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

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ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

At its meeting on 5 July 2007, the Governing Council decided, on the basis of its regular economic and monetary analyses, to leave the key ECB interest rates unchanged. The information that has become available since the Governing Council's decision to raise interest rates on 6 June has further underpinned the reasoning behind that decision. It has also confirmed that the medium-term outlook for price stability remains subject to upside risks. Given the positive economic environment in the euro area, the ECB's monetary policy is still on the accommodative side, with overall financing conditions favourable, money and credit growth vigorous, and liquidity in the euro area ample. Looking ahead, acting in a firm and timely manner to ensure price stability in the medium term remains warranted. The Governing Council will continue to monitor closely all developments to ensure that risks to price stability over the medium term do not materialise and medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area.

Turning first to the economic analysis, the latest data and survey releases have remained broadly positive, supporting the view that economic activity in the euro area in the second quarter of 2007 continued to expand at solid rates in line with the Governing Council's baseline scenario.

Looking ahead, the medium-term outlook for economic activity remains favourable. The conditions are in place for the euro area economy to continue to grow at a sustained rate. As regards the external environment, global economic growth has become more balanced across regions and, while moderating somewhat, remains robust. External conditions thus continue to provide support for euro area exports. Domestic demand in the euro area is also expected to maintain its relatively strong momentum. Investment should remain dynamic, benefiting from overall financing conditions which remain favourable, accumulated and ongoing strong corporate earnings, balance sheet restructuring as well as business efficiency gains achieved over an extended period. Meanwhile, consumption should be supported by developments in real disposable income, as labour market conditions continue to improve.

The risks surrounding this favourable outlook for economic growth are broadly balanced over the shorter term. At medium to longer horizons, the balance of risks remains on the downside, owing mainly to external factors. These relate in particular to fears of a rise in protectionist pressures, the possibility of further increases in oil prices, concerns about possible disorderly developments owing to global imbalances and potential shifts in financial market sentiment.

As regards price developments, as reflected in Eurostat's flash estimate, annual HICP inflation was 1.9% in June 2007, unchanged from previous months. Looking ahead, the short-term profile of annual inflation rates continues to be determined largely by current and past energy price developments, as last year's volatility in energy prices leads to significant base effects. On the basis of the current level of oil prices and oil price futures, which show an upward slope, annual inflation rates are likely to fall only slightly in the months ahead before rising again significantly towards the end of the year.

At the policy-relevant medium-term horizon, risks to the outlook for price stability remain on the upside. These risks relate notably to the domestic side. In particular, as capacity utilisation in the euro area economy is high and labour markets continue to improve, constraints are emerging which could lead in particular to stronger than expected wage developments. In addition, pricing power in market segments with low competition may increase in such an environment. Such developments would pose significant upward risks to price stability. It is therefore crucial that all parties concerned meet their responsibilities. Wage agreements in particular should be sufficiently differentiated to take into account price competitiveness positions, the still high level of unemployment in many economies and sector-specific productivity developments. The Governing Council stresses the importance of avoiding wage developments that would eventually lead to inflationary pressures and harm the purchasing power of all euro area citizens. In addition, upside risks to price stability arise from increases in administered prices and indirect taxes beyond those anticipated thus far, and the potentially procyclical stance of fiscal policy in some countries. Finally, on the external side, upside risks stem from the possibility of further unexpected oil price rises.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer horizons. The underlying rate of monetary expansion remains strong, in a context of already ample liquidity. The ongoing strength of monetary expansion is reflected in the continued rapid growth of M3, which increased at an annual rate of 10.7% in May, as well as the still high level of credit growth. The strong rate of monetary and credit expansion reflects, in part, favourable financing conditions and solid economic growth.

When identifying and assessing the policy-relevant underlying trends in monetary and credit expansion, it is important to look through shorter-term volatility and the effects of changes in the slope of the yield curve and external factors that are likely to prove temporary. Taking this perspective, there are several indications that higher short-term interest rates are now influencing monetary dynamics, although they have not, as yet, significantly dampened the overall strength of the underlying rate of monetary and credit expansion. For example, increases in short-term rates have contributed to a more moderate expansion of the narrow aggregate, M1, in recent quarters. Equally, the annual growth rate of loans to the private sector has shown some signs of stabilising since mid-2006, albeit at double-digit levels. The stabilisation of loan growth is now becoming more broad-based, and is apparent in borrowing by both non-financial corporations and households. In the latter case, the stabilisation of loan growth also reflects some moderation in house price dynamics, although house price growth nonetheless remains at high levels on average in the euro area.

Given the continued vigour of money and credit expansion, there are clear indications of upside risks to price stability at medium to longer-term horizons. Following several years of robust monetary growth, the liquidity situation in the euro area remains ample. In this environment, monetary developments continue to require very careful monitoring, particularly against the background of the expansion in economic activity and still strong property market developments.

To sum up, in assessing price trends it is important to look beyond any short-term volatility in inflation rates. The relevant horizon for monetary policy is the medium term. Risks to the medium-term outlook for price stability remain on the upside, relating in particular to the domestic side. As capacity utilisation is high and labour markets continue to improve, constraints are emerging which could lead in particular to stronger than expected wage and profit margin developments. Given the vigorous monetary and credit growth in an environment of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium to longer term. Accordingly, the Governing Council will monitor closely all developments in order to ensure that risks to price stability over the medium term do not materialise and medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Looking ahead, acting in a firm and timely manner to ensure price stability in the medium term remains warranted.

As regards fiscal policy, the Governing Council notes with concern the pressures emerging in a number of countries to relax previous fiscal consolidation targets. In the current overall benign economic environment, it is imperative that all governments comply with the provisions of the Stability and Growth Pact on fiscal consolidation in economic "good times" and that all the countries concerned honour the commitments they made at the Eurogroup meeting in Berlin on 20 April 2007. As agreed in Berlin, taking advantage of the favourable cyclical conditions would enable most euro area countries to achieve their medium-term objectives in 2008 or 2009, and all of them should aim for 2010 at the latest. These pledges should be reflected in the 2008 budget plans so as to avoid repeating governments' past failure to adjust fiscal balances in economic "good times". At the same time, the Governing Council welcomes the emphasis placed by the ECOFIN Council on measures to improve the quality and efficiency of public finances.

As regards structural reforms, the Governing Council fully supports all measures that improve the functioning of product, labour and financial markets. In the context of the Integrated Guidelines for Growth and Jobs, the EU Member States noted that a well-functioning Internal Market remains at the heart of the Lisbon agenda and that its four freedoms will reinforce the European Union's competitiveness. The completion of the Single Market is therefore a priority for Member States, in particular as regards further financial market integration, the pursuit of effective competition in the energy market and the implementation of the Services Directive. Increased market competition and a reduction of cross-border barriers are beneficial for consumers since they lead to lower prices and a greater choice of products. For firms, they lead to higher efficiency, greater dynamism and an enhanced capacity to cope with economic shocks and to face the challenges and opportunities posed by globalisation. Following the principle of "an open market economy with free competition" is pivotal to fostering long-term economic growth and job creation, increasing the resilience of the euro area to economic shocks and facilitating the maintenance of price stability in the euro area. This was confirmed at the last European Council meeting, when the EU leaders agreed to annex a new protocol to the Treaties, in the context of the Intergovernmental Conference. This protocol underlines the fact that an Internal Market which includes a system ensuring that competition is not distorted is indeed indispensable for the good functioning of the EU economies.

This issue of the Monthly Bulletin contains two articles. The first article describes and interprets monetary developments in the euro area since mid-2004. The second article reviews key structural features and recent economic developments in major oil-exporting countries.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

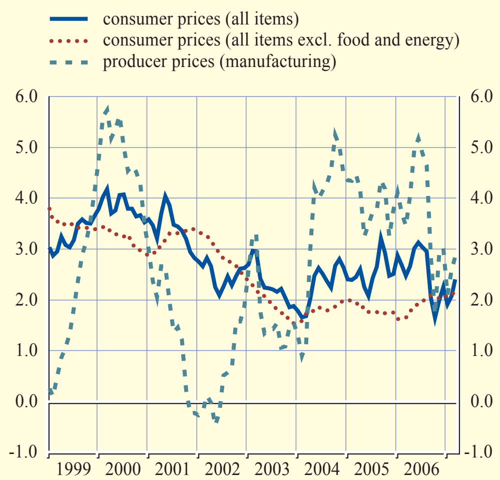
Global economic activity continues to be buoyant, fuelled in particular by strong growth in emerging markets. While global price developments continue to be influenced by changes in commodity prices, consumer price inflation has remained overall relatively steady. Risks to the global economic outlook stem from fears of a rise in protectionist pressures, the possibility of further increases in oil prices, concerns about possible disorderly developments owing to global imbalances and potential shifts in financial market sentiment.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Overall, global economic activity continues to be buoyant, fuelled in particular by strong growth in emerging markets. Although industrial activity has tended to decelerate, it continued to expand at a relatively robust pace in the non-euro area OECD countries in the first quarter of 2007. Moreover, recent indicators point to an upturn in both the manufacturing and services sectors, suggesting renewed strength in the global economy in the second quarter.

Chart 1 Price developments in OECD countries

(annual percentage changes; monthly data)



Source: OECD.

While global price developments continue to be influenced by changes in commodity prices, consumer price inflation has remained overall relatively steady. In May 2007, headline consumer price inflation in the OECD countries stabilised at its April level. Moreover, inflation measures excluding food and energy remained at relatively moderate levels. Survey evidence on input prices suggests, however, that cost pressures increased somewhat in June, reflecting the strength of global commodity prices.

UNITED STATES

In the United States, economic activity slowed down sharply during the first quarter of 2007, while inflation remained at somewhat elevated levels. According to final estimates, real GDP growth declined to 0.7% on a quarterly annualised basis, from 2.5% in the fourth quarter of 2006. This marked slowdown in real GDP growth reflected strong negative contributions from net exports and inventories. Residential investment also continued to be a major drag on economic growth. Output growth was supported by consumption.

As regards price developments, in May 2007 annual consumer price inflation remained somewhat elevated, increasing to 2.7% mainly on account of energy and food prices. However, inflationary pressures as measured by annual consumer price inflation excluding food and energy moderated to 2.2%. The downturn in the housing market has made a substantial contribution to this moderation in core CPI inflation, as especially inflation in owners' equivalent rents has declined during recent months.

On 28 June 2007 the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

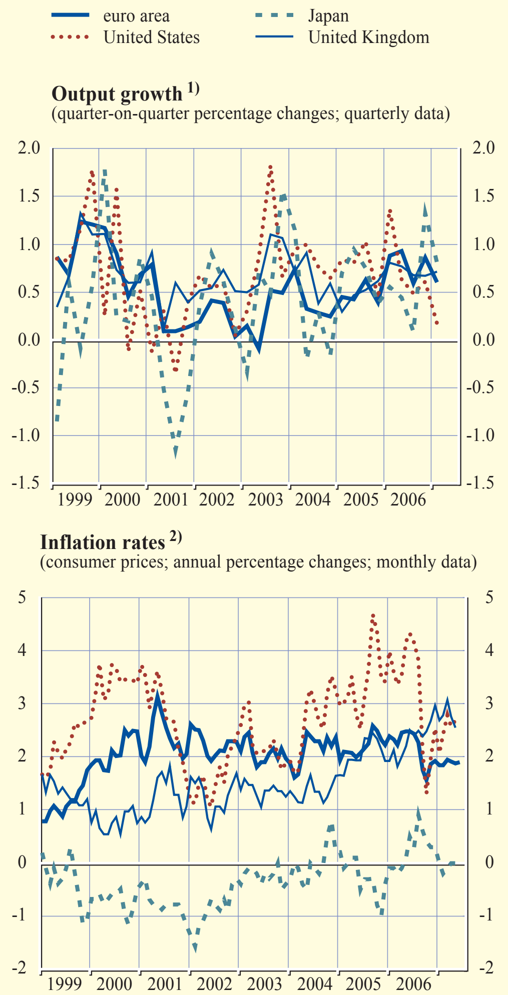
JAPAN

In Japan, economic activity continued to recover steadily in the first quarter of 2007, while inflation remained subdued. According to the second preliminary estimates of the Cabinet Office, real GDP expanded by 0.8% on a quarterly basis, a slower rate than in the previous quarter (1.3%). GDP growth benefited from the acceleration of exports as well as from the renewed strength of consumer spending, but business investment decelerated significantly over the quarter, expanding by 0.3% after 2.7% in the last quarter of 2006.

With regard to price developments, inflation has remained subdued. In May 2007 the annual change in the general CPI was 0.0%, the same as in April, whereas the CPI excluding fresh food declined on an annual basis, at the same rate as in the previous month (-0.1%). Annual inflation continued to be dampened by negative contributions from numerous items, most notably durable goods and private housing and imputed rents.

At its meeting on 14 June 2007 the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.50%.

Chart 2 Main developments in major industrialised economies



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

UNITED KINGDOM

In the United Kingdom, economic growth remained robust and relatively stable in the first quarter of 2007. Real GDP rose by 0.7% on a quarterly basis, which is slightly less than in the previous quarter. Growth was mainly driven by private consumption and gross fixed capital formation, while the contribution from net exports was neutral. In May 2007 retail sales pointed to buoyant growth in household spending, while surveys indicated a further strengthening of investment intentions and sustained external demand.

Regarding price developments, in May 2007 the annual rate of HICP inflation declined to 2.5%, from 2.8% in April, with the main driving factors being utility bills and food prices. HICP inflation excluding food and energy remained at 1.9%.

On 5 July the Bank of England's Monetary Policy Committee decided to raise its main policy rate by 25 basis points to 5.75%.

OTHER EUROPEAN COUNTRIES

In most other EU countries outside the euro area, output growth remained robust, mainly as a result of sustained domestic demand. Inflation developments were mixed across countries in May 2007.

In Denmark real GDP grew by 0.5% on a quarterly basis in the first quarter of 2007, while in Sweden real GDP growth slowed to 0.6%. In both cases, economic activity was driven mainly by domestic demand. HICP inflation remained contained in both countries. In May annual HICP inflation remained at 1.7% in Denmark, while in Sweden it declined to 1.2%. On 6 June Danmarks Nationalbank raised its main interest rate by 25 basis points to 4.0%, and on 19 June Sveriges Riksbank raised its main interest rate by 25 basis points to 3.5%.

In the four largest central and eastern European economies (the Czech Republic, Hungary, Poland and Romania) overall output growth remained robust in the first quarter of 2007, although it continued to decelerate somewhat in Hungary. In the Czech Republic, Poland and Romania real GDP growth was driven by domestic demand, while in Hungary it was driven mainly by net exports. Regarding price developments, in May 2007 annual HICP inflation decreased somewhat in the Czech Republic and Hungary, while it increased slightly in Poland and Romania. There continued to be significant differences in the level of inflation across the four countries. The Czech Republic and Poland experienced the lowest inflation rates (2.2% and 2.4% respectively) while Romania had an inflation rate of 3.7%. The highest inflation rate was in Hungary (8.2%), mainly reflecting a large increase in indirect taxes, which is part of the country's fiscal consolidation package. On 25 June the Magyar Nemzeti Bank and Banca Națională a României decreased their main policy rates by 25 basis points, to 7.75% and 7.0% respectively. Both decisions reflected an improvement in the inflation outlook. In contrast, on 27 June Narodowy Bank Polski raised its main interest rate by 25 basis points, to 4.5%, as a result of concerns about a gradual increase in inflationary pressures.

EMERGING ASIA

In emerging Asia, economic activity continued to expand at a robust pace, most noticeably in China and India. Inflationary pressures picked up further in China but moderated in other large economies in the region, including Korea and India.

In particular, in China economic activity continued to be sustained, with investment and net trade remaining key drivers of growth in line with recent patterns. In May 2007 industrial production and fixed asset investment increased by 18.1% and 27.5% respectively on an annual basis. As a result of both an upturn in export growth and a moderation in import growth, the trade surplus continued to increase, bringing the cumulated surplus from January to May 2007 to USD 85.8 billion, up by 85% compared with the same period in the previous year. Strong economic activity was accompanied by an upturn in inflationary pressures. In May annual consumer price inflation increased to 3.4% from 3.0% in April, with higher food prices largely driving the rise.

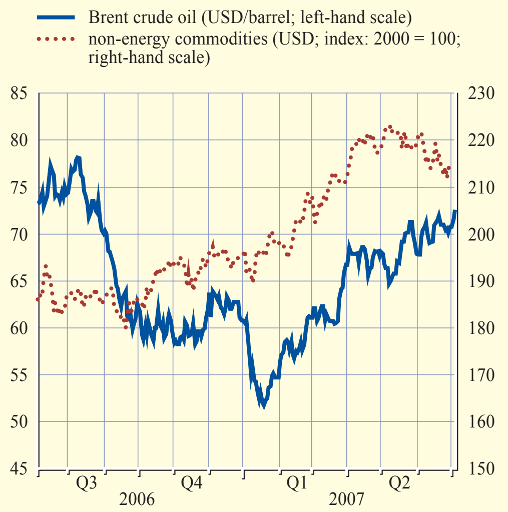
LATIN AMERICA

In Latin America, economic activity remained robust, although a degree of heterogeneity in the growth performance of major economies continued to prevail. In Brazil, in the first quarter of 2007 real GDP grew by 4.3% on an annual basis, while industrial production growth rose to 6.0% year on year in April. In May annual inflation stood at 3.2%. On 6 June the Banco Central do Brasil cut its key interest rate by 50 basis points, to 12.0%. In Argentina, in the first quarter of 2007 real GDP expanded by 8.0% on an annual basis, and industrial production growth edged up to an annual rate of 6.4% in May. Consumer price inflation remained high in May, at an annual rate of 8.8%. In Mexico, industrial production growth edged up to an annual rate of 1.6% in April, having been virtually flat in the two previous months, while in May annual inflation remained unchanged at 4.0%.

1.2 COMMODITY MARKETS

Brent crude oil prices continued to rise gradually in June 2007, amid considerable volatility, averaging USD 70.3 per barrel. Following some moderation towards the end of June, crude oil prices rebounded in early July and reached their highest levels since last summer. On 4 July the price of Brent crude oil stood at USD 72.6 per barrel, approximately 20% above the levels at the beginning of the year but still about 7% below the historical peak recorded in August 2006. Rising demand and concerns about potential production disruptions were the main drivers of oil prices, causing significant short-term fluctuations. Civil unrest in Nigeria with the recent threat of a national strike involving oil unions, continuing US refinery constraints and a build-up of tensions in the Middle East have contributed to increased market concerns about possible supply disruptions, putting upward pressure on prices. In addition, in its latest oil market report the International Energy Agency increased its estimate of global oil demand growth for 2007, raising its forecast of demand for oil produced by the Organization of the Petroleum Exporting Countries (OPEC). However, OPEC currently has no plans to raise production levels before its September meeting. Looking ahead, rising global demand and the low levels of spare capacity are expected to keep prices at relatively high levels and sensitive to changes in the external environment.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

After the strong increases seen in recent months, the prices of non-energy commodities declined slightly in June but remained at very high levels. This mainly reflected a decline in the prices of industrial raw materials, in particular metals, which was partly offset by a rise in food prices. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 17% higher towards the end of June than a year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The outlook for the external environment, and therefore for foreign demand for euro area goods and services, continues to be favourable. Although the six-month rate of change of the composite leading indicator for the OECD in April suggested that there was some further moderation in the economic expansion of the OECD area, the performance of the United States, Canada and the United Kingdom improved. Furthermore, the latest data for major non-OECD economies point to continued steady expansion in China, India and Brazil.

Risks to the global economic outlook stem from fears of a rise in protectionist pressures, the possibility of further increases in oil prices, concerns about possible disorderly developments owing to global imbalances and potential shifts in financial market sentiment.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The underlying rate of monetary expansion in the euro area remained strong. This is reflected in ongoing robust annual growth of M3, which stood at a rate of 10.7% in May, and the still rapid credit growth. However, M1 growth continued to moderate, confirming that increases in key ECB interest rates have influenced monetary dynamics over recent months. At the same time, annual M3 growth has been stimulated by the still relatively flat yield curve in the euro area and by the strong interest in euro area financial assets by non-residents. Against this background, the robust growth of M3 needs to be assessed with caution. Nonetheless, in a context of ample liquidity, underlying monetary developments point to upside risks to price stability over the medium to longer term, particularly in an environment of improved economic activity.

THE BROAD MONETARY AGGREGATE M3

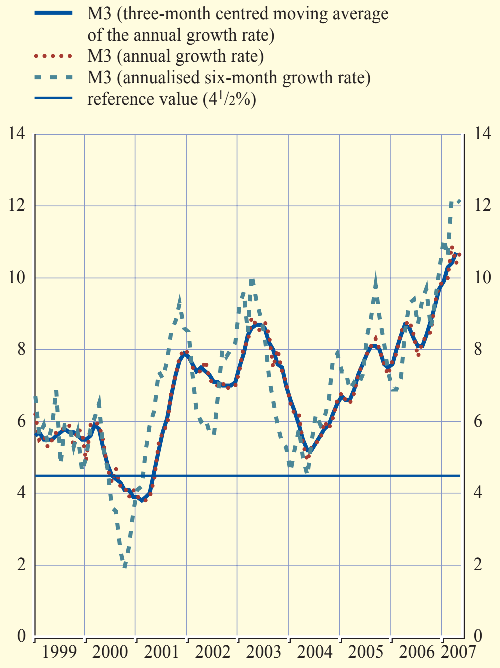
The annual growth rate of the broad monetary aggregate M3 strengthened to 10.7% in May 2007, from 10.4% in the previous month. This increase reflects a strong month-on-month rate of 1.0%, after somewhat more moderate growth of 0.5% in April and the historic high of 1.7% in March. Indeed, the strong May reading is similar to the average month-on-month growth rate in the period since late 2006. The recent strength of monetary expansion is also clearly visible in the short-term dynamics of M3 as measured by the annualised six-month rate of growth, which remained well above the annual rate of growth (see Chart 4).

The May data on money and credit developments confirm the assessment made in previous months that the progressive withdrawal of monetary policy accommodation since December 2005 has influenced monetary developments. On the components side, higher interest rates have increased the opportunity cost of holding overnight deposits, thereby dampening the dynamics of M1. As a result, the annual growth rate of M1 is well below the growth rates of the other main components of M3. On the counterparts side, the impact of higher interest rates is visible in the stabilisation of the annual growth rate of loans to the euro area private sector since the autumn of 2006, albeit still at double-digit rates.

Higher short-term interest rates have also stimulated demand for some monetary assets, notably short-term time deposits and marketable instruments. The remuneration offered on these instruments is currently broadly similar to that offered on assets with longer maturities not included in M3 as a result of the flat yield curve. The steepening of the yield curve in April and May has not reversed this heightened

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

demand for M3-M1, as investors are likely to favour monetary assets while the price adjustment of longer-term securities is ongoing.

Taking the medium to longer-term perspective appropriate for assessing trends in money and credit growth, and looking through the short-term volatility and the impact of changes in the yield structure, the latest data continue to point to strong underlying monetary dynamics. This implies upside risks to price stability over the medium to longer term, particularly in a context of ample liquidity and improved economic activity.

MAIN COMPONENTS OF M3

The annual growth rate of M1 declined slightly to 6.1% in May, from 6.3% in April, reflecting a decline in the growth rates of both currency in circulation and overnight deposits (see Table 1).

The annual growth rate of short-term deposits other than overnight deposits increased to 13.7% in May, from 12.4% in April. This reflected a pick-up in the rate of increase in short-term time deposits (i.e. deposits with a maturity of up to two years), while the annual rate of change in short-term savings deposits (i.e. deposits redeemable at notice of up to three months) became more negative. Short-term time deposits continue to be relatively attractive, given that their remuneration has risen over the past eighteen months, broadly in line with the rise in short-term market rates, thereby widening the spread between the remuneration of these instruments and that of overnight deposits and short-term savings deposits.

More generally, the current strength of the demand for instruments included in M3, but not in M1, reflects their attractiveness as compared with longer-term financial assets outside M3. In particular, given the relatively flat yield curve in the euro area at present, they offer greater liquidity at little opportunity cost in terms of return. Although the yield curve steepened somewhat in April and May, this may not have dampened the demand for marketable instruments in M3, as investors are

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates					
		2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Apr.	2007 May
M1	**46.4**	**9.8**	**7.6**	**6.7**	**6.8**	**6.3**	**6.1**
Currency in circulation	7.4	11.9	11.4	11.1	10.5	10.5	9.6
Overnight deposits	39.1	9.5	7.0	5.9	6.1	5.5	5.4
M2 - M1 (= other short-term deposits)	38.6	8.5	9.5	11.1	11.9	12.4	13.7
Deposits with an agreed maturity of up to two years	19.7	15.3	19.7	25.2	29.5	31.2	34.8
Deposits redeemable at notice of up to three months	18.9	3.8	2.4	1.1	-0.8	-2.0	-2.3
M2	**85.0**	**9.2**	**8.4**	**8.6**	**9.0**	**9.0**	**9.4**
M3 - M2 (= marketable instruments)	15.0	5.6	6.4	11.2	16.3	19.2	18.8
M3	**100.0**	**8.6**	**8.1**	**9.0**	**10.0**	**10.4**	**10.7**
Credit to euro area residents		**9.5**	**9.2**	**8.8**	**7.9**	**7.5**	**8.2**
Credit to general government		1.0	-0.9	-3.1	-4.5	-5.6	-3.1
Loans to general government		0.2	-0.6	-0.4	-1.3	-1.5	-0.9
Credit to the private sector		11.8	11.9	11.9	11.0	10.7	10.9
Loans to the private sector		11.2	11.2	11.2	10.5	10.3	10.3
Longer-term financial liabilities (excluding capital and reserves)		**8.7**	**8.5**	**9.0**	**9.9**	**9.9**	**9.9**

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

unlikely to shift into longer-term instruments outside M3 while the price adjustment of those instruments is still ongoing.

Money market fund shares/units may currently be particularly attractive for institutional investors, as the funds with the highest returns outperform their money market interest rate benchmark, and the high growth rates for short-term debt securities included in M3 may reflect the fact that most of these securities are issued at floating rates and thus allow investors to benefit from interest rate rises that occur before the maturity of the security.

The annual growth rate of short-term deposits and repurchase agreements with MFIs (M3 deposits, which represent the broadest aggregation of M3 components for which information is available by holding sector) rose in May. This increase was mainly attributable to a strengthening of the annual growth rates of holdings by households and by other non-monetary financial intermediaries (except insurance corporations and pension funds). At the same time, the annual growth rate of non-financial corporations' holdings of M3 deposits remained unchanged from the previous month.

MAIN COUNTERPARTS OF M3

On the counterparts side, the rise in annual M3 growth in May reflects stronger growth in total credit to euro area residents. This, in turn, was accounted for by the strong demand for both general government and private sector securities that MFIs displayed in May, rather than by a stronger provision of loans. In particular, the sizeable purchases of government debt securities came after a period in which MFIs had been selling these securities for 13 consecutive months.

Nonetheless, growth in loans to the private sector continued to explain most of the high rate of annual M3 growth. Reflecting the impact of higher interest rates, the annual growth rate of these loans stabilised in recent months, bringing to a halt the upward trend observed from 2004 until mid-2006. However, loans to the private sector continued to grow at a vigorous rate of 10.3% in May.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Apr.	2007 May
Non-financial corporations	**42.1**	**11.0**	**12.0**	**13.0**	**12.9**	**12.2**	**12.6**
Up to one year	29.5	8.4	9.2	10.3	9.5	8.9	9.8
Over one and up to five years	18.9	15.8	19.0	20.5	19.9	18.9	19.5
Over five years	51.5	11.0	11.3	12.0	12.4	11.9	11.9
Households [2]	**48.5**	**9.7**	**9.3**	**8.6**	**8.1**	**7.6**	**7.4**
Consumer credit [3]	12.8	8.2	8.5	8.0	7.1	6.9	5.9
Lending for house purchase [3]	71.1	12.0	11.2	10.2	9.4	8.6	8.6
Other lending	16.1	2.1	2.3	2.7	3.2	3.8	3.6
Insurance corporations and pension funds	**1.1**	**41.2**	**36.8**	**29.1**	**27.8**	**20.2**	**25.5**
Other non-monetary financial intermediaries	**8.2**	**19.0**	**17.3**	**16.4**	**12.3**	**16.3**	**14.5**

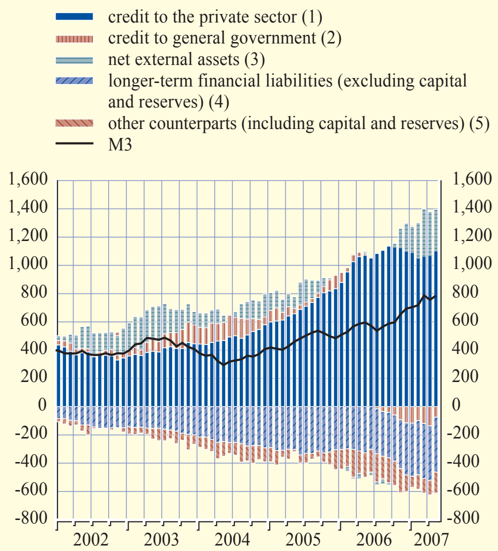
Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown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

This unchanged rate of growth in MFI loans to the private sector conceals different developments across the household and non-financial corporation sectors. In the case of households, the annual growth rate of loans continued to moderate, to 7.4% in May, from 7.6% in April (see Table 2). The gradual downward trend observed in household borrowing dynamics since the spring of 2006 is in line with the moderation in house price growth and housing market activity, but also the gradual increase in lending rates. The annual growth rate of consumer credit decreased to 5.9% in May, from 6.9% in April.

At the same time, the annual growth rate of loans to non-financial corporations increased to 12.6% in May, from 12.2% in April. The continued strong demand for loans by non-financial corporations should be seen in the context of the current strength of economic activity and still relatively favourable financing conditions, but also the need to fund financial transactions such as mergers and acquisitions and leveraged buyouts.

Chart 5 Counterparts of M3

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



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

Among the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) remained robust in May, at an unchanged rate of 9.9% compared with April. A stronger demand for longer-term deposits was offset by a somewhat more moderate demand for MFIs' longer-term debt securities.

Developments in the net external asset position of MFIs had accounted for most of the strengthening in monetary dynamics in late 2006 and early 2007. In March the annual flow of net external assets reached €335 billion, an unprecedented level in the period since the start of Stage Three of EMU in 1999. Underlying this development were simultaneous strong increases in the gross asset and gross liability positions (see Box 1). In April and May the strong annual flow in net external assets moderated somewhat (see Chart 5), reflecting outflows of capital in both months. However, net outflows do not alter the view that a generally positive sentiment among financial investors with regard to financial investment in the euro area, linked to the favourable economic outlook, prevails.

Overall, rises in key ECB interest rates since December 2005 have influenced monetary developments. This is visible in the relatively subdued contribution of M1 to M3 growth and in the levelling-off of growth in loans to the private sector. At the same time, underlying monetary dynamics have remained strong, as reflected in the continued robust growth of M3. However, given the still relatively flat yield curve in the euro area and developments in global financial markets, the robust growth of M3 needs to be assessed with caution.

Box 1

DEVELOPMENTS IN MFIS' GROSS EXTERNAL ASSETS AND LIABILITIES

Strong capital inflows into the euro area at the end of 2006 and in early 2007 raised the annual flow in net external assets of the MFI sector very rapidly to a record level of €335 billion in March 2007, from a marginal outflow in September 2006. Such changes in the MFI sector's net external asset position can be assessed from different perspectives. For example, it is possible to look at whether the capital inflows stem from non-euro area residents buying euro area assets or from residents selling foreign assets, or at whether the capital inflows reflect transactions in debt instruments, equity or other types of investment.[1] This box looks at recent developments in MFIs' net external assets from the perspective of developments in the underlying gross positions of external assets and liabilities.

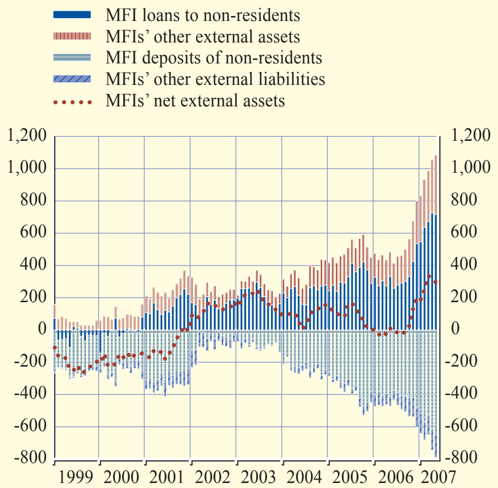
External assets of the euro area MFI sector comprise loans granted to non-euro area residents, securities issued by non-residents (debt securities, shares and other equity) held by MFIs resident in the euro area, and some items of small amounts, such as foreign cash or gold. MFIs' external liabilities comprise the deposits of non-residents with euro area MFIs, as well as non-residents' holdings of money market funds and MFIs' short-term debt securities. The external assets and liabilities of the euro area MFI sector also include the changes generated by the operations of the Eurosystem, but their impact has been relatively small over the past few years.

Chart A shows that the largest contribution to the annual flow in MFIs' gross external assets typically comes from loans to non-residents, while on the liabilities side it comes from holdings

1 See, for instance, the box entitled "Recent developments in MFI net external assets" in the July 2005 issue of the Monthly Bulletin, and also the article entitled "Interpreting monetary developments since mid-2004" in this issue of the Monthly Bulletin.

Chart A MFIs' external assets and liabilities

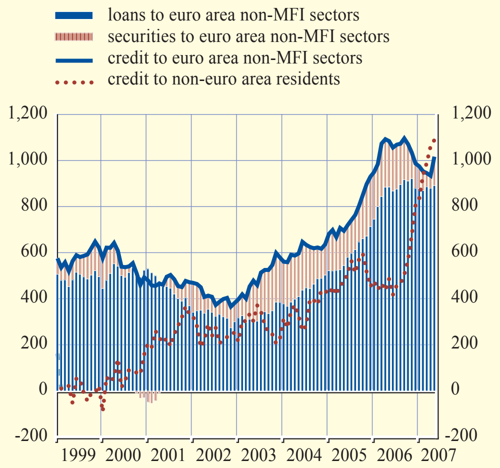
(annual flows; EUR billions)



Source: ECB.
Note: MFI liabilities are shown with an inverted sign.

Chart B MFI credit to euro area and non-euro area residents

(annual flows; EUR billions)



Source: ECB.

of deposits by non-residents. These series often grow in parallel, since loans granted to non-residents have as a counterpart deposits that the MFIs create for the non-residents. The same holds true for another form of credit to non-residents, i.e. where euro area MFIs purchase foreign securities from non-residents and compensate them by creating bank deposits. In both cases, only the gross external asset and liability positions of the MFI sector change, while the net external asset position is unaffected. The latter will change if non-residents use their deposits to purchase assets from the euro area money-holding sectors, in which case MFIs' external liabilities decline and net external assets increase. Net external assets also increase if the MFI sector purchases foreign securities from the euro area money-holding sectors rather than from non-residents, as external assets increase but external liabilities remain unchanged.

In this respect, the joint developments in gross and net external assets and liabilities shown in Chart A highlight different episodes in the period since 1999. During the new-economy boom of the late 1990s, the strong capital outflows from the euro area – mainly driven by merger and acquisition activities of euro area residents in the United States – led to a strongly negative annual flow in net external assets, with a high of more than €200 billion in mid-1999. In terms of the underlying gross positions, this high essentially reflected flows in external liabilities, i.e. the deposits euro area MFIs set up for non-residents in exchange for the securities that the latter sold to euro area residents, while the flows in external assets were, on balance, very small. The period of heightened global uncertainty between 2001 and mid-2003 led instead to the opposite situation: the annual flow in net external assets increased again to a high, this time on the positive side, of more than €200 billion in mid-2003. This high essentially reflected strong flows in external assets, while the flows in external liabilities were on balance small.

The strong positive annual flow of net external assets since late 2006 is altogether different from the former two episodes: it conceals strong flows in both external assets and liabilities of euro area MFIs. This simultaneous expansion of MFI credit granted to non-residents and deposits held by non-residents with euro area MFIs started in mid-2004. Besides MFIs granting loans to non-residents and purchasing foreign securities from them, two further factors could have contributed to the simultaneous increase in MFIs' external assets and liabilities. There are some money market funds that operate solely on behalf of non-euro area parent companies, receiving their funds from the parent company's home market but also investing it there again. This implies that their business only appears in the external assets and liabilities of the consolidated balance sheet of the euro area MFI sector. In addition, financial integration across Europe, where euro area MFIs have partly reorganised the management of assets and liabilities of affiliated entities operating outside the euro area, may also have contributed to the parallel increase in gross external positions of the MFI sector.

In order to appreciate the size of the recent annual flows in MFI credit to non-residents, it is worth comparing it with that of the flows in MFI credit to euro area residents (private sector and government). Chart B shows that in early 2007 the two annual flows were of approximately similar size, amounting in both cases to around €1,000 billion.[2] This has never been the case in the period under review, with credit to non-residents typically expanding at a slower pace than credit to the domestic sectors. Two factors could have contributed to this rebalancing of the MFI credit portfolio since the second half of 2006. First, rising interest rates within the euro

2 This should not be interpreted as meaning that the lending activity of the MFI sector is equally split between domestic and foreign activity, as domestic lending would also include interbank loans, which do not appear in the consolidated MFI balance sheet. The annual flow of interbank loans amounted to somewhat over €400 billion in recent months.

area have dampened the demand for loans by the euro area private sector. Second, the favourable economic outlook in the euro area has strengthened the demand by non-residents for euro area debt securities, and MFIs may have facilitated the purchase of these securities by granting loans to non-residents. In this context, MFIs have themselves been a major seller of euro area debt securities to non-residents by shedding considerable amounts of their holdings of government securities and thus contributing to the slowing of growth in MFI credit to euro area residents shown in Chart B.

Overall, the increase in the annual flow of MFI net external assets to the high levels observed since late 2006 was unprecedented in the period since 1999 in the sense that it concealed simultaneous strong increases in the underlying gross asset and liability positions. The larger gross positions obviously entail the possibility that large amounts of liquidity are quickly shifted, thus possibly leading to significant changes in the magnitude and direction of the flows in MFIs' net external assets. However, when assessing the implications for monetary analysis, it needs to be borne in mind that changes in MFIs' net external asset position do not necessarily also impact on the broad monetary aggregate M3, if, for instance, they are counterbalanced by changes in MFI credit to euro area residents or in MFIs' longer-term financial liabilities.[3]

3 For example, if a euro area MFI sells euro area government bonds to non-residents, the MFI's domestic credit and external liabilities would decrease at the same time. As a result, net external assets increase, while the stock of M3 would remain unchanged.

2.2 SECURITIES ISSUANCE

In April 2007 debt securities issued by euro area residents continued to grow at a robust rate, slightly higher than in the previous month. This outcome reflected increased growth rates in debt securities issuance by all sub-sectors except non-monetary financial corporations, where the growth rate remained broadly unchanged in comparison with the previous month. Issuance of quoted shares continued to be relatively subdued, despite a slight increase in April.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents was 8.6% in April 2007, up from 8.4% in March (see Table 3). Where the maturity structure of debt securities issuance is concerned, the annual growth rate of short-term securities issuance rose markedly to 8.4% in April, from 7.9% in the previous month, while that of long-term securities issuance remained almost unchanged at 8.6%. In the field of long-term securities, the annual rate of growth of floating rate securities was significantly higher, at 16.6%, than the rate of growth of fixed rate securities, which stood at 5.3% in April. It thus seems as though issuers took advantage of the relatively flat yield curve and continued to meet the high demand for floating rate securities.

The annual growth rate of debt securities issued by non-financial corporations increased further to reach 7.0% in April (see Chart 6). However, it continued to lag behind the rates of growth observed for debt securities issued by MFIs and non-monetary financial institutions. While still below the growth in MFI bank loans, the pick-up in growth in debt securities issuance by non-financial corporations may signal a renewed interest of non-financial corporations to take recourse

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2007 Apr.	Annual growth rates [1] 2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Mar.	2007 Apr.
Debt securities:	**11,567**	**7.3**	**7.1**	**7.9**	**8.1**	**8.4**	**8.6**
MFIs	4,811	9.2	8.4	9.8	10.5	10.5	10.6
Non-monetary financial corporations	1,254	26.1	26.1	28.3	26.6	28.4	28.2
Non-financial corporations	667	3.4	4.3	4.8	5.7	6.5	7.0
General government	4,835	3.0	2.8	2.8	2.4	2.6	2.9
of which:							
Central government	4,526	2.5	2.3	2.4	2.1	2.4	2.6
Other general government	310	11.5	11.8	9.1	6.8	6.7	7.3
Quoted shares:	**6,654**	**1.1**	**1.2**	**1.1**	**1.1**	**1.1**	**1.2**
MFIs	1,157	1.5	1.8	2.0	2.3	1.9	1.9
Non-monetary financial corporations	672	2.2	1.5	1.1	1.0	1.4	1.5
Non-financial corporations	4,825	0.9	1.1	0.8	0.8	0.9	1.0

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

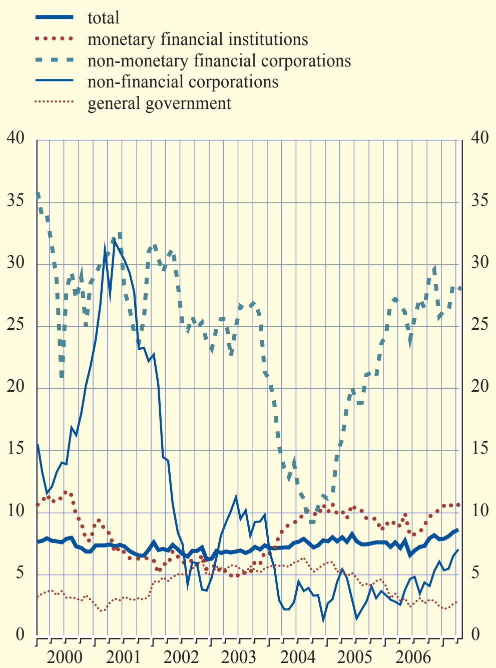
to market-based financing after several years of subdued issuance activity. In terms of the maturity structure, the rate of growth of debt securities issued by non-financial corporations in April 2007 stood at 6.0% in the case of long-term securities, slightly down from the rate of 6.2% recorded in the previous month, while the rate of growth of short-term securities increased further.

In April 2007 the annual growth rate of debt securities issued by MFIs rose slightly to 10.6%, signalling that banks are continuing to raise funds to meet the considerable demand arising from the strong growth of loans to non-financial corporations. Issuance of long-term debt securities continued to expand in April, mainly on account of a robust growth of the issuance of floating rate securities, while the growth rate of MFIs' issuance of short-term securities decreased further from 11% in March to 10.3% in April.

The annual growth rate of debt securities issued by non-monetary financial corporations remained broadly unchanged at 28.2% in April, thus at a significantly higher level than that for the other sectors. Most of the issuance activity of this sector was very likely related to securitisation activities of banks and the funding of private equity funds, both of which have surged in recent years.

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

(annual growth rates)

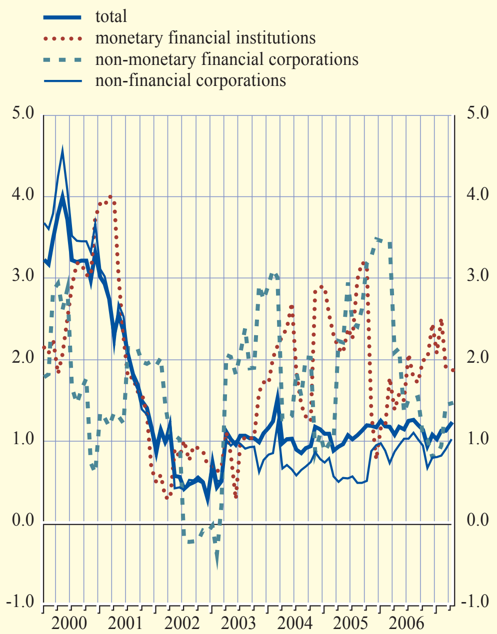


Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

The annual growth rate of debt securities issued by the general government sector increased to 2.9% in April, from 2.6% in March. The growth rate of debt securities issued by the central government sector still remained relatively subdued at 2.6% in April, while the growth in the issuance activity of the other general government sector continued to be significantly stronger, standing at an annual rate of 7.3%. In April the issuance activity of the other general government sector returned closer to the level observed in January.

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

(annual growth rates)



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

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents stood at 1.2% in April, slightly above the growth rate recorded in March. The annual growth rates of quoted shares issued by non-monetary financial institutions and non-financial corporations stood at 1.5 % and 1.0% respectively in April (see Chart 7). The subdued growth of equity issuance was possibly also due to the high level of share buyback activities, to the robustness of corporate profitability and to the large number of firms taken private – via leveraged buyouts (LBOs), in particular – in connection with the boom in private equity activity. The annual growth rate of quoted shares issued by non-monetary financial corporations increased to 1.5%, while the growth rate of share issuance by institutional investors such as insurance companies and pension funds remained unchanged at 0.7%.

2.3 MONEY MARKET INTEREST RATES

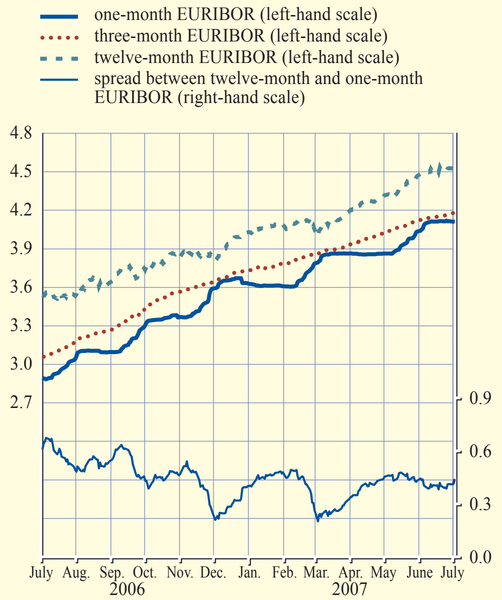
Over the period from early June to early July 2007, money market interest rates rose slightly at all maturities, with changes broadly similar at all maturities. The slope of the money market yield curve thus remained essentially unchanged.

Money market interest rates for all maturities rose slightly in the period from 1 June to 4 July 2007. Compared with their levels at the beginning of June, interest rates at one, three, six and twelve-month maturities rose by 7, 6, 6 and 7 basis points respectively, to stand at 4.11%, 4.18%, 4.33% and 4.54% respectively on 4 July 2007. As a result, at the end of the period under review the slope of the money market yield curve was comparable to that observed at the beginning of June, after flattening somewhat over the course of the month. The spread between the twelve-month and the one-month EURIBOR remained broadly unchanged at 44 basis points on 4 July (see Chart 8).

The interest rates implied by the prices of three-month EURIBOR futures maturing in September 2007, December 2007 and March 2008 stood at 4.37%, 4.57% and 4.68% respectively on 4 July.

Chart 8 Money market interest rates

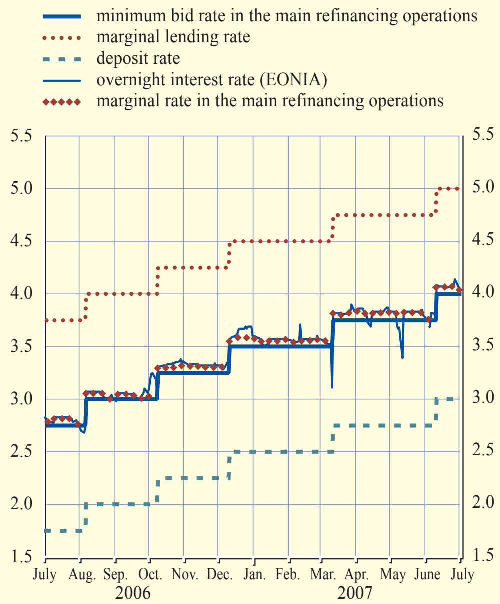
(percentages per annum; daily data)



Source: ECB and Reuters.

Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Source: ECB and Reuters.

Compared with the levels observed at the beginning of June, these interest rates represented a decline of 1 basis point for contracts maturing in September 2007 and an increase of 1 and 4 basis points for contracts maturing in December 2007 and March 2008 respectively.

On 1 June the EONIA stood at 3.80%, i.e. slightly below the 3.83% level observed during the first weeks of the reserve maintenance period ending on 12 June. After a temporary rise on the following day to 3.85%, the EONIA declined during the last few days of the maintenance period amid prevailing loose liquidity conditions. On the last day of the reserve maintenance period the ECB successfully conducted a fine-tuning operation to drain €6 billion and restore neutral liquidity conditions. On the same day the EONIA declined to a level 3 basis points below the minimum bid rate.

On 6 June 2007 the Governing Council decided to increase the key ECB interest rates by 25 basis points, with the minimum bid rate in the Eurosystem's main refinancing operations being raised to 4% with effect from 13 June. On the first day of the new reserve maintenance period the EONIA adjusted to this new level, rising to 4.08%, thereby implying a spread of 8 basis points above the minimum bid rate. The EONIA declined slightly in the following days, to 4.06%, before rising again during the last few days of June owing to the usual end-of-semester effect. The EONIA peaked to 4.14% on 29 June, i.e. the last trading day of the semester, and declined to levels close to the minimum bid rate in the following days, to reach 4.01% on 4 July, owing to the prevailing loose liquidity conditions (see Chart 9).

In the first two main refinancing operations of the reserve maintenance period starting on 13 June, the marginal and weighted average rates remained broadly stable, at 4.06% and 4.07% respectively.

In the weekly tender conducted on 26 June both of these rates rose by 1 basis point, reflecting the end-of-semester effect. These rates declined to 4.03% and 4.05% respectively in the following and last main refinancing operation amid expectations that the reserve maintenance period would end with abundant liquidity.

In the Eurosystem's longer-term refinancing operation conducted on 27 June 2007, the marginal rate and the weighted average rate stood at 4.11% and 4.12% respectively. These tender rates were, respectively, 5 and 4 basis points lower than the three-month EURIBOR prevailing on that date, in line with recent experience.

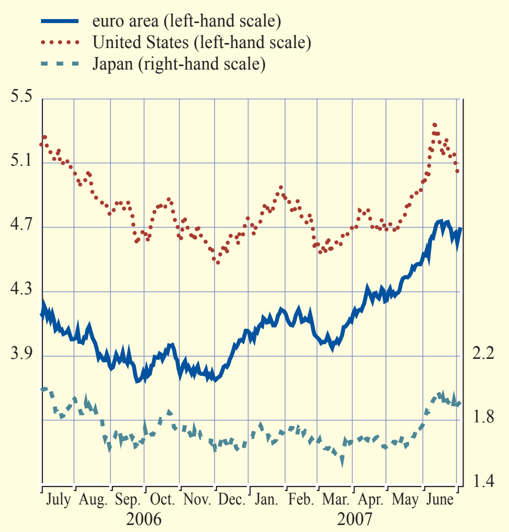
2.4 BOND MARKETS

Long-term government bond yields in major bond markets rose in the course of June. In both the euro area and the United States, the increases were driven mainly by similar movements in real long-term bond yields, which may suggest an improvement in market participants' expectations regarding growth prospects for both economies. By contrast, inflation expectations and related risk premia, as reflected in break-even inflation rates, remained broadly unchanged in the euro area between end-May and early July.

Long-term government bond yields in major bond markets continued to rise in the course of June (see Chart 10). In early June, global bond markets were hit by a strong sell-off, which originated in the United States. These bond market turbulences proved to be very short-lived, however, and can be regarded as a temporary acceleration in an ongoing trend of increasing long-term interest rates. The

Chart 10 Long-term government bond yields

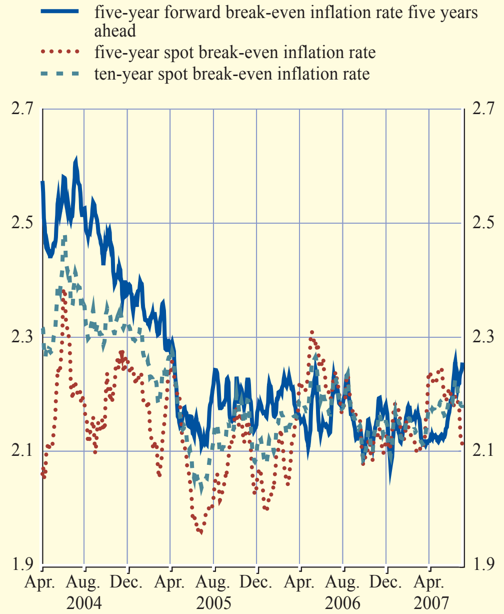
(percentages per annum; daily data)



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

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

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

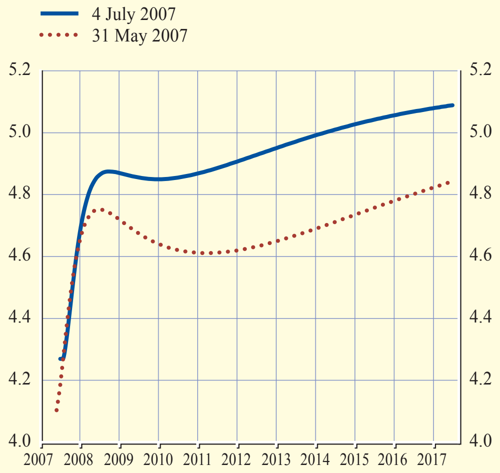


Sources: Reuters and ECB calculations.

overall movements in June seemed largely to reflect market participants' perceptions that economic activity in the United States is somewhat more resilient than expected a few weeks earlier and a continuation of an apparent re-pricing of global bond market risks. In the euro area, ten-year government bond yields increased by around 20 basis points, all in all, between end-May and 4 July, to stand at 4.7% on the latter date. In the United States, ten-year government bond yields ended the period under review at a level of about 5.1%, some 15 basis points higher than at the end of May. As a consequence, the differential between ten-year government bond yields in the United States and the euro area decreased further to about 40 basis points on 4 July, close to the lowest level recorded in the past three years. In Japan, ten-year bond yields also rose by about 15 basis points to 1.9% at the end of the period under review.

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

Measures of implied bond market volatility rose in both the United States and the euro area, probably indicating that the recent global bond market sell-off has increased market participants' uncertainty about the extent to which the global re-pricing of bond market risks might proceed in the near term. Nonetheless, implied bond market volatility remained low by historical standards on both sides of the Atlantic.

In the United States, long-term government bond yields rose in the period under review. This increase in US yields seemed to reflect an upward revision of market participants' perception of the growth prospects for the US economy and a corresponding re-pricing of expectations for future short-term interest rates. Index-linked government bond yields moved in tandem with nominal yields across all maturities, which is consistent with upward revisions to the growth prospects for the US economy. By contrast, long-term break-even inflation rates remained broadly unchanged over the review period, so that the break-even inflation rate calculated from bonds maturing in 2015 stood at a level of about 2.4% on 4 July.

In the euro area, the upturn in nominal long-term interest rates was also driven mainly by similar increases in real long-term yields. The yield on index-linked bonds maturing in 2015 rose by 20 basis points to reach a level of 2.4% on 4 July. These developments suggest that market participants remained quite optimistic regarding the outlook for continued robust growth of the euro area economy, a view generally supported by recent economic data.

Long-term break-even inflation rates in the euro area, by contrast, changed little in the period under review. The five-year forward break-even inflation rate five years ahead, a measure of purely long-term inflation expectations and related risk premia, remained at a level of around 2.2% on 4 July (see Chart 11). Moreover, zero-coupon break-even inflation rates at five and ten-year maturities stood at very similar levels in early July, suggesting similar inflation expectations and inflation risk premia over these horizons.

The implied forward overnight interest rate curve in the euro area experienced an upward shift across almost all horizons in the period under review (see Chart 12). The Governing Council's decision on 6 June to raise the key ECB interest rates by 25 basis points was well anticipated by the markets, so that it did not lead to substantial changes at the short end of the yield curve. The upward shift at longer maturities may partly reflect a reassessment by investors of the long-term growth prospects for the euro area economy, together with an on-going re-pricing of bond market risks.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In April 2007 MFI interest rates continued their upward trend. Interest rates on long-term deposits increased for both households and non-financial corporations. Viewed over a longer period, the pass-through of interest rates to bank rates was more pronounced for short-term interest rates than for long-term interest rates.

Table 4 MFI interest rates on new business

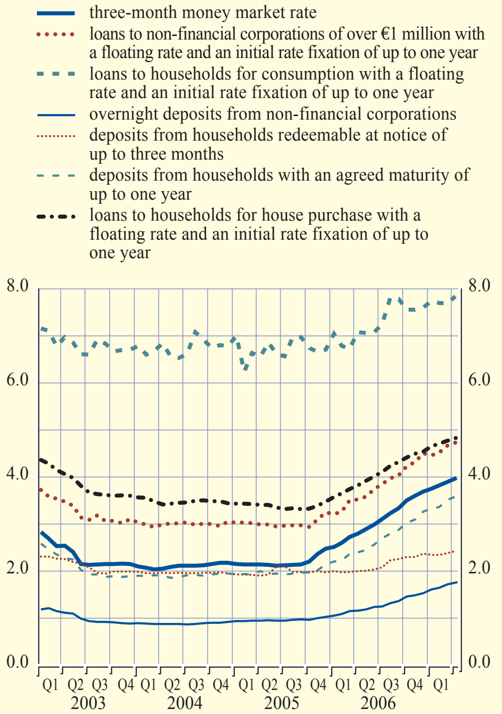
(percentages per annum; basis points; weight-adjusted[1])

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Mar.	2007 Apr.	Change in basis points up to Apr. 2007[2] 2006 Sep.	2006 Dec.	2007 Mar.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	2.36	2.56	2.87	3.27	3.51	3.59	72	32	8
with an agreed maturity of over two years	2.43	2.57	2.68	2.84	2.71	2.85	17	1	14
redeemable at notice of up to three months	1.98	2.03	2.26	2.37	2.38	2.41	15	4	3
redeemable at notice of over three months	2.37	2.52	2.68	2.86	3.14	3.20	52	34	6
Overnight deposits from non-financial corporations	1.15	1.23	1.36	1.53	1.72	1.75	39	22	3
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.48	2.70	2.98	3.47	3.67	3.75	77	28	8
with an agreed maturity of over two years	3.34	3.23	3.70	4.04	3.61	3.88	18	-16	27
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.72	7.08	7.79	7.60	7.69	7.84	5	24	15
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.74	4.02	4.31	4.54	4.77	4.82	51	28	5
with an initial rate fixation of over five and up to ten years	4.23	4.51	4.63	4.55	4.69	4.72	9	17	3
Bank overdrafts to non-financial corporations	5.30	5.46	5.69	5.80	6.06	6.12	43	32	6
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	4.23	4.47	4.74	5.08	5.29	5.36	62	28	7
with an initial rate fixation of over five years	4.19	4.40	4.59	4.67	4.83	4.84	25	17	1
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.50	3.74	4.03	4.50	4.67	4.71	68	21	4
with an initial rate fixation of over five years	4.22	4.26	4.48	4.63	4.86	4.87	39	24	1
Memo items									
Three-month money market interest rate	2.72	2.99	3.34	3.68	3.89	3.98	64	30	9
Two-year government bond yield	3.22	3.47	3.62	3.79	3.94	4.11	49	32	17
Five-year government bond yield	3.47	3.78	3.70	3.83	3.95	4.15	45	32	20

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

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

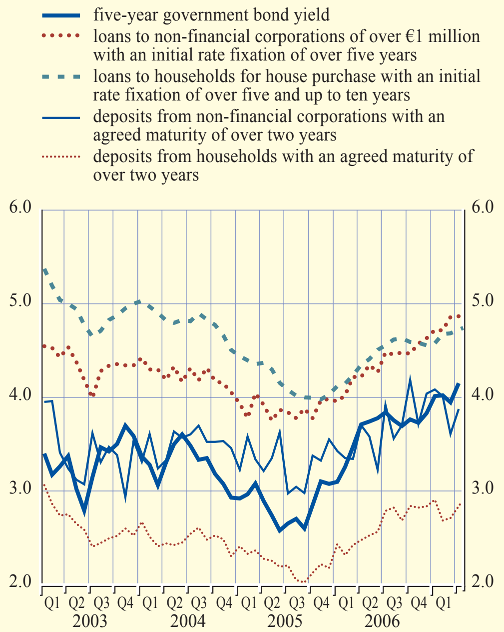
(percentages per annum; rates on new business; weight-adjusted) [1]



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

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

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



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

In April 2007 short-term MFI interest rates on deposits and loans increased somewhat, thus following market rates (see Table 4 and Chart 13). Between March and April 2007, interest rates on short-term loans to household for consumption purposes rose by 15 basis points, while those on loans to households for house purchase increased by 5 basis points. At the same time, MFI interest rates on loans to non-financial corporations with floating rates and an initial rate fixation of up to one year went up by 7 and 4 basis points for loans of up to €1 million and loans over €1 million respectively. In addition, bank rates on deposits from both households and non-financial corporations increased by 8 basis points.

Looking back over a longer period, the pass-through of increases in interest rates from market rates to bank rates, which was lagging behind after the start of the cycle of interest rate rises in late 2005, has caught up over the past few months. Between September 2005 and April 2007, the three-month money market rate rose by 184 basis points. At the same time, MFI interest rates on deposits from households with an initial rate fixation of up to one year rose by 162 basis points. In addition, bank interest rates on loans with a floating rate and an initial rate fixation of one year increased by around 155 basis points for loans to non-financial corporations and by 151 basis points in the case of loans for house purchase. By contrast, MFI interest rates on short-term loans to households for consumption purposes rose by only 87 basis points.

In April 2007 long-term MFI interest rates on deposits from households and non-financial corporations rose by 14 and 27 basis points respectively against the previous month (see Table 4 and Chart 14), broadly in line with the increase of 17 basis points in the yield on two-year government bonds. At the same time, long-term MFI rates on loans to households for house purchase went up slightly by 3 basis points, while long-term rates on loans to non-financial corporations remained broadly unchanged (see Chart 14).

In the case of long-term rates, the pass-through of interest rates increases since September 2005 is still lagging. The yields on two and five-year euro area government bonds rose by 190 and 155 basis points respectively between September 2005 and April 2007. Over the same period, long-term deposit rates for households increased by only 83 basis points. As for lending rates, MFI interest rates on loans to households for house purchase with an initial rate fixation of over five and up to ten years only rose by 72 basis points. In the case of loans to non-financial corporations with an initial rate fixation of over five years, MFI interest rates increased by 78 to 99 basis points, depending on the size of the loan. Deepening competition among banks, as well as with non-banks, may have favoured a reduction of bank spreads. The rather sluggish pass-through to long-term lending rates is, however, broadly in line with historical experiences. For more detail, see Box 2 entitled "Recent developments in the retail bank interest rate pass-through in the euro area".

Box 2

RECENT DEVELOPMENTS IN THE RETAIL BANK INTEREST RATE PASS-THROUGH IN THE EURO AREA

Actual and expected changes in the ECB's key policy interest rates are normally immediately reflected in market interest rates such as the EURIBOR or in short-term bond yields, and are also transmitted to other market rates across the maturity spectrum. Movements in market interest rates, in turn, should be expected to affect MFI loan and deposit rates. This is the so-called interest rate pass-through process that, given the importance of the banking sector in the euro area financial system, is of particular relevance for the euro area economy.

This box provides a general analytical background on the interest rate pass-through process.[1] It then takes a closer look at the increases in retail bank interest rates since the end of 2005, the period marked by the progressive withdrawal of monetary policy accommodation, and compares them with adjustments to interest rate changes as estimated for the period 1994-2005, focusing on loans to non-financial corporations and loans to households for house purchase.

Some elements of the bank interest rate pass-through in the euro area

One robust standard empirical result across different estimation techniques in literature on the interest rate pass-through is that different bank products react differently to changes in market

1 Analytical work focusing on MFI interest rates from the perspective of monetary policy was presented at the ECB Workshop on "Interest rates in retail banking markets and monetary policy" that took place on 5 February 2007 in Frankfurt am Main. The papers can be accessed via the following link: http://www.ecb.int/events/conferences/html/mir.en.html

rates.[2] Generally, bank interest rates on loans to non-financial corporations, on loans to households for house purchase and on time deposits tend to adjust quicker and more fully than those on loans to households for consumption purposes (including bank overdrafts), overnight deposits and savings deposits.

The interest rate pass-through process is affected by many factors, including various risk premia, competition in the banking industry and bank-specific features such as capital, liquidity and rate adjustment costs. In addition, banks may offer their long-term borrowers "implicit interest rate insurance" by smoothing bank loan rates over the business cycle, which could contribute to some sluggishness in the interest rate pass-through to loan rates.[3] Standard models of banking behaviour also point to the fact that the lower the elasticity of the demand for loans, or the supply of deposits, the higher the premium the bank will be able to apply if it exercises market power.[4] This, in turn, suggests that bank spreads – i.e. the difference between bank rates and market rates – are affected by financial innovation and changes in competitive conditions that shape the market environment in which banks operate.

One aspect of financial innovation is the degree to which substitutes for bank products are available in the financial markets. Bank spreads are likely to be affected by higher competition from non-bank financial products and from intermediaries that provide a wider choice of financing and investment possibilities. For example, it appears that the presence of a relatively large corporate bond market, in which non-financial corporations can borrow funds directly through the issuance of debt securities, exerts pressure on banks to narrow their lending spreads. Similarly, the presence of non-bank lenders tends to amplify the pass-through to interest rates on loans to households. In the case of deposits, easier access to direct investment in securities or to indirect investment through money market funds and investment funds (especially by households) tends to put pressure on banks to price their deposit rates more competitively.

The pass-through is also affected by other types of financial innovation such as advances in the management of risk, in addressing agency cost and information asymmetries and in minimising transaction or search costs. Thus, financial innovation and developments in banking activities towards more market-oriented instruments may potentially alter the pricing mechanisms related to traditional bank loans and deposits (as illustrated in the study by Gropp et al.). For example, there is some evidence that the rates on long-term loans to non-financial corporations and on mortgages tend to adjust quicker and more completely wherever turnover in interest rate derivatives is relatively high. Moreover, the prevalence of securitisation is found to increase the extent of the pass-through of market rates both to long-term rates on loans to non-financial corporations and to mortgage rates.

Pass-through of retail banking interest rates since late 2005

To test whether banks' adjustment of their interest rates in the current period differs from that in previous periods of interest rate changes, one-month-ahead out-of-sample forecasts for the

2 For an overview of recent findings on the basis of different types of estimation methods, see, for example, G. de Bondt, "Interest rate pass-through: Empirical results for the euro area", *German Economic Review*, Vol. 6 (1), February 2005, pp. 37-78, and C. Kok Sørensen and T. Werner, "Bank interest rate pass-through in the euro area: a cross country comparison", ECB Working Paper No 580, 2006, or R. Gropp, C. Kok Sørensen and J. Lichtenberger, "The dynamics of bank spreads and financial structure", ECB Working Paper No 714, 2007.

3 See A. N. Berger and G. F. Udell, "Some evidence on the empirical significance of credit rationing", *The Journal of Political Economy*, Vol. 100, No. 5, October 1992, pp. 1047-1077.

