



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 03 | 2006

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MONTHLY BULLETIN  
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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

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

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



## EDITORIAL

At its meeting on 2 March 2006, the Governing Council of the ECB decided to increase the minimum bid rate of the main refinancing operations of the Eurosystem by 25 basis points to 2.50%. The interest rates on the marginal lending facility and the deposit facility were also increased by 25 basis points to 3.50% and 1.50% respectively. In line with the changes made to the ECB's monetary policy framework in March 2004, these decisions came into effect at the start of the new reserve maintenance period on 8 March 2006.

The Governing Council's decision to increase the key ECB interest rates by 25 basis points reflected the upside risks to price stability identified on the basis of both the economic and monetary analyses. The adjustment of interest rates will contribute to ensuring that medium to long-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability, which is a prerequisite for monetary policy to make an ongoing contribution towards supporting economic growth and job creation in the euro area. Interest rates across the entire maturity spectrum still remain at very low levels in both nominal and real terms, and monetary policy remains accommodative. While this policy stance reflects its current assessment, the Governing Council will continue to monitor closely all developments with respect to risks to price stability.

Considering first the economic analysis, according to Eurostat's flash estimate, quarter-on-quarter real GDP growth in the euro area was 0.3% in the fourth quarter of 2005. This was considerably lower than the strong 0.6% recorded in the previous quarter. However, looking through the short-term volatility and assessing recent economic indicators and survey information, the evidence suggests that economic activity is improving. Accordingly, stronger growth rates over the short term should be seen, as also reflected in various indicator-based estimates.

Looking further ahead, the conditions remain in place for ongoing economic expansion in the

euro area. The external environment remains favourable, providing support for euro area exports. Investment is expected to remain strong, benefiting from an extended period of very favourable financing conditions, corporate balance sheet restructuring and gains in earnings and business efficiency. Consumption growth should also strengthen gradually over time, in line with developments in real disposable income, as the labour market situation gradually improves.

The March ECB staff macroeconomic projections have provided an additional input into the analysis of the prospects for economic activity. These projections foresee average annual real GDP growth in a range between 1.7% and 2.5% in 2006, and between 1.5% and 2.5% in 2007. The results constitute a slight upward revision to the Eurosystem staff projections of December 2005, mainly reflecting a somewhat stronger outlook for private investment over the projection horizon. Most recent forecasts by international organisations and private sector institutions give a broadly similar picture. In the view of the Governing Council, downside risks to this outlook for growth relate mainly to oil price developments and global imbalances.

Turning to price developments, according to Eurostat's flash estimate, annual HICP inflation was 2.3% in February 2006, compared with 2.4% in January. In the short run, inflation rates are likely to remain at above 2%, with the precise levels depending strongly on future energy price developments, which have recently been relatively volatile. Beyond the short term, changes in administered prices and indirect taxes are expected to significantly affect inflation in 2006 and 2007, and an upward impact can also be expected from the indirect effects of past oil price increases. At the same time, wage dynamics in the euro area have remained moderate over the recent past; the working assumption of the Governing Council is that this will continue to be the case, due not least to strong global competitive pressures, particularly in the manufacturing sector.

Moderate wage trends have helped to contain domestic inflationary pressure despite strong oil price increases. Therefore, looking ahead, it is crucial that the social partners continue to meet their responsibilities in this regard, also in the context of a more favourable economic environment.

Further input into the assessment of the outlook for price developments is provided by the March ECB staff projections. Annual HICP inflation is projected to lie between 1.9% and 2.5% in 2006, and between 1.6% and 2.8% in 2007. Compared with the December 2005 Eurosystem staff projections, these ranges imply a slight upward revision to the profile for HICP inflation over the coming years, reflecting mainly an increase in the assumption for future oil prices, in line with market expectations.

Risks to the outlook for price developments remain on the upside and include further increases in oil prices, a stronger pass-through of oil price rises into consumer prices than currently anticipated, additional increases in administered prices and indirect taxes, and – more fundamentally – stronger wage and price developments than expected due to second-round effects of past oil price increases.

Turning to the monetary analysis, the Governing Council again discussed the assessment of monetary developments in depth. The annual growth rate of M3 remains robust, notwithstanding signs of a resumption of the unwinding of past portfolio shifts into monetary assets, which exerts a dampening effect on headline M3 growth. Looking through the short-term effects generated by such portfolio behaviour, the trend rate of monetary expansion remains strong, reflecting the stimulative impact of the low level of interest rates. Moreover, the annual growth rate of credit to the private sector has strengthened further over recent months, with borrowing by households – especially loans for house purchase – and non-financial corporations rising at a marked pace. Overall, strong monetary and credit growth in an environment of ample liquidity in

the euro area points to risks to price stability over the medium to longer term.

To sum up, annual inflation rates are projected to remain elevated in 2006 and 2007, and the economic analysis indicates that risks to price stability over the medium term remain on the upside. Given the strength of monetary growth and the ample liquidity situation, cross-checking the outcome of the economic analysis with that of the monetary analysis confirms that upside risks to price stability prevail. An adjustment of interest rates was therefore warranted. By acting in a timely fashion, the Governing Council is helping to keep medium and long-term inflation expectations in line with price stability and thereby making an ongoing contribution to sustainable economic growth and job creation. The Governing Council will continue to monitor closely all developments to ensure that risks to price stability do not materialise.

As regards fiscal policies, while some countries plan to maintain or attain budgetary positions close to balance or in surplus over the horizon of their stability programmes, progress towards sound public finances in the euro area as a whole remains slow. A number of countries continue to report severe imbalances, and in some of them consolidation efforts barely attain the minimum required by the revised Stability and Growth Pact, despite the improving growth outlook. At the same time, the fiscal costs of population ageing cast a shadow over the long-term fiscal outlook for most euro area countries. It is therefore essential that countries pursue a more determined consolidation, introducing concrete and effective measures where needed. These consolidation efforts will more easily succeed if they are embedded in a comprehensive reform programme that adequately prepares for the long-term fiscal challenges. This will enhance the credibility of the revised Pact and create confidence in a sound and growth-friendly fiscal environment.

The broader implications of population ageing also require attention in other fields of economic policy. Comprehensive structural reforms in

labour and product markets and the creation of a favourable and competitive environment for firms are vital to support potential growth and raise employment rates as the demographic effects materialise. Completing the EU internal market – including the market for services – should be a key priority. On the labour supply side, tax and benefit system reforms are essential to provide stronger incentives for people to stay in or enter the labour market. On the labour demand side, there is a need to promote wage flexibility and address labour market rigidities. Moreover, better education and training are important for the development of human capital. The forthcoming meeting of the European Council on 23-24 March 2006 will review progress made with the Lisbon strategy, which was relaunched last year. The Governing Council strongly supports the initiatives taken by the European Commission and the European Council to revive this reform process. A full and effective realisation of the necessary reforms is the key to the long-term economic success of the European Union.



# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*At the end of 2005, the global economy continued to expand at a relatively robust pace, with economic growth increasing in Japan and declining, at least temporarily, in the United States. Inflationary pressures remained generally well contained in most countries. Overall, the outlook for the external environment, and thus for euro area external demand, remains positive. A robust profit situation and favourable financing conditions, together with structural improvements in corporate balance sheets in a number of countries, should support private sector investment.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

At the end of 2005, the global economy continued to expand at a relatively robust pace. In the final quarter, GDP growth increased perceptibly in Japan but declined in the United States. More recent evidence on global activity in early 2006 suggests that it has remained fairly strong, with a certain revival of US activity appearing likely. Inflationary pressures generally remained fairly well contained in most countries. Headline consumer price inflation moderated somewhat in many countries in late 2005, partly reflecting the decline in oil prices. For the OECD countries, annual CPI inflation stood at 2.7% in December, down from 3.3% in September (see Chart 1). For the year as a whole, CPI inflation stood at 2.7% in 2005 after 2.5% in 2004. Excluding food and energy, CPI inflation remained unchanged at 1.9% in 2005.

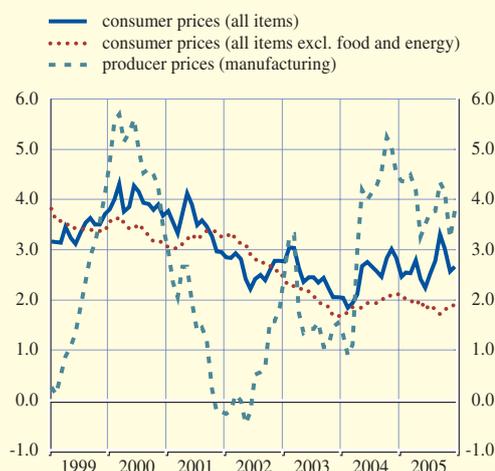
#### UNITED STATES

In the United States, GDP growth slowed down significantly in the fourth quarter of 2005. More recent data, however, indicate that economic activity has returned to a sound path at the beginning of this year. Significant employment gains and the downward trend of initial and continuing claims for unemployment benefits indicate that labour market conditions are improving steadily. After having slowed considerably in the last quarter of 2005, the growth of private consumption spending seems to have rebounded in January. Business investment spending remains robust, as indicated both by the sharp recent gains in orders and shipments of capital goods and by the continued strength of business sentiment.

Annual headline inflation increased to 4.0% in January 2006 due to higher energy prices, while consumer price inflation excluding energy and food declined slightly to 2.1%. The outlook for economic activity remains positive, as household spending is likely to be supported by improving employment conditions. Likewise, business investment, which is underpinned by high corporate profitability and the still significant momentum of aggregate demand, is expected to remain robust. At the same time, however, several downside risks to GDP growth continue to prevail, possibly exacerbated by the further widening of the external deficit in December. Long-run inflation expectations remain well anchored, although increases in resource utilisation and elevated energy prices continue to pose upward risks to prices. According to the central tendency projections

**Chart 1 Price developments in the OECD countries**

(annual percentage changes; monthly data)



Source: OECD.

contained in the semi-annual Monetary Policy Report of the Federal Reserve, real GDP growth is projected to stand at about 3.5% in 2006 and between 3% and 3.5% in 2007.

## JAPAN

In Japan, economic activity has recently accelerated, while consumer price deflation continues to abate. According to preliminary estimates, real GDP grew strongly in the fourth quarter of 2005, rising by 1.4% on a quarterly basis. This real GDP growth was broadly based in terms of private domestic demand and net trade, while the contribution from the public sector was nil. Private consumption and investment confirmed their role as the main drivers of the ongoing recovery, which is further supported by the revival of export activity.

In 2005 real GDP rose by 2.8%, picking up in comparison with both 2004 (2.3%) and 2003 (1.8%). Thus, in 2005 the Japanese economy grew at rates above potential for the third consecutive year. Looking forward, the outlook for the economy is favourable, as the country is expected to reap the benefits from past structural adjustments in the labour markets and in the corporate and banking sectors, as well as from the renewed strength of regional trade.

As regards price developments, the annual rate of change in the CPI excluding fresh food in December remained marginally positive (+0.1%) for the second consecutive month. The annual rate of change in producer prices – as measured by the index of domestic corporate goods prices – further increased to 2.7% in January 2006 as a result of rising prices for commodities and industrial raw materials.

At its meeting on 9 February 2006, the Bank of Japan decided to maintain its target for the outstanding balance of current accounts unchanged at around JPY 30 to 35 trillion. At the same time, it reiterated that, whenever demand for liquidity was exceptionally weak on account of technical factors, the balance might be allowed to fall below the lower bound of the target.

## UNITED KINGDOM

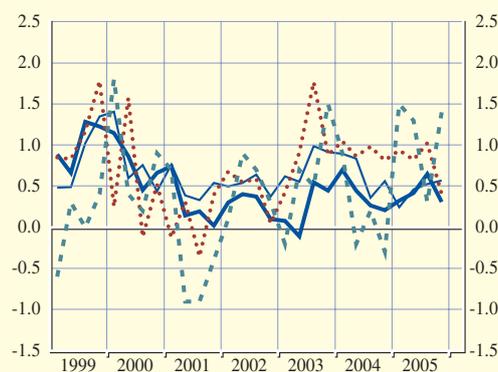
In the United Kingdom, a modest recovery in economic growth took place in the last quarter of 2005. According to the first release, real GDP increased by 0.6% quarter on quarter, driven mainly by private consumption. Investment declined and import growth slowed down. Given the sustained

**Chart 2 Main developments in major industrialised economies**

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

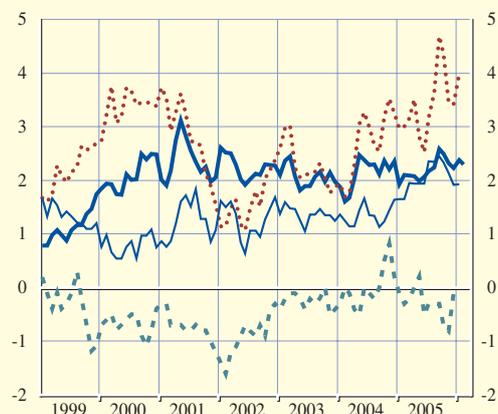
### Output growth <sup>1)</sup>

(quarter-on-quarter percentage changes; quarterly data)



### Inflation rates <sup>2)</sup>

(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; for the United States and Japan, national data are used. GDP figures have been seasonally adjusted.  
 2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

growth in exports, the contribution of net exports to GDP was positive. Labour market conditions have weakened somewhat recently, as unemployment rose and average wages (excluding bonuses) moderated.

Looking ahead, the momentum of the recovery may decelerate slightly in the first half of 2006, although – overall – GDP growth in 2006 is expected to be stronger than in 2005. In January 2006 annual HICP inflation stood at 1.9%, unchanged from December. Although transport prices increased significantly, almost all other HICP components decreased. According to the Halifax index, house prices fell by 0.4% month on month in January, resulting in a year-on-year increase of 5.1%. The number of loans approved for house purchases went up considerably in December 2005.

#### OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, output growth increased or remained strong towards the end of 2005. At the same time, HICP inflation moderated as energy price pressures eased. HICP developments in January 2006 were influenced by changes in administered prices in a number of countries.

In Denmark and Sweden, short-term indicators for the fourth quarter 2005 suggest that economic activity remained favourable, following a strengthening of GDP growth in both countries in the third quarter. In both countries, the pick-up in economic activity seemed to be driven by both domestic and external factors. Relative to one month earlier, HICP inflation moderated somewhat in both Denmark and Sweden in January (to 2.0% and 1.1% respectively). Intense competition in the retail sector, moderate wage developments and strong productivity growth helped to hold down inflationary increases.

In the Member States that joined the EU in 2004, the economic picture generally remained very positive, with both domestic demand and net exports contributing significantly to growth. Economic activity was buoyant in some central European economies, especially in Slovakia where the year-on-year rate of real GDP growth was 7.5% in the fourth quarter of 2005. Economic growth also remained very dynamic in the Baltic countries. HICP inflation was relatively high in these countries, fuelled also by buoyant domestic demand and increases in energy prices (see Box 1).

#### Box 1

##### RECENT INFLATION DEVELOPMENTS IN THE NEW EU MEMBER STATES AND THE IMPACT OF EU ACCESSION

This box briefly describes the main factors behind recent inflation developments in the new EU Member States. Before EU accession, inflation decreased considerably in these countries. In 2003, their weighted average HICP inflation had reached a low of 1.9%, compared with 2.1% in the euro area (see table). In the context of EU accession, however, inflationary pressures picked up rapidly in the first half of 2004, reaching 4.8% in the third quarter. Thereafter, inflation started to gradually ease again in most of the countries, reflecting a downward base effect on annual inflation rates as the inflationary impact of EU accession subsided, and stood on average at 2.2% year on year in the fourth quarter of 2005.

## HICP inflation in the new EU Member States

(annual percentage changes)

	2001	2002	2003	2004	2005	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
Czech Republic	4.5	1.4	-0.1	2.6	1.6	2.1	2.4	3.0	2.7	1.4	1.2	1.6	2.2
Estonia	5.6	3.6	1.4	3.0	4.1	0.6	3.2	3.9	4.4	4.5	3.6	4.3	4.0
Cyprus	2.0	2.8	4.0	1.9	2.0	1.0	1.2	2.5	2.8	2.5	2.1	1.7	1.9
Latvia	2.5	2.0	2.9	6.2	6.9	4.3	5.8	7.4	7.2	6.7	6.7	6.7	7.5
Lithuania	1.6	0.3	-1.1	1.2	2.7	-1.1	0.5	2.3	3.0	3.1	2.4	2.2	3.0
Hungary	9.1	5.2	4.7	6.8	3.5	6.8	7.4	7.0	5.9	3.5	3.6	3.5	3.2
Malta	2.5	2.6	1.9	2.7	2.5	2.5	3.3	3.0	2.2	2.3	2.2	2.1	3.6
Poland	5.3	1.9	0.7	3.6	2.2	1.8	3.4	4.7	4.5	3.6	2.2	1.7	1.2
Slovenia	8.6	7.5	5.7	3.7	2.5	3.7	3.8	3.6	3.5	2.8	2.2	2.3	2.6
Slovakia	7.2	3.5	8.4	7.5	2.8	8.2	8.1	7.4	6.2	2.8	2.6	2.2	3.7
EU-10 weighted average	5.7	2.6	1.9	4.1	2.5	3.0	4.0	4.8	4.5	3.2	2.4	2.2	2.2
EU-10 unweighted average	4.9	3.1	2.9	3.9	3.1	3.0	3.9	4.5	4.2	3.3	2.9	2.8	3.3
EU-10 standard deviation	2.7	2.0	2.9	2.2	1.5	2.8	2.5	2.0	1.7	1.5	1.5	1.6	1.7
euro area	2.4	2.3	2.1	2.1	2.2	1.7	2.3	2.3	2.3	2.0	2.0	2.3	2.3

Source: Eurostat.

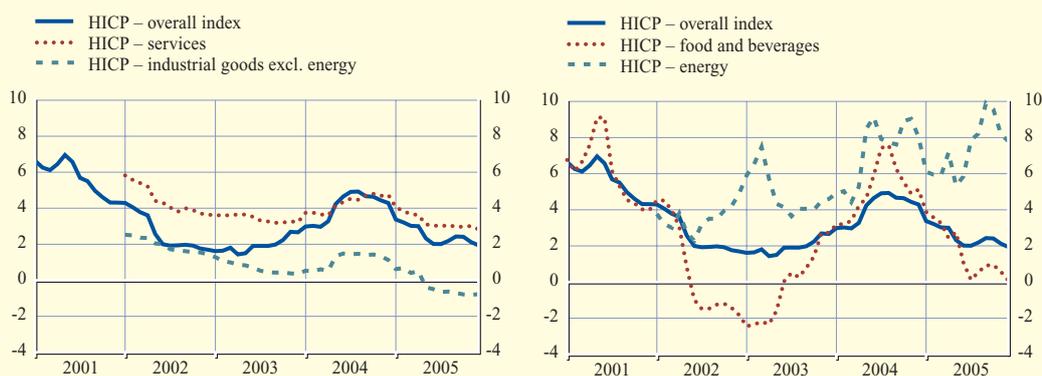
Inflation developments over the past three years, however, varied considerably across countries. Some that had relatively high inflation rates in 2003, namely Cyprus, Hungary, Slovenia and Slovakia, reduced their inflation rates significantly by end-2005. Other countries, such as the Czech Republic and Poland, which started from lower levels of inflation in 2003, experienced a pick-up in their inflation rates in 2004, followed by a return to more moderate levels in the course of 2005. In the Baltic States, inflation increased considerably in 2004 from mostly a relatively low level or, in the case of Lithuania, even a negative level, and continued to rise further in 2005 as a whole. In general, inflation developments in the new Member States tend to be rather volatile, due to, inter alia, the high share of food prices in the HICP consumption basket, a high oil dependency ratio and rather frequent changes in indirect taxes and administered prices.

Recent inflation developments in the new Member States have been driven mainly by three factors: EU accession, the surge in international oil prices and cyclical developments. In the context of EU accession, a number of indirect taxes and administered prices had to be increased in some countries due to EU single market requirements. In the run-up to these adjustments, a higher demand for a number of products was observed, which had a further upward effect on prices. Moreover, food prices accelerated strongly in the first half of 2004 in the new Member States (see chart). This was largely due to their participation in the Common Agricultural Policy from May 2005 onwards. The elimination of remaining trade barriers and the lower price level of many food products in these countries resulted in increased demand for intra-EU exports of foodstuffs, which also contributed to higher prices.

In addition, the surge in oil prices since mid-2003 has triggered some upward pressure on inflation in all new Member States, reflecting the fact that the weight of energy-related items in their HICP basket is relatively high (on average around 14.7% in 2005 compared with 8.5% in the euro area). Yet its inflationary impact varied considerably across the new Member States, partly due to differences in the consumption pattern and the energy intensity of production, as well as the existence of long-term contracts for energy delivery in some countries. Moreover,

## HICP inflation and selected sub-indices in the new Member States

(monthly data; annual percentage changes)



Sources: Eurostat and ECB calculations.

Note: All indices are weighted. Data for the weighted HICP sub-aggregates for services, industrial goods excluding energy and energy are only available from January 2002.

the pass-through of higher oil prices to HICP inflation was, in some countries, cushioned by reduced excise duties and the pricing policy of regulatory bodies responsible for energy prices for consumers (electricity, gas).

Cyclical developments have also played an important role in explaining inflation developments in the new Member States in recent years. Strong demand growth, closing negative output gaps and accelerating wage growth have contributed to inflationary pressures in a number of countries.

All these upward pressures on inflation were counterbalanced partly by some downward price effects, which related in particular to increased import competition in industrial goods (such as clothing and household appliances) and regulatory reforms in network industries (such as telecommunications), the latter being also partly related to EU accession. Moreover, in some countries, namely the Czech Republic, Hungary, Poland and Slovakia, inflationary pressures were partly offset by their currencies appreciating against the euro.

In sum, EU accession-related price effects in conjunction with the strong increase in international energy prices led to a sharp increase in inflation in most of the new Member States in 2004. Developments in 2005 showed that several countries appear to have managed to avoid or limit potential second-round effects from these inflationary shocks. However, caution is warranted in some countries where inflation continued to remain high or rise further in 2005 in order to avoid the emergence of a more protracted period of inflationary pressures.

In the three largest central European economies (Poland, the Czech Republic and Hungary), output growth continued to be strong in the last quarter of 2005. In all three countries, the expansion of industrial production remained dynamic, mainly supported by exports. Moreover, growth in retail sales accelerated, suggesting that private consumption remained robust. Inflation developments diverged across the economies of these three countries in January. Whereas annual HICP inflation in the Czech Republic rose to 2.4%, it remained broadly unchanged at 0.9% in Poland and fell to 2.5% in Hungary. Changes in administered prices and indirect taxes seem to have affected the

January inflation figures in a number of countries. In Hungary, for example, annual HICP inflation fell mainly on account of a reduction in the highest VAT rate (from 25% to 20%). This effect more than counterbalanced the impact of an above-average increase in food prices.

Turning to European countries outside the EU, Switzerland's economic activity strengthened in the second half of 2005. While exports have thus far remained a major contributor to growth, domestic demand seems to be gradually improving. Recent survey data suggest that economic activity has further strengthened. Annual inflation was 1.3% in January, up from 1.0% in December.

In Russia, GDP growth increased to 7% year on year in the third quarter of 2005. While high oil prices continue to support economic activity, the robust expansion is progressively being driven by domestic demand. Industrial production rose by 4.4% year on year in January 2006. Annual CPI inflation, although recently on a gradually declining trend, remained high (10.7% year on year in January).

#### **EMERGING ASIA**

In emerging Asia, economic activity continued to expand at a brisk pace at the beginning of 2006. Domestic demand growth strengthened further in several economies in the region, despite high oil prices and the tightening of monetary policy in most major economies except China. Inflationary pressures were generally rather moderate in recent months, though in several south-east Asian economies the full pass-through of the reduction in fuel subsidies introduced last year has yet to be seen.

China's economy continued to expand rapidly. While export growth lost momentum in the last quarter of 2005 and the contribution of net trade to GDP growth declined, domestic demand accelerated. With due consideration of the recent revisions to China's GDP data (see Box 2), GDP growth was 9.9% year on year in the fourth quarter of 2005 according to preliminary estimates, broadly unchanged from the preceding quarter. Annual CPI inflation increased to 1.9% in January 2006 from 1.6% a month earlier. On the whole, inflationary pressures continued to be muted, also as a result of increases in excess capacity in a number of sectors, such as steel and automobiles. Overinvestment in these sectors, in turn, raises some potential risks to the economy. In South Korea, GDP growth increased to 5.2% year on year in the fourth quarter of 2005, from 4.5% in the preceding quarter.

Economic prospects for emerging Asia as a whole remain favourable, underpinned by steady growth in domestic demand and a generally benign outlook for external trade. In particular, strong growth in China is likely to support exports and activity in the region, but high oil prices continue to be a major risk.

## Box 2

## CHINA'S NATIONAL ACCOUNT REVISIONS

China's National Bureau of Statistics has recently released revised national account data. These followed the completion of the 2004 Economic Census, the country's first nationwide, comprehensive economic survey. The new data include an upward revision of the level of GDP in 2004 by almost 17%, as well as adjustments to historical data on annual real GDP growth since 1993, with an average increase of 0.5 percentage point per annum.

The revisions were driven almost entirely by changes in the measurement of China's services sector, which is now estimated to be almost 50% larger than previously thought. Based on the new data, China's services sector now accounts for 40.7% of GDP in 2004, compared with 31.9% in the previous estimates, whereas the weight of the industrial sector has declined to around 46%, compared with 53% previously (see table).

## China's GDP data revisions

(percentage share of GDP in 2004)

	Old data	Revised data	Difference
Agriculture	15.2	13.1	-2.1
Industry, including construction	52.9	46.2	-6.7
Services	31.9	40.7	8.8

Source: National Bureau of Statistics of China.

While the data published thus far only focus on the output side of GDP, it is anticipated that most of the revisions on the expenditure side will be attributed to consumption and that China's investment and saving ratios will be somewhat lowered.

Based on the revised data and on preliminary GDP estimates for 2005, China has become the world's fourth largest economy in market

exchange rate terms. This is consistent with other indicators of the size of the economy, such as trade, where China already ranks third in the world.

All in all, the new statistics reveal a larger and more structurally balanced Chinese economy than previously thought. As trade data are not expected to be revised, the contribution of net trade to growth will become smaller, thus pointing to an economy that is less dependent on external demand as an engine for growth.

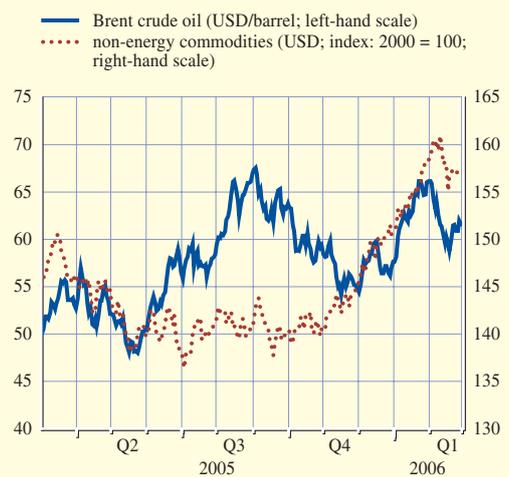
The greater weight of domestic demand in the revised data has also led many observers to revise their 2006 growth projections upwards by, on average, 0.5 percentage point to around 9%. The data revisions, however, do not change China's external position as a major country with a current account surplus and a high saving-investment gap.

## LATIN AMERICA

In Latin America, the latest indicators point to economic activity gaining momentum in Brazil and Mexico – also supported by an easing of monetary policy in recent months – and remaining dynamic in Argentina. In Brazil, industrial production rose by 3.2% year on year in December 2005. Annual inflation, at 5.7% in January 2006, was largely unchanged from December 2005. In

Mexico, industrial production expanded by 2.7% on a year earlier in December. While this figure was at the lower end of market expectations, other short-term indicators (e.g. in the trade sector) point to improved prospects in the near term. In January 2006, annual inflation rose to 3.9% from 3.3% one month earlier, whereas underlying inflation fell somewhat. In Argentina, industrial activity remained robust, expanding by 7.9% year on year in December 2005. However, inflationary pressures remained strong, with annual CPI inflation edging up to 12.3% in January 2006. Against the background of still favourable external conditions and an expected recovery in domestic demand in Brazil and Mexico, economic prospects for the region as a whole remain favourable in the near term.

**Chart 3 Main developments in commodity markets**



Sources: Bloomberg and HWWA.

## 1.2 COMMODITY MARKETS

Oil prices have fluctuated widely in recent months. They surged anew in December and January, with the price of Brent crude oil approaching the all-time high of September 2005 at the end of January, driven by a further tightening of oil market fundamentals and a worsening of the geopolitical environment. After months of rising oil supplies, global oil production fell by 0.5 million barrels per day in January, as supplies were disrupted by weather conditions and logistical problems. Looking ahead, according to the International Energy Agency, global oil demand is expected to rebound from the relatively weak demand recorded in the fourth quarter of 2005. In February, however, oil prices eased somewhat, mainly as a result of the building-up of US inventories. Nonetheless, on 1 March they stood at USD 61.3 per barrel, 5% higher than at the start of this year.

The geopolitical environment remains an important factor affecting oil prices, as market participants remain concerned about the security of future oil supplies. The uncertainty surrounding near-term oil prices remains considerable, as highlighted by the implied distribution of oil option contracts that – with a 90% confidence interval, for instance – could range from around USD 40 to USD 90 per barrel in December 2006.

Non-energy commodity prices have likewise risen considerably in recent months, as the prices of both industrial raw materials and food have increased. Expressed in US dollar terms, non-energy commodity prices were approximately 13% higher in February than one year earlier.

## 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for euro area external demand, remains positive. A robust profit situation and favourable financing conditions, together with the structural improvement in corporate balance sheets in a number of countries, should have a beneficial effect

on, in particular, firms' investment spending. In line with this assessment, the six-month rate of change in the OECD Composite Leading Indicator staged its eighth consecutive increase in December. The increases were particularly pronounced in the case of the North American countries. Although oil prices eased in February, they remain one of the main sources of risk for the global outlook. In addition, the persistence of economic imbalances at the global level continues to pose a significant risk for the world economy.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

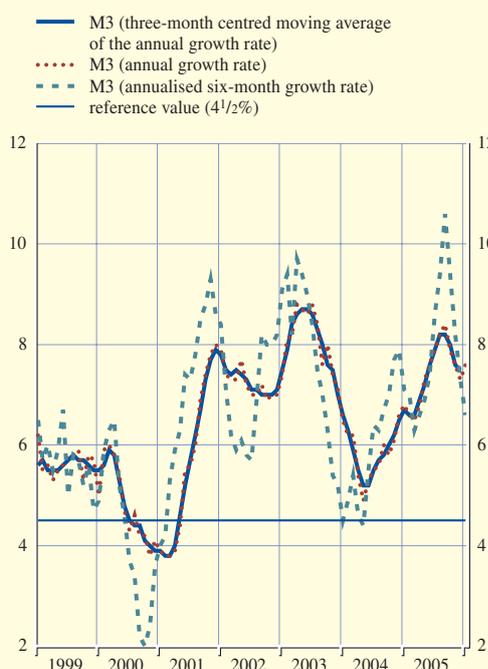
Monetary growth moderated slightly in the fourth quarter of 2005, but nonetheless remained at a high level, before strengthening somewhat in January 2006. Since mid-2004 the low level of interest rates has been the main driving force behind monetary developments, as reflected on the components side of the MFI balance sheet by the dynamism of the most liquid instruments of M3 contained in M1, and on the counterparts side by the further strengthening of growth in loans to the private sector. At the same time, signs of a resumption in the unwinding of past portfolio shifts – which were first detected in October – persisted throughout the fourth quarter of 2005 and, albeit more modestly, in January 2006. Overall, the monetary data continue to signal upside risks to price stability at medium to longer-term horizons.

#### THE BROAD MONETARY AGGREGATE M3

Over recent months monetary growth has moderated slightly, while nonetheless remaining at high levels. In the fourth quarter of 2005 the annual growth rate of M3 declined to 7.8%, from 8.0% in the previous quarter. However, the latest developments in January 2006 show an increase in the annual growth rate to 7.6%, from 7.3% in December 2005, suggesting some reversal of the moderation observed over the course of the fourth quarter. The three-month centred moving

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 5 M3 and M3 corrected for the estimated impact of portfolio shifts

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



Source: ECB.

1) 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" in the October 2004 issue of the Monthly Bulletin. For recent developments, see the box entitled "The resumption of the unwinding of portfolio shifts in the fourth quarter of 2005" in this issue of the Monthly Bulletin.

average of the annual growth rates of M3 was 7.5% over the period from November 2005 to January 2006, having stood at 7.6% for the period from October to December 2005 (see Chart 4).

The prevailing low level of interest rates, which implies a low opportunity cost of holding money, continues to be the main driving force behind monetary growth. This view is supported by the continued very large contribution to the annual growth rate of M3 stemming from the expansion of its most liquid components included in the narrow monetary aggregate M1. Further evidence is provided by the ongoing strengthening of growth in loans to the private sector.

At the same time, signs of a resumption in the unwinding of past portfolio shifts – which were first detected in October – persisted throughout the fourth quarter of 2005 and, albeit more modestly, in January 2006. Such an unwinding tends to dampen headline M3 growth and may lead to an understatement of the underlying rate of monetary expansion. (For recent developments with regard to the quantification of the impact of portfolio shifts on the money stock, see Box 3.) This view is illustrated by the growth rate of the M3 series corrected for the estimated impact of portfolio shifts, which now exceeds the annual growth rate of the official M3 series (see Chart 5). However, it should be noted that, given the uncertainties inevitably surrounding the estimation of the magnitude of portfolio shifts, caution should be exercised in interpreting this corrected measure.

### Box 3

#### THE RESUMPTION OF THE UNWINDING OF PORTFOLIO SHIFTS IN THE FOURTH QUARTER OF 2005

Monetary growth and inflation both display significant short-run volatility owing to idiosyncratic shocks. Such short-run noise may blur the signal that is provided by the underlying rate of monetary expansion as regards risks to future price stability. In carrying out a thorough monetary analysis to support monetary policy decisions, it is therefore necessary to employ both institutional analysis and statistical techniques to identify the low frequency movements or underlying trends in the money stock that are relevant for the prediction of inflationary pressures over the medium to longer term.

A practical example of this comprehensive approach to monetary analysis at the ECB is the identification and estimation of the impact on M3 dynamics of extraordinary portfolio shifts into or out of monetary assets. This box presents the key elements of the analysis underlying the identification and quantification of these portfolio shifts, in the context of an assessment of recent developments.<sup>1</sup>

#### Portfolio shifts and the normalisation of portfolio allocation behaviour

During the period of heightened economic and financial uncertainty between 2001 and mid-2003, monetary dynamics could not be easily explained on the basis of developments in the conventional determinants of money demand, such as prices, income and interest rates. Strong

<sup>1</sup> See also the earlier box entitled “Estimating the size of portfolio shifts from equity into money” in the May 2003 issue of the Monthly Bulletin and the box entitled “Approaches to identifying and estimating portfolio shifts into and out of M3” in the January 2005 issue of the Monthly Bulletin.

M3 growth during this period seems to have been the result of sizeable portfolio shifts from equity holdings into money, reflecting euro area residents' strong preference for safe and liquid assets in their attempt to shield their financial wealth from market volatility. The identification and, in particular, the quantification of these extraordinary portfolio shifts into money was complicated by the lack of directly recorded evidence regarding their magnitude.

As economic uncertainty receded from mid-2003 to early 2004, portfolio allocation behaviour normalised and the flow of new investment was increasingly directed towards riskier, longer-term assets rather than towards money. However, the unwinding of the portfolio shifts proceeded only at a very slow pace and from mid-2004 until recent months, this was thought to have ceased.

#### **Recent evidence suggesting a resumption of the unwinding of portfolio shifts**

Recently, there have been signs of a resumption of the unwinding of past portfolio shifts. In particular, the very subdued demand for money market fund shares/units (which fell on an annual basis in the year to December 2005) and the strong demand for MFIs' longer-term financial liabilities suggest a shift from monetary assets into riskier, longer-term euro-denominated instruments. In the same vein, the outflows in the net external asset position of the MFI sector observed since August 2005 also indicate a renewed interest on the part of euro area residents in foreign securities rather than in domestic money. Both developments are consistent with a renewed unwinding of past portfolio shifts into money.

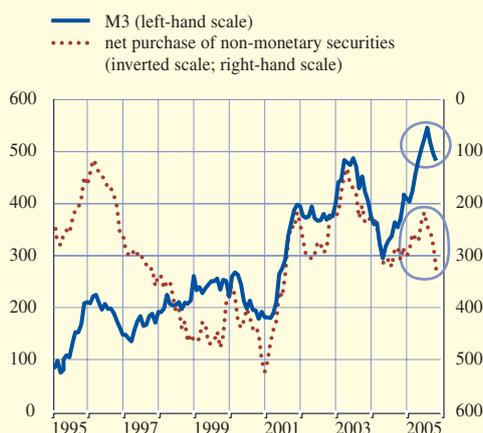
In the past, monthly estimates of the money-holding sector's net purchases of non-monetary securities from MFIs and non-residents have provided an indication of the magnitude of portfolio shifts (see Chart A; note that one of the scales in the chart is inverted). When there is a portfolio shift into money, purchases of non-monetary securities would be expected to fall and money holdings would be expected to rise by roughly the same amount. Indeed, this was the case during 2001 and in early 2003, i.e. the two periods characterised by large portfolio shifts. Similarly, between mid-2003 and mid-2004, the proxy for purchases of non-monetary securities rose, while monetary growth gradually declined, thus pointing to a slow unwinding of portfolio shifts. Focusing on the more recent period, purchases of non-monetary securities have gathered pace since August 2005 (as circled in Chart A), while the flow into M3 has moderated somewhat, but has nevertheless remained at a high level. Overall, this development is consistent with the view that the unwinding of past portfolio shifts may have resumed over recent months, after a pause between mid-2004 and mid-2005. At the same time, the relatively small magnitude of these flows (certainly compared with the end-2001 and early 2003 periods) and the inevitably short sample suggest that such a conclusion can only be tentative at present.

Investors' preference for safe and liquid monetary assets should also be linked to their level of risk aversion.<sup>2</sup> Since risk aversion is, in principle, unobservable, its role has to be assessed using empirical proxies. One possible proxy for aggregate risk aversion is the conditional correlation between returns on long-term government bond holdings and those on stock market investments (see Chart B; note that the scale in the chart is inverted). More precisely, during periods of

<sup>2</sup> For further details on the estimation approach, see the box entitled "Risk aversion and developments in monetary aggregates" in the December 2004 issue of the Monthly Bulletin.

**Chart A M3 and the net purchase of non-monetary securities<sup>1)</sup>**

(annual flows; EUR billions)



Source: ECB.

Note: Data for the last two months are partly estimated.

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

**Chart B The conditional correlation between stock and long-term government bond returns**

(quarterly data; inverted scale)



Source: ECB estimates.

Note: Dow Jones EURO STOXX return index and ten-year government bond return index.

heightened risk aversion, the prices of these two asset classes should move in opposite directions, as investors withdraw from the equity market (lowering equity returns) and buy bonds (raising bond returns). By contrast, in “normal” periods, standard asset allocation would suggest a positive correlation between stock and bond returns, as low interest rates support equity prices. This indicator could, therefore, provide some indication of the possible timing and pattern of portfolio shifts. As shown in Chart B, the risk aversion of euro area investors increased significantly between mid-2000 and mid-2003 when M3 growth could not be explained by conventional macroeconomic determinants. Despite declining considerably by comparison with 2003, risk aversion remained in 2004 well above its long-term average, consistent with the slow pace of the normalisation of portfolio allocation behaviour. Since the summer of 2005, this indicator of risk aversion has fallen below its long-term average (as highlighted by the circle in Chart B) to a level comparable to that seen prior to the period of heightened uncertainty that began in 2001. This decline may be associated with the further unwinding of past portfolio shifts.

Overall, the evidence from the net purchase of non-monetary securities and the indicator of risk aversion supports the assessment of portfolio shifts into money occurring between 2001 and mid-2003 and possibly unwinding, albeit at a moderate pace, during the period from mid-2003 to mid-2004. Moreover, focusing on the most recent period, it suggests that a further unwinding of past portfolio shifts may currently be under way.

### Quantifying the impact of portfolio shifts

The analysis described above does not permit a mechanical quantification of the portfolio shifts. To some extent, elements of judgement are also required. One approach to quantifying

the impact of portfolio shifts on the money stock, which has been used at the ECB in the past, is therefore to include intervention variables (dummies and trends) intended to capture the pattern of portfolio shifts in a univariate time series model of M3.<sup>3</sup> These intervention variables are designed on the basis of a comprehensive analysis of, inter alia, the components and counterparts of M3, the monetary presentation of the balance of payments, and the financial accounts.

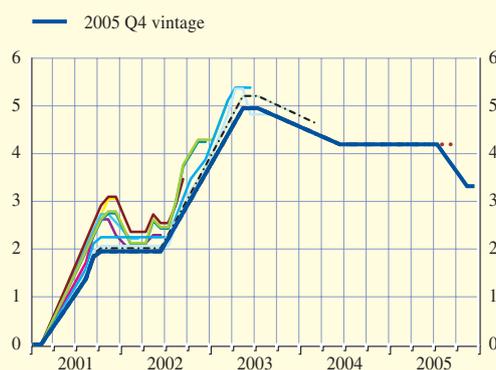
As Chart C shows, the real-time estimates of the magnitude of portfolio shifts derived using this approach (i.e. those estimates made in the past on the basis of the information available at the time) have not generally been subject to major subsequent revisions. Moreover, money demand equations estimated using a sample including this period, which – with the benefit of hindsight – include variables intended to capture the impact of financial market volatility on money holdings, tend to confirm the ECB’s real-time estimates of the portfolio shifts.<sup>4</sup>

As is apparent from Chart C, the estimates of the magnitude of portfolio shifts peaked at over 5% of the money stock in early 2003. While such real-time estimates are undoubtedly surrounded by considerable uncertainty, the modesty of ex post revisions suggests that the ECB was able to make a robust assessment of monetary developments over time using an M3 series corrected for the estimated impact of portfolio shifts.

Since the magnitude of current portfolio shifts is dwarfed by those previously observed between 2001 and mid-2003 (in response to significant shocks, such as the stock market crash, the terrorist attacks in the United States on 11 September 2001 and the war in Iraq), the judgement required and the associated quantification are inevitably more uncertain than was previously the case. Nonetheless, taking all the information mentioned above into account, a comprehensive monetary analysis needs to include some assessment of the strength of any current unwinding of portfolio shifts in order to evaluate the resultant dampening impact on headline monetary growth. Such an approach is required to identify – even if imperfectly – the underlying trend rate of monetary expansion relevant for monetary policy decisions.

**Chart C Vintages of portfolio shift correction factors for the level of M3**

(as a percentage of M3 money stock)



Source: ECB.

<sup>3</sup> A further small correction for past outliers and certain volatile components has been also introduced in the estimation procedure.  
<sup>4</sup> For example, comparisons can be made with the results obtained in “Money demand and macroeconomic uncertainty”, C. Greiber and W. Lemke, Discussion Paper, Series 1: Economic Studies, No 26/2005, Deutsche Bundesbank.

### MAIN COMPONENTS OF M3

The annual growth rate of M1 remained strong in January 2006, at 10.2%, after averages of 10.9% and 11.2% in the fourth and third quarters of 2005 respectively (see Table 1). As a result, M1 continued to be the main driving force behind the expansion of M3, making a contribution of 4.7 percentage points to the 7.6% annual growth rate of M3 observed in January (see Chart 6).

The moderation in the annual growth rate of M1 in January reflects a slight decline in the annual growth rates of both of its components. The annual growth rate of currency in circulation declined to 13.6% in January, after averaging 14.8% and 16.0% in the fourth and third quarters respectively, while demand for overnight deposits also decreased, to 9.6% in January, from 10.2% in the fourth quarter and 10.4% in the third quarter of 2005.

The annual growth rate of short-term deposits other than overnight deposits edged up to 6.4% in January, possibly reflecting slightly higher levels of remuneration on these deposits, after standing at 5.9% and 5.5% in the fourth and third quarters of 2005 respectively. This upward movement concealed divergent developments in the components of these deposits: while the annual growth rate of time deposits (i.e. deposits with an agreed maturity of up to two years) continued to increase, the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months) moderated, continuing the downward trend seen over recent quarters.

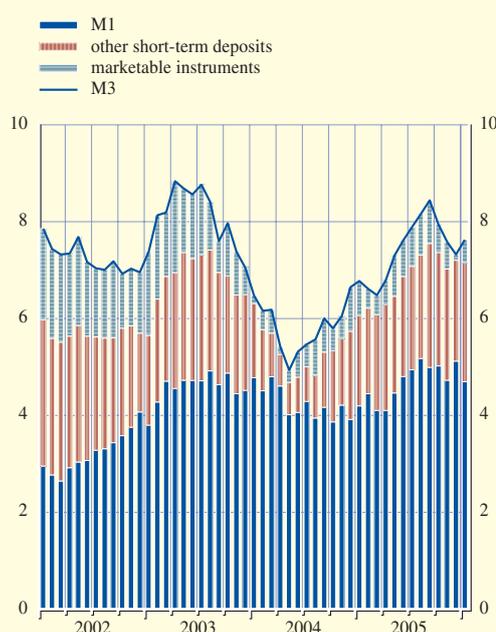
The annual rate of growth of marketable instruments – which tends to be characterised by considerable short-term volatility – declined to 3.3% in January, compared with 3.8% and 5.6% in the fourth and third quarters respectively. Again, this overall decline conceals somewhat different developments in the underlying components.

On the one hand, the annual growth rate of money market fund shares/units continued its downward trend, with a negative annual rate of change of -1.4% in the year to January 2006, after positive rates of 1.1% and 3.1% in the fourth and third quarters of 2005 respectively. Demand for these assets, which are often held by households and firms as a safe haven from financial market volatility in periods of heightened uncertainty, has thus continued to be very subdued, suggesting some replacement of safe and liquid monetary assets with riskier and longer-term securities. Moreover, the annual growth rate of repurchase agreements decreased to 3.4% in January 2006, from 4.7% in the fourth quarter (albeit with a negative growth rate in December) and 9.1% in the third quarter of 2005.

On the other hand, demand for debt securities with a maturity of up to two years has been strong in recent months, possibly reflecting, in part, the emergence of new structured products

Chart 6 Contributions to annual M3 growth

(contributions in percentage points; M3 growth in percentages; adjusted for seasonal and calendar effects)



Source: ECB.

**Table 1 Summary table of monetary variables**

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2005 Dec.	2006 Jan.
<b>M1</b>	<b>48.4</b>	<b>9.6</b>	<b>9.8</b>	<b>11.2</b>	<b>10.9</b>	<b>11.3</b>	<b>10.2</b>
Currency in circulation	7.5	18.0	17.3	16.0	14.8	13.7	13.6
Overnight deposits	40.9	8.2	8.5	10.4	10.2	10.9	9.6
<b>M2 - M1 (= other short-term deposits)</b>	<b>37.7</b>	<b>4.5</b>	<b>5.0</b>	<b>5.5</b>	<b>5.9</b>	<b>5.4</b>	<b>6.4</b>
Deposits with an agreed maturity of up to two years	15.8	0.5	2.6	4.5	6.6	6.6	8.5
Deposits redeemable at notice of up to three months	21.9	7.1	6.6	6.0	5.3	4.3	4.7
<b>M2</b>	<b>86.0</b>	<b>7.1</b>	<b>7.5</b>	<b>8.4</b>	<b>8.5</b>	<b>8.5</b>	<b>8.4</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.0</b>	<b>4.0</b>	<b>4.4</b>	<b>5.6</b>	<b>3.8</b>	<b>0.8</b>	<b>3.3</b>
<b>M3</b>	<b>100.0</b>	<b>6.7</b>	<b>7.0</b>	<b>8.0</b>	<b>7.8</b>	<b>7.3</b>	<b>7.6</b>
<b>Credit to euro area residents</b>		<b>6.5</b>	<b>6.6</b>	<b>7.0</b>	<b>7.9</b>	<b>8.4</b>	<b>8.5</b>
Credit to general government		3.4	2.1	1.2	2.7	4.5	3.6
Loans to general government		-0.4	-0.8	-1.0	0.4	2.0	0.9
Credit to the private sector		7.3	7.8	8.6	9.3	9.4	9.9
Loans to the private sector		7.3	7.6	8.4	8.9	9.2	9.7
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>9.5</b>	<b>9.7</b>	<b>10.0</b>	<b>9.4</b>	<b>8.8</b>	<b>8.6</b>

Source: ECB.

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

which combine these securities with derivative instruments linked to equity prices. Such instruments may be especially attractive at present, given that equity prices have been increasing strongly but investors' risk aversion has only just declined to normal levels.

The sectoral breakdown of short-term deposits and repurchase agreements indicates that households have remained the main contributors to the strong growth seen in these instruments over recent months. At the same time, the contribution of other financial intermediaries declined in the fourth quarter of 2005 and then remained stable in January 2006. This marks a considerable change from the dynamics observed in the period between September 2004 and September 2005, during which the other financial intermediary sector accounted for two-thirds of the increase in private sector holdings of these instruments. Conversely, the contribution of non-financial corporations to the annual growth rate of short-term deposits and repurchase agreements, which rose over the course of 2005, stabilised at a high level between September 2005 and January 2006.

### MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total MFI credit to euro area residents increased to 8.5% in January 2006, after growth rates of 7.9% and 7.0% in the fourth and third quarters respectively. This strengthening of credit growth was driven by a continued upward trend in the growth of credit to the private sector, as well as a resumption of the dynamics of credit to the general government sector (see Table 1).

In January, the annual growth rate of credit to the private sector increased to 9.9%, from 9.3% in the fourth quarter of 2005. The upward trend in the growth of credit to the private sector reflects both the prevailing low level of interest rates and improved confidence in some sectors of the economy. The annual growth rate of MFI loans to the private sector rose to 9.7% in January, from 9.2% in the previous month, with the increase being broadly based across sectors (see sub-sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

The annual growth rate of credit to the general government sector increased to 3.6% in January, from 2.7% and 1.2% in the fourth and third quarters of 2005 respectively. This recent pick-up reflected both an increase in demand for MFI loans on the part of the general government and a rise in the annual growth rate of MFIs' holdings of securities issued by the general government.

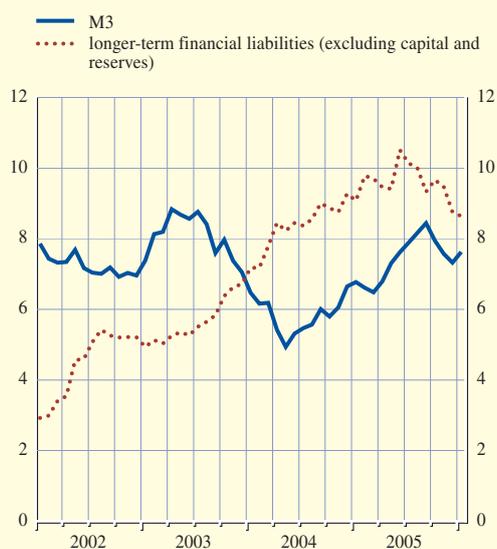
Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector remained robust (see Chart 7). The annual rate of growth of these instruments stood at 8.6% in January 2006, after averaging 9.4% and 10.0% in the fourth and third quarters respectively. Their ongoing strong growth points to a continued inclination on the part of the euro area money-holding sector to invest in longer-term euro area assets.

The annual flow in the net external asset position of MFIs turned slightly positive again in January, standing at €1 billion, after two consecutive months of annual outflows. The overall downward trend in MFI net external assets suggests a stronger inclination on the part of the euro area money-holding sector to invest in foreign securities, at least relative to foreigners' interest in euro area assets (see Chart 8). Overall, the latest developments in the net external asset position are in line with the ongoing unwinding of past portfolio shifts into monetary assets, albeit at a modest pace, that has been observed in recent months.

In conclusion, in the fourth quarter of 2005 developments in the counterparts of M3 broadly confirmed recent trends. The dynamics of credit to the private sector strengthened further, driven by the low level of interest rates, and continued to fuel monetary growth. At the same time, taken

**Chart 7 M3 and MFI longer-term financial liabilities (excluding capital and reserves)**

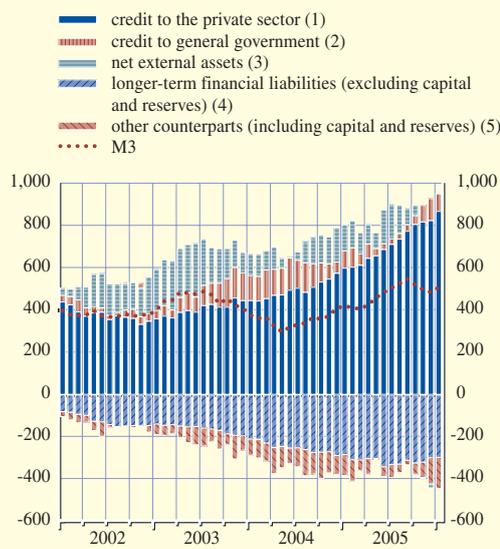
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 8 Counterparts of M3**

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



Source: ECB.

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

together, the robust demand for longer-term financial liabilities and the relatively modest demand for money market fund shares/units point to an ongoing unwinding of past portfolio shifts, supported by developments in MFI net external assets.

### GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

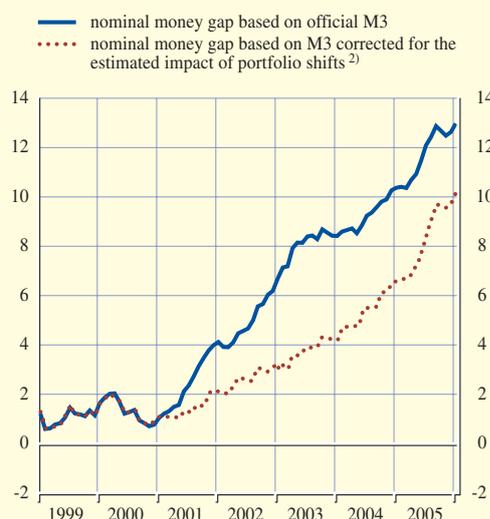
In the fourth quarter of 2005 both the nominal money gap constructed on the basis of the official M3 series and that constructed on the basis of the M3 series corrected for portfolio shifts continued the upward trend observed from the second half of 2004, reaching a new peak for the period since the start of Stage Three of EMU.

However, the two gaps remained at very different levels, with the money gap constructed on the basis of the corrected M3 series being substantially lower (see Chart 9). However, given the apparent resumption of the unwinding of past portfolio shifts, the difference in the two money gap measures has narrowed slightly in recent months.

The real money gaps recognise that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations in inflation from the ECB's definition of price stability. The real money gaps constructed on the basis of the official M3 series and the measure of M3 corrected

**Chart 9 Estimates of the nominal money gap<sup>1)</sup>**

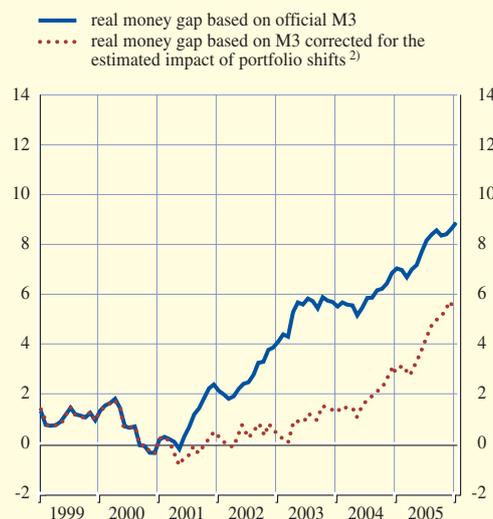
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.  
 1) The measure of 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" in the October 2004 issue of the Monthly Bulletin. For recent developments, see the box entitled "The resumption of the unwinding of portfolio shifts in the fourth quarter of 2005" in this issue of the Monthly Bulletin.

**Chart 10 Estimates of the real money gap<sup>1)</sup>**

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



Source: ECB.  
 1) The measure of 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" in the October 2004 issue of the Monthly Bulletin. For recent developments, see the box entitled "The resumption of the unwinding of portfolio shifts in the fourth quarter of 2005" in this issue of the Monthly Bulletin.

for the estimated impact of portfolio shifts are both lower than the respective nominal money gap measures (see Charts 9 and 10).

However, these mechanical measures are only imperfect estimates of the liquidity situation. As the choice of base period is to some extent arbitrary, the levels of these measures are surrounded by considerable uncertainty and should thus be treated with caution. This uncertainty is well illustrated by the broad range of estimates derived from the four measures discussed above.

Nonetheless, although the estimates are uncertain, the overall picture painted by these measures points to liquidity conditions in the euro area being ample. Strong monetary and credit growth in a context of already ample liquidity implies upside risks to price stability over the medium to longer term. Moreover, these developments entail a need to monitor asset price dynamics closely, given the potential for price misalignments to emerge.

## 2.2 FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR AND INSTITUTIONAL INVESTORS

*In the third quarter of 2005 the annual growth rate of financial investment by the non-financial sector declined marginally. At the same time, the flow into investment funds and the financial investment of insurance corporations and pension funds strengthened further.*

### NON-FINANCIAL SECTOR

In the third quarter of 2005, the most recent quarter for which these data are available, the annual growth rate of financial investment by the non-financial sector stood at 4.3%, after 4.4% in the second quarter (see Table 2). This development reflected a moderate decline in the annual growth rates of both long and short-term financial investment, confirming the indications from previous quarters that the narrowing of the two growth rates observed up to mid-2004 had subsequently come to a halt (see Chart 11).

The decline in the annual rate of growth of long-term investment observed in the third quarter of 2005 was mainly driven by a further decline in the annual growth rate of investment in quoted shares, but also by a similar decline in long-term debt securities. At the same time, the annual growth rate of investment in mutual funds strengthened further, suggesting that investors' reluctance to invest in longer-term assets relates mainly to direct investment in equity. As regards short-term financial investment, the decrease in the annual growth rate was driven by the lower annual growth rate of holdings of currency and sight deposits. The annual rate of change of investment in money market funds increased, but remained negative.

### INSTITUTIONAL INVESTORS

The annual rate of growth of the value of the total assets of investment funds rose further in the third quarter of 2005, standing at 25.2%, after 17.4% in the second quarter. This primarily reflected developments in the value of holdings of shares. Changes in the value of the stock of total assets include valuation effects caused by changes in asset prices. In this respect, flow data provided by

**Table 2 Financial investment of the euro area non-financial sector**

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates								
		2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
<b>Financial investment</b>	<b>100</b>	<b>5.1</b>	<b>4.6</b>	<b>4.3</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>4.4</b>	<b>4.3</b>
Currency and deposits	36	6.5	5.6	5.3	5.3	5.6	6.2	5.9	6.2	5.7
Securities other than shares	11	-0.3	-1.0	-1.7	1.6	1.3	1.8	3.5	3.2	2.5
<i>of which: short-term</i>	1	-0.3	-1.7	-3.3	10.0	2.9	5.0	-1.8	-6.4	-8.0
<i>of which: long-term</i>	11	-0.3	-0.9	-1.6	0.8	1.2	1.6	4.0	4.1	3.4
Mutual fund shares	12	7.2	7.1	5.1	3.1	2.2	1.7	1.8	2.6	4.0
<i>of which: mutual fund shares, excluding money market fund shares/units</i>	10	6.2	6.5	5.7	3.5	2.7	2.4	3.0	3.9	5.3
<i>of which: money market fund shares/units</i>	2	11.3	9.9	3.2	1.7	0.6	-0.8	-2.4	-2.2	-0.5
Quoted shares	14	1.5	0.8	1.4	3.1	2.6	0.9	0.6	-1.8	-3.1
Insurance technical reserves	25	6.5	6.7	6.6	6.3	6.2	6.4	6.4	6.5	6.8
M3 <sup>2)</sup>		7.6	7.1	6.2	5.3	6.0	6.6	6.5	7.6	8.4
Annual gains and losses in the securities holdings of the non-financial sector (as a percentage of GDP)		1.4	4.2	8.6	4.1	3.5	2.8	2.9	4.9	8.3

Source: ECB.

Note: See also Section 3.1 of the "Euro area statistics" section of the Monthly Bulletin.

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

2) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sector and non-monetary financial institutions) with euro area MFIs and central government.

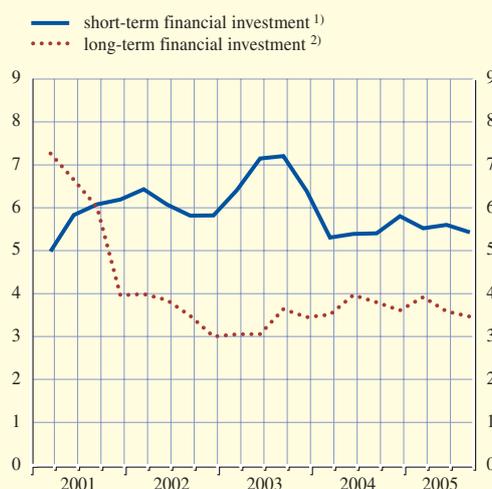
EFAMA<sup>1</sup> show that net annual sales of investment funds (excluding money market funds) increased in the third quarter of 2005 as compared with the second quarter. In particular, the demand for bond funds strengthened further – to the highest level observed since 2001 – and net annual flows into equity funds picked up for the first time since the second quarter of 2004 (see Chart 12). At the same time, the net annual flow into money market funds remained relatively subdued.

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area increased to 6.7% in the third quarter of 2005, up from 6.2% in the previous quarter (see Chart 13). This mainly reflected a pick-up in investment activity

1 The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) for publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin for further information.

