



EUROPEAN CENTRAL BANK

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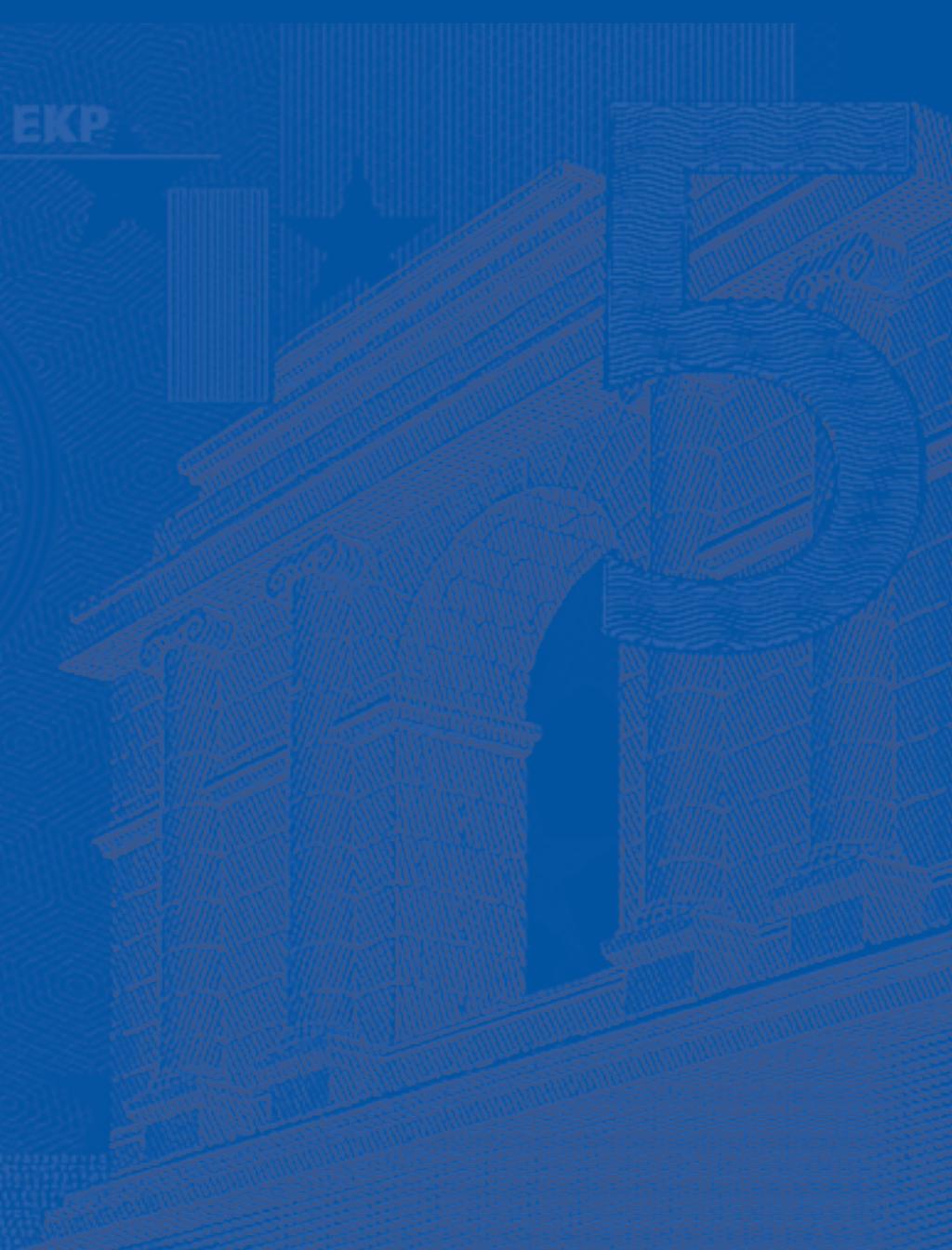
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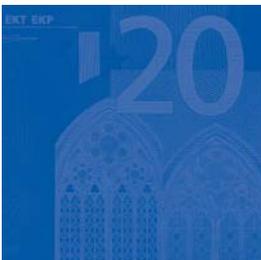
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ABBREVIATIONS

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 4 May 2006, on the basis of its regular economic and monetary analyses, the Governing Council decided to leave the key ECB interest rates unchanged. Overall, the information which has become available since the previous meeting on 2 April broadly confirms the Governing Council's earlier assessment of the outlook for price developments and economic activity in the euro area, and that monetary and credit growth remains very dynamic. Against this background, the Governing Council will exercise strong vigilance in order to ensure that risks to price stability over the medium term do not materialise. Such vigilance is particularly warranted in a context of ample liquidity and still very low levels of nominal and real interest rates across the whole maturity spectrum, implying an overall accommodative monetary policy stance. For monetary policy to make an ongoing contribution towards supporting growth and employment in the euro area, inflation expectations must be firmly anchored.

Turning first to the economic analysis, the data that have become available since the start of the year point to a re-acceleration of economic growth in the first quarter of 2006, following the moderation observed in the last quarter of 2005. In addition, the latest indicators and survey information point to continued growth in the second quarter and lend support to the scenario of a gradual broadening of economic activity as embodied in the March 2006 ECB staff projections. Business confidence is particularly buoyant, which, in principle, bodes well for investment, and the recovery in consumption and employment appears to be proceeding, albeit still gradually.

Looking further ahead, the conditions remain in place for continued growth over the coming quarters. Activity in the world economy is expected to remain strong, providing continued support for euro area exports. Investment growth should benefit from an extended period of very favourable financing conditions, balance sheet restructuring, and gains in earnings and

business efficiency. Consumption growth should also strengthen over time, in line with developments in real disposable income, as the labour market situation continues to improve. This favourable outlook for economic growth is broadly in line with available forecasts from international organisations and the private sector.

Considering the information available, risks to this scenario appear broadly balanced over the shorter term, although recently oil prices have again demonstrated high volatility and their potential for posing downside risks to growth. This underlines the need for further improvement in the transparency of oil markets and further investment in this sector. Concerns about global imbalances continue to prevail over longer horizons, as do risks relating to protectionism.

With regard to price developments, according to Eurostat's flash estimate, annual HICP inflation was 2.4% in April 2006, compared with 2.2% in March and 2.3% in February. In the short term, annual inflation rates are likely to remain above 2%, with the month-to-month profile largely dependent on developments in oil prices and the strength of their pass-through to other prices along the production chain. Beyond the short term, changes in administered prices and indirect taxes are expected to affect inflation significantly in 2007 and a further upward impact may 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 in recent quarters and wage growth is expected to remain contained, partly reflecting global competitive pressures, particularly in the manufacturing sector. Recent wage moderation has helped to dampen domestic inflationary pressures. Looking ahead, it is equally crucial that the social partners continue to meet their responsibilities in this regard, not least with a view to fostering employment growth.

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 developments than expected at present, possibly due to second-round effects stemming from past oil price increases.

Turning to the monetary analysis, in a context of ample liquidity in the euro area, monetary and credit growth remains very dynamic. In particular, the annual growth rate of loans to the private sector has continued to increase over recent months and has now reached double-digit levels. Credit growth has also become more broadly based across sectors, with borrowing both by households – especially for house purchase – and by non-financial corporations growing more strongly. Monetary growth continues to be driven mainly by the expansion of its most liquid components. Thus the latest developments confirm that the stimulative impact of the low level of interest rates remains the dominant factor behind the current high trend rate of monetary expansion. Overall, further acceleration of monetary and credit growth in this environment continues to point to upside risks to price stability over the medium to longer term. Monetary developments, therefore, require careful monitoring, especially in the light of the strengthening of economic activity and, in particular, of strong asset price dynamics, especially in housing markets.

To sum up, annual inflation rates are projected to remain elevated in 2006 and 2007 and the economic analysis confirms that the risks to price stability continue to lie on the upside. Some of these risks appear to have increased in view of the renewed strength of oil prices. Given strong money and credit growth in a context of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium to longer term. It therefore remains crucial to ensure that medium to long-term inflation expectations in the euro area are kept solidly anchored at levels consistent

with price stability – a prerequisite for monetary policy to make an ongoing contribution to sustainable economic growth and job creation. Accordingly, particular vigilance is of the essence in order to ensure that risks to price stability do not materialise.

With respect to fiscal policies, there are some signs that the implementation of the Stability and Growth Pact and commitment to the rules have improved since last year's revision. However, fiscal targets in a number of cases imply a very slow pace of consolidation and their attainment is still subject to considerable risks. The Governing Council therefore supports any further reinforcement of fiscal consolidation efforts that also takes full advantage of a more favourable economic environment. Appropriately ambitious fiscal targets as part of a comprehensive structural reform programme would bring deficit and debt ratios down more rapidly. This is decisive in order to secure the sustainability of public finances. Such strategies would also boost confidence in the economic prospects of the euro area.

As regards structural reforms, the Governing Council again stresses the importance of undertaking comprehensive reforms to ensure open, competitive and well-functioning labour and product markets, including the promotion of wage and price flexibility and the fostering of an attractive environment for investment and innovation. The need for such reforms has again been highlighted by recent oil price developments, as they would enhance the resilience of the euro area economy to external shocks. There is a broad and firm consensus that openness and flexibility are beneficial in promoting growth and employment and that it is now essential to turn the agreed reform plans into actions and to strengthen them where necessary. By pushing forward with ambitious structural reforms, euro area countries will also lend support to the ongoing economic recovery.

This issue of the Monthly Bulletin contains three articles. The first article provides an

update on the ECB's ongoing work on monitoring and assessing progress with European financial integration. The second article describes the process of establishing a single list of collateral throughout the euro area, which will replace the current two-tier collateral system. The third article provides an overview of the developments in equity issuance in the euro area over the last twelve years, with a particular emphasis on initial public offerings.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

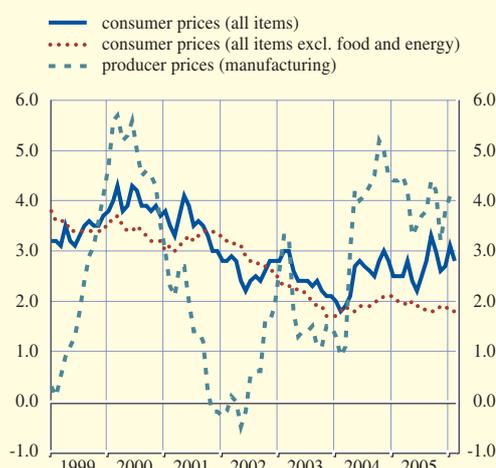
The global economy has continued to expand at a robust pace, mostly propelled by the United States and China, which remain the two main engines of global activity. The outlook for the world economy remains fairly benign, underpinned by favourable financing conditions and healthy corporate profits – a picture which is reflected in leading indicators for industrial countries. The main sources of risk to this positive outlook continue to be associated with renewed pressure on energy prices and the persistence of global imbalances.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy has continued to expand at a robust pace. Economic growth in both the United States and China, the two main engines of global activity, increased in the first quarter of 2006. Global manufacturing activity expanded at a relatively healthy rate. Although industrial production growth in the OECD countries declined somewhat in January, available data for individual countries, supported by survey evidence, suggest some subsequent increase. At the same time, global trade activity shows some renewed strength. With regard to price developments, while the upward pressure of the rise in oil prices is clearly evident in headline consumer price inflation, annual CPI inflation excluding food and energy continues to follow a slight downward trend for the OECD countries, possibly reflecting the ongoing impact of strong global competition, especially in the manufacturing sector (see Chart 1).

Chart 1 Price developments in the OECD countries

(annual percentage changes; monthly data)



Source: OECD.

UNITED STATES

In the United States, advance estimates indicate that in the first quarter of 2006, real GDP grew at a robust pace of 4.8% on a quarterly annualised basis. The strong expansion in real GDP was entirely driven by domestic demand, primarily stemming from very strong growth in personal consumption expenditure (with the personal saving rate remaining negative, at -0.5% of disposable income) and business investment spending (predominantly on equipment and software). Net exports continued to be a drag on growth, with strong export growth outpaced by import growth.

The sizeable expansion in real GDP in the first quarter of 2006 may have been partly due to a rebound following the slowdown caused by hurricane Katrina. Nonetheless, continued growth in production and spending is expected, albeit at a more moderate pace than witnessed in the first quarter of the year. For the second quarter, recent indicators suggest solid gains in both consumer and business spending. Looking at the data in more detail, the March retail and motor vehicle sales reports, in combination with the latest readings on consumer sentiment, appear to be consistent with continued increases in personal consumption expenditure. In addition, the continued low level of new claims for unemployment insurance and solid employment gains should have a positive impact on income. Meanwhile, a survey of businesses' capital spending plans conducted at the end of last year pointed to 2006 being another solid year of spending on plant and equipment.

This is further supported by the March increase in new orders for core capital goods.

Annual headline inflation moderated somewhat to 3.4% in March from 3.6% in February, while consumer price inflation excluding energy and food remained stable at 2.1%. Inflation expectations appear to be contained and wage increases remain moderate at present. Nevertheless, increasing capacity utilisation and possible tightness in the labour market may, in the future, feed into higher price pressures, especially if they are accompanied by further increases in energy prices.

With regard to monetary policy, on 28 March 2006, at its last meeting before the cut-off date for this issue of the Monthly Bulletin, the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points for the 15th consecutive time, bringing the policy rate to 4.75%. In the statement accompanying the meeting, the Committee noted that “some further policy firming may be needed”.

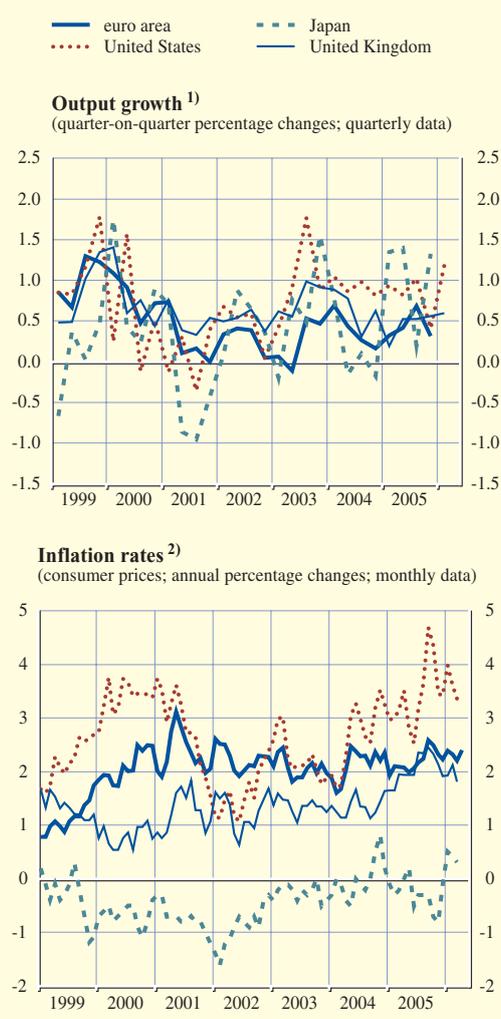
JAPAN

In Japan, economic activity continues to recover. The results of the Bank of Japan’s March 2006 Tankan survey confirmed the favourable assessment of the state of the Japanese economy by the domestic corporate sector. In particular, the business conditions diffusion index of large manufacturers – historically a reliable indicator of the state of the business cycle – confirmed that a larger proportion of surveyed firms regarded current business conditions as favourable. At the same time, the index recorded a slight decline for the first time in four quarters.

Sectoral data suggest that this slight decline may reflect the dampening effect of high oil and raw materials prices on business confidence in some energy-intensive and commodity-based industries. Looking ahead, the Japanese economy is expected to continue expanding at a robust pace, supported by strong growth in domestic demand and the ongoing rebound in export activity.

Consumer prices continue to increase moderately. In March 2006 the headline CPI rose by 0.3% on an annual basis, while the CPI excluding fresh food increased by 0.5%. In the case of the CPI excluding fresh food, this represented the fifth consecutive month of annual increases. However, the annual increase in consumer prices was more limited for the CPI excluding food and energy

Chart 2 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area and the United Kingdom; 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.

(0.2%), suggesting that the recent developments in consumer prices reflect to some extent the effect of higher oil prices.

At its meeting on 28 April, the Bank of Japan decided to leave its policy rate – the overnight uncollateralised call rate – unchanged at zero.

UNITED KINGDOM

According to the preliminary estimate for the United Kingdom, the quarterly growth rate of real GDP in the first quarter of 2006 was 0.6% – unchanged from the previous quarter. Growth increased in manufacturing output, whereas it moderated in the services sector. Given weak retail sales data, household consumption is estimated to have softened in the first three months of 2006. The unemployment rate continued to increase, reaching 5.1% on average in the three months to February 2006. At the same time, annual growth in three-month average earnings (excluding bonuses) remained fairly subdued. Real GDP growth is expected to strengthen in the course of the year, with the biggest contribution coming from private consumption. Survey data also point to a good export performance.

HICP inflation declined to 1.8% in March from 2.0% in February. The downward contributions from food, non-alcoholic beverages and transport prices more than compensated for higher gas and electricity bills. House prices have continued to recover: according to the Halifax index, their annual growth rate was 7.4% in March.

At its meeting on 4 May, the Bank of England's Monetary Policy Committee voted to maintain the Bank's policy rate – the repo rate – at 4.5%.

OTHER EUROPEAN COUNTRIES

In most other EU Member States outside the euro area, output growth increased or remained strong in the fourth quarter of 2005, and the outlook remains favourable. HICP inflation is generally expected to increase gradually in the medium term, while remaining relatively subdued in some countries.

In Sweden, economic activity remained favourable despite some moderation in the fourth quarter of 2005. Real GDP growth was supported mainly by domestic demand. In Denmark, real GDP growth in the fourth quarter stagnated by comparison with the previous quarter, as private consumption contracted and the contribution of net exports turned negative. HICP inflation increased somewhat in Sweden, to 1.5% in March. In Denmark, inflation fell to 1.8% in the same month, largely reflecting developments in goods prices. Inflationary pressures remained muted in both countries on account of intensive competition in retailing and moderate wage increases.

In the Czech Republic, Hungary and Poland, the three largest central European economies, output growth continued to be strong during the last quarter of 2005, and available indicators suggest that the underlying dynamics were also favourable in the first quarter of 2006. Output growth in these countries has increasingly been supported by net exports as external demand has gradually recovered. While HICP inflation remained unchanged in March in the Czech Republic and Poland (2.4% and 0.9% respectively), it increased to 2.4% in Hungary despite a further deceleration in energy prices compared with a year earlier.

EMERGING ASIA

Economic growth in emerging Asia continued to exceed expectations in the first quarter of 2006, in an environment of benign financial market conditions and continued accommodative macroeconomic policies. Domestic demand strengthened further in all major economies in the region and export growth rebounded. Despite the increases in oil prices, headline and underlying measures of consumer price inflation remained broadly subdued in March throughout the region.

In China, real GDP growth increased by 10.2% year on year in the first quarter of 2006, the highest rate in three years. Inflationary pressures continued to be moderate, with annual CPI inflation standing at 0.8% in March. Consumption remained robust in March and investment strengthened further, supported by strong growth in domestic credit and money supply. On 27 April the People's Bank of China raised its benchmark retail lending rate by 27 basis points to 5.85%, the first increase since October 2004. In South Korea, real GDP growth also increased in the first quarter of 2006, to 6.2% from 5.3% in the previous quarter, while inflation remained subdued.

Looking ahead, economic prospects remain fairly favourable for emerging Asia, bolstered by the ongoing improvement in domestic demand and some pick-up in export growth. Further increases in oil prices and excessive investment in certain sectors in China remain two significant downside risks to this overall benign outlook.

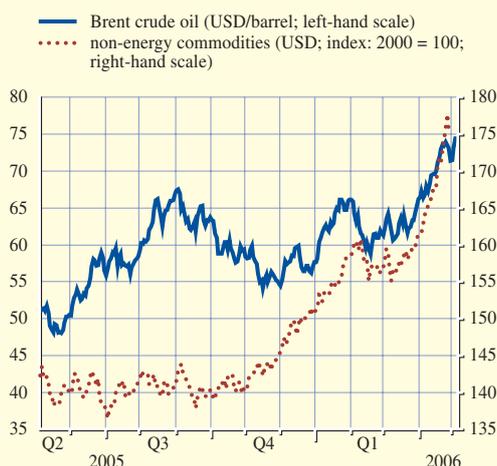
LATIN AMERICA

In Latin America, the pace of economic activity remained dynamic in Argentina, with industrial production rising by 7.5% in March compared with a year earlier. However, stubborn inflation – at 11.1% year on year during the same month – continues to be a source of concern in this country. In Brazil and Mexico, annual inflation remained on a downward trend, edging down in March to 3.4% and 5.3% respectively. Available indicators suggest that these economies remain in a phase of economic recovery, with industrial output in February expanding in both countries by 5.4% compared with a year earlier. Monetary policy easing continued during the month of April, with the monetary authorities cutting policy rates by 25 basis points (to 7%) in Mexico and by 75 basis points (to 15.75%) in Brazil.

Economic prospects for the region as a whole remain favourable in the near term, with an acceleration of economic activity anticipated in the leading economies amid a positive external and financial environment.

1.2 COMMODITY MARKETS

After a brief pause in February, oil prices surged again in March and April (see Chart 3). On 3 May the price of Brent crude oil reached a new all-time high of USD 74.4 per barrel, 28% higher than at the start of the year. Unlike the rise observed in 2004, when oil prices were mainly driven by an unexpectedly strong demand for oil and the consequent erosion of spare capacity all along the oil supply chain, the latest surge in prices has been mainly driven by supply-side concerns at a time when oil market fundamentals are already tight. Civil unrest in Nigeria's oil-rich Delta region has disrupted the country's production. Strong draws on US inventories of petrol added to the upward pressure on prices as concerns emerged over the adequacy of petrol supplies ahead of peak demand during the summer. A worsening of the geopolitical climate has also been a major factor adding to the upward pressure on prices. In particular, recent developments with respect to

Chart 3 Main developments in commodity markets

Sources: Bloomberg and HWWA.

Iran's nuclear plans coupled with speculation about sanctions against the country and their repercussions for oil markets have fuelled concerns over the security of future oil supplies. Looking ahead, given the limited spare capacity all along the oil supply chain, oil prices are likely to remain sensitive to unanticipated changes in the supply/demand balance and the geopolitical environment.

The prices of non-energy commodities have also risen considerably in recent months. The increase has been mainly driven by metals prices, as all major industrial metals prices have posted strong gains on account of continued solid demand, limited production growth and low levels of inventories. Expressed in US dollar terms, non-energy commodity prices were approximately 17% higher in April than one year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for the foreign demand facing the euro area, remains positive. Continued favourable financing conditions – including low long-term interest rates, low credit and emerging market spreads and a healthy corporate profit situation in many countries – should provide support to the global economy. This relatively benign outlook is also suggested by the further increase in the six-month rate of change in the OECD composite leading indicator in February, continuing the upward trend observed since April 2005.

The risks to the outlook remain tilted somewhat to the downside. Energy prices in particular remain one of the main sources of risk to the global outlook, as underlined by the recent renewed increase in oil prices to historical highs. The associated risks for global activity may be exacerbated by the fact that upward pressure on oil prices is increasingly stemming from supply-side factors. The persistence of global economic imbalances also continues to pose a downside risk.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In March 2006 annual M3 growth rose to 8.6%, the strongest rate observed since July 2003. The low level of interest rates remained the key driver of underlying monetary and credit dynamics. At the same time, there appears to have been no further dampening of M3 growth stemming from an unwinding of past portfolio shifts. In an environment of already ample liquidity, strong money and credit growth points to upside risks to price stability over the medium to longer term. Monetary developments therefore need to be monitored closely, especially in the light of the strengthening of economic activity and of strong asset price dynamics.

THE BROAD MONETARY AGGREGATE M3

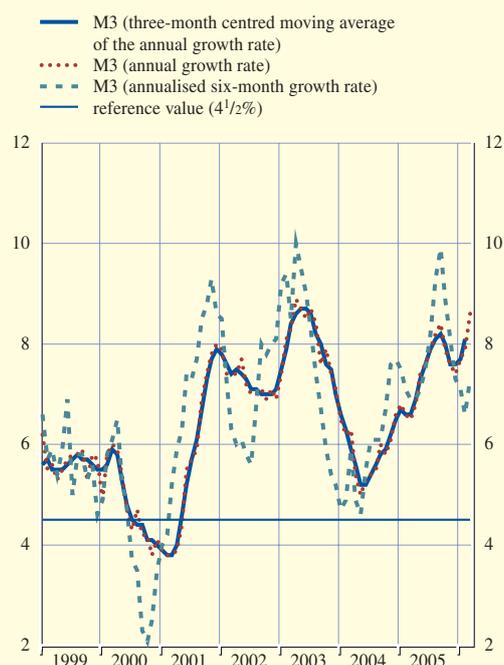
The annual growth rate of the broad monetary aggregate M3 increased to 8.6% in March (from 7.9% in February), a level last observed in mid-2003. This further strengthening fully reversed the moderation observed in the fourth quarter of 2005. The three-month average of the annual M3 growth rates in the period between January and March 2006 stood at 8.1%, compared with 7.7% in the period between December 2005 and February 2006 (see Chart 4). The strength of M3 growth was also visible in its shorter-term dynamics, as measured, for example, by the annualised six-month rate of growth, which rose by 0.7 percentage point to 7.3% in March.

The monetary data for March continue to suggest that the key factor driving M3 growth is the prevailing low level of interest rates. This stands in contrast with the previous period of strong M3 growth, which was mainly driven by portfolio shifts into monetary assets during the period of heightened economic and financial uncertainty between 2001 and mid-2003. Evidence in support of the important role played by the low level of interest rates in driving current M3 growth is offered, on the components side, by the significant contribution of the narrow aggregate M1 to annual M3 growth and, on the counterparts side, by the further strengthening of growth in MFI loans to the private sector. The dampening of M3 growth stemming from an unwinding of past portfolio shifts, which had been observed in the fourth quarter of 2005, did not appear to continue in March. It may have been offset, in part, by a greater appetite of international investors for euro area assets and stronger investment of euro area residents in shorter-dated bank deposits and securities in an environment of rising money market rates.

Given the robust growth in money and credit over the past few quarters, liquidity remains ample in the euro area. This points to risks to price stability over the medium to longer term, especially if a significant part of the ample

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

liquidity were to be transformed into transaction balances in an environment of improved economic sentiment and an ongoing recovery of the real economy. In addition, strong monetary and credit growth also implies a need to monitor asset price dynamics carefully, given the potential for price misalignments to emerge.

MAIN COMPONENTS OF M3

The rise in the annual growth rate of M3 in March reflects in particular an increase in the contributions from marketable instruments. By contrast, the contribution of the most liquid components contained in M1 remained broadly stable. Nonetheless, the contribution from M1 was still far greater than that made by the other components of M3. Looking at the sub-components of M1, an increase in the annual growth rate of overnight deposits was more or less counterbalanced by a decline in the growth rate of currency in circulation.

The annual rate of growth of short-term deposits other than overnight deposits increased on account of a further strengthening of the growth in time deposits (i.e. deposits with an agreed maturity of up to two years), which was only partly offset by a decline in the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months). Overall, the growth of holdings of short-term deposits remained robust, reflecting the low opportunity cost of holding these assets in an environment of low interest rates (see Table 1).

The annual growth rate of marketable instruments included in M3 increased strongly in March. While this increase reflects higher contributions from all categories of marketable instruments, the magnitudes of growth varied significantly. On the one hand, the annual growth rate of debt securities with a maturity of up to two years increased strongly to 45.1%. The positive performance of equity markets may have contributed to this very rapid expansion by fostering dynamic demand for so-called structured products (instruments which combine equity-related derivatives with more traditional debt securities). It may also reflect some substitution of shorter-term debt securities

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates					
		2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Feb.	2006 Mar.
M1	48.4	9.8	11.2	10.9	10.3	9.9	10.1
Currency in circulation	7.4	17.3	16.0	14.8	13.4	13.6	12.4
Overnight deposits	41.0	8.5	10.4	10.2	9.8	9.3	9.8
M2 - M1 (= other short-term deposits)	37.6	5.1	5.5	5.9	6.8	7.3	7.8
Deposits with an agreed maturity of up to two years	16.0	2.7	4.6	6.5	9.8	11.2	12.6
Deposits redeemable at notice of up to three months	21.6	6.6	6.0	5.3	4.6	4.6	4.3
M2	86.0	7.5	8.4	8.5	8.6	8.7	9.0
M3 - M2 (= marketable instruments)	14.0	4.4	5.5	3.8	3.5	3.6	6.1
M3	100.0	7.1	8.0	7.8	7.9	7.9	8.6
Credit to euro area residents		6.6	7.0	7.9	8.7	8.8	9.4
Credit to general government		2.1	1.2	2.6	2.5	1.8	1.6
Loans to general government		-0.8	-1.0	0.4	1.2	0.9	1.5
Credit to the private sector		7.8	8.6	9.4	10.4	10.7	11.5
Loans to the private sector		7.6	8.4	8.9	10.0	10.4	10.8
Longer-term financial liabilities (excluding capital and reserves)		9.6	10.0	9.4	8.6	8.5	8.5

Source: ECB.

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

for longer-term debt securities in an environment of expectations of rising short-term interest rates. On the other hand, the holdings of money market fund shares/units did not expand compared with a year ago. While the developments in these safe and liquid assets – which are held by households and firms to “park” liquidity at times of heightened uncertainty – have remained subdued over the past two months, there were no further outflows from money market fund shares/units as observed between October 2005 and January 2006.

The annual growth rate of the private sector’s short-term deposits and repurchase agreements held with MFIs (excluding the Eurosystem) – which represent the broadest aggregation of M3 components for which information is available by holding sector – increased in March. This increase reflected, to a large extent, a rise in the contribution of other non-monetary financial intermediaries, which partly reversed the moderation of their deposit accumulation observed in the fourth quarter of 2005. The contribution of households remained the largest among the different private sectors and increased moderately in March, while that from non-financial corporations declined somewhat.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector strengthened further to 10.8% in March – the highest growth rate since the introduction of the euro in 1999 – from 10.4% in the previous month (see Box 1 entitled “Longer-term developments in loans to the private sector”). The strong demand for loans was broadly based across the private sector, reflecting the stimulative impact of the low level of interest rates and possibly also an improved economic outlook.

Box 1

LONGER-TERM DEVELOPMENTS IN LOANS TO THE PRIVATE SECTOR

The annual growth rate of loans to the private sector increased further in the first few months of this year, to stand at 10.8% in March 2006. These strong growth rates match those observed at the peak of previous credit cycles. This box reviews longer-term developments in loans to the private sector and their co-movement with two other key macroeconomic variables – economic activity and money – in order to assess whether the current period of strong loan growth is markedly different in nature to those observed in the past.

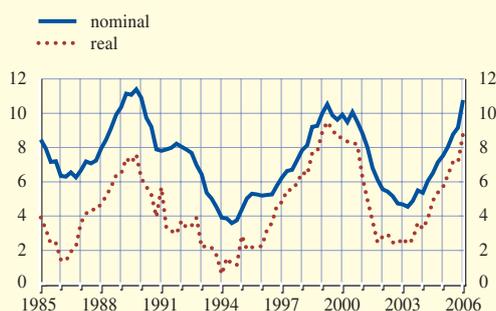
The current growth of loans to the private sector is high from a historical perspective

When looking at the longer-term developments in the annual growth rate of loans to the private sector in the euro area, two broad cycles can be distinguished. The first cycle extends from a trough in the mid-1980s to a trough in the mid-1990s, with a peak of close to 12% in 1989. The second cycle extends from the mid-1990s to the early 2000s, with a peak of close to 11% in 1999. Following a continued strengthening since mid-2003, loan growth in early 2006 reached similar magnitudes to those seen at the previous peaks (see Chart A).

The picture of a historically high growth rate also emerges when looking at developments in real loans, i.e. taking into account inflation developments. Although, at around 8%, annual real loan growth is currently somewhat below the peak rate observed in 1999, it is clearly higher

Chart A MFI loans to the private sector

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

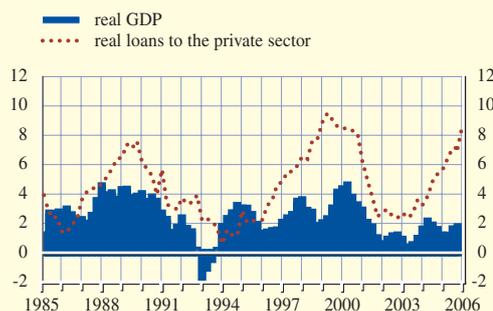


Source: ECB.

Note: Real series have been derived by deflating the nominal series with the GDP deflator.

Chart B MFI loans to the private sector and real GDP

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



Source: ECB.

than that seen at the peak recorded in 1989. In this respect, it must be kept in mind that the level of nominal as well as real interest rates is currently much lower than at the end of the 1990s.

The current high growth of loans comes together with only moderate growth in GDP

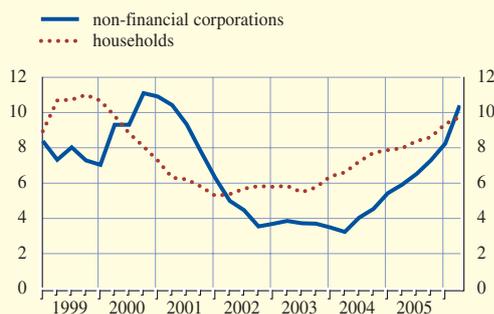
Looking at the co-movement between growth in loans to the private sector and growth in aggregate economic activity suggests that, in line with business cycle theory, a broad relationship exists between the two, although it is not close on a year-to-year basis. For instance, the peaks in real loan growth in 1989 and 1999 coincided with periods when real GDP growth also attained a peak, and the troughs in real GDP growth in the early 1990s and early 2000s more or less coincided with periods of subdued loan growth (see Chart B).

Against this background, the return to historically high rates of growth in loans in recent quarters may be somewhat surprising, given that in the current recovery phase real GDP growth in the euro area has remained well below the growth rates seen at earlier peaks in real loan growth. One explanation could be that the driving forces behind the strengthening of loan growth observed since mid-2003 have been different from those in earlier periods. Sectoral developments may have played an important role here. For example, the broader movements of growth in loans to the private sector are typically determined to a large extent by the dynamics of loans to non-financial corporations, which exhibit a much more cyclical pattern than those of loans to households.¹ However, one feature of loan developments since the end of the 1990s has been the relatively high amplitude of swings in the annual growth rate of loans to households. Over the last five years, the strengthening of growth in total loans to the private sector was driven at the outset by stronger growth of loans to households, which appears to have been related to the robust dynamics of house prices rather than to activity and income. The rise in the contribution from loans to non-financial corporations came only at a later stage (see Chart C).

¹ Concerning the cyclical pattern of growth in loans to non-financial corporations, see Box 1 entitled "Recent developments in loans to non-financial corporations" in the June 2004 issue of the Monthly Bulletin.

Chart C MFI loans to households and non-financial corporations

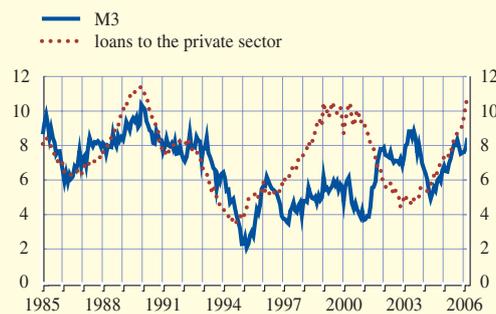
(annual percentage changes; not adjusted for seasonal and calendar effects; quarterly data)



Source: ECB.

Chart D MFI loans to the private sector and M3

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



Source: ECB.

The developments in money and loans are less connected than in the past

Banks' extension of loans to the private sector is the main source of money creation. This suggests that M3 and loans to the private sector would typically be expected to move closely together, since they represent the largest components of the two sides of the consolidated balance sheet.

This relationship was clearly visible in the first of the two broad cycles under review, with coinciding peaks in annual loan growth and annual M3 growth in the late 1980s and coinciding troughs in the mid-1990s (see Chart D). Yet, the two series show a much less close relationship over the second cycle, with the peak in loan growth at the end of the 1990s coinciding with subdued growth in M3.

Likely factors underlying the looser relationship between money and loans since the mid-1990s are increased globalisation and structural changes in financial markets. These have had a significant impact on the size and the amplitude of international capital flows, which, in turn, are reflected, at least in part, in the net external asset position of MFIs (one of the M3 counterparts).² One example of this impact is the strong capital outflows from the euro area at the end of the 1990s, driven to a large extent by M&A activities of euro area residents in the United States, and the subsequent repatriation of these funds during the period of heightened global uncertainty between 2001 and mid-2003. This means that the strong movements in loan growth have to a large extent been counterbalanced by movements in the net external asset position and have thus diverged from movements in M3 growth.

Overall, loans are closely monitored as part of the monetary analysis. This requires a continual updating of the assessment of their relationship with economic activity and money.

² With regard to the impact of net external assets on M3, see Box 2 entitled "Recent developments in MFI net external assets" in the July 2005 issue of the Monthly Bulletin.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total ¹⁾	Annual growth rates					
		2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Feb.	2006 Mar.
Non-financial corporations	41.3	6.2	7.0	7.7	9.2	9.7	10.4
Up to one year	30.2	4.8	5.8	5.3	6.5	7.0	7.8
Over one and up to five years	17.8	6.5	6.4	8.3	11.5	12.6	14.7
Over five years	51.9	6.9	7.9	8.9	10.0	10.3	10.5
Households²⁾	50.0	8.1	8.6	9.0	9.5	9.5	9.7
Consumer credit ³⁾	13.0	6.5	6.9	7.8	8.1	8.4	7.8
Lending for house purchase ³⁾	70.2	10.2	10.7	11.0	11.7	11.7	12.1
Other lending	16.8	2.1	2.2	2.3	2.1	1.9	2.2
Insurance corporations and pension funds	1.0	14.4	16.5	29.3	33.0	27.4	40.7
Other non-monetary financial intermediaries	7.7	11.2	15.5	14.2	16.2	18.9	16.9

Source: ECB.

Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.

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

2) As defined in the ESA 95.

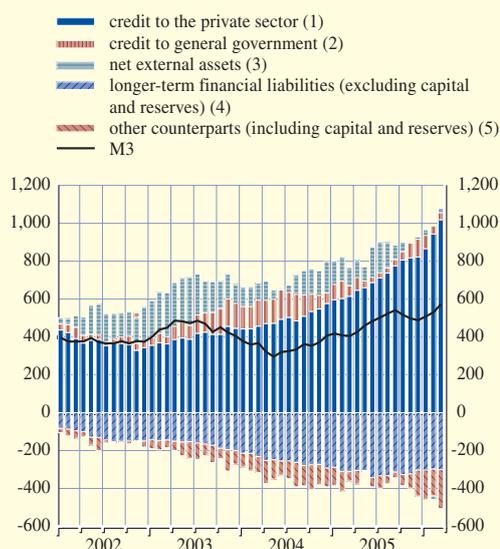
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

Developments in MFI loans to households continued to be driven mainly by strong borrowing for house purchase, which grew at an annual rate of 12.1% in March (compared with 11.7% in February). By contrast, the annual growth of consumer credit moderated somewhat, while remaining at a robust level (see Table 2). Strong borrowing for house purchase reflects the low mortgage lending rates prevailing in the euro area as a whole and the robust housing market dynamics in many regions. In this respect, the results of the April 2006 bank lending survey point to continued positive demand for housing loans, although at a lower level than in the previous survey. At the same time, banks reported a lower perception of risks with respect to housing market prospects, which contributed to an easing of credit standards (see Box 2 entitled “The results of the April 2006 bank lending survey for the euro area”).

The annual growth rate of MFI loans to non-financial corporations rose further in March, continuing the upward trend observed since early 2004. The rise in March, although broadly based across maturities, was mainly attributable to particularly strong growth in loans with a maturity of between one and five years. The results of the April 2006 bank lending survey suggest that the strong demand for corporate loans reflects financing needs for fixed investment, although demand related to M&A activity also played some role.

Chart 5 Counterparts of M3

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



Source: ECB.

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

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) remained unchanged at 8.5% in March, while its shorter-term dynamics strengthened. This supports the view that there is a continued inclination within the euro area money-holding sector to invest in longer-term euro area financial instruments. Looking at the components of longer-term financial liabilities, the annual growth rate of debt securities issued with a maturity of over two years continued to decrease, which may reflect an increasing preference for equity investment but also bank securities with shorter maturities contained in M3.

In March there was a positive flow in the net external asset position of MFIs of €24 billion, after a negative flow of €18 billion in the twelve months to February (see Chart 5). This change was driven to a large extent by the latest month-on-month developments (a positive flow of €28 billion in March after a negative flow of €33 billion in February) and may be related to a stronger appetite of international investors for euro area assets. However, it should be borne in mind that short-term movements in the net external asset position should not be overemphasised on account of the volatility of the series on a monthly basis.

Summing up the information from the counterparts, the low level of interest rates fostered the increasing dynamism of MFI loans to the private sector, which continued to account for the strengthening of annual M3 growth. In this respect, the robust demand for MFI longer-term financial liabilities only partly offset the credit-driven monetary dynamics, all the more as there was no further dampening impact on M3 dynamics from developments in the net external asset position.

Box 2

THE RESULTS OF THE APRIL 2006 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the April 2006 bank lending survey for the euro area carried out by the Eurosystem.¹ In the first quarter of 2006 credit standards eased in net terms for all categories of loan. In particular, the results showed a slightly more pronounced net easing² of credit standards for loans to enterprises compared with the previous quarter. At the same time, banks eased credit standards applied to both loans to households for house purchase and consumer credit and other loans, after the slight net tightening observed in the January 2006 survey. During the first quarter of 2006 banks reported positive net demand³ for loans to enterprises and households, although demand was below the peak observed in the previous survey round.

For the second quarter of 2006 banks expected a net easing of credit standards applied to loans to enterprises, a slight tightening for loans to households for house purchase, and a net easing – but at lower levels than in the previous quarter – for consumer credit and other loans. On the demand side, banks expected an increase in net demand for loans to both enterprises and households for the period April-June 2006.

- 1 A comprehensive assessment of the results of the April 2006 bank lending survey for the euro area was released on 5 May 2006 and can be found on the ECB's website (www.ecb.int/stats/money/lend/html/index.en.html).
- 2 The net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks reporting that they have eased. A positive net percentage would indicate that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage would indicate that banks have tended to ease credit standards ("net easing").
- 3 The term "net demand" refers to the difference between the proportion of banks reporting an increase in loan demand and the proportion of banks reporting a decline.

Loans or credit lines to enterprises

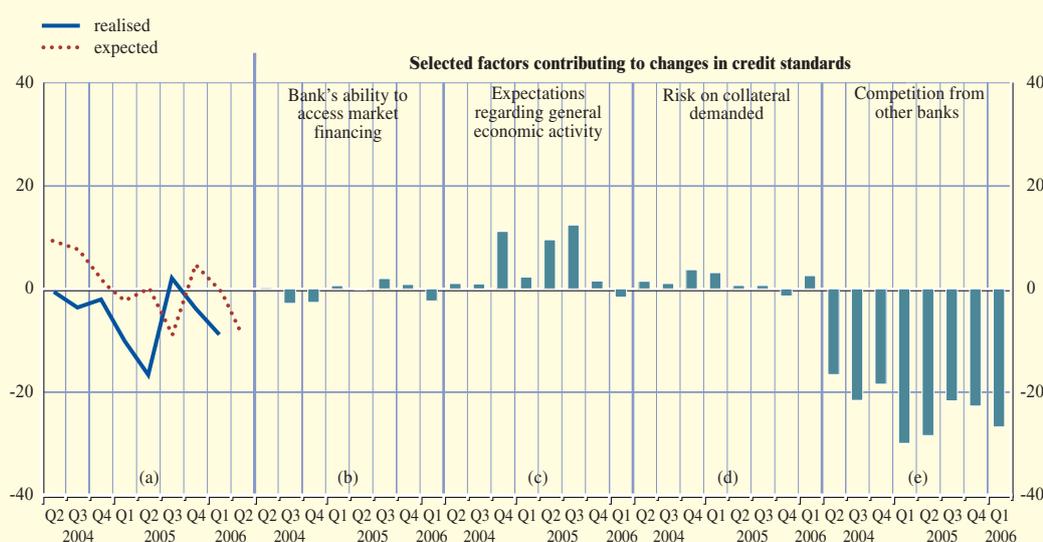
Credit standards: For the first quarter of 2006 banks reported a further net easing of credit standards for loans or credit lines to enterprises (-9%, from -4% in the previous quarter; see Chart A, panel a). This development reflected an improvement in the expectations regarding general economic activity that, for the first time since the launch of the survey, contributed slightly to an easing of credit standards (see Chart A, panel c). An improvement in banks' ability to access market financing and pressure from competition also contributed to that easing (see Chart A, panels b and e). As regards the terms and conditions of credit, the net easing of credit standards was mainly implemented by means of the narrowing of margins on average loans, a further lengthening of the maturity of loans or credit lines and a reduction in non-interest rate charges.

In terms of the borrower's size, while the net easing of credit standards applied to large enterprises remained unchanged, the net easing of those applied to small and medium-sized enterprises became more pronounced. As regards the maturity of loans, banks confirmed the net easing of credit standards applied to short-term loans and also reported a net easing for long-term loans.

Loan demand: Net demand for loans to enterprises was positive, although down from the peak observed in the previous survey round (18% in April, compared with 23% in January; see Chart B, panel a). A very similar pattern was recorded for loan demand by small and medium-sized enterprises, while in the case of large corporations, net demand for loans picked up.

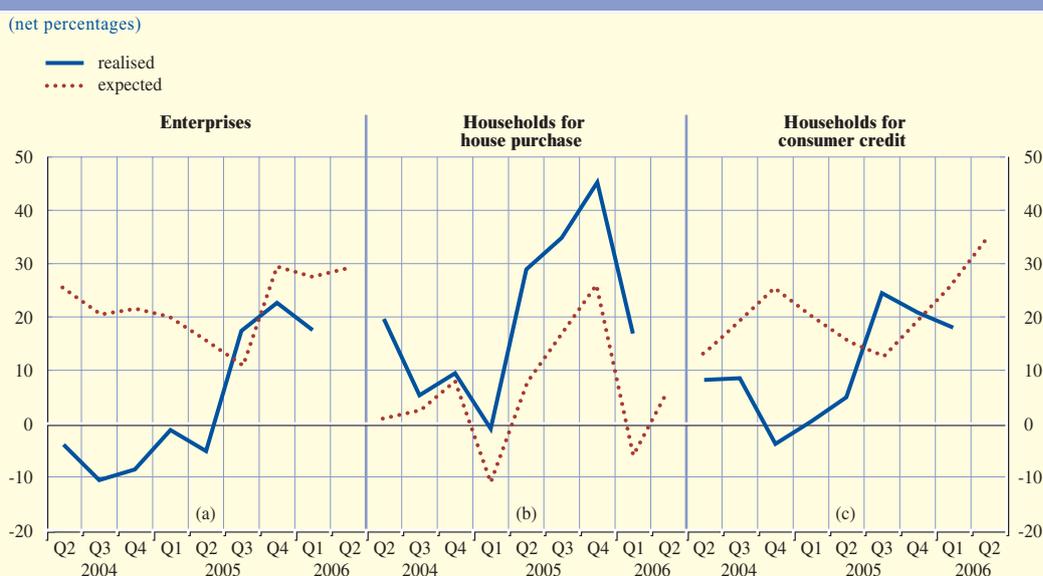
Chart A Changes in credit standards applied to the approval of loans or credit lines to enterprises

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the second quarter of 2006 were reported by banks in the April 2006 survey.

Chart B Changes in the demand for loans or credit lines to enterprises and households



Notes: The net percentage refers to the difference between the sum of the percentages for “increased considerably” and “increased somewhat” and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the second quarter of 2006 were reported by banks in the April 2006 survey.

According to the responding banks, these developments were mainly related to an increased use of alternative finance – either internal financing (i.e. higher profits) or loans from other banks. Both factors, together with the issuance of equity, contributed to moderating demand developments. Increased financing needs for fixed investments and, to some extent, for inventories and working capital acted as a countervailing factor helping to support loan demand. Similarly, mergers and acquisitions and corporate restructuring, although at a lower level, remained an important factor supporting loan demand.

Expectations: Overall, for the second quarter of 2006 banks continued to expect a net easing of credit standards applied to the approval of loans or credit lines to enterprises (see Chart A, panel a), irrespective of the borrower’s size and the maturity spectrum. In addition, banks expected strong corporate net demand (see Chart B, panel a) across all firm sizes and loan maturities.

Loans to households for house purchase

Credit standards: After the slight net tightening observed in the previous quarter, banks reported a net easing of credit standards applied to housing loans in the first quarter of 2006 (-9% in April, from 2% in January; see Chart C, panel a). This development was the result of a general improvement in all the factors mentioned in the survey questionnaire: a reduction in the cost of funds and balance sheet constraints, improved competition and a lower perception of risk in terms of both expectations regarding general economic activity and housing market prospects (see Chart C, panels b to e). The last factor in particular contributed slightly, for the first time since the launch of the survey, to a net easing of credit standards. The net easing for housing loans was – similar to that observed in the corporate sector – mainly implemented by

reducing the margins on average loans and lengthening loan maturities. At the same time, margins on riskier loans were further tightened.

Loan demand: Net demand for housing loans continued to be reported as positive, but at a much lower level than in the previous quarter (17% in April, compared with 45% in January; see Chart B, panel b).

This development was mainly a result of, on the one hand, less favourable housing market prospects (which, although positive, contributed less to the increase in net demand) and, on the other hand, an increased use of alternative sources of finance in the form of both household savings and loans from other banks.

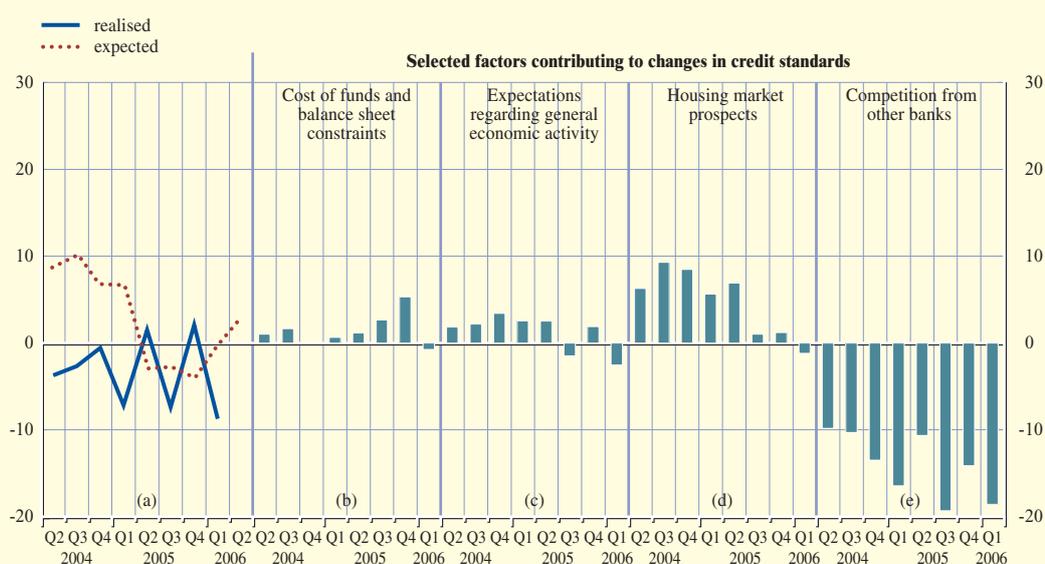
Expectations: For the second quarter of 2006 respondent banks expected a slight tightening of credit standards for loans to households for house purchase (see Chart C, panel a). Despite this, banks expected an increase in net demand over the same period (see Chart B, panel b).

Loans for consumer credit and other lending to households

Credit standards: In the first quarter of 2006 the credit standards applied to the approval of loans for consumer credit and other lending to households eased on a net basis (-5% in April, from 1% in January; see Chart D, panel a).

Chart C Changes in credit standards applied to the approval of loans to households for house purchase

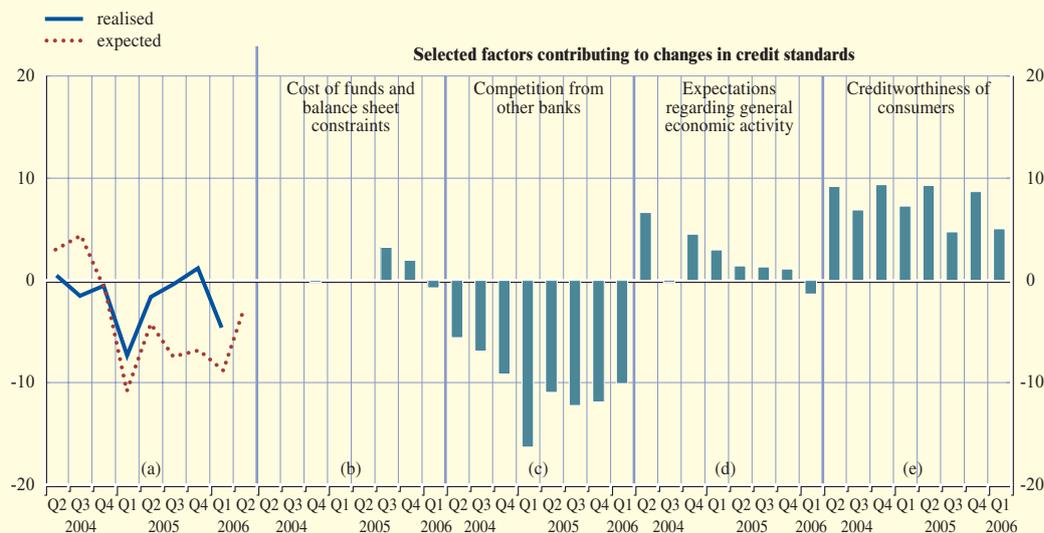
(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the second quarter of 2006 were reported by banks in the April 2006 survey.

Chart D Changes in credit standards applied to the approval of loans for consumer credit and other lending to households

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the second quarter of 2006 were reported by banks in the April 2006 survey.

Banks cited a general decline in the cost of funds and balance sheet constraints, more favourable expectations regarding general economic activity and pressure from competition as the main reasons for this easing. The last factor in particular, although at a reduced level, still made the most important contribution to the easing of credit standards (see Chart D, panel c).

As in the case of the corporate sector and the house purchase segment of the credit market, this easing policy was mainly implemented by changing pricing conditions. In particular, margins on average loans were significantly eased, while margins on riskier loans tightened slightly. All other terms and conditions remained basically unchanged compared with the previous quarter.

Loan demand: According to responding banks, net demand for consumer credit and other lending to households remained positive in the first quarter of 2006, but at a slightly lower level than previously reported (18%, from 21% in January 2006; see Chart B, panel c). This development was the result of several factors pointing in different directions. Among them, on the upside, there was a significant increase in the contribution of spending on durable consumer goods. Nonetheless, this effect was counterbalanced by a less positive contribution by consumer confidence and an increase in the use of alternative finance (in particular loans from other banks).

Expectations: For the second quarter of 2006 banks expected a continuation of the net easing of credit standards, although at a lower level than in the previous round (see Chart D, panel a), as well as an increase in net demand for these loans (see Chart B, panel c).

2.2 SECURITIES ISSUANCE

In February 2006 the annual growth rate of debt securities issued by euro area residents declined to 7.2%, broadly in line with the average growth rate since the introduction of the euro. While the annual growth rate of debt securities issued by non-monetary financial institutions – and, to a lesser extent, MFIs – was strong, issuance by non-financial corporations remained low. The annual rate of growth of quoted shares issued by euro area residents remained at a relatively subdued level.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents declined in February 2006, to 7.2% (see Table 3). The overall growth rate continued to be driven mainly by strong issuance of long-term debt securities, which accounted for around 90% of total outstanding debt securities. The annual growth rate of long-term debt securities continued to grow strongly, standing at 7.6% in February 2006, although it declined somewhat from the previous month. By contrast, the annual growth rate of short-term debt securities continued to be subdued, despite increasing slightly to stand at 3.8% in February. Long-term debt securities issuance has been driven mainly by strong issuance of debt securities at variable rates, the rate of growth of which stood at 18.5% in February 2006. This compares with an annual growth rate of 4.0% for fixed rate long-term debt securities over the same period. In general, the annual growth rate of floating rate long-term debt securities has been increasing faster than that of fixed rate long-term debt securities since early 2000.

As regards sectoral issuance activity, the annual growth rate of debt securities issued by non-financial corporations declined in February 2006, to 2.8% (see Chart 6). One factor potentially explaining the current moderate growth in the net issuance of debt securities by non-financial corporations is their replacement by loan financing. The use of bank loans instead of debt securities issuance seems to be particularly pronounced for short-term debt. In this respect, the annual rate of growth of short-term debt securities issued by non-financial corporations declined further in

Table 3 Securities issued by euro area residents

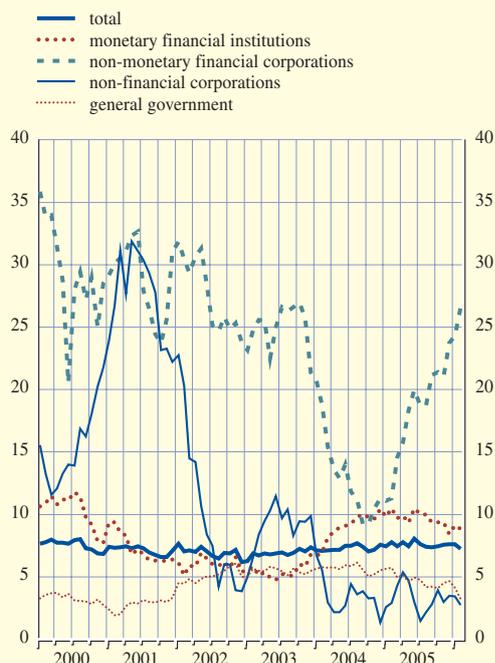
Issuing sector	Amount outstanding (EUR billions) 2006 Feb.	Annual growth rates ¹⁾					
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Jan.	2006 Feb.
Debt securities:	10,424	7.6	7.7	7.6	7.5	7.6	7.2
MFIs	4,211	10.1	9.8	10.0	9.2	9.1	8.9
Non-monetary financial corporations	951	11.8	17.1	19.3	21.6	24.3	26.6
Non-financial corporations	620	2.8	4.6	2.2	3.3	3.4	2.8
General government	4,643	5.5	4.9	4.5	4.3	4.1	3.2
of which:							
Central government	4,354	5.1	4.5	4.1	3.9	3.7	2.7
Other general government	289	13.7	12.0	12.1	12.2	11.3	11.8
Quoted shares:	5,430	1.1	1.0	1.1	1.2	1.3	1.2
MFIs	939	2.7	2.2	2.7	2.2	1.2	1.2
Non-monetary financial corporations	562	1.0	2.2	2.6	3.2	3.5	3.5
Non-financial corporations	3,929	0.8	0.6	0.6	0.7	1.0	0.9

Source: ECB.

1) For details, see the technical notes for Sections 4.3 and 4.4 of the “Euro area statistics” section.

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

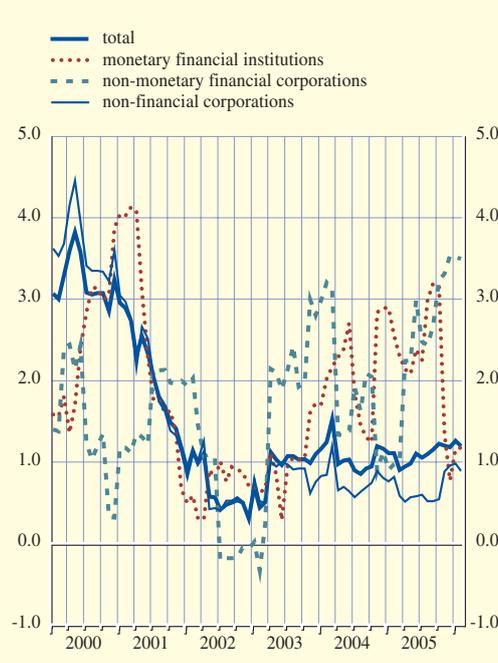
(annual growth rates)



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

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

(annual growth rates)



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

February, while the annual rate of growth of short-term MFI loans to non-financial corporations resumed its upward movement from November 2005 onwards. Moreover, the relatively high level of redemptions, which is probably related in part to the significant corporate bond issuance activity seen during the period 1999-2001, might provide an explanation for the low levels of net debt securities issuance activity currently being observed for non-financial corporations.

The annual growth rate of debt securities issued by MFIs declined slightly to 8.9% in February 2006, from 9.1% in the previous month. The growth rate of debt securities issued by MFIs continued to be strong, particularly at variable rates, while growth rates of securities issued at fixed rates remained subdued. The strong growth in debt securities issued by the banking sector reflects, to some extent, MFIs' demand for funds resulting from the fairly robust growth of MFI loans to the private sector and, in particular, the strong growth of loans to households for house purchase.

The annual growth rate of debt securities issued by non-monetary financial corporations increased even further to 26.6% in February 2006 (from 24.3% in January). The very strong issuance activity in this sector can be attributed to two different contributory factors. First, it is likely that a significant part of the issuance of this sector can be attributed to the MFI sector, which is increasingly using non-monetary financial corporations to securitise part of its loan portfolio by transferring some of the loans to the financial markets in the form of marketable debt securities. At the same time, non-financial corporations may, to some extent, also have been replacing direct

issuance of debt securities with indirect financing through non-monetary financial corporations, for instance through special purpose vehicles.

