emergence of bubbles.

The ECB does not target asset prices. However, it needs to pay close attention to asset price movements with a view to preserving the stability of consumer prices over longer horizons. In this respect, the prominent role of money and credit in the ECB's strategy should help the ECB to assess developments in asset prices and the degree to which they pose a risk for price stability in the more distant future.

COMPARABILITY OF STATISTICS FOR THE EURO AREA, THE UNITED STATES AND JAPAN

ARTICLES

Comparability
of statistics
for the
euro area,
the United States
and Japan

The international comparison of key macroeconomic indicators plays an increasingly important role in economic and monetary analysis. The economic situation in the euro area is regularly assessed in comparison with two other large economies: the United States and Japan. However different statistical concepts, data coverage, accounting conventions and compilation practices affect the comparability of statistics. The international harmonisation of statistics has progressed considerably over recent years. While the headline figures for the euro area, the United States and Japan are often not completely comparable, certain adjustments can be performed or alternative statistical indicators compiled which facilitate comparison. However, headline indicators also frequently reflect certain peculiarities of the individual economies and, consequently, full harmonisation of these between the euro area, the United States and Japan might imply a loss of relevant information.

I INTRODUCTION

The comparison of macroeconomic indicators for the euro area with those for the United States and Japan is an integral part of monetary, economic and structural analyses. Cross-country comparisons provide a measure of the relative economic situation. Moreover, they allow the impact of different institutional features on macroeconomic developments to be analysed.

A rigorous comparative analysis between the euro area, the United States and Japan is greatly facilitated by comparable statistical data. It is therefore essential to explain the differences between the indicators and to provide additional indicators or estimates that allow international comparisons.

In the past decade, international harmonisation has improved considerably in the area of macroeconomic statistics as a result of the further development and implementation of international standards in various statistical fields. Table 1 presents an overview of the main recent methodological developments. These improvements notwithstanding, international comparisons of economic indicators remain complex. Analysis suggests that differences in concepts, data coverage, accounting conventions and compilation practices are the main factors limiting the comparability of statistics. Furthermore, the application of the same statistical measures to market economies with different institutional settings may

require careful analysis. For example, the household saving ratio measured in line with national accounts concepts may show rather different results depending on the institutional settings for old age pension schemes.¹

This article focuses on the statistical comparability of a selected set of key indicators for the euro area, the United States and Japan and will not address comparability issues related to institutional settings. The indicators chosen are among those closely monitored by the ECB in the conduct of monetary policy.²

The article is organised as follows. Section 2 gives an overview of the factors impairing comparability as well as a summary assessment of key indicators. Section 3 analyses in more detail the comparability of some of these key economic indicators, namely inflation rates, GDP, unit labour costs, bank credit aggregates, indebtedness indicators and government deficit/surplus. These statistics are of particular interest with regard to their international comparability or lack thereof. Wherever possible, euro area indicators have been compared in detail to both the US and Japanese equivalents. Owing to data constraints, a systematic analysis of the comparability of Japanese statistics is not always possible. Section 4 concludes.

1 See "Comparison of household saving ratios: euro area, United States, Japan", ECB/OECD, 9 June 2004.

2 Monetary aggregates are not covered in this article as the definition and measurement of these aggregates depend on institutional characteristics.

Table I Main recent international methodological developments in statistics

Statistical fields	Name	Publication date ¹⁾	Leading international organisation(s)
National accounts	System of National Accounts 1993 (1993 SNA)	1993	United Nations Statistical Division (UNSD), IMF, World Bank, European Commission (Eurostat), OECD
Labour statistics	International Recommendations on Labour Statistics ²⁾	1919-2004	International Labour Organization (ILO)
Monetary and financial statistics	Monetary and Financial Statistics Manual	2000	IMF
	Compilation Guide on Financial Soundness Indicators	2003	IMF
Government finance statistics	Government Finance Statistics Manual 2001	2001	IMF
Balance of payments statistics	Balance of Payments Manual	1993	IMF
External debt statistics	External Debt Statistics: Guide for Compilers and Users	2003	IMF, BIS, Eurostat, OECD, World Bank
International reserves	Data Template on International Reserves and Foreign Currency Liquidity	1999	IMF
Trade statistics	International Merchandise Trade Statistics: Compilers Manual	2003	UNSD, World Trade Organisation (WTO), World Customs Organisation (WCO), IMF, OECD, Eurostat
Nomenclature of products	Standard International Trade Classification, Revision 3 (SITC, Rev. 3)	1986	UNSD
Nomenclature of activities	International Standard Industrial Classification of All Economic Activities (ISIC Rev. 3.1)	2002	UNSD
Consumer price index	Consumer Price Index Manual: Theory and Practice	2004	ILO, IMF, OECD, Eurostat, United Nations Economic Commission for Europe (UNECE), World Bank
Producer price index	Producer Price Index Manual: Theory and Practice	2004	ILO, IMF, OECD, UNECE, World Bank
Export and import price index	IMF Export and Import Price Index Manual	2004	IMF, ILO, OECD, UNECE, World Bank

Note: For more methodological work in the field of statistics, see the UNSD website: <http://unstats.un.org/unsd/progwork/>.

1) First release date.

2) Labour statistics are also covered by SNA 93 standards.

2 UNDERLYING FACTORS AFFECTING THE COMPARABILITY OF STATISTICS

Four main factors affecting the comparability of statistics can be identified, namely differences in i) statistical concepts and related detailed definitions, ii) data coverage, iii) practices with regard to accounting conventions, and iv) compilation methods.

First, the use of different concepts and related detailed definitions may affect comparability. For example, for several euro area countries, the national headline figures for unemployment frequently follow administrative definitions (e.g. those registered at government labour

offices) that diverge from the standardised definition of unemployment. Comparable unemployment statistics are compiled on the basis of the definitions adopted by the International Labour Organization (ILO). These define the unemployed as persons of working age who, in the reference period, are without work, are available for work and have taken steps to find work. In all three economic regions the comparable headline unemployment data are collected from households in a sample survey³ using ILO guidelines. Some minor divergences

³ The collection of unemployment statistics is part of what are known as the labour force surveys.

concerning, for instance, the definition of age limits continue to exist.

Second, the coverage of national data may differ with regard to the territory of the economic area, the population or the sectors of activity. For example, headline US unit labour cost statistics only refer to the non-farm business sector of the economy, while for the euro area the headline indicator covers the whole economy.

Third, differences in practice arise with regard to the accounting conventions used in the source data. In particular, the use of different valuation methods, such as market versus nominal values or different periods of recording, has an influence on data comparability. For government finance statistics different recording periods are used. In the euro area, government finance statistics are published on a calendar year basis, whereas, in the United States and Japan, they are compiled on a fiscal year basis (with these two countries in turn having different fiscal years⁴).

Fourth, comparability can also be limited by the use of different practices to compile aggregated figures. For instance, the euro area presents consolidated general government debt data, whereas the United States and Japan adopt a non-consolidated presentation of the general government debt data.

Table 2 provides an overview of the comparability of selected statistics. Headline figures for GDP, consumption, investment and balance of payments for the euro area and Japan are deemed generally comparable. Slight differences in US indicators can be traced back to deviations in the SNA 93 concept for the components of GDP and differences in compilation practices. Unemployment indicators for the three economic areas are almost comparable, in spite of the small divergences mentioned above.

For most of the other key indicators, differences in concepts and detailed definitions can be partly overcome by either introducing adjustments or by using alternative indicators compiled and published by the statistical authorities. In some cases, these alternative indicators also require adjustments to allow meaningful comparisons with euro area indicators (e.g. employment or inflation rates). In others, adjustments of headline figures can be performed in order to make comparisons possible (e.g. unit labour costs, indebtedness or government statistics). In the case of credit statistics, a comparable indicator for the United States could be constructed by adjusting the coverage of the banking sector. So far, this has not been possible for Japan. Finally, for a number of indicators used in the euro area, such as the whole economy hourly labour cost index, MFI interest rates to households for house purchases and debt security issuance, no equivalent exists.

⁴ The fiscal year is defined in the United States as the period between October and the following September, while in Japan it runs from April to March.

Table 2 Overview of the comparability of selected indicators

Euro area headline indicators	To be compared with	Assessment	
		United States	Japan
HICP	CPI excluding imputed rents	Comparable (product coverage similar to HICP definition)	Comparable (product coverage similar to HICP definition)
GDP	Headline	Almost comparable (nominal GDP: slight deviations for the treatment of software expenditure, shadow economy, military expenditure, FISIM; GDP volume change: slight deviations for the treatment of quality changes, non-market sectors output and the choice of index number)	Comparable
Consumption	Headline	Comparable	Comparable
Investment	Headline adjusted (US)	More comparable (after adjustment for the treatment of military weapons but no adjustment for the treatment of software capitalisation)	Comparable
Unit labour costs	Headline adjusted (US)	Comparable (after adjustments for volume changes of GDP; expansion of the non-farm business to the whole economy and use of persons employed instead of number of hours worked for employment definition)	Information not available
Labour cost index	None	Not comparable (different definition: euro area indicator refers to changes in costs of labour per hour using recent industry and country weights whereas US indicator describes changes in employer costs for a fixed basket of labour eliminating compositional changes)	Information not available
Unemployment	Headline	Almost comparable (unemployment statistics derived from a household survey in line with ILO guidelines but differences in the sample period, target population, treatment of temporary lay-offs and age limit definition)	Almost comparable (unemployment statistics derived from a household survey in line with ILO guidelines but differences in the sample period, target population and age limit definition)
Employment	Labour force survey employment (US) Headline (Japan)	More comparable (employment definition based on persons employed but no adjustment for the treatment of the shadow economy)	Almost comparable (but no adjustment for the treatment of the shadow economy)
Bank credit	Headline adjusted (US)	Comparable (after adjustment for the banking sector coverage)	Not comparable (no possible adjustment)
Debt security	None	Not comparable (different valuation, sector and instrument coverage)	Information not available
MFI interest rates to households for house purchases	None	Not comparable (different definition, banking sector coverage and calculation methods)	Not comparable (different definition).
Households' indebtedness	Headline adjusted (US) Headline (Japan)	More comparable (after adjustment of the households' gross disposable income but no adjustment for the exclusion in households of sole proprietorships and most partnerships without independent legal status)	Comparable

3 COMPARABILITY OF SELECTED STATISTICAL INDICATORS

CONSUMER PRICE INDICATORS

The ECB's main objective is to maintain price stability in the euro area. The harmonised index of consumer prices (HICP) published by Eurostat is the headline reference indicator for the euro area to measure consumer price

developments. The US indicator that is most comparable to the HICP is the national consumer price index (CPI), which is one of the price indices used by the Federal Reserve System in its analysis. In addition, the US CPI is used for indexation purposes as an approximation of the change in the cost of living. However, the Federal Reserve System uses a number of alternative measures of

Table 2 Overview of the comparability of selected indicators (cont¹)

Euro area headline indicators	To be compared with	Assessment	
		United States	Japan
Non-financial corporations' indebtedness	Headline (US) Headline adjusted (Japan)	Almost comparable (no adjustment for the inclusion of sole proprietorships and most partnerships without independent legal status and for the different valuation of debt securities (nominal value adjusted for accrued interest instead of market prices as in the euro area))	Comparable (after subtraction of inter-company loans)
Government surplus/deficit	Headline adjusted	More comparable after adjustments to the calendar year and general government sectoral coverage but difference in time of recording not adjusted (cash basis for some transactions instead of accrual basis as in the euro area)	More comparable after adjustments to the calendar year but difference in time of recording not adjusted (cash basis for some transactions instead of accrual basis as in the euro area)
Government debt	Headline adjusted	More comparable (after adjustments to calendar year and general government sectoral coverage but valuation (nominal value including accrued interest instead of nominal value as in the euro area), and instrument coverage differences not adjusted)	More comparable (after adjustments to calendar year but valuation (market value instead of nominal value as in the euro area) and instrument coverage differences not adjusted)
Balance of payments	Headline	Almost comparable albeit a more traditional presentation; high coverage of reinvested earnings, especially related to indirect relationships of foreign affiliates; portfolio investment (assets and liabilities) vis-à-vis transactor (may differ from the issuer of the security, or the end-investor); some money market instruments recorded as other investment	Comparable in general; portfolio investment liabilities vis-à-vis transactor

Notes: Differences for US and Japanese indicators are assessed vis-à-vis the definition used for euro area indicators. "Almost comparable" refers to the existence of some small caveats which cannot be adjusted, whereas "more comparable" indicates some enhancement of comparability after adjustments.

consumer price inflation of which the most prominent is the "core" Personal Consumption Expenditure (PCE) deflator that excludes food and energy. For Japan, the indicator most comparable to the euro area HICP is the national CPI, while the Bank of Japan focuses its analysis and projections on the overall CPI excluding fresh food. The different product coverage of the euro area HICP and US and Japanese CPIs is the most significant factor restricting the comparability of the indicators.

While the euro area HICP and Japanese CPI aim to measure the pure price changes in the same consumption basket between the current period and the base period (cost-of-goods index), the US CPI is an approximation of a cost-of-living index measuring the minimum cost of maintaining a constant utility over time. Although these two approaches differ in theory, their application shares many common features.

The main statistical difference affecting the comparability of the indicators relates to the treatment of owner-occupied housing. While this component is not yet covered by the HICP, it is accounted for in the CPI for both the United States and Japan by assuming that these prices move in line with rents (imputed rents).⁵ The impact of this inclusion in the overall inflation rate for the US CPI is estimated to amount to 0.2 percentage point for the annual average growth rate in the period from 1999 to 2004. In addition, there are several other differences which are more difficult to quantify. The difference in the practice of updating expenditure weights hardly plays a role at the aggregate level. The impact of the differences

5 The inclusion of owner-occupied housing in the HICP is currently being considered by Eurostat. A decision has been made to use the net acquisition approach (instead of imputed rents), i.e. to reflect the changes in actual prices of dwellings acquired by households from other sectors of the economy.

in sampling practices and population coverage⁶ is hard to assess. Furthermore, the methods used for adjusting for changes in quality of the goods and services covered differ to some extent. In particular, the US CPI makes extensive use of so-called hedonic methods⁷ for quality adjustment, which are only rarely used in the euro area HICP. These differences cannot easily be adjusted.

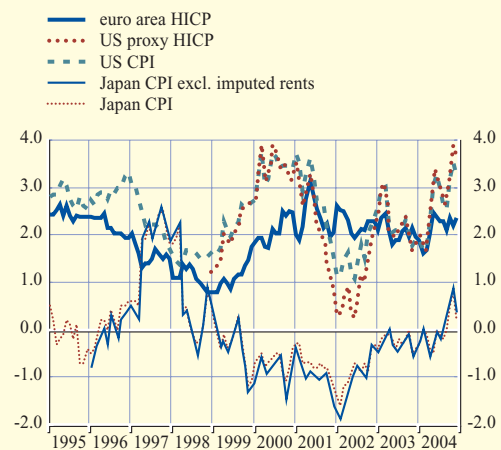
As the headline inflation figures for the euro area, the United States and Japan are not directly comparable, alternative indicators should be used for international comparisons. For the United States, a rough proxy of the euro area HICP is available, which the Bureau of Labor Statistics (BLS) has constructed by recompiling the available US CPI data excluding imputed rents and aggregating them following the HICP methodology. For Japan, the CPI excluding imputed rents can be used as an approximation (see Chart 1).

For Japan, the difference between headline inflation figures and the alternative indicator remained fairly constant in the period under review. However, for the United States it fluctuated, with a peak occurring in 2001 and 2002 in connection with a significant increase in the owner-occupied housing component during that period.

The lack of comparability between the euro area HICP and the US PCE deflator is due to a difference in concepts. The PCE deflator is a national accounts deflator reflecting the average increase in prices for all personal consumption of residents. The HICP measures the average change in prices for a representative basket of goods and services. Changes in the PCE deflator tend to be lower than changes in consumer price indices on account of the construction methods used⁸. Furthermore, monthly PCE deflator figures are regularly revised and finalised only after a substantial delay, with the release of the annual figures. Since last year, a so-called market based PCE deflator has been published that has

Chart 1 Key inflation indicators

(annual percentage changes)



Sources: Eurostat, BLS and Japanese Statistics Bureau.

a coverage similar to the CPI, but uses the aggregation formula of the PCE deflator.

GROSS DOMESTIC PRODUCT

GDP and its components are used intensively in monitoring economic performance. Owing to the application of international standards such as SNA 93, there appear to be only limited differences in concepts and definitions for (nominal) GDP and few compilation issues regarding GDP volume growth (i.e. real GDP growth).

When comparing GDP data, it can be observed that the euro area and Japan follow very similar

6 All household expenditure within the territory of the euro area (including visitors' expenditure) are covered by the HICP, whereas only resident households (including expenditure abroad) are covered by the US and Japanese CPIs. Moreover, the US CPI includes only the urban population, which represents 87% of the total population.

7 Hedonic methods are deflation techniques based on a regression of the prices of a basket of goods on a set of qualities or characteristics of those goods.

8 The PCE deflator is constructed as a Fisher index, i.e. the geometric mean of a Laspeyres and a Paasche index referring to the consumption patterns of two adjacent periods. By contrast, the HICP is a Laspeyres-type index, i.e. it is a measure of average changes in prices for a representative basket of consumer goods and services which are kept constant within a calendar year and updated at the beginning of each reporting year.

concepts and definitions, while the US framework diverges in some respects. The euro area complies with the European System of Accounts 1995 (ESA 95), the fully compatible EU's version of the SNA 93, while the SNA 93 framework is adhered to by Japan. US data are based on the National Income and Product Accounts (NIPA) methodology.

The main differences between the SNA 93 and the NIPA – in terms of the comparability of GDP – relate to the statistical treatment of software expenditure, the shadow (non-observed) economy, military expenditure and financial services indirectly measured (FISIM).

As regards the treatment of expenditure on software, it should be noted that the ratio of capitalised software to total software expenditure (investment ratio) is larger in the United States than in the euro area. Japan does not record any own account investment in software. According to simulations by the Organisation for Economic Co-operation and Development (OECD)⁹, the inclusion of a higher investment ratio in the euro area could have led to an increased euro area annual GDP volume growth of up to 0.3 percentage point over the second half of the 1990s. The impact on growth rates is likely to be smaller after 1999/2000, as software expenditure stabilised around that time.

In addition, there are differences in the way adjustments are made for the shadow economy. In particular, no adjustments are made in the US national accounts; hence, these may be somewhat less comprehensive. However, the OECD estimates that the effect of the adjustment for the shadow economy on GDP growth rates is likely to be quite small.¹⁰

There are also differences in the measurement of military expenditure, in that more military expenditure is recorded as investment in the US national accounts. While the SNA 93 and the ESA 95 specify that military expenditure should be capitalised only if the items can also be used for civilian purposes, the United States

includes all defence equipment as investment. The OECD estimates that this had a very small impact of -0.03 percentage point on annual US GDP growth in the 1990s, mainly because military expenditure decreased over that period.⁹

As regards FISIM, the US national accounts split FISIM between intermediate consumption of the business sector and final consumption of the household sector, whereas the euro area and Japanese national accounts currently record all FISIM as intermediate consumption. While this may lead to a higher GDP level in the US accounts (around 1% of GDP), simulations have shown that the effect on GDP growth rates is minor (less than 0.1 percentage point per year, with the sign varying over time)⁹. These differences vis-à-vis the United States will largely disappear for both Japan and the euro area, in the latter case because of revisions to the European national accounts data in 2005¹¹.

With regard to GDP volume change, there are three additional key issues related to its comparability across economies. These factors can result in upward as well as downward divergence. Moreover, they primarily affect the comparability of the distribution of economic growth across different expenditure categories and across different activities, and have a lesser impact on the comparability of total GDP volume growth.

The first difference relates to the adjustment for quality changes by means of hedonic methods, in particular for information and communication technology (ICT) products. The rapid technological improvements and price development of these products may be better captured by such methods than by more traditional quality adjustment methods. The

9 See "Comparing labour productivity growth in the OECD area: the role of measurement", OECD Statistics Directorate Working Paper 2003/5.

10 See "Measuring the non-observed economy", OECD, Statistics Brief No 5, November 2002.

11 According to European Commission (EC) Regulation No 1889/2002, all EU Member States should treat FISIM in accordance with the SNA 93 from 1 January 2005 onwards.

effect of this adjustment is particularly strong at times when ICT investment accelerates. Hedonics are widely used in US national accounts but their use is not so widespread in euro area and Japanese accounts.

A second issue relates to differences in measuring volume change in many services, in particular in non-market services. For these activities, there is no market price and thus no deflator, other than costs. For instance, volume changes for health and education services are conventionally measured as the sum of deflated costs (known as the input-based method). As a consequence, the quantity and quality of the output for these services is not correctly reflected. Efforts are currently being undertaken in the EU to improve these estimates through the use of direct volume measures.¹² While this aims to improve the accuracy of the European estimates, it may hinder international comparability with the United States, which continues to use the input-based method.

The final challenge concerns the choice of index formulae to calculate GDP volume growth. The existing formulae use different relative price structures to aggregate GDP components. At present, the euro area countries mainly use a fixed-weight basis which is updated at five-year intervals, while the United States – and recently also Japan – apply annually changing weights in their annual national accounts. Recent experience has shown that the use of frequently changing weights tends to result in lower GDP volume growth rates. This is because prices are likely to increase less than average or to decline in fast-growing product groups. Hence, when GDP volume growth is calculated using more recent weights, the product groups with strong output growth receive a lower weight, resulting in a lower GDP volume growth. This applies in particular to ICT products. Available simulations¹³ show that the introduction of chain-weighting in 2005 and 2006 may reduce annual euro area GDP volume growth by around 0.1 percentage point,

although the impact may be more pronounced for individual GDP components.

Overall, the analysis suggests that, when comparing euro area, Japanese and US GDP data, a few measurement issues can be observed that have, on balance, a slight upward effect on measured US GDP volume growth. In total, this may amount to a few tenths of a percentage point per year. Furthermore, it should be stressed that steps are planned to address several of the current measurement issues. Efforts are under way to harmonise the recording of software and investment. As of 2005 chain-type indices for deflation will be used by all EU countries and the United States, and the treatment of financial services will be more comparable between the EU and the United States. These forthcoming improvements would therefore increase the international comparability of GDP data.

UNIT LABOUR COSTS

Changes in labour costs are an important input into the analysis of inflation and labour market developments in the euro area and the United States. By contrast, no official unit labour costs (ULC) estimate is available for Japan.¹⁴ The quarterly headline indicator for the euro area is ULC for the whole economy (on the basis of ESA 95 national accounts data), while in the US the focus is on the non-farm business ULC published by the BLS. The ECB and BLS publications employ similar definitions for aggregate ULC statistics. However, the comparability of the statistics is affected by several methodological differences in the components of ULC.

The ECB uses ULC defined as the ratio of compensation per employee to GDP at constant

¹² Commission Decision of 17 December 2002 further clarifying Annex A to Council Regulation (EC) No 2223/96 as concerns the principles for measuring prices and volumes in national accounts (notified under document number C(2002) 5054) (text with EEA relevance) (2002/990/EC).

¹³ See “Comparing labour productivity growth in the OECD area: the role of measurement”, OECD Statistics Directorate Working Paper 2003/5.

¹⁴ For Japan, only manufacturing ULC data are available.

prices per person employed¹⁵. Compensation of employees is defined in broadly the same way for the United States and the euro area in accordance with the SNA 93 and the ESA 95 frameworks. One divergence between the US and euro area indicators is the treatment of employee stock options. These are included in the US data, while they are mainly excluded for the euro area.

The degree of comparability of nominal GDP and real GDP growth measures has been discussed above and has to be borne in mind when assessing ULC.

The preferred measure for labour input is the number of hours worked. This is the measure used in the United States, whereas the euro area figures are based on the number of persons employed, as timely and higher frequency data on hours worked are not yet available. This has an impact on ULC levels, but the effect on ULC growth rates is very small as long as the development of the average working time of self-employed persons and employees is broadly similar.¹⁶

As a result, international comparative analysis of the short term ULC indicators for the euro area and the United States are currently performed using US adjusted data. The approximate adjustment involves i) correcting real GDP growth for estimated measurement differences as discussed in the previous chapter, ii) using persons employed instead of hours worked as the measure of labour input, and iii) extending the coverage of US data to the whole economy (see Chart 2).

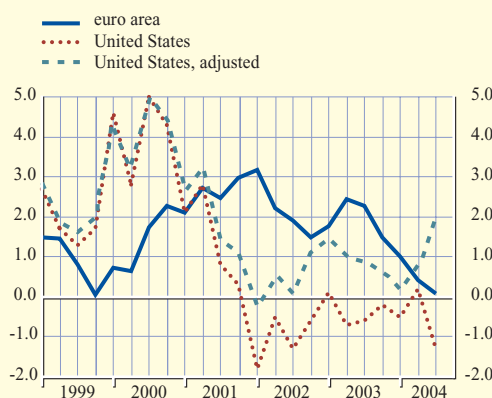
Chart 2 shows that, in recent years, these adjustments have tended to increase the rate of growth in US ULC.

BANK CREDIT AGGREGATES

MFI credit to euro area non-MFIs is monitored by the ECB in the context of monetary analysis as a counterpart of M3 and because of its information content regarding the state of the economy. In its regular monetary analysis, the ECB puts particular emphasis on developments

Chart 2 Euro area and US unit labour costs

(annual percentage changes)



Sources: Eurostat, ECB calculations and BLS.

in loans to the private sector (which account for around 90% of credit to the private sector).¹⁷ The Federal Reserve System and the Bank of Japan instead focus on the link between credit and economic activity. When comparing euro area MFI credit to the private sector and the government sector with the equivalent statistics for the United States and Japan, the main statistical difference relates to the definition of the financing sector.

Bank credit data, which are released on a weekly basis in the United States, refer to commercial banks only, and account for around 70% of credit by all MFIs (following the ECB definition). Assets of the Federal Reserve System (also published weekly, but separately) and thrift institutions (savings banks, savings and loan associations and credit unions) are excluded. Moreover, US credit figures are derived from the results of a survey addressed to the largest domestic banks and a limited

$$15 \text{ ULC} = \frac{\text{Compensation per employee}}{\text{Labour productivity}} = \frac{\text{Compensation/Number of employees}}{\text{GDP at constant prices/Total employment}}$$

16 The different developments over time of the number of employees and the number of hours worked have no major impact on UCL growth rates as the effects largely cancel out in the formula.

17 See the article entitled "Framework and tools of monetary analysis" in the May 2001 issue of the ECB's Monthly Bulletin.

sample of small domestic branches and branches of foreign banks. By comparison, the euro area figures are obtained by a census survey of all categories of MFI. In Japan, the Bank of Japan publishes figures on credit from two different sources. Preliminary monthly figures are derived from a survey covering only a limited range of assets and liabilities and a limited sample of banks. Final figures are obtained from a second survey. The figures are released as stocks and annual growth rates in the context of an aggregated balance sheet of financial institutions including loans, discounts¹⁸ and securities.

To obtain flow statistics on bank credit, the ECB and, in the case of the preliminary figures, the Bank of Japan perform reclassifications, revaluations and exchange rate adjustments, while the US data are only adjusted for mergers and reclassifications of financial instruments.

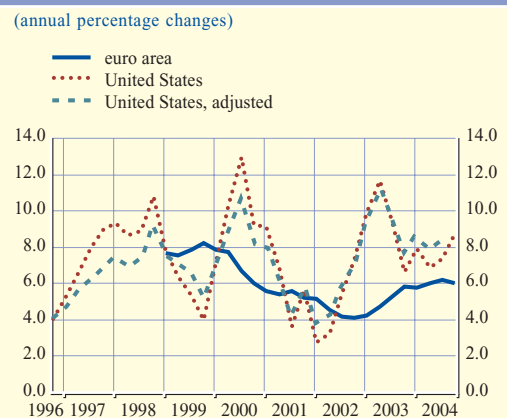
In order to compare bank credit aggregates in a meaningful way, US series are adjusted (see Chart 3) by including domestic government securities held by the Federal Reserve System and credit granted by thrift institutions. Owing to information constraints, it is not possible to calculate comparable credit aggregates for Japan.

The growth of the adjusted bank credit figures for the United States is somewhat smoother than that of the original series but the adjustment does not affect the overall development of US credit.

INDEBTEDNESS INDICATORS

The ECB, the Federal Reserve System and the Bank of Japan closely monitor indebtedness indicators for households and non-financial corporations as part of their monetary, economic and financial stability analysis. The key indicators for the euro area are the ratio of households' debt to gross disposable income (GDI) and the ratio of non-financial corporations' debt to GDP. The main factor limiting comparability is the sector

Chart 3 Euro area and US total credit



Sources: ECB, Federal Reserve System and ECB calculations.

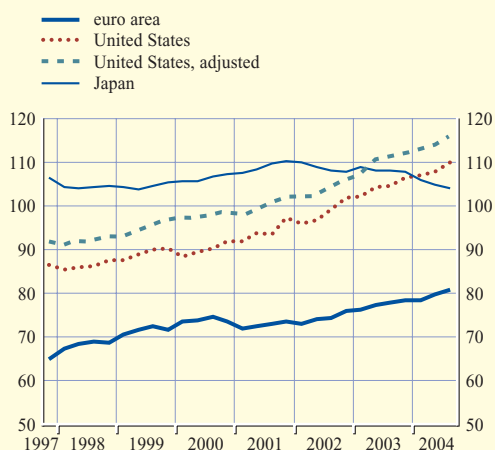
delimitation of households and non-financial corporations.

In accordance with the SNA 93 and the ESA 95, the household sector in the euro area and Japan includes sole proprietorships and most partnerships without independent legal status. By contrast, the US definition excludes all productive activities, with or without independent legal status, from the household sector and includes them in the non-corporate business sector. This also applies to individuals in their capacity as receivers of rental income. It is impossible to correct the resulting difference in the debt liabilities of US households and non-financial corporations and align them with international standards, as individual data for sole proprietorships and most partnerships without independent legal status are not available. The exclusion of these units from the US household sector has no impact on the income of households because the income generated by these units is attributed to the household sector. An additional peculiarity affecting the comparability of income data is the

¹⁸ The Bank of Japan defines "discount" as "a type of loan for which banks provide money to borrowers with drafts (or bills) as collateral. Since the amount of lending is determined by discounting the face value of drafts by lending rates, such money lending is called discount."

**Chart 4 Debt-to-GDI ratio of households
(including non-profit institutions serving
households)**

(in percentages)



Sources: ECB, Federal Reserve System, US Bureau of Economic Analysis, Bank of Japan, Japanese Economic and Social Research Institute and ECB calculations.

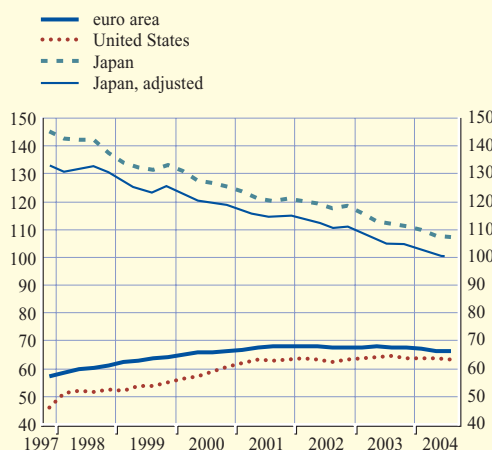
fact that, in the official US data, contrary to international standards, the GDI of households includes interests payable and current transfers payable. This methodological difference reduces the official US household debt-to-GDI ratio by approximately 5% (see Chart 4).

In order to improve the comparability of the indebtedness of non-financial corporations, the debt indicators would need to be adjusted for differences in the valuation of debt securities (at market prices for the euro area and Japan and at nominal value adjusted for accrued interest for the United States). In addition, inter-company loans are frequently not included in the euro area and US quarterly debt figures and quarterly euro area data do not cover loans granted by non-euro area residents.

Chart 5 shows adjusted and partly comparable data for the three economic areas. As domestic inter-company loans cannot be estimated for the euro area and the United States, Japanese debt figures without inter-company loans are estimated by deducting loans granted by non-financial corporations. Loans granted by non-residents are estimated for the euro area debt

**Chart 5 Debt-to-GDP ratio of non-financial
corporations**

(in percentages)



Sources: ECB, Federal Reserve System, US Bureau of Economic Analysis, Bank of Japan, Japanese Economic and Social Research Institute and ECB calculations.

figure on the basis of balance of payments statistics. There is no adjustment for the difference in the valuation of US debt securities.

Although the adjustment of the series leads to a substantial reduction of corporate debt-to-GDP in Japan (by around 7%), the differences between the three areas in terms of debt level and development remain.

GOVERNMENT SURPLUS/DEFICIT

Government surplus/deficit data play a prominent role in fiscal policy analysis. Data for the euro area are compiled on the basis of the SNA 93 and ESA 95 methodology. The comparability of fiscal indicators is affected by differences in statistical concepts, coverage, accounting methods and compilation practices.

As mentioned above, the US headline data, as analysed by the Federal Reserve System, are based on the NIPA methodology, which deviates slightly from the SNA 93 standards. Indicators for Japan are compiled in accordance with the SNA 93 (with some deviations for specific transactions). Consequently, some transactions in the US and

Japanese statistics may be recorded on a cash basis instead of on an accrual basis as is the practice in the euro area.

The government surplus/deficit data for the euro area and Japan cover all sub-sectors of general government, while the US headline indicator of the Federal Reserve System refers to the federal government (central government according to the SNA 93 concept). In addition, while euro area data refer to the calendar year, government surplus/deficit data for the United States and Japan are shown on a fiscal year basis, which somewhat complicates the calculation of the ratios vis-à-vis GDP.

Chart 6 shows more comparable statistics which have been adjusted for the differences with regard to the fiscal year and calendar year for the United States and Japan as well as for the different sector delimitation of the US series.

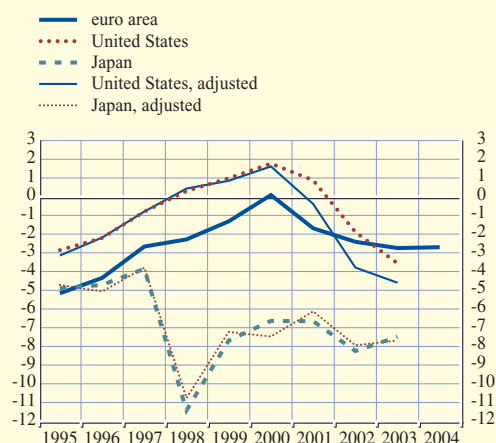
From 2001 onwards the adjusted series for the United States shows a higher government deficit than the headline data. The adjusted figures for Japan remain close to the national headline data.

4 CONCLUSION

The ECB regularly monitors selected indicators for the euro area in comparison with two other large economies: the United States and Japan. Although international harmonisation has advanced significantly in the area of statistics owing to the ongoing implementation of international standards, most euro area headline figures cannot be directly compared with those of the United States and Japan. The main reasons are differences in statistical concepts, data coverage, practices with regard to accounting conventions and compilation methods. For the ECB's purposes, these differences can partly be overcome by adjusting headline figures in line with European standards. Another possibility is to use alternative indicators based

Chart 6 Government surplus/deficit

(in percentages of GDP)



Source: ECB, Federal Reserve System, Japanese Economic and Social Research Institute and ECB calculations.

on definitions and compilation methods similar to those used in the euro area. As different institutional settings also need to be taken into account in the economic analysis, sound knowledge of macroeconomic statistics is required when assessing the relative economic performance of different regions of the world.

THE ESCB-CESR STANDARDS FOR SECURITIES CLEARING AND SETTLEMENT IN THE EUROPEAN UNION

ARTICLES

The ESCB-CESR standards for securities clearing and settlement in the European Union

It is essential for central banks and securities regulators that the securities clearing and settlement infrastructure functions smoothly. Public sector involvement in securities clearing and settlement is associated with defining risk management measures that can contribute to the reduction of systemic risk potential. The relevant international standard-setting bodies in the field of securities settlement are the Committee on Payment and Settlement Systems (CPSS) of the central banks of the G10 countries and the International Organization of Securities Commissions (IOSCO). In 2001 the CPSS and IOSCO published "Recommendations for Securities Settlement Systems". The ESCB and the Committee of European Securities Regulators (CESR) decided to work together to adapt the CPSS-IOSCO Recommendations to the EU context. In October 2004 they published a report entitled "Standards for securities clearing and settlement in the European Union".¹ It is envisaged that the ESCB-CESR standards will be used as a common tool by the competent authorities (central banks, securities regulators and, where appropriate, banking supervisors). The standards have been developed on the basis of a risk-based functional approach. They address a number of detailed technical and legal aspects of securities settlement activities, with the ultimate aim of mitigating the risks – legal, credit, liquidity, custody and operational – arising in such activities. Sections I and II of this article provide an overview of securities settlement in the European Union and argue the need for standards. Sections III and IV describe the general features of the ESCB-CESR requirements, grouping the standards according to the risk that they are designed to mitigate. Section V looks at the open issues and the follow-up work required.

I SECURITIES SETTLEMENT IN THE EUROPEAN UNION

In 2003, the central securities depositories (CSDs) of the EU settled euro-denominated securities at an amount of more than €300 trillion. This represents 30 times the GDP of the EU. Weaknesses in the clearing and settlement process can be a source of systemic disturbances to both securities markets and payment systems. The sheer size of the amounts involved makes the smooth functioning of the securities clearing and settlement infrastructure an important element for the stability of the financial system.

WHAT IS SECURITIES SETTLEMENT?

Trades agreed in financial markets are followed by a process of settlement. In trading securities, the counterparties typically agree to exchange securities for cash on a given date and at a given price. In settling, the obligations acquired by the counterparties are discharged by transferring securities from the seller to the buyer and cash from the buyer to the seller. In some markets, transactions are netted before settlement. Infrastructures for clearing and settlement are

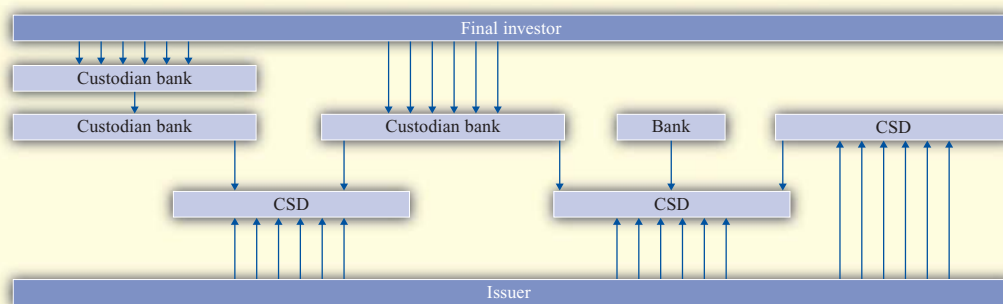
put in place in order to ensure that this process is conducted in a safe and efficient manner.

The securities settlement infrastructure brings together issuers (which obtain finance by placing equities and debt) and investors (which acquire these financial instruments and may exchange them in secondary markets). To maximise liquidity and simplify settlement procedures, every issue of a given financial instrument is normally placed in a CSD. Investors hold their securities with custodians, which have in turn opened accounts at a CSD. The diagram below illustrates various possible combinations of institutions between the issuer and the final investor which register securities on their books.

