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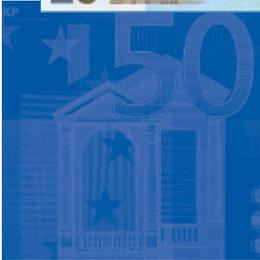
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MONTHLY BULLETIN APRIL 2007

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

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Address

Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address

Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone

+49 69 1344 0

Website

<http://www.ecb.int>

Fax

+49 69 1344 6000

Telex

411 144 ecb d

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

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The cut-off date for the statistics included in this issue was 11 April 2007.

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



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ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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



EDITORIAL

On the basis of its regular economic and monetary analyses, the Governing Council decided at its meeting on 12 April 2007 to leave the key ECB interest rates unchanged. The information that has become available since the Governing Council's decision of 8 March to increase interest rates has further underpinned the reasoning behind that decision. It has also confirmed that the medium-term outlook for price stability remains subject to upside risks, so that very close monitoring of all developments is warranted. Indeed, it is essential to ensure that risks to price stability over the medium term do not materialise. This will contribute to ensuring that medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area. Given the favourable economic environment, the ECB's monetary policy continues to be on the accommodative side, with the key ECB interest rates moderate, money and credit growth vigorous, and liquidity in the euro area ample by all plausible measures. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted.

Turning first to the economic analysis, recent information has underpinned the Governing Council's assessment of ongoing robust economic growth dynamics in the euro area. Eurostat's second estimate has confirmed quarter-on-quarter real GDP growth in the fourth quarter of 2006 at 0.9%. Over the whole year 2006, real GDP grew by 2.7% in the euro area, unadjusted for the number of working days. On the basis of the latest data, survey releases and various indicator-based estimates, it appears that robust growth is continuing in the first half of 2007.

Looking further ahead, the conditions are in place for the euro area economy to grow solidly. As regards the external environment, global economic growth has become more balanced

across regions and, while moderating somewhat, remains strong. External conditions thus continue to provide support for euro area exports. Domestic demand in the euro area is also expected to maintain its relatively strong momentum. Investment should remain dynamic, benefiting from an extended period of favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong corporate earnings, and gains in business efficiency. Consumption should also strengthen further over time, in line with developments in real disposable income, increasingly supported by employment growth and improving labour market conditions.

The risks surrounding this favourable outlook for economic growth are broadly balanced over the shorter term. At longer horizons, downside risks remain, stemming mainly from the external side. They relate to fears of a rise in protectionist pressures, the possibility of further increases in oil prices and concerns about possible disorderly developments owing to global imbalances.

As regards price developments, according to Eurostat's flash estimate, annual HICP inflation was 1.9% in March 2007, compared with 1.8% in the first two months of the year. A detailed breakdown of the March HICP data is not yet available. Looking ahead, barring further increases in oil prices, last year's volatility in energy prices will lead to significant base effects, thereby affecting the profile of annual inflation rates this year. On the basis of the current level of oil prices and oil price futures, annual inflation rates are likely to fall in the months to come, before rising towards the end of the year to hover again at around 2%.

Over the policy-relevant medium-term horizon, the outlook for price developments remains subject to upside risks. These relate to the possibility of further oil price rises and additional increases in administered prices and indirect taxes beyond those announced and decided thus far. More fundamentally, stronger than currently expected wage developments could pose significant upward risks to price

stability, not least in view of the favourable momentum in labour markets observed over the past few quarters. It is therefore crucial that the social partners continue to meet their responsibilities. In this context, wage agreements should take into account price competitiveness positions, the still high level of unemployment in many economies, as well as productivity developments. The Governing Council monitors the wage negotiations in euro area countries with particular attention.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer horizons. Annual M3 growth increased further to 10.0% in February, from 9.9% in January. At the same time, the annual growth rate of loans to the private sector, while remaining very strong at 10.3% in February, showed some further signs of moderation. Whereas in previous months this moderation reflected a decline in the growth rate of household borrowing in an environment of rising mortgage lending rates throughout the euro area and a slowing increase in house prices in some regions, in February it was due to a moderation in the growth of loans to non-financial corporations. When assessing such developments, it should be borne in mind that monthly figures can be influenced by temporary factors and should thus not be overstated. Indeed, the strong growth in private sector credit reflects the continuation of the strong trend in the growth of borrowing by non-financial corporations seen since mid-2004.

When put into perspective, the latest data continue to point to vigorous dynamics in the underlying rate of broad money expansion in the euro area. The continued robust expansion of money and credit reflects the low levels of interest rates over a prolonged period of time and the strengthening of economic activity in the euro area. Rising short-term interest rates, in combination with low long-term interest rates, have had an impact on developments in the individual components of monetary and credit aggregates, but have thus far had only a

limited influence on the overall strength of monetary developments. Following several years of robust monetary growth, the liquidity situation in the euro area is ample by all plausible measures. In this environment of ample liquidity, the continued vigorous expansion of money and credit points to upside risks to price stability over the medium to longer term. Monetary developments therefore continue to require very careful monitoring, particularly against the background of a solid expansion in economic activity and continued strong property market developments in many parts of the euro area.

To sum up, in assessing price trends it is important to look through any short-term volatility in inflation rates. The relevant horizon for monetary policy is the medium term. Risks to the medium-term outlook for price stability remain on the upside, relating in particular to stronger than currently expected wage developments in a context of ongoing robust growth in employment and economic activity. Given the vigorous monetary and credit growth in an environment of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium to longer term. Accordingly, the Governing Council will continue to monitor very closely all developments. Indeed, it is essential to ensure that risks to price stability over the medium term do not materialise. This will support the solid anchoring of medium to longer-term inflation expectations in the euro area at levels consistent with price stability. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term remains warranted.

Concerning other policy areas, the Governing Council welcomed the recommendations addressed to the euro area countries in the 2007 update of the Integrated Guidelines, a comprehensive package adopted by the ECOFIN Council in 2005 and bringing together the Broad Economic Policy Guidelines and the

Employment Guidelines. The update of the Integrated Guidelines was endorsed by the European Council at its meeting on 8 and 9 March 2007, addressing the need to speed up fiscal consolidation, to improve the quality of public finances, to foster competition and integration, and to promote labour market reforms.

Indeed, as regards fiscal policy, it is of the utmost importance to use the momentum of the improved economic situation and to press ahead vigorously with budgetary consolidation. Government deficit and debt-to-GDP ratios in euro area countries in 2006 have turned out to be significantly better than anticipated. But this positive outcome largely reflects buoyant tax revenues in the context of a favourable macroeconomic environment, offsetting in some cases higher than planned public expenditure. The better than expected fiscal outcomes in 2006 should lead to more ambitious targets for 2007 and beyond, allowing revenue windfalls to be fully allocated to deficit and debt reduction. Furthermore, procyclical fiscal policies should be avoided in all countries. This is of vital importance to ensure fiscal sustainability in preparation for the impact of ageing populations and is fully in line with the revised Stability and Growth Pact. Reviewing public expenditure and taxation so as to improve the quality of public finances would additionally foster economic growth and fiscal sustainability.

The Governing Council also supports ambitious structural reforms, which would further contribute to the smooth functioning of Monetary Union and support growth potential and job creation. In particular, improving labour market flexibility to better align wage and productivity developments and facilitating labour mobility would further strengthen the resilience of countries to shocks and ensure their competitiveness.

This issue of the Monthly Bulletin contains three articles. The first article focuses on the ECB's communication of monetary policy to

financial markets. The second article reviews sources and policy implications of output growth differentials across euro area countries. The third article examines the differences between the government budget balance and the change in government debt in the euro area.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy continues to expand at a robust pace, notwithstanding some moderation in a number of countries. Global price developments remain strongly influenced by changes in energy prices. Risks to the global economic outlook relate to fears of a rise in protectionist pressures, the possibility of further increases in oil prices and concerns about a disorderly unwinding of global economic imbalances.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy continues to expand at a robust pace, notwithstanding some moderation in a number of countries. While industrial production moderated slightly in the OECD countries (excluding those in the euro area) towards the end of last year, survey evidence still suggests relatively solid conditions in the global manufacturing sector. At the same time, activity in the services sector remains strong, although it has moderated since the beginning of the year.

Global price developments continue to be strongly influenced by changes in energy prices. Headline consumer price inflation for the OECD countries increased moderately in February. At the same time, consumer price inflation excluding food and energy remained unchanged at relatively moderate levels. Survey evidence on input prices suggests some increase in cost pressures since the beginning of the year in both the manufacturing and services sectors.

UNITED STATES

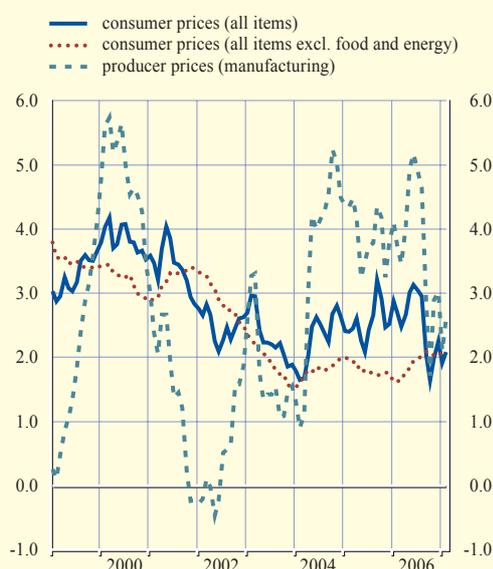
In the fourth quarter of 2006 the pace of economic activity remained moderate. Real GDP grew by 2.5% on a quarterly annualised basis, compared with 2.0% in the previous quarter. Developments in real GDP growth in the fourth quarter of 2006 reflected, on the one hand, strong positive contributions from personal consumption expenditure and net trade, and on the other hand, negative contributions from business, residential and inventory investment. For 2006 as a whole, real GDP growth averaged 3.3%.

Concerning prices, following some moderation in the second half of 2006, consumer price inflation has been gradually increasing since December 2006 mainly on account of higher energy and food prices. In February 2007 annual consumer price inflation stood at 2.4%. At the same time, consumer price inflation excluding food and energy remained at a more elevated level of 2.7%.

On 31 January 2007 the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

Chart I Price developments in OECD countries

(annual percentage changes; monthly data)



Source: OECD.

JAPAN

In Japan, economic activity has continued to recover steadily, while inflation has remained subdued. Output has been driven by strong exports and robust domestic demand, the latter being supported especially by business investment in recent quarters. In the fourth quarter of 2006, according to second preliminary data, real GDP grew by 1.3% on a quarterly basis.

Inflation has remained subdued. In February 2007 overall annual CPI inflation and annual CPI inflation excluding fresh food declined by 0.2% and 0.1% respectively. After decelerating in recent months as a result of declining contributions from oil-related prices, annual changes in the CPI have now returned to negative territory for the first time since April 2006. Similarly, annual producer price inflation has continued to decelerate, standing at 1.8% in February after 2.2% in March.

At its meeting on 10 April 2007, the Bank of Japan decided to leave unchanged its target for the uncollateralised overnight call rate at 0.50%.

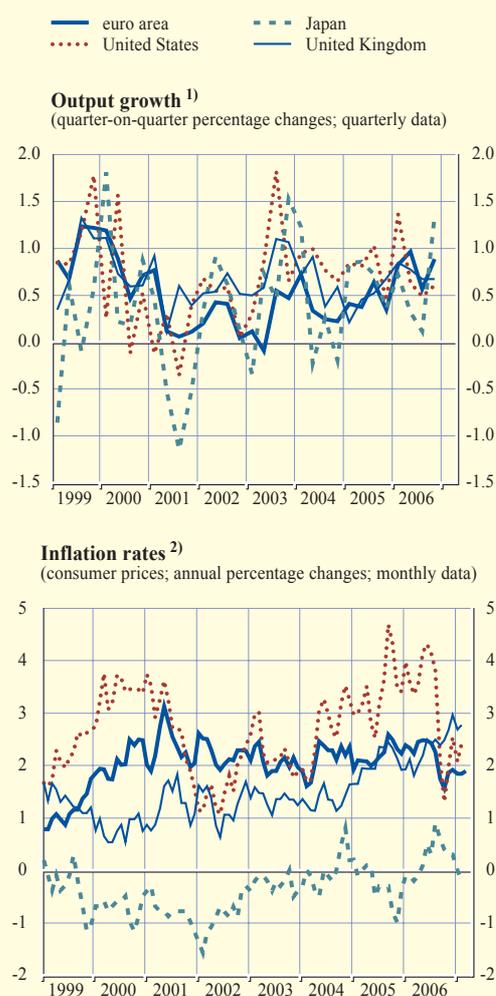
UNITED KINGDOM

In the United Kingdom, real GDP grew at a quarterly rate of 0.7% in the fourth quarter of 2006, unchanged from the previous four quarters. Household consumption grew by 1.0% and, in light of retail sales data for January and February, it is estimated to have somewhat moderated in the first quarter of 2007. Business investment increased substantially in the last quarter of 2006 and surveys continue to report high investment intentions.

In February annual HICP inflation was 2.8%, with the largest upward effect coming from transport costs. The Labour Force Survey data still point to moderate growth in average earnings excluding bonuses.

On 5 April 2007 the Bank of England's Monetary Policy Committee decided to leave the official Bank Rate paid on commercial bank reserves unchanged at 5.25%.

Chart 2 Main developments in major industrialised economies



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

OTHER EUROPEAN COUNTRIES

In most other EU countries outside the euro area, output growth remained robust in the fourth quarter of 2006. Growth was mainly driven by domestic demand. Inflationary developments in February 2007 differed across countries.

In Denmark in the fourth quarter of 2006 the quarterly rate of real GDP growth markedly decelerated, while it slightly accelerated in Sweden. In both countries, economic activity was mainly driven by domestic demand. HICP inflation stood at 1.9% in Denmark and 1.6% in Sweden in March 2007.

In the four largest central and eastern European economies (the Czech Republic, Hungary, Poland and Romania), overall quarterly output growth remained robust in the fourth quarter of 2006. In the Czech Republic, Poland and Romania, real GDP growth was driven by domestic demand, while in Hungary it was mainly driven by net exports. In February 2007 annual HICP inflation stood at 2.1% in the Czech Republic and 2.4% in Poland. In Hungary and Romania inflation was higher, standing at 9.0% and 3.7% respectively.

EMERGING ASIA

In emerging Asia, economic activity continued to expand at a relatively robust pace, notably in the largest economies of the region. A pick-up in CPI inflation continued to be visible in several countries in February 2007, although inflationary pressures have remained broadly moderate overall.

In China, activity continued to be sustained, with industrial production growing by 12.6% year on year in February. In addition, export growth accelerated. Annual CPI inflation increased to 2.7% in February, up from 2.2% the month before. In view of the ample liquidity in the banking system, the People's Bank of China decided to raise the benchmark deposit and lending rates by 27 basis points on 17 March 2007. The volatility experienced by the Chinese stock market in late February abated in the course of March. In India, industrial production continued to grow robustly, at a rate of 10.9% (year on year) in January, while wholesale price inflation – the Reserve Bank of India's preferred measure of inflation – remained elevated at 6.5% in March. In this context, the Reserve Bank of India increased its key policy rate by 25 basis points to 7.75% on 30 March 2007.

LATIN AMERICA

In Latin America, economic activity continued to expand at a robust pace. In Brazil, industrial output expanded at a rate of 3.0% year on year in February 2007 while annual inflation was 3.0% in the same month. On 7 March the central bank decided to cut its key interest rate by 25 basis points to 12.75%. In Argentina, GDP expanded by 8.6% on a year earlier in the fourth quarter of 2006. Industrial output remained robust in February, recording an annual increase of 6.9%. Inflationary pressures remained strong, with annual inflation at 9.1% in March. In Mexico, industrial production remained sluggish for a second consecutive month (1.4% year on year in January), giving a further indication of the economic slowdown under way. Annual inflation edged up to 4.2% in March.

1.2 COMMODITY MARKETS

Despite some volatility at the beginning of March, oil prices continued to increase in March and early April. Increased geopolitical tensions, combined with a tighter fundamentals balance and

additional refinery outages, prompted prices to rise strongly towards the end of March, driving Brent crude oil prices towards a new high for the year. A further tightening in global oil balances reflecting disappointing non-OPEC supply growth compared with earlier expectations, the recent decline in OPEC production and the expected rebound in demand for 2007 relative to last year continued to exert upward pressure on prices. On 11 April the price of Brent crude oil stood at USD 67 per barrel, about 11% higher than at the start of the year. With spare capacity in the supply chain that continues to be limited, oil prices are likely to remain at elevated levels in the near term and sensitive to unanticipated changes in the supply-demand balance and the geopolitical environment.

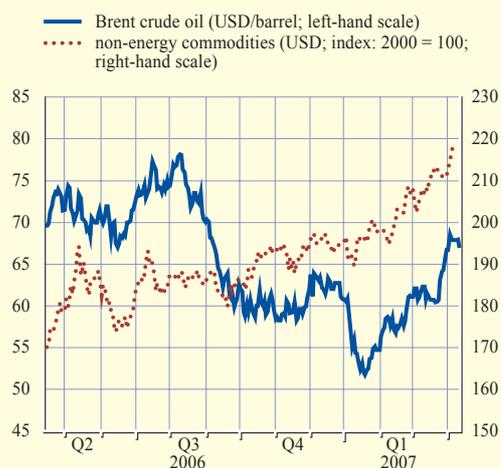
Prices of non-energy commodities strengthened further in March, in spite of a slight decline towards the end of the month. Non-energy commodity prices were mainly supported by increases in the prices of non-ferrous metals. The aggregate price index for non-energy commodities (denominated in US dollars) continued to reach new peaks and was approximately 30% higher in March than a year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and therefore for foreign demand for euro area goods and services, remains favourable. Notwithstanding some moderation in the pace of expansion in a number of countries, the economic slowdown at the global level is likely to remain relatively limited. In February the six-month rate of change of the OECD composite leading indicator showed some weakening in all major economies. At the same time, the corresponding indicators for large emerging market economies point to strong expansion in China.

Risks to the global economic outlook remain overall on the downside and are mainly related to fears of a rise in protectionist pressures, the possibility of further increases in oil prices and concerns about global imbalances.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In February 2007 the annual growth rate of M3 rose to 10.0% – the highest rate recorded since the start of Stage Three of EMU. This further strengthening in M3 dynamics reflected strong capital inflows into the euro area, which affected the net external asset position of MFIs. Robust credit growth nonetheless continued to account for most of the high level of annual M3 growth. Strong private sector borrowing reflects the still moderate level of interest rates in the euro area and the current strength of economic activity. Taking the appropriate medium to longer-term perspective, the latest developments confirm the view that the underlying rate of broad monetary expansion in the euro area remains vigorous. There is evidence that increases in key ECB interest rates have had an impact on monetary developments, but this has not yet led to a slowdown in overall M3 dynamics.

THE BROAD MONETARY AGGREGATE M3

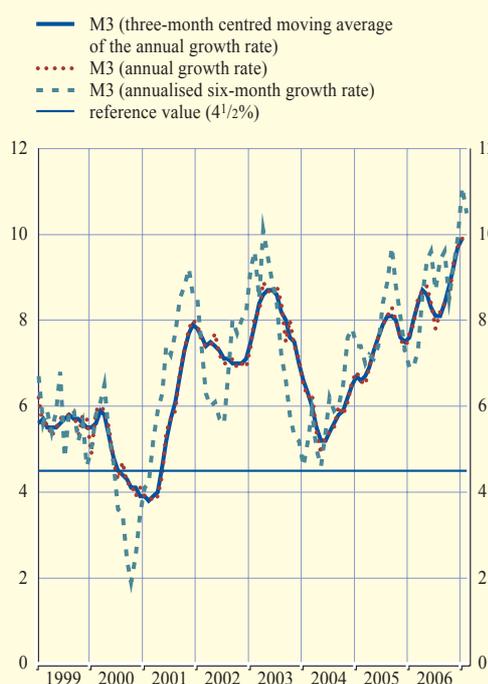
In February 2007 the annual growth rate of the broad monetary aggregate M3 increased to 10.0%, up from 9.9% in the previous month. This double-digit rate represented the highest annual rate recorded since the start of Stage Three of EMU. This continued strong annual growth largely reflects the succession of strong month-on-month growth rates observed in the previous four months, which kept the annualised six-month rate of growth in double digits (see Chart 4).

The February monetary data broadly confirm the previous assessment, namely that the progressive withdrawal of monetary policy accommodation since December 2005 has affected monetary developments. On the components side, higher key ECB interest rates have resulted in a declining trend for annual M1 growth, whereas on the counterparts side they are associated with the moderation observed since the second half of 2006 in the annual growth rate of loans to the private sector. At the same time, the current flat yield curve has increased the attractiveness of those M3 instruments which are remunerated at close to short-term market interest rates by comparison with alternative longer-term financial assets.

Robust loan growth continues to account for most of the high level of M3 growth, reflecting the still moderate level of interest rates in the euro area and the strength of economic activity. At the same time, the strengthening of annual M3 growth observed in recent months has been driven largely by robust inflows in the net external asset position of MFIs, possibly related to the fact that international investors' assessment of the outlook for the euro area has

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

recently been more favourable than that for other regions of the world. However, looking more specifically at the February figures and the fact that they were reported for the end of the month, it cannot be ruled out that these also reflect a temporary distortion owing to increased demand for “safe haven” assets on account of the sharp declines seen across global equity markets in late February.

Taking the appropriate medium to longer-term perspective for assessing trends in money and credit growth, the latest developments confirm the view that the underlying rate of broad monetary expansion in the euro area remains vigorous. Overall, the continued strong money and credit growth implies that liquidity – which was already ample – has increased further. This points to upside risks to price stability over the medium to longer term, particularly in an environment of improved economic activity.

MAIN COMPONENTS OF M3

The rise in the annual growth rate of M3 observed in February mainly reflected the higher annual rate of growth of marketable instruments (M3 - M2; see Table 1).

The annual growth rate of M1 remained broadly stable at 6.6% in February, having stood at 6.5% in January, and thus remained some way below its peak of 11.6% observed in August 2005.

The annual growth rate of short-term deposits other than overnight deposits decreased to 11.6% in February, from 12.0% in January. This reflected an unchanged rate of increase in short-term time deposits (i.e. deposits with a maturity of up to two years), while short-term savings deposits (i.e. deposits redeemable at notice of up to three months) continued to decrease at an annual rate. The relative attractiveness of short-term time deposits may be a reflection of their remuneration, which has broadly followed the rise in short-term market interest rates and has increased relative to the remuneration of overnight deposits and that of short-term savings deposits. Furthermore, the current flat yield curve helps to explain why the widening gaps between instruments within

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates					
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Jan.	2007 Feb.
M1	47.2	10.3	9.8	7.6	6.7	6.5	6.6
Currency in circulation	7.5	13.3	11.9	11.4	11.1	10.5	10.2
Overnight deposits	39.7	9.8	9.5	7.0	5.9	5.8	5.9
M2 - M1 (= other short-term deposits)	38.2	6.8	8.5	9.5	11.1	12.0	11.6
Deposits with an agreed maturity of up to two years	18.7	9.8	15.3	19.7	25.3	29.3	29.3
Deposits redeemable at notice of up to three months	19.6	4.6	3.8	2.4	1.1	-0.5	-1.4
M2	85.4	8.6	9.2	8.4	8.6	8.9	8.8
M3 - M2 (= marketable instruments)	14.6	3.3	5.7	6.4	11.1	16.2	17.6
M3	100.0	7.8	8.6	8.1	9.0	9.9	10.0
Credit to euro area residents		8.8	9.5	9.2	8.8	8.0	7.8
Credit to general government		2.4	1.0	-0.9	-3.1	-4.8	-4.1
Loans to general government		0.8	0.3	-0.6	-0.3	-1.5	-0.8
Credit to the private sector		10.5	11.8	11.9	11.9	11.3	10.7
Loans to the private sector		10.0	11.2	11.2	11.1	10.6	10.3
Longer-term financial liabilities (excluding capital and reserves)		8.6	8.7	8.5	9.0	9.9	9.9

Source: ECB.

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

M3 in terms of remuneration have led to shifts between deposit categories within M3 and not to sizeable shifts into longer-term financial assets outside M3.