The annual growth rate of debt securities issued by the general government sector decreased to 3.2% in February 2006, from 4.1% in January. This decline was mainly due to a decrease in the growth rate of debt securities issued by the central government sector, from 3.7% in January to 2.7% in February. At the same time, the annual growth rate for other general government continued to grow strongly, standing at 11.8% in February 2006.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained at broadly the same level as in recent months, standing at 1.2% in February 2006. In terms of sectoral activity, the annual growth rate of quoted shares issued by non-financial corporations, which account for around three-quarters of outstanding quoted shares, remained unchanged from the previous month at 1.2% in February, with the slight increase observed since late 2005 coming to an end (see Chart 7). One of the main factors explaining that earlier growth in equity issued by non-financial corporations has been the development of gross issuance by means of initial and secondary public offerings, which have benefited from the favourable performance of equity markets. The annual growth rate of quoted shares issued by MFIs remained unchanged from the previous month, standing at 1.2% in February 2006.

2.3 MONEY MARKET INTEREST RATES

In April 2006 money market interest rates increased across the whole maturity spectrum, with the largest increases being observed for longer-term rates. As a result, the slope of the money market yield curve steepened slightly over the month.

Over the period from the end of March to 3 May 2006, money market rates at the one-, three-, six- and twelve-month maturities rose slightly by 2, 5, 5 and 8 basis points respectively. On 3 May the one-, three-, six- and twelve-month EURIBOR rates stood at 2.67%, 2.87%, 3.03% and 3.32% respectively. Consequently, the slope of the money market yield curve steepened slightly over the review period. The difference between the twelve- and the one-month EURIBOR increased from 59 basis points at the end of March to 65 basis points on 3 May (see Chart 8).

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in June, September and December 2006 stood at 3.01%, 3.29% and 3.51% respectively on 3 May. Compared with the levels observed at the end of March, this represented a decrease of 7 and 3 basis points for the June and September contracts, and an increase of 1 basis point for the December contract.

In connection with end-of-month effects, the EONIA rose at the end of March to 2.62% and increased somewhat further in early April due to market perceptions that liquidity conditions had become significantly tighter towards the end of the maintenance period ending on 11 April. The size of the liquidity deficit foreseen by both the ECB and market participants at the end of the maintenance period made it clear that a liquidity-providing fine-tuning operation would be necessary on 11 April. The tight liquidity situation was mainly attributable to unusually large revisions in autonomous factors (by €19.5 billion) and a substantial net recourse to the marginal

Chart 8 Short-term money market interest rates

(percentages per annum; daily data)

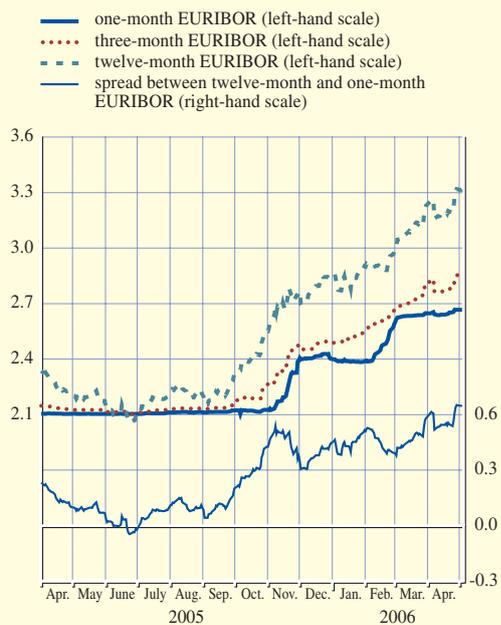
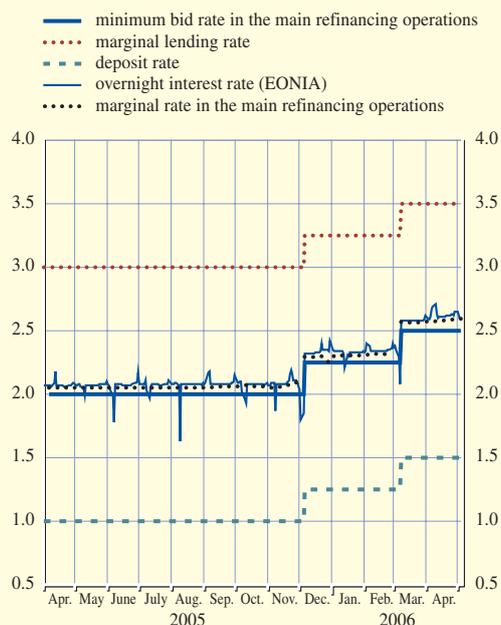


Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



lending facility (of €6.2 billion on 10 April). Thus, the ECB conducted a liquidity-providing operation of €26 billion on 11 April.

Following the relatively high and volatile overnight interest rates at the end of the third maintenance period of the year, the EONIA gradually climbed to around 2.62% during the maintenance period beginning on 12 April, implying a widening of the spread over the minimum bid rate in the Eurosystem's main refinancing operations, despite relatively loose liquidity conditions throughout the maintenance period (see Chart 9). To counter the widening of this spread, in the last two MROs of this maintenance period the ECB increased slightly further the amount allotted above the published benchmark.

During April the marginal and average rates in the Eurosystem's main refinancing operations gradually increased to 2.59% and 2.60% respectively. In the Eurosystem's longer-term refinancing operation conducted on 27 April, which was the fourth such operation with the higher allotment volume of €40 billion, the marginal and the weighted average rates rose to 2.76% and 2.78% respectively, i.e. 3 basis points higher for the respective rates than in the previous operation. Compared with the three-month EURIBOR prevailing on that date, tender rates were lower by 7 and 5 basis points respectively.

2.4 BOND MARKETS

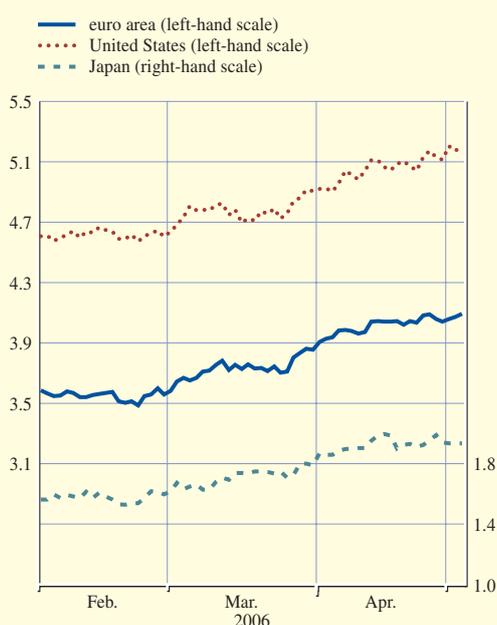
Long-term government bond yields rose significantly in the major markets in the course of April. These increases mainly reflected a rise in real yields, particularly in the euro area, on account of the improved growth prospects perceived by market participants. Overall, long-term break-even inflation rates increased somewhat, especially in the United States.

In the major bond markets, long-term interest rates increased significantly across all maturities. Ten-year government bond yields in the euro area rose by around 25 basis points between end-March and 3 May 2006 to stand at 4.1% on the latter date (see Chart 10). In the United States, ten-year government bond yields rose by a similar amount and stood at 5.2% on 3 May 2006. As a result, the differential between US and euro area ten-year government bond yields remained broadly unchanged and stood close to 110 basis points on 3 May. Ten-year government bond yields in Japan ended the review period at 1.9%, also around 15 basis points higher than their end-March levels. Market participants' uncertainty regarding short-term developments in the ten-year segment of the bond market, as indicated by the implied volatility extracted from bond options, remained broadly unchanged across all markets in April.

In the United States, the increase in long-term government bond yields observed in April was driven to more or less the same extent by two factors: higher long-term real bond yields and break-even inflation rates. As a measure of real bond yields, the yield on ten-year index-linked bonds increased by almost 10 basis points between end-March and 3 May 2006. The publication of the

Chart 10 Long-term government bond yields

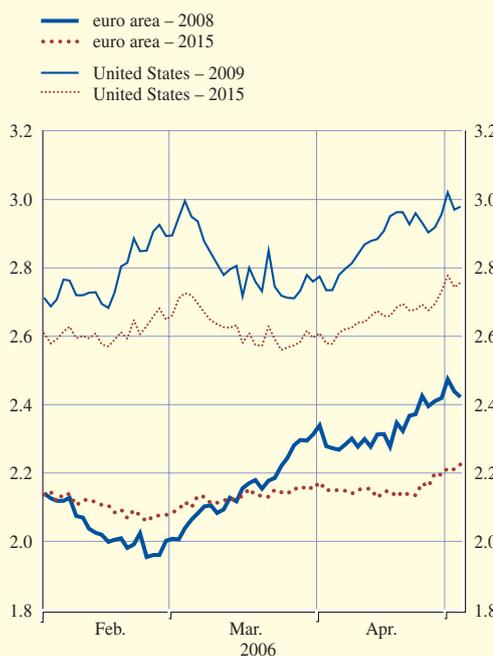
(percentages per annum; daily data)



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

Chart 11 Break-even inflation rates

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

minutes of the March meeting of the Federal Open Market Committee was perceived by investors as indicating that the Federal Reserve had come closer to the end of its tightening cycle, and this exerted some temporary downward pressure on long-term interest rates. Subsequently, the release of certain macroeconomic data – especially the consumer price index excluding food and energy, which turned out to be higher than market participants had expected – had a countervailing effect on bond yields. With investors becoming more concerned that inflationary pressures are building up in the United States, the ten-year break-even inflation rate increased by around 15 basis points over the review period (see Chart 12).

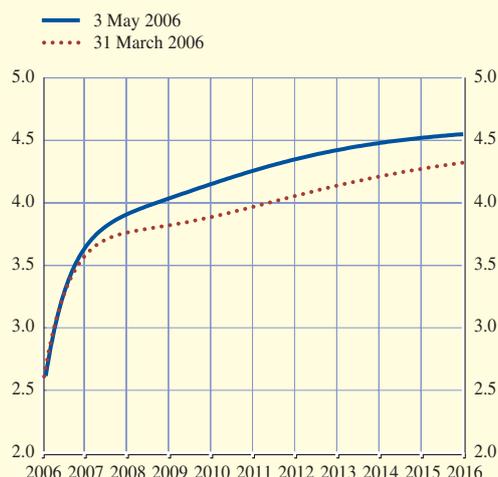
In Japan, long-term government bond yields rose in April to their highest levels in seven years. Long-term interest rates have picked up since the Bank of Japan announced the end of its quantitative easing policy on 9 March. The change to the operating target for money market operations notwithstanding, the Bank of Japan has effectively kept its policy rate at 0%. The fact that interest rates with longer maturities all picked up further during the review period indicates market participants' expectations of an earlier end to the zero interest rate policy.

In the euro area, long-term government bond yields increased further in April, supported by macroeconomic data releases which were in line with the view that the expansion of economic activity had broadly gained momentum. Reflecting this increase, ten-year index-linked bond yields rose over the course of April by around 15 basis points. In addition, the rise in real yields may also be regarded as a further normalisation of embedded risk premia following the very low levels observed in 2005. As regards euro area inflation expectations, the ten-year break-even inflation rate, derived from the difference between the yields on French nominal and index-linked government bonds maturing in 2015, increased slightly during the review period and stood at 2.2% on 3 May.

Viewed from a different perspective, the generally favourable data releases on economic activity and the business climate are likely to have contributed to the upward shift in the implied forward overnight rate curve for the euro area over medium and longer-term maturities (see Chart 12). By contrast, the Governing Council's decision on 6 April to keep the key ECB interest rates unchanged had only a muted effect on the term structure of interest rates, since it had been well anticipated by market participants.

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB estimate and Reuters.

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 zero coupon swap rates.

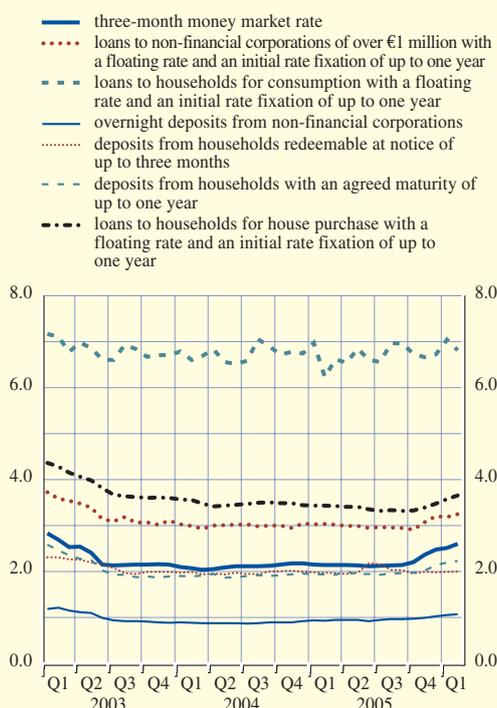
2.5 INTEREST RATES ON LOANS AND DEPOSITS

In February 2006 interest rates on most MFI lending continued to increase somewhat, in line with developments in comparable market rates.

In February 2006 short-term interest rates on most MFI loans to households and non-financial corporations continued to increase, in line with developments in the equivalent money market rates. Those increases were, however, smaller than those observed for the three-month money market rate (see Table 4 and Chart 13). The main exception to this trend was the decline in February in the rate on loans to households for consumption with a floating rate and an initial rate fixation of up to one year, which has tended to be relatively volatile over time. In addition, the rate on deposits from households redeemable at notice of up to three months remained, in February 2006, broadly unchanged from the previous month.

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

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

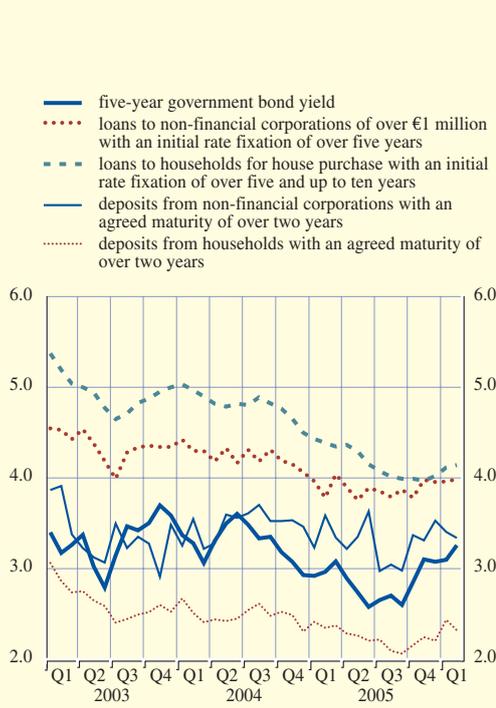


Source: ECB.

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

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

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



Source: ECB.

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

From a somewhat longer-term perspective, most short-term MFI rates increased, following the equivalent money market rates, from September 2005 onwards, albeit to a lesser extent. In this respect, the increases in short-term lending rates were, in general, somewhat stronger than those observed for short-term deposit rates. The main exceptions to the increases in MFIs' short-term rates were the rate on deposits from households redeemable at notice of up to three months and the rate on loans to households for consumption with a floating rate and an initial rate fixation of up to one year, which decreased, between September 2005 and February 2006, by 3 and 15 basis points respectively.

Long-term MFI interest rates on loans rose slightly in February 2006. By contrast, most long-term MFI interest rates on deposits declined during the same period (see Table 4 and Chart 14).

Most long-term MFI interest rates increased between September 2005 and February 2006, rising by between around 10 and 35 basis points. The most significant increases were recorded for MFI rates on deposits from households and non-financial corporations with an agreed maturity of over

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted^{1), 2)}

							Change in basis points up to Feb. 2006		
	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Jan.	2006 Feb.	2005 Feb.	2005 Nov.	2006 Jan.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.92	1.94	1.97	2.14	2.19	2.23	29	21	4
with an agreed maturity of over two years	2.38	2.21	2.06	2.21	2.44	2.32	-3	8	-12
redeemable at notice of up to three months	1.96	2.17	2.02	1.98	1.98	1.99	2	0	1
redeemable at notice of over three months	2.47	2.38	2.29	2.30	2.31	2.34	-15	7	3
Overnight deposits from non-financial corporations	0.94	0.92	0.96	1.02	1.05	1.07	14	8	2
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.00	2.01	2.04	2.26	2.27	2.31	27	23	4
with an agreed maturity of over two years	3.34	3.63	2.98	3.53	3.41	3.34	-25	3	-7
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.62	6.61	6.96	6.73	7.04	6.82	59	16	-22
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.42	3.35	3.32	3.48	3.57	3.65	22	26	8
with an initial rate fixation of over five and up to ten years	4.35	4.15	3.99	4.02	4.11	4.14	-24	17	3
Bank overdrafts to non-financial corporations	5.26	5.13	5.13	5.13	5.22	5.28	-1	19	6
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.91	3.88	3.81	3.99	4.07	4.14	20	22	7
with an initial rate fixation of over five years	4.33	4.20	4.04	4.07	4.10	4.13	-23	14	3
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.01	2.94	2.94	3.20	3.18	3.24	21	17	6
with an initial rate fixation of over five years	4.04	3.89	3.87	3.95	3.96	3.98	20	0	2
Memo items									
Three-month money market interest rate	2.14	2.11	2.14	2.47	2.51	2.60	46	24	9
Two-year government bond yield	2.49	2.07	2.21	2.80	2.86	2.97	52	24	11
Five-year government bond yield	3.08	2.58	2.60	3.07	3.10	3.26	29	16	16

Source: ECB.

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

2) Quarterly data refer to the end of the quarter.

two years, which increased by around 25 and 35 basis points respectively. By comparison, two and five-year government bond yields increased by around 75 and 65 basis points respectively during that period. As the increases in long-term MFI lending rates were, in general, significantly smaller than those observed in comparable market rates, spreads for interest rates on long-term MFI lending tended to decrease over that period.

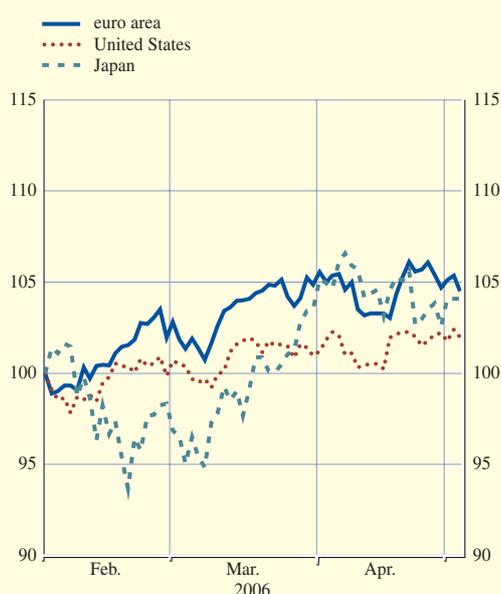
2.6 EQUITY MARKETS

Overall, prices in the global equity markets remained broadly unchanged in April. Developments in stock prices reflected, on the one hand, ongoing solid corporate earnings growth and, on the other hand, rising interest rates. Stock market uncertainty, as measured by implied volatility, was largely unchanged in the euro area and the United States.

The upward movement previously observed in stock prices in the major economies came to a halt in April (see Chart 15). Thus, stock prices in the euro area and the United States remained close to their five-year highs. In particular, stock prices in the euro area and Japan, as measured by the Dow Jones EURO STOXX index and the Nikkei 225 index, remained almost unchanged between the end of March and 3 May, while stock prices in the United States, as measured by the Standard & Poor's 500 index, rose by 1%. At the same time, stock market uncertainty in those major markets, as measured by the implied volatility extracted from stock options, remained largely unchanged at relatively low levels by historical standards (see Chart 16).

Chart 15 Stock price indices

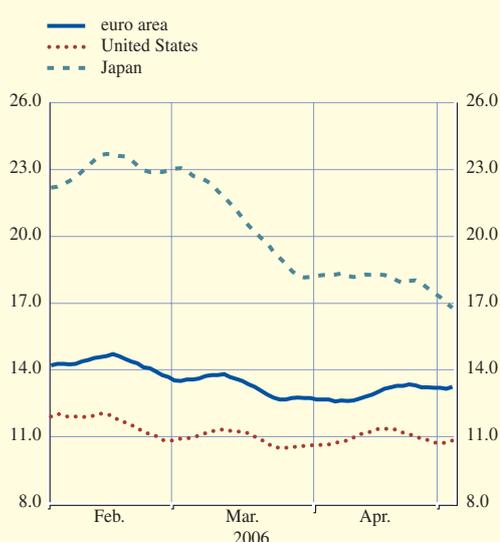
(index: 1 February 2006 = 100; daily data)



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.

Chart 16 Implied stock market volatility

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



Source: Bloomberg.

Note: The implied volatility series reflects the expected standard deviation of percentage 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.

In the United States, stock prices continued to be supported by strong actual and expected earnings growth. In addition, for a clear majority of corporations included in the Standard & Poor's 500 index, first quarter earnings exceeded analysts' estimates. In the course of April market participants began to take the view that the monetary policy tightening by the Federal Reserve could soon come to an end, supporting US stock prices. At the same time, rising long-term bond yields, which act as a discount factor for the valuation of stocks, exerted a countervailing downward pressure on the prices of US stocks.

Euro area stock prices continued to benefit in April from relatively strong earnings performance and optimism about the implications for corporate profits of increased mergers and acquisitions activity. Thomson Financial Datastream reported in April that analysts expected 9% growth in earnings per share over the coming three to five years for corporations included in the Dow Jones EURO STOXX index. Furthermore, estimates for earnings per share growth over the next 12 months by stock market analysts and corporations included in the Dow Jones EURO STOXX index continued in April to be revised upwards on a net basis. At the same time, higher bond yields acted as a countervailing factor and limited stock price gains. Concerns among market participants about the risks entailed by the recent further surge in oil prices as regards future economic activity and, therefore, corporate profitability was another factor potentially dampening the prices of non-oil-related stocks. In line with the recent surge in oil and other commodity prices, the oil and gas and basic materials sectors outperformed the broad stock market index in April.

3 PRICES AND COSTS

Euro area inflation was estimated at 2.4% in April 2006. Domestic inflationary pressures have so far remained subdued, but pressures from commodity prices, in particular oil, have kept euro area inflation above 2%. Such pressures, as well as the high volatility of oil and energy prices, are expected to continue affecting the short-term inflation outlook. Risks to price stability remain on the upside and include further increases in oil prices, a stronger pass-through of the latter into consumer prices than currently anticipated and additional increases in administered prices and indirect taxes. Furthermore, the risk of stronger than expected wage developments due to second-round effects remains, particularly in the context of a more favourable economic environment.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR APRIL 2006

According to Eurostat's flash estimate, HICP inflation in April was 2.4%, up from 2.2% in March (see Table 5). Although no detailed breakdown of the HICP components in April is available yet, the increase in the annual growth rate of the headline index may have resulted from an increase in the annual growth rate of services prices, possibly affected by unfavourable base effects arising from seasonal volatility in package holiday prices, while energy prices may have also exerted upward pressures. Eurostat's flash estimate now includes early estimates for nine of the euro area countries. In the past it included early estimates for Belgium, Germany, Greece, Italy and Spain, while France was added in December 2005, the Netherlands and Austria in March 2006 and Luxembourg as of April 2006. The current coverage corresponds to about 95% of the euro area, which is expected to improve further the reliability of the results.

HICP INFLATION UP TO MARCH 2006

In March 2006, euro area HICP inflation decreased to 2.2%, from 2.3% in February. This decline resulted mainly from developments in energy and unprocessed food prices.

In March the annual growth rate of energy prices declined for a second consecutive month, falling by 2.0 percentage points to 10.5%. On a month-on-month basis, energy prices increased moderately by 0.5%, similar to the rate in February (0.4%). The decline in the annual rate underscores the high volatility of oil and energy prices over recent years. The sharp increase in energy prices last

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Nov.	2005 Dec.	2006 Jan.	2006 Feb.	2006 Mar.	2006 Apr.
HICP and its components								
Overall index ¹⁾	2.1	2.2	2.3	2.2	2.4	2.3	2.2	2.4
Energy	4.5	10.1	10.0	11.2	13.6	12.5	10.5	.
Unprocessed food	0.6	0.8	1.5	1.5	2.0	1.7	0.6	.
Processed food	3.4	2.0	2.6	1.8	1.9	1.9	2.3	.
Non-energy industrial goods	0.8	0.3	0.4	0.4	0.2	0.3	0.5	.
Services	2.6	2.3	2.1	2.1	2.0	2.0	1.9	.
Other price indicators								
Industrial producer prices	2.3	4.1	4.2	4.7	5.3	5.4	5.1	.
Oil prices (EUR per barrel)	30.5	44.6	47.9	48.5	52.5	51.8	52.6	57.6
Non-energy commodity prices	10.8	9.4	22.5	29.8	23.1	23.1	17.7	23.2

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

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

March has given rise to favourable base effects which are behind the easing of energy price inflation in year-on-year terms.

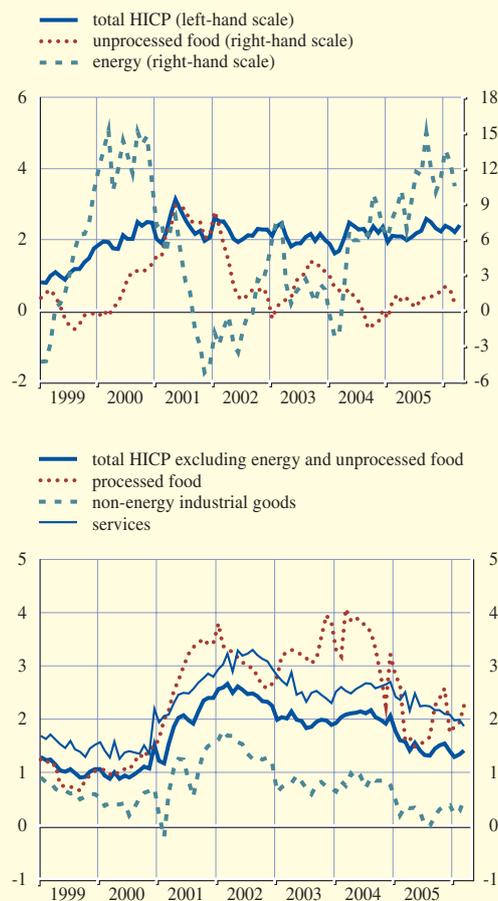
Unprocessed food prices were lower in March compared with February and favourable base effects further supported the decline in the annual rate of change to 0.6%, from 1.7% in February. This decline mainly reflected developments in fruit and vegetable prices. There is still no evidence that avian flu had any significant impact on euro area unprocessed food prices up to March, although there has been a modest increase in the annual rate of change in meat prices, from 0.9% last October to 1.4% in March. Nonetheless, there remains some small upward risk, as it is possible that some impact may be observed in the coming months.

The annual rate of change in the HICP excluding unprocessed food and energy (HICPX) increased in March to 1.4%, from 1.3% in February (see Chart 17). This resulted from increases in the inflation rates of both processed food and non-energy industrial goods. Processed food prices picked up somewhat in March in year-on-year terms to 2.3%, from 1.9% in February, with this pick-up being observed in many of its components. The annual rate of change in non-energy industrial goods prices also increased by 0.2 percentage point to 0.5%, which was partly accounted for by unfavourable base effects arising from a weaker than normal post-sales rebound in prices in March 2005. While price increases in this component remain contained, the recent gradual increase in the annual growth rate of non-energy industrial goods prices since January could also reflect some indirect effects from high input costs on consumer prices. However, in the context of strong international competitive forces and relatively subdued consumption demand, such effects appear to remain thus far contained.

Turning to services prices, their annual rate of growth continued to decline in March, to reach 1.9% following its broad pattern observed over the past year. It is worth noting that this decline has been broadly based across most of the services components. It has been the strongest for communications services, where price declines have become more significant since 2002 to stand at -3.3% in the first quarter of 2006 compared to an average of -0.3% in 2002, and for miscellaneous services prices (including health and insurance). Housing services inflation, however, has remained rather stable, at around 2½% since 2002. This can be largely explained by developments in rent prices.

Chart 17 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

3.2 INDUSTRIAL PRODUCER PRICES

The annual rate of change in overall industrial producer prices (excluding construction) declined to 5.1% in March 2006, from 5.4% in February (see Chart 18). The deceleration in the overall index was largely driven by a decline in the annual rate of growth of energy prices, which in turn was driven to a large extent by a favourable base effect. At the same time this was consistent with the broad stabilisation of oil prices (in euro terms) registered in March. However, the recent renewed acceleration in oil prices suggests that the danger of further pressures coming from that component will remain significant, at least in the short term.

The only component to register an increase in terms of its annual rate of change was the one relating to producer prices of intermediate goods, which rose in March for the fifth consecutive month. As intermediate goods producer prices are closely related to developments in the prices of industrial raw materials and the latter have been on an upward path since late 2004, further upward pressure in intermediate goods producer prices may be expected over the course of the coming months. The annual rate of change in producer prices of both consumer goods and capital goods remained stable in March, as in the previous month. As a consequence, the annual rate of growth of producer prices excluding energy (and construction) continued to rise slightly in March, for the third consecutive month.

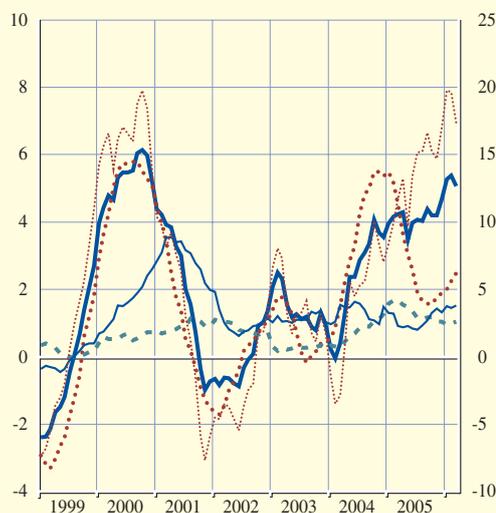
From a longer-term perspective, the rise in the annual rate of change in producer prices of consumer goods in both the fourth quarter of 2005 and the first quarter of 2006 suggests that commodity price pressures may have started to be partly passed through to the later stages of production.

Turning to price-related survey indicators, according to NTC economics, the input price index in the manufacturing sector increased in April to 65.5, after a short-lived downward move in the previous month (see Chart 19). This can be largely explained by developments in energy prices, which remained rather stable in February and March, but picked up again in April. The rise in the input price index since mid-2005, which is likely to be associated with not only higher energy prices, but also the upsurge in prices of industrial raw materials observed since early 2005, suggests that input cost pressures have strengthened significantly in manufacturing. At the same time, the manufacturing prices charged index registered its highest value since October 2004, reaching 54.8 and suggesting that in the last few months firms have increasingly passed on higher input costs to customers. At the time of writing no April survey data were available for services prices. According to the input price index for the services sector, input price inflation eased somewhat in March compared with the previous month, while the respective selling price

Chart 18 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

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



Sources: Eurostat and ECB calculations.

indicator pointed to a strengthening of the pass-through of past increases in input costs to final output prices, a pattern that has probably continued into April, reflecting the ongoing pick-up in input prices on the back of higher commodity costs. In this respect, available survey data are consistent with the view of an already visible, albeit gradual pass-through of firms' higher input costs to customers.

3.3 LABOUR COST INDICATORS

In the fourth quarter of 2005, the annual rate of growth in euro area compensation per employee was 2.1% (see Table 6). For the year as a whole, compensation per employee growth was 2.0%, the same as in 2004. Significant revisions were made following the release of annual compensation figures for most euro area countries, raising the euro area annual growth rate by 0.2-0.5 percentage point for each of the last five quarters. Although such revisions have not been uncommon in the past, they were relatively large in this case, changing somewhat the picture of wage developments in 2005 and suggesting less moderate developments than previously implied. However, caution is warranted as delays in national data dissemination in some countries imply that further revisions are possible. Moreover, the limited data availability hindered the calculation of the sectoral breakdown of euro area compensation per employee (see Chart 20) for the last quarter of 2005 as well as for the year as a whole. Nevertheless, the available country information suggests that growth in compensation per employee might have fallen in industry excluding construction, while it may have picked up slightly in the services sector.

The above caveats notwithstanding, these latest indications are still in line with a picture of moderate wage developments in the period up to the end of 2005. This is also confirmed by the other available labour cost indicators (see Chart 21). The annual growth rate of euro area hourly labour costs in the non-agricultural business sector was 2.4% in the fourth quarter of 2005, up

Chart 19 Producer input and output price surveys

(diffusion indices; monthly data)



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

Table 6 Labour cost indicators

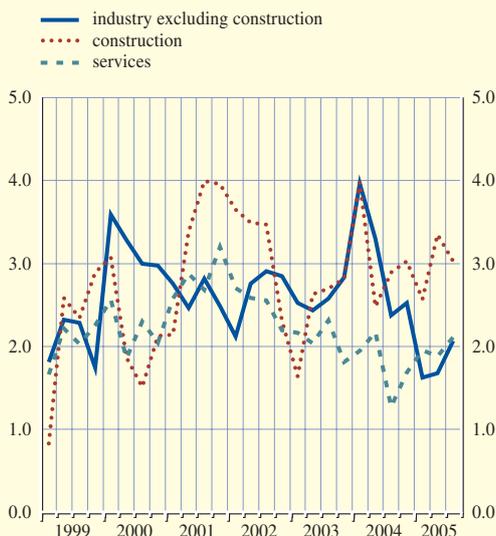
(annual percentage changes, unless otherwise indicated)

	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	2.6	2.4	3.2	2.5	2.3	2.4
Compensation per employee	2.0	2.0	1.9	1.8	1.9	2.1	2.1
<i>Memo items:</i>							
Labour productivity	1.1	.	0.6	0.3	0.4	0.8	.
Unit labour costs	1.0	.	1.3	1.5	1.5	1.3	.

Sources: Eurostat, national data and ECB calculations.

Chart 20 Sectoral compensation per employee

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Chart 21 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

slightly from the previous quarter, but in line with a levelling-off of the annual rate of change of the series at around 2.5% since the second half of 2004. In addition, the annual growth rate of the euro area indicator of negotiated wages remained moderate at 2.0% in the final quarter of last year, averaging 2.1% in 2005, similar to the rate recorded in 2004. It thus appears that the still gradual nature of the economic recovery in the euro area, combined with a high unemployment rate and the international competitive forces stemming from low-cost countries located outside the euro area have kept wage growth contained.

Due to the above-mentioned data availability problems, it is not yet possible to calculate euro area labour productivity and thus unit labour costs for the final quarter of 2005 as well as for the year as a whole. Data up to the third quarter of 2005 point to annual unit labour cost growth of around 1.4%. Moreover, available country information suggests that unit labour costs remained contained in the final quarter of last year. In this respect, the inflationary pressures stemming from the euro area labour market have thus far remained contained.

3.4 THE OUTLOOK FOR INFLATION

Developments in energy prices continue to drive the inflation profile in the euro area and external pressures from oil as well as non-energy commodity prices have remained strong. This notwithstanding, thus far domestic inflationary pressures in the euro area have remained subdued, supported by contained labour cost growth and the limited ability of firms to pass on higher non-labour input costs to consumers. Against this background, inflation is expected to remain above 2% in the short run and somewhat volatile. Beyond the short term, changes in administered prices and indirect taxes are expected to affect inflation significantly in 2007, and a further upward

impact may also be expected from the indirect effects of past commodity price increases. Such an outlook is also in line with the views of private forecasters (see Box 3). The risks surrounding the HICP inflation outlook remain on the upside. These relate to even higher commodity prices, a stronger pass-through of these into consumer prices and the risk from stronger than expected increases in indirect taxes and administered prices. In terms of possible inflationary pressures from the labour market, it is essential that social partners continue to meet their responsibilities so as to avoid any second-round effects from high energy prices feeding into wage demands and leading to possible wage-price spirals, particularly in the context of a more favourable economic environment.

Box 3

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE SECOND QUARTER OF 2006

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the second quarter of 2006, conducted between 20 and 26 April 2006. The SPF gathers information on expectations for euro area inflation, economic activity and unemployment from experts affiliated to financial or non-financial institutions based in the EU. It is important to bear in mind that, given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions.

Inflation expectations for 2006 and 2007

SPF forecasters revised their short-term inflation expectations upwards compared with the previous survey conducted in January 2006. Average annual HICP inflation is now expected to stand at 2.1% in both 2006 and 2007, 0.1 percentage point higher than in the previous SPF. Many survey respondents cited recent developments in oil prices and their impact on domestic prices as the main reason for this upward revision. SPF inflation expectations for 2006 and 2007 are slightly higher than the estimates from both Consensus Economics and the Euro Zone Barometer published in mid-April 2006, which were at 2.0% (see table).

SPF participants were also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability, expressed as a percentage, of the future outcome being within a specific interval. The probability distribution resulting from the aggregation of responses also helps to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. Chart A, which shows the aggregate probability distributions for average annual rates of HICP inflation in 2006 in the last three survey rounds, points to a further upward shift in the risks in the most recent SPF round. The probability that inflation may stand between 2.0% and 2.4% is now more than twice that of inflation standing between 1.5% and 1.9%.¹ According to participants' qualitative responses, future oil prices are the main source of upward risks. However, contained wage growth, exchange rate developments and further downward pressure from globalisation are seen as limiting the upside risks to inflation.

¹ Additional data are available on the ECB's website at www.ecb.int/stats/prices/indic/forecast/html/index.en.html.

Results from the SPF, Consensus Economics and Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

HICP inflation	Survey horizon				
	Mar. 2007	2006	Mar. 2008	2007	Longer-term ²⁾
Q2 2006 SPF	2.1	2.1	1.9	2.1	1.9
Previous SPF (Q1 2006)	-	2.0	-	2.0	1.9
Consensus Economics (Apr. 2006)	-	2.0	-	2.0	1.9
Euro Zone Barometer (Apr. 2006)	-	2.0	-	2.0	1.8
Real GDP growth	Q4 2006	2006	Q4 2007	2007	Longer-term ²⁾
Q2 2006 SPF	2.2	2.1	1.8	1.9	2.1
Previous SPF (Q1 2006)	-	2.0	-	1.9	2.1
Consensus Economics (Apr. 2006)	-	2.0	-	1.8	1.9
Euro Zone Barometer (Apr. 2006)	-	2.0	-	1.8	1.9
Unemployment rate ¹⁾	Feb. 2007	2006	Feb. 2008	2007	Longer-term ²⁾
Q2 2006 SPF	8.0	8.1	7.7	7.9	7.2
Previous SPF (Q1 2006)	-	8.2	-	8.0	7.2
Consensus Economics (Apr. 2006)	-	8.2	-	8.0	-
Euro Zone Barometer (Apr. 2006)	-	8.2	-	8.0	7.5

1) As a percentage of the labour force.

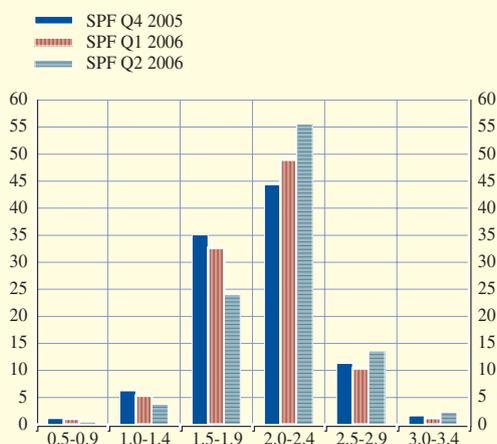
2) In the current and the previous SPF rounds and in the Euro Zone Barometer, longer-term expectations refer to 2010. The Consensus Economics forecast refers to the period 2012-16 (data published in the April 2006 Consensus Economics Survey).

Indicators of longer-term inflation expectations

Longer-term inflation expectations (for 2010) remained unchanged at 1.9% for the 18th consecutive SPF round. These expectations are in line with the latest published estimate from Consensus Economics for six to ten years ahead, but slightly higher than those for 2010 from the April 2006 Euro Zone Barometer. The unchanged mean of the point estimates of 1.9% since

Chart A Probability distribution for average inflation in 2006 in the last three rounds of the SPF ¹⁾

(percentages)

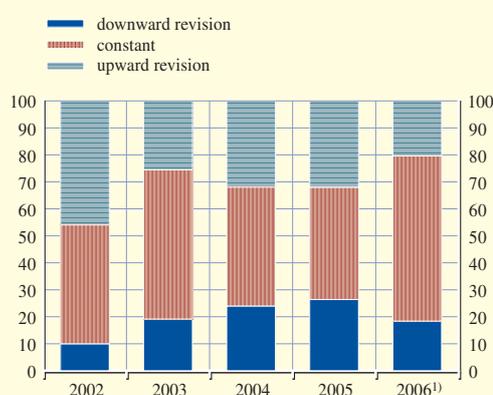


Source: ECB calculations.

1) Corresponds to the aggregation of each individual probability distribution provided by SPF forecasters.

Chart B SPF forecasters and their revisions to long-term inflation expectations from one year to the next

(percentage share)



Source: ECB calculations.

Note: For the calculation, annual averages of long-term inflation expectations of individual forecasters are compared for two consecutive years.

1) Refers to the first half of 2006.

Chart C Probability of inflation five years ahead being at or above 2%

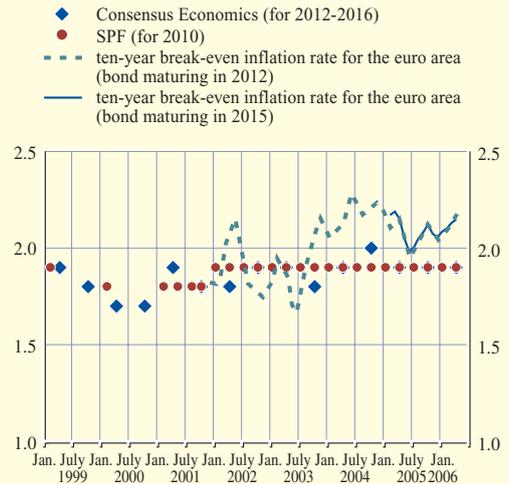
(percentages)



Source: ECB calculations.

Chart D Indicators of long-term inflation expectations

(average annual percentage changes)



Sources: French Treasury, Reuters, Consensus Economics and ECB.

the Q1 2002 SPF hides revisions by individual forecasters, which have offset each other. Chart B shows the percentage share of SPF participants that have revised their annual average long-term inflation expectations from one year to the next.² It indicates that many participants have revised their longer-term inflation expectation over time. On average, from 2002 to the first half of 2006, about half of the survey participants changed their expectations from one year to the next.

Whilst the average point estimate for longer-term inflation is stable and shows no sign of an increase, upside risks attached to long-term inflation expectations nevertheless continue to rise. This is indicated in Chart C, which shows that the average assessment of respondents on the probability of inflation five years ahead standing at or above 2.0% rose further in the second quarter of 2006 to 47.3%.

SPF survey results can also be compared with the “break-even inflation rate”, an indicator of long-term inflation expectations among market participants calculated as the yield spread between nominal and inflation-linked bonds. The break-even inflation rates derived from the French government inflation-linked bonds (linked to the euro area HICP excluding tobacco) maturing in 2012 and 2015 have edged up somewhat since January 2006 (see Chart B).³ However, break-even inflation rates should not be interpreted as direct measures of inflation expectations as they may also incorporate various risk premia (such as inflation uncertainty

2 Only those respondents that have actually participated in surveys for two consecutive years are included in the calculation. To obtain the percentage shares of forecasters revising their expectations, the annual average of long-term inflation expectations of individual SPF forecasters for two years is compared to check whether it has remained unchanged, or been revised upwards or downwards. Annual averages are rounded to one decimal point.

3 It should be noted that the break-even inflation rate reflects average expected inflation over the (residual) maturity of the bonds used in its construction and is not a point estimate for a precise year (as is the case for some of the survey indicators of long-term inflation expectations). For a description of the conceptual nature of the break-even inflation rate, see the article entitled “Extracting information from financial asset prices” in the November 2004 issue of the Monthly Bulletin.

and liquidity premia). Consequently, developments in break-even inflation rates may partly reflect more uncertainty among investors about future inflation and a resulting willingness to pay a premium for a hedge.

Expectations for real GDP growth and unemployment in the euro area

SPF forecasters revised upwards their point estimate for real GDP growth in 2006 by 0.1 percentage point from the previous SPF round to 2.1%. The upward revision reflects improved expectations for domestic demand – especially for private consumption – and the external environment. According to several respondents, private consumption growth should benefit from improving labour market conditions and in part also from anticipated spending in the second half of 2006 to avoid the impact of the planned VAT hike in Germany in January 2007. Regarding the external environment, forecasters cited that the global economy is expected to remain robust in 2006 and to support euro area investment and exports. The point estimate for 2007 remained unchanged at 1.9%. On balance the risks for growth in 2006 and 2007 are assessed by SPF forecasters to be broadly neutral. However, in their qualitative explanations respondents stressed oil price increases, exchange rate developments and a possibly weaker than expected labour market improvement as possible downward risks to growth. Longer-term growth expectations (for 2010) are unchanged at 2.1%. Compared with other growth forecasts published recently, the SPF forecasts for real GDP growth for all horizons considered are slightly more optimistic than the results from Consensus Economics and the Euro Zone Barometer (see table).

Unemployment rate expectations for 2006 and 2007 have been revised down from the previous round by 0.1 percentage point. The unemployment rate is now expected to stand at 8.1% in 2006 and 7.9% in 2007. SPF forecasters justified the downward revisions mainly on account of stronger economic growth in the short term and the gradual expected impact of recent labour market reforms (e.g. in Germany) over time. The expected rate of unemployment in 2010 stands at 7.2%, unchanged compared with the previous round, but it is assessed to be uncertain and conditional on further labour market reforms.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Available economic data suggest that the recovery gained momentum at the start of 2006, implying that the slowdown observed in the fourth quarter of last year was temporary. The positive readings of survey indicators, together with industrial production and labour market data, point to a strengthening of economic activity. The outlook for the euro area continues to be supported by favourable developments in the external environment, gains in earnings and business efficiency, and very favourable financing conditions. However, these prospects are still subject to downside risks stemming from uncertainties surrounding oil price movements and global imbalances.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

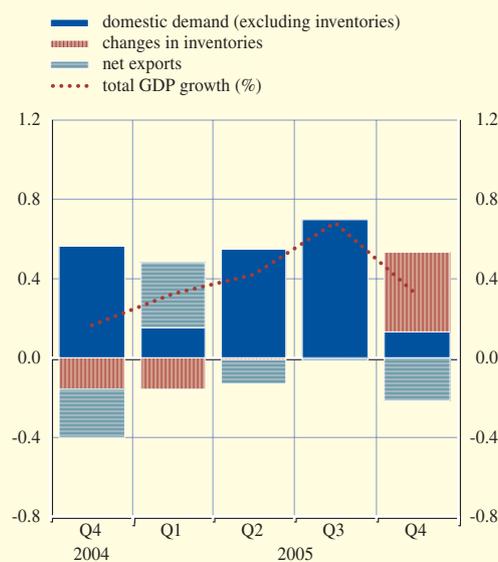
Eurostat's second release of national accounts data, published in April, confirmed that euro area real GDP had expanded by 0.3% quarter on quarter in the fourth quarter of 2005, following quarter-on-quarter growth of 0.7% in the third quarter (see Chart 22).

In terms of the composition of growth, the information in the second release has changed considerably from that in the first. Growth in private consumption was revised upwards to 0.1% in quarter-on-quarter terms, from a contraction of 0.2%. At the same time, the growth rate of investment was revised substantially downwards, from 0.8% to 0.3%. Exports were revised upwards, but this has been counterbalanced by an upward revision of imports. As a result, the contribution of net trade remained unchanged at -0.2 percentage point. Changes in inventories provided the largest positive quarterly contribution to real GDP growth in the fourth quarter (0.4 percentage point – unchanged from the first release). This appears to have reflected the deceleration in domestic demand.

In annual terms, real GDP expanded by 1.4% in 2005. This was driven by domestic demand, the contribution of which was 1.6 percentage points. Both private and government consumption grew by 1.4%, while investment rose by 2.5%. The latter increase is above the average for investment growth over recent years, and is broadly comparable with the average recorded in the 1990s (see Box 4, entitled “Estimates of the euro area capital stock”, which analyses developments in the euro area capital stock from 1980 to 2005). The contribution of net trade to annual real GDP growth was -0.2 percentage point.

Chart 22 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

Box 4

ESTIMATES OF THE EURO AREA CAPITAL STOCK

This box presents, for the first time, ECB estimates for the capital stock of the euro area. Capital stock is defined as the value of all fixed assets in use, where fixed assets are described as produced assets (i.e. excluding land) that are used in the production process for more than a year.¹ The box analyses trends in the euro area capital stock at constant prices for the period 1980-2005.

Estimation method

According to the current EU Regulation on national accounts data², EU Member States should provide annual data on fixed assets for the total economy and a number of product types within 24 months of the reference year. However, as not all euro area countries currently provide capital stock data³, an estimate of the euro area aggregate capital stock cannot be derived as a straightforward summation of country data. The part accounted for by the countries for which no such data are available therefore needs to be approximated. The ECB estimates are based on the capital accumulation equation, which links the capital stock (K) to investment (I) and the retirement rate (r): $K_t = (1 - r_t) * K_{t-1} + I_t$. In other words, the gross capital stock in a given year equals that of the previous year minus that part of the stock that has reached the end of its service life plus the gross fixed capital formation in the current year (the same applies for net capital stock, with the difference that consumption of fixed capital or depreciation is also taken into account).

In the case of those countries for which capital stock and gross fixed capital formation (investment) data are available, the retirement and depreciation rates are not directly observable but can be estimated using the capital accumulation equation. In the case of those countries for which capital stock data are not available (which account for about one-fifth of euro area investment), the retirement and depreciation rates, as well as the initial level of capital stock, need to be estimated. In deriving a proxy for the capital stock of the missing countries in the starting year 1980, the 1980 GDP-to-capital stock ratio of the missing countries is assumed to be equal to the same ratio for the available countries. This ratio is in fact relatively similar and relatively stable over time across countries for which data are available. Furthermore, the retirement and depreciation rates corresponding to those countries for which data are not available are assumed to be equal to the average retirement and depreciation rates of the other countries. Combining these results yields estimates for the total euro area capital stock and four main product types.

Evolution of the capital stock and breakdown by product type

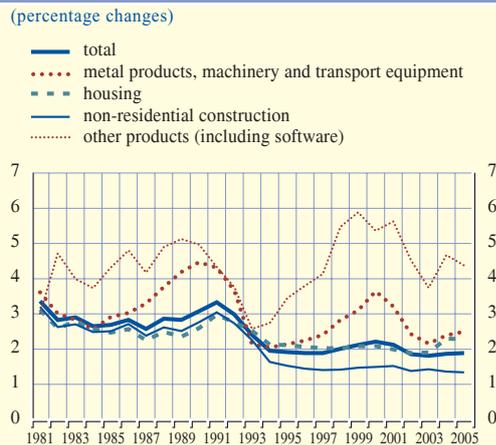
The gross capital stock reflects the physical capital available in an economy for production processes. The ECB estimates show that the volume of total euro area gross capital stock grew

1 For further information, see paragraphs 7.14-7.15 of the European System of Accounts and OECD Manual "Measuring Capital: Measurement of Capital Stocks, Consumption of Fixed Capital and Capital Services" (2001).

2 See Annex B of Council Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community.

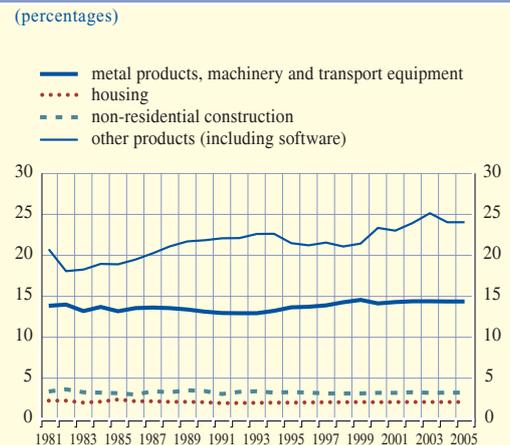
3 At present, capital stock estimates are published by seven euro area countries: Belgium, Germany, France, Italy, the Netherlands, Austria and Finland.

Chart A Euro area capital stock volume growth



Source: ECB calculations.

Chart B Depreciation rates by product type



Source: ECB calculations.

on average 2.4% per annum in the period 1981-2005. Two periods can be broadly distinguished: between 1981 and 1992, when the annual growth in the capital stock volume was about 2.8%, and from 1992 onwards, when it slowed down to about 2.1%. As far as the product types are concerned (see Chart A), growth in metal products, machinery and transport equipment was 3.0% in the period 1981-2005. Somewhat lower growth was observed for housing (2.4%) and for non-residential construction (2.1%). However, growth was strongest for “other products” (4.3% in the period 1981-2005), a category which includes, in particular, ICT products.

Product type and depreciation rates

For the total capital stock, the depreciation rate has been broadly constant at 4.6% per year. This corresponds to an average lifetime of the capital stock of around 20 years. Chart B shows the depreciation rates for four product types. As expected, depreciation rates are lower for construction than for non-construction assets because of the higher average lifetime of construction assets. For construction, the depreciation rates are also broadly constant throughout the period, at around 2% per year for housing and 3% for non-residential construction. These two groups account for over three-quarters of the overall capital stock. For non-construction assets, the depreciation rates are significantly higher. They are broadly constant for metal products, machinery and transport equipment at around 14%. Notwithstanding some decline at the beginning of the period, the depreciation rate for the “other products (including software)” category has increased steadily. The depreciation rate is estimated to have been 24% per year in 2005. This corresponds to an average lifetime of around four years, reflecting to a large extent the fact that ICT equipment depreciates more quickly than other assets.

Share of replacement investment in total investment

Changes in investment that exceed the replacement of depreciated capital stock may be seen as an indication of increasing

Share of replacement investment in total euro area investment

1981-1985	1986-1990	1991-1995	1996-2000	2001-2005
52.1%	50.4%	50.9%	52.2%	53.9%

Source: ECB calculations.

confidence about future sales. This information is therefore useful in assessing the robustness of investment growth. The table shows the share of replacement investment in total investment over various periods.

Overall, the share of replacement investment has increased since the early 1990s (see Chart C). The acceleration of the depreciation of some assets cannot alone explain this upward movement. The increase may also be related to the weakness of investment previously observed at the euro area level and/or to a lowering of the optimal ratio of capital to output. Nevertheless, a counter-cyclical pattern seems to emerge in the evolution of the share of replacement investment, in particular for non-construction assets, i.e. the two categories: “metal products, machinery and transport equipment” and “other products (including software)”.

In downturns, new investment is mainly used for the replacement of the existing capital stock, albeit likely with more modern and efficient assets. As the recovery gathers pace, companies increasingly invest to extend capacity. The share of replacement investment therefore decreases. In this respect, looking at the last few years, available estimates up to the end of 2005 suggest that the recovery in investment has so far not been strong enough to lead to a decrease in the share of replacement investment, even though some decline in the replacement share of non-construction investment has been visible since 2003.

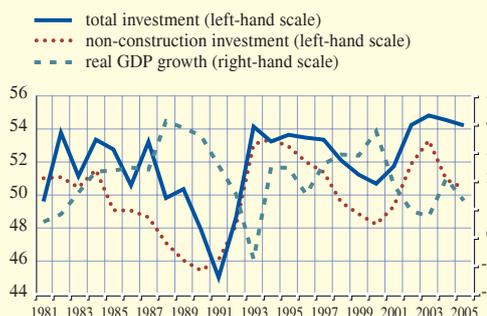
Overall, the provision of this new source of statistics allows a better understanding of the structure of euro area productive assets and investment behaviour. In particular, the increase in non-construction investment for capacity expansion purposes since 2003 provides some support for a positive outlook for economic activity in the euro area.

The breakdown of investment for the fourth quarter of 2005 has become available, and shows that the contribution to total investment growth from investment in transport equipment and construction was positive (0.1 and 0.5 percentage point respectively), while the contribution of investment in metal products and machinery was negative (-0.3 percentage point). The low growth in investment in the fourth quarter is perhaps best interpreted as a correction of the strong growth registered in the third quarter. Both domestic and external conditions for a recovery in investment growth are in place. In particular, the global economy is continuing to expand at a robust pace and the outlook for economic activity remains favourable.

Survey data, including those available for aggregate real output, have been very positive over the last few months. Given that surveys are published about one quarter before national accounts, this is a further indication of the improving state of the business cycle in the first quarter of this year. In this regard, Box 5, entitled “The usefulness of business tendency survey indicators for conjunctural analysis”, examines the value of business survey data for assessing real GDP growth developments in the euro area and the three largest euro area economies.

Chart C Share of replacement investment and GDP growth

(percentages; annual percentage changes)



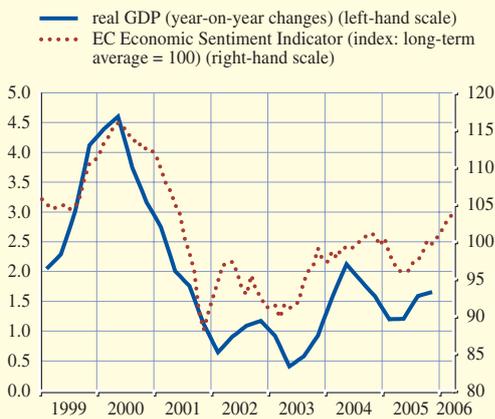
Source: ECB calculations.

Box 5

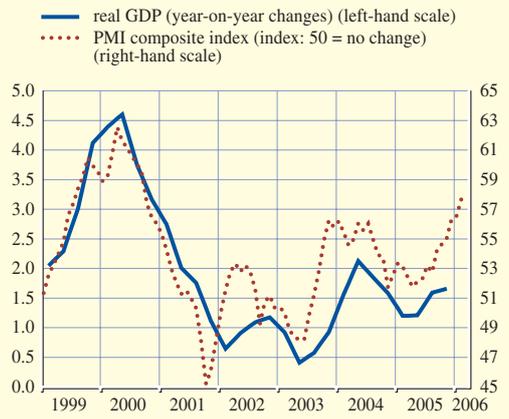
THE USEFULNESS OF BUSINESS TENDENCY SURVEY INDICATORS FOR CONJUNCTURAL ANALYSIS

Business tendency survey data are widely used for conjunctural analysis owing to their high frequency and timeliness. However, the value of such survey data ultimately depends on the extent to which they convey reliable information about economic developments. This box focuses on the usefulness of these data for assessing real GDP growth developments in the euro area and the three largest euro area economies.

Chart A Euro area business survey data and real GDP growth



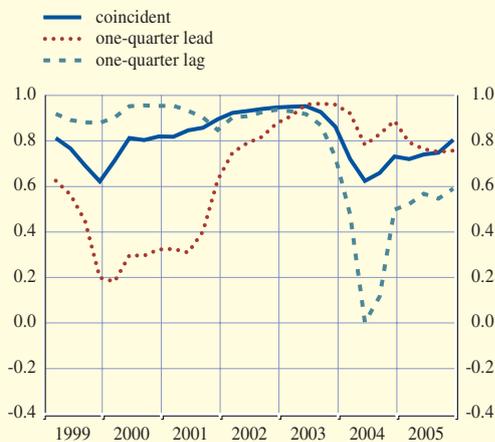
Sources: Eurostat and European Commission.
Note: GDP data are seasonally and working day adjusted.



Sources: Eurostat and NTC Economics.
Note: GDP data are seasonally and working day adjusted.

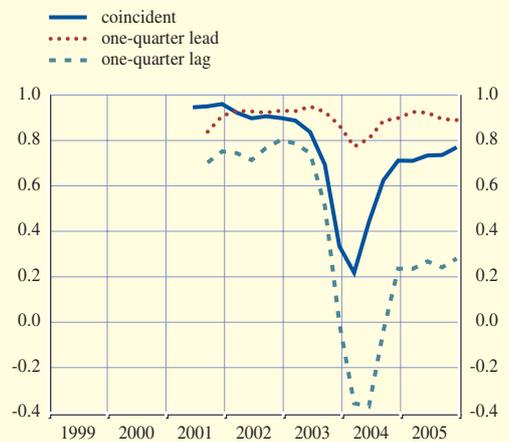
Chart B Rolling correlations between business survey data and year-on-year real GDP growth

EC survey and real GDP growth



Sources: Eurostat and European Commission.

PMI survey and real GDP growth



Sources: Eurostat and NTC Economics.

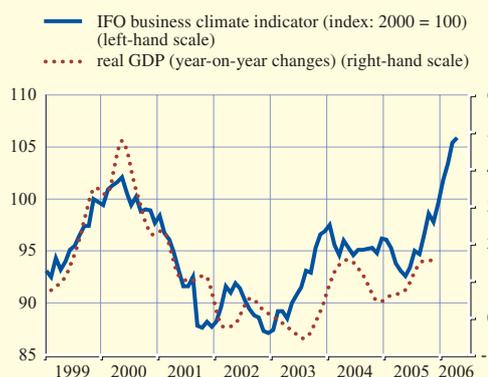
Survey data on euro area aggregate economic activity are provided by the European Commission's Economic Sentiment Indicator (ESI) and the composite Purchasing Managers' Index (PMI) published by NTC Economics.¹ While the ESI and the PMI have deviated from the GDP series on occasions, annual real GDP growth rates are generally positively correlated with both the ESI and the composite PMI (see Chart A). The ESI seems to be a coincident rather than a leading indicator for real output developments. Nevertheless, it still provides valuable information regarding the state of the business cycle, as it is published approximately one quarter before the national accounts. The PMI, in contrast, has exhibited stronger leading than coincident indicator properties over the short time period for which it has been available.

Rolling correlation coefficients allow developments in the co-movement between series to be traced over time and the stability of the relationship to be evaluated. Chart B shows correlations between survey data and year-on-year real GDP growth for a 12-quarter window for the period 1999-2005 (when available). In addition to the ESI, the composite PMI is also shown. The correlations between these two survey indicators and real GDP growth have exhibited rather unstable behaviour over the period in question. Of particular note is the dip in 2004, which could be related to the high degree of volatility of real GDP growth observed during the corresponding 12-quarter window that spans from mid-2001 to mid-2004. In 2004, the temporary deterioration in the ESI's coincident indicator properties resulted in the leading indicator properties being stronger. Still, over the last few years, the ESI and the PMI have retained reasonably good coincident and leading indicator properties respectively.

