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EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
SEPTEMBER

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In 2011 all ECB publications feature a motif taken from the €100 banknote.

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

The cut-off date for the statistics included in this issue was 7 September 2011.

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

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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	statistical classification of economic activities in the European Union
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 4	Standard International Trade Classification (revision 4)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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

EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 8 September 2011 to keep the key ECB interest rates unchanged. Inflation has remained elevated and is likely to stay above 2% over the months ahead before declining next year. At the same time, the underlying pace of monetary expansion continues to be moderate, while monetary liquidity remains ample. As expected, the pace of economic growth in the euro area decelerated in the second quarter, following strong growth in the first quarter. Looking ahead, the Governing Council expects the euro area economy to grow moderately, subject to particularly high uncertainty and intensified downside risks. At the same time, short-term interest rates are low. While the monetary policy stance remains accommodative, some financing conditions have tightened. It remains essential for monetary policy to focus on its mandate of maintaining price stability over the medium term, thereby ensuring that recent price developments do not give rise to broad-based inflationary pressures. A very thorough analysis of all incoming data and developments over the period ahead is warranted. Inflation expectations in the euro area must remain firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term. Such anchoring is a prerequisite for monetary policy to make its contribution towards supporting economic growth and job creation in the euro area. The Governing Council will continue to monitor very closely all developments.

The provision of liquidity and the allotment modes for refinancing operations will continue to ensure that euro area banks are not constrained on the liquidity side. All the non-standard measures taken during the period of acute financial market tensions are, by construction, temporary in nature.

As regards the economic analysis, euro area real GDP growth decelerated to 0.2% quarter on quarter in the second quarter of 2011, after 0.8% in the first quarter. As expected, temporary factors which had boosted growth in the early part of the year ceased, and adverse effects resulted from the Japanese earthquake and the lagged impact of past oil price increases. Looking ahead, a number of developments seem to be dampening the underlying momentum in the euro area, including a moderation in the pace of global growth, related declines in equity prices and in business confidence, and unfavourable effects resulting from ongoing tensions in a number of euro area sovereign debt markets. As a consequence, real GDP growth is expected to increase very moderately in the second half of this year. At the same time, the Governing Council continues to expect euro area economic activity to benefit from ongoing growth in the global economy as well as from the accommodative monetary policy stance and the various measures taken to support the functioning of the financial sector.

This assessment is also reflected in the September 2011 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.4% and 1.8% in 2011 and between 0.4% and 2.2% in 2012. Compared with the June 2011 Eurosystem staff macroeconomic projections, the ranges for real GDP growth in 2011 and 2012 have been revised downwards.

In the Governing Council's assessment, the risks to the economic outlook for the euro area are on the downside, in an environment of particularly high uncertainty. Downside risks mainly relate to the ongoing tensions in some segments of the financial markets in the euro area and at the global level, as well as to the potential for these pressures to spill over into the euro area real economy. They also relate to further increases in energy prices, protectionist pressures and the possibility of a disorderly correction of global imbalances.

With regard to price developments, euro area annual HICP inflation was 2.5% in August 2011, according to Eurostat's flash estimate, unchanged from July. Inflation rates have remained at relatively high levels since the end of last year, with higher energy and other commodity prices as the main drivers. Looking ahead, inflation rates are likely to stay clearly above 2% over the coming months. Thereafter, on the basis of the path implied by futures markets for oil prices, inflation rates should fall below 2% in 2012. This pattern reflects the expectation of relatively stable wage growth developments in the context of moderate economic growth.

The September 2011 ECB staff macroeconomic projections for the euro area embody these considerations and foresee annual HICP inflation in a range between 2.5% and 2.7% for 2011 and between 1.2% and 2.2% for 2012. In comparison with the June 2011 Eurosystem staff macroeconomic projections, the range for HICP inflation in 2011 remains unchanged, while the range for 2012 is slightly narrower. It is necessary to recall that the staff projections are conditional on a number of purely technical assumptions.

The Governing Council views the risks to the medium-term outlook for price developments as being broadly balanced. On the upside, the main risks relate to the possibility of higher than assumed increases in oil and non-oil commodity prices as well as increases in indirect taxes and administered prices, owing to the need for fiscal consolidation in the coming years. The main downside risks relate to the impact of weaker than expected growth in the euro area and globally.

Turning to the monetary analysis, the annual growth rate of M3 was 2.0% in July 2011, after 1.9% in June. The annual growth rate of loans to the private sector was 2.4% in July, after 2.5% in June. Looking beyond the monthly data and the effects of special factors, trends in broad money and loan growth have broadly stabilised over recent months. Overall, the underlying pace of monetary expansion remains moderate. At the same time, monetary liquidity accumulated prior to the period of financial market tensions continues to be ample.

Looking at M3 components, the annual growth rate of M1 decreased to 0.9% in July, whereas growth in other short-term deposits remained unchanged at 3.7%. These developments continue to partly reflect the gradual increase in the remuneration of short-term time and savings deposits over recent months. On the counterpart side, the annual growth of loans to non-financial corporations continued to edge up slightly, from 1.5% in June to 1.6% in July, whereas the annual growth of loans to households seems to have levelled off at around 3%.

The overall size of MFI balance sheets has remained broadly unchanged over recent months. Where it is necessary to provide adequate scope to expand the provision of credit to the private sector, it is essential for banks to retain earnings, to turn to the market to strengthen further their capital bases or to take full advantage of government support measures for recapitalisation, in line with the findings of the recent stress tests.

To sum up, based on its regular economic and monetary analyses, the Governing Council decided to keep the key ECB interest rates unchanged. Inflation has remained elevated and is likely to stay above 2% over the months ahead before declining next year. A cross-check with the information from the monetary analysis confirms that the underlying pace of monetary expansion continues to be moderate, while monetary liquidity remains ample. As expected, the pace of economic growth in the euro area decelerated in the second quarter, following strong growth in the first quarter. Looking ahead, the Governing Council expects the euro area economy to grow moderately, subject to particularly high uncertainty and intensified downside risks. At the same time, short-term interest rates are low. While the monetary policy stance remains accommodative, some financing conditions have tightened. It remains essential for monetary policy to focus on its mandate of maintaining price stability over the medium term, thereby ensuring that recent price developments do not give rise to broad-based inflationary pressures. A very thorough analysis of all incoming data and developments over the period ahead is warranted. Inflation expectations in the euro area must remain firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term. Such anchoring is a prerequisite for monetary policy to make its contribution towards supporting economic growth and job creation in the euro area. The Governing Council will continue to monitor very closely all developments.

Turning to fiscal policies, a number of governments have announced additional measures to ensure the achievement of their consolidation targets and to strengthen the legal basis for national fiscal rules. To ensure credibility, it is now crucial that the announced measures be frontloaded and implemented in full. Governments need to stand ready to implement further consolidation measures, notably on the expenditure side, if risks regarding the attainment of the current fiscal targets materialise. Countries that enjoy better than expected economic and fiscal developments should make full use of this room for manoeuvre for faster deficit and debt reduction. All euro area governments need to demonstrate their inflexible determination to fully honour their own individual sovereign signature, which is a decisive element in ensuring financial stability in the euro area as a whole.

Fiscal consolidation and structural reforms must go hand in hand to strengthen confidence, growth prospects and job creation. The Governing Council therefore urges all euro area governments to decisively and swiftly implement substantial and comprehensive structural reforms. This will help these countries to strengthen competitiveness, increase the flexibility of their economies and enhance their longer-term growth potential. In this respect, labour market reforms are key, with a focus on the removal of rigidities and the implementation of measures which enhance wage flexibility. In particular, there is a need for the elimination of automatic wage indexation clauses and a strengthening of firm-level agreements so that wages and working conditions can be tailored to firms' specific needs. These measures should be accompanied by structural reforms that increase competition in product markets, particularly in services – including the liberalisation of closed professions – and, where appropriate, the privatisation of services currently provided by the public sector, thereby facilitating productivity growth and supporting competitiveness.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

At the global level, growth dynamics have moderated over recent months. This is partly due to a number of temporary factors, the waning impact of which should provide some support to activity going forward. However, this positive impetus is expected to be counterbalanced by the underlying structural headwinds which are afflicting advanced economies in particular. In addition, the renewed tensions in financial markets are having a negative effect on confidence, wealth and thus growth. By contrast, growth in emerging economies, while moderating, is expected to remain robust. Annual inflation rates have stabilised in advanced economies in recent months, while inflationary pressures remain pronounced in emerging economies.

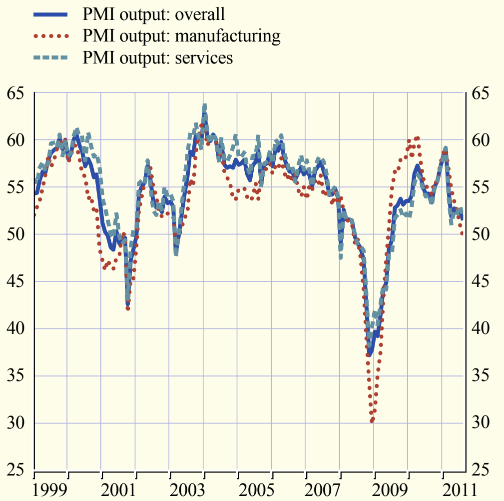
1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Although the world economy continues to expand, the pace of global growth further moderated in the second quarter of 2011. This slowdown partly reflected temporary factors, such as the impact of the Japanese natural and nuclear disasters on Japanese economic activity as well as on global supply chains, the dampening effects of high commodity prices on incomes in major advanced economies, as well as some country-specific factors. The gradual waning of supply-chain disruptions is expected to provide some growth impetus in the second half of this year. However, a slower than expected recovery in labour markets, weakness in the US housing market, as well as weakened business and consumer confidence are expected to mitigate this positive impulse. In addition, the shift in sentiment in global financial markets which occurred at the start of August is expected to have further negative repercussions on both confidence and wealth and thus growth. The legacy of the financial crisis continues to weigh on the strength of the recovery in advanced economies, hampering in particular the prospect for a swift recovery of the labour market. Growth in emerging economies, while moderating, is expected to remain robust, with overheating pressures persisting.

The latest survey data indicate that the global economy has lost momentum in recent months. In August the Purchasing Managers' Index (PMI) for global all-industry output declined to 51.5,

Chart 1 Global PMI output

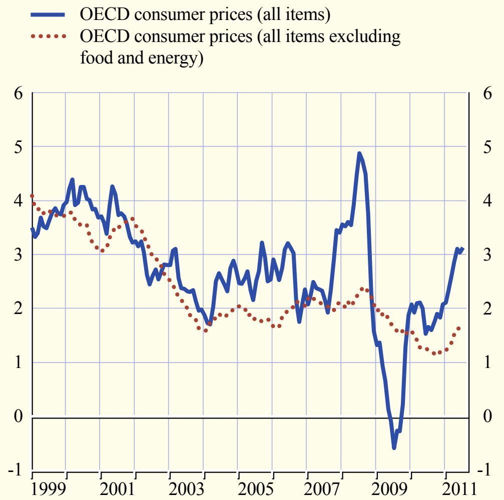
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

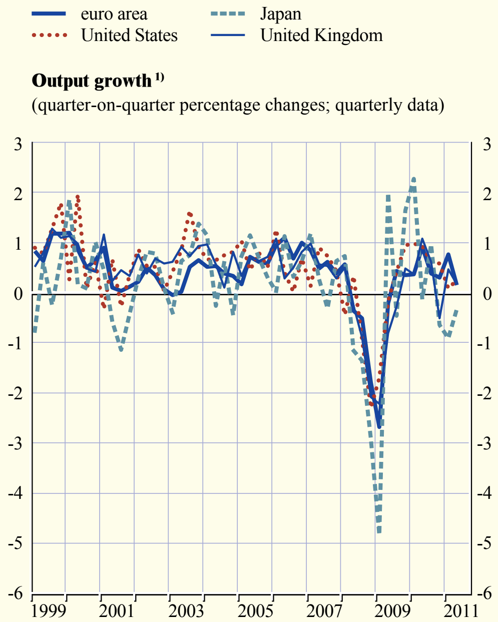
and while this remains above the expansion/contraction threshold of 50, it remains below the series average. Having declined over the previous five months, the global manufacturing output PMI declined further in August and edged below the 50 mark. At the current level, the index is considerably below the average for the first half of 2011 of 55.9. The global all-industry new orders index also continued to ease, declining to 50.8, suggesting that growth in new business has also continued to moderate.

World merchandise trade volumes declined by 0.6% quarter on quarter in the second quarter of 2011. This marked the first decline since the global trade recovery began in mid-2009. The key driver behind this downturn in world trade was the disruption to global supply chains on account of the Great East Japan Earthquake. While the slowdown was broad-based across regions, the most pronounced decline in exports occurred in Japan and the newly industrialised countries in Asia. Consistent with the latest indicators for activity, the PMI for new export orders has continued to weaken in the third quarter of 2011. In August the PMI for new export orders in the manufacturing sector declined to 48.8, its lowest level since May 2009. This brings the average PMI for the first two months of the third quarter to below the average of 54 recorded in the first six months of the year.

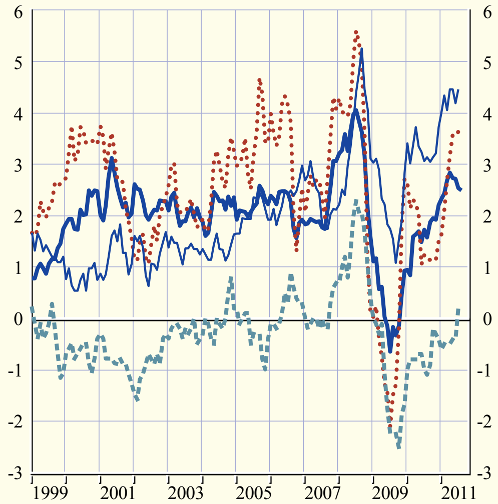
Annual headline inflation rates have shown signs of stabilisation in advanced economies in recent months, while inflationary pressures continue to be more pronounced in emerging economies. In the OECD area, annual headline inflation increased slightly to 3.1% in July 2011 from 3.0% in June. The annual inflation rate excluding food and energy in the OECD area increased slightly to 1.7% in July 2011, compared with 1.6% in June. In emerging economies, annual inflation rates remain elevated on account of increasing capacity constraints in a number of emerging economies as well as the higher weight of commodity prices in these countries' consumption baskets. The annual inflation rate in India and Brazil remains above 6.5%.

Chart 3 Main developments in major industrialised economies

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



Inflation rates 2)
(consumer prices; annual percentage changes; monthly data)



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

UNITED STATES

In the United States, the economic recovery proceeded in the first half of 2011, albeit at a slower pace than in the course of 2010. According to the second estimate by the Bureau of Economic Analysis, US real GDP increased at an annual rate of 1% in the second quarter of 2011 (0.2% on a quarter-on-quarter basis). This was less than previously estimated and followed annualised growth of 0.4% in the first quarter of the year. Weakness in the second quarter continued to reflect both a slowdown in personal consumption expenditure as higher energy prices dented disposable income, as well as the effects of disruptions to supplies resulting from the Great East Japan Earthquake, which affected the automotive industry. Business investment continued to expand, while residential investment rebounded from a decline in the previous quarter. Compared with the previous estimate, the downward revision of real GDP growth in the second quarter was a result of weaker contributions from inventories and net exports, which were only partly offset by upward revisions to consumer spending and business fixed investment.

As regards price developments, annual CPI inflation remained at 3.6% in July 2011, the same rate as in the previous two months. This compares with an average rate of 2.8% in the first half of the year and 1.6% in the course of 2010. The increase in headline inflation since the start of 2011 continues to reflect the marked annual rise in energy prices and, to a lesser degree, in food prices. Excluding food and energy, annual inflation increased to 1.8% in July, from 1.6% in June. The increase in core inflation from the low levels in 2010 partly reflects a gradual but steady rise in rental costs, in line with firming demand and lower vacancy rates in the rental market as the homeownership rate continues to decline.

Looking forward, the recovery is expected to proceed, albeit at a slower pace than previously anticipated, in a context of elevated uncertainty. On one hand, some temporary headwinds affecting activity in the first half of the year are expected to ease, as disruptions to supplies resulting from the Great East Japan Earthquake gradually fade and the impact of high commodity prices recedes. On the other hand, weak developments in housing and labour markets, lower confidence and negative wealth effects following adverse developments in financial markets are likely to have a more lasting impact on economic momentum in the second half of the year. The fiscal outlook continues to be a source of particular concern, as reflected by a downgrade of the US sovereign credit rating by Standard & Poor’s in August 2011 amid uncertainties surrounding the path of future fiscal consolidation and continued political gridlock. As regards prices, the ongoing rise in core inflation suggests that the pass-through of costs might continue to push prices upwards. At the same time, the recent moderation in commodity prices, coupled with persistent economic slack in product and labour markets, is likely to limit upward price pressures.

On 9 August 2011 the US Federal Open Market Committee (FOMC) acknowledged that economic growth so far this year has been considerably slower than expected and that downside risks to the economic outlook have increased. In this context, the FOMC decided to maintain its target range for the federal funds rate at 0.0% to 0.25%, while at the same time altering its forward guidance about the likely path of the rate. Accordingly, the FOMC now anticipates that economic conditions are likely to warrant exceptionally low levels for the federal funds rate “at least through mid-2013”, rather than “for an extended period”, as previously announced.

JAPAN

In Japan, the preliminary release of the figures for GDP in the second quarter of 2011 showed the economy to be more resilient than markets expected. GDP contracted by only 0.3% quarter on quarter; this corresponds to three consecutive quarters of negative growth for the Japanese economy. The largest drag on economic activity came from exports (-4.9% quarter on quarter), which were strongly affected by supply-chain disruptions, especially in the automotive sector. Domestic demand contributed positively to the outlook, mainly on account of firms' stockbuilding.

Looking ahead, economic activity is expected to pick up from the third quarter onwards, driven by foreign demand and investment, in line with the easing of supply-chain disruptions and the ongoing reconstruction effort. Compared with previous experience of natural disasters (such as the 1995 Kobe earthquake), the recovery phase is likely to be more gradual owing to lasting energy constraints related to nuclear power conditions and the recent appreciation of the yen. The overall uncertainty surrounding the outlook for the Japanese economy remains high, with the main downward risks to the recovery being a likely fiscal consolidation with associated tax increases and a protracted appreciation of the yen.

With regard to price developments, CPI inflation was 0.2% year on year in July 2011, after -0.4% in the previous month. CPI inflation excluding fresh food also increased, standing at 0.1% in July (compared with -0.3% in June). CPI inflation excluding fresh food and energy stood at -0.5% in July compared with -0.8% in the previous month. CPI developments have been influenced by the recent rebasing of the index: with respect to the 2005 CPI basket commented on in the last issue of the Monthly Bulletin, the 2010 CPI basket displays a larger proportion of goods with rapidly decreasing prices (such as plasma TVs and technology-related items). At its meeting on 7 September 2011, the Bank of Japan decided to maintain its target range for the uncollateralised overnight call rate at 0.0% to 0.1%, after expanding its asset purchase facility in August by about JPY 10 trillion.

UNITED KINGDOM

In the United Kingdom, economic activity remained weak in the beginning of the third quarter of 2011, according to monthly indicators. Most business survey indicators continued their slide in July and August, and data pertaining to household consumption has remained relatively weak. GDP growth declined to 0.2% in the second quarter, partly on account of some temporary factors. The rebound in growth in the short term is likely to remain muted, even though monetary stimuli should support economic activity. Growth in domestic demand is still expected to remain constrained by tight credit conditions, household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation has remained elevated in recent months. Inflation increased to 4.4% in July 2011 from 4.2% in June. There was a broad-based pick-up in core inflation, as CPI inflation excluding unprocessed food and energy quickened from 3.5% to 3.8%. In the short term, inflation is likely to move higher, but going forward, the gradual diminishing of certain temporary factors (higher past commodity prices, the lagged effects of the depreciation of the pound sterling, and the increase in the rate of VAT in January 2011), as well as the existence of spare capacity, are expected to contribute to the dampening of inflationary pressures. In recent quarters the Bank of England's Monetary Policy Committee has maintained the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee has also continued to vote for maintaining the stock of asset purchases financed by the issuance of central bank reserves at GBP 200 billion.

OTHER EU COUNTRIES

Overall in the other non-euro area EU countries, the recovery has continued, but the pace appears to be slower than expected in the majority of countries. Sweden has been one of the exceptions, where real GDP growth continued to be robust in the second quarter, reaching 1% quarter on quarter after an increase by 0.8% in the first quarter of 2011. Growth in Sweden has been supported by both external and domestic demand, the latter reflecting, among other factors, buoyant house prices. In Denmark, real GDP growth was very weak at 0.1% quarter on quarter in the first quarter, but rebounded strongly in the second quarter, reaching 1.0%, reflecting the impact of public spending and inventory accumulation. HICP inflation has been relatively stable in recent months in both countries standing at 1.6% in Sweden and 3.0% in Denmark in July 2011.

In the largest Central and Eastern European (CEE) EU countries, the mainly export-led recovery has continued in recent quarters. However, recent data releases suggest that the recovery is slower than previously expected. According to preliminary estimates, real GDP growth decreased to 0.2% quarter on quarter in the Czech Republic and Romania, while activity stagnated in the second quarter in Hungary. The slower growth in the second quarter was partly due to weaker than expected domestic demand (reflecting weak credit and labour market conditions in a number of countries). In addition, weaker external demand from the euro area also contributed to weaker than expected growth. In Poland, where domestic demand is playing a more important role in the recovery than in the other CEE countries, real GDP growth stood at 1.1% quarter on quarter in the first quarter, while short-term indicators suggest continued recovery in the second quarter. HICP inflation has been moderating in recent months in Hungary, Poland and Romania, mainly reflecting a decreasing contribution from food and energy prices. The decrease in inflation was especially pronounced in Romania in July 2011, mainly as a result of the phasing-out of the base effect of the VAT increase in July 2010. By contrast, in the Czech Republic, HICP inflation has remained at or close to 2% in recent months.

The mainly export-led real GDP recovery has also continued in the smaller non-euro area EU economies in recent quarters. While in the second quarter of 2011 real GDP growth slowed to 0.1% and 0.2% quarter on quarter in Bulgaria and Lithuania respectively, it accelerated to 2.2% in Latvia. The fall in the rate of unemployment in recent months partly reflects increased labour demand in some sectors, but also labour outflows to other EU countries. HICP inflation decreased somewhat in July following more elevated levels in the previous months.

OTHER EUROPEAN COUNTRIES

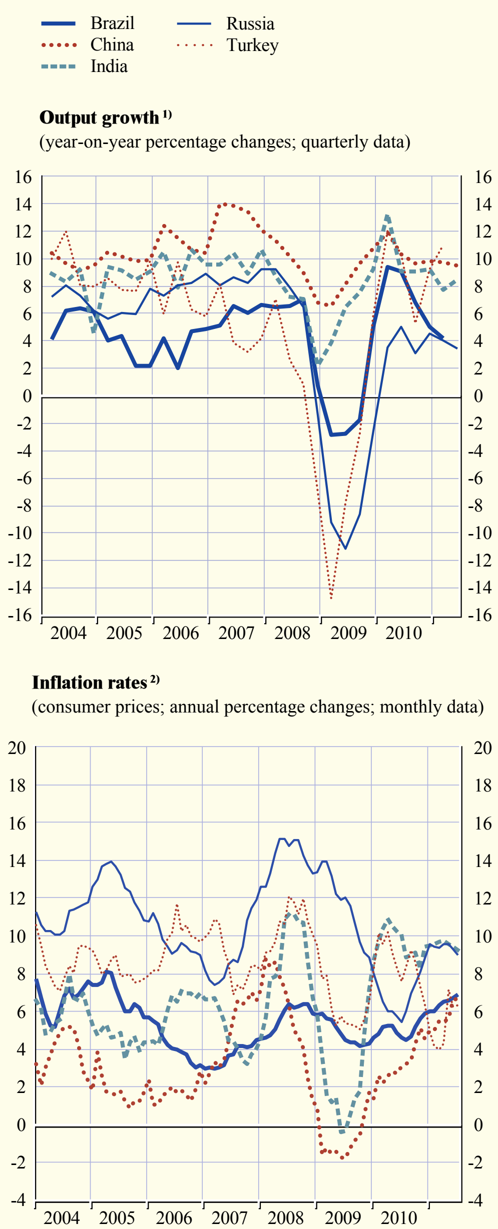
In the first quarter of 2011 real GDP in Turkey increased by 11% year on year, supported by an acceleration in household consumption and buoyant investment, whereas net exports continued to make a negative contribution to growth. Inflation peaked at more than 7% in May 2011, declining to 6.3% in July. Concerns regarding potential spillovers from the euro area slowdown, as well as signs of a moderation in growth in the second quarter of 2011 prompted the Central Bank of the Republic of Turkey to lower the key policy (one-week repo) rate by 50 basis points from 6.25% to 5.75% in early August. Despite the uncertainty in the recovery of global growth and signs of a slowdown in domestic demand, the economic outlook for Turkey remains positive.

In Russia, the recovery slowed in the first half of 2011 after a relatively strong rebound in the last quarter of 2010. According to preliminary figures, year-on-year real GDP growth was 4.1% in the first quarter of 2011 and 3.4% in the second quarter. This primarily reflected weak investment demand and declining net exports on the back of strong import growth. Industrial production growth declined somewhat, reaching 5.1% year on year in July (from close to 7% in the second half of last year). Annual inflation started moderating on the back of falling food price growth, and stood at 8.2% in August 2011. Owing to base effects, a further and more substantial slowdown of annual inflation is expected in the second half of the year. The Bank of Russia has left monetary policy conditions unchanged since May. Looking ahead, the pace of the recovery is likely to depend mostly on commodity price developments, given the important role played by energy commodity exports in the Russian economy.

EMERGING ASIA

In emerging Asia, economic growth moderated slightly in the second quarter of 2011, albeit from a very high level. In particular, industrial production and export growth were lower than in the first quarter of the year, partly owing to supply-chain disruptions following the Japanese earthquake. On the other hand, domestic demand, driven by private consumption and investment, continued to be buoyant in a context of rapid credit growth and monetary policies that remain accommodative. Inflationary pressures have continued to be strong, initially because of high food and commodity prices, but increasingly also on account of rising core inflation rates. In this environment, gradual monetary tightening by way of interest rate hikes and quantitative measures has continued.

Chart 4 Main developments in major emerging economies



Sources: Haver Analytics.
1) Seasonally adjusted data for Brazil and China. Non-seasonally adjusted data for India, Russia and Turkey. Last observation refers to the second quarter of 2011 (Brazil and Turkey: first quarter of 2011).
2) WPI inflation for India. Last observation refers to July 2011.

For China, short-term indicators show that the gradual slowdown of economic growth continued in July 2011. Industrial value added growth slowed to 13.9% year on year in the second quarter, from 14.4% in the first quarter, while the PMI for manufacturing remained subdued. Domestic demand has remained robust since the beginning of the year, mainly on account of strong investment. Fixed asset investment growth, which is still at elevated levels, started to decelerate slightly in July compared with the second quarter of 2011. Chinese exports increased by 20.4% year on year in July, up from 17.9% in June, showing resilience to growing uncertainties in the external environment. The trade surplus reached USD 46.7 billion in the second quarter, compared with a small deficit in the first quarter. Inflationary pressures have continued to accelerate steadily since the beginning of the year. Annual CPI inflation increased to 6.5% in July, up from 5.7% in the second quarter, reaching its highest level in over three years. While food prices have remained the main contributor to CPI inflation since the first quarter of 2011, non-food CPI inflation has stabilised in the past two months. Broad money supply (M2) growth has continued to decelerate since the first quarter of the year, indicating that the monetary tightening measures, implemented since the end of last year, are taking effect. In July M2 money supply grew by 14.7% year on year, down from 15.9% in June, while bank loan growth moderated to 16.6%. In order to drain excessive liquidity from the domestic economy, in August the People's Bank of China raised the yields on its sterilisation bonds via regular weekly auctions.

In India, real GDP grew by 8.5% in the second quarter of 2011 relative to one year earlier, compared with 7.7% in the first quarter of 2011. This was driven by strong investment growth, while private consumption growth moderated slightly. Annual wholesale price inflation – the Reserve Bank of India's preferred measure of inflation – has remained high, although falling from 9.6% in May to 9.2% in July. In particular, the prices of manufactured products and commodities have contributed to the high inflationary pressures. Consequently, the Reserve Bank of India hiked its key policy rate by 25 basis points in June and by 50 basis points in July, to reach 8.0%.

In South Korea, real GDP slowed to 3.3% year on year in the second quarter of 2011, compared with 3.9% in the first quarter of 2011. The contribution of net exports and investment was weaker than in the previous quarter, while private consumption remained resilient with an annual growth rate of 3.2%. Annual CPI inflation stayed above the Bank of Korea's target band of 2% to 4%, rising to 4.7% in July from 4.1% in May. This increase was mainly driven by the prices of agricultural products and oil. The Bank of Korea raised its policy rate in June by 25 basis points to its current level of 3.25%.

Among the ASEAN-5 countries (i.e. Indonesia, Malaysia, the Philippines, Singapore and Thailand), Indonesia's economy continued to grow strongly (by 6.5% year on year in the second quarter of 2011), driven by private consumption, fixed investments and net exports. In Malaysia, Singapore and Thailand, GDP growth slowed somewhat in the second quarter, mainly on account of weaker external demand and lower growth in the manufacturing sector. The Bank of Thailand hiked its main policy rate by 25 basis points to 3.50% in August 2011.

Economic growth in emerging Asia is expected to remain robust in the short term. Private consumption, investment and export growth (in particular intra-regional) are projected to stay resilient. In this context, concerns about overheating might continue in a number of countries, given the persistence of inflationary pressures.

MIDDLE EAST AND AFRICA

Political instability and security challenges continued to thwart economic growth in several countries in the Middle East and North Africa during the second quarter of 2011. On the other hand, economic activity surged in those countries (mostly members of the Gulf Cooperation Council) that introduced fiscal stimulus measures in response to the unrest. In addition, relatively high oil prices and oil output contributed to the economic growth of the oil exporters in the region (except Libya). In the second quarter of 2011 consumer price inflation in the oil-exporting countries was largely unchanged in year-on-year terms.

Faced with strong global demand and given the extremely restricted oil output in Libya, Saudi Arabia saw robust growth in oil production in the first half of this year. Boosted by some of the fiscal measures introduced in March 2011, consumer spending in the second quarter of this year was healthy too. The inflation rate in Saudi Arabia was 4.7% year on year in the second quarter of 2011, slightly down compared with the first three months of the year.

In the oil-importing countries in the region, GDP growth stabilised at pre-crisis levels. An easing of domestic activity in several major economies and some weakness in external demand from advanced countries was partly offset by resilient (non-oil) commodity prices and the continuing robust expansion in emerging markets. At the same time, the drought in the Horn of Africa has caused a severe hunger crisis and higher inflationary pressures in the affected countries.

Despite the moderation in global growth, the economic outlook for the Middle East and Africa remains largely positive, especially for the net commodity exporters. However, the recovery from the adverse economic impact of the political turmoil in the region is expected to be protracted in many of the affected countries.

LATIN AMERICA

In Latin America, growth in economic activity moderated in the second quarter of 2011, albeit remaining strong. The pace of growth has been easing as policies are being tightened more aggressively, global demand growth is slowing and the volatility in global financial markets is weighing on the region's financing conditions. At the same time, inflationary pressures remain elevated across most countries in the region.

In Mexico, annual real GDP growth stood at 3.6% in the second quarter of 2011, compared with 4.4% in the previous quarter. Growth in the second quarter was supported mainly by external demand and related service activities. Annual consumer price inflation stood somewhat lower compared with the preceding quarters, averaging 3.3% in the second quarter of 2011. In Argentina, economic growth continued to benefit from strong demand and high prices for agricultural commodities, while the accommodative policy stance continued to provide impetus to domestic demand. As a result, industrial production expanded rapidly in the second quarter of 2011, at an annual rate of 8.5%. At the same time, high global commodity prices coupled with incipient demand pressures led to rising inflationary pressures, with annual CPI inflation standing at 9.7% in the second quarter of 2011. In Brazil, there are increasing signs of an economic slowdown with industrial production growing by, on average, 0.7% year on year in the second quarter of 2011 after growing at double digit rates in the course of 2010. The transition to a slower pace of economic growth is primarily being driven by the weakening of domestic demand and, in particular, private consumption, which is the main focus of the counter-cyclical policies. However, although there are clear signs that economic growth is moderating, capacity utilisation remains close to historical highs. Inflationary pressures continued to rise, with annual inflation reaching 6.6% in the second quarter of 2011, 0.5 percentage point higher than during the first quarter of 2011.

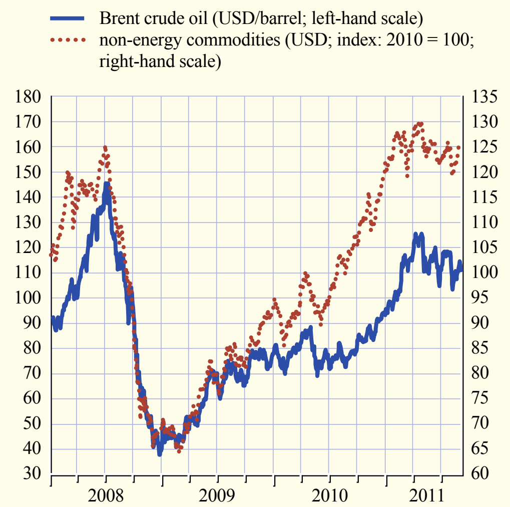
Looking ahead, the region is expected to continue to grow at more sustainable rates. Domestic demand will be the primary driver of growth while robust demand for commodities, in particular stemming from other emerging market economies, will support export demand.

1.2 COMMODITY MARKETS

Oil prices have decreased since June 2011 (see Chart 5). Brent crude oil prices stood at USD 111.5 per barrel on 7 September, which is still 19.7% higher than at the beginning of 2011. Looking ahead, market participants are expecting slightly lower oil prices in the medium term, with futures contracts for December 2012 trading at USD 111 per barrel.

During the first half of June 2011 oil prices increased to USD 120 per barrel on the back of positive demand readings, especially from emerging economies. At the end of June the International Energy Agency (IEA), with the aim of dampening upward price pressures and preventing further market tightness, announced the release of 60 million barrels of strategic oil reserves. This move provided some relief to prices, but only temporarily. However, with the intensification of the tensions on global sovereign bond markets, prices declined again owing to concerns over global economic activity.

Chart 5 Main developments in commodity prices



Sources: Bloomberg and HWWI.

Looking at fundamentals, the demand side has proven to be resilient to high prices so far, according to estimates by the IEA. On the supply side, the strong increase in output in Saudi Arabia appears to have matched the growth in demand. Looking ahead, the further deterioration of global macroeconomic prospects may lead to a contraction in demand. At the same time, recent developments in Libya may provide additional relief to the market balance if production is resumed quickly. However, it should be kept in mind that further supply-side disruptions cannot be ruled out and may also pose upward risks to prices.

Prices of non-energy commodities have remained broadly stable over the last few months and now stand at roughly the same level as at the beginning of 2011. Upward pressure on food prices stemming from robust demand have been dampened by good crop harvests in North America and Central Asia. Metal prices slightly declined amid marked concerns about the global economic outlook. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 2.9% higher at the beginning of September than at the beginning of 2011.

1.3 EXCHANGE RATES

EFFECTIVE EXCHANGE RATE OF THE EURO

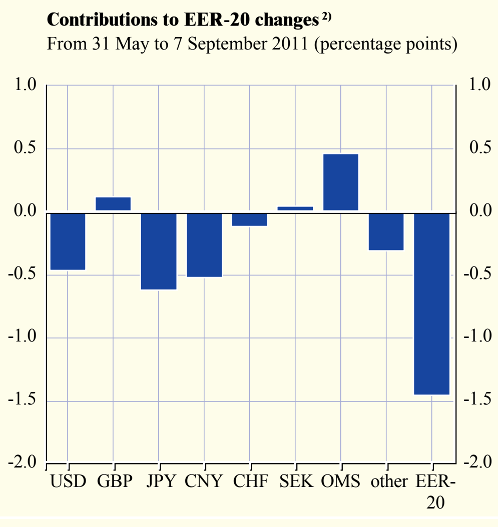
The euro has appreciated in 2011 so far. This appreciation took place mostly between January and April, but has partly reversed since May. On 7 September the euro stood – in nominal effective terms, as measured against the currencies of 20 of the euro area's most important trading partners – around 1.5% lower than at the end of May 2011 and slightly below its average level in 2010.

Movements in the euro exchange rate in 2011 continued to be largely related to changing market perceptions of the fiscal and economic prospects of euro area countries, especially in relation to those of other main economic areas, as well as by expected yield differentials between the euro area and those economic areas. The depreciation of the euro in May took place against the background of renewed risk aversion and concerns about the fiscal prospects of some euro area countries. This was in turn largely reversed in early June. Since May the euro has slowly depreciated amid rather wide swings in nominal effective terms: this has mainly been the result of counterbalancing movements, as the euro depreciated against the Japanese yen, the US dollar, the Swiss franc and some so-called commodity currencies (such as the Australian and Canadian dollars), but appreciated against the pound sterling, the Swedish krona and the currencies of some other EU Member States (see Table 1). The implied volatility of the bilateral exchange rates of the euro vis-à-vis the US dollar, the pound sterling and the Swiss franc have steadily increased since April 2011, both at the short and long horizons, indicating growing uncertainty in the exchange rate market. In August volatility soared on the Swiss franc and Japanese yen, in line with the general increase in market uncertainty amid renewed concerns about sovereign debt sustainability, not only in the euro area, but also in the United States (see Chart 8). In September, after the Swiss National Bank announced that it would enforce a minimum exchange rate of CHF 1.20 per euro, implied volatility on the CHF/EUR exchange rate fell sharply.

With regard to indicators of the international price and cost competitiveness of the euro area, in August 2011 the real effective exchange rate of the euro based on consumer prices (as measured against the currencies of 20 of the euro area's most important trading partners) was very close to its average 2010 level (see Chart 7). This was the outcome of broadly counterbalancing effects, as the slight nominal appreciation of the euro (by about 0.5%) was offset by a lower consumer price inflation rate in the euro area than in the trading partner countries.

Chart 6 Euro effective exchange rate (EER-20) 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 20 of the most important trading partners of the euro area (including all non-euro area EU Member States).
2) Contributions to EER-20 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 pound sterling and the Swedish krona). The category "other" refers to the aggregate contribution of the currencies of the remaining six trading partners of the euro area in the EER-20 index. Changes are calculated using the corresponding overall trade weights in the EER-20 index.

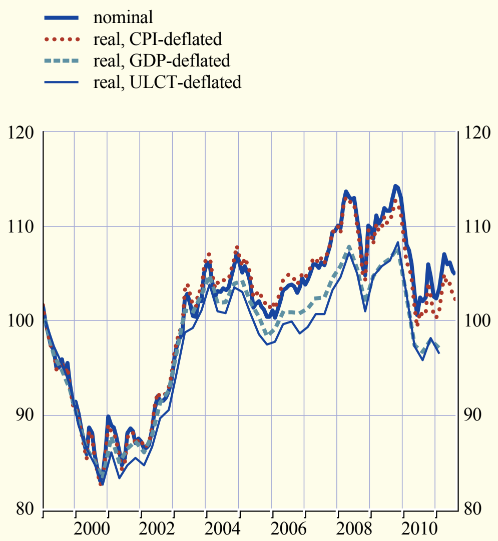
BILATERAL EXCHANGE RATES

After appreciating against the US dollar until early May 2011, the euro broadly stabilised until late August, but depreciated thereafter. Overall, from 31 May to 7 September 2011 the euro fell by 2.4% against the US dollar, thus trading at 5.9% above its 2010 average (see Chart 6 and Table 1). As mentioned above, the main driving factors were changes in the perception of the sustainability of public finances in some euro area Member States and the United States as well as movements in yield differentials.

The euro appreciated steadily vis-à-vis the Japanese yen up to early April 2011, and has depreciated sharply since then. According to information derived from the prices of currency options, since

Chart 7 Euro nominal and real effective exchange rates (EER-20) [1]

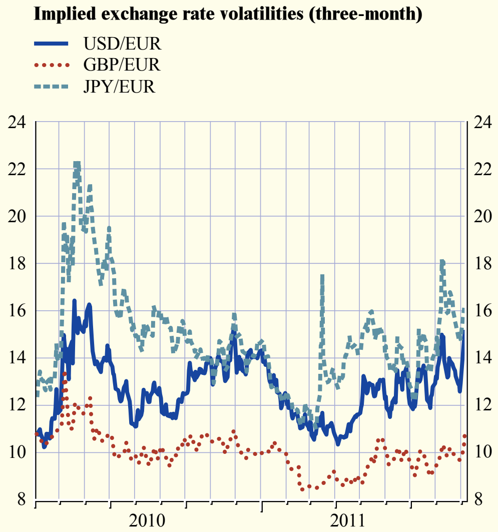
(monthly/quarterly data; index: Q1 1999 = 100)



Source: ECB.
1) An upward movement of the EER-20 indices represents an appreciation of the euro. The latest observations for monthly data are for August 2011. In the case of the GDP and ULCT-based real EER-20, the latest observation is for the first quarter of 2011 and is partly based on estimates.

Chart 8 Patterns in exchange rates and implied volatilities

(daily data)



Source: Bloomberg.

February 2011 market expectations have moved progressively from neutral territory to a euro-negative stance. The JPY/EUR exchange rate has been broadly responsive to movements in interest rate differentials between the euro area and Japan, as well as to market perceptions of global financial market risk. Indeed, the Japanese yen is widely seen as a "safe haven" currency, and is thus subject to sharp appreciation when market volatility surges. On 7 September 2011 the euro stood at JPY 108.4, 7.5% weaker than at the end of May and 6.8% below its 2010 average.

Table 1 Euro exchange rate developments [1]

(daily data; units of national currency per euro; percentage changes)

	Weight in EER-20	Level on 7 September 2011	Appreciation (+)/depreciation(-) of the euro as at 7 September 2011 since: 31 May 2011	since: 1 January 2010	compared with: average for 2010
US dollar	19.4	1.404	-2.4	-2.5	5.9
Pound sterling	17.8	0.878	0.7	-1.5	2.3
Chinese renminbi	13.6	8.976	-3.7	-8.6	0.1
Japanese yen	8.3	108.4	-7.5	-18.9	-6.8
Swiss franc	6.4	1.205	-1.8	-19.0	-12.7
Polish zloty	4.9	4.219	6.6	2.8	5.6
Swedish krona	4.9	8.973	0.9	-12.0	-5.9
Czech koruna	4.1	24.46	-0.4	-7.0	-3.3
Korean won	3.9	1.504	-3.1	-9.5	-1.8
Hungarian forint	3.1	276.4	3.6	2.4	0.3
NEER [2]		104.3	-1.5	-6.7	-0.3

Source: ECB.
1) Bilateral exchange rates in descending order based on the corresponding currencies' trade weights in the EER-20 index.
2) Euro nominal effective exchange rate against the currencies of 20 of the most important trading partners of the euro area (EER-20).

Since the beginning of 2011 the currencies participating in ERM II have remained broadly stable against the euro, trading at, or close to, their respective central rates.

As regards other currencies, the euro followed broadly the same pattern against the pound sterling as against the US dollar, appreciating rather strongly until early May and then oscillating without a clear trend throughout the summer. On 7 September the euro traded at GBP 0.88, 0.7% higher than its level at the end of May (see Table 1). The euro experienced very wide swings vis-à-vis the Swiss franc from April to September 2011, first depreciating strongly to reach a historical trough of CHF 1.05 per euro on 11 August, then appreciating sharply for the rest of August. On 6 September the Swiss National Bank announced that it would enforce a minimum exchange rate of CHF 1.20 per euro; on 7 September the euro traded at CHF 1.205, which is 1.8% lower than at the end of May 2011. The depreciation of the euro corresponded to the above-mentioned heightened market uncertainty, as the Swiss currency benefited across the board from flight-to-safety behaviour on the part of international investors.

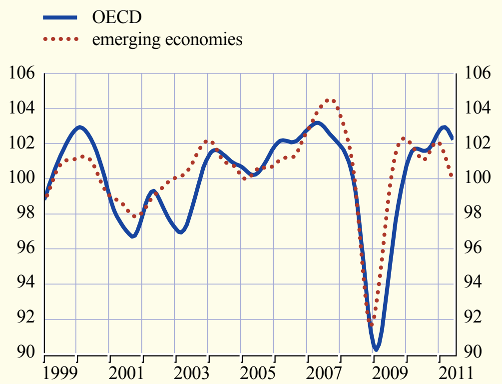
1.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, the gradual subsidence of some of the factors restraining growth in the second quarter, notably the supply disruptions from events in Japan, should support the global economy in the second half of 2011. However, structural headwinds continue to afflict major advanced economies, constraining growth. In addition, renewed tensions in global financial markets are expected to have a negative impact on confidence, wealth and thus growth. In June the OECD's composite leading indicator continued to edge moderately downwards, suggesting that industrial growth may weaken. The Ifo indicator for the world economic climate fell in the third quarter, having increased in the previous two quarters of 2011. In North America and Asia, the respective indicator declined in the third quarter, with the indicator for North America remaining below its long-term average, while remaining above it in Asia. Against this background, the ECB staff projections imply a weaker growth outlook for the second half of 2011 compared with the June 2011 projections, with the pace of expansion remaining particularly sluggish in some major advanced economies (see Box 9). The projected downward revision to annual growth in 2012 is explained by the negative carry-over effect from the downward revision to the second half of 2011. The international environment outlook included in the ECB staff projections is broadly in line with the IMF's September 2011 World Economic Outlook projections.

In an environment of particularly high uncertainty, risks to activity are on the downside, with the precariousness of the fiscal positions in some major advanced economies constituting the primary downside risk to growth. In the absence of credible medium-term fiscal consolidation plans, this could lead to further disruptions in global financial markets as well as economic activity. Additional downside risks relate to further increases in energy prices, protectionist pressures and the possibility of a disorderly correction of global imbalances.

Chart 9 OECD composite leading indicators

(monthly data; amplitude-adjusted)



Source: OECD.
Note: The emerging market indicator is a weighted average of the composite leading indicators for Brazil, Russia and China.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

Underlying money growth stabilised at moderate levels in the second quarter of 2011. This assessment reflects the slow pace of the annual rate of growth of M3 and of loans to the private sector, which remained broadly unchanged over the second quarter and in July 2011. At the same time, monetary liquidity accumulated prior to the period of financial market tensions, despite some further downward corrections in recent quarters, remains ample. Sectoral developments in loans to the private sector mainly point to an ongoing increase in the annual growth rate of loans to non-financial corporations, albeit at low levels, while the annual growth rate of loans to households seems to have stabilised.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 was 2.0% in July, broadly unchanged after 2.1% in the second quarter and 1.9% in the first quarter of 2011, respectively (see Chart 10). Thus, data for the past few months are consistent with a levelling-off of M3 growth at moderate levels. In the past few months monetary developments have continued to be significantly affected by rather volatile interbank transactions conducted via central counterparties, which are classified in the money-holding sector. When this effect is adjusted for, the monetary expansion is slightly lower.

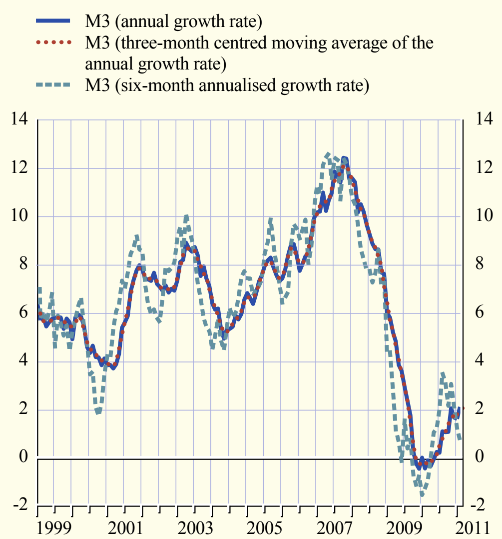
On the component side, following a further widening of the term spread, the money-holding sector kept reallocating its portfolio away from overnight deposits and in part towards higher-remunerated M3 components outside M1 in the second quarter of 2011 and in July. As a consequence, the annual growth rate of M1 declined further, while that of short-term deposits other than overnight deposits (i.e. M2 minus M1) increased, the latter being the main contributor to M3 growth. By contrast, money market fund shares/units witnessed further outflows in the period under review, mainly owing to the high degree of sensitivity of these instruments given their low remuneration levels relative to other assets.

On the counterpart side, the annual growth of credit to the private sector gradually strengthened in the second quarter of 2011 compared with the previous quarter, although this masked a slight weakening in the months of June and July. This development seen in credit to the private sector during the first few months of 2011 was driven mainly by MFI loans and MFI holdings of shares and other equity. Annual growth in credit to general government continued to moderate, although remaining at a robust level, in part due to the impact of the financing of asset transfers to "bad bank" schemes in late 2010.

The main assets held by euro area MFIs increased significantly in July on account of increases in inter-MFI lending, following a decrease in the second quarter of 2011, mainly reflecting sales of MFI debt securities.

Chart 10 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

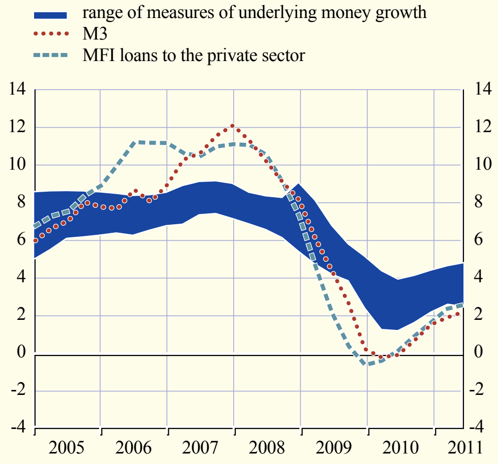
Box 1

DRIVING FORCES BEHIND RECENT MONEY AND LOAN DYNAMICS

The annual growth rates of the broad monetary aggregate M3 and loans to the private sector remained broadly unchanged in the second quarter of 2011 and in July. This suggests that the pace of underlying monetary expansion has stabilised at a moderate level in recent months. This assessment is supported by the regularly monitored range of measures quantifying underlying money growth, the bounds of which remained broadly unchanged in the second quarter of the year (see Chart A). Overall, signals from monetary developments suggest that risks to price stability are balanced over the medium term. In addition, the levelling-off in the underlying pace of monetary expansion is also visible in MFI lending to households, the largest component of MFI lending to the private sector. Indeed, between March and July 2011 the annual growth rate of loans to households originated by MFIs (i.e. adjusted for sales and securitisation), which is the relevant measure for gauging developments in funding obtained by households from MFIs, remained broadly unchanged.

Chart A M3 and underlying M3

(annual percentage changes)



Sources: ECB, ECB calculations.

MFI loans to households and the narrow monetary aggregate M1 have both exhibited relatively reliable leading indicator properties for business cycle developments. This box presents insights that can be drawn from a detailed analysis of these indicators with regard to the current cyclical momentum of the euro area economy.

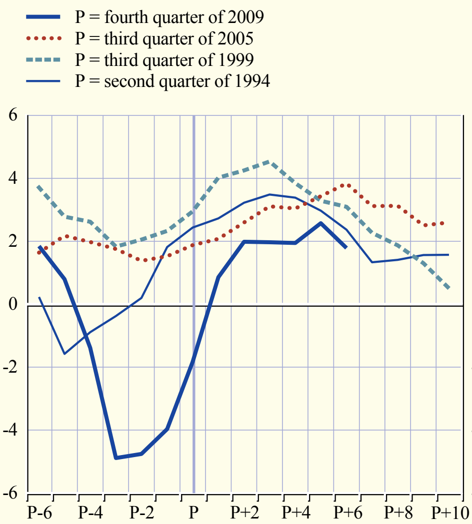
Forces driving developments in M1

M1 has exhibited strong fluctuations over the last 12 quarters. In the third quarter of 2008 the annual growth rate of M1 stood at 0.6%, before surging to 12.3% in late 2009 and falling back to 0.9% in July 2011. Since the early 1990s fluctuations in M1 growth have been of much greater amplitude than those seen in nominal GDP growth. Thus, a given pace of M1 growth cannot simply be mapped into a corresponding pace of GDP growth. At the same time, the annual growth rate of M1 deflated using the GDP deflator has exhibited good leading indicator properties for economic activity, mainly as regards turning points (i.e. peaks and troughs in the annual growth rate of real GDP).[1] On average, peaks and troughs in the annual growth rate of real M1 lead corresponding turning points in annual real GDP growth by three to four quarters. Chart B shows developments in annual real GDP growth during previous episodes around major peaks in real annual M1 growth.

1 For details, see the box entitled "The informational content of real M1 growth for real GDP growth in the euro area", *Monthly Bulletin*, ECB, October 2008.

Chart B Real GDP growth around major peaks in real M1 growth

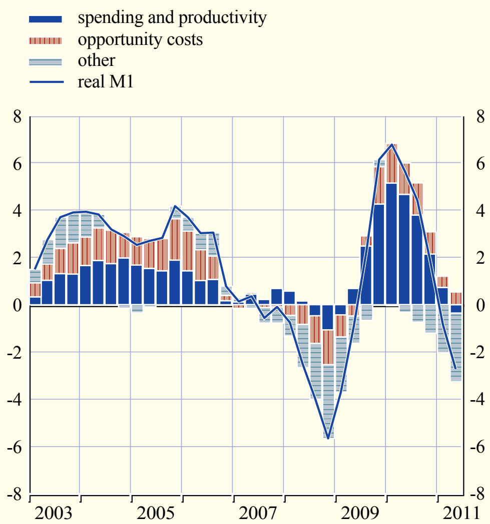
(annual percentage changes)



Sources: Eurostat and ECB.
Notes: Turning points for real M1 growth are identified by applying the Bry-Boschan algorithm to the annual growth rate series. Period "P" represents a quarter in which a peak in real annual M1 growth is identified, followed by a major decline in that growth rate.

Chart C Driving forces behind developments in real M1

(annual percentage changes; contributions in percentage points)



Source: ECB estimates.
Note: This breakdown of the annual growth rate of real M1 is based on an average growth rate of 4.6%.

The strong increase in M1 growth following the collapse of Lehman Brothers was accompanied by a sharp decline in short-term interest rates, pointing to the presence of a "liquidity effect" and suggesting that portfolio adjustment took place as the opportunity cost of holding M1 declined. Indeed, in recent years financial innovation has led to the increased use of M1 assets in portfolio management. Nonetheless, M1 assets largely represent money balances held for transaction purposes. Thus, the relationship between M1 holdings and actual and intended spending should (in principle, at least) be relatively close. Indeed, the typical co-movement of narrow money and economic activity would seem to support this notion that developments in M1 are transaction-related. Accordingly, the current deceleration in annual M1 growth would seem to indicate a somewhat slower pace of economic activity in the euro area over the coming quarters.

A breakdown of M1 growth into its underlying driving forces provides more information about the dynamic relationship between M1 and GDP. Chart C breaks annual real M1 growth down into the contributions stemming from disturbances to spending preferences of the private sector and to productivity as well as disturbances to the level of opportunity costs.[2] This chart shows that disturbances to spending preferences and productivity have contributed significantly to M1 growth over most of the period since 2003. According to this breakdown, changes in the level of opportunity costs do contribute to M1 growth, but have been of secondary importance recently. While, to a significant extent, M1 growth between early 2009 and late 2010 reflected changes in

2 The breakdown is based on a four-variable time-varying parameter VAR model allowing for stochastic volatility in the residuals estimated by means of Bayesian techniques. Structural disturbances are identified using economically meaningful sign restrictions. The model comprises real GDP, the GDP deflator, a short-term money market interest rate and the narrow monetary aggregate M1 deflated using the GDP deflator.

spending preferences and productivity, the marked slowdown observed in the last four quarters has also been influenced by other factors, shifts in money demand being one example.

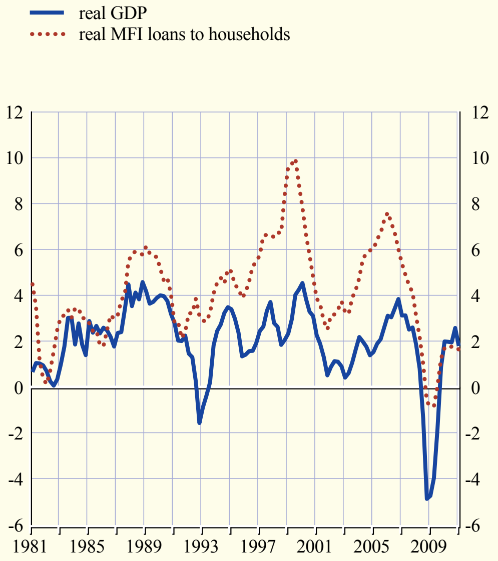
Forces driving developments in loans to households

MFI lending to households deflated using the GDP deflator exhibits a significant degree of co-movement with real GDP growth with a lead of up to one quarter (see Chart D).[3] This renders loans to households helpful in assessing the current pace of economic activity. Over the past four quarters real household loan growth has been lower than real GDP growth. On average, real household loan growth outpaced real GDP growth by a factor of 2.2 in the 20 years before the financial crisis. Currently, this would imply an annual growth rate of 4% for real loans to households. Instead, that growth rate currently stands at around 1¾%. However, mere cross-temporal comparison of levels of growth does not account for differences in the evolution of the main determinants of credit – e.g. bank lending rates, credit standards and the level of indebtedness of the household sector. Euro area banks' lending rates for households have increased in recent quarters but, when compared with pre-crisis levels for the euro area as a whole, they remained relatively attractive in the period up to July. According to information from the euro area bank lending survey, banks have retained tight credit standards following the financial crisis in 2008. Moreover, while debt-to-income ratios have declined somewhat in recent quarters, household indebtedness remains elevated in a number of euro area countries, with the adjustment of such ratios likely to dampen future credit growth. At the same time, the

3 For details, see the box entitled "Loans to the non-financial private sector over the business cycle in the euro area", *Monthly Bulletin*, ECB, October 2009.

Chart D Real MFI loans to households and real GDP

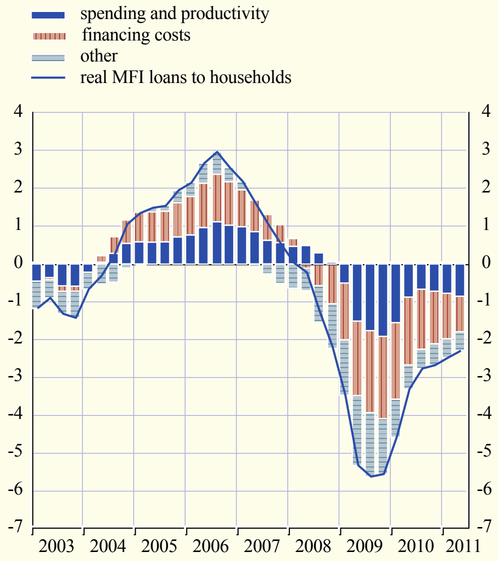
(annual percentage changes)



Sources: Eurostat and ECB.

Chart E Driving forces behind developments in real MFI loans to households

(annual percentage changes; contributions in percentage points)



Source: ECB estimates.
Note: This breakdown of the annual growth rate of real MFI loans to households is based on an average growth rate of 4.4%.

annual growth rate of loans to households has also been boosted by government subsidy schemes introduced in certain countries. A breakdown of growth in MFI loans to households suggests that, currently, spending preferences, productivity and financing conditions are all dampening developments in loans (see Chart E).[4] The negative contribution stemming from disturbances to spending preferences and productivity has recently increased again, after declining rapidly between late 2009 and late 2010, suggesting that factors affecting economic activity are again having a dampening impact on loans.

Looking at data for the euro area as a whole may mask effects resulting from heterogeneous developments in individual countries. An important contributing factor to the weak loan growth at the euro area level stems from the fact that loan growth at the country level has shifted towards countries that have historically shown relatively low elasticities of loans to GDP. In addition, higher financing costs, tighter credit standards and the need to correct indebtedness levels in countries that were major contributors to growth in the pre-crisis period are likely to weaken the relationship between credit and GDP dynamics in these countries and, therefore, also at the euro area level. Furthermore, the impact that the sovereign debt crisis has had on banks' funding conditions is likely to exacerbate cross-country heterogeneity in borrowing conditions. This is likely to dampen future euro area credit growth and economic activity.

Conclusion

Household credit growth is somewhat weak relative to current output growth when compared with developments in previous periods of economic recovery. To a certain extent, this mirrors the stabilisation observed in the household debt-to-GDP ratio in recent quarters, although that ratio remains elevated. Moreover, against the background of the sovereign debt crisis, rising financing costs and tight credit standards are likely to increase the debt burden and thus further increase the need for deleveraging. These effects will, in particular, dampen credit growth in countries which previously had high levels of borrowing.

Slow growth in MFI loans to households, and particularly the fact that the annual growth rate of the narrow monetary aggregate M1 has declined sharply to stand at low levels, points to a moderation of economic growth in the euro area in the next few quarters. This outlook, which is based on monetary indicators with reliable leading indicator properties for economic developments, is consistent with that derived on the basis of business cycle indicators for the euro area (see Box 7 entitled "The recent slowdown in economic growth in the euro area").

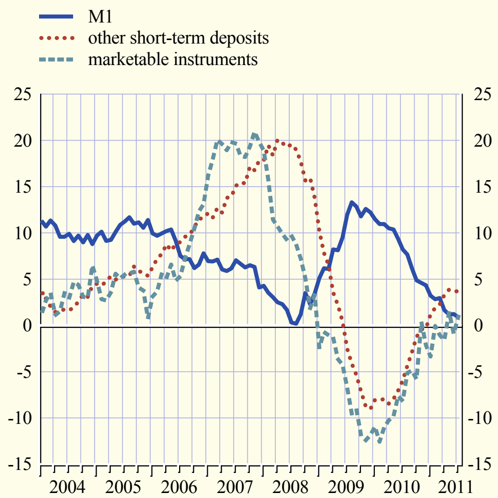
4 The breakdown is based on a model framework similar to that employed in the case of M1. However, this model comprises real GDP, the GDP deflator, a short-term money market interest rate and loans to households deflated using the GDP deflator.

MAIN COMPONENTS OF M3

The general pattern in the annual growth rates of the main components of M3 seen in early 2011 continued to be observed in the second quarter and in July. Growth of the narrow aggregate M1 remained on a declining trend, while that of other short-term deposits continued to increase and remained the main contributor to the annual growth rate of M3. The annual rate of change of marketable instruments (see Chart 11) continued to recover in the second quarter and returned to positive levels in July, although a large part of this increase can be explained by strong interbank activities conducted via central counterparties that are allocated to the money-holding sector, whereas money market fund shares/units witnessed further outflows in the second quarter of 2011 and July. Recent developments are broadly in line with the interest rate constellation across the various instruments contained in M3 prevailing in the euro area.

Chart 11 Main components of M3

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



Source: ECB.

The annual growth rate of M1 declined to 1.6% in the second quarter of 2011, down from 3.2% in the first quarter of 2011. It then declined further to stand at 0.9% in July (see Table 2). This decline

Table 2 Summary table of monetary variables

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

	Outstanding amounts as a percentage of M3 [1]	Annual growth rates					
		2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 June	2011 July
M1	**48.7**	**7.9**	**4.9**	**3.2**	**1.6**	**1.2**	**0.9**
Currency in circulation	8.4	6.5	5.6	4.9	4.2	4.1	4.3
Overnight deposits	40.3	8.1	4.8	2.9	1.1	0.6	0.2
M2 - M1 (= other short-term deposits)	39.2	-5.1	-1.1	1.3	3.4	3.7	3.7
Deposits with an agreed maturity of up to two years	19.1	-16.2	-8.7	-2.7	2.3	3.1	3.5
Deposits redeemable at notice of up to three months	20.1	8.4	7.2	5.4	4.5	4.2	3.9
M2	**87.9**	**1.8**	**2.2**	**2.4**	**2.4**	**2.3**	**2.1**
M3 - M2 (= marketable instruments)	12.1	-6.5	-3.0	-1.7	-0.4	-0.9	0.9
M3	**100.0**	**0.7**	**1.5**	**1.9**	**2.1**	**1.9**	**2.0**
Credit to euro area residents		**2.1**	**3.4**	**3.7**	**3.1**	**2.7**	**2.5**
Credit to general government		7.8	11.8	11.0	6.5	4.7	4.9
Loans to general government		6.5	15.5	17.8	10.7	6.8	8.4
Credit to the private sector		0.8	1.5	2.1	2.4	2.2	1.9
Loans to the private sector		1.0	1.7	2.4	2.6	2.5	2.4
Loans to the private sector adjusted for sales and securitisation [2]		1.2	2.2	2.8	2.9	2.8	2.6
Longer-term financial liabilities (excluding capital and reserves)		**2.6**	**2.7**	**2.8**	**3.4**	**4.3**	**3.6**

Source: ECB.
1) At the end of the last month available. Figures may not add up due to rounding.
2) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.

was driven especially by decreases in the annual growth rate of overnight deposits, continuing a trend observed since late 2009 (on the forces driving developments in narrow money M1, see Box 1 entitled “Driving forces behind recent money and loan dynamics”).

The annual growth rate of short-term deposits other than overnight deposits increased to 3.7% in July, up from 3.4% and 1.3% in the second and first quarter of 2011 respectively. This increase continued to mask divergent developments for individual sub-components, as the annual growth rate of short-term time deposits (i.e. deposits with an agreed maturity of up to two years) increased significantly further, whereas the annual growth rate of short-term savings deposits (i.e. deposits redeemable at notice of up to three months) continued to decline, albeit remaining robustly positive.

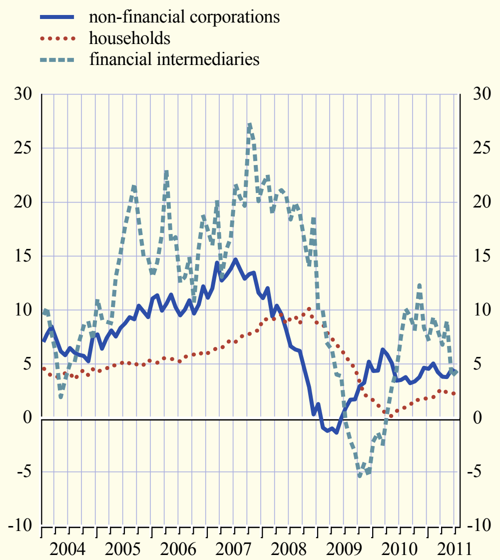
To a large extent, the divergences in the growth rates of M1 and short-term deposits other than overnight deposits reflect interest rate developments, in particular the further widening of the spread between the remuneration of overnight deposits and that of other short-term deposits, leading to substitution effects within M3. This steepening at the shorter end of the yield curve continued to encourage shifts from overnight deposits into other, higher-remunerated deposits within M3, while the overall yield curve constellation also favoured investments in longer-term financial assets outside M3.

The annual rate of change of marketable instruments (i.e. M3 minus M2) continued to recover and was -0.4% in the second quarter, up from -1.7% in the first quarter of 2011, and turned positive in July, rising to 0.9%. This masks, however, divergent developments in its sub-components. In particular, the annual flow of MFI short-term debt securities turned positive in June 2011, only mildly decreasing in July, for the first time since the second quarter of 2010. However, this mainly mirrored substitution effects of economic agents’ holdings of money market fund shares/units with debt securities, caused by the low return from money market funds, or reflected shifts away from money market fund shares/units towards investment fund shares/units. The annual growth rate of repurchase agreements continued to decline, albeit remaining at double-digit levels. Developments in the latter sub-component continued to be positively affected by interbank transactions conducted via central counterparties, which remained sizeable.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available at a sectoral level – stood at 2.8% in July, slightly lower than in the second quarter of 2011 (see Chart 12). The slight decline over the recent months has been mainly driven by non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs), while the M3 deposit holdings by households and non-financial corporations remained relatively stable.

Chart 12 Short-term deposits and repurchase agreements

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



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

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents decreased to 3.1% in the second quarter of 2011, down from 3.7% in the first quarter of 2011, and declined further to 2.5% in July (see Table 2). This masked divergent developments in its sub-components, with the annual growth rate of MFI credit to the private sector continuing to gradually increase (although declining in July), whereas that of MFI credit to general government continued to decline. Nevertheless, the latter annual growth rate remained high, partly due to the ongoing impact of the financing of asset transfers to "bad bank" schemes in late 2010.

The annual growth rate of MFI credit to the private sector increased further to stand at 2.4% in the second quarter, up from 2.1% in the first quarter of 2011, before declining to 1.9% in July. This development was mainly driven by loans to the private sector and by MFIs' holdings of shares and other equity, the annual growth rate of which has been rising markedly since the turn of the year and stood at 5.9% in July. By contrast, the annual rate of contraction of MFIs' holdings of private sector securities continued to increase (standing at -3.4% in July, after -0.7% in the second quarter and -0.3% in the first quarter), also reflecting the fact that retained securitisation activity has been relatively subdued in recent months.

The annual growth rate of loans to the private sector originated by MFIs (i.e. adjusted for loan sales and securitisation) – the largest component of credit to the private sector – continued its modest upward trend, increasing to 2.9% in the second quarter of 2011 from 2.8% in the first quarter, although in July it showed a slight moderation down to 2.6% (see Table 2). Securitisation activity continues to have only a limited downward impact on the annual growth of MFI loans to the private sector (as has been the case since the beginning of 2010), with adjusted and unadjusted loan data showing a similar profile.

The pattern observed in the annual growth rate of loans to the private sector mainly reflected a levelling-off in the developments in lending to households and further increases in the growth of loans to non-financial corporations. More precisely, as regards MFI lending to households, this continued to be positively affected by transfers of previously securitised loans back onto the balance sheets of MFIs; therefore, adjusting for this effect, the annual growth rate of loans to households originated by MFIs remained broadly unchanged, at 3.0%, in the second quarter of 2011, declining slightly to 2.8% in July. At the same time, the annual growth rate of loans to non-financial corporations originated by MFIs – although remaining at low levels – continued to recover, increasing to 1.9% in the second quarter of 2011, up from 1.5% in the first quarter, and standing at 2.3% in July. By contrast, the annual growth rate of MFI loans to OFIs declined to 6.0% in the second quarter from 7.0% in the first quarter and even further to 3.5% in July, thus returning to levels seen about one year ago.

As regards the breakdown of loans to households by purpose, this continued to conceal differences in the growth rates of the various types of loan. The annual growth rate of lending for house purchase increased to 4.4% in the second quarter, from 4.0% in the first quarter, but moderated in July to 3.9%. By contrast, the annual growth rate of consumer credit continued to remain negative at -0.9% in the second quarter, unchanged from the previous quarter, albeit concealing a gradual decrease throughout the second quarter, and declined further to -2.1% in July (see Section 2.7 for more details).

The annual growth rate of loans to non-financial corporations strengthened further, continuing the gradual recovery observed since the second quarter of 2010. At the same time, growth in loans to non-financial corporations remained relatively slow by historical standards. Although firms' indebtedness levels have gradually been declining since early 2009, they remain relatively high by historical standards. This is consistent with the interpretation that firms may remain reluctant to strongly increase their loan demand, especially against the background of the attempt to control – and potentially further reduce – their debt levels, and instead are making greater use of available internal funds.

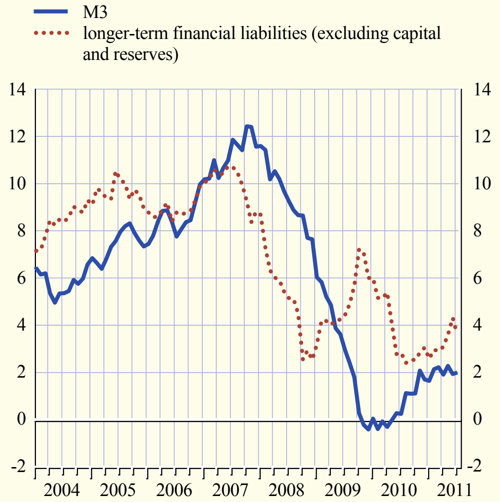
Turning to the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) rose to 3.6% in July, up from 3.4% in the second quarter and 2.8% in the first quarter of 2011 (see Chart 13). Among the main instruments, the annual growth rate of longer-term deposits held by the money-holding sector exhibited some signs of stabilisation, possibly reflecting some improvement in the attractiveness of these deposits relative to other forms of financial investments. Likewise, the annual growth rate of debt securities with a maturity of over two years continued to increase.

It is noteworthy that the annual growth rate of capital and reserves rose to 7.5% in July, up from 6.4% in the second quarter and 6.6% in the first quarter of 2011. In July, this development was intensified partly via capital injections by the government in some countries into banking institutions and partly by further recapitalisation of banks via the issuance of equity.

Finally, an annual inflow of €166 billion was observed in July in MFIs' net external asset position. This reflected a continuation of the increasing trend observed since the turn of the year (see Chart 14), thus contributing positively to M3 developments. The improvement seen in the net external asset position over 2011 continued to stem from the fact that the cumulative decline in external liabilities (mainly in the form of deposits) outpaced the cumulative decline in external assets (see Box 2 entitled "Recent developments in the financial account of the euro area balance of payments" for a further analysis).

Chart 13 M3 and MFI longer-term financial liabilities

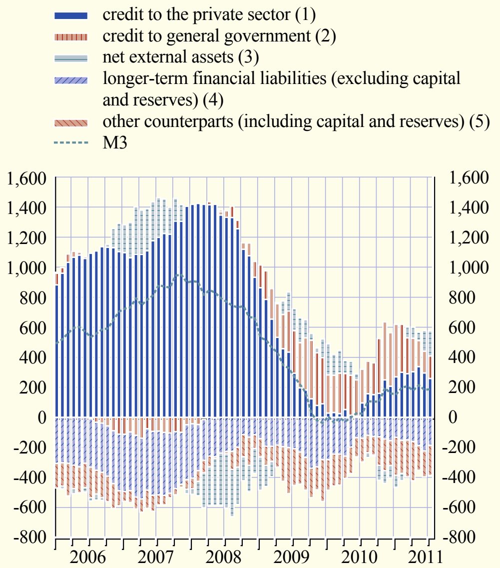
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 14 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.

Box 2

RECENT DEVELOPMENTS IN THE FINANCIAL ACCOUNT OF THE EURO AREA BALANCE OF PAYMENTS

This box analyses recent developments in the financial account of the euro area balance of payments, focusing primarily on the second quarter of 2011. Net inflows in the euro area increased further in the second quarter of 2011, supported mainly by substantial investment in euro area securities. The instrument composition of portfolio flows into the euro area non-MFI sectors changed considerably in the second quarter of 2011, with an increase in net inflows in debt securities more than compensating for foreign investors' disinvestment in euro area equity securities. Moreover, the larger net inflows resulting from transactions with the money-holding sector since the beginning of the year account for the expansion in MFIs' net external asset position.

Net inflows in the euro area increased further in the second quarter of 2011. Larger net inflows in portfolio investment were the main driver of this increase and were only partially offset by larger net outflows in foreign direct investment and other investment (see table below).

The larger net inflows in portfolio investment mask significant changes in investment patterns between the first and second quarters of 2011. In fact, developments in portfolio investment were relatively volatile, with market sentiment changing significantly. Net inflows in debt securities increased substantially, while equity securities shifted from net inflows to net outflows.

These developments in portfolio investment were concentrated in the non-MFI sector and should be viewed against the backdrop of increased tension and volatility in financial markets. Concerns about the strength of the global recovery and the reintensification of the sovereign debt crisis led

Financial account of the euro area balance of payments

(EUR billions; non-seasonally adjusted data)

			Three-month cumulated figures				12-month cumulated figures	
	2011	2011	2010		2011		2010	2011
	May	June	Sep.	Dec.	Mar.	June	June	June
Financial account [1]	18.6	10.3	3.9	1.3	12.8	31.0	9.0	48.9
Combined net direct and portfolio investment	51.9	93.9	-47.8	92.8	121.8	165.8	107.1	332.6
Net direct investment	-3.8	5.6	-30.8	59.2	-11.5	-26.0	-105.3	-9.0
Net portfolio investment	55.8	88.3	-17.1	33.6	133.3	191.8	212.4	341.6
Equities	-21.7	13.1	29.1	15.4	93.9	-50.4	45.4	88.0
Debt instruments	77.4	75.2	-46.1	18.2	39.3	242.2	167.0	253.6
Bonds and notes	40.1	63.9	-97.1	43.0	11.6	181.7	51.4	139.4
Money market instruments	37.4	11.3	50.9	-24.8	27.7	60.5	115.6	114.2
Net other investment	-31.8	-87.9	54.3	-91.7	-93.9	-144.4	-102.5	-275.7
Of which: money-holding sector [2]								
Net direct investment	-2.8	3.6	-32.0	62.9	-6.8	-20.8	-101.4	3.3
Net portfolio investment	8.3	50.7	-72.2	-88.7	61.3	51.4	57.2	-48.2
Equities	-20.8	15.8	15.1	25.5	86.7	-46.7	64.5	80.6
Debt instruments	29.0	34.9	-87.3	-114.3	-25.4	98.2	-7.3	-128.8
Net other investment	-8.4	-9.8	40.7	-31.8	34.0	-46.1	-26.8	-3.2

Source: ECB.
Note: Figures may not add up, owing to rounding.
1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow).
2) General government and other sectors of the balance of payments.

to greater uncertainty and a renewed increase in investors' risk aversion. This, in turn, triggered two divergent developments as regards foreign investment in securities issued by the euro area non-MFI sector. On the one hand, non-residents significantly increased their investment in bonds and notes. This increase was probably related to safe-haven flows targeting bonds and notes issued by core euro area countries. On the other hand, non-euro area residents disinvested in equity securities, bringing to an abrupt end the favourable momentum observed in the first quarter of 2011. Foreign investors restructured their portfolios by reducing their exposure to equity securities and investing in debt securities in apparent flight-to-safety behaviour.

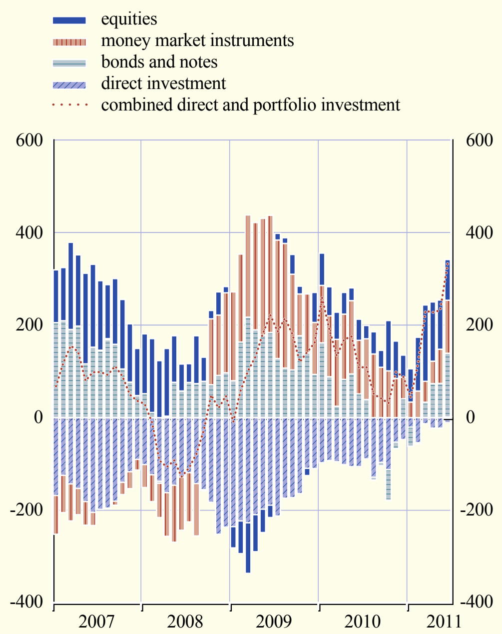
The larger portfolio investment inflows resulting from transactions with the non-MFI sector in the first two quarters of the year are also related to the available stock of monetary liquidity in the euro area. As can be seen from the monetary presentation of the balance of payments, the aforementioned larger net inflows in portfolio investment in securities issued by the money-holding sector are a mirror image of the gradual increase observed in MFIs' net external asset position in 2011.[1] These flows have made a positive contribution to the liquidity available in the euro area and are partly reflected in developments in the broad monetary aggregate M3.

Focusing on the MFI sector, inflows in debt securities issued by the MFI sector increased further in the second quarter of 2011. Foreign investors stepped up their purchases of bonds and notes issued by euro area credit institutions. This development is in line with banks' increased issuance and seems to suggest an easing of general funding conditions. Net inflows were also supported by euro area banks' ongoing disinvestment in foreign debt securities, which is probably related to efforts to restructure balance sheets. At the same time, flows into money market instruments issued by MFIs remained broadly unchanged from the first quarter of the year, suggesting that short-term funding from non-resident sources remained available to the euro area MFI sector as a whole.

Net outflows in foreign direct investment increased in the second quarter of 2011. This was the result of investment by non-euro area residents declining more strongly than investment by euro area residents, mostly

Main items in the financial account

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



Source: ECB.

1 To the extent that they are settled via resident banks, transactions carried out by the money-holding sector have an impact on the external assets and liabilities of the banking sector, which is one of the counterparts of M3. The money-holding sector comprises households, non-financial corporations, non-monetary financial intermediaries, and general government other than central government. For more information on the monetary presentation of the balance of payments, see Duc, L.B., Mayerlen, F. and Sola, P., "The monetary presentation of the euro area balance of payments", *Occasional Paper Series*, No 96, ECB, 2008. See also the article entitled "The external dimension of monetary analysis", *Monthly Bulletin*, ECB, August 2008.

in the equity capital and reinvested earnings component. The loss of momentum in foreign direct investment compared with the first quarter of the year might reflect a rise in uncertainty concerning the outlook for the global economy.

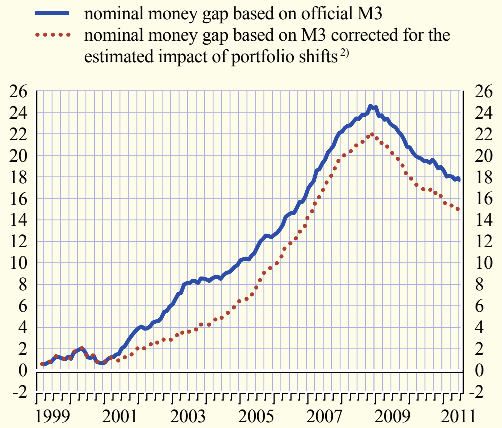
Turning to longer-term developments, in the 12-month period to June combined net direct and portfolio investment inflows increased considerably to stand at €332.6 billion, up from €107.1 billion in the previous year (see table and chart). This reflected larger net inflows in portfolio investment, combined with a substantial reduction in net outflows in foreign direct investment. Net inflows in both equity and debt securities increased, with the latter growing more strongly. Net inflows in debt securities were driven mainly by an increase in foreign investors' investment in euro area securities, whereas the larger net inflows in equities reflected the moderation of euro area residents' investment in foreign securities. Looking at other investment, which mainly comprises deposits and loans, net outflows increased substantially in the 12-month period to June. A more detailed look at developments in this component reveals that these net outflows were the result of euro area residents' increased investment in foreign assets, together with foreigners' disinvestment in euro area assets (which was, however, weaker than in the past).