The diagram illustrates the key role played by CSDs. They have a notary function, ensuring that the rights of the investors as a whole match the obligations of the issuer for each issue. The final delivery of securities occurs in the CSD's books, unless buyer and seller use the same custodian and the custodian settles

¹ The report is available at <http://www.ecb.int>

Stylised diagram of securities settlement infrastructure



Note: Downward arrows mean “holding an account with” while upward arrows mean “placing an issue in”.

the trade in its books (a process known as “internalisation of settlement”). When securities are traded in exchange for funds, CSDs also ensure the smooth transfer of the related funds in the relevant payment system.

A distinction is often made between domestic CSDs, which mainly serve a single market/currency, and international CSDs (ICSDs), which serve a multiplicity of markets and currencies. A similar distinction is made between local and global custodians. Local custodians provide access to their local market, while global custodians provide a single point of access to multiple markets. Global custodians often act as local custodians for the market of the country in which they are incorporated.

WHO SUPPLIES SECURITIES CLEARING AND SETTLEMENT SERVICES IN THE EU?

In the EU, securities settlement services are supplied by three kinds of institution: domestic CSDs, ICSDs and custodians.

In most cases, securities are issued only in CSDs or ICSDs. Domestic bonds and equities are issued in CSDs, and international bonds in ICSDs. Centralising the issuance of a given type of security places CSDs and ICSDs in the advantageous position of being able to concentrate custody and settlement activity in that type of security.

However, settlement does not always take place in the system in which the securities are issued. Already in the 1970s the demand for settling EU securities from one single account (rather than working with multiple systems) led ICSDs to establish links with the CSDs in which the securities had been issued. Such links allowed ICSDs to “import” a given security from a CSD and settle it within the ICSD, with no need to register a transfer of ownership at the CSD level. At present, ICSDs settle more domestic bonds issued in CSDs than international bonds issued in the ICSDs themselves. A few large custodians are also reported to process larger values than the smaller CSDs.

The various service providers are therefore competing for custody and settlement business, with certain providers specialising in certain market niches. CSDs provide services mainly to local players, while ICSDs and custodian banks have a more international clientele. Domestic bonds are settled mainly in ICSDs and CSDs², international bonds in ICSDs and equities largely in the books of CSDs and custodian banks.

2 For example, the government bonds of Germany, the Netherlands, Austria, Finland, Portugal and Ireland are settled predominantly in one particular ICSD, rather than in the CSD in which they have been issued. The government bonds of the Czech Republic, Greece, Spain, France, Italy, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia are settled predominantly in the CSD in which they have been issued.

In recent years there has been a process of consolidation among some of these service providers. For example, mergers have taken place between CSDs and ICSDs, giving rise to the creation of cross-border groups. Many CSDs have also established links with one another, although their use has so far been fairly limited. One ICSD is owned and governed by custodians. CSDs, ICSDs and custodians are thus not entirely independent competitors, but entities which, in many cases, are customers or owners of one another.

The level of risk assumed by the various providers varies according to whether or not they act as intermediaries in the settlement process. ICSDs and custodian banks perform banking functions by providing cash credit and securities lending to participants in order to facilitate the settlement process. They therefore become exposed to the failure of one of their participants to return the credit provided. With only one exception, CSDs do not provide credit facilities and thus do not bear any credit risk.

A more specific feature of securities settlement in the EU is doubtless the presence of ICSDs. While there is a clear distinction between the activities and risks of CSDs on the one hand and custodian banks on the other, ICSDs are something of a hybrid, with some features of CSDs (the issuance of securities) and some features of custodian banks (the provision of banking services). ICSDs account for 40% of the total value settled by CSDs/ICSDs in the euro area. Although ICSDs settle securities denominated in multiple currencies, 80% of transactions settled are denominated in euro.

2 THE NEED FOR STANDARDS

SYSTEMIC RISK IN SECURITIES CLEARING AND SETTLEMENT

Securities clearing and settlement is characterised by the presence of systemic risk: the risk that a financial or operational problem at any of the institutions that perform critical

functions in the settlement process or at one of their major users could result in the subsequent failure of other participants. Systemic risk is a form of negative externality, i.e. a situation in which economic agents do not fully internalise all of the costs associated with their actions themselves, expecting the authorities to intervene. Externalities normally arise because participants or operators of securities clearing and settlement systems have insufficient regard for the potential losses that others would incur in the event of their own failure.

Public sector involvement in securities clearing and settlement can contribute to the reduction of systemic risk. By setting standards the public sector can define the risk management measures that need to be put in place to reduce the likelihood of a chain reaction of settlement failures.

THE RESPONSIBILITIES OF CENTRAL BANKS AND SECURITIES REGULATORS AND THEIR INTEREST IN SMOOTH AND EFFICIENT SECURITIES SETTLEMENT

Central banks have an interest in the smooth and efficient functioning of securities settlement on account of their responsibility for monetary policy, payment systems and financial stability. In the case of the Eurosystem, all of the credit which it provides to its counterparties has to be collateralised. It does not matter whether the credit is provided in the context of monetary policy operations (overnight credit) or whether it serves to facilitate the smooth settlement of payment systems (intraday credit). Over 95% of the collateral received by the Eurosystem takes the form of securities, meaning that if CSDs and ICSDs are not functioning the Eurosystem cannot properly conduct its monetary policy operations and TARGET cannot function smoothly. Just as payment systems are dependent on CSDs, the reverse is also true: for CSDs to settle securities the corresponding payments have to take place in a payment system. Finally, a smooth-functioning securities clearing and settlement infrastructure is important for financial stability because of the

very large values handled and the dependence of financial markets on it.

Many securities regulators in the EU have explicit legal responsibilities for regulating and supervising CSDs. The three main objectives of securities regulators are in fact to protect investors, to ensure that markets are fair, efficient and transparent, and to reduce systemic risk. Where a CSD is a bank, the banking supervisor also needs to be involved.

THE CPSS-IOSCO STANDARDS

Within the public sector, the relevant international standard-setting bodies are the Committee on Payment and Settlement Systems (CPSS) of the central banks of the G10 countries and the International Organization of Securities Commissions (IOSCO). The CPSS-IOSCO published their “Recommendations for Securities Settlement Systems (SSSs)” in November 2001 and subsequently an “Assessment Methodology” in November 2002. The Recommendations provide a broad definition of SSSs and encourage central banks, securities regulators and, where appropriate, banking supervisors at the domestic level to work together to determine the appropriate scope of application of the Recommendations and to develop an action plan for their implementation. The Recommendations are one of the 12 sets of standards designated by the Financial Stability Forum (FSF) as key for sound financial systems and deserving of priority implementation. These 12 key sets of standards are broadly accepted as representing minimum requirements for good practice.

For their part, EU regulators and overseers started from a situation in which market structures and legal frameworks were not harmonised at the EU level. The ESCB and CESR therefore agreed to work together in order to adapt the CPSS-IOSCO Recommendations to the EU context. The result of this joint project is the report entitled “Standards for securities clearing and settlement in the European Union”, adopted by

the Governing Council of the ECB and the CESR in October 2004. This joint project – which is still ongoing – is the first joint project undertaken by central banks and securities regulators at the EU level.

3 GENERAL FEATURES OF THE ESCB-CESR STANDARDS

NATURE OF THE ESCB-CESR STANDARDS

At present, neither the market structure nor the legal framework for securities post-trading activities are fully harmonised at the EU level. The necessary harmonisation can probably only be achieved by means of an EU directive. In the absence of such a legislative measure at the start of their work, the ESCB and CESR decided to develop a set of technical standards based on the CPSS-IOSCO Recommendations for SSSs, as it is in the common interest of all parties involved in securities settlement to ensure that it functions smoothly, safely and efficiently. Against this background, the ESCB-CESR standards aim at providing the competent authorities (overseers, regulators and supervisors) with a tool to promote the safety and efficiency of clearing and settlement activities in the EU and, in particular, to ensure that the risks associated with such activities are properly addressed, irrespective of the status of the institution providing the service.

The ESCB-CESR standards do not have Community law status and are not intended to pre-empt any future decisions which the EU institutions may take at the legislative level.

APPLICATION OF THE ESCB-CESR STANDARDS

As mentioned above, it is envisaged that the ESCB-CESR standards will be used as a tool to assist the competent authorities in promoting the safety and efficiency of clearing and settlement activities in the EU. They will provide the relevant authorities with a commonly accepted approach for their respective regulation, oversight and supervisory practices. When applied, they will serve as an effective benchmark for delivering an internationally

recognised quality label, as they are based on and are consistent with the CPSS-IOSCO Recommendations for securities settlement systems. Compliance with the ESCB-CESR standards would automatically imply compliance with the CPSS-IOSCO Recommendations.

Each regulator, supervisor and overseer will use the same set of standards. Applying the standards in as uniform a manner as possible across the EU is expected to lead to a level playing-field, greater certainty for regulated entities, enhanced efficiency and improved confidence in the internal market. The EU authorities will share the results of the level of compliance with the standards and thus seek their uniform implementation. However, the existence of the ESCB-CESR standards does not automatically preclude the national authorities from imposing additional measures within their competence (e.g. prudential or market functioning rules) in order to take account of specific features of their domestic markets that may affect financial stability and efficiency. However, it is anticipated that such measures will be kept to a minimum.

Contrary to a number of concerns expressed by outside observers, the ESCB-CESR standards impose additional requirements – i.e. over and above those contained in the CPSS-IOSCO Recommendations – only in three clearly justified sets of circumstances. First, in a number of cases the current EU practice already exceeds the requirements set out in the CPSS-IOSCO Recommendations. In such cases, the ESCB-CESR standards may appear more stringent, but in effect they merely reflect a higher level of safety on the part of European SSSs. Second, in some cases there are specific (legal) characteristics of the European markets that need to be addressed for the purpose of ensuring the safe and smooth functioning of securities settlement. In such cases, the resulting safety outweighs the cost of achieving it. Finally, in a few instances requirements exceeding those contained in the CPSS-IOSCO

Recommendations have been put forward with the aim of facilitating financial integration.

SCOPE OF THE ESCB-CESR STANDARDS

The ESCB-CESR standards have been developed in accordance with a risk-based functional approach. In other words, they are intended to address the risks associated with all relevant functions related to the securities clearing and settlement business, irrespective of the legal status of the institutions assuming these risks. The overall regulatory requirements applicable to different institutions will depend on the overall risks associated with the activities that they perform. For instance, the granting of credit by an institution that performs a notary function (i.e. a CSD) is not equivalent to the granting of credit by an institution specialised for that purpose (i.e. a bank). As already stated, the overall risk profile of an institution is considered.

Although the title of the standards suggests that they address both the “clearing” and “settlement” of securities in the EU, closer inspection reveals that their main focus is on settlement activities. In effect this replicates the approach adopted by the CPSS-IOSCO, which tackled the issue of clearing in a separate report on central counterparties³.

ORGANISATIONAL ASPECTS OF THE WORK

The report on ESCB-CESR standards has been drawn up by a joint working group composed of representatives of both the ESCB and the CESR. Each of these two bodies has 25 member institutions,⁴ one from each Member State. As the joint working group started its activities in October 2001, it was initially composed of 32 institutions (15 national central banks, 15 securities regulators, the ECB and the European Commission). Following EU

³ “Recommendations for Central Counterparties”, Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions, November 2004.

⁴ In fact, the CESR has additional members (observers) from the regulatory bodies of the EEA non-EU members.

enlargement, the size of the group increased to over 50 institutions.

So far, the working group has conducted two formal public consultations, two open hearings on the premises of the CESR and an ad hoc consultation of a target group of concerned market participants. The work of the ESCB-CESR working group has been conducted in association not only with the European Commission, but also with the Banking Supervisory Committee and the recently created Committee of European Banking Supervisors.

4 CONTENT OF THE ESCB-CESR STANDARDS

The ESCB-CESR standards, like the CPSS-IOSCO Recommendations for SSSs, address a number of detailed technical and legal aspects of securities settlement activities, with the ultimate aim of mitigating the risks arising in those activities. The types of risk commonly identified in securities settlement are legal, credit, liquidity, custody and operational risk.

This section presents a brief overview of selected requirements set out in the ESCB-CESR standards, grouped according to the risk that they are designed to mitigate.

REQUIREMENTS RELATING TO LEGAL RISK

Legal risk is the risk that a party will suffer a loss because laws or regulations do not support the rules of the SSS, the performance of related settlement arrangements or the property rights and other interests held through the settlement system. Legal risk also arises if the application of laws and regulations is unclear – for example if there is a conflict of laws and it is not a priori clear which law is applicable.

Standard 1 (Legal framework) addresses a number of legal aspects of securities clearing and settlement. At the most basic level, all related rights, liabilities and obligations should be clearly stated, understandable, public and accessible. Legal validity and enforceability

are particularly important in the case of netting, collateral realisation and the entitlement to securities, especially in the event of insolvency on the part of a system participant or operator. In addition, for the purposes of systemic risk mitigation, a harmonisation of the rules of different SSSs should be promoted in order to minimise any discrepancies resulting from different national rules and legal frameworks.

Most of these requirements have already been identified in the CPSS-IOSCO Recommendations. In effect, the ESCB-CESR standard goes beyond the global recommendation in only two main areas. On the one hand, it refers to the need for the designation of the systems managed by the CSDs under the Settlement Finality Directive and promotes the harmonisation of EU rules (e.g. transfer of ownership versus transfer of interest on the asset). On the other hand, it requires additional transparency on the part of CSDs, central counterparties (CCPs) and, where relevant, significant custodians⁵.

REQUIREMENTS RELATING TO CREDIT RISK

Credit risk, in the context of securities settlement, is broadly defined as the risk that a counterparty will not settle an obligation at full value, either when it becomes due or at any time thereafter. Credit risk includes replacement cost risk, principal risk and the risk of settlement bank failure. Replacement cost risk is the risk that a counterparty to an outstanding transaction for completion at a future date will fail to perform on the settlement date. This failure may leave the solvent party with an open market position or deny the solvent party unrealised gains on the position. The resulting exposure is the cost of replacing, at current market prices, the original transaction. Principal risk is the risk that the seller delivers securities but does not receive payment or, alternatively, that the buyer makes payment but does not receive the securities. In such an

⁵ For the purposes of the ESCB-CESR standards “significant custodian” is provisionally defined as a custodian that manages significant arrangements for settling securities transactions.

event, the full principal value of the securities or funds transferred is at risk. Risk of settlement bank failure is the risk of the failure of an entity that maintains accounts with the settlement agent in order to settle payment obligations arising from securities transfers, both on its own behalf and for other market participants.

These different facets of credit risk are addressed in a number of ESCB-CESR standards, including Standard 9 (Credit and liquidity risk controls). One of the most evident sources of credit risk is the fact that some CSDs are, subject to national legislation, allowed to grant credit to their participants. In such cases, CSDs should, for systemic stability reasons, limit those credit activities exclusively to supporting securities settlement and asset servicing. Credit exposures (encompassing both intraday and overnight credit) should be fully collateralised whenever practicable. For the well-identified cases of non-collateralised credit exposures, CSDs should institute other kinds of prescribed risk control measures. Significant custodians' risk mitigation policies should be scrutinised – again with the aim of containing systemic risks linked to their securities settlement activity – to ensure that they are commensurate with the risks which those custodians potentially create for the financial system.

Credit risks related to the lending of securities are addressed in Standard 5 (Securities lending). Securities lending and borrowing is encouraged insofar as it serves as a method for expediting securities settlement and reducing settlement failures. However, in some cases the CSD may end up assuming an undesirable level of risk by acting as principal in a centralised securities lending facility. If so, it should apply adequate risk management measures in line with the requirements set out in Standard 9 (Credit and liquidity risk controls). By contrast with the CPSS-IOSCO recommendation on securities lending, the ESCB-CESR standard emphasises the benefit of establishing centralised securities lending facilities to

reduce settlement failures. At the same time, it recognises that bilateral lending can also contribute to a lower level of settlement failures. The choice between a centralised securities lending facility and bilateral lending arrangements should be based on specific market conditions, taking into consideration both the level of settlement failures and the efficiency of the securities lending market.

Settlement failures – and thus credit risk – can also be significantly reduced by implementing properly devised trade confirmation and settlement matching procedures. As stipulated in Standard 2 (Trade confirmation and settlement matching), the confirmation of trades between direct market participants should occur as soon as possible after trade execution, and no later than that trading day (T+0). Settlement instructions should be matched as soon as possible, and by no later than the day before the specified settlement date. These requirements are in line with the CPSS-IOSCO approach.

Delivery versus payment (DVP) is a settlement mechanism that ensures that delivery of securities occurs if, and only if, payment takes place and vice versa. Through a correctly defined and implemented DVP mechanism the principal risk can be eliminated. Standard 7 (Delivery versus payment (DVP)) stipulates that the technical, legal and contractual framework of an SSS ought to ensure DVP. The length of time between the blocking of the securities (and/or cash payment) and the moment when deliveries become final should be minimised. By contrast with the CPSS-IOSCO recommendation, the standard emphasises the importance of achieving efficient and sound DVP at the EU level. In addition, it advocates that significant custodians should institute settlement procedures that minimise principal risk to the greatest possible extent.

Another source of credit risk could be a failure of the settlement bank (cash settlement agent). A settlement bank is an entity that maintains

accounts with the settlement agent in order to settle payment obligations arising from securities transfers, both on its own behalf and for other market participants. The safest way of settling cash payments is to settle on the accounts of the relevant central bank, as stipulated in Standard 10 (Cash settlement assets). However, where the use of central bank money is not practicable or feasible (e.g. when transactions are denominated in a currency which is different from the currency of the country in which the settlement takes place), commercial bank money may be used. In such a case, adequate risk measures must be put in place to protect participants from potential losses and liquidity pressures arising from the failure of the cash settlement agent. These requirements do not differ significantly from the CPSS-IOSCO requirements.

In general terms, credit (and liquidity) risk should be avoided by CSDs to the greatest possible extent, as specified in Standard 6 (Central securities depositories (CSDs)). This is due to the fact that CSDs uniquely combine the provision of final settlement with safeguarding the integrity of immobilised/dematerialised⁶ securities issues on behalf of the issuer (“notary function”). However, the working group faced the challenge of there not being a common definition of a CSD at the EU level. The ESCB-CESR standard provides a more detailed description of the functions and role of the CSDs than the CPSS-IOSCO recommendation, especially in the European context. Furthermore, among the measures for preserving the integrity of the issue, the standard proposes robust accounting standards, double-entry bookkeeping and end-to-end audit trails.

In some cases, mainly for the purpose of settling cross-border transactions, links between CSDs have been created. These are legal and technical arrangements and procedures that enable securities to be transferred between two or more CSDs through a book-entry process. Any credit risk related to settlement via links is mitigated by the

measures suggested in Standard 19 (Risks in cross-system links). For instance, the establishment of a link should not jeopardise the length of the settlement cycle and the achievement of DVP with intraday finality, should not enable provisional transfers via a link and should ensure that any credit extensions between CSDs are fully secured and subject to limits. By contrast with the CPSS-IOSCO recommendation, the ESCB-CESR standard stipulates that links should enable participants to settle on an intraday DVP basis. The standard also contains a number of specific requirements in respect of relayed links⁷ established by CSDs.

REQUIREMENTS RELATING TO LIQUIDITY RISK

Liquidity risk is broadly defined as the risk that a counterparty will not settle an obligation at full value when due, but on some unspecified date thereafter.

Liquidity pressures may, inter alia, arise from inadequate arrangements for achieving intraday settlement finality. Standards 8 (Timing of settlement finality) and 10 (Cash settlement assets) state that finality should be defined clearly and be provided either on a real-time basis and/or by multiple batch processing during the settlement day, depending on market needs. In order not to block the achievement of intraday finality in a particular system, the central banks and other cash settlement agents should design efficient mechanisms for cash payments that make settlement with intraday finality possible. This requirement is more stringent than that of the CPSS-IOSCO: ESCB-CESR Standard 8 (Timing of settlement finality) calls for finality during the day, while

⁶ “Immobilisation” refers to the placement of physical certificates for securities and financial instruments in a CSD so that subsequent transfers can be made by book entry, i.e. by debits from and credits to holders’ accounts at the depository. “Dematerialisation”, on the other hand, refers to the elimination of physical certificates or documents of title that represent ownership of securities so that securities exist only as accounting records.

⁷ “Relayed link” refers to a contractual and technical arrangement that allows two CSDs not directly connected to each other to channel securities transactions or transfers through a third or more CSD(s) acting as intermediary/intermediaries.

the CPSS-IOSCO recommendation advocates achievement of finality only at the end of the day. Intraday finality in Europe is important for achieving interoperability and ensuring that, once transferred between systems, securities can be reused on the same settlement day. Another element introduced by the same standard concerns the connection with payment systems. The timing of afternoon settlement batches should take into account the TARGET closing time so that participants have the opportunity to react in accordance with their liquidity needs.

REQUIREMENTS RELATING TO CUSTODY RISK

Custody risk is the risk of loss on securities in safekeeping (custody) as a result of the custodian's insolvency, negligence, misuse of assets, fraud, poor administration or inadequate record-keeping.

Standard 12 (Protection of customers' securities) deals explicitly with this type of risk. An entity holding securities in custody should employ robust accounting procedures and standards, and should segregate customers' securities from its own securities in its books in order to ensure that customers' securities are protected, particularly against claims of the entity's creditors. Segregation of customers' securities can be done by opening nominee accounts or, where this is not possible under the national legal framework, by employing other bookkeeping techniques. In addition, the standard strictly prohibits securities debit balances or securities creation⁸ by the entities holding securities in custody. By contrast with the CPSS-IOSCO recommendation, the ESCB-CESR standard requires the intermediary to obtain a customer's explicit consent before it can use the customer's securities for its own business, e.g. for securities lending or as collateral for its own credit exposures.

REQUIREMENTS RELATING TO OPERATIONAL RISK

Operational risk is the risk that deficiencies in information systems or internal controls,

human error or management failure will result in unexpected losses.

As is outlined in Standard 11 (Operational reliability), operational risk policies and procedures should be clearly defined and frequently reviewed, updated and tested in order to ensure that they remain up to date. More specifically, business continuity plans and backup facilities should be established. In this way it can be ensured that the system is able, as soon as possible after the disruption and not later than two hours after its occurrence, to resume business activities with a reasonable degree of certainty, a high level of integrity and sufficient capacity. The standard complements the CPSS-IOSCO recommendation by providing further clarification on the outsourcing of clearing and settlement activities. For instance, CSDs and CCPs should only outsource operations or functions to third parties once they have obtained prior approval from the competent authorities. The outsourcing entity remains liable vis-à-vis the competent authorities, as required under the relevant national law. The outsourcing entity should also ensure that its participants are aware of the outsourcing.

Operational risk can also result from inefficient – e.g. manually intensive – procedures. Thus, Standard 16 (Communication procedures, messaging standards and straight-through processing (STP)) advocates the application of international communication procedures and standards relating to securities messages, securities identification processes and counterparty identification. Furthermore, service providers should work towards implementing STP in a manner that is consistent with efforts to achieve greater interoperability between systems, so that market participants can move swiftly and easily from one system

⁸ "Securities creation" is an accounting or bookkeeping activity within a CSD that results in the total value of holdings of a particular security recorded on participants' accounts in the CSD exceeding the total value of the original issue of that security.

to another. The ESCB-CESR standard goes beyond the CPSS-IOSCO recommendation in urging market participants to work on plans that move markets toward interoperability and STP in the most efficient way.

Another concern with regard to the efficiency of settlement procedures relates to dematerialisation of securities. As is stated in Standard 6 (Central securities depositories (CSDs)), securities should, as far as possible, be immobilised or dematerialised and transferred by book entry in a CSD. The existence of securities in a non-physical form decreases physical safety concerns and the possibility of human error.

Management failure, which is also deemed a factor that may distort operational reliability, can be best prevented by implementing appropriate governance arrangements, as implied by Standard 13 (Governance).

OTHER REQUIREMENTS

Apart from the specific risks described above, the ESCB-CESR standards also address a number of issues relating to efficiency considerations. For instance, well-designed and implemented governance arrangements (Standard 13 (Governance)) contribute to the safe and efficient functioning of a settlement system or arrangement. By contrast with the CPSS-IOSCO recommendation, the standard discusses potential conflicts of interest between the operator of a system and its participants, as well as those that can arise within a CSD or CCP, and requires that these conflicts be identified and managed.

The issue of efficiency is also addressed in the provisions of Standard 15 (Efficiency). It is likely that a market participant's operations will be more efficient if the participant is able to clear and settle its trade transactions in a timely and efficient fashion and have access to its funds and securities without undue delay.

In addition, market participants can make informed decisions and better oversee their

risk exposure if they have the information necessary to evaluate the risks and prices/fees associated with the CSDs', CCPs' and, where relevant, significant custodians' clearing and settlement services (Standard 17 (Transparency)).

An improvement in the efficiency of the EU markets as a whole is expected to result from increased interoperability. For its part, interoperability should be achieved by standardising both the technical aspects of securities processing and business practices (Standard 15 (Efficiency)). By contrast with the CPSS-IOSCO recommendation, the ESCB-CESR standard recognises the importance of efficiency not only at the domestic level, but also in the context of European integration. Interoperability across systems would allow systems to communicate and process securities transactions without additional effort on the part of market participants.

A concrete example of standardisation of business practices is the further harmonisation and/or shortening of settlement cycles (Standard 3 (Settlement cycles and operating times)). More specifically, it is advocated that CSDs and, where relevant, CCPs should harmonise their operating days and hours and be open at least during TARGET opening times for transactions denominated in euro. It is also important for the smooth functioning of the European financial markets that the operating days of settlement systems be compatible with the operating days of TARGET (Standard 8 (Timing of settlement finality)). The automation and interoperability of trade confirmation and settlement matching systems is advocated in Standard 2 (Trade confirmation and settlement matching).

EU securities settlement as a whole would also benefit from improved national and cross-border cooperation among competent authorities. Standard 18 (Regulation, supervision and oversight) is intended for central banks, securities regulators and banking supervisors. Entities providing securities clearing and

settlement should be subject to transparent, effective and consistent regulation and supervision. Securities clearing and settlement systems, by contrast, should be subject to comparably transparent, effective and consistent central bank oversight. In comparison with the CPSS-IOSCO recommendation, the ESCB-CESR standard recognises existing EU coordination schemes, based on the principle of mutual recognition, which apply in other fields of European financial regulation. However, in the areas that are not covered by the European legislation, the relevant authorities will enter into negotiations on coordinating these activities with a view to agreeing formal memoranda of understanding (MoUs).

The ESCB-CESR standards also address the issue of fair treatment of participants in securities clearing and settlement, inter alia through the requirements set out in Standard 14 (Access). In comparison with the CPSS-IOSCO recommendation, the ESCB-CESR standard states that limitation of access on grounds other than risk to the CSD or CCP should be prohibited. Both access and exit criteria should be clearly stated and publicly disclosed.

5 OPEN ISSUES AND FOLLOW-UP

It is envisaged that the present set of standards will become enforceable once the assessment methodology has been developed and an analysis of the impact of the standards has been undertaken.

The process of elaborating the standards has revealed a number of open issues. In developing the assessment methodology, the working group is conducting further analysis of these open issues. For instance, the relationship between the banking supervisory framework and those standards dealing with credit risk is being investigated. Another topic currently being explored is the practical organisation of the cooperation between relevant (national) authorities. A complete list

of open issues is contained in paragraph 27 of the introduction to the ESCB-CESR report published in October 2004.

The open issues are being analysed in close cooperation with various groups of market participants: CSDs, CCP clearing houses, custodian banks, savings and cooperative banks and public banks. Communication is taking place via various channels and in various fora – for instance on a bilateral basis, in small group settings, at targeted meetings with market participants that are most affected, at open hearings for all interested parties and, naturally, via regular written consultations.

As already stated, the working group has been cooperating closely with other relevant authorities such as the European Commission, the Committee of European Banking Supervisors and the Banking Supervisory Committee. Appropriate communication channels have also been established with the relevant committee of the European Parliament.

Once the open issues have been analysed, the working group will attempt to draw up the assessment methodology, which will be comparable in content to that published by the CPSS-IOSCO.⁹ In addition, there will be a particular focus on those aspects of (CCP) clearing that are not addressed in sufficient detail in the current set of standards. The final report is expected to be published towards the end of 2005.

To conclude, the ESCB-CESR report covers a number of very sensitive issues. The pressure to adopt standards stems from the EU's commitment to international harmonisation in order to prevent contagion in financial crises. Securities settlement is, in fact, regarded by the Financial Stability Forum as one of the

⁹ Assessment methodology for "Recommendations for Securities Settlement Systems", Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions, November 2002.

12 key areas that should be given priority in the process of implementing the relevant international standards (the CPSS-IOSCO Recommendations). In the absence of EU legislation, aspects such as the scope of application of the standards have, in fact, been left to the discretion of local authorities (in this case, EU central banks and securities regulators) and have proven to be among the most delicate in practice. In addition, the adoption of common standards is expected to foster EU financial market integration.

In this context, it cannot be stressed enough that the standards do not intend to pre-empt or replace a directive or any other initiative which may be implemented in the field of clearing and settlement. If there were to be any change in European legislation, the standards would be amended accordingly to reflect such a change. In effect, a joint working group involving two bodies such as the ESCB and the CESR, bringing together a broad array of national authorities, could also be seen as a pioneering initiative that may prove a suitable model for future cooperation in the domain of financial markets.

EURO AREA STATISTICS



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

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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	8.1	-	4.9	19.6	2.33	4.16
2004	10.0	6.3	5.8	-	6.0	11.0	2.11	4.14
2004 Q2	10.2	6.0	5.4	-	5.6	10.2	2.08	4.36
Q3	9.6	5.8	5.6	-	6.2	10.0	2.12	4.21
Q4	9.3	6.4	6.0	-	6.8	8.9	2.16	3.84
2005 Q1	.	.	.	-	.	.	2.14	3.67
2004 Oct.	9.0	6.3	5.8	6.0	6.7	8.5	2.15	3.98
Nov.	9.8	6.5	6.0	6.1	6.9	9.4	2.17	3.87
Dec.	8.4	6.5	6.4	6.3	7.0	9.1	2.17	3.69
2005 Jan.	9.3	6.9	6.6	6.5	7.3	10.1	2.15	3.63
Feb.	9.9	7.1	6.4	.	7.2	.	2.14	3.62
Mar.	.	.	.	.	.	.	2.14	3.76

2. Prices, output, demand and labour markets

	HICP ¹⁾	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	2.7	0.5	0.3	81.1	0.2	8.7
2004	2.1	2.3	2.3	2.0	2.0	81.7	0.5	8.8
2004 Q2	2.3	2.0	2.1	2.2	3.1	81.6	0.4	8.8
Q3	2.2	3.1	1.8	1.9	2.8	82.1	0.5	8.8
Q4	2.3	3.8	2.2	1.6	1.0	82.1	0.8	8.8
2005 Q1	.	.	.	.	.	.	.	.
2004 Oct.	2.4	4.1	-	-	1.2	82.1	-	8.9
Nov.	2.2	3.7	-	-	0.7	-	-	8.8
Dec.	2.4	3.5	-	-	1.1	-	-	8.8
2005 Jan.	1.9	3.9	-	-	2.2	82.0	-	8.8
Feb.	2.1	4.2	-	-	.	-	-	8.9
Mar.	2.1	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 ³⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2003	35.0	105.3	-3.4	41.7	306.5	99.9	101.7	1.1312
2004	58.1	105.8	-37.9	55.8	279.6	103.8	105.8	1.2439
2004 Q2	9.9	31.5	-12.9	21.7	301.4	102.1	104.1	1.2046
Q3	14.0	24.6	5.3	3.6	298.2	102.8	104.9	1.2220
Q4	17.0	21.1	-6.7	33.5	279.6	105.7	107.7	1.2977
2005 Q1	.	.	.	.	.	105.7	107.7	1.3113
2004 Oct.	1.8	7.7	-11.6	6.2	294.2	104.2	106.3	1.2490
Nov.	5.4	5.9	-0.8	-10.8	291.6	105.6	107.6	1.2991
Dec.	9.8	7.6	5.8	38.2	279.6	107.1	109.3	1.3408
2005 Jan.	-6.9	0.4	-13.1	-18.2	289.0	105.8	107.9	1.3119
Feb.	.	.	.	.	283.2	105.1	107.2	1.3014
Mar.	.	.	.	.	.	106.0	108.1	1.3201

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

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

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



MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem (EUR millions)

1. Assets

	2005 11 Mar.	2005 18 Mar.	2005 25 Mar.	2005 1 Apr.
Gold and gold receivables	125,071	124,977	124,901	128,058
Claims on non-euro area residents in foreign currency	151,867	151,751	150,113	155,910
Claims on euro area residents in foreign currency	18,281	19,316	18,834	19,125
Claims on non-euro area residents in euro	7,578	8,138	8,889	9,304
Lending to euro area credit institutions in euro	357,500	361,545	376,079	366,751
Main refinancing operations	272,500	276,500	291,000	275,999
Longer-term refinancing operations	84,999	84,999	84,999	90,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	31	79	743
Credits related to margin calls	1	15	1	7
Other claims on euro area credit institutions in euro	3,206	3,488	2,918	2,710
Securities of euro area residents in euro	77,716	78,797	79,736	79,717
General government debt in euro	41,279	41,279	41,279	41,172
Other assets	122,877	123,369	123,685	124,407
Total assets	905,375	912,660	926,434	927,154

2. Liabilities

	2005 11 Mar.	2005 18 Mar.	2005 25 Mar.	2005 1 Apr.
Banknotes in circulation	494,643	495,450	501,710	500,861
Liabilities to euro area credit institutions in euro	144,562	147,124	143,999	142,201
Current accounts (covering the minimum reserve system)	144,501	146,733	143,968	142,146
Deposit facility	35	391	31	55
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	26	0	0	0
Other liabilities to euro area credit institutions in euro	125	125	140	140
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	67,597	69,773	81,934	75,145
Liabilities to non-euro area residents in euro	8,222	8,398	9,010	8,948
Liabilities to euro area residents in foreign currency	385	400	363	173
Liabilities to non-euro area residents in foreign currency	9,806	11,234	9,217	9,820
Counterpart of special drawing rights allocated by the IMF	5,573	5,573	5,573	5,701
Other liabilities	51,267	51,609	51,511	54,001
Revaluation accounts	64,842	64,842	64,842	71,961
Capital and reserves	58,353	58,132	58,135	58,203
Total liabilities	905,375	912,660	926,434	927,154

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	
	Level	Change	Fixed rate tenders	Variable rate tenders		Level	Change
			Fixed rate	Minimum bid rate			
	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 8 Dec.	329,144	298	282,000	2.00	2.05	2.06	7
15	354,121	339	276,000	2.00	2.07	2.08	7
22	350,812	340	283,500	2.00	2.07	2.08	8
30	284,027	355	270,000	2.00	2.09	2.17	6
2005 5 Jan.	324,154	321	259,000	2.00	2.06	2.07	7
12	343,644	332	265,000	2.00	2.06	2.07	7
19	362,771	364	279,500	2.00	2.06	2.07	7
26	368,794	358	273,000	2.00	2.06	2.07	7
2 Feb.	332,198	329	277,500	2.00	2.06	2.06	6
8	327,172	305	275,500	2.00	2.06	2.06	8
16	352,917	341	276,500	2.00	2.05	2.06	7
23	349,248	352	284,500	2.00	2.05	2.06	7
2 Mar.	329,036	325	275,000	2.00	2.05	2.06	7
9	320,545	335	272,500	2.00	2.05	2.05	7
16	317,574	350	276,500	2.00	2.05	2.05	7
23	346,871	370	291,000	2.00	2.05	2.05	7
30	312,429	337	276,000	2.00	2.05	2.06	7
6 Apr.	292,103	350	275,000	2.00	2.05	2.05	7
Longer-term refinancing operations							
2004 1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91
24 Feb.	40,340	145	30,000	-	2.08	2.09	91
31 Mar.	38,462	148	30,000	-	2.09	2.10	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
	1	2	3	4	5	6	7	8	9
2000 5 Jan. ⁵⁾	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1

Source: ECB.

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

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at ¹⁾ :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Q1	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
Q2	12,148.5	6,524.1	439.1	1,515.1	859.0	2,811.2
Q3	12,209.6	6,488.0	435.3	1,535.3	880.8	2,870.3
2004 Oct.	12,262.1	6,496.9	448.2	1,546.5	888.8	2,881.7
Nov.	12,371.7	6,535.7	452.7	1,551.1	946.6	2,885.6
Dec.	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Jan.	12,595.8	6,696.4	460.2	1,577.7	943.2	2,918.3

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2002	128.8	129.5	0.8	0.0	3.06
2003	131.8	132.6	0.8	0.0	2.00
2004 Q1	133.4	134.1	0.7	0.0	2.00
Q2	136.4	137.1	0.7	0.0	2.00
Q3	138.7	139.3	0.6	0.0	2.02
Q4	137.9	138.5	0.6	0.0	2.05
2005 18 Jan.	138.4	139.1	0.7	0.0	2.07
7 Feb.	139.3	140.0	0.8	0.0	2.06
8 Mar.	140.5	141.3	0.8	0.0	2.05
12 Apr.	142.6	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors							Liquidity-absorbing factors			Credit institutions current accounts	Base money
	Monetary policy operations of the Eurosystem							Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations					
1	2	3	4	5	6	7	8	9	10	11	12	
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
Q2	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
Q3	299.4	251.6	75.0	0.1	0.0	0.2	0.0	462.8	56.3	-32.4	139.3	602.3
2004 11 Oct.	298.8	256.4	75.0	0.3	0.0	0.0	0.0	465.1	58.2	-32.1	139.3	604.4
8 Nov.	298.3	257.9	75.0	0.1	0.2	0.3	0.0	469.7	55.1	-32.1	138.4	608.4
7 Dec.	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 18 Jan.	290.3	272.9	75.0	0.2	0.2	0.1	0.0	496.0	45.3	-41.9	139.1	635.2
7 Feb.	280.6	276.6	78.0	0.1	0.1	0.1	0.0	487.1	63.8	-55.5	140.0	627.2
8 Mar.	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9

Source: ECB.

1) End of period.