¹ The ESI is a weighted average of confidence indices for manufacturing, services, consumers, retail trade and construction. Confidence indicators are composite indicators comprising responses from the respective surveys. The composite PMI index consists of both the manufacturing and services sector indices.

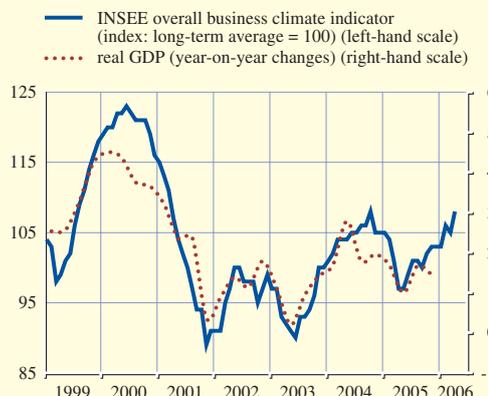
Chart C National business survey indicators and year-on-year real GDP growth

Germany



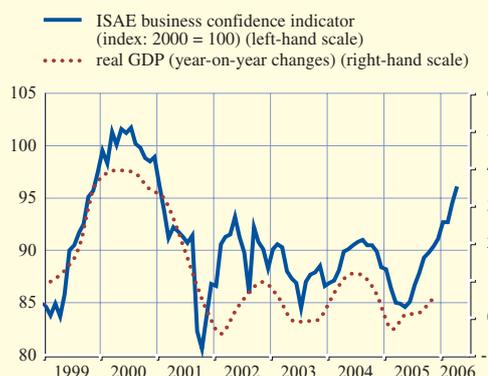
Sources: Eurostat and IFO.

France



Sources: Eurostat and INSEE.

Italy



Sources: Eurostat and ISAE.
Note: GDP data are seasonally and working day adjusted.

Maximum correlation between national business surveys and real GDP growth

	Period	Maximum correlation	Period	Maximum correlation
Euro area				
based on ESI	92:1 - 05:4	0.92 [0]	99:1 - 05:4	0.91 [0]
based on PMI			99:1 - 05:4	0.88 [+1]
Germany	81:1 - 05:4	0.83 [0]	99:1 - 05:4	0.83 [+1]
France	81:1 - 05:4	0.86 [0]	99:1 - 05:4	0.92 [0]
Italy	91:1 - 05:4	0.79 [0]	99:1 - 05:4	0.86 [0]

Note: Entries in this table report the highest correlation coefficients when investigating different lags and leads. Numbers in brackets report by how much the survey data leads (positive numbers) or lags (negative numbers) the year-on-year real GDP growth data. The ESI and the PMI are surveys for euro area aggregate economic activity. The IFO, the INSEE and the ISAE are the national business surveys for Germany, France and Italy respectively. All entries in the table are significant at the 1% level.

Turning to the three largest euro area countries, a substantial degree of co-movement between year-on-year real GDP growth and national survey data is observed for Germany, France and Italy (see Chart C). Occasionally, however, national business survey data and real GDP growth developments do provide conflicting signals regarding the state of the economy. While such periods of discrepancy between national business confidence surveys and real GDP growth are normally short-lived, more prolonged periods of discrepancy between the series have also been observed. The apparent conflict may sometimes be related to the fact that, on occasions, the survey data leads developments in real GDP growth. However, as this is not always the case, caution is warranted in interpreting such episodes of discrepancy between the two series.

Correlation analysis – showing the lag or lead at which the maximum correlation between economic activity and survey data has been obtained – indicates a significant level of co-movement between so-called hard and soft data across the board (see table), confirming the findings based on the visual inspection reported above in Charts A and B at the euro area level and Chart C for the three largest euro area countries. The results confirm that the ESI is best seen as a coincident indicator of euro area real economic activity, whereas the composite PMI shows better leading than coincident indicator properties over the time period for which it has been available. National business surveys are broadly coincident indicators of economic activity, although over the more recent period starting in 1999, the German IFO indicator appears to have shown some leading properties. Chart C confirms the leading indicator properties of the German IFO indicator, as it reveals – most notably since 2001 – a tendency for the survey data to lead the developments in economic activity. The computation of rolling correlation coefficients between survey data and real GDP for a 12-quarter window reveals a substantial degree of instability in the correlation between national business survey data and real GDP growth for Germany, France and Italy, as was the case for the euro area aggregate. Hence caution is warranted when trying to extrapolate future developments for economic activity on the basis of national survey data.²

Overall, these results suggest that survey data show a reasonable degree of co-movement with real GDP growth, especially when activity is measured in year-on-year terms. Occasionally, however, survey data and real GDP growth developments provide conflicting signals regarding the state of the economy, pointing to the need for caution in interpreting the information provided by survey data.

² Results based on the use of the national ESI show broadly similar results in terms of correlation and rolling correlation compared with the results based on national business surveys for the three countries. For further details on the usefulness of the national ESI for conjunctural analysis at the country level, see also A. Mourougane and M. Roma (2002): “Can confidence indicators be useful to predict short-term real GDP growth?”, ECB Working Paper No 133.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Turning to the sectoral composition of euro area real GDP, value added data available for the fourth quarter confirmed that the slowdown at the end of last year was broad-based, affected by developments in both the services and industrial sectors (although the expansion of industrial activity continued to proceed at a faster pace than that of the services sector in late 2005). Value added growth in industry was buoyed by strong construction activity, but was at the same time constrained by the decline in export growth. These recent developments notwithstanding, value added growth in the services sector outpaced that generated in the industrial sector for 2005 as a whole.

In February 2006 euro area industrial production (excluding construction) was unchanged month on month. The February figure reflected robust increases in consumer and capital goods production and a small rise in energy production, which were offset by a sharp decrease in the production of intermediate goods. Overall, industrial production data, together with survey indicators, point to a further expansion of industrial activity in the first quarter of this year (see Chart 23), in line with the expectation of stronger growth in overall real GDP. In terms of three-month moving averages, growth in industrial production (excluding construction) was 1.1% in February.

Industrial new orders in the euro area grew by 2.7% month on month in February, following some wide fluctuations in December and January. On a three-month moving average basis, the index increased by 5.6% in February. All in all, the latest new orders data point to ongoing robust activity in industry in the first quarter of the year. This outlook is also confirmed by the less volatile new orders data that exclude other transport equipment, including ships, railway and aerospace equipment.

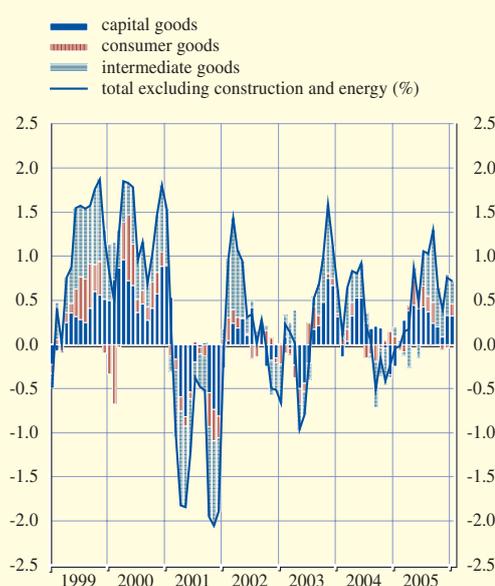
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Survey data for the industrial and services sectors continue to support expectations of stronger activity in the first quarter of 2006 and also provide positive signals for the start of the second quarter.

In the case of the industrial sector, both the Purchasing Managers' Index (PMI) for the manufacturing sector and the European Commission's (EC) industrial confidence indicator rose further in April, continuing the upward movements observed since mid-2005, to reach high levels by historical standards (see Chart 24). The PMI for the manufacturing sector rose to 56.7, a level well within the expansion zone and the highest recorded since 2000. The further increase in the PMI was supported by all sub-indices, except the level of stock purchases, which fell slightly compared with a month ago. The substantial further improvement in the EC's industrial confidence

Chart 23 Industrial production growth and contributions

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

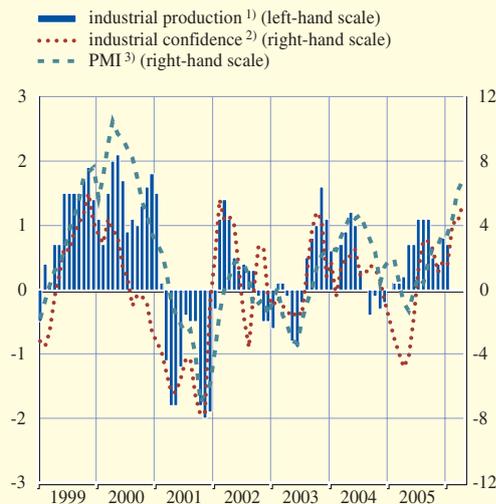


Sources: Eurostat and ECB calculations.

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

Chart 24 Industrial production, industrial confidence and the PMI

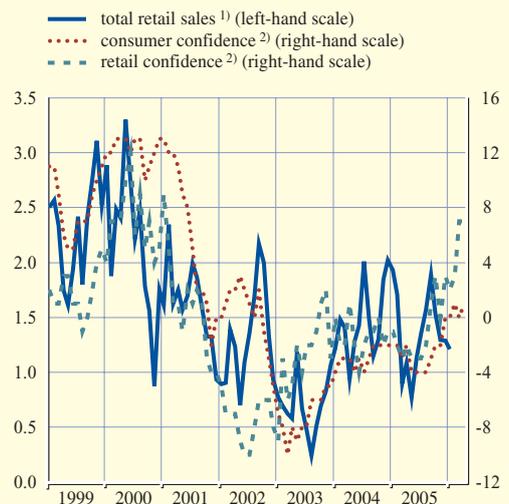
(monthly data; seasonally adjusted)



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

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

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
 1) Annual percentage changes; three-month 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.

indicator was driven in particular by a strong increase in the assessment of order book levels, although the sub-index on stocks of finished goods also improved. At the same time, the sub-index on production expectations remained unchanged at a high level. The further increase in the EC's industrial confidence indicator was broadly based across the main industrial groupings of consumer, intermediate and capital goods production. According to the quarterly EC survey, capital utilisation also posted a small further increase in the second quarter, rising from 82.0% to 82.4%, slightly above the long-term average of 81.4%. The survey questions relating to production limits indicated that insufficient demand appears to have restrained production to a lesser extent than three months before. This survey also provided evidence of an increasing shortage of labour and lack of equipment.

Both the EC and PMI surveys also provide a bright outlook for the services sector. The business activity index of the PMI has risen sharply since mid-2005 and in March 2006 stood at its highest level since 2000. The EC services confidence indicator continued its upward trend in April to levels seen five years ago. This further increase was supported by all components of the index, i.e. the assessment of the business climate and the past and expected evolution of demand. Expectations for future developments remained positive also in the retail sub-sector.

INDICATORS OF HOUSEHOLD SPENDING

Household spending indicators point to some strengthening in private consumption growth in the first quarter of this year, following low growth in the previous quarter. The volume of euro area retail sales declined by 0.2% month on month in February, following a rise of 0.5% month on month in January. The decrease in February resulted from a fall in sales of food products that was

partly compensated by higher sales of non-food products. However, in the three months to February, the retail trade index rose. New car registrations rose in March, and displayed a significant increase in the first quarter of 2006 compared with the previous quarter.

Consumer confidence rose in April, reversing the small decline recorded in the previous month (see Chart 25). The increase in April, in particular, reflected improvements in expectations concerning the general economic situation. By contrast, the indices on savings and unemployment expectations deteriorated slightly. Overall, consumer confidence, which has recorded significant increases since mid-2005, was clearly higher in the first quarter of 2006 compared with the previous quarter, supporting the view that there was some recovery in private consumption at the start of this year. This picture is also in line with the recent developments in retail confidence, which rose significantly in the months up to April.

4.2 LABOUR MARKET

The latest indicators point to further gradual improvements in euro area labour markets. Employment growth strengthened in the course of 2005 and the unemployment rate has continuously fallen over recent months. Improvements in employment expectations support this view.

UNEMPLOYMENT

The unemployment rate in the euro area stood at 8.1% in March 2006, down from 8.2% in February (see Chart 26), and the number of unemployed decreased for the fourth consecutive month. According to private sector expectations collected in the ECB Survey of Professional Forecasters (SPF), these positive developments are likely to continue. In the latest SPF, unemployment expectations have been revised downwards by 0.1 percentage point for both 2006 and 2007 to 8.1% and 7.9% respectively (see Box 3, entitled “Results of the ECB Survey of Professional Forecasters for the second quarter of 2006”).

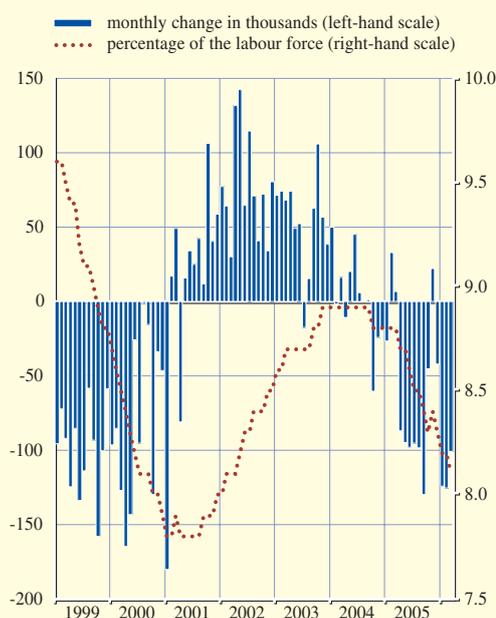
EMPLOYMENT

There has been no further news relating to euro area employment since the last issue of the Monthly Bulletin. Employment growth strengthened in the course of 2005, growing in the third quarter by 0.3% quarter on quarter, following increases of 0.2% and 0.1% in the second and first quarters respectively. Employment growth in the third quarter was strong in the services sector. Employment growth also increased in industry on account of positive developments in construction.

Employment expectations indicate improvements in labour market conditions in the first four months of 2006 for both the industrial and the services sectors. According to both the

Chart 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
Whole economy	0.3	0.7	0.3	0.2	0.1	0.2	0.3
<i>of which:</i>							
Agriculture and fishing	-2.0	-0.8	0.3	-0.3	-1.0	-0.1	-0.7
Industry	-1.0	-0.9	0.0	0.0	-0.6	0.1	0.1
Excluding construction	-1.5	-1.6	-0.5	0.2	-0.8	-0.1	-0.1
Construction	0.2	1.1	1.1	-0.3	-0.1	0.4	0.6
Services	0.9	1.4	0.4	0.4	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	2.5	0.6	0.5	0.7	0.2	0.6
Public administration	1.3	1.3	0.3	0.4	0.5	0.2	0.4

Sources: Eurostat and ECB calculations.

EC surveys and the PMI, employment expectations in industry improved in the course of the first quarter of this year and rose further in April. Importantly, employment expectations from the PMI in April exceeded and gained further distance from the 50 no-change level for the second consecutive month. Also in the services sector, employment expectations according to both surveys rose in the first quarter and the EC's employment expectations increased further in April. Conversely, following significant improvements over the past few months, employment expectations in construction and retail declined in April.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest data releases suggest that economic activity gained some momentum in the first quarter of 2006 and that the decline in growth in the fourth quarter of the 2005 was temporary. This view is also reflected in the latest ECB Survey of Professional Forecasters and other forecasts by private and international organisations. Activity in the world economy is expected to remain strong, which should provide continued support for euro area exports. This external stimulus, together with very favourable financing conditions, gains in earnings and improved business confidence, should support growth in gross fixed capital formation. Furthermore, private consumption growth should strengthen in line with real disposable income growth and improvements in the euro area labour markets. The risks to this outlook are assessed to be broadly balanced over the short term, while over the longer term downside risks to growth, related to global imbalances and potential further increases in oil prices, prevail.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In April and early May 2006 the euro appreciated in nominal effective terms in an environment of broad-based US dollar weakness.

US DOLLAR/EURO

In the course of April and early May 2006 the euro continued to rise against the US dollar (see Chart 27). Throughout most of April, the exchange rate between the two currencies experienced some volatility against a backdrop of changing market expectations regarding the likely course of monetary policy in the euro area and the United States. Towards the end of the month the euro appreciated against the US currency following further evidence of improvement in the economic outlook for the euro area, as reflected in survey data on business confidence. This movement was further reinforced by an overall depreciation of the US dollar vis-à-vis most currencies, spurred by a renewed market focus on the size of the US fiscal and current account deficits and news of shifts in some central banks' foreign currency reserves away from the dollar. As a result, the euro was quoted on 3 May at USD 1.26, i.e. 4.3% above its end-March level against the dollar and 1.5% above its 2005 average.

JAPANESE YEN/EURO

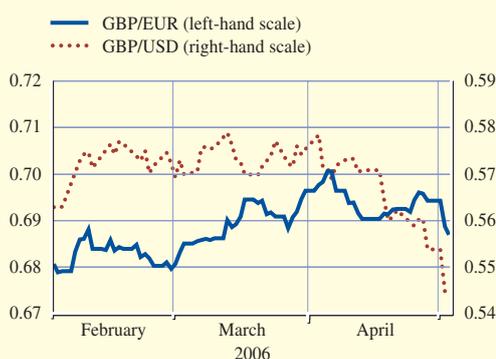
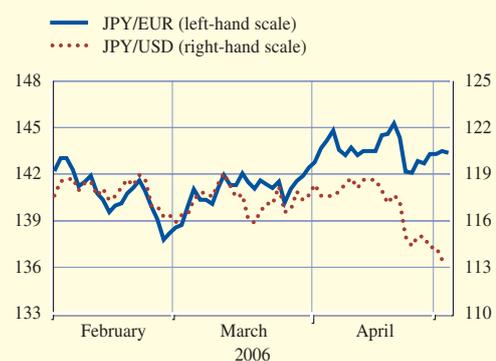
The euro appreciated moderately vis-à-vis the Japanese yen during the period under review, notwithstanding significant fluctuations. After strengthening for most of April against the backdrop of yield differentials and positive news about the euro area's economic prospects, it weakened temporarily after the release of the G7 communiqué on 21 April amid a wider appreciation of most Asian currencies. However, the euro had appreciated again by the end of April. On 3 May the euro stood at JPY 143.4, which is 0.7% above its level at the end of March and 4.8% above its 2005 average (see Chart 27).

EU MEMBER STATES' CURRENCIES

Most currencies participating in ERM II remained stable and continued to trade at or close to their respective central rates (see Chart 28). One exception was the Slovak koruna, which rose by 1.1% to trade 3.2% stronger than its central parity within ERM II on 3 May.

Chart 27 Patterns in exchange rates

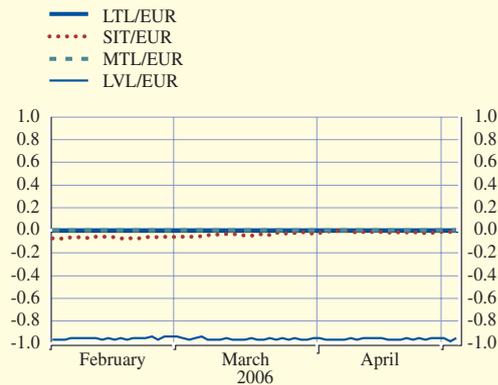
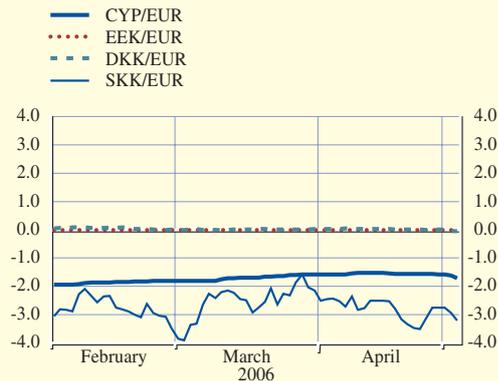
(daily data)



Source: ECB.

Chart 28 Patterns in exchange rates in ERM II

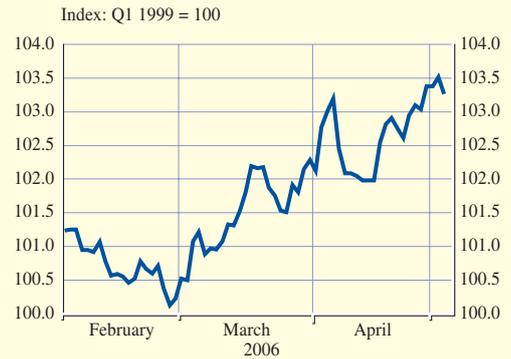
(daily data; deviation from the central parity in percentage points)



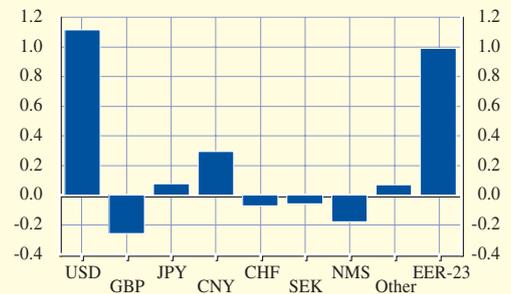
Source: ECB.
 Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is $\pm 2.25\%$; for all other currencies, the standard fluctuation band of $\pm 15\%$ applies.

Chart 29 Euro effective exchange rate and its decomposition¹⁾

(daily data)



Contributions to EER changes²⁾
 From 31 March 2006 to 3 May 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 EU on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

Regarding the currencies of other EU Member States, the euro depreciated against the pound sterling – being quoted on 3 May at GBP 0.69, which is 1.4% below its end-March level and 0.5% higher than its 2005 average. It also depreciated against the Swedish krona (by 1.3%) and the Polish zloty (by 3.2 %).

OTHER CURRENCIES

Between end-March and 3 May the euro depreciated against the Swiss franc (by 1.1%), the Norwegian krone (by 2.6%), the Australian dollar (by 3.4%) and the Canadian dollar (by 0.7%), while it remained almost unchanged vis-à-vis the South Korean won. Finally, given the general weakness of the US dollar, the euro appreciated significantly against the Asian currencies linked to the US dollar, most notably the Chinese renminbi (by 4.3%) and the Hong Kong dollar (by 4.2%).

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 3 May the nominal effective exchange rate – as measured against the currencies of 23 of the euro area's most important trading partners – was 1.0% above its level at the end of March and close to its average in 2005 (see Chart 29).

5.2 BALANCE OF PAYMENTS

The latest balance of payments data, for February 2006, show that imports and exports are rebounding strongly from the slowdown seen in the fourth quarter of 2005. Meanwhile, the 12-month cumulated current account deficit widened further in February, as the rising cost of oil imports continued to reduce the goods surplus. In the financial account, net inflows in 12-month cumulated combined direct and portfolio investment, which had been declining since the summer of 2005, switched to net outflows in February, mainly due to lower net inflows in portfolio investment.

TRADE AND THE CURRENT ACCOUNT

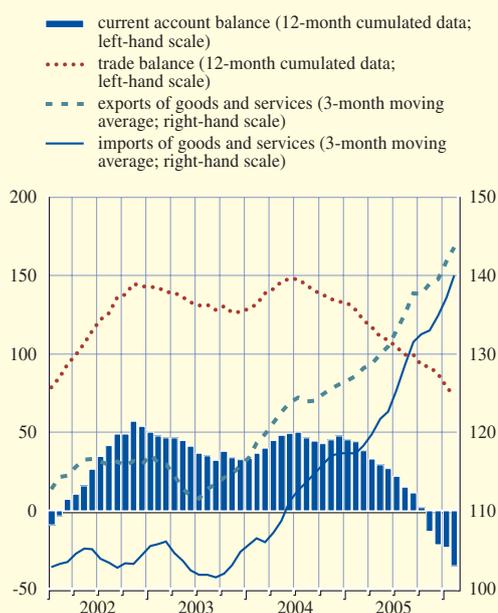
The latest balance of payments data show a strong rebound in the growth of both imports and exports from the slowdown witnessed in the fourth quarter of 2005 (see Chart 30). The three-month moving average of the value of exports of goods and services rose by 3.3% in February 2006 compared with the figure for November 2005. This was due to a sizeable increase of 4.6% in exports of goods, while exports of services fell by 0.5% (see Table 8). Over the same period, the value of imports rose by 5.2%, reflecting increases in goods and services imports of 6.6% and 0.9% respectively.

The breakdown of extra-euro area trade in goods into volumes and prices (available up to December 2005), as well as other available evidence, suggests that most of the recent strength in export values may be due to robust growth in export volumes. Although export volumes declined markedly in October – which resulted in an overall decline in the growth of export volumes in the fourth quarter of 2005 – they rebounded strongly in November and December.

Chart 31 shows that developments in exports to Asia explain most of the decline in October as well as the subsequent recovery. Export volumes to the United States and the new EU Member States also grew robustly in the last two months of 2005, while exports to the United Kingdom remained relatively weak over this period. In terms of product composition, strong growth in export volumes of capital goods explains most of the rebound in exports over this period. In the first quarter of 2006 buoyant global demand

Chart 30 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

conditions – including the high spending power of the oil-exporting countries due to rising oil prices¹ – suggest that continued strong export volume growth is behind the rise in export values in the first two months of this year.

Weaker import price growth due to a fall in oil prices in the fourth quarter of 2005 partly explains the slowdown in the growth of the value of goods imports over the same period. By contrast, the sharp rises in the prices of both oil and non-oil commodities at the beginning of 2006 seem to be largely responsible for the strong growth in import values in the three months up to February. Rising import volumes also seem to have contributed to the recent increase in import values, as suggested by various indicators. In particular, increasing capacity utilisation and industrial production suggest that import volumes continue to benefit from higher euro area demand. Finally, import volumes have probably also been boosted by the recent strength of euro area exports, which typically have a high import content.

Turning to the current account, the 12-month cumulated balance up to February 2006 recorded a deficit of €33.3 billion (around 0.4% of GDP), compared with a surplus of €43.7 billion a year earlier (around 0.5% of GDP). This largely reflects a fall in the goods surplus of €57.4 billion, which was almost entirely due to the increased cost of oil imports resulting from higher oil prices. A €16.7 billion increase in the income deficit also contributed to the deterioration in the current account. Meanwhile, the balances for services and current transfers remained broadly unchanged.

The geographical breakdown of the euro area balance of payments for the whole of 2005 shows that the shift to a current account deficit was mainly due to an increase in the goods deficit with “other countries”², particularly oil-exporting countries (up from €56.4 billion in 2004 to €111.8 billion in 2005). The increase in the income deficit in 2005 was mainly the result of a €17.1 billion rise in the deficit vis-à-vis the United States.

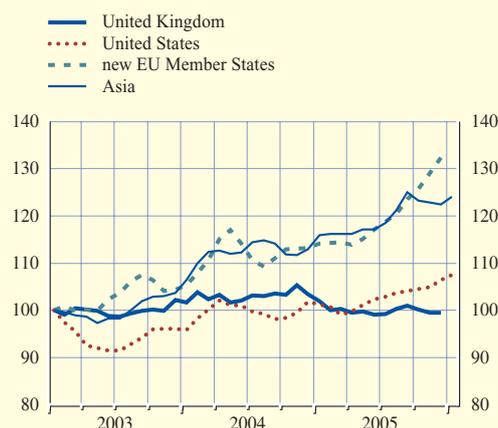
FINANCIAL ACCOUNT

In the three-month period to February 2006 euro area combined direct and portfolio investment experienced net outflows of €14.3 billion as a result of net outflows in direct investment (€6.8 billion) and portfolio investment in debt instruments (€18.6 billion).

From a longer-term perspective, combined direct and portfolio investment recorded net outflows of €14.9 billion in the 12-month period to February 2006, compared with net outflows of

Chart 31 Euro area export volumes to selected trading partners

(indices: January 2003 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.
Note: The latest observations are for January 2006, except for export volumes to the United Kingdom and to the new EU Member States (December 2005).

1 For further details of how the rising oil revenues of oil-producing countries affect euro area exports, see Box 8 in the ECB's Annual Report 2005 entitled "Oil-bill recycling and its impact".

2 These are countries other than the EU Member States, Canada, Japan, Switzerland and the United States.

Table 8 Main items of the euro area balance of payments

(Seasonally adjusted data, unless otherwise indicated)

	2006		Three-month moving average figures ending				12-month cumulated figures ending	
	2006 Jan.	2006 Feb.	2005 May	2005 Aug.	2005 Nov.	2006 Feb.	2005 Feb.	2006 Feb.
<i>EUR billions</i>								
Current account	-0.7	-5.6	0.6	-2.1	-6.3	-3.2	43.7	-33.3
Goods balance	0.5	0.5	5.9	3.9	2.7	0.7	97.0	39.6
Exports	108.9	111.8	98.2	102.0	104.8	109.6	1,132.0	1,243.5
Imports	108.4	111.3	92.2	98.1	102.1	108.8	1,035.0	1,203.9
Services balance	2.5	2.6	2.3	2.7	3.3	2.9	31.1	33.5
Exports	33.6	34.8	31.8	33.2	34.2	34.0	365.8	399.7
Imports	31.2	32.2	29.5	30.5	30.9	31.2	334.8	366.2
Income balance	-0.1	-2.7	-2.6	-3.6	-6.5	-1.5	-25.8	-42.5
Current transfers balance	-3.7	-6.0	-5.0	-5.0	-5.8	-5.4	-58.6	-63.8
Financial account¹⁾	-11.0	11.8	4.9	5.0	10.8	-3.8	22.7	50.6
Combined net direct and portfolio investment	-32.2	-6.1	-2.1	18.6	-7.1	-14.3	-2.4	-14.9
Net direct investment	4.9	-25.9	-5.3	-34.9	-3.5	-6.8	-60.0	-151.5
Net portfolio investment	-37.1	19.8	3.1	53.5	-3.6	-7.5	57.6	136.6
Equities	-8.4	10.6	-7.7	54.3	-5.8	11.1	20.6	155.7
Debt instruments	-28.7	9.2	10.8	-0.8	2.2	-18.6	37.0	-19.1
Bonds and notes	-35.6	-5.4	5.8	-1.4	-5.3	-18.1	38.7	-56.6
Money market instruments	6.9	14.7	5.0	0.6	7.5	-0.5	-1.6	37.6
<i>Percentage changes compared with previous period</i>								
Goods and services								
Exports	0.5	2.8	2.2	3.9	2.9	3.3	8.8	9.7
Imports	1.8	2.8	3.7	5.7	3.4	5.2	10.0	14.6
Goods								
Exports	0.7	2.6	2.4	3.9	2.8	4.6	8.7	9.9
Imports	1.4	2.7	4.0	6.4	4.1	6.6	11.3	16.3
Services								
Exports	-0.1	3.5	1.6	4.2	3.1	-0.5	9.3	9.3
Imports	3.2	3.2	2.8	3.5	1.2	0.9	6.5	9.4

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.

€2.4 billion in the same period a year earlier. During this period, combined direct and portfolio investment followed a hump-shaped path: a rise in net inflows was recorded up to the second quarter of 2005, particularly due to net inflows in equity securities; thereafter the inflows declined sharply and switched to net outflows in February 2006 (see Chart 32).

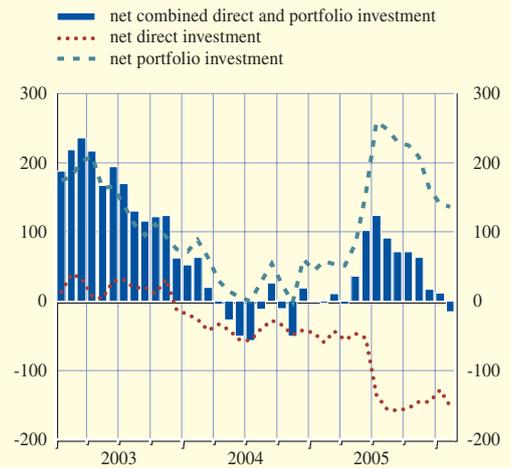
The decline in net inflows in the second half of 2005 was mainly due to falling net portfolio investment inflows. More recently, foreign investment in euro area equity securities has picked up again while the fall in foreign investment in euro area debt instruments may have come to a halt, given the sizeable purchases of such securities in February 2006. Net outflows in direct investment have been relatively stable since October.

The geographical breakdown of euro area direct investment in 2005 indicates that the United Kingdom received almost 60% of the total euro area direct investment abroad. This was mainly driven by the shares acquired by euro area investors in the context of the restructuring of Royal Dutch Shell. This transaction was mirrored by large net equity inflows in the euro area, as it was implemented via an exchange of shares.

In the same period, the main direct investors in the euro area were the United Kingdom (mostly in the form of equity capital and reinvested earnings) and the new EU Member States (mostly in the form of inter-company loans). The geographical breakdown of portfolio investment shows that euro area portfolio outflows in 2005 were primarily to the United Kingdom, the United States and offshore centres. In particular, euro area investors were large net purchasers of US bonds and notes, although they were net sellers of US money market instruments.

Chart 32 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.

ARTICLES

THE CONTRIBUTION OF THE ECB AND THE EUROSISTEM TO EUROPEAN FINANCIAL INTEGRATION



This article provides an update on the ECB's ongoing work on monitoring and assessing the state of European financial integration and presents, on the basis of selected examples, the activities through which the ECB and the Eurosystem contribute to fostering that process. It follows up on an earlier article on this topic which was published in the October 2003 issue of the Monthly Bulletin. The ECB has a keen interest in progress towards European financial integration, since it is of great importance to the Eurosystem's tasks under the Treaty establishing the European Community, namely to maintain price stability via the implementation of the single monetary policy in the euro area, to contribute to safeguarding financial stability and to promote the smooth operation of payment systems. More generally, the relevance of European financial integration in a broader economic context has also been highlighted by the recently renewed Lisbon agenda, which aims to strengthen economic growth and increase employment in Europe, and which the Eurosystem fully supports.

I INTRODUCTION

For various reasons, both broad economic and Eurosystem-specific, the ECB and the Eurosystem have a keen interest in progress towards European financial integration. The ECB therefore monitors this process closely. In September 2005 the ECB published a first set of indicators of financial integration and an accompanying report assessing the current state of euro area financial integration. Partly on the basis of that report and partly extending that analysis, this article describes, as a first aim, selected aspects of the current state of financial integration in the euro area.

It is essential to conduct an ongoing analysis of the state of European financial integration and to monitor its progress over time in order to reveal the areas in which integration is progressing and those in which it is lagging behind and where action may possibly be required. As a second aim, this article therefore provides an overview of relevant activities undertaken by the ECB and the Eurosystem to foster European financial integration. In this respect, it is noted that two types of actor are striving to foster financial integration: market participants and public authorities. The Eurosystem is of the view that financial integration is first and foremost a market-driven process. This view is also shaped by the general

provision laid down in Article 105(1) of the Treaty that the Eurosystem should act "in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources". In accordance with this provision, the Eurosystem believes it to be a basic task of the relevant public authorities to create a framework conducive to fostering financial integration. If the opportunities this creates are exploited by market forces, true financial integration will be achieved. An analysis of the state of financial integration and the monitoring of its progress over time are therefore prerequisites for possible action by public authorities, such as the Eurosystem, to promote financial integration in those areas in which gaps and shortcomings have been identified.

The article is organised as follows. Section 2 explains the various reasons why the ECB and the Eurosystem have a keen interest in progress towards financial integration in Europe. Starting with the ECB's working definition of financial integration, Section 3 outlines the ECB's basic conceptual framework and provides a summary of the current state of financial integration in the euro area. Section 4 gives an overview, based on selected examples, of the various kinds of activity undertaken by the ECB and the Eurosystem to foster European financial integration. Section 5 concludes.

2 THE EUROSISTEM'S INTEREST IN EUROPEAN FINANCIAL INTEGRATION

There are several reasons why the ECB and the Eurosystem have a keen interest in European financial integration. First, financial integration is of key importance for the conduct of the single monetary policy, as it enhances the smooth and effective transmission of monetary policy impulses throughout the euro area. Second, financial integration is highly relevant to the Eurosystem's task of contributing to safeguarding financial stability. Third, financial integration is fundamental both to the Eurosystem's task of promoting the smooth operation of payment systems and to its strong interest in the safe and efficient functioning of securities clearing and settlement systems. Finally, it is generally accepted that financial integration contributes to increasing the potential for stronger non-inflationary economic growth. The Eurosystem therefore attaches great importance to furthering progress in European financial integration.¹

GENERAL ECONOMIC BENEFITS

Financial integration is a key component of the general economic policy of the European Union. In 1999, with a view to implementing the Lisbon strategy in the field of financial integration, the European Commission initiated the Financial Services Action Plan (FSAP), which was completed in 2005. In 2005, following a mid-term review, the European Council relaunched the Lisbon strategy, which has two main goals: to strengthen growth and to increase employment in Europe. The Eurosystem fully supports this programme. Structural reforms, such as improving the flexibility of labour markets, increasing competition in the markets for goods and services and fostering knowledge and innovation, are urgently needed in Europe. Moreover, the need for structural reforms is not confined to the "real" side of the economy, but also applies to its financial side, and hence also to financial integration. In December 2005 the European Commission released its "White Paper on Financial Services Policy 2005-2010",

which shapes the current policy programme in the field of financial services.

The general economic benefits arising from financial integration can be summarised as follows. Financial systems serve to channel funds from those economic agents that have a surplus of savings to those which have a shortage, and to trade, hedge, diversify and pool risk. These functions are facilitated by financial integration, as it leads to better sharing and diversification of risk and an increased potential for stronger non-inflationary economic growth. Economic agents can invest more easily in other regions of the euro area and thereby diversify the risk of potential local shocks impacting on income and consumption. Furthermore, by making markets deeper and more liquid, financial integration creates economies of scale and increases the supply of funds for investment opportunities. The integration process fosters competition, the expansion of markets and intermediation, thereby leading to further financial development. Financial development in turn leads to lower intermediation costs and a more efficient allocation of capital. Allocating resources to the most productive investment opportunities ultimately increases the potential for stronger and more sustainable non-inflationary economic growth. A financial system, such as the euro area, that is not yet fully integrated in all of its components therefore implies a cost in terms of foregone economic growth.

The basis for the interest of the ECB and the Eurosystem in European financial integration and its general economic benefits is Article 105(1) of the Treaty, which states that the ESCB should, "[w]ithout prejudice to the objective of price stability, [...] support the general economic policies in the Community [...] as laid down in

¹ The Eurosystem's determination in this respect is also reflected in its mission statement: "[...] We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration." See the ECB's website at http://www.ecb.int/ecb/orga/escb/html/mission_eurosys.en.html.

Article 2”, namely to achieve sustainable and non-inflationary growth.

FINANCIAL INTEGRATION AND MONETARY POLICY

A well-integrated financial system is essential for the implementation of monetary policy, as it enhances the smooth and effective transmission of monetary policy impulses throughout the euro area. Monetary policy transmission is the process through which monetary policy decisions affect the price level and the output of the economy. Since monetary policy decisions are implemented and transmitted through the financial system, the degree of financial integration affects the effectiveness of this transmission. While the single monetary policy is capable of ensuring price stability – and has done so successfully over the past seven years – even if financial integration is less than complete in certain areas, the transmission of monetary policy could, in such a situation, still potentially affect euro area countries in a heterogeneous manner.

This is evident from the two main monetary policy transmission channels: the interest rate channel and the credit channel. In the context of the interest rate channel of monetary policy, central banks influence the intertemporal allocation of resources via the sensitivity of aggregate demand with regard to changes in interest rates. While some of its determinants (such as the intertemporal elasticity of substitution of the household sector) are not observable, it is very likely that this sensitivity is influenced by the efficiency with which the financial sector transmits changes in the monetary policy stance to the broad range of interest rates and yields. Developments in the interest rates on bank loans and deposits are highly important for the saving and financing decisions of households and non-financial corporations. Differences in bank interest rates are due not only to asymmetric conditions in national economies – such as credit and interest rate risk, firm size, industrial structure and capital market development – but also to institutional factors – such as differences in taxation, regulation and the effectiveness of

supervision – and to financial structures – such as the degree of bank financing in relation to capital market financing and the openness and competitiveness of market participants across euro area countries. Differences in the reaction of bank interest rates may lead to an inefficient transmission of the single monetary policy. In this respect, enhanced integration in the banking markets may reduce the heterogeneity of bank interest rates’ response to changes in money market rates across euro area countries (see also Section 3).

The credit channel emphasises the role played by bank credit supply. It relates to the extent to which central bank actions affect bank behaviour in terms of loan supply, and the degree to which the financing of the economy is bank-based. This channel has an impact on firms that are highly dependent on bank financing and which would be forced to abandon their investment projects if they were unable to obtain it. Greater cross-border financial integration as a result of a broadening of the pool of available assets for investment may potentially enhance the heterogeneity of banks’ portfolios, enabling them, for instance, to more easily offset a monetary policy tightening. The development of an integrated corporate bond market is also of relevance, as a shift from bank financing to market financing may imply a diminished role for the credit channel of monetary policy.

Since the outset of Monetary Union, observers have occasionally raised concerns about possible asymmetries and inefficiencies in the monetary policy transmission mechanism and a potentially asymmetric impact of monetary policy impulses across euro area countries.² Overall, while there is some evidence that the individual channels of the monetary transmission mechanism do not operate in a fully symmetrical manner across the euro area economies, such

² See Angeloni, I., A. K. Kashyap and B. Mojon (eds. 2003), “Monetary Policy Transmission in the Euro Area. A Study by the Eurosystem Monetary Transmission Network”, Cambridge University Press, and the report of the Inflation Persistence Network, June 2005, at <http://www.ecb.int/home/pdf/research/inflationpersistencepricesettingreport.pdf>.

asymmetries seem to broadly compensate each other as regards the overall response of output and inflation to a monetary impulse. However, differences do seem to exist, which may reflect, in addition to the different structures of financial institutions and markets, a lack of financial integration.³ Consequently, and since the ECB's monetary policy aims at preserving price stability in the whole euro area, for which it has one instrument at hand, namely the steering of short-term interest rates, differences and inefficiencies in the euro area financial system also need to be addressed by structural policies that enhance the integration of the financial system. While such measures might not always reduce economic differentials in the short run, they do reduce the economic costs associated with such differentials and improve the resilience of economies to shocks, thus facilitating the transmission of monetary policy across the euro area.

FINANCIAL INTEGRATION AND FINANCIAL STABILITY

Financial integration is also relevant to the Eurosystem's task of contributing to the safeguarding of financial stability.⁴ The results of the ECB's monitoring activities in respect of euro area-wide financial stability are presented in its regular Financial Stability Review.

Financial system stability requires that the financial system's principal components – namely financial markets, the related infrastructures and financial institutions – be jointly capable of absorbing adverse disturbances. It also requires that the financial system facilitate a smooth and efficient reallocation of financial resources from savers to investors and that financial risk be assessed and priced accurately and managed efficiently. Inefficiencies in the allocation of capital or shortcomings in the pricing of risk can compromise future financial system stability and, therefore, also economic stability. Financial stability can also be affected by inefficiencies arising from an insufficiently integrated financial system.

It is therefore essential to understand the links between financial integration and financial stability. These links are of a twofold nature. On the one hand, more integrated financial markets offer better opportunities for financing and risk diversification, thus helping to improve the capacity of economies to absorb shocks. For example, cross-border banking broadens and deepens financial markets and increases liquidity and risk sharing. As the pool of available assets for investment is broadened, potentially enhancing the heterogeneity of financial institutions' portfolios, the ensuing wider spread of portfolio-related risks should reinforce the resilience and shock-absorption capacity of financial intermediaries, thus improving the soundness and robustness of an integrated financial system. On the other hand, financial integration implies a structural transformation of the financial system, including the creation of intensified cross-border financial links. As a result, the implications must also be assessed from the point of view of possible contagion effects. A thorough understanding of the effects of cross-border linkages in an increasingly integrated financial system is therefore crucial.

Overall, the effects of enhanced financial integration on the stability of the financial system can be expected to be positive in the long run. However, the structural transformation of the financial system through enhanced financial integration is another reason why the ECB closely monitors the financial integration process.

FINANCIAL INTEGRATION AND MARKET INFRASTRUCTURE

The implementation of the single monetary policy in the euro area is also affected by the degree of integration of the financial

³ See the articles entitled "Recent developments in financial structures of the euro area" and "Assessing the performance of financial systems" in the October 2003 and October 2005 issues of the Monthly Bulletin respectively.

⁴ Article 105(5) of the Treaty assigns the ESCB the statutory task of contributing to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.

infrastructures, namely the payment and securities clearing and settlement infrastructures. Payment and securities settlement systems are the main channels through which liquidity flows and securities are transferred to collateralise the Eurosystem's monetary policy operations. Furthermore, the financial infrastructures are of utmost importance to the stability of the financial system and can play a crucial role in the event of financial crisis situations. Only if financial infrastructures are adequately integrated can the financial system function smoothly.

The promotion of the smooth operation of payment systems is a basic task under the Treaty. The Eurosystem's interest in this respect extends to all facets of the financial infrastructures. This relates to large-value payment systems and securities clearing and settlement systems, given the increasing interdependencies between the payments and securities infrastructures, stemming, for instance, from the close relationship between the secured and unsecured money market. It also extends to the creation of integrated retail payment systems, in order to make the euro a truly domestic currency and to exploit the new possibilities offered by progress in information technology. Such modernisation of the European payments industry will ultimately also foster the further integration of the European financial sector (see also Section 4).

3 MONITORING THE STATE OF FINANCIAL INTEGRATION IN THE EURO AREA

Given its keen interest in European financial integration, as explained in the preceding section, the ECB closely monitors this process. For this purpose, the ECB has designed a basic conceptual framework, which is outlined below.

CONCEPTUAL ELEMENTS OF THE ECB'S MONITORING FRAMEWORK

In a first step, the ECB has adopted a definition of financial integration: the ECB considers the

market for a given set of financial instruments or services to be fully integrated when all potential market participants in such market (i) are subject to a single set of rules when they decide to deal with those financial instruments or services, (ii) have equal access to this set of financial instruments or services, and (iii) are treated equally when they operate in the market.

As described earlier, the financial system's principal components are financial markets, the related infrastructure and financial institutions. The ECB's definition of financial integration uses the term "market" in a broad sense, covering all possible exchanges of financial instruments or services, be it on an organised market, such as a stock exchange, or an over-the-counter market created by a financial institution's supply of a financial instrument or service. Furthermore, a financial market can never be fully integrated without the integration of the related market infrastructure, in particular payment and securities clearing and settlement systems. An overall assessment of the state of financial integration therefore requires an examination of all components of the financial system. In this sense, it should also be noted that the term "rules" as contained in the ECB's definition is used in a broad sense, including features such as laws and regulations, supervisory arrangements, market conventions, self-regulation, and standards and practices related to financial infrastructures. The wide coverage of the ECB's definition of financial integration is attributable to the fact that if only the first condition were fulfilled, i.e. the existence of a single set of rules for a given market, potential participants might still be discriminated against in terms of access to the market. Consequently, the ECB's definition includes a second condition whereby participants should not be discriminated against in their access to a market. The third condition for full financial integration is that once all potential market participants have accessed the market they should be treated equally when they operate therein.

Finally, it should be noted that while, in practice, financial integration is a process, the definition adopted by the ECB describes a state of full, or perfect, integration. By providing a benchmark against which to assess the state of financial integration, the definition can be used to underpin the ECB's analytical and empirical work.

In a second step, based on the definition adopted, the ECB has sought to devise a way to capture the state of financial integration in the euro area. In discussions on this topic, the arguments are often of a qualitative nature, stating the general need for enhancing financial integration in view of the related benefits. Nonetheless, quantitative measures provide the basis for an objective assessment of both the current level of financial integration and its evolution over time, i.e. whether integration is progressing, stagnating, or even regressing. Accordingly, the ECB published, in September 2005, an initial set of 20 indicators regarding the state of integration in euro area financial and banking markets. These indicators were compiled using both the statistics already collected and published by the ECB and data derived from market sources.⁵ This first publication covered the money market, the government and corporate bond market, the equity market and the banking markets, the latter encompassing wholesale and retail banking activities. The initial set of indicators will be extended, in particular by adding indicators related to financial institutions and infrastructures.

The current state of financial integration in the euro area is summarised below on the basis of selected published and forthcoming indicators.

THE STATE OF FINANCIAL INTEGRATION IN THE EURO AREA

While the euro has generally acted as a major catalyst for the integration of the euro area financial markets, the degree of integration differs from market segment to market segment, with integration being more advanced in those segments that are closer to the single monetary

policy, above all the money market. The rapid integration of the money market has also been supported by the establishment of the relevant payment system infrastructure, the TARGET system (see Section 4).

The unsecured interbank deposit market was almost perfectly integrated right at the start of Monetary Union, at which point the cross-country standard deviation of the average overnight lending rates among euro area countries was as low as 3 basis points. This has since fallen to just 1 basis point. Equally, the indicators both for longer maturities on the unsecured money market and for the repo market also show a very high degree of integration.

The decisive role of the euro in enhancing financial market integration is also visible from the interest rate derivatives markets. A particularly important segment is the euro interest rate swap market – including the euro overnight index swap market – which is now the largest interest rate swap market in the world. The launch of the EONIA Swap Index in June 2005 by Euribor FBE and Euribor ACI is evidence of both the importance and the further potential of this market segment. Chart 1 shows that, since the launch of that index, the cross-country standard deviation for EONIA Swap Index quotations at different maturities has stood at only 0.1-0.2 basis point, demonstrating the almost perfect integration of this market segment.

The least integrated money market segment is the short-term securities market. The European commercial paper and certificates of deposit markets are segmented in several market-places. However, progress is to be expected as a result of the Short-Term European Paper (STEP) initiative (see Section 4).

⁵ The publication was accompanied by an explanatory report, which is to be updated annually. For details of the indicators, see also the methodological notes in Annex 2 to that report. The indicators themselves are updated every six months. Earlier work on such indicators can be found in Baele, L., A. Ferrando, P. Hördahl, E. Krylova and C. Monnet (2004), "Measuring financial integration in the euro area", ECB Occasional Paper No. 14.

Chart 1 Standard deviation of average EONIA swap quotations across euro area countries

(61-day moving average; basis points)



Sources: European Banking Federation, ECB calculations.

The degree of integration of euro area government bond markets is very high, mainly owing to the disappearance of exchange rate

risk within the euro area and the convergence of inflation expectations across countries by the time the euro was introduced. Since then, government bond yields in different euro area countries have been driven mainly by euro area-wide factors and developments. One way of quantifying the degree of integration is to consider the standard deviation of bond yield spreads over time. The relevant indicator shows a significant drop in the run-up to Monetary Union, with the standard deviation remaining close to zero thereafter. Remaining differences between countries in terms of bond yields may be explained by differences in credit risk, in liquidity and in the availability of developed derivatives markets tied to the various bond markets. The box below looks at the relationship between financial integration and differences in credit risk.

Box**FINANCIAL INTEGRATION AND MARKET DISCIPLINE: THE EURO AREA GOVERNMENT BOND MARKET**

Market discipline may be broadly defined as the pressure exerted by market participants on different institutions, such as firms, banks and governments, to promote sustainable economic policies. This box focuses on market discipline with regard to governments. The bonds of governments following unsound economic policies are characterised by higher levels of risk. Risk-averse investors want to be compensated for bearing such extra risk and therefore demand higher yields. Governments have to take into account these higher financing costs when planning their economic policies. *Ceteris paribus*, market discipline provides a deterrent against unsound fiscal policies.

Market discipline is most effective in competitive and well-functioning markets. A necessary condition for financial markets to price sovereign bonds correctly is that governments have access to the capital markets on the same terms as other borrowers, and in particular that each country will ultimately bear the full costs of the credit risk implied in its government debt. Any direct or indirect pressure to favour government debt securities, or a perception in the market that a government with an unsustainable debt position would be bailed out, would inevitably introduce pricing distortions, thus impairing the role of the markets as a disciplinary device. The Maastricht Treaty explicitly recognises the importance of these issues in Articles 101-103.

If these conditions are satisfied (and there are no market failures), perfectly competitive markets will provide an accurate assessment of the risk/return profile of each bond. Under these

circumstances, market forces ultimately lead to funds being efficiently allocated in the most productive manner, with proper account being taken of risk. There is little doubt that the progress in financial integration witnessed in euro area government bond markets over the last few years has helped to improve the efficiency of financial markets in general and government bond markets in particular. By eliminating barriers to trade and creating a truly level playing-field, financial integration increases the level of competition in the financial markets, thus enhancing their capacity to accurately price assets. The observed integration of euro area government bond markets has therefore reinforced any market-driven disciplinary effect.

It is sometimes argued that the convergence in euro area government bond spreads which was seen in the run-up to EMU is evidence that the process of financial integration may be detrimental to the functioning of market discipline. This reasoning neglects the fact that spread convergence mainly reflected the closer coordination of monetary policies across euro area countries, an overall compression of risk premia also observable in other markets and outside the euro area, and the progressive elimination of uncertainty regarding exchange rate movements. Since 1999 spreads have mainly reflected liquidity and credit risks, which in turn reflect the sustainability of the countries' fiscal positions. The available evidence from credit default swaps suggests that countries with poorer fiscal positions do pay a higher premium, reflecting the higher risk of default, and that markets therefore continue to exert disciplinary pressure on governments.¹

¹ See the article entitled "Fiscal policies and financial markets" in the February 2006 issue of the Monthly Bulletin.

Prior to 1999 the euro area corporate bond market was open mainly to bond issuers with the highest credit quality ratings. Since then it has broadened to also meet the funding needs of riskier issuers. The degree of integration in the euro area corporate bond market is relatively high. The relevant indicators suggest that the country of issuance is of only marginal importance in explaining yield differentials.

Other market segments still have further potential for integration, such as the euro area equity market, which remains fairly fragmented. However, a gradual integration process is ongoing. For example, the ECB's indicators reveal that stock prices across the euro area are increasingly reacting to euro area-wide factors and developments. In addition, the elimination of currency risk within the euro area has encouraged integration in the sense that the "home bias" in the equity holdings of institutional investors has been significantly reduced. However, the country effect is still too important a factor to conclude that the euro area equity market is sufficiently integrated.

As regards securities markets such as bond and equity markets, the further integration of the underlying securities clearing and settlement infrastructure is of utmost importance. For example, while the number of central securities depositories declined from 22 in 1998 to 19 in 2005, with the number of securities central clearing counterparties declining from 14 to 7,

Chart 2 Number of payment and securities clearing and settlement systems in the euro area

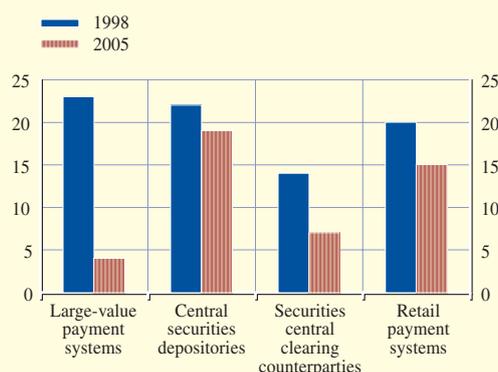
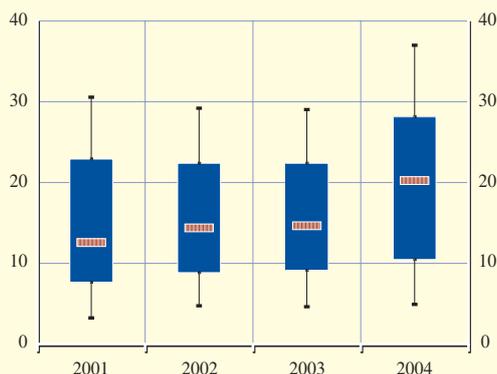


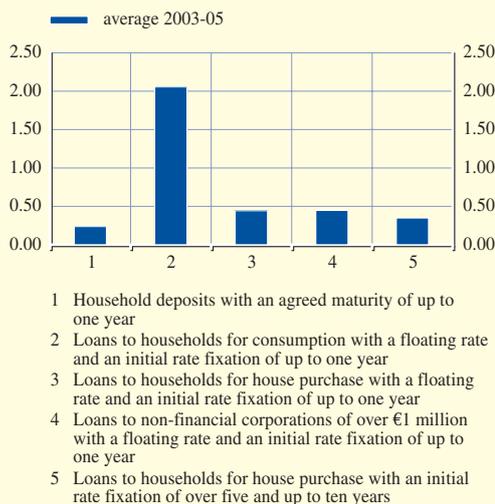
Chart 3 Dispersion of the assets of branches and subsidiaries across euro area countries

(as a percentage of the total assets of the banking sector)



Sources: ECB, Banking Supervision Committee.

Note: The lower and upper markers represent the minimum and maximum observations. Both have been corrected in order to offset the effect of possible outliers. The bottom of the box represents the first quartile and the top represents the third quartile. The brown line is the median across euro area countries.

Chart 4 Standard deviation of selected MFI interest rates across euro area countries

- 1 Household deposits with an agreed maturity of up to one year
- 2 Loans to households for consumption with a floating rate and an initial rate fixation of up to one year
- 3 Loans to households for house purchase with a floating rate and an initial rate fixation of up to one year
- 4 Loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year
- 5 Loans to households for house purchase with an initial rate fixation of over five and up to ten years

Source: ECB.

Note: Countries in which the bank products in question are, in terms of volume, insignificant have not been included.

the number of securities clearing and settlement systems that are not efficiently connected to each other is still high. This contrasts, for example, with the significant progress that has been achieved in the integration of large-value payment systems, where the overall number has been reduced to 4, down from the 23 that existed before the introduction of the euro and the TARGET system. Chart 2 shows the developments over time in the number of payment systems and securities clearing and settlement infrastructures within the euro area.

Finally, as regards banking markets, one aspect that can be monitored with regard to the state of integration is the evolution of euro area cross-border banking. One possible indicator in this respect is the development over time of banks' branch and subsidiary structures across euro area countries. Chart 3 shows the development from 2001 to 2004 of the dispersion of the assets of banks' branches and subsidiaries across the euro area.

With regard to euro area banking markets, there is a difference, in terms of the degree of

integration, between capital market-related activities, interbank (or wholesale) activities and retail banking activities. For example, euro area cross-border interbank loans and holdings of securities have, in relative terms, experienced substantial growth since the late 1990s, pointing to a relatively high degree of integration in the wholesale segment. By contrast, integration in retail banking has not progressed to any great extent. In fact, there is evidence that there are differences in the impact of the money market rate on retail bank interest rates across the countries of the euro area, in terms of both level and changes over time.⁶ Chart 4 shows the cross-country standard deviation of interest rates for selected financial products. In particular, there are marked differences between individual euro area countries' interest rates on loans to households for consumption. While the cross-country standard deviation is smaller for the other financial product categories, it is not negligible.

⁶ See the article entitled "The use of harmonised MFI interest rate statistics" in the July 2005 issue of the Monthly Bulletin.

4 EUROSISTEM ACTIVITIES TO FOSTER FINANCIAL INTEGRATION

Analysis of the state of European financial integration and the monitoring of its progress over time are prerequisites for possible action with a view to reaping the full economic benefits of financial integration. Given its interest in the progress of European financial integration, the Eurosystem also helps to foster this process. In this respect, the ECB has defined four areas of activity in which the ECB and the Eurosystem can contribute to this process. These are detailed below, together with selected examples of ECB and Eurosystem initiatives.

MONITORING PROGRESS AND RAISING AWARENESS

The first contribution is to enhance knowledge and raise awareness of the state of and need for European financial integration, and to measure the progress made. The result of this is primarily the monitoring of the state of integration, inter alia on the basis of statistical indicators, as described in the previous section. A further contribution in this respect is the communication in speeches by Eurosystem representatives of the Eurosystem's stance and work on this matter. Furthermore, numerous research activities are being pursued by Eurosystem staff, together with academics, for example via the joint network of the ECB and the Centre for Financial Studies at the University of Frankfurt am Main on "Capital Markets and Financial Integration in Europe", and in cooperation with market practitioners.

ACTING AS A CATALYST

The second contribution is to act as a catalyst for private sector activities by facilitating collective action and assisting with possible coordination problems. As stated above, the process of financial integration is primarily market-driven. However, there can still be situations in which coordination problems occur, as incentives for market participants are not properly aligned. In such cases, market forces may not be able to drive financial integration forward. Collective action may

therefore be necessary in order to achieve progress. Given its unique institutional position of being both a public authority with a pan-European remit and, as a result of its basic tasks as a central bank, an active participant in the market with numerous relationships with other market participants, the ECB, together with the whole of the Eurosystem, can assume this crucial role as a catalyst.

As explained in Section 3, European short-term securities markets are fairly fragmented. Progress in integration is, however, expected as a result of the STEP initiative led by ACI – The Financial Markets Association, and the European Banking Federation (FBE). This initiative aims to promote the convergence of standards and practices through market participants' compliance with the STEP Market Convention, which covers disclosure, documentation, settlement and statistics.⁷ The European Financial Markets Lawyers Group⁸ has provided legal assistance for this market-led initiative. The Eurosystem has supported the STEP initiative since its inception. Specifically, the Eurosystem provides technical support for the labelling process for the first two years and the ECB produces statistics on yields and volumes in the STEP market, which are published on the ECB's website. These statistics are expected to play an important role in fostering the integration of the European short-term securities markets through greater market transparency.

A further example is the area of retail payments. As shown in Chart 2, by contrast with the developments in large-scale payment systems, the situation for retail payments today is nearly unchanged as compared with that prevailing before Monetary Union: in 2005 there were still

⁷ The STEP Secretariat's website (www.stepmarket.org) reports information on the STEP standards and the information memoranda for all STEP-labelled programmes.

⁸ The European Financial Markets Lawyers Group (EFMLG) was established in 1999 with a view to discussing the promotion of initiatives for enhanced harmonisation of European financial market activities. The members are selected from the EU credit institutions most active in European financial markets, namely the EURIBOR and EONIA panels. The group is chaired by the ECB.