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

Developments in the nominal and real money gaps suggest that both in the second quarter of 2011 and in July 2011 the amount of monetary liquidity in the euro area continued to correct downwards, a trend observed since early 2009 (see Charts 15 and 16). Such liquidity measures need to be

Chart 15 Estimates of the nominal money gap[1)]

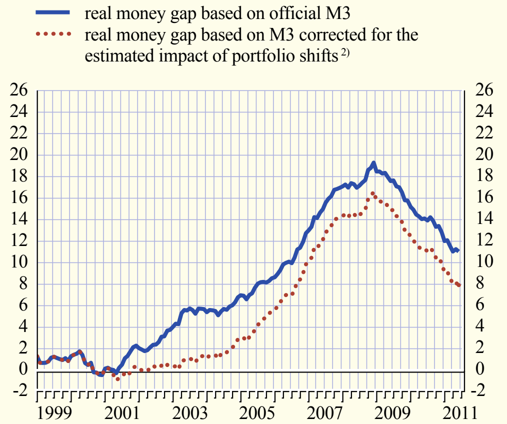
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.
1) The nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time", *Monthly Bulletin*, ECB, October 2004.

Chart 16 Estimates of the real money gap[1)]

(as a percentage of the stock of real M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.
1) The real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time", *Monthly Bulletin*, ECB, October 2004.

interpreted with caution, as they rely on an assessment of equilibrium money holdings, which is surrounded by considerable uncertainty. Nonetheless, these measures point to the fact that the period of subdued M3 growth observed since the end of 2008 is unlikely to have resulted in the full unwinding of the excess liquidity that had been accumulated prior to the start of the financial crisis.

Overall, data for July 2011 and the second quarter of 2011 confirm that underlying monetary and credit expansion continues to be moderate. At the same time, monetary liquidity accumulated prior to the period of financial market tensions, despite some sizeable downward corrections in recent quarters, remains ample. While an orderly adjustment of monetary liquidity through redemption of credit and further slow money growth may thus still be required, a disorderly adjustment in combination with further sharp asset price movements could lead to adverse effects on price stability over the medium term.

2.2 FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTORS AND INSTITUTIONAL INVESTORS

The annual growth rate of total financial investment by the non-financial sectors decreased to 3.3% in the first quarter of 2011, driven by weaker growth in financial investment by both households and non-financial corporations. The annual inflow for investment fund shares/units increased in the second quarter of 2011, after decreasing in the previous four quarters. The first quarter of 2011 saw a decline in the annual growth rate of total financial investment by insurance corporations and pension funds for the fourth consecutive quarter.

NON-FINANCIAL SECTORS

In the first quarter of 2011 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors decreased to 3.3%, down from 3.5% in the previous quarter (see Table 3). This decline reflected mainly a decreasing contribution from quoted shares, which was not fully compensated for by the further increase in the contribution from investment in debt securities. At the same time, the relatively strong contribution from investment in debt securities reflected the sizeable increase in the flow of assets transferred (mostly long-term debt securities) from MFIs to a "bad bank" classified as part of the general government sector in the previous quarter. As regards the remaining instruments, the contribution of currency and deposits increased moderately further, while the contributions of unquoted shares, mutual fund shares and insurance technical reserves decreased slightly.

A breakdown by non-financial sector indicates that the slight decrease in the annual growth rate of total financial investment in the first quarter of 2011 was a reflection of weaker growth in financial investment by both households and non-financial corporations, while the annual growth of financial investment by general government continued to increase (see Chart 17). The annual growth of financial investment by the household sector continued to follow a declining trend, which has been observed since the first half of 2010 and has been driven mainly by gradually declining contributions from investment in shares and in insurance technical reserves. By contrast, the decline in the growth of financial investments by non-financial corporations observed in the first quarter of 2011 follows a gradual recovery observed in the previous four quarters, which was driven initially by growth in investment in other assets (including loans, other accounts receivable and financial derivatives) and subsequently by growth in unquoted shares and other equity. A deceleration of the former type of investment by non-financial corporations was the main factor explaining the weaker growth in total

Table 3 Financial investment of the euro area non-financial sectors

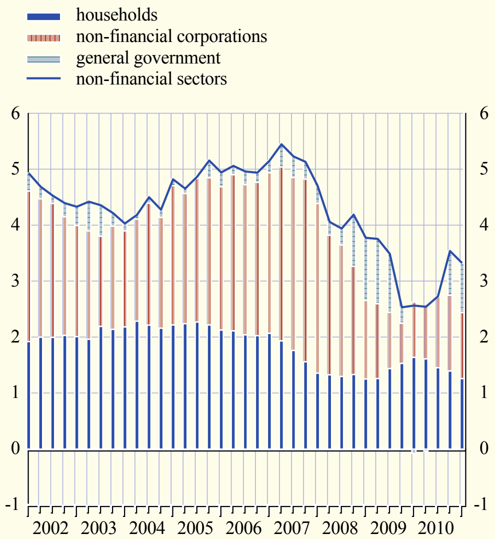
	Outstanding amount as a percentage of financial assets[1)]	Annual growth rates									
		2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Financial investment	**100**	**4.2**	**3.8**	**3.8**	**3.5**	**2.5**	**2.6**	**2.5**	**2.7**	**3.5**	**3.3**
Currency and deposits	23	7.0	7.5	7.0	6.0	3.4	2.0	1.7	2.3	3.1	3.6
Debt securities, excluding financial derivatives	6	6.1	3.8	1.5	0.4	-2.3	-2.5	-2.0	-2.1	6.6	9.4
of which: short-term	0	10.7	-11.6	-22.3	-32.4	-36.8	-28.7	-23.7	-8.6	-6.0	5.2
of which: long-term	5	5.5	6.1	5.1	5.5	3.0	0.9	0.5	-1.5	7.6	9.7
Shares and other equity, excluding mutual fund shares	30	3.9	4.4	4.6	4.7	3.2	3.1	2.2	1.9	2.4	1.8
of which: quoted shares	7	3.6	4.5	4.4	5.7	6.7	8.2	4.0	1.6	3.0	0.7
of which: unquoted shares and other equity	23	4.0	4.4	4.7	4.4	2.4	2.1	1.7	2.0	2.3	2.2
Mutual fund shares	5	-6.1	-4.3	-3.0	-1.0	1.8	0.3	-1.3	-1.3	-1.1	-2.2
Insurance technical reserves	15	2.6	2.7	3.0	3.5	4.4	4.9	4.7	4.5	4.1	3.6
Other[2)]	21	5.5	1.8	1.9	1.1	0.9	2.9	4.7	5.5	5.5	4.7
M3[3)]		**7.6**	**5.2**	**3.6**	**1.8**	**-0.4**	**-0.1**	**0.3**	**1.1**	**1.7**	**2.2**

Source: ECB.
1) As at the end of the last quarter available. Figures may not add up due to rounding.
2) Other financial assets comprise loans and other accounts receivable, which in turn include trade credit granted by non-financial corporations.
3) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sectors and non-monetary financial institutions) with euro area MFIs and central government.

financial investment in the first quarter of 2011. Lastly, the strong increase in the annual growth of general government financial investment observed in the fourth quarter of 2010 and the first quarter of 2011 was largely driven by strong growth in long-term debt securities (partly related to the transfer of assets from MFIs to bad bank schemes, as indicated above), but also by robust growth in currency and deposits and other assets. For more detailed information on developments in financial investment by the private sector, see Sections 2.6 and 2.7.

Chart 17 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)



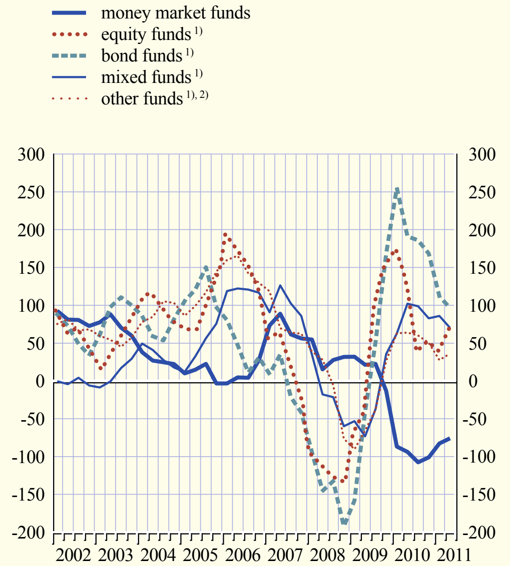
Source: ECB.

INSTITUTIONAL INVESTORS

The annual inflow for investment fund shares/units (excluding money market funds) increased in the second quarter of 2011, to stand at €281 billion, up from €264 billion in the previous quarter, after decreasing in the previous four quarters. The annual growth rate thus increased slightly, to 5.1%, up from 4.9% in the first quarter of 2011. A breakdown by investment policy shows that the increase observed in the annual inflow was primarily accounted for by a robust expansion in the inflow for equity funds and, to a lesser extent, by an increased inflow for other funds, while the inflows for bond funds and mixed funds declined (see Chart 18). This suggests that

Chart 18 Net annual flows into money market and investment funds

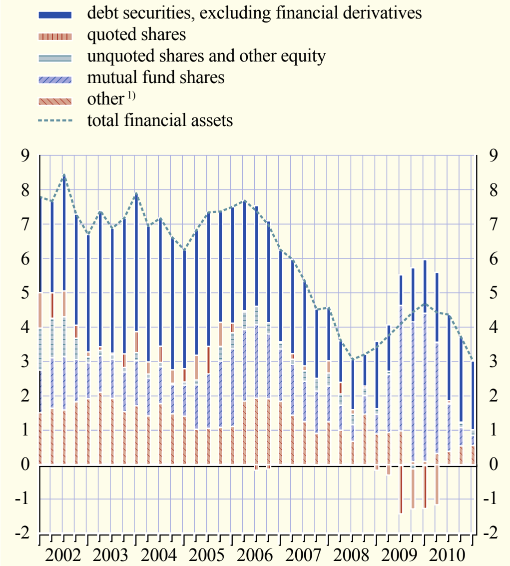
(EUR billions)



Sources: ECB and EFAMA.
1) Prior to the first quarter of 2009, estimates of quarterly flows are derived from non-harmonised ECB investment fund statistics, ECB calculations based on national data provided by EFAMA, and ECB estimations.
2) Includes real estate funds, hedge funds and funds not classified elsewhere.

Chart 19 Financial investment of insurance corporations and pension funds

(annual percentage changes; contributions in percentage points)



Source: ECB.
1) Includes loans, deposits, insurance technical reserves and other accounts receivable.

heightened tensions in some sovereign debt markets continued to dampen annual inflows for investment funds, although the recovery in equity funds more than compensated for this effect in the second quarter of 2011. Annual outflows were again recorded for money market funds in the second quarter of 2011, although they were of a slightly smaller magnitude than in the previous quarter, still reflecting the opportunity cost of holding these instruments given the low level of the short-term interest rates against which these funds are benchmarked.

Looking at shorter-term movements, the quarterly inflow for investment fund shares/units (excluding money market funds) amounted to €60 billion in the second quarter of 2011 (on the basis of non-seasonally adjusted data). While the magnitude of the inflow was only slightly higher than in the previous quarter, its composition (i.e. the types of investment fund involved) changed. The second quarter of 2011 saw declines in the inflows for bond funds, associated with renewed tensions in sovereign debt markets, and for mixed funds, whereas inflows for other funds and especially equity funds increased.

The first quarter of 2011 saw the annual growth rate of total financial investment by insurance corporations and pension funds decline for the fourth consecutive quarter, falling to 3.0%, down from 3.7% in the previous quarter (see Chart 19). This latest decline was driven primarily by decreasing contributions from debt securities (excluding financial derivatives) and, to a lesser extent, from mutual fund shares. The contributions of all other instruments remained broadly unchanged. The declining annual growth rate of total financial investment by insurance corporations and pension funds mirrored the moderation – visible on the liabilities side of their balance sheet – in the money-holding sector's investment in insurance technical reserves. In this respect, it is worth noting that the quarterly flow seen in the second quarter of 2011 for insurance technical reserves increased, after falling in the previous three quarters.

2.3 MONEY MARKET INTEREST RATES

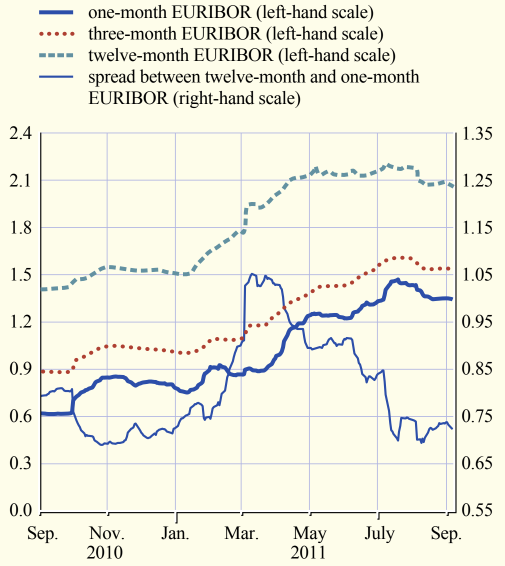
Money market interest rates in most segments declined between 9 June and 7 September 2011, reflecting revised near-term interest rate expectations as a consequence of renewed tensions in financial markets. Earlier, on 7 July 2011, the Governing Council decided to increase the key ECB interest rates by 25 basis points, which took effect as of the main refinancing operation settled on 13 July 2011. At the same time, volatility in money market interest rates increased.

Unsecured money market interest rates increased only slightly at shorter maturities over the review period, thereby broadly stabilising, after the upward trend observed since the beginning of this year. On 7 September 2011 the one-month, three-month, six-month and twelve-month EURIBOR stood at 1.34%, 1.53%, 1.73% and 2.07% respectively – i.e. 8 and 7 basis points higher and 1 and 9 basis points lower compared with the levels observed on 9 June 2011. The spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – broadly declined over that period and stood at 73 basis points on 7 September (see Chart 20).

Secured money market interest rates declined overall during the review period, thus partly reversing the general upward trend observed since January 2011 (see Chart 21). The interest rate on the three-month overnight index swap stood at 0.76% on 7 September, around 51 basis points

Chart 20 Money market interest rates

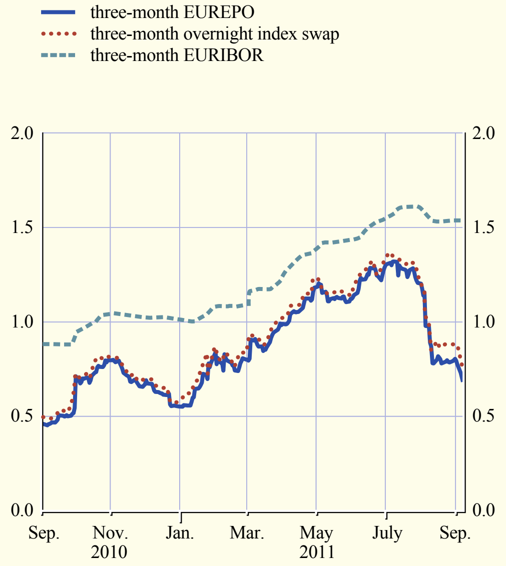
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Thomson Reuters.

Chart 21 Three-month EUREPO, EURIBOR and overnight index swap

(percentages per annum; daily data)



Sources: ECB, Bloomberg and Thomson Reuters.

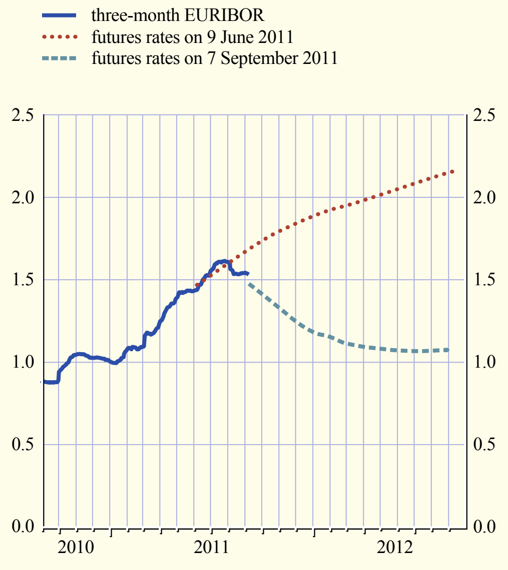
lower than on 9 June. The corresponding unsecured EURIBOR increased mildly, so the spread between these two rates increased from 20 basis points on 9 June to 77 basis points on 7 September. These developments can be explained by the renewed tensions in some financial markets in the euro area.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in September and December 2011 and March 2012 stood at 1.47%, 1.22% and 1.10% respectively on 7 September, representing declines of 24, 65 and 87 basis points by comparison with the levels observed on 9 June, partly reflecting scaled-down expectations about monetary policy rates (see Chart 22). Implied volatilities with constant maturities of three, six, nine and twelve months derived from options on three-month EURIBOR futures contracts increased over the past three months, notably for the shorter maturities (see Chart 23).

Looking at the overnight maturity, the EONIA remained rather volatile until mid-July, exceeding the main refinancing rate on several occasions. Thereafter, its volatility decreased significantly. The decline was a result of increased recourse by banks to the Eurosystem amid renewed tensions in financial markets. As a consequence, the amount of excess liquidity in the system increased, thus maintaining the EONIA at lower levels. Since mid-July the EONIA has declined, standing at levels of 10 to 20 basis points above the deposit facility rate. On 7 September the EONIA stood at 0.87% (see Chart 24).

Chart 22 Three-month interest rates and futures rates in the euro area

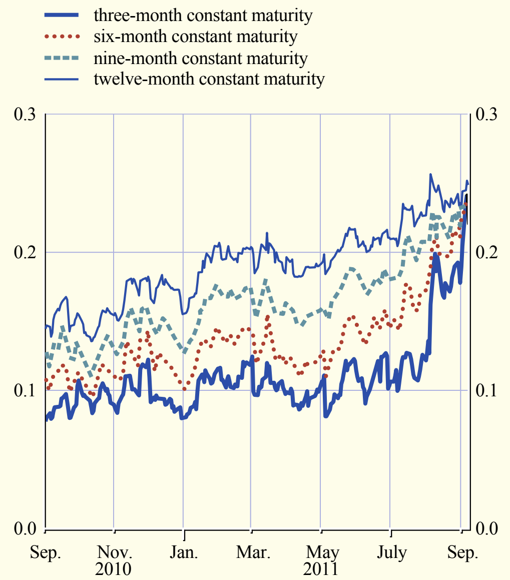
(percentages per annum; daily data)



Source: Thomson Reuters.
Note: Three-month futures contracts for delivery at the end of the current and next three quarters as quoted on Liffe.

Chart 23 Implied volatility of constant maturity derived from options on three-month EURIBOR futures

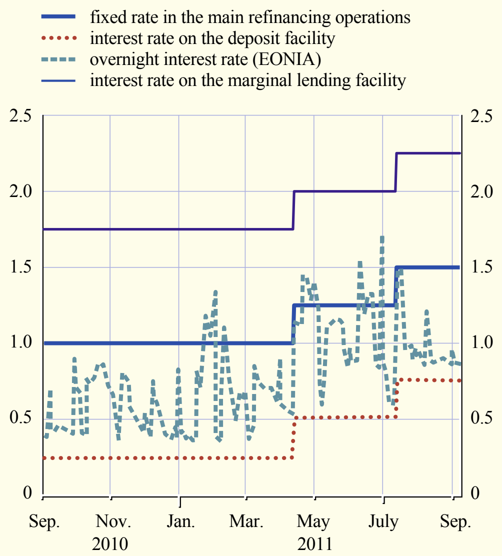
(percentages per annum; daily data)



Sources: Thomson Reuters and ECB calculations.
Note: This measure is calculated in two stages. First, implied volatilities derived from options on three-month EURIBOR futures are converted by expressing them in terms of logged prices instead of logged yields. Second, the resulting implied volatilities, which have a constant maturity date, are transformed into data with a constant time to maturity.

Chart 24 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Thomson Reuters.

In the review period the ECB continued to provide support to money markets by means of liquidity-providing operations with maturities of one week, one maintenance period and three months. Given the renewed tensions in some financial markets in the euro area, the ECB decided to provide liquidity via a supplementary longer-term refinancing operation with a maturity of approximately six months, to actively implement the Securities Markets Programme, and to extend the period of liquidity provision at a fixed rate with full allotment. These measures aim to help restore a better transmission of the monetary policy decisions and therefore to ensure price stability in the euro area.

The Eurosystem's liquidity-providing operations over the review period were conducted as fixed rate tender procedures with full allotment. The ECB also conducted weekly one-week liquidity-absorbing operations with a variable rate tender procedure and maximum bid rates of 1.25% in the sixth and seventh maintenance periods of the year and 1.50% in the eighth maintenance period. With those liquidity-absorbing operations, the ECB offered to absorb an amount corresponding to the size of the purchases made under the Securities Markets Programme, which totalled €128.9 billion on 2 September. Box 3 provides further details regarding liquidity conditions and monetary policy operations. Box 4 presents the Eurosystem's balance sheet in times of financial market tension.

Box 3

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 11 MAY TO 9 AUGUST 2011

This box describes the ECB's liquidity management during the reserve maintenance periods ending on 14 June, 12 July and 9 August 2011. During this period all euro refinancing operations continued to be conducted by means of fixed rate tender procedures with full allotment.

On 7 July 2011 the ECB decided to increase its key interest rates by 25 basis points with effect from the main refinancing operation settled on 13 July 2011.

On 4 August 2011 the Governing Council of the ECB decided to continue conducting its main refinancing operations and special-term refinancing operations with a maturity of one maintenance period as fixed rate tender procedures with full allotment for as long as is necessary, and at least until the last maintenance period of 2011 ends on 17 January 2012. The Governing Council also decided to conduct the three-month longer-term refinancing operations to be allotted on 26 October, 30 November and 21 December 2011 as fixed rate tender procedures with full allotment.

Furthermore, given the renewed tensions in some euro area financial markets, the ECB executed a supplementary refinancing operation, which had no impact on liquidity conditions in the period under review. The Governing Council decided to allot a supplementary liquidity-providing six-month longer-term refinancing operation on 10 August 2011 as a fixed rate tender procedure with full allotment.

Moreover, on 7 August 2011 the ECB began to again actively implement the Securities Markets Programme (SMP) – which had first been announced on 10 May 2010 – in conjunction with weekly liquidity-absorbing operations with a one-week maturity aimed at sterilising the additional liquidity injected through the programme.

Liquidity needs of the banking system

In the period under review the banking system's aggregate daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – averaged €482.4 billion. This was €5.4 billion higher than the daily average recorded in the previous three maintenance periods (i.e. the period from 9 February to 10 May 2011).

This mainly reflected a further increase in the average value of autonomous factors, which increased by €7.4 billion to stand at €272.4 billion. The average level of reserve requirements was €207.5 billion, down by €1.9 billion. Daily excess reserves[1] averaged €2.5 billion, up from €1.2 billion in the previous three maintenance periods (see Chart A).

Chart A Banks' current account holdings in excess of reserve requirements

(EUR billions; average level in each maintenance period)

Source: ECB.

Liquidity supply

In the period under review total liquidity supplied by means of open market operations averaged €516.2 billion, an increase of €18.9 billion compared with the previous three maintenance periods, with tender operations[2] providing an average of €381.5 billion.

1 For information on the factors influencing excess reserves, see the box entitled "Excess reserves and the ECB's implementation of monetary policy", *Monthly Bulletin*, ECB, October 2005.

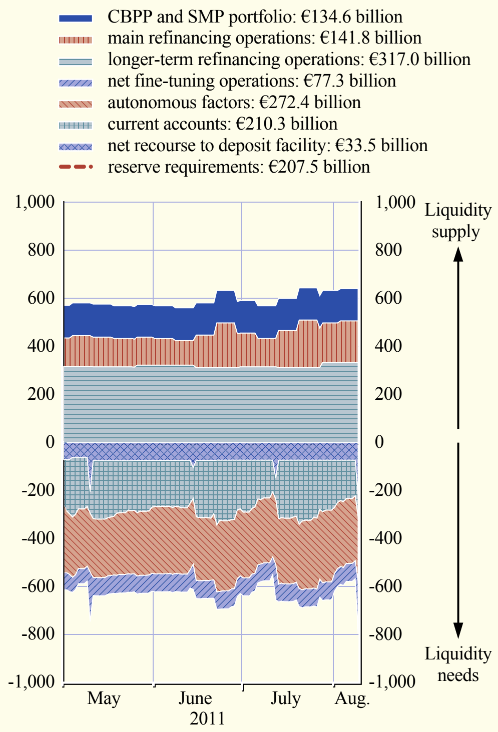
2 Tender operations include main refinancing operations, longer-term refinancing operations and fine-tuning operations, the last of which can be either liquidity-providing or liquidity-absorbing.

Compared with the previous three maintenance periods, the average liquidity supplied by one-week main refinancing operations increased by €29.5 billion to €141.8 billion, while the average liquidity provided by special-term refinancing operations with a maturity of one maintenance period decreased by €3.8 billion to stand at €72.5 billion. In parallel, the average liquidity supplied by three-month longer-term refinancing operations decreased by €5.5 billion to stand at €244.5 billion. The total liquidity provided through longer-term refinancing operations averaged €317.0 billion, compared with €326.4 billion in the previous review period.

Together, the covered bond purchase programme (CBPP) and the Securities Markets Programme provided an average of €134.6 billion of liquidity. The CBPP, for which purchases ended on 30 June 2010, provided €60.1 billion, down marginally from €60.6 billion in the previous review period. On 5 August 2011 the net value of settled purchases under the SMP stood at €74.0 billion, down slightly from €76.1 billion on 6 May 2011 on account of maturing amounts.

Chart B Liquidity needs of the banking system and liquidity supply

(EUR billions; daily averages for the review period are shown next to each item)



Source: ECB.

In parallel, weekly operations neutralised all the liquidity provided by the SMP, absorbing an average of €74.6 billion in the period under review. Liquidity absorbed by means of fine-tuning operations with an overnight maturity on the last day of each maintenance period averaged €77.3 billion (see Chart B).

Use of standing facilities

Overall, the increase in the supply of liquidity resulted in average excess liquidity rising to €36.0 billion in the period under review (up from €22.5 billion in the previous review period). This led to higher net recourse to the deposit facility,[3] which averaged around €33.5 billion.

Interest rates

The ECB's key interest rates increased by 25 basis points with effect from the main refinancing operation settled on 13 July 2011. The rate on the main refinancing operations increased to

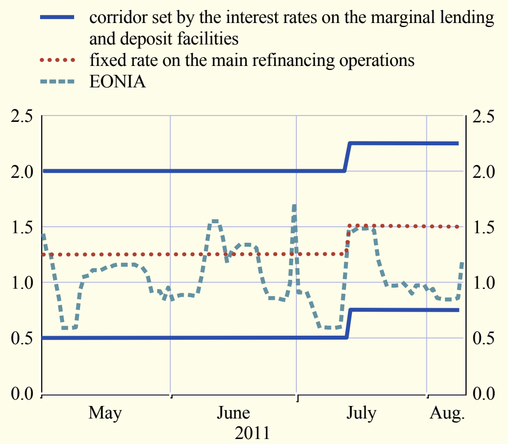
3 Net recourse to the deposit facility is calculated as recourse to the deposit facility minus recourse to the marginal lending facility, including weekends.

1.50%, the marginal lending rate increased to 2.25% and the rate on the deposit facility increased to 0.75%.

With liquidity remaining ample in the period under review, the EONIA generally remained below the main refinancing rate, typically declining towards the end of the maintenance period as the fulfilment of reserve requirements neared completion (see Chart C). The volatility observed in the EONIA since the beginning of this year continued in the review period. The EONIA fluctuated between 0.59% and 1.71% (i.e. 65 basis points below the main refinancing rate and 46 basis points above it). The spike of 1.71% was recorded on 30 June 2011, the last trading day of the first half of the year.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

Box 4

THE EUROSYSTEM'S BALANCE SHEET IN TIMES OF FINANCIAL MARKET TENSION

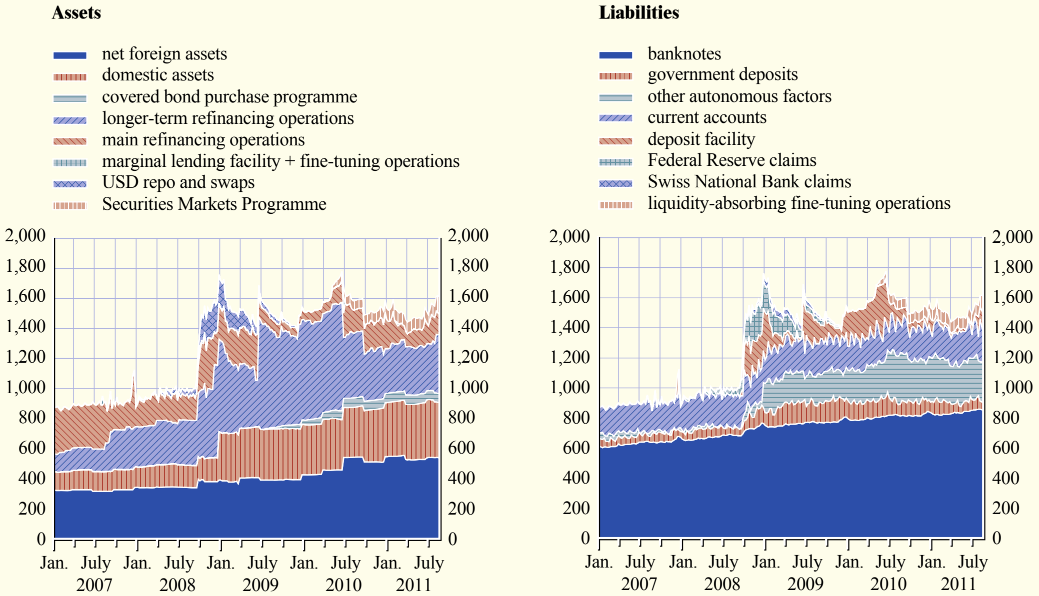
In response to the financial crisis, the ECB has introduced a wide range of non-standard monetary policy measures. The aim of all of these measures has been to sustain financial intermediation in the euro area, foster the flow of credit to households and firms in the euro area and support the monetary policy transmission mechanism. These objectives have, in particular, been pursued through the easing of banks' funding conditions – in order to foster the provision of credit to the private sector – and support for the functioning of relevant financial market segments. The Securities Markets Programme and the provision of unlimited liquidity at various maturities with fixed interest rates in exchange for eligible assets are the most prominent examples of the ECB's non-standard monetary policy measures in these difficult times.[1] Ultimately, all measures are designed to be temporary in nature and are guided solely by the ECB's mandate to maintain price stability over the medium term in the euro area as a whole.

As a consequence of the non-standard measures adopted in response to the severe financial market tensions, the composition of the Eurosystem's balance sheet has changed and its size has increased substantially. On the basis of a simplified version of the balance sheet, its size rose from €913 billion prior to the crisis (on 29 June 2007) to €1,763 billion at its peak (on

1 Further information on these measures and their impact can be found in: the box entitled "Financial markets in early August 2011 and the ECB's monetary policy measures" in this issue of the Monthly Bulletin; the article entitled "The ECB's non-standard measures – impact and phasing-out", *Monthly Bulletin*, ECB, July 2011; the article entitled "The ECB's response to the financial crisis", *Monthly Bulletin*, ECB, October 2010; and the article entitled "The implementation of monetary policy since August 2007", *Monthly Bulletin*, ECB, July 2009.

Developments in the simplified balance sheet of the Eurosystem

(EUR billions)



Source: ECB.

25 June 2010), before declining to stand at €1,609 billion on 26 August 2011 (see the chart).[2] Note that the balance sheet referred to here is that of the entire Eurosystem, not just the balance sheet of the ECB. The decentralised structure of the Eurosystem means that monetary policy operations are conducted by both the ECB and the participating NCBs, so singling out the ECB's balance sheet or those of individual NCBs is not appropriate.

On the asset side of the Eurosystem's simplified balance sheet, assets (both domestic and foreign) and liquidity-providing operations are major items. The main liquidity-providing operations are main refinancing operations, longer-term refinancing operations, the Securities Markets Programme, the covered bond purchase programme, and US dollar repo and swap operations. On the liability side, banknotes are by far the largest item. Other items on the liability side include fine-tuning operations absorbing the liquidity stemming from purchases under the SMP and the funds that banks place in the ECB's deposit facility overnight.

In line with balance sheet developments, risk exposure has also increased. Central banks always have to take on some financial risks when conducting market operations necessary for the implementation of monetary policy decisions. Such risks typically increase in times of financial crisis, as extraordinary circumstances cause central banks to take exceptional steps. At the same time, such measures need to be designed in such a way that a central bank's risk management decisions do not exacerbate the pro-cyclicality of financial systems.

2 For a more detailed explanation of this simplified Eurosystem balance sheet, see the article entitled "Recent developments in the balance sheets of the Eurosystem, the Federal Reserve System and the Bank of Japan", *Monthly Bulletin*, ECB, October 2009 (particularly the box in that article). See also Chart 9 of the article entitled "The ECB's non-standard measures – impact and phasing-out", *Monthly Bulletin*, ECB, July 2011.

From the policy-maker's perspective, maintaining – and even increasing – a central bank's risk exposure in times of financial distress is justified by the potential for greater risks to financial and macroeconomic stability were the central bank to remain inactive. This fundamental willingness to accept additional financial risk in times of crisis helps the central bank to preserve its capacity to fulfil its price stability mandate and comply with its institutional responsibilities as a policy-making institution serving public interests.

Indeed, as the monopoly supplier of central bank money, the central bank has the task of preserving price stability and thereby contributing to the welfare of its citizens. In the case of the ECB, the price stability mandate is enshrined in the Treaty on the Functioning of the European Union. This reflects the broad consensus in society that price stability is the main contribution that monetary policy must make to economic growth, job creation and financial stability. All actions taken by the ECB are geared towards this primary objective. Thus, the ECB, as a public institution with a public mandate, is very different from a private, profit-making commercial bank, the actions of which are driven mainly by considerations relating to profitability, liquidity and risk. In this sense, the criteria used to assess the actions of a central bank that pursues public objectives need to be different from those underlying assessments of the behaviour of private financial institutions. This means that a central bank entrusted with a public mandate has to take much broader considerations into account.

Central banks' risk-taking must thus be weighed against the benefits that it is expected to bring to society. The key question, therefore, is whether additional financial risk is acceptable and in the public interest. In this respect, the Eurosystem's carefully designed risk management framework enables the central banks of the euro area to provide effective support to the economy by optimising the relationship between policy efficiency and risk-taking.[3] Risks are constantly monitored and assessed against available financial buffers at the Eurosystem level. The efficiency of that risk management framework is also evaluated on an ongoing basis.

Furthermore, as a system of central banks, the Eurosystem funds a major share of its assets by banknotes, capital and financial buffers.[4] These liabilities are substantial and thus provide a solid buffer. Furthermore, issuing banknotes does not entail significant financial costs, while the assets on the Eurosystem's balance sheet are remunerated. Such remuneration generates substantial recurring net income ("seignorage"), which ensures a strong capital position and the long-term viability of central banks. Thus, central banks have a number of specific features, reflecting, among other things, their privileged status as the issuer of legal tender (i.e. banknotes). Others include the central bank's privileged status as an institution without liquidity constraints and, in the specific case of the Eurosystem, the prominent role played by revaluation accounts as financial buffers.

As regards liquidity-providing monetary policy operations, the framework for the management and control of financial risk ensures adequate protection of the Eurosystem's balance sheet by accepting only counterparties deemed to be financially sound. Furthermore, the Eurosystem requires that its counterparties provide adequate collateral. This collateral is revalued on a daily

3 More details concerning the specific features of central banks' risk management frameworks can be found in Bindseil, U., Gonzalez, F. and Tabakis, E. (eds.), *Risk Management for Central Banks and Other Public Investors*, Cambridge University Press, 2009.

4 On 26 August 2011 these accounted for 60% of total assets, as banknotes in circulation totalled €850.2 billion, revaluation accounts totalled €316.7 billion, the capital and reserves of the Eurosystem totalled €81.5 billion, and the total assets of the Eurosystem stood at €2,072 billion.

basis using observed market prices or appropriate theoretical pricing methods where reliable daily market prices are not available. In addition, haircuts are applied in order to protect the ECB from financial losses in the event of sharp declines in the price of an asset. This framework ensures a high recovery value in the event of a counterparty defaulting, so losses will normally occur only in the event of defaults by both the credit institution acting as the counterparty to the Eurosystem and the issuer of the asset being used as collateral.[5]

As regards the Securities Markets Programme, which was introduced in May 2010 in order to address the malfunctioning of securities markets and thereby support the monetary policy transmission mechanism, risks to the Eurosystem are safeguarded by prudent risk management policies. Interventions target only securities with credit risk deemed tolerable by the Eurosystem. In the case of countries which are subject to an EU-IMF programme, the assessment of credit risk is supported by constant monitoring and evaluation of the progress made in the implementation of the programme. In this context, it should be emphasised that it is normal for many items on the Eurosystem's balance sheet to entail some risk – including the Eurosystem's foreign and domestic assets, as well as liquidity-providing operations, as explained above.

Overall, the Eurosystem manages its exposure and risk-taking in a way that ensures the fulfilment of its primary mandate, the maintenance of price stability.

5 For details of the risk management framework applied to Eurosystem credit operations, see *The implementation of monetary policy in the euro area – general documentation on Eurosystem monetary policy instruments and procedures*, ECB, February 2011 (http://www.ecb.int/pub/pdf/other/gendoc2011en.pdf).

2.4 BOND MARKETS

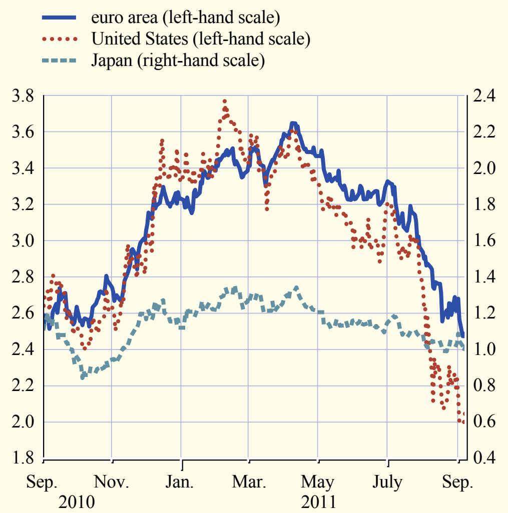
Between the end of May and early September 2011 yields on AAA-rated long-term euro area government bonds declined markedly, as did those on US long-term government bonds. This development reflected a downward revision of growth expectations for major developed economies, as well as greater investor appetite for safer assets. In addition, a significant intensification of tensions related to the euro area sovereign debt crisis as well as the downgrading of US sovereign debt by one rating agency weighed heavily on market sentiment. Uncertainty about future bond market developments, as measured by implied bond market volatility, increased on both sides of the Atlantic. Intra-euro area sovereign bond yield spreads widened for most countries. At the same time, data on euro area long-term break-even inflation rates in early September continued to indicate that inflation expectations remain firmly anchored.

Between the end of May and early September 2011 AAA-rated long-term euro area government bond yields declined by 78 basis points to stand at 2.5% on 7 September. In the United States, long-term government bond yields declined by 103 basis points over the same period and stood at 2.1% on 7 September (see Chart 25). Consequently, the nominal interest rate differential between ten-year government bond yields in the United States and those in the euro area increased over the period under review. In Japan, ten-year government bond yields declined by 15 basis points over the same period, to stand at 1% on 7 September.

Investors' uncertainty about near-term bond market developments, as measured by option-implied volatility, increased in the euro area and in the United States over the period under review. The increases in euro area implied volatility at the beginning of July and the beginning of August were

Chart 25 Long-term government bond yields

(percentages per annum; daily data)



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

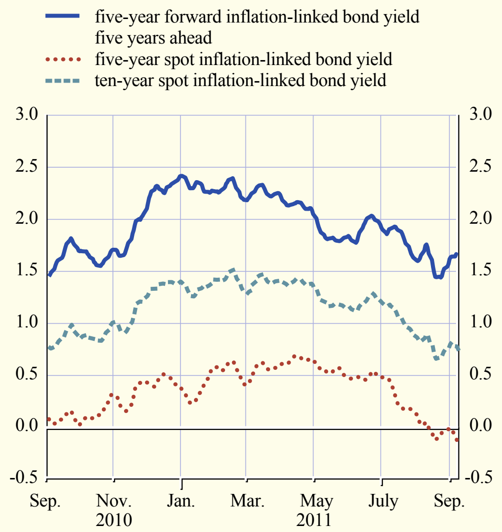
especially pronounced. At the beginning of July the sovereign debt crisis in the euro area entered a new phase in which market concerns spread to larger countries. Consequently, amid a significant intensification of market tensions, uncertainty about future bond market developments reached higher levels than those observed in May 2010. In early August 2011 a large negative market reaction to the downgrading of US sovereign debt led to a further increase in implied volatility, which rose to levels above those observed after the bankruptcy of Lehman Brothers (see also Box 5). At the end of the period under review implied volatility was still elevated, although lower than the peak observed in mid-August. Furthermore, economic data releases, which were worse than expected, added to market uncertainty about the outlook for global growth and, consequently, about future bond market developments.

Developments in AAA-rated long-term euro area and US government bond yields mainly reflected a deterioration in the global economic outlook and a downward revision of the expected future path of short-term interest rates, especially for the United States, as well as renewed and intensified turbulence related to the euro area sovereign debt crisis and US sovereign debt problems. The periods of tension also prompted a significant increase in investors' risk aversion and safe-haven flows. Regarding the assessment of the prospects for economic activity, the markets were confronted with a number of weaker than expected economic data releases and, consequently, analysts reduced their GDP growth expectations for major economies. Furthermore, the tensions related to the resolution of the euro area sovereign debt crisis remained severe, leading to a significant increase in demand for highly rated and liquid government bonds. Uncertainty associated with discussions about the government debt ceiling in the United States and the downgrading of US sovereign debt at the beginning of August by one rating agency also undermined market confidence and reduced investors' risk appetite. Overall, these developments weighed significantly on sentiment in sovereign bond markets and were also reflected in equity and corporate bond prices.

Intra-euro area sovereign bond yield spreads vis-à-vis German sovereign bond yields widened for all countries except Ireland during the period under review. At the same time safe-haven flows continued to increase, especially in the periods of increased tension at the beginning of July and in early August. These developments were driven primarily by the discussions on, and uncertainty about, the resolution of the euro area sovereign debt crisis and, in particular, the form and timing of further support for Greece. In addition, fears that the crisis might spread to other euro area countries continued to weigh markedly on market sentiment. In August, after the ECB's decision to implement the Securities Markets Programme again, tensions in the euro area sovereign debt markets abated to some extent and intra-euro area sovereign spreads narrowed.

Chart 26 Euro area zero coupon inflation-linked bond yields

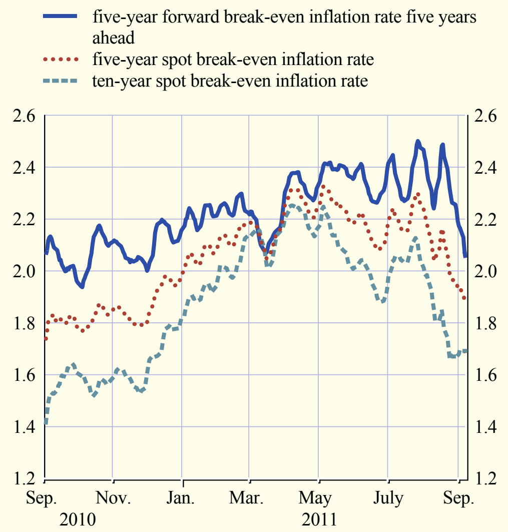
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Thomson Reuters and ECB calculations.

Chart 27 Euro area zero coupon break-even inflation rates

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



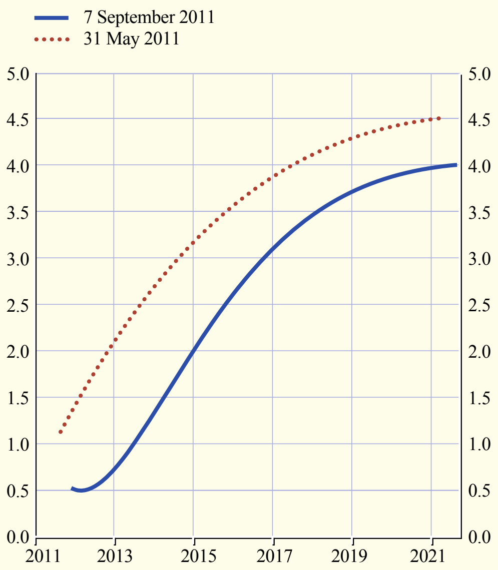
Sources: Thomson Reuters and ECB calculations.

Yields on ten-year inflation-linked euro area government bonds declined by 41 basis points over the period under review, while those on five-year inflation-linked bonds fell by 63 basis points (see Chart 26). On 7 September five and ten-year spot real yields stood at -0.1% and 0.8% respectively. The recent decline in inflation-linked bond yields reflected a deterioration in, and high levels of uncertainty about, the prospects for global economic activity, as well as a downward revision of the expected future path of short-term interest rates, especially for the United States. At the same time implied forward break-even inflation rates (i.e.the five-year forward rate five years ahead) in the euro area decreased by about 38 basis points, to stand at 2.0% on 7 September (see Chart 27). The corresponding inflation swap rates decreased also, falling by about 27 basis points, and stood at around 2.1% on the same date. Break-even inflation rates have been volatile over the past few months, reflecting high volatility in nominal and real bond yields amid market tensions and episodes of safe-haven flows. Estimates of implied inflation expectations inferred from break-even inflation rates have thus been somewhat more volatile compared with the signals received from the inflation swap markets. Overall, market-based indicators suggest that market participants' inflation expectations remain firmly anchored, with downward adjustments in inflation risk premia.

The changes in the term structure of short-term forward rates in the euro area show how the overall developments in long-term euro area AAA-rated bond yields can be decomposed into changes in interest rate expectations (and the related risk premia) at different horizons (see Chart 28). In the period under review the term structure of short-term forward rates shifted downwards for all maturity horizons, most notably in the segment of horizons of between one and three years, where the downward shift amounted to around 120 basis points. These developments reflected adjustments to yield expectations and risk premia amid the deterioration in, and uncertainty surrounding, the outlook for global economic activity, as well as the effect of a downward revision of the expected future path of short-term interest rates.

Chart 28 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).
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 is outlined in the "Euro area yield curve" section of the ECB's website. The data used in the estimate are AAA-rated euro area government bond yields.

Over the period under review spreads on investment-grade corporate bonds issued by non-financial corporations widened, especially in the case of lower rating classes. The largest increases were observed during the week following the downgrading of US sovereign debt, when market uncertainty increased and investors' sentiment worsened substantially, reducing their appetite for riskier assets. Although these indicators exceed the levels recorded in 2010, they are currently well below the high values recorded during the peak of the financial crisis after the bankruptcy of Lehman Brothers. Spreads on investment-grade corporate bonds issued by financial corporations widened more than those on bonds issued by non-financial corporations, especially in the case of lower-rated bonds. These developments reflected the greater sensitivity of the banking sector to the current turbulence as well as investor uncertainty, evident in the reaction of both financial stock prices and the prices charged for debt issued by financial corporations. However, the yields on corporate bonds issued by financial corporations continued to be significantly lower than during the period after the collapse of Lehman Brothers.

Box 5

FINANCIAL MARKETS IN EARLY AUGUST 2011 AND THE ECB'S MONETARY POLICY MEASURES

In early August 2011 the ECB announced a number of non-standard monetary policy measures in response to a severe deterioration in global financial markets in the course of July and early August. In many respects, the situation was comparable to that observed in the first phase of the sovereign debt crisis in early May 2010.[1] The renewed tensions in financial markets related mainly to the sustainability of public finances in both the United States and the euro area and to market participants' increased concerns regarding the global economic outlook.

In particular, financial markets became increasingly nervous about the possibility of financial disruption, with US government debt approaching its ceiling and Congress and the US Administration reaching only a last-minute agreement on a fiscal consolidation plan. At the same time, markets feared that rating agencies would downgrade and/or assign a negative outlook to

1 For a description of developments in financial markets when the sovereign debt crisis first erupted (leading to the introduction of the ECB's Securities Markets Programme), see the box entitled "Developments in financial markets in early May", *Monthly Bulletin*, ECB, June 2010.

securities issued by the US federal government and public financial institutions. On 5 August Standard & Poor's did indeed revise its long-term credit rating for US federal government debt, changing it from "AAA" to "AA+" with a negative outlook.

In the euro area, concerns regarding the sovereign debt crisis increased again amid continued high levels of uncertainty about the sustainability of public finances in many euro area countries. In addition, financial market participants shifted their focus to countries not subject to EU-IMF programmes, notably – but not exclusively – Italy and Spain. Ongoing discussions on the modalities of European financial support for the euro area countries most affected by the sovereign debt crisis, including the possibility of private sector involvement and the use of European Financial Stability Facility (EFSF) funds, also appeared to affect financial market sentiment.

Finally, financial market concerns were heightened by the deterioration in the outlook for global economic growth. This reflected, in particular, the risk that economic growth in the United States might slow significantly, following a number of data releases that fell short of market expectations (see also Section 1).

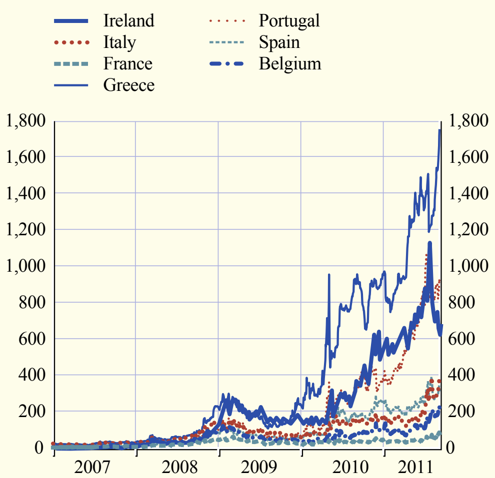
All of these factors contributed to a flight to quality, causing severe tensions in several financial market segments.

Sovereign bond markets

Euro area government bond spreads vis-à-vis Germany widened considerably in the second half of July and the first week of August. Tensions which had broadly been confined to Greece, Ireland and Portugal spread increasingly to Italy and Spain. The yield spreads for Belgian and, to a lesser extent, French sovereign bonds also experienced significant increases (see Chart A). On 5 August ten-year government bond spreads reached record highs in most euro area countries. Bond market volatility in the euro area increased significantly compared with the period of relative calm in November 2010 and exceeded the level observed in May 2010 when the euro area sovereign debt crisis first erupted (see Chart B). Indeed, volatility reached a level last seen in the aftermath of the collapse of Lehman Brothers in September 2008. As a result, liquidity conditions in the sovereign bond markets of several euro area countries deteriorated very sharply. Volatility also increased somewhat in the US sovereign bond market over the summer, mainly owing to political tensions relating to the US government debt ceiling and disappointing macroeconomic data releases.

Chart A Ten-year government bond spreads vis-à-vis Germany

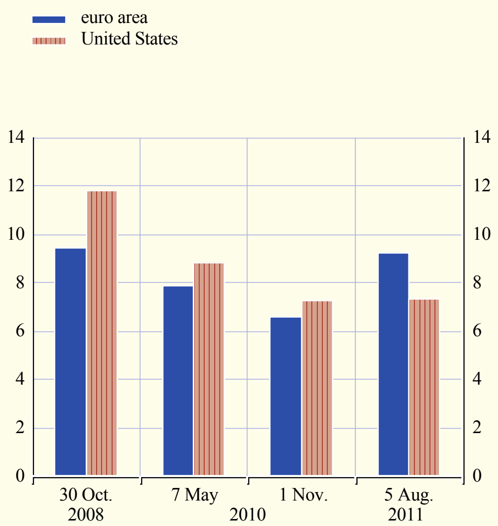
(basis points)



Sources: Thomson Reuters and ECB calculations.
Note: Last observation relates to 7 September 2011.

Chart B Implied government bond market volatility

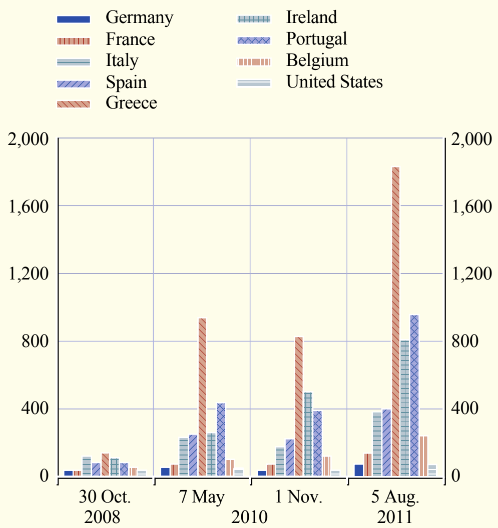
(percentages per annum; three-day moving averages of daily data)



Source: Bloomberg.

Chart C Euro area and US five-year CDS premia

(basis points)



Sources: Thomson Reuters and ECB calculations.

Tensions relating to sovereign debt were also reflected in the euro area credit default swap (CDS) market. CDS premia increased not only for Greece, Ireland and Portugal, but also for Spain and Italy and, to a lesser extent, France and Germany. On 5 August they exceeded the levels observed in May 2010 in all euro area countries (see Chart C).

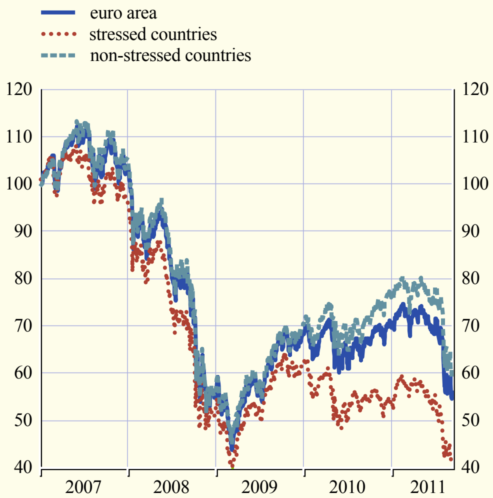
Stock markets

Stock markets trended downwards both in the United States and in the euro area in early August 2011. This trend began in the second half of April 2011 and mainly reflected increasing uncertainty regarding the global outlook for economic growth, continued tensions in euro area sovereign bond markets and the tense discussions in the United States concerning the public debt ceiling. In the euro area, the first week of August was particularly marked by bearish pressures. In particular in those countries with severe debt market tensions, index levels fell close to the lows reached in March 2009, a few months after the collapse of Lehman Brothers (see Chart D), and below the levels observed in May 2010. Stock prices also fell in the banking sector, both in the euro area countries where tensions in sovereign debt markets were most apparent and in countries in which this was much less of an issue (see Chart E), reflecting concerns about banks' exposure to sovereign risk.

Implied stock market volatility reflects the strong resurgence in market uncertainty, peaking at around 30% in the euro area and 25% in the United States on 5 August, similar to the levels observed in May 2010 (see Chart F). At the same time, and by contrast with developments in the bond market, stock market volatility remained considerably lower than the levels observed immediately after Lehman Brothers' default.

Chart D Stock prices – total

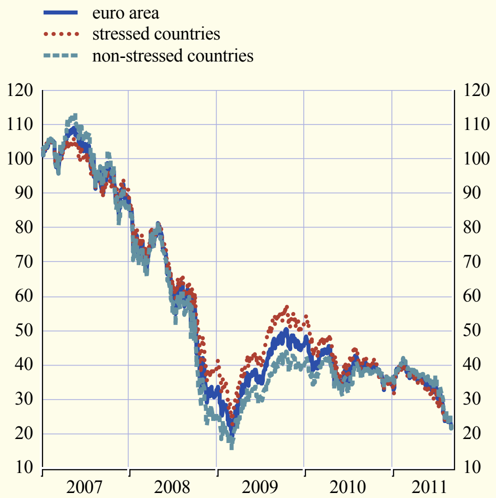
(index: 1 January 2007 = 100)



Sources: Thomson Reuters and ECB calculations.
Notes: "Stressed countries" are those euro area countries where tensions in sovereign debt markets are more apparent, namely Greece, Ireland, Portugal, Spain and Italy. Last observation relates to 7 September 2011.

Chart E Stock prices – banks

(index: 1 January 2007 = 100)



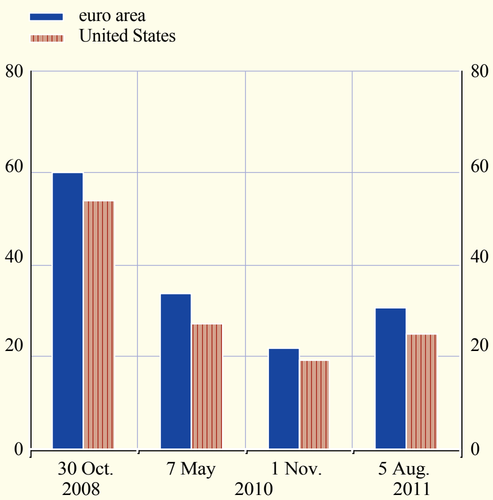
Sources: Thomson Reuters and ECB calculations.
Notes: "Stressed countries" are those euro area countries where tensions in sovereign debt markets are more apparent, namely Greece, Ireland, Portugal, Spain and Italy. Last observation relates to 7 September 2011.

Foreign exchange markets

By contrast with developments in May 2010, when the euro depreciated fairly rapidly both in effective terms and bilaterally against the US dollar, the euro proved relatively resilient in July and August 2011 (see Chart G).

Chart F Implied stock market volatility

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



Source: Bloomberg.

However, against the backdrop of the increased tensions seen on both sides of the Atlantic, implied volatility rose in the second half of July and in August 2011, although it remained much lower than the levels seen in May 2010 for the EUR/USD and EUR/JPY exchange rates (see Chart H). By contrast, volatility in the EUR/CHF rate rose to very high levels, before falling back to levels broadly in line with those seen for other major currencies.

Evidence of US dollar funding pressures emerged in early August, as indicated by the increase in the cross-currency basis spread, especially at shorter maturities (see Chart I). Increased apprehension on the part of US institutional investors, including money market funds, may have contributed to the emergence of funding pressures for a number of banks.

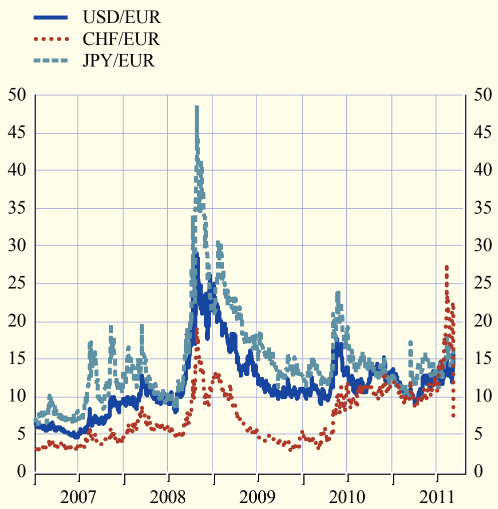
Chart G USD/EUR exchange rate and nominal effective exchange rate of the euro

(index: first quarter of 1999 = 100)

Source: ECB.
Notes: The EER-20 is calculated against the currencies of 20 of the most important trading partners of the euro area (including all non-euro area EU Member States). Last observation relates to 7 September 2011.

Chart H One-month implied volatility of major currency pairs

(daily data)



Source: Bloomberg.
Note: Last observation relates to 7 September 2011.

A negative value in Chart I indicates that institutions which want to borrow in US dollars on the cross-currency money market are required to pay a premium on top of the Libor rate. While nowhere near the levels reached in October 2008, the three-month basis spread is currently higher than in previous episodes of market turbulence, such as May 2010. The availability of the ECB's swap facility with the US Federal Reserve (which did not exist at the time of Lehman Brothers' default) can be expected to mitigate US dollar funding pressures for euro area banks, even though only USD 500 million was drawn from this facility in late August.

Chart I Three-month EUR/USD cross-currency basis spread

(basis points; daily data)

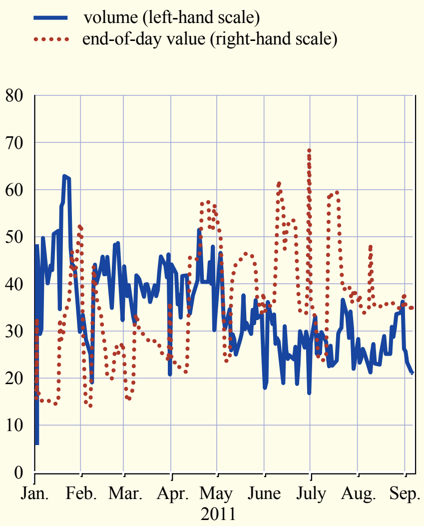
Source: Bloomberg.
Notes: A negative value indicates that a premium is required in the foreign exchange market in order to borrow in US dollars. Last observation relates to 7 September 2011.

Money markets

The stress observed in sovereign bond markets in early August also affected the euro area money market, as indicated by the low trading volumes underlying the fixing of the overnight EONIA rate at that time (see Chart J). This relatively low volume reflects a decline in banks' willingness to lend very short-term liquidity to other banks at the EONIA rate on account of an increased liquidity preference and reduced faith in counterparties' ability to

Chart J EONIA volumes and values

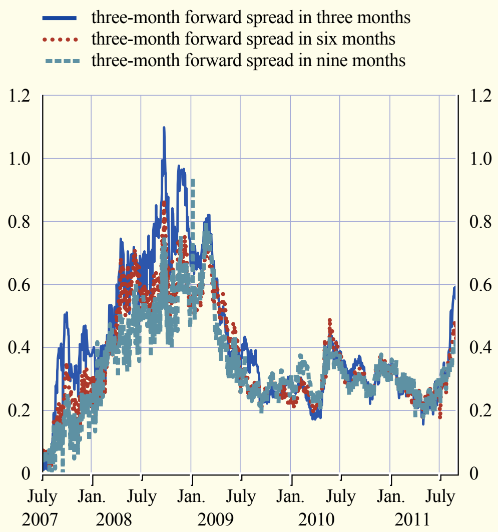
(EUR billions; percentages per annum)



Source: ECB.
Note: Last observation relates to 6 September 2011.

Chart K EURIBOR-OIS spreads

(percentage points)



Source: ECB.
Notes: Forward spreads for a three-month maturity derived from the EURIBOR in three, six and nine months. Last observation relates to 2 September 2011.

repay loans. Spreads between EURIBOR rates and overnight index swap (OIS) rates – which are often used as an indicator of stress – increased substantially in early August 2011, approaching and even exceeding the levels observed when the sovereign debt crisis first erupted in early May 2010 (see Chart K).

The ECB’s monetary policy reaction

In view of these highly adverse financial market developments, the Governing Council of the ECB decided at its meeting of 4 August to take a number of steps to prevent financial market developments comparable to those observed following Lehman Brothers’ default in September 2008 (when a number of financial markets ceased to function as financial investors lost trust in their counterparties). Spillovers to the real economy and contagion risks on account of the strong financial linkages in the euro area further aggravated financial market conditions. Overall, there was a risk that the normal functioning of financial markets could become impaired, with adverse consequences for the transmission of monetary policy impulses – and thus ultimately for the maintenance of price stability in the euro area as a whole over the medium term.

Specifically, on 4 August 2011 the Governing Council announced that the provision of liquidity to banks by means of full allotment at fixed rates would be extended until at least early 2012. It also announced a further longer-term refinancing operation with a maturity of approximately six months. These measures are aimed at supporting bank funding, which should enable banks to continue lending to households and non-financial corporations. It is reasonable to assume that, without these measures, banks’ access to finance would have been severely hampered, with negative implications for economic growth and price stability.

In addition, on 7 August it was announced that the ECB would again begin actively implementing the Securities Markets Programme (SMP). This programme had been introduced in May 2010 to support the transmission of monetary policy decisions on account of dysfunctioning in segments of the financial markets, with a view to ensuring price stability for the euro area as a whole. In fact, no purchases had been made under the programme since end-March 2011. The decision to start buying bonds again was taken in view of the significant risk of some government debt securities markets becoming dysfunctional and tensions spreading to other markets in the absence of intervention. The materialisation of these risks would have had a severe impact on access to finance in the euro area economy. The essential role of securities markets – and government bond markets in particular – in the transmission of the monetary policy stance to the real economy, and ultimately to prices, stems from a number of specific roles played by government bonds.

– The interest rates that financial and non-financial corporations have to pay when issuing bonds are usually based on the interest rate on the relevant government bonds (a mechanism known as the "price channel"). Dysfunctional bond markets would create a situation in which the ECB's official interest rates were no longer appropriately reflected in the longer-term interest rates that are relevant to the decisions taken by households and firms, and thus particularly important for price stability.

– Very high interest rates on account of disruption in government bond markets would lead to much lower government bond prices, resulting in significant losses in the investment portfolios of the financial and non-financial sectors. In the case of commercial banks, the need to recapitalise would reduce their capacity to provide loans to the economy. This is known as the "balance sheet channel".

– Exceptionally low levels of liquidity in government bond markets limit the use of government bonds as collateral in refinancing operations, thereby also hindering banks' supply of loans to the real economy (a mechanism known as the "liquidity channel").

Through these channels, the transmission process in the euro area would be adversely affected. A number of bond markets were affected by the increased tensions – either directly, or indirectly via economic and financial linkages between euro area countries.

In taking the decision to resume its interventions under the SMP, the Governing Council took note – among other things – of Italy's and Spain's announcements concerning measures and reforms to be adopted in the areas of fiscal and structural policies, as well as euro area governments' commitment to meeting their fiscal targets.[2] The prompt implementation of these measures is necessary in order to overcome the sovereign debt crisis.

The modalities of the SMP remain unchanged. Purchases of government bonds by the Eurosystem are strictly limited to secondary markets. Moreover, the liquidity-providing effect of bond purchases under the SMP continues to be fully sterilised by means of specific liquidity-absorbing operations, given that the programme is not intended to inject additional liquidity into the banking system. Finally, the SMP, like all other non-standard monetary policy measures implemented by the ECB during this period of acute financial market tensions, is temporary in nature.

2 See the statement issued by the President of the ECB on 7 August 2011 (as published in Box 1 of the August 2011 issue of the Monthly Bulletin) for the rationale underlying the decision to resume interventions under the SMP.

2.5 EQUITY MARKETS

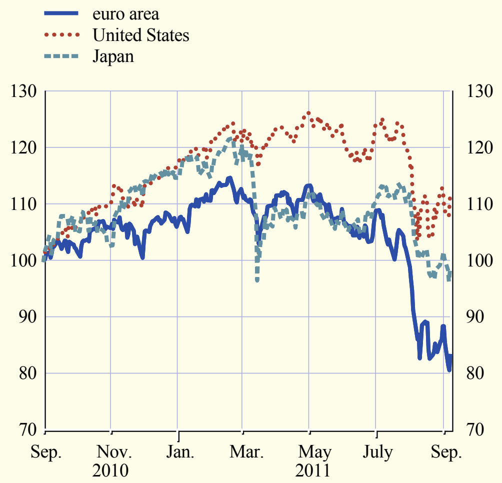
Between the end of May and early September stock prices declined in both the euro area and the United States. These developments were driven by a downward revision of expectations regarding global economic growth. In addition, substantial tensions related to the euro area sovereign debt crisis and the downgrading of US sovereign debt contributed to a decline in investor risk appetite. Meanwhile, actual and expected growth of earnings per share decreased. Reflecting these developments, stock market uncertainty increased on both sides of the Atlantic.

Euro area and US stock prices decreased during the period under review, with the sharpest decline recorded in early August. Overall, euro area stock prices, as measured by the broad-based Dow Jones EURO STOXX index, declined by 23.5% between the end of May and 7 September. The Standard and Poor's 500 index in the United States declined by 10.9% (see Chart 29). During the same period stock prices in Japan, as measured by the Nikkei 225 index, declined by 9.6%.

Stock market uncertainty in the euro area and the United States, as measured by implied volatility, increased over the period under review (see Chart 30). As in the bond markets, an increase in investors' risk aversion, significant tensions in a number of market segments and uncertainty about global economic growth led to an increase in the priced uncertainty about the outlook for future stock market developments. The level of implied stock market volatility is currently comparable to the levels observed in May 2010 but, unlike in the bond markets, it is still significantly lower than during the period after the bankruptcy of Lehman Brothers.

Chart 29 Stock price indices

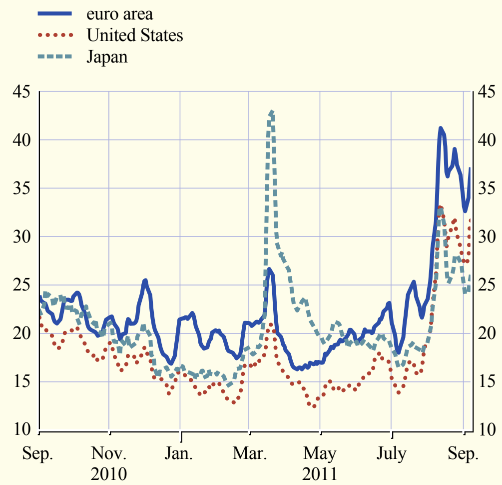
(index: 1 September 2010 = 100; daily data)



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

Chart 30 Implied stock market volatility

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



Source: Bloomberg.
Notes: 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.

Table 4 Price changes in the Dow Jones EURO STOXX economic sector indices

(percentages of end-of-period prices)

	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communi-cations	Utility
Share of sector in market capitalisation *(end-of-period data)*	100.0	9.8	7.0	16.4	7.7	19.9	5.3	14.7	4.7	6.9	7.6
Price changes *(end-of-period data)*											
Q2 2010	-11.1	-8.3	-7.2	3.1	-13.4	-17.6	-7.5	-7.1	-17.3	-12.1	-18.3
Q3 2010	7.3	9.0	11.1	8.0	5.3	8.2	-0.2	5.6	3.2	12.8	4.9
Q4 2010	3.8	16.3	0.7	9.0	7.9	-7.0	-1.1	13.3	10.2	-4.7	2.9
Q1 2011	3.6	-0.3	-1.8	-3.2	8.4	8.5	4.8	4.4	5.0	6.0	3.5
Q2 2011	-1.7	3.0	-2.9	7.0	-6.2	-5.0	11.5	-1.3	-8.8	-6.5	-6.8
July 2011	-6.0	-4.1	-6.0	-2.3	-5.1	-9.6	-0.7	-8.0	-5.9	-4.4	-6.6
August 2011	-12.9	-17.6	-7.4	-11.7	-10.2	-17.4	-6.8	-12.7	-8.0	-8.6	-13.9
31 May - 7 Sep. 2011	-23.5	-26.6	-19.2	-15.5	-18.8	-33.6	-7.4	-25.1	-18.4	-17.9	-26.9

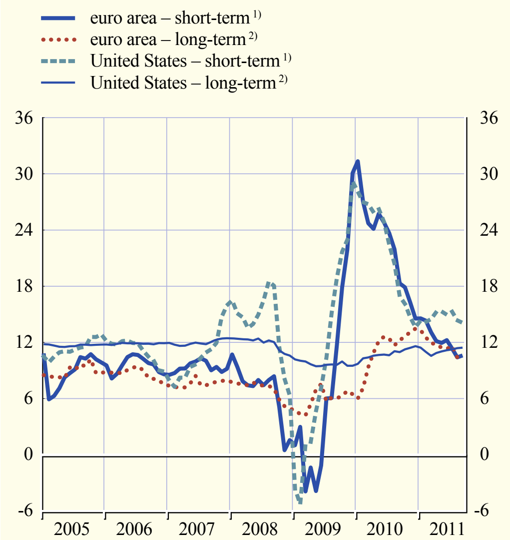
Sources: Thomson Reuters and ECB calculations.

During the period under review investors' confidence was severely undermined by the discussions on, and uncertainty about, the form of further support for Greece, as well as by the discussions on the government debt ceiling in the United States. The sharpest decline in stock prices, which was observed in early August, reflected a negative market reaction to the downgrading of US sovereign debt by one rating agency, as well as a significant increase in uncertainty about the resolution of the euro area sovereign debt crisis. In addition to these factors, weaker than expected economic data releases undermined market confidence and contributed to an increase in uncertainty. Consequently, a deterioration in expectations about global economic growth, in conjunction with disappointing quarterly corporate earnings data, substantially weighed on market sentiment and also put upward pressure on risk premia.

Stock price indices in the euro area decreased markedly across all sectors during the period under review. The declines in stock prices for most sectors were significantly larger than -10%. In particular, euro area financial stock prices fell sharply amid the developments related to the euro area sovereign debt crisis, negative market sentiment and uncertainty about the strength of global economic growth. At the end of the period under review financial stocks stood 34% below the level observed at the end of May. Equity prices in the utility, basic material and industrial sectors also experienced a substantial decline, while healthcare stocks were relatively less affected. In the United States, financial and

Chart 31 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Reuters and ECB calculations.
Notes: Expected earnings growth of corporations on the Dow Jones EURO STOXX index for the euro area and on the Standard & Poor's 500 index for the United States.
1) "Short-term" refers to analysts' earnings expectations 12 months ahead (annual growth rates).
2) "Long-term" refers to analysts' earnings expectations three to five years ahead (annual growth rates).

industrial stocks were among the underperforming sectors, while declines in equity prices in the utility sector were overall marginal.

Negative developments in stock prices were also influenced by weak data on corporate earnings. The growth of actual annual earnings per share of the euro area corporations that are included in the Dow Jones EURO STOXX index decreased from 32% in May to 19% in August. The growth of earnings per share projected by market participants for the period 12 months ahead also decreased, falling from 12% in May to 10% in August (see Chart 31). Long-term expected growth of earnings per share also declined slightly, falling from 11% in May to 10% in August.

2.6 FINANCIAL FLOWS AND THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

From April to July 2011 the real cost of financing for euro area non-financial corporations increased. The overall increase masks diverging developments in the main components. With regard to financial flows, the annual growth of lending to non-financial corporations increased further to stand at 1.5% in the second quarter of 2011. Loan dynamics appear broadly in line with the growth pattern in the euro area. Debt securities issuance by non-financial corporations moderated further in the second quarter.

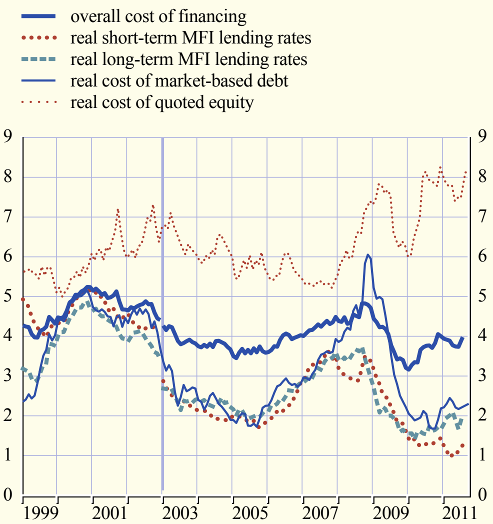
FINANCING CONDITIONS

The real cost of external financing for euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their outstanding amounts, corrected for valuation effects – increased by 17 basis points between April and July, standing at around 3.9% in July (see Chart 32).

The increase in the overall cost of financing masks diverging developments in the main components. Specifically, the real cost of quoted equity rose by around 39 basis points in the months from April to July, while the real cost of market-based debt fell by around 14 basis points to stand at 2.2% over the same period. Short-term lending rates rose by about 22 basis points between April and July in line with movements in the policy rate, whereas long-term rates fell by 18 basis points during the same period. The latest data point to a further increase in the real cost of equity of 113 basis points in August, owing to the fall in equity prices and lower expected earnings growth. By contrast, the real cost of market-based debt edged down by 5 basis points in July. Taking a longer-term perspective, the real cost of financing for

Chart 32 Real cost of the external financing of euro area non-financial corporations

(percentages per annum; monthly data)



Sources: ECB, Thomson Reuters, Merrill Lynch and Consensus Economics Forecasts.
Notes: The real cost of external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series. Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Table 5 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points)

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	June 2011	July 2011	Change in basis points up to July 2011 [1)] Apr. 2010	Apr. 2011	June 2011
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	3.69	3.79	3.86	4.01	4.27	4.29	31	16	2
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.24	3.35	3.50	3.70	3.94	4.09	90	31	15
with an initial rate fixation of over five years	3.80	3.79	3.86	4.19	4.39	4.45	55	17	6
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.17	2.26	2.59	2.63	2.92	2.99	99	19	7
with an initial rate fixation of over five years	3.34	3.51	3.50	3.84	3.29	3.71	26	-56	42
Memo items									
Three-month money market interest rate	0.77	0.89	1.01	1.24	1.55	1.61	95	22	6
Two-year government bond yield	1.99	1.89	2.25	2.91	3.61	4.32	220	74	71
Seven-year government bond yield	2.35	2.14	2.71	3.19	2.89	2.50	-21	-63	-39

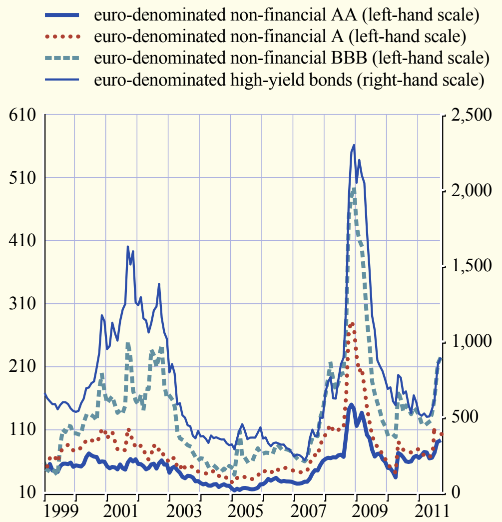
Source: ECB.
1) Figures may not add up due to rounding.

non-financial corporations in the euro area in terms of real MFI interest rates is 30 basis points above the lowest levels recorded since 1999, while the real cost of quoted equity remains at historically high levels. The real cost of market-based debt has decreased somewhat and remains below its long-term average.

In the period between April and July nominal MFI interest rates on new loans to non-financial corporations with short-term maturities rose, while some of those with long-term maturities fell (see Table 5). The increase in rates on short-term loans is in line with recent developments in money market rates. The three-month EURIBOR increased by around 27 basis points in the period under review, while short-term MFI interest rates on loans to non-financial corporations rose by between 19 basis points and 31 basis points. Long-term MFI interest rates on large loans (over €1 million) fell by 56 basis points, while lending rates on small loans (up to €1 million) increased by 17 basis points during the same period. Seven-year government bond yields fell by 63 basis points in the period under review.

Chart 33 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



Sources: Thomson Reuters and ECB calculations.
Note: Non-financial bond spreads are calculated against AAA-rated government bond yields.

Spreads between non-financial corporate bond yields and government bond yields have widened continuously since May 2010 in the case of both higher-rated and lower-rated bonds (see Chart 33). While those on AA-rated corporate bonds widened by about 20 basis points between May and July 2011, spreads on high-yield bonds widened by more than 300 basis points. These developments in corporate bond markets have been driven by disappointing economic data and increased uncertainty fuelled by the downgrading of US sovereign debt by one rating agency and by tensions related to the euro area sovereign debt crisis, which continue to weaken market sentiment.

FINANCIAL FLOWS

Most indicators related to the profitability of euro area non-financial corporations point to a further positive performance in the second quarter of 2011. The annual growth rate of earnings per share for listed non-financial corporations in the euro area remained strongly positive in that quarter, but nevertheless slowed to 20% in August, which is in line with the correction that had been signalled in the first quarter (see Chart 34). Looking ahead, market participants expect the downward correction to continue over the coming months.

With regard to external financing, data for the second quarter of 2011 confirm a further expansion of MFI lending to non-financial corporations. The normalisation of demand for bank loans may partly explain the moderation in debt securities issuance over the same period (see Chart 35). In particular, the annual growth rate of issuance of short-term debt securities remained negative, as was the case over the past year, while long-term debt securities issuance picked up during the second quarter of 2011. The annual growth rate of issuance of quoted shares by non-financial corporations remained broadly unchanged at very low levels.

The annual growth rate of bank lending to non-financial corporations stood at 1.5% in the second quarter of 2011 – the first time it had been positive for two consecutive quarters since August 2009

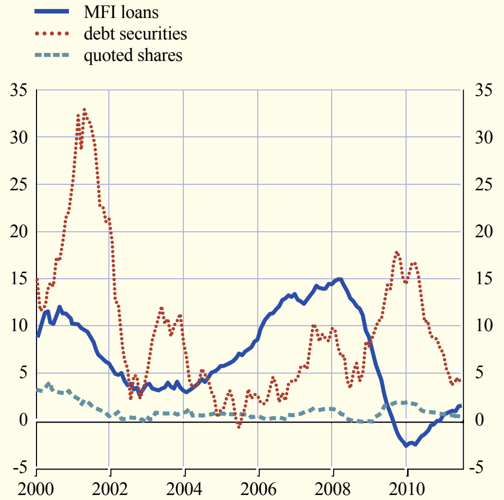
Chart 34 Earnings per share of listed non-financial corporations in the euro area

(annual percentage changes; monthly data)

Sources: Thomson Reuters and ECB calculations.

Chart 35 External financing of non-financial corporations broken down by instrument

(annual percentage changes)



Source: ECB.
Note: Quoted shares are euro-denominated.