The annual growth rate of marketable instruments included in M3 increased to 17.6% in February, up from 16.2% in January. In particular, demand for money market fund shares/units contributed to this further increase. The strong demand observed for these instruments in recent months reflects euro area residents' somewhat cautious assessment of the attractiveness of bond, equity and real estate funds and may, in February, also have been boosted by "safe haven" flows. The annual rate of growth of short-term debt securities remained very strong in February, standing above 50%. The elevated growth rates witnessed for this component may be linked to the increases in key ECB interest rates since end-2005, as floating rate short-term debt securities allow investors to benefit from interest rate rises occurring before the maturity of the security.

The annual growth rate of short-term deposits and repurchase agreements with MFIs (M3 deposits) – which represent the broadest aggregation of M3 components for which information is available by holding sector – increased slightly in February. This increase was observed for both households and non-financial corporations across all types of deposit. At the same time, demand on the part of other non-monetary financial intermediaries (OFIs) slowed for all types of deposit, partly owing to base effects.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector declined to 10.3% in February 2007, from 10.6% in January, continuing the downward trend observed since October 2006 but remaining at a high level. The ongoing strong demand for loans reflects the current strength of economic activity and the generally favourable financing conditions in the euro area.

The decline in the annual growth rate of loans to the private sector reflected a moderation in the growth rate of loans to non-financial corporations, which fell to 12.6%, from 13.2% in January.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total ¹⁾	Annual growth rates					
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Jan.	2007 Feb.
Non-financial corporations	42.0	9.2	11.0	11.9	13.0	13.2	12.6
Up to one year	29.5	6.7	8.4	9.2	10.3	9.6	9.0
Over one and up to five years	18.6	11.5	15.8	19.0	20.5	20.8	19.8
Over five years	51.9	10.0	11.0	11.2	12.0	12.7	12.3
Households²⁾	49.0	9.5	9.7	9.3	8.6	8.0	8.0
Consumer credit ³⁾	12.8	8.2	8.2	8.5	8.0	7.1	6.5
Lending for house purchase ³⁾	71.1	11.7	12.0	11.2	10.2	9.4	9.4
Other lending	16.2	2.1	2.1	2.3	2.7	2.9	3.4
Insurance corporations and pension funds	1.0	32.9	41.2	36.7	29.1	30.5	28.8
Other non-monetary financial intermediaries	8.0	16.2	19.0	17.3	16.4	11.4	10.8

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.

That moderation was broadly based across all maturities. Historical regularities would suggest that demand for loans on the part of non-financial corporations reacts to interest rate increases with a longer lag than demand for loans on the part of households.

The annual rate of growth of loans to households, which had in previous months explained the moderation in the growth rate of loans to the private sector, was unchanged in February at 8.0% (see Table 2). The ongoing strong lending activity to households continued to be explained predominantly by borrowing for house purchase, which remained stable at 9.4% in February, having declined steadily from its peak of 12.1% in March 2006. This downward trend is likely to reflect not only the moderation in house price growth and housing market activity observed in a number of euro area economies over the course of 2006, but also the gradual increase in lending rates over the last few months. The annual growth rate of consumer credit declined further in February, to 6.5%, from 7.1% in January.

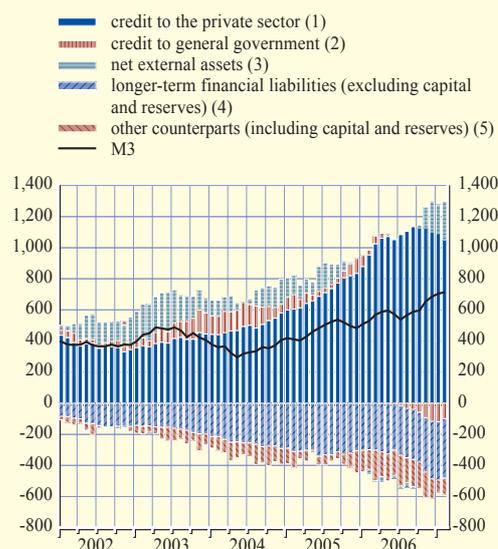
Looking at developments in overall MFI credit granted to euro area residents in February, the annual growth rate declined somewhat further by comparison with the previous month. This decrease is attributable to a further moderation in demand for credit to the private sector across all sub-components, i.e. for both loans granted by MFIs and securities purchased by MFIs. By contrast, the annual rate of decline of credit granted to general government was somewhat lower than in the previous month and thus had less of a dampening impact on overall credit growth (see Box 1 for a discussion of recent changes in the composition of growth in credit to the private sector).

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) stood at 9.9%, compared with 9.8% in January. While developments in credit continue to explain the high level of annual M3 growth on the counterparts side, developments in the net external asset position of MFIs explain most of the strengthening seen in annual M3 growth since late 2006. The monthly flow in MFIs' net external asset position was €51 billion in February, raising the annual flow to €249 billion, from €184 billion in January (see Chart 5). The robust inflow observed in February may be explained in part by potential "safe haven" flows by euro area residents linked to the turmoil on global equity markets and by an increased interest in euro area assets on the part of non-euro area investors. The latter has been accompanied over recent months by a relatively broad-based strengthening in the euro's exchange rate vis-à-vis most major currencies.

Summing up all available information from the counterparts and components sides, the still moderate level of interest rates in the euro area and the strength of economic activity remained in

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.

February the main driving forces behind the strong monetary expansion. However, the further moderation observed in the growth rate of loans to the private sector and the trend decline witnessed in the growth rate of the most liquid components of M3 also suggest that the increases in key ECB interest rates have influenced monetary developments.

Box I

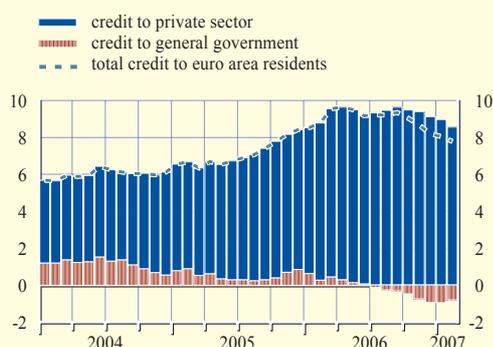
RECENT CHANGES IN THE COMPOSITION OF GROWTH IN CREDIT TO EURO AREA RESIDENTS

Credit granted to euro area residents by monetary financial institutions is the largest counterpart of the broad monetary aggregate M3. The recipients of such credit include both general government and the private sector. MFIs provide this credit both by granting loans to other entities and by purchasing securities issued by these other entities, either in the form of debt securities (i.e. securities other than shares) or in the form of shares and other equities. The relative importance of these different categories of MFI credit can vary over time in response to demand and supply factors, and also to conjunctural and structural influences. This box looks at recent changes in the composition of growth in total MFI credit and assesses them in the light of longer-term developments.

The bulk of the growth observed in total credit to euro area residents is explained by the expansion of credit to the private sector (see Chart A) and, more specifically, by the growth of loans to the private sector (see Chart B). However, focusing entirely on the growth of loans can conceal economically interesting developments in the other, smaller categories of MFI credit. For instance, Chart A shows that since end-2005 the contribution that credit to general government has made to the annual growth rate of credit to euro area residents has declined steadily, even turning negative in the second half of 2006. By contrast, overall credit growth remained broadly stable up to the autumn of 2006. In September 2006 the contribution of credit to the private sector also started to decline.

Chart A Breakdown of growth in MFI credit to euro area residents

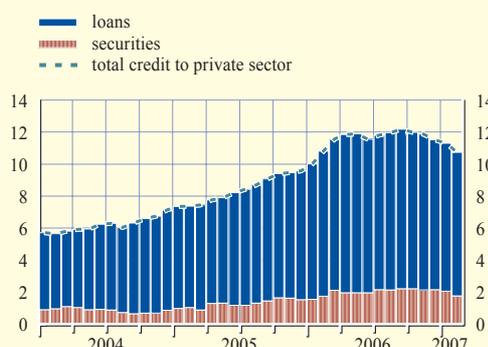
(annual percentage changes; contributions in percentage points)



Source: ECB.

Chart B Breakdown of growth in MFI credit to the private sector by instrument

(annual percentage changes; contributions in percentage points)



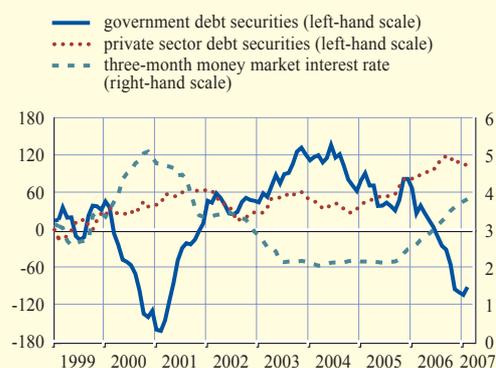
Source: ECB.
Note: Securities comprise both "securities other than shares" and "shares and other equities".

Chart B shows that this decline largely reflects a moderation in the annual growth rate of loans, while MFIs' purchases of private sector securities have remained broadly stable since the spring of 2006. Over this period MFIs' purchases of private sector securities have accounted, on average, for around 2 percentage points of the 12% annual growth rate of credit to the private sector, with around 1 percentage point coming from debt securities and another percentage point coming from shares and other equities.

One factor that is likely to have influenced the relative dynamics of the different categories of credit in recent quarters is the increase in key ECB interest rates since end-2005. On the liability side of the MFI balance sheet, the gradual removal of policy accommodation has led to a shift from overnight deposits to more highly remunerated short-term time deposits. On the asset side, the private sector has shown greater demand for loans with longer initial periods of rate fixation, as the rates on these loans have increased less strongly than those on loans with shorter initial rate fixation periods. Together, such rebalancing operations are likely to have had a dampening impact on the margins that MFIs earn in channelling deposits into credit, and this may have led MFIs to rebalance their credit portfolios, shifting assets from the government to the private sector and, within the private sector, from loans to securities. Overall, this leads to a larger share of assets which promise higher yields but also imply exposure to different types of risk.

Chart C MFIs' purchases of debt securities and the short-term market interest rate

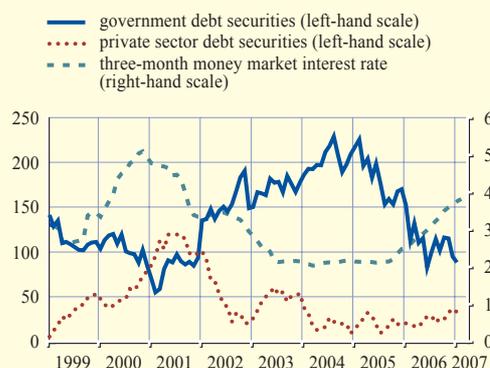
(annual flows in EUR billions; percentages per annum)



Source: ECB.

Chart D Net issuance of debt securities and the short-term market interest rate

(annual flows in EUR billions; percentages per annum)



Source: ECB.

Looking more specifically at the relative dynamics of MFIs' purchases of government and private sector securities, Chart C illustrates the contrasting developments observed since short-term market interest rates began to rise. At the end of 2005 the annual flows of these two credit categories were of broadly the same magnitude. Subsequently, MFIs have purchased increasing volumes of private sector securities, well above the levels observed in previous years, while sharply reducing their holdings of government securities. In February 2007 the annual flow of MFIs' net purchases of private sector securities stood at around €100 billion, while net sales and redemptions of government securities had the same value. Chart C also suggests that a similar rebalancing of portfolios may have taken place earlier, when monetary policy tightening in 1999-2000 resulted in the annual flows of MFIs' purchases of government and private sector securities moving in opposite directions.

Comparing the two periods of increasing interest rates, the pick-up in MFIs' purchases of private sector securities has been stronger in the period since end-2005 than it was in the period 1999-2000. This is possibly related to the substantial lending activity that MFIs undertook in the earlier period vis-à-vis the private sector, which may have exhausted the risk exposure to this sector that MFIs were willing or able to incur. In this respect, it is interesting to note that in the more recent period there has been both robust loan growth and a strong accumulation of private sector debt securities by MFIs. From a cyclical perspective, the rebalancing from loans to security holdings observed over recent months on the asset side of the MFI balance sheet may be part of the pass-through process whereby MFIs provide bridging loans to cover the period until non-financial corporations issue debt securities. However, from a more structural perspective, MFIs' ability to sustain strong lending growth may reflect a lower exposure to risk in current loan portfolios if MFIs have shifted part of their credit risk to other sectors through synthetic securitisation.¹

Increased net purchases of private sector securities by MFIs and increased shedding of government securities in the period since end-2005 might obviously also reflect the relative availability of these securities. Chart D shows that the annual flow in the net issuance of government debt securities has decreased in the past two years, reflecting, inter alia, the upturn in the economic cycle and the associated improvement in public finances. It has, nonetheless, remained positive. If MFIs had wished to maintain a certain percentage of government debt securities in their credit portfolios, this would not have been hindered by a restrictive issuance policy. Conversely, MFIs' strong purchases of private sector securities since end-2005 have taken place in an environment where the issuance of private sector debt securities has remained relatively subdued. Issuance statistics do not, therefore, suggest that MFIs' shedding of government debt securities and increased purchases of private sector debt securities are a reflection mainly of conditions in the supply of securities.

To sum up, it appears that the recent changes in the composition of MFI credit to euro area residents over the period since end-2005 may have been driven by MFIs' reaction to changes in the interest rate environment and by their willingness to rebalance their credit portfolios in favour of assets with higher yields, but also different types of risk.

¹ See Box 1, entitled "The impact of MFI loan securitisation on monetary analysis in the euro area", in the September 2005 issue of the Monthly Bulletin for details of these two types of securitisation.

2.2 SECURITIES ISSUANCE

In January 2007 debt securities issued by euro area residents continued to grow at a robust rate, unchanged from the previous month. This outcome reflected continued strong growth in debt securities issued by MFIs and non-monetary financial institutions, while the growth rate of debt securities issued by non-financial corporations declined. Issuance of quoted shares remained relatively subdued, reflecting, in part, significant share buyback activity by non-financial corporations.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents was 8.0% in January 2007, unchanged from the previous month (see Table 3). The rate of growth of floating rate securities

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2007 Jan.	Annual growth rates ¹⁾					
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2006 Dec.	2007 Jan.
Debt securities:	11,205	7.5	7.4	7.1	8.0	8.0	8.0
MFIs	4,635	9.0	9.2	8.4	9.8	10.2	10.5
Non-monetary financial corporations	1,169	25.5	26.5	26.7	28.9	26.6	26.7
Non-financial corporations	646	3.2	3.4	4.2	4.8	6.0	5.3
General government	4,755	3.8	3.1	2.9	2.9	2.6	2.3
<i>of which:</i>							
Central government	4,450	3.3	2.6	2.4	2.5	2.2	2.0
Other general government	306	11.8	11.4	11.7	9.0	7.8	7.3
Quoted shares:	6,311	1.2	1.1	1.2	1.1	1.1	1.0
MFIs	1,111	1.2	1.5	1.8	2.0	2.4	2.1
Non-monetary financial corporations	639	3.5	2.2	1.5	1.1	0.8	0.8
Non-financial corporations	4,560	0.9	0.9	1.1	0.8	0.8	0.8

Source: ECB.

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

in January 2007 remained significantly stronger than the rate of growth of fixed rate securities. Thus it appears that issuers continued to meet the high demand for floating rate securities within the context of a relatively flat yield curve. As for the maturity structure of debt securities issuance, the annual growth rate of short-term securities issuance increased to 5.8%, while that of long-term securities issuance remained unchanged at 8.2% between December 2006 and January 2007.

The annual growth rate of debt securities issued by non-financial corporations continues to lag behind the rates of growth observed for debt securities issued by MFIs and non-monetary financial institutions. The rate of growth declined, to 5.3%, between December 2006 and January 2007, interrupting the increasing trend observed since August 2006 (see Chart 7). This is consistent with a partial substitution of debt securities issuance with bank loans to meet the financing needs of non-financial corporations. In line with this picture, in January 2007 the rate of growth of MFI loans to non-financial corporations reached a record level. In terms of the maturity structure, in January 2007 the rate of growth of debt securities issued by non-financial corporations stood at 6.3% in the case of long-term securities, broadly unchanged from the previous month, while the rate of growth of short-term securities was close to zero.

In January 2007 the annual growth rate of debt securities issued by MFIs increased further, albeit slightly, to 10.5%, from 10.2% in December 2006, suggesting that banks are continuing to raise funds to meet the considerable demand arising from the robust growth of loans to non-financial corporations. The overall increase in the growth rates of debt securities issued reflected a significant increase in the growth rate of issuance of short-term debt securities, while the growth rate of issuance of long-term debt securities increased only slightly, from 9.5% in December to 9.7% in January (see Box 2).

The annual growth rate of debt securities issued by non-monetary financial corporations stood at 26.7% in January, unchanged from the previous month. While the overall rate of growth remains significantly higher than the rate of growth for the other sectors, it has shown a declining trend since November 2006, which may reflect a moderation in the number of transactions related to

merger and acquisitions activity, which weakened at the end of 2006 as compared with the first half of 2006.

The annual growth rate of debt securities issued by the general government sector declined slightly, to 2.3%, in January, from 2.6% in December. The growth rate of debt securities issued by the central government sector continued to remain relatively subdued, at 2.0%, in January, while growth in the issuance activity of the other general government sector, standing at an annual rate of 7.3%, continued to be significantly stronger, despite following a declining path since the peak reached in August 2006.

Box 2

LONG-TERM DEBT SECURITIES ISSUANCE BY MFIs SINCE THE EARLY 1990s

Since 1992 debt securities issuance by MFIs has grown robustly at an average annual rate of nearly 8%. MFIs are the second largest group of issuers of debt securities in the euro area, accounting for more than 40% of the €11.2 trillion debt securities outstanding at the end of January 2007, just behind the corresponding share of the general government (42%). Short-term debt securities – in many cases closely linked to bank deposits – are part of the ECB's broad monetary aggregate M3.¹ The bulk of the debt securities issued by MFIs – accounting for nearly 90% of the total amount outstanding – are, however, notes and bonds with a long-term original maturity.²

This box focuses on long-term debt securities issued by MFIs and provides some insights into why banks – whose core activity is to lend out the funds that they receive in the form of deposits from the general public – issue these types of instrument. Debt securities issuance activity by banks may affect the monetary policy transmission mechanism. For example, access to funding by banks may have implications for the supply of loans, and thus for the conditions at which households and non-financial corporations are able to obtain bank financing.

Long-term debt securities as a source of funding

The growth in long-term debt securities appears to be related to three main aspects of banks' funding requirements. First, banks' balance sheets have generally expanded rapidly over the past few years, in large part on account of strong growth in lending to the private sector. In this context, MFIs have had recourse to the issuance of long-term debt securities in order to finance lending that was not financed through deposits and short-term debt securities.

Second, while deposits from non-MFI residents plus short-term debt securities issued by MFIs remain MFIs' main source of funding, long-term debt securities issued by MFIs have been the

1 More specifically, debt securities issued by MFIs with an original maturity of up to two years are included in M3 when held by the money-holding sector. This is the definition of "short-term" used in the Eurosystem's balance sheet item statistics. However, this box uses the Eurosystem's securities issues statistics, for which "short-term means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer original 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".

2 Long-term debt securities are part of the broader analysis of longer-term financial liabilities of MFIs (see Box 1 entitled "Recent developments in MFI longer-term financial liabilities" in the July 2006 issue of the Monthly Bulletin). It should also be mentioned that the growth in short-term debt securities issued by MFIs is subject to substantial fluctuations. In particular, the growth in debt securities issued by MFIs with an original maturity of up to two years and held by the money-holding sector – as included in M3 – has increased sharply over recent months (see Box 1 entitled "Developments in short-term debt securities within M3" in the January 2007 issue of the Monthly Bulletin).

Chart A Growth in long-term debt securities issued by MFIs relative to other types of funding

(percentage points)



Sources: ECB and ECB calculations.
 Note: The chart illustrates the differential between the growth in long-term debt securities issued by MFIs and the growth in the sum of deposits from non-MFI residents and short-term debt securities issued by MFIs. Data for Q1 2007 refer to January 2007.

Chart B Outstanding debt securities issued by MFIs

(percentage of total)



Source: ECB.

fastest growing funding source in most periods since 1992 (see Chart A). The relative decline in the role of deposits for bank funding may in part stem from households' increasing recourse to institutional investors to manage their savings in an environment of generally decreasing and low interest rates and increased private pension savings by an ageing population. Data from the financial accounts indicate that, of the financial assets held with financial intermediaries, the proportion held with MFIs (currency and deposits) has decreased by 4 percentage points since end-1997, while the shares held with mutual funds and with insurance corporations/pension funds (insurance technical reserves) have both increased (by 5 percentage points taken together). A larger share of financial investments in non-bank products – coupled with an expansion of banks' balance sheets within a context of profitable lending opportunities – may have led banks to diversify their funding sources by issuing long-term notes and bonds.

Third, banks – like any corporation – raise funds to finance mergers and acquisitions (M&A). While the introduction of the euro has had an important impact on the development of corporate bond markets in general³, it does not appear that the single currency has had a direct and permanent impact on the issuance of debt securities by MFIs.⁴

What types of debt securities do banks issue?

The overall growth rates of debt securities issued by MFIs may conceal differences in the types of debt securities that banks issue, using different combinations of maturity and rate fixation. Looking at the different types of debt securities – in particular fixed-rate long-term debt securities, variable-rate long-term debt securities and short-term debt securities – provides

3 European Commission (2002), "Bond market integration in the EU", The EU economy: 2002 review, European Economy No 6; de Bondt, G. J. (2007), "The role of the euro on the corporate bond markets in the euro area", Journal of Financial Transformation, Vol. 19, 14-19.
 4 De Bondt, G. J. and Lichtenberger, J. (2004), "Empirical estimates of the impact of the euro on the corporate bond market in the euro area", Applied Economics Letters, 11, 675-678.

additional insights into the factors underlying overall debt securities issuance. This breakdown is available as from January 1999 (and December 1998 for amounts outstanding).

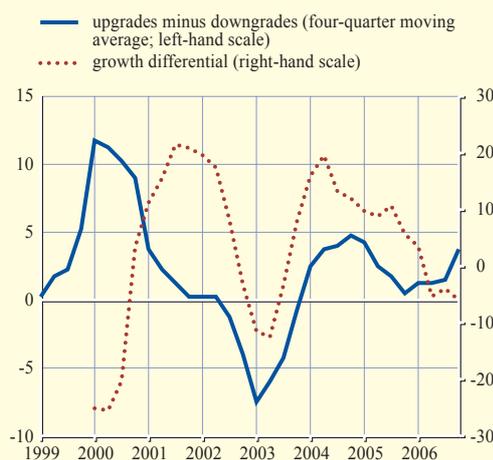
Banks issue long-term debt securities predominantly at long-term (i.e. fixed or zero-coupon) rates, which reflects the importance of covered bonds in several euro area countries. At the same time, the importance of long-term debt securities at short-term rates (i.e. at a variable rate) has increased considerably over the past few years. It also appears that banks may have sought to increase the matching of assets and liabilities on their balance sheets, possibly in preparation for the implementation of Basel II. Chart B shows that (i) there is a clear trend towards an increase in the importance of short-term rates, and (ii) that this increase is taking place at the expense of fixed-rate long-term debt securities, given that the share of short-term debt securities has remained broadly unchanged.

The progression of this two-pronged trend in bank funding may, in part, be related to swings in the creditworthiness of banks. Creditworthiness may affect the maturity at which banks raise funds at short-term rates. One notable feature is that variable-rate issuance tends to fall when issuance of short-term debt securities increases and vice versa. This negative relation may suggest that banks issue variable-rate long-term debt securities as substitutes for short-term debt securities. This practice allows banks to save on the transaction costs incurred when constantly rolling over short-term debt. The ability of banks to realise these savings may, however, depend on their creditworthiness, as longer maturities entail a higher duration of risk exposure for bond investors. In Chart C the increase in the importance of variable-rate long-term debt securities relative to short-term debt securities is reflected in a positive growth differential between the two throughout most of the period since 2000. The chart suggests that credit risk may indeed play a role, in the sense that variable-rate issuance by banks decelerates (in relation to short-term debt securities) when their creditworthiness deteriorates and vice versa.