**Chart 11 Financial investment of the non-financial sector**

(annual percentage changes)



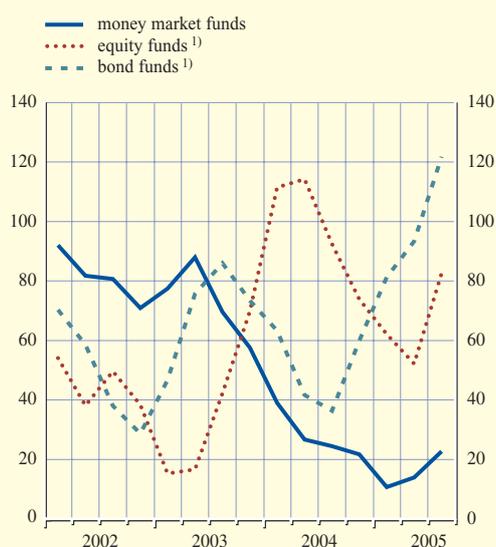
Source: ECB.

1) Includes currency, short-term deposits, short-term debt securities, money market fund shares/units, prepayments of insurance premiums and reserves for outstanding claims.

2) Includes long-term deposits, long-term debt securities, quoted shares, mutual fund shares excluding money market fund shares/units, net equity of households in life insurance reserves and pension fund reserves.

**Chart 12 Net annual flows into investment funds (by category)**

(EUR billions)

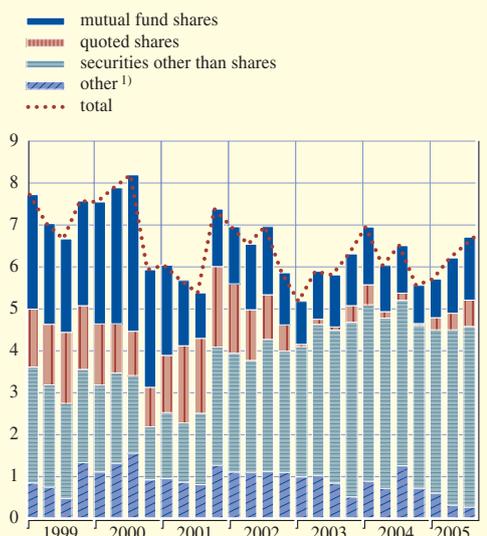


Sources: ECB and EFAMA.

1) ECB calculations on the basis of national data provided by EFAMA.

**Chart 13 Financial investment of insurance corporations and pension funds**

(annual percentage changes; contributions in percentage points)



Source: ECB.

1) Includes loans, deposits and insurance technical reserves.

for asset classes with longer-term maturities and, to a lesser extent, for assets with shorter-term maturities. In particular, the annual growth rate of long-term securities other than shares strengthened further, to 11.1% – the highest level observed since 1998. Notably, the annual growth rate of investment in quoted shares also strengthened further, albeit at a lower pace, to 3.9%, from 2.4% in the previous quarter. As regards assets with shorter maturities, insurance corporations and pension funds seemed to have stepped up, in particular, their investment in money market fund shares. Valuation gains on overall holdings of securities increased markedly in the third quarter of 2005 as compared with the second quarter of this year.

Taken together, the data on investment funds and on insurance corporations and pension funds point to there being some inclination on the part of the non-financial sector to invest in riskier financial instruments such as equity via institutional investors, while there may still be a certain reluctance to invest directly in equity.

### 2.3 MONEY MARKET INTEREST RATES

*Between December 2005 and February 2006 money market interest rates at all maturities increased in the context of strengthening market expectations of a further rise in key ECB interest rates. Since the increases at the various maturities were of a similar magnitude, the slope of the money market yield curve remained broadly unchanged over the three-month period as a whole.*

Having risen substantially during November 2005 amid market expectations of a rise in key ECB interest rates on 1 December, money market rates rose further between the beginning of December

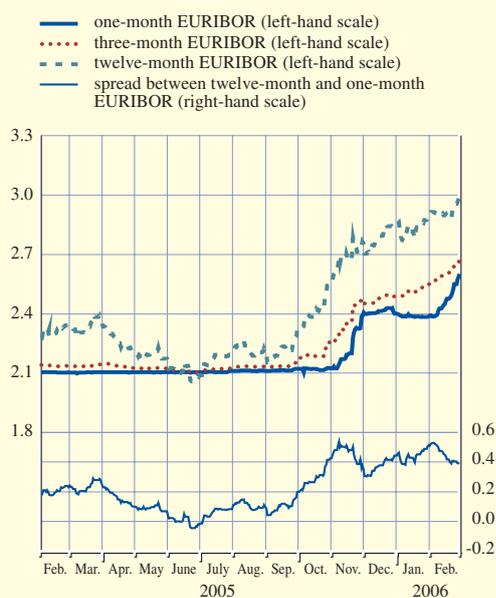
2005 and the end of February 2006. In December 2005 and January 2006 rates at the one-month maturity remained broadly stable, while rates at the three-month and twelve-month maturities rose amid market expectations of a further rise in key ECB interest rates in March. Given the firmness of these expectations, the one-month rate also began to increase significantly in February 2006, with more modest rises in the three-month and twelve-month rates. On 1 March the one-month, three-month, six-month and twelve-month rates stood at 2.60%, 2.66%, 2.79% and 2.99% respectively, 22, 19, 20 and 23 basis points higher than the levels observed at the end of November 2005.

As a result of these developments, the slope of the money market yield curve, which steepened in the course of December and January, flattened again in February. Over the past three months as a whole, the slope of the yield curve has remained broadly unchanged. The spread between the twelve-month and the one-month EURIBOR was 39 basis points on 1 March 2006, as compared with 38 basis points on 30 November 2005 (see Chart 14).

Since the end of November 2005 market participants have adjusted their expectations regarding the development of short-term interest rates over the course of 2006. While expectations for the horizon covering the first few months of 2006 have been revised downwards slightly, the expectations for the horizon covering the second half of 2006 have been revised upwards. These developments are reflected in the interest rates implied by the three-month EURIBOR futures contracts maturing in June 2006, September 2006 and December 2006, which stood at 2.92%, 3.10% and 3.22% respectively on 1 March 2006, 6, 17 and 24 basis points higher than the respective levels at end-November 2005 (see Chart 15).

**Chart 14 Short-term money market interest rates**

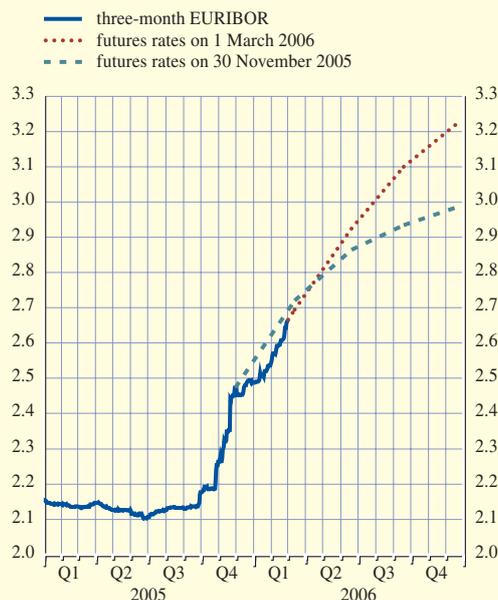
(percentages per annum; percentage points; daily data)



Source: Reuters.

**Chart 15 Three-month interest rates and futures rates in the euro area**

(percentages per annum; daily data)



Source: Reuters.

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

The implied volatility derived from options on three-month EURIBOR futures decreased substantially between December and February to reach the historically very low levels observed at the end of February. The evolution of implied volatility over the past three months, following the ECB's interest rate action and its communications since December 2005, suggests a decline, to very low levels, in uncertainty among market participants with regard to the expected development of short-term interest rates in the coming months (see Chart 16).

In December 2005 interest rates at the very short end of the money market curve rose to reflect the decision on 1 December to increase key ECB interest rates by 25 basis points. With the exception of the usual Christmas and end-of-year effects (which were successfully contained by the ECB's provision of ample liquidity to counteract the additional uncertainty with regard to autonomous factors over this period), the EONIA remained stable at 2.32%. In the maintenance periods beginning in January and February the EONIA (with the exception of some liquidity-induced volatility in early February) stood at a stable level of 2.33% and 2.34% respectively, 8 and 9 basis points above the minimum bid rate in the Eurosystem's main refinancing operations (MROs). Towards the end of February the overnight rate rose, reaching 2.40% on 28 February, reflecting end-of-month effects.

Over the past three months the ECB has continued to pursue the loose liquidity policy adopted in October 2005. In December and January liquidity was provided in the MROs at marginal and weighted average rates of 2.30% and 2.31% respectively in the majority of the tender auctions, with rates rising to 2.31% and 2.32% in February. In the last MRO conducted in the maintenance

**Chart 16 Implied volatilities derived from options on three-month EURIBOR futures maturing in September 2006**

(percentages per annum; basis points; daily data)

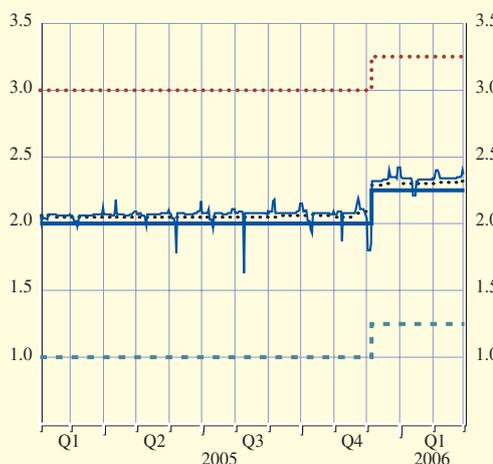


Sources: Bloomberg and ECB calculations.  
Note: The basis point measure is obtained as the product of implied volatility in percentages and the corresponding interest rate (see also the box entitled "Measures of implied volatility derived from options on short-term interest rate futures" in the May 2002 issue of the Monthly Bulletin).

**Chart 17 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)

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



Sources: ECB and Reuters.

period ending on 7 March 2006, the marginal and weighted average rates rose further to 2.32% and 2.34% respectively (see Chart 17). Further information on short-term interest rates and liquidity conditions for the three most recent maintenance periods is presented in Box 4.

In the longer-term refinancing operation conducted on 21 December 2005, the marginal and weighted average rates increased by 5 basis points vis-à-vis the previous operation, to 2.45% and 2.46% respectively, only 4 and 3 basis points lower than the three-month EURIBOR prevailing on that day. The operation was affected by a counterpart bidding error (see also Box 4). In the operations conducted on 25 January and 22 February, which were the first operations with a higher allotment volume of €40 billion, the marginal rates stood at 2.47% and 2.57% respectively, 6 and 4 basis points below the three-month EURIBOR prevailing on those dates.

#### Box 4

### LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 9 NOVEMBER 2005 TO 7 FEBRUARY 2006

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 5 December 2005, 17 January 2006 and 7 February 2006.

#### Liquidity needs of the banking system

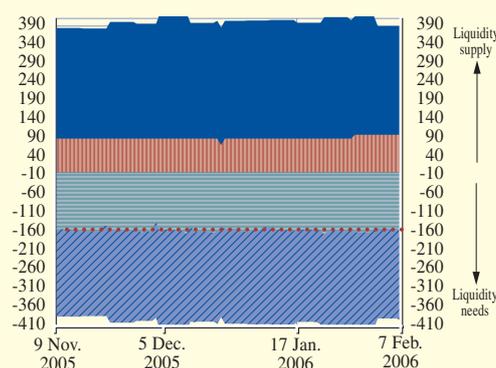
During the period under review banks' liquidity needs displayed a strong seasonal pattern, as observed in previous years, mainly resulting from the increase in banknotes in circulation (see Chart A). Banknotes in circulation, which represent the largest "autonomous factor" (i.e. a factor which does not stem from the use of monetary policy instruments), reached a historical high of €575.3 billion on 26 December 2005. Overall, autonomous factors contributed an average of €248 billion to the liquidity deficit of the Eurosystem in the period under review. Reserve requirements, the other major source of liquidity needs, increased to €153 billion over the same period.

Daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) contributed an average of €0.85 billion to the liquidity deficit of the Eurosystem over the period considered. Average excess reserves reached an all-time high of €1.02 billion in the reserve maintenance period ending on 5 December owing to unexpectedly high individual liquidity holdings. In the two subsequent maintenance periods, average excess reserves decreased to €0.81 billion and €0.74 billion respectively (see Chart B).

#### Chart A Liquidity needs of the banking system and liquidity supply

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

- main refinancing operations: €310.44 billion
- longer-term refinancing operations: €91.25 billion
- current account holdings: €154.04 billion
- reserve requirement level (reserve requirements: €153.19 billion; excess reserves: €0.85 billion)
- ▨ autonomous factors: €247.72 billion



Source: ECB.

## Liquidity supply and interest rates

In parallel with the seasonal peak in demand for liquidity, the volume of open market operations increased temporarily (see Chart A). On average, the liquidity provided via main refinancing operations (MROs) amounted to €310.4 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) decreased during December to levels between 1.00 and 1.25, before increasing again to around 1.30. The average bid-cover ratio over the period was 1.23.

In line with the decision of the Governing Council to increase the allotment amount of the longer-term refinancing operations (LTROs) from €30 billion to €40 billion, the liquidity provided by LTROs increased from €90 billion to €100 billion in the period under review.

### Maintenance period ending on 5 December 2005

In October 2005 the ECB had communicated to market participants its uneasiness about the upward trend in the spread between the EONIA (euro overnight index average) and the minimum bid rate. Consequently, it had decided to allot €1 billion above the benchmark amount in all but the last MRO of a maintenance period. The use of this measure was extended for the maintenance period ending on 5 December. This period started with marginal and weighted average MRO rates of 2.05% and 2.06% respectively, while the EONIA stood at 2.08%.

Market participants' expectations of a change in the key ECB interest rates increased at the end of November. In spite of the fact that, under the new framework, a rate change becomes effective only at the start of the next maintenance period, the EONIA rose to 2.19%, while the marginal MRO rate reached 2.08%. In the light of this unexpected market reaction, the ECB also allotted €1 billion above the benchmark amount in the last MRO of that maintenance period. The marginal rate remained at 2.09%, but the EONIA subsequently eased back to 2.05%. On the last day of the maintenance period the ECB absorbed an expected liquidity surplus of €7.5 billion via a fine-tuning operation. The

Chart B Excess reserves<sup>1)</sup>

(EUR billions; average level in each maintenance period)

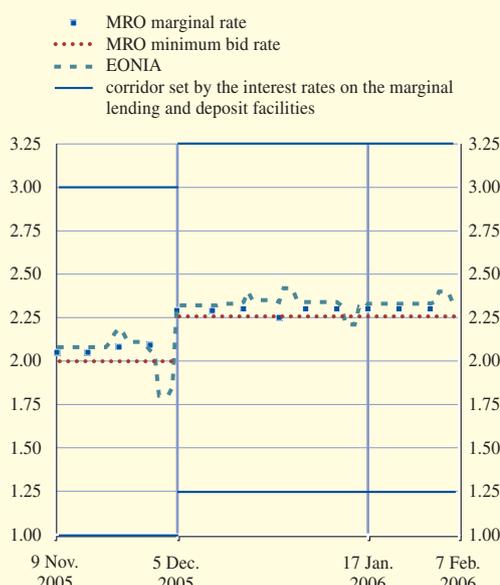


Source: ECB.

1) Banks' current account holdings in excess of reserve requirements.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

maintenance period ended with a net recourse to the deposit facility of €0.77 billion, while the EONIA declined to 1.85%.

#### **Maintenance period ending on 17 January 2006**

On 1 December 2005 the Governing Council of the ECB decided to increase the key ECB interest rates by 25 basis points. The change became effective at the beginning of the new maintenance period starting on 6 December. The ECB intended to continue the loose allotment approach during this maintenance period and accordingly allotted €1 billion above the benchmark amount on 5 December. However, this additional amount was gradually increased further, reaching up to €3 billion in the subsequent MROs around Christmas and the end of the year, before the benchmark amount was allotted in the last tender of the maintenance period.

In the LTRO settled on 22 December an erroneous bid prevented the ECB from allotting the intended amount of €30 billion. Only €12.5 billion could be settled. In order to counter the resulting liquidity imbalance, the ECB launched an additional LTRO for the missing amount on the following day.

During the first week of the maintenance period the EONIA stood at 2.32%, before increasing to 2.35% around Christmas. At the same time, the marginal MRO rates stood at 2.29-2.30% and the weighted average at 2.30-2.31%. The additional demand before the end of the year led to an increase in the EONIA to 2.42% on 30 December, the lowest spread above the minimum bid rate at year-end observed so far. In the first two weeks of 2006 the EONIA remained stable at 2.34%, but as a result of market expectations of loose liquidity conditions, the EONIA declined to 2.21% on 13 January. Liquidity absorbing errors in autonomous factors and excess reserves pushed the EONIA up to 2.31% the following Monday. The maintenance period ended with a net recourse to the deposit facility of €0.79 billion, while the EONIA ultimately stood at 2.30%.

#### **Maintenance period ending on 7 February 2006**

The loose allotment approach was also followed in the next maintenance period. During the first two weeks of the period the EONIA was relatively stable at 2.33%, but it increased to 2.40% on Friday, 3 February, before declining to 2.34% for the last two days of the period. The short-lived increase in the overnight rate reflected a tightening of liquidity conditions following the allotment of the last MRO. The marginal MRO rate increased slightly from 2.30% to 2.31%, while the weighted average rate remained stable at 2.31%. On the last day of the maintenance period the ECB injected €6.5 billion via a fine tuning operation to counter a projected €6.7 billion liquidity imbalance. The maintenance period ended slightly loose with recourse to the deposit facility totalling €0.87 billion and the EONIA at 2.34%.

## **2.4 BOND MARKETS**

*Global long-term government bond yields have increased marginally since the end of November 2005. Government bond yields in the euro area, in particular those with medium-term maturities, were supported by indications that led market participants to anticipate a near-term improvement in economic activity in the euro area. Bond market uncertainty remained low in most major markets.*

Between the end of November 2005 and 1 March 2006, both euro area and US ten-year government bond yields rose slightly, standing at 3.6% and 4.6% respectively at the end of the period under review (see Chart 18). Long-term bond yields, however, still remained at fairly low levels by historical standards on both sides of the Atlantic. The low level of bond yields in the two economies therefore still reflects both that the risk premiums demanded by investors for holding long-term bonds are depressed and that long-term inflation expectations are firmly anchored. The differential between US and euro area ten-year government bond yields remained broadly unchanged over the period, standing at 105 basis points at the end of the period under review. Japanese ten-year government bond yields increased over the same period, standing at 1.6% on 1 March. Market participants' uncertainty about near-term developments in the ten-year segment of the bond market, as indicated by the implied volatility extracted from bond options, declined slightly in the euro area and in United States, while it increased somewhat in Japan (see Chart 19).

Long-term nominal bond yields in the United States, although subject to sharp swings within the period under review, have increased slightly over the past three months. Data releases on indicators of actual and expected economic activity continued to point towards, on balance, relatively robust economic growth. However, the US real GDP data released for the fourth quarter 2005 came out much lower than anticipated by market participants, which seemed to have led to some concern about the short-term outlook for economic activity. This is evidenced by the fact that, overall, the real yields offered on index-linked bonds fell over the period under review, with more pronounced declines being recorded for shorter-maturity bonds. In addition, the slope of the US yield curve flattened further and even became inverted for some maturities. While an inverted yield curve has

Chart 18 Long-term government bond yields

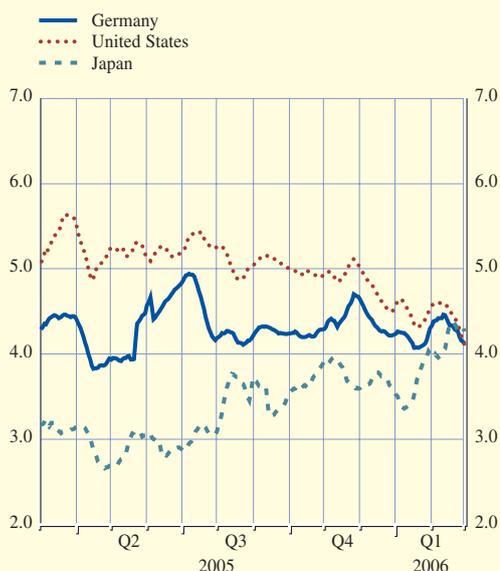
(percentages per annum; daily data)



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

Chart 19 Implied bond market volatility

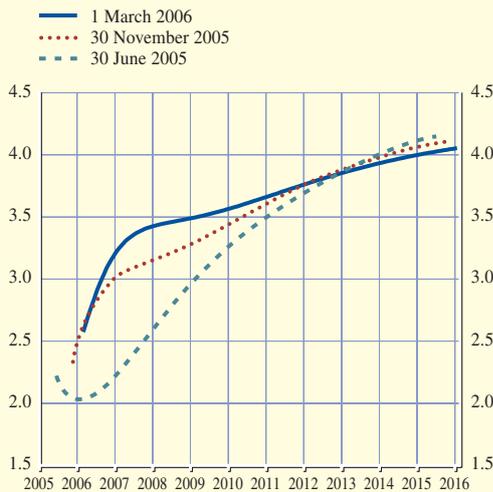
(percentages per annum; ten-day moving average of daily data)



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

**Chart 20 Implied forward euro area overnight interest rates**

(percentages per annum; daily data)



Source: ECB estimate.

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

**Chart 21 Euro area real bond yields and break-even inflation rates**

(percentages per annum; excluding charges; daily data)



Sources: Reuters and ECB calculations.

Note: Real bond yields are derived from the market prices of French and Italian government bonds which are indexed to the euro area HICP (excluding tobacco prices). The method used to calculate the break-even inflation rate was outlined in Box 2 of the February 2002 issue of the Monthly Bulletin.

tended, in the past, to signal lower future economic growth, it should be borne in mind that the slope of the US yield curve could currently be distorted by the particularly low risk premia embedded in long-term bond yields.<sup>2</sup>

The further increase in oil prices over the past three months seems to have put upward pressure on US bond yields through higher inflation expectations among investors. This view is supported by the fact that break-even inflation rates in the United States, particularly on shorter maturities, have increased since end-November 2005. For instance, the break-even inflation rate derived from nominal and real yields maturing in 2009 has increased by around 50 basis points over the past three months.

Overall, euro area long-term bond yields have increased slightly over the past three months. Bond yields were supported by survey indicators which generally pointed towards economic growth in the euro area gaining pace in 2006 despite the slightly lower-than-expected outcome for economic growth in the last quarter of 2005. The view of investors anticipating a near-term improvement in economic activity in the euro area is consistent with the increase of around 30 basis points in the real yield on 2008-maturity index-linked bonds over the past three months (see Chart 21). Market participants' views on the perceived future path of monetary policy pursued by the ECB has not changed much in this period, apart from slightly higher expected policy rates over a short-term to

<sup>2</sup> See the Box entitled "Does the flattening of the US yield curve signal lower growth ahead?" in the February 2006 issue of the Monthly Bulletin.

medium-term horizon (see Chart 20). However, euro area bond yields changed little after the decision by the ECB to raise the minimum bid rate on the main refinancing operations by 25 basis points to 2.25% on 1 December. This muted bond market response suggests that the tightening of monetary policy had been anticipated by the financial markets.

Market participants' inflation expectations for the euro area did not change much in the period under review, as is indicated by only marginal changes in break-even inflation rates across all horizons (see Chart 21). Break-even inflation rates in the euro area have thus remained resilient to the increases in oil prices over the past three months. On 1 March, the ten-year break-even inflation rate stood at 2.1%.

Implied bond market volatility in the euro area declined slightly both in December 2005 and in the first two months of 2006, thus remaining at rather low levels by historical standards (see Chart 19). Market participants' uncertainty regarding near-term developments in ten-year bond yields consequently remained quite moderate, which seems to indicate that they perceive the low level of long-term interest rates in the euro area and at a global level to be a rather persistent feature.

## 2.5 EQUITY MARKETS

*The past three months have been characterised by sharp price increases in all major stock markets. Strong profitability, both actual and expected, provided support for global stock prices.*

Over the past three months, stock prices have risen in both the euro area and the United States. Japanese stock prices increased as well, despite very strong intra-period volatility. In the euro area and in the United States, stock prices, as measured by the Dow Jones EURO STOXX and the Standard & Poor's 500 indices respectively, rose by around 12% and 3% between the end of November 2005 and 1 March 2006 (see Chart 22). Japanese stock prices, as measured by the Nikkei 225 index, increased by around 7% over the same period.

Stock market uncertainty, as measured by the implied volatility extracted from stock options, remained broadly stable in the United States, increased slightly in the euro area, while it rose sharply in Japan (see Chart 23).

In Japan, part of the heightened stock market uncertainty and the sharp decline in prices towards the end of the period under review can be related to the investigations of alleged market manipulation by top executives of a Japanese internet company in mid-January 2006. Overall,

Chart 22 Stock price indices

(index: 1 March 2005 = 100; daily data)



Sources: Reuters and Thomson Financial Datastream.

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

relatively favourable economic and earnings news probably supported Japanese stock prices, which thus continued the strong recovery that has been recorded since early 2005.

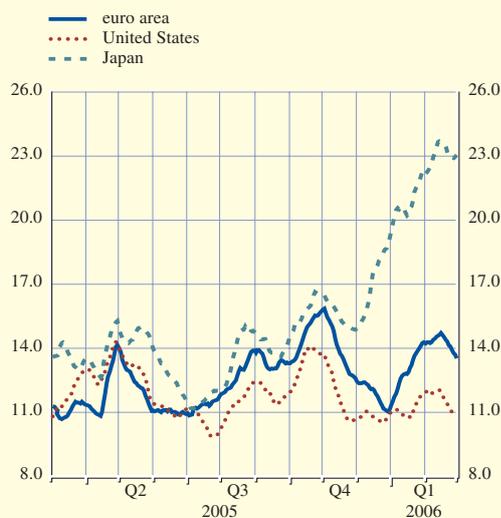
US stock prices have increased over the past three months, amid relatively favourable earnings data. In February, Thomson Financial Datastream, for instance, reported an annual growth rate of around 15% in earnings per share for corporations included in the Standard & Poor's 500 index. The same source reported that analysts predicted the annual growth rate of earnings for the coming 12 months to remain at around 12% (see Chart 24). US earnings and stock prices have thus remained resilient both to the renewed rise in oil prices over the past three months and to the heightened geopolitical tensions.

The double-digit increase in euro area stock prices over the past three months has resulted in a continuation of the very strong stock price performance in the euro area over the past year or so. The surge in equity prices reflected a persistently strong actual and expected growth of corporate profits. In February, Thomson Financial Datastream reported an actual annual growth rate of around 16% in earnings of corporations included in the Dow Jones EURO STOXX index. The same source reported that analysts expected an annual growth of 8% in earnings per share for corporations included in the Dow Jones EURO STOXX index over the next 12 months.

This high expected growth rate of euro area corporations' earnings is consistent with the positive assessment that can be deduced from survey-based indicators of euro area business sentiment. Over the last twelve months, one interesting feature in global stock markets has been the stronger performance of euro area stock prices in comparison with those in the United States. This

**Chart 23 Implied stock market volatility**

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



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

**Chart 24 Expected growth in corporate earnings per share in the United States and the euro area**

(percentages per annum; monthly data)



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

development can to some extent be related to a widening of the interest rate differential between the United States and the euro area, and also to the depreciation of the euro vis-à-vis the US dollar (see Box 5).

The financial, industrial and utility sectors have outperformed the overall index over the past three months (see Table 3). The financial sector probably benefited from the current environment of low inflation and low interest rates, while the industrial and utility sectors may have been supported by improved business sentiment in the euro area and by the increase in oil prices in the latter sector over that period.

**Table 3 Price changes and historical volatility in the Dow Jones EURO STOXX economic sector indices**

(price changes as percentages of end-of-period prices; historical volatility as percentages per annum)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Technology	Telecommunications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> (end-of-period data)	5.3	6.7	11.3	7.3	34.4	3.9	10.7	5.3	6.5	8.7	100.0
<b>Price changes</b> (end-of-period data)											
2004 Q4	9.9	6.3	5.0	1.6	11.2	1.8	6.6	6.6	17.0	11.1	8.3
2005 Q1	6.0	7.5	6.3	9.7	4.7	0.1	5.3	-1.2	-4.0	3.7	4.3
2005 Q2	-0.8	1.8	2.6	11.4	2.8	5.6	5.2	10.1	-0.3	8.2	4.4
2005 Q3	12.5	1.7	11.8	14.1	9.8	4.5	7.0	4.8	1.3	6.5	8.1
2005 Q4	6.2	4.3	0.6	-6.3	9.0	6.5	7.1	7.0	-4.1	5.7	4.5
January	6.0	1.1	4.4	6.0	4.7	3.0	7.1	2.3	-4.7	6.9	4.1
February	1.0	1.3	3.2	-4.8	5.9	-2.9	3.6	1.7	1.7	5.2	3.0
End-Nov. 2005 to 1 March 2006	12.7	9.1	11.9	1.5	16.4	7.2	20.0	8.6	-1.1	18.6	12.4
<b>Volatilities</b> (period averages)											
2004 Q4	12.8	10.4	11.5	10.9	10.1	15.5	9.8	19.2	12.9	9.8	10.1
2005 Q1	10.6	8.4	8.5	11.6	8.8	16.5	9.3	14.7	9.9	13.0	8.2
2005 Q2	13.1	10.1	11.0	13.8	10.7	14.9	11.8	17.1	12.1	12.3	10.3
2005 Q3	12.8	8.4	12.2	15.9	11.2	12.0	9.4	18.0	10.9	12.3	10.0
2005 Q4	13.2	10.4	11.3	20.1	10.6	13.6	11.3	14.7	11.0	11.3	10.2
January	17.5	10.3	12.6	13.2	14.7	13.6	14.9	18.4	16.0	12.4	11.8
February	10.4	9.2	10.5	17.8	10.3	11.9	8.7	11.4	13.2	14.7	8.5
End-Nov. 2005 to 1 March 2006	12.9	9.3	10.6	14.9	11.7	13.2	10.9	13.6	12.7	13.2	9.6

Sources: Thomson Financial Datastream and ECB calculations.

Notes: Historical volatilities are calculated as the annualised standard deviation of daily index level changes over the period. Sector indices are shown in the "Euro area statistics section" of this issue of the Monthly Bulletin.

**FACTORS BEHIND THE RECENT DECOUPLING OF EURO AREA STOCK PRICES FROM THOSE IN THE UNITED STATES**

Over the past year, stock prices have posted large gains in the euro area, while they have stagnated in the United States. Between end-December 2004 and end-December 2005, the Dow Jones EURO STOXX broad index surged by nearly 23%, compared with an increase of just under 4% in the Standard & Poor's 500 index. That euro area stock prices have performed so much better than US stock prices may appear hard to reconcile with the relatively weaker economic growth, both actual and expected, in the euro area. If at all, this should have favoured US equities. This box suggests that a number of other fundamental factors, including a more favourable development of corporate earnings, a weaker euro vis-à-vis the US dollar and more subdued interest rate increases in the euro area, may explain why the euro area stock market has outperformed that in the United States.

In order to assess factors which may have widened the gap between stock prices in the two economic areas, it may be useful to recall that, in theory, the price of a share is equal to the sum of expected future dividends discounted by a measure of the risk-free interest rate plus the risk premium that investors demand for holding stocks. In carrying out this valuation, expected future dividends can be replaced by earnings expectations, assuming that a given fraction of the earnings will be paid out as dividends. Differences in the trends of stock prices from one economy to another must therefore originate from differences in profitability, interest rates and the equity premium.

Starting with developments in relative profitability, according to earnings data on the Dow Jones EURO STOXX index and the Standard & Poor's 500 index provided by Thomson Financial Datastream, earnings per share grew more strongly in the euro area than in the United States in both 2004 and 2005. Earnings growth in 2005 was not only stronger in the euro area than in the United States, it was also far stronger than anticipated a year earlier. In December 2004, analysts had expected earnings per share to grow by 11.6% in the euro area in 2005, but the actual outcome was 18.3%, almost 7 percentage points higher than anticipated. In the United States, earnings per share grew by 14.1% in 2005, only around 3 percentage points more than expected in December 2004 (see Chart A).

One of the factors that may play a role in explaining differences between stock market developments in the euro area and those in the United States is the exchange rate. Marked exchange rate changes can affect both reported earnings and market perceptions of earnings prospects. The impact of exchange rate changes on the earnings of a specific corporation and, ultimately, on a broad equity index will of course differ, depending on whether firms are more import-oriented or more export-oriented, so that – at an aggregated level – its sign is hardly identifiable and thus becomes a matter of empirics. The chart below shows the exchange rate of the euro vis-à-vis the US dollar, together with the relative stock market performance of the two economies. Since the better performance of euro area equities appears to be closely related to the depreciation of the euro against the US dollar throughout 2005, it seems reasonable to assume that the latter contributed to the more favourable development of the earnings of euro area firms in comparison with those of US firms in 2005, possibly through corresponding general gains in export competitiveness.

**Chart A Earnings surprises in the euro area and in the United States**



Sources: Thomson Financial Datastream and ECB calculations. Note: Earnings surprises are measured as the difference between the actual annual growth of earnings and the growth of earnings expected in December the year before.

**Chart B The relative performance of stock prices in the euro area and the United States, and the EUR/USD exchange rate**



Sources: Reuters and ECB calculations.

As mentioned above, interest rate developments are of relevance for stock prices because they affect the discount factor that investors employ to evaluate stocks. For purposes of gauging the impact of interest rates on stock prices, it is useful to look at long-term real yields in empirical terms. When these yields rise, stock prices – all other things being equal – typically tend to fall. The effects of discount factors on stock prices in the United States in 2005 must have been less favourable than those in the euro area. For instance, the long-term real yield on euro area inflation-linked bonds (with maturity in 2012) changed little between December 2004 and December 2005, while the real yield on comparable 2011-maturity index-linked bonds in the United States increased by about 80 basis points. Hence, it is likely that the strong increase in real bond yields roughly offset the impact of the generally positive development of earnings in the US stock market.

Moreover, euro area stock prices in 2005 may have benefited from the perception among investors that US equities entailed higher risks than euro area stocks. Throughout 2005, for example, in answer to the question as to the region in which they deemed equity markets to be most overvalued and most undervalued respectively (asked in the monthly Merrill Lynch Global Fund Manager Survey), an average net percentage (i.e. the percentage of “most overvalued” less the percentage of “most undervalued”) of around 50% of the fund managers surveyed perceived the US stock markets to be most overvalued. For the euro area, this net percentage averaged about -16%, indicating that fund managers tended to perceive the euro area stock market as undervalued. Such perceptions may have induced institutional investors, in particular, to overweight euro area equities and underweight US equities in their portfolios, thereby affecting relative stock price developments.

As the increases in stock prices on both sides of the Atlantic were generally broadly based, the differences between the overall stock market performance in the euro area and that in the United States are generally properly reflected in corresponding performance differentials across sectors. However, stock prices of corporations in the euro area financial sector – a sector that has a greater weight in the Dow Jones EURO STOXX index than the corresponding US sector

has in the Standard & Poor's 500 index – gained 29% between end-2004 and end-2005. In the United States, stock prices in the financial sector rose far less, namely by around 3.5%, over the same period. This difference in the performance of the financial sectors thus amplified the decoupling of broad-based stock price performance in the two economies. One potential factor behind the stronger increases in European financial stock prices observed in recent years may be found in market speculation about further progress in the consolidation of the European banking sector. Market expectations of further cross-border consolidation may thus have driven the stock prices of European banks upwards (in particular those of potential targets).

Overall, the better performance of euro area stock prices in comparison with those in the United States in 2005 has contributed to a levelling-off of some of the prevailing differences in stock market valuation metrics, such as the price-earnings ratios in the two economies, and could therefore be regarded as part of an equilibration process. At the end of 2004, the ratio of equity prices to corporate earnings in the preceding 12 months was 20.5 for companies in the Standard & Poor's 500 index, while – as measured for companies in the Dow Jones EURO STOXX index – it stood at 14.3 in the euro area. The relative movements of both the equity indices and the corporate earnings in 2005 brought the two price-earnings ratios still closer, to 18.5 and 15.9 respectively, at the end of the year.

## 2.6 FINANCING AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

*The real cost of non-financial corporations' external financing remained low by historical standards in the fourth quarter of 2005. Over the same period, non-financial corporations increased their loan financing further, while their issuance of debt securities remained modest and their issuance of quoted shares picked up somewhat. As a result of the ongoing rise in the growth of debt financing, the sector's debt-to-GDP ratio rose further in the last quarter of 2005.*

### FINANCING COSTS

The real cost of external financing for non-financial corporations in the euro area, as calculated by weighting the cost of different financing sources on the basis of their amounts outstanding (corrected for valuation effects), remained low by historical standards up to the end of the fourth quarter of 2005 (see Chart 25).<sup>3</sup> While the real cost of debt financing increased somewhat, the real cost of issuing quoted equity decreased over the same period.

The real cost of bank lending remained unchanged at low levels in the fourth quarter. As regards the breakdown by maturity, short-term MFI interest rates on loans (with a floating rate and an initial rate fixation of up to one year) to non-financial corporations increased by around 20 to 25 basis points in the fourth quarter, thus reflecting the rise in money market rates over the same period (see Table 4). Long-term MFI interest rates on loans (with an initial rate fixation of over five years) to non-financial corporations only rose by around five basis points in the fourth quarter. This reflected mainly the sluggish pass-through of the increase in corresponding government bond yields to long-term bank lending rates in recent months.

<sup>3</sup> For a detailed description of the measure of the real cost of external financing of euro area non-financial corporations, see Box 4 in the March 2005 issue of the Monthly Bulletin.

Table 4 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points; weight-adjusted<sup>1)</sup>)

							Change in basis points up to Dec. 2005		
	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Nov.	2005 Dec.	2004 Dec.	2005 Sep.	2005 Nov.
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	5.25	5.26	5.13	5.13	5.09	5.13	-12	0	4
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.98	3.91	3.88	3.81	3.92	3.99	1	18	7
with an initial rate fixation of over five years	4.44	4.33	4.20	4.04	3.99	4.07	-37	3	8
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.05	3.01	2.94	2.94	3.07	3.20	16	26	13
with an initial rate fixation of over five years	4.06	4.04	3.89	3.87	3.98	3.95	-11	8	-2
<b>Memo items</b>									
Three-month money market interest rate	2.17	2.14	2.11	2.14	2.36	2.47	30	33	11
Two-year government bond yield	2.36	2.49	2.07	2.21	2.73	2.80	44	59	7
Five-year government bond yield	2.93	3.08	2.58	2.60	3.10	3.07	14	48	-3

Source: ECB.

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

In addition, according to the January 2006 bank lending survey for the euro area, credit standards for loans to enterprises were kept broadly unchanged over the last two quarters, thus indicating continuously favourable credit conditions.<sup>4</sup>

The real cost of market-based debt financing for non-financial corporations increased in the fourth quarter as a result of both higher market interest rates and a widening of corporate bond spreads (see Chart 26), although – by historical standards – it remained at a low level. The rise in corporate bond spreads may reflect a shift in the perception of credit risk towards a slight deterioration in the quality of non-financial corporate credit. This may be linked to market expectations of a rise in the interest burden of enterprises in conjunction with increasing debt ratios of non-financial corporations, although corporate profitability remained strong.

The real cost of equity for non-financial corporations declined in the fourth quarter of 2005, largely reflecting favourable stock market developments. At the same time, the real cost of equity remained significantly higher than the real cost of debt financing.

## FINANCING FLOWS

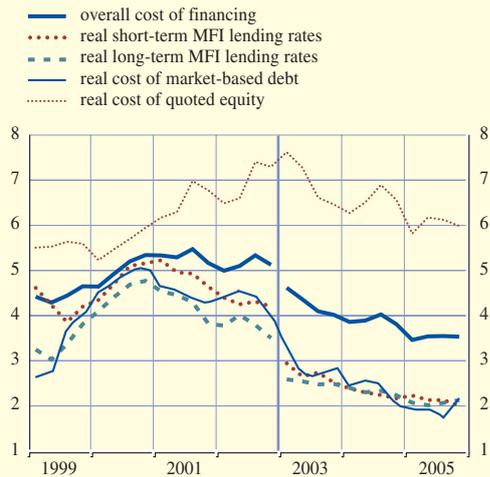
The profitability of non-financial corporations in the euro area remained strong in the third quarter of 2005, as measured in terms of the various profit ratios based on aggregated financial statement data of listed non-financial enterprises in the euro area (see Chart 27).<sup>5</sup> An important reason for the increase in profit ratios has been the decrease in operating expenses relative to sales,

<sup>4</sup> See Box 1 in the February 2006 issue of the Monthly Bulletin.

<sup>5</sup> See the article entitled "Developments in corporate finance in the euro area" in the November 2005 issue of the Monthly Bulletin.

**Chart 25 Real cost of the external financing of euro area non-financial corporations**

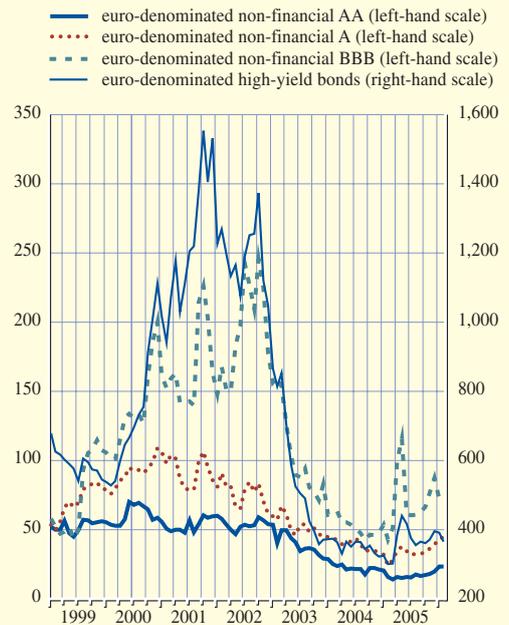
(percent per annum)



Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics forecast.  
Notes: The real cost of the 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.

**Chart 26 Corporate bond spreads of non-financial corporations**

(basis points; monthly averages)



Sources: Thomson Financial Datastream and ECB calculations.  
Note: Non-financial bond spreads are calculated against the AAA government bond yields.

indicating successful restructuring efforts by non-financial corporations. As regards profitability developments across sectors, the level of profitability (measured on the basis of operating and net income in relation to sales<sup>6</sup>) in the wholesale and retail trade sectors, taken together, has generally been lower than that of all listed non-financial enterprises in the euro area. In addition, the recovery of profitability there has been weaker than, for instance, in the manufacturing sector and in the transportation and communication sector, according to evidence from aggregated financial statements. This evidence seems to be in line with the relatively weak private consumption in the euro area.

Over the next 12 months, stock market-based profitability measures indicate that the profitability growth of large listed corporations is expected to moderate somewhat, although it is likely to remain at favourable levels (see Chart 27).<sup>7</sup>

In addition to recourse to abundantly available internal funds, non-financial corporations increased their demand for external financing further in the fourth quarter of 2005 (see Chart 28). The real annual growth rate of external financing of non-financial corporations rose to 2.8% in the fourth quarter, from 2.3% in the third quarter. This development was driven primarily by a further increase in the contribution of MFI loans to non-financial corporations and by a somewhat higher

6 Operating income is defined as sales minus operating expenses. Net income refers to operating and non-operating income after taxation, depreciation and extraordinary items.

7 In addition to non-financial corporations, the measure of corporate earnings based on the Dow Jones EURO STOXX index includes financial corporations.

**Chart 27 Profit ratios of listed euro area non-financial corporations**

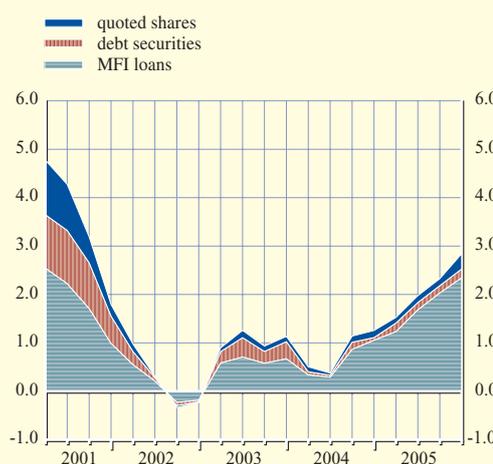
(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: The calculation is based on aggregated quarterly financial statements of listed non-financial corporations in the euro area. The sample has been cleaned of outliers. Compared with operating income, which is defined as sales minus operating expenses, net income refers to operating and non-operating income after taxation, depreciation and extraordinary items.

**Chart 28 Breakdown of the real annual rate of growth of financing to non-financial corporations**

(annual percentage changes)



Source: ECB.  
Note: The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

contribution of quoted shares issued by non-financial corporations. The contribution of debt securities issued by non-financial corporations remained modest.

In particular, the annual growth rate of MFI loans to non-financial corporations increased to 8.0% at the end of the fourth quarter, from 7.3% in the third quarter (see Table 5). The use of bank loans for financing was driven by the low real cost of bank lending, favourable bank credit standards and improved confidence in some sectors of the economy. As regards the breakdown by maturity, the annual growth rate of long-term MFI loans rose further, to 9.0% at the end of the fourth quarter, from 8.5% in the previous quarter. Meanwhile, the annual growth rate of short-term loans increased to 5.9% at the end of the fourth quarter, from 5.6% in the third quarter. The rise in the annual growth rate of long-term MFI loans is in line with both the recovery of fixed capital formation in the euro area and the evidence from the January 2006 bank lending survey for the euro area, which reported that one of the factors contributing to the increase in net demand for loans by non-financial enterprises was fixed investment. In contrast to MFI loans, according to evidence up to the end of the third quarter, the annual rate of change of non-MFI loans granted to non-financial corporations remained negative.

The annual growth rate of debt securities issued by non-financial corporations remained modest at 3.2% at the end of the fourth quarter, after 2.8% in the third quarter. Possible factors behind this moderate growth in a period of favourable real costs of market-based debt financing include the abundant availability of internal funds, the strong growth of bank loans to non-financial corporations and a relatively high level of debt security redemptions. Direct issuance of debt

**Table 5 Financing of non-financial corporations**

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes; end of quarter)				
		2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
<b>MFI loans</b>	3,408	5.4	5.9	6.5	7.3	8.0
up to 1 year	1,038	2.4	3.8	5.6	5.6	5.9
over 1 and up to 5 years	592	6.0	6.7	6.2	6.6	8.6
over 5 years	1,778	7.0	6.9	7.2	8.5	9.0
<b>Debt securities issued</b>	612	1.4	4.3	3.0	2.8	3.2
short-term	89	-3.8	3.0	-2.9	-1.5	-1.2
long-term, of which: <sup>1)</sup>	523	2.4	4.6	4.3	3.6	4.1
fixed rate	414	-1.1	0.6	0.7	0.3	0.4
variable rate	93	30.9	27.4	26.3	18.4	21.0
<b>Quoted shares issued</b>	3,668	0.8	0.6	0.6	0.5	1.0
<b>Memo items<sup>2)</sup></b>						
Total financing	8,124	1.8	2.0	2.8	2.8	4¼
Loans to non-financial corporations	3,912	2.2	3.2	4.2	4.6	5½
Pension fund reserves of non-financial corporations	306	4.8	4.7	4.5	4.6	4½

Source: ECB.

Note: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issues statistics. Small differences 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 may not add up to total long-term debt securities because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.

2) Data are reported from financial account statistics. Total financing of non-financial corporations includes loans, debt securities issued, quoted shares issued and pension fund reserves. Loans to non-financial corporations comprise loans granted by MFIs and other financial corporations. The latest quarter is estimated using data from money and banking statistics and from securities issues statistics.

securities by non-financial corporations may to some extent also have been replaced by indirect financing through non-monetary financial corporations such as special-purpose vehicles, which issued debt securities at an annual growth rate of 24.1% at the end of the fourth quarter, after 21.4% in the third quarter. While the annual rates of change in short-term debt securities and long-term fixed-rate debt securities issued by non-financial corporations have been very low, or even negative, the annual growth rate of long-term debt securities financed at variable rates continued to be high in the fourth quarter of 2005.

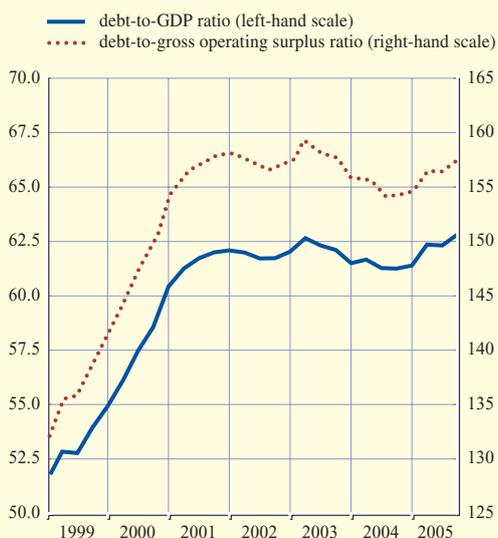
After a period of very subdued net issuance, the annual growth rate of quoted shares issued by non-financial corporations rose to 1.0% at the end of the fourth quarter, from 0.5% in the third quarter. Factors behind this increase were favourable stock market developments, which lowered the real cost of equity, as well as some privatisation activity by governments. The picking-up of equity issuance was supported by the trend in gross issuance via both initial and secondary public offerings. Compared with the strong growth of debt financing, the annual growth rate of quoted shares issued by non-financial corporations nonetheless remained low, probably on account of the higher real cost of equity in comparison with the real cost of debt financing and the increased importance of share buy-back programmes.

### FINANCIAL POSITION

The ongoing growth of overall debt financing by non-financial corporations resulted in a further rise of the sector's debt-to-GDP ratio in the fourth quarter of 2005, to 62.8% (see Chart 29). This may indicate that the period of balance sheet restructuring has, on average, come to an end. Against the background of higher gross fixed capital formation in the euro area, it would seem

**Chart 29 Debt ratios of the non-financial corporate sector**

(percentages)



Sources: ECB and Eurostat.

Notes: The gross operating surplus relates to the gross operating surplus plus mixed income for the whole economy. Debt is reported from financial account statistics. It includes loans, debt securities issued and pension fund reserves. The last available quarter is estimated.

**Chart 30 Net interest payments of non-financial corporations**

(as a percentage of GDP)



Sources: ECB and Eurostat.

Note: Net interest payments relate to interest payments on euro-denominated MFI loans minus interest received on euro-denominated MFI deposits.

that favourable financing conditions and relatively optimistic earnings expectations have been prompting firms to take on more debt and to invest. As regards the evidence across sectors, it seems that listed non-financial corporations in most sectors have started to increase their ratios of debt to total assets in 2005, after a widespread reduction of leverage in 2004.

Overall, despite the recent increase in debt ratios of non-financial corporations, their financial situation appears to be generally favourable at the current stage, mainly on account of the robust level of corporate profits and a persistently low interest burden (see Chart 30).

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*Household borrowing strengthened further in the fourth quarter of 2005, reflecting robust growth in both loans for house purchase and consumer credit. Loan demand continued to be fostered by favourable financing conditions and buoyant housing market developments in several euro area countries. As a result of the strong growth in borrowing, the indebtedness of euro area households, measured as a proportion of GDP, increased further, but remained at levels which are still relatively moderate by international standards.*

## FINANCING CONDITIONS

Information from bank interest rate statistics and the bank lending survey<sup>8</sup> point to continued favourable financing conditions for the euro area household sector in the fourth quarter of 2005.

On a quarterly average basis, MFI lending rates on loans for house purchase in the fourth quarter remained broadly unchanged compared with the previous quarter. While rates on loans with a shorter maturity rose somewhat, those on loans with a longer maturity declined slightly, compressing the implied spread between the rates on longer and shorter maturities to the lowest level observed since the beginning of the series in early 2003. Looking at individual months, rates on loans for house purchase increased across all maturities between November and December 2005 (see Chart 31).

The picture for MFI lending rates on consumer credit was somewhat different, with average rates in the fourth quarter of 2005 being somewhat lower than in the third quarter for loans at both shorter and longer maturities. However, in December rates on consumer credit with shorter maturities rose slightly, while those on loans with longer maturities continued to decline.

In the January 2006 bank lending survey, banks reported, on balance, a slight tightening of credit standards for the approval of loans for house purchase and consumer credit, although the change compared with the previous quarter was relatively small for consumer credit. In the case of credit standards for housing loans, the difference between the October 2005 and January 2006 surveys reflected, in particular, a perception of increased competition from other banks, while in the case of credit standards on loans for consumer credit it mainly reflected risks stemming from lower consumer creditworthiness. The changes in credit standards were in each case predominantly achieved via an increase in margins on riskier loans.

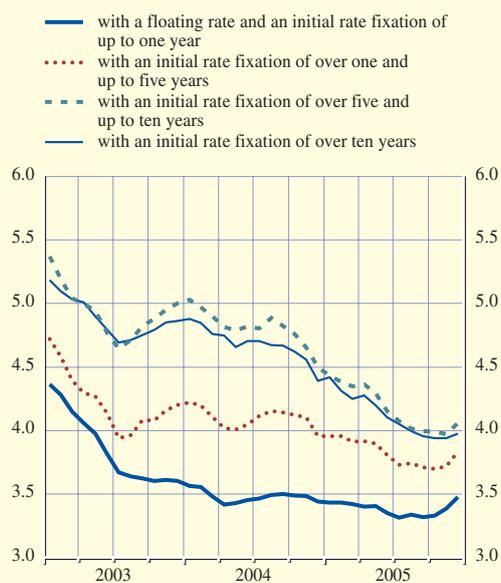
## FINANCING FLOWS

The annual growth rate of total loans to the household sector – as measured by quarterly financial accounts data – increased to 8.6% in the third quarter of 2005 (the most recent period for which data are available), from 8.5% in the preceding quarter. Data on MFI loans, which represent around 90% of total outstanding household loans, suggest that this strengthening continued in the fourth quarter of 2005. Since mid-2003 the annual rate of growth of loans to households from non-monetary financial institutions, comprising other financial intermediaries (OFIs) and insurance corporations and pension funds (ICPFs), has declined considerably (see Chart 32). Box 6 discusses the development and nature of loans to euro area households from non-monetary financial institutions.

<sup>8</sup> See the box entitled “The results of the January 2006 bank lending survey for the euro area” in the February 2006 issue of the Monthly Bulletin.

Chart 31 MFI interest rates on loans to households for house purchase

(percentages per annum; excluding charges; rates on new business; weight-adjusted<sup>1)</sup>)

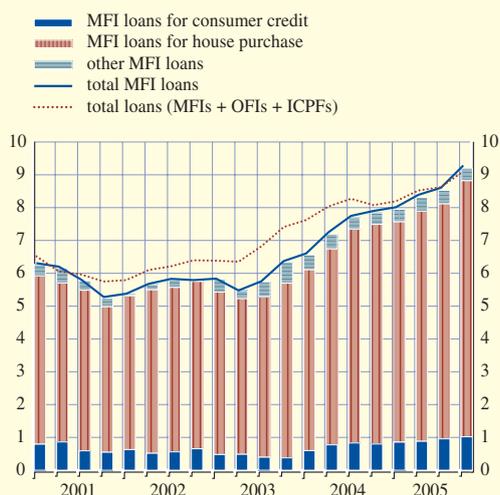


Source: ECB.

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

Chart 32 Total loans granted to households

(annual growth rates in percentages; contributions in percentage points; end of quarter)



Source: ECB.

Note: Total loans (MFIs + OFIs + ICPFs) for the fourth quarter of 2005 have been estimated on the basis of transactions reported in money and banking statistics. For information on differences in the calculation of growth rates, see the relevant technical notes.

Chart 33 Ratio of household debt to GDP

(in percentages)



Source: ECB.

Note: These data, compiled on the basis of the quarterly financial accounts, show the ratio of household debt to GDP as being somewhat lower than would be the case if they were based on the annual financial accounts, mainly because loans granted by banks outside the euro area are not included. Data for the last quarter shown have been partly estimated.

Looking at the MFI data available up to January 2006, the dynamics of household borrowing continued to strengthen and be driven mainly by robust demand for loans for house purchase. The annual growth rate of loans for house purchase was 11.7% in January, after averages of 11.0% and 10.7% in the fourth and third quarters of 2005 respectively. According to the January 2006 bank lending survey, the strong demand for mortgages is underpinned by households' favourable assessment of housing market prospects and a strong improvement in consumer confidence.

The annual growth rate of consumer credit was 8.0% in January, following average rates of 7.8% and 6.9% in the fourth and third quarters of 2005 respectively. This strengthening is in line with the results of the bank lending survey, in which banks reported, on balance, continued strong demand for consumer credit, supported by an improvement in consumer confidence and strong spending on durable consumer goods. The annual growth rate of other lending to households was 1.8% in January, following averages of 2.3% and 2.2% in the fourth and third quarters of 2005 respectively.

## FINANCIAL POSITION

As a result of the continued strong growth in household borrowing, the ratio of household debt to GDP rose further and is estimated to have stood at approximately 57% of GDP in the fourth quarter of 2005 (see Chart 33), mainly reflecting long-term debt. Despite this continued rise, the level of indebtedness has remained relatively moderate by international standards. The total debt servicing burden of the household sector (interest payments plus repayments of principal) has been broadly unchanged in recent years as a percentage of disposable income, owing to the prevailing low levels of interest rates.

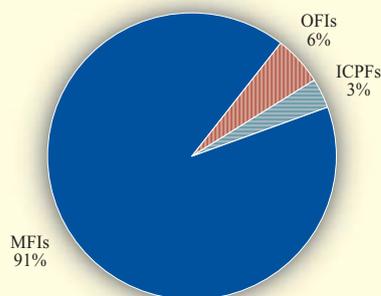
Box 6

**DEVELOPMENT AND NATURE OF NON-MFI LOANS TO HOUSEHOLDS**

Loans from monetary financial institutions (MFIs) as reported in the main text represent the most important source of financing for households. According to the quarterly Monetary Union financial accounts, loans from MFIs constitute slightly more than 90% of total outstanding amounts (see Chart A), with loans from non-monetary financial institutions (non-MFIs) accounting for the remainder.<sup>1</sup> Non-MFI loans comprise loans granted by other financial intermediaries (OFIs) and insurance corporations and pension funds (ICPFs). While non-MFI loans represent a minor share of household loans, their dynamics in the past couple of years have been much stronger than those of MFI loans and have thus had a noticeable impact on the strength of growth in total household loans, contributing up to 1.0 percentage point to the annual growth rate (see Chart B). Against this background, this box reviews developments in the dynamics of non-MFIs' loans to households and provides some information on the nature of these loans. The data are available only up until the third quarter of 2005 (data for the fourth quarter of 2005 will become available in early May 2006).

**Chart A Total loans to households**

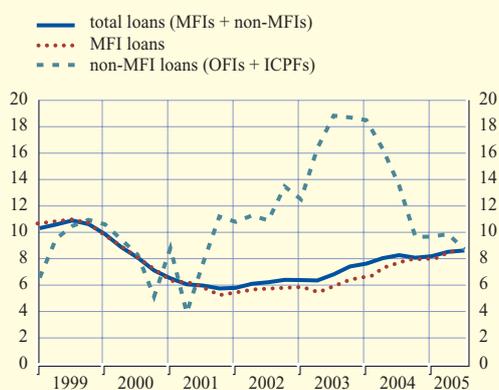
(shares of total outstanding amounts; Q3 2005; end of quarter)



Source: ECB.

**Chart B Total loans granted to households**

(annual percentage changes; end of quarter)



Source: ECB.

Currently around 65% of the outstanding loans from non-MFIs are accounted for by loans from OFIs. The OFI sector consists of very different entities, such as investment funds, financial vehicle corporations and securities dealers. The remaining 35% are accounted for by loans from ICPFs. Chart C shows that the fact that growth in non-MFI loans has been much stronger than in MFI loans in recent years has been entirely due to the robust dynamics of loans from the OFI sector, given that growth in loans from ICPFs has been on a broad downward trend since end-2001 and has been uniformly lower than growth in MFI loans. Since mid-2004 growth in loans from ICPFs has even been negative.

<sup>1</sup> It should be noted that the data on non-MFI loans do not generally cover the entire population of institutions, which implies that a certain underestimation of loans is likely. As a result, these data should be assessed with some caution. Total loans do not include loans from non-euro area residents.

The bulk of non-MFI loans to households reflect long-term debt (around 97% in the case of OFIs and around 95% in the case of ICPFs). This feature has remained stable over the period for which data are available and suggests that non-MFI loans to households are predominantly (collateralised) loans for house purchase. This structure is generally similar across the euro area countries. As a comparison, loans from MFIs are also predominantly long-term debt (around 93%), reflecting in particular the fact that loans for house purchase account for around 70% of all MFI loans to households.

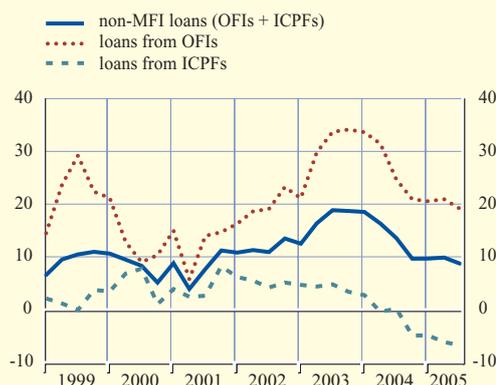
The strong growth in OFI loans is likely to reflect securitisation. For example, there is some evidence that several euro area countries witnessed a considerable volume of true-sale securitisation in 2004. True-sale loan securitisation typically involves transferring loans from the MFI balance sheet to the balance sheet of a financial vehicle corporation and thus reduces the amount of MFI loans (in terms of both stocks and flows), while at the same time increasing the amount of OFI loans.<sup>2</sup>

Comparing across countries, the largest share of OFI loans in total household debt can be observed in the Netherlands, followed by Spain and Italy. Spain and the Netherlands are also the countries where growth in OFI loans has on average been most significant over the past few years. For these countries, a large majority of these loans consisted of securitised residential mortgages in an environment where loans for house purchase have seen very strong growth. Loans from ICPFs, on the other hand, are relatively important as a source of household financing in Germany, the Netherlands and France. The slow growth in ICPF loans observed in recent years may be related to changes to tax systems in some euro area countries making ICPFs a less attractive source of external funding.