Table 6 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates				
	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
MFI loans	**-1.7**	**-0.5**	**-0.1**	**0.9**	**1.5**
Up to one year	-9.6	-6.0	-3.2	0.1	4.2
Over one and up to five years	-4.4	-2.5	-2.8	-2.3	-3.7
Over five years	3.4	2.8	2.4	2.4	2.1
Debt securities issued	**12.6**	**8.9**	**7.6**	**4.8**	**4.0**
Short-term	-14.3	-12.3	-6.2	-4.9	0.6
Long-term, *of which:* 1)	16.1	11.4	9.0	5.8	4.3
Fixed rate	19.1	14.0	11.0	7.3	5.3
Variable rate	-1.5	-1.4	-0.6	-1.0	-1.6
Quoted shares issued	**1.0**	**0.9**	**0.7**	**0.5**	**0.4**
Memo items 2)					
Total financing	1.5	2.0	2.2	2.1	-
Loans to non-financial corporations	0.5	1.9	1.8	2.2	-
Insurance technical reserves 3)	0.5	0.3	1.1	1.0	-

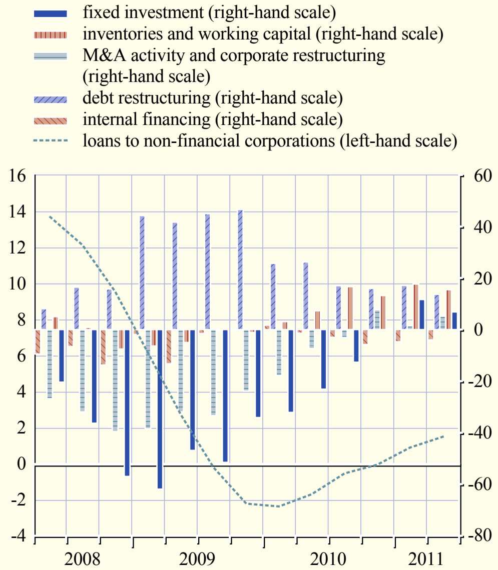
Sources: ECB, Eurostat and ECB calculations.
Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as a result of differences in valuation methods.
1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero coupon long-term debt securities, which include valuation effects, are not shown.
2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance technical reserves, other accounts payable and financial derivatives.
3) Includes pension fund reserves.

(see Table 6). The recovery in loan dynamics primarily reflects strong growth in short-term lending to non-financial corporations (loans with maturities of up to one year). The annual growth rate of loans with a maturity of over five years remained broadly stable during the period under review while that of lending with intermediate maturities (i.e. over one year and up to 5 years) decreased further. The recovery in the annual growth rate of loans to non-financial corporations is broadly in line with the growth pattern in the euro area. At the same time tight bank credit standards together with greater availability of internal funds and buoyant debt issuance over the past two years may have had a dampening effect on the revival of demand for bank loans to non-financial corporations.

The results of the bank lending survey for the euro area for the second quarter of 2011 show a slowdown in net demand for loans, compared with the first quarter (see Chart 36). This smaller net increase in demand for loans was mainly driven by lower financing needs for both fixed investment and for inventories and working

Chart 36 Loan growth and factors contributing to non-financial corporations' demand for loans

(annual percentage changes; net percentages)



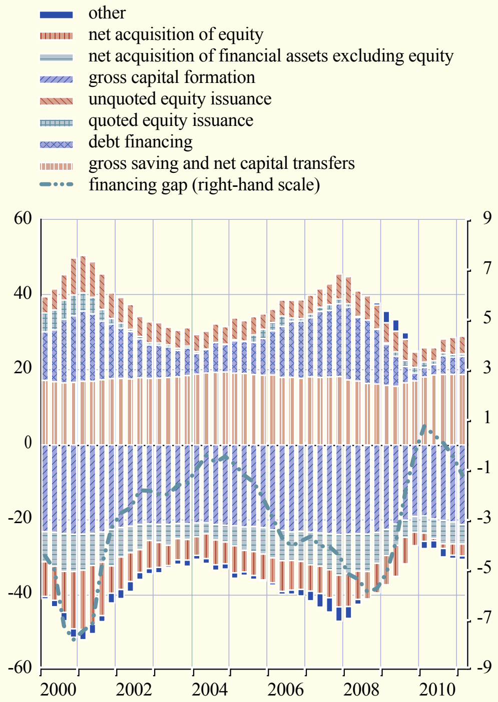
Source: ECB.
Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decrease.

capital. By contrast, a pick-up in the financing of mergers and acquisitions had an upward impact on demand. According to the survey data, euro area banks generally tightened their credit standards on loans to non-financial corporations in the second quarter of 2011, but to a lesser extent than in the first quarter. Looking ahead, however, banks expect a slight increase in net tightening, coupled with a slight net increase in demand.

Chart 37 illustrates the breakdown of euro area enterprises' saving, financing and investment as reported in the euro area accounts, for which data are available up to the first quarter of 2011. The financing gap of (or net borrowing by) non-financial corporations – i.e. the difference between their outlays for real investment and their internally generated funds (gross savings) – declined further in the first quarter on the basis of four-quarter moving sums, but remained high by historical standards. As shown in the chart, it was still possible for corporate real investment (gross fixed capital formation) to be financed mainly through internal funds, so that although external financing edged up slightly it remained a minor source of corporate financing. At the same time net acquisitions of financial assets, including equity, fell slightly in the first quarter of 2011.

Chart 37 Saving, financing and investment of non-financial corporations

(four-quarter moving totals; percentages of gross value added)



Source: Euro area accounts.
Notes: Debt includes loans, debt securities and pension fund reserves. "Other" includes financial derivatives, other accounts payable/receivable netted out and adjustments. Inter-company loans are netted out. The financing gap is the net lending/net borrowing position which is broadly the difference between gross saving and gross capital formation.

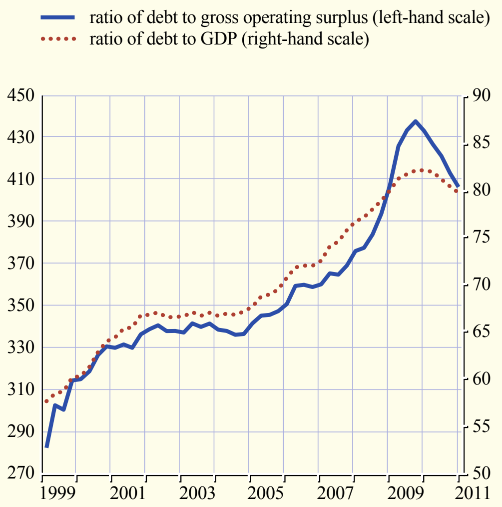
FINANCIAL POSITION

In the first quarter of 2011, on the basis of euro area accounts statistics, corporate deleveraging continued, with non-financial corporate indebtedness declining to 79% in terms of the ratio debt to GDP, from 80% in the previous quarter, and to 406% in terms of the ratio of debt to gross operating surplus, from 413% in the previous quarter (see Chart 38). After the sharp drop recorded in the period from the end of 2008 to the beginning of 2010 the interest burden of non-financial corporations started to increase in the second half of 2010 (see Chart 39). This upward trend continued in the second quarter of 2011, bringing it to a level above its long-term average.

While the deleveraging process initiated at the end of 2009 has contributed to improving firms' financial positions, this process may lose some momentum in the face of a deterioration in expected earnings growth and an increase in the cost of equity. The level of debt and the increase in the interest rate burden of non-financial corporations still suggest that there is further scope for balance sheet restructuring.

Chart 38 Debt ratios of non-financial corporations

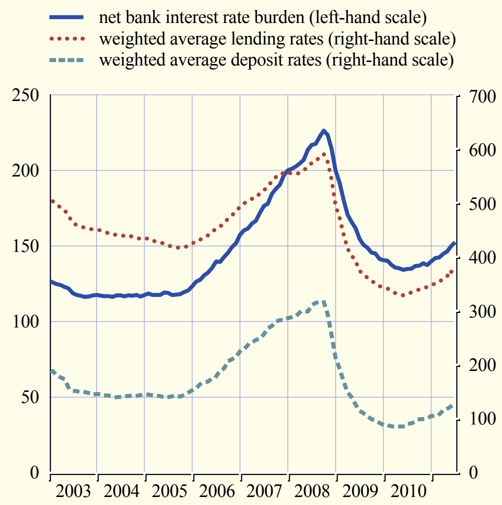
(percentages)



Sources: ECB, Eurostat and ECB calculations.
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves.

Chart 39 Net bank interest rate burden of non-financial corporations

(basis points)



Source: ECB.
Note: The net bank interest rate burden is defined as the difference between weighted average lending rates and weighted average deposit rates for the non-financial corporate sector and is based on outstanding amounts.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

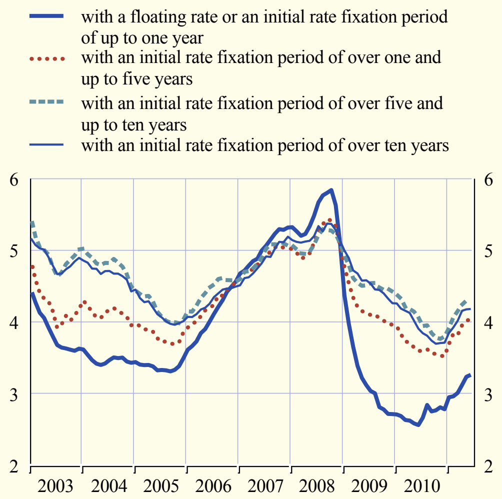
Euro area households' financing conditions were characterised by slightly increasing bank lending rates in the second quarter of 2011. Furthermore, credit standards on loans to households for consumption purposes and for house purchase tightened in the second quarter of 2011, although for the latter to a lower degree than in the previous quarter. The annual growth rate of lending by MFIs to households has levelled off recently at around 3%. Households' debt-to-income ratio decreased further in the second quarter of 2011, while the debt-to-GDP ratio and interest rate burden remained broadly unchanged.

FINANCING CONDITIONS

The overall financing costs of the euro area household sector increased slightly during the second quarter of 2011, for the second consecutive quarter, while they remained broadly unchanged in July 2011. These developments were broadly based across loan categories. As regards MFI lending rates on new loans for house purchase, an increase was observed for all loan categories during the second quarter of 2011, as in the previous quarter, while in July rates remained unchanged in most cases (see Chart 40). During the second quarter, interest rates for loans with long (i.e. over five years) initial rate fixation periods recorded the largest increases, which were slightly higher than the interest rate increases for loans with a floating rate or short (i.e. up to one year) initial rate fixation periods and medium (i.e. more than one year and up to five years) initial rate fixation periods. In July, a marginal increase was recorded only for interest rates charged for loans with a floating rate or a short initial rate fixation period.

Chart 40 MFI interest rates on loans to households for house purchase

(percentages per annum; excluding charges; rates on new business)



Source: ECB.

Interest rates on new consumer loans with medium and long interest rate fixation periods increased further in the quarter under review, as well as in July. By contrast, interest rates on new consumer loans with short rate fixation periods (i.e. loans with a floating rate and an initial rate fixation period of up to one year) declined slightly in both the second quarter of 2011 and in July. All in all, overall interest rates on consumer credit increased slightly in the second quarter of 2011, but decreased marginally in July 2011.

Interest rates on other loans to households with short and medium initial rate fixation periods increased slightly in the second quarter of 2011, while for the corresponding loans with a long maturity a slight decline was observed. By contrast, interest rates for all of these loan sub-categories remained broadly unchanged in July.

According to the results of the July 2011 bank lending survey, euro area banks reported a slight decline in the degree of net tightening of credit standards for loans to households for house purchase in the second quarter of 2011. This was mainly related to less negative expectations regarding general economic activity. By contrast, the degree of net tightening of credit standards for consumer credit and other lending to households was reported to have remained unchanged in the second quarter of 2011. Looking ahead, in the third quarter of 2011 euro area banks expect the degree of net tightening of credit standards for both house purchase loans and consumer credit to remain broadly unchanged.

FINANCIAL FLOWS

The annual growth rate of total loans to households remained unchanged in the first quarter of 2011 (the most recent quarter for which data from the euro area accounts are available), standing at 2.5%. This broadly stable growth rate for lending masks divergent developments in its sub-components. While the annual growth rate of total MFI lending to households (unadjusted for loan sales and securitisation) increased to 3.4% in the first quarter of 2011, up from 3.0% in the fourth quarter of 2010, the annual rate of change of non-MFI loans to households decreased to -2.4%, down from 0.3% in the previous quarter. This was mainly due to the unwinding of retained securitisation transactions in the first quarter of 2011. Thus, non-MFI lending appears to be continuing the significant decline seen since mid-2009. Indeed, estimates for the second quarter of 2011 point to a continuation of this trend, stemming to a large extent from a further unwinding of retained securitisation transactions. Moreover, the annual growth rate of total loans to households is estimated to have decreased to 2.3% in the second quarter on account of weaker growth in MFI lending to households (see Chart 41).

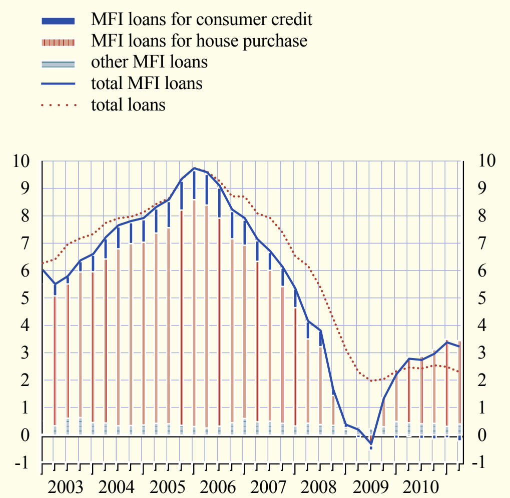
In July 2011 the annual growth rate of loans to households originated by MFIs (i.e. adjusted for loan sales and securitisation) decreased marginally to 2.8% (see Section 2.1 for details). Thus, the annual growth rate is still hovering around 3%. The pattern of monthly flows for household lending is being significantly affected by securitisation transactions. Indeed, data unadjusted for securitisation transactions point to a marked decline in the monthly flows during the second quarter of 2011, compared with the first quarter, which continued in July, when flows even became negative. However, correcting for such transactions suggests that monthly flows during the second quarter of 2011 and July increased relative to the previous quarter.

As regards the sub-components of MFI loans to households, household lending continued to be driven by loans for house purchase, the annual growth rate of which decreased to 3.9% in July, from 4.4% in June, after gradually increasing during the first half of 2011 (unadjusted for securitisation transactions). The annual rate of change of consumer credit continued to fall in July, to -2.1% from -1.8% in June. Finally, the annual growth rate of other lending to households, largely reflecting loans to sole proprietors and unincorporated businesses, increased to 2.7% in July, from 2.5% in June, after having gradually decreased during the first half of 2011.

According to the latest bank lending survey, households' net demand for loans for house purchase and consumer credit continued to decline in the second quarter of 2011. In the case of the former, however, the decline was reported to be significantly slower than in the previous quarter, owing to substantially less negative housing market prospects. The pace of decline of demand for consumer credit increased further, mainly on account of lower spending on durable consumer goods. Looking ahead, banks expect a further decline in net demand for both housing loans and consumer credit in the third quarter of 2011. Thus, also considering that household indebtedness remains high and

Chart 41 Total loans granted to households

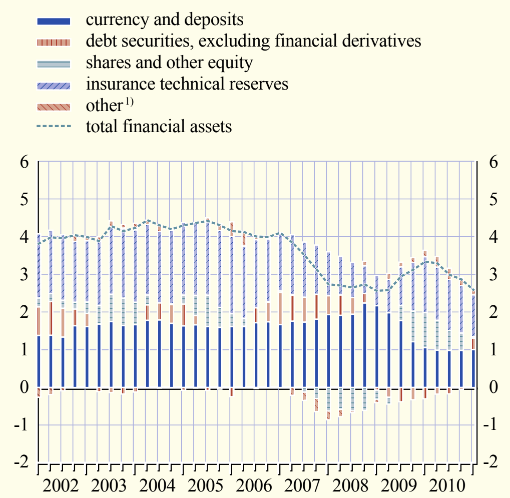
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.
Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the second quarter of 2011, total loans to households have been estimated on the basis of transactions reported in money and banking statistics. For information on differences between MFI loans and total loans in terms of the calculation of growth rates, see the relevant technical notes.

Chart 42 Financial investment of households

(annual percentage changes; contributions in percentage points)



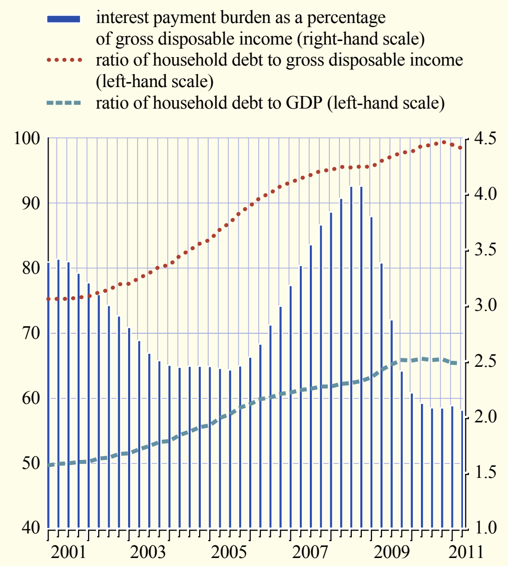
Sources: ECB and Eurostat.
1) Includes loans and other accounts receivable.

credit standards remain tight, household lending growth is likely to remain moderate in the third quarter of 2011.

Turning to the assets side of the euro area household sector's balance sheet, the annual growth rate of total financial investment by households moderated further to stand at 2.6% in the first quarter of 2011 (down from 2.9% in the previous quarter), decreasing for the third consecutive quarter (see Chart 42). From the perspective of the sub-components, the decline observed in the annual growth of households' total financial investments from mid-2010 onwards was driven by gradual decreases in the contributions from investment in shares and other equity, in insurance technical reserves and in other assets, all of which moderated also in the first quarter of 2011. By contrast, the contribution of currency and deposit holdings has remained broadly unchanged since early 2010 and the contribution of debt securities (excluding financial derivatives) continued to increase and returned to positive rates in the first quarter of 2011. Overall, it appears that the ongoing uncertainty regarding economic and fiscal developments and continuing tensions in sovereign debt markets continue to affect households' investment decisions, for example by increasing households' aversion to riskier assets such as shares and other equity.

Chart 43 Household debt and interest payments

(percentages)



Sources: ECB and Eurostat.
Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Interest payments do not include the full financing costs paid by households, as they exclude the fees for financial services. Data for the last quarter shown have been partly estimated.

FINANCIAL POSITION

Households' debt-to-disposable income ratio is estimated to have decreased to 98.4% in the second quarter of 2011, down from 98.9% in the previous quarter (see Chart 43). This represents the second consecutive decline, after increases observed throughout 2009 and 2010. Similarly to developments in the first quarter of 2011, the decline observed during the second quarter of 2011 reflects a visible improvement in households' disposable income, which surpassed the further increase observed in households' total debt. Despite a marginal decrease, the household sector's interest payment burden is estimated to have remained at 2.1% of disposable income in the second quarter of 2011, a level around which it has stayed since the second quarter of 2010. Lastly, households' debt-to-GDP ratio is also estimated to have remained broadly stable in the second quarter of the year (standing at 65.4%, after 65.5% in the first quarter of 2011).

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.5% in August 2011, unchanged from July. Inflation rates have remained at relatively high levels since the end of last year, with higher energy and other commodity prices being the main drivers. Looking ahead, inflation rates are likely to stay clearly above 2% over the coming months. Thereafter, on the basis of the path implied by futures markets for oil prices, inflation rates should fall below 2% in 2012. This pattern reflects the expectation of relatively stable wage growth developments in the context of moderate economic growth. The September 2011 ECB staff macroeconomic projections for the euro area embody these considerations and foresee annual HICP inflation in a range between 2.5% and 2.7% for 2011 and between 1.2% and 2.2% for 2012. Risks to the medium-term outlook for price developments are seen to be broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, euro area annual HICP inflation stood at 2.5% in August 2011, unchanged from the previous month (see Table 7). In the course of 2010 headline inflation rates rose significantly, from around 1% in January to over 2% in December. Since the beginning of 2011 the annual growth rate of HICP inflation has been clearly above 2%, driven by rising energy and non-energy commodity prices and to a lesser extent by the higher than average impact of increases in indirect taxes and administered prices. However, over recent months HICP inflation rates have gradually moderated, owing mainly to the levelling-off in oil prices, which should contribute to easing price pressures at the early stages of the production chain.

In July, the last month for which an official breakdown is available, the annual rate of change in the energy component of the HICP remained in double digits for the eighth consecutive month. Although oil prices have fallen from the levels reached in April and May this year, both in dollar and in euro terms, the annual rate of change in energy prices has remained elevated. In July 2011 it stood at 11.8%, having hovered around the same average rate since December 2010. The strongest rates of increase were observed in the sub-components most closely linked to oil, namely transport and heating fuel, which stood at 13.3% and 23.7% respectively. The prices of the other main energy sub-components, such as gas and electricity, tend to follow trends in oil

Table 7 Price developments

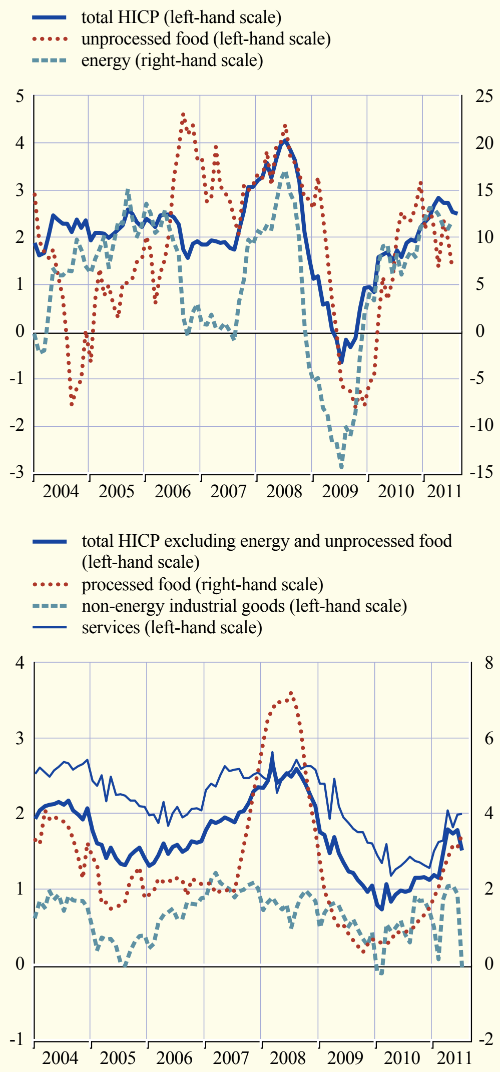
(annual percentage changes, unless otherwise indicated)

	2009	2010	2011 Mar.	2011 Apr.	2011 May	2011 June	2011 July	2011 Aug.
HICP and its components								
Overall index [1]	0.3	1.6	2.7	2.8	2.7	2.7	2.5	2.5
Energy	-8.1	7.4	13.0	12.5	11.1	10.9	11.8	.
Unprocessed food	0.2	1.3	2.2	1.4	2.4	2.0	1.3	.
Processed food	1.1	0.9	2.5	2.8	3.2	3.1	3.4	.
Non-energy industrial goods	0.6	0.5	0.9	1.0	1.0	0.9	0.0	.
Services	2.0	1.4	1.6	2.0	1.8	2.0	2.0	.
Other price indicators								
Industrial producer prices	-5.1	2.9	6.8	6.8	6.2	5.9	6.1	.
Oil prices (EUR per barrel)	44.6	60.7	82.1	85.1	79.8	79.1	81.7	76.7
Non-energy commodity prices	-18.5	44.7	35.7	15.1	11.1	8.7	7.7	2.6

Sources: Eurostat, ECB and ECB calculations based on Thomson Reuters data.
1) HICP inflation in August 2011 refers to Eurostat's flash estimate.

Chart 44 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

prices with a lag. Thus, despite the recent falls in oil prices, there is continued upward pressure on the prices of these sub-components. In July natural gas prices rose by 8.2% year on year. In the euro area, changes in the prices of natural gas tend to be concentrated in four months of the year (January, April, July and October). The relationship between oil prices and consumer electricity prices is more drawn out and less clear cut compared with the other energy sub-components. However, the annual rate of change in electricity prices has risen sharply since the end of 2010, increasing from 2.7% in December to 8.1% in July 2011. Current information suggests that there may be further increases in these components.

Mirroring developments in international food commodity prices, the annual growth rate of total food prices (including alcohol and tobacco) rose steadily in the first part of 2011. Having peaked at 2.8% in May, it subsequently moderated somewhat in June and July. The overall increase in the first part of the year was attributable to a combination of factors, including upward base effects stemming from developments in food prices a year earlier, the pass-through of the hikes in food commodity prices in global markets since mid-2010 and adverse weather conditions affecting selected items in the unprocessed food component, in particular fruit and vegetables. By contrast, the moderation in June and July was due mainly to a slowdown in the annual rate of growth in unprocessed food prices, which was partly related to the impact of methodological changes in the treatment of seasonal products.[1] Thus, since it was fuelled mainly by transitory factors, the slowdown in the food component of the HICP in June and July cannot be taken as a signal that the impact of the commodity price shock is finally waning. Indeed, confirming the assessment that there is still a strong underlying impetus stemming from the hikes in global food commodity prices, the annual rate of inflation in the processed food component has continued to rise recently, driven by commodity-intensive items, such as bread and cereals, and dairy products. Developments in producer prices also support the assessment that there are still pipeline pressures in the food production chain, with producer prices for food items rising by 7.6% in annual terms in July 2011, compared with the historical average of 1.7% since 1999.

1 For more details, see the box entitled “Methodological changes in the compilation of the HICP and their impact on recent data”, *Monthly Bulletin*, ECB, April 2011.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation decreased to 1.2% in July 2011, from 1.6% in June. HICP inflation excluding total food and energy is determined predominantly by domestic factors, such as wages, profit mark-ups and indirect taxes, and it consists of two main components, namely non-energy industrial goods and services, developments in which have been very different.

From the second quarter of 2010 to the end of that year, non-energy industrial goods inflation followed an upward trend, owing to upward base effects and month-on-month increases. The latter were due to some pass-through of past foreign exchange depreciation and commodity price increases, as well as tax hikes, low, albeit rising, demand and moderate wage growth. While these factors have continued to put upward pressure on the non-energy industrial goods component in 2011, the rates of change in this component have been rather more volatile since the beginning of the year, on account of the new regulation on the treatment of seasonal products.[2] Non-energy industrial goods inflation declined to 0.5% in January 2011 and 0.1% in February, then rebounded to rates of around 1% in the months from March to June and dropped again to 0.0% in July. This volatility stemmed largely from the semi-durable goods sub-component. In fact, non-energy industrial goods can be decomposed into three sub-components: durable goods (cars, furniture, electronic appliances, etc.), non-durable goods (water supply, pharmaceutical products, newspapers, etc.) and semi-durable goods (clothing materials, textiles, books, etc.), which all require separate examination.

The annual rate of change in durable goods prices was close to zero in the summer of 2010. From September 2010 to June 2011 it then fluctuated around 0.3%, before dropping to -0.1% in July. Developments in this sub-component are largely influenced by the annual rate of change in car prices, which turned positive in July 2010 for the first time since spring 2009 and increased to 1.3% in June 2011, before dropping somewhat the following month. However, further declines in the prices of some consumer electronic goods have counteracted the impact of the increases in car prices on durable goods inflation. Having remained relatively stable at around 1.1% throughout 2010, non-durable goods inflation has risen gradually in 2011, to stand at 1.6% in July.

Developments in the prices of semi-durable goods are normally shaped by biannual seasonal sales (winter and summer). The annual rate of change in semi-durable goods prices declined in the third quarter of 2010, as the prices of clothing were affected by larger seasonal discounts. However, in the fourth quarter of the same year, semi-durable goods inflation rose to 0.9%, fuelled by increases in the prices of certain items, such as garments and footwear, as well as car spare parts. In 2011 semi-durable goods prices have been very volatile, owing to the introduction of the new regulation on the treatment of seasonal products, with the annual rates of change in the prices of clothing and footwear being distorted downwards in January, February and July. In particular, the annual rate of change in semi-durable goods prices dropped to -1.2% in February, then rebounded to 1.5% in May and fell again to -1.3% in July. It is likely that the impact of the new regulation will also play a role in August, as summer sales also occur in this month.

Services price inflation rose notably to 1.9% on average in the second quarter of 2011, from 1.6% in the first quarter. It then increased further to 2.0% in July. While an upward trend in the annual rates of change is visible in all the main services' sub-components, with the exception of communication services, the notable increase in the annual rate of inflation in services prices in the second quarter,

2 ibid.

as well as the further increase in July relative to the second quarter, were due mostly to increases in the annual rates of change in the prices of recreation and personal services, and transportation services. The former rose significantly from 1.5% in the first quarter of this year to 2.0% in the second quarter, and stood at 2.2% in July. This was attributable to strong increases in the annual rates of change, in particular in the prices of package holidays and accommodation services in the second quarter, and in the prices of accommodation services in July. The annual rates of change in the prices of transportation services also rose, from 2.0% in the first quarter to 3.2% in the second quarter, and stood at 3.4% in July. These increases were broadly based across the sub-components in the second quarter, most likely reflecting the pass-through of higher oil prices. However, in some months there also appeared to be temporary upward effects in a number of sub-components, such as air transportation, owing to the different timing of Easter and Pentecost compared with last year. The annual rate of change in miscellaneous services prices, which include, for instance, prices for health and education, edged up by 0.2 percentage point quarter on quarter to 2.1% in the second quarter, and stood at 2.0% in July. The increase in the second quarter is likely to have been related to further hikes in administered prices over that period. The annual rate of change in house prices, a large part of which are rents, rose only marginally by 0.1 percentage point from the first quarter to July, when it stood at 1.9%. Finally, the rate of change in the prices of communication services fell from -0.4% in the first quarter to -1.6% in July, on account of sharper declines in the prices of telecommunication equipment and services.

Looking ahead, on the basis of current oil prices, which fluctuated in the range of €75-€80 per barrel during most of August 2011, as well as the prices of oil futures contracts, the annual rate of change in the energy component of the HICP is expected to decline substantially from September 2011, as the effects of previous strong increases one year earlier start to drop out of the annual comparison (base effects). However, the extent to which these base effects will actually be evident in the profile of the energy component of the HICP will depend on the degree to which expectations currently embodied in oil price futures (i.e. no further increases in crude oil prices) are realised.

Given the current futures prices for food commodities, the annual rate of growth in food prices is expected to rise further and remain above headline HICP inflation in the coming months. However, there is a large degree of uncertainty surrounding the outlook for commodity prices. Furthermore, the extent of the pass-through of higher commodity prices depends on the strength of consumer demand, as well as on the behaviour of producers and retailers, who might react to the price hikes by changing their profit margins.

Available leading indicators for non-energy industrial goods inflation, such as developments in producer prices for consumer goods (excluding food and tobacco) and in import prices for consumer goods (again excluding food and tobacco), show that pipeline pressures have recently eased somewhat. However, the extent to which these price developments will pass through to non-energy industrial goods inflation is uncertain, as the pass-through may be restrained by a low share of directly imported goods and the buffer provided by retailers' margins. Overall, in the remainder of 2011 non-energy industrial goods inflation is expected to be close to its average (since 1999) of 0.7%, but to display a high level of volatility.

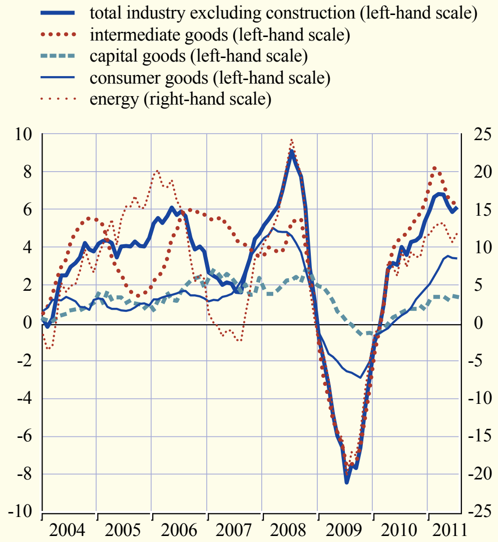
Finally, services price inflation is expected to remain broadly stable at its current level over the coming months, reflecting moderate developments in domestic demand and largely contained wage pressures.

3.2 INDUSTRIAL PRODUCER PRICES

From their trough in the summer of 2009, supply chain pressures rose steadily until recently (see Table 7 and Chart 45). In the first half of 2011 the annual rate of change in industrial producer prices (excluding construction) oscillated around 6%, reaching 6.8% in March before moderating to 5.9% in June. In July the decline in industrial producer price inflation was interrupted, with the annual rate of change edging up slightly to 6.1%. This increase was due mainly to higher energy inflation after the oil price hikes in July. Excluding construction and energy, industrial producer price inflation remained stable at 4.1% year on year in July.

Chart 45 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Looking in more detail at the main components of the PPI, i.e. intermediate goods, capital goods, consumer goods and energy, it appears that the upward trend in industrial producer price inflation was driven predominantly by the energy and intermediate goods components, as a result of increases in the prices of oil and other raw materials. In addition to rises in the prices of food and agricultural commodities, there have been substantial hikes in the prices of industrial raw materials and metals, owing partly to a recovery in global demand. In the first half of 2011 the annual rates of change in the energy and the intermediate goods components were about three and four times higher respectively than their averages since 1991.

The annual rate of change in consumer goods prices has risen steadily since the autumn of 2009, as has that in capital goods prices since the end of the same year. The gradual recovery in the prices of these two components partly reflects greater demand for consumer and capital goods produced in the euro area.

Within the consumer goods component, the annual rate of change in the prices of non-durable goods only turned positive in May 2010. Owing to the rise in producer prices for food items that followed a hike in food commodity prices, it rose to 3.4% in July 2011, but nevertheless remained at almost the same level as in the previous three months. Although the recent increases in producer prices for food items have been strong, they have been less extreme than those recorded in 2008. Producer prices for consumer goods (excluding food and tobacco) entered into positive territory in autumn 2010 and have been on the rise ever since. In July 2011 the annual rate of change stood at 1.7%, its highest reading since 2001. It therefore signalled continued pipeline pressures for underlying consumer price inflation.

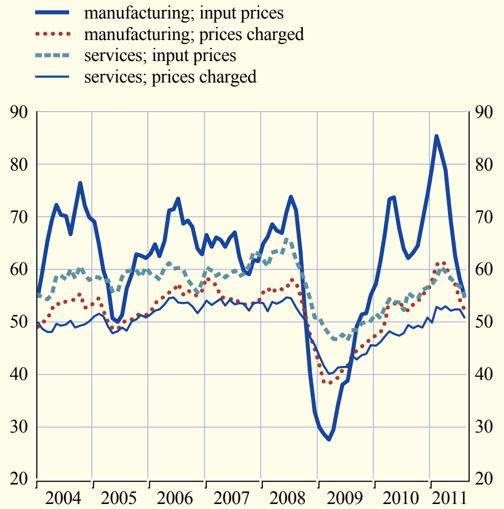
Up to August, survey information on producer prices suggests that pressures in the supply chain are easing somewhat. Price data from the Purchasing Managers Index (PMI) show that all indices have declined towards their historical averages (see Chart 46). This is attributable to sluggish demand and a further easing in input price inflation in the manufacturing and services sectors.

In the manufacturing sector, the selling price index fell for the fifth consecutive month in 2011, from 54.3 in July to 52.1 in August, well below the peak of 61.5 recorded in March of the same year. This is most likely to be related to the further drop in the input price index, from 58.2 in July to 54.6 in August, which is its lowest level since January 2010 and points to a further easing in price pressures in the supply chain. In the services sector, the selling price index diminished to 50.7 in August, after recording no change in July and a slight increase in June. The input price index, however, decreased for the fifth month in a row to 55.0, from 56.7 in July.

Overall, the elevated levels of producer price inflation reflect ongoing pipeline pressures. Looking ahead, industrial producer price inflation is expected to continue its downward trend, mirroring an overall moderation in commodity price developments.

Chart 46 Producer input and output price surveys

(diffusion indices; monthly data)



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

3.3 LABOUR COST INDICATORS

Owing to the lag with which labour markets respond to changes in activity, labour cost developments in the euro area remained relatively robust during the economic downturn. Labour cost indicators turned negative only as of the third quarter of 2009, which was around one year after quarterly GDP growth in euro area entered into negative territory. Labour cost developments remained subdued throughout 2010. This can also be explained by the fact that the average length of contractual wage agreements is about one and a half years (as mirrored in developments in negotiated wages). Moreover, as a result of the introduction of government-subsidised short-time work schemes in some euro area countries, notably Germany, total hours worked dropped significantly and compensated for the otherwise unavoidable contraction in employment, particularly in industry. As economic activity started to pick up again, these policy measures were discontinued.

Table 8 Labour cost indicators

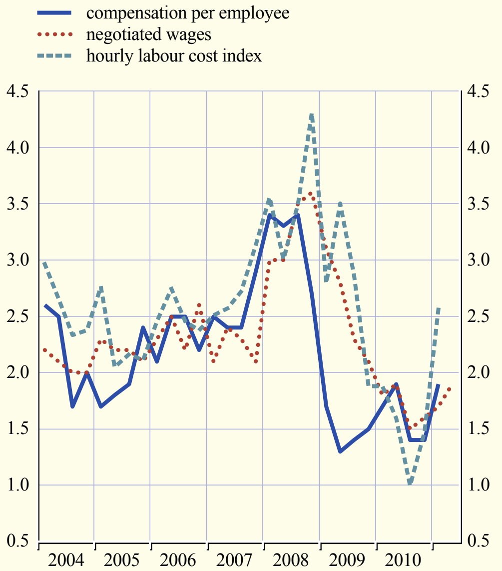
(annual percentage changes, unless otherwise indicated)

	2009	2010	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
Negotiated wages	2.6	1.7	1.9	1.5	1.6	1.7	1.9
Hourly labour cost index	2.8	1.5	1.6	1.0	1.5	2.6	-
Compensation per employee	1.5	1.6	1.9	1.4	1.4	1.9	-
Memo items:							
Labour productivity	-2.4	2.2	2.7	2.1	1.7	2.1	-
Unit labour costs	4.0	-0.6	-0.7	-0.7	-0.3	-0.2	-

Sources: Eurostat, national data and ECB calculations.

Chart 47 Selected labour cost indicators

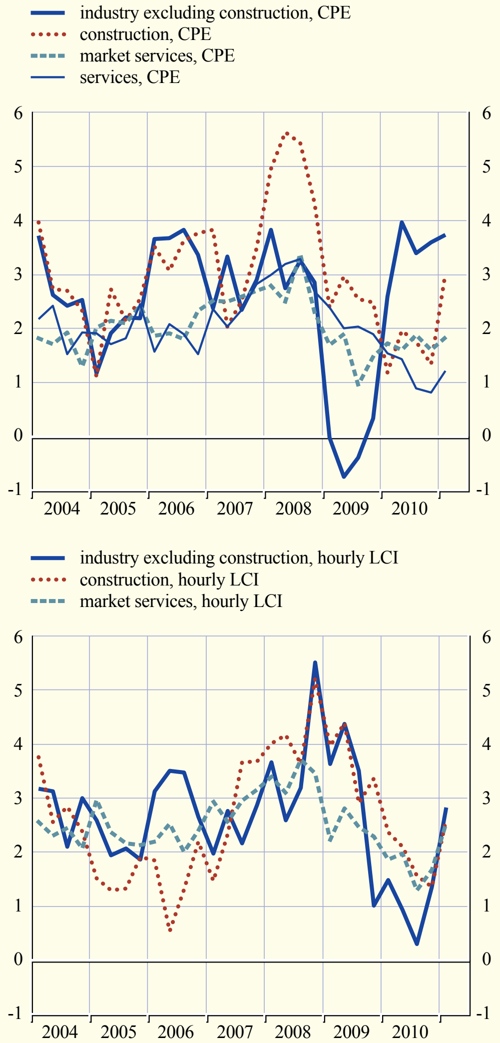
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Chart 48 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 "labour cost index".

Subsequently annual growth in total hours worked moved into positive territory in the first quarter of 2010 and has been outpacing annual growth in employment ever since.

In recent quarters improvements in labour market conditions have translated only into moderate increases in labour cost indicators (see Chart 47 and Table 8). The annual growth rate of euro area compensation per employee rose by 1.9% in the first quarter of 2011, up from 1.4% in the fourth quarter of 2010. This increase was attributable to a pick-up in growth in compensation per hour worked, as well as a decline in hours worked per employee, which, in turn, was probably related to the bad weather in the last few months of 2010. At the sectoral level, the pick-up in the rate of wage growth was broadly based, the greatest accelerations being in the construction and services sectors (see Chart 48). Annual hourly labour cost growth in the euro area increased markedly year on year, to 2.6% in the first quarter of 2011, after 1.5% in the fourth quarter of 2010. This increase was also broadly based across sectors. Overall, non-wage costs continued to grow at a faster pace than the wages and salaries component of hourly labour costs.

Turning to developments in negotiated wages – the only labour cost indicator currently available for the second quarter of 2011 – their annual growth rate increased to 1.9% in that quarter, from 1.7% in the previous quarter, which was also the average rate of growth recorded in 2010.

Looking ahead, it is likely that the pattern of higher, albeit still moderate, wage growth will by and large continue in 2011. At present it is unclear to what extent the high HICP inflation rates seen in recent months could trigger higher salary growth, after the muted increases agreed in past years. In some countries, existing wage indexation schemes that link wage revisions to past inflation will most likely lead to higher wage increases. More generally, however, there appears to be little scope for stronger wage growth in view of the ongoing weakness in the labour market.

Finally, measured on a per head basis, labour productivity grew by 2.2% on average in 2010. This represents a significant recovery from the average recorded in 2009, when labour productivity declined by 2.3% in total. Having slowed considerably by the end of 2010, owing to the gradual rise in employment, productivity growth has picked up again and stood at 2.1% in the first quarter of 2011. Nevertheless, the growth rate of labour productivity exceeded that of compensation per employee for the fifth consecutive quarter. Consequently, the annual rate of change in unit labour costs declined again in the first quarter of 2011 (-0.2%), but to a lesser extent than in the preceding four quarters. In 2010 as a whole unit labour cost growth fell by 0.6%. This has allowed firms to restore profit margins, which were severely hit by the recession in 2009.

Looking ahead, and in line with continued improvements in employment, labour productivity is expected to grow further, but at a more modest pace than before. This, in combination with a still moderate but gradually increasing rate of growth in compensation per employee, should contribute to a slight rebound in unit labour cost growth for euro area firms. Labour cost pressures are nevertheless likely to remain contained in the medium term in the light of only gradual labour market improvements.

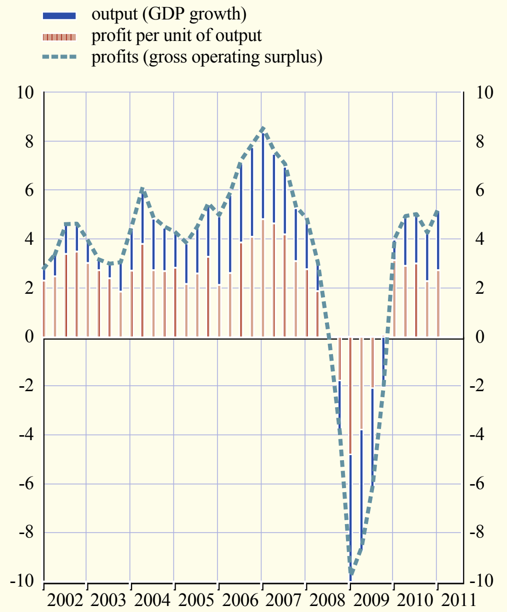
3.4 CORPORATE PROFIT DEVELOPMENTS

Growth in corporate profits (measured in terms of gross operating surplus) rose further to 5.2% year on year in the first quarter of 2011 (see Chart 49). Although corporate profits have not yet returned to their pre-recession peak levels, they had recouped, up to the first quarter of 2011, almost 90% of the losses they had incurred during the recession. The stronger growth in profits in that quarter was attributable to a strengthening in economic activity (volume) and in unit profit growth (margin per unit of output), with the latter continuing to benefit from negative unit labour cost growth.

Developments in the large economic sectors show that the increase in corporate profit growth in the first quarter of 2011 was due to a rise in the level of profits in market services (3.3% year on year after 2.5% in the fourth quarter of 2010), while the higher rate of growth in profits in the industrial sector continued to slow considerably,

Chart 49 Breakdown of euro area profit growth into output and profit per unit of output

(annual percentage changes; quarterly data)



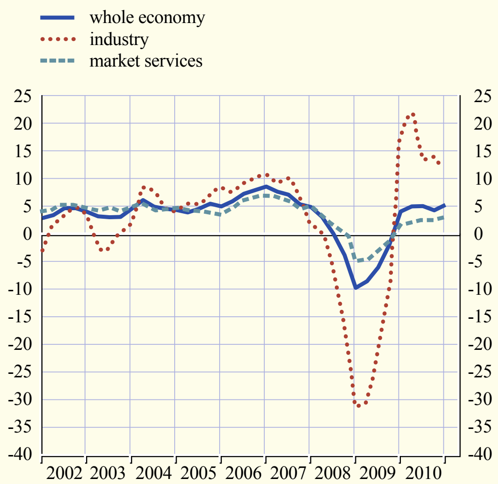
Sources: Eurostat and ECB calculations.

to 10.5% year on year, after 13.7% in the previous quarter (see Chart 50). There are big differences between the two sectors in terms of the extent to which corporate profits recovered their recession losses up to the first quarter of 2011. In market services, profits recovered 94% of their 5% drop during the recession. In the industrial sector, however, on account of the much larger falls during the recession (33%), and despite the much higher growth rates in the aftermath of the recession, profits recouped only 63% of the losses incurred during the downturn.

Looking ahead, corporate profit growth is expected to moderate in the course of 2011, owing to both the expected slowdown in economic activity and a decline in profit margin growth, which is a reflection of the deceleration in demand and increasing unit labour cost growth.

Chart 50 Euro area profit developments by main branch of activity

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

Looking ahead, inflation rates are likely to stay clearly above 2% over the coming months. Thereafter, on the basis of the path implied by futures markets for oil prices, they should fall below 2% in 2012. This pattern reflects the expectation of relatively stable wage growth developments in the context of moderate economic growth.

The September 2011 ECB staff macroeconomic projections for the euro area embody these considerations and foresee annual HICP inflation in a range between 2.5% and 2.7% in 2011 and between 1.2% and 2.2% in 2012. Compared with the June 2011 Eurosystem staff macroeconomic projections for the euro area, the range for HICP inflation in 2011 remains unchanged, while the range for 2012 is slightly narrower. It is necessary to recall that the staff projections are conditional on a number of purely technical assumptions.

Risks to the medium-term outlook for price developments are seen to be broadly balanced. On the upside, the main risks relate to the possibility of higher than assumed increases in oil and non-oil commodity prices as well as increases in indirect taxes and administrative prices, owing to the need for fiscal consolidation in the coming years. The main downside risks relate to the impact of weaker than expected growth in the euro area and globally.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth decelerated to 0.2% quarter on quarter in the second quarter of 2011, after 0.8% in the first quarter. As expected, temporary factors which had boosted growth in the early part of the year ceased, and adverse effects resulted from the Japanese earthquake and the lagged impact of past oil price increases. Looking ahead, a number of developments seem to be dampening the underlying momentum in the euro area, including a moderation in the pace of global growth, related declines in equity prices and in business confidence, and unfavourable effects resulting from ongoing tensions in a number of euro area sovereign debt markets. As a consequence, real GDP growth is expected to increase very moderately in the second half of this year. At the same time, euro area economic activity is expected to benefit from ongoing growth in the global economy as well as from the accommodative monetary policy stance and the various measures taken to support the functioning of the financial sector.

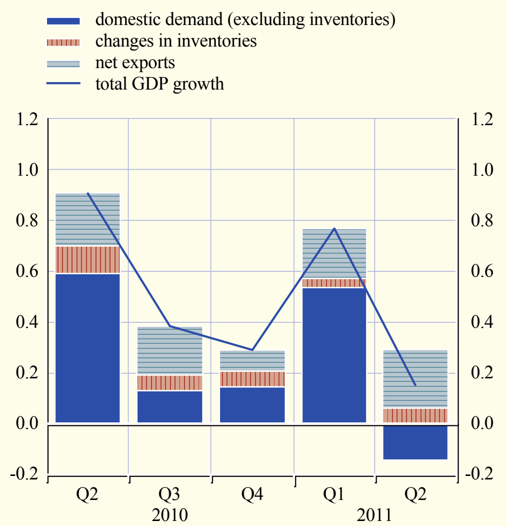
This assessment is also reflected in the September 2011 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.4% and 1.8% in 2011 and between 0.4% and 2.2% in 2012. Compared with the June 2011 Eurosystem staff macroeconomic projections, the ranges for real GDP growth in 2011 and 2012 have been revised downwards. The risks to the economic outlook for the euro area are on the downside, in an environment of particularly high uncertainty.

4.1 REAL GDP AND DEMAND COMPONENTS

According to Eurostat's second release, euro area real GDP grew by 0.2% on a quarterly basis in the second quarter of 2011 (see Chart 51). A marked slowdown in the pace of the recovery was expected following the exceptionally strong first quarter growth, when GDP rose by 0.8%, partly due to special factors. The slowdown in growth was mainly due to weaker developments in domestic demand. Despite the fact that quarterly GDP growth has averaged 0.5% since the start of the recovery in the second quarter of 2009, the level of output in the second quarter of 2011 was still 2.0% below its most recent peak in the first quarter of 2008. Available indicators point towards a moderate expansion of euro area growth in the second half of the year. Against this background, Box 6 examines the likely factors behind the slowdown and assesses the euro area growth outlook.

Chart 51 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

Box 6

THE RECENT SLOWDOWN IN ECONOMIC GROWTH IN THE EURO AREA

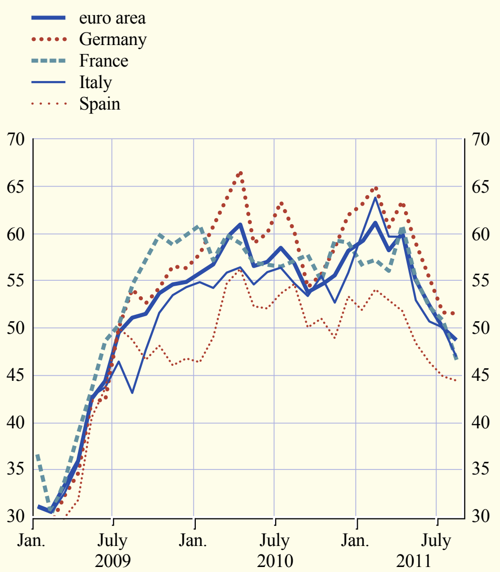
Following the strong growth seen in the first quarter of 2011, euro area quarterly GDP growth declined substantially to 0.2% in the second quarter and short-term indicators suggest that the growth momentum slowed further in July and August. Against the background of these developments, this box examines the factors that are likely to be behind the slowdown and assesses the outlook for economic growth in the euro area.

Recent developments in survey data

Surveys indicate a substantial slowdown in euro area growth momentum over the past few months, affecting all the sectors and all the large euro area economies. The output index for the euro area manufacturing sector obtained from the Purchasing Managers' Index (PMI) survey has declined sharply since April, dropping from a level of about 60, which was close to its ten-year high, to somewhat below 50, pointing to more or less stagnant industrial growth momentum in the first two months of the third quarter (see Chart A). Similar developments, albeit slightly less pronounced, are seen in the PMI services business activity index (see Chart B). This index declined from the high level of 57 in March to stand in August only 1½ points above the theoretical no-growth threshold of 50. Developments in other business surveys, such as those of the European Commission, are in line with the results of the PMI survey, and developments at the aggregate euro area level are broadly shared by those in the larger euro area countries.

Chart A PMI manufacturing output indices for the euro area and larger euro area countries

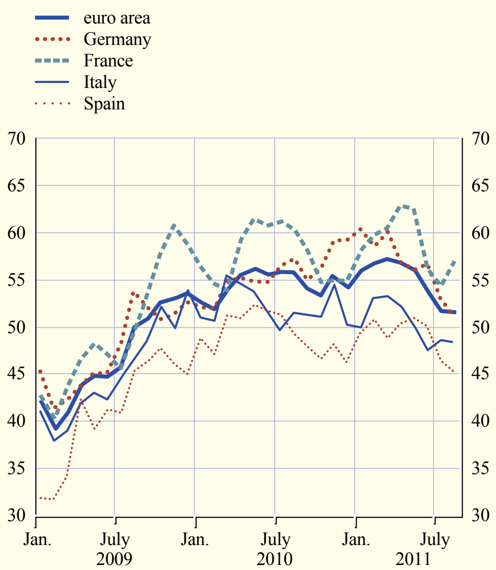
(index level)



Source: Markit.

Chart B PMI services business activity indices for the euro area and larger euro area countries

(index level)



Source: Markit.

Drivers of the slowdown

Before examining the specific causes of the current slowdown in euro area activity, it is worth considering two general factors which typically contribute to a deceleration in growth momentum in the course of a recovery. The first is the fading of the "bounce back effect". In the earlier stages of a recovery, growth is typically supported by the unwinding of a backlog of consumer and producer demand – as spending was deferred during the recession given the uncertain outlook – accompanied by a replenishing of inventories, which were reduced during the recession. The impact of this effect may have faded already in the current recovery.

The second factor that may be expected to contribute to a deceleration in growth is the return of capacity constraints, once a higher level of capacity utilisation has been restored. For the euro area economy, the capacity utilisation rate returned to a level close to its long-term average (81.6%) in April 2011. Recently, however, capacity constraints seem to have declined again somewhat. This is also evident in a recent decrease in supply-side limits to industrial production stemming from lack of equipment, which underlines the fact that the recent slowdown in economic activity indicated by surveys is not likely to be significantly related to such supply-side constraints. The latest declines in survey data in fact appear to be related to increasing lack of demand as a factor limiting production, as is also evident in the sharp decline in the PMI indices for new orders, including export orders, to levels clearly below 50.

An important factor behind the slowdown in euro area growth and the increasing lack of demand reported in surveys since the first quarter of this year appears to be spillover effects from developments in the global economy. The global PMIs show a similar pattern of decline over the past few months as those for the euro area, with the notable difference that the sharp declines appear to have started somewhat earlier than in the euro area. At the global level, several factors have contributed to the recent moderation in growth. In particular, the earthquake in Japan had a strong adverse impact on the country's domestic economy as well as on global supply chains. As these supply chain disruptions are gradually easing and firms make up for the lost production, one of the main factors holding back growth in the second quarter is now diminishing, and Japanese production should be expected to catch up to some extent in the third quarter. A further factor weighing on global growth as well as euro area growth is the strong increase in oil prices over the past year. Since reaching a trough in December 2008 oil prices have increased by about 150% up to August 2011 in euro terms and are almost 30% above their average level in 2010. At the same time structural headwinds are dampening the medium-term growth outlook, particularly in advanced economies. The prevailing need for private and public balance sheet repair as well as the persistently weak labour and housing markets point to a rather muted global recovery. Finally, the political debate in the United States over the debt ceiling and the adoption of a fiscal consolidation plan may have played a role in denting US consumer and business confidence in recent months. In turn, this may have added to the uncertainty surrounding global economic prospects recently, as reflected in increased financial market volatility.

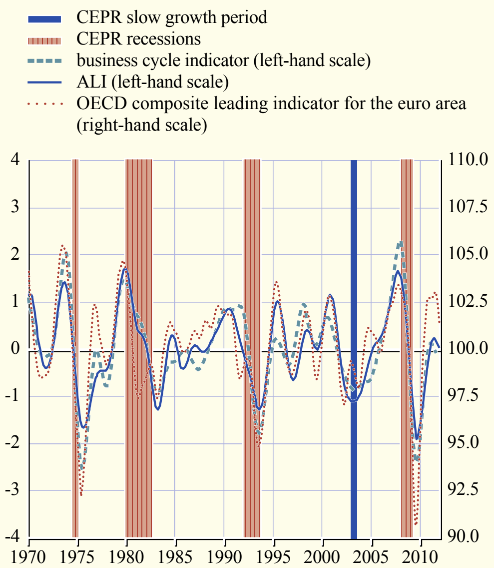
In the euro area, in addition to the global causes described above, a number of domestic factors appear to have played a role in the decline in growth since the first quarter of 2011. First, the strong growth in the first quarter was in part due to a temporary factor, i.e. a strong rebound in construction activity related to unusually adverse weather in the previous quarter. This was also reflected in the weak developments in construction value added in the second quarter. Moreover, the fiscal consolidation measures implemented in euro area countries are also likely to be dampening economic growth. In addition, the ending of various fiscal stimulus measures may have played a role in a number of euro area countries. For instance, the effects of the French car scrappage scheme have faded out. Finally, it is likely that the high level of uncertainty stemming from the sovereign debt crises in some euro area countries has had an effect on overall economic activity, via adverse confidence effects and increased economic uncertainty.

Prospects for euro area economic activity

Looking ahead, leading indicators of the euro area business cycle have deteriorated over the past months, pointing to an ongoing weakening in cyclical developments in the euro area in the second half of the year (see Chart C). However, despite this deterioration their current levels are consistent with continued modest growth.

Chart C The business cycle indicator, the euro area-wide leading indicator (ALI) and the OECD composite leading indicator for the euro area

(percentage deviation from trend; standardised; monthly data)



Sources: Thomson Reuters, ECB, European Commission, Eurostat, Ifo Institute for Economic Research, Markit, US Department of Labor, OECD, CEPR and ECB calculations.
Notes: The business cycle indicator is based on data on industrial production excluding construction up to June 2011. The ALI has a lead time of up to six months (i.e. it currently extends up to December 2011), and also the lead time of the OECD composite leading indicator amounts to about six months. The ALI and the OECD leading indicator are shifted by their six-month lead times.

The latest readings in the euro area-wide business cycle leading indicator (the ALI)[1] point to a downturn in the deviation cycle over its lead horizon up to December this year. These signals are confirmed by the OECD composite leading indicator for the euro area. This indicator, which also has a lead time of about six months on turning points in economic activity, has continuously declined over the past few months, albeit remaining at a higher level than the ALI. The third regularly published leading indicator for the euro area, the Conference Board Leading Economic Index (not shown in the chart) increased in July, following declines in the previous two months, pointing to a continued modest expansion in economic activity in the second half of the year. Other indicators, i.e. M1 and MFI loans to households, also point to further euro area output growth, albeit at modest rates (see Box 1).

Thus, overall, the currently available information suggests that, despite the recent significant declines in short-term indicators, a continuation of the expansion in euro area activity may be expected, albeit at modest rates (see also Box 9). A double-dip recession in the euro area, in the form of two or more successive quarters of negative growth, appears rather unlikely on the basis of the available indicators.

1 See De Bondt, G. and Hahn, E., “Predicting recessions and recoveries in real time: the euro area-wide leading indicator (ALI)”, *Working Paper Series*, No 1246, ECB, Frankfurt am Main, September 2010; and the box entitled “The measurement and prediction of the euro area business cycle”, *Monthly Bulletin*, ECB, May 2011.

PRIVATE CONSUMPTION

Following six consecutive quarters of positive growth, euro area private consumption declined quarter on quarter by 0.2% in the second quarter of 2011. Consumption is currently 1.2% above its most recent trough in the third quarter of 2009, but 0.5% below its most recent peak in the first quarter of 2008. The weakness in consumption in the second quarter reflects negative growth in retail sales and new car registrations. Of the larger countries, quarterly consumption growth was negative in Germany, France and the Netherlands. Recent developments in short-term indicators and surveys point to continued weakness in euro area consumer spending in the period ahead.

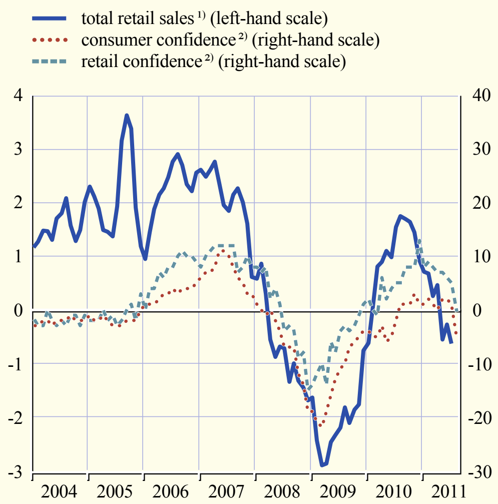
From a longer-term perspective, negative developments in aggregate real income have been the main driver behind the weakness in private consumption. The annual rate of change in real compensation of employees has been negative since the second quarter of 2009, and stood at -0.6% in the first quarter of 2011. High inflation, fuelled by increasing food and commodity prices, has been the main reason for the decline in consumers' purchasing power. In the initial phases of the recovery (which started in the third quarter of 2009), however, weak labour market conditions, with lower employment growth, also had a dampening effect on overall income growth. While labour markets have started to improve again, inflation will continue to weigh on real disposable income in the coming months (see Section 3).

The strong decline in financial and housing wealth in 2008 and 2009 also partly explains the muted growth in consumption during the recovery. More recently, however, year-on-year growth in financial wealth was positive from the latter half of 2009 up to the first quarter of 2011, while residential property prices in the euro area were up in the first quarter of 2011, year on year, for the fifth quarter in a row. These developments may help explain why the household saving ratio has been on a downward path, suggesting that households have been willing to reduce their precautionary savings in order to finance consumption. Indeed, in the first quarter of 2011 the saving ratio was close to the low level recorded in the last quarter of 2010.

Regarding the most recent developments in hard data, retail sales increased by 0.2% in July, compared with the previous month, thereby making a reasonably positive start to the third quarter (see Chart 52). This indicator, which has shown considerable weakness over the last few quarters, declined quarter on quarter by 0.3% in the second quarter of 2011 (see Box 7 for further details on the link between the retail trade and private consumption). The Purchasing Managers' Index (PMI) for retail sales stood at 48.1 in July and August on average, pointing to falling sales in the third quarter. According to European Commission surveys, retail confidence over these two months on average was slightly above its long-term average, but below the level of the second quarter. New passenger car registrations, which rose quarter on quarter in the first quarter, declined by 4.0% in the second.

Chart 52 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. Excludes fuel.
2) Percentage balances; seasonally and mean-adjusted.

No data for the third quarter are yet available, although the European Commission indicator on expected major purchases remains weak and fell further in August, which suggests that consumers are remaining cautious when deciding whether to purchase durables. The European Commission's indicator of consumer confidence, which provides a reasonably good idea of developments in consumption, posted a sharp decline in August and has now reached the same level as in mid-2010. This latest fall contrasts with the upturn recorded between early 2009 and the end of 2010, as well as the subsequent period of stability. The main drivers behind these longer-term developments, both the earlier rise and the fall in August 2011, are expectations as regards labour market developments and the general economic situation. Expectations regarding saving and the financial position of households have changed to a lesser extent. All in all, this information points to continued weakness in consumer spending in the period ahead.

Box 7

INDICATORS OF EURO AREA PRIVATE CONSUMPTION – CURRENT SITUATION AND AVENUES TO EXPLORE

Private consumption is an important variable to monitor, as it constitutes almost 60% of GDP in the euro area. Against this background, this box reviews the indicators that are currently available in order to estimate and assess the latest developments in private consumption. It then highlights the areas where the availability of high-frequency (and timely) indicators falls short. Finally, alternative indicators from outside official statistics are mentioned which could help to fill the current information gap.

Available short-term indicators for private consumption: retail trade and car purchases

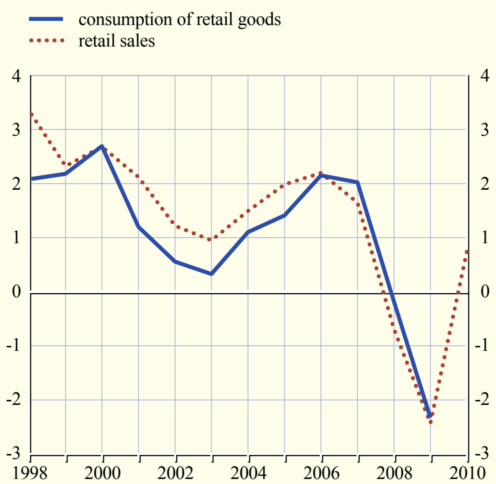
For monthly short-term indicators to be useful for consumption analysis, they need to be timely and exhibit reasonable co-movement with private consumption (or parts of it). The only indicators that currently appear to fulfil these criteria are the monthly series on the volume of retail trade turnover (published by Eurostat) and the number of new passenger car registrations (which are published by the European Automobile Manufacturers' Association (ACEA) and seasonally adjusted by the ECB). At the euro area level, retail trade constitutes almost 45% of overall consumption, while car purchases constitute slightly less than 5%. This means that, for almost 50% of private consumption, the timeliness of data for retail trade and car registrations allows a view of developments to be formed in advance of the release of the expenditure breakdown as part of the quarterly national accounts, which are typically available around two months after the end of the reference quarter.

One way of assessing the information content of these two early indicators is to use the COICOP[1] breakdown of private consumption and to construct aggregates that correspond to the short-term indicators of retail trade and car registrations. However, the COICOP breakdown of consumption is only available at annual frequency and is published with a significant delay. Chart A shows the annual rate of change for retail consumption in the euro area constructed from

1 "Classification of Individual Consumption by Purpose" (see Commission Regulation (EC) No 113/2002 of 23 January 2002). The classification of household consumption expenditure by consumption purpose is used by the European System of Accounts (ESA 95) and the Harmonised Index of Consumer Prices (HICP).

Chart A Euro area retail consumption and retail trade

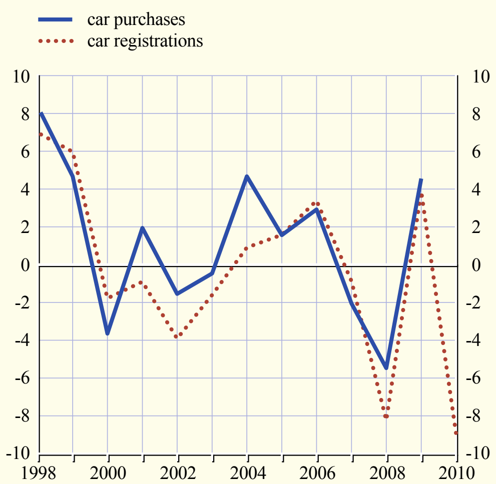
(annual percentage changes; annual data)



Sources: Eurostat and ECB calculations.

Chart B Euro area car purchases and registrations

(annual percentage changes; annual data)



Sources: ACEA, Eurostat and ECB calculations.

this breakdown alongside the retail trade series, while Chart B shows car purchases alongside new passenger car registrations (for comparative purposes, the monthly series have been converted to an annual frequency in both cases). The co-movements between the respective series do indeed suggest that it is reasonable to use retail trade and car registration data to form a view on recent developments in the corresponding sub-components of euro area private consumption. Despite the relatively good fit of the annual data, deriving quarterly movements from monthly data exhibits higher uncertainty. This may reflect differences in seasonal and working-day adjustments, as well as different revision policies being applied for national data. The monthly series on retail trade, for instance, is subject to frequent and sometimes large revisions.

Indicators for other consumption elements (mainly services)

The remaining 53% of total euro area private consumption, as defined in the national accounts, consists mainly of services, with housing (including energy) and restaurants and hotels accounting for the highest shares (see the table). Chart C illustrates the quarterly contribution from other consumption alongside the contributions from the retail trade and car registrations.[2] For other consumption, there

Components of other consumption (mainly services)

(weight as a percentage)

Housing, water, electricity, gas and other fuels	21.1
Services for routine household maintenance	0.9
Health	2.4
Transport services	2.1
Communication services	3.0
Recreational and cultural services	3.1
Package holidays	0.6
Education	0.8
Restaurants and hotels	8.8
Personal care	2.2
Social protection	1.1
Insurance	3.0
Financial services	3.9
Total	53.0

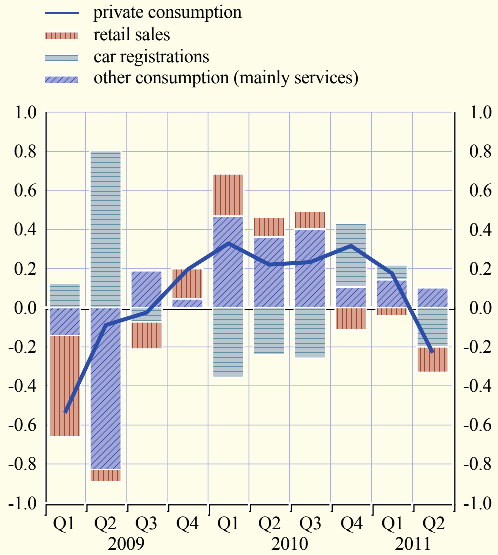
Sources: Eurostat and ECB calculations.
Note: The shares are calculated over the period 2006-09.

2 The contribution for other consumption is calculated as the residual by deducting the contributions from retail trade and car registrations from the actual quarter-on-quarter growth in total private consumption.

are no reliable, high-frequency indicators for euro area-wide developments, and all available indicators have their drawbacks.

Chart C Private consumption growth and contributions

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



Sources: ACEA, Eurostat and ECB calculations.

Harmonised turnover statistics on services are published by Eurostat. The coverage and level of detail for services industries has increased since the recent migration of business statistics to the new classification of economic activities (NACE Rev. 2).[3] However, euro area aggregates are still only partially available. Other significant drawbacks of these data are their timeliness and frequency. Despite the fact that the euro area time series are available monthly, data are only updated once a quarter, so all three months of a quarter are published simultaneously, usually when the quarterly national accounts are released. Moreover, their correlation with quarter-on-quarter growth in services consumption, as measured in national accounts, is currently not particularly high. However, it is expected that the quality of these services turnover indicators will improve over time with the increasing length of time series and by overcoming some initial data problems caused by the introduction of the new economic classification.

One potential source of indicators relates to tendency survey data. Both the European Commission business surveys and the surveys among purchasing managers (PMI surveys) provide various series covering the services sector. Some of these series show some co-movement with trend developments in services consumption (e.g. year-on-year growth). However, they often fail to capture the short-term dynamics, which are crucial when trying to form a view on the latest quarter-on-quarter consumption growth figure. This may in part reflect the fact that, in many cases, the tendency survey data also cover business services and not just services attributed to private consumption. The European Commission's survey among consumers provides information on matters such as households' intentions to make major purchases in the near future. The Commission's consumer confidence indicator often provides overall consistent signals with the general trend of private consumption. They are, however, less reliable in terms of capturing short-term movements (e.g. quarter-on-quarter growth) in consumer spending.

A third potential source of data relates to data on payment transactions. The use of payment statistics for conjunctural analysis is fairly new and two separate approaches can be identified. The first approach might consider credit card transactions from the main national and international card issuers. These data could potentially be interesting for the purposes of consumption analysis, at least for those service industries which make extensive use of card payments, such as the airline industry, hotels and restaurants. The second approach is the use of cash withdrawal data from automated teller machines and card payments at points of sale (ATM/POS transactions),

3 For more details on the new version of the NACE classification, see the box entitled "Recent changes in short-term statistics", *Monthly Bulletin*, ECB, April 2009.

which are collected by the European NCBs in the context of payment statistics. The coverage is more suitable for consumption analysis purposes, as all domestic transactions are included. However, issues remain relating to the current frequency of the data (annual) and the long reporting lag (around nine months).

A new avenue to be explored in more detail could come from the use of data derived from the internet (e.g. via search engines). As larger shares of e-commerce and increased penetration rates of internet equipment in private households can also be observed in Europe, this could become a potential source of very timely, high-frequency information on consumption behaviour.

Finally, the coverage of energy consumption by private households in the form of reliable, high-frequency statistics from larger energy producers, in particular, should become another area for statistical development.

To sum up, private consumption is an important variable to monitor. In this respect, the statistics on retail sales and new passenger car registrations provide useful indicators which together cover around half of consumer spending. However, the remainder of total euro area private consumption consists mainly of services. There are only a few reliable, high-frequency indicators for euro area-wide developments for this part and all available indicators have their drawbacks. This calls for new avenues of data gathering to be explored. Such additional, high-frequency information could help to bridge the gap to official statistics in order to broaden the information basis on the most recent developments in private consumption.

INVESTMENT

The improvement in gross fixed capital formation has been weak during the recovery, with the exception of the second quarter of 2010, when investment growth was particularly strong. Investment grew by 0.2% quarter on quarter in the second quarter of 2011, after growing by 1.8% in the first.

The full breakdown of capital formation in the second quarter is not yet available. On the basis of country data, it appears that growth in non-construction investment – which accounts for half of total investment – weakened in the second quarter, in line with weaker overall economic activity, in spite of relatively favourable profit and financing conditions. While the European Commission surveys indicate that capacity utilisation rose somewhat further in the second quarter, both the PMI and the European Commission surveys point to a fall in manufacturing confidence in the quarter.

Growth in both the residential and non-residential components of construction investment is also likely to have slowed in the second quarter, as suggested by a very modest rise in construction production. Some normalisation was expected following high volatility in previous quarters, which was related to unusual weather conditions in some countries. In addition, the weakness of the construction sector continued in some countries which had seen substantial increases in construction activity before the onset of the recent recession.

As regards the third quarter of 2011, the few early indicators available point to large uncertainty associated with the outlook for capital formation growth in the euro area. Capacity utilisation rates seem to have levelled off, suggesting less need to increase production capabilities further in the near term. Financing conditions have deteriorated in some countries, which should also dampen productive capital formation. Industrial confidence, as measured by the European Commission and national surveys, also points to subdued non-construction investment growth in the third quarter. The manufacturing PMI and its new orders component show a strong retrenchment to levels indicating contraction in non-construction investment in the third quarter. In contrast, hard data on industrial new orders, available up to June 2011, reveal an increase in orders in the investment goods sector.

Although growth in construction investment is expected to be stronger in the third quarter of 2011 than in the second, developments are still expected to be subdued, owing to a continuation of the adjustment in those regions where activity expanded extraordinarily in the pre-crisis period.

Over a longer time horizon and excluding short-term volatility, non-construction investment is expected to strengthen modestly in the coming quarters. As for construction investment, the residential component in particular should be sustained by a recovery in real estate markets, as indicated by a normalisation in the number of building permits issued.

GOVERNMENT CONSUMPTION

The trend of government consumption growth has recently been moderate, reflecting fiscal consolidation efforts in a number of countries. However, quarterly fiscal data tend to be rather volatile. Indeed, temporary factors were behind the increase in real government consumption in the first quarter of 2011. In the second quarter government consumption declined slightly, by 0.2%.

The decline in real terms in the second quarter reflects flat nominal government consumption compared with the first. Looking at individual components, restraint in compensation of government employees, which has a weight of close to a half of total government consumption, has been a major dampening force on total nominal government consumption. This restraint in compensation is a result of both wage cuts and employment reductions in some countries. Intermediate government consumption expenditure (which accounts for slightly less than a quarter of the total) has also been declining, owing to the ongoing consolidation efforts of governments. Social transfers in kind, which also account for almost a quarter of government consumption, have been growing more in line with historical averages. This has also been affected by the evolution of items such as health expenditure, which have a somewhat autonomous dynamic. The impact of the remaining components of government consumption, for example the consumption of fixed capital, on its overall development is relatively small.

Looking ahead, the impetus to domestic demand from government consumption is expected to remain limited in the coming quarters as a result of further expected fiscal consolidation efforts in a number of euro area countries.

INVENTORIES

Developments in inventories have been broadly in line with overall activity during the downturn and the subsequent recovery. Alongside the sharp fall in GDP growth from the second quarter of 2008 to the second quarter of 2009, inventories contributed -0.2 percentage point on average to quarter-on-quarter GDP growth. This course of action reflected rapidly deteriorating demand prospects, as well as very tight financing conditions.

Conversely, since the third quarter of 2009, when the recovery started, gradually improving demand expectations and more favourable financing conditions have led to an average positive contribution from inventories to GDP growth. In the second quarter of 2011 inventories contributed by 0.1 percentage point to quarter-on-quarter GDP growth, following a smaller, but nonetheless positive, contribution in the previous quarter. It is hard to assess how much the latest outcome was affected by the natural disaster in Japan in mid-March 2011 (see also Box 8 entitled "Euro area dependence on international supply chains"). However, caution is warranted when interpreting quarterly developments in such contributions, as there is some statistical uncertainty linked to the way inventories are estimated in national accounts and they are also prone to revisions.

Inventory levels are generally perceived as rather low, implying the need for selective restocking in the future. This is in line with the most recent bank lending survey, which reports a further pick-up in working capital financing needs. However, the recent slowdown in GDP growth and increased uncertainty as regards demand prospects may slow this process down. Most recent developments in survey data with a bearing on the third quarter of 2011 point to a small contribution to quarterly GDP growth from changes in inventories.

Box 8

EURO AREA DEPENDENCE ON INTERNATIONAL SUPPLY CHAINS

The supply shocks caused by the earthquake in Japan had serious effects on global supply chains and on those countries whose production strongly depends on Japanese inputs. The car industry was the most affected, as more than half of Japanese global car production occurs outside Japan. For instance, in the United States the implied drop in motor vehicle output in the second quarter of 2011 relative to the first quarter ($5.5 billion) represented an estimated negative contribution to GDP growth of at least 0.15 percentage point (on a quarter-on-quarter annualised basis). Although this episode had a more limited effect on euro area production, it raised general concerns about the risks of the international transmission of supply shocks via trade linkages.[1]

Global supply chains are a significant feature of today's global economy, and trade in intermediate inputs now accounts for more than half of the goods imported by OECD economies and around three-quarters of the imports of large developing economies.[2] Vertical specialisation and intra-industry trade have led to an increasing interconnectedness among economies and put emphasis on the importance of value chains as drivers of supply shocks. Against this background, this box describes the potential risks for the euro area stemming from disruptions in the global supply chain originating from its major trading partners. In this context, the degree of riskiness depends both on the current dependence on import suppliers and on the degree of substitutability via alternative suppliers.

General import patterns in the euro area

The euro area obtains 60% of its total extra-euro area imports of goods from ten major trading partners. In 2010 the most important euro area suppliers were China (13.5%),

1 Looking at the car industry, in 2009 the share of Japanese vehicle brands in total domestic production was 50% in the United Kingdom, 35% in the United States and only 3% in the euro area. The share of imported Japanese vehicles in total sales in 2010 was 13% in the United States, 5% in the United Kingdom and 4% in the euro area. The source of these data is the Reserve Bank of Australia, *Statement on Monetary Policy*, August 2011.

2 See Miroudot, S., Lanz, R. and Ragoussis, A., "Trade in Intermediate Goods and Services", *OECD Trade Policy Working Paper Series*, No 93, 2009.

the United Kingdom (9.6%), the United States (8.3%) and the Russian Federation (7.2%).[3] The share of intermediate goods in total extra-euro area imports increased sharply between 1999 and 2001, and between 2004 and 2008, when it reached the pre-crisis peak of 65% (see chart). At an aggregate sectoral level, mineral fuels, oils and energy-related products (20%), followed by machinery and computers (12%) and electrical machinery (11%), are the products with the highest import shares (see Table A). According to the Balassa index, the euro area tends to import more than the world average of mineral fuels, oils and energy-related products, pharmaceutical products, organic chemicals, clothing, aircraft, spacecraft and furniture.[4]

Share of intermediate goods in total extra-euro area imports

(percentage points)

Sources: Eurostat and ECB calculations.
Notes: Intermediate goods are defined according to the Broad Economic Categories classification of the United Nations. The last observation refers to May 2011.

Overall import dependence of the euro area

The overall import dependence of the euro area via global supply chains can be assessed in terms of the current dependence on its suppliers and the degree of substitutability of these suppliers with alternative sources. The analysis relies on a set of indicators computed from euro area

3 The others were Switzerland, the Czech Republic, Poland, Japan, Sweden and Norway.

4 The Balassa index is computed as $\frac{M_{i,EA}/M_{EA}}{M_i/M}$, where $M_{i,EA}$ is euro area imports of sector i, M_{EA} is total euro area imports, M_i is total world imports of sector i and M is total world imports. A value of the index greater than one means that in that sector the euro area imports relatively more than the aggregate world average import share, suggesting that, for the supply of goods belonging to that industry, the euro area is more dependent on imports than the world average.

Table A Euro area import shares by industry and Balassa index

(import shares in percentage points)

Industry	Import share	Balassa index
Mineral fuels, oils, waxes	19.89	1.16
Nuclear reactors, boilers, machinery and computers	11.63	0.91
Electrical machinery and equipment and parts	11.07	0.81
Vehicles other than railway or tramway	6.02	0.97
Pharmaceutical products, excluding drugs	4.27	1.48
Optical, photographic precision instruments and accessories	3.43	1.05
Organic chemicals	3.04	1.17
Articles of apparel and clothing – not knitted	2.31	1.73
Plastics and articles thereof	2.15	0.74
Articles of apparel and clothing – knitted	2.11	1.67
Pearls, stones, precious metals	1.93	0.64
Aircraft, spacecraft and parts thereof	1.77	1.28
Iron and steel	1.56	0.74
Furniture	1.48	1.27

Sources: Baci database and CEPII.
Note: The industries reported in this table are classified according to a two-digit level of aggregation.

Table B Euro area imports with high current dependence and low substitutability: selected sectors by trading partner

Trading partner	Number of sectors 1)	Number of intermediate sectors	Share of total bilateral imports 2) (percentages)
China	94	65	1.20
United States	44	31	7.80
United Kingdom	14	10	1.10
Japan	13	8	0.70
Switzerland	9	8	0.40
Russian Federation	6	6	3.20
Czech Republic	5	4	0.30
Sweden	4	4	1.60
Norway	3	1	2.20
Poland	2	1	0.80

Sources: CEPII and ECB calculations.
1) Sectors are selected applying the following criteria: main import partner's share above 30%; euro area import share above 20%; Balassa index above 1; and ubiquity share below 30%.
2) For each of the trading partners, the data give the value of the imports of the selected sectors as a share of the total bilateral imports of the euro area.

bilateral trade flow data for more than 5,000 sectors.[5] On the basis of these indicators, import flows characterised by high current dependence and low substitutability are identified as the vulnerable links in the euro area global supply chain.[6] In particular, the interruption of import flows for intermediate goods would represent a threat for euro area producers and a channel of international propagation of supply shocks.

The overall import dependence of the euro area varies considerably across trading partners (see Table B). When counting the sectors for which the euro area exhibits high current dependence and low substitutability from other suppliers, China leads (94 sectors, of which 65 intermediate goods), followed by the United States (44 sectors, of which 31 intermediate goods), the United Kingdom (14 sectors, of which 10 intermediate goods) and Japan (13 sectors, of which 8 intermediate goods). While only for the United States do these sectors represent a substantial share (7.8%) of the total bilateral trade with the euro area,[7] the goods imported from the other countries might still be relevant, as their absence could hinder the production of many final goods and harm specific euro area industries or firms.