All in all, it appears that capital markets are an important funding source for MFIs, complementing deposits. This is particularly the case in times of strong credit growth and increasing recourse to institutional investors to manage household savings. The issuance of variable-rate long-term debt securities by MFIs is likely to have been driven by increased matching of assets and liabilities – possibly in preparation for the implementation of Basel II – and by substitution for short-term debt securities, enabling banks to save on transaction costs when their creditworthiness is favourable.

Chart C Ratings upgrades minus downgrades for financial corporations in the euro area

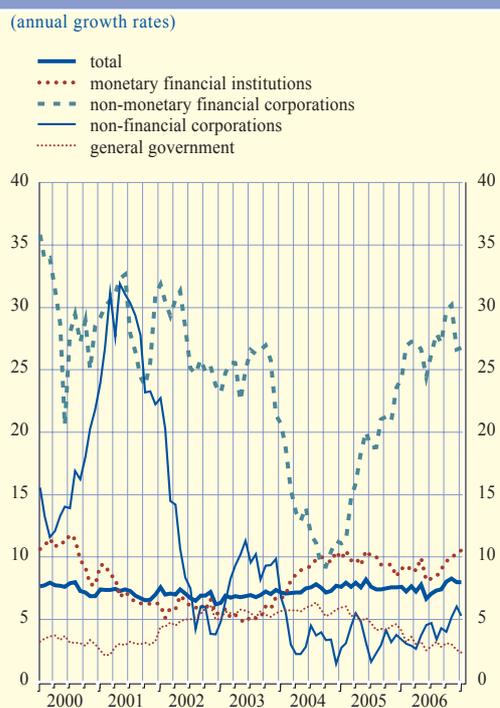
(percentage points; number)



Sources: ECB and Moody's Credit Trends.

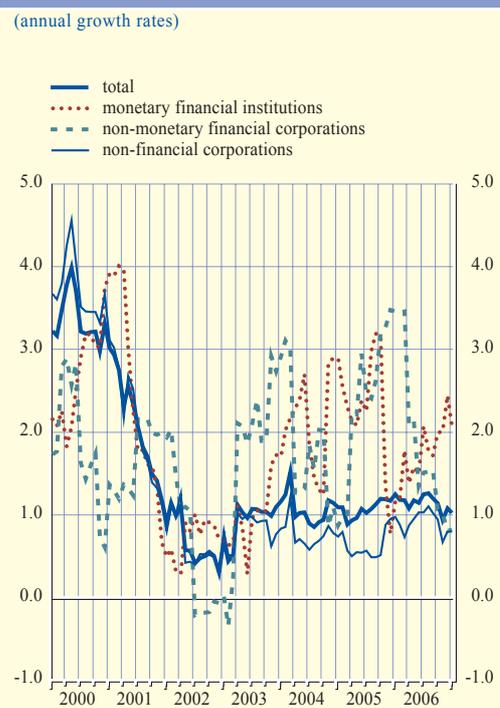
Note: The growth differential is calculated as the difference between the growth in variable-rate long-term debt securities issued by MFIs minus the growth in short-term debt securities issued by MFIs.

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



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



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

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents was 1.0% in January, slightly below the growth rate recorded in December. This reflected a moderation in the annual growth rate of quoted shares issued by monetary financial institutions, which stood at 2.1% in January, as compared with 2.4% in the previous month (see Chart 7). The annual growth rate of quoted shares issued by non-financial corporations and by non-monetary financial corporations remained unchanged at 0.8% for both sectors. While gross issuance activity by non-financial corporations – which constitutes the large majority of total gross issuance – has recovered somewhat since the end of 2005, net issuance remains subdued. This may be attributable to the still robust share buyback activity and to delisting as a consequence of takeover activity and companies being taken private via leveraged buyouts (LBOs).

2.3 MONEY MARKET INTEREST RATES

In March and early April 2007 money market interest rates increased across the maturity spectrum, with the largest increases being observed for longer-term rates. As a result, the slope of the money market yield curve steepened over the month.

Money market interest rates rose in the period from the beginning of March to 11 April 2007, with the most marked increases being observed at the longer end of the money market maturity spectrum. Compared with their levels at the beginning of March, interest rates at one, three, six and twelve-

Chart 8 Money market interest rates

(percentages per annum; daily data)

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

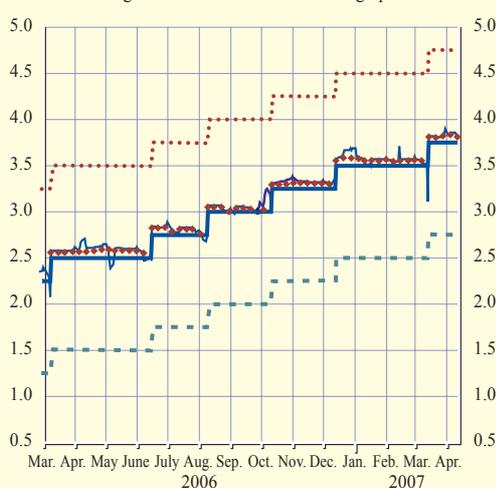


Sources: ECB and Reuters.

Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)

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



Sources: ECB and Reuters.

month maturities rose by 5, 9, 12 and 18 basis points respectively to stand at 3.86%, 3.96%, 4.08% and 4.24% on 11 April 2007. As a result, the slope of the money market yield curve steepened over the period under review. The spread between the twelve-month and the one-month EURIBOR rose from 24 basis points at the beginning of March to 38 basis points on 11 April 2007 (see Chart 8).

The interest rates implied by the prices of three-month EURIBOR futures maturing in June, September and December 2007 stood at 4.14%, 4.25% and 4.29% respectively on 11 April. Compared with the levels observed at the beginning of March, these represented increases of 14, 22 and 28 basis points respectively.

On 8 March 2007 the Governing Council raised the key ECB interest rates by 25 basis points, with the minimum bid rate in the Eurosystem's main refinancing operations being set at 3.75% as from the operation settled on 14 March. Towards the end of the maintenance period ending on 13 March the EONIA drifted lower, as market participants perceived prevailing liquidity conditions to be relatively ample. The size of the liquidity surplus foreseen by both the ECB and market participants at the end of the maintenance period made it clear that a liquidity-absorbing fine-tuning operation would be necessary on 13 March. Thus, the ECB launched a liquidity-absorbing operation of €10.5 billion, in which market participants offered only €2.3 billion. Consequently, the underbidding had a marked impact on the overnight rate, with the EONIA ending the maintenance period at 3.11% (see Chart 9). In the first weeks of the new maintenance period, which ended on 17 April, the EONIA was stable at 3.81-3.82%, i.e. 6-7 basis points higher than the minimum bid rate. The EONIA rose to 3.90% on 30 March owing to end-of-quarter effects and during the first few days of April remained slightly above the levels observed at the beginning of the maintenance period, reflecting the approaching Easter weekend. The EONIA declined somewhat after Easter and stood at 3.83% on 11 April.

In the maintenance period starting on 14 March the marginal and average rates in the Eurosystem's main refinancing operations remained broadly stable. Liquidity was provided at a marginal rate of 3.80-3.83% and an average rate of 3.81-3.83%. In the Eurosystem's longer-term refinancing operation conducted on 28 March 2007, the marginal and weighted average rates both stood at 3.87%. These tender rates were 4 basis points lower than the three-month EURIBOR prevailing on that date.

2.4 BOND MARKETS

Overall, long-term government bond yields increased in the major markets in the course of March and early April. In the euro area, the yields on long-term nominal bonds thus recovered from the declines observed during the global stock market turmoil of late February and early March. In particular, long-term real bond yields in the euro area increased over the review period, probably reflecting market participants' perceptions of a somewhat more favourable outlook for the euro area economy. At the same time, long-term forward break-even inflation rates declined slightly in the euro area.

Long-term government bond yields in the major bond markets rose overall in March and early April. At the beginning of that period, bond yields continued to decline in the wake of the stock market downturn that had begun at end-February, with government bonds acting as a "safe haven" for investors who reshuffled their portfolios (see Chart 10). Later on, however, when financial markets quietened and stock markets gradually recovered from the previous losses, long-term bond yields also rebounded. All in all, ten-year government bond yields in the euro area and the United States both increased by around 20 basis points between end-February and 11 April 2007, to stand at 4.2% and 4.8% respectively on the latter date. In consequence, the differential between

Chart 10 Long-term government bond yields

(percentages per annum; daily data)

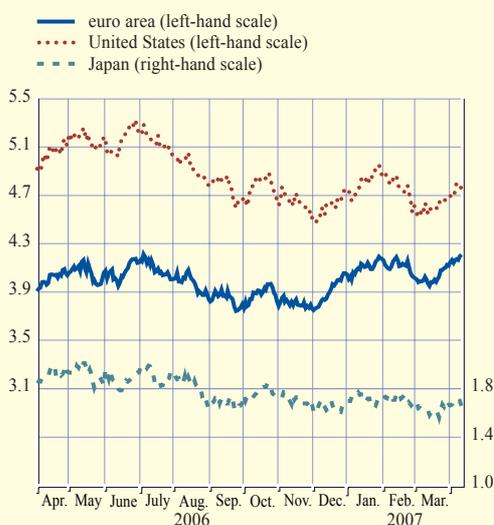
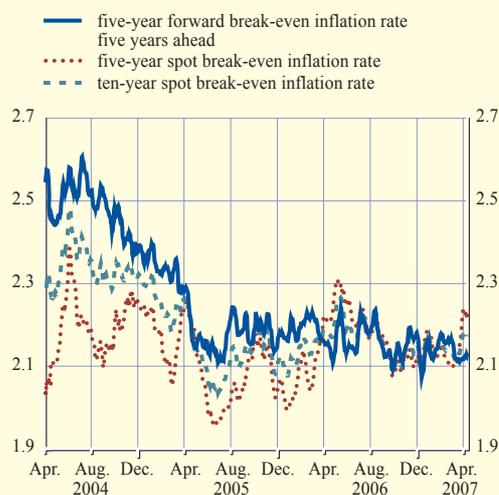


Chart 11 Zero-coupon spot and forward break-even inflation rates

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



US long-term bond yields and comparable euro area yields remained unchanged over the review period. In Japan the ten-year bond yield changed little as compared with end-February, to stand at around 1.7% on 11 April. Market participants' uncertainty about near-term bond market developments, as measured by implied volatility extracted from options, declined somewhat in the three major markets. By contrast with the euro area and Japan, implied volatility in the United States still remained at an elevated level as compared with the situation before the outbreak of the recent turmoil, which might point to an increasing uncertainty on the part of market participants with regard to the future outlook for the US economy and US interest rates.

The increase in long-term bond yields in the United States largely reflected a rise in long-term break-even inflation rates, while long-term real interest rates, as measured by indexed bond yields, remained broadly unchanged during the review period. On 11 April the break-even inflation rate calculated from bonds maturing in 2015 stood at a level of around 2.5%, which was around 10 basis points higher than at end-February. The FOMC's decision on 22 March to leave the federal funds target rate unchanged at 5.25% was followed by a slight increase in US long-term bond yields.

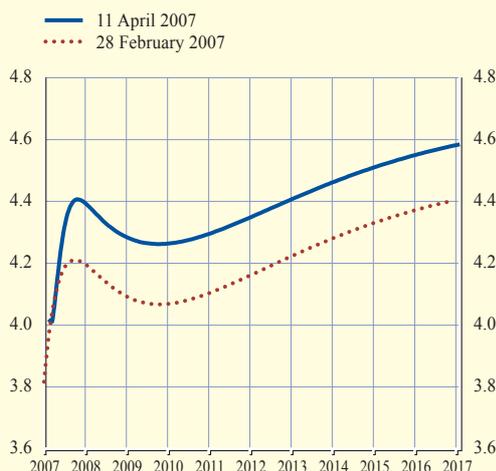
In March and early April long-term nominal government bond yields in the euro area increased overall, broadly in line with developments observed in global markets. The upturn in euro area long-term nominal interest rates was also accompanied by higher yields on long-term index-linked bonds, while break-even inflation rates remained broadly stable. This suggests that market participants hold very favourable expectations with regard to economic activity in the euro area, supported, in particular, by the release of better than expected economic sentiment indicators and industrial production figures for some countries.

Long-term break-even inflation rates showed little change in the period under review. The five-year forward break-even inflation rate five years ahead, a measure of long-term inflation expectations and related risk premia, declined marginally to stand at a level of around 2.1% on 11 April (see Chart 11).

The implied forward overnight interest rate curve in the euro area experienced an upward shift across all horizons between the end of February and early April 2007 (see Chart 12). It is likely that this upward shift was due, in part, both to an improvement in the outlook for the euro area economy as perceived by investors and to an increase in term premia across all maturities. It is likely that such movements in term premia mainly reflected developments in the compensation for real interest rate risks, rather than inflation risks, as the latter generally tend to fluctuate much less than the former according to model estimates (see Box 3).

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB estimates and Reuters.

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

Box 3

LONG-TERM REAL AND INFLATION RISK PREMIA IN THE EURO AREA BOND MARKET

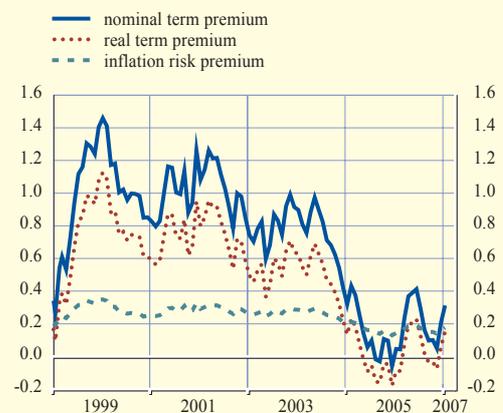
In line with developments in the global bond market, long-term interest rates in the euro area have remained at relatively low levels in recent years. At the same time, the euro area yield curve has flattened considerably, to which the gradual removal of monetary policy accommodation by the ECB since December 2005 has also contributed. There is strong evidence that low long-term rates and flat yield curves in the euro area and elsewhere reflect, to a large extent, very low levels of risk premia embedded in long-term interest rates. For example, in the December 2006 issue of the Monthly Bulletin, it was shown that the term structure of nominal risk or term premia estimated from an arbitrage-free term structure model for the euro area, having been relatively steep in early 2004, had almost flattened, at a very low level, by the end of 2006.¹

This box presents the results of an extended version of such a model, which provides a decomposition of nominal term premia into one part that compensates investors for real interest rate risks, the real term premium, and another part that compensates for inflation risk, the inflation risk premium.²

The chart indicates that since the introduction of the euro in January 1999 movements in the overall (nominal) ten-year term premium have largely been driven by movements in the real term premium, whereas the inflation risk premium has been relatively stable at low levels throughout that period. In particular, the sharp decline in the nominal term premium between mid-2004 and the latter half of 2005 was accompanied by an almost parallel decline in its real component. This, in turn, supports the hypothesis that the developments leading to very low long-term bond yields were mainly driven by a number of special factors which were influencing “real term premia” in the global bond market, such as a stronger demand for bonds from institutional investors relating both to changes in the regulatory framework and to demographic factors, Asian central banks accumulating foreign exchange reserves, and oil exporting countries investing their windfall profits from the strong increases in oil prices.³

Decomposition of the 10-year nominal term premium in the euro area

(percentages per annum; monthly data)



Sources: Bloomberg, Reuters and ECB calculations.

1 See the box entitled “The recent flattening of the euro area yield curve: what role was played by risk premia?” in the December 2006 issue of the Monthly Bulletin.

2 The model is similar to the model developed by Kim and Wright for the United States. See, Kim, D. H. and J. H. Wright: “An arbitrage-free three-factor term structure model and the recent behavior of long-term yields and distant-horizon forward rates”, Board of Governors of the Federal Reserve System, Finance and Economics Discussion Series 2005-33, 2005.

3 See the box entitled “Recent developments in long-term real interest rates” in the April 2005 issue of the Monthly Bulletin.

According to the model estimates, the typical fluctuations in the estimated inflation risk premium appear rather muted, which is broadly in line with the stable developments seen in long-term break-even inflation rates, which reflect investors' long-term inflation expectations and an inflation risk premium. Hence, it appears that market participants see the ECB's price stability objective as being highly credible and that it thus provides a solid anchor for investors' inflation expectations.

The changes in the estimated inflation risk premium over recent years appear negligible as compared with the relatively large swings in the nominal and the real term premium. However, it has to be stressed that the estimation of term premia, and even more so the decomposition into estimated real and inflation risk premia, is surrounded by a considerable amount of uncertainty related to the shortness of the available data sample, the difficulty in specifying a suitable econometric model, and the general estimation uncertainty associated with such a model.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In January 2007 most MFI interest rates continued their upward trend, while remaining at a relatively low level. The increases were more pronounced in the case of interest rates on loans and deposits to and from households.

In January 2007 short-term MFI interest rates generally increased as compared with the previous month, broadly in line with comparable money market rates (see Table 4 and Chart 13). Between end-December and end-January interest rates on short-term loans to households for consumption purposes and for house purchase showed a significant further increase, by 14 and 11 basis points respectively. At the same time, MFI interest rates on loans to non-financial corporations with floating rates and an initial rate fixation of up to one year increased by 7 basis points for loans up to €1 million and decreased by 5 basis points for loans over €1 million.

Looking back over a longer period, the pass-through of increases in interest rates from market rates to bank rates, which was lagging behind in early 2006 following the start of the rising cycle, has caught up over the last few months. Between September 2005 and January 2007 the three-month money market rate rose by 161 basis points. At the same time, MFI interest rates on deposits by households and loans for house purchase with an initial rate fixation of up to one year rose by around 135 basis points. By contrast, bank rates on short-term loans to households for consumption purposes have risen by only 82 basis points since September 2005, possibly reflecting the increasing level of competition in this segment of the market, and thus continue to be generally less responsive to cyclical market conditions.

In January 2007 long-term MFI interest rates on deposits from households and non-financial corporations increased by 10 and 6 basis points respectively as compared with the previous month (see Table 4 and Chart 14), somewhat less than the increases in the yields on two and five-year government bonds.

Table 4 MFI interest rates on new business

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

							Change in basis points up to Jan. 2007 ²⁾		
	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Dec.	2007 Jan.	2006 June	2006 Sep.	2006 Dec.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	2.14	2.36	2.56	2.87	3.26	3.33	77	46	7
with an agreed maturity of over two years	2.18	2.43	2.57	2.68	2.84	2.94	37	26	10
redeemable at notice of up to three months	1.97	1.98	2.03	2.26	2.37	2.38	35	12	1
redeemable at notice of over three months	2.30	2.37	2.52	2.68	2.86	2.97	45	29	11
Overnight deposits from non-financial corporations									
with an agreed maturity of up to one year	2.26	2.48	2.70	2.98	3.47	3.49	79	51	2
with an agreed maturity of over two years	3.55	3.34	3.23	3.70	4.04	4.10	87	40	6
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.73	6.77	7.15	7.89	7.65	7.79	64	-10	14
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.48	3.74	4.02	4.31	4.54	4.65	63	34	11
with an initial rate fixation of over five and up to ten years	4.03	4.23	4.51	4.63	4.55	4.58	7	-5	3
Bank overdrafts to non-financial corporations									
with a floating rate and an initial rate fixation of up to one year	5.14	5.30	5.46	5.69	5.82	5.90	44	21	8
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.99	4.23	4.47	4.74	5.08	5.15	68	41	7
with an initial rate fixation of over five years	4.10	4.19	4.40	4.59	4.67	4.63	23	4	-4
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.24	3.50	3.74	4.02	4.49	4.44	70	42	-5
with an initial rate fixation of over five years	3.98	4.22	4.26	4.48	4.63	4.70	44	22	7
Memo items									
Three-month money market interest rate	2.47	2.72	2.99	3.34	3.68	3.75	76	41	7
Two-year government bond yield	2.80	3.22	3.47	3.62	3.79	3.94	47	32	15
Five-year government bond yield	3.07	3.47	3.78	3.70	3.83	4.02	24	32	19

Source: ECB.

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

2) Figures may not add up due to rounding.

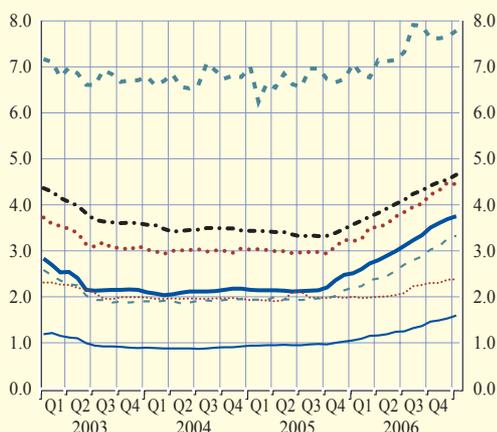
At the same time, long-term MFI rates on loans to households were broadly stable. Only in the case of larger loans did long-term rates on loans to non-financial corporations increase slightly (see Chart 14).

In the case of long-term rates the pass-through of interest rate increases since September 2005 is still lagging. The five-year euro area government bond yield rose by 142 basis points between September 2005 and January 2007. Over the same period, long-term deposit rates for households increased by only 92 basis points. As for lending rates, MFI interest rates on loans to households for house purchase with an initial rate fixation of over five and up to ten years rose by only 58 basis points. In the case of loans to non-financial corporations with an initial rate fixation of over five years, MFI interest rates increased by 57 to 82 basis points, depending on the size of the loans. The rather sluggish pass-through to long-term lending rates is in line with historical experience and may be due to uncertainty regarding the size and direction of changes in long-term rates. In addition, increased competition may have favoured the compression of bank spreads.

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

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

- three-month money market rate
- loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year
- - - loans to households for consumption with a floating rate and an initial rate fixation of up to one year
- overnight deposits from non-financial corporations
- deposits from households redeemable at notice of up to three months
- - - deposits from households with an agreed maturity of up to one year
- - - loans to households for house purchase with a floating rate and an initial rate fixation of up to one year



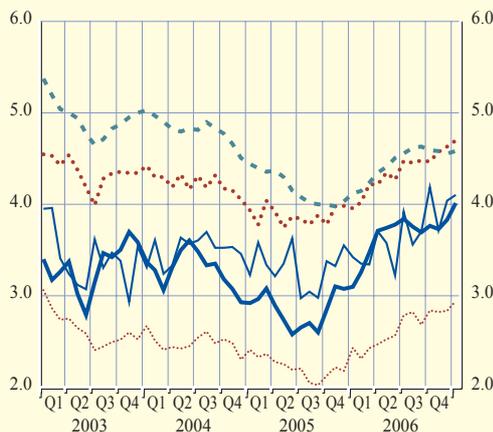
Source: ECB.

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

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

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

- five-year government bond yield
- loans to non-financial corporations of over €1 million with an initial rate fixation of over five years
- - - loans to households for house purchase with an initial rate fixation of over five and up to ten years
- deposits from non-financial corporations with an agreed maturity of over two years
- deposits from households with an agreed maturity of over two years



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.

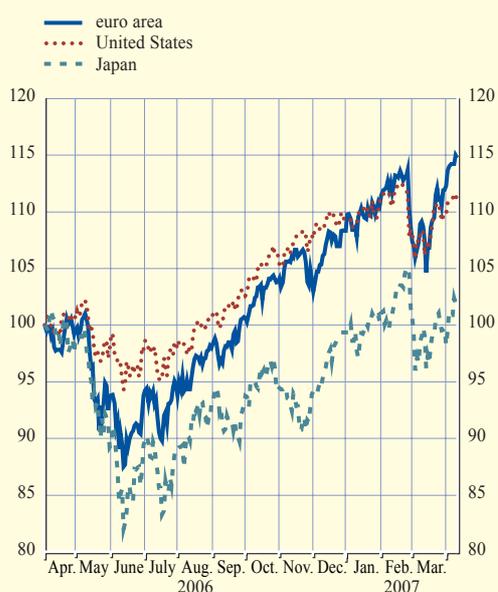
2.6 EQUITY MARKETS

The sharp decline in global stock prices around end-February and in the early part of March was followed by a gradual rebound in stock prices once the markets had calmed. By early April stock prices in the euro area reached levels which were markedly higher than at the end of February. Risk aversion and uncertainty on the part of investors appeared to recover from the peaks observed during the recent period of market turmoil, against the background of ongoing solid stock market fundamentals, in particular for the euro area.