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units ¹⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosystem														
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
Q3	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
2004 Oct.	1,224.8	572.6	22.2	0.6	549.8	152.9	137.3	1.7	13.9	-	13.8	307.5	14.2	163.9
Nov.	1,206.6	550.5	22.2	0.6	527.6	156.6	141.7	1.3	13.5	-	14.1	305.5	14.3	165.7
Dec.	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	291.6	14.0	176.2
2005 Jan.	1,240.7	581.9	21.5	0.6	559.8	159.3	143.6	1.7	14.0	-	13.8	298.2	14.7	172.8
Feb. ^(p)	1,275.4	614.6	21.5	0.6	592.5	162.6	146.6	1.6	14.4	-	13.9	294.1	12.5	177.7
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	19,800.8	12,114.7	819.1	7,101.8	4,193.8	2,944.0	1,242.6	427.7	1,273.6	67.3	895.1	2,569.9	161.8	1,048.2
2004 Q1	20,395.6	12,218.0	823.3	7,170.1	4,224.6	3,077.6	1,301.6	434.2	1,341.8	78.0	926.4	2,836.1	160.0	1,099.5
Q2	20,757.5	12,434.3	818.3	7,319.9	4,296.2	3,153.6	1,347.0	447.1	1,359.4	76.8	948.7	2,874.0	159.7	1,110.4
Q3	20,984.2	12,569.9	812.2	7,401.3	4,356.4	3,179.2	1,345.9	447.5	1,385.9	77.5	920.6	2,907.3	161.0	1,168.7
2004 Oct.	21,158.9	12,675.6	812.2	7,447.4	4,416.0	3,200.1	1,343.3	450.4	1,406.4	77.9	925.0	2,913.7	161.7	1,204.8
Nov.	21,346.1	12,717.6	808.2	7,510.7	4,398.7	3,217.1	1,346.0	456.1	1,414.9	78.3	944.7	2,978.5	161.2	1,248.6
Dec.	21,325.5	12,803.6	814.7	7,549.8	4,439.1	3,185.4	1,295.8	465.3	1,424.3	72.5	945.5	2,943.1	160.3	1,215.1
2005 Jan.	21,643.8	12,886.7	818.5	7,591.9	4,476.3	3,235.6	1,336.7	468.7	1,430.2	75.7	962.8	3,078.4	158.1	1,246.4
Feb. ^(p)	21,819.4	12,946.4	809.2	7,617.2	4,520.0	3,285.0	1,363.8	478.1	1,443.0	75.5	966.9	3,131.6	158.2	1,255.9

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
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
Q3	1,193.5	480.6	380.4	57.8	16.3	306.3	-	1.6	148.5	23.6	158.8
2004 Oct.	1,224.8	487.0	401.4	64.1	18.2	319.2	-	1.6	147.5	24.2	163.2
Nov.	1,206.6	491.9	379.2	53.0	17.9	308.3	-	0.5	145.7	24.9	164.3
Dec.	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Jan.	1,240.7	502.4	402.0	57.6	16.0	328.4	-	0.5	145.7	25.8	164.1
Feb. ^(p)	1,275.4	504.9	435.7	71.4	18.4	345.9	-	0.5	145.8	21.8	166.6
MFIs excluding the Eurosystem											
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	533.4	2,993.5	1,108.7	2,592.8	1,431.7
2003	19,800.8	0.0	10,774.7	132.3	6,277.6	4,364.9	648.8	3,161.4	1,151.0	2,606.5	1,458.5
2004 Q1	20,395.6	0.0	10,863.5	140.7	6,310.3	4,412.5	680.6	3,304.6	1,160.4	2,832.6	1,553.9
Q2	20,757.5	0.0	11,087.9	156.6	6,408.5	4,522.8	686.0	3,370.5	1,177.6	2,870.3	1,565.2
Q3	20,984.2	0.0	11,174.2	146.3	6,441.3	4,586.6	687.0	3,447.8	1,187.2	2,838.0	1,650.0
2004 Oct.	21,158.9	0.0	11,291.2	133.4	6,491.6	4,666.2	695.0	3,477.8	1,191.2	2,823.3	1,680.4
Nov.	21,346.1	0.0	11,319.3	129.8	6,528.3	4,661.2	691.8	3,489.0	1,208.8	2,880.2	1,757.1
Dec.	21,325.5	0.0	11,458.3	138.9	6,638.4	4,681.0	676.3	3,498.8	1,203.1	2,814.7	1,674.3
2005 Jan.	21,643.8	0.0	11,504.4	122.9	6,652.5	4,729.0	692.4	3,528.9	1,203.9	2,968.8	1,745.3
Feb. ^(p)	21,819.4	0.0	11,580.0	138.7	6,657.7	4,783.7	691.0	3,576.9	1,208.5	3,012.1	1,750.9

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	14,557.4	7,944.2	841.7	7,102.5	1,793.1	1,364.1	429.0	623.8	2,887.8	174.1	1,134.4
2004 Q1	15,066.3	8,016.8	846.0	7,170.8	1,866.2	1,430.5	435.7	649.4	3,156.8	173.9	1,203.1
Q2	15,333.6	8,161.0	840.5	7,320.5	1,929.6	1,480.5	449.0	662.9	3,185.3	173.8	1,221.1
Q3	15,489.3	8,236.4	834.5	7,401.9	1,930.4	1,481.1	449.3	643.1	3,216.5	175.2	1,287.8
2004 Oct.	15,585.4	8,282.5	834.5	7,448.1	1,932.7	1,480.6	452.1	647.0	3,221.2	175.9	1,326.1
Nov.	15,777.8	8,341.8	830.4	7,511.3	1,945.2	1,487.8	457.4	660.2	3,284.0	175.5	1,371.2
Dec.	15,707.0	8,386.6	836.2	7,550.4	1,902.8	1,435.8	467.0	666.0	3,234.8	174.3	1,342.5
2005 Jan.	15,988.1	8,432.5	840.0	7,592.5	1,950.7	1,480.2	470.5	678.8	3,376.6	172.8	1,376.7
Feb. ^(p)	16,109.4	8,448.5	830.8	7,617.8	1,990.2	1,510.4	479.8	682.0	3,425.7	170.7	1,392.2
Transactions											
2002	602.8	299.2	-9.4	308.6	72.2	43.4	28.8	7.7	245.2	-1.3	-20.1
2003	767.3	385.9	13.7	372.2	170.4	116.2	54.1	19.4	221.9	-3.6	-26.8
2004 Q1	430.7	84.6	5.8	78.8	56.6	52.8	3.8	24.6	214.4	-0.4	51.0
Q2	269.4	150.3	-7.1	157.4	64.7	50.3	14.3	8.3	33.1	1.6	11.4
Q3	190.6	87.6	-5.7	93.3	-4.0	-1.8	-2.2	-19.6	60.8	1.6	64.2
2004 Oct.	122.8	49.5	0.2	49.4	1.8	-1.1	2.9	2.9	30.7	0.7	37.2
Nov.	239.1	65.2	-3.9	69.0	12.4	6.9	5.5	12.2	106.1	-0.4	43.8
Dec.	-2.7	55.8	5.5	50.3	-41.6	-52.3	10.7	5.6	-11.6	0.4	-11.3
2005 Jan.	209.4	44.8	4.9	39.9	41.3	38.2	3.2	11.9	84.5	-1.4	28.2
Feb. ^(p)	141.1	16.8	-9.2	25.9	41.4	31.7	9.7	1.4	67.2	-2.1	16.3

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ¹⁾	Debt securities issued ²⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2002	13,931.2	341.2	136.4	5,969.9	471.0	1,819.0	1,006.4	2,625.6	1,550.9	10.8
2003	14,557.4	397.9	153.6	6,294.4	581.5	1,878.5	1,010.7	2,634.0	1,597.9	8.9
2004 Q1	15,066.3	399.6	183.8	6,326.1	602.6	1,951.5	1,025.8	2,856.2	1,699.3	21.4
Q2	15,333.6	423.0	223.7	6,427.0	609.2	2,000.4	1,024.1	2,893.8	1,716.3	16.1
Q3	15,489.3	438.0	204.1	6,457.6	609.5	2,049.9	1,044.7	2,861.6	1,808.8	15.0
2004 Oct.	15,585.4	444.4	197.4	6,509.8	617.1	2,059.1	1,047.0	2,847.4	1,843.6	19.6
Nov.	15,777.8	448.7	182.8	6,546.2	613.5	2,061.1	1,055.8	2,905.1	1,921.4	43.2
Dec.	15,707.0	468.4	163.6	6,653.4	603.8	2,062.0	1,047.7	2,842.0	1,841.7	24.4
2005 Jan.	15,988.1	459.9	180.5	6,668.5	616.7	2,085.2	1,051.9	2,994.6	1,909.4	21.3
Feb. ^(p)	16,109.4	463.6	210.1	6,676.1	615.5	2,120.0	1,055.5	3,033.9	1,917.5	17.2
Transactions										
2002	602.8	101.4	-5.8	222.0	70.6	106.1	39.7	74.6	-92.3	86.5
2003	767.3	79.0	12.9	315.8	56.7	133.4	40.1	130.8	-61.1	59.8
2004 Q1	430.7	1.7	30.2	25.2	22.4	61.3	8.2	174.7	117.8	-10.7
Q2	269.4	23.4	39.4	102.4	2.2	48.7	10.0	32.3	13.2	-2.3
Q3	190.6	15.1	-19.7	35.6	1.6	54.8	19.2	-3.7	79.4	8.3
2004 Oct.	122.8	6.4	-6.7	55.3	7.4	14.1	1.8	10.4	22.8	11.4
Nov.	239.1	4.4	-14.6	41.8	-3.1	11.1	5.9	96.0	63.4	34.3
Dec.	-2.7	19.7	-19.2	111.3	-9.2	8.9	-0.3	-34.4	-66.4	-13.1
2005 Jan.	209.4	-8.5	16.9	8.7	13.8	5.0	0.8	105.3	79.4	-12.0
Feb. ^(p)	141.1	3.7	29.5	6.2	-2.1	39.5	5.0	55.9	3.0	0.3

Source: ECB.

1) Amounts held by euro area residents.

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

2.3 Monetary statistics

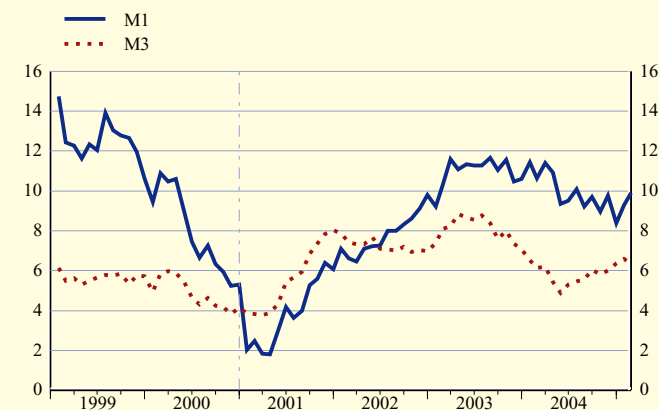
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates¹⁾ and counterparts

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2002	2,441.7	2,475.9	4,917.6	854.0	5,771.7	-	3,989.2	2,072.2	7,723.3	6,778.9	189.9
2003	2,676.0	2,559.7	5,235.7	912.4	6,148.1	-	4,142.6	2,222.3	8,158.0	7,100.9	231.3
2004 Q1	2,769.0	2,552.4	5,321.4	905.9	6,227.2	-	4,240.8	2,259.5	8,241.7	7,165.0	316.9
Q2	2,790.0	2,582.2	5,372.2	931.8	6,304.0	-	4,307.3	2,306.9	8,403.2	7,293.3	290.2
Q3	2,868.6	2,621.4	5,490.0	941.3	6,431.3	-	4,395.1	2,324.9	8,523.4	7,415.2	344.8
2004 Oct.	2,881.4	2,642.8	5,524.2	946.2	6,470.3	-	4,416.0	2,326.6	8,577.3	7,465.0	355.9
Nov.	2,907.0	2,637.9	5,544.9	945.7	6,490.6	-	4,443.4	2,316.7	8,646.2	7,518.0	355.5
Dec.	2,892.3	2,672.3	5,564.6	963.8	6,528.4	-	4,457.2	2,289.9	8,686.1	7,548.9	372.4
2005 Jan.	2,957.3	2,664.1	5,621.3	948.4	6,569.7	-	4,490.8	2,323.2	8,748.7	7,598.8	379.8
Feb. ^(p)	2,983.4	2,662.7	5,646.1	943.3	6,589.4	-	4,525.7	2,340.1	8,787.9	7,629.5	396.6
Transactions											
2002	217.3	89.3	306.5	69.4	375.9	-	189.1	35.1	347.2	311.9	173.6
2003	258.0	114.7	372.7	34.2	406.9	-	238.6	132.3	446.1	373.0	92.9
2004 Q1	92.2	-13.2	79.1	-1.6	77.4	-	76.0	25.0	90.2	74.5	78.4
Q2	20.6	31.8	52.4	22.8	75.2	-	76.9	46.1	165.1	136.1	-16.7
Q3	80.6	40.7	121.3	9.0	130.3	-	94.7	16.1	129.8	133.9	55.7
2004 Oct.	14.0	22.9	36.9	4.2	41.1	-	26.2	1.2	56.3	53.0	12.5
Nov.	28.5	-2.5	26.0	-0.2	25.8	-	34.1	-10.0	73.7	58.7	4.4
Dec.	-11.2	35.2	23.9	18.3	42.3	-	29.6	-27.5	52.1	42.2	25.8
2005 Jan.	62.4	-11.1	51.3	-15.1	36.2	-	11.6	28.1	59.2	47.7	-2.5
Feb. ^(p)	27.2	-4.1	23.0	-11.7	11.3	-	47.1	18.5	38.6	31.4	18.2
Growth rates											
2002 Dec.	9.8	3.7	6.6	8.8	7.0	7.1	4.9	1.7	4.7	4.8	173.6
2003 Dec.	10.6	4.7	7.6	4.0	7.1	7.0	6.0	6.3	5.8	5.5	92.9
2004 Mar.	11.4	2.1	6.7	3.1	6.2	5.9	7.0	6.6	5.7	5.3	92.5
June	9.5	1.7	5.6	3.5	5.3	5.2	7.7	7.4	6.1	6.0	0.6
Sept.	9.7	2.7	6.3	4.7	6.0	5.8	7.9	5.2	6.3	6.5	124.2
2004 Oct.	9.0	3.6	6.3	3.0	5.8	6.0	7.8	4.2	6.5	6.7	132.2
Nov.	9.8	3.2	6.5	3.1	6.0	6.1	7.7	3.3	6.7	6.9	125.8
Dec.	8.4	4.5	6.5	5.8	6.4	6.3	8.1	2.3	7.0	7.0	160.3
2005 Jan.	9.3	4.4	6.9	4.7	6.6	6.5	7.9	3.5	7.3	7.3	113.5
Feb. ^(p)	9.9	4.1	7.1	2.2	6.4	.	8.6	3.9	7.3	7.2	116.2

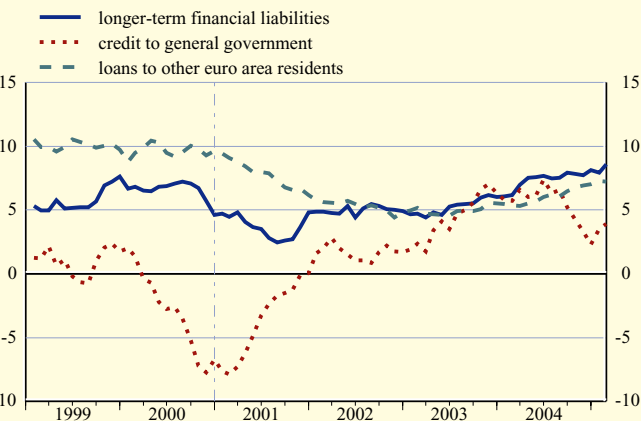
C1 Monetary aggregates

(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

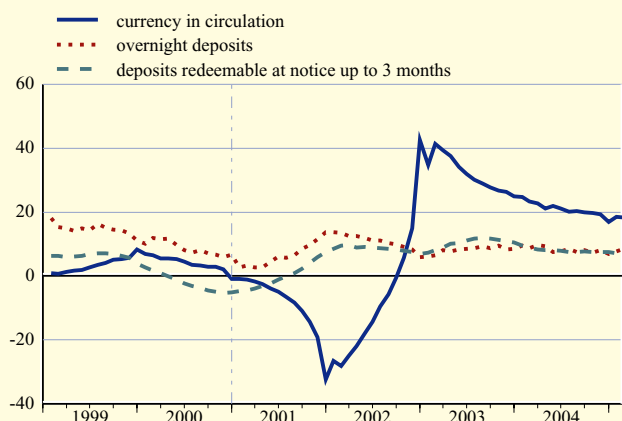
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	240.5	485.0	128.5	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,288.4	1,037.2	1,522.6	222.5	597.2	92.7	1,790.2	90.6	1,253.1	1,008.7
2004 Q1	406.2	2,362.8	1,004.1	1,548.3	214.3	597.1	94.5	1,855.8	90.1	1,268.3	1,026.6
Q2	420.5	2,369.5	995.5	1,586.7	220.2	611.5	100.1	1,899.0	89.1	1,298.6	1,020.6
Q3	439.9	2,428.8	1,002.8	1,618.5	225.3	615.6	100.4	1,947.2	88.4	1,318.7	1,040.8
2004 Oct.	446.3	2,435.0	1,020.4	1,622.4	224.5	622.7	99.0	1,953.5	89.4	1,327.8	1,045.3
Nov.	453.3	2,453.7	1,007.0	1,630.9	225.3	617.3	103.1	1,949.7	89.7	1,343.4	1,060.5
Dec.	453.3	2,439.0	1,037.4	1,634.9	243.2	619.4	101.2	1,964.7	89.5	1,357.7	1,045.3
2005 Jan.	468.2	2,489.1	1,030.3	1,633.7	229.8	618.9	99.8	1,990.0	90.0	1,363.9	1,046.9
Feb. ^(p)	471.9	2,511.4	1,022.4	1,640.4	219.1	611.5	112.7	2,010.1	90.5	1,369.2	1,055.9
Transactions											
2002	99.3	118.0	-1.1	90.3	10.7	71.1	-12.5	118.7	-10.0	41.0	39.4
2003	77.8	180.2	-28.7	143.4	-8.8	58.1	-15.1	149.4	-13.2	62.7	39.7
2004 Q1	18.6	73.6	-38.7	25.5	-7.2	1.1	4.5	51.2	-0.5	14.4	10.9
Q2	14.4	6.2	-6.6	38.5	5.5	10.0	7.3	41.3	-1.0	30.7	5.9
Q3	19.3	61.3	8.8	32.0	5.1	5.3	-1.5	55.2	-0.7	21.5	18.7
2004 Oct.	6.5	7.5	19.0	3.9	-0.7	6.9	-2.0	11.8	1.0	9.4	4.0
Nov.	7.0	21.5	-11.1	8.6	0.9	-4.8	3.7	5.7	0.3	15.7	12.3
Dec.	0.0	-11.2	31.1	4.1	18.0	2.5	-2.2	23.3	-0.2	13.9	-7.4
2005 Jan.	14.9	47.6	-9.8	-1.3	-13.6	0.4	-1.9	7.5	0.5	5.4	-1.8
Feb. ^(p)	3.7	23.4	-10.8	6.7	-10.5	-8.2	7.0	30.6	0.5	5.6	10.4
Growth rates											
2002 Dec.	42.6	5.9	-0.1	6.9	4.7	17.2	-9.0	7.4	-8.8	3.5	4.0
2003 Dec.	24.9	8.5	-2.7	10.4	-3.9	11.1	-14.9	8.9	-12.7	5.3	4.0
2004 Mar.	22.7	9.7	-6.1	8.2	-1.2	6.8	-7.3	10.5	-9.9	5.4	4.6
June	21.1	7.7	-6.8	8.0	2.0	4.6	0.5	10.4	-7.1	7.0	5.2
Sept.	19.9	8.1	-4.2	7.6	3.2	4.2	11.7	10.9	-3.0	7.2	4.5
2004 Oct.	19.6	7.2	-2.0	7.4	1.9	4.4	-3.0	10.5	-2.1	7.4	4.5
Nov.	19.2	8.2	-3.1	7.5	0.2	4.7	0.5	9.9	-1.4	7.9	4.6
Dec.	17.0	6.9	0.2	7.4	9.8	3.5	10.7	10.5	-1.2	8.4	4.4
2005 Jan.	18.5	7.7	0.6	7.0	6.3	4.3	3.3	9.8	-0.4	8.6	4.4
Feb. ^(p)	18.3	8.5	0.3	6.7	-1.3	2.6	8.0	11.1	0.4	8.5	4.9

C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown ¹⁾

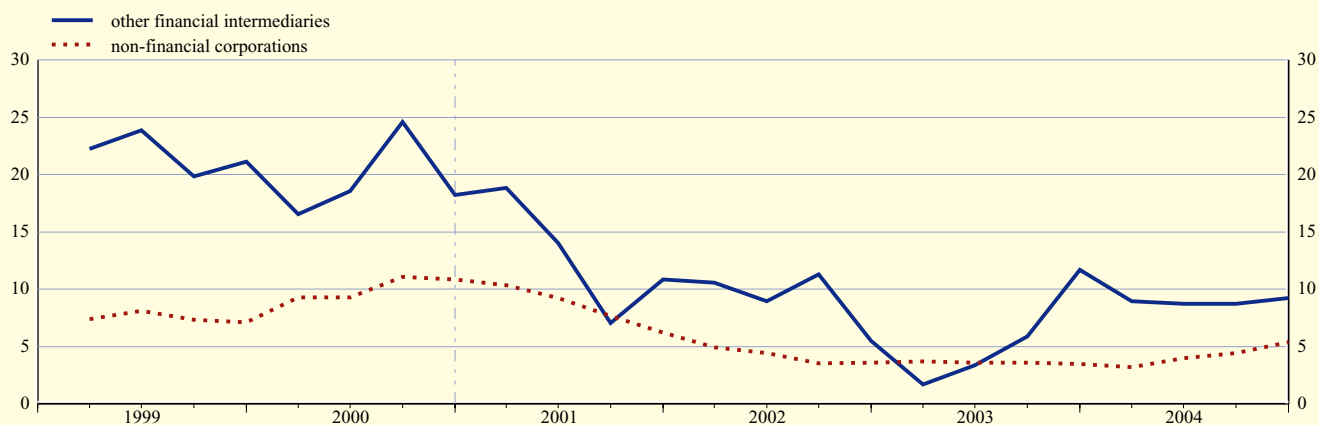
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries ²⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.4	22.1	512.1	322.4	3,033.7	958.3	527.0	1,548.5
2004 Q1	46.3	32.2	504.8	304.5	3,054.4	954.3	526.2	1,573.8
Q2	53.7	39.8	511.0	306.8	3,092.0	965.2	537.3	1,589.5
Q3	52.5	37.6	509.9	302.6	3,102.7	951.2	545.9	1,605.5
2004 Oct.	54.8	39.1	513.6	306.6	3,121.4	959.7	546.8	1,614.9
Nov.	54.0	37.8	536.3	329.8	3,141.0	974.1	549.1	1,617.8
Dec.	48.7	30.9	542.2	332.8	3,154.3	973.9	548.6	1,631.8
2005 Jan.	55.6	38.7	543.4	337.8	3,172.5	981.6	559.1	1,631.8
Feb. ^(p)	59.1	41.3	547.2	342.0	3,173.6	982.3	554.6	1,636.8
Transactions								
2002	-4.1	-8.0	23.9	14.2	103.7	-26.6	31.8	98.5
2003	4.2	2.2	53.9	26.1	102.3	-8.0	15.5	94.8
2004 Q1	10.8	10.0	-2.4	-11.3	22.1	-3.9	4.0	22.0
Q2	7.0	7.3	9.0	4.9	59.5	15.7	11.7	32.0
Q3	-1.1	-2.2	2.7	-0.6	16.1	-12.2	9.5	18.8
2004 Oct.	2.4	1.6	5.3	4.6	20.1	9.1	1.2	9.8
Nov.	-0.7	-1.3	24.1	24.2	23.1	15.4	2.8	4.9
Dec.	-5.2	-6.9	7.6	2.9	22.0	-0.8	3.4	19.5
2005 Jan.	6.6	7.6	-0.7	3.7	16.3	6.1	10.3	-0.1
Feb. ^(p)	3.6	2.7	4.4	4.7	1.6	-1.9	-4.2	7.7
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 June	18.8	25.6	8.7	3.3	4.0	-2.1	6.4	7.2
Sept.	17.5	31.5	8.7	5.9	4.5	-0.6	6.1	7.2
2004 Oct.	9.4	14.7	9.5	7.9	5.0	1.4	5.6	7.1
Nov.	10.0	14.0	10.4	8.8	5.2	2.5	5.5	6.7
Dec.	37.1	39.1	9.3	8.1	5.4	2.5	6.2	6.9
2005 Jan.	16.5	12.0	9.7	10.6	5.7	2.9	7.9	6.7
Feb. ^(p)	25.5	23.5	8.9	10.0	5.7	3.4	6.9	6.7

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⁾

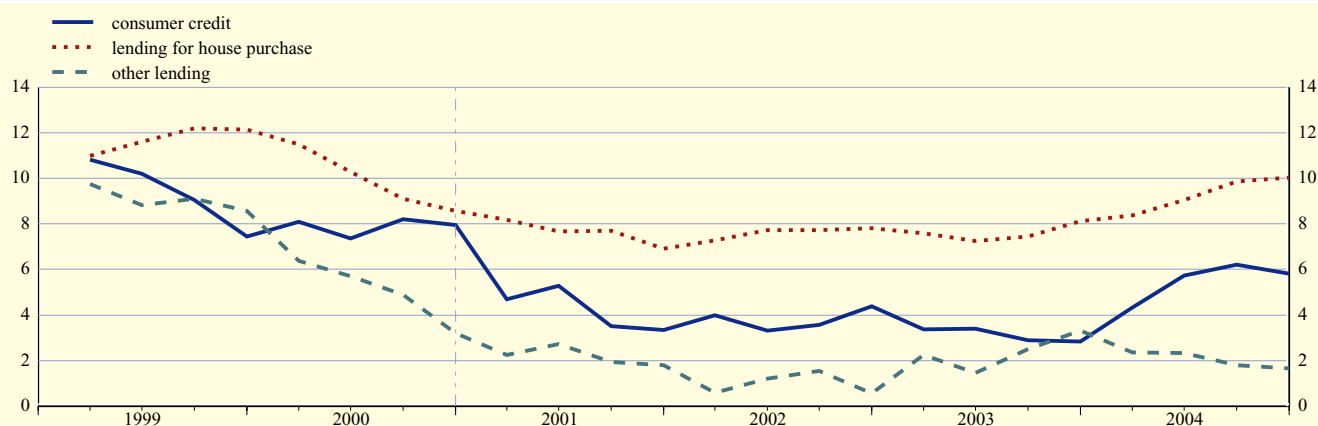
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	2,360.4	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1	
2004 Q1	3,564.7	484.5	109.9	182.3	192.3	2,400.2	14.2	61.6	2,324.4	679.9	141.8	95.1	443.0	
Q2	3,663.2	502.2	115.1	187.1	199.9	2,463.7	15.2	64.7	2,383.8	697.2	147.5	99.2	450.5	
Q3	3,736.3	507.5	115.2	188.4	203.9	2,534.1	14.9	65.8	2,453.4	694.7	144.6	99.0	451.0	
2004 Oct.	3,757.6	509.4	114.9	189.5	205.0	2,553.5	15.5	66.5	2,471.5	694.8	143.6	99.7	451.5	
Nov.	3,779.4	509.9	114.8	189.7	205.4	2,571.9	15.3	65.7	2,491.0	697.6	146.5	99.4	451.7	
Dec.	3,804.5	513.8	117.3	191.0	205.5	2,592.3	15.5	65.8	2,511.0	698.4	144.5	99.7	454.3	
2005 Jan.	3,820.4	514.0	118.3	190.0	205.7	2,606.7	15.0	65.5	2,526.2	699.6	143.8	99.0	456.8	
Feb. ^(p)	3,837.1	513.7	118.1	189.5	206.1	2,620.8	14.9	65.6	2,540.3	702.7	144.0	98.9	459.7	
Transactions														
2002	183.2	21.9	7.1	5.3	9.4	157.9	-0.4	2.3	156.0	3.5	-3.1	2.2	4.4	
2003	211.8	13.3	8.4	6.3	-1.4	177.4	-5.9	1.7	181.5	21.1	-6.3	-4.9	32.3	
2004 Q1	48.2	2.1	-1.6	1.8	2.0	44.9	-0.1	-0.8	45.7	1.3	-2.3	0.4	3.2	
Q2	82.0	13.6	4.8	3.7	5.1	59.9	0.9	2.6	56.5	8.5	3.1	1.0	4.5	
Q3	75.6	5.4	0.2	1.3	3.9	71.4	-0.2	1.2	70.4	-1.1	-2.7	-0.4	2.0	
2004 Oct.	21.6	1.7	-0.3	0.7	1.2	19.9	0.5	0.3	19.1	0.0	-0.9	0.9	0.0	
Nov.	22.5	0.8	-0.1	0.3	0.7	18.7	-0.4	-0.6	19.7	3.0	3.2	-0.2	-0.1	
Dec.	25.9	4.5	2.8	1.5	0.2	21.7	0.3	0.2	21.2	-0.3	-1.2	0.4	0.5	
2005 Jan.	17.8	0.5	0.5	-0.7	0.7	14.8	-0.4	-0.3	15.5	2.5	-0.2	-0.7	3.4	
Feb. ^(p)	16.3	0.1	0.0	-0.6	0.7	14.6	-0.1	0.1	14.6	1.6	0.1	0.2	1.3	
Growth rates														
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.8	-1.8	3.7	8.1	0.6	-2.0	2.2	1.2	
2003 Dec.	6.4	2.8	8.1	3.6	-0.2	8.1	-26.2	2.6	8.7	3.3	-4.2	-5.0	8.5	
2004 Mar.	6.6	4.3	-0.1	6.1	5.3	8.4	4.6	-3.3	8.8	2.4	-1.0	-1.8	4.4	
June	7.3	5.7	3.3	5.8	7.0	9.0	9.0	1.0	9.3	2.3	-1.4	1.7	3.8	
Sep.	7.8	6.2	4.4	5.4	8.0	9.8	4.2	0.6	10.2	1.8	-0.1	-0.1	2.8	
2004 Oct.	7.8	5.9	3.7	5.2	7.9	9.8	9.0	-0.2	10.2	2.1	1.0	1.1	2.6	
Nov.	7.9	6.5	7.0	4.6	8.1	10.0	6.1	-0.9	10.3	1.9	1.2	1.2	2.3	
Dec.	7.8	5.8	5.2	5.1	6.8	10.0	6.6	4.6	10.2	1.7	-0.5	2.2	2.3	
2005 Jan.	8.1	6.5	7.0	5.6	7.0	10.1	5.8	5.8	10.2	2.4	0.7	2.3	3.0	
Feb. ^(p)	8.1	6.4	7.9	4.7	7.1	10.1	5.8	6.1	10.2	2.3	2.0	2.2	2.5	

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⁾

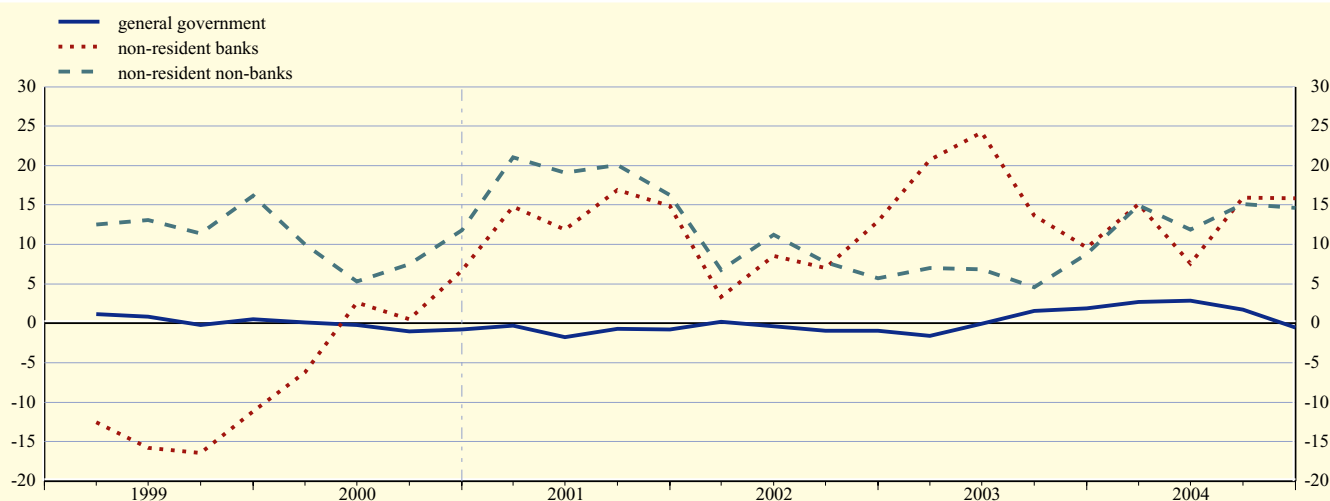
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	812.2	126.5	252.3	394.6	38.8	1,965.9	1,317.3	648.6	60.9	587.7
Q4 ^(p)	814.7	129.5	252.3	395.6	37.3	1,978.4	1,336.6	641.8	61.5	580.4
Transactions										
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	135.2	34.5	-1.2	35.7
2003	15.3	-4.3	-12.2	16.6	15.3	159.6	109.2	50.3	-5.0	55.3
2004 Q1	5.8	5.7	-3.9	0.1	3.9	164.1	107.4	56.6	1.8	54.8
Q2	-6.7	-5.9	-8.5	2.9	4.8	6.2	11.4	-5.3	-0.5	-4.8
Q3	-5.7	-3.0	-1.0	3.2	-5.0	22.5	7.7	14.8	0.1	14.7
Q4 ^(p)	2.5	3.5	-0.5	1.1	-1.5	80.9	61.4	19.4	0.6	18.8
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	-3.2	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	10.9
2004 Mar.	2.7	0.9	-2.2	3.0	63.2	15.1	15.1	15.0	4.0	16.3
June	2.9	2.0	-4.0	4.2	54.4	9.0	7.6	11.9	2.9	12.9
Sep.	1.8	-1.4	-4.1	4.9	26.9	15.7	16.0	15.1	1.9	16.6
Dec. ^(p)	-0.5	0.2	-5.2	1.9	6.4	15.5	15.8	14.7	3.3	16.0

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⁾

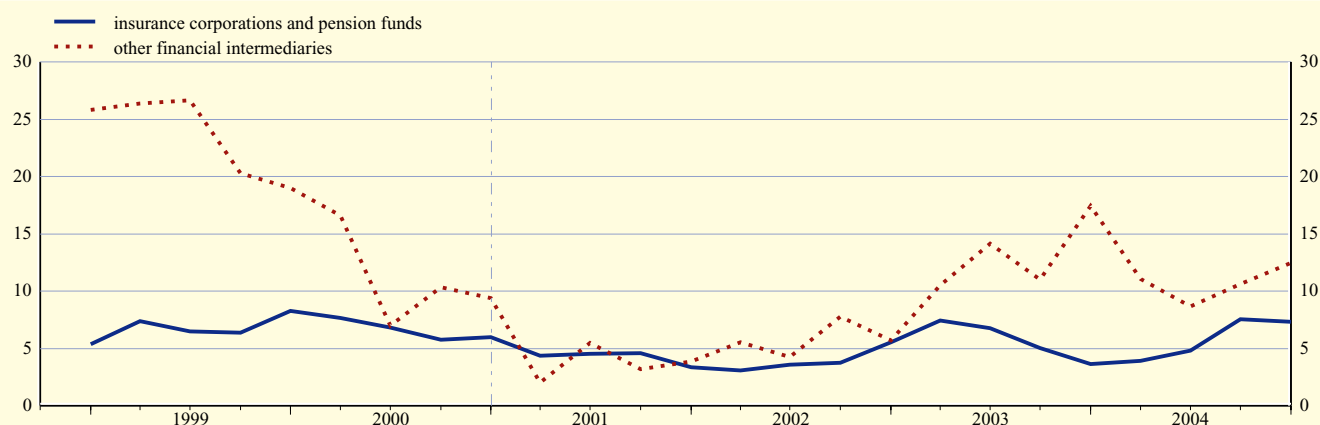
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	-	-	-	0.8	17.8	493.6	152.7	-	-	-	-	97.1
2003	542.4	58.9	41.7	420.5	1.3	-	19.1	567.7	183.0	130.8	143.3	6.1	0.1	104.4
2004 Q1	557.3	64.7	42.2	426.2	1.3	1.0	22.0	586.9	197.3	119.9	145.7	7.8	0.1	116.1
Q2	565.4	59.9	42.1	439.8	1.3	1.0	21.2	596.5	194.5	122.6	153.7	8.3	0.1	117.2
Q3	573.6	61.5	47.3	442.5	1.2	1.0	20.0	598.5	190.2	120.5	164.9	8.1	0.1	114.8
2004 Oct.	579.1	58.6	49.1	446.1	1.3	1.3	22.8	621.3	187.6	133.8	166.9	8.4	0.1	124.5
Nov.	584.4	63.2	47.7	450.0	1.3	1.3	20.8	632.3	197.7	126.6	177.0	9.7	0.1	121.3
Dec.	583.1	59.0	51.3	449.5	1.2	1.3	20.8	635.1	180.7	138.8	186.9	10.1	0.1	118.6
2005 Jan.	595.3	66.9	50.8	451.3	1.4	1.3	23.6	660.2	208.5	130.0	186.0	11.6	0.1	124.1
Feb. ^(p)	589.7	60.2	48.6	456.1	1.3	1.3	22.3	672.5	213.1	132.7	188.4	11.5	0.1	126.7
Transactions														
2002	27.6	7.8	-	-	-	-	1.4	26.6	-4.7	-	-	-	-	12.8
2003	19.0	1.6	-3.1	18.8	0.3	0.4	1.1	85.0	27.4	-0.5	38.9	3.2	0.0	16.0
2004 Q1	14.6	5.7	0.3	5.6	0.0	0.2	2.8	15.5	14.3	-14.6	1.4	1.6	0.0	12.7
Q2	7.2	-4.9	0.0	13.7	0.0	-0.6	-0.9	12.2	-1.4	3.9	8.3	0.6	0.0	0.8
Q3	8.2	1.6	5.3	2.6	-0.1	0.0	-1.1	2.6	-4.0	-2.3	11.4	-0.2	0.0	-2.4
2004 Oct.	5.4	-2.9	1.9	3.3	0.0	0.3	2.8	23.8	-2.2	13.6	2.2	0.4	0.0	9.8
Nov.	5.5	5.1	-1.2	3.5	0.1	0.0	-2.0	12.9	10.9	-6.7	10.5	1.3	0.0	-3.2
Dec.	-1.2	-4.1	4.1	-0.9	-0.1	0.0	-0.1	3.8	-15.5	11.7	9.7	0.5	0.0	-2.6
2005 Jan.	11.9	7.8	-0.7	1.8	0.2	0.0	2.8	22.1	27.0	-9.4	-2.4	1.4	0.0	5.4
Feb. ^(p)	-5.6	-6.8	-2.1	4.8	-0.1	0.0	-1.3	9.2	4.9	-0.9	2.6	-0.1	0.0	2.6
Growth rates														
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.6	2.8	-6.7	4.7	40.9	60.8	6.0	17.5	17.7	-0.5	36.8	70.6	-	17.1
2004 Mar.	3.9	5.1	9.9	2.4	40.8	52.8	18.6	11.1	17.2	-13.0	22.3	47.6	-	17.8
June	4.8	-6.4	12.7	6.4	40.0	-44.0	-6.3	8.7	7.9	-10.0	18.6	44.5	-	20.5
Sep.	7.6	6.9	46.4	4.8	13.6	-52.5	6.9	10.6	7.6	-6.0	28.3	63.5	-	11.7
2004 Oct.	8.3	10.3	32.9	5.1	3.3	38.3	24.2	11.3	7.7	1.8	27.0	48.4	-	7.8
Nov.	9.4	22.7	33.3	5.9	3.8	-37.9	7.2	11.9	12.9	-4.0	29.4	73.6	-	4.9
Dec.	7.3	1.0	24.4	6.6	-8.2	-43.1	8.0	12.4	1.1	4.1	30.4	67.6	-	14.6
2005 Jan.	7.2	2.9	18.7	6.6	5.0	36.2	8.2	16.1	16.9	-1.1	31.9	69.0	-	12.0
Feb. ^(p)	5.7	-3.6	16.1	7.2	-2.9	-51.5	-11.6	16.3	17.9	5.3	31.7	38.2	-	5.5