To understand which industries are indeed more exposed, it is important also to take into account the sectoral dimension of the analysis.[8] This shows that the euro area exhibits high overall import dependence on most of its trading partners for organic chemicals used as inputs in the pharmaceutical, cosmetic and other downstream chemical sectors (plastic, rubber, paints, etc.). In addition, the import dependence is high for certain inorganic chemicals and textile intermediate products imported from China, for inorganic chemicals and pulp and paper-related products imported from the United States, and for synthetic textile products and small engines imported

5 The indicators used to capture high current dependence are: the share of each partner in the total extra-euro area imports for each sector (focusing on those sectors where the euro area import shares are above 20%) and the euro area Balassa index for imports (looking at sectors where this is greater than one). To assess the degree of substitutability, the following are computed: the world market share of each partner in each sector (considering only those sectors with a market share above 30%) and the total number of extra-euro area countries that export in each sector as a share of the 234 countries in the dataset (this index is called "ubiquity" and focuses on values smaller than 30%). Finally, intra-euro area import shares are calculated for each sector. If the intra-euro area import share is high, this is considered as evidence that domestic production could substitute for the lack of foreign suppliers.
6 The data used in the analysis, although very disaggregated, do not fully capture quality differences among varieties belonging to the same product category, and this probably implies an over-assessment of the degree of substitutability.
7 Another exception is Russia, with a share of 3.2%. This value is mainly driven by the imports of energy-related products.
8 Given the high number of very detailed sectors, what follows is only a synthetic overview of the results.

from Japan. As for the intermediate goods imported from the United Kingdom and Switzerland, they are usually characterised by quite a high degree of substitutability from domestic producers, also when the degree of substitutability from other foreign suppliers is low. This could be explained by the more similar trade specialisation between these countries and the countries of the euro area.

The results mainly suggest that the effects of a supply shock originating in one of the euro area's main trading partners would probably be limited to some specific domestic industries, in particular textiles and chemicals. For instance, the overall effects of the Japanese earthquake on euro area production turned out to be smaller than expected. Imports from Japan represent a relatively small share of total euro area imports (3%), and import dependence on Japan does not appear to be concentrated in those sectors where production was most affected by the earthquake (cars, motor vehicle parts and computer accessories). Nevertheless, as some anecdotal evidence has suggested, when substitutability is very low (e.g. owing to parent-affiliate linkages), a shock to the supply of crucial inputs can have a serious impact, even if only on a few individual firms.

EXTERNAL TRADE

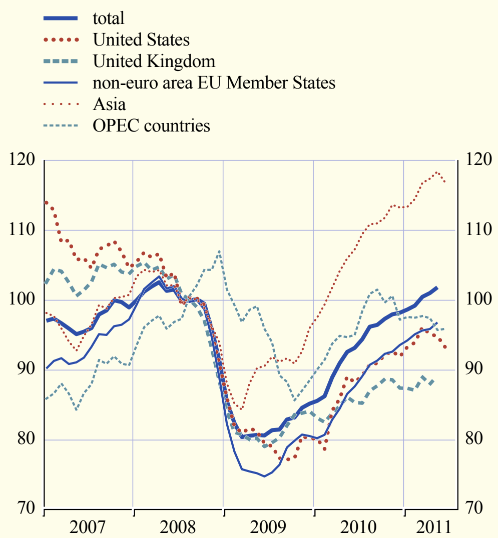
After a rebound in euro area trade towards the end of 2010 and during the first quarter of 2011, both quarter-on-quarter import and export growth (in terms of volume) slowed in the second quarter of 2011, to 0.5% and 1.0%, respectively. However, export growth remained above that of imports, leading to a positive net trade contribution to GDP growth. The slowdown in extra-euro area trade volumes was more pronounced than that in intra-euro area trade over the same quarter.

Data on trade values for goods and services available up to June 2011 indicate that extra-euro area trade growth rates witnessed a sizeable slowdown over the second quarter of the year. According to balance of payments data, the quarter-on-quarter growth rate of goods and services exports in value terms declined to 0.9% and that of imports to 0.0% in the second quarter of 2011 (down from 4.7% and 5.4%, respectively, in the previous quarter). Overall, the slowdown in extra-euro area exports in the second quarter was consistent with a broad-based slowdown in euro area foreign demand, both from advanced and emerging economies, in particular the United States and China (see Chart 53). The breakdown into product categories indicates that growth in extra-euro area export volumes of intermediate and consumption goods slowed more than that of capital goods.

At the same time, euro area imports were also weak in the second quarter of 2011. The developments in extra-euro area import values mainly reflected the weakness of domestic

Chart 53 Extra-euro area export volumes to selected trading partners

(indices: Q3 2008 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.
Notes: The latest observations refer to June 2011, except for the total, the non-euro area EU Member States and the United Kingdom (May 2011). The non-euro area EU Member States aggregate does not include Denmark, Sweden or the United Kingdom.

demand and were also in line with a moderation in euro area industrial production growth over the course of the second quarter. Among the main product categories, imports of intermediate goods slowed more than those of capital and consumer goods. In addition, energy imports from OPEC countries declined substantially, owing to the supply disruptions from Libya.

Turning to trade in services, according to balance of payments data, the values of services exports declined by 1.4% and those of imports by 0.9% in the second quarter, compared with the previous quarter. The weakness in services exports is related to subdued demand for services from the United States and the United Kingdom, which are the largest euro area trading partners for services.

Finally, the euro area current account deficit in the 12 months to June 2011 increased slightly in comparison with the corresponding period a year earlier, standing at €59.9 billion (i.e. around 0.6% of euro area GDP). This increase was mostly explained by a less positive goods balance and, to a lesser extent, a deterioration in the income balance.

Against the backdrop of a moderate expansion of global activity, continued tensions in financial markets and elevated uncertainty, euro area exports are expected to continue to grow at a moderate pace in the near term. The available survey-based evidence is consistent with a moderation in euro area trade in the second half of the year. The PMI for new export orders in the euro area manufacturing sector, however, was below the expansion/contraction threshold of 50 in July and August, indicating subdued developments in extra-euro area exports in the near term.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

Looking at the production side of national accounts, total value added has recovered in all main sectors since the end of the recession in the second quarter of 2009, but there are still marked differences across sectors. The pick-up has been strongest in the industrial (excluding construction) sector, in which the previous losses had also been the largest, although the level of industrial value added is still below its pre-crisis peak. Services value added has, however, returned to its pre-recession level, despite following a more modest recovery pattern than the manufacturing sector. The value added in the construction sector, which had declined further after the end of the recession, also subsequently recovered somewhat. Focusing on more recent developments, total value added growth slowed in the second quarter of 2011 and short-term indicators point to slowing growth in the third, but with the expansion continuing at a modest rate (see also Box 6 entitled "The recent slowdown in economic growth in the euro area").

Labour market conditions have started to improve in the euro area (see the labour market section below). After the strong deterioration in 2009 and subsequent improvement in 2010, employment growth was positive in the first quarter of 2011, while the number of persons unemployed has broadly stabilised in 2011.

SECTORAL OUTPUT

The recovery in total value added – which had strengthened significantly in the first half of 2010 – slowed in the second half of the year, with quarterly value added growth of 0.4% and 0.3% in the third and fourth quarters of 2010, respectively. It went up again by 0.7% in the first quarter of 2011, in part due to special factors, but fell to 0.2% in the second quarter.

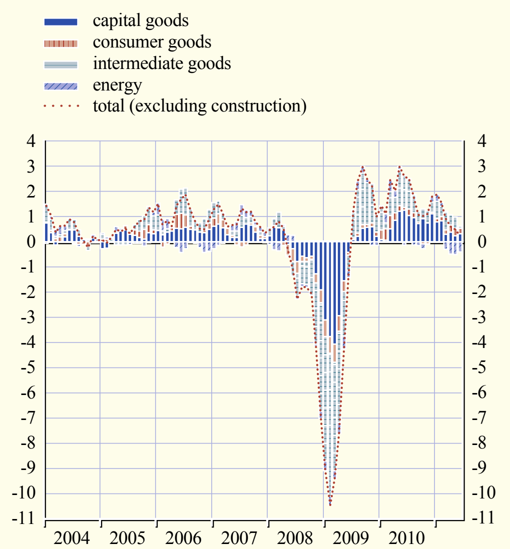
The moderation in total value added growth in the second quarter of 2011 was, to a large extent, due to a significant slowing in industrial (excluding construction) value added, whose pace of expansion fell from a quarterly rate of 1.7% in the first quarter of 2011 to 0.4% in the second. Production growth was also lower in the second quarter (see Chart 54). After growing in quarterly terms by 0.9% in the first quarter, industrial production (excluding construction) continued to increase, albeit at a slower pace, in the second quarter (0.2%). The lower growth rate in the second quarter was mainly due to energy production, which continued to decline strongly during the period. The intermediate goods sector, in which production declined slightly in the second quarter, also did not contribute to production growth in the second quarter, after having contributed strongly in the first. The positive contributions came from the capital and consumer goods industries.

The European Commission survey data indicate that limits to production decreased slightly in the three months to July 2011. This decline was related to a decrease in the supply-side related limits to production from their all-time high three months earlier due to a lack of equipment, while limits to production caused by insufficient demand became more pressing.

Short-term indicators point to an ongoing expansion in the industrial sector in the third quarter of 2011, albeit at very modest rates. The European Commission's industrial confidence indicator remained above its long-term average in the first two months of the third quarter, but declined strongly, compared with the second quarter, on the back of a drop in firms' appraisal of the level of order books and production expectations (see Chart 55). The manufacturing PMI output index also decreased in the first two months of the third quarter, standing on average below the theoretical

Chart 54 Industrial production growth and contributions

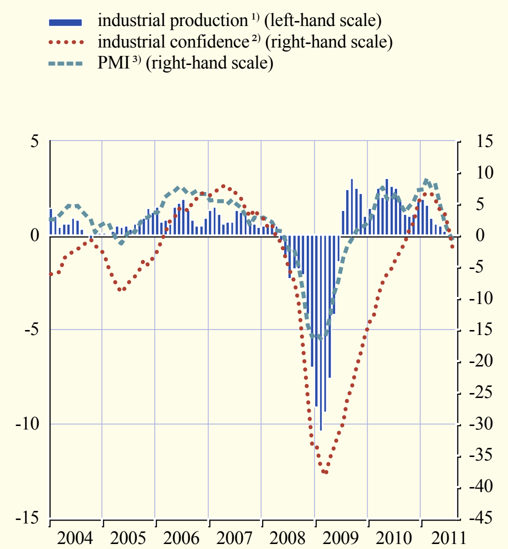
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 55 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Notes: Survey data refer to manufacturing.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

no-growth threshold of 50 for the first time since the second quarter of 2009. Industrial new orders, most of which should subsequently appear in production, continued to increase quarter on quarter in the second quarter of 2011. This increase was still solid for total new orders, whereas those excluding heavy transport equipment rose only marginally in the second quarter. The survey results regarding firms' assessment of their overall order books and new orders, as reported by the European Commission and Markit, weakened in July and August. The figures resulting from these surveys are now lower than their averages in the second quarter.

The construction sector contributed positively to the growth in total value added in the first quarter of 2011, in part making up for the loss in production caused by the previous quarter's adverse weather conditions. In the second quarter of 2011 construction value added displayed zero growth, signalling a stabilisation of the construction sector, albeit at low levels. For the third quarter of 2011, short-term indicators suggest weak construction value added growth. The construction PMI declined strongly in the first month of the third quarter, compared with the second quarter. New orders received by euro area construction firms declined further in July. The European Commission survey indicator of business confidence in the construction sector was slightly higher in the first two months of the third quarter than in the second quarter, but still below its long-term average.

Services valued added rose by 0.2% quarter on quarter in the second quarter of 2011, following growth of 0.3% in the previous quarter. Between the third quarter of 2009 and the second quarter of 2011, i.e. following the start of the recovery, services quarterly growth averaged 0.3%, whereas real GDP growth averaged 0.5%. This growth in the services sectors was, to a large extent, due to increases in the trade and transport services sector, whereas financial and other services value added has grown less.

Looking ahead, surveys point to ongoing growth in the services sector in the first two months of the third quarter, but at a slower pace than in the second quarter of this year. According to the PMI surveys, business activity and expectations for the months ahead were significantly lower in the first two months of the third quarter than in the previous quarter, but remained above the average for the respective series since 1998. The European Commission survey of business confidence in the services sector, which has shown a more gradual recovery since the recession than the PMI survey series, also suggests a strong decrease in July and August. Overall, survey results point to a weakening in growth momentum in services value added in the third quarter, but they also show that firms' hiring intentions remained favourable, which may suggest – beyond the standard lagged adjustment of employment to output – that, for the time being at least, companies view the weakness in growth momentum as temporary and not a sustained worsening of the growth outlook.

LABOUR MARKET

Following the pick-up in demand, the euro area labour market showed signs of gradual improvement during 2010 and at the beginning of 2011. A large part of the total labour adjustment during the downturn took place through a reduction in hours worked per person employed, rather than through reducing headcount, as firms hoarded labour in the face of the steep decline in demand. Conversely, much of the recent increase in demand has been met by utilising spare capacity within firms, with only a minor effect on employment. Consequently, initial indications of an improvement in labour markets have been observed in the recovery in hours worked, with gradual increases since the second quarter of 2009, while employment growth only started to expand in the last quarter of 2010. Following these developments, the unemployment rate was broadly stable over the course of 2010, before declining slightly in the first quarter of this year and subsequently increasing marginally, remaining at 10% on average in the course of the current year.

Table 9 Employment growth

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

	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2009	2010	2010 Q3	2010 Q4	2011 Q1	2009	2010	2010 Q3	2010 Q4	2011 Q1
Whole economy	-1.9	-0.5	0.0	0.2	0.1	-3.5	0.4	0.1	0.0	0.3
of which:										
Agriculture and fishing	-2.4	-0.6	0.3	0.4	-1.6	-2.3	-1.2	-0.1	0.0	-0.5
Industry	-5.7	-3.3	-0.4	-0.2	0.0	-9.0	-1.3	0.2	-0.5	0.6
Excluding construction	-5.2	-3.1	-0.2	0.1	0.3	-9.2	-0.3	0.8	0.1	0.7
Construction	-6.7	-3.7	-1.0	-0.9	-0.8	-8.6	-3.3	-0.9	-1.7	0.5
Services	-0.5	0.5	0.1	0.3	0.2	-1.6	1.0	0.1	0.2	0.3
Trade and transport	-1.8	-0.6	0.0	0.3	0.1	-3.0	0.3	-0.1	0.0	0.0
Finance and business	-2.2	1.0	0.2	0.3	0.9	-3.5	1.7	0.3	0.5	1.1
Public administration[1]	1.4	1.1	0.1	0.2	-0.1	1.0	1.4	0.1	0.1	0.1

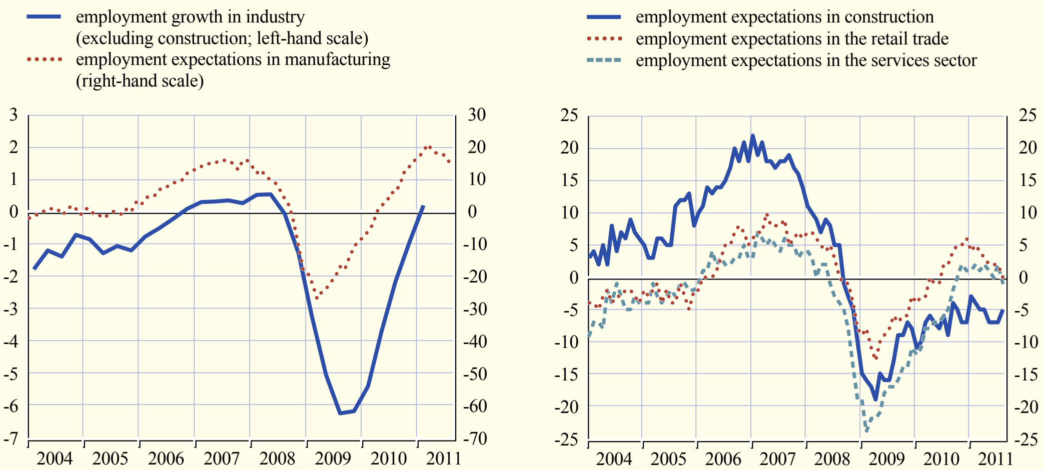
Sources: Eurostat and ECB calculations.
1) Also includes education, health and other services.

Specifically, total hours worked increased by 0.3% quarter on quarter in the first quarter of 2011. At a sectoral level, hours worked recovered slightly in the construction sector, following the strong decrease in the preceding quarter – confirming the ongoing weakness in this sector – while they grew moderately in industry (excluding construction) and services.

Employment rose on a quarterly basis by 0.1% in the first quarter of 2011, compared with 0.2% in the previous quarter. Total services employment increased by 0.2% quarter on quarter in the first quarter of 2011, slightly less than in the previous quarter, while job losses continued in construction, where employment declined by 0.8%. Employment rose by 0.3% in industry (excluding construction) (see Table 9).

Chart 56 Employment growth and employment expectations

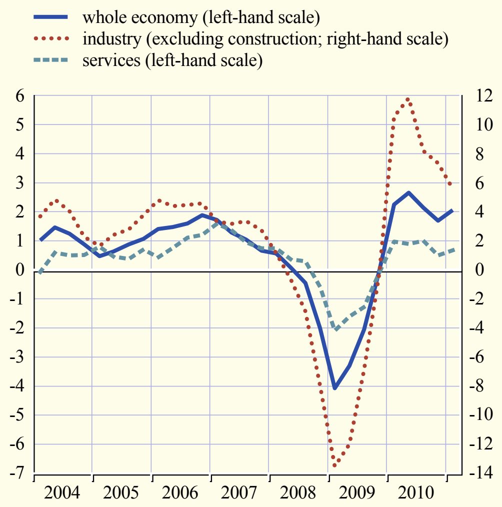
(annual percentage changes; percentage balances; seasonally adjusted)



Sources: Eurostat and European Commission Business and Consumer Surveys.
Note: Percentage balances are mean-adjusted.

Chart 57 Labour productivity

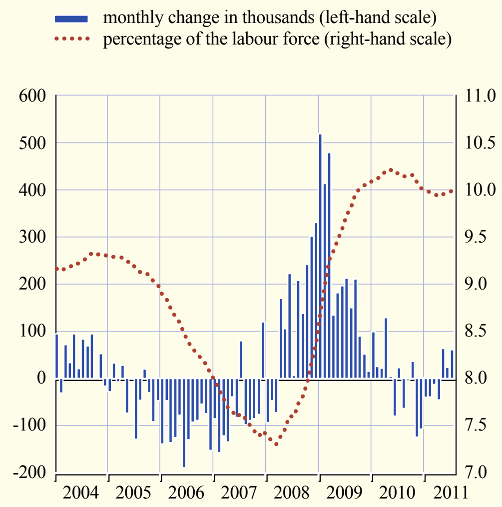
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 58 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Looking beyond available "hard" data, surveys of employment expectations suggest that employment should continue to increase in the third quarter of 2011. The euro area PMIs for employment expectations in manufacturing and services were both above 50 in July and August, pointing towards positive employment growth. The European Commission business surveys provide a similar picture (See Chart 56).

The recovery in euro area output growth, combined with the more modest improvements in employment, has brought about significant increases in productivity. Indeed, the latest available data, for the first quarter of 2011, show a further increase in productivity growth in year-on-year terms (see Chart 57). However, as GDP growth is expected to increase moderately, productivity growth is likely to decline.

Unemployment rose sharply during the recent recession and for some months thereafter, up from 7.3% at the beginning of 2008 to 10.2% at its peak in mid-2010 (see Chart 58). Since then, as activity has recovered, the euro area unemployment rate has edged slowly downwards, averaging 10.0% in the first seven months of 2011.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area real GDP growth decelerated to 0.2% quarter on quarter in the second quarter of 2011, after 0.8% in the first quarter. As expected, temporary factors which had boosted growth in the early part of the year ceased, and adverse effects resulted from the Japanese earthquake and the lagged impact of past oil price increases. Looking ahead, a number of developments seem to be dampening the underlying momentum in the euro area, including a moderation in the pace of global growth, related declines in equity prices and in business confidence, and unfavourable effects resulting from ongoing tensions in a number of euro area sovereign debt markets. As a consequence, real GDP growth is expected to increase very moderately in the second half of this year. At the same time, euro area economic activity is expected to benefit from ongoing growth in the global economy as well as from the accommodative monetary policy stance and the various measures taken to support the functioning of the financial sector.

This assessment is also reflected in the September 2011 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.4% and 1.8% in 2011 and between 0.4% and 2.2% in 2012 (see Box 9). Compared with the June 2011 Eurosystem staff macroeconomic projections, the ranges for real GDP growth in 2011 and 2012 have been revised downwards.

The risks to the economic outlook for the euro area are on the downside, in an environment of particularly high uncertainty. Downside risks mainly relate to the ongoing tensions in some segments of the financial markets in the euro area and at the global level, as well as to the potential for these pressures to spill over into the euro area real economy. They also relate to further increases in energy prices, protectionist pressures and the possibility of a disorderly correction of global imbalances.

Box 9

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 25 August 2011, ECB staff have prepared projections for macroeconomic developments in the euro area.[1] Average annual real GDP growth is projected to range between 1.4% and 1.8% in 2011 and between 0.4% and 2.2% in 2012. Inflation is projected to be between 2.5% and 2.7% in 2011 and between 1.2% and 2.2% in 2012.

Technical assumptions for interest rates, exchange rates, commodity prices and fiscal policies

The technical assumptions for interest rates and for both energy and non-energy commodity prices are based on market expectations, with a cut-off date of 18 August 2011.

The assumption about short-term interest rates is of a purely technical nature. Short-term rates are measured by the three-month EURIBOR, with market expectations derived from futures rates. The methodology gives an average level for these short-term interest rates of 1.3% for 2011 and 1.0% for 2012. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.2% in both 2011 and 2012. The pass-through from market rates to bank lending rates is assumed to function in line with historical regularity for most parts of the euro area. However, in some parts, notably where tensions in sovereign bond markets exist,

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from the euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in *A guide to Eurosystem staff macroeconomic projection exercises*, ECB, June 2001, which is available on the ECB's website. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used, involving a correction for exceptional events, is documented in *New procedure for constructing Eurosystem and ECB staff projection ranges*, ECB, December 2009, also available on the ECB's website.

the pass-through is expected to be accompanied by adverse effects on bank credit risk premia. Credit supply conditions are assumed to gradually normalise further but to continue weighing somewhat on activity over the projection horizon.

As regards commodity prices, on the basis of the path implied by futures markets in the two-week period ending on the cut-off date, the price of a barrel of Brent crude oil is assumed to average USD 110.1 in 2011 and USD 106.5 in 2012. The prices of non-energy commodities in US dollars[2] are assumed to rise by 19.6% in 2011 and to decline by 0.8% in 2012.

Bilateral exchange rates are assumed to remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date of 18 August 2011. This implies an exchange rate of EUR/USD 1.42 in 2011 and EUR/USD 1.43 in 2012, and an effective exchange rate of the euro that, on average, appreciates by 0.2% in 2011 and decreases by 0.2% in 2012.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 19 August 2011. They include all policy measures that have already been approved by national parliaments or that have been specified in sufficient detail by governments and are likely to pass the legislative process.

Assumptions with regard to the international environment

The pace of global growth has moderated in recent months. This slowdown partly reflects temporary factors, such as the impact of the Japanese natural and nuclear disasters on the Japanese economy and on global supply chains, as well as the dampening effects of high commodity prices on incomes in the major advanced economies. Looking ahead, the gradual waning of supply chain disruptions is expected to provide some growth impetus in the second half of this year. However, the higher than expected unemployment rates, lower business and consumer confidence in advanced economies, and continued weakness in the housing market in the United States are expected to weigh adversely on growth. In addition, the recent shift in sentiment in global financial markets, while not expected to derail the global economic recovery, is anticipated to have further negative repercussions through both confidence and wealth effects in the second half of 2011. In the medium term, the legacy of the financial crisis is expected to continue to weigh adversely on the strength of the recovery in advanced economies, reflecting the need for balance sheet adjustment in various sectors. This hampers the prospects for a swift improvement in labour markets in some advanced economies. By contrast, growth in emerging economies is expected to remain relatively robust, with overheating pressures persisting. World real GDP outside the euro area is assumed to grow, on average, by 4.1% in 2011 and 4.4% in 2012. Growth in euro area foreign demand is estimated to be 7.0% in 2011 and 6.8% in 2012. These growth rates are lower than in the June 2011 Eurosystem staff projections, reflecting notably a downward revision to the outlook for the US economy.

Real GDP growth projections

Following strong growth in the euro area in the first quarter of 2011, driven by a rebound in construction output, there has been a significant deceleration in economic activity in the past

2 Oil and food price assumptions are based on futures prices up to the end of the projection horizon. For other commodities, prices are assumed to follow futures until the third quarter of 2012 and thereafter to evolve in line with global economic activity.

Table A Macroeconomic projections for the euro area

(average annual percentage changes) [1), 2)]

	2010	2011	2012
HICP	1.6	2.5 – 2.7	1.2 – 2.2
Real GDP	1.7	1.4 – 1.8	0.4 – 2.2
Private consumption	0.8	0.3 – 0.7	0.0 – 1.6
Government consumption	0.5	-0.2 – 0.8	-0.7 – 0.5
Gross fixed capital formation	-0.8	2.2 – 3.6	0.8 – 5.4
Exports (goods and services)	11.0	5.6 – 8.4	2.3 – 9.7
Imports (goods and services)	9.3	4.7 – 7.3	2.0 – 9.2

1) The projections for real GDP and its components refer to working day-adjusted data. The projections for imports and exports include intra-euro area trade.
2) Data refer to the euro area including Estonia, except for the HICP data in 2010. The average annual percentage change in the HICP for 2011 is based on a euro area composition in 2010 that already includes Estonia.

few months. As was the case for the global economy, euro area activity was dampened by adverse effects related to the Japanese natural and nuclear disasters, as well as by the lagged impact of past oil price increases. The underlying momentum in the euro area also weakened as a result of domestic factors, such as lower equity prices, the tightening of the fiscal stance, more strict credit supply conditions and heightened uncertainty, as reflected in rising risk premia related to the sovereign debt crisis as well as in deteriorating business and consumer confidence. As several of these factors are expected to continue to have an adverse impact in the near term, real GDP is projected to increase only modestly during the second half of 2011. Thereafter, activity is expected to gradually gain momentum as euro area exports benefit from rising foreign demand, while domestic demand is projected to gradually strengthen, supported by the accommodative monetary policy stance, the measures to restore the functioning of the financial system and, eventually, the impact of robust global demand on domestic income. In annual terms, real GDP is expected to increase by between 1.4% and 1.8% in 2011 and between 0.4% and 2.2% in 2012.

Considering the demand components in more detail, the pace of growth of extra-euro area exports is expected to remain relatively strong until 2012, albeit falling below the rate of expansion of euro area foreign demand in 2012, in line with the trend decline in euro area export market shares. Following its strong rebound in the first quarter of 2011, total investment is projected to grow only moderately during the remainder of the year, before gaining more momentum in 2012. Business investment is expected to increase steadily over the projection horizon, supported by increasing profitability, sustained export growth and the emergence of capacity bottlenecks. However, residential investment growth is expected to stay relatively subdued throughout the projection period, owing to ongoing adjustments in housing markets in some countries, which are also reflected in projected modest house price increases. Moreover, government investment is assumed to decline until the end of 2012, as currently indicated in the fiscal consolidation packages announced in several euro area countries.

Private consumption growth is projected to be fairly subdued in 2011, before picking up slightly in 2012, mostly reflecting the pattern of real disposable income growth. While the adverse impact of past increases in commodity prices should dampen real disposable income growth during the remainder of 2011, inflationary pressures are expected to diminish thereafter, supporting the dynamics of real disposable income in 2012. Government consumption in real terms is projected

Table B Comparison with the June 2011 projections

(average annual percentage changes)

	2011	2012
Real GDP – June 2011	1.5 – 2.3	0.6 – 2.8
Real GDP – September 2011	1.4 – 1.8	0.4 – 2.2
HICP – June 2011	2.5 – 2.7	1.1 – 2.3
HICP – September 2011	2.5 – 2.7	1.2 – 2.2

to increase only modestly until 2012, reflecting the fiscal consolidation packages announced in several euro area countries. The pace of extra-euro area import growth is expected to pick up somewhat during 2011 before stabilising in 2012, rising faster over the projection horizon than total demand. Reflecting the somewhat stronger growth of exports, net trade is expected to make a positive, though declining, contribution to GDP growth throughout the projection period.

Price and cost projections

Euro area annual HICP inflation was 2.5% in August 2011. Overall HICP inflation is projected to stay above 2% in the next months, largely owing to the impact of past strong increases in oil and non-oil commodity prices on energy and food prices. Thereafter, on the basis of current futures prices for commodities, import price increases are projected to moderate. By contrast, domestic price pressures are expected to rise slowly, reflecting increasing labour costs as well as the pass-through of the past hikes in commodity prices, leading to a gradual rise in the inflation rate of the HICP excluding food and energy over the projection horizon. Overall, average annual headline inflation is projected to be between 2.5% and 2.7% in 2011 and between 1.2% and 2.2% in 2012. Growth in compensation per employee is projected to remain relatively moderate over the projection horizon, reflecting the expected muted improvement in labour market conditions. Owing to the partial and lagged response of nominal wages to consumer price inflation, real compensation per employee is projected to decline in 2011. Thereafter, it is expected to increase slowly. As productivity growth is projected to moderate, unit labour costs are expected to rebound in 2011 and to grow at a faster pace in 2012. As a consequence, profit margin growth is projected to be curtailed in 2011 and 2012, also reflecting the expected moderate growth of aggregate demand.

Comparison with the June 2011 projections

Compared with the Eurosystem staff macroeconomic projections published in the June 2011 issue of the Monthly Bulletin, the ranges for real GDP growth in the euro area for 2011 and 2012 have been revised downwards. The revisions for the outlook for 2011 and 2012 reflect both lower foreign demand and weaker domestic demand, the latter being dampened inter alia by higher uncertainty, reduced confidence, lower stock prices and more strict credit supply conditions, factors which overall are seen to outweigh the positive effects of the significant downward revision in the technical assumption for average euro area lending rates. The downward revision for 2012 also reflects the impact of additional fiscal tightening in some euro area countries. With regard to HICP inflation, the projection range for 2011 has been left unchanged, while the range for 2012 is slightly narrower than in the June 2011 projections.

Table C Comparison of forecasts for euro area real GDP growth and HICP inflation

(average annual percentage changes)

	Date of release	GDP growth		HICP inflation	
		2011	2012	2011	2012
OECD	May 2011	2.0	2.0	2.6	1.6
European Commission	May 2011	1.6	1.8	2.6	1.8
IMF	June 2011	2.0	1.7	2.6	1.8
Survey of Professional Forecasters	August 2011	1.9	1.6	2.6	2.0
Consensus Economics Forecasts	August 2011	1.9	1.5	2.6	1.9
ECB staff projections	September 2011	1.4 – 1.8	0.4 – 2.2	2.5 – 2.7	1.2 – 2.2

Sources: European Commission Economic Forecasts, Spring 2011; IMF World Economic Outlook Update, June 2011; OECD Economic Outlook, May 2011; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.
Notes: The ECB staff macroeconomic projections and the OECD forecasts both report working day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working day-adjusted or non-working day-adjusted data.

Comparison with forecasts by other institutions

A number of forecasts for the euro area are available from both international organisations and private sector institutions (see Table C). However, these forecasts are not strictly comparable with one another or with the ECB staff macroeconomic projections, as they were finalised at different points in time. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil and other commodity prices. Finally, there are differences in working day adjustment methods across different forecasts.

According to the forecasts currently available from other organisations and institutions, euro area real GDP growth is expected to range between 1.6% and 2.0% in 2011, marginally higher than the range of the ECB staff projections, and between 1.5% and 2.0% in 2012, which is close to the upper end of the range of the ECB staff projections. As regards inflation, available forecasts point to an average annual HICP inflation rate of 2.6% in 2011, which is within the range of the ECB staff projections. The HICP inflation forecasts for 2012 range between 1.6% and 2.0%, which is also within the range of the ECB staff projections.

5 FISCAL DEVELOPMENTS

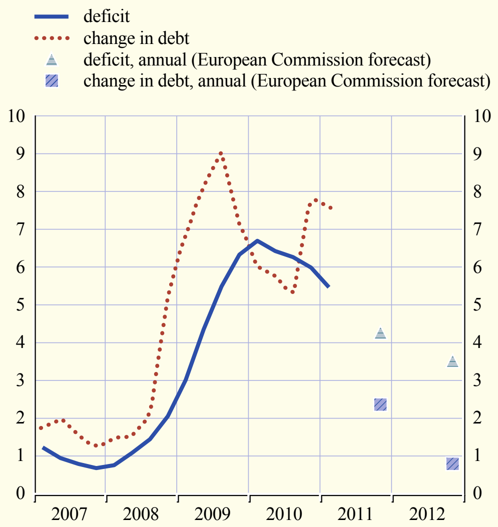
The latest statistics on euro area government finance point to a continuing decline in the euro area-wide government deficit and a more muted rise in the government debt-to-GDP ratio. At the same time, amid soaring financial market uncertainty and the continued spread of debt sustainability concerns, several euro area countries announced additional consolidation plans to correct their excessive deficits and put their debt-to-GDP ratios on a sustainable path. In order to firmly address concerns about fiscal soundness, governments should aim for a frontloaded consolidation, embedded in comprehensive strategies to improve countries' fiscal positions and long-term growth prospects, as well as reinforce their national budgetary frameworks.

FISCAL DEVELOPMENTS IN 2011

The latest government finance statistics for the euro area, which are available up to the first quarter of 2011, point to a continuing decline in the euro area-wide government deficit. As indicated in Chart 59, the four-quarter moving sum of the euro area deficit, i.e. the accumulated deficit over the last four quarters,[1] amounted to 5.5% of GDP in the first quarter of 2011. This compares with a deficit of 6.7% of GDP a year earlier and 6.0% of GDP in the fourth quarter of 2010. These indications of declining budgetary imbalances are in line with the European Commission's spring 2011 forecast, published in May this year, which sees the euro area deficit falling from 6.0% in 2010 to 4.3% in 2011. As shown in Chart 60, the decline in the euro area budget deficit ratio in the first quarter of this year was due to a slightly lower expenditure-to-GDP ratio and a slightly higher revenue-to-GDP ratio than in the previous quarter. If these developments were to persist, they would be broadly consistent with the European Commission's spring 2011 forecast of a decline of 1.3 percentage points in the expenditure-to-GDP ratio, to 49.1% of GDP in 2011, and an increase of 0.4 percentage point in the revenue-to-GDP ratio, to 44.9% of GDP.

Chart 59 Euro area government deficit and change in debt

(four-quarter moving sums as a percentage of GDP)

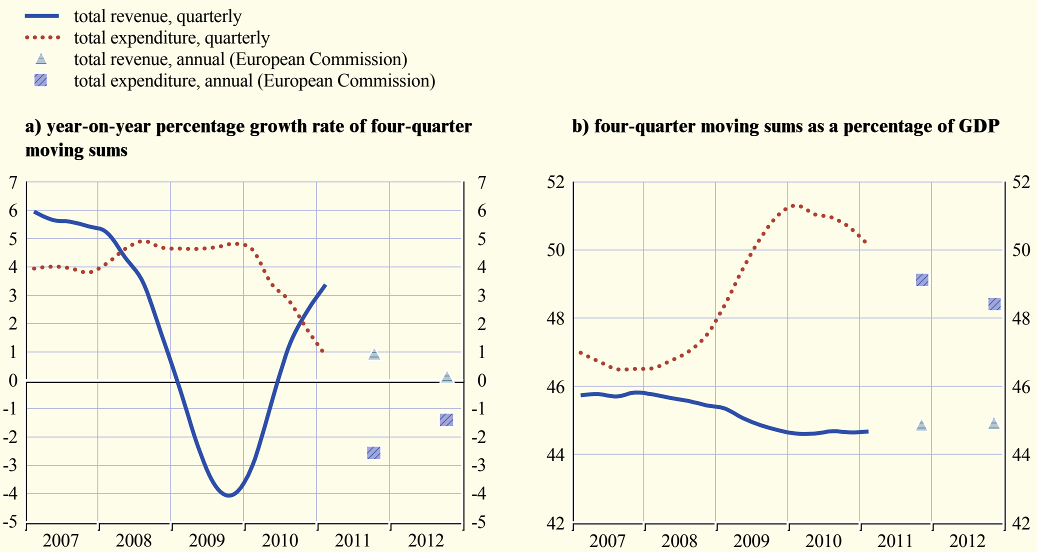


Sources: ECB calculations based on Eurostat and national data, and the European Commission's spring 2011 economic forecast.

As regards developments in the gross debt of general government in the euro area, data up to the first quarter of 2011 show a more muted rise in the debt-to-GDP ratio, as captured by its four-quarter moving average, than in the previous quarter. This is consistent with the European Commission's spring 2011 forecast of a slower increase in the debt-to-GDP ratio in 2011, which is expected to rise by 2.3 percentage points to 87.7% of GDP, after increasing by 6.1 percentage points in 2010. The slower increase in the 2011 debt-to-GDP ratio mainly reflects a considerably smaller primary deficit, as well as more limited stock-flow adjustments than in the year before.

1 Budgetary developments are analysed in terms of annual changes in order to eliminate seasonal influences.

Chart 60 Quarterly government finance statistics and projections for the euro area



Sources: ECB calculations based on Eurostat and national data, European Commission's spring 2011 economic forecast.
Note: The charts show the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from the first quarter of 2007 to the first quarter of 2011, plus the annual projections for 2011 and 2012 from the European Commission's spring 2011 economic forecast.

CURRENT BUDGETARY DEVELOPMENTS AND PLANS FOR 2012 AND BEYOND

In mid-June, the European Council concluded the first "European semester" by issuing Council opinions on EU countries' stability and convergence programmes, as well as on their national reform programmes.[2] The Council opinions call upon euro area governments to adhere strictly to the budgetary targets set out in their 2011 stability programmes as well as in the Memoranda of Understanding in the countries receiving EU/IMF financial assistance.[3] At the same time, for euro area countries in which the consolidation path outlined in the stability programmes points to consolidation gaps when compared with the European Commission's spring 2011 forecast, the Council opinions call upon governments to reinforce their consolidation efforts and to specify the measures needed to attain the stability programme targets and to correct excessive deficits by the agreed deadlines.

Against this background and further pushed by rising financial market uncertainty and the continued spread of debt sustainability concerns, several euro area countries announced additional consolidation plans and/or adopted legislative measures to correct their excessive deficits and put their debt-to-GDP ratios on a sustainable path. The following brief review of recent budgetary developments is limited to the largest euro area countries and to those covered by an EU/IMF financial assistance programme.

In Germany, according to the latest government projections, the general government budget deficit is expected to decrease from 4.3% of GDP in 2010 to 1½% of GDP in 2011, which is around 1 percentage point below the level in the stability programme update of April 2011. This improved

2 See also Box 1, entitled "The European semester", *Monthly Bulletin*, ECB, March 2011.
3 For an assessment of the 2011 stability programme updates, see *Monthly Bulletin*, ECB, June 2011.

budgetary situation is due mainly to a more positive macroeconomic outlook and to more favourable revenue projections. The German government is now planning for a gradual further reduction of the deficit to 1% of GDP in 2012 and to ½% of GDP in 2013. In line with the constitutional "debt brake", the general government budget would be balanced as of 2014. Government debt as a ratio to GDP is projected to gradually decline from around 83% of GDP in 2010 to slightly above 70% in 2015.

In France, the Parliament approved a supplementary budget law for 2011 on 6 July 2011. It consists predominantly of new revenue-related measures, the overall budgetary impact of which would be neutral over the medium term. The main measures include the abolition from 2012 of the 50% cap on the income tax payable by individuals on their total earned income (*bouclier fiscal*) and the reform of the taxation of gifts and legacies, the revenue-raising effects of which are partially offset by a reform of the personal wealth tax schedule (*impôt de solidarité sur la fortune*). On 24 August the government announced an additional consolidation package amounting to around €12.5 billion (about 0.6% of GDP) for the period up to 2012, of which €1.5 billion will have an impact in 2011. These additional consolidation efforts are predominantly revenue-based and mostly consist of measures that broaden the tax base and reduce tax expenditures. The measures are aimed at ensuring the achievement of the stability programme deficit targets of 5.7% and 4.6% of GDP in 2011 and 2012 respectively, at a time when real GDP growth is proving to be weaker than expected. The government has also revised its growth assumptions downwards from 2.0% in 2011 and 2.25% in 2012 to 1.75% in both years.

In Italy, the government announced additional measures on 5 August 2011 to address financial market concerns regarding the outlook for growth and public finances. The measures include bringing forward the balanced budget target from 2014 to 2013, as well as the introduction of a balanced budget rule in the constitution. The change to the constitution will require a qualified majority in the parliament and will take several months. As regards the fiscal consolidation process, on 12 August 2011 the government adopted a decree law that specifies the measures that should allow the target of a balanced budget to be reached by 2013. It is expected that the measures, which were partially amended by the parliamentary discussion, will receive final approval from the Parliament by mid-September. They consist mainly of the frontloading of the measures adopted in the consolidation package that was approved in July 2011, comprising substantial cuts in central government transfers to regions and local administrations, as well as an increase in indirect and direct taxes. An important part of the additional revenues will result from a reduction of tax expenditures. According to the Treasury, budget execution in the current year is thus consistent with the 2011 cash target (€67 billion), which should allow the stability programme deficit target of 3.9% of GDP to be attained.

In Spain, the government announced new measures in August, including changes to the management of corporation tax and cuts in pharmaceutical spending. These measures are intended to ensure that the general government deficit is brought down to the stability programme target of 6% of GDP this year. Budget execution data so far this year suggest that the central government and social security system budgets are broadly on track to meet this year's deficit target, but point to slippage in regional government budgets. Moreover, net borrowing by general government in the first quarter of 2011 edged up slightly in comparison with the same period in 2010. Also in August, the government – with the support of the main opposition party – proposed the introduction of budgetary stability provisions in the Spanish constitution.

In Greece, fiscal performance remained below expectations in the first half of 2011. As a consequence, the government adopted a new medium-term fiscal consolidation strategy, maintaining deficit targets under the EU/IMF financial assistance programme. It includes fiscal measures amounting to around 12½% of GDP in the period from 2011 to 2015, on top of the measures already implemented, as well as an ambitious privatisation programme aimed at raising proceeds of €50 billion by the end of 2015. On 21 July 2011, the euro area Heads of State and Government agreed on a new programme for the period up to 2014, involving additional official financing at significantly lengthened maturities, as well as lower interest rates and, exceptionally, a substantial voluntary contribution from private creditors.

In Portugal, quarterly data for net borrowing by general government indicated that the government would have to take additional measures in order to attain the fiscal target under the EU/IMF financial assistance programme of 5.9% of GDP in 2011, mainly due to slippages on the expenditure side. Against this background, the government adopted a number of revenue-raising measures, including a temporary extraordinary surcharge on individuals' personal income tax and an increase in VAT rates on energy as of 1 October 2011. Moreover, the government approved a ceiling on primary state expenditure, which will reduce nominal spending in the year 2012 by 10% in comparison with the current year. In line with programme requirements, the Portuguese authorities published, on 31 August 2011, their medium-term fiscal consolidation plan for the period from 2011 to 2015.

In Ireland, cash data for the first eight months of the year suggest that the general government deficit is on track to meet the EU/IMF financial assistance programme target of 10.6% of GDP for 2011. In line with programme requirements, a Fiscal Advisory Council was established at the end of June. Before the end of this year, the Irish authorities are set to present their medium-term fiscal consolidation plan for the period from 2012 to 2015.

In most other euro area countries, fiscal consolidation efforts need to be intensified in order to ensure a timely correction of their excessive deficits. Fiscal strategies need to be underpinned with well-specified measures, in particular in countries confronted with high debt-to-GDP ratios. A notable exception is Finland, which seems to be on track to bring its fiscal deficit to below 3% of GDP in 2011 in line with the excessive deficit procedure.

STRENGTHENED FISCAL GOVERNANCE

Following intense negotiations between the ECOFIN Council, the European Parliament and the European Commission, on 23 June 2011 the European Parliament adopted the so-called governance reform package, consisting of six legal texts aimed at strengthening economic governance in the EU and, in particular, in the euro area. With regard to fiscal governance, the agreement relates to the establishment of a public expenditure benchmark, a numerical benchmark for debt reduction, minimum standards for national budgetary frameworks, as well as a number of measures intended to improve compliance with the Stability and Growth Pact, such as the earlier and more gradual imposition of sanctions in the case of euro area countries. However, since the European Parliament and the European Council could not agree on the extension of reverse qualified majority voting in the preventive arm of the Stability and Growth Pact, the European Parliament did not formally close the first reading in June 2011, and negotiations on this open issue will continue in September.

At the summit of 21 July 2011, the euro area Heads of State or Government called for the rapid finalisation of the economic governance legislative package. Moreover, at the same summit the euro area countries agreed on measures to improve the effectiveness of the stability mechanisms for countries in severe economic distress, i.e. the current European Financial Stability Facility (EFSF), which will be replaced by the European Stability Mechanism (ESM) as of June 2013. In particular, to make the mechanisms more flexible while ensuring strict conditionality, it was decided to allow them to act on the basis of a precautionary programme, finance recapitalisation of financial institutions through loans to governments (also in euro area countries without a programme) and intervene in the secondary markets. EFSF purchases in the secondary markets, if necessary, need to be based on an ECB analysis recognising the existence of exceptional financial market circumstances and risks to financial stability.

On an earlier occasion, the euro area Heads of State or Government had agreed to bring the effective lending capacity of the EFSF to €440 billion and allow it to intervene in the primary markets. Employing the EFSF has an impact on the public finances of countries providing EFSF guarantees proportional to their (adjusted) contribution key under the EFSF. As the EFSF borrows in the market acting on behalf of the euro area governments to provide, under strict conditionality, loans to euro area countries in severe economic distress, these lending operations are routed through the government accounts of the guarantor countries. This means that for statistical purposes the loan provided to the borrowing country is not recorded as a direct loan from the EFSF, but as a loan from the EFSF to the guarantor countries, which in turn lend the money to the country in need and record it as a claim towards the beneficiary country. As a consequence, there is an increase both in the guarantor countries' gross government debt and their financial assets. In addition, the beneficiary country records in its government accounts a gross debt against the guarantor countries.

CONTINUED CHALLENGING ENVIRONMENT FOR EURO AREA FISCAL POLICIES

In the current economic environment, in which financial markets immediately penalise concerns about a country' fiscal soundness, and these concerns also spread to other countries with a vulnerable fiscal position, it is of the utmost importance that all euro area countries strictly fulfil their obligations under the Stability and Growth Pact. It is thus crucial for governments at the very least to meet this year's fiscal consolidation commitments under the excessive deficit procedures and, if necessary, correct any slippages. Moreover, the 2012 draft budgets, which are currently under preparation in most euro area countries, need to provide for sufficiently ambitious and well-specified measures, concentrated on the expenditure side, to fulfil fiscal targets for 2012 and beyond. In order to stabilise government debt-to-GDP ratios as quickly as possible and bring them on a sustainable declining path, governments should aim to frontload their consolidation efforts. Countries that enjoy better than expected economic and fiscal developments should make full use of this room for manoeuvre for faster deficit and debt reduction. All euro area countries should embed their budgetary measures in comprehensive strategies to improve fiscal positions and long-term growth prospects, as well as reinforce their national budgetary frameworks.

EURO AREA STATISTICS

CONTENTS[1]

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

ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2011 TO INCLUDE ESTONIA

In January 2011 Estonia joined the euro area, bringing the number of euro area countries to 17.

Detailed information on the current and past compositions of the euro area can be found in the General Notes.

CHANGES TO CHAPTER 2: "MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS"

Chapter 2 of the "Euro area statistics" section has now been amended in order to include newly available data on MFI balance sheets (pages S14, S15 and S17), the assets and liabilities of financial vehicle corporations (page S24), and the assets and liabilities of insurance corporations and pension funds (page S25). In addition, the old Section 2.7 ("Revaluation of selected MFI balance sheet items") has been removed – although it can still be downloaded from http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html. The old Section 2.8 has been reduced to a single page and become Section 2.7. Finally, Sections 2.9 and 2.10 on investment funds' balance sheets have become Sections 2.8 and 2.9 respectively, without any changes to their content. More information on the new statistics can be found in the General Notes.

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 [1]

	M1 [2]	M2 [2]	M3 [2, 3]	M3 [2, 3] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2]	Securities other than shares issued in euro by non-MFI corporations [2]	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) [4]
	1	2	3	4	5	6	7	8
2009	9.5	4.8	3.3	-	1.6	23.7	1.22	3.76
2010	8.5	1.8	0.5	-	0.6	3.9	0.81	3.36
2010 Q3	7.9	1.8	0.7	-	1.0	1.8	0.87	2.67
Q4	4.9	2.2	1.5	-	1.7	2.1	1.02	3.36
2011 Q1	3.2	2.4	1.9	-	2.4	2.2	1.10	3.66
Q2	1.6	2.4	2.1	-	2.6	1.7	1.42	3.41
2011 Mar.	3.0	2.7	2.2	2.1	2.5	1.6	1.18	3.66
Apr.	1.6	2.4	1.9	2.1	2.6	1.7	1.32	3.55
May	1.2	2.4	2.3	2.0	2.7	1.5	1.43	3.37
June	1.2	2.3	1.9	2.1	2.5	2.2	1.49	3.41
July	0.9	2.1	2.0	.	2.4	.	1.60	3.06
Aug.	.	.	.	.	.	.	1.55	2.76

2. Prices, output, demand and labour markets [5]

	HICP [1]	Industrial producer prices	Hourly labour costs	Real GDP (s.a.)	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment (s.a.)	Unemployment (% of labour force; s.a.)
	1	2	3	4	5	6	7	8
2009	0.3	-5.1	2.8	-4.3	-14.8	70.9	-1.9	9.6
2010	1.6	2.9	1.5	1.8	7.5	76.9	-0.5	10.1
2010 Q4	2.0	4.8	1.5	2.0	8.1	79.1	0.3	10.1
2011 Q1	2.5	6.5	2.6	2.4	6.5	80.9	0.3	10.0
Q2	2.8	6.3	.	1.6	4.1	81.3	.	9.9
2011 Mar.	2.7	6.8	-	-	5.7	-	-	10.0
Apr.	2.8	6.8	-	-	5.3	81.6	-	9.9
May	2.7	6.2	-	-	4.4	-	-	10.0
June	2.7	5.9	-	-	2.7	-	-	10.0
July	2.5	6.1	-	-	.	80.9	-	10.0
Aug.	2.5	.	-	-	.	-	-	.

3. External statistics

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)			Reserve assets (end-of-period positions)	Net international investment position (as a % of GDP)	Gross external debt (as a % of GDP)	Effective exchange rate of the euro: EER-20 [6] (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8	9
2009	-19.1	37.5	161.3	462.4	-16.5	116.6	111.7	110.6	1.3948
2010	-33.8	19.5	88.6	591.2	-12.9	119.0	104.6	103.0	1.3257
2010 Q3	-5.1	8.2	-47.8	552.2	-15.1	120.7	102.3	100.8	1.2910
Q4	3.6	6.4	92.8	591.2	-12.9	119.0	104.4	102.4	1.3583
2011 Q1	-27.9	-12.5	121.8	576.6	-13.2	116.9	103.7	101.5	1.3680
Q2	-27.6	-1.6	165.8	580.9	.	.	106.4	104.2	1.4391
2011 Mar.	-0.6	2.9	76.6	576.6	.	.	105.2	103.0	1.3999
Apr.	-6.4	-3.5	20.0	571.7	.	.	107.0	104.9	1.4442
May	-18.2	1.0	51.9	592.7	.	.	106.0	103.8	1.4349
June	-3.0	0.9	93.9	580.9	.	.	106.1	103.9	1.4388
July	.	.	.	621.6	.	.	105.2	102.6	1.4264
Aug.	.	.	.	.	.	.	104.9	102.2	1.4343

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

1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.
3) 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.
4) Based on AAA-rated euro area central government bond yield curves. For further information, see Section 4.7.
5) Data refer to the Euro 17, unless otherwise indicated.
6) For a 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

	12 August 2011	19 August 2011	26 August 2011	2 September 2011
Gold and gold receivables	363,250	363,252	363,248	363,248
Claims on non-euro area residents in foreign currency	215,946	215,876	214,935	214,286
Claims on euro area residents in foreign currency	26,772	27,313	27,901	28,402
Claims on non-euro area residents in euro	20,525	20,156	18,750	18,869
Lending to euro area credit institutions in euro	548,052	538,694	524,581	513,772
Main refinancing operations	157,073	147,689	133,674	121,669
Longer-term refinancing operations	390,830	390,830	390,830	392,055
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	6	90	0	14
Credits related to margin calls	143	85	77	33
Other claims on euro area credit institutions in euro	52,528	49,095	49,828	50,065
Securities of euro area residents in euro	491,930	504,668	510,325	523,034
Securities held for monetary policy purposes	155,694	169,985	175,309	188,564
Other securities	336,236	334,683	335,015	334,470
General government debt in euro	33,944	33,944	33,944	33,944
Other assets	320,079	323,649	328,122	327,503
Total assets	2,073,026	2,076,647	2,071,633	2,073,122

2. Liabilities

	12 August 2011	19 August 2011	26 August 2011	2 September 2011
Banknotes in circulation	858,176	854,587	850,189	852,975
Liabilities to euro area credit institutions in euro	441,489	447,277	431,687	446,983
Current accounts (covering the minimum reserve system)	286,783	244,830	196,998	179,746
Deposit facility	80,214	105,911	121,190	151,097
Fixed-term deposits	74,000	96,000	110,500	115,500
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	492	536	2,998	640
Other liabilities to euro area credit institutions in euro	3,886	2,180	4,660	4,225
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	62,044	60,329	70,910	53,348
Liabilities to non-euro area residents in euro	40,001	44,905	44,596	43,695
Liabilities to euro area residents in foreign currency	1,589	1,589	2,083	2,692
Liabilities to non-euro area residents in foreign currency	11,454	11,863	11,773	11,228
Counterpart of special drawing rights allocated by the IMF	52,170	52,170	52,170	52,170
Other liabilities	204,079	203,609	205,427	207,668
Revaluation accounts	316,657	316,657	316,657	316,657
Capital and reserves	81,481	81,481	81,481	81,481
Total liabilities	2,073,026	2,076,647	2,071,633	2,073,122

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
2008 9 July	3.25	0.25	-	4.25	0.25	5.25	0.25
8 Oct.	2.75	-0.50	-	-	-	4.75	-0.50
9 [4]	3.25	0.50	-	-	-	4.25	-0.50
15 [5]	3.25	...	3.75	-	-0.50	4.25	...
12 Nov.	2.75	-0.50	3.25	-	-0.50	3.75	-0.50
10 Dec.	2.00	-0.75	2.50	-	-0.75	3.00	-0.75
2009 21 Jan.	1.00	-1.00	2.00	-	-0.50	3.00	...
11 Mar.	0.50	-0.50	1.50	-	-0.50	2.50	-0.50
8 Apr.	0.25	-0.25	1.25	-	-0.25	2.25	-0.25
13 May	0.25	...	1.00	-	-0.25	1.75	-0.50
2011 13 Apr.	0.50	0.25	1.25	-	0.25	2.00	0.25
13 July	0.75	0.25	1.50	-	0.25	2.25	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 both to the deposit and marginal lending facilities and to the main refinancing operations (with changes effective from the first main refinancing operation following the Governing Council decision), 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.

4) As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.

5) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

1.3 Eurosystem monetary policy operations allotted through tender procedures [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)	Fixed rate tender procedures	Variable rate tender procedures			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7	8
				Main refinancing operations				
2011 25 May	116,102	241	116,102	1.25	-	-	-	7
1 June	110,762	174	110,762	1.25	-	-	-	7
8	102,442	145	102,442	1.25	-	-	-	7
15	135,585	235	135,585	1.25	-	-	-	7
22	186,942	353	186,942	1.25	-	-	-	7
29	141,461	232	141,461	1.25	-	-	-	7
6 July	120,024	185	120,024	1.25	-	-	-	7
13	153,597	230	153,597	1.50	-	-	-	7
20	197,070	291	197,070	1.50	-	-	-	7
27	164,200	193	164,200	1.50	-	-	-	7
3 Aug.	172,021	168	172,021	1.50	-	-	-	7
10	157,073	153	157,073	1.50	-	-	-	7
17	147,689	139	147,689	1.50	-	-	-	7
24	133,674	133	133,674	1.50	-	-	-	7
31	121,669	135	121,669	1.50	-	-	-	7
7 Sep.	115,408	126	115,408	1.50	-	-	-	7
				Longer-term refinancing operations				
2011 31 Mar. [5]	129,458	290	129,458	1.21	-	-	-	91
13 Apr.	83,687	40	83,687	1.25	-	-	-	28
28 [5]	63,411	177	63,411	1.29	-	-	-	91
11 May	80,653	60	80,653	1.25	-	-	-	35
26 [5]	48,131	182	48,131	1.38	-	-	-	98
15 June	69,403	60	69,403	1.25	-	-	-	28
30 [5]	132,219	265	132,219	.	-	-	-	91
13 July	67,748	57	67,748	1.50	-	-	-	28
28 [5]	84,977	165	84,977	.	-	-	-	91
10 Aug.	75,751	39	75,751	1.50	-	-	-	35
11 [5]	49,752	114	49,752	.	-	-	-	203
1 Sep. [5]	49,356	128	49,356	.	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2011 15 June	Collection of fixed-term deposits	76,714	61	75,000	-	-	1.25	1.25	1.20	7
22	Collection of fixed-term deposits	83,565	56	74,000	-	-	1.25	1.24	1.15	7
29	Collection of fixed-term deposits	75,014	57	74,000	-	-	1.25	1.25	1.17	7
6 July	Collection of fixed-term deposits	96,009	68	74,000	-	-	1.25	0.90	0.75	7
12	Collection of fixed-term deposits	75,404	119	74,814	-	-	1.25	1.05	1.03	1
13	Collection of fixed-term deposits	91,891	64	74,000	-	-	1.50	1.46	1.39	7
20	Collection of fixed-term deposits	86,144	63	74,000	-	-	1.50	1.40	1.31	7
27	Collection of fixed-term deposits	93,188	69	74,000	-	-	1.50	1.16	1.09	7
3 Aug.	Collection of fixed-term deposits	86,770	68	74,000	-	-	1.50	0.99	0.92	7
9	Collection of fixed-term deposits	145,149	121	145,149	-	-	1.50	1.30	1.27	1
10	Collection of fixed-term deposits	95,431	65	74,000	-	-	1.50	1.14	1.01	7
17	Collection of fixed-term deposits	123,165	78	96,000	-	-	1.50	1.20	0.96	7
24	Collection of fixed-term deposits	132,874	91	110,500	-	-	1.50	1.15	1.03	7
31	Collection of fixed-term deposits	152,913	98	115,500	-	-	1.50	1.14	1.02	7
7 Sep.	Collection of fixed-term deposits	173,575	100	129,000	-	-	1.50	1.05	1.00	7

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
2) With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures 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 tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October 2008, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. On 4 March 2010 the ECB decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010 and settled on 29 April 2010.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) In this longer-term refinancing operation, the rate at which all bids are satisfied is indexed to the average minimum bid rate in the main refinancing operations over the life of the operation. The interest rates displayed for these indexed longer-term refinancing operations have been rounded to two decimal places. For the precise calculation method, please refer to the Technical Notes.

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		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5
2011 Feb.	19,035.7	9,768.4	670.3	2,727.5	1,490.3	4,379.2
Mar.	18,868.8	9,700.2	671.9	2,733.9	1,399.8	4,363.0
Apr.	18,984.5	9,749.5	662.8	2,740.4	1,475.2	4,356.6
May	19,172.1	9,787.9	677.0	2,760.6	1,538.4	4,408.3
June	19,039.4	9,730.8	643.5	2,778.0	1,491.7	4,395.4

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	0.5	1.00
2011 12 Apr.	209.3	210.5	1.1	0.0	1.00
10 May	208.3	209.5	1.2	0.0	1.25
14 June	206.9	209.0	2.0	0.0	1.25
12 July	207.7	210.9	3.1	0.0	1.25
9 Aug.	208.8	211.5	2.7	0.0	1.50
13 Sep.	207.0	.	.	.	.

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 [2]	Deposit facility	Other liquidity-absorbing operations [3]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2009	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2010	511.1	179.5	336.3	1.9	130.4	44.7	70.8	815.9	94.4	-79.1	212.5	1,073.1
2011 8 Mar.	550.0	134.4	321.0	7.6	137.9	26.9	80.3	820.9	89.8	-79.9	212.9	1,060.7
12 Apr.	544.1	97.3	335.4	0.8	137.6	23.0	79.5	824.4	73.1	-95.2	210.5	1,057.9
10 May	525.9	109.2	320.5	0.4	136.6	22.8	76.8	833.9	61.3	-111.6	209.5	1,066.1
14 June	526.8	114.7	317.9	0.0	135.5	18.4	76.2	836.6	62.6	-107.9	209.0	1,064.0
12 July	533.6	146.0	311.6	0.2	134.2	29.5	76.9	846.2	73.4	-111.2	210.9	1,086.6
9 Aug.	541.3	171.7	321.5	0.1	133.9	56.7	79.2	854.2	71.4	-104.5	211.5	1,122.4

Source: ECB.
1) End of period.
2) Includes liquidity provided under the Eurosystem's covered bond purchase programme and the Eurosystem's securities markets programme.
3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.
For more information, please see: http://www.ecb.europa.eu/mopo/liq/html/index.en.html

2 MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

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 3)
		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													
2009	2,829.9	1,475.5	19.5	0.7	1,455.3	451.7	368.3	7.5	75.9	-	16.5	556.8	8.5	321.0
2010	3,212.4	1,537.4	18.6	0.9	1,517.8	574.4	463.8	9.6	101.1	-	18.1	684.3	8.5	389.8
2011 Q1	3,038.5	1,347.1	18.5	1.0	1,327.6	580.8	468.5	9.8	102.5	-	19.5	670.4	8.5	412.2
Q2	3,132.7	1,415.7	17.8	1.0	1,396.9	594.9	468.9	10.1	116.0	-	19.4	688.4	8.6	405.6
2011 Apr.	3,056.6	1,368.9	18.3	1.0	1,349.7	583.8	468.8	9.6	105.3	-	19.7	669.4	8.5	406.2
May	3,134.2	1,415.7	18.2	1.0	1,396.5	588.4	472.5	9.8	106.0	-	19.5	696.0	8.6	406.1
June	3,132.7	1,415.7	17.8	1.0	1,396.9	594.9	468.9	10.1	116.0	-	19.4	688.4	8.6	405.6
July (p)	3,245.0	1,474.5	17.8	1.0	1,455.8	578.0	464.8	10.4	102.8	-	19.0	727.8	8.7	437.0
	MFIs excluding the Eurosystem													
2009	31,144.3	17,701.6	1,001.7	10,783.9	5,916.1	5,060.0	1,482.1	1,498.0	2,079.9	85.1	1,236.1	4,252.4	220.7	2,588.3
2010	32,199.8	17,763.0	1,220.1	11,027.8	5,515.2	4,938.6	1,524.1	1,528.7	1,885.8	59.9	1,233.1	4,323.4	223.5	3,658.3
2011 Q1	31,564.3	17,793.6	1,187.1	11,117.7	5,488.8	4,704.2	1,412.9	1,492.9	1,798.3	64.5	1,202.9	4,277.0	227.4	3,294.8
Q2	31,742.8	17,889.4	1,152.7	11,225.4	5,511.3	4,695.8	1,458.5	1,473.1	1,764.3	61.6	1,251.5	4,282.9	228.9	3,332.7
2011 Apr.	31,758.3	17,865.7	1,178.9	11,141.4	5,545.4	4,694.2	1,419.3	1,499.3	1,775.5	63.6	1,248.6	4,297.9	228.0	3,360.3
May	32,103.9	17,904.9	1,155.9	11,201.2	5,547.8	4,713.4	1,430.3	1,496.9	1,786.2	65.1	1,256.3	4,436.8	229.0	3,498.4
June	31,742.8	17,889.4	1,152.7	11,225.4	5,511.3	4,695.8	1,458.5	1,473.1	1,764.3	61.6	1,251.5	4,282.9	228.9	3,332.7
July (p)	32,153.8	17,998.9	1,157.4	11,240.0	5,601.6	4,667.2	1,438.2	1,476.3	1,752.7	61.0	1,248.4	4,297.7	229.5	3,651.1

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units 4)	Debt securities issued 5)	Capital and reserves	External liabilities	Remaining liabilities 3)
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2009	2,829.9	829.3	1,192.0	102.6	22.1	1,067.4	-	0.1	319.8	140.2	348.5
2010	3,212.4	863.7	1,394.4	68.0	8.7	1,317.7	-	0.0	428.5	153.8	372.1
2011 Q1	3,038.5	848.4	1,264.5	60.8	8.9	1,194.9	-	0.0	402.3	155.0	368.3
Q2	3,132.7	871.6	1,320.1	72.5	11.2	1,236.3	-	0.0	412.2	157.5	371.4
2011 Apr.	3,056.6	858.8	1,268.4	80.0	9.3	1,179.0	-	0.0	405.5	152.1	371.8
May	3,134.2	862.4	1,313.9	65.4	10.4	1,238.1	-	0.0	423.8	158.4	375.6
June	3,132.7	871.6	1,320.1	72.5	11.2	1,236.3	-	0.0	412.2	157.5	371.4
July (p)	3,245.0	880.4	1,364.2	86.0	8.2	1,269.9	-	0.0	444.6	174.0	381.9
	MFIs excluding the Eurosystem										
2009	31,144.3	-	16,469.0	146.0	10,041.4	6,281.6	732.6	4,908.5	1,921.2	4,098.5	3,014.5
2010	32,199.8	-	16,497.6	196.2	10,526.4	5,774.9	612.3	4,845.2	2,045.0	4,220.3	3,979.4
2011 Q1	31,564.3	-	16,453.8	235.8	10,524.6	5,693.4	632.8	4,873.1	2,079.4	4,018.8	3,506.5
Q2	31,742.8	-	16,613.8	266.4	10,654.6	5,692.8	609.7	4,903.0	2,155.6	3,973.6	3,487.0
2011 Apr.	31,758.3	-	16,576.9	224.4	10,597.9	5,754.6	633.8	4,858.6	2,083.0	4,063.4	3,542.5
May	32,103.9	-	16,577.6	222.1	10,640.3	5,715.3	631.8	4,899.5	2,121.9	4,191.8	3,681.2
June	31,742.8	-	16,613.8	266.4	10,654.6	5,692.8	609.7	4,903.0	2,155.6	3,973.6	3,487.0
July (p)	32,153.8	-	16,704.0	230.1	10,649.1	5,824.8	599.8	4,893.3	2,190.6	3,973.5	3,792.6

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) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
4) Amounts held by euro area residents.
5) Amounts issued with a maturity of up to two years and 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 [2]
		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										
2009	23,862.5	11,805.7	1,021.1	10,784.5	3,355.9	1,850.4	1,505.5	812.7	4,809.2	229.1	2,850.0
2010	25,826.0	12,267.4	1,238.7	11,028.7	3,526.2	1,987.9	1,538.3	799.9	5,007.7	232.0	3,993.0
2011 Q1	25,327.7	12,324.3	1,205.6	11,118.7	3,384.2	1,881.4	1,502.7	779.0	4,947.4	235.9	3,657.0
Q2	25,491.3	12,396.9	1,170.5	11,226.4	3,410.5	1,927.3	1,483.1	788.7	4,971.3	237.6	3,686.4
2011 Apr.	25,476.0	12,339.5	1,197.1	11,142.4	3,397.1	1,888.1	1,509.0	822.3	4,967.3	236.5	3,713.2
May	25,808.8	12,376.3	1,174.2	11,202.1	3,409.5	1,902.9	1,506.7	800.0	5,132.8	237.6	3,852.5
June	25,491.3	12,396.9	1,170.5	11,226.4	3,410.5	1,927.3	1,483.1	788.7	4,971.3	237.6	3,686.4
July (p)	25,887.3	12,416.0	1,175.1	11,240.9	3,389.7	1,903.0	1,486.6	782.0	5,025.4	238.2	4,035.9
	Transactions										
2009	-644.8	15.8	29.4	-13.6	365.2	270.2	95.0	12.4	-464.8	7.8	-581.9
2010	600.3	413.0	206.5	206.5	143.9	145.8	-2.0	5.7	-110.0	2.4	145.2
2011 Q1	-278.4	39.0	-28.3	67.3	-11.0	19.2	-30.1	7.6	81.8	0.9	-396.7
Q2	191.0	68.0	-37.3	105.3	28.6	49.6	-21.0	14.6	35.6	1.9	42.3
2011 Apr.	237.8	26.1	-10.5	36.7	16.1	11.1	5.0	40.8	82.7	0.6	71.4
May	229.1	17.1	-23.3	40.4	7.1	10.2	-3.1	-18.4	83.1	1.3	138.9
June	-275.9	24.8	-3.4	28.2	5.4	28.3	-22.9	-7.8	-130.3	0.0	-168.0
July (p)	303.4	7.9	4.2	3.7	-9.5	-14.1	4.6	-1.8	-28.6	0.7	334.7

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities [2]	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2009	23,862.5	769.9	248.6	10,063.5	647.5	2,752.9	1,801.0	4,238.8	3,362.9	-22.5
2010	25,826.0	808.6	264.2	10,535.1	552.4	2,858.3	2,022.2	4,374.1	4,351.5	59.7
2011 Q1	25,327.7	798.3	296.6	10,533.5	568.2	2,972.3	2,038.3	4,173.8	3,874.8	71.9
Q2	25,491.3	819.7	339.0	10,665.8	548.1	3,022.7	2,085.6	4,131.1	3,858.4	21.0
2011 Apr.	25,476.0	805.4	304.4	10,607.3	570.2	2,977.8	2,042.5	4,215.5	3,914.3	38.6
May	25,808.8	810.4	287.4	10,650.7	566.7	3,007.4	2,070.0	4,350.2	4,056.8	9.1
June	25,491.3	819.7	339.0	10,665.8	548.1	3,022.7	2,085.6	4,131.1	3,858.4	21.0
July (p)	25,887.3	828.2	316.2	10,657.4	538.8	3,037.8	2,149.7	4,147.5	4,174.5	37.3
	Transactions									
2009	-644.8	45.8	-2.4	286.0	-12.5	-56.4	143.1	-590.3	-505.5	47.4
2010	600.3	38.6	12.8	331.5	-98.2	42.5	113.0	-27.4	132.7	54.8
2011 Q1	-278.4	-10.1	36.2	-20.0	-4.5	80.0	12.7	-48.0	-344.6	19.8
Q2	191.0	21.3	42.6	121.2	-19.7	34.4	45.2	-20.2	-2.0	-31.9
2011 Apr.	237.8	7.1	8.0	80.3	2.2	12.9	0.7	107.1	42.4	-22.9
May	229.1	5.0	-17.0	27.7	-3.5	3.8	12.0	73.3	148.8	-21.0
June	-275.9	9.2	51.6	13.2	-18.4	17.8	32.5	-200.6	-193.2	12.0
July (p)	303.4	8.5	-22.8	-14.3	-9.6	0.0	41.1	-22.8	306.5	16.8

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
3) Amounts held by euro area residents.
4) Amounts issued with a maturity of up to two years and held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics [1]

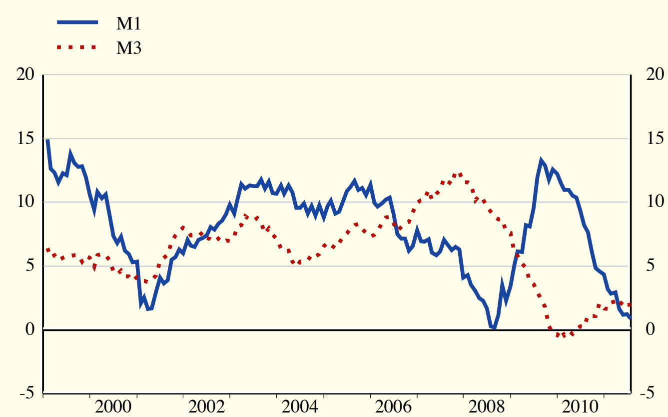
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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	Loans adjusted for sales and securitisation [4]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2009	4,498.8	3,701.6	8,200.4	1,134.1	9,334.5	-	6,762.9	2,909.6	13,105.9	10,792.9	-	552.2
2010	4,699.4	3,700.0	8,399.4	1,125.2	9,524.6	-	7,313.3	3,268.6	13,366.8	11,035.2	-	615.3
2011 Q1	4,714.1	3,743.7	8,457.8	1,132.3	9,590.1	-	7,445.8	3,090.5	13,424.0	11,130.8	-	784.1
Q2	4,705.7	3,782.4	8,488.1	1,163.4	9,651.5	-	7,544.4	3,062.1	13,466.2	11,195.1	-	840.8
2011 Apr.	4,694.4	3,750.7	8,445.1	1,139.7	9,584.7	-	7,482.2	3,073.8	13,440.3	11,145.7	-	776.9
May	4,691.0	3,786.4	8,477.4	1,171.5	9,649.0	-	7,542.4	3,068.4	13,487.3	11,197.2	-	813.3
June	4,705.7	3,782.4	8,488.1	1,163.4	9,651.5	-	7,544.4	3,062.1	13,466.2	11,195.1	-	840.8
July (p)	4,717.4	3,793.2	8,510.5	1,166.6	9,677.1	-	7,615.1	3,064.9	13,492.9	11,216.1	-	886.4
	Transactions											
2009	490.4	-368.0	122.5	-160.4	-37.9	-	422.7	307.6	90.1	-14.7	31.2	125.1
2010	195.6	-12.2	183.4	-24.1	159.4	-	265.6	356.5	207.0	204.8	261.7	-82.6
2011 Q1	14.4	40.4	54.9	-14.0	40.8	-	80.9	-48.4	68.7	72.9	43.7	158.5
Q2	-5.3	31.9	26.7	13.8	40.5	-	90.7	-26.8	43.2	61.9	69.2	46.0
2011 Apr.	-13.8	10.0	-3.8	-2.0	-5.8	-	47.5	-14.3	25.5	27.9	31.8	-9.7
May	-6.8	25.5	18.7	24.1	42.8	-	24.6	-10.2	30.7	32.1	34.8	15.4
June	15.3	-3.6	11.7	-8.3	3.4	-	18.7	-2.3	-13.0	1.9	2.7	40.2
July (p)	9.1	9.2	18.3	2.4	20.7	-	31.5	12.5	22.1	10.1	23.6	2.0
	Growth rates											
2009	12.2	-9.0	1.5	-11.9	-0.4	-0.2	6.7	11.8	0.7	-0.1	0.3	125.1
2010	4.3	-0.3	2.2	-2.1	1.7	1.8	3.8	12.2	1.6	1.9	2.4	-82.6
2011 Q1	3.0	2.3	2.7	-1.0	2.2	2.1	3.9	8.0	2.2	2.5	2.8	74.2
Q2	1.2	3.7	2.3	-0.9	1.9	2.1	4.9	4.7	2.2	2.5	2.8	137.1
2011 Apr.	1.6	3.3	2.4	-1.6	1.9	2.1	4.0	7.4	2.3	2.6	2.8	73.7
May	1.2	3.9	2.4	1.5	2.3	2.0	4.4	5.7	2.6	2.7	3.0	55.2
June	1.2	3.7	2.3	-0.9	1.9	2.1	4.9	4.7	2.2	2.5	2.8	137.1
July (p)	0.9	3.7	2.1	0.9	2.0	.	4.6	4.9	1.9	2.4	2.6	166.6

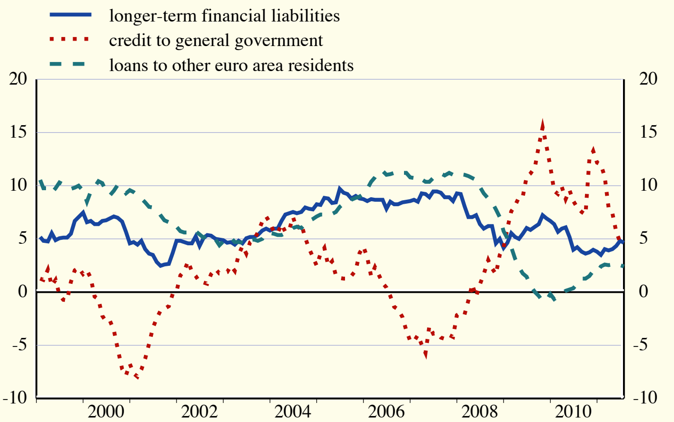
C1 Monetary aggregates [1]

(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.
Monthly and other shorter-term growth rates for selected items are available at: http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html

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

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

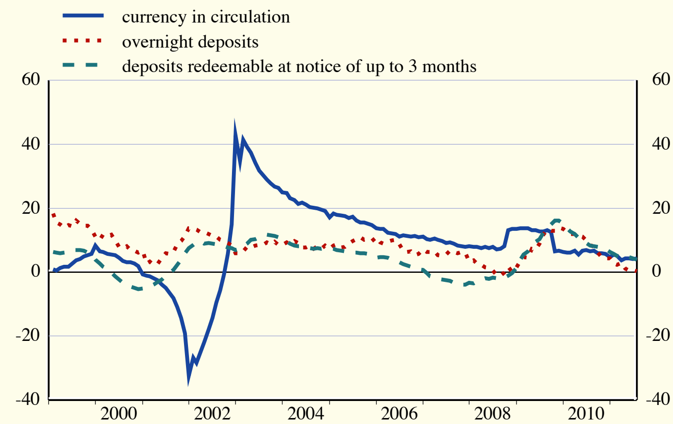
4) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

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)

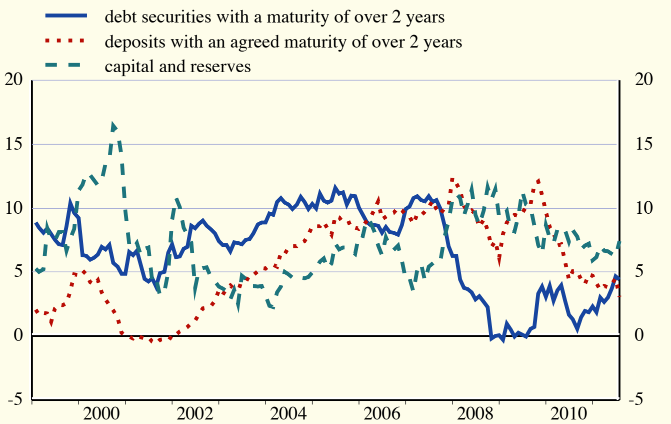
2. Components of monetary aggregates and longer-term financial liabilities

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009	757.5	3,741.2	1,896.8	1,804.8	334.3	668.1	131.8	2,635.4	132.5	2,207.9	1,787.2
2010	793.6	3,905.8	1,785.1	1,914.9	433.8	570.2	121.2	2,753.6	118.4	2,436.0	2,005.3
2011 Q1	802.7	3,911.5	1,821.6	1,922.1	410.2	568.5	153.6	2,815.7	119.7	2,469.3	2,041.0
Q2	815.4	3,890.3	1,844.6	1,937.8	441.2	550.6	171.6	2,845.4	119.7	2,494.2	2,085.1
2011 Apr.	802.5	3,891.9	1,827.4	1,923.3	418.4	563.6	157.7	2,818.5	119.7	2,486.6	2,057.4
May	812.5	3,878.5	1,852.4	1,933.9	457.3	556.1	158.1	2,842.3	119.6	2,489.5	2,091.0
June	815.4	3,890.3	1,844.6	1,937.8	441.2	550.6	171.6	2,845.4	119.7	2,494.2	2,085.1
July (p)	816.3	3,901.1	1,849.1	1,944.0	460.7	535.0	170.9	2,855.5	120.0	2,492.6	2,147.0
	Transactions										
2009	44.3	446.1	-605.2	237.2	-12.6	-13.1	-134.7	78.6	9.0	194.0	141.1
2010	36.0	159.6	-125.1	113.0	95.2	-101.2	-18.1	61.9	-14.1	108.2	109.6
2011 Q1	9.2	5.2	35.6	4.9	-12.3	-22.2	20.4	40.2	1.4	7.2	32.2
Q2	12.7	-18.0	18.2	13.8	31.4	-17.5	-0.1	31.8	0.0	17.1	41.8
2011 Apr.	-0.2	-13.6	10.7	-0.7	8.5	-4.7	-5.8	20.1	0.0	14.5	12.8
May	10.0	-16.8	14.9	10.7	39.0	-7.5	-7.3	5.8	-0.2	0.9	18.0
June	2.9	12.5	-7.4	3.8	-16.1	-5.3	13.0	5.9	0.2	1.6	10.9
July (p)	0.9	8.2	3.0	6.3	19.1	-15.9	-0.8	-4.9	0.3	-2.8	38.9
	Growth rates										
2009	6.2	13.5	-24.2	15.1	-3.5	-1.9	-50.4	3.0	7.3	9.7	8.7
2010	4.8	4.3	-6.6	6.3	28.3	-15.1	-13.4	2.3	-10.7	4.7	5.9
2011 Q1	3.7	2.8	-0.2	4.8	20.8	-13.1	-0.8	2.7	-9.3	3.9	6.7
Q2	4.1	0.6	3.1	4.2	14.0	-12.4	8.3	4.7	-6.3	4.5	6.2
2011 Apr.	4.3	1.1	2.2	4.3	20.0	-13.0	-4.9	3.0	-8.8	3.8	6.6
May	4.3	0.5	3.1	4.6	29.7	-13.0	-5.1	3.7	-7.9	4.1	6.4
June	4.1	0.6	3.1	4.2	14.0	-12.4	8.3	4.7	-6.3	4.5	6.2
July (p)	4.3	0.2	3.5	3.9	20.1	-12.7	6.8	4.4	-4.6	3.1	7.5

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]

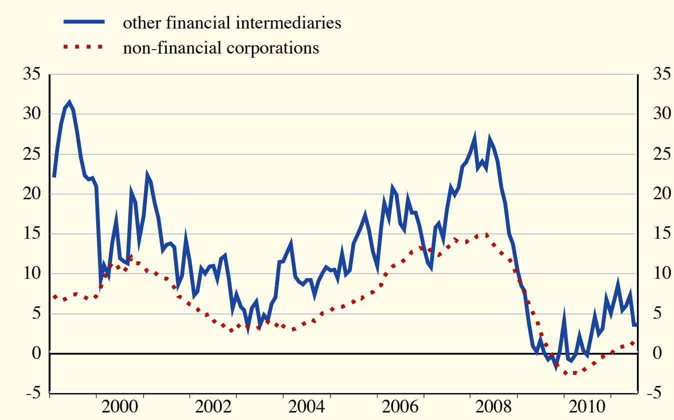
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Loans to financial intermediaries, non-financial corporations and households

	Insurance corporations and pension funds	Other financial inter-mediaries	Non-financial corporations					Households [3]				
	Total	Total	Total	Loans adjusted for sales and securitisation [4]	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Loans adjusted for sales and securitisation [4]	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10	11	12
						Outstanding amounts						
2009	89.0	1,060.7	4,690.9	-	1,187.8	937.6	2,565.5	4,952.2	-	631.3	3,546.6	774.3
2010	95.0	1,112.0	4,668.9	-	1,127.3	899.0	2,642.6	5,159.3	-	639.3	3,701.3	818.7
2011 Q1	87.8	1,108.9	4,706.5	-	1,146.9	883.4	2,676.2	5,227.6	-	637.0	3,762.2	828.5
Q2	88.8	1,118.4	4,732.5	-	1,175.8	867.3	2,689.4	5,255.4	-	629.4	3,792.7	833.2
2011 Apr.	86.0	1,122.7	4,697.9	-	1,147.2	875.9	2,674.8	5,239.2	-	638.0	3,775.6	825.6
May	87.5	1,142.4	4,713.6	-	1,152.8	879.7	2,681.1	5,253.7	-	636.2	3,786.5	831.0
June	88.8	1,118.4	4,732.5	-	1,175.8	867.3	2,689.4	5,255.4	-	629.4	3,792.7	833.2
July (p)	91.2	1,140.3	4,733.5	-	1,168.2	865.9	2,699.4	5,251.0	-	625.7	3,790.4	834.9
						Transactions						
2009	-13.6	40.8	-107.0	-108.0	-181.2	-18.9	93.2	65.1	99.5	-1.0	51.4	14.7
2010	7.0	52.9	-2.3	45.5	-37.0	-26.2	60.9	147.1	155.8	-7.6	133.7	21.0
2011 Q1	-3.1	-21.0	37.4	37.2	20.1	-2.9	20.3	59.6	30.5	-1.2	59.0	1.8
Q2	1.0	3.5	30.4	32.9	30.9	-17.2	16.7	27.0	31.0	-7.1	25.5	8.6
2011 Apr.	-1.8	19.5	-2.3	-1.3	3.1	-8.4	2.9	12.6	15.0	0.8	10.8	1.0
May	1.5	8.9	10.0	10.8	3.8	2.6	3.6	11.7	13.2	-1.8	8.7	4.8
June	1.3	-24.8	22.7	23.4	23.9	-11.3	10.1	2.7	2.8	-6.1	6.0	2.8
July (p)	2.3	18.8	-3.3	-2.4	-9.2	-2.0	7.8	-7.7	4.9	-3.9	-5.0	1.2
						Growth rates						
2009	-13.2	4.2	-2.2	-	-13.1	-2.0	3.7	1.3	-	-0.2	1.5	1.9
2010	8.0	4.9	0.0	1.0	-3.1	-2.8	2.4	2.9	3.1	-1.2	3.8	2.7
2011 Q1	5.7	5.6	0.9	1.8	0.0	-2.3	2.4	3.4	3.0	-0.9	4.5	2.0
Q2	5.7	3.5	1.5	2.4	4.3	-3.7	2.1	3.2	2.9	-1.8	4.3	2.5
2011 Apr.	1.0	6.1	1.0	1.9	1.4	-3.1	2.3	3.4	3.0	-0.7	4.5	1.8
May	3.0	7.3	1.0	1.8	1.3	-2.6	2.1	3.4	3.1	-0.8	4.4	2.1
June	5.7	3.5	1.5	2.4	4.3	-3.7	2.1	3.2	2.9	-1.8	4.3	2.5
July (p)	4.1	3.5	1.6	2.3	4.1	-3.5	2.2	3.0	2.8	-2.1	3.9	2.7

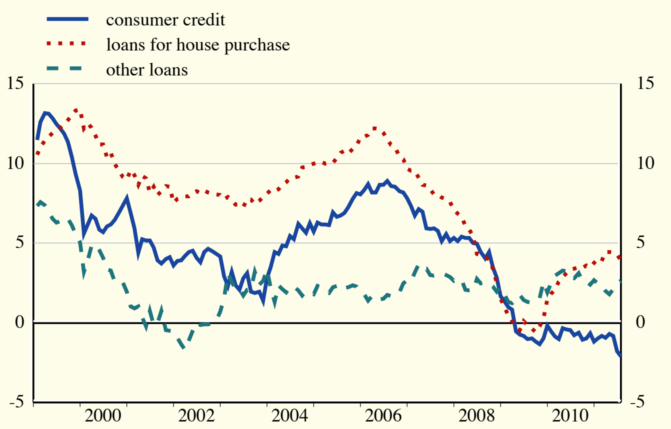
C5 Loans to other financial intermediaries and non-financial corporations [2]

(annual growth rates; not seasonally adjusted)



C6 Loans to households [2]

(annual growth rates; not seasonally adjusted)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

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

(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries					Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Reverse repos to central counterparties	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	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
						Outstanding amounts							
2010	86.2	66.6	5.2	14.4	1,104.7	142.9	587.7	206.4	310.6	4,668.9	1,120.6	898.6	2,649.7
2011 Q1	86.8	66.6	5.8	14.5	1,107.7	137.6	581.4	208.6	317.7	4,705.5	1,147.8	883.5	2,674.2
Q2	91.1	71.2	5.6	14.2	1,131.2	153.1	601.4	203.6	326.2	4,740.6	1,185.0	868.6	2,687.0
2011 May	91.1	70.9	5.7	14.4	1,149.4	162.9	618.6	209.9	320.9	4,717.8	1,155.0	880.5	2,682.3
June	91.1	71.2	5.6	14.2	1,131.2	153.1	601.4	203.6	326.2	4,740.6	1,185.0	868.6	2,687.0
July (p)	93.9	73.9	5.8	14.2	1,142.5	159.2	609.8	204.0	328.7	4,744.4	1,174.2	867.6	2,702.6
						Transactions							
2010	6.8	10.1	-1.8	-1.5	54.4	-	17.8	7.1	29.5	-2.6	-37.2	-26.2	60.8
2011 Q1	4.7	5.0	0.6	-0.9	-14.7	-5.4	-5.6	-11.2	2.1	36.5	27.7	-2.4	11.2
Q2	4.2	4.6	-0.1	-0.3	17.5	15.6	14.9	-5.0	7.6	39.4	39.2	-16.0	16.2
2011 May	3.2	3.1	0.3	-0.1	10.9	16.2	6.8	1.4	2.7	11.6	2.9	2.7	6.0
June	0.0	0.3	-0.1	-0.2	-19.0	-9.8	-17.0	-6.3	4.3	26.6	30.8	-10.7	6.5
July (p)	2.7	2.6	0.1	0.0	8.3	6.1	6.7	-0.1	1.7	-0.6	-12.5	-1.6	13.5
						Growth rates							
2010	8.4	17.5	-25.4	-9.1	5.0	-	2.9	3.2	10.4	-0.1	-3.2	-2.8	2.4
2011 Q1	5.7	11.3	0.3	-14.8	5.5	-	4.6	0.9	9.9	0.9	0.1	-2.3	2.4
Q2	5.7	11.1	3.3	-15.9	3.6	21.2	2.6	-3.2	10.5	1.5	4.2	-3.7	2.1
2011 May	3.0	7.8	3.1	-17.1	7.3	-	7.6	1.9	10.5	1.0	1.3	-2.6	2.1
June	5.7	11.1	3.3	-15.9	3.6	21.2	2.6	-3.2	10.5	1.5	4.2	-3.7	2.1
July (p)	4.0	7.9	10.5	-15.2	3.6	18.8	4.1	-3.6	7.6	1.6	4.1	-3.6	2.2

3. Loans to households [3)]

	Total	Consumer credit				Loans for house purchase				Other loans				
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Sole proprietors	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	14
							Outstanding amounts							
2010	5,168.0	641.7	147.0	186.5	308.2	3,706.9	14.7	54.9	3,637.2	819.4	402.4	146.7	85.7	587.0
2011 Q1	5,217.6	633.7	140.5	186.9	306.2	3,756.6	14.2	54.0	3,688.4	827.3	401.0	149.6	85.1	592.7
Q2	5,262.5	633.0	141.9	185.3	305.7	3,791.0	14.6	55.2	3,721.2	838.6	404.2	152.1	87.0	599.4
2011 May	5,242.9	633.2	139.3	187.7	306.1	3,780.1	14.3	54.7	3,711.1	829.6	402.9	145.1	86.1	598.4
June	5,262.5	633.0	141.9	185.3	305.7	3,791.0	14.6	55.2	3,721.2	838.6	404.2	152.1	87.0	599.4
July (p)	5,259.2	629.0	140.3	184.7	304.0	3,795.7	14.8	55.6	3,725.3	834.5	404.0	146.1	87.0	601.4
							Transactions							
2010	147.5	-7.7	-4.8	-8.8	5.9	134.2	-0.6	-3.7	138.5	20.9	-	-6.9	-4.5	32.3
2011 Q1	40.9	-6.9	-6.1	-1.7	0.9	47.8	-0.7	0.0	48.6	0.0	-1.8	-0.6	-1.6	2.1
Q2	44.1	-0.3	2.5	-2.0	-0.8	29.3	0.5	1.1	27.7	15.1	1.7	5.1	0.2	9.8
2011 May	14.6	-2.0	0.0	0.1	-2.0	11.1	0.1	0.5	10.6	5.4	1.6	0.3	0.4	4.7
June	20.6	0.4	3.0	-2.4	-0.2	10.7	0.3	0.5	9.9	9.6	0.3	7.1	1.0	1.4
July (p)	-6.7	-4.1	-1.6	-0.6	-1.9	2.0	0.1	0.5	1.5	-4.6	-0.8	-6.3	-0.1	1.8
							Growth rates							
2010	3.0	-1.2	-3.5	-4.5	2.0	3.8	-4.2	-6.2	4.0	2.7	-	-4.6	-5.1	5.9
2011 Q1	3.4	-0.9	-3.8	-4.1	2.5	4.4	-7.6	-3.7	4.6	2.0	-	-5.0	-5.9	5.1
Q2	3.2	-1.8	-2.6	-5.0	0.6	4.3	0.0	2.6	4.3	2.5	0.4	0.6	-3.3	3.9
2011 May	3.4	-0.8	-4.1	-2.9	2.0	4.4	-8.1	-1.9	4.6	2.1	-	-5.3	-6.5	5.4
June	3.2	-1.8	-2.6	-5.0	0.6	4.3	0.0	2.6	4.3	2.5	0.4	0.6	-3.3	3.9
July (p)	2.9	-2.1	-2.1	-5.4	0.0	3.9	-0.1	2.1	3.9	2.6	0.5	0.5	-3.6	4.1

Source: ECB.