Broad-based stock price indices in the major markets experienced wide swings in March and early April of 2007, declining further during the first part of the review period in the wake of the turbulence observed in global stock markets and rebounding thereafter (see Chart 15). All in all, euro area and US stock prices, as measured by the Dow Jones EURO STOXX index and the Standard and Poor's 500 index, increased by around 6% and 2% respectively between the end of

Chart 15 Stock price indices

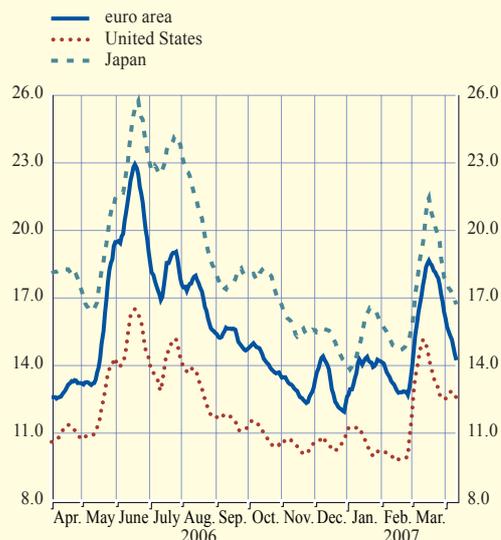
(index: 1 April 2006 = 100; daily data)



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

February and 11 April. Stock prices in Japan, as measured by the Nikkei 225 index, changed little over the review period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, declined across all major equity markets. Hence, by early April, global stock market uncertainty returned to levels close to those observed before end-February (see Chart 16).

The relatively small increases in US stock prices largely reflected the normalisation of market conditions as compared with end-February. Moreover, stock prices may have been supported by the fact that actual annual earnings growth for corporations in the Standard & Poor's 500 index remained broadly unchanged as compared with February, at a robust rate of around 14%. At the same time, analysts' expected earnings growth for the 12 months ahead interrupted the declining trend that had begun in July 2006 and increased to a level of around 8% in March 2007, according to private sector information.

The more pronounced increase in euro area stock prices over the review period appeared to be driven, in particular, by better than expected data releases on economic sentiment and industrial production in some countries, probably resulting in a perception among investors that the earnings outlook for listed companies had improved. According to private sector information, in March 2007 stock market analysts expected the earnings per share of companies included in the Dow Jones EURO STOXX index to grow at a rate of around 9% over the twelve-month period ahead, and at around 7% over the next three to five years. Moreover, actual year-on-year earnings growth

for firms in the Dow Jones EURO STOXX index still remained high, at around 17% in March 2007, despite a 2 percentage point decline as compared with the previous month. Another contribution to the rebound in euro area stock prices – in line with developments in the global market – seemed to stem from investors' increasing risk appetite and declining uncertainty, reflecting a perception that the recent market turbulence had been only short-lived.

Indicating lower uncertainty on the part of market participants with regard to near-term stock price moves, implied volatility in the euro area decreased by around 3 percentage points over the review period. Hence, by early April 2007, euro area stock market uncertainty had returned to relatively low levels by historical standards. Box 4 reviews recent developments in stock market uncertainty using option-implied distributions.

Box 4**GAUGING STOCK MARKET UNCERTAINTY USING OPTION-IMPLIED DISTRIBUTIONS**

After a long period of relatively low volatility and steadily rising stock prices, global stock markets were suddenly hit by a strong sell-off in late February 2007. On 27 February broad-based indices in the euro area and the United States dropped by 3% and 3.5% respectively, as measured by the Dow Jones EURO STOXX and the Standard & Poor's 500 indices. There are indications that the stock market turmoil reflected a sharp and sudden increase in global risk aversion and uncertainty, causing broad-based profit-taking in the light of the strong valuation gains accumulated over previous months. However, following a short period in which prices stabilised at lower levels, global stock markets to a large extent recovered the previous losses during the second half of March and early April. Despite the limited impact, it is important to look at how investors' risk perceptions evolved during that episode.

Option prices contain useful information about market participants' risk perceptions. In particular, by estimating what are known as option-implied distributions, it is possible to derive the probabilities that investors assign to possible future stock price developments. This box applies option-implied distributions to the recent stock market turmoil in order to examine two different aspects in more detail. First, an attempt is made to gauge the extent to which the February turmoil was seen by investors as an extreme event. Second, the box looks at whether investors, following the stock market correction, changed their view concerning future large swings in US stock prices. The analysis is applied to the US market, since a sufficiently wide range of actively traded options are available for the Standard and Poor's 500 index.

An option contract, such as a call option, can be seen as a bet that the underlying asset will at some point in the future exceed a certain level. By combining the information from several options that give a positive pay-off for different levels of the underlying asset, it is possible to recover the full set of probabilities that investors assign to all possible future stock price developments. These are often referred to as option-implied distributions. Several interesting statistics and applications can be derived from these distributions. First, the distributions can reveal potential asymmetries and therefore the "balance of risks" which the markets may perceive as regards future asset price developments. Second, by comparing the shape of the option-implied density functions before and after a specific event, it is possible to determine

more precisely the way in which that event has shaped market participants' views about the future.¹

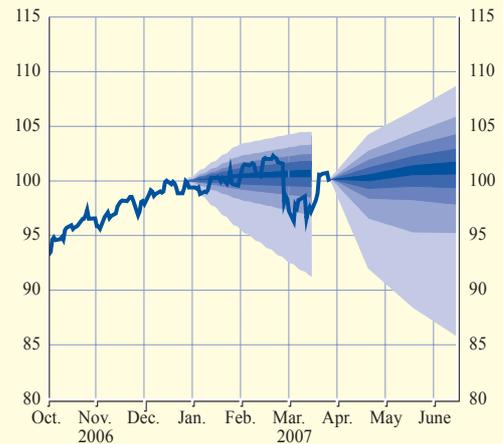
Furthermore, by using distributions based on options with various maturities, it is possible to derive a "fan chart" that reflects the distribution of future stock price developments as perceived by the markets. Using data on options on the Standard & Poor's 500 price index traded on the Chicago Mercantile Exchange, two fan charts are shown, one using data for late December 2006 and the other based on data for late March 2007, together with the actual performance of the Standard & Poor's 500 index. These fan charts are built up using option contracts that expire around one month, two months and three months ahead respectively. Each "fan" is composed of nine bands, with each band covering 10% of the probability mass of the option-implied distribution over the range of potential outcomes for future

stock price developments as perceived by market participants. The successive pairs of bands shown are drawn to cover 90% of the probability distribution. The depth of the shading of each band varies in proportion to its value or "height" of the probability distribution function such that, for example, the central band with the darkest shading covers the most likely event. The bands widen as the time horizon is extended, indicating increasing uncertainty about outcomes at more distant points in time.²

Three interesting features can be inferred from the chart. First, although the drop in US stock prices was relatively marked by late February, prices did not fall outside the 90% confidence bands derived from the option-implied distribution extracted two months earlier. In fact, only for a few days in late February and early March did US stock prices hover in the lower outer band covering outcomes with a probability between 5% and 15%. This suggests that by late December 2006 investors estimated that there was an approximately one in ten chance of a stock price correction as sharp as that actually observed. Second, the fan chart derived from options at end-March is wider than that derived from end-2006 options. This suggests that market participants have recently viewed the likelihood of there being a more volatile stock market environment as having increased. Third, judging from the asymmetry of the two fan charts at both points in time, the markets appear to have perceived strong declines in stock prices as being more likely than increases of similar magnitude. This asymmetry was more marked in the fan chart derived in March than in that computed at the end of December 2006. As a consequence of this reassessment, a stock price decline equally as strong as that observed in February was seen by market participants in late March as being somewhat more likely than it was three months earlier.

Option-implied distributions for the Standard and Poor's 500 index

(index: 27 December 2006 = 100; daily data)



Sources: Bloomberg and ECB calculations.

Notes: Fan charts as at 27 December 2006 and 29 March 2007. The fan charts depict the implied distribution of future stock price developments over the next two and a half calendar months.

1 For an application to stock market reactions to the September 11 terrorist attacks, see M. Andersson and M. Lomakka, "Evaluating implied RNDs by some new confidence interval estimation techniques", *Journal of Banking and Finance*, 2005, pp. 1535-1557. See also the article entitled "The information content of interest rates and their derivatives for monetary policy" in the May 2000 issue of the *Monthly Bulletin* for a fan chart of the three-month EURIBOR.

2 For a further description of fan chart interpretations, see R. Clews, N. Panigirtzoglou and J. Proudman, "Recent developments in extracting information from option markets", *Quarterly Bulletin*, Bank of England, February 2000.

3 PRICES AND COSTS

HICP inflation is estimated to have edged up to 1.9% in March 2007, possibly owing to a rise in energy prices, from 1.8% in the first two months of the year. Producer price and business survey data continue to suggest upward price pressures further down the production chain, but pressures from wage developments have so far remained contained. Looking ahead, despite the recent oil price increase, overall inflation is expected to fall in the coming months on account of favourable base effects, while unfavourable base effects are likely to drive up inflation again towards the end of the year. Thereafter, inflation is expected to hover around 2%, but risks to this outlook are on the upside. These are related, in particular, to the possibility of stronger than currently expected labour cost pressures, which calls for the close monitoring of wage developments.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR MARCH 2007

According to Eurostat's flash estimate, HICP inflation rose to 1.9% in March 2007 (see Table 5), up from 1.8% in January and February. While a detailed breakdown of the HICP components in March will become available only in mid-April, the rise in overall inflation seems to be mainly the result of higher energy prices on account of an increase in oil prices.

The price of a barrel of Brent crude oil has risen by more than 20% since the end of January. Over the same period, petrol (gasoline) prices have increased even more considerably – by almost 30%. These developments reflect a rebound in the petrol refining margin, i.e. the difference between the prices of crude oil and petrol. Between October 2006 and January 2007 the refining margin was close to zero, but by March 2007 it had increased to above USD 10 per barrel (see Chart 17), reflecting to some extent a “normalisation” of the refining margin compared with its previous lows. The rise may also be related to increasing tightness in the market for petrol, which stems from a number of factors such as refinery maintenance, production failures and pipeline problems. As explained in greater detail in Box 5 of the November 2006 issue of the Monthly Bulletin, developments in the refining margin can have an impact on consumer energy prices beyond those in crude oil prices.

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

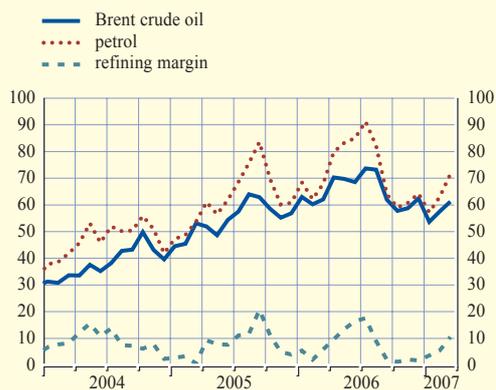
	2005	2006	2006 Oct.	2006 Nov.	2006 Dec.	2007 Jan.	2007 Feb.	2007 Mar.
HICP and its components								
Overall index ¹⁾	2.2	2.2	1.6	1.9	1.9	1.8	1.8	1.9
Energy	10.1	7.7	-0.5	2.1	2.9	0.9	0.8	.
Unprocessed food	0.8	2.8	4.2	4.4	3.7	3.7	2.8	.
Processed food	2.0	2.1	2.3	2.2	2.1	2.2	2.1	.
Non-energy industrial goods	0.3	0.6	0.8	0.8	0.9	0.9	1.1	.
Services	2.3	2.0	2.1	2.1	2.0	2.3	2.4	.
Other price indicators								
Industrial producer prices	4.1	5.1	4.0	4.3	4.1	3.1	2.9	.
Oil prices (EUR/barrel)	44.6	52.9	47.6	46.7	47.4	42.2	44.9	47.3
Non-energy commodity prices	9.4	24.8	28.7	22.9	17.7	15.6	13.9	17.6

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

1) HICP inflation in March 2007 refers to Eurostat's flash estimate.

Chart 17 Oil prices

(USD/barrel; monthly data)



Sources: US Energy Information Administration, Eurostat and ECB calculations.

Notes: The figure shows the spot price of Brent crude oil traded at the Intercontinental Exchange and the spot price of conventional regular gasoline (petrol) also traded at the New York Mercantile exchange, delivered free on board in Antwerp, Rotterdam and Amsterdam. The refining margin is calculated as the difference between the Brent crude oil price and the petrol price.

HICP INFLATION UP TO FEBRUARY 2007

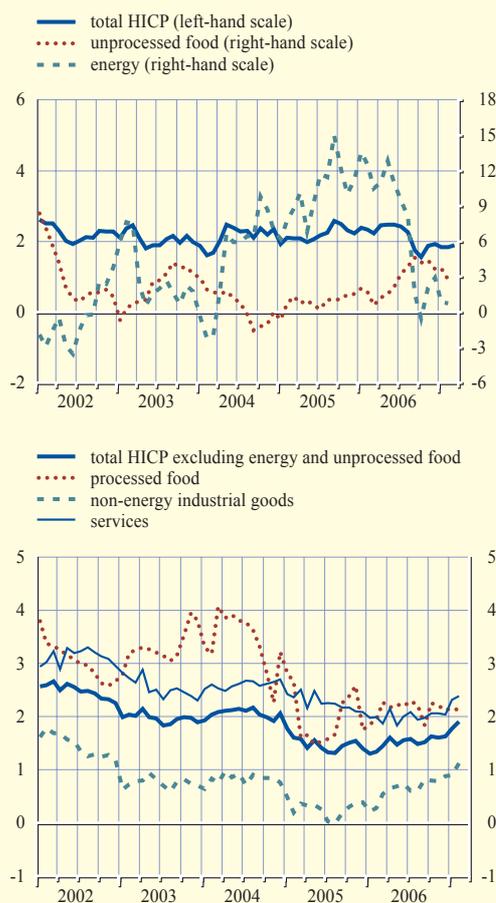
The unchanged rate of overall HICP inflation in February, at 1.8%, masked offsetting developments, with a declining contribution from volatile energy and unprocessed food components and increasing contributions from the less volatile components.

The annual rate of change in energy prices fell marginally in February, to 0.8%, on account of a small base effect. On a month-on-month basis, energy prices continued to increase in the wake of rising oil prices. Unprocessed food prices were lower in February compared with January, possibly as a result of the relatively mild winter weather across Europe. This, together with a base effect, led to a marked decline, to 2.8%, in the annual rate of change in unprocessed food prices in February, the lowest rate observed since June 2006 (see Chart 18).

With regard to the less volatile components of the HICP, the annual rates of change in the prices of both non-energy industrial goods and services rose in February, to 1.1% and 2.4% respectively. This was largely due to a further, delayed, upward adjustment of German consumer prices following the VAT increase in the country in January 2007 and, in the case of non-energy industrial goods prices, also the upward adjustment of prices following the winter sales period in the euro area. Consequently, despite a slight fall in the annual rate of change in processed food prices, HICP inflation excluding energy and unprocessed food edged up further to stand at 1.9% in February, compared with 1.8% in January and 1.5-1.6% for most of 2005 and 2006. The rise in

Chart 18 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

this measure largely reflects the impact of the German VAT increase, but also some upward pressure on prices resulting from higher input costs and increased pricing power, as signalled by relatively robust underlying dynamics in producer prices.

3.2 INDUSTRIAL PRODUCER PRICES

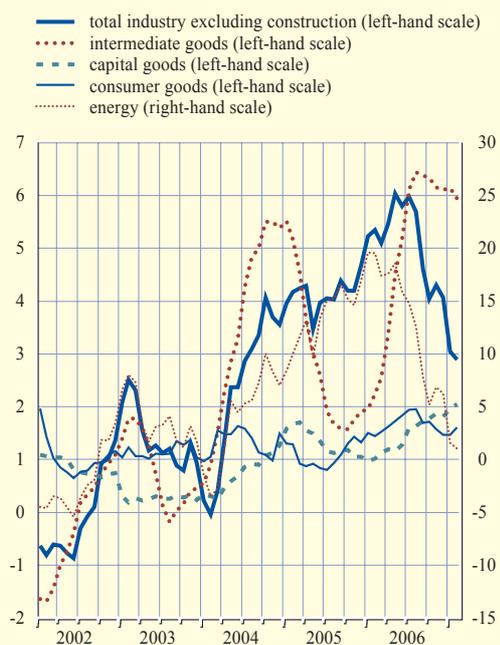
In February 2007 the annual rate of change in total industrial producer prices (excluding construction) edged down slightly to 2.9% (see Chart 19), continuing its overall downward movement since August 2006. This latest development was again largely driven by a decrease in the energy component on account of a base effect. While the annual rate of change in intermediate goods prices also declined slightly in February, it remained at a relatively high level (5.9%). This rate of change reflects, to a large extent, ongoing pressure from developments in industrial raw material prices, as well as the impact of previous increases in oil prices.

In contrast to energy and intermediate goods prices, the annual rates of change in both capital and consumer goods prices increased in February, albeit marginally, to 2.1% and 1.6% respectively. The annual rate of change in capital goods prices has been on an upward path since the end of 2005. In the case of consumer goods prices, the latest increase in the annual rate of change follows a gradual decline since August 2006, mainly resulting from developments in volatile food and tobacco prices. Excluding these items, the annual rate of change in consumer goods prices picked up further in February, to 1.4%, reaching the highest level observed in that measure since early 2002. These developments seem to indicate that the pass-through of previous increases in commodity prices is still ongoing at the later stages of production.

The latest information on price-setting from business surveys also suggests that price pressures remain high in both the manufacturing and services sectors (see Chart 20). According to NTC Economics, the indicator for input prices in the manufacturing sector rose in March 2007, but remained well below the peak reached in mid-2006, mainly on account of lower energy prices. Survey respondents nevertheless continue to mention increases in the prices of raw materials and manufactured inputs as the main factor behind high input costs. The indicator for manufacturing output prices decreased somewhat but remains close to its historical peak recorded in January 2007, signalling an ongoing strengthening in firms' pricing power. In the services sector, the input price indicator edged down slightly in March for the second consecutive month. According to respondents, this easing reflects, in part, a declining impact of the January VAT-related price increases in Germany. However, the indicator still stands at a fairly high level, in a historical context, on account of reported high energy prices and rising wage costs. Services output prices have increased slightly, reflecting the willingness of service providers to pass on higher costs.

Chart 19 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 20 Producer input and output price surveys

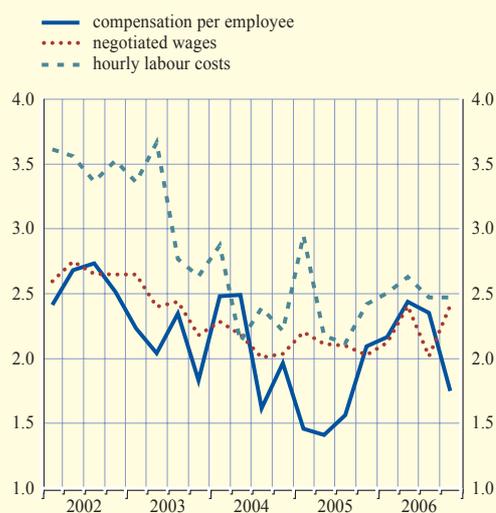
(diffusion indices; monthly data)



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

Chart 21 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages do not include Slovenia.

3.3 LABOUR COST INDICATORS

In the fourth quarter of 2006, the annual rate of change in compensation per employee for the euro area as a whole fell strongly, to 1.8%, compared with 2.4% in the previous quarter (see Table 6 and Chart 21). This decline was, to a large extent, driven by specific temporary developments in the public sector in Italy. By contrast, the annual rate of change in hourly labour costs, which does not include the public sector, stood at 2.5% in the fourth quarter of 2006, unchanged from the rate observed in the third quarter and at a similar level to that registered for the first three quarters of the year. Moreover, negotiated wage growth rose markedly in the last quarter of the year, but this increase was mainly on account of one-off payments in Germany, which nevertheless may also reflect some cyclical.

Table 6 Labour cost indicators

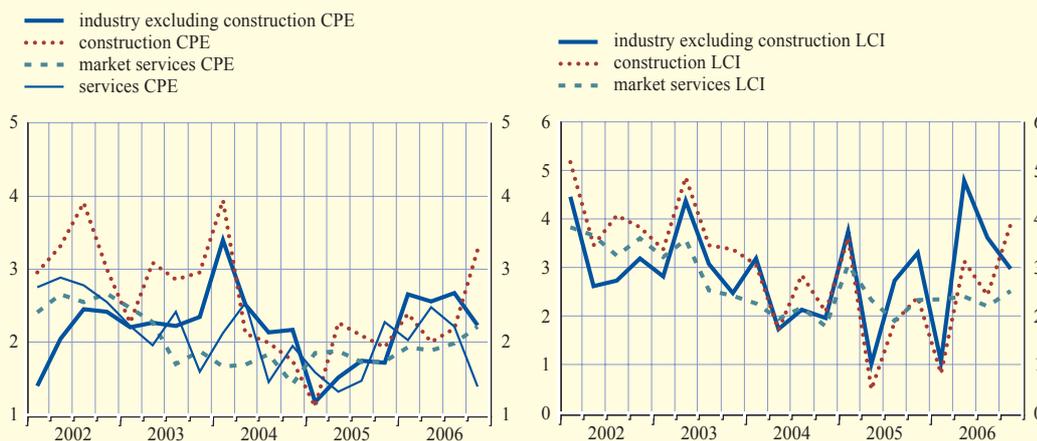
(annual percentage changes, unless otherwise indicated)

	2005	2006	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Negotiated wages	2.1	2.2	2.0	2.1	2.4	2.0	2.4
Total hourly labour costs	2.4	2.5	2.4	2.5	2.6	2.5	2.5
Compensation per employee	1.6	2.2	2.1	2.2	2.4	2.4	1.8
<i>Memo items:</i>							
Labour productivity	0.7	1.4	1.1	1.2	1.4	1.2	1.8
Unit labour costs	0.9	0.8	0.9	1.0	1.0	1.1	0.0

Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages do not include Slovenia.

Chart 22 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Note: CPE stands for compensation per employee and LCI for hourly labour cost index.

Following the release of annual compensation figures for several countries, the euro area growth rates for the first three quarters of the year have been revised up slightly. As a result, in 2006 as a whole, compensation per employee grew by 2.2%, notably above the annual average rate of 1.6% recorded for 2005. This increase is, however, partly related to a rise in working hours, which becomes evident when comparing developments in compensation per employee with those in hourly labour costs. On an annual average basis, hourly labour costs rose by 2.5% in 2006 (also reflecting some upward revisions of annual rates of change for the first three quarters of 2006 compared with previous releases), marginally above the average growth observed in the previous two years. A small upward drift compared with 2005 was also recorded in negotiated wage growth for 2006 as a whole. Overall, information from the available labour cost indicators is still in line with the assessment of moderate wage growth during the course of 2006, once specific factors giving rise to volatile and divergent developments are taken into account.

Across the different sectors of the economy, wages gathered pace in the construction and market-related services sectors in the fourth quarter of 2006, but decelerated in industry (see Chart 22). However, in annual average terms, wages in industry continued to grow more strongly than in market services.

Moderate wage developments in the euro area as a whole nevertheless have reflected relatively low labour cost increases in a few countries. By contrast, wage developments in several other euro area countries have been fairly dynamic, leading to substantial and rather persistent cross-country divergences in wage growth. Given relatively similar developments in productivity growth across countries, there have also been large differences between growth rates in unit labour costs at the country level.

At the aggregate euro area level, unit labour cost growth was subdued in the course of 2006, on account of overall moderate wage developments and a significant cyclical pick-up in productivity growth, particularly in the last quarter of 2006. Subdued labour cost pressure may also reflect the impact of globalisation and associated strong competition. However, in the light of the favourable

growth momentum observed recently in the euro area, as well as a tightening of labour market conditions, upward risks of increasing wage pressures remain, hence the need to continue to monitor wage developments closely.

3.4 THE OUTLOOK FOR INFLATION

Short-term developments in overall HICP inflation will be significantly shaped by developments in energy prices. Despite the recent increase in both crude and refined oil prices, favourable base effects are likely to lead to a dip in overall inflation in the coming months. This decline is, however, expected to be reversed on account of unfavourable base effects towards the end of the year. Thereafter, it is most likely that inflation will again hover around 2%.