15 different retail payment systems within the euro area, compared with 20 in 1998. The banking industry has, however, launched an initiative to create a Single Euro Payments Area (SEPA), which will enable European citizens, enterprises and public authorities to make payments throughout the euro area from a single bank account, using a single set of payment instruments, as easily and safely as in the national context today. In addition, national infrastructures will be migrated to a pan-European payments infrastructure characterised by complete interoperability between SEPA-compliant infrastructures. Sizeable financial benefits are expected from the integration of retail payments, as a result of standardisation and the opening-up of payment services markets to more competition. The Eurosystème supports this initiative and acts as a catalyst. High-level coordination takes place between the Eurosystème and the banking industry, and the ECB has arranged a number of meetings involving SEPA end-users.

An example of the catalyst role in the field of standard market legal documentation is the Master Agreement for Financial Transactions (the European Master Agreement (EMA)). The EMA is the first pan-European market standard for trading operations. It contributes to financial integration by permitting cross-border trading on the basis of a master agreement which is both a domestic and a pan-European standard. The EMA, which is a multilingual, multi-jurisdictional and multi-product master agreement, may be used to document repurchase agreements, foreign exchange, derivatives and securities loans, and generally serves to maximise cross-product netting and margining possibilities and to reduce documentation basis risk. The ECB participated in the drafting of the EMA and uses it for its relevant operations.

The ECB has also been involved in various European Financial Markets Lawyers Group initiatives regarding the harmonisation of netting provisions and securitisation legislation in the EU, rights evidenced by book entries and the provision of market guidance as regards

signing authorities for financial market participants.

PROVIDING ADVICE ON THE FRAMEWORK FOR THE FINANCIAL SYSTEM

The third contribution consists of providing advice on the legislative and regulatory framework for the European financial system. As noted earlier, although financial integration is primarily a market-driven process, an essential task that falls exclusively to public authorities is the setting-up of an effective legislative and regulatory framework that paves the way for further financial integration by establishing basic common rules and removing obstacles to cross-border transactions.

The Eurosystème regularly contributes in numerous areas related to EU financial services policy and financial regulation. In particular, it contributed to the European Commission's public consultation regarding the priorities for financial services policies over the next five years. In that contribution, the Eurosystème expressed its broad support for the Commission's general policy orientation, such as the need to pursue supervisory convergence and the need for consolidation and consistent implementation of the existing legislative framework for financial services, which should be achieved by exploiting the potential of the existing institutional set-up, such as the Lamfalussy comitology framework. The consultation on this Green Paper led the European Commission to publish, in December 2005, its "White Paper on Financial Services Policy 2005-2010". There has been a particular focus on the areas of clearing and settlement, retail banking (for instance mortgage credit) and investment funds. The Eurosystème also provided contributions to the Green Papers on the last two issues.

Furthermore, Article 105(4) of the Treaty stipulates that the ECB is to be consulted, in its fields of competence, on any proposed Community act and on any draft legislative provision proposed by national authorities. Specific examples in the area of financial integration are the Opinions adopted by the

ECB on the Collateral Directive and the proposal for a Council Decision concerning the signing of the Hague Convention on securities held with an intermediary.⁹

In addition, the Eurosystem fosters the integration, efficiency and security of the European securities clearing and settlement infrastructure. For example, the “Standards for Securities Clearing and Settlement in the European Union” were developed in cooperation with the Committee of European Securities Regulators (CESR).¹⁰ They promote a harmonised approach and are conducive to the integration of EU capital markets, placing emphasis on common solutions and interoperability between systems.

Finally, the ECB also participates in a number of EU committees carrying out work related to European financial integration, such as the Economic and Financial Committee, the Financial Services Committee and the regulatory and supervisory committees that have been set up under the Lamfalussy comitology framework.

PROVIDING CENTRAL BANKING SERVICES

The fourth contribution consists of providing central banking services that also foster European financial integration.

A very prominent example is the operation of the real-time gross settlement payment system for the euro, the TARGET system. In fact, the rapid integration of the euro money market, which is a sine qua non for monetary policy implementation, since only an integrated interbank market can ensure an even distribution of central bank liquidity and a homogeneous level of short-term interest rates across the euro area, has been supported by the establishment of the TARGET system, which has been operational since the very first day of Monetary Union. The launch of the single shared platform TARGET2, which is scheduled for November 2007, will further enhance financial integration, as it will provide a harmonised level of service

and a single price structure for domestic and cross-border payments.

Another example is the Eurosystem’s decision to gradually introduce a single list in its collateral framework for monetary policy operations as from January 2007 with the aim of replacing the current two-tier system of eligible collateral.¹¹ The single list should enhance the level playing-field in the euro area, further promote equal treatment for counterparties and issuers, and increase the overall transparency of the collateral framework for monetary policy operations. The decision in favour of the single list in the collateral framework therefore also underlines the Eurosystem’s determination to foster financial integration.

A further example of this kind of activity is the correspondent central banking model (CCBM) which exists for the cross-border transfer of collateral to the Eurosystem in addition to transfers via links between securities settlement systems. Initially, the CCBM was created as an interim model that would cease to operate as soon as the market had developed comprehensive and reliable alternatives. Today, however, it remains the main instrument for mobilising cross-border collateral in the context of the Eurosystem’s monetary policy operations.

5 CONCLUSION

This article provides an update of the ECB’s assessment of the state of European financial integration and reviews the various ways in which the ECB and the Eurosystem help to foster this process. In general, European financial integration is to be seen within the

9 CON/2001/13 of 13 June 2001 and CON/2005/7 of 17 March 2005 respectively.

10 See the ECB’s website at <http://www.ecb.int/pub/pdf/other/escb-cesr-standardssecurities2004en.pdf>. An update is foreseen by the end of 2006.

11 See the article entitled “The single list in the collateral framework of the Eurosystem” in this issue of the Monthly Bulletin.

context of the Lisbon strategy. Creating integrated, competitive and efficient financial markets is one key aspect of the Lisbon goals in order to fully exploit the benefits in terms of enhanced growth and employment. Of specific importance to the ECB and the Eurosystème is the fact that an integrated financial system is highly beneficial for the effective implementation of the single monetary policy within the euro area and the transmission of monetary policy impulses, for the task of contributing to the safeguarding of financial stability and for the smooth operation of payment and securities settlement systems.

Significant progress has been made in European financial integration over the past few years, fostered by the introduction of the euro. However, financial integration is, in particular, still lagging behind in the areas of retail financial services – both retail banking activities and payment system infrastructure services – and in the area of euro area securities clearing and settlement infrastructure.

While financial integration is, first and foremost, a market-driven process, it also requires an effective interplay between market forces and the actions of the public authorities. Examples such as the STEP and SEPA initiatives show that the private sector can contribute substantially to the integration of the European financial system. The ECB and the Eurosystème welcome such market-led initiatives and will continue to support them by acting as a catalyst.



THE SINGLE LIST IN THE COLLATERAL FRAMEWORK OF THE EUROSISTEM

This article clarifies the process of replacing the current two-tier collateral system with a single list of collateral. Broadly speaking, two steps in the implementation of the single list can be distinguished. The first step, which was completed in May 2005, saw some amendments to marketable assets. The second step, the introduction of non-marketable assets – in particular bank loans¹ – into the single list, will enter into force in January 2007 and will be finalised in January 2012. The single list is a response to the drawbacks of the two-tier collateral framework against the background of an increasing degree of financial market integration in the euro area. It is aimed at enhancing the level playing field in the euro area, further promoting equal treatment for counterparties and issuers, and increasing the overall transparency of the collateral framework. The single list also takes into account the rising demand for collateralisation in private wholesale markets and the rising consumption of collateral by the Eurosystem. More generally, by increasing the liquidity of an entire asset class, such as bank loans, the single list of collateral promotes the smooth functioning of the euro area financial system. However, the acceptance of very diverse asset categories poses a number of challenges in terms of the design and maintenance of the collateral framework. Therefore, the Eurosystem will also continue to review and refine its collateral framework in the coming years.

1 INTRODUCTION

The present two-tier collateral framework was adopted in 1998 to ensure a smooth transition to the euro. In June 2003, the Eurosystem launched a public consultation on measures to improve the framework. Following the positive response to this initiative, the Governing Council approved in principle the move to a single list in the collateral framework and decided that it should be introduced gradually. The first step, focusing on marketable assets, was implemented in May 2005. The second step, the introduction of bank loans, will commence in January 2007 and will be finalised in January 2012.

This article clarifies the process of replacing the current two-tier system with a single list of collateral. Section 2 first describes the rationale for the single list. Section 3 presents developments and trends in the availability and use of collateral. Section 4 provides more detailed information about the gradual implementation of the single list and Section 5 concludes by identifying some future challenges for the collateral framework of the Eurosystem.

2 RATIONALE FOR THE SINGLE LIST OF COLLATERAL

In line with central bank practice worldwide, the Eurosystem provides liquidity to the banking system only on a collateralised basis. According to Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank, all credit operations by the Eurosystem need to be based on adequate collateral.

On the one hand, the concept of adequacy of collateral relates to the protection of the Eurosystem from possible losses in its credit operations. The Eurosystem has a low appetite for credit risk, as it wants to ensure the proper protection of the resources entrusted to it as well as its own financial independence. Furthermore, access to central bank credit should be based on the principles of transparency and equal treatment. Unsecured lending would not be compatible with these principles or with the accountability of the central bank, since it would require some discretion in the management of counterparty risk. On the other hand, collateralisation of central bank credit must ensure that the Eurosystem can carry out its

¹ Although the term “bank loan” has been used throughout this article, the legal term is “credit claim”.

tasks effectively. Among these tasks, as defined in Article 105(2) of the Treaty establishing the European Community, are the implementation of monetary policy and the promotion of the smooth operation of payment systems. Hence, there must be sufficient collateral available to counterparties, so that the Eurosystem can provide the amount of liquidity it deems necessary through its monetary policy and payment systems operations. Should the collateral policy result in a shortage of collateral in the banking sector as a whole or in a significant part of it, then the efficiency of the Eurosystem collateral framework would be called into question. This is because one of the principles underlying the monetary policy framework of the Eurosystem is the need to ensure participation of a broad range of counterparties. Moreover, the use of a real-time gross settlement system (RTGS) like TARGET for processing large-value payments in euro requires the provision of intraday credit by the central bank. Thus, the smooth functioning of TARGET relies crucially on the availability of sufficient collateral, not only at the aggregate, but also at the individual bank level.

The two-tier collateral framework was adopted by the Eurosystem to ensure a smooth transition to the euro. Counterparties have been in a position to use the assets they actually held on their balance sheets to participate in Eurosystem credit operations, and this helped to minimise the costs of adaptation to the new framework. Eligible assets were divided into two tiers in order to accommodate differences in financial structures between Member States at the beginning of EMU. Tier one assets consist of marketable debt instruments fulfilling euro area-wide eligibility criteria, while tier two assets, comprising assets deemed of particular importance for certain national financial markets and banking systems, only fulfil national eligibility criteria. Different categories of tier two assets are eligible in the different euro area countries, although in principle they can all be used on a cross-border basis throughout the euro area.

The current two-tier system has performed well in terms of ensuring sufficient availability of collateral to counterparties to meet the needs of both monetary policy and payment systems transactions. For example, even during the millennium date change the collateral framework proved resilient enough to cope with the substantial temporary increase in the demand for collateral. However, the two-tier system also has some significant drawbacks. The fact that some asset classes are eligible in some countries but not in others risks undermining the level playing field in the euro area. Particular concerns have been expressed by market participants about the eligibility of non-marketable assets, such as bank loans, in only a few countries. Since bank loans are primarily held by domestic counterparties and are therefore not readily accessible on a cross-border basis, it is mainly counterparties in countries where such loans are put on the tier two list which can benefit from the low opportunity costs connected to their use as collateral. Hence there is the risk that the current framework allows for “niches”, giving a particular category of counterparties privileged access to the Eurosystem’s credit operations through the use of collateral not available to other counterparties. Furthermore, the two-tier system, which necessarily results in heterogeneous eligibility criteria across countries, does not enhance transparency.

To overcome the drawbacks of the two-tier system, and against the background of an increasing degree of financial market integration in the euro area, the Eurosystem is working towards the introduction of a single list of collateral. The aims of the single list are to enhance the level playing field in the euro area, further promoting equal treatment for counterparties and issuers, and to increase the overall transparency of the collateral framework. Moreover, the single list takes into account the fact that, with increasing collateralisation in private wholesale markets and relatively high consumption of collateral by the Eurosystem, there are now competing demands on the collateral holdings of banks. More generally, by

increasing the liquidity of an entire asset class, such as bank loans, the single list of collateral fosters the smooth functioning of the euro area financial system.

3 DEVELOPMENTS IN THE AVAILABILITY AND USE OF COLLATERAL

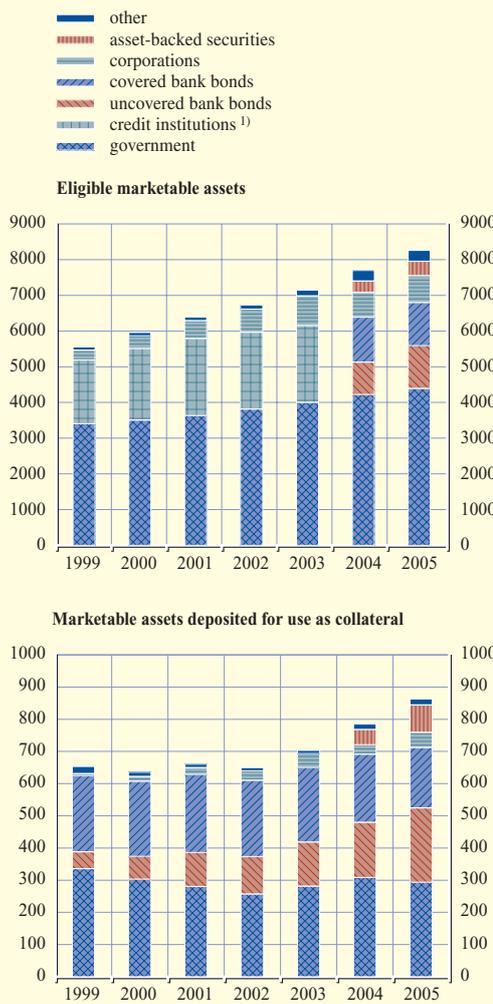
Both the amount of collateral available and the amount effectively used in monetary policy and intraday credit operations have steadily increased since the launch of the euro. The nominal amount outstanding of all eligible marketable assets increased from around €5.5 trillion in 1999 to around €8.5 trillion by the end of 2005, although a large proportion of this is not actually held by counterparties. Approximately 11% of these eligible assets, i.e. €902 billion, was deposited for collateralisation purposes with the Eurosystem.² The list of eligible marketable assets, currently numbering around 24,000, is published every day on the ECB's website (www.ecb.int).

Since the eligibility criteria have been kept general, the collateral framework of the Eurosystem is responsive to market innovations and follows market developments. The nominal amount outstanding and the composition of the eligible collateral pool have therefore grown in line with the general trends in the euro area financial markets. Markets for debt securities have grown substantially and diversified rapidly in the aftermath of the introduction of the euro. Private capital markets (corporate bond markets, debt securities issued by financial institutions and the rapidly increasing issuance of asset-backed securities) in particular have been the driving force behind these trends, supported by the strong growth in liquid and integrated derivatives markets.³

On the demand side, the consumption of collateral by the Eurosystem remained relatively stable between 1999 and 2002, but has steadily increased since then, by around 33%, from €650 billion in 2002 to €866 billion in 2005 (yearly averages). This growth in the use of collateral by

Chart 1 Marketable assets eligible and deposited for use as collateral in Eurosystem credit operations

(EUR billions)



Source: ECB.

1) A breakdown of credit institution data into covered and uncovered bank bonds was not available before 2004.

the Eurosystem can be attributed mainly to the increasing size of monetary policy operations needed to balance the growing liquidity deficit in the banking system. This, in turn, was caused

- 2 However, not all of the deposited collateral is used effectively. Counterparties tend to keep more collateral in the Eurosystem than what they actually use.
- 3 For example, the outstanding amount of corporate bonds grew by 97%, to €534 billion, between 1999 and 2005, which compares with a growth rate for euro-denominated euro area government bonds of 38%, to €4,195 billion, in the same period.

mainly by the rising trend in the volume of banknotes in circulation since the introduction of the euro banknotes and coins in 2002. By contrast, the use of collateral in intraday credits has stabilised, due to efficiency gains in payment system transactions. Thus, the liquidity needs of system participants have been reduced by the introduction of liquidity-saving features in modern large-value payment systems. These include, notably, offsetting algorithms in RTGS systems.

The composition of the asset pool used as collateral in transactions with the Eurosystem does not closely mirror the overall composition of debt markets, as can be seen from the different asset compositions shown in the two panels in Chart 1. This comparison between eligible collateral and collateral brought forward in credit operations with the Eurosystem shows that counterparties tend to bring to the Eurosystem proportionally more collateral with lower secondary market liquidity, such as covered and uncovered bank bonds and asset-backed securities, while government bonds are used proportionally less as collateral in credit operations with the Eurosystem. This tendency has become stronger over time: the share of government bonds decreased from 50%

of deposited collateral in 1999 to 33% in 2005, while the shares of asset-backed securities and uncovered bank bonds reached 10% and 27%, respectively, in 2005. In 2005 these assets had shares of 52%, 5% and 15%, respectively, in the overall debt market.⁴

The growth in cross-border use of collateral, whereby a counterparty in a given country of the euro area uses collateral originating from another country of the euro area, is a good indication of the progress of financial market integration in Europe. At the end of 2005 almost 50% of collateral was used on a cross-border basis, compared with only about 12% in 1999. In several euro area countries cross-border collateral has in fact become the main collateral source. This points to the continuing geographical diversification of the holdings of banks. Moreover, it reflects the greater issuance of Eurobonds in international central securities depositories.

The increased cross-border use of collateral can also be linked to the growing efficiency of handling procedures. Procedures for the correspondent central banking model (CCBM) – the main channel for transferring cross-border collateral in Eurosystem monetary policy and intraday credit operations – have been enhanced, enabling a reduced processing time. Moreover, in addition to the 59 eligible links between EU securities settlement systems, “relayed links” (i.e. a combination of links) complying with the Eurosystem user standards will also become eligible, presumably in the first half of 2006, for the transfer of collateral in Eurosystem credit operations. However, despite recent increases recorded in the use of links, their overall use continues to remain relatively limited in comparison with the use of the CCBM. In 2005 the use of links represented around 8% of the total collateral held by the Eurosystem, compared with 36.8% for the CCBM. It is also interesting to note that the BIS Committee on Payment and

Chart 2 Domestic versus cross-border use of collateral



Source: ECB.

⁴ See the article in the February 2006 issue of the Monthly Bulletin entitled “Fiscal policies and financial markets” on the use of government debt collateral with different ratings in Eurosystem credit operations.

Settlement Systems (CPSS) has increasingly focused on the use of collateral in financial transactions, including the cross-border use of collateral. The CPSS recently published a report on cross-border collateral arrangements, the findings of which are summarised in Box 1.

In recent years, the demand for collateral for central bank credit operations has increasingly been competing with the expanding use of collateral in private wholesale markets. There has been a general expansion in trading activities, which has increased the need for risk mitigating techniques, in both cash and derivatives markets. In addition, the range of market participants has increased, reinforcing the need to manage counterparty risk more actively. Moreover, central counterparty clearing houses (CCPs), which typically rely on collateral to manage counterparty credit risk and liquidity risk between the trading and settlement phases, are broadening their scope. CCPs are increasingly expanding their activities from derivatives and repurchase transactions into outright securities markets.

The increasing use of collateral has coincided with the rapid growth in the European repo market in recent years. According to surveys conducted by the Eurosystem, the secured lending segment has become the largest component of the euro money market, representing around 35% of aggregate euro money market turnover.⁵

The semi-annual surveys conducted by the International Capital Market Association's European repo council show that year-on-year growth in this market segment has recently ranged between 16% and 19% in terms of the value of outstanding contracts.⁶ The share of cross-border transactions was around 53%. In terms of the asset types used as collateral, the composition of the private European repo market is different from the composition of the asset pool brought to the Eurosystem in its credit operations. Government bonds continue to be the main collateral source (86%) in this market, indicating that liquid assets which are easily transferable on a cross-border basis and with a credit risk that is easy to assess are still the preferred collateral in the European repo markets.

In view of the general increase in demand for collateral, the financial industry expressed, in the 2003 public consultation on measures to improve the collateral framework, a strong desire to expand further the range of eligible assets. The Eurosystem took these views into account when the measures on the single list were decided.

⁵ See Euro Money Market Survey, ECB, May 2005.

⁶ The outstanding value of contracts captured by the survey amounted to €5,883 billion in December 2005. This is only a very rough estimation of the total size of the market, as issues of double-counting have not been resolved and market coverage is not yet complete.

Box 1

SUMMARY OF FINDINGS OF THE G10 COLLATERAL REPORT

Over recent decades, the process of globalisation has led banks and other market participants to expand operations outside their countries of incorporation and to manage their liquidity and collateral in multiple currencies and jurisdictions. The Committee on Payment and Settlement Systems (CPSS) analysed institutional arrangements through which NCBs could accept "foreign collateral" on a routine and/or emergency basis to support intraday and/or overnight credit and published the main findings of its analysis in a report¹ released in January 2006.

¹ Cross-border collateral arrangements, CPSS, January 2006, www.bis.org/publ/cpss71.pdf

The main findings of the report can be summarised as follows:

- The process of globalisation has led to an increased integration of financial markets, increased cross-border activity of banks and the use of collateralisation as a risk mitigation technique. The demand for collateral has also been influenced by technical innovations, including, in particular, the introduction of real-time gross settlement (RTGS) in payment systems and delivery versus payment (DvP) techniques in securities settlement. This has resulted in more complex liquidity and collateral management for banks. The interviews conducted by the working group appear to indicate that there is actually no shortage of collateral in normal market conditions; a shortage may appear, though, in emergency situations.
- The use of foreign collateral varies substantially among the central banks of G10 countries. Thus, while in Switzerland and the United Kingdom the amount of foreign collateral used for routine central bank operations is significant, in other countries it is much more limited.
- The same picture of heterogeneity prevails for internationally active banks, whose business has grown and become more complex over the years. These institutions have developed a variety of strategies and business models to accommodate local market practices and regulatory requirements. Some institutions have established subsidiaries, while other institutions rely on correspondent relationships with local banks. Thus, some institutions self-clear in only a small number of major currencies, so foreign participation in the payment system is relatively limited in many countries. For other currencies banks tend to rely on correspondent bank networks. Only a few banks participate directly in multiple payment and securities settlement systems around the world.
- Market infrastructure remains largely domestic in the G10 countries, which makes the movement of collateral from one country to another difficult. Despite considerable overlap between the operating hours of G10 settlement systems and those of G10 large-value payment systems, there remains scope for further synchronisation, particularly where time-zone frictions are greatest.

Given these findings and the heterogeneous situation that currently prevails, the report calls for a flexible solution. The variation in practices tends to exclude the adoption of a common policy for G10 central banks and to favour instead an “à la carte” approach. This would give central banks the latitude to decide whether and under what conditions foreign collateral could be accepted. However, it would not preclude coordination and cooperation between central banks at the bilateral or multilateral level so as to enhance the effectiveness of national central bank actions. This encompasses procedures such as the exchange of information between central banks and the further development of interoperability between national infrastructures.

Apart from this report, which focuses on central bank actions, market initiatives have been developed in parallel in the private sector, where activity was promoted by the Payments Risk Committee in 2005.²

² Global payment liquidity: private sector solutions, Payments Risk Committee, Report by the Global Payment Liquidity Task Force, October 2005.

4 GRADUAL IMPLEMENTATION OF THE SINGLE LIST OF COLLATERAL

The current two-tier system is gradually being replaced by the single list. A gradual approach is necessary principally because the single list will comprise not only marketable assets, but will also be extended to non-marketable assets.⁷ Accepting new marketable asset types as collateral is a relatively straightforward exercise. For marketable instruments the necessary infrastructures are in place to verify their existence and to transfer and mobilise them as collateral. Moreover, marketability helps to price and evaluate them. The information needed to assess their creditworthiness is also normally available in the public sphere. These preconditions are hardly ever fulfilled by non-marketable instruments such as bank loans. Therefore there is a need to develop operational systems and procedures at the central bank level that facilitate the use of these instruments as collateral, and this implies long lead times.

Broadly speaking, two steps in the implementation of the single list can be distinguished. In the first step the Eurosystem defined the marketable asset categories that should be included in the single list. This involved a careful review of the currently eligible marketable tier two assets in order to decide which ones could migrate to the single list. Also in the first step the Eurosystem assessed new categories of previously ineligible marketable collateral. The first step towards implementing the single list was achieved on 30 May 2005. It included: (i) the elimination of equities from the eligible assets; (ii) the specification of the non-regulated markets that are acceptable to the Eurosystem from a collateral management point of view; (iii) a refinement of the criterion regarding debt instruments issued by credit institutions; and (iv) the introduction of euro-denominated debt instruments issued by entities established in the G10 countries that are not part of the European Economic Area (EEA).

In the second step a specific framework for assessing, evaluating and mobilising non-marketable assets, in particular bank loans, as collateral will be implemented. This second step will enter into force in January 2007, when bank loans will become eligible as collateral for Eurosystem credit operations in all euro area countries. However, a fully unified regime for bank loans will not be in place until 1 January 2012.

4.1 FIRST STEP TOWARDS THE SINGLE LIST: FOCUS ON MARKETABLE ASSETS

As mentioned above, four issues were dealt with in the first step towards the single list.

First, in August 2004 the Governing Council took the decision to limit the collateral framework to debt instruments and not to accept equities, which were potentially usable in some countries as tier two collateral.⁸ The first consideration for making equities ineligible was that the volume of eligible equities was very small. The second consideration was that equities are intrinsically more risky than debt instruments, so eligibility criteria have therefore to be restrictive, and this limits the volume of potentially eligible additional collateral. The third consideration was that, owing to their legal nature as an ownership right in a company, equities possess legal and operational features that make their use as collateral by the Eurosystem more complex than is the case for debt instruments. The fourth and final consideration was that, if equities were made eligible in the single list, it would have been difficult for reasons of consistency to exclude other financial instruments whose status lies between debt and equity (i.e. convertible bonds and subordinated debt). Such a broad acceptance of financial instruments

⁷ See the press release of 5 August 2004 – Review of the Eurosystem's collateral framework: second step towards a single list.

⁸ See the press release of 5 August 2004 – Review of the Eurosystem's collateral framework: second step towards a single list. The changes therein had been explained and pre-announced in the press release of 10 May 2004 – Review of the Eurosystem's collateral framework: first step towards a single list.

Timeframe for the gradual implementation of the single list

Launch of public consultation	Governing Council approved introduction of single list	First step: focus on marketable assets	Second step: introduction of bank loans	Uniform regime for bank loans
11 June 2003	10 May 2004	30 May 2005	1 January 2007	1 January 2012

with different ranks of seniority would have unduly increased the complexity of the collateral and of the risk control framework. Against this background the Governing Council decided that there was no clear-cut business case for including equities in the single list. Equities were withdrawn from the tier two lists on 30 April 2005. A nominal amount of collateral of €124.3 billion was thus no longer available. However, equities were, in practice, hardly used as collateral in those countries where they were eligible on the tier two list.

Second, with a view to integrating tier two marketable debt instruments into the single list, the Eurosystem specified in more detail the criteria that markets must fulfil in order for assets traded on them to be used as collateral in Eurosystem operations.⁹ The rationale for such eligibility criteria is not to assess the intrinsic quality of the various markets, but to select those markets that are easily accessible to the Eurosystem, to ensure that transactions are enforceable and that the price formation is transparent. For this the Eurosystem defined three “high-level” principles: safety, transparency and accessibility. While regulated markets¹⁰ are deemed automatically eligible, the functioning of non-regulated markets is assessed against these principles (this assessment will be repeated at least annually). On 30 May 2005, the Eurosystem published the list of non-regulated markets which are acceptable for Eurosystem credit operations. Some OTC markets that are currently acceptable for tier two marketable assets are not included in this list.¹¹ Assets listed, quoted or traded on these markets will remain eligible until May 2007. In December 2005 the nominal amount of assets to be potentially phased out stood at €57.6 billion.

Third, the specific restrictions imposed on debt instruments issued by credit institutions – which, unlike covered bonds, are not backed by collateral¹² – were simplified. Only the criterion requiring that these instruments are admitted to trading on a regulated market as defined in the Directive on markets in financial instruments was retained.

Fourth, in order to meet the increasing demand for collateral, the Eurosystem considered the possibility of accepting foreign marketable debt instruments. In particular, the extension of the place of establishment of the issuer to entities established in G10 countries which are not part of the EEA (i.e. the United States, Canada, Japan and Switzerland) allowed a significant amount of euro-denominated assets issued by non-EEA G10 issuers to be added. This extension, while implying minimal changes to the collateral framework, required some legal risks and operational complexities relating to the legal validity and enforceability of the collateral and to withholding tax reporting and other reporting obligations to be dealt with. In this context, an additional requirement was the

⁹ See the press release of 30 May 2005 – First step towards the introduction of the single list of collateral provided for in the revised version of the “General Documentation”.

¹⁰ Regulated markets comply with the minimum common standards and supervisory regime laid down in the MiFID Directive (Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments).

¹¹ See the press release of 10 May 2004 – Review of the Eurosystem’s collateral framework: first step towards a single list.

¹² Article 22(4) of the UCITS Directive (Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities) sets out the criteria for covered bank bonds. Debt instruments issued by credit institutions which comply strictly with these criteria are eligible in credit operations with the Eurosystem without further restrictions.

submission of a satisfactory legal assessment to the Eurosystem.

The first non-EEA G10 debt instruments were included in the ECB's list of eligible assets on 1 July 2005. So far approximately 460 new assets have been included with a total nominal amount outstanding of €142 billion. The Eurosystem is currently carrying out further legal analysis regarding a number of other issuers, including quasi-governmental issuers, and debt instruments. Once this analysis has been completed, other debt instruments may also be added to the list.

4.2 SECOND STEP TOWARDS A SINGLE LIST: INTRODUCING NON-MARKETABLE ASSETS

In August 2004 the Governing Council decided to include bank loans as an asset category in the single list. In the euro area, bank-based financing is still bigger than market-based financing. Bank loans therefore often remain the most important asset class on the balance sheets of banks. By accepting bank loans as collateral, the Eurosystem reinforces the principle of granting access to monetary policy and intraday credit operations to a broad range of counterparties. Bank loans have relatively low opportunity costs as collateral because they are rarely traded and counterparties have limited alternative uses for them. The availability of sufficient low opportunity cost collateral not only at the Eurosystem aggregate level but also at an individual bank level is relevant in particular for the smooth functioning of TARGET, the large-value payment system of the Eurosystem. Moreover, by increasing the liquidity of an entire asset class, such as bank loans, on the balance sheets of banks, the single list of collateral fosters the smooth functioning of the euro area financial system. This may also indirectly foster analogous developments in private transactions.

However, bank loans differ from marketable instruments in several important respects that create legal and operational challenges for the

Eurosystem when accepting them as collateral. In particular:

- Bank loans encompass a range of diverse instruments tailored to the individual needs of borrowers. As a consequence, they lack standardisation and uniform documentation.
- Bank loans and often debtors are not usually rated by market agencies. Other credit risk sources may have to be used to assess the creditworthiness of debtors.
- The conditions of bank loans may prohibit sale to other parties, so it must be ensured that the loan documents permit assignment or participation.
- Secondary loan markets in Europe have been of limited significance thus far. As such, external price sources rarely exist for these assets.
- While systems of registration, deposit or book entry ensure the existence of marketable assets, there are no established safeguards to ensure the continued existence of a particular bank loan.

This has two-fold implications for the Eurosystem. First, there is a need to define specific eligibility criteria for bank loans to ensure that they comply with similar collateral standards to those for marketable debt instruments. Second, there is a need to develop operational procedures allowing the consistent assessment of credit risk and the safe transfer and mobilisation of bank loans.

In July 2005 the ECB published the specific eligibility criteria that will apply to bank loans from 1 January 2007 onwards.¹³ The establishment of the debtor (or alternatively the guarantor) is restricted to a euro area member

¹³ See the press release of 22 July 2005 – Eurosystem collateral framework: inclusion of non-marketable assets in the single list.

country. The loan agreement must also be governed by the laws of a euro area member country. Moreover, the range of eligible debtors is restricted to non-financial corporations and public sector entities. In particular, interbank loans are excluded from eligibility so as to avoid potentially artificial increases in the collateral pool for counterparties. As regards the eligible loan types, undrawn credit lines, current account overdrafts and letters of credit are not eligible. As is the case for marketable debt instruments, bank loans where rights to the principal and/or the interest are subordinated to the rights of holders of other bank loans or debt instruments from the same issuer are also ineligible. Moreover, the Eurosystem decided to apply a minimum threshold to the outstanding amount of an individual bank loan. Due to the fact that the costs of assessing, evaluating and handling bank loans are higher than those for marketable debt instruments, there is a need to strike a balance between maximising the value of available bank loans and containing the costs. From 2007 to 2012 each NCB will apply a minimum size of its choice. However, as from 2012 a common minimum threshold of €500,000 will be introduced. Furthermore, the Eurosystem will consider applying harmonised fees for bank loans by 2012. In the meantime, each NCB may decide whether or not to apply fees to cover the costs of handling bank loans.

In addition to the eligibility requirements mentioned above, some further legal requirements are needed in order to ensure that the Eurosystem is able to establish a security interest in the collateral in the event of a counterparty default. Such requirements relate to the timing of the notification of the debtor about the mobilisation of the bank loans, to the banking secrecy issues concerning information about the debtors, and to the elimination of potential restrictions regarding the mobilisation and realisation of the loans. As there is no uniform EU-wide legal framework regarding bank loans and their use as collateral, these issues are not treated uniformly in the different national jurisdictions. As a result, the

legal requirements and the way these requirements are met vary from country to country. The precise eligibility requirements will be set out in the ECB publication entitled “The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures” (henceforth referred to as the “General Documentation”) to be updated in the autumn of 2006 and further specified in the respective national documentations. Exceptionally, specific clauses might be required in loan agreements between the counterparty and the debtor for the loans to be eligible as collateral. In addition to verifying the different eligibility requirements, specific procedures will be required to check the existence of such assets. The measures to carry out these checks are self-certification by counterparties and ad-hoc checks by NCBs and supervisors.¹⁴

Like any other eligible asset, bank loans must meet the Eurosystem’s criterion of high credit standards. Since debtors of bank loans are often not rated by market agencies, there has been a need for the Eurosystem to base the credit risk assessment on a broader range of credit quality sources and to add evaluation procedures for non-marketable debt instruments to the existing procedures for marketable debt instruments. This has been one of the biggest challenges when accepting bank loans throughout the euro area. Box 2 describes the core principles and the set of techniques and rules establishing the Eurosystem credit assessment framework (ECAAF), with a particular focus on the new component relating to bank loans. The amended ECAAF will be implemented on 1 January 2007 when bank loans will become eligible throughout the euro area.

¹⁴ The Eurosystem, together with the European Commission, is currently exploring, as a long-term project, whether the legal framework regarding the mobilisation of bank loans as collateral, in particular for operations with the Eurosystem, could be harmonised at the EU level.

Box 2

PRINCIPLES AND KEY ASPECTS OF THE EUROSISTEM CREDIT ASSESSMENT FRAMEWORK

The ECAF constitutes the procedures and rules which establish and control the Eurosystem's requirement of "high credit standards" for all eligible collateral. The acronym "ECAF" has been introduced recently in relation to the enlargement of the credit assessment framework to non-marketable debt instruments, but is understood to encompass the standards applicable to both marketable and non-marketable debt instruments. In the assessment of the credit standards of eligible collateral, the Eurosystem will take into account credit assessment information belonging to one of four sources: external credit assessment institutions (ECAIs), counterparties' internal ratings-based (IRB) systems, third-party providers' rating tools (RTs) and NCBs' in-house credit assessment systems (ICASs).

The Eurosystem's appetite for credit risk is defined in terms of a "single A" long-term credit rating.¹ This has been translated into an annual probability of default (PD) value of 0.10%. This is the central measure for the ECAF to establish the Eurosystem's high credit standards.

Credit assessment sources and performance monitoring

In order to ensure the consistency, accuracy and comparability of the four sets of credit assessment sources used in the ECAF, the Eurosystem has devised eligibility criteria for each of the four sources and will regularly monitor their credit assessment performance against the credit quality threshold.

As regards the eligibility criteria, in the case of ECAIs and IRB systems, the ECAF builds upon the Basel II Framework and the Capital Requirements Directive. According to this Framework, the ECAIs and the IRB systems are subject to a formal recognition and validation process by the national supervisors. A sufficient condition for eligibility in the ECAF is the recognition of the ECAI or IRB system by the relevant supervisor. An RT is a third-party application that assesses the credit quality of debtors by using, among other things, audited accounts. RTs will have to be individually accepted by the Eurosystem in order to form part of the ECAF. The acceptance process will comprise components of the recognition process for ECAIs and IRB systems according to the Capital Requirements Directive. The tools themselves will be operated by the RT providers. Eligible ICASs are currently operated by the Deutsche Bundesbank, the Banco de España, the Banque de France and the Oesterreichische Nationalbank. NCBs deciding to set up a new ICAS would be subject to a Eurosystem validation procedure.

The performance of the different credit assessment systems will be measured annually against the benchmark PD of the credit quality threshold. In the case of a significant deviation between the observed default rate of the set of all eligible companies of a system and the benchmark PD, the Eurosystem may ultimately apply a correction to the eligibility threshold for the credit assessments provided by the non-compliant system.

¹ A long-term A- rating according to S&P and Fitch and an A3 rating according to Moody's.

Procedures for establishing high credit standards

In the assessment of the credit standard of marketable debt instruments, the Eurosystem takes into account, inter alia, available ratings by ECAIs, guarantees provided by financially sound guarantors and certain institutional criteria.

As regards the establishment of the high credit standards of its loans debtors, a counterparty can freely select one source from those that are eligible (ECAI, IRB, RT or ICAS). It will use that source as the principal tool for assessing debtors/guarantors of the non-marketable debt instruments to be submitted as collateral. It will then have to remain with this source for a period of at least one year. However, upon submission of a reasoned request, counterparties will be allowed to use more than one credit assessment source, namely in cases of insufficient coverage or other special circumstances requiring flexibility.

In the case of non-rated marketable debt instruments for which the Eurosystem's requirement for high credit standards cannot be assessed by ratings by ECAIs, a valid guarantee of a financially sound guarantor or certain institutional criteria, counterparties may select a credit assessment source in the same way as described above for non-marketable debt instruments.

Public sector entities

For public sector entities (PSEs) that are not rated by the credit assessment sources above, the Eurosystem has developed generic rules consistent with the treatment of PSEs under the new Basel II Framework to determine the conditions under which these would meet the Eurosystem's high credit standards.

Disclosure framework

In the case of marketable debt instruments, the current practice will be continued and a list of eligible assets published on the ECB's website. Debt instruments issued or guaranteed by PSEs will also be included in this list. However, in the case of non-marketable debt instruments, the list of debtors/guarantors eligible for an individual counterparty will remain strictly confidential. Non-rated marketable debt instruments from private issuers will also not be published on the ECB's website, as their creditworthiness assessment will rely on the ICAS, IRB or RT sources, as in the case of non-marketable debt instruments.

Further information on the rules and procedures of the ECAF will be made available in due course through communications and a revised version of the "General Documentation".

Since bank loans cannot be settled via the established market infrastructure used for marketable debt instruments, the Eurosystem also needs to set up procedures for using them, on both a domestic and cross-border basis. During the intermediate period, the handling of bank loans will make use of national procedures

for domestic use of collateral, and resort to the CCBM for cross-border settlement. During this transitional phase, the procedures for the handling of bank loans will be re-examined in the light of the experience gained until then and more advanced solutions will be studied and possibly implemented.

Another category of non-marketable assets that the Governing Council decided to accept in principle in the single list are retail mortgage-backed debt instruments that stop short of fully-fledged securitisation. This asset category will initially include only Irish mortgage-backed promissory notes. This is due to the specific legal regime for such assets in Ireland, which cannot easily be replicated in other euro area countries. However, a large part of the euro area residential mortgage loans are already indirectly eligible as collateral in a securitised form, either as mortgage-backed securities or as covered bonds.

5 CHALLENGES AHEAD FOR THE COLLATERAL FRAMEWORK OF THE EUROSISTEM

The acceptance of diverse asset categories also poses a number of challenges in terms of the design and maintenance of the collateral framework.

With respect to the design of the framework, it is no longer possible to apply a uniform set of eligibility criteria. Eligibility criteria are tailored to individual asset categories to ensure that distinct asset classes comply with the same collateral standards. This also applies to risk control measures. To level out differences in the risk profile, there is a need to differentiate risk control measures across asset classes. If this is done successfully, a uniform level of risk across asset classes is going to be achieved after the application of risk control measures. In the case of the Eurosystem, two sets of eligibility criteria and risk control measures broadly apply, one relating to marketable assets and the other to non-marketable assets. Operational and, specifically, handling procedures also differ. Given this, it will be a challenge to keep the collateral framework transparent for counterparties.

On the maintenance side, two issues broadly arise. First, the eligibility criteria for marketable debt instruments have been kept rather general. As a result, the collateral framework is

responsive to financial market innovations. Thus, there is a constant need for the Eurosystem to refine its collateral policy to ensure that new collateral also continues to meet the Eurosystem's risk tolerance level. Keeping track of market developments in European fixed-income markets is clearly a challenge for the Eurosystem, since markets are undergoing rapid structural changes and products are tending to become ever more complex. A recent example has been the rapid developments in markets for structured finance and asset-backed securities. As a consequence the Eurosystem had to refine its collateral policy and in May 2006 new criteria will come into effect to assess the eligibility of asset-backed securities in addition to the criteria applicable to debt instruments in general. Asset-backed securities which were previously eligible but do not fulfil the new criteria will remain eligible for a transitional period until 15 October 2006.¹⁵

Second, as indicated above, the acceptance of heterogeneous asset classes poses challenges for the risk control framework. There is a trade-off between simplicity and accuracy. Hence, there is a need to monitor the actual use of collateral in order to determine whether an adjustment of the risk control framework may be necessary. For example, the disproportionate use of certain asset categories may indicate inconsistencies that need to be rectified in order to avoid an undue build-up of risks.

Against this background, the introduction of the single list is an important milestone, but the Eurosystem will continue to review and refine its collateral framework in the coming years.

¹⁵ See the press release of 13 January 2006 – Amendments to “The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures” relating to asset-backed securities.



EQUITY ISSUANCE IN THE EURO AREA

This article analyses developments in equity issuance in the euro area over the last 12 years, with a particular emphasis on initial public offerings, and puts them into a historical and geographic perspective. One of the most notable developments has been the dramatic and unprecedented rise in the volume of gross public equity raised by euro area companies in the late 1990s. Public equity issuance activity subsequently declined for a number of years before picking up again in recent quarters. These developments emphasise the strong cyclical nature of the public equity market in general and of the initial public offering market in particular.

A company's decision to issue public equity is an important one, and may be motivated by a number of factors. In the euro area, public equity issuance has enabled firms to raise significant levels of funding to finance both real investment and merger and acquisition activity. There is also evidence that companies tend to issue public equity when stock market prices are particularly high and risk aversion on the part of investors is low.

I INTRODUCTION

From a historical perspective, the importance of stock markets in Europe as a source of corporate funds has evolved, sometimes dramatically, over time.¹ Developments in these markets in turn have an impact on the financing conditions of corporations.² For instance, a developed equity market will lower the cost of equity capital and increase aggregate investment.

In relative terms, public equity markets worldwide tend to play a limited role as a source of new funds for listed corporations, mainly on account of the existence of asymmetries of information. External financing is generally raised via bank loans or debt securities. That said, the equity market can play a significant role in providing additional external funds, especially via large offers (where the asymmetries of information are generally less relevant) or when “helping” higher growth businesses to raise capital in the market (new listings). Large equity offerings are often related to the financing of mergers and acquisitions. While all forms of public equity issue are reviewed in this article, particular attention is paid to initial public offerings (IPOs) in view of, first, the spectacular developments that have occurred in this market since the mid-1990s and, second, the fact that a liquid IPO market can promote entrepreneurship by providing exit strategies for venture capital companies.³

This article starts by explaining the basic concepts of equity financing. It then reviews the main theories of corporate financing and considers the principal factors which motivate firms to list their shares on a stock exchange. Thereafter, developments in public equity issuance in the euro area over the last 12 years are explained in the light of such factors.

2 MAIN CONCEPTS OF EQUITY FINANCING

Equities are securities representing ownership of a stake in a company. Unlike a debt contract in which the borrower is obliged to pay the lender a certain fixed (or floating) interest rate, an equity contract grants the investor a residual right to receive income from the company's earnings. Equity can be issued either privately in the form of unquoted shares, or publicly via shares that are listed on a stock exchange (quoted shares). Over time, these possibilities are not, however, mutually exclusive, and often the form of financing chosen will depend on the

1 For instance, in most European countries, the amount of equity funds raised as a percentage of gross fixed capital formation was higher in 1913 than in 1990. See Rajan N. and L. Zingales (2003), “The great reversals: The politics of financial development in the 20th Century”, *Journal of Financial Economics* Vol. 69, Issue 1, pp. 5-50.

2 See Levine R. (2003), “Finance and growth: theory and evidence”, *Handbook of Economic Growth*.

3 See also Section 2. Venture capitalists specialise in providing equity finance to companies that cannot obtain external financing via bank loans owing to the level of risk involved. An IPO allows a venture capitalist to “cash in” its initial investment by selling its participation in the company.

stage of the financing cycle of the company. Private equity may originate from an initial investment made by the company's owners or by subsequent private equity investors, or from a company's accumulation of retained earnings.

The private equity market provides equity capital to firms not quoted on a stock market. Within this market, venture capital is often provided by investors as "start-up" money to finance new high-risk companies in return for an equity position in the firm.⁴ When issuing public equity, companies may obtain a listing on a stock exchange for the first time or, if they are already listed, issue additional shares. The first type of issue is an IPO, while the second type is a seasoned equity offering (SEO) or secondary public offering (SPO). In both instances, a company may decide to substitute existing unquoted shares for quoted ones (public equity), or issue newly created shares. The funds raised from the acquisition of newly created shares accrue to the company, whereas the proceeds from the sale of substituted shares are directed to the initial investors.⁵

BASIC THEORIES OF CORPORATE FINANCING

Before considering the developments in equity issuance, it is helpful to briefly review the main theories of the financial structure of firms and, in particular, the proportion of financing represented by debt and equity respectively. Given the above-mentioned characteristics of an equity contract (unlike a debt contract, an equity contract has, in principle, infinite maturity), equity financing could be particularly useful for funding fixed investment plans or acquiring other companies. From a corporate finance perspective, one of the main consequences of public issuance is the restructuring of a firm's funding structure. While in a frictionless market a company's value is independent of its financial structure,⁶ in the real world a number of issues make the choice of financial structure relevant. Indeed most recent corporate finance theories base the choice of financial structure on models that depart from the frictionless paradigm.⁷

According to the "trade-off" theory, firms identify target debt-equity ratios in which they weigh the cost and benefits of equity against those of debt. For instance, tax considerations could play an important role, as in most countries debt tends to be less heavily taxed than equity. At the same time, high capitalisation would imply a lower likelihood of financial distress.

Another factor that is likely to have an impact on a firm's capital structure and the decision as to whether to issue more equity is the existence of "asymmetries of information" between managers and external shareholders. That is, managers are likely to have better information regarding the firm's prospects than external fund providers, causing concern to external investors. According to the "pecking order" theory, there is a pecking order of sources of finance depending on the intensity of information asymmetries between managers and investors associated with each of the different sources of financing. Thus, firms prefer to finance new investment with internal finance (such as retained earnings) first, then with outside debt financing and ultimately with public equity financing. This theory would partly explain why seasoned equity issues are relatively rare.⁸

MAIN REASONS FOR COMPANIES TO GO PUBLIC

While it is relatively uncommon for listed companies to issue equity securities, mainly on account of information asymmetries, "going

4 See Box 2 entitled "The development of private equity and venture capital in Europe" in the October 2005 issue of the Monthly Bulletin.

5 See Jenkinson T. and A. Ljungqvist (2001), "Going Public: the Theory and Evidence on How Companies Raise Equity Finance", 2nd edition, Oxford University Press.

6 Modigliani F. and M. H. Miller (1958), "The cost of capital, corporation finance and the theory of investment", *American Economic Review* Vol. 48, No 3, pp. 261-297.

7 For an overview of the different theoretical models see Tirole J. (2006), "The Theory of Corporate Finance", Princeton University Press. For an empirical analysis of the "pecking order" theory, see Fama E. F. and K. R. French, "Financing decisions: who issues stock?", *Journal of Financial Economics* Vol. 76, Issue 3, pp. 549-582.

8 See Tirole, J. (2006), "The Theory of Corporate Finance", Princeton University Press.

public” for the first time is one of the most important financial decisions in the life of a company, as it has significant economic implications. Focusing on the IPO market, one of the main reasons for issuing equity is to obtain funds to finance long-term real and financial investment. Moreover, the listing of a company’s shares on a stock exchange also increases its financial autonomy, enabling it to be less dependent on a single financial provider (such as a bank or venture capitalist) and improving its access to the public capital markets via corporate bonds or further equity issues. Further, by issuing equity, the company owners can diversify their investment risk by selling stakes in the company in a liquid market. Another advantage of public issuance is increased recognition of the company name. In addition, from the time of the IPO investors receive better information on account of improved transparency and the disclosure requirements that are part of the listing conditions. At the same time, the price of a company’s stock acts as a measure of the company’s value and as a disciplining mechanism for managers.

On the other hand, there are a number of disadvantages for a company inherent in listing its shares on a stock exchange. To start with, equity issuance is an expensive procedure, incurring costs such as underwriters’ commission, legal fees and others charges resulting primarily from the need to satisfy the additional disclosure requirements. In addition, from the perspective of investors, going public implies that the ownership of the company is likely to be shared more widely, resulting in a wider gap between external investors and managers. This separation of ownership and control could cause so-called “agency problems”, where company insiders hold more accurate information on the prospects of the firm than external equity investors, resulting in a divergence of managers’ and outside investors’ interests. Lastly, by going public, a company exposes itself to scrutiny by shareholders, who may be excessively focused on short-term results.

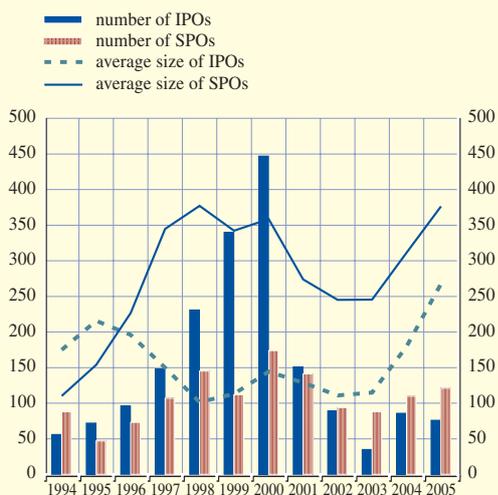
3 DEVELOPMENTS IN THE EURO AREA EQUITY MARKETS

Data on gross equity issuance over the last 12 years obtained from commercial data providers shows that from 1994 to 2005 IPO and SPO activity experienced very distinctive phases. In the early and mid-1990s, equity issuance was a funding option for a very limited number of companies. In the euro area in 1994, for example, only around 55 companies went public (see Chart 1). The considerable rise in stock market prices in the late 1990s was matched by record IPO activity. SPO issuance experienced a more gradual increase during this period. The drop in profit expectations, coupled with significant corporate governance problems occurring within a number of listed companies, dented investor confidence and triggered a large decline in equity issuance. In this context, the number of IPOs fell from the high of 447 in 2000 to 151 in 2001 and to 35 in 2003. Overall a degree of variation in the volume of equity issuance is common in most developed countries. This substantial variability in public equity markets is characterised by (so-called) “hot markets”, in which there is a significant clustering of equity issuance activity, and (so-called) “cold markets”, in which there is little equity issuance activity.

While in the late 1990s a large number of (partially) state-owned companies were privatised and their shares listed on a stock exchange, a large percentage of the issues in this period can be qualified as “new economy” offerings. The share of public capital raised was particularly high in sectors with high growth expectations and with significant uncertainty surrounding future earnings. In particular, equity issuance in the technology, media and telecommunications (TMT) sector was buttressed by the high (as well as uncertain) earnings expectations for these companies. Chart 2 depicts the sector distribution of gross equity issuance during both “hot” and “cold” periods. The TMT sector experienced an increase in the share of total equity issuance from 26% in the “cold” period of the mid-1990s

Chart 1 Number and average size of IPOs and SPOs by non-financial corporations in the euro area

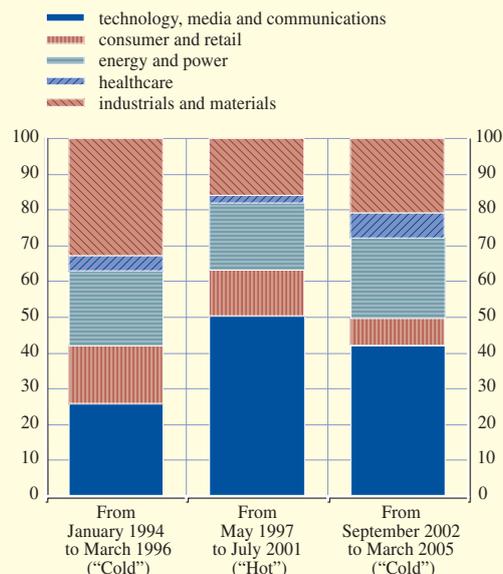
(sums of issues; EUR millions; annual data)



Source: Thomson Financial Database.
Note: The average sizes of IPOs and SPOs are calculated as two-year moving averages.

Chart 2 Sector distribution of gross public equity issuance in “hot” and “cold” periods in the euro area

(percentage shares)



Source: Thomson Financial Database.
Note: “Hot” and “cold” periods are broadly defined on the basis of the lower and upper thirdiles (below 33% and above 66%) of the magnitude ordered equity issuance series. The equity issuance series are calculated as a three-month centered moving average.

to 50% in the subsequent “hot market” phase from mid-1997 to mid-2001. Although equity issuance in the TMT sector declined in the ensuing “cold” market phase from late 2002 to early 2005, it still remained relatively high as a percentage of total issuance, at 42%.

The increase in new listings (IPOs) in the late 1990s was also linked to the concurrent growth of specialised stock markets. These markets were initially created to enable innovative, high-growth firms, which under listing rules would have been excluded from more traditional stock exchanges, to gain access to public equity finance. One such market was the EURO.NM, a pan-European group of five stock exchanges providing equity capital mainly for newer and high-risk companies. The number of companies listed on the EURO.NM increased rapidly from 1998 to 2000. However, as a result of reduced expectations of future increases in “new economy” stock prices, the EURO.NM market

ceased to exist in December 2000, and its most active stock exchange, Frankfurt’s Neuer Markt, closed down in 2003.

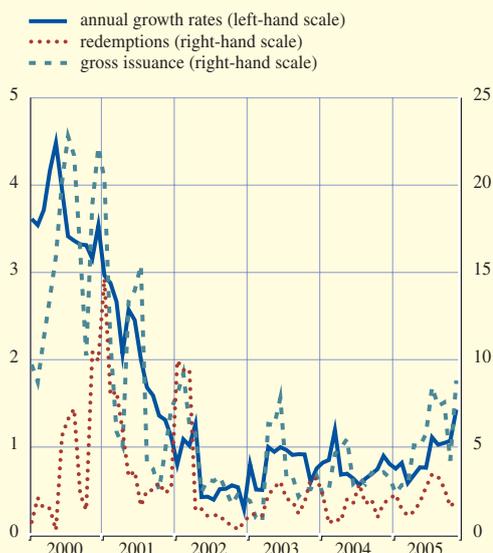
While the above analysis focuses on gross equity issuance, an accurate assessment of equity issuance must take account of equity redemptions (i.e. including financial transactions). This is because non-financial corporations may buy back or delist some or all of the shares they have issued, which of course affects their financial position. Eurosystem data on the net amount of equity issued, including financial transactions for the euro area, are only available from 2000. Chart 3 shows that, after the high level of growth in 2000 and 2001, the annual rate of growth of publicly issued equity in the euro area slowed down and then remained stable over the following three years. There appears to be an upturn in the rate of growth of equity issuance from mid-2005 onwards, although it remains

well below the record levels experienced in the late 1990s. For a complementary and integrated picture of the net issuance of equity, particularly when compared with other sources of corporate financing, it is necessary to consider the overall accounts of non-financial corporations (see the box below).

In the euro area, the IPO and SPO markets are of a more or less similar size in terms of volume issued over the last ten years. Despite this fact, the rest of this article focuses on IPO activity only, for a number of reasons. First, as mentioned above, going public for the first time has important economic implications for the firm (such as the likely separation of ownership and control). Second, a developed IPO market is important in order to promote entrepreneurship, as such markets provide an exit option for venture capitalists. Third, the IPO market is of particular interest in the light of the spectacular increase in IPO issuance since the mid-1990s and its marked cyclical nature over the economic cycle.

Chart 3 Quoted shares issued by euro area non-financial corporations

(annual growth rates of outstanding amounts; percentage changes; transactions in EUR billions; monthly data)



Source: ECB.
Notes: Gross issuance and redemptions are three-month moving averages. Growth rates are calculated on the basis of financial transactions.

Box

DEVELOPMENTS IN EQUITY FINANCING: EVIDENCE FROM THE EURO AREA ACCOUNTS

This box uses information from the euro area accounts of non-financial corporations to consider developments in equity issuance in the euro area.¹ These statistics provide an integrated perspective on the financing situation of corporations, thereby enabling an assessment of the aggregate importance of equity financing and a comparison with other means of external and internal financing. In addition, the statistics offer an insight into how corporations use financing in terms of financial versus non-financial investments.

The financial accounts definition of equity in the euro area covers the net issuance of (or net incurrence of liabilities in) quoted shares, unquoted shares and other equity. Quoted shares include shares listed on a stock market or other forms of secondary market. Unquoted shares comprise shares which are, in principle, negotiable, but which are not publicly quoted (such as privately held shares). Other equity refers to all other forms of equity conferring property rights in corporations.

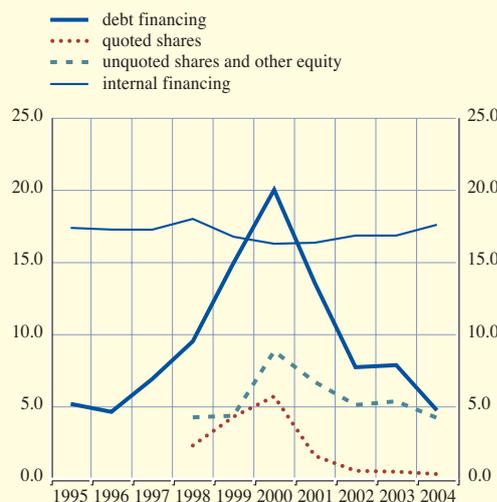
¹ The data analysed in this box are also shown in Table 2 of Section 3.4 of the “Euro area statistics” section, entitled “Annual saving, investment and financing”. These data may be revised if new data sources become available.

Chart A illustrates the developments in the different sources of financing relative to the gross value added of non-financial corporations (hereinafter “GVA”) from 1995 to 2004. During this period, external financing, which mainly comprises equity financing and debt financing (including loans, debt securities and pension fund reserves), was pro-cyclical. Most external financing sources increased as a proportion of GVA during the phase of stronger economic growth in the late 1990s. In this respect, the net issuance of quoted shares (data for which are available from the fourth quarter of 1997 onwards) shows a particularly strong increase between 1998 and 2000. It is likely that this increase is related to the spectacular growth in stock market prices during this period (see Section 4). By contrast, from 2001 to 2004 there was a sharp decline in profit expectations, and the net issuance of public equity experienced a very pronounced decrease. Hence, developments in net public equity financing were very similar to those in gross equity issuance (see Section 3). In relative terms, the decline in net financing through unquoted shares and other unquoted equity from 2001 to 2004 was milder than in the case of quoted shares.

In addition to external financing, corporations also obtain funds via internal financing. In this box, internal financing is defined as gross savings, which corresponds broadly to the sum of retained earnings and consumption of fixed capital (also called depreciation allowance). In an economic sense, internal financing can also be considered as equity funds which are re-invested by shareholders and therefore remain inside the firm. As a percentage of GVA, internal financing has remained relatively stable over time, reaching a peak in 1998 and declining in 1999 and 2000. More recently, internal financing has picked up again in relation to GVA.

Chart A Net sources of funding of non-financial corporations in the euro area

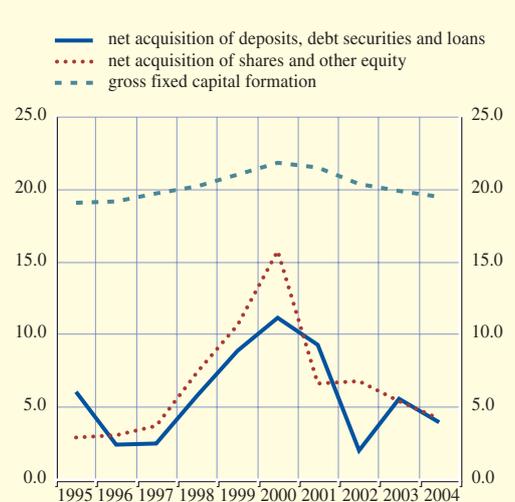
(as a percentage of gross value added of non-financial corporations)



Sources: ECB and ECB calculations.
 Note: Debt financing includes loans, debt securities and pension fund reserves. Unquoted shares and other equity are calculated as the difference between total equity and quoted shares. Internal financing (also called gross savings) corresponds to the sum of retained earnings and consumption of fixed capital (also called depreciation allowance). Gross value added of non-financial corporations is partly estimated.