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

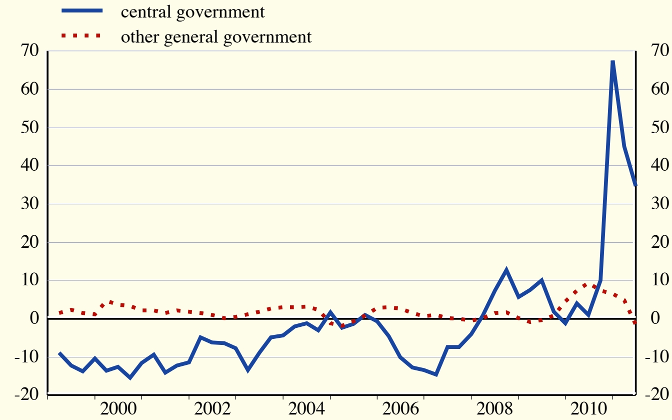
2.4 MFI loans: breakdown [1], [2]

(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

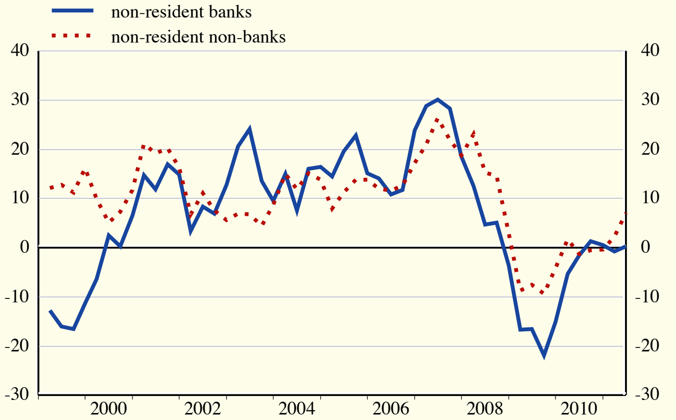
4. Loans to government and non-euro area residents

	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									
2010	1,220.1	395.8	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2011 (p)	1,152.7	346.4	223.4	555.6	27.0	2,998.3	2,003.8	994.5	60.1	934.4
2010 Q3	1,073.9	262.0	223.2	544.1	44.5	2,951.5	1,995.5	955.9	51.9	904.1
Q4	1,220.1	395.8	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2011 Q1	1,187.1	357.7	229.6	557.8	41.9	2,934.4	1,957.5	976.9	54.5	922.4
Q2 (p)	1,152.7	346.4	223.4	555.6	27.0	2,998.3	2,003.8	994.5	60.1	934.4
	Transactions									
2010	207.3	156.4	14.9	24.1	11.9	5.2	9.9	-5.0	0.5	-5.5
2011 (p)	-64.8	-47.4	-2.2	2.5	-18.1	100.2	20.0	80.0	13.0	66.9
2010 Q3	1.6	7.9	-1.9	-3.8	-0.5	-11.6	-14.2	2.5	3.8	-1.2
Q4	138.7	126.7	1.6	8.8	1.5	-17.0	-1.9	-15.1	-2.0	-13.1
2011 Q1	-28.2	-34.3	4.4	4.9	-3.2	55.7	-1.5	57.0	7.0	50.1
Q2 (p)	-36.6	-13.1	-6.5	-2.4	-14.9	44.5	21.6	22.9	6.1	16.8
	Growth rates									
2010	20.6	67.5	7.1	4.6	35.1	0.5	0.6	-0.4	0.4	-0.5
2011 (p)	8.6	34.6	-1.1	1.4	-38.7	3.6	0.2	7.0	30.9	5.8
2010 Q3	8.0	10.0	6.5	5.4	43.9	0.9	1.3	-0.5	1.6	-0.6
Q4	20.6	67.5	7.1	4.6	35.1	0.5	0.6	-0.4	0.4	-0.5
2011 Q1	14.3	45.0	9.6	3.4	0.6	0.5	-0.8	2.2	16.0	1.5
Q2 (p)	7.1	34.6	-1.1	1.4	-38.7	2.6	0.2	7.0	30.9	5.8

C7 Loans to government [2]
(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents [2]
(annual growth rates; not seasonally adjusted)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to MFIs which are resident outside the euro area.

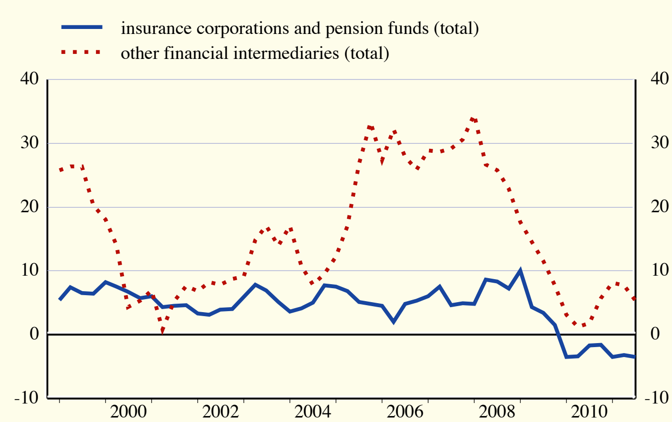
2.5 Deposits held with MFIs: breakdown [1), 2)]

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

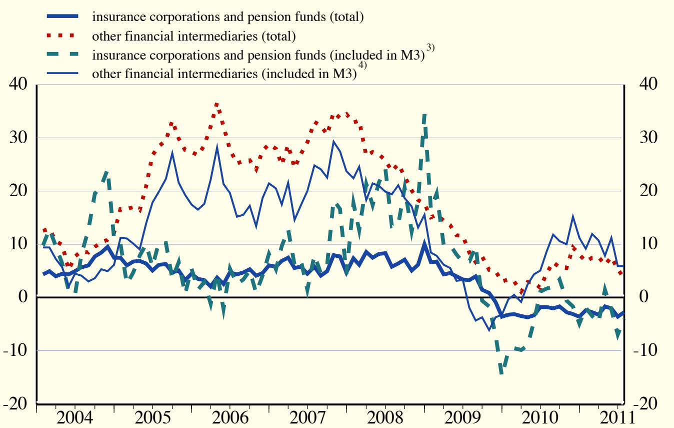
1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries							
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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		With central counter-parties
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts														
2009	738.5	84.1	86.9	543.7	2.2	1.4	20.2	1,871.2	311.7	335.1	957.5	15.9	0.0	250.9	-
2010	716.9	84.5	79.4	528.3	2.6	0.3	21.9	2,167.4	358.3	305.1	1,132.6	10.7	0.5	360.3	255.0
2011 Q1	710.7	82.9	79.9	526.6	3.0	0.2	18.0	2,157.9	371.0	291.6	1,142.8	11.8	0.5	340.2	240.6
Q2	708.6	84.6	77.2	524.0	3.2	0.2	19.3	2,210.2	369.7	291.0	1,152.0	12.5	0.3	384.7	290.4
2011 Apr.	720.4	85.3	83.1	526.1	3.9	0.2	21.8	2,195.0	376.2	297.8	1,154.8	11.1	0.5	354.6	247.1
May	714.3	85.3	79.6	525.5	3.8	0.2	19.9	2,231.8	370.1	309.2	1,150.1	12.0	0.2	390.2	288.3
June	708.6	84.6	77.2	524.0	3.2	0.2	19.3	2,210.2	369.7	291.0	1,152.0	12.5	0.3	384.7	290.4
July (p)	714.0	83.0	81.6	523.4	3.7	0.2	22.1	2,186.6	359.7	294.4	1,143.9	11.6	0.3	376.8	282.0
	Transactions														
2009	-26.8	-1.0	-30.4	6.3	1.1	-0.1	-2.7	55.4	5.5	-93.6	85.8	3.7	0.0	54.0	-
2010	-26.5	-3.4	-8.2	-16.6	0.2	0.0	1.6	156.8	45.2	-38.6	52.8	-8.0	0.4	105.0	-
2011 Q1	-0.9	3.2	-0.3	-1.2	0.3	0.0	-2.9	-9.7	15.8	-6.2	-12.9	1.0	0.1	-7.4	-14.3
Q2	-1.6	1.7	-2.2	-2.7	0.3	0.0	1.3	37.8	-1.7	-8.0	2.6	0.7	-0.3	44.5	49.8
2011 Apr.	10.5	2.6	3.7	-0.5	0.9	0.0	3.8	37.3	5.7	7.5	10.3	-0.6	-0.1	14.6	6.6
May	-6.4	-0.1	-3.6	-0.6	-0.1	0.0	-1.9	24.9	-7.4	2.8	-6.6	0.9	-0.2	35.4	41.1
June	-5.7	-0.7	-2.3	-1.5	-0.6	0.0	-0.6	-24.4	-0.1	-18.3	-1.2	0.5	0.0	-5.4	2.1
July (p)	5.2	-1.7	4.2	-0.6	0.5	0.0	2.8	-26.6	-10.9	2.9	-9.3	-0.9	0.0	-8.3	-8.4
	Growth rates														
2009	-3.5	-1.1	-26.4	1.2	96.8	-	-11.8	3.1	1.5	-22.0	10.0	30.0	-	27.4	-
2010	-3.6	-3.6	-9.4	-3.0	9.7	-	7.8	8.1	14.5	-11.4	4.9	-48.5	-	41.6	-
2011 Q1	-3.2	-3.0	-6.3	-2.6	7.1	-	-6.2	7.7	14.0	-5.0	4.5	-47.3	-	28.6	-
Q2	-3.5	-5.7	-9.2	-2.2	26.4	-	-6.6	5.3	1.0	0.6	4.7	5.4	-	16.1	32.9
2011 Apr.	-1.6	-1.5	-1.8	-2.7	37.9	-	25.8	6.2	3.9	1.5	4.4	-53.4	-	22.9	-
May	-1.9	-4.5	-8.5	-1.8	41.4	-	40.0	7.6	2.0	3.7	4.2	-25.3	-	31.1	-
June	-3.5	-5.7	-9.2	-2.2	26.4	-	-6.6	5.3	1.0	0.6	4.7	5.4	-	16.1	32.9
July (p)	-2.7	-7.2	-7.8	-2.2	40.9	-	25.5	3.7	-0.2	-1.7	1.6	-0.8	-	20.2	34.6

C9 Total deposits by sector [2)]
(annual growth rates)



C10 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 the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) Covers deposits in columns 2, 3, 5 and 7.
4) Covers deposits in columns 9, 10, 12 and 14.

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

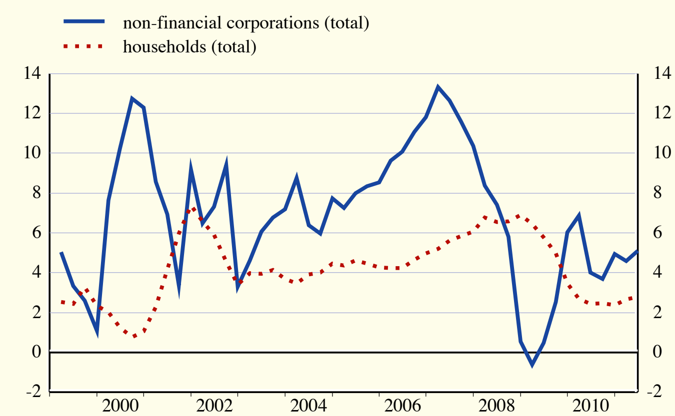
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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														
2009	1,601.2	999.2	434.5	80.7	68.7	1.7	16.3	5,601.7	2,156.9	996.5	607.1	1,680.2	123.7	37.3
2010	1,671.6	1,034.1	458.7	87.2	75.8	1.5	14.2	5,739.1	2,243.9	901.6	665.0	1,788.5	110.3	29.8
2011 Q1	1,649.3	1,001.4	463.5	90.8	77.6	2.0	14.0	5,766.9	2,223.8	908.3	681.3	1,811.8	110.3	31.4
Q2	1,658.3	1,011.3	457.0	94.8	77.3	2.0	15.9	5,822.4	2,257.9	904.1	702.0	1,815.6	109.4	33.5
2011 Apr.	1,648.4	998.9	459.5	92.5	78.2	2.0	17.3	5,797.3	2,246.7	904.7	687.9	1,816.0	109.5	32.5
May	1,654.5	998.9	461.2	94.2	77.8	2.0	20.4	5,793.4	2,232.0	905.1	695.5	1,816.9	109.5	34.3
June	1,658.3	1,011.3	457.0	94.8	77.3	2.0	15.9	5,822.4	2,257.9	904.1	702.0	1,815.6	109.4	33.5
July (p)	1,656.6	1,001.9	461.3	96.2	76.5	2.0	18.7	5,844.9	2,261.8	913.9	705.2	1,819.3	109.5	35.4
Transactions														
2009	91.1	112.3	-70.1	15.1	40.8	0.4	-7.4	187.7	320.5	-371.5	85.9	190.5	8.6	-46.3
2010	78.9	40.3	24.1	9.0	7.8	-0.2	-2.1	133.0	81.7	-98.8	58.7	113.6	-14.6	-7.5
2011 Q1	-33.8	-37.6	2.5	2.1	1.0	0.5	-2.3	17.3	-23.5	2.9	14.3	21.9	0.0	1.7
Q2	11.8	12.3	-5.2	4.0	-0.9	0.0	1.6	55.7	35.2	-2.8	19.5	2.6	-0.9	2.1
2011 Apr.	3.8	1.3	-2.2	1.8	0.0	0.0	3.0	31.3	24.4	-1.9	5.5	3.0	-0.8	1.1
May	3.6	-1.5	0.9	1.7	-0.4	0.0	3.0	-4.8	-15.2	0.0	7.6	0.9	0.0	1.9
June	4.4	12.6	-3.9	0.6	-0.5	0.1	-4.5	29.2	26.0	-0.9	6.4	-1.3	-0.1	-0.8
July (p)	-3.5	-10.5	3.8	1.3	-0.8	0.0	2.7	21.8	3.5	9.4	3.2	3.7	0.1	1.8
Growth rates														
2009	6.0	12.7	-13.9	23.1	146.6	28.3	-31.2	3.5	17.5	-27.1	16.5	12.8	7.5	-55.4
2010	4.9	4.1	5.5	11.2	11.4	-10.0	-12.8	2.4	3.8	-9.9	9.7	6.8	-11.8	-20.2
2011 Q1	4.6	2.2	8.8	11.0	6.4	11.6	-4.9	2.7	2.6	-3.3	7.4	5.5	-10.3	-12.9
Q2	5.1	1.6	11.8	16.7	2.3	-1.4	6.4	2.8	1.3	-0.2	8.5	4.6	-6.4	10.2
2011 Apr.	4.1	1.0	10.0	8.3	3.6	8.4	13.5	3.0	2.6	-1.8	7.6	5.3	-9.5	-4.0
May	4.0	0.0	11.6	8.4	4.3	8.4	34.8	2.7	1.5	-1.0	7.9	5.0	-8.2	6.6
June	5.1	1.6	11.8	16.7	2.3	-1.4	6.4	2.8	1.3	-0.2	8.5	4.6	-6.4	10.2
July (p)	4.8	1.6	10.0	15.6	-0.2	-4.6	35.1	2.9	1.0	1.4	8.4	4.2	-4.6	12.2

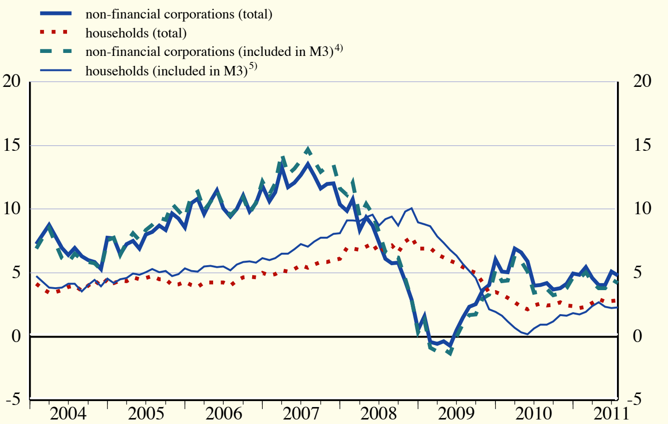
C11 Total deposits by sector [2)]

(annual growth rates)



C12 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 the 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)]

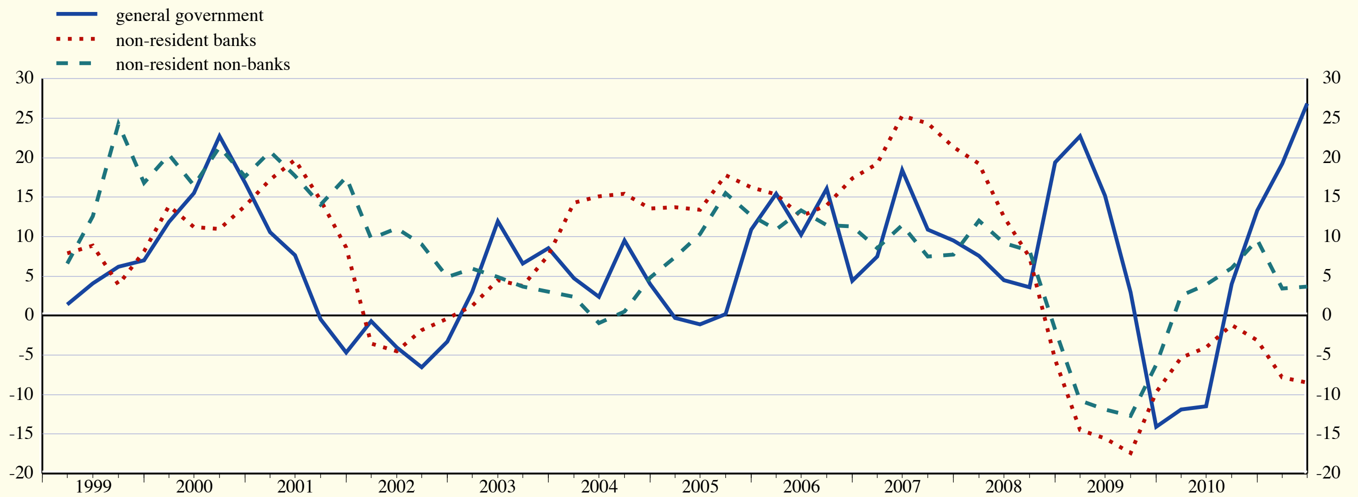
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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									
2010	427.6	196.2	47.7	109.6	74.1	3,488.8	2,491.9	996.9	45.9	950.9
2011 (p)	521.5	266.4	55.0	112.6	87.5	3,280.8	2,295.9	984.7	47.7	937.0
2010 Q3	421.4	176.2	58.7	111.9	74.5	3,580.9	2,597.2	983.7	48.0	935.7
Q4	427.6	196.2	47.7	109.6	74.1	3,488.8	2,491.9	996.9	45.9	950.9
2011 Q1	475.6	235.8	52.3	108.7	78.8	3,314.1	2,346.7	967.4	41.4	925.9
Q2 (p)	521.5	266.4	55.0	112.6	87.5	3,280.8	2,295.9	984.7	47.7	937.0
	Transactions									
2010	50.0	47.4	4.3	-4.9	2.9	0.1	-82.5	82.6	7.5	75.1
2011 (p)	96.1	74.3	7.4	1.5	12.9	-96.9	-115.3	18.2	2.8	15.4
2010 Q3	9.3	8.8	4.3	-2.0	-1.8	16.1	4.1	12.0	2.2	9.9
Q4	5.4	19.3	-11.0	-2.3	-0.5	-102.5	-107.7	5.1	-2.7	7.8
2011 Q1	50.4	43.4	4.7	-2.4	4.7	-77.5	-73.5	-4.1	-3.6	-0.5
Q2 (p)	45.7	30.9	2.7	3.9	8.2	-19.4	-41.8	22.2	6.4	15.8
	Growth rates									
2010	13.3	32.2	9.8	-4.3	4.1	0.3	-3.2	9.6	12.7	9.3
2011 (p)	15.4	29.9	1.2	-2.5	14.0	-5.4	-8.5	3.6	5.0	3.6
2010 Q3	4.0	10.9	15.0	-9.3	4.2	0.7	-1.2	6.0	14.4	5.5
Q4	13.3	32.2	9.8	-4.3	4.1	0.3	-3.2	9.6	12.7	9.3
2011 Q1	19.2	41.4	4.0	-1.3	9.2	-4.7	-7.8	3.4	-10.5	4.2
Q2 (p)	26.8	61.3	1.2	-2.5	14.0	-5.1	-8.5	3.6	5.0	3.6

C13 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 the 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 similar to MFIs which are resident outside the euro area.

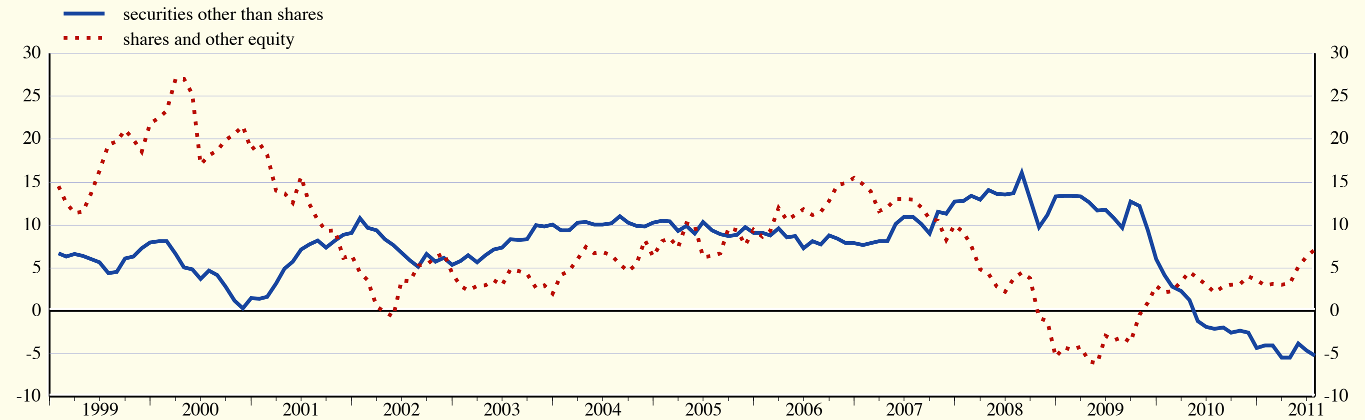
2.6 MFI holdings of securities: breakdown [1), 2)]

(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											
2009	6,207.8	1,970.8	109.1	1,466.1	16.0	1,458.6	39.4	1,147.8	1,516.3	435.0	801.1	280.2
2010	5,993.1	1,778.4	107.4	1,507.7	16.4	1,500.9	27.8	1,054.5	1,535.9	445.3	787.8	302.8
2011 Q1	5,741.6	1,695.9	102.5	1,393.0	19.9	1,464.2	28.7	1,037.5	1,504.7	437.2	765.6	301.9
Q2	5,664.2	1,674.3	90.0	1,437.7	20.7	1,448.3	24.7	968.4	1,563.6	476.0	775.4	312.1
2011 Apr.	5,695.1	1,680.7	94.8	1,400.3	19.0	1,474.6	24.8	1,001.0	1,557.9	439.9	808.7	309.2
May	5,717.8	1,686.9	99.3	1,410.8	19.5	1,471.3	25.5	1,004.4	1,570.9	469.6	786.7	314.6
June	5,664.2	1,674.3	90.0	1,437.7	20.7	1,448.3	24.7	968.4	1,563.6	476.0	775.4	312.1
July (p)	5,635.1	1,660.5	92.2	1,417.6	20.6	1,451.9	24.3	967.9	1,560.8	479.3	769.1	312.3
	Transactions											
2009	354.9	83.5	16.6	231.0	-3.2	103.0	-12.0	-64.0	43.0	29.1	11.6	2.3
2010	-269.3	-167.1	-7.2	42.7	-2.1	10.3	-14.6	-131.3	54.0	27.8	5.2	20.9
2011 Q1	-26.5	-24.0	1.0	8.7	4.4	-32.7	2.3	13.9	1.3	1.0	6.7	-6.4
Q2	-30.7	-33.7	5.9	44.6	1.0	-17.5	-3.7	-27.3	62.7	36.8	14.5	11.4
2011 Apr.	-4.3	-16.5	4.4	8.3	-0.4	8.4	-3.2	-5.4	49.7	1.8	40.8	7.1
May	25.4	4.6	9.7	7.5	-0.1	-3.3	0.0	7.0	17.5	30.5	-18.4	5.3
June	-51.9	-21.7	-8.2	28.7	1.5	-22.6	-0.5	-29.0	-4.5	4.5	-7.9	-1.1
July (p)	-33.8	-13.8	0.3	-12.5	-0.7	5.2	-0.9	-11.5	3.5	4.7	-1.8	0.6
	Growth rates											
2009	6.0	4.4	17.6	18.7	-15.8	7.6	-23.2	-5.3	2.9	7.0	1.5	0.8
2010	-4.3	-8.5	-5.7	2.9	-11.5	0.7	-35.0	-11.1	3.6	6.4	0.6	7.5
2011 Q1	-5.4	-10.1	-4.5	-1.0	13.9	-0.3	-25.6	-9.6	3.0	3.7	3.2	1.7
Q2	-4.6	-9.3	7.1	1.1	22.8	-1.9	1.9	-9.5	6.3	9.9	5.6	2.9
2011 Apr.	-5.4	-10.3	0.9	-1.1	12.3	-0.2	-33.6	-9.6	3.2	1.4	4.2	3.7
May	-3.8	-9.1	16.4	0.2	16.0	0.1	3.1	-7.1	5.1	6.2	4.4	5.3
June	-4.6	-9.3	7.1	1.1	22.8	-1.9	1.9	-9.5	6.3	9.9	5.6	2.9
July (p)	-5.2	-8.9	13.5	0.4	24.4	-3.6	-3.1	-10.9	7.1	11.5	5.7	4.4

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

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

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

1. Loans, holdings of securities other than shares, and deposits

	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
Loans														
To euro area residents														
2009	5,916.1	-	-	-	-	-	-	11,785.5	96.2	3.8	1.9	0.2	1.0	0.4
2010	5,515.2	-	-	-	-	-	-	12,247.8	96.0	4.0	2.1	0.2	1.1	0.4
2011 Q1	5,488.8	-	-	-	-	-	-	12,304.8	96.3	3.7	1.8	0.2	1.1	0.4
Q2	5,511.3	-	-	-	-	-	-	12,378.1	96.2	3.8	1.8	0.2	1.1	0.4
To non-euro area residents														
2009	1,914.9	45.8	54.2	29.4	2.7	2.9	12.6	906.8	40.0	60.0	42.1	1.2	3.7	8.0
2010	2,010.9	44.9	55.1	30.7	2.9	3.2	11.6	952.1	39.9	60.1	42.8	1.4	3.7	6.7
2011 Q1	1,957.5	46.9	53.1	29.9	3.0	3.2	9.7	976.9	40.2	59.8	41.5	1.2	3.4	7.1
Q2	2,003.8	45.2	54.8	31.9	2.7	3.2	10.0	994.5	41.4	58.6	39.8	1.4	3.6	6.8
Holdings of securities other than shares														
Issued by euro area residents														
2009	2,079.9	94.8	5.2	3.1	0.2	0.3	1.4	2,980.2	98.1	1.9	1.2	0.2	0.1	0.3
2010	1,885.8	94.3	5.7	3.3	0.1	0.3	1.7	3,052.8	98.6	1.4	0.8	0.1	0.1	0.4
2011 Q1	1,798.3	94.3	5.7	3.2	0.2	0.3	1.7	2,905.9	98.3	1.7	0.9	0.2	0.1	0.4
Q2	1,764.3	94.9	5.1	2.9	0.1	0.3	1.4	2,931.5	98.4	1.6	0.8	0.1	0.1	0.4
Issued by non-euro area residents														
2009	546.6	55.8	44.2	26.3	0.4	0.5	14.8	601.2	35.0	65.0	38.5	4.2	0.9	15.2
2010	535.1	50.9	49.1	26.1	0.3	0.5	17.2	519.4	32.9	67.1	41.6	3.8	0.8	13.2
2011 Q1	526.4	50.5	49.5	26.6	0.3	1.1	17.0	511.1	33.7	66.3	39.5	4.8	0.7	13.0
Q2	476.9	54.2	45.8	23.0	0.4	0.6	16.2	491.8	32.8	67.2	40.3	5.2	0.7	12.1
Deposits														
By euro area residents														
2009	6,281.6	92.9	7.1	4.4	0.3	1.2	0.7	10,187.4	97.0	3.0	1.9	0.2	0.1	0.4
2010	5,774.9	92.9	7.1	4.1	0.3	1.3	0.8	10,722.6	97.1	2.9	1.9	0.2	0.1	0.4
2011 Q1	5,693.4	92.5	7.5	4.3	0.3	1.4	0.8	10,760.4	97.1	2.9	1.9	0.1	0.1	0.4
Q2	5,692.8	92.5	7.5	4.3	0.2	1.5	0.8	10,921.0	97.1	2.9	1.9	0.1	0.1	0.4
By non-euro area residents														
2009	2,532.8	49.2	50.8	34.2	1.8	2.2	9.6	836.7	53.5	46.5	31.4	1.1	1.7	7.5
2010	2,491.9	52.1	47.9	31.8	2.2	1.8	8.6	996.9	58.8	41.2	29.3	1.2	1.4	5.1
2011 Q1	2,346.7	53.5	46.5	30.0	2.1	1.9	8.1	967.4	58.3	41.7	29.5	1.4	1.5	4.4
Q2	2,295.9	53.4	46.6	29.8	2.2	1.9	8.0	984.7	58.7	41.3	29.3	1.3	1.4	4.5

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
2009	5,168.3	83.3	16.7	8.8	1.6	1.9	2.5
2010	5,082.6	81.6	18.4	9.7	1.8	2.1	2.5
2011 Q1	5,133.2	82.0	18.0	9.6	1.6	2.0	2.4
Q2	5,155.8	81.9	18.1	9.6	1.6	2.2	2.4

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to euro area MFIs.
4) Including items expressed in the national denominations of the euro.

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

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

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/ money market fund shares)	Investment fund/ money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Dec.	6,275.5	367.6	2,365.5	1,987.5	871.0	220.9	463.0
2011 Jan.	6,295.4	381.8	2,354.1	1,984.0	866.5	221.7	487.4
Feb.	6,376.1	390.5	2,371.2	2,012.6	873.1	223.4	505.3
Mar.	6,332.2	387.5	2,353.9	1,973.7	877.4	221.3	518.4
Apr.	6,371.0	390.7	2,353.7	1,991.3	887.8	222.0	525.6
May	6,421.2	390.1	2,398.9	1,991.7	895.0	223.1	522.4
June (p)	6,315.8	386.5	2,380.2	1,953.4	881.0	222.5	492.3
	Transactions						
2010 Q4	35.9	-11.0	47.7	49.9	17.1	-3.0	-64.8
2011 Q1	112.3	19.4	28.1	15.0	7.4	2.4	39.9
Q2 (p)	40.8	0.1	31.2	15.9	10.8	3.8	-21.1

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
					Investment funds		
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Dec.	6,275.5	115.6	5,761.9	4,469.8	660.5	1,292.1	398.0
2011 Jan.	6,295.4	119.2	5,760.2	4,472.1	658.3	1,288.0	416.1
Feb.	6,376.1	124.0	5,817.7	4,514.2	663.2	1,303.5	434.4
Mar.	6,332.2	127.1	5,763.8	4,471.1	663.2	1,292.6	441.4
Apr.	6,371.0	125.9	5,805.3	4,503.2	675.8	1,302.1	439.8
May	6,421.2	126.5	5,850.5	4,526.1	681.9	1,324.4	444.2
June (p)	6,315.8	118.8	5,758.2	4,449.7	670.7	1,308.5	438.9
	Transactions						
2010 Q4	35.9	-11.8	81.2	32.4	16.0	48.7	-33.5
2011 Q1	112.3	12.1	57.6	27.8	2.7	29.8	42.7
Q2 (p)	40.8	-12.5	59.6	17.0	9.5	42.6	-6.3

3. Investment fund shares issued broken down by investment policy and type of fund

	Total	Funds by investment policy						Funds by type		Memo item: Money market funds
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds	Closed-end funds	
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010 Nov.	5,650.3	1,830.7	1,644.1	1,365.9	261.1	107.7	440.9	5,569.5	80.8	1,152.5
Dec.	5,761.9	1,814.6	1,724.0	1,398.6	264.4	109.5	450.9	5,678.9	82.9	1,106.5
2011 Jan.	5,760.2	1,808.9	1,718.9	1,402.4	264.9	109.4	455.7	5,674.8	85.4	1,090.4
Feb.	5,817.7	1,821.8	1,740.3	1,418.1	266.6	110.6	460.4	5,732.3	85.4	1,097.9
Mar.	5,763.8	1,807.2	1,706.1	1,409.4	267.3	110.9	462.9	5,678.8	85.0	1,077.4
Apr.	5,805.3	1,797.0	1,723.1	1,425.3	267.8	111.3	480.8	5,720.6	84.6	1,070.8
May	5,850.5	1,824.1	1,726.8	1,434.7	269.3	113.3	482.2	5,765.7	84.8	1,090.1
June (p)	5,758.2	1,804.9	1,683.0	1,414.2	267.9	110.5	477.6	5,672.6	85.6	1,049.7
	Transactions									
2010 Dec.	29.4	-5.1	13.2	13.3	2.9	2.3	2.8	28.3	1.1	-35.2
2011 Jan.	27.4	7.8	9.5	7.6	0.9	0.4	1.2	26.5	0.8	-9.6
Feb.	21.5	10.0	3.9	5.7	0.4	0.7	0.8	21.6	-0.1	8.8
Mar.	8.7	4.1	-6.1	2.6	0.6	0.8	6.8	8.8	0.0	-8.7
Apr.	32.7	-0.1	14.0	4.1	0.7	0.9	13.1	32.8	-0.1	6.0
May	23.7	8.6	8.3	4.2	-0.2	-0.2	3.0	24.0	-0.2	7.9
June (p)	3.1	0.6	1.4	-0.8	2.6	-0.5	-0.2	1.4	1.8	-34.7

Source: ECB.

1) Other than money market funds (which are shown as a memo item in column 10 in Table 3 of this section). For further details, see the General Notes.

2.9 Securities held by investment funds [1] broken down by issuer of securities
(EUR billions; outstanding amounts at end of period; transactions during period)

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2010 Q3	2,342.2	1,469.2	384.7	720.8	193.3	6.4	164.1	873.0	242.5	330.4	16.3
Q4	2,365.5	1,430.1	374.8	690.7	193.7	6.1	164.8	935.4	246.9	365.2	16.1
2011 Q1	2,353.9	1,429.6	383.1	675.4	200.1	5.5	165.6	924.3	246.3	354.4	14.1
Q2 (p)	2,380.2	1,424.4	383.4	672.7	194.8	5.7	167.8	955.8	245.9	365.7	17.9
	Transactions										
2010 Q4	47.7	-7.4	-3.3	-8.4	0.7	-0.2	3.8	55.2	6.4	29.8	-1.9
2011 Q1	28.1	12.5	9.8	-7.3	8.0	0.0	2.0	15.6	1.9	2.9	-1.0
Q2 (p)	31.2	-8.0	0.0	-7.9	-2.5	0.5	1.9	37.6	8.1	11.6	3.2

2. Shares and other equity (other than investment fund and money market fund shares)

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2010 Q3	1,792.0	711.8	80.2	-	36.2	24.2	571.2	1,080.2	153.2	314.6	67.2
Q4	1,987.5	751.2	77.8	-	39.4	25.2	608.8	1,236.2	171.4	355.7	83.7
2011 Q1	1,973.7	782.9	89.2	-	41.9	26.1	625.7	1,190.8	167.2	365.2	71.0
Q2 (p)	1,953.4	770.9	82.9	-	41.3	26.1	620.5	1,182.5	166.2	361.9	77.1
	Transactions										
2010 Q4	49.9	4.9	4.5	-	1.9	-0.6	-0.8	45.0	5.1	3.4	6.7
2011 Q1	15.0	11.6	5.5	-	2.4	-0.9	4.6	3.4	-0.5	16.0	-3.9
Q2 (p)	15.9	-3.9	-2.5	-	1.3	0.3	-3.0	19.8	2.0	7.4	7.0

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs [2]	General government	Other financial intermediaries [2]	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2010 Q3	826.7	703.1	77.1	-	626.0	-	-	123.6	21.4	34.3	0.4
Q4	871.0	736.5	76.0	-	660.5	-	-	134.5	23.8	38.1	0.6
2011 Q1	877.4	741.1	78.0	-	663.2	-	-	136.2	22.6	41.3	0.5
Q2 (p)	881.0	749.9	79.2	-	670.7	-	-	131.0	22.1	41.6	0.4
	Transactions										
2010 Q4	17.1	14.1	-1.9	-	16.0	-	-	3.0	0.5	1.4	0.1
2011 Q1	7.4	4.8	2.1	-	2.7	-	-	2.6	-0.9	3.3	-0.1
Q2 (p)	10.8	10.1	0.7	-	9.5	-	-	0.7	0.3	1.1	0.0

Source: ECB.
1) Other than money market funds. For further details, see the General Notes.
2) Investment fund shares (other than money market fund shares) are issued by other financial intermediaries. Money market fund shares are issued by MFIs.

2.10 Aggregated balance sheet of euro area financial vehicle corporations

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

1. Assets

	Total	Deposits and loan claims	Securitised loans: Total	Securitised loans: Originated in euro area: MFIs	Securitised loans: Originated in euro area: MFIs: Remaining on the MFI balance sheet [1]	Securitised loans: Originated in euro area: Other financial intermediaries, insurance corporations and pension funds	Securitised loans: Originated in euro area: Non-financial corporations	Securitised loans: Originated in euro area: General government	Securitised loans: Originated outside euro area	Securities other than shares	Other securitised assets	Shares and other equity	Other assets
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2010 Q1	2,290.8	358.3	1,440.7	1,135.4	552.3	137.6	25.0	7.3	135.4	280.4	99.3	43.5	68.6
Q2	2,285.6	363.1	1,437.2	1,131.6	563.7	140.5	24.7	6.4	133.8	278.7	101.3	41.1	64.2
Q3	2,284.8	350.1	1,467.2	1,173.9	576.3	133.8	24.6	6.4	128.6	260.2	100.3	41.4	65.7
Q4	2,350.0	373.4	1,522.1	1,238.2	601.2	125.0	22.7	6.0	130.2	251.6	92.5	41.9	68.6
2011 Q1	2,254.7	352.8	1,482.7	1,194.3	590.4	131.8	23.0	5.9	127.6	240.3	89.0	36.8	53.1
Q2	2,206.0	337.4	1,458.8	1,173.5	581.0	136.0	21.9	5.2	122.1	232.0	89.3	36.4	52.1
	Transactions												
2010 Q2	-21.7	1.4	-13.0	-12.5	-	2.4	-0.9	-0.4	-1.6	-2.0	1.0	-3.2	-5.9
Q3	-3.9	-12.2	24.2	33.0	-	-2.1	-0.6	-0.1	-6.1	-16.5	-0.5	0.4	0.7
Q4	44.8	24.5	24.4	30.1	-	-4.7	-2.1	-0.4	1.4	-5.5	-0.9	-0.6	3.0
2011 Q1	-92.2	-23.2	-36.2	-44.2	-	9.1	0.6	0.0	-1.8	-10.1	-2.4	-4.9	-15.3
Q2	-56.7	-12.3	-26.8	-23.1	-	2.5	-0.9	-0.3	-5.0	-9.4	0.0	0.0	-8.2

2. Liabilities

	Total	Loans and deposits received	Debt securities issued: Total	Debt securities issued: Up to 2 years	Debt securities issued: Over 2 years	Capital and reserves	Other liabilities
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Q1	2,290.8	99.1	1,982.6	96.0	1,886.6	48.4	160.7
Q2	2,285.6	107.6	1,960.8	91.1	1,869.7	45.0	172.2
Q3	2,284.8	119.9	1,946.7	86.5	1,860.2	43.2	175.0
Q4	2,350.0	134.3	1,969.9	93.5	1,876.4	42.6	203.2
2011 Q1	2,254.7	133.1	1,886.5	83.9	1,802.6	37.7	197.4
Q2	2,206.0	132.7	1,845.0	83.2	1,761.8	35.5	192.8
	Transactions						
2010 Q2	-21.7	6.0	-23.0	-5.1	-17.9	-2.8	-1.9
Q3	-3.9	11.6	-10.3	-4.2	-6.1	-0.1	-5.1
Q4	44.8	15.9	23.9	5.7	18.3	-2.1	7.1
2011 Q1	-92.2	-0.9	-79.0	-9.9	-69.1	-4.5	-7.8
Q2	-56.7	-0.1	-48.6	-5.2	-43.4	-0.8	-7.2

3. Holdings of securitised loans originated by euro area MFIs and securities other than shares

	Securitised loans originated by euro area MFIs: Total	Euro area borrowing sector: Households	Euro area borrowing sector: Non-financial corporations	Euro area borrowing sector: Other financial intermediaries	Euro area borrowing sector: Insurance corporations and pension funds	Euro area borrowing sector: General government	Non-euro area borrowing sector	Securities other than shares: Total	Euro area residents: Total	Euro area residents: MFIs	Euro area residents: Non-MFIs	Euro area residents: Non-MFIs: Financial vehicle corporations	Non-euro area residents
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2010 Q1	1,135.4	820.3	215.0	20.3	14.8	7.6	57.3	280.4	151.3	47.9	103.5	41.1	129.0
Q2	1,131.6	812.7	216.1	19.6	14.7	7.6	61.0	278.7	149.1	50.5	98.7	44.8	129.6
Q3	1,173.9	828.9	221.4	18.4	15.0	7.0	83.2	260.2	140.6	47.4	93.2	37.4	119.6
Q4	1,238.2	853.2	251.4	17.4	15.2	7.1	94.0	251.6	131.7	45.6	86.1	35.6	119.9
2011 Q1	1,194.3	804.3	250.9	17.1	15.4	7.2	99.4	240.3	125.6	42.4	83.2	36.1	114.7
Q2	1,173.5	784.9	251.6	18.2	15.4	9.8	93.7	232.0	124.7	43.0	81.8	35.2	107.2
	Transactions												
2010 Q2	-12.5	-11.9	-3.5	0.0	-0.1	0.0	3.0	-2.0	2.9	-0.2	3.1	3.0	-4.8
Q3	33.0	10.1	1.2	-0.8	0.2	-0.6	22.9	-16.5	-10.0	-2.5	-7.5	-6.9	-6.5
Q4	30.1	16.5	14.0	-1.6	-0.2	0.1	1.4	-5.5	-5.3	-1.1	-4.2	-2.2	-0.2
2011 Q1	-44.2	-52.5	3.4	-0.5	0.0	0.0	5.3	-10.1	-6.0	-3.2	-2.8	-0.3	-4.1
Q2	-23.1	-22.1	0.5	0.6	-0.2	2.6	-4.4	-9.4	-0.5	-0.4	-0.1	-1.1	-8.9

Source: ECB.

1) Loans securitised using euro area financial vehicle corporations which remain on the balance sheet of the relevant MFI - i.e. which have not been derecognised. Whether or not loans are derecognised from the balance sheet of the MFI depends on the relevant accounting rules. For further information, see the General Notes.

2.11 Aggregated balance sheet of euro area insurance corporations and pension funds

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Currency and deposits	Loans	Securities other than shares	Shares and other equity	Investment fund shares	Money market fund shares	Prepayments of insurance premiums and reserves for outstanding claims	Other accounts receivable/ payable and financial derivatives	Non-financial assets
	1	2	3	4	5	6	7	8	9	10
2008 Q2	6,321.4	767.1	463.5	2,243.6	981.8	1,225.0	90.3	246.5	148.2	155.5
Q3	6,261.6	762.8	458.6	2,280.3	932.4	1,184.9	87.3	251.1	149.3	154.9
Q4	6,153.5	799.8	478.1	2,292.1	819.2	1,085.2	93.9	245.7	184.9	154.8
2009 Q1	6,184.1	796.3	494.0	2,359.1	785.1	1,068.8	102.0	244.1	177.8	156.9
Q2	6,330.6	782.0	489.0	2,382.4	817.9	1,199.0	89.9	248.6	166.2	155.6
Q3	6,557.3	783.3	485.7	2,443.8	794.7	1,389.1	86.8	252.0	167.3	154.5
Q4	6,642.9	787.8	480.6	2,459.9	802.2	1,455.9	83.7	256.2	163.6	153.1
2010 Q1	6,860.7	785.5	488.9	2,565.7	814.8	1,530.6	85.7	266.2	175.2	148.1
Q2	6,886.6	786.6	491.7	2,596.0	794.2	1,516.4	85.5	271.4	195.5	149.3
Q3	7,051.9	784.3	499.7	2,674.1	810.9	1,556.1	84.0	272.7	221.0	149.2
Q4	6,965.2	775.6	503.0	2,609.2	829.2	1,576.4	75.1	270.2	176.7	149.9
2011 Q1	7,025.5	778.5	506.5	2,653.6	829.8	1,576.9	72.1	277.7	179.6	150.9

2. Holdings of securities other than shares

	Total	Issued by euro area residents						Issued by non-euro area residents
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	
	1	2	3	4	5	6	7	8
2008 Q2	2,243.6	1,814.2	511.1	947.0	212.6	13.1	130.4	429.4
Q3	2,280.3	1,848.8	516.8	971.0	218.5	8.8	133.6	431.5
Q4	2,292.1	1,873.9	505.6	1,013.3	207.5	11.4	136.2	418.2
2009 Q1	2,359.1	1,939.1	529.7	1,036.5	224.1	13.6	135.3	420.0
Q2	2,382.4	1,988.5	537.4	1,053.2	244.4	15.5	138.0	393.8
Q3	2,443.8	2,039.1	557.7	1,093.7	233.5	15.3	138.8	404.6
Q4	2,459.9	2,051.0	542.6	1,112.2	240.0	16.7	139.5	409.0
2010 Q1	2,565.7	2,147.9	573.7	1,184.6	228.2	15.9	145.5	417.8
Q2	2,596.0	2,173.0	574.5	1,195.3	238.4	16.4	148.4	423.0
Q3	2,674.1	2,243.5	586.2	1,243.6	244.4	18.7	150.6	430.6
Q4	2,609.2	2,183.9	581.9	1,211.0	222.2	17.3	151.5	425.3
2011 Q1	2,653.6	2,234.9	607.2	1,205.4	253.9	18.5	149.9	418.7

3. Liabilities and net worth

	Liabilities									Net worth
	Total	Loans received	Securities other than shares	Shares and other equity	Insurance technical reserves				Other accounts receivable/ payable and financial derivatives	
					Total	Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	1	2	3	4	5	6	7	8	9	10
2008 Q2	6,176.2	338.3	28.9	504.7	5,163.3	2,945.6	1,362.5	855.3	141.0	145.2
Q3	6,172.8	330.8	29.7	473.9	5,188.3	2,945.5	1,394.0	848.8	150.1	88.7
Q4	6,119.4	347.9	31.7	421.4	5,176.3	2,913.6	1,434.4	828.3	142.1	34.1
2009 Q1	6,124.0	345.4	31.8	378.1	5,226.8	2,936.9	1,443.9	846.0	141.9	60.2
Q2	6,206.3	317.7	33.1	394.4	5,321.7	3,011.4	1,463.5	846.8	139.4	124.3
Q3	6,353.4	298.3	36.1	439.1	5,436.2	3,101.0	1,489.4	845.7	143.8	203.8
Q4	6,429.9	278.4	39.5	435.2	5,524.6	3,170.4	1,513.0	841.1	152.1	213.1
2010 Q1	6,613.0	288.1	40.3	453.7	5,676.6	3,253.9	1,557.0	865.6	154.4	247.8
Q2	6,651.4	294.4	41.7	425.6	5,732.9	3,283.8	1,582.8	866.3	156.8	235.1
Q3	6,765.1	310.9	40.5	432.6	5,829.1	3,342.6	1,624.2	862.3	151.9	286.8
Q4	6,803.0	278.3	42.2	440.6	5,893.5	3,380.4	1,651.6	861.5	148.3	162.3
2011 Q1	6,917.5	296.8	40.0	458.5	5,975.0	3,412.3	1,675.1	887.6	147.2	108.0

Source: ECB.

EURO AREA ACCOUNTS

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

Uses 2011 Q1	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						548
Trade balance [1]						11
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,079	107	685	53	234	
Other taxes less subsidies on production	22	5	10	4	4	
Consumption of fixed capital	360	100	200	11	48	
Net operating surplus and mixed income [1]	587	280	272	36	0	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						6
Taxes less subsidies on production						
Property income	648	35	258	289	66	92
Interest	362	33	63	200	66	50
Other property income	286	2	195	89	0	43
Net national income [1]	1,929	1,566	98	49	215	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	236	208	22	6	0	2
Social contributions	417	417				1
Social benefits other than social transfers in kind	451	1	17	34	398	1
Other current transfers	198	69	24	46	58	8
Net non-life insurance premiums	44	33	10	1	1	1
Non-life insurance claims	44			44		0
Other	110	36	15	1	58	6
Net disposable income [1]	1,891	1,408	62	58	363	
Use of income account						
Net disposable income						
Final consumption expenditure	1,823	1,338			484	
Individual consumption expenditure	1,636	1,338			298	
Collective consumption expenditure	187				187	
Adjustment for the change in the net equity of households in pension fund reserves	14	0	0	14	0	0
Net saving/current external account [1]	68	84	62	44	-122	49
Capital account						
Net saving/current external account						
Gross capital formation	477	137	286	10	45	
Gross fixed capital formation	433	132	247	10	45	
Changes in inventories and acquisitions less disposals of valuables	44	4	39	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	-2	2	0	0	0
Capital transfers	30	7	0	2	21	5
Capital taxes	6	5	1	0		0
Other capital transfers	24	2	-1	2	21	5
Net lending (+)/net borrowing (-) (from capital account) [1]	-46	54	-10	43	-134	46
Statistical discrepancy	0	7	-7	0	0	0

Sources: ECB and Eurostat.
1) For details of 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 2011 Q1	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						558
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,048	492	1,167	104	286	
Taxes less subsidies on products	240					
Gross domestic product (market prices)[2)]	2,289					
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	587	280	272	36	0	
Compensation of employees	1,082	1,082				3
Taxes less subsidies on production	261				261	1
Property income	647	240	85	302	20	93
Interest	356	54	38	256	7	56
Other property income	291	185	46	47	13	38
Net national income						
Secondary distribution of income account						
Net national income	1,929	1,566	98	49	215	
Current taxes on income, wealth, etc.	237				237	1
Social contributions	417	1	17	48	350	1
Social benefits other than social transfers in kind	449	449				3
Other current transfers	161	87	11	46	18	45
Net non-life insurance premiums	44			44		1
Non-life insurance claims	43	35	8	1	0	1
Other	74	53	3	0	18	42
Net disposable income						
Use of income account						
Net disposable income	1,891	1,408	62	58	363	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	14	14				0
Net saving/current external account						
Capital account						
Net saving/current external account	68	84	62	44	-122	49
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	360	100	200	11	48	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	33	13	14	1	5	2
Capital taxes	6				6	0
Other capital transfers	26	13	14	1	-1	2
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

(EUR billions)

Assets 2011 Q1	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		18,857	16,632	32,325	14,887	6,652	3,748	16,637
Monetary gold and special drawing rights (SDRs)				420				
Currency and deposits		6,631	1,902	9,223	2,337	800	709	3,778
Short-term debt securities		40	81	555	322	40	43	647
Long-term debt securities		1,365	244	6,048	2,431	2,577	492	3,647
Loans		77	2,955	13,276	3,511	487	521	1,801
of which: Long-term		59	1,672	10,206	2,454	352	440	.
Shares and other equity		4,560	7,775	1,910	6,001	2,366	1,340	6,083
Quoted shares		796	1,487	419	2,082	426	267	.
Unquoted shares and other equity		2,229	5,929	1,180	2,963	412	884	.
Mutual fund shares		1,535	359	310	956	1,527	188	.
Insurance technical reserves		5,702	174	3	0	233	4	233
Other accounts receivable and financial derivatives		482	3,501	889	284	150	639	449
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		78	45	-188	112	101	31	192
Monetary gold and SDRs				-1				1
Currency and deposits		3	-27	-230	-42	12	42	-69
Short-term debt securities		19	3	-44	10	3	-9	60
Long-term debt securities		24	18	35	49	54	-15	18
Loans		1	17	95	17	2	4	39
of which: Long-term		1	1	44	0	2	19	.
Shares and other equity		-27	35	-8	63	19	-7	130
Quoted shares		-1	-12	-9	5	-2	-5	.
Unquoted shares and other equity		-14	53	2	55	3	-2	.
Mutual fund shares		-12	-6	-1	3	19	0	.
Insurance technical reserves		62	5	0	0	9	0	-5
Other accounts receivable and financial derivatives		-4	-6	-35	15	3	15	18
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-30	155	-84	-100	-35	3	-228
Monetary gold and SDRs				-17				
Currency and deposits		7	-6	-38	5	-3	0	-108
Short-term debt securities		-1	-1	3	0	0	0	-21
Long-term debt securities		-15	0	-38	-44	-32	-4	-25
Loans		-3	-15	-29	-39	-1	0	24
of which: Long-term		-3	-2	-21	-19	0	0	.
Shares and other equity		34	161	31	-19	3	9	-101
Quoted shares		19	96	4	-12	11	6	.
Unquoted shares and other equity		21	71	33	3	-4	1	.
Mutual fund shares		-7	-7	-6	-10	-4	2	.
Insurance technical reserves		-36	0	0	0	-2	0	3
Other accounts receivable and financial derivatives		-16	16	3	-4	-1	-2	0
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		18,905	16,832	32,053	14,898	6,718	3,783	16,600
Monetary gold and SDRs				403				
Currency and deposits		6,641	1,868	8,955	2,300	809	752	3,601
Short-term debt securities		59	83	515	332	43	34	685
Long-term debt securities		1,374	262	6,046	2,436	2,599	473	3,641
Loans		75	2,957	13,342	3,489	489	526	1,864
of which: Long-term		56	1,672	10,229	2,434	353	459	.
Shares and other equity		4,567	7,971	1,933	6,045	2,388	1,341	6,112
Quoted shares		814	1,571	414	2,076	435	268	.
Unquoted shares and other equity		2,236	6,053	1,215	3,020	411	883	.
Mutual fund shares		1,516	347	304	949	1,541	190	.
Insurance technical reserves		5,729	179	3	0	239	4	231
Other accounts receivable and financial derivatives		461	3,512	857	295	152	653	467
Net financial worth								

Source: ECB.

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

(EUR billions)

Liabilities 2011 Q1	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		6,657	26,373	31,446	14,277	6,778	8,990	14,796
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			30	22,423	26	0	260	2,641
Short-term debt securities			70	633	77	0	694	254
Long-term debt securities			805	4,514	2,736	33	5,801	2,917
Loans		6,077	8,414		3,164	267	1,722	2,985
of which: Long-term		5,718	5,969		1,657	116	1,361	.
Shares and other equity		7	13,091	2,700	8,206	422	7	5,600
Quoted shares			3,814	456	225	124	0	.
Unquoted shares and other equity		7	9,276	1,138	2,412	297	7	.
Mutual fund shares				1,107	5,569			.
Insurance technical reserves		34	335	66	1	5,910	1	
Other accounts payable and financial derivatives		539	3,628	1,110	67	147	504	399
Net financial worth [1]	-1,420	12,199	-9,741	879	610	-126	-5,241	
Financial account, transactions in liabilities								
Total transactions in liabilities		17	62	-181	66	96	165	146
Monetary gold and SDRs								
Currency and deposits			1	-306	-2	0	-8	3
Short-term debt securities			6	31	0	0	-12	17
Long-term debt securities			7	56	-34	0	157	-3
Loans		10	43		24	8	32	58
of which: Long-term		17	11		23	1	35	.
Shares and other equity		0	55	-1	88	1	0	62
Quoted shares			10	4	8	0	0	.
Unquoted shares and other equity		0	45	5	25	1	0	.
Mutual fund shares				-9	55			.
Insurance technical reserves		0	0	1	0	71	0	
Other accounts payable and financial derivatives		6	-49	38	-11	16	-5	10
Changes in net financial worth due to transactions [1]	-46	62	-17	-7	45	5	-134	46
Other changes account, liabilities								
Total other changes in liabilities		-2	195	-131	-31	-41	-74	-218
Monetary gold and SDRs								
Currency and deposits			0	-85	0	0	0	-57
Short-term debt securities			0	-10	-1	0	0	-7
Long-term debt securities			-36	-60	20	-2	-72	-8
Loans		-3	-7		4	-3	-1	-54
of which: Long-term		-7	-1		8	1	-2	.
Shares and other equity		0	265	21	-80	16	0	-105
Quoted shares			99	30	17	7	0	.
Unquoted shares and other equity		0	167	11	-36	9	0	.
Mutual fund shares				-20	-62			.
Insurance technical reserves		0	0	0	0	-35	0	
Other accounts payable and financial derivatives		2	-28	4	26	-17	-1	12
Other changes in net financial worth [1]	-7	-28	-40	47	-69	6	77	-10
Closing balance sheet, liabilities								
Total liabilities		6,672	26,630	31,134	14,312	6,833	9,080	14,725
Monetary gold and SDRs								
Currency and deposits			30	22,032	24	0	252	2,587
Short-term debt securities			76	653	76	0	682	264
Long-term debt securities			775	4,509	2,723	31	5,886	2,906
Loans		6,084	8,451		3,193	272	1,753	2,989
of which: Long-term		5,729	5,979		1,687	118	1,395	.
Shares and other equity		7	13,411	2,721	8,214	439	7	5,557
Quoted shares			3,923	490	251	131	0	.
Unquoted shares and other equity		7	9,487	1,154	2,401	307	7	.
Mutual fund shares				1,077	5,562			.
Insurance technical reserves		35	336	67	1	5,946	1	
Other accounts payable and financial derivatives		547	3,551	1,152	82	145	499	421
Net financial worth [1]	-1,473	12,233	-9,798	919	586	-115	-5,298	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2007	2008	2009	2009 Q2-2010 Q1	2009 Q3-2010 Q2	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,271	4,451	4,434	4,436	4,453	4,468	4,488	4,514
Other taxes less subsidies on production	137	132	114	111	112	118	115	118
Consumption of fixed capital	1,325	1,388	1,404	1,404	1,408	1,415	1,423	1,431
Net operating surplus and mixed income [1]	2,333	2,309	2,102	2,128	2,161	2,180	2,206	2,240
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,688	3,964	2,977	2,840	2,761	2,751	2,793	2,833
Interest	2,115	2,360	1,618	1,497	1,433	1,407	1,406	1,420
Other property income	1,573	1,604	1,359	1,342	1,328	1,344	1,387	1,412
Net national income [1]	7,735	7,795	7,518	7,558	7,628	7,688	7,740	7,814
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,113	1,123	1,014	1,013	1,022	1,028	1,037	1,050
Social contributions	1,597	1,668	1,675	1,678	1,683	1,688	1,699	1,709
Social benefits other than social transfers in kind	1,602	1,672	1,789	1,809	1,821	1,829	1,837	1,842
Other current transfers	736	768	769	773	770	771	764	765
Net non-life insurance premiums	183	187	182	182	180	179	178	177
Non-life insurance claims	184	189	183	183	181	180	179	178
Other	369	392	403	408	409	412	407	410
Net disposable income [1]	7,641	7,692	7,409	7,445	7,515	7,570	7,626	7,698
Use of income account								
Net disposable income								
Final consumption expenditure	6,914	7,166	7,170	7,206	7,245	7,291	7,336	7,384
Individual consumption expenditure	6,198	6,414	6,385	6,419	6,457	6,502	6,547	6,593
Collective consumption expenditure	716	752	785	786	789	789	789	791
Adjustment for the change in the net equity of households in pension fund reserves	64	70	65	63	61	60	58	58
Net saving [1]	727	526	239	239	269	279	289	314
Capital account								
Net saving								
Gross capital formation	2,033	2,044	1,712	1,695	1,734	1,762	1,788	1,839
Gross fixed capital formation	1,985	2,011	1,767	1,744	1,751	1,761	1,773	1,800
Changes in inventories and acquisitions less disposals of valuables	48	33	-55	-49	-17	1	15	39
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1	1	1	2	1	2	1	1
Capital transfers	154	155	187	195	188	200	208	194
Capital taxes	24	24	34	34	30	29	25	25
Other capital transfers	130	131	153	161	158	170	183	169
Net lending (+)/net borrowing (-) (from capital account) [1]	35	-123	-61	-42	-47	-58	-65	-83

Sources: ECB and Eurostat.
1) For details of 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	2007	2008	2009	2009 Q2-2010 Q1	2009 Q3-2010 Q2	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1
Generation of income account								
Gross value added (basic prices)	8,066	8,279	8,053	8,079	8,133	8,180	8,233	8,303
Taxes less subsidies on products	963	948	893	895	910	930	939	954
Gross domestic product (market prices)[2]	9,029	9,228	8,946	8,974	9,044	9,110	9,172	9,257
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	2,333	2,309	2,102	2,128	2,161	2,180	2,206	2,240
Compensation of employees	4,279	4,457	4,440	4,442	4,459	4,474	4,495	4,520
Taxes less subsidies on production	1,107	1,087	1,024	1,024	1,037	1,061	1,067	1,085
Property income	3,705	3,906	2,929	2,804	2,731	2,723	2,764	2,802
Interest	2,084	2,309	1,569	1,454	1,395	1,369	1,365	1,383
Other property income	1,620	1,597	1,360	1,350	1,337	1,355	1,399	1,419
Net national income								
Secondary distribution of income account								
Net national income	7,735	7,795	7,518	7,558	7,628	7,688	7,740	7,814
Current taxes on income, wealth, etc.	1,121	1,132	1,020	1,019	1,026	1,033	1,042	1,056
Social contributions	1,596	1,666	1,674	1,678	1,683	1,688	1,698	1,709
Social benefits other than social transfers in kind	1,595	1,664	1,783	1,803	1,815	1,823	1,831	1,835
Other current transfers	642	666	662	661	657	655	650	650
Net non-life insurance premiums	184	189	183	183	181	180	179	178
Non-life insurance claims	182	186	180	180	178	177	175	175
Other	276	292	298	298	299	298	296	298
Net disposable income								
Use of income account								
Net disposable income	7,641	7,692	7,409	7,445	7,515	7,570	7,626	7,698
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	64	70	65	63	61	60	58	58
Net saving								
Capital account								
Net saving	727	526	239	239	269	279	289	314
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,325	1,388	1,404	1,404	1,408	1,415	1,423	1,431
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	169	164	196	206	199	212	220	206
Capital taxes	24	24	34	34	30	29	25	25
Other capital transfers	145	140	162	172	169	182	195	180
Net lending (+)/net borrowing (-) (from capital account)								

Sources: ECB and Eurostat.

2) Gross domestic product is equal to the gross value added of all domestic sectors plus net taxes (i.e. taxes less subsidies) on products.

3.3 Households

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

	2007	2008	2009	2009 Q2-2010 Q1	2009 Q3-2010 Q2	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1
Income, saving and changes in net worth								
Compensation of employees (+)	4,279	4,457	4,440	4,442	4,459	4,474	4,495	4,520
Gross operating surplus and mixed income (+)	1,487	1,530	1,474	1,470	1,471	1,476	1,481	1,494
Interest receivable (+)	315	347	242	224	215	211	210	214
Interest payable (-)	218	247	146	134	129	127	127	129
Other property income receivable (+)	805	817	730	721	715	720	728	741
Other property income payable (-)	10	10	10	10	10	10	10	10
Current taxes on income and wealth (-)	852	892	860	858	859	863	867	876
Net social contributions (-)	1,593	1,663	1,670	1,673	1,678	1,683	1,694	1,704
Net social benefits (+)	1,590	1,659	1,778	1,798	1,810	1,818	1,826	1,830
Net current transfers receivable (+)	62	69	74	73	72	71	69	69
= Gross disposable income	5,865	6,067	6,051	6,054	6,066	6,088	6,112	6,148
Final consumption expenditure (-)	5,105	5,269	5,187	5,212	5,242	5,282	5,325	5,367
Changes in net worth in pension funds (+)	63	69	65	63	60	59	58	58
= Gross saving	823	868	929	905	885	865	845	839
Consumption of fixed capital (-)	367	384	385	386	387	389	391	394
Net capital transfers receivable (+)	14	2	14	11	10	9	14	13
Other changes in net worth (+)	1,476	-2,235	-454	690	759	954	1,019	657
= Changes in net worth	1,945	-1,749	103	1,220	1,266	1,440	1,486	1,115
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	643	637	547	537	540	544	548	556
Consumption of fixed capital (-)	367	384	385	386	387	389	391	394
Main items of financial investment (+)								
Short-term assets	420	457	-16	-89	-77	-24	55	118
Currency and deposits	351	438	120	63	63	89	120	142
Money market fund shares	37	-6	-43	-74	-73	-84	-50	-37
Debt securities [1]	32	26	-93	-78	-67	-29	-15	14
Long-term assets	173	17	536	629	601	503	420	331
Deposits	-31	-29	90	118	110	88	59	44
Debt securities	84	21	36	27	35	-1	4	42
Shares and other equity	-89	-105	184	233	212	177	135	45
Quoted and unquoted shares and other equity	-4	30	111	130	133	100	96	44
Mutual fund shares	-85	-135	73	104	80	77	39	1
Life insurance and pension fund reserves	209	130	225	251	244	239	223	201
Main items of financing (-)								
Loans	384	236	118	135	144	142	150	147
of which: From euro area MFIs	283	83	65	108	135	134	147	169
Other changes in assets (+)								
Non-financial assets	1,445	-890	-742	-71	478	810	872	666
Financial assets	70	-1,383	280	739	275	127	133	-26
Shares and other equity	29	-1,131	81	427	77	5	91	60
Life insurance and pension fund reserves	8	-244	176	266	172	115	78	-8
Remaining net flows (+)	-54	33	1	-4	-21	11	-2	11
= Changes in net worth	1,945	-1,749	103	1,220	1,266	1,440	1,486	1,115
Balance sheet								
Non-financial assets (+)	27,402	26,765	26,185	26,237	26,690	27,042	27,214	27,064
Financial assets (+)								
Short-term assets	5,263	5,804	5,778	5,739	5,781	5,768	5,840	5,881
Currency and deposits	4,851	5,322	5,474	5,446	5,506	5,498	5,598	5,598
Money market fund shares	280	315	239	232	216	203	190	208
Debt securities [1]	131	167	65	61	59	66	52	75
Long-term assets	12,151	10,735	11,580	11,864	11,724	11,973	12,130	12,154
Deposits	965	913	974	1,003	1,014	1,020	1,033	1,043
Debt securities	1,275	1,302	1,386	1,392	1,373	1,367	1,353	1,358
Shares and other equity	5,125	3,848	4,145	4,267	4,103	4,253	4,370	4,359
Quoted and unquoted shares and other equity	3,686	2,806	2,917	2,987	2,847	2,952	3,025	3,051
Mutual fund shares	1,438	1,042	1,228	1,280	1,256	1,301	1,345	1,308
Life insurance and pension fund reserves	4,786	4,672	5,074	5,203	5,235	5,333	5,375	5,395
Remaining net assets (+)	327	322	298	268	288	310	306	281
Liabilities (-)								
Loans	5,569	5,801	5,914	5,925	5,993	6,019	6,077	6,084
of which: From euro area MFIs	4,831	4,914	4,968	4,986	5,140	5,159	5,213	5,256
= Net worth	39,574	37,825	37,928	38,182	38,491	39,073	39,413	39,297

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

3.4 Non-financial corporations

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

	2007	2008	2009	2009 Q2-2010 Q1	2009 Q3-2010 Q2	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1
Income and saving								
Gross value added (basic prices) (+)	4,656	4,771	4,528	4,545	4,589	4,626	4,672	4,726
Compensation of employees (-)	2,726	2,847	2,793	2,790	2,801	2,813	2,832	2,855
Other taxes less subsidies on production (-)	80	77	63	59	59	64	60	61
= Gross operating surplus (+)	1,849	1,847	1,672	1,696	1,730	1,749	1,780	1,810
Consumption of fixed capital (-)	741	778	789	788	789	792	796	799
= Net operating surplus (+)	1,108	1,069	883	908	941	957	984	1,011
Property income receivable (+)	620	630	491	484	477	480	503	506
Interest receivable	215	232	159	150	145	142	140	142
Other property income receivable	405	398	332	335	332	339	363	363
Interest and rents payable (-)	363	415	293	274	263	258	259	261
= Net entrepreneurial income (+)	1,365	1,285	1,080	1,119	1,155	1,180	1,229	1,255
Distributed income (-)	1,003	1,042	921	910	905	918	956	975
Taxes on income and wealth payable (-)	211	198	126	126	132	133	137	141
Social contributions receivable (+)	63	67	69	69	68	68	68	69
Social benefits payable (-)	62	65	67	67	68	68	68	68
Other net transfers (-)	48	53	53	53	54	54	54	54
= Net saving	105	-7	-17	32	65	75	81	85
Investment, financing and saving								
Net acquisition of non-financial assets (+)	379	341	79	78	126	151	177	216
Gross fixed capital formation (+)	1,072	1,090	923	914	930	940	955	976
Consumption of fixed capital (-)	741	778	789	788	789	792	796	799
Net acquisition of other non-financial assets (+)	48	29	-55	-48	-15	3	18	40
Main items of financial investment (+)								
Short-term assets	167	72	94	91	22	22	17	9
Currency and deposits	153	15	87	97	57	51	68	61
Money market fund shares	-20	33	41	4	-22	-28	-41	-39
Debt securities [1]	34	24	-35	-10	-14	-1	-9	-13
Long-term assets	725	693	254	213	243	319	394	383
Deposits	-13	36	10	-3	-6	-4	-19	-10
Debt securities	51	-29	14	0	4	-1	1	14
Shares and other equity	414	342	121	95	51	85	182	189
Other (mainly intercompany loans)	273	344	108	122	193	240	230	191
Remaining net assets (+)	173	-34	-16	85	88	97	29	34
Main items of financing (-)								
Debt	901	694	94	113	127	230	214	227
of which: Loans from euro area MFIs	537	395	-116	-99	-94	-38	-41	-19
of which: Debt securities	33	49	84	103	83	69	63	39
Shares and other equity	370	309	250	240	204	205	245	254
Quoted shares	58	6	67	67	47	37	31	31
Unquoted shares and other equity	312	303	183	173	157	168	214	223
Net capital transfers receivable (-)	69	74	81	80	80	79	75	74
= Net saving	105	-7	-17	32	65	75	81	85
Financial balance sheet								
Financial assets								
Short-term assets	1,801	1,891	1,973	1,934	1,916	1,940	1,989	1,954
Currency and deposits	1,507	1,538	1,632	1,601	1,608	1,625	1,693	1,666
Money market fund shares	176	206	228	215	198	196	188	181
Debt securities [1]	118	148	113	118	110	119	107	107
Long-term assets	10,703	9,111	10,120	10,406	10,287	10,637	10,968	11,187
Deposits	208	239	223	224	233	243	208	202
Debt securities	231	197	208	217	224	224	218	238
Shares and other equity	7,989	6,090	6,981	7,183	6,948	7,249	7,587	7,790
Other (mainly intercompany loans)	2,276	2,585	2,708	2,782	2,882	2,921	2,955	2,957
Remaining net assets	294	292	233	248	199	207	77	170
Liabilities								
Debt	8,609	9,298	9,433	9,497	9,584	9,625	9,625	9,638
of which: Loans from euro area MFIs	4,472	4,871	4,707	4,711	4,727	4,705	4,676	4,696
of which: Debt securities	649	705	817	866	875	891	875	851
Shares and other equity	14,356	11,056	12,329	12,531	11,979	12,594	13,091	13,411
Quoted shares	5,061	2,935	3,517	3,590	3,316	3,542	3,814	3,923
Unquoted shares and other equity	9,295	8,121	8,812	8,941	8,663	9,052	9,276	9,487

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

3.5 Insurance corporations and pension funds

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

	2007	2008	2009	2009 Q2-2010 Q1	2009 Q3-2010 Q2	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	22	79	-53	-65	-18	-2	-11	-21
Currency and deposits	7	57	-33	-21	2	6	-9	-9
Money market fund shares	4	15	-1	-11	0	-2	-6	-12
Debt securities [1]	11	7	-19	-33	-21	-6	4	0
Long-term assets	230	113	304	329	277	266	227	205
Deposits	47	-9	19	1	-6	-6	-8	5
Debt securities	108	50	112	125	145	163	153	131
Loans	-15	37	11	12	12	14	31	27
Quoted shares	-1	3	-68	-74	-71	4	2	0
Unquoted shares and other equity	22	14	-7	-1	0	2	8	10
Mutual fund shares	69	18	239	266	197	88	40	32
Remaining net assets (+)	6	21	6	25	16	20	16	-6
Main items of financing (-)								
Debt securities	3	4	5	3	5	2	0	0
Loans	-2	24	-20	-11	-4	15	11	6
Shares and other equity	4	5	0	-1	2	2	2	2
Insurance technical reserves	245	124	232	275	266	259	241	210
Net equity of households in life insurance and pension fund reserves	212	121	227	262	255	249	227	200
Prepayments of insurance premiums and reserves for outstanding claims	34	4	4	12	11	10	14	10
= Changes in net financial worth due to transactions	9	56	40	24	6	5	-23	-39
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	-13	-506	187	287	120	72	77	26
Other net assets	-35	56	36	68	86	77	-19	-52
Other changes in liabilities (-)								
Shares and other equity	-20	-174	11	73	22	-16	-5	-5
Insurance technical reserves	30	-263	190	272	182	122	91	3
Net equity of households in life insurance and pension fund reserves	18	-251	185	271	179	123	94	6
Prepayments of insurance premiums and reserves for outstanding claims	12	-12	5	2	3	-1	-3	-2
= Other changes in net financial worth	-58	-12	22	9	3	42	-28	-25
Financial balance sheet								
Financial assets (+)								
Short-term assets	318	399	340	354	370	363	335	335
Currency and deposits	163	224	195	196	206	203	190	186
Money market fund shares	91	104	95	100	104	102	90	92
Debt securities [1]	63	71	50	58	59	58	55	57
Long-term assets	5,467	5,089	5,648	5,822	5,806	5,941	5,934	5,992
Deposits	594	599	616	615	610	615	610	623
Debt securities	2,203	2,252	2,427	2,514	2,546	2,620	2,561	2,584
Loans	411	446	456	462	467	470	487	489
Quoted shares	684	397	409	426	401	423	426	435
Unquoted shares and other equity	415	419	411	408	405	399	412	411
Mutual fund shares	1,161	975	1,330	1,398	1,376	1,414	1,438	1,450
Remaining net assets (+)	175	241	223	243	256	274	236	245
Liabilities (-)								
Debt securities	19	23	30	31	31	30	33	31
Loans	244	273	253	265	271	284	267	272
Shares and other equity	583	415	425	442	411	416	422	439
Insurance technical reserves	5,295	5,156	5,578	5,732	5,774	5,873	5,910	5,946
Net equity of households in life insurance and pension fund reserves	4,472	4,342	4,754	4,891	4,930	5,032	5,074	5,097
Prepayments of insurance premiums and reserves for outstanding claims	822	814	824	841	844	841	835	849
= Net financial wealth	-182	-138	-76	-51	-55	-25	-126	-115

Source: ECB.