This outlook for inflation is subject to a number of upward risks. These relate to further rises in oil prices and additional increases in administered prices and indirect taxes beyond those announced and decided thus far. More fundamentally, stronger than currently expected wage developments could pose significant upward risks to the inflation outlook, not least in view of the favourable momentum in labour markets observed over the past few quarters.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP expanded strongly in the fourth quarter of 2006, driven by both domestic and external factors. The information available for the first quarter of 2007 confirms the expected moderation in activity, related in part to the VAT increase in Germany in January 2007. The underlying growth momentum is nevertheless expected to remain robust. This is confirmed by both the relatively high level of survey indicators and the ongoing improvements that have been observed in euro area labour markets. Looking ahead, growth is expected to remain solid. Risks to this outlook are considered to be broadly balanced over the short term but to lie on the downside over the longer term.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Euro area real GDP grew by 0.9% quarter on quarter in the fourth quarter of 2006, following growth of 0.6% in the third quarter. The growth in the fourth quarter was broadly based across domestic and external expenditure components. Both domestic demand and net exports contributed significantly to growth, while changes in inventories impacted negatively on the growth outcome (see Chart 23). On the domestic side, gross fixed capital formation (i.e. investment) in particular grew dynamically, by 1.5% quarter on quarter – an upward revision according to Eurostat's second release of national accounts. The sectoral breakdown of investment, which also became available with the second release of national accounts data for the fourth quarter, shows that the strength of investment was broadly based, although it pointed to a slight deceleration in housing investment. This deceleration was, however, compensated by stronger investment growth in non-housing construction. The upward revision of investment was offset by lower consumption than in the previous release. On the external side, exports accelerated vigorously, while import growth remained robust.

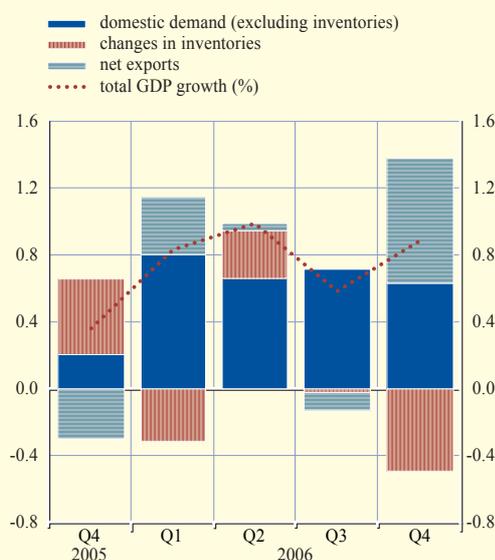
SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Value added growth strengthened slightly in the fourth quarter of 2006, compared with the third. Growth was particularly strong in agriculture and construction, partly as a result of mild temperatures. However, value added growth in the services sector also strengthened significantly, mainly on account of trade and transportation services and financial and business services. At the same time, the growth momentum in industry slowed compared with the third quarter.

Euro area industrial production (excluding construction) expanded moderately quarter on quarter in the fourth quarter of 2006, following more vigorous growth in the previous quarter (see Chart 24). Growth in the fourth quarter was supported by capital, intermediate and consumer goods production, while energy production contracted strongly, probably on

Chart 23 Real GDP growth and contributions

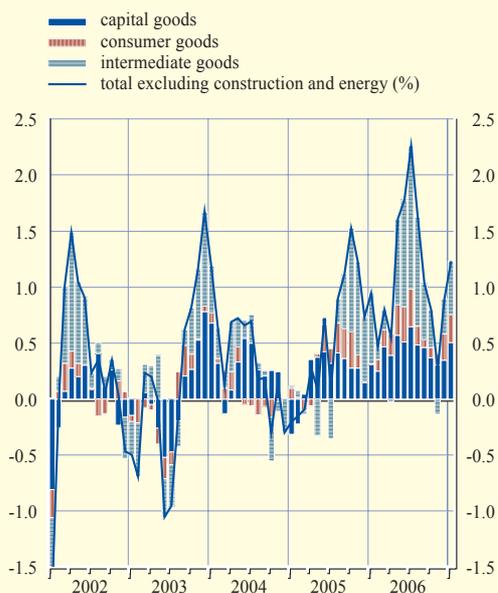
(quarter-on-quarter growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Chart 24 Industrial production growth and contributions

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



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

Chart 25 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.

account of the unusually mild weather conditions in Europe during this period. In January 2007, industrial production (excluding construction) posted a small decline – although it increased slightly on a three-month moving average basis – driven, in particular, by a further strong contraction in energy production and small declines in the intermediate and consumer goods sectors. The decline in the latter was due to a strong decrease in the production of durables. Among the main industrial groupings, only the production of capital goods rose significantly in January 2007. However, construction production also expanded forcefully, following strong growth in the fourth quarter of 2006.

New orders continue to provide positive signals for the industrial sector. In January 2007 new orders declined slightly, although the overall upward trend remains intact. This picture is also confirmed by new orders excluding the volatile category “other transport equipment”.

SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Business surveys overall point to sustained growth in the first quarter of 2007, albeit possibly at a slower pace than in the previous quarter.

In the industrial sector, the European Commission’s confidence indicator edged up from February to March, revisiting the historical peak reached by this index. By contrast, the Purchasing Managers’ Index (PMI) for the manufacturing sector further declined in March (see Chart 25), pointing to some slowing down in the growth momentum in the first quarter of the year. Nevertheless, the index remains in line with a robust expansion of the manufacturing sector. With

regard to services, the Commission's confidence indicator rose in March to slightly above the level it had hovered around for almost a year. At the same time, the activity index of the PMI survey for the services sector declined marginally in March, although overall, it points to solid growth in this sector in the first quarter of the year.

INDICATORS OF HOUSEHOLD SPENDING

Euro area private consumption expanded at a rate of 0.5% quarter on quarter in the fourth quarter of 2006, following growth of 0.7% in the third quarter. Private consumption growth in the last quarter of the year was boosted by advance purchases by German consumers on account of the VAT increase in January of this year. This effect is particularly visible in new passenger car registrations and consumers' willingness to make major purchases, as surveyed in the Commission's surveys. However, it is also evident, to some extent, in German retail sales in December 2006, and came at the expense of purchases in the first quarter of 2007. Euro area new passenger car registrations fell by about 8.5% month on month in January 2007 and by another 0.5% in February, suggesting a negative contribution of car sales to private consumption growth in the first quarter. Additionally, euro area retail sales posted a month-on-month decline of 0.8% in January, recovering only slightly – by 0.3% – in February.

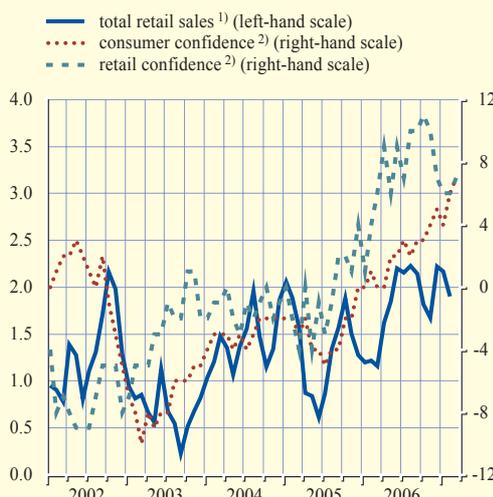
However, euro area consumer confidence continued its gradual upward movement in March, driven by improvements in expectations concerning the financial and general economic situation. Confidence clearly exceeded, in the first quarter of this year, the level of the previous quarter (see Chart 26). This supports the outlook of relatively resilient private consumption growth.

4.2 LABOUR MARKET

Euro area labour markets appear to have improved further in the first quarter of 2007. The euro area unemployment rate continued to decline in the first two months of this year. Furthermore, Eurostat's flash estimate confirmed ongoing job creation in the fourth quarter of 2006 and employment surveys point to further improvements in the first quarter of 2007. Recent declines in the unemployment rate and increases in employment also reflect structural reforms in euro area labour markets. However, there is substantial scope for further reforms as also noted in the second update of the Integrated Guidelines for Growth and Jobs recently endorsed by the European Council. The main policy issues for euro area countries addressed in the Guidelines are discussed in Box 5.

Chart 26 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

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

THE 2007 UPDATE OF THE INTEGRATED POLICY GUIDELINES FOR THE IMPLEMENTATION OF THE LISBON STRATEGY BY THE EURO AREA MEMBER STATES

In 2005, following the mid-term review of the Lisbon strategy, the EU Council of Ministers adopted a package of Integrated Guidelines for Growth and Jobs that brought together the Broad Economic Policy Guidelines and the Employment Guidelines, and that was addressed to the Member States and the Community, for a three-year period (2005-08).¹ In 2006 these Integrated Guidelines were updated slightly following the submission, for the first time in autumn 2005, of the Member States' National Reform Programmes (NRPs) and of the European Commission's Community Lisbon Programme.² In October 2006 Member States submitted updated NRPs, which were assessed by the Commission in its 2007 Annual Progress Report and by the Council, who also considered the Commission's updated Community Lisbon Programme. On the basis of this assessment, in March 2007, the European Council endorsed a second update of the Integrated Guidelines, which still needs to be formally adopted by the EU Council of Ministers.

The 2007 update of the Integrated Guidelines introduces country-specific guidelines for the first time since 2005. Moreover, it entails specific guidelines for euro area Member States, who are called upon to use the momentum of the current economic upturn to press ahead with vigour with the implementation of their budgetary consolidation and structural reform strategies. More precisely, recommendations mainly address the following key macroeconomic issues:

1) Aiming at ambitious budgetary consolidation

In 2006 government budget balances in most euro area countries improved significantly, mainly owing to buoyant tax revenues in the context of a favourable macroeconomic environment. In some countries, however, at least part of these higher than expected tax revenues were used to offset expenditure that was higher than initially planned, thus limiting the pace of deficit reduction. Looking ahead, it is essential that euro area countries with budgetary imbalances take full advantage of the current favourable economic conditions to accelerate the pace of fiscal consolidation and to achieve their medium-term budgetary objectives as soon as possible, and at the latest by 2010. This implies that windfall revenues in these countries should be allocated in full to the reduction of deficits and debt. The achievement of sound budgetary positions is necessary to create room for the operation of the automatic fiscal stabilisers without incurring excessive deficits and to contribute to ensuring the long-term sustainability of public finances in view of ageing populations.³

2) Improving the quality of public finances

In addition to maintaining an appropriate fiscal stance and ensuring the sustainability of public finances, fiscal policies can make an important contribution to economic growth and job creation by improving the quality of public expenditure and taxation. In this context, there is considerable scope in many euro area countries for redirecting public spending towards more productive uses

1 See the box entitled "The integrated guidelines for growth and jobs 2005-2008" in the August 2005 issue of the Monthly Bulletin.
 2 See the box entitled "The 2005-2008 Lisbon National Reform Programmes of the euro area countries" in the January 2006 issue of the Monthly Bulletin.
 3 For a discussion thereof, see the article entitled "Challenges to fiscal sustainability in the euro area" in the February 2007 issue of the Monthly Bulletin.

and for increasing the efficiency with which public services are offered. This would create scope for a reduction of high tax burdens and related distortions in the economy, which should also be tackled by appropriate reforms of tax systems. Such policies should help to stimulate investment and innovation, thereby raising productivity levels and potential growth.

3) Enhancing competition and market integration in the services sector

Reforms should aim to increase competition in order to improve the functioning of the internal market, especially in the case of services. Insufficient competition in the services sector is often referred to as one of the factors that hinders labour productivity growth and contributes to sharper price increases than in the manufacturing sector. Moreover, more competition in services could help to increase the flexibility of services prices⁴ and thereby facilitate euro area adjustment processes, including the reallocation of resources across sectors where necessary, and to increase the resilience of the euro area to economic shocks, thus making a smoother functioning of EMU possible. To this end, a timely transposition of the Services Directive into national law is called for. In the area of financial services, further efforts to remove remaining obstacles to the full integration of euro area financial markets are essential in view of their importance in the transmission of monetary policy and to overall economic activity and economic adjustments. Retail banking markets, in particular, continue to be less integrated, which is also reflected in the fragmented underlying financial infrastructure.⁵

4) Increasing labour market flexibility

A fully functioning euro area labour market is crucial to ensure prompt internal adjustment mechanisms in the euro area. Greater wage flexibility and a sufficient degree of wage differentiation that reflects productivity developments could allow euro area countries to adjust more smoothly to competitive pressures and to improve employment opportunities, especially those for less-skilled workers and in regions with high unemployment. With regard to reforms of labour market institutions, little progress has been made to reduce net replacement rates for the unemployed and employment protection on regular contracts. In addition, increasing the cross-border mobility of labour in the euro area would both allow a more efficient matching of workers' skills with job vacancies and promote the ability of national labour markets to adjust in the face of economic fluctuations and asymmetric shocks.⁶ Now that Slovenia has entered the euro area, its labour force needs to be granted full access to the labour markets of all euro area countries.

It is to be welcomed that the Council has decided to adopt country-specific guidelines in 2007 in order to focus the implementation and assessment of policies on the most pressing issues concerning each Member State. The recommendations generally point in the right direction, also within the context of the euro area. The implementation of these recommendations by the euro area countries further strengthens their ability to respond and adjust quickly to adverse shocks, allows for a smoother functioning of EMU and helps to fully reap the benefits of the Single Market.

4 See Task Force of the Monetary Policy Committee of the ESCB, "Competition, productivity and prices in the euro area services sector", ECB Occasional Paper No 44, April 2006.

5 See the ECB report entitled "Financial Integration in Europe", March 2007.

6 See F. F. Heinz and M. Ward-Warmedinger, "Cross-border labour mobility within an enlarged EU", ECB Occasional Paper No 52, October 2006.

UNEMPLOYMENT

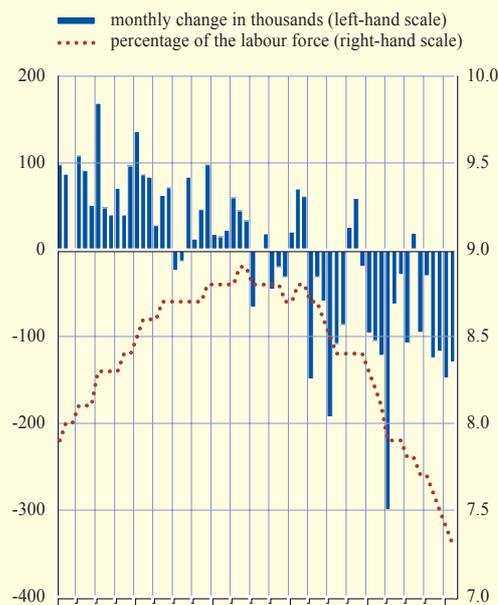
The euro area unemployment rate fell to 7.3% in February 2007, down by 0.1 percentage point from January (see Chart 27), reaching its lowest level since the start of the euro area series in 1993. The number of unemployed persons fell in February by about 130,000 compared with January, and has declined by more than 100,000 per month, on average, since January 2006.

EMPLOYMENT

Eurostat's second release of national accounts data confirmed that euro area employment grew at 0.3% in the fourth quarter of 2006 (see Table 7). The sectoral breakdown shows that employment increased in the services and construction sector but declined slightly in industry excluding construction. In annual terms, employment growth in 2006 strengthened to 1.4% from 0.8% in 2005. Taking a longer-term perspective, euro area employment has displayed significant dynamism since the launch of EMU in 1999. The number of people employed rose by about 12.9 million from 1999 to 2006, compared with an increase of 2.1 million between 1991 and 1998. The faster pace of overall employment growth can be attributed to greater hiring in the services and construction sectors, as well as a more muted contraction in hiring in both industry excluding the construction sector and the agriculture, hunting, forestry and fishing sector (see Box 6).

Chart 27 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2005	2006	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Whole economy	0.8	1.4	0.3	0.5	0.5	0.3	0.3
<i>of which:</i>							
Agriculture and fishing	-1.4	-0.1	0.1	0.2	0.7	-1.8	-0.4
Industry	-0.1	0.7	0.3	0.1	0.3	0.2	0.3
Excluding construction	-1.2	-0.2	0.0	-0.1	0.2	0.0	-0.2
Construction	2.7	2.7	0.9	0.6	0.7	0.9	1.6
Services	1.3	1.8	0.3	0.6	0.5	0.4	0.4
Trade and transport	0.7	1.2	0.3	0.5	0.5	0.1	0.4
Finance and business	2.1	3.5	1.1	0.9	0.9	1.0	0.7
Public administration	1.3	1.4	-0.1	0.6	0.4	0.4	0.2

Sources: Eurostat and ECB calculations.

Box 6

SECTORAL EMPLOYMENT DEVELOPMENTS IN THE EURO AREA

Euro area employment has exhibited much greater dynamism since the start of Stage Three of EMU in 1999 than in the period immediately preceding it. The latest estimate for total employment growth since the introduction of the euro indicates a net increase of 12.9 million persons employed until the fourth quarter of 2006, compared with only 2.1 million in the period 1991-98.¹ This box highlights developments in sectoral euro area employment over these two periods and, in particular, accounts for the significant improvement in employment developments by considering more disaggregated annual national accounts information rather than quarterly national accounts data, since the latter have only a limited sectoral breakdown. Currently, detailed annual national accounts data on employment are available up to 2005 for the euro area. Based on these annual data, the total number of persons employed in the euro area rose by 11.2 million in the period 1999-2005, compared with only 1.5 million in the period 1991-98 (see the table).² This amounts to an average annual increase of 1.2% in the period since 1999, well above annual growth of only 0.2% in the earlier period. The faster pace of overall employment growth since the start of Stage Three of EMU can be attributed to both an expansion of hiring in the services and construction sectors and a more muted contraction in hiring in both industry excluding the construction sector and the agriculture, hunting, forestry and fishing sector. It should also be noted that there is no national accounts information on euro area part-time employment, which – according to Labour Force Survey data – has outpaced full-time employment growth since the 1990s.³

The increase in services sector employment of 12.0 million workers in the period 1999-2005 compares with 7.5 million in 1991-98 (see the table).⁴ The rise in employment in services since 1999 has been the result of expanded hiring in all three major services sub-sectors, namely trade and transport, financial and business services, and other services.⁵ Growth in employment has been highest in four subcategories (which correspond to NACE sections): real estate, renting and business activities (4.0 million); health and social work (2.0 million); trade and repair (1.4 million); and hotels and restaurants (1.2 million). The construction sector has also showed larger increases in employment since 1999, with the number of persons employed rising by 1.1 million until 2005, compared with only 26,000 in the period 1991-98.

The other two sectors exhibited declines over both periods. In both cases the decline in net hiring has been smaller in the period since 1999. The number of persons employed in industry excluding construction decreased by 1.2 million in 1999-2005, a much smaller fall than in 1991-98 (4.2 million). These developments have been largely driven by those in the manufacturing sub-sector. The other sector in which employment has been contracting – agriculture, hunting, forestry and fishing – saw a 0.7 million drop in employment in 1999-2005, compared with 1.8 million in 1991-98.

1 The pre-EMU phase refers here to the period between the first quarter of 1991 and the last quarter of 1998, whereas the post-EMU phase is defined as the period between the last quarter of 1998 and that of 2006. The corresponding annual periods are 1991-98 and 1998-2005 respectively.

2 The data for the period 1991-98 exclude Slovenia. Given the relatively small size of the Slovenian economy, its exclusion from the earlier period should not substantially affect the trends discussed here.

3 For further information, see Section 4.2 of the January 2007 issue of the Monthly Bulletin.

4 Using quarterly data, the rise in services sector employment since the start of the third stage of EMU amounts to 13.0 million workers (data are available for the period from the last quarter of 1998 to the third quarter of 2006 only).

5 One possible reason for the slower growth in services sector employment observed in the 1990s is the relatively low degree of labour market flexibility, which limited the sectoral reallocation of employment. See A. D'Agostino, R. Serafini and M. Ward-Warmedinger, "Sectoral explanations of employment in Europe: the role of services", ECB Working Paper No 625, May 2006.

Developments in employment in the euro area by sector, 1991-2005

(average annual percentage growth rates, unless otherwise stated)

	1991-1998			1999-2005		
	Weight (%)	Percentage changes	Persons employed (change, in millions)	Weight (%)	Percentage changes	Persons employed (change, in millions)
Total	100.0	0.2	1.5	100.0	1.2	11.2
Agriculture, hunting, forestry and fishing	5.9	-3.4	-1.8	4.7	-1.6	-0.7
Industry	29.0	-1.6	-4.2	26.3	0.0	0.0
Industry (excluding construction)	21.6	-2.2	-4.2	18.9	-0.7	-1.2
Mining and quarrying	0.3	-7.2	-0.2	0.2	-3.5	-0.1
Manufacturing	20.4	-2.1	-3.8	18.1	-0.6	-1.0
Electricity, gas and water supply	0.8	-2.3	-0.2	0.6	-1.6	-0.1
Construction	7.4	0.0	0.0	7.4	1.7	1.1
Services	65.1	1.3	7.5	69.0	1.9	12.0
Trade and transport	24.7	0.3	0.6	24.8	1.4	3.1
Trade and repair	15.0	0.3	0.4	14.9	1.0	1.4
Hotels and restaurants	4.0	1.5	0.5	4.4	2.9	1.2
Transport, storage and communication	5.7	-0.6	-0.3	5.5	1.0	0.5
Financial and business services	11.8	3.3	3.4	14.3	3.2	4.1
Financial services	3.0	0.3	0.1	2.9	0.3	0.1
Real estate, renting and business activities	8.7	4.4	3.3	11.5	4.0	4.0
Other services	28.6	1.4	3.5	29.8	1.7	4.7
Public administration	8.0	0.0	0.0	7.5	0.2	0.1
Education	6.2	1.0	0.5	6.3	1.6	0.9
Health and social work	8.0	2.5	1.7	8.9	2.4	2.0
Other community, social and personal services	3.9	2.2	0.7	4.4	2.4	1.0
Private households with employed persons	2.5	2.5	0.5	2.7	2.8	0.7

Source: Eurostat.

Notes: Weight and percentage change figures are computed as an average of annual figures for each period. The change in persons employed is computed as the change in employment in the periods 1991-98 and 1998-2005 respectively.

As a result of these trends, the shares in total employment have changed somewhat between the two periods (see the table). The share of services sector employment in the total has risen from 65.1% to 69.0% on average, mostly as a result of increases in the shares of financial and business services (from 11.8% to 14.3%) and other services (from 28.6% to 29.8%). The share of trade and transport employment has remained almost unchanged in the two periods, representing about a quarter of the total. The increasing importance of services in total employment stems partly from a combination of forces leading to higher services output (such as a shift in consumer demand away from basic material needs, increases in real per capita income, the liberalisation of the services sector, and a rise in the female participation rate), reinforced by a below-average level of labour productivity.⁶ As far as other sectors are concerned, the average share of construction employment has remained stable at 7.4%, while there have been declines in the average shares of industry excluding construction (from 21.6% to 18.9%) and agriculture, hunting, forestry and fishing (from 5.9% to 4.7%) over the two periods.

A further breakdown of services sector employment (from the EU KLEMS Database) is available up to 2004.⁷ While less up to date, these data allow for a more in-depth examination

6 See the boxes entitled "The sectoral composition of euro area growth" in the ECB's Annual Report 2005 and "Determinants of the services sector employment share in the euro area" in the November 2006 issue of the Monthly Bulletin.

7 The EU KLEMS database is the result of a statistical and analytical research project jointly produced by 16 research institutes in cooperation with national statistical institutes, Eurostat and the European Commission. It includes growth and productivity accounts by industry for all EU Member States. The data used here are based on euro area series excluding Slovenia.

of two important groupings, namely real estate, renting and business activities, and trade and repair. In the case of the latter, more than half of the rise in the number of persons employed in 1998-2004 corresponds to additional employment in retail trade activities, with the remainder being broadly split between wholesale and motor trades. Turning to real estate, renting and business activities, the three subcategories that have contributed the most to employment growth in 1998-2004 belong to the class of business services: other business activities not considered elsewhere (1.7 million); legal, technical and advertising (1.0 million); and computer and related activities (0.6 million). Business services have benefited from the trend of firms to outsource non-core activities, using external providers for a number of professional and operational activities. This trend is responsible for the increasing demand for other services – which are also provided to households – such as real estate and renting activities (also within the real estate, renting and business services sub-sector), and transport, storage and communication (which added 0.5 million persons employed in 1998-2004).⁸

Overall, the increase in euro area employment since EMU has significantly outpaced the expansion observed in the period preceding it. This has resulted from both a stronger increase in employment in sectors where the number of persons employed has been expanding (such as services and construction) and a smaller decline in those where employment has been contracting (such as industry excluding construction, and agriculture, hunting, forestry and fishing). The increase in both aggregate and services sector employment in the euro area over recent years has been supported by education and labour market policies that have made the inter-sectoral reallocation of workers smoother. Looking ahead, continued employment growth necessitates further structural reforms to enhance the capability of euro area labour markets to respond more flexibly to changing business needs, thereby facilitating the ongoing sectoral shift of the workforce to dynamic sectors.