Chart B Uses of funds of non-financial corporations in the euro area

(as a percentage of gross value added of non-financial corporations)



Sources: ECB and ECB calculations.
 Note: Net acquisition of deposits, debt securities and loans also includes currency. Gross value added of non-financial corporations is partly estimated.

The total sources of funds (internal and external financing, including net capital transfers receivable), as an accounting identity, must be equal to the total uses of funds. In broad terms, the total uses of funds can be broken down into the net acquisition of financial assets and the net acquisition of non-financial assets. The net acquisition of financial assets may be broadly subdivided into two main categories: first, shares and other equity, and, second, other financial assets including currency, deposits, debt securities, loans, derivatives, insurance technical reserves and other payable accounts. The net acquisition of non-financial assets consists mainly of gross capital formation.

The developments illustrated in Chart B suggest that net acquisition of financial assets as a proportion of GVA and, in particular, net acquisition of shares and other equity was relatively pro-cyclical. A comparison of investment activity with developments in net financing flows (Chart A) reveals a strong co-movement of net equity financing and net acquisition of equity, suggesting that the proceeds of equity issuance activity were often used to finance merger and acquisition (M&A) activity (see also Section 4).

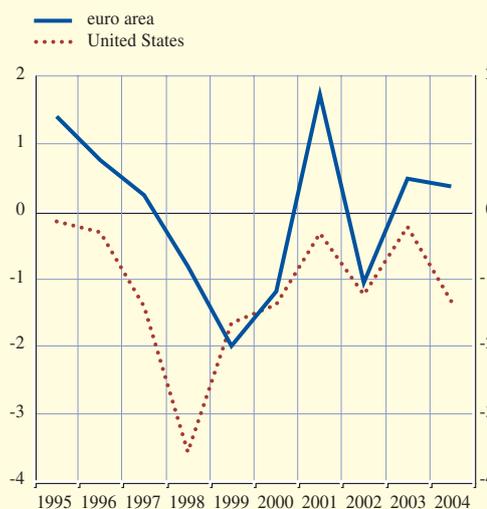
International comparison

There are a number of differences between the statistical concepts used in the euro area and the United States. Some adjustments are therefore necessary for the purpose of comparing equity issuance in both economic regions.²

In US flow of funds accounts, the asset side of the balance sheet of non-financial corporations does not show the acquisition of shares and other equity. This is largely because the purchase of shares by a non-financial corporation is treated as a redemption of shares on the liability side, as the purchase is considered to be related principally to resident M&A activity and share buy-backs. By contrast, in the euro area financial accounts of non-financial corporations, net acquisitions of shares are recorded on the asset side (unless there is a full merger and the outstanding shares are fully redeemed). Hence, to ensure a more meaningful comparison and

Chart C Consolidated net equity financing

(as a percentage of gross value added of non-financial corporations)



Sources: ECB, US flow of funds accounts and ECB calculations.

Notes: "Consolidated" net equity financing for the euro area is calculated as the net issuance of shares and other equity minus the net acquisition of shares and other equity. As opposed to a proper consolidation (i.e. the cancellation of all transactions for a given financial instrument within a sector), the net issuance and the net acquisition of shares (and other equity) also include transactions in shares with other sectors and the rest of the world. Gross value added for non-financial corporations in the euro area is partly estimated.

² In the euro area national accounts, data are compiled in accordance with the European System of National and Regional Accounts (ESA 95), which is broadly in line with the global System of National Accounts (SNA 93). The United States, however, has not fully adopted the SNA 93 and therefore some differences remain between the statistical concepts used in the euro area and in the United States. For more general methodological differences, see the article entitled "Developments in private sector balance sheets in the euro area and the United States" in the February 2004 issue of the Monthly Bulletin, and the article entitled "Comparability of statistics for the euro area, the United States and Japan" in the April 2005 issue of the Monthly Bulletin.

greater consistency with the US treatment of flow of funds, we construct an approximate “consolidated” equity financing measure for the euro area as the difference between net equity financing and the net acquisition of equity.

Chart C compares equity financing in both areas. From 1995 to 2004 consolidated net equity financing was negative in the United States, largely as a result of share buy-backs and equity retirement following mergers. This was also the case in the euro area during the periods of intense M&A activity in the late 1990s and 2000, as well as in 2002. This would suggest that both M&A activity and share buy-backs were more prevalent in the United States than in the euro area during the overall period.

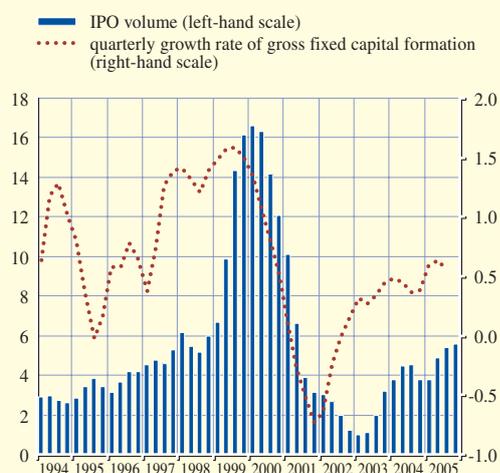
4 DETERMINANTS OF IPO ACTIVITY IN THE EURO AREA

As indicated above, one of the more distinctive characteristics of the equity market in general, and of the IPO market in particular, is its cyclical nature (see also the box above). Cyclical nature in IPO issuance can also be related to corporate financing theories. For instance, “hot-market” periods tend to coincide with periods of low risk aversion on the part of investors, in which the actual or perceived information asymmetries between managers and investors – emphasised

by the “pecking order” theory – are less prevalent, making the cost of issuing public equity lower. In addition, there is strong evidence that equity issuance is to a significant extent related to stock market prices. A company’s managers, who usually hold more accurate information on the company’s expected profits, may issue equity in “hot markets” when stock market prices tend to be high and the relative cost of issuing the equity is therefore lower. Empirical evidence indicates that “hot markets” are partly caused by strong demand for funds for fixed and financial investment linked to buoyant profit expectations.

Chart 4 IPO volume and investment growth in the euro area

(EUR billions; percentage changes; quarterly data)



Sources: Eurostat and Thomson Financial Database.
Notes: The IPO volume series refers to gross issuance of IPOs by euro area non-financial corporations. The series are four-quarter centered moving averages.

REAL INVESTMENT NEEDS

While it is difficult to disentangle the different factors motivating a company’s decision to issue public equity, the economic cycle is likely to play a significant role. This is mainly because equity is often used to finance demand for fixed investment, which fluctuates over the business cycle. Accordingly, demand for funds will be higher in periods of stronger demand for fixed investment owing to improved economic expectations.⁹ Chart 4 shows the evolution of IPO volumes and of gross fixed capital formation in the euro area. Despite the increase

⁹ Recent empirical studies suggest that equity issuance is related to increases in investment at both the micro and the macro level. See Lowry M., “Why does IPO volume fluctuate so much?”, *Journal of Financial Economics*, Vol. 67, Issue 1, pp. 3-40 and Kim W. and M. S. Weisbach (2005), “Do firms go public to raise capital?”, National Bureau of Economic Research, Working Paper 11197.

in gross fixed capital formation from 1994 to 1998, equity issuance remained subdued in the euro area. The relationship between equity issuance and real economic activity seems to have intensified somewhat in recent years. At the same time, equity issuance seems to lag behind gross fixed capital formation to some extent. Overall, swings in IPO issuance have been much more pronounced than changes in capital expenditure, suggesting that other factors on top of funding needs for fixed capital investment might be at work to explain equity issuance.

MARKET TIMING AND INVESTOR SENTIMENT

As indicated above, there could be an incentive for firms to “time” the market and issue equity when stock market prices are particularly high. This would partly explain one characteristic phenomenon of the equity market, namely the long-term underperformance of companies doing IPOs as compared with similar companies in terms of size and sector.¹⁰

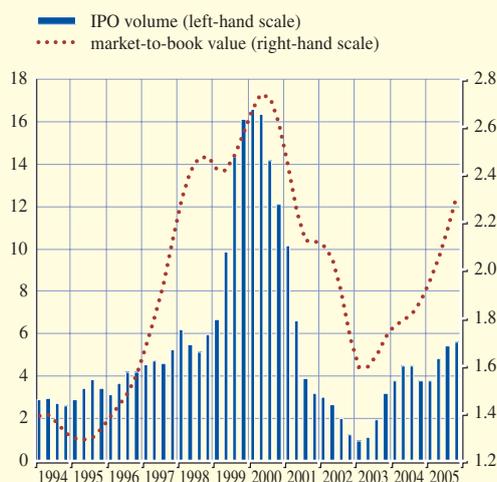
Chart 5 shows that the volume of euro area IPO issuance mirrored developments in the market-to-book value of the broad stock market index. Furthermore, significant increases in stock market prices generally preceded increases in equity issuance. It seems that the significant declines in the market-to-book value in 2001 and 2002 contributed to bringing equity issuance almost to a halt during that period. The reason for these parallel developments could be that managers issue equity primarily when they consider that the market values the company's shares at an appropriate, or excessively high, level.¹¹ In the first instance, managers' views are aligned with those of investors; stock market prices accurately reflect positive economic news (such as a positive productivity shock), which

10 It also explains the typically negative stock market reaction to announcements of SPOs. For an overview, see Ritter J.R. (2003), “Investment banking and securities issuance”, *Handbook of the Economics of Finance*.

11 See Baker, M. and J. Wurgler (2002), “Market timing and capital structure”, *The Journal of Finance* Vol. 57, Issue 1, pp. 1-32. For a more cautious view, see also Dittmar, A. and A. Thakor (2006), “Why do firms issue equity”, *The Journal of Finance*, forthcoming.

Chart 5 IPO volume and market-to-book value of the broad stock market index in the euro area

(EUR billions; ratios; quarterly data)



Sources: Datastream and Thomson Financial Database.
Notes: The IPO volume series refers to gross issuance of IPOs by euro area non-financial corporations. The market-to-book value refers to the datastream broad euro area non-financial stock market index. The series are four-quarter centered moving averages.

Chart 6 IPO volume and investors' perception of stock market valuation in the euro area

(EUR billions; net percentages; quarterly data)



Sources: ECB calculations and Merrill Lynch Regional Fund Manager Survey.
Notes: The perceived overvaluation series is based on a survey among euro area fund managers and refers to the net percentage of managers perceiving the euro area stock markets to be overvalued. The IPO volume series refers to gross issuance of IPOs by euro area non-financial corporations. The series are four-quarter centered moving averages.

encourages both higher equity prices and equity issuance. In the second instance, the increase in equity issuance could partly be a result of improved economic expectations and partly of excessive stock market prices which, to some extent, can be affected by investor irrationality.

Whether the high market-to-book values should be interpreted as an overvaluation, and hence a reason in itself for firms to go public, is an intrinsically difficult question to answer. Chart 6 shows that IPO issuance in the euro area is closely correlated with the net percentage of fund managers perceiving the euro area stock markets to be overvalued. The net percentage of fund managers believing the euro area stock markets to be overvalued increased in 1999 and 2000, before declining in parallel with the drop in stock market prices and equity issuance in 2001 and 2002. In recent years, fund managers have continued to believe that the stock market is undervalued.

A related factor explaining the timing of equity issuance is the effect of investor sentiment. Developments in investor optimism over time may have an impact on the cost of equity, thereby

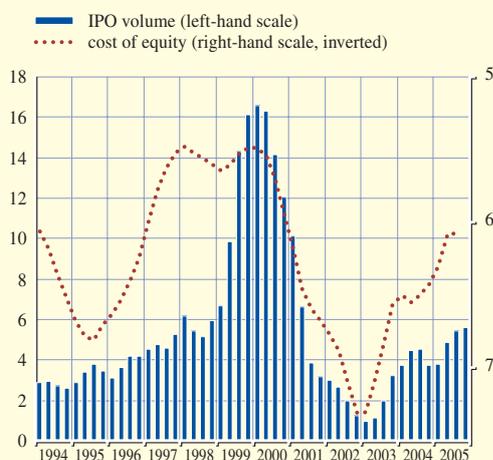
influencing the amount of equity issued. For example, excessive increases in risk aversion resulting in falling stock market prices could raise the cost of equity, thereby dissuading companies from issuing equity. Although investor sentiment will inevitably change over time, it is difficult to measure risk aversion empirically, and/or investors' willingness to invest in the stock market.

The above factors all affect the cost of equity finance. In particular, improved investor sentiment, more positive economic expectations and higher stock market prices all reduce the cost of issuing equity. Although the exact cost of equity finance cannot be measured (mainly owing to uncertainty regarding future corporate earnings), the ECB regularly makes an estimation on the basis of the three-stage dividend discount model and analysts' earnings forecasts.¹² Chart 7 depicts this estimation,

¹² See the box entitled "A three-stage dividend discount model for the euro area" in the article "Extracting information from financial asset prices" in the November 2004 issue of the Monthly Bulletin. See also the box entitled "The cost of equity in the euro area and the United States" in the September 2005 issue of the Monthly Bulletin.

Chart 7 IPO volume and cost of equity

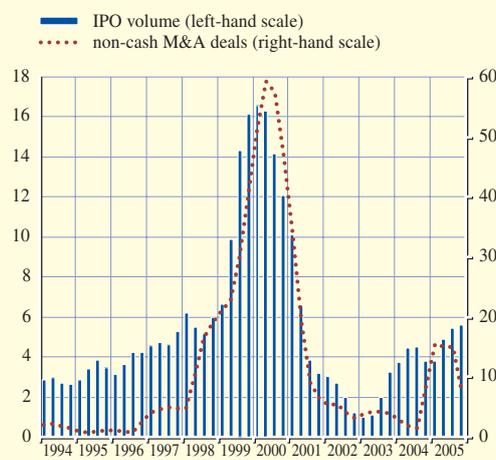
(EUR billions; percentages per annum; quarterly data)



Source: Thomson Financial Database.
Notes: The IPO volume series refers to gross issuance of IPOs by euro area non-financial corporations. The series are four-quarter centered moving averages.

Chart 8 IPO volume and non-cash-financed mergers and acquisitions in the euro area

(EUR billions; quarterly data)



Source: Thomson Financial Database.
Notes: The IPO volume series refers to gross issuance of IPOs by euro area non-financial corporations. The series are four-quarter centered moving averages.

together with IPO issuance. As expected, periods during which the cost of equity was high coincided with very low equity issuance activity. This was particularly the case from 2001 to 2003, when the cost of equity issuance increased significantly.

MERGERS AND ACQUISITIONS

Companies also issue equity in order to finance the acquisition of other companies, either by using the cash proceeds of public offerings or by issuing shares which are subsequently exchanged for the shares of a target company. Consequently, merger and acquisition (M&A) cycles can also be expected to correlate with equity issuance activity; recent empirical evidence suggests that the majority of companies that list their shares on a stock exchange use part of the proceeds to finance M&A activity.¹³ In support of this, Chart 8 indicates that equity-financed M&A activity in the euro area closely mirrors equity issuance. At the same time, however, M&A activity is also driven by some of the same fundamental factors underlying equity issuance, such as developments in stock market prices and investor confidence cycles.¹⁴

5 CONCLUSION

The ability to raise equity capital plays a key and strategic role in companies' financing and investment decisions. This article has reviewed developments in equity markets in the euro area over the last 12 years. The euro area equity market has exhibited strong cyclicity: a spectacular rise in equity issuance in the late 1990s and early 2000s was followed by an equally dramatic fall in subsequent years. While it is difficult to disentangle the different reasons why a company decides to issue public equity, one of the motivating factors is the need to raise finance for real investment, in particular in high growth sectors. In addition, investors' aversion to risk and the correlation between the timing of equity issuance and periods of high stock market prices are also likely to have had a

significant influence on the volume of equity issuance over the last 12 years. Finally, proceeds from equity issuance seem, in many instances, to have been directed towards financing M&A activity.

13 Indeed recent evidence from the United States suggests that the main motivation for corporations to "go public" is to finance acquisitions. See Brau, J. and S. Fawcett (2006), "Initial public offerings: An analysis of theory and practice", *The Journal of Finance*, Vol. 61, Issue 1, pp. 399 - 436.

14 See Lamont, O. A. and J. C. Stein (2005), "Investor sentiment and corporate finance: micro and macro", National Bureau of Economic Research, Working Paper 11882.

EURO AREA STATISTICS



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

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Conventions used in the tables

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



EURO AREA OVERVIEW

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

1. Monetary developments and interest rates

	M1 ¹⁾	M2 ¹⁾	M3 ^{1),2)}	M3 ^{1),2)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ¹⁾	Securities other than shares issued in euro by non- financial and non- monetary financial corporations ¹⁾	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.9	-	6.1	10.0	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.5	2.18	3.44
2005 Q2	9.8	7.5	7.1	-	7.6	13.2	2.12	3.41
Q3	11.2	8.4	8.0	-	8.4	13.2	2.13	3.26
Q4	10.9	8.5	7.8	-	8.9	14.6	2.34	3.42
2006 Q1	10.3	8.6	7.9	-	10.0	.	2.61	3.56
2005 Nov.	10.5	8.2	7.6	7.6	9.0	14.1	2.36	3.53
Dec.	11.4	8.5	7.4	7.6	9.2	15.7	2.47	3.41
2006 Jan.	10.3	8.4	7.7	7.7	9.7	15.7	2.51	3.39
Feb.	9.9	8.7	7.9	8.1	10.4	16.4	2.60	3.55
Mar.	10.1	9.0	8.6	.	10.8	.	2.72	3.73
Apr.	.	.	.	.	.	.	2.79	4.01

2. Prices, output, demand and labour markets

	HICP ¹⁾	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2004	2.1	2.3	2.5	2.0	2.0	81.6	0.7	8.9
2005	2.2	4.1	2.6	1.3	1.2	81.3	.	8.6
2005 Q2	2.0	3.9	2.5	1.2	0.7	81.0	0.8	8.7
Q3	2.3	4.2	2.3	1.6	1.5	81.0	0.8	8.5
Q4	2.3	4.4	2.4	1.8	2.1	81.5	.	8.3
2006 Q1	2.3	5.2	.	.	.	82.2	.	8.2
2005 Nov.	2.3	4.2	-	-	3.1	-	-	8.4
Dec.	2.2	4.7	-	-	2.9	-	-	8.3
2006 Jan.	2.4	5.3	-	-	2.9	82.0	-	8.2
Feb.	2.3	5.4	-	-	3.2	-	-	8.2
Mar.	2.2	5.1	-	-	.	-	-	8.1
Apr.	2.4	.	-	-	.	82.4	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 ³⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2004	67.3	105.3	-41.2	60.3	280.7	103.8	105.9	1.2439
2005	-10.1	53.0	-145.5	162.5	320.3	103.0	105.2	1.2441
2005 Q2	-7.2	18.1	-14.7	107.8	302.3	103.4	105.6	1.2594
Q3	1.5	16.0	-97.6	89.8	311.7	101.9	104.2	1.2199
Q4	-7.6	3.8	-9.4	-42.0	320.3	100.9	103.1	1.1884
2006 Q1	.	.	.	.	327.1	101.2	103.5	1.2023
2005 Nov.	-4.7	1.0	-2.0	-39.2	322.8	100.7	102.9	1.1786
Dec.	3.0	1.3	0.6	-5.2	320.3	100.7	102.8	1.1856
2006 Jan.	-8.7	-6.4	4.9	-37.1	332.1	101.4	103.6	1.2103
Feb.	-0.8	-0.3	-25.9	19.8	332.1	100.7	103.0	1.1938
Mar.	.	.	.	.	327.1	101.5	103.8	1.2020
Apr.	.	.	.	.	.	102.7	105.0	1.2271

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 7 Apr.	2006 14 Apr.	2006 21 Apr.	2006 28 Apr.
Gold and gold receivables	180,712	180,673	180,631	180,525
Claims on non-euro area residents in foreign currency	146,957	145,781	145,199	146,033
Claims on euro area residents in foreign currency	26,481	25,536	24,693	24,383
Claims on non-euro area residents in euro	11,965	12,457	12,069	12,964
Lending to euro area credit institutions in euro	399,999	408,502	418,199	411,075
Main refinancing operations	279,999	288,501	297,998	291,000
Longer-term refinancing operations	120,000	120,000	120,000	120,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	1	201	73
Credits related to margin calls	0	0	0	0
Other claims on euro area credit institutions in euro	5,329	5,435	5,342	5,656
Securities of euro area residents in euro	95,754	94,880	95,061	93,827
General government debt in euro	40,570	40,570	40,559	40,568
Other assets	159,257	161,312	163,054	165,358
Total assets	1,067,024	1,075,146	1,084,807	1,080,389

2. Liabilities

	2006 7 Apr.	2006 14 Apr.	2006 21 Apr.	2006 28 Apr.
Banknotes in circulation	563,351	571,601	565,910	568,830
Liabilities to euro area credit institutions in euro	156,838	159,566	161,751	154,531
Current accounts (covering the minimum reserve system)	156,689	159,553	161,679	153,913
Deposit facility	147	13	71	618
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	2	0	1	0
Other liabilities to euro area credit institutions in euro	114	114	114	114
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	55,787	54,445	68,126	66,227
Liabilities to non-euro area residents in euro	13,873	13,640	13,612	14,069
Liabilities to euro area residents in foreign currency	177	172	151	152
Liabilities to non-euro area residents in foreign currency	11,034	8,975	7,551	8,133
Counterpart of special drawing rights allocated by the IMF	5,825	5,825	5,825	5,825
Other liabilities	65,589	66,372	67,331	68,071
Revaluation accounts	132,437	132,437	132,437	132,437
Capital and reserves	61,999	61,999	61,999	62,000
Total liabilities	1,067,024	1,075,146	1,084,807	1,080,389

Source: ECB.

1.2 Key ECB interest rates

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

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

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations ³⁾

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
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
8 Mar.	379,105	393	298,000	2.50	2.56	2.57	7
15	366,649	411	290,500	2.50	2.56	2.57	7
22	395,001	419	298,000	2.50	2.56	2.57	7
29	362,447	391	284,000	2.50	2.57	2.58	7
5 Apr.	380,014	397	280,000	2.50	2.57	2.58	7
12	404,763	408	288,500	2.50	2.57	2.58	7
19	395,069	414	298,000	2.50	2.58	2.58	8
27	372,454	394	291,000	2.50	2.59	2.60	7
4 May	372,850	380	286,000	2.50	2.59	2.60	6
Longer-term refinancing operations							
2005 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 ⁵⁾	89,877	165	12,500	-	2.45	2.46	98
23 ⁵⁾	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
30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2004 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
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1

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 ¹⁾ :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	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
Q3	13,562.1	7,125.7	498.5	1,697.7	1,085.4	3,154.9
2005 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
2006 Jan.	14,165.7	7,451.5	517.8	1,766.1	1,215.4	3,215.0
Feb.	14,353.6	7,511.1	534.2	1,804.6	1,241.7	3,262.0

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
2004	137.9	138.5	0.6	0.0	2.05
2005	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	158.3	0.6	0.0	2.30
11 Apr.	158.9	159.5	0.6	0.0	2.29
9 May	160.4	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem					Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)				
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations				Deposit facility	Other liquidity-absorbing operations		
	1	2	3	4	5	6	7	8	9	10	11	12
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	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
7 Mar.	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
11 Apr.	327.9	290.1	113.7	0.1	0.7	0.3	0.0	556.4	51.6	-35.2	159.5	716.2

Source: ECB.

1) End of period.



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units ¹⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets	
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
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
Q4	1,404.8	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.1
2006 Jan.	1,445.6	664.4	20.7	0.6	643.1	187.5	167.6	2.2	17.6	-	14.9	349.5	14.8	214.6
Feb.	1,445.2	657.6	20.7	0.6	636.3	187.1	167.2	2.2	17.8	-	15.1	353.6	14.7	217.2
Mar. ^(p)	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.7
MFIs excluding the Eurosysteem														
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	811.9	7,555.6	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	22,026.3	13,050.2	806.0	7,668.8	4,575.4	3,295.2	1,358.5	481.2	1,455.5	73.1	970.0	3,182.3	156.5	1,299.1
Q2	22,768.7	13,255.2	807.8	7,918.0	4,529.4	3,394.2	1,383.9	506.9	1,503.5	75.1	999.3	3,404.2	163.1	1,477.5
Q3	23,052.0	13,430.5	815.4	8,067.7	4,547.4	3,373.5	1,360.6	505.8	1,507.2	81.4	1,013.6	3,517.2	164.2	1,471.5
Q4	23,653.7	13,688.9	831.9	8,287.3	4,569.7	3,494.0	1,429.2	550.5	1,514.3	83.1	1,004.6	3,677.1	165.7	1,540.3
2006 Jan.	24,004.7	13,812.1	826.8	8,386.0	4,599.2	3,536.5	1,448.5	554.2	1,533.8	87.0	1,033.1	3,778.2	164.8	1,593.0
Feb.	24,180.0	13,896.6	817.4	8,468.5	4,610.7	3,575.3	1,455.4	566.1	1,553.8	85.4	1,048.5	3,819.1	165.0	1,590.3
Mar. ^(p)	24,400.2	14,023.3	821.0	8,543.4	4,658.9	3,572.9	1,429.4	573.8	1,569.7	83.4	1,089.4	3,883.4	166.3	1,581.4

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
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
Q4	1,404.8	582.7	385.4	24.4	14.5	346.5	-	0.1	201.9	27.6	207.2
2006 Jan.	1,445.6	564.4	438.8	57.9	17.6	363.3	-	0.1	208.2	30.7	203.4
Feb.	1,445.2	568.6	429.2	56.5	19.7	353.0	-	0.1	210.8	29.7	206.8
Mar. ^(p)	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
MFIs excluding the Eurosysteem											
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	22,026.3	-	11,653.1	126.3	6,706.1	4,820.8	687.6	3,614.9	1,213.5	3,085.6	1,771.5
Q2	22,768.7	-	11,848.9	135.1	6,920.5	4,793.3	696.4	3,761.8	1,258.7	3,228.0	1,974.8
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
Q4	23,653.7	-	12,206.9	149.5	7,206.3	4,851.1	698.9	3,858.2	1,313.7	3,516.6	2,059.3
2006 Jan.	24,004.7	-	12,225.3	133.7	7,215.8	4,875.9	695.4	3,888.8	1,345.7	3,614.5	2,234.9
Feb.	24,180.0	-	12,271.3	143.1	7,237.2	4,891.0	695.6	3,952.7	1,360.4	3,695.0	2,205.0
Mar. ^(p)	24,400.2	-	12,407.0	148.0	7,311.4	4,947.7	688.8	3,991.6	1,368.0	3,735.6	2,209.2

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	833.4	7,556.3	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	827.5	7,669.4	1,993.2	1,510.4	482.8	683.6	3,483.3	169.0	1,433.8
Q2	17,037.6	8,747.6	828.9	7,918.7	2,051.5	1,542.7	508.9	713.7	3,723.8	176.4	1,624.5
Q3	17,317.9	8,904.9	836.6	8,068.3	2,033.9	1,526.2	507.7	726.7	3,846.1	177.5	1,628.8
Q4	17,895.1	9,140.5	852.5	8,288.0	2,147.3	1,594.8	552.5	705.2	4,014.1	180.5	1,707.6
2006 Jan.	18,199.4	9,234.1	847.5	8,386.6	2,172.5	1,616.1	556.4	721.3	4,127.7	179.5	1,764.2
Feb.	18,355.2	9,307.2	838.0	8,469.2	2,190.9	1,622.6	568.3	741.2	4,172.7	179.6	1,763.7
Mar. ^(p)	18,515.3	9,385.7	841.7	8,544.0	2,173.4	1,597.3	576.1	777.2	4,232.4	181.0	1,765.6
Transactions											
2003	796.4	384.0	12.1	371.8	170.4	116.3	54.1	20.9	225.0	-3.8	0.0
2004	1,270.8	499.7	-6.7	506.5	91.9	58.1	33.8	37.2	437.7	2.7	201.5
2005 Q1	449.5	106.8	-6.6	113.4	82.5	66.2	16.4	16.4	187.3	-4.1	60.6
Q2	531.9	207.8	0.9	206.9	39.7	15.8	23.8	25.5	126.4	1.0	131.5
Q3	257.8	160.5	7.8	152.7	-14.7	-12.6	-2.1	2.9	107.3	1.0	0.8
Q4	355.2	235.2	14.2	221.1	44.0	3.2	40.8	2.6	33.7	3.3	36.3
2006 Jan.	314.8	80.3	-4.9	85.2	31.9	26.2	5.7	13.9	127.5	-1.2	62.4
Feb.	118.4	71.7	-9.6	81.3	18.5	6.5	12.0	17.6	12.0	0.1	-1.5
Mar. ^(p)	212.1	86.2	3.8	82.3	-4.9	-14.7	9.9	35.8	96.2	0.8	-2.0

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ¹⁾	Debt securities issued ²⁾	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	6,723.7	614.5	2,145.6	1,063.0	3,110.5	1,942.9	0.4
Q2	17,037.6	496.6	211.5	6,939.3	621.3	2,242.9	1,132.6	3,252.4	2,155.3	-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
Q4	17,895.1	532.8	173.9	7,220.9	615.8	2,325.9	1,201.4	3,544.3	2,266.5	13.6
2006 Jan.	18,199.4	520.9	191.6	7,233.4	608.4	2,337.5	1,227.3	3,645.2	2,438.3	-3.1
Feb.	18,355.2	524.9	199.6	7,256.9	610.2	2,381.3	1,248.9	3,724.7	2,411.8	-3.1
Mar. ^(p)	18,515.3	532.3	193.0	7,326.4	605.4	2,404.0	1,254.3	3,765.9	2,415.8	18.1
Transactions										
2003	796.4	79.0	15.1	313.7	56.7	133.5	37.4	130.8	-30.0	60.3
2004	1,270.8	70.5	6.1	377.4	22.3	197.1	50.5	276.8	232.1	37.7
2005 Q1	449.5	3.3	25.0	57.2	9.7	65.3	13.2	212.0	108.1	-44.4
Q2	531.9	24.8	24.1	175.4	6.7	80.2	24.5	61.4	168.0	-33.2
Q3	257.8	10.6	-29.4	66.0	10.0	37.7	19.0	127.9	20.1	-4.2
Q4	355.2	25.7	-8.6	194.5	-29.4	33.9	28.0	42.4	37.9	30.9
2006 Jan.	314.8	-11.9	17.7	16.8	6.6	8.0	2.7	124.7	155.6	-5.3
Feb.	118.4	4.0	8.0	19.5	3.2	34.3	20.1	45.3	-15.7	-0.4
Mar. ^(p)	212.1	7.4	-6.6	70.4	2.3	32.6	5.5	75.3	-8.0	33.2

Source: ECB.

1) Amounts held by euro area residents.

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

2.3 Monetary statistics

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

1. Monetary aggregates¹⁾ and counterparts

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2003	2,678.5	2,554.0	5,232.4	909.2	6,141.6	-	4,137.9	2,222.3	8,152.2	7,095.3	237.2
2004	2,908.7	2,660.5	5,569.2	963.8	6,533.0	-	4,460.8	2,294.6	8,686.1	7,548.8	385.4
2005 Q1	3,008.1	2,680.1	5,688.3	949.5	6,637.7	-	4,575.5	2,331.6	8,832.9	7,676.6	381.8
Q2	3,257.9	2,559.8	5,817.7	981.9	6,799.6	-	4,790.2	2,361.1	9,109.6	7,891.9	468.2
Q3	3,346.1	2,626.1	5,972.2	996.1	6,968.3	-	4,871.3	2,371.7	9,337.8	8,083.0	454.6
Q4	3,423.5	2,651.3	6,074.8	996.1	7,070.8	-	4,997.8	2,472.7	9,543.8	8,281.3	462.3
2006 Jan.	3,447.5	2,673.0	6,120.5	995.8	7,116.4	-	5,041.4	2,470.2	9,651.3	8,375.7	482.1
Feb.	3,468.3	2,696.3	6,164.5	992.2	7,156.7	-	5,103.0	2,462.0	9,780.0	8,476.9	447.4
Mar. ^(p)	3,496.7	2,720.8	6,217.6	1,009.5	7,227.1	-	5,131.5	2,432.7	9,894.3	8,553.5	473.3
Transactions											
2003	258.4	113.6	372.0	33.1	405.1	-	236.4	132.3	445.6	371.0	98.6
2004	238.6	110.7	349.3	57.2	406.5	-	342.7	54.5	577.0	506.1	166.1
2005 Q1	96.6	13.4	110.0	-19.1	90.9	-	96.7	32.0	146.5	128.1	-6.3
Q2	85.3	36.1	121.4	32.7	154.1	-	123.2	12.6	227.7	173.1	52.8
Q3	89.1	66.0	155.1	14.8	169.9	-	69.1	14.6	220.1	194.1	-27.8
Q4	67.8	23.9	91.6	-18.8	72.9	-	98.8	34.1	227.9	199.8	-5.9
2006 Jan.	25.5	23.9	49.3	7.7	57.0	-	23.8	2.5	93.8	81.0	9.9
Feb.	19.3	21.4	40.7	-2.6	38.1	-	50.2	-8.3	125.3	100.0	-33.3
Mar. ^(p)	30.2	26.8	57.0	24.3	81.3	-	35.5	-18.6	123.6	84.1	28.2
Growth rates											
2003 Dec.	10.6	4.6	7.6	3.9	7.1	7.0	6.0	6.3	5.8	5.5	98.6
2004 Dec.	8.9	4.3	6.7	6.3	6.6	6.5	8.3	2.4	7.1	7.2	166.1
2005 Mar.	9.2	4.9	7.1	2.8	6.5	6.6	8.7	2.4	7.5	7.6	96.7
June	10.9	5.1	8.1	5.1	7.6	7.6	9.6	1.2	8.2	8.1	160.2
Sep.	11.1	6.4	8.8	6.0	8.4	8.2	8.7	1.4	9.1	8.8	77.1
Dec.	11.4	5.4	8.5	1.0	7.4	7.6	8.6	4.0	9.4	9.2	12.8
2006 Jan.	10.3	6.4	8.4	3.2	7.7	7.7	8.6	3.0	9.9	9.7	29.8
Feb.	9.9	7.3	8.7	3.6	7.9	8.1	8.7	1.8	10.7	10.4	-18.5
Mar. ^(p)	10.1	7.8	9.0	6.1	8.6	.	8.6	1.6	11.5	10.8	23.9

C1 Monetary aggregates

(annual growth rates; seasonally adjusted)

C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

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

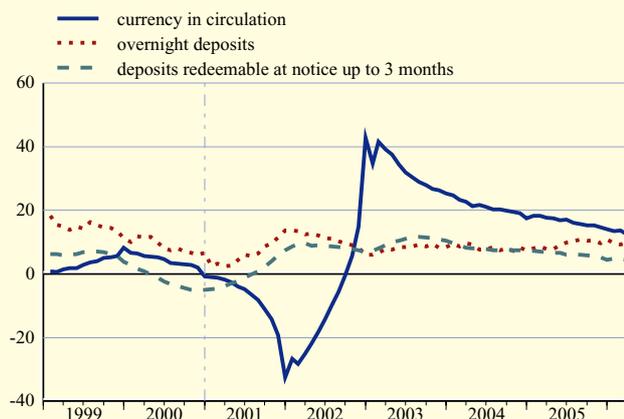
2.3 Monetary statistics

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

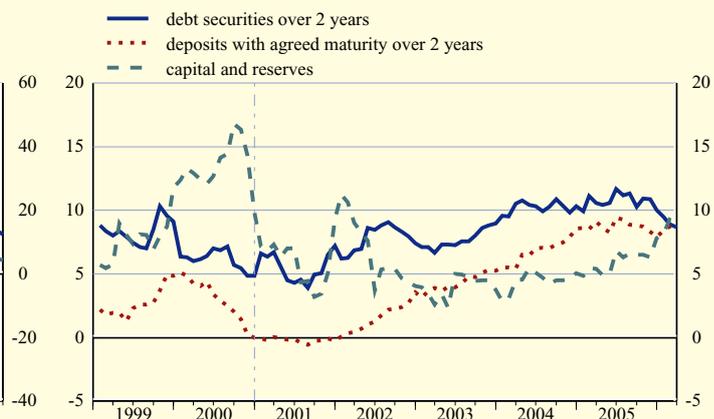
2. Components of monetary aggregates and longer-term financial liabilities

	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	388.7	2,289.8	1,030.5	1,523.4	219.5	597.0	92.7	1,791.2	91.1	1,251.5	1,004.0
2004	456.4	2,452.3	1,024.5	1,636.0	241.4	620.1	102.3	1,964.9	90.2	1,359.5	1,046.3
2005 Q1	476.7	2,531.5	1,022.0	1,658.1	229.1	614.3	106.0	2,039.0	90.7	1,383.9	1,061.8
Q2	493.1	2,764.8	1,040.7	1,519.2	239.4	624.0	118.5	2,120.6	90.9	1,448.9	1,129.8
Q3	507.4	2,838.7	1,084.5	1,541.6	242.8	633.4	120.0	2,159.6	88.4	1,466.0	1,157.3
Q4	520.4	2,903.2	1,107.3	1,543.9	235.5	630.8	129.7	2,203.7	87.0	1,506.6	1,200.4
2006 Jan.	528.3	2,919.2	1,118.2	1,554.8	240.2	611.7	144.0	2,207.6	88.0	1,518.3	1,227.5
Feb.	535.2	2,933.1	1,136.9	1,559.4	227.6	611.2	153.4	2,234.2	87.9	1,531.5	1,249.4
Mar. ^(p)	535.5	2,961.2	1,157.5	1,563.3	239.0	605.7	164.8	2,239.5	88.4	1,550.5	1,253.0
Transactions											
2003	78.7	179.7	-30.7	144.2	-9.7	57.9	-15.1	149.8	-13.0	62.5	37.0
2004	67.7	170.9	-2.2	112.9	24.1	21.9	11.2	185.8	-0.9	107.2	50.5
2005 Q1	20.3	76.4	-8.6	21.9	-12.4	-5.6	-1.1	60.4	0.1	23.5	12.7
Q2	16.5	68.8	13.1	23.0	10.2	9.5	13.0	63.9	-0.6	37.0	22.9
Q3	14.2	74.9	43.6	22.5	3.3	9.2	2.2	34.8	-2.5	19.8	17.0
Q4	13.0	54.8	21.6	2.2	-8.1	-16.4	5.7	40.2	-1.3	28.1	31.8
2006 Jan.	7.9	17.5	12.8	11.0	4.7	-5.1	8.0	6.6	1.0	12.3	3.9
Feb.	6.9	12.4	17.0	4.4	-12.7	0.9	9.1	17.4	-0.1	12.5	20.4
Mar. ^(p)	0.3	29.9	22.7	4.1	11.5	1.7	11.2	15.5	0.6	15.8	3.6
Growth rates											
2003 Dec.	25.2	8.5	-2.9	10.5	-4.3	11.1	-14.9	9.0	-12.5	5.3	3.8
2004 Dec.	17.4	7.5	-0.2	7.4	11.1	3.7	12.3	10.3	-1.0	8.6	5.0
2005 Mar.	17.7	7.8	1.9	6.8	3.9	1.8	6.4	10.6	0.5	9.1	5.4
June	17.1	9.8	3.4	6.1	10.1	2.3	10.4	11.7	1.3	9.4	6.8
Sep.	15.3	10.3	7.0	5.8	8.6	3.6	14.5	10.3	-2.2	8.8	6.5
Dec.	14.0	10.9	6.6	4.4	-3.0	-0.5	19.0	10.0	-4.7	7.9	7.8
2006 Jan.	13.5	9.7	8.6	4.8	3.5	-1.4	30.8	9.5	-3.8	8.4	8.2
Feb.	13.6	9.3	11.2	4.6	2.8	-0.5	27.6	8.9	-4.1	8.7	9.3
Mar. ^(p)	12.4	9.8	12.6	4.3	3.9	0.0	45.1	8.7	-3.2	8.9	9.0

C3 Components of monetary aggregates (annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities (annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown ¹⁾

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

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries ²⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
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	3,152.2	973.8	547.3	1,631.2
2005 Q1	58.2	39.7	560.8	351.1	3,189.4	983.8	554.6	1,650.9
Q2	63.8	43.9	580.6	361.7	3,282.3	1,025.6	563.9	1,692.7
Q3	65.2	42.8	601.1	370.2	3,322.0	1,011.2	575.9	1,734.8
Q4	64.5	41.6	621.1	370.2	3,408.4	1,037.6	593.5	1,777.3
2006 Jan.	76.5	52.9	641.1	392.2	3,444.6	1,045.6	602.0	1,797.1
Feb.	75.7	51.8	665.7	414.7	3,483.8	1,055.8	614.1	1,814.0
Mar. ^(p)	82.2	57.8	660.9	411.9	3,524.8	1,065.8	628.8	1,830.3
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	163.9	24.5	31.1	108.3
2005 Q1	8.6	7.9	10.9	14.9	37.6	7.8	8.1	21.7
Q2	5.5	4.2	16.0	8.2	82.9	35.1	9.8	37.9
Q3	1.4	-1.0	20.2	8.5	41.2	-13.7	12.0	42.9
Q4	-0.7	-1.2	14.5	-2.4	98.6	25.8	23.8	48.9
2006 Jan.	12.0	11.4	24.5	25.1	27.4	8.5	8.5	10.4
Feb.	-1.0	-1.3	23.2	21.7	38.8	10.2	12.0	16.6
Mar. ^(p)	6.5	6.0	-3.0	-1.7	43.4	11.1	14.8	17.4
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	2.6	6.0	7.0
2005 Q1	23.7	21.8	12.5	17.5	5.9	3.9	6.6	6.9
June	17.5	9.8	13.8	18.3	6.5	5.7	6.1	7.2
Sep.	22.7	13.3	17.4	22.1	7.3	5.6	6.5	8.6
Dec.	30.3	31.1	11.1	8.7	8.3	5.6	9.9	9.3
2006 Jan.	36.2	36.5	15.7	14.7	8.5	5.8	9.6	9.8
Feb.	27.4	26.5	18.9	18.8	9.7	7.0	12.6	10.3
Mar. ^(p)	40.7	45.1	16.9	16.8	10.4	7.8	14.7	10.5

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.4 MFI loans, breakdown ¹⁾

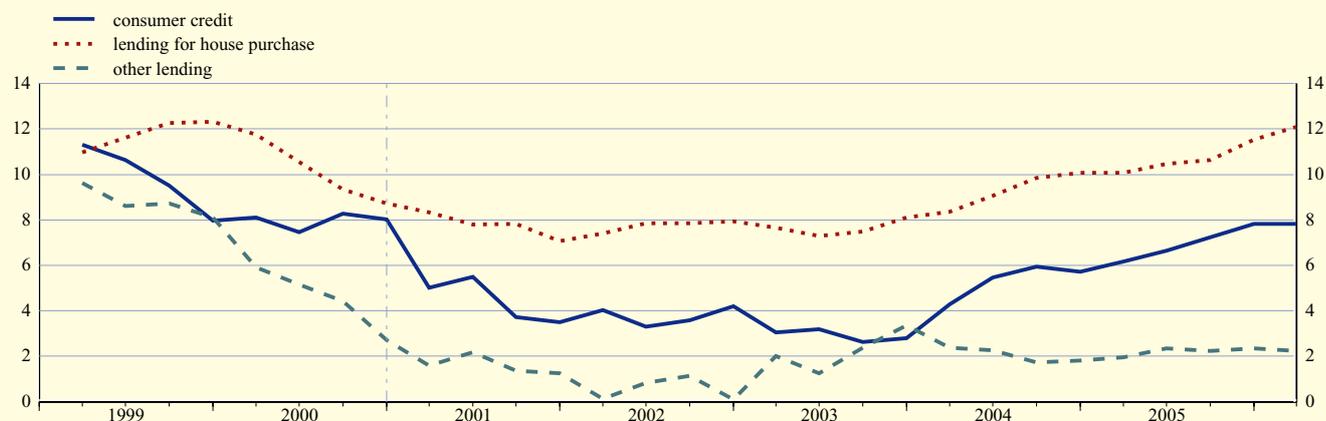
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households ²⁾

	Total		Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years		
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts														
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	
Q4	4,193.3	554.1	129.2	200.7	224.2	2,917.6	15.2	67.5	2,834.9	721.6	147.4	99.8	474.4	
2006 Jan.	4,223.8	554.6	128.5	200.2	225.9	2,949.9	15.1	67.4	2,867.4	719.3	146.4	97.3	475.5	
Feb.	4,243.3	555.9	127.5	201.2	227.2	2,969.9	15.1	67.7	2,887.2	717.4	145.8	97.9	473.7	
Mar. ^(p)	4,275.5	556.2	127.0	200.4	228.8	3,000.0	15.1	67.9	2,917.0	719.3	146.5	98.6	474.1	
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	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1	
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	
Q4	108.7	11.5	3.8	1.8	5.8	92.3	0.2	1.6	90.5	4.9	1.7	1.1	2.1	
2006 Jan.	21.3	1.3	-0.4	-0.3	2.0	19.8	-0.1	-0.1	20.0	0.2	-0.6	-0.5	1.3	
Feb.	20.3	1.6	-0.9	1.0	1.4	20.1	0.0	0.2	19.8	-1.4	-0.5	0.6	-1.5	
Mar. ^(p)	35.4	2.0	-0.3	0.0	2.4	30.7	0.1	0.2	30.4	2.8	0.9	0.9	1.0	
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	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5	
2005 Mar.	8.0	6.2	7.1	4.5	7.2	10.1	4.3	7.8	10.2	1.9	2.0	1.2	2.1	
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	
Dec.	9.4	7.8	7.6	6.1	9.6	11.5	5.6	7.5	11.7	2.3	2.7	1.3	2.4	
2006 Jan.	9.4	8.1	6.9	6.4	10.4	11.6	7.5	7.7	11.8	2.3	2.3	1.5	2.4	
Feb.	9.5	8.4	7.0	6.8	10.7	11.7	8.6	7.9	11.8	1.9	1.9	2.2	1.8	
Mar. ^(p)	9.7	7.8	6.4	5.5	10.8	12.1	7.4	5.9	12.3	2.2	1.6	2.8	2.3	

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2.4 MFI loans, breakdown ¹⁾

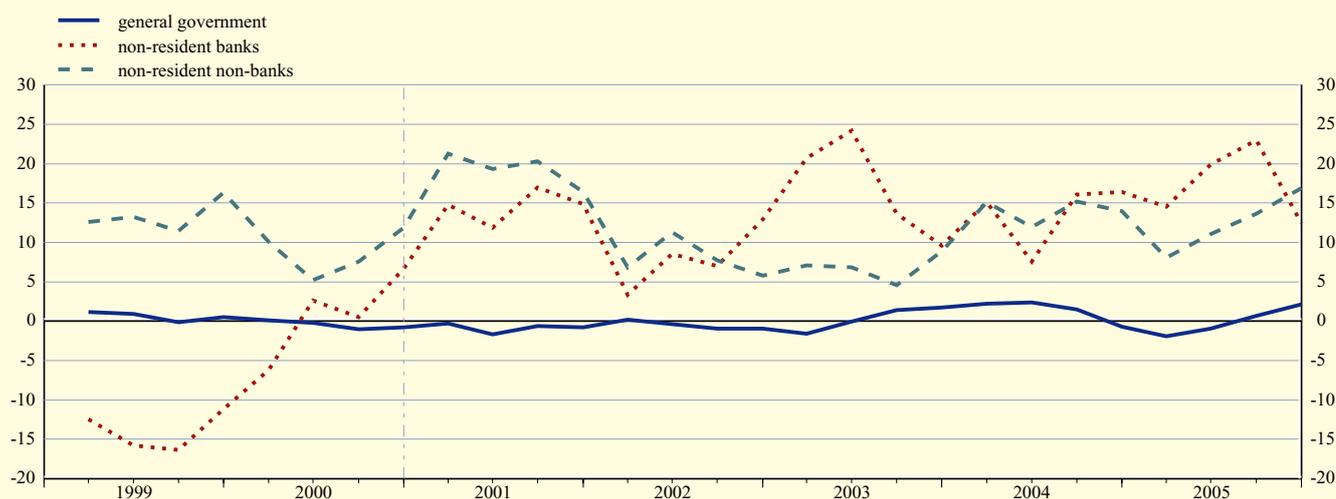
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	806.0	128.7	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	807.8	124.3	247.5	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3	815.4	124.6	247.1	411.0	32.7	2,375.5	1,633.1	742.5	64.1	678.4
Q4 ^(p)	831.9	129.4	246.8	423.7	32.1	2,484.1	1,680.8	785.3	67.6	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	-5.6	2.2	-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 ^(p)	14.7	3.1	-2.7	15.1	-0.6	-6.8	-63.7	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	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-1.9	-2.3	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-0.9	-1.1	-2.6	4.0	-34.7	17.0	19.9	11.0	2.1	12.0
Sep.	0.7	1.2	-2.4	4.1	-15.6	19.9	23.0	13.6	5.3	14.5
Dec. ^(p)	2.1	-2.2	-3.2	4.9	34.9	14.8	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 ¹⁾

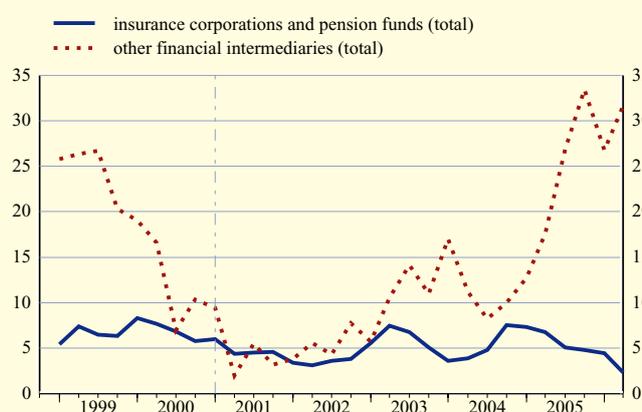
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries ²⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
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	692.8	213.3	134.2	205.2	11.5	0.1	128.5
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
Q4	612.4	67.7	51.9	469.6	1.2	1.4	20.5	876.0	234.0	185.7	324.6	10.5	0.1	121.1
2006 Jan.	621.1	72.5	49.8	471.5	1.2	1.4	24.6	912.4	259.5	178.6	333.8	10.0	0.1	130.4
Feb.	614.8	68.8	47.4	473.4	1.2	1.4	22.6	938.8	256.7	191.5	347.2	10.2	0.1	133.0
Mar. ^(p)	612.6	65.6	50.3	474.6	1.1	1.4	19.7	980.3	271.3	195.3	367.5	11.0	0.1	135.1
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	48.7	32.1	-9.4	16.0	1.3	0.0	8.6
Q2	-2.1	-5.3	-0.5	2.7	0.2	0.0	0.8	66.4	10.7	11.9	31.0	0.8	0.0	12.0
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
Q4	8.5	7.4	0.4	2.6	0.1	0.0	-1.9	16.1	-18.4	16.0	32.5	-0.1	0.0	-13.9
2006 Jan.	8.8	4.9	-2.0	1.9	0.0	0.0	4.1	38.2	26.1	-6.5	9.7	-0.5	0.0	9.4
Feb.	-6.4	-3.7	-2.5	1.8	0.0	0.0	-2.0	24.6	-3.3	12.2	12.9	0.2	0.0	2.6
Mar. ^(p)	-2.0	-3.2	3.1	1.2	-0.1	0.0	-2.9	39.7	15.3	4.5	17.0	0.8	0.0	2.1
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	-	11.3
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
Dec.	4.5	12.3	-1.2	4.3	36.1	2.9	-1.0	26.8	22.2	26.3	46.8	14.3	-	0.4
2006 Jan.	3.8	6.0	-3.7	4.2	18.3	1.3	4.4	27.0	16.7	30.3	51.5	-4.5	-	4.0
Feb.	3.6	11.6	-5.1	3.6	27.3	1.0	1.6	28.9	13.4	40.0	55.0	-1.7	-	3.8
Mar. ^(p)	2.3	-1.8	2.0	3.0	11.4	1.0	-0.4	31.6	20.6	42.9	51.8	6.2	-	4.6

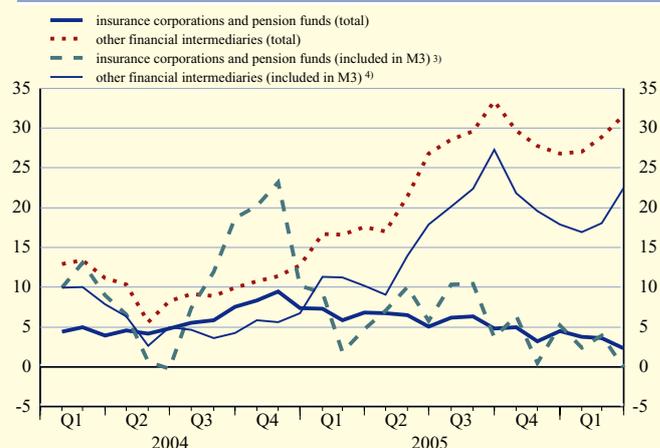
C8 Total deposits by sector

(annual growth rates)



C9 Total deposits and deposits included in M3 by sector

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

3) Covers deposits in columns 2, 3, 5 and 7.

4) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown ¹⁾

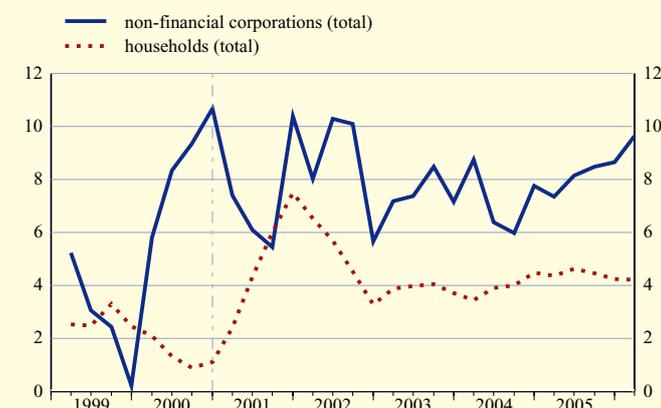
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households ²⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
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
Q4	1,212.0	769.3	305.2	67.2	44.5	1.2	24.6	4,342.0	1,685.9	532.7	630.7	1,355.4	84.5	52.8
2006 Jan.	1,183.5	740.6	302.2	66.7	47.2	1.2	25.5	4,336.9	1,668.6	534.4	628.6	1,366.9	85.2	53.2
Feb.	1,179.5	737.4	304.6	67.4	46.8	1.2	22.0	4,341.5	1,667.1	541.3	625.7	1,368.3	85.5	53.7
Mar. ^(p)	1,199.3	745.7	312.2	71.8	46.4	1.2	21.9	4,355.2	1,674.0	548.4	623.4	1,368.0	86.3	55.1
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
Q4	63.1	49.7	8.4	2.4	0.6	0.0	1.9	96.0	60.0	16.7	3.8	13.6	0.6	1.2
2006 Jan.	-27.1	-28.0	-2.2	-0.4	2.7	0.0	0.9	-4.2	-17.0	2.3	-2.1	11.6	0.7	0.4
Feb.	-5.2	-3.9	1.9	0.7	-0.4	0.0	-3.5	3.9	-1.7	6.4	-2.9	1.3	0.3	0.5
Mar. ^(p)	21.4	9.0	8.4	4.5	-0.4	0.0	-0.1	14.5	7.2	7.6	-2.3	-0.2	0.8	1.4
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
Dec.	8.7	13.1	3.9	-2.0	9.0	-29.0	-18.2	4.2	8.5	2.9	-0.4	3.3	-4.5	-5.1
2006 Jan.	10.3	11.9	9.2	-1.0	18.8	-27.9	1.2	4.0	7.6	3.4	-1.0	3.4	-3.4	1.9
Feb.	10.5	11.7	11.3	0.1	15.9	-27.7	-4.7	3.9	7.2	4.4	-1.5	3.3	-3.7	4.0
Mar. ^(p)	9.6	9.8	11.3	6.5	14.2	-27.5	-8.4	4.2	7.4	6.5	-1.5	3.1	-2.7	7.6

C10 Total deposits by sector

(annual growth rates)



C11 Total deposits and deposits included in M3 by sector

(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.

3) Covers deposits in columns 2, 3, 5 and 7.

4) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown ¹⁾

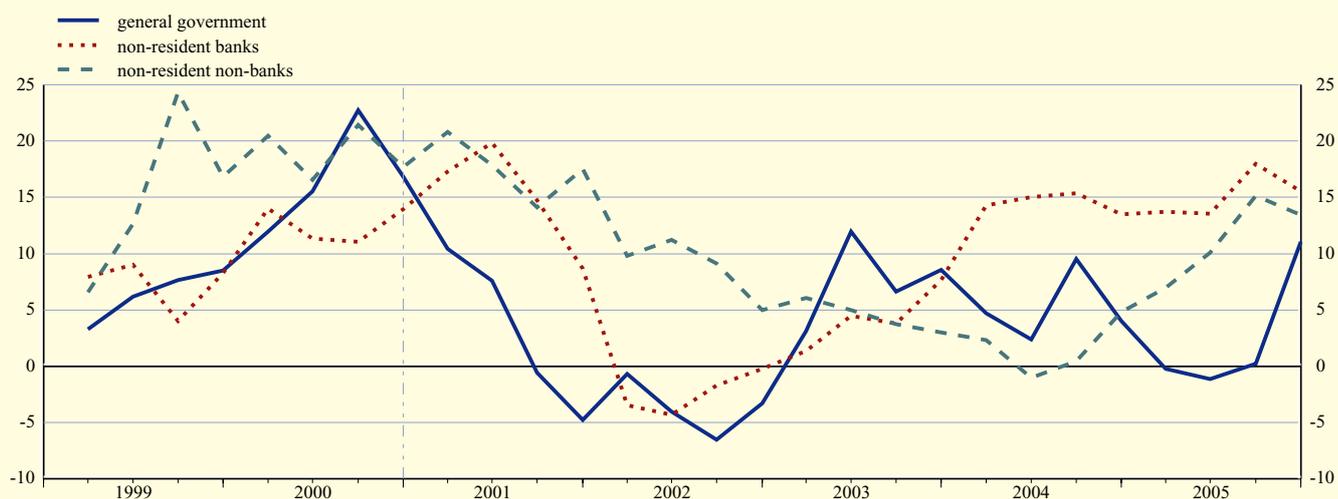
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
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	2,669.0	1,935.6	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 ^(p)	313.5	149.5	38.4	80.9	44.9	3,048.8	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	188.1	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 ^(p)	26.0	14.4	2.4	9.6	-0.3	23.4	11.8	5.0	1.6	3.5
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. ^(p)	11.0	8.3	25.6	16.5	1.3	15.2	15.5	13.4	22.6	11.8

C12 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

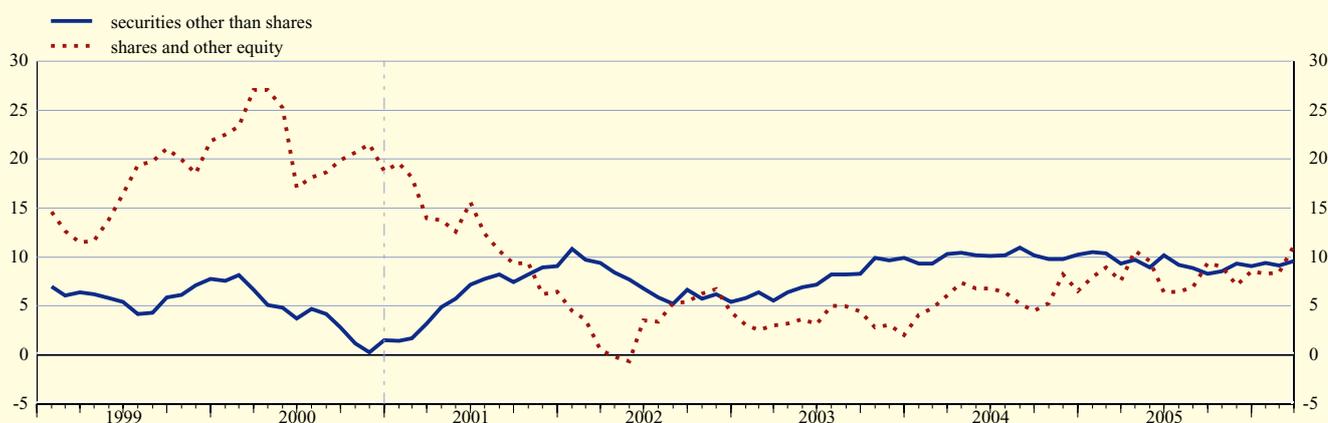
2.6 MFI holdings of securities, breakdown ¹⁾

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
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	1,216.6	296.0	674.1	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
Q4	4,436.8	1,450.3	64.0	1,412.2	17.0	526.4	24.1	942.8	1,253.6	309.7	694.8	249.0
2006 Jan.	4,515.3	1,470.9	62.9	1,431.6	16.8	528.5	25.7	978.8	1,294.0	322.3	710.8	260.9
Feb.	4,564.3	1,487.0	66.8	1,437.9	17.6	539.8	26.2	989.0	1,317.8	318.0	730.5	269.3
Mar. ^(p)	4,572.1	1,501.6	68.1	1,412.8	16.6	547.0	26.8	999.2	1,363.2	323.7	765.8	273.7
Transactions												
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	20.5	7.2	21.0	-7.6
2004	368.4	148.1	4.9	40.3	1.3	34.8	-1.3	140.4	70.3	2.2	37.1	31.0
2005 Q1	137.6	29.1	4.7	55.3	-0.5	17.0	-0.5	32.5	57.9	9.3	16.9	31.8
Q2	128.9	46.2	-1.8	11.6	-1.0	21.9	1.6	50.3	15.0	5.1	25.5	-15.6
Q3	1.2	1.8	0.2	-20.6	0.9	-2.9	0.9	20.8	6.6	1.1	2.6	2.9
Q4	91.5	8.4	-4.6	2.3	-0.2	36.6	4.0	45.0	19.1	11.6	2.6	4.8
2006 Jan.	102.9	27.9	-0.1	22.9	0.3	3.5	2.1	46.3	31.2	10.3	13.9	7.0
Feb.	40.2	16.6	3.0	6.4	0.4	11.9	0.0	1.8	19.9	-5.2	17.6	7.5
Mar. ^(p)	33.4	15.1	2.7	-16.4	-0.5	8.6	1.2	22.8	44.3	5.2	35.2	3.9
Growth rates												
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	2.1	2.7	3.7	-4.1
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.4	-7.3	22.0	6.5	0.8	6.0	17.4
2005 Mar.	9.3	9.1	14.1	3.9	-4.1	11.1	-4.6	19.1	7.6	1.9	4.5	26.5
June	10.2	11.4	8.1	1.4	-9.9	12.7	4.2	24.2	6.4	1.4	7.0	11.7
Sep.	8.3	8.9	5.9	-0.1	2.6	12.6	10.6	20.3	9.4	4.7	10.6	12.3
Dec.	9.1	6.3	-1.7	3.9	-4.6	16.1	33.8	19.2	8.5	9.6	7.2	11.0
2006 Jan.	9.4	8.1	-7.8	2.9	-16.1	15.7	49.1	19.9	8.3	10.8	7.4	7.4
Feb.	9.1	8.1	-2.9	1.1	-10.6	15.6	52.0	21.4	8.4	9.2	10.1	2.7
Mar. ^(p)	9.6	8.3	-0.8	0.6	-0.6	17.0	57.6	22.9	11.2	9.7	14.5	3.8

C13 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items ¹⁾

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
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
Q4	-1.0	-0.3	-0.3	-0.4	-1.8	-0.1	-1.0	-0.7	-4.6	-0.5	-3.1	-1.0
2006 Jan.	-0.6	-0.2	-0.1	-0.2	-0.9	-0.1	0.0	-0.8	-1.0	-0.3	-0.1	-0.6
Feb.	-0.3	-0.1	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3
Mar. ^(p)	-0.2	-0.1	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
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
Q4	-8.5	-2.1	-4.6	-1.8	-0.4	-0.2	-0.2
2006 Jan.	-1.7	-0.8	-0.2	-0.6	-0.1	0.0	-0.1
Feb.	-0.7	-0.3	-0.1	-0.3	0.0	0.0	0.0
Mar. ^(p)	-1.1	-0.2	-0.3	-0.6	-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	17.6	8.0	3.4	6.2
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005 Q1	5.9	1.0	0.1	3.8	0.1	-0.7	0.1	1.6	3.4	0.5	1.7	1.3
Q2	17.2	2.9	0.2	7.8	0.2	1.6	0.1	4.4	9.8	0.9	4.3	4.5
Q3	-3.1	0.2	0.1	-3.6	-0.1	0.3	0.0	0.0	14.3	1.8	7.2	5.3
Q4	4.7	-0.6	0.1	-0.5	0.5	0.4	0.1	4.7	12.9	1.3	5.4	6.2
2006 Jan.	-2.3	-1.0	-0.1	-0.5	-0.1	0.0	0.0	-0.5	8.7	2.0	2.1	4.6
Feb.	2.1	0.1	0.0	0.0	0.0	-0.4	0.1	2.3	4.0	0.9	2.1	1.0
Mar. ^(p)	-5.6	-0.3	-0.1	-3.7	-0.1	-0.5	-0.1	-0.9	1.5	0.5	0.6	0.5

Source: ECB.