1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

FINANCIAL MARKETS

4

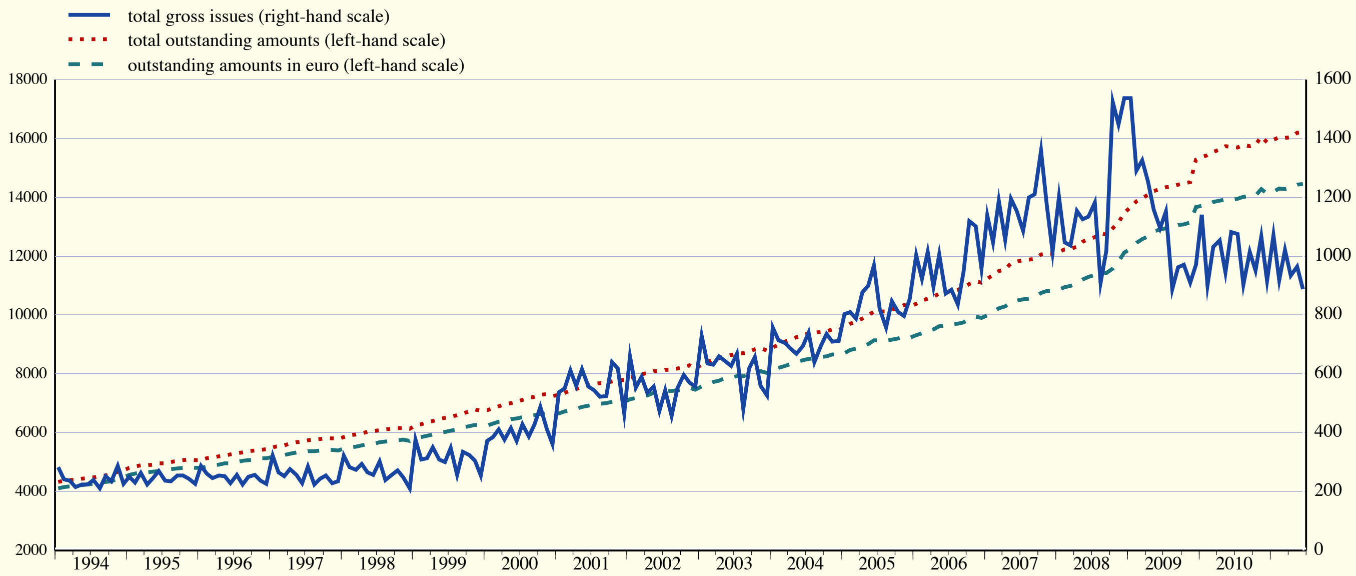
4.1 Securities other than shares by original maturity, residency of the issuer and currency

(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					
											Seasonally adjusted[2]	
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2010 June	16,167.6	1,049.8	7.6	13,905.9	984.3	-1.7	15,709.3	1,081.9	-12.4	3.6	8.0	2.6
July	16,189.6	1,009.8	22.9	13,952.9	970.1	48.0	15,683.5	1,076.0	15.2	3.2	47.4	2.4
Aug.	16,254.3	841.1	65.0	14,014.8	800.7	62.3	15,789.5	903.1	82.1	3.6	143.4	4.4
Sep.	16,272.8	985.1	18.8	14,032.7	908.6	18.1	15,743.8	1,013.6	4.7	3.1	48.5	3.7
Oct.	16,280.3	888.0	10.1	14,070.2	843.2	40.1	15,782.0	950.3	52.7	3.2	23.9	3.4
Nov.	16,459.9	993.0	180.9	14,268.9	954.0	199.8	16,065.7	1,067.0	239.0	4.3	211.6	6.3
Dec.	16,297.2	876.7	-161.3	14,123.4	844.0	-144.0	15,874.8	916.5	-183.0	3.6	-136.1	4.4
2011 Jan.	16,376.7	1,005.0	78.7	14,198.1	954.4	73.9	15,947.8	1,070.1	91.6	3.7	102.5	5.1
Feb.	16,476.6	866.3	100.7	14,289.7	813.5	92.6	16,039.5	919.2	97.6	4.1	50.2	3.8
Mar.	16,478.2	978.9	2.0	14,284.1	912.0	-5.4	16,018.6	1,019.9	3.5	3.4	-11.4	3.0
Apr.	16,498.6	888.1	20.9	14,331.2	849.4	47.7	16,044.6	934.0	51.0	3.2	23.3	3.1
May	16,610.4	921.3	110.1	14,433.6	866.0	100.7	16,201.6	963.6	126.7	3.6	59.7	1.1
June	16,646.7	843.3	36.4	14,461.0	791.5	27.3	16,220.6	888.2	24.6	3.9	42.9	3.4
	Long-term											
2010 June	14,652.1	272.9	28.9	12,513.8	245.7	29.8	14,105.0	265.7	23.8	5.0	5.9	4.1
July	14,686.5	261.6	35.5	12,549.0	241.3	36.4	14,082.5	268.7	14.5	4.7	57.1	3.4
Aug.	14,717.8	140.8	32.1	12,580.2	127.4	32.0	14,148.0	152.8	43.5	4.7	104.4	4.7
Sep.	14,721.6	268.6	4.1	12,594.3	228.4	14.4	14,105.5	258.8	4.4	4.1	37.9	3.7
Oct.	14,758.9	222.2	37.5	12,643.6	195.4	49.4	14,161.2	233.3	65.7	4.0	58.1	3.7
Nov.	14,903.3	338.6	145.4	12,802.9	322.0	160.3	14,393.2	360.5	191.4	4.8	159.9	6.2
Dec.	14,860.9	186.9	-39.8	12,778.3	179.8	-21.9	14,336.0	193.9	-49.9	4.7	-48.4	5.4
2011 Jan.	14,928.0	308.9	68.6	12,829.1	277.9	52.2	14,383.7	320.1	67.8	4.8	122.4	6.3
Feb.	15,033.8	283.8	106.1	12,924.5	252.8	95.9	14,471.3	284.8	92.1	5.0	40.7	5.3
Mar.	15,046.9	305.1	13.7	12,944.3	269.0	20.3	14,466.6	303.3	17.1	4.3	10.0	4.9
Apr.	15,100.8	302.5	54.2	13,009.7	278.3	65.7	14,513.8	308.7	68.8	4.3	53.4	4.8
May	15,187.5	277.5	85.6	13,089.3	246.4	78.4	14,630.0	269.3	90.7	4.5	24.9	2.8
June	15,244.6	253.6	56.6	13,144.1	222.4	54.3	14,684.7	251.3	58.1	4.7	42.4	4.1

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 details of the calculation of the growth rates, see the Technical Notes. The six-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 [1]					
	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											
2009	15,286	5,371	3,225	804	5,418	469	1,126	734	68	80	215	29
2010	15,875	5,246	3,289	854	5,932	554	1,007	625	79	69	205	29
2010 Q3	15,744	5,419	3,213	847	5,735	529	998	631	77	65	196	29
Q4	15,875	5,246	3,289	854	5,932	554	978	566	110	64	206	32
2011 Q1	16,019	5,347	3,255	828	6,024	564	1,003	592	89	58	220	43
Q2	16,221	5,359	3,262	836	6,166	596	929	550	84	59	192	43
2011 Mar.	16,019	5,347	3,255	828	6,024	564	1,020	588	102	61	218	51
Apr.	16,045	5,337	3,254	827	6,059	567	934	520	99	54	216	46
May	16,202	5,394	3,260	845	6,119	584	964	592	85	67	177	42
June	16,221	5,359	3,262	836	6,166	596	888	538	68	58	182	42
	Short-term											
2009	1,638	733	89	71	714	31	876	635	25	63	133	20
2010	1,539	572	122	67	724	53	758	534	34	57	115	19
2010 Q3	1,638	743	94	72	689	41	771	545	31	55	118	21
Q4	1,539	572	122	67	724	53	715	484	38	52	117	24
2011 Q1	1,552	618	113	71	700	51	700	462	41	49	118	30
Q2	1,536	582	118	72	702	62	652	440	30	50	102	31
2011 Mar.	1,552	618	113	71	700	51	717	461	57	47	117	34
Apr.	1,531	604	117	67	694	50	625	415	29	44	105	32
May	1,572	620	120	77	698	56	694	478	33	55	98	31
June	1,536	582	118	72	702	62	637	426	28	52	102	29
	Long-term [2]											
2009	13,649	4,638	3,136	733	4,704	438	251	99	44	17	82	9
2010	14,336	4,674	3,167	788	5,207	500	248	91	46	12	90	10
2010 Q3	14,105	4,676	3,119	776	5,046	488	227	86	46	9	78	8
Q4	14,336	4,674	3,167	788	5,207	500	263	83	72	11	89	8
2011 Q1	14,467	4,730	3,143	757	5,324	513	303	130	48	10	102	13
Q2	14,685	4,777	3,144	765	5,465	535	276	110	54	9	90	12
2011 Mar.	14,467	4,730	3,143	757	5,324	513	303	127	44	14	101	17
Apr.	14,514	4,733	3,138	760	5,365	518	309	105	70	9	111	14
May	14,630	4,773	3,140	768	5,421	528	269	114	53	12	79	11
June	14,685	4,777	3,144	765	5,465	535	251	112	40	7	80	12
	of which: Long-term fixed rate											
2009	8,800	2,564	1,026	599	4,261	351	172	60	18	16	72	6
2010	9,470	2,635	1,089	671	4,697	377	156	50	13	10	77	6
2010 Q3	9,305	2,627	1,062	658	4,590	369	141	48	12	8	68	5
Q4	9,470	2,635	1,089	671	4,697	377	143	43	19	11	65	6
2011 Q1	9,628	2,701	1,096	656	4,787	388	195	78	12	8	87	9
Q2	9,854	2,740	1,132	666	4,912	404	173	61	21	8	74	9
2011 Mar.	9,628	2,701	1,096	656	4,787	388	202	73	15	12	90	12
Apr.	9,652	2,705	1,094	660	4,801	391	184	68	18	9	80	9
May	9,782	2,731	1,120	668	4,862	401	181	58	31	11	71	10
June	9,854	2,740	1,132	666	4,912	404	156	58	14	5	72	7
	of which: Long-term variable rate											
2009	4,409	1,786	2,043	124	371	85	62	28	25	1	6	2
2010	4,393	1,760	1,973	108	431	121	78	34	29	1	10	4
2010 Q3	4,357	1,768	1,979	109	382	117	73	30	33	1	6	3
Q4	4,393	1,760	1,973	108	431	121	102	33	44	1	22	2
2011 Q1	4,343	1,739	1,928	95	458	123	87	42	29	1	11	4
Q2	4,327	1,763	1,866	92	477	129	83	43	22	1	13	4
2011 Mar.	4,343	1,739	1,928	95	458	123	85	45	24	2	9	5
Apr.	4,356	1,742	1,915	94	482	124	102	31	40	0	26	4
May	4,327	1,757	1,878	93	474	125	67	50	8	1	6	2
June	4,327	1,763	1,866	92	477	129	79	48	18	2	6	5

Source: ECB.
1) Monthly data on gross issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.
2) 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

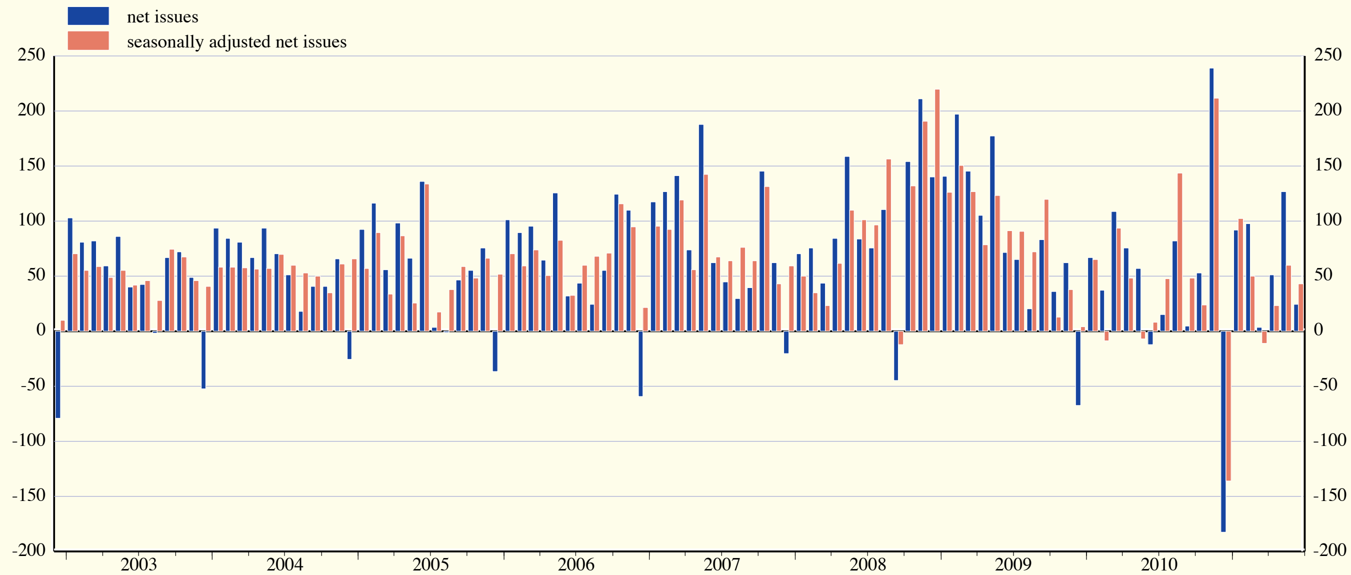
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	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											
2009	86.3	10.2	18.3	8.8	44.9	4.1	86.1	10.1	17.9	8.5	45.4	4.2
2010	45.3	-1.2	4.4	5.1	31.6	5.3	44.8	-1.5	4.4	5.1	31.8	4.9
2010 Q3	34.0	2.7	1.6	2.6	22.4	4.6	79.8	12.1	25.4	5.0	31.2	6.1
Q4	36.2	-19.9	24.2	1.3	22.9	7.7	33.1	-9.7	-12.0	4.3	48.0	2.5
2011 Q1	64.2	42.9	-19.8	4.4	32.5	4.3	47.1	26.8	-1.9	3.2	11.0	8.0
Q2	67.5	3.6	2.7	2.7	47.5	11.0	42.0	-0.6	-2.5	-1.3	34.9	11.5
2011 Mar.	3.5	8.5	-38.7	5.5	5.5	22.7	-11.4	-3.1	-28.5	6.6	-7.4	20.9
Apr.	51.0	2.9	3.4	1.4	37.7	5.6	23.3	-8.1	2.0	-2.7	27.9	4.2
May	126.7	39.1	1.0	14.7	56.8	15.1	59.7	15.3	-12.4	8.8	31.3	16.8
June	24.6	-31.2	3.7	-8.2	47.9	12.4	42.9	-8.9	2.8	-10.1	45.6	13.4
	Long-term											
2009	87.0	14.9	21.5	12.8	33.0	4.7	86.9	15.1	21.2	12.8	33.1	4.7
2010	53.9	1.8	1.7	5.5	41.3	3.5	54.0	1.8	1.6	5.5	41.5	3.5
2010 Q3	20.8	-1.4	1.9	3.1	16.7	0.6	66.5	6.3	24.1	4.9	28.8	2.4
Q4	69.1	-5.3	14.8	3.0	53.1	3.6	56.5	6.7	-20.9	4.5	64.1	2.1
2011 Q1	59.0	27.3	-16.0	2.3	40.5	4.9	57.7	17.8	2.4	2.9	30.0	4.7
Q2	72.5	15.3	0.7	2.5	46.7	7.3	40.2	5.1	-3.8	-1.3	33.1	7.1
2011 Mar.	17.1	3.7	-35.6	6.3	31.1	11.7	10.0	-6.8	-23.5	7.8	23.2	9.3
Apr.	68.8	14.8	-0.9	5.5	43.2	6.2	53.4	4.6	-1.2	3.2	41.6	5.1
May	90.7	26.3	-2.4	4.4	53.0	9.5	24.9	6.4	-13.5	-0.4	22.0	10.4
June	58.1	4.9	5.4	-2.4	44.0	6.2	42.4	4.3	3.4	-6.7	35.5	5.8

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

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



Source: ECB.
1) Monthly data on net issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

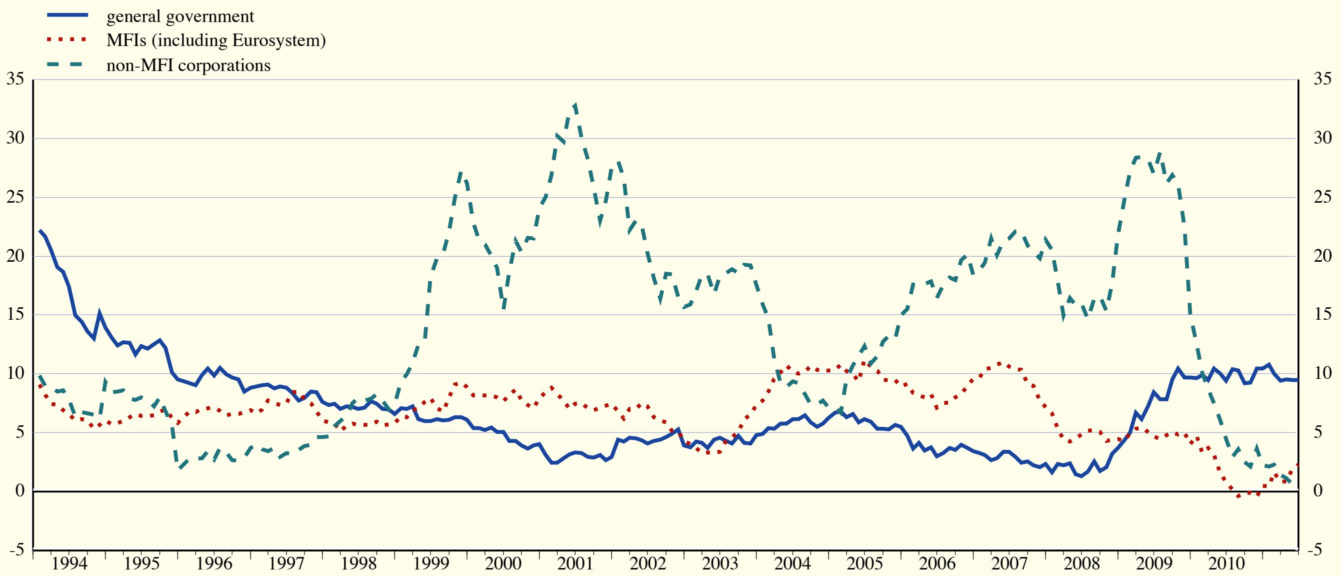
4.3 Growth rates of securities other than shares issued by euro area residents [1)]

(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											
2010 June	3.6	-0.5	1.4	12.6	7.4	10.3	2.6	-0.9	0.8	8.4	5.3	14.6
July	3.2	-1.0	0.3	10.4	7.6	10.8	2.4	-2.5	0.5	8.1	6.2	17.1
Aug.	3.6	-0.4	1.4	10.6	7.5	10.9	4.4	0.5	5.3	5.3	6.6	15.2
Sep.	3.1	-0.4	0.7	8.9	6.5	12.0	3.7	-0.4	5.3	4.0	5.8	17.1
Oct.	3.2	0.0	0.3	8.7	6.4	11.7	3.4	-2.1	4.2	3.9	7.0	17.7
Nov.	4.3	0.1	2.5	8.6	8.1	12.8	6.3	0.2	7.8	4.3	10.5	18.5
Dec.	3.6	-0.3	1.6	7.6	7.0	13.1	4.4	0.3	2.5	6.8	8.5	10.3
2011 Jan.	3.7	0.0	1.7	7.2	7.1	13.4	5.1	2.6	2.9	6.3	8.0	10.1
Feb.	4.1	1.6	2.3	5.5	6.7	11.9	3.8	2.8	-0.6	5.6	6.6	8.9
Mar.	3.4	0.7	1.3	4.8	5.9	14.5	3.0	2.0	-2.5	5.5	6.1	12.2
Apr.	3.2	0.4	1.2	3.3	6.0	14.6	3.1	3.1	-1.8	2.8	5.0	11.7
May	3.6	1.7	0.4	4.2	6.1	17.4	1.1	3.2	-6.6	4.1	1.9	16.6
June	3.9	1.7	0.8	4.0	6.5	16.1	3.4	3.0	-0.8	1.4	4.7	22.8
	Long-term											
2010 June	5.0	0.8	1.6	16.1	9.0	13.1	4.1	-0.7	0.6	10.6	9.5	13.4
July	4.7	0.2	0.5	12.9	10.3	11.4	3.4	-3.2	0.7	9.0	10.3	10.8
Aug.	4.7	-0.4	1.2	13.1	10.2	11.1	4.7	-1.1	4.4	6.9	9.9	9.6
Sep.	4.1	-0.1	0.4	11.4	8.9	11.9	3.7	-1.5	4.3	5.6	7.4	10.0
Oct.	4.0	-0.1	0.1	10.7	9.0	11.3	3.7	-1.8	3.3	5.7	8.4	10.3
Nov.	4.8	-0.5	2.2	9.8	10.4	11.1	6.2	0.0	7.1	6.8	10.8	12.3
Dec.	4.7	0.5	0.6	9.0	10.5	9.4	5.4	1.7	0.6	7.5	11.6	5.6
2011 Jan.	4.8	0.4	0.7	8.2	11.0	8.6	6.3	4.1	0.7	7.4	11.7	6.4
Feb.	5.0	1.6	1.2	6.6	10.1	8.8	5.3	4.5	-1.9	6.2	10.3	8.1
Mar.	4.3	0.8	0.4	5.8	9.4	9.3	4.9	3.2	-3.4	5.9	11.5	8.5
Apr.	4.3	0.9	0.2	5.0	9.5	9.7	4.8	3.5	-2.8	4.4	10.5	9.1
May	4.5	2.0	-0.4	5.1	9.1	12.8	2.8	3.9	-7.5	3.4	7.5	13.2
June	4.7	2.3	0.1	4.3	9.4	10.1	4.1	2.9	-0.3	1.3	7.4	14.8

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

(annual percentage changes)



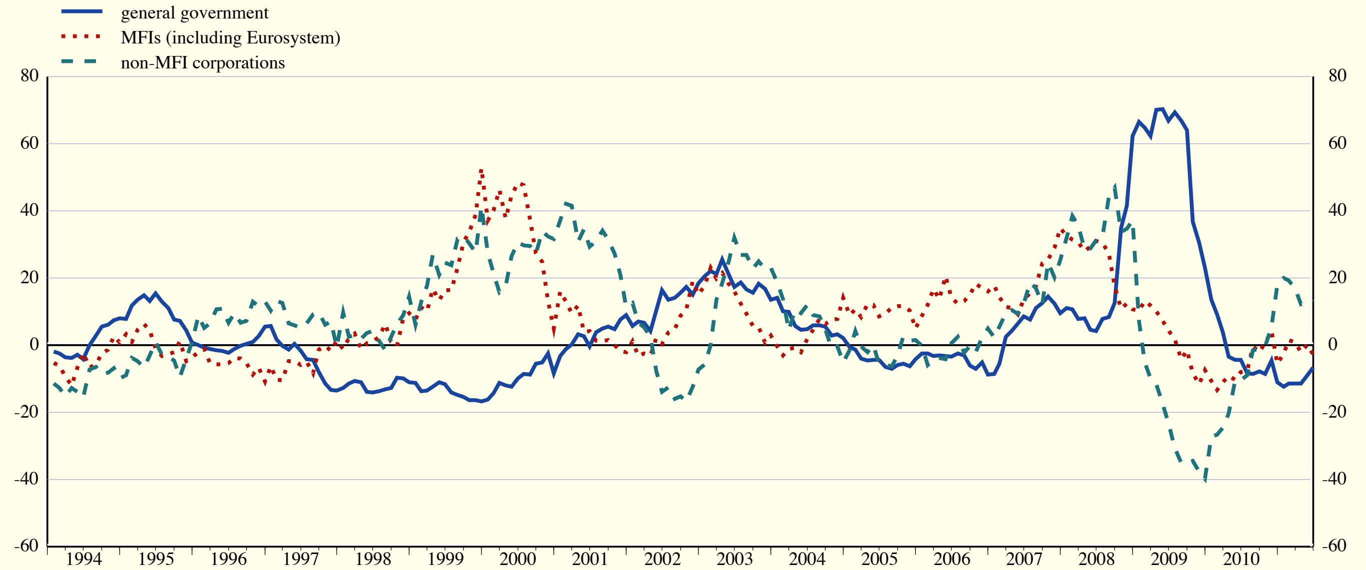
Source: ECB.

1) For details of the calculation of the growth rates, see the Technical Notes. The six-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											
2009	9.5	7.2	17.2	25.4	8.0	5.4	12.2	1.6	36.7	-1.8	-0.3	22.2
2010	8.8	5.8	6.4	19.8	9.9	8.8	-0.5	-3.9	0.7	-1.3	6.4	27.4
2010 Q3	7.6	3.2	3.3	16.3	10.2	7.4	-1.5	-3.9	-1.5	-2.0	4.5	29.1
Q4	7.0	2.8	3.2	12.5	9.8	7.3	-0.2	-3.3	-0.8	-1.0	12.2	25.6
2011 Q1	6.9	3.3	3.2	9.2	9.7	5.9	0.5	-1.8	-1.8	-1.2	19.0	19.9
Q2	6.5	4.5	3.8	6.4	8.2	8.5	-0.2	-2.1	-4.1	-1.2	23.6	18.4
2011 Jan.	7.0	2.6	3.0	10.0	10.4	5.8	0.5	-1.8	-1.7	-0.4	17.9	18.6
Feb.	6.8	4.2	3.1	8.4	9.2	6.0	1.1	-1.3	-1.3	-2.5	20.9	19.0
Mar.	6.5	3.9	3.1	7.3	8.8	6.6	-0.3	-3.2	-2.7	-1.0	20.7	18.9
Apr.	6.1	3.8	2.8	6.2	8.1	7.1	0.1	-2.6	-3.2	-1.4	25.2	19.0
May	6.8	5.0	4.7	6.6	8.0	10.5	-0.5	-1.4	-5.2	-1.0	22.2	20.9
June	7.0	5.8	4.7	5.3	8.3	9.5	-0.3	-1.2	-5.3	-1.6	25.7	12.3
	In euro											
2009	10.1	9.1	20.4	23.7	8.2	4.4	14.6	3.7	39.2	-2.3	-0.4	21.4
2010	9.1	5.6	7.5	20.2	10.0	8.3	-0.3	-3.3	0.5	-1.7	5.9	26.1
2010 Q3	8.0	2.8	4.4	16.6	10.3	7.3	-1.3	-3.2	-1.8	-2.7	4.1	28.4
Q4	7.2	1.6	4.3	12.8	10.0	6.7	0.2	-2.4	-1.2	-1.4	12.3	26.4
2011 Q1	7.0	2.2	3.4	9.5	9.9	4.8	1.0	-0.1	-2.6	-1.7	19.1	21.0
Q2	6.7	3.7	4.1	6.4	8.5	7.9	0.5	-0.6	-4.2	-2.3	23.5	18.1
2011 Jan.	7.1	1.3	3.2	10.4	10.7	4.4	0.9	-0.1	-2.7	-0.6	18.1	19.7
Feb.	6.9	3.1	3.3	8.7	9.4	4.9	1.7	0.7	-2.0	-2.8	21.0	20.0
Mar.	6.6	3.1	2.9	7.5	9.0	5.2	0.2	-1.5	-3.5	-2.3	20.7	19.2
Apr.	6.2	3.0	3.0	6.0	8.4	6.3	0.9	-1.2	-3.2	-2.7	25.3	18.9
May	6.9	4.2	5.3	6.5	8.3	10.3	0.4	0.1	-5.1	-2.2	22.2	21.0
June	7.1	4.8	5.1	6.0	8.5	9.1	0.5	0.0	-4.9	-2.1	25.5	10.6

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



Source: ECB.
1) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.

4.4 Quoted shares issued by euro area residents [1]

(EUR billions, unless otherwise indicated; market values)

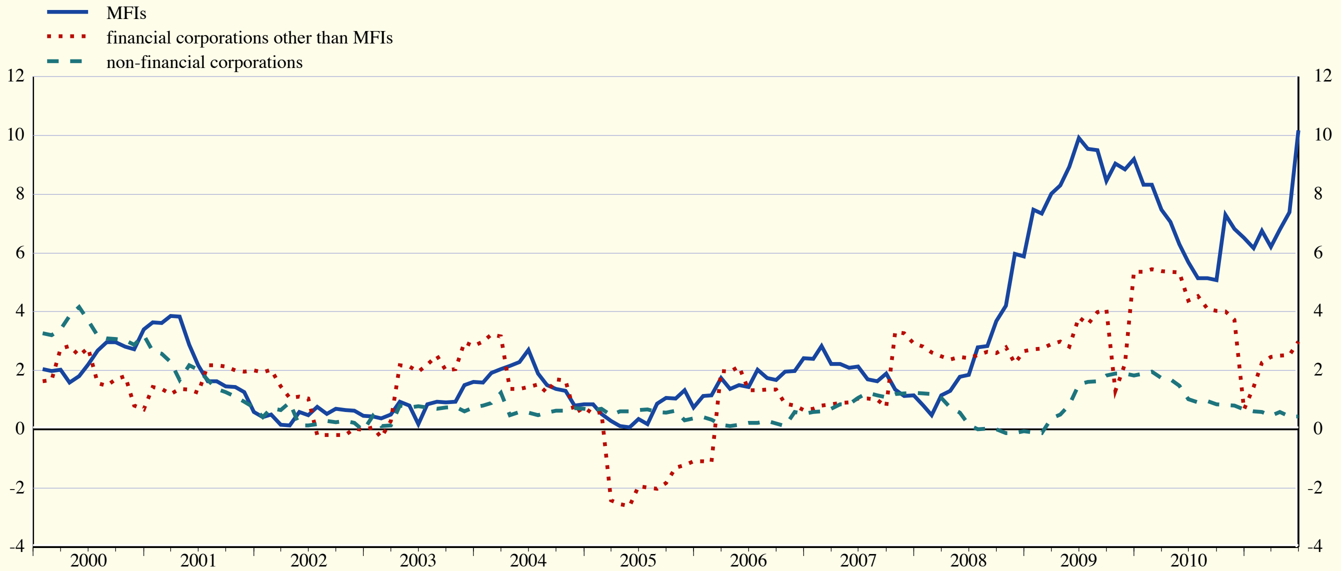
1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2008 = 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
2009 June	3,557.5	101.8	2.7	445.3	9.9	280.9	3.8	2,831.3	1.5
July	3,842.8	102.0	2.7	505.7	9.6	302.5	3.6	3,034.6	1.6
Aug.	4,041.3	102.0	2.7	568.4	9.5	323.1	4.0	3,149.8	1.6
Sep.	4,210.4	102.1	2.8	588.4	8.4	353.6	4.1	3,268.3	1.8
Oct.	4,065.1	102.3	2.7	563.3	9.0	328.3	1.3	3,173.5	1.9
Nov.	4,079.4	102.6	2.7	563.8	8.8	319.9	2.2	3,195.7	1.9
Dec.	4,411.1	103.0	3.0	566.0	9.2	350.9	5.4	3,494.2	1.8
2010 Jan.	4,243.3	103.1	2.9	516.7	8.3	340.7	5.4	3,385.9	1.9
Feb.	4,162.0	103.2	3.0	499.3	8.3	339.2	5.4	3,323.5	2.0
Mar.	4,474.9	103.4	2.8	543.6	7.5	365.2	5.4	3,566.0	1.8
Apr.	4,409.6	103.4	2.7	508.4	7.1	345.7	5.4	3,555.5	1.7
May	4,093.9	103.5	2.4	445.9	6.3	322.7	5.3	3,325.4	1.5
June	4,055.1	103.7	1.9	446.4	5.7	315.5	4.4	3,293.2	1.0
July	4,256.6	103.7	1.7	519.8	5.1	338.0	4.5	3,398.8	0.9
Aug.	4,121.7	103.7	1.7	479.3	5.1	314.4	4.1	3,328.0	0.9
Sep.	4,345.8	103.8	1.6	487.0	5.1	326.6	4.0	3,532.1	0.9
Oct.	4,531.5	104.2	1.8	514.4	7.3	333.5	4.0	3,683.6	0.8
Nov.	4,409.7	104.3	1.7	437.8	6.8	312.5	3.7	3,659.4	0.8
Dec.	4,593.9	104.3	1.3	458.4	6.5	331.2	0.7	3,804.3	0.7
2011 Jan.	4,757.8	104.4	1.3	514.3	6.2	363.3	1.4	3,880.2	0.6
Feb.	4,846.3	104.6	1.4	535.0	6.8	378.9	2.3	3,932.4	0.6
Mar.	4,767.8	104.7	1.2	491.7	6.2	363.2	2.5	3,913.0	0.5
Apr.	4,910.5	104.9	1.4	497.5	6.8	371.5	2.5	4,041.5	0.6
May	4,796.3	104.9	1.3	475.9	7.4	356.2	2.5	3,964.2	0.4
June	4,741.1	105.3	1.6	475.4	10.2	350.5	3.0	3,915.1	0.4

C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

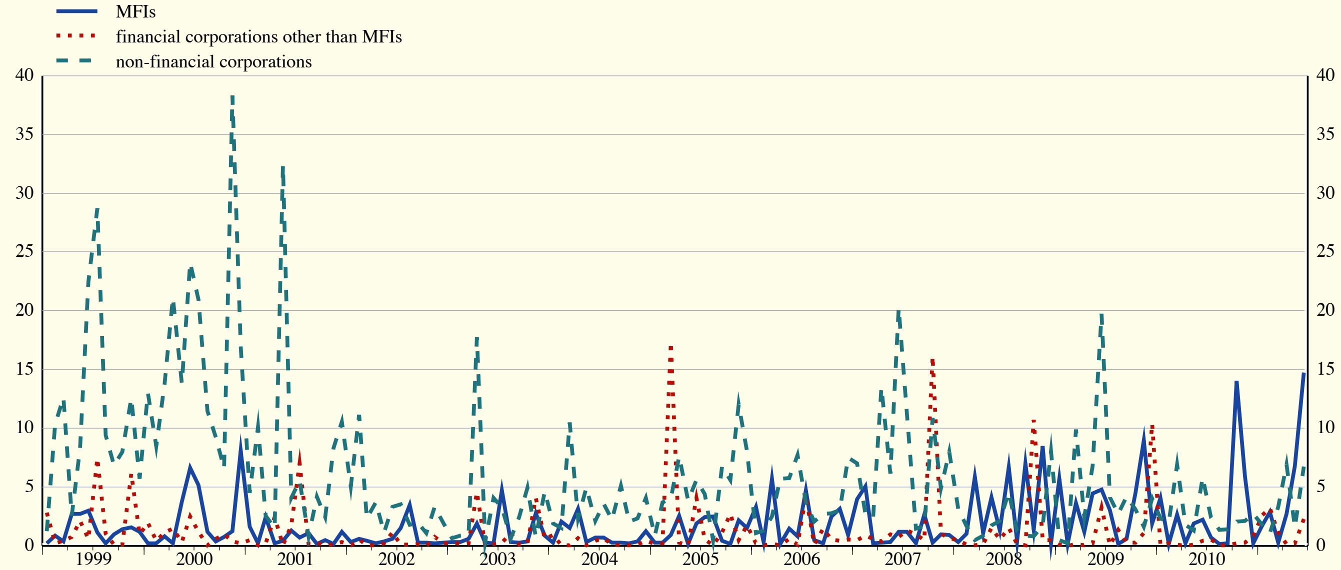
1) For details of the calculation of the index and the growth rates, see the Technical Notes.

4.4 Quoted shares issued by euro area residents
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			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
2009 June	27.8	2.0	25.8	4.8	0.0	4.8	3.3	0.3	3.0	19.7	1.8	18.0
July	7.2	0.2	7.0	3.0	0.0	3.0	0.0	0.0	0.0	4.1	0.1	4.0
Aug.	4.0	3.3	0.7	0.0	0.0	0.0	1.3	0.0	1.3	2.7	3.3	-0.6
Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.2	4.2	0.2	3.9
Oct.	7.8	0.3	7.5	4.5	0.0	4.5	0.2	0.0	0.2	3.1	0.2	2.8
Nov.	11.6	0.2	11.4	9.0	0.0	9.0	1.0	0.0	1.0	1.6	0.2	1.4
Dec.	16.2	0.2	16.1	1.9	0.0	1.9	10.4	0.1	10.3	4.0	0.1	3.9
2010 Jan.	6.4	0.0	6.4	4.1	0.0	4.1	0.1	0.0	0.1	2.3	0.0	2.3
Feb.	2.2	0.3	1.9	0.0	0.0	0.0	0.2	0.0	0.2	2.0	0.3	1.7
Mar.	9.6	0.6	9.0	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.6	6.3
Apr.	1.8	0.4	1.5	0.1	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.5
May	3.2	0.8	2.4	1.9	0.0	1.9	0.1	0.0	0.1	1.3	0.8	0.4
June	8.4	0.4	8.0	2.2	0.0	2.2	0.4	0.0	0.4	5.8	0.4	5.4
July	3.6	0.8	2.7	0.7	0.0	0.7	0.5	0.0	0.5	2.4	0.8	1.6
Aug.	1.4	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.2	0.2
Sep.	1.6	0.2	1.4	0.2	0.0	0.2	0.0	0.0	0.0	1.4	0.2	1.2
Oct.	16.3	0.2	16.0	14.0	0.0	14.0	0.2	0.1	0.1	2.0	0.2	1.9
Nov.	8.3	1.5	6.8	5.9	0.0	5.9	0.2	0.1	0.2	2.1	1.4	0.7
Dec.	3.7	3.5	0.2	0.2	0.0	0.2	0.9	0.3	0.5	2.7	3.2	-0.5
2011 Jan.	6.1	1.3	4.8	1.7	0.0	1.7	2.6	0.0	2.6	1.8	1.3	0.5
Feb.	7.1	0.2	6.9	2.9	0.0	2.9	3.2	0.0	3.2	1.1	0.2	0.8
Mar.	4.4	1.0	3.5	0.1	0.0	0.1	1.0	0.2	0.8	3.3	0.7	2.6
Apr.	9.7	0.5	9.2	2.7	0.0	2.7	0.1	0.0	0.1	6.9	0.5	6.3
May	8.5	8.8	-0.2	6.8	2.1	4.6	0.2	0.0	0.2	1.6	6.6	-5.1
June	23.7	1.3	22.4	14.7	0.0	14.7	2.3	0.3	2.0	6.7	1.0	5.7

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



Source: ECB.

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

(percentages per annum; outstanding amounts as at 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	With an agreed maturity of:			Redeemable at notice of: [2)]		Overnight	With an agreed maturity of:			
		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
2010 Aug.	0.43	2.21	2.54	2.36	1.50	1.91	0.45	1.01	2.01	2.22	0.70
Sep.	0.43	2.25	2.76	2.28	1.55	1.85	0.46	1.11	2.18	2.81	0.71
Oct.	0.43	2.35	2.75	2.80	1.54	1.82	0.49	1.18	2.36	2.53	0.94
Nov.	0.44	2.33	2.65	2.67	1.54	1.83	0.50	1.16	2.45	2.41	0.90
Dec.	0.43	2.27	2.77	2.59	1.55	1.84	0.50	1.19	2.56	2.60	1.07
2011 Jan.	0.43	2.38	2.61	2.77	1.53	1.85	0.54	1.29	2.42	2.52	1.02
Feb.	0.44	2.36	2.74	2.80	1.60	1.86	0.52	1.32	2.37	2.69	1.04
Mar.	0.45	2.34	2.78	2.90	1.61	1.88	0.54	1.37	2.53	2.81	1.14
Apr.	0.46	2.47	2.85	3.08	1.65	1.90	0.61	1.58	2.62	2.95	1.30
May	0.49	2.52	2.93	3.07	1.67	1.91	0.63	1.65	2.78	3.08	1.30
June	0.49	2.58	3.25	3.14	1.70	1.92	0.67	1.78	2.82	2.94	1.47
July	0.52	2.74	3.16	3.09	1.70	1.93	0.66	1.77	2.66	2.99	1.43

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

	Revolving loans and overdrafts	Extended credit card debt [3)]	Consumer credit				Lending for house purchase					Lending to sole proprietors and unincorporated partnerships		
			By initial rate fixation			APRC [4)]	By initial rate fixation				APRC [4)]	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 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	14
2010 Aug.	8.00	16.52	5.38	6.26	7.87	7.37	2.84	3.62	3.95	3.81	3.76	3.24	4.55	3.94
Sep.	8.09	16.56	5.52	6.18	7.87	7.33	2.75	3.56	3.84	3.74	3.62	3.13	4.33	3.90
Oct.	8.01	16.53	5.36	6.03	7.71	7.17	2.76	3.55	3.78	3.69	3.61	3.21	4.34	4.04
Nov.	8.01	16.59	5.39	6.08	7.64	7.17	2.80	3.53	3.76	3.70	3.65	3.28	4.40	3.97
Dec.	8.00	16.59	5.16	5.95	7.24	6.89	2.78	3.52	3.80	3.71	3.68	3.36	4.32	3.96
2011 Jan.	8.05	16.73	5.09	6.13	7.83	7.20	2.94	3.69	3.91	3.84	3.83	3.21	4.24	4.08
Feb.	8.08	16.81	5.38	6.13	7.83	7.31	2.96	3.83	4.06	3.92	3.90	3.36	4.63	4.30
Mar.	8.03	16.88	5.44	6.22	7.82	7.32	3.01	3.82	4.15	4.01	3.93	3.43	4.69	4.43
Apr.	8.11	16.92	5.17	6.23	7.80	7.25	3.12	3.95	4.24	4.15	4.03	3.54	4.68	4.53
May	8.17	16.91	5.35	6.37	7.99	7.49	3.23	4.01	4.30	4.18	4.09	3.75	4.81	4.60
June	8.22	16.95	5.37	6.47	7.87	7.42	3.26	4.04	4.29	4.18	4.09	3.82	4.78	4.62
July	8.28	16.94	5.13	6.53	7.98	7.43	3.33	4.02	4.26	4.19	4.10	3.83	4.82	4.60

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

	Revolving loans and overdrafts	Other loans of up to EUR 0.25 million by initial rate fixation						Other loans of over EUR 1 million by initial rate fixation					
		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2010 Aug.	3.87	3.67	4.21	4.37	4.62	4.10	3.82	2.19	2.69	2.84	3.02	3.70	3.58
Sep.	3.91	3.70	4.02	4.29	4.58	4.05	3.71	2.20	2.56	2.63	2.88	3.42	3.61
Oct.	3.94	3.73	4.14	4.37	4.60	4.06	3.77	2.25	2.65	2.86	3.08	3.52	3.40
Nov.	3.96	3.82	4.32	4.43	4.67	4.09	3.72	2.36	2.71	2.80	3.44	3.62	3.44
Dec.	3.99	3.81	3.99	4.42	4.64	4.09	3.73	2.52	2.83	2.69	3.02	3.54	3.48
2011 Jan.	4.11	3.82	4.07	4.35	4.63	4.03	3.88	2.37	2.90	2.64	3.55	3.67	3.85
Feb.	4.12	3.98	4.21	4.48	4.89	4.39	3.94	2.55	3.06	2.96	3.86	3.88	3.75
Mar.	4.12	4.02	4.39	4.63	5.00	4.49	4.02	2.53	3.26	3.00	3.61	3.84	3.84
Apr.	4.25	4.07	4.47	4.73	5.05	4.57	4.15	2.72	3.31	3.38	3.78	4.36	4.15
May	4.30	4.18	4.65	4.79	5.14	4.67	4.19	2.65	3.37	3.17	3.63	3.65	4.11
June	4.41	4.23	4.68	4.74	5.16	4.67	4.44	2.78	3.49	3.50	3.61	2.77	4.00
July	4.45	4.38	4.79	4.79	5.10	4.68	4.44	2.87	3.45	3.46	3.98	4.09	3.24

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, 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 when all participating Member States are combined.
3) This instrument category excludes convenience credit card debt, i.e. credit granted at an interest rate of 0% during the billing cycle.
4) The annual percentage rate of charge (APRC) covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1)], *

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

4. Interest rates on deposits (outstanding amounts)

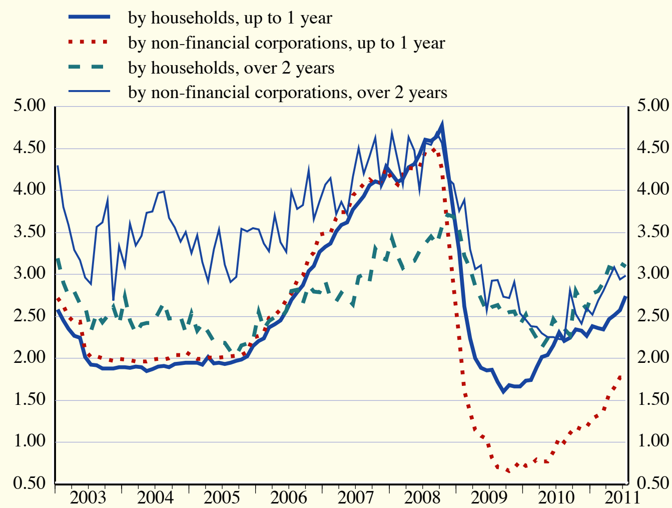
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2)]	With an agreed maturity of:		Redeemable at notice of: [2),3)]		Overnight [2)]	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2010 Aug.	0.43	2.17	2.72	1.50	1.91	0.45	1.57	3.11	1.25
Sep.	0.43	2.19	2.74	1.55	1.85	0.46	1.62	3.07	1.26
Oct.	0.43	2.22	2.70	1.54	1.82	0.49	1.68	3.07	1.29
Nov.	0.44	2.25	2.72	1.54	1.83	0.50	1.70	3.11	1.33
Dec.	0.43	2.28	2.71	1.55	1.84	0.50	1.76	3.09	1.50
2011 Jan.	0.43	2.31	2.72	1.53	1.85	0.54	1.78	3.07	1.55
Feb.	0.44	2.34	2.73	1.60	1.86	0.52	1.79	3.09	1.59
Mar.	0.45	2.38	2.71	1.61	1.88	0.54	1.84	3.13	1.65
Apr.	0.46	2.40	2.73	1.65	1.90	0.61	1.93	3.12	1.72
May	0.49	2.45	2.73	1.67	1.91	0.63	1.99	3.12	1.76
June	0.49	2.49	2.75	1.70	1.92	0.67	2.07	3.11	1.93
July	0.52	2.53	2.77	1.70	1.93	0.66	2.13	3.11	1.94

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	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
2010 Aug.	3.79	3.89	3.81	7.79	6.46	5.20	3.37	3.29	3.34
Sep.	3.83	3.88	3.83	7.89	6.45	5.21	3.42	3.29	3.37
Oct.	3.80	3.86	3.82	7.86	6.45	5.19	3.48	3.34	3.38
Nov.	3.77	3.86	3.84	7.73	6.47	5.20	3.50	3.39	3.41
Dec.	3.73	3.83	3.81	7.71	6.41	5.18	3.49	3.41	3.42
2011 Jan.	3.71	3.80	3.80	7.82	6.40	5.17	3.60	3.44	3.42
Feb.	3.68	3.81	3.82	7.86	6.43	5.20	3.64	3.47	3.47
Mar.	3.72	3.80	3.84	7.89	6.40	5.19	3.68	3.49	3.48
Apr.	3.82	3.78	3.84	7.91	6.43	5.23	3.77	3.59	3.54
May	3.81	3.78	3.85	7.88	6.38	5.23	3.84	3.64	3.56
June	3.87	3.78	3.86	7.92	6.45	5.28	3.92	3.73	3.63
July	4.02	3.79	3.90	8.02	6.47	5.31	3.95	3.80	3.69

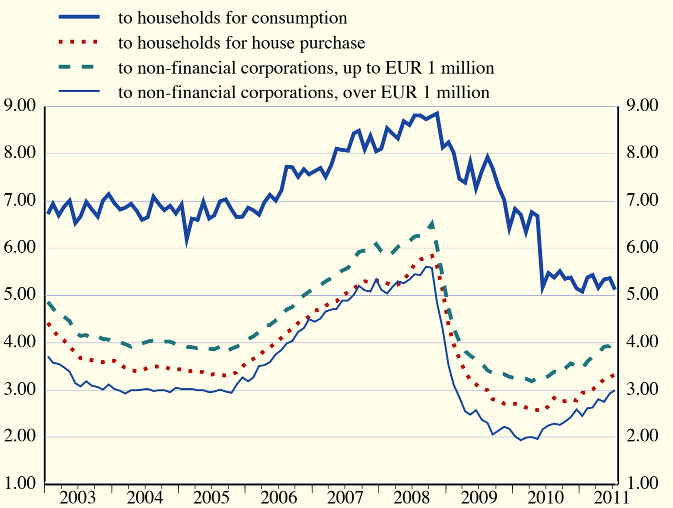
C21 New deposits with an agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans with a floating rate and up to 1 year's initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

* For the source of the data in the table and the related footnotes, please see page S42.

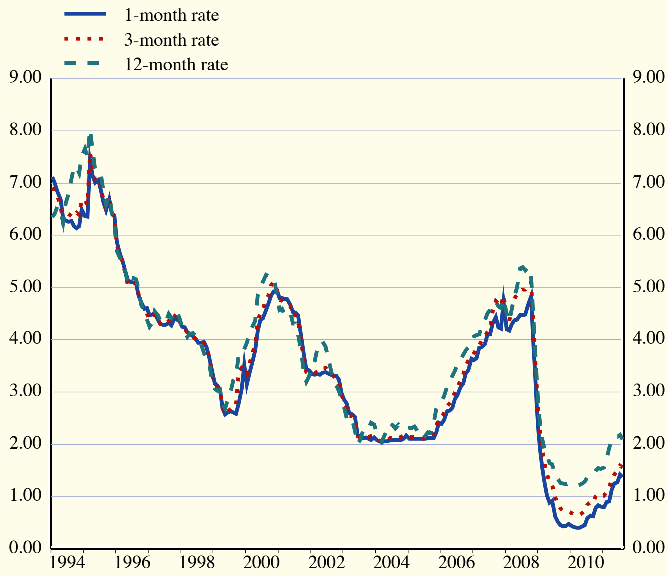
4.6 Money market interest rates

(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
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2010 Q2	0.35	0.43	0.69	0.98	1.25	0.44	0.24
Q3	0.45	0.61	0.87	1.13	1.40	0.39	0.24
Q4	0.59	0.81	1.02	1.25	1.52	0.29	0.19
2011 Q1	0.67	0.86	1.10	1.37	1.74	0.31	0.19
Q2	1.04	1.22	1.42	1.70	2.13	0.26	0.20
2010 Aug.	0.43	0.64	0.90	1.15	1.42	0.36	0.24
Sep.	0.45	0.62	0.88	1.14	1.42	0.29	0.22
Oct.	0.70	0.78	1.00	1.22	1.50	0.29	0.20
Nov.	0.59	0.83	1.04	1.27	1.54	0.29	0.19
Dec.	0.50	0.81	1.02	1.25	1.53	0.30	0.18
2011 Jan.	0.66	0.79	1.02	1.25	1.55	0.30	0.19
Feb.	0.71	0.89	1.09	1.35	1.71	0.31	0.19
Mar.	0.66	0.90	1.18	1.48	1.92	0.31	0.20
Apr.	0.97	1.13	1.32	1.62	2.09	0.28	0.20
May	1.03	1.24	1.43	1.71	2.15	0.26	0.20
June	1.12	1.28	1.49	1.75	2.14	0.25	0.20
July	1.01	1.42	1.60	1.82	2.18	0.25	0.20
Aug.	0.91	1.37	1.55	1.75	2.10	0.29	0.19

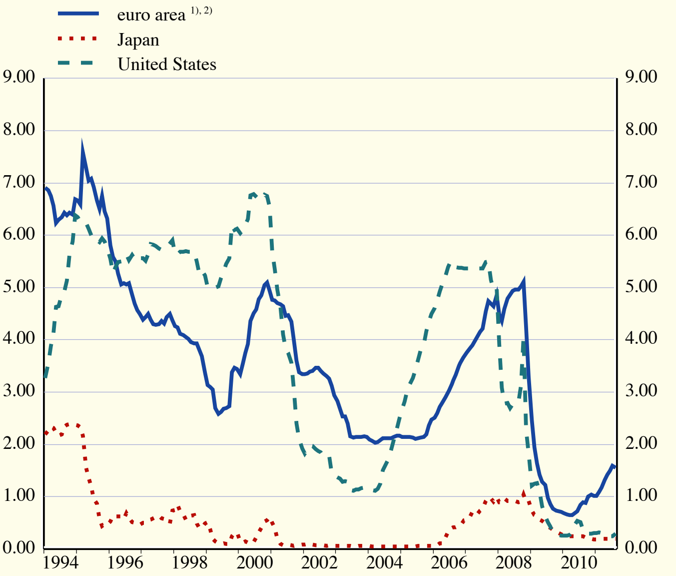
C23 Euro area money market rates [1), 2)]

(monthly averages; percentages per annum)



C24 3-month money market rates

(monthly averages; 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.

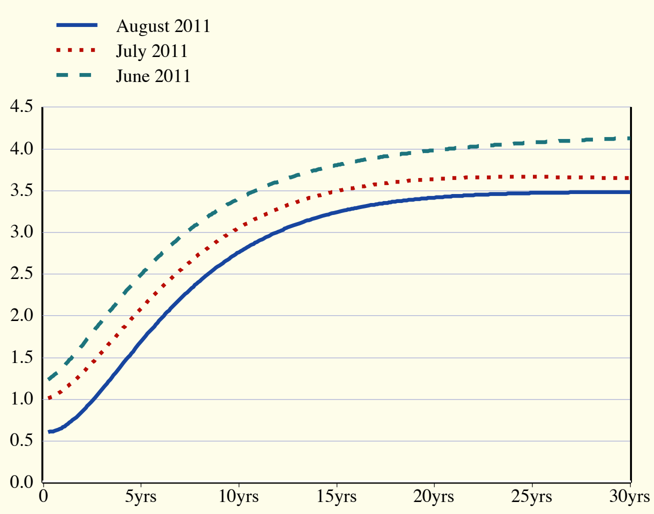
4.7 Euro area yield curves [1]

(AAA-rated euro area central government bonds; end of period; rates in percentages per annum; spreads in percentage points)

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2008	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2010 Q2	0.34	0.42	0.69	1.79	2.41	3.03	2.68	2.33	0.62	1.35	3.54	4.52
Q3	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Q4	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011 Q1	0.87	1.30	1.79	2.83	3.26	3.66	2.79	1.87	1.84	2.69	4.12	4.63
Q2	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
2010 Aug.	0.43	0.45	0.62	1.47	1.97	2.48	2.05	1.85	0.55	1.09	2.87	3.70
Sep.	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Oct.	0.75	0.84	1.06	1.89	2.36	2.86	2.11	1.80	1.02	1.57	3.21	4.09
Nov.	0.63	0.72	0.99	2.02	2.58	3.11	2.48	2.12	0.92	1.62	3.62	4.35
Dec.	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011 Jan.	0.65	1.03	1.48	2.55	3.03	3.49	2.84	2.01	1.51	2.34	3.96	4.62
Feb.	0.69	1.08	1.53	2.55	3.02	3.49	2.80	1.96	1.56	2.37	3.91	4.67
Mar.	0.87	1.30	1.79	2.83	3.26	3.66	2.79	1.87	1.84	2.69	4.12	4.63
Apr.	1.02	1.41	1.86	2.80	3.19	3.55	2.53	1.70	1.90	2.67	3.96	4.46
May	1.03	1.32	1.67	2.52	2.93	3.37	2.34	1.69	1.69	2.34	3.69	4.51
June	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
July	1.01	1.11	1.32	2.09	2.55	3.06	2.05	1.74	1.28	1.79	3.34	4.39
Aug.	0.61	0.67	0.86	1.69	2.21	2.76	2.15	1.90	0.80	1.33	3.09	4.22

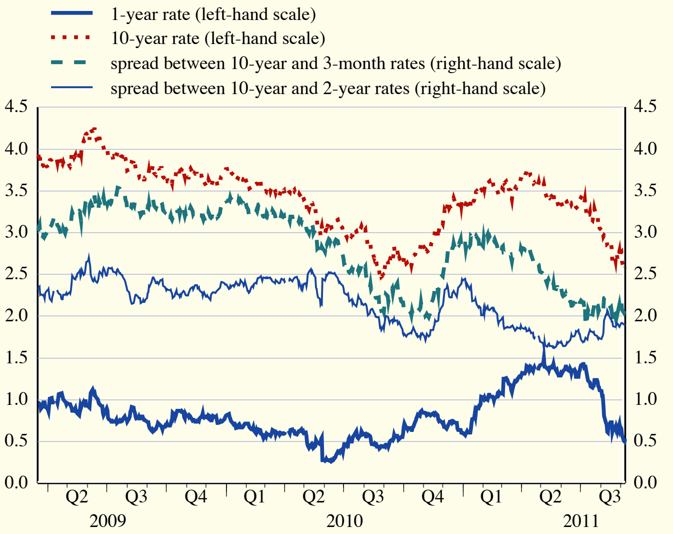
C25 Euro area spot yield curves [2]

(percentages per annum; end of period)



C26 Euro area spot rates and spreads [2]

(daily data; rates in percentages per annum; spreads in percentage points)



Sources: ECB calculations based on underlying data provided by EuroMTS and ratings provided by Fitch Ratings.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Data cover AAA-rated euro area central government bonds.

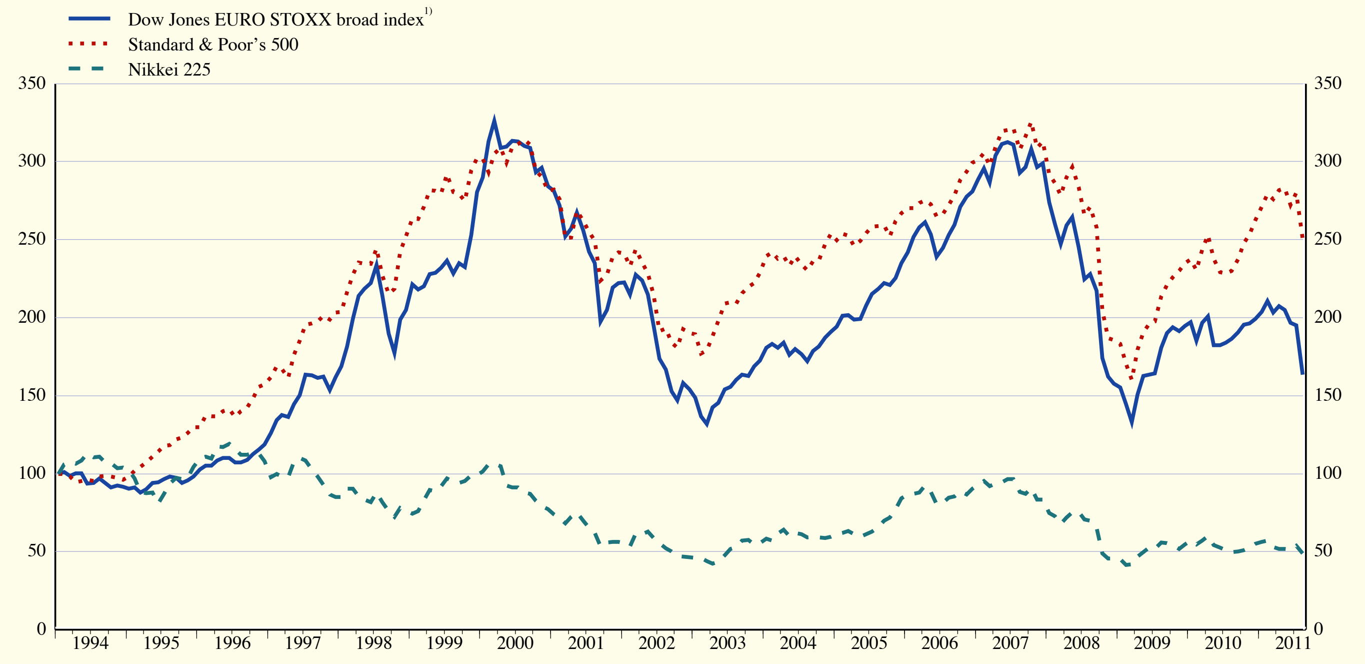
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1]												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
2010	265.5	2,779.3	463.1	166.2	323.4	307.2	182.8	337.6	224.1	344.9	389.6	408.4	1,140.0	10,006.5
2010 Q2	261.1	2,735.7	446.3	163.7	312.9	305.0	178.8	334.3	229.1	349.6	372.2	412.0	1,134.6	10,345.9
Q3	259.5	2,715.9	445.8	165.2	323.0	294.5	181.6	327.0	210.7	325.9	387.6	391.4	1,096.2	9,356.0
Q4	273.4	2,817.8	513.8	176.1	361.3	309.9	175.7	361.9	227.0	333.0	399.2	405.0	1,204.6	9,842.4
2011 Q1	285.5	2,932.9	532.7	175.5	366.3	341.1	185.0	388.0	249.6	347.7	396.7	415.0	1,302.5	10,285.3
Q2	281.2	2,862.7	552.0	169.6	370.7	328.8	175.2	391.5	239.7	333.7	385.0	448.4	1,318.3	9,609.4
2010 Aug.	258.9	2,712.2	441.5	163.2	315.6	296.0	183.7	324.9	206.8	328.5	392.2	383.1	1,087.3	9,268.2
Sep.	264.6	2,766.1	460.9	171.6	332.4	298.4	183.0	331.9	212.9	329.0	400.9	401.8	1,122.1	9,346.7
Oct.	271.3	2,817.7	489.1	175.1	346.1	304.9	183.2	346.0	223.7	331.4	410.5	405.4	1,171.6	9,455.1
Nov.	272.2	2,809.6	509.9	176.3	359.9	307.4	174.4	358.5	222.9	335.0	403.0	405.0	1,198.9	9,797.2
Dec.	276.5	2,825.6	540.1	176.8	376.5	316.7	170.0	379.7	234.1	332.6	385.3	404.6	1,241.5	10,254.5
2011 Jan.	282.8	2,900.7	531.1	178.1	375.3	335.1	178.0	385.8	246.1	346.2	390.7	411.8	1,282.6	10,449.5
Feb.	292.3	3,015.7	540.5	179.0	369.7	348.0	193.5	393.1	257.6	359.0	402.9	418.7	1,321.1	10,622.3
Mar.	281.9	2,890.4	527.4	170.1	355.0	340.5	184.1	385.7	245.9	339.1	396.8	414.6	1,304.5	9,852.4
Apr.	287.5	2,947.2	557.3	172.5	366.6	343.8	182.4	397.9	250.0	346.9	402.8	435.4	1,331.5	9,644.6
May	284.0	2,885.8	557.0	171.7	374.9	330.4	176.3	395.5	246.5	337.8	386.4	457.8	1,338.3	9,650.8
June	272.9	2,766.6	542.5	164.9	370.0	314.3	168.0	382.0	224.1	318.3	368.2	450.3	1,287.3	9,541.5
July	270.5	2,743.5	550.7	160.8	384.4	317.4	160.6	375.7	221.0	307.8	360.0	467.4	1,325.2	9,996.7
Aug.	226.9	2,297.2	443.7	141.1	329.7	268.6	129.0	307.3	189.7	258.4	329.3	420.7	1,185.3	9,072.9

C27 Dow Jones EURO STOXX broad index, 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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1)]

	Total					Total (s.a.; percentage change vis-à-vis 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 in 2011	100.0	100.0	82.3	58.6	41.4	100.0	11.9	7.4	28.9	10.4	41.4	88.7	11.3
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.2
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.8
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.5
2010 Q2	110.1	1.6	0.9	1.9	1.2	0.6	0.2	0.7	0.2	3.9	0.2	1.6	1.4
Q3	109.9	1.7	1.0	2.0	1.4	0.3	0.5	0.5	0.1	0.0	0.5	1.7	2.0
Q4	110.8	2.0	1.1	2.5	1.3	0.5	0.6	0.6	0.3	2.0	0.3	2.0	2.3
2011 Q1	111.3	2.5	1.3	3.1	1.6	1.0	0.8	0.5	0.0	6.3	0.5	2.4	3.4
Q2	113.1	2.8	1.8	3.3	1.9	0.9	1.1	0.3	0.6	2.8	0.6	2.7	3.6
2011 Mar.	112.5	2.7	1.5	3.4	1.6	0.6	0.4	0.2	0.7	2.5	0.2	2.6	3.5
Apr.	113.1	2.8	1.8	3.4	2.0	0.4	0.4	-0.1	0.2	1.5	0.3	2.7	3.7
May	113.1	2.7	1.7	3.4	1.8	0.0	0.5	0.2	0.1	-0.6	0.0	2.6	3.6
June	113.1	2.7	1.8	3.2	2.0	0.0	0.2	-0.2	0.0	-0.5	0.3	2.6	3.6
July	112.4	2.5	1.5	2.9	2.0	0.0	0.5	-0.2	-0.9	0.8	0.2	2.4	3.5
Aug. [3)]	.	2.5	.	.	.	.	.	.	.	.	.	.	.

	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 in 2011	19.3	11.9	7.4	39.3	28.9	10.4	10.1	6.0	6.5	3.2	14.6	7.0
	14	15	16	17	18	19	20	21	22	23	24	25
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
2010	1.1	0.9	1.3	2.2	0.5	7.4	1.8	1.5	2.3	-0.8	1.0	1.5
2010 Q2	0.9	0.8	1.0	2.4	0.5	8.1	1.8	1.5	2.3	-0.9	0.8	1.5
Q3	1.5	0.9	2.3	2.2	0.5	7.3	1.8	1.6	2.5	-0.8	1.0	1.5
Q4	1.9	1.3	2.7	2.9	0.8	9.2	1.6	1.3	1.9	-0.8	1.2	1.5
2011 Q1	2.2	2.1	2.3	3.6	0.5	12.7	1.8	1.3	2.0	-0.4	1.5	1.9
Q2	2.6	3.0	1.9	3.7	1.0	11.5	1.9	1.4	3.2	-1.0	2.0	2.1
2011 Feb.	2.3	2.0	2.7	3.4	0.1	13.1	1.8	1.3	2.2	-0.4	1.6	1.9
Mar.	2.4	2.5	2.2	4.0	0.9	13.0	1.8	1.3	2.3	-0.6	1.5	2.2
Apr.	2.2	2.8	1.4	4.0	1.0	12.5	1.8	1.4	3.2	-0.9	2.2	2.2
May	2.8	3.2	2.4	3.6	1.0	11.1	1.9	1.4	3.1	-1.0	1.7	2.1
June	2.7	3.1	2.0	3.5	0.9	10.9	1.9	1.5	3.4	-1.2	2.2	2.0
July	2.6	3.4	1.3	3.1	0.0	11.8	1.9	1.5	3.4	-1.6	2.2	2.0

Sources: Eurostat and ECB calculations.

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

2) 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 Eurostat's website (http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction) for a note explaining the methodology used in the compilation of this indicator.

3) Estimate based on provisional national releases, which usually cover around 95% of the euro area, as well as on early information on energy prices.

2. Industry, construction and residential property prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total in 2005	100.0	100.0	82.8	75.6	30.0	22.0	23.7	2.7	21.0	24.4		
	1	2	3	4	5	6	7	8	9	10	11	12
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.2	1.2	4.2	4.8
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.9	1.3
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-2.9
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	2.0	1.9
2010 Q2	111.5	3.0	3.8	1.6	3.6	0.2	0.0	0.6	-0.1	7.2	2.4	1.7
Q3	112.3	4.0	3.7	2.3	4.8	0.7	0.6	1.1	0.5	8.7	2.5	2.7
Q4	113.5	4.8	4.6	3.1	5.9	0.8	1.5	1.4	1.5	9.6	2.8	2.9
2011 Q1	116.7	6.5	6.3	4.4	7.9	1.3	2.5	1.8	2.6	12.5	4.2	2.3
Q2	118.5	6.3	5.8	4.3	6.8	1.4	3.4	1.9	3.7	11.9	.	.
2011 Feb.	116.7	6.6	6.4	4.5	8.2	1.4	2.5	1.8	2.6	12.6	-	-
Mar.	117.6	6.8	6.7	4.6	8.1	1.4	2.8	1.8	3.0	13.0	-	-
Apr.	118.6	6.8	6.3	4.5	7.3	1.4	3.4	2.0	3.5	13.2	-	-
May	118.4	6.2	5.6	4.2	6.6	1.2	3.5	1.9	3.8	11.8	-	-
June	118.4	5.9	5.5	4.1	6.3	1.4	3.4	1.8	3.7	10.7	-	-
July	118.9	6.1	5.9	4.1	6.3	1.4	3.4	1.8	3.6	11.9	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices [3] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [4]			Use-weighted [5]			Total (s.a.; index: 2005 = 100)	Total	Domestic demand				Exports [6]	Imports [6]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump-tion	Government consump-tion	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	45.0	55.0								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	52.8	7.8	14.3	5.5	5.3	9.3	2.9	104.3	2.4	2.2	2.2	1.8	2.6	1.8	1.3
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	106.3	2.0	2.6	2.7	2.7	2.3	2.7	4.1
2009	44.6	-18.5	-8.9	-23.0	-18.0	-11.4	-22.8	107.3	0.9	-0.1	-0.2	2.0	-0.5	-3.2	-5.8
2010	60.7	44.7	21.4	57.9	42.1	27.1	54.5	108.2	0.8	1.6	1.8	0.9	1.2	3.3	5.3
2010 Q2	62.6	48.2	12.5	70.2	41.7	14.0	67.3	108.0	0.8	1.7	1.8	1.1	1.3	3.5	6.1
Q3	59.6	51.5	29.7	63.1	49.4	41.0	55.8	108.5	1.1	1.8	2.0	0.5	1.7	4.5	6.6
Q4	64.4	48.6	36.6	54.7	48.7	48.4	48.9	108.5	1.0	1.8	2.1	0.7	1.7	4.6	6.7
2011 Q1	77.3	42.9	46.1	41.4	41.0	47.2	36.6	109.1	1.3	2.4	2.5	0.5	2.0	5.5	8.3
Q2	81.3	11.6	28.8	4.6	13.3	26.2	5.1	109.5	1.4	2.2	2.5	0.8	1.6	3.9	5.9
2011 Mar.	82.1	35.7	44.4	31.8	34.1	43.8	27.6	-	-	-	-	-	-	-	-
Apr.	85.1	15.1	37.7	6.5	17.5	35.8	6.8	-	-	-	-	-	-	-	-
May	79.8	11.1	28.6	3.9	12.1	25.0	4.0	-	-	-	-	-	-	-	-
June	79.1	8.7	21.2	3.3	10.3	18.7	4.6	-	-	-	-	-	-	-	-
July	81.7	7.7	19.0	2.9	9.5	15.1	5.6	-	-	-	-	-	-	-	-
Aug.	76.7	2.6	17.6	-3.6	4.1	12.7	-1.8	-	-	-	-	-	-	-	-

Sources: Eurostat, ECB calculations based on Eurostat data (column 7 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Reuters data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

1) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
3) Brent Blend (for one-month forward delivery).
4) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
5) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for details).
6) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index: 2005 = 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]				
2009	110.1	4.0	-2.9	8.9	2.2	5.8	0.7	2.8
2010	109.4	-0.6	0.3	-5.7	2.0	-1.4	1.6	0.9
2010 Q2	109.4	-0.7	0.2	-7.0	2.3	-1.9	1.9	1.4
Q3	109.1	-0.7	1.4	-4.4	2.0	-1.8	2.0	0.1
Q4	109.5	-0.3	0.2	-3.5	1.0	-0.5	1.5	0.6
2011 Q1	109.5	-0.2	1.7	-1.7	-1.1	-0.2	2.2	0.4
				Compensation per employee				
2009	109.9	1.5	2.2	-0.2	2.6	1.9	1.2	2.6
2010	111.7	1.6	1.1	3.4	1.6	1.6	1.5	0.7
2010 Q2	111.6	1.9	1.5	4.0	2.0	1.6	1.4	1.4
Q3	111.7	1.4	0.6	3.4	1.8	1.8	1.6	-0.1
Q4	112.3	1.4	0.5	3.6	1.3	1.6	1.3	0.0
2011 Q1	113.1	1.9	3.2	3.7	3.0	1.8	1.5	0.6
				Labour productivity per person employed [2]				
2009	99.9	-2.4	5.2	-8.4	0.4	-3.7	0.5	-0.2
2010	102.1	2.2	0.7	9.7	-0.4	3.1	-0.1	-0.2
2010 Q2	102.0	2.7	1.3	11.8	-0.3	3.5	-0.5	-0.1
Q3	102.4	2.1	-0.8	8.2	-0.3	3.7	-0.4	-0.1
Q4	102.6	1.7	0.3	7.3	0.3	2.2	-0.3	-0.5
2011 Q1	103.3	2.1	1.5	5.6	4.2	2.0	-0.7	0.2
				Compensation per hour worked				
2009	112.3	3.4	2.7	4.5	5.3	3.3	2.7	3.1
2010	113.2	0.8	0.6	0.6	1.6	0.9	0.9	0.5
2010 Q2	113.1	0.9	0.4	0.4	1.8	0.5	0.8	1.1
Q3	113.1	0.5	-1.0	0.2	2.0	0.9	0.8	-0.3
Q4	113.8	1.0	1.5	1.1	1.8	1.6	0.8	0.0
2011 Q1	114.2	1.4	1.7	1.5	2.2	2.1	0.9	0.6
				Hourly labour productivity [2]				
2009	102.1	-0.8	5.1	-4.4	2.6	-2.5	1.9	0.2
2010	103.6	1.4	1.3	6.6	-0.8	2.2	-0.7	-0.5
2010 Q2	103.5	1.6	1.6	8.1	-1.1	2.3	-1.1	-0.4
Q3	103.8	1.2	-0.1	4.7	-0.7	2.5	-1.2	-0.4
Q4	104.0	1.3	1.1	4.8	0.7	1.9	-0.5	-0.7
2011 Q1	104.5	1.6	0.2	3.4	3.5	2.0	-1.0	0.1

5. Labour cost indices [3]

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages [4]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total in 2008	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2009	102.8	2.8	2.6	3.3	3.1	3.7	2.4	2.6
2010	104.3	1.5	1.4	1.7	1.0	1.8	1.7	1.7
2010 Q3	104.3	1.0	1.0	1.3	0.3	1.6	1.3	1.5
Q4	105.1	1.5	1.4	1.7	1.4	1.4	1.7	1.6
2011 Q1	106.1	2.6	2.3	3.6	2.8	2.6	2.5	1.7
Q2	.	.	.	.	.	.	.	1.9

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).
1) Compensation (at current prices) per employee divided by labour productivity per person employed.
2) Total GDP and value added by economic activity (volumes) per labour input (persons employed and hours worked).
3) Hourly labour cost indices for the whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
4) Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).

5.2 Output and demand
(quarterly data seasonally adjusted; annual data unadjusted)

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)								
2007	9,024.2	8,888.7	5,051.8	1,808.9	1,952.8	75.2	135.5	3,750.3	3,614.8
2008	9,242.5	9,151.5	5,207.4	1,902.0	1,979.5	62.6	91.1	3,890.8	3,799.7
2009	8,933.4	8,812.4	5,134.0	1,988.5	1,731.9	-41.9	121.0	3,278.6	3,157.7
2010	9,170.1	9,047.5	5,268.7	2,016.6	1,738.0	24.2	122.6	3,754.5	3,631.9
2010 Q2	2,286.3	2,259.2	1,312.4	504.0	436.1	6.6	27.2	931.8	904.6
Q3	2,305.3	2,271.3	1,321.3	505.7	437.1	7.2	33.9	958.0	924.0
Q4	2,312.4	2,282.8	1,333.5	503.7	437.3	8.2	29.6	977.2	947.5
2011 Q1	2,341.4	2,320.1	1,346.5	509.5	449.0	15.1	21.2	1,016.9	995.7
Q2	2,355.3	2,329.9	1,351.9	509.7	450.5	17.7	25.5	1,028.9	1,003.5
	percentage of GDP								
2010	100.0	98.7	57.5	22.0	19.0	0.3	1.3	-	-
	Chain-linked volumes (prices for the previous year)								
	quarter-on-quarter percentage changes								
2010 Q2	0.9	0.7	0.2	0.3	2.1	-	-	4.2	3.8
Q3	0.4	0.2	0.2	0.1	-0.1	-	-	1.8	1.4
Q4	0.3	0.2	0.3	0.0	-0.2	-	-	1.4	1.2
2011 Q1	0.8	0.6	0.2	0.4	1.8	-	-	2.0	1.5
Q2	0.2	-0.1	-0.2	-0.2	0.2	-	-	1.0	0.5
	annual percentage changes								
2007	3.0	2.8	1.6	2.2	4.7	-	-	6.3	5.9
2008	0.4	0.4	0.3	2.3	-0.9	-	-	1.0	0.9
2009	-4.3	-3.7	-1.2	2.5	-12.1	-	-	-13.0	-11.8
2010	1.8	1.1	0.8	0.5	-0.8	-	-	10.8	9.1
2010 Q2	2.0	1.3	0.7	0.7	-0.6	-	-	12.7	11.0
Q3	2.0	1.4	1.0	0.3	0.6	-	-	11.7	10.5
Q4	2.0	1.6	1.1	-0.1	1.2	-	-	11.1	10.5
2011 Q1	2.4	1.7	0.9	0.8	3.7	-	-	9.6	8.2
Q2	1.6	0.9	0.5	0.3	1.7	-	-	6.3	4.7
	contributions to quarter-on-quarter percentage changes in GDP; percentage points								
2010 Q2	0.9	0.7	0.1	0.1	0.4	0.1	0.2	-	-
Q3	0.4	0.2	0.1	0.0	0.0	0.1	0.2	-	-
Q4	0.3	0.2	0.2	0.0	0.0	0.1	0.1	-	-
2011 Q1	0.8	0.6	0.1	0.1	0.3	0.0	0.2	-	-
Q2	0.2	-0.1	-0.1	0.0	0.0	0.1	0.2	-	-
	contributions to annual percentage changes in GDP; percentage points								
2007	3.0	2.8	0.9	0.4	1.0	0.4	0.2	-	-
2008	0.4	0.4	0.2	0.5	-0.2	-0.1	0.1	-	-
2009	-4.2	-3.6	-0.7	0.5	-2.6	-0.9	-0.6	-	-
2010	1.8	1.0	0.5	0.1	-0.2	0.6	0.7	-	-
2010 Q2	2.0	1.3	0.4	0.2	-0.1	0.8	0.8	-	-
Q3	2.0	1.4	0.6	0.1	0.1	0.6	0.6	-	-
Q4	1.9	1.6	0.6	0.0	0.2	0.7	0.4	-	-
2011 Q1	2.4	1.7	0.5	0.2	0.7	0.3	0.6	-	-
Q2	1.6	0.9	0.3	0.1	0.3	0.2	0.7	-	-

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: Section 3.1; Table 1 of Section 7.1; Table 3 of Section 7.2; or Tables 1 or 3 of Section 7.5.
2) Including acquisitions less disposals of valuables.