⁸ A recent assessment of the trends in business services in Europe can be found in Eurostat: European Business - Facts and Figures, Luxembourg, 2006; and Eurostat: Key Figures on European Business, Luxembourg, 2006.

Annual labour productivity growth rose further in the fourth quarter of 2006 to 1.8%, from 1.2% in the third quarter, to reach its highest value since the second quarter of 2000. The acceleration in labour productivity in the fourth quarter resulted mainly from the contribution of the services sector.

Survey information points to further improvements in euro area labour market conditions in the first quarter of 2007. According to the European Commission's survey, employment expectations in the industrial sector continued to rise gradually in March, while the employment index of the PMI survey was flat. However, both surveys point to improved employment conditions in industry in the first quarter as a whole compared with the previous quarter. In construction, employment expectations also rose further in March and in the first quarter of 2007. In the services sector, the European Commission's survey indicated that employment expectations declined slightly in March, while the employment index of the PMI survey increased. Taken together, both the European Commission's employment expectations and the employment index of the PMI survey are in line with continued slight improvements in services sector employment prospects in the first quarter. Lastly, following sharp falls in January and February, employment expectations in retail trade were unchanged in March.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area real GDP grew by 0.9% in the fourth quarter of 2006. On the basis of the latest data, survey releases and various indicator-based estimates, it appears that robust growth is continuing in the first half of 2007. Looking further ahead, the outlook for euro area growth remains favourable. Over the medium term, euro area real GDP is expected to expand at rates around potential. Private consumption is expected to strengthen in line with real disposable income, benefiting from the improvements in euro area labour markets. Investment growth should remain robust, supported by favourable demand prospects, strong corporate earnings and favourable financing conditions. Dynamic growth in foreign demand is expected to continue to boost euro area export growth. Risks to this favourable outlook are considered to be balanced over the short term but to lie on the downside over the longer term. The main downside risks relate to a rise in protectionist pressures, possible further increases in oil prices and a possible disorderly unwinding of global imbalances.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In effective terms, the euro has strengthened somewhat over the past three months, reflecting a relatively broad-based appreciation vis-à-vis most major currencies.

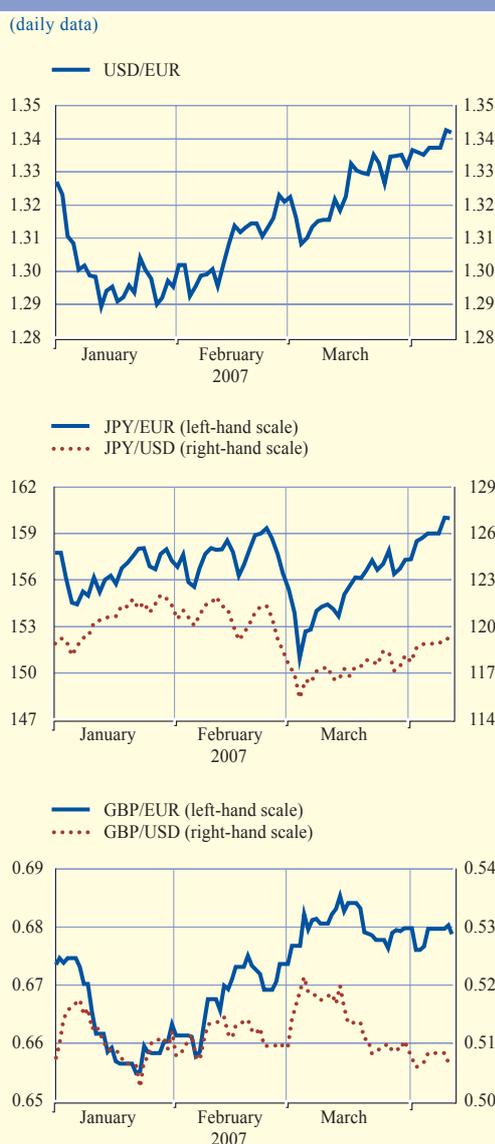
US DOLLAR/EURO

In the last three months the euro has strengthened vis-à-vis the US dollar, reaching levels last seen in March 2005. Following some initial weakening in early January, the euro has appreciated more or less continuously since February (see Chart 28), supported, at least to some extent, by market concerns about the strength of the US economy, which have recently been exacerbated by developments in the US sub-prime mortgage market. Having signalled expectations that the euro would remain stable against the US dollar in January and February, developments in the prices of currency derivatives since mid-March have been consistent with increasing expectations of a further appreciation of the euro over the short term. On 11 April the euro traded at USD 1.34, i.e. 1.9% above its level at the end of December and 6.9% stronger than its 2006 average (see Chart 28).

JAPANESE YEN/EURO

Having fluctuated within a range of JPY 154 to JPY 159 against the euro in the first two months of the year, the yen strengthened noticeably in early March in the context of the global financial market turbulences (see Chart 28). This appreciation seems to have been related to a general decline in the risk appetite of international investors and the associated significant unwinding of carry trades, which initially triggered a strengthening of low-yielding funding currencies, such as the Japanese yen. Subsequently, however, this initial strengthening was more than reversed, in conjunction with a general normalisation of global financial markets. Developments in currency options are signalling heightened expectations of some strengthening of the Japanese currency vis-à-vis the euro in the short term. Despite the aforementioned significant short-term fluctuations, the euro stood at JPY 160 on 11 April, i.e. 2% higher than its level at the end of December and 9.5% stronger than its 2006 average (see Chart 28).

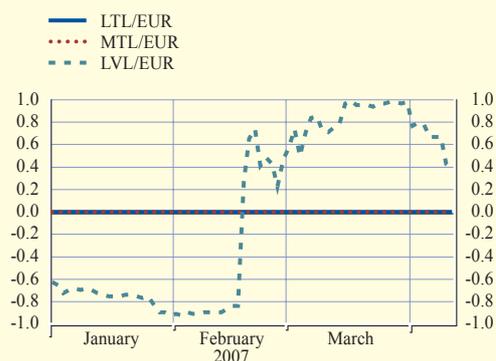
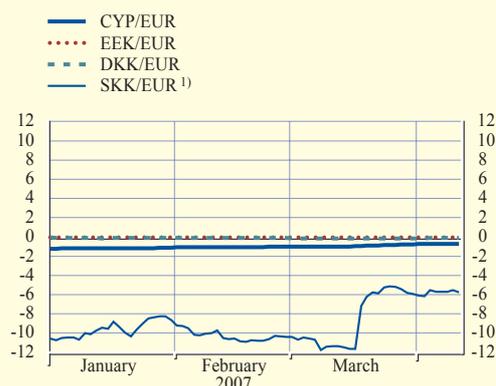
Chart 28 Patterns in exchange rates



Source: ECB.

Chart 29 Patterns in exchange rates in ERM II

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



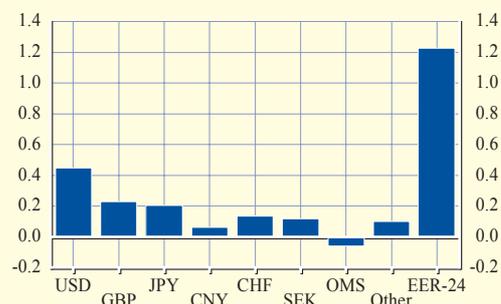
Source: ECB.
 Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is $\pm 2.25\%$; for all other currencies, the standard fluctuation band of $\pm 15\%$ applies.
 1) The central parity of the Slovak koruna was revalued on 19 March 2007 from 38.4550 to 35.4424 SKK/EUR.

Chart 30 Euro effective exchange rate and its decomposition¹⁾

(daily data)



Contributions to EER changes²⁾
 From 29 December 2006 to 11 April 2007
 (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-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

EU MEMBER STATES' CURRENCIES

Since the end of December most currencies participating in ERM II have remained stable and have continued to trade at or close to their respective central rates (see Chart 29). The Slovak koruna continued to appreciate on the back of strong underlying fundamentals. At the request of the Slovak authorities, the central rate of the Slovak koruna was revalued by 8.5% on 16 March (for details, see the box entitled "Revaluation of the Slovak koruna within ERM II"). Immediately after the revaluation, the Slovak currency appreciated strongly, prompting interventions in the currency market by Národná banka Slovenska. On 11 April the euro traded at SKK 33.40, i.e. 5.8% stronger than the new central rate. At the same time, the Latvian lats depreciated in March towards the lower end of the 1% intervention band unilaterally set by

Latvijas Banka, causing the central bank to intervene in the market. On 11 April the Latvian lats was trading 0.4% below its ERM II central rate.

With regard to the currencies of other EU Member States not participating in ERM II, between the end of December 2006 and 11 April 2007, the euro strengthened by 2.4% against the Swedish krona and by 1.1% against the pound sterling. Furthermore, the euro appreciated against the Czech koruna (by 1.9%), while it weakened vis-à-vis the Hungarian forint (by 2.6%) and the Romanian leu (by 1.3%).

Box 7

REVALUATION OF THE SLOVAK KORUNA WITHIN ERM II

The Slovak currency began participating in ERM II on 28 November 2005 with an initial central rate of SKK/EUR 38.4550. Since joining ERM II, the koruna has traded mostly on the stronger side of the ERM II central rate (see chart). In the second quarter of 2006, however, the koruna temporarily came under some downward pressure. Against the background of strong macroeconomic developments and a favourable economic outlook, the koruna thereafter entered a protracted period of appreciation which, following a short pause at the turn of the year, gained further momentum during February and the first half of March 2007. In order to contain exchange rate volatility and excessive market pressures, Národná banka Slovenska has intervened in foreign exchange markets on a number of occasions since joining ERM II.

At the request of the Slovak authorities, the finance ministers of the euro area countries, the President of the ECB and the finance ministers and central bank governors of Denmark, Estonia, Cyprus, Latvia, Lithuania, Malta and Slovakia decided on 16 March 2007, by mutual agreement, following a common procedure involving the European Commission and after consultation of the Economic and Financial Committee, to adapt the central rate of the Slovak koruna in ERM II. The central rate of the Slovak koruna was revalued by 8.5% (see chart), now standing at SKK 35.4424 vis-à-vis the euro. The standard fluctuation band of $\pm 15\%$ continues to be observed around the central rate of the koruna.¹

Accordingly, new compulsory intervention rates for the Slovak koruna have been established with effect from 19 March 2007, as set out in Table A below. The euro central rates and compulsory intervention rates for the Danish krone, the Estonian kroon, the Cyprus pound, the Latvian lats, the Lithuanian litas and the Maltese lira remain unchanged. For the Danish krone only, a narrower fluctuation band of $\pm 2.25\%$ applies.

Developments of the koruna exchange rate since ERM II entry

(daily data)



Source: ECB.

Note: Last observation refers to 11 April 2007.

¹ See the joint communiqué on the Slovak koruna of 16 March 2007.

Table A Euro central rates and compulsory intervention rates for the currencies participating in ERM II, in force from 19 March 2007

	Upper intervention rate	Central rate	Lower intervention rate
Danish krone (DKK)	7.62824	7.46038	7.29252
Estonian kroon (EEK)	17.9936	15.6466	13.2996
Cyprus pound (CYP)	0.673065	0.585274	0.497483
Latvian lats (LVL)	0.808225	0.702804	0.597383
Lithuanian litas (LTL)	3.97072	3.4528	2.93488
Maltese lira (MTL)	0.493695	0.4293	0.364905
Slovak koruna (SKK)	40.7588	35.4424	30.126

As stated in the joint communiqué, the revaluation of the central rate of the Slovak koruna is justified given the underlying fundamentals. It will support the authorities in maintaining macroeconomic stability. The revaluation is based on a firm commitment by the authorities to pursue appropriate supportive policies, aimed in particular at achieving price stability in a sustainable manner and underpinning external competitiveness and economic resilience.

These policies include: strengthening the fiscal adjustment path in structural terms, in line with the Council opinion adopted on 27 February 2007 on the updated convergence programme of Slovakia, in order to contribute to a balanced policy mix aimed at containing inflationary risks and supporting the sustainability of the convergence process; the promotion of wage developments which reflect labour productivity growth, labour market conditions and competitiveness; and the continuous pursuit of structural reforms so as to raise productivity growth and improve the functioning of product, labour and financial markets. In addition, the Slovak authorities will be vigilant concerning risks of strong credit growth. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic and exchange rate developments. The authorities are committed to strengthening the policy stance as warranted. Table B provides an overview of selected economic indicators for Slovakia since 2001.

Table B Selected economic indicators for Slovakia

(percentages, unless otherwise indicated)

	2001-2005	2006
Real economic growth	4.6	8.3
HICP inflation	5.9	4.3
Current account balance ¹⁾	-5.4	-7.8
Fiscal deficit ¹⁾	-4.8	-3.4
Government debt ¹⁾	42.2	33.0
Long-term interest rate	5.7	4.4
Short-term interest rate	5.9	4.3
Exchange rate against the euro (SKK)	41.2	37.2

Sources: ECB and Eurostat (Ameco database).

Note: The data refer to annual averages.

1) Percentages of GDP.

OTHER CURRENCIES

Over the last three months the euro has appreciated vis-à-vis the currencies of the euro area's main Asian trading partners, with a particularly strong appreciation vis-à-vis the Hong Kong dollar (2.4%) and the Korean won (2.2%). It also strengthened by 1.9% against the Swiss franc. By contrast, it depreciated by 1.8% vis-à-vis the Norwegian krone and by 2.6% against the Australian dollar.

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 11 April 2007 the nominal effective exchange rate – as measured against the currencies of 24 of the euro area's important trading partners – was 1.2% above its level at the end of December and 3% higher than its average level in 2006 (see Chart 30).

5.2 BALANCE OF PAYMENTS

The euro area current account showed a deficit of about 0.2% of GDP in the 12-month period to January 2007, marginally higher than a year earlier. This mainly derived from a decline in the goods surplus as a result of the higher cost of oil imports. However, based on three-month moving averages, the decline in the trade surplus has been partially reversed since mid-2006, amid robust exports and moderating imports. In the financial account, combined direct and portfolio investment registered cumulative net inflows of €178.5 billion in the 12-month period to January 2007, compared with net outflows of €57.3 billion a year earlier. This shift in direction mainly reflected larger net inflows in portfolio investment.

TRADE AND THE CURRENT ACCOUNT

According to the latest b.o.p. data, the value of extra-euro area exports of goods and services grew by 3.1% in seasonally adjusted terms in the three-month period to January 2007, i.e. slightly less than in the three-month period ending in October 2006 (see Table 8). This primarily reflected weaker, yet still robust, growth of goods exports. Growth in the value of goods and services

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

			3-month moving average figures ending				12-month cumulated figures ending	
	2006 Dec.	2007 Jan.	2006 Apr.	2006 July	2006 Oct.	2007 Jan.	2006 Jan.	2007 Jan.
<i>EUR billions</i>								
Current account	2.0	2.7	-2.9	-2.6	-1.0	2.2	-7.8	-12.8
Goods balance	3.4	4.2	1.5	0.7	2.6	5.3	40.8	30.4
Exports	124.0	121.2	112.1	112.9	118.3	122.4	1,229.0	1,397.1
Imports	120.6	117.0	110.6	112.1	115.7	117.1	1,188.2	1,366.7
Services balance	3.2	2.0	3.5	2.9	3.0	2.7	36.4	36.2
Exports	36.8	36.3	35.4	35.8	35.7	36.4	402.5	429.6
Imports	33.6	34.3	31.9	32.8	32.7	33.7	366.1	393.5
Income balance	1.4	-0.6	-2.3	-1.1	0.1	0.0	-19.6	-9.7
Current transfers balance	-6.0	-2.9	-5.6	-5.2	-6.7	-5.8	-65.4	-69.7
Financial account¹⁾	-37.3	53.2	28.8	12.6	14.0	-1.0	23.0	163.2
Combined net direct and portfolio investment	7.6	34.0	8.3	25.4	1.2	24.6	-57.3	178.5
Net direct investment	-28.3	-5.0	-9.0	-9.2	-15.7	-15.5	-190.0	-148.0
Net portfolio investment	35.8	39.0	17.3	34.6	17.0	40.0	132.7	326.5
Equities	28.9	34.4	6.7	33.4	4.5	28.1	142.2	218.0
Debt instruments	7.0	4.6	10.6	1.2	12.4	11.9	-9.5	108.5
Bonds and notes	46.6	-4.1	11.2	14.9	9.3	19.5	-28.9	164.8
Money market instruments	-39.6	8.7	-0.6	-13.7	3.1	-7.5	19.4	-56.2
<i>Percentage changes over previous period</i>								
Goods and services								
Exports	1.8	-2.1	3.6	0.8	3.6	3.1	9.1	12.0
Imports	5.1	-1.9	3.6	1.7	2.4	1.6	14.0	13.2
Goods								
Exports	1.7	-2.3	4.2	0.7	4.8	3.4	9.0	13.7
Imports	6.1	-3.0	4.0	1.4	3.2	1.2	15.4	15.0
Services								
Exports	2.2	-1.3	1.7	1.0	-0.3	1.9	9.6	6.7
Imports	1.4	2.1	2.3	2.8	-0.4	3.0	9.6	7.5

Source: ECB.

Note: Figures may not add up due to rounding.

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

imports also moderated over the same period (to a seasonally adjusted 1.6%), reflecting slower growth of goods imports.

The breakdown of trade in goods by volume and price indicates that export volumes accounted for most of the strong growth in the value of goods exports during the last quarter of 2006, while export prices registered only a marginal increase. Chart 31 shows that the significant increase in export growth over this period can mainly be attributed to a further increase in the growth of exports to Asia (especially China) and eastern Europe, as well as a pick-up in exports to the United States and Switzerland. Overall, the growth of extra-euro area exports seems to correspond with favourable global demand conditions. Another factor affecting euro area export growth over the longer term is the rise in spending power of the oil-exporting countries (see Box 8). In the fourth quarter of 2006 extra-euro area import volumes of goods were significantly less buoyant than exports. This may have been related to the decline in euro area stock-building in that quarter, suggesting that stocks may have partly replaced imports in satisfying euro area demand over this period.

Chart 31 Euro area export volumes to selected trading partners

(indices: Q1 2003 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.

Note: The latest observations refer to December 2006 except in the case of "total", where the latest observations refer to November 2006.

Box 8

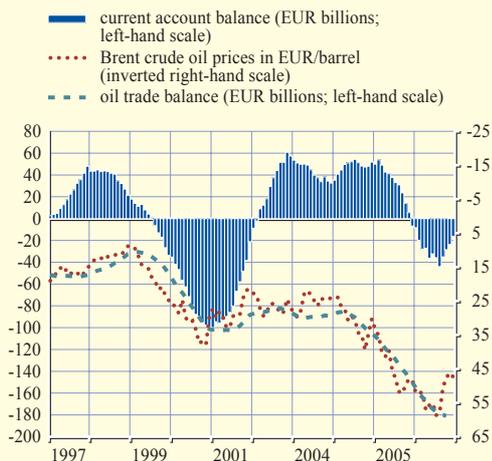
OIL-BILL RECYCLING AND EXTRA-EURO AREA EXPORTS

Having recorded surpluses since 2003, the 12-month cumulated current account of the euro area shifted to a deficit in both 2005 and 2006, mainly due to the significant rise in the cost of oil imports and the associated increase in the oil trade deficit (see Chart A). Although higher oil prices have pushed the current account into deficit, it may be the case that this negative effect has been partially mitigated by "oil-bill recycling" and its positive impact on extra-euro area exports. In other words, rising oil prices have generated significant increases in oil revenues for oil-exporting countries which, in turn, may have been partly spent on increased imports from the euro area.

This box looks at recent developments regarding the trade channel of oil-bill recycling and examines its possible impact on euro area exports. It focuses on two groups of oil-exporting countries – the Organization of the Petroleum Exporting Countries (OPEC) and the Commonwealth of Independent States (CIS) – which together produce almost two-thirds of internationally traded oil. In line with the rise in oil prices, total OPEC and CIS oil revenues increased from around USD 240 billion in 2002 to more than USD 630 billion in 2005 (see Chart B).

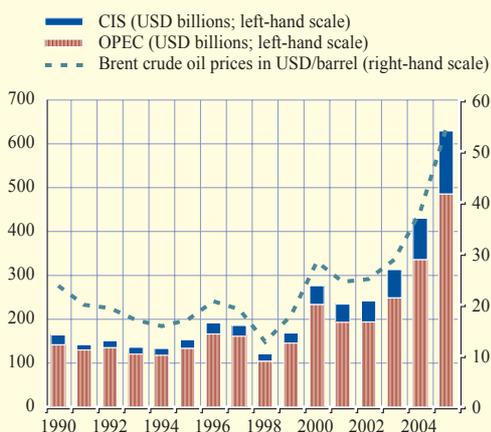
Chart A The euro area oil trade balance and Brent crude oil prices

(monthly data)



Sources: Eurostat and Bloomberg.
Note: The current account and oil trade balances are cumulated over 12 months.

Chart B Oil export revenues for OPEC and CIS countries



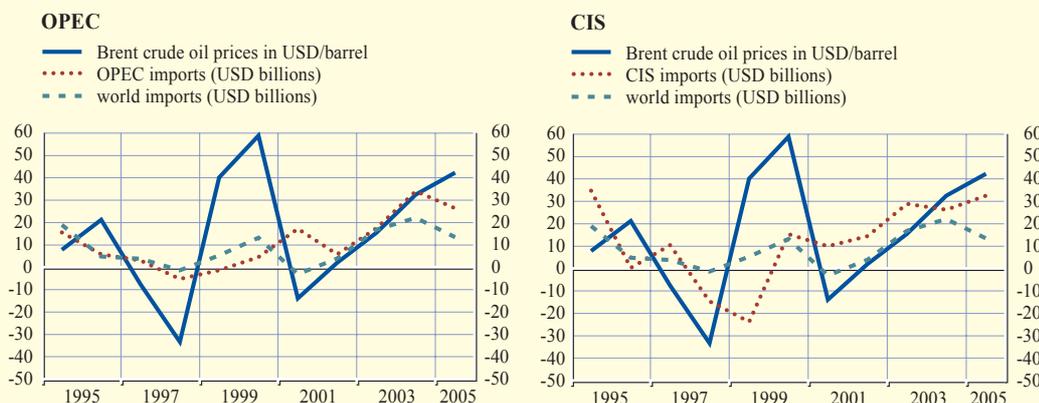
Sources: IMF and Bloomberg.

As a result of higher oil revenues stemming from the rise in oil prices after 1998, the oil-exporting countries registered notable increases in their import growth. This is particularly evident for the period 2000-05, in which average annual increases in OPEC and CIS countries' imports reached approximately 20% in nominal dollar terms, which is almost twice the growth rate of world imports over the same period (see Chart C).

The countries which seem to have benefited more than others from the rising imports originating from the higher oil revenues of oil-exporting countries are China and other non-Japan Asian

Chart C Imports of OPEC and CIS countries

(annual percentage changes)



Sources: IMF and Bloomberg.

Import market shares of selected economies in OPEC and CIS countries

(percentages)

	OPEC					CIS				
	1998	2000	2002	2004	2005	1998	2000	2002	2004	2005
Euro area	27.0	25.5	27.6	27.4	25.3	39.8	39.9	41.7	40.0	36.8
United States	16.1	14.1	10.3	9.1	10.6	11.2	10.7	8.2	6.0	5.3
United Kingdom	6.2	5.3	5.0	4.5	5.3	4.0	4.1	3.4	3.7	3.3
Asia excl. Japan and China	17.0	19.5	20.3	20.1	20.3	7.4	6.4	6.8	7.6	8.9
Japan	9.5	9.7	8.6	7.1	6.7	2.3	2.7	2.6	5.5	5.4
China	3.8	4.3	5.7	7.8	8.5	3.0	3.8	6.1	7.9	12.1

Sources: IMF and ECB calculations.