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

2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

1. Deposits

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
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	4,820.8	91.0	9.0	5.4	0.5	1.4	1.1	6,832.4	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 ³⁾	4,851.1	90.9	9.1	5.7	0.4	1.4	1.0	7,355.8	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	1,935.6	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 ³⁾	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 ³⁾	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	3,795.0	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 ³⁾	4,051.7	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 ¹⁾

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

3. Loans

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
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 ^(p)	4,569.7	-	-	-	-	-	9,119.2	96.3	3.7	1.6	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 ^(p)	1,680.8	47.7	52.3	30.9	4.4	2.1	10.0	785.3	39.3	60.7	42.8	1.7	4.1	8.3

4. Holdings of securities other than shares

	Issued by MFIs ²⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
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	1,507.2	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 ^(p)	1,514.3	95.8	4.2	1.9	0.3	0.4	1.3	1,979.7	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	359.5	48.9	51.1	30.3	1.0	0.5	16.6	438.4	43.8	56.2	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 ^(p)	398.5	47.8	52.2	30.9	0.8	0.7	16.2	533.4	35.9	64.1	37.6	7.2	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 ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2004 Q3	3,688.2	266.5	1,588.9	78.8	1,510.1	1,179.8	325.6	155.4	172.2
Q4	3,830.2	260.5	1,622.4	78.6	1,543.8	1,251.1	342.2	158.5	195.5
2005 Q1	4,058.7	287.8	1,692.2	79.3	1,612.9	1,325.5	371.3	163.1	218.8
Q2	4,314.0	295.9	1,783.6	91.4	1,692.2	1,405.7	412.1	167.5	249.2
Q3	4,631.9	302.9	1,861.7	101.0	1,760.7	1,559.5	454.0	171.6	282.2
Q4 ^(p)	4,793.3	291.9	1,849.7	109.3	1,740.4	1,690.6	498.5	176.0	286.5

2. Liabilities

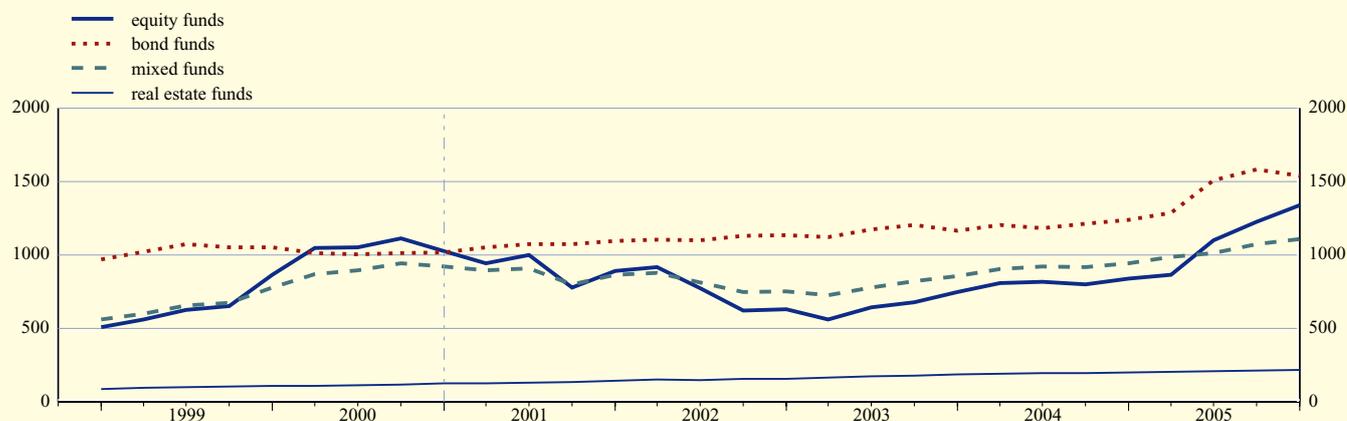
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
Q4	3,830.2	53.1	3,619.6	157.5
2005 Q1	4,058.7	61.7	3,798.9	198.2
Q2	4,314.0	58.7	4,035.4	219.8
Q3	4,631.9	60.5	4,352.9	218.6
Q4 ^(p)	4,793.3	61.6	4,520.3	211.4

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

	Total 1	Funds by investment policy				Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2004 Q3	3,688.2	798.9	1,211.2	916.5	196.2	565.4	2,739.4	948.9
Q4	3,830.2	836.8	1,238.7	941.4	196.8	616.6	2,850.9	979.2
2005 Q1	4,058.7	864.6	1,285.7	984.4	201.1	722.8	3,041.4	1,017.3
Q2	4,314.0	1,097.2	1,510.1	1,011.1	207.1	488.5	3,245.6	1,068.3
Q3	4,631.9	1,224.8	1,581.9	1,071.1	213.2	541.0	3,507.5	1,124.4
Q4 ^(p)	4,793.3	1,339.7	1,539.1	1,107.9	215.8	590.8	3,663.0	1,130.2

C14 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 Q3	798.9	34.0	35.8	4.0	31.8	673.2	28.7	-	27.2
2004 Q4	836.8	30.9	37.0	4.1	32.9	705.8	32.2	-	30.9
2005 Q1	864.6	33.8	37.0	4.0	33.0	729.9	33.3	-	30.6
2005 Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
2005 Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
2005 Q4 ^(p)	1,339.7	52.2	45.9	5.7	40.2	1,146.5	60.3	-	34.9
Bond funds									
2004 Q3	1,211.2	87.1	1,006.4	42.4	964.0	34.4	28.8	-	54.5
2004 Q4	1,238.7	84.1	1,020.9	43.6	977.3	39.9	29.4	-	64.3
2005 Q1	1,285.7	97.8	1,046.0	44.8	1,001.2	39.4	34.5	-	68.0
2005 Q2	1,510.1	110.5	1,229.4	58.4	1,171.1	38.4	40.1	-	91.7
2005 Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
2005 Q4 ^(p)	1,539.1	100.3	1,252.9	67.7	1,185.2	38.6	46.3	-	101.0
Mixed funds									
2004 Q3	916.5	57.0	375.0	23.7	351.3	291.9	142.2	0.3	50.1
2004 Q4	941.4	55.2	375.4	21.8	353.5	304.9	149.7	0.3	55.9
2005 Q1	984.4	61.1	388.4	22.5	365.9	315.0	155.3	0.2	64.5
2005 Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.1	0.2	79.4
2005 Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
2005 Q4 ^(p)	1,107.9	60.9	439.7	26.8	412.9	315.5	201.9	0.1	89.8
Real estate funds									
2004 Q3	196.2	15.5	9.2	0.7	8.5	0.8	8.1	154.0	8.7
2004 Q4	196.8	15.7	7.6	0.7	6.9	1.0	7.5	156.3	8.7
2005 Q1	201.1	14.3	8.4	0.7	7.7	1.1	7.5	160.8	9.0
2005 Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.5	167.1	9.0
2005 Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
2005 Q4 ^(p)	215.8	14.2	7.8	1.5	6.3	1.4	6.9	175.1	10.4

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 Q3	2,739.4	221.6	1,051.9	939.0	249.8	133.4	143.7
2004 Q4	2,850.9	217.9	1,077.4	999.7	261.0	137.5	157.6
2005 Q1	3,041.4	241.7	1,134.4	1,058.3	285.7	141.1	180.2
2005 Q2	3,245.6	247.7	1,207.1	1,125.1	313.6	144.8	207.3
2005 Q3	3,507.5	251.6	1,260.9	1,257.8	353.3	146.5	237.4
2005 Q4 ^(p)	3,663.0	244.1	1,277.9	1,372.1	380.9	150.1	237.8
Special investors' funds							
2004 Q3	948.9	44.9	537.0	240.8	75.8	22.0	28.5
2004 Q4	979.2	42.6	545.0	251.4	81.2	21.0	37.9
2005 Q1	1,017.3	46.1	557.8	267.1	85.6	22.0	38.6
2005 Q2	1,068.3	48.2	576.5	280.6	98.5	22.8	41.9
2005 Q3	1,124.4	51.3	600.7	301.7	100.8	25.2	44.8
2005 Q4 ^(p)	1,130.2	47.8	571.8	318.4	117.6	25.9	48.7

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		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q3	16,340.6	6,191.5	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	319.6	354.7	
Q4	16,705.4	6,343.4	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	332.4	336.1	
2005 Q1	16,989.7	6,355.0	408.4	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	326.3	371.9	
Q2	17,445.5	6,526.4	430.8	5,550.1	2,448.6	1,552.8	1,471.1	77.7	211.5	334.1	369.0	
Q3	17,779.8	6,526.3	439.5	5,565.0	2,440.3	1,571.6	1,475.5	77.6	182.4	339.4	396.6	
Q4	18,228.8	6,726.5	467.6	5,731.4	2,559.2	1,602.1	1,489.8	80.3	173.9	353.7	392.3	
Transactions												
2004 Q3	127.9	29.8	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.3	11.0	
Q4	158.1	163.1	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	15.2	-16.3	
2005 Q1	157.0	14.0	-5.2	-4.0	7.4	-17.4	15.7	-9.7	25.0	-1.8	26.7	
Q2	302.9	168.1	22.3	111.0	111.0	-10.1	11.0	-0.9	24.1	10.7	-9.5	
Q3	96.7	3.5	8.7	15.7	-7.4	18.8	4.4	-0.1	-29.4	8.4	14.2	
Q4	302.4	209.3	28.1	169.8	119.3	33.9	14.2	2.4	-8.6	19.9	-5.7	
Growth rates												
2004 Q3	4.8	6.0	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	16.4	5.8	
Q4	4.8	6.2	17.4	5.1	7.1	1.6	6.2	3.6	3.9	12.2	3.8	
2005 Q1	4.8	6.0	16.4	5.1	7.9	1.5	5.6	-3.3	1.7	10.9	5.1	
Q2	4.6	6.1	15.7	5.5	9.0	1.8	4.9	-2.1	-5.5	12.1	3.5	
Q3	4.4	5.6	14.6	5.3	8.4	2.7	4.5	-6.3	-10.8	10.2	4.3	
Q4	5.1	6.2	13.0	5.4	10.6	1.6	2.8	-9.3	6.9	11.2	7.6	
Securities other than shares												
			Shares ¹⁾					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 Q3	2,011.0	240.5	1,770.5	4,033.2	2,064.8	1,968.4	421.6	4,104.8	3,725.9	378.9		
Q4	2,017.5	260.8	1,756.8	4,148.1	2,165.5	1,982.6	405.0	4,196.4	3,814.4	382.0		
2005 Q1	2,023.7	255.5	1,768.2	4,302.7	2,269.9	2,032.8	411.2	4,308.4	3,917.4	391.0		
Q2	2,069.8	256.4	1,813.4	4,436.2	2,347.0	2,089.2	408.4	4,413.1	4,019.5	393.5		
Q3	2,054.7	251.4	1,803.3	4,692.1	2,520.6	2,171.5	409.5	4,506.7	4,109.1	397.6		
Q4	2,049.6	240.4	1,809.2	4,839.2	2,656.3	2,182.9	399.8	4,613.5	4,212.6	400.9		
Transactions												
2004 Q3	20.5	9.8	10.7	14.8	7.4	7.4	-3.2	62.8	58.0	4.8		
Q4	-6.3	3.2	-9.5	-62.6	-51.6	-10.9	-16.4	63.9	59.8	4.2		
2005 Q1	31.2	-5.5	36.7	36.8	1.8	35.0	6.3	75.0	65.1	10.0		
Q2	25.8	2.0	23.8	37.8	19.6	18.3	-1.0	71.2	67.5	3.7		
Q3	-5.8	0.4	-6.1	26.3	-8.6	34.9	3.0	72.7	67.8	5.0		
Q4	5.7	-12.9	18.6	14.7	11.9	2.8	-8.3	72.7	68.6	4.2		
Growth rates												
2004 Q3	1.2	11.2	0.3	2.6	3.0	2.3	0.1	6.7	6.8	6.4		
Q4	3.8	31.4	0.8	1.4	1.1	1.7	-1.6	6.8	6.8	7.0		
2005 Q1	4.6	15.4	3.2	1.4	0.9	1.9	-3.3	6.6	6.6	6.6		
Q2	3.6	4.1	3.5	0.7	-1.1	2.5	-3.4	6.7	6.8	6.1		
Q3	2.2	0.0	2.5	1.0	-1.9	3.9	-1.9	6.9	7.0	6.0		
Q4	2.8	-6.2	4.2	2.8	1.1	4.6	0.0	7.0	7.0	6.0		

Source: ECB.

1) 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 ¹⁾			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2004 Q3	17,438.9	8,812.5	7,671.3	930.7	90.1	840.6	3,743.4	1,172.0	2,571.4	4,138.5	287.8	3,850.7	426.2
2004 Q4	17,815.1	8,939.7	7,794.7	929.7	80.8	848.9	3,784.5	1,192.2	2,592.3	4,225.4	292.3	3,933.2	435.0
2005 Q1	18,180.2	9,027.6	7,877.9	924.3	77.4	846.9	3,815.2	1,191.4	2,623.8	4,288.1	292.1	3,996.0	451.3
2005 Q2	18,712.8	9,238.5	8,103.2	924.3	82.2	842.1	3,909.5	1,239.9	2,669.6	4,404.6	302.6	4,102.0	518.3
2005 Q3	19,190.9	9,373.1	8,238.6	933.6	87.5	846.1	3,941.0	1,222.8	2,718.3	4,498.4	300.1	4,198.3	527.8
2005 Q4	19,459.3	9,620.2	8,455.0	947.3	84.5	862.8	4,054.8	1,265.0	2,789.8	4,618.1	306.6	4,311.5	587.6
Transactions													
2004 Q3	149.7	80.9	86.1	-5.2	-1.4	-3.8	4.9	-11.3	16.1	81.2	-2.6	83.8	2.0
2004 Q4	119.5	147.6	139.7	1.9	-9.2	11.1	58.1	23.1	35.1	87.5	5.8	81.7	1.7
2005 Q1	237.7	89.9	87.2	-6.2	-3.4	-2.7	31.1	5.9	25.1	65.0	0.7	64.3	7.6
2005 Q2	323.9	202.7	186.2	-0.6	4.8	-5.4	90.1	40.6	49.5	113.1	10.4	102.7	60.9
2005 Q3	219.8	132.0	139.0	9.6	5.3	4.2	26.5	-16.3	42.8	95.9	-2.5	98.5	23.4
2005 Q4	286.1	266.9	221.6	13.4	-2.7	16.1	138.3	42.5	95.8	115.2	6.7	108.5	46.1
Growth rates													
2004 Q3	4.4	4.9	5.7	1.0	24.0	-1.0	2.3	-1.3	4.0	8.3	0.9	8.9	5.5
2004 Q4	4.4	5.1	5.9	-0.9	-1.7	-0.8	3.4	2.0	4.0	8.1	1.9	8.6	2.3
2005 Q1	4.5	5.5	6.0	-2.0	-10.1	-1.1	4.5	3.1	5.2	8.2	3.9	8.5	1.7
2005 Q2	4.8	6.0	6.6	-1.1	-10.1	-0.1	4.9	4.9	4.9	8.5	4.9	8.8	16.7
2005 Q3	5.2	6.5	7.2	0.5	-2.8	0.9	5.5	4.5	5.9	8.7	5.0	9.0	21.9
2005 Q4	6.0	7.7	8.1	1.7	5.0	1.4	7.6	6.1	8.2	9.2	5.2	9.5	31.7
Securities other than shares issued by													
	General government									Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	Total	General government			Non-financial corporations								
		Total	Short-term	Long-term	Total	Short-term	Long-term						
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2004 Q3	5,370.8	4,716.4	615.5	4,100.9	654.4	225.5	428.9	2,763.8	194.0	297.7			
2004 Q4	5,380.6	4,728.9	590.8	4,138.0	651.7	221.3	430.4	2,980.4	213.5	300.9			
2005 Q1	5,498.3	4,834.9	601.3	4,233.6	663.4	235.5	428.0	3,138.6	212.0	303.7			
2005 Q2	5,709.1	5,031.3	622.8	4,408.5	677.8	240.7	437.1	3,243.6	214.7	307.0			
2005 Q3	5,705.9	5,026.8	610.7	4,416.1	679.1	237.2	441.9	3,580.2	221.3	310.4			
2005 Q4	5,627.1	4,956.5	586.5	4,369.9	670.7	235.6	435.1	3,676.1	222.6	313.3			
Transactions													
2004 Q3	47.1	39.8	0.7	39.2	7.3	-3.4	10.7	6.3	12.1	3.2			
2004 Q4	-54.3	-44.9	-25.2	-19.7	-9.4	-7.3	-2.1	2.8	19.4	4.0			
2005 Q1	140.4	123.7	9.1	114.7	16.7	15.4	1.3	4.8	-0.2	2.8			
2005 Q2	117.0	111.3	22.7	88.5	5.7	5.0	0.7	-1.7	2.7	3.3			
2005 Q3	-1.4	-1.6	-12.0	10.5	0.2	-3.6	3.7	79.3	6.6	3.4			
2005 Q4	-23.5	-20.5	-24.0	3.5	-3.0	-4.4	1.4	19.9	19.6	3.1			
Growth rates													
2004 Q3	5.2	5.2	6.7	5.0	5.2	12.7	1.8	0.5	11.3	4.9			
2004 Q4	4.8	5.2	6.2	5.1	2.0	8.4	-1.0	0.5	17.5	4.6			
2005 Q1	4.8	4.8	1.0	5.3	5.6	8.4	4.1	0.6	12.8	4.5			
2005 Q2	4.7	5.0	1.2	5.5	3.1	4.3	2.5	0.4	18.7	4.5			
2005 Q3	3.8	4.0	-0.9	4.7	2.0	4.2	0.9	3.1	14.7	4.5			
2005 Q4	4.3	4.5	-0.7	5.2	3.0	5.6	1.6	3.4	13.5	4.2			

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 Q3	4,116.0	573.6	61.5	489.8	2.3	20.0	369.9	64.0	305.9	1,652.2	67.7	1,584.5
Q4	4,229.5	583.2	59.2	500.8	2.5	20.8	361.4	63.4	297.9	1,716.6	80.0	1,636.7
2005 Q1	4,354.0	597.0	65.7	508.8	2.7	19.8	359.9	64.0	295.9	1,761.5	78.3	1,683.2
Q2	4,487.8	595.7	61.2	511.3	2.7	20.5	354.6	65.6	288.9	1,826.5	78.2	1,748.4
Q3	4,653.0	602.9	60.0	517.7	2.7	22.4	360.2	71.4	288.8	1,869.9	75.4	1,794.5
Q4	4,729.2	612.4	67.7	521.5	2.6	20.5	362.9	77.4	285.5	1,893.7	79.7	1,814.0
	Transactions											
2004 Q3	51.1	8.2	1.6	7.8	-0.1	-1.1	-0.2	-0.2	0.0	27.0	-0.4	27.4
Q4	61.7	9.9	-1.7	10.6	0.2	0.7	-8.6	-0.6	-8.0	49.3	3.4	45.8
2005 Q1	86.4	12.5	6.4	6.9	0.2	-1.0	-3.3	0.9	-4.3	50.7	-1.6	52.3
Q2	54.9	-2.1	-5.3	2.2	0.2	0.8	-5.5	1.6	-7.1	36.9	-1.1	38.1
Q3	76.6	7.2	-1.2	6.4	0.1	1.9	1.1	1.3	-0.2	33.0	-2.8	35.8
Q4	62.2	8.5	7.4	3.0	0.0	-1.9	0.9	5.5	-4.7	43.2	3.4	39.8
	Growth rates											
2004 Q3	6.9	7.5	6.8	7.7	-12.8	6.7	5.2	-0.5	6.4	9.9	3.0	10.2
Q4	6.1	7.4	1.2	8.2	-12.0	7.8	-0.2	3.0	-0.8	9.6	8.9	9.7
2005 Q1	5.8	6.8	2.2	8.3	-11.6	-10.5	-3.5	1.8	-4.6	9.5	3.4	9.8
Q2	6.3	5.1	1.8	5.7	23.8	-3.0	-4.8	2.7	-6.3	10.2	0.4	10.6
Q3	6.8	4.8	-2.8	5.3	30.1	12.0	-4.4	5.0	-6.4	10.3	-3.1	10.9
Q4	6.6	4.5	12.4	3.7	18.4	-1.1	-1.9	14.7	-5.4	9.5	-2.6	10.1

	Main financial assets					Main liabilities									
	Shares ¹⁾				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares/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 Q3	1,392.9	657.9	735.0	62.2	127.5	4,274.0	90.7	52.5	21.1	186.4	3,975.8	3,386.1	589.7		
Q4	1,439.9	688.7	751.2	67.4	128.5	4,371.7	79.5	48.6	21.2	207.9	4,063.2	3,469.7	593.4		
2005 Q1	1,503.5	716.5	787.0	67.1	132.0	4,511.3	90.1	58.2	21.4	220.3	4,179.5	3,573.4	606.0		
Q2	1,576.8	747.4	829.4	87.2	134.2	4,633.0	92.8	63.8	21.5	223.3	4,295.3	3,685.8	609.5		
Q3	1,683.5	816.0	867.5	88.1	136.6	4,726.8	92.4	65.2	22.2	251.2	4,361.0	3,774.1	586.9		
Q4	1,721.5	833.5	888.0	80.8	138.7	4,874.6	66.1	64.5	22.2	285.9	4,500.4	3,872.5	627.9		
	Transactions														
2004 Q3	14.0	9.2	4.8	-0.6	2.1	61.3	1.7	-1.1	-1.9	2.1	59.5	53.9	5.6		
Q4	10.0	2.7	7.3	5.1	1.1	43.3	-11.0	-3.6	0.0	0.1	54.3	50.5	3.8		
2005 Q1	23.0	5.5	17.6	-0.2	3.5	83.1	9.7	8.6	0.6	0.0	72.7	60.2	12.6		
Q2	23.6	1.4	22.2	6.7	2.0	72.6	2.8	5.5	0.0	0.5	69.3	65.6	3.7		
Q3	32.9	16.5	16.4	1.0	2.4	73.8	-0.4	1.4	0.5	1.1	72.6	65.9	6.7		
Q4	8.0	-10.0	18.0	0.0	1.6	76.8	-0.7	-0.7	0.1	4.6	72.7	66.6	6.2		
	Growth rates														
2004 Q3	4.3	2.2	6.2	3.0	-0.7	6.4	6.1	17.5	0.2	4.8	6.5	6.8	4.5		
Q4	3.1	1.3	4.8	4.8	6.1	6.2	5.5	36.9	-9.1	1.6	6.5	6.8	4.8		
2005 Q1	3.6	2.2	4.8	6.4	6.3	6.0	5.4	23.7	-6.5	1.2	6.3	6.6	4.7		
Q2	5.1	2.8	7.1	17.4	6.9	6.2	3.5	17.6	-5.6	1.4	6.5	6.9	4.4		
Q3	6.4	4.0	8.6	20.3	7.1	6.4	1.2	22.8	5.4	0.9	6.8	7.2	4.5		
Q4	6.1	1.9	9.9	11.1	7.4	7.0	14.3	30.5	6.2	3.0	7.1	7.4	4.9		

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories ¹⁾	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) ³⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 ⁴⁾				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
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 ⁴⁾		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares ²⁾	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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. Households⁵⁾

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth ⁴⁾		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio ⁶⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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.



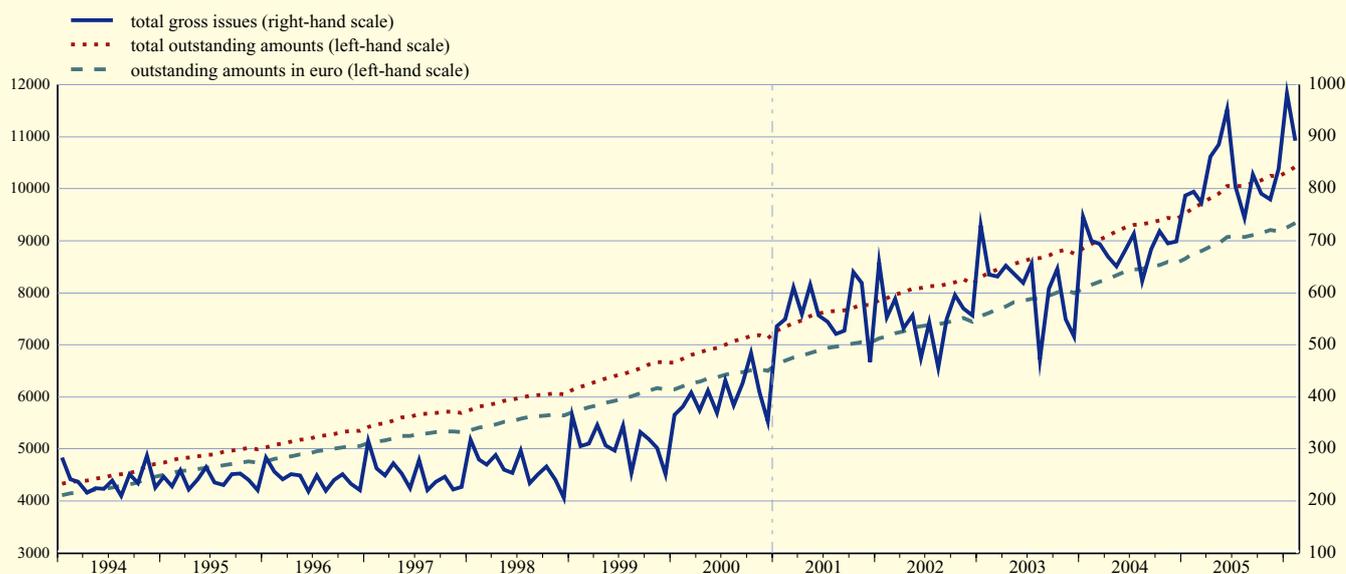
FINANCIAL MARKETS

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 ¹⁾			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 ²⁾	
											Net issues	Net issues	6-month growth rates
1	2	3	4	5	6	7	8	9	10	11	12	
Total												
2005 Feb.	10,218.7	818.3	119.4	8,761.9	752.2	107.0	9,641.5	794.8	117.1	7.8	81.8	7.9
Mar.	10,326.2	821.4	106.5	8,806.6	727.2	43.5	9,709.2	773.2	53.7	7.4	35.1	7.6
Apr.	10,382.5	861.8	56.2	8,891.6	814.7	84.9	9,818.6	861.2	101.2	7.8	85.9	8.6
May	10,447.7	899.7	66.4	8,952.1	844.7	61.5	9,909.0	884.4	66.1	7.4	36.4	7.9
June	10,641.2	1,026.8	193.6	9,077.0	902.8	125.4	10,049.6	952.4	135.0	8.1	138.2	9.2
July	10,613.5	813.6	-27.9	9,079.9	762.7	2.8	10,055.9	804.1	5.9	7.6	2.9	8.1
Aug.	10,620.9	757.8	3.8	9,072.6	705.2	-11.0	10,057.7	744.4	-2.7	7.4	35.2	7.0
Sep.	10,720.0	893.6	100.6	9,108.9	786.8	37.6	10,112.1	828.0	46.4	7.4	45.8	7.2
Oct.	10,734.1	797.0	14.4	9,145.1	744.1	36.3	10,166.1	790.7	53.2	7.5	51.7	6.4
Nov.	10,812.4	801.7	80.0	9,205.9	734.5	62.4	10,255.5	779.5	76.8	7.6	77.6	7.2
Dec.	10,826.1	869.8	12.4	9,183.2	794.1	-23.9	10,237.7	838.0	-24.8	7.6	77.0	5.9
2006 Jan.	.	.	.	9,262.1	930.4	84.9	10,319.5	982.8	101.6	7.6	63.6	7.1
Feb.	.	.	.	9,338.5	838.8	74.8	10,424.2	892.4	88.0	7.2	51.1	7.4
Long-term												
2005 Feb.	9,298.3	224.3	115.6	7,925.9	184.0	97.1	8,693.6	203.2	105.8	8.2	76.0	8.8
Mar.	9,372.4	204.1	74.0	7,975.4	164.5	49.3	8,760.0	184.9	57.2	8.2	47.1	8.6
Apr.	9,425.4	186.1	53.1	8,034.3	167.0	58.8	8,838.1	184.8	70.2	8.4	66.0	9.3
May	9,495.8	183.5	70.9	8,095.5	153.9	61.5	8,926.3	169.4	67.8	8.0	40.9	8.6
June	9,679.6	306.2	183.8	8,242.2	238.8	147.0	9,092.6	261.3	157.1	8.9	144.7	10.6
July	9,674.1	155.2	-5.8	8,235.4	131.4	-7.0	9,089.0	146.1	-2.4	8.4	-2.7	8.8
Aug.	9,672.8	86.9	-4.9	8,222.3	63.9	-16.7	9,086.5	77.4	-9.2	8.1	22.0	7.4
Sep.	9,740.8	188.5	68.8	8,265.5	143.8	43.9	9,146.8	163.2	55.3	8.0	48.2	7.4
Oct.	9,772.1	166.1	32.2	8,283.2	137.5	18.5	9,181.3	159.4	31.7	8.0	41.8	6.8
Nov.	9,854.7	168.6	83.5	8,348.3	132.0	65.9	9,271.0	152.6	80.5	8.2	83.3	7.7
Dec.	9,898.0	177.6	41.4	8,375.2	146.9	25.2	9,303.5	165.6	27.5	8.3	75.7	6.0
2006 Jan.	.	.	.	8,415.0	176.7	44.9	9,344.1	198.6	57.2	8.1	59.0	7.4
Feb.	.	.	.	8,473.9	166.5	58.1	9,427.9	192.0	71.0	7.6	38.6	7.8

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



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

- 1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
- 2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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	9,416	3,713	737	595	4,120	250	8,277	5,480	223	1,028	1,464	83
2005	10,238	4,109	927	613	4,306	283	9,838	6,983	325	1,031	1,404	95
2005 Q1	9,709	3,849	757	607	4,237	259	2,355	1,620	50	248	412	25
Q2	10,050	3,993	830	619	4,342	266	2,698	1,884	110	281	400	23
Q3	10,112	4,046	842	617	4,337	271	2,377	1,732	49	251	323	21
Q4	10,238	4,109	927	613	4,306	283	2,408	1,747	116	250	270	26
2005 Nov.	10,256	4,121	877	623	4,354	280	779	557	30	87	95	11
Dec.	10,238	4,109	927	613	4,306	283	838	626	59	78	67	8
2006 Jan.	10,319	4,145	925	618	4,347	285	983	709	13	94	159	8
Feb.	10,424	4,211	951	620	4,354	289	892	663	33	78	110	8
	Short-term											
2004	912	447	7	90	362	5	6,338	4,574	44	931	756	33
2005	934	482	7	90	350	5	7,769	6,046	45	942	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	235	175	9
Q4	934	482	7	90	350	5	1,930	1,531	10	221	160	8
2005 Nov.	985	496	7	99	377	5	627	488	4	79	53	2
Dec.	934	482	7	90	350	5	672	554	2	67	46	3
2006 Jan.	975	501	7	96	368	5	784	613	4	88	76	3
Feb.	996	522	7	94	369	5	700	569	3	74	52	2
	Long-term ¹⁾											
2004	8,503	3,266	730	505	3,758	245	1,939	905	179	97	708	49
2005	9,303	3,627	920	523	3,956	278	2,069	937	280	89	702	61
2005 Q1	8,760	3,393	749	502	3,862	254	590	293	38	19	223	16
Q2	9,093	3,531	823	513	3,965	261	616	256	99	24	222	15
Q3	9,147	3,571	835	518	3,958	265	387	172	38	17	148	12
Q4	9,303	3,627	920	523	3,956	278	478	216	105	29	109	18
2005 Nov.	9,271	3,625	870	524	3,977	275	153	69	26	8	42	8
Dec.	9,303	3,627	920	523	3,956	278	166	72	57	11	20	5
2006 Jan.	9,344	3,644	919	522	3,979	280	199	96	9	5	83	5
Feb.	9,428	3,689	944	526	3,986	284	192	94	30	4	58	6
	Of which long-term fixed rate											
2004	6,380	1,929	416	414	3,435	186	1,193	408	70	61	620	36
2005	6,714	2,016	459	413	3,607	217	1,228	413	92	54	620	48
2005 Q1	6,516	1,968	427	409	3,516	196	386	137	21	15	198	15
Q2	6,674	2,003	445	416	3,606	203	343	101	28	15	187	12
Q3	6,673	2,014	436	415	3,600	207	235	80	8	8	133	8
Q4	6,714	2,016	459	413	3,607	217	264	96	35	16	103	14
2005 Nov.	6,732	2,034	442	416	3,625	215	83	27	6	3	40	7
Dec.	6,714	2,016	459	413	3,607	217	74	24	21	5	20	3
2006 Jan.	6,750	2,043	457	408	3,622	220	149	68	3	1	72	4
Feb.	6,780	2,056	465	410	3,624	224	119	46	11	2	54	5
	Of which long-term variable rate											
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,257	1,343	456	93	303	60	714	429	187	28	58	12
2005 Q1	1,958	1,212	318	79	292	58	168	129	17	3	17	2
Q2	2,116	1,292	374	83	310	57	238	128	71	7	29	3
Q3	2,163	1,310	395	86	315	58	124	76	30	6	8	5
Q4	2,257	1,343	456	93	303	60	185	95	70	11	4	4
2005 Nov.	2,209	1,328	425	90	307	59	58	31	20	4	2	1
Dec.	2,257	1,343	456	93	303	60	81	39	36	5	0	2
2006 Jan.	2,257	1,335	458	95	308	60	35	20	6	2	6	1
Feb.	2,302	1,362	474	96	310	59	62	41	18	1	2	1

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

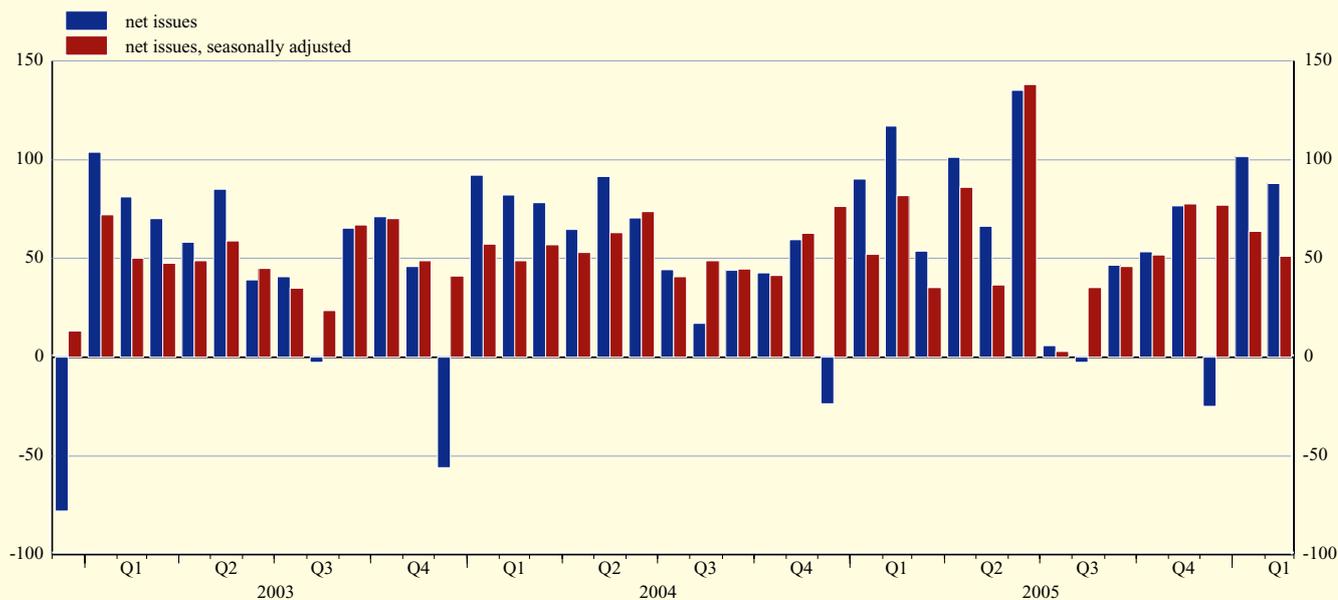
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

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	662.9	350.4	75.2	8.2	197.6	31.5	666.9	353.1	73.3	7.9	200.8	31.7
2005	717.9	315.7	177.0	20.5	172.1	32.3	719.8	318.2	173.4	20.6	174.9	32.6
2005 Q1	260.9	114.5	13.4	13.7	110.4	9.0	169.1	72.0	29.5	10.2	49.1	8.3
Q2	302.3	117.9	69.7	8.8	99.2	6.5	260.4	122.3	62.7	4.9	64.6	6.0
Q3	49.6	38.4	12.4	-0.8	-4.8	4.5	83.9	49.9	18.5	1.0	8.3	6.3
Q4	105.1	45.0	81.5	-1.1	-32.6	12.4	206.3	74.0	62.8	4.6	52.9	12.0
2005 Nov.	76.8	21.6	20.2	-2.8	30.9	6.9	77.6	22.9	16.3	-2.6	34.8	6.3
Dec.	-24.8	-18.5	47.1	-7.9	-48.1	2.7	77.0	18.9	29.4	-0.4	24.8	4.4
2006 Jan.	101.6	50.0	0.5	5.2	43.4	2.5	63.6	37.6	13.4	2.4	8.5	1.8
Feb.	88.0	53.5	23.6	1.4	5.7	3.8	51.1	36.0	27.1	1.5	-16.8	3.3
	Long-term											
2004	615.5	297.8	73.8	11.8	202.4	29.7	618.6	298.8	72.0	11.6	206.2	30.0
2005	708.8	293.1	177.5	21.0	184.6	32.6	710.9	294.7	174.0	20.9	188.5	32.8
2005 Q1	230.3	111.5	13.0	-1.2	98.4	8.7	191.1	85.2	29.3	3.1	65.9	7.5
Q2	295.1	112.7	70.1	8.7	97.1	6.6	251.6	110.8	62.6	3.5	68.4	6.2
Q3	43.7	28.2	12.7	5.8	-7.6	4.5	67.4	29.2	18.8	7.6	5.5	6.3
Q4	139.7	40.8	81.7	7.8	-3.4	12.8	200.8	69.5	63.2	6.7	48.7	12.7
2005 Nov.	80.5	19.7	19.9	0.1	33.7	7.1	83.3	27.0	16.2	-0.9	34.4	6.6
Dec.	27.5	-3.0	47.0	1.4	-20.9	2.9	75.7	18.5	29.3	2.1	20.9	4.9
2006 Jan.	57.2	28.2	0.7	-0.2	25.9	2.6	59.0	34.6	13.6	2.6	6.5	1.8
Feb.	71.0	36.3	23.2	3.0	4.8	3.8	38.6	17.5	26.9	5.1	-14.4	3.5

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

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

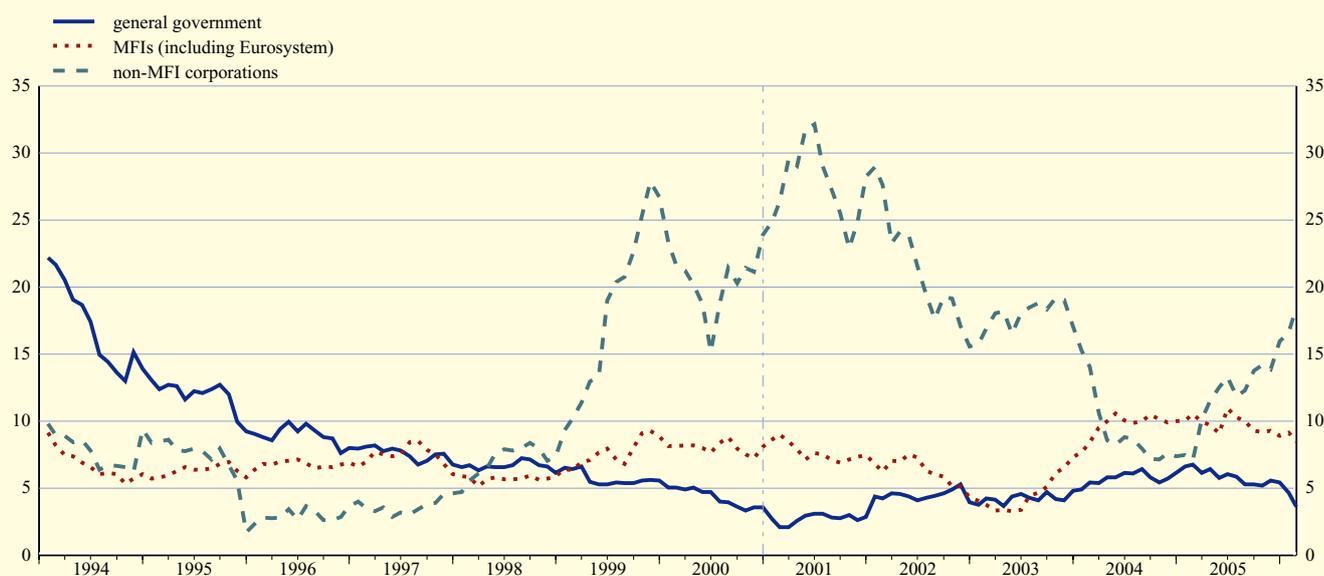


Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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											
2005 Feb.	7.8	10.5	11.3	2.9	5.3	13.0	7.9	10.2	16.1	2.6	4.9	15.6
Mar.	7.4	9.7	14.6	4.3	4.5	11.9	7.6	9.7	20.1	3.6	4.1	13.7
Apr.	7.8	9.9	15.7	5.4	4.7	12.7	8.6	10.4	19.2	5.9	5.2	15.6
May	7.4	9.3	18.3	4.7	4.2	11.7	7.9	9.8	19.5	5.2	4.6	10.4
June	8.1	10.5	20.0	3.0	4.6	11.3	9.2	10.6	26.7	5.1	5.5	11.7
July	7.6	10.0	18.7	1.5	4.3	12.9	8.1	10.6	22.1	2.5	4.1	9.8
Aug.	7.4	10.0	18.7	2.2	3.7	12.0	7.0	9.8	21.6	1.8	2.7	8.7
Sep.	7.4	9.4	21.2	2.8	3.8	11.7	7.2	9.1	22.4	2.0	3.5	9.7
Oct.	7.5	9.4	21.4	3.9	3.6	12.1	6.4	8.5	23.7	2.0	2.1	8.8
Nov.	7.6	9.4	21.0	3.0	4.0	12.3	7.2	8.9	22.5	0.8	3.5	14.1
Dec.	7.6	8.4	23.7	3.5	4.2	12.9	5.9	6.3	20.6	1.8	2.9	14.3
2006 Jan.	7.6	9.1	24.3	3.4	3.7	11.3	7.1	7.7	26.3	4.2	3.2	12.8
Feb.	7.2	8.9	26.6	2.8	2.7	11.8	7.4	7.9	31.7	3.8	2.6	14.8
	Long-term											
2005 Feb.	8.2	10.5	11.0	1.8	6.4	12.6	8.8	10.8	15.7	2.5	6.3	15.6
Mar.	8.2	10.0	14.3	4.6	5.8	11.5	8.6	10.1	19.9	2.7	5.8	14.3
Apr.	8.4	9.7	15.5	6.1	6.0	12.6	9.3	10.0	18.9	3.0	7.5	16.2
May	8.0	9.1	18.1	4.8	5.4	11.7	8.6	9.7	19.3	1.8	6.5	11.3
June	8.9	10.9	19.8	4.3	5.7	11.3	10.6	12.2	27.0	2.6	7.2	11.5
July	8.4	10.3	18.5	2.6	5.4	13.2	8.8	10.8	22.3	2.7	5.3	10.4
Aug.	8.1	10.0	18.8	3.4	4.8	12.3	7.4	9.3	22.1	4.3	3.4	9.2
Sep.	8.0	9.3	21.2	3.6	4.8	12.2	7.4	8.4	22.7	4.4	3.9	10.1
Oct.	8.0	9.2	21.5	4.1	4.7	12.5	6.8	8.4	24.3	5.4	2.1	8.9
Nov.	8.2	9.3	21.1	3.5	5.1	12.9	7.7	8.9	23.0	5.3	3.6	14.6
Dec.	8.3	8.9	24.0	4.2	4.9	13.3	6.0	5.7	21.0	5.7	2.8	15.2
2006 Jan.	8.1	9.1	24.6	4.9	4.2	11.8	7.4	7.6	26.7	7.1	3.1	13.3
Feb.	7.6	8.5	26.9	5.9	3.0	12.5	7.8	7.7	31.9	7.5	2.6	15.7

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)



Source: ECB.

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

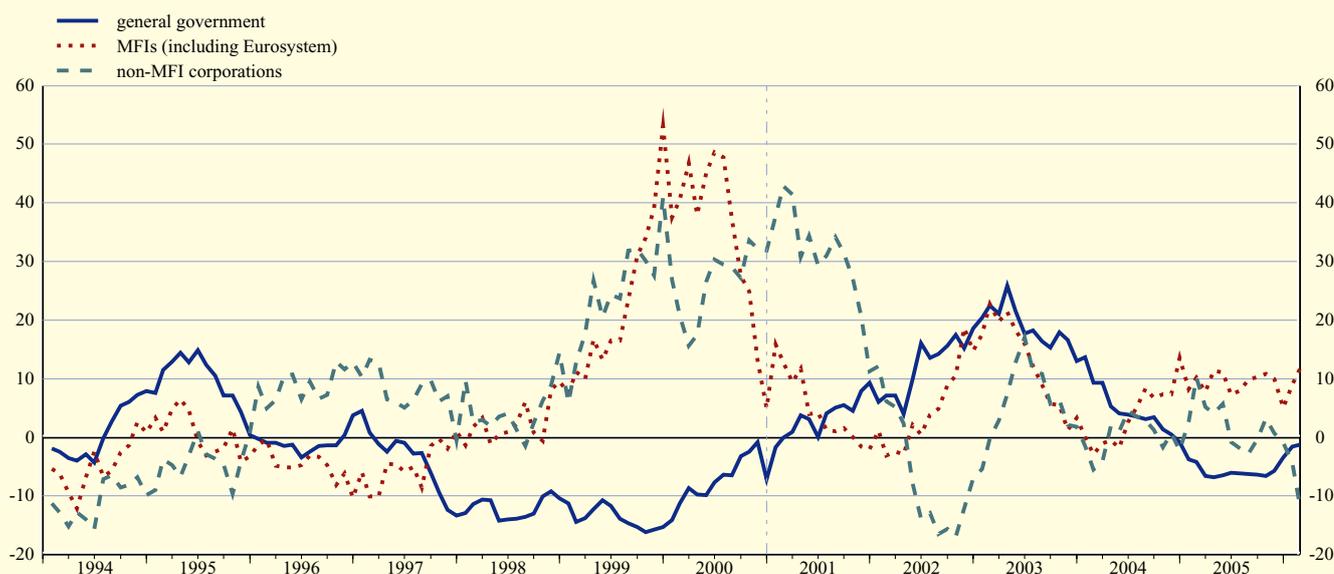
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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	16.3	18.5	27.1	8.6	0.6	26.4
2005	4.7	3.1	5.8	0.2	5.5	15.0	19.3	18.3	35.5	22.3	9.9	4.6
2005 Q1	4.7	2.8	4.0	-1.2	6.3	13.7	18.3	19.4	24.0	27.7	7.7	12.3
Q2	4.8	2.5	6.1	1.2	5.8	14.7	19.3	18.9	34.6	26.4	8.5	3.1
Q3	4.5	3.0	6.6	0.5	5.0	15.6	20.6	19.7	38.4	17.5	11.6	1.6
Q4	4.7	3.9	6.6	0.4	4.8	15.9	19.0	15.3	43.5	19.0	11.8	1.9
2005 Sep.	4.2	3.0	6.7	0.3	4.5	14.6	20.8	17.4	42.7	18.1	16.6	3.5
Oct.	4.7	4.1	7.0	1.1	4.7	15.4	18.6	15.2	42.6	17.7	11.7	2.3
Nov.	4.9	4.3	5.3	-0.1	5.1	16.5	18.5	14.8	43.8	19.1	10.5	0.9
Dec.	4.7	3.7	8.3	0.3	4.7	16.8	19.0	14.8	45.3	22.2	9.7	1.4
2006 Jan.	4.6	4.9	8.2	0.4	3.9	14.9	18.9	14.6	46.8	23.0	8.7	1.0
Feb.	4.0	4.5	9.8	1.4	2.7	16.1	18.5	13.4	50.0	23.9	7.7	-0.2
In euro												
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.7	17.8	27.2	8.9	0.5	25.3
2005	4.3	0.9	9.3	-0.3	5.4	15.3	18.8	17.2	34.8	22.3	10.3	5.2
2005 Q1	4.3	0.5	7.9	-2.5	6.2	13.7	17.6	18.2	24.3	26.7	7.8	12.9
Q2	4.4	0.3	10.2	0.8	5.8	15.1	18.9	18.0	34.7	24.5	9.0	3.7
Q3	4.1	1.0	10.2	0.3	4.9	16.0	20.4	18.9	37.9	18.3	12.1	2.5
Q4	4.2	1.9	8.8	0.5	4.7	16.2	18.3	13.9	41.2	20.5	12.3	2.2
2005 Sep.	3.8	1.0	9.9	0.1	4.3	14.8	20.2	16.0	41.0	19.6	17.2	4.3
Oct.	4.3	2.2	9.7	1.3	4.5	15.7	18.0	14.0	40.1	19.0	12.2	2.5
Nov.	4.5	2.2	7.2	-0.1	5.1	16.9	17.6	13.2	41.4	20.8	11.0	1.0
Dec.	4.2	1.8	9.2	0.4	4.5	17.2	18.2	13.3	43.0	23.7	10.2	1.7
2006 Jan.	4.1	3.1	8.8	0.1	3.9	15.4	18.1	13.1	44.4	24.8	9.1	1.2
Feb.	3.4	2.7	9.9	1.3	2.6	16.6	17.7	11.9	46.9	25.9	8.1	-0.3

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

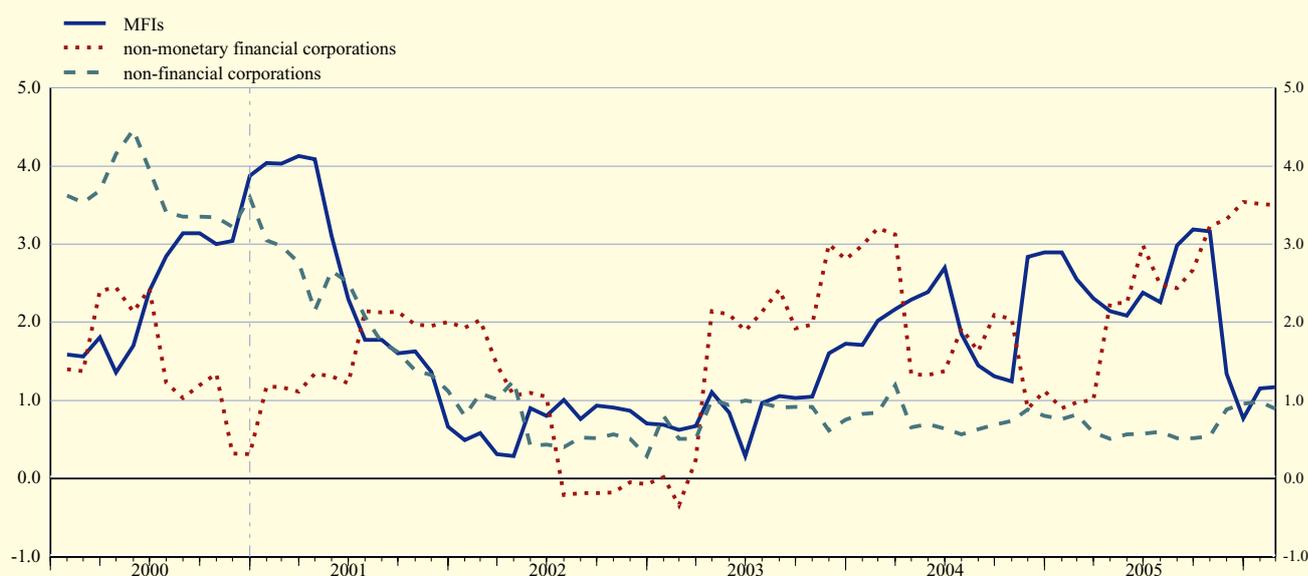
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		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
2004 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	101.9	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	102.6	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	102.9	1.0	678.1	2.1	424.0	2.2	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	1.1	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.	4,827.7	103.3	1.2	764.1	3.2	483.7	2.7	3,579.9	0.5
Oct.	4,659.9	103.4	1.2	752.4	3.2	480.5	3.2	3,427.1	0.5
Nov.	4,882.5	103.7	1.2	809.2	1.3	513.6	3.3	3,559.8	0.9
Dec.	5,056.8	103.8	1.2	836.4	0.8	540.8	3.5	3,679.6	1.0
2006 Jan.	5,289.7	103.9	1.3	884.8	1.2	535.8	3.5	3,869.1	1.0
Feb.	5,429.8	103.9	1.2	938.8	1.2	561.8	3.5	3,929.2	0.9

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

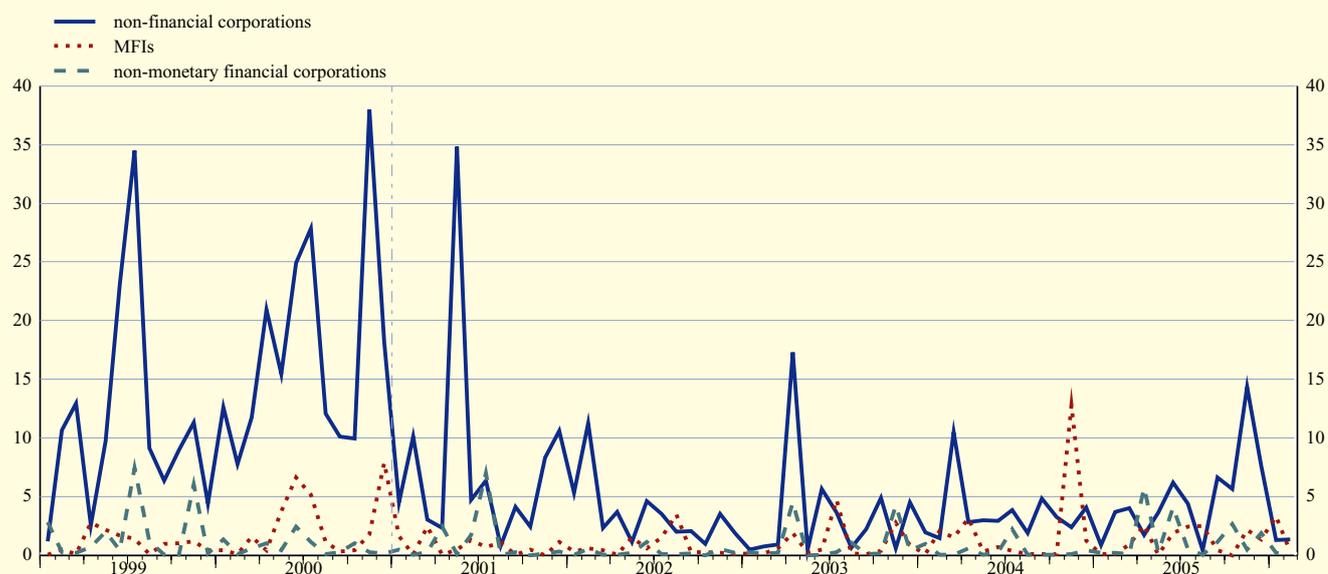
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			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
2004 Feb.	3.5	0.9	2.5	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.7	0.7
Mar.	12.0	1.1	10.9	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.0	9.5
Apr.	6.5	1.3	5.2	3.1	0.1	3.1	0.6	0.1	0.5	2.8	1.2	1.6
May	3.3	3.7	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	3.0	3.6	-0.6
June	3.9	2.2	1.7	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.4
July	6.4	3.8	2.6	0.4	0.0	0.4	2.2	0.0	2.2	3.9	3.8	0.1
Aug.	2.0	3.1	-1.1	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	1.0	0.9
Sep.	4.9	2.2	2.8	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.3	0.7	2.6	0.1	0.0	0.1	0.0	0.0	0.0	3.2	0.7	2.5
Nov.	15.3	3.6	11.7	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.3	-0.9
Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.0	2.3	7.7	2.5	0.0	2.5	5.8	0.0	5.7	1.7	2.3	-0.5
May	3.9	2.9	1.0	0.0	0.0	0.0	0.2	0.2	0.0	3.6	2.7	1.0
June	12.1	4.9	7.2	1.9	1.0	0.9	4.1	0.7	3.3	6.2	3.2	3.0
July	7.4	6.6	0.8	2.4	2.9	-0.4	0.5	0.0	0.5	4.4	3.7	0.7
Aug.	2.9	2.2	0.7	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.2	5.9	0.4	0.0	0.4	1.1	0.0	1.1	6.6	2.2	4.4
Oct.	8.3	1.6	6.7	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.8	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight ¹⁾	With agreed maturity			Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2005 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	2.02	2.34	2.18	1.99	2.27	0.99	2.08	2.18	3.44	2.03
Dec.	0.71	2.15	2.25	2.21	1.98	2.30	1.02	2.25	2.48	3.53	2.22
2006 Jan.	0.73	2.21	2.47	2.56	1.99	2.32	1.04	2.27	2.40	3.48	2.25
Feb.	0.74	2.24	2.52	2.36	1.99	2.34	1.07	2.31	2.67	3.37	2.26

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

	Bank overdrafts ¹⁾	Consumer credit				Annual percentage rate of charge ³⁾	Lending for house purchase				Annual percentage rate of charge ³⁾	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge ³⁾		By initial rate fixation					Annual percentage rate of charge ³⁾	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2005 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	7.84	3.31	3.69	3.98	3.96	3.82	3.85	4.51	4.25		
Oct.	9.65	6.82	6.36	7.99	7.74	3.33	3.67	3.99	3.95	3.82	3.88	4.50	4.28		
Nov.	9.70	6.74	6.33	7.84	7.61	3.38	3.69	3.97	3.96	3.85	4.00	4.29	4.33		
Dec.	9.67	6.75	6.36	7.42	7.45	3.49	3.84	4.03	4.01	3.98	4.06	4.57	4.37		
2006 Jan.	9.80	6.91	6.50	8.12	7.87	3.61	3.90	4.14	4.05	4.10	4.15	4.59	4.29		
Feb.	9.61	6.95	6.50	8.01	7.76	3.65	3.97	4.16	4.08	4.08	4.24	4.63	4.32		

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

	Bank overdrafts ¹⁾	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1	2	3	4	5	6	7
2005 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	3.57	3.93
2006 Jan.		5.23	4.07	4.59	4.08	3.18	3.71	3.95
Feb.		5.29	4.12	4.69	4.17	3.24	4.34	3.99

Source: ECB.