4 See the Monti-Klein and the Ho-Saunders models described in, for example, X. Freixas and J.-C. Rochet, *Microecomics of Banking*, The MIT Press, 1997, and R. Gropp, C. Kok Sørensen and J. Lichtenberger (op. cit.), and the references therein.

period from December 2005 to March 2007 were performed using a univariate error-correction model based on euro area aggregate retail bank interest rate data for the period from January 1994 to November 2005.[5] One-month-ahead out-of-sample forecasts were used in order to reflect that banks are assumed to take into account past changes to their loan and deposit rates when reacting to movements in market rates.

In order to obtain sufficiently long time series of bank interest rates, the non-harmonised retail bank interest rate statistics were "chain-linked" with corresponding MFI interest rate statistics.[6] For certain product types, the methodological differences between the series on retail interest rates and those on MFI interest rates are relatively limited, which allows a simple level-adjustment in January 2003, the date of the switch to MFI interest rate statistics. This holds true, for example, of short-term loans to enterprises. For other products, however, the linking of the series is less straightforward. This applies, for example, to loans to households for house purchase where the euro area aggregate mortgage rate that is based on the retail interest rate statistics does not distinguish between short and long-term rate fixation. For this reason, with respect to rates on loans to households for house purchase, euro area aggregate back series constructed on the basis of corresponding loans "with a floating rate and an initial rate fixation of up to one year" and "with an initial rate fixation of over five and up to ten years" were applied in the model estimation.

The results suggest that bank interest rate pass-through since late 2005 – a period in which key ECB interest rates increased gradually – is not substantially different from what had been observed during past episodes of rising policy rates (see panels (i)-(iv) in the chart below). Hence, the transmission of monetary policy through the channel of bank interest rates generally seems to work as it has in the past.

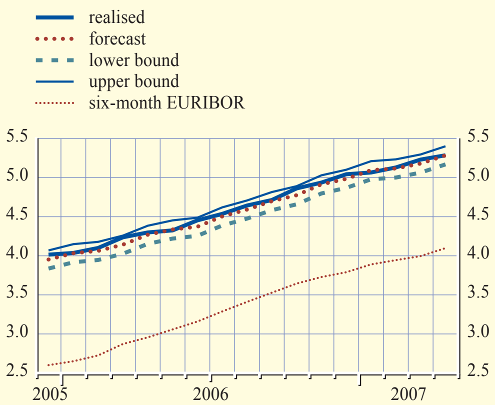
At the same time, a few small differences can be noted. Banks have generally adjusted their short-term rates on loans to non-financial corporations (panel (i)) and short-term rates on mortgage loans (panel (iii)) slightly more rapidly than would have been expected from the model based on past behaviour. This could partly reflect a relatively strong demand for these types of loans in the most recent period and partly a more efficient pass-through process possibly echoing recent financial innovations, such as improvements in the pricing of risks. By contrast, the pass-through of longer-term rates on mortgage loans to changes in corresponding long-term market rates (panel (iv)) seems to have been somewhat more sluggish than was observed in the past, especially with regard to the immediate adjustment. This could reflect current strong competitive pressures in this market segment.[7] While competition generally ensures that products are priced efficiently, it may also induce banks to reduce their spreads when interest rates are rising. Moreover, it may also reflect banks' uncertainties regarding the anticipated direction of long-term market rates over the period considered.[8]

5 The modelling approach is based on G. de Bondt (op. cit.). This approach is standard in the bank interest rate pass-through literature and allows an identification of both the short-run dynamics and the long-run relationship between retail bank interest rates and corresponding market rates.
6 These short-cuts imply that the interpretation of the estimation results has to be taken with some caution.
7 This could be related to the implementation of Basel II as mortgage lending is one of the areas that gains most in terms of capital relief from the envisaged change of the capital adequacy framework (see F. Dierick, F. Pires, M. Scheicher and K.G. Spitzer, "The new Basel Capital Framework and its implementation in the European Union", ECB Occasional Paper No 42, December 2005).
8 If there are costs related to the adjustment of bank interest rates, banks may be reluctant to change their rates if they are uncertain about the future direction and size of movements in corresponding market rates; see e.g. P. Mizen and B. Hofmann, "Base rate pass-through: evidence from banks' and building societies' retail rates", Bank of England Working Paper No. 170, 2002.

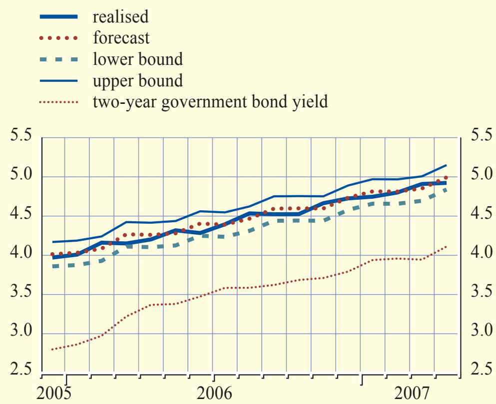
One-month-ahead forecasts of the pass-through of retail bank interest rates to changes in corresponding market rates for the period from December 2005 to April 2007

(percentages per annum)

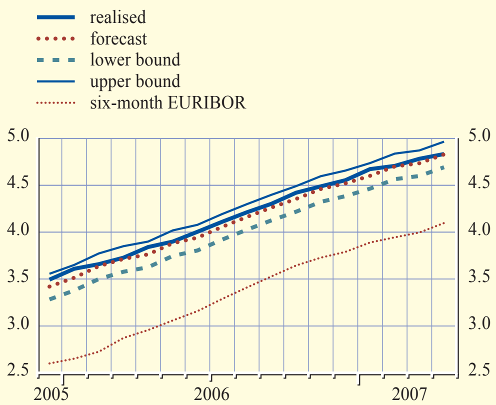
(i) Interest rates on loans to non-financial corporations for up to one year



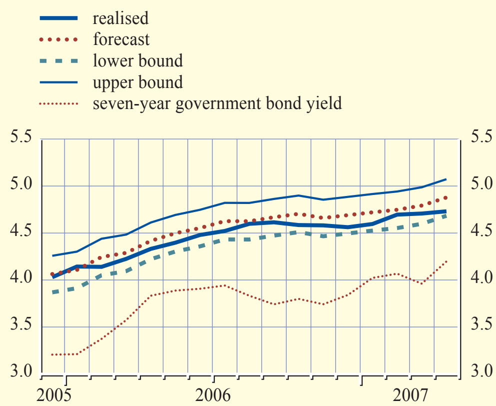
(ii) Interest rates on loans to non-financial corporations for over one year



(iii) Interest rates on loans to households for house purchase with a floating rate and an initial rate fixation of up to one year



(iv) Interest rates on loans to households for house purchase with an initial rate fixation of over five and up to ten years



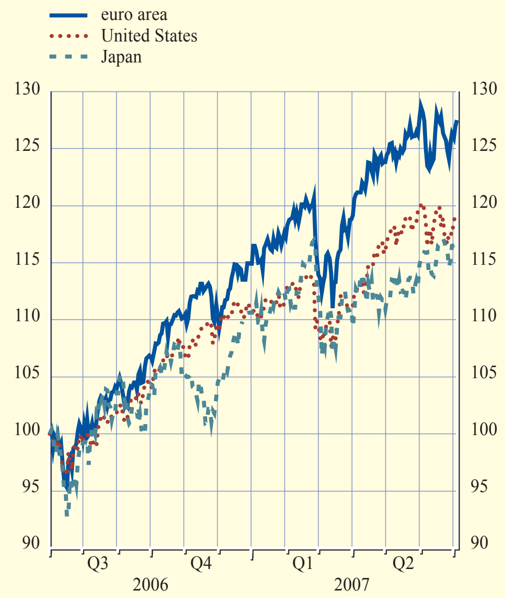
Sources: ECB, G. de Bondt (op. cit., for the description of the error-correction model), Reuters and ECB estimations.
Notes: The forecasts are based on the estimated adjustment of bank rates to changes in market rates of corresponding rate fixation in the period from January 1994 to November 2005. The lines denote one-month ahead forecasts based on the sample (thick red dotted line) and the realisations (thick blue line) for that period; the thin blue lines and the green dashed lines give the 95% forecast intervals.

2.6 EQUITY MARKETS

Stock prices in the euro area and the United States remained broadly unchanged between end-May and early July. The bond market turmoil in early June triggered sharp losses in major stock markets, losses that could be recovered almost completely in the remainder of the period under review. Expected corporate profitability continued to be fairly robust, which appears, in turn, to be consistent with the generally favourable news on economic activity in the euro area. Stock market uncertainty, as measured by implied volatility, rose in the major markets, but still remained relatively subdued.

Chart 15 Stock price indices

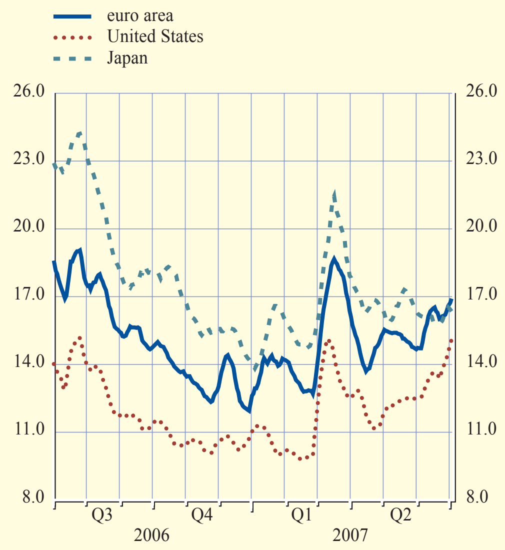
(index: 1 July 2006 = 100; daily data)



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

Chart 16 Implied stock market volatility

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



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

Broad-based stock price indices in the euro area and the United States – as measured by the Dow Jones EURO STOXX index and the Standard and Poor's 500 index – remained broadly unchanged, all in all, amid strong fluctuations between end-May and 4 July (see Chart 15). These developments reflected generally offsetting effects from continued favourable profitability conditions and the negative impact of higher bond yields, which tend to depress stock valuations by lowering the present value of future expected corporate profits and dividends. A particularly strong impact emanated from the global bond market turmoil in early June, which resulted in some sharp losses in major stock markets that could be recovered in the subsequent weeks. Stock market uncertainty, as measured by the implied volatility extracted from option prices, rose after the financial market turmoil of early June (see Chart 16).

In the United States, stock markets were adversely hit by a sell-off in the bond market in early June. Upward revisions to growth prospects in early June triggered both increases in interest rates at all maturities and sharp losses in stock prices, thereby interrupting several months of continuous advances in the Standard & Poor's 500 index. Nonetheless, US stock prices continued to be supported by solid corporate profitability. Despite the slight decline in the growth of reported annual earnings per share in June, according to data from the Institutional Brokers Estimate System (I/B/E/S), expected annualised earnings growth for US corporations both over the next 12 months and over longer horizons rose in June, and remained fairly strong at close to double-digit levels.

Euro area stock prices, as measured by the Dow Jones EURO STOXX index, also suffered sharp losses during the bond market sell-off in early June, although those losses were recovered in the subsequent course of the month and the first days of July. As in the case of the US market, the negative effects of the steepening of the yield curve seemed to offset the likely positive impact of the generally favourable news on economic activity in the euro area and on the earnings outlook of listed companies. In that respect, stock market fundamentals appear to remain fairly sound. According to I/B/E/S data, stock market analysts expected the earnings per share for companies listed in the Dow Jones EURO STOXX index to rise at a rate of around 10% over the next 12 months, and by around 8% per annum over the next three to five years, i.e. at rates slightly higher than in the previous month. Moreover, although higher interest rate expectations seem to have somewhat hurt investors' appetite for risk, the Merrill Lynch Global Fund Manager Survey of June suggested that asset allocators continue to favour stocks as an asset class, in particular euro area stocks.

In tandem with higher realised volatility, implied volatility also rose in the euro area stock markets in June, indicating an increase in market participants' uncertainty about near-term stock price moves. Nevertheless, euro area stock market uncertainty remained at relatively low levels by historical standards in early July (see Chart 16).

3 PRICES AND COSTS

HICP inflation is estimated to have remained unchanged at 1.9% for the fourth consecutive month in June 2007. More detailed HICP data, which are only available up to May 2007, confirm the assessment of some increase in domestic price pressures, in particular in the services component. While part of this is related to the VAT increase in Germany, currently available information on industrial producer prices and from firm surveys indicates that price pressures persist from both non-labour input costs and the increased pricing power of firms. By contrast, labour cost growth observed up to the beginning of 2007 has been moderate. However, looking ahead, upward risks prevail, most notably from higher oil prices, the high level of capacity utilisation and stronger than currently expected wage growth, in a context of improving labour market conditions. In addition, upside risks relate to increases in administered prices and indirect taxes beyond those anticipated thus far, and the potentially procyclical stance of fiscal policy in some countries.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR JUNE 2007

According to Eurostat's flash estimate, HICP inflation was 1.9% in June 2007 (see Table 5), unchanged for the fourth consecutive month. Though a detailed breakdown of the HICP components in June is not available at this stage, country information suggests that there may have been small counterbalancing movements in the more volatile HICP components, unprocessed food and energy, with an increase in the latter being offset by a decline in the former.

HICP INFLATION UP TO MAY 2007

In May 2007, the latest month for which a detailed breakdown of the HICP components is available, HICP inflation was 1.9%. This represented the ninth consecutive month that inflation was below 2%, facilitated by a relatively small contribution from annual energy price inflation over that period (see Chart 17). In May, the annual rate of change in the HICP excluding unprocessed food and energy was also unchanged at 1.9%. However, in contrast to headline inflation developments, the annual rate of change in the HICP excluding unprocessed food and energy has exhibited a pattern of gradual increases, particularly since the beginning of 2007, following the rise in VAT in Germany.

Although the annual rate of change in HICP energy prices has remained relatively subdued over the last nine months, energy prices have been rising recently. In the three months from March to

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

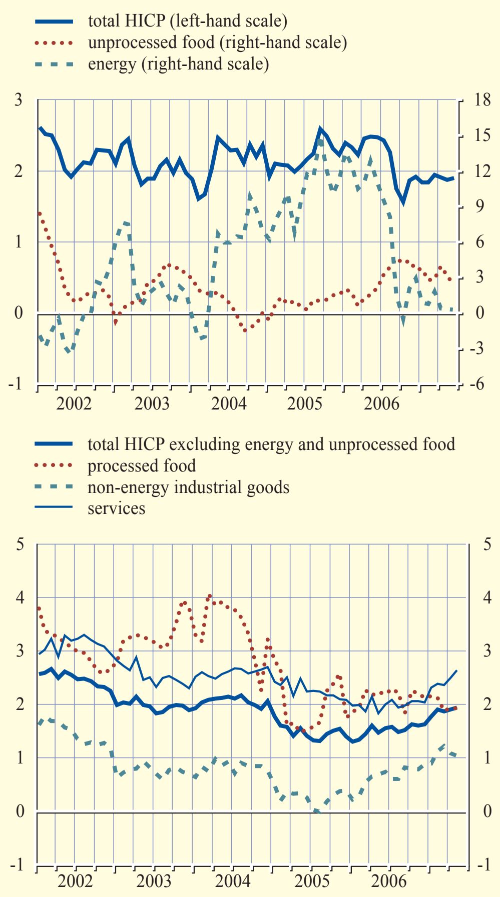
	2005	2006	2007 Jan.	2007 Feb.	2007 Mar.	2007 Apr.	2007 May	2007 June
HICP and its components								
Overall index [1]	2.2	2.2	1.8	1.8	1.9	1.9	1.9	*1.9*
Energy	10.1	7.7	0.9	0.8	1.8	0.4	0.3	.
Unprocessed food	0.8	2.8	3.7	2.8	2.9	3.9	3.1	.
Processed food	2.0	2.1	2.2	2.1	1.9	1.9	1.9	.
Non-energy industrial goods	0.3	0.6	0.9	1.1	1.2	1.1	1.0	.
Services	2.3	2.0	2.3	2.4	2.4	2.5	2.6	.
Other price indicators								
Industrial producer prices	4.1	5.1	3.1	2.9	2.8	2.4	2.3	.
Oil prices (EUR per barrel)	44.6	52.9	42.2	44.9	47.3	50.2	50.3	52.6
Non-energy commodity prices	9.4	24.8	15.6	13.9	17.6	15.3	11.9	14.2

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

May 2007, they rose by 4%, pushed by increases in oil prices. In particular, wholesale petrol prices have risen since January owing to a combination of higher crude oil prices and wider refining margins. However, the direct impacts of these recent pressures on consumer prices were not visible in changes in the annual rates of growth as a result of base effects from the strong increases observed in 2006. The annual rate of change in HICP unprocessed food prices, the second most volatile main component of the HICP after energy prices, decreased in May 2007, following the upward spike observed in April. The relatively pronounced movements since March appear to reflect the impact of unusually warm and dry weather observed over much of Europe earlier in the year.

Chart 17 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

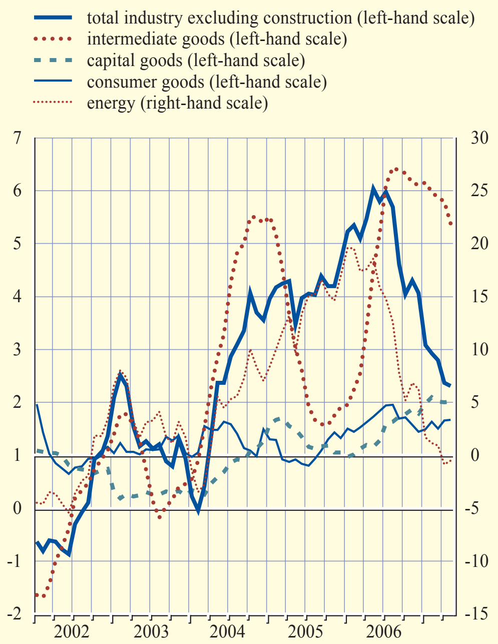
With regard to the less volatile components of the HICP, there were offsetting movements in the annual rates of change in non-energy industrial goods and services prices, while the annual rate of change in processed food prices was unchanged at 1.9% in May. Regarding this last component, there does not appear to be, as yet, a significant impact from increases observed in some global prices of food commodities. Thus, although the annual rates of change in some items, such as bread and cereals, have increased in recent months, those in other components, such as oils and fats, have declined significantly. The annual rate of change in non-energy industrial goods decreased slightly for the second consecutive month, to 1.0% in May. This downward movement was shared among the main sub-components of non-energy industrial goods: non-durable, semi-durable and durable consumer goods. However, despite this downward movement, available producer price data and survey evidence suggest that price pressures from non-labour input costs persist. In contrast to non-energy industrial goods prices, the annual rate of change in consumer services prices edged up further to 2.6% in May, continuing an upward movement observed since the end of last year. While much of this increase can be attributed to the impact of the rise in German VAT, there has also been a more general pick-up in the rate of growth in services prices since the second half of 2006, ending the broad easing pattern previously observed since early 2002.

3.2 INDUSTRIAL PRODUCER PRICES

In May, the annual rate of change in overall industrial producer prices (excluding construction) edged down further to 2.3%, from 2.4% in April. Similarly, producer price inflation excluding

Chart 18 Breakdown of industrial producer prices

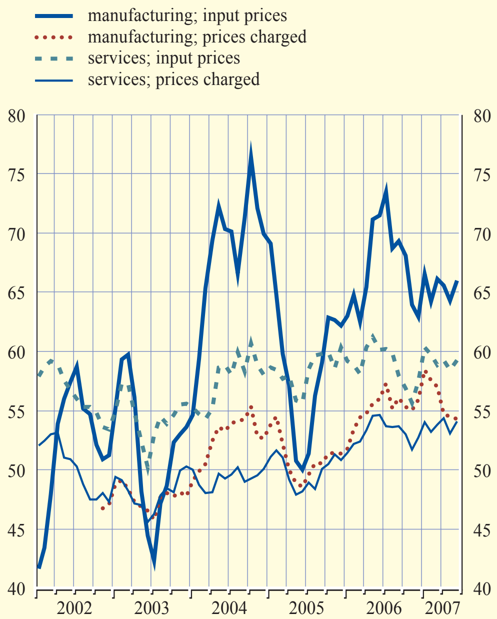
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 19 Producer input and output price surveys

(diffusion indices; monthly data)



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

energy (and construction) also decreased slightly. However, despite these downward movements, the overall assessment is that elevated price pressures remain in the production pipeline.

This assessment is supported by taking into consideration developments in the main components of overall producer prices. First, although industrial energy prices declined in annual terms in May (see Chart 18), price levels rose. As in the previous four months this increase was a result of oil price developments. Similarly, despite a small decline in May, the annual rate of change in intermediate goods producer prices remained at a high level of 5.4%. Furthermore, intermediate goods producer price levels are continuing to rise, mirroring the renewed surge in industrial raw material prices observed in the first five months of 2007. The annual rate of change in capital goods producer prices was unchanged from the previous month at a high rate, for this component, of 2.0%. Elevated rates of change, relative to historical averages, were observed across most capital goods components with the exception of motor transport, where, despite rising input costs for metals in particular, strong competition and subdued demand have limited price increases. Further down the production chain, the annual growth rate in consumer goods producer prices was unchanged, at 1.7%, in May, with broadly similar rates in the non-durable and durable components.

The latest business survey information for June on price setting indicates a continuation of upward pressures on inflation (see Chart 19). All indicators remain at relatively high levels and suggest ongoing price pressures. In the manufacturing sector the indicator for input prices rose. According to NTC Economics, this was due to ongoing shortages of raw materials. With regard to the

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2005	2006	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1
Negotiated wages	2.1	2.2	2.1	2.4	2.0	2.4	1.9
Total hourly labour costs	2.4	2.4	2.4	2.6	2.4	2.2	2.2
Compensation per employee	1.7	2.2	2.2	2.5	2.4	1.8	.
Memo items:							
Labour productivity	0.8	1.4	1.3	1.4	1.3	1.8	1.6
Unit labour costs	0.9	0.8	0.9	1.1	1.1	0.0	.

Sources: Eurostat, national data and ECB calculations.

manufacturing output price indicator, although it has eased from the highs observed at the beginning of the year, it remains at a relatively elevated level. In the services sector, respondents reported rising wage pressures, higher fuel costs and interest rates as factors pushing up input costs. In addition they reported that increased pricing power enabled them to raise prices charged.

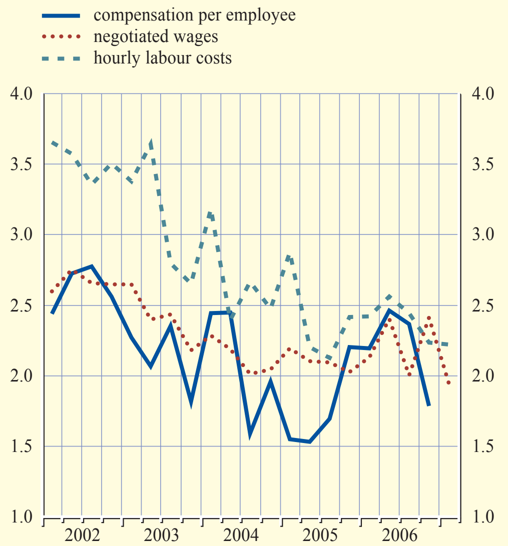
3.3 LABOUR COST INDICATORS

Overall available information from labour cost indicators suggests continued contained wage increases in early 2007. According to data released in mid-June, the annual growth rate in euro area hourly labour costs remained unchanged at 2.2% in the first quarter of 2007 (see Table 6). This resulted from a slight decrease in the rate of growth in the wages and salaries component, which was broadly offset by an increase in the non-wage (employers' social contributions) component (see Table 5.1.3 in the Statistical Annex for detailed data). As reported previously, growth in negotiated wages remained moderate in early 2007, with the fall to 1.9% in the first quarter of the year (see Chart 20) mainly reflecting the impact of the timing of wage agreements and one-off payments in specific sectors in some countries.

Euro area data for compensation per employee for the first quarter of 2007 are not yet available. However, existing country information suggests a rebound in the annual rate of change, following the downward movement observed in the fourth quarter of 2006, which stemmed from temporary developments in the Italian public sector. This information, combined with the small decline in the annual rate of growth in labour productivity, suggests an acceleration of unit labour costs in the first quarter of 2007. However, the overall rate of growth in unit labour costs is expected to remain at a moderate level.

Chart 20 Selected labour cost indicators

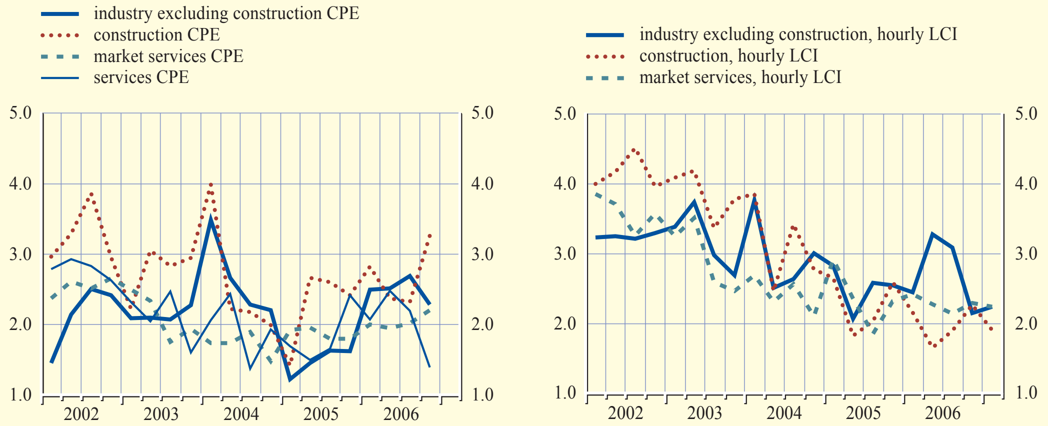
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Chart 21 Sectoral labour cost developments

(annual percentage changes; quarterly data)



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

At the sectoral level, growth rates in labour costs, both in terms of compensation per employee and hourly labour costs in the manufacturing and market services sectors, were, after having diverged somewhat during most of 2006, at broadly similar levels, slightly above 2% in the fourth quarter of 2006 and the first quarter of 2007 (see Chart 21).

3.4 THE OUTLOOK FOR INFLATION

The profile of the short-term inflation outlook will continue to be heavily influenced by energy prices. Base effects from developments in oil prices in 2006 should still exert a downward impact in the next few months, but then imply an upward impact in the following months. Overall, on the basis of current oil prices and oil price futures, annual inflation rates are likely to fall only slightly in the months ahead before rising again significantly towards the end of the year.

At the policy-relevant medium-term horizon, risks to the outlook remain on the upside. These risks relate in particular to increasing domestic price and cost pressures, which may materialise in the context of rising capacity constraints and the sustained expansion in economic activity. The risks relate to stronger than expected wage developments and to rising pricing power in market segments with low competition. In addition, risks to the outlook arise from increases in administered prices and indirect taxes beyond those anticipated so far, and the potentially procyclical stance of fiscal policy in some countries. Finally, on the external side, upside risks stem from the possibility of further oil price increases.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Following strong euro area real GDP growth in the first quarter of 2007, the latest data releases suggest a robust economic expansion also in the second quarter, underpinned by supportive conditions for both domestic and foreign demand. Survey data signal the continuation of solid growth in the industrial and services sectors, while there are indications of a further improvement in the labour market. Looking ahead, the underlying growth momentum is expected to remain dynamic. Risks to such favourable prospects continue to be broadly balanced over the short term and on the downside over the longer term, mostly as a result of external factors.

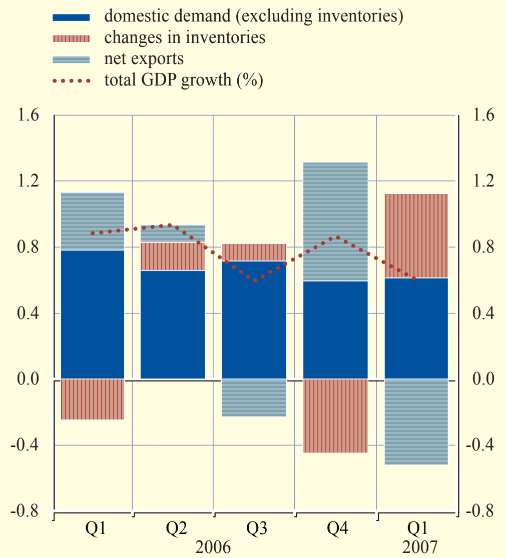
4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

The first release of national accounts data for the first quarter of 2007, reported in the June 2007 issue of the Monthly Bulletin, confirmed the evaluation of a sustained economic expansion. Euro area real GDP increased by 0.6% quarter on quarter in the first quarter, following growth of 0.9% in the fourth quarter of 2006 (see Chart 22). The contribution to growth from overall domestic demand was very strong, although private consumption fell slightly (by 0.1% quarter on quarter), influenced by the impact of the VAT increase in Germany in January. Developments in investment were very positive, with a further rise in growth to 2.5% quarter on quarter. This dynamism is in line with the existing high level of capacity utilisation and the recently released biannual European Commission survey of investment which was conducted in spring 2007. The contribution from net exports was negative in the first quarter, in part due to a marked slowdown in export growth to 0.3% quarter on quarter. However, the latter mainly reflected a statistical distortion in Germany whereby some of the exports corresponding to the third quarter of 2006 were actually attributed to the last quarter of that year. Finally, the contribution from inventories turned positive, as a consequence of both the German distortion in exports (which affected the computation of inventories one quarter earlier) and short-run fluctuations relating to the impact of the German VAT hike.

Chart 22 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The sectoral breakdown of value-added growth confirms that the economic expansion was broadly based in the first quarter of 2007. Industry and construction were the most dynamic sectors. Value added in services also grew robustly, driven by the rapid expansion in the financial and business services sub-sectors.

More recently, industrial production (excluding construction) increased by 0.6% on a three-month moving average basis in April 2007, from 0.8% in the first quarter as a whole (see Chart 23). The production of capital goods continued to be the fastest-growing, albeit decelerating, component. The production of intermediate goods and non-durable consumer goods also increased in three-month moving average terms. In contrast, the production of durable consumer goods and energy fell further. Industrial new orders rose by 1.7% on a three-month moving average basis in April, slightly below the growth rate seen one month earlier. New orders also increased in April after excluding the volatile "other transport equipment" component. Additionally, construction production exhibited growth of 1.7% in three-month moving average terms in April, but this was the sector's slowest pace since last October.

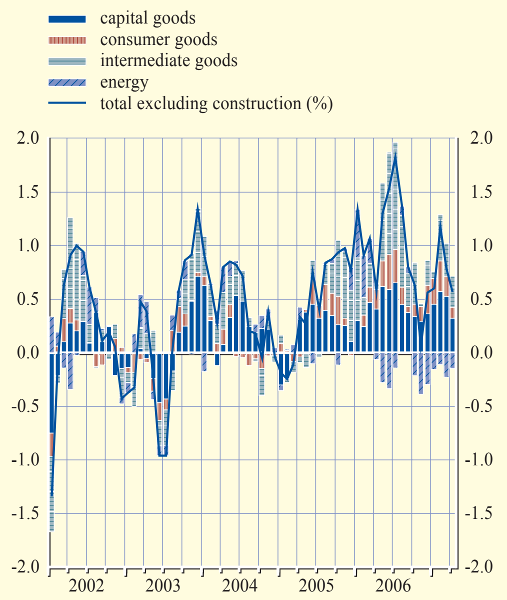
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

The latest survey data available up to June continue to signal strong growth in the second quarter of 2007 in both the manufacturing and services sectors.

The European Commission's industrial confidence indicator rose in the second quarter to reach its highest quarterly average value since the survey started in 1985. The recent improvement was driven by gains in the intermediate and capital goods industries, while confidence in consumer goods industries remained stable. The Purchasing Managers' Index (PMI) for the manufacturing sector was almost unchanged on average in the second quarter, suggesting the persistence of positive growth (see Chart 24). Regarding services, the European Commission's confidence indicator increased further in the second quarter as a whole, recording the highest quarterly

Chart 23 Industrial production growth and contributions

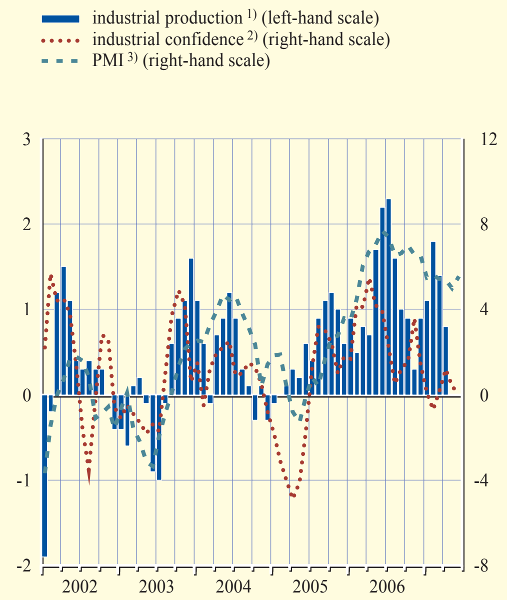
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 24 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



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

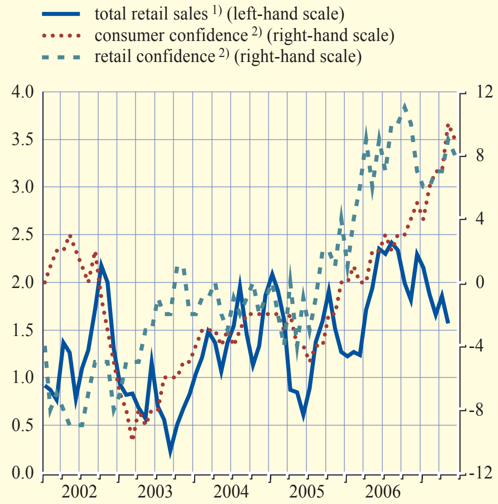
average level in six years. The PMI for the services sector made additional gains in the second quarter, with the latest monthly release (for June) reaching the highest value in 12 months.

INDICATORS OF HOUSEHOLD SPENDING

Recent data releases for household spending show signs that euro area private consumption is recovering from its VAT-related drop recorded in the first quarter of 2007. Private consumption fell by 0.1% quarter on quarter in the first quarter, following a rise by 0.4% in the fourth quarter of 2006. Retail sales increased by 0.4% in May on a three-month moving average basis, after having been stable in the first quarter. New car registrations declined by 1.9% in May in three-month moving average terms, which represents a moderation from the 3.6% fall observed in the first quarter.

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

(monthly data)



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

Overall, private consumption prospects remain favourable. Euro area consumer confidence rose further on average in the second quarter of 2007 (see Chart 25), nearing its highest levels, which were recorded in 2000. Retail confidence rose on average in the second quarter, according to the European Commission survey, while the corresponding PMI indicator remained unchanged. In addition, household spending should benefit from the ongoing improvement in the labour market.

4.2 LABOUR MARKET

The latest information corroborates the continued strengthening in the labour market. Employment growth was strong in the first quarter of 2007, while the unemployment rate declined further at the start of the second quarter. Employment expectations remain at elevated levels, showing a favourable outlook for labour market conditions.

UNEMPLOYMENT

The euro area unemployment rate fell to 7.0% in May (see Chart 26), which is a historically low level. More precisely, using other sources of information (mainly the EU Labour Force Survey) to extend the official series beyond its starting point in 1993, the current unemployment rate appears to be the lowest since 1980. In absolute terms, the number of unemployed fell in the period April-May by a monthly average of about 96,000, below the monthly average of 190,000 for the first three months of the year.

EMPLOYMENT

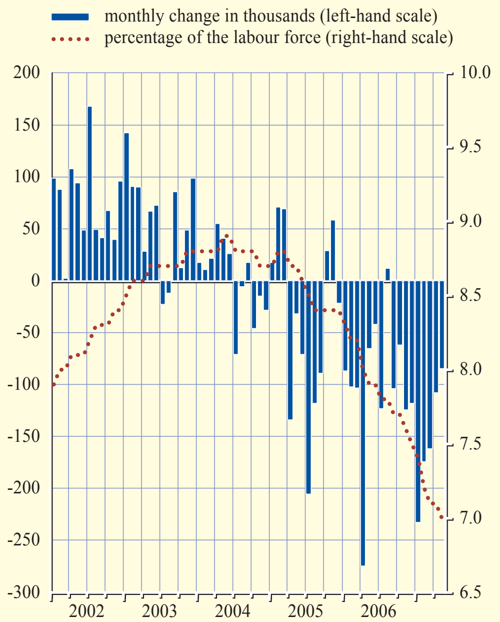
According to Eurostat's first estimate, euro area employment grew by 0.4% in the first quarter of 2007, compared with 0.3% in the previous quarter. Although the sectoral breakdown of total employment for the first quarter is not yet available, there is no indication of a change in the previous trends. In the fourth quarter of 2006, euro area employment growth was supported by developments in the services and construction sectors, while employment in agriculture and industry excluding construction contracted (see Table 7).

Annual labour productivity rose in the first quarter of 2007 by 1.6%, slightly below the growth rate recorded for the previous quarter (1.8%). Nevertheless, the pace of annual labour productivity growth observed in the first quarter was faster than those registered in 2006 as a whole (1.4%) and, from a longer-term perspective, on average in the last decade (0.9%). While the PMI composite productivity index declined further in the period April-May 2007, it remained above the 50 no-change level and thus pointed to positive labour productivity growth also in the second quarter.

According to the European Commission's surveys, employment expectations increased further in the manufacturing and services sectors in the second quarter of 2007 as a whole. Employment expectations from the PMI also rose for both the manufacturing and services sectors. Overall, the latest economic indicators point to further increases in employment in the second quarter of the year.

Chart 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2005	2006	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1
Whole economy	0.8	1.4	0.5	0.5	0.2	0.3	0.4
of which:							
Agriculture and fishing	-1.4	-0.4	0.1	0.7	-2.0	-0.5	.
Industry	-0.1	0.7	0.1	0.3	0.2	0.4	.
Excluding construction	-1.3	-0.2	-0.1	0.2	0.0	-0.1	.
Construction	2.7	2.8	0.6	0.7	0.9	1.7	.
Services	1.3	1.8	0.7	0.5	0.4	0.3	.
Trade and transport	0.6	1.2	0.6	0.5	0.0	0.3	.
Finance and business	2.1	3.5	0.9	0.9	1.0	0.8	.
Public administration 1)	1.4	1.4	0.7	0.3	0.3	0.0	.

Sources: Eurostat and ECB calculations.
1) Also includes education, health and other services.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The outlook for the euro area economy continues to be positive, reflecting a supportive environment for domestic and foreign demand. Investment activity is expected to remain dynamic, buoyed by favourable financial conditions, strong corporate profitability and enhanced business efficiency. The ongoing improvement in the labour market is deemed conducive to a recovery in private consumption growth. External conditions should provide firm support to euro area export growth. Risks surrounding this outlook are broadly balanced over the short run. Over the longer term, risks remain on the downside, mainly due to the possibility of adverse shocks in the form of higher protectionist pressures, further oil price increases, disorderly adjustments relating to global imbalances and potential shifts in financial market sentiment.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In effective terms, the euro has appreciated slightly over the past three months. This partly reflected offsetting movements vis-à-vis a number of currencies.

EFFECTIVE EXCHANGE RATE OF THE EURO

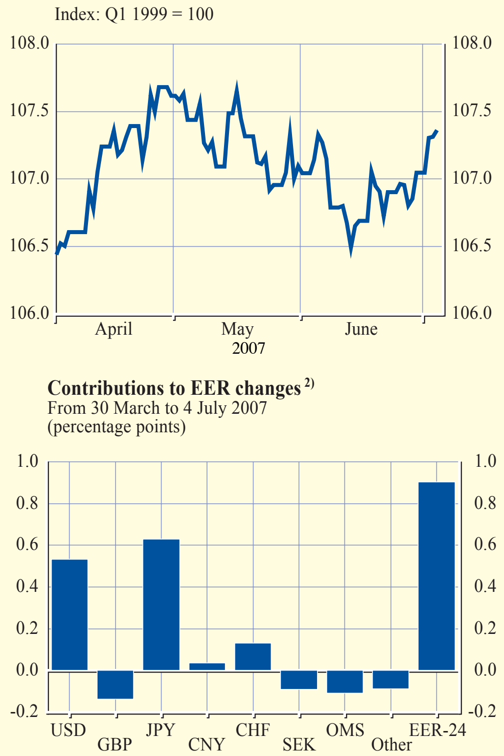
On 4 July 2007 the nominal effective exchange rate – as measured against the currencies of 24 of the euro area's important trading partners – stood about 1% above its level at the end of March and 3.6% higher than its average level in 2006 (see Chart 27). This appreciation reflected partly offsetting movements in bilateral rates, with the euro appreciating, among others, vis-à-vis the Japanese yen, the US dollar and the Swiss franc, while depreciating noticeably against the Canadian dollar and the Australian dollar.

US DOLLAR/EURO

In the last three months the euro has strengthened overall against the US dollar, some volatility notwithstanding. The behaviour of the exchange rate of the euro vis-à-vis the US dollar since the end of March was influenced by periodic revisions in market participants' assessment of the relative cyclical outlook in the two economic areas. In April the euro appreciated, possibly related to a more favourable assessment of the relative outlook for the euro area by market participants. Subsequently, the euro weakened somewhat in the course of May and in the first half of June, as economic data led market participants to revise their assessment of the outlook for US economic growth upwards. More recently, a renewed shift in market participants' assessment, reflecting mixed data releases on US inflation and growth, contributed to a further appreciation of the euro in the remainder of June and in the first few days of July. As in previous months, changes in the perceived cyclical differences between the two economic areas have been mirrored by movements in the interest rate differentials between the United States and the euro area. While developments in the prices of currency derivatives had previously been consistent with increasing market expectations of an appreciation in the euro over the short term, since May they have moved towards values consistent with the broad stability of the euro against the US dollar. Implied volatility of the euro against the US dollar continued to fall, reaching values below 5% in the second half of June, to then return slightly above this level in

Chart 27 Euro effective exchange rate and its decomposition [1)]

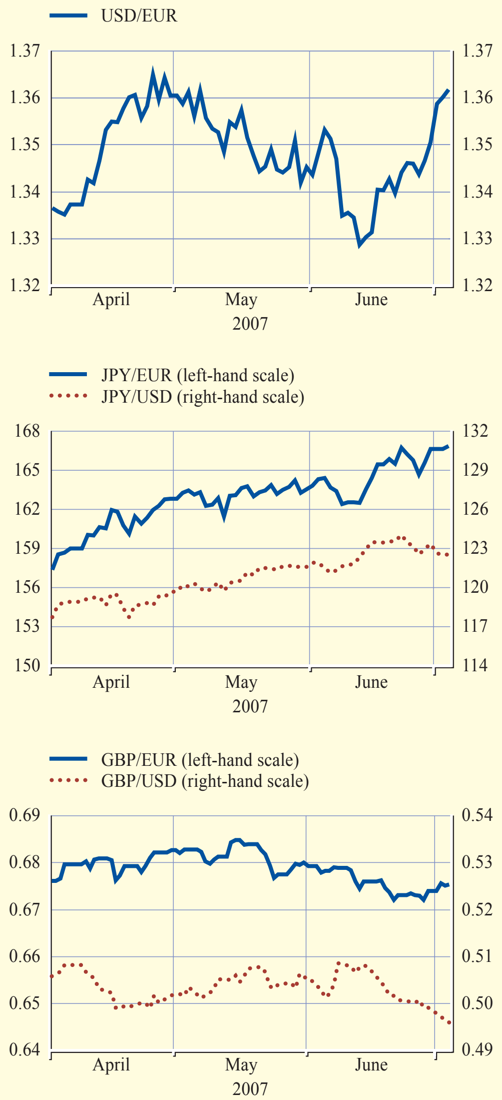
(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

Chart 28 Patterns in exchange rates

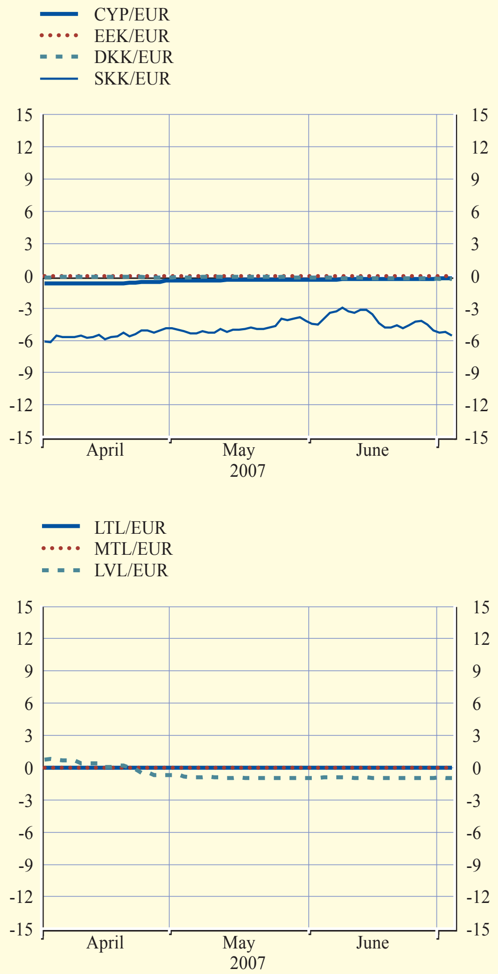
(daily data)



Source: ECB.

Chart 29 Patterns in exchange rates in ERM II

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



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

the first few days of July. By contrast, market participants' uncertainty about future developments in the euro vis-à-vis the Japanese yen rose over the same period. On 4 July the euro traded at USD 1.36, i.e. 2.3% above its level at the end of March and 8.5% stronger than its 2006 average (see Chart 28).

JAPANESE YEN/EURO

The euro continued to strengthen vis-à-vis the Japanese yen over the past three months, reaching an all-time high on 4 July. Market participants attribute the strengthening of the euro vis-à-vis the Japanese yen mainly to the favourable market attitude towards risk which, together with an environment in which volatility remains historically low, has supported the continuation of high volumes of carry trades, in which assets denominated in currencies paying low yields, such as the Japanese yen, are often used as funding instruments. The implied volatility of the Japanese yen vis-à-vis the euro fell from the peak in March but tended to rise again somewhat in June. Developments in the prices of currency options have, since the beginning of 2007, been signalling continued expectations of some strengthening of the Japanese currency vis-à-vis the euro in the short term. On 4 July the euro stood at JPY 166.87, i.e. 6.1% higher than its level at the end of March and 14.3% stronger than its 2006 average (see Chart 28).

EU MEMBER STATES' CURRENCIES

Since the end of March the currencies participating in ERM II – with the exception of the Slovak koruna and the Latvian lats – have remained stable and have continued to trade at or close to their respective central rates (see Chart 29). Having appreciated in March, the Slovak koruna started to depreciate in April. On 4 July the Slovak currency was trading 5.5% stronger than its central rate. Over the same period, the Latvian lats appreciated by almost 2%. Most of this strengthening occurred in April, while in the subsequent two months its exchange rate vis-à-vis the euro remained broadly unchanged. On 4 July the Latvian lats traded almost 1% stronger than its ERM II central rate.

With regard to the currencies of other EU Member States not participating in ERM II, between the end of March and 4 July 2007 the euro weakened by about half a percentage point against the pound sterling and by about 2% vis-à-vis the Swedish krona. At the same time, it weakened vis-à-vis the Polish zloty (by 2.8%) and the Romanian leu (by 6.6%), while it appreciated against the Czech koruna (by 2.5%).

OTHER CURRENCIES

Over the last three months the euro strengthened against the Singapore dollar (by 2.5%), the Hong Kong dollar (by 2.2%) and the Swiss franc (by 1.9%). By contrast, it depreciated by 3.7% vis-à-vis the Australian dollar and by 6.2% against the Canadian dollar.

5.2 BALANCE OF PAYMENTS

In the three-month period to April 2007 the growth rate of extra-euro area exports declined while imports picked up somewhat. Nevertheless, the 12-month cumulated goods surplus continued to rise compared with the level a year earlier, thereby contributing to the shift to a current account surplus of 0.1% of GDP in the twelve months to April 2007 compared with the deficit of the previous year. A decline in the cumulated income deficit over the same period also contributed to the return to a current account surplus. In the financial account, combined direct and portfolio investment recorded net inflows of €227.7 billion in the 12-month period to April 2007 compared with net outflows of €28.2 billion in the previous year. This shift in capital flows mainly reflects larger net inflows in portfolio investment.

TRADE AND THE CURRENT ACCOUNT

In the three-month period to April 2007 the growth rate of extra-euro area exports declined while imports picked up somewhat. The value of exports of goods and services grew by 1.3% in this period compared with 3.0% in the previous three-month period to January 2007. Meanwhile, the growth rate of imports of goods and services increased to 1.6%, up from 0.9% in the previous

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2007 Mar.	2007 Apr.	Three-month moving average figures ending 2006 July	2006 Oct.	2007 Jan.	2007 Apr.	12-month cumulated figures ending 2006 Apr.	2007 Apr.
				EUR billions				
Current account	6.7	-4.0	-1.7	0.9	3.7	-0.3	-20.0	7.7
Goods balance	7.9	3.5	0.6	3.3	5.9	5.0	26.8	44.6
Exports	123.7	122.6	113.6	118.9	122.4	123.3	1,280.3	1,434.7
Imports	115.9	119.1	113.0	115.6	116.5	118.3	1,253.5	1,390.1
Services balance	4.7	2.2	2.9	2.6	3.2	3.7	36.9	37.3
Exports	38.6	37.9	35.9	35.7	36.8	37.9	414.3	439.1
Imports	33.9	35.7	33.0	33.1	33.6	34.3	377.4	401.8
Income balance	-0.6	-0.8	0.0	1.5	0.0	-2.1	-12.7	-2.0
Current transfers balance	-5.3	-8.8	-5.3	-6.4	-5.4	-6.9	-70.9	-72.2
Financial account 1)	-39.2	18.2	11.7	17.2	1.5	-10.1	111.9	60.9
Combined net direct and portfolio investment	63.0	-8.0	26.1	2.3	24.5	22.9	-28.2	227.7
Net direct investment	-8.4	-24.4	-10.9	-15.3	-18.9	-15.0	-192.2	-180.7
Net portfolio investment	71.4	16.3	37.1	17.7	43.4	38.0	164.0	408.3
Equities	42.8	-8.2	33.2	2.3	26.5	17.6	188.5	238.7
Debt instruments	28.6	24.6	3.9	15.4	16.9	20.4	-24.5	169.6
Bonds and notes	42.5	10.3	17.0	12.9	25.1	19.6	-20.1	224.0
Money market instruments	-13.9	14.3	-13.1	2.5	-8.3	0.8	-4.4	-54.3
				Percentage changes over previous period				
Goods and services								
Exports	0.9	-1.1	1.1	3.5	3.0	1.3	11.4	10.6
Imports	-2.1	3.4	2.1	1.9	0.9	1.6	16.0	9.9
Goods								
Exports	0.2	-0.9	1.0	4.7	2.9	0.7	11.8	12.1
Imports	-3.3	2.8	1.9	2.4	0.7	1.5	17.7	10.9
Services								
Exports	3.5	-2.0	1.5	-0.5	3.1	3.0	10.4	6.0
Imports	2.2	5.4	2.8	0.4	1.5	1.9	10.6	6.5

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

period (see Table 8). While the increase in the growth of imports related to both goods and services, the slowdown in exports was more pronounced in goods trade. Exports of services grew robustly at a rate of 3.0% in the three-month period to April 2007.

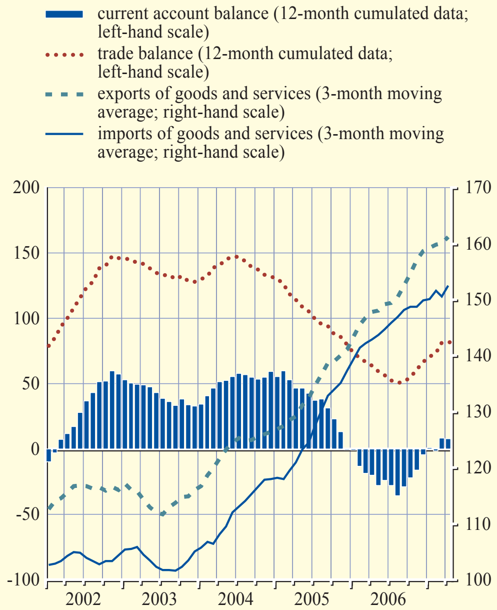
The breakdown of extra-euro area trade in goods into volumes and prices, also available up to April 2007, indicates that export volumes are the main factor behind the slowdown in the growth of the value of goods exports. Having increased strongly in the second half of 2006, the growth of export volumes slowed markedly in early 2007, registering almost zero growth in the three-month period to April. While this might be partly interpreted as a correction after the exceptionally strong export growth of preceding months, somewhat weaker – although still robust – foreign demand may have also contributed to the recent slowdown in exports of goods. Meanwhile, export prices of goods increased by 0.8% in the three months to April 2007 with respect to the previous three-month period.

On the imports side, the breakdown suggests that the slight growth in the value of imports is partly attributable to price increases. The rise in import prices of goods partly reflects the recent pick-up in world oil prices, although the latter has been somewhat offset by the euro appreciation since the start of the year.

From a longer-term perspective, the 12-month cumulated current account to April 2007 registered a surplus of €7.7 billion (about 0.1% of GDP) in contrast to the €20 billion deficit recorded a year earlier (see Chart 30). The shift to a current account surplus was primarily the result of a rise in the goods surplus of around €17.8 billion, thereby continuing the upward trend which began in September 2006 primarily owing to the fall in the price of oil imports. In addition, the income deficit decreased by around €10.7 billion, resulting from higher income receipts that were only partly offset by an increase in income payments. Box 3 reviews developments in current account balances across euro area countries from 1998 to 2006, mainly from a savings and investment perspective.

Chart 30 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Box 3

CURRENT ACCOUNT BALANCES ACROSS THE EURO AREA COUNTRIES FROM A SAVINGS AND INVESTMENT PERSPECTIVE

The euro area's current account balance has been close to zero since the inception of Stage Three of EMU in 1999. However, current account balance developments in a number of euro area countries have diverged over that period (see Chart a). Between 1998 and 2006 in Spain and Greece current account deficits as a share of GDP rose markedly. In 2006 these two countries together with Portugal experienced the highest current account deficits as a share of GDP of the euro area countries. In the same period Germany's current account deficit turned into a surplus, and the current account surplus of the Netherlands increased further. These two countries together with Luxembourg and Finland registered the highest current account surpluses in 2006. Changes in the current account balances of other euro area countries were smaller. In this box sizeable changes in current account balances over the period from 1998 to 2006 are assessed mainly from a savings and investment perspective. Such a perspective provides an indication of how developments in current account balances are related to the evolution of investment and saving activities.

In accounting terms, the current account may be defined as the difference between gross national savings and gross fixed capital formation[1]. In many euro area countries, developments

1 For a derivation of this definition, see for instance the IMF "Balance of Payments Manual", 1993, p. 13.

in the current account balances are related to a combination of changes in these two components (see Chart b). However, the significant deterioration in the current account balances of Spain and Greece since 1998 was mainly associated with a rise in gross fixed capital formation, particularly in the private sector. A sectoral breakdown of gross fixed capital formation by construction, equipment and other investment shows that the increase in Spain's current account deficit since 1998 was primarily related to rising construction investment as a share of GDP (see Chart c). As can be seen from Chart d), over recent years the size of the construction sector relative to GDP has grown significantly in Spain, and it is now the second largest in the euro area after that of Ireland. As regards savings, in Spain, a rise in gross government savings largely neutralised the effect of a fall in gross private savings. In Greece, the rise in the current account deficit was associated with a rise in both equipment and construction investment as shares of GDP. Moreover, the ratio of gross national savings to GDP has declined since 1998 and in 2006 reached the second lowest level in the euro area, after Portugal (see Chart e).

Turning to the countries which saw a significant improvement in their current account balances between 1998 and 2006, in Germany and the Netherlands this improvement was partly associated with a fall in gross fixed capital formation. In particular, falling construction investment as a share of GDP contributed to the improvement in the current account balance of Germany. This reflected a sustained correction in construction, following a boom in the sector related to reunification.

Some differences in national current account balances across countries and regions are a normal feature of a monetary union, as capital flows reflect savings and investment decisions, favouring member states and regions with better growth prospects and higher expected rates of return, for instance, related to catching-up processes and successful structural reforms. In the context of the euro area, the Single Market has improved the free movement of goods, services and capital, while the introduction of the euro – together with financial market liberalisation – has resulted in lower financing costs and increased access to finance in some countries. These factors may have contributed to divergent developments in current account balances across euro area countries. Moreover, current account balances may diverge across countries as a natural result of responses to asymmetric shocks.

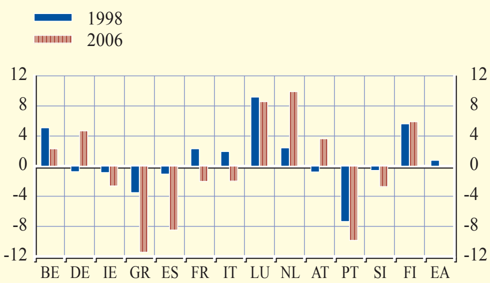
However, there is also the possibility that large current account deficits reflect macroeconomic imbalances or structural rigidities such as a lack of price and wage flexibility. For example, large current account deficits that reflect a lack of savings accompanied by strong borrowing could be an indicator of adverse competitiveness developments or of overly optimistic expectations regarding future income growth and returns on investment. This, in turn, could possibly lead to increased vulnerability of some economies related to overinvestment. In practice, it is not straightforward to distinguish between these different factors and to determine the equilibrium path of a current account balance.

As shown in Chart f), there is some evidence that current account balances tend to be related to price and cost competitiveness developments. For example, countries with large current account deficits or worsening current account balances often exhibit cumulated losses in price competitiveness, and vice versa[2]. Divergent price and cost competitiveness developments

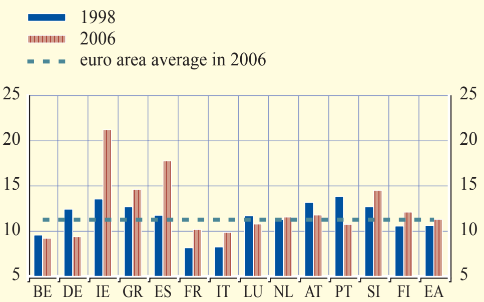
2 For a discussion on current account balances and competitiveness indicators, see Deutsche Bundesbank, "Current account balances and price competitiveness in the euro area", Monthly Report, Vol. 59, No 6, June 2007.

Current account balances, savings, fixed capital formation and unit labour costs

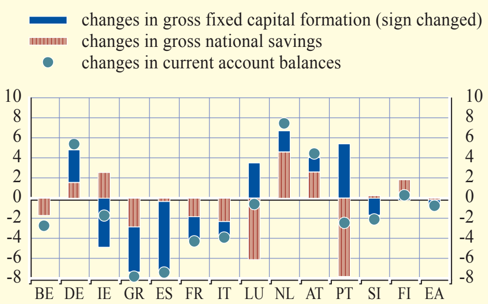
a) Current account balances
(percentages of GDP)



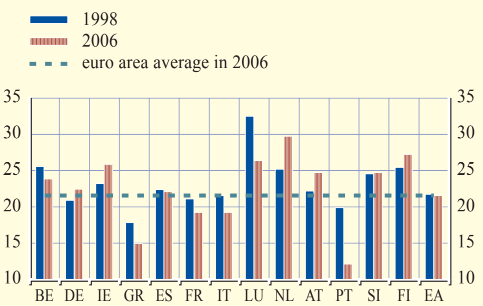
d) Gross fixed capital formation: construction
(percentages of GDP)



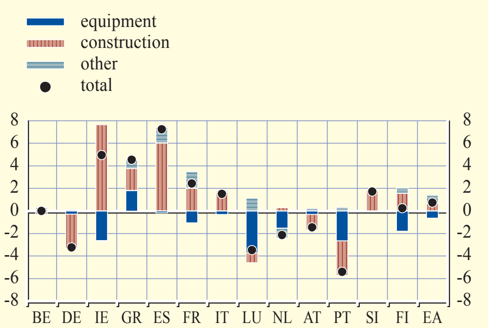
b) Changes in 1998-2006 in current account balances and their components
(percentage points) [1)]



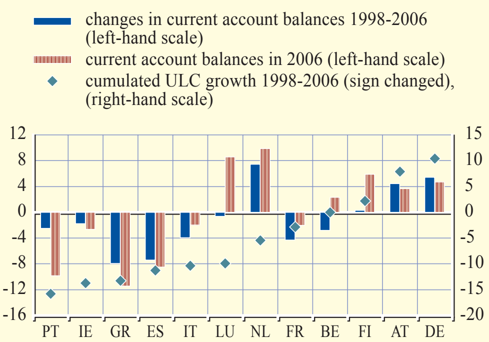
e) Gross national savings
(percentages of GDP)



c) Changes in 1998-2006 in gross fixed capital formation
(percentage points)



f) Current account balances and cumulated ULC [2)]
(percentage points; percentages of GDP; percentages)



Source: ECB computations on European Commission data.
Note: Slovenia is not included in the euro area figures. Current account balances for individual euro area countries refer to the balance of current transactions with the rest of the world including other euro area countries.
1) In Chart b) a positive (negative) blue bar indicates a drop (rise) in gross fixed capital formation, leading to an improvement (deterioration) in the current account balance. A positive (negative) red hatched bar indicates a rise (drop) in gross savings, leading to an improvement (deterioration) in the current account balance. The statistical discrepancy between the actual current account and the difference between savings and investment in Chart b) mainly reflects net capital transfers and measurement errors.
2) In Chart f) a negative sign of cumulated unit labour costs (ULC) indicates an increase relative to the euro area average, i.e. a relative deterioration in cost competitiveness. Countries are ranked in ascending order according to changes in cumulated ULC compared with the euro area average.

might reflect normal and even desirable responses to catching-up processes and country-specific shocks. However, they may also be an indication of labour cost developments that are not economically justified and which in turn may reflect a lack of price and wage flexibility or overly optimistic expectations regarding future income growth in some countries. For this reason the interpretation of divergent developments in cost and price competitiveness indicators is difficult and developments need to be monitored carefully.

As national monetary and exchange rate policies are no longer options within the euro area, it is important to make sure that the remaining mechanisms of adjustment to shocks function properly. The efficient and smooth functioning of economic adjustments within the euro area requires the removal of institutional barriers to flexible wage and price-setting mechanisms as well as the completion of the Single Market and thus greater cross-border competition.

FINANCIAL ACCOUNT

In the financial account, combined direct and portfolio investment registered large cumulative net inflows of €227.7 billion in the 12-month period to April 2007 compared with net outflows of €28.2 billion a year earlier. This shift mainly resulted from higher net inflows in portfolio investment, particularly in equity securities and more recently in long-term debt instruments (see Chart 31).

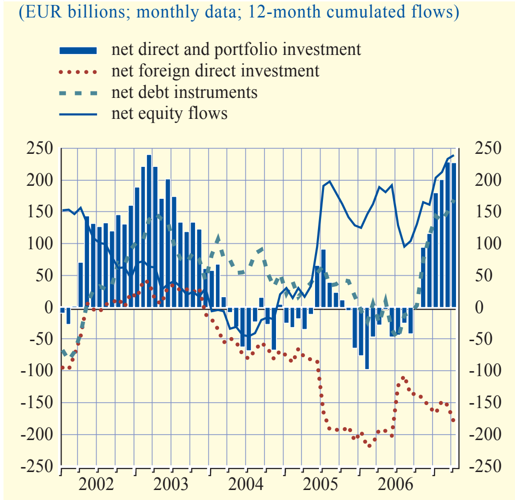
As regards portfolio investment, the euro area continued to register relatively strong net inflows in portfolio equity securities, supported by the favourable expected earnings growth performance of euro area enterprises relative to their US counterparts. Over the last few months the increase in the 12-month cumulated net inflows in equities compared with the previous year mainly reflected lower net purchases of foreign equity securities by euro area residents.

More recently, the rise in net inflows of portfolio investment was mainly attributable to the increase in net inflows in bonds and notes, which was almost entirely accounted for by higher net purchases of euro area bonds and notes by non-residents, amounting to €525 billion in the 12-month period to April 2007 compared with €254 billion a year earlier. In general, these developments point to a possible restructuring of global portfolios towards fixed income instruments amid the global rise in interest rates.

The rising net outflows in foreign direct investment (FDI) largely reflect an increase in outward FDI by euro area firms, mainly in the form of equity capital and reinvested earnings. This may partly reflect the positive economic outlook for euro area multinational enterprises which seems to be encouraging further expansion abroad.

Chart 31 Euro area combined direct and portfolio investment

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



Source: ECB.

ARTICLES

INTERPRETING MONETARY DEVELOPMENTS SINCE MID-2004

Monetary analysis constitutes one of the pillars of the ECB's monetary policy strategy. A thorough analysis of monetary trends helps to identify at an early stage shifts in underlying inflation dynamics and thereby provides relevant information for policy decisions aimed at the maintenance of price stability. While interpreting monetary developments, it is important to distinguish short-term "noise" in the monetary data from the policy-relevant "signal" embodied in the persistent monetary trends. To meet this challenge, the analytical framework underpinning the ECB's monetary analysis has been extended and deepened. This framework extends well beyond a comparison of annual M3 growth with the ECB's reference value for monetary growth, to embody an analysis of the components, counterparts and sectoral composition of M3, as well as developments in other monetary and credit aggregates. This article offers an insight into some of the tools and frameworks used to conduct monetary analysis at the ECB. It does not address the issue of how the policy-relevant signal from this analysis interacts with that from the economic analysis in the context of the ECB's monetary policy strategy.

From mid-2004 onwards, the underlying rate of monetary expansion in the euro area has trended upwards. This is reflected in the annual growth rate of the broad monetary aggregate M3, which rose from around 5% in early 2004 to more than 10% in the first quarter of 2007. While careful interpretation of the figures is required, other indicators also point to rapid monetary and credit expansion over this period: the annual growth rate of loans to the private sector rose significantly from early 2004 to attain double digit rates, while annual M1 growth remained close to 10% throughout 2004 and 2005 before moderating in 2006.[1]

By contrast with the previous experience of strong M3 growth in the euro area between 2001 and 2003 (which was viewed rather benignly in terms of the inflation outlook), the increasing pace of monetary expansion since mid-2004 has been interpreted as signalling progressively rising upside risks to price stability over the medium to longer term. In line with the ECB's monetary policy strategy, as this assessment became firmer during the course of 2005, monetary developments contributed to the Governing Council's decision in December 2005 to commence withdrawing monetary policy accommodation by raising the key ECB interest rates. Despite rising short-term interest rates since late 2005, annual M3 growth has strengthened over the past eighteen months, largely because of strong demand for the shorter-term marketable instruments included in M3, which itself was stimulated by higher short-term interest rates and the resulting flatter yield curve. However, other monetary indicators – notably the growth rates of M1 and household borrowing – have moderated as the impact of higher interest rates has taken hold.

This article reviews the key features of monetary developments in the euro area since mid-2004, offers various explanations for them – focusing on the impact of the historically low level of nominal interest rates seen in this period – and describes how an assessment of their implications for the outlook for price developments was made in real time by ECB staff.

1 INTRODUCTION

Since mid-2004, the rate of monetary expansion in the euro area has risen significantly. This is illustrated by developments in the annual growth rate of the broad monetary aggregate M3, which rose from slightly below 5% in March 2004 to more than 10% in March 2007. Broadly speaking, other monetary indicators – such as the growth of MFI loans to the private sector and M1 dynamics – support the picture of vigorous monetary expansion during most of this period.