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⁾

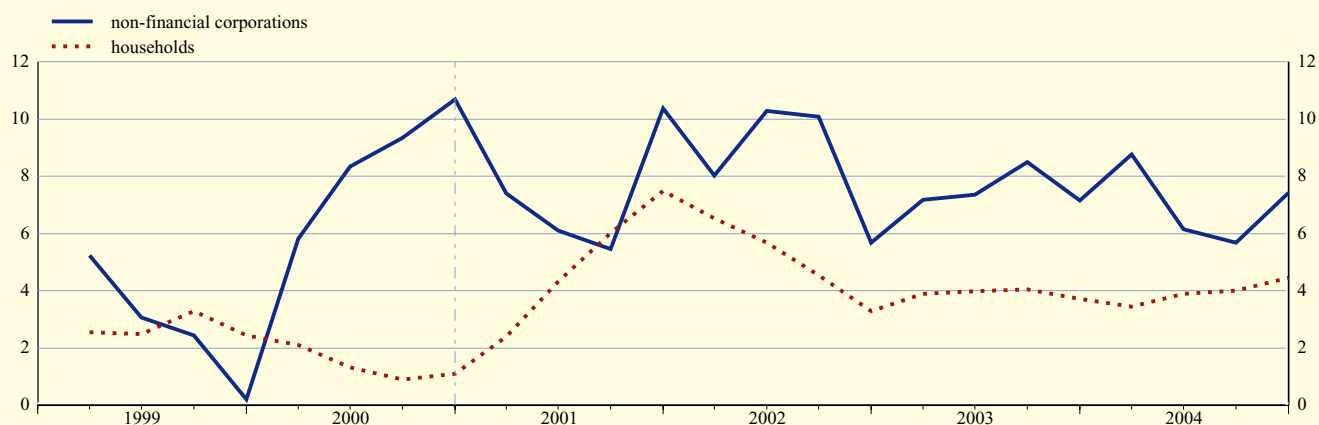
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Q1	1,036.2	623.7	275.9	69.9	39.9	1.0	25.8	3,997.9	1,320.7	527.4	608.6	1,401.2	88.2	51.9
Q2	1,053.4	650.1	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
Q3	1,066.5	657.0	269.7	70.6	42.6	1.1	25.6	4,060.8	1,363.2	511.4	615.0	1,431.9	85.5	53.7
2004 Oct.	1,071.1	648.1	283.9	69.6	42.5	1.1	25.9	4,078.5	1,376.9	509.1	617.6	1,434.4	86.0	54.4
Nov.	1,077.3	660.0	279.7	69.7	41.2	1.1	25.5	4,089.8	1,381.0	509.1	618.7	1,439.8	86.8	54.4
Dec.	1,115.6	674.1	295.0	72.0	43.7	1.1	29.8	4,160.0	1,402.7	514.3	632.9	1,466.5	88.0	55.6
2005 Jan.	1,079.7	658.3	279.0	73.9	42.5	1.1	24.9	4,166.5	1,400.2	514.6	634.6	1,477.2	87.7	52.2
Feb. ^(p)	1,072.4	655.5	275.3	74.0	43.7	1.1	22.9	4,175.1	1,406.2	515.9	634.6	1,478.5	88.3	51.6
Transactions														
2002	54.3	28.9	-	-	-	-	-1.3	120.5	65.3	-	-	-	-	-1.9
2003	70.4	40.8	53.5	-29.8	10.2	0.0	-4.2	141.8	95.2	-71.2	35.9	117.4	-13.7	-21.8
2004 Q1	-15.0	-9.9	-5.3	2.6	1.9	0.0	-4.2	18.0	8.5	-17.4	7.7	21.9	-1.7	-1.0
Q2	21.1	27.7	-8.9	0.9	1.1	0.6	-0.3	53.5	43.8	-11.0	3.3	21.1	-2.4	-1.5
Q3	15.5	7.9	5.4	0.4	1.6	0.0	0.2	6.0	-3.7	-5.3	2.4	9.6	-0.3	3.3
2004 Oct.	6.0	-8.3	14.7	-0.7	0.0	0.0	0.3	18.4	13.9	-1.8	2.7	2.5	0.5	0.7
Nov.	10.8	13.1	-3.2	0.1	1.2	0.0	-0.4	9.9	4.4	0.7	1.1	3.0	0.8	0.0
Dec.	39.0	14.8	15.8	1.7	2.5	0.0	4.2	71.2	22.9	5.4	13.7	26.7	1.2	1.3
2005 Jan.	-37.5	-16.9	-17.1	2.5	-1.2	0.0	-4.8	5.1	-2.9	-0.5	1.7	10.5	-0.3	-3.5
Feb. ^(p)	-6.3	-2.3	-3.4	0.1	1.2	0.0	-2.1	9.2	6.2	1.6	0.0	1.4	0.6	-0.6
Growth rates														
2002 Dec.	5.7	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.2	6.7	23.0	-30.7	41.5	-3.5	-12.4	3.7	7.9	-11.5	6.4	9.3	-13.2	-29.2
2004 Mar.	8.8	11.8	3.1	13.2	23.1	-3.9	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
June	6.1	10.0	-3.5	14.8	17.1	52.2	-13.5	3.9	7.6	-8.0	4.5	7.0	-7.7	-18.6
Sept.	5.7	9.7	-2.7	7.1	18.8	64.7	-16.0	4.0	7.1	-7.7	4.8	6.4	-3.5	-4.5
2004 Oct.	5.6	8.6	-0.2	7.4	17.3	21.3	-17.6	4.4	7.9	-7.4	5.1	6.3	-3.0	-2.9
Nov.	5.0	8.0	-1.3	4.7	18.1	73.8	-12.8	4.0	6.3	-6.7	5.3	6.2	-2.4	-2.1
Dec.	7.4	7.2	6.7	7.3	21.8	72.2	-0.8	4.4	6.8	-5.4	5.2	6.2	-2.1	5.2
2005 Jan.	7.9	8.4	6.0	10.1	15.4	14.4	-1.9	4.2	6.3	-4.6	4.8	5.9	-1.2	-3.5
Feb. ^(p)	6.8	9.3	0.6	9.0	18.0	71.1	-12.2	4.4	6.6	-2.9	4.4	5.6	-0.1	-4.7

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	288.2	146.3	33.0	66.3	42.6	2,452.1	1,764.8	687.4	105.1	582.3
Q4 ^(p)	283.4	138.9	30.6	69.6	44.4	2,429.6	1,747.4	682.3	103.8	578.5
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	138.7	117.6	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	-4.9	-10.3	2.3	1.9	1.2	6.9	-4.6	11.5	3.1	8.4
Q4 ^(p)	-3.4	-7.4	-1.0	3.2	1.8	63.0	46.4	16.4	-1.7	18.1
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.	9.5	13.2	5.1	3.3	11.4	10.7	15.3	0.4	12.5	-1.5
Dec. ^(p)	5.3	4.6	5.7	4.0	9.3	10.9	13.4	5.0	7.6	4.6

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.

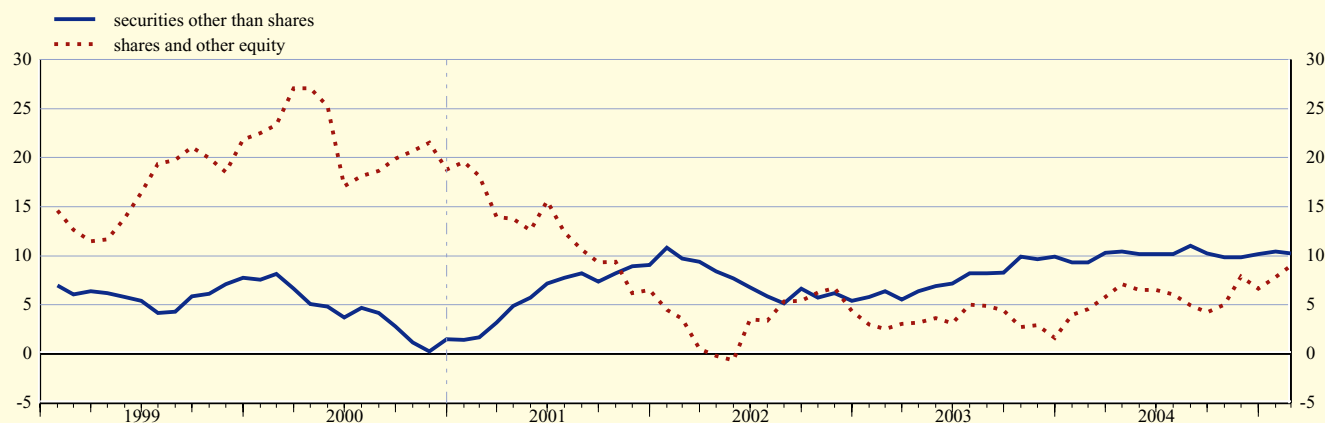
2.6 MFI holdings of securities, breakdown ¹⁾

(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	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,068.7	279.7	615.4	173.7
2004 Q1	3,767.6	1,280.9	60.9	1,283.8	17.8	416.2	18.0	690.0	1,115.8	285.7	640.7	189.5
Q2	3,854.7	1,296.7	62.8	1,329.5	17.6	429.0	18.1	701.2	1,154.8	294.7	654.0	206.0
Q3	3,912.6	1,323.0	62.9	1,330.0	15.9	430.0	17.5	733.4	1,127.2	286.6	634.0	206.6
2004 Oct.	3,941.0	1,344.2	62.2	1,323.0	20.3	432.8	17.6	740.9	1,134.8	287.4	637.6	209.8
Nov.	3,970.1	1,353.6	61.3	1,327.6	18.4	438.9	17.2	753.0	1,176.2	294.2	650.5	231.5
Dec.	3,935.2	1,364.8	59.5	1,280.0	15.8	449.0	16.3	749.8	1,159.2	289.3	656.2	213.8
2005 Jan.	4,033.1	1,364.8	65.4	1,317.7	18.9	452.2	16.5	797.5	1,193.4	293.4	669.5	230.6
Feb. ^(p)	4,069.7	1,378.6	64.5	1,345.9	18.0	462.1	16.0	784.7	1,216.1	294.4	672.5	249.2
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	324.6	90.9	4.1	78.9	0.8	52.3	1.7	95.8	16.1	7.2	19.5	-10.5
2004 Q1	156.7	61.3	1.3	45.1	1.4	4.8	-1.1	43.9	44.7	6.1	24.6	14.0
Q2	89.4	15.2	1.7	44.2	0.0	13.9	0.1	14.3	26.1	6.3	8.3	11.5
Q3	67.7	30.8	1.5	-1.0	-1.2	-1.9	-0.2	39.8	-26.3	-7.9	-19.7	1.4
2004 Oct.	35.7	20.9	0.2	-7.4	4.7	2.7	0.3	14.3	5.6	0.4	2.8	2.5
Nov.	41.6	9.1	0.4	4.3	-1.4	5.7	0.2	23.2	38.7	5.9	12.1	20.8
Dec.	-25.3	11.4	-0.6	-48.3	-2.2	10.8	-0.5	4.2	-17.8	-5.4	5.8	-18.2
2005 Jan.	79.7	3.8	4.1	33.3	2.5	3.5	-0.4	32.8	31.5	3.5	12.5	15.5
Feb. ^(p)	43.2	13.4	-0.4	28.7	-0.7	10.2	-0.3	-7.7	19.8	0.3	1.4	18.2
Growth rates												
2002 Dec.	5.4	4.4	-1.8	3.7	-4.3	8.1	21.9	10.1	4.4	5.5	1.3	13.6
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.6	2.7	3.5	-5.7
2004 Mar.	10.3	9.6	5.3	7.2	5.1	10.8	3.8	18.8	5.8	6.3	7.5	-0.2
June	10.1	9.5	6.6	8.5	9.7	10.2	1.5	15.3	6.5	6.4	5.3	11.1
Sept.	10.3	10.7	12.5	6.1	-0.4	8.1	-4.2	19.6	4.2	2.7	3.2	9.8
2004 Oct.	9.9	11.4	11.1	4.1	33.2	6.7	-2.7	20.2	5.0	2.2	4.4	11.1
Nov.	9.9	11.5	9.9	3.5	21.5	6.8	-3.2	21.7	7.9	4.6	4.8	23.4
Dec.	10.2	12.2	7.6	3.0	8.0	8.7	-7.0	21.9	6.6	1.9	5.5	18.2
2005 Jan.	10.4	11.3	10.5	4.4	24.0	9.6	-2.8	20.9	7.8	1.8	6.3	22.6
Feb. ^(p)	10.3	10.5	16.0	5.1	19.2	11.0	-6.8	18.9	9.0	1.9	6.2	29.3

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items ¹⁾

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.0	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.1	-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
Q3	-0.4	-0.2	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.8	-0.2	0.0	-0.6
2004 Oct.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.1	0.0	-0.3
Nov.	-0.2	0.0	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	0.0	-0.3
Dec.	-0.6	-0.3	-0.1	-0.2	-0.8	-0.1	0.0	-0.7	-1.5	-0.6	-0.1	-0.8
2005 Jan.	-0.6	-0.3	-0.1	-0.2	-0.6	-0.1	0.0	-0.5	-1.2	-0.5	-0.1	-0.6
Feb. ^(p)	-0.4	-0.2	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.8	-0.4	0.0	-0.4

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	-17.7	-8.8	-1.3	-7.6	-1.1	-0.3	-0.7
2004 Q1	-6.2	-3.3	-0.6	-2.3	-1.0	-0.4	-0.6
Q2	-2.9	-2.0	0.2	-1.1	-0.1	0.0	-0.1
Q3	-1.7	-0.9	-0.2	-0.7	-0.1	-0.1	-0.1
2004 Oct.	-0.6	-0.3	0.0	-0.3	0.0	0.0	0.0
Nov.	-0.8	-0.4	-0.1	-0.3	-0.2	0.0	-0.2
Dec.	-3.8	-1.9	-0.2	-1.7	-0.2	0.0	-0.2
2005 Jan.	-2.6	-1.3	-0.3	-1.0	-0.2	0.0	-0.1
Feb. ^(p)	-1.2	-0.6	-0.2	-0.5	-0.1	0.0	-0.1

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
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	-0.9	-0.3	3.0	0.0	-1.2	-0.1	-1.8	19.4	8.0	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	-8.5	-0.8	0.0	-5.0	-0.1	-0.8	0.0	-2.0	0.1	-0.7	0.1	0.7
Q3	2.2	-0.6	-0.1	1.5	0.0	0.7	0.0	0.6	-1.5	-0.1	-0.5	-0.9
2004 Oct.	0.5	0.1	0.0	0.4	-0.1	0.1	0.0	0.0	2.2	0.7	0.8	0.7
Nov.	0.7	0.5	-0.1	0.5	-0.1	0.4	-0.1	-0.5	2.7	1.0	0.8	0.9
Dec.	0.3	0.0	-0.1	1.4	-0.1	-1.2	0.0	0.3	2.4	0.6	1.4	0.5
2005 Jan.	5.7	0.0	0.1	4.4	0.1	-0.2	0.1	1.3	3.2	0.5	1.3	1.4
Feb. ^(p)	-1.7	0.5	0.0	-1.4	0.0	-0.2	0.0	-0.4	2.8	0.7	1.7	0.4

Source: ECB.

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

2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

1. Deposits

	MFIs ²⁾							Non-MFIs						
	All currencies outstanding amount	Euro ³⁾	Non-euro currencies					All currencies outstanding amount	Euro ³⁾	Non-euro currencies				
			Total							Total				
			USD	JPY	CHF	GBP				USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
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	6,565.2	97.1	2.9	1.8	0.3	0.1	0.4
Q3	4,586.6	90.5	9.5	5.7	0.5	1.5	1.3	6,587.6	97.1	2.9	1.8	0.3	0.1	0.4
Q4 ⁴⁾	4,681.0	91.4	8.6	5.2	0.4	1.4	1.1	6,777.3	97.2	2.8	1.7	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	1,764.8	46.7	53.3	35.5	1.8	3.1	9.7	687.4	53.1	46.9	29.8	1.8	2.0	9.8
Q4 ⁴⁾	1,747.4	46.8	53.2	35.3	2.0	3.3	9.8	682.3	55.1	44.9	29.1	1.5	2.1	9.4

2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro ³⁾	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3	3,597.2	84.2	15.8	8.0	1.8	2.0	2.6
Q4 ⁴⁾	3,654.9	84.6	15.4	7.8	1.6	1.9	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
To euro area residents														
2002	4,017.8	-	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3
2003	4,193.8	-	-	-	-	-	-	7,920.9	96.5	3.5	1.6	0.3	1.2	0.3
2004 Q1	4,224.6	-	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4
Q2	4,296.2	-	-	-	-	-	-	8,138.1	96.4	3.6	1.6	0.2	1.3	0.4
Q3	4,356.4	-	-	-	-	-	-	8,213.5	96.5	3.5	1.5	0.2	1.3	0.4
Q4 ^(p)	4,439.1	-	-	-	-	-	-	8,364.5	96.6	3.4	1.4	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	29.3	4.7	2.5	9.2	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1	1,308.6	49.1	50.9	30.4	4.7	2.7	9.4	646.9	40.0	60.0	41.9	2.5	4.4	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	1,317.3	51.2	48.8	30.0	3.7	2.2	9.0	648.6	40.2	59.8	42.2	2.5	4.4	7.4
Q4 ^(p)	1,336.6	51.3	48.7	30.1	3.6	2.2	8.6	641.8	42.2	57.8	40.5	2.5	4.3	7.0

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
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	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004 Q1	1,341.8	95.5	4.5	1.6	0.3	0.9	1.4	1,735.8	97.9	2.1	1.0	0.5	0.2	0.2
Q2	1,359.4	95.4	4.6	2.2	0.4	0.4	1.4	1,794.1	98.0	2.0	1.1	0.5	0.1	0.2
Q3	1,385.9	95.5	4.5	2.1	0.3	0.5	1.3	1,793.3	98.1	1.9	1.0	0.5	0.1	0.2
Q4 ^(p)	1,424.3	95.8	4.2	1.8	0.3	0.5	1.3	1,761.1	98.2	1.8	0.9	0.4	0.1	0.3
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	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004 Q1	309.2	44.7	55.3	29.6	1.2	5.0	16.6	380.8	44.4	55.6	31.1	6.1	5.4	7.1
Q2	312.7	46.3	53.7	32.8	1.1	0.6	16.8	388.4	45.2	54.8	33.6	6.7	1.0	7.4
Q3	322.3	47.7	52.3	32.2	1.0	0.5	16.2	411.1	44.2	55.8	32.3	7.6	0.8	8.4
Q4 ^(p)	344.1	49.9	50.1	28.9	1.0	0.6	17.1	405.7	44.9	55.1	30.5	8.1	0.8	9.3

Source: ECB.

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

2.9 Aggregated balance sheet of euro area investment funds ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

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

2. Liabilities

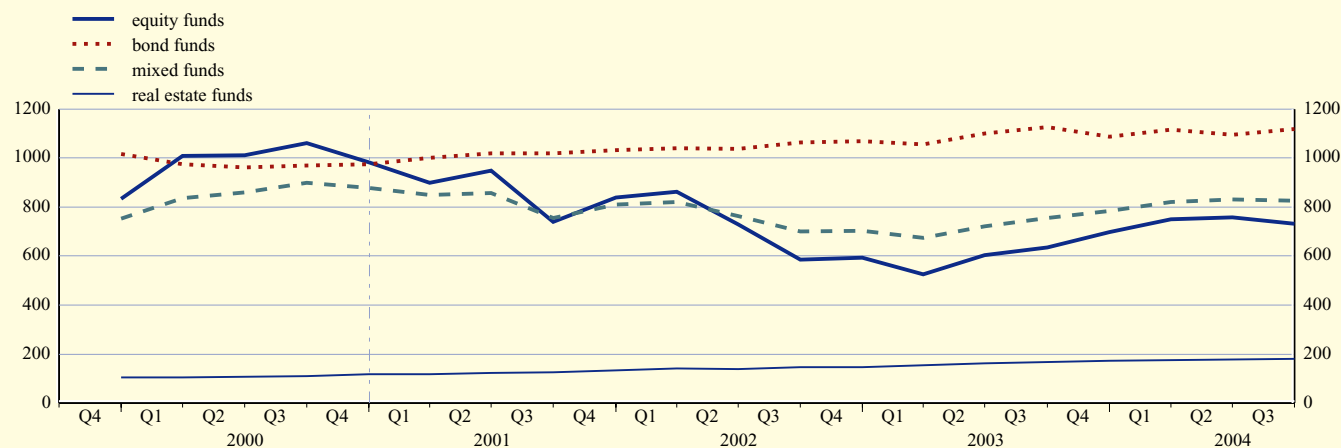
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2003 Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4	3,175.0	44.2	3,011.7	119.1
2004 Q1	3,353.6	49.6	3,171.2	132.8
Q2	3,366.1	50.3	3,189.0	126.7
Q3 ^(p)	3,385.2	48.7	3,209.0	127.4

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

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

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

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

2. Funds by type of investor

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

Source: ECB.



FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Currency and deposits											Memo: deposits of non-banks with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs ¹⁾		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2003 Q2	15,050.0	5,758.1	311.9	5,029.4	1,918.4	1,560.2	1,456.1	94.7	200.3	216.5	329.8	
Q3	15,150.6	5,762.9	322.7	5,070.8	1,956.6	1,555.8	1,469.0	89.3	183.9	185.5	345.4	
Q4	15,553.7	5,881.9	352.4	5,183.1	2,027.4	1,559.2	1,511.4	85.2	153.6	192.8	348.7	
2004 Q1	15,751.2	5,915.3	350.8	5,180.6	2,020.5	1,545.0	1,533.9	81.2	183.8	200.1	395.2	
Q2	16,024.8	6,052.4	372.0	5,263.9	2,101.1	1,529.7	1,553.9	79.4	223.7	192.7	396.6	
Q3	16,080.4	6,078.0	383.5	5,284.4	2,104.2	1,532.3	1,565.1	82.8	204.1	206.0	388.5	
Transactions												
2003 Q2	206.8	131.4	21.3	85.7	83.8	-8.8	22.2	-11.4	24.1	0.3	11.3	
Q3	129.7	12.4	11.4	12.0	6.8	-3.8	12.9	-3.9	-13.7	2.7	17.2	
Q4	150.4	124.6	29.7	117.9	78.9	7.9	36.3	-5.2	-30.3	7.3	10.9	
2004 Q1	132.7	30.9	-1.6	-5.0	-7.6	-15.8	22.4	-3.9	30.2	7.3	40.7	
Q2	285.9	136.4	21.2	83.1	78.8	-14.5	20.7	-1.9	39.4	-7.4	0.9	
Q3	108.5	29.9	11.5	24.8	4.7	5.4	11.3	3.4	-19.7	13.3	0.9	
Growth rates												
2003 Q2	4.5	6.4	27.6	4.5	7.6	-1.0	8.9	-19.0	22.3	13.6	22.6	
Q3	4.7	6.5	23.9	4.7	8.2	-0.7	9.1	-23.5	22.8	13.3	24.5	
Q4	4.4	5.5	21.2	4.3	7.6	-1.0	8.1	-23.4	9.5	9.0	24.5	
2004 Q1	4.3	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	7.7	24.8	
Q2	4.6	5.3	19.5	4.1	8.2	-1.7	6.3	-15.7	12.8	4.6	21.1	
Q3	4.5	5.6	18.8	4.4	7.9	-1.1	6.2	-8.5	10.7	11.1	15.5	
Securities other than shares												
			Shares ²⁾					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2003 Q2	1,936.3	165.6	1,770.7	3,587.9	1,751.5	1,836.4	404.6	3,767.7	3,399.5	368.1		
Q3	1,927.6	166.6	1,760.9	3,624.6	1,764.0	1,860.6	408.7	3,835.6	3,464.2	371.4		
Q4	1,900.4	178.6	1,721.8	3,887.2	2,006.9	1,880.2	406.5	3,884.2	3,509.4	374.8		
2004 Q1	1,915.2	179.7	1,735.5	3,976.2	2,047.5	1,928.7	420.8	3,944.5	3,562.0	382.5		
Q2	1,954.7	197.5	1,757.2	4,024.9	2,109.3	1,915.6	423.9	3,992.8	3,607.7	385.1		
Q3	1,958.7	191.9	1,766.8	3,995.0	2,087.6	1,907.4	424.3	4,048.8	3,660.8	388.0		
Transactions												
2003 Q2	-40.4	-18.3	-22.2	54.9	17.1	37.8	3.8	60.9	57.4	3.5		
Q3	10.1	0.0	10.1	47.7	29.9	17.8	2.7	59.4	57.1	2.3		
Q4	7.1	8.6	-1.5	-24.6	-24.2	-0.4	-10.2	43.3	41.5	1.8		
2004 Q1	11.3	0.7	10.7	22.0	-3.5	25.5	15.0	68.4	60.7	7.7		
Q2	43.8	16.3	27.5	54.6	56.2	-1.6	-0.5	51.1	48.5	2.7		
Q3	0.3	-5.8	6.1	19.1	17.7	1.4	-2.2	59.1	56.2	2.9		
Growth rates												
2003 Q2	-2.5	-15.7	-1.0	3.4	0.5	7.1	13.6	6.3	6.7	2.6		
Q3	-3.5	-25.3	-0.9	4.5	2.0	6.9	9.3	6.4	6.9	2.4		
Q4	-2.4	-16.1	-0.7	4.0	1.1	6.9	8.5	6.6	6.9	3.7		
2004 Q1	-0.6	-4.7	-0.2	3.1	1.3	4.6	2.8	6.3	6.5	4.2		
Q2	3.7	15.4	2.6	2.8	3.3	2.3	1.7	5.9	6.1	3.9		
Q3	3.2	11.9	2.4	2.0	2.6	1.3	0.5	5.8	6.0	4.1		

Source: ECB.

- 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).
- Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households ¹⁾			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2003 Q2	16,188.4	8,243.6	7,236.1	877.7	70.0	807.7	3,651.8	1,213.2	2,438.6	3,714.1	291.4	3,422.6	253.8
Q3	16,257.4	8,328.4	7,293.7	886.5	71.1	815.4	3,657.6	1,184.8	2,472.9	3,784.2	286.0	3,498.2	275.6
Q4	16,586.2	8,468.7	7,396.6	957.2	81.0	876.2	3,660.2	1,164.3	2,495.9	3,851.2	287.4	3,563.8	266.6
2004 Q1	16,930.1	8,521.4	7,465.7	961.8	85.0	876.8	3,654.7	1,160.7	2,494.0	3,905.0	281.7	3,623.3	305.6
Q2	17,146.7	8,669.2	7,596.3	954.6	90.5	864.1	3,698.2	1,167.8	2,530.4	4,016.4	293.9	3,722.5	304.6
Q3	17,224.7	8,747.4	7,674.0	949.8	89.1	860.7	3,701.0	1,149.5	2,551.4	4,096.6	290.7	3,805.9	298.3
Transactions													
2003 Q2	238.7	116.3	84.1	-4.6	3.3	-7.9	51.5	24.2	27.3	69.4	5.3	64.2	2.4
Q3	137.4	81.9	58.8	8.9	1.1	7.8	1.9	-25.9	27.8	71.1	-4.7	75.8	22.9
Q4	119.0	112.9	118.4	22.3	9.9	12.4	17.0	-16.1	33.2	73.6	4.6	69.0	-1.4
2004 Q1	199.1	49.9	76.1	6.0	4.0	2.1	-14.0	-6.5	-7.5	57.9	-4.2	62.1	33.6
Q2	264.5	153.2	134.4	-8.8	5.5	-14.3	67.1	13.1	54.0	95.0	8.9	86.1	-1.4
Q3	137.5	82.9	86.1	-4.4	-1.4	-3.0	4.6	-15.6	20.2	82.7	-2.8	85.5	-1.4
Growth rates													
2003 Q2	4.9	4.9	4.0	0.9	34.4	-1.3	4.2	1.4	5.7	6.5	-1.5	7.3	3.6
Q3	5.2	5.4	4.3	2.8	33.1	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	36.4	1.2	3.2	0.1	4.7	7.1	-0.8	7.8	12.9
2004 Q1	4.4	4.4	4.7	3.7	26.5	1.8	1.6	-2.0	3.3	7.5	0.4	8.1	22.4
Q2	4.4	4.8	5.4	3.2	29.1	1.0	2.0	-2.9	4.4	8.0	1.6	8.6	21.2
Q3	4.4	4.8	5.7	1.7	25.1	-0.3	2.0	-2.1	4.0	8.2	2.3	8.6	10.7
Securities other than shares issued by													
	Total									Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	General government			Non-financial corporations									
	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	21	22	23	
	14	15	16	17	18	19	20						
Outstanding amounts													
2003 Q2	5,003.8	4,415.4	564.2	3,851.2	588.4	166.4	422.0	2,449.8	205.7	285.6			
Q3	4,991.9	4,407.3	558.3	3,849.0	584.6	165.2	419.4	2,473.0	174.3	289.8			
Q4	4,919.2	4,328.2	539.7	3,788.5	591.0	164.3	426.7	2,726.3	181.7	290.4			
2004 Q1	5,091.1	4,494.8	577.2	3,917.6	596.3	180.7	415.6	2,834.2	189.0	294.4			
Q2	5,153.9	4,544.0	594.5	3,949.5	609.9	192.3	417.6	2,843.0	181.9	298.7			
Q3	5,216.0	4,602.6	588.4	4,014.1	613.4	188.2	425.2	2,763.5	195.0	302.9			
Transactions													
2003 Q2	103.8	88.0	34.1	53.9	15.9	-0.6	16.5	14.9	-0.6	4.2			
Q3	45.0	42.6	-5.7	48.3	2.4	-0.9	3.4	3.9	2.4	4.2			
Q4	-5.5	-13.5	-18.3	4.8	8.0	-0.8	8.8	0.0	7.4	4.1			
2004 Q1	135.7	136.6	36.1	100.5	-0.8	16.2	-17.0	2.1	7.3	4.0			
Q2	109.7	94.4	17.1	77.3	15.3	11.7	3.6	4.5	-7.1	4.3			
Q3	31.8	26.2	-5.7	31.9	5.6	-3.9	9.5	5.4	13.1	4.3			
Growth rates													
2003 Q2	7.3	6.7	15.6	5.5	11.8	27.7	6.4	0.6	13.4	5.8			
Q3	6.7	6.3	14.6	5.2	9.8	20.0	6.2	0.7	13.2	5.8			
Q4	6.2	5.7	12.5	4.8	10.4	13.7	9.1	0.8	8.9	6.0			
2004 Q1	5.7	5.9	8.7	5.5	4.5	8.3	2.9	1.0	7.5	5.9			
Q2	5.7	5.9	5.2	6.0	4.2	15.7	-0.3	0.4	4.8	5.8			
Q3	5.4	5.5	5.2	5.6	4.8	14.1	1.2	0.5	11.8	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 Q2	3,460.3	538.1	63.8	450.5	1.6	22.3	337.5	65.1	272.4	1,398.3	55.8	1,342.4
Q3	3,513.8	533.3	57.5	455.3	1.8	18.7	339.5	65.8	273.6	1,419.8	58.7	1,361.2
Q4	3,623.6	542.4	58.9	462.3	2.1	19.1	328.2	66.7	261.5	1,447.7	59.9	1,387.8
2004 Q1	3,772.7	557.3	64.7	468.3	2.3	22.0	338.3	69.4	268.9	1,516.2	57.7	1,458.5
Q2	3,798.3	565.4	59.9	482.0	2.3	21.2	335.5	71.0	264.5	1,523.3	54.1	1,469.2
Q3	3,860.4	573.6	61.5	489.8	2.3	20.0	338.0	71.7	266.3	1,579.8	62.9	1,516.8
	Transactions											
2003 Q2	43.2	2.3	2.2	-3.9	0.0	3.9	4.4	1.4	3.0	18.9	-2.2	21.1
Q3	34.1	-6.2	-6.4	3.8	0.3	-3.8	2.0	0.7	1.2	22.8	2.8	19.9
Q4	60.5	10.2	1.5	7.9	0.3	0.5	-11.3	0.9	-12.2	37.4	1.2	36.2
2004 Q1	95.5	14.6	5.7	5.9	0.2	2.8	10.0	2.7	7.3	44.0	-1.8	45.8
Q2	31.1	7.2	-4.9	13.7	-0.6	-0.9	-2.8	1.6	-4.4	25.1	-3.6	28.7
Q3	51.1	8.2	1.6	7.8	-0.1	-1.1	2.5	0.7	1.8	37.9	8.8	29.1
	Growth rates											
2003 Q2	6.7	6.8	28.9	3.9	-1.6	17.4	-0.6	-11.9	2.6	11.7	40.3	10.8
Q3	6.5	5.0	11.7	3.6	-1.6	28.2	0.8	-11.6	4.4	10.0	21.3	9.6
Q4	6.2	3.6	2.9	3.5	17.9	6.1	-4.0	-4.7	-3.8	10.0	17.4	9.7
2004 Q1	7.0	3.9	5.0	3.0	38.5	18.7	1.5	9.0	-0.2	9.0	0.1	9.4
Q2	6.4	4.8	-6.4	6.9	6.5	-6.3	-0.6	9.1	-3.0	9.2	-2.5	9.7
Q3	6.8	7.5	6.9	7.7	-12.8	6.7	-0.5	8.9	-2.7	10.2	7.8	10.3

	Main financial assets					Main liabilities									
	Shares ¹⁾				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
13	14	15	16	17	18	19	20	21	22	23	24	25			
	Outstanding amounts														
2003 Q2	1,072.7	472.9	599.7	64.4	113.8	3,734.3	60.6	44.8	18.4	163.7	3,491.6	2,970.8	520.8		
Q3	1,106.0	490.4	615.6	60.6	115.2	3,801.7	62.7	44.3	19.0	165.2	3,554.9	3,029.2	525.7		
Q4	1,188.8	542.0	646.8	64.1	116.5	3,863.2	51.9	35.4	20.9	190.5	3,600.0	3,069.7	530.3		
2004 Q1	1,241.1	558.7	682.4	63.5	119.8	3,930.9	61.6	46.3	21.7	191.5	3,656.1	3,115.0	541.1		
Q2	1,253.4	556.4	697.1	63.8	120.7	3,984.2	69.6	53.7	22.1	193.9	3,698.6	3,154.3	544.2		
Q3	1,246.5	547.3	699.2	63.4	122.6	4,025.9	69.5	52.5	20.5	186.4	3,749.5	3,200.9	548.6		
	Transactions														
2003 Q2	15.6	3.9	11.6	4.6	2.1	62.1	-0.3	2.3	0.1	4.5	57.8	51.1	6.6		
Q3	14.1	4.9	9.2	-4.2	1.4	58.2	2.0	-0.5	0.5	0.0	55.7	50.9	4.8		
Q4	22.8	7.0	15.8	4.2	1.5	33.9	-10.8	-8.9	1.8	5.0	37.9	33.9	4.0		
2004 Q1	23.6	2.0	21.7	-0.6	3.2	76.8	9.6	10.8	0.4	0.8	66.0	54.1	11.9		
Q2	0.8	-8.5	9.2	0.1	0.9	54.8	7.6	7.0	0.5	0.1	46.6	42.4	4.2		
Q3	0.6	2.4	-1.7	-0.3	1.9	56.2	-0.1	-1.1	-1.2	2.1	55.4	50.0	5.4		
	Growth rates														
2003 Q2	3.5	-0.5	7.1	23.0	5.8	5.9	0.8	4.5	-0.8	1.5	6.4	6.9	4.0		
Q3	4.9	0.1	8.7	18.1	4.6	6.3	6.7	9.4	2.8	2.8	6.5	7.0	3.6		
Q4	5.8	2.6	8.3	11.6	6.9	6.7	12.9	12.7	12.6	6.2	6.6	6.9	4.9		
2004 Q1	7.8	4.3	10.3	6.5	7.3	6.4	0.9	8.5	15.4	8.3	6.4	6.5	5.3		
Q2	5.7	1.1	9.3	-1.0	6.2	6.0	14.0	18.8	17.6	3.6	5.9	6.1	4.8		
Q3	4.3	0.6	7.3	5.4	6.5	5.8	10.2	17.5	8.1	4.8	5.8	6.0	4.8		

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories ¹⁾	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) ³⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	350.5	1,137.7	-797.1	9.9	0.0	1,938.9	-0.2	390.9	330.7	464.6	491.4	224.1	37.4
1998	411.5	1,201.7	-823.6	33.2	0.2	2,412.5	11.0	419.6	360.1	515.3	845.0	213.7	47.9
1999	448.6	1,290.5	-863.7	21.6	0.2	3,113.7	1.3	559.2	429.1	878.8	942.2	259.2	43.8
2000	485.7	1,389.6	-913.1	25.9	-16.7	2,911.6	1.3	350.9	264.6	829.9	1,189.1	251.3	24.4
2001	459.8	1,441.3	-973.6	-10.0	2.0	2,597.0	-0.5	579.0	449.1	731.2	602.3	248.8	-12.9
2002	389.0	1,428.1	-1,021.9	-18.3	1.1	2,311.3	0.9	656.6	279.7	632.8	468.4	220.8	52.1
2003	391.8	1,440.3	-1,054.6	5.6	0.5	2,423.7	1.7	678.6	426.8	578.8	456.6	240.7	40.5

	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	466.5	1,478.6	-1,021.9	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	422.8	1,472.3	-1,054.6	5.1	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	156.7	746.2	-597.5	356.5	69.3	-57.9	107.6	191.3	76.1	645.9	437.1	55.0	174.1	194.9

3. Households⁵⁾

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth ⁴⁾		Net incurrence of liabilities			Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio ⁶⁾	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1997	164.9	376.0	-211.5	429.4	69.3	-20.8	192.5	217.6	424.6	615.6	169.7	168.3	3,818.3	16.1	
1998	176.8	388.0	-216.2	446.3	92.9	-119.0	287.4	209.3	408.4	593.5	214.6	213.3	3,924.7	15.1	
1999	188.1	417.6	-231.5	475.0	122.6	-28.5	195.8	245.2	394.7	580.0	268.4	266.9	4,086.0	14.2	
2000	197.9	438.1	-241.6	434.8	66.2	35.3	122.6	245.9	406.2	607.7	226.4	224.7	4,290.6	14.2	
2001	184.5	445.7	-259.0	415.6	180.7	82.7	45.4	229.1	423.9	649.7	176.2	174.3	4,576.4	14.2	
2002	161.1	454.2	-279.5	482.7	220.6	83.1	-1.0	211.3	430.5	671.8	213.2	211.1	4,712.2	14.3	
2003	166.8	461.7	-291.1	531.7	224.2	16.6	83.6	229.8	438.3	695.7	260.2	257.9	4,855.5	14.3	

Source: ECB.

1) Including net acquisition of valuables.