Note: Import market shares are calculated for extra-OPEC and extra-CIS imports.

countries, as they succeeded in expanding their share of the OPEC and CIS import markets between 1998-2005 (see table). At the same time, the US share of the OPEC and CIS import markets, and the Japanese and UK share of the OPEC import market, declined significantly, in some cases by more than a third. Meanwhile, euro area exporters' performance seems to have been relatively favourable, as the euro area's share in the import markets of both oil-exporting regions remained fairly stable until 2004, before declining in 2005. As a result, OPEC and CIS imports from the euro area grew at an average annual rate of 16% and 22% respectively in the period 2000-05.

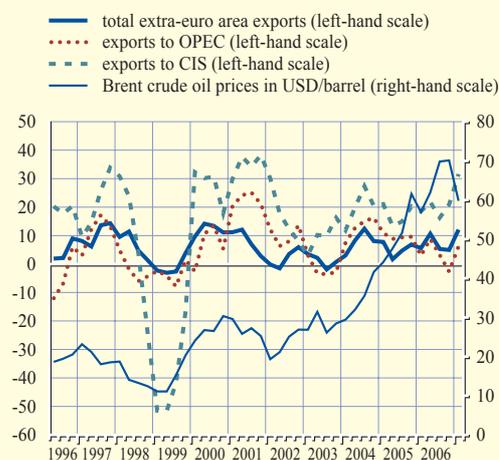
Looking at the euro area's sectoral export shares in the OPEC and CIS markets, there are clear upward trends in a number of sectors, such as chemicals, suggesting that exports in these sectors are benefiting from oil-bill recycling. Meanwhile, the machinery and transport equipment sector – which accounts for a significant proportion of euro area exports to OPEC and CIS countries – has maintained a relatively stable market share.

As a result of growing demand from oil-exporting countries, and the euro area's relatively successful performance in these markets, euro area export volumes to OPEC and CIS countries have increased robustly (see Chart D). Between 2000 and 2006 the annual growth of euro area export volumes to OPEC and CIS countries was, on average, 9% and 21% respectively, i.e. significantly above the average growth of total extra-euro area export volumes of goods (6%). It is also clear that periods of notable oil price increases were followed by an acceleration in euro area export volumes to these oil producers.

Overall, the effect of oil-bill recycling on euro area exports should not be overestimated, particularly given that the combined share of OPEC and CIS countries in extra-euro area exports is relatively small (at around 10% in 2006). Moreover, exports to oil producers

Chart D Euro area export volumes of goods

(annual percentage changes)



Sources: Eurostat and ECB calculations.

have also been affected by other factors in addition to higher oil prices, such as the integration of CIS countries into the world economy.

In summary, while the elevated price of oil has pushed the euro area current account into deficit, it appears that there are some mitigating positive effects on euro area exports associated with oil-bill recycling. Moreover, the impact of oil-bill recycling may have been somewhat more favourable for the euro area in comparison with some of its major competitors.

Taking a longer-term perspective, the 12-month cumulated current account to January 2007 recorded a deficit of €12.8 billion (about 0.2% of GDP), with deficits in the income balance and current transfers offsetting surpluses in the balances for goods and services. The slight increase in the current account deficit from €7.8 billion (close to 0.1% of GDP) a year earlier was mainly attributable to a decline in the goods surplus as a result of the higher average prices of oil and other commodities over this period. Based on three-month moving average figures, however, the decline in the trade and current account balances has been partially reversed since mid-2006. This reversal has been supported more recently by robustly growing goods exports and moderating imports, with the latter partly explained by falling oil prices in the final quarter of last year (see Chart 32).

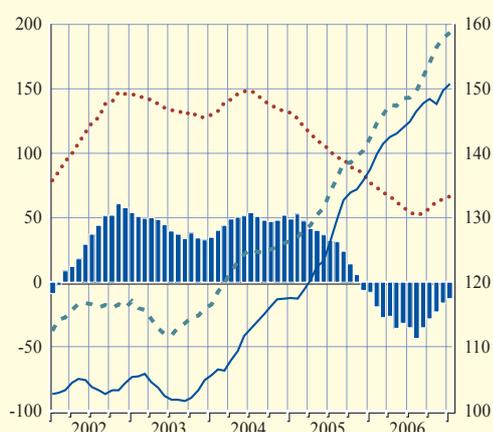
FINANCIAL ACCOUNT

In the three-month period to January 2007 euro area combined direct and portfolio investment recorded monthly average net inflows of €24.6 billion. This was the result of net inflows in

Chart 32 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)

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

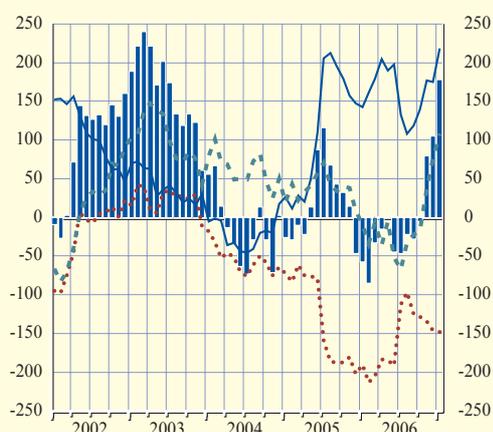


Source: ECB.

Chart 33 Euro area combined direct and portfolio investment

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

- net direct and portfolio investment
- net foreign direct investment
- - - net debt instruments
- net equity flows



Source: ECB.

portfolio investment (monthly average of €40.0 billion), which more than offset net outflows in direct investment (€15.5 billion). Portfolio investment recorded large net inflows in equity securities, as well as bonds and notes, and net outflows in money market instruments (see Table 8).

In the 12-month period to January 2007 cumulative net inflows in combined direct and portfolio investment amounted to €178.5 billion, compared with net outflows of €57.3 billion a year earlier. The shift in direction of net capital flows was mainly due to increased net purchases of euro area portfolio securities by non-residents and to lower net outflows in direct investment (see Chart 33), in the context of a favourable economic outlook for the euro area.

ARTICLES

COMMUNICATING MONETARY POLICY TO FINANCIAL MARKETS



Communication with the general public and financial markets is crucial for any central bank because it can help to enhance the effectiveness and credibility of monetary policy. This article reviews the main effects of the ECB's external communication on monetary policy, with a focus on expert audiences in financial markets and the media. The ECB has published its monetary policy strategy – i.e. a quantitative definition of price stability and a two-pillar approach for the analysis of the risks to price stability – since the very start in October 1998. In doing so, it laid the foundation for a high degree of credibility and emphasised its commitment to being open and transparent. Consequently, the strategy has contributed to the successful anchoring of inflation expectations at levels consistent with the ECB's definition of price stability. The introductory statement at the monthly press conference is the principal vehicle of the ECB's communication. It explains in depth the monetary policy decisions taken, it conveys the collective view of the Governing Council on the monetary policy stance in real time and attracts substantial interest from financial market participants, while at the same time reaching out to a wider audience through the media. The Monthly Bulletin provides a more detailed and comprehensive economic, financial and monetary analysis one week after the first Governing Council meeting each month. Furthermore, the members of the Governing Council give interviews and speeches to many different audiences during the inter-meeting period, explaining the decisions taken and commenting on topics within the ECB's sphere of competence. Overall, empirical evidence confirms that the ECB's open and timely communication on its objectives, strategy and assessment of the economic outlook has been reflected in a high level of predictability for its monetary policy decisions. Moreover, reduced market volatility in recent years supports the view that the understanding of the ECB's monetary policy framework and its communication has improved over time.

I INTRODUCTION

Communication is fundamental to central bank transparency. Along with, and partially as a result of, the recent trend towards worldwide central bank independence, transparency regarding monetary policy is nowadays considered best practice in central banking.¹ This has been triggered by the corresponding need for greater accountability of independent central banks as well as increasing awareness that transparency and openness can enhance the effectiveness of monetary policy. Accordingly, central banks are now placing more emphasis on communicating directly with the public than in the past. In turn, this has affected all facets of communication, such as the announcement and clarification (and often quantification) of a central bank's objectives, the announcement and explanation of monetary policy decisions and the communication of the central bank's current assessment of the economic situation and its outlook.

While the ECB communicates with a large number of target groups, such as the general public, political bodies and organisations, financial markets and the media, this article will focus on the impact of standard channels of monetary policy communication with expert audiences in financial markets and the media. The main purpose of this article is to give an account of the role of such communication as a device to enhance the overall effectiveness of monetary policy. Section 2 discusses this issue from a conceptual perspective. On the one hand, since uncertainty on the part of private agents regarding the workings of the economy and the conduct of monetary policy could entail substantial negative consequences, there are strong arguments in favour of extensive communication. On the other hand, there is a need for consistency between “words and

¹ See the article entitled “Transparency in the monetary policy of the ECB” in the November 2002 issue of the ECB Monthly Bulletin.

deeds”, and this article draws attention to the limits of central bank communication when there is a risk that central bank views might crowd out private information, as aggregated by financial market prices. Moreover, it outlines the pros and cons of widening the degree of central bank transparency as regards communicating the monetary policy stance and future policy inclinations. Section 3 synthesises the available empirical evidence by, first, looking at the impact of the announcement of a central bank objective on inflation expectations and economic performance, and second, presenting in some detail the financial market impact of specific communication tools. Section 4 summarises the article and concludes.

2 THE EFFECTS OF COMMUNICATION – A CONCEPTUAL BACKGROUND

Central bank transparency and its main instrument, communication, are important for the effectiveness, credibility and also for the predictability of monetary policy. Modern central banks employ a variety of communication channels, such as press conferences, bulletins, speeches or minutes, that aim to enhance the transparency, and hence also the effectiveness, of monetary policy within a well-defined communication strategy. This requires a central bank to provide in an open, clear and timely manner all relevant information on its mandate, strategy and the rationale underlying its policy decisions to the general public and financial markets.

Transparency renders monetary policy more effective for at least two reasons. First, clarity about its mandate and the means of pursuing it helps a central bank to foster credibility. When a central bank is perceived as being able and determined to fulfil its mandate, price expectations are likely to be well anchored. Second, transparency helps market participants to understand the systematic response pattern of monetary policy to economic developments and shocks, thereby making policy decisions more predictable. Predictability is desirable for

central banks as it reduces uncertainty about interest rates and thereby facilitates the pricing of assets. A distinction can be made between the notions of short-term and longer-term predictability.² Short-term predictability is achieved when financial markets can correctly anticipate a central bank’s upcoming monetary policy decisions, while longer-term predictability encompasses the ability of financial market participants and the public to understand the monetary policy framework, i.e. its objectives and consistent pursuit thereof, over time. Longer-term predictability therefore requires a transparent and credible monetary policy strategy. This, in turn, increases the effectiveness of monetary policy by providing guidance to market participants, who are thus able to form expectations about future price developments more accurately.

The solid anchoring of inflation expectations at levels consistent with a central bank’s definition of price stability is of critical importance to the conduct of monetary policy. Central banks can directly influence only very short-term interest rates through their monetary policy actions. However, consumption and investment decisions and, ultimately, medium-term price developments, are taken on the basis of intertemporal considerations that are to a large extent influenced by longer-term interest rates. These, in turn, largely depend on private expectations regarding future central bank decisions and on the public’s assessment of a central bank’s ability and determination to achieve its objective in the medium to long term. In this sense, high levels of long-term predictability, and hence credibility, are desirable for central banks as this can lead to a more immediate transmission of monetary policy intentions to investment and consumption decisions and thus accelerate the necessary economic adjustments.

Therefore, a high level of longer-term predictability in an evolving macroeconomic environment does not entail communication of

² See the article entitled “The predictability of the ECB’s monetary policy” in the January 2006 issue of the ECB Monthly Bulletin.

the exact timing or size of monetary policy decisions, as these are conditional and cannot be pre-committed. Predictability over those horizons rather depends on the private sector's ability to map the changing economic circumstances into anticipations of a central bank's broad policy direction within a well-defined and credible strategy.

COMMUNICATING THE MONETARY POLICY STRATEGY

To achieve longer-term predictability, it is essential that the central bank is transparent and credible regarding its objective, and that its communication supports the markets' understanding of the systematic response of monetary policy to the changing economic developments.

Without firm guidance on the strategy and the objective of monetary policy, a central bank risks that market participants adjust their longer-term expectations as a mere reflection of current circumstances. For example, without information concerning the central bank's objective, short-term shocks to inflation would likely unsettle expectations and result in a re-appraisal of the inflation rate that the public expects to prevail in the future. This could force the central bank into overly aggressive patterns of reaction to inflationary risks in order to signal its determination to secure price stability.³ By contrast, precise and consistent communication of the central bank's ultimate objective and the strategy which governs its behaviour in the face of risks that might threaten the achievement of that objective minimises the sensitivity of expectations to short-term shocks. Long-term inflation expectations will remain in line with the central bank's objective and this, in turn, will facilitate the conduct of monetary policy.

In this context, another important task of a central bank is to explain the limits of its mandate and abilities to the public so as to avoid raising false expectations that result in a loss of credibility.⁴ Put differently, a central bank should communicate what monetary

policy can, and cannot, achieve. For example, given the long and variable lags of monetary policy, the central bank can control inflation only in the medium to longer term and cannot offset short-term changes in the inflation rate that are caused by more volatile components of the price index (e.g. energy and food prices). At the same time, monetary policy cannot directly affect the growth rate of productivity and potential output. It can, however, contribute to creating a favourable macroeconomic environment for consumption and investment decisions by delivering low and stable inflation, thereby reducing overall uncertainty in the economy. Hence, through effective and consistent communication on its monetary policy strategy, objectives and constraints, the central bank can reduce the costs associated with such uncertainty for consumers and investors, and promote economic growth and welfare.

On this score, the publication of the ECB's monetary policy strategy in October 1998, i.e. the quantitative definition of price stability to be maintained over the medium term and a two-pillar approach to the analysis of the risks to price stability, constituted the basis for open and consistent communication in the years thereafter.⁵ The thorough evaluation of the ECB's strategy in May 2003 led to a further clarification of these key elements and facilitated the future communication and understanding of the ECB's monetary policy strategy. In particular, the Governing Council clarified the communication on the cross-checking of information stemming from the monetary and economic analysis in coming to its unified overall judgement on the risks to price stability.

3 See Orphanides A., and J. Williams (2002), "Imperfect knowledge, inflation expectations, and monetary policy", in B. Bernanke and M. Woodford (eds.): *The inflation targeting debate*, Chicago: University of Chicago Press, pp. 201-234.

4 See Issing, O. (2005), "Communication, transparency, accountability: Monetary policy in the twenty-first century", *Federal Reserve Bank of St. Louis Review*, March/April 2005, pp. 65-83.

5 See the article entitled "The external communication of the European Central Bank" in the February 2001 issue of the ECB Monthly Bulletin.

In this sense, the strategy has served both as a framework for the policy discussions in the decision-making bodies and, at the same time, as a vehicle for explaining the conduct of monetary policy to the public. From the start, it has helped to ensure consistency between internal analysis and external communication, which is the essence of transparency. Moreover, the quantitative definition of price stability also serves the purpose of accountability by setting a benchmark against which the ECB's performance in maintaining price stability can be measured.⁶

Importantly, by formulating the overriding objective of monetary policy in quantitative terms and announcing an explicit monetary policy strategy, the ECB has provided the basis for market participants to form expectations more efficiently. As a consequence, both survey and market-based medium to long-term inflation expectations in the euro area have remained relatively well anchored at levels consistent with the ECB's quantitative objective, even at times in which inflation outturns were subject to temporary volatility introduced by adverse shocks on the supply and demand side.

COMMUNICATING THE MONETARY POLICY STANCE

In an environment of incomplete information on the state of the economy and its functioning, genuine understanding of the central bank's strategy and objective is a necessary, but insufficient, condition for market participants to form pertinent expectations regarding the future course of monetary policy. Discrepancies between the expectations of the private sector and those of the central bank may emerge at any point in time because of differences in the interpretation and assessment of the state of the economy and the associated policy reactions. Central banks therefore make considerable efforts to explain the economic rationale underlying monetary policy decisions by providing detailed and comprehensive analyses of the current economic and monetary conditions and their conditional expectations of the most likely evolution of the economy in the future. In doing so, the central bank combines its

interpretation of the most recent evidence with its assessment of the implications of the prevailing state of the economy for the strategic direction of monetary policy. Based on such explanations, observers can continuously develop a deeper understanding of the systematic behaviour of monetary policy, resulting in a high level of short and long-term predictability.

This high level of transparency and predictability notwithstanding, central banks face ever increasing demands for further indications about future monetary policy inclinations. It is claimed that this can reduce risk and volatility in financial markets and allow for a smoother adjustment of the economy and the money market, in particular, to policy rate changes. Also, it may reduce the complexity of explaining the process of monetary policy-making.⁷ In practice, central banks make use of different types of forward guidance that may change over time and largely depend on the monetary policy strategy and the state of the economy. Three types of forward guidance can be broadly distinguished. First, a central bank may provide qualitative indications that entail the use of implicit forward-looking language to financial markets on the future direction of monetary policy in its external communication. These conditional indications are mainly provided through the comprehensive explanation of economic and monetary developments and the assessment of their likely implications for the objective of price stability in the medium-term future. Second, a central bank may issue bias statements or balance of risk assessments that provide indirect guidance about the likely future policy direction conditional on the available information. Finally, central banks can provide conditional inflation forecasts, constructed around a specific assumption for future short-term interest rates, or publish a quantified path for the evolution of short-term interest rates consistent with their internal projection exercise.

6 See the article entitled "The accountability of the ECB" in the November 2002 issue of the ECB Monthly Bulletin.

7 See Woodford, M. (2005), "Central bank communication and policy effectiveness", NBER Working Paper No 11898.

A number of risks are also associated with these various types of forward guidance. For example, financial market participants and the public may perceive the indications as a quasi-promise or a high degree of commitment, failing to understand the conditionality of the sequence of short-term rates that is signalled.⁸ If a central bank is forced to act in a manner contrary to what it had previously indicated, in response to new incoming information and a reassessment of the state of the economy, this may be viewed as a failure of the central bank and may harm its reputation and credibility, even though the central bank may have convincing arguments to justify its reassessment of the underlying economic conditions. Furthermore, a central bank may face a trade-off between managing market expectations and learning from them.⁹ Market-based measures of growth and inflation expectations serve as important cross-checks of monetary policy in the central bank's assessment of the state of the economy and its likely future evolution. By providing direct forward guidance on the future path of policy rates, central banks risk reducing the value of these indicators as an independent source of information.

The central bank therefore has to choose an appropriate communication strategy, and, in particular, the degree of explicit forward guidance in the light of its assessment of the impact of communication on the efficiency of monetary policy. Communication is by itself insufficient to ensure a lasting impact on the formation of expectations by financial market participants. Ultimately, guiding interest rate expectations requires not only forward-looking communication, but also consistency between “words and deeds” and a track record of monetary policy decisions that supports the central bank's credibility. Furthermore, forward guidance should be designed so as not to discourage a fundamental activity undertaken in financial markets, namely an ongoing refinement of financial markets' understanding of the systematic pattern by which monetary policy reacts to different economic and monetary conditions. Finally, in some circumstances,

central bank communication may result in a crowding-out of private information. This may, at least temporarily, hinder the extraction of meaningful signals from financial market indicators that usually feed back into the monetary policy-making process.¹⁰

3 EMPIRICAL EVIDENCE ON THE EFFECTS OF COMMUNICATION

The conceptual considerations outlined in the preceding section have highlighted a number of potential gains that can arise from clear and transparent communication. Whether these gains do indeed materialise remains, however, an empirical issue. This section synthesises the available empirical evidence by, first, looking at the impact of the announcement of a central bank's objective and strategy on inflation expectations and economic performance, and second, presenting in some detail the financial market impact of selected ECB communication tools.

3.1 COMMUNICATING THE MONETARY POLICY OBJECTIVE AND STRATEGY

As mentioned in Section 2, the adoption and announcement of the monetary policy strategy and policy objectives constitutes in itself a major step towards monetary policy transparency. In particular, the announcement of a quantitative definition of price stability provides a clear and measurable yardstick against which the central bank can be held accountable and, at the same time, provides guidance to the public so that expectations of future price developments can be formed more efficiently and accurately. In practice, a majority of industrialised countries have either adopted

8 See Goodhart, C.A.E. (2001), “Monetary transmission lags and the formulation of the policy decision on interest rates”, *Federal Reserve Bank of St. Louis Economic Review*, July/August 2001, pp. 165-182.

9 See Morris, S. and H. Shin (2002), “Social value of public information”, *American Economic Review* 92(5), pp.1521-1534.

10 Amato, J., Morris, S. and H. Shin (2002), “Communication and monetary policy”, *Oxford Review of Economic Policy*, Vol. 18, No 4, pp. 495-503.

some form of inflation targeting or, most notably for the ECB, provided a precise quantitative definition of price stability as a key element of its monetary policy framework.

There is compelling empirical evidence that inflation expectations are indeed affected by the announcement of a quantitative definition of price stability, lending support to the idea that a clear and transparent objective can serve as a focal point for agents' inflation expectations. Central banks have established a good track record in that regard. In fact, empirical findings confirm that the precise definition of price stability, or the announcement of an inflation target, lowers inflation expectations. Moreover, inflation expectations are no longer correlated with past inflation and, at the same time, tend not to react to macroeconomic news.¹¹ The empirical evidence thus clearly suggests that a clear and transparent objective helps to anchor inflation expectations at levels consistent with the central bank's definition of price stability.

However, this does not automatically imply that there will also be an effect on current inflation and its dynamics. Again, this question needs to be settled empirically. In cross-country analyses, it has been found that the existence of a quantified objective has a measurable impact on inflation outcomes. In that regard, it is primarily the quantification of the objective that matters, more than its exact form. While quantified monetary or exchange rate objectives also tend to lower actual inflation, the largest effects were found for central banks that announced a precise definition of price stability. Moreover, inflation has not only been found to be lower, it is also significantly less affected by its past values in the presence of a quantified definition of price stability.¹²

In short, the empirical evidence strongly suggests that the announcement and, in particular, the quantification of a central bank's objective is beneficial, since it eases the conduct of monetary policy through its effect on private agents' expectations and helps to achieve sound macroeconomic outcomes. The successful

anchoring of inflation expectations by the ECB is a case in point: the publication of the ECB's monetary policy strategy, containing a quantitative definition of price stability and a two-pillar approach for the analysis of the risks to price stability, has evidently served as a focal point for inflation expectations.¹³

3.2 COMMUNICATING THE MONETARY POLICY STANCE

It is impossible for a central bank to communicate *ex ante* all contingencies in such a way that the public can always deduce perfectly the central bank's assessment just by interpreting the incoming macroeconomic data. Hence, even if a central bank's monetary policy objective and its strategy are generally well understood, it must still regularly communicate its assessment of the current economic situation and the monetary policy stance.

The effects of such communication can best be analysed by means of financial market reactions, for three reasons. First, financial market participants are likely to attach importance to this type of communication, as the information conveyed might allow them to fine-tune their market positions taken in expectation of upcoming monetary policy decisions. Second, financial markets show timely and speedy reactions, which allows a response pattern to be identified in empirical analyses. Third, intra-day high frequency data allows the financial

11 See Johnson, D. (2002), "The effect of inflation targeting on the behavior of expected inflation: evidence from an 11 country panel", *Journal of Monetary Economics* 49, pp. 1521-1538; Levin, A. T., F. M. Natalucci and J. M. Piger (2004), "Explicit inflation objectives and macroeconomic outcomes", ECB Working Paper No 383 and Gürkaynak, R., A. Levin, and E. Swanson (2006), "Does inflation targeting anchor long-run inflation expectations? Evidence from long-term bond yields in the US, UK and Sweden", Federal Reserve Bank of San Francisco Working Paper No 2006-09.