In line with the ECB's monetary policy strategy, these monetary trends have been carefully analysed to extract the information they contain about the outlook for price developments over the medium to longer term. Such information is

1 The latest observation for monetary data in this article is the first quarter of 2007 and for real variables the fourth quarter of 2006.

relevant for the design and implementation of a monetary policy aimed at the maintenance of price stability. On the basis of its monetary analysis, since late 2004 the Governing Council has identified growing upside risks to price stability. As this interpretation firmed in the course of 2005 in a context of rapid and increasing rates of monetary expansion, monetary developments ultimately contributed to the Governing Council's decision in December 2005 to commence withdrawing monetary policy accommodation by raising key ECB interest rates.

More specifically, the monetary analysis helps to identify medium to longer-term trends in inflation that are used to cross-check the assessment of short to medium-term risks to price stability obtained from the ECB's economic analysis. Such an approach is based on the well-established empirical relationship between the underlying trends in monetary growth and inflation, which has been found to be robust across time, across countries and across different monetary policy regimes. Box 1 describes some aspects of how this key empirical relationship is exploited in practice in the ECB staff's regular monetary analysis.

Against this background, Section 2 describes recent monetary developments in depth, emphasising how superficially similar growth rates of the broad aggregate M3 may be associated with significant differences in the nature of monetary expansion. Section 3 offers an explanation of monetary developments between mid-2004 and the end of 2005, focusing on the impact of the historically low level of interest rates observed over this period. Section 4 discusses how this underlying analysis has been used to develop policy-relevant conclusions. In conclusion, Section 5 describes and explains the evolution of monetary developments since early 2006, discussing the impact of increases of key ECB interest rates over that period.

In addressing these questions, the article serves two purposes. First, it provides an opportunity to illustrate the breadth and depth of the tools and frameworks used by ECB staff when undertaking the real-time monetary analysis, thereby serving the goal of transparency. In particular, it demonstrates how existing tools have evolved and new tools have been developed to confront the practical challenges of monetary analysis over the past few years. Second, the article offers an opportunity to update the description of monetary developments and their analysis that was previously presented in the article entitled "Monetary analysis in real time", published in the October 2004 issue of the Monthly Bulletin.

Box 1

SHORT AND LONG-TERM CAUSALITY OF M3 TO INFLATION IN THE EURO AREA

There is widespread consensus that monetary growth and inflation are linked over the longer term. In recent literature, this link has been expressed as a relationship between the "low frequency component" of monetary growth and that of inflation.[1] In this context, the low frequency component should be understood as the more persistent or trend-like movements in these time series that remain once the short-term volatility is filtered out. A simple way to smooth out the series to recover these low frequency components is to take a moving average over several quarters. The question remains of whether this relationship can be made operational for monetary policy purposes. One aspect of this question is whether monetary developments

1 See, for example, K. Assenmacher-Wesche and S. Gerlach (2006), "Interpreting Euro area inflation at high and low frequencies", BIS working paper.

lead or cause inflation, in the sense that the low frequency component of money helps to predict future inflation by providing information beyond that already contained in lagged inflation (i.e. relative predictability). If this is the case, a number of corollary issues arise: what is the horizon at which monetary developments offer most information about inflation? How much "smoothing-out" of the time series is required (i.e. how long should a moving average be taken) to construct the trend series? These are empirical issues that can only be addressed by studying the data.

Reichlin and Lenza[2] (2007) address these empirical questions by employing a simple bivariate model that explains a moving average of inflation on the basis of its quarterly lags and those of quarterly M3 growth. This model encompasses those employed by ECB staff when constructing money-based inflation indicators. Relative predictability of M3 to inflation is assessed by comparing the (in and out-of-sample) fit of this model with that obtained by fitting inflation exclusively by its own lags (i.e. a benchmark autoregressive model). If the bivariate model fits inflation better than the autoregressive, then M3 is said to Granger-cause inflation in sample. The empirical analysis is based on euro area quarterly data on M3 and HICP inflation from 1971 to 2005.

Two in-sample exercises are carried out. First, the effect of different forecast horizons and degrees of smoothness of inflation on the causality of M3 to inflation is measured in isolation; then, the forecast horizon and the length of the moving averages of inflation being predicted are set equal and the evolution of causality of M3 to inflation is evaluated when both vary at the same time.

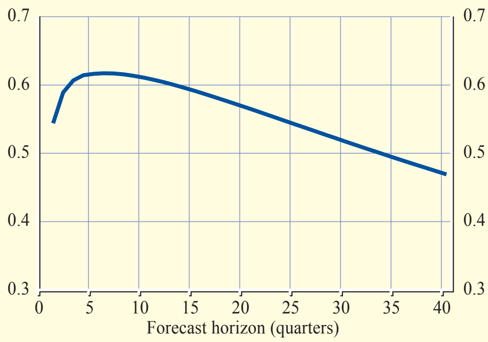
The first set of exercises shows that: (i) the longer the forecast horizon, the less M3 helps to predict inflation beyond an autoregressive model; and (ii) the longer the moving average of inflation being predicted (i.e. the greater extent to which inflation is smoothed), the more M3 provides information about future inflation beyond an autoregressive model.

The second set of exercises shows that the relative predictability of M3 growth for smoothed inflation displays an inverted U-shape (with a peak between four and ten quarters) (see Chart A). At shorter horizons/length of the moving average, the beneficial effect of increasing the degree of smoothness of inflation prevails over the cost of increasing the forecast horizon. However, as the horizon lengthens the latter eventually outweighs the benefits of increasing the degree of smoothness, thereby creating the inverted U-shape. Relative predictability is (approximately) maximal for the forecast horizons and the length of the moving averages chosen by the ECB in the context of the monetary analysis.

The evidence presented above is in-sample. However, for policy purposes it is desirable that M3-based indicators of future inflation provide a reliable signal out-of-sample since analysts, in real time, cannot rely on the information from the full sample. Reichlin and Lenza (2007) undertake an out-of-sample evaluation of twelve-quarter ahead M3-based indicators for the twelve-quarter moving average of inflation. At each period, such indicators are derived using only that portion of

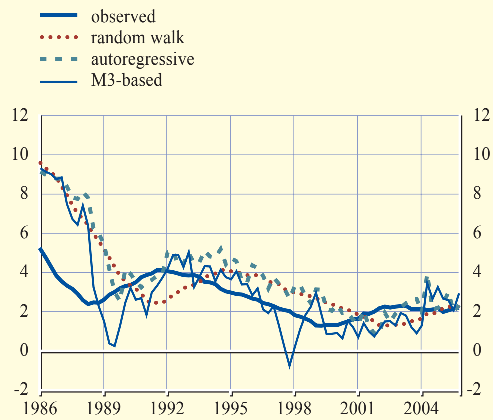
2 L. Reichlin and M. Lenza (2007), "On short-term and long-term causality of money to inflation: understanding the problem and clarifying some conceptual issues", available at www.ecare.ulb.ac.be/ecare/people/members/reichlin/reichlin.html

Chart A An in-sample measure of relative predictability of M3 to inflation



Source: ECB estimates.
Note: The vertical axis shows the value of the Granger-causality measure of monetary growth to inflation, i.e. a measure of the relative predictability. Higher values indicate a higher relative benefit from adding money growth to a model of inflation.

Chart B Out-of-sample forecasts of the twelve-quarter moving average of inflation, 12 quarters ahead



Source: ECB estimates.

the sample available at the time the indicator was produced and span the evaluation sample extending from the first quarter of 1986 to the fourth quarter of 2005.[3] Chart B portrays observed inflation (thick blue line), the bivariate M3-based inflation indicator (thin blue), a forecast of inflation only based on inflation lags (green dashed) and, finally, the random walk forecast of inflation (red dotted) predicting that inflation in the subsequent twelve quarters is equal to the last twelve-quarters moving average of inflation observed in sample. The latter is a benchmark of (relative) non-forecastability: if it turns out to outperform all the indicators based on more sophisticated models, one can conclude that inflation is hard to forecast.

Chart B reveals that M3 adds information to inflation lags, since M3-based inflation indicators are generally closer to observed inflation than the forecasts exclusively based on inflation lags. Also, on average, M3-based inflation indicators track observed inflation better than the random walk model. M3-based inflation indicators are affected by occasional but persistent episodes of volatility. Reducing this volatility through filtering the M3 series on the basis of off-model information derived from a detailed analysis of the monetary data is a key element of the real-time monetary analysis in practice, and leads to improved performance of the money-based indicator.[4] In the past few years M3-based indicators did not outperform the random walk model. In this respect, money-based indicators are no different from a broad variety of other economic and financial indicators of future inflation, since the predictability of inflation in many countries, including the euro area, has declined significantly in recent years due to the stability of inflation patterns.[5] To the extent that this low level of inflation as well as its low volatility

3 Notice, however, that data are revised as of the fourth quarter of 2005, hence the exercise is only pseudo-out-of-sample.
4 For the description of the methods to correct monetary series employed at the ECB and a real-time evaluation of the forecasting performance of the indicators of future inflation extracted by these methods, see B. Fischer, M. Lenza, H. Pill and L. Reichlin (2006), "Money and monetary policy: the ECB experience 1999-2006", forthcoming in A. Beyer and L. Reichlin (eds.), *The role of money: money and monetary policy in the 21st century*.
5 Fischer, Lenza, Pill and Reichlin (2006), B. Hofmann (2006), "Do monetary indicators (still) predict euro area inflation?", Deutsche Bundesbank Discussion papers, Series 1: Economic studies, No. 18/2006, and M. Lenza (2006), "Does money help to predict inflation in the euro area", available at http://student.ulb.ac.be/~mlenza/

are in part due to the improved effectiveness of monetary policy in maintaining price stability, it suggests that the results of these simple models should be referred to as money-based indicators rather than money-based forecasts.

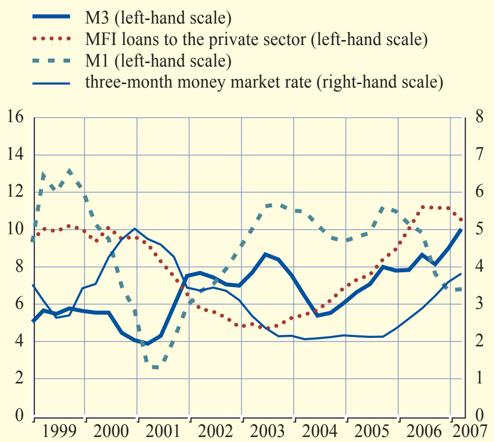
2 MONETARY DEVELOPMENTS SINCE MID-2004

Since mid-2004, monetary dynamics in the euro area have strengthened, reaching very vigorous rates by historical standards. This is illustrated by the annual growth rate of the broad monetary aggregate M3, which has followed an upward trend over the period (rising from just below 5% in early 2004 to more than 10% in early 2007). The March 2007 figure of 10.9% was the highest annual growth rate of M3 observed since the start of Stage Three (see Chart 1).

However, in forming a comprehensive view of monetary developments, it is crucial to adopt a broad-based approach rather than rely solely on the evolution of a single monetary aggregate or measure of liquidity. This implies making an assessment of developments in other monetary indicators, such as the components and counterparts of M3.

Chart 1 Monetary aggregates, MFI loans to the private sector and short-term interest rate

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



Source: ECB.
Note: The quarterly figures are calculated on averaged monthly index series.

For example, the annual growth rate of the narrow aggregate M1 (which consists of currency in circulation and overnight deposits, the two most liquid components of M3) exhibits a somewhat different pattern, closely mirroring developments in short-term interest rates. In mid-2004, M1 was already growing at more than 10% on an annual basis and rates of broadly this magnitude persisted throughout the period of historically low interest rates in the euro area until end-2005. As short-term interest rates rose in 2006, the annual growth rate of M1 moderated, albeit still remaining at the robust rate of around 7% in early 2007.

As regards credit expansion, the strengthening of annual M3 growth since mid-2004 has been paralleled by an acceleration of the demand for MFI loans to the private sector (the main counterpart to M3 on the asset side of the MFI balance sheet).[2] Private sector borrowing trended upwards throughout 2004 and 2005, peaking at close to 12% in mid-2006. However, as the impact of higher short-term interest rates has taken hold, the growth of MFI loans to the private sector has moderated somewhat as from the second half of 2006, albeit still remaining at double-digit rates.

The constellation and explanation of monetary and credit dynamics between mid-2004 and late 2005 differ from those of the previous period of strong M3 growth in the euro area between mid-2001 and 2003.[3] In particular, the relationship between M3 growth and the evolution of MFI loans to the private sector is quite different. In the earlier episode, strong

2 Euro area MFIs are "monetary financial institutions", the money-creating sector in the Eurosystem's statistical framework. This sector consists of the ECB, national central banks, credit institutions and money market funds.

3 For an analysis of the differences between the two periods, see Box 1 entitled "The changing nature of strong monetary dynamics in recent years" in the ECB Annual Report 2005.

M3 growth was associated with weak private sector borrowing. Fragile business and household confidence in the aftermath of a sharp fall in equity prices and the terrorist attacks of 2001 led to caution in taking loans, but a greater desire for safe and liquid monetary assets. Money and credit growth therefore moved in opposite directions. By contrast, since 2004 the exceptionally low level of interest rates and latterly the strengthening of economic activity has led both to a renewed demand for money for transactions purposes and to an increased appetite to borrow to finance spending and investment. Therefore, as illustrated in Chart 1, monetary growth and credit expansion have increased in parallel.

The view that monetary dynamics since mid-2004 are different in nature from those seen between 2001 and 2003 is supported by a more detailed assessment of the components and counterparts of M3. Such an exercise is one of the main elements of the real-time analysis conducted by the ECB staff and underpins the interpretation of recent developments.

For example, between 2001 and 2003 the dynamism of M3 was driven by the very strong expansion of "marketable instruments" (see Chart 2).[4] This component of M3 includes instruments – such as money market fund shares/units – that are used to "park" savings in a safe and liquid form at times of heightened uncertainty, as the switching costs from alternative non-monetary instruments are relatively low. By contrast, between mid-2004 and end-2005, M3 growth was mainly driven by high M1 growth. Monetary expansion during the latter period was thus much more liquid in nature than during the former period.

With the increase in short-term interest rates since late 2005, M1 growth has moderated somewhat. At the same time, higher short rates have also led to a flattening of the euro area yield curve, which has increased the attractiveness of short-term time deposits included in M3 (whose remuneration closely follows short-term market rates) relative to longer-term assets outside M3. Moreover, the annual growth of short-term debt securities in M3 increased substantially in late 2006, as investors held these instruments for portfolio management reasons, so as to avoid the capital risk incurred in holding fixed-income securities of longer maturity at a time of possible further increases in interest rates. The increase in market interest rates has thus led to substitution within and into M3 during 2006 and early 2007, rather than to outflows into alternative assets outside M3.

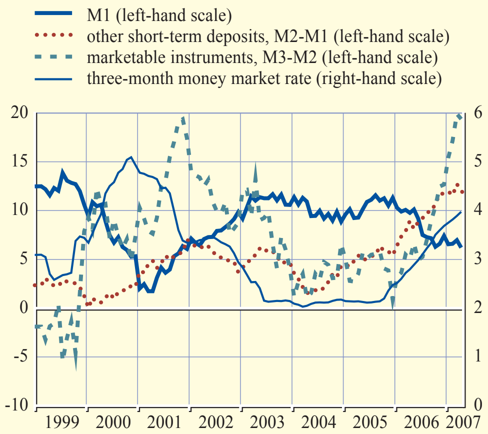
The different forces driving M3 growth between 2001 and 2003 and since mid-2004 are also reflected in the pattern of sectoral money holdings (see Chart 3).[5] In the former period, heightened financial market volatility led to sharp increases in household money holdings, as small investors sought a safe haven from that volatility. At a later stage, non-financial and financial corporations increased their money holdings as well. By contrast, during the latter period households increased their money holdings more slowly, albeit steadily, suggesting the driving factors were not sudden shocks but rather underlying trend developments. Moreover, between mid-2004 and 2006, the M3 deposits of non-financial corporations and, in particular, non-monetary financial intermediaries other than insurance corporations and pension funds (i.e. other financial intermediaries or OFIs) grew strongly.

Indeed, the increase in OFI deposits made a particularly substantial contribution to the strong rise in M3 growth between 2005 and 2006. In general, this money-holding sector is characterised by a volatile and very strong cyclical money-holding pattern, which makes it more difficult to extract the underlying trend in real time. The analysis of OFI deposits is further complicated by the fact that the money holdings of this sector are often not directly linked to

4 These consist of: debt securities issued by MFIs with an initial maturity of up to two years; money market fund shares/units and repurchase agreements of MFIs with the money holding sector.
5 Chart 3 shows developments by sector in M3 deposits plus repurchase agreements, the largest aggregate for which official information on holding sectors is available.

Chart 2 M3 components and short-term interest rate

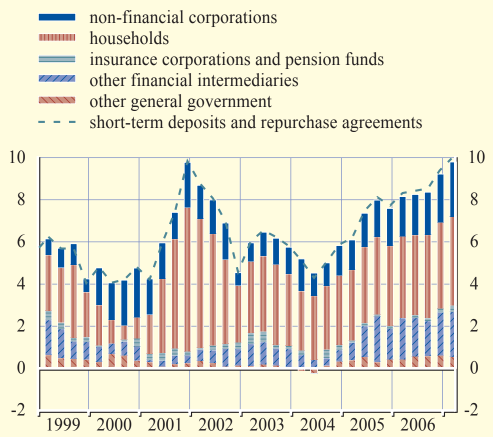
(annual percentage changes; percentages per annum)



Source: ECB.

Chart 3 Contributions to the annual rate of growth of short-term deposits and repurchase agreements

(percentage points; annual percentage changes; not adjusted for seasonal and calendar effects)



Source: ECB.
Note: Data by reporting sector before 2004 are estimates.

output and consumer prices, but rather to financial transactions that are likely to have their first impact on asset prices.

A detailed analysis of the composition of loans to the private sector also confirms and strengthens the view that the two recent periods of strong money growth are different in nature. Increases in money holdings between 2001 and 2003 took place in a context of declining growth in loans to households and non-financial corporations. By contrast, the broad-based nature of increases in M3 growth since mid-2004 is reflected in increases in loan growth for all purposes and across all maturities.

The breakdown of MFI loans to households shows that the growth of consumer loans declined between 2001 and 2003, reflecting declining consumer confidence, rising unemployment and weaker income growth. At the same time, the expansion of loans for house purchase moderated (see Chart 4). Between 2004 and mid-2006, the annual growth rate of consumer credit quadrupled, mirroring increases in confidence and spending. Loans for house purchase also increased steadily, reaching very high levels in 2006. Following the increases in interest rates from December 2005, loan demand for households slowed somewhat, while nonetheless remaining at vigorous rates through early 2007.

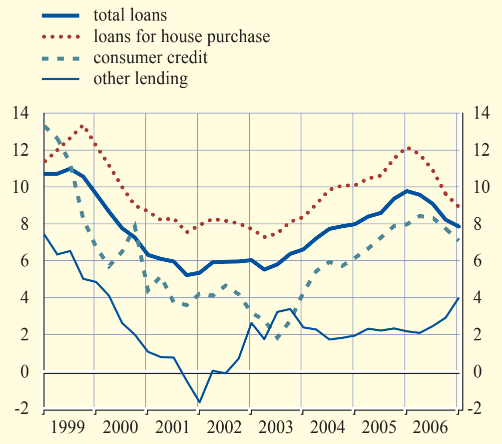
A similar picture is obtained when looking at the demand for MFI loans by non-financial corporations broken down by maturity. During the first period of strong money growth, credit expansion declined at all maturities. By contrast, since 2004 corporate borrowing has strengthened steadily, with the largest increases occurring at shorter maturities (see Chart 5). Only in the most recent data has corporate borrowing shown some signs of moderation in the face of higher short-term interest rates. The slower response of corporate borrowing to higher rates is in line with historical regularities, which suggest that turning points in the demand for loans by non-financial corporations lag those observed in household borrowing.[6]

As the preceding discussion demonstrates, the similarity of headline M3 dynamics during the two recent episodes of strong M3 growth

6 See Box 6 entitled "The cyclical pattern of loans to households and non-financial corporations in the euro area" in the June 2007 issue of the Monthly Bulletin.

Chart 4 MFI loans to households

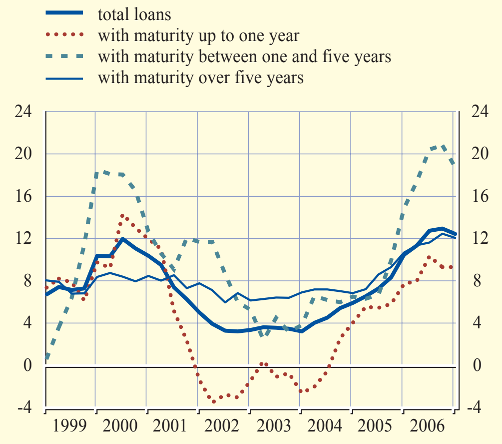
(annual percentage changes; not adjusted for seasonal and calendar effects)



Source: ECB.

Chart 5 MFI loans to non-financial corporations

(annual percentage changes; not adjusted for seasonal and calendar effects)



Source: ECB.

obscures divergent developments in the evolution of components, counterparts and sectoral holdings. The real-time analysis of monetary developments conducted by ECB staff has identified these differences and thus offered distinct explanations for M3 growth, with potentially different monetary policy implications.

With the benefit of hindsight, various econometric models have been developed at the ECB which serve to deepen and extend this analysis. Box 2 describes one such analysis based on a dynamic stochastic general equilibrium (DSGE) model of the euro area. This model is used to decompose developments in M1 and M3 into the contributions stemming from the evolution of a number of economic shocks which are identified by the model.

In line with the conclusions drawn from the real-time analysis, this model-based decomposition suggests that quite different forces underlay strong monetary growth between 2001 and 2003, and have done so since 2004. In particular, the former episode was associated with increases in the liquidity preference of money holders, whereas the latter episode has been driven, inter alia, by the low level of short-term interest rates (reflecting the accommodative stance of monetary policy).

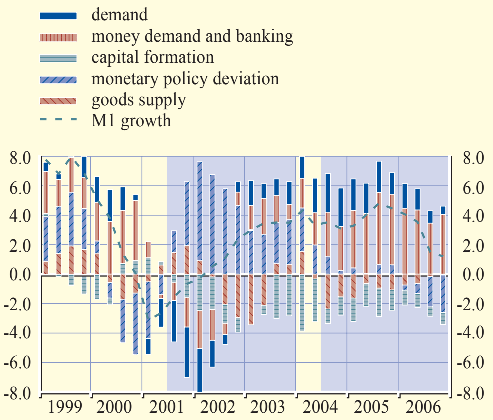
Box 2

A STRUCTURAL DECOMPOSITION OF MONEY GROWTH

As is the case for all macroeconomic variables, monetary aggregates vary over time as a consequence of a host of fundamental forces. Some of these originate in the financial system, such as changes in the way monetary transactions are conducted and innovations in banking services. Others exert an indirect impact on money through the effect that they have on macroeconomic variables, such as income, consumption and inflation, which are important determinants of money demand. Shocks to productivity or consumer confidence are a case in point. Changes in the preference for liquidity by money holders represent another driving force.

Chart A Decomposition of real M1 growth

(annual percentage changes; percentage points)



Source: ECB calculations.
Note: Annual (year-on-year) per capita real M1 growth rates in deviation from the model's mean, which is 3.5%. The deflator used is the GDP deflator.

In order to measure the contribution of each of these forces to the observed developments in money, one needs to use a structural model where the impact of shocks of different nature and source can be identified and quantified. These shocks influence consumption, investment and financial decisions. This box employs a structural dynamic stochastic general equilibrium (DSGE) model with financial frictions and an explicit banking sector to conduct such an exercise, recognising that the results obtained are specific to this modelling framework.[1] While rich in structure, such models remain stylised and cannot fully capture all factors behind money growth. For example, the model employed omits the external dimension of monetary developments. Nonetheless, the exercise serves to complement the real-time monetary analysis described in the main text.[2]

In a DSGE model, the response of monetary policy to economic and monetary developments needs to be spelled out explicitly in the form of a simple estimated "reaction function", which links short-term interest rates to a number of endogenous variables, notably inflation, output and money growth. In reality, such a rule cannot account for the complexity of the monetary policy-making process. "Shocks to monetary policy" thus are introduced, which close the gap between the prediction for the policy rate implied by the reaction function and the observed rate. If interest rates are lower than predicted on the basis of the simple rule embedded in the model, this will show up as a negative monetary policy shock, i.e. a deviation of the actual rate below the prediction of the rule that is embedded in the model.

Bearing this in mind, Chart A reports a decomposition of real M1 growth from the first quarter of 1999 to the fourth quarter of 2006 on the basis of the DSGE model. The green dashed line shows the deviation of the year-on-year growth rate from its in-sample average. M1 growth is decomposed into contributions of five categories of shocks, each represented by a separate bar. Some of these shocks are persistent and the effect of most shocks is propagated over time through the economic structure captured by the model itself. The lags in the transmission of monetary policy shocks through the economy represent a well-known example of such propagation. A shock can thus in principle continue to be an important driver of money growth even if the shock itself occurred in a previous period.

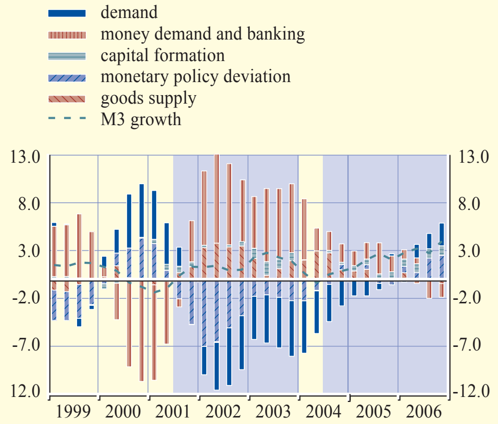
According to the model, from mid-2001 to 2005 nominal interest rates were significantly below the levels that one would have predicted on the basis of the estimated interest rate

1 The model is described in Christiano L., R. Motto and M. Rostagno (2003): "The Great Depression and the Friedman-Schwartz Hypothesis," *Journal of Money, Credit and Banking* 35(6), December. A recent analysis is presented in Christiano, L., R. Motto and M. Rostagno (2007): "Shocks, Structures or Policies? The EA and the US after 2001", forthcoming in the *Journal of Economic Dynamics and Control*.
2 The model that is used in this box is a model of a closed economy. International linkages are therefore omitted. As a consequence, it is impossible to account – on the basis of the model – for factors that, e.g., influence money through a change in the net asset position of monetary financial intermediaries in the euro area.

reaction rule embedded in the model. The resulting low short-term interest rates contributed significantly to real M1 growth throughout the period from mid-2001 to early 2004 (see the "monetary policy deviation" bars in Chart A). In the first part of this period, this stimulative effect was partially offset by a negative impact stemming from demand shocks (e.g. declines in consumer confidence, leading to a reluctance to spend out of income and thus lower demand for money held for transactions – see "demand" bars). However, as the economy recovered in 2004, this offsetting effect dissipated, leading to a strengthening of real M1 growth.

Chart B Decomposition of real M3 growth

(annual percentage changes; percentage points)



Source: ECB calculations.
Note: Annual (year-on-year) per capita real M3 growth rates in deviation from the model's mean, which is 2.8%. The deflator used is the GDP deflator.

The period from 2004 to 2006 is marked by a positive contribution of stronger consumer confidence ("demand" bars), reflecting a revival of the transactions motive as economic activity recovered. Moreover, significant positive shocks to the preference for holding more liquid forms of monetary assets within the consumers' wealth portfolios (the main component underlying the "money demand and banking" bars in Chart A) increased the holding of M1 vis-à-vis the holding of M3-M1. It was only in the course of 2006 that the gradual removal of monetary policy accommodation started to exert a downward impact on M1 growth, reflected in the negative contribution from the "monetary policy deviation" bars.

Similarly, Chart B decomposes the deviation of the growth rate of real M3 from its historical mean into its driving forces. Over the period between 2001 and 2003, the strength of M3 growth is largely explained by increases in liquidity preference on the part of money holders ("money demand and banking" bars), which may be viewed as arising from the increased demand for safe and liquid monetary assets on the part of euro area residents at a time of heightened economic and financial market uncertainty (as referred to in the main text). This stimulative effect was partially offset by the weakness of aggregate demand and spending, as reflected in the negative contribution stemming from the "demand" bars.

By contrast, the evolution of M3 growth in the period from mid-2004 onwards can be explained to a large extent by real forces. A gradual improvement in the propensity to consume ("demand" bars) has supported demand for the transactions instruments included in M3. Further, the model associates M3 growth in this phase also with a more favourable valuation of financial (stock market) wealth, which in the model eases collateral constraints and thus creates an incentive for firms to build capital. These forces in this period are the main component underlying the "capital formation" bars. They also reflect banks' increased propensity to supply both short-term loans to finance firms' working capital, and longer-term loans to fund gross fixed capital.

Finally (and anticipating the discussion in Section 5 of the main text), the positive contribution of monetary policy shocks to M3 growth in the last quarters of 2006 may reflect the gradual removal of monetary accommodation which, to the extent it results in some flattening of the yield curve, leads to an initial substitution of short-term assets within M3 for longer-term assets outside M3 (as is also documented in Box 4).

This box illustrates how model-based analysis can complement the real-time analysis discussed in the main text. Lower than average levels of key ECB interest rates have, on average, led to higher M1 growth while encouraging investors to diversify away from M3-M1 into instruments with a higher remuneration. Over the period from mid-2001 to 2003 this mechanism contributed positively to M1 growth, while the dampening effect on M3 growth was more than compensated for by a strong upsurge in liquidity preference due to "safe haven" flows into monetary assets. Third, in the more recent period, the gradual withdrawal of monetary accommodation has started to restrain M1 growth, while driving forces which have caused a strong economic and financial recovery have kept M3 growth at elevated levels.

3 THE IMPACT OF THE LOW LEVEL OF INTEREST RATES ON MONETARY DEVELOPMENTS SINCE MID-2004

A distinctive feature of recent years has been the historically low level of short-term interest rates in the euro area. Prima facie, it is reasonable to believe that a reduction in interest rates would – other things being equal – lead to more rapid monetary expansion, as the attractiveness of holding money rather than alternative financial assets remunerated at market rates increases. Such a relationship is embedded in standard theoretical and empirical models of monetary growth. Against this background, the low level of interest rates is thus a natural leading candidate to explain the strength of monetary growth in the euro area since 2004.

One simple way to investigate the power of this explanation is to study the relationship between the income velocity of money (i.e. the ratio between nominal income and nominal money) and the evolution of interest rates (or, more specifically, movements in the opportunity cost of holding money relative to alternative financial assets). By studying velocity rather than money itself, one normalises for the volume of spending (which obviously also influences the demand for money for transaction purposes) and focuses attention on the role played by interest rates in influencing money holdings.

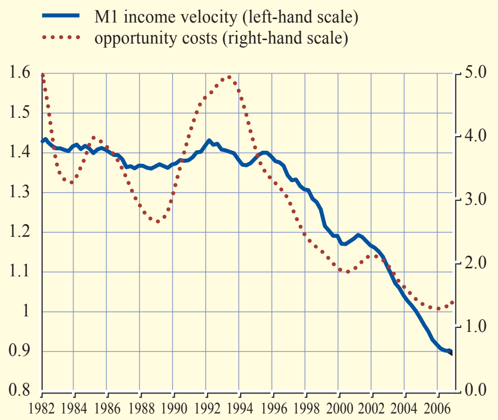
Charts 6 and 7 show the income velocities of M1 and M3 plotted against the respective opportunity cost of holding these assets. For M1, the opportunity cost is defined as the difference between the own rate of return on M3-M1 and the own rate of return on M1. Given the low remuneration of instruments included in M1 (currency – which offers a zero financial return – and overnight deposits), the opportunity costs of M1 are, in practice, very similar to the level of short-term interest rates. For M3, the opportunity cost is defined as the difference between the long-term interest rate and the own rate of return on M3. Thus, the opportunity cost of holding M3 may potentially behave quite differently from the level of short-term rates.

The two charts demonstrate that, in recent years, velocity has decreased more strongly than can be accounted for by developments in interest rates and opportunity costs (at least when measured in the simple manner described above). Albeit in a simplified manner, this is equivalent to showing that monetary growth since 2001 has been stronger than would have been anticipated on the basis of developments in the conventional determinants of money demand as, for example, incorporated in a money demand equation.

Two broad explanations for this development are possible. On the one hand, monetary

Chart 6 M1 income velocity against opportunity costs

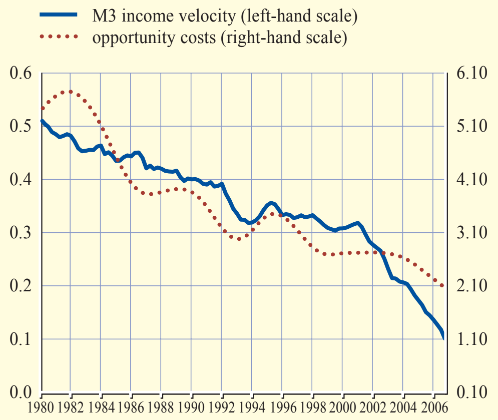
(log levels; percentage points)



Source: ECB estimates.
Note: Opportunity costs are defined as the difference between the own rate of M3-M1 and the own rate of return of M1. The opportunity costs have been smoothed with an eight-quarter moving average.

Chart 7 M3 income velocity against opportunity costs

(log levels; percentage points)



Source: ECB estimates.
Note: The opportunity costs are derived as the difference between the long-term interest rate and the own rate of return of M3. It has been smoothed with a Hodrick-Prescott filter (λ=400).

developments may have been strongly influenced by factors that are not captured in conventional money demand specifications. This is the likely explanation of the strong decline in M3 velocity between 2001 and 2003, where heightened financial and economic uncertainty played a significant role in raising the demand for safe and liquid monetary assets.[7] On the other hand, the relationship between monetary developments and their conventional determinants may have changed. For example, the sensitivity of monetary growth to interest rate changes – in more technical terms, the interest rate semi-elasticity of money demand, which is typically held constant in standard money demand models – may have risen in recent years, possibly because this sensitivity rises as the level of interest rates falls. The remainder of this section evaluates this latter hypothesis in greater detail.

In the academic literature, a number of reasons have been advanced as to why the sensitivity of monetary developments to interest rates may rise as the level of interest rates falls. First, it has been argued that the move from a high inflation and interest rate regime to a low and well-anchored inflation regime with lower nominal interest rates creates a one-off increase in money holdings.[8] Such an effect would thus create relatively higher money holdings during the period of disinflation, with the level of interest rates falling in parallel.

Another explanation for the higher sensitivity of monetary developments to interest rate changes in periods of low interest rates is the presence of fixed costs for switching between monetary and non-monetary assets.[9] Those fixed switching costs would be of relatively low importance when interest rates are high (i.e. they would constitute a small fraction of the overall difference in remuneration between monetary and non-monetary assets), but would be a important factor determining whether a switch from monetary to non-monetary assets is made when interest rates are low. The existence

7 A more detailed assessment is offered in the article entitled "Money demand and uncertainty" in the October 2005 issue of the Monthly Bulletin.
8 See, for example, R. Lucas, 2000, "Inflation and welfare", *Econometrica*, Vol. 68, No 2, pp. 247-274.
9 See, for example, C.B. Mulligan and X. Sala-I-Martin, 1992, "U.S. Money Demand: Surprising Cross-sectional Estimates", *Brooking Papers on Economic Activity*, No 2, pp. 285-343.

of fixed switching costs may thus create a situation in which money holdings increase more strongly for a given fall in the interest rate when the overall level of interest rates is low.

(1) ANALYSING M1

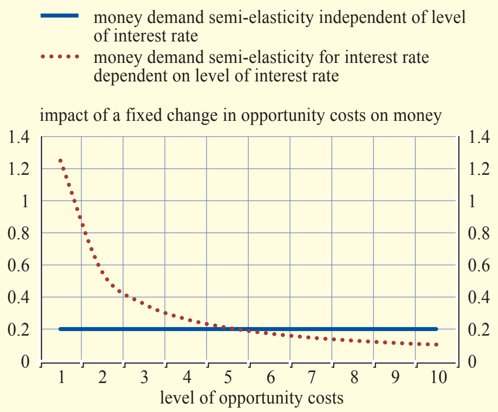
Since there is no major difference between the level of short-term interest rates and the opportunity cost of holding M1 rather than alternative assets, in studying the link between the level of the interest rate and monetary growth it is natural to start with M1. To address the issues raised above, one needs to adopt a framework that allows the sensitivity of monetary growth to vary with the level of interest rates. One such approach used by ECB staff is based on a specification where monetary developments are related to the inverse of opportunity costs. As reflected in Chart 8, under such a specification the hypothetical reaction of money to a 25 basis point decrease in the opportunity cost increases as the level of the opportunity cost declines.

Chart 9 plots M1 income velocity against a measure of the opportunity cost of M1 based on the specification which allows for a rising sensitivity of money to interest rate changes at low levels of interest rates. As demonstrated by the closer fit between the two lines evident in Chart 9 (compared with Chart 6), this exercise suggests that, allowing for a non-constant interest rate, semi-elasticity can help to explain recent strong M1 growth.

This approach to analysing M1 can be incorporated into a money demand model. Such a specification has been regularly used in the ECB's analysis since 2001 (e.g. see Box 1 entitled "Factors explaining the robust growth of M1" in the April 2006 issue of the Monthly Bulletin). Within such a framework, the underlying long-run relationship between real M1 and its main determinants remains intact throughout the estimation period 1980 to 2006. On the basis of this equation, the annual rate of growth of M1 can be decomposed into the contributions stemming from its main determinants, as shown in Chart 10. As the chart demonstrates, the strength of M1 growth up to late 2005 can be explained by the low and declining level of opportunity costs. By the same token, the moderation in M1 growth seen since mid-2006 is mainly explained by a

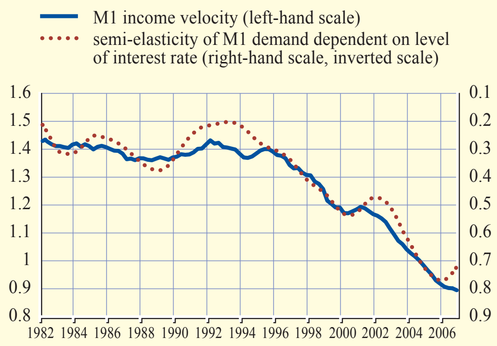
Chart 8 The hypothetical impact of a decline in the opportunity costs at different levels of the opportunity costs on monetary growth

(annual percentage changes; not adjusted for seasonal and calendar effect)



Source: ECB estimates.

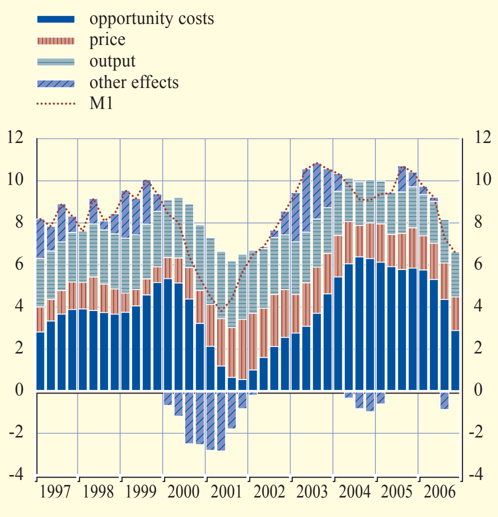
Chart 9 M1 income velocity against opportunity costs



Source: ECB estimates.
Note: Opportunity costs have been smoothed with an eight-quarter moving average. Specification assuming non-constant semi-elasticity of M1 demand to the opportunity costs.

Chart 10 Decomposition of the annual rate of growth of M1 into its contributions

(annual percentage changes; percentage points)



Source: ECB estimates.
Note: Other effects include deterministic effects linked to the Y2K phenomenon, distortions in 1999 due to the introduction of a harmonised reporting scheme, and residuals.

reduced impact of the opportunity cost variable (i.e. rising short-term interest rates).

(2) ANALYSING M3

Since M1 represents roughly half of the total outstanding stock of M3, factors explaining the dynamics of M1 will naturally play an important role in accounting for the evolution of M3 growth. One can thus conclude that the strength of M3 growth can also be explained, in large part, by the low level of interest rates in recent years, via the significant contribution made by M1 to the expansion of M3 (see Chart 3).

However, it is also important to recognise that M3 is a broader aggregate than M1 and is thus likely to be influenced by a broader range of factors, notably wider portfolio considerations. While M1 can make a claim to represent a measure of transactions balances and therefore be determined by conventional money demand determinants that are intended to explain such balances, M3 also includes assets that are held for saving and portfolio reasons and therefore are influenced by a richer set of variables. One important example of this is the period of portfolio shifts between 2001 and 2003, during which the decline in M3 income velocity was considerably stronger than could be linked to developments in the opportunity costs variable, as demand for monetary assets increased as investors sought a safe haven from financial market volatility largely independent of the opportunity cost involved.

This episode is one example of the need to make a thorough assessment of developments in the monetary sector in order to understand broad money dynamics in real time. In the context of such an assessment, a number of specific factors have recently come to the fore that have informed the ECB staff's assessment and interpretation of the strong monetary growth observed over the past few years. Several of these factors can also be linked to the low level of interest rates that has prevailed since 2003. In the interests of brevity, only a small number of issues can be discussed here. The five issues presented below should be thus seen as illustrative rather than exhaustive, providing a flavour of the real-time analysis conducted. Overall, it is important to note that the factors described below mainly reflect continuous processes that exert an influence on monetary growth over a prolonged period, while at the same time often intensify the amplitude of the cyclical patterns observed in the data.

A) An example of financial innovation: The emergence of "retail derivatives"

In an environment of low interest rates and opportunity costs – and especially in the aftermath of the sharp stock market correction in 2000-03, which left euro area households reluctant to expose themselves to significant downside risks to equity prices – euro area MFIs have issued retail products that combine traditional debt securities with derivative instruments. The latter imply that the composite instrument embodies an element of risk, such as participation in the upside returns from equity markets, which is combined with option features that protect against capital losses caused by stock price falls.

The creation of such so-called "retail derivatives" – which, in statistical terms, are typically included within M3 as short-term MFI debt securities – was supported by the introduction of new information technology, which allowed the customisation of new products at short notice and at low cost, thereby serving retail investors' specific demands with regard to risk and return profiles.

There is clear evidence that in some euro area Member States demand for these structured products has exerted a significant impact in recent years on the evolution of the short-term debt securities component of M3, which has grown very rapidly. At the same time, the share of short-term debt securities within M3 is still small (in April 2007, short-term debt securities contributed just 3% to the outstanding stock of M3), so that currently the impact on M3 growth remains limited.

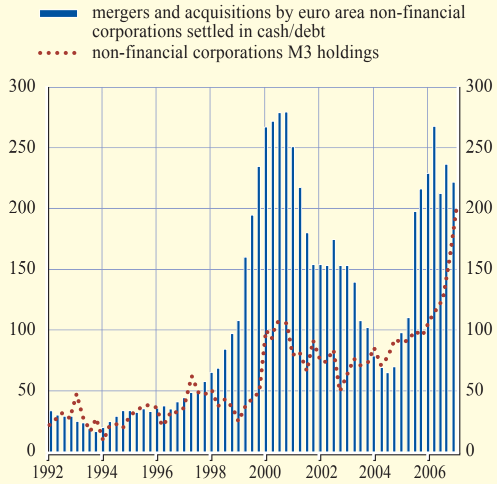
From a conceptual point of view there remain some doubts as to whether structured products should be part of monetary aggregates or whether they should be classified as non-monetary investment products, given that those products often do not offer capital certainty. When having to extract the underlying signal of monetary aggregates, the ability to single out such structured products and their impact on M3 growth remains important.

B) Borrowing to finance M&A activity[10]

Another factor has been the build-up of capital for financial purposes, facilitated by the low level of interest rates. In particular, since late 2004 non-financial corporations have channelled part of their increased borrowing into intensified M&A activity (see Chart 11). Contrary to the M&A boom in the period 1999 to 2000 (which was focused on technology sectors, often located outside the euro area), M&A activity in recent years has been broadly based across industries and driven by domestic and intra-euro area deals. Higher borrowing for M&A activity cannot simply be excluded when gauging the underlying money and credit dynamics that embed the relevant signals for price developments. A comprehensive monetary analysis needs to take into account that, through its impact on asset prices and the liquidity situation, borrowing for such purposes may have implications for price stability, even though it may have little immediate or direct impact on fixed investment and aggregate demand.

Chart 11 M3 and M&A activity of non-financial corporations

(annual flows; EUR billions)



Sources: ECB, Thomson Financial, Bureau van Dijk (Zephyr database).
Note: Figures on M&A activity refer to transactions in which euro area non-financial corporations act as acquirers.

C) The growing importance of the OFI sector for monetary developments

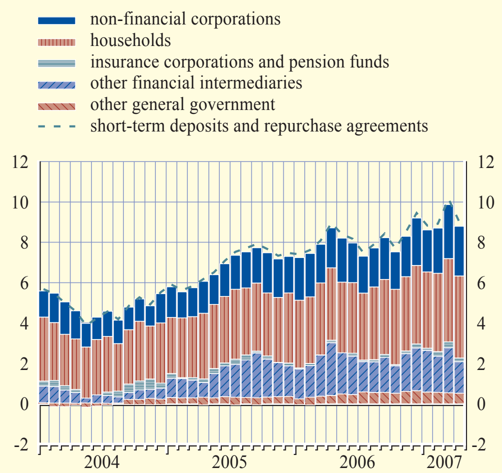
As noted in Section 2, in recent years the OFI sector has become of increasing importance in explaining monetary developments.[11] In part, this is a consequence of "loan securitisation", a process whereby bank assets such as mortgage and corporate loans (or the risks associated with them) are pooled and repackaged as

10 See Box 2 entitled "Factors underlying the strong acceleration of loans to euro area non-financial corporations" in the January 2007 issue of the Monthly Bulletin and Box 4 entitled "Recent trends in merger and acquisition activity in the euro area" in the July 2006 issue of the Monthly Bulletin for details.

11 See Box 1 entitled "The role of other financial intermediaries in monetary dynamics" in the ECB Annual Report 2006.

Chart 12 Contributions to annual M3 deposit growth by sector

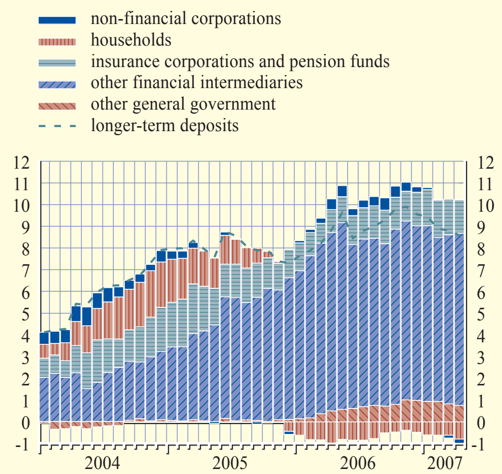
(percentage points; annual percentage changes)



Source: ECB estimates.
Note: MFI sector excluding Eurosystem.

Chart 13 Contributions to annual long-term deposit growth by sector

(percentage points; annual percentage changes)



Source: ECB estimates.
Note: MFI sector excluding Eurosystem.

marketable securities that are sold to investors – typically via so-called financial vehicle corporations (FVCs), which are part of the OFI sector.

There are two main types of loan securitisation: true-sale securitisation and synthetic securitisation.[12] True-sale securitisation typically involves the actual transfer of the loan off the MFI balance sheet and on to the FVC balance sheet, while synthetic securitisation only involves the transfer of the associated credit risk, with the loan itself remaining on the originator's balance sheet.

The direct impact of loan securitisation on monetary developments is complicated, and depends on the financing strategies of the FVC and the identity and behaviour of the purchaser of the securitised asset. Indirectly, however, both types of securitisation are likely to increase the capacity of MFIs to issue loans and might thus finally positively contribute to M3 dynamics. At the very least, such innovations lead to a shift in the holding structure of deposits towards a higher importance of non-monetary financial intermediaries (OFI). Indeed, this is confirmed by the MFI deposit data by sector. Charts 12 and 13 show the contribution of the OFI sector to the growth of M3 deposits[13] and that of long-term deposits (outside M3). Since long-term deposits are a natural way for FVCs to hold the proceeds from the sale of securitised assets, the OFI sector has been the predominant sector contributing to long-term deposit growth in recent years. Yet OFIs have also made considerable contributions to M3 deposit growth since late 2004, especially when taking account of their relatively modest share in the stock of outstanding M3 deposits (12% in April 2007). Nonetheless, developments in money holdings by the OFI sector do not change significantly the assessment of the overall liquidity situation.

12 For details, see Box 1 entitled "The impact of MFI loan securitisation on monetary analysis in the euro area" in the September 2005 issue of the Monthly Bulletin.

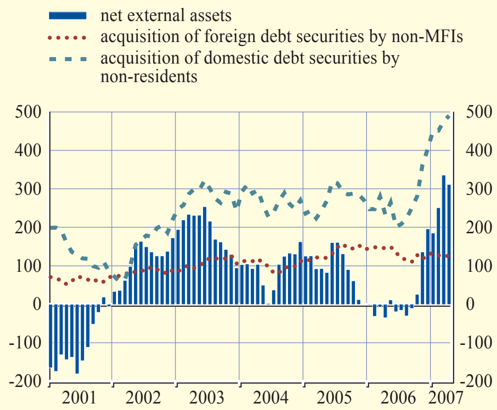
13 M3 deposits are defined as repurchase agreements and short-term deposits, which represent the largest combination of M3 components for which official information on holding sectors is available.

D) Global liquidity in an environment of globally low interest rates[14]

Strong money and credit growth has recently been observed in all of the major currency areas, following the extended period of low short and long-term interest rates since the turn of the century and the more recent strengthening of economic activity. This has created a situation of ample global liquidity that is looking for a home. At present, given the relative outlook for economic growth and returns, investment in euro area assets is attractive by comparison with other major currency areas. It is thus not surprising that global investors are purchasing significant volumes of euro area assets, thus leading to strong capital inflows to the euro area, while at the same time euro area investors have little increased incentive to invest abroad.[15]

Chart 14 Net portfolio investment in debt securities by residents and non-residents

(annual flows as reflected in the monetary presentation of the euro area balance of payments, EUR billions)



Source: ECB.

The international influence on monetary developments is reflected in the MFI net external asset position, which captures (almost) all transactions of the money holding sector with counterparties outside the euro area. This position has recently increased strongly, reaching an annual flow of €335 billion in the year to end-March 2007, after hovering below zero between late 2005 and summer 2006 (see Chart 14).

At the same time, there is no mechanical link between MFIs' net external assets and monetary developments. Indeed, developments in net external assets often find their counterparts in balance sheet positions other than monetary assets, like credit (e.g. during the M&A boom in 1999 and 2000) and longer-term financial liabilities. Currently, sales of government bonds by MFIs to euro area non-residents are one important counterpart to MFI net external assets. Such transactions imply a reduction in credit granted to the general government sector rather than an increase in M3. Only part of the increase in net external assets is thus likely to impact on M3. However, this fraction is likely to have been responsible for the bulk of the increase in the dynamics of the annual rate of growth of M3 from 8.5% in October 2006 to 10.9% in March 2007.

When assessing what could happen with the monetary assets created by the transactions with the rest of the world, the factors that have been responsible for its build-up should be borne in mind. Since 2004, two broad factors can be identified – one structural and one cyclical – which may, in turn, have different implications for the liquidity situation and, accordingly, imply different degrees of risk to price stability.

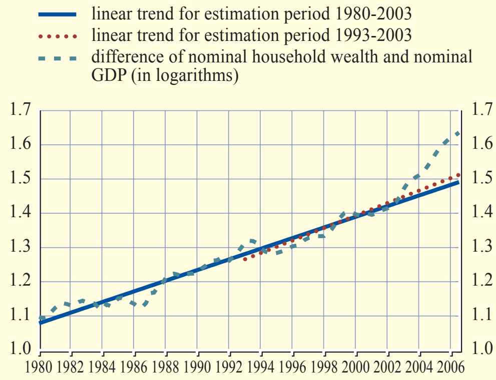
As regards the structural factor, changes in the funding patterns of MFIs since 2004 may lead to permanently higher transactions with the rest of the world (as already discussed in the context of securitisation activity under the previous point on OFIs). At the same time, one cannot exclude that a significant part of the portfolio investment from outside the euro area is driven by short-term and cyclical considerations that will ultimately reverse (possibly rapidly), and thus may be of less relevance to the underlying or trend rate of monetary expansion.

14 See Box 2 entitled "Recent developments in MFI net external assets" in the July 2005 issue of the Monthly Bulletin and Box 3 entitled "Worldwide trends in monetary aggregates" in the November 2006 issue of the Monthly Bulletin for details.

15 These capital inflows are thus of a completely different nature to those observed during the period 2001 to 2003, when euro area investors repatriated funds from abroad into liquid assets driven by a high level of risk aversion.

Chart 15 Relation between gross household wealth and GDP

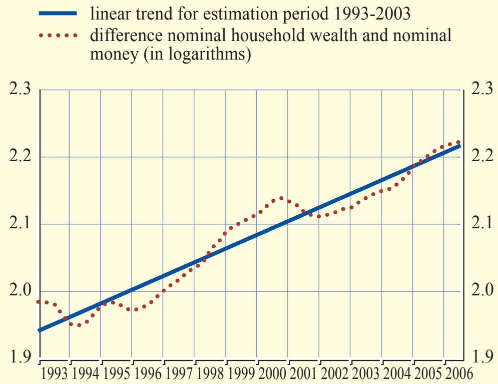
(differences of logarithms of nominal household wealth and GDP)



Source: ECB internal estimates.

Chart 16 Relation between gross household wealth and household M3

(differences of logarithms of nominal household wealth and M3 holdings of households)



Source: ECB internal estimates.

E) Money and wealth

Money is part of the wealth portfolio of households, which also includes bonds, equities and residential property. Increases in total wealth will typically induce households to hold a larger stock of money. Since wealth may rise in a low interest rate environment (as bond, stock and house prices increase), low interest rates may increase monetary growth through a wealth channel.

As shown in Chart 15, in recent years nominal household wealth[16] has grown more quickly than nominal GDP in the euro area. To the extent that wealth rather than nominal GDP is the driver of monetary dynamics, this development could explain the observed more rapid than anticipated decline in M3 income velocity. Indeed, in recent years the ratio of household wealth to household M3 deposits has fluctuated around the rather steady upward trend that it has exhibited since the early 1990s (see Chart 16), suggesting that the recent strength of monetary growth is broadly linked to stronger growth in wealth, that may in turn be rooted in lower levels of interest rates.

4 EXTRACTING POLICY-RELEVANT INFORMATION FROM MONETARY DEVELOPMENTS

The exercises presented above suggest that the strength of monetary growth since 2004 can be explained, at least in part, by the increased sensitivity of monetary developments to opportunity costs when interest rates are at low levels. Several channels exist through which monetary developments are influenced by low interest rates and – especially for the broad aggregate M3 – these can involve complex processes such as product innovation and the evolution of asset prices and wealth.

However, developing an explanation of why monetary developments have evolved in a particular manner is only the first step in the ECB's monetary analysis. Providing such explanations does not, of itself, reveal whether monetary developments imply risks to price stability. While some factors driving the

16 As described in Box 5 entitled "Estimates of housing wealth for households in the euro area" in the December 2006 issue of the Monthly Bulletin, these data recently became available on the basis of an ECB estimate for housing wealth. Quarterly data are interpolated.

stronger reaction of money to low interest rates might imply higher equilibrium money holdings (and thus few implications for the inflation outlook), others may imply the accumulation of excess liquidity with clear upside risks to price stability, either directly or possibly indirectly via asset price dynamics.

Against this background, it is crucial to seek as full an explanation as possible of monetary dynamics in order to form an assessment of their implications for price developments and thus extract the information relevant for monetary policy. Furthermore, this assessment has to be made in the context of other macroeconomic and structural analysis, including developments in asset prices and institutional changes in the financial system.

To illustrate this important point, it is instructive to focus on the final example discussed in the previous section, namely the relationship between wealth and money holdings. It is important to recognise that simply being able to explain monetary developments on the basis of the evolution of wealth – as Chart 16 suggests is possible – does not imply that these developments are benign in terms of the outlook for price stability.

For example, one might argue that the growth of household wealth may lead to the emergence of additional demand and ultimately inflationary pressures. Alternatively, one might take the view that higher wealth is a reflection of asset price misalignments, which could unwind in the future in a manner threatening macroeconomic, and ultimately price, stability. Moreover, the direction of causality may be reversed, i.e. strong monetary and credit growth could be causing or fuelling asset price rises and thus wealth dynamics with potential inflationary consequences. In each of these cases, increases in monetary growth would thus reflect increases in risks to price stability. A detailed analysis would help to better pin down the types of risk and potential transmission channels, and thus allow any policy action to be calibrated appropriately.

Similarly, one may take the view that holdings of retail derivatives and/or easier credit supply conditions resulting from increased securitisation of bank loans represent financial innovations that change the structure of the monetary sector and thus their impact should be discounted in assessing monetary developments. However, such an approach would ignore how these innovations have increased the aggregate liquidity of the domestic private sector and eased overall financing conditions, both of which may lead to stronger aggregate spending and thus ultimately inflationary pressures. Borrowing by corporates for M&A activity also creates liquidity and the ultimate holders of that liquidity (e.g. the seller of the equity stake in the company taken over) may increase spending and/or alter the structure of their overall asset portfolio in a manner that leads to upward pressures on asset or consumer prices.

On the basis of considerations such as these, the strengthening of monetary growth between 2004 and 2005 – although explicable in broad terms – was viewed as signalling upside risks to price stability. Box 3 describes how the results of simple money-based indicator models of inflation, which are derived on the basis of the analytical results presented in Box 1 and have been used in the staff analysis, are consistent with this overall assessment.

Box 3

THE EVOLUTION OF MONEY-BASED INDICATORS OF INFLATION OVER RECENT YEARS

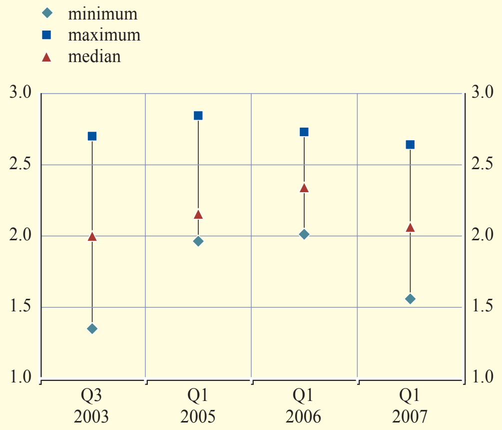
This box illustrates the evolution of various money-based indicators of inflation developed by ECB staff which have been constructed using the methodology described in Box 1.

The chart below shows the range and the median of a set of real-time money-based indicators of inflation at four different points in time. Such a representation of inflation risks was previously shown in the March 2005 and June 2006 issues of the Monthly Bulletin. When interpreting the results of this particular tool of the monetary analysis, the simplicity of the underlying indicator models needs to be kept in mind.

At the end of the portfolio shift period in mid-2003, risks to price stability were slightly skewed to the upside, but the uncertainty derived from monetary indicators was large, so that the overall quality of the signal was blurred. The blurring of the signal arose from uncertainty regarding how to interpret such portfolio shifts: while the modal view was that they were rather benign in terms of the inflation outlook, over the longer term the danger existed that such holdings could be converted into transactions balances which, especially in the context of an economic recovery, could create inflationary pressures.

The range of money-based inflation risk indicators based on a set of bivariate leading indicator models

(annualised growth rates over the next six quarters; real-time results of the various vintages)



Source: ECB estimates.
Note: The chart shows the range of indicators derived from seven bivariate leading indicator models of inflation (M1, M2, M3, M3 corrected for the estimated impact of portfolio shifts, MFI loans to the private sector and measures of excess liquidity for M3 and M3 corrected). Each indicator is based on information available at the time the indicator was derived. For example, the result for the individual indicators for the first quarter of 2006 contains information on money and inflation up to and including the first quarter of 2006.

This assessment changed from mid-2004 onwards. By the first quarter of 2005, the clarity of the signal stemming from this particular tool of the monetary analysis had improved, as captured by the narrowing of the range of the set of money-based inflation indicators shown in the chart. Moreover, the upward shift of the range pointed to higher risks to price stability. These developments intensified through the first quarter of 2006, as further upward shifts of the median shown in the chart illustrate. Even though important structural changes in the financial system were taking place, the rapid and increasing rate of monetary expansion observed during this period was thus seen as implying growing risks to price stability.

Given the overall strength of money and credit dynamics, as well as the rather mixed signals emanating from the broad set of indicators considered (e.g. higher M3 growth but some stabilisation of M1 credit expansion), the summary representation of monetary developments in early 2007 points to continued risks to price stability, but at the same time to greater uncertainty given the broadening of the range of signals offered by various components and counterparts.

5 EXPLAINING MONETARY DEVELOPMENTS AS SHORT-TERM INTEREST RATES HAVE RISEN

Since the Governing Council decided to commence removing monetary policy accommodation in December 2005, the resulting sequence of short-term interest rate increases has had divergent effects on various monetary and credit indicators. M1 growth started to moderate in the autumn of 2005, with loan growth easing from summer 2006. By contrast, the growth rate of M3 has increased further.

Box 4 suggests that the continued strengthening of M3 growth in the face of increases in short-term interest rates is in line with historical regularities, at least as captured in a simple empirical model of the euro area since the early 1990s. Such behaviour is therefore not surprising and has been taken into account in assessing recent monetary developments.

There are a number of reasons why M3 growth may rise in the context of rising short-term interest rates. First, a higher demand for money may emerge for portfolio management reasons, as investors seek capital-certain assets such as bank deposits at a time when holding fixed income securities entails risks, since higher interest rates imply capital losses on bonds. Such a portfolio demand is likely to manifest itself in holdings of time deposits, money market funds and/or short-term MFI debt securities (especially if they are remunerated at floating rates). Second, higher short-term interest rates have led to a flattening of the euro area yield curve, thereby increasing the attractiveness of short-term time deposits relative to longer-dated assets. The former offer the same yield as the latter, while having more liquid characteristics. Third, the withdrawal of monetary policy accommodation and the improved economic outlook may encourage inflows of capital into the euro area and an increase in the net external asset position on the MFI balance sheet, which may also serve to raise M3 growth. Each of these three elements has played some role in explaining the strengthening of M3 growth since December 2005, when key ECB interest rates started to rise.

Box 4

THE REACTION OF EURO AREA M3, M1 AND LOANS TO CHANGES IN INTEREST RATES

This box presents quantitative euro area evidence derived from vector autoregressive models (VAR) on the reaction of monetary and credit dynamics to interest rate changes. VARs – by contrast with the models underlying the analysis shown in Box 2 – impose very little theoretical structure on the data and can be used to establish the “stylised facts” about the correlations among various macroeconomic variables.

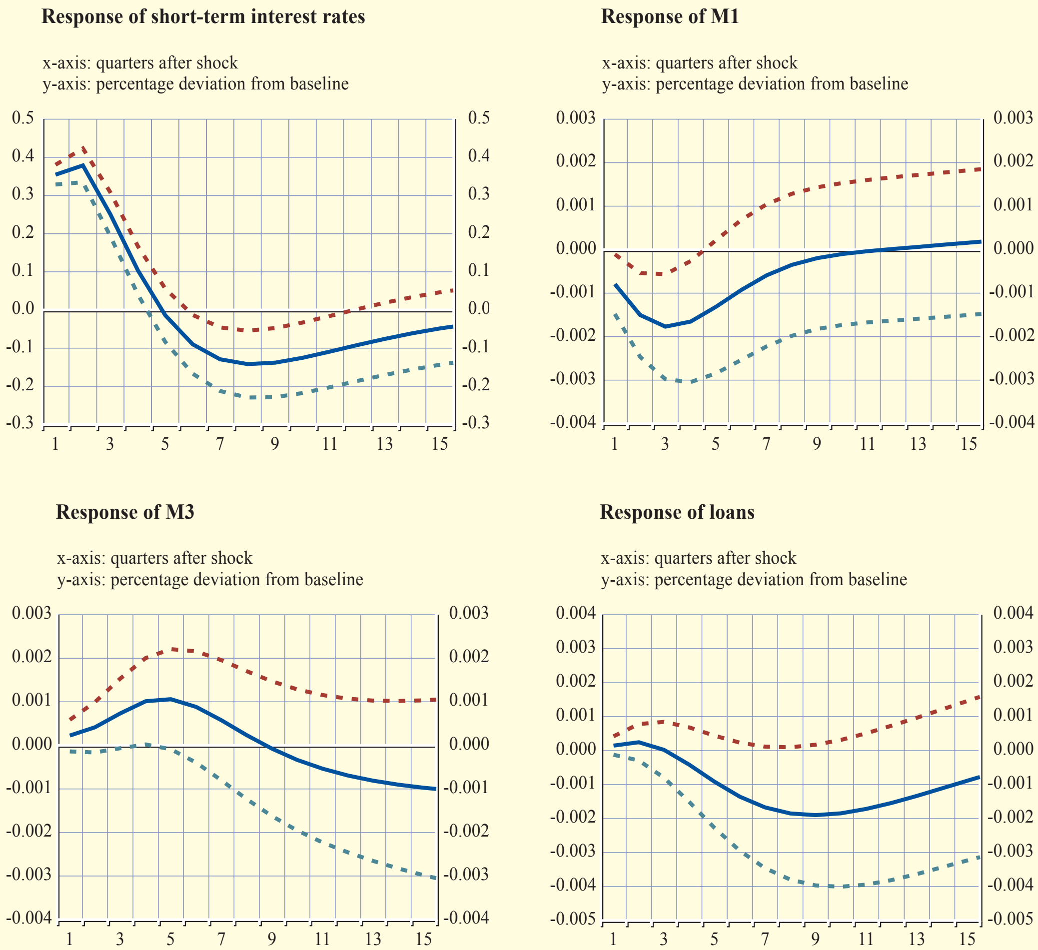
VAR models and impulse responses

A standard exercise in the VAR literature is to introduce a transitory increase in the level of one variable and to investigate the dynamic effects of this so-called “shock” on all variables in the system (i.e. so-called “impulse response analysis”). If this exercise is performed for a shock to the short-term interest rate, it can be regarded as offering an empirical assessment of the implications of a change in the stance of monetary policy on other macroeconomic variables.

The following charts are based on the estimation of two systems, both of which include a linear trend, a commodity price index[1] and an oil price index as (pre-determined) explanatory

1 The use of a commodity price index as a leading indicator for domestic inflation in the policy reaction function could eliminate the positive response of prices to a contractionary monetary policy shock. See Sims, C. A. (1992), “Interpreting the Macroeconomic Time Series Facts: The Effects of Monetary Policy”, *European Economic Review*, Vol. 36 (5), pp. 975-1000.

Impulse response functions following a transitory increase in the short-term interest rate by one standard deviation



Source: ECB calculations.
Note: All variables, except for interest rates, are in logarithms. The sample period is from the first quarter of 1981 to the fourth quarter of 2004, with solid lines showing percentage deviations from the baseline and dashed lines the respective one standard deviation confidence band.

variables. The first system is intended to capture the behaviour of the components of M3 and consequently includes: the HICP; real GDP; M3; M1, and a long-term and a short-term nominal interest rate. The second system models the counterpart side of M3 and (relative to the first model) excludes M1 but includes loans to the private sector and MFI longer-term financial liabilities.