2) Excluding financial derivatives.

3) Financial derivatives, other accounts receivable/payable and statistical discrepancies.

4) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).

5) Including non-profit institutions serving households.

6) Gross saving as a percentage of disposable income.



FINANCIAL MARKETS

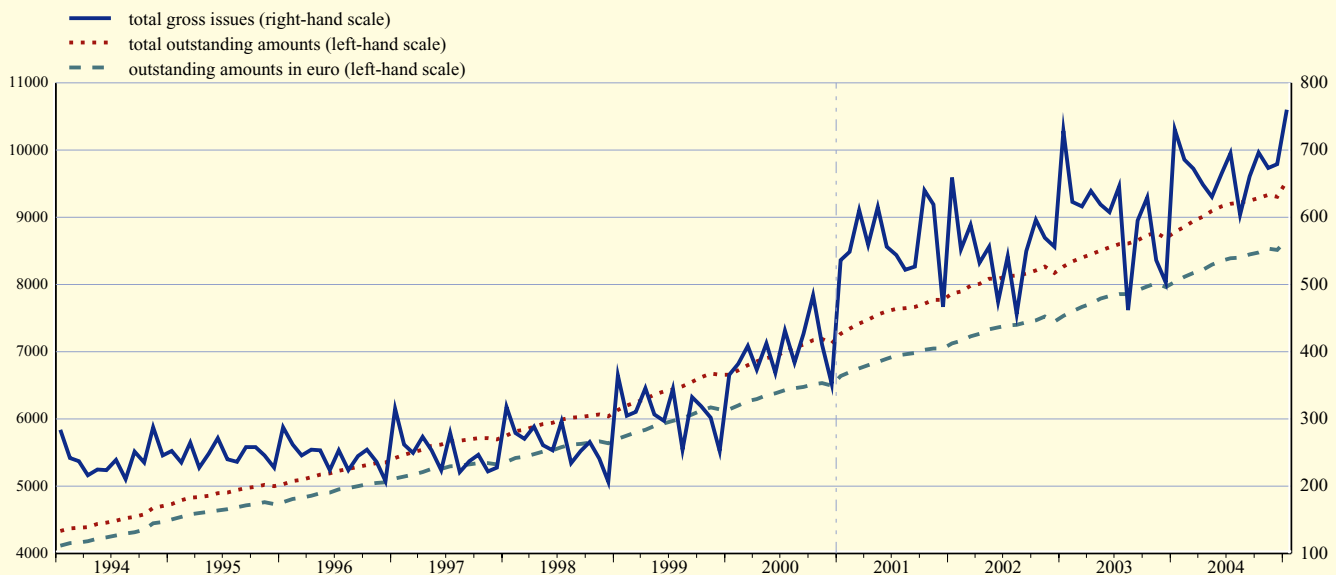
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro ¹⁾				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2004 Jan.	9,270.2	738.5	664.5	74.0	8,782.3	730.8	643.8	87.0	91.5	94.2	94.8	78.6
Feb.	9,346.1	698.5	622.8	75.7	8,858.5	685.5	605.7	79.9	91.6	94.6	94.2	77.6
Mar.	9,453.6	717.6	609.9	107.7	8,943.0	672.8	598.2	74.7	91.3	92.7	95.3	53.8
Apr.	9,480.0	649.0	624.5	24.6	9,011.0	648.7	586.8	61.9	91.2	93.3	95.0	47.3
May	9,580.2	649.3	549.4	99.9	9,094.0	631.0	543.3	87.6	91.2	93.9	94.9	76.7
June	9,689.6	711.0	600.6	110.4	9,162.1	664.5	596.4	68.1	91.2	94.3	94.7	61.6
July	9,709.3	707.8	686.3	21.5	9,203.8	695.1	653.9	41.3	91.1	94.1	94.6	35.5
Aug.	9,739.2	619.7	589.8	29.9	9,215.3	603.6	589.5	14.1	91.2	94.7	94.8	13.3
Sep.	9,849.9	724.8	614.2	110.6	9,247.4	660.9	619.3	41.6	91.3	94.9	94.5	42.1
Oct.	9,872.6	711.3	689.9	21.4	9,282.1	695.9	655.8	40.1	91.3	93.7	94.9	29.9
Nov.	9,962.3	702.9	618.1	84.9	9,333.3	673.1	614.8	58.3	91.4	94.3	94.3	55.4
Dec.	9,970.7	706.1	698.1	7.9	9,306.7	679.1	699.0	-19.9	91.5	95.3	95.3	-18.4
2005 Jan.	.	.	.	.	9,541.9	759.6	670.6	89.0	90.8	93.8	95.7	71.1
Long-term												
2004 Jan.	8,398.5	195.8	136.7	59.1	7,907.8	178.4	138.2	40.2	91.6	92.9	90.9	40.1
Feb.	8,483.8	193.5	109.2	84.2	7,990.5	182.7	98.8	83.9	91.7	92.2	88.0	81.5
Mar.	8,544.7	213.5	152.0	61.6	8,054.9	189.6	133.8	55.8	91.4	86.8	94.1	38.6
Apr.	8,586.3	163.8	123.9	39.8	8,106.0	155.5	110.0	45.5	91.3	88.5	94.7	33.5
May	8,688.4	174.7	71.9	102.8	8,190.3	156.5	67.6	88.9	91.3	89.3	90.8	78.3
June	8,775.8	204.2	118.8	85.3	8,264.0	181.1	111.1	70.0	91.3	92.9	92.1	65.8
July	8,811.5	190.3	153.1	37.2	8,299.4	173.4	139.0	34.4	91.2	91.8	93.7	28.9
Aug.	8,837.7	87.2	61.3	25.8	8,313.9	75.3	59.3	16.0	91.2	86.9	91.6	11.2
Sep.	8,930.4	191.4	100.1	91.4	8,361.6	156.8	102.8	54.0	91.3	91.6	88.9	52.3
Oct.	8,964.6	173.6	139.8	33.8	8,380.0	157.7	131.9	25.9	91.3	88.1	93.7	15.4
Nov.	9,037.8	168.0	97.8	70.2	8,431.0	154.5	95.1	59.4	91.4	89.1	92.2	49.9
Dec.	9,066.7	148.4	120.3	28.2	8,442.1	135.3	116.2	19.2	91.5	91.9	90.4	19.4
2005 Jan.	.	.	.	.	8,602.3	194.4	127.3	67.1	91.1	89.5	94.1	54.3

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

(EUR billions)



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

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

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type (EUR billions unless otherwise indicated; nominal values)

1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government		Total	MFIs (including Eurosysteem)	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	8,690	3,288	673	589	3,922	219	91.6	85.5	87.7	88.4	97.7	95.4
2004	9,307	3,592	758	594	4,113	249	91.5	84.9	90.7	87.7	97.7	95.7
2004 Q1	8,943	3,403	676	588	4,045	232	91.3	85.2	87.6	87.7	97.4	95.5
Q2	9,162	3,476	705	604	4,138	239	91.2	84.7	88.5	87.5	97.4	95.5
Q3	9,247	3,533	710	601	4,162	242	91.3	84.7	89.3	87.3	97.6	95.7
Q4	9,307	3,592	758	594	4,113	249	91.5	84.9	90.7	87.7	97.7	95.7
2004 Oct.	9,282	3,565	719	603	4,152	243	91.3	84.6	89.7	87.4	97.6	95.7
Nov.	9,333	3,578	737	604	4,166	249	91.4	84.8	90.3	87.6	97.6	95.7
Dec.	9,307	3,592	758	594	4,113	249	91.5	84.9	90.7	87.7	97.7	95.7
2005 Jan.	9,542	3,747	759	604	4,177	255	90.8	83.6	90.5	87.6	97.6	95.7
	Short-term											
2003	831	360	6	94	367	3	91.2	81.8	100.0	94.1	99.6	87.6
2004	865	400	7	90	362	5	91.7	83.8	94.1	95.6	99.5	86.8
2004 Q1	888	374	5	102	403	4	90.7	81.4	100.0	94.7	98.3	83.7
Q2	898	378	5	108	402	5	90.3	80.5	100.0	95.2	98.2	83.2
Q3	886	369	6	100	405	6	91.2	82.1	96.2	95.5	98.5	85.2
Q4	865	400	7	90	362	5	91.7	83.8	94.1	95.6	99.5	86.8
2004 Oct.	902	384	6	99	407	5	91.3	82.5	96.1	95.2	98.6	86.0
Nov.	902	392	6	99	400	6	92.1	84.2	95.2	95.3	99.0	91.4
Dec.	865	400	7	90	362	5	91.7	83.8	94.1	95.6	99.5	86.8
2005 Jan.	940	455	7	100	373	5	88.2	77.4	95.2	96.2	99.1	86.5
	Total long-term¹⁾											
2003	7,859	2,927	667	495	3,555	215	91.6	86.0	87.5	87.3	97.5	95.5
2004	8,442	3,192	751	504	3,751	245	91.5	85.0	90.7	86.2	97.6	95.8
2004 Q1	8,055	3,029	671	486	3,642	228	91.4	85.7	87.5	86.2	97.3	95.7
Q2	8,264	3,098	700	496	3,736	234	91.3	85.2	88.4	85.8	97.3	95.8
Q3	8,362	3,163	704	501	3,757	236	91.3	85.0	89.3	85.7	97.5	95.9
Q4	8,442	3,192	751	504	3,751	245	91.5	85.0	90.7	86.2	97.6	95.8
2004 Oct.	8,380	3,181	713	504	3,745	238	91.3	84.9	89.6	85.9	97.5	95.9
Nov.	8,431	3,186	730	505	3,766	243	91.4	84.9	90.2	86.1	97.5	95.8
Dec.	8,442	3,192	751	504	3,751	245	91.5	85.0	90.7	86.2	97.6	95.8
2005 Jan.	8,602	3,292	752	504	3,804	250	91.1	84.5	90.5	85.9	97.4	95.9
	Of which long-term fixed rate											
2003	6,116	1,885	407	420	3,240	165	91.8	85.4	80.4	86.7	97.4	95.4
2004	6,379	1,929	423	412	3,430	185	91.7	84.0	84.2	85.6	97.5	95.6
2004 Q1	6,246	1,926	412	411	3,324	173	91.5	84.9	80.4	85.6	97.3	95.5
Q2	6,363	1,943	419	416	3,409	177	91.5	84.6	81.3	85.0	97.3	95.6
Q3	6,390	1,950	414	415	3,431	180	91.6	84.1	82.5	85.2	97.4	95.8
Q4	6,379	1,929	423	412	3,430	185	91.7	84.0	84.2	85.6	97.5	95.6
2004 Oct.	6,369	1,944	415	416	3,414	181	91.6	84.1	82.9	85.4	97.4	95.8
Nov.	6,390	1,937	422	416	3,432	184	91.6	83.9	83.7	85.6	97.4	95.6
Dec.	6,379	1,929	423	412	3,430	185	91.7	84.0	84.2	85.6	97.5	95.6
2005 Jan.	6,443	1,943	425	411	3,473	191	91.5	83.6	83.9	85.2	97.4	95.7
	Of which long-term variable rate											
2003	1,586	959	257	58	261	51	91.3	87.5	98.7	89.5	97.5	95.8
2004	1,881	1,146	325	78	274	59	90.9	86.9	99.1	88.7	97.7	96.6
2004 Q1	1,645	1,008	256	62	264	55	91.2	87.5	98.7	89.2	97.5	96.0
Q2	1,724	1,048	278	65	276	57	90.8	86.7	98.9	89.6	97.5	96.2
Q3	1,782	1,100	287	73	267	56	90.6	86.7	99.0	87.5	97.5	96.3
Q4	1,881	1,146	325	78	274	59	90.9	86.9	99.1	88.7	97.7	96.6
2004 Oct.	1,820	1,123	295	74	271	57	90.6	86.6	99.0	87.8	97.5	96.4
Nov.	1,849	1,135	305	75	275	58	90.8	86.7	99.1	88.2	97.6	96.5
Dec.	1,881	1,146	325	78	274	59	90.9	86.9	99.1	88.7	97.7	96.6
2005 Jan.	1,891	1,149	323	79	281	59	90.7	86.5	99.0	88.7	97.7	96.5

Source: ECB.

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

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

(EUR billions unless otherwise indicated; nominal values)

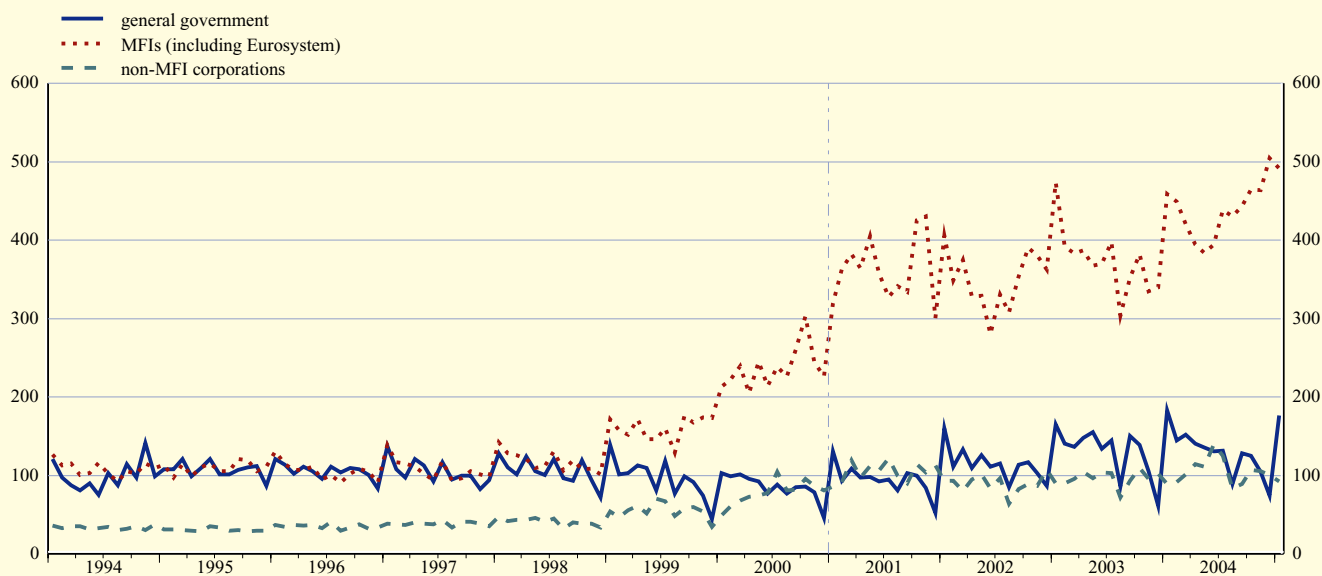
2. Gross issues

(transactions during the period)

	Total						Long-term ¹⁾					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total						Long-term fixed rate					
2003	7,205.3	4,485.6	244.7	909.6	1,478.8	86.5	1,284.8	414.3	113.7	88.9	626.4	41.4
2004	8,041.0	5,247.4	228.7	1,026.8	1,457.1	81.0	1,191.0	406.3	75.5	59.8	614.0	35.3
2004 Q1	2,089.2	1,328.5	38.1	243.4	453.0	26.2	376.8	135.6	16.8	11.7	199.7	13.2
Q2	1,944.1	1,172.8	64.0	300.4	387.5	19.3	307.8	91.3	21.8	19.7	166.8	8.1
Q3	1,959.6	1,313.2	41.7	255.5	333.2	16.0	248.2	86.6	10.3	14.3	130.9	6.1
Q4	2,048.1	1,432.9	84.8	227.5	283.4	19.5	258.2	92.8	26.7	14.2	116.6	8.0
2004 Oct.	695.9	464.4	20.9	85.9	119.1	5.6	93.5	28.0	6.4	8.2	49.0	1.8
Nov.	673.1	463.9	30.5	74.6	95.4	8.8	94.4	33.1	13.4	3.2	40.3	4.3
Dec.	679.1	504.6	33.5	67.0	68.9	5.1	70.3	31.6	6.8	2.7	27.3	1.9
2005 Jan.	759.6	491.4	9.8	82.1	166.2	10.1	141.6	44.2	4.0	3.6	82.9	6.9
	Of which short-term						Long-term variable rate					
2003	5,331.9	3,698.2	41.3	796.1	767.6	28.6	507.6	336.7	89.5	11.7	53.3	16.4
2004	6,144.0	4,381.9	43.9	930.5	755.6	32.1	616.1	402.0	109.1	31.7	59.7	13.5
2004 Q1	1,538.4	1,071.9	10.0	224.7	223.7	8.1	146.6	105.5	11.3	6.6	18.4	4.9
Q2	1,451.0	969.0	11.1	271.0	191.3	8.5	159.6	96.9	31.1	7.8	21.1	2.7
Q3	1,554.1	1,118.7	10.8	230.3	185.9	8.4	136.0	95.2	20.6	10.0	8.6	1.6
Q4	1,600.5	1,222.3	12.0	204.4	154.7	7.1	173.9	104.4	46.1	7.4	11.7	4.4
2004 Oct.	538.1	393.6	4.2	75.1	63.1	2.2	59.4	38.7	10.3	1.9	7.0	1.6
Nov.	518.6	393.1	4.3	68.1	50.4	2.7	55.8	34.1	12.7	2.6	4.7	1.7
Dec.	543.8	435.6	3.5	61.3	41.2	2.3	58.7	31.6	23.2	2.9	0.0	1.0
2005 Jan.	565.2	409.2	4.2	77.3	72.1	2.3	44.7	33.5	1.6	1.1	7.5	0.9

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

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



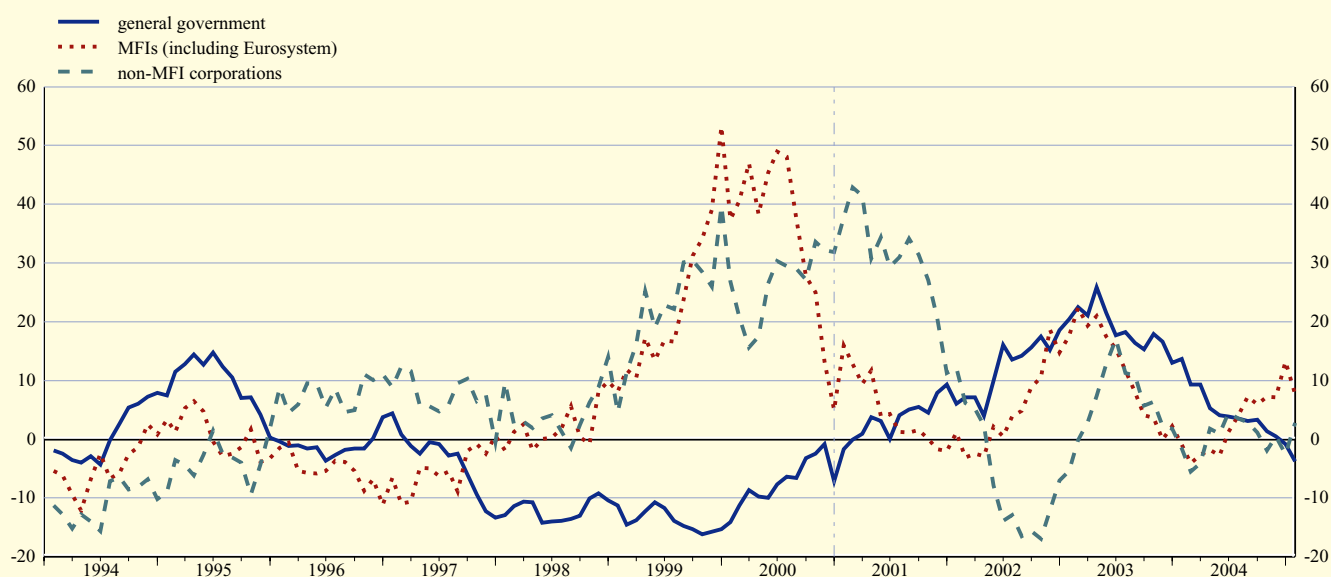
Source: ECB.

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

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

	Total						Short-term					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
In all currencies combined												
2003	6.8	5.1	25.8	8.6	4.5	26.0	14.1	12.1	1.1	5.7	19.2	-2.0
2004	7.0	8.0	15.1	3.7	4.9	17.5	3.2	2.2	-9.6	0.8	4.9	28.7
2004 Q1	6.9	6.3	20.5	6.0	4.8	21.4	3.5	-1.8	-17.9	-1.8	11.4	6.8
Q2	7.0	8.0	15.5	2.3	5.0	18.5	1.7	-1.7	-16.6	2.1	5.2	15.4
Q3	7.3	8.7	13.3	3.6	5.2	16.4	4.0	4.9	-10.7	4.0	3.1	30.6
Q4	6.9	9.0	11.9	3.0	4.6	14.4	3.7	8.0	8.9	-1.3	0.5	66.6
2004 Aug.	7.4	8.9	13.0	3.4	5.4	16.8	4.8	7.3	-8.6	3.6	2.8	35.1
Sep.	7.1	9.1	11.1	3.7	4.9	15.4	4.2	5.9	6.2	0.9	2.8	65.4
Oct.	6.7	8.9	11.1	3.2	4.4	14.2	3.4	7.2	4.5	-2.2	0.9	63.5
Nov.	6.8	8.7	12.4	3.3	4.5	14.3	3.3	7.1	7.7	0.0	-0.2	78.5
Dec.	7.3	9.5	13.2	1.6	4.9	14.1	5.0	13.2	22.3	-4.1	-1.3	50.3
2005 Jan.	7.2	9.0	13.1	3.4	5.0	14.8	1.9	7.6	23.3	1.6	-4.1	30.1
In euro												
2003	6.4	3.9	31.4	9.4	4.4	24.9	15.7	15.8	0.9	4.8	19.3	-8.0
2004	6.7	6.7	18.8	2.9	5.0	17.3	3.1	1.7	-11.1	0.9	4.8	28.1
2004 Q1	6.7	5.3	24.5	6.0	4.9	20.6	4.3	-1.0	-17.9	-2.5	11.3	7.4
Q2	6.6	6.7	19.1	1.5	5.0	18.1	1.5	-2.5	-15.5	1.7	5.0	12.8
Q3	6.9	7.1	17.2	2.4	5.3	16.3	3.0	2.5	-13.3	4.3	3.0	26.6
Q4	6.5	7.7	15.4	1.9	4.6	14.5	3.5	7.9	3.9	-0.1	0.6	72.6
2004 Aug.	7.0	7.2	17.0	2.2	5.5	16.8	3.3	3.9	-11.0	4.2	2.6	30.7
Sep.	6.7	7.8	14.7	2.4	5.0	15.5	3.5	4.2	2.2	2.0	2.8	65.9
Oct.	6.4	7.6	14.4	2.1	4.4	14.4	3.1	6.7	0.3	-1.3	1.1	68.5
Nov.	6.4	7.4	16.1	2.1	4.5	14.2	3.3	7.5	2.6	1.2	-0.1	92.7
Dec.	7.0	8.5	16.6	0.5	4.8	14.4	5.1	15.0	15.1	-2.6	-1.4	48.5
2005 Jan.	6.8	7.6	16.6	2.7	4.8	14.9	2.1	8.8	17.4	3.8	-4.0	26.9

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



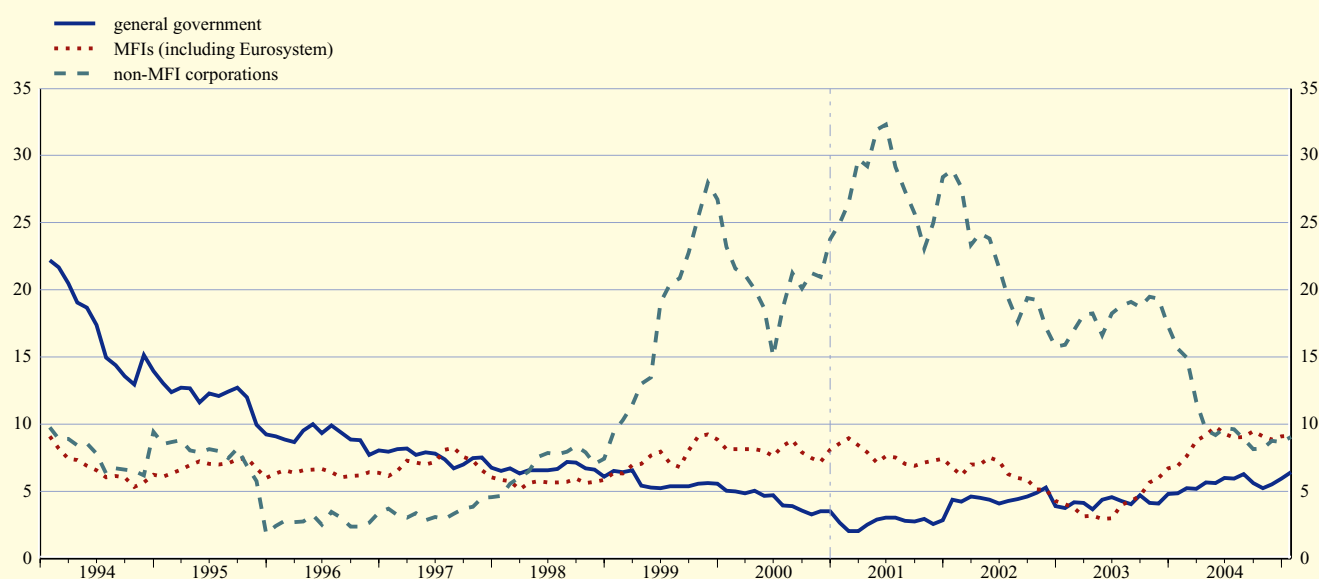
Source: ECB.

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

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

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2003	5.2	2.1	15.3	11.9	4.4	22.6	8.8	8.3	53.4	-13.4	-9.2	43.2
2004	5.0	3.0	7.6	3.2	5.7	14.7	16.5	18.3	29.7	8.2	0.4	26.5
2004 Q1	5.6	3.0	12.6	8.6	5.3	18.4	13.8	15.2	37.7	-8.9	-4.4	33.5
Q2	5.4	3.8	9.5	2.6	5.8	15.2	16.1	18.8	27.9	-2.4	0.8	30.2
Q3	4.9	3.0	4.9	1.2	6.1	13.5	17.9	19.0	29.6	18.3	3.0	25.2
Q4	4.3	2.3	4.2	0.7	5.6	12.1	18.0	20.0	25.0	29.5	2.1	18.8
2004 Aug.	4.8	2.7	4.0	0.7	6.3	14.4	18.5	19.4	30.6	20.2	4.3	23.7
Sep.	4.7	3.2	3.4	1.2	5.7	13.1	17.2	19.6	25.0	24.9	0.3	20.1
Oct.	4.2	2.2	3.5	1.7	5.4	11.9	17.7	20.4	24.3	26.8	0.1	18.7
Nov.	4.1	1.8	4.9	0.4	5.5	11.6	18.6	20.4	25.0	32.5	3.6	19.1
Dec.	4.5	2.6	4.8	-1.1	5.9	12.5	18.4	19.0	26.4	33.6	4.8	17.2
2005 Jan.	4.9	3.0	5.3	-0.5	6.1	14.6	18.4	18.5	25.2	30.5	9.1	14.3
In euro												
2003	4.6	0.1	20.6	12.2	4.2	21.3	8.9	7.7	53.3	-8.9	-9.3	43.7
2004	4.8	1.3	11.9	1.9	5.8	14.7	16.0	17.6	29.8	8.5	0.3	25.4
2004 Q1	5.4	1.6	17.1	8.2	5.4	17.7	13.4	14.4	37.5	-6.1	-4.6	31.9
Q2	5.1	2.0	13.9	1.1	5.8	15.0	15.7	18.2	27.9	-0.4	0.8	28.8
Q3	4.7	1.2	9.2	-0.4	6.2	13.8	17.2	18.1	29.9	15.8	3.1	24.1
Q4	4.0	0.3	8.3	-0.9	5.6	12.4	17.5	19.4	25.4	27.0	2.0	18.2
2004 Aug.	4.7	0.8	8.3	-0.9	6.4	14.8	17.8	18.4	30.9	16.9	4.4	22.6
Sep.	4.4	1.3	7.5	-0.5	5.9	13.6	16.7	19.2	25.2	22.2	0.2	19.0
Oct.	3.9	0.3	7.2	0.3	5.5	12.5	17.0	19.9	24.6	23.9	0.1	17.8
Nov.	3.7	-0.3	9.4	-1.2	5.4	11.7	18.0	19.7	25.4	29.8	3.6	18.2
Dec.	4.2	0.7	8.9	-2.9	5.9	12.7	17.8	18.1	26.7	32.2	4.9	18.0
2005 Jan.	4.4	0.8	9.6	-1.9	5.9	14.7	17.8	17.4	25.6	29.2	9.3	15.0

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



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

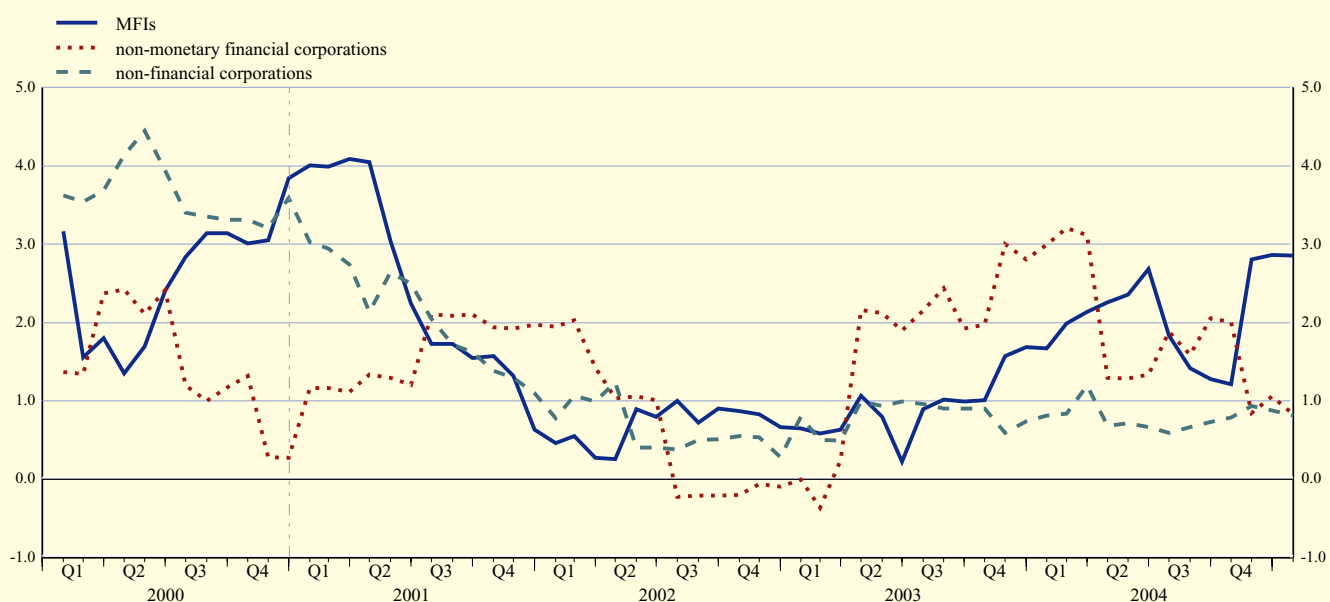
1. Outstanding amounts and annual growth rates

(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
2003 Jan.	2,978.4	100.3	0.7	425.8	0.6	261.1	0.0	2,291.5	0.8
Feb.	2,885.0	100.3	0.4	425.3	0.6	270.8	-0.4	2,189.0	0.5
Mar.	2,763.5	100.3	0.5	413.0	0.6	236.2	0.2	2,114.3	0.5
Apr.	3,113.0	100.9	1.1	471.4	1.1	291.8	2.2	2,349.8	1.0
May	3,145.7	100.9	1.0	476.7	0.8	291.3	2.1	2,377.7	0.9
June	3,256.2	100.9	0.9	504.2	0.2	300.6	1.9	2,451.4	1.0
July	3,366.5	101.1	1.1	528.0	0.9	330.9	2.1	2,507.6	1.0
Aug.	3,413.4	101.1	1.1	506.5	1.0	325.5	2.4	2,581.5	0.9
Sep.	3,276.7	101.1	1.0	494.8	1.0	307.1	1.9	2,474.7	0.9
Oct.	3,484.0	101.2	1.0	535.2	1.0	333.2	2.0	2,615.6	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	337.9	3.0	2,659.6	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	348.6	2.8	2,729.3	0.7
2004 Jan.	3,788.6	101.4	1.1	584.1	1.7	372.3	3.0	2,832.2	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	374.3	3.2	2,889.9	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.1	355.0	3.1	2,839.6	1.2
Apr.	3,748.5	101.9	1.0	579.4	2.3	361.1	1.3	2,808.0	0.7
May	3,687.9	101.9	1.0	568.1	2.4	350.6	1.3	2,769.2	0.7
June	3,790.1	102.0	1.0	582.5	2.7	362.0	1.3	2,845.7	0.7
July	3,679.8	102.0	0.9	562.3	1.8	354.0	1.9	2,763.5	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	353.1	1.6	2,705.6	0.7
Sep.	3,707.9	102.1	0.9	579.6	1.3	362.3	2.1	2,766.1	0.7
Oct.	3,787.6	102.2	1.0	598.0	1.2	372.6	2.0	2,817.0	0.8
Nov.	3,906.5	102.5	1.2	623.9	2.8	386.5	0.8	2,896.2	0.9
Dec.	4,034.6	102.6	1.2	643.7	2.9	406.4	1.1	2,984.4	0.9
2005 Jan.	4,135.6	102.6	1.1	662.6	2.9	409.3	0.8	3,063.7	0.8

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

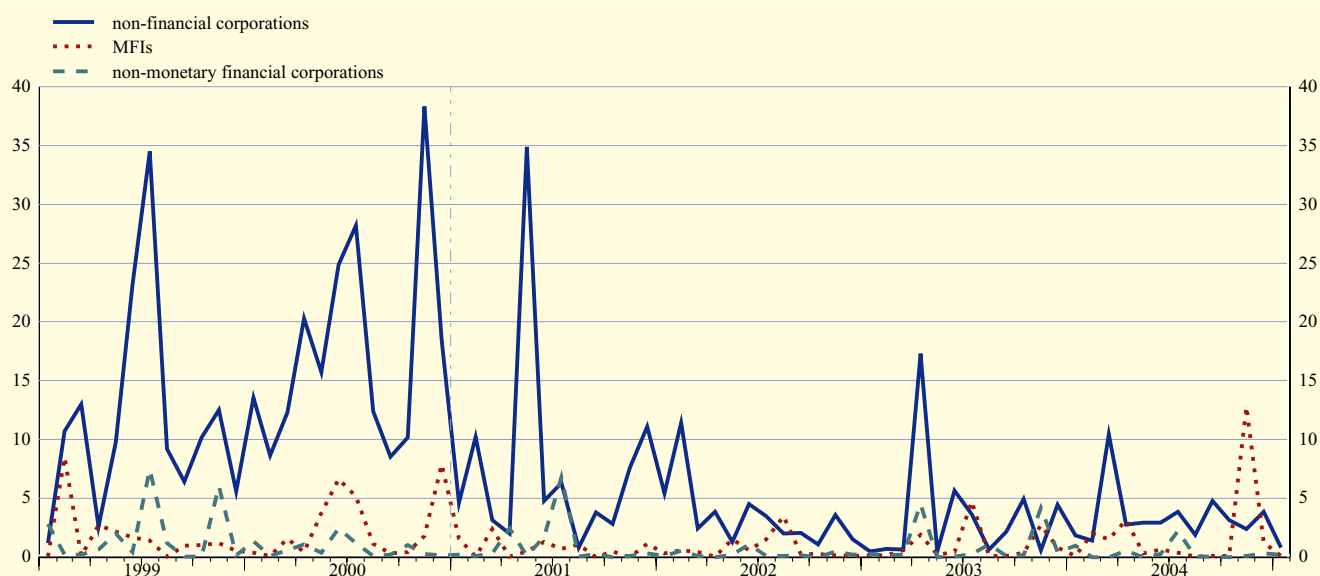
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
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.	1.4	1.5	-0.1	0.6	0.1	0.5	0.2	0.0	0.1	0.6	1.3	-0.7
Apr.	23.7	4.9	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.8	12.5
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	2.0	6.6	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.8	1.8
Aug.	1.8	1.4	0.4	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.3	-0.7
Sep.	2.3	2.1	0.3	0.1	0.1	0.0	0.1	1.6	-1.5	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.8	1.1
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	1.6	4.0	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
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	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
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.	3.2	0.4	2.8	0.1	0.0	0.1	0.0	0.0	0.0	3.1	0.3	2.8
Nov.	15.2	3.3	11.9	12.8	0.3	12.4	0.1	0.0	0.1	2.4	3.0	-0.6
Dec.	5.4	1.6	3.9	1.2	0.0	1.2	0.3	0.1	0.2	3.9	1.4	2.4
2005 Jan.	1.1	1.8	-0.7	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.8	-1.0

C18 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight ¹⁾	With agreed maturity			Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2004 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	2.60	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	2.56	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	1.99	2.27	3.76	1.98
July	0.70	1.90	2.21	2.54	1.99	2.55	0.86	1.99	2.59	4.00	1.99
Aug.	0.71	1.91	2.18	2.67	2.00	2.53	0.87	1.98	2.36	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.31	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.32	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.22	3.39	2.02
Dec.	0.73	1.95	2.19	2.31	2.00	2.52	0.90	2.08	2.68	3.52	2.02
2005 Jan.	0.73	1.95	2.29	2.54	1.98	2.49	0.92	2.04	2.25	3.25	2.05

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

	Bank overdraft ¹⁾	Consumer credit				Annual percentage rate of charge ³⁾	Lending for house purchase				Annual percentage rate of charge ³⁾	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge ³⁾		By initial rate fixation					Annual percentage rate of charge ³⁾	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2004 Feb.	9.81	6.89	7.06	8.49	8.11	3.54	4.22	4.96	4.86	4.31	4.13	5.07	5.04		
Mar.	9.72	6.91	6.90	8.37	7.97	3.47	4.14	4.87	4.71	4.28	3.96	5.06	4.96		
Apr.	9.73	6.92	6.64	8.30	7.77	3.42	4.06	4.77	4.69	4.24	3.89	4.97	4.95		
May	9.69	6.82	6.77	8.27	7.87	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94		
June	9.56	6.58	6.74	8.42	7.87	3.42	4.12	4.82	4.69	4.17	3.93	4.97	5.01		
July	9.58	6.63	6.86	8.52	7.97	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01		
Aug.	9.62	7.07	6.89	8.58	8.15	3.50	4.19	4.87	4.65	4.29	3.91	5.07	5.02		
Sep.	9.60	6.91	6.96	8.45	8.07	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00		
Oct.	9.53	6.79	6.87	8.34	7.87	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92		
Nov.	9.48	6.88	6.85	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.96	4.89	4.82		
Dec.	9.52	6.73	6.60	7.67	7.59	3.43	3.95	4.49	4.41	4.07	3.82	4.59	4.65		
2005 Jan.	9.61	6.98	6.85	8.32	8.06	3.44	3.97	4.43	4.45	4.07	3.86	4.65	4.63		

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
2004 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	3.28	4.37
Apr.		5.51	3.88	4.75	4.70	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	4.46
Oct.		5.39	4.02	4.87	4.64	2.98	3.30	4.27
Nov.		5.37	4.02	4.79	4.55	2.95	3.35	4.31
Dec.		5.26	3.97	4.67	4.46	3.05	3.55	4.10
2005 Jan.		5.40	3.97	4.69	4.47	3.02	3.30	4.08

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)

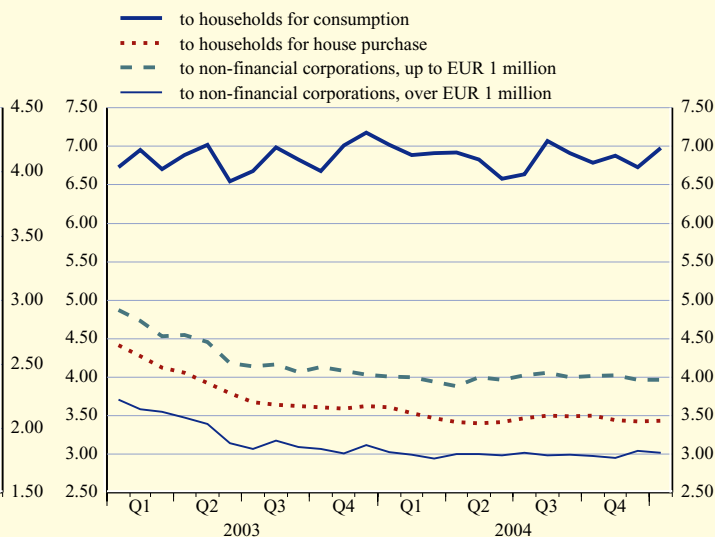
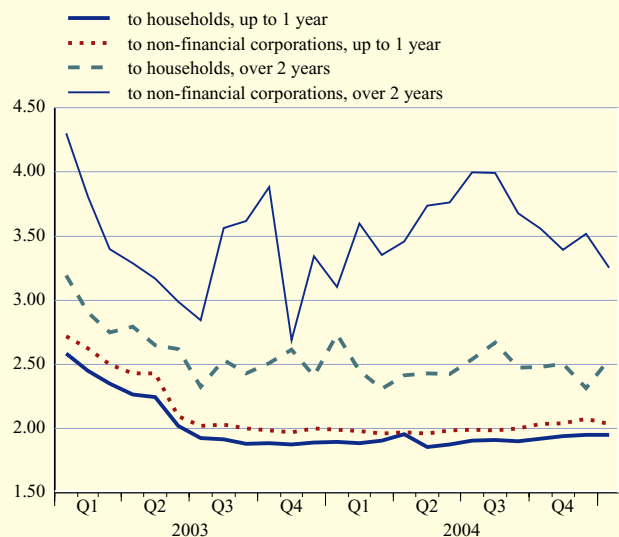
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 Feb.	0.69	1.93	3.42	2.02	2.63	0.86	2.08	4.22	1.97
Mar.	0.70	1.92	3.32	2.00	2.60	0.86	2.07	4.17	1.93
Apr.	0.70	1.90	3.35	2.02	2.57	0.85	2.08	4.17	1.92
May	0.70	1.89	3.28	2.00	2.56	0.86	2.07	4.15	1.93
June	0.70	1.88	3.27	2.00	2.55	0.87	2.08	4.12	1.94
July	0.70	1.89	3.25	1.99	2.55	0.86	2.09	4.11	1.96
Aug.	0.71	1.89	3.22	2.00	2.53	0.87	2.12	4.03	1.97
Sep.	0.72	1.90	3.22	2.00	2.52	0.90	2.12	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.11	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.86	2.00
Dec.	0.73	1.92	3.24	2.00	2.52	0.90	2.16	3.78	2.02
2005 Jan.	0.73	1.89	3.23	1.98	2.49	0.92	2.13	3.69	2.01

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
2004 Feb.	5.01	4.91	5.11	8.13	7.16	5.95	4.63	4.06	4.58
Mar.	4.98	4.82	5.03	8.05	7.16	5.89	4.57	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	7.98	7.04	5.82	4.50	3.87	4.55
June	4.87	4.69	4.97	7.92	6.99	5.80	4.47	3.89	4.53
July	4.91	4.63	4.94	7.93	6.98	5.76	4.48	3.88	4.50
Aug.	4.88	4.58	4.91	7.93	6.95	5.77	4.45	3.84	4.48
Sep.	4.82	4.58	4.90	8.05	7.14	5.85	4.46	3.99	4.52
Oct.	4.69	4.53	4.88	8.04	7.08	5.80	4.42	3.97	4.48
Nov.	4.67	4.52	4.86	7.93	6.99	5.82	4.41	3.96	4.48
Dec.	4.72	4.49	4.83	7.94	7.02	5.80	4.35	3.97	4.44
2005 Jan.	4.66	4.45	4.79	8.07	6.98	5.77	4.42	3.90	4.41

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

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



Source: ECB.