To conclude, the non-MFI sector has been important for overall household loan developments in recent years. Looking ahead, this importance is likely to continue. For instance, as the pay-as-you-go social security systems in a number of countries are complemented by funded systems, households will increasingly generate assets held with insurance corporations and pension funds against which they can borrow. Therefore, any analysis of household financing will need to look beyond MFI loans to incorporate an assessment of OFI and ICPF loans and would benefit from the provision of more timely and detailed data on OFIs' and ICPFs' balance sheets.

Chart C Non-MFI loans granted to households

(annual percentage changes; end of quarter)



Source: ECB.

<sup>2</sup> There are two main types of loan securitisation: true-sale securitisation and synthetic securitisation. While true-sale securitisation involves the actual transfer of loans off the original creditor's balance sheet, synthetic securitisation only transfers the associated credit risk, while the loans remain on the original creditor's balance sheet. See the box entitled "The impact of MFI loan securitisation on monetary analysis in the euro area" in the September 2005 issue of the Monthly Bulletin.

## 3 PRICES AND COSTS

*Euro area inflation edged up to 2.4% in January. While the short-term movements of the HICP are dominated by energy price fluctuations, the latest indicators show that thus far indirect effects of recent energy price increases have been modest and wage developments have remained subdued. At the same time, changes in administered prices and indirect taxes are expected to significantly impact on inflation in 2006 and 2007. The outlook for price developments is surrounded by several upside risks, notably those related to future oil price developments and potential second-round effects in wage and price setting. In addition, further increases in administered prices and indirect taxes could also put upward pressure on euro area inflation.*

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR FEBRUARY 2006

According to Eurostat's flash estimate, HICP inflation decreased in February to 2.3%, from 2.4% in January (see Table 6), thus indicating that, after the pick-up in January, the annual HICP inflation may start to decline again. Although no breakdown is available so far, this decrease could be related to the energy price component as the annual rate of growth in energy prices is likely to have declined slightly due to a base effect in February.

#### HICP INFLATION UP TO JANUARY 2006

After a continuous decline since September, overall HICP inflation increased to 2.4% in January, up from 2.2% in the previous month. The pick-up in inflation was due to an increase in energy prices and a base effect which impacted on unprocessed food prices.

Following the increase in oil prices in January, the annual rate of growth of energy prices increased by 2.4 percentage points to 13.6%. The increase was mainly driven by heating and transport fuels and also by the persistent rise in gas prices. Unprocessed food prices grew by 2.0% year on year in January, compared with 1.5% in December, as a result of a base effect arising from the modest price developments of vegetables in January 2005.

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

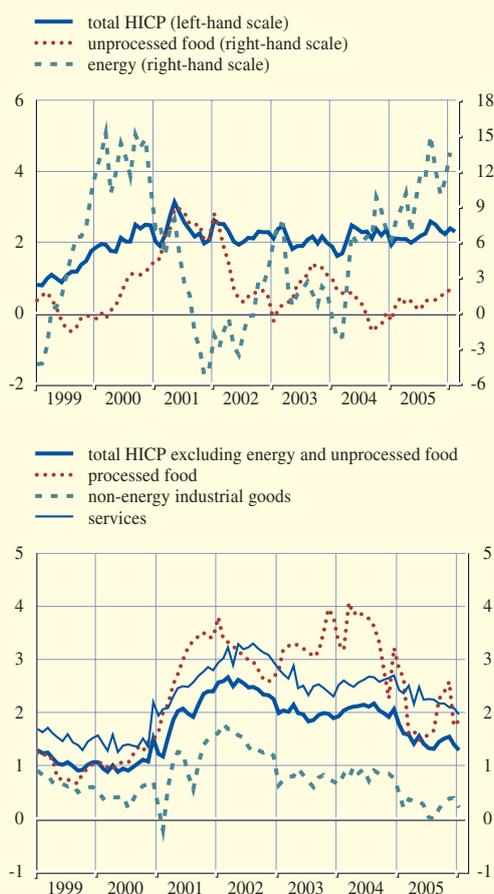
	2004	2005	2005 Sep.	2005 Oct.	2005 Nov.	2005 Dec.	2006 Jan.	2006 Feb.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.2	2.6	2.5	2.3	2.2	2.4	2.3
Energy	4.5	10.1	15.0	12.1	10.0	11.2	13.6	.
Unprocessed food	0.6	0.8	1.0	1.1	1.5	1.5	2.0	.
Processed food	3.4	2.0	2.3	2.4	2.6	1.8	1.8	.
Non-energy industrial goods	0.8	0.3	0.2	0.3	0.4	0.4	0.2	.
Services	2.6	2.3	2.2	2.2	2.1	2.1	2.0	.
<b>Other price indicators</b>								
Industrial producer prices	2.3	4.1	4.4	4.2	4.2	4.7	.	.
Oil prices (EUR per barrel)	30.5	44.6	52.2	49.3	47.9	48.5	52.5	51.8
Non-energy commodity prices	10.8	9.4	13.2	17.4	22.5	29.8	23.1	23.2

Sources: Eurostat, HWWA and ECB calculations based on Thomson Financial Datastream.

1) HICP inflation in February 2006 refers to Eurostat's flash estimate.

**Chart 34 Breakdown of HICP inflation: main components**

(annual percentage changes; monthly data)



Source: Eurostat.

In contrast to overall inflation, the annual rate of growth of the HICP excluding energy and unprocessed food prices declined slightly to 1.3% in January, from 1.4% in December. Regarding the components, the year-on-year rate of change in processed food prices remained unchanged at 1.8%. The low price increases of non-energy industrial goods that had been observed since early 2005 continued in January (see Chart 34). Non-energy industrial goods prices grew by 0.2% year on year, facilitated by seasonal discounting in clothing and footwear prices. The downward trend in the year-on-year growth rate of services prices also continued, which may relate to subdued developments in January in transport and miscellaneous services prices.

With the recent release of euro area HICP data for January, Eurostat also introduced several presentational and compilation changes, namely a new index reference year, new rounding practices and new expenditure weights. These changes are described in more detail in Box 7 entitled “New compilation and publication practices for the euro area HICP”.

**Box 7****NEW COMPILATION AND PUBLICATION PRACTICES FOR THE EURO AREA HICP**

On 28 February 2006 Eurostat released the euro area HICP for January 2006, including several presentational and compilation changes.<sup>1</sup> First, a new reference year has been introduced. Second, some changes have been made to the rounding practices for HICP indices to improve the transparency and accuracy of euro area HICP growth rates. Furthermore, the yearly update of the expenditure weights used for the calculation of the HICP has also taken place. This box explains these changes in more detail.

<sup>1</sup> These were announced in the Eurostat News Release 146/2005 on 16 November 2005.

### New index reference year

Since the initial publication of the HICP in 1997, the index level series have been published with reference to the base year 1996. With the January 2006 release, the index reference period is now set at 2005 = 100. The rebasing simplifies the presentation of the HICP indices and is desirable following several extensions of the product coverage of the HICP and the enlargement of the EU. It should be noted that the update of the index reference year is merely a presentational change and has no influence on the published euro area inflation rates, owing to the new rounding practices described below.

### New rounding practices

Up to now, euro area HICP indices and inflation rates were generally compiled from HICPs rounded to one decimal place. In order to improve the accuracy of euro area inflation rates in particular, Eurostat has slightly revised its compilation and publication policies. The new procedures – applied to HICPs from 2006 – will reduce rounding effects in the compilation of euro area inflation from national data.

Under the new practices, firstly, euro area indices are compiled from national indices with several decimal places (instead of indices rounded to one decimal place). Secondly, Eurostat has started publishing euro area indices rounded to two decimal places (instead of one). Thirdly, the euro area inflation rates are calculated on the basis of the published index levels and disseminated rounded to one decimal place (as was also the practice up to now). In parallel, most EU countries (eight euro area countries and nine other EU countries) also moved to the publication of HICP indices with two decimals starting with the January 2006 release.

### New expenditure weights for 2006

Eurostat and the national statistical institutes update the expenditure weights for the calculation of the HICPs every year in order to maintain the representativity of the indices in terms of

**Table A Euro area HICP product weights**

(percentage of overall index)

	Total	Unprocessed food	Processed food incl. alcohol & tobacco	Industrial goods excluding energy	Energy	Housing services	Transport services	Communication services	Recreation & personal services	Miscellaneous services
2005	100.0	7.5	12.0	31.0	8.6	10.3	6.3	2.9	14.6	6.6
2006	100.0	7.4	11.8	30.7	9.2	10.3	6.4	2.9	14.5	6.6

**Table B Euro area HICP country weights**

(percentage of euro area total)

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
2005	3.3	29.0	2.7	11.4	20.7	1.3	19.2	0.3	5.2	3.1	2.1	1.6
2006	3.4	28.7	2.9	12.0	20.3	1.3	19.1	0.3	5.2	3.1	2.2	1.6

Source: Eurostat.

Note: Weights may not add up to 100 due to rounding.

consumers' expenditure<sup>2</sup> and the comparability of national results. The update is carried out for both the product expenditure shares in each country and the country shares across the euro area and the EU. It should be noted, however, that the practices for updating the HICP expenditure shares differ to some extent across the euro area countries, in particular due to differences in the availability of statistical information to update consumption volumes at detailed product level.<sup>3</sup>

The tables above compare the product and country weights for 2005 and 2006. Similar to previous years, the annual update has had only a small effect on the HICP weights. The weight of energy has slightly risen to 9.2%, which mainly reflects higher expenditures owing to increased energy prices. The overall weight of services in the euro area HICP has remained unchanged at 40.8%. HICP country weights are based on private consumption expenditure as recorded in the national accounts. As a consequence, changes in the HICP country weights may also reflect revised national accounts data.

<sup>2</sup> See also Box 3 of the March 2004 issue of the Monthly Bulletin.

<sup>3</sup> See Box 4 of the April 2003 issue of the Monthly Bulletin.

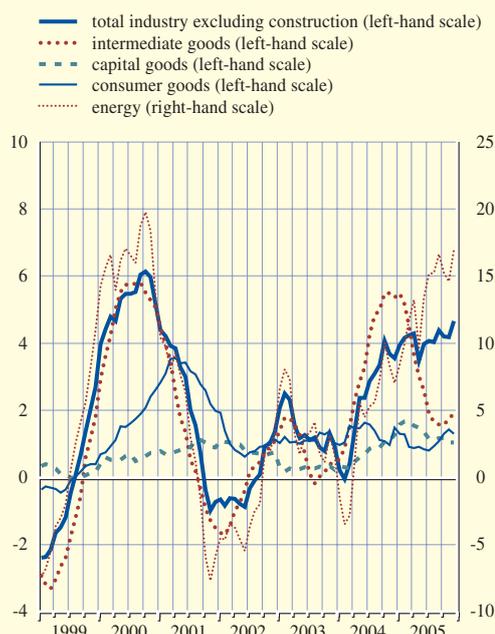
### 3.2 INDUSTRIAL PRODUCER PRICES

The annual growth rate of overall producer prices excluding construction rose to 4.7%, up from 4.2% in November (see Chart 35). This increase, however, was due to a base effect in the annual growth rate of the energy component, as oil prices rose only slightly on average during December 2005. Excluding energy and construction, the year-on-year rate of growth of producer prices remained stable at 1.5%, maintaining the moderate growth rate observed since mid-2005. Thus the overall picture remains that price pressures coming from oil prices have been strong, but the pass-through to prices at later stages of the production chain has been limited.

The stable annual rate of change of producer prices excluding construction and energy masked a small decline in the annual rate of change of consumer goods prices in December. The annual rate of growth of consumer goods prices had been on a steady rise, mainly driven by tobacco and food prices, since mid-2005, but the upward movement did not continue in December. The recent decline was caused by a base effect from an increase in German tobacco taxes in December 2004. The annual rate of change in intermediate goods prices increased slightly, while the annual growth of capital goods prices has remained subdued in recent months.

**Chart 35 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)

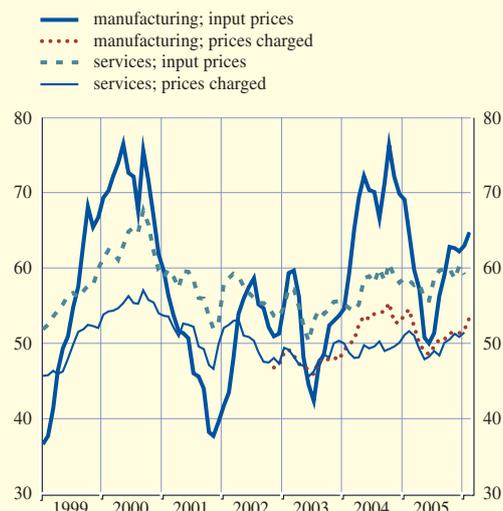


Sources: Eurostat and ECB calculations.

Price-related survey data for the manufacturing sector suggest a further increase in input price pressures in February. The Eurozone Manufacturing Input Price Index picked up and stood at 64.8 in February, the highest level observed over the last twelve months (see Chart 36). Although the indicator of manufacturing selling prices also increased, the relatively low level of the index compared with the previous upsurge in oil prices still indicates a limited pass-through of higher input prices to producer prices. The indicator of services sector input prices declined somewhat in January, but still stands at 59.2, well above the no-change threshold. High energy prices continue to be cited as a factor behind strong input price pressures. The selling price indicator in the services sector has been above the 50 threshold since September 2005, indicating an increase in the prices charged. However, the gap between the input and selling price indicators is still large by historical standards, which may suggest that the pass-through of higher input costs to selling prices has been weak so far also in the services sector.

**Chart 36 Producer input and output price surveys**

(diffusion indices; monthly data)



Source: NTC Economics.

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

### 3.3 LABOUR COST INDICATORS

The euro area indicator of negotiated wages provides the earliest information on labour cost developments in the last quarter of 2005. The annual rate of growth in negotiated wages declined to 2.0% in the fourth quarter of 2005, from 2.1% in the previous quarter (see Table 7). As regards 2005 as a whole, the annual average growth rate in negotiated wages remained at 2.1%, similar to the rate of 2004. This suggests that thus far there have been no significant second-round effects from the rise in energy prices on euro area wages. Strong international competition and subdued domestic demand pressures are likely to have helped to mitigate upward pressures on negotiated wages in most euro area countries.

All other available indicators of labour cost growth support the overall picture of moderate wage growth in the euro area (see Chart 37). The growth of total hourly labour costs has tended to decline since the beginning of 2005, reaching 2.2% in the third quarter. The annual rate of growth of compensation per employee has been hovering around 1.5% since mid-2004. At the sectoral level, the positive gap between the annual rates of change of compensation per employee in the manufacturing and the services sector remained (see Chart 38).

With a recovery in economic activity, productivity growth also firmed in the course of 2005. Combined with moderate wage growth, the upturn in productivity put downward pressure on unit labour costs growth. Consequently, the annual rate of growth of unit labour costs decreased to 0.7% in the third quarter. It is thus likely that inflationary pressures stemming from the labour market were subdued until the third quarter of 2005.

**Table 7 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2004	2005	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
Negotiated wages	2.1	2.1	2.0	2.2	2.1	2.1	2.0
Total hourly labour costs	2.5	.	2.4	3.2	2.5	2.2	.
Compensation per employee	2.0	.	1.7	1.5	1.4	1.6	.
<i>Memo items:</i>							
Labour productivity	1.1	.	0.7	0.4	0.5	0.9	.
Unit labour costs	0.9	.	1.1	1.1	0.9	0.7	.

Sources: Eurostat, national data and ECB calculations.

### 3.4 THE OUTLOOK FOR INFLATION

In the short term, annual inflation rates are likely to remain above 2%, reflecting developments in energy prices. However, the latest indicators do not suggest that any significant underlying domestic inflationary pressures are building up in the euro area. Indirect effects of recent energy price increases have been modest, and wage developments, in particular, remained subdued. At the same time, changes in administered prices and indirect taxes are expected to significantly impact on inflation in 2006 and 2007. The ECB staff macroeconomic projections for the euro area for March 2006 anticipate that HICP inflation will lie between 1.9% and 2.5% in 2006, and between 1.6% and 2.8% in 2007 (see Box 8 entitled “ECB staff macroeconomic projections for the euro area”). Several upside risks to these projections should be taken into account, notably those related to future oil price developments and potential second-round effects in wage and price setting. In addition, further increases in administered prices and indirect taxes could also put upward pressure on euro area inflation.

**Chart 37 Selected labour cost indicators**

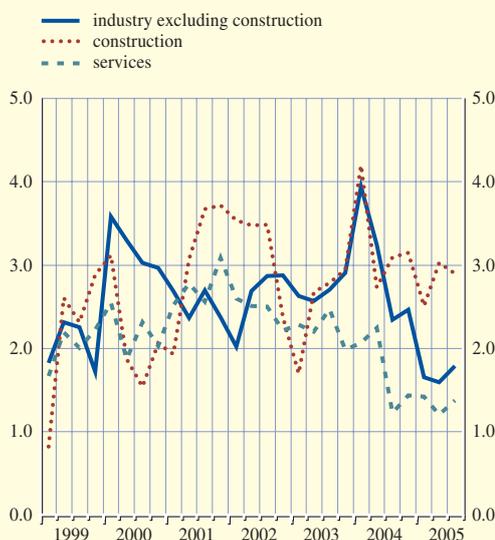
(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

**Chart 38 Sectoral compensation per employee**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

According to Eurostat's flash estimate, euro area real GDP rose by 0.3% quarter on quarter in the fourth quarter of 2005, after increasing by 0.6% in the previous quarter. Available country information suggests that this is likely to reflect low consumption growth and a negative net trade contribution, while investment growth remained relatively strong. The strength of investment growth in the second half of 2005, together with other indicators (notably that of surveys), suggests that the slowdown in the fourth quarter is likely to be temporary. In 2005 as a whole, euro area real GDP grew by 1.4% year on year, compared with 1.8% in 2004. Economic activity is expected to be stronger in 2006, supported by strong global growth, the prevailing favourable economic and financial conditions, and signs of improvement in the labour market. However, downside risks to the outlook remain, stemming mainly from uncertainties surrounding oil price developments and global imbalances.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

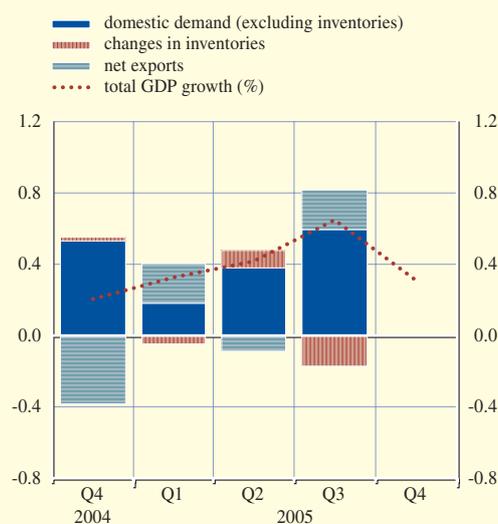
According to Eurostat's flash estimate, euro area real GDP rose by 0.3% quarter on quarter in the fourth quarter of 2005, after increasing by 0.6% in the previous quarter (see Chart 39). While real GDP growth in the fourth quarter of last year was not expected to be as strong as in the third quarter, Eurostat's release surprised slightly on the downside. According to available country information, this slowdown is likely to reflect low consumption growth and a negative net trade contribution, partly owing to a correction from the strong growth of euro area exports observed in the third quarter of last year. Investment growth, however, is likely to have remained relatively strong.

In 2005 as a whole, euro area real GDP grew by 1.4% year on year on a working day-adjusted basis, compared with 1.8% in 2004. Beyond its impact on average growth in 2005, the pace of economic activity in the last quarter of 2005 also implies a carry-over effect<sup>1</sup> of 0.7% on average annual real GDP growth in 2006, which is in line with its historical average since 1996 and stronger than in the previous year. The strength of investment growth in the second half of 2005, together with other indicators, would point to more positive developments at the start of 2006. The release of the biannual EC Survey on investment, conducted in the fourth quarter of last year, also points to an increase in investment volume growth planned by firms in 2006, compared with 2005.

Overall, the conditions are in place for an ongoing economic expansion. The favourable external environment is providing support for euro area exports. The extended period of very

Chart 39 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.  
Note: The latest observation for total GDP growth refers to Eurostat's flash estimate.

<sup>1</sup> The intuitive definition of this effect is how much GDP would grow in 2006 if all quarterly growth rates in that year were zero. A detailed explanation of the concept of carry-over effects on annual average growth rates of real GDP can be found in Box 6 entitled "Carry-over effects on annual growth rates of real GDP" in the December 2001 issue of the ECB's Monthly Bulletin.

**Chart 40 Industrial production growth and contributions**

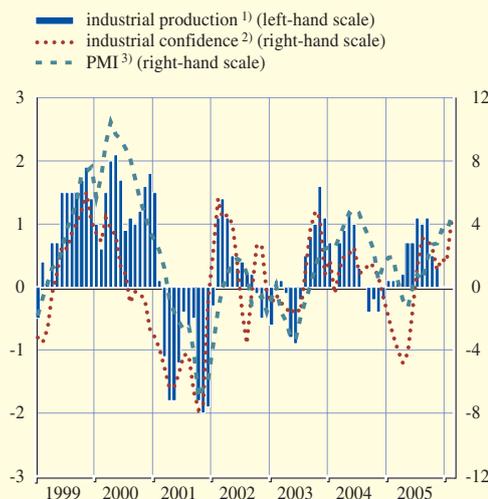
(growth rate and percentage point contributions; seasonally adjusted)



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

**Chart 41 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



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

favourable financing conditions, previous balance sheet restructuring and accumulated and ongoing gains in earnings and business efficiency are all supporting investment strength. Consumption should also strengthen over time, in line with household real disposable income, as the labour market situation gradually improves.

### SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

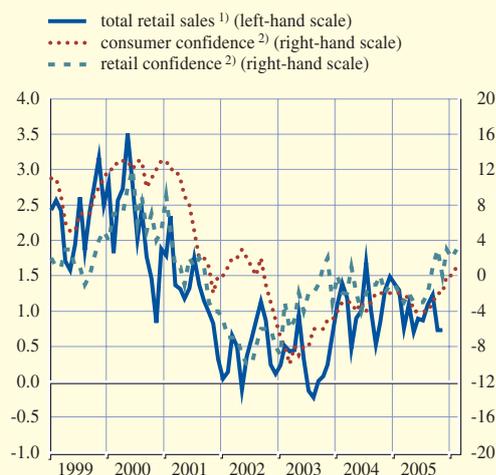
Although the breakdown of value added in the fourth quarter of 2005 is not yet available, various indicators on the sectoral side indicate that the slowdown in activity in this quarter may have been driven largely by developments in the industrial sector, which are likely to reflect some deceleration in export growth.

Industrial production (excluding construction) rose by 0.4% in the fourth quarter of 2005, compared with 0.9% in the third quarter, thereby contributing to the slowdown in overall activity in the fourth quarter. This slowdown was broadly based among the main industrial groupings (see Chart 40). In 2005 as a whole, industrial production (excluding construction) increased by 1.2% compared with 1.9% in 2004. This deceleration is mainly related to developments in the intermediate goods sector and, to a lesser extent, in the capital goods sector.

Industrial new orders in the euro area increased by 2.5% month on month in December 2005. Over the fourth quarter of 2005, industrial new orders increased by 5.3% quarter on quarter, thereby pointing to a continuation of the upward trend observed since the beginning of last year.

**Chart 42 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

1) Annual percentage changes; three-month centred moving averages; working-day adjusted.

2) Percentage balances; seasonally and mean-adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

## SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey results for both the manufacturing and services sectors continue to support expectations of sustained economic expansion. For the manufacturing sector, both the PMI and the EC industrial confidence indicator increased in February. The manufacturing PMI now stands at the level reached in the second half of 2004, and indicates an improvement in the business situation of the industrial sector for the eighth consecutive month. The February increase in the EC industrial confidence indicator was driven by an increase in all components of the index (order books, production expectations and the assessment of stocks) and was broadly based among the three main industrial groupings. Overall, these developments extend the gradual upward trend that the confidence indicator has been following since the second quarter of 2005 (see Chart 41). The EC industrial confidence indicator now stands at its highest level since February 2001.

As regards the services sector, both the PMI and the EC confidence indicator point to positive developments at the start of this year. In January, the PMI for services stood at its highest level since February 2004, following an upward trend which started in the summer of 2005. The EC services confidence indicator slightly decreased in February. However, from a longer-term perspective, the EC services confidence indicator has remained broadly unchanged since the fourth quarter of last year.

## INDICATORS OF HOUSEHOLD SPENDING

Available information suggests that growth in private consumption decelerated somewhat in the fourth quarter of 2005, compared with the previous quarter. Growth in retail sales remained broadly stable in the fourth quarter of last year as a result of slightly increasing sales of food products and broadly constant sales volumes of non-food products. In the same quarter, new passenger car registrations decreased by 1%. Overall, retail sales and new car registrations did not contribute to growth in private consumption in the fourth quarter of 2005. In 2005 as a whole, euro area retail sales grew (on a working day and seasonally adjusted basis) by 1% year on year, compared with 1.1% in 2004.

Consumer confidence increased in February, to stand just above its long-term average. The assessment with regard to savings slightly improved in the same month, while the other components remained unchanged. The gradual improvement in consumer confidence seen since mid-2005, partly driven by a downward trend in unemployment expectations over the same period, points to a moderate recovery in consumption growth (see Chart 42).

## 4.2 LABOUR MARKET

The latest data available suggest that conditions in the euro area labour market continue to improve gradually. An improvement in both employment and survey figures has been observed since last summer for both industry and services sectors, although employment expectations in industry may have turned slightly less optimistic in the first two months of this year.

### UNEMPLOYMENT

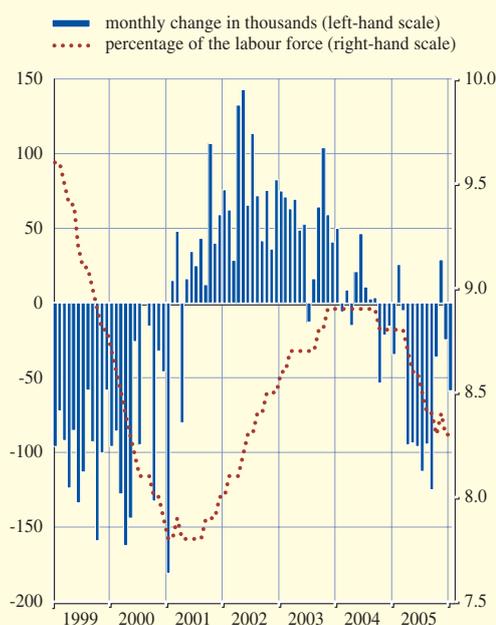
The unemployment rate stood at 8.3% in January 2006 in the euro area, unchanged from the rate in December (see Chart 43). The number of unemployed decreased for the second consecutive month. As in previous months, unemployment data are affected by methodological and institutional changes in Germany. This makes the underlying trend difficult to assess. Excluding Germany, the total number of unemployed in the euro area also declined in January. While the latest data alone do not signal an expansion in employment, taken together with other information on actual and expected employment developments, they point to an improvement in labour market conditions.

### EMPLOYMENT

Employment rose by 0.3% quarter on quarter in the euro area in the third quarter of 2005, following an increase of 0.1% in both the first and the second quarters (see Table 8). This improvement was mainly driven by developments in the services sector, particularly in finance and business services. There was also some improvement in the industry sector, where employment grew by 0.1% in the

Chart 43 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 8 Employment growth

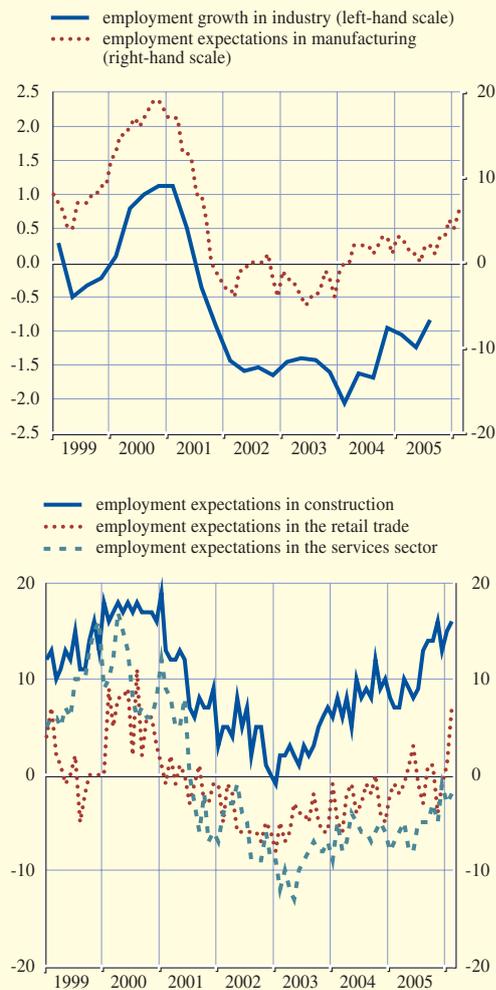
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
Whole economy	0.3	0.7	0.3	0.2	0.1	0.1	0.3
<i>of which:</i>							
Agriculture and fishing	-2.0	-0.8	0.2	-0.4	-1.1	-0.2	-0.8
Industry	-1.0	-0.9	0.0	0.0	-0.6	0.0	0.1
Excluding construction	-1.5	-1.6	-0.5	0.1	-0.8	-0.1	-0.1
Construction	0.2	1.0	1.1	-0.2	-0.1	0.4	0.5
Services	0.9	1.4	0.4	0.3	0.4	0.2	0.4
Trade and transport	0.3	0.9	0.4	0.2	0.1	0.2	0.2
Finance and business	1.3	2.6	0.7	0.5	0.7	0.3	0.6
Public administration	1.3	1.2	0.3	0.4	0.4	0.2	0.4

Sources: Eurostat and ECB calculations.

**Chart 44 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.

third quarter of 2005 (revised upwards by 0.1 percentage point). However, this is due only to positive developments in construction, as employment growth in industry excluding construction remained negative.

Available information from both the European Commission Business Surveys and the PMI in industry would point to mixed developments at the start of 2006. On the one hand, employment expectations from the Business Surveys significantly increased in February 2006 in the manufacturing sector, following a slight decrease in January, in line with the overall upward trend observed since mid-2005 (see Chart 44). On the other hand, employment developments derived from the manufacturing PMI survey would suggest that the upward trend, also observed since the summer of 2005, may have stopped around the turn of the year. The PMI index remained broadly stable in February, following a decrease in January to below the 50 level, indicating no change in employment. Employment expectations in the services sector appear to be more favourable than in the industry sector, according to both the PMI and the EC Survey data, which both point to an upward trend since the summer of 2005.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest data releases support the view that the decline in real GDP growth observed in the fourth quarter of 2005 is only temporary. Available indicators suggest that economic activity is likely to be sustained in 2006, as

shown by the recent improvement in both consumer and industrial confidence. This assessment is in line with forecasts by international and private sector organisations. It is also in line with the latest ECB staff macroeconomic projections for the euro area, which point to real GDP growth between 1.7% and 2.5% in 2006 and between 1.5% and 2.5% in 2007 (see Box 8 entitled “ECB Staff Macroeconomic Projections for the euro area”). However, downside risks to the outlook remain, stemming mainly from uncertainties surrounding oil price developments and global imbalances.

## Box 8

**ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA**

On the basis of the information available up to 17 February 2006, ECB staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is projected to be between 1.7% and 2.5% in 2006, and between 1.5% and 2.5% in 2007. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to range between 1.9% and 2.5% in 2006, and between 1.6% and 2.8% in 2007.

**Technical assumptions about interest rates, exchange rates, oil prices and fiscal policies**

The technical assumption is made that short-term market interest rates and bilateral exchange rates remain unchanged over the projection horizon at the levels prevailing in the two-week period ending 7 February 2006.<sup>2</sup> Short-term interest rates as measured by the three-month EURIBOR are assumed to remain constant at 2.55%. The technical assumption of constant exchange rates implies a EUR/USD exchange rate of 1.21 and an effective exchange rate of the euro that is 1.2% lower than the average for 2005.

The technical assumptions about long-term interest rates and both oil and non-energy commodity prices are based on market expectations in the two-week period ending 7 February. Market expectations for euro area ten-year nominal government bond yields imply a slightly rising profile, from an average of 3.6% in 2006 to an average of 3.7% in 2007. Based on the path implied by futures markets, annual average oil prices are assumed to be USD 66.1 per barrel in 2006 and USD 67.5 per barrel in 2007. The increase in annual average non-energy commodity prices in US dollars is assumed to be 13.7% in 2006 and 3.8% in 2007.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are very likely to pass the legislative process.

**Assumptions with regard to the international environment**

The external environment of the euro area is expected to remain favourable over the projection horizon. Real GDP growth in the United States is projected to remain robust, although at slightly declining rates. Real GDP growth in non-Japan Asia is expected to remain well above the global average, albeit slightly lower than in recent years. Growth in most other large economies is also projected to remain dynamic.

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from 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. 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.

2 Starting in June 2006, Eurosystem and ECB staff macroeconomic projections will be based on the technical assumption that short-term market interest rates will move in line with market expectations rather than remain constant over the projection horizon as currently assumed. This change is of a purely technical nature. It is introduced in order to further improve the quality and the internal consistency of the macroeconomic projections and does not imply any change in the ECB's monetary policy strategy or in the role of projections within it. The Governing Council will continue to base its assessment of the risks to price stability and its policy decisions on a broad set of information provided by the economic and monetary analyses. Macroeconomic projections will continue to play an important but not all-encompassing role in the ECB's strategy, as a staff input which does not embody the judgement of the Governing Council.

Overall, annual growth in world real GDP outside the euro area is projected to average about 4.9% in 2006 and 4.5% in 2007. Growth in the euro area's external export markets is projected to be about 7.3% in 2006 and 6.9% in 2007.

### Real GDP growth projections

Eurostat's flash estimate for euro area real GDP in the fourth quarter of 2005 indicates a slowdown in quarter-on-quarter growth to 0.3%. However, recent survey indicators suggest that economic activity has been gaining momentum and that this drop in real GDP growth is likely to have been temporary. Against this background, it is projected that average annual real GDP growth will be between 1.7% and 2.5% in 2006 and between 1.5% and 2.5% in 2007. Among the driving factors, export growth is expected to continue to support economic activity on the back of the assumed ongoing strength in foreign demand. Private consumption is projected to increase in line with real disposable income, which should be supported by some progress in employment over the projection horizon. However, in 2006 rising energy prices and in 2007 increases in indirect taxes are expected to have a dampening effect on consumption. Total fixed investment growth has recently accelerated and is projected to grow at a robust pace, in a context of continued favourable financing conditions, high profits and favourable demand prospects. Residential private investment is projected to continue to grow at moderate rates over the projection horizon.

### Price and cost projections

The average rate of increase in the overall HICP is projected to be between 1.9% and 2.5% in 2006, and between 1.6% and 2.8% in 2007. The price projections are conditional on a number of assumptions. First, oil prices, which have led to a significant positive contribution from the energy component to HICP inflation in recent years, are assumed to be roughly stable over the projection period. Second, the growth in nominal compensation per employee is assumed to remain moderate over the horizon. The price projections do not embody significant second-round effects from oil price increases on wages. Third, the projections incorporate only those changes in indirect taxes that were known with sufficient certainty before 17 February 2006. Finally, they are based on the expectation that price pressures from non-commodity imports remain low.

**Table A Macroeconomic projections for the euro area**

(average annual percentage changes)<sup>1)</sup>

	2005	2006	2007
HICP	2.2	1.9-2.5	1.6-2.8
Real GDP	1.4	1.7-2.5	1.5-2.5
Private consumption	1.4	1.1-1.7	0.6-2.0
Government consumption	1.2	1.4-2.4	0.8-1.8
Gross fixed capital formation	2.2	2.4-5.0	1.8-5.0
Exports (goods and services)	3.8	4.2-7.2	3.8-7.0
Imports (goods and services)	4.6	4.2-7.6	3.4-6.8

1) For each variable and horizon, ranges are based on the average absolute difference between actual outcomes and previous projections by euro area central banks. The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.

**Table B Comparison with the December 2005 projections**

(average annual percentage changes)

	2005	2006	2007
Real GDP – December 2005	1.2-1.6	1.4-2.4	1.4-2.4
Real GDP – March 2006	1.4	1.7-2.5	1.5-2.5
HICP – December 2005	2.1-2.3	1.6-2.6	1.4-2.6
HICP – March 2006	2.2	1.9-2.5	1.6-2.8

**Comparison with the December 2005 projections**

Compared with the Eurosystem staff macroeconomic projections published in the December 2005 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2006 and 2007 have been adjusted slightly upwards, reflecting a slightly more favourable outlook for the euro area economy.

The new range projected for the annual rate of increase in the overall HICP in 2006 is within the upper part of the range of the December 2005 projections. The range projected for 2007 has been adjusted upwards. This mainly reflects an increase in the assumptions for energy prices, resulting in a larger contribution from the energy component to the overall HICP. By contrast, the projections for the non-energy component are largely unchanged compared with the December projections.

## 5 FISCAL DEVELOPMENTS

*The decline in the euro area deficit ratio in 2005 was very small, in an environment of relatively unfavourable growth, whereas the debt ratio increased further. Significant or even severe fiscal imbalances persisted in many member countries. Reductions in the deficit ratio of the euro area for 2006 and beyond are expected to be modest, despite the improving growth prospects. In a number of countries, budgetary targets and adjustment plans are not ambitious enough and considerable risks prevail due to a lack of concrete and effective measures. Shortcomings in budgetary procedures may also be reflected in continuing difficulties in controlling expenditure. Furthermore, most countries will experience significant ageing-related expenditure increases in the coming decades, while concrete plans for further reforms are limited. This calls for determined consolidation as part of credible and comprehensive reform programmes which also tackle shortcomings in fiscal institutions and enhance the sustainability of social security systems.*

### FISCAL DEVELOPMENTS IN 2005

According to the updated stability programmes that were submitted by the euro area member countries at the end of 2005 and beginning of 2006, little progress was made towards correcting the large fiscal imbalance of the euro area in 2005. The general government deficit ratio in the euro area is estimated to have declined to 2.5% of GDP in 2005 from 2.7% of GDP in 2004 (see Table 9). The outcome is more favourable than the European Commission's autumn forecast, on account of better budget developments in a number of countries (see Table 9 in the December 2005 issue of the Monthly Bulletin). Nonetheless, and mostly on the back of lower than expected growth, the euro area budget deficit is expected to be about 0.2 percentage point of GDP higher than the average deficit target envisaged in the previous stability programme updates.

The 2005 fiscal position at the euro area level reflects the persistence of significant or even severe fiscal imbalances in many member countries. Four euro area countries (Germany, Greece, Italy and Portugal) have recorded deficit ratios above the 3% reference value. A further three countries (France, Luxembourg and Austria) estimate deficits to be close to or at that level. Small deficits or even surpluses are expected in the other countries.

The developments in public finances for the euro area in 2005 compared with 2004 were driven by modest real growth and a somewhat tight fiscal stance in the euro area as a whole. The government expenditure ratio remained broadly stable while the revenue ratio increased slightly, following a decline in 2004. With GDP growth estimated below potential, the business cycle had a negative impact on budget balances. This contrasts with the much more favourable growth scenario assumed in the previous updated stability programmes and explains most of the deviation from the budgetary target in the euro area on average. Deviations from budget targets were largest in some of the countries with sizeable fiscal imbalances, reaching up to 1.6 percentage points of GDP.

The average euro area debt ratio is expected to continue to increase slightly in 2005, to 71% of GDP, instead of declining, which was the initial goal. Seven countries reported debt ratios above 60% of GDP, and three of these are near to or above 100%. Debt increased in some of the countries with a ratio above 60%, namely Germany, France, Italy and Portugal.

### FISCAL PLANS BETWEEN 2006 AND 2008-09

On average, the updated stability programmes project steady though only modest improvements in fiscal balances in the euro area for 2006 and beyond. The updated programmes imply that the euro area deficit will fall slightly from 2.5% of GDP in 2005 to 2.3% of GDP in 2006, while euro area government debt will marginally decline from 71% of GDP in 2005 to 70.8% of GDP in 2006.

Table 9 Euro area countries' updated stability programmes

	Real GDP growth rate (%)					Budget balance ratio (% of GDP)					Debt ratio (% of GDP)				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
<b>Belgium</b>															
Updated programme (Dec. 2004)	2.5	2.5	2.1	2.0	-	0.0	0.0	0.3	0.6	-	95.5	91.7	88.0	84.2	-
Updated programme (Dec. 2005)	1.4	2.2	2.1	2.3	2.2	0.0	0.0	0.3	0.5	0.7	94.3	90.7	87.0	83.0	79.1
<b>Germany</b>															
Updated programme (Dec. 2004)	1.7	1¾	2.0	2.0	-	-2.9	-2½	-2.0	-1½	-	66.0	66.0	65½	65.0	-
Updated programme (Feb. 2006) <sup>1)</sup>	0.9	1.4	1.0	1.8	1.8	-3.3	-3.3	-2.5	-2.0	-1.5	67.5	69.0	68.5	68.0	67.0
<b>Greece</b>															
Updated programme (Mar. 2005)	2.9	3.0	3.0	-	-	-3.7	-2.9	-2.4	-	-	109.5	107.2	104.7	-	-
Updated programme (Dec. 2005)	3.6	3.8	3.8	4.0	-	-4.3	-2.6	-2.3	-1.7	-	107.9	104.8	101.1	96.8	-
<b>Spain</b>															
Updated programme (Dec. 2004)	2.9	3.0	3.0	3.0	-	0.1	0.2	0.4	0.4	-	46.7	44.3	42.0	40.0	-
Updated programme (Dec. 2005)	3.4	3.3	3.2	3.2	-	1.0	0.9	0.7	0.6	-	43.1	40.3	38.0	36.0	-
<b>France</b>															
Updated programme (Dec. 2004)	2.5	2.5	2.5	2.5	-	-2.9	-2.2	-1.6	-0.9	-	65.0	64.6	63.6	62.0	-
Updated programme (Jan. 2006) <sup>2)</sup>	1.8	2.3	2¼	2¼	2¼	-3.0	-2.9	-2.6	-1.9	-1.0	65.8	66.0	65.6	64.6	62.8
<b>Ireland</b>															
Updated programme (Dec. 2004)	5.1	5.2	5.4	-	-	-0.8	-0.6	-0.6	-	-	30.1	30.1	30.0	-	-
Updated programme (Dec. 2005)	4.6	4.8	5.0	4.8	-	0.3	-0.6	-0.8	-0.8	-	28.0	28.0	28.2	28.3	-
<b>Italy</b>															
Updated programme (Nov. 2004)	2.1	2.2	2.3	2.3	-	-2.7	-2.0	-1.4	-0.9	-	104.1	101.9	99.2	98.0	-
Updated programme (Dec. 2005)	0.0	1.5	1.5	1.7	1.8	-4.3	-3.5	-2.8	-2.1	-1.5	108.5	108.0	106.1	104.4	101.7
<b>Luxembourg</b>															
Updated programme (Nov. 2004)	3.8	3.3	4.3	-	-	-1.0	-0.9	-1.0	-	-	5.0	4.6	4.5	-	-
Updated programme (Nov. 2005)	4.0	4.4	4.9	4.9	-	-2.3	-1.8	-1.0	-0.2	-	6.4	9.6	9.9	10.2	-
<b>Netherlands</b>															
Updated programme (Nov. 2004)	1½	2½	2½	-	-	-2.6	-2.1	-1.9	-	-	58.1	58.6	58.3	-	-
Updated programme (Dec. 2005)	¾	2½	2½	2¼	-	-1.2	-1.5	-1.2	-1.1	-	54.4	54.5	53.9	53.1	-
<b>Austria</b>															
Updated programme (Nov. 2004)	2.5	2.5	2.2	2.4	-	-1.9	-1.7	-0.8	0.0	-	63.6	63.1	61.6	59.1	-
Updated programme (Nov. 2005)	1.7	1.8	2.4	2.5	-	-1.9	-1.7	-0.8	0.0	-	63.4	63.1	61.6	59.5	-
<b>Portugal</b>															
Updated programme (June 2005)	0.8	1.4	2.2	2.6	3.0	-6.2	-4.8	-3.9	-2.8	-1.6	66.5	67.5	67.8	66.8	64.5
Updated programme (Dec. 2005)	0.5	1.1	1.8	2.4	3.0	-6.0	-4.6	-3.7	-2.6	-1.5	65.5	68.7	69.3	68.4	66.2
<b>Finland</b>															
Updated programme (Nov. 2004)	2.8	2.4	2.2	2.0	-	1.8	2.1	2.2	2.0	-	43.4	42.5	41.7	41.1	-
Updated programme (Nov. 2005)	2.1	3.2	2.6	2.3	2.1	1.8	1.6	1.6	1.5	1.5	42.7	41.7	41.1	40.6	40.1
<b>Euro area</b>															
2004-05 updated programmes	2.3	2.4	2.4	-	-	-2.3	-1.8	-1.3	-	-	70.6	69.7	68.2	-	-
2005-06 updated programmes	1.4	2.1	2.0	2.3	-	-2.5	-2.3	-1.8	-1.4	-	71.0	70.8	69.5	68.3	-

Sources: 2004-05 and 2005-06 updated stability programmes and ECB calculations.

Note: The euro area aggregates are calculated as a weighted average of individual countries' data, where available.

1) Real GDP growth rates for 2008 and 2009 are calculated based on the average real GDP growth rate in 2005-09 given in the updated stability programme.

2) In the updated stability programme, real GDP growth rates are given in ranges of 1.5% to 2.0% for 2005 and 2.0% to 2.5% for 2006.

For 2006, budget plans imply only a mildly tight fiscal stance at the euro area level, in an environment in which economic activity is accelerating towards rates above potential growth. The planned deficit reduction is more significant in some of the countries that are currently in excessive deficit. The projected budgetary consolidation is largely intended on primary expenditure restraint, whose effects on the budget balance will nevertheless be partially compensated for by further tax cuts. Accounting changes concerning the social security system in the Netherlands will marginally affect the euro area aggregate expenditure and revenue figures, and have a neutral impact on the deficit.

Despite planned improvements, large fiscal imbalances will persist at the euro area level and in a number of member countries in 2006. Of the countries that are currently subject to the excessive deficit procedure, deficits are planned to remain above 3% of GDP in Germany, Italy and Portugal. Greece plans to reduce the deficit to below 3% in 2006 in line with its commitments. France has confirmed its commitment to keep its budget deficit slightly below 3% of GDP in 2006. For the two countries – Luxembourg and Austria – that are not in excessive deficit but that had significant imbalances in 2005, little progress is planned for 2006. The other countries plan to continue reporting broadly sound fiscal positions.

Beyond 2006, the programmes envisage further moderate progress in fiscal consolidation. A gentle fiscal tightening is intended to continue, particularly in countries with fiscal imbalances, through expenditure restraint, while a gradual reduction in the revenue ratio is expected for 2007 and 2008. Economic activity projected at or above potential growth should also contribute to reduce deficits. As a result, the euro area deficit ratio is planned to decline by about ½ percentage point of GDP per year over the programmes' horizon. Nonetheless, in 2008, the euro area will still record an average deficit of above 1% of GDP, despite the expectation of continued favourable growth. Countries currently in excessive deficit, including the three largest euro area members, still project considerable deficits at least until that year.

Updated stability programmes envisage less favourable medium-term deficit developments compared to the previous round of updated stability programmes. On average, revisions are broadly accounted for by the deficit overrun in 2005, the very small consolidation efforts in 2006 and the somewhat less optimistic economic outlook. At the end of the projection period, the debt ratio in the euro area as a whole will still be close to 70%, with only a small reduction compared with 2005. This contrasts with the more ambitious decline foreseen in the previous round of stability programmes, on account of lower growth and higher nominal deficits.

#### **ASSESSMENT OF MEDIUM-TERM PLANS**

The stability programmes have to be assessed against the requirements of the Treaty and, for the first time this year, the revised Stability and Growth Pact. A key obligation remains the avoidance – or timely correction – of excessive deficits. In addition, the revised Pact requires each country to define a medium-term objective (MTO) for its cyclically adjusted budgetary position (net of one-off and temporary measures) between a deficit of 1% and balance or surplus. This provision aims to achieve rapid progress towards fiscal sustainability and to provide a safety margin with respect to the 3% deficit limit. The revised Code of Conduct on the implementation of the Pact also specifies that countries are expected to attain the MTO within the programme horizon and, at the latest, within “the four years following the year of the presentation of the [stability] programme”.

The revised Pact focuses more on the adjustment effort than the original Pact, which put greater emphasis on attaining committed deficit outcomes. Countries in excessive deficit need to comply with the Council recommendations and notices under their excessive deficit procedures, which typically specify an annual adjustment effort of at least 0.5% of GDP in cyclically adjusted terms, net of temporary and one-off measures. For countries that have not yet reached their MTO, and are not in excessive deficit, an adjustment path of 0.5% of GDP per year is also relevant, but it is a benchmark.

Furthermore, the revised Stability and Growth Pact and the Code of Conduct put greater emphasis on the sustainability of public finances, notably in relation to expected public debt developments and the fiscal costs of population ageing. A fuller assessment of the sustainability of member

countries' public finances is planned on the basis of the results of a recently published Economic Policy Committee/European Commission report on the impact of population ageing on public expenditure (see Box 9). Finally, the revised Pact supports the strengthening of national fiscal rules and governance structures.

From this perspective, the medium-term plans reflected in the updated stability programmes cannot dissipate concerns about the medium-term fiscal outlook. Budgetary targets and adjustment plans are disappointing in some countries and the euro area deficit is expected to decline only slowly, despite a rather favourable macroeconomic outlook. Considerable risks also remain on account of growth assumptions, which in some cases are somewhat optimistic, and due to the back-loading of efforts and a lack of well-specified and credible measures. Further concrete progress in social security and institutional reforms also appears limited.

As regards countries in excessive deficit, Germany plans to bring its deficit below 3% of GDP, but not before 2007. The cumulative adjustment effort of 1% of GDP in 2006-07 is, however, fully back-loaded to 2007. After that, the updated stability programme foresees a further deficit reduction to -1.5% of GDP by 2009, which is still a considerable way from a close to balance or in surplus position. Further social security and tax reforms are planned to strengthen employment and fiscal sustainability. An assessment of the next steps under Germany's excessive deficit procedure on the basis of this programme is under way.

France plans to keep its deficit ratio very close to 3% of GDP in 2006 and 2007 before commencing serious consolidation efforts so as to reach a balanced budget in 2010. While the intentions to balance the budget are commendable, the back-loading of efforts to later years weakens the credibility of France's commitment to attain its MTO. Reforms of social security systems in recent years have improved the long-term outlook for public finances though considerable ageing-related fiscal challenges remain. The choice of procedural steps to be pursued next in the context of France's excessive deficit procedure depends on the 2005 deficit outcome and the European Commission's next forecast for 2006-07.

Budget targets are based on the EU Council's recommendations and notices related to the excessive deficit procedures in Greece, Italy and Portugal, where a reduction of the deficit below 3% of GDP is planned for 2006, 2007 and 2008 respectively. Thereafter, the three countries plan further moderate consolidation. The planned expenditure-based adjustment strategy is reasonable, but measures to attain targets are not yet fully specified in the three countries. Therefore, there are risks of expenditure overruns. Moreover, some recourse to temporary measures remains. While ageing-related fiscal pressures are significant, stability programmes do not provide concrete action plans. In Portugal, a strengthening of national fiscal rules is foreseen, while in Greece a restructuring of the national statistical institute is underway, aimed at improving the collection of fiscal data.

For the other euro area countries, the updated stability programmes foresee maintaining or attaining country-specific medium-term objectives close to balance or in surplus. Moreover, MTOs are to be attained well within programme horizons. Few countries, however, are presenting concrete reform plans to deal with fiscal costs of population ageing, while some countries are planning to strengthen national fiscal institutions.

Box 9

**PROJECTIONS OF THE IMPACT OF AGEING ON PUBLIC EXPENDITURE**

On 14 February 2006, the EU's Economic Policy Committee (EPC) and the European Commission published a report on "The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)". The report presents estimates for the ageing-induced fiscal burden from 2004 to 2050 for all EU countries. It considers five areas of public expenditure: pensions, health care, long-term care, education and unemployment benefits. The estimates are based on commonly agreed assumptions regarding the future behaviour of demographic and key macroeconomic variables. Different methodologies are applied to estimate the ageing-induced expenditure increase in the individual areas: pension projections were carried out by national authorities, using their own respective methods; in the areas of health and long-term care as well as education and unemployment benefits, the European Commission estimated the effects.

From the perspective of the euro area, the results point to substantial ageing-induced expenditure pressures stemming from increased pensions, health care and long-term care costs (see table below). By 2050 the increase in spending amounts to 4.6% of GDP for the euro area, ranging from 0.4% to over 10% of GDP for individual countries. The timing of the effects of ageing also differs from country to country, but in general the effects will accelerate after 2010. Reduced unemployment benefits and education expenditure are likely to have only a small easing effect of, on average, less than 1% of GDP.

**Projected changes in selected age-related public expenditure between 2004 and 2030/50<sup>1)</sup>**

(as percentages of GDP)

	Pensions		Health care		Long-term care		Total	
	Change from 2004 to		Change from 2004 to		Change from 2004 to		Change from 2004 to	
	2030	2050	2030	2050	2030	2050	2030	2050
Belgium	4.3	5.1	0.9	1.4	0.4	1.0	5.6	7.5
Germany	0.9	1.7	0.9	1.2	0.4	1.0	2.2	3.9
Greece <sup>2),3)</sup>			0.8	1.7			0.8	1.7
Spain	3.3	7.1	1.2	2.2	0.0	0.2	4.5	9.5
France <sup>3)</sup>	1.5	2.0	1.2	1.8			2.7	3.8
Ireland	3.1	6.4	1.2	2.0	0.1	0.6	4.4	9.0
Italy	0.8	0.4	0.9	1.3	0.2	0.7	1.9	2.4
Luxembourg	5.0	7.4	0.8	1.2	0.2	0.6	6.0	9.2
Netherlands	2.9	3.5	1.0	1.3	0.3	0.6	4.2	5.4
Austria	0.6	-1.2	1.0	1.6	0.0	0.0	1.6	0.4
Portugal <sup>3)</sup>	4.9	9.7	-0.1	0.5			4.8	10.2
Finland	3.3	3.1	1.1	1.4	1.2	1.8	5.6	6.3
<b>Euro area</b>	<b>1.6</b>	<b>2.6</b>	<b>1.0</b>	<b>1.5</b>	<b>0.2</b>	<b>0.5</b>	<b>2.8</b>	<b>4.6</b>

Source: EPC and European Commission (2006), *The impact of ageing on public expenditure*, European Economy Special Report 1/2006.

Notes: These figures refer to the baseline projections for social security spending on pensions. For health care and long-term care, the projections refer to the "AWG reference scenarios".

1) The table excludes projections for education expenditures and unemployment benefits, which are provided in the original report.

2) Total expenditure for Greece does not include pension expenditure.

3) The totals for Greece, France and Portugal do not include long-term care.

The projections represent an important contribution to the discussion of long-term fiscal sustainability and the associated risks in this regard. They also indicate that, due to the effects of ageing, the euro area would have to expect a significant fall in the average potential real GDP growth rate from 2.1% (2004-10) to 1.2% (2031-50). As with all long-term economic assessments, there is considerable uncertainty surrounding the projection results. For example, the assumptions of continued rising participation rates in labour markets and of higher productivity growth than in the past may be optimistic and not materialise fully. In the area of health care costs, the impact of other factors in addition to ageing, such as the introduction of new and expensive technologies, may have been underestimated. In addition, the pension projections are based on national models whose structure has not been disclosed, so that the derivation of the results is not fully transparent and their assessment tentative. While some public pension systems may appear financially sustainable, this may reflect very low benefits for future pensioners and lead to pressures on policy-makers to raise benefit levels. Moreover, further fiscal risks could arise if private pension systems fail to provide the envisaged pension benefits.

From a policy perspective, the projections point to a clear need for some countries to address the issue of ageing-induced expenditure as a matter of urgency and for the other countries not to be complacent. The report shows that countries that have reformed their public pay-as-you-go pension systems have alleviated significantly the ageing-induced pressures on public finances. Uncertainty with regard to the projection results calls for increased prudence to ensure fiscal sustainability.

### STRATEGIES TO BE PURSUED

The main priority for the euro area remains determined progress with fiscal consolidation as part of a medium term-oriented, growth and confidence-enhancing strategy. Excessive deficits should be corrected as soon as possible and, in any case, within the horizons recommended by the EU Council. MTOs need to be in line with current and future challenges to the sustainability of public finances, and their attainment should not be delayed (e.g. due to elections). In some cases, this implies that countries need to further strengthen their fiscal targets.

Most countries urgently need to reduce their fiscal vulnerability. In particular, measures should be fully specified and implemented as soon as possible. Fiscal institutions that strengthen budget formulation and implementation and expenditure control also warrant reform in certain cases so as to improve compliance with fiscal targets and mitigate implementation risks.

It is also important to increase safety margins against adverse fiscal developments in the short and longer term. Revenue windfalls are to be used for more rapid deficit and debt reduction or the building of further fiscal cushions for possible unfavourable events. In the past, such windfalls have often been mistaken as permanent and used to finance higher expenditure or tax cuts, hence contributing to mounting and persistent fiscal imbalances.

Moreover, fiscal strategies should not only redress the imbalance in government accounts, but also strengthen potential growth and ensure the sustainability of public finances. This would also be in line with the three-pronged strategy to deal with population ageing, via (i) social security reforms, (ii) strengthened labour market participation, and (iii) fiscal consolidation and debt reduction. While experience suggests that an expenditure-based adjustment strategy is normally preferable to tax increases, it is the credibility of the programme and the compound effect of all

measures that hold the key to positive confidence and supply-side effects. Tax changes should take due account of and enhance incentives to work, invest and innovate. Expenditure restraint should reflect a commensurate reduction in commitments rather than underfunding existing obligations for the central or (via reduced transfers) sub-central layers of government. Reforms of benefit systems, but also the streamlining and rationalisation of government services, could provide important fiscal savings, thus reducing deficits and debt and closing the ageing-related financing gap.

## 6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 6.1 EXCHANGE RATES

After a period of appreciation in January, the euro weakened in February. The euro's depreciation, in nominal effective terms, was largely driven by its decline against the US dollar and the Japanese yen and, to a lesser extent, against the Chinese renminbi, several Asian currencies and the pound sterling.

#### US DOLLAR/EURO

After a period of strengthening in January, the euro depreciated against the US dollar in February (see Chart 45). The EUR/USD rate seemingly continued to be influenced by market expectations about the course of monetary policy in the United States and the euro area. In particular, expectations of a narrowing of the US/euro area interest rate differential appear to have receded somewhat, in view of recent US data. At the same time, the sizeable external imbalances in the US economy – as evidenced by a record high US current account deficit in 2005 – remain, in the eyes of market participants, a key medium-term risk factor for the US dollar. On 1 March the euro stood at USD 1.20, 1.4% below its end-January level against the dollar and 3.9% lower than its 2005 average.

#### JAPANESE YEN/EURO

Following a rise in January, the euro depreciated against the Japanese yen in February. Developments in the yen exchange rate were apparently influenced by shifting expectations about the timing of the abandoning by the Bank of Japan of its current quantitative easing policy. On 1 March the euro stood at JPY 138.6, 2.5% lower than its end-January level and 1.3% above its 2005 average (see Chart 45).

#### EU MEMBER STATES' CURRENCIES

Most currencies participating in ERM II remained stable and continued to trade at or close to their respective central parity rates (see Chart 46). An exception was the Slovak koruna, which appreciated by 1.1% against the euro in February, to trade at a rate 3.8% stronger than its euro-based parity on 1 March. This appreciation gained momentum in the aftermath of an increase of 50 basis points in the key reference rate of Národná banka Slovenska. In relation to the currencies of other EU Member States, the euro fell slightly against the pound sterling – on 1 March it was quoted at a level of GBP 0.68, 0.5% below both its end-January level and its 2005 average – while it

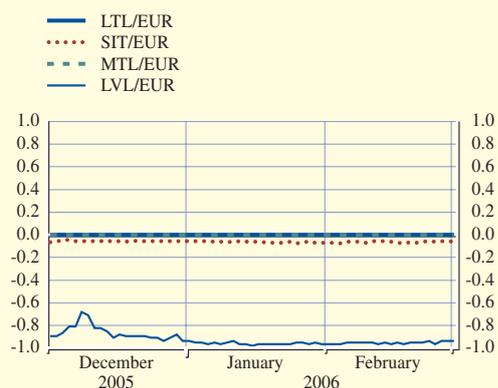
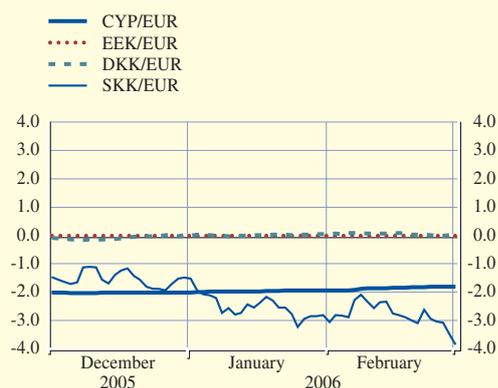
Chart 45 Patterns in exchange rates



Source: ECB.