Since the focus of this box is on the long-run relationships between the variables, a VAR in the level of the variables is estimated and solved for its dynamic responses.[2] As is quite common in the literature, the three-month interest rate is chosen as the short-term interest rate and is seen as the policy instrument. The chart above then illustrates the reaction of the short-term

2 The impulse response analysis is carried out using generalised impulse response functions. The purpose of generalised impulse response functions is to circumvent the problem of the dependence of the orthogonalised impulse responses on the ordering of the variables in the VAR. See Pesaran, M.H. and Shin, Y. (1998), "Generalized Impulse Response Functions in Linear Multivariate Models", Economic Letters, Vol. 58, pp. 17-29.

interest rate, M1, M3 and loans to the private sector to a transitory (i.e. one-off) shock in the "policy rate" of one standard deviation. It also shows the respective 68% confidence interval which corresponds to one standard deviation of the response.[3] The estimations cover a period from the first quarter of 1980 to the fourth quarter of 2004. The reactions of the variables included in the system are shown for a time horizon of 24 quarters.

Results

According to the results, the response pattern of the short-term interest rate shows a peak after two quarters, followed by a steady decline reaching a trough between eight and ten quarters before returning to the zero line (see the chart). This could be interpreted as suggesting that, following the initial restrictive interest rate policy, the monetary authorities subsequently lower interest rates in response to a decline in real activity and lower prices.

The increase in the short-term interest rate is followed by a prompt decline in euro area M1, a result that confirms the rather high interest rate sensitivity of this aggregate. After the interest rate effect has faded out over time, the effect of a decrease and subsequent recovery in GDP comes to the fore. A similar pattern can be observed for the dynamic response of nominal loans. At the same time, the reaction of loans compared with that of M1 is somewhat delayed. These features mimic the behaviour observed since December 2005 that is reported in the main text.

Contrary to this, the rise in the short-term interest rate triggers a significant and permanent decline in the stock of euro area M3, which starts to materialise after around ten quarters. The permanent decrease, however, is preceded by a positive reaction of M3 to a rise in interest rates, which may be linked to the speculative demand for money materialising in the M3 components outside M1 (M3-M1). This positive initial response of M3 to the unanticipated increase in short-term interest rates can be relatively persistent, and is consistent in direction with what has been observed in the euro area over the past year as key ECB rates have risen.

3 It is common in the VAR literature to use a one standard deviation confidence interval (although this is narrower than for other statistical exercises). See, e.g. Bagliano, F. C. and Favero, C. A. (1999), "Information from Financial Markets and VAR Measures of Monetary Policy", European Economic Review, Vol. 43, pp. 825-837.

6 CONCLUDING REMARKS

Between mid-2004 and late 2005, the underlying trend rate of monetary expansion strengthened. A variety of tools have been used to analyse this development. Broadly speaking, the historically low level of nominal short-term interest rates in the euro area during this period has been an important driver of strong money growth. Although institutional changes in the monetary and financial sector have influenced broad money dynamics, by mid-2005 the comprehensive monetary analysis conducted by the ECB staff concluded that the strengthening of monetary growth signalled clear medium to longer-term risks to price stability.

After the start of the increases in interest rates in December 2005, developments in various monetary indicators have diverged. M1 growth moderated almost immediately, while the dynamics of loans to the private sector stabilised somewhat later. Nonetheless, these indicators continue to grow at vigorous rates. By contrast, M3 growth continued to trend upwards after December 2005, in part owing to financial innovation, developments in non-monetary financial institutions' money holdings related to loan securitisation and, in particular, a heightened demand for marketable instruments in M3 for portfolio management purposes. The ECB's monetary analysis employs a broad set of tools and frameworks to assess these developments. On this basis, it has been concluded that the underlying rate of monetary expansion in the euro area – which remains robustly correlated with inflation dynamics over longer horizons – remains strong, although over the course of 2006 and in early 2007 developments in the annual growth rate of the broad aggregate M3 may overstate the dynamism of the underlying rate of monetary expansion.

OIL-EXPORTING COUNTRIES: KEY STRUCTURAL FEATURES, ECONOMIC DEVELOPMENTS AND OIL REVENUE RECYCLING

This article reviews key structural features and recent economic developments in ten major oil-exporting countries. It also analyses imports of and financial flows originating from oil-exporting countries, which are often described as oil revenue recycling. Oil-exporting countries have benefited from high oil prices over recent years, which has been reflected in higher real GDP growth and fiscal and current account surpluses, while the adverse impact of high oil prices on oil-importing countries has been mitigated by oil revenue recycling. Economic developments in oil-exporting countries and oil revenue recycling via the trade and the financial channel have become an increasingly important feature of the global economy. Accordingly, these countries have played an enhanced role as trade partners and as investors since the rise in oil prices that began in 2003.

1 INTRODUCTION

The average oil price increased sharply from USD 25.0 per barrel in 2002 to USD 65.4 per barrel in 2006.[1] After peaking in August 2006, oil prices declined somewhat but remained significantly above the level that prevailed over the decade before (the average oil price in the period 1993-2002 was USD 19.8 per barrel, with a spike to USD 28.5 per barrel in 2000). Global oil production increased from 76.6 million barrels per day (mb/d) on average in 2002 to 85.2 mb/d in 2006. As a result of these developments, the oil (and gas) revenues of oil-exporting countries increased significantly.

Against this background, this article reviews key structural features and recent economic developments of the top ten net oil-exporting countries for which oil and gas account for above 40% of total exports, which signifies a high degree of energy dependence.[2] These countries are (ranked by their importance as net oil exporters): Saudi Arabia, Russia, Norway, Iran, the United Arab Emirates (UAE), Nigeria, Kuwait, Venezuela, Algeria and Libya. They account for almost 70% of global oil exports, more than 50% of global oil production and more than 70% of global oil reserves. They also contribute around 45% to global gas exports and almost 40% to global gas production, and hold almost 60% of global gas reserves.

With high oil prices, the importance of oil-exporting countries for the global economy has increased. The shares in global GDP and global trade of the ten major oil-exporting countries under review rose from 3.6% and 2.4%, respectively, in 2002 to 5.5% and 3.5% in 2005. Apart from being a supplier of energy to the global economy, oil-exporting countries have been playing an increasingly significant role as global investors, since most of the oil revenue that has been saved has been invested abroad. Furthermore, part of the oil revenue that has been spent has led to an increase in imports, i.e. these countries have become more important as a destination for oil-importing countries' exports.

Oil-exporting countries have accumulated large current account surpluses. At USD 420 billion, their 2006 current account surplus exceeded that of emerging Asia and constituted a major counterpart of the US current account deficit. A large share of their increased savings is invested in US assets. Thus oil-exporting countries have been called upon to contribute to an adjustment of global imbalances, for example through accelerated investment in capacity, increased economic diversification and, in some cases, enhanced exchange rate flexibility.[3]

1 Annual average prices for Brent crude oil.
2 2005 data from the Energy Information Administration of the US government was used to identify the world top net oil exporters, and 2005 United Nations Comtrade data was used to capture energy dependence. Thus the article looks at those countries that are most relevant to the global oil markets and at the same time share the feature of being highly dependent on hydrocarbon (oil and gas) exports. International oil market developments are also key for countries where gas plays an important role, as gas prices tend to follow oil prices. In order to capture hydrocarbon dependency, gas is included in country data as far as it is available on a comparable basis. The ten countries considered in this article also include the five largest gas producers whose hydrocarbon exports exceed 40% of total exports (Russia, Algeria, Iran, Norway and Saudi Arabia, on the basis of 2005 data in the BP Statistical Review of World Energy 2006).
3 See the annex on global imbalances to the statement by the G7 finance ministers and central bank governors of 21 April 2006.

In the remainder of this article, Section 2 provides an overview of key structural features of the ten oil-exporting countries under consideration. Section 3 examines recent macroeconomic developments. Section 4 analyses the use of oil revenues in the recent period of high oil prices and oil revenue recycling. Section 5 concludes.

2 KEY STRUCTURAL FEATURES OF OIL-EXPORTING COUNTRIES

SIZE OF COUNTRIES AND ECONOMIES

Oil-exporting countries vary significantly with regard to population, GDP and per capita income. Of the ten countries under review, four (Kuwait, the UAE, Norway and Libya) have 6 million or fewer inhabitants. Three countries, Saudi Arabia, Venezuela and Algeria, have between 24 and 34 million inhabitants, while Iran, Russia and Nigeria – with a combined population of over 360 million – account for almost 80% of the group's total population (465 million). Russia has by far the largest GDP of the ten countries (USD 979 billion), followed by Saudi Arabia (USD 349 billion) and Norway (USD 334 billion), while Norway and the UAE have the highest per capita income. Nigeria, with a per capita income of about USD 1,200, is the only low-income country in the group.

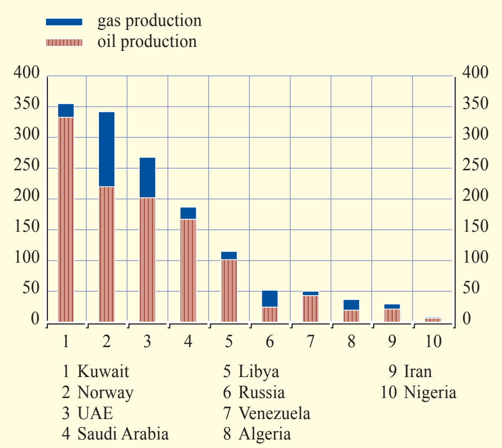
ECONOMIC STRUCTURES AND THE ROLE OF OIL

In absolute terms, Russia and Saudi Arabia are the largest oil producers (and exporters), with an average production of crude oil in 2006 of 9.7 mb/d and 9.3 mb/d[4] respectively. This is more than twice the production of the third-largest oil producer, Iran, (3.9 mb/d) and more than three times the amount of oil produced by any of the other ten major oil exporters. Russia is also the world's largest gas producer. Saudi Arabia is the largest net oil exporter, with net exports of 9.1 mb/d in 2005, ahead of Russia with 6.7 mb/d, while the net oil exports of the other countries are in the range of 1.5 mb/d (Libya) to 2.7 mb/d (Norway). Saudi Arabia also holds by far the largest oil reserves, with 22% of proven global reserves, ahead of Iran, with 11.5% (2005 data).

4 The figure for Saudi Arabia includes half of the production in the Neutral Zone between Saudi Arabia and Kuwait. 2006 oil production figures are from the International Energy Agency (IEA).

Chart 1a Per capita oil and gas production in 2005

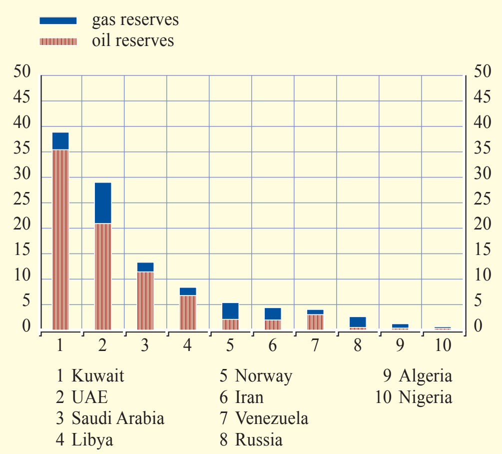
(barrels of oil equivalent)



Sources: BP Statistical Review of World Energy 2006, IMF and ECB calculations.

Chart 1b Per capita oil and gas reserves in 2005

(thousand barrels of oil equivalent)



Sources: BP Statistical Review of World Energy 2006, IMF and ECB calculations.

Table 1 The role of oil and gas in government revenues, exports and GDP

(percentages of total government revenues, exports and GDP)

	Algeria	Iran	Kuwait	Libya	Nigeria	Norway	Russia	Saudi Arabia	UAE	Venezuela
Government revenues	76.3	64.1	77.2	86.5	65.9	18.4	49.3	89.4	66.3	50.0
Exports	98.3	83.2	83.3	95.7	97.3	45.5	61.1	89.5	37.3	89.6
GDP	45.1	24.9	52.6	67.1	44.6	23.4	20	45.2	31.5	24.6

Sources: IMF, World Bank and national sources.
Notes: Data for Kuwait, Libya and the UAE refer to 2004. Iran: 2004/05. Algeria and Norway: 2005. Nigeria: 2003. Russia: government revenues (federal government) and exports: 2005; GDP: estimate for 2000. Saudi Arabia: government revenues and exports: 2005; GDP: 2004. Venezuela: government revenues and exports: 2006 (provisional data); GDP: 2003.

Expressed in per capita terms, the smaller countries are the biggest oil (and gas) producers and have the largest oil (and gas) reserves (Charts 1a and 1b). Norway stands out as the country with the most striking difference in ranking in terms of production versus reserves, indicating that reserve levels are small compared with current levels of production. Indeed, Norway's reserves are projected to be depleted within the next three decades at current levels of production. By contrast, the oil reserves of Kuwait, the UAE and Iran would last for around 100 years, and the gas reserves of all countries except Algeria, Norway and Russia for around 100 years or more, at current levels of production.[5]

The oil-exporting countries under review are hydrocarbon-centred economies (Table 1). Other than in Norway, oil-related revenues account for around 50% or more of total government revenues in all the countries, and in seven of the ten oil and gas exports make up more than 80% of total exports. The hydrocarbon sector accounts for an important share of GDP, particularly in Libya and Kuwait (around 67% and 53% respectively) and in countries with a relatively low GDP per capita, such as Algeria and Nigeria (around 45%). Larger economies such as Russia, Norway, Iran and Venezuela tend to be more diversified; there the oil and gas sector represents around or less than 25% of GDP. The larger the share of oil in government revenues, exports and GDP the more exposed countries are to volatile developments in international oil markets.

The oil sector is state-owned in most oil-exporting countries. Out of the ten under review, only in Norway and Russia do partially privatised oil sectors exist, with Russia seeing a trend towards (re-)nationalisation over recent years. Notwithstanding increasing privatisation efforts over the last few years, public sector companies also play an important role in the non-oil sector in many of the countries.

MONETARY POLICY STRATEGIES AND EXCHANGE RATE REGIMES

With the exception of Norway, the oil-exporting countries operate either exchange rate pegs or tightly managed floats, with the US dollar serving as the anchor currency (Table 2). Moreover, in most countries the orientation towards the US dollar has a long history. For example, in the countries of the Gulf Cooperation Council (GCC)[6] a US dollar peg or a US dollar orientation have been the (de facto) exchange rate regime since the 1970s. Norway, which operates an inflation-targeting framework, is the only country among the ten major oil exporters with an internal anchor for monetary policy.

The preference for an external anchor and orientation towards the US dollar can be explained by the fact that oil revenues, which constitute the main receipts from exports in

5 Given that depletion projections depend on various factors that are difficult to predict, such as the future state of technology and prices, they should be regarded as highly tentative.

6 The member states of the GCC are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

Table 2 Exchange rate arrangements of oil-exporting countries

	Exchange rate arrangement
Algeria	Managed float
Iran	Crawling peg [1)]
Kuwait	Fixed peg
Libya	Fixed peg
Nigeria	Managed float [1)]
Norway	Independent float
Russia	Managed float
Saudi Arabia	Fixed peg
UAE	Fixed peg
Venezuela	Fixed peg

Source: IMF.
Note: As at 31 July 2006.
1) The regime operating de facto in the country is different from its de jure regime.

major oil-exporting countries, are priced in US dollars. The pegs to the US dollar or tightly managed floats against it thus serve the aim of stabilising export and also fiscal revenues, given the prominent role of oil revenues in the government budget. A consequence of these exchange rate regimes is that the oil-exporting countries' terms of trade are exposed to fluctuations in the US dollar vis-à-vis other major currencies. The degree of exposure depends on the share of their imports coming from the United States and from countries whose currencies are pegged to the US dollar (notably in Asia) compared with imports from other countries (see the next sub-section on trade patterns). Furthermore, the pegs and tightly managed floats imply that interest rates to a large extent follow US interest rates, even though the business cycles of the United States and the oil-exporting countries might diverge. This implication depends on the degree of capital account liberalisation in each country. At end-2005 restrictions on capital account transactions were most pronounced in Algeria, Libya and Iran, while Nigeria was still operating a multiple exchange rate regime. The GCC countries and most recently Russia have (relatively) liberalised capital account transactions, as does Norway.

TRADE PATTERNS

The oil-exporting countries form a heterogeneous group with regard to their major trading partners (Table 3). While the EU and the euro area are the major export markets of Norway, Russia and the oil-exporting countries in the Mediterranean region, Asia plays a key role for exports from the GCC countries and Iran. The United States is the main export destination for Nigeria and Venezuela. The EU is by far the largest source of imports for almost all countries under review, while on average imports from

Table 3 Geographical patterns of exports and imports of oil-exporting countries

(exports and imports as percentages of total exports and imports respectively)

	Exports				Imports			
	euro area	EU	United States	Asia (including Japan)	euro area	EU	United States	Asia (including Japan)
Algeria	52.1	54.1	22.6	1.8	56.3	61.3	5.4	13.6
Iran	22.9	23.6	0.3	45.3	34.6	41.0	0.2	25.7
Kuwait	8.4	10.4	11.9	72.3	26.5	34.6	14.1	25.1
Libya	74.1	76.5	5.2	3.3	47.1	56.0	1.1	15.1
Nigeria	21.0	21.7	52.5	6.4	23.9	33.3	7.3	25.5
Norway	43.5	80.8	6.7	4.2	36.0	69.5	4.9	13.5
Russia	37.4	58.0	3.1	11.0	32.2	45.1	4.7	21.2
Saudi Arabia	14.1	16.1	16.8	51.6	23.3	31.7	14.8	29.0
UAE	7.8	11.2	9.4	56.4	21.6	34.1	1.5	40.9
Venezuela	5.1	6.8	50.9	2.8	11.6	13.8	31.6	11.3
Average	27.4	38.7	13.9	25.6	29.2	41.9	6.8	25.4

Source: IMF.
Notes: Data refer to exports/imports of goods in 2005. Averages weighted by total exports/imports.

Asia account for around one-quarter of their total imports. Other than for Venezuela, the share of the United States in the oil-exporting countries' imports is relatively small.

3 RECENT MACROECONOMIC DEVELOPMENTS

GROWTH AND EMPLOYMENT

Since 2003 real GDP growth has risen strongly in the oil-exporting countries, reaching on average 6% or more over the last four years (Table 4). In parallel, the dispersion of growth rates has declined substantially. In the period 2003-06, all the oil-exporting countries under review – with the exception of Norway, Venezuela in 2003 and Algeria in 2006 – achieved a minimum of 4% real GDP growth per annum.

Export growth was the main driver of real GDP growth in 2003 following the rise in oil prices. Domestic demand, in particular private consumption and gross capital formation, has picked up only since 2004. Global factors, such as strong global growth, ample liquidity and low interest rates, have also contributed to the above-average growth performance. Growth in public consumption has been relatively moderate, pointing to a cautious use of higher oil revenues (see also the sub-section on fiscal and current account balances). Nevertheless, public consumption grew at rates of more than 7% per annum on average between 2004 and 2006 in countries such as Venezuela, Saudi Arabia, Algeria and Nigeria.

Strong economic growth over recent years has contributed to an – albeit modest – decline in unemployment in the group of oil-exporting countries. The most pronounced drop has been observed in Algeria and Venezuela. In terms of unemployment levels, three out of the eight countries for which data are available have unemployment rates close to or (in the case of Algeria) substantially above 10%. The limited decline in unemployment despite relatively strong growth is partly explained by the high capital intensity of the oil and gas industry. Accordingly, growth concentrated in this sector does not provide significant additional employment opportunities, pointing to the need to develop the private non-oil sector. This applies in particular to the economies that are least diversified and where employment in the public sector is already high, for example GCC countries such as Kuwait and Saudi Arabia.[7]

7 See M. Sturm and N. Siegfried, "Regional monetary integration in the member states of the Gulf Cooperation Council", ECB Occasional Paper No 31, 2005.

Table 4 Oil-exporting countries: selected economic indicators

(annual percentage changes, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Real GDP	-0.7	3.1	7.0	3.7	3.5	6.7	6.9	6.2	6.0
Private consumption	3.1	0.3	4.6	7.2	9.4	4.8	10.3	11.8	10.7
Public consumption	1.4	1.4	10.7	3.8	1.1	4.1	3.8	5.2	3.9
Gross fixed capital formation	-4.0	5.3	9.7	9.5	7.1	6.9	13.4	11.7	14.7
Exports (goods and services)	1.2	4.7	8.9	1.1	7.3	11.5	7.6	6.0	5.1
Unemployment (% of labour force)	8.8	10.7	10.6	10.2	10.1	10.2	9.1	8.6	7.9
General government fiscal balance 1) (% of GDP)	-6.1	-1.8	5.4	2.0	0.9	2.8	6.3	10.1	10.5
Current account balance (% of GDP)	-2.2	5.4	15.2	9.4	7.2	9.7	12.3	16.7	16.3
Price of Brent crude oil (annual averages in USD)	12.7	17.9	28.5	24.4	25.0	28.9	38.3	54.5	65.4

Sources: IMF; price of Brent: Bloomberg.
Note: Averages of the ten countries under review weighted by GDP in purchasing power parity terms, with the exception of unemployment (non-weighted average of eight countries – excluding Libya and the UAE).
1) Algeria: central government balance.

INFLATION AND EXCHANGE RATE DEVELOPMENTS

On average, inflation in the oil-exporting countries remains at elevated levels, hovering between 8% and 13% since the beginning of this decade. Iran, Nigeria, Russia and Venezuela have recorded inflation rates close to or above 10% per annum over the last few years. All the other countries – with the exception of the UAE since 2004 – have in general seen inflation rates of less than 5% (Table 5). Official CPI figures might understate inflation and inflationary pressures in several countries. This is suggested by, among other things, a large proportion of administered prices as a tool of governments' non-monetary anti-inflationary policy (e.g. Russia), the subsidisation of a wide range of products, in particular energy, as a tool of social policy (e.g. Iran), and outdated CPI baskets (the UAE).

In general, inflationary pressures have increased over the last few years, particularly in countries with so far relatively low inflation rates, reflecting strong domestic demand accompanied by rapid money and credit growth. Sharp increases in asset prices also point to inflationary pressures. The stock markets of oil-exporting countries have seen substantial increases, even though a correction took place in Gulf markets in early 2006. There is also anecdotal evidence of sharply rising real estate prices, in particular in Gulf countries.

Several factors have helped to keep inflation in check in countries with relatively low inflation rates (or prevented it from rising further in countries with elevated inflation rates), such as strong productivity gains, slack in domestic labour markets (as evidenced by high unemployment rates) and, most prominently in the GCC countries, labour inflows. The inflation performance in some oil-exporting countries, such as the GCC countries and Norway, has also benefited from a high degree of trade openness and increasing imports from low-cost countries.

Other than in Norway, the role of monetary policy in containing inflationary pressure has been limited as a result of the prevailing exchange rate regimes (see Section 2). In view of the pegs to the US dollar or tightly managed floats against it, central banks have been constrained in their ability to use domestic interest rates to control inflation. Furthermore, the depreciation of the US dollar over recent years has added to inflationary pressures via import prices, particularly in those countries where a large share of imports comes from the euro area. A number of oil-exporting countries – such as Algeria, Kuwait and Saudi Arabia – have experienced a depreciation of their real effective exchange rate since 2002 (Chart 2). The appreciation of the real effective exchange rate observable in Russia, Nigeria and Iran is mainly the result of higher inflation.

Table 5 Inflation in oil-exporting countries

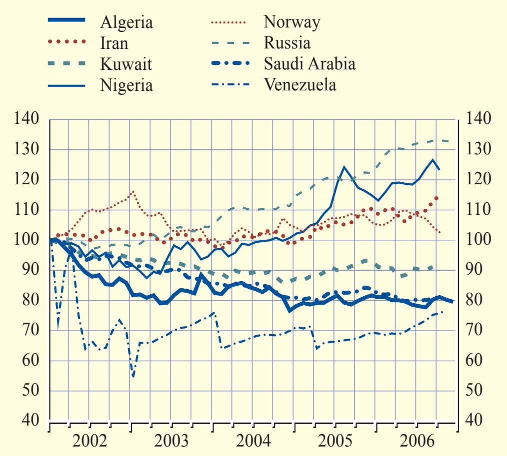
(annual percentage changes)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Algeria	5.0	2.6	0.3	4.2	1.4	2.6	3.6	1.6	2.5
Iran	18.1	20.1	12.6	11.4	15.8	15.6	15.2	12.1	14.6
Kuwait	0.6	3.1	1.6	1.4	0.8	1.0	1.3	4.1	3.0
Libya	3.7	2.6	-2.9	-8.8	-9.9	-2.1	-2.2	2.0	3.4
Nigeria	10.0	6.6	6.9	18.0	13.7	14.0	15.0	17.8	8.3
Norway	2.3	2.3	3.1	3.0	1.3	2.5	0.4	1.6	2.3
Russia	27.7	85.7	20.8	21.5	15.8	13.7	10.9	12.7	9.7
Saudi Arabia	-0.2	-1.3	-1.1	-1.1	0.2	0.6	0.4	0.7	2.3
UAE	2.0	2.1	1.4	2.8	2.9	3.1	5.0	7.8	10.1
Venezuela	35.8	23.6	16.2	12.5	22.4	31.1	21.7	15.9	13.6
Average	17.5	41.0	12.2	13.0	11.4	11.1	9.5	9.9	8.7

Source: IMF.
Notes: Averages weighted by GDP in purchasing power parity terms. Data refer to consumer price inflation.

Chart 2 Real effective exchange rates

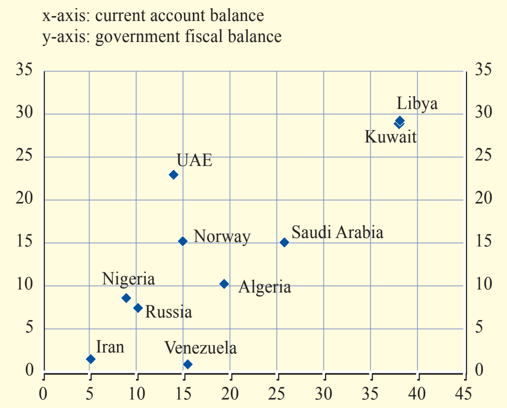
(index: January 2002 = 100)



Sources: IMF and ECB calculations.
Notes: Data are CPI-deflated. No comparable data are available for Libya or the UAE.

Chart 3 Current account and general government fiscal balances

(percentages of GDP)



Source: IMF.
Note: Data refer to the averages for the period 2004-06.

FISCAL AND CURRENT ACCOUNT BALANCES

The rise in oil prices and the associated increase in government revenues led to a sharp turnaround in the general government fiscal balances of oil-exporting countries. The average balance (as a share of GDP) of the ten oil-exporting countries under review moved from a deficit of 6.1% in 1998 to a surplus of 10.5% in 2006 (Table 4). While surpluses were already being recorded in 2000, they have sharply increased since 2004. Most oil-exporting countries have been relatively cautious in expanding public expenditure so far. This may reflect the experience of the second half of the 1980s when, after a fall in oil prices, countries found it difficult to rein in expenditure that had sharply increased when oil prices were high in the 1970s/early 1980s. Moreover, there is uncertainty as to whether the higher oil prices of recent years are of a temporary or permanent nature. Libya, Kuwait and the UAE have recorded the largest fiscal surpluses in recent years. By contrast, Iran exhibits only relatively small surpluses and Venezuela moved into deficit in 2006, pointing to a much more expansionary fiscal policy in these two countries. Surpluses may decline in other oil-exporting countries in the future, given that many of them have plans to increase expenditure, in particular on infrastructure projects.

The average current account surplus of the oil-exporting countries increased to above 16% of GDP in 2005 and 2006 (Table 4). Due to the nationalised oil sectors, there is a strong link between oil prices, the current account and the government budget. Thus, the cross-country pattern of current account developments is similar to that seen in the general government balance (Chart 3).

4 THE USE OF HIGHER OIL REVENUES AND OIL REVENUE RECYCLING

Oil-exporting countries face the principal choice of either spending or saving the revenue generated by oil exports. As the oil industry in most countries is nationalised, oil revenues accrue to governments; thus determining the use of oil revenues is primarily a fiscal policy decision. If oil revenues are spent, they can be used for the purchase of either domestic goods and services or foreign goods and services (imports). Both domestic and foreign spending can be on consumption or investment. If oil revenues are saved, this may occur via either the accumulation of financial assets or the reduction of public debt. Spending on investment is considered as an equivalent to saving insofar as physical assets are substitutes for financial assets.

The accumulation of financial and physical assets financed by oil revenues does not increase the net wealth of an oil-exporting country, as such assets replace oil wealth, which is a non-renewable resource in the country's national balance sheet.

The remainder of this section examines the use of oil revenues for the reduction of public debt, for imports and for the accumulation of financial assets, as these aspects are most relevant from a global perspective. Oil revenue recycling was a feature of periods of high oil prices in the 1970s and early 1980s as well as of the recent period of increasing prices. It takes place via the trade channel, i.e. increased imports, and via the financial channel, i.e. capital outflows from the oil-exporting countries.

REDUCTION OF PUBLIC DEBT

On average, the public debt of the ten oil-exporting countries under review has been reduced by more than half since 2001 (Table 6). For the authorities of the countries which had a particularly high level of debt in the late 1990s, i.e. Saudi Arabia, Russia, Nigeria, Algeria and Libya, debt reduction has been a high priority as regards the use of the additional revenues resulting from increased oil prices. The debt repaid by Saudi Arabia has been domestic, whereas the other four countries have repaid mainly external debt. Libya has almost completely eliminated its public debt. Norway stands out as the country that has not used the recent period of high oil prices for a sharp reduction of gross public debt.

IMPORTS

The imports of oil-exporting countries have increased substantially over the last few years. In absolute terms, imports of goods and services by the ten oil-exporting countries under review increased from USD 275 billion in 1998 to USD 752 billion in 2006 (Chart 4). Russia, the UAE and Saudi Arabia together account for almost two-thirds of the additional amount of imports over the period 1998-2006. As a share of GDP,

Table 6 General government gross debt in oil-exporting countries

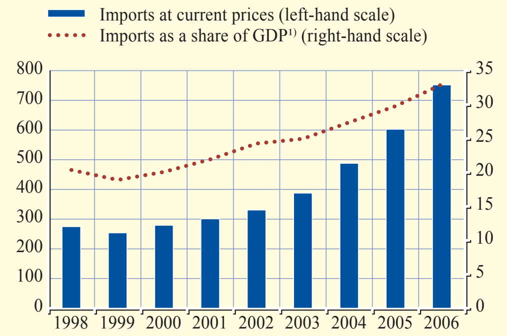
(percentages of GDP)

	2001	2002	2003	2004	2005	2006
Algeria [1]	63.0	53.5	43.8	36.6	28.4	22.6*
Iran	13.7	25.4	26.4	26.3	22.4	19.6
Kuwait	35.1	29.9	23.0	17.4	11.8	7.6
Libya	43.0	32.7	26.7	1.6	1.1	0.9
Nigeria	81.3	87.9	74.6	65.4	52.4*	50.8*
Norway	29.0	35.8	44.0	45.6	43.8	43.8
Russia [1]	42.0	35.4	29.6	22.3	14.8	10.5
Saudi Arabia	93.7	96.9	82.0	65.0	39.6	28.0
UAE	4.0	5.2	6.6	8.4	9.5	8.1
Venezuela [2]	31.7	44.3	47.4	38.8	33.3	23.9
Average	43.7	43.2	38.4	31.5	23.3	18.6

Sources: IMF (* projections); Venezuela: ECB calculations based on Ministry of Finance data (2006: preliminary data).
Note: Averages weighted by GDP in purchasing power parity terms.
1) Central government debt.
2) Total public debt, according to national definition.

Chart 4 Oil-exporting countries' imports of goods and services

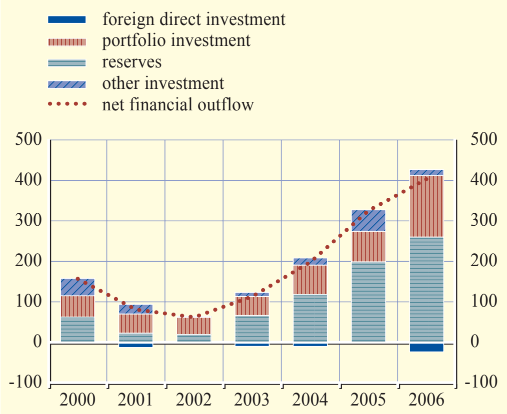
(USD billions; percentages)



Source: IMF.
1) Average weighted by GDP in purchasing power parity terms.

Chart 5 Oil-exporting countries' financial outflows

(USD billions)



Sources: IMF and ECB calculations.

imports have increased on average by almost 13 percentage points since 1998. Increases as a share of GDP have been particularly high in Libya (68 percentage points), the UAE (35 percentage points) and Nigeria (27 percentage points). Increases in imports have also been significant in countries which have seen a substantial rise in their current account surpluses, suggesting that the expansion in spending has not kept pace with the increase in oil revenues and GDP.

Asian countries seem to have benefited more from oil revenue recycling via the trade channel than other regions in the world, while the impact for the euro area may also have been somewhat more favourable than for some of its major competitors, notably the United States.[8]

Comparisons between the development of imports in the recent period of high oil prices and earlier episodes in the 1970s and early 1980s show different results for the marginal propensity to import out of oil revenues depending on the group of countries under review and the benchmarks used. The IMF estimated in April 2006 that, in absolute terms, the increase in imports accounted for about one-half of the additional revenues since 2002 as compared with three-quarters in the early 1970s, although with significant differences across countries. The OECD found in 2005 that re-spending was "broadly on track" for the Africa and Middle East region, suggesting that 60-65% of extra oil revenue was spent after two years. In 2005 the Bundesbank pointed to an acceleration in the recycling of oil revenues via the trade channel, having compared the reactions in the periods 1980-90 and 1991-2004 of exports and imports in countries belonging to the Organization of the Petroleum Exporting Countries (OPEC) following an oil price rise.

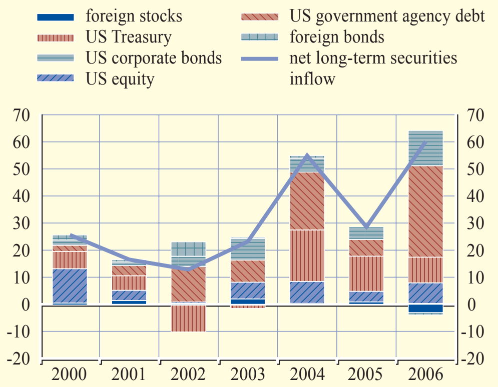
ACCUMULATION OF FINANCIAL ASSETS

The accumulation of financial assets can take the form of foreign exchange reserves (held by central banks) or of assets accumulated by other public bodies (sovereign wealth funds) or by the private sector. Given the level of financial market development and limited investment opportunities in most oil-exporting countries, also reflecting the low degree of economic diversification, not only foreign exchange reserves but also a large share of the assets of

8 See the box entitled "Oil-bill recycling and extra-euro area exports" in the April 2007 issue of the Monthly Bulletin.

Chart 6 Oil-exporting countries' purchases of long-term securities from US residents

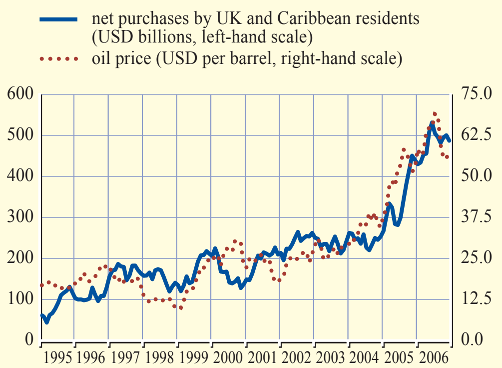
(USD billions)



Sources: US Treasury and ECB calculations.
Note: Data include Bahrain, Iraq, Gabon, Oman and Qatar, and exclude Kuwait.

Chart 7 UK and Caribbean purchases of long-term securities from US residents

(USD billions; USD/barrel)



Sources: US Treasury, BIS and ECB calculations.
Notes: Net purchases are cumulated over 12 months. The oil price refers to Arabian Light oil.

other public bodies and private agents is invested abroad. These assets are likely to be in a broader range of asset classes than the foreign exchange reserves, i.e. in addition to government bonds they may also include, for example, corporate bonds, stocks, real estate or foreign direct investment.

Against this background, oil-exporting economies have recorded large capital outflows, which doubled over the last two years, reaching more than USD 400 billion in 2006. The bulk of the outflows takes the form of reserve accumulation and portfolio investment (Chart 5), and a substantial part of the reported portfolio investment may actually originate from the public sector, i.e. from sovereign wealth funds.

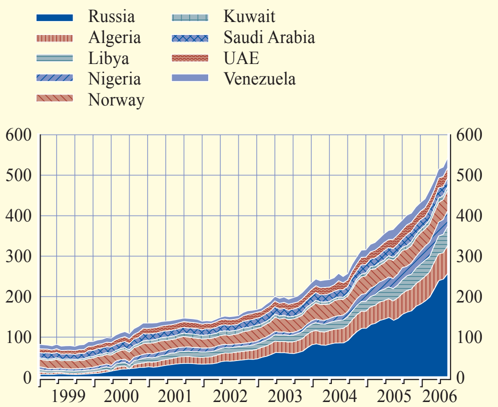
Although it is difficult to track the geographical destinations of these financial flows, the United States seems to be a main recipient. In 2006 the US Treasury recorded net inflows of around USD 60 billion into long-term securities (primarily US Treasury and US government agency debt, but also corporate bonds) from private and public sector residents of oil-exporting countries (Chart 6).

While the officially reported capital flows from oil-exporting countries to the United States are far lower than these countries' current account surpluses and corresponding net financial outflows, they do not include transactions carried out through international financial centres such as London or Caribbean offshore centres. In 2006 the United Kingdom and Caribbean offshore centres accounted for USD 506 billion or more than half of the total foreign purchases of long-term securities from US residents (Chart 7), suggesting that oil exporters channel a significant share of their foreign portfolio investment through these international financial centres.

The foreign exchange reserves of the major oil-exporting countries under review have risen by about USD 430 billion since end-1998, reaching USD 519 billion in July 2006 (Chart 8). Thus their share in global foreign exchange reserves rose from about 5% at end-1998 to over 11% by mid-2006. If, however, the absolute increase in the foreign exchange reserves of oil-exporting countries is compared with the increase in foreign exchange reserves held by all developing and emerging market countries, the oil exporters account for only 14% of the total increase from January 1999 to July 2006.

Chart 8 Foreign exchange reserves of oil-exporting countries

(USD billions)



Source: IMF.
Notes: Latest observation relates to July 2006. No comparable data are available for Iran.

There are substantial cross-country differences with regard to foreign exchange reserve developments. Reserve accumulation by the Bank of Russia has been the main driving force behind foreign exchange reserve developments within the group of oil-exporting countries, partly reflecting the fact that the Russian oil stabilisation fund – only established in early 2004 and accounting for around 30% of Russian foreign exchange reserves at end-2006 – has deposited all its funds at an account with the central bank. A substantial foreign exchange reserve build-up, albeit less pronounced than in Russia, has also been observed in Algeria and Libya, and since 2004 Nigeria has also boosted its reserve holdings from low levels.

The foreign exchange reserve holdings of the GCC countries and Norway show a high degree of stability over time, indicating that in these countries the sovereign wealth funds have been the main accumulators of foreign assets. The Norwegian fund increased from USD 22.7 billion in 1998 to USD 285.6 billion in 2006, while funds managed by the Abu Dhabi Investment Authority (ADIA) and the Kuwait Investment Authority (KIA) are estimated to have reached USD 250-500 billion and USD 160-250 billion respectively in 2006.[9]

There appear to be some differences between the pattern of oil revenue recycling via the financial channel in the 1970s and early 1980s and the most recent episode of high oil prices. In the former period official foreign exchange reserves and deposits with international banks were the main financial instruments used to recycle oil revenue. Banks took advantage of these increased resources to expand their lending to emerging market economies, particularly in Latin America, which later contributed to the debt crisis in the early 1980s. The accumulation of bank deposits of oil-exporting countries over the last few years has been more limited, while portfolio investment has been more sizeable. External debt reduction has also played a greater role. Furthermore, while data on the allocation of assets of oil-exporting countries by asset class, currency or region are very limited,[10] anecdotal evidence points to more investment, in particular by the GCC countries, in Asia or in the broader Middle East region compared with earlier periods of high oil prices. The latter is reflected in, among other things, the dynamic development of stock and real estate markets in a number of Middle Eastern and North African countries over recent years. As pointed out above, however, the United States seems to have been the main destination for oil revenue recycling via the financial channel in the last few years, as in previous periods of high oil prices.

5 CONCLUSIONS

The ten oil-exporting countries under review – while differing with regard to many structural features – have hydrocarbon-centred economies and have benefited from high oil prices over

9 ADIA and KIA do not disclose information about the total amount of assets under management or the composition of assets. The amounts indicated are private sector estimates, and are surrounded by a high degree of uncertainty.

10 BIS data suggest that Russia and OPEC economies have increased the share of euro-denominated net deposits in total deposits with BIS-reporting banks since the start of Economic and Monetary Union, with the rise being much more pronounced in the case of Russia. For a detailed analysis, see the box entitled "The role of the euro in the recycling of oil revenues in the international banking system: an update" in the ECB's 2007 Review of the international role of the euro.

recent years. This is reflected in higher real GDP growth rates since 2003 and large fiscal and current account surpluses. At the same time, inflationary pressures have emerged in some countries, while they have remained subdued in others. Higher oil revenues have led to an increase in imports, an accumulation of financial assets and a reduction of public debt, and are increasingly also used for more public spending, in particular on infrastructure.

The high oil prices of recent years have per se tended to dampen growth and increase inflation in oil-importing countries, although the oil dependency of advanced economies, in particular the euro area, has been reduced compared with the 1970s and early 1980s. The adverse economic impact of high oil prices is mitigated, however, by oil revenue recycling via the trade channel, which seems to benefit mainly Asia and to a lesser extent the euro area through higher exports to oil-exporting countries, and via the financial channel, which benefits mainly the United States through higher capital inflows from oil-exporting countries. As a result, oil-exporting countries have become more important for the global economy in recent years, both as trade partners and as investors.

EURO AREA STATISTICS

CONTENTS[1]

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

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

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-MFI corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2006	8.6	8.7	8.4	-	10.9	15.9	3.08	3.86
2006 Q3	7.6	8.4	8.1	-	11.2	15.1	3.22	3.97
Q4	6.7	8.6	9.0	-	11.2	16.7	3.59	3.86
2007 Q1	6.8	9.0	10.1	-	10.5	16.0	3.82	4.08
Q2	.	.	.	-	.	.	4.07	4.42
2007 Jan.	6.6	8.9	9.9	9.9	10.6	15.8	3.75	4.10
Feb.	6.6	8.8	10.0	10.3	10.3	15.6	3.82	4.12
Mar.	7.0	9.5	10.9	10.4	10.5	17.6	3.89	4.02
Apr.	6.3	9.0	10.4	10.7	10.3	18.3	3.98	4.25
May	6.1	9.4	10.7	.	10.3	.	4.07	4.37
June	.	.	.	.	.	.	4.15	4.66

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2005	2.2	4.1	2.4	1.5	1.3	81.2	0.8	8.6
2006	2.2	5.1	2.4	2.7	4.0	83.3	1.4	7.9
2006 Q3	2.1	5.4	2.4	2.8	4.2	83.8	1.5	7.8
Q4	1.8	4.1	2.2	3.3	4.0	84.2	1.5	7.6
2007 Q1	1.9	2.9	2.2	3.0	3.8	84.6	1.4	7.2
Q2	.	.	.	.	.	.	.	.
2007 Jan.	1.8	3.1	-	-	3.3	84.4	-	7.4
Feb.	1.8	2.9	-	-	4.0	-	-	7.2
Mar.	1.9	2.8	-	-	4.1	-	-	7.1
Apr.	1.9	2.4	-	-	2.9	84.8	-	7.1
May	1.9	2.3	-	-	.	-	-	7.0
June	1.9	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-24 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2005	10.3	45.4	-210.0	146.1	320.1	103.3	104.1	1.2441
2006	5.3	30.5	-156.7	273.1	325.8	103.6	104.4	1.2556
2006 Q3	-3.6	7.5	-43.9	22.3	325.0	104.5	105.3	1.2743
Q4	27.3	19.7	-57.3	130.0	325.8	104.6	105.3	1.2887
2007 Q1	5.4	8.6	-33.0	133.1	331.6	105.5	105.9	1.3106
Q2	.	.	.	.	.	107.1	107.3	1.3481
2007 Jan.	-2.0	-3.0	-12.3	35.4	338.6	104.9	105.5	1.2999
Feb.	-4.3	2.5	-12.4	26.2	337.5	105.4	105.9	1.3074
Mar.	11.7	9.2	-8.4	71.4	331.6	106.1	106.5	1.3242
Apr.	-5.9	3.2	-24.4	16.3	330.0	107.1	107.4	1.3516
May	.	.	.	.	327.4	107.3	107.4	1.3511
June	.	.	.	.	.	106.9	107.1	1.3419

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

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

MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2007 8 June	2007 15 June	2007 22 June	2007 29 June
Gold and gold receivables	179,936	179,911	179,866	172,756
Claims on non-euro area residents in foreign currency	143,867	144,240	143,414	141,647
Claims on euro area residents in foreign currency	25,588	24,557	26,015	24,433
Claims on non-euro area residents in euro	15,301	16,121	15,844	16,713
Lending to euro area credit institutions in euro	429,174	432,004	438,124	464,608
Main refinancing operations	279,000	282,000	288,002	313,499
Longer-term refinancing operations	150,002	150,003	150,003	150,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	172	1	119	1,104
Credits related to margin calls	0	0	0	3
Other claims on euro area credit institutions in euro	14,058	14,401	14,430	13,759
Securities of euro area residents in euro	96,176	95,752	93,929	93,704
General government debt in euro	37,643	37,643	37,643	37,147
Other assets	234,603	235,631	237,407	243,686
Total assets	1,176,346	1,180,260	1,186,672	1,208,453

2. Liabilities

	2007 8 June	2007 15 June	2007 22 June	2007 29 June
Banknotes in circulation	629,296	628,150	627,902	633,076
Liabilities to euro area credit institutions in euro	185,711	192,101	189,555	183,186
Current accounts (covering the minimum reserve system)	185,565	191,999	189,468	182,086
Deposit facility	143	86	86	1,100
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	3	16	1	0
Other liabilities to euro area credit institutions in euro	201	198	201	226
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	51,054	50,176	58,492	77,881
Liabilities to non-euro area residents in euro	20,240	19,931	19,536	28,116
Liabilities to euro area residents in foreign currency	157	157	190	178
Liabilities to non-euro area residents in foreign currency	17,262	16,816	17,756	16,059
Counterpart of special drawing rights allocated by the IMF	5,578	5,578	5,578	5,517
Other liabilities	72,995	73,300	73,609	78,893
Revaluation accounts	125,521	125,521	125,521	117,010
Capital and reserves	68,331	68,332	68,332	68,311
Total liabilities	1,176,346	1,180,260	1,186,672	1,208,453

Source: ECB.

1.2 Key ECB interest rates

(levels in percentages per annum; changes in percentage points)

With effect from [1]	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
			Fixed rate	Minimum bid rate			
	Level	Change	Level	Level	Change	Level	Change
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 [2]	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 [3]	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25
2007 14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25
13 June	3.00	0.25	-	4.00	0.25	5.00	0.25

Source: ECB.

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

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

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders: Minimum bid rate	Variable rate tenders: Marginal rate [4)]	Variable rate tenders: Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7
	Main refinancing operations						
2007 7 Mar.	364,245	333	280,000	3.50	3.55	3.56	7
14	375,459	352	271,500	3.75	3.81	3.81	7
21	372,414	370	282,000	3.75	3.80	3.81	7
28	365,416	357	283,500	3.75	3.82	3.83	7
4 Apr.	382,753	356	291,500	3.75	3.83	3.83	7
11	364,037	346	280,000	3.75	3.81	3.82	7
18	397,484	366	281,500	3.75	3.81	3.82	7
25	392,541	350	288,500	3.75	3.82	3.83	7
2 May	371,510	306	279,500	3.75	3.82	3.83	7
9	353,181	325	276,000	3.75	3.81	3.82	6
15	360,720	307	281,000	3.75	3.82	3.82	8
23	364,192	359	295,500	3.75	3.82	3.82	7
30	360,182	331	284,500	3.75	3.82	3.83	7
6 June	331,056	322	279,000	3.75	3.75	3.77	7
13	363,785	344	282,000	4.00	4.06	4.07	7
20	365,298	361	288,000	4.00	4.06	4.07	7
27	340,137	341	313,500	4.00	4.07	4.08	7
4 July	357,489	334	298,000	4.00	4.03	4.05	7
	Longer-term refinancing operations						
2006 29 June	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	91
28 Sep.	49,801	136	40,000	-	3.30	3.32	84
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91
21 Dec.	74,150	161	40,000	-	3.66	3.67	98
2007 1 Feb.	79,099	164	50,000	-	3.72	3.74	85
1 Mar.	80,110	143	50,000	-	3.80	3.81	91
29	76,498	148	50,000	-	3.87	3.87	91
27 Apr.	71,294	148	50,000	-	3.96	3.97	90
31 May	72,697	147	50,000	-	4.06	4.07	91
28 June	66,319	139	50,000	-	4.11	4.12	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders: Fixed rate	Variable rate tenders: Minimum bid rate	Variable rate tenders: Marginal rate [4)]	Variable rate tenders: Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7	8	9
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	1
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	1
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1
8 Aug.	Collection of fixed-term deposits	19,860	21	18,000	2.75	-	-	-	1
5 Sep.	Collection of fixed-term deposits	13,635	17	11,500	3.00	-	-	-	1
10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	1
12 Dec.	Reverse transaction	21,565	25	2,500	-	3.25	3.32	3.33	1
2007 13 Mar.	Collection of fixed-term deposits	2,300	2	2,300	3.50	-	-	-	1
17 Apr.	Collection of fixed-term deposits	42,245	35	22,500	3.75	-	-	-	1
14 May	Collection of fixed-term deposits	2,460	7	2,460	3.75	-	-	-	1
12 June	Collection of fixed-term deposits	12,960	11	6,000	3.75	-	-	-	1

Source: ECB.

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

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1)]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007 Jan.	15,889.0	8,478.5	638.8	1,984.4	1,278.8	3,508.5
Feb.	16,033.9	8,490.3	645.9	1,990.6	1,350.2	3,556.9
Mar.	16,253.0	8,634.2	657.4	2,009.8	1,358.8	3,592.8
Apr.	16,456.1	8,764.2	677.6	2,021.0	1,387.2	3,606.1

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
2005	152.0	153.0	1.0	0.0	2.07
2006	172.5	173.2	0.7	0.0	3.30
2007 Q1	179.8	180.6	0.8	0.0	3.55
2007 17 Apr.	181.8	182.6	0.8	0.0	3.81
14 May	182.2	183.2	1.0	0.0	3.82
12 June	185.3	186.2	0.9	0.0	3.80
10 July	188.3	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations [2)]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2005	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007 16 Jan.	325.8	322.3	120.0	0.1	0.0	0.2	1.0	619.5	45.0	-72.7	175.3	794.9
13 Feb.	322.1	300.5	124.6	0.1	0.1	0.1	1.5	604.6	47.9	-83.1	176.5	781.2
13 Mar.	321.6	288.7	134.6	0.0	0.0	0.5	0.8	606.2	47.1	-90.0	180.6	787.2
17 Apr.	323.6	281.7	145.7	0.5	0.0	0.3	0.9	614.8	48.2	-95.2	182.6	797.7
14 May	326.1	281.6	150.0	0.3	0.0	0.5	0.1	620.0	51.3	-97.2	183.2	803.8
12 June	326.4	284.9	150.0	0.3	0.0	0.2	0.2	625.2	49.1	-99.4	186.2	811.7

Source: ECB.

1) End of period.

2) Starting from 1 January 2007, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by Banka Slovenije before 1 January 2007 and were still outstanding after this date.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(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 [2]	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													
2005	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007 Jan.	1,540.4	663.7	19.7	0.6	643.3	224.7	194.4	2.4	27.9	-	17.2	361.4	14.8	258.6
Feb.	1,582.1	682.5	19.7	0.6	662.1	234.6	202.8	2.4	29.5	-	17.2	365.7	14.8	267.4
Mar.	1,576.6	693.3	19.7	0.6	673.0	238.0	205.5	2.1	30.4	-	17.4	359.6	14.8	253.5
Apr.	1,588.8	700.1	19.1	0.6	680.4	243.5	210.2	2.2	31.1	-	17.7	355.8	15.3	256.4
May (p)	1,629.8	724.7	18.1	0.6	705.9	248.1	213.5	2.1	32.5	-	17.8	354.0	15.3	269.8
	MFIs excluding the Eurosystem													
2005	23,631.5	13,681.7	826.9	8,285.1	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006	25,973.9	14,904.2	810.5	9,160.3	4,933.4	3,555.2	1,276.5	645.8	1,632.8	83.5	1,194.5	4,330.1	172.6	1,733.9
2007 Jan.	26,402.2	15,074.2	806.2	9,275.8	4,992.1	3,602.0	1,296.1	644.4	1,661.5	84.6	1,219.5	4,489.5	171.8	1,760.7
Feb.	26,619.8	15,159.1	803.2	9,337.0	5,018.9	3,626.6	1,293.2	658.2	1,675.1	87.4	1,219.6	4,575.7	171.8	1,779.7
Mar.	27,084.1	15,332.7	801.4	9,439.2	5,092.1	3,661.0	1,281.6	686.6	1,692.9	92.2	1,238.0	4,683.3	195.0	1,881.9
Apr.	27,460.1	15,493.8	802.3	9,524.1	5,167.3	3,670.2	1,258.8	706.0	1,705.4	97.0	1,308.4	4,800.9	199.5	1,890.3
May (p)	27,827.2	15,606.5	797.8	9,597.0	5,211.6	3,745.6	1,291.7	733.6	1,720.2	95.1	1,346.7	4,899.6	200.3	1,933.6

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	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										
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007 Jan.	1,540.4	621.2	433.3	48.2	18.8	366.3	-	0.8	214.9	36.9	233.2
Feb.	1,582.1	623.2	466.5	51.4	19.8	395.2	-	0.4	218.2	39.1	234.7
Mar.	1,576.6	632.5	455.6	44.8	17.5	393.3	-	0.3	216.3	39.5	232.4
Apr.	1,588.8	641.6	455.5	42.0	19.8	393.7	-	0.1	213.6	43.1	234.9
May (p)	1,629.8	644.9	482.3	47.2	21.3	413.8	-	0.1	211.4	42.5	248.6
	MFIs excluding the Eurosystem										
2005	23,631.5	-	12,212.2	149.2	7,211.9	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006	25,973.9	-	13,257.2	123.2	7,891.6	5,242.4	697.7	4,247.6	1,449.7	3,991.1	2,330.5
2007 Jan.	26,402.2	-	13,297.9	122.3	7,888.2	5,287.4	726.1	4,313.8	1,459.3	4,181.6	2,423.5
Feb.	26,619.8	-	13,358.7	138.0	7,899.4	5,321.2	739.9	4,372.4	1,478.3	4,231.2	2,439.4
Mar.	27,084.1	-	13,591.9	138.8	8,046.9	5,406.2	758.6	4,423.0	1,520.0	4,253.5	2,537.2
Apr.	27,460.1	-	13,690.5	131.6	8,097.4	5,461.5	779.2	4,446.1	1,537.3	4,405.2	2,601.7
May (p)	27,827.2	-	13,847.9	152.3	8,165.0	5,530.6	797.4	4,503.3	1,536.5	4,514.8	2,627.2

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
3) Amounts held by euro area residents.
4) 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 [1]

(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										
2005	17,870.7	9,133.3	847.5	8,285.7	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006	19,743.5	9,991.1	830.2	9,161.0	2,112.3	1,464.0	648.3	829.9	4,681.5	187.3	1,941.4
2007 Jan.	20,097.2	10,102.4	826.0	9,276.4	2,137.3	1,490.5	646.8	846.3	4,850.9	186.6	1,973.7
Feb.	20,284.1	10,160.6	822.9	9,337.6	2,156.6	1,496.0	660.6	836.4	4,941.3	186.6	2,002.6
Mar.	20,630.4	10,261.0	821.1	9,439.9	2,175.7	1,487.0	688.7	849.9	5,042.9	209.8	2,091.2
Apr.	20,904.3	10,346.2	821.5	9,524.8	2,177.3	1,469.1	708.2	909.5	5,156.7	214.8	2,099.8
May (p)	21,200.4	10,413.6	816.0	9,597.6	2,241.0	1,505.2	735.8	920.5	5,253.6	215.6	2,156.1
	Transactions										
2005	1,608.6	708.9	12.8	696.0	156.2	76.2	79.9	53.2	448.5	1.4	240.4
2006	2,003.8	873.6	-14.4	888.0	10.6	-96.8	107.4	98.5	795.7	6.4	218.9
2007 Jan.	292.3	84.5	-4.0	88.4	22.9	21.2	1.7	12.9	143.6	-0.9	29.3
Feb.	221.8	63.2	-3.0	66.2	17.8	4.2	13.6	-10.6	123.8	0.0	27.6
Mar.	348.3	104.7	-1.2	105.9	22.4	-7.3	29.6	10.0	123.5	1.2	86.5
Apr.	313.3	92.5	0.5	92.0	3.5	-16.0	19.5	58.7	151.8	1.0	5.8
May (p)	267.1	68.1	-5.6	73.6	62.3	36.7	25.6	5.6	75.5	0.9	54.8

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2005	17,870.7	532.8	173.6	7,226.4	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006	19,743.5	592.2	156.9	7,907.5	614.1	2,587.9	1,276.5	4,026.5	2,566.1	15.7
2007 Jan.	20,097.2	575.6	170.4	7,907.0	641.5	2,625.2	1,283.7	4,218.6	2,656.7	18.4
Feb.	20,284.1	578.7	189.5	7,919.2	652.5	2,668.2	1,296.2	4,270.2	2,674.1	35.4
Mar.	20,630.4	588.3	183.6	8,064.4	666.4	2,700.0	1,330.7	4,293.0	2,769.5	34.5
Apr.	20,904.3	594.7	173.6	8,117.2	682.3	2,709.7	1,334.2	4,448.3	2,836.6	7.5
May (p)	21,200.4	597.5	199.5	8,186.3	702.4	2,750.8	1,304.0	4,557.3	2,875.9	26.8
	Transactions									
2005	1,608.6	64.4	10.9	495.7	-3.0	213.5	96.2	448.0	333.8	-50.8
2006	2,003.8	59.4	-16.2	684.3	27.0	285.6	57.3	599.4	263.8	43.1
2007 Jan.	292.3	-17.0	12.2	-21.6	28.9	30.0	0.3	166.8	95.9	-3.1
Feb.	221.8	3.1	19.0	16.3	11.5	50.5	6.9	84.3	6.6	23.6
Mar.	348.3	9.6	-5.7	147.3	14.2	35.3	17.7	39.0	88.1	2.7
Apr.	313.3	6.4	-9.9	57.6	17.9	19.4	-2.1	190.9	50.7	-17.7
May (p)	267.1	2.8	25.9	66.8	15.4	35.1	-29.2	89.0	44.2	17.1

Source: ECB.

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

2.3 Monetary statistics [1]

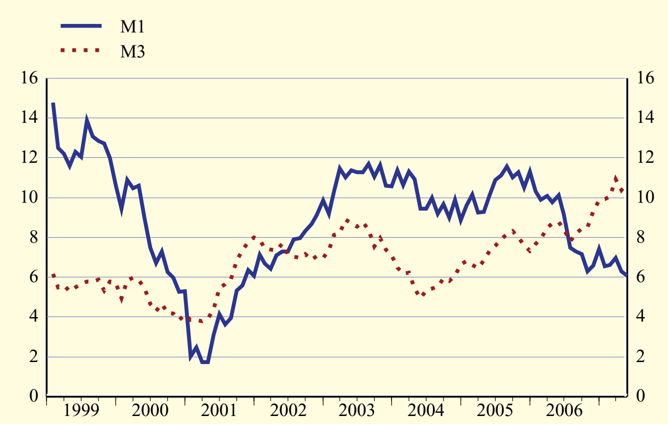
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets [3]
	M2			M3-M2						Loans	
	M1	M2-M1									
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2005	3,419.4	2,653.2	6,072.6	999.4	7,072.0	-	5,000.2	2,472.5	9,561.0	8,287.3	422.2
2006	3,674.8	2,954.1	6,628.9	1,102.1	7,731.0	-	5,428.7	2,321.2	10,658.5	9,167.4	632.9
2007 Jan.	3,686.5	2,989.4	6,675.9	1,134.9	7,810.7	-	5,478.5	2,321.7	10,770.8	9,273.9	629.3
Feb.	3,709.2	3,006.7	6,715.9	1,153.1	7,869.0	-	5,514.3	2,321.8	10,843.2	9,342.4	679.9
Mar.	3,746.6	3,064.4	6,811.0	1,188.9	7,999.9	-	5,579.7	2,300.8	10,969.4	9,442.9	767.2
Apr.	3,738.7	3,106.2	6,844.9	1,189.3	8,034.2	-	5,609.9	2,277.2	11,086.7	9,515.0	732.7
May (p)	3,768.4	3,129.2	6,897.6	1,219.0	8,116.6	-	5,627.3	2,314.0	11,201.9	9,589.7	730.0
	Transactions										
2005	337.0	138.9	475.9	8.5	484.4	-	401.5	94.5	835.5	700.4	0.1
2006	253.4	310.9	564.3	130.2	694.5	-	427.0	-114.1	1,101.4	892.8	196.1
2007 Jan.	3.1	26.0	29.0	34.4	63.5	-	31.8	-4.6	85.0	79.5	-4.1
Feb.	24.1	19.2	43.2	18.5	61.8	-	38.9	-1.2	76.3	73.5	51.3
Mar.	38.1	58.7	96.8	35.7	132.5	-	52.9	-18.7	128.0	104.2	93.1
Apr.	-6.7	44.3	37.6	1.5	39.0	-	36.3	-21.4	123.5	79.1	-32.1
May (p)	29.1	22.0	51.0	25.5	76.6	-	11.6	37.3	108.8	75.5	-4.1
	Growth rates										
2005 Dec.	11.3	5.4	8.5	0.9	7.3	7.5	8.9	4.1	9.6	9.2	0.1
2006 Dec.	7.4	11.7	9.3	13.2	9.8	9.7	8.5	-4.7	11.5	10.8	196.1
2007 Jan.	6.6	12.0	8.9	16.2	9.9	9.9	8.6	-4.8	11.3	10.6	185.0
Feb.	6.6	11.6	8.8	18.0	10.0	10.3	8.4	-4.1	10.7	10.3	250.9
Mar.	7.0	12.7	9.5	19.9	10.9	10.4	8.6	-4.9	10.8	10.5	336.0
Apr.	6.3	12.4	9.0	19.2	10.4	10.7	8.6	-5.6	10.7	10.3	311.4
May (p)	6.1	13.7	9.4	18.8	10.7	.	8.2	-3.1	10.9	10.3	293.9

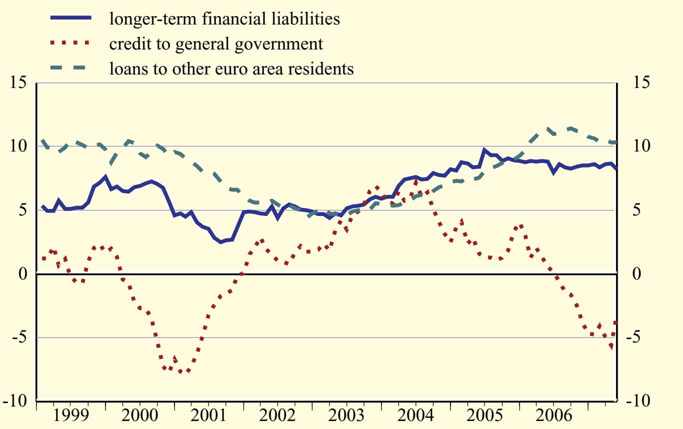
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2) 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).