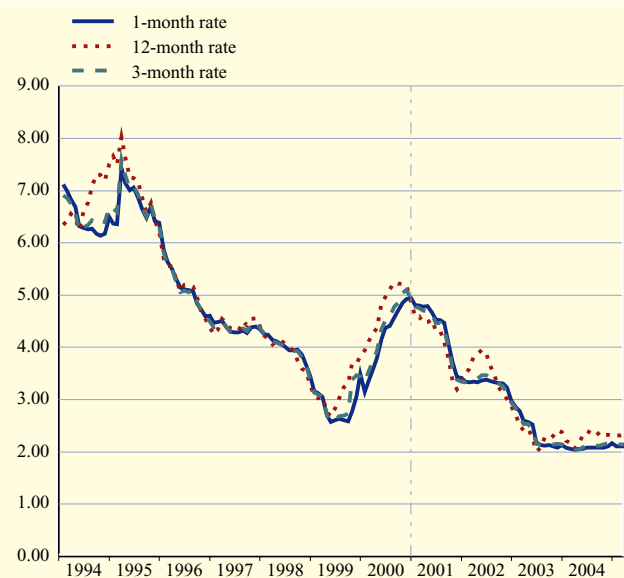
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
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
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
2004 Mar.	2.01	2.04	2.03	2.02	2.06	1.11	0.05
Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	0.05
June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05
Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.34	3.03	0.05

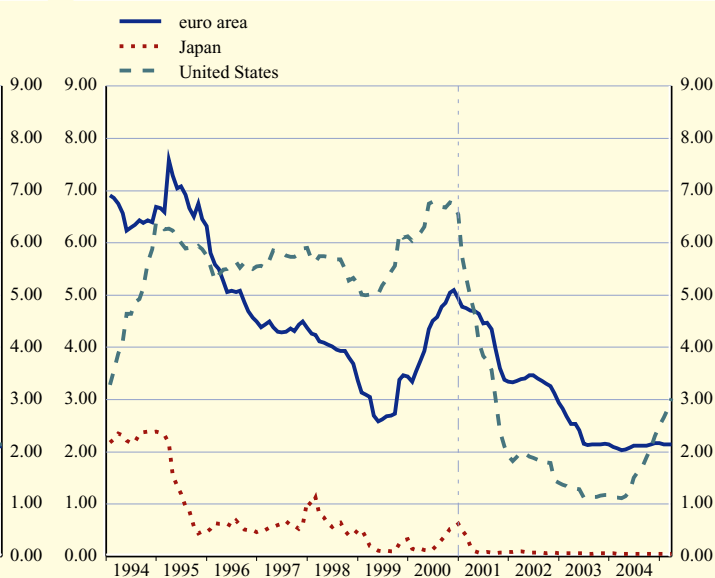
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

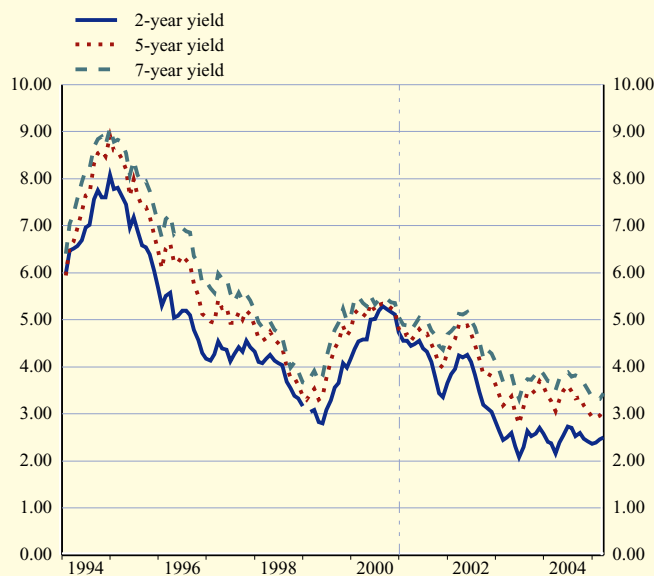
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2002	3.68	3.94	4.35	4.70	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
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
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
2004 Mar.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37
Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45

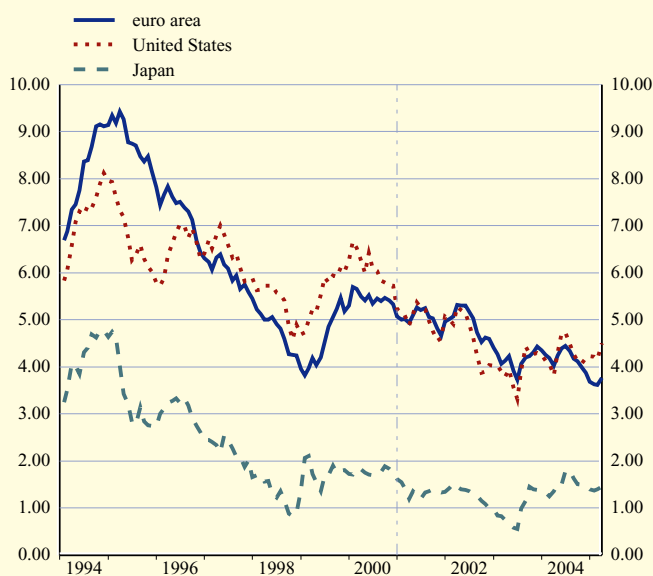
C23 Euro area government bond yields

(monthly; percentages per annum)



C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

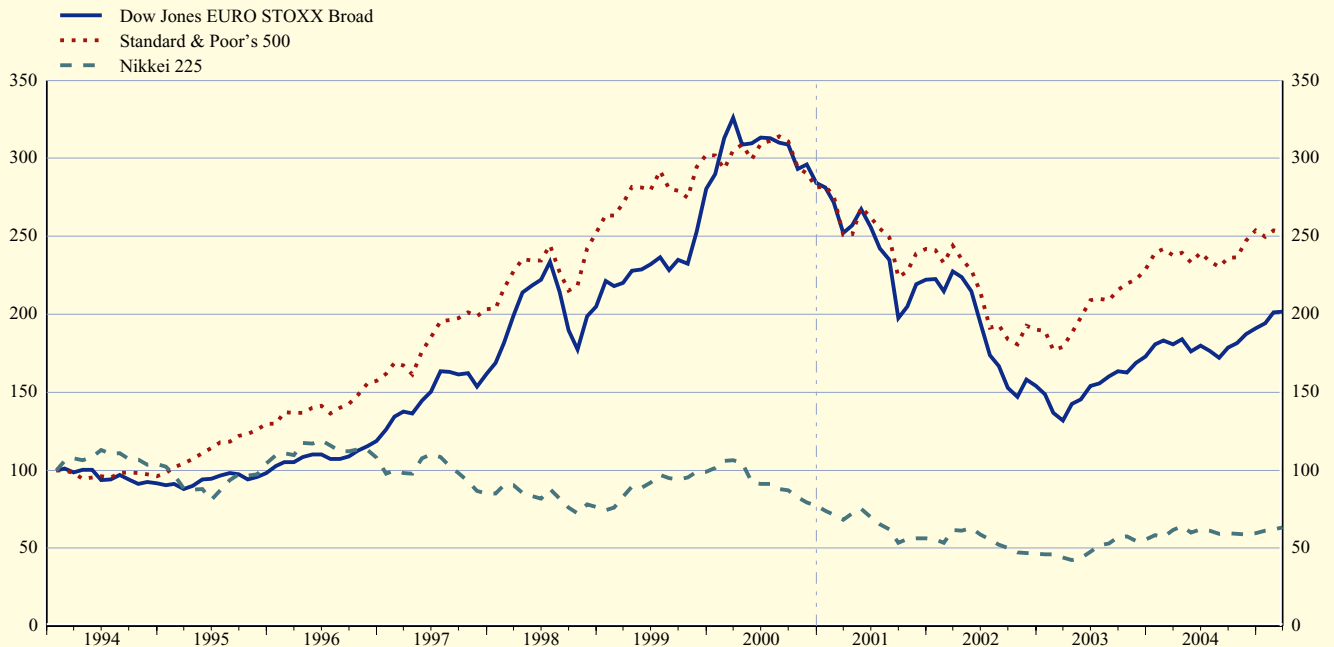
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care			Standard & Poor's 500	Nikkei 225
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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
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
2004 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
2004 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
2004 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
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
2004 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
2004 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
2004 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
2004 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
2004 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
2004 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
2004 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
2004 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
2004 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
2004 Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.2
2005 Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
2005 Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.5

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

(January 1994 = 100; monthly averages)



Source: ECB.



PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total ¹⁾	100.0	100.0	59.0	41.0	100.0	12.0	7.6	30.8	8.6	41.0
	1	2	3	4	5	6	7	8	9	10
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2004	115.7	2.1	1.8	2.6	-	-	-	-	-	-
2003 Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	1.0	-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	0.3	-0.3	0.1	1.9	0.7
Q4	116.6	2.3	2.1	2.7	0.5	0.3	0.2	0.2	1.8	0.6
2004 Oct.	116.5	2.4	2.2	2.6	0.3	0.0	-0.1	0.1	2.9	0.2
Nov.	116.4	2.2	2.0	2.7	0.0	-0.1	0.3	0.1	-1.2	0.2
Dec.	116.9	2.4	2.0	2.7	0.1	1.1	0.7	0.0	-1.8	0.2
2005 Jan.	116.2	1.9	1.6	2.4	-0.1	-0.1	-0.7	-0.2	0.3	0.1
Feb.	116.6	2.1	1.8	2.4	0.2	-0.1	0.9	-0.2	1.4	0.2
Mar. ²⁾	.	2.1	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total ¹⁾	19.6	12.0	7.6	39.4	30.8	8.6	10.4	6.4	6.4	2.8	14.8	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2003 Q4	3.7	3.8	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2004 Oct.	1.2	2.8	-1.2	2.7	0.8	9.8	2.6	2.1	2.7	-2.5	2.4	5.2
Nov.	1.0	2.3	-1.0	2.5	0.8	8.7	2.6	2.1	2.8	-2.6	2.4	5.4
Dec.	2.0	3.2	0.0	2.0	0.8	6.9	2.7	2.1	3.3	-2.6	2.4	5.4
2005 Jan.	1.5	2.8	-0.6	1.7	0.5	6.2	2.6	2.1	3.2	-2.4	2.3	3.5
Feb.	1.9	2.6	0.7	1.8	0.2	7.7	2.5	2.0	2.9	-1.8	2.3	3.5

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

2) Estimate based on first releases by Germany, Spain and Italy (and, when available, by other Member States), as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry and commodity prices

	Industrial producer prices											World market prices of raw materials ¹⁾	Oil prices ²⁾ (EUR per barrel)	
	Industry excluding construction									Construction ³⁾	Manufacturing			
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy			Total	Total excluding energy	
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total ⁴⁾	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5	89.5	100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	102.0	2.0	1.7	1.1	0.9	3.0	1.9	3.1	2.6	2.4	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.8	0.3	-4.1	-0.9	26.5
2003	103.4	1.4	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.2	0.9	-4.0	-4.5	25.1
2004	105.7	2.3	1.9	3.5	0.7	1.3	0.7	1.4	3.7	2.7	2.5	18.4	10.8	30.5
2004 Q1	103.9	0.2	0.9	1.0	0.3	1.2	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	1.7	3.7	2.1	2.5	28.8	20.9	29.3
Q3	106.4	3.1	2.4	4.7	0.9	1.4	0.8	1.5	5.9	2.8	3.5	26.9	11.9	33.3
Q4	107.2	3.8	2.7	5.5	1.2	1.2	1.1	1.2	8.1	3.7	4.0	22.9	1.3	34.5
2005 Q1	.	.	.	.	.	.	.	.	.	.	.	22.9	1.9	36.6
2004 Oct.	107.5	4.1	2.7	5.5	1.1	1.1	1.0	1.1	9.8	-	4.4	35.1	3.7	39.4
Nov.	107.3	3.7	2.7	5.6	1.1	1.0	1.2	1.0	8.0	-	3.9	21.0	0.4	34.5
Dec.	107.0	3.5	2.9	5.4	1.3	1.5	1.0	1.6	6.7	-	3.8	12.8	-0.2	30.0
2005 Jan.	107.7	3.9	2.9	5.6	1.5	1.3	1.3	1.3	8.1	-	3.7	20.7	3.1	33.6
Feb.	108.1	4.2	2.8	5.2	1.7	1.3	1.5	1.3	9.7	-	3.8	23.7	3.1	35.2
Mar.	.	.	.	.	.	.	.	.	.	-	.	24.1	-0.4	40.4

 3. Hourly labour costs⁵⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
2001	103.6	3.7	3.8	3.0	3.5	4.0	3.3	2.6
2002	107.1	3.4	3.4	3.4	3.4	3.7	3.2	2.7
2003	110.1	2.7	2.6	3.2	2.6	3.4	2.9	2.4
2004	112.6	2.3	2.3	2.1	2.5	2.4	2.1	2.2
2003 Q4	111.1	2.1	2.0	2.6	1.9	2.4	2.4	2.2
2004 Q1	111.7	3.0	3.1	2.6	3.5	2.8	2.6	2.3
Q2	112.3	2.1	2.2	1.9	2.3	2.0	2.2	2.3
Q3	112.9	1.8	1.9	1.8	1.8	2.3	1.8	2.0
Q4	113.5	2.2	2.2	2.4	2.5	2.4	2.0	2.2

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

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

5.1 HICP, other prices and costs

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

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

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2000	100.0	1.2	1.3	-0.7	1.2	0.1	3.0	1.8
2001	102.5	2.5	3.8	2.4	3.5	0.9	3.6	3.0
2002	104.8	2.2	0.2	0.7	2.3	1.8	3.8	2.4
2003	106.9	2.0	4.2	1.0	4.7	2.1	1.6	2.9
2003 Q3	107.3	2.3	6.3	1.6	4.9	1.7	0.9	3.8
Q4	107.1	1.5	3.0	0.0	4.6	2.1	1.6	2.2
2004 Q1	107.2	0.9	-4.2	0.0	1.7	0.6	1.7	2.3
Q2	107.4	0.4	-5.6	-2.6	1.1	-0.8	1.4	2.9
Q3	107.5	0.1	-5.4	-1.9	2.7	-0.2	2.5	0.7
Compensation per employee								
2000	100.0	2.7	2.1	3.4	2.6	1.7	2.4	2.8
2001	102.9	2.9	2.0	2.7	3.0	2.8	2.5	3.1
2002	105.5	2.5	2.8	2.5	2.9	2.6	2.1	2.8
2003	108.0	2.4	3.2	3.2	3.3	2.1	1.6	2.3
2003 Q3	108.5	2.5	2.9	3.3	3.5	1.7	1.2	3.2
Q4	108.7	2.2	3.0	3.1	3.3	1.8	1.5	2.1
2004 Q1	109.5	2.2	0.1	3.8	2.7	1.6	1.7	2.4
Q2	110.0	2.2	0.6	2.7	2.0	1.2	0.7	3.4
Q3	110.1	1.5	2.4	2.4	1.8	1.5	1.2	1.1
Labour productivity ²⁾								
2001	100.3	0.3	-1.8	0.3	-0.5	1.8	-1.1	0.2
2002	100.6	0.3	2.7	1.7	0.6	0.8	-1.6	0.4
2003	101.0	0.4	-1.0	2.2	-1.4	0.0	0.0	-0.5
2004	102.3	1.3	6.6	3.8	0.2	1.6	-1.0	0.4
2003 Q4	101.5	0.7	0.1	3.1	-1.2	-0.3	-0.1	-0.1
2004 Q1	102.2	1.3	4.5	3.8	1.0	1.0	-1.0	0.1
Q2	102.4	1.8	6.5	5.4	0.9	2.0	-0.6	0.5
Q3	102.4	1.3	8.2	4.3	-0.9	1.7	-1.3	0.4
Q4	102.4	0.9	7.2	1.8	-0.1	1.8	-1.0	0.4

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
2001	102.4	2.4	2.2	2.3	2.4	2.0	1.4	0.8
2002	105.0	2.5	2.2	2.2	2.1	1.8	-0.4	-1.6
2003	107.2	2.1	1.9	2.0	2.2	1.4	-0.6	-1.3
2004	109.2	1.8	2.0	1.8	1.6	2.6	0.8	1.1
2003 Q4	107.9	2.0	1.6	1.9	1.7	1.2	-0.8	-2.0
2004 Q1	108.5	1.9	1.6	1.5	1.7	1.8	-1.1	-2.2
Q2	109.2	2.1	2.2	1.9	2.0	2.5	0.9	1.1
Q3	109.4	1.7	1.9	2.0	0.8	3.0	1.9	2.5
Q4	109.8	1.7	2.2	1.8	2.1	3.1	1.6	3.0

Sources: ECB calculations based on Eurostat data.

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

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

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2001	6,850.3	6,728.0	3,927.3	1,373.4	1,442.1	-14.8	122.4	2,559.5	2,437.1
2002	7,085.5	6,897.8	4,041.7	1,445.1	1,430.9	-20.0	187.6	2,598.0	2,410.3
2003	7,271.6	7,111.1	4,165.3	1,500.4	1,442.1	3.2	160.5	2,588.4	2,427.8
2004	7,542.8	7,387.3	4,288.4	1,549.0	1,504.4	45.6	155.5	2,756.6	2,601.1
2003 Q4	1,840.6	1,798.1	1,049.9	378.9	365.8	3.4	42.5	654.3	611.8
2004 Q1	1,863.4	1,817.2	1,061.9	382.5	368.6	4.3	46.2	662.8	616.6
Q2	1,883.8	1,839.2	1,067.9	387.4	373.8	10.0	44.6	687.4	642.8
Q3	1,893.1	1,858.5	1,075.2	387.6	378.9	16.8	34.5	701.5	667.0
Q4	1,902.6	1,872.4	1,083.3	391.5	383.1	14.5	30.2	704.9	674.7
<i>percentage of GDP</i>									
2004	100.0	97.9	56.9	20.5	19.9	0.6	2.1	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q4	0.4	1.0	0.0	0.5	1.1	-	-	0.1	1.7
2004 Q1	0.7	0.3	0.8	0.2	-0.1	-	-	1.4	0.4
Q2	0.5	0.3	0.0	0.4	0.5	-	-	2.7	2.4
Q3	0.2	0.9	0.1	0.4	0.6	-	-	1.3	3.1
Q4	0.2	0.3	0.5	0.2	0.6	-	-	0.5	1.0
<i>annual percentage changes</i>									
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
2004	2.0	2.0	1.2	1.6	1.3	-	-	6.0	6.3
2003 Q4	0.8	1.5	0.6	1.4	0.2	-	-	0.2	2.0
2004 Q1	1.6	1.2	1.2	1.9	1.2	-	-	3.6	2.8
Q2	2.2	1.7	1.2	1.8	1.9	-	-	7.2	6.0
Q3	1.9	2.6	0.9	1.5	2.1	-	-	5.6	7.8
Q4	1.6	1.9	1.3	1.2	1.6	-	-	6.0	7.1
<i>contributions to annual percentage changes of GDP in percentage points</i>									
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	1.2	0.5	0.3	-0.1	0.4	-0.6	-	-
2004	2.0	2.0	0.7	0.3	0.3	0.7	0.1	-	-
2003 Q4	0.8	1.5	0.3	0.3	0.0	0.8	-0.6	-	-
2004 Q1	1.6	1.2	0.7	0.4	0.2	-0.1	0.4	-	-
Q2	2.2	1.6	0.7	0.4	0.4	0.2	0.6	-	-
Q3	1.9	2.5	0.5	0.3	0.4	1.3	-0.6	-	-
Q4	1.6	1.9	0.8	0.2	0.3	0.5	-0.3	-	-

Source: Eurostat.

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

2) Including acquisitions less disposals of valuables.

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)						Intermediate consumption of FISIM ¹⁾	Taxes less subsidies on products	
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities			Public administration, education, health and other services
	1	2	3	4	5	6	7	8	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2001	6,345.3	150.4	1,407.3	351.5	1,349.9	1,721.2	1,365.0	212.2	717.2
2002	6,569.3	147.5	1,432.4	365.5	1,393.4	1,796.4	1,434.1	222.7	739.0
2003	6,734.1	151.1	1,440.1	373.0	1,419.3	1,866.6	1,484.0	231.3	768.8
2004	6,983.1	153.4	1,491.2	394.5	1,464.7	1,950.9	1,528.5	240.9	800.6
2003 Q4	1,703.3	38.7	363.5	94.8	357.9	473.6	374.7	57.9	195.2
2004 Q1	1,724.4	38.7	366.9	96.4	362.9	480.4	379.2	59.2	198.2
Q2	1,746.5	38.7	373.9	98.5	365.8	486.7	383.0	61.0	198.2
Q3	1,751.4	38.0	375.2	98.9	368.1	490.1	381.1	59.9	201.5
Q4	1,760.8	38.0	375.3	100.6	367.9	493.8	385.2	60.8	202.6
<i>percentage of value added</i>									
2004	100.0	2.2	21.4	5.6	21.0	27.9	21.9	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q4	0.4	1.5	0.8	0.1	0.0	0.2	0.5	-0.7	0.4
2004 Q1	0.7	4.1	0.8	0.6	1.2	0.4	0.1	0.8	0.9
Q2	0.7	0.4	1.1	0.5	0.8	0.8	0.3	1.3	-1.7
Q3	0.1	0.9	-0.1	-0.7	0.5	-0.1	0.2	-0.6	1.6
Q4	0.2	0.5	-0.6	0.3	0.2	0.4	0.6	0.9	0.3
<i>annual percentage changes</i>									
2001	1.9	-2.4	0.5	0.0	3.2	2.9	1.8	4.7	0.4
2002	1.0	0.6	0.2	-0.5	1.2	0.8	2.2	0.7	-0.3
2003	0.5	-3.8	0.1	-0.5	0.5	1.4	0.6	1.5	0.9
2004	2.1	5.2	2.9	0.7	2.7	1.6	1.2	1.6	1.2
2003 Q4	0.7	-2.0	0.9	-1.0	0.4	1.2	0.8	0.2	2.0
2004 Q1	1.4	2.5	1.3	0.8	1.8	1.3	0.9	0.9	3.3
Q2	2.4	4.8	3.6	1.1	2.8	2.0	1.2	2.1	0.3
Q3	1.9	7.0	2.6	0.6	2.5	1.3	1.1	0.9	1.2
Q4	1.7	5.9	1.2	0.8	2.6	1.5	1.2	2.5	1.1
<i>contributions to annual percentage changes of value added in percentage points</i>									
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	-	-
2004	2.1	0.1	0.7	0.0	0.6	0.4	0.3	-	-
2003 Q4	0.7	-0.1	0.2	-0.1	0.1	0.3	0.2	-	-
2004 Q1	1.4	0.1	0.3	0.0	0.4	0.4	0.2	-	-
Q2	2.4	0.1	0.8	0.1	0.6	0.5	0.2	-	-
Q3	1.9	0.2	0.6	0.0	0.6	0.4	0.2	-	-
Q4	1.7	0.1	0.3	0.0	0.6	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
2002	-0.3	99.9	-0.5	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	0.7	-0.8
2003	0.2	100.2	0.3	-0.1	0.2	-0.1	-0.5	-4.6	0.2	3.0	-0.1	0.0
2004	2.1	102.1	2.0	1.9	1.9	3.0	0.5	-0.1	0.7	2.4	0.2	2.0
2004 Q1	1.4	101.2	1.1	1.0	0.8	0.8	0.6	1.0	0.5	2.1	1.3	1.0
Q2	3.2	102.3	3.1	3.2	2.8	4.8	1.5	3.0	1.3	2.7	-0.1	3.3
Q3	2.9	102.6	2.8	2.9	2.9	5.2	0.4	-0.7	0.5	2.5	-0.2	3.1
Q4	1.0	102.4	1.0	0.5	1.2	1.5	-0.2	-3.6	0.4	2.4	-0.2	0.7
2004 Aug.	3.0	102.1	2.0	2.4	1.8	5.1	0.4	-1.3	0.6	1.4	0.2	2.5
Sep.	3.2	102.9	3.6	3.5	3.2	6.4	0.6	-1.5	1.0	4.5	-0.4	3.7
Oct.	1.2	102.4	1.2	1.1	1.2	4.6	-0.9	-2.7	-0.6	-1.0	-1.6	1.2
Nov.	-0.6	102.1	0.7	-0.1	0.8	0.5	-0.6	-4.3	0.0	3.6	-1.2	0.1
Dec.	2.6	102.5	1.1	0.6	1.6	-0.5	1.0	-3.9	1.8	4.3	2.6	0.8
2005 Jan.	.	103.0	2.2	2.7	3.2	3.0	1.5	-1.6	2.0	0.3	.	2.8
	<i>month-on-month percentage changes (s.a.)</i>											
2004 Aug.	-0.1	-	-0.6	-0.6	-0.8	-0.2	-0.5	-2.9	-0.1	0.6	-1.4	-0.6
Sep.	0.2	-	0.8	0.7	0.4	1.0	0.2	0.6	0.1	0.2	0.4	0.6
Oct.	-0.4	-	-0.5	-0.6	-0.3	0.0	-0.4	-0.5	-0.4	-1.4	-0.8	-0.6
Nov.	-0.7	-	-0.3	-0.5	0.1	-1.8	-0.2	-1.1	0.0	0.6	0.3	-0.5
Dec.	1.7	-	0.4	0.5	0.8	-0.4	1.1	0.1	1.2	1.4	4.0	0.6
2005 Jan.	.	-	0.4	0.9	0.7	1.3	0.3	1.2	0.1	-2.1	.	0.8

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a.) thousands ³⁾	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									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
2002	98.0	-0.5	101.4	-0.6	1.9	101.7	0.1	0.9	-0.5	-1.7	-2.0	925	-4.4
2003	98.2	0.3	101.0	-0.3	1.8	102.1	0.3	1.1	-0.3	-2.7	0.2	911	-1.5
2004	106.2	8.5	105.9	4.9	1.0	102.2	0.1	-0.2	0.2	-0.3	1.7	921	1.0
2004 Q1	101.1	4.1	103.9	2.5	1.0	102.3	0.4	0.4	0.3	-1.9	2.1	912	0.7
Q2	107.4	12.1	106.0	6.3	1.1	102.2	0.0	-0.4	0.2	-0.3	2.4	927	3.0
Q3	105.5	7.6	106.5	5.7	0.9	102.1	0.0	-0.8	0.6	0.8	1.8	904	-3.5
Q4	110.8	10.2	107.1	5.2	0.9	102.2	0.1	0.1	-0.1	0.2	0.7	942	3.6
2004 Sep.	106.4	7.7	108.1	6.1	0.5	101.7	-0.4	-0.8	0.1	-0.7	1.2	927	-0.6
Oct.	106.7	0.4	104.6	1.6	0.1	102.1	-0.6	-1.0	-0.4	-1.8	0.7	948	3.9
Nov.	108.5	13.4	108.3	8.4	1.3	102.2	0.6	0.3	0.5	2.4	0.8	953	4.8
Dec.	117.3	17.1	108.6	5.7	1.1	102.2	0.5	0.8	0.0	0.4	1.2	925	1.9
2005 Jan.	108.9	6.5	106.1	5.1	0.7	102.5	-0.6	-1.0	0.1	-1.8	-0.7	920	1.6
Feb.	.	.	.	.	2.2	102.8	0.9	2.1	0.5	.	.	906	-2.2
	<i>month-on-month percentage changes (s.a.)</i>												
2004 Sep.	-	1.5	-	2.7	-0.3	-	-0.1	0.2	-0.1	-1.3	0.1	-	6.3
Oct.	-	0.3	-	-3.3	0.2	-	0.4	0.5	0.2	1.1	-0.1	-	2.2
Nov.	-	1.7	-	3.6	0.5	-	0.0	0.5	-0.3	-0.1	-0.6	-	0.5
Dec.	-	8.1	-	0.2	-0.2	-	0.0	0.0	0.2	-0.3	0.6	-	-2.9
2005 Jan.	-	-7.1	-	-2.3	0.5	-	0.3	-0.1	0.8	0.8	0.1	-	-0.6
Feb.	-	.	-	.	0.4	-	0.3	1.0	-0.5	.	.	-	-1.5

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

1) In 2000.

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

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator ³⁾				
		Industrial confidence indicator				Capacity utilisation ⁴⁾	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2001	100.9	-9	-15	13	1	82.8	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.3	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.1	-18	-5	-21	38	-9
2004	100.0	-5	-15	8	10	81.7	-14	-4	-14	30	-8
2004 Q1	98.6	-7	-21	10	10	81.1	-14	-4	-13	30	-9
Q2	99.9	-5	-17	8	10	81.6	-14	-3	-15	32	-8
Q3	100.6	-4	-12	7	9	82.1	-14	-4	-14	29	-8
Q4	100.9	-3	-12	8	10	82.1	-13	-3	-13	29	-6
2005 Q1	99.0	-6	-15	10	6	.	-13	-3	-13	29	-8
2004 Oct.	101.5	-3	-11	7	11	82.1	-13	-4	-13	29	-8
Nov.	100.9	-3	-12	8	10	-	-13	-4	-14	29	-5
Dec.	100.2	-4	-12	9	9	-	-13	-3	-13	29	-6
2005 Jan.	100.8	-5	-11	9	7	82.0	-13	-3	-13	28	-7
Feb.	98.8	-6	-15	10	6	-	-13	-2	-13	30	-8
Mar.	97.4	-8	-17	12	5	-	-14	-3	-13	31	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total ⁵⁾	Order books	Employment expectations	Total ⁵⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁵⁾	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2001	-10	-16	-4	-8	-5	17	-1	15	16	8	20
2002	-19	-26	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	12
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2004 Q1	-19	-28	-9	-8	-12	15	1	11	8	6	20
Q2	-16	-23	-9	-8	-10	15	2	11	6	12	17
Q3	-15	-24	-7	-8	-10	14	0	12	8	11	17
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2005 Q1	-13	-18	-9	-8	-12	12	1	10	6	7	18
2004 Oct.	-14	-23	-5	-7	-13	14	7	12	9	12	17
Nov.	-14	-20	-7	-10	-17	12	-1	11	8	8	17
Dec.	-13	-21	-6	-7	-12	12	2	10	8	8	14
2005 Jan.	-13	-19	-7	-6	-8	11	1	13	12	9	18
Feb.	-14	-18	-10	-8	-14	13	2	10	6	5	18
Mar.	-13	-17	-9	-10	-15	13	-1	9	1	7	19

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	84.2	15.8	4.5	18.4	7.1	25.2	14.8	29.9
	1	2	3	4	5	6	7	8	9	10
2001	133.183	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	134.192	0.2	0.2	0.1	-2.4	-1.9	0.0	0.4	1.3	1.2
2004	134.846	0.5	0.3	1.3	-1.3	-1.6	1.3	0.7	2.6	0.7
2003 Q4	134.134	0.2	0.1	0.4	-1.9	-2.1	0.0	0.9	1.2	0.9
2004 Q1	134.230	0.2	0.1	0.8	-2.0	-2.5	-0.3	0.8	2.6	0.7
Q2	134.575	0.4	0.2	1.5	-1.5	-1.7	0.3	0.8	2.8	0.6
Q3	134.854	0.5	0.3	1.8	-0.9	-1.7	2.4	0.5	2.6	0.7
Q4	135.097	0.8	0.7	1.3	-1.0	-0.7	2.7	0.7	2.5	0.8
	<i>quarter-on-quarter changes (s.a.)</i>									
2003 Q4	0.002	0.0	0.0	0.1	-0.4	-0.6	0.1	0.1	0.4	0.2
2004 Q1	0.096	0.1	0.2	-0.5	-0.6	-0.7	-0.2	0.1	1.0	0.3
Q2	0.345	0.3	0.2	0.8	-0.2	0.2	0.7	0.3	0.4	0.2
Q3	0.279	0.2	0.0	1.3	0.1	-0.5	0.9	0.4	0.7	0.1
Q4	0.243	0.2	0.2	-0.1	-0.5	0.4	-0.5	0.1	0.4	0.3

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total ²⁾	100.0		75.7		24.3		47.8		52.2	
	1	2	3	4	5	6	7	8	9	10
2001	10.980	7.8	8.067	6.6	2.913	16.1	5.017	6.3	5.962	9.9
2002	11.656	8.2	8.668	7.0	2.988	16.8	5.467	6.8	6.189	10.1
2003	12.407	8.7	9.326	7.4	3.081	17.6	5.905	7.3	6.502	10.4
2004	12.714	8.8	9.629	7.6	3.084	17.9	6.078	7.5	6.635	10.5
2003 Q4	12.606	8.8	9.456	7.5	3.150	18.1	5.975	7.4	6.632	10.6
2004 Q1	12.719	8.9	9.599	7.6	3.120	18.0	6.062	7.5	6.657	10.6
Q2	12.720	8.8	9.606	7.6	3.114	18.0	6.058	7.5	6.661	10.6
Q3	12.696	8.8	9.621	7.6	3.074	17.9	6.030	7.5	6.665	10.6
Q4	12.716	8.8	9.685	7.6	3.031	17.8	6.182	7.6	6.534	10.3
2004 Sep.	12.660	8.8	9.567	7.5	3.093	18.0	6.056	7.5	6.604	10.5
Oct.	12.832	8.9	9.755	7.7	3.077	18.0	6.259	7.7	6.573	10.4
Nov.	12.645	8.8	9.715	7.6	2.929	17.3	6.238	7.7	6.407	10.2
Dec.	12.672	8.8	9.585	7.5	3.087	18.0	6.050	7.5	6.622	10.5
2005 Jan.	12.715	8.8	9.530	7.5	3.185	18.5	6.117	7.5	6.598	10.4
Feb.	12.793	8.9	9.619	7.6	3.174	18.5	6.020	7.4	6.773	10.7

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

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.

2) In 2004.

3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.

4) Rates are expressed as a percentage of the labour force for the relevant gender.