**Chart 46 Patterns in exchange rates in ERM II**

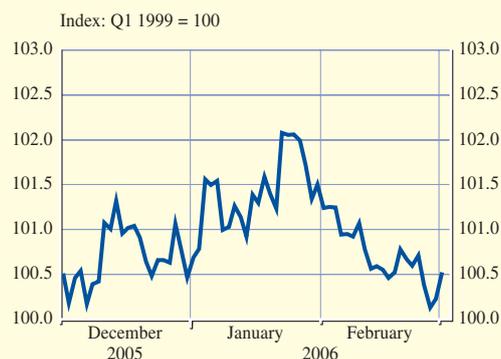
(daily data; deviation from the central parity in percentage points)



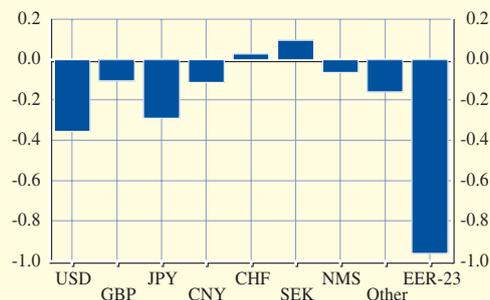
Source: ECB.  
 Notes: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is  $\pm 2.25\%$ ; for all other currencies, the standard fluctuation band of  $\pm 15\%$  applies.

**Chart 47 Euro effective exchange rate and its decomposition<sup>1)</sup>**

(daily data)



**Contributions to EER changes<sup>2)</sup>**  
 From 31 January 2006 to 1 March 2006  
 (in percentage points)



Source: ECB.  
 1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.  
 2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States that joined the European Union on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

appreciated against the Swedish krona (2.1%), fell against the Polish zloty (1.6%) and remained stable against the Czech koruna and the Hungarian forint.

### OTHER CURRENCIES

Between end-January and 1 March the euro was broadly stable against the Swiss franc and the Australian dollar, but fell against the Norwegian krone (0.8%), the Canadian dollar (1.9%) and several Asian currencies.

### EFFECTIVE EXCHANGE RATE OF THE EURO

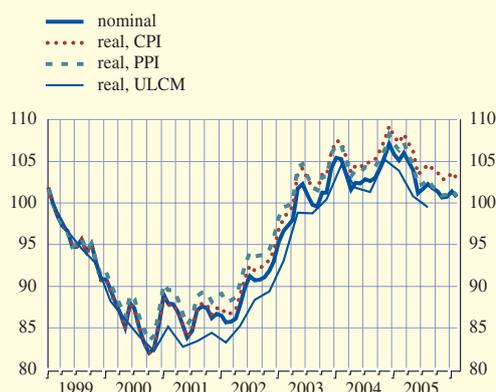
On 1 March the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was 1.0% below its end-January level and 2.4% weaker than its average in 2005 (see Chart 47). The depreciation of the euro in nominal

effective terms over this period was largely driven by its decline against the US dollar and the Japanese yen and, to a lesser extent, against the Chinese renminbi, several Asian currencies and the pound sterling.

With regard to indicators of the international price and cost competitiveness of the euro area, the real effective exchange rate of the euro was weaker in February 2006 compared with the previous year's average, suggesting a rise in the euro area's price competitiveness (see Chart 48). In February, the real effective exchange rate index based on developments in consumer prices was 2.1% below its average level in 2005, while the index based on developments in producer prices was 2.7% below its average level in 2005. These developments were largely the result of a fall in the euro's nominal effective exchange rate.

**Chart 48 Euro nominal and real effective exchange rates <sup>1)</sup>**

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



Source: ECB.

1) An upward movement of the EER-23 indices represents an appreciation of the euro. The latest observations for monthly data are for February 2006. In the case of the ULCM-based real EER-23, the latest observation is for Q3 2005 and is partly based on estimates.

## 6.2 BALANCE OF PAYMENTS

*In 2005 the euro area current account recorded a deficit of €29 billion, compared with a surplus of €43.5 billion in 2004. This development mainly stemmed from a significant decline in the goods surplus, which, in turn, was due largely to the higher cost of oil imports. A €20 billion increase in the income deficit, reflecting stronger income payments, also contributed to the fall in the current account balance, albeit to a lesser extent. In the financial account, combined direct and portfolio investment recorded net outflows of €12.8 billion in 2005, compared with net inflows of €24.4 billion in 2004. This decline was due both to falling net inflows in debt instruments and to increasing net outflows in foreign direct investment.*

### TRADE AND THE CURRENT ACCOUNT

In the fourth quarter of 2005, the values of both imports and exports of goods and services increased by 1.2%, compared with the previous quarter. Although, in value terms, imports and exports of goods continued to grow robustly, rising by 3.6% and 2.2% respectively, trade in services was significantly weaker, with imports and exports of services actually falling (by 6.7% and 2.1% respectively).

The breakdown of trade data into volumes and prices (available up to November 2005) suggests that the ongoing growth in export values of goods stems mostly from rising export volumes. This is due largely to favourable foreign demand conditions and the lagged impacts of the gains in price competitiveness resulting from the depreciation of the euro half-way through 2005. Meanwhile, the growth in import values of goods reflects mostly increases in import prices, as the growth in import volumes declined somewhat towards the end of the year. Rising import prices in the fourth quarter reflected mainly developments in non-oil commodity prices and the depreciation of the euro, while oil prices also remained at elevated levels. Higher import prices may also partly explain the recent slowdown in the growth in import volumes.

**Table 10 Main items of the euro area balance of payments**

(EUR billions; seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2005 Nov.	2005 Dec.	2005 Mar.	2005 June	2005 Sep.	2005 Dec.	2004 Dec.	2005 Dec.
<b>Current account</b>	-9.5	-5.3	1.5	0.1	-3.9	-7.4	43.5	-29.0
Goods balance	3.8	2.3	7.1	6.2	3.7	2.4	105.8	58.2
Exports	107.6	109.0	96.3	99.3	104.3	106.6	1,125.2	1,219.5
Imports	103.8	106.7	89.3	93.1	100.6	104.2	1,019.3	1,161.4
Services balance	4.1	3.3	2.5	2.3	2.1	3.5	28.5	31.4
Exports	33.3	31.9	31.1	31.5	33.3	32.6	359.0	385.2
Imports	29.2	28.6	28.6	29.1	31.1	29.0	330.4	353.7
Income balance	-10.0	-4.7	-2.2	-4.1	-4.3	-7.4	-34.0	-54.0
Current transfers balance	-7.3	-6.2	-5.8	-4.4	-5.4	-6.0	-56.8	-64.5
<b>Financial account<sup>1)</sup></b>	-8.8	-40.9	8.6	14.5	9.9	-19.9	-8.3	39.6
Combined direct and portfolio investment	-47.5	-22.7	-5.4	30.6	-1.7	-27.7	24.4	-12.8
Direct investment	-12.9	-6.8	-6.7	-3.9	-32.5	-8.7	-46.8	-155.3
Portfolio investment	-34.7	-15.9	1.3	34.4	30.9	-19.0	71.2	142.6
Equities	-6.9	31.0	-3.9	8.7	39.4	3.8	34.7	144.1
Debt instruments	-27.8	-46.9	5.2	25.7	-8.5	-22.9	36.5	-1.5
Bonds and notes	-15.6	-16.8	-9.7	25.6	-15.7	-13.8	81.0	-40.9
Money market instruments	-12.2	-30.2	14.9	0.1	7.2	-9.0	-44.4	39.4

Source: ECB.

Note: Figures may not add up due to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

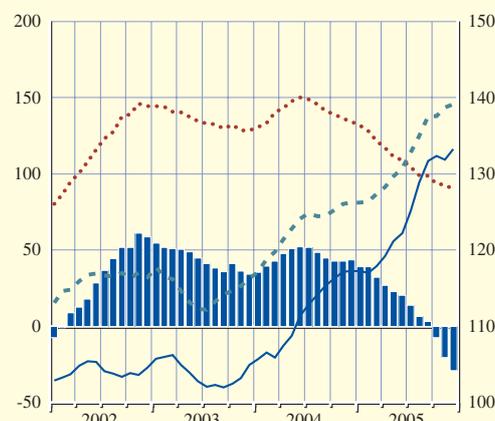
Looking at developments for the whole of 2005 (see Chart 49 and Table 10), the current account registered a deficit of €29 billion (around 0.4% of GDP), compared with a surplus of €43.5 billion in 2004 (around 0.6% of GDP). This was largely the result of a decline of €47.7 billion in the goods surplus (from €105.8 billion in 2004 to €58.2 billion in 2005) and, to a lesser extent, an increase of €20 billion in the income deficit (from €34 billion in 2004 to €54 billion in 2005). The rise in the income deficit reflects strong growth in income payments (see Chart 50), which seems to be partly due to the significant increase in recent years in the stock of euro area equities held by non-residents. Meanwhile, the balances for services and current transfers remained broadly stable.

The decrease in the goods surplus is accounted for mostly by the deterioration of the oil trade deficit, which, in turn, was due largely to the rising cost of oil imports. Chart 51 shows that oil trade deficit rose to €145 billion (equivalent to approximately 1.8% of GDP) in 2005, compared with €105 billion a year earlier

**Chart 49 The euro area current account and trade balances**

(EUR billions; monthly data; seasonally adjusted)

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



Source: ECB.

**Chart 50 Euro area income balance, receipts and payments**

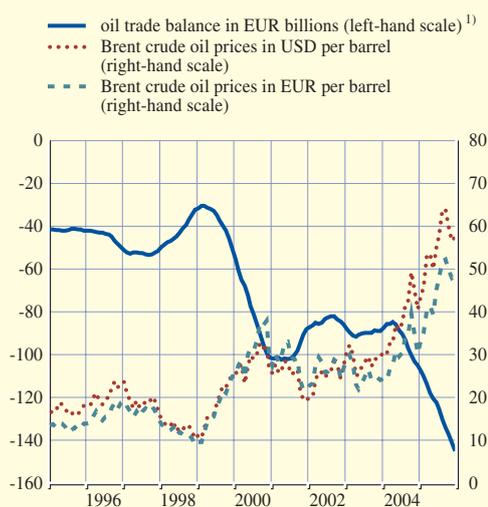
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

**Chart 51 The euro area oil trade balance and Brent crude oil prices**

(monthly data)



Sources: Eurostat and Bloomberg.  
1) Oil trade balance cumulated over 12 months.

(around 1.4% of GDP). This increase explains a considerable part of the €47.7 billion decline in the goods surplus during 2005. Chart 51 also clearly shows that the oil deficit increased in line with rising oil prices, although the impact of the oil price hike has been mitigated by the appreciation of the euro since 2002 (as indicated by the price level of Brent crude oil, which is lower in euro than in US dollars). From a longer-term perspective, substantial oil price increases during the years 1999-2000 and 2004-05 have resulted in an almost fourfold increase in the oil trade deficit of the euro area over the last decade (an increase equivalent to approximately 1.1% of GDP).

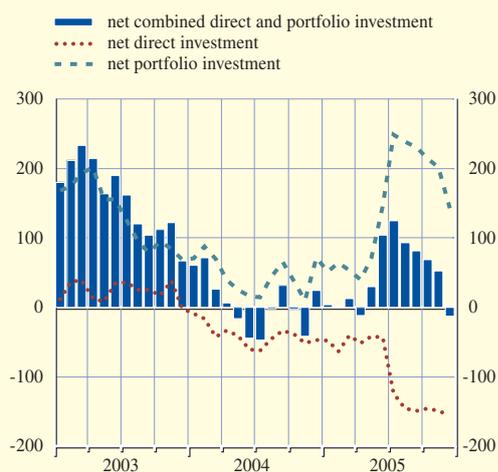
## FINANCIAL ACCOUNT

In the last quarter of 2005, there were large net average monthly outflows of €27.7 billion in euro area combined direct and portfolio investment (see Table 10). In particular, net outflows in debt instruments (€22.9 billion) reflected the sale by non-residents of €32.7 billion of euro area money market instruments in November and December 2005.

From a broader perspective, combined direct and portfolio investment recorded net outflows of €12.8 billion in 2005, compared with net inflows of €24.4 billion in 2004. In 12-month cumulated terms, net capital inflows rose in the first seven months of 2005, before contracting subsequently on account of both declining net inflows in portfolio investment and increasing net outflows in foreign direct investment (see Chart 52). The fall in portfolio investment stems from a declining trend in net investment in equity securities observed in the euro area since the summer of 2005. Inflows in euro area net debt instruments sharply declined and were close to balance in 2005, as net outflows in bonds and notes – coinciding with the widening of the long-term yield differential between US and euro area government bonds – were offset by net inflows in money market instruments.

**Chart 52 Net direct and portfolio investment flows**

(EUR billions; 12-month cumulated data)



Source: ECB.

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

The deficit in direct investment in 2005 rose by €108.5 billion with respect to the previous year, on account of both higher investment abroad by euro area residents and lower investment in the euro area by non-residents. This may be explained by the increased readiness of euro area multinational firms to expand abroad, following some improvement in the euro area economic outlook. At the same time, economic growth in other regions of the world was even more robust in 2005, resulting in a possible diversion of investment away from the euro area by foreign multinational enterprises.

# EURO AREA STATISTICS





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

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#### Conventions used in the tables

“-”	data do not exist/data are not applicable
“.”	data are not yet available
“..”	nil or negligible
“billion”	10 <sup>9</sup>
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted



# EURO AREA OVERVIEW

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

## 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1),2)</sup>	M3 <sup>1),2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.8	-	6.1	9.9	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2005 Q1	9.6	7.1	6.7	-	7.3	8.9	2.14	3.67
Q2	9.8	7.5	7.0	-	7.6	13.2	2.12	3.41
Q3	11.2	8.4	8.0	-	8.4	13.3	2.13	3.26
Q4	10.9	8.5	7.8	-	8.9	14.8	2.34	3.42
2005 Sep.	11.1	8.8	8.4	8.2	8.8	14.4	2.14	3.16
Oct.	11.2	8.6	7.9	8.0	8.9	15.1	2.20	3.32
Nov.	10.4	8.2	7.6	7.6	9.0	14.2	2.36	3.53
Dec.	11.3	8.5	7.3	7.5	9.2	15.8	2.47	3.41
2006 Jan.	10.2	8.4	7.6	.	9.7	.	2.51	3.39
Feb.	.	.	.	.	.	.	2.60	3.55

## 2. Prices, output, demand and labour markets

	HICP <sup>1)</sup>	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2004	2.1	2.3	2.5	2.1	1.9	81.6	0.7	8.9
2005	2.2	4.1	.	.	1.2	81.2	.	8.6
2005 Q1	2.0	4.1	3.2	1.2	0.6	81.5	0.9	8.8
Q2	2.0	3.9	2.5	1.2	0.7	81.0	0.8	8.6
Q3	2.3	4.2	2.2	1.6	1.5	81.0	0.7	8.4
Q4	2.3	4.4	.	1.7	1.9	81.4	.	8.3
2005 Sep.	2.6	4.4	-	-	1.4	-	-	8.4
Oct.	2.5	4.2	-	-	0.2	81.1	-	8.3
Nov.	2.3	4.2	-	-	2.9	-	-	8.4
Dec.	2.2	4.7	-	-	2.5	-	-	8.3
2006 Jan.	2.4	.	-	-	.	81.7	-	8.3
Feb.	2.3	.	-	-	.	-	-	.

## 3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2004	63.0	106.7	-46.8	71.2	280.7	103.8	105.9	1.2439
2005	-16.9	58.5	-155.3	142.6	320.2	103.0	105.2	1.2441
2005 Q1	4.6	15.6	-20.0	3.8	285.0	105.7	107.8	1.3113
Q2	-9.7	18.4	-11.6	103.3	302.3	103.4	105.6	1.2594
Q3	-0.9	16.3	-97.6	92.6	310.9	101.9	104.2	1.2199
Q4	-10.9	8.3	-26.1	-57.1	320.2	100.9	103.1	1.1884
2005 Sep.	-1.1	5.7	-1.7	30.3	310.9	101.8	104.1	1.2256
Oct.	-6.8	3.2	-6.4	-6.6	310.5	101.4	103.6	1.2015
Nov.	-6.4	2.5	-12.9	-34.7	322.7	100.7	102.9	1.1786
Dec.	2.2	2.5	-6.8	-15.9	320.2	100.7	102.8	1.1856
2006 Jan.	.	.	.	.	332.0	101.4	103.6	1.2103
Feb.	.	.	.	.	.	100.7	103.0	1.1938

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

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

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



# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem (EUR millions)

### 1. Assets

	2006 27 Jan.	2006 3 Feb.	2006 10 Feb.	2006 17 Feb.
<b>Gold and gold receivables</b>	163,779	163,747	163,668	163,564
<b>Claims on non-euro area residents in foreign currency</b>	155,424	156,140	154,438	154,161
<b>Claims on euro area residents in foreign currency</b>	23,096	22,696	23,086	23,157
<b>Claims on non-euro area residents in euro</b>	9,086	8,885	9,197	10,902
<b>Lending to euro area credit institutions in euro</b>	416,036	390,020	393,516	395,208
Main refinancing operations	316,000	290,000	293,499	295,001
Longer-term refinancing operations	100,017	100,017	100,017	100,017
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	19	2	0	188
Credits related to margin calls	0	1	0	2
<b>Other claims on euro area credit institutions in euro</b>	4,041	3,684	3,863	4,020
<b>Securities of euro area residents in euro</b>	95,225	95,530	96,355	94,335
<b>General government debt in euro</b>	40,113	40,597	40,597	40,597
<b>Other assets</b>	148,386	149,074	150,656	153,389
<b>Total assets</b>	1,055,186	1,030,373	1,035,376	1,039,333

### 2. Liabilities

	2006 27 Jan.	2006 3 Feb.	2006 10 Feb.	2006 17 Feb.
<b>Banknotes in circulation</b>	546,654	550,595	550,292	549,355
<b>Liabilities to euro area credit institutions in euro</b>	159,972	150,969	159,534	156,602
Current accounts (covering the minimum reserve system)	159,882	150,951	159,508	156,586
Deposit facility	79	17	25	13
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	11	1	1	3
<b>Other liabilities to euro area credit institutions in euro</b>	155	158	158	158
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	72,067	51,878	49,494	55,539
<b>Liabilities to non-euro area residents in euro</b>	12,837	12,759	12,563	12,643
<b>Liabilities to euro area residents in foreign currency</b>	299	241	226	228
<b>Liabilities to non-euro area residents in foreign currency</b>	10,666	10,843	10,291	9,913
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,922	5,920	5,920	5,920
<b>Other liabilities</b>	68,151	68,548	68,437	67,913
<b>Revaluation accounts</b>	119,113	119,113	119,113	119,113
<b>Capital and reserves</b>	59,350	59,349	59,348	61,949
<b>Total liabilities</b>	1,055,186	1,030,373	1,035,376	1,039,333

Source: ECB.

## 1.2 Key ECB interest rates

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

With effect from <sup>1)</sup>	Deposit facility		Main refinancing operations			Marginal lending facility	
	Level	Change	Fixed rate tenders	Variable rate tenders		Level	Change
			Fixed rate	Minimum bid rate			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 <sup>2)</sup>	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 <sup>3)</sup>	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

Source: ECB.

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

### 1.3 Eurosystem monetary policy operations allotted through tenders <sup>1), 2)</sup>

(EUR millions; interest rates in percentages per annum)

#### 1. Main and longer-term refinancing operations <sup>3)</sup>

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2005 3 Nov.	354,563	340	294,000	2.00	2.05	2.06	6
9	366,131	350	295,000	2.00	2.05	2.06	7
16	401,859	393	293,500	2.00	2.05	2.06	7
23	403,121	434	311,000	2.00	2.08	2.10	7
30	361,548	379	306,500	2.00	2.09	2.11	6
6 Dec.	354,476	300	333,500	2.25	2.29	2.31	8
14	378,799	345	308,500	2.25	2.29	2.30	7
21	391,591	393	314,000	2.25	2.30	2.31	8
29	315,797	386	315,000	2.25	2.25	2.42	6
2006 4 Jan.	359,312	353	316,000	2.25	2.30	2.31	7
11	378,353	368	309,000	2.25	2.30	2.31	7
18	400,188	409	324,000	2.25	2.30	2.31	7
25	392,854	408	316,000	2.25	2.30	2.31	7
1 Feb.	387,275	389	290,000	2.25	2.30	2.31	7
8	421,394	384	293,500	2.25	2.31	2.31	7
15	414,904	394	295,000	2.25	2.31	2.31	7
22	402,410	393	308,000	2.25	2.31	2.32	6
28	370,255	346	301,500	2.25	2.32	2.34	8
Longer-term refinancing operations							
2005 31 Mar.	38,462	148	30,000	-	2.09	2.10	91
28 Apr.	47,958	148	30,000	-	2.08	2.09	91
26 May	48,282	140	30,000	-	2.08	2.08	98
30 June	47,181	141	30,000	-	2.06	2.07	91
28 July	46,758	166	30,000	-	2.07	2.08	92
1 Sep.	62,563	153	30,000	-	2.08	2.09	91
29	52,795	142	30,000	-	2.09	2.10	84
28 Oct.	51,313	168	30,000	-	2.17	2.19	90
1 Dec.	52,369	152	30,000	-	2.40	2.41	84
22 <sup>5)</sup>	89,877	165	12,500	-	2.45	2.46	98
23 <sup>5)</sup>	45,003	127	17,500	-	2.44	2.45	97
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91
23 Feb.	63,980	164	40,000	-	2.57	2.57	98

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	8		
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1
7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	1
12 July	Collection of fixed-term deposits	9,605	11	9,605	2.00	-	-	-	1
9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	1
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1

Source: ECB.

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

## 1.4 Minimum reserve and liquidity statistics

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

## 1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Q1	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
Q2	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9
2005 July	13,431.5	7,064.6	496.2	1,682.8	1,068.0	3,119.9
Aug.	13,388.1	7,003.0	499.9	1,689.2	1,066.0	3,130.1
Sep.	13,562.1	7,125.7	498.5	1,697.7	1,085.4	3,154.9
Oct.	13,712.6	7,184.5	503.4	1,712.0	1,127.0	3,185.8
Nov.	13,972.9	7,250.1	508.2	1,721.2	1,286.6	3,206.8
Dec.	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6

## 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2005 Q1	140.5	141.3	0.8	0.0	2.05
Q2	144.6	145.5	0.9	0.0	2.05
Q3	149.7	150.2	0.6	0.0	2.05
Q4	152.0	153.0	1.0	0.0	2.07
2006 17 Jan.	153.3	154.1	0.8	0.0	2.29
7 Feb.	154.7	155.4	0.7	0.0	2.30
7 Mar.	157.7	.	.	.	.

## 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility						
	1	2	3	4	5	6	7	8	9	10	11	12
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 Q1	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
Q2	286.8	273.1	90.0	0.1	0.0	0.2	0.1	512.8	53.5	-62.0	145.5	658.5
Q3	304.8	303.5	90.0	0.0	0.3	0.1	0.0	531.5	63.1	-46.2	150.2	681.8
2005 11 Oct.	307.9	288.6	90.0	0.1	0.0	0.1	0.2	531.6	47.9	-44.6	151.4	683.1
8 Nov.	315.1	293.4	90.0	0.1	0.0	0.1	0.0	535.6	50.4	-37.9	150.2	686.0
5 Dec.	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 17 Jan.	317.6	316.4	89.6	0.2	0.2	0.1	0.0	559.2	44.2	-33.5	154.1	713.3
7 Feb.	325.2	310.0	96.2	0.0	0.3	0.1	0.0	548.4	56.6	-28.7	155.4	703.9

Source: ECB.

1) End of period.



# MONEY, BANKING AND INVESTMENT FUNDS

## 2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>1)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosystème														
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005 Q1	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	301.0	12.5	179.3
Q2	1,353.6	638.4	21.2	0.6	616.6	176.9	158.8	2.0	16.1	-	14.1	319.6	13.3	191.3
Q3	1,351.1	609.8	21.2	0.6	588.0	183.8	165.6	1.9	16.3	-	14.9	328.9	13.3	200.4
2005 Oct.	1,370.1	630.5	21.2	0.6	608.6	184.2	166.4	2.1	15.7	-	14.4	326.9	13.3	200.8
Nov.	1,386.9	630.8	21.2	0.6	608.9	184.3	167.7	2.0	14.6	-	14.4	339.0	13.4	204.9
Dec.	1,403.8	635.6	20.7	0.6	614.3	185.7	165.6	2.1	18.1	-	14.8	337.0	13.2	217.5
2006 Jan. <sup>(p)</sup>	1,444.4	664.4	20.7	0.6	643.1	187.4	167.5	2.2	17.6	-	14.9	349.5	13.3	215.0
MFIs excluding the Eurosystème														
2003	19,795.4	12,113.1	817.5	7,101.8	4,193.9	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,567.8	161.8	1,046.4
2004	21,351.8	12,825.3	811.3	7,556.1	4,457.8	3,187.7	1,299.9	465.2	1,422.6	72.5	942.9	2,942.9	159.6	1,220.9
2005 Q1	22,026.5	13,050.2	805.4	7,669.3	4,575.4	3,295.2	1,358.5	481.2	1,455.5	73.1	970.5	3,182.3	156.5	1,298.9
Q2	22,769.9	13,255.2	807.3	7,918.5	4,529.4	3,394.2	1,383.9	506.9	1,503.5	75.1	999.3	3,404.2	163.1	1,478.7
Q3	23,052.0	13,430.5	814.9	8,068.2	4,547.4	3,373.5	1,360.6	505.8	1,507.1	81.4	1,013.6	3,517.2	164.2	1,471.5
2005 Oct.	23,294.3	13,589.9	811.0	8,133.4	4,645.4	3,434.5	1,399.9	522.0	1,512.5	83.7	990.1	3,577.3	165.1	1,453.9
Nov.	23,762.4	13,697.7	805.4	8,217.6	4,674.7	3,551.3	1,483.9	543.5	1,523.9	87.1	1,009.4	3,717.0	165.3	1,534.7
Dec.	23,601.4	13,682.2	831.2	8,291.8	4,559.3	3,505.4	1,440.2	551.8	1,513.3	84.9	1,006.9	3,643.9	165.6	1,512.5
2006 Jan. <sup>(p)</sup>	23,911.2	13,794.4	826.5	8,383.2	4,584.8	3,545.0	1,459.0	555.3	1,530.7	86.8	1,032.1	3,745.3	164.6	1,543.0

### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosystème											
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Q1	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
Q2	1,353.6	540.9	433.6	76.4	18.7	338.5	-	0.6	173.6	24.4	180.5
Q3	1,351.1	550.3	396.5	47.4	15.3	333.9	-	0.6	186.6	27.4	189.7
2005 Oct.	1,370.1	554.7	413.6	46.3	17.5	349.7	-	0.6	184.2	27.3	189.8
Nov.	1,386.9	558.9	409.6	47.9	17.9	343.8	-	0.6	194.1	28.1	195.7
Dec.	1,403.8	582.7	385.5	24.4	14.5	346.6	-	0.1	202.2	27.6	205.7
2006 Jan. <sup>(p)</sup>	1,444.4	564.4	438.8	57.9	17.6	363.3	-	0.1	209.2	30.7	201.2
MFIs excluding the Eurosystème											
2003	19,795.4	-	10,774.8	134.4	6,275.5	4,364.9	648.8	3,161.4	1,145.0	2,606.4	1,458.9
2004	21,351.8	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,199.5	2,815.0	1,675.6
2005 Q1	22,026.5	-	11,653.2	126.3	6,706.2	4,820.7	687.6	3,614.8	1,213.5	3,085.7	1,771.7
Q2	22,769.9	-	11,848.9	135.1	6,920.5	4,793.3	696.4	3,761.8	1,258.7	3,228.0	1,976.0
Q3	23,052.0	-	11,905.5	135.1	6,986.7	4,783.7	712.9	3,807.0	1,277.3	3,353.7	1,995.6
2005 Oct.	23,294.3	-	12,058.9	133.1	7,029.7	4,896.1	712.6	3,843.7	1,276.3	3,419.3	1,983.4
Nov.	23,762.4	-	12,130.7	137.2	7,056.3	4,937.2	716.7	3,872.2	1,295.4	3,609.2	2,138.2
Dec.	23,601.4	-	12,198.4	150.2	7,192.2	4,856.0	697.8	3,858.7	1,309.2	3,511.4	2,025.9
2006 Jan. <sup>(p)</sup>	23,911.2	-	12,202.1	133.7	7,200.0	4,868.4	693.4	3,889.0	1,341.8	3,604.5	2,180.3

Source: ECB.

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

## 2.2 Consolidated balance sheet of euro area MFIs

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

## 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	14,551.8	7,942.6	840.1	7,102.5	1,793.1	1,364.1	429.0	623.6	2,885.7	174.2	1,132.6
2004	15,719.1	8,389.6	832.9	7,556.8	1,906.8	1,439.9	466.9	666.2	3,236.9	173.6	1,345.9
2005 Q1	16,259.8	8,496.9	827.0	7,670.0	1,993.2	1,510.4	482.8	683.9	3,483.3	169.0	1,433.5
Q2	17,038.8	8,747.6	828.4	7,919.2	2,051.5	1,542.7	508.9	713.7	3,723.8	176.4	1,625.7
Q3	17,317.9	8,904.9	836.1	8,068.8	2,033.9	1,526.2	507.7	726.7	3,846.1	177.5	1,628.8
2005 Oct.	17,452.5	8,966.3	832.3	8,134.0	2,090.4	1,566.3	524.1	702.7	3,904.2	178.4	1,610.5
Nov.	17,880.2	9,044.9	826.6	8,218.2	2,197.2	1,651.6	545.6	708.3	4,056.1	178.6	1,695.2
Dec.	17,851.0	9,144.2	851.9	8,292.4	2,159.7	1,605.8	553.9	707.1	3,980.9	178.9	1,680.2
2006 Jan. <sup>(p)</sup>	18,122.1	9,231.0	847.2	8,383.8	2,184.0	1,626.6	557.5	719.9	4,094.8	177.9	1,714.6
Transactions											
2003	794.4	384.0	12.1	371.8	170.4	116.3	54.1	19.3	224.8	-3.8	-0.2
2004	1,268.0	499.7	-7.0	506.7	91.9	58.1	33.8	34.6	437.6	2.7	201.5
2005 Q1	448.3	106.8	-6.6	113.4	82.5	66.2	16.4	15.7	187.2	-4.1	60.3
Q2	533.0	207.8	0.9	206.9	39.7	15.8	23.8	25.2	126.4	1.0	133.0
Q3	256.7	160.5	7.8	152.7	-14.7	-12.6	-2.1	2.9	107.3	1.0	-0.4
2005 Oct.	134.4	61.2	-3.8	65.0	31.5	15.8	15.7	7.9	56.3	0.9	-23.4
Nov.	217.6	77.7	-5.7	83.4	62.5	44.0	18.4	1.4	25.4	0.3	50.4
Dec.	-42.5	97.4	23.7	73.7	-37.6	-45.6	8.0	-4.5	-81.3	0.4	-16.8
2006 Jan. <sup>(p)</sup>	289.9	77.6	-4.6	82.2	33.4	28.6	4.8	10.7	129.4	-1.2	40.0

## 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>1)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2003	14,551.8	397.9	155.7	6,292.3	581.5	1,878.5	1,004.7	2,634.0	1,598.3	8.9
2004	15,719.1	468.4	162.4	6,655.9	604.9	2,061.7	1,047.0	2,842.2	1,842.9	33.6
2005 Q1	16,259.8	471.8	187.4	6,723.8	614.5	2,145.5	1,062.9	3,110.5	1,943.0	0.4
Q2	17,038.8	496.6	211.5	6,939.3	621.3	2,242.9	1,132.6	3,252.4	2,156.5	-14.2
Q3	17,317.9	507.1	182.4	7,002.0	631.5	2,284.1	1,162.1	3,381.1	2,185.4	-17.8
2005 Oct.	17,452.5	510.5	179.4	7,047.2	629.0	2,316.0	1,158.7	3,446.6	2,173.3	-8.2
Nov.	17,880.2	514.5	185.1	7,074.2	629.7	2,334.3	1,174.0	3,637.3	2,333.9	-2.6
Dec.	17,851.0	532.9	174.6	7,206.8	613.0	2,327.4	1,196.9	3,539.0	2,231.7	28.9
2006 Jan. <sup>(p)</sup>	18,122.1	520.9	191.7	7,217.6	606.7	2,340.8	1,224.0	3,635.2	2,381.6	3.9
Transactions										
2003	794.4	79.0	15.1	313.7	56.7	133.5	36.8	130.8	-31.5	60.3
2004	1,268.0	70.5	6.1	377.4	22.3	197.1	50.5	276.8	229.4	37.7
2005 Q1	448.3	3.3	25.0	57.3	9.7	65.2	13.1	212.0	107.1	-44.4
Q2	533.0	24.8	24.1	175.2	6.7	80.3	24.6	61.4	169.0	-33.2
Q3	256.7	10.6	-29.4	66.0	10.0	37.7	19.0	127.9	18.9	-4.2
2005 Oct.	134.4	3.4	-3.0	44.9	-6.0	31.2	1.8	62.9	-11.8	11.1
Nov.	217.6	4.0	5.7	24.6	-9.3	10.8	4.0	69.0	106.4	2.4
Dec.	-42.5	18.4	-10.5	121.0	-17.0	-6.7	17.6	-94.7	-102.9	32.4
2006 Jan. <sup>(p)</sup>	289.9	-12.0	17.1	15.1	9.2	8.7	7.7	126.5	133.0	-15.4

Source: ECB.

1) Amounts held by euro area residents.

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

## 2.3 Monetary statistics

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

### 1. Monetary aggregates<sup>1)</sup> and counterparts

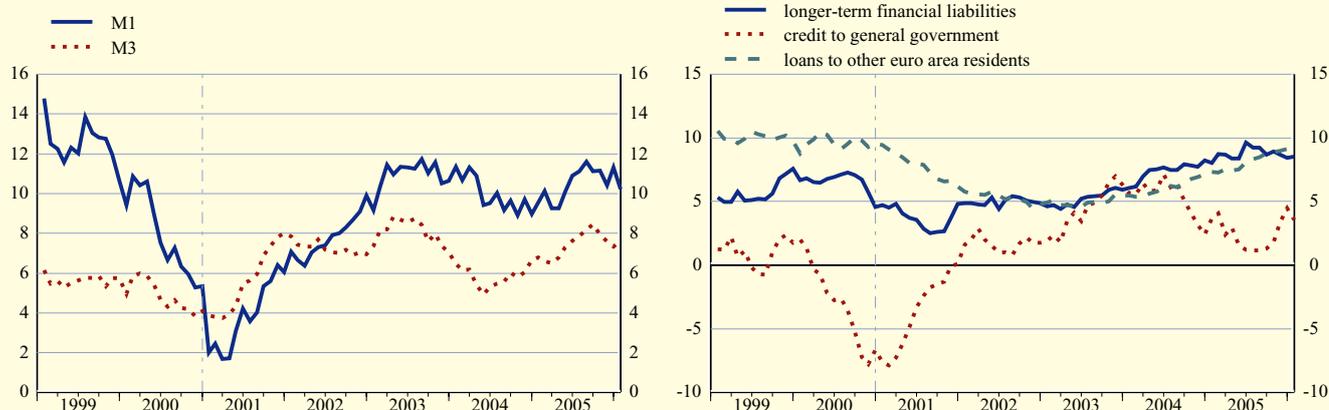
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2003	2,680.6	2,553.3	5,233.9	907.2	6,141.1	-	4,133.3	2,226.1	8,149.6	7,093.4	230.6
2004	2,912.7	2,661.0	5,573.6	960.6	6,534.2	-	4,454.5	2,297.0	8,681.9	7,545.2	375.8
2005 Q1	3,006.7	2,675.4	5,682.1	944.9	6,627.0	-	4,579.5	2,327.4	8,830.0	7,673.7	387.5
Q2	3,257.5	2,557.9	5,815.3	981.1	6,796.4	-	4,797.2	2,352.4	9,114.6	7,894.0	469.8
Q3	3,348.4	2,629.8	5,978.2	1,001.5	6,979.7	-	4,866.3	2,369.2	9,336.1	8,084.3	454.0
2005 Oct.	3,369.1	2,635.6	6,004.8	990.0	6,994.8	-	4,902.2	2,405.9	9,391.6	8,148.4	437.0
Nov.	3,379.7	2,638.5	6,018.2	1,001.5	7,019.7	-	4,943.9	2,477.1	9,477.2	8,213.5	398.3
Dec.	3,417.4	2,649.9	6,067.2	990.1	7,057.3	-	4,984.9	2,486.3	9,543.2	8,278.2	423.6
2006 Jan. <sup>(p)</sup>	3,433.4	2,673.1	6,106.5	993.3	7,099.8	-	5,026.3	2,482.0	9,655.8	8,379.7	459.5
Transactions											
2003	259.4	113.4	372.9	32.2	405.1	-	234.3	131.9	442.9	370.1	96.0
2004	240.4	111.8	352.3	56.0	408.3	-	340.8	53.4	572.5	504.3	163.0
2005 Q1	91.3	8.2	99.4	-20.5	78.9	-	107.1	25.2	146.8	128.6	8.9
Q2	86.3	38.7	125.0	36.5	161.5	-	126.0	8.2	235.6	178.1	48.6
Q3	91.9	71.7	163.6	21.1	184.6	-	57.1	20.9	213.4	193.4	-30.0
2005 Oct.	21.1	5.1	26.2	-15.4	10.8	-	40.6	12.3	87.3	63.9	-16.2
Nov.	9.5	2.0	11.6	-2.5	9.1	-	26.6	30.0	77.4	64.3	-43.5
Dec.	37.8	11.7	49.4	-11.3	38.1	-	23.5	7.7	62.0	64.2	15.5
2006 Jan. <sup>(p)</sup>	17.5	25.3	42.9	10.8	53.7	-	26.0	3.9	102.5	92.4	21.0
Growth rates											
2003 Dec.	10.6	4.6	7.6	3.8	7.1	7.0	5.9	6.3	5.7	5.5	96.0
2004 Dec.	9.0	4.4	6.7	6.2	6.6	6.5	8.2	2.4	7.0	7.1	163.0
2005 Mar.	9.3	4.8	7.1	2.8	6.5	6.6	8.7	2.4	7.4	7.5	98.2
June	10.9	5.1	8.1	5.1	7.6	7.6	9.6	1.2	8.2	8.1	160.3
Sep.	11.1	6.5	8.8	6.1	8.4	8.2	8.7	1.3	9.1	8.8	77.7
2005 Oct.	11.2	6.0	8.6	4.0	7.9	8.0	8.9	1.8	9.4	8.9	50.0
Nov.	10.4	5.9	8.2	3.8	7.6	7.6	8.7	3.3	9.4	9.0	-2.6
Dec.	11.3	5.4	8.5	0.8	7.3	7.5	8.4	4.5	9.4	9.2	-16.7
2006 Jan. <sup>(p)</sup>	10.2	6.4	8.4	3.3	7.6	.	8.5	3.6	9.9	9.7	1.3

### C1 Monetary aggregates

(annual growth rates; seasonally adjusted)

### C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

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

### 2.3 Monetary statistics

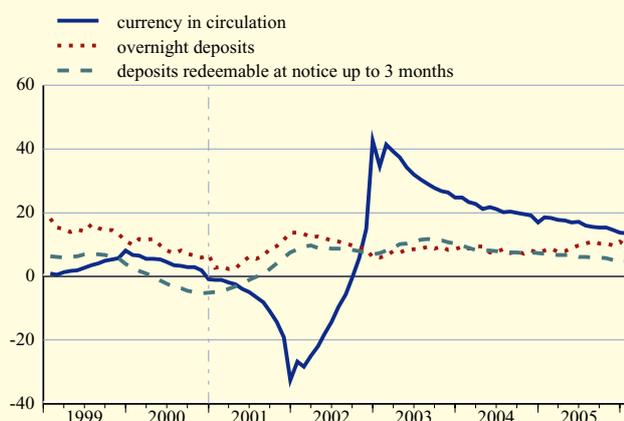
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	386.9	2,293.7	1,031.0	1,522.3	218.4	596.1	92.7	1,789.6	90.7	1,250.0	1,003.1
2004	452.7	2,460.0	1,026.5	1,634.5	239.4	618.9	102.3	1,962.6	89.6	1,357.3	1,044.9
2005 Q1	477.6	2,529.1	1,019.3	1,656.1	225.8	613.1	106.0	2,038.7	90.9	1,387.1	1,062.8
Q2	493.7	2,763.7	1,039.2	1,518.7	239.7	622.9	118.5	2,122.6	91.6	1,449.2	1,133.8
Q3	507.4	2,841.0	1,084.0	1,545.9	244.9	636.6	120.0	2,158.3	87.8	1,464.1	1,156.2
2005 Oct.	515.0	2,854.2	1,087.0	1,548.7	237.3	631.3	121.4	2,186.7	87.0	1,473.6	1,154.8
Nov.	519.6	2,860.1	1,089.6	1,548.9	237.8	633.7	130.0	2,196.9	86.7	1,484.3	1,176.0
Dec.	514.8	2,902.5	1,109.1	1,540.8	232.4	626.6	131.1	2,200.9	86.3	1,503.4	1,194.3
2006 Jan. <sup>(p)</sup>	530.0	2,903.4	1,121.5	1,551.6	238.7	608.0	146.5	2,202.1	87.5	1,517.0	1,219.7
Transactions											
2003	77.5	181.9	-29.7	143.1	-10.3	57.6	-15.1	149.2	-13.2	61.9	36.3
2004	65.8	174.7	-0.8	112.6	23.1	21.7	11.2	185.2	-1.1	106.6	50.1
2005 Q1	24.9	66.4	-13.2	21.4	-13.7	-5.7	-1.1	62.4	0.8	28.9	15.0
Q2	16.2	70.1	14.3	24.4	13.7	9.7	13.0	66.2	0.0	34.0	25.8
Q3	13.7	78.1	44.5	27.2	5.2	13.6	2.2	31.4	-3.8	17.6	11.9
2005 Oct.	7.5	13.6	2.3	2.8	-7.6	-8.8	1.0	28.1	-0.7	9.5	3.7
Nov.	4.7	4.9	1.9	0.2	0.5	-7.6	4.6	6.8	-0.4	10.2	10.0
Dec.	-4.8	42.6	19.8	-8.1	-5.4	-7.5	1.6	3.8	-0.4	7.1	13.0
2006 Jan. <sup>(p)</sup>	15.2	2.4	14.3	11.0	6.4	-2.9	7.4	4.4	1.3	14.2	6.0
Growth rates											
2003 Dec.	24.9	8.6	-2.8	10.4	-4.6	11.0	-14.9	8.9	-12.7	5.2	3.7
2004 Dec.	17.0	7.6	-0.1	7.4	10.7	3.6	12.3	10.3	-1.2	8.5	5.0
2005 Mar.	17.8	7.8	1.7	6.8	4.0	1.8	6.4	10.6	0.5	9.1	5.4
June	17.2	9.8	3.4	6.1	10.3	2.3	10.4	11.7	1.4	9.4	6.7
Sep.	15.3	10.4	7.2	5.9	8.8	3.7	14.5	10.3	-2.3	8.8	6.5
2005 Oct.	15.3	10.4	6.2	5.7	5.0	1.4	17.5	11.0	-3.8	8.7	6.5
Nov.	14.6	9.7	6.7	5.2	6.6	0.5	17.0	10.9	-4.5	8.3	6.3
Dec.	13.7	10.9	6.6	4.3	-3.1	-1.0	20.3	10.0	-4.9	7.8	7.4
2006 Jan. <sup>(p)</sup>	13.6	9.6	8.5	4.7	3.4	-1.4	31.6	9.5	-3.9	8.2	8.1

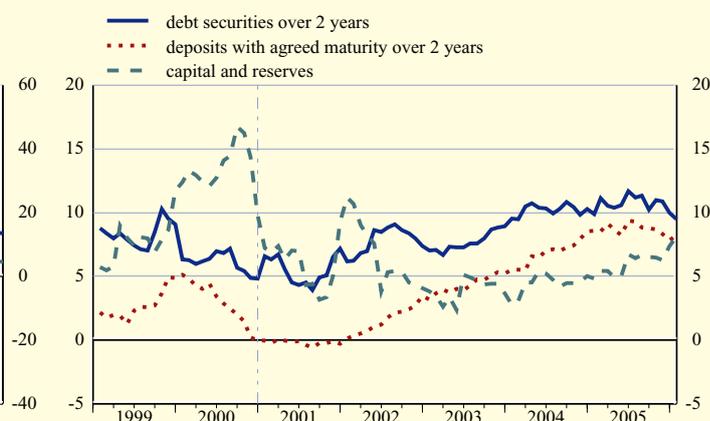
#### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



#### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

## 2.4 MFI loans, breakdown <sup>1)</sup>

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

### 1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.3	334.4	3,152.8	973.8	547.8	1,631.2
2005 Q1	58.2	39.7	560.8	351.1	3,189.9	983.8	555.2	1,650.9
Q2	63.8	43.9	581.1	362.9	3,282.3	1,025.1	564.4	1,692.7
Q3	65.2	42.8	601.1	370.2	3,322.5	1,011.2	576.4	1,734.8
2005 Oct.	68.9	45.6	601.7	369.1	3,342.6	1,018.2	586.4	1,738.0
Nov.	75.4	50.7	617.0	377.4	3,374.0	1,027.6	589.7	1,756.7
Dec.	64.4	41.5	628.6	378.3	3,406.3	1,036.1	592.8	1,777.5
2006 Jan. <sup>(p)</sup>	76.4	52.9	642.0	392.3	3,444.9	1,046.8	600.3	1,797.8
Transactions								
2003	4.2	2.2	53.4	26.2	102.7	-6.9	16.1	93.4
2004	13.1	9.1	52.1	27.7	163.0	23.7	31.1	108.2
2005 Q1	8.6	7.9	10.9	14.9	37.6	7.8	8.1	21.7
Q2	5.5	4.2	16.5	9.5	82.4	34.6	9.8	37.9
Q3	1.4	-1.0	19.7	7.3	41.7	-13.2	12.0	42.9
2005 Oct.	3.7	2.8	-1.9	-2.7	27.2	8.9	10.6	7.7
Nov.	6.4	5.1	13.3	7.7	31.9	9.5	3.8	18.6
Dec.	-11.0	-9.3	10.6	0.7	35.9	6.1	6.9	22.9
2006 Jan. <sup>(p)</sup>	12.0	11.5	18.1	17.1	29.9	11.4	7.5	11.0
Growth rates								
2003 Dec.	11.8	11.6	11.6	8.8	3.5	-0.7	3.2	6.4
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.5	6.0	7.0
2005 Mar.	23.7	21.8	12.5	17.5	5.9	3.9	6.6	6.9
June	17.5	9.8	13.9	18.8	6.5	5.6	6.2	7.2
Sep.	22.7	13.3	17.4	22.1	7.3	5.6	6.6	8.6
2005 Oct.	24.0	15.8	15.6	19.1	7.5	5.5	8.2	8.4
Nov.	37.3	33.0	12.9	12.7	7.7	4.8	8.5	9.2
Dec.	30.0	30.7	12.5	11.1	8.1	5.5	9.4	9.3
2006 Jan. <sup>(p)</sup>	35.9	36.4	15.9	14.8	8.5	6.0	8.9	9.8

### C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

## 2.4 MFI loans, breakdown <sup>1)</sup>

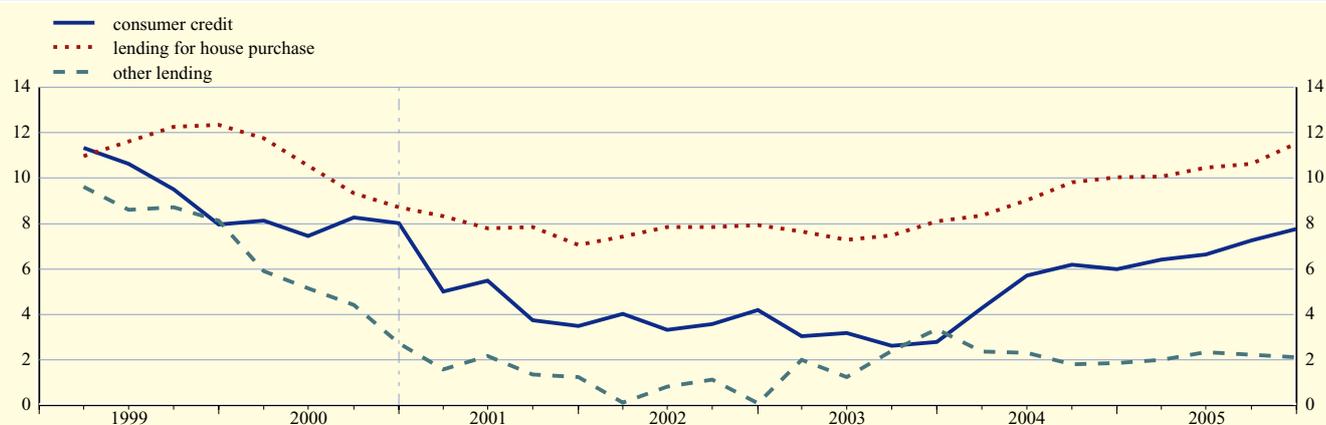
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Loans to households <sup>2)</sup>

	2. Loans to households <sup>2)</sup>													
	Total	Consumer credit				Lending for house purchase				Other lending				
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years		
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts														
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1	
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2	
2005 Q1	3,860.4	519.3	120.2	191.1	208.0	2,640.3	14.3	67.1	2,558.9	700.9	144.4	98.7	457.8	
Q2	3,991.3	537.3	124.4	197.3	215.6	2,737.2	14.8	66.2	2,656.2	716.8	149.9	101.0	465.8	
Q3	4,079.5	544.7	125.8	199.0	220.0	2,819.8	15.1	67.6	2,737.1	714.9	145.4	101.3	468.2	
2005 Oct.	4,120.2	548.8	126.9	200.0	221.9	2,851.0	14.9	67.8	2,768.3	720.4	145.3	101.7	473.3	
Nov.	4,151.2	550.1	126.4	200.7	223.0	2,877.1	15.0	68.3	2,793.9	724.0	147.8	102.4	473.8	
Dec.	4,192.5	553.7	128.7	201.9	223.2	2,917.5	15.2	68.2	2,834.1	721.3	146.9	99.8	474.5	
2006 Jan. <sup>(p)</sup>	4,219.9	554.3	128.2	201.9	224.2	2,946.4	15.1	68.7	2,862.6	719.2	146.0	97.4	475.9	
Transactions														
2003	211.6	13.1	8.4	6.2	-1.5	177.2	-5.9	1.6	181.4	21.3	-6.1	-4.9	32.2	
2004	278.6	29.0	7.1	8.6	13.3	236.9	0.9	2.9	233.1	12.7	-0.8	2.0	11.6	
2005 Q1	56.2	4.4	-0.3	1.6	3.1	49.5	-0.2	1.3	48.4	2.2	1.3	-0.4	1.3	
Q2	102.5	15.7	4.0	6.0	5.7	75.7	0.5	0.5	74.6	11.1	5.6	0.5	5.0	
Q3	90.0	8.7	1.5	2.1	5.1	83.1	0.3	1.3	81.4	-1.8	-4.7	0.1	2.7	
2005 Oct.	36.1	4.4	1.3	1.1	2.0	30.6	-0.3	0.3	30.7	1.0	-0.8	0.0	1.7	
Nov.	31.8	2.7	-0.5	0.7	2.4	26.0	0.1	0.4	25.4	3.1	2.8	0.6	-0.3	
Dec.	38.2	4.0	2.5	1.2	0.3	35.0	0.3	0.4	34.2	-0.8	-0.7	-0.9	0.8	
2006 Jan. <sup>(p)</sup>	22.2	1.2	-0.3	0.1	1.4	22.4	0.0	0.6	21.9	-1.4	-0.5	-2.4	1.4	
Growth rates														
2003 Dec.	6.4	2.8	8.0	3.5	-0.2	8.1	-26.2	2.5	8.6	3.4	-4.0	-4.9	8.5	
2004 Dec.	7.9	6.0	6.3	4.7	6.9	10.0	6.0	4.6	10.2	1.9	-0.5	2.0	2.6	
2005 Mar.	8.0	6.4	7.7	4.6	7.4	10.1	5.0	8.0	10.1	2.0	2.1	1.1	2.2	
June	8.4	6.7	6.6	5.8	7.5	10.5	4.1	4.6	10.7	2.3	3.8	0.6	2.3	
Sep.	8.6	7.2	7.7	6.2	8.0	10.6	6.7	4.8	10.8	2.2	2.4	1.2	2.4	
2005 Oct.	8.9	7.8	9.1	6.4	8.3	10.9	1.2	4.7	11.1	2.4	2.4	0.3	2.8	
Nov.	9.1	8.1	8.8	6.6	9.1	11.1	4.5	6.3	11.3	2.3	2.0	1.1	2.7	
Dec.	9.3	7.8	7.1	6.7	9.1	11.5	5.4	6.7	11.7	2.1	2.4	0.0	2.5	
2006 Jan. <sup>(p)</sup>	9.4	8.0	6.6	7.3	9.5	11.7	7.8	7.9	11.8	1.8	2.1	-1.6	2.5	

### C6 Loans to households

(annual growth rates)



Source: ECB.