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

2.3 Monetary statistics [1)]

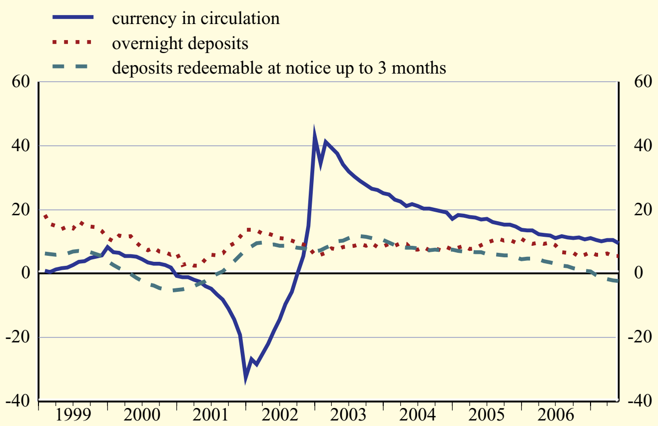
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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						
2005	521.5	2,897.9	1,109.9	1,543.2	241.6	631.6	126.2	2,202.6	86.9	1,511.2	1,199.6
2006	579.0	3,095.8	1,402.7	1,551.4	272.0	631.4	198.7	2,396.2	102.4	1,654.6	1,275.6
2007 Jan.	583.2	3,103.3	1,442.5	1,546.9	268.2	645.5	221.1	2,422.5	105.2	1,666.4	1,284.4
Feb.	588.3	3,121.0	1,468.5	1,538.1	265.1	655.7	232.3	2,441.9	106.9	1,670.0	1,295.6
Mar.	592.0	3,154.6	1,527.6	1,536.8	280.3	670.1	238.5	2,461.2	107.8	1,683.3	1,327.5
Apr.	597.4	3,141.3	1,573.2	1,533.0	271.6	676.3	241.4	2,467.5	108.7	1,693.6	1,340.0
May (p)	597.8	3,170.6	1,596.7	1,532.5	270.4	691.7	256.9	2,488.7	108.6	1,715.9	1,314.2
					Transactions						
2005	63.2	273.8	69.1	69.8	-5.9	-2.0	16.4	198.4	-4.3	111.2	96.1
2006	57.5	195.8	301.8	9.2	31.2	28.8	70.2	216.3	15.5	137.8	57.5
2007 Jan.	3.7	-0.7	31.4	-5.4	-3.8	15.6	22.6	18.7	2.1	9.2	1.9
Feb.	5.1	19.0	27.9	-8.7	-3.1	10.8	10.8	27.2	1.6	4.4	5.6
Mar.	3.7	34.4	60.1	-1.3	15.2	14.6	5.9	23.2	0.9	13.7	15.1
Apr.	5.4	-12.1	47.9	-3.7	-8.6	8.3	1.8	17.1	1.0	11.3	7.0
May (p)	0.4	28.7	22.5	-0.5	-1.2	10.7	16.0	14.8	-0.1	21.7	-24.9
					Growth rates						
2005 Dec.	13.8	10.9	6.5	4.4	-2.4	-0.3	15.7	10.0	-4.7	8.1	8.9
2006 Dec.	11.0	6.8	27.3	0.6	13.0	4.7	54.5	9.9	17.8	9.1	4.7
2007 Jan.	10.4	5.9	29.3	-0.4	11.6	8.2	58.4	10.2	18.9	8.9	4.7
Feb.	10.2	5.9	29.4	-1.3	15.2	9.6	56.5	10.7	20.7	8.2	3.5
Mar.	10.5	6.3	32.2	-1.7	19.3	12.2	50.3	11.0	20.6	8.1	4.2
Apr.	10.5	5.5	31.2	-2.0	13.5	13.2	51.1	10.9	20.4	7.9	4.7
May (p)	9.6	5.4	34.8	-2.3	10.3	13.8	49.3	10.7	18.4	8.3	2.9

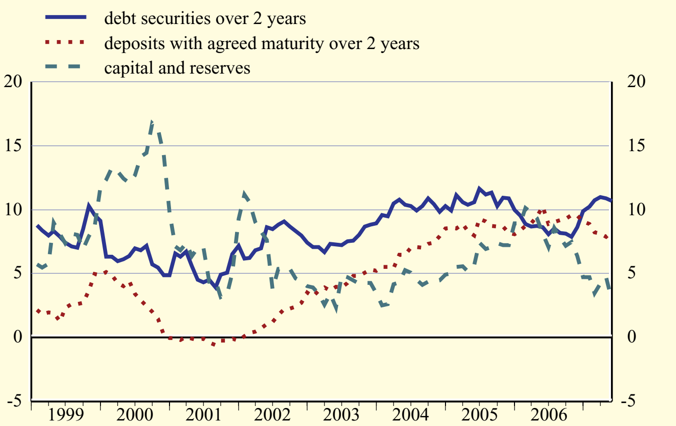
C3 Components of monetary aggregates [1)]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1)]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2.4 MFI loans, breakdown [1), 2)]

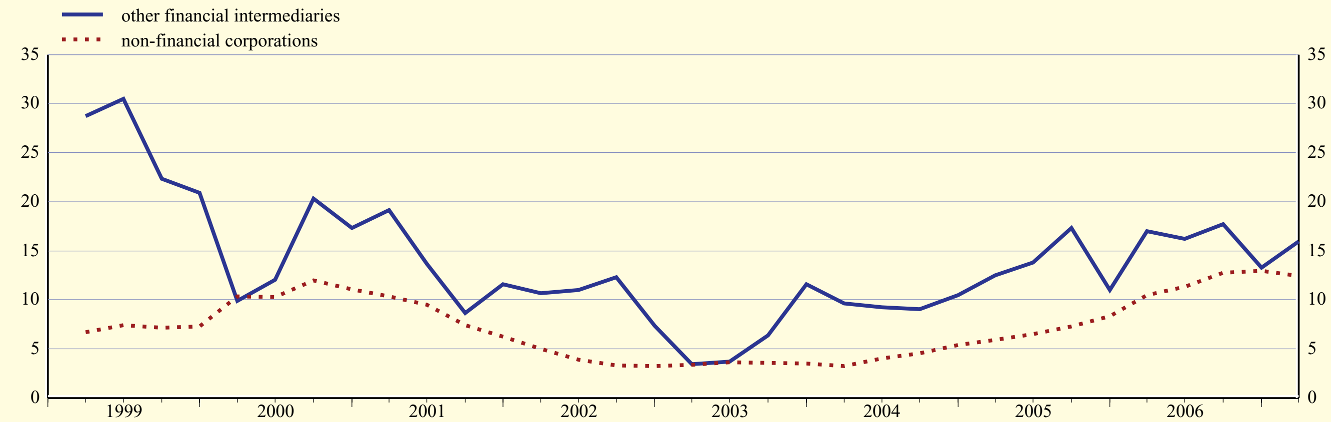
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations [3)]

	Insurance corporations and pension funds		Other financial intermediaries [4)]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
				Outstanding amounts				
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006	82.9	55.2	695.9	420.6	3,844.5	1,137.9	707.1	1,999.5
2007 Jan.	99.9	72.2	721.8	440.9	3,898.3	1,157.5	717.4	2,023.3
Feb.	97.0	70.2	741.8	460.8	3,920.6	1,160.6	726.1	2,033.9
Mar.	98.5	71.6	774.8	488.6	3,955.8	1,170.5	738.7	2,046.6
Apr.	105.6	79.3	794.8	502.7	3,996.5	1,187.2	749.3	2,060.0
May (p)	108.9	82.3	789.3	492.3	4,044.5	1,195.1	765.1	2,084.3
				Transactions				
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006	18.2	13.9	81.8	57.7	442.5	96.8	123.1	222.6
2007 Jan.	17.0	17.0	16.8	19.1	39.1	14.9	7.1	17.1
Feb.	-2.8	-2.0	21.1	20.7	24.9	3.9	9.3	11.7
Mar.	1.6	1.5	33.1	28.1	40.5	10.9	13.3	16.3
Apr.	7.1	7.8	22.0	15.2	43.8	17.8	11.3	14.7
May (p)	3.3	2.9	-5.9	-10.9	48.4	7.7	16.4	24.4
				Growth rates				
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Dec.	28.2	33.3	13.3	15.6	13.0	9.4	20.8	12.4
2007 Jan.	30.5	37.1	11.4	13.2	13.2	9.9	20.4	12.7
Feb.	28.7	37.0	10.7	12.3	12.7	9.2	19.6	12.3
Mar.	20.5	25.9	16.0	19.6	12.4	9.4	18.8	12.1
Apr.	20.2	26.5	16.3	18.3	12.2	8.9	18.9	11.9
May (p)	25.5	33.7	14.5	14.2	12.6	9.8	19.5	11.9

C5 Loans to financial intermediaries and non-financial corporations [2)]

(annual growth rates)



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

2.4 MFI loans, breakdown [1), 2)]

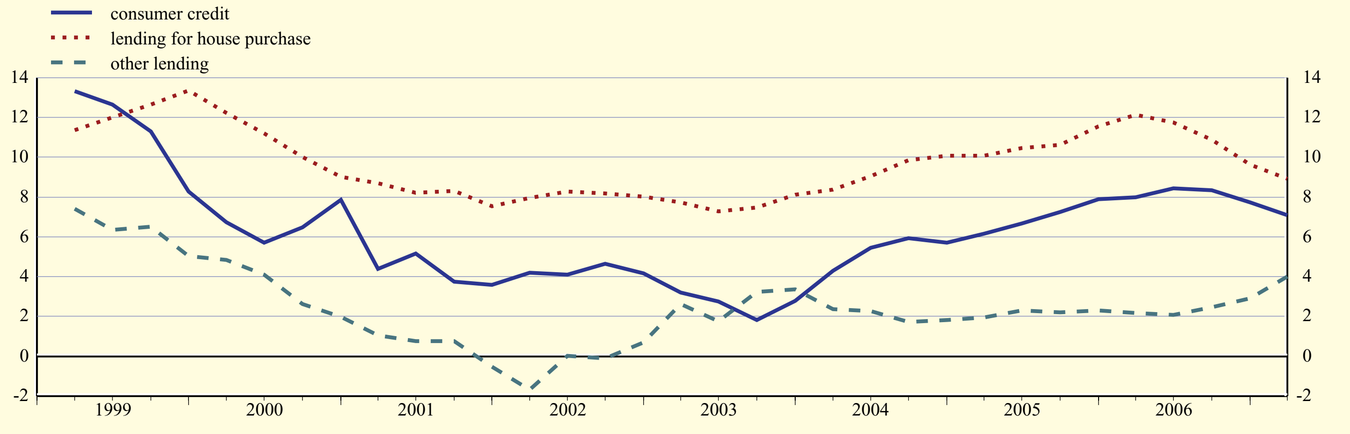
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [3)]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2005	4,191.0	554.1	129.1	200.7	224.3	2,915.3	15.2	67.5	2,832.6	721.6	147.3	99.9	474.4
2006	4,537.0	586.6	135.3	202.7	248.5	3,212.0	15.6	72.1	3,124.4	738.4	146.2	101.5	490.7
2007 Jan.	4,555.8	587.0	134.7	202.2	250.0	3,230.5	15.3	72.4	3,142.8	738.3	145.3	100.9	492.1
Feb.	4,577.6	585.2	132.5	201.5	251.2	3,252.1	15.5	72.5	3,164.0	740.2	145.6	100.8	493.9
Mar.	4,610.1	590.0	133.3	202.9	253.8	3,271.3	16.1	71.8	3,183.4	748.8	147.7	102.2	498.9
Apr.	4,627.3	593.5	134.6	202.7	256.2	3,286.0	15.8	71.8	3,198.5	747.7	146.5	102.5	498.7
May (p)	4,654.3	595.4	134.4	203.9	257.1	3,311.4	15.9	72.1	3,223.4	747.5	145.3	102.4	499.9
	Transactions												
2005	357.5	40.7	9.0	11.6	20.0	300.6	0.7	4.8	295.0	16.2	3.8	1.3	11.1
2006	345.4	42.7	8.2	4.8	29.6	281.8	1.5	4.6	275.7	20.9	1.4	3.8	15.7
2007 Jan.	15.5	-1.3	-0.6	-1.1	0.4	17.1	-0.3	0.4	17.0	-0.3	-1.2	-0.7	1.6
Feb.	23.0	-1.3	-2.2	-0.6	1.5	21.9	0.3	0.1	21.5	2.4	0.4	-0.1	2.1
Mar.	30.7	4.5	1.0	1.5	2.0	19.2	0.6	-0.4	19.0	7.0	1.7	1.2	4.2
Apr.	19.0	4.0	1.4	-0.1	2.8	15.6	-0.4	0.0	15.9	-0.6	-1.0	0.4	0.1
May (p)	27.8	2.2	-0.2	1.3	1.1	25.4	0.1	0.3	25.0	0.3	-1.2	0.2	1.2
	Growth rates												
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.5	5.2	7.5	11.7	2.3	2.6	1.3	2.4
2006 Dec.	8.2	7.7	6.5	2.4	13.3	9.6	9.7	6.8	9.7	2.9	1.0	3.9	3.3
2007 Jan.	8.1	7.3	6.2	2.0	12.6	9.5	8.9	7.8	9.5	2.9	0.5	3.8	3.4
Feb.	8.1	6.7	5.2	1.2	12.5	9.5	10.6	7.6	9.5	3.4	1.1	3.0	4.2
Mar.	7.9	7.1	6.8	1.7	11.9	8.9	13.8	6.3	9.0	4.0	1.7	3.9	4.7
Apr.	7.6	6.9	7.2	1.0	12.0	8.6	12.3	6.4	8.6	3.8	1.2	4.8	4.4
May (p)	7.4	5.9	5.3	0.5	11.1	8.6	13.1	6.1	8.6	3.6	1.4	4.7	4.1

C6 Loans to households [2)]

(annual growth rates)



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

2.4 MFI loans, breakdown [1), 2)]

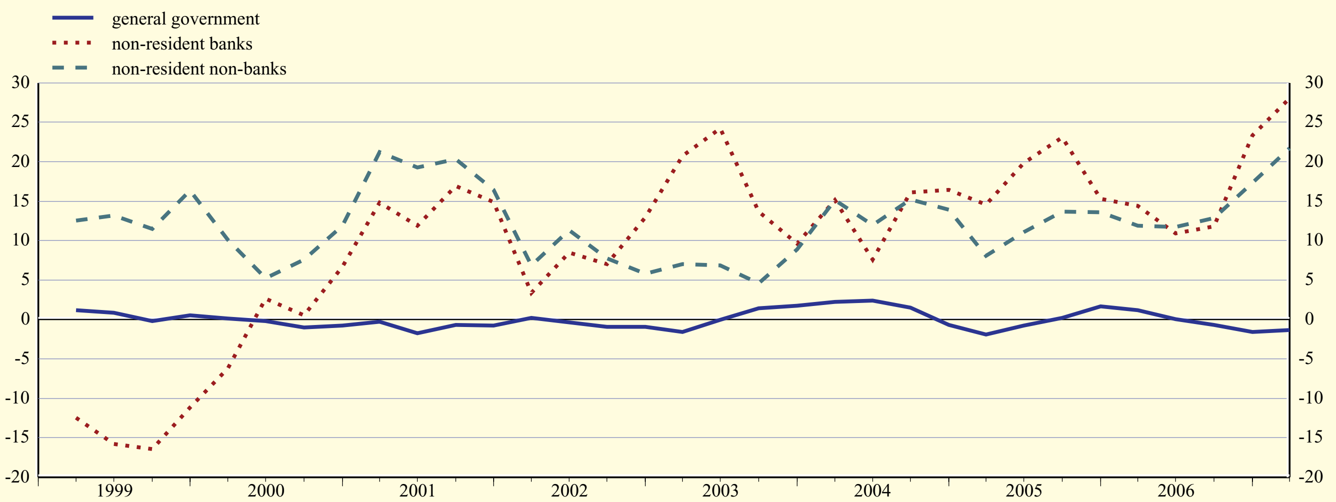
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006 Q1	816.0	118.3	240.9	427.7	29.2	2,594.7	1,821.6	773.1	62.9	710.2
Q2	809.0	106.5	234.5	436.0	32.0	2,611.3	1,839.9	771.5	66.5	705.0
Q3	803.6	101.2	230.1	436.6	35.7	2,735.9	1,919.9	816.1	66.5	749.6
Q4	810.5	104.1	232.5	448.1	25.8	2,924.3	2,061.0	863.4	63.2	800.2
2007 Q1 (p)	801.4	96.6	225.2	453.6	26.0	3,169.0	2,260.3	908.7	63.2	845.5
	Transactions									
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	4.7	84.3
2006 Q1	-10.7	-6.6	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.5	3.6	9.9
Q3	-3.3	-3.1	-4.3	0.4	3.6	120.2	75.8	44.3	-0.7	45.0
Q4	7.4	3.7	2.4	11.2	-9.8	218.6	166.9	51.7	-2.7	54.4
2007 Q1 (p)	-8.2	-7.4	-6.3	5.5	0.1	271.9	217.2	54.8	0.2	54.6
	Growth rates									
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	7.7	14.2
2006 Mar.	1.2	-8.2	-3.9	5.8	29.5	13.7	14.4	11.9	1.7	12.9
June	0.0	-14.1	-6.3	7.4	12.2	11.2	10.9	11.7	7.3	12.1
Sep.	-0.7	-13.3	-7.9	6.5	9.1	12.1	11.8	12.8	2.9	13.8
Dec.	-1.6	-14.0	-5.8	5.1	-11.6	21.5	23.3	17.4	-4.2	19.4
2007 Mar. (p)	-1.3	-15.7	-6.1	5.9	-11.0	26.1	28.0	21.7	0.7	23.6

C7 Loans to government and non-euro area residents [2)]

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term “banks” is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

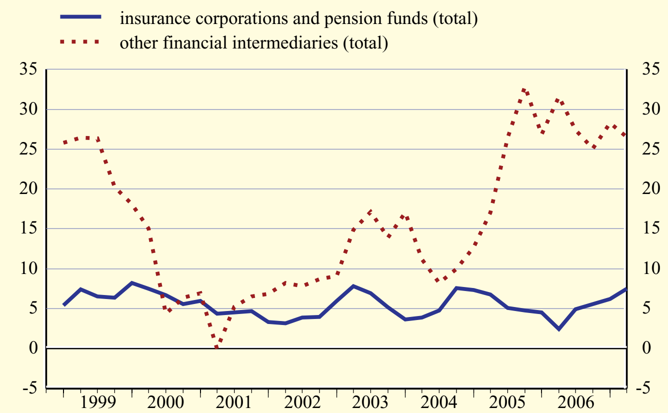
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

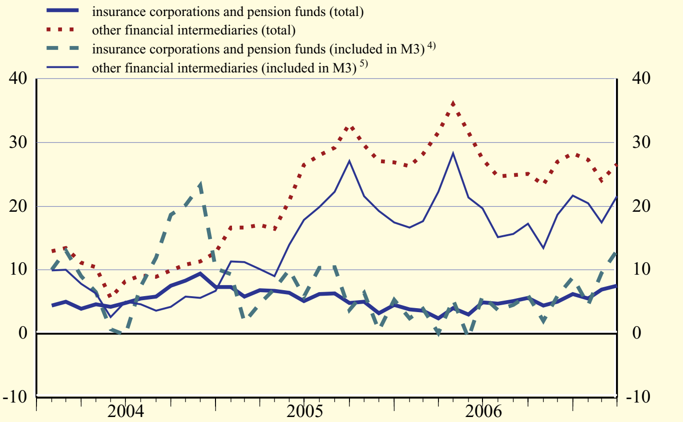
1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	880.4	233.9	185.0	329.8	10.5	0.1	121.1
2006	650.0	70.2	57.1	495.4	1.0	1.4	24.9	1,141.3	283.1	252.8	469.4	10.6	0.2	125.1
2007 Jan.	655.7	71.9	57.7	499.5	1.0	1.4	24.3	1,177.5	307.3	247.1	475.8	10.5	0.2	136.6
Feb.	657.0	69.4	58.3	502.8	1.1	1.2	24.2	1,176.5	299.9	247.2	480.3	10.3	0.2	138.6
Mar.	658.7	72.2	58.4	503.0	1.1	1.2	22.9	1,251.3	318.3	267.5	502.9	11.4	0.3	151.0
Apr.	666.1	70.0	63.2	506.3	1.0	1.2	24.4	1,264.5	306.9	277.1	517.2	11.3	0.3	151.7
May (p)	659.7	65.5	60.2	509.0	0.9	1.2	23.0	1,292.4	315.2	275.9	537.8	11.5	0.3	151.7
	Transactions													
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	176.1	40.1	37.3	96.8	1.5	0.0	0.4
2006	37.9	2.7	5.5	25.6	-0.2	0.0	4.4	249.8	45.1	68.8	130.5	0.3	0.1	4.9
2007 Jan.	5.2	1.5	0.3	4.0	0.0	0.0	-0.7	33.3	23.6	-6.6	5.1	-0.3	0.0	11.5
Feb.	1.6	-2.4	0.7	3.4	0.1	-0.1	0.0	1.2	-6.8	0.8	5.3	-0.1	0.0	2.0
Mar.	1.8	2.8	0.1	0.2	0.0	0.0	-1.3	75.9	18.6	20.7	22.9	1.1	0.1	12.5
Apr.	7.1	-2.6	5.0	3.3	-0.1	0.0	1.5	15.8	-10.7	10.4	15.2	0.0	0.0	0.8
May (p)	-6.5	-4.5	-3.1	2.7	-0.1	0.0	-1.4	26.7	8.1	-1.6	20.2	0.1	0.0	0.0
	Growth rates													
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	26.9	22.2	25.0	47.3	14.3	-	0.4
2006 Dec.	6.2	4.0	10.7	5.4	-16.3	-3.4	21.2	28.3	19.3	37.4	38.9	2.9	-	4.0
2007 Jan.	5.6	-0.8	15.7	5.9	-13.5	-3.5	-1.4	27.3	16.2	38.5	38.7	4.7	-	5.4
Feb.	6.9	1.2	23.4	6.2	-6.7	-13.8	7.1	24.1	15.1	30.2	35.0	1.2	-	4.9
Mar.	7.5	10.2	15.9	5.9	-2.9	-14.3	16.0	26.5	15.3	37.5	34.6	4.1	-	12.4
Apr.	6.0	2.7	25.6	5.6	-11.0	-13.9	-13.0	22.0	9.6	25.6	34.5	8.5	-	7.2
May (p)	6.1	-1.6	31.1	5.8	-20.0	-14.6	-10.2	24.6	13.1	33.8	36.1	-2.0	-	4.3

C8 Total deposits by sector [2)]
(annual growth rates)



C9 Total deposits and deposits included in M3 by sector [2)]
(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) This category includes investment funds.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

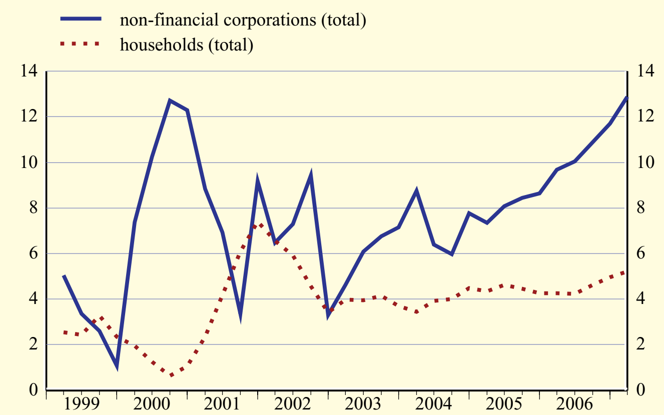
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

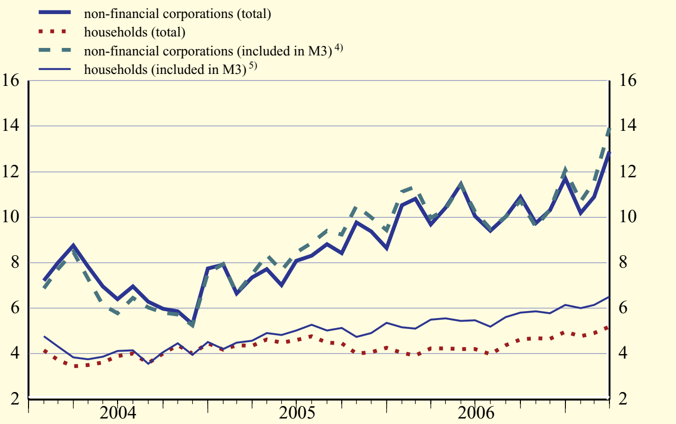
2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2005	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006	1,343.1	851.8	355.3	69.4	40.5	1.3	24.8	4,552.6	1,751.2	669.0	606.8	1,355.7	99.8	70.0
2007 Jan.	1,302.5	807.3	359.2	69.7	39.4	2.1	24.9	4,553.2	1,717.7	701.3	602.5	1,357.1	101.7	72.9
Feb.	1,304.4	808.6	360.4	69.1	38.0	2.1	26.3	4,562.1	1,717.3	721.7	597.2	1,347.0	103.8	75.0
Mar.	1,348.1	832.9	378.8	68.6	39.4	1.3	27.0	4,589.7	1,727.8	744.9	593.1	1,342.1	105.4	76.4
Apr.	1,348.1	833.4	382.4	68.6	37.9	1.3	24.5	4,616.7	1,746.6	765.1	587.0	1,336.4	105.7	76.0
May (p)	1,369.8	844.1	391.7	68.1	37.7	1.3	26.9	4,631.9	1,749.7	782.9	581.4	1,333.7	105.5	78.8
	Transactions													
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006	141.2	85.7	55.7	3.9	-4.2	0.1	0.2	215.2	65.7	137.5	-23.1	2.5	15.4	17.2
2007 Jan.	-45.0	-46.3	2.5	0.1	-1.3	0.0	0.1	-12.2	-39.1	26.7	-5.4	1.0	1.8	2.9
Feb.	3.1	1.8	1.8	-0.5	-1.4	0.0	1.4	9.6	-0.2	20.8	-5.3	-10.0	2.1	2.1
Mar.	44.3	24.6	18.7	-0.5	1.4	-0.7	0.7	27.9	10.5	23.5	-4.1	-4.9	1.6	1.4
Apr.	1.6	1.2	4.4	0.0	-1.5	0.0	-2.6	27.9	19.0	20.8	-6.1	-5.7	0.3	-0.4
May (p)	21.1	10.4	9.0	-0.5	-0.2	0.0	2.4	14.9	3.0	17.6	-5.6	-2.8	-0.2	2.8
	Growth rates													
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Dec.	11.7	11.2	18.4	5.7	-9.4	5.9	0.6	5.0	3.9	25.8	-3.7	0.2	18.2	32.6
2007 Jan.	10.2	9.1	20.1	2.0	-17.5	8.7	-2.4	4.8	2.6	30.3	-4.2	-0.6	19.4	37.1
Feb.	10.9	9.9	19.9	0.3	-19.8	8.4	19.3	4.9	2.7	32.6	-4.6	-1.4	21.4	39.7
Mar.	12.9	11.9	22.4	-2.6	-16.2	-29.8	25.4	5.2	2.9	35.0	-4.8	-1.9	22.1	38.7
Apr.	11.7	11.1	20.9	-3.6	-17.9	-36.0	14.3	5.1	2.2	37.8	-5.4	-2.2	22.1	40.4
May (p)	11.6	9.4	25.4	-4.7	-17.8	-36.3	10.7	5.3	2.5	38.9	-6.0	-2.2	20.2	39.1

C10 Total deposits by sector [2)]
(annual growth rates)



C11 Total deposits and deposits included in M3 by sector [2)] (annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown [1], [2]

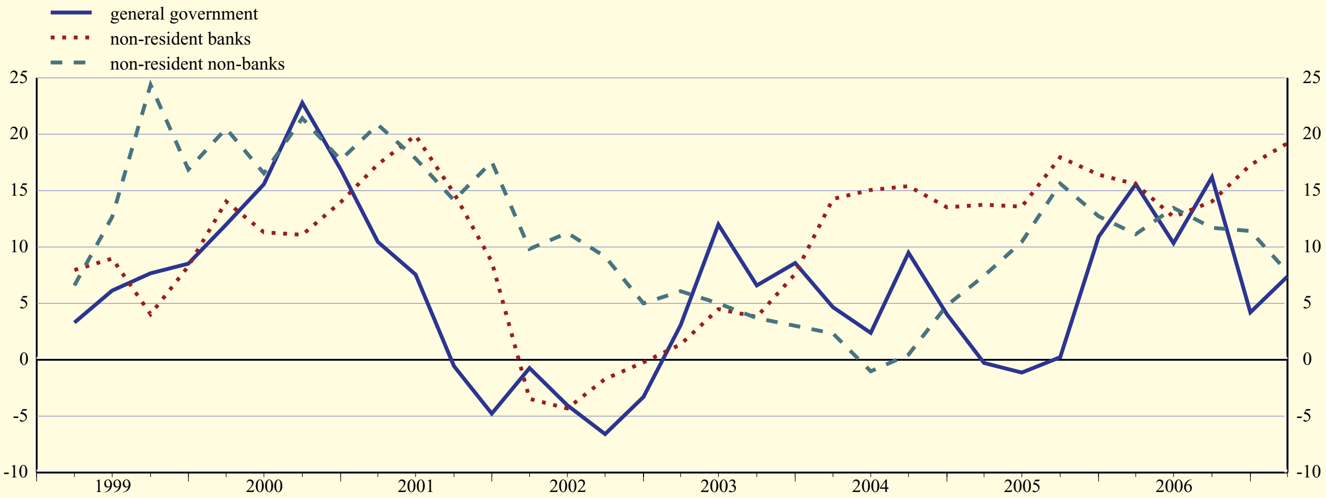
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3	333.0	147.7	41.6	83.5	60.2	3,369.2	2,492.1	877.1	133.3	743.7
Q4	328.0	123.2	45.4	91.8	67.6	3,429.0	2,557.1	871.9	128.6	743.3
2007 Q1 (p)	337.9	138.8	42.1	88.9	68.2	3,661.8	2,781.3	880.4	133.6	746.9
	Transactions									
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3	15.8	9.6	2.0	0.9	3.3	157.5	117.5	40.0	5.1	34.9
Q4	-7.7	-25.0	3.8	6.1	7.4	98.5	104.0	-5.5	-4.8	-0.7
2007 Q1 (p)	8.8	14.9	-3.4	-3.3	0.5	254.4	240.3	13.1	4.8	8.3
	Growth rates									
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.0	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep.	16.2	10.1	15.8	17.2	33.3	13.4	14.0	11.7	6.5	12.7
Dec.	4.2	-17.2	18.4	10.8	51.4	15.7	17.2	11.4	2.2	13.2
2007 Mar. (p)	7.4	-6.5	10.3	12.3	39.2	16.3	19.2	7.8	4.1	8.4

C12 Deposits by government and non-euro area residents [2]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term “banks” is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

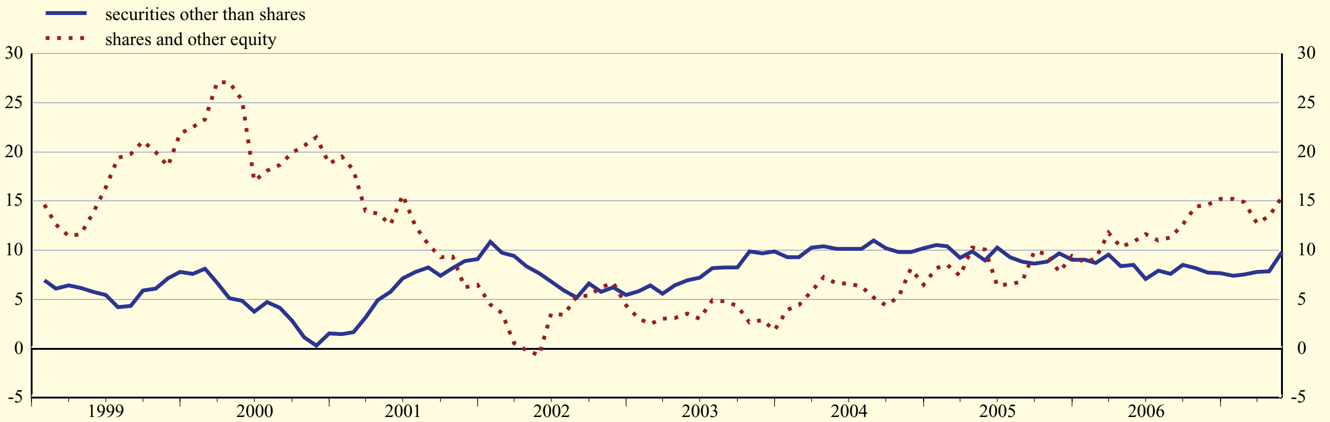
2.6 MFI holdings of securities, breakdown [1), 2)]

(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											
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006	4,663.8	1,560.5	72.3	1,260.4	16.2	615.7	30.1	1,108.6	1,490.3	377.3	817.2	295.8
2007 Jan.	4,756.1	1,586.4	75.1	1,279.9	16.2	613.8	30.6	1,154.2	1,528.4	386.0	833.5	308.9
Feb.	4,791.0	1,596.5	78.6	1,277.2	16.0	625.7	32.5	1,164.4	1,541.8	395.9	823.7	322.3
Mar.	4,842.4	1,616.4	76.5	1,265.9	15.6	652.5	34.1	1,181.4	1,569.7	401.0	837.0	331.6
Apr.	4,862.3	1,628.7	76.6	1,243.4	15.5	671.7	34.3	1,192.1	1,647.7	412.1	896.3	339.3
May (p)	4,983.5	1,640.8	79.4	1,275.9	15.8	698.7	34.9	1,238.0	1,697.2	439.5	907.2	350.6
	Transactions											
2005	356.3	85.7	2.0	52.3	-0.9	71.9	7.7	137.6	109.1	26.5	53.4	29.2
2006	336.8	122.7	10.6	-122.7	0.5	100.4	6.5	218.7	194.4	58.8	97.0	38.6
2007 Jan.	82.0	25.0	1.9	15.8	-0.6	-1.4	3.3	38.0	34.0	7.2	12.9	13.9
Feb.	45.0	10.0	4.7	-3.5	0.0	11.2	2.3	20.2	12.7	9.9	-10.7	13.5
Mar.	61.3	20.5	-1.4	-10.3	-0.2	28.0	1.9	22.9	23.5	4.8	9.9	8.8
Apr.	33.0	13.0	1.3	-21.7	0.2	18.6	0.9	20.7	74.5	9.2	58.6	6.6
May (p)	110.4	14.8	1.4	31.8	0.3	25.5	0.1	36.6	41.6	26.7	5.6	9.3
	Growth rates											
2005 Dec.	9.0	6.3	3.6	4.2	-4.5	16.0	43.8	18.2	9.4	9.4	8.0	13.6
2006 Dec.	7.7	8.5	16.5	-8.9	3.0	19.3	25.7	24.2	15.2	18.7	13.7	15.2
2007 Jan.	7.4	8.2	24.9	-9.3	-2.5	17.9	31.4	23.9	15.2	17.2	13.2	18.3
Feb.	7.5	7.6	26.1	-9.0	-4.8	17.5	41.6	24.4	14.9	22.2	9.2	22.0
Mar.	7.8	7.9	18.4	-10.2	-3.4	21.4	40.2	25.0	12.7	21.4	5.4	23.7
Apr.	7.8	8.4	15.8	-11.6	-4.1	22.5	36.2	25.8	13.5	21.1	5.8	28.2
May (p)	9.8	7.6	21.3	-8.1	-2.5	25.1	39.2	28.5	15.4	22.9	7.1	31.9

C13 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

2.7 Revaluation of selected MFI balance sheet items [1), 2)]
(EUR billions)

1. Write-offs/write-downs of loans to households [3)]

	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
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.4	-6.7	-1.1	-2.0	-3.6
2007 Jan.	-0.5	-0.2	-0.1	-0.2	-0.5	0.0	0.0	-0.5	-0.9	-0.3	-0.1	-0.5
Feb.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.3
Mar.	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.5	0.0	-0.1	-0.3
Apr.	-0.3	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.3	0.0	-0.1	-0.2
May (p)	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.6	0.0	-0.3	-0.2

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
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007 Jan.	-1.4	-0.4	-0.4	-0.6	0.0	0.0	0.0
Feb.	-0.7	-0.2	-0.1	-0.4	0.0	0.0	0.0
Mar.	-0.8	0.1	-0.2	-0.7	-0.1	0.0	-0.1
Apr.	-0.5	-0.1	-0.2	-0.2	0.0	0.0	0.0
May (p)	-1.4	-0.2	-0.8	-0.4	-0.7	0.0	-0.7

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
2005	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007 Jan.	-0.5	-1.4	0.0	0.6	0.0	-0.1	0.0	0.4	3.0	0.4	2.4	0.1
Feb.	1.6	0.3	-0.1	0.8	0.0	0.7	0.0	0.0	1.4	0.0	1.5	-0.1
Mar.	-3.7	-0.4	0.0	-1.1	0.0	-1.1	0.0	-1.0	4.3	0.3	3.4	0.6
Apr.	0.2	0.2	-0.1	-0.9	-0.1	0.6	0.0	0.4	4.6	1.9	1.7	1.0
May (p)	-1.5	-0.7	0.1	-1.6	0.0	0.1	0.0	0.6	7.9	0.6	5.3	2.0

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items [1),2)]

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,361.0	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,467.7	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,648.5	96.6	3.4	2.0	0.3	0.1	0.6
Q3	5,091.2	90.4	9.6	5.7	0.4	1.5	1.2	7,760.9	96.4	3.6	2.2	0.3	0.1	0.6
Q4	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007 Q1 (p)	5,406.2	90.6	9.4	5.6	0.5	1.5	1.1	8,185.7	96.3	3.7	2.3	0.3	0.2	0.6
	By non-euro area residents													
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.4	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3	2,492.1	47.3	52.7	34.4	2.2	2.6	10.3	877.1	51.7	48.3	31.2	1.6	2.1	10.1
Q4	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007 Q1 (p)	2,781.3	46.3	53.7	34.7	2.2	2.5	11.3	880.4	51.6	48.4	31.3	1.6	2.2	9.5

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	**Euro [4)]**	**Non-euro currencies**				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3	4,383.1	80.9	19.1	9.8	1.6	1.9	3.3
Q4	4,485.5	80.5	19.5	10.0	1.6	1.9	3.5
2007 Q1 (p)	4,671.8	80.7	19.3	9.8	1.6	1.9	3.6

Source: ECB.

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

2.8 Currency breakdown of selected MFI balance sheet items [1),2)]

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

3. Loans

	MFIs [3]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4]	Non-euro currencies					All currencies (outstanding amount)	Euro [4]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2004	4,457.8	-	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4
2005	4,569.7	-	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5
2006 Q1	4,656.2	-	-	-	-	-	-	9,365.4	96.3	3.7	1.7	0.2	1.2	0.5
Q2	4,730.2	-	-	-	-	-	-	9,591.3	96.4	3.6	1.7	0.1	1.2	0.5
Q3	4,790.9	-	-	-	-	-	-	9,786.9	96.3	3.7	1.7	0.1	1.2	0.6
Q4	4,933.4	-	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5
2007 Q1 (p)	5,092.1	-	-	-	-	-	-	10,240.6	96.4	3.6	1.6	0.2	1.1	0.5
	To non-euro area residents													
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006 Q1	1,821.6	49.6	50.4	30.3	3.8	2.4	9.2	773.1	38.9	61.1	44.1	1.7	3.9	7.8
Q2	1,839.9	49.6	50.4	29.4	2.8	2.4	10.6	771.5	40.3	59.7	42.2	1.1	4.1	8.3
Q3	1,919.9	50.2	49.8	29.1	2.3	2.4	10.8	816.1	41.2	58.8	41.1	1.8	3.8	8.5
Q4	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007 Q1 (p)	2,260.3	51.6	48.4	28.1	1.9	2.5	10.7	908.7	41.4	58.6	41.3	0.9	4.0	8.5

4. Holdings of securities other than shares

	Issued by MFIs [3]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4]	Non-euro currencies					All currencies (outstanding amount)	Euro [4]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.8	97.8	2.2	1.2	0.3	0.1	0.6
Q3	1,626.6	95.8	4.2	2.2	0.2	0.3	1.2	1,969.4	97.7	2.3	1.3	0.3	0.1	0.6
Q4	1,632.8	95.6	4.4	2.3	0.2	0.3	1.3	1,922.3	97.6	2.4	1.3	0.3	0.1	0.7
2007 Q1 (p)	1,692.9	95.5	4.5	2.3	0.3	0.3	1.4	1,968.1	97.5	2.5	1.3	0.3	0.1	0.8
	Issued by non-euro area residents													
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006 Q1	426.5	52.8	47.2	26.8	0.8	0.5	15.7	539.8	39.6	60.4	33.8	5.3	0.8	14.8
Q2	439.9	53.5	46.5	26.8	0.9	0.5	15.0	537.7	40.1	59.9	33.5	5.6	0.8	14.6
Q3	475.2	52.4	47.6	28.4	0.7	0.6	14.5	581.5	38.2	61.8	35.6	4.7	0.8	15.4
Q4	514.4	52.2	47.8	28.8	0.7	0.4	14.5	594.2	38.9	61.1	36.5	4.9	0.8	14.2
2007 Q1 (p)	549.8	52.1	47.9	29.4	0.6	0.5	14.3	631.6	38.6	61.4	37.3	4.9	0.7	13.5

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

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

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
2005 Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2	5,135.6	316.7	1,908.3	145.2	1,763.1	1,776.1	600.9	180.3	353.2
Q3	5,356.3	317.2	1,984.7	178.4	1,806.3	1,872.5	631.2	181.5	369.2
Q4 (p)	5,545.3	320.4	2,005.0	170.5	1,834.5	2,019.2	670.5	186.0	344.1

2. Liabilities

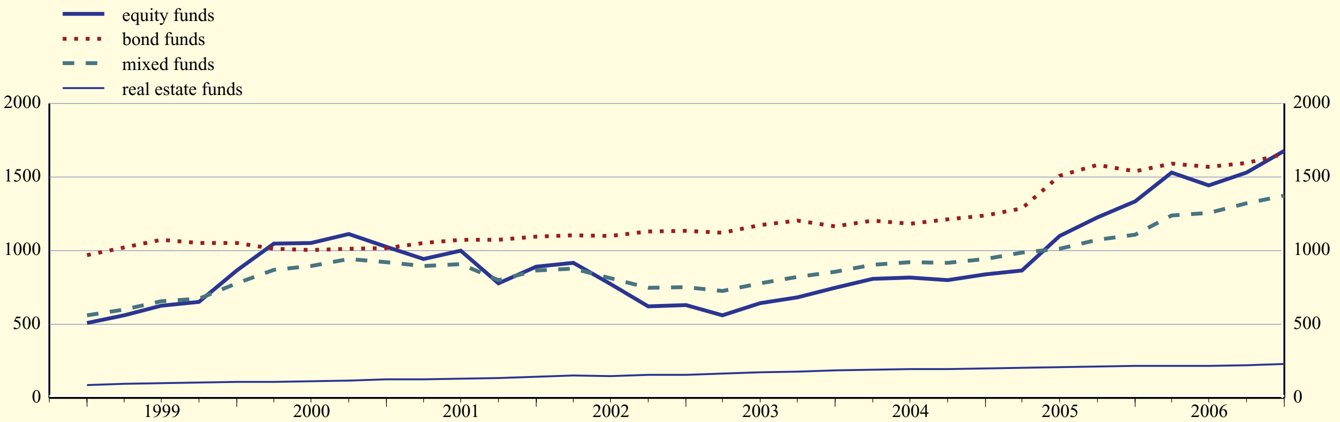
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2005 Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2	5,135.6	76.4	4,787.2	271.9
Q3	5,356.3	75.9	4,996.9	283.6
Q4 (p)	5,545.3	77.6	5,211.7	256.0

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2005 Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2	5,135.6	1,441.6	1,569.3	1,256.4	217.4	650.9	3,910.9	1,224.7
Q3	5,356.3	1,531.5	1,594.1	1,320.7	221.2	688.9	4,082.9	1,273.5
Q4 (p)	5,545.3	1,678.5	1,657.1	1,374.3	229.8	605.6	4,246.7	1,298.6

C14 Total assets of investment funds [2]

(EUR billions)



Source: ECB.

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

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2005 Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2	1,441.6	52.2	51.3	6.4	44.9	1,220.3	69.2	-	48.6
Q3	1,531.5	53.6	76.0	33.2	42.8	1,282.8	66.8	-	52.3
Q4 (p)	1,678.5	55.9	65.9	22.8	43.2	1,427.6	74.2	-	54.8
	Bond funds								
2005 Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3	1,594.1	105.5	1,288.5	86.8	1,201.7	41.6	48.2	-	110.3
Q4 (p)	1,657.1	108.3	1,343.6	91.1	1,252.5	45.4	49.9	-	110.0
	Mixed funds								
2005 Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2	1,256.4	71.9	483.9	40.3	443.6	318.3	253.6	0.2	128.5
Q3	1,320.7	68.4	510.4	45.2	465.2	331.9	272.3	0.3	137.4
Q4 (p)	1,374.3	70.9	519.0	43.4	475.6	363.5	292.8	0.4	127.8
	Real estate funds								
2005 Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9
Q3	221.2	16.4	6.0	1.6	4.4	1.9	6.3	180.3	10.4
Q4 (p)	229.8	17.6	6.0	1.6	4.4	2.2	6.9	185.2	12.0

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
	1	2	3	4	5	6	7
	General public funds						
2005 Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2	3,910.9	256.9	1,321.1	1,448.1	452.1	151.2	281.5
Q3	4,082.9	260.4	1,373.8	1,529.4	470.8	151.2	297.3
Q4 (p)	4,246.7	265.2	1,401.8	1,647.8	498.2	153.3	280.4
	Special investors' funds						
2005 Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2	1,224.7	59.9	587.2	328.1	148.8	29.1	71.7
Q3	1,273.5	56.9	610.9	343.1	160.5	30.2	71.9
Q4 (p)	1,298.6	55.2	603.3	371.4	172.3	32.7	63.7

Source: ECB.

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector
(EUR billions)

Uses 2006 Q4	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						485.9
Trade balance [1]						-29.7
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,090.4	113.7	684.9	55.0	236.8	
Other taxes less subsidies on production	43.4	9.4	24.7	4.3	5.0	
Consumption of fixed capital	308.6	81.6	175.9	10.9	40.2	
Net operating surplus and mixed income [1]	516.9	277.7	217.7	21.5	0.0	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.1
Taxes less subsidies on production						
Property income	720.0	44.4	287.9	327.9	59.7	117.5
Interest	407.9	41.7	69.5	237.0	59.7	72.7
Other property income	312.1	2.7	218.4	90.9	0.0	44.8
Net national income [1]	1,901.3	1,562.6	44.0	47.2	247.4	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	314.1	233.4	63.5	16.9	0.3	1.2
Social contributions	412.4	412.4				0.8
Social benefits other than social transfers in kind	403.2	1.5	16.2	23.3	362.1	0.7
Other current transfers	185.1	67.6	24.6	48.5	44.4	9.1
Net non-life insurance premiums	45.7	33.4	10.6	0.9	0.7	1.3
Non-life insurance claims	45.7			45.7		0.6
Other	93.7	34.2	13.9	1.8	43.8	7.2
Net disposable income [1]	1,879.0	1,337.2	-27.3	42.3	526.8	
Use of income account						
Net disposable income						
Final consumption expenditure	1,713.5	1,233.6			479.9	
Individual consumption expenditure	1,518.7	1,233.6			285.2	
Collective consumption expenditure	194.7				194.7	
Adjustment for the change in net equity of households in pension fund reserves	15.8	0.1	3.1	12.6	0.0	0.0
Net saving/current external account [1]	165.5	119.3	-30.4	29.7	46.9	-20.8
Capital account						
Net saving / current external account						
Gross capital formation	453.4	149.7	218.4	13.3	72.0	
Gross fixed capital formation	477.6	151.3	241.3	13.1	71.9	
Changes in inventories and acquisitions less disposals of valuables	-24.2	-1.6	-22.9	0.1	0.1	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.0	-0.7	0.8	0.1	-0.3	0.0
Capital transfers	65.7	9.9	3.0	4.3	48.6	8.2
Capital taxes	6.3	6.0	0.3	0.0		0.0
Other capital transfers	59.5	3.9	2.7	4.3	48.6	8.2
Net lending (+)/net borrowing (-) (from capital account) [1]	26.2	59.2	-38.5	24.4	-18.9	-26.2
Statistical discrepancy	0.0	52.0	-52.0	0.0	0.0	0.0

Sources: ECB and Eurostat.
1) For the calculation of the balancing items, see the Technical notes.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Resources 2006 Q4	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						456.2
Trade balance						
Generation of income account						
Gross value added (basic prices)	1,959.3	482.5	1,103.1	91.7	282.0	
Taxes less subsidies on products	237.2					
Gross domestic product (market prices)[2)]	2,196.6					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	516.9	277.7	217.7	21.5	0.0	
Compensation of employees	1,092.0	1,092.0				2.5
Taxes less subsidies on production	288.2				288.2	-7.6
Property income	724.1	237.3	114.3	353.7	18.9	113.3
Interest	403.3	64.0	38.4	294.1	6.7	77.3
Other property income	320.9	173.3	75.9	59.5	12.2	36.0
Net national income						
Secondary distribution of income account						
Net national income	1,901.3	1,562.6	44.0	47.2	247.4	
Current taxes on income, wealth, etc.	314.8				314.8	0.5
Social contributions	412.3	1.2	20.4	36.9	353.8	1.0
Social benefits other than social transfers in kind	401.1	401.1				2.8
Other current transfers	164.2	87.2	12.6	46.9	17.6	29.9
Net non-life insurance premiums	45.7			45.7		1.2
Non-life insurance claims	45.1	34.4	9.5	0.9	0.3	1.2
Other	73.4	52.7	3.2	0.3	17.3	27.5
Net disposable income						
Use of income account						
Net disposable income	1,879.0	1,337.2	-27.3	42.3	526.8	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	15.9	15.9				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	165.5	119.3	-30.4	29.7	46.9	-20.8
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	308.6	81.6	175.9	10.9	40.2	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	71.1	17.2	38.2	1.4	14.3	2.8
Capital taxes	6.3				6.3	0.0
Other capital transfers	64.9	17.2	38.2	1.4	8.1	2.8
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

Sources: ECB and Eurostat.
2) Gross domestic product is equal to gross value added of all domestic sectors plus net taxes (taxes less subsidies) on products.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)
(EUR billions)

Assets 2006 Q4	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		16,518.6	12,879.8	19,153.0	9,009.6	5,828.9	2,669.5	12,663.2
Monetary gold and special drawing rights (SDRs)				178.6				
Currency and deposits		5,181.6	1,505.6	2,005.2	1,180.7	697.8	526.2	3,459.7
Short-term debt securities		38.2	112.2	98.5	208.4	217.8	21.8	705.1
Long-term debt securities		1,434.8	194.2	3,224.6	1,917.1	1,912.5	196.1	1,860.4
Loans		23.8	1,619.4	10,627.7	1,194.0	371.0	366.4	1,324.1
of which long-term		20.2	875.6	8,062.9	887.8	303.9	327.7	.
Shares and other equity		4,770.7	6,920.9	1,638.4	4,264.5	2,211.9	992.3	4,638.2
Quoted shares		1,134.1	1,659.8	617.1	2,198.3	754.7	341.9	.
Unquoted shares and other equity		2,015.2	4,846.1	762.5	1,480.3	438.6	523.4	.
Mutual fund shares		1,621.3	415.0	258.8	585.9	1,018.6	127.0	.
Insurance technical reserves		4,834.7	129.1	1.8	0.0	141.9	3.0	170.0
Other accounts receivable and financial derivatives		234.7	2,398.3	1,378.1	244.8	276.0	563.6	506.5
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		210.1	215.4	596.1	265.6	68.7	-39.0	455.9
Monetary gold and special drawing rights (SDRs)				-0.8				0.8
Currency and deposits		137.4	73.5	168.6	49.3	22.9	-18.3	101.0
Short-term debt securities		-5.4	-1.5	-4.7	43.9	-0.6	0.6	-11.0
Long-term debt securities		11.9	10.7	54.0	-38.0	23.0	9.2	178.8
Loans		-0.5	66.4	253.2	72.8	-8.4	-6.1	88.0
of which long-term		-0.7	17.0	210.0	58.0	-4.7	-11.7	.
Shares and other equity		-23.6	20.0	62.1	137.6	24.1	-4.4	92.2
Quoted shares		-4.8	-20.3	29.0	105.4	0.9	-3.9	.
Unquoted shares and other equity		-6.5	46.0	31.1	2.2	12.1	-2.7	.
Mutual fund shares		-12.4	-5.7	1.9	30.1	11.1	2.1	.
Insurance technical reserves		70.8	0.7	0.0	0.0	2.5	0.0	9.5
Other accounts receivable and financial derivatives		19.5	45.6	63.6	0.0	5.3	-20.0	-3.4
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		191.9	307.4	-11.6	91.8	49.7	44.9	27.6
Monetary gold and special drawing rights (SDRs)				3.1				
Currency and deposits		-5.0	-9.7	-27.0	4.9	0.7	-0.3	-41.4
Short-term debt securities		-1.0	-1.1	-2.0	5.1	-4.7	0.1	-5.6
Long-term debt securities		9.7	-1.8	-29.8	8.2	-34.7	-1.3	-39.6
Loans		0.0	-2.3	-14.5	-16.2	-1.2	0.6	-7.5
of which long-term		0.0	1.5	-16.8	-13.4	-1.1	0.6	.
Shares and other equity		169.7	312.3	42.6	89.2	92.2	46.9	141.1
Quoted shares		83.7	129.6	23.3	56.7	69.8	38.1	.
Unquoted shares and other equity		58.0	179.6	16.1	24.9	11.5	5.4	.
Mutual fund shares		28.1	3.1	3.3	7.6	10.9	3.3	.
Insurance technical reserves		14.4	0.4	0.0	0.0	-0.8	0.0	-19.7
Other accounts receivable and financial derivatives		4.0	9.6	15.9	0.6	-1.8	-0.9	0.3
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		16,920.6	13,402.6	19,737.4	9,366.9	5,947.3	2,675.4	13,146.7
Monetary gold and special drawing rights (SDRs)				180.9				
Currency and deposits		5,314.0	1,569.5	2,146.9	1,235.0	721.4	507.6	3,519.2
Short-term debt securities		31.9	109.5	91.8	257.4	212.5	22.5	688.5
Long-term debt securities		1,456.4	203.1	3,248.8	1,887.3	1,900.8	204.0	1,999.6
Loans		23.3	1,683.5	10,866.4	1,250.5	361.4	360.9	1,404.6
of which long-term		19.5	894.2	8,256.1	932.4	298.0	316.5	.
Shares and other equity		4,916.8	7,253.2	1,743.1	4,491.3	2,328.1	1,034.7	4,871.6
Quoted shares		1,213.0	1,769.1	669.4	2,360.4	825.3	376.2	.
Unquoted shares and other equity		2,066.8	5,071.7	809.7	1,507.3	462.2	526.1	.
Mutual fund shares		1,637.0	412.4	264.0	623.6	1,040.6	132.4	.
Insurance technical reserves		4,920.0	130.2	1.9	0.0	143.6	3.1	159.8
Other accounts receivable and financial derivatives		258.2	2,453.5	1,457.6	245.5	279.5	542.8	503.4
Net financial worth								

Source: ECB.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Liabilities 2006 Q4	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		5,318.3	20,571.8	19,459.3	8,980.5	5,945.4	6,814.9	11,454.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	11,819.0	201.1	3.9	336.5	2,196.5
Short-term debt securities			261.1	305.5	66.5	0.1	590.4	178.6
Long-term debt securities			428.3	2,426.8	1,169.6	23.1	4,421.9	2,270.1
Loans		4,920.2	6,093.7		1,210.0	161.5	1,077.6	2,063.4
of which long-term		4,611.7	4,097.2		581.9	77.8	916.4	.
Shares and other equity			11,292.0	3,133.5	6,084.9	635.3	4.5	4,286.7
Quoted shares			4,093.3	985.4	285.1	310.0	0.0	.
Unquoted shares and other equity			7,198.7	1,194.2	861.0	325.3	4.5	.
Mutual fund shares				953.8	4,938.8			.
Insurance technical reserves		34.4	322.8	51.4	0.5	4,871.0	0.5	
Other accounts payable and financial derivatives		363.7	2,174.0	1,723.2	247.8	250.7	383.3	459.3
Net financial worth [1]	-1,030.8	11,200.3	-7,692.0	-306.3	29.1	-116.6	-4,145.3	
Financial account, transactions in liabilities								
Total transactions in liabilities		99.0	305.9	582.5	243.0	80.5	-20.1	482.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	367.6	-0.2	0.0	9.0	158.0
Short-term debt securities			7.7	19.4	4.7	0.1	-32.6	21.9
Long-term debt securities			-3.9	86.9	88.1	3.1	-8.9	84.3
Loans		111.9	178.5		41.8	-5.3	-2.4	141.0
of which long-term		104.1	124.5		20.3	2.6	27.6	.
Shares and other equity			59.3	41.9	126.8	0.7	0.0	79.2
Quoted shares			12.9	2.4	0.5	0.2	0.0	.
Unquoted shares and other equity			46.4	30.2	-2.9	0.5	0.0	.
Mutual fund shares				9.4	129.2			.
Insurance technical reserves		0.7	3.3	1.8	0.0	77.8	0.0	
Other accounts payable and financial derivatives		-13.6	61.0	64.8	-18.1	4.2	14.7	-2.4
Changes in net financial worth due to transactions [1]	26.2	111.2	-90.5	13.6	22.6	-11.8	-18.9	-26.2
Other changes account, liabilities								
Total other changes in liabilities		-8.0	628.6	12.3	120.4	14.9	-63.2	-6.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-38.9	0.0	0.0	0.0	-38.9
Short-term debt securities			-6.8	0.4	0.0	0.0	2.5	-5.5
Long-term debt securities			2.3	-13.2	0.3	0.0	-45.7	-33.1
Loans		-10.4	-25.7		4.4	-0.4	0.2	-9.3
of which long-term		-6.5	-23.0		3.5	-0.8	0.2	.
Shares and other equity			643.3	40.6	109.8	18.9	0.3	81.1
Quoted shares			352.9	68.2	13.6	10.6	0.0	.
Unquoted shares and other equity			290.4	-2.7	6.4	8.3	0.3	.
Mutual fund shares				-24.9	89.8			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-5.6	0.0	
Other accounts payable and financial derivatives		2.4	15.4	23.4	5.9	2.0	-20.6	-0.7
Other changes in net financial worth [1]	-31.0	199.8	-321.2	-24.0	-28.6	34.8	108.2	34.1
Closing balance sheet, liabilities								
Total liabilities		5,409.3	21,506.2	20,054.1	9,343.8	6,040.9	6,731.5	11,930.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	12,147.7	200.8	3.8	345.6	2,315.6
Short-term debt securities			262.1	325.2	71.2	0.1	560.4	194.9
Long-term debt securities			426.6	2,500.6	1,258.1	26.1	4,367.3	2,321.2
Loans		5,021.7	6,246.4		1,256.2	155.8	1,075.4	2,195.1
of which long-term		4,709.3	4,198.7		605.7	79.7	944.1	.
Shares and other equity			11,994.6	3,216.0	6,321.4	654.8	4.9	4,447.1
Quoted shares			4,459.1	1,056.0	299.2	320.8	0.0	.
Unquoted shares and other equity			7,535.5	1,221.6	864.5	334.0	4.9	.
Mutual fund shares				938.3	5,157.8			.
Insurance technical reserves		35.0	326.1	53.2	0.5	4,943.2	0.6	
Other accounts payable and financial derivatives		352.5	2,250.4	1,811.3	235.6	256.9	377.4	456.3
Net financial worth [1]	-1,035.6	11,511.3	-8,103.7	-316.7	23.1	-93.5	-4,056.1	

Source: ECB.

3.2 Euro area non-financial accounts
(EUR billions; four-quarter cumulated flows)

Uses	2002	2003	2004	2005 Q1-2005 Q4	2005 Q2-2006 Q1	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,563.4	3,657.3	3,760.8	3,858.6	3,891.3	3,931.6	3,970.3	4,000.7
Other taxes less subsidies on production	106.9	110.6	123.3	130.3	132.0	135.3	137.7	135.3
Consumption of fixed capital	1,028.4	1,062.9	1,109.3	1,157.8	1,172.1	1,187.9	1,204.0	1,219.3
Net operating surplus and mixed income [1]	1,804.1	1,858.2	1,953.0	2,006.0	2,028.0	2,033.0	2,059.8	2,105.3
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,389.4	2,275.7	2,329.2	2,532.2	2,596.3	2,675.4	2,745.7	2,825.7
Interest	1,382.4	1,265.4	1,241.9	1,317.2	1,359.5	1,413.8	1,481.4	1,548.1
Other property income	1,007.0	1,010.3	1,087.4	1,215.0	1,236.7	1,261.6	1,264.2	1,277.6
Net national income [1]	6,182.1	6,367.7	6,636.3	6,840.0	6,910.8	6,979.8	7,060.9	7,157.2
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	859.1	856.8	882.6	932.4	948.4	973.1	992.1	1,023.4
Social contributions	1,337.9	1,388.0	1,427.8	1,468.5	1,482.9	1,498.9	1,515.7	1,531.0
Social benefits other than social transfers in kind	1,351.4	1,407.2	1,453.2	1,495.5	1,506.8	1,517.2	1,527.2	1,538.3
Other current transfers	642.4	658.7	685.4	711.3	706.4	705.6	705.9	706.9
Net non-life insurance premiums	170.8	173.9	176.8	180.3	179.4	178.0	177.5	176.3
Non-life insurance claims	174.4	174.6	177.4	181.3	180.0	178.4	177.3	175.7
Other	297.2	310.2	331.3	349.7	347.0	349.2	351.1	354.8
Net disposable income [1]	6,122.0	6,297.0	6,558.2	6,754.2	6,826.6	6,896.0	6,975.9	7,070.1
Use of income account								
Net disposable income								
Final consumption expenditure	5,647.9	5,845.3	6,054.7	6,272.3	6,336.3	6,396.9	6,453.5	6,514.3
Individual consumption expenditure	5,047.7	5,224.0	5,411.3	5,612.2	5,672.3	5,727.2	5,779.3	5,833.9
Collective consumption expenditure	600.2	621.2	643.4	660.1	663.9	669.7	674.2	680.4
Adjustment for the change in net equity of households in pension funds reserves	51.2	54.7	57.6	58.2	58.8	59.7	60.6	61.3
Net saving [1]	474.3	451.9	503.7	482.1	490.5	499.3	522.6	556.0
Capital account								
Net saving								
Gross capital formation	1,441.1	1,485.4	1,565.4	1,645.8	1,687.9	1,715.6	1,756.6	1,783.9
Gross fixed capital formation	1,452.0	1,482.7	1,553.4	1,623.9	1,651.4	1,679.7	1,711.0	1,752.3
Changes in inventories and acquisitions less disposals of valuables	-10.9	2.7	12.0	22.0	36.5	35.9	45.6	31.6
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0.5	0.6	-1.1	0.1	0.8	1.4	1.5	1.3
Capital transfers	137.0	181.3	164.6	172.9	160.7	157.0	170.3	185.7
Capital taxes	20.2	35.9	29.8	24.0	24.3	23.6	22.3	22.2
Other capital transfers	116.8	145.5	134.8	148.9	136.4	133.3	148.0	163.5
Net lending (+)/net borrowing (-) (from capital account) [1]	72.7	41.0	65.6	8.6	-11.5	-16.9	-18.5	3.7

Sources: ECB and Eurostat.
1) For the calculation of the balancing items, see the Technical notes.

3.2 Euro area non-financial accounts (cont'd)

(EUR billions; four-quarter cumulated flows)

Resources	2002	2003	2004	2005 Q1-2005 Q4	2005 Q2-2006 Q1	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4
Generation of income account								
Gross value added (basic prices)	6,502.8	6,689.0	6,946.3	7,152.8	7,223.5	7,287.8	7,371.8	7,460.5
Taxes less subsidies on products	737.5	761.0	796.5	838.8	857.4	872.4	881.2	898.1
Gross domestic product (market prices)[2]	7,240.3	7,449.9	7,742.8	7,991.5	8,080.9	8,160.2	8,253.0	8,358.6
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	1,804.1	1,858.2	1,953.0	2,006.0	2,028.0	2,033.0	2,059.8	2,105.3
Compensation of employees	3,570.9	3,664.4	3,767.9	3,864.5	3,896.9	3,937.2	3,976.1	4,006.6
Taxes less subsidies on production	850.2	880.6	933.3	980.7	999.7	1,018.1	1,029.2	1,043.9
Property income	2,346.3	2,240.1	2,311.4	2,520.9	2,582.3	2,666.8	2,741.4	2,827.2
Interest	1,347.4	1,234.1	1,207.6	1,289.7	1,333.0	1,387.9	1,458.1	1,525.8
Other property income	998.9	1,006.0	1,103.7	1,231.2	1,249.3	1,278.9	1,283.3	1,301.3
Net national income								
Secondary distribution of income account								
Net national income	6,182.1	6,367.7	6,636.3	6,840.0	6,910.8	6,979.8	7,060.9	7,157.2
Current taxes on income, wealth, etc.	861.4	858.7	885.4	935.9	952.2	977.5	996.7	1,028.2
Social contributions	1,336.8	1,387.0	1,426.8	1,468.0	1,482.5	1,498.6	1,515.3	1,530.5
Social benefits other than social transfers in kind	1,344.9	1,400.8	1,445.7	1,488.1	1,499.5	1,509.8	1,519.8	1,530.8
Other current transfers	587.5	593.5	613.0	629.9	626.2	625.1	624.2	623.0
Net non-life insurance premiums	174.4	174.6	177.4	181.3	180.0	178.4	177.3	175.7
Non-life insurance claims	168.0	171.2	174.5	178.9	177.6	175.8	175.0	173.7
Other	245.1	247.7	261.1	269.7	268.7	270.9	271.9	273.6
Net disposable income								
Use of income account								
Net disposable income	6,122.0	6,297.0	6,558.2	6,754.2	6,826.6	6,896.0	6,975.9	7,070.1
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	51.3	54.9	57.8	58.4	59.0	59.9	60.8	61.5
Net saving								
Capital account								
Net saving	474.3	451.9	503.7	482.1	490.5	499.3	522.6	556.0
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,028.4	1,062.9	1,109.3	1,157.8	1,172.1	1,187.9	1,204.0	1,219.3
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	148.6	193.5	181.4	187.6	175.1	169.9	183.3	199.3
Capital taxes	20.2	35.9	29.8	24.0	24.3	23.6	22.3	22.2
Other capital transfers	128.4	157.6	151.6	163.6	150.8	146.2	161.0	177.1
Net lending (+)/net borrowing (-) (from capital account)								

Sources: ECB and Eurostat.
2) Gross domestic product is equal to gross value added of all domestic sectors plus net taxes (taxes less subsidies) on products.

3.3 Households

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2002	2003	2004	2005 Q1-2005 Q4	2005 Q2-2006 Q1	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4
Income, saving and changes in net worth								
Compensation of employees (+)	3,570.9	3,664.4	3,767.9	3,864.5	3,896.9	3,937.2	3,976.1	4,006.6
Gross operating surplus and mixed income (+)	1,196.3	1,231.0	1,284.5	1,329.6	1,345.2	1,362.6	1,381.5	1,405.9
Interest receivable (+)	252.9	237.1	228.9	226.7	228.1	232.3	238.1	244.2
Interest payable (-)	139.8	123.2	121.3	125.5	129.5	135.7	144.6	152.8
Other property income receivable (+)	602.3	611.2	645.1	696.8	709.2	717.6	721.4	726.8
Other property income payable (-)	8.4	8.7	9.2	9.2	9.2	9.2	9.3	9.3
Current taxes on income and wealth (-)	697.8	702.5	706.8	740.3	751.7	766.4	774.4	791.9
Net social contributions (-)	1,334.2	1,384.2	1,423.8	1,464.1	1,478.5	1,494.5	1,511.3	1,526.6
Net social benefits (+)	1,340.4	1,396.0	1,440.6	1,482.6	1,493.9	1,504.2	1,514.2	1,525.1
Net current transfers receivable (+)	64.4	64.8	64.7	69.3	69.7	69.2	68.9	71.8
= Gross disposable income	4,847.0	4,986.0	5,170.5	5,330.3	5,374.1	5,417.1	5,460.6	5,499.7
Final consumption expenditure (-)	4,173.1	4,307.1	4,461.8	4,617.3	4,665.7	4,708.7	4,749.2	4,792.9
Changes in net worth in pension funds (+)	50.9	54.6	57.4	58.0	58.6	59.5	60.4	61.1
= Gross saving	724.9	733.5	766.1	771.0	767.0	768.0	771.7	767.8
Consumption of fixed capital (-)	270.5	281.6	296.4	310.1	312.9	316.0	319.1	322.1
Net capital transfers receivable (+)	8.6	12.6	18.9	21.7	18.9	17.7	23.8	25.6
Other changes in net worth [1] (+)	-653.1	236.9	323.0	618.8	704.9	469.9	330.8	449.4
= Changes in net worth [1]	-190.2	701.5	811.7	1,101.4	1,178.0	939.6	807.3	920.7
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	458.3	477.2	505.0	530.2	541.4	551.8	565.2	576.3
Consumption of fixed capital (-)	270.5	281.6	296.4	310.1	312.9	316.0	319.1	322.1
Financial investment (+)								
Currency and deposits	226.7	219.9	246.1	238.5	245.6	245.8	262.9	275.6
Short-term debt securities	1.1	-33.9	6.5	-18.6	-2.7	2.7	12.1	15.9
Long-term debt securities	79.4	21.2	71.6	41.9	46.9	49.7	97.8	99.9
Shares and other equity	-39.9	95.0	-14.6	126.9	81.8	30.8	-33.2	-47.6
Quoted shares	-12.2	32.9	-49.6	8.7	-24.8	-25.6	-38.5	-17.3
Unquoted shares and other equity	-73.0	-19.0	38.1	58.1	63.0	32.5	22.0	1.6
Mutual fund shares	45.3	81.1	-3.1	60.2	43.7	23.9	-16.8	-31.9
of which money market fund shares	16.1	13.5	-21.7	-13.8	-16.1	-13.3	-13.4	-7.7
Insurance technical reserves	213.1	244.3	269.5	315.3	324.1	309.8	299.7	278.3
Financing (-)								
Loans	207.4	262.8	309.3	387.9	415.2	416.0	411.3	401.4
of which from euro area MFIs	187.3	211.6	277.4	357.5	379.6	382.6	371.0	342.9
Other changes in financial assets (+)								
Shares and other equity	-526.6	265.2	268.9	488.6	588.6	400.0	302.6	406.1
Insurance technical reserves	-69.9	28.6	76.8	136.3	113.8	62.3	46.3	37.4
Remaining net flows (+)	-54.6	-71.7	-12.5	-59.7	-33.3	18.8	-15.7	2.3
= Changes in net worth [1]	-190.2	701.5	811.7	1,101.4	1,178.0	939.6	807.3	920.7
Financial balance sheet								
Financial assets (+)								
Currency and deposits	4,377.1	4,569.3	4,807.0	5,053.6	5,072.2	5,162.0	5,181.6	5,314.0
Short-term debt securities	59.6	27.1	34.5	16.6	27.1	35.2	38.2	31.9
Long-term debt securities	1,264.9	1,257.1	1,327.8	1,366.0	1,403.6	1,400.7	1,434.8	1,456.4
Shares and other equity	3,328.3	3,688.5	3,942.8	4,558.3	4,799.5	4,660.9	4,770.7	4,916.8
Quoted shares	645.4	793.5	843.6	1,031.7	1,126.6	1,056.5	1,134.1	1,213.0
Unquoted shares and other equity	1,314.6	1,401.9	1,596.8	1,876.8	1,993.8	1,979.3	2,015.2	2,066.8
Mutual fund shares	1,368.3	1,493.1	1,502.4	1,649.7	1,679.1	1,625.1	1,621.3	1,637.0
of which money market fund shares	187.4	255.0	237.7	219.0	195.8	198.3	192.4	166.5
Insurance technical reserves	3,533.4	3,806.3	4,152.6	4,604.2	4,706.2	4,747.6	4,834.7	4,920.0
Remaining net assets	-49.7	-77.3	-92.4	-144.5	-156.5	-133.8	-139.5	-106.0
Liabilities (-)								
Loans	3,712.9	3,968.2	4,281.7	4,655.6	4,737.1	4,841.8	4,920.2	5,021.7
of which from euro area MFIs	3,327.7	3,521.2	3,809.0	4,191.6	4,280.8	4,384.5	4,459.3	4,535.4
= Net financial wealth	8,800.7	9,302.8	9,890.5	10,798.6	11,115.2	11,030.8	11,200.3	11,511.3

Sources: ECB and Eurostat.