GOVERNMENT FINANCE

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

1. Euro area – revenue

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

2. Euro area – expenditure

	Total	Current expenditure							Capital expenditure				Memo: primary expenditure ³⁾	
	1	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions	Investment	Capital transfers	Paid by EU institutions		13
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		6	Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
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
2001	0.6	-2.8	-3.6	-0.5	-1.5	0.9	-3.0	6.2	-0.1	0.3	-4.4	5.2
2002	0.1	-3.7	-4.1	-0.3	-3.2	-0.4	-2.6	2.3	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-5.2	0.3	-4.2	0.2	-2.9	0.5	-3.2	-1.1	-2.9	2.5
2004	0.1	-3.7	-6.1	-0.3	-3.7	1.3	-3.0	-1.1	-2.5	-1.3	-2.9	2.1

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

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

6.2 Debt ¹⁾

(as a percentage of GDP)

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

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

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

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

3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	108.0	59.4	114.8	57.8	57.0	35.8	110.7	7.2	52.9	67.1	55.9	43.8
2002	105.4	60.9	112.2	55.0	59.0	32.6	108.0	7.5	52.6	66.7	58.5	42.5
2003	100.0	64.2	109.3	51.4	63.9	32.0	106.3	7.1	54.3	65.4	60.1	45.3
2004	95.6	66.0	110.5	48.9	65.6	29.9	105.8	7.5	55.7	65.2	61.9	45.1

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

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

6.3 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⁾
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⁾											Other ¹⁰⁾
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities ¹¹⁾	Loans	Shares and other equity	Privatisations	Equity injections				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1995	7.7	-5.2	2.5	0.3	0.2	-0.1	0.4	-0.1	-0.4	0.2	0.4	-0.1	2.4	-0.6
1996	3.9	-4.3	-0.5	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.1	-0.2
1997	2.3	-2.7	-0.4	-0.4	0.1	0.0	0.0	-0.5	-0.7	0.2	0.5	0.2	-0.4	-0.1
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.5	-0.8	0.2	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.2	0.5	0.1	0.0	-0.7	-0.8	0.1	0.3	0.3	0.0	0.4
2000	1.0	0.1	1.1	0.6	0.7	0.1	0.2	-0.5	-0.4	0.2	0.2	0.1	-0.1	0.4
2001	1.8	-1.7	0.1	-0.5	-0.6	0.0	0.2	0.0	-0.3	0.2	0.1	0.0	0.0	0.4
2002	2.2	-2.4	-0.2	-0.4	0.0	0.1	0.1	-0.5	-0.4	0.2	-0.4	0.0	0.2	0.4
2003	3.1	-2.7	0.3	-0.3	-0.1	0.0	0.0	-0.2	-0.4	0.1	0.3	-0.2	-0.1	0.4

Source: ECB.

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

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

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes		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	50.7	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	47.2	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.0
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	45.3
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	2.1	1.4	0.6	0.4	41.9
Q3	44.5	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	51.0	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	45.6	45.0	12.4	13.1	15.7	2.1	0.9	0.6	0.4	41.7
Q3	43.5	43.1	11.0	12.8	15.7	2.0	0.7	0.4	0.3	39.9

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers			12	13
								Social benefits	Subsidies			9	10			11
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	42.5	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	22.0	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	52.5	47.7	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	44.0	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.



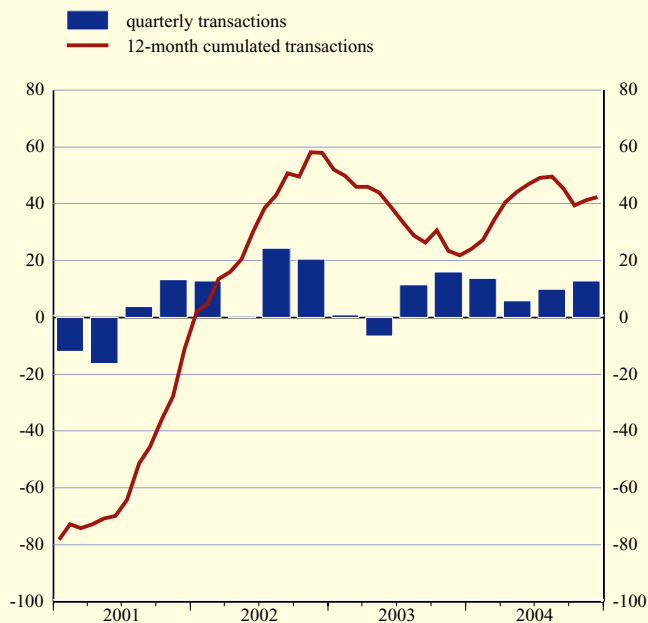
EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments (EUR billions; net transactions)

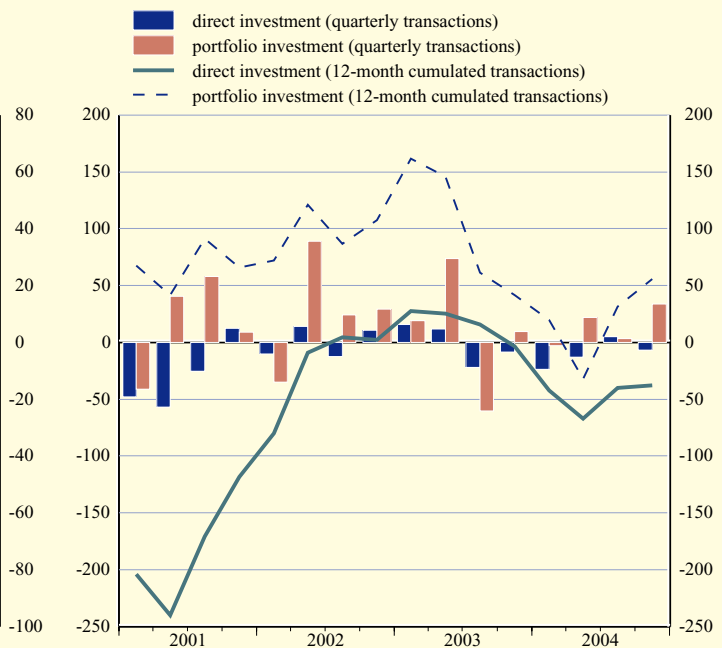
1. Summary balance of payments

	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
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
2004	42.3	105.8	21.8	-31.7	-53.7	15.8	58.1	-4.6	-37.9	55.8	-2.7	-32.1	12.4	-53.5
2003 Q4	15.9	29.9	5.0	-6.3	-12.7	7.5	23.4	-7.5	-8.7	9.3	-3.8	-18.0	13.6	-15.9
2004 Q1	13.6	28.6	0.1	-8.0	-7.0	3.6	17.2	-12.2	-23.6	-3.1	6.6	-1.5	9.4	-5.0
Q2	5.8	31.5	9.6	-18.9	-16.4	4.0	9.9	-0.2	-12.9	21.7	-0.4	-5.7	-2.8	-9.7
Q3	9.9	24.6	8.1	-5.1	-17.6	4.1	14.0	-4.1	5.3	3.6	-4.4	-11.9	3.4	-9.9
Q4	12.9	21.1	4.1	0.4	-12.7	4.1	17.0	11.9	-6.7	33.5	-4.4	-13.0	2.4	-28.9
2004 Jan.	-2.7	5.3	-1.0	-8.6	1.7	0.3	-2.4	-18.7	-7.2	-9.1	1.8	-1.1	-3.0	21.1
Feb.	5.4	9.8	0.4	-0.1	-4.7	2.1	7.5	18.2	9.1	13.3	1.3	-14.1	8.6	-25.7
Mar.	11.0	13.6	0.7	0.7	-4.0	1.2	12.2	-11.7	-25.5	-7.2	3.5	13.8	3.7	-0.4
Apr.	-0.2	9.8	1.8	-7.8	-4.0	0.8	0.6	-17.5	-1.9	-7.6	-1.1	-4.3	-2.7	17.0
May	1.6	10.2	4.0	-6.6	-5.8	2.3	4.0	11.4	0.0	-0.5	-0.8	12.1	0.7	-15.4
June	4.4	11.6	3.8	-4.4	-6.5	0.9	5.3	6.0	-11.0	29.8	1.5	-13.5	-0.8	-11.3
July	4.6	13.8	3.0	-6.0	-6.2	1.4	6.0	-18.1	-4.5	-41.4	-0.8	28.5	0.2	12.1
Aug.	3.8	5.8	2.2	1.0	-5.2	1.6	5.4	5.1	7.3	1.1	-6.4	-0.6	3.7	-10.5
Sep.	1.5	5.0	2.9	-0.2	-6.2	1.1	2.6	8.9	2.5	43.9	2.8	-39.8	-0.5	-11.5
Oct.	1.2	7.7	2.4	-3.3	-5.6	0.6	1.8	-21.5	-11.6	6.2	-3.3	-13.8	0.9	19.7
Nov.	4.4	5.9	1.0	2.0	-4.5	1.0	5.4	29.3	-0.8	-10.8	1.9	39.2	-0.1	-34.7
Dec.	7.3	7.6	0.7	1.7	-2.7	2.5	9.8	4.1	5.8	38.2	-3.0	-38.5	1.6	-13.9
2005 Jan.	-7.9	0.4	-0.3	-4.7	-3.3	1.0	-6.9	24.3	-13.1	-18.2	-3.9	60.9	-1.5	-17.4
	<i>12-month cumulated transactions</i>													
2005 Jan.	37.1	101.0	22.5	-27.8	-58.7	16.6	53.6	38.4	-43.8	46.8	-8.4	29.9	13.9	-92.0

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



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



Source: ECB.

7.1 Balance of payments

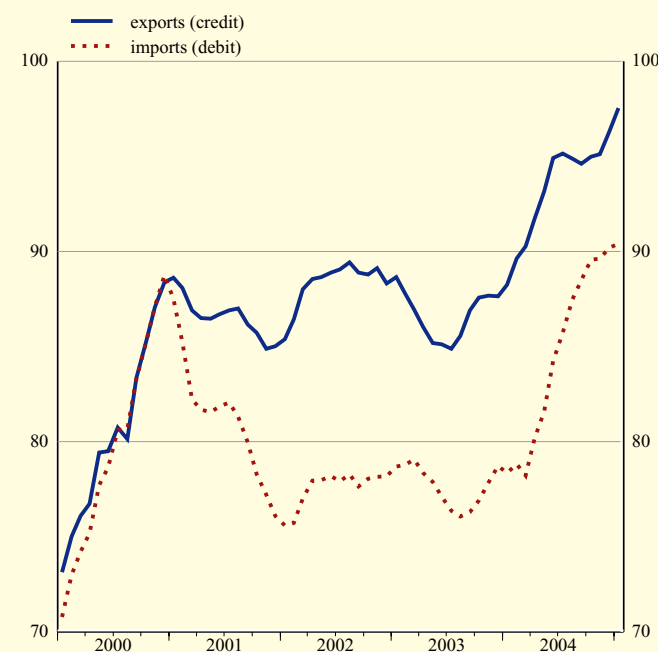
(EUR billions; transactions)

2. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
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
2004	1,799.3	1,757.1	42.3	1,130.9	1,025.0	345.1	323.3	242.4	274.0	81.1	134.8	21.7	5.9
2003 Q4	434.3	418.4	15.9	272.1	242.2	85.0	79.9	57.9	64.2	19.3	32.0	9.3	1.9
2004 Q1	430.2	416.5	13.6	265.9	237.3	76.0	75.9	56.6	64.7	31.7	38.7	5.1	1.6
Q2	454.2	448.4	5.8	285.7	254.2	88.8	79.2	64.2	83.1	15.5	31.9	5.3	1.3
Q3	448.8	438.9	9.9	280.5	255.9	94.6	86.5	57.9	63.0	15.9	33.5	5.6	1.5
Q4	466.1	453.2	12.9	298.8	277.6	85.7	81.6	63.7	63.3	18.0	30.7	5.7	1.6
2004 Nov.	152.3	147.9	4.4	101.0	95.1	26.6	25.6	19.3	17.3	5.5	10.0	1.4	0.4
Dec.	161.7	154.4	7.3	97.7	90.1	30.0	29.3	25.6	23.9	8.3	11.0	3.3	0.8
2005 Jan.	149.5	157.4	-7.9	87.3	86.9	25.9	26.3	18.7	23.4	17.6	20.9	1.6	0.6
	Seasonally adjusted												
2003 Q4	423.7	414.5	9.1	263.0	236.2	83.6	78.5	55.8	66.4	21.2	33.5	.	.
2004 Q1	434.8	418.5	16.3	270.8	234.7	84.4	79.8	59.4	68.8	20.2	35.2	.	.
Q2	453.3	438.1	15.2	284.8	252.7	88.1	81.7	59.8	71.4	20.6	32.3	.	.
Q3	452.3	448.6	3.7	283.8	265.5	87.8	81.4	60.7	66.9	20.0	34.8	.	.
Q4	454.8	449.5	5.3	289.0	270.6	84.3	80.0	61.7	66.2	19.9	32.7	.	.
2004 May	151.3	146.3	4.9	95.9	84.5	29.9	27.3	18.7	23.1	6.8	11.5	.	.
June	151.5	148.9	2.6	94.9	85.8	29.3	27.4	20.1	24.3	7.2	11.4	.	.
July	149.6	147.2	2.4	94.6	86.9	28.6	27.0	20.2	21.9	6.1	11.5	.	.
Aug.	151.8	150.0	1.8	95.1	89.7	29.4	26.8	20.1	21.6	7.1	11.9	.	.
Sep.	150.9	151.4	-0.5	94.1	88.9	29.7	27.7	20.3	23.4	6.7	11.4	.	.
Oct.	151.7	150.4	1.2	95.8	90.1	28.6	26.5	20.8	23.0	6.5	10.8	.	.
Nov.	150.5	149.3	1.2	95.5	89.9	27.8	26.5	20.8	22.0	6.4	10.9	.	.
Dec.	152.6	149.8	2.8	97.8	90.6	27.9	27.0	20.1	21.2	6.9	11.0	.	.
2005 Jan.	157.5	154.3	3.2	99.4	90.7	30.0	27.7	21.1	21.0	7.0	14.9	.	.

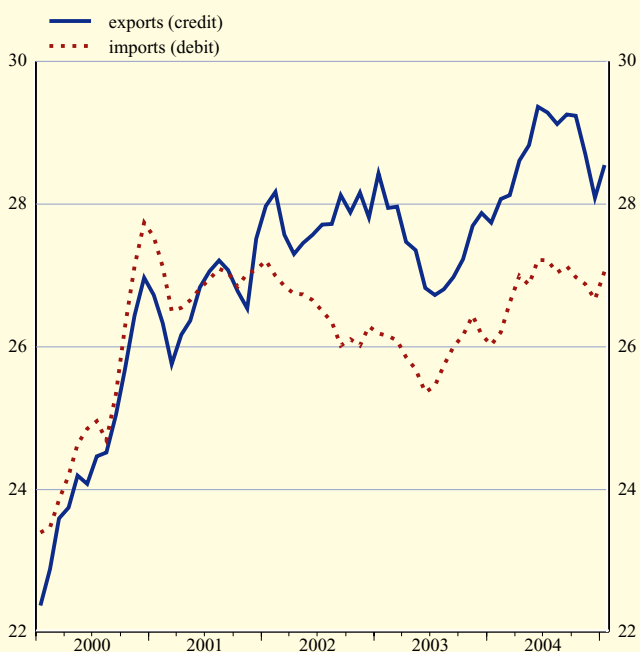
C28 B.o.p. goods

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



C29 B.o.p. services

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



Source: ECB.

7.1 Balance of payments

(EUR billions)

3. Income account

(transactions)

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

4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
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
2004	-104.9	-103.4	-17.7	-85.7	-1.5	0.0	-1.5	67.0	57.5	2.0	55.5	9.6	1.3	8.3
2003 Q4	-31.6	-19.3	1.6	-20.9	-12.3	0.2	-12.4	22.9	34.1	0.6	33.5	-11.2	0.5	-11.7
2004 Q1	-27.8	-21.3	-5.8	-15.5	-6.5	-0.1	-6.4	4.2	13.7	-0.6	14.3	-9.5	-0.3	-9.2
Q2	-28.6	-24.9	-3.6	-21.3	-3.7	0.0	-3.7	15.6	11.1	0.6	10.5	4.5	0.8	3.8
Q3	-12.2	-22.4	-1.1	-21.3	10.1	0.0	10.1	17.5	15.8	1.5	14.3	1.7	0.4	1.3
Q4	-36.4	-34.9	-7.2	-27.7	-1.5	0.1	-1.5	29.7	16.9	0.5	16.3	12.8	0.4	12.4
2004 Jan.	-9.4	-4.3	0.3	-4.6	-5.1	0.0	-5.1	2.2	7.8	0.2	7.5	-5.6	-0.1	-5.5
Feb.	-5.8	-3.2	-1.2	-2.0	-2.6	0.0	-2.6	14.9	4.7	0.3	4.4	10.3	-0.1	10.3
Mar.	-12.6	-13.8	-4.9	-8.9	1.2	-0.1	1.3	-12.9	1.2	-1.2	2.4	-14.2	-0.1	-14.1
Apr.	-15.1	-7.3	-0.4	-6.9	-7.8	0.1	-7.9	13.2	8.3	0.2	8.1	4.9	0.0	4.8
May	-2.3	-5.7	0.0	-5.7	3.5	0.0	3.5	2.2	3.4	0.3	3.1	-1.2	0.3	-1.5
June	-11.2	-11.9	-3.2	-8.7	0.7	0.0	0.7	0.2	-0.7	0.0	-0.7	0.8	0.4	0.5
July	-17.5	-14.7	0.1	-14.8	-2.8	0.0	-2.8	13.0	11.2	0.2	11.1	1.7	-0.1	1.8
Aug.	10.4	-5.9	0.2	-6.1	16.3	0.0	16.2	-3.0	-2.2	0.4	-2.5	-0.9	0.0	-0.9
Sep.	-5.1	-1.8	-1.3	-0.5	-3.3	0.0	-3.3	7.5	6.7	1.0	5.7	0.9	0.5	0.4
Oct.	-25.5	-15.6	0.2	-15.7	-9.9	0.0	-9.9	13.9	4.9	0.2	4.7	9.0	0.0	9.0
Nov.	-15.8	-13.6	-13.0	-0.6	-2.2	0.1	-2.3	15.0	5.8	0.1	5.7	9.2	0.4	8.8
Dec.	4.9	-5.7	5.6	-11.4	10.7	0.0	10.7	0.8	6.3	0.3	6.0	-5.4	0.0	-5.5
2005 Jan.	-10.9	-6.9	-0.9	-6.1	-3.9	0.0	-3.9	-2.2	3.0	0.2	2.9	-5.2	0.0	-5.3

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		Liabilities	
			General gov.	General gov.	General gov.			General gov.							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	-0.4	-7.6	-31.0	-4.4	85.5	-0.7	-17.4	-71.0	-0.9	157.2	2.0	-31.9	-19.5	-1.1	41.9
2003	-0.3	-12.9	-54.4	-2.6	117.5	-2.4	-45.1	-132.0	-0.2	188.7	0.2	-41.3	11.2	0.4	12.4
2004	0.0	-22.9	-42.5	.	127.3	1.4	-85.7	-68.8	.	200.5	-0.2	-40.9	-14.3	.	1.9
2003 Q4	0.0	-3.6	-21.9	-0.4	45.5	-0.4	-7.3	-18.9	-0.4	33.4	-0.2	-13.1	1.3	1.3	-5.6
2004 Q1	0.0	-6.0	-24.8	-0.9	24.5	-0.5	-26.3	-20.2	-0.6	42.1	-0.2	-10.6	-3.8	-1.1	22.7
Q2	0.0	-12.4	-3.6	-0.7	-4.8	0.3	-10.7	-17.8	-0.2	80.2	0.1	-5.0	-3.4	-2.4	-1.0
Q3	0.0	-2.5	-3.0	-0.6	38.9	0.7	-23.0	-15.2	-0.2	33.5	0.0	-14.7	-3.5	-0.6	-7.4
Q4	0.0	-2.0	-11.0	.	68.8	0.8	-25.7	-15.6	.	44.8	-0.1	-10.6	-3.5	.	-12.4
2004 Jan.	0.0	-3.4	-6.8	.	1.5	0.0	-13.0	-6.3	.	25.8	0.1	-15.5	-2.3	.	10.7
Feb.	0.1	-3.1	-6.7	.	20.5	0.0	-1.6	-1.4	.	11.0	-0.2	-5.5	-0.4	.	0.8
Mar.	0.0	0.5	-11.4	.	2.5	-0.4	-11.6	-12.5	.	5.3	0.0	10.4	-1.1	.	11.2
Apr.	0.0	-1.0	2.6	.	-20.1	0.2	-2.8	-5.8	.	38.0	0.0	-15.3	-3.9	.	0.5
May	0.0	-1.8	0.5	.	0.8	0.1	-7.3	-7.4	.	15.3	-0.2	2.6	0.7	.	-3.8
June	0.0	-9.7	-6.8	.	14.4	0.0	-0.5	-4.6	.	26.9	0.3	7.6	-0.3	.	2.3
July	0.0	-8.9	0.2	.	10.6	-0.3	-12.9	0.8	.	-11.3	0.3	-19.1	2.0	.	-2.7
Aug.	0.0	-4.2	-7.3	.	15.7	0.4	-12.0	-0.4	.	6.2	-0.2	-3.5	-0.9	.	7.3
Sep.	0.0	10.6	4.0	.	12.6	0.6	1.9	-15.6	.	38.5	-0.1	7.9	-4.6	.	-12.0
Oct.	0.0	-2.9	-3.3	.	16.3	0.3	-13.6	-5.1	.	15.6	-0.1	1.2	-3.9	.	1.8
Nov.	0.0	-10.8	-7.1	.	23.6	0.4	-9.9	-5.1	.	16.9	0.2	-13.2	0.8	.	-6.5
Dec.	0.0	11.8	-0.6	.	28.9	0.2	-2.2	-5.3	.	12.3	-0.2	1.5	-0.4	.	-7.7
2005 Jan.	0.0	-7.1	-8.9	.	10.5	-0.4	-26.0	-2.7	.	4.4	0.2	-3.1	-6.3	.	21.2

6. Other investment by sector

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			Assets	Liabilities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
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
2004	-299.7	267.5	-0.4	7.0	-1.6	-1.5	-6.1	-260.7	245.5	-24.3	1.8	-236.5	243.7	-36.9	-18.9	21.2
2003 Q4	-79.0	61.0	-0.7	-0.6	3.2	-	-4.6	-71.3	53.8	-16.5	18.1	-54.8	35.7	-10.1	-	12.4
2004 Q1	-182.0	180.5	-0.6	-1.2	-0.6	-0.5	-6.4	-156.1	158.5	-10.5	0.4	-145.6	158.1	-24.7	-20.0	29.6
Q2	-23.8	18.1	0.9	1.6	-4.8	-4.7	3.1	-5.5	22.3	-2.4	6.8	-3.1	15.5	-14.4	4.5	-8.8
Q3	-19.9	7.9	-1.5	3.2	0.4	-0.2	2.2	-24.1	6.6	-7.8	-5.7	-16.3	12.3	5.4	-10.3	-4.1
Q4	-73.9	60.9	0.8	3.4	3.4	3.9	-5.0	-75.0	58.0	-3.6	0.3	-71.5	57.8	-3.1	6.9	4.5
2004 Jan.	-68.9	67.8	-0.5	2.6	-0.3	-0.3	-4.6	-62.6	76.4	-1.3	4.3	-61.3	72.1	-5.5	-4.1	-6.7
Feb.	-28.8	14.6	-0.4	-4.3	0.4	0.3	-0.2	-23.8	16.6	-5.5	-0.6	-18.3	17.2	-5.1	-5.0	2.6
Mar.	-84.3	98.1	0.2	0.5	-0.7	-0.5	-1.5	-69.7	65.5	-3.7	-3.2	-66.0	68.7	-14.1	-10.8	33.7
Apr.	-52.5	48.3	0.6	0.6	-1.4	-1.2	-0.3	-50.5	54.3	-6.3	0.4	-44.1	53.9	-1.2	3.0	-6.4
May	10.3	1.8	-0.1	-0.3	-0.2	0.0	0.5	17.6	10.4	3.6	3.6	14.0	6.8	-7.0	4.5	-8.8
June	18.5	-32.0	0.5	1.3	-3.2	-3.5	2.9	27.4	-42.5	0.4	2.7	27.0	-45.2	-6.2	-3.1	6.4
July	55.7	-27.3	-0.3	1.5	-0.3	-0.5	-0.4	46.0	-12.7	3.1	-7.8	42.9	-4.9	10.3	1.7	-15.7
Aug.	-32.2	31.6	-0.2	0.2	-0.2	-0.3	0.1	-31.4	18.9	-5.8	2.4	-25.6	16.5	-0.4	-2.3	12.5
Sep.	-43.4	3.7	-1.0	1.5	0.9	0.7	2.6	-38.7	0.4	-5.2	-0.2	-33.5	0.6	-4.6	-9.7	-0.9
Oct.	-15.2	1.4	0.1	1.1	2.0	2.3	0.3	-9.9	-0.8	7.4	5.5	-17.3	-6.3	-7.4	-1.8	0.8
Nov.	-68.7	107.9	0.5	1.9	-1.1	-0.7	-0.4	-60.3	96.9	-0.9	2.9	-59.4	94.0	-7.7	-1.0	9.4
Dec.	10.0	-48.4	0.3	0.3	2.5	2.3	-4.9	-4.8	-38.2	-10.1	-8.2	5.3	-30.0	12.0	9.7	-5.7
2005 Jan.	-50.2	111.1	0.7	3.9	-1.5	-1.2	2.6	-33.9	97.7	-15.1	16.6	-18.8	81.1	-15.5	-12.5	6.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

7. Other investment by sector and instrument

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

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

8. Reserve assets

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

Source: ECB.

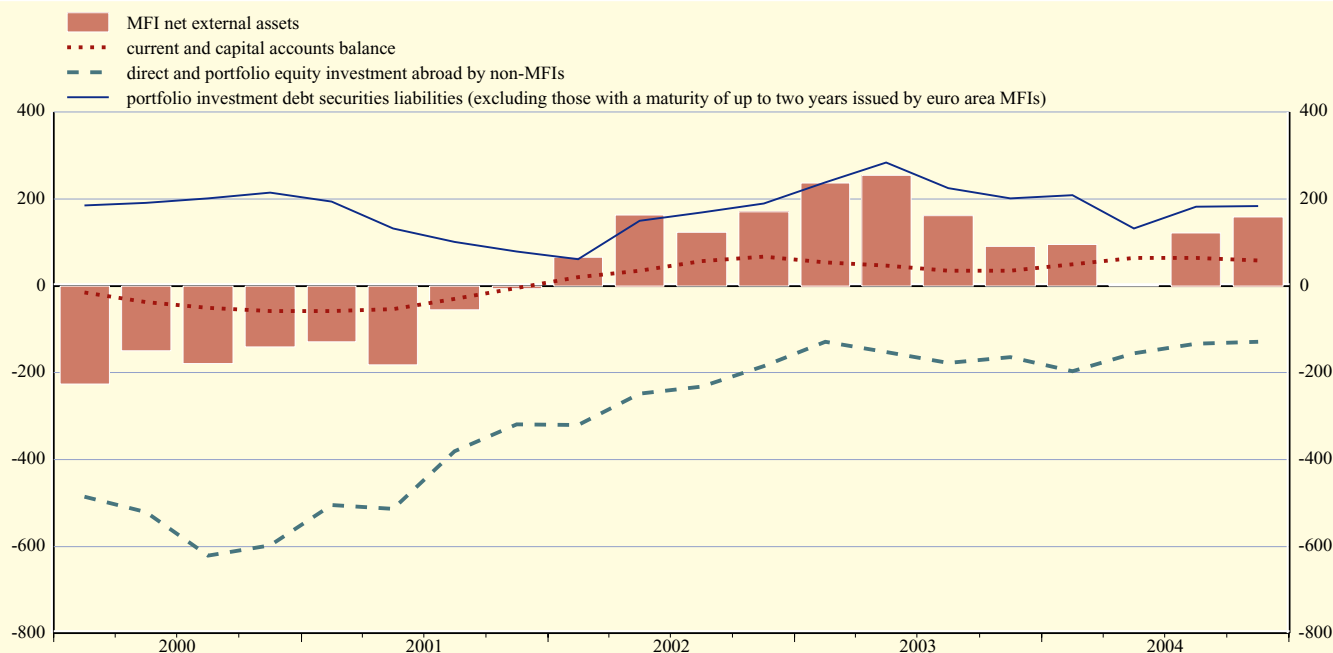
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
					Non-MFIs	Equity ¹⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2002	68.0	-155.4	176.8	-121.5	49.2	189.4	-55.7	21.1	-10.9	-5.9	155.2	170.7
2003	35.0	-132.4	126.8	-175.2	121.8	201.4	-86.3	20.2	-12.4	-17.1	81.9	91.1
2004	58.1	-87.2	65.7	-125.6	117.3	183.4	-38.5	15.1	-2.7	-53.5	132.0	158.2
2003 Q4	23.4	-33.3	22.4	-39.5	41.9	19.2	-7.0	7.8	-3.8	-15.9	15.3	17.6
2004 Q1	17.2	-21.9	4.5	-48.8	8.1	57.6	-25.3	23.3	6.6	-5.0	16.3	39.7
Q2	9.9	-25.0	14.9	-24.8	-5.0	68.2	-19.3	-5.8	-0.4	-9.7	2.9	0.8
Q3	14.0	-11.2	17.1	-21.8	37.9	37.6	5.8	-1.9	-4.4	-9.9	63.2	64.5
Q4	17.0	-29.2	29.3	-30.2	76.2	20.0	0.2	-0.5	-4.4	-28.9	49.6	53.2
2004 Jan.	-2.4	-9.7	2.3	-15.4	-6.5	33.7	-5.8	-11.3	1.8	21.1	7.8	23.5
Feb.	7.5	-4.6	15.0	-8.5	20.5	7.5	-4.6	2.4	1.3	-25.7	10.7	9.0
Mar.	12.2	-7.6	-12.8	-25.0	-5.8	16.4	-14.8	32.2	3.5	-0.4	-2.2	7.2
Apr.	0.6	-14.7	13.1	-7.0	-22.9	31.3	-2.6	-6.7	-1.1	17.0	6.9	7.0
May	4.0	-2.2	1.9	-6.2	4.1	8.7	-7.2	-8.4	-0.8	-15.4	-21.5	-20.7
June	5.3	-8.0	-0.2	-11.6	13.8	28.2	-9.4	9.2	1.5	-11.3	17.6	14.5
July	6.0	-17.6	13.1	2.9	6.3	-12.7	10.0	-16.1	-0.8	12.1	3.1	-0.7
Aug.	5.4	10.2	-3.0	-8.5	15.5	14.7	-0.6	12.5	-6.4	-10.5	29.2	30.3
Sep.	2.6	-3.8	7.0	-16.2	16.2	35.7	-3.7	1.7	2.8	-11.5	30.9	34.9
Oct.	1.8	-25.6	13.9	-12.4	14.9	14.7	-5.4	1.1	-3.3	19.7	19.4	20.4
Nov.	5.4	-2.9	14.6	-11.5	27.6	7.7	-8.9	9.0	1.9	-34.7	8.3	10.0
Dec.	9.8	-0.7	0.8	-6.3	33.7	-2.4	14.5	-10.6	-3.0	-13.9	21.9	22.8
2005 Jan.	-6.9	-10.0	-2.3	-17.9	7.5	20.5	-17.0	9.5	-3.9	-17.4	-37.7	-20.7
	<i>12-month cumulated transactions</i>											
2005 Jan.	53.6	-87.5	61.2	-128.1	131.4	170.2	-49.7	35.9	-8.4	-92.0	86.5	114.0

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

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

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

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

(EUR billions)

1. Balance of payments: current and capital accounts

(Cumulated transactions)

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

2. Balance of payments: direct investment

(Cumulated transactions)

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

Source: ECB.

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

3. Balance of payments: portfolio investment assets by instrument

(Cumulated transactions)

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

4. Balance of payments: other investment by sector

(Cumulated transactions)

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

5. International investment position

(End-of-period outstanding amounts)

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

Source: ECB.

7.4 International investment position (including international reserves)

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

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2000	-506.9	-7.7	369.9	-832.7	2.0	-437.3	391.2
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.5	79.7	-823.5	-7.5	-314.8	306.5
Outstanding assets							
2000	6,763.5	102.8	1,632.4	2,327.7	105.8	2,306.4	391.2
2001	7,628.1	111.4	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	102.5	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.9	2,110.4	2,607.4	156.6	2,587.3	306.5
% share of total assets							
2003	100.0	-	27.2	33.6	2.0	33.3	3.9
Outstanding liabilities							
2000	7,270.3	110.5	1,262.5	3,160.4	103.8	2,743.7	-
2001	8,026.9	117.2	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	111.3	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	117.4	2,030.7	3,430.9	164.1	2,902.1	-
% share of total liabilities							
2003	100.0	-	23.8	40.2	1.9	34.0	-

2. Direct investment

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

3. Portfolio investment assets by instrument and sector of holder

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

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosystem					General government							
	Assets		Liabilities			Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
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	

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosystem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.5	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 Q2	301.4	127.8	392.324	4.6	22.4	146.7	11.4	27.6	107.1	-	-	-	0.6	0.0	18.3	-10.2
2004 Q3	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
2004 Dec.	279.6	125.4	389.998	3.9	18.6	131.6	11.5	25.5	94.6	-	-	-	0.1	0.0	19.1	-12.8
2005 Jan.	289.0	126.1	389.435	4.0	18.8	140.1	10.2	30.1	99.8	-	-	-	0.0	0.0	19.9	-14.4
2005 Feb.	283.2	127.6	388.411	4.0	18.3	133.4	9.2	26.7	97.4	-	-	-	0.0	0.0	20.5	-11.5
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Q2	37.4	8.0	24.656	0.2	0.0	29.2	1.5	3.7	24.0	-	-	-	0.0	0.0	2.4	-0.5
2004 Q3	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
2004 Dec.	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	-	-	-	0.0	0.0	2.6	-1.3
2005 Jan.	36.3	8.0	24.656	0.2	0.0	28.2	2.0	4.8	21.5	-	-	-	0.0	0.0	2.7	-1.3
2005 Feb.	34.9	8.1	24.656	0.2	0.0	26.6	1.6	3.7	21.3	-	-	-	0.0	0.0	2.8	-0.4

Source: ECB.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo:			
			Intermediate	Capital	Consumption		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)													
2001	6.1	-0.7	1,062.6	506.0	234.9	289.2	932.5	1,014.6	579.1	179.0	228.5	741.0	107.7
2002	2.0	-3.0	1,083.9	512.6	227.9	309.6	949.4	984.8	559.5	163.3	234.2	717.5	105.2
2003	-2.2	0.5	1,058.7	501.1	222.8	300.4	924.9	988.0	554.2	164.1	240.9	715.5	109.1
2004	8.4	8.6	1,144.7	538.6	241.7	309.6	987.3	1,071.6	594.2	177.3	252.0	759.1	127.5
2003 Q3	-2.2	-1.0	265.4	125.8	56.5	75.4	232.9	243.1	135.4	39.6	60.3	176.5	26.8
2003 Q4	-0.4	1.5	269.6	125.9	57.6	76.4	233.4	249.9	139.0	42.2	61.6	180.8	27.0
2004 Q1	4.6	-0.2	277.4	130.4	58.7	75.7	241.0	251.1	137.6	41.8	62.2	182.1	26.2
2004 Q2	11.8	8.8	286.5	134.7	59.6	78.8	245.8	263.4	145.6	44.4	62.2	186.0	29.3
2004 Q3	8.7	14.3	288.8	137.0	61.2	78.5	249.6	277.0	156.2	44.8	64.0	194.0	36.1
2004 Q4	8.5	12.0	291.8	136.5	62.2	76.7	250.8	280.2	154.9	46.3	63.5	197.0	35.8
2004 Aug.	12.5	20.5	96.2	46.1	20.3	26.0	82.7	93.3	53.2	15.3	21.7	64.9	12.4
2004 Sep.	6.3	14.2	96.3	45.3	20.4	26.1	83.4	92.4	52.1	15.1	21.2	64.9	12.8
2004 Oct.	3.0	7.1	96.2	45.3	20.8	25.4	82.4	93.5	50.9	15.3	21.4	65.0	12.9
2004 Nov.	14.3	18.1	98.1	45.9	20.7	26.0	84.3	94.1	52.7	15.8	21.3	66.6	12.1
2004 Dec.	9.0	11.2	97.6	45.3	20.8	25.2	84.2	92.6	51.3	15.2	20.8	65.3	10.7
2005 Jan.	7.7	12.7	97.8	46.2	20.7	26.7	85.7	94.3	50.4	15.5	21.5	66.7	11.0
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	5.1	-0.8	105.0	102.1	108.4	107.9	105.5	98.8	99.3	96.4	100.6	98.0	99.3
2002	2.9	-0.7	108.0	105.0	106.2	115.1	108.3	98.3	98.8	89.7	104.1	96.5	101.4
2003	1.0	3.7	109.0	105.9	108.0	114.9	109.3	101.7	100.5	95.2	110.4	100.1	104.9
2004	8.3	5.9	117.8	113.5	118.2	118.5	117.1	107.5	102.1	104.5	116.6	106.0	104.2
2003 Q3	0.8	2.4	109.7	106.8	110.4	115.7	110.5	101.0	99.7	92.4	110.9	99.4	109.4
2003 Q4	3.0	5.5	112.0	107.3	112.2	117.5	111.4	103.9	102.0	98.3	113.7	102.1	106.5
2004 Q1	7.5	4.6	115.7	111.8	115.6	116.9	115.5	105.2	101.1	99.1	116.1	103.3	101.3
2004 Q2	11.2	5.7	117.8	113.7	116.2	120.0	116.5	106.6	101.6	104.0	115.3	104.0	100.3
2004 Q3	7.3	8.1	117.8	114.5	118.9	119.6	117.6	108.8	104.1	104.6	117.3	107.1	113.0
2004 Q4	7.4	5.4	120.0	114.1	121.9	117.6	119.0	109.6	101.6	110.3	117.7	109.6	102.1
2004 Aug.	10.3	13.9	117.3	115.2	117.2	119.4	116.8	109.8	105.9	107.6	119.5	107.8	113.4
2004 Sep.	5.4	8.5	118.1	113.7	119.0	119.5	118.0	108.8	103.9	107.0	117.4	107.9	118.1
2004 Oct.	2.0	-0.2	118.5	113.7	121.6	117.1	117.2	109.1	99.1	108.8	119.2	108.4	106.4
2004 Nov.	12.2	10.8	120.1	114.1	121.5	118.9	119.3	109.8	102.9	112.6	118.3	111.0	101.0
2004 Dec.	8.5	6.0	121.2	114.5	122.6	116.7	120.3	109.8	102.8	109.6	115.5	109.5	99.0
2005 Jan.													
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
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	94.2	98.8	96.1	85.0
2004	0.0	2.5	96.9	96.3	94.5	99.5	96.2	97.2	98.5	92.8	97.9	96.2	99.4
2003 Q3	-3.0	-3.3	96.5	95.7	94.6	99.2	96.2	94.0	92.0	93.6	98.4	95.5	79.9
2003 Q4	-3.2	-3.7	96.1	95.3	94.9	99.1	95.7	93.9	92.2	93.8	98.1	95.2	82.5
2004 Q1	-2.7	-4.6	95.7	94.8	93.8	98.7	95.3	93.2	92.1	92.2	97.1	94.8	84.3
2004 Q2	0.4	3.0	97.1	96.2	94.8	100.0	96.4	96.5	97.0	93.3	97.8	96.1	95.1
2004 Q3	1.3	5.8	97.8	97.2	95.2	99.9	96.9	99.4	101.5	93.7	98.8	97.4	104.2
2004 Q4	1.1	6.3	97.1	97.2	94.3	99.3	96.3	99.8	103.2	91.8	97.8	96.6	114.1
2004 Aug.	2.1	5.8	98.2	97.6	95.9	99.7	97.1	99.5	102.1	93.0	98.6	97.1	106.7
2004 Sep.	0.8	5.2	97.6	97.0	95.2	99.8	96.9	99.5	101.9	92.8	98.2	97.0	105.7
2004 Oct.	0.9	7.3	97.2	97.1	94.8	99.2	96.3	100.4	104.3	92.2	97.5	96.7	118.7
2004 Nov.	1.9	6.6	97.8	98.1	94.3	99.8	96.8	100.3	103.9	92.2	98.0	96.9	117.6
2004 Dec.	0.4	4.9	96.4	96.3	93.8	98.9	95.9	98.8	101.4	91.1	97.8	96.2	105.9
2005 Jan.													