5.2 Output and demand
(quarterly data seasonally adjusted; annual data unadjusted)

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)							
2007	8,063.3	147.5	1,651.5	510.9	1,663.8	2,301.2	1,788.5	960.9
2008	8,294.9	143.0	1,652.3	526.8	1,724.1	2,378.6	1,870.1	947.7
2009	8,040.6	129.0	1,444.3	505.2	1,647.1	2,371.4	1,943.6	892.8
2010	8,231.0	138.5	1,529.6	486.2	1,690.3	2,407.4	1,979.0	939.1
2010 Q2	2,051.8	34.3	379.8	122.6	420.7	598.4	495.9	234.5
Q3	2,064.1	35.1	382.7	122.0	425.4	604.4	494.5	241.2
Q4	2,073.8	35.8	389.7	120.5	426.9	606.3	494.7	238.6
2011 Q1	2,099.2	36.7	396.8	125.1	431.4	611.3	497.9	242.2
Q2	2,110.9	36.6	399.8	125.5	433.8	613.7	501.4	244.4
	percentage of value added							
2010	100.0	1.7	18.6	5.9	20.5	29.2	24.0	-
	Chain-linked volumes (prices for the previous year)							
	quarter-on-quarter percentage changes							
2010 Q2	0.7	-0.7	1.9	1.0	1.0	0.4	0.1	2.4
Q3	0.4	-0.8	0.7	-1.0	0.7	0.6	0.1	0.4
Q4	0.3	0.6	1.3	-1.3	0.0	0.4	0.1	0.0
2011 Q1	0.7	0.6	1.7	2.5	0.6	0.2	0.2	1.1
Q2	0.2	-0.2	0.4	0.0	0.2	0.2	0.2	-0.4
	annual percentage changes							
2007	3.3	1.6	3.5	2.6	3.9	4.2	1.7	0.7
2008	0.6	1.3	-2.4	-1.6	1.4	1.6	2.0	-1.4
2009	-4.3	2.7	-13.2	-6.3	-5.4	-1.7	1.2	-3.7
2010	1.9	0.1	6.3	-4.1	2.4	1.0	0.9	1.0
2010 Q2	2.1	0.4	7.7	-3.8	2.7	0.6	1.0	1.6
Q3	2.0	-0.8	5.8	-3.1	3.1	1.2	0.8	1.9
Q4	2.0	0.0	6.3	-3.0	2.4	1.5	0.5	1.6
2011 Q1	2.2	-0.3	5.8	1.2	2.3	1.5	0.6	4.1
Q2	1.6	0.2	4.2	0.2	1.4	1.4	0.6	1.3
	contributions to quarter-on-quarter percentage changes in value added; percentage points							
2010 Q2	0.7	0.0	0.3	0.1	0.2	0.1	0.0	-
Q3	0.4	0.0	0.1	-0.1	0.1	0.2	0.0	-
Q4	0.3	0.0	0.2	-0.1	0.0	0.1	0.0	-
2011 Q1	0.7	0.0	0.3	0.1	0.1	0.1	0.1	-
Q2	0.2	0.0	0.1	0.0	0.0	0.1	0.0	-
	contributions to annual percentage changes in value added; percentage points							
2007	3.3	0.0	0.7	0.2	0.8	1.2	0.4	-
2008	0.6	0.0	-0.5	-0.1	0.3	0.5	0.4	-
2009	-4.3	0.0	-2.6	-0.4	-1.1	-0.5	0.3	-
2010	1.9	0.0	1.1	-0.3	0.5	0.3	0.2	-
2010 Q2	2.1	0.0	1.4	-0.2	0.5	0.2	0.2	-
Q3	2.0	0.0	1.1	-0.2	0.6	0.3	0.2	-
Q4	2.0	0.0	1.1	-0.2	0.5	0.4	0.1	-
2011 Q1	2.2	0.0	1.1	0.1	0.5	0.4	0.1	-
Q2	1.6	0.0	0.8	0.0	0.3	0.4	0.1	-

Sources: Eurostat and ECB calculations.

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total in 2005	100.0	77.8	77.8	69.2	68.7	28.1	22.3	18.3	2.6	15.7	9.1	22.2
	1	2	3	4	5	6	7	8	9	10	11	12
2008	-2.4	106.6	-1.6	-1.7	-1.8	-3.4	0.1	-1.9	-5.2	-1.3	0.2	-5.5
2009	-13.6	90.9	-14.8	-15.8	-16.0	-19.0	-20.8	-4.9	-17.3	-2.9	-5.3	-8.0
2010	4.3	97.7	7.5	7.9	7.9	10.1	9.4	3.3	2.6	3.4	3.8	-7.7
2010 Q3	3.8	98.4	7.1	7.7	7.8	9.4	10.2	3.1	3.8	3.0	1.5	-8.1
Q4	4.6	100.1	8.1	8.6	8.6	7.9	14.3	2.9	2.0	3.0	4.8	-9.2
2011 Q1	4.6	101.0	6.5	8.1	8.2	9.0	13.1	1.4	2.7	1.3	-2.3	-2.2
Q2	2.2	101.3	4.1	5.4	5.5	4.1	9.4	2.3	1.0	2.4	-5.6	-5.1
2011 Jan.	3.9	100.7	6.2	8.0	7.9	9.5	13.0	0.7	2.0	0.5	-1.9	-4.1
Feb.	6.5	101.2	7.8	9.6	9.6	10.1	15.2	2.7	3.5	2.6	-2.8	3.4
Mar.	3.5	101.1	5.7	6.9	7.1	7.5	11.5	1.0	2.6	0.7	-2.1	-5.2
Apr.	3.7	101.4	5.3	6.6	6.9	5.2	10.6	3.9	4.7	3.7	-5.3	-2.4
May	3.3	101.6	4.4	6.0	6.0	4.4	10.7	2.6	1.2	2.7	-7.2	-0.8
June	-0.4	100.8	2.7	3.6	3.7	2.9	7.1	0.4	-2.6	1.0	-4.3	-11.5
	month-on-month percentage changes (s.a.)											
2011 Jan.	0.6	-	0.1	0.6	-0.1	2.2	-1.8	0.0	1.1	-0.1	-4.7	3.9
Feb.	0.8	-	0.5	1.2	1.2	0.5	2.2	0.7	0.8	1.0	-1.4	-0.6
Mar.	-0.4	-	-0.1	-0.5	-0.1	-0.1	-0.7	0.3	-0.1	0.5	0.3	-0.3
Apr.	0.3	-	0.2	0.2	0.4	-0.1	0.7	0.7	0.9	0.4	-3.8	0.7
May	0.3	-	0.2	0.2	0.0	0.0	1.1	-0.1	-0.5	0.0	0.3	0.1
June	-1.5	-	-0.7	-1.2	-0.7	-0.8	-1.4	-0.6	-2.7	-0.6	0.4	-1.5

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

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing [1] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a.; thousands) [2]	Total
										Textiles, clothing, footwear	Household equipment		
% of total in 2005	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.0	57.0	10.1	14.3		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2008	112.6	-5.9	116.9	1.8	1.7	103.4	-0.8	-1.8	-0.1	-1.8	-1.6	891	-7.8
2009	87.0	-22.7	95.4	-18.6	-2.9	101.4	-2.0	-1.7	-2.2	-1.8	-3.9	925	3.3
2010	102.1	17.3	105.1	10.2	1.4	102.5	1.1	0.5	1.7	2.6	0.6	843	-8.5
2010 Q3	105.0	16.3	106.3	10.1	2.1	102.7	1.7	0.4	2.9	5.5	1.1	797	-16.4
Q4	107.3	18.0	109.5	12.1	1.4	102.6	0.9	0.2	1.5	1.5	-0.2	849	-11.1
2011 Q1	111.5	18.5	114.2	14.2	1.0	102.6	0.3	-1.0	1.1	-0.3	1.7	862	-3.1
Q2	114.5	12.1	114.9	9.9	1.0	102.3	-0.3	-0.6	-0.1	1.2	-1.2	828	-1.8
2011 Feb.	111.9	20.9	115.1	15.7	2.1	102.9	1.3	-0.4	2.5	4.3	1.9	874	0.1
Mar.	112.5	14.6	113.0	11.5	-0.2	102.2	-1.2	-1.7	-0.8	-3.3	-1.0	865	-4.5
Apr.	112.1	11.7	115.5	9.7	2.7	102.8	1.4	1.4	1.3	3.7	1.7	829	-0.2
May	116.2	13.9	119.6	17.9	-0.4	101.8	-1.8	-2.8	-1.2	-1.3	-2.7	826	-1.1
June	115.1	10.8	109.6	2.8	0.8	102.5	-0.4	-0.5	-0.4	1.1	-2.5	827	-3.8
July	.	.	.	.	1.3	102.7	0.2	-2.0	1.7	.	.	.	.
	month-on-month percentage changes (s.a.)												
2011 Mar.	-	0.6	-	-1.8	-0.5	-	-0.7	-0.4	-0.7	-2.7	-1.0	-	-1.0
Apr.	-	-0.3	-	2.2	0.6	-	0.6	0.6	0.4	2.0	0.9	-	-4.1
May	-	3.7	-	3.5	-0.8	-	-0.9	-1.1	-0.7	-2.5	-1.6	-	-0.4
June	-	-1.0	-	-8.4	0.8	-	0.7	0.6	0.6	1.7	0.3	-	0.1
July	-	.	-	.	0.2	-	0.2	-0.4	0.5	.	.	-	.

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).
1) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.
2) 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				
		Industrial confidence indicator				Capacity utilisation [3] (%)	Total [4]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [4]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2007	109.4	5.8	7.2	4.4	14.6	84.8	-4.9	-2.3	-4.3	5.0	-8.0
2008	93.7	-8.4	-13.3	10.8	-1.0	82.1	-18.1	-9.9	-25.3	23.5	-13.6
2009	80.7	-28.7	-56.8	14.6	-14.8	70.9	-24.8	-7.0	-26.3	55.5	-10.3
2010	100.9	-4.5	-24.6	0.6	11.6	76.9	-14.0	-5.2	-12.2	31.0	-7.6
2010 Q2	99.2	-6.4	-28.8	0.5	10.3	76.6	-16.7	-6.2	-17.8	33.8	-8.9
Q3	102.3	-2.5	-18.4	0.3	11.3	77.6	-12.1	-5.5	-11.3	23.4	-8.2
Q4	105.7	2.7	-9.5	-0.8	16.8	79.1	-10.4	-5.4	-8.7	20.9	-6.6
2011 Q1	107.4	6.5	-1.6	-2.0	19.0	80.9	-10.6	-6.0	-9.6	19.7	-7.0
Q2	105.7	4.3	-1.3	-0.9	13.4	81.3	-10.4	-6.6	-12.4	14.7	-7.9
2011 Mar.	107.3	6.6	-0.3	-2.3	17.8	-	-10.6	-6.3	-10.2	19.0	-7.1
Apr.	106.1	5.6	0.1	-1.4	15.4	81.6	-11.6	-7.3	-14.4	16.6	-8.1
May	105.5	3.8	-2.7	-1.4	12.9	-	-9.9	-6.7	-11.6	13.9	-7.4
June	105.4	3.5	-1.4	0.1	12.0	-	-9.7	-5.8	-11.1	13.7	-8.2
July	103.0	0.9	-4.7	2.5	9.8	80.9	-11.2	-6.0	-14.2	16.1	-8.3
Aug.	98.3	-2.9	-9.1	5.1	5.6	-	-16.5	-7.2	-23.4	25.5	-10.0

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [4]	Order books	Employment expectations	Total [4]	Present business situation	Volume of stocks	Expected business situation	Total [4]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2007	0.1	-7.6	7.8	1.1	5.1	13.2	11.4	16.1	13.3	14.6	20.4
2008	-13.4	-20.7	-6.1	-10.0	-10.6	16.0	-3.5	0.6	-3.7	0.7	4.7
2009	-32.7	-42.2	-23.2	-15.5	-21.0	9.9	-15.7	-15.5	-20.4	-17.9	-8.3
2010	-28.4	-39.6	-17.2	-4.0	-6.1	7.4	1.5	5.0	2.5	4.2	8.3
2010 Q2	-29.2	-41.3	-17.1	-5.1	-7.5	7.5	-0.5	3.9	1.6	2.8	7.3
Q3	-28.1	-39.8	-16.4	-2.8	-4.7	7.0	3.4	6.9	4.8	8.3	7.6
Q4	-26.2	-36.0	-16.3	0.8	1.3	7.4	8.5	9.0	6.8	8.4	11.9
2011 Q1	-25.2	-36.1	-14.3	-0.7	0.1	8.2	6.0	10.6	8.3	10.5	13.2
Q2	-24.2	-32.2	-16.1	-2.3	-0.9	9.9	4.0	9.9	7.6	10.3	11.8
2011 Mar.	-25.4	-35.4	-15.3	-1.4	-0.8	10.6	7.3	10.8	7.6	10.2	14.7
Apr.	-24.3	-33.6	-15.1	-1.8	-2.0	9.0	5.5	10.3	7.4	10.2	13.4
May	-24.7	-32.6	-16.8	-2.4	-1.3	10.6	4.7	9.3	6.9	10.0	11.0
June	-23.5	-30.4	-16.5	-2.6	0.5	10.0	1.9	10.1	8.5	10.8	11.1
July	-24.3	-31.3	-17.2	-3.6	-2.4	10.5	2.2	7.9	5.3	7.9	10.5
Aug.	-23.3	-32.1	-14.5	-8.7	-7.4	13.5	-5.1	3.7	0.2	4.0	6.8

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 for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2010.
3) 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.
4) 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; seasonally adjusted)

1. Employment in terms of persons employed

	Whole economy		By employment status		By economic activity					
	Total (millions)	Total	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 in 2010	100.0	100.0	85.5	14.5	3.7	16.0	6.9	25.4	16.6	31.4
	1	2	3	4	5	6	7	8	9	10
2008	149.684	0.8	0.9	-0.3	-1.7	-0.1	-2.0	1.1	2.2	1.2
2009	146.885	-1.9	-1.8	-2.4	-2.4	-5.2	-6.7	-1.8	-2.2	1.4
2010	146.222	-0.5	-0.4	-0.7	-0.6	-3.1	-3.7	-0.6	1.0	1.1
2010 Q2	146.218	-0.6	-0.6	-0.9	-0.9	-3.7	-3.5	-0.8	1.1	1.0
Q3	146.189	-0.1	0.0	-0.9	0.0	-2.2	-2.9	-0.5	1.6	1.0
Q4	146.429	0.3	0.4	-0.5	-0.3	-0.9	-3.3	0.2	1.8	1.0
2011 Q1	146.505	0.3	0.4	-0.4	-1.7	0.2	-2.9	0.3	2.2	0.3
	quarter-on-quarter percentage changes									
2010 Q2	0.163	0.1	0.2	-0.6	-0.8	-0.1	-0.3	0.0	0.9	0.1
Q3	-0.029	0.0	0.0	-0.4	0.3	-0.2	-1.0	0.0	0.2	0.1
Q4	0.240	0.2	0.1	0.3	0.4	0.1	-0.9	0.3	0.3	0.2
2011 Q1	0.077	0.1	0.0	0.4	-1.6	0.3	-0.8	0.1	0.9	-0.1

2. Employment in terms of hours worked

	Whole economy		By employment status		By economic activity					
	Total (millions)	Total	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 in 2010	100.0	100.0	80.5	19.5	4.8	16.0	7.7	27.0	16.1	28.5
	1	2	3	4	5	6	7	8	9	10
2008	238,899.0	0.7	1.1	-0.9	-2.0	-0.6	-1.8	0.9	2.4	1.6
2009	230,549.8	-3.5	-3.6	-2.9	-2.3	-9.2	-8.6	-3.0	-3.5	1.0
2010	231,361.4	0.4	0.4	0.1	-1.2	-0.3	-3.3	0.3	1.7	1.4
2010 Q2	57,848.8	0.4	0.5	0.1	-1.2	-0.4	-2.7	0.3	1.8	1.4
Q3	57,915.9	0.8	0.9	0.3	-0.7	1.1	-2.5	0.6	2.4	1.2
Q4	57,923.6	0.7	0.8	0.1	-1.0	1.4	-3.7	0.4	2.0	1.2
2011 Q1	58,111.9	0.8	0.9	0.1	-0.4	2.3	-2.2	0.3	2.5	0.4
	quarter-on-quarter percentage changes									
2010 Q2	175.7	0.3	0.4	-0.1	0.1	0.7	0.0	0.3	0.6	0.1
Q3	67.2	0.1	0.2	-0.2	-0.1	0.8	-0.9	-0.1	0.3	0.1
Q4	7.7	0.0	0.0	0.1	0.0	0.1	-1.7	0.0	0.5	0.1
2011 Q1	188.3	0.3	0.3	0.3	-0.5	0.7	0.5	0.0	1.1	0.1

3. Hours worked per person employed

	Whole economy		By employment status		By economic activity					
	Total (thousands)	Total	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
	1	2	3	4	5	6	7	8	9	10
2008	1.596	-0.1	0.1	-0.6	-0.3	-0.5	0.3	-0.3	0.2	0.5
2009	1.570	-1.7	-1.9	-0.6	0.1	-4.2	-2.1	-1.2	-1.3	-0.4
2010	1.582	0.8	0.8	0.9	-0.6	2.8	0.4	0.9	0.6	0.3
2010 Q2	0.396	1.0	1.1	0.9	-0.3	3.4	0.8	1.2	0.6	0.3
Q3	0.396	0.9	1.0	1.2	-0.6	3.3	0.4	1.1	0.8	0.2
Q4	0.396	0.4	0.4	0.6	-0.7	2.4	-0.4	0.2	0.2	0.2
2011 Q1	0.397	0.5	0.5	0.5	1.3	2.1	0.7	-0.1	0.3	0.1

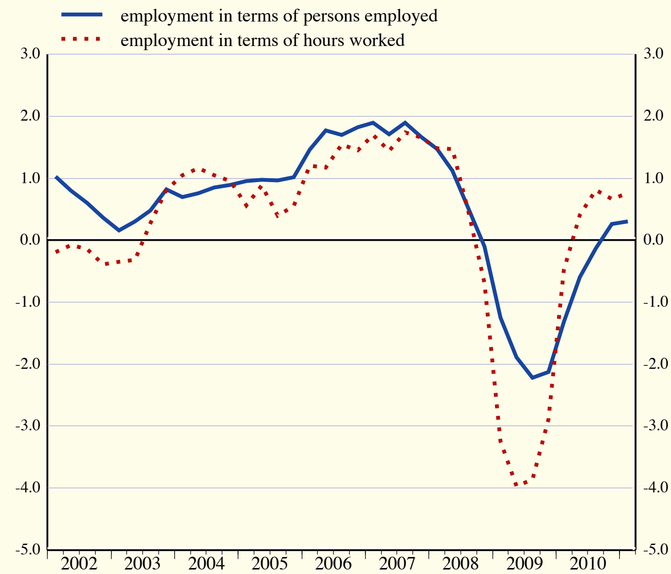
Source: ECB calculations based on Eurostat data.
1) Data for employment are based on the ESA 95.

5.3 Labour markets
(seasonally adjusted, unless otherwise indicated)

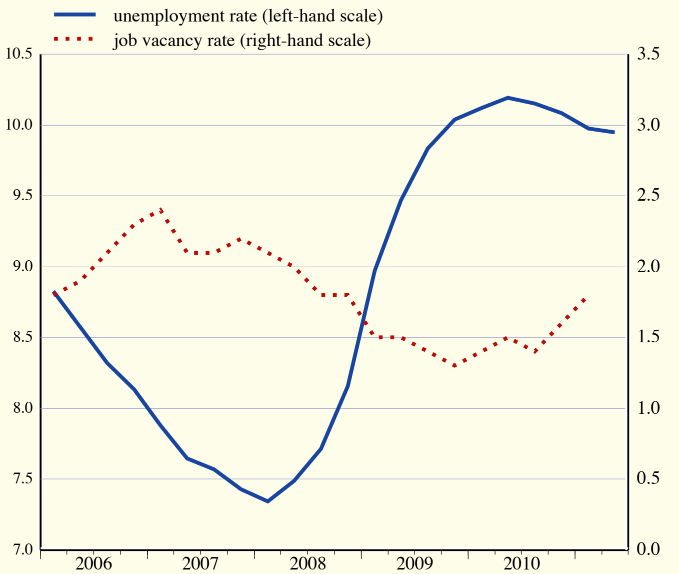
4. Unemployment and job vacancies [1]

	Unemployment										Job vacancy rate [2]
	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 posts
% of total in 2010	100.0		79.5		20.5		53.9		46.1		
	1	2	3	4	5	6	7	8	9	10	11
2007	11.817	7.6	9.210	6.7	2.606	15.5	5.838	6.8	5.979	8.7	2.2
2008	12.016	7.7	9.328	6.7	2.688	16.1	6.077	7.0	5.939	8.5	1.9
2009	15.030	9.6	11.755	8.4	3.275	20.2	8.120	9.4	6.909	9.8	1.4
2010	15.939	10.1	12.663	8.9	3.275	20.9	8.604	10.0	7.334	10.3	1.5
2010 Q2	16.033	10.2	12.715	9.0	3.317	21.1	8.691	10.1	7.342	10.3	1.5
Q3	15.961	10.2	12.719	9.0	3.242	20.9	8.587	10.0	7.374	10.4	1.4
Q4	15.857	10.1	12.651	8.9	3.206	20.7	8.490	9.9	7.367	10.4	1.6
2011 Q1	15.674	10.0	12.498	8.8	3.176	20.6	8.351	9.7	7.323	10.3	1.8
Q2	15.659	9.9	12.518	8.8	3.140	20.5	8.278	9.6	7.380	10.3	.
2011 Feb.	15.665	10.0	12.499	8.8	3.166	20.6	8.350	9.7	7.315	10.3	-
Mar.	15.653	10.0	12.468	8.8	3.185	20.7	8.326	9.7	7.328	10.3	-
Apr.	15.608	9.9	12.468	8.8	3.140	20.5	8.268	9.6	7.340	10.3	-
May	15.672	10.0	12.524	8.8	3.148	20.5	8.294	9.6	7.378	10.3	-
June	15.696	10.0	12.563	8.8	3.133	20.5	8.273	9.6	7.423	10.4	-
July	15.757	10.0	12.614	8.9	3.143	20.5	8.288	9.6	7.469	10.4	-

C28 Employment - persons employed and hours worked
(annual percentage changes)



C29 Unemployment and job vacancy [2] rates



Source: Eurostat.
1) Data for unemployment refer to persons and follow ILO recommendations.
2) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.
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 item: 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
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.1	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.2	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.0	11.3	8.7	2.5	13.5	0.3	15.5	8.1	4.5	2.1	0.5	0.4	40.7
2005	44.8	44.3	11.5	8.8	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.9	3.0	13.8	0.3	15.3	8.0	4.5	2.1	0.3	0.3	41.5
2007	45.4	45.1	12.4	9.1	3.2	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.6
2008	45.1	44.8	12.2	9.3	2.8	13.3	0.3	15.3	8.1	4.5	2.2	0.2	0.3	41.1
2009	44.7	44.3	11.4	9.3	2.0	13.1	0.3	15.7	8.2	4.5	2.3	0.3	0.4	40.6
2010	44.6	44.3	11.3	9.1	2.1	13.3	0.3	15.6	8.1	4.5	2.3	0.3	0.3	40.5

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo item: 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
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.1	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.5	10.4	5.0	3.1	25.0	22.3	1.7	0.5	3.9	2.4	1.5	0.1	44.4
2005	47.3	43.5	10.4	5.1	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.4
2006	46.7	42.9	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.9	2.5	1.4	0.0	43.8
2007	46.1	42.3	10.0	5.0	3.0	24.3	21.6	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.1	43.2	10.1	5.2	3.0	24.9	22.1	1.6	0.4	3.9	2.6	1.3	0.0	44.1
2009	51.0	46.7	10.8	5.6	2.8	27.4	24.3	1.9	0.5	4.3	2.8	1.4	0.0	48.2
2010	50.5	46.4	10.6	5.6	2.8	27.4	24.3	1.8	0.4	4.1	2.5	1.7	0.0	47.8

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
2002	-2.6	-2.3	-0.5	-0.3	0.3	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	11.9
2003	-3.1	-2.4	-0.5	-0.2	0.1	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.4	12.1
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.5	-2.3	-0.3	-0.2	0.3	0.4	20.4	10.4	5.1	5.1	1.9	2.2	8.2	12.2
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.2	5.0	5.2	1.9	2.1	8.1	12.2
2007	-0.7	-1.2	0.0	-0.1	0.6	2.3	20.0	10.0	5.0	5.1	1.9	2.1	7.9	12.1
2008	-2.0	-2.2	-0.2	-0.2	0.6	1.0	20.5	10.1	5.2	5.3	2.0	2.2	8.1	12.4
2009	-6.3	-5.2	-0.5	-0.3	-0.4	-3.5	22.1	10.8	5.6	5.8	2.1	2.3	8.8	13.4
2010	-6.0	-4.9	-0.7	-0.3	-0.1	-3.2	21.9	10.6	5.6	5.8	2.0	2.3	8.6	13.3

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

	BE	DE	EE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2007	-0.3	0.3	2.5	0.1	-6.4	1.9	-2.7	-1.5	3.4	3.7	-2.4	0.2	-0.9	-3.1	-0.1	-1.8	5.2
2008	-1.3	0.1	-2.8	-7.3	-9.8	-4.2	-3.3	-2.7	0.9	3.0	-4.5	0.6	-0.9	-3.5	-1.8	-2.1	4.2
2009	-5.9	-3.0	-1.7	-14.3	-15.4	-11.1	-7.5	-5.4	-6.0	-0.9	-3.7	-5.5	-4.1	-10.1	-6.0	-8.0	-2.6
2010	-4.1	-3.3	0.1	-32.4	-10.5	-9.2	-7.0	-4.6	-5.3	-1.7	-3.6	-5.4	-4.6	-9.1	-5.6	-7.9	-2.5

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

1) Data refer to the Euro 17. The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. 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] Total	MFIs	Other financial corporations	Other sectors	Other creditors [3]
	1	2	3	4	5	6	7	8	9	10
2001	68.1	2.8	12.4	4.0	48.9	42.4	20.8	11.2	10.4	25.7
2002	67.9	2.7	11.8	4.6	48.9	41.0	19.6	10.8	10.6	26.9
2003	69.1	2.1	12.4	5.0	49.6	40.2	19.8	11.3	9.1	28.8
2004	69.4	2.2	12.0	5.0	50.3	39.1	18.9	11.1	9.1	30.4
2005	70.3	2.4	12.1	4.7	51.1	37.4	18.1	11.2	8.0	32.9
2006	68.5	2.4	11.8	4.1	50.2	35.4	18.4	9.3	7.7	33.1
2007	66.3	2.2	11.2	4.2	48.7	33.1	17.1	8.6	7.4	33.1
2008	70.0	2.3	11.4	6.7	49.6	33.1	17.8	7.9	7.4	36.9
2009	79.5	2.5	12.5	8.6	56.0	37.1	20.6	8.9	7.6	42.4
2010	85.3	2.4	15.4	7.7	59.7	40.9	24.1	10.1	6.7	44.4

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

	Total	Issued by: [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001	68.1	57.0	6.0	4.7	0.4	7.0	61.1	5.3	13.7	26.5	27.9	66.7	1.4
2002	67.9	56.6	6.2	4.7	0.4	7.6	60.3	5.2	15.5	25.3	27.2	66.8	1.2
2003	69.1	56.9	6.5	5.1	0.6	7.8	61.3	5.0	14.9	26.0	28.2	68.2	0.9
2004	69.4	57.3	6.6	5.1	0.4	7.8	61.6	4.6	14.8	26.2	28.5	68.6	0.8
2005	70.3	57.8	6.7	5.2	0.5	7.9	62.4	4.6	14.9	25.6	29.8	69.3	1.0
2006	68.5	56.2	6.5	5.4	0.5	7.5	61.1	4.3	14.4	24.1	30.0	68.0	0.5
2007	66.3	53.5	6.2	5.2	1.4	7.1	59.2	4.3	15.0	23.4	27.8	65.9	0.4
2008	70.0	56.8	6.6	5.2	1.3	9.9	60.1	4.9	18.7	23.1	28.2	69.3	0.7
2009	79.5	64.5	7.6	5.7	1.7	11.8	67.7	5.0	21.0	26.6	31.9	78.7	0.8
2010	85.3	69.4	8.3	5.8	1.9	12.8	72.4	5.4	22.2	28.7	34.4	84.5	0.8

3. Euro area countries

	BE	DE	EE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2007	84.2	64.9	3.7	25.0	105.4	36.1	63.9	103.6	58.3	6.7	62.0	45.3	60.7	68.3	23.1	29.6	35.2
2008	89.6	66.3	4.6	44.4	110.7	39.8	67.7	106.3	48.3	13.6	61.5	58.2	63.8	71.6	21.9	27.8	34.1
2009	96.2	73.5	7.2	65.6	127.1	53.3	78.3	116.1	58.0	14.6	67.6	60.8	69.6	83.0	35.2	35.4	43.8
2010	96.8	83.2	6.6	96.2	142.8	60.1	81.7	119.0	60.8	18.4	68.0	62.7	72.3	93.0	38.0	41.0	48.4

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' debt.
1) Data refer to the Euro 17. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Intergovernmental lending in the context of the financial crisis is 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.

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]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [5]	MFIs	Other financial corporations	Other creditors [6]
	1	2	3	4	5	6	7	8	9	10	11	12
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	0.0	-0.5	0.0	2.1
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.4	0.8	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	0.4	-0.2	0.3	2.7
2005	3.3	3.0	0.2	0.0	0.3	0.5	-0.1	2.6	-0.3	-0.1	0.5	3.6
2006	1.7	1.4	0.1	0.1	0.2	0.3	-0.3	1.5	-0.1	1.1	-1.3	1.8
2007	1.2	1.2	0.0	0.0	-0.1	0.0	0.3	1.1	-0.5	-0.3	-0.2	1.7
2008	5.3	5.1	0.1	0.0	0.1	0.5	2.6	2.0	0.7	1.1	-0.5	4.5
2009	7.2	7.4	-0.2	0.0	0.1	0.7	1.6	4.8	2.9	2.2	0.8	4.3
2010	7.8	7.9	-0.1	0.0	0.0	3.3	-0.6	5.1	4.7	4.0	1.5	3.1

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.1	-0.1	-0.4	0.1	-0.5	-0.1	-0.1	-0.1
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.3	-2.5	0.7	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	-0.1
2006	1.7	-1.4	0.3	0.3	0.3	-0.1	0.3	-0.2	-0.4	0.1	0.1	0.0	0.1	-0.3
2007	1.2	-0.7	0.5	0.6	0.2	0.0	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2008	5.3	-2.0	3.2	3.0	0.8	0.7	0.7	0.9	-0.1	0.6	0.1	0.0	0.0	0.0
2009	7.2	-6.3	0.9	1.1	0.4	0.0	0.3	0.5	-0.3	0.5	-0.2	0.0	0.0	0.0
2010	7.8	-6.0	1.9	2.4	0.3	0.5	1.3	0.2	0.0	0.1	-0.1	0.0	0.0	-0.4

Source: ECB.

1) Data refer to the Euro 17 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). Intergovernmental lending in the context of the financial crisis is consolidated.
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) Holders resident in the country whose government has issued the debt.
6) Includes residents of euro area countries other than the country whose government has issued the debt.
7) Including proceeds from sales of UMTS licences.
8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
10) 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 item: Fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2005 Q1	42.4	41.9	10.0	13.0	15.3	2.1	0.6	0.5	0.3	38.5
Q2	44.5	43.9	11.6	13.2	15.1	2.2	1.1	0.6	0.3	40.1
Q3	43.6	42.9	11.1	13.0	15.1	2.1	0.7	0.7	0.3	39.6
Q4	48.4	47.6	13.3	14.2	16.1	2.2	0.8	0.8	0.3	43.9
2006 Q1	42.8	42.4	10.3	13.3	15.1	2.1	0.8	0.4	0.3	39.0
Q2	45.6	45.1	12.2	13.5	15.1	2.2	1.3	0.5	0.3	41.1
Q3	43.8	43.3	11.6	12.9	15.1	2.1	0.8	0.5	0.3	39.9
Q4	48.7	48.1	14.0	14.3	15.8	2.2	0.9	0.6	0.3	44.4
2007 Q1	42.5	42.2	10.3	13.5	14.7	2.0	0.9	0.4	0.3	38.7
Q2	45.8	45.4	12.7	13.5	15.0	2.2	1.4	0.4	0.3	41.4
Q3	43.8	43.3	12.2	12.8	14.8	2.1	0.7	0.5	0.3	40.0
Q4	49.0	48.4	14.4	14.2	15.7	2.3	1.0	0.6	0.3	44.6
2008 Q1	42.7	42.4	10.7	12.9	14.8	2.1	1.1	0.3	0.2	38.7
Q2	45.3	44.9	12.6	12.8	15.0	2.2	1.5	0.4	0.3	40.7
Q3	43.3	43.0	11.9	12.4	15.0	2.1	0.8	0.4	0.3	39.6
Q4	48.5	48.0	13.6	13.7	16.3	2.3	1.1	0.5	0.3	43.9
2009 Q1	42.6	42.5	10.3	12.5	15.5	2.3	1.1	0.2	0.2	38.5
Q2	44.8	44.2	11.5	12.6	15.6	2.3	1.4	0.6	0.5	40.2
Q3	42.7	42.4	11.0	12.3	15.4	2.2	0.7	0.3	0.3	39.0
Q4	48.2	47.4	12.7	13.9	16.4	2.4	0.9	0.8	0.5	43.5
2010 Q1	42.2	42.0	10.1	12.4	15.4	2.3	0.9	0.2	0.3	38.2
Q2	44.7	44.2	11.5	12.9	15.3	2.4	1.3	0.5	0.3	40.0
Q3	43.1	42.8	10.9	12.9	15.2	2.2	0.7	0.3	0.3	39.3
Q4	48.0	47.3	12.7	13.8	16.4	2.5	1.0	0.7	0.3	43.2
2011 Q1	42.4	42.2	10.3	12.7	15.2	2.3	0.9	0.2	0.3	38.5

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
2005 Q1	47.2	43.5	10.2	4.7	3.1	25.5	21.8	1.2	3.7	1.9	1.8	-4.8	-1.7
Q2	46.3	43.0	10.2	5.0	3.2	24.7	21.4	1.1	3.4	2.3	1.1	-1.8	1.3
Q3	45.7	42.3	9.9	4.8	3.0	24.7	21.4	1.2	3.4	2.5	1.0	-2.1	0.8
Q4	49.9	45.1	11.1	5.8	2.7	25.4	21.8	1.3	4.8	3.1	1.7	-1.5	1.2
2006 Q1	45.8	42.6	10.0	4.6	3.0	25.1	21.6	1.1	3.2	1.9	1.3	-3.0	0.0
Q2	45.7	42.5	10.2	4.9	3.1	24.2	21.2	1.1	3.2	2.3	1.0	-0.1	3.0
Q3	45.3	41.9	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.5	1.0	-1.5	1.4
Q4	49.8	44.4	10.7	5.8	2.7	25.2	21.5	1.4	5.4	3.2	2.2	-1.1	1.6
2007 Q1	44.7	41.5	9.8	4.5	2.9	24.3	20.9	1.1	3.2	2.0	1.2	-2.2	0.8
Q2	44.9	41.7	9.9	4.9	3.2	23.7	20.8	1.1	3.2	2.3	0.9	0.9	4.1
Q3	44.6	41.2	9.5	4.8	3.0	24.0	20.8	1.2	3.4	2.5	0.9	-0.9	2.1
Q4	49.6	44.5	10.7	5.8	2.8	25.2	21.4	1.5	5.1	3.4	1.7	-0.7	2.1
2008 Q1	45.2	41.9	9.7	4.7	3.0	24.5	20.9	1.2	3.2	2.0	1.2	-2.4	0.6
Q2	45.7	42.3	10.1	5.0	3.2	24.0	20.9	1.1	3.4	2.4	1.0	-0.4	2.8
Q3	45.7	42.1	9.6	4.8	3.1	24.5	21.3	1.2	3.6	2.5	1.0	-2.3	0.8
Q4	51.5	46.4	11.0	6.2	2.8	26.4	22.4	1.4	5.2	3.5	1.7	-3.1	-0.3
2009 Q1	49.1	45.7	10.5	5.3	2.9	26.9	23.0	1.3	3.5	2.2	1.2	-6.5	-3.6
Q2	50.5	46.4	10.9	5.5	3.0	27.0	23.4	1.3	4.1	2.8	1.3	-5.7	-2.7
Q3	49.6	45.7	10.3	5.3	2.9	27.2	23.6	1.4	3.9	2.7	1.2	-6.8	-4.0
Q4	54.4	49.0	11.6	6.5	2.6	28.4	24.1	1.5	5.4	3.4	1.9	-6.3	-3.7
2010 Q1	50.2	46.6	10.6	5.2	2.8	28.1	23.8	1.4	3.6	2.0	1.5	-8.0	-5.2
Q2	49.3	45.9	10.7	5.5	2.9	26.8	23.3	1.3	3.4	2.4	1.2	-4.7	-1.8
Q3	49.2	45.1	10.1	5.2	2.8	27.0	23.3	1.3	4.1	2.4	1.7	-6.2	-3.4
Q4	53.2	48.0	11.2	6.4	2.7	27.8	23.8	1.5	5.2	3.1	2.1	-5.2	-2.5
2011 Q1	48.2	45.4	10.2	5.1	2.9	27.3	23.2	1.3	2.8	1.9	0.9	-5.8	-3.0

Sources: ECB calculations based on Eurostat and national data.

1) Data refer to the Euro 17. The concepts "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, 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)

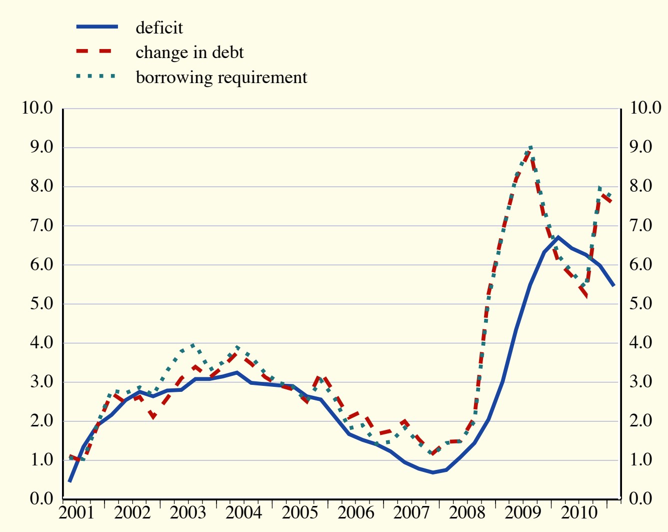
1. Euro area – Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2008 Q2	67.5	2.2	11.4	4.9	49.0
Q3	67.6	2.1	11.3	5.5	48.7
Q4	70.0	2.3	11.4	6.7	49.6
2009 Q1	73.7	2.3	11.7	7.9	51.8
Q2	76.8	2.4	12.1	8.4	53.9
Q3	78.6	2.4	12.3	9.2	54.8
Q4	79.5	2.5	12.5	8.6	56.0
2010 Q1	81.2	2.4	12.7	8.4	57.7
Q2	82.5	2.4	13.2	8.1	58.8
Q3	82.6	2.4	13.2	8.2	58.9
Q4	85.3	2.4	15.4	7.7	59.7
2011 Q1	86.2	2.4	15.5	7.7	60.7

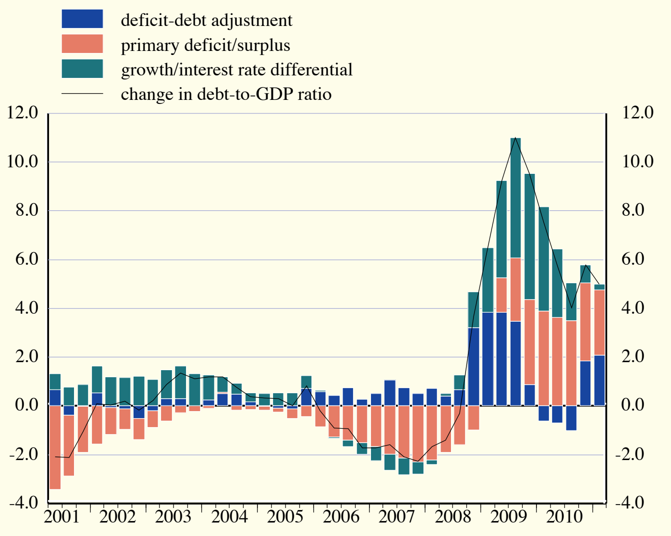
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: 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
2008 Q2	3.8	-0.4	3.3	4.0	1.9	0.3	1.3	0.5	0.1	-0.7	3.7
Q3	2.0	-2.3	-0.3	-0.7	-1.5	0.0	0.3	0.5	0.4	0.0	1.6
Q4	9.1	-3.1	6.1	5.5	0.6	2.5	0.4	2.1	0.1	0.4	9.0
2009 Q1	12.8	-6.5	6.3	6.8	5.2	-0.1	1.0	0.8	-0.5	0.0	13.3
Q2	9.1	-5.7	3.3	3.2	2.3	-0.6	0.3	1.2	-0.4	0.5	9.4
Q3	4.9	-6.8	-2.0	-2.8	-3.2	0.6	0.0	-0.2	0.2	0.6	4.6
Q4	2.3	-6.3	-3.9	-2.5	-2.7	-0.1	0.1	0.2	-0.2	-1.2	2.6
2010 Q1	8.2	-8.0	0.2	0.8	0.9	0.0	-0.3	0.3	-0.3	-0.3	8.5
Q2	7.6	-4.7	2.9	3.2	1.9	1.1	-0.2	0.4	-0.1	-0.3	7.7
Q3	3.0	-6.2	-3.2	-2.9	-2.3	-0.6	-0.1	0.1	0.0	-0.3	3.0
Q4	12.4	-5.2	7.2	8.0	0.8	1.6	5.7	-0.1	0.0	-0.8	12.4
2011 Q1	7.1	-5.8	1.3	0.9	2.2	-0.6	-0.4	-0.3	-0.4	0.8	7.5

C30 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C31 Maastricht debt
(annual change in the debt-to-GDP ratio and underlying factors)



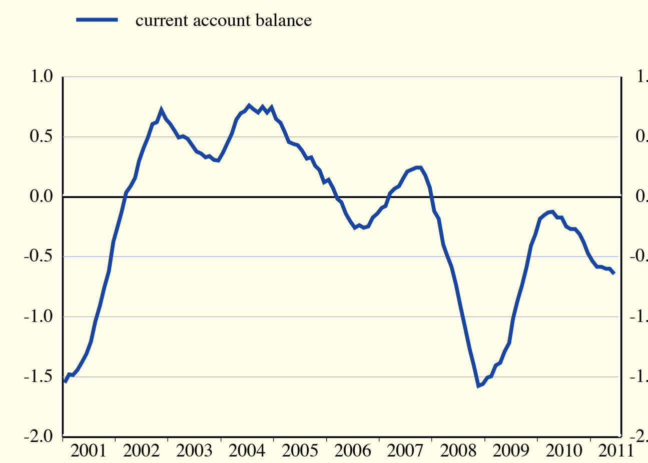
Sources: ECB calculations based on Eurostat and national data.
1) Data refer to the Euro 17. Intergovernmental lending in the context of the financial crisis is consolidated.
2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

EXTERNAL TRANSACTIONS AND POSITIONS

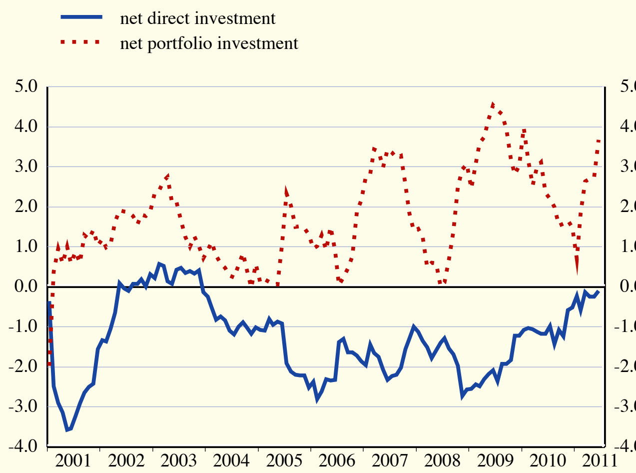
7.1 Summary balance of payments [1)]
(EUR billions; net transactions)

	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
2008	-142.4	-22.5	41.1	-63.3	-97.7	9.2	-133.2	141.5	-236.0	283.3	-82.9	180.5	-3.4	-8.3
2009	-25.7	37.5	33.8	-6.4	-90.6	6.6	-19.1	10.0	-109.4	270.7	37.2	-193.1	4.6	9.2
2010	-40.4	19.5	41.1	-0.5	-100.6	6.6	-33.8	46.6	-46.6	135.2	8.7	-40.6	-10.2	-12.8
2010 Q2	-18.6	3.3	11.7	-14.8	-18.8	1.7	-16.9	25.4	-29.8	93.7	1.9	-41.4	1.0	-8.5
Q3	-6.2	8.2	14.6	1.4	-30.4	1.0	-5.1	3.9	-30.8	-17.1	2.4	54.3	-5.0	1.3
Q4	2.2	6.4	10.4	1.7	-16.3	1.4	3.6	1.3	59.2	33.6	1.7	-91.7	-1.6	-4.9
2011 Q1	-30.9	-12.5	7.0	9.2	-34.6	3.0	-27.9	12.8	-11.5	133.3	-4.0	-93.9	-11.1	15.1
Q2	-28.5	-1.6	13.7	-20.1	-20.6	0.9	-27.6	31.0	-26.0	191.8	5.2	-144.4	4.3	-3.3
2010 June	1.7	3.3	5.0	-0.8	-5.9	0.5	2.1	-0.1	-7.6	0.6	6.3	-0.5	1.1	-2.0
July	5.5	7.2	5.4	2.3	-9.4	1.4	6.9	0.4	-0.6	-25.1	-1.4	30.7	-3.1	-7.4
Aug.	-7.1	-3.8	4.0	2.5	-9.8	0.3	-6.8	2.3	-26.9	0.3	4.7	25.8	-1.6	4.6
Sep.	-4.6	4.8	5.2	-3.4	-11.2	-0.7	-5.2	1.2	-3.2	7.8	-1.0	-2.2	-0.2	4.1
Oct.	3.1	6.0	2.9	2.9	-8.7	-1.2	1.9	1.3	-9.0	12.3	-4.8	3.1	-0.2	-3.2
Nov.	-5.1	-0.5	3.4	-1.9	-6.1	0.6	-4.5	15.5	52.0	11.9	1.6	-50.0	0.0	-11.0
Dec.	4.2	0.9	4.1	0.8	-1.5	2.0	6.2	-15.6	16.3	9.4	5.0	-44.9	-1.3	9.3
2011 Jan.	-20.3	-14.3	2.7	0.3	-9.0	1.0	-19.2	14.4	15.4	-33.4	2.7	35.6	-5.9	4.8
Feb.	-10.2	-1.1	2.6	3.5	-15.1	2.2	-8.0	-1.0	-35.4	98.6	-3.2	-62.0	1.0	9.0
Mar.	-0.5	2.9	1.7	5.4	-10.5	-0.1	-0.6	-0.7	8.5	68.1	-3.6	-67.6	-6.1	1.3
Apr.	-6.5	-3.5	3.0	0.5	-6.5	0.1	-6.4	2.0	-27.8	47.8	0.7	-24.6	5.9	4.4
May	-18.7	1.0	4.7	-18.2	-6.2	0.5	-18.2	18.6	-3.8	55.8	1.7	-31.8	-3.1	-0.4
June	-3.3	0.9	6.0	-2.3	-8.0	0.3	-3.0	10.3	5.6	88.3	2.8	-87.9	1.5	-7.3
	12-month cumulated transactions													
2011 June	-63.4	0.5	45.7	-7.7	-102.0	6.4	-57.0	48.9	-9.0	341.6	5.2	-275.7	-13.2	8.1
	12-month cumulated transactions as a percentage of GDP													
2011 June	-0.7	0.0	0.5	-0.1	-1.1	0.1	-0.6	0.5	-0.1	3.7	0.1	-3.0	-0.1	0.1

C32 Euro area b.o.p.: current account
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 Euro area b.o.p.: direct and portfolio investment
(12-month cumulated transactions as a percentage of GDP)



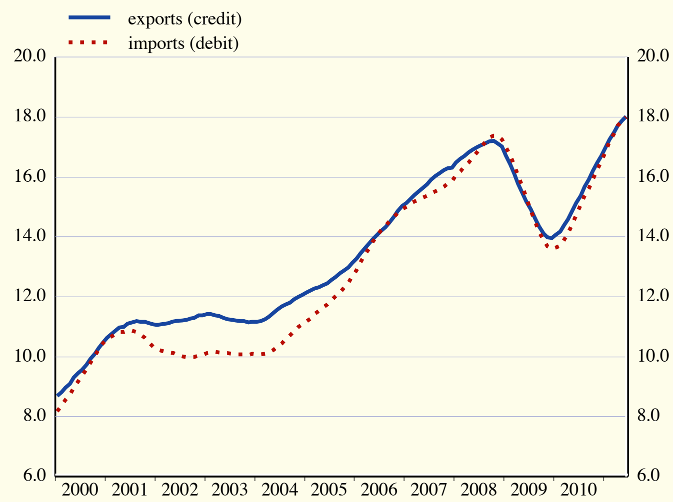
Source: ECB.
1) The sign convention is explained in the General Notes.

7.2 Current and capital accounts
(EUR billions; transactions)

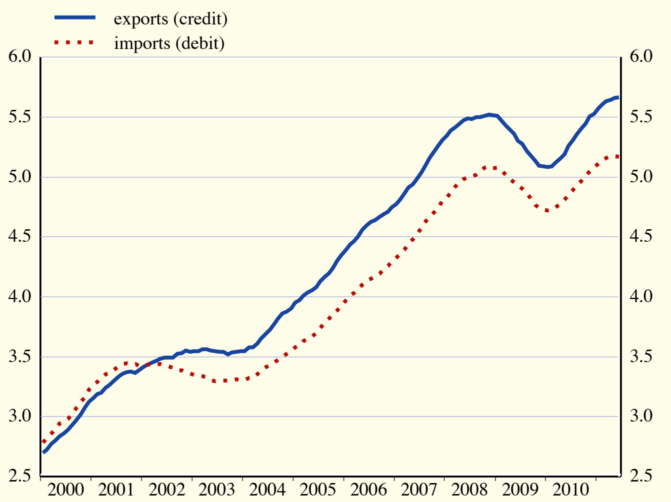
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers' remit-tances		Workers' remit-tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008	2,720.2	2,862.6	-142.4	1,590.2	1,612.8	514.4	473.3	524.3	587.6	91.2	6.9	188.9	21.5	24.5	15.2
2009	2,292.9	2,318.6	-25.7	1,303.6	1,266.0	473.9	440.2	421.5	427.9	93.9	6.4	184.5	22.5	20.6	14.0
2010	2,597.7	2,638.2	-40.4	1,564.1	1,544.6	516.1	474.9	430.2	430.7	87.3	6.3	188.0	22.0	22.3	15.7
2010 Q2	647.3	665.8	-18.6	388.7	385.4	128.9	117.2	110.8	125.5	18.9	1.7	37.7	5.2	4.8	3.1
Q3	661.2	667.3	-6.2	403.2	395.0	138.5	123.9	103.9	102.5	15.6	1.7	46.0	5.8	4.8	3.8
Q4	700.7	698.5	2.2	422.1	415.7	135.4	125.0	112.1	110.4	31.1	1.6	47.5	6.0	7.2	5.7
2011 Q1	680.5	711.5	-30.9	424.0	436.5	123.0	116.0	108.9	99.7	24.7	1.5	59.3	5.5	5.7	2.7
Q2	708.5	737.0	-28.5	438.7	440.2	132.3	118.6	119.0	139.1	18.5	.	39.1	.	3.8	2.9
2011 Apr.	224.6	231.1	-6.5	141.4	144.9	40.9	37.9	36.3	35.8	6.0	.	12.5	.	1.1	1.0
May	243.8	262.5	-18.7	151.4	150.3	44.8	40.1	40.6	58.8	7.1	.	13.3	.	1.4	0.9
June	240.0	243.3	-3.3	145.9	145.0	46.5	40.5	42.1	44.5	5.4	.	13.4	.	1.3	1.0
	Seasonally adjusted														
2010 Q4	673.1	690.7	-17.6	408.7	409.6	131.8	121.2	109.3	112.8	23.3	.	47.1	.	.	.
2011 Q1	700.4	716.4	-15.9	431.8	437.9	134.0	121.4	111.5	109.0	23.0	.	48.0	.	.	.
Q2	705.5	723.9	-18.4	438.6	438.7	132.2	120.3	114.3	117.1	20.5	.	47.8	.	.	.
2011 Apr.	235.2	240.6	-5.4	146.9	150.7	43.6	40.3	36.9	34.0	7.8	.	15.5	.	.	.
May	237.0	242.6	-5.6	147.5	144.4	44.3	40.1	38.8	42.9	6.5	.	15.3	.	.	.
June	233.3	240.7	-7.4	144.2	143.6	44.3	39.9	38.6	40.2	6.1	.	17.0	.	.	.
	12-month cumulated transactions														
2011 June	2,739.3	2,799.2	-59.9	1,678.5	1,677.7	527.9	481.6	443.3	449.1	89.6	.	190.8	.	.	.
	12-month cumulated transactions as a percentage of GDP														
2011 June	29.4	30.1	-0.6	18.0	18.0	5.7	5.2	4.8	4.8	1.0	.	2.0	.	.	.

C34 Euro area b.o.p.: goods
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C35 Euro area b.o.p.: services
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



Source: ECB.

7.2 Current and capital accounts
(EUR billions)

2. Income account
(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity				Debt		Equity		Debt		Credit	Debit
					Credit		Debit		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2008	21.1	13.1	503.2	574.5	141.1	-5.2	115.8	17.8	31.3	26.7	39.3	111.1	119.1	128.5	172.4	192.3
2009	21.9	13.8	399.6	414.1	145.6	16.2	98.6	12.0	24.9	24.2	27.4	77.2	98.7	120.8	102.9	93.4
2010	23.2	14.0	407.0	416.6	173.8	-3.0	117.2	17.6	22.8	20.1	29.9	86.1	97.7	122.8	82.8	70.6
2010 Q1	5.8	2.7	97.6	89.6	42.6	2.7	25.9	5.8	5.5	4.4	6.0	12.3	23.1	30.2	20.5	16.8
Q2	5.5	3.3	105.3	122.3	44.9	-8.9	28.7	-3.5	5.8	5.2	9.8	39.5	24.3	31.7	20.5	17.2
Q3	5.5	3.9	98.4	98.5	40.8	9.5	28.8	7.9	5.3	4.7	7.6	17.0	24.9	31.3	19.8	16.7
Q4	6.3	4.1	105.7	106.2	45.5	-6.3	33.7	7.4	6.3	5.8	6.6	17.4	25.4	29.6	22.0	19.8
2011 Q1	5.9	2.7	103.0	97.0	43.8	7.6	29.6	17.5	6.0	4.2	7.0	14.5	25.2	30.3	21.0	18.4

3. Geographical breakdown
(cumulated transactions)

	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
2010 Q2 to 2011 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,689.7	888.8	49.4	83.0	415.8	280.3	60.4	49.5	36.1	125.4	38.6	57.3	98.5	202.7	353.3	839.6
Goods	1,638.0	522.2	31.8	55.5	214.8	219.9	0.2	27.9	19.0	102.6	28.6	36.2	73.0	106.5	190.9	531.1
Services	525.8	165.1	10.6	14.0	104.7	29.5	6.4	8.4	7.9	16.3	7.4	12.9	16.9	53.1	77.3	160.5
Income	435.7	140.0	6.4	11.9	86.1	27.3	8.3	12.9	8.3	6.0	2.3	7.3	8.0	35.0	79.4	136.3
Investment income	412.4	133.3	6.3	11.8	84.6	26.6	4.0	12.9	8.2	6.0	2.3	7.2	8.0	24.2	77.6	132.7
Current transfers	90.3	61.4	0.6	1.5	10.2	3.6	45.5	0.3	0.8	0.4	0.3	0.9	0.6	8.0	5.7	11.7
Capital account	22.5	19.3	0.0	0.0	1.2	0.9	17.1	0.0	0.0	0.0	0.0	0.2	0.1	0.4	0.4	2.0
	Debits															
Current account	2,743.1	837.1	42.9	79.0	361.6	253.7	99.7	-	31.1	-	-	95.3	-	176.2	355.6	-
Goods	1,632.6	450.6	28.2	49.1	168.2	205.0	0.0	27.8	13.5	210.9	25.0	52.5	114.5	89.4	137.9	510.6
Services	482.1	137.4	7.8	12.0	84.3	33.2	0.2	5.1	6.5	12.9	5.4	10.1	10.7	43.7	100.8	149.6
Income	438.1	136.5	6.3	16.5	97.4	11.2	5.2	-	9.2	-	-	32.2	-	35.1	110.0	-
Investment income	424.0	128.5	6.2	16.4	96.0	4.7	5.2	-	9.1	-	-	32.0	-	34.7	109.0	-
Current transfers	190.4	112.6	0.6	1.5	11.8	4.5	94.3	1.5	1.9	3.3	0.7	0.6	0.8	7.9	6.8	54.4
Capital account	15.3	2.1	0.0	0.1	1.1	0.3	0.6	0.2	0.1	0.2	0.2	0.1	0.1	0.5	1.4	10.3
	Net															
Current account	-53.4	51.7	6.4	3.9	54.2	26.6	-39.4	-	5.0	-	-	-38.0	-	26.5	-2.3	-
Goods	5.4	71.7	3.5	6.4	46.6	14.9	0.2	0.1	5.6	-108.2	3.6	-16.3	-41.5	17.0	52.9	20.4
Services	43.7	27.7	2.8	2.0	20.4	-3.7	6.2	3.3	1.4	3.4	2.0	2.8	6.2	9.4	-23.5	10.9
Income	-2.4	3.5	0.1	-4.6	-11.3	16.1	3.1	-	-0.9	-	-	-24.9	-	-0.1	-30.6	-
Investment income	-11.6	4.8	0.1	-4.6	-11.4	21.9	-1.2	-	-0.8	-	-	-24.8	-	-10.5	-31.4	-
Current transfers	-100.1	-51.2	0.0	0.1	-1.6	-0.8	-48.9	-1.1	-1.1	-2.8	-0.5	0.3	-0.1	0.2	-1.1	-42.7
Capital account	7.2	17.2	0.0	-0.1	0.1	0.7	16.5	-0.2	-0.1	-0.2	-0.2	0.0	0.0	-0.1	-0.9	-8.4

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2007	13,992.8	15,266.8	-1,274.0	155.1	169.2	-14.1	3,726.7	3,221.9	4,631.1	6,538.1	-28.9	5,316.7	5,506.8	347.2
2008	13,331.7	14,983.0	-1,651.3	144.2	162.1	-17.9	3,889.7	3,320.2	3,727.6	5,938.3	-29.8	5,370.1	5,724.4	374.2
2009	13,733.3	15,203.2	-1,469.9	153.7	170.2	-16.5	4,262.0	3,478.6	4,226.3	6,737.2	-45.4	4,830.9	4,987.5	459.6
2010 Q3	14,747.4	16,124.8	-1,377.4	162.0	177.1	-15.1	4,556.9	3,573.6	4,641.8	7,277.0	-55.4	5,051.8	5,274.3	552.2
Q4	15,167.6	16,355.1	-1,187.4	165.4	178.4	-12.9	4,698.0	3,723.2	4,839.7	7,369.5	-45.1	5,083.9	5,262.3	591.2
2011 Q1	15,093.2	16,316.5	-1,223.4	163.1	176.3	-13.2	4,668.4	3,720.6	4,805.8	7,463.7	-22.8	5,065.2	5,132.3	576.6
	Changes to outstanding amounts													
2006	1,545.9	1,845.3	-299.4	18.1	21.6	-3.5	363.3	284.6	485.1	889.8	0.6	691.2	670.9	5.7
2007	1,608.0	1,858.8	-250.9	17.8	20.6	-2.8	572.8	486.8	258.7	591.3	-8.1	763.3	780.7	21.4
2008	-661.1	-283.8	-377.3	-7.2	-3.1	-4.1	163.0	98.3	-903.5	-599.7	-0.9	53.3	217.6	27.0
2009	401.6	220.2	181.4	4.5	2.5	2.0	372.4	158.3	498.7	798.8	-15.6	-539.2	-737.0	85.4
2010 Q4	420.2	230.2	190.0	17.6	9.7	8.0	141.1	149.7	197.9	92.5	10.2	32.0	-12.0	39.0
2011 Q1	-74.5	-38.5	-36.0	-3.2	-1.7	-1.6	-29.5	-2.7	-34.0	94.1	22.3	-18.7	-130.0	-14.6
	Transactions													
2007	1,940.3	1,943.2	-3.0	21.5	21.5	0.0	512.9	422.5	439.5	566.3	66.9	915.8	954.4	5.1
2008	406.6	548.1	-141.5	4.4	5.9	-1.5	328.8	92.8	-7.2	276.1	82.9	-1.2	179.3	3.4
2009	-166.8	-156.8	-10.0	-1.9	-1.8	-0.1	325.3	215.9	84.3	355.0	-37.2	-534.6	-727.7	-4.6
2010	429.4	475.9	-46.6	4.7	5.2	-0.5	141.0	94.4	138.0	273.1	-8.7	148.9	108.4	10.2
2010 Q4	39.8	41.0	-1.3	1.7	1.7	-0.1	-18.4	40.8	40.1	73.8	-1.7	18.2	-73.5	1.6
2011 Q1	166.2	178.9	-12.8	7.2	7.8	-0.6	65.9	54.4	23.9	157.1	4.0	61.3	-32.6	11.1
Q2	162.2	193.2	-31.0	6.9	8.2	-1.3	42.7	16.7	-16.4	175.4	-5.2	145.3	1.0	-4.3
2011 Feb.	48.2	47.2	1.0	.	.	.	16.4	-19.0	2.3	100.9	3.2	27.2	-34.7	-1.0
Mar.	-28.0	-28.7	0.7	.	.	.	24.1	32.6	-19.0	49.0	3.6	-42.8	-110.3	6.1
Apr.	149.7	151.7	-2.0	.	.	.	41.3	13.6	-5.0	42.8	-0.7	119.9	95.3	-5.9
May	132.8	151.4	-18.6	.	.	.	8.1	4.3	11.9	67.6	-1.7	111.3	79.5	3.1
June	-120.3	-110.0	-10.3	.	.	.	-6.7	-1.1	-23.3	65.0	-2.8	-85.9	-173.9	-1.5
	Other changes													
2006	-182.3	123.3	-305.6	-2.1	1.4	-3.6	-54.7	26.2	-35.2	183.4	0.0	-96.9	-86.3	4.4
2007	-332.3	-84.4	-247.9	-3.7	-0.9	-2.7	59.9	64.3	-180.8	25.1	-75.1	-152.6	-173.8	16.3
2008	-1,067.7	-831.9	-235.8	-11.6	-9.0	-2.6	-165.8	5.5	-896.3	-875.8	-83.8	54.5	38.3	23.7
2009	568.4	377.0	191.4	6.4	4.2	2.1	47.1	-57.6	414.4	443.9	21.6	-4.6	-9.3	89.9
	Other changes due to exchange rate changes													
2006	-333.9	-258.4	-75.5	-3.9	-3.0	-0.9	-63.5	-8.1	-149.7	-129.0	.	-106.8	-121.4	-13.9
2007	-522.0	-339.7	-182.3	-5.8	-3.8	-2.0	-104.2	-17.1	-217.4	-146.8	.	-186.6	-175.8	-13.7
2008	-39.8	55.6	-95.3	-0.4	0.6	-1.0	-19.9	-9.6	6.7	47.9	.	-35.8	17.3	9.2
2009	-45.6	-50.1	4.5	-0.5	-0.6	0.1	-4.8	1.7	-28.5	-28.0	.	-9.8	-23.9	-2.5
	Other changes due to price changes													
2006	292.1	322.6	-30.5	3.4	3.8	-0.4	44.6	19.5	230.1	303.1	0.0	.	.	17.4
2007	78.7	113.4	-34.6	0.9	1.3	-0.4	45.2	5.8	77.3	107.6	-75.1	.	.	31.3
2008	-1,030.0	-1,024.1	-5.9	-11.1	-11.1	-0.1	-154.4	-95.1	-813.4	-929.1	-83.8	.	.	21.5
2009	608.2	502.4	105.8	6.8	5.6	1.2	138.1	44.6	402.5	457.8	21.6	.	.	46.0
	Other changes due to other adjustments													
2006	-140.5	59.1	-199.7	-1.6	0.7	-2.3	-35.8	14.7	-115.5	9.3	.	9.9	35.1	0.9
2007	110.9	142.0	-31.0	1.2	1.6	-0.3	118.8	75.6	-40.7	64.3	.	34.1	2.0	-1.3
2008	2.1	136.6	-134.5	0.0	1.5	-1.5	8.5	110.2	-89.7	5.4	.	90.4	21.0	-7.1
2009	5.9	-75.2	81.1	0.1	-0.8	0.9	-86.2	-103.9	40.4	14.1	.	5.2	14.6	46.4
	Growth rates of outstanding amounts													
2006	16.1	14.8	-	.	.	.	15.1	10.6	13.6	13.7	.	20.5	18.8	0.3
2007	15.6	14.3	-	.	.	.	15.8	15.1	10.0	9.4	.	20.2	20.2	1.6
2008	2.9	3.6	-	.	.	.	8.9	2.9	-0.5	4.4	.	-0.1	3.3	1.0
2009	-1.3	-1.1	-	.	.	.	8.4	6.6	2.2	5.9	.	-10.0	-12.6	-1.2
2010 Q4	3.1	3.1	-	.	.	.	3.2	2.7	3.1	3.9	.	3.1	2.1	2.0
2011 Q1	2.7	2.8	-	.	.	.	3.5	4.1	2.1	4.8	.	2.6	-0.9	2.8
Q2	3.0	3.1	.	.	.	.	2.5	3.0	2.2	6.1	.	4.4	-1.1	2.3

Source: ECB.

1) Net financial derivatives are included in assets.

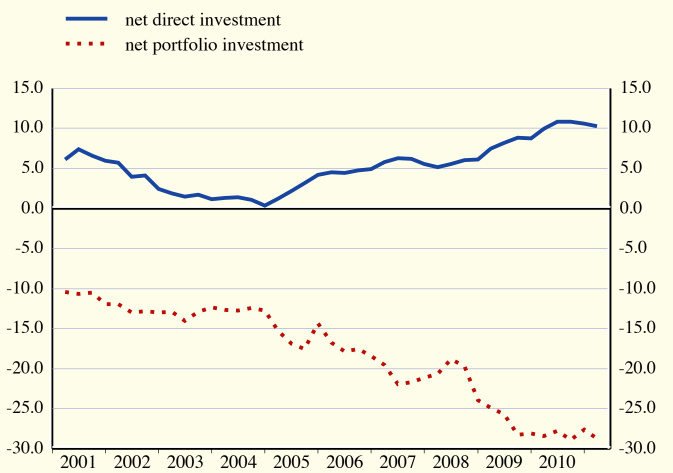
7.3 Financial account
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Direct investment

	By resident units abroad: Total	By resident units abroad: Equity capital and reinvested earnings: Total	By resident units abroad: Equity capital and reinvested earnings: MFIs	By resident units abroad: Equity capital and reinvested earnings: Non-MFIs	By resident units abroad: Other capital (mostly inter-company loans): Total	By resident units abroad: Other capital (mostly inter-company loans): MFIs	By resident units abroad: Other capital (mostly inter-company loans): Non-MFIs	By non-resident units in the euro area: Total	By non-resident units in the euro area: Equity capital and reinvested earnings: Total	By non-resident units in the euro area: Equity capital and reinvested earnings: Into MFIs	By non-resident units in the euro area: Equity capital and reinvested earnings: Into non-MFIs	By non-resident units in the euro area: Other capital (mostly inter-company loans): Total	By non-resident units in the euro area: Other capital (mostly inter-company loans): To MFIs	By non-resident units in the euro area: Other capital (mostly inter-company loans): To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2008	3,889.7	3,016.6	214.5	2,802.2	873.0	13.1	859.9	3,320.2	2,360.4	67.1	2,293.2	959.8	19.0	940.8
2009	4,262.0	3,291.0	228.5	3,062.4	971.1	14.7	956.4	3,478.6	2,531.3	78.2	2,453.1	947.3	18.5	928.8
2010 Q4	4,698.0	3,624.0	268.0	3,356.0	1,073.9	16.4	1,057.5	3,723.2	2,817.4	85.6	2,731.8	905.9	13.7	892.1
2011 Q1	4,668.4	3,606.6	262.8	3,343.8	1,061.8	15.7	1,046.1	3,720.6	2,815.2	86.3	2,728.9	905.4	11.0	894.4
	Transactions													
2008	328.8	195.4	9.3	186.1	133.4	-0.3	133.7	92.8	57.7	-8.2	65.9	35.0	1.6	33.5
2009	325.3	234.1	18.2	215.9	91.1	2.4	88.8	215.9	216.4	8.6	207.8	-0.5	-0.6	0.1
2010	141.0	34.6	7.1	27.5	106.3	1.3	105.1	94.4	140.3	7.9	132.4	-45.9	-7.5	-38.4
2010 Q4	-18.4	-45.0	0.4	-45.4	26.6	0.3	26.3	40.8	-5.1	1.9	-7.0	45.9	-4.9	50.8
2011 Q1	65.9	57.9	4.0	53.9	8.0	-0.1	8.1	54.4	40.6	0.8	39.8	13.8	-1.5	15.3
Q2	42.7	45.3	9.0	36.3	-2.6	-2.6	0.1	16.7	10.8	1.3	9.5	5.9	-0.1	6.1
2011 Feb.	16.4	12.1	-0.6	12.7	4.3	-0.1	4.4	-19.0	0.2	0.3	-0.1	-19.2	-3.8	-15.4
Mar.	24.1	12.0	4.6	7.4	12.1	-0.1	12.1	32.6	26.5	-0.1	26.6	6.1	-0.8	7.0
Apr.	41.3	37.1	5.8	31.3	4.2	0.7	3.5	13.6	6.8	0.4	6.4	6.8	0.0	6.8
May	8.1	2.9	1.5	1.3	5.2	0.4	4.8	4.3	3.6	0.5	3.1	0.6	0.4	0.2
June	-6.7	5.3	1.6	3.7	-12.0	-3.7	-8.3	-1.1	0.3	0.4	0.0	-1.4	-0.5	-0.9
	Growth rates													
2008	8.9	6.6	4.1	6.9	17.9	-1.2	18.2	2.9	2.4	-13.1	2.8	4.3	8.5	4.2
2009	8.4	7.7	8.5	7.7	10.5	18.3	10.3	6.6	9.3	12.8	9.2	-0.1	-3.1	0.0
2010 Q4	3.2	1.0	3.1	0.9	10.9	8.6	10.9	2.7	5.5	10.1	5.4	-4.8	-40.4	-4.0
2011 Q1	3.5	2.1	1.8	2.2	8.2	6.2	8.2	4.1	4.3	9.2	4.1	3.6	-46.9	4.8
Q2	2.5	2.5	5.5	2.3	2.4	-14.3	2.7	3.0	2.9	7.9	2.7	3.5	-39.3	4.4

C36 Euro area international investment position
(outstanding amounts at end of period; as a percentage of GDP)

C37 Euro area direct and portfolio investment position
(outstanding amounts at end of period; as a percentage of GDP)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2008	3,727.6	1,128.6	68.4	3.0	1,060.2	27.1	2,164.2	964.8	20.3	1,199.4	18.6	434.8	358.1	61.7	76.7	1.3
2009	4,226.3	1,488.7	76.2	3.4	1,412.5	34.4	2,339.5	917.5	17.1	1,422.0	36.5	398.1	327.3	44.9	70.8	2.0
2010 Q4	4,839.7	1,908.9	93.3	3.6	1,815.6	47.6	2,529.7	806.7	15.6	1,723.0	77.0	401.2	314.8	41.7	86.3	0.2
2011 Q1	4,805.8	1,854.2	90.0	3.1	1,764.2	44.8	2,536.6	769.6	17.1	1,767.0	97.9	415.0	323.8	40.0	91.2	0.9
	Transactions															
2008	-7.2	-98.0	-35.7	0.6	-62.3	0.0	80.7	41.0	3.2	39.7	2.6	10.1	34.9	14.9	-24.8	0.4
2009	84.3	46.8	-3.2	0.0	50.0	1.5	30.2	-98.3	-3.8	128.5	17.5	7.2	11.8	-12.8	-4.5	0.9
2010	138.0	77.0	8.7	-0.2	68.3	1.2	104.7	-122.3	-1.2	227.0	51.4	-43.8	-56.4	-10.8	12.6	-1.9
2010 Q4	40.1	38.8	3.2	0.0	35.6	-1.4	1.1	-96.1	-0.5	97.1	53.4	0.3	-13.0	-9.5	13.3	-0.3
2011 Q1	23.9	-3.4	0.0	-0.4	-3.4	-1.8	4.3	-13.1	1.7	17.4	0.2	23.0	16.8	1.5	6.2	0.7
Q2	-16.4	13.0	0.2	-0.1	12.8	.	-0.1	-22.6	1.7	22.5	.	-29.3	-34.7	4.2	5.4	.
2011 Feb.	2.3	4.3	-0.1	-0.1	4.4	.	5.2	-5.5	0.3	10.6	.	-7.1	-8.5	-0.5	1.3	.
Mar.	-19.0	-1.5	1.3	-0.1	-2.8	.	-19.0	-15.9	0.4	-3.1	.	1.5	0.0	0.0	1.5	.
Apr.	-5.0	13.6	3.6	0.0	9.9	.	-6.4	-11.0	0.2	4.6	.	-12.1	-15.9	-2.6	3.8	.
May	11.9	8.0	1.4	-0.1	6.6	.	9.4	-0.7	0.9	10.0	.	-5.5	-10.0	3.6	4.5	.
June	-23.3	-8.5	-4.9	0.0	-3.6	.	-3.1	-11.0	0.6	7.9	.	-11.7	-8.8	3.2	-2.8	.
	Growth rates															
2008	-0.5	-5.9	-27.6	24.6	-4.2	-0.1	3.6	4.2	20.1	3.1	15.4	2.7	11.9	41.1	-27.7	65.9
2009	2.2	3.4	-5.1	-0.7	3.9	5.4	1.3	-10.0	-18.9	10.5	93.7	1.1	2.6	-22.1	-6.0	68.4
2010 Q4	3.1	4.9	11.3	-5.2	4.5	3.5	4.3	-13.3	-6.8	15.2	121.3	-10.3	-16.0	-23.6	18.4	-91.3
2011 Q1	2.1	2.2	-1.2	-16.4	2.4	-3.5	2.3	-15.0	2.4	12.7	124.5	0.1	-6.2	-8.5	31.5	65.4
Q2	2.2	3.5	5.9	-12.9	3.3	.	2.6	-14.2	17.7	11.9	.	-5.6	-11.8	7.9	19.8	.

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2008	5,938.3	2,185.3	616.9	1,568.4	3,372.6	1,198.8	2,173.8	1,426.8	380.4	62.0	318.4	269.9
2009	6,737.2	2,751.8	686.6	2,065.1	3,460.8	1,132.1	2,328.7	1,477.1	524.6	67.7	456.9	422.3
2010 Q4	7,369.5	3,175.0	657.5	2,517.5	3,718.0	1,148.3	2,569.7	1,676.1	476.5	81.5	395.0	354.9
2011 Q1	7,463.7	3,234.6	650.0	2,584.7	3,715.6	1,089.1	2,626.5	1,749.2	513.5	113.7	399.7	362.9
	Transactions											
2008	276.1	-84.6	84.5	-169.1	177.8	6.8	171.0	154.3	182.9	-33.1	216.0	192.8
2009	355.0	111.8	2.2	109.6	123.3	7.7	115.5	93.4	119.9	-13.5	133.3	155.5
2010	273.1	124.6	-3.4	128.1	145.3	44.4	100.8	183.9	3.3	46.7	-43.4	-33.4
2010 Q4	73.8	54.2	-7.0	61.1	44.1	25.3	18.8	33.3	-24.5	-1.9	-22.6	-16.7
2011 Q1	157.1	90.5	7.2	83.3	15.9	29.7	-13.7	32.1	50.7	38.8	11.9	21.4
Q2	175.4	-37.4	-3.5	-33.9	181.6	47.5	134.1	.	31.2	39.2	-8.0	.
2011 Feb.	100.9	53.5	7.1	46.4	23.6	13.0	10.6	.	23.9	23.2	0.7	.
Mar.	49.0	28.1	-1.8	29.9	12.2	-17.0	29.2	.	8.7	11.3	-2.5	.
Apr.	42.8	-28.2	3.7	-31.9	71.4	13.4	57.9	.	-0.4	15.0	-15.3	.
May	67.6	-13.7	0.5	-14.2	49.5	16.2	33.3	.	31.9	21.6	10.3	.
June	65.0	4.5	-7.6	12.2	60.8	17.9	42.9	.	-0.3	2.6	-2.9	.
	Growth rates											
2008	4.4	-3.7	14.9	-8.1	5.9	0.7	9.2	13.8	78.0	-24.7	218.2	269.4
2009	5.9	4.8	0.4	6.6	3.6	0.7	5.3	6.6	31.8	-28.6	41.8	58.1
2010 Q4	3.9	4.4	-0.5	6.0	4.1	3.8	4.3	12.2	0.7	73.3	-9.6	-8.1
2011 Q1	4.8	6.9	2.8	8.1	2.5	5.4	1.2	8.4	9.5	64.2	-0.5	2.2
Q2	6.1	5.0	1.8	5.9	5.5	10.9	3.2	.	19.5	152.6	-2.1	.

Source: ECB.

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets		Trade credits	Loans/currency and deposits			Trade credits	Loans/currency and deposits	
											Currency and deposits				Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2008	5,370.1	28.8	27.8	1.0	3,272.5	3,213.2	59.2	90.8	12.3	42.6	8.8	1,977.9	188.9	1,595.6	431.7
2009	4,830.9	30.2	29.8	0.4	2,835.9	2,805.4	30.5	109.2	8.4	63.6	11.4	1,855.6	192.4	1,478.8	398.1
2010 Q4	5,083.9	32.6	32.0	0.7	2,972.3	2,939.8	32.4	166.2	7.6	117.7	21.0	1,912.8	218.2	1,540.9	454.5
2011 Q1	5,065.2	35.3	35.1	0.2	2,962.1	2,921.9	40.2	151.1	7.6	103.0	15.0	1,916.8	225.7	1,538.8	451.3
	Transactions														
2008	-1.2	-9.4	-9.5	0.0	-42.6	-59.2	16.6	-5.7	-1.1	-5.9	-4.7	56.6	-0.3	48.3	-21.9
2009	-534.6	0.1	0.0	0.1	-421.7	-401.2	-20.5	10.7	-0.4	9.3	1.2	-123.7	1.0	-129.3	-50.8
2010	148.9	-2.9	-2.9	0.0	7.5	-1.3	8.8	39.5	-0.2	38.8	4.8	104.8	12.7	82.2	29.8
2010 Q4	18.2	6.1	6.0	0.1	-28.9	-28.4	-0.6	34.5	0.0	34.6	4.8	6.5	3.0	-1.3	-6.1
2011 Q1	61.3	3.6	3.6	0.0	61.9	53.8	8.1	-7.7	-0.1	-8.2	-4.2	3.5	6.2	-5.8	-3.7
Q2	145.3	4.6	.	.	90.1	.	.	1.3	.	.	1.8	49.3	.	.	8.8
2011 Feb.	27.2	3.0	.	.	39.0	.	.	0.5	.	.	2.2	-15.3	.	.	-7.8
Mar.	-42.8	0.0	.	.	-37.8	.	.	-2.5	.	.	-2.2	-2.5	.	.	-5.5
Apr.	119.9	5.6	.	.	95.4	.	.	1.7	.	.	-0.3	17.2	.	.	4.5
May	111.3	-1.5	.	.	86.5	.	.	-2.1	.	.	-0.4	28.4	.	.	3.5
June	-85.9	0.6	.	.	-91.9	.	.	1.7	.	.	2.5	3.7	.	.	0.8
	Growth rates														
2008	-0.1	-26.2	-26.9	1.0	-1.3	-1.8	23.6	-6.0	-8.8	-12.3	-35.8	3.1	-0.2	3.2	-5.9
2009	-10.0	-0.3	-1.4	24.1	-12.8	-12.4	-36.9	11.2	-3.5	18.9	12.0	-6.5	0.5	-8.4	-13.1
2010 Q4	3.1	-13.1	-12.9	-9.9	0.3	0.0	27.7	35.4	-2.7	59.2	41.5	5.6	6.3	5.6	7.6
2011 Q1	2.6	26.4	27.4	-10.9	0.4	0.0	44.4	36.8	-2.8	65.0	68.2	3.6	10.5	3.1	4.8
Q2	4.4	65.7	.	.	3.6	.	.	20.8	.	.	5.7	3.9	.	.	2.4

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2008	5,724.4	482.9	482.6	0.3	3,762.9	3,708.8	54.1	62.3	0.0	58.0	4.3	1,416.3	178.2	1,059.7	178.4
2009	4,987.5	252.0	251.6	0.4	3,398.9	3,360.4	38.6	71.6	0.0	67.3	4.4	1,264.9	175.1	911.3	178.5
2010 Q4	5,262.3	268.9	265.8	3.0	3,506.2	3,460.6	45.5	152.6	0.0	145.9	6.6	1,334.6	192.6	1,000.9	141.1
2011 Q1	5,132.3	272.3	271.8	0.5	3,354.2	3,299.3	55.0	180.5	0.0	174.1	6.3	1,325.3	197.4	983.9	144.0
	Transactions														
2008	179.3	281.0	280.9	0.1	-174.7	-186.0	11.3	9.3	0.0	10.6	-1.3	63.7	9.0	46.7	8.0
2009	-727.7	-233.1	-233.3	0.2	-353.2	-341.9	-11.4	12.5	0.0	12.4	0.1	-153.8	-5.5	-125.7	-22.6
2010	108.4	8.9	6.3	2.6	2.0	-4.0	6.0	65.6	0.0	65.0	0.6	31.8	11.3	3.3	17.2
2010 Q4	-73.5	17.3	16.0	1.3	-100.1	-102.9	2.8	47.0	0.0	46.8	0.2	-37.8	3.6	-36.0	-5.4
2011 Q1	-32.6	9.6	12.1	-2.6	-72.0	-82.9	10.8	27.9	0.0	28.7	-0.8	1.9	2.4	-4.7	4.2
Q2	1.0	7.2	.	.	-10.8	.	.	12.2	.	.	.	-7.6	.	.	.
2011 Feb.	-34.7	4.6	.	.	-16.1	.	.	7.0	.	.	.	-30.2	.	.	.
Mar.	-110.3	-2.1	.	.	-122.7	.	.	7.5	.	.	.	7.0	.	.	.
Apr.	95.3	0.6	.	.	103.7	.	.	-1.8	.	.	.	-7.1	.	.	.
May	79.5	5.3	.	.	56.2	.	.	10.8	.	.	.	7.2	.	.	.
June	-173.9	1.3	.	.	-170.7	.	.	3.2	.	.	.	-7.7	.	.	.
	Growth rates														
2008	3.3	141.1	141.2	.	-4.4	-4.7	18.2	17.7	.	22.5	-23.2	4.8	5.3	4.6	5.9
2009	-12.6	-48.0	-48.1	.	-9.4	-9.2	-20.3	19.8	.	21.0	1.9	-10.8	-3.4	-11.8	-11.8
2010 Q4	2.1	3.4	2.4	.	0.1	0.0	15.7	89.5	.	95.4	9.0	2.4	6.4	0.2	9.6
2011 Q1	-0.9	9.4	9.6	.	-4.8	-5.2	26.7	111.0	.	118.0	6.1	1.2	7.3	-1.0	7.1
Q2	-1.1	12.6	.	.	-5.0	.	.	102.1	.	.	.	0.2	.	.	.