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

## 2.4 MFI loans, breakdown <sup>1)</sup>

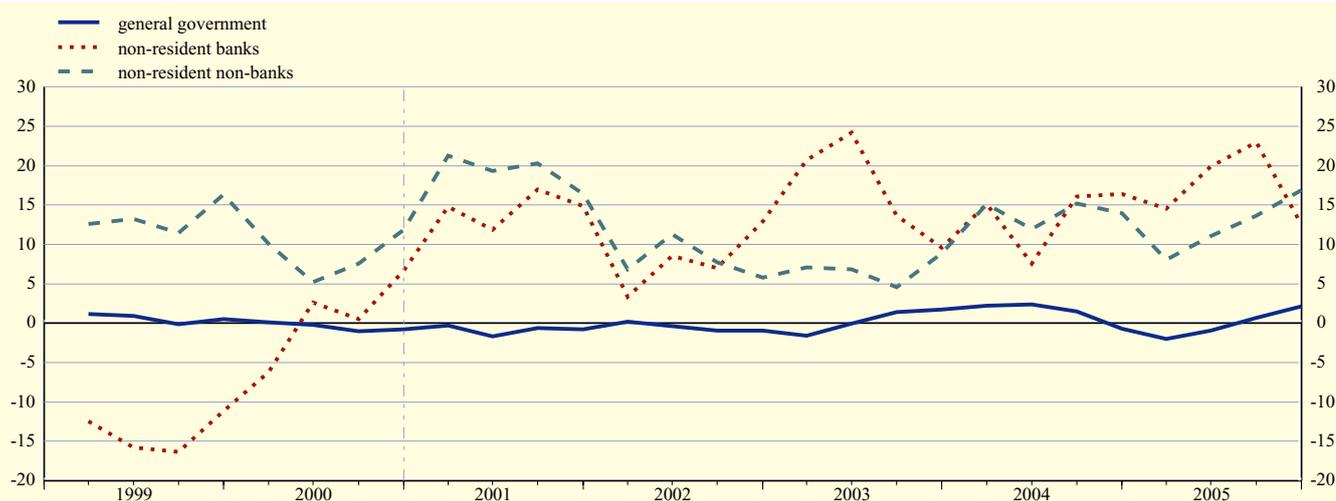
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	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										
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.3	129.5	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	805.4	128.2	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	807.3	123.8	247.5	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3	814.9	124.1	247.1	411.0	32.7	2,375.5	1,633.1	742.5	64.1	678.4
Q4 <sup>(p)</sup>	831.2	128.6	246.8	423.7	32.1	2,466.2	1,681.0	785.3	67.7	717.6
Transactions										
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-5.9	2.0	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005 Q1	-6.6	-1.6	-4.2	0.5	-1.3	124.8	98.6	26.2	0.6	25.5
Q2	1.2	-4.7	-0.8	0.6	6.0	93.9	81.1	12.9	0.2	12.7
Q3	7.8	0.3	-0.5	3.8	4.1	85.3	52.0	33.4	2.0	31.4
Q4 <sup>(p)</sup>	14.7	2.8	-2.7	15.1	-0.6	-24.7	-63.5	38.7	3.6	35.1
Growth rates										
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Dec.	-0.7	1.5	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-2.0	-2.5	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-1.0	-1.3	-2.6	4.0	-34.7	17.0	19.9	11.0	2.1	12.0
Sep.	0.7	1.0	-2.4	4.1	-15.6	19.9	23.0	13.6	5.3	14.5
Dec. <sup>(p)</sup>	2.1	-2.4	-3.2	4.9	34.9	13.9	12.5	16.9	10.4	17.6

### C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

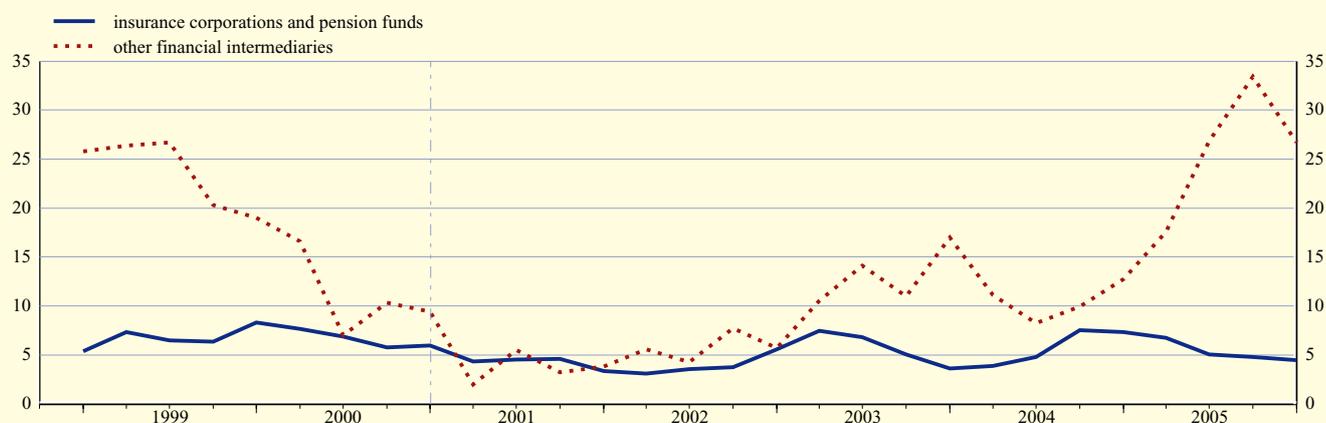
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

## 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	565.6	180.9	130.8	143.3	6.1	0.1	104.4
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005 Q1	597.0	65.7	48.5	460.3	1.3	1.3	19.8	692.9	213.3	134.2	205.2	11.5	0.1	128.7
Q2	595.7	61.2	48.3	463.0	1.1	1.6	20.5	792.2	226.7	149.1	264.3	11.1	0.1	140.7
Q3	602.9	60.0	50.8	466.9	1.1	1.6	22.4	833.0	242.6	169.7	275.6	10.6	0.1	134.4
2005 Oct.	609.9	66.6	48.1	468.5	1.1	1.5	24.1	847.1	232.3	176.5	285.5	11.0	0.1	141.7
Nov.	605.4	67.9	42.1	469.7	1.2	1.5	23.1	852.3	225.6	180.1	298.3	11.1	0.1	137.0
Dec.	612.3	67.6	52.0	469.6	1.2	1.4	20.5	865.5	224.1	186.1	324.5	10.5	0.1	120.2
2006 Jan. <sup>(p)</sup>	621.3	72.7	49.8	471.6	1.2	1.4	24.6	898.0	249.4	179.2	329.9	10.0	0.1	129.5
Transactions														
2003	19.0	1.6	3.9	11.8	0.3	0.4	1.1	82.8	25.3	0.8	37.6	3.2	0.1	16.0
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.2	0.9	5.8	43.7	4.1	0.0	17.7
2005 Q1	12.5	6.4	-3.1	10.0	0.1	0.0	-1.0	48.8	32.1	-9.4	16.0	1.3	0.0	8.7
Q2	-2.1	-5.3	-0.5	2.7	0.2	0.0	0.8	66.3	10.7	11.9	31.0	0.8	0.0	11.9
Q3	7.2	-1.2	2.6	3.9	0.0	0.1	1.9	43.3	15.8	20.4	14.0	-0.5	0.0	-6.3
2005 Oct.	6.9	6.7	-2.9	1.5	0.0	0.0	1.6	9.9	-10.3	6.6	5.9	0.4	0.0	7.3
Nov.	-4.6	1.2	-6.0	1.2	0.0	0.0	-0.9	4.5	-7.0	3.7	12.5	0.2	0.0	-4.8
Dec.	6.1	-0.6	9.3	-0.1	0.0	0.0	-2.6	1.0	-1.7	6.2	13.9	-0.6	0.0	-16.8
2006 Jan. <sup>(p)</sup>	9.1	5.1	-2.1	1.9	0.0	0.0	4.1	34.4	25.9	-6.4	6.0	-0.5	0.0	9.4
Growth rates														
2003 Dec.	3.6	2.8	9.9	2.9	41.3	58.8	6.0	17.0	16.3	0.5	35.2	70.4	-	17.1
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.4	67.6	-	17.1
2005 Mar.	6.8	2.3	16.4	7.5	1.7	-51.5	-10.4	17.6	8.5	9.3	40.1	50.0	-	11.4
June	5.1	1.8	15.3	4.8	18.1	31.3	-3.0	26.8	16.5	15.1	52.5	50.1	-	21.0
Sep.	4.8	-2.8	7.9	5.1	26.4	33.0	12.0	33.4	27.3	33.4	49.5	46.3	-	18.9
2005 Oct.	5.0	13.3	-2.0	4.6	22.4	2.8	5.5	29.7	22.7	25.1	51.0	45.9	-	14.6
Nov.	3.2	6.0	-12.1	4.1	18.3	2.9	10.9	27.8	13.0	33.9	48.0	27.1	-	13.9
Dec.	4.5	12.2	-1.2	4.3	36.2	2.9	-1.0	26.7	21.9	26.6	46.8	14.3	-	0.1
2006 Jan. <sup>(p)</sup>	3.8	6.3	-3.8	4.3	18.5	1.3	4.4	26.4	16.8	30.7	49.8	-4.5	-	3.6

## C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

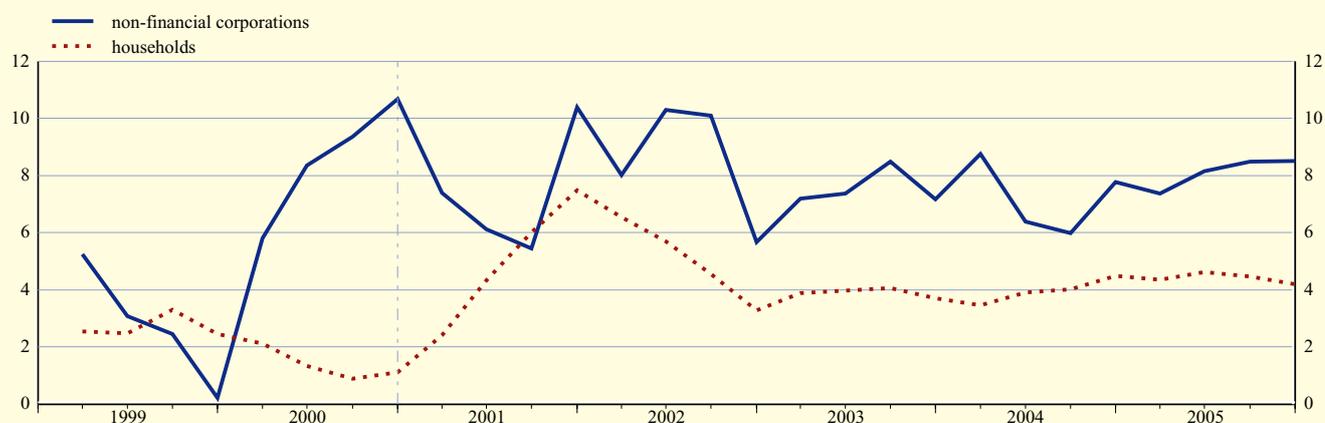
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Deposits by non-financial corporations and households

	Non-financial corporations							Households <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.6	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005 Q1	1,096.3	675.3	280.2	72.1	44.0	1.1	23.6	4,176.4	1,408.6	513.2	632.8	1,481.9	88.7	51.2
Q2	1,133.5	722.2	274.1	71.9	41.6	1.5	22.1	4,246.0	1,629.3	511.2	630.8	1,336.3	87.2	51.2
Q3	1,152.8	719.6	296.9	68.8	43.9	1.2	22.4	4,245.6	1,626.2	515.2	626.9	1,341.8	83.9	51.6
2005 Oct.	1,169.5	734.5	302.9	65.6	44.5	1.2	20.7	4,246.4	1,629.2	517.5	625.4	1,339.8	83.4	51.2
Nov.	1,177.9	742.9	299.1	66.6	44.8	1.2	23.3	4,259.2	1,642.4	520.6	623.3	1,336.8	83.7	52.5
Dec.	1,210.1	768.1	304.8	67.0	44.5	1.2	24.4	4,340.2	1,685.4	532.7	630.3	1,354.2	84.5	53.1
2006 Jan. <sup>(p)</sup>	1,182.1	739.9	301.5	67.0	47.2	1.2	25.3	4,336.4	1,668.6	533.4	629.3	1,366.3	85.2	53.5
Transactions														
2003	70.4	40.9	19.7	3.9	10.2	0.0	-4.2	141.9	95.3	-45.8	10.4	117.4	-13.7	-21.8
2004	80.8	48.5	17.1	6.6	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005 Q1	-20.0	-0.5	-12.1	-1.1	-0.2	0.0	-6.1	14.2	4.9	-2.0	-0.1	15.8	0.2	-4.5
Q2	33.3	41.3	-7.7	0.2	1.1	-0.1	-1.5	67.1	63.3	-3.6	-2.3	11.1	-1.4	0.0
Q3	20.4	-1.6	22.8	-3.1	2.2	-0.3	0.3	-0.8	-3.2	3.8	-4.0	5.5	-3.3	0.4
2005 Oct.	20.7	14.9	6.0	0.8	0.6	0.0	-1.7	0.9	3.5	1.9	-1.5	-2.1	-0.5	-0.3
Nov.	7.3	7.9	-4.3	0.9	0.3	0.0	2.5	12.2	13.0	2.8	-2.0	-3.0	0.2	1.3
Dec.	33.5	25.8	6.3	0.6	-0.3	0.0	1.2	81.1	43.1	12.1	6.9	17.4	0.9	0.7
2006 Jan. <sup>(p)</sup>	-26.4	-27.6	-2.5	0.1	2.7	0.0	0.9	-3.0	-16.6	1.3	-0.9	12.2	0.7	0.4
Growth rates														
2003 Dec.	7.2	6.7	7.5	6.2	41.5	-3.9	-12.4	3.7	7.9	-7.7	1.8	9.3	-13.2	-29.2
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Mar.	7.4	9.3	3.7	4.3	15.2	68.0	-8.3	4.4	6.6	-2.7	3.8	5.6	0.1	-1.3
June	8.1	10.6	4.4	3.3	14.9	-5.8	-13.4	4.6	7.8	-1.3	2.9	4.8	1.1	1.5
Sep.	8.5	9.1	10.7	-1.7	16.5	-26.5	-12.7	4.4	7.8	0.5	1.8	4.6	-2.4	-4.0
2005 Oct.	9.8	12.7	7.1	0.4	18.2	-28.2	-20.0	4.0	7.1	1.1	1.1	4.2	-3.5	-5.8
Nov.	9.4	11.7	6.8	1.6	16.2	-29.8	-9.0	4.0	7.5	1.6	0.6	3.8	-4.1	-3.5
Dec.	8.5	12.9	3.7	-2.2	8.9	-29.0	-17.9	4.2	8.5	2.9	-0.5	3.2	-4.5	-4.5
2006 Jan. <sup>(p)</sup>	10.2	11.8	8.9	-0.5	18.7	-27.8	1.6	4.0	7.6	3.2	-0.9	3.4	-3.4	2.6

### C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

### 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

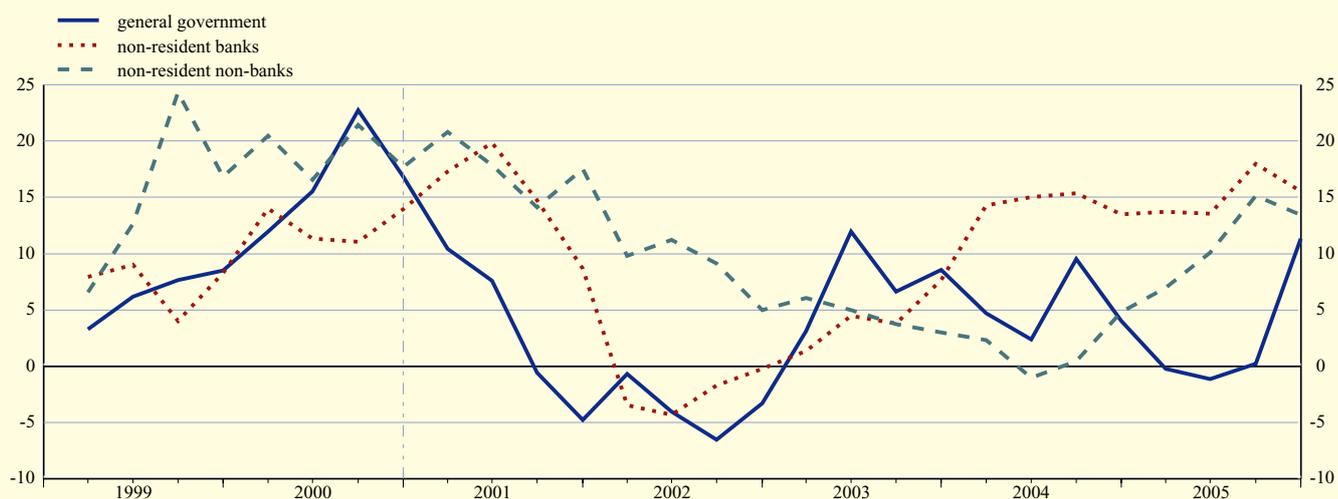
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	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										
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.1	1,935.7	733.4	105.4	628.0
Q2	288.3	135.1	35.1	69.7	48.4	2,784.9	2,034.1	750.8	118.6	632.3
Q3	287.5	135.1	36.0	71.3	45.2	2,907.1	2,108.2	798.9	125.2	673.7
Q4 <sup>(p)</sup>	314.3	150.2	38.4	80.9	44.9	3,042.3	2,234.1	808.1	126.8	681.3
Transactions										
2003	21.5	23.3	-0.5	-2.3	1.0	138.7	117.5	21.1	-1.1	22.3
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.8	32.0	6.9	25.1
2005 Q1	-12.2	-11.4	2.8	-2.1	-1.6	188.2	147.1	41.0	2.0	39.1
Q2	18.3	8.8	1.7	2.2	5.7	42.2	42.7	-0.5	13.2	-13.7
Q3	-0.9	-0.3	0.9	1.7	-3.2	122.7	74.9	47.8	6.7	41.2
Q4 <sup>(p)</sup>	26.8	15.1	2.4	9.6	-0.3	16.8	11.8	5.0	1.6	3.4
Growth rates										
2003 Dec.	8.6	21.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.2	3.7
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar.	-0.3	-10.5	19.6	8.3	8.6	11.8	13.7	7.0	4.1	7.5
June	-1.2	-13.8	19.3	8.3	16.9	12.6	13.5	10.1	15.8	9.0
Sep.	0.2	-7.9	14.1	7.9	5.9	17.2	18.0	15.1	18.7	14.5
Dec. <sup>(p)</sup>	11.3	8.8	25.6	16.5	1.3	14.9	15.5	13.4	22.7	11.8

### C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

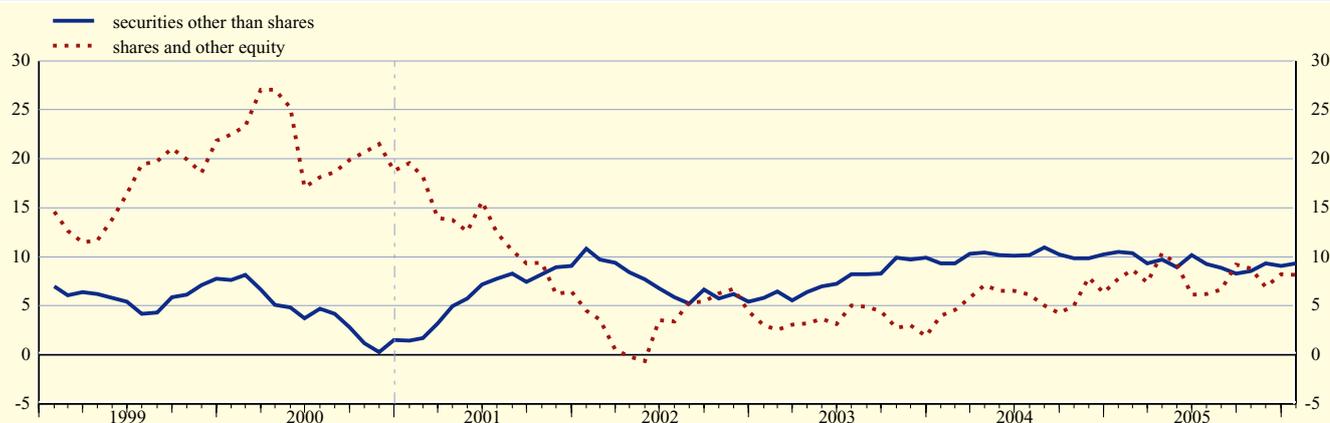
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

(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
<b>Outstanding amounts</b>												
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.7	59.9	1,284.1	15.8	449.0	16.3	751.7	1,158.1	286.4	656.4	215.2
2005 Q1	4,093.1	1,388.9	66.6	1,342.8	15.8	464.9	16.3	797.9	1,217.0	296.1	674.4	246.5
Q2	4,269.0	1,435.8	67.7	1,368.1	15.8	488.0	18.9	874.7	1,234.8	295.3	704.1	235.5
Q3	4,269.9	1,439.3	67.9	1,344.0	16.6	486.1	19.7	896.4	1,257.6	297.5	716.2	244.0
2005 Oct.	4,345.3	1,442.8	69.7	1,383.1	16.9	499.6	22.4	910.8	1,228.0	297.3	692.7	238.0
Nov.	4,470.2	1,452.6	71.3	1,466.5	17.4	519.1	24.5	918.9	1,250.1	311.1	698.3	240.7
Dec.	4,437.4	1,449.0	64.3	1,423.2	17.0	527.6	24.2	932.0	1,251.4	310.1	696.8	244.5
2006 Jan. <sup>(p)</sup>	4,510.0	1,468.3	62.5	1,442.2	16.9	529.9	25.4	964.9	1,290.1	322.6	709.4	258.0
<b>Transactions</b>												
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004	368.4	148.1	4.9	40.3	1.3	34.8	-1.3	140.4	67.6	2.2	34.5	30.8
2005 Q1	137.7	29.1	4.7	55.3	-0.5	17.0	-0.5	32.5	57.1	9.4	16.1	31.6
Q2	128.9	46.2	-1.8	11.6	-1.0	21.9	1.6	50.3	14.5	5.0	25.2	-15.7
Q3	1.2	1.8	0.2	-20.6	0.9	-2.9	0.9	20.8	6.6	1.1	2.7	2.8
2005 Oct.	48.3	4.5	1.7	13.4	0.3	12.8	2.8	12.8	1.9	0.2	7.9	-6.2
Nov.	77.4	7.0	1.0	42.4	-0.1	16.9	1.6	8.7	20.0	13.1	1.5	5.3
Dec.	-33.3	-4.0	-6.9	-42.7	-0.4	8.2	-0.2	12.6	-4.9	-1.5	-4.6	1.1
2006 Jan. <sup>(p)</sup>	99.5	27.7	-0.9	25.5	0.3	3.0	1.6	42.3	32.3	10.3	10.7	11.4
<b>Growth rates</b>												
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.4	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Mar.	9.3	9.1	14.1	3.9	-4.1	11.1	-4.6	19.1	7.3	1.9	4.0	26.4
June	10.2	11.4	8.1	1.4	-9.9	12.7	4.2	24.2	6.1	1.4	6.5	11.6
Sep.	8.3	8.9	5.9	-0.1	2.6	12.6	10.6	20.3	9.2	4.7	10.2	12.2
2005 Oct.	8.5	7.5	8.2	1.5	-19.3	14.8	23.6	19.7	8.8	4.6	10.9	8.1
Nov.	9.3	7.3	9.0	4.3	-14.2	17.2	31.3	17.2	6.9	7.1	9.1	0.5
Dec.	9.1	6.2	-1.2	4.7	-4.3	16.4	34.7	17.8	8.2	9.6	7.4	8.8
2006 Jan. <sup>(p)</sup>	9.3	8.0	-8.5	3.9	-16.0	15.9	47.4	18.1	8.1	10.9	7.1	7.2

## C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items <sup>1)</sup>  
(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.2	-2.8	-0.3	-4.1
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005 Q1	-1.3	-0.6	-0.2	-0.5	-1.2	-0.1	0.0	-1.1	-2.7	-1.1	-0.1	-1.6
Q2	-0.8	-0.3	-0.2	-0.3	-0.8	0.0	0.0	-0.7	-1.6	-0.8	-0.1	-0.8
Q3	-0.9	-0.4	-0.2	-0.3	-0.6	0.0	0.0	-0.5	-0.9	-0.4	0.0	-0.5
2005 Oct.	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
Nov.	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4
Dec.	-0.5	-0.1	-0.2	-0.1	-1.0	-0.1	-0.5	-0.4	-2.4	-0.2	-1.7	-0.5
2006 Jan. <sup>(p)</sup>	-0.6	-0.2	-0.1	-0.2	-0.9	-0.1	0.0	-0.8	-1.0	-0.3	-0.1	-0.6

2. Write-offs/write-downs of loans to non-financial corporations and non-euro area residents

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2003	-17.5	-8.8	-1.3	-7.4	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005 Q1	-5.1	-2.5	-0.7	-1.9	-0.3	-0.1	-0.3
Q2	-3.8	-1.9	-0.2	-1.8	-0.3	0.0	-0.3
Q3	-1.8	-0.9	-0.2	-0.7	-0.2	-0.1	-0.2
2005 Oct.	-1.4	-1.1	-0.1	-0.2	0.0	0.0	0.0
Nov.	-0.7	-0.4	0.0	-0.2	0.0	0.0	0.0
Dec.	-5.2	-0.6	-3.3	-1.3	-0.3	-0.2	-0.1
2006 Jan. <sup>(p)</sup>	-1.7	-0.8	-0.2	-0.7	-0.1	0.0	-0.1

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	8.1	1.3	3.4	3.5
2005 Q1	5.9	1.0	0.1	3.8	0.1	-0.7	0.1	1.6	4.6	0.5	2.7	1.4
Q2	17.2	2.9	0.2	7.8	0.2	1.6	0.1	4.4	9.8	0.9	4.3	4.6
Q3	-3.1	0.2	0.1	-3.6	-0.1	0.3	0.0	0.0	14.3	1.8	7.1	5.4
2005 Oct.	-2.2	-0.4	0.0	-1.0	0.0	-0.1	0.0	-0.6	-0.9	-0.3	-0.8	0.2
Nov.	6.0	-0.4	0.1	1.2	0.5	0.3	0.1	4.2	7.9	1.0	3.5	3.4
Dec.	1.0	0.0	0.0	-0.6	0.0	0.2	0.0	1.3	6.0	0.7	2.6	2.6
2006 Jan. <sup>(p)</sup>	-3.5	-1.0	-0.1	-1.2	-0.1	-0.7	-0.1	-0.4	5.9	2.0	2.0	1.9

Source: ECB.

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

2) Including non-profit institutions serving households.

## 2.8 Currency breakdown of selected MFI balance sheet items <sup>1)</sup>

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				
			Total							Total				
			USD	JPY	CHF	GBP				USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1	4,820.7	91.0	9.0	5.4	0.5	1.4	1.1	6,832.5	97.0	3.0	1.9	0.3	0.1	0.4
Q2	4,793.3	90.9	9.1	5.5	0.4	1.4	1.1	7,055.6	96.9	3.1	1.9	0.3	0.1	0.4
Q3	4,783.7	90.6	9.4	5.7	0.5	1.5	1.1	7,121.8	96.7	3.3	2.0	0.3	0.1	0.4
Q4 <sup>3)</sup>	4,856.0	90.9	9.1	5.7	0.4	1.4	1.0	7,342.4	96.8	3.2	2.0	0.3	0.1	0.4
	By non-euro area residents													
2003	1,580.8	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1	1,935.7	46.9	53.1	35.2	2.4	2.9	9.7	733.4	54.6	45.4	29.4	1.5	2.0	9.2
Q2	2,034.1	45.8	54.2	36.0	2.4	3.1	9.5	750.8	52.5	47.5	30.6	1.5	2.3	9.9
Q3	2,108.2	46.8	53.2	34.3	2.5	3.0	9.7	798.9	51.9	48.1	31.1	1.8	2.0	9.9
Q4 <sup>3)</sup>	2,234.1	45.9	54.1	35.5	2.4	3.0	9.6	808.1	52.2	47.8	31.8	1.7	2.1	9.1

### 2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
	1	2	3	4	5	6	7
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,794.9	83.4	16.6	8.2	1.7	1.9	2.9
Q2	3,942.7	82.4	17.6	9.0	1.8	1.9	3.0
Q3	3,994.3	81.9	18.1	9.0	1.8	2.0	3.2
Q4 <sup>3)</sup>	4,052.2	81.2	18.8	9.4	1.8	2.0	3.3

Source: ECB.

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

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

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

2.8 Currency breakdown of selected MFI balance sheet items <sup>1)</sup>

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

## 3. Loans

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2003	4,193.9	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3	
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005 Q1	4,575.4	-	-	-	-	-	8,474.8	96.5	3.5	1.5	0.2	1.3	0.4	
Q2	4,529.4	-	-	-	-	-	8,725.8	96.4	3.6	1.6	0.2	1.3	0.4	
Q3	4,547.4	-	-	-	-	-	8,883.1	96.3	3.7	1.6	0.2	1.3	0.4	
Q4 <sup>(p)</sup>	4,559.3	-	-	-	-	-	9,122.9	96.3	3.7	1.7	0.2	1.3	0.5	
To non-euro area residents														
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	575.7	38.8	61.2	43.6	2.4	4.6	7.0
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005 Q1	1,463.8	51.8	48.2	29.2	3.4	2.1	9.2	672.7	41.8	58.2	42.1	1.4	4.3	7.1
Q2	1,582.4	49.3	50.7	31.0	4.2	2.0	9.0	710.1	41.0	59.0	43.1	1.1	4.4	7.2
Q3	1,633.1	49.2	50.8	29.5	4.3	2.0	10.1	742.5	40.1	59.9	42.4	1.6	3.9	8.4
Q4 <sup>(p)</sup>	1,681.0	47.7	52.3	30.9	4.4	2.1	10.1	785.3	39.3	60.7	42.8	1.7	4.1	8.3

## 4. Holdings of securities other than shares

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004	1,422.6	95.8	4.2	1.8	0.3	0.5	1.3	1,765.1	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1	1,455.5	95.4	4.6	2.1	0.4	0.4	1.5	1,839.7	98.3	1.7	0.9	0.4	0.1	0.3
Q2	1,503.5	95.5	4.5	2.1	0.3	0.4	1.5	1,890.8	98.2	1.8	1.0	0.4	0.1	0.3
Q3	1,507.1	95.5	4.5	2.0	0.3	0.4	1.5	1,866.4	98.1	1.9	1.0	0.3	0.1	0.4
Q4 <sup>(p)</sup>	1,513.3	95.8	4.2	2.0	0.3	0.4	1.3	1,992.0	97.9	2.1	1.1	0.3	0.1	0.5
Issued by non-euro area residents														
2003	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1	359.8	48.9	51.1	30.3	1.0	0.5	16.5	438.0	43.7	56.3	32.7	7.2	0.8	9.1
Q2	397.4	47.9	52.1	30.3	0.8	0.5	17.8	477.3	41.1	58.9	34.0	7.9	0.8	9.9
Q3	407.2	49.5	50.5	29.1	0.8	0.6	17.0	489.2	40.2	59.8	36.0	6.1	0.9	11.1
Q4 <sup>(p)</sup>	399.4	47.7	52.3	31.0	0.8	0.7	16.2	532.6	35.6	64.4	37.7	7.3	0.9	12.6

Source: ECB.

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

## 2.9 Aggregated balance sheet of euro area investment funds <sup>1)</sup>

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2004 Q2	3,631.6	263.7	1,540.5	75.7	1,464.7	1,206.9	299.8	151.0	169.7
Q3	3,652.8	265.6	1,585.6	78.5	1,507.1	1,179.2	302.5	155.5	164.3
Q4	3,790.0	259.4	1,617.6	78.1	1,539.5	1,250.5	317.3	158.6	186.7
2005 Q1	4,013.0	286.9	1,687.3	79.2	1,608.1	1,324.7	342.4	163.3	208.5
Q2	4,263.4	294.9	1,778.7	91.3	1,687.4	1,404.9	379.1	167.7	238.1
Q3 <sup>(p)</sup>	4,572.2	301.4	1,856.0	100.7	1,755.2	1,556.6	417.0	170.4	270.8

### 2. Liabilities

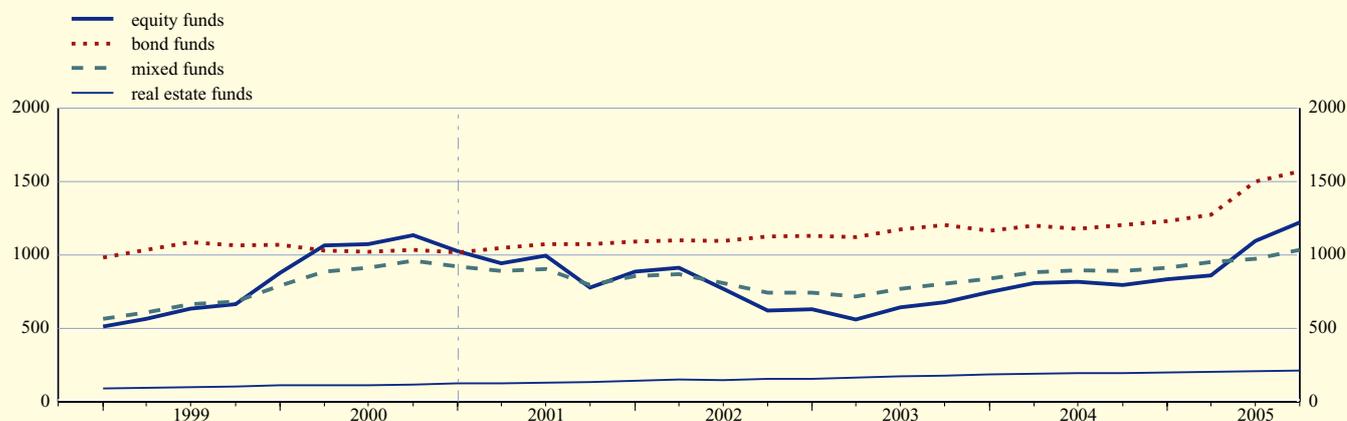
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2004 Q2	3,631.6	54.2	3,441.1	136.3
Q3	3,652.8	53.3	3,463.1	136.4
Q4	3,790.0	52.3	3,588.4	149.2
2005 Q1	4,013.0	60.5	3,764.0	188.5
Q2	4,263.4	57.8	3,996.9	208.6
Q3 <sup>(p)</sup>	4,572.2	59.5	4,306.0	206.7

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

	Total 1	Funds by investment policy					Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2004 Q2	3,631.6	814.5	1,178.1	893.6	193.5	552.0	2,669.4	962.2
Q3	3,652.8	796.8	1,204.8	889.1	196.4	565.8	2,686.6	966.2
Q4	3,790.0	834.3	1,229.8	912.0	196.9	617.0	2,795.5	994.4
2005 Q1	4,013.0	861.9	1,274.8	951.7	201.2	723.4	2,981.1	1,032.0
Q2	4,263.4	1,094.4	1,498.4	974.6	207.2	488.8	3,179.6	1,083.8
Q3 <sup>(p)</sup>	4,572.2	1,221.8	1,568.9	1,032.2	211.8	537.6	3,448.0	1,124.2

## C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

## 1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
Equity funds									
2004 Q2	814.5	33.9	34.0	3.5	30.5	692.1	27.2	-	27.2
Q3	796.8	33.9	35.5	4.0	31.5	673.3	27.0	-	27.1
Q4	834.3	30.8	36.7	4.0	32.6	705.8	30.2	-	30.8
2005 Q1	861.9	33.7	36.7	4.0	32.7	729.8	31.3	-	30.5
Q2	1,094.4	44.8	41.2	4.5	36.8	936.6	37.9	-	33.9
Q3 <sup>(p)</sup>	1,221.8	48.0	42.8	4.9	37.9	1,045.1	50.2	-	35.8
Bond funds									
2004 Q2	1,178.1	85.2	979.7	39.5	940.2	35.5	23.5	-	54.2
Q3	1,204.8	87.0	1,003.8	42.1	961.8	34.4	25.2	-	54.4
Q4	1,229.8	83.7	1,016.9	43.3	973.6	39.9	25.1	-	64.2
2005 Q1	1,274.8	97.5	1,042.1	44.7	997.4	39.4	28.1	-	67.7
Q2	1,498.4	110.2	1,225.8	58.4	1,167.4	38.4	32.6	-	91.3
Q3 <sup>(p)</sup>	1,568.9	110.0	1,285.7	67.0	1,218.7	38.4	35.0	-	99.8
Mixed funds									
2004 Q2	893.6	56.3	366.1	24.0	342.1	300.3	123.7	0.3	46.8
Q3	889.1	56.3	374.5	23.7	350.8	291.2	124.4	0.3	42.4
Q4	912.0	54.5	374.7	21.7	353.0	304.1	131.0	0.3	47.4
2005 Q1	951.7	60.4	387.6	22.4	365.2	314.1	134.8	0.2	54.7
Q2	974.6	64.9	417.3	21.2	396.2	276.6	146.5	0.2	69.0
Q3 <sup>(p)</sup>	1,032.2	66.3	425.1	21.6	403.5	300.0	160.2	0.2	80.4
Real estate funds									
2004 Q2	193.5	16.1	9.2	0.7	8.6	0.7	8.3	149.8	9.3
Q3	196.4	15.5	9.2	0.7	8.5	0.8	8.1	154.1	8.7
Q4	196.9	15.7	7.6	0.7	6.9	1.0	7.5	156.4	8.7
2005 Q1	201.2	14.3	8.4	0.7	7.7	1.1	7.5	160.9	9.0
Q2	207.2	14.0	8.2	0.8	7.5	1.1	7.6	167.2	9.0
Q3 <sup>(p)</sup>	211.8	15.2	8.7	1.2	7.6	1.3	8.1	169.8	8.7

## 2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
General public funds							
2004 Q2	2,669.4	217.6	1,018.3	958.4	227.2	129.7	118.2
Q3	2,686.6	221.5	1,049.0	939.5	229.6	133.5	113.6
Q4	2,795.5	217.3	1,072.4	1,000.1	239.2	137.6	128.9
2005 Q1	2,981.1	241.3	1,129.5	1,058.7	259.5	141.2	150.7
Q2	3,179.6	247.2	1,202.2	1,124.9	284.0	144.9	176.3
Q3 <sup>(p)</sup>	3,448.0	250.8	1,256.1	1,257.8	320.9	145.2	217.3
Special investors' funds							
2004 Q2	962.2	46.1	522.2	248.5	72.6	21.3	51.5
Q3	966.2	44.1	536.6	239.7	72.9	22.0	50.8
Q4	994.4	42.0	545.2	250.3	78.1	21.0	57.8
2005 Q1	1,032.0	45.5	557.7	266.0	82.9	22.0	57.8
Q2	1,083.8	47.6	576.5	280.0	95.1	22.8	61.8
Q3 <sup>(p)</sup>	1,124.2	50.6	599.9	298.9	96.2	25.2	53.4

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

### 3.1 Main financial assets of non-financial sectors

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

	Currency and deposits											Memo: deposits of non-MFIs with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs <sup>1)</sup>		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q2	16,109.3	6,056.9	372.3	5,263.9	2,101.2	1,529.5	1,553.9	79.4	223.7	197.0	341.7	
Q3	16,173.8	6,081.9	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	210.0	356.0	
Q4	16,518.0	6,241.7	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	230.6	337.8	
2005 Q1	16,831.8	6,257.1	408.4	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	228.5	374.1	
Q2	17,292.8	6,423.8	430.8	5,550.1	2,448.6	1,552.8	1,471.1	77.7	211.5	231.4	370.5	
Q3	17,639.9	6,426.1	439.5	5,565.0	2,440.3	1,571.6	1,475.5	77.6	182.4	239.2	393.8	
Transactions												
2004 Q2	293.4	139.2	21.4	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.8	-3.1	
Q3	119.1	29.4	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.0	13.1	
Q4	149.5	168.5	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	20.6	-14.0	
2005 Q1	160.4	14.9	-5.2	-4.0	7.4	-17.4	15.7	-9.7	25.0	-0.9	16.3	
Q2	279.8	160.3	22.3	111.0	111.0	-10.1	11.0	-0.9	24.1	2.9	-3.0	
Q3	98.6	2.8	8.7	15.7	-7.4	18.8	4.4	-0.1	-29.4	7.8	12.0	
Growth rates												
2004 Q2	4.5	5.3	19.5	4.2	8.3	-1.7	6.3	-15.7	12.8	3.9	7.7	
Q3	4.5	5.6	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	10.7	6.0	
Q4	4.5	6.2	17.4	5.1	7.1	1.6	6.2	3.6	3.9	16.2	4.6	
2005 Q1	4.6	5.9	16.4	5.1	7.9	1.5	5.6	-3.3	1.7	12.2	3.6	
Q2	4.4	6.2	15.7	5.5	9.0	1.8	4.9	-2.1	-5.5	18.1	3.6	
Q3	4.3	5.7	14.6	5.3	8.4	2.7	4.5	-6.3	-10.8	14.5	3.2	
Securities other than shares												
			Shares <sup>2)</sup>					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares/units	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2004 Q2	1,951.1	166.3	1,784.8	4,078.7	2,095.1	1,983.6	438.7	4,022.7	3,642.1	380.6		
Q3	1,960.7	166.0	1,794.7	4,042.3	2,060.0	1,982.3	438.9	4,088.9	3,704.5	384.4		
Q4	1,937.0	160.0	1,777.0	4,178.2	2,180.2	1,998.0	421.8	4,161.1	3,774.4	386.7		
2005 Q1	1,973.4	157.8	1,815.6	4,329.0	2,279.5	2,049.5	429.2	4,272.3	3,876.5	395.8		
Q2	2,035.5	161.9	1,873.6	4,456.4	2,348.3	2,108.1	426.7	4,377.1	3,978.9	398.2		
Q3	2,026.7	160.2	1,866.5	4,698.6	2,510.3	2,188.3	429.2	4,488.4	4,086.1	402.3		
Transactions												
2004 Q2	39.9	10.8	29.2	56.8	52.6	4.2	0.0	57.6	53.0	4.5		
Q3	11.0	0.3	10.7	16.6	9.5	7.1	-2.4	62.1	58.3	3.8		
Q4	-19.1	-9.5	-9.5	-60.4	-51.4	-9.0	-15.8	60.5	58.1	2.4		
2005 Q1	36.6	-4.4	41.0	34.9	0.5	34.3	7.9	74.0	64.9	9.1		
Q2	33.9	3.0	30.9	22.7	3.8	18.9	0.8	62.9	60.2	2.7		
Q3	-3.0	-2.4	-0.6	18.1	-17.2	35.3	4.9	80.5	76.6	4.0		
Growth rates												
2004 Q2	1.6	10.0	0.8	3.1	3.1	3.1	1.7	6.3	6.4	5.1		
Q3	1.3	2.9	1.2	2.4	2.6	2.2	0.6	6.2	6.4	5.0		
Q4	1.8	5.0	1.6	1.3	0.9	1.7	-0.8	6.4	6.5	5.5		
2005 Q1	3.5	-1.8	4.0	1.2	0.6	1.8	-2.4	6.4	6.5	5.3		
Q2	3.2	-6.4	4.1	0.3	-1.8	2.6	-2.2	6.5	6.6	4.7		
Q3	2.5	-8.0	3.4	0.4	-3.1	4.0	-0.5	6.8	7.0	4.7		

Source: ECB.

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

## 3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from outside the euro area by non-MFIs		
	Total			General government			Non-financial corporations			Households <sup>1)</sup>					
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term			
1	2	3	4	5	6	7	8	9	10	11	12	13			
Outstanding amounts															
2004 Q2	17,298.3	8,719.6	7,593.6	932.9	91.5	841.4	3,740.7	1,187.9	2,552.8	4,045.9	292.1	3,753.9	431.5		
Q3	17,407.6	8,800.7	7,671.3	928.7	90.1	838.6	3,744.8	1,171.7	2,573.1	4,127.3	289.7	3,837.5	426.1		
Q4	17,776.6	8,925.6	7,794.7	927.8	80.9	846.9	3,787.2	1,193.8	2,593.5	4,210.5	294.8	3,915.7	434.8		
2005 Q1	18,145.9	9,014.7	7,877.9	922.3	77.5	844.9	3,818.4	1,192.9	2,625.4	4,274.1	294.8	3,979.3	455.4		
Q2	18,670.5	9,222.4	8,102.7	922.3	82.3	840.0	3,911.6	1,240.8	2,670.7	4,388.5	305.3	4,083.2	526.0		
Q3	19,139.6	9,356.1	8,238.6	931.5	87.6	843.9	3,943.0	1,224.0	2,719.0	4,481.6	302.7	4,179.0	537.7		
Transactions															
2004 Q2	263.8	150.2	134.5	-9.2	5.4	-14.5	70.1	16.8	53.4	89.2	8.6	80.6	-3.6		
Q3	145.0	78.8	86.1	-5.2	-1.4	-3.8	0.1	-16.6	16.7	83.8	-1.9	85.7	1.9		
Q4	113.6	142.7	139.7	1.6	-9.2	10.8	57.2	25.3	31.8	83.9	6.4	77.5	0.8		
2005 Q1	236.7	88.9	87.2	-6.3	-3.4	-2.8	29.3	5.2	24.1	65.9	0.8	65.0	6.7		
Q2	316.0	197.1	185.7	-0.7	4.8	-5.5	86.7	38.6	48.2	111.1	10.4	100.7	59.6		
Q3	215.2	128.7	139.5	9.5	5.3	4.2	24.2	-16.5	40.7	95.0	-2.6	97.7	18.4		
Growth rates															
2004 Q2	4.2	4.9	5.3	1.7	28.1	-0.6	2.5	-2.3	4.8	8.0	0.8	8.6	1.3		
Q3	4.3	4.8	5.7	0.9	24.6	-1.2	2.2	-1.5	4.0	8.3	2.0	8.8	5.5		
Q4	4.3	5.0	5.9	-0.9	-1.6	-0.9	3.2	1.8	3.8	8.1	3.1	8.5	2.2		
2005 Q1	4.4	5.4	6.0	-2.0	-10.1	-1.2	4.2	2.6	5.0	8.2	5.0	8.4	1.4		
Q2	4.7	5.8	6.6	-1.1	-10.1	-0.2	4.6	4.4	4.7	8.5	5.4	8.8	16.0		
Q3	5.1	6.3	7.2	0.4	-2.8	0.8	5.3	4.5	5.6	8.6	5.2	8.9	20.1		
Securities other than shares issued by															
	General government									Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations
	Total	General government		Non-financial corporations		Households <sup>1)</sup>									
	14	15	16	17	18	19	20	21	22	23					
Outstanding amounts															
2004 Q2	5,260.4	4,618.7	611.4	4,007.3	641.7	219.5	422.2	2,843.1	181.9	293.4					
Q3	5,352.4	4,706.8	611.7	4,095.1	645.6	212.8	432.8	2,763.8	194.0	296.6					
Q4	5,357.3	4,719.1	588.1	4,131.0	638.2	203.1	435.0	2,980.4	213.5	299.9					
2005 Q1	5,477.9	4,826.0	599.8	4,226.2	651.9	218.2	433.7	3,138.6	212.0	302.7					
Q2	5,683.9	5,020.6	620.2	4,400.4	663.2	223.2	440.0	3,243.6	214.7	306.0					
Q3	5,681.8	5,018.5	607.8	4,410.7	663.3	218.6	444.7	3,570.9	221.3	309.4					
Transactions															
2004 Q2	115.7	99.1	20.2	78.9	16.7	10.1	6.6	1.8	-7.1	3.1					
Q3	44.5	40.6	0.3	40.2	4.0	-6.7	10.7	6.3	12.1	3.2					
Q4	-54.8	-43.7	-23.4	-20.2	-11.1	-9.8	-1.3	2.3	19.4	4.0					
2005 Q1	140.6	123.7	10.3	113.4	16.9	16.5	0.4	4.7	-0.2	2.8					
Q2	114.7	109.5	21.7	87.8	5.2	4.8	0.4	-1.8	2.7	3.4					
Q3	-2.6	-0.4	-12.3	11.9	-2.2	-4.7	2.5	79.0	6.6	3.4					
Growth rates															
2004 Q2	4.9	5.3	4.9	5.3	2.2	11.4	-2.0	0.4	4.8	4.8					
Q3	5.0	5.2	6.5	5.0	3.2	6.9	1.5	0.5	11.3	4.8					
Q4	4.6	5.3	6.0	5.2	0.1	2.1	-0.8	0.5	17.5	4.7					
2005 Q1	4.7	4.8	1.3	5.3	4.2	4.8	3.9	0.5	12.8	4.5					
Q2	4.7	5.0	1.5	5.5	2.3	2.2	2.4	0.4	18.7	4.6					
Q3	3.7	4.0	-0.6	4.7	1.4	3.2	0.5	3.0	14.7	4.6					

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
	Outstanding amounts											
2004 Q2	4,036.2	565.4	59.9	482.0	2.3	21.2	347.9	61.7	286.2	1,611.1	65.0	1,546.1
Q3	4,097.2	573.6	61.5	489.8	2.3	20.0	353.8	64.6	289.2	1,652.4	63.6	1,588.8
Q4	4,191.5	583.2	59.2	500.8	2.5	20.8	333.4	57.4	276.0	1,711.1	67.1	1,644.0
2005 Q1	4,321.3	597.0	65.7	508.8	2.7	19.8	335.3	59.2	276.1	1,759.2	66.2	1,693.0
Q2	4,446.3	595.7	61.2	511.3	2.7	20.5	325.2	57.7	267.4	1,823.8	66.5	1,757.3
Q3	4,601.9	602.9	60.0	517.7	2.7	22.4	329.6	62.4	267.2	1,863.2	65.7	1,797.5
	Transactions											
2004 Q2	29.8	7.2	-4.9	13.7	-0.6	-0.9	-6.4	-1.7	-4.7	25.3	0.3	25.0
Q3	54.6	8.2	1.6	7.8	-0.1	-1.1	5.9	2.9	3.0	27.0	-1.5	28.5
Q4	53.6	9.9	-1.7	10.6	0.2	0.7	-20.5	-7.3	-13.2	52.5	3.2	49.2
2005 Q1	91.4	12.5	6.4	6.9	0.2	-1.0	-0.3	1.8	-2.1	51.6	-1.1	52.7
Q2	51.2	-2.1	-5.3	2.2	0.2	0.8	-10.2	-1.4	-8.8	37.7	-0.6	38.2
Q3	78.8	7.2	-1.2	6.4	0.1	1.9	4.2	4.6	-0.4	34.8	-0.7	35.5
	Growth rates											
2004 Q2	6.0	4.8	-6.4	6.9	6.5	-6.3	0.6	0.0	0.7	10.2	2.3	10.5
Q3	6.5	7.5	6.8	7.7	-12.8	6.7	2.2	7.3	1.2	9.9	-2.7	10.4
Q4	5.6	7.4	1.2	8.2	-12.0	7.8	-5.6	-6.9	-5.3	9.8	4.1	10.0
2005 Q1	5.7	6.8	2.2	8.3	-11.6	-10.5	-6.1	-6.8	-5.9	9.7	1.4	10.1
Q2	6.2	5.1	1.8	5.7	23.8	-3.0	-7.3	-6.5	-7.4	10.5	0.1	10.9
Q3	6.7	4.8	-2.8	5.3	30.1	12.0	-7.6	-3.5	-8.5	10.7	1.3	11.1

	Main financial assets					Main liabilities									
	Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares/units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
13	14	15	16	17	18	19	20	21	22	23	24	25			
	Outstanding amounts														
2004 Q2	1,376.2	660.6	715.6	65.8	135.6	4,234.2	89.1	53.7	24.4	193.9	3,926.8	3,335.9	590.9		
Q3	1,379.7	655.4	724.3	65.1	137.7	4,294.1	90.7	52.5	23.1	186.4	3,993.9	3,396.5	597.4		
Q4	1,425.1	686.4	738.7	70.3	138.8	4,372.2	79.5	48.6	23.7	207.9	4,061.2	3,461.7	599.5		
2005 Q1	1,487.5	713.7	773.8	70.2	142.4	4,514.2	90.1	58.2	24.0	220.3	4,179.8	3,563.9	615.9		
Q2	1,557.2	744.1	813.1	90.2	144.5	4,628.0	92.8	63.8	24.2	223.3	4,287.6	3,674.9	612.7		
Q3	1,658.3	809.0	849.3	91.4	148.0	4,769.0	91.4	65.2	24.8	251.2	4,401.6	3,781.2	620.4		
	Transactions														
2004 Q2	2.6	-3.0	5.6	-0.4	1.2	59.9	4.2	7.0	0.6	0.1	55.0	49.8	5.2		
Q3	11.3	5.3	6.0	-0.6	2.2	63.3	1.7	-1.1	-1.2	2.1	60.7	55.1	5.6		
Q4	10.6	3.4	7.1	5.2	1.2	42.2	-11.0	-3.6	0.5	0.1	52.6	49.4	3.2		
2005 Q1	24.1	5.9	18.2	0.0	3.5	84.5	9.7	8.6	0.7	0.0	74.1	61.3	12.9		
Q2	23.1	1.3	21.8	6.7	2.8	63.8	2.8	5.5	0.1	0.5	60.4	57.3	3.1		
Q3	29.5	15.1	14.4	1.4	3.1	85.7	0.7	1.4	0.5	1.1	83.5	75.9	7.6		
	Growth rates														
2004 Q2	3.8	1.0	6.4	-2.0	-0.5	6.1	3.4	18.8	28.5	3.5	6.2	6.5	4.5		
Q3	3.9	1.1	6.6	3.8	-0.1	6.1	6.1	17.5	14.5	4.7	6.2	6.5	4.5		
Q4	2.8	0.3	5.3	4.9	6.3	6.0	5.5	36.9	2.0	1.6	6.3	6.5	4.8		
2005 Q1	3.6	1.8	5.2	6.6	6.0	6.0	5.4	23.7	2.5	1.2	6.3	6.5	4.6		
Q2	5.0	2.4	7.4	17.4	7.1	6.0	3.5	17.6	0.5	1.4	6.3	6.7	4.2		
Q3	6.3	3.9	8.5	20.6	7.6	6.4	2.3	22.8	7.8	0.9	6.8	7.2	4.5		

Source: ECB.

1) Excluding unquoted shares.

## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	403.1	1,203.4	-823.6	23.2	0.3	2,812.4	10.5	479.9	487.6	516.4	1,050.4	219.6	48.0
1999	444.7	1,293.4	-863.7	14.8	0.2	3,360.5	-0.1	564.8	550.4	797.6	1,155.7	264.3	27.8
2000	492.4	1,396.5	-913.1	17.3	-8.2	3,341.8	-2.2	361.6	343.3	780.7	1,549.6	252.7	56.0
2001	461.8	1,452.1	-973.6	-18.8	2.1	2,893.7	1.7	588.0	574.1	694.5	809.5	257.0	-31.0
2002	407.2	1,442.1	-1,004.8	-31.3	1.1	2,591.5	-0.1	801.9	384.6	521.9	615.5	228.5	39.3
2003	431.5	1,471.3	-1,033.2	-7.1	0.5	2,835.6	-1.5	729.1	584.7	634.5	628.6	241.8	18.3
2004	492.0	1,538.9	-1,069.5	23.0	-0.5	3,087.4	-2.1	962.5	609.2	697.8	543.5	260.3	16.3

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1998	497.3	1,299.1	-823.6	21.9	2,718.6	670.8	376.3	514.6	933.3	224.6
1999	509.8	1,352.0	-863.7	21.5	3,295.9	836.9	557.3	760.8	874.1	267.6
2000	527.7	1,419.4	-913.1	21.4	3,307.1	502.7	466.3	874.1	1,205.8	257.9
2001	496.4	1,449.4	-973.6	20.6	2,859.7	616.4	493.8	651.1	822.0	263.2
2002	496.2	1,480.9	-1,004.8	20.1	2,502.8	634.5	450.5	541.0	638.7	232.1
2003	483.9	1,486.1	-1,033.2	31.1	2,783.4	676.7	574.0	590.9	690.2	251.4
2004	550.0	1,592.2	-1,069.5	27.2	3,029.9	1,045.9	638.0	525.7	562.0	262.2

## 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	184.5	632.5	-468.3	464.7	45.6	16.2	119.3	231.6	145.0	563.1	504.2	13.1	274.5	206.0
1999	207.6	684.0	-489.4	670.8	23.6	80.3	186.3	348.0	108.4	546.5	770.0	46.8	429.1	282.9
2000	310.7	756.1	-522.1	971.7	73.7	68.7	245.2	546.1	83.3	556.7	1,199.1	66.9	615.5	505.0
2001	214.8	784.8	-558.4	671.9	108.4	45.2	185.3	241.1	87.1	585.7	799.5	101.5	382.4	304.1
2002	151.7	765.0	-581.5	443.3	25.1	-15.7	66.5	253.8	90.1	614.6	504.9	18.3	260.2	213.9
2003	150.9	760.0	-598.4	449.5	89.7	-26.3	148.9	206.5	74.6	626.2	525.8	77.9	209.5	224.6
2004	180.9	771.5	-610.1	323.8	85.8	-32.7	88.4	167.1	134.5	702.9	370.2	21.9	157.9	181.5

3. Households<sup>5)</sup>

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>6)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	178.8	392.2	-217.2	462.7	93.4	-130.2	277.4	211.9	428.2	604.9	213.7	212.3	3,971.6	15.2
1999	190.3	419.8	-231.3	489.8	122.5	-30.1	201.2	249.7	412.3	587.6	268.2	266.5	4,116.9	14.3
2000	200.4	439.3	-240.3	441.0	67.0	45.3	124.7	246.9	418.9	608.4	223.1	221.1	4,337.4	14.0
2001	187.9	449.7	-257.8	431.1	178.7	92.4	48.8	236.7	440.8	652.6	178.9	177.2	4,630.2	14.1
2002	201.1	461.1	-260.7	483.5	223.0	71.5	5.8	218.5	472.2	695.0	212.8	210.6	4,789.7	14.5
2003	217.8	483.6	-268.2	537.1	207.8	13.4	90.7	240.8	507.0	737.2	248.1	245.9	4,953.9	14.9
2004	245.7	530.5	-287.1	564.3	227.8	76.3	19.3	248.7	522.0	751.8	288.2	285.8	5,112.5	14.7

Source: ECB.

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



## FINANCIAL MARKETS

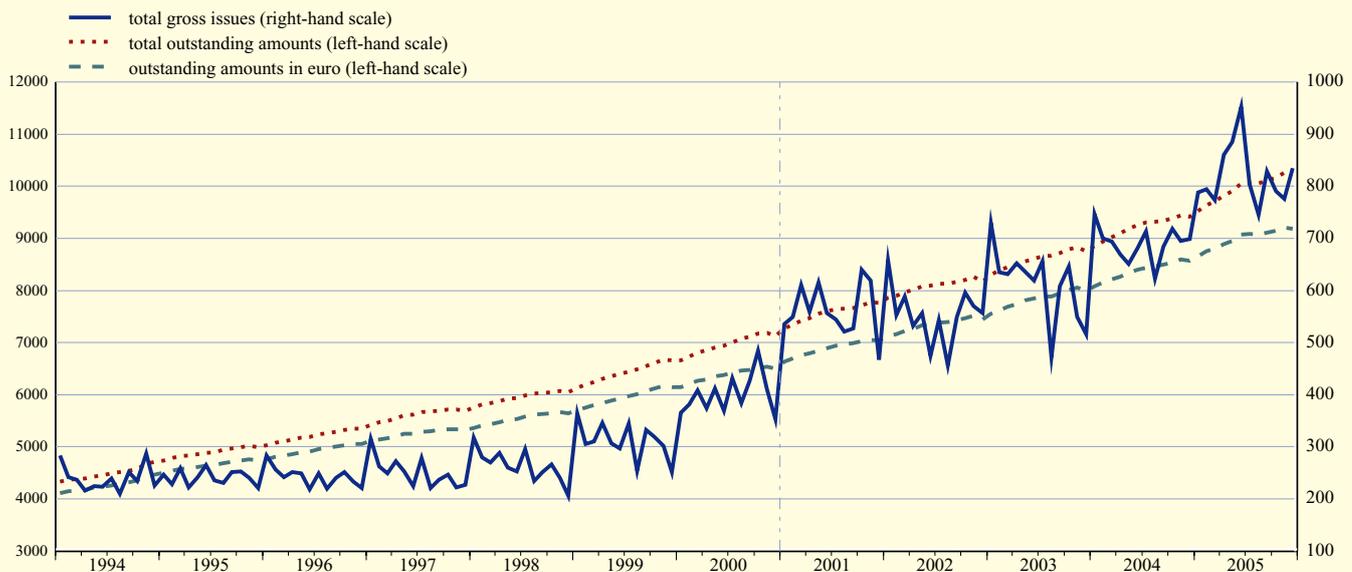
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
											Net issues	Net issues
1	2	3	4	5	6	7	8	9	10	11	12	
Total												
2004 Dec.	10,032.1	724.9	3.7	8,575.5	666.5	-22.4	9,414.3	698.7	-23.6	7.6	76.1	6.9
2005 Jan.	10,097.5	791.4	61.9	8,653.2	740.6	74.2	9,526.8	787.7	90.4	7.5	52.4	7.2
Feb.	10,217.3	817.9	119.0	8,760.4	751.7	106.5	9,640.2	794.3	116.6	7.8	81.3	7.9
Mar.	10,325.4	821.9	107.1	8,805.8	727.7	44.1	9,708.5	773.7	54.4	7.4	35.8	7.6
Apr.	10,383.3	861.6	58.0	8,892.4	814.5	86.6	9,819.5	861.0	102.8	7.8	87.7	8.6
May	10,448.5	899.7	66.4	8,952.9	844.7	61.5	9,910.0	884.4	66.1	7.5	36.4	8.0
June	10,641.8	1,026.5	193.4	9,077.6	902.5	125.2	10,050.3	952.2	134.8	8.1	138.0	9.2
July	10,614.0	813.5	-27.9	9,080.4	762.7	2.8	10,056.7	804.1	5.9	7.6	2.9	8.1
Aug.	10,622.0	758.1	4.3	9,073.7	705.5	-10.4	10,059.0	744.7	-2.1	7.4	35.8	7.1
Sep.	10,721.5	893.9	101.0	9,110.4	787.0	38.0	10,113.8	828.2	46.8	7.4	46.1	7.3
Oct.	10,736.5	797.4	15.3	9,147.5	744.5	37.2	10,168.6	791.0	54.0	7.5	52.6	6.4
Nov.	10,812.8	798.6	78.0	9,206.3	731.4	60.4	10,256.1	776.4	74.8	7.6	75.7	7.2
Dec.	10,824.2	866.4	10.3	9,181.3	790.7	-26.0	10,236.3	834.5	-26.4	7.6	75.3	5.8
Long-term												
2004 Dec.	9,111.7	149.4	24.4	7,766.3	125.5	15.8	8,502.2	136.9	15.7	7.8	62.1	7.3
2005 Jan.	9,181.5	205.4	65.7	7,827.5	181.7	57.1	8,589.6	201.9	67.7	8.0	68.3	8.0
Feb.	9,296.9	223.8	115.1	7,924.4	183.5	96.7	8,692.3	202.7	105.3	8.2	75.5	8.8
Mar.	9,371.6	204.6	74.6	7,974.6	165.0	49.9	8,759.3	185.4	57.8	8.2	47.7	8.6
Apr.	9,426.2	185.9	54.9	8,035.1	166.8	60.6	8,839.0	184.7	72.0	8.4	67.8	9.4
May	9,496.6	183.5	70.9	8,096.4	153.9	61.5	8,927.2	169.4	67.8	8.0	40.9	8.7
June	9,680.2	306.0	183.6	8,242.8	238.5	146.8	9,093.3	261.1	156.9	9.0	144.5	10.6
July	9,674.8	155.3	-5.6	8,236.1	131.5	-6.9	9,089.9	146.1	-2.3	8.4	-2.6	8.8
Aug.	9,674.1	87.2	-4.3	8,223.6	64.2	-16.2	9,088.0	77.7	-8.6	8.1	22.6	7.5
Sep.	9,742.5	188.8	69.2	8,267.1	144.0	44.2	9,148.6	163.5	55.6	8.0	48.5	7.5
Oct.	9,774.5	166.6	33.1	8,285.6	138.0	19.3	9,183.9	159.9	32.5	8.1	42.7	6.8
Nov.	9,855.7	167.1	82.1	8,349.2	130.4	64.5	9,272.1	151.1	79.2	8.2	81.9	7.7
Dec.	9,896.7	175.0	39.3	8,374.0	144.3	23.2	9,302.7	163.0	25.8	8.3	74.0	6.0

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

(EUR billions)



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

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

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

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

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

### 1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2004	9,414	3,713	735	595	4,120	250	8,276	5,480	222	1,028	1,464	83
2005	10,236	4,109	927	612	4,306	283	9,832	6,981	321	1,031	1,405	95
2005 Q1	9,709	3,850	755	607	4,238	259	2,356	1,620	50	248	412	25
Q2	10,050	3,993	830	619	4,343	266	2,698	1,884	109	281	400	23
Q3	10,114	4,046	842	617	4,338	271	2,377	1,732	50	251	323	21
Q4	10,236	4,109	927	612	4,306	283	2,402	1,745	113	250	270	26
2005 Sep.	10,114	4,046	842	617	4,338	271	828	582	28	82	126	9
Oct.	10,169	4,089	857	627	4,322	273	791	564	26	85	108	7
Nov.	10,256	4,121	877	623	4,355	280	776	556	28	87	95	11
Dec.	10,236	4,109	927	612	4,306	283	834	624	58	78	67	8
	Short-term											
2004	912	447	7	90	362	5	6,338	4,574	44	931	756	33
2005	934	483	7	89	350	5	7,766	6,046	43	941	702	33
2005 Q1	949	457	8	105	374	5	1,766	1,327	12	229	188	9
Q2	957	462	7	105	377	5	2,082	1,628	11	258	178	8
Q3	965	475	7	99	379	5	1,990	1,560	12	234	175	9
Q4	934	483	7	89	350	5	1,928	1,531	8	220	160	8
2005 Sep.	965	475	7	99	379	5	665	518	4	76	63	3
Oct.	985	490	7	102	380	5	631	489	4	75	61	3
Nov.	984	496	7	99	377	5	625	488	3	79	53	2
Dec.	934	483	7	89	350	5	672	554	2	67	46	3
	Long-term <sup>1)</sup>											
2004	8,502	3,266	728	505	3,758	245	1,938	905	179	97	708	49
2005	9,303	3,626	921	523	3,955	278	2,066	935	278	89	703	61
2005 Q1	8,759	3,393	747	502	3,863	254	590	293	37	19	224	16
Q2	9,093	3,531	822	513	3,966	261	615	256	98	24	222	15
Q3	9,149	3,571	835	518	3,959	265	387	172	38	17	148	12
Q4	9,303	3,626	921	523	3,955	278	474	213	104	29	109	18
2005 Sep.	9,149	3,571	835	518	3,959	265	163	64	24	6	63	6
Oct.	9,184	3,598	851	524	3,942	268	160	75	23	10	47	4
Nov.	9,272	3,625	871	524	3,977	275	151	68	25	8	42	8
Dec.	9,303	3,626	921	523	3,955	278	163	70	57	11	20	5
	Of which long-term fixed rate											
2004	6,380	1,929	416	414	3,435	186	1,193	408	70	61	620	36
2005	6,719	2,021	459	414	3,608	217	1,230	415	92	54	621	48
2005 Q1	6,517	1,968	427	409	3,517	196	386	137	21	15	199	15
Q2	6,675	2,003	445	416	3,607	203	343	101	28	15	187	12
Q3	6,674	2,014	436	415	3,601	207	235	80	8	8	133	8
Q4	6,719	2,021	459	414	3,608	217	265	97	35	16	103	14
2005 Sep.	6,674	2,014	436	415	3,601	207	97	32	3	1	56	4
Oct.	6,692	2,032	440	420	3,591	209	106	44	8	8	43	3
Nov.	6,733	2,035	442	416	3,626	215	83	27	6	3	40	7
Dec.	6,719	2,021	459	414	3,608	217	76	26	21	5	20	3
	Of which long-term variable rate											
2004	1,869	1,149	308	77	276	59	619	404	109	32	60	14
2005	2,250	1,337	457	93	302	61	709	425	186	28	58	12
2005 Q1	1,957	1,212	316	79	292	58	167	129	16	3	17	2
Q2	2,116	1,292	373	83	310	57	237	128	70	7	29	3
Q3	2,164	1,310	395	86	315	58	125	76	30	6	8	5
Q4	2,250	1,337	457	93	302	61	180	91	69	11	4	4
2005 Sep.	2,164	1,310	395	86	315	58	57	27	21	3	4	3
Oct.	2,173	1,314	407	87	306	58	45	25	14	2	3	1
Nov.	2,209	1,327	425	90	307	59	57	30	19	4	2	1
Dec.	2,250	1,337	457	93	302	61	77	35	36	5	0	2

Source: ECB.