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

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Exports (f.o.b.)															
2001	1,062.6	24.4	37.0	202.5	105.9	24.7	66.4	17.9	180.2	25.2	34.5	140.3	60.5	49.9	93.3
2002	1,083.9	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.6	43.4	100.5
2003	1,058.7	24.9	38.7	194.9	117.7	29.2	63.4	24.9	166.4	35.3	31.3	135.4	59.6	37.9	99.2
2004	1,144.7	25.4	41.6	202.6	126.3	35.5	66.0	31.8	173.5	40.2	33.0	149.5	63.4	40.1	115.7
2003 Q3	265.4	6.3	9.7	48.2	30.5	7.6	15.3	6.5	41.6	9.2	7.8	34.2	15.1	9.1	24.4
2003 Q4	269.6	6.1	9.8	49.7	29.7	7.4	15.9	6.8	41.5	9.0	8.1	34.2	15.1	8.9	27.5
2004 Q1	277.4	6.1	10.1	49.1	31.1	8.0	15.5	7.9	42.4	9.8	8.4	36.8	15.2	9.6	27.6
2004 Q2	286.5	6.3	10.4	50.3	31.6	9.1	16.3	8.2	43.9	10.4	8.0	36.8	15.7	9.9	29.8
2004 Q3	288.8	6.4	10.5	51.7	31.1	9.3	17.2	8.0	43.3	9.9	8.4	38.6	16.7	10.3	27.4
2004 Q4	291.8	6.6	10.7	51.5	32.6	9.1	17.1	7.7	43.9	10.1	8.1	37.3	15.8	10.4	30.9
2004 Aug.	96.2	2.2	3.5	17.0	10.5	3.1	5.6	2.6	14.5	3.1	2.8	12.8	5.5	3.4	9.6
2004 Sep.	96.3	2.2	3.5	17.3	10.6	3.1	5.7	2.7	14.3	3.3	2.8	12.4	5.5	3.5	9.4
2004 Oct.	96.2	2.2	3.6	17.3	11.0	2.9	5.5	2.6	14.3	3.4	2.6	12.3	5.4	3.3	9.7
2004 Nov.	98.1	2.2	3.6	17.7	10.9	3.1	5.7	2.5	14.7	3.3	2.7	12.3	5.1	3.7	10.6
2004 Dec.	97.6	2.2	3.6	16.5	10.7	3.1	5.8	2.6	14.9	3.4	2.8	12.6	5.3	3.4	10.6
2005 Jan.	97.8	2.2	3.5	17.8	11.1	3.2	6.0	2.7	15.0	3.4	2.8	13.7	5.5	3.7	7.4
<i>% share of total exports</i>															
2004	100.0	2.2	3.6	17.7	11.0	3.1	5.8	2.8	15.2	3.5	2.9	13.1	5.5	3.5	10.1
Imports (c.i.f.)															
2001	1,014.6	22.0	35.6	154.6	88.9	42.8	52.9	16.7	138.7	57.5	58.6	150.5	74.0	41.0	80.7
2002	984.8	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.8	52.7	142.8	67.9	39.4	81.0
2003	988.0	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.4	74.3	52.2	141.5	68.9	39.8	82.1
2004	1,071.6	24.2	39.2	141.3	107.3	56.1	53.4	22.7	113.4	91.6	53.4	162.8	71.9	44.7	89.4
2003 Q3	243.1	5.8	9.1	33.8	25.4	11.7	12.3	4.8	27.3	18.6	12.6	34.5	17.0	9.7	20.5
2003 Q4	249.9	5.9	9.4	34.5	27.0	11.9	12.4	5.0	26.6	20.0	13.0	36.1	16.5	10.6	21.1
2004 Q1	251.1	6.0	9.4	33.6	26.8	12.3	12.7	5.1	26.1	20.7	13.4	35.2	16.5	10.7	22.7
2004 Q2	263.4	5.8	9.8	34.4	26.3	13.6	13.2	5.5	29.9	22.1	12.8	41.0	17.0	10.8	21.0
2004 Q3	277.0	6.2	10.0	37.4	26.7	14.3	13.7	6.0	28.9	23.7	13.7	43.3	18.9	11.5	22.5
2004 Q4	280.2	6.2	10.0	35.9	27.5	15.9	13.8	6.1	28.6	25.1	13.4	43.3	19.5	11.7	23.1
2004 Aug.	93.3	2.1	3.4	12.8	9.0	4.7	4.5	2.0	9.7	7.9	4.6	15.0	6.4	3.9	7.3
2004 Sep.	92.4	2.1	3.3	12.2	9.1	5.2	4.6	2.1	9.5	8.0	4.5	14.3	6.3	3.9	7.3
2004 Oct.	93.5	2.2	3.3	12.3	9.1	5.1	4.6	2.0	9.5	8.2	4.3	13.1	6.6	3.8	9.4
2004 Nov.	94.1	2.2	3.4	12.3	9.2	5.5	4.6	2.0	9.5	8.5	4.6	14.8	6.8	3.9	6.6
2004 Dec.	92.6	1.8	3.3	11.2	9.2	5.3	4.6	2.1	9.6	8.4	4.5	15.4	6.1	4.0	7.1
2005 Jan.	94.3	2.3	3.3	13.0	9.5	4.6	4.6	2.1	9.6	8.6	4.5	12.7	6.5	4.1	9.0
<i>% share of total imports</i>															
2004	100.0	2.3	3.7	13.2	10.0	5.2	5.0	2.1	10.6	8.5	5.0	15.2	6.7	4.2	8.4
Balance															
2001	48.0	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.0	-10.2	-13.6	8.9	12.5
2002	99.1	2.3	1.5	56.1	18.6	-15.0	12.0	3.8	58.5	-31.9	-19.7	-2.3	-8.3	4.0	19.5
2003	70.7	1.1	1.8	56.0	15.6	-18.2	13.0	5.5	56.1	-39.1	-20.9	-6.1	-9.4	-1.8	17.1
2004	73.1	1.1	2.4	61.3	19.0	-20.6	12.6	9.0	60.1	-51.4	-20.4	-13.3	-8.5	-4.6	26.3
2003 Q3	22.3	0.5	0.6	14.4	5.1	-4.0	2.9	1.7	14.3	-9.5	-4.8	-0.2	-1.9	-0.6	3.9
2003 Q4	19.7	0.2	0.5	15.2	2.6	-4.6	3.5	1.8	14.9	-11.0	-4.9	-1.8	-1.4	-1.6	6.3
2004 Q1	26.3	0.2	0.7	15.5	4.3	-4.2	2.8	2.8	16.3	-10.9	-5.0	1.6	-1.3	-1.1	4.8
2004 Q2	23.2	0.5	0.6	15.9	5.3	-4.6	3.0	2.7	14.0	-11.8	-4.8	-4.2	-1.2	-1.0	8.8
2004 Q3	11.9	0.2	0.4	14.3	4.4	-5.0	3.5	2.0	14.4	-13.8	-5.3	-4.7	-2.2	-1.3	4.9
2004 Q4	11.7	0.3	0.7	15.6	5.1	-6.8	3.2	1.6	15.3	-15.0	-5.3	-6.1	-3.7	-1.3	7.8
2004 Aug.	2.9	0.1	0.1	4.2	1.5	-1.6	1.1	0.6	4.8	-4.8	-1.8	-2.2	-0.9	-0.5	2.3
2004 Sep.	3.9	0.1	0.2	5.0	1.5	-2.1	1.0	0.6	4.8	-4.6	-1.7	-1.9	-0.8	-0.4	2.1
2004 Oct.	2.7	0.0	0.2	5.0	1.9	-2.2	1.0	0.6	4.8	-4.8	-1.7	-0.7	-1.2	-0.5	0.3
2004 Nov.	4.0	0.0	0.2	5.4	1.7	-2.4	1.1	0.4	5.2	-5.2	-1.9	-2.5	-1.6	-0.2	4.0
2004 Dec.	4.9	0.4	0.3	5.2	1.5	-2.1	1.2	0.6	5.3	-4.9	-1.7	-2.8	-0.8	-0.6	3.5
2005 Jan.	3.5	-0.1	0.2	4.8	1.5	-1.4	1.3	0.6	5.4	-5.1	-1.8	1.0	-1.0	-0.4	-1.6

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



EXCHANGE RATES

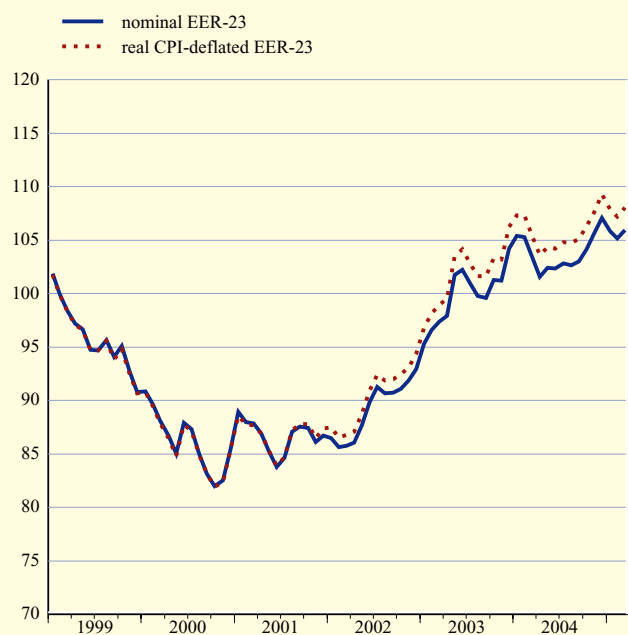
8.1 Effective exchange rates ¹⁾

(period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2002	89.2	90.3	91.9	90.3	87.9	88.4	94.8	90.8
2003	99.9	101.7	102.2	101.5	99.1	99.5	106.6	101.6
2004	103.8	105.8	105.3	105.9	102.8	102.9	111.0	105.4
2004 Q1	104.7	106.7	106.4	106.5	104.3	104.3	111.6	106.1
Q2	102.1	104.1	103.6	104.3	101.3	101.3	109.2	103.7
Q3	102.8	104.9	104.4	104.9	101.6	101.7	110.1	104.5
Q4	105.7	107.7	106.8	107.7	104.2	104.2	113.0	107.1
2005 Q1	105.7	107.7	107.2	.	.	.	112.6	106.5
2004 Mar.	103.4	105.4	105.2	-	-	-	110.2	104.7
Apr.	101.6	103.6	103.3	-	-	-	108.3	103.0
May	102.4	104.4	103.9	-	-	-	109.5	104.1
June	102.3	104.2	103.7	-	-	-	109.6	104.0
July	102.8	104.8	104.4	-	-	-	110.1	104.5
Aug.	102.7	104.7	104.3	-	-	-	109.9	104.4
Sep.	103.0	105.1	104.5	-	-	-	110.3	104.7
Oct.	104.2	106.3	105.4	-	-	-	111.5	105.8
Nov.	105.6	107.6	106.6	-	-	-	113.1	107.1
Dec.	107.1	109.3	108.4	-	-	-	114.4	108.4
2005 Jan.	105.8	107.9	107.2	-	-	-	112.9	106.8
Feb.	105.1	107.2	106.6	-	-	-	111.9	105.8
Mar.	106.0	108.1	107.6	-	-	-	112.9	106.7
	<i>% change versus previous month</i>							
2005 Mar.	0.8	0.8	0.9	-	-	-	0.8	0.8
	<i>% change versus previous year</i>							
2005 Mar.	2.5	2.5	2.2	-	-	-	2.5	1.9

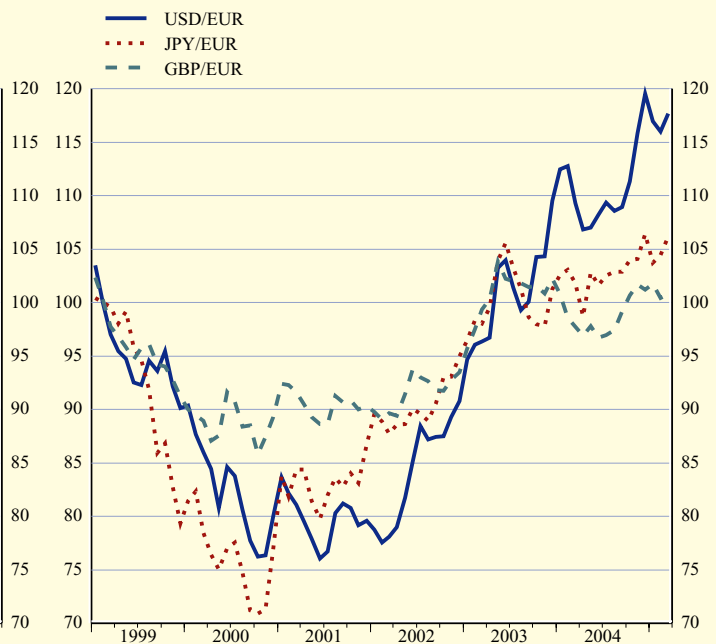
C31 Effective exchange rates

(monthly averages; index 1999 Q1=100)



C32 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	US dollar	Pound sterling	Japanese yen	Swiss franc	Swedish krona	South Korean won	Hong Kong dollar	Danish 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
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
2005 Q1	1.3113	0.69362	137.01	1.5488	9.0736	1,340.74	10.2257	7.4433	2.1452	1.6083	8.2388	1.6878	80.67	1.8299	7.8793
2004 Mar.	1.2262	0.67124	133.13	1.5670	9.2346	1,429.40	9.5547	7.4493	2.0838	1.6314	8.5407	1.6370	87.23	1.8566	8.1326
Apr.	1.1985	0.66533	129.08	1.5547	9.1653	1,381.58	9.3451	7.4436	2.0193	1.6068	8.2976	1.6142	87.59	1.8727	7.8890
May	1.2007	0.67157	134.48	1.5400	9.1277	1,412.29	9.3618	7.4405	2.0541	1.6541	8.2074	1.7033	87.97	1.9484	8.1432
June	1.2138	0.66428	132.86	1.5192	9.1430	1,406.18	9.4648	7.4342	2.0791	1.6492	8.2856	1.7483	87.55	1.9301	7.8110
July	1.2266	0.66576	134.08	1.5270	9.1962	1,420.66	9.5672	7.4355	2.0995	1.6220	8.4751	1.7135	87.71	1.8961	7.5137
Aug.	1.2176	0.66942	134.54	1.5387	9.1861	1,409.37	9.4968	7.4365	2.0886	1.6007	8.3315	1.7147	87.08	1.8604	7.8527
Sep.	1.2218	0.68130	134.51	1.5431	9.0920	1,403.06	9.5290	7.4381	2.0719	1.5767	8.3604	1.7396	87.65	1.8538	7.9943
Oct.	1.2490	0.69144	135.97	1.5426	9.0620	1,426.19	9.7284	7.4379	2.0947	1.5600	8.2349	1.7049	87.58	1.8280	7.9861
Nov.	1.2991	0.69862	136.09	1.5216	8.9981	1,411.15	10.1028	7.4313	2.1446	1.5540	8.1412	1.6867	87.15	1.8540	7.8566
Dec.	1.3408	0.69500	139.14	1.5364	8.9819	1,408.77	10.4264	7.4338	2.2002	1.6333	8.2207	1.7462	83.99	1.8737	7.6847
2005 Jan.	1.3119	0.69867	135.63	1.5469	9.0476	1,362.01	10.2269	7.4405	2.1501	1.6060	8.2125	1.7147	82.12	1.8620	7.8386
Feb.	1.3014	0.68968	136.55	1.5501	9.0852	1,330.26	10.1507	7.4427	2.1327	1.6128	8.3199	1.6670	80.74	1.8192	7.8337
Mar.	1.3201	0.69233	138.83	1.5494	9.0884	1,329.44	10.2960	7.4466	2.1522	1.6064	8.1880	1.6806	79.15	1.8081	7.9635
	% change versus previous month														
2005 Mar.	1.4	0.4	1.7	0.0	0.0	-0.1	1.4	0.1	0.9	-0.4	-1.6	0.8	-2.0	-0.6	1.7
	% change versus previous year														
2005 Mar.	7.7	3.1	4.3	-1.1	-1.6	-7.0	7.8	0.0	3.3	-1.5	-4.1	2.7	-9.3	-2.6	-2.1
	Cyprus pound	Czech koruna	Estonian kroon	Hungarian forint	Lithuanian litas	Latvian lats	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu	New Turkish lira ¹⁾		
	16	17	18	19	20	21	22	23	24	25	26	27	28		
2002	0.57530	30.804	15.6466	242.96	3.4594	0.5810	0.4089	3.8574	225.9772	42.694	1.9492	31,270	1,439,680		
2003	0.58409	31.846	15.6466	253.62	3.4527	0.6407	0.4261	4.3996	233.8493	41.489	1.9490	37,551	1,694,851		
2004	0.58185	31.891	15.6466	251.66	3.4529	0.6652	0.4280	4.5268	239.0874	40.022	1.9533	40,510	1,777,052		
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		
2005 Q1	0.58267	30.012	15.6466	245.01	3.4528	0.6962	0.4316	4.0267	239.7361	38.294	1.9559	37,069	1,7412		
2004 Apr.	0.58630	32.519	15.6466	250.41	3.4529	0.6502	0.4251	4.7597	238.4520	40.151	1.9465	40,683	1,637,423		
May	0.58589	31.976	15.6466	252.91	3.4528	0.6557	0.4259	4.7209	238.7400	40.164	1.9464	40,554	1,818,487		
June	0.58239	31.614	15.6466	253.02	3.4528	0.6565	0.4254	4.5906	239.3591	39.923	1.9547	40,753	1,814,266		
July	0.58171	31.545	15.6466	249.89	3.4528	0.6596	0.4259	4.4651	239.9023	39.899	1.9558	40,962	1,784,116		
Aug.	0.57838	31.634	15.6466	248.85	3.4528	0.6586	0.4261	4.4310	239.9900	40.111	1.9559	40,946	1,799,918		
Sep.	0.57696	31.601	15.6466	247.66	3.4528	0.6610	0.4277	4.3748	239.9677	40.049	1.9559	41,075	1,838,497		
Oct.	0.57595	31.491	15.6466	246.69	3.4528	0.6690	0.4297	4.3182	239.9067	39.997	1.9559	41,082	1,860,247		
Nov.	0.57789	31.286	15.6466	245.36	3.4528	0.6803	0.4319	4.2573	239.7891	39.546	1.9559	39,848	1,883,365		
Dec.	0.57909	30.636	15.6466	245.80	3.4528	0.6900	0.4325	4.1354	239.7987	38.872	1.9559	38,696	1,870,690		
2005 Jan.	0.58170	30.304	15.6466	246.48	3.4528	0.6963	0.4322	4.0794	239.7719	38.573	1.9559	38,168	1,7784		
Feb.	0.58315	29.957	15.6466	243.69	3.4528	0.6961	0.4309	3.9867	239.7355	38.044	1.9559	36,733	1,7104		
Mar.	0.58319	29.771	15.6466	244.81	3.4528	0.6961	0.4317	4.0123	239.7010	38.253	1.9559	36,292	1,7333		
	% change versus previous month														
2005 Mar.	0.0	-0.6	0.0	0.5	0.0	0.0	0.2	0.6	0.0	0.5	0.0	-1.2	1.3		
	% change versus previous year														
2005 Mar.	-0.5	-9.7	0.0	-3.4	0.0	5.5	1.2	-15.8	0.7	-5.3	0.5	-9.3	-		

Source: ECB.

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



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.4	1.0	1.3
2004 Q2	2.5	0.8	3.2	1.2	5.8	0.5	7.4	3.3	3.4	3.8	8.0	1.2	1.4
Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
Q4	2.7	1.2	4.4	2.8	7.2	3.0	5.9	2.2	4.5	3.5	6.0	1.1	1.4
2004 Oct.	3.1	1.6	4.0	2.0	7.2	3.1	6.4	2.7	4.6	3.4	6.3	1.4	1.2
Nov.	2.6	1.0	4.4	2.6	7.2	2.9	5.7	1.9	4.5	3.8	6.0	1.1	1.5
Dec.	2.5	1.0	4.8	3.9	7.4	2.8	5.5	1.9	4.4	3.3	5.8	0.9	1.6
2005 Jan.	1.5	0.8	4.2	2.8	6.7	2.8	3.9	1.9	3.8	2.3	3.1	0.5	1.6
Feb.	1.4	1.0	4.6	2.4	7.0	3.2	3.4	2.5	3.5	2.8	2.6	1.2	1.6
General government deficit (-)/surplus (+) as a % of GDP													
2002	-6.8	1.7	1.4	-4.5	-2.7	-1.5	-8.5	-5.9	-3.6	-2.4	-5.7	-0.3	-1.7
2003	-11.7	1.2	3.1	-6.3	-1.5	-1.9	-6.2	-10.5	-4.5	-2.0	-3.7	0.2	-3.4
2004	-3.0	2.8	1.8	-4.2	-0.8	-2.5	-4.5	-5.2	-4.8	-1.9	-3.3	1.4	-3.2
General government gross debt as a % of GDP													
2002	30.7	47.2	5.3	65.2	14.1	22.4	55.5	62.7	41.2	29.5	43.3	52.4	38.3
2003	38.3	44.7	5.3	69.8	14.4	21.4	56.9	71.8	45.4	29.4	42.6	52.0	39.7
2004	37.4	42.7	4.9	71.9	14.4	19.7	57.6	75.0	43.6	29.4	43.6	51.2	41.6
Long-term government bond yield as a % per annum, period average													
2004 Sep.	5.02	4.38	-	6.58	4.87	4.56	8.58	4.70	6.96	4.63	5.04	4.37	4.95
Oct.	4.82	4.23	-	6.58	4.63	4.38	8.23	4.71	6.80	4.47	5.08	4.25	4.81
Nov.	4.55	4.09	-	6.45	4.58	4.25	7.64	4.70	6.45	4.31	4.92	4.13	4.74
Dec.	4.05	3.86	-	6.26	4.58	3.95	7.17	4.70	6.00	4.07	4.58	3.90	4.58
2005 Jan.	3.84	3.74	-	6.13	4.29	3.85	7.21	4.71	5.97	3.87	4.04	3.84	4.60
Feb.	3.55	3.64	-	6.06	4.03	3.80	6.84	4.72	5.73	3.92	3.80	3.76	4.66
3-month interest rate as a % per annum, period average													
2004 Sep.	2.72	2.21	2.41	5.15	4.14	2.68	-	2.96	7.12	4.07	4.16	2.20	4.95
Oct.	2.67	2.21	2.41	5.15	4.20	2.69	11.09	2.96	6.89	4.10	4.26	2.21	4.90
Nov.	2.61	2.21	2.41	5.13	4.49	2.70	9.57	2.95	6.81	4.06	4.22	2.20	4.88
Dec.	2.57	2.20	2.41	5.16	4.39	2.65	-	2.96	6.72	4.05	3.74	2.18	4.87
2005 Jan.	2.53	2.20	2.40	5.16	3.99	2.62	-	2.97	6.63	4.05	3.66	2.15	4.87
Feb.	2.25	2.19	2.40	5.13	3.97	2.59	8.45	2.97	6.54	4.05	2.90	2.12	4.89
Real GDP													
2003	3.7	0.4	5.1	2.0	7.5	9.7	3.0	-1.8	3.8	2.5	4.5	1.5	2.2
2004	4.0	2.0	6.2	3.7	8.5	6.7	4.0	1.5	5.3	4.6	5.5	3.5	3.1
2004 Q2	4.0	2.5	5.8	4.4	7.7	7.5	4.1	-0.5	6.1	4.4	5.5	3.3	3.6
Q3	4.0	1.9	5.9	4.1	9.1	6.2	3.9	1.9	4.8	4.5	5.3	3.3	3.1
Q4	4.3	2.1	5.9	3.0	8.6	6.5	3.9	2.3	3.9	3.4	5.8	2.6	2.9
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	-5.6	-2.2	-1.0	-0.5	6.4	-1.6
2004 Q1	-2.3	3.0	-11.5	-12.2	-8.5	-8.7	-9.8	-8.4	-1.4	0.6	1.2	7.6	-1.4
Q2	-5.2	3.7	-17.9	-10.9	-16.7	-10.7	-9.0	-4.8	-2.9	-2.6	-7.5	8.3	-2.5
Q3	-7.2	2.5	-7.7	1.0	-10.3	-6.0	-7.6	-4.8	-0.6	0.5	-3.4	8.8	-2.6
Unit labour costs													
2003	3.3	2.3	4.6	-	5.2	1.5	7.0	-	-	4.8	3.5	0.6	3.1
2004	.	1.3	4.9	-	8.4	.	.	-	.	.	2.1	.	.
2004 Q2	.	1.0	4.8	-	.	.	.	-	.	.	5.1	.	1.7
Q3	.	1.8	5.2	-	.	.	.	-	.	.	3.5	.	1.1
Q4	.	0.9	4.7	-	.	.	.	-	.	.	5.1	.	.
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	8.3	5.4	9.2	5.0	9.8	10.7	5.9	7.3	18.8	6.0	18.0	6.4	4.6
2004 Q3	8.3	5.3	9.1	5.0	9.7	10.6	5.8	7.1	18.7	5.9	17.8	6.4	4.5
Q4	8.3	5.2	8.4	5.3	9.7	9.6	6.1	7.0	18.4	5.8	17.1	6.4	4.6
2005 Q1	.	.	.	.	.	.	6.3	.	.	.	.	.	.
2004 Nov.	8.3	5.2	8.3	5.2	9.7	9.6	6.1	7.0	18.4	5.8	17.1	6.4	4.6
Dec.	8.3	5.1	8.2	5.5	9.6	9.3	6.2	7.0	18.3	5.8	16.8	6.4	4.6
2005 Jan.	8.3	5.0	8.1	5.6	9.6	9.1	6.3	6.9	18.2	5.8	16.5	6.2	.
Feb.	8.3	.	8.0	5.6	9.6	8.9	6.3	6.8	18.1	5.8	16.2	6.5	.
Mar.	.	.	.	.	.	.	6.3	.	.	.	.	.	.

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

9.2 In the United States and Japan

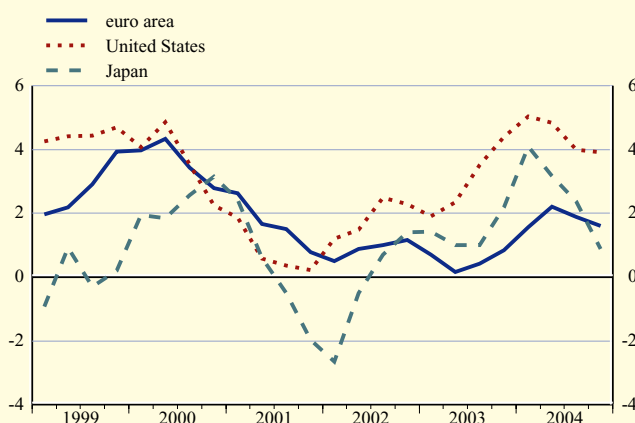
(annual percentage changes, unless otherwise indicated)

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	-0.8	1.9	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.3	3.0	0.0	6.0	6.4	1.22	4.00	1.1312	-4.6	47.8
2004	2.7	-0.8	4.4	4.9	5.5	5.2	1.62	4.26	1.2439	-4.3	48.7
2004 Q1	1.8	-0.7	5.0	3.2	5.7	4.6	1.12	4.00	1.2497	-4.5	48.5
Q2	2.9	-1.7	4.8	5.6	5.6	5.7	1.30	4.58	1.2046	-4.4	48.2
Q3	2.7	-0.1	4.0	5.5	5.4	4.8	1.75	4.29	1.2220	-4.4	48.3
Q4	3.3	-0.5	3.9	5.1	5.4	5.8	2.30	4.17	1.2977	-3.9	48.7
2005 Q1	.	.	.	.	5.3	.	2.84	4.30	1.3113	.	.
2004 Nov.	3.5	-	-	4.5	5.4	5.8	2.31	4.19	1.2991	-	-
Dec.	3.3	-	-	5.1	5.4	6.3	2.50	4.23	1.3408	-	-
2005 Jan.	3.0	-	-	5.2	5.2	6.0	2.66	4.21	1.3119	-	-
Feb.	3.0	-	-	4.8	5.4	5.5	2.82	4.16	1.3014	-	-
Mar.	.	-	-	.	5.2	.	3.03	4.49	1.3201	-	-
Japan											
2001	-0.7	4.4	0.1	-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	141.5
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	149.2
2004	0.0	.	2.6	5.6	4.7	1.9	0.05	1.50	134.44	.	.
2004 Q1	-0.1	-6.5	4.1	6.8	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	-6.7	3.2	7.4	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.9	2.3	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	.	0.8	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	.	.	.	.	.	.	0.05	1.41	137.01	.	.
2004 Nov.	0.8	.	-	4.5	4.5	2.0	0.05	1.46	136.09	-	-
Dec.	0.2	.	-	1.8	4.4	2.0	0.05	1.40	139.14	-	-
2005 Jan.	-0.1	.	-	1.5	4.5	2.0	0.05	1.37	135.63	-	-
Feb.	-0.3	.	-	0.6	4.6	2.0	0.05	1.40	136.55	-	-
Mar.	.	.	-	.	.	.	0.05	1.45	138.83	-	-

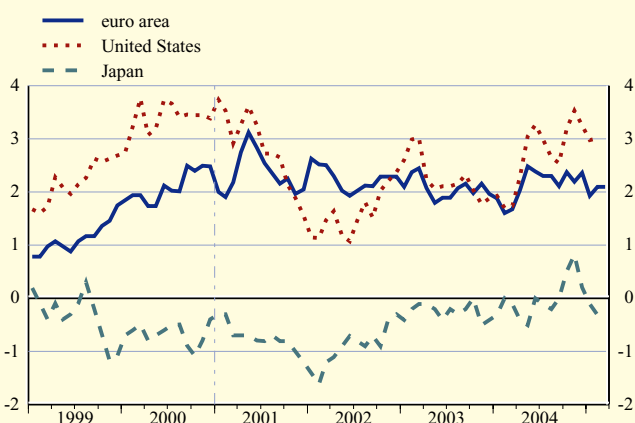
C33 Real gross domestic product

(annual percentage changes; quarterly)



C34 Consumer price indices

(annual percentage changes; monthly)



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

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

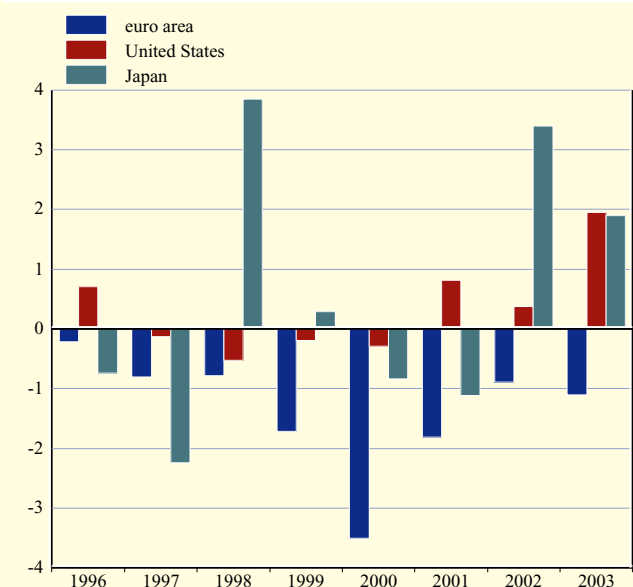
9.2 In the United States and Japan

(as a percentage of GDP)

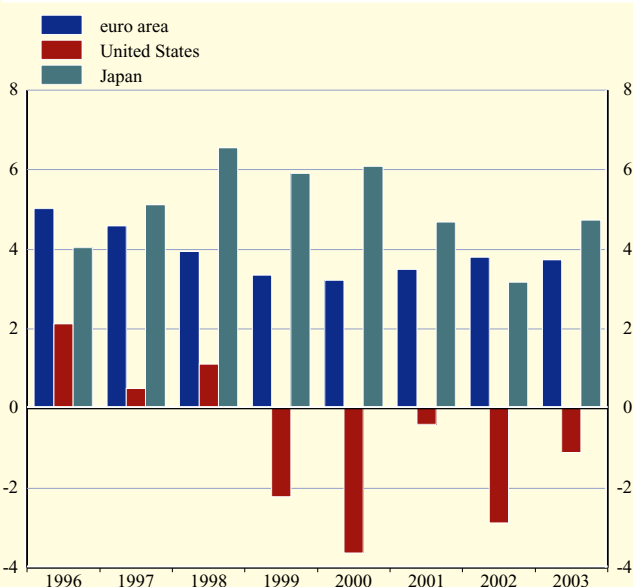
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving 1	Gross capital formation 2	Net lending to the rest of the world 3	Gross capital formation 4	Gross fixed capital formation 5	Net acquisition of financial assets 6	Gross saving 7	Net incurrence of liabilities 8	Securities and shares 9	Capital expenditures ²⁾ 10	Net acquisition of financial assets 11	Gross saving ³⁾ 12	Net incurrence of liabilities 13
United States													
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.6	0.9	1.7	12.8	5.3	10.8	5.7
2002	14.2	18.4	-4.4	7.3	7.3	1.4	8.0	1.1	-0.1	12.9	3.7	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	4.4	8.5	2.5	0.8	13.2	6.9	10.6	8.0
2004	13.7	19.7	-5.5	7.7	7.4	4.5	8.7	3.0	0.3	13.4	6.6	10.4	9.5
2003 Q1	12.8	18.2	-5.0	7.0	7.0	3.6	7.8	2.4	0.8	12.9	6.1	10.2	8.8
Q2	13.2	18.1	-4.8	6.8	7.0	5.3	8.5	3.3	2.1	13.1	9.3	10.5	11.7
Q3	13.7	18.6	-4.6	7.0	7.1	3.6	8.7	1.4	0.3	13.4	9.3	11.2	7.4
Q4	14.4	18.8	-4.3	7.2	7.2	5.3	9.1	2.8	0.1	13.4	3.0	10.7	4.3
2004 Q1	13.7	19.1	-4.9	7.4	7.2	6.2	8.9	4.2	1.0	13.1	7.2	10.2	10.2
Q2	13.9	19.8	-5.4	7.7	7.3	4.3	8.8	2.5	-0.6	13.4	5.9	10.3	8.5
Q3	13.8	19.7	-5.4	7.6	7.4	4.2	9.1	2.6	0.3	13.5	6.9	10.4	9.3
Q4	13.4	20.1	-6.2	8.0	7.6	3.2	8.2	2.8	0.3	13.4	6.4	10.7	9.7
Japan													
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.6	24.2	2.8	13.8	14.1	-1.7	15.3	-7.4	-0.8	4.8	-0.2	9.0	-2.1
2003	26.3	23.9	3.1	14.3	14.4	2.3	16.0	-5.3	0.7	.	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.8	.	0.9	0.7	.	1.9	.	-0.7
2003 Q1	28.0	23.4	2.9	.	.	17.5	.	-1.8	1.7	.	-13.2	.	2.9
Q2	23.6	23.3	2.9	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	25.7	24.0	3.7	.	.	9.2	.	-5.6	-0.6	.	-3.7	.	1.4
Q4	27.8	24.8	2.9	.	.	10.5	.	5.5	1.2	.	9.5	.	-1.4
2004 Q1	30.7	24.0	3.9	.	.	12.5	.	-1.9	-0.5	.	-7.2	.	2.6
Q2	.	23.0	.	.	.	-13.7	.	-11.2	1.0	.	7.9	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	-0.2	.	-2.1	.	1.5
Q4	.	24.6	.	.	.	13.0	.	15.2	2.2	.	8.3	.	-0.4

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



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



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

1) Including non-profit institutions serving households.

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

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



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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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

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

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

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RELATING TO TABLE I IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

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

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

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



GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 6 April 2005.

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

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

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

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

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

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

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

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

OVERVIEW

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

MONETARY POLICY STATISTICS

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

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

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

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

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

Details of the sector definitions are set out in the “Money and Banking Statistics Sector

Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector¹, as last amended by Regulation ECB/2003/10².

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

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

¹ OJL 356, 30.12.1998, p. 7.

² OJL 250, 2.10.2003, p. 19.

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

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

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

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

FINANCIAL MARKETS

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

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues

differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

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

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for issuers resident in the euro area which is in line with the ESA 95³. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in Section 4.1, column 5. The outstanding amounts for total and long-term debt securities issued by MFIs in Table 4.2.1, column 2, are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2 of Section 2.1, column 8.

The total gross issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total gross issues by euro area residents in Section 4.1, column 6. The residual difference between long-term debt securities in Section 4.1, column 6, and total fixed and variable rate long-term debt securities in Table 2 of Section 4.2, column 7 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of

the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Annual percentage changes for monthly data refer to the end of the month, whereas for quarterly and yearly data, those percentage changes refer to the annual change in the period average. See the technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest

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

rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

each maturity band. For the United States and Japan, ten-year yields are period averages.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

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

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

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics⁴. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial

4 OJL 162, 5.6.1998, p. 1.

Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001⁵. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

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

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

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

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

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

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

GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000⁶ amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general

⁵ OJ L 86, 27.3.2001, p. 11.

⁶ OJ L 172, 12.7.2000, p. 3.

government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002⁷ on quarterly non-financial accounts for general government.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)⁸, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2004), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmf.b.org).

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

account, both credit and debit transactions are presented with a plus sign.

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

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt

⁷ OJ L 179, 9.7.2002, p. 1.

⁸ OJ L 354, 30.11.2004, p. 34.

securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

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

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the

recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

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

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

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

DEVELOPMENTS OUTSIDE THE EURO AREA

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



CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM¹

9 JANUARY 2003

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

23 JANUARY 2003

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

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

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

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

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

6 FEBRUARY 2003

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

6 MARCH 2003

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

3 APRIL 2003

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

8 MAY 2003

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

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

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

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

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

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

5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage

point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

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

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

12 JANUARY 2004

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

5 FEBRUARY, 4 MARCH 2004

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

10 MARCH 2004

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

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

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

14 JANUARY 2005

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

3 FEBRUARY, 3 MARCH AND 7 APRIL 2005

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





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GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction,

retail and services sectors, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

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

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

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

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross monthly earnings: gross monthly wages and salaries of employees, including employees' social security contributions.

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of all hours worked by them (including overtime).

Implied volatility: a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Yield curve: a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