1) Excluding changes in net worth due to other changes in non-financial assets such as revaluations of residential property.

3.4 Non-financial corporations

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2002	2003	2004	2005 Q1-2005 Q4	2005 Q2-2006 Q1	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4
Income and saving								
Gross value added (basic prices) (+)	3,697.1	3,780.6	3,922.8	4,028.8	4,071.7	4,103.8	4,154.2	4,213.9
Compensation of employees (-)	2,249.8	2,304.4	2,368.4	2,422.8	2,444.1	2,470.6	2,495.7	2,519.1
Other taxes less subsidies on production (-)	58.8	58.9	66.5	71.6	72.9	76.4	78.6	79.1
= Gross operating surplus (+)	1,388.6	1,417.2	1,488.0	1,534.4	1,554.6	1,556.8	1,579.9	1,615.7
Consumption of fixed capital (-)	584.6	602.0	626.2	653.2	662.6	673.1	684.2	694.7
= Net operating surplus (+)	804.0	815.3	861.8	881.1	892.0	883.6	895.7	921.0
Property income receivable (+)	328.5	318.9	365.7	415.2	421.6	422.3	430.7	438.8
Interest receivable	142.0	125.0	119.6	127.8	130.9	135.1	140.5	145.4
Other property income receivable	186.4	194.0	246.1	287.4	290.6	287.2	290.2	293.4
Interest and rents payable (-)	243.3	227.9	228.6	238.1	244.4	252.1	262.7	273.7
= Net entrepreneurial income (+)	889.1	906.3	998.8	1,058.3	1,069.2	1,053.8	1,063.7	1,086.1
Distributed income (-)	688.0	690.7	752.2	834.6	847.4	860.4	863.6	874.9
Taxes on income and wealth payable (-)	125.4	116.7	131.4	147.1	149.8	156.4	165.8	177.8
Social contributions receivable (+)	73.4	73.3	73.7	74.1	74.3	74.8	75.5	76.1
Social benefits payable (-)	57.4	59.6	61.2	62.8	62.6	62.6	62.6	62.4
Net other current transfers payable (-)	43.7	43.3	48.5	48.4	46.3	47.0	47.4	47.5
Changes in net worth of households in pension funds (-)	14.7	13.1	12.0	10.9	11.3	11.8	12.3	12.7
= Net saving	33.4	56.3	67.2	28.6	26.0	-9.5	-12.5	-13.0
Investment, financing and saving								
Net acquisition of non-financial assets (+)	180.9	179.3	201.0	221.2	241.5	246.6	258.3	255.4
Gross fixed capital formation (+)	776.4	780.4	819.9	855.6	871.5	887.2	902.5	922.0
Consumption of fixed capital (-)	584.6	602.0	626.2	653.2	662.6	673.1	684.2	694.7
Net acquisition of other non-financial assets (+)	-10.9	0.9	7.4	18.8	32.6	32.6	40.0	28.0
Financial investment (+)								
Currency and deposits	29.9	112.7	80.7	148.7	147.3	154.0	156.1	163.2
Debt securities	-3.3	-29.9	-57.1	-23.5	-3.7	8.7	-0.6	17.4
Loans	78.9	141.5	58.0	131.4	98.6	120.7	128.2	153.8
Shares and other equity	237.8	181.6	178.7	160.6	180.7	241.9	195.6	217.2
Insurance technical reserves	5.6	4.8	5.9	8.6	5.8	5.1	4.6	4.8
Remaining net assets (+)	40.7	-8.4	53.2	15.6	77.4	82.0	104.8	122.0
Financing (-)								
Debt	262.7	295.0	208.7	392.8	466.8	575.2	626.2	665.9
Loans	233.4	217.2	188.5	384.4	460.5	555.6	589.7	614.1
of which from euro area MFIs	93.5	102.8	163.9	262.7	333.9	371.6	421.9	444.3
Debt securities	17.6	62.7	6.8	-4.3	-6.5	7.3	24.4	39.5
Pension fund reserves	11.7	15.0	13.5	12.6	12.8	12.3	12.2	12.3
Shares and other equity	213.6	185.4	190.2	182.6	205.0	242.1	168.3	200.6
Quoted shares	17.5	19.2	11.8	101.3	95.8	112.8	39.0	31.8
Unquoted shares and other equity	196.1	166.2	178.3	81.3	109.1	129.3	129.3	168.9
Net capital transfers receivable (-)	60.8	45.1	54.4	58.7	49.8	51.3	65.0	80.4
= Net saving	33.4	56.3	67.2	28.6	26.0	-9.5	-12.5	-13.0
Financial balance sheet								
Financial assets								
Currency and deposits	1,113.8	1,202.6	1,267.8	1,418.8	1,421.9	1,463.8	1,505.6	1,569.5
Debt securities	441.1	405.4	320.0	292.7	308.3	315.0	306.4	312.6
Loans	1,223.9	1,344.9	1,393.5	1,519.6	1,537.8	1,587.9	1,619.4	1,683.5
Shares and other equity	4,285.0	4,866.6	5,375.0	6,259.4	6,716.6	6,642.3	6,920.9	7,253.2
Insurance technical reserves	106.1	110.8	118.2	124.3	126.6	128.0	129.1	130.2
Remaining net assets (+)	158.0	138.4	184.3	173.5	191.5	239.3	224.4	203.1
Liabilities								
Debt	5,827.7	6,076.7	6,238.2	6,638.0	6,791.5	6,988.4	7,105.9	7,261.2
Loans	4,981.5	5,159.1	5,268.6	5,658.4	5,803.5	5,982.1	6,093.7	6,246.4
of which from euro area MFIs	2,965.1	3,034.4	3,152.2	3,409.1	3,525.1	3,640.0	3,731.0	3,846.8
Debt securities	568.1	629.2	668.4	665.8	671.2	686.7	689.4	688.7
Pension fund reserves	278.1	288.5	301.2	313.8	316.8	319.6	322.8	326.1
Shares and other equity	7,137.7	7,998.2	8,940.6	10,380.0	11,117.5	10,946.3	11,292.0	11,994.6
Quoted shares	2,392.0	2,732.5	2,987.6	3,681.6	4,088.2	3,948.9	4,093.3	4,459.1
Unquoted shares and other equity	4,745.7	5,265.7	5,952.9	6,698.5	7,029.3	6,997.3	7,198.7	7,535.5

Sources: ECB and Eurostat.

3.5 Insurance corporations and pension funds

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2002	2003	2004	2005 Q1-2005 Q4	2005 Q2-2006 Q1	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4
Financial account, financial transactions								
Financial investment (+)								
Currency and deposits	34.9	29.7	49.5	27.5	14.7	30.8	42.2	59.5
Short-term debt securities	7.7	10.8	29.6	21.4	23.1	14.7	11.7	2.2
Long-term debt securities	94.2	140.7	132.7	149.3	141.2	135.1	134.1	118.3
Loans	2.2	11.6	6.5	-7.8	8.0	15.2	18.0	13.6
Shares and other equity	80.2	59.5	46.4	123.4	138.6	141.2	150.0	137.0
Quoted shares	7.3	10.0	14.0	21.7	10.2	10.8	10.3	13.4
Unquoted shares and other equity	25.6	5.1	-1.2	16.3	20.8	26.9	32.5	28.8
Mutual fund shares	47.3	44.4	33.6	85.3	107.6	103.5	107.2	94.8
of which money market fund shares	9.1	6.5	3.0	-1.2	-1.0	-4.3	-5.4	2.7
Remaining net assets (+)	-7.7	-1.9	3.5	20.3	21.4	9.9	4.8	1.7
Financing (-)								
Debt securities	-0.3	5.0	-1.8	0.1	-0.4	-0.3	-0.3	4.1
Loans	-1.1	12.4	4.8	9.6	22.3	23.7	32.4	27.7
Shares and other equity	1.3	11.4	12.7	10.4	11.1	10.2	13.5	8.5
Insurance technical reserves	216.6	237.0	261.1	330.8	339.3	328.4	325.4	305.1
Net equity of households in life insurance and pension fund reserves	188.8	210.3	229.5	289.8	303.7	294.1	288.3	264.8
Prepayments of insurance premiums and reserves for outstanding claims	27.8	26.8	31.6	41.0	35.7	34.2	37.1	40.3
= Changes in net financial worth due to transactions	-5.0	-15.5	-8.7	-16.8	-25.4	-15.2	-10.3	-13.0
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	-248.6	106.6	109.0	200.3	235.9	124.9	117.3	181.0
Other net assets	51.6	-9.1	162.9	43.3	11.7	-26.9	-13.2	-58.9
Other changes in liabilities (-)								
Shares and other equity	-244.7	98.2	20.5	118.0	128.2	87.6	90.6	55.4
Insurance technical reserves	-70.9	33.7	85.2	145.7	118.6	69.3	54.5	25.9
Net equity of households in life insurance and pension fund reserves	-69.3	34.2	65.4	151.6	126.1	69.4	53.8	47.7
Prepayments of insurance premiums and reserves for outstanding claims	-1.6	-0.5	19.8	-5.9	-7.5	-0.2	0.8	-21.7
= Other changes in net financial worth	118.6	-34.4	166.3	-20.0	0.8	-58.9	-41.1	40.8
Financial balance sheet								
Financial assets (+)								
Currency and deposits	554.7	580.3	630.7	661.1	669.3	678.4	697.8	721.4
Short-term debt securities	59.8	69.2	205.8	212.9	220.6	218.7	217.8	212.5
Long-term debt securities	1,357.6	1,488.1	1,659.6	1,828.1	1,840.4	1,853.0	1,912.5	1,900.8
Loans	357.8	364.3	359.5	356.9	369.1	371.0	371.0	361.4
Shares and other equity	1,364.9	1,531.0	1,686.4	2,010.1	2,129.9	2,104.3	2,211.9	2,328.1
Quoted shares	462.6	525.6	574.2	697.5	733.9	706.0	754.7	825.3
Unquoted shares and other equity	275.3	307.0	337.4	399.6	425.2	425.1	438.6	462.2
Mutual fund shares	627.0	698.3	774.8	913.0	970.9	973.3	1,018.6	1,040.6
of which money market fund shares	57.8	64.8	67.8	81.9	81.6	85.5	85.9	85.9
Remaining net assets (+)	80.9	92.7	112.8	162.3	163.8	164.7	163.3	162.4
Liabilities (-)								
Debt securities	18.1	23.4	21.9	22.0	22.2	22.4	23.1	26.3
Loans	111.5	125.6	119.2	127.8	147.1	151.7	161.5	155.8
Shares and other equity	319.7	429.3	462.5	590.9	619.5	584.5	635.3	654.8
Insurance technical reserves	3,518.7	3,789.4	4,135.7	4,612.1	4,718.3	4,771.3	4,871.0	4,943.2
Net equity of households in life insurance and pension fund reserves	2,964.0	3,208.5	3,503.4	3,944.8	4,042.7	4,090.0	4,175.8	4,257.3
Prepayments of insurance premiums and reserves for outstanding claims	554.6	580.9	632.3	667.3	675.6	681.3	695.2	685.9
= Net financial wealth	-192.2	-242.1	-84.5	-121.3	-113.9	-139.8	-116.6	-93.5

Source: ECB.

FINANCIAL MARKETS

4

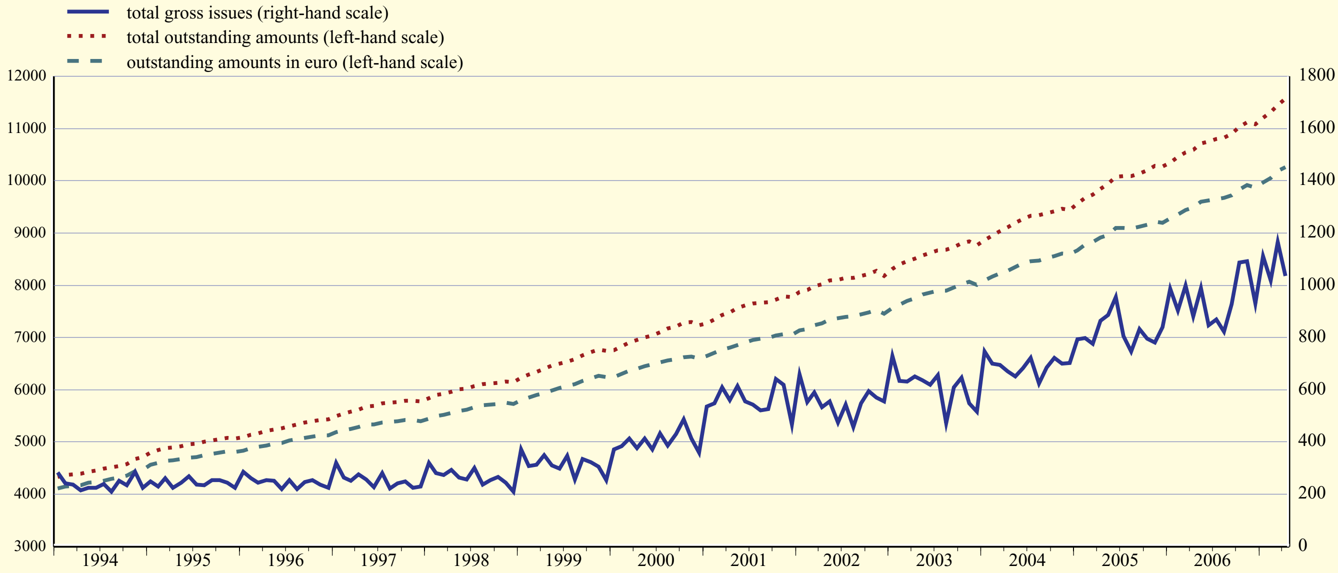
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2006 Apr.	11,164.7	873.9	16.3	9,485.2	820.8	45.4	10,596.9	881.1	63.8	7.1	51.9	7.8
May	11,291.6	1,007.8	127.1	9,597.4	936.9	112.3	10,717.9	989.4	126.3	7.7	89.1	8.1
June	11,354.3	896.0	64.6	9,619.1	793.4	23.5	10,751.2	846.7	32.5	6.6	24.9	7.1
July	11,372.0	883.7	17.1	9,652.9	820.0	33.3	10,799.2	868.0	43.4	7.0	52.4	6.8
Aug.	11,404.3	837.9	31.8	9,674.4	779.9	21.0	10,829.0	822.8	24.6	7.3	74.7	7.1
Sep.	11,524.9	1,004.1	120.2	9,724.9	882.0	50.1	10,897.8	927.9	56.9	7.3	57.1	6.8
Oct.	11,620.4	1,106.2	93.3	9,828.4	1,023.0	101.6	11,033.1	1,086.0	122.2	7.9	123.0	8.1
Nov.	11,759.0	1,134.6	137.7	9,919.8	1,036.7	90.8	11,124.5	1,092.7	107.4	8.2	100.1	8.3
Dec.	11,735.1	976.6	-24.6	9,865.3	884.8	-55.5	11,079.9	929.6	-59.7	7.9	39.8	8.5
2007 Jan.	11,833.0	1,144.1	98.0	9,962.8	1,052.0	97.6	11,207.4	1,111.5	116.1	7.9	76.6	8.9
Feb.	11,938.9	1,041.9	105.9	10,052.8	953.2	90.2	11,317.2	1,019.2	117.0	8.1	88.3	9.1
Mar.	12,168.5	1,254.6	228.5	10,184.7	1,112.5	130.6	11,454.7	1,165.1	136.7	8.4	108.8	10.1
Apr.	.	.	.	10,261.1	981.4	75.6	11,566.8	1,036.2	92.6	8.6	78.0	9.1
	Long-term											
2006 Apr.	10,167.0	175.0	31.5	8,584.9	141.8	25.0	9,551.9	170.3	44.2	7.4	45.6	8.0
May	10,267.8	206.0	101.1	8,670.9	167.5	86.2	9,645.2	187.4	96.0	7.7	63.9	7.7
June	10,327.3	200.2	60.3	8,734.8	168.2	64.5	9,729.9	193.5	80.9	6.7	52.9	7.2
July	10,365.7	192.9	38.5	8,759.0	158.6	24.4	9,769.5	177.5	35.8	7.1	47.7	6.9
Aug.	10,382.0	90.5	16.5	8,770.3	71.6	11.4	9,787.7	88.2	21.1	7.5	66.0	7.2
Sep.	10,475.7	218.5	94.1	8,825.2	156.7	55.3	9,857.2	175.7	62.9	7.5	53.5	7.0
Oct.	10,576.9	224.8	98.8	8,895.6	173.9	68.4	9,949.8	206.5	86.1	8.1	102.0	8.2
Nov.	10,712.0	226.0	134.2	8,990.2	167.2	94.0	10,043.4	193.5	108.6	8.3	101.6	9.0
Dec.	10,733.4	171.0	18.7	9,009.3	132.5	16.1	10,070.2	152.6	13.2	8.1	56.3	9.0
2007 Jan.	10,808.9	229.8	75.4	9,060.0	176.4	50.6	10,142.0	200.2	61.6	8.1	64.8	9.3
Feb.	10,904.0	234.6	95.3	9,136.4	184.5	76.6	10,232.3	218.1	98.1	8.3	74.8	9.5
Mar.	11,039.7	274.5	135.7	9,227.8	206.4	91.2	10,326.7	227.3	96.3	8.5	75.5	9.9
Apr.	.	.	.	9,280.8	156.8	52.2	10,386.0	178.4	65.8	8.6	66.8	9.0

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

(EUR billions)



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

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

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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005	10,269	4,122	926	612	4,326	283	9,874	6,988	325	1,032	1,434	95
2006	11,080	4,566	1,158	645	4,407	305	11,333	8,377	414	1,118	1,339	85
2006 Q2	10,751	4,349	1,029	638	4,436	299	2,717	1,977	107	261	351	22
Q3	10,898	4,448	1,064	637	4,451	298	2,619	1,928	78	265	329	18
Q4	11,080	4,566	1,158	645	4,407	305	3,108	2,365	144	336	241	23
2007 Q1	11,455	4,762	1,239	657	4,489	309	3,296	2,447	126	284	415	23
2007 Jan.	11,207	4,645	1,165	645	4,446	306	1,112	851	24	76	153	7
Feb.	11,317	4,710	1,197	649	4,456	306	1,019	772	45	75	118	8
Mar.	11,455	4,762	1,239	657	4,489	309	1,165	823	57	133	144	8
Apr.	11,567	4,811	1,254	667	4,526	310	1,036	748	30	133	118	7
	Short-term											
2005	945	482	7	90	361	5	7,797	6,046	45	943	729	33
2006	1,010	570	12	94	329	4	9,175	7,375	59	1,023	686	31
2006 Q2	1,021	531	10	101	374	5	2,166	1,739	16	227	175	8
Q3	1,041	561	12	96	367	4	2,177	1,733	16	249	171	8
Q4	1,010	570	12	94	329	4	2,556	2,086	14	305	144	7
2007 Q1	1,128	621	12	106	385	4	2,650	2,132	16	271	222	8
2007 Jan.	1,065	607	12	96	346	4	911	753	6	73	77	3
Feb.	1,085	612	11	100	357	4	801	655	5	71	68	3
Mar.	1,128	621	12	106	385	4	938	724	5	128	78	3
Apr.	1,181	638	11	113	414	5	858	659	3	124	68	3
	Long-term [1]											
2005	9,324	3,639	919	522	3,965	278	2,078	942	280	89	705	61
2006	10,070	3,996	1,145	551	4,078	301	2,158	1,002	354	95	653	54
2006 Q2	9,730	3,818	1,019	537	4,062	294	551	237	91	34	175	14
Q3	9,857	3,887	1,052	540	4,084	294	441	196	62	16	158	9
Q4	10,070	3,996	1,145	551	4,078	301	553	279	130	31	97	16
2007 Q1	10,327	4,141	1,227	551	4,104	304	646	315	110	13	192	14
2007 Jan.	10,142	4,038	1,153	549	4,100	302	200	99	18	4	76	4
Feb.	10,232	4,099	1,185	548	4,099	301	218	117	40	5	51	5
Mar.	10,327	4,141	1,227	551	4,104	304	227	99	52	5	66	5
Apr.	10,386	4,173	1,243	553	4,112	305	178	89	27	9	50	3
	Of which long-term fixed rate											
2005	6,724	2,020	459	413	3,615	217	1,230	414	91	54	622	48
2006	7,048	2,136	535	420	3,719	237	1,289	476	137	61	576	39
2006 Q2	6,921	2,084	499	415	3,691	232	332	109	41	21	151	10
Q3	6,974	2,112	508	415	3,707	233	275	94	22	11	140	8
Q4	7,048	2,136	535	420	3,719	237	280	117	44	20	90	10
2007 Q1	7,164	2,212	561	421	3,727	243	404	174	39	9	169	13
2007 Jan.	7,097	2,162	539	420	3,737	238	139	59	7	2	67	4
Feb.	7,131	2,189	554	419	3,729	239	135	62	21	4	43	4
Mar.	7,164	2,212	561	421	3,727	243	131	53	11	3	58	5
Apr.	7,190	2,222	567	420	3,737	244	102	43	12	5	39	3
	Of which long-term variable rate											
2005	2,266	1,350	456	93	305	60	718	432	188	27	58	12
2006	2,604	1,507	603	117	313	64	715	405	214	31	51	15
2006 Q2	2,433	1,431	514	107	320	62	177	96	50	12	15	4
Q3	2,491	1,450	538	109	333	60	134	77	40	4	13	2
Q4	2,604	1,507	603	117	313	64	231	124	86	11	5	6
2007 Q1	2,715	1,560	658	117	320	61	200	113	69	4	13	1
2007 Jan.	2,616	1,520	607	116	311	63	46	32	9	1	3	0
Feb.	2,663	1,547	623	116	315	62	70	45	19	1	4	1
Mar.	2,715	1,560	658	117	320	61	83	36	41	1	5	1
Apr.	2,751	1,574	667	120	329	61	64	37	15	4	9	0

Source: ECB.

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

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

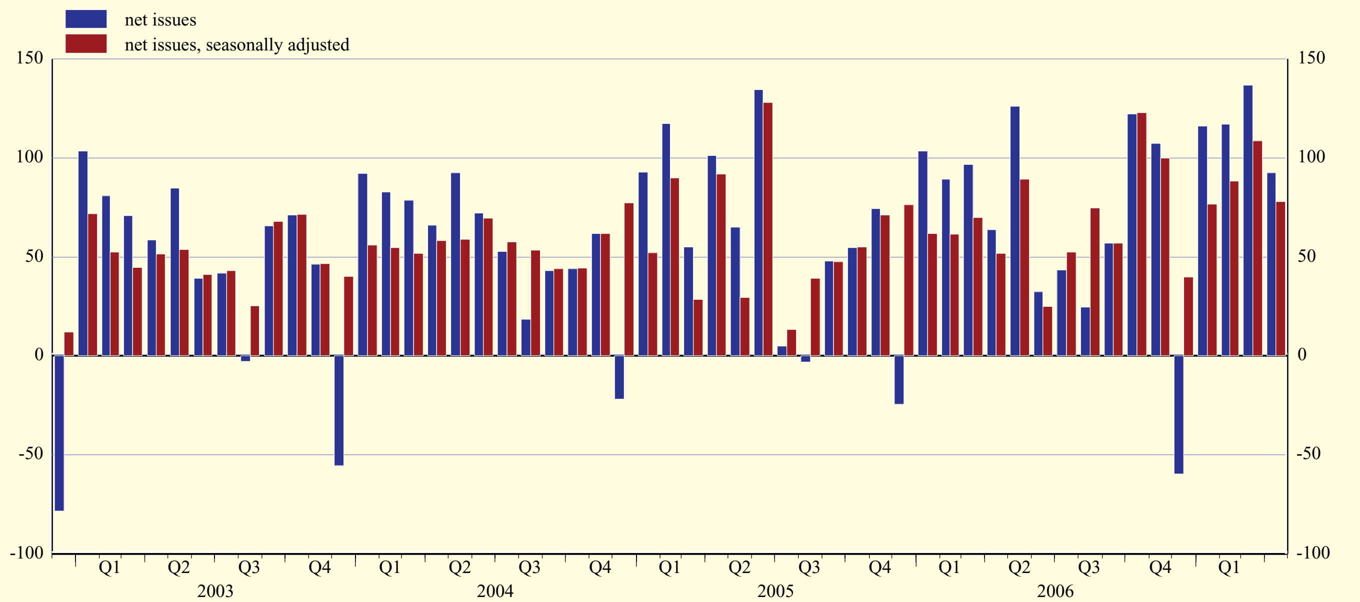
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005	720.9	319.9	176.0	21.8	170.7	32.4	722.7	323.4	171.8	22.0	173.0	32.6
2006	806.7	419.3	238.0	36.9	90.2	22.3	805.9	423.6	233.5	37.3	89.2	22.4
2006 Q2	222.5	83.4	61.3	20.0	48.6	9.1	165.9	87.8	48.9	13.3	7.3	8.6
Q3	124.9	78.7	34.7	-2.4	14.4	-0.5	184.1	95.2	51.3	1.7	33.7	2.3
Q4	170.0	98.4	96.3	10.0	-41.4	6.7	262.9	133.7	67.6	16.2	40.0	5.4
2007 Q1	369.9	187.8	82.6	12.9	82.6	3.9	273.7	129.7	108.1	9.4	23.7	2.8
2007 Jan.	116.1	70.3	6.4	-0.1	38.3	1.2	76.6	52.8	25.0	-3.0	1.2	0.5
Feb.	117.0	69.0	32.9	4.2	11.0	-0.2	88.3	49.5	34.6	3.8	1.8	-1.3
Mar.	136.7	48.4	43.3	8.8	33.3	2.9	108.8	27.3	48.5	8.6	20.8	3.6
Apr.	92.6	50.0	17.5	10.7	13.1	1.3	78.0	40.0	18.3	7.8	10.0	1.9
	Long-term											
2005	713.2	296.5	176.4	22.1	185.5	32.6	714.9	298.4	172.3	22.1	189.3	32.8
2006	757.1	346.5	232.6	33.4	121.3	23.3	756.4	348.7	228.1	33.3	123.0	23.3
2006 Q2	221.1	87.1	58.3	16.9	49.7	9.1	162.4	84.9	45.7	10.2	12.9	8.7
Q3	119.7	62.4	33.3	2.6	21.5	-0.1	167.2	67.2	49.9	4.8	42.7	2.6
Q4	207.9	96.3	95.6	12.2	-3.3	7.2	260.0	126.5	66.9	11.3	49.2	6.0
2007 Q1	256.0	142.2	82.9	0.9	26.7	3.3	215.1	108.3	108.3	6.5	-10.1	2.1
2007 Jan.	61.6	35.1	6.9	-2.1	21.0	0.7	64.8	38.4	25.4	1.2	-0.2	0.0
Feb.	98.1	64.8	33.4	0.1	0.1	-0.4	74.8	46.7	35.4	1.6	-7.6	-1.3
Mar.	96.3	42.2	42.6	2.9	5.6	3.0	75.5	23.2	47.6	3.6	-2.3	3.4
Apr.	65.8	34.5	18.4	3.5	8.5	0.9	66.8	34.2	20.0	3.8	7.3	1.5

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

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



Source: ECB.

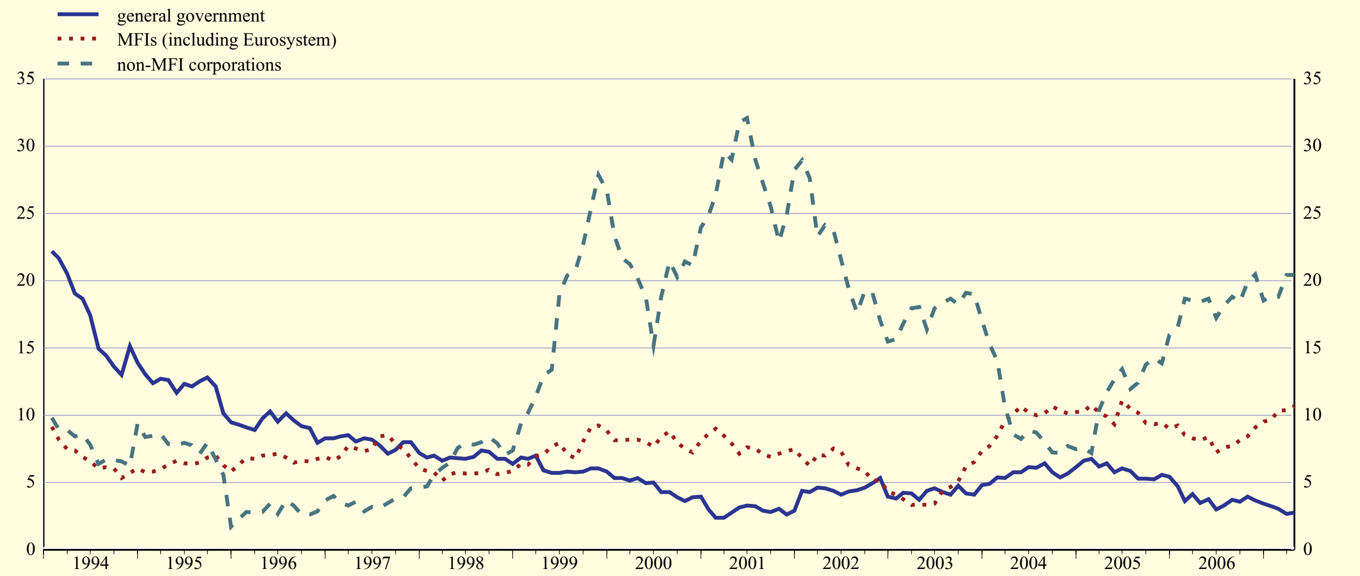
4.3 Growth rates of securities, other than shares, issued by euro area residents [1]

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2006 Apr.	7.1	8.9	26.8	2.6	2.5	10.3	7.8	9.2	30.5	3.3	2.7	11.5
May	7.7	10.0	26.1	3.7	2.6	12.2	8.1	10.5	30.6	6.2	1.8	10.6
June	6.6	8.1	24.0	4.7	1.8	12.4	7.1	9.6	26.9	6.4	0.7	10.6
July	7.0	8.3	25.7	4.8	2.2	11.8	6.8	8.8	25.4	5.4	1.2	10.7
Aug.	7.3	8.4	27.3	3.5	2.5	12.2	7.1	8.8	24.1	2.8	2.3	10.2
Sep.	7.3	9.0	26.5	4.4	2.2	10.4	6.8	8.8	21.7	4.9	1.9	7.7
Oct.	7.9	9.6	29.1	4.1	2.6	9.5	8.1	10.1	27.9	4.9	2.5	7.6
Nov.	8.2	10.0	29.6	5.3	2.5	8.8	8.3	9.5	28.5	4.4	3.3	7.0
Dec.	7.9	10.2	25.8	6.0	2.1	7.9	8.5	10.8	24.6	5.7	3.4	5.3
2007 Jan.	7.9	10.5	26.3	5.4	1.9	7.4	8.9	12.3	27.0	5.3	2.5	4.1
Feb.	8.1	10.7	26.3	5.5	2.1	5.8	9.1	12.8	28.4	8.3	1.9	1.3
Mar.	8.4	10.5	28.4	6.5	2.4	6.7	10.1	12.1	35.5	8.2	2.9	5.5
Apr.	8.6	10.6	28.2	7.0	2.6	7.3	9.1	11.1	28.6	9.1	2.6	6.9
	Long-term											
2006 Apr.	7.4	8.1	27.0	5.3	3.0	10.6	8.0	7.8	30.5	5.9	3.7	12.0
May	7.7	8.4	26.2	6.8	3.2	12.6	7.7	7.7	30.3	8.1	2.7	11.1
June	6.7	7.2	23.8	6.5	2.3	12.8	7.2	8.7	26.2	6.7	1.6	10.8
July	7.1	7.6	25.6	6.1	2.7	12.0	6.9	7.9	24.8	5.3	2.1	10.8
Aug.	7.5	7.7	27.0	5.6	3.1	12.5	7.2	7.8	23.4	4.1	3.3	10.1
Sep.	7.5	8.1	26.2	5.8	3.1	10.9	7.0	8.3	20.8	5.8	2.8	8.1
Oct.	8.1	8.4	28.8	5.3	3.6	10.0	8.2	9.1	27.3	4.8	3.5	8.2
Nov.	8.3	9.1	29.3	5.8	3.3	9.4	9.0	10.5	28.1	3.4	3.9	7.7
Dec.	8.1	9.5	25.4	6.4	3.1	8.4	9.0	10.4	24.5	6.1	4.6	6.0
2007 Jan.	8.1	9.6	25.9	6.3	2.9	7.6	9.3	11.5	26.9	7.4	3.7	4.5
Feb.	8.3	10.3	26.0	5.7	2.8	5.9	9.5	12.9	28.7	7.4	2.4	1.8
Mar.	8.5	10.4	28.1	6.2	2.4	6.9	9.9	12.4	35.9	6.7	1.9	5.6
Apr.	8.6	10.7	28.2	6.0	2.4	7.4	9.0	12.2	29.2	7.1	1.3	6.7

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

(annual percentage changes)



Source: ECB.

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

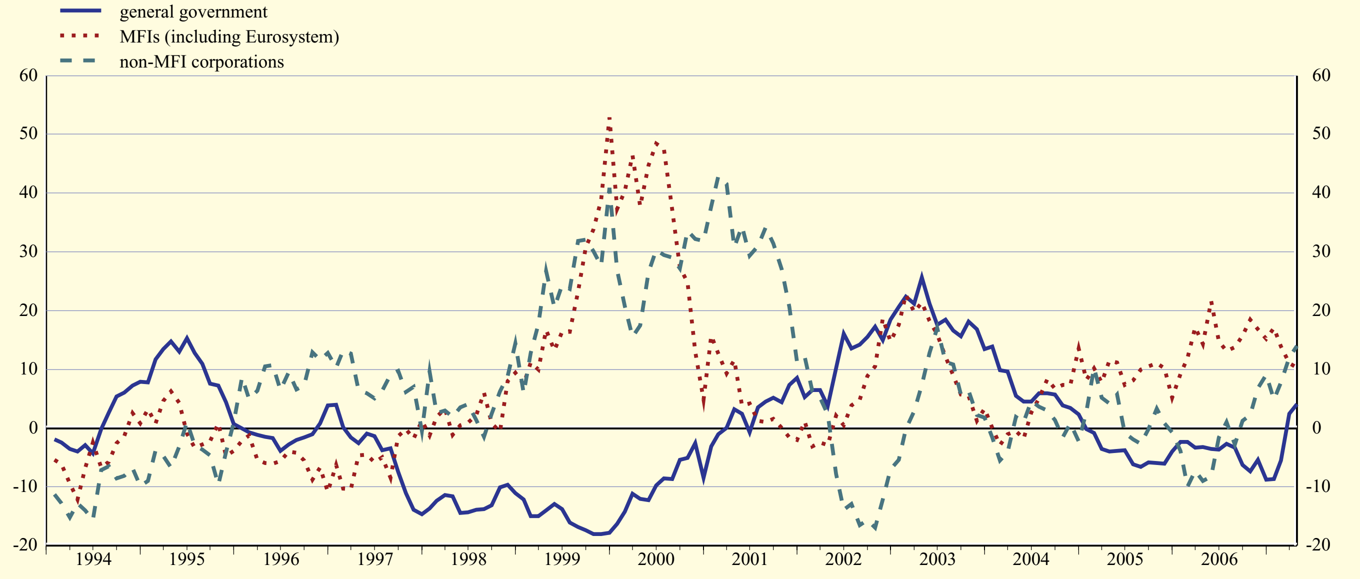
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2005	4.7	3.1	5.7	0.3	5.5	15.0	19.5	18.6	35.8	22.2	9.9	4.8
2006	4.5	4.7	13.8	1.2	3.1	13.4	16.4	11.8	41.4	27.5	5.2	4.4
2006 Q2	4.2	4.5	11.7	1.1	3.0	13.5	16.7	11.9	44.6	28.3	3.6	5.5
Q3	4.4	4.6	14.9	1.1	2.8	13.8	14.9	10.0	38.3	30.4	4.1	6.4
Q4	5.1	5.4	19.5	1.9	3.1	11.1	15.5	11.0	36.5	27.0	5.5	4.7
2007 Q1	5.3	6.3	19.5	3.9	2.9	7.9	15.0	12.1	32.6	21.6	1.4	4.0
2006 Nov.	5.2	5.6	20.9	2.6	3.0	10.2	16.1	11.3	37.6	24.6	6.5	6.5
Dec.	5.2	6.0	18.2	3.1	3.1	9.3	15.0	11.7	32.2	25.4	2.7	5.3
2007 Jan.	5.2	5.7	19.0	4.2	3.1	8.4	14.8	12.2	32.6	21.3	0.2	4.8
Feb.	5.5	6.7	20.8	3.7	3.0	6.6	14.7	12.3	30.9	20.8	1.0	3.5
Mar.	5.2	7.1	19.2	4.4	2.2	8.2	16.1	12.0	36.5	20.3	3.6	2.2
Apr.	5.3	7.6	18.7	4.0	2.2	9.0	16.6	12.2	37.3	19.7	5.6	1.7
	In euro											
2005	4.3	0.9	9.2	-0.2	5.4	15.3	18.9	17.3	35.2	22.2	10.3	5.4
2006	3.8	3.1	11.3	0.4	3.2	13.6	15.3	10.1	37.9	30.5	5.4	3.6
2006 Q2	3.6	2.8	10.0	0.8	3.1	13.9	15.3	10.1	40.5	31.6	3.6	4.4
Q3	3.7	3.1	11.2	-0.1	2.9	13.7	13.3	8.0	33.8	34.3	4.1	5.0
Q4	4.3	4.1	14.8	0.2	3.3	11.1	14.6	9.5	33.7	29.9	5.6	3.7
2007 Q1	4.7	5.5	15.3	1.8	3.2	7.9	13.8	10.8	29.1	22.9	1.5	3.5
2006 Nov.	4.4	4.4	15.8	0.7	3.2	10.3	15.3	10.0	34.9	27.2	6.6	5.6
Dec.	4.6	5.0	14.6	1.2	3.4	9.4	13.7	10.2	28.7	27.3	2.8	4.3
2007 Jan.	4.7	5.0	15.0	2.2	3.5	8.3	13.4	10.6	29.1	22.5	0.2	4.2
Feb.	4.8	5.8	15.8	1.6	3.3	6.6	13.6	11.2	27.5	21.9	1.1	3.2
Mar.	4.5	6.3	15.5	1.7	2.5	8.1	15.1	11.2	32.7	21.3	3.8	1.8
Apr.	4.7	7.1	15.6	1.7	2.5	8.9	15.9	11.4	34.8	20.8	5.8	1.3

C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

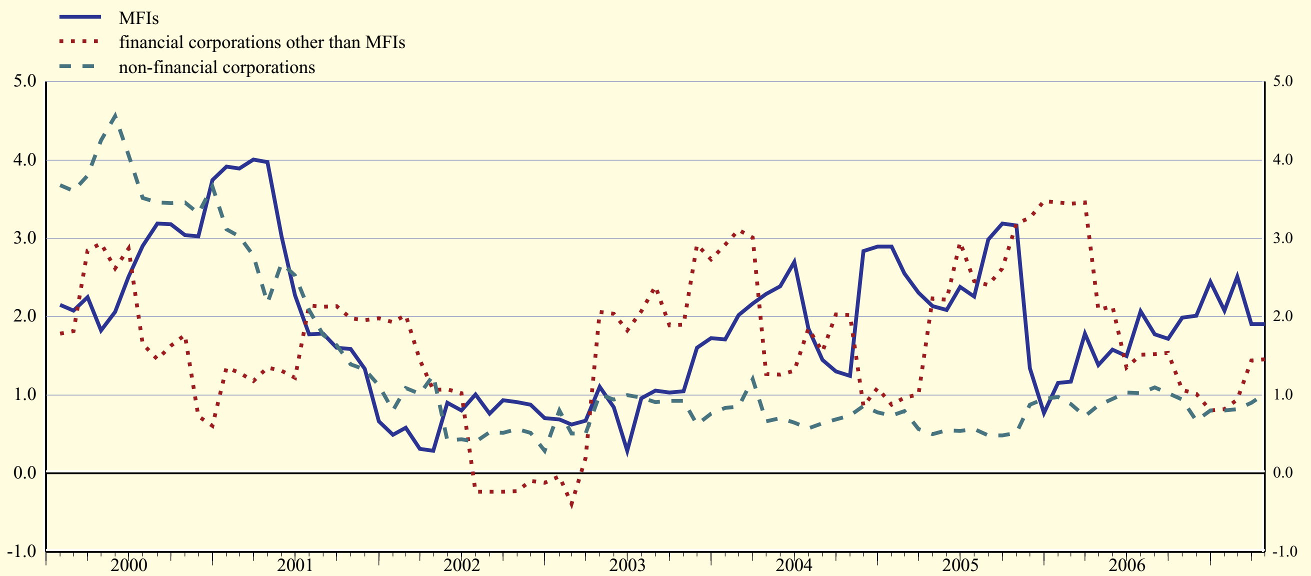
1) For the calculation of the growth rates, see the Technical notes.

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

1. Outstanding amounts and annual growth rates
(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2005 Apr.	4,102.5	102.9	0.9	656.0	2.1	410.8	2.2	3,035.6	0.5
May	4,280.1	102.9	1.0	678.1	2.1	425.4	2.2	3,176.5	0.6
June	4,388.2	103.1	1.1	698.1	2.4	442.6	2.9	3,247.5	0.5
July	4,638.2	103.1	1.0	727.9	2.3	467.7	2.5	3,442.6	0.6
Aug.	4,613.0	103.1	1.1	723.5	3.0	458.2	2.4	3,431.4	0.5
Sep.	4,834.1	103.2	1.1	764.1	3.2	484.8	2.6	3,585.2	0.5
Oct.	4,666.6	103.4	1.2	752.4	3.2	481.5	3.2	3,432.7	0.5
Nov.	4,889.2	103.7	1.2	809.2	1.3	514.6	3.3	3,565.4	0.9
Dec.	5,063.5	103.8	1.2	836.4	0.8	541.8	3.5	3,685.3	0.9
2006 Jan.	5,296.6	103.8	1.2	884.8	1.2	536.8	3.5	3,875.0	1.0
Feb.	5,436.6	103.8	1.2	938.8	1.2	562.7	3.4	3,935.1	0.9
Mar.	5,637.3	103.9	1.2	962.3	1.8	580.0	3.5	4,094.9	0.7
Apr.	5,662.8	104.0	1.1	948.8	1.4	573.9	2.1	4,140.1	0.9
May	5,373.0	104.1	1.2	896.7	1.6	534.5	2.1	3,941.8	0.9
June	5,384.8	104.3	1.1	905.0	1.5	530.6	1.3	3,949.1	1.0
July	5,381.0	104.4	1.3	918.4	2.1	544.4	1.5	3,918.2	1.0
Aug.	5,545.2	104.4	1.3	958.6	1.8	595.7	1.5	3,990.8	1.1
Sep.	5,689.4	104.5	1.2	986.1	1.7	607.7	1.5	4,095.6	1.0
Oct.	5,869.1	104.6	1.1	1,015.6	2.0	614.5	1.1	4,239.0	0.9
Nov.	5,922.6	104.7	0.9	1,024.3	2.0	603.8	1.0	4,294.5	0.7
Dec.	6,139.4	104.9	1.1	1,056.3	2.4	623.2	0.8	4,459.9	0.8
2007 Jan.	6,310.4	104.9	1.0	1,111.3	2.1	641.7	0.8	4,557.4	0.8
Feb.	6,223.4	105.0	1.1	1,081.2	2.5	633.4	0.9	4,508.8	0.8
Mar.	6,424.9	105.1	1.1	1,099.9	1.9	646.2	1.4	4,678.8	0.9
Apr.	6,654.2	105.3	1.2	1,156.5	1.9	672.3	1.5	4,825.4	1.0

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



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

4.4 Quoted shares issued by euro area residents [1]

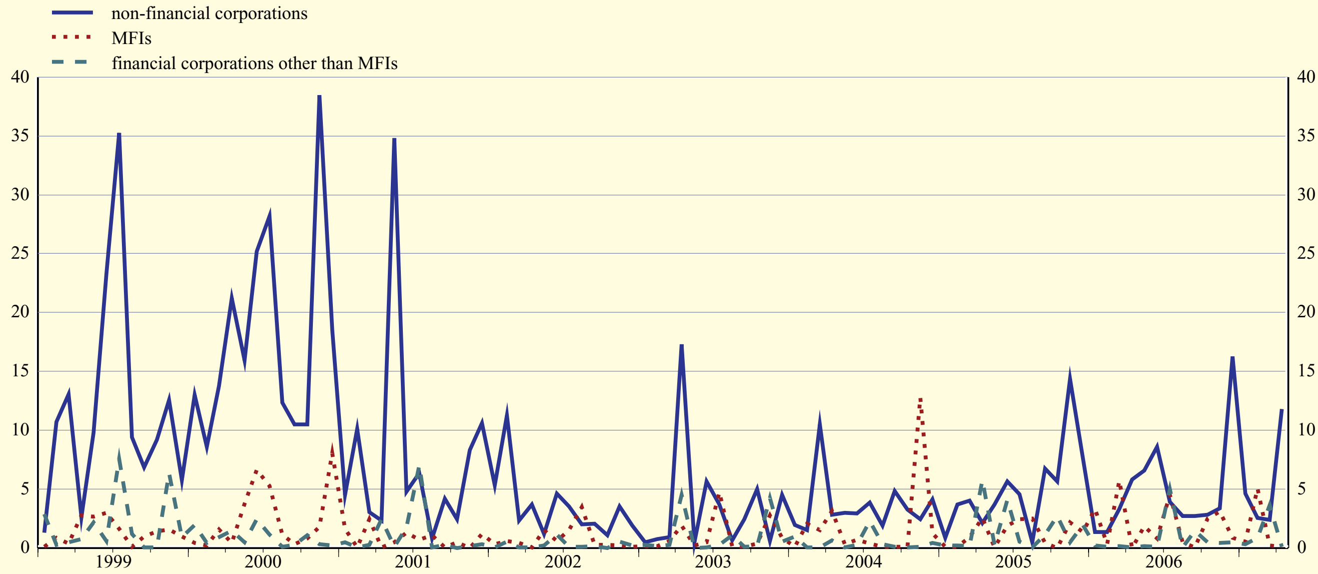
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2005 Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	3.1	0.8	0.0	0.0	0.0	0.2	0.3	-0.1	3.7	2.8	0.8
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.9	13.0	2.1	0.0	2.1	0.5	0.1	0.4	14.4	3.9	10.5
Dec.	10.9	7.4	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.7	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.1	0.0	0.1	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.5	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.6	2.2	6.4	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.4
June	9.4	2.7	6.8	0.8	0.3	0.5	0.1	0.1	0.0	8.6	2.4	6.2
July	13.4	6.6	6.8	4.5	0.0	4.5	5.0	3.5	1.5	3.9	3.1	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.1
Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.1	4.8	3.1	0.0	3.1	0.4	0.2	0.3	3.3	1.9	1.5
Dec.	17.6	5.1	12.5	0.9	0.3	0.5	0.5	0.0	0.5	16.3	4.7	11.5
2007 Jan.	5.4	3.9	1.5	0.5	0.1	0.4	0.3	0.0	0.3	4.6	3.8	0.8
Feb.	8.4	2.0	6.4	5.0	0.0	5.0	0.9	0.0	0.9	2.5	2.0	0.5
Mar.	6.2	1.7	4.5	0.2	0.0	0.2	3.6	0.4	3.3	2.4	1.4	1.0
Apr.	12.0	0.4	11.6	0.1	0.3	-0.2	0.1	0.0	0.1	11.8	0.2	11.6

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents [1)]

(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 [2)]	With agreed maturity			Redeemable at notice [2), 3)]		Overnight [2)]	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
2006 May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.63	1.32	2.92	3.25	3.78	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.99	3.45	3.82	2.96
Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14
Nov.	0.91	3.10	3.34	2.80	2.30	2.81	1.49	3.26	3.47	3.66	3.23
Dec.	0.92	3.27	3.31	2.79	2.38	2.87	1.51	3.47	4.99	3.88	3.41
2007 Jan.	0.98	3.33	3.48	2.92	2.35	2.98	1.61	3.49	3.91	4.07	3.46
Feb.	1.00	3.37	3.64	2.72	2.35	3.07	1.64	3.48	3.80	4.15	3.47
Mar.	1.02	3.51	3.65	2.69	2.39	3.14	1.71	3.67	3.84	3.72	3.64
Apr.	1.04	3.59	3.69	2.80	2.42	3.20	1.75	3.74	4.02	3.87	3.70

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

	Bank overdrafts [2)]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4)]	By initial rate fixation				Annual percentage rate of charge [4)]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006 May	9.78	7.14	6.23	7.89	7.74	3.90	4.16	4.40	4.20	4.34	4.43	5.07	4.76
June	9.84	7.01	6.31	7.82	7.67	4.00	4.20	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.23	6.33	8.02	7.84	4.11	4.24	4.52	4.35	4.51	4.56	5.24	4.74
Aug.	9.95	7.73	6.39	8.15	8.08	4.21	4.37	4.60	4.40	4.59	4.65	5.27	4.94
Sep.	10.06	7.72	6.26	8.09	7.95	4.30	4.37	4.61	4.45	4.66	4.76	5.30	4.98
Oct.	10.04	7.50	6.02	8.17	7.78	4.42	4.45	4.58	4.47	4.73	4.93	5.18	4.80
Nov.	10.08	7.66	6.16	8.15	7.83	4.49	4.50	4.58	4.47	4.76	4.97	5.26	4.91
Dec.	10.03	7.56	6.08	7.97	7.72	4.55	4.58	4.56	4.49	4.80	4.93	5.24	4.82
2007 Jan.	10.15	7.63	6.71	8.39	8.26	4.67	4.60	4.60	4.50	4.83	5.13	5.43	4.92
Feb.	10.33	7.69	6.86	8.27	8.30	4.71	4.71	4.70	4.61	4.90	5.27	5.38	5.14
Mar.	10.23	7.51	6.71	8.34	8.15	4.78	4.76	4.71	4.62	4.94	5.26	5.60	5.20
Apr.	10.30	7.76	6.72	8.23	8.18	4.83	4.71	4.73	4.64	5.00	5.28	5.57	5.14

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

	Bank overdrafts [2)]	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
2006 May	5.36	4.38	4.84	4.26	3.59	4.13	4.32
June	5.45	4.47	4.84	4.33	3.76	4.12	4.23
July	5.52	4.57	4.99	4.38	3.85	4.21	4.37
Aug.	5.56	4.70	5.09	4.60	3.98	4.33	4.49
Sep.	5.69	4.75	5.02	4.54	4.04	4.41	4.47
Oct.	5.76	4.91	5.17	4.57	4.24	4.38	4.45
Nov.	5.82	5.00	5.25	4.68	4.31	4.62	4.58
Dec.	5.80	5.08	5.24	4.71	4.50	4.77	4.63
2007 Jan.	5.94	5.16	5.31	4.69	4.44	4.67	4.71
Feb.	6.03	5.21	5.44	4.86	4.50	4.69	4.71
Mar.	6.04	5.30	5.45	4.88	4.65	4.81	4.87
Apr.	6.11	5.36	5.43	4.82	4.70	4.98	4.86

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) For this instrument category, new business and outstanding amounts coincide. End-of-period.
3) 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.
4) 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)

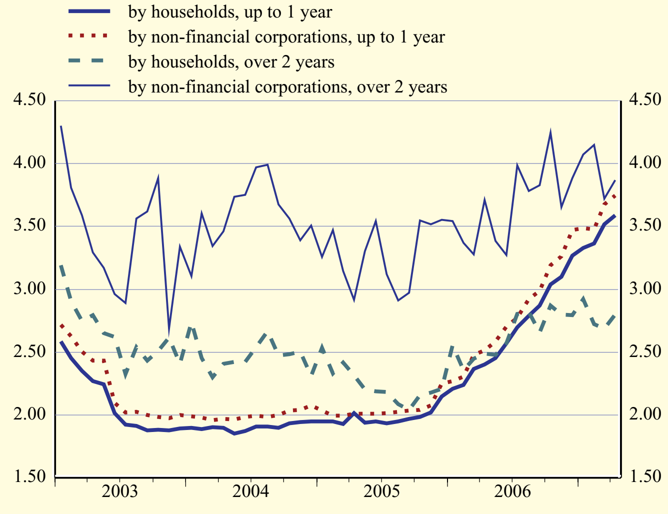
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2006 May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.57	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.57	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.61	2.71
Aug.	0.85	2.52	3.05	2.23	2.63	1.32	2.93	3.69	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.69	2.90
Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05
Nov.	0.91	2.78	3.05	2.30	2.81	1.49	3.24	3.80	3.14
Dec.	0.92	2.89	3.05	2.38	2.87	1.51	3.42	3.88	3.29
2007 Jan.	0.98	2.99	3.06	2.35	2.98	1.61	3.45	3.91	3.36
Feb.	1.00	3.07	3.12	2.35	3.07	1.64	3.49	3.92	3.41
Mar.	1.02	3.16	3.05	2.39	3.14	1.71	3.61	3.93	3.54
Apr.	1.04	3.23	3.06	2.42	3.20	1.75	3.68	3.93	3.59

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
2006 May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.82	4.27	4.62	8.31	6.81	5.87	4.93	4.40	4.53
Oct.	4.90	4.29	4.65	8.36	6.81	5.88	5.07	4.51	4.57
Nov.	4.98	4.33	4.68	8.34	6.81	5.91	5.14	4.59	4.63
Dec.	5.01	4.34	4.70	8.43	6.81	5.93	5.23	4.66	4.68
2007 Jan.	5.05	4.38	4.72	8.55	6.84	5.95	5.30	4.76	4.77
Feb.	5.11	4.46	4.79	8.67	6.95	5.96	5.37	4.83	4.83
Mar.	5.14	4.46	4.79	8.64	6.88	5.95	5.43	4.89	4.84
Apr.	5.19	4.48	4.80	8.69	6.91	5.99	5.49	4.94	4.88

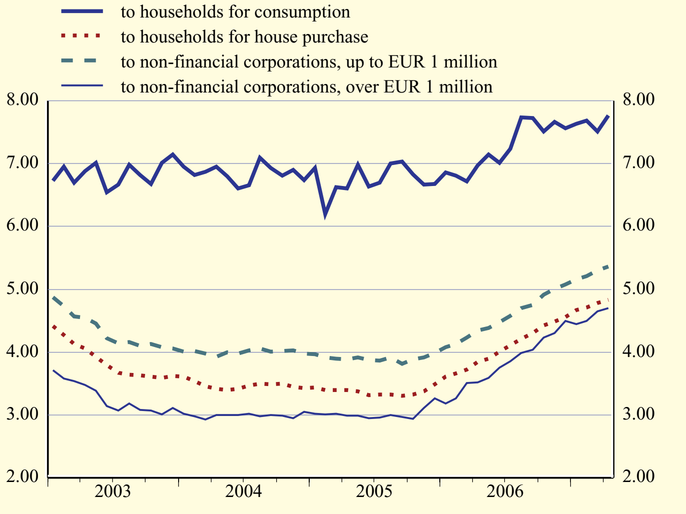
C21 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

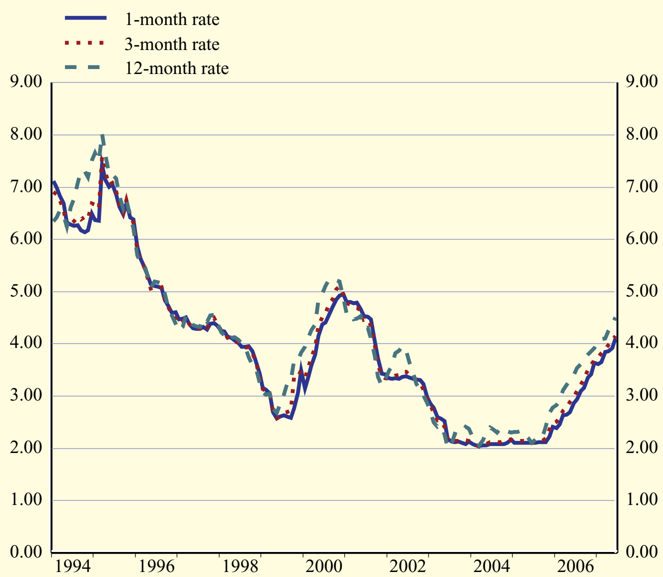
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2006 Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
Q4	3.36	3.46	3.59	3.72	3.86	5.37	0.49
2007 Q1	3.61	3.71	3.82	3.94	4.09	5.36	0.62
Q2	3.86	3.96	4.07	4.20	4.38	5.36	0.69
2006 June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40
Aug.	2.97	3.09	3.23	3.41	3.62	5.42	0.41
Sep.	3.04	3.16	3.34	3.53	3.72	5.38	0.42
Oct.	3.28	3.35	3.50	3.64	3.80	5.37	0.44
Nov.	3.33	3.42	3.60	3.73	3.86	5.37	0.48
Dec.	3.50	3.64	3.68	3.79	3.92	5.36	0.56
2007 Jan.	3.56	3.62	3.75	3.89	4.06	5.36	0.56
Feb.	3.57	3.65	3.82	3.94	4.09	5.36	0.59
Mar.	3.69	3.84	3.89	4.00	4.11	5.35	0.71
Apr.	3.82	3.86	3.98	4.10	4.25	5.35	0.66
May	3.79	3.92	4.07	4.20	4.37	5.36	0.67
June	3.96	4.10	4.15	4.28	4.51	5.36	0.73

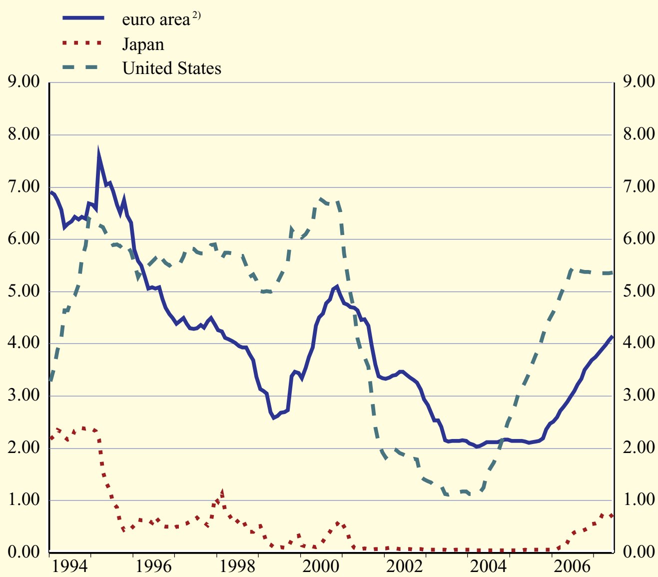
C23 Euro area money market rates [2)]

(monthly; percentages per annum)



C24 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

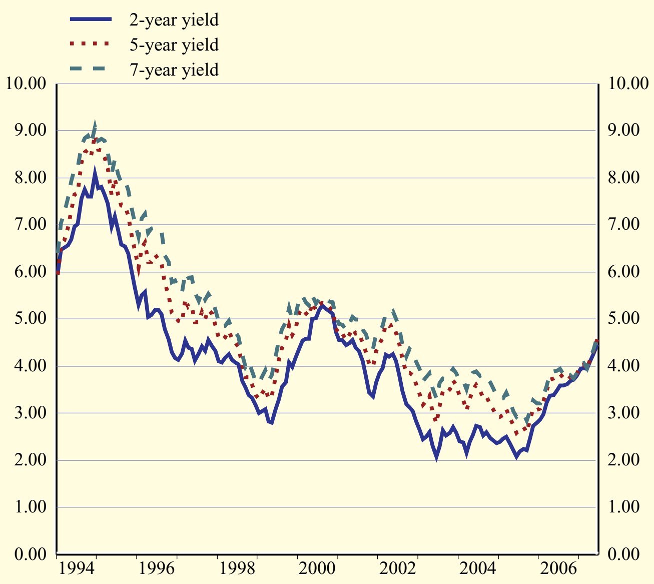
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.

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

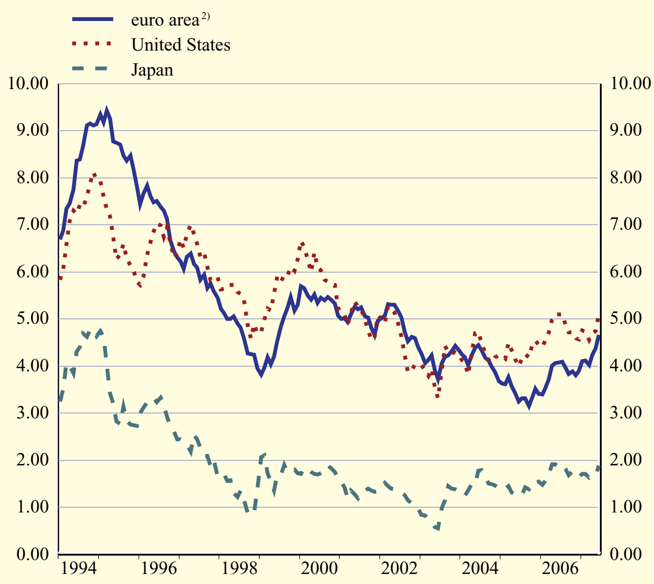
4.7 Government bond yields
(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
2006 Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2007 Q1	3.95	3.96	3.99	4.02	4.08	4.68	1.68
Q2	4.27	4.30	4.34	4.38	4.42	4.84	1.74
2006 June	3.47	3.59	3.78	3.91	4.08	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64
2007 Jan.	3.94	3.96	4.02	4.02	4.10	4.76	1.71
Feb.	3.96	3.98	4.02	4.07	4.12	4.73	1.71
Mar.	3.94	3.94	3.95	3.96	4.02	4.56	1.62
Apr.	4.11	4.12	4.15	4.20	4.25	4.69	1.67
May	4.26	4.28	4.31	4.34	4.37	4.75	1.67
June	4.45	4.51	4.57	4.62	4.66	5.11	1.89

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



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



Source: ECB.
1) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.