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

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

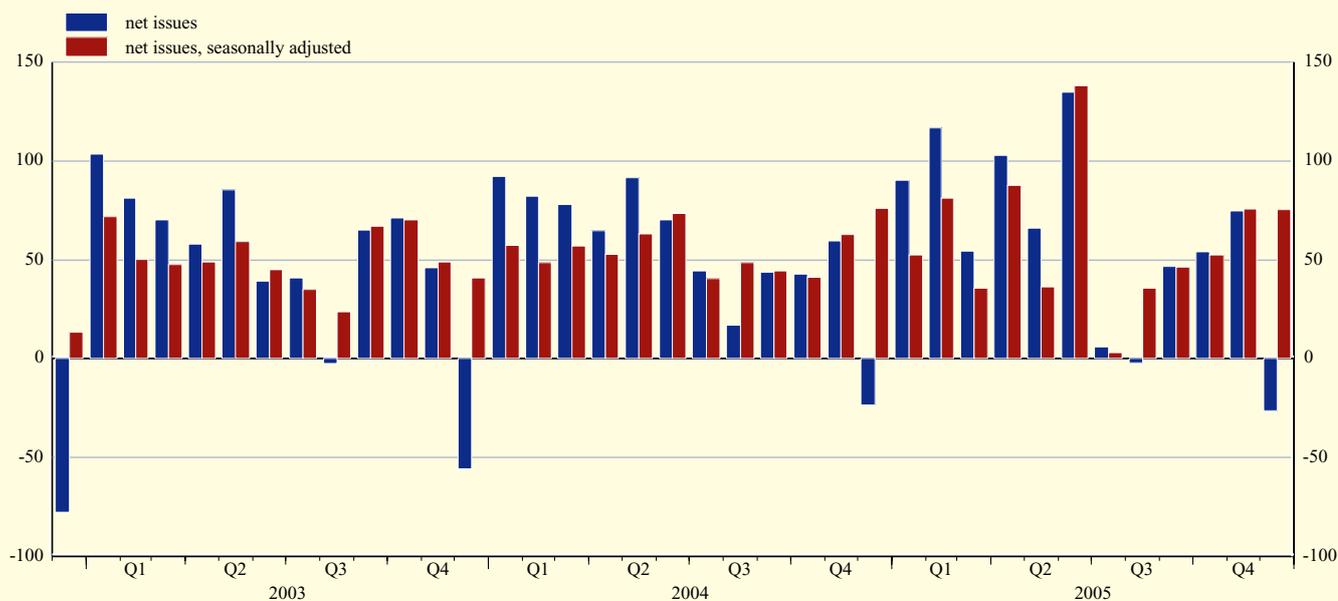
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2004	662.4	350.8	74.3	8.3	197.6	31.5	666.4	353.5	72.4	8.0	200.8	31.7
2005	718.0	315.3	179.2	19.3	172.0	32.3	720.0	317.7	175.6	19.3	174.8	32.6
2005 Q1	261.4	114.5	13.0	13.7	111.3	9.0	169.5	72.0	29.0	10.2	50.0	8.3
Q2	303.7	118.1	71.2	8.8	99.2	6.5	262.1	122.5	64.1	4.9	64.6	6.0
Q3	50.5	38.4	13.4	-0.9	-4.8	4.5	84.9	49.9	19.5	1.0	8.3	6.3
Q4	102.4	44.3	81.7	-2.3	-33.6	12.3	203.5	73.3	63.0	3.3	51.9	12.0
2005 Sep.	46.8	6.7	16.6	-1.4	22.6	2.3	46.1	9.6	19.3	3.0	12.1	2.2
Oct.	54.0	41.9	15.1	9.6	-15.4	2.8	52.6	32.3	18.1	7.5	-6.6	1.3
Nov.	74.8	21.1	19.0	-3.1	30.9	6.9	75.7	22.4	15.1	-2.9	34.8	6.3
Dec.	-26.4	-18.8	47.6	-8.9	-49.1	2.6	75.3	18.6	29.9	-1.4	23.7	4.4
	Long-term											
2004	615.0	298.1	72.9	11.9	202.4	29.7	618.2	299.2	71.1	11.8	206.2	30.0
2005	709.8	292.3	180.0	20.4	184.5	32.5	711.8	293.9	176.4	20.4	188.3	32.8
2005 Q1	230.8	111.5	12.6	-1.2	99.3	8.7	191.5	85.2	28.9	3.1	66.8	7.5
Q2	296.7	112.9	71.5	8.7	97.1	6.6	253.2	111.0	64.0	3.5	68.4	6.3
Q3	44.7	28.2	13.7	5.9	-7.6	4.5	68.5	29.2	19.8	7.7	5.5	6.3
Q4	137.5	39.8	82.2	7.1	-4.4	12.8	198.6	68.5	63.7	6.0	47.6	12.7
2005 Sep.	55.6	15.7	16.2	2.3	19.0	2.3	48.5	12.9	18.6	4.6	10.4	2.0
Oct.	32.5	24.1	15.6	6.2	-16.3	2.8	42.7	24.0	18.6	5.5	-6.7	1.3
Nov.	79.2	19.2	19.0	0.1	33.7	7.1	81.9	26.6	15.3	-0.9	34.4	6.6
Dec.	25.8	-3.6	47.6	0.8	-21.9	2.9	74.0	17.9	29.9	1.5	19.9	4.8

### C14 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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

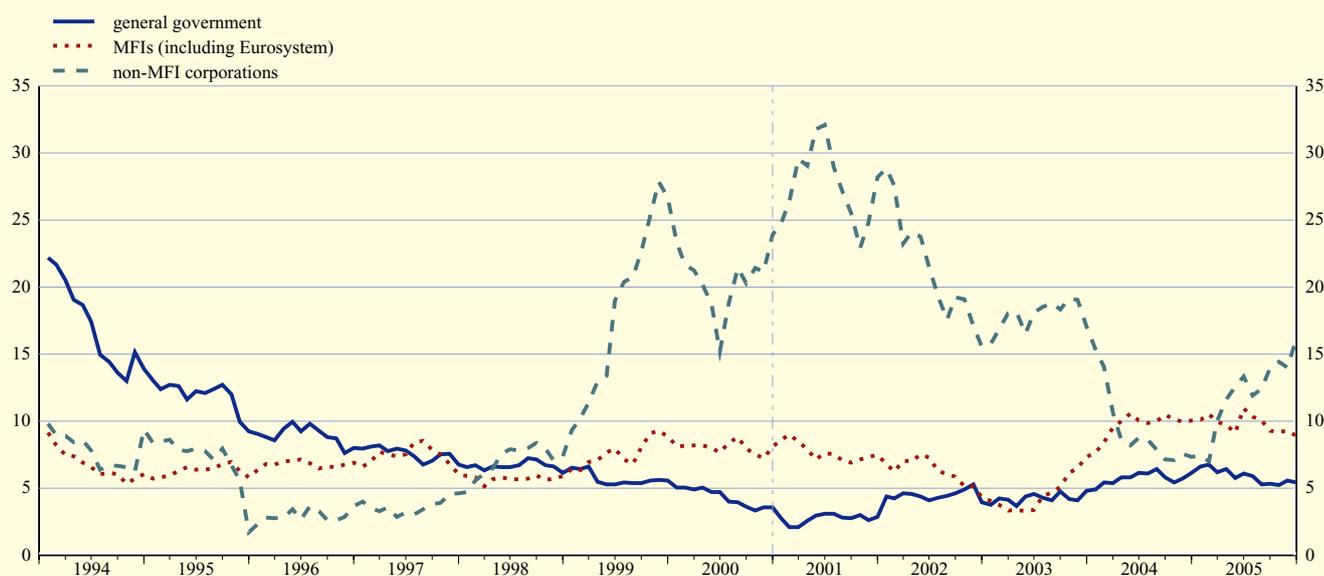


Source: ECB.

4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup>  
(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004 Dec.	7.6	10.4	11.2	1.4	5.0	14.4	6.9	10.4	13.3	0.9	3.6	10.7
2005 Jan.	7.5	9.8	11.0	2.6	5.1	15.1	7.2	9.4	15.2	0.4	4.4	16.1
Feb.	7.8	10.5	11.1	2.9	5.3	13.0	7.9	10.2	15.8	2.6	4.9	15.6
Mar.	7.4	9.7	14.4	4.3	4.6	11.9	7.6	9.7	19.9	3.6	4.1	13.7
Apr.	7.8	9.9	15.8	5.4	4.7	12.7	8.6	10.4	19.5	6.0	5.3	15.6
May	7.5	9.3	18.4	4.7	4.2	11.7	8.0	9.8	19.8	5.3	4.6	10.4
June	8.1	10.5	20.0	3.0	4.6	11.3	9.2	10.6	27.1	5.1	5.5	11.7
July	7.6	10.0	18.8	1.5	4.3	12.9	8.1	10.6	22.5	2.5	4.2	9.8
Aug.	7.4	10.0	18.9	2.2	3.8	12.0	7.1	9.8	22.3	1.8	2.7	8.7
Sep.	7.4	9.4	21.4	2.8	3.8	11.7	7.3	9.1	23.1	2.0	3.5	9.7
Oct.	7.5	9.4	21.8	3.9	3.6	12.1	6.4	8.5	24.2	2.0	2.0	8.8
Nov.	7.6	9.4	21.2	2.9	4.1	12.3	7.2	8.9	22.6	0.7	3.5	14.1
Dec.	7.6	8.4	24.1	3.2	4.2	12.9	5.8	6.3	20.9	1.4	2.8	14.2
	Long-term											
2004 Dec.	7.8	10.0	11.1	2.4	5.7	13.8	7.3	9.7	12.8	5.9	4.2	10.9
2005 Jan.	8.0	10.1	10.9	2.8	6.1	14.8	8.0	9.8	14.7	2.6	5.5	16.0
Feb.	8.2	10.5	10.8	1.8	6.4	12.6	8.8	10.8	15.4	2.6	6.3	15.6
Mar.	8.2	10.0	14.1	4.6	5.8	11.5	8.6	10.2	19.6	2.7	5.9	14.3
Apr.	8.4	9.7	15.6	6.1	6.0	12.6	9.4	10.0	19.1	3.0	7.5	16.2
May	8.0	9.1	18.2	4.9	5.4	11.7	8.7	9.7	19.5	1.8	6.6	11.3
June	9.0	10.9	19.9	4.3	5.7	11.3	10.6	12.2	27.3	2.7	7.2	11.5
July	8.4	10.3	18.6	2.7	5.4	13.2	8.8	10.8	22.7	2.7	5.3	10.4
Aug.	8.1	10.0	18.9	3.5	4.8	12.3	7.5	9.3	22.8	4.3	3.4	9.2
Sep.	8.0	9.3	21.5	3.6	4.9	12.2	7.5	8.4	23.5	4.5	3.9	10.1
Oct.	8.1	9.2	21.9	4.2	4.8	12.5	6.8	8.4	24.8	5.4	2.1	8.9
Nov.	8.2	9.3	21.4	3.5	5.1	12.9	7.7	8.8	23.2	5.3	3.6	14.6
Dec.	8.3	8.9	24.4	4.1	4.9	13.2	6.0	5.6	21.4	5.5	2.7	15.1

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



Source: ECB.

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

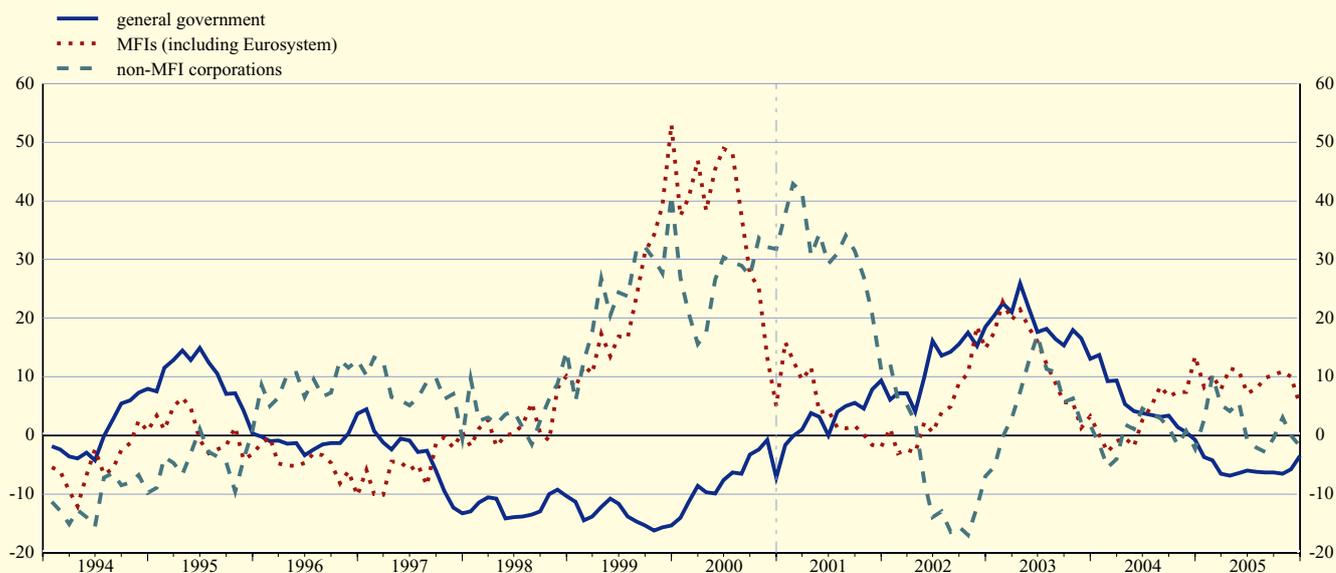
#### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(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	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2004	5.1	3.1	6.5	3.3	5.8	14.7	16.2	18.5	27.0	8.6	0.6	26.4
2005	4.7	3.1	5.8	0.3	5.5	15.0	19.3	18.2	35.8	22.4	9.9	4.6
2005 Q1	4.7	2.8	4.0	-1.2	6.3	13.7	18.2	19.4	23.7	27.8	7.7	12.3
Q2	4.8	2.5	6.1	1.3	5.8	14.7	19.3	18.9	34.7	26.6	8.5	3.1
Q3	4.5	3.0	6.6	0.6	5.0	15.6	20.7	19.7	38.8	17.7	11.6	1.6
Q4	4.7	4.0	6.6	0.5	4.8	15.9	19.0	15.2	44.4	19.0	11.7	1.9
2005 July	4.6	3.0	6.3	0.3	5.2	16.4	20.6	20.4	37.2	15.2	10.5	2.0
Aug.	4.5	3.1	6.3	0.9	5.0	15.7	20.0	19.2	38.0	16.0	10.5	0.8
Sep.	4.2	3.0	6.7	0.3	4.5	14.6	20.9	17.4	43.5	18.4	16.6	3.5
Oct.	4.7	4.1	7.0	1.1	4.7	15.4	18.8	15.2	43.6	17.9	11.7	2.3
Nov.	4.9	4.3	5.3	-0.1	5.2	16.5	18.5	14.7	44.5	19.4	10.5	0.9
Dec.	4.8	3.9	8.2	0.4	4.7	16.8	18.7	14.3	46.4	21.0	9.3	1.4
In euro												
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.7	17.8	27.1	8.9	0.5	25.3
2005	4.3	0.9	9.3	-0.2	5.4	15.3	18.8	17.2	35.1	22.4	10.3	5.2
2005 Q1	4.3	0.5	7.9	-2.5	6.2	13.7	17.5	18.3	23.9	26.8	7.8	12.9
Q2	4.4	0.3	10.2	0.8	5.8	15.1	18.9	18.0	34.8	24.7	9.0	3.7
Q3	4.2	1.0	10.2	0.3	4.9	16.0	20.5	18.9	38.4	18.5	12.1	2.5
Q4	4.3	2.0	8.8	0.5	4.7	16.2	18.3	13.8	42.1	20.5	12.2	2.1
2005 July	4.2	0.9	10.0	-0.2	5.1	17.0	20.5	19.8	37.0	16.4	11.0	3.0
Aug.	4.1	1.0	9.9	0.7	4.8	16.2	19.8	18.4	37.8	17.3	11.0	1.7
Sep.	3.8	1.0	9.9	0.1	4.3	14.8	20.3	16.0	41.7	19.8	17.2	4.3
Oct.	4.3	2.2	9.7	1.3	4.6	15.7	18.1	14.0	41.1	19.3	12.2	2.5
Nov.	4.5	2.2	7.2	-0.1	5.1	16.9	17.7	13.1	42.1	21.1	11.0	1.0
Dec.	4.3	2.1	9.1	0.5	4.5	17.2	18.0	12.7	44.1	22.3	9.8	1.6

#### C16 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents <sup>1)</sup>

(EUR billions, unless otherwise indicated; market values)

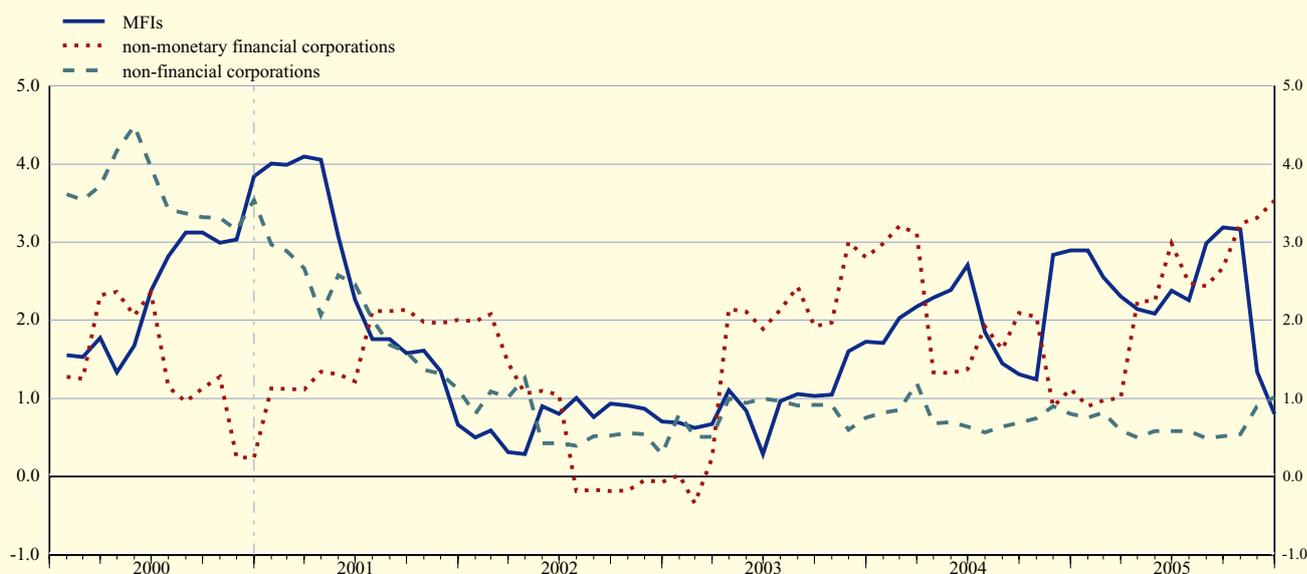
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2003 Dec.	3,647.4	101.4	1.1	569.5	1.7	351.0	2.8	2,726.9	0.8
2004 Jan.	3,788.6	101.5	1.2	584.1	1.7	375.1	3.0	2,829.4	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	377.1	3.2	2,887.1	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.2	357.7	3.1	2,836.9	1.2
Apr.	3,748.5	102.0	1.0	579.4	2.3	363.7	1.3	2,805.4	0.7
May	3,687.9	101.9	1.0	568.1	2.4	353.0	1.3	2,766.8	0.7
June	3,790.1	102.0	1.0	582.5	2.7	364.4	1.4	2,843.2	0.6
July	3,679.8	102.1	0.9	562.3	1.8	356.2	1.9	2,761.3	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	355.3	1.6	2,703.4	0.6
Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	0.9	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	103.0	1.0	678.1	2.1	424.0	2.3	3,170.5	0.6
June	4,381.7	103.1	1.1	698.0	2.4	441.5	3.0	3,242.1	0.6
July	4,631.7	103.1	1.0	727.9	2.3	466.7	2.5	3,437.1	0.6
Aug.	4,606.4	103.1	1.1	723.4	3.0	457.1	2.4	3,425.9	0.5
Sep.	4,818.7	103.3	1.2	764.1	3.2	483.7	2.7	3,570.8	0.5
Oct.	4,651.0	103.4	1.2	752.4	3.2	480.5	3.2	3,418.2	0.5
Nov.	4,873.3	103.7	1.2	809.2	1.3	513.6	3.3	3,550.5	0.9
Dec.	5,045.8	103.8	1.2	836.7	0.8	540.8	3.5	3,668.4	1.0

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

(annual percentage changes)



Source: ECB.

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

#### 4.4 Quoted shares issued by euro area residents <sup>1)</sup>

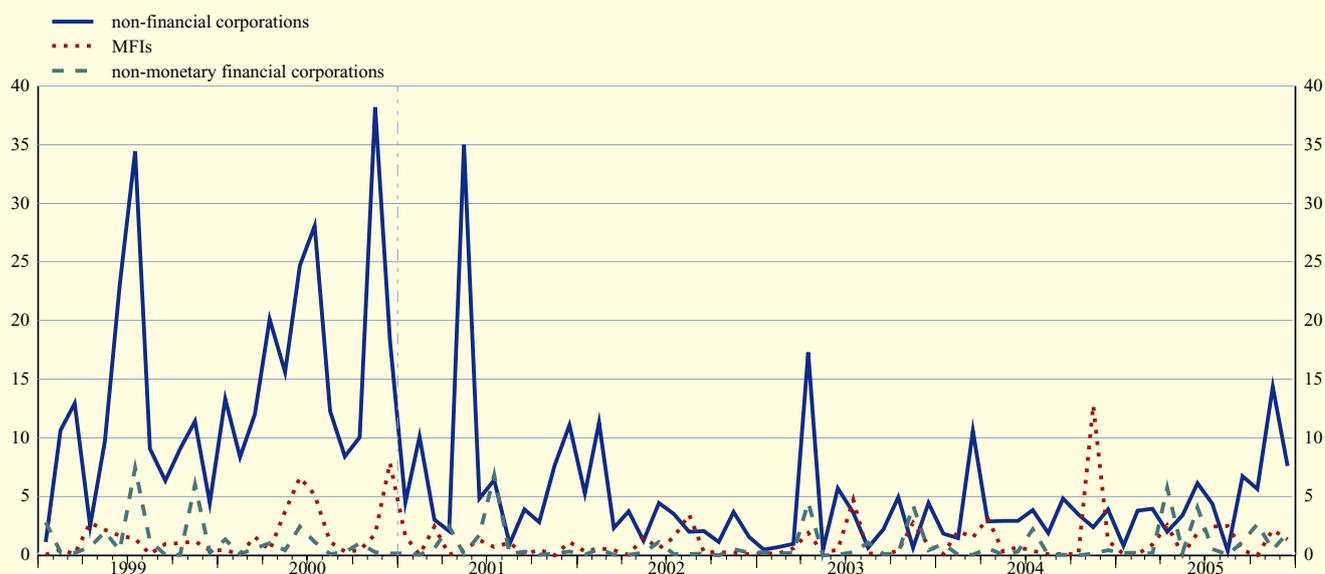
(EUR billions; market values)

### 2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2003 Dec.	5.7	1.4	4.2	0.8	0.1	0.8	0.4	0.9	-0.5	4.5	0.5	4.0
2004 Jan.	2.9	1.0	1.8	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.6	2.9	0.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.3	1.1
Mar.	12.1	1.5	10.6	1.5	0.0	1.5	0.0	0.1	-0.1	10.6	1.3	9.3
Apr.	6.6	0.7	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.9	0.6	2.3
May	3.3	4.2	-0.9	0.3	0.0	0.3	0.0	0.0	0.0	2.9	4.2	-1.2
June	3.9	2.2	1.6	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.3
July	6.4	3.9	2.5	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.9	0.0
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	0.7	1.1
Sep.	5.0	2.3	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.4	3.4
Oct.	3.5	0.8	2.8	0.1	0.0	0.1	0.0	0.0	0.0	3.5	0.8	2.7
Nov.	15.2	3.5	11.8	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.1	-0.8
Dec.	5.5	2.3	3.2	1.2	0.0	1.2	0.4	0.1	0.3	3.9	2.2	1.7
2005 Jan.	1.1	1.5	-0.4	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.5	-0.7
Feb.	4.0	0.7	3.4	0.1	0.0	0.1	0.2	0.1	0.1	3.8	0.6	3.2
Mar.	5.0	2.0	3.0	0.9	0.8	0.1	0.1	0.1	0.0	3.9	1.1	2.9
Apr.	10.3	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.0	2.2	-0.2
May	3.7	2.5	1.2	0.0	0.0	0.0	0.2	0.2	0.0	3.4	2.2	1.2
June	12.1	5.4	6.7	1.9	1.0	0.9	4.1	0.7	3.3	6.1	3.6	2.5
July	7.4	7.3	0.0	2.4	2.9	-0.4	0.5	0.0	0.5	4.4	4.4	0.0
Aug.	2.8	1.9	0.9	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	1.8	-1.4
Sep.	8.2	1.8	6.5	0.4	0.0	0.4	1.1	0.0	1.1	6.7	1.7	5.0
Oct.	8.3	1.3	6.9	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.2	4.4
Nov.	17.0	3.0	14.0	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.0	11.4
Dec.	10.9	6.0	4.9	1.3	4.1	-2.7	1.9	0.4	1.5	7.6	1.6	6.1

#### C18 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

## 1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>1)</sup>	With agreed maturity			Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
2005 Jan.	0.74	1.95	2.29	2.54	1.98	2.49	0.93	2.04	2.25	3.26	2.05
Feb.	0.74	1.95	2.19	2.33	1.97	2.49	0.93	2.03	2.25	3.47	2.03
Mar.	0.74	1.93	2.16	2.40	1.96	2.47	0.94	2.00	2.35	3.15	1.99
Apr.	0.74	2.01	2.09	2.32	1.95	2.45	0.95	2.01	2.23	2.92	2.00
May	0.75	1.94	2.01	2.20	1.97	2.43	0.95	2.01	2.12	3.31	2.00
June	0.69	1.95	2.21	2.20	2.17	2.38	0.91	2.01	2.05	3.57	2.00
July	0.68	1.94	2.01	2.19	2.15	2.34	0.94	2.02	2.21	3.11	2.00
Aug.	0.69	1.95	2.07	2.32	2.03	2.31	0.96	2.02	2.22	2.90	2.01
Sep.	0.69	1.97	2.05	2.04	2.02	2.29	0.96	2.04	2.23	2.97	2.04
Oct.	0.69	1.98	2.28	2.16	1.96	2.27	0.97	2.04	2.58	3.44	2.02
Nov.	0.70	2.01	2.34	2.18	1.99	2.27	0.99	2.08	2.18	3.44	2.03
Dec.	0.71	2.14	2.24	2.20	1.98	2.30	1.02	2.25	2.46	3.53	2.22

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

	Bank overdrafts <sup>1)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
2005 Jan.	9.60	6.97	6.83	8.33	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62
Feb.	9.65	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	4.00	4.73	4.49
Mar.	9.60	6.62	6.72	8.12	7.83	3.40	3.89	4.35	4.27	3.97	3.84	4.60	4.57
Apr.	9.62	6.60	6.64	8.19	7.81	3.40	3.89	4.36	4.28	3.95	3.97	4.71	4.62
May	9.64	6.96	6.56	8.00	7.82	3.38	3.85	4.28	4.20	3.93	3.86	4.68	4.61
June	9.61	6.62	6.50	7.90	7.72	3.32	3.76	4.13	4.09	3.89	3.84	4.60	4.50
July	9.52	6.67	6.61	7.96	7.80	3.33	3.70	4.06	4.05	3.87	3.89	4.54	4.29
Aug.	9.58	6.99	6.70	8.10	7.99	3.32	3.72	4.00	3.99	3.89	3.80	4.59	4.41
Sep.	9.61	7.04	6.43	7.94	7.85	3.31	3.69	3.98	3.96	3.82	3.85	4.51	4.25
Oct.	9.64	6.82	6.36	7.99	7.75	3.33	3.67	3.99	3.95	3.82	3.88	4.50	4.28
Nov.	9.69	6.74	6.33	7.84	7.62	3.38	3.69	3.97	3.96	3.85	4.00	4.29	4.33
Dec.	9.77	6.75	6.36	7.40	7.51	3.49	3.84	4.05	4.01	3.99	4.06	4.57	4.38

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

	Bank overdrafts <sup>1)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2005 Jan.		5.38	3.97	4.69	4.47	3.02	3.29	4.10
Feb.		5.30	3.91	4.76	4.36	3.01	3.33	3.81
Mar.		5.28	3.90	4.50	4.32	3.02	3.47	4.11
Apr.		5.22	3.88	4.51	4.34	3.00	3.53	3.99
May		5.14	3.91	4.45	4.24	2.99	3.60	3.80
June		5.12	3.87	4.45	4.14	2.92	3.44	3.88
July		5.12	3.86	4.40	4.11	2.96	3.57	3.77
Aug.		5.04	3.91	4.45	4.13	2.87	3.52	3.81
Sep.		5.14	3.81	4.36	4.03	2.90	3.39	3.87
Oct.		5.10	3.88	4.43	4.01	2.88	3.58	3.80
Nov.		5.09	3.91	4.44	3.99	3.08	3.58	3.98
Dec.		5.12	3.98	4.50	4.10	3.22	3.58	3.93

Source: ECB.

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

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

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

#### 4. Interest rates on deposits (outstanding amounts)

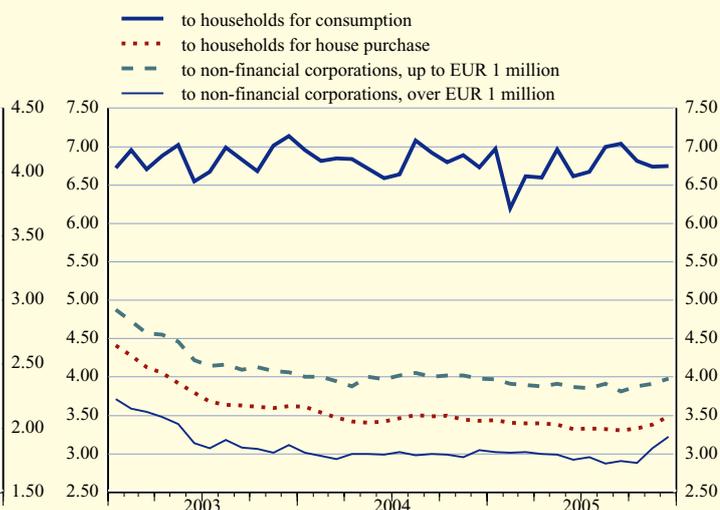
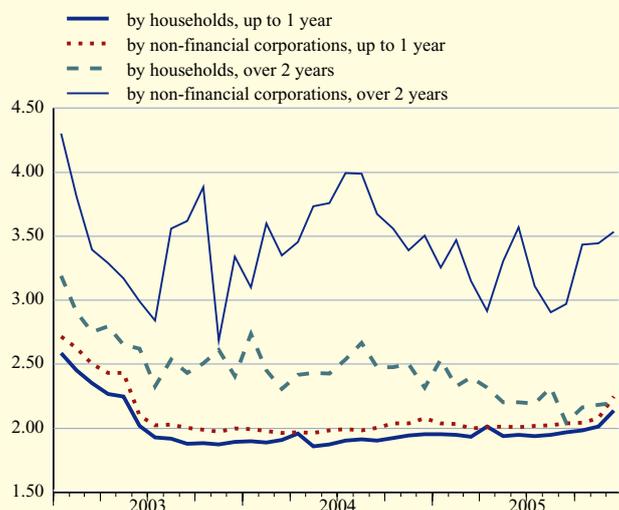
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1,2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2005 Jan.	0.74	1.91	3.23	1.98	2.49	0.93	2.12	3.73	2.01
Feb.	0.74	1.92	3.26	1.97	2.49	0.93	2.11	3.70	2.00
Mar.	0.74	1.92	3.22	1.96	2.47	0.94	2.09	3.71	1.99
Apr.	0.74	1.93	3.22	1.95	2.45	0.95	2.10	3.57	1.99
May	0.75	1.92	3.19	1.97	2.43	0.95	2.11	3.51	2.00
June	0.69	1.92	3.22	2.17	2.38	0.91	2.10	3.55	2.01
July	0.68	1.91	3.18	2.15	2.34	0.94	2.11	3.50	1.98
Aug.	0.69	1.92	3.18	2.03	2.31	0.96	2.10	3.52	2.00
Sep.	0.69	1.91	3.19	2.02	2.29	0.96	2.12	3.50	2.01
Oct.	0.69	1.93	3.17	1.96	2.27	0.97	2.12	3.45	2.03
Nov.	0.70	1.96	3.15	1.99	2.27	0.99	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.98	2.30	1.02	2.30	3.40	2.16

#### 5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2005 Jan.	4.78	4.45	4.79	8.07	6.97	5.77	4.41	3.90	4.41
Feb.	4.74	4.45	4.76	8.06	7.03	5.76	4.39	3.92	4.46
Mar.	4.75	4.41	4.78	8.07	6.97	5.77	4.38	3.91	4.40
Apr.	4.69	4.38	4.74	8.02	6.94	5.76	4.34	3.86	4.37
May	4.63	4.36	4.71	8.00	6.87	5.74	4.33	3.85	4.35
June	4.62	4.33	4.67	7.92	6.93	5.72	4.32	3.85	4.35
July	4.57	4.29	4.63	7.89	6.86	5.70	4.30	3.82	4.29
Aug.	4.54	4.24	4.60	7.96	6.86	5.73	4.25	3.80	4.28
Sep.	4.51	4.23	4.59	7.94	6.85	5.71	4.25	3.78	4.26
Oct.	4.49	4.19	4.58	7.95	6.80	5.70	4.24	3.77	4.25
Nov.	4.51	4.17	4.53	7.88	6.77	5.70	4.29	3.79	4.25
Dec.	4.54	4.14	4.52	7.94	6.78	5.67	4.33	3.84	4.24

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

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



Source: ECB.

4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					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
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2004 Q4	2.08	2.12	2.16	2.21	2.31	2.30	0.05
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
Q2	2.07	2.10	2.12	2.14	2.19	3.28	0.05
Q3	2.08	2.11	2.13	2.15	2.20	3.77	0.06
Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
2005 Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.33	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05
May	2.07	2.10	2.13	2.14	2.19	3.27	0.05
June	2.06	2.10	2.11	2.11	2.10	3.43	0.05
July	2.07	2.11	2.12	2.13	2.17	3.61	0.06
Aug.	2.06	2.11	2.13	2.16	2.22	3.80	0.06
Sep.	2.09	2.12	2.14	2.17	2.22	3.91	0.06
Oct.	2.07	2.12	2.20	2.27	2.41	4.17	0.06
Nov.	2.09	2.22	2.36	2.50	2.68	4.35	0.06
Dec.	2.28	2.41	2.47	2.60	2.78	4.49	0.07
2006 Jan.	2.33	2.39	2.51	2.65	2.83	4.60	0.07
Feb.	2.35	2.46	2.60	2.72	2.91	4.76	0.07

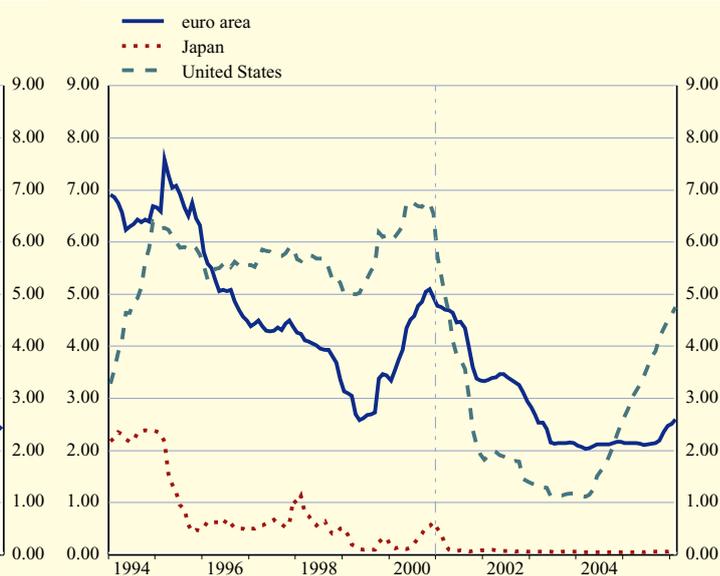
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

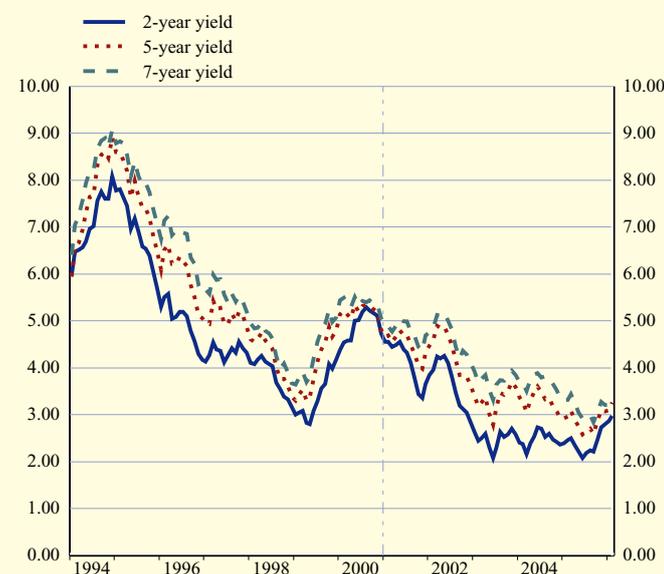
## 4.7 Government bond yields

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2004 Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2005 Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32
May	2.22	2.41	2.74	3.05	3.41	4.14	1.27
June	2.07	2.24	2.58	2.93	3.25	4.00	1.24
July	2.19	2.34	2.66	2.99	3.32	4.16	1.26
Aug.	2.24	2.40	2.70	2.99	3.32	4.26	1.43
Sep.	2.21	2.34	2.60	2.84	3.16	4.19	1.38
Oct.	2.45	2.61	2.85	3.05	3.32	4.45	1.54
Nov.	2.73	2.86	3.10	3.28	3.53	4.53	1.52
Dec.	2.80	2.88	3.07	3.21	3.41	4.46	1.54
2006 Jan.	2.86	2.94	3.10	3.21	3.39	4.41	1.47
Feb.	2.97	3.07	3.26	3.37	3.55	4.56	1.57

### C23 Euro area government bond yields

(monthly; percentages per annum)



### C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2004 Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.9
Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2005 Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.5
Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2
May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4
June	288.2	3,151.7	297.7	181.0	240.4	373.4	277.4	302.0	301.5	331.2	421.7	462.8	1,202.3	11,402.8
July	298.4	3,267.1	302.0	184.9	249.5	398.3	288.2	313.8	308.6	336.8	437.5	463.4	1,220.9	11,718.9
Aug.	303.1	3,303.3	311.5	185.7	257.1	405.8	293.4	318.9	297.6	343.9	444.7	473.0	1,224.3	12,205.0
Sep.	308.4	3,351.8	321.7	184.4	263.0	429.3	298.5	322.9	305.7	357.0	436.5	462.5	1,225.6	12,986.6
Oct.	306.8	3,340.1	322.4	182.4	260.6	405.3	302.6	317.3	312.4	347.7	434.0	466.8	1,192.0	13,384.9
Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0
Dec.	325.7	3,550.1	348.4	190.8	268.4	418.5	330.8	342.7	339.2	373.5	418.5	496.1	1,262.4	15,664.0
2006 Jan.	335.5	3,626.9	356.5	196.1	276.1	429.6	340.6	361.4	344.6	391.3	414.6	519.2	1,277.7	16,103.4
Feb.	349.0	3,743.8	375.9	198.0	288.5	424.3	361.7	383.9	351.7	417.8	409.1	513.8	1,277.2	16,187.6

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

(January 1994 = 100; monthly averages)



Source: ECB.



# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices

	Total					Total (s.a., percentage change on previous period)					
	Index 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
		Total excl. unprocessed food and energy									
% of total <sup>1)</sup>	100.0	100.0	83.4	59.2	40.8	100.0	11.8	7.4	30.7	9.2	40.8
	1	2	3	4	5	6	7	8	9	10	11
2002	93.9	2.2	2.5	1.7	3.1	-	-	-	-	-	-
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-
2004 Q4	98.6	2.3	2.0	2.1	2.7	0.4	0.3	0.0	0.0	1.8	0.6
2005 Q1	98.8	2.0	1.7	1.8	2.4	0.4	0.7	0.5	0.0	0.3	0.5
Q2	99.9	2.0	1.5	1.8	2.3	0.7	0.3	0.2	0.1	4.5	0.5
Q3	100.3	2.3	1.4	2.4	2.2	0.8	0.5	0.0	0.0	5.6	0.6
Q4	101.0	2.3	1.5	2.4	2.1	0.4	0.7	0.6	0.2	0.4	0.5
2005 Sep.	100.8	2.6	1.4	2.9	2.2	0.4	0.6	0.0	0.1	3.0	0.1
Oct.	101.0	2.5	1.5	2.6	2.2	0.1	0.1	0.0	0.1	0.2	0.2
Nov.	100.8	2.3	1.5	2.4	2.1	-0.2	0.2	0.4	0.1	-3.0	0.1
Dec.	101.1	2.2	1.4	2.4	2.1	0.1	0.2	0.5	0.0	-0.7	0.1
2006 Jan.	100.7	2.4	1.3	2.7	2.0	0.2	0.1	0.0	-0.1	2.4	0.1
Feb. <sup>2)</sup>	.	2.3	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents
% of total <sup>1)</sup>	19.3	11.8	7.4	39.9	30.7	9.2	10.3	6.3	6.4	2.9	14.5	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.4	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2004 Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	2.9	-2.6	2.4	5.3
2005 Q1	1.6	2.4	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.5
Q2	1.2	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.4	1.8	0.8	2.8	0.1	12.7	2.5	2.1	2.6	-2.2	2.3	3.0
Q4	1.9	2.2	1.4	2.7	0.4	11.1	2.5	1.9	2.7	-2.7	2.3	2.7
2005 Aug.	1.4	1.7	1.0	2.5	0.0	11.5	2.6	2.1	2.6	-2.1	2.4	3.0
Sep.	1.8	2.3	1.0	3.4	0.2	15.0	2.5	2.1	2.6	-2.2	2.3	2.9
Oct.	1.9	2.4	1.1	2.9	0.3	12.1	2.5	1.9	2.9	-2.8	2.4	2.7
Nov.	2.2	2.6	1.5	2.5	0.4	10.0	2.4	1.9	2.8	-2.7	2.2	2.7
Dec.	1.7	1.8	1.5	2.7	0.4	11.2	2.5	2.0	2.6	-2.7	2.2	2.8
2006 Jan.	1.9	1.8	2.0	3.1	0.2	13.6	2.5	2.0	2.3	-2.8	2.2	2.4

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2006.

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

## 2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct- ion <sup>1)</sup>	Residential property prices <sup>2)</sup>	World market prices of raw materials <sup>3)</sup>	Oil prices <sup>4)</sup> (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total <sup>5)</sup>	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	6.8	-4.1	-0.9	26.5	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	7.1	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.0	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	.	.	28.5	9.4	44.6	
2004 Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.5	7.2 <sup>6)</sup>	22.9	1.3	34.5	
2005 Q1	108.2	4.1	3.8	2.8	5.1	1.6	1.2	1.4	1.1	10.0	3.5	-	22.9	1.9	36.6	
Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.1	3.1	7.7 <sup>6)</sup>	22.4	2.2	42.2	
Q3	110.8	4.2	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.7	.	-	33.5	11.6	50.9	
Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.3	1.3	1.4	15.6	.	.	34.2	23.2	48.6	
2005 Sep.	111.3	4.4	3.2	1.3	1.6	1.2	1.1	1.2	1.1	16.6	-	-	33.9	13.2	52.2	
Oct.	112.0	4.2	2.8	1.4	1.6	1.2	1.3	1.3	1.3	15.2	-	-	23.1	17.4	49.3	
Nov.	111.7	4.2	2.7	1.5	1.8	1.0	1.4	1.2	1.5	14.6	-	-	33.0	22.5	47.9	
Dec.	112.0	4.7	3.0	1.5	1.9	1.0	1.3	1.3	1.3	17.0	-	-	48.6	29.8	48.5	
2006 Jan.	.	.	.	.	.	.	.	.	.	.	-	-	43.4	23.1	52.5	
Feb.	.	.	.	.	.	.	.	.	.	.	-	-	38.0	23.2	51.8	

3. Hourly labour costs<sup>7)</sup>

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>5)</sup>	100.0	100.0	73.3	26.7	36.8	8.9	54.4	
	1	2	3	4	5	6	7	8
2002	107.5	3.5	3.3	4.5	3.2	4.3	3.6	2.7
2003	110.7	3.0	2.8	3.8	3.0	3.9	2.8	2.4
2004	113.6	2.5	2.3	3.0	2.8	3.3	2.3	2.1
2005	.	.	.	.	.	.	.	2.1
2004 Q4	114.7	2.4	1.9	4.0	2.8	2.9	2.1	2.0
2005 Q1	115.5	3.2	2.6	4.6	3.3	3.1	3.2	2.2
Q2	116.1	2.5	2.2	3.2	2.7	2.2	2.4	2.1
Q3	116.8	2.2	2.1	2.7	2.5	1.5	2.1	2.1
Q4	.	.	.	.	.	.	.	2.0

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

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity						
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services		
	1	2	3	4	5	6	7	8	
Unit labour costs <sup>1)</sup>									
2001	102.3	2.3	1.6	1.4	2.3	1.4	4.0	2.6	
2002	104.5	2.2	1.5	1.1	3.0	1.6	3.0	2.9	
2003	106.4	1.8	2.8	1.0	1.6	1.6	1.8	2.8	
2004	107.4	0.9	-7.3	-0.2	2.3	0.5	2.0	1.7	
2004 Q3	107.3	0.4	-8.7	-1.4	3.6	0.8	2.2	0.5	
Q4	107.9	1.1	-5.2	0.8	3.2	0.3	1.9	1.4	
2005 Q1	108.2	1.1	0.6	0.1	3.9	0.6	1.7	1.6	
Q2	108.3	0.9	3.4	-0.4	2.4	0.8	2.5	1.4	
Q3	108.1	0.7	2.3	-0.4	1.0	-0.3	2.8	1.8	
Compensation per employee									
2001	102.7	2.7	1.4	2.5	3.1	2.5	2.6	3.0	
2002	105.3	2.5	3.1	2.6	3.2	2.2	1.9	2.9	
2003	107.7	2.3	0.9	2.7	2.5	2.0	1.8	2.6	
2004	109.9	2.0	0.6	3.0	3.3	1.5	1.3	2.1	
2004 Q3	109.8	1.5	0.4	2.3	3.1	1.6	1.5	0.8	
Q4	110.3	1.7	2.2	2.5	3.1	1.5	1.2	1.5	
2005 Q1	111.0	1.5	2.7	1.7	2.5	1.8	1.6	1.1	
Q2	111.4	1.4	2.7	1.6	3.0	1.9	2.2	0.3	
Q3	111.6	1.6	2.7	1.8	2.9	1.3	2.5	0.9	
Labour productivity <sup>2)</sup>									
2001	100.5	0.5	-0.2	1.1	0.8	1.1	-1.4	0.4	
2002	100.7	0.2	1.5	1.5	0.2	0.6	-1.1	0.0	
2003	101.2	0.5	-1.8	1.7	0.9	0.4	0.0	-0.2	
2004	102.3	1.1	8.5	3.2	0.9	1.0	-0.7	0.4	
2004 Q3	102.3	1.1	9.9	3.8	-0.5	0.8	-0.7	0.4	
Q4	102.3	0.7	7.8	1.7	0.0	1.2	-0.7	0.1	
2005 Q1	102.6	0.4	2.0	1.5	-1.3	1.2	0.0	-0.5	
Q2	102.8	0.5	-0.7	2.0	0.6	1.1	-0.3	-1.0	
Q3	103.2	0.9	0.4	2.3	1.9	1.5	-0.2	-0.9	

### 5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2001	102.4	2.4	2.2	3.0	2.5	1.5	1.2	0.8
2002	104.9	2.5	2.0	1.9	2.7	1.3	-0.4	-2.1
2003	107.0	2.0	1.8	1.9	2.2	1.1	-1.2	-1.8
2004	109.0	1.8	2.0	1.9	2.1	2.4	1.2	1.5
2004 Q3	109.2	1.7	2.0	2.0	1.1	2.9	2.1	3.0
Q4	109.7	1.8	2.2	1.9	2.0	3.1	2.4	3.8
2005 Q1	110.1	1.9	2.1	1.8	1.9	3.0	2.9	3.6
Q2	110.6	1.6	1.8	1.7	1.3	2.5	2.2	3.1
Q3	110.9	1.5	2.1	2.0	1.8	2.4	2.3	4.2

Sources: ECB calculations based on Eurostat data.

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

## 5.2 Output and demand

## 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>1)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>2)</sup>	Total	Exports <sup>1)</sup>	Imports <sup>1)</sup>
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2001	6,996.6	6,885.0	4,028.9	1,388.0	1,465.0	3.1	111.6	2,587.3	2,475.8
2002	7,240.2	7,050.8	4,146.2	1,462.5	1,455.6	-13.5	189.4	2,622.7	2,433.3
2003	7,439.2	7,275.9	4,273.1	1,520.5	1,483.2	-0.9	163.3	2,625.5	2,462.2
2004	7,714.1	7,552.2	4,418.4	1,569.4	1,546.0	18.4	161.9	2,815.0	2,653.1
2004 Q3	1,936.9	1,898.3	1,106.8	393.3	389.2	9.0	38.7	714.8	676.2
Q4	1,948.7	1,916.8	1,120.0	394.5	393.8	8.5	31.9	721.6	689.7
2005 Q1	1,962.9	1,926.9	1,124.8	398.3	394.6	9.3	36.0	719.6	683.6
Q2	1,979.6	1,949.1	1,133.6	403.0	401.6	10.9	30.6	738.3	707.8
Q3	1,997.9	1,970.9	1,145.5	406.3	409.9	9.2	27.0	769.4	742.4
	<i>percentage of GDP</i>								
2004	100.0	97.9	57.3	20.3	20.0	0.2	2.1	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>3)</sup> )								
	<i>quarter-on-quarter percentage changes</i>								
2004 Q4	0.2	0.6	0.8	-0.1	0.6	-	-	0.4	1.4
2005 Q1	0.3	0.1	0.1	0.3	0.1	-	-	-0.7	-1.3
Q2	0.4	0.5	0.2	0.6	0.9	-	-	2.2	2.5
Q3	0.6	0.4	0.3	0.7	1.3	-	-	3.3	2.8
Q4	0.3	.	.	.	.	-	-	.	.
	<i>annual percentage changes</i>								
2002	0.9	0.4	0.9	2.6	-2.0	-	-	1.7	0.2
2003	0.7	1.4	1.1	1.7	0.8	-	-	1.2	3.0
2004	2.1	2.0	1.6	1.2	2.3	-	-	6.5	6.6
2005	1.3	.	.	.	.	-	-	.	.
2004 Q4	1.6	2.0	1.9	0.7	1.7	-	-	5.9	7.2
2005 Q1	1.2	1.6	1.3	0.8	1.3	-	-	3.3	4.5
Q2	1.2	1.8	1.3	1.0	1.9	-	-	3.0	4.6
Q3	1.6	1.6	1.5	1.4	2.9	-	-	5.2	5.4
Q4	1.7	.	.	.	.	-	-	.	.
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2004 Q3	0.3	0.6	0.1	0.0	0.1	0.3	-0.3	-	-
Q4	0.2	0.5	0.5	0.0	0.1	0.0	-0.3	-	-
2005 Q1	0.3	0.1	0.1	0.1	0.0	0.0	0.2	-	-
Q2	0.4	0.5	0.1	0.1	0.2	0.1	-0.1	-	-
Q3	0.6	0.4	0.2	0.1	0.3	-0.2	0.2	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2001	1.9	1.2	0.8	0.4	0.1	-0.1	0.7	-	-
2002	0.9	0.4	0.5	0.5	-0.4	-0.2	0.5	-	-
2003	0.7	1.3	0.6	0.3	0.2	0.2	-0.6	-	-
2004	2.1	2.0	0.9	0.2	0.5	0.4	0.1	-	-
2004 Q3	1.9	2.2	0.7	0.2	0.4	0.9	-0.3	-	-
Q4	1.6	1.9	1.1	0.1	0.3	0.4	-0.3	-	-
2005 Q1	1.2	1.6	0.7	0.2	0.3	0.5	-0.3	-	-
Q2	1.2	1.7	0.8	0.2	0.4	0.4	-0.5	-	-
Q3	1.6	1.6	0.9	0.3	0.6	-0.1	0.0	-	-

Sources: Eurostat and ECB calculations.

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

2) Including acquisitions less disposals of valuables.

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

## 5.2 Output and demand

### 2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2001	6,283.2	157.9	1,364.6	356.3	1,332.4	1,673.6	1,398.4	713.4
2002	6,504.1	153.1	1,376.9	369.2	1,383.2	1,750.4	1,471.3	736.1
2003	6,679.6	152.7	1,385.7	386.3	1,413.7	1,813.1	1,528.0	759.6
2004	6,919.6	153.4	1,428.1	410.6	1,460.2	1,884.3	1,583.0	794.5
2004 Q3	1,737.6	38.1	359.9	103.0	366.8	474.4	395.5	199.3
Q4	1,746.5	38.4	359.0	104.7	368.6	477.3	398.4	202.2
2005 Q1	1,761.0	37.5	362.4	104.9	371.0	482.9	402.3	201.9
Q2	1,775.9	37.3	367.6	107.6	373.7	486.4	403.2	203.8
Q3	1,788.5	37.3	369.3	109.8	376.5	490.3	405.3	209.5
	<i>percentage of value added</i>							
2004	100.0	2.2	20.6	5.9	21.1	27.2	22.9	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>1)</sup> )							
	<i>quarter-on-quarter percentage changes</i>							
2004 Q3	0.2	-0.1	0.2	-0.4	0.3	0.4	0.1	0.6
Q4	0.2	0.7	-0.6	0.7	0.4	0.2	0.4	0.5
2005 Q1	0.3	-1.7	0.2	-0.3	0.5	0.9	0.1	0.2
Q2	0.5	-1.1	0.9	1.9	0.6	0.4	-0.3	0.0
Q3	0.5	0.0	0.9	0.3	0.6	0.5	0.4	1.5
	<i>annual percentage changes</i>							
2001	2.0	-1.3	1.1	1.3	2.8	2.7	1.7	0.7
2002	1.0	-0.2	-0.2	0.1	1.2	1.4	2.0	0.0
2003	0.7	-4.0	0.2	1.0	0.6	1.3	1.1	0.8
2004	2.2	7.4	2.3	2.1	2.3	2.0	1.7	1.2
2004 Q3	2.0	9.2	2.0	1.2	1.8	1.9	1.7	1.1
Q4	1.7	6.9	0.7	1.4	2.3	1.9	1.5	0.8
2005 Q1	1.4	0.4	0.5	-0.1	2.2	2.2	0.9	0.1
Q2	1.2	-2.2	0.7	1.8	1.9	1.9	0.3	1.4
Q3	1.5	-2.1	1.4	2.6	2.1	2.0	0.6	2.3
	<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>							
2004 Q3	0.2	0.0	0.0	0.0	0.1	0.1	0.0	-
Q4	0.2	0.0	-0.1	0.0	0.1	0.1	0.1	-
2005 Q1	0.3	0.0	0.0	0.0	0.1	0.2	0.0	-
Q2	0.5	0.0	0.2	0.1	0.1	0.1	-0.1	-
Q3	0.5	0.0	0.2	0.0	0.1	0.1	0.1	-
	<i>contributions to annual percentage changes of value added in percentage points</i>							
2001	2.0	0.0	0.3	0.1	0.6	0.7	0.4	-
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.0	0.1	0.1	0.4	0.3	-
2004	2.2	0.2	0.5	0.1	0.5	0.5	0.4	-
2004 Q3	2.0	0.2	0.4	0.1	0.4	0.5	0.4	-
Q4	1.7	0.2	0.1	0.1	0.5	0.5	0.4	-
2005 Q1	1.4	0.0	0.1	0.0	0.5	0.6	0.2	-
Q2	1.2	-0.1	0.1	0.1	0.4	0.5	0.1	-
Q3	1.5	0.0	0.3	0.2	0.5	0.5	0.1	-

Sources: Eurostat and ECB calculations.

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

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

## 3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total <sup>1)</sup>	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
2003	0.3	100.3	0.3	0.0	0.0	0.3	-0.1	-0.4	-4.5	0.3	3.0	-0.1
2004	2.1	102.2	1.9	2.0	1.9	2.2	3.0	0.5	0.1	0.6	1.8	-0.2
2005	.	103.4	1.2	1.2	1.0	0.8	2.5	0.6	-0.9	0.8	1.1	.
2005 Q1	-0.4	102.3	0.6	0.4	0.2	0.5	2.1	-0.9	-3.7	-0.4	1.4	-4.1
Q2	1.1	103.1	0.7	0.8	0.4	-0.5	2.1	0.7	-1.5	1.1	1.2	-0.1
Q3	1.3	104.0	1.5	1.5	1.4	0.9	2.8	1.6	-0.1	1.9	0.5	1.1
Q4	.	104.4	1.9	2.1	2.1	2.3	2.9	0.9	1.8	0.8	1.2	.
2005 July	0.7	103.5	0.6	0.1	-0.1	-1.0	2.8	0.0	-1.9	0.3	2.5	0.6
Aug.	2.0	104.3	2.7	3.1	3.2	3.5	2.8	3.5	2.7	3.6	-0.7	2.7
Sep.	1.3	104.2	1.4	1.7	1.6	0.8	2.9	1.8	0.0	2.1	-0.4	0.0
Oct.	.	103.4	0.2	0.7	0.6	0.9	0.4	0.5	-0.7	0.7	-2.0	.
Nov.	.	104.8	2.9	3.4	3.3	3.7	4.6	1.0	3.2	0.6	1.8	.
Dec.	.	104.9	2.5	2.3	2.5	2.3	3.8	1.3	3.3	1.0	3.4	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 July	0.1	-	0.2	0.0	0.3	0.6	0.3	-0.1	-0.4	-0.1	0.7	-0.1
Aug.	0.7	-	0.8	1.3	1.4	2.1	0.0	1.3	1.2	1.3	-2.6	0.5
Sep.	-0.2	-	-0.2	-0.3	-0.3	-1.0	0.8	-0.5	-1.4	-0.4	0.9	-1.4
Oct.	.	-	-0.7	-0.8	-0.7	-0.1	-1.2	-0.7	-0.6	-0.8	-2.0	.
Nov.	.	-	1.4	1.3	1.3	1.7	1.5	0.3	1.7	0.0	3.4	.
Dec.	.	-	0.1	-0.2	-0.1	-0.6	-0.5	0.6	-0.1	0.7	2.9	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) <sup>3)</sup>	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2003	98.4	0.1	101.0	-0.3	1.8	102.1	0.4	1.1	-0.3	-2.7	0.2	911	-1.5
2004	105.2	7.3	105.9	4.9	1.9	103.2	1.2	1.0	1.2	0.9	2.9	922	1.1
2005	110.5	4.7	109.8	3.6	1.9	104.2	0.9	0.5	1.2	1.2	0.9	933	1.2
2005 Q1	105.9	3.1	106.7	2.5	2.1	104.3	1.3	1.1	1.3	0.6	0.6	921	0.5
Q2	108.8	3.4	110.3	4.2	1.7	103.9	0.7	0.3	0.8	1.0	0.4	937	1.0
Q3	110.7	5.0	110.9	3.9	2.1	104.2	1.1	0.3	1.6	1.4	1.6	941	4.6
Q4	116.6	7.1	111.3	3.7	1.9	104.4	0.7	0.3	1.1	1.7	1.0	932	-1.2
2005 Aug.	110.2	7.9	112.8	7.3	3.3	104.8	2.3	0.9	3.6	4.5	3.2	932	7.4
Sep.	112.2	6.1	113.1	4.8	2.5	104.1	1.1	1.1	1.0	-0.1	1.5	952	4.6
Oct.	111.6	4.3	106.7	1.3	1.5	104.3	0.4	0.3	0.4	1.0	0.9	942	0.1
Nov.	117.6	9.9	113.8	5.4	1.9	104.3	0.7	0.2	1.0	2.0	0.9	932	-2.0
Dec.	120.5	7.1	113.5	4.6	2.2	104.5	1.0	0.4	1.7	2.2	1.1	923	-1.8
2006 Jan.	.	.	.	.	.	.	.	.	.	.	.	943	2.0
<i>month-on-month percentage changes (s.a.)</i>													
2005 Aug.	-	0.4	-	5.6	1.1	-	1.0	0.5	1.4	2.0	1.3	-	-0.7
Sep.	-	1.8	-	0.3	-0.4	-	-0.7	0.0	-1.2	-3.7	-0.7	-	2.2
Oct.	-	-0.5	-	-5.6	0.3	-	0.2	0.4	0.0	1.3	-0.2	-	-1.1
Nov.	-	5.3	-	6.7	0.1	-	0.0	-0.2	0.3	1.1	-0.1	-	-1.0
Dec.	-	2.5	-	-0.2	0.3	-	0.2	-0.2	0.4	-0.2	0.6	-	-1.0
2006 Jan.	-	.	-	.	.	-	.	.	.	.	.	-	2.2

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

1) In 2000.