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

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

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

4. Interest rates on deposits (outstanding amounts)

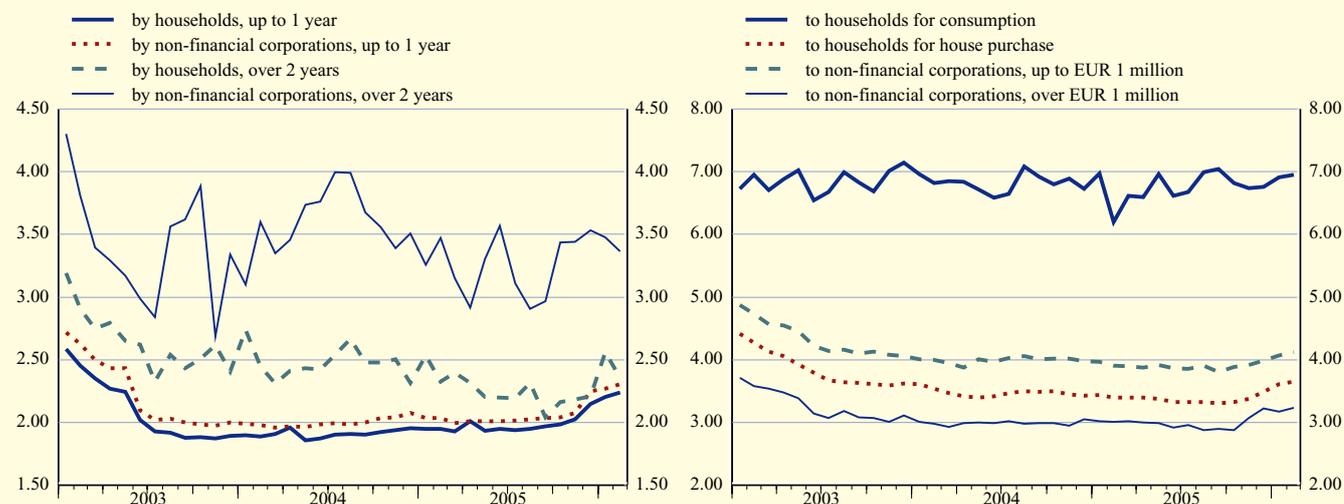
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ¹⁾²⁾		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
2005 Mar.	0.74	1.92	3.22	1.96	2.47	0.94	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	2.11	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	3.41	2.16
2006 Jan.	0.73	2.05	3.10	1.99	2.32	1.04	2.32	3.48	2.21
Feb.	0.74	2.09	3.19	1.99	2.34	1.07	2.38	3.36	2.27

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 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	7.93	6.78	5.67	4.35	3.84	4.24
2006 Jan.	4.63	4.14	4.50	8.00	6.78	5.66	4.42	3.88	4.26
Feb.	4.62	4.16	4.54	7.97	6.79	5.69	4.49	3.95	4.31

C21 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)

C22 New loans at floating rate and up to 1 year initial rate fixation
(percentages per annum excluding charges; period averages)



Source: ECB.

4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ¹⁾					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
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
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
2005 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
Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.95	3.22	5.07	0.11

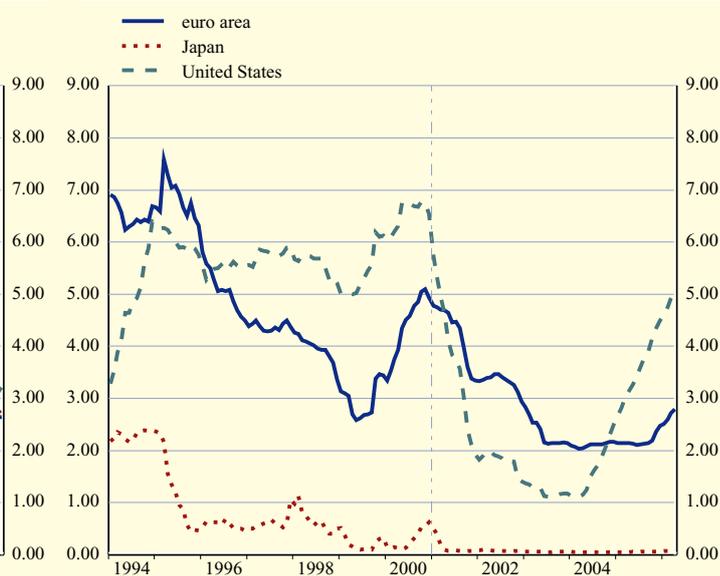
C23 Euro area money market rates

(monthly; percentages per annum)



C24 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

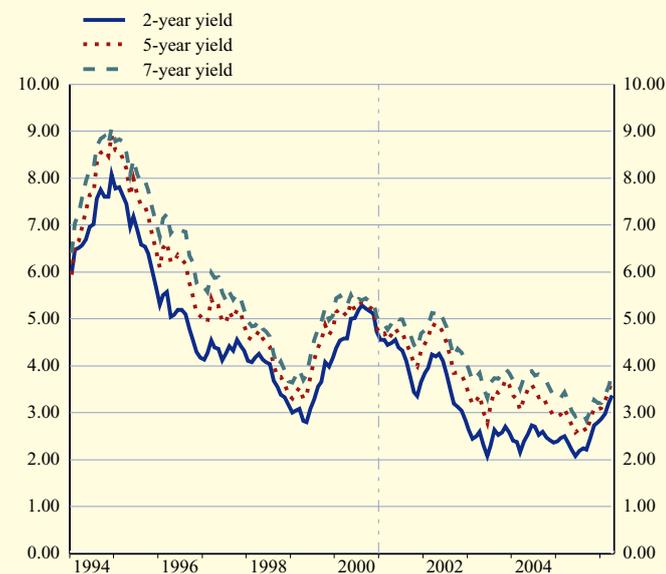
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
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
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
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
2005 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
Mar.	3.22	3.30	3.47	3.57	3.73	4.72	1.70
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91

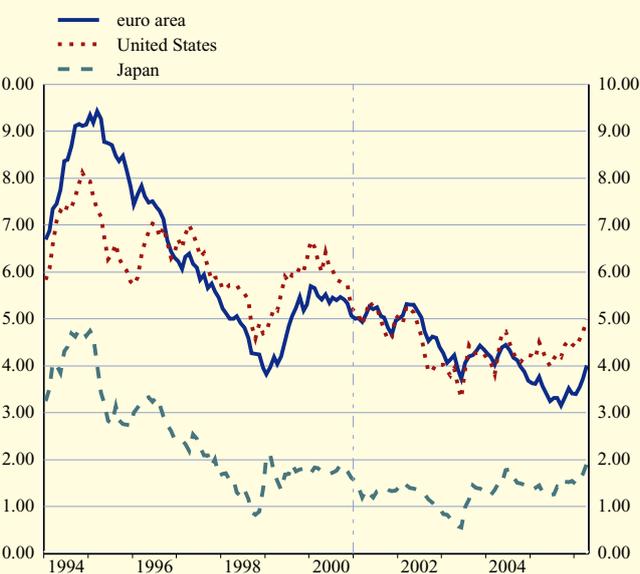
C25 Euro area government bond yields

(monthly; percentages per annum)



C26 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	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
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
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
2005 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
Mar.	358.0	3,814.9	386.5	203.1	294.9	417.4	372.5	393.6	366.3	430.4	422.7	532.9	1,293.7	16,325.2
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0

C27 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 ¹⁾	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	-	-	-	-	-	-
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	0.3	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
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.6	0.1	1.3	0.4
2005 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	0.3	0.1	0.1	0.0	2.4	0.1
Feb.	100.9	2.3	1.3	2.6	2.0	0.2	0.1	0.3	0.0	0.4	0.2
Mar.	101.5	2.2	1.4	2.4	1.9	0.1	0.4	-0.5	0.1	0.5	0.1
Apr. ²⁾	.	2.4	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents
% of total ¹⁾	19.3	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
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
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
2005 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	1.9	2.0	3.1	0.2	13.6	2.5	2.0	2.3	-2.9	2.2	2.4
Feb.	1.8	1.9	1.7	3.0	0.3	12.5	2.6	2.1	2.6	-3.4	2.3	2.2
Mar.	1.6	2.3	0.6	2.7	0.5	10.5	2.6	2.1	2.3	-3.5	2.1	2.3

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2006.

2) Estimate based on provisional national releases covering around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct- ion ¹⁾	Residential property prices ²⁾	World market prices of raw materials ³⁾	Oil prices ⁴⁾ (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total ⁵⁾	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	6.9	-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	6.8	-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	7.1	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	3.1	7.5	28.5	9.4	44.6	
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	3.0	7.8 ⁶⁾	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	3.0	-	33.5	11.6	50.9	
Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	2.9	7.2 ⁶⁾	34.2	23.2	48.6	
2006 Q1	113.9	5.2	3.2	1.7	2.2	1.0	1.5	1.4	1.5	18.9	.	-	35.7	21.2	52.3	
2005 Nov.	111.8	4.2	2.7	1.5	1.8	1.0	1.4	1.2	1.5	14.7	-	-	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.	113.4	5.3	3.3	1.6	2.0	1.0	1.5	1.4	1.5	19.8	-	-	43.4	23.1	52.5	
Feb.	113.9	5.4	3.3	1.7	2.2	1.0	1.5	1.4	1.5	19.6	-	-	38.0	23.1	51.8	
Mar.	114.4	5.1	2.9	1.8	2.5	1.0	1.5	1.4	1.5	17.4	-	-	26.8	17.7	52.6	
Apr.	.	.	.	.	.	.	.	.	.	.	-	-	34.3	23.2	57.6

3. Hourly labour costs⁷⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total ⁵⁾	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2002	107.5	3.5	3.2	4.5	3.2	4.3	3.6	2.7
2003	110.8	3.0	2.8	3.8	3.0	3.9	2.9	2.4
2004	113.6	2.5	2.3	3.0	2.8	3.2	2.2	2.1
2005	116.5	2.6	2.3	2.9	2.6	2.5	2.6	2.1
2004 Q4	114.7	2.4	1.9	4.0	2.8	2.9	2.0	2.0
2005 Q1	115.4	3.2	2.7	4.0	3.2	3.2	3.2	2.2
Q2	116.2	2.5	2.2	2.7	2.6	2.3	2.4	2.1
Q3	116.8	2.3	2.2	2.4	2.3	2.0	2.2	2.1
Q4	117.5	2.4	2.1	2.5	2.2	2.6	2.5	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	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2001	102.3	2.3	2.8	1.5	2.0	1.6	4.1	2.6
2002	104.7	2.3	0.9	1.2	3.2	1.7	3.0	2.9
2003	106.5	1.7	1.2	1.1	1.2	1.8	1.6	2.7
2004	107.5	1.0	-7.5	-1.2	2.1	0.7	2.2	2.4
2004 Q3	107.4	0.4	-8.9	-2.5	3.5	1.2	2.3	1.2
Q4	108.1	1.3	-5.2	0.0	3.3	0.4	2.3	2.4
2005 Q1	108.7	1.5	2.8	-0.1	4.3	0.9	1.8	2.1
Q2	108.9	1.5	6.4	0.4	3.5	1.2	2.5	1.7
Q3	108.8	1.3	3.8	0.5	1.8	0.5	2.4	2.0
Compensation per employee								
2002	105.4	2.5	2.6	2.7	3.2	2.3	1.9	2.9
2003	107.7	2.1	-0.6	2.6	2.4	1.8	1.6	2.5
2004	109.9	2.0	0.4	3.0	3.1	1.6	1.1	2.2
2005	112.0	2.0	.	.	.	.	.	.
2004 Q4	110.5	1.9	2.6	2.5	3.0	1.9	1.1	1.8
2005 Q1	111.3	1.8	3.0	1.6	2.6	2.3	1.7	1.8
Q2	111.9	1.9	3.1	1.7	3.3	2.5	2.3	1.2
Q3	112.2	2.1	1.6	2.1	3.0	2.5	2.3	1.8
Q4	112.8	2.1	.	.	.	.	.	.
Labour productivity ²⁾								
2001	100.5	0.5	-1.0	1.1	1.3	1.0	-1.3	0.5
2002	100.7	0.2	1.6	1.4	0.1	0.6	-1.1	0.0
2003	101.2	0.4	-1.7	1.5	1.2	0.0	0.0	-0.2
2004	102.2	1.1	8.5	4.3	1.0	0.9	-1.0	-0.2
2004 Q3	102.3	1.1	10.1	5.0	-0.6	0.5	-0.9	-0.3
Q4	102.2	0.6	8.2	2.5	-0.3	1.5	-1.1	-0.6
2005 Q1	102.4	0.3	0.2	1.7	-1.7	1.4	-0.1	-0.3
Q2	102.7	0.4	-3.1	1.2	-0.1	1.3	-0.2	-0.5
Q3	103.1	0.8	-2.1	1.6	1.2	2.0	-0.1	-0.2

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports ³⁾	Imports ³⁾	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2002	105.0	2.6	2.0	1.9	2.9	1.4	-0.3	-2.1
2003	107.1	2.0	1.9	2.0	2.2	1.1	-1.2	-1.8
2004	109.2	1.9	2.0	2.0	2.4	2.4	1.3	1.5
2005	111.0	1.7	2.2	1.9	2.1	2.1	2.5	3.7
2004 Q4	109.9	1.8	2.2	2.0	2.7	2.9	2.5	3.9
2005 Q1	110.3	1.8	2.1	1.9	2.0	2.6	2.9	3.7
Q2	110.7	1.6	1.9	1.7	1.4	2.0	2.2	3.2
Q3	111.1	1.6	2.2	1.9	2.0	1.8	2.2	3.9
Q4	112.0	1.9	2.4	2.1	2.9	2.1	2.7	4.1

Sources: ECB calculations based on Eurostat data.

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2002	7,251.1	7,062.3	4,144.9	1,465.5	1,466.4	-14.6	188.8	2,625.3	2,436.4
2003	7,449.5	7,288.8	4,270.2	1,523.1	1,494.3	1.3	160.7	2,624.5	2,463.8
2004	7,726.9	7,568.1	4,414.7	1,576.9	1,558.8	17.7	158.8	2,815.9	2,657.1
2005	7,973.8	7,860.9	4,560.2	1,632.0	1,631.4	37.3	112.9	3,004.0	2,891.1
2004 Q4	1,952.1	1,920.1	1,119.1	398.1	395.8	7.1	32.0	721.8	689.8
2005 Q1	1,966.3	1,930.5	1,124.4	400.2	398.7	7.1	35.9	722.9	687.0
Q2	1,981.2	1,950.2	1,133.2	405.1	405.6	6.3	31.0	738.6	707.6
Q3	2,001.6	1,977.7	1,147.6	409.2	411.8	9.0	23.9	764.9	741.0
Q4	2,024.7	2,002.5	1,155.1	417.4	415.2	14.8	22.2	777.6	755.4
	<i>percentage of GDP</i>								
2005	100.0	98.6	57.2	20.5	20.5	0.5	1.4	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted ³⁾)								
	<i>quarter-on-quarter percentage changes</i>								
2004 Q4	0.2	0.4	0.8	-0.1	0.6	-	-	0.8	1.5
2005 Q1	0.3	0.0	0.1	0.2	0.2	-	-	-0.2	-1.2
Q2	0.4	0.6	0.3	0.7	1.2	-	-	1.6	2.1
Q3	0.7	0.7	0.5	0.9	1.0	-	-	2.7	2.9
Q4	0.3	0.5	0.1	0.0	0.3	-	-	0.7	1.3
	<i>annual percentage changes</i>								
2002	0.9	0.4	0.9	2.6	-1.5	-	-	1.7	0.3
2003	0.7	1.3	1.0	1.7	0.8	-	-	1.1	3.0
2004	2.0	2.0	1.5	1.1	2.3	-	-	6.5	6.7
2005	1.3	1.6	1.3	1.4	2.3	-	-	3.8	4.6
2004 Q4	1.6	1.9	1.8	0.6	1.8	-	-	5.7	7.0
2005 Q1	1.2	1.5	1.2	0.8	1.7	-	-	3.5	4.5
Q2	1.2	1.7	1.4	1.1	2.4	-	-	2.8	4.4
Q3	1.6	1.7	1.8	1.7	3.1	-	-	5.0	5.4
Q4	1.8	1.8	1.1	1.9	2.7	-	-	4.9	5.2
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2004 Q4	0.2	0.4	0.5	0.0	0.1	-0.2	-0.2	-	-
2005 Q1	0.3	0.0	0.1	0.1	0.0	-0.2	0.3	-	-
Q2	0.4	0.5	0.2	0.1	0.2	0.0	-0.1	-	-
Q3	0.7	0.7	0.3	0.2	0.2	0.0	0.0	-	-
Q4	0.3	0.5	0.1	0.0	0.1	0.4	-0.2	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.7	1.3	0.6	0.3	0.2	0.2	-0.6	-	-
2004	2.0	2.0	0.9	0.2	0.5	0.4	0.1	-	-
2005	1.3	1.5	0.8	0.3	0.5	0.0	-0.2	-	-
2004 Q4	1.6	1.9	1.0	0.1	0.4	0.4	-0.3	-	-
2005 Q1	1.2	1.4	0.7	0.2	0.3	0.2	-0.2	-	-
Q2	1.2	1.6	0.8	0.2	0.5	0.1	-0.5	-	-
Q3	1.6	1.6	1.0	0.4	0.6	-0.3	0.0	-	-
Q4	1.8	1.8	0.6	0.4	0.6	0.2	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
<i>Current prices (EUR billions, seasonally adjusted)</i>								
2002	6,517.6	152.2	1,377.2	372.9	1,392.5	1,749.7	1,473.2	733.5
2003	6,693.2	152.1	1,379.8	392.7	1,417.7	1,822.2	1,528.8	756.3
2004	6,934.0	152.2	1,434.9	418.4	1,467.1	1,883.5	1,577.9	792.9
2005	7,145.2	140.9	1,471.3	438.6	1,514.1	1,953.5	1,626.7	828.6
2004 Q4	1,749.8	37.9	360.4	106.4	371.0	476.3	397.9	202.2
2005 Q1	1,764.3	35.7	363.9	106.5	373.9	482.7	401.6	202.1
Q2	1,777.5	35.1	367.0	108.5	377.1	485.8	403.9	203.7
Q3	1,791.8	34.9	368.2	110.8	381.2	490.3	406.5	209.7
Q4	1,811.6	35.2	372.2	112.8	382.0	494.7	414.8	213.1
<i>percentage of value added</i>								
2005	100.0	2.0	20.6	6.1	21.2	27.3	22.8	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted ¹⁾)</i>								
<i>quarter-on-quarter percentage changes</i>								
2004 Q4	0.2	1.0	-0.5	0.6	0.7	0.0	0.2	0.2
2005 Q1	0.4	-3.9	0.2	-0.6	0.5	0.9	0.7	-0.4
Q2	0.4	-1.7	0.5	1.5	0.7	0.4	0.0	0.5
Q3	0.6	0.5	0.8	0.3	0.6	0.6	0.5	1.5
Q4	0.3	-0.1	0.3	1.0	0.5	0.2	0.3	0.1
<i>annual percentage changes</i>								
2002	1.0	-0.3	-0.2	0.0	1.1	1.5	2.0	0.1
2003	0.6	-3.9	0.0	1.1	0.3	1.3	1.1	1.3
2004	2.1	7.9	2.5	2.1	2.1	1.9	1.6	1.2
2005	1.4	-3.5	0.9	1.1	2.3	1.9	1.0	1.0
2004 Q4	1.7	7.4	1.5	1.2	2.6	1.4	0.8	0.6
2005 Q1	1.4	-1.2	0.7	-0.5	2.4	2.1	1.2	-0.9
Q2	1.2	-4.2	0.1	1.0	2.2	1.9	1.0	1.1
Q3	1.6	-4.1	0.9	1.8	2.6	1.9	1.4	1.8
Q4	1.8	-5.1	1.7	2.2	2.4	2.1	1.4	1.7
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2004 Q4	0.2	0.0	-0.1	0.0	0.2	0.0	0.1	-
2005 Q1	0.4	-0.1	0.0	0.0	0.1	0.2	0.1	-
Q2	0.4	0.0	0.1	0.1	0.2	0.1	0.0	-
Q3	0.6	0.0	0.2	0.0	0.1	0.2	0.1	-
Q4	0.3	0.0	0.1	0.1	0.1	0.1	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2002	1.0	0.0	0.0	0.0	0.2	0.4	0.4	-
2003	0.6	-0.1	0.0	0.1	0.1	0.4	0.2	-
2004	2.1	0.2	0.5	0.1	0.5	0.5	0.4	-
2005	1.4	-0.1	0.2	0.1	0.5	0.5	0.2	-
2004 Q4	1.7	0.2	0.3	0.1	0.5	0.4	0.2	-
2005 Q1	1.4	0.0	0.1	0.0	0.5	0.6	0.3	-
Q2	1.2	-0.1	0.0	0.1	0.5	0.5	0.2	-
Q3	1.6	-0.1	0.2	0.1	0.6	0.5	0.3	-
Q4	1.8	-0.1	0.4	0.1	0.5	0.6	0.3	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total ¹⁾	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
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	2.0	2.0	1.9	2.2	3.0	0.5	0.1	0.6	2.0	-0.1
2005	1.0	103.5	1.2	1.2	1.1	0.8	2.6	0.6	-0.9	0.8	1.3	-0.6
2005 Q1	-0.4	102.3	0.6	0.4	0.2	0.5	2.1	-0.9	-3.7	-0.4	1.6	-4.5
Q2	1.0	103.1	0.7	0.8	0.4	-0.4	2.2	0.7	-1.5	1.1	1.1	-0.7
Q3	1.3	104.1	1.5	1.5	1.5	0.9	2.9	1.7	-0.1	1.9	0.4	1.0
Q4	2.0	104.6	2.1	2.2	2.2	2.4	3.1	1.0	1.8	0.8	1.8	1.6
2005 Sep.	1.3	104.2	1.3	1.6	1.6	0.8	2.9	1.8	0.1	2.1	-0.5	0.6
Oct.	0.5	103.6	0.3	0.7	0.7	0.9	0.4	0.5	-0.8	0.8	-1.0	0.5
Nov.	2.8	105.0	3.1	3.5	3.4	3.7	4.8	0.9	3.2	0.5	2.1	0.2
Dec.	2.8	105.2	2.9	2.5	2.7	2.6	4.1	1.5	3.3	1.2	3.8	4.4
2006 Jan.	.	105.4	2.9	2.4	2.3	2.2	4.3	0.6	3.1	0.2	5.9	.
Feb.	.	105.5	3.2	3.2	3.0	2.2	5.7	2.3	2.6	2.2	3.2	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 Sep.	-0.1	-	-0.2	-0.3	-0.3	-1.0	0.8	-0.5	-1.3	-0.4	0.7	-0.7
Oct.	-0.5	-	-0.6	-0.7	-0.7	-0.1	-1.2	-0.7	-0.7	-0.7	-1.1	-0.2
Nov.	1.1	-	1.4	1.3	1.3	1.7	1.6	0.2	1.8	-0.1	2.9	0.5
Dec.	0.6	-	0.2	-0.1	0.0	-0.5	-0.4	0.7	-0.1	0.9	3.1	2.8
2006 Jan.	.	-	0.2	0.3	0.2	0.3	1.0	-0.5	0.5	-0.7	-0.8	.
Feb.	.	-	0.0	0.0	-0.1	-0.6	0.5	0.6	-0.4	0.7	0.4	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices					Total (s.a., thousands) ³⁾	Total	
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total ¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2003	98.4	0.2	101.3	-0.2	2.2	103.7	0.7	1.3	0.2	-1.9	0.6	911	-1.5
2004	105.3	7.3	106.5	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.7	4.6	110.5	3.7	2.3	106.7	1.3	0.7	1.8	2.0	1.4	934	1.3
2005 Q2	108.8	3.3	110.8	4.2	1.7	106.2	0.8	0.3	1.1	1.5	0.5	937	1.0
Q3	110.7	4.9	111.7	4.0	2.6	106.9	1.6	0.5	2.3	2.3	2.1	942	4.6
Q4	117.3	7.2	112.5	4.1	2.4	107.2	1.3	0.7	1.8	2.6	1.8	932	-1.2
2006 Q1	.	.	.	.	.	.	.	.	.	.	.	944	2.0
2005 Oct.	111.4	4.5	107.4	1.6	2.5	107.2	1.4	1.2	1.4	2.0	1.8	942	0.1
Nov.	117.0	9.7	115.2	5.7	2.6	107.3	1.6	0.7	2.1	3.2	1.7	932	-2.0
Dec.	123.4	7.3	114.9	5.1	2.1	107.2	1.0	0.2	1.9	2.7	1.8	923	-1.8
2006 Jan.	116.4	10.2	114.5	7.8	2.9	107.7	1.3	0.6	1.8	3.9	2.0	944	2.1
Feb.	119.6	13.5	114.3	6.6	2.8	107.6	1.4	0.9	1.8	3.0	2.3	940	2.6
Mar.	.	.	.	.	.	.	.	.	.	.	.	950	1.5
<i>month-on-month percentage changes (s.a.)</i>													
2005 Oct.	-	-0.4	-	-5.9	0.4	-	0.4	0.5	0.2	1.3	0.1	-	-1.2
Nov.	-	5.0	-	7.3	0.1	-	0.1	-0.3	0.4	1.2	-0.1	-	-1.1
Dec.	-	5.5	-	-0.2	0.0	-	-0.1	-0.3	0.0	-0.3	0.7	-	-1.0
2006 Jan.	-	-5.7	-	-0.3	0.6	-	0.5	0.8	0.2	0.6	0.1	-	2.3
Feb.	-	2.7	-	-0.3	0.1	-	-0.1	-0.1	-0.1	-1.0	-0.1	-	-0.5
Mar.	-	.	-	.	.	-	.	.	.	.	.	-	1.1

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

1) In 2000.

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

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator ³⁾				
		Industrial confidence indicator				Capacity utilisation ⁵⁾	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
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	81.3	-14	-4	-15	28	-8
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	81.5	-12	-4	-15	22	-9
2006 Q1	102.6	-2	-9	9	11	82.2	-11	-3	-11	20	-8
2005 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	82.0	-11	-3	-11	19	-9
Feb.	102.7	-2	-10	8	11	-	-10	-3	-11	19	-8
Mar.	103.6	-1	-6	8	12	-	-11	-3	-12	21	-7
Apr.	105.3	1	-2	7	12	82.4	-10	-3	-8	22	-8

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

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 ¹⁾

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total ²⁾	100.0	100.0	84.4	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	134.492	1.5	1.7	0.2	-0.7	0.1	0.7	1.8	4.2	1.3
2002	135.462	0.7	0.8	0.1	-1.6	-1.6	0.1	0.5	2.6	2.0
2003	135.836	0.3	0.3	0.3	-2.0	-1.5	0.2	0.3	1.3	1.3
2004	136.833	0.7	0.6	1.3	-0.8	-1.6	1.1	0.9	2.5	1.3
2004 Q3	136.898	0.8	0.6	1.6	-0.4	-1.8	2.1	0.9	2.4	1.3
Q4	137.239	1.0	0.9	1.6	-0.6	-0.9	1.5	1.1	2.5	1.4
2005 Q1	137.365	0.9	0.8	1.2	-1.3	-1.1	1.4	1.1	2.1	1.4
Q2	137.575	0.8	0.8	1.0	-1.0	-1.3	1.2	0.9	2.2	1.5
Q3	137.934	0.8	0.9	0.4	-1.6	-0.9	0.8	0.6	2.2	1.6
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2004 Q3	0.406	0.3	0.1	1.4	0.3	-0.5	1.1	0.4	0.6	0.3
Q4	0.341	0.2	0.3	0.1	-0.3	0.2	-0.3	0.2	0.5	0.4
2005 Q1	0.126	0.1	0.3	-1.0	-1.0	-0.8	-0.1	0.1	0.7	0.5
Q2	0.210	0.2	0.0	0.7	-0.1	-0.1	0.4	0.2	0.2	0.2
Q3	0.359	0.3	0.2	0.6	-0.7	-0.1	0.6	0.2	0.6	0.4

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total ²⁾	100.0		75.6		24.4		48.5		51.5	
	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	12.542	8.6	9.483	7.3	3.059	17.7	6.083	7.4	6.459	10.0
2005 Q1	12.847	8.8	9.626	7.5	3.220	18.4	6.216	7.6	6.630	10.3
Q2	12.679	8.7	9.604	7.4	3.075	17.7	6.160	7.5	6.519	10.1
Q3	12.378	8.5	9.402	7.3	2.976	17.3	6.039	7.4	6.339	9.8
Q4	12.214	8.3	9.210	7.1	3.004	17.5	5.882	7.2	6.332	9.8
2006 Q1	11.952	8.2	8.945	6.9	3.007	17.5	5.746	7.0	6.206	9.6
2005 Oct.	12.213	8.3	9.216	7.1	2.998	17.5	5.927	7.2	6.287	9.8
Nov.	12.236	8.4	9.231	7.1	3.005	17.5	5.884	7.2	6.352	9.8
Dec.	12.194	8.3	9.184	7.1	3.009	17.7	5.835	7.1	6.359	9.9
2006 Jan.	12.070	8.2	9.061	7.0	3.009	17.5	5.783	7.1	6.287	9.8
Feb.	11.944	8.2	8.933	6.9	3.011	17.5	5.745	7.0	6.199	9.6
Mar.	11.843	8.1	8.842	6.9	3.001	17.5	5.710	7.0	6.134	9.5

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 ¹⁾ (as a percentage of GDP)

1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden ²⁾	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes			
			Households	Corporations		Employers	Employees							
	3	4	5	6	7	8	9	10	11	12	13	14		
1997	47.1	46.6	11.9	9.0	2.6	13.3	0.7	17.2	8.6	5.4	2.3	0.5	0.3	42.7
1998	46.6	46.3	12.2	9.5	2.3	13.9	0.6	16.2	8.3	4.9	2.3	0.3	0.3	42.6
1999	47.1	46.8	12.6	9.7	2.5	14.2	0.6	16.1	8.3	4.9	2.2	0.3	0.3	43.1
2000	46.7	46.4	12.7	9.8	2.7	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.8
2001	45.8	45.6	12.3	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.2	44.9	11.9	9.4	2.2	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	9.1	2.1	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.7	44.3	11.4	8.8	2.3	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	40.9
2005	45.2	44.7	11.6	8.9	2.4	13.7	0.3	15.6	8.2	4.5	2.2	0.5	0.3	41.3

2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure ³⁾		
	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							9
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.7	46.1	10.9	4.8	5.0	25.4	22.6	2.1	0.6	3.6	2.4	1.2	0.1	44.7
1998	48.9	45.1	10.6	4.6	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.3	0.1	44.2
1999	48.4	44.5	10.6	4.7	4.1	25.2	22.2	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.8	2.0	0.5	3.8	2.5	1.3	0.0	43.8
2001	47.7	43.8	10.3	4.8	3.8	24.9	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.2	44.3	10.5	4.9	3.3	25.5	22.6	1.8	0.5	3.9	2.5	1.4	0.1	44.9
2004	47.5	43.7	10.4	5.0	3.1	25.2	22.4	1.8	0.5	3.8	2.4	1.4	0.0	44.4
2005	47.6	43.8	10.4	5.0	3.0	25.3	22.5	1.7	0.5	3.8	2.4	1.3	0.0	44.5

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.9	1.9	2.3	8.2	11.9
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.8	10.6	4.6	4.8	1.9	2.3	8.0	11.7
1999	-1.3	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.7	4.9	1.9	2.2	8.1	11.8
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.8	2.2	8.0	11.8
2001	-1.9	-1.7	-0.4	0.1	0.4	2.0	19.8	10.3	4.8	5.0	1.8	2.2	7.9	11.9
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.0	12.2
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.3	20.4	10.5	4.9	5.2	1.8	2.1	8.0	12.4
2004	-2.8	-2.4	-0.3	-0.3	0.1	0.3	20.3	10.4	5.0	5.2	1.8	2.1	8.0	12.4
2005	-2.4	-2.1	-0.3	-0.2	0.2	0.6	20.4	10.4	5.0	5.2	1.8	2.2	8.0	12.4

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2002	0.0	-3.7	-4.9	-0.3	-3.2	-0.4	-2.9	2.0	-2.0	-0.5	-2.9	4.1
2003	0.1	-4.0	-5.8	0.0	-4.2	0.2	-3.4	0.2	-3.1	-1.5	-2.9	2.5
2004	0.0	-3.7	-6.9	-0.1	-3.7	1.5	-3.4	-1.1	-1.9	-1.1	-3.2	2.3
2005	0.1	-3.3	-4.5	1.1	-2.9	1.0	-4.1	-1.9	-0.3	-1.5	-6.0	2.6

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.
- Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt ¹⁾

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors ³⁾
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾			Other sectors	
						Total	MFIs	Other financial corporations		
1	2	3	4	5	6	7	8	9	10	
1996	75.1	2.8	17.0	7.9	47.4	58.7	32.5	10.0	16.1	16.4
1997	74.2	2.8	16.0	6.5	48.9	56.2	31.1	11.8	13.3	18.0
1998	72.8	2.7	15.0	5.6	49.4	53.0	29.3	12.8	10.9	19.8
1999	72.1	2.9	14.2	4.3	50.7	48.4	27.4	9.8	11.3	23.7
2000	69.6	2.7	13.1	3.7	50.1	43.9	24.0	8.9	11.0	25.6
2001	68.3	2.8	12.3	4.0	49.2	42.0	22.9	8.0	11.1	26.3
2002	68.1	2.7	11.7	4.6	49.2	40.0	21.6	7.6	10.8	28.2
2003	69.3	2.1	12.3	5.1	49.9	39.1	21.6	8.3	9.2	30.3
2004	69.8	2.2	11.9	5.1	50.6	37.9	20.7	8.3	8.9	31.9
2005	70.8	2.4	11.7	4.9	51.7	37.0	20.3	7.8	8.8	33.8

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

	Total	Issued by ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies ⁵⁾	Other currencies
1996	75.1	63.0	5.9	5.7	0.5	11.6	63.5	7.1	19.1	26.3	29.8	72.5	2.6
1997	74.2	62.2	6.1	5.4	0.6	9.9	64.3	6.8	18.1	26.0	30.1	71.4	2.8
1998	72.8	61.2	6.1	5.2	0.4	8.9	64.0	6.3	15.6	27.0	30.3	70.1	2.7
1999	72.1	60.6	6.0	5.1	0.4	7.7	64.4	5.6	13.4	28.3	30.5	70.1	2.0
2000	69.6	58.3	5.9	4.9	0.4	6.8	62.8	4.9	13.2	28.9	27.4	67.8	1.8
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	3.7	13.6	27.5	27.2	66.8	1.5
2002	68.1	56.7	6.3	4.8	0.4	8.2	59.9	3.9	15.2	25.8	27.2	66.8	1.3
2003	69.3	57.0	6.6	5.1	0.6	8.6	60.7	4.0	14.4	26.6	28.3	68.3	1.0
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.3	3.9	14.4	27.4	28.0	68.8	1.0
2005	70.8	58.1	6.8	5.3	0.5	8.7	62.1	3.8	14.1	26.7	30.0	69.7	1.1

3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2002	103.2	60.3	110.7	52.5	58.2	32.1	105.5	6.5	50.5	66.0	55.5	41.3
2003	98.5	63.8	107.8	48.9	62.4	31.1	104.2	6.3	51.9	64.4	57.0	44.3
2004	94.7	65.5	108.5	46.4	64.4	29.4	103.8	6.6	52.6	63.6	58.7	44.3
2005	93.3	67.7	107.5	43.2	66.8	27.6	106.4	6.2	52.9	62.9	63.9	41.1

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

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

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

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

	Total	Source of change				Financial instruments				Holders			Other creditors ⁷⁾
		Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	
1997	1.9	2.3	0.0	-0.2	-0.2	0.0	-0.3	-1.1	3.3	-0.3	-0.2	2.1	2.2
1998	1.8	2.3	-0.3	-0.1	-0.1	0.1	-0.3	-0.6	2.6	-0.8	-0.4	1.5	2.5
1999	2.0	1.6	0.3	0.1	-0.1	0.2	-0.2	-1.2	3.1	-2.6	-0.9	-2.5	4.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.1	-2.0	-0.4	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	0.0	-0.1	-0.5	1.8
2002	2.1	2.7	-0.5	-0.1	0.0	0.0	-0.2	0.7	1.6	-0.6	-0.5	-0.2	2.7
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.2	0.6	0.9	2.9
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	0.3	0.0	0.3	2.8
2005	3.1	3.0	0.0	0.1	0.0	0.3	0.2	0.0	2.6	0.2	0.2	-0.2	2.8

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁹⁾	Deficit-debt adjustment ⁹⁾											Other ¹⁰⁾
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities ¹¹⁾	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	1.9	-2.6	-0.7	-0.6	0.1	0.0	-0.2	-0.5	-0.7	0.1	0.0	0.2	-0.2	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.5	-0.7	0.2	-0.3	0.0	-0.1	0.1
1999	2.0	-1.3	0.6	0.0	0.4	0.0	0.1	-0.5	-0.8	0.1	0.3	0.2	0.1	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.4	-0.6	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.5
2002	2.1	-2.6	-0.5	0.1	0.0	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	-0.1	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.4	0.2	0.1	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.4	0.7	0.7	0.3	0.2	0.1	0.1	-0.3	0.2	0.0	0.0	0.1	-0.1

Source: ECB.

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

6.4 Quarterly revenue, expenditure and deficit/surplus ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue					Capital revenue		Memo: fiscal burden ²⁾	
		Direct taxes	Indirect taxes	Social contributions	Sales	Property income	Capital taxes			
	1	2	3	4	5	6	7	8	9	10
1999 Q4	50.7	50.1	14.2	14.5	16.7	2.9	0.9	0.7	0.3	45.6
2000 Q1	43.5	43.0	11.0	13.1	15.5	1.9	0.7	0.5	0.3	39.8
Q2	47.6	47.1	13.8	13.4	15.7	2.1	1.2	0.5	0.3	43.2
Q3	44.1	43.7	11.9	12.6	15.7	2.0	0.8	0.4	0.2	40.4
Q4	49.7	49.1	13.9	14.0	16.5	2.8	1.0	0.5	0.3	44.7
2001 Q1	42.4	42.0	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.8
Q2	46.9	46.5	13.4	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.5	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.8
Q4	49.1	48.6	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.7	10.2	12.8	15.5	1.7	0.8	0.4	0.2	38.7
Q2	45.6	45.1	12.5	12.7	15.5	2.0	1.5	0.5	0.3	41.1
Q3	43.6	43.1	11.2	12.7	15.4	2.0	0.8	0.4	0.3	39.6
Q4	49.0	48.4	13.4	14.1	16.2	2.9	0.9	0.6	0.3	43.9
2003 Q1	42.1	41.6	9.8	12.8	15.6	1.7	0.7	0.4	0.2	38.5
Q2	46.0	44.5	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.8
Q3	43.0	42.5	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.3
Q4	49.3	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.7	41.2	9.6	12.9	15.4	1.7	0.7	0.5	0.3	38.2
Q2	45.0	44.2	12.1	13.0	15.4	2.0	0.9	0.8	0.6	41.1
Q3	42.8	42.3	10.7	12.7	15.4	1.9	0.7	0.5	0.3	39.1
Q4	49.4	48.3	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.5	41.9	10.0	13.1	15.4	1.7	0.6	0.6	0.3	38.8
Q2	44.8	44.2	11.9	13.1	15.3	2.0	0.9	0.6	0.3	40.7
Q3	43.6	43.0	11.1	12.9	15.4	1.9	0.8	0.6	0.3	39.8
Q4	49.3	48.5	13.4	14.4	16.1	2.9	0.9	0.8	0.3	44.2

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure					Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)	
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits		Investment	Capital transfers				
						7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q4	50.5	45.7	11.0	5.3	3.6	25.7	22.1	1.6	4.8	3.1	1.7	0.2	3.9
2000 Q1	46.3	43.0	10.2	4.6	4.1	24.1	20.9	1.3	3.3	2.0	1.3	-2.7	1.3
Q2	46.3	42.9	10.3	4.6	3.9	24.2	20.9	1.4	3.4	2.3	1.1	1.3	5.2
Q3	42.9	42.6	10.1	4.5	4.0	24.0	20.8	1.5	0.3	2.5	1.0	1.2	5.2
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	45.8	42.4	10.1	4.2	4.0	24.2	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.3	4.6	3.9	24.1	20.8	1.3	3.5	2.3	1.1	0.6	4.5
Q3	46.2	42.5	10.0	4.6	3.8	24.1	20.9	1.4	3.7	2.5	1.2	-2.6	1.2
Q4	51.0	46.1	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-1.9	1.6
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.3	3.4	1.9	1.5	-4.2	-0.5
Q2	46.7	43.3	10.4	4.9	3.6	24.5	21.2	1.3	3.4	2.3	1.1	-1.1	2.4
Q3	46.9	43.2	10.0	4.7	3.5	24.9	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.7	46.3	11.0	5.6	3.3	26.3	22.6	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.0	-1.4
Q2	47.5	43.9	10.5	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.5	1.9
Q3	47.1	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.6	2.5	1.1	-4.1	-0.8
Q4	51.1	46.3	11.0	5.7	3.1	26.5	22.8	1.5	4.8	3.2	1.6	-1.9	1.2
2004 Q1	46.6	43.2	10.3	4.6	3.2	25.0	21.5	1.2	3.4	2.0	1.4	-4.9	-1.7
Q2	46.8	43.4	10.5	4.9	3.1	24.9	21.6	1.2	3.4	2.3	1.0	-1.7	1.4
Q3	46.1	42.8	10.0	4.7	3.2	25.0	21.5	1.3	3.4	2.4	0.9	-3.3	-0.2
Q4	50.7	45.8	10.9	5.7	3.0	26.1	22.5	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.8	43.5	10.4	4.7	3.1	25.3	21.6	1.2	3.3	1.9	1.4	-4.3	-1.2
Q2	46.4	43.1	10.3	5.0	3.1	24.7	21.6	1.1	3.3	2.3	1.0	-1.6	1.4
Q3	45.9	42.6	10.0	4.8	3.0	24.8	21.5	1.2	3.3	2.4	0.9	-2.2	0.8
Q4	50.8	45.9	11.1	5.7	2.9	26.2	22.6	1.4	4.9	3.1	1.7	-1.5	1.4

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 instrument¹⁾

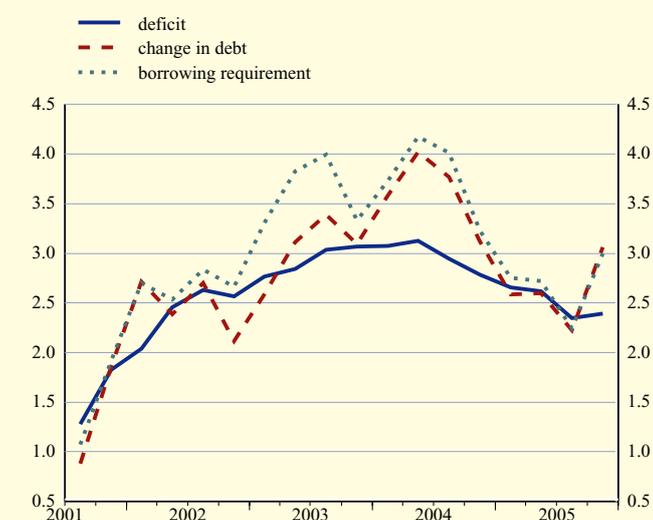
	Total 1	Financial instruments			
		Coins and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q2	70.2	2.7	11.6	5.5	50.4
2003 Q3	70.5	2.7	11.6	5.6	50.6
2003 Q4	69.3	2.1	12.3	5.1	49.9
2004 Q1	71.1	2.1	12.4	5.5	51.0
2004 Q2	71.8	2.2	12.4	5.5	51.6
2004 Q3	71.7	2.2	12.3	5.6	51.6
2004 Q4	69.8	2.2	11.9	5.1	50.6
2005 Q1	71.2	2.2	11.9	5.2	51.9
2005 Q2	72.1	2.4	11.7	5.4	52.7
2005 Q3	71.8	2.4	11.8	5.2	52.3
2005 Q4	70.8	2.4	11.7	4.9	51.7

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
2003 Q1	7.7	-5.0	2.7	2.9	2.0	0.1	0.4	0.4	-0.1	0.0	7.8
2003 Q2	4.2	-1.5	2.7	3.1	2.2	-0.1	-0.2	1.2	-0.2	-0.2	4.4
2003 Q3	3.2	-4.1	-0.9	-1.5	-1.5	-0.1	-0.1	0.2	0.2	0.4	3.0
2003 Q4	-2.2	-1.9	-4.1	-3.7	-2.2	0.0	-0.1	-1.3	-0.7	0.3	-1.5
2004 Q1	9.5	-4.9	4.6	1.8	1.3	0.1	-0.1	0.5	0.2	2.5	9.2
2004 Q2	5.9	-1.7	4.1	3.8	3.3	0.1	0.1	0.3	-0.3	0.5	6.1
2004 Q3	2.2	-3.3	-1.1	-0.8	-1.2	0.1	0.1	0.1	-0.2	-0.1	2.4
2004 Q4	-4.5	-1.3	-5.8	-3.2	-2.7	0.1	0.1	-0.7	-0.2	-2.4	-4.3
2005 Q1	7.2	-4.3	2.8	2.3	1.4	0.2	0.3	0.4	0.0	0.5	7.1
2005 Q2	5.8	-1.6	4.2	3.5	2.7	0.1	0.2	0.4	-0.1	0.8	5.9
2005 Q3	0.7	-2.2	-1.5	-2.7	-2.5	0.2	-0.1	-0.3	0.2	1.0	0.5
2005 Q4	-1.1	-1.5	-2.6	-0.2	-0.3	0.2	-0.1	0.0	0.1	-2.5	-1.2

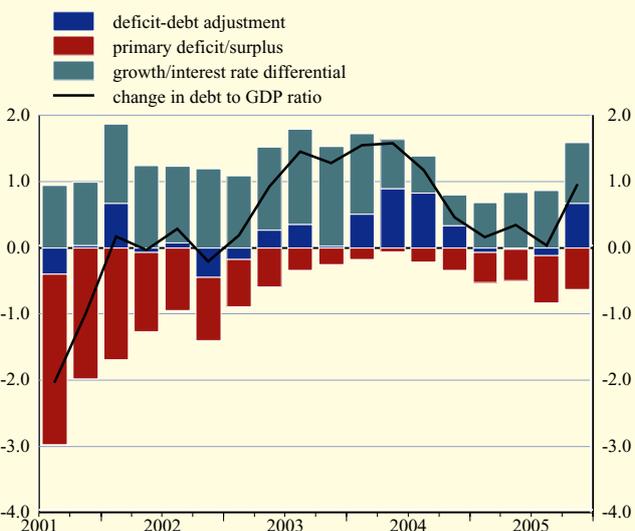
C28 Deficit, borrowing requirement and change in debt

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



C29 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

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

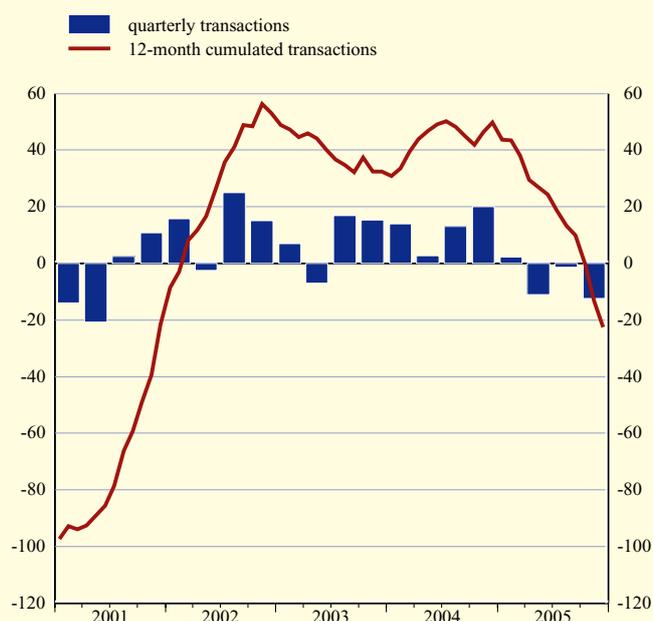
EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments (EUR billions; net transactions)

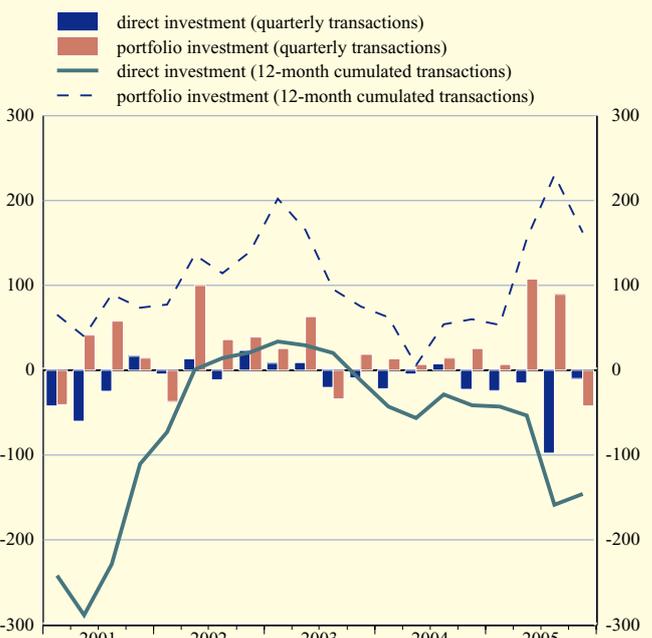
1. Summary balance of payments

	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	32.4	106.1	19.5	-37.2	-56.0	12.9	45.4	-1.3	-12.3	74.9	-13.0	-79.1	28.2	-44.1
2004	49.9	105.3	29.0	-28.0	-56.4	17.5	67.3	-10.9	-41.2	60.3	-5.0	-37.5	12.5	-56.4
2005	-22.6	53.0	34.3	-41.5	-68.3	12.5	-10.1	90.0	-145.5	162.5	-13.6	67.8	18.7	-79.9
2004 Q4	20.1	21.1	6.5	3.9	-11.3	6.0	26.1	-7.2	-22.3	25.3	-5.2	-7.4	2.4	-18.9
2005 Q1	2.2	15.1	4.0	-0.7	-16.2	1.0	3.2	18.8	-23.7	7.0	-7.3	38.1	4.8	-22.1
Q2	-11.2	18.1	10.3	-23.6	-16.0	4.0	-7.2	49.5	-14.7	107.8	1.3	-48.0	3.1	-42.3
Q3	-1.4	16.0	9.6	-7.1	-19.8	2.8	1.5	34.6	-97.6	89.8	-0.4	40.8	2.0	-36.0
Q4	-12.3	3.8	10.3	-10.1	-16.3	4.7	-7.6	-12.9	-9.4	-42.0	-7.2	36.9	8.8	20.5
2005 Feb.	4.8	5.6	1.2	2.2	-4.2	1.1	5.9	24.2	-2.8	23.1	1.1	-1.9	4.9	-30.2
Mar.	4.3	8.1	1.5	0.7	-6.0	0.7	5.0	-21.3	-8.8	-1.6	-5.1	-7.2	1.5	16.3
Apr.	-10.5	3.5	2.3	-12.2	-4.1	0.3	-10.2	-5.5	-13.7	-7.9	-0.4	17.4	-0.8	15.7
May	-2.9	5.7	3.3	-6.3	-5.5	1.6	-1.3	41.5	6.7	19.0	0.8	12.5	2.6	-40.3
June	2.2	8.8	4.7	-5.0	-6.4	2.1	4.3	13.5	-7.7	96.7	1.0	-77.9	1.4	-17.7
July	3.0	9.5	4.5	-5.5	-5.5	0.8	3.8	1.0	-85.1	77.1	1.4	5.0	2.6	-4.8
Aug.	-2.7	1.0	1.5	1.0	-6.2	0.8	-2.0	0.4	-12.0	-13.3	-0.7	26.5	-0.1	1.6
Sep.	-1.6	5.5	3.6	-2.6	-8.1	1.2	-0.4	33.2	-0.5	26.0	-1.2	9.3	-0.5	-32.8
Oct.	-6.5	1.5	4.6	-7.2	-5.4	0.6	-5.9	-6.5	-8.0	2.4	-4.3	3.1	0.2	12.4
Nov.	-5.6	1.0	2.7	-4.4	-5.0	0.9	-4.7	5.8	-2.0	-39.2	-0.4	46.2	1.2	-1.1
Dec.	-0.2	1.3	3.0	1.4	-5.9	3.2	3.0	-12.2	0.6	-5.2	-2.5	-12.4	7.3	9.2
2006 Jan.	-9.7	-6.4	0.1	-1.0	-2.3	1.0	-8.7	-11.0	4.9	-37.1	-2.3	25.8	-2.3	19.7
Feb.	-1.8	-0.3	1.3	1.0	-3.7	1.0	-0.8	11.8	-25.9	19.8	-3.0	19.0	1.9	-11.0
	<i>12-month cumulated transactions</i>													
2006 Feb.	-32.0	39.2	33.1	-40.1	-64.2	14.2	-17.8	50.6	-151.5	136.6	-16.8	67.3	15.0	-32.8

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



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



Source: ECB.

7.1 Balance of payments

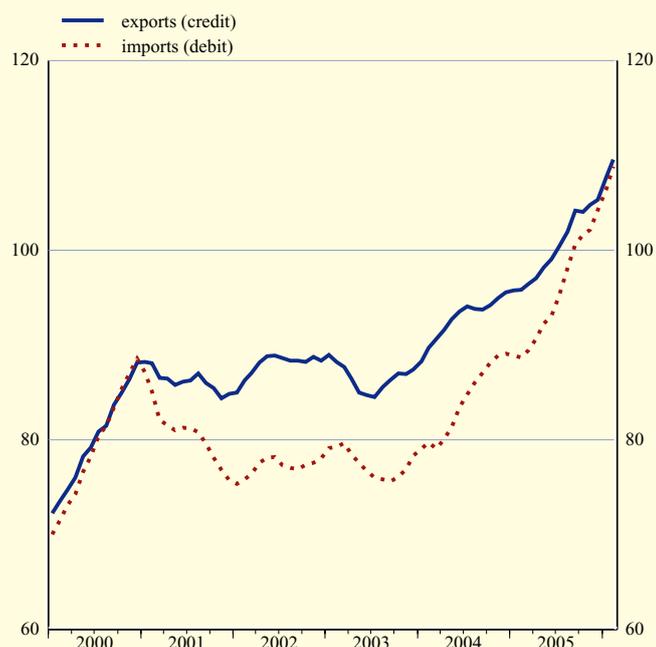
(EUR billions; transactions)

2. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	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	1,693.2	1,660.8	32.4	1,036.0	929.9	331.8	312.3	243.3	280.5	82.1	138.1	23.7	10.8
2004	1,843.0	1,793.2	49.9	1,128.2	1,022.9	362.1	333.1	270.9	298.9	81.9	138.3	24.1	6.6
2005	2,018.1	2,040.7	-22.6	1,218.6	1,165.6	395.5	361.1	320.7	362.2	83.4	151.7	23.4	10.9
2004 Q4	489.7	469.5	20.1	298.2	277.1	93.4	86.9	76.7	72.8	21.4	32.7	7.7	1.7
2005 Q1	460.8	458.6	2.2	278.5	263.4	85.3	81.2	68.0	68.8	29.0	45.2	4.9	3.8
Q2	503.4	514.5	-11.2	305.2	287.1	97.3	87.0	83.8	107.3	17.1	33.1	5.8	1.8
Q3	509.7	511.1	-1.4	309.0	293.0	108.9	99.3	76.5	83.6	15.3	35.1	4.6	1.8
Q4	544.2	556.5	-12.3	325.9	322.1	103.9	93.6	92.4	102.5	21.9	38.3	8.1	3.5
2005 Dec.	190.3	190.5	-0.2	108.3	107.0	35.6	32.6	35.8	34.4	10.6	16.5	4.8	1.7
2006 Jan.	164.3	174.0	-9.7	100.7	107.1	30.0	30.0	24.0	25.0	9.6	11.9	1.7	0.7
Feb.	175.6	177.4	-1.8	105.0	105.3	30.1	28.9	24.4	23.4	16.0	19.7	1.4	0.4
	Seasonally adjusted												
2004 Q4	472.4	459.6	12.8	286.7	267.3	91.7	84.8	72.4	73.6	21.6	33.9	.	.
2005 Q1	478.7	472.6	6.1	289.3	268.3	95.2	86.7	74.2	79.1	20.0	38.6	.	.
Q2	491.6	490.6	1.0	297.1	279.2	95.9	88.7	77.0	87.3	21.5	35.4	.	.
Q3	513.5	522.6	-9.1	312.5	301.8	100.7	92.8	80.2	91.0	20.0	37.0	.	.
Q4	527.6	548.3	-20.6	316.0	312.7	102.7	92.0	87.3	104.5	21.7	39.0	.	.
2005 June	164.8	163.7	1.0	99.9	93.0	32.4	29.6	25.4	29.2	7.1	11.9	.	.
July	169.4	171.4	-2.0	102.1	98.8	33.7	30.9	26.6	30.3	7.0	11.4	.	.
Aug.	171.2	176.5	-5.4	103.9	102.5	33.5	31.1	27.0	30.1	6.8	12.8	.	.
Sep.	172.9	174.7	-1.8	106.5	100.5	33.6	30.9	26.7	30.6	6.1	12.8	.	.
Oct.	170.5	176.5	-6.0	101.8	101.9	33.8	30.7	27.9	32.1	7.0	11.8	.	.
Nov.	177.7	188.9	-11.2	106.1	104.0	35.2	31.1	29.4	40.8	7.0	13.0	.	.
Dec.	179.4	182.9	-3.4	108.1	106.8	33.7	30.2	29.9	31.6	7.8	14.2	.	.
2006 Jan.	174.3	175.0	-0.7	108.9	108.4	33.6	31.2	27.6	27.6	4.2	7.8	.	.
Feb.	191.4	197.0	-5.6	111.8	111.3	34.8	32.2	27.6	30.3	17.2	23.2	.	.

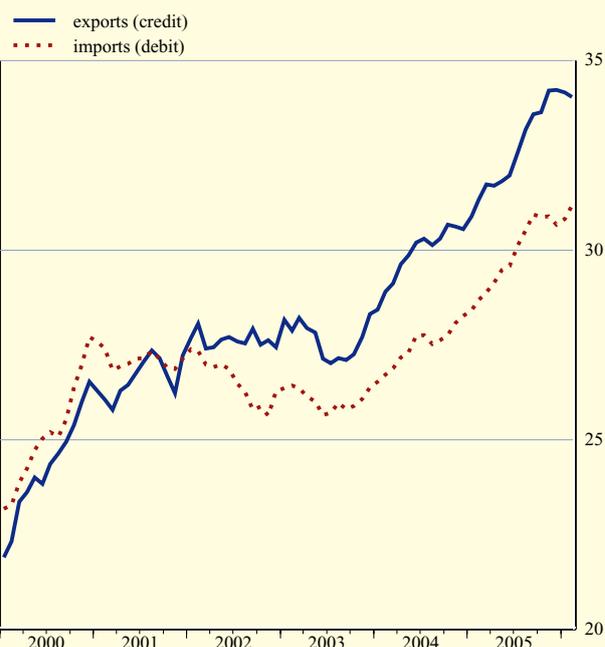
C32 B.o.p. goods

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



C33 B.o.p. services

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



Source: ECB.