Source: ECB.

7.3 Financial account

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

7. Reserve assets [1]

	Reserve assets: Total	Monetary gold: In EUR billions	Monetary gold: In fine troy ounces (millions)	SDR holdings	Reserve position in the IMF	Foreign exchange: Total	Currency and deposits: With monetary authorities and the BIS	Currency and deposits: With banks	Securities: Total	Securities: Equity	Securities: Bonds and notes	Securities: Money market instruments	Financial derivatives	Other claims	Memo items: Other foreign currency assets	Memo items: Pre-determined short-term net drains on foreign currency	Memo items: SDR allocations
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	Outstanding amounts (international investment position)																
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5	5.3
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.1	129.5	0.6	111.3	17.6	0.0	0.0	262.8	-245.7	5.5
2009	462.4	266.1	347.180	50.8	10.5	134.9	11.7	8.1	115.2	0.5	92.0	22.7	-0.1	0.0	32.1	-24.2	51.2
2010 Q3	552.2	332.3	346.994	53.3	15.3	151.3	7.9	15.7	127.2	0.5	106.9	19.8	0.4	0.0	26.2	-22.6	53.7
Q4	591.2	366.2	346.962	54.2	15.8	155.0	7.7	16.1	131.3	0.5	111.2	19.5	0.0	0.0	26.3	-24.4	54.5
2011 Q1	576.6	351.5	346.988	51.1	21.6	152.4	5.6	18.2	128.2	0.5	108.6	19.0	0.4	0.0	21.3	-24.5	52.6
2011 June	580.9	361.4	346.989	50.5	22.4	146.5	5.1	13.0	128.2	-	-	-	0.2	0.0	20.4	-18.1	52.2
July	621.6	396.3	346.988	51.3	24.1	149.9	5.2	15.2	129.5	-	-	-	0.0	0.0	22.0	-20.7	52.8
	Transactions																
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-	-
2008	3.4	-2.7	-	-0.1	3.8	2.4	5.0	-15.7	11.8	0.1	15.8	-4.1	1.3	0.0	-	-	-
2009	-4.6	-2.0	-	0.5	3.4	-6.4	3.1	-1.2	-9.5	0.0	-14.1	4.6	1.2	0.0	-	-	-
2010 Q4	1.6	0.0	-	0.1	0.1	1.3	-0.4	-0.5	2.1	0.0	3.2	-1.1	0.1	0.0	-	-	-
2011 Q1	11.1	0.0	-	-1.2	6.2	6.1	-1.8	3.1	4.8	0.0	4.0	0.7	0.0	0.0	-	-	-
Q2	-4.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates																
2008	1.0	-1.3	-	-2.5	105.6	1.7	67.7	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009	-1.2	-0.9	-	-2.6	45.5	-4.4	41.1	-21.3	-7.3	1.0	-12.8	25.3	-	-	-	-	-
2010	2.0	0.0	-	-0.1	45.4	3.6	-43.3	76.2	3.4	-5.2	10.3	-25.5	-	-	-	-	-
2010 Q4	2.0	0.0	-	-0.1	45.4	3.6	-43.3	76.2	3.4	-5.2	10.3	-25.5	-	-	-	-	-
2011 Q1	2.8	0.0	-	-1.9	72.7	5.2	-44.7	68.6	3.9	-4.3	11.9	-28.0	-	-	-	-	-
Q2	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Gross external debt

	Total	By instrument: Loans, currency and deposits	By instrument: Money market instruments	By instrument: Bonds and notes	By instrument: Trade credits	By instrument: Other debt liabilities	By instrument: Direct investment: inter-company lending	By sector (excluding direct investment): General government	By sector: Eurosystem	By sector: MFIs (excluding Eurosystem)	By sector: Other sectors
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts (international investment position)										
2007	9,991.0	5,144.6	240.5	2,996.3	172.6	189.6	1,247.3	1,235.4	202.1	5,228.6	2,077.6
2008	10,916.9	5,309.2	380.4	3,372.6	178.2	237.0	1,439.4	1,759.0	482.9	5,023.7	2,211.8
2009	10,413.3	4,590.5	524.6	3,460.8	175.1	221.8	1,440.4	1,971.0	252.0	4,598.7	2,151.1
2010 Q3	10,982.6	4,841.4	523.9	3,810.1	185.5	247.4	1,374.3	2,210.6	249.2	4,880.0	2,268.6
Q4	10,903.6	4,873.3	476.5	3,718.0	192.7	196.3	1,446.7	2,183.6	268.9	4,736.0	2,268.4
2011 Q1	10,808.7	4,729.1	513.5	3,715.6	197.5	205.8	1,447.3	2,292.6	272.3	4,557.1	2,239.4
	Outstanding amounts as a percentage of GDP										
2007	110.7	57.0	2.7	33.2	1.9	2.1	13.8	13.7	2.2	57.9	23.0
2008	118.2	57.5	4.1	36.5	1.9	2.6	15.6	19.0	5.2	54.4	23.9
2009	116.6	51.4	5.9	38.8	2.0	2.5	16.1	22.1	2.8	51.5	24.1
2010 Q3	120.7	53.2	5.8	41.9	2.0	2.7	15.1	24.3	2.7	53.7	24.9
Q4	119.0	53.2	5.2	40.6	2.1	2.1	15.8	23.8	2.9	51.7	24.8
2011 Q1	116.9	51.2	5.6	40.2	2.1	2.2	15.7	24.8	2.9	49.3	24.2

Source: ECB.

1) Data refer to the changing composition of the euro area, in line with the approach adopted for the reserve assets of the Eurosystem. For further information, see the General Notes.

7.3 Financial account

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

9. Geographical breakdown

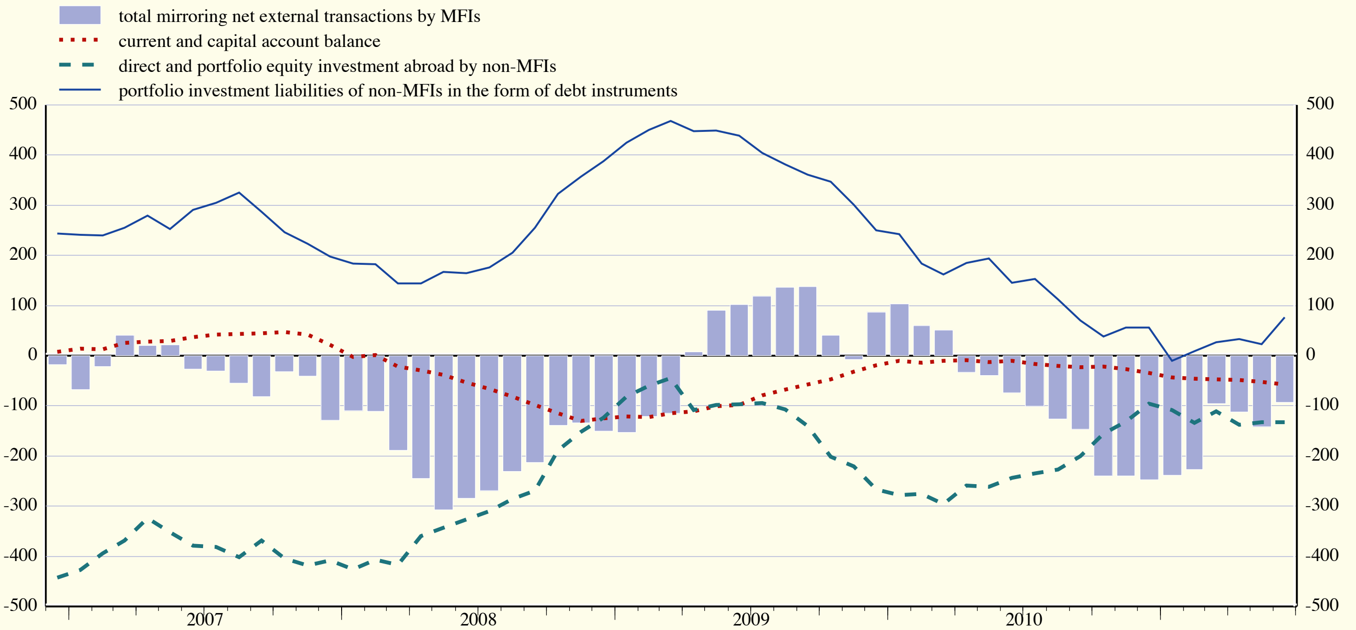
	Total	EU Member States outside the euro area						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Interna-tional organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2009	Outstanding amounts (international investment position)														
Direct investment	783.5	116.5	2.3	-17.4	-125.6	257.6	-0.3	45.6	44.2	-28.9	129.7	-42.2	77.4	-0.3	441.4
Abroad	4,262.0	1,428.3	34.5	123.7	988.9	281.1	0.0	119.6	48.3	77.7	423.5	784.3	540.9	0.0	839.4
Equity/reinvested earnings	3,291.0	1,073.8	29.1	79.8	735.3	229.5	0.0	95.2	39.1	58.9	349.5	559.7	484.7	0.0	630.1
Other capital	971.1	354.5	5.3	43.9	253.7	51.6	0.0	24.4	9.1	18.8	74.1	224.6	56.2	0.0	209.3
In the euro area	3,478.6	1,311.8	32.2	141.1	1,114.5	23.6	0.3	73.9	4.1	106.6	293.9	826.4	463.5	0.4	398.0
Equity/reinvested earnings	2,531.3	1,077.5	22.7	124.7	922.7	7.2	0.3	61.0	1.1	85.5	201.0	613.4	245.4	0.2	246.4
Other capital	947.3	234.3	9.5	16.5	191.9	16.4	0.1	13.0	3.0	21.1	92.9	213.0	218.1	0.2	151.6
Portfolio investment assets	4,226.3	1,424.7	79.0	156.5	1,000.9	89.1	99.2	95.4	47.5	182.0	107.0	1,349.2	434.2	29.3	557.0
Equity	1,488.7	296.8	8.8	28.8	245.3	13.2	0.6	28.6	45.3	85.7	92.4	469.0	193.3	1.5	275.9
Debt instruments	2,737.6	1,127.9	70.2	127.7	755.6	75.9	98.5	66.8	2.2	96.2	14.6	880.2	240.8	27.8	281.1
Bonds and notes	2,339.5	979.1	62.9	108.0	635.5	74.2	98.4	63.3	1.5	38.1	10.6	739.6	225.5	27.2	254.7
Money market instruments	398.1	148.8	7.3	19.6	120.0	1.7	0.1	3.5	0.7	58.1	4.0	140.7	15.4	0.6	26.3
Other investment	-156.6	-107.3	49.4	6.8	-96.5	92.2	-159.3	0.3	-8.7	17.0	-118.6	-106.5	-12.4	14.1	165.6
Assets	4,830.9	2,246.0	108.6	85.4	1,847.6	187.9	16.5	26.8	31.6	95.0	238.8	687.3	591.7	61.3	852.4
General government	109.2	23.3	0.1	5.4	6.8	0.2	10.6	0.0	3.1	0.2	0.2	3.5	1.9	27.3	49.7
MFIs	2,866.1	1,539.2	91.0	51.0	1,240.6	154.0	2.6	15.2	9.3	64.4	125.5	353.0	329.8	20.4	409.4
Other sectors	1,855.6	683.6	17.5	28.9	600.2	33.7	3.3	11.6	19.1	30.4	113.2	330.8	260.0	13.6	393.3
Liabilities	4,987.5	2,353.3	59.2	78.5	1,944.1	95.6	175.8	26.6	40.3	78.0	357.4	793.8	604.1	47.2	686.8
General government	71.6	29.4	0.1	0.4	4.4	0.0	24.5	0.1	0.1	0.5	0.2	22.1	0.3	16.9	2.2
MFIs	3,650.9	1,746.4	47.7	44.2	1,486.4	71.6	96.6	19.4	19.1	45.6	270.3	500.3	499.4	27.6	522.9
Other sectors	1,264.9	577.5	11.4	34.0	453.3	24.0	54.8	7.1	21.2	32.0	86.9	271.4	104.5	2.6	161.8
2010 Q2 to 2011 Q1	Cumulated transactions														
Direct investment	12.8	31.6	-0.2	2.5	6.5	22.8	0.0	-19.2	6.2	-6.3	-23.7	-10.4	-8.8	-0.1	43.5
Abroad	159.3	77.5	1.7	5.4	40.6	29.9	0.0	-0.1	6.0	-5.6	-12.2	3.5	21.5	0.0	68.8
Equity/reinvested earnings	76.6	53.4	1.5	4.3	19.6	28.1	0.0	-1.0	3.9	-4.6	-16.1	-9.2	3.1	0.0	47.1
Other capital	82.7	24.1	0.2	1.1	21.0	1.8	0.0	0.8	2.0	-1.0	3.9	12.7	18.4	0.0	21.7
In the euro area	146.5	46.0	2.0	2.9	34.1	7.1	0.0	19.0	-0.2	0.6	11.5	13.9	30.3	0.1	25.3
Equity/reinvested earnings	115.0	34.4	0.9	6.2	25.1	2.1	0.0	22.2	0.4	1.9	0.2	16.0	22.8	0.0	17.2
Other capital	31.5	11.6	1.0	-3.4	9.0	5.0	0.0	-3.2	-0.6	-1.2	11.3	-2.0	7.5	0.1	8.1
Portfolio investment assets	97.6	-11.5	-1.1	6.3	-30.9	5.1	9.1	-3.9	7.8	-10.1	5.7	48.1	-20.6	0.3	81.7
Equity	37.9	7.2	1.5	5.5	-1.1	1.1	0.1	4.8	7.3	-3.6	-1.0	11.7	-2.7	-0.5	14.7
Debt instruments	59.7	-18.7	-2.6	0.9	-29.8	4.0	9.0	-8.6	0.5	-6.6	6.6	36.5	-17.9	0.8	67.0
Bonds and notes	59.3	-0.9	-0.3	1.3	-13.8	3.1	8.7	-8.6	0.7	0.6	1.8	20.5	-15.3	1.3	59.3
Money market instruments	0.4	-17.8	-2.3	-0.5	-16.1	0.9	0.2	0.0	-0.1	-7.2	4.9	15.9	-2.6	-0.6	7.7
Other investment	172.7	114.2	10.9	-6.4	112.7	9.8	-12.8	-4.4	5.2	6.0	49.1	13.4	61.2	-28.1	-44.0
Assets	128.7	53.1	3.9	16.5	18.5	13.4	0.7	-1.5	9.1	19.1	19.6	-1.1	23.9	-10.4	16.9
General government	38.0	16.1	0.9	1.1	12.1	1.8	0.2	1.6	0.0	2.3	0.7	11.2	1.6	0.7	3.7
MFIs	21.5	-14.9	0.3	11.5	-37.9	11.7	-0.5	-3.5	6.6	11.7	9.8	4.2	11.6	-11.2	7.1
Other sectors	69.1	51.8	2.7	3.9	44.3	0.0	0.9	0.5	2.4	5.1	9.1	-16.5	10.6	0.0	6.1
Liabilities	-44.1	-61.1	-6.9	23.0	-94.2	3.6	13.4	2.9	3.9	13.1	-29.5	-14.4	-37.3	17.6	60.8
General government	89.1	42.5	0.0	0.0	39.7	0.0	2.7	0.1	0.0	-0.2	0.1	17.2	1.2	14.0	14.2
MFIs	-150.0	-119.9	-6.1	19.6	-141.4	2.7	5.4	1.5	0.9	12.4	-29.2	-11.0	-40.3	3.5	32.0
Other sectors	16.9	16.3	-0.8	3.3	7.6	0.9	5.3	1.3	3.0	0.8	-0.4	-20.6	1.8	0.1	14.6

Source: ECB.

7.4 Monetary presentation of the balance of payments [1)]
(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
	1	2	3	4	5	6	7	8	9	10	11	12
2008	-150.2	-124.8	-320.1	99.3	62.1	-14.5	-169.3	387.7	-51.3	73.3	-82.8	-9.9
2009	86.1	-19.5	-304.6	207.9	-50.0	-124.0	109.7	249.3	113.1	-141.1	37.2	8.1
2010	-247.6	-34.5	-132.7	93.9	-68.1	-239.6	128.2	56.6	-143.5	97.4	8.7	-13.9
2010 Q2	-43.2	-16.9	-83.7	54.0	2.3	-41.0	16.3	76.9	-58.8	14.7	1.9	-8.9
Q3	-65.7	-5.3	-26.9	-5.1	-8.8	-44.1	24.0	-43.6	-11.4	52.1	2.3	1.0
Q4	-57.8	3.2	18.9	43.9	-35.6	-110.5	61.2	-4.3	-40.4	9.3	1.7	-5.1
2011 Q1	71.6	-27.9	-62.0	55.2	3.4	-23.6	83.3	-1.8	4.2	29.8	-4.0	15.1
Q2	-41.2	-27.6	-36.4	15.6	-12.8	-27.9	-33.9	126.1	-50.6	4.6	5.2	-3.3
2010 June	-10.7	2.1	-23.3	17.1	-2.6	-6.9	17.6	-13.8	13.9	-18.9	6.3	-2.1
July	-27.9	6.9	-11.7	11.1	3.3	-28.7	-6.1	-17.4	-4.1	27.6	-1.4	-7.5
Aug.	-9.1	-6.9	-8.7	-18.9	-4.2	0.4	23.3	-25.3	15.0	6.9	4.7	4.5
Sep.	-28.7	-5.3	-6.5	2.7	-7.9	-15.7	6.7	-0.9	-22.3	17.5	-1.0	4.1
Oct.	-80.7	1.7	6.4	-17.5	-15.1	-85.8	45.9	11.5	-21.1	1.5	-4.8	-3.4
Nov.	-10.7	-4.6	8.2	42.4	-9.5	-24.9	-19.4	29.0	-25.5	3.1	1.6	-11.1
Dec.	33.6	6.1	4.3	18.9	-11.0	0.2	34.8	-44.8	6.1	4.6	4.9	9.4
2011 Jan.	-18.0	-19.2	-25.3	37.0	5.0	-13.2	7.1	-39.8	-15.6	38.5	2.7	4.8
Feb.	-2.0	-8.0	-17.1	-15.4	-4.4	-12.0	46.4	11.3	14.8	-23.2	-3.2	9.0
Mar.	91.6	-0.6	-19.5	33.6	2.8	1.6	29.9	26.7	5.0	14.5	-3.6	1.3
Apr.	-58.4	-6.4	-34.8	13.2	-9.9	-8.3	-31.9	42.6	-18.9	-8.9	0.7	4.4
May	-19.9	-18.2	-6.2	3.3	-6.6	-14.5	-14.2	43.6	-26.4	18.0	1.7	-0.4
June	37.1	-3.0	4.6	-0.9	3.6	-5.0	12.2	39.9	-5.4	-4.5	2.8	-7.3
	12-month cumulated transactions											
2011 June	-93.1	-57.6	-106.4	109.5	-53.9	-206.1	134.6	76.4	-98.3	95.7	5.2	7.7

C38 Main b.o.p. items mirroring developments in MFI net external transactions [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.

7.5 Trade in goods

1. Values and volumes by product group [1)]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufacturing		Intermediate	Capital	Consumption	Manufacturing	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)												
2009	-18.1	-21.8	1,279.9	628.0	264.4	355.5	1,063.2	1,266.3	734.3	193.8	316.6	840.8	182.1
2010	20.2	22.5	1,534.7	766.4	309.5	420.4	1,271.5	1,546.1	946.3	227.5	346.9	1,015.4	247.3
2010 Q3	22.8	27.0	397.9	198.2	80.4	108.5	330.7	401.7	245.8	59.9	89.3	266.9	63.0
Q4	22.3	25.7	404.8	202.3	83.4	109.8	333.7	406.7	253.4	58.3	89.3	264.7	66.4
2011 Q1	21.4	24.0	427.1	214.4	85.8	116.0	349.9	434.4	275.3	59.3	91.5	276.2	74.3
Q2	12.6	12.2	428.6	.	.	.	349.2	433.5	.	.	.	272.8	.
2011 Jan.	27.5	30.2	140.5	70.4	27.4	38.2	114.0	144.1	91.0	20.5	30.1	90.6	25.2
Feb.	22.4	26.3	142.6	71.4	28.9	38.6	117.4	144.8	91.2	19.5	30.5	92.4	22.9
Mar.	16.2	17.1	144.1	72.6	29.5	39.1	118.4	145.5	93.1	19.3	30.8	93.3	26.2
Apr.	14.3	17.6	143.7	72.1	28.2	39.2	115.8	146.2	94.0	20.1	29.7	91.5	26.8
May	21.4	16.7	145.8	72.9	29.8	39.9	120.9	146.6	93.5	19.3	30.3	93.4	23.8
June	3.4	3.2	139.0	.	.	.	112.5	140.7	.	.	.	87.8	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2009	-16.6	-13.5	119.6	114.8	119.0	128.0	116.0	109.7	101.2	115.7	136.4	111.0	102.0
2010	14.8	10.7	136.8	132.6	137.6	143.7	134.1	120.9	113.2	129.7	142.9	127.5	100.9
2010 Q2	16.4	14.8	135.3	131.8	135.4	141.9	133.3	120.6	113.3	129.1	142.4	127.1	99.6
Q3	15.9	12.6	140.1	135.2	142.8	145.8	137.6	122.4	114.5	133.2	143.2	130.7	101.4
Q4	15.1	10.3	142.6	137.5	148.1	148.5	139.6	123.7	116.5	132.2	144.9	131.3	103.2
2011 Q1	13.3	7.6	146.0	141.1	149.0	152.3	142.9	124.9	117.7	131.7	144.5	133.1	97.2
2010 Dec.	14.1	8.9	141.7	136.9	144.9	148.7	137.5	122.4	116.7	128.2	142.7	130.2	102.3
2011 Jan.	18.5	12.8	144.7	140.1	143.7	150.4	140.1	125.2	118.4	135.9	142.0	130.5	103.7
Feb.	14.3	9.8	146.0	140.8	150.4	152.1	143.6	125.8	118.0	130.8	145.2	134.0	91.9
Mar.	8.6	1.5	147.2	142.3	153.0	154.3	145.0	123.8	116.8	128.5	146.4	134.7	96.0
Apr.	7.9	4.5	147.0	140.4	148.5	155.0	142.3	124.0	116.6	137.3	142.3	133.8	95.1
May	16.3	7.3	149.6	142.5	157.2	158.6	148.6	126.5	118.2	133.5	146.9	137.9	85.8

2. Prices [2)]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3)]							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total					Memo item: Manufac-turing	Total (index: 2005 = 100)	Total					Memo item: Manufac-turing
			Intermediate goods	Capital goods	Consumer goods	Energy				Intermediate goods	Capital goods	Consumer goods	Energy	
% of total	100.0	100.0	33.1	44.5	17.9	4.5	99.2	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	101.5	-2.7	-4.0	0.5	0.5	-23.7	-2.6	100.2	-8.5	-4.8	2.3	0.9	-28.3	-2.4
2010	105.4	3.9	4.8	1.1	2.2	26.3	3.8	110.0	9.8	9.8	1.5	2.7	27.5	6.0
2010 Q4	106.6	5.1	7.1	2.0	2.9	21.5	5.0	112.6	11.6	13.4	2.3	5.3	25.8	8.0
2011 Q1	109.1	5.9	8.5	2.0	2.9	25.8	5.8	118.4	12.1	11.3	0.7	5.8	31.7	6.9
Q2	110.2	4.1	6.0	0.8	1.8	22.0	4.0	118.7	7.3	3.6	-3.2	2.9	27.8	1.7
2011 Feb.	109.1	5.9	8.7	1.9	2.9	25.9	5.8	118.6	12.5	11.8	1.1	5.9	31.3	7.3
Mar.	109.7	5.7	8.3	1.6	2.8	26.3	5.6	119.8	11.7	9.8	-0.5	5.5	32.4	6.1
Apr.	110.3	5.0	7.1	1.1	2.6	25.1	4.9	120.0	9.6	6.8	-2.2	4.5	30.4	3.9
May	110.2	4.0	5.9	0.8	1.6	22.0	3.9	118.4	6.8	1.9	-3.1	2.8	28.3	0.8
June	110.0	3.4	5.1	0.6	1.1	18.9	3.3	117.7	5.7	2.4	-4.3	1.6	24.7	0.4
July	110.5	4.0	5.3	0.7	1.6	25.5	3.9	120.6	8.8	5.2	-2.9	3.1	29.9	2.9

Source: Eurostat.

1) Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

2) Product groups as classified in the Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1), mainly because those deflators include all goods and services and cover cross-border trade within the euro area.

3) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	EU Member States 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			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2009	1,279.9	27.3	41.5	175.3	174.6	50.1	78.9	34.8	152.4	284.4	69.0	28.6	92.0	54.3	29.4
2010	1,534.7	30.2	52.7	195.5	209.4	63.6	93.0	47.3	180.3	354.9	94.7	34.5	104.8	73.3	18.8
2010 Q1	352.6	7.0	11.9	46.4	47.7	13.7	21.3	10.5	41.3	81.3	21.9	8.0	24.9	16.7	5.4
Q2	379.3	7.4	13.3	48.1	51.4	15.3	22.9	11.5	45.1	88.2	23.5	8.7	25.6	18.6	5.3
Q3	397.9	7.6	13.5	50.4	54.2	17.2	24.0	12.1	47.7	91.8	23.9	8.9	26.8	18.9	4.4
Q4	404.8	8.2	14.0	50.7	56.2	17.4	24.7	13.2	46.2	93.5	25.4	9.0	27.5	19.1	3.7
2011 Q1	427.1	8.1	15.0	53.2	59.2	18.6	25.8	15.3	49.9	99.0	28.7	9.3	28.1	20.2	0.9
Q2	428.6	.	.	.	.	20.2	26.4	14.3	48.0	98.1	27.2	9.5	27.1	21.0	.
2011 Jan.	140.5	2.7	4.9	17.6	19.2	6.0	8.3	4.8	16.5	32.1	9.3	3.1	9.4	6.3	1.9
Feb.	142.6	2.7	4.9	17.6	19.8	6.4	8.5	5.1	16.7	33.4	9.6	3.1	9.2	7.0	0.0
Mar.	144.1	2.7	5.2	18.1	20.1	6.3	9.0	5.4	16.7	33.4	9.8	3.1	9.4	6.9	-1.0
Apr.	143.7	2.8	4.9	16.9	19.8	6.5	8.9	4.9	16.2	32.3	8.9	3.2	9.2	7.0	3.0
May	145.8	2.8	5.3	18.0	20.6	7.1	9.3	4.8	16.3	33.7	9.5	3.2	9.1	7.4	-0.6
June	139.0	.	.	.	.	6.6	8.2	4.5	15.5	32.1	8.9	3.0	8.8	6.6	.
	Percentage share of total exports														
2010	100.0	2.0	3.4	12.8	13.6	4.1	6.1	3.1	11.7	23.1	6.2	2.3	6.8	4.8	1.3
	Imports (c.i.f.)														
2009	1,266.3	27.1	38.2	127.1	161.9	84.3	65.2	26.5	116.2	380.1	157.7	44.0	94.8	59.5	-25.3
2010	1,546.1	27.6	47.7	148.5	197.6	111.2	74.3	30.7	129.0	492.3	208.4	50.8	118.7	75.0	-48.5
2010 Q1	352.3	6.6	10.4	34.8	45.1	25.7	17.1	7.2	29.3	110.3	45.9	11.7	26.9	16.6	-10.6
Q2	385.3	6.9	11.9	36.6	48.9	28.3	19.5	7.6	31.8	124.6	53.2	12.8	29.9	18.1	-14.7
Q3	401.7	7.1	12.6	38.0	50.7	27.6	19.1	7.7	34.1	130.3	55.6	13.3	29.5	19.5	-9.7
Q4	406.7	7.1	12.8	39.0	53.0	29.6	18.5	8.2	33.9	127.1	53.7	13.1	32.4	20.9	-13.5
2011 Q1	434.4	7.3	13.2	41.7	55.7	34.7	19.3	9.0	35.4	135.0	54.7	13.6	35.7	21.4	-17.6
Q2	433.5	.	.	.	.	34.4	19.9	8.9	34.2	137.4	56.0	12.6	30.6	21.7	.
2011 Jan.	144.1	2.3	4.2	13.8	18.2	11.2	6.4	3.0	11.9	44.0	17.8	4.4	12.2	7.2	-4.5
Feb.	144.8	2.6	4.4	13.9	18.5	10.4	6.4	3.0	11.8	44.7	18.1	4.5	12.3	7.1	-3.6
Mar.	145.5	2.5	4.6	14.0	18.9	13.0	6.5	3.0	11.7	46.2	18.7	4.7	11.2	7.2	-9.5
Apr.	146.2	2.4	4.3	13.9	18.6	12.1	6.5	3.0	11.6	46.5	18.7	4.3	10.3	7.3	-5.3
May	146.6	2.6	4.7	13.9	19.1	12.4	6.8	3.0	11.5	45.8	18.8	4.2	9.7	7.4	-5.5
June	140.7	.	.	.	.	9.9	6.6	2.9	11.2	45.0	18.5	4.0	10.6	7.0	.
	Percentage share of total imports														
2010	100.0	1.8	3.1	9.6	12.8	7.2	4.8	2.0	8.3	31.8	13.5	3.3	7.7	4.8	-3.1
	Balance														
2009	13.6	0.2	3.3	48.2	12.7	-34.2	13.8	8.3	36.2	-95.7	-88.7	-15.4	-2.8	-5.2	54.7
2010	-11.4	2.6	5.0	47.0	11.8	-47.6	18.7	16.6	51.3	-137.4	-113.7	-16.3	-14.0	-1.7	67.3
2010 Q1	0.3	0.4	1.5	11.6	2.6	-12.0	4.3	3.3	12.0	-28.9	-24.1	-3.7	-2.0	0.1	16.0
Q2	-6.0	0.5	1.3	11.5	2.5	-13.0	3.4	3.8	13.3	-36.4	-29.6	-4.1	-4.3	0.5	20.1
Q3	-3.8	0.6	0.9	12.4	3.5	-10.4	4.9	4.5	13.6	-38.5	-31.7	-4.4	-2.7	-0.6	14.1
Q4	-1.9	1.1	1.2	11.6	3.2	-12.2	6.2	5.0	12.4	-33.7	-28.3	-4.1	-4.9	-1.8	17.2
2011 Q1	-7.2	0.8	1.8	11.6	3.5	-16.0	6.5	6.3	14.5	-36.1	-25.9	-4.4	-7.6	-1.2	18.4
Q2	-4.9	.	.	.	.	-14.2	6.5	5.3	13.8	-39.3	-28.7	-3.1	-3.5	-0.7	.
2011 Jan.	-3.5	0.4	0.7	3.8	1.0	-5.2	1.9	1.8	4.7	-11.9	-8.4	-1.3	-2.8	-0.9	6.3
Feb.	-2.3	0.1	0.5	3.7	1.3	-4.1	2.1	2.1	4.9	-11.3	-8.5	-1.4	-3.0	-0.1	3.6
Mar.	-1.4	0.2	0.6	4.1	1.2	-6.7	2.5	2.4	4.9	-12.8	-9.0	-1.7	-1.8	-0.3	8.5
Apr.	-2.5	0.4	0.7	3.1	1.2	-5.7	2.3	1.9	4.6	-14.2	-9.8	-1.1	-1.1	-0.2	8.4
May	-0.8	0.2	0.6	4.1	1.5	-5.2	2.6	1.8	4.8	-12.1	-9.2	-1.0	-0.6	0.0	4.9
June	-1.6	.	.	.	.	-3.3	1.6	1.6	4.3	-12.9	-9.6	-1.0	-1.8	-0.4	.

Source: Eurostat.

EXCHANGE RATES

8

8.1 Effective exchange rates [1)]

(period averages; index: 1999 Q1=100)

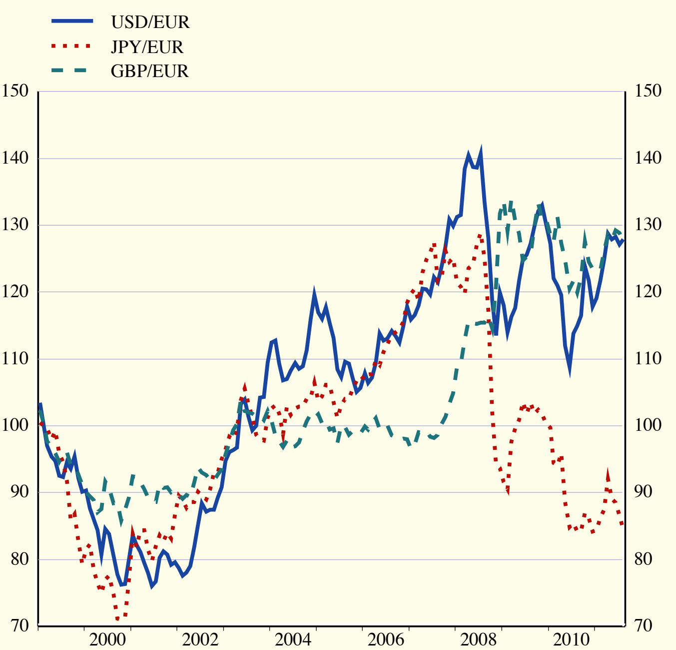
	EER-20						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2008	110.4	109.9	107.6	105.2	115.3	104.5	117.9	107.1
2009	111.7	110.6	104.9	106.3	120.7	106.3	120.6	108.0
2010	104.6	103.0	98.8	98.6	109.3	98.5	112.3	99.3
2010 Q2	103.1	101.8	97.4	97.4	108.3	97.3	110.4	97.9
Q3	102.3	100.8	96.9	96.7	106.6	95.8	109.8	97.2
Q4	104.4	102.4	98.7	98.0	109.1	98.2	112.1	98.7
2011 Q1	103.7	101.5	97.8	97.1	108.4	96.5	111.6	97.9
Q2	106.4	104.2	99.7	.	.	.	114.5	100.5
2010 Aug.	102.1	100.5	96.6	-	-	-	109.5	97.0
Sep.	102.5	100.8	97.2	-	-	-	110.0	97.2
Oct.	106.0	104.1	100.4	-	-	-	113.8	100.3
Nov.	104.7	102.7	98.9	-	-	-	112.5	99.0
Dec.	102.6	100.5	96.7	-	-	-	110.1	96.8
2011 Jan.	102.4	100.3	96.7	-	-	-	110.1	96.7
Feb.	103.4	101.1	97.6	-	-	-	111.4	97.6
Mar.	105.2	103.0	99.0	-	-	-	113.2	99.4
Apr.	107.0	104.9	100.6	-	-	-	115.0	101.0
May	106.0	103.8	99.2	-	-	-	114.1	100.1
June	106.1	103.9	99.4	-	-	-	114.4	100.3
July	105.2	102.6	98.4	-	-	-	113.4	99.1
Aug.	104.9	102.2	98.0	-	-	-	113.8	99.3
	Percentage change versus previous month							
2011 Aug.	-0.2	-0.4	-0.4	-	-	-	0.4	0.2
	Percentage change versus previous year							
2011 Aug.	2.8	1.7	1.4	-	-	-	3.9	2.4

C39 Effective exchange rates

(monthly averages; index: 1999 Q1=100)

C40 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.

1) For a 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)

	Bulgarian lev	Czech koruna	Danish krone	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	New Romanian leu	Swedish krona	Pound sterling	Croatian kuna	New Turkish lira
	1	2	3	4	5	6	7	8	9	10	11	12
2008	1.9558	24.946	7.4560	0.7027	3.4528	251.51	3.5121	3.6826	9.6152	0.79628	7.2239	1.9064
2009	1.9558	26.435	7.4462	0.7057	3.4528	280.33	4.3276	4.2399	10.6191	0.89094	7.3400	2.1631
2010	1.9558	25.284	7.4473	0.7087	3.4528	275.48	3.9947	4.2122	9.5373	0.85784	7.2891	1.9965
2010 Q4	1.9558	24.789	7.4547	0.7095	3.4528	275.77	3.9666	4.2888	9.2139	0.85944	7.3683	1.9897
2011 Q1	1.9558	24.375	7.4550	0.7049	3.4528	272.43	3.9460	4.2212	8.8642	0.85386	7.4018	2.1591
Q2	1.9558	24.324	7.4573	0.7092	3.4528	266.42	3.9596	4.1378	9.0153	0.88274	7.3932	2.2579
2011 Feb.	1.9558	24.277	7.4555	0.7037	3.4528	271.15	3.9264	4.2457	8.7882	0.84635	7.4149	2.1702
Mar.	1.9558	24.393	7.4574	0.7072	3.4528	270.89	4.0145	4.1621	8.8864	0.86653	7.3915	2.2108
Apr.	1.9558	24.301	7.4574	0.7092	3.4528	265.29	3.9694	4.1004	8.9702	0.88291	7.3639	2.1975
May	1.9558	24.381	7.4566	0.7093	3.4528	266.96	3.9404	4.1142	8.9571	0.87788	7.4052	2.2603
June	1.9558	24.286	7.4579	0.7091	3.4528	266.87	3.9702	4.1937	9.1125	0.88745	7.4065	2.3077
July	1.9558	24.335	7.4560	0.7092	3.4528	267.68	3.9951	4.2413	9.1340	0.88476	7.4316	2.3654
Aug.	1.9558	24.273	7.4498	0.7093	3.4528	272.37	4.1195	4.2505	9.1655	0.87668	7.4620	2.5147
	Percentage change versus previous month											
2011 Aug.	0.0	-0.3	-0.1	0.0	0.0	1.8	3.1	0.2	0.3	-0.9	0.4	6.3
	Percentage change versus previous year											
2011 Aug.	0.0	-2.1	0.0	0.1	0.0	-3.2	3.2	0.3	-2.7	6.4	2.9	29.1

	Australian dollar	Brazilian real	Canadian dollar	Chinese yuan renminbi	Hong Kong dollar	Icelandic krona [1]	Indian rupee [2]	Indonesian rupiah	Israeli shekel	Japanese yen	Malaysian ringgit
	13	14	15	16	17	18	19	20	21	22	23
2008	1.7416	2.6737	1.5594	10.2236	11.4541	143.83	63.6143	14,165.16	5.2561	152.45	4.8893
2009	1.7727	2.7674	1.5850	9.5277	10.8114	-	67.3611	14,443.74	5.4668	130.34	4.9079
2010	1.4423	2.3314	1.3651	8.9712	10.2994	-	60.5878	12,041.70	4.9457	116.24	4.2668
2010 Q4	1.3747	2.3037	1.3757	9.0405	10.5441	-	60.9153	12,178.16	4.9154	112.10	4.2304
2011 Q1	1.3614	2.2799	1.3484	9.0028	10.6535	-	61.9255	12,171.85	4.9247	112.57	4.1668
Q2	1.3550	2.2960	1.3932	9.3509	11.1932	-	64.3809	12,364.41	4.9490	117.41	4.3451
2011 Feb.	1.3543	2.2765	1.3484	8.9842	10.6312	-	62.0142	12,165.92	4.9939	112.77	4.1541
Mar.	1.3854	2.3220	1.3672	9.1902	10.9093	-	62.9526	12,263.18	4.9867	114.40	4.2483
Apr.	1.3662	2.2889	1.3834	9.4274	11.2269	-	64.1128	12,493.48	4.9573	120.42	4.3502
May	1.3437	2.3131	1.3885	9.3198	11.1551	-	64.4735	12,290.33	4.9740	116.47	4.3272
June	1.3567	2.2850	1.4063	9.3161	11.2021	-	64.5200	12,327.02	4.9169	115.75	4.3585
July	1.3249	2.2329	1.3638	9.2121	11.1104	-	63.3537	12,171.27	4.8801	113.26	4.2716
Aug.	1.3651	2.2888	1.4071	9.1857	11.1846	-	65.0717	12,249.95	5.0841	110.43	4.2822
	Percentage change versus previous month										
2011 Aug.	3.0	2.5	3.2	-0.3	0.7	-	2.7	0.6	4.2	-2.5	0.2
	Percentage change versus previous year										
2011 Aug.	-4.8	0.9	4.9	5.0	11.6	-	8.3	5.8	4.0	0.4	5.3

	Mexican peso	New Zealand dollar	Norwegian krone	Philippine peso	Russian rouble	Singapore dollar	South African rand	South Korean won	Swiss franc	Thai baht	US dollar
	24	25	26	27	28	29	30	31	32	33	34
2008	16.2911	2.0770	8.2237	65.172	36.4207	2.0762	12.0590	1,606.09	1.5874	48.475	1.4708
2009	18.7989	2.2121	8.7278	66.338	44.1376	2.0241	11.6737	1,772.90	1.5100	47.804	1.3948
2010	16.7373	1.8377	8.0043	59.739	40.2629	1.8055	9.6984	1,531.82	1.3803	42.014	1.3257
2010 Q4	16.8206	1.7915	8.0499	59.240	41.7192	1.7693	9.3785	1,538.70	1.3225	40.728	1.3583
2011 Q1	16.5007	1.8107	7.8236	59.876	39.9976	1.7467	9.5875	1,530.79	1.2871	41.771	1.3680
Q2	16.8752	1.7992	7.8259	62.256	40.2750	1.7842	9.7852	1,559.23	1.2514	43.592	1.4391
2011 Feb.	16.4727	1.7925	7.8206	59.558	39.9469	1.7421	9.8126	1,524.99	1.2974	41.918	1.3649
Mar.	16.8063	1.8877	7.8295	60.870	39.8061	1.7757	9.6862	1,568.05	1.2867	42.506	1.3999
Apr.	16.9211	1.8331	7.8065	62.361	40.5363	1.8024	9.7200	1,567.52	1.2977	43.434	1.4442
May	16.7177	1.8024	7.8384	61.953	40.0573	1.7763	9.8461	1,555.99	1.2537	43.398	1.4349
June	16.9931	1.7666	7.8302	62.468	40.2670	1.7763	9.7807	1,555.32	1.2092	43.923	1.4388
July	16.6491	1.6877	7.7829	60.961	39.8343	1.7359	9.7000	1,510.29	1.1766	42.949	1.4264
Aug.	17.5456	1.7108	7.7882	60.836	41.2954	1.7340	10.1532	1,542.01	1.1203	42.875	1.4343
	Percentage change versus previous month										
2011 Aug.	5.4	1.4	0.1	-0.2	3.7	-0.1	4.7	2.1	-4.8	-0.2	0.6
	Percentage change versus previous year										
2011 Aug.	6.6	-5.3	-1.8	4.4	5.4	-0.8	7.8	1.3	-16.5	4.7	11.2

Source: ECB.

1) The most recent rate for the Icelandic krona refers to 3 December 2008.

2) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

DEVELOPMENTS OUTSIDE THE EURO AREA

9

9.1 Economic and financial developments in other EU Member States
(annual percentage changes, unless otherwise indicated)

	Bulgaria	Czech Republic	Denmark	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10
	HICP									
2009	2.5	0.6	1.1	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2011 Q1	4.5	1.9	2.6	3.8	3.2	4.3	3.6	7.5	1.3	4.1
Q2	3.4	1.8	2.9	4.6	4.7	3.9	4.0	8.3	1.7	4.4
2011 May	3.4	2.0	3.1	4.8	5.0	3.9	4.3	8.5	1.7	4.5
June	3.5	1.9	2.9	4.7	4.8	3.5	3.7	8.0	1.5	4.2
July	3.4	1.9	3.0	4.2	4.6	3.1	3.6	4.9	1.6	4.4
	General government deficit (-)/surplus (+) as a percentage of GDP									
2008	1.7	-2.7	3.2	-4.2	-3.3	-3.7	-3.7	-5.7	2.2	-5.0
2009	-4.7	-5.9	-2.7	-9.7	-9.5	-4.5	-7.3	-8.5	-0.7	-11.4
2010	-3.2	-4.7	-2.7	-7.7	-7.1	-4.2	-7.9	-6.4	0.0	-10.4
	General government gross debt as a percentage of GDP									
2008	13.7	30.0	34.5	19.7	15.6	72.3	47.1	13.4	38.8	54.4
2009	14.6	35.3	41.8	36.7	29.5	78.4	50.9	23.6	42.8	69.6
2010	16.2	38.5	43.6	44.7	38.2	80.2	55.0	30.8	39.8	80.0
	Long-term government bond yield as a percentage per annum; period average									
2011 Feb.	5.48	4.05	3.23	6.17	5.15	7.39	6.26	7.03	3.41	4.00
Mar.	5.38	4.05	3.29	6.49	5.15	7.29	6.27	7.31	3.35	3.78
Apr.	5.33	4.05	3.42	6.47	5.12	7.05	6.14	7.30	3.30	3.78
May	5.39	3.89	3.13	6.36	5.05	7.11	6.06	7.26	3.01	3.49
June	5.39	3.77	2.96	5.87	5.05	7.22	5.88	7.09	2.89	3.09
July	5.36	3.79	3.02	5.67	5.05	7.35	5.81	7.30	2.75	2.88
	3-month interest rate as a percentage per annum; period average									
2011 Feb.	3.88	1.21	1.24	0.89	1.40	6.93	4.11	5.49	2.20	0.80
Mar.	3.90	1.21	1.31	0.85	1.40	6.64	4.18	5.85	2.38	0.81
Apr.	3.79	1.21	1.41	0.79	1.52	6.08	4.27	5.47	2.41	0.82
May	3.77	1.22	1.46	0.78	1.65	6.88	4.40	5.26	2.46	0.82
June	3.74	1.20	1.51	0.74	1.69	6.27	4.61	5.25	2.46	0.83
July	3.75	1.19	1.66	0.82	1.81	6.74	4.70	5.11	2.56	0.83
	Real GDP									
2009	-5.5	-4.1	-5.2	-18.0	-14.7	-6.7	1.6	-7.1	-5.3	-4.9
2010	0.2	2.3	1.7	-0.3	1.3	1.2	3.8	-1.3	5.7	1.4
2010 Q4	3.7	2.7	2.6	3.5	4.6	2.4	3.9	0.2	7.6	1.5
2011 Q1	3.3	2.8	1.9	3.4	6.8	1.6	4.4	0.8	6.4	1.6
Q2	2.0	.	1.9	5.7	6.2	1.2	4.5	0.8	5.3	0.7
	Current and capital account balance as a percentage of GDP									
2009	-7.6	-2.0	3.5	11.0	7.7	1.5	-2.2	-3.6	6.9	-1.5
2010	-0.2	-2.9	5.4	5.5	4.5	3.8	-2.6	-3.9	6.2	-3.0
2010 Q4	-6.8	-1.4	6.4	0.8	7.1	3.0	-2.8	-2.1	5.6	-2.8
2011 Q1	2.7	2.3	5.1	1.9	2.1	5.5	-2.0	-2.4	8.5	-2.9
Q2	.	.	7.4	.	-3.3	.	-1.1	.	5.6	.
	Gross external debt as a percentage of GDP									
2008	104.9	.	177.7	129.2	71.3	122.3	57.0	56.0	205.7	441.4
2009	107.9	53.2	189.8	156.3	87.2	141.5	59.6	69.0	211.0	416.6
2010 Q3	103.6	55.7	201.3	162.5	89.4	143.3	66.2	74.8	198.5	431.1
Q4	101.8	57.4	192.0	165.2	86.0	141.1	65.9	75.9	191.7	419.4
2011 Q1	98.5	56.4	187.1	158.7	84.7	134.7	67.8	73.5	187.0	417.5
	Unit labour costs									
2009	12.7	3.5	4.7	-7.0	-2.8	1.9	2.2	-1.3	4.8	6.1
2010	0.8	0.6	-1.1	-10.6	-7.6	-1.1	4.8	0.8	-1.7	2.2
2010 Q4	-1.9	1.3	-0.8	1.6	-3.1	-2.0	5.7	-3.9	-2.1	1.1
2011 Q1	1.7	0.4	-0.3	3.1	-1.3	0.9	2.7	-1.3	-3.2	0.0
Q2	.	.	-0.8	.	.	.	.	9.4	.	.
	Standardised unemployment rate as a percentage of labour force (s.a.)									
2009	6.8	6.7	6.0	17.2	13.7	10.0	8.2	6.9	8.3	7.6
2010	10.2	7.3	7.4	18.6	17.8	11.1	9.6	7.3	8.4	7.8
2011 Q1	11.1	6.9	7.6	16.2	16.5	11.0	9.3	7.1	7.7	7.7
Q2	11.2	6.5	7.3	.	15.6	10.1	9.5	7.4	7.5	.
2011 May	11.2	6.5	7.4	.	15.6	10.0	9.5	7.3	7.7	7.8
June	11.4	6.5	7.3	.	15.6	9.9	9.5	7.3	7.4	.
July	11.5	6.4	7.1	.	.	9.7	9.4	7.3	7.4	.

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

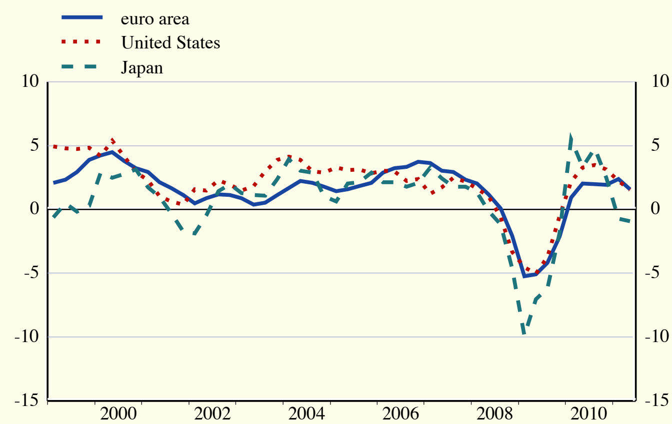
9.2 Economic and financial developments in the United States and Japan

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield; [3] end of period	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						
2007	2.9	2.5	1.9	3.1	4.6	6.3	5.30	4.81	1.3705	-2.9	48.4
2008	3.8	2.8	-0.3	-4.7	5.8	7.1	2.93	2.70	1.4708	-6.3	56.7
2009	-0.4	-0.6	-3.5	-13.5	9.3	7.9	0.69	4.17	1.3948	-11.3	68.6
2010	1.6	-2.0	3.0	5.9	9.6	2.3	0.34	3.57	1.3257	-10.6	77.4
2010 Q2	1.8	-2.5	3.3	7.5	9.6	1.6	0.44	3.13	1.2708	-11.1	73.3
Q3	1.2	-1.5	3.5	7.2	9.6	2.5	0.39	2.69	1.2910	-10.4	75.3
Q4	1.3	-0.9	3.1	6.6	9.6	3.2	0.29	3.57	1.3583	-10.4	77.4
2011 Q1	2.1	1.3	2.2	6.6	8.9	4.5	0.31	3.76	1.3680	-9.9	78.4
Q2	3.4	1.9	1.5	4.6	9.1	5.5	0.26	3.46	1.4391	.	.
2011 Apr.	3.2	-	-	5.1	9.0	5.2	0.28	3.55	1.4442	-	-
May	3.6	-	-	4.1	9.1	5.3	0.26	3.33	1.4349	-	-
June	3.6	-	-	4.5	9.2	6.0	0.25	3.46	1.4388	-	-
July	3.6	-	-	4.1	9.1	8.2	0.25	3.08	1.4264	-	-
Aug.	.	-	-	.	9.1	.	0.29	2.51	1.4343	-	-
					Japan						
2007	0.1	-2.3	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.2
2008	1.4	1.4	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.2	162.0
2009	-1.3	2.7	-6.3	-21.9	5.1	2.7	0.47	1.42	130.34	-8.7	180.4
2010	-0.7	-2.7	4.0	16.6	5.1	2.8	0.23	1.18	116.24	.	.
2010 Q2	-0.7	-1.8	3.3	21.2	5.1	2.9	0.24	1.18	117.15	.	.
Q3	-1.0	-3.4	4.8	14.0	5.0	2.7	0.24	1.03	110.68	.	.
Q4	-0.3	-1.3	2.5	6.0	5.0	2.5	0.19	1.18	112.10	.	.
2011 Q1	-0.5	1.1	-0.7	-2.6	4.7	2.5	0.19	1.33	112.57	.	.
Q2	-0.4	.	-0.9	-6.9	4.6	2.8	0.20	1.18	117.41	.	.
2011 Apr.	-0.5	-	-	-13.6	4.7	2.7	0.20	1.26	120.42	-	-
May	-0.4	-	-	-5.5	4.5	2.7	0.20	1.22	116.47	-	-
June	-0.4	-	-	-1.8	4.6	2.8	0.20	1.18	115.75	-	-
July	0.2	-	-	-2.8	.	2.9	0.20	1.09	113.26	-	-
Aug.	.	-	-	.	.	.	0.19	1.05	110.43	-	-

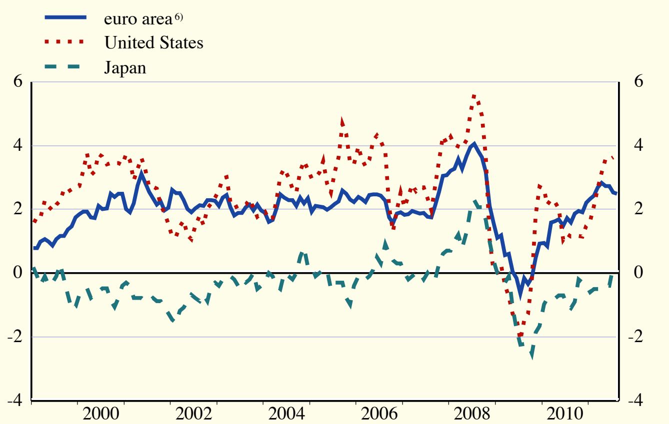
C41 Real gross domestic product

(annual percentage changes; quarterly data)



C42 Consumer price indices

(annual percentage changes; monthly data)



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); Thomson Reuters (columns 7 and 8); ECB calculations (column 11).

1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
2) Period averages; M2 for the United States, M2+CDs for Japan.
3) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
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

EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

SECTION 1.3

CALCULATION OF INTEREST RATES ON INDEXED LONGER-TERM REFINANCING OPERATIONS

The interest rate on an indexed longer-term refinancing operation (LTRO) is equal to the average of the minimum bid rates on the main refinancing operations (MROs) over the life of that LTRO. According to this definition, if an LTRO is outstanding for D number of days and the minimum bid rates prevailing in MROs are $R_{1,\,MRO}$ (over D_1 days), $R_{2,\,MRO}$ (over D_2 days), etc., until $R_{i,\,MRO}$ (over D_i days), where $D_1+D_2+\ldots+D_i=D$, the applicable annualised rate (R_{LTRO}) is calculated as:

$$\text{c)} \quad R_{LTRO} = \frac{D_1 R_{1,MRO} + D_2 R_{2,MRO} + \ldots + D_i R_{i,MRO}}{D}$$

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:

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

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

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

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 can 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:

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2008 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) in the "Monetary and financial statistics" 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 – can be calculated using either of the following two formulae:

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

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

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 h) by dividing the index for December 2002 by the index for December 2001.

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

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

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

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

The annual growth rate in the four quarters ending in month t (i.e. a_t) can be calculated using formula h).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

The approach used is based on multiplicative decomposition using X-12-ARIMA.[2] The seasonal adjustment may include a day-of-the-week adjustment, and for some series it is carried out indirectly by means of a linear combination of components. This is the case for M3, which is 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 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.

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

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 of 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 2008) generally differs from 100, reflecting the seasonality of that month.

SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Section 3.1 the data conform to a basic accounting identity. For non-financial transactions, total uses equal total resources for each transaction category. This accounting identity is also reflected in the financial account – 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 Sections 3.1, 3.2 and 3.3 are computed as follows.

The trade balance equals euro area imports minus exports vis-à-vis the rest of the world for goods and services.

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 defined only 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 the net equity of households in pension fund reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, the 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 the balancing items computed from the capital account and the financial account.

Changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities, whereas other changes in net financial worth (wealth) are calculated as (total) other changes in financial assets minus (total) other changes in liabilities.

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).

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) and other changes in non-financial assets.

The net worth (wealth) of households is calculated as the sum of the non-financial assets and net financial worth (wealth) of households.

SECTIONS 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 can 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 month t, the index I_t of notional stocks in month t is defined as:

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

As a base, the index is set equal to 100 in December 2008. The growth rate a_t for month t, corresponding to the change in the 12 months ending in month t, can be calculated using either of the following two formulae:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used instead of an “F”. This is to show that the method used to obtain “net issues” for securities issues statistics differs from that used to calculate equivalent “transactions” for the monetary aggregates.

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values, and the calculations are based on financial transactions, which exclude reclassifications, revaluations and 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 is based on multiplicative decomposition using X-12-ARIMA. The seasonal adjustment of total securities issues 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 seasonal factors are then applied to the outstanding amounts, from which seasonally

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Monetary and financial statistics” sub-section of the “Statistics” section of the ECB’s website (www.ecb.europa.eu).

adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae l) and m), the growth rate a_t for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

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

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used is based on multiplicative decomposition using 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 factors are revised at annual intervals or as required.

TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach used is based on multiplicative decomposition, using X-12-ARIMA or TRAMO-SEATS depending on the item. The raw data for goods, services, income and current transfers are pre-adjusted in order to take into account significant working day effects. The working day adjustment for goods and services takes account of national public holidays. The seasonal adjustment of 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 biannual intervals or as required.

SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t) as follows:

r) $$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

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.europa.eu). This allows user-friendly access to data via the ECB's Statistical Data Warehouse (http://sdw.ecb.europa.eu), which includes search and download facilities. Further services available in the "Data services" sub-section include subscriptions to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the Governing Council of the ECB's first meeting of the month. For this issue, the cut-off date was 7 September 2011.

Unless otherwise indicated, all data series including observations for 2011 relate to the "Euro 17" (i.e. the euro area including Estonia) for the whole time series. For interest rates, monetary statistics, the HICP and reserve assets (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), euro area statistical series take into account the changing composition of the euro area.

The composition of the euro area has changed a number of times over the years. When the euro was introduced in 1999, the euro area comprised the following 11 countries (the Euro 11): Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece then joined in 2001, forming the Euro 12. Slovenia joined in 2007, forming the Euro 13; Cyprus and Malta joined in 2008, forming the Euro 15; and Slovakia joined in 2009, forming the Euro 16. Finally, Estonia joined in 2011, bringing the number of euro area countries to 17.

EURO AREA SERIES WITH A FIXED COMPOSITION

Aggregated statistical series for fixed compositions of the euro area relate to a given fixed composition for the whole time series, regardless of the composition at the time to which the statistics relate. For example, aggregated series are calculated for the Euro 17 (i.e. aggregating the data of all 17 countries currently in the euro area) for all years, despite the fact that the euro area has only had this composition since 1 January 2011. Unless otherwise indicated, the ECB's Monthly Bulletin provides statistical series for the current composition.

EURO AREA SERIES WITH A CHANGING COMPOSITION

Aggregated statistical series with a changing composition take into account the composition of the euro area at the time to which the statistics relate. For example, euro area statistical series with a changing composition aggregate the data of the Euro 11 for the period up to the end of 2000, the Euro 12 for the period from 2001 to the end of 2006, and so on. With this approach, each individual statistical series covers all of the various compositions of the euro area.

For the HICP, as well as monetary aggregates and their counterparts, annual rates of change are compiled from chain-linked indices, with joining countries' series linked to the euro area series in the December index. Thus, if a country joins the euro area in January of a given year, annual rates of change relate to the previous composition of the euro area up to and including December of the previous year, and the enlarged composition of the euro area thereafter. Percentage changes are calculated on the basis of a chain-linked index, taking account of the changing composition of the euro area. Absolute changes for monetary aggregates and their counterparts (transactions) refer to the composition of the euro area at the time to which the statistics relate.

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that have not adopted the euro. To avoid this effect on the monetary statistics, pre-1999 data [1] 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, Latvia, Lithuania, Hungary, Poland, Romania, 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 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 wording "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. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting for which the monthly assessment of the monetary policy stance is scheduled. They end on the day preceding the corresponding settlement day in the following month. Annual/quarterly observations refer to averages for the last reserve maintenance period of the year/quarter.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. 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 which are held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage used to calculate the reserve base was 10% until November 1999 and has been 30% since that date.

Table 2 in Section 1.4 contains average data for completed maintenance periods. First, the reserve requirement of each individual credit institution is calculated by applying the

1 Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB's website (http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html) and in the SDW (http://sdw.ecb.europa.eu/browse.do?node=2018811).

reserve ratios for the corresponding categories of liability 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). Current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve to fulfil reserve requirements. Excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. 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 requirements. 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 MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as euro area credit institutions' current account holdings with the Eurosystem in euro. All amounts are derived from the consolidated financial statement of the Eurosystem. Other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. Net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. 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). Base money (column 12) is calculated as the sum of the deposit facility (column 6), banknotes in circulation (column 8) and credit institutions' current account holdings (column 11).

MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

Chapter 2 shows balance sheet statistics for MFIs and other financial corporations. Other financial corporations comprise investment funds (other than money market funds, which are part of the MFI sector), financial vehicle corporations, insurance corporations and pension funds.

Section 2.1 shows the aggregated balance sheet of the MFI sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs comprise central banks, credit institutions as defined under EU 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 credit 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 of MFIs in the euro area. Owing to a small amount of 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 in 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 analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem (i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down by sector and instrument, of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, broken down by type of issuer. Section 2.7 shows a quarterly currency breakdown for selected MFI balance sheet items.

Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes.

Since 1 January 1999 statistical information has been collected and compiled on the basis of various ECB regulations concerning the balance sheet of the monetary financial institution sector. Since July 2010 this has been carried out on the basis of Regulation ECB/2008/32[2]. Detailed sector definitions are set out in the third edition of the "Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers" (ECB, March 2007).

Section 2.8 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/or non-financial assets. A complete list of euro area investment funds is published on the ECB's website. The balance sheet is aggregated, so investment funds' assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.9 provides further details on the main types of asset held by euro area investment funds. This section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8[3] concerning statistics on the assets and liabilities of investment funds. Further information on these investment fund statistics can be found in the "Manual on investment fund statistics" (ECB, May 2009).

Section 2.10 shows the aggregated balance sheet of financial vehicle corporations (FVCs) resident in the euro area. FVCs are entities which are set up in order to carry out securitisation transactions. Securitisation generally involves the transfer of an asset or pool of assets to an FVC, with such assets reported on the FVC's balance sheet as securitised loans, securities other than shares, or other securitised assets. Alternatively, the credit risk relating to an asset or pool of assets may be transferred to an FVC through credit default swaps, guarantees or other such mechanisms. Collateral held by the FVC against these exposures is typically a deposit held with an MFI or invested in securities other than shares. FVCs typically securitise loans which have been originated by the MFI sector. FVCs must report such loans on their statistical balance sheet, regardless of whether the relevant accounting rules allow the MFI to derecognise the loans. Data on loans which are securitised by FVCs but remain on the balance sheet of the relevant MFI (and thus remain in the MFI statistics) are provided separately. These quarterly data are collected under Regulation ECB/2008/30[4] as of December 2009.

2 OJ L 15, 20.01.2009, p. 14.
3 OJ L 211, 11.08.2007, p. 8.
4 OJ L 15, 20.01.2009, p. 1.

Section 2.11 shows the aggregated balance sheet of insurance corporations and pension funds resident in the euro area. Insurance corporations cover both the insurance and reinsurance sectors, while pension funds include entities which have autonomy in terms of decision-making and keep a complete set of accounts (i.e. autonomous pension funds). This section also contains a geographical and sectoral breakdown of issuing counterparties for securities other than shares held by insurance corporations and pension funds.

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 interaction between these sectors and both the euro area and the rest of the world. Non-seasonally adjusted data at current prices 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.

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how 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 provide 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. those resulting from the impact of changes in asset prices) are also shown.

The sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down 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 “non-financial accounts” of the euro area (i.e. accounts (1) to (5) 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, as well as outstanding amounts in the financial and non-financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing and investment decisions of households, while respecting the accounting identities 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, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

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 those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

Statistics on securities other than shares and statistics on 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 from and loans to 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: (i) securities other than shares, excluding financial derivatives; and (ii) quoted shares. The former are presented in Sections 4.1, 4.2 and 4.3, while the latter 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 (i) a longer maturity, (ii) optional maturity dates, the latest of which is more than one year away, or (iii) indefinite maturity dates are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issue. Variable rate issues comprise all issues where the coupon is periodically refixed with reference to an independent interest rate or index. The 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, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. 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 six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the 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 correspond 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 the data on debt securities issued 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 of Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows seasonally adjusted and non-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 that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical Notes for details.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 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 3.4 (financial balance sheet; quoted shares).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 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 issues or redeems shares for cash, excluding investments in the issuer's own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that 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. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of 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, ranging 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 prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are 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 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[5]. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at: http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data can also be downloaded.

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

5 Svensson, L.E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", *CEPR Discussion Papers*, No 1051. Centre for Economic Policy Research, London, 1994.

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 labour costs indices, GDP and expenditure components, value added by economic activity, industrial production, retail sales passenger car registrations and employment in terms of hours worked are working day-adjusted.

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 into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in 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[6]. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains[7], has been applied in the production of short-term statistics. The breakdown by end use of product for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2, sections B to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007[8]. 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.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage, but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or "use", taking into account information on imports, exports and the domestic production of each commodity (ignoring, for the sake of simplicity, inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 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[9] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[10]. A breakdown of the labour cost indices for the euro area is available by labour cost component (wages and salaries, and employers' social

6 OJ L 162, 5.6.1998, p. 1.
7 OJ L 393, 30.12.2006, p. 1.
8 OJ L 155, 15.6.2007, p. 3.
9 OJ L 69, 13.3.2003, p. 1.
10 OJ L 169, 8.7.2003, p. 37.

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 3 in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from 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 the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes (with the exception of VAT), invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover 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 4 in Section 5.3) conform to International Labour Organization 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 on the basis of 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[11] 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 within 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 Council Regulation (EC) No 479/2009 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

11 OJ L 172, 12.7.2000, p. 3.

10 June 2002 on quarterly non-financial accounts for general government[12]. 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 Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[13] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[14]. Additional information regarding 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 reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at 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 and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. 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.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and 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, with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia.

12 OJ L 179, 9.7.2002, p. 1.
13 OJ L 354, 30.11.2004, p. 34.
14 OJ L 159, 20.6.2007, p. 48.

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 b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, regarding the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 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 for unquoted shares, and other investments (e.g. loans and deposits). 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, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to i.i.p. changes other than transactions, using information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "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.

The outstanding amounts for the Eurosystem's international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. By definition, the assets included in the Eurosystem's international reserves take account of the changing composition of the euro area. Before countries join the euro area, the assets of their national central banks are included in portfolio investment (in the case of securities) or other investment (in the case of other assets). 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 27 September 2009. 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.

The euro area's gross external debt statistics in Table 8 of Section 7.3 represent outstanding actual (rather than contingent) liabilities vis-à-vis non-euro area residents that require the payment of principal and/or interest by the debtor at one or more points in the future. Table 8 shows a breakdown of gross external debt by instrument and institutional sector.

Section 7.4 contains a monetary presentation of the euro area balance of payments, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the transactions by non-MFIs are b.o.p. transactions for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date methodological note on the monetary presentation of the euro area balance of payments 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 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. 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 contained in the Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows major trading partners both individually and in regional groups. China excludes Hong Kong. On account of 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 b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of imported goods in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of the euro's bilateral exchange rates against the currencies of the selected trading partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997, 1998-2000, 2001-2003 and 2004-2006, and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these four sets of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. The EER-20 group of trading partners is composed of the 10 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-40 group comprises the EER-20 plus 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 and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see the relevant methodological note and ECB 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 data relating to the euro area. As a result, data on current and capital accounts and gross external debt include special-purpose vehicles. The 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]

15 JANUARY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

5 FEBRUARY 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

5 MARCH 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

2 APRIL 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

7 MAY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%. In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedures with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

4 JUNE 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2008 can be found in the ECB's Annual Report for the respective years.

2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER AND 5 NOVEMBER 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 DECEMBER 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 13 April 2010.

14 JANUARY AND 4 FEBRUARY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

4 MARCH 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 October 2010, including a return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010.

8 APRIL AND 6 MAY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

10 MAY 2010

The Governing Council of the ECB decides on several measures to address severe tensions in financial markets. In particular, it decides to conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme) and to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations in May and June 2010.

10 JUNE 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, it decides to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations to be allotted during the third quarter of 2010.

8 JULY AND 5 AUGUST 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

2 SEPTEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 January 2011, notably the adoption of a fixed rate tender procedure with full allotment in the three-month longer-term refinancing operations.

7 OCTOBER AND 4 NOVEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

2 DECEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 April 2011, notably to continue its fixed rate tender procedures with full allotment.

13 JANUARY AND 3 FEBRUARY 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 MARCH 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 July 2011, notably to continue its fixed rate tender procedures with full allotment.

7 APRIL 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 13 April 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 13 April 2011.

5 MAY 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.25%, 2.00% and 0.50% respectively.

9 JUNE 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.25%, 2.00% and 0.50% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 October 2011, notably to continue its fixed rate tender procedures with full allotment.

7 JULY 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.50%, starting from the operation to be settled on 13 July 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.25% and 0.75% respectively, both with effect from 13 July 2011.

4 AUGUST 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively. It also decides on several measures to address renewed tensions in some financial markets. In particular, it decides that the Eurosystem will conduct a liquidity-providing supplementary longer-term refinancing operation with a maturity of approximately six months as a fixed rate tender procedure with full allotment. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 17 January 2012, notably to continue its fixed rate tender procedures with full allotment.

8 SEPTEMBER 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively.

THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM

TARGET2 [1] is instrumental in promoting the integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy. It also contributes to the integration of the euro area financial markets. More than 4,400 commercial banks, as well as 22 national central banks, use TARGET2 to initiate payments of their own or on their customers' behalf. Taking into account branches and subsidiaries, almost 60,000 banks worldwide (and thus all the customers of these banks) can be addressed via TARGET2. TARGET2 is used to make large-value and time-critical payments, including payments to facilitate settlements in other interbank fund transfer systems (e.g. Continuous Linked Settlement or EURO1), and to settle money market, foreign exchange and securities transactions. It is also used for smaller-value customer payments. TARGET2 provides intraday finality for transactions and allows the funds credited to a participant's account to become immediately available for other payments.

PAYMENT FLOWS IN TARGET2

In the second quarter of 2011 TARGET2 settled 22,410,171 transactions with a total value of €144,109 billion, which corresponds to a daily average of 355,717 transactions with a value of €2,287 billion. The highest level of TARGET2 traffic during this quarter was recorded on 30 June, when 515,075 payments were processed. With a market share of 59% in terms of volume and 90% in terms of value, TARGET2 maintained its dominant position in the market for large-value payments in euro. The stability of TARGET2's market share confirms banks' strong interest in settlement in central bank money, particularly in times of market turbulence. The average proportion of interbank payments was 40% in terms of volume and 93% in terms of value. The average value of an interbank payment processed in the system was €15.0 million, while that of a customer payment was €0.7 million. 67% of the payments had a value of less than €50,000, while 11% had a value of more than €1 million. On average, there were 217 payments per day with a value of more than €1 billion.

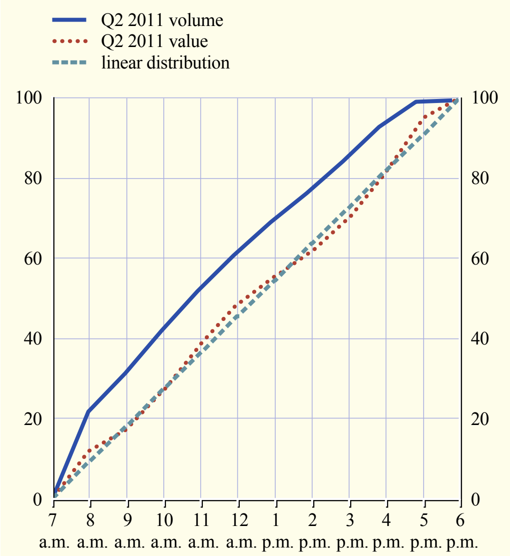
INTRADAY PATTERN OF VOLUMES AND VALUES

The chart shows the intraday distribution of TARGET2 traffic, i.e. the percentage of daily volumes and values processed at different times of the day, for the second quarter of 2011. In volume terms, the curve is well above the linear distribution, with 70% of the volume already exchanged by 1 p.m. CET and 99.6% by one hour before the close of the system. By 1 p.m. CET, 56% of the value exchanged in TARGET2 had already been settled, a figure that rose to 95% one hour before the close of the system. In value terms, the curve is very close to the linear distribution. This indicates that turnover was evenly spread throughout the day and that liquidity circulated appropriately among participants, thereby ensuring the smooth settlement of TARGET2 transactions.

1 TARGET2 is the second generation of TARGET and was launched in 2007.

Intraday pattern

(percentages)



Source: ECB.

TARGET2 AVAILABILITY AND BUSINESS PERFORMANCE

Incidents considered in the calculation of TARGET2's availability are those that completely prevent the processing of payments for ten minutes or more on TARGET2 business days between 7 a.m. and 6.45 p.m. As no such incident was recorded during the second quarter of 2011, TARGET2 achieved 100% technical availability during that period. As a result of the full availability of TARGET, the average processing time of payments was less than 5 minutes, thus fully meeting the expectations set for the system.

Table 1 Payment instructions processed by TARGET2 and EURO1: volume of transactions

(number of payments)

	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
TARGET2					
Total volume	22,532,655	21,568,091	22,790,133	21,856,960	22,410,171
Daily average	357,661	326,789	349,305	341,515	355,717
EURO1 (EBA)					
Total volume	14,971,067	14,755,175	15,445,811	14,829,518	15,372,628
Daily average	237,636	223,563	230,124	231,711	244,010

Table 2 Payment instructions processed by TARGET2 and EURO1: value of transactions

(EUR billions)

	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
TARGET2					
Total value	153,299	150,349	150,795	146,071	144,109
Daily average	2,433	2,278	2,285	2,282	2,287
EURO1 (EBA)					
Total value	16,152	15,199	15,563	15,261	15,222
Daily average	256	230	241	238	242

PUBLICATIONS PRODUCED BY THE EUROPEAN CENTRAL BANK

The ECB produces a number of publications which provide information about its core activities: monetary policy, statistics, payment and securities settlement systems, financial stability and supervision, international and European cooperation, and legal matters. These include the following:

STATUTORY PUBLICATIONS

- Annual Report
- Convergence Report
- Monthly Bulletin

RESEARCH PAPERS

- Legal Working Paper Series
- Occasional Paper Series
- Research Bulletin
- Working Paper Series

OTHER/TASK-RELATED PUBLICATIONS

- Enhancing monetary analysis
- Financial integration in Europe
- Financial Stability Review
- Statistics Pocket Book
- The European Central Bank: history, role and functions
- The international role of the euro
- The implementation of monetary policy in the euro area (“General Documentation”)
- The monetary policy of the ECB
- The payment system

The ECB also publishes brochures and information materials on a variety of topics, such as the euro banknotes and coins, as well as seminar and conference proceedings.

For a complete list of documents (in PDF format) published by the ECB and the European Monetary Institute, the ECB’s forerunner from 1994 to 1998, please visit the ECB’s website at http://www.ecb.europa.eu/pub/. Language codes indicate the languages in which each publication is available.

Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu

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.europa.eu/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 the general government.

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

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.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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 or per hour worked: 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 or by the total number of employees' hours worked.

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. the 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.

Collateral: assets pledged or transferred in some form as a guarantee for the repayment of loans, as well as assets sold under repurchase agreements. Collateral used in Eurosystem reverse transactions must fulfil certain eligibility criteria.

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 taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

Debt (general government): the gross debt (currency and deposits, loans and debt securities) 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 126(2) of the Treaty on the Functioning of the European Union 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 126(2) of the Treaty on the Functioning of the European Union 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 generalised, persistent and self-reinforcing decline in a broad set of prices that results from a drop in aggregate demand and becomes entrenched in expectations.

Deposit facility: a standing facility of the Eurosystem enabling eligible counterparties to make, on their own initiative, overnight deposits with the NCB in their respective jurisdiction. Deposits are remunerated at a pre-specified rate that normally provides a floor for overnight market interest rates.

Disinflation: a process of decelerating inflation that may lead to negative inflation rates of a temporary nature.

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 EER indices of the euro are calculated against different groups of trading partners: the EER-20 comprises the 10 non-euro area EU Member States and 10 trading partners outside the EU, and the EER-40 encompasses the EER-20 and 20 additional countries. The weights used reflect the share of each partner country in the euro area's trade in manufactured goods 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.

Enhanced credit support: the non-standard measures taken by the ECB/Eurosystem during the financial crisis with a view to supporting financing conditions and credit flows above and beyond what could be achieved through reductions in key ECB interest rates alone.

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, e.g. 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 what is known as a prime bank is willing to lend funds (denominated in euro) to another prime bank. The EURIBOR is computed daily, based on the rates of a sample of selected banks, for 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 on the Functioning of the European Union.

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 whose currency is 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 transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

Financial vehicle corporation (FVC): an entity whose principal activity is to carry out securitisation transactions. An FVC typically issues marketable securities that are offered for sale to the general public, or sold in the form of private placements. In some cases, an FVC simply holds the securitised assets and issues the securities through another entity, often an FVC itself.

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.

Fixed rate full-allotment tender procedure: a tender procedure in which the interest rate is pre-specified by the central bank (fixed rate) and in which counterparties bid the amount of money they want to transact at that rate, knowing in advance that all their bids will be satisfied (full allotment).

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross external debt: the outstanding amount of an economy's actual (i.e. non-contingent) current liabilities that require payment of principal and/or interest to non-residents at some point in the future.

Harmonised Index of Consumer Prices (HICP): a measure of the development 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.

Insurance corporations and pension funds: a sector defined in the ESA 95 as comprising all financial corporations and quasi-corporations that are engaged primarily in financial intermediation as the consequence of the pooling of risks.

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 payment 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 and the reserve positions in the IMF which are held by the Eurosystem.

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also MFIs.

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 recently taken 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 rates at the main refinancing operations, on the marginal lending facility and 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 (volume) divided by either total employment or total hours worked.

Liquidity-absorbing operation: an operation through which the Eurosystem absorbs liquidity in order to reduce excess liquidity, or to create a shortage of liquidity. Such operations can be conducted by issuing debt certificates or fixed-term deposits.

Longer-term refinancing operation (LTRO): an open market operation with a maturity of more than one week that is executed by the Eurosystem in the form of a reverse transaction. The regular monthly operations have a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to one year were conducted, the frequency of which varied.

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 (MRO): 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 enabling eligible counterparties, on their own initiative, to receive overnight credit from the NCB in their jurisdiction at a pre-specified rate in the form of a reverse transaction. The rate on loans extended within the scope of the marginal lending facility normally provides an upper bound for overnight market interest rates.

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, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Open market operation: a financial market operation executed on the initiative of the central bank. These operations include reverse transactions, outright transactions as well as the issuance of fixed-term deposits or debt certificates or foreign exchange swaps. The open market operations can be liquidity providing or liquidity absorbing.

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: as defined by the Governing Council, 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 that is deemed to be compatible with price stability over the medium term.

Reserve requirement: the requirement for institutions to hold minimum reserves with the central bank over a maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

Reverse transaction: an operation whereby the NCB buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

Securitisation: a transaction or scheme whereby an asset or a pool of cash flow-producing assets, often consisting of loans (mortgages, consumer loans, etc.), is transferred from an originator (usually a credit institution) to a financial vehicle corporation (FVC). The FVC effectively converts these assets into marketable securities by issuing debt instruments with principal and interest serviced through the cash flows produced by the asset pool.

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 (volume) 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.

Volatility: the degree of fluctuation in a given variable.

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 sufficiently homogenous debt securities with 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.

ISSN 1561-0136