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

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

## 5.2 Output and demand

(percentage balances,<sup>1)</sup> unless otherwise indicated; seasonally adjusted)

### 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator <sup>3)</sup>				
		Industrial confidence indicator				Capacity utilisation <sup>5)</sup>	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2002	94.5	-11	-25	11	3	81.2	-11	-1	-12	27	-3
2003	93.6	-11	-25	10	3	81.0	-18	-5	-21	38	-9
2004	99.4	-5	-16	8	10	81.6	-14	-4	-14	30	-8
2005	98.1	-7	-17	11	6	81.2	-14	-4	-15	28	-8
2004 Q4	100.5	-3	-12	8	9	82.0	-13	-3	-14	29	-6
2005 Q1	98.7	-6	-15	11	6	81.5	-13	-3	-13	30	-8
Q2	96.1	-10	-20	13	3	81.0	-14	-3	-16	31	-7
Q3	97.7	-8	-18	11	6	81.0	-15	-4	-17	29	-8
Q4	100.1	-6	-15	10	7	81.4	-12	-4	-15	22	-9
2005 Sep.	98.5	-7	-16	10	7	-	-14	-5	-16	28	-9
Oct.	100.2	-6	-16	10	8	81.1	-13	-5	-15	23	-9
Nov.	99.7	-7	-16	9	6	-	-13	-5	-17	23	-8
Dec.	100.5	-5	-13	10	8	-	-11	-4	-12	19	-9
2006 Jan.	101.5	-4	-12	10	9	81.7	-11	-3	-11	19	-9
Feb.	102.7	-2	-10	8	10	-	-10	-3	-11	19	-8

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2002	-17	-25	-10	-15	-18	17	-11	2	-3	-4	14
2003	-18	-25	-11	-11	-14	17	-2	4	-5	3	14
2004	-14	-22	-6	-9	-14	14	0	11	7	8	17
2005	-9	-15	-3	-9	-14	14	2	11	6	10	17
2004 Q4	-11	-18	-4	-9	-17	13	2	11	9	9	16
2005 Q1	-11	-15	-7	-10	-15	12	-2	11	8	7	17
Q2	-11	-18	-5	-10	-16	13	-1	9	0	9	17
Q3	-9	-16	-2	-10	-15	15	1	11	6	10	17
Q4	-5	-11	0	-6	-11	16	9	14	10	13	18
2005 Sep.	-7	-14	0	-7	-13	14	5	11	8	10	15
Oct.	-7	-14	0	-5	-12	13	10	14	10	13	19
Nov.	-3	-8	2	-8	-13	18	7	14	11	13	18
Dec.	-6	-11	-1	-5	-7	17	9	13	9	13	18
2006 Jan.	-4	-9	1	-6	-7	17	5	15	13	17	17
Feb.	-5	-11	2	-5	-6	16	7	14	8	13	21

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

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

5.3 Labour markets <sup>1)</sup>

(annual percentage changes, unless otherwise indicated)

## 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.4	15.6	4.5	18.1	7.2	24.9	15.3	30.0
	1	2	3	4	5	6	7	8	9	10
2001	134.494	1.5	1.7	0.2	-0.8	0.1	0.7	1.8	4.2	1.3
2002	135.466	0.7	0.8	0.1	-1.6	-1.6	0.1	0.5	2.6	2.0
2003	135.842	0.3	0.3	0.3	-2.0	-1.5	0.2	0.3	1.3	1.3
2004	136.817	0.7	0.6	1.2	-0.8	-1.6	1.0	0.9	2.6	1.2
2004 Q3	136.885	0.8	0.6	1.5	-0.4	-1.8	2.0	0.9	2.4	1.3
Q4	137.213	1.0	0.9	1.5	-0.7	-0.9	1.5	1.1	2.5	1.4
2005 Q1	137.314	0.9	0.8	1.1	-1.6	-1.1	1.5	1.1	2.2	1.4
Q2	137.518	0.8	0.8	0.9	-1.4	-1.3	1.4	0.8	2.4	1.4
Q3	137.877	0.7	0.8	0.2	-2.1	-1.0	1.5	0.3	2.4	1.5
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2004 Q3	0.396	0.3	0.1	1.4	0.2	-0.5	1.1	0.4	0.7	0.3
Q4	0.328	0.2	0.3	0.0	-0.4	0.1	-0.2	0.2	0.5	0.4
2005 Q1	0.101	0.1	0.3	-1.1	-1.1	-0.8	-0.1	0.1	0.7	0.4
Q2	0.204	0.1	0.1	0.7	-0.2	-0.1	0.4	0.2	0.3	0.2
Q3	0.359	0.3	0.2	0.5	-0.8	-0.1	0.5	0.2	0.6	0.4

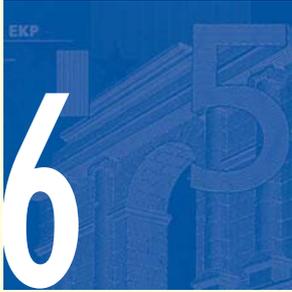
## 2. Unemployment

*(seasonally adjusted)*

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	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 <sup>2)</sup>	100.0		75.5		24.5		48.6		51.4	
	1	2	3	4	5	6	7	8	9	10
2002	11.760	8.3	8.740	7.0	3.020	16.8	5.515	6.9	6.245	10.1
2003	12.548	8.7	9.420	7.5	3.128	17.6	5.975	7.4	6.573	10.5
2004	12.899	8.9	9.750	7.6	3.149	18.0	6.186	7.6	6.713	10.5
2005	12.535	8.6	9.465	7.3	3.071	17.8	6.088	7.4	6.447	10.0
2004 Q4	12.880	8.8	9.743	7.6	3.137	18.0	6.262	7.6	6.618	10.3
2005 Q1	12.843	8.8	9.625	7.5	3.218	18.4	6.214	7.6	6.630	10.3
Q2	12.659	8.6	9.591	7.4	3.068	17.7	6.149	7.5	6.510	10.1
Q3	12.346	8.4	9.381	7.3	2.965	17.3	6.032	7.4	6.315	9.8
Q4	12.206	8.3	9.212	7.1	2.995	17.6	5.893	7.2	6.313	9.8
2005 Aug.	12.356	8.4	9.396	7.3	2.960	17.3	6.045	7.4	6.311	9.8
Sep.	12.231	8.4	9.260	7.2	2.971	17.3	5.986	7.3	6.245	9.7
Oct.	12.195	8.3	9.209	7.1	2.986	17.5	5.933	7.2	6.262	9.7
Nov.	12.224	8.4	9.227	7.1	2.997	17.5	5.894	7.2	6.330	9.8
Dec.	12.199	8.3	9.199	7.1	3.000	17.7	5.852	7.2	6.348	9.9
2006 Jan.	12.141	8.3	9.149	7.1	2.991	17.5	5.821	7.1	6.319	9.8

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

- 1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
- 2) Employment in 2004; unemployment 2005.
- 3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
- 4) Rates are expressed as a percentage of the labour force for the relevant gender.



# GOVERNMENT FINANCE

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

### 1. Euro area – revenue

	Total		Current revenue									Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes			Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes	13	
			Households	Corporations	6		7	Employers	Employees					
	3	4	5	6	7	8	9	10	11	12	13	14		
1996	47.0	46.6	11.7	9.1	2.3	13.2	0.7	17.3	8.5	5.5	2.4	0.3	0.2	42.5
1997	47.2	46.7	11.9	9.1	2.5	13.4	0.7	17.3	8.6	5.5	2.3	0.5	0.3	42.9
1998	46.7	46.4	12.2	9.6	2.3	14.0	0.6	16.2	8.4	4.9	2.3	0.3	0.3	42.7
1999	47.2	47.0	12.6	9.7	2.5	14.2	0.6	16.2	8.4	4.9	2.3	0.3	0.3	43.3
2000	46.9	46.6	12.8	9.8	2.6	14.0	0.6	16.0	8.3	4.8	2.2	0.3	0.3	43.0
2001	46.1	45.8	12.4	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.3	0.3	42.0
2002	45.5	45.2	11.9	9.4	2.2	13.6	0.4	15.7	8.2	4.6	2.2	0.3	0.3	41.5
2003	45.5	44.8	11.6	9.2	2.1	13.6	0.4	15.9	8.3	4.7	2.2	0.7	0.5	41.6
2004	45.0	44.5	11.5	8.8	2.3	13.7	0.3	15.7	8.2	4.6	2.1	0.5	0.4	41.2

### 2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure <sup>3)</sup>		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
							7	8						
	10	11	12	13	14									
1996	51.3	47.4	11.1	4.8	5.6	25.9	22.9	2.2	0.6	3.8	2.6	1.3	0.0	45.6
1997	49.9	46.3	10.9	4.7	5.0	25.6	22.8	2.1	0.6	3.6	2.4	1.2	0.1	44.9
1998	49.0	45.2	10.6	4.6	4.6	25.4	22.3	2.1	0.5	3.8	2.4	1.4	0.1	44.4
1999	48.6	44.7	10.6	4.7	4.1	25.3	22.3	2.1	0.5	3.9	2.5	1.4	0.1	44.5
2000	47.9	44.1	10.5	4.7	3.9	25.0	21.9	2.0	0.5	3.8	2.5	1.3	0.0	44.0
2001	48.0	44.0	10.4	4.8	3.8	25.0	21.9	1.9	0.5	4.0	2.5	1.4	0.0	44.1
2002	48.1	44.2	10.5	4.9	3.6	25.3	22.4	1.9	0.5	3.8	2.4	1.4	0.0	44.5
2003	48.5	44.5	10.6	4.9	3.4	25.7	22.8	1.9	0.5	4.0	2.6	1.4	0.1	45.2
2004	47.8	43.9	10.5	4.9	3.2	25.4	22.6	1.8	0.5	3.8	2.5	1.4	0.0	44.6

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	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
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.3	20.3	11.1	4.8	4.9	1.9	2.4	8.5	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.7	4.9	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.7	10.6	4.6	4.9	1.8	2.3	8.1	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.7	4.9	1.8	2.3	8.2	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.5	4.7	4.9	1.8	2.2	8.1	11.7
2001	-1.9	-1.7	-0.4	0.0	0.3	2.0	19.8	10.4	4.8	5.0	1.8	2.2	8.0	11.8
2002	-2.6	-2.1	-0.5	-0.2	0.2	1.0	20.2	10.5	4.9	5.1	1.8	2.2	8.1	12.1
2003	-3.0	-2.3	-0.4	-0.2	0.0	0.3	20.4	10.6	4.9	5.2	1.8	2.2	8.1	12.3
2004	-2.7	-2.3	-0.3	-0.3	0.1	0.4	20.3	10.5	4.9	5.2	1.8	2.1	8.0	12.3

### 4. Euro area countries – deficit (-)/surplus (+)<sup>5)</sup>

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.6	-2.9	-6.1	-0.5	-1.5	0.8	-3.2	6.5	-0.2	0.1	-4.2	5.2
2002	0.0	-3.8	-4.9	-0.3	-3.2	-0.4	-2.7	2.1	-2.0	-0.4	-2.8	4.3
2003	0.1	-4.1	-5.7	0.0	-4.1	0.2	-3.2	0.2	-3.2	-1.2	-2.9	2.5
2004	0.0	-3.7	-6.6	-0.1	-3.7	1.4	-3.2	-1.2	-2.1	-1.0	-3.0	2.1

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

- Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM). Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors <sup>3)</sup>
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1995	74.0	2.8	17.6	8.0	45.7	58.6	30.7	10.7	17.1	15.4
1996	75.4	2.8	17.1	7.9	47.5	59.1	30.4	12.5	16.2	16.3
1997	74.5	2.8	16.1	6.6	49.1	56.7	28.7	14.0	14.1	17.7
1998	73.1	2.7	15.1	5.6	49.6	53.3	26.9	14.9	11.5	19.7
1999	72.4	2.9	14.3	4.3	50.9	49.4	25.7	12.1	11.6	22.9
2000	69.9	2.7	13.2	3.7	50.3	44.8	22.5	11.1	11.1	25.1
2001	68.6	2.7	12.5	3.9	49.5	42.6	21.0	10.6	11.0	25.9
2002	68.5	2.7	11.8	4.5	49.5	40.2	19.5	9.8	10.9	28.3
2003	69.8	2.0	12.4	4.9	50.4	39.7	19.9	10.5	9.3	30.1
2004	70.2	2.2	11.9	4.7	51.4	39.3	19.1	10.9	9.4	30.9

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

	Total	Issued by <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies <sup>5)</sup>	Other currencies
1995	74.0	61.8	5.6	5.9	0.8	11.5	62.5	7.6	18.6	26.7	28.8	71.8	2.2
1996	75.4	63.1	5.9	5.8	0.5	11.2	64.2	7.1	20.0	26.1	29.2	73.2	2.2
1997	74.5	62.4	6.1	5.4	0.6	9.7	64.8	6.8	19.4	25.9	29.3	72.3	2.2
1998	73.1	61.3	6.1	5.3	0.4	8.5	64.6	6.4	16.7	27.0	29.4	71.0	2.1
1999	72.4	60.9	6.1	5.1	0.3	7.3	65.0	5.7	15.1	27.9	29.3	70.4	1.9
2000	69.9	58.7	5.9	4.9	0.3	6.5	63.4	5.0	15.0	28.4	26.5	68.1	1.8
2001	68.6	57.4	6.1	4.8	0.3	6.8	61.7	3.7	15.6	26.4	26.6	67.1	1.5
2002	68.5	57.0	6.3	4.8	0.3	7.6	60.9	3.5	16.4	25.2	26.8	67.2	1.3
2003	69.8	57.4	6.6	5.2	0.6	7.6	62.2	3.6	15.3	26.4	28.1	68.8	1.0
2004	70.2	57.8	6.7	5.2	0.5	7.6	62.7	3.6	15.5	26.8	27.9	69.3	0.9

3. Euro area countries <sup>6)</sup>

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	108.3	59.6	114.4	56.3	56.8	35.9	110.9	6.7	51.5	67.0	53.6	43.6
2002	105.8	61.2	111.6	53.2	58.8	32.4	108.3	6.8	51.3	66.7	56.1	42.3
2003	100.4	64.8	108.8	49.4	63.2	31.5	106.8	6.7	52.6	65.1	57.7	45.2
2004	96.2	66.4	109.3	46.9	65.1	29.8	106.5	6.6	53.1	64.3	59.4	45.1

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

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

## 6.3 Change in debt <sup>1)</sup> (as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
1996	3.9	4.2	0.0	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	0.7	2.1	1.3
1997	2.0	2.2	0.4	-0.4	-0.1	0.0	-0.3	-1.1	3.3	-0.1	-0.5	1.9	2.1
1998	1.8	2.0	0.0	0.0	-0.1	0.1	-0.3	-0.6	2.7	-1.0	-0.5	1.5	2.8
1999	2.0	1.6	0.5	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.9	-0.2	-2.2	3.9
2000	1.0	0.9	0.1	0.0	0.0	0.0	-0.4	-0.4	1.9	-2.2	-1.9	-0.4	3.3
2001	1.8	1.6	0.0	0.1	0.0	0.2	-0.1	0.4	1.4	-0.2	-0.6	0.0	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.0	-0.8	-0.5	3.2
2003	3.1	3.3	-0.1	0.0	0.0	-0.6	0.9	0.5	2.3	0.6	1.0	0.9	2.5
2004	3.1	3.2	0.0	-0.1	0.0	0.2	0.0	0.0	2.9	1.1	-0.1	0.7	2.0

### 2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) <sup>9)</sup>	Deficit-debt adjustment <sup>9)</sup>											Other <sup>10)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	0.0	-0.1	0.0	-0.3
1997	2.0	-2.7	-0.7	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.4	0.2	-0.4	-0.2
1998	1.8	-2.3	-0.5	-0.4	0.1	0.0	-0.1	-0.4	-0.6	0.2	0.0	0.0	0.0	0.0
1999	2.0	-1.3	0.7	0.0	0.5	0.0	0.1	-0.6	-0.7	0.0	0.5	0.3	0.0	0.2
2000	1.0	0.0	1.1	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.1	0.1	0.0	0.0
2001	1.8	-1.9	-0.1	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	0.0	0.0	0.1	0.2
2002	2.2	-2.5	-0.3	0.1	0.0	0.0	0.1	0.0	-0.3	0.1	-0.4	0.0	0.1	-0.1
2003	3.1	-3.0	0.1	0.1	0.0	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.1
2004	3.1	-2.7	0.4	0.3	0.2	0.1	0.2	-0.1	-0.3	0.1	0.0	0.0	-0.1	0.2

Source: ECB.

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

## 6.4 Quarterly revenue, expenditure and deficit/surplus <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
	1	2	3	4	5	6	7	8	9	10
1999 Q3	44.6	44.2	11.7	13.0	15.9	2.0	0.8	0.4	0.3	40.9
Q4	50.6	49.9	14.2	14.4	16.7	2.8	0.8	0.7	0.3	45.6
2000 Q1	43.5	42.9	11.0	13.1	15.4	1.9	0.7	0.5	0.3	39.8
Q2	47.5	47.1	13.8	13.4	15.7	2.1	1.2	0.5	0.3	43.2
Q3	44.3	43.9	11.9	12.6	15.7	2.0	0.8	0.4	0.2	40.5
Q4	49.7	49.2	13.9	14.1	16.6	2.8	0.9	0.5	0.3	44.8
2001 Q1	42.4	42.0	10.5	12.8	15.3	1.8	0.8	0.4	0.2	38.8
Q2	46.9	46.5	13.4	13.0	15.6	2.0	1.7	0.4	0.2	42.2
Q3	43.6	43.3	11.7	12.4	15.6	1.9	0.9	0.3	0.3	39.9
Q4	49.1	48.6	13.5	13.9	16.3	3.0	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.7	10.2	12.8	15.4	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.2	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.7	43.3	11.3	12.8	15.5	2.0	0.8	0.4	0.3	39.8
Q4	49.1	48.5	13.4	14.1	16.2	3.0	0.9	0.6	0.3	44.1
2003 Q1	42.1	41.7	9.9	12.9	15.6	1.8	0.7	0.4	0.2	38.5
Q2	46.2	44.7	12.1	12.7	15.8	2.0	1.3	1.5	1.3	41.9
Q3	43.0	42.6	10.9	12.7	15.6	1.9	0.7	0.5	0.2	39.4
Q4	49.4	48.3	13.1	14.3	16.3	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.7	41.2	9.6	12.9	15.4	1.7	0.7	0.5	0.3	38.2
Q2	45.1	44.3	12.2	13.0	15.4	2.0	0.9	0.9	0.6	41.2
Q3	42.8	42.3	10.7	12.7	15.4	1.9	0.7	0.5	0.3	39.1
Q4	49.4	48.4	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.6	42.1	10.0	13.1	15.5	1.7	0.7	0.6	0.3	38.8
Q2	44.7	44.1	11.9	13.0	15.3	2.0	0.9	0.6	0.3	40.6
Q3	43.5	42.9	11.1	12.9	15.4	1.9	0.7	0.6	0.3	39.7

### 2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q3	47.1	43.5	10.2	4.5	4.0	24.8	21.2	1.6	3.6	2.5	1.1	-2.5	1.5
Q4	50.4	45.6	11.0	5.3	3.7	25.7	22.1	1.6	4.8	3.1	1.7	0.2	3.9
2000 Q1	46.0	42.7	10.2	4.5	4.1	24.0	20.9	1.2	3.2	2.0	1.3	-2.5	1.6
Q2	46.4	43.0	10.3	4.6	3.9	24.2	20.9	1.4	3.4	2.3	1.1	1.2	5.0
Q3	43.1	42.8	10.1	4.5	4.0	24.2	20.9	1.5	0.3	2.5	1.0	1.2	5.1
Q4	49.4	45.6	11.0	5.2	3.7	25.7	21.8	1.6	3.8	3.1	1.5	0.2	4.0
2001 Q1	45.6	42.2	10.1	4.1	4.0	24.0	20.9	1.2	3.4	1.9	1.5	-3.2	0.8
Q2	46.5	43.0	10.3	4.6	3.9	24.2	20.8	1.4	3.5	2.4	1.1	0.4	4.3
Q3	46.4	42.7	10.0	4.6	3.9	24.3	20.9	1.5	3.7	2.5	1.2	-2.8	1.1
Q4	51.0	46.0	10.9	5.6	3.6	25.9	22.0	1.6	4.9	3.2	1.8	-1.9	1.7
2002 Q1	46.1	42.6	10.3	4.2	3.7	24.4	21.2	1.2	3.4	1.9	1.5	-4.0	-0.3
Q2	46.8	43.3	10.4	4.9	3.6	24.6	21.2	1.4	3.5	2.3	1.1	-1.2	2.4
Q3	47.1	43.3	10.1	4.7	3.5	25.1	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.6	3.4	26.4	22.6	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.8	43.3	10.4	4.4	3.6	24.9	21.6	1.2	3.5	1.9	1.6	-4.7	-1.1
Q2	47.6	44.1	10.5	4.7	3.4	25.4	21.8	1.4	3.6	2.4	1.2	-1.4	2.0
Q3	47.2	43.5	10.3	4.7	3.3	25.2	21.7	1.4	3.7	2.6	1.1	-4.2	-0.9
Q4	51.2	46.3	10.9	5.7	3.1	26.6	22.8	1.5	4.9	3.3	1.6	-1.8	1.3
2004 Q1	46.5	43.1	10.4	4.5	3.3	24.9	21.5	1.1	3.4	2.0	1.4	-4.8	-1.5
Q2	46.8	43.4	10.5	4.8	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-1.7	1.5
Q3	46.2	42.8	10.0	4.6	3.2	25.0	21.5	1.3	3.4	2.5	0.9	-3.4	-0.2
Q4	50.6	45.7	10.8	5.6	3.0	26.2	22.5	1.4	4.9	3.1	1.8	-1.1	1.9
2005 Q1	46.7	43.3	10.3	4.4	3.2	25.3	21.6	1.1	3.4	1.9	1.5	-4.1	-0.9
Q2	46.4	43.0	10.3	4.8	3.1	24.8	21.5	1.2	3.4	2.3	1.1	-1.8	1.3
Q3	45.9	42.5	10.0	4.6	3.1	24.9	21.4	1.3	3.4	2.4	1.0	-2.5	0.6

Source: ECB calculations based on Eurostat and national data.

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

## 6.5 Quarterly debt and change in debt

(as a percentage of GDP)

### 1. Euro area – Maastricht debt by financial instrument<sup>1)</sup>

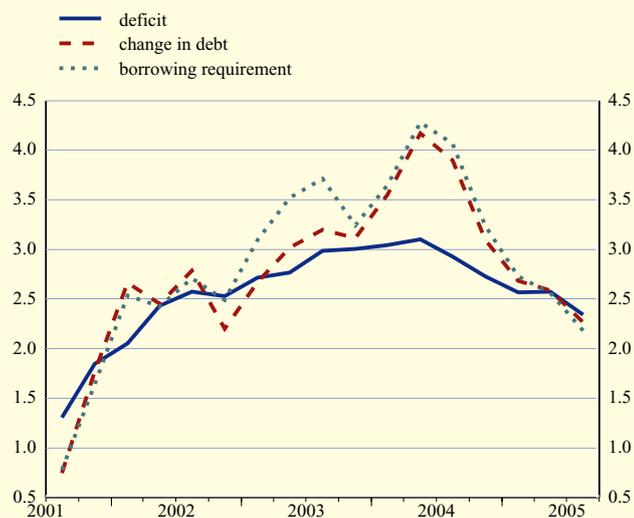
	Total 1	Financial instruments			
		Coins and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q1	69.7	2.7	11.7	5.2	50.0
Q2	70.2	2.7	11.6	5.7	50.2
Q3	70.4	2.7	11.6	5.5	50.6
Q4	69.8	2.0	12.4	4.9	50.4
2004 Q1	71.2	2.0	12.5	5.5	51.2
Q2	71.9	2.2	12.4	5.7	51.6
Q3	71.7	2.2	12.2	5.7	51.7
Q4	70.2	2.2	11.9	4.7	51.4
2005 Q1	71.4	2.2	11.9	4.9	52.4
Q2	72.2	2.4	11.7	5.2	53.0
Q3	71.8	2.4	11.7	5.0	52.7

### 2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment							Memo: Borrowing requirement 11	
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Securities 6	Loans 7				Shares and other equity 8
2002 Q4	-1.1	-1.7	-2.9	0.1	0.2	-0.1	0.1	-0.1	-1.8	-1.2	0.7
2003 Q1	7.8	-4.7	3.1	2.4	1.8	0.2	0.1	0.3	0.0	0.8	7.9
Q2	3.5	-1.4	2.1	2.9	2.0	0.0	0.1	0.9	-0.2	-0.6	3.8
Q3	2.8	-4.2	-1.4	-1.2	-1.3	-0.1	0.1	0.1	0.1	-0.3	2.7
Q4	-1.3	-1.8	-3.2	-3.4	-2.1	-0.2	-0.3	-0.8	-0.3	0.5	-1.0
2004 Q1	9.4	-4.8	4.6	2.1	1.4	0.2	0.5	0.0	0.1	2.5	9.3
Q2	6.0	-1.7	4.3	3.7	3.4	0.3	0.0	0.1	-0.3	0.8	6.2
Q3	1.8	-3.4	-1.7	-0.9	-1.2	0.2	0.1	0.1	-0.2	-0.6	1.9
Q4	-4.2	-1.1	-5.3	-3.6	-2.6	-0.2	0.0	-0.7	-0.2	-1.6	-4.0
2005 Q1	7.6	-4.1	3.5	1.7	1.5	0.3	-0.2	0.1	0.5	1.3	7.1
Q2	5.5	-1.8	3.7	3.4	2.7	0.3	0.3	0.1	0.0	0.3	5.5
Q3	0.5	-2.5	-2.0	-2.3	-2.7	0.3	0.2	-0.1	0.1	0.2	0.4

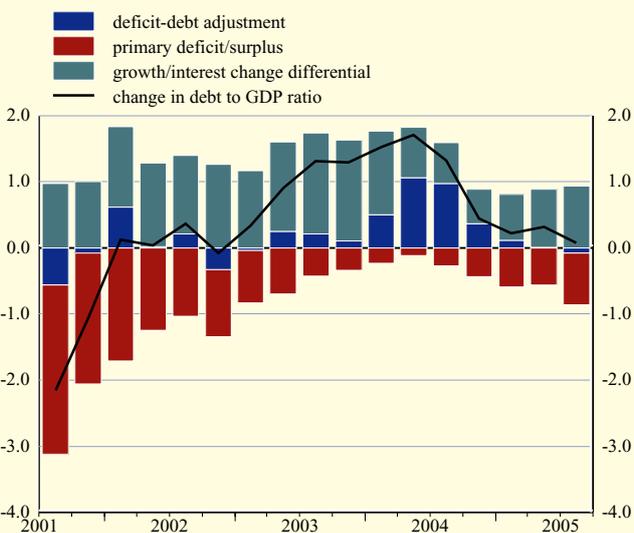
### C26 Deficit, borrowing requirement and change in debt

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



### C27 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.



# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

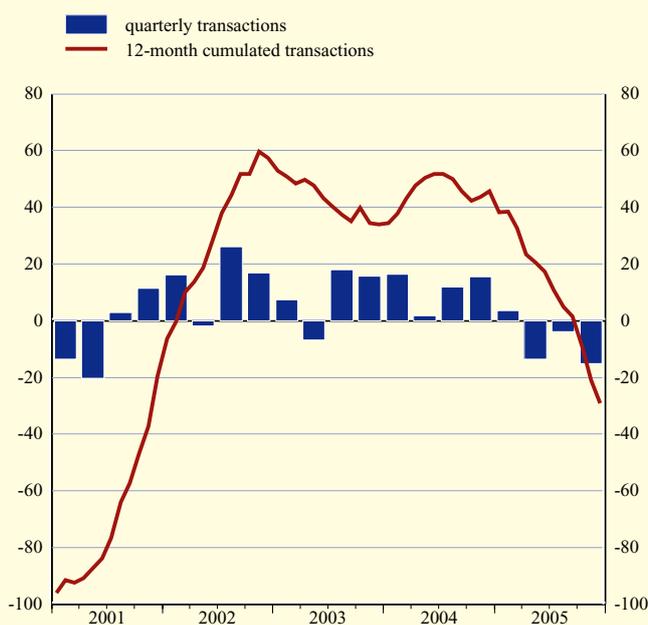
(EUR billions; net transactions)

### 1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	33.9	108.2	19.5	-37.4	-56.4	12.9	46.8	4.1	-1.7	68.9	-11.2	-80.2	28.2	-50.9
2004	45.6	106.7	28.3	-33.1	-56.3	17.4	63.0	-8.3	-46.8	71.2	-4.8	-40.4	12.5	-54.7
2005	-29.0	58.5	31.4	-53.0	-66.0	12.2	-16.9	39.6	-155.3	142.6	-15.9	49.3	18.9	-22.7
2004 Q4	15.5	21.6	6.3	1.9	-14.3	5.9	21.4	2.3	-19.9	30.7	-4.1	-6.8	2.4	-23.7
2005 Q1	3.5	15.6	3.2	-3.0	-12.2	1.1	4.6	25.9	-20.0	3.8	-7.2	44.5	4.8	-30.5
Q2	-13.6	18.4	10.2	-26.0	-16.1	3.9	-9.7	43.4	-11.6	103.3	3.3	-54.7	3.1	-33.7
Q3	-3.8	16.3	8.1	-9.0	-19.3	3.0	-0.9	29.8	-97.6	92.6	-8.7	41.3	2.2	-29.0
Q4	-15.1	8.3	9.9	-14.9	-18.3	4.1	-10.9	-59.6	-26.1	-57.1	-3.3	18.2	8.8	70.5
2004 Dec.	7.7	7.5	1.4	3.0	-4.1	4.1	11.9	5.6	-0.4	43.3	-2.1	-36.6	1.5	-17.4
2005 Jan.	-5.8	1.4	0.5	-4.1	-3.6	-0.8	-6.6	18.3	-10.5	-17.3	-3.4	51.0	-1.6	-11.7
Feb.	5.9	5.9	1.2	1.4	-2.6	1.1	6.9	27.1	-2.7	23.3	1.3	0.4	4.9	-34.0
Mar.	3.5	8.3	1.5	-0.4	-6.0	0.8	4.3	-19.4	-6.8	-2.1	-5.0	-7.0	1.5	15.1
Apr.	-11.0	3.8	2.5	-13.0	-4.3	0.2	-10.8	-11.2	-11.6	-14.0	-0.5	15.6	-0.8	22.0
May	-3.0	6.0	3.2	-7.0	-5.3	1.6	-1.5	39.4	7.9	18.2	0.7	10.0	2.6	-38.0
June	0.4	8.5	4.4	-6.0	-6.5	2.1	2.5	15.3	-7.9	99.1	3.0	-80.3	1.4	-17.8
July	1.4	9.8	3.8	-6.5	-5.6	0.8	2.2	3.4	-83.7	75.3	0.9	8.4	2.6	-5.6
Aug.	-2.8	0.8	1.6	0.4	-5.7	0.8	-2.0	-1.3	-12.2	-12.9	-7.0	30.9	-0.1	3.3
Sep.	-2.4	5.7	2.7	-2.8	-8.0	1.4	-1.1	27.7	-1.7	30.3	-2.6	2.0	-0.3	-26.6
Oct.	-7.5	3.2	4.2	-9.4	-5.5	0.8	-6.8	-9.9	-6.4	-6.6	-1.5	4.3	0.2	16.7
Nov.	-7.2	2.5	2.7	-5.5	-6.9	0.9	-6.4	-8.8	-12.9	-34.7	1.0	36.6	1.2	15.2
Dec.	-0.3	2.5	3.1	0.1	-5.9	2.5	2.2	-40.9	-6.8	-15.9	-2.8	-22.7	7.4	38.6
	<i>12-month cumulated transactions</i>													
2005 Dec.	-29.0	58.5	31.4	-53.0	-66.0	12.2	-16.9	39.6	-155.3	142.6	-15.9	49.3	18.9	-22.7

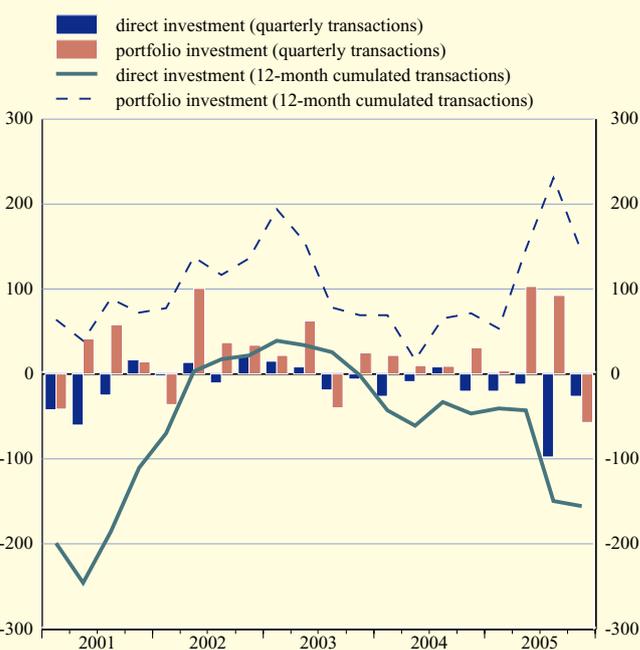
### C28 B.o.p. current account balance

(EUR billions)



### C29 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

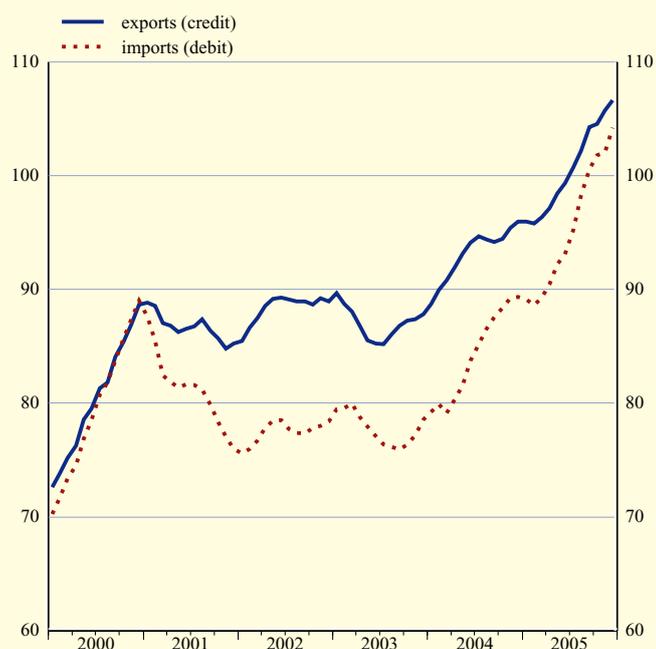
(EUR billions; transactions)

### 2. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2003	1,691.0	1,657.1	33.9	1,041.2	933.0	331.9	312.3	236.3	273.6	81.7	138.1	23.7	10.8
2004	1,840.7	1,795.1	45.6	1,133.1	1,026.4	360.3	332.0	266.2	299.3	81.0	137.3	24.0	6.6
2005	1,996.9	2,025.9	-29.0	1,223.1	1,164.5	386.0	354.6	305.4	358.4	82.3	148.3	22.2	10.1
2004 Q4	485.0	469.5	15.5	299.9	278.3	92.6	86.2	74.5	72.6	18.0	32.3	7.6	1.7
2005 Q1	460.5	457.0	3.5	278.9	263.3	83.9	80.7	65.3	68.4	32.3	44.5	4.8	3.7
Q2	498.7	512.3	-13.6	304.9	286.5	96.1	86.0	81.0	107.1	16.7	32.8	5.7	1.8
Q3	505.6	509.4	-3.8	309.2	292.8	107.1	99.0	73.9	82.8	15.4	34.7	4.8	1.8
Q4	532.1	547.2	-15.1	330.2	321.9	98.9	89.0	85.2	100.1	17.9	36.2	6.9	2.8
2005 Oct.	169.3	176.8	-7.5	108.3	105.0	33.6	29.4	23.3	32.7	4.2	9.7	1.7	0.9
Nov.	176.7	183.9	-7.2	112.7	110.1	31.2	28.5	28.3	33.8	4.5	11.5	1.5	0.7
Dec.	186.1	186.4	-0.3	109.2	106.7	34.1	31.1	33.6	33.6	9.2	15.1	3.7	1.2
	Seasonally adjusted												
2004 Q4	470.3	460.4	9.9	287.8	268.0	91.0	83.8	71.4	74.8	20.1	33.9	.	.
2005 Q1	473.7	469.2	4.5	289.0	267.8	93.2	85.8	70.7	77.4	20.8	38.2	.	.
Q2	487.8	487.6	0.3	298.0	279.3	94.4	87.4	73.9	86.2	21.5	34.6	.	.
Q3	509.6	521.2	-11.6	312.8	301.7	99.8	93.4	77.0	90.0	20.0	36.1	.	.
Q4	519.2	541.3	-22.2	319.7	312.6	97.7	87.1	82.0	104.1	19.7	37.5	.	.
2005 Apr.	162.0	162.5	-0.5	98.3	92.2	31.2	28.7	25.0	30.1	7.5	11.5	.	.
May	162.7	162.3	0.4	99.7	94.0	31.3	29.4	24.8	27.3	6.9	11.6	.	.
June	163.2	162.8	0.4	100.0	93.1	32.0	29.4	24.1	28.8	7.1	11.5	.	.
July	168.2	171.3	-3.1	102.4	98.6	33.1	31.0	25.7	30.6	6.9	11.1	.	.
Aug.	170.1	176.4	-6.3	104.1	103.1	33.4	31.3	25.7	29.6	7.0	12.3	.	.
Sep.	171.3	173.5	-2.2	106.3	100.0	33.3	31.0	25.6	29.8	6.1	12.7	.	.
Oct.	167.7	175.0	-7.4	103.2	102.1	32.5	29.3	25.5	32.8	6.5	10.8	.	.
Nov.	174.2	183.7	-9.5	107.6	103.8	33.3	29.2	28.0	38.1	5.3	12.6	.	.
Dec.	177.3	182.6	-5.3	109.0	106.7	31.9	28.6	28.6	33.3	7.9	14.1	.	.

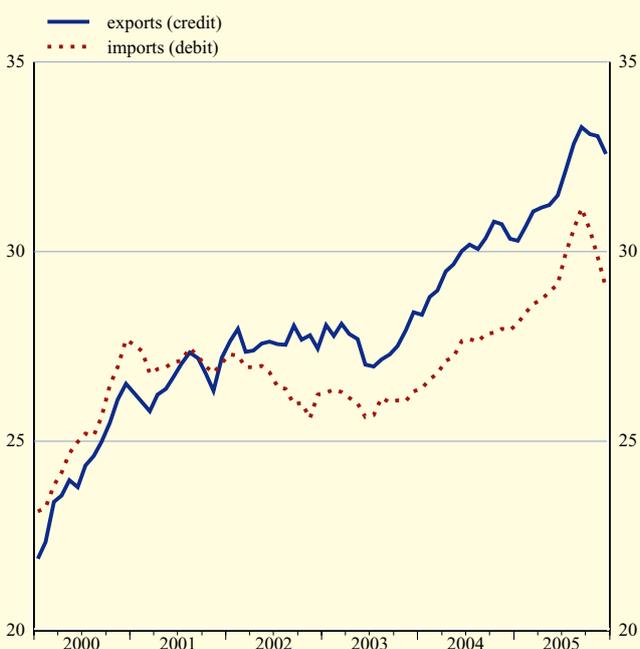
### C30 B.o.p. goods

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



### C31 B.o.p. services

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



Source: ECB.

## 7.1 Balance of payments

(EUR billions)

## 3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	15.1	6.2	230.6	277.1	54.9	55.2	7.5	7.1	19.9	52.1	65.4	71.9	83.0	90.8
2003	14.8	6.1	221.4	267.5	59.4	52.6	10.0	9.7	18.6	53.5	65.7	79.1	67.8	72.6
2004	15.2	6.2	251.0	293.1	77.8	67.5	11.7	12.3	24.0	57.3	74.6	84.3	63.0	71.6
2004 Q3	3.8	1.8	59.9	66.0	16.5	16.3	2.5	2.9	5.7	11.3	19.3	17.6	15.9	17.8
Q4	4.0	1.6	70.5	71.0	25.5	15.1	3.0	3.5	5.4	10.4	19.5	22.7	17.1	19.4
2005 Q1	3.7	1.4	61.7	67.0	15.6	13.2	2.8	2.9	6.1	11.2	19.2	19.1	18.0	20.5
Q2	3.7	1.8	77.3	105.3	23.9	24.4	3.2	3.6	9.8	30.0	21.7	24.1	18.7	23.1
Q3	3.8	1.9	70.1	80.9	16.5	20.8	2.8	3.0	7.4	15.4	23.6	19.3	19.7	22.4

## 4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
2003	-139.7	-122.6	-2.3	-120.3	-17.1	0.0	-17.1	138.0	120.4	3.1	117.4	17.6	0.1	17.5
2004	-130.8	-141.6	-18.5	-123.0	10.8	0.1	10.7	84.0	76.6	1.2	75.5	7.4	0.7	6.7
2005	-207.9	-125.1	-8.4	-116.8	-82.8	0.2	-83.0	52.6	13.9	-0.4	14.2	38.7	0.3	38.4
2004 Q4	-65.2	-68.6	-8.6	-60.0	3.4	0.1	3.3	45.4	36.4	1.0	35.4	9.0	-0.1	9.1
2005 Q1	-32.3	-15.5	-2.4	-13.0	-16.9	0.1	-16.9	12.3	12.2	0.3	11.8	0.1	0.3	-0.2
Q2	-25.9	-20.5	-1.8	-18.6	-5.4	0.0	-5.5	14.4	4.6	0.4	4.2	9.8	-0.1	10.0
Q3	-102.6	-78.3	-4.8	-73.5	-24.3	0.1	-24.4	4.9	-8.8	0.9	-9.6	13.7	0.4	13.3
Q4	-47.1	-10.9	0.7	-11.6	-36.2	0.0	-36.2	21.0	5.9	-1.9	7.8	15.1	-0.3	15.4
2004 Dec.	-5.7	-20.0	4.8	-24.8	14.3	0.0	14.3	5.3	14.0	0.6	13.5	-8.8	-0.2	-8.6
2005 Jan.	-13.9	-7.7	-0.5	-7.2	-6.2	0.0	-6.2	3.4	4.7	0.1	4.7	-1.3	0.1	-1.4
Feb.	-5.9	-2.1	-1.2	-0.9	-3.9	0.0	-3.9	3.2	2.9	0.3	2.6	0.3	0.1	0.2
Mar.	-12.5	-5.7	-0.8	-4.9	-6.8	0.1	-6.9	5.7	4.5	-0.1	4.6	1.2	0.2	1.0
Apr.	-15.6	2.1	-1.8	3.9	-17.7	0.0	-17.7	4.1	7.8	-0.2	8.0	-3.7	0.1	-3.9
May	8.0	-4.5	-0.5	-4.0	12.5	0.0	12.5	-0.1	-2.1	0.2	-2.3	2.0	0.0	1.9
June	-18.3	-18.0	0.5	-18.5	-0.3	0.0	-0.3	10.4	-1.2	0.4	-1.5	11.6	-0.3	11.9
July	-83.5	-75.6	-3.2	-72.3	-7.9	0.1	-8.0	-0.2	0.9	0.2	0.7	-1.2	0.0	-1.2
Aug.	-7.4	-1.9	-0.6	-1.4	-5.5	0.0	-5.5	-4.7	-4.9	0.2	-5.1	0.2	0.1	0.1
Sep.	-11.6	-0.8	-1.0	0.2	-10.8	0.0	-10.9	9.9	-4.8	0.4	-5.2	14.7	0.3	14.4
Oct.	-9.4	6.9	0.6	6.3	-16.3	0.0	-16.3	3.0	5.9	0.1	5.8	-3.0	0.0	-2.9
Nov.	-21.6	-5.2	0.5	-5.7	-16.3	0.0	-16.3	8.7	0.0	-1.7	1.8	8.6	-0.1	8.7
Dec.	-16.1	-12.5	-0.3	-12.2	-3.6	0.0	-3.6	9.4	-0.1	-0.3	0.2	9.4	-0.2	9.6

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	
			General gov.		General gov.			General gov.							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	-0.3	-13.9	-63.1	-2.6	111.6	-2.4	-45.0	-129.4	-0.2	197.5	0.2	-45.9	21.6	0.6	38.0
2004	0.0	-22.4	-80.4	-3.4	137.5	1.2	-81.4	-94.7	-2.1	255.8	-0.1	-43.3	-9.7	0.1	8.6
2005	-0.1	-14.8	-111.1	.	270.1	-0.7	-121.4	-160.5	.	241.6	0.0	-17.1	2.6	.	53.9
2004 Q4	0.0	-0.9	-23.8	-0.2	82.9	0.6	-20.9	-27.2	-0.5	41.3	-0.1	-12.2	5.6	4.3	-14.6
2005 Q1	0.0	-27.5	-20.6	-0.9	36.5	-0.1	-35.4	-38.9	-0.3	45.3	0.3	5.9	-6.6	-3.7	45.1
Q2	0.0	21.7	-22.2	-0.6	26.7	-0.7	-40.4	-33.2	-0.1	151.2	-0.4	-9.1	-5.0	-2.4	14.7
Q3	-0.1	-5.1	-26.4	-1.0	149.7	-0.4	-21.6	-53.6	0.1	28.5	0.1	-7.3	5.1	0.2	23.7
Q4	0.0	-3.9	-41.8	.	57.2	0.6	-24.0	-34.8	.	16.6	-0.1	-6.5	9.2	.	-29.6
2004 Dec.	0.0	11.9	-5.9	-	38.2	0.1	-1.5	-7.9	-	15.3	-0.2	1.5	0.9	-	-9.0
2005 Jan.	0.0	-9.2	-7.7	-	10.5	-0.1	-27.0	-2.1	-	4.9	0.2	-4.1	-5.9	-	23.1
Feb.	0.0	-16.5	-3.7	-	9.2	-0.2	-4.0	-16.4	-	37.5	0.1	17.2	-1.9	-	1.9
Mar.	0.0	-1.8	-9.3	-	16.8	0.2	-4.5	-20.4	-	2.9	0.0	-7.3	1.2	-	20.1
Apr.	0.0	9.9	-5.2	-	-47.4	-0.9	-13.3	-10.6	-	51.8	-0.3	-10.5	1.3	-	11.2
May	0.0	6.7	-15.4	-	22.9	-0.1	-16.1	-5.5	-	27.5	0.0	-2.2	-6.0	-	6.4
June	0.0	5.1	-1.6	-	51.3	0.2	-11.1	-17.1	-	72.0	0.0	3.5	-0.2	-	-3.0
July	-0.1	-3.5	-14.6	-	109.0	0.2	-4.3	-16.0	-	0.5	-0.6	0.0	-0.4	-	5.1
Aug.	0.0	2.0	-8.9	-	23.9	-0.5	-5.6	-15.2	-	-7.4	0.3	-11.5	1.0	-	8.9
Sep.	0.0	-3.5	-3.0	-	16.8	-0.2	-11.6	-22.4	-	35.3	0.4	4.2	4.5	-	9.7
Oct.	0.0	4.9	-7.7	-	-9.8	0.6	-16.0	-13.4	-	19.7	0.0	7.0	5.2	-	3.0
Nov.	0.0	-6.6	-16.2	-	16.0	0.1	-3.8	-14.8	-	2.8	0.0	-6.1	1.2	-	-7.3
Dec.	0.0	-2.1	-17.9	-	51.1	-0.1	-4.1	-6.6	-	-6.0	0.0	-7.4	2.7	-	-25.4

### 6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2003	-254.1	173.9	-0.8	10.0	-0.4	-	-3.4	-152.4	134.8	-50.7	52.3	-101.7	82.5	-100.5	-	32.6
2004	-314.3	273.9	-0.2	7.1	-2.2	-2.0	-2.6	-259.6	246.9	-20.0	-3.3	-239.6	250.2	-52.4	-13.2	22.5
2005	-550.0	599.4	-1.0	5.9	3.4	-3.2	-2.2	-385.6	472.3	-101.6	44.9	-284.0	427.4	-166.9	-40.0	123.3
2004 Q4	-71.8	65.0	1.4	3.5	3.1	3.7	-1.6	-73.8	58.8	0.9	-0.9	-74.6	59.7	-2.5	10.3	4.4
2005 Q1	-170.6	215.1	0.5	4.7	4.0	2.7	0.3	-126.8	195.8	-21.5	10.3	-105.2	185.6	-48.3	-19.0	14.2
Q2	-162.6	107.9	-1.3	0.3	-7.4	-8.5	-1.8	-97.5	45.6	-18.7	22.4	-78.8	23.2	-56.4	11.5	63.8
Q3	-104.0	145.3	0.4	4.3	7.3	4.7	1.2	-85.5	125.0	-21.9	15.9	-63.6	109.2	-26.2	-16.8	14.7
Q4	-112.9	131.1	-0.6	-3.4	-0.4	-2.1	-1.9	-75.9	105.8	-39.5	-3.7	-36.3	109.5	-36.0	-15.9	30.6
2004 Dec.	10.2	-46.9	0.7	0.3	1.8	2.2	-2.7	-4.3	-37.9	-7.2	-11.2	2.9	-26.7	12.1	12.5	-6.7
2005 Jan.	-50.4	101.4	0.7	3.9	0.2	-1.3	2.6	-33.8	95.4	-9.0	12.9	-24.9	82.5	-17.4	-16.1	-0.5
Feb.	-65.5	65.9	0.1	-3.5	-1.8	0.3	-4.3	-60.8	61.8	-8.2	4.6	-52.6	57.2	-3.0	5.2	11.9
Mar.	-54.7	47.8	-0.2	4.3	5.5	3.7	2.0	-32.1	38.6	-4.4	-7.2	-27.8	45.8	-27.9	-8.0	2.9
Apr.	-120.5	136.1	0.1	-0.2	-5.2	-5.3	-2.1	-98.1	94.6	-9.1	0.1	-89.0	94.5	-17.4	11.5	43.8
May	-12.7	22.7	-0.8	-0.2	0.2	2.3	0.5	17.5	21.1	-3.4	11.0	20.9	10.1	-29.6	-3.7	1.4
June	-29.4	-50.9	-0.7	0.7	-2.5	-5.5	-0.2	-16.8	-70.1	-6.2	11.4	-10.7	-81.4	-9.4	3.7	18.6
July	-42.2	50.6	0.3	-1.1	-0.7	-4.5	0.9	-39.1	47.3	-6.5	4.8	-32.7	42.5	-2.7	-1.5	3.5
Aug.	20.7	10.2	0.2	0.8	6.0	8.4	0.5	20.5	-0.3	-0.7	4.3	21.2	-4.6	-6.0	-5.7	9.2
Sep.	-82.5	84.5	-0.1	4.6	2.0	0.9	-0.2	-66.9	78.0	-14.7	6.8	-52.2	71.2	-17.5	-9.6	2.0
Oct.	-52.9	57.3	0.0	-1.0	0.3	-0.6	2.0	-49.1	51.5	-5.0	0.6	-44.1	50.9	-4.1	2.6	4.8
Nov.	-126.4	163.0	-0.7	1.7	0.2	0.8	0.2	-114.0	170.1	-1.6	-3.4	-112.3	173.5	-12.0	-9.9	-9.0
Dec.	66.5	-89.2	0.0	-4.1	-0.9	-2.3	-4.1	87.2	-115.7	-32.9	-0.9	120.1	-114.9	-19.9	-8.5	34.7

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 7. Other investment by sector and instrument

	Eurosystem					General government							
	Assets		Liabilities			Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	0.4	-0.7	-1.1	0.0	-7.8	-0.3	
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-0.3	0.9	-1.0	0.0	-3.7	0.3	
2004	0.1	-0.3	7.1	0.1	0.0	-0.3	1.8	-2.0	-2.0	0.0	-2.6	0.0	
2004 Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.2	0.1	
Q4	1.7	-0.3	3.5	0.0	0.0	3.6	-0.1	3.7	-0.5	0.0	-1.6	-0.1	
2005 Q1	0.5	0.0	4.7	0.0	0.0	4.4	1.7	2.7	-0.5	0.0	0.6	-0.2	
Q2	-1.2	-0.1	0.3	0.0	0.0	-6.9	1.6	-8.5	-0.5	0.0	-1.8	0.0	
Q3	0.4	0.0	4.3	0.0	0.0	7.5	2.8	4.7	-0.3	0.0	1.3	-0.1	

	MFIs (excluding Eurosystem)					Other sectors							
	Assets		Liabilities			Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2002	-163.0	-5.0	27.9	-2.1	-1.9	-51.0	-21.8	-29.1	-3.5	-3.7	25.5	6.6	
2003	-151.9	-0.5	134.8	-0.1	-1.2	-97.1	-10.9	-86.3	-2.3	4.1	28.3	0.1	
2004	-256.5	-3.1	244.0	2.9	-6.0	-41.3	-28.1	-13.2	-5.0	8.6	11.7	2.2	
2004 Q3	-22.1	-1.7	4.9	1.5	1.8	-8.7	4.2	-12.9	-0.8	0.0	-0.3	3.7	
Q4	-75.6	1.8	59.1	-0.3	-0.1	-0.8	-11.2	10.3	-1.6	2.5	2.4	-0.5	
2005 Q1	-124.8	-1.9	193.0	2.8	-2.8	-42.7	-23.8	-19.0	-2.8	2.9	6.2	5.2	
Q2	-97.3	-0.2	44.5	1.2	-5.2	-49.2	-60.8	11.5	-2.0	1.1	61.4	1.3	
Q3	-83.5	-2.0	122.1	2.9	2.3	-21.7	-4.9	-16.8	-6.8	0.5	17.1	-2.9	

## 8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-2.6	0.7	0.2	-2.0	-1.5	-1.7	-17.1	0.0	8.5	8.9	-0.2	0.0
2003	28.2	1.7	0.0	-1.6	28.1	-2.5	1.9	-0.1	22.1	6.7	0.1	0.0
2004	12.5	1.2	0.5	4.0	6.9	-3.8	4.0	0.3	18.7	-12.2	-0.1	0.0
2004 Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.1	1.4	1.7	0.0	0.0
Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	-0.1	3.4	-2.8	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.1	-2.7	0.0	0.0
Q2	3.1	1.3	0.0	1.3	0.5	-4.4	1.1	0.0	0.9	2.9	0.0	0.0
Q3	2.2	0.5	0.0	2.6	-1.0	1.6	0.9	0.0	-4.4	1.0	-0.1	0.0

Source: ECB.

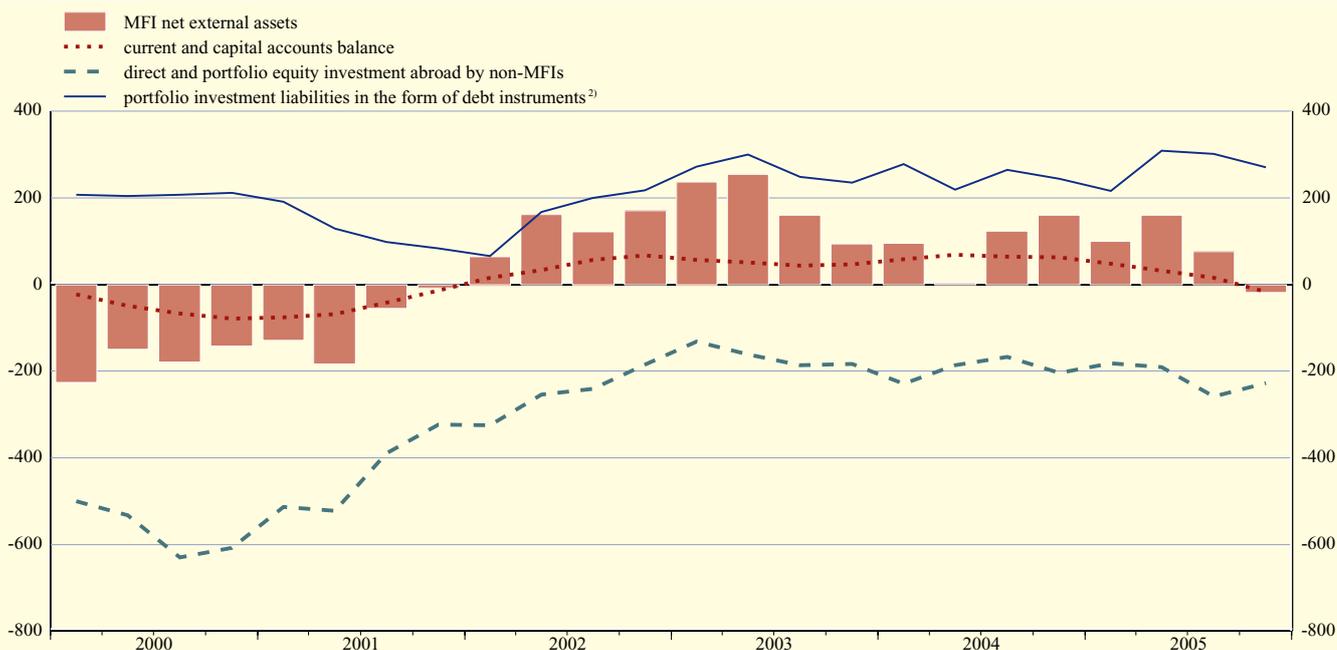
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity <sup>1)</sup>	Debt instruments <sup>2)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2003	46.8	-137.4	137.9	-170.9	115.9	235.8	-100.9	29.2	-11.2	-50.9	94.3	94.1
2004	63.0	-112.4	83.3	-184.8	127.5	244.5	-54.6	19.9	-4.8	-54.7	127.0	160.7
2005	-16.9	-199.7	52.3	-269.0	225.4	271.3	-163.5	121.1	-15.9	-22.7	-17.5	-17.3
2004 Q4	21.4	-56.7	45.4	-45.4	90.3	13.3	0.6	2.7	-4.1	-23.7	43.9	57.2
2005 Q1	4.6	-30.0	12.0	-66.2	29.3	71.2	-44.4	14.6	-7.2	-30.5	-46.6	-24.8
Q2	-9.7	-24.1	14.5	-60.3	0.9	171.6	-63.8	62.0	3.3	-33.7	60.5	65.0
Q3	-0.9	-97.9	4.5	-75.0	154.3	45.4	-18.9	16.0	-8.7	-29.0	-10.0	-20.6
Q4	-10.9	-47.8	21.3	-67.5	40.9	-16.8	-36.4	28.7	-3.3	70.5	-21.4	-36.8
2004 Dec.	11.9	-10.5	5.4	-12.9	43.0	-2.0	13.9	-9.4	-2.1	-17.4	19.8	26.4
2005 Jan.	-6.6	-13.4	3.3	-15.7	7.4	22.9	-17.2	2.1	-3.4	-11.7	-32.2	-15.8
Feb.	6.9	-4.8	3.1	-22.0	16.4	35.8	-4.8	7.6	1.3	-34.0	5.5	13.7
Mar.	4.3	-11.8	5.5	-28.6	5.5	12.5	-22.4	4.9	-5.0	15.1	-19.9	-22.7
Apr.	-10.8	-13.8	3.9	-14.6	-57.8	60.1	-22.5	41.6	-0.5	22.0	7.7	2.3
May	-1.5	8.5	-0.1	-26.9	11.2	31.9	-29.4	1.9	0.7	-38.0	-41.6	-39.5
June	2.5	-18.8	10.7	-18.9	47.5	79.6	-11.9	18.4	3.0	-17.8	94.4	102.1
July	2.2	-80.3	-0.3	-31.1	116.0	3.8	-3.4	4.4	0.9	-5.6	6.7	0.6
Aug.	-2.0	-6.9	-4.8	-23.0	25.5	0.4	0.0	9.7	-7.0	3.3	-4.8	1.7
Sep.	-1.1	-10.7	9.6	-20.8	12.8	41.1	-15.5	1.8	-2.6	-26.6	-11.9	-22.9
Oct.	-6.8	-10.0	3.0	-15.8	-10.6	16.8	-3.8	6.8	-1.5	16.7	-5.2	-6.6
Nov.	-6.4	-22.0	8.7	-29.7	15.9	-4.0	-11.8	-8.8	1.0	15.2	-41.8	-43.6
Dec.	2.2	-15.8	9.6	-21.9	35.6	-29.7	-20.8	30.6	-2.8	38.6	25.6	13.4
	<i>12-month cumulated transactions</i>											
2005 Dec.	-16.9	-199.7	52.3	-269.0	225.4	271.3	-163.5	121.1	-15.9	-22.7	-17.5	-17.3

## C32 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

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

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

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

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2004 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12
<b>Credits</b>												
<b>Current account</b>	1,949.7	716.6	40.4	64.3	386.0	166.7	59.2	26.5	50.2	132.1	330.8	693.6
Goods	1,192.8	415.6	27.8	44.3	206.8	136.4	0.2	15.3	33.3	68.1	178.8	481.8
Services	379.7	136.2	7.4	10.3	96.1	18.3	4.1	5.4	10.9	36.6	73.9	116.7
Income	294.7	104.5	4.7	9.1	74.1	10.7	5.9	5.2	5.7	21.1	71.7	86.6
of which: investment income	279.6	99.3	4.6	9.0	72.5	10.5	2.6	5.1	5.6	14.9	70.3	84.4
Current transfers	82.4	60.4	0.4	0.5	9.1	1.3	49.1	0.6	0.2	6.3	6.4	8.6
<b>Capital account</b>	22.9	20.3	0.0	0.0	0.9	0.1	19.2	0.0	0.1	0.4	0.4	1.6
<b>Debits</b>												
<b>Current account</b>	1,948.2	629.6	34.2	59.8	305.3	142.1	88.3	19.4	79.2	124.2	296.7	799.1
Goods	1,121.0	327.9	25.5	39.8	149.5	113.1	0.0	8.9	50.6	55.4	115.6	562.6
Services	351.9	110.7	6.1	8.3	73.4	22.7	0.2	5.6	7.3	30.0	74.7	123.5
Income	330.9	97.2	2.3	10.8	74.5	4.8	4.8	3.3	21.0	33.8	97.7	78.0
of which: investment income	324.2	93.9	2.2	10.7	73.5	2.6	4.8	3.2	20.9	33.2	96.8	76.2
Current transfers	144.4	93.8	0.4	0.9	7.8	1.5	83.3	1.6	0.3	5.0	8.6	35.0
<b>Capital account</b>	9.0	1.1	0.0	0.1	0.6	0.2	0.2	0.1	0.0	0.4	0.6	6.8
<b>Net</b>												
<b>Current account</b>	1.5	87.0	6.2	4.5	80.8	24.6	-29.1	7.0	-29.0	7.9	34.1	-105.5
Goods	71.8	87.7	2.4	4.5	57.3	23.3	0.2	6.4	-17.2	12.7	63.1	-80.9
Services	27.8	25.4	1.3	2.0	22.7	-4.5	3.9	-0.2	3.6	6.7	-0.8	-6.8
Income	-36.2	7.3	2.4	-1.7	-0.5	5.9	1.1	1.9	-15.3	-12.7	-26.0	8.7
of which: investment income	-44.7	5.4	2.4	-1.7	-1.0	7.9	-2.2	1.9	-15.2	-18.3	-26.5	8.1
Current transfers	-62.0	-33.4	0.0	-0.4	1.3	-0.1	-34.2	-1.1	0.0	1.2	-2.2	-26.5
<b>Capital account</b>	14.0	19.2	0.0	0.0	0.3	-0.1	19.0	-0.1	0.1	0.0	-0.1	-5.1

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

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-149.1	-108.3	2.0	-1.9	-107.9	-0.5	0.0	-5.2	1.0	9.6	-7.3	-7.4	-31.4
Abroad	-226.0	-159.2	0.3	-5.2	-134.4	-19.8	0.0	-1.5	-1.2	-0.7	-10.8	-12.1	-40.7
Equity/reinvested earnings	-182.9	-133.2	-2.8	-1.8	-106.0	-22.5	0.0	-0.7	-0.5	-5.7	-12.2	-6.7	-23.9
Other capital	-43.1	-26.0	3.1	-3.4	-28.4	2.7	0.0	-0.8	-0.6	5.0	1.5	-5.4	-16.7
In the euro area	76.9	50.9	1.7	3.3	26.5	19.3	0.0	-3.7	2.1	10.3	3.4	4.7	9.2
Equity/reinvested earnings	44.3	36.2	-0.9	3.6	31.7	1.8	0.0	-4.4	0.8	1.9	-0.6	5.3	5.1
Other capital	32.6	14.7	2.6	-0.3	-5.2	17.5	0.0	0.7	1.3	8.4	4.0	-0.6	4.1

Source: ECB.