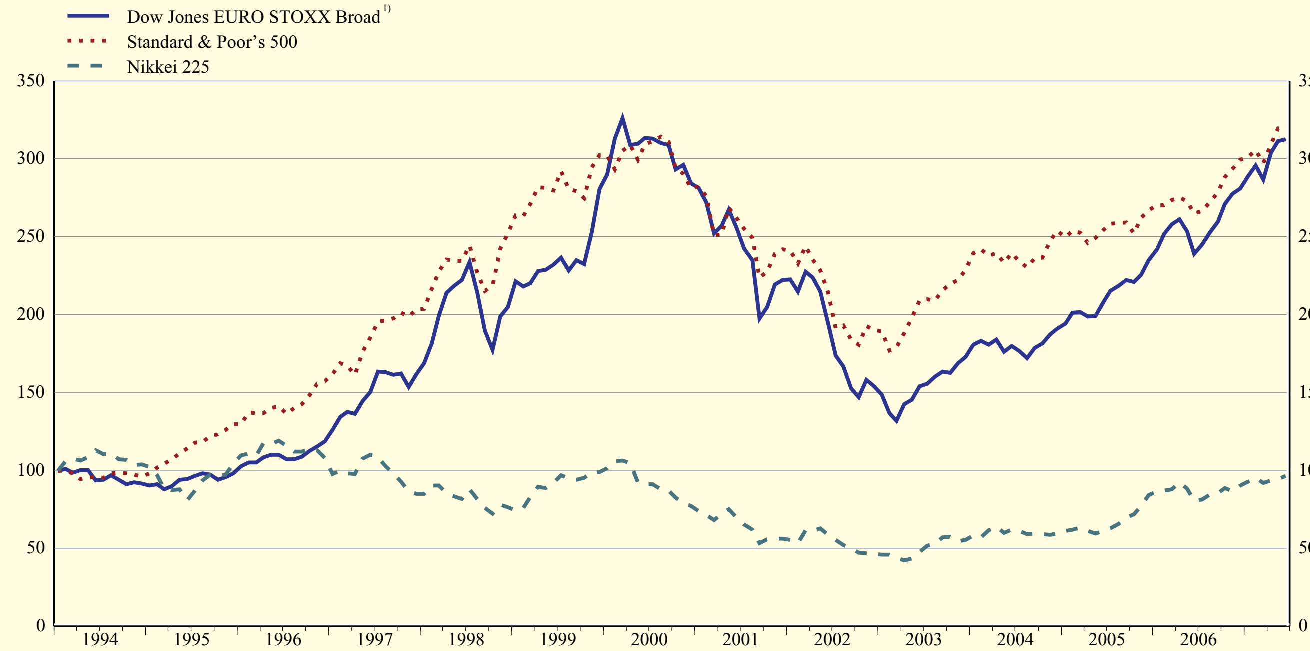
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices [1]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,121.2
2006 Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2007 Q1	402.5	4,150.5	489.9	233.3	335.7	422.8	418.6	462.7	349.4	512.3	472.8	527.2	1,424.8	17,363.9
Q2	429.0	4,416.2	549.6	246.8	373.0	454.1	434.2	512.5	376.6	556.0	475.8	536.7	1,496.6	17,678.7
2006 June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2
2007 Jan.	400.4	4,157.8	476.4	229.1	328.2	426.5	419.8	452.2	350.4	505.0	485.0	538.1	1,423.9	17,270.0
Feb.	410.3	4,230.2	496.6	235.9	339.4	428.2	428.3	476.2	355.3	524.7	481.0	530.4	1,445.3	17,729.4
Mar.	397.5	4,070.5	497.9	235.1	340.2	413.9	408.6	461.2	343.0	508.5	452.6	512.9	1,407.0	17,130.0
Apr.	421.7	4,330.7	531.7	247.6	363.9	437.2	432.7	493.8	362.4	540.4	477.4	531.5	1,462.7	17,466.5
May	431.7	4,444.8	545.5	248.5	374.4	454.1	439.8	514.4	374.5	559.2	476.2	547.7	1,511.3	17,577.7
June	433.4	4,470.2	571.9	244.2	380.4	471.1	429.4	529.0	393.1	568.2	473.8	529.9	1,514.5	18,001.4

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

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices [2]	
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
% of total [3]	100.0	100.0	82.8	59.2	40.8	100.0	11.9	7.6	30.0	9.6	40.8	86.1	13.9
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-	2.0	2.4
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	2.0	3.1
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.7
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.0	3.1
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.7	0.1	1.3	0.4	2.2	2.9
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.4	0.6	0.3	3.9	0.5	2.4	3.2
Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.4	1.9	0.2	0.6	0.6	2.0	3.3
Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.8	0.8	0.3	-4.2	0.6	1.6	3.0
2007 Q1	102.9	1.9	1.9	1.6	2.4	0.5	0.4	-0.2	0.4	1.0	0.7	1.7	2.9
2007 Jan.	102.5	1.8	1.8	1.5	2.3	0.2	0.1	0.1	0.1	0.4	0.3	1.6	3.0
Feb.	102.8	1.8	1.9	1.5	2.4	0.2	0.1	-0.5	0.3	0.3	0.3	1.7	3.1
Mar.	103.5	1.9	1.9	1.7	2.4	0.2	0.1	-0.2	0.2	1.5	0.1	1.8	2.7
Apr.	104.2	1.9	1.9	1.5	2.5	0.4	0.1	1.3	0.0	1.4	0.3	1.8	2.6
May	104.4	1.9	1.9	1.4	2.6	0.2	0.1	-0.4	0.0	0.9	0.3	1.7	2.4
June [4]	.	1.9	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.6	11.9	7.6	39.6	30.0	9.6	10.2	6.2	6.4	3.1	14.4	6.7
	14	15	16	17	18	19	20	21	22	23	24	25
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.4	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
Q2	2.0	2.2	1.6	3.1	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2007 Q1	2.5	2.1	3.1	1.1	1.1	1.1	2.6	2.0	2.9	-2.1	2.8	2.5
2006 Dec.	2.7	2.1	3.7	1.4	0.9	2.9	2.5	2.1	2.2	-2.3	2.4	2.4
2007 Jan.	2.8	2.2	3.7	0.9	0.9	0.9	2.6	2.0	2.9	-1.7	2.7	2.4
Feb.	2.4	2.1	2.8	1.1	1.1	0.8	2.6	2.0	2.8	-1.8	2.8	2.6
Mar.	2.3	1.9	2.9	1.4	1.2	1.8	2.6	2.0	2.9	-2.8	2.9	2.6
Apr.	2.7	1.9	3.9	1.0	1.1	0.4	2.7	2.1	2.6	-2.2	2.7	3.7
May	2.4	1.9	3.1	0.9	1.0	0.3	2.8	2.0	2.8	-1.8	2.9	3.6

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to http://www.ecb.int/stats/prices/hicp/html/index.en.html for a note explaining the methodology used in the compilation of this indicator.
3) Referring to the index period 2007.
4) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]	World market prices of raw materials [3]		Oil prices [4] (EUR per barrel)
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy			Total		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.7	2.2	7.0	-4.0	-4.5	25.1
2004	105.8	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	3.2	7.4	18.4	10.8	30.5
2005	110.1	4.1	3.2	1.9	2.9	1.3	1.1	1.3	1.1	13.4	3.1	7.9	28.5	9.4	44.6
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.7	1.6	1.7	13.2	3.8	6.4	19.7	24.8	52.9
2006 Q2	115.8	5.8	3.9	2.6	4.4	1.2	1.7	1.6	1.8	17.3	4.0	6.9 [6]	30.0	26.2	56.2
Q3	116.9	5.4	3.7	3.6	6.3	1.7	1.9	1.8	1.9	11.7	4.3	-	13.4	26.6	55.7
Q4	116.6	4.1	2.8	3.5	6.2	1.8	1.6	1.7	1.6	6.1	3.9	6.0 [6]	3.9	23.0	47.3
2007 Q1	117.3	2.9	2.5	3.4	6.0	2.0	1.5	2.0	1.5	1.2	.	-	-5.5	15.7	44.8
Q2	.	.	.	.	.	.	.	.	.	.	.	.	-3.1	13.8	51.0
2007 Jan.	116.9	3.1	2.4	3.5	6.2	2.0	1.5	1.9	1.4	1.7	-	-	-9.6	15.6	42.2
Feb.	117.3	2.9	2.5	3.5	6.0	2.1	1.6	2.0	1.6	1.1	-	-	-4.6	13.9	44.9
Mar.	117.6	2.8	2.6	3.4	5.9	2.0	1.5	1.9	1.4	0.9	-	-	-2.3	17.6	47.3
Apr.	118.1	2.4	2.5	3.4	5.8	2.0	1.7	1.8	1.6	-0.9	-	-	-5.6	15.3	50.2
May	118.5	2.3	2.5	3.2	5.4	2.0	1.7	1.8	1.7	-0.5	-	-	-3.9	11.9	50.3
June	.	.	.	.	.	.	.	.	.	.	-	-	0.3	14.2	52.6

3. Hourly labour costs [7]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2003	110.9	3.1	2.9	3.8	3.2	3.9	2.9	2.4
2004	113.9	2.7	2.3	3.2	3.0	3.1	2.4	2.1
2005	116.6	2.4	2.5	1.9	2.5	2.3	2.4	2.1
2006	119.4	2.4	2.7	1.8	2.7	2.0	2.3	2.3
2006 Q1	118.4	2.4	2.9	1.1	2.5	2.2	2.4	2.2
Q2	119.1	2.6	2.8	2.0	3.3	1.7	2.3	2.4
Q3	119.7	2.4	2.7	2.1	3.1	1.9	2.1	2.1
Q4	120.4	2.2	2.4	1.9	2.2	2.3	2.3	2.5
2007 Q1	121.0	2.2	2.3	2.1	2.2	1.9	2.2	2.0

Sources: Eurostat, HWWI (columns 13 and 14 in Table 2 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 15 in Table 2 in Section 5.1), ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and column 7 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and column 8 in Table 3 in Section 5.1).

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

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

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

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2003	106.5	1.8	5.9	0.2	3.2	2.1	1.5	2.8
2004	107.8	1.2	-9.4	0.2	3.4	-0.1	2.3	2.8
2005	108.8	0.9	7.3	-1.2	3.4	0.2	1.9	2.0
2006	109.6	0.8	5.4	-1.7	0.9	0.5	2.4	2.2
2005 Q4	109.4	0.9	9.4	-2.0	2.1	0.1	2.1	2.7
2006 Q1	109.5	0.9	6.6	-1.5	1.3	0.4	2.5	2.2
Q2	109.9	1.1	6.2	-1.5	-0.2	0.8	1.8	3.2
Q3	109.7	1.1	6.3	-1.5	0.6	0.4	3.0	2.6
Q4	109.4	0.0	2.5	-2.1	1.8	0.3	2.4	0.8
	Compensation per employee							
2003	107.6	2.1	2.3	2.1	2.8	1.9	2.5	2.1
2004	109.8	2.1	2.2	2.7	2.6	1.5	1.9	2.3
2005	111.7	1.7	3.3	1.5	2.3	1.6	2.1	1.9
2006	114.2	2.2	3.7	2.5	2.7	2.1	1.6	2.1
2005 Q4	112.8	2.2	3.4	1.6	2.4	1.6	1.8	3.3
2006 Q1	113.4	2.2	2.9	2.5	2.8	2.1	1.6	2.3
Q2	114.2	2.5	3.3	2.5	2.4	2.4	1.1	3.2
Q3	114.5	2.4	4.7	2.7	2.3	1.9	1.9	2.6
Q4	114.8	1.8	4.0	2.3	3.3	2.1	2.0	0.6
	Labour productivity [2]							
2003	101.0	0.4	-3.3	1.9	-0.5	-0.2	0.9	-0.7
2004	101.9	0.9	12.8	2.5	-0.8	1.6	-0.4	-0.4
2005	102.7	0.8	-3.8	2.7	-1.1	1.3	0.2	-0.1
2006	104.2	1.4	-1.6	4.2	1.8	1.7	-0.8	0.0
2006 Q1	103.5	1.3	-3.5	4.1	1.5	1.7	-0.9	0.0
Q2	104.0	1.4	-2.8	4.1	2.6	1.5	-0.7	0.0
Q3	104.3	1.3	-1.4	4.3	1.7	1.5	-1.1	0.0
Q4	104.9	1.8	1.5	4.5	1.4	1.8	-0.3	-0.1
2007 Q1	105.2	1.6	.	.	.	.	.	.

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2003	107.3	2.1	2.0	2.1	2.4	1.2	-1.2	-1.8
2004	109.4	1.9	2.1	2.1	2.2	2.5	1.1	1.5
2005	111.4	1.9	2.2	2.0	2.4	2.3	2.7	3.7
2006	113.3	1.8	2.3	2.2	1.9	2.7	2.6	4.0
2006 Q1	112.5	1.7	2.7	2.4	2.3	2.3	2.8	5.4
Q2	113.1	1.8	2.6	2.4	2.8	2.8	3.0	5.1
Q3	113.7	1.9	2.2	2.1	1.9	2.9	2.7	3.5
Q4	114.2	1.7	1.7	1.8	0.5	2.9	1.8	2.0
2007 Q1	115.3	2.5	1.7	1.7	1.3	3.1	2.3	0.4

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2003	7,486.4	7,329.9	4,291.7	1,531.5	1,504.7	1.9	156.6	2,638.4	2,481.9
2004	7,766.0	7,607.3	4,442.2	1,586.1	1,571.1	7.9	158.7	2,838.8	2,680.1
2005	8,037.7	7,919.1	4,602.0	1,648.0	1,651.8	17.3	118.6	3,044.6	2,926.0
2006	8,412.3	8,309.4	4,784.9	1,712.7	1,783.9	27.9	102.9	3,387.8	3,284.9
2006 Q1	2,061.3	2,043.6	1,180.1	422.8	430.1	10.5	17.6	819.5	801.9
Q2	2,091.5	2,069.5	1,190.5	428.3	443.3	7.4	22.1	834.2	812.1
Q3	2,116.0	2,095.2	1,203.6	429.4	450.6	11.6	20.8	852.0	831.2
Q4	2,143.5	2,101.1	1,210.6	432.2	459.9	-1.7	42.4	882.0	839.6
2007 Q1	2,176.8	2,141.7	1,215.5	436.7	475.4	14.1	35.1	891.0	855.9
	percentage of GDP								
2006	100.0	98.8	56.9	20.4	21.2	0.3	1.2	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2006 Q1	0.9	0.5	0.5	1.1	1.2	-	-	3.6	2.7
Q2	0.9	0.8	0.3	0.1	2.1	-	-	1.0	0.8
Q3	0.6	0.8	0.7	0.6	1.0	-	-	1.4	2.1
Q4	0.9	0.1	0.4	0.4	1.5	-	-	3.5	1.7
2007 Q1	0.6	1.1	-0.1	0.8	2.5	-	-	0.3	1.6
	annual percentage changes								
2003	0.8	1.5	1.2	1.8	1.1	-	-	1.1	3.1
2004	2.0	1.9	1.5	1.4	2.3	-	-	6.9	6.8
2005	1.5	1.7	1.5	1.4	2.6	-	-	4.2	5.0
2006	2.7	2.5	1.7	2.0	4.9	-	-	8.3	7.9
2006 Q1	2.4	2.4	1.7	2.2	4.3	-	-	9.1	9.4
Q2	2.9	2.6	1.7	1.7	5.5	-	-	8.1	7.7
Q3	2.8	3.0	1.7	1.9	4.9	-	-	6.9	7.5
Q4	3.3	2.4	1.9	2.2	5.9	-	-	9.8	7.5
2007 Q1	3.0	3.0	1.3	1.9	7.2	-	-	6.3	6.3
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2006 Q1	0.9	0.5	0.3	0.2	0.2	-0.2	0.4	-	-
Q2	0.9	0.8	0.2	0.0	0.4	0.2	0.1	-	-
Q3	0.6	0.8	0.4	0.1	0.2	0.1	-0.2	-	-
Q4	0.9	0.1	0.2	0.1	0.3	-0.4	0.7	-	-
2007 Q1	0.6	1.1	-0.1	0.2	0.5	0.5	-0.5	-	-
	contributions to annual percentage changes of GDP in percentage points								
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.9	0.9	0.3	0.5	0.2	0.2	-	-
2005	1.5	1.7	0.9	0.3	0.5	0.0	-0.2	-	-
2006	2.7	2.5	1.0	0.4	1.0	0.1	0.3	-	-
2006 Q1	2.4	2.3	1.0	0.4	0.9	0.0	0.0	-	-
Q2	2.9	2.6	1.0	0.4	1.1	0.1	0.3	-	-
Q3	2.8	2.9	1.0	0.4	1.0	0.6	-0.1	-	-
Q4	3.3	2.4	1.1	0.5	1.2	-0.4	1.0	-	-
2007 Q1	3.0	3.0	0.7	0.4	1.5	0.4	0.1	-	-

Sources: Eurostat and ECB calculations.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Tables 7.1.2 and 7.3.1.

2) Including acquisitions less disposals of valuables.

3) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2003	6,725.3	152.6	1,392.3	391.6	1,426.9	1,830.3	1,531.6	761.2
2004	6,969.8	157.8	1,421.1	412.8	1,482.9	1,906.1	1,589.0	796.3
2005	7,199.3	145.6	1,458.4	438.2	1,525.8	1,985.8	1,645.6	838.4
2006	7,508.8	143.7	1,527.0	481.3	1,575.7	2,081.7	1,699.4	903.5
2006 Q1	1,840.7	35.2	374.3	115.2	386.9	510.0	419.1	220.6
Q2	1,867.5	35.6	379.0	118.6	391.8	517.1	425.4	224.0
Q3	1,891.3	36.1	385.3	122.2	397.1	524.4	426.3	224.8
Q4	1,909.3	36.8	388.5	125.3	400.0	530.2	428.5	234.2
2007 Q1	1,936.4	36.3	397.0	128.9	402.2	538.9	433.0	240.4
	percentage of value added							
2006	100.0	1.9	20.3	6.4	21.0	27.7	22.6	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2006 Q1	0.8	-2.5	1.5	0.0	0.7	1.0	0.5	1.7
Q2	1.0	0.3	1.3	2.6	1.2	1.1	0.3	0.0
Q3	0.6	-0.2	1.0	1.2	0.6	0.4	0.2	0.8
Q4	0.7	2.3	0.6	1.5	0.7	0.7	0.3	2.7
2007 Q1	0.8	-1.7	1.1	1.9	0.4	0.9	0.5	-0.6
	annual percentage changes							
2003	0.7	-5.9	0.4	0.3	0.4	1.6	1.0	1.4
2004	2.1	11.4	1.8	0.8	2.9	1.8	1.3	1.7
2005	1.5	-5.0	1.1	1.5	1.8	2.2	1.3	1.6
2006	2.6	-1.9	3.8	4.4	2.7	2.6	1.3	3.9
2006 Q1	2.2	-3.2	3.4	3.7	2.4	2.0	1.3	3.6
Q2	2.8	-1.8	4.0	4.6	3.0	2.9	1.4	3.6
Q3	2.8	-2.5	4.3	4.9	2.9	2.7	1.4	3.1
Q4	3.1	-0.2	4.4	5.3	3.3	3.2	1.3	5.3
2007 Q1	3.1	0.6	4.0	7.4	2.9	3.1	1.3	2.8
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.3	0.1	-
Q2	1.0	0.0	0.3	0.2	0.2	0.3	0.1	-
Q3	0.6	0.0	0.2	0.1	0.1	0.1	0.1	-
Q4	0.7	0.0	0.1	0.1	0.2	0.2	0.1	-
2007 Q1	0.8	0.0	0.2	0.1	0.1	0.2	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.1	0.3	0.4	0.0	0.6	0.5	0.3	-
2005	1.5	-0.1	0.2	0.1	0.4	0.6	0.3	-
2006	2.6	0.0	0.8	0.3	0.6	0.7	0.3	-
2006 Q1	2.2	-0.1	0.7	0.2	0.5	0.5	0.3	-
Q2	2.8	0.0	0.8	0.3	0.6	0.8	0.3	-
Q3	2.8	-0.1	0.9	0.3	0.6	0.7	0.3	-
Q4	3.1	0.0	0.9	0.3	0.7	0.9	0.3	-
2007 Q1	3.1	0.0	0.8	0.5	0.6	0.9	0.3	-

Sources: Eurostat and ECB calculations.

1) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
2004	2.0	102.4	2.1	2.1	2.0	2.3	3.3	0.5	0.1	0.6	2.0	-0.5
2005	1.2	103.8	1.3	1.3	1.1	0.9	2.8	0.5	-0.9	0.7	1.3	-0.4
2006	3.8	108.0	4.0	4.4	4.4	5.0	5.9	2.4	4.2	2.1	0.7	4.3
2006 Q2	3.2	107.8	4.3	4.4	4.7	5.7	5.7	2.6	3.7	2.4	0.9	3.6
Q3	4.2	108.6	4.2	4.5	4.4	5.8	5.7	1.7	5.1	1.1	1.5	4.4
Q4	4.1	109.2	4.0	4.9	4.9	5.3	6.8	3.1	5.5	2.7	-3.3	6.8
2007 Q1	4.6	110.1	3.8	5.6	5.9	6.3	7.2	3.4	4.3	3.2	-7.3	11.0
2006 Nov.	3.9	108.9	3.0	4.0	3.8	3.5	6.5	2.4	5.3	1.9	-3.9	6.8
Dec.	4.4	110.2	4.8	6.0	6.0	7.3	7.8	3.9	6.5	3.5	-4.2	8.7
2007 Jan.	3.6	109.6	3.3	5.4	5.6	5.5	7.1	3.6	3.6	3.6	-7.5	9.8
Feb.	4.9	110.1	4.0	5.8	6.0	7.1	7.6	2.6	5.0	2.2	-7.3	12.0
Mar.	5.2	110.7	4.1	5.7	6.0	6.4	7.0	3.9	4.3	3.9	-7.1	11.2
Apr.	3.1	109.8	2.9	4.0	4.1	3.7	5.7	2.3	1.6	2.4	-3.4	4.0
	month-on-month percentage changes (s.a.)											
2006 Nov.	0.6	-	0.2	0.5	0.4	0.0	1.3	0.1	1.3	-0.1	0.5	0.8
Dec.	0.9	-	1.2	1.3	1.4	2.1	0.8	1.2	0.8	1.2	1.8	0.7
2007 Jan.	-0.3	-	-0.6	-0.2	-0.1	-0.7	0.3	-0.4	-1.7	-0.2	-3.5	0.4
Feb.	0.7	-	0.5	0.5	0.4	0.6	0.8	0.0	0.7	-0.1	-0.2	1.0
Mar.	0.9	-	0.6	0.4	0.8	0.5	0.3	0.8	0.0	1.0	0.7	0.7
Apr.	-1.8	-	-0.9	-1.0	-1.5	-1.5	-1.0	-1.0	-1.8	-0.8	0.5	-0.9

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	105.0	7.5	106.3	5.1	2.3	105.3	1.6	1.2	1.7	1.9	3.3	926	1.0
2005	110.9	4.6	110.8	3.6	2.2	106.7	1.3	0.6	1.7	2.3	1.2	941	1.6
2006	121.5	9.5	118.9	7.3	3.4	108.9	2.1	0.7	2.7	3.0	4.9	965	2.5
2006 Q2	119.8	8.4	118.4	6.4	3.8	108.7	2.3	1.3	2.7	2.9	4.2	973	3.4
Q3	123.3	10.6	119.9	6.5	3.8	109.3	2.3	1.3	2.8	3.5	5.1	938	-1.8
Q4	125.3	6.9	121.9	7.6	3.4	109.7	2.3	-0.2	3.5	3.2	7.0	984	5.2
2007 Q1	127.7	8.5	124.5	7.6	2.7	109.7	1.7	0.4	2.5	4.4	4.3	949	-1.7
2006 Dec.	127.0	1.8	123.5	4.0	4.1	110.2	3.0	0.2	4.4	4.3	8.0	1,029	13.2
2007 Jan.	127.0	12.4	123.5	10.1	2.0	109.1	1.0	-0.3	1.6	2.5	3.8	941	-2.9
Feb.	126.3	5.2	123.9	7.3	2.0	109.6	1.2	-0.7	2.6	4.9	3.9	936	-3.7
Mar.	129.9	8.2	126.0	5.9	3.8	110.3	2.7	2.0	3.1	6.0	5.1	969	0.8
Apr.	129.3	12.1	123.4	8.9	2.8	110.2	1.5	0.4	2.5	7.0	3.0	919	-5.8
May	.	.	.	.	1.7	109.6	0.4	0.4	0.3	.	.	963	-0.8
	month-on-month percentage changes (s.a.)												
2006 Dec.	-	1.6	-	0.9	0.4	-	0.4	0.2	0.5	0.6	1.3	-	5.6
2007 Jan.	-	0.0	-	0.0	-0.8	-	-0.9	-0.3	-1.2	-0.4	-2.3	-	-8.6
Feb.	-	-0.6	-	0.4	0.4	-	0.4	0.2	0.7	1.1	0.4	-	-0.5
Mar.	-	2.9	-	1.7	0.8	-	0.6	0.7	0.4	0.2	1.0	-	3.5
Apr.	-	-0.5	-	-2.0	0.0	-	-0.1	-0.1	0.0	1.5	-0.9	-	-5.3
May	-	.	-	.	-0.2	-	-0.5	-0.3	-0.6	.	.	-	4.8

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

1) In 2000.
2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.
3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [4] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2003	93.1	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.2	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.9	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.3	-9	-3	-9	15	-9
2006 Q2	106.8	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.2	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	109.9	6	6	4	15	84.2	-7	-3	-7	10	-9
2007 Q1	110.0	6	7	4	14	84.6	-5	-2	-5	6	-8
Q2	111.6	6	8	4	14	.	-2	-1	0	2	-7
2007 Jan.	109.2	5	6	4	15	84.4	-7	-2	-7	8	-9
Feb.	109.7	5	7	3	12	-	-5	-3	-4	5	-8
Mar.	111.1	6	8	4	14	-	-4	-1	-3	5	-8
Apr.	111.0	7	9	4	15	84.8	-4	-2	-3	3	-9
May	112.1	6	8	5	14	-	-1	-1	2	1	-6
June	111.7	6	7	4	15	-	-2	-1	2	2	-7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2003	-16	-23	-9	-10	-12	16	0	4	-4	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	0	-5	5	0	3	14	13	18	13	18	23
2006 Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2007 Q1	0	-8	9	-1	1	16	12	21	16	21	25
Q2	0	-6	6	1	4	14	13	22	19	22	25
2007 Jan.	1	-8	10	-1	2	16	11	20	16	19	23
Feb.	0	-8	8	-1	0	16	12	20	15	21	24
Mar.	0	-9	9	0	2	15	13	22	18	22	28
Apr.	1	-6	7	0	3	17	15	23	19	24	25
May	0	-7	7	2	5	11	13	23	20	23	25
June	1	-5	6	1	4	13	12	21	18	21	25

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2006.
3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
5) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	84.7	15.3	4.3	17.5	7.6	24.8	15.3	30.5
	1	2	3	4	5	6	7	8	9	10
2003	136.139	0.4	0.5	0.1	-2.7	-1.5	0.8	0.7	0.7	1.7
2004	137.340	0.9	0.8	1.5	-1.1	-1.3	1.4	1.0	2.1	1.7
2005	138.439	0.8	1.0	0.0	-1.4	-1.3	2.7	0.6	2.1	1.4
2006	140.386	1.4	1.5	1.0	-0.4	-0.2	2.8	1.2	3.5	1.4
2006 Q1	139.620	1.1	1.2	0.7	0.3	-0.6	2.1	0.8	2.9	1.3
Q2	140.286	1.5	1.6	1.4	1.2	-0.1	2.0	1.5	3.6	1.4
Q3	140.617	1.5	1.6	0.9	-1.0	0.1	3.0	1.3	3.9	1.3
Q4	141.021	1.5	1.5	1.0	-1.9	-0.3	4.0	1.3	3.6	1.4
2007 Q1	141.554	1.4	.	.	.	.	.	.	.	.
	quarter-on-quarter percentage changes (s.a.)									
2006 Q1	0.717	0.5	0.4	1.0	0.1	-0.1	0.6	0.6	0.9	0.7
Q2	0.666	0.5	0.5	0.6	0.7	0.2	0.7	0.5	0.9	0.3
Q3	0.331	0.2	0.4	-0.4	-2.0	0.0	0.9	0.0	1.0	0.3
Q4	0.404	0.3	0.3	0.1	-0.5	-0.1	1.7	0.3	0.8	0.0
2007 Q1	0.533	0.4	.	.	.	.	.	.	.	.

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		75.4		24.6		48.0		52.0	
	1	2	3	4	5	6	7	8	9	10
2003	12.539	8.7	9.344	7.4	3.195	17.9	5.983	7.3	6.556	10.4
2004	12.882	8.8	9.661	7.5	3.221	18.2	6.193	7.5	6.690	10.4
2005	12.660	8.6	9.569	7.4	3.090	17.7	6.140	7.4	6.520	10.0
2006	11.734	7.9	8.842	6.7	2.891	16.8	5.628	6.8	6.106	9.3
2006 Q1	12.212	8.2	9.191	7.0	3.021	17.4	5.837	7.0	6.375	9.7
Q2	11.777	7.9	8.910	6.8	2.867	16.6	5.693	6.8	6.084	9.3
Q3	11.577	7.8	8.709	6.6	2.869	16.7	5.541	6.6	6.037	9.2
Q4	11.328	7.6	8.490	6.4	2.838	16.5	5.373	6.4	5.955	9.0
2007 Q1	10.805	7.2	8.081	6.1	2.724	15.9	5.103	6.1	5.702	8.7
2006 Dec.	11.208	7.5	8.388	6.3	2.819	16.4	5.328	6.4	5.880	8.9
2007 Jan.	10.975	7.4	8.211	6.2	2.764	16.2	5.208	6.2	5.767	8.8
Feb.	10.800	7.2	8.069	6.1	2.731	16.0	5.097	6.1	5.703	8.7
Mar.	10.638	7.1	7.963	6.0	2.675	15.7	5.003	6.0	5.636	8.6
Apr.	10.530	7.1	7.896	6.0	2.634	15.5	4.944	5.9	5.587	8.5
May	10.446	7.0	7.844	5.9	2.602	15.3	4.900	5.9	5.545	8.4

Source: Eurostat.

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2006.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

6

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1)]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2)]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	46.6	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.7	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.8	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.3	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.7	44.3	11.4	8.6	2.5	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.1	44.7	11.6	8.7	2.7	13.7	0.3	15.5	8.1	4.5	2.2	0.5	0.3	41.2
2006	45.8	45.5	12.2	8.8	3.1	13.9	0.3	15.6	8.1	4.5	2.1	0.3	0.3	42.0

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3)]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	48.9	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.2
1999	48.4	44.5	10.6	4.8	4.0	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.6	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
2001	47.7	43.8	10.3	4.8	3.8	24.8	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.2	44.3	10.5	5.0	3.3	25.5	22.7	1.9	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.7	10.4	5.0	3.1	25.2	22.5	1.7	0.5	3.8	2.5	1.4	0.0	44.4
2005	47.6	43.7	10.4	5.1	3.0	25.2	22.5	1.7	0.5	3.9	2.5	1.4	0.0	44.6
2006	47.4	43.3	10.3	5.0	2.9	25.1	22.3	1.7	0.5	4.1	2.5	1.6	0.0	44.4

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4)]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.8	10.6	4.7	4.8	1.9	2.3	8.2	11.6
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.3	0.2	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3
2006	-1.6	-1.6	-0.1	-0.2	0.3	1.4	20.4	10.3	5.0	5.2	1.9	2.1	8.1	12.3

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

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	0.1	-4.0	0.4	-6.2	0.0	-4.1	-3.5	0.4	-3.1	-1.6	-2.9	-2.8	2.5
2004	0.0	-3.7	1.4	-7.9	-0.2	-3.6	-3.5	-1.2	-1.8	-1.2	-3.3	-2.3	2.3
2005	-2.3	-3.2	1.0	-5.5	1.1	-3.0	-4.2	-0.3	-0.3	-1.6	-6.1	-1.5	2.7
2006	0.2	-1.7	2.9	-2.6	1.8	-2.5	-4.4	0.1	0.6	-1.1	-3.9	-1.4	3.9

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

1) The data refer to the Euro 13. Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

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

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1997	73.9	2.8	16.0	6.4	48.8	55.5	28.4	13.6	13.5	18.4
1998	72.6	2.7	15.0	5.3	49.6	52.2	26.5	14.5	11.2	20.4
1999	71.8	2.9	14.2	4.2	50.5	48.5	25.3	11.9	11.2	23.3
2000	69.3	2.7	13.0	3.7	49.8	44.0	22.0	11.0	11.0	25.3
2001	68.2	2.8	12.3	4.0	49.2	41.9	20.5	10.3	11.0	26.3
2002	68.0	2.7	11.7	4.5	49.1	40.0	19.3	9.7	11.0	28.0
2003	69.2	2.1	12.3	5.0	49.9	39.3	19.4	10.2	9.8	29.9
2004	69.7	2.2	11.9	5.0	50.6	37.5	18.4	9.9	9.2	32.2
2005	70.5	2.4	11.7	4.7	51.6	35.5	17.3	10.4	7.8	35.0
2006	68.9	2.5	11.4	4.1	51.0	32.8	17.6	7.6	7.5	36.2

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	73.9	61.9	6.0	5.4	0.6	9.4	64.5	8.4	18.1	25.3	30.6	71.9	2.0
1998	72.6	60.9	6.1	5.3	0.4	8.1	64.5	7.5	15.4	26.4	30.8	70.8	1.8
1999	71.8	60.3	6.0	5.1	0.4	7.3	64.5	6.6	13.6	27.9	30.4	69.7	2.1
2000	69.3	58.1	5.9	4.9	0.4	6.5	62.8	5.8	13.4	27.9	28.0	67.3	1.9
2001	68.2	57.0	6.1	4.8	0.4	7.0	61.3	5.0	13.7	26.8	27.8	66.5	1.7
2002	68.0	56.6	6.3	4.8	0.4	7.6	60.4	5.0	15.3	25.2	27.5	66.6	1.5
2003	69.2	57.0	6.6	5.1	0.6	7.8	61.4	4.9	14.3	26.1	28.8	68.1	1.1
2004	69.7	57.4	6.7	5.1	0.4	7.8	61.8	4.6	14.3	26.5	28.9	68.6	1.1
2005	70.5	57.9	6.8	5.3	0.5	7.9	62.6	4.9	14.4	26.1	30.0	69.3	1.2
2006	68.9	56.3	6.6	5.4	0.6	7.5	61.4	4.6	13.7	25.2	30.0	68.0	0.9

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	98.6	63.9	31.2	107.8	48.8	62.4	104.3	6.3	52.0	64.6	56.8	28.6	44.3
2004	94.3	65.7	29.7	108.5	46.2	64.3	103.8	6.6	52.6	63.9	58.2	28.9	44.1
2005	93.2	67.9	27.4	107.5	43.2	66.2	106.2	6.1	52.7	63.5	63.6	28.4	41.4
2006	89.1	67.9	24.9	104.6	39.9	63.9	106.8	6.8	48.7	62.2	64.7	27.8	39.1

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

1) The data refer to the Euro 13. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

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

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2)]	Valuation effects [3)]	Other changes in volume [4)]	Aggregation effect [5)]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6)]	MFIs	Other financial corporations	Other creditors [7)]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	1.8	2.2	-0.3	0.0	-0.1	0.1	-0.3	-0.8	2.8	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	0.0	0.2	-0.2	-0.9	2.8	-1.8	-0.2	-2.0	3.8
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.4	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.4	1.4	-0.2	-0.6	-0.2	2.1
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.4	-0.5	-0.3	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.4	0.6	0.7	2.7
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.3	-0.3	0.1	3.4
2005	3.1	3.1	0.1	-0.1	0.0	0.3	0.3	-0.1	2.6	-0.7	-0.4	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.1	-0.4	1.6	-1.2	1.0	-2.3	2.7

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8)]	Deficit-debt adjustment [9)]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10)]
				Total	Currency and deposits	Loans	Securities [11)]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	1.8	-2.3	-0.5	-0.2	0.2	0.0	0.1	-0.4	-0.7	0.2	-0.3	0.0	0.0	0.0
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.7	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.0	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.1	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	-0.1	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.2	0.2	0.1	0.1	-0.1	-0.1
2006	1.5	-1.6	-0.1	0.3	0.4	-0.1	0.2	-0.1	-0.4	0.1	0.1	0.0	0.0	-0.5

Source: ECB.
1) The data refer to the Euro 13 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

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

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2)]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2000 Q4	49.7	49.2	13.9	14.0	16.6	2.9	1.0	0.5	0.3	44.8
2001 Q1	42.3	41.9	10.5	12.8	15.2	1.8	0.8	0.4	0.2	38.7
Q2	47.0	46.6	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.0	48.5	13.5	13.9	16.3	2.9	1.1	0.5	0.3	43.9
2002 Q1	42.0	41.6	10.1	12.8	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.2	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	1.9	0.8	0.4	0.3	39.6
Q4	49.1	48.5	13.4	14.1	16.2	2.9	0.9	0.6	0.3	44.0
2003 Q1	42.1	41.6	9.8	12.9	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.6	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.7
Q3	42.9	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.3
Q4	49.3	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.5	41.1	9.6	12.9	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.2	44.4	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.6	12.7	15.4	1.9	0.7	0.5	0.3	39.0
Q4	49.3	48.3	13.0	14.4	16.2	2.9	0.8	1.0	0.4	44.0
2005 Q1	42.2	41.6	10.0	13.0	15.4	1.7	0.6	0.5	0.2	38.6
Q2	45.0	44.3	11.9	13.3	15.3	2.0	1.0	0.6	0.3	40.9
Q3	43.4	42.7	11.0	12.9	15.3	1.9	0.7	0.7	0.3	39.6
Q4	49.5	48.8	13.5	14.4	16.2	2.9	0.9	0.8	0.3	44.3
2006 Q1	42.8	42.4	10.3	13.4	15.4	1.7	0.8	0.5	0.3	39.3
Q2	46.2	45.8	12.7	13.7	15.4	2.0	1.2	0.5	0.3	42.1
Q3	43.7	43.3	11.5	13.0	15.4	1.9	0.8	0.5	0.3	40.1
Q4	49.9	49.3	14.3	14.4	16.0	2.9	0.9	0.6	0.3	45.0

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000 Q4	49.7	45.9	11.0	5.3	3.7	25.8	22.0	1.6	3.8	3.1	1.5	0.1	3.8
2001 Q1	45.7	42.3	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.6	1.2
Q4	51.1	46.1	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-2.0	1.5
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.4	3.5	2.0	1.5	-4.3	-0.6
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.3	22.7	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.4	2.0
Q3	47.0	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.2	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.8
Q2	46.7	43.4	10.4	4.9	3.1	25.0	21.6	1.2	3.3	2.3	1.0	-1.5	1.6
Q3	46.2	42.7	10.0	4.7	3.2	25.0	21.6	1.3	3.4	2.5	1.0	-3.4	-0.3
Q4	50.7	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.4	1.6
2005 Q1	47.1	43.4	10.3	4.7	3.1	25.3	21.5	1.2	3.8	1.9	1.9	-5.0	-1.9
Q2	46.6	43.2	10.3	5.0	3.2	24.7	21.5	1.1	3.4	2.4	1.0	-1.6	1.6
Q3	45.9	42.4	9.9	4.8	2.9	24.8	21.4	1.2	3.4	2.5	0.9	-2.5	0.5
Q4	50.7	45.9	11.1	5.8	2.8	26.2	22.7	1.4	4.8	3.1	1.6	-1.2	1.6
2006 Q1	45.9	42.7	10.1	4.6	3.0	25.1	21.4	1.2	3.2	1.9	1.2	-3.0	-0.1
Q2	46.3	42.9	10.3	4.9	3.1	24.5	21.4	1.1	3.4	2.4	1.0	0.0	3.1
Q3	46.3	42.1	9.8	4.7	2.9	24.6	21.2	1.2	4.3	2.5	1.7	-2.6	0.3
Q4	50.8	45.3	10.7	5.8	2.7	26.1	22.4	1.4	5.4	3.3	2.2	-0.9	1.8

Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 13. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt [1]
(as a percentage of GDP)

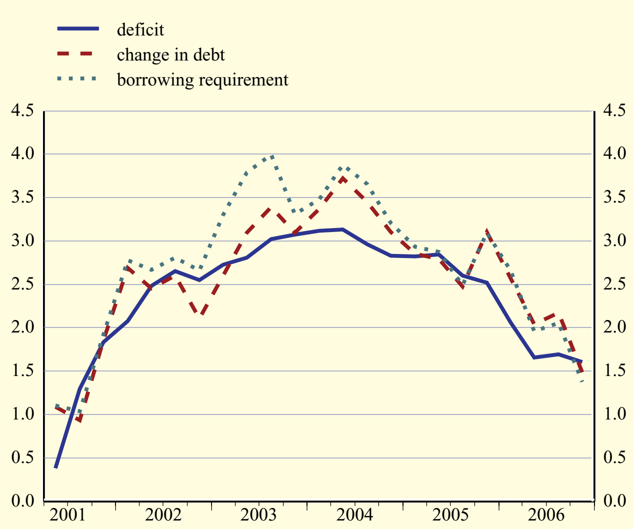
1. Euro area − Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2004 Q1	70.6	2.1	12.3	5.5	50.8
Q2	71.3	2.2	12.1	5.5	51.5
Q3	71.1	2.3	12.0	5.5	51.4
Q4	69.7	2.2	11.9	5.0	50.6
2005 Q1	71.0	2.2	11.9	5.2	51.7
Q2	71.7	2.3	11.6	5.2	52.6
Q3	71.3	2.4	11.7	5.2	52.0
Q4	70.5	2.4	11.7	4.7	51.6
2006 Q1	70.9	2.5	11.7	4.9	51.8
Q2	71.1	2.5	11.6	4.9	52.0
Q3	70.6	2.5	11.6	4.7	51.7
Q4	68.9	2.5	11.4	4.1	51.0

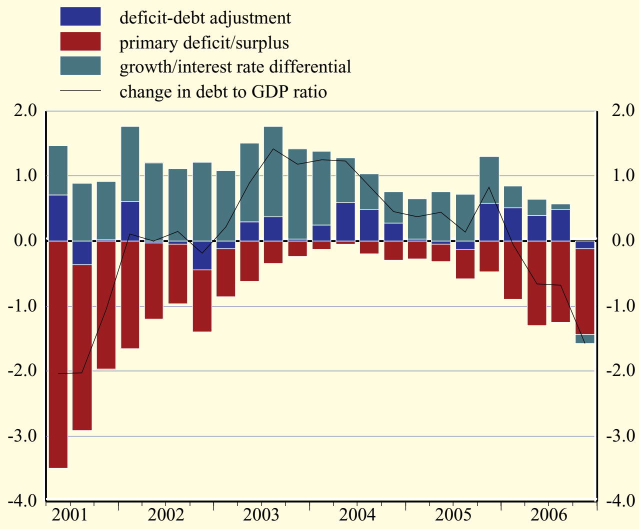
2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2004 Q1	8.5	-5.1	3.4	1.9	1.4	-0.1	0.2	0.5	0.0	1.4	8.4
Q2	5.8	-1.5	4.3	4.0	3.4	0.1	0.2	0.2	0.0	0.3	5.8
Q3	1.8	-3.4	-1.6	-1.2	-1.4	0.0	0.2	0.1	-0.3	-0.2	2.1
Q4	-3.2	-1.4	-4.6	-3.3	-2.5	0.1	-0.2	-0.6	-0.2	-1.2	-3.0
2005 Q1	7.3	-5.0	2.3	2.2	1.3	0.1	0.3	0.5	0.1	0.0	7.2
Q2	5.5	-1.6	3.8	3.5	2.5	0.1	0.4	0.5	0.0	0.4	5.5
Q3	0.6	-2.5	-1.9	-2.5	-2.4	0.0	0.3	-0.3	0.0	0.5	0.6
Q4	-0.6	-1.2	-1.7	-0.5	-0.1	0.0	-0.3	-0.1	-0.1	-1.2	-0.5
2006 Q1	5.0	-3.0	1.9	1.3	1.1	0.1	0.6	-0.5	-0.3	0.9	5.2
Q2	3.3	0.0	3.2	3.2	2.5	0.1	0.4	0.3	0.7	-0.7	2.6
Q3	1.1	-2.6	-1.4	-0.8	-0.7	-0.1	0.0	0.0	0.1	-0.8	1.0
Q4	-3.1	-0.9	-3.9	-2.3	-1.4	-0.6	-0.1	-0.2	-0.1	-1.6	-3.0

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



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



Source: ECB calculations based on Eurostat and national data.
1) The data refer to the Euro 13.
2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

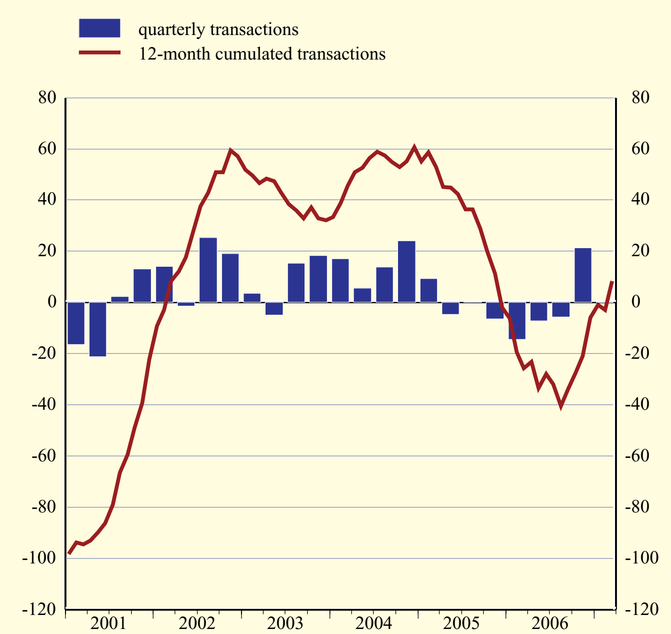
7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

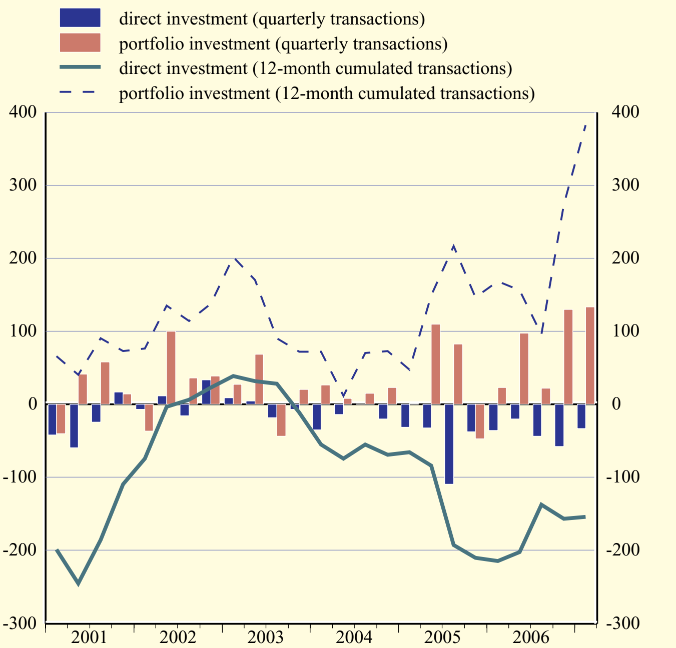
1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	60.7	100.5	32.6	-13.7	-58.6	16.6	77.3	-18.7	-68.6	72.9	-8.3	-27.1	12.5	-58.6
2005	-1.9	45.4	34.8	-11.6	-70.5	12.1	10.3	25.5	-210.0	146.1	-13.9	85.3	18.0	-35.8
2006	-6.1	30.5	36.6	1.8	-75.0	11.3	5.3	134.0	-156.7	273.1	-2.6	21.7	-1.5	-139.3
2006 Q1	-14.5	-3.5	5.0	4.4	-20.4	1.9	-12.6	72.8	-35.4	23.1	-7.6	86.8	5.9	-60.2
Q2	-7.2	6.8	12.5	-10.6	-15.8	1.3	-5.8	39.1	-20.0	97.6	-2.1	-34.9	-1.5	-33.3
Q3	-5.7	7.5	9.8	0.9	-23.9	2.1	-3.6	51.0	-43.9	22.3	7.9	67.8	-3.2	-47.4
Q4	21.3	19.7	9.3	7.1	-14.9	6.0	27.3	-28.8	-57.3	130.0	-0.8	-98.1	-2.7	1.5
2007 Q1	-0.1	8.6	6.8	2.5	-18.0	5.5	5.4	-6.4	-33.0	133.1	-14.4	-90.5	-1.5	1.0
2006 Apr.	-5.7	1.1	3.3	-4.0	-6.2	0.3	-5.4	12.1	2.0	-9.0	-6.3	26.6	-1.2	-6.7
May	-10.6	0.4	4.1	-9.5	-5.5	0.3	-10.3	25.6	-6.2	37.9	2.5	-6.9	-1.7	-15.3
June	9.1	5.3	5.0	2.9	-4.1	0.7	9.9	1.4	-15.8	68.7	1.8	-54.7	1.4	-11.2
July	-1.2	4.1	4.2	-1.1	-8.4	0.8	-0.4	8.2	-10.8	4.6	3.4	12.3	-1.3	-7.8
Aug.	-5.9	-2.2	1.8	1.5	-7.0	1.0	-4.8	3.7	-5.5	-22.5	-2.5	35.0	-0.8	1.2
Sep.	1.4	5.6	3.8	0.5	-8.5	0.2	1.7	39.1	-27.7	40.2	7.1	20.5	-1.1	-40.7
Oct.	1.8	6.0	3.3	0.4	-7.9	0.7	2.5	8.8	-12.8	35.3	5.8	-19.5	0.1	-11.3
Nov.	5.7	7.8	2.3	2.7	-7.1	1.2	7.0	-8.4	-15.7	61.9	-2.1	-51.7	-0.8	1.5
Dec.	13.8	5.9	3.6	4.1	0.2	4.1	17.9	-29.2	-28.8	32.8	-4.5	-26.8	-1.9	11.3
2007 Jan.	-4.5	-3.0	0.6	-1.1	-1.0	2.5	-2.0	42.1	-12.3	35.4	-4.9	26.9	-3.1	-40.1
Feb.	-5.7	2.5	2.9	0.4	-11.5	1.4	-4.3	-9.2	-12.4	26.2	-7.8	-14.7	-0.6	13.6
Mar.	10.2	9.2	3.2	3.2	-5.5	1.6	11.7	-39.2	-8.4	71.4	-1.7	-102.7	2.1	27.5
Apr.	-6.5	3.2	2.0	-4.4	-7.4	0.6	-5.9	18.2	-24.4	16.3	-3.4	31.4	-1.8	-12.2
	12-month cumulated transactions													
2007 Apr.	7.6	44.7	37.1	-0.5	-73.7	15.2	22.8	60.9	-180.7	408.3	-6.4	-150.9	-9.4	-83.7

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



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



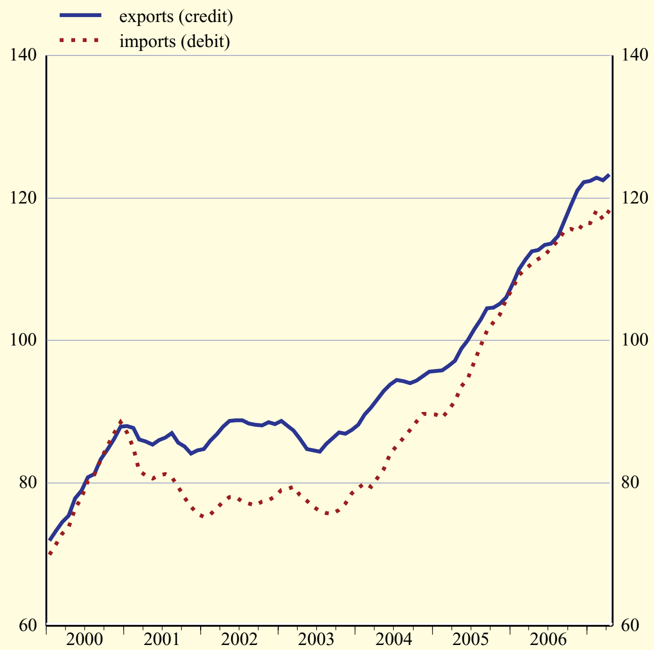
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

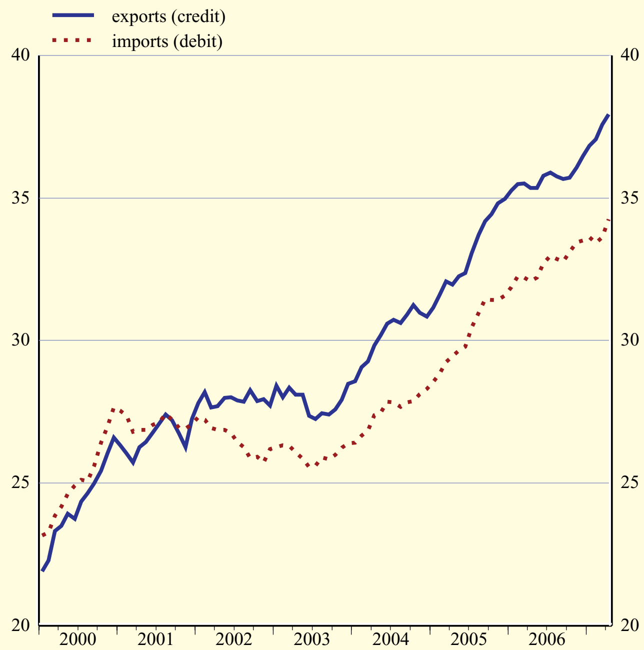
2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	1,866.8	1,806.0	60.7	1,129.3	1,028.9	366.4	333.8	288.9	302.7	82.1	140.7	24.6	8.1
2005	2,066.1	2,067.9	-1.9	1,224.2	1,178.9	401.8	367.0	354.7	366.2	85.4	155.9	24.1	12.0
2006	2,338.7	2,344.8	-6.1	1,390.0	1,359.5	429.8	393.2	432.6	430.8	86.3	161.3	23.7	12.4
2006 Q1	545.2	559.7	-14.5	330.3	333.8	97.5	92.5	91.6	87.3	25.8	46.2	5.9	4.0
Q2	584.9	592.1	-7.2	343.5	336.6	107.5	95.1	116.4	127.0	17.5	33.4	4.5	3.2
Q3	575.8	581.4	-5.7	342.1	334.6	114.1	104.3	104.0	103.1	15.5	39.4	4.4	2.4
Q4	632.9	611.6	21.3	374.1	354.4	110.6	101.3	120.6	113.5	27.5	42.4	8.8	2.8
2007 Q1	606.6	606.6	-0.1	361.1	352.5	103.0	96.3	114.1	111.5	28.4	46.4	7.6	2.1
2007 Feb.	196.2	201.9	-5.7	116.7	114.2	33.0	30.1	34.1	33.7	12.4	23.9	1.9	0.5
Mar.	218.3	208.1	10.2	131.0	121.8	36.7	33.4	43.9	40.7	6.7	12.1	2.1	0.6
Apr.	200.9	207.5	-6.5	119.2	116.0	35.5	33.5	41.2	45.6	5.0	12.3	1.3	0.7
	Seasonally adjusted												
2006 Q1	560.4	566.6	-6.2	333.9	330.0	106.5	96.6	98.0	99.8	22.0	40.2	.	.
Q2	576.3	580.8	-4.5	340.4	335.9	107.3	98.1	107.6	109.3	21.0	37.4	.	.
Q3	590.0	594.5	-4.4	350.5	346.2	107.0	98.3	111.1	109.1	21.5	40.8	.	.
Q4	614.6	603.7	10.8	366.7	349.3	109.4	100.5	114.6	111.5	23.8	42.5	.	.
2007 Q1	625.8	619.3	6.5	367.4	351.0	112.7	100.8	122.3	128.0	23.3	39.6	.	.
2006 Aug.	195.8	199.4	-3.6	116.0	115.7	35.6	32.7	36.9	37.3	7.3	13.7	.	.
Sep.	202.5	199.4	3.1	121.1	116.1	35.9	33.1	38.2	36.6	7.4	13.6	.	.
Oct.	200.3	196.9	3.4	119.7	115.0	35.7	33.5	36.8	33.6	8.1	14.8	.	.
Nov.	199.8	199.1	0.7	122.2	114.7	36.7	33.8	35.1	36.8	5.8	14.0	.	.
Dec.	214.4	207.7	6.8	124.8	119.6	37.0	33.3	42.8	41.1	9.8	13.7	.	.
2007 Jan.	202.0	198.5	3.5	120.2	115.2	36.8	33.8	40.2	40.3	4.8	9.2	.	.
Feb.	211.8	215.5	-3.7	123.5	119.8	37.3	33.2	38.5	43.4	12.4	19.1	.	.
Mar.	212.0	205.3	6.7	123.7	115.9	38.6	33.9	43.6	44.2	6.1	11.4	.	.
Apr.	204.9	208.8	-4.0	122.6	119.1	37.9	35.7	38.5	39.3	5.9	14.7	.	.

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



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



Source: ECB.

7.1 Balance of payments
(EUR billions)

3. Income account
(transactions)

	Compensation of employees		Investment income											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	15.5	7.9	273.4	294.7	100.6	76.2	13.4	12.8	24.5	56.2	67.7	77.0	67.2	72.4
2005	15.7	9.3	339.0	357.0	121.5	89.1	14.0	13.5	31.3	71.2	78.1	82.4	94.1	100.7
2006	16.1	10.0	416.5	420.8	124.4	66.7	18.4	16.3	38.0	99.4	100.0	89.6	135.7	148.8
2005 Q4	4.1	2.4	99.7	104.1	38.7	33.1	4.2	4.1	7.3	14.0	20.9	23.3	28.6	29.7
2006 Q1	4.0	2.2	87.6	85.1	22.9	12.9	4.2	3.4	8.2	16.0	22.7	21.8	29.6	31.0
Q2	4.0	2.4	112.4	124.6	38.1	18.6	4.5	4.0	13.2	43.0	24.0	23.1	32.5	36.0
Q3	4.0	2.9	100.0	100.1	26.8	15.4	4.5	4.1	8.5	21.4	25.8	21.2	34.4	38.1
Q4	4.2	2.5	116.5	111.0	36.6	19.8	5.2	4.9	8.0	19.0	27.5	23.6	39.3	43.7

4. Direct investment
(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	-161.0	-171.1	-21.4	-149.8	10.1	0.1	10.0	92.4	95.7	0.7	95.0	-3.3	0.5	-3.8
2005	-301.6	-242.0	-11.0	-230.9	-59.7	-0.2	-59.5	91.6	64.0	0.7	63.2	27.7	-0.3	28.0
2006	-314.8	-264.2	-34.7	-229.5	-50.6	-1.0	-49.6	158.1	128.8	4.3	124.6	29.3	0.3	29.0
2006 Q1	-56.3	-49.6	-1.7	-47.9	-6.8	0.2	-7.0	20.9	17.8	1.6	16.2	3.1	-0.3	3.5
Q2	-112.5	-92.0	-6.5	-85.5	-20.5	-0.6	-19.9	92.5	79.6	0.5	79.1	12.8	1.0	11.9
Q3	-73.5	-65.1	-10.4	-54.6	-8.4	0.2	-8.6	29.6	25.6	1.2	24.4	4.0	-0.3	4.3
Q4	-72.5	-57.5	-16.1	-41.4	-14.9	-0.7	-14.2	15.2	5.8	0.9	4.9	9.4	0.0	9.4
2007 Q1	-75.7	-55.4	-10.5	-44.9	-20.3	2.2	-22.5	42.7	8.8	0.7	8.1	33.9	-1.1	35.0
2006 Apr.	-83.0	-60.2	-1.7	-58.4	-22.8	-0.3	-22.5	85.0	71.4	0.0	71.3	13.6	0.2	13.4
May	-16.2	-20.4	-3.5	-16.9	4.2	-0.2	4.4	10.0	8.3	0.4	7.9	1.7	0.4	1.3
June	-13.3	-11.4	-1.2	-10.2	-1.9	-0.1	-1.8	-2.5	0.0	0.1	-0.1	-2.4	0.4	-2.8
July	-21.1	-18.1	-1.5	-16.5	-3.1	0.1	-3.1	10.3	7.1	0.4	6.7	3.3	-0.1	3.4
Aug.	-4.3	-7.4	-3.6	-3.8	3.1	0.0	3.1	-1.2	4.6	0.4	4.1	-5.7	-0.1	-5.6
Sep.	-48.0	-39.6	-5.3	-34.3	-8.5	0.1	-8.5	20.4	14.0	0.4	13.6	6.4	-0.1	6.5
Oct.	-22.2	-13.2	-5.8	-7.5	-9.0	0.1	-9.1	9.4	3.4	1.1	2.3	6.0	1.5	4.4
Nov.	-12.3	-16.2	-1.9	-14.3	3.8	-0.2	4.0	-3.3	-3.8	-0.2	-3.6	0.5	-1.7	2.1
Dec.	-37.9	-28.1	-8.5	-19.6	-9.8	-0.7	-9.1	9.1	6.2	0.0	6.2	3.0	0.1	2.9
2007 Jan.	-24.3	-25.8	-2.6	-23.2	1.5	2.3	-0.8	12.0	2.0	0.2	1.8	10.1	-1.1	11.2
Feb.	-29.6	-10.8	-0.1	-10.7	-18.8	-0.3	-18.5	17.2	7.7	4.2	3.5	9.4	0.2	9.2
Mar.	-21.9	-18.9	-7.8	-11.1	-3.0	0.2	-3.2	13.5	-0.9	-3.7	2.8	14.4	-0.2	14.6
Apr.	-30.0	-18.9	-1.2	-17.7	-11.1	-0.4	-10.7	5.6	4.9	-0.1	5.0	0.7	0.6	0.2

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				General gov.					General gov.					General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	0.0	-22.4	-84.1	-3.7	126.8	0.6	-81.9	-98.1	-2.1	273.5	0.0	-43.1	-14.9	0.1	16.5
2005	-0.1	-14.4	-119.8	-3.5	263.2	-0.7	-119.6	-142.2	-0.8	248.6	0.1	-14.5	-0.1	0.1	45.6
2006	0.0	-27.9	-101.5	-6.1	290.3	-2.4	-166.4	-117.6	-1.1	459.3	-0.1	-48.7	-12.5	0.1	0.6
2006 Q1	0.0	-19.5	-77.6	-0.8	120.4	-0.2	-53.9	-36.1	-0.2	81.7	0.7	2.5	-10.0	-3.8	15.2
Q2	0.0	11.1	7.2	-2.6	32.8	1.0	-23.4	-25.6	0.1	116.5	-3.2	-7.6	-0.7	-3.2	-10.4
Q3	0.0	-4.7	-23.7	-0.9	53.5	-0.4	-51.9	-15.7	-0.2	80.9	1.9	-25.0	0.7	3.1	6.8
Q4	0.0	-14.8	-7.4	-1.8	83.6	-2.8	-37.2	-40.2	-0.8	180.2	0.6	-18.5	-2.4	4.0	-10.9
2007 Q1	0.0	-16.5	0.8	-	110.5	-0.6	-50.0	-41.9	-	133.5	0.7	-25.5	-2.9	-	24.5
2006 Apr.	0.0	3.3	-6.0	-	-11.5	0.2	-6.1	-10.7	-	25.3	-1.1	-7.1	0.6	-	4.2
May	0.0	3.2	12.3	-	-16.4	0.1	-10.8	-12.2	-	65.3	-1.6	-2.2	-2.0	-	2.3
June	0.0	4.5	1.0	-	60.7	0.6	-6.4	-2.7	-	25.9	-0.4	1.7	0.7	-	-16.8
July	0.0	3.2	-11.7	-	42.8	0.2	-13.2	-2.0	-	6.2	0.4	-18.1	-1.1	-	-2.0
Aug.	0.0	-4.7	-7.2	-	-13.6	0.0	-8.9	-9.1	-	15.1	1.0	0.2	1.2	-	3.3
Sep.	0.0	-3.2	-4.8	-	24.2	-0.6	-29.8	-4.6	-	59.6	0.5	-7.1	0.5	-	5.5
Oct.	0.0	-5.8	-2.1	-	23.9	-1.8	-14.6	-19.4	-	52.7	0.4	-5.8	-5.3	-	13.1
Nov.	0.0	-0.8	-7.4	-	27.2	-0.5	-24.7	-9.7	-	69.6	0.3	-9.6	5.0	-	12.5
Dec.	0.0	-8.2	2.1	-	32.4	-0.6	2.1	-11.1	-	57.9	-0.1	-3.1	-2.1	-	-36.6
2007 Jan.	0.0	-6.0	-3.4	-	43.6	-0.1	-32.2	-11.1	-	35.7	0.5	-8.4	-2.2	-	18.9
Feb.	0.0	-14.7	-7.5	-	40.4	0.0	-15.5	-14.0	-	35.6	0.1	-4.3	1.5	-	4.6
Mar.	0.0	4.1	11.8	-	26.9	-0.5	-2.4	-16.8	-	62.2	0.2	-12.8	-2.2	-	1.0
Apr.	0.0	1.0	-12.0	-	2.7	0.0	-22.8	-5.7	-	38.8	0.0	-3.2	0.2	-	17.2

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2004	-310.7	283.6	0.4	7.8	-1.6	-2.0	-3.8	-260.1	245.7	6.2	-17.0	-266.3	262.7	-49.3	-9.1	33.8
2005	-569.1	654.3	-0.9	6.7	5.1	-2.4	-2.2	-395.5	483.5	-96.9	55.3	-298.6	428.2	-177.7	-6.0	166.4
2006	-751.0	772.6	-2.9	18.6	3.4	-3.0	1.2	-522.1	489.1	-133.3	82.5	-388.8	406.6	-229.3	25.6	263.7
2006 Q1	-219.2	305.9	-3.2	7.0	7.6	3.8	-2.2	-135.7	222.9	-12.9	13.1	-122.8	209.8	-87.8	-10.5	78.3
Q2	-113.7	78.8	0.9	2.1	-11.0	-12.1	0.3	-57.5	9.0	-15.1	21.6	-42.4	-12.5	-46.0	6.7	67.4
Q3	-144.5	212.3	0.5	4.9	12.3	8.5	6.3	-119.9	161.7	-32.6	21.3	-87.3	140.5	-37.4	10.7	39.4
Q4	-273.6	175.6	-1.1	4.7	-5.5	-3.2	-3.2	-209.1	95.4	-72.8	26.6	-136.3	68.8	-58.0	18.7	78.7
2007 Q1	-388.5	298.0	-5.4	9.4	3.9	5.5	1.1	-280.1	249.9	-60.9	22.8	-219.2	227.2	-106.9	-37.0	37.6
2006 Apr.	-86.2	112.8	0.0	-1.4	-4.5	-4.9	4.3	-64.6	81.7	-0.1	10.1	-64.5	71.6	-17.1	2.9	28.3
May	-75.7	68.8	0.1	4.4	-4.3	-4.7	-4.7	-45.0	40.4	-3.0	2.5	-42.0	38.0	-26.4	-7.0	28.7
June	48.2	-102.9	0.8	-0.9	-2.2	-2.6	0.7	52.1	-113.0	-11.9	9.0	64.1	-122.0	-2.5	10.8	10.3
July	-58.8	71.1	1.6	1.0	7.2	7.1	2.1	-48.5	64.9	-10.4	8.6	-38.1	56.3	-19.1	8.0	3.1
Aug.	11.1	23.9	-1.5	1.3	0.6	0.0	-0.6	7.3	18.7	-7.1	6.7	14.4	12.0	4.8	0.2	4.5
Sep.	-96.8	117.3	0.5	2.5	4.6	1.5	4.8	-78.6	78.1	-15.1	6.0	-63.5	72.1	-23.2	2.5	31.8
Oct.	-104.7	85.2	-0.5	-1.1	-2.4	-4.1	-2.1	-78.0	63.2	-41.8	5.0	-36.2	58.3	-23.8	3.3	25.2
Nov.	-148.4	96.7	0.5	3.2	-3.8	-4.3	1.6	-105.9	70.3	-10.5	27.3	-95.4	42.9	-39.2	-8.4	21.6
Dec.	-20.5	-6.3	-1.1	2.5	0.7	5.2	-2.7	-25.2	-38.1	-20.5	-5.7	-4.7	-32.4	5.0	23.9	31.9
2007 Jan.	-141.9	168.8	-1.5	5.7	1.0	1.3	-5.3	-91.7	144.7	-27.1	9.4	-64.6	135.3	-49.6	-30.7	23.6
Feb.	-126.2	111.6	-3.5	0.4	0.1	1.6	4.6	-89.8	78.2	-4.7	7.8	-85.1	70.3	-33.1	-10.3	28.4
Mar.	-120.4	17.6	-0.4	3.2	2.8	2.6	1.8	-98.6	27.0	-29.2	5.5	-69.5	21.5	-24.2	4.0	-14.4
Apr.	-154.3	185.7	0.8	2.3	1.1	-2.3	0.6	-125.6	163.8	-17.0	9.1	-108.6	154.7	-30.5	-7.0	19.1

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
2004	0.6	-0.3	7.8	0.0	0.0	-0.4	1.7	-2.0	-1.3	0.0	-3.7	-0.2
2005	-0.9	0.0	6.6	0.0	0.0	6.3	8.8	-2.4	-1.1	0.0	-1.9	-0.3
2006	-2.9	0.0	18.6	0.0	0.0	4.2	7.2	-3.0	-0.8	0.0	1.3	-0.1
2005 Q4	-1.2	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0
2006 Q1	-3.2	0.0	6.9	0.1	0.0	7.7	4.0	3.8	-0.2	0.0	-1.8	-0.4
Q2	0.9	0.0	2.1	0.0	0.0	-10.8	1.4	-12.1	-0.3	0.0	0.2	0.1
Q3	0.5	0.0	4.8	0.0	0.0	12.3	3.7	8.5	0.1	0.0	6.2	0.1
Q4	-1.1	0.0	4.7	0.0	0.0	-5.0	-1.9	-3.2	-0.4	0.0	-3.3	0.0

	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
2004	-256.2	-4.0	242.8	2.9	-6.2	-39.0	-30.0	-9.1	-4.1	9.5	22.8	1.6
2005	-392.3	-3.2	481.9	1.6	-8.9	-152.2	-146.2	-6.0	-16.7	11.8	148.8	5.8
2006	-517.9	-4.2	486.1	3.0	-6.9	-215.8	-241.5	25.6	-6.5	8.6	252.8	2.3
2005 Q4	-90.7	3.4	125.0	-4.8	-1.9	-36.2	-50.1	13.9	1.0	5.0	50.3	0.8
2006 Q1	-131.8	-3.9	217.0	5.9	-3.8	-75.7	-65.2	-10.5	-8.4	4.4	68.2	5.6
Q2	-58.0	0.5	14.6	-5.6	-3.7	-44.2	-50.9	6.7	1.9	4.1	67.9	-4.7
Q3	-118.8	-1.0	159.5	2.3	2.4	-36.0	-46.8	10.7	-3.8	3.2	33.2	3.0
Q4	-209.3	0.3	95.0	0.4	-1.8	-59.9	-78.6	18.7	3.7	-3.2	83.4	-1.6

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
2004	12.5	1.2	0.5	4.0	6.8	-2.9	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2006	-1.5	4.2	-0.5	5.2	-10.6	6.1	-2.8	0.0	-19.4	5.5	0.0	0.2
2005 Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	5.9	0.8	0.0	3.4	2.2	6.2	-4.8	0.0	-4.1	4.9	0.0	-0.5
Q2	-1.5	1.4	0.0	-0.5	-3.1	0.9	2.4	0.0	-7.2	0.7	0.0	0.7
Q3	-3.2	0.9	-0.3	0.8	-4.6	1.0	-2.9	0.0	-4.1	1.4	0.0	0.0
Q4	-2.7	1.1	-0.2	1.6	-5.1	-2.0	2.5	0.0	-4.0	-1.5	0.0	0.0

Source: ECB.