7.1 Balance of payments

(EUR billions)

3. Income account

(transactions)

	Compensation of employees		Investment income											
	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	
2003	14.8	7.2	228.5	273.3	66.3	56.3	10.0	10.2	18.6	53.5	65.5	80.7	68.1	72.6
2004	15.3	7.7	255.6	291.1	87.0	72.0	12.1	11.8	23.8	56.9	67.5	79.0	65.2	71.5
2005	15.3	9.2	305.3	353.0	97.1	95.6	12.9	13.0	30.8	71.1	79.8	78.9	84.7	94.3
2004 Q4	4.0	1.9	72.6	70.9	28.4	16.3	3.3	3.4	5.4	10.5	17.6	20.9	18.0	19.9
2005 Q1	3.7	1.6	64.3	67.1	18.7	14.8	2.9	2.8	6.1	11.3	17.5	17.3	19.1	20.9
Q2	3.8	2.3	80.0	105.0	27.4	26.1	3.3	3.5	9.9	30.2	19.5	22.0	19.9	23.1
Q3	3.8	2.8	72.6	80.7	19.9	22.3	2.9	2.9	7.6	15.8	21.5	17.0	20.7	22.7
Q4	4.0	2.4	88.4	100.1	31.1	32.4	3.8	3.8	7.3	13.8	21.3	22.6	24.9	27.5

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	-147.2	-130.0	-1.9	-128.2	-17.1	0.0	-17.1	134.9	124.4	3.1	121.3	10.5	0.1	10.5
2004	-141.7	-152.0	-17.3	-134.7	10.3	0.1	10.2	100.5	86.5	1.2	85.3	14.0	0.6	13.4
2005	-216.1	-155.5	-9.2	-146.3	-60.7	0.4	-61.1	70.7	43.6	-0.1	43.7	27.1	1.1	26.0
2004 Q4	-70.2	-73.5	-8.6	-64.9	3.3	0.1	3.2	47.9	38.7	1.1	37.7	9.2	-0.1	9.3
2005 Q1	-41.2	-23.3	-2.3	-21.0	-17.9	0.1	-17.9	17.4	18.0	0.3	17.6	-0.5	0.3	-0.9
Q2	-28.4	-23.6	-1.9	-21.8	-4.7	0.0	-4.8	13.7	4.2	0.4	3.8	9.5	-0.1	9.6
Q3	-115.9	-92.0	-4.9	-87.1	-23.9	0.1	-24.0	18.3	5.5	0.9	4.7	12.8	0.4	12.3
Q4	-30.7	-16.5	-0.1	-16.5	-14.1	0.2	-14.3	21.3	15.9	-1.7	17.6	5.3	0.4	4.9
2005 Feb.	-7.0	-3.3	-1.2	-2.1	-3.8	0.0	-3.8	4.2	4.3	0.3	4.0	-0.1	0.1	-0.2
Mar.	-17.0	-10.3	-0.6	-9.7	-6.7	0.1	-6.8	8.2	7.4	-0.1	7.5	0.8	0.1	0.6
Apr.	-16.4	1.1	-1.8	3.0	-17.5	0.0	-17.5	2.7	6.5	-0.2	6.7	-3.8	0.1	-3.9
May	6.8	-5.7	-0.5	-5.3	12.5	0.0	12.5	-0.1	-1.9	0.2	-2.1	1.9	0.0	1.8
June	-18.8	-19.0	0.4	-19.4	0.3	0.0	0.3	11.0	-0.4	0.4	-0.8	11.4	-0.3	11.8
July	-93.1	-85.9	-3.3	-82.6	-7.1	0.1	-7.2	8.0	10.4	0.2	10.1	-2.4	0.0	-2.4
Aug.	-11.7	-4.7	-0.5	-4.1	-7.0	0.0	-7.0	-0.4	-0.8	0.2	-1.0	0.4	0.1	0.3
Sep.	-11.2	-1.4	-1.0	-0.3	-9.8	0.0	-9.9	10.7	-4.1	0.4	-4.5	14.7	0.3	14.4
Oct.	-11.4	-0.8	0.3	-1.1	-10.6	0.1	-10.6	3.4	6.4	0.2	6.2	-3.0	0.2	-3.3
Nov.	-6.2	-4.4	0.3	-4.7	-1.7	0.1	-1.8	4.2	4.6	-1.7	6.3	-0.4	0.2	-0.6
Dec.	-13.1	-11.3	-0.6	-10.7	-1.8	0.0	-1.9	13.7	4.9	-0.2	5.2	8.8	0.0	8.7
2006 Jan.	0.8	6.4	-0.6	7.0	-5.5	-0.2	-5.4	4.1	6.4	0.1	6.2	-2.3	-0.1	-2.2
Feb.	-33.9	-29.2	-1.3	-27.9	-4.7	0.2	-4.9	8.0	5.0	0.3	4.7	3.0	0.1	2.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		Liabilities	Eurosysteem	MFIs excluding Eurosysteem	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	-64.4	-2.6	110.3	-2.4	-45.0	-128.3	-0.2	198.9	0.2	-45.9	23.7	0.6	42.2
2004	0.0	-22.4	-81.0	-3.4	128.1	1.2	-81.8	-97.1	-2.1	254.9	-0.1	-43.2	-13.7	0.1	15.4
2005	-0.1	-15.6	-124.7	-3.9	280.2	-0.7	-121.0	-161.6	-0.5	260.3	0.1	-15.1	-4.2	0.1	65.2
2004 Q4	0.0	-0.8	-24.5	-0.2	81.2	0.6	-21.2	-28.0	-0.5	37.3	-0.1	-12.1	5.7	4.3	-12.8
2005 Q1	0.0	-27.5	-21.2	-1.1	41.2	-0.1	-35.7	-41.0	-0.4	46.7	0.3	5.8	-6.0	-3.6	44.5
Q2	0.0	21.7	-22.8	-0.8	25.0	-0.7	-39.5	-34.3	-0.1	158.1	-0.4	-9.1	-5.2	-2.4	14.9
Q3	-0.1	-4.9	-26.9	-1.1	150.7	-0.4	-21.3	-49.7	0.1	24.5	0.1	-7.1	1.6	0.2	23.4
Q4	0.0	-4.8	-53.8	-0.9	63.2	0.6	-24.5	-36.6	-0.1	31.0	0.1	-4.9	5.4	5.9	-17.5
2005 Feb.	0.0	-16.5	-3.8	-	9.9	-0.2	-4.1	-16.7	-	38.0	0.1	17.2	-2.0	-	1.2
Mar.	0.0	-1.8	-9.8	-	18.0	0.2	-4.6	-21.3	-	2.9	0.0	-7.3	1.3	-	20.7
Apr.	0.0	9.9	-5.4	-	-47.3	-0.9	-12.4	-11.4	-	58.0	-0.3	-10.5	1.2	-	11.0
May	0.0	6.7	-15.6	-	22.4	-0.1	-16.1	-5.8	-	28.7	0.0	-2.1	-6.1	-	7.0
June	0.0	5.1	-1.8	-	49.9	0.2	-11.0	-17.1	-	71.4	0.0	3.5	-0.3	-	-3.1
July	-0.1	-3.5	-14.8	-	111.4	0.2	-4.1	-14.5	-	-2.4	-0.6	0.0	-1.6	-	7.0
Aug.	0.0	2.0	-8.8	-	23.4	-0.5	-5.7	-13.8	-	-6.9	0.3	-11.5	-0.1	-	8.2
Sep.	0.0	-3.4	-3.4	-	15.9	-0.2	-11.5	-21.4	-	33.7	0.4	4.4	3.3	-	8.2
Oct.	0.0	4.6	-10.6	-	-3.9	0.6	-17.2	-14.8	-	26.9	0.1	7.1	3.7	-	5.9
Nov.	0.0	-6.7	-21.5	-	11.5	0.1	-3.7	-15.7	-	7.4	0.0	-4.6	-0.3	-	-5.7
Dec.	0.0	-2.7	-21.7	-	55.6	-0.1	-3.6	-6.1	-	-3.3	0.0	-7.3	1.9	-	-17.8
2006 Jan.	0.0	-5.2	-23.7	-	20.4	0.2	-31.7	-2.4	-	-1.7	0.4	1.6	-6.1	-	11.0
Feb.	0.0	-3.8	-17.5	-	31.8	-0.2	-7.6	-15.6	-	17.9	-0.1	1.2	-1.0	-	14.6

6. Other investment by sector

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2003	-253.1	174.1	-0.8	10.0	-0.4	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-99.3	-	32.7
2004	-312.5	275.0	-0.2	6.9	-2.3	-2.0	-3.6	-259.4	246.9	-20.1	-3.6	-239.3	250.5	-50.6	-10.5	24.7
2005	-565.5	633.3	-1.7	6.1	5.1	-2.3	-2.4	-385.7	477.0	-102.9	47.0	-282.9	430.0	-183.2	-23.4	152.6
2004 Q4	-73.3	66.0	1.4	3.4	-0.1	3.6	-2.3	-73.8	58.7	0.9	-1.3	-74.7	60.0	-0.8	12.6	6.3
2005 Q1	-178.2	216.3	0.5	4.9	7.3	2.7	0.3	-126.7	195.8	-21.5	10.3	-105.2	185.5	-59.4	-29.4	15.3
Q2	-156.6	108.5	-1.3	0.3	-7.6	-8.6	-1.9	-97.1	45.0	-18.5	22.5	-78.6	22.5	-50.5	18.0	65.2
Q3	-108.4	149.2	0.4	4.3	7.7	4.7	1.2	-87.8	122.9	-21.9	14.6	-65.8	108.3	-28.9	-18.9	20.8
Q4	-122.3	159.2	-1.3	-3.4	-2.3	-1.1	-2.0	-74.2	113.3	-40.9	-0.3	-33.2	113.6	-44.4	6.9	51.3
2005 Feb.	-68.0	66.1	0.1	-3.5	-0.4	0.3	-4.2	-60.8	61.9	-8.2	4.6	-52.6	57.2	-7.0	1.5	12.0
Mar.	-58.4	51.1	-0.2	4.3	5.4	3.7	2.0	-32.1	41.6	-4.3	-4.2	-27.8	45.8	-31.4	-11.4	3.3
Apr.	-119.0	136.4	0.1	-0.2	-5.4	-5.3	-2.1	-98.0	94.6	-9.0	0.1	-89.0	94.5	-15.7	13.4	44.1
May	-10.1	22.6	-0.8	-0.2	0.3	2.3	0.4	17.6	21.0	-3.4	11.0	21.0	10.0	-27.3	-1.4	1.4
June	-27.5	-50.5	-0.7	0.7	-2.5	-5.5	-0.2	-16.7	-70.6	-6.1	11.4	-10.6	-82.1	-7.5	6.1	19.7
July	-43.6	48.6	0.3	-1.1	-0.7	-4.6	0.9	-38.6	48.2	-6.3	5.5	-32.3	42.7	-4.5	-3.3	0.6
Aug.	19.6	6.9	0.2	0.8	6.3	8.4	0.5	20.1	-2.0	-1.4	3.1	21.4	-5.1	-7.0	-6.5	7.6
Sep.	-84.4	93.7	-0.1	4.6	2.1	0.9	-0.2	-69.2	76.6	-14.3	6.0	-54.9	70.7	-17.3	-9.0	12.6
Oct.	-53.8	57.0	-0.2	-1.0	0.7	-0.3	1.8	-47.0	53.1	-5.1	2.1	-42.0	51.0	-7.4	4.1	3.0
Nov.	-148.3	194.5	-1.1	1.7	-1.2	1.2	0.2	-112.2	172.7	-0.9	-2.3	-111.4	175.1	-33.7	-6.3	19.8
Dec.	79.9	-92.3	-0.1	-4.1	-1.8	-2.1	-4.1	85.1	-112.5	-35.0	-0.1	120.1	-112.4	-3.3	9.1	28.5
2006 Jan.	-103.9	129.7	-0.2	8.0	1.2	1.8	-2.4	-71.1	117.9	6.8	-1.8	-77.9	119.7	-33.7	-18.0	6.2
Feb.	-25.0	44.1	-4.4	0.2	1.0	0.8	-1.0	-1.6	36.0	-6.5	10.2	4.9	25.8	-20.0	-7.5	8.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosystem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
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	6.9	0.1	0.0	-0.6	1.4	-2.0	-1.7	0.0	-3.5	0.0	
2005	-1.6	-0.1	6.1	0.0	0.0	6.6	8.9	-2.3	-1.5	0.0	-2.2	-0.3	
2004 Q4	1.7	-0.3	3.4	0.0	0.0	0.0	-3.6	3.6	-0.2	0.0	-2.2	-0.1	
2005 Q1	0.5	0.0	4.9	0.0	0.0	7.8	5.0	2.7	-0.5	0.0	0.6	-0.3	
Q2	-1.2	-0.1	0.3	0.0	0.0	-7.1	1.5	-8.6	-0.5	0.0	-2.0	0.0	
Q3	0.4	0.0	4.3	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1	
Q4	-1.3	0.0	-3.4	0.0	0.0	-2.1	-1.0	-1.1	-0.2	0.0	-2.1	0.0	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2003	-152.1	-0.5	134.8	-0.1	-1.2	-95.8	-9.6	-86.3	-2.3	4.2	28.4	0.2	
2004	-256.3	-3.1	244.0	2.9	-6.0	-39.5	-29.0	-10.5	-5.1	8.6	13.4	2.7	
2005	-381.6	-4.1	475.0	2.0	-6.8	-164.0	-140.6	-23.4	-12.4	8.6	140.2	3.9	
2004 Q4	-75.6	1.8	59.0	-0.3	-0.2	1.3	-11.4	12.6	-1.9	2.4	3.9	-0.1	
2005 Q1	-124.8	-1.9	193.0	2.8	-2.7	-53.9	-24.5	-29.4	-2.7	3.0	7.0	5.2	
Q2	-97.0	-0.1	43.8	1.2	-5.4	-43.1	-61.1	18.0	-2.1	1.1	62.8	1.3	
Q3	-82.5	-5.2	120.2	2.7	2.0	-24.3	-5.4	-18.9	-6.6	0.5	22.1	-1.7	
Q4	-77.4	3.2	118.0	-4.7	-0.7	-42.7	-49.6	6.9	-1.0	4.0	48.2	-0.9	

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	
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	0.4	18.3	-11.9	-0.1	0.0
2005	18.7	3.9	-0.2	8.6	6.5	0.1	7.8	0.0	-4.8	3.5	0.0	0.0
2004 Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	0.0	3.1	-2.6	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.3	-2.9	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	2.0	0.5	0.0	2.6	-1.1	1.6	0.9	0.0	-4.9	1.4	-0.1	0.0
Q4	8.8	1.2	-0.1	3.0	4.6	-2.3	6.9	0.0	-2.0	2.1	0.0	0.0

Source: ECB.

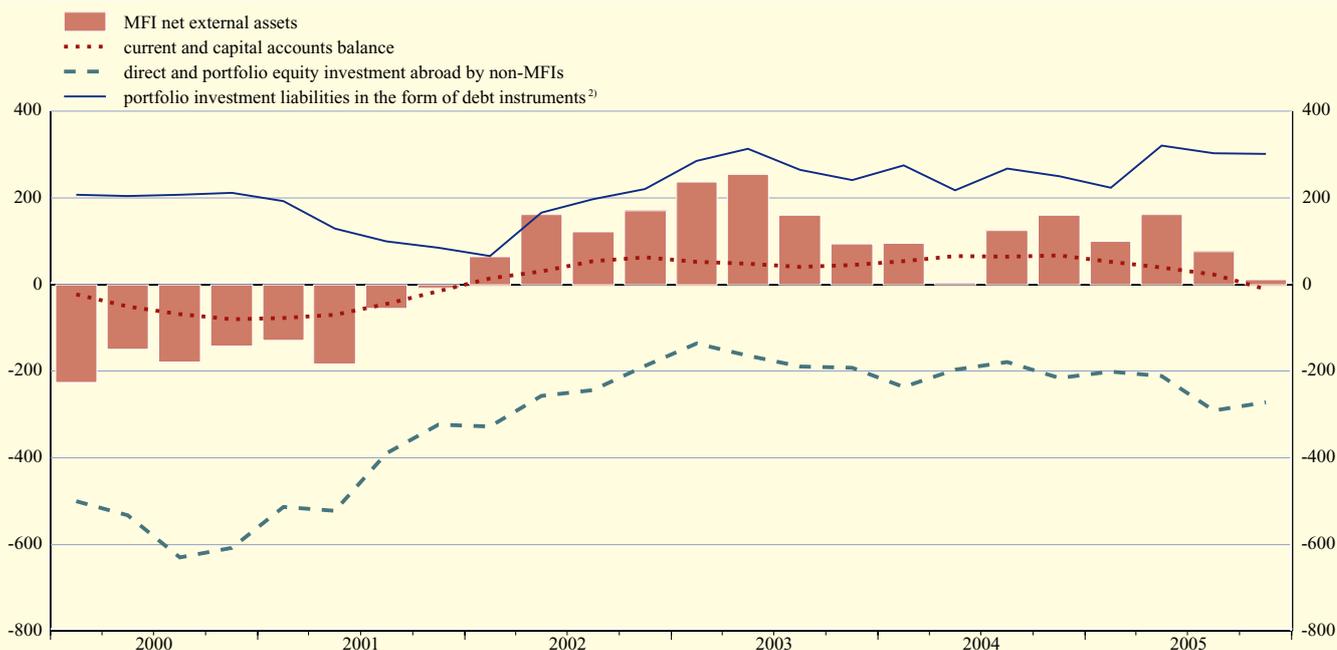
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity ¹⁾	Debt instruments ²⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2003	45.4	-145.3	134.8	-169.0	114.5	241.3	-99.7	29.3	-13.0	-44.1	94.2	94.2
2004	67.3	-124.5	99.9	-191.9	118.0	250.4	-52.9	21.2	-5.0	-56.4	126.2	160.9
2005	-10.1	-207.3	69.6	-290.6	236.7	301.3	-178.1	150.2	-13.6	-79.9	-21.8	11.0
2004 Q4	26.1	-61.7	48.0	-46.8	88.6	11.1	-0.9	4.0	-5.2	-18.9	44.4	57.1
2005 Q1	3.2	-38.9	17.1	-68.3	34.0	72.0	-52.1	15.6	-7.3	-22.1	-46.7	-24.6
Q2	-7.2	-26.5	13.8	-62.2	-0.8	178.6	-58.1	63.3	1.3	-42.3	59.9	65.0
Q3	1.5	-111.1	17.9	-75.0	155.3	41.1	-21.1	22.0	-0.4	-36.0	-6.1	-20.6
Q4	-7.6	-30.8	20.8	-85.0	48.2	9.6	-46.8	49.3	-7.2	20.5	-28.9	-8.7
2005 Feb.	5.9	-5.9	4.1	-22.5	17.0	35.7	-7.3	7.7	1.1	-30.2	5.7	13.7
Mar.	5.0	-16.5	8.0	-29.8	6.7	13.2	-26.0	5.3	-5.1	16.3	-23.0	-22.6
Apr.	-10.2	-14.5	2.5	-15.5	-57.6	66.1	-21.1	41.9	-0.4	15.7	6.8	2.4
May	-1.3	7.2	-0.1	-27.5	10.7	33.7	-26.9	1.9	0.8	-40.3	-41.8	-39.6
June	4.3	-19.2	11.4	-19.2	46.2	78.8	-10.0	19.5	1.0	-17.7	94.9	102.2
July	3.8	-89.8	8.0	-31.0	118.4	2.8	-5.3	1.5	1.4	-4.8	5.1	0.6
Aug.	-2.0	-11.1	-0.4	-22.6	25.0	0.2	-0.7	8.1	-0.7	1.6	-2.6	1.7
Sep.	-0.4	-10.2	10.3	-21.5	11.9	38.0	-15.2	12.4	-1.2	-32.8	-8.5	-22.9
Oct.	-5.9	-11.7	3.2	-21.6	-4.6	26.9	-6.7	4.9	-4.3	12.4	-7.4	-6.6
Nov.	-4.7	-6.5	4.0	-37.5	11.5	2.2	-35.0	20.1	-0.4	-1.1	-47.5	-43.6
Dec.	3.0	-12.6	13.7	-25.9	41.4	-19.4	-5.1	24.4	-2.5	9.2	26.0	41.5
2006 Jan.	-8.7	1.6	4.2	-32.2	17.0	1.9	-32.5	3.8	-2.3	19.7	-27.6	2.8
Feb.	-0.8	-32.8	7.9	-34.1	26.9	26.6	-19.0	7.9	-3.0	-11.0	-31.4	-33.3
	<i>12-month cumulated transactions</i>											
2006 Feb.	-17.8	-216.1	72.7	-318.4	253.3	270.9	-203.6	151.6	-16.8	-32.8	-57.1	-17.4

C34 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					
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	2,018.1	740.3	42.4	65.1	394.6	178.7	59.5	25.6	51.1	135.0	345.7	720.5
Goods	1,218.6	421.9	28.7	44.5	206.2	142.4	0.2	15.5	33.6	68.4	181.8	497.4
Services	395.5	141.4	7.8	10.5	98.4	19.6	5.0	5.4	11.2	38.7	76.4	122.4
Income	320.7	115.3	5.6	9.5	80.4	14.6	5.3	4.2	5.5	21.7	80.8	93.1
of which: investment income	305.3	110.0	5.5	9.3	78.7	14.4	2.2	4.1	5.4	15.7	79.3	90.7
Current transfers	83.4	61.7	0.4	0.6	9.5	2.1	49.0	0.5	0.8	6.2	6.7	7.6
Capital account	23.4	20.4	0.0	0.0	0.9	0.1	19.4	0.0	0.1	0.5	0.5	1.8
Debits												
Current account	2,040.7	658.9	35.4	62.2	318.5	148.8	94.0	19.7	78.9	127.5	315.5	840.1
Goods	1,165.6	336.7	25.4	40.8	152.9	117.6	0.0	9.2	51.1	59.1	114.6	594.8
Services	361.1	114.5	6.3	8.6	76.2	23.2	0.2	5.4	7.4	30.0	78.5	125.3
Income	362.2	107.8	3.2	11.9	81.3	6.4	5.0	3.6	20.1	33.1	113.6	83.9
of which: investment income	353.0	102.8	3.1	11.8	80.2	2.6	5.0	3.5	20.0	32.4	112.6	81.6
Current transfers	151.7	99.8	0.4	0.9	8.2	1.5	88.8	1.5	0.3	5.3	8.8	36.1
Capital account	10.9	1.1	0.0	0.1	0.7	0.2	0.1	0.1	0.0	0.5	0.5	8.6
Net												
Current account	-22.6	81.4	7.0	2.9	76.0	29.9	-34.5	5.8	-27.8	7.5	30.2	-119.6
Goods	53.0	85.1	3.2	3.7	53.3	24.8	0.2	6.3	-17.6	9.2	67.2	-97.4
Services	34.3	26.8	1.4	1.9	22.3	-3.6	4.8	0.0	3.9	8.7	-2.1	-2.9
Income	-41.5	7.5	2.4	-2.5	-0.9	8.1	0.3	0.6	-14.6	-11.3	-32.8	9.2
of which: investment income	-47.7	7.3	2.3	-2.5	-1.5	11.7	-2.8	0.6	-14.6	-16.7	-33.3	9.1
Current transfers	-68.3	-38.1	0.0	-0.3	1.4	0.6	-39.7	-1.1	0.5	0.9	-2.1	-28.5
Capital account	12.5	19.3	0.0	0.0	0.2	0.0	19.2	-0.1	0.1	0.0	0.0	-6.8

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						
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-145.5	-109.6	-0.6	8.6	-113.1	-4.6	0.0	0.0	1.4	1.7	-0.2	-0.6	-38.2
Abroad	-216.1	-147.5	-1.8	1.7	-128.5	-18.8	0.0	-5.3	-0.2	-6.8	-2.7	-8.0	-45.6
Equity/reinvested earnings	-155.5	-122.1	-5.1	-3.1	-93.4	-20.5	0.0	-4.3	-0.7	-7.3	13.7	-4.4	-30.4
Other capital	-60.7	-25.4	3.3	4.8	-35.1	1.7	0.0	-1.0	0.4	0.5	-16.4	-3.6	-15.2
In the euro area	70.7	37.9	1.2	7.0	15.4	14.2	0.0	5.3	1.6	8.5	2.5	7.4	7.4
Equity/reinvested earnings	43.6	25.7	0.4	4.3	20.7	0.3	0.0	4.0	1.0	0.6	1.1	6.8	4.5
Other capital	27.1	12.2	0.9	2.6	-5.3	14.0	0.0	1.3	0.6	7.9	1.5	0.6	2.9

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						
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-443.1	-179.9	-11.6	-11.2	-128.1	-18.9	-10.0	-9.2	-36.2	-5.5	-71.2	-60.5	-80.7
Equity	-140.4	-43.6	-1.9	-5.0	-33.5	-3.2	0.0	-3.5	-21.0	-4.4	-14.4	-16.2	-37.4
Debt instruments	-302.7	-136.3	-9.8	-6.2	-94.6	-15.7	-10.0	-5.7	-15.2	-1.1	-56.8	-44.2	-43.3
Bonds and notes	-283.4	-110.4	-8.7	-5.7	-69.5	-16.1	-10.4	-6.0	-15.5	0.9	-77.6	-36.7	-38.2
Money market instruments	-19.3	-26.0	-1.1	-0.5	-25.1	0.4	0.4	0.3	0.3	-2.0	20.8	-7.6	-5.1

4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	67.8	35.9	-5.5	20.7	20.3	-13.8	14.1	-3.3	13.4	-4.8	15.4	-7.2	1.9	16.4
Assets	-565.5	-385.6	-15.2	14.9	-356.1	-27.4	-1.9	-6.3	0.1	-20.8	-26.0	-58.5	-2.8	-65.6
General government	5.1	-1.3	1.1	-0.3	-3.5	1.3	0.0	-0.1	0.0	-0.1	0.3	0.0	-1.6	7.7
MFIs	-387.4	-231.1	-15.1	14.8	-202.7	-26.6	-1.5	-5.2	4.2	-15.6	-39.9	-43.2	-0.8	-55.9
Other sectors	-183.2	-153.2	-1.1	0.4	-150.0	-2.1	-0.4	-1.1	-4.1	-5.1	13.5	-15.3	-0.4	-17.5
Liabilities	633.3	421.4	9.7	5.9	376.4	13.5	15.9	3.0	13.3	16.0	41.4	51.3	4.7	82.0
General government	-2.4	-1.0	0.0	0.0	-2.8	0.0	1.8	0.0	-0.1	0.0	0.0	-0.1	-0.4	-0.8
MFIs	483.1	300.0	9.1	4.5	265.9	12.3	8.2	3.1	12.8	11.2	22.9	48.3	5.3	79.5
Other sectors	152.6	122.4	0.6	1.3	113.3	1.3	5.9	-0.1	0.6	4.8	18.6	3.1	-0.2	3.4

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
Direct investment	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
Portfolio investment assets	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
Other investment	-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	2,539.5	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	284.2
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 Q3	-1,105.2	-13.8	216.2	-1,387.3	-22.4	-223.3	311.6
Q4	-1,048.5	-13.1	233.4	-1,308.6	-17.6	-276.0	320.3
Outstanding assets							
2001	7,758.3	110.8	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.5	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.6	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.5	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q3	10,139.3	127.1	2,520.9	3,547.6	218.1	3,541.1	311.6
Q4	10,544.6	132.1	2,560.8	3,761.1	230.5	3,672.0	320.3
Outstanding liabilities							
2001	8,147.3	116.4	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.2	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.5	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,579.0	123.8	2,231.9	4,033.4	177.2	3,136.4	-
2005 Q3	11,244.6	140.9	2,304.7	4,934.8	240.6	3,764.4	-
Q4	11,593.1	145.3	2,327.3	5,069.7	248.1	3,948.1	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	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 Q3	2,021.8	158.4	1,863.4	499.1	1.0	498.1	1,668.4	51.5	1,616.9	636.3	4.2	632.1
Q4	2,045.4	159.2	1,886.2	515.3	0.9	514.5	1,688.6	49.3	1,639.3	638.7	4.6	634.1

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes				Liabilities	Money market instruments				
	Eurosystem	MFI excluding Eurosystem	Non-MFIs			Eurosystem	MFI excluding Eurosystem	Non-MFIs			Eurosystem	MFI excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors	General gov.			Other sectors	General gov.	Other sectors					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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 Q3	2.9	96.6	22.0	1,377.6	2,307.5	7.3	661.7	9.8	1,057.4	2,300.5	0.8	249.3	6.2	56.0	326.9
Q4	2.9	105.4	24.0	1,517.0	2,440.4	6.7	694.9	9.9	1,084.8	2,313.5	0.8	255.1	0.3	59.4	315.7

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosystem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2002	3.6	0.1	57.2	0.2	1.3	59.4	54.7	4.7	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 Q3	4.4	0.2	83.3	0.3	1.4	54.9	45.1	9.8	42.3	0.0	42.4	2.4	
Q4	5.3	0.2	80.1	0.2	1.3	57.1	46.2	10.9	42.9	0.0	40.6	2.5	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	204.4	288.1	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 Q3	2,360.4	64.9	2,903.2	66.1	184.3	693.2	306.4	386.8	135.0	120.6	485.4	60.8	
Q4	2,447.7	58.3	3,037.7	54.6	184.7	737.3	355.9	381.4	137.3	122.9	547.0	62.5	

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosystem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.6	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 Q2	302.3	138.2	382.323	4.2	16.5	143.4	12.4	28.3	103.0	0.5	62.4	40.1	-0.3	0.0	23.4	-17.7
Q3	311.6	149.4	380.258	4.2	13.8	144.1	10.8	27.3	106.3	0.5	66.8	39.0	-0.2	0.0	24.0	-19.5
Q4	320.3	163.4	375.861	4.3	10.6	141.9	12.7	21.4	107.9	0.6	69.6	37.7	0.0	0.0	25.6	-17.9
2006 Jan.	332.1	176.3	375.626	4.3	7.8	143.7	7.4	30.2	105.9	-	-	-	0.2	0.0	24.7	-20.0
Feb.	332.1	175.5	374.888	4.4	7.2	145.1	7.0	26.8	111.3	-	-	-	0.0	0.0	24.7	-19.7
Mar.	327.1	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	-	-	-	0.1	0.0	27.7	-19.3
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 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
Q4	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 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
Feb.	43.1	10.8	23.145	0.2	0.0	32.1	1.5	5.3	25.3	-	-	-	0.0	0.0	2.3	-1.2
Mar.	40.5	11.1	23.145	0.2	0.0	29.2	2.6	3.6	23.1	-	-	-	0.0	0.0	3.9	-0.5

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	1,083.6	512.4	227.9	309.7	949.2	984.9	559.4	163.1	234.5	717.3	105.2
2003	-2.3	0.5	1,060.1	501.3	222.9	300.5	925.0	990.7	554.1	164.1	240.9	716.3	109.0
2004	8.9	9.4	1,147.4	547.4	246.9	313.4	997.3	1,075.1	604.5	183.5	256.0	769.9	129.5
2005	7.3	12.3	1,235.8	585.7	265.1	327.2	1,068.1	1,212.8	692.4	201.4	267.5	841.9	180.9
2004 Q3	9.1	14.6	287.8	138.6	61.7	78.4	250.7	275.9	157.3	46.2	63.8	195.7	36.6
Q4	8.9	12.7	291.9	139.3	62.7	78.0	253.3	279.0	158.9	47.3	64.8	199.0	36.7
2005 Q1	3.4	8.6	291.9	138.2	62.3	77.6	255.7	278.6	157.3	44.5	63.5	198.2	36.1
Q2	6.2	10.8	302.4	144.0	63.6	80.2	258.9	291.7	165.9	49.3	65.0	201.7	40.5
Q3	9.9	14.4	318.4	149.9	69.9	84.2	274.5	316.5	182.2	52.8	68.5	217.3	51.3
Q4	9.4	14.9	323.0	153.6	69.2	85.2	279.1	326.0	187.0	54.7	70.5	224.7	52.9
2005 Sep.	12.9	13.8	107.7	50.9	24.0	28.6	93.0	105.5	60.7	17.3	23.2	72.3	18.2
Oct.	6.6	12.0	104.5	49.5	22.4	27.7	90.1	106.2	60.0	17.6	22.9	72.5	17.7
Nov.	10.8	14.7	108.6	51.7	23.0	28.7	93.3	107.7	61.9	19.2	23.5	74.4	17.9
Dec.	10.9	18.2	110.0	52.4	23.9	28.8	95.6	112.1	65.1	17.9	24.1	77.8	17.2
2006 Jan.	14.3	22.9	110.0	51.8	23.8	28.2	94.8	110.5	64.0	17.0	23.7	74.0	18.0
Feb.	14.1	22.1	109.3	51.8	23.5	29.1	94.4	112.0	64.9	17.0	23.4	74.8	.
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	89.6	104.1	96.3	101.4
2003	1.0	3.7	109.1	105.9	108.1	114.8	109.2	102.0	100.5	95.3	110.3	100.0	104.9
2004	8.8	6.6	117.9	115.2	121.0	119.8	118.3	107.9	103.9	108.3	118.3	107.3	105.7
2005	4.5	4.1	123.8	118.5	129.7	122.7	124.3	112.8	105.5	118.8	121.0	114.8	107.3
2004 Q3	7.7	8.3	117.6	115.9	120.2	119.5	118.1	108.9	105.4	108.5	117.3	108.1	114.6
Q4	7.5	6.2	119.6	115.9	123.6	119.3	119.8	109.4	104.5	113.0	119.5	110.3	105.9
2005 Q1	1.2	2.4	118.8	113.8	122.9	118.2	120.1	109.5	104.1	107.8	117.1	109.9	105.9
Q2	4.3	4.7	122.0	117.4	124.9	121.2	121.1	111.2	104.4	117.7	119.1	111.1	103.1
Q3	7.1	4.6	126.8	120.8	136.5	125.7	127.5	114.3	106.3	122.7	123.2	117.7	109.6
Q4	5.4	4.5	127.5	121.9	134.5	125.7	128.5	116.2	107.2	127.0	124.7	120.6	110.5
2005 Sep.	9.9	3.8	128.6	122.8	140.4	127.6	129.4	114.0	105.6	122.2	124.7	117.7	113.0
Oct.	2.8	3.8	124.0	118.6	130.9	122.6	124.9	115.0	104.4	123.7	122.7	117.7	111.9
Nov.	7.6	4.8	128.8	123.5	133.4	127.1	129.2	115.7	106.8	134.0	125.0	119.8	114.0
Dec.	5.9	4.9	129.8	123.7	139.3	127.3	131.6	118.0	110.3	123.4	126.4	124.1	105.8
2006 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.
Feb.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	2.6	7.8	99.4	100.3	94.5	101.4	98.0	104.8	111.0	92.6	100.0	98.3	137.0
2004 Q3	1.3	5.8	97.6	97.2	94.9	99.8	96.8	98.9	101.1	93.2	98.5	97.2	103.9
Q4	1.2	6.1	97.3	97.6	93.9	99.5	96.5	99.5	102.9	91.5	98.2	96.8	112.9
2005 Q1	2.2	6.0	97.9	98.7	93.7	99.9	97.1	99.3	102.3	90.3	98.3	96.8	111.1
Q2	1.8	5.8	98.8	99.6	94.2	100.7	97.6	102.4	107.6	91.6	98.8	97.5	128.3
Q3	2.6	9.3	100.1	100.8	94.8	102.0	98.3	108.0	116.0	94.1	100.7	99.1	152.6
Q4	3.8	10.0	101.0	102.3	95.1	103.1	99.1	109.4	118.0	94.2	102.3	100.0	155.9
2005 Sep.	2.8	9.6	100.2	100.9	94.7	102.2	98.4	108.4	116.7	93.0	101.1	98.9	157.8
Oct.	3.7	7.8	100.7	101.8	94.7	102.9	98.9	108.2	116.6	93.4	101.5	99.1	154.8
Nov.	3.0	9.5	100.8	102.1	95.4	103.0	98.9	109.0	117.6	94.2	102.1	100.0	153.7
Dec.	4.8	12.6	101.4	103.2	95.2	103.3	99.5	111.2	119.8	95.0	103.4	100.9	159.4
2006 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.
Feb.	.	.	.	.	.	.	.	.	.	.	.	.	.

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
Exports (f.o.b.)															
2002	1,083.6	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	100.3
2003	1,060.1	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.5	59.5	37.9	100.9
2004	1,147.4	25.7	41.8	203.9	128.0	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.4
2005	1,235.8	28.6	44.8	202.6	142.0	42.9	70.1	34.6	184.8	43.5	34.0	165.6	72.7	46.7	122.8
2004 Q3	287.8	6.5	10.5	51.5	31.8	9.2	17.2	7.9	43.3	9.8	8.4	38.3	16.6	10.3	26.5
Q4	291.9	6.7	10.7	51.3	32.6	9.2	17.1	7.7	43.8	10.0	8.2	37.8	15.9	10.5	30.3
2005 Q1	291.9	6.7	10.9	49.7	33.1	9.8	17.4	8.0	43.4	10.3	8.5	39.0	17.1	11.0	26.9
Q2	302.4	7.0	11.2	49.9	34.0	10.6	16.9	8.2	45.5	10.0	8.4	40.5	17.2	11.2	32.0
Q3	318.4	7.3	11.4	51.4	36.1	11.3	17.9	9.0	47.1	11.4	8.5	43.9	19.3	12.3	31.6
Q4	323.0	7.6	11.4	51.6	38.7	11.2	18.0	9.4	48.8	11.8	8.6	42.3	19.2	12.2	32.3
2005 Sep.	107.7	2.5	3.8	17.0	12.4	3.9	5.9	3.1	15.9	3.9	2.8	14.9	6.6	4.1	10.9
Oct.	104.5	2.5	3.7	16.6	12.5	3.6	5.8	3.0	15.7	3.8	2.8	13.8	6.1	4.0	10.4
Nov.	108.6	2.6	3.8	17.6	12.8	3.9	5.9	2.9	16.3	3.9	2.9	14.1	6.4	4.2	11.3
Dec.	110.0	2.5	3.9	17.4	13.4	3.7	6.2	3.4	16.7	4.2	3.0	14.3	6.7	4.0	10.6
2006 Jan.	110.0	2.5	3.8	17.6	13.2	4.0	6.2	3.2	16.7	4.1	3.0	14.4	6.2	4.6	10.4
Feb.	109.3	.	.	.	.	4.0	5.9	3.3	16.6	4.2	3.0	14.7	6.5	4.3	.
<i>% share of total exports</i>															
2005	100.0	2.3	3.6	16.4	11.5	3.5	5.7	2.8	15.0	3.5	2.8	13.4	5.9	3.8	9.9
Imports (c.i.f.)															
2002	984.9	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.7	52.7	142.8	67.8	39.4	81.3
2003	990.7	23.7	36.9	138.9	102.0	47.4	50.4	19.3	110.3	74.5	52.2	141.2	68.9	39.8	85.2
2004	1,075.1	25.3	39.6	144.0	107.2	56.4	53.4	22.8	113.8	92.1	53.9	163.1	72.8	45.1	85.6
2005	1,212.8	25.3	42.0	150.4	116.7	73.1	57.8	24.8	120.5	117.7	52.8	187.7	95.0	52.8	96.2
2004 Q3	275.9	6.4	10.1	37.5	26.1	14.6	13.6	6.0	28.8	23.5	13.7	42.5	19.1	11.6	22.4
Q4	279.0	6.5	10.2	36.5	27.3	15.9	13.8	6.1	28.9	25.2	13.5	43.1	19.8	11.7	20.4
2005 Q1	278.6	6.1	10.0	35.9	27.0	16.6	13.5	6.2	28.9	26.4	13.0	41.2	20.2	12.1	21.5
Q2	291.7	6.4	10.3	36.8	28.8	17.5	14.4	5.9	29.9	27.7	12.5	46.2	21.8	12.0	21.4
Q3	316.5	6.3	10.6	38.6	29.9	18.9	15.0	6.1	30.7	31.1	13.6	49.4	26.8	13.8	25.6
Q4	326.0	6.5	11.0	39.2	30.9	20.1	15.0	6.6	30.9	32.5	13.8	51.0	26.2	14.8	27.6
2005 Sep.	105.5	2.1	3.5	12.9	10.3	6.5	5.0	2.1	10.2	10.3	4.5	16.6	9.1	4.7	7.8
Oct.	106.2	2.2	3.6	12.7	10.1	6.6	5.0	2.1	10.1	10.3	4.3	15.9	8.3	4.8	10.2
Nov.	107.7	2.1	3.7	13.2	10.2	6.4	5.0	2.2	10.2	10.7	4.6	17.4	9.1	4.9	7.8
Dec.	112.1	2.2	3.7	13.2	10.5	7.0	5.0	2.3	10.5	11.5	4.8	17.6	8.8	5.1	9.7
2006 Jan.	110.5	2.3	3.8	13.1	10.4	7.7	5.0	2.1	10.7	11.2	4.6	18.0	8.5	5.1	7.9
Feb.	112.0	.	.	.	.	7.7	5.0	2.2	10.8	11.1	4.7	17.8	9.1	5.2	.
<i>% share of total imports</i>															
2005	100.0	2.1	3.5	12.4	9.6	6.0	4.8	2.0	10.0	9.7	4.4	15.5	7.8	4.3	7.9
Balance															
2002	98.7	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.5	-31.8	-19.7	-2.3	-8.3	4.0	19.0
2003	69.3	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	15.7
2004	72.3	0.5	2.2	59.9	20.9	-20.8	12.6	8.9	59.9	-51.8	-20.8	-13.2	-9.0	-4.8	27.8
2005	23.0	3.3	2.9	52.2	25.3	-30.1	12.3	9.8	64.3	-74.2	-18.8	-22.1	-22.3	-6.1	26.6
2004 Q3	11.9	0.1	0.4	14.0	5.8	-5.3	3.5	1.9	14.6	-13.7	-5.3	-4.2	-2.5	-1.3	4.1
Q4	12.9	0.2	0.5	14.7	5.4	-6.7	3.3	1.6	14.8	-15.2	-5.3	-5.3	-3.9	-1.2	9.9
2005 Q1	13.3	0.6	0.9	13.8	6.1	-6.8	3.9	1.8	14.5	-16.1	-4.5	-2.2	-3.1	-1.1	5.4
Q2	10.7	0.6	0.9	13.1	5.2	-6.9	2.5	2.3	15.5	-17.7	-4.1	-5.7	-4.6	-0.9	10.5
Q3	2.0	1.1	0.8	12.8	6.2	-7.6	2.9	2.9	16.4	-19.7	-5.0	-5.5	-7.5	-1.5	5.9
Q4	-3.0	1.0	0.3	12.4	7.9	-8.9	3.0	2.8	17.8	-20.7	-5.2	-8.7	-7.0	-2.6	4.7
2005 Sep.	2.2	0.4	0.2	4.1	2.2	-2.6	0.9	1.1	5.7	-6.4	-1.7	-1.7	-2.5	-0.6	3.1
Oct.	-1.8	0.3	0.1	3.9	2.4	-3.0	0.9	1.0	5.6	-6.5	-1.6	-2.2	-2.2	-0.7	0.2
Nov.	0.8	0.5	0.1	4.3	2.6	-2.5	0.9	0.7	6.0	-6.9	-1.8	-3.3	-2.7	-0.7	3.6
Dec.	-2.0	0.3	0.1	4.2	2.9	-3.3	1.2	1.1	6.2	-7.3	-1.8	-3.3	-2.1	-1.1	0.9
2006 Jan.	-0.5	0.2	0.1	4.5	2.8	-3.8	1.2	1.1	6.0	-7.2	-1.6	-3.5	-2.3	-0.5	2.5
Feb.	-2.7	.	.	.	.	-3.7	0.9	1.0	5.8	-6.9	-1.7	-3.1	-2.7	-0.9	.

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

EXCHANGE RATES

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

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2003	99.9	101.7	102.2	101.4	97.6	99.0	106.6	101.6
2004	103.8	105.9	105.2	105.2	103.3	103.7	111.0	105.4
2005	102.9	105.2	103.6	104.3	100.8	101.8	109.5	103.5
2005 Q1	105.7	107.8	106.9	107.2	104.4	104.6	112.6	106.6
Q2	103.4	105.6	104.2	104.8	101.2	102.6	110.1	104.1
Q3	101.9	104.2	102.4	103.2	99.1	100.6	108.3	102.5
Q4	100.9	103.1	101.1	102.1	98.4	99.4	107.2	101.1
2006 Q1	101.2	103.5	102.1	-	-	-	107.2	101.0
2005 Apr.	105.1	107.2	105.9	-	-	-	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	102.8	-	-	-	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	101.0	-	-	-	106.9	100.7
2006 Jan.	101.4	103.6	102.0	-	-	-	107.5	101.3
Feb.	100.7	103.0	101.8	-	-	-	106.6	100.4
Mar.	101.5	103.8	102.6	-	-	-	107.4	101.2
Apr.	102.7	105.0	103.8	-	-	-	108.6	102.3
	<i>% change versus previous month</i>							
2006 Apr.	1.1	1.2	1.2	-	-	-	1.1	1.1
	<i>% change versus previous year</i>							
2006 Apr.	-2.3	-2.1	-1.9	-	-	-	-2.9	-3.3

C35 Effective exchange rates (monthly averages; index 1999 Q1=100)

— nominal EER-23
- - - real CPI-deflated EER-23



C36 Bilateral exchange rates (monthly averages; index 1999 Q1=100)

— USD/EUR
- - - JPY/EUR
- - - GBP/EUR



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 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
2006 Q1	7.4621	9.3525	0.68625	1.2023	140.51	1.5590	1,173.72	9.3273	1.9567	1.3894	8.0227	1.6274
2005 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
Mar.	7.4612	9.4017	0.68935	1.2020	140.96	1.5691	1,171.84	9.3270	1.9486	1.3919	7.9775	1.6540
Apr.	7.4618	9.3346	0.69463	1.2271	143.59	1.5748	1,168.67	9.5182	1.9643	1.4052	7.8413	1.6662
	% change versus previous month											
2006 Apr.	0.0	-0.7	0.8	2.1	1.9	0.4	-0.3	2.0	0.8	1.0	-1.7	0.7
	% change versus previous year											
2006 Apr.	0.2	1.8	1.7	-5.2	3.4	1.8	-10.6	-5.7	-8.1	-12.1	-4.1	-0.5
	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 ¹⁾ 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 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
2006 Q1	28.599	15.6466	0.57449	0.6961	3.4528	254.56	0.4293	3.8346	239.51	37.456	1.9558	3,5638
2005 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
Mar.	28.650	15.6466	0.57530	0.6961	3.4528	260.85	0.4293	3.8837	239.55	37.478	1.9558	3,5074
Apr.	28.501	15.6466	0.57613	0.6960	3.4528	265.47	0.4293	3.9177	239.60	37.374	1.9558	3,4892
	% change versus previous month											
2006 Apr.	-0.5	0.0	0.1	0.0	0.0	1.8	0.0	0.9	0.0	-0.3	0.0	-0.5
	% change versus previous year											
2006 Apr.	-5.4	0.0	-1.1	0.0	0.0	7.0	-0.1	-5.7	0.0	-4.7	0.0	-
	Chinese yuan renminbi ²⁾ 25	Croatian kuna ²⁾ 26	Icelandic krona 27	Indonesian rupiah ²⁾ 28	Malaysian ringgit ²⁾ 29	New Zealand dollar 30	Philippine peso ²⁾ 31	Russian rouble ²⁾ 32	South African rand 33	Thai baht ²⁾ 34	New Turkish lira ³⁾ 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 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	
2006 Q1	9.6793	7.3426	78.43	11,178.36	4.4814	1.8128	62.292	33.8349	7.4067	47.273	1,6026	
2005 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	
Mar.	9.6581	7.3300	83.74	11,009.15	4.4514	1.8956	61.499	33.4973	7.5171	46.836	1,6071	
Apr.	9.8361	7.3111	91.94	10,956.51	4.4918	1.9733	63.077	33.7987	7.4656	46.619	1,6381	
	% change versus previous month											
2006 Apr.	1.8	-0.3	9.8	-0.5	0.9	4.1	2.6	0.9	-0.7	-0.5	1.9	
	% change versus previous year											
2006 Apr.	-8.1	-1.1	13.9	-11.4	-8.6	9.8	-10.4	-6.1	-6.3	-8.9	-	

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
HICP													
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.7	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	2.1
2005 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
2005 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
2006 Q1	2.4	2.0	4.4	2.3	7.0	3.3	2.4	2.5	0.9	2.3	4.2	1.2	2.0
2005 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
2005 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
2006 Feb.	2.4	2.1	4.5	2.3	7.0	3.4	2.3	2.3	0.9	2.3	4.3	1.1	2.0
2006 Mar.	2.4	1.8	4.0	2.6	6.6	3.1	2.4	2.9	0.9	2.0	4.3	1.5	1.8
General government deficit (-)/surplus (+) as a % of GDP ¹⁾													
2003	-6.6	1.0	2.4	-6.3	-1.2	-1.2	-6.4	-10.2	-4.7	-2.8	-3.7	0.1	-3.3
2004	-2.9	2.7	1.5	-4.1	-0.9	-1.5	-5.4	-5.1	-3.9	-2.3	-3.0	1.8	-3.3
2005	-2.6	4.9	1.6	-2.4	0.2	-0.5	-6.1	-3.3	-2.5	-1.8	-2.9	2.9	-3.6
General government gross debt as a % of GDP ¹⁾													
2003	30.0	44.4	6.0	69.7	14.4	21.2	56.7	71.3	43.9	29.1	42.7	51.8	39.0
2004	30.6	42.6	5.4	71.7	14.6	19.5	57.1	76.2	41.9	29.5	41.6	50.5	40.8
2005	30.5	35.8	4.8	70.3	11.9	18.7	58.4	74.7	42.5	29.1	34.5	50.3	42.8
Long-term government bond yield as a % per annum, period average													
2005 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
2005 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
2005 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
2006 Feb.	3.41	3.48	-	3.96	3.60	3.53	6.71	4.38	4.79	3.72	3.75	3.42	4.05
2006 Mar.	3.58	3.70	-	3.97	3.60	3.75	7.00	4.35	4.79	3.80	4.01	3.55	4.19
3-month interest rate as a % per annum, period average													
2005 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
2005 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
2005 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
2006 Feb.	2.00	2.66	2.62	3.24	4.03	2.61	-	3.18	4.26	3.84	3.34	2.11	4.58
2006 Mar.	2.08	2.85	2.87	3.19	3.97	2.75	-	3.20	4.12	3.53	3.75	2.23	4.59
Real GDP													
2004	4.7	1.7	7.8	3.9	8.5	7.0	4.6	-1.5	5.2	4.2	5.5	3.7	3.1
2005	6.0	3.4	9.8	3.8	10.2	7.5	4.1	2.5	2.6	3.9	6.0	2.7	1.8
2005 Q3	5.8	4.8	10.4	4.0	11.4	8.3	4.4	5.4	2.7	4.0	6.2	2.9	1.9
2005 Q4	6.9	3.6	11.5	3.6	10.5	8.7	4.2	2.5	2.8	5.1	7.6	2.9	1.8
2006 Q1	.	.	.	.	.	.	.	.	.	.	.	.	2.2
Current and capital accounts balance as a % of GDP													
2004	-6.6	2.4	-11.9	-4.9	-11.9	-6.4	-8.3	-8.0	-3.9	-2.5	-3.1	6.9	-1.9
2005	-1.9	3.5	-9.4	-5.3	-11.3	-5.6	-6.5	-9.3	-1.1	-1.5	-8.8	6.2	-2.4
2005 Q2	-3.7	5.0	-10.9	3.2	-9.9	-6.8	-7.0	-10.6	-0.8	0.1	-11.9	5.8	-1.4
2005 Q3	-4.1	5.0	-8.3	4.9	-11.2	-6.4	-7.4	-0.6	-1.3	0.6	-4.8	6.8	-3.7
2005 Q4	-2.5	2.8	-9.0	-19.7	-13.9	-5.2	-5.2	-18.4	-1.3	-4.9	-15.2	5.4	-2.6
Unit labour costs													
2004	1.1	0.4	3.0	-	7.2	1.0	4.2	-	.	3.8	0.6	-0.6	2.1
2005	.	0.9	3.7	-	5.4	3.8	.	-	.	.	2.2	1.4	.
2005 Q2	-0.1	1.8	2.4	-	-	1.3	-	-	.	-	3.6	0.1	3.5
2005 Q3	2.0	-1.4	4.1	-	-	2.9	-	-	.	-	4.1	0.6	.
2005 Q4	.	0.8	5.6	-	-	6.7	-	-	.	-	.	.	.
Standardised unemployment rate as a % of labour force (s.a.)													
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	4.8	7.9	5.2	9.0	8.2	7.2	7.3	17.7	6.3	16.4	.	4.7
2005 Q3	7.8	4.6	7.4	5.3	9.0	7.8	7.3	7.2	17.7	6.4	16.1	.	4.7
2005 Q4	7.8	4.1	6.9	5.0	8.2	6.8	7.5	7.4	17.2	6.3	16.2	.	5.0
2006 Q1	7.8	4.3	5.8	5.2	7.8	6.6	7.5	8.0	16.9	6.2	15.7	.	.
2005 Nov.	7.8	4.1	6.9	5.0	8.2	6.7	7.5	7.3	17.2	6.4	16.1	.	5.0
2005 Dec.	7.8	4.0	6.6	4.9	8.0	6.8	7.5	7.6	17.1	6.3	16.0	.	4.9
2006 Jan.	7.8	4.4	6.2	5.3	8.1	6.8	7.6	7.9	17.1	6.2	15.7	.	5.0
2006 Feb.	7.8	4.4	5.8	5.2	7.8	6.5	7.6	8.0	16.9	6.2	15.7	.	.
2006 Mar.	7.7	4.3	5.3	5.2	7.6	6.4	7.4	8.1	16.8	6.2	15.7	.	.

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

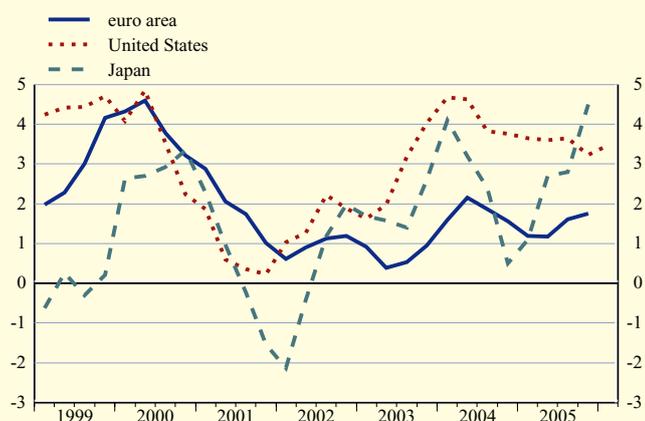
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs ¹⁾ (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
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	1.9	3.5	3.9	5.1	6.0	3.56	4.28	1.2441	-3.8	49.0
2005 Q1	3.0	2.3	3.6	4.8	5.2	5.8	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	2.2	3.6	3.1	5.0	5.8	3.77	4.21	1.2199	-4.4	48.6
Q4	3.7	0.2	3.2	4.3	4.9	7.4	4.34	4.48	1.1884	-3.6	49.0
2006 Q1	3.6	.	3.5	4.8	4.7	8.2	4.76	4.57	1.2023	.	.
2005 Dec.	3.4	-	-	4.5	4.9	7.6	4.49	4.46	1.1856	-	-
2006 Jan.	4.0	-	-	4.9	4.7	8.0	4.60	4.41	1.2103	-	-
Feb.	3.6	-	-	4.2	4.8	8.1	4.76	4.56	1.1938	-	-
Mar.	3.4	-	-	5.2	4.7	8.5	4.92	4.72	1.2020	-	-
Apr.	.	-	-	.	.	.	5.07	4.99	1.2271	-	-
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	-0.5	2.8	1.1	4.4	1.9	0.06	1.39	136.85	.	.
2005 Q1	-0.2	-1.0	1.1	1.2	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	-0.2	4.3	1.8	0.06	1.36	135.62	.	.
Q4	-0.5	-2.1	4.5	3.0	4.5	2.0	0.06	1.53	139.41	.	.
2006 Q1	0.4	.	.	3.2	4.2	.	0.08	1.58	140.51	.	.
2005 Dec.	-0.1	-2.1	-	3.4	4.4	2.0	0.07	1.54	140.58	-	-
2006 Jan.	0.5	.	-	2.6	4.5	1.9	0.07	1.47	139.82	-	-
Feb.	0.4	.	-	3.9	4.1	.	0.07	1.57	140.77	-	-
Mar.	0.3	.	-	3.1	4.1	.	0.10	1.70	140.96	-	-
Apr.	.	.	-	.	.	.	0.11	1.91	143.59	-	-

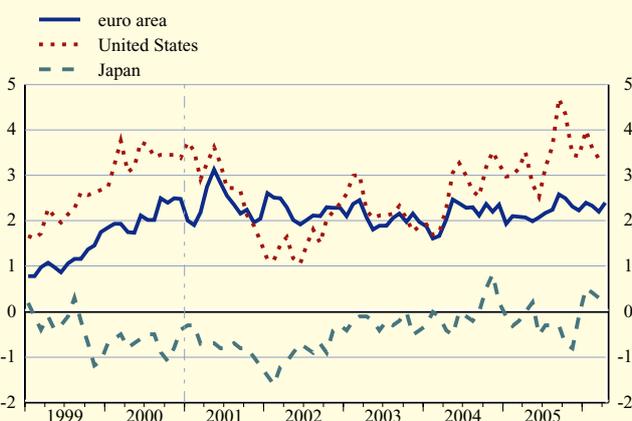
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 Consumer price indices

(annual percentage changes; monthly)



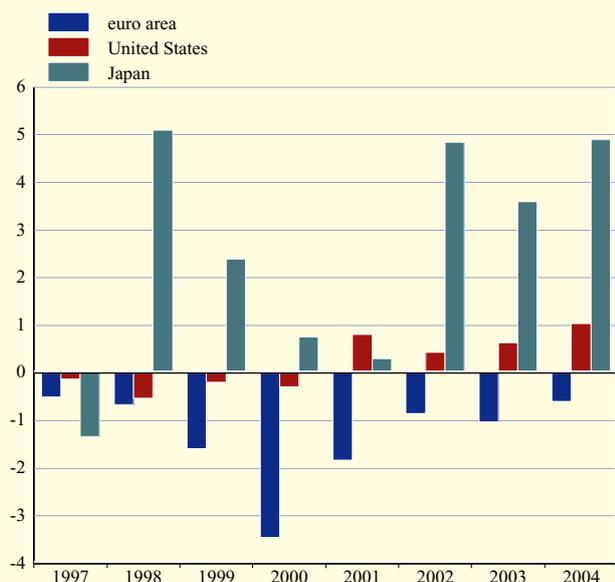
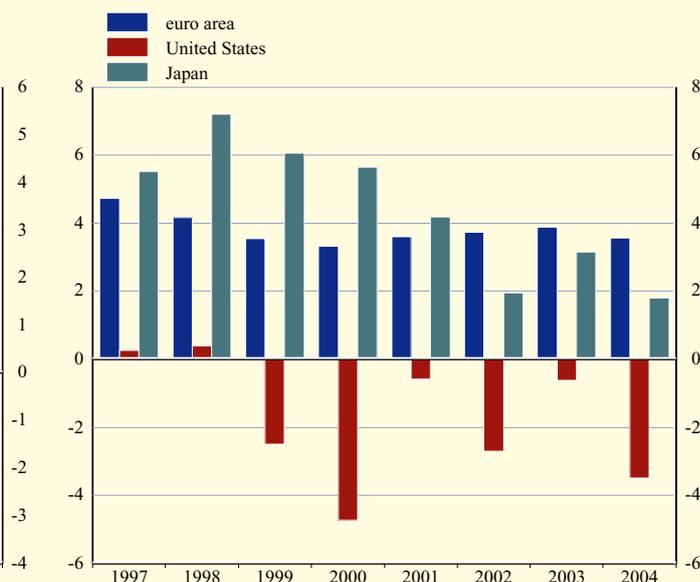
Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

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

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

2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures ²⁾	Net acquisition of financial assets	Gross saving ³⁾	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	3.9	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.1	0.2	13.3	8.4	11.3	9.0
2004	13.4	19.6	-5.6	7.3	7.0	4.3	8.0	3.2	0.3	13.5	6.0	11.0	9.5
2005	13.3	20.1	-6.3	7.4	7.3	2.5	8.2	1.2	-0.6	13.7	4.2	9.6	9.5
2004 Q1	13.4	19.0	-5.0	7.1	6.8	5.0	8.2	3.6	1.0	13.3	6.0	11.0	9.5
Q2	13.3	19.8	-5.6	7.4	7.0	3.3	8.1	2.0	-0.5	13.6	5.1	10.7	9.1
Q3	13.5	19.8	-5.5	7.3	7.1	4.0	8.4	-2.6	-0.1	13.6	6.3	10.9	8.8
Q4	13.5	19.9	-6.2	7.5	7.2	4.8	7.3	4.6	0.8	13.6	6.7	11.4	10.6
2005 Q1	13.4	20.2	-6.4	7.6	7.2	3.2	7.7	2.7	0.5	13.7	4.3	10.0	8.3
Q2	13.2	19.8	-6.0	7.2	7.3	2.8	8.1	1.5	-0.4	13.9	4.3	9.4	10.0
Q3	13.6	19.9	-5.9	7.2	7.4	1.6	8.6	-0.3	-1.9	13.8	4.2	9.9	10.5
Q4	13.2	20.5	-6.7	7.6	7.4	2.2	8.3	1.1	-0.5	13.5	3.8	9.1	9.0
Japan													
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.3	7.7	-2.2
2003	25.6	22.9	3.1	13.3	13.4	2.4	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.7	13.3	13.6	4.2	17.7	-0.5	1.0	4.7	3.1	6.6	-1.0
2005	.	23.2	.	.	.	4.4	.	2.0	1.2	.	2.8	.	0.7
2004 Q1	28.7	25.5	3.9	.	.	12.5	.	-1.9	-0.6	.	-7.2	.	2.6
Q2	21.4	20.2	3.6	.	.	-13.7	.	-11.2	0.6	.	8.0	.	-6.2
Q3	23.9	23.0	3.9	.	.	10.2	.	0.0	0.1	.	-1.3	.	1.9
Q4	26.1	21.4	3.0	.	.	11.7	.	14.0	2.6	.	9.7	.	-0.6
2005 Q1	31.5	25.4	3.7	.	.	10.3	.	-3.4	-1.7	.	-12.1	.	2.9
Q2	.	23.7	.	.	.	-15.4	.	-13.8	2.2	.	8.9	.	-6.3
Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	.	23.9	.	.	.	15.8	.	18.2	3.3	.	15.5	.	3.4

C39 Net lending of non-financial corporations
(as a percentage of GDP)C40 Net lending of households¹⁾
(as a percentage of GDP)

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

1) Including non-profit institutions serving households.

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

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



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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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

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

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

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

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

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

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

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 STATISTICS⁴

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), under the “Money, banking and financial markets” sub-section.

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, 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). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 3 May 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 sector¹, as last amended by Regulation ECB/2003/10².

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

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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 statistics³. 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 2001⁴. 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 index⁵ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁶. 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 2000⁷ 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 2002⁸ 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)⁹, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (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). 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.

⁸ OJ L 179, 9.7.2002, p. 1.

⁹ 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 EUROSYSTEM¹



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

¹ 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.

6 APRIL AND 4 MAY 2006

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



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GLOSSARY

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

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

Bank lending survey (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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