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

(EUR billions)

### 3. Balance of payments: portfolio investment assets by instrument

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-400.6	-185.1	-8.2	-12.0	-126.8	-23.8	-14.4	-5.7	-23.2	-3.1	-62.7	-58.1	-62.6
Equity	-105.0	-25.1	0.1	-2.9	-18.2	-4.0	0.0	-3.9	-14.6	-2.0	-14.0	-16.2	-29.2
Debt instruments	-295.6	-160.0	-8.3	-9.1	-108.5	-19.7	-14.3	-1.8	-8.7	-1.1	-48.7	-41.9	-33.5
Bonds and notes	-271.9	-124.7	-6.1	-9.2	-74.4	-20.3	-14.6	-2.0	-15.8	0.4	-69.3	-30.6	-29.9
Money market instruments	-23.7	-35.3	-2.1	0.1	-34.2	0.6	0.3	0.2	7.2	-1.5	20.6	-11.3	-3.5

### 4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	24.4	-38.7	-9.9	8.3	-38.5	-9.1	10.5	-4.7	15.3	-11.8	35.4	-4.3	6.3	26.8
Assets	-509.0	-351.9	-16.0	2.0	-312.2	-23.4	-2.3	-7.2	3.5	-19.5	-35.5	-51.0	-1.8	-45.5
General government	6.9	1.1	0.0	-0.3	0.8	1.4	-0.8	-0.1	0.0	-0.1	-0.1	0.0	-1.7	7.7
MFIs	-382.5	-245.6	-13.4	2.7	-210.5	-22.9	-1.6	-6.4	4.2	-16.2	-42.6	-35.2	0.2	-40.8
Other sectors	-133.4	-107.4	-2.5	-0.4	-102.6	-1.9	0.1	-0.7	-0.7	-3.2	7.1	-15.9	-0.3	-12.3
Liabilities	533.3	313.2	6.0	6.3	273.8	14.2	12.9	2.5	11.9	7.7	70.9	46.8	8.1	72.3
General government	-1.9	0.6	0.0	0.0	-1.3	0.0	1.9	0.0	-0.1	0.0	-1.0	0.0	-0.4	-1.0
MFIs	438.1	231.0	6.0	5.2	198.3	13.0	8.5	2.0	11.0	4.9	60.9	41.9	8.6	77.8
Other sectors	97.1	81.6	0.0	1.0	76.8	1.3	2.5	0.5	1.0	2.8	10.9	4.9	-0.1	-4.5

### 5. International investment position

(end-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	33.1	-273.1	-10.4	-11.8	-361.5	110.8	-0.2	22.7	-4.0	35.3	-63.5	-30.9	0.0	346.7
Abroad	2,265.1	759.8	26.1	71.1	537.6	125.1	0.0	66.8	55.9	220.3	486.6	272.2	0.0	403.5
Equity/reinvested earnings	1,825.7	608.4	22.9	43.8	432.7	108.9	0.0	58.3	50.5	171.0	377.2	255.7	0.0	304.8
Other capital	439.3	151.4	3.1	27.2	104.9	16.2	0.0	8.5	5.4	49.4	109.4	16.5	0.0	98.7
In the euro area	2,231.9	1,032.9	36.5	82.8	899.1	14.3	0.2	44.1	59.8	185.1	550.2	303.0	0.1	56.8
Equity/reinvested earnings	1,642.1	814.3	23.0	67.4	719.4	4.4	0.1	40.4	48.8	129.6	387.7	177.0	0.0	44.2
Other capital	589.9	218.6	13.4	15.4	179.8	9.9	0.1	3.7	11.1	55.4	162.4	126.1	0.0	12.6
<b>Portfolio investment assets</b>	2,984.0	941.1	45.1	100.8	680.8	56.8	57.6	63.4	174.3	91.9	1,050.2	310.3	28.4	324.4
Equity	1,238.7	315.3	6.6	32.9	261.4	14.4	0.0	12.6	109.5	82.3	483.3	106.8	0.9	128.0
Debt instruments	1,745.3	625.8	38.5	67.9	419.4	42.4	57.6	50.8	64.8	9.7	566.9	203.5	27.5	196.3
Bonds and notes	1,458.6	513.8	34.4	58.7	322.5	41.1	57.1	48.7	39.9	8.5	463.5	185.9	27.1	171.2
Money market instruments	286.7	112.1	4.1	9.2	96.9	1.3	0.5	2.1	25.0	1.2	103.4	17.6	0.3	25.1
<b>Other investment</b>	-196.1	34.7	26.1	30.2	90.7	20.8	-133.0	3.6	20.0	-68.9	-42.6	-232.8	-13.4	103.3
Assets	2,940.3	1,472.4	53.8	67.1	1,261.0	85.5	5.0	14.5	85.0	174.1	415.3	258.2	39.8	481.0
General government	98.6	10.4	1.1	0.0	4.1	2.2	3.1	0.0	0.2	0.1	2.8	1.2	34.3	49.6
MFIs	2,004.7	1,136.1	45.0	54.2	971.8	64.0	1.1	7.4	67.1	106.8	244.4	171.5	4.8	266.7
Other sectors	837.0	325.9	7.8	12.9	285.2	19.3	0.8	7.1	17.7	67.2	168.1	85.6	0.7	164.6
Liabilities	3,136.4	1,437.6	27.7	36.9	1,170.3	64.8	138.0	10.9	65.0	243.0	457.9	491.1	53.2	377.7
General government	43.6	24.0	0.0	0.2	5.3	0.0	18.5	0.0	0.9	0.1	4.1	0.3	2.9	11.3
MFIs	2,539.6	1,143.3	23.9	20.5	955.2	52.2	91.6	6.9	44.5	207.0	355.4	449.5	48.7	284.4
Other sectors	553.2	270.2	3.8	16.2	209.8	12.5	27.9	4.0	19.6	35.9	98.4	41.3	1.6	82.1

Source: ECB.

**7.4 International investment position (including international reserves)**

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

**1. Summary international investment position**

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2001	-389.0	-5.6	422.9	-834.8	2.5	-372.3	392.7
2002	-703.6	-9.7	184.5	-937.6	-12.0	-304.6	366.1
2003	-809.3	-10.9	43.1	-914.0	-8.3	-236.8	306.6
2004	-946.4	-12.2	33.1	-1,049.4	-14.8	-196.1	280.8
2005 Q2	-1,007.3	-12.6	110.8	-1,217.4	-18.1	-184.9	302.3
Q3	-1,049.4	-13.2	224.2	-1,349.6	-23.0	-212.0	310.9
Outstanding assets							
2001	7,758.3	110.9	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.7	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.7	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.7	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q2	9,687.9	121.6	2,386.0	3,353.2	194.3	3,452.2	302.3
Q3	10,156.4	127.5	2,516.7	3,545.2	217.6	3,566.0	310.9
Outstanding liabilities							
2001	8,147.3	116.5	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.4	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.6	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,579.0	123.9	2,231.9	4,033.4	177.2	3,136.4	-
2005 Q2	10,695.2	134.3	2,275.1	4,570.6	212.4	3,637.0	-
Q3	11,205.9	140.7	2,292.4	4,894.8	240.6	3,778.0	-

**2. Direct investment**

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q2	1,910.2	151.8	1,758.3	475.8	1.2	474.6	1,664.7	48.1	1,616.6	610.5	3.7	606.8
Q3	2,007.6	159.4	1,848.2	509.1	1.0	508.1	1,667.1	51.5	1,615.6	625.3	4.1	621.2

**3. Portfolio investment assets by instrument and sector of holder**

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosystem		MFI excluding Eurosystem			Non-MFI		Eurosystem		MFI excluding Eurosystem			Non-MFI		Liabilities
			General gov.	Other sectors				General gov.	Other sectors			General gov.	Other sectors		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	0.6	38.5	6.7	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q2	2.5	87.8	18.8	1,265.0	1,993.8	6.9	641.7	10.2	1,007.6	2,290.0	0.9	242.5	6.5	62.7	286.8
Q3	2.9	96.7	21.1	1,375.9	2,292.4	7.3	661.5	10.1	1,056.7	2,282.9	0.8	249.3	6.3	56.7	319.5

Source: ECB.

## 7.4 International investment position (including international reserves)

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

### 4. Other investment by instrument

	Eurosysteem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2001	2.3	0.8	40.2	0.2	3.1	70.1	-	-	55.8	0.2	44.7	12.3	
2002	3.6	0.1	57.2	0.2	1.3	59.4	-	-	54.5	0.1	42.2	13.8	
2003	4.4	0.6	65.3	0.2	1.4	54.2	50.1	4.1	39.1	0.0	40.2	3.8	
2004	4.5	0.1	73.2	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5	
2005 Q2	4.8	0.2	79.0	0.2	1.4	62.3	47.7	14.6	42.3	0.0	41.7	3.0	
Q3	4.4	0.2	83.3	0.3	1.4	55.8	44.9	10.9	42.5	0.0	42.4	2.9	

	MFIs (excluding Eurosysteem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2001	1,666.4	48.8	2,362.1	49.3	176.4	511.7	-	-	101.2	109.7	349.7	40.7	
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	-	-	92.7	104.4	365.2	47.8	
2003	1,739.6	38.4	2,242.9	30.9	170.3	538.4	208.7	329.8	96.7	106.6	383.5	46.3	
2004	1,955.8	44.3	2,424.3	42.0	172.3	558.6	227.5	331.1	106.2	109.5	394.7	48.9	
2005 Q2	2,276.9	66.3	2,780.4	70.0	184.6	685.6	329.6	356.0	127.8	116.5	484.3	62.0	
Q3	2,362.8	61.5	2,905.5	66.0	182.7	717.5	334.7	382.8	137.3	121.5	495.4	60.8	

### 5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosysteem																
2001	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	55.9	0.4	0.0	24.7	-28.5
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.6	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.7	1.0	80.2	26.5	0.9	0.0	20.3	-16.3
2004	280.8	125.4	389.998	3.9	18.6	132.9	12.5	25.5	94.7	0.5	58.5	35.6	0.2	0.0	19.1	-12.8
2005 Q1	285.0	127.7	387.359	4.0	17.4	135.8	7.7	27.8	100.4	0.5	59.8	40.1	-0.1	0.0	21.4	-15.1
Q2	302.3	138.2	382.323	4.2	16.5	143.4	12.4	28.3	103.0	0.5	62.8	39.7	-0.4	0.0	23.4	-17.7
Q3	310.9	149.4	380.258	4.2	13.8	143.5	10.8	27.3	105.7	0.5	66.1	39.0	-0.3	0.0	24.0	-19.5
2005 Dec.	320.2	163.4	375.861	4.3	10.6	141.8	12.7	21.3	107.8	-	-	-	0.0	0.0	25.6	-17.9
2006 Jan.	332.0	176.3	375.626	4.3	7.8	143.6	7.4	30.2	105.9	-	-	-	0.2	0.0	24.7	-20.0
of which held by the European Central Bank																
2001	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Q1	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	0.0	7.7	14.9	0.0	0.0	2.7	-0.9
Q2	39.7	8.4	23.145	0.2	0.0	31.2	3.8	5.1	22.3	0.0	8.2	14.1	0.0	0.0	2.6	-1.4
Q3	41.1	9.1	23.145	0.2	0.0	31.8	4.7	5.1	22.0	0.0	8.9	13.1	0.0	0.0	2.3	-1.5
2005 Dec.	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	-	-	-	0.0	0.0	2.9	-0.9
2006 Jan.	42.2	10.9	23.145	0.2	0.0	31.1	1.8	5.7	23.7	-	-	-	0.0	0.0	2.7	-1.3

Source: ECB.

## 7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

## 1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufactures	Oil		
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2002	2.0	-3.0	1,083.7	512.4	227.8	309.7	949.2	984.9	559.4	163.1	234.5	717.3	105.2
2003	-2.3	0.5	1,059.9	501.3	222.8	300.5	925.1	990.8	554.1	164.1	240.9	716.4	109.0
2004	8.9	9.3	1,147.3	547.5	247.0	313.3	997.2	1,075.0	604.3	183.6	256.0	770.0	129.5
2005	7.1	12.0	1,233.2	580.9	264.5	326.7	1,066.3	1,209.7	685.5	199.4	266.5	839.9	179.1
2004 Q3	9.1	14.6	287.9	138.6	61.7	78.4	250.7	276.0	157.1	46.1	63.8	195.9	36.6
2004 Q4	8.8	12.6	291.9	139.3	62.7	78.1	253.6	279.1	158.8	47.4	65.0	199.6	36.7
2005 Q1	3.4	8.6	291.9	137.7	62.3	77.5	255.4	278.0	154.9	44.7	63.3	197.4	36.1
2005 Q2	6.1	10.7	302.2	143.4	63.6	80.1	258.6	291.6	165.4	49.1	64.8	201.2	40.5
2005 Q3	9.6	14.2	317.8	148.8	69.8	84.0	274.2	315.9	181.0	52.3	68.4	217.1	51.2
2005 Q4	8.9	14.2	321.3	151.0	68.8	85.1	278.0	324.2	184.1	53.3	70.1	224.3	51.2
2005 July	2.9	9.4	103.6	48.1	22.4	27.2	89.1	102.7	57.6	16.9	22.1	71.1	14.7
2005 Aug.	14.2	19.9	106.8	50.2	23.5	28.3	92.3	107.9	63.2	18.3	23.1	73.7	18.3
2005 Sep.	12.6	13.5	107.5	50.5	23.9	28.5	92.9	105.3	60.2	17.1	23.2	72.3	18.2
2005 Oct.	6.6	11.3	104.4	49.1	22.2	27.5	90.0	105.8	59.1	17.3	22.7	72.5	17.3
2005 Nov.	10.5	14.2	108.2	51.1	22.8	28.5	93.0	107.3	61.1	18.5	23.3	74.2	17.9
2005 Dec.	9.6	17.1	108.7	50.8	23.8	29.0	95.0	111.1	64.0	17.4	24.0	77.7	16.1
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.2	98.2	98.8	89.5	104.2	96.3	101.4
2003	1.0	3.7	109.0	105.9	108.1	114.8	109.3	102.0	100.5	95.2	110.4	100.0	104.9
2004	8.8	6.6	117.9	115.3	121.0	119.8	118.3	107.9	103.8	108.4	118.3	107.3	105.7
2005	.	.	.	.	.	.	.	.	.	.	.	.	.
2004 Q3	7.7	8.3	117.5	115.8	120.3	119.4	118.2	108.9	105.3	108.2	117.4	108.3	114.7
2004 Q4	7.5	6.1	119.6	116.0	123.6	119.5	120.0	109.4	104.3	113.4	120.0	110.7	106.1
2005 Q1	1.3	2.5	118.9	113.6	122.8	118.2	120.1	109.4	102.5	108.3	116.6	109.5	105.8
2005 Q2	4.4	4.6	122.0	117.2	124.8	121.1	121.1	111.1	104.0	117.1	118.8	110.7	102.8
2005 Q3	7.0	4.4	126.7	120.2	136.3	125.4	127.5	114.1	105.6	121.7	123.2	117.7	109.5
2005 Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 July	0.6	0.9	124.1	116.5	131.4	122.7	124.3	112.2	102.0	118.5	120.2	116.0	97.5
2005 Aug.	11.6	9.2	127.5	121.9	137.6	126.1	128.7	116.3	110.0	126.0	124.6	119.4	118.0
2005 Sep.	9.6	3.5	128.3	122.1	140.0	127.2	129.4	113.8	104.8	120.7	124.7	117.8	112.8
2005 Oct.	2.7	3.0	123.9	117.5	130.1	121.9	124.7	114.2	102.8	120.6	121.8	117.4	109.1
2005 Nov.	7.3	4.2	128.4	122.2	132.9	126.6	129.1	115.2	105.4	129.5	124.3	119.6	115.5
2005 Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.1	2.5	96.9	96.4	94.4	99.5	96.2	97.2	98.4	92.6	97.9	96.2	99.5
2005	.	.	.	.	.	.	.	.	.	.	.	.	.
2004 Q3	1.3	5.8	97.6	97.2	94.9	99.8	96.8	98.9	101.0	93.1	98.5	97.1	103.8
2004 Q4	1.2	6.1	97.2	97.6	93.9	99.4	96.5	99.5	103.0	91.3	98.1	96.7	112.7
2005 Q1	2.1	5.9	97.8	98.5	93.7	99.9	97.1	99.1	102.3	90.3	98.2	96.8	111.2
2005 Q2	1.6	5.9	98.7	99.3	94.3	100.7	97.5	102.5	107.6	91.6	98.7	97.5	128.7
2005 Q3	2.5	9.3	100.0	100.6	94.8	102.0	98.2	108.0	116.0	93.9	100.5	99.0	152.4
2005 Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 July	2.4	8.4	99.8	100.6	94.7	101.3	98.1	107.2	114.6	93.4	100.0	98.7	147.8
2005 Aug.	2.2	9.9	100.1	100.4	94.9	102.4	98.2	108.6	116.7	95.3	100.6	99.4	151.4
2005 Sep.	2.8	9.6	100.1	100.8	94.7	102.2	98.3	108.3	116.7	92.9	100.8	98.8	158.0
2005 Oct.	3.8	8.1	100.8	101.8	94.8	103.0	98.8	108.5	116.7	94.1	101.4	99.3	154.9
2005 Nov.	3.0	9.6	100.7	102.0	95.1	102.9	98.6	109.0	117.6	93.8	101.9	99.9	151.3
2005 Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

## 7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

### 2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Exports (f.o.b.)</b>															
2002	1,083.7	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.4
2003	1,059.9	24.9	38.7	194.9	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.5	59.5	37.9	100.7
2004	1,147.3	25.7	41.8	203.8	128.0	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.4
2005	1,233.2	.	.	.	.	42.9	70.1	34.6	183.9	43.5	34.0	165.5	72.7	46.6	.
2004 Q3	287.9	6.5	10.5	51.4	31.8	9.2	17.1	7.9	43.3	9.8	8.4	38.3	16.6	10.3	26.8
Q4	291.9	6.7	10.7	51.2	32.6	9.2	17.1	7.7	43.8	10.0	8.2	37.9	16.0	10.5	30.3
2005 Q1	291.9	6.7	10.9	49.8	33.1	9.8	17.4	7.9	43.5	10.3	8.5	39.0	17.1	11.0	27.0
Q2	302.2	7.0	11.1	49.8	34.1	10.6	16.9	8.2	45.5	10.0	8.4	40.5	17.2	11.2	31.7
Q3	317.8	7.3	11.4	51.2	36.1	11.3	17.8	9.0	47.1	11.4	8.5	43.8	19.2	12.2	31.5
Q4	321.3	.	.	.	.	11.2	17.9	9.5	48.0	11.8	8.6	42.2	19.2	12.2	.
2005 July	103.6	2.4	3.8	16.8	11.7	3.4	5.7	2.8	15.3	3.7	2.8	14.5	6.0	4.1	10.6
Aug.	106.8	2.5	3.8	17.5	11.9	4.0	6.2	3.1	15.9	3.8	2.9	14.5	6.7	4.0	10.1
Sep.	107.5	2.5	3.8	16.9	12.5	3.8	5.9	3.1	15.9	3.9	2.8	14.8	6.6	4.1	10.8
Oct.	104.4	2.4	3.7	16.6	12.4	3.6	5.9	3.1	15.7	3.8	2.8	13.8	6.1	4.0	10.7
Nov.	108.2	2.6	3.7	17.4	12.7	3.9	5.9	3.0	16.1	3.9	2.9	14.1	6.4	4.2	11.6
Dec.	108.7	.	.	.	.	3.7	6.2	3.5	16.2	4.2	3.0	14.3	6.7	4.0	.
<i>% share of total exports</i>															
2004	100.0	2.2	3.6	17.8	11.2	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.6	3.5	9.9
<b>Imports (c.i.f.)</b>															
2002	984.9	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.7	52.7	142.7	67.8	39.4	81.3
2003	990.8	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.5	52.2	141.1	68.9	39.8	85.2
2004	1,075.0	25.3	39.7	143.9	107.2	56.4	53.5	22.8	113.8	92.1	53.9	163.0	72.8	45.1	85.7
2005	1,209.7	.	.	.	.	72.8	57.7	24.8	120.2	117.5	52.6	186.7	95.0	52.7	.
2004 Q3	276.0	6.4	10.1	37.5	26.1	14.5	13.6	6.0	28.7	23.5	13.8	42.4	19.1	11.6	22.7
Q4	279.1	6.5	10.2	36.5	27.3	15.9	13.8	6.1	28.8	25.3	13.5	43.0	19.8	11.7	20.7
2005 Q1	278.0	6.1	10.0	35.8	27.0	16.7	13.5	6.3	29.1	26.2	12.9	41.5	20.2	12.1	20.6
Q2	291.6	6.4	10.3	36.6	28.8	17.5	14.4	5.8	29.9	27.7	12.5	46.2	21.8	12.0	21.7
Q3	315.9	6.2	10.6	38.6	29.9	18.8	15.0	6.1	30.5	31.0	13.5	49.1	26.8	13.8	26.0
Q4	324.2	.	.	.	.	19.8	14.9	6.6	30.7	32.6	13.7	50.0	26.3	14.8	.
2005 July	102.7	2.0	3.6	12.7	9.8	5.7	5.0	1.9	10.1	10.3	4.4	15.5	7.8	4.4	9.6
Aug.	107.9	2.1	3.6	12.9	9.9	6.7	5.0	2.1	10.3	10.5	4.7	17.0	9.8	4.8	8.5
Sep.	105.3	2.1	3.5	12.9	10.3	6.4	5.0	2.1	10.1	10.2	4.4	16.5	9.1	4.7	7.9
Oct.	105.8	2.2	3.6	12.8	10.1	6.4	5.0	2.1	10.1	10.2	4.3	15.8	8.3	4.7	10.2
Nov.	107.3	2.1	3.6	13.2	10.1	6.4	4.9	2.2	10.2	10.8	4.6	17.0	9.1	4.9	8.2
Dec.	111.1	.	.	.	.	6.9	5.0	2.3	10.4	11.6	4.8	17.2	8.9	5.1	.
<i>% share of total imports</i>															
2004	100.0	2.4	3.7	13.4	10.0	5.2	5.0	2.1	10.6	8.6	5.0	15.2	6.8	4.2	8.0
<b>Balance</b>															
2002	98.8	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.4	-31.8	-19.7	-2.3	-8.3	4.0	19.1
2003	69.2	1.1	1.7	56.0	15.5	-18.2	12.9	5.5	56.0	-39.3	-20.9	-5.7	-9.4	-1.8	15.5
2004	72.3	0.5	2.1	59.9	20.9	-20.8	12.6	9.0	60.0	-51.8	-20.8	-13.1	-9.0	-4.8	27.7
2005	23.5	.	.	.	.	-29.9	12.3	9.8	63.8	-74.0	-18.6	-21.3	-22.4	-6.1	.
2004 Q3	11.9	0.1	0.4	13.9	5.8	-5.3	3.5	1.9	14.5	-13.7	-5.3	-4.1	-2.5	-1.3	4.1
Q4	12.8	0.2	0.5	14.7	5.4	-6.7	3.3	1.6	15.0	-15.3	-5.3	-5.2	-3.9	-1.2	9.6
2005 Q1	13.9	0.6	0.9	14.0	6.1	-6.8	4.0	1.6	14.4	-15.9	-4.5	-2.5	-3.1	-1.1	6.4
Q2	10.5	0.6	0.9	13.2	5.3	-6.9	2.5	2.3	15.5	-17.6	-4.1	-5.7	-4.7	-0.8	10.0
Q3	1.9	1.1	0.7	12.6	6.2	-7.5	2.8	2.9	16.5	-19.7	-4.9	-5.3	-7.5	-1.6	5.5
Q4	-2.9	.	.	.	.	-8.6	3.0	2.9	17.3	-20.8	-5.1	-7.8	-7.1	-2.6	.
2005 July	0.9	0.4	0.2	4.1	2.0	-2.3	0.8	0.9	5.2	-6.5	-1.6	-1.1	-1.8	-0.3	1.0
Aug.	-1.1	0.3	0.3	4.6	2.0	-2.7	1.1	1.0	5.6	-6.8	-1.7	-2.6	-3.1	-0.7	1.6
Sep.	2.2	0.4	0.2	4.0	2.2	-2.6	0.9	1.0	5.8	-6.4	-1.6	-1.7	-2.6	-0.6	2.9
Oct.	-1.4	0.3	0.1	3.8	2.3	-2.8	0.9	1.0	5.6	-6.5	-1.6	-2.0	-2.2	-0.7	0.4
Nov.	0.8	0.5	0.1	4.2	2.6	-2.5	0.9	0.8	5.9	-6.9	-1.8	-2.9	-2.7	-0.7	3.4
Dec.	-2.4	.	.	.	.	-3.3	1.2	1.1	5.9	-7.4	-1.8	-2.9	-2.2	-1.1	.

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

# EXCHANGE RATES

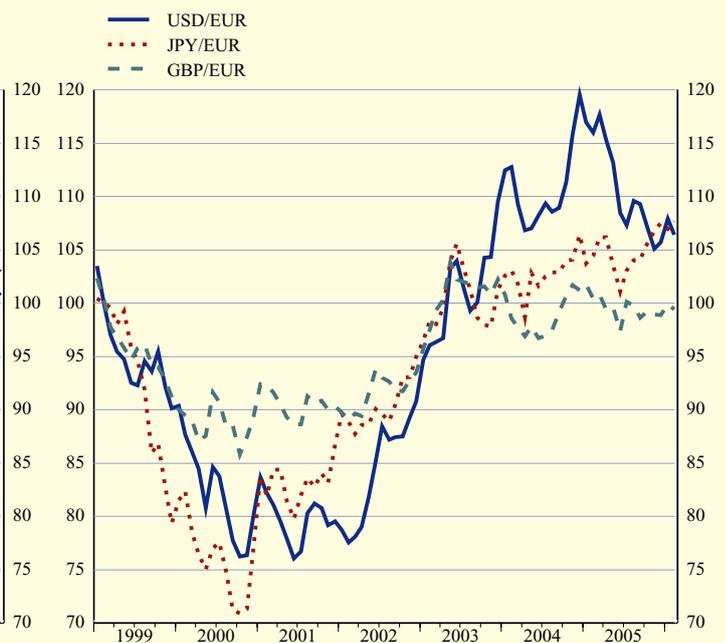
## 8.1 Effective exchange rates <sup>1)</sup> (period averages; index 1999 Q1=100)

	EER-23						EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2003	99.9	101.7	102.2	101.2	97.8	98.6	106.6	101.6	
2004	103.8	105.9	105.2	105.0	103.2	102.8	111.0	105.4	
2005	102.9	105.2	103.6	.	.	.	109.5	103.5	
2004 Q4	105.7	107.7	106.6	106.6	105.2	104.2	113.0	107.1	
2005 Q1	105.7	107.8	106.9	106.8	103.9	103.6	112.6	106.6	
Q2	103.4	105.6	104.2	104.5	100.8	101.6	110.1	104.1	
Q3	101.9	104.2	102.4	102.7	99.5	100.2	108.3	102.5	
Q4	100.9	103.1	101.1	.	.	.	107.2	101.1	
2005 Feb.	105.1	107.2	106.4	-	-	-	111.9	105.9	
Mar.	106.0	108.2	107.3	-	-	-	112.9	106.9	
Apr.	105.1	107.2	105.8	-	-	-	111.9	105.8	
May	104.0	106.2	104.6	-	-	-	110.6	104.6	
June	101.2	103.4	102.1	-	-	-	107.6	101.9	
July	101.7	104.0	102.3	-	-	-	108.0	102.1	
Aug.	102.3	104.6	102.9	-	-	-	108.7	102.8	
Sep.	101.8	104.1	101.9	-	-	-	108.2	102.4	
Oct.	101.4	103.6	101.5	-	-	-	107.8	101.8	
Nov.	100.7	102.9	100.9	-	-	-	106.9	100.8	
Dec.	100.7	102.8	101.1	-	-	-	106.9	100.7	
2006 Jan.	101.4	103.6	101.6	-	-	-	107.5	101.3	
Feb.	100.7	103.0	100.8	-	-	-	106.6	100.4	
	<i>% change versus previous month</i>								
2006 Feb.	-0.7	-0.6	-0.7	-	-	-	-0.9	-0.9	
	<i>% change versus previous year</i>								
2006 Feb.	-4.2	-4.0	-5.2	-	-	-	-4.8	-5.1	

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



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



Source: ECB.

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

## 8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish kroner 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian kroner 11	Australian dollar 12
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2005 Q2	7.4463	9.2083	0.67856	1.2594	135.42	1.5437	1,269.53	9.8090	2.0885	1.5677	8.0483	1.6389
Q3	7.4588	9.3658	0.68344	1.2199	135.62	1.5533	1,255.21	9.4782	2.0436	1.4668	7.8817	1.6054
Q4	7.4586	9.4731	0.67996	1.1884	139.41	1.5472	1,231.69	9.2157	2.0065	1.3956	7.8785	1.5983
2005 Aug.	7.4596	9.3398	0.68527	1.2292	135.98	1.5528	1,255.33	9.5529	2.0439	1.4819	7.9165	1.6144
Sep.	7.4584	9.3342	0.67760	1.2256	136.06	1.5496	1,261.46	9.5138	2.0603	1.4452	7.8087	1.6009
Oct.	7.4620	9.4223	0.68137	1.2015	138.05	1.5490	1,256.66	9.3191	2.0326	1.4149	7.8347	1.5937
Nov.	7.4596	9.5614	0.67933	1.1786	139.59	1.5449	1,226.38	9.1390	2.0017	1.3944	7.8295	1.6030
Dec.	7.4541	9.4316	0.67922	1.1856	140.58	1.5479	1,212.30	9.1927	1.9855	1.3778	7.9737	1.5979
2006 Jan.	7.4613	9.3111	0.68598	1.2103	139.82	1.5494	1,190.02	9.3851	1.9761	1.4025	8.0366	1.6152
Feb.	7.4641	9.3414	0.68297	1.1938	140.77	1.5580	1,157.96	9.2640	1.9448	1.3723	8.0593	1.6102
	% change versus previous month											
2006 Feb.	0.0	0.3	-0.4	-1.4	0.7	0.6	-2.7	-1.3	-1.6	-2.2	0.3	-0.3
	% change versus previous year											
2006 Feb.	0.3	2.8	-1.0	-8.3	3.1	0.5	-13.0	-8.7	-8.8	-14.9	-3.1	-3.4
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New Roman- ian leu <sup>1)</sup> 24
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37,551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	239.57	38.599	1.9558	3,6209
2005 Q2	30.129	15.6466	0.57824	0.6960	3.4528	249.75	0.4295	4.1301	239.54	38.919	1.9558	36,195
Q3	29.688	15.6466	0.57328	0.6960	3.4528	245.57	0.4293	4.0186	239.49	38.672	1.9558	3,5250
Q4	29.304	15.6466	0.57339	0.6965	3.4528	251.84	0.4293	3.9152	239.51	38.494	1.9558	3,6379
2005 Aug.	29.594	15.6466	0.57321	0.6960	3.4528	244.49	0.4293	4.0436	239.51	38.681	1.9557	3,5034
Sep.	29.317	15.6466	0.57296	0.6961	3.4528	245.83	0.4293	3.9160	239.47	38.459	1.9558	3,5097
Oct.	29.675	15.6466	0.57319	0.6965	3.4528	251.85	0.4293	3.9229	239.53	38.923	1.9559	3,5997
Nov.	29.266	15.6466	0.57351	0.6963	3.4528	251.04	0.4293	3.9701	239.51	38.678	1.9557	3,6543
Dec.	28.972	15.6466	0.57346	0.6967	3.4528	252.68	0.4293	3.8501	239.51	37.872	1.9558	3,6589
2006 Jan.	28.722	15.6466	0.57376	0.6960	3.4528	250.71	0.4293	3.8201	239.49	37.492	1.9558	3,6449
Feb.	28.407	15.6466	0.57436	0.6961	3.4528	251.57	0.4293	3.7941	239.49	37.390	1.9558	3,5393
	% change versus previous month											
2006 Feb.	-1.1	0.0	0.1	0.0	0.0	0.3	0.0	-0.7	0.0	-0.3	0.0	-2.9
	% change versus previous year											
2006 Feb.	-5.2	0.0	-1.5	0.0	0.0	3.2	-0.4	-4.8	-0.1	-1.7	0.0	-
	Chinese yuan renminbi <sup>2)</sup> 25	Croatian kuna <sup>2)</sup> 26	Icelandic krona 27	Indonesian rupiah <sup>2)</sup> 28	Malaysian ringgit <sup>2)</sup> 29	New Zealand dollar 30	Philippine peso <sup>2)</sup> 31	Russian rouble <sup>2)</sup> 32	South African rand 33	Thai baht <sup>2)</sup> 34	New Turkish lira <sup>3)</sup> 35	
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851	
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052	
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1,6771	
2005 Q2	10.4232	7.3443	80.79	12,032.61	4.7858	1.7597	68.847	35.3733	8.0799	50.497	1,7193	
Q3	9.9250	7.3728	77.64	12,216.99	4.6008	1.7640	68.335	34.7864	7.9392	50.375	1,6372	
Q4	9.6057	7.3831	73.86	11,875.37	4.4881	1.7124	64.821	34.1294	7.7706	48.780	1,6132	
2005 Aug.	9.9589	7.3684	78.37	12,283.08	4.6216	1.7675	68.768	35.0119	7.9508	50.604	1,6534	
Sep.	9.9177	7.4384	76.15	12,542.23	4.6190	1.7515	68.782	34.7750	7.7936	50.305	1,6430	
Oct.	9.7189	7.3822	73.29	12,118.09	4.5330	1.7212	66.777	34.3262	7.9139	49.153	1,6331	
Nov.	9.5273	7.3791	72.98	11,834.55	4.4534	1.7088	64.258	33.9184	7.8502	48.469	1,6033	
Dec.	9.5746	7.3882	75.36	11,675.40	4.4796	1.7072	63.454	34.1538	7.5439	48.731	1,6038	
2006 Jan.	9.7630	7.3772	74.58	11,472.89	4.5425	1.7616	63.590	34.3284	7.3811	47.965	1,6158	
Feb.	9.6117	7.3191	76.57	11,048.98	4.4487	1.7741	61.776	33.6802	7.3079	47.014	1,5830	
	% change versus previous month											
2006 Feb.	-1.5	-0.8	2.7	-3.7	-2.1	0.7	-2.9	-1.9	-1.0	-2.0	-2.0	
	% change versus previous year											
2006 Feb.	-10.8	-2.6	-5.2	-8.2	-10.0	-2.5	-13.4	-7.4	-6.7	-6.1	-	

Source: ECB.

1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.

2) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.

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



## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>HICP</b>													
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.6	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	2.5	2.8	0.8	2.0
2005 Q2	1.2	1.6	3.6	2.1	6.7	2.4	3.6	2.2	2.2	2.2	2.6	0.5	1.9
Q3	1.6	2.2	4.3	1.7	6.7	2.2	3.5	2.1	1.8	2.3	2.2	0.9	2.4
Q4	2.2	2.0	4.0	1.9	7.5	3.0	3.2	3.5	1.2	2.6	3.7	1.1	2.1
2005 Sep.	2.0	2.3	4.9	2.1	7.4	2.5	3.6	2.0	1.9	3.2	2.3	1.1	2.4
Oct.	2.4	1.9	4.5	2.2	7.7	3.0	3.1	3.0	1.6	3.2	3.5	0.9	2.3
Nov.	2.2	1.8	4.0	2.0	7.6	2.9	3.3	4.3	1.1	2.1	3.6	1.2	2.1
Dec.	1.9	2.2	3.6	1.4	7.1	3.0	3.3	3.4	0.8	2.4	3.9	1.3	1.9
2006 Jan.	2.4	2.0	4.7	2.0	7.6	3.5	2.5	2.4	0.9	2.6	4.1	1.1	1.9
<b>General government deficit (-)/surplus (+) as a % of GDP<sup>1)</sup></b>													
2002	-6.8	1.4	1.5	-4.5	-2.3	-1.4	-8.5	-5.8	-3.3	-2.7	-7.8	-0.3	-1.7
2003	-12.5	1.2	2.6	-6.3	-1.2	-1.2	-6.5	-10.4	-4.8	-2.7	-3.8	0.2	-3.3
2004	-3.0	2.9	1.7	-4.1	-0.9	-1.4	-5.4	-5.1	-3.9	-2.1	-3.1	1.6	-3.2
<b>General government gross debt as a % of GDP<sup>1)</sup></b>													
2002	29.8	47.6	5.8	65.2	14.2	22.4	55.5	63.2	41.2	29.8	43.7	52.4	38.2
2003	36.8	45.0	6.0	69.8	14.6	21.4	57.4	72.8	45.3	29.4	43.1	52.0	39.7
2004	36.8	43.2	5.5	72.0	14.7	19.6	57.4	75.9	43.6	29.8	42.5	51.1	41.5
<b>Long-term government bond yield as a % per annum, period average</b>													
2005 Aug.	3.37	3.24	-	4.84	3.87	3.50	5.85	4.43	4.88	3.79	3.24	3.14	4.34
Sep.	3.26	3.05	-	4.81	3.87	3.50	5.64	4.41	4.57	3.74	3.13	2.98	4.25
Oct.	3.46	3.22	-	4.22	3.87	3.50	6.49	4.41	4.91	3.62	3.25	3.17	4.40
Nov.	3.76	3.46	-	4.22	3.56	3.64	6.81	4.39	5.38	3.62	3.70	3.39	4.37
Dec.	3.61	3.35	-	4.09	3.59	3.79	6.89	4.39	5.16	3.69	3.62	3.37	4.27
2006 Jan.	3.39	3.31	-	3.96	3.60	3.62	6.66	4.39	4.95	3.73	3.59	3.33	3.97
<b>3-month interest rate as a % per annum, period average</b>													
2005 Aug.	1.79	2.17	2.33	3.85	2.76	2.33	6.35	3.26	4.67	4.02	2.94	1.67	4.59
Sep.	1.80	2.18	2.32	3.80	2.82	2.32	5.65	3.26	4.51	4.03	2.93	1.67	4.60
Oct.	1.91	2.22	2.32	3.59	2.78	2.31	6.15	3.24	4.55	4.01	3.03	1.72	4.59
Nov.	2.24	2.39	2.32	3.51	2.84	2.42	6.20	3.19	4.64	4.01	3.19	1.72	4.62
Dec.	2.17	2.48	2.59	3.47	3.16	2.53	6.21	3.22	4.62	4.00	3.12	1.89	4.64
2006 Jan.	2.14	2.52	2.61	3.42	4.03	2.56	6.02	3.20	4.49	4.00	3.17	2.03	4.60
<b>Real GDP</b>													
2004	4.7	2.1	7.8	3.8	8.5	7.0	4.6	0.1	5.3	4.2	5.5	3.7	3.2
2005	.	.	.	.	.	7.3	.	.	.	.	6.0	.	1.8
2005 Q2	5.2	3.1	10.2	3.7	11.4	7.6	4.3	1.9	2.8	5.0	5.1	2.3	1.6
Q3	4.9	4.7	10.4	3.9	11.4	8.5	4.4	2.9	3.7	4.2	6.2	2.8	1.8
Q4	.	.	.	.	.	8.2	.	.	.	.	7.5	.	1.8
<b>Current and capital accounts balance as a % of GDP</b>													
2004	-5.7	2.4	-11.9	-4.9	-11.9	-6.4	-8.5	-8.7	-3.8	-2.5	-3.1	6.9	-1.8
2005	.	.	.	.	.	-5.9	.	.	.	.	-7.8	.	.
2005 Q2	-4.1	5.0	-10.9	1.5	-9.9	-6.7	-7.6	-10.4	-0.8	0.4	-11.9	5.8	-1.1
Q3	-4.4	5.0	-6.6	3.1	-11.2	-6.7	-7.1	-0.6	-1.4	0.6	-4.7	6.8	-3.1
Q4	.	.	.	.	.	-5.5	.	.	.	.	-11.5	.	.
<b>Unit labour costs</b>													
2003	7.6	1.6	4.9	-	5.6	1.5	7.2	-	.	4.7	3.5	1.0	3.2
2004	1.1	1.1	3.0	-	7.2	.	4.2	-	.	3.8	2.1	-0.6	2.0
2005 Q1	-0.3	1.9	3.1	-	-	4.1	-	-	.	.	5.7	2.6	4.3
Q2	0.4	2.6	2.4	-	-	1.3	-	-	.	.	3.6	0.1	3.3
Q3	2.0	-1.1	4.1	-	-	3.2	-	-	.	.	4.1	0.9	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>													
2004	8.3	5.5	9.7	4.7	10.4	11.4	6.1	7.3	19.0	6.3	18.2	6.4	4.7
2005	7.9	4.9	7.8	5.2	9.0	8.2	7.1	7.2	17.8	6.3	16.4	.	.
2005 Q2	8.0	5.1	8.1	5.5	9.3	8.7	7.1	7.3	18.0	6.1	16.4	.	4.6
Q3	7.8	4.6	7.4	5.3	9.1	7.8	7.3	7.1	17.7	6.4	16.2	.	4.7
Q4	7.9	4.5	6.8	5.0	8.3	6.9	7.3	7.3	17.3	6.4	16.3	.	.
2005 Oct.	7.9	4.5	7.1	5.1	8.5	7.0	7.3	7.2	17.4	6.4	16.5	.	4.9
Nov.	7.9	4.5	6.7	5.0	8.3	6.8	7.3	7.3	17.3	6.5	16.3	.	5.0
Dec.	7.8	4.4	6.5	4.9	8.1	6.8	7.3	7.5	17.2	6.4	16.1	.	.
2006 Jan.	7.8	.	6.2	5.3	8.2	6.9	7.4	7.8	17.2	6.3	15.8	.	.
Feb.	.	.	.	.	.	.	7.4	.	.	.	.	.	.

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

1) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM).

## 9.2 In the United States and Japan

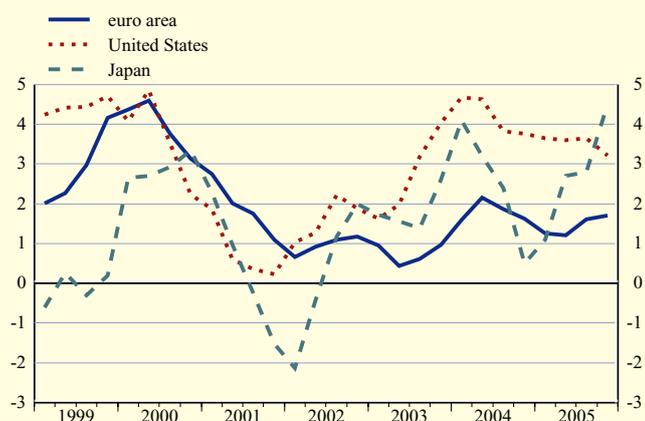
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup> (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup> as a % per annum	10-year government bond yield <sup>3)</sup> as a % per annum	Exchange rate <sup>4)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2002	1.6	0.6	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	2.5	2.7	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-3.1	4.2	5.0	5.5	5.1	1.62	4.26	1.2439	-4.7	48.6
2005	3.4	1.8	3.5	3.9	5.1	6.0	3.56	4.28	1.2441	.	.
2004 Q4	3.3	-1.6	3.8	5.2	5.4	5.8	2.30	4.17	1.2977	-4.3	48.6
2005 Q1	3.0	2.3	3.6	4.8	5.2	5.9	2.84	4.30	1.3113	-3.7	49.5
Q2	2.9	3.0	3.6	3.4	5.1	4.9	3.28	4.16	1.2594	-3.5	48.6
Q3	3.8	1.8	3.6	3.1	5.0	5.9	3.77	4.21	1.2199	-4.5	48.5
Q4	3.7	0.0	3.2	4.3	4.9	7.4	4.34	4.48	1.1884	.	.
2005 Oct.	4.3	-	-	3.8	4.9	7.2	4.17	4.45	1.2015	-	-
Nov.	3.5	-	-	4.6	5.0	7.4	4.35	4.53	1.1786	-	-
Dec.	3.4	-	-	4.5	4.9	7.8	4.49	4.46	1.1856	-	-
2006 Jan.	4.0	-	-	4.8	4.7	8.1	4.60	4.41	1.2103	-	-
Feb.	.	-	-	.	.	.	4.76	4.56	1.1938	-	-
Japan											
2002	-0.9	-3.2	0.1	-1.2	5.4	3.3	0.08	1.27	118.06	-8.4	143.9
2003	-0.3	-3.8	1.8	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.3	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	.	2.8	1.3	4.4	1.9	0.06	1.39	136.85	.	.
2004 Q4	0.5	-1.5	0.5	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	-0.2	-1.0	1.1	1.4	4.6	2.0	0.05	1.41	137.01	.	.
Q2	-0.1	0.9	2.7	0.3	4.4	1.7	0.05	1.28	135.42	.	.
Q3	-0.3	0.3	2.8	0.1	4.3	1.8	0.06	1.36	135.62	.	.
Q4	-0.5	.	4.5	3.4	4.5	2.0	0.06	1.53	139.41	.	.
2005 Oct.	-0.7	-1.7	-	3.0	4.5	2.0	0.06	1.54	138.05	-	-
Nov.	-0.8	-2.5	-	3.4	4.6	2.1	0.06	1.52	139.59	-	-
Dec.	-0.1	.	-	3.7	4.4	2.0	0.07	1.54	140.58	-	-
2006 Jan.	.	.	-	2.1	.	1.9	0.07	1.47	139.82	-	-
Feb.	.	.	-	.	.	.	0.07	1.57	140.77	-	-

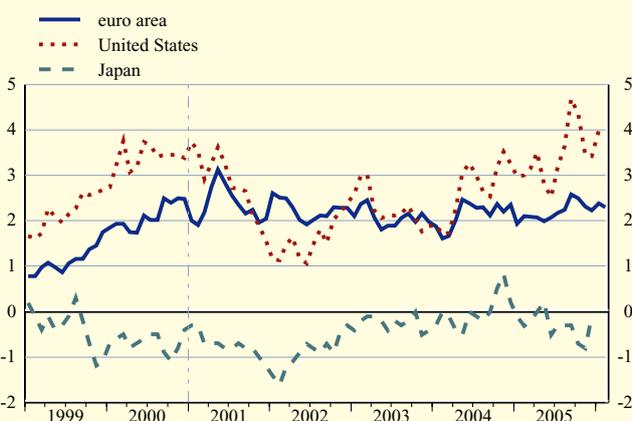
#### C35 Real gross domestic product

(annual percentage changes; quarterly)



#### C36 Consumer price indices

(annual percentage changes; monthly)



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

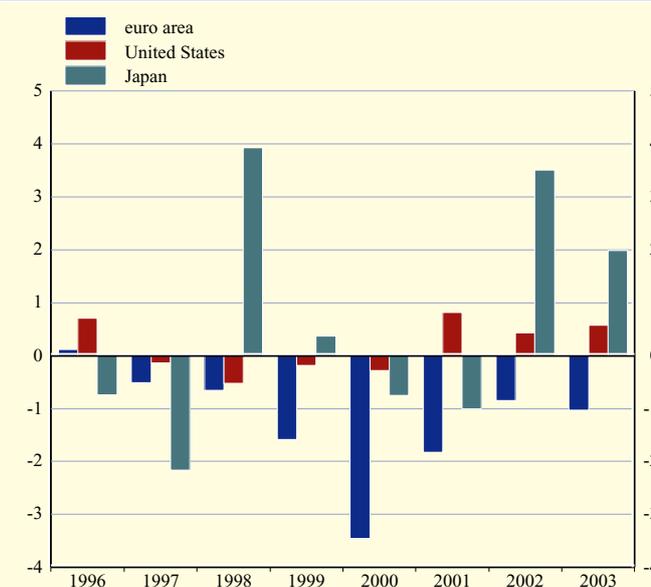
- 1) Data for the United States are seasonally adjusted.
- 2) Average-of-period values; M3 for US, M2+CDs for Japan.
- 3) For more information, see Sections 4.6 and 4.7.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).

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

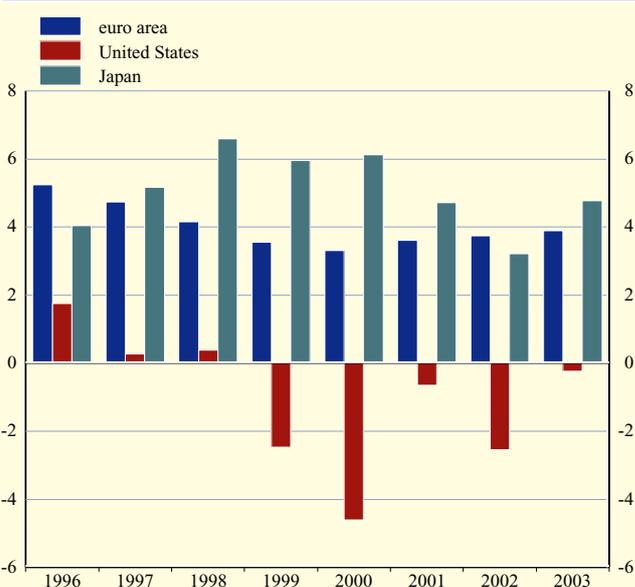
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures <sup>2)</sup>	Net acquisition of financial assets	Gross saving <sup>3)</sup>	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.5	0.9	1.7	12.8	4.9	10.8	5.5
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	4.1	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.3	0.8	13.3	7.7	11.3	7.9
2004	13.4	19.6	-5.6	7.3	7.0	4.0	8.0	3.0	0.9	13.5	6.7	11.0	9.4
2003 Q4	13.9	18.8	-4.3	7.0	6.9	1.2	8.3	0.4	0.0	13.5	5.6	11.2	4.0
2004 Q1	13.4	19.0	-5.0	7.1	6.8	5.0	8.2	3.7	1.1	13.3	6.9	11.0	9.7
Q2	13.3	19.8	-5.6	7.4	7.0	3.3	8.1	2.0	-0.2	13.6	5.2	10.7	8.9
Q3	13.5	19.8	-5.5	7.3	7.1	3.3	8.4	1.9	0.5	13.6	6.7	10.9	8.9
Q4	13.5	19.9	-6.2	7.5	7.2	4.6	7.3	4.3	2.1	13.6	7.8	11.4	10.2
2005 Q1	13.4	20.2	-6.4	7.6	7.2	3.0	7.7	2.5	0.8	13.7	5.1	10.0	7.8
Q2	13.2	19.8	-6.0	7.2	7.3	2.7	8.1	1.3	0.6	13.9	3.7	9.4	9.3
Q3	13.3	19.9	-6.0	7.2	7.4	2.5	8.5	0.7	-0.7	13.9	5.5	9.7	9.6
Japan													
2001	26.6	25.8	2.0	15.3	15.3	-2.8	14.4	-6.4	0.2	4.9	2.8	8.6	0.2
2002	25.7	24.2	2.8	13.8	14.1	-1.7	15.4	-7.4	-0.8	4.8	-0.2	9.1	-2.1
2003	26.4	23.9	3.1	14.3	14.4	2.3	16.1	-5.3	0.2	4.6	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.6	.	0.8	0.8	.	1.9	.	-0.7
2003 Q4	27.9	24.8	2.9	.	.	10.5	.	5.5	1.1	.	9.5	.	-1.4
2004 Q1	31.0	24.0	3.9	.	.	12.5	.	-1.9	-0.6	.	-7.2	.	2.6
Q2	.	23.0	.	.	.	-13.7	.	-11.2	0.6	.	8.0	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	0.2	.	-2.1	.	1.5
Q4	.	24.6	.	.	.	12.1	.	14.6	2.8	.	8.3	.	-0.5
2005 Q1	.	24.4	.	.	.	8.6	.	-2.3	-2.9	.	-8.1	.	3.3
Q2	.	23.7	.	.	.	-17.0	.	-16.4	0.9	.	7.6	.	-6.7
Q3	.	23.5	.	.	.	5.7	.	4.3	-1.5	.	-4.0	.	3.3

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



C38 Net lending of households<sup>1)</sup>  
(as a percentage of GDP)



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

1) Including non-profit institutions serving households.

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

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



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## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS<sup>1</sup>

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

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

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

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

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

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

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

#### RELATING TO SECTION 4.3 AND 4.4

#### CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

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

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

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

issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of notional stocks in month  $t$  is defined as:

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

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

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used rather than an “F”. The reason for this is to distinguish between the different ways of obtaining “net issues” for securities issues statistics and the equivalent “transactions” calculated used for the monetary aggregates.

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

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

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:

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

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

#### SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS<sup>4</sup>

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

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

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

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

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

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)), under the “Money, banking and financial markets” sub-section.

## **RELATING TO TABLE 1 IN SECTION 5.1**

### **SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>**

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

## **RELATING TO TABLE 2 IN SECTION 7.1**

### **SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT**

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



## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.int](mailto:statistics@ecb.int).

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 1 March 2006.

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

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

price and cost statistics before 1999 are based on data expressed in national currency terms.

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

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

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

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

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

### OVERVIEW

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

### MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational

framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

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

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed

on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

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

## **MONEY, BANKING AND INVESTMENT FUNDS**

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

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

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

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

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

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

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

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

1 OJ L 356, 30.12.1998, p. 7.

2 OJ L 250, 2.10.2003, p. 19.

corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity (“short-term” refers to an original maturity of up to one year; “long-term” refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

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

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics.

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

## FINANCIAL MARKETS

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

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of

securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

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

The total outstanding amounts for total and long-term debt securities in column 1 of table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an

institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuer's own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

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

## **PRICES, OUTPUT, DEMAND AND LABOUR MARKETS**

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities.

Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

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

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>3</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>4</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index<sup>5</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003<sup>6</sup>. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

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

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

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

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

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

## GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>7</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJL 69, 13.3.2003, p. 1.

6 OJL 169, 8.7.2003, p. 37.

7 OJL 172, 12.7.2000, p. 3.

amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002<sup>8</sup> on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)<sup>9</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2005), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international

investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics ([www.cmfb.org](http://www.cmfb.org)). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations, is available on the ECB’s website.

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

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

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

<sup>8</sup> OJ L 179, 9.7.2002, p. 1.

<sup>9</sup> OJ L 354, 30.11.2004, p. 34.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the

December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7

and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

## EXCHANGE RATES

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

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

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

## DEVELOPMENTS OUTSIDE THE EURO AREA

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

## ANNEXES

# CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>



### 8 JANUARY 2004

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

### 12 JANUARY 2004

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

### 5 FEBRUARY, 4 MARCH 2004

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

### 10 MARCH 2004

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

stance is pre-scheduled, rather than on the 24th day of the month.

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

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

### 14 JANUARY 2005

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

### 3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 can be found on pages 176 to 180 of the ECB's Annual report 1999, on pages 205 to 208 of the ECB's Annual report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

remain unchanged at 2.0%, 3.0% and 1.0% respectively.

#### **1 DECEMBER 2005**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.

#### **16 DECEMBER 2005**

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

#### **12 JANUARY AND 2 FEBRUARY 2006**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

#### **2 MARCH 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

# THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM



## PAYMENT FLOWS IN TARGET

In the fourth quarter of 2005 TARGET processed a daily average of 320,888 payments with a value of €1,977 billion, the highest since the start of TARGET. Compared with the previous quarter, this represented an increase of 7.5% in terms of volume and an increase of 8% in terms of value. All segments analysed saw an increase in terms of both volume and value, which are also the highest recorded since 1999. TARGET's overall market share increased by 1% to even higher levels in terms of both value (90%) and volume (59%). When compared with the same period last year, the market share increased by 2% in terms of both volume and value.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed on average 249,136 intra-Member State payments with a value of €1,311 billion per business day in the fourth quarter of 2005. This represented an increase of 9% in volume and value as compared with the previous quarter. Compared with the corresponding period in 2004, the volume increased by 20% and the value by 11%. Intra-Member State traffic accounted for 77.6% of the total volume and 66.3% of the total value of TARGET payments. The average value of an intra-Member State payment remained at the same level of €5.3 million in the fourth quarter. At the intra-Member State level, 63% of payments were below €50,000, while 10% were above €1 million. On average, there were 156 intra-Member State payments with a value above €1 billion per day. The highest intra-Member State traffic was recorded on 15 December, when a total of 328,812 payments with a total value of €1,874 billion were processed.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 71,752 payments

with a total value of €668 billion in the fourth quarter of 2005. Compared with the third quarter, this represented an increase of 8% in terms of volume and value. Interbank payments increased by 6% in terms of volume and value as compared with the previous quarter. For customer payments, an increase of 10% was observed in terms of volume and one of 18% was recorded in value. The proportion of interbank payments in average daily inter-Member State traffic was 47% in volume and 95% in value. The average value of interbank payments increased from €18.6 million to €18.7 million and that of customer payments increased from €850,300 to €901,000 as compared with the third quarter. 65% of the inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 51 inter-Member State payments with a value above €1 billion per day. The highest inter-Member State traffic was recorded on 20 December, when a total of 94,587 payments with a total value of €850 billion were processed.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the fourth quarter of 2005 TARGET achieved an overall availability of 99.92%, compared with 99.81% in the third quarter. The number of incidents with an effect on TARGET's availability was 16, which is 6 less than in the previous quarter. Incidents considered for the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. During the fourth quarter of 2005 there was only 1 incident that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM). In the fourth quarter 96.68% of inter-Member State payments were processed in less than 5 minutes, 2.80% needed between 5 minutes and 15 minutes and 0.39% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes only for 96 payments per day, which should be seen in

**Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total volume	18,033,316	17,219,984	18,952,096	19,441,665	19,774,574
Daily average	273,232	277,741	291,541	295,161	320,888
<b>Inter-Member State TARGET payments</b>					
Total volume	4,305,815	4,183,482	4,518,137	4,389,389	4,592,102
Daily average	65,240	67,476	69,515	66,650	71,752
<b>Intra-Member State TARGET payments</b>					
Total volume	13,727,501	13,036,502	14,433,959	15,052,276	15,944,755
Daily average	207,992	210,266	222,025	228,511	249,136
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total volume	11,382,418	10,883,591	11,856,745	11,590,400	12,132,235
Daily average	172,420	175,542	182,452	175,942	189,665
<b>Paris Net Settlement (PNS)</b>					
Total volume	1,766,831	1,681,581	1,760,484	1,677,545	1,716,063
Daily average	26,770	27,122	27,098	25,481	26,847
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total volume	119,693	127,802	183,226	148,838	135,414
Daily average	1,813	2,061	2,811	2,258	2,117

**Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions**

(EUR billions)	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total value	116,389	116,318	124,726	121,300	126,557
Daily average	1,763	1,876	1,919	1,841	1,977
<b>Inter-Member State TARGET payments</b>					
Total value	38,226	39,152	41,846	41,140	42,675
Daily average	579	631	644	624	668
<b>Intra-Member State TARGET payments</b>					
Total value	78,163	77,166	82,881	80,160	83,883
Daily average	1,184	1,245	1,275	1,217	1,311
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total value	11,005	10,483	10,850	10,787	10,820
Daily average	167	169	167	164	169
<b>Paris Net Settlement (PNS)</b>					
Total value	4,215	3,922	4,102	3,864	3,760
Daily average	64	63	63	59	59
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total value	113	122	117	106	109
Daily average	2	2	2	2	2

**Table 3 TARGET availability for each national component and the ECB payment mechanism (EPM)**

<b>National TARGET component</b>	<b>Availability Q4 2005</b>
Belgium	99.77%
Denmark	99.84%
Germany	99.61%
Greece	100.00%
Spain	99.93%
France	99.97%
Ireland	100.00%
Italy	100.00%
Luxembourg	100.00%
The Netherlands	100.00%
Austria	100.00%
Poland	100.00%
Portugal	100.00%
Finland	100.00%
Sweden	100.00%
United Kingdom	100.00%
ECB payment mechanism	99.68%
<b>Overall TARGET availability</b>	<b>99.92%</b>

the context of the 71,752 inter-Member State payments processed on average every day.





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**INFORMATION BROCHURES**

“The current TARGET system”, August 2005.

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“The euro area at a glance”, August 2005.



## GLOSSARY

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

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

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

**Borrowing requirement (general government):** net incurrence of debt by general government.

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

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

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

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

**Debt (general government):** the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

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

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

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

**Deficit-debt adjustment (general government):** the difference between the general government deficit and the change in general government debt.

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

**Deflation:** a decline in the general price level, e.g. in the consumer price index.

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

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

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

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

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

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

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

**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.

**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 European Central Bank and the national central banks of those EU Member States that have already adopted the euro.

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

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

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

**General government:** a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

**Gross domestic product (GDP):** the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital

formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

**Harmonised Index of Consumer Prices (HICP):** a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

**Implied volatility:** the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

**Index of negotiated wages:** a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

**Industrial producer prices:** factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** the gross value added created by industry at constant prices.

**Inflation:** an increase in the general price level, e.g. in the consumer price index.

**Inflation-indexed government bonds:** debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

**International reserves:** external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

**Job vacancies:** a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

**Labour force:** the sum total of persons in employment and the number of unemployed.

**Labour productivity:** the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

**M1:** a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Main refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

**MFI credit to euro area residents:** MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

**MFI interest rates:** the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

**MFI longer-term financial liabilities:** deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

**MFIs (monetary financial institutions):** financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

**Portfolio investment:** euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

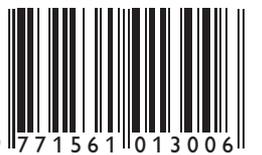
**Survey of Professional Forecasters (SPF):** a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Yield curve:** a graphical representation of the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

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