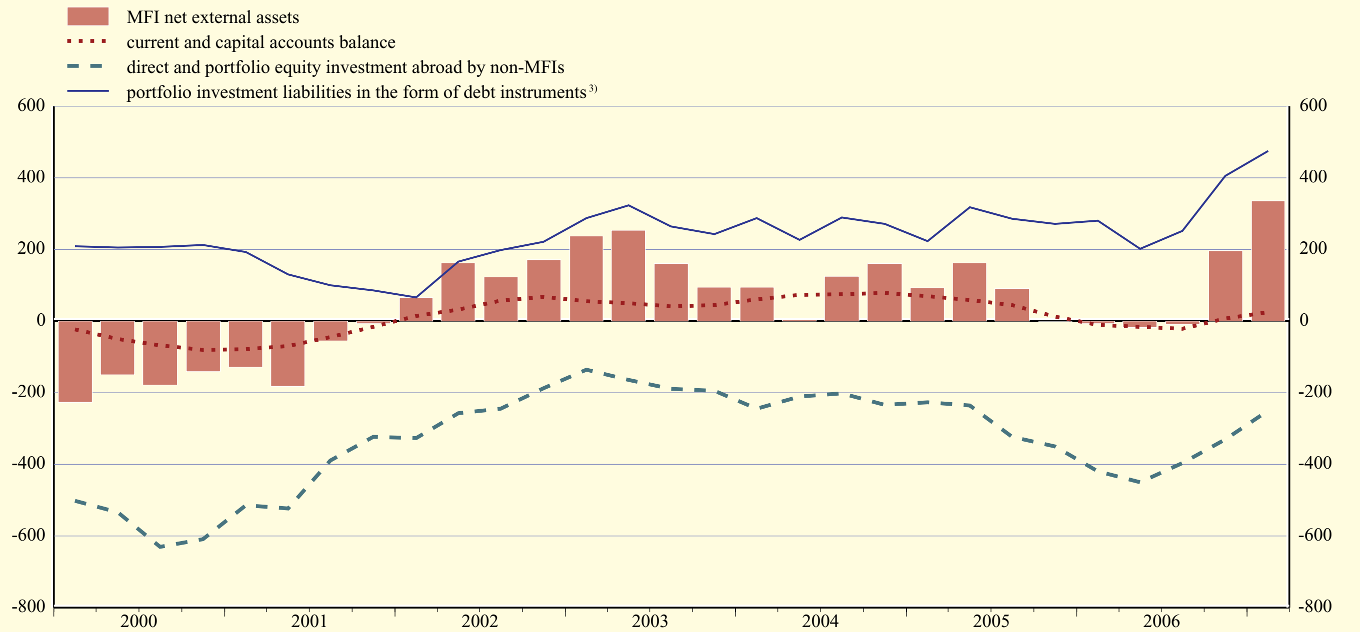
7.2 Monetary presentation of the balance of payments [1)]

(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 [2)]	Debt instruments [3)]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2004	79.1	-139.7	91.7	-196.8	116.9	270.5	-51.0	29.7	-8.3	-58.0	134.0	160.8
2005	12.0	-290.5	92.0	-261.6	220.2	270.4	-172.6	164.2	-13.9	-35.8	-15.5	0.5
2006	7.6	-279.1	157.8	-231.1	229.3	404.5	-225.7	264.7	-2.6	-140.4	185.1	196.3
2006 Q1	-11.9	-54.8	21.3	-123.6	115.4	74.7	-80.1	76.1	-7.6	-60.0	-50.7	-38.1
Q2	-5.5	-105.4	91.5	-19.0	26.3	101.5	-56.9	67.7	-2.1	-34.2	63.8	60.2
Q3	-2.9	-63.3	29.8	-38.7	20.2	78.1	-25.1	45.6	7.9	-47.4	4.3	2.1
Q4	27.9	-55.5	15.3	-49.8	67.5	150.2	-63.5	75.3	-0.8	1.2	167.6	172.1
2007 Q1	5.4	-67.4	43.8	-44.0	91.8	145.2	-103.0	38.7	-14.4	1.4	97.6	100.7
2006 Apr.	-5.3	-80.9	84.7	-16.2	-15.6	19.8	-21.5	32.6	-6.3	-7.6	-16.4	-16.4
May	-10.1	-12.5	9.6	-1.9	-16.7	63.3	-30.7	24.0	2.5	-15.4	12.0	6.4
June	9.9	-12.0	-2.8	-0.9	58.7	18.4	-4.8	11.1	1.8	-11.1	68.2	70.3
July	-0.2	-19.7	10.4	-14.8	24.6	7.6	-11.9	5.2	3.4	-8.0	-3.2	3.9
Aug.	-4.6	-0.7	-1.1	-15.1	-8.4	11.1	5.4	3.8	-2.5	1.2	-11.0	-19.0
Sep.	2.0	-42.9	20.4	-8.9	4.0	59.4	-18.5	36.6	7.1	-40.6	18.6	17.2
Oct.	2.6	-16.5	7.9	-26.8	13.4	49.5	-26.2	23.0	5.8	-11.9	20.8	25.8
Nov.	7.1	-10.2	-1.6	-12.0	31.7	77.1	-43.0	23.1	-2.1	1.3	71.4	65.2
Dec.	18.1	-28.8	9.0	-11.0	22.3	23.6	5.6	29.2	-4.5	11.8	75.4	81.1
2007 Jan.	-2.0	-24.0	13.1	-16.7	33.6	48.1	-48.6	18.3	-4.9	-40.1	-23.1	-23.2
Feb.	-4.3	-29.2	17.0	-20.0	45.0	35.8	-33.0	33.0	-7.8	13.6	50.0	39.4
Mar.	11.7	-14.3	13.7	-7.2	13.6	61.3	-21.4	-12.7	-1.7	27.5	70.6	84.5
Apr.	-5.9	-28.3	5.1	-17.5	0.5	35.0	-29.4	19.6	-3.4	-12.2	-36.7	-39.1
	12-month cumulated transactions											
2007 Apr.	24.3	-239.1	100.7	-152.8	222.3	490.2	-256.5	214.3	-6.4	-84.0	313.0	312.5

C34 Main b.o.p. transactions underlying the developments in MFI net external assets [1)]

(EUR billions; 12-month cumulated transactions)



Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Excluding money market fund shares/units.
3) 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)

2006 Q1 to 2006 Q4	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	2,338.7	880.1	47.9	73.5	453.6	244.4	60.7	31.0	54.6	153.1	384.9	835.1
Goods	1,390.0	500.1	31.5	49.7	224.3	194.5	0.1	17.8	34.1	77.8	200.9	559.3
Services	429.8	154.3	8.7	11.7	104.3	24.5	5.2	6.1	11.3	41.9	79.6	136.6
Income	432.6	162.4	7.2	11.5	114.5	22.9	6.3	6.8	8.9	27.3	97.9	129.3
of which: investment income	416.5	157.0	7.1	11.4	112.8	22.7	3.0	6.7	8.9	21.0	96.5	126.5
Current transfers	86.3	63.3	0.5	0.7	10.4	2.5	49.2	0.4	0.2	6.1	6.5	9.8
Capital account	23.7	18.8	0.0	0.0	0.8	0.2	17.7	0.0	0.4	0.4	0.9	3.2
	Debits											
Current account	2,344.8	778.3	39.6	71.9	380.2	190.0	96.6	22.5	87.7	144.4	326.4	985.6
Goods	1,359.5	397.5	27.2	45.9	172.5	152.0	0.0	10.6	53.6	68.1	131.8	697.8
Services	393.2	126.8	7.2	9.3	82.8	27.4	0.1	5.6	7.7	30.8	86.5	135.8
Income	430.8	151.2	4.8	15.8	115.7	7.6	7.4	4.9	26.0	40.1	101.0	107.7
of which: investment income	420.8	145.7	4.7	15.7	114.5	3.4	7.4	4.8	25.9	39.6	100.1	104.7
Current transfers	161.3	102.7	0.5	0.8	9.2	3.1	89.2	1.4	0.4	5.4	7.1	44.3
Capital account	12.4	2.0	0.0	0.2	1.2	0.3	0.2	0.1	0.0	0.5	1.2	8.5
	Net											
Current account	-6.1	101.8	8.3	1.6	73.4	54.4	-35.9	8.5	-33.1	8.7	58.5	-150.5
Goods	30.5	102.6	4.3	3.8	51.9	42.6	0.1	7.2	-19.4	9.7	69.1	-138.5
Services	36.6	27.5	1.5	2.3	21.5	-3.0	5.1	0.5	3.6	11.1	-6.9	0.8
Income	1.8	11.2	2.5	-4.3	-1.2	15.3	-1.1	1.9	-17.0	-12.8	-3.1	21.6
of which: investment income	-4.4	11.3	2.4	-4.3	-1.8	19.4	-4.4	1.9	-17.0	-18.6	-3.6	21.7
Current transfers	-75.0	-39.4	0.0	-0.2	1.2	-0.5	-40.0	-1.0	-0.3	0.7	-0.6	-34.4
Capital account	11.3	16.8	0.0	-0.1	-0.5	-0.1	17.5	-0.1	0.4	-0.1	-0.3	-5.3

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

2006 Q1 to 2006 Q4	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-156.7	-70.6	2.6	11.0	-52.7	-31.6	0.1	-6.9	11.7	-3.7	-47.3	9.4	-49.4
Abroad	-314.8	-159.2	-0.5	3.8	-131.0	-31.5	0.0	-9.9	4.0	-8.4	-66.1	-25.2	-50.0
Equity/reinvested earnings	-264.2	-148.1	-0.8	4.1	-123.6	-27.8	0.0	-8.0	6.8	-1.0	-47.4	-17.7	-48.8
Other capital	-50.6	-11.0	0.3	-0.3	-7.4	-3.7	0.0	-1.8	-2.9	-7.4	-18.8	-7.5	-1.2
In the euro area	158.1	88.6	3.1	7.2	78.3	-0.1	0.1	3.0	7.8	4.7	18.8	34.6	0.6
Equity/reinvested earnings	128.8	66.6	2.7	4.0	60.6	-0.9	0.1	0.3	4.8	10.2	1.1	42.3	3.6
Other capital	29.3	22.0	0.4	3.2	17.6	0.8	0.0	2.7	3.0	-5.5	17.8	-7.7	-3.0

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 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2006 Q1 to 2006 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-477.1	-125.3	-2.5	-12.9	-100.4	-8.3	-1.2	-7.7	-6.8	-5.2	-161.0	-96.3	-74.7
Equity	-129.5	-5.5	0.7	-3.3	-2.4	-0.4	-0.1	-2.2	-14.4	-1.5	-43.5	-30.5	-31.9
Debt instruments	-347.6	-119.8	-3.2	-9.6	-98.0	-8.0	-1.0	-5.5	7.5	-3.7	-117.5	-65.8	-42.8
Bonds and notes	-286.4	-89.6	-2.3	-9.2	-69.9	-7.2	-1.0	-4.8	-3.1	-1.5	-93.9	-47.7	-45.8
Money market instruments	-61.3	-30.2	-0.9	-0.4	-28.1	-0.7	-0.1	-0.7	10.6	-2.3	-23.6	-18.1	3.0

4. Balance of payments: other investment by sector
(cumulated transactions)

	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2006 Q1 to 2006 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	21.7	-80.8	-16.8	7.4	-71.6	-15.6	15.7	2.0	41.7	-28.0	21.0	27.3	15.7	22.8
Assets	-751.0	-548.6	-36.2	-3.4	-473.1	-36.2	0.3	-0.3	26.0	-57.4	-49.0	-71.5	-2.0	-48.0
General government	3.4	-6.3	-1.9	0.2	-5.0	0.1	0.2	0.1	-0.4	0.0	0.2	0.1	-1.2	10.9
MFIs	-525.0	-356.2	-33.6	0.1	-290.9	-32.0	0.2	-1.4	24.5	-50.7	-53.1	-42.8	-0.9	-44.4
Other sectors	-229.3	-186.1	-0.7	-3.7	-177.2	-4.3	-0.1	1.0	1.8	-6.7	3.8	-28.7	0.1	-14.5
Liabilities	772.6	467.8	19.5	10.8	401.5	20.6	15.4	2.3	15.8	29.4	70.0	98.8	17.7	70.8
General government	1.2	2.0	0.0	0.0	0.1	0.0	1.8	0.0	-0.2	-0.6	-0.7	0.1	2.8	-2.1
MFIs	507.7	256.2	19.5	9.4	208.0	17.4	1.9	1.1	12.6	26.3	37.7	94.1	15.0	64.6
Other sectors	263.7	209.6	0.0	1.4	193.3	3.2	11.7	1.2	3.4	3.6	33.0	4.6	-0.1	8.4

5. International investment position
(end-of-period outstanding amounts)

	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2005	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	324.1	-142.8	0.8	-17.3	-292.9	166.8	-0.2	25.2	4.7	35.3	-1.6	-13.9	-0.3	417.5
Abroad	2,710.3	957.2	33.8	81.0	651.8	190.6	0.0	76.1	68.8	241.8	558.1	316.1	0.0	492.2
Equity/reinvested earnings	2,184.8	753.5	29.7	56.8	502.1	164.9	0.0	64.9	63.6	193.8	419.2	297.1	0.0	392.8
Other capital	525.4	203.7	4.1	24.2	149.6	25.7	0.0	11.2	5.2	48.1	138.9	19.0	0.0	99.4
In the euro area	2,386.2	1,100.0	33.0	98.3	944.7	23.8	0.2	50.9	64.1	206.6	559.6	330.0	0.3	74.6
Equity/reinvested earnings	1,777.9	874.0	26.9	81.9	757.1	8.0	0.1	45.9	53.5	142.2	396.0	199.7	0.0	66.7
Other capital	608.2	226.0	6.1	16.4	187.6	15.8	0.1	5.1	10.7	64.4	163.6	130.2	0.3	8.0
Portfolio investment assets	3,874.9	1,202.7	61.2	119.3	861.3	90.8	70.0	83.4	270.4	122.3	1,308.8	411.5	30.8	445.0
Equity	1,733.6	422.4	10.9	46.5	342.4	22.6	0.0	21.7	182.4	112.1	617.1	155.6	1.4	220.9
Debt instruments	2,141.3	780.3	50.3	72.8	519.0	68.2	70.0	61.7	88.0	10.2	691.7	255.9	29.4	224.1
Bonds and notes	1,826.7	652.8	45.9	61.6	408.2	67.2	69.9	60.2	62.4	7.8	592.5	228.7	28.7	193.7
Money market instruments	314.6	127.5	4.3	11.2	110.8	1.0	0.1	1.5	25.6	2.4	99.2	27.2	0.7	30.5
Other investment	-304.2	-50.7	51.8	15.4	17.8	9.3	-145.0	4.5	9.4	-81.5	-13.0	-216.6	-22.8	66.4
Assets	3,664.7	1,872.1	77.0	62.0	1,618.3	105.1	9.8	21.7	92.6	209.2	510.6	354.2	41.8	562.6
General government	102.2	17.4	0.2	0.3	8.9	0.5	7.5	0.1	0.1	0.1	3.3	1.2	35.8	44.2
MFIs	2,515.2	1,432.7	65.7	44.5	1,243.0	78.5	0.9	11.6	67.1	122.0	316.3	245.0	5.4	315.2
Other sectors	1,047.4	422.0	11.0	17.2	366.4	26.0	1.4	10.0	25.4	87.2	191.0	107.9	0.6	203.2
Liabilities	3,969.0	1,922.8	25.2	46.6	1,600.5	95.8	154.8	17.2	83.1	290.7	523.6	570.7	64.6	496.2
General government	46.5	23.7	0.0	0.3	3.3	0.0	20.1	0.0	0.8	0.1	7.4	0.2	3.3	11.1
MFIs	3,180.6	1,491.7	20.0	26.3	1,270.8	74.0	100.6	12.2	55.5	243.9	400.6	518.2	60.0	398.5
Other sectors	741.9	407.4	5.2	20.0	326.4	21.8	34.0	5.0	26.8	46.7	115.6	52.3	1.4	86.6

Source: ECB.

7.4 International investment position (including international reserves)

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

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
	Net international investment position						
2002	-714.9	-9.8	179.5	-940.9	-12.6	-307.1	366.1
2003	-784.9	-10.5	87.4	-916.1	-7.5	-255.4	306.7
2004	-829.9	-10.7	106.7	-996.6	-14.9	-206.2	281.0
2005	-817.1	-10.2	324.1	-1,142.6	-14.4	-304.2	320.1
2006 Q3	-957.1	-11.5	433.4	-1,294.7	-15.4	-405.4	325.1
Q4	-969.7	-11.5	473.3	-1,473.6	-15.3	-279.9	325.8
	Outstanding assets						
2002	7,419.6	102.1	2,005.9	2,291.9	133.1	2,622.6	366.1
2003	7,964.9	106.5	2,169.3	2,658.1	160.8	2,670.0	306.7
2004	8,768.7	112.7	2,337.1	3,035.8	174.1	2,940.8	281.0
2005	10,806.1	134.4	2,710.3	3,874.9	236.1	3,664.7	320.1
2006 Q3	11,857.5	142.8	2,944.9	4,213.6	300.0	4,073.9	325.1
Q4	12,325.0	146.6	3,006.2	4,393.5	289.0	4,310.5	325.8
	Outstanding liabilities						
2002	8,134.5	111.9	1,826.4	3,232.7	145.7	2,929.7	-
2003	8,749.8	117.0	2,081.9	3,574.2	168.3	2,925.4	-
2004	9,598.6	123.4	2,230.4	4,032.3	189.0	3,147.0	-
2005	11,623.2	144.5	2,386.2	5,017.6	250.5	3,969.0	-
2006 Q3	12,814.5	154.3	2,511.5	5,508.4	315.4	4,479.2	-
Q4	13,294.7	158.1	2,532.9	5,867.1	304.3	4,590.4	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12
2002	1,544.6	132.3	1,412.3	461.3	1.6	459.7	1,295.6	42.1	1,253.5	530.8	2.7	528.1
2003	1,726.8	124.4	1,602.4	442.5	2.1	440.4	1,510.1	46.2	1,464.0	571.8	3.2	568.6
2004	1,897.4	144.6	1,752.8	439.7	3.1	436.5	1,661.2	43.9	1,617.4	569.1	8.2	560.9
2005	2,184.8	166.5	2,018.3	525.4	6.6	518.8	1,777.9	45.9	1,732.1	608.2	10.1	598.1
2006 Q3	2,394.6	176.9	2,217.7	550.3	2.7	547.6	1,907.8	46.5	1,861.3	603.7	10.0	593.7
Q4	2,445.6	191.9	2,253.7	560.6	2.8	557.8	1,905.3	46.9	1,858.4	627.6	10.1	617.5

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors				General gov.	Other sectors				General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	0.7	43.6	8.3	799.2	1,364.4	7.2	403.1	6.3	784.7	1,660.1	1.3	189.4	1.1	47.1	208.2
2003	1.7	53.5	11.5	1,026.2	1,570.4	9.3	460.2	8.0	846.0	1,755.7	1.1	191.5	0.6	48.5	248.0
2004	2.1	73.9	16.1	1,160.6	1,755.9	7.9	540.7	9.7	938.0	2,041.3	0.9	231.4	0.4	54.2	235.1
2005	3.0	100.8	26.6	1,603.3	2,428.0	8.3	693.0	11.6	1,113.9	2,271.9	0.8	260.5	0.4	52.9	317.6
2006 Q3	2.9	114.0	33.0	1,729.4	2,748.1	7.8	789.9	10.8	1,177.5	2,442.4	1.4	283.1	4.2	59.8	317.8
Q4	2.8	131.4	36.2	1,817.1	2,990.4	10.4	809.7	11.4	1,210.2	2,576.1	0.9	301.0	0.2	62.1	300.6

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
2002	4.9	0.3	57.2	0.1	1.4	62.1	57.4	4.7	55.4	0.1	42.6	13.8
2003	5.2	0.7	66.0	0.2	0.2	59.0	53.2	5.8	42.4	0.0	42.3	3.8
2004	4.7	0.3	74.5	0.2	0.2	62.3	54.1	8.3	42.6	0.0	42.4	3.4
2005	5.4	0.4	82.2	0.2	0.1	57.5	45.7	11.8	44.6	0.0	42.8	3.6
2006 Q3	7.4	0.4	95.6	0.3	0.1	50.1	38.5	11.6	45.0	0.0	46.8	3.4
Q4	8.4	0.4	100.0	0.2	0.1	55.0	40.2	14.8	44.7	0.0	45.1	3.4

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2002	1,685.1	61.0	2,250.8	48.4	174.4	487.4	199.3	288.1	90.7	104.5	364.3	47.8
2003	1,734.6	38.5	2,241.9	31.0	169.2	535.9	206.7	329.2	84.3	107.2	387.3	45.7
2004	1,950.5	45.4	2,423.0	42.2	172.4	568.8	236.8	332.0	93.5	110.2	401.4	49.7
2005	2,453.1	56.3	3,045.8	52.4	185.1	730.4	374.9	355.5	131.9	125.3	547.5	69.1
2006 Q3	2,705.7	56.8	3,360.7	52.3	181.8	886.5	535.7	350.8	140.1	131.0	701.0	88.1
Q4	2,879.2	58.6	3,414.0	55.8	185.0	943.0	610.3	332.8	136.1	128.3	759.0	84.6

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
Q3	325.1	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	0.5	79.1	30.1	-0.1	0.0	26.8	-21.9
Q4	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.4	30.8	0.3	0.0	24.6	-21.5
2007 Mar.	331.6	180.4	363.108	4.6	4.3	142.2	4.9	27.6	109.5	-	-	-	0.3	0.0	25.1	-22.6
Apr.	330.0	179.9	361.562	4.6	4.1	141.4	4.2	25.7	111.1	-	-	-	0.4	0.0	27.3	-25.0
May	327.4	176.5	360.323	4.7	4.4	141.8	4.4	26.6	110.8	-	-	-	0.1	0.0	27.3	-23.8
	of which held by the European Central Bank															
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
Q3	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	0.0	18.4	6.9	0.0	0.0	2.9	-0.7
Q4	39.9	9.9	20.572	0.4	0.0	29.6	1.6	1.5	26.5	0.0	19.1	7.4	0.0	0.0	2.8	-0.3
2007 Mar.	40.5	10.3	20.632	0.4	0.0	29.9	1.4	3.3	25.2	-	-	-	0.0	0.0	3.0	-0.6
Apr.	40.5	10.3	20.632	0.4	0.0	29.8	0.8	3.9	25.1	-	-	-	0.0	0.0	3.4	-1.2
May	40.7	10.1	20.632	0.4	0.0	30.2	0.7	3.7	25.7	-	-	-	0.0	0.0	3.1	-0.7

Source: ECB.

7.5 Trade in goods
(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2003	-2.3	0.5	1,056.9	499.2	221.3	299.8	916.0	987.7	552.9	164.1	240.0	708.6	109.1
2004	8.9	9.4	1,142.8	545.8	246.6	314.6	994.1	1,073.2	604.4	183.3	255.4	767.4	129.2
2005	7.8	13.5	1,237.1	590.1	269.6	334.7	1,068.6	1,223.1	705.0	206.5	275.9	842.8	186.3
2006	11.1	13.3	1,379.8	662.9	289.2	366.2	1,184.0	1,391.6	825.5	207.6	302.8	940.1	224.8
2005 Q4	9.8	15.9	321.6	154.4	69.2	86.6	276.6	328.1	189.5	56.2	72.6	222.4	53.8
2006 Q1	15.9	22.4	332.0	158.6	71.4	89.6	282.2	337.9	198.2	53.1	73.7	223.7	55.1
Q2	9.4	14.4	340.4	162.5	71.3	89.9	290.7	344.7	204.3	52.0	75.1	231.9	57.3
Q3	7.9	10.4	346.1	167.4	71.4	90.9	298.2	353.7	212.4	51.2	75.7	238.8	60.0
Q4	11.8	7.7	361.3	174.4	75.0	95.7	312.9	355.3	210.6	51.4	78.3	245.7	52.4
2007 Q1	9.3	5.3	365.7	174.8	76.7	96.3	312.8	357.8	211.0	52.3	78.7	249.7	46.7
2006 Nov.	12.7	6.5	120.3	58.6	25.8	31.3	104.9	116.5	69.3	17.1	26.0	80.9	17.1
Dec.	6.4	2.5	122.6	58.5	24.7	33.0	106.2	120.8	71.1	16.9	26.4	83.8	17.4
2007 Jan.	12.1	8.3	121.5	58.0	25.3	32.3	104.2	119.7	70.8	18.1	25.8	83.2	16.1
Feb.	9.9	7.5	121.7	58.1	25.9	31.9	104.2	120.9	71.6	17.9	26.3	84.4	15.4
Mar.	6.6	0.7	122.6	58.8	25.5	32.2	104.4	117.2	68.6	16.3	26.6	82.2	15.2
Apr.	11.9	7.6	123.3	.	.	.	.	119.8	.	.	.	.	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2003	1.0	3.6	108.5	105.9	106.8	113.1	108.4	101.9	100.2	97.1	109.7	100.2	103.2
2004	9.0	6.5	117.4	115.6	119.9	118.4	117.9	107.8	104.1	109.2	117.4	108.2	105.2
2005	4.9	5.1	123.6	120.1	129.5	123.5	124.2	113.8	107.5	123.7	123.5	116.3	109.9
2006	7.4	5.7	133.2	129.4	136.3	131.1	134.0	120.7	113.8	124.1	131.0	125.4	109.7
2005 Q4	5.6	5.4	126.5	123.0	131.9	125.9	127.2	116.9	108.5	133.3	126.8	120.9	111.0
2006 Q1	10.5	8.5	128.6	125.0	134.2	128.7	128.1	117.1	109.9	124.1	127.1	119.7	105.4
Q2	5.2	3.8	131.9	127.8	134.8	128.4	132.3	119.1	111.8	124.4	130.8	124.5	106.2
Q3	5.0	4.5	133.7	130.2	135.3	130.5	135.1	121.8	115.8	123.5	130.5	126.8	115.9
Q4	9.1	6.0	138.7	134.7	140.7	136.9	140.5	124.5	117.6	124.5	135.5	130.6	111.5
2007 Q1	7.7	6.2	139.5	133.7	143.6	136.9	139.6	125.0	117.2	127.3	135.5	131.7	100.6
2006 Nov.	9.4	4.5	138.4	135.2	145.4	134.8	141.0	122.3	116.3	123.2	135.3	128.7	112.1
Dec.	4.3	1.6	141.0	135.8	138.7	141.2	143.2	126.5	118.3	123.7	136.8	133.7	106.4
2007 Jan.	11.2	9.4	139.6	133.3	142.9	137.9	140.1	125.9	118.1	132.9	133.5	131.9	104.0
Feb.	7.7	8.2	139.0	132.9	145.5	135.2	139.2	126.5	119.2	129.4	135.3	132.7	100.4
Mar.	4.7	1.6	140.0	134.7	142.5	137.5	139.5	122.7	114.2	119.6	137.5	130.5	97.2
Apr.	9.3	8.7	140.2	.	.	.	.	125.2	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2003	-3.2	-3.0	97.6	96.2	96.3	101.1	97.4	94.8	93.6	92.3	99.5	96.0	86.4
2004	-0.1	2.6	97.5	96.4	95.7	101.4	97.1	97.3	98.4	91.8	98.9	96.3	99.5
2005	2.8	7.9	100.2	100.2	96.8	103.4	99.1	105.0	111.2	91.2	101.5	98.3	137.4
2006	3.5	7.4	103.8	104.5	98.7	106.5	101.8	112.8	123.1	91.4	105.1	101.8	166.8
2005 Q4	4.0	9.9	101.8	102.5	97.6	105.0	100.2	109.8	118.5	92.2	104.2	99.9	157.6
2006 Q1	4.9	12.8	103.4	103.6	99.0	106.3	101.5	112.8	122.4	93.5	105.5	101.5	170.4
Q2	4.0	10.2	103.4	103.8	98.4	106.8	101.3	113.2	124.0	91.4	104.4	101.1	175.5
Q3	2.8	5.7	103.8	104.9	98.1	106.3	101.7	113.6	124.4	90.6	105.5	102.3	168.2
Q4	2.5	1.6	104.4	105.7	99.2	106.7	102.7	111.6	121.5	90.3	105.1	102.2	153.0
2007 Q1	1.5	-0.9	105.0	106.8	99.4	107.4	103.3	111.9	122.2	89.8	105.7	103.0	151.1
2006 Nov.	3.1	1.9	104.5	106.2	99.0	106.4	102.8	111.7	121.2	90.9	105.0	102.4	148.6
Dec.	2.1	0.9	104.5	105.6	99.3	106.8	102.6	112.0	122.3	89.7	105.2	102.2	159.2
2007 Jan.	0.9	-1.0	104.6	106.6	98.9	107.1	102.9	111.6	122.0	89.2	105.4	102.7	150.9
Feb.	2.0	-0.6	105.2	107.1	99.2	107.9	103.5	112.1	122.2	90.8	106.2	103.6	149.9
Mar.	1.7	-1.0	105.3	106.9	100.1	107.1	103.5	112.0	122.3	89.4	105.5	102.6	152.5
Apr.	2.4	-1.1	105.7	.	.	.	.	112.3	.	.	.	.	.

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 27 (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.)														
2003	1,056.9	24.9	38.6	194.5	125.0	29.1	63.3	24.8	167.0	35.1	31.2	135.3	59.2	37.9	90.9
2004	1,142.8	25.7	42.2	205.4	138.3	35.9	66.2	32.1	172.5	40.3	33.2	150.4	64.2	40.4	96.0
2005	1,237.1	29.0	45.1	203.2	157.9	43.6	70.7	34.8	185.0	43.3	34.0	165.9	72.9	46.9	104.8
2006	1,379.8	31.1	49.6	214.5	193.7	55.4	76.7	38.6	199.6	53.5	34.4	183.3	76.9	54.3	118.2
2005 Q4	321.6	7.5	11.3	51.3	42.5	11.5	17.7	9.5	48.3	11.5	8.5	42.2	19.3	12.5	28.0
2006 Q1	332.0	7.5	11.6	53.1	44.5	12.5	18.0	9.7	49.6	12.6	8.8	43.4	19.3	13.2	28.2
Q2	340.4	7.7	12.2	53.3	47.5	13.0	18.4	9.8	49.6	12.8	8.5	45.2	18.9	13.3	30.1
Q3	346.1	7.8	12.7	54.3	49.5	14.2	19.3	9.6	49.5	13.5	8.6	45.9	19.0	13.7	28.6
Q4	361.3	8.0	13.0	53.8	52.2	15.6	20.8	9.5	50.9	14.6	8.6	48.8	19.8	14.2	31.4
2007 Q1	365.7	8.4	13.5	56.2	53.7	15.7	20.5	10.1	49.1	14.2	8.7	48.9	21.2	14.8	30.9
2006 Nov.	120.3	2.7	4.3	18.0	17.3	5.3	6.9	3.4	17.1	5.0	2.9	16.5	6.7	4.6	9.7
Dec.	122.6	2.7	4.4	18.0	17.9	5.1	7.0	3.1	17.7	4.9	2.8	16.5	6.7	4.8	11.2
2007 Jan.	121.5	2.8	4.6	18.9	17.8	5.2	7.0	3.5	16.7	4.6	2.9	16.4	7.1	4.9	9.2
Feb.	121.7	2.8	4.4	18.7	17.8	5.2	6.8	3.2	16.3	4.8	2.9	16.2	7.0	5.0	10.5
Mar.	122.6	2.8	4.5	18.5	18.1	5.3	6.7	3.4	16.1	4.7	2.9	16.3	7.1	5.0	11.2
Apr.	123.3	.	.	.	.	5.4	6.8	3.3	16.8	4.9	2.9	16.0	7.0	5.1	.
	% share of total exports														
2006	100.0	2.3	3.6	15.6	14.0	4.0	5.6	2.8	14.5	3.9	2.5	13.3	5.6	3.9	8.6
	Imports (c.i.f.)														
2003	987.7	23.7	36.9	138.6	108.9	47.2	50.4	19.2	110.5	74.4	52.0	141.8	68.8	39.7	75.5
2004	1,073.2	25.4	39.8	145.0	116.6	56.4	53.5	23.2	113.1	92.1	54.4	161.0	72.8	45.2	74.8
2005	1,223.1	26.3	42.2	152.6	129.2	76.7	58.0	25.2	119.9	117.9	53.1	189.8	95.9	53.5	82.8
2006	1,391.6	27.4	47.3	165.5	153.6	94.5	62.1	29.1	128.3	143.7	56.5	212.9	109.4	66.0	95.2
2005 Q4	328.1	6.6	11.0	39.4	34.0	21.1	15.2	6.7	31.1	32.1	13.7	52.8	26.3	14.8	23.4
2006 Q1	337.9	6.7	11.3	41.1	35.2	23.3	15.0	7.1	31.7	33.2	14.1	51.8	26.8	15.5	25.2
Q2	344.7	6.7	11.5	42.8	37.3	24.4	15.4	7.5	31.7	34.7	14.0	53.4	27.0	16.0	22.5
Q3	353.7	7.0	12.0	41.3	39.4	23.8	15.9	7.3	32.2	36.0	14.3	54.8	27.8	16.7	24.9
Q4	355.3	6.9	12.5	40.2	41.8	23.1	15.8	7.3	32.8	39.9	14.1	52.8	27.8	17.8	22.7
2007 Q1	357.8	6.9	12.7	40.2	41.9	23.0	16.7	7.9	33.1	41.7	14.6	51.7	25.7	18.0	23.8
2006 Nov.	116.5	2.3	4.0	13.5	13.6	7.7	5.2	2.4	10.4	13.5	4.6	17.5	9.3	5.9	6.5
Dec.	120.8	2.4	4.5	13.4	14.2	7.8	5.3	2.5	11.4	13.8	4.7	17.2	9.4	6.2	8.0
2007 Jan.	119.7	2.4	4.3	13.5	14.0	7.6	5.5	2.6	11.1	13.7	5.0	17.4	8.8	6.2	7.5
Feb.	120.9	2.2	4.2	13.6	13.8	7.7	5.6	2.7	11.3	13.9	4.9	17.9	8.8	6.1	8.3
Mar.	117.2	2.3	4.1	13.1	14.0	7.7	5.6	2.7	10.7	14.2	4.7	16.3	8.1	5.7	8.0
Apr.	119.8	.	.	.	.	8.0	5.7	2.7	10.8	12.9	4.5	17.4	8.5	5.6	.
	% share of total imports														
2006	100.0	2.0	3.4	11.9	11.0	6.8	4.5	2.1	9.2	10.3	4.1	15.3	7.9	4.7	6.8
	Balance														
2003	69.2	1.2	1.7	55.9	16.1	-18.1	12.9	5.6	56.5	-39.3	-20.8	-6.4	-9.6	-1.8	15.4
2004	69.6	0.4	2.4	60.4	21.7	-20.5	12.7	8.9	59.5	-51.8	-21.1	-10.6	-8.6	-4.8	21.2
2005	13.9	2.7	2.9	50.6	28.7	-33.1	12.7	9.6	65.1	-74.7	-19.1	-23.9	-23.0	-6.7	22.0
2006	-11.8	3.8	2.3	48.9	40.1	-39.1	14.5	9.5	71.3	-90.3	-22.0	-29.6	-32.5	-11.6	23.0
2005 Q4	-6.4	0.9	0.4	11.9	8.5	-9.6	2.5	2.8	17.2	-20.5	-5.2	-10.6	-7.0	-2.3	4.6
2006 Q1	-5.9	0.8	0.3	12.0	9.3	-10.8	3.0	2.6	17.9	-20.5	-5.3	-8.4	-7.5	-2.3	3.0
Q2	-4.3	1.0	0.8	10.4	10.3	-11.4	3.1	2.3	17.9	-21.9	-5.5	-8.2	-8.0	-2.7	7.6
Q3	-7.5	0.8	0.7	13.0	10.1	-9.5	3.4	2.3	17.3	-22.6	-5.8	-9.0	-8.8	-3.0	3.7
Q4	5.9	1.1	0.5	13.5	10.5	-7.4	5.1	2.2	18.2	-25.3	-5.4	-4.0	-8.1	-3.6	8.7
2007 Q1	7.9	1.4	0.8	16.0	11.9	-7.3	3.8	2.2	16.0	-27.6	-5.9	-2.8	-4.5	-3.2	7.1
2006 Nov.	3.8	0.4	0.3	4.5	3.7	-2.4	1.6	0.9	6.7	-8.5	-1.7	-1.0	-2.6	-1.2	3.2
Dec.	1.8	0.3	-0.1	4.6	3.6	-2.7	1.6	0.6	6.3	-8.9	-1.8	-0.7	-2.7	-1.4	3.2
2007 Jan.	1.8	0.4	0.2	5.5	3.7	-2.5	1.5	1.0	5.5	-9.1	-2.1	-1.0	-1.7	-1.3	1.7
Feb.	0.7	0.5	0.2	5.1	4.0	-2.5	1.3	0.6	5.0	-9.0	-2.0	-1.7	-1.8	-1.1	2.2
Mar.	5.4	0.5	0.4	5.4	4.2	-2.3	1.0	0.7	5.4	-9.4	-1.8	-0.1	-1.0	-0.8	3.2
Apr.	3.5	.	.	.	.	-2.7	1.1	0.6	6.0	-8.1	-1.6	-1.5	-1.5	-0.5	.

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

8 EXCHANGE RATES

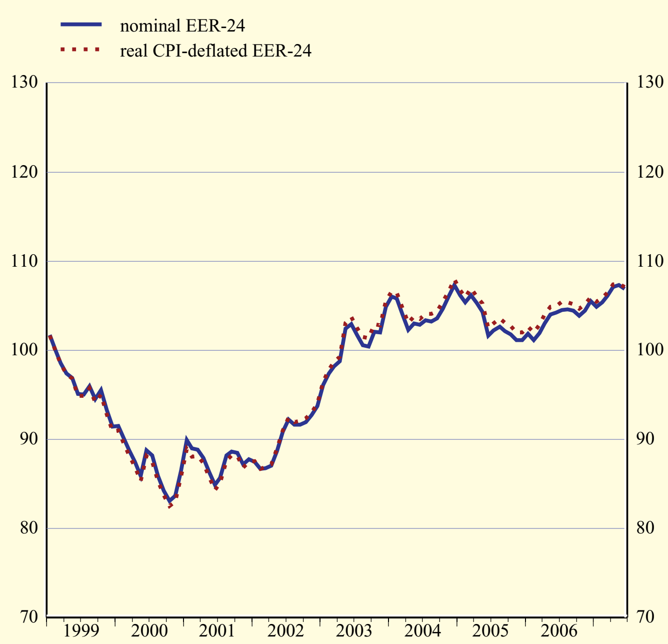
8.1 Effective exchange rates [1)]

(period averages; index 1999 Q1=100)

	EER-24						EER-44	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2004	104.3	105.1	104.2	103.1	100.1	103.0	111.2	105.6
2005	103.3	104.1	102.5	100.9	97.9	101.3	109.7	103.7
2006	103.6	104.4	102.9	100.7	95.9	100.1	110.0	103.4
2006 Q2	103.8	104.6	103.0	100.8	95.9	100.6	110.1	103.6
Q3	104.5	105.3	103.7	101.4	96.5	100.8	111.2	104.5
Q4	104.6	105.3	104.1	101.4	96.3	100.2	111.3	104.3
2007 Q1	105.5	105.9	104.8	102.2	96.3	100.8	112.0	104.7
Q2	107.1	107.3	105.9	.	.	.	113.5	105.7
2006 June	104.2	105.0	103.3	-	-	-	111.1	104.4
July	104.5	105.4	103.8	-	-	-	111.3	104.7
Aug.	104.6	105.4	103.7	-	-	-	111.3	104.6
Sep.	104.4	105.2	103.4	-	-	-	111.1	104.3
Oct.	103.9	104.7	103.4	-	-	-	110.4	103.6
Nov.	104.5	105.2	103.9	-	-	-	111.1	104.2
Dec.	105.5	106.0	104.9	-	-	-	112.3	105.0
2007 Jan.	104.9	105.5	104.4	-	-	-	111.5	104.3
Feb.	105.4	105.9	104.8	-	-	-	111.9	104.5
Mar.	106.1	106.5	105.2	-	-	-	112.7	105.2
Apr.	107.1	107.4	106.2	-	-	-	113.7	106.0
May	107.3	107.4	106.0	-	-	-	113.6	105.7
June	106.9	107.1	105.5	-	-	-	113.1	105.3
	% change versus previous month							
2007 June	-0.3	-0.4	-0.5	-	-	-	-0.4	-0.4
	% change versus previous year							
2007 June	2.6	2.0	2.2	-	-	-	1.8	0.8

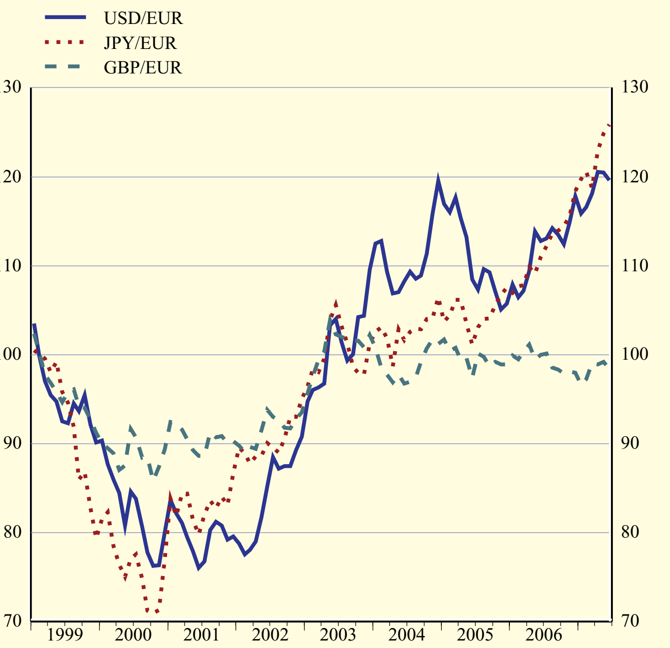
C35 Effective exchange rates

(monthly averages; index 1999 Q1=100)



C36 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2006 Q4	7.4557	9.1350	0.67314	1.2887	151.72	1.5928	1,209.29	10.0269	2.0091	1.4669	8.2712	1.6740
2007 Q1	7.4524	9.1894	0.67062	1.3106	156.43	1.6162	1,230.80	10.2334	2.0073	1.5357	8.1690	1.6670
Q2	7.4500	9.2573	0.67880	1.3481	162.89	1.6478	1,252.05	10.5372	2.0562	1.4791	8.1060	1.6214
2006 Dec.	7.4549	9.0377	0.67286	1.3213	154.82	1.5969	1,222.34	10.2704	2.0354	1.5212	8.1575	1.6814
2007 Jan.	7.4539	9.0795	0.66341	1.2999	156.56	1.6155	1,217.83	10.1390	1.9983	1.5285	8.2780	1.6602
Feb.	7.4541	9.1896	0.66800	1.3074	157.60	1.6212	1,225.25	10.2130	2.0049	1.5309	8.0876	1.6708
Mar.	7.4494	9.2992	0.68021	1.3242	155.24	1.6124	1,248.82	10.3464	2.0186	1.5472	8.1340	1.6704
Apr.	7.4530	9.2372	0.67934	1.3516	160.68	1.6375	1,257.99	10.5634	2.0476	1.5334	8.1194	1.6336
May	7.4519	9.2061	0.68136	1.3511	163.22	1.6506	1,253.27	10.5642	2.0581	1.4796	8.1394	1.6378
June	7.4452	9.3290	0.67562	1.3419	164.55	1.6543	1,245.39	10.4854	2.0619	1.4293	8.0590	1.5930
	% change versus previous month											
2007 June	-0.1	1.3	-0.8	-0.7	0.8	0.2	-0.6	-0.7	0.2	-3.4	-1.0	-2.7
	% change versus previous year											
2007 June	-0.2	1.0	-1.6	6.1	13.4	6.0	3.1	6.8	2.4	1.4	2.6	-6.9

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovak koruna	Bulgarian lev	New Romanian leu [1]
	13	14	15	16	17	18	19	20	21	22	23
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	40.022	1.9533	40,510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	38.599	1.9558	3.6209
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	37.234	1.9558	3.5258
2006 Q4	28.044	15.6466	0.57748	0.6969	3.4528	260.25	0.4293	3.8478	35.929	1.9558	3.4791
2007 Q1	28.037	15.6466	0.57915	0.7023	3.4528	252.32	0.4293	3.8863	34.347	1.9558	3.3812
Q2	28.272	15.6466	0.58272	0.6986	3.4528	248.31	0.4293	3.8005	33.751	1.9558	3.2789
2006 Dec.	27.778	15.6466	0.57811	0.6976	3.4528	253.97	0.4293	3.8125	34.967	1.9558	3.4137
2007 Jan.	27.840	15.6466	0.57842	0.6975	3.4528	253.88	0.4293	3.8795	34.751	1.9558	3.3922
Feb.	28.233	15.6466	0.57918	0.7003	3.4528	253.30	0.4293	3.8943	34.490	1.9558	3.3823
Mar.	28.057	15.6466	0.57985	0.7088	3.4528	249.86	0.4293	3.8859	33.813	1.9558	3.3692
Apr.	28.015	15.6466	0.58148	0.7036	3.4528	246.00	0.4293	3.8144	33.491	1.9558	3.3338
May	28.231	15.6466	0.58303	0.6965	3.4528	248.42	0.4293	3.7819	33.736	1.9558	3.2836
June	28.546	15.6466	0.58352	0.6963	3.4528	250.29	0.4293	3.8074	34.002	1.9558	3.2243
	% change versus previous month										
2007 June	1.1	0.0	0.1	0.0	0.0	0.8	0.0	0.7	0.8	0.0	-1.8
	% change versus previous year										
2007 June	0.6	0.0	1.5	0.0	0.0	-8.1	0.0	-5.4	-10.7	0.0	-9.2

	Chinese yuan renminbi [2]	Croatian kuna [2]	Icelandic krona	Indonesian rupiah [2]	Malaysian ringgit [2]	New Zealand dollar	Philippine peso [2]	Russian rouble [2]	South African rand	Thai baht [2]	New Turkish lira [3]
	24	25	26	27	28	29	30	31	32	33	34
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771
2006	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1.8090
2006 Q4	10.1339	7.3657	88.94	11,771.01	4.6734	1.9143	64.108	34.2713	9.4458	47.109	1.8781
2007 Q1	10.1688	7.3656	89.28	11,934.33	4.5842	1.8836	63.609	34.4795	9.4919	44.538	1.8492
Q2	10.3476	7.3494	85.82	12,082.62	4.6204	1.8188	63.134	34.8589	9.5688	44.011	1.8029
2006 Dec.	10.3356	7.3564	91.59	12,003.18	4.6909	1.9094	65.274	34.7316	9.3092	47.224	1.8920
2007 Jan.	10.1238	7.3711	91.02	11,796.04	4.5596	1.8699	63.552	34.4578	9.3440	45.850	1.8536
Feb.	10.1326	7.3612	88.00	11,855.46	4.5706	1.8859	63.167	34.4060	9.3797	44.434	1.8260
Mar.	10.2467	7.3641	88.69	12,144.32	4.6212	1.8952	64.069	34.5680	9.7417	43.320	1.8659
Apr.	10.4400	7.3967	88.36	12,290.98	4.6449	1.8394	64.421	34.9054	9.6089	44.010	1.8362
May	10.3689	7.3258	85.12	11,927.80	4.5962	1.8441	63.136	34.8999	9.4855	44.507	1.8029
June	10.2415	7.3313	84.26	12,056.30	4.6237	1.7738	61.968	34.7739	9.6198	43.492	1.7728
	% change versus previous month										
2007 June	-1.2	0.1	-1.0	1.1	0.6	-3.8	-1.8	-0.4	1.4	-2.3	-1.7
	% change versus previous year										
2007 June	1.1	1.0	-10.7	1.7	-0.3	-13.3	-7.9	1.8	8.8	-10.4	-12.5

Source: ECB.

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

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	HICP													
2005	6.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	7.4	2.1	1.9	4.4	2.2	6.6	3.8	4.0	2.6	1.3	6.6	4.3	1.5	2.3
2006 Q3	6.7	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	5.9	4.8	1.5	2.4
Q4	5.7	1.1	1.6	4.5	1.5	6.2	4.2	6.4	1.1	1.3	4.8	3.5	1.4	2.7
2007 Q1	5.3	1.7	1.9	5.1	1.4	7.6	4.4	8.8	0.8	2.0	3.9	2.1	1.7	2.8
2007 Jan.	6.8	1.4	1.8	5.0	1.4	7.1	4.0	8.4	1.2	1.6	4.1	2.2	1.6	2.7
Feb.	4.6	1.7	1.9	4.6	1.2	7.2	4.4	9.0	0.8	1.9	3.9	2.0	1.7	2.8
Mar.	4.4	2.1	1.9	5.6	1.4	8.5	4.8	9.0	0.5	2.4	3.7	2.1	1.6	3.1
Apr.	4.4	2.7	1.7	5.6	1.6	8.8	4.9	8.7	-1.1	2.2	3.8	2.0	1.6	2.8
May	4.5	2.4	1.7	5.9	1.9	7.8	5.0	8.4	-1.0	2.3	3.9	1.5	1.2	2.5
	General government deficit (-)/surplus (+) as a % of GDP													
2004	2.2	-2.9	2.0	2.3	-4.1	-1.0	-1.5	-6.5	-4.9	-5.7	-1.5	-2.4	0.8	-3.1
2005	1.9	-3.5	4.7	2.3	-2.3	-0.2	-0.5	-7.8	-3.1	-4.3	-1.4	-2.8	2.1	-3.1
2006	3.3	-2.9	4.2	3.8	-1.5	0.4	-0.3	-9.2	-2.6	-3.9	-1.9	-3.4	2.2	-2.8
	General government gross debt as a % of GDP													
2004	37.9	30.7	44.0	5.2	70.3	14.5	19.4	59.4	73.9	45.7	18.8	41.5	52.4	40.3
2005	29.2	30.4	36.3	4.4	69.2	12.0	18.6	61.7	72.4	47.1	15.8	34.5	52.2	42.2
2006	22.8	30.4	30.2	4.1	65.3	10.0	18.2	66.0	66.5	47.8	12.4	30.7	46.9	43.5
	Long-term government bond yield as a % per annum, period average													
2006 Dec.	4.18	3.68	3.78	-	4.26	4.90	4.28	6.81	4.33	5.14	7.42	4.15	3.65	4.54
2007 Jan.	4.27	3.84	4.00	-	4.36	4.92	4.28	6.96	4.34	5.17	7.39	4.25	3.90	4.94
Feb.	4.24	3.78	4.05	-	4.42	5.07	4.28	6.96	4.38	5.19	7.52	4.28	3.93	4.97
Mar.	4.22	3.76	3.96	-	4.47	5.14	4.24	6.79	4.38	5.19	7.53	4.24	3.79	4.88
Apr.	4.28	3.92	4.18	-	4.44	5.52	4.18	6.65	4.44	5.28	7.39	4.26	4.04	5.10
May	4.26	4.21	4.34	-	4.44	6.03	4.36	6.53	4.61	5.29	7.39	4.40	4.15	5.20
	3-month interest rate as a % per annum, period average													
2006 Dec.	4.01	2.56	3.84	3.81	3.76	4.21	3.72	8.20	3.90	4.20	8.19	4.82	3.21	5.29
2007 Jan.	4.06	2.58	3.92	3.90	3.82	3.82	3.79	8.15	3.85	4.20	6.69	4.50	3.35	5.49
Feb.	4.09	2.59	3.99	3.94	3.87	5.61	3.87	-	4.10	4.20	7.13	4.60	3.43	5.57
Mar.	4.19	2.56	4.07	4.06	3.97	6.30	4.05	8.10	4.18	4.22	7.49	4.48	3.43	5.55
Apr.	4.30	2.60	4.16	4.42	3.99	9.32	4.41	8.20	4.19	4.31	7.33	4.05	3.51	5.65
May	4.40	2.77	4.28	4.69	3.99	9.99	4.89	-	4.23	4.44	7.62	4.16	3.57	5.77
	Real GDP													
2005	6.2	6.5	3.1	10.5	3.9	10.6	7.5	4.1	3.3	3.6	4.1	6.0	2.9	1.9
2006	6.0	6.4	3.2	11.4	3.8	11.9	7.4	3.9	2.9	6.1	7.6	8.3	4.2	2.8
2006 Q3	6.7	6.4	2.6	11.3	3.6	11.9	6.9	3.9	2.3	5.9	8.2	9.8	4.2	2.9
Q4	5.7	6.1	3.0	10.9	3.6	11.7	7.0	3.3	3.6	6.6	7.6	9.6	4.3	3.0
2007 Q1	.	6.2	1.8	9.8	3.8	11.2	8.0	2.9	3.5	.	5.8	9.0	3.3	2.9
	Current and capital accounts balance as a % of GDP													
2005	-11.0	-2.4	3.9	-9.5	-5.1	-11.2	-5.9	-6.0	-4.8	-1.4	-7.9	-8.6	7.1	-2.4
2006	-15.1	-4.0	2.4	-12.3	-5.9	-19.9	-9.7	-4.8	-3.1	-1.7	-10.4	-8.4	6.7	-3.6
2006 Q3	-4.4	-5.1	4.2	-12.6	8.6	-22.7	-11.1	-4.1	5.0	-0.7	-9.5	-10.1	7.3	-3.8
Q4	-24.5	-5.3	1.3	-14.5	-19.5	-25.3	-10.0	-2.9	-2.8	-2.7	-10.7	-7.3	7.4	-3.7
2007 Q1	.	2.0	-1.7	-17.1	-13.2	-23.7	-12.2	-4.3	.	-2.2	-14.9	0.1	9.4	-4.0
	Unit labour costs													
2005	2.4	-0.7	0.9	2.7	1.3	15.2	3.5	3.1	-0.5	0.3	.	0.5	0.6	.
2006	4.5	1.0	2.4	5.7	0.1	14.0	7.0	.	0.0	.	.	1.2	-0.4	.
2006 Q3	-	0.8	2.8	5.6	-	-	11.6	-	-0.2	-	-	0.3	0.6	.
Q4	-	1.8	4.1	8.3	-	-	10.0	-	0.0	-	-	0.6	0.1	.
2007 Q1	-	3.7	4.7	14.9	-	-	10.6	-	-0.4	-	-	0.3	4.6	.
	Standardised unemployment rate as a % of labour force (s.a.)													
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.2	7.2	7.3	17.7	7.1	16.3	7.4	4.8
2006	8.9	7.1	3.9	5.9	4.6	6.9	5.6	7.5	7.3	13.8	7.3	13.3	7.1	5.3
2006 Q3	9.1	7.0	3.7	5.8	4.5	6.7	5.8	7.5	7.2	13.3	7.7	13.0	6.9	5.4
Q4	8.2	6.5	3.6	5.6	4.3	6.2	4.8	7.6	6.9	12.3	7.3	12.4	6.4	5.3
2007 Q1	7.7	5.9	3.4	4.9	4.2	6.3	4.8	7.4	6.6	11.0	7.7	11.3	6.5	5.5
2007 Jan.	7.9	6.0	3.3	4.9	4.2	6.4	4.9	7.3	6.7	11.3	7.7	11.4	6.5	5.5
Feb.	7.7	5.9	3.4	4.8	4.3	6.3	4.8	7.4	6.6	11.0	7.6	11.3	6.5	5.5
Mar.	7.5	5.7	3.4	5.0	4.2	6.1	4.7	7.4	6.6	10.6	7.7	11.1	6.4	5.4
Apr.	7.4	5.8	3.3	5.1	4.2	6.0	5.0	7.6	6.4	10.7	7.2	10.8	6.2	.
May	7.2	5.7	3.3	5.2	4.2	5.9	4.9	7.7	6.5	10.5	7.3	10.8	6.2	.

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

9.2 In the United States and Japan

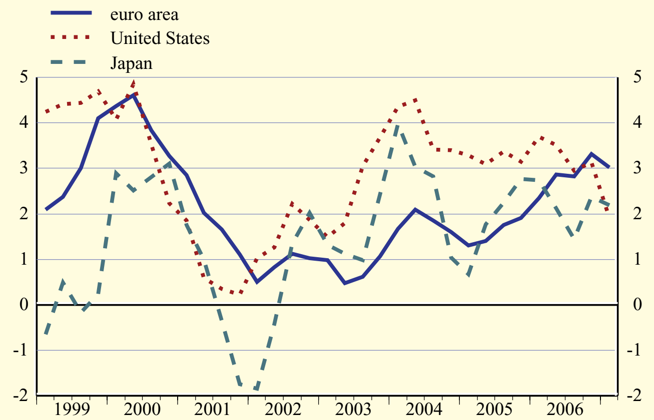
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2003	2.3	0.8	2.5	1.3	6.0	7.0	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	3.0	5.5	4.7	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	-0.1	3.2	4.0	5.1	4.3	3.56	4.28	1.2441	-3.7	49.2
2006	3.2	0.1	3.3	5.0	4.6	4.7	5.19	4.79	1.2556	-2.3	48.5
2006 Q2	4.0	0.1	3.5	5.5	4.6	4.8	5.21	5.07	1.2582	-2.3	48.6
Q3	3.3	-2.2	3.0	6.1	4.7	4.6	5.43	4.90	1.2743	-2.6	48.5
Q4	1.9	0.7	3.1	3.6	4.5	4.9	5.37	4.63	1.2887	-1.9	48.5
2007 Q1	2.4	-0.4	1.9	2.3	4.5	5.3	5.36	4.68	1.3106	-2.6	49.4
Q2	.	.	.	.	.	.	5.36	4.84	1.3481	.	.
2007 Feb.	2.4	-	-	2.3	4.5	5.1	5.36	4.73	1.3074	-	-
Mar.	2.8	-	-	2.4	4.4	5.6	5.35	4.56	1.3242	-	-
Apr.	2.6	-	-	1.7	4.5	6.1	5.35	4.69	1.3516	-	-
May	2.7	-	-	1.9	4.5	6.3	5.36	4.75	1.3511	-	-
June	.	-	-	.	.	.	5.36	5.11	1.3419	-	-
					Japan						
2003	-0.2	-3.9	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.9	151.4
2004	0.0	-4.9	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-6.2	157.6
2005	-0.3	-0.6	1.9	1.1	4.4	1.8	0.06	1.39	136.85	-6.4	164.2
2006	0.2	-2.6	2.2	4.8	4.1	1.1	0.30	1.74	146.02	.	.
2006 Q2	0.2	-2.4	2.2	4.7	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	-2.8	1.5	5.6	4.1	0.6	0.41	1.80	148.09	.	.
Q4	0.3	-3.6	2.4	5.9	4.1	0.7	0.49	1.70	151.72	.	.
2007 Q1	-0.1	-2.2	2.7	3.0	4.0	1.0	0.62	1.68	156.43	.	.
Q2	.	.	.	.	.	.	0.69	1.74	162.89	.	.
2007 Feb.	-0.2	-1.9	-	3.1	4.0	1.0	0.59	1.71	157.60	-	-
Mar.	-0.1	-1.6	-	1.9	4.0	1.1	0.71	1.62	155.24	-	-
Apr.	0.0	.	-	2.2	3.8	1.1	0.66	1.67	160.68	-	-
May	0.0	.	-	3.7	3.8	1.4	0.67	1.67	163.22	-	-
June	.	.	-	.	.	.	0.73	1.89	164.55	-	-

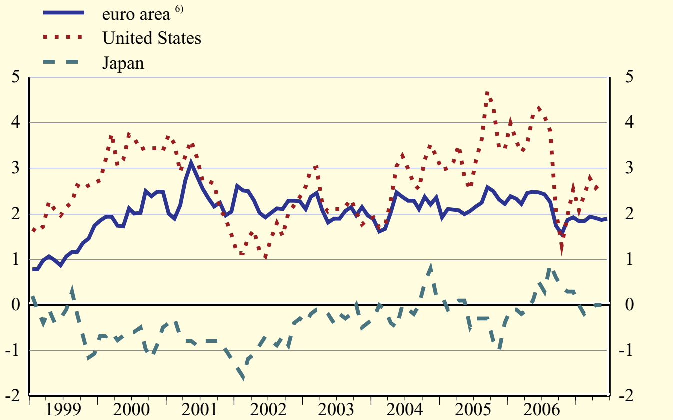
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 Consumer price indices

(annual percentage changes; monthly)



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

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

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.[3] The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Table 3.1 the data conform to a basic accounting identity. As regards non-financial transactions, total uses equal total resources for each transaction category. Likewise in the financial account, this accounting identity is also reflected, i.e. for each financial instrument category, total transactions in financial assets equal total transactions in liabilities. In the other changes in assets account and the financial balance sheets, total financial assets equal total liabilities for each financial instrument category, with the exception of monetary gold and special drawing rights, which are by definition not a liability of any sector.

CALCULATION OF BALANCING ITEMS

The balancing items at the end of each account in Tables 3.1 and 3.2 are computed as follows:

The trade balance equals imports minus exports of goods and services vis-à-vis the euro area rest of the world.

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.

Net operating surplus and mixed income is defined for resident sectors only and is calculated as gross value added (gross domestic product at market prices for the euro area) minus compensation of employees (uses) minus other taxes less subsidies on production (uses) minus consumption of fixed capital (uses).

Net national income is defined for resident sectors only and is computed as net operating surplus and mixed income plus compensation of employees (resources) plus taxes less subsidies on production (resources) plus net property income (resources minus uses).

Net disposable income is also only defined for resident sectors and equals net national income plus net current taxes on income and wealth (resources minus uses) plus net social contributions (resources minus uses) plus net social benefits other than social transfers in kind (resources minus uses) plus net other current transfers (resources minus uses).

Net saving is defined for resident sectors and is calculated as net disposable income plus the net adjustment for the change in net equity of households in pension funds reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, current external account is compiled as the trade balance plus all net income (resources minus uses).

Net lending/net borrowing is computed from the capital account as net saving plus net capital transfers (resources minus uses) minus gross capital formation (uses) minus acquisitions less disposals of non-produced non-financial assets (uses) plus consumption of fixed capital (resources). It can also be calculated in the financial account as total transactions in financial assets minus total transactions in liabilities (also known as changes in net financial worth (wealth) due to transactions). For the household and non-financial corporation sectors, there is a statistical discrepancy between these balancing items computed from the capital account and the financial account, respectively.

Changes in net worth (wealth) are calculated as changes in net worth (wealth) due to savings and capital transfers plus other changes in net financial worth (wealth). It currently excludes other changes in non-financial assets due to unavailability of data.

Net financial worth (wealth) is calculated as total financial assets minus total liabilities, whereas changes in net financial worth (wealth) are equal to the sum of changes in net financial worth (wealth) due to transactions (lending/ net borrowing from the financial account) and other changes in net financial worth (wealth).

Finally, changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities and other changes in net financial worth (wealth) are calculated as total other changes in financial assets minus total other changes in liabilities.

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of notional stocks in month t is defined as:

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

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:

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

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

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

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS[4]

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

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

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

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP[4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). 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

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.

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 S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment in goods and services is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.int). This allows user-friendly access to data via the ECB Statistical Data Warehouse (http://sdw.ecb.int/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB's Governing Council. For this issue, the cut-off date was 4 July 2007.

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

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

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

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

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

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

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

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

OVERVIEW

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

MONETARY POLICY STATISTICS

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

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

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

Details of the sector definitions are set out in the "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

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

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds,

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

real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interactions between these sectors and the euro area rest of the world. The non-seasonally adjusted current prices data are displayed for the last available quarter following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: 1) the generation of income account, which shows how the production activity translates into various categories of income; 2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is national income); 3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; 4) the use of income account, which shows how disposable income is spent on consumption or saved; 5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and 6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented which give a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. resulting from the impact of asset price changes) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts 1 to 5 presented above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged in such a way as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

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 (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 13 (i.e. the Euro 12 plus Slovenia) for the whole time series (fixed composition).

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

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

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

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

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

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in 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 and experimental HICP-based estimates of administered prices which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[3]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[4]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[5] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[6]. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

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

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

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the

3 OJ L 162, 5.6.1998, p. 1.
4 OJ L 86, 27.3.2001, p. 11.
5 OJ L 69, 13.3.2003, p. 1.
6 OJ L 169, 8.7.2003, p. 37.

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

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[7] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002[8] on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 31 May 2007 on the statistical reporting requirements of the ECB (ECB/2007/3)[9], and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (May 2007), and in the following

7 OJ L 172, 12.7.2000, p. 3.
8 OJ L 179, 9.7.2002, p. 1.
9 OJ L 159, 20.6.2007, p. 48.

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 by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

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

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

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between "loans" and "currency and deposits" is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest available four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest available end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-24 group of trading partners is composed of the 14 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-44 group includes, in addition to the EER-24, the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 8 entitled "The effective exchange rates of the euro following the recent euro area and EU enlargements" in the March 2007 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

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

DEVELOPMENTS OUTSIDE THE EURO AREA

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

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

13 JANUARY 2005

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

14 JANUARY 2005

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

3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 2005

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

1 DECEMBER 2005

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

16 DECEMBER 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.

marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

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

8 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

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

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

31 AUGUST 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50%, both with effect from 13 December 2006.

21 DECEMBER 2006

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2008.

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

12 APRIL AND 10 MAY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

5 JULY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.

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GLOSSARY

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

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

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

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

Borrowing requirement (general government): net incurrence of debt by general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

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

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

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

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

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

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

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

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

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

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

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

Deflation: a decline in the general price level, e.g. in the consumer price index.

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

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

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

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

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

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

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

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

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

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

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

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

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

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

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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