12 See Fatas, A., Mihov, I. and A. Rose (2007), "Quantitative goals for monetary policy", forthcoming, *Journal of Money, Credit and Banking*; Levin, A. T., F. M. Natalucci and J. M. Piger (2004), "Explicit inflation objectives and macroeconomic outcomes", ECB Working Paper No 383.

13 For a comprehensive overview of the various measures of inflation expectations available for the euro area and their performance, see the article entitled "Measures of inflation expectations" in the July 2006 issue of the ECB Monthly Bulletin.

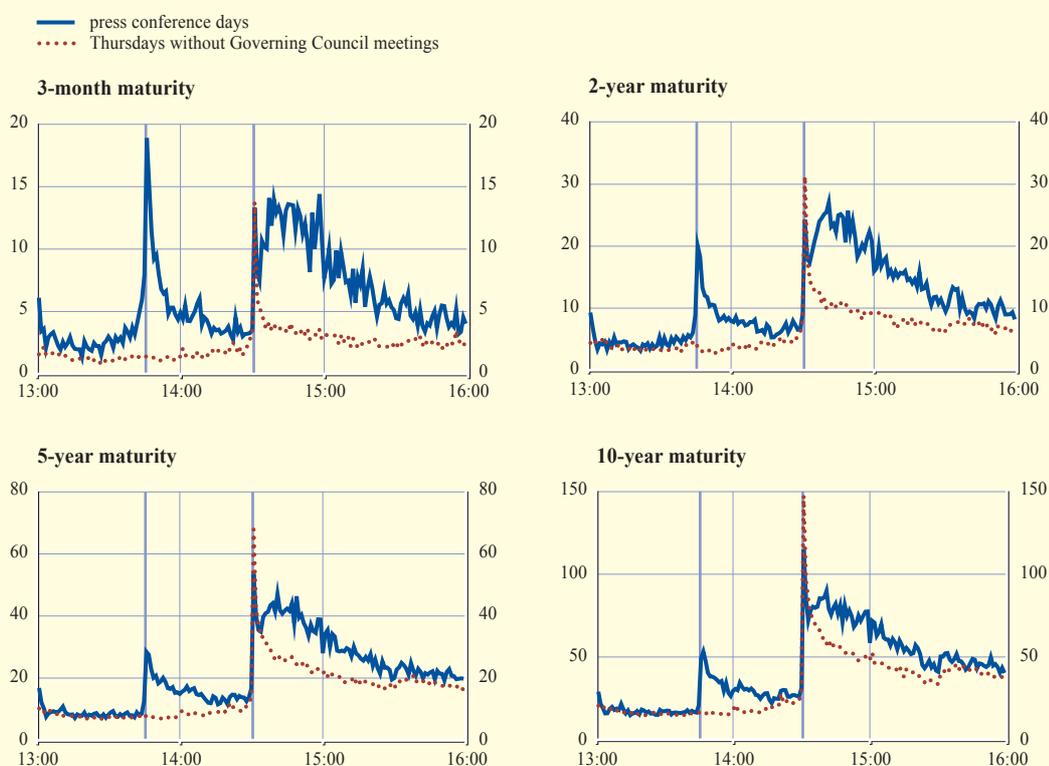
market impact of the communication to be isolated. As a consequence, studying the effects of central banks' communication on the monetary policy stance is closely related to measuring the predictability of monetary policy decisions. However, at the same time, the effectiveness of communication is difficult to judge using this approach. Financial market reactions can be triggered through effective as well as ineffective communication. In the former case, information would be conveyed properly and as intended, whereas in the latter, communication would mainly result in increasing volatility in financial markets. It is therefore important to bear in mind that the effects of central bank communication on financial markets can be interpreted differently when it comes to measuring effectiveness.

From a conceptual point of view, it is possible and useful to distinguish various types of communication containing the central bank's regular assessment of economic conditions, such as announcements and explanations of a given monetary policy decision on the days of the Governing Council meetings, information provided during the inter-meeting period, and the communication of the Governing Council's policy inclinations.

ANNOUNCEMENT AND EXPLANATION OF MONETARY POLICY DECISIONS

It is common practice among central banks to inform the public about monetary policy decisions as soon as they have been taken. While most central banks also provide same-day explanations for a given decision, they do

Chart 1 Average number of trades per minute, on press conference days compared with Thursdays without Governing Council meetings, 1999-2006



Source: ECB calculations.

Notes: Thick vertical bars indicate 13:45, the time of the announcement of the monetary policy decision, and 14:30, the beginning of the ECB press conference. 3-month maturity: three-month Euribor futures traded on LIFFE; 2-year maturity: German two-year Schatz futures traded on EUREX; 5-year maturity: German five-year Bobl futures traded on EUREX; 10-year maturity: German ten-year Bund futures traded on EUREX. The marked increase in trading activity at 14:30 on press conference days as well as on other Thursdays is related to the opening of US markets and the weekly release of data on US jobless claims.

so to a different extent, with the ECB's press conference being among the most timely and in-depth approaches. The introductory statement constitutes the principal communication tool in that regard as it conveys the collective view of the ECB's Governing Council on the monetary policy stance in real time. This is followed by a questions and answers session with media representatives.

Chart 1 shows trading activity on a number of futures markets in a time window ranging from 13:00 to 16:00 on the days of the monthly press conference (blue line) and on Thursdays (i.e. the same days of the week) without Governing Council meetings (red dotted line), expressed as averages per minute over the time period 1999-2006.¹⁴ It is apparent that trading rises markedly in response to the announcement of the monetary policy decision at 13:45, but also during the time window of the press conference, i.e. in the time after 14:30. This figure gives a first indication that both the announcement of

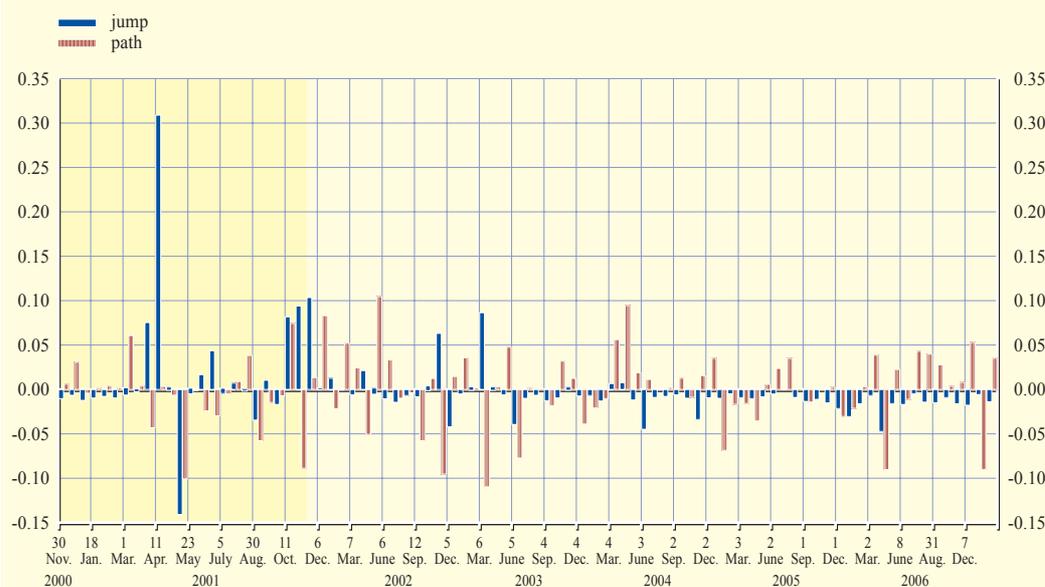
the decision and the related communication provide news to financial markets.

This indication is corroborated if one separates "jump news" and "path news" contained in the ECB's communication on Governing Council meeting days, as can be seen in Chart 2. Jump news indicates the degree to which a given monetary policy decision has led to financial market reactions, based on changes in the short-end of the money market yield curve (around one month out). A positive (negative) indicator in Chart 2 implies that short-term money market rates were increasing (decreasing) on Governing Council meeting days; the size of the indicator corresponds to the magnitude of the market reaction. Path news, instead, is based on changes in the medium-term segment of the money market yield curve (at a time horizon of about half a year or more), which are unexplained

¹⁴ For related evidence, see Andersson, M. (2007), "Using intraday data to gauge financial market responses to Fed and ECB monetary policy decisions", ECB Working Paper No 726.

Chart 2 Decomposition of changes in the money market yield curve on Governing Council meeting days

(percentages per annum)



Source: Brand, C., D. Buncic and J. Turunen (2006), "The impact of ECB monetary policy decisions and communication on the yield curve", ECB Working Paper No 657.

Notes: Shaded area indicates fortnightly meeting frequency, except for the meeting on 30 August 2001 where there were four weeks between consecutive meetings. The indicators are statistical measures constructed on the basis of changes in the money market forward rate curve on Governing Council meeting days.

by changes in expectations at short horizons. Such changes reflect revisions of the expected path of monetary policy in the medium term. Interestingly, the path news is closely related to market movements during the ECB press conference, suggesting that the communication surrounding the announcement of the decision may result in significant changes in market expectations regarding the path of monetary policy. Chart 2 clearly indicates that surprises about monetary policy decisions, as proxied by the jump news, have considerably decreased over time, thus leaving a larger role for the forward-looking part of the communication.

This evidence suggests that financial markets react to the ECB press conference. As the press conference targets the general media in addition to financial markets and financial newswire services, an interesting question relates to how it is reflected in the media, in particular because this allows the ECB communication to reach a wider audience. Quantitative analysis of press reporting in response to the ECB press conference based on a sample of 57 international and national newspapers shows that, on average, reporting is extensive, yet subject to substantial variation. Most of the variation in the reporting is found over time, and can be explained by the characteristics of the monetary policy decision, market expectations and reactions as well as the macroeconomic environment.¹⁵

COMMUNICATION DURING THE INTER-MEETING PERIOD

Even though the ECB's press conference is the most important communication channel for the explanation of monetary policy decisions and the communication of the ECB's current assessment of the economic situation and the monetary policy stance, further information is provided during the inter-meeting period by means of speeches, interviews and public statements. The table reveals that speeches and interviews by Governing Council members have the potential to affect interest rates throughout almost the entire maturity spectrum, from very short maturities up to 5-year rates. If

Market reaction of euro area interest rates to speeches and interviews by Governing Council members (1999-2004)

(basis points)	
3-month interest rates	2.05 ¹⁾
6-month interest rates	1.57 ¹⁾
1-year interest rates	2.47 ¹⁾
2-year interest rates	2.48 ¹⁾
5-year interest rates	1.96 ¹⁾
10-year interest rates	0.61
20-year interest rates	0.44

Source: Ehrmann, M. and M. Fratzscher (2005), "Communication and decision-making by central bank committees: different strategies, same effectiveness?", ECB Working Paper No 488, forthcoming, *Journal of Money, Credit and Banking*.

Notes: The table shows the response of interest rates in basis points to speeches and interviews given by Governing Council members. Based on daily data.

1) Denotes statistical significance at the 99% level.

they are perceived by the markets as including statements suggesting a policy tightening inclination, they lead to increasing rates, and if perceived as suggesting an easing inclination, they lead to lower rates. Given that the evidence is based on a selected set of speeches and interviews that are more likely to move financial markets,¹⁶ the effects portrayed in the table appear particularly sizable, with statements moving three-month to five-year interest rates on average by 1.5-2.5 basis points.

A guiding principle in this kind of communication by Governing Council members is the "single voice" policy, whereby the views expressed are those of the Governing Council as a whole. The adoption of this principle was originally based on conceptual considerations, whereby a collegial communication can provide greater clarity and common understanding among the public. The importance of this policy has recently been supported by international comparative empirical evidence, which has established that the predictability of monetary policy decisions, as well as market volatility,

¹⁵ For more details see Berger, H., M. Ehrmann, and M. Fratzscher (2006), "Monetary policy in the media", ECB Working Paper No 679.

¹⁶ The selected statements have been reported upon by financial newswires and contain the words "interest rates", "inflation" or "monetary policy". Furthermore, they are included only if they are forward-looking.

are affected by more divergent communication among central bank committee members. Controlling for the degree of market uncertainty and macroeconomic uncertainty (both of which might have an independent effect on the degree to which a particular policy decision is predictable), it is found that more divergent communication of central bank committee members worsens the ability of financial markets to anticipate future monetary policy decisions and raises the degree of market uncertainty.¹⁷

COMMUNICATION OF POLICY INTENTIONS

As mentioned in Section 2, central banks may at times find it desirable to give forward guidance to financial markets about their future policy intentions. Examples are turning points in monetary policy, such as the recent adjustment phase, which started in December 2005, after the extended period of stable policy rates, as these pose a particular challenge to monetary policy and to financial markets. In that regard, the ECB has followed a pragmatic and flexible approach. By taking into account the specific context in which monetary policy operated, the ECB gave implicit guidance to the markets in the shorter term, without pre-committing and compromising on its flexibility with regard to future policy decisions. Also, the ECB has stated that future policy decisions are always conditional on the outcome of the ECB's regular economic and monetary analyses.

As can be seen from the minor magnitude of jump and path news lately (see Chart 2), a review of the recent experience indicates that, overall, the ECB's communication approach continued to support a high level of short-term predictability, with overall market uncertainty about the future path of policy rates reaching a rather low level by historical standards. This also supports the view that the understanding of the ECB's monetary policy framework and its communication has improved over time.

4 CONCLUSION

Communication is an integral part of monetary policy. Effective communication contributes considerably to the effectiveness, credibility and predictability of monetary policy. This helps to reduce inflation uncertainty and thereby to secure a solid anchoring of inflation expectations. From the start, the ECB has been open and transparent regarding its monetary policy strategy and objective, clear about its definition of price stability and predictable in its decisions. The monthly press conference, particularly with its introductory statement, provides a detailed and timely explanation of its monetary policy decisions and is structured along the lines of the ECB's monetary policy strategy. It conveys the collective view of the ECB's Governing Council on the monetary policy stance in real time, thus avoiding the risk that a delay in the announcement of the thinking and views underlying policy decisions could affect market participants and increase volatility.

Empirical evidence confirms that the publication of the ECB's monetary policy strategy, comprising a quantitative definition of price stability and a two-pillar approach for the analysis of the risks to price stability, has supported the successful anchoring of inflation expectations in the euro area. Central banks with quantified objectives and sound strategies manage to anchor inflation expectations more firmly. The practice of announcing and explaining monetary policy decisions as soon as they have been taken has been found to improve the market's understanding of monetary policy and make policy implementation more efficient. With highly predictable central banks, the main market effects on announcement days, particularly in the longer-term segments of the yield curve, arise less from the announcement of the decision and more from the related communication.

¹⁷ See Ehrmann, M. and M. Fratzscher (2005), "How should central banks communicate?", ECB Working Paper No 557.

As regards speeches and interviews, these have the potential to affect interest rates throughout almost the entire maturity spectrum. Empirical evidence has also confirmed the benefits that stem from the “single voice” principle adopted by the Governing Council. It has been found that more divergent communication by decision-makers reduces the ability of financial markets to anticipate future monetary policy decisions and raises the degree of market uncertainty.

Finally, through the flexible use of implicit forward language in its regular economic and monetary assessment, the ECB has managed to give implicit guidance on its inclinations over very short horizons, while avoiding any kind of pre-commitment with regard to future policy decisions and enhancing financial market participants’ understanding of the ECB’s broad policy direction.

OUTPUT GROWTH DIFFERENTIALS IN THE EURO AREA: SOURCES AND IMPLICATIONS

Temporary differences in regional output growth are a normal feature of any monetary union, and thus also of the euro area. Such differences may reflect the existence of “catching-up” economies or natural temporary differences caused by asymmetric shocks. However, persistent differences in output growth may also reflect inappropriate national economic policies or, in general, structural inefficiencies in individual countries and malfunctioning adjustment mechanisms.

Against this background, this article reviews the main stylised facts regarding output growth differentials across the euro area countries and discusses possible underlying factors and the related policy implications. The article is structured as follows: Section 1 provides some factual evidence on output growth differentials across the euro area countries from a historical perspective; Section 2 presents some possible underlying explanations of these growth differentials; Section 3 discusses some policy implications in the context of EMU; and Section 4 draws a number of conclusions.

The analysis presented is subject to a number of caveats. In particular, since no single and comprehensive framework has yet been developed that would allow a fully integrated assessment of the numerous factors behind output growth differentials, the article uses various complementary but not unified approaches.

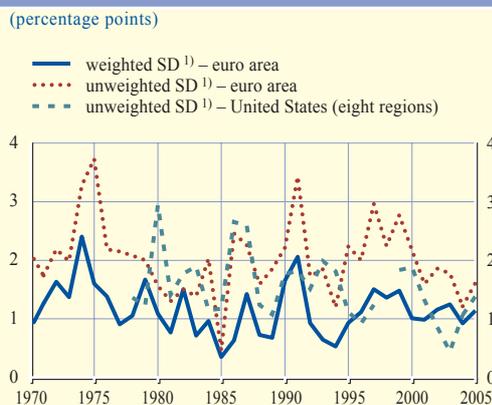
I STYLISED FACTS OF OUTPUT GROWTH DIFFERENTIALS ACROSS THE EURO AREA COUNTRIES

The current degree of differences in output growth across the euro area countries is not large, either by historical standards or by comparison with other benchmark geographical areas.

As can be seen in Chart 1, the dispersion of real GDP growth rates across the euro area countries¹, measured by the standard deviation in unweighted terms, has been fluctuating around a level of 2 percentage points and has shown no apparent upward or downward trend over the past 35 years. The same applies to output growth differentials measured in weighted terms, as the standard deviation of real GDP growth rates has fluctuated around 1 percentage point.² Since 1999, the start of Stage Three of EMU, the degree of dispersion in annual average terms has declined somewhat in the 12 euro area countries under review.

Compared with other currency areas, the current degree of output growth dispersion within the euro area, as measured by the standard deviation in unweighted terms, does not appear to be

Chart 1 Dispersion of real GDP growth across the euro area countries



Source: ECB computations based on European Commission and US Bureau of Economic Analysis (BEA) data.

Notes: Data for Germany refer to West Germany up to 1991. The euro area excludes Slovenia.

There is a statistical break in the US regional data in 1998. For the US states and regions, data refer to gross state product. The eight regions are defined by the BEA and cover the whole country.

1) SD = standard deviation.

- Owing to the limited availability of data and the fact that it did not belong to the euro area prior to 2007, Slovenia is not included in the analysis.
- The weighted standard deviation measure takes account of the size of countries in terms of GDP, while the unweighted measure gives equal importance to all countries.

Table 1 Real GDP growth across euro area countries

(percentage changes)

	1970-1979	1980-1989	1990-1998	1990-1998		1999-2006	Latest data		
				1990-1994	1995-1998		2004	2005	2006
Euro area	3.6	2.3	2.1	1.9	2.3	2.0	1.7	1.5	2.8
Belgium	3.6	2.2	1.9	1.8	2.2	2.1	2.7	1.5	3.0
Germany	3.2	1.9	2.4	3.0	1.7	1.4	0.8	1.1	2.9
Ireland ¹⁾	4.7	3.1	6.8	4.3	10.0	6.6	4.3	5.5	6.2
Greece	5.5	0.8	1.7	0.8	2.9	4.2	4.7	3.7	3.4
Spain	3.9	2.7	2.5	1.7	3.4	3.7	3.2	3.5	3.9
France	3.8	2.5	1.7	1.3	2.2	2.1	2.0	1.2	2.0
Italy	4.0	2.6	1.4	1.1	1.7	1.3	0.9	0.1	1.9
Luxembourg ¹⁾	2.7	4.6	4.4	4.8	3.8	4.7	3.6	4.0	6.2
Netherlands	3.3	2.0	2.9	2.3	3.7	2.2	2.0	1.5	2.9
Austria	4.2	2.0	2.6	2.7	2.5	2.1	2.3	2.6	3.4
Portugal	5.1	3.4	2.8	1.7	4.2	1.5	1.2	0.4	1.3
Finland	4.1	3.5	1.3	-1.4	4.7	3.3	3.3	3.0	5.5
<i>Unweighted SD²⁾</i>	<i>2.3</i>	<i>1.6</i>	<i>2.2</i>	<i>2.1</i>	<i>2.4</i>	<i>1.8</i>	<i>1.3</i>	<i>1.6</i>	<i>1.6</i>
<i>Weighted SD²⁾</i>	<i>1.4</i>	<i>0.9</i>	<i>1.2</i>	<i>1.2</i>	<i>1.2</i>	<i>1.1</i>	<i>0.9</i>	<i>1.2</i>	<i>0.9</i>

Sources: European Commission and Eurostat data.

Notes: Data for Germany refer to West Germany up to 1991.

Period averages are computed from European Commission data. Annual averages of the “latest data” are obtained from Eurostat’s quarterly national accounts, where preliminary data for the fourth quarter of 2006 are available for most countries.

1) For Ireland and Luxembourg, the 2006 figure is the average of the first three quarters with respect to the same period in 2005.

2) SD = standard deviation.

significantly different from that observed across regions or states within the United States (see Chart 1).³

Looking at developments in individual countries, growth rates in Ireland, Greece, Spain, Luxembourg and Finland have persistently been significantly above the euro area average since the mid-1990s, which partly reflects a catching-up process for Greece, Spain and, initially, also for Ireland (see Table 1).⁴ By contrast, the performance of Germany and Italy has been persistently lower, in growth terms, than the euro area average since around the mid-1990s. Only more recently, in 2006, has Germany’s growth performance matched the euro area average.

In line with this evidence of persistent differentials in real GDP growth across the euro area countries since the beginning of the 1990s, the dispersion of real GDP growth rates across the euro area countries has largely reflected lasting trend growth differences and, to a lesser extent, cyclical differences. This finding is

illustrated in Chart 2, which shows the contributions from the cyclical and trend components to overall real GDP growth dispersion.⁵ It should be kept in mind that any distinction between trend and cycle is model-dependent and particularly uncertain for the most recent period. However, some results appear to be confirmed by most studies. The breakdown of the variance of real GDP growth since the beginning of the 1990s points to a large decrease in the contribution to dispersion

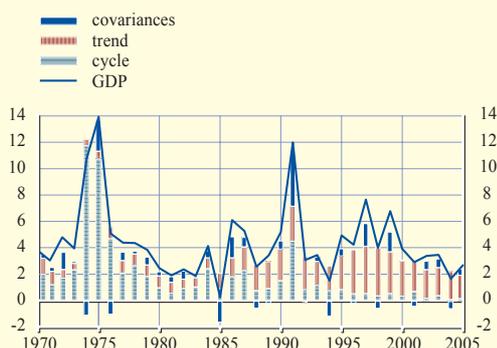
3 For a comprehensive review of the evidence on output growth differentials, see N. Benalal, J. L. Diaz del Hoyo, B. Pierluigi and N. Vidalis, “Output growth differentials across the euro area countries: some stylised facts”, ECB Occasional Paper No 45, 2006.

4 Slovenia has also shown a catching-up process since 1993, outperforming the average of the rest of the euro area countries in terms of output growth. Notwithstanding its relatively strong growth performance, the unweighted measures of dispersion are virtually unaffected by the inclusion of Slovenia in the euro area. For an overall review of the impact of the entry of Slovenia into the euro area, see the article entitled “The enlarged EU and euro area economies” in the January 2007 issue of the Monthly Bulletin.

5 In order to obtain the breakdown of real GDP growth dispersion, the variance rather than the standard deviation needs to be used as the measure of dispersion.

Chart 2 Contributions to variance of overall real GDP growth across euro area countries¹⁾

(in unweighted terms)



Source: ECB computations based on European Commission data.

Note: Data for Germany refer to West Germany up to 1991.

1) The trend-cycle decomposition has been obtained by using the Baxter King band pass filter over the period 1960-2008. For the period 2006-08, European Commission forecasts of real GDP have been used.

Chart 3 Average of eight-year rolling correlations of output gap across euro area countries^{1), 2)}

(in unweighted terms)



Source: ECB computations based on European Commission data.

Note: Data for Germany refer to West Germany up to 1991.

1) The trend-cycle decomposition has been obtained by using the Baxter King band pass filter over the period 1960-2008. For the period 2006-08, European Commission forecasts of real GDP have been used.

2) Eight-year rolling correlations of pairs of euro area countries were first computed and the unweighted average of these correlations calculated subsequently.

from the cyclical component and, simultaneously, to a large increase in the contribution from trend growth differences. In other words, most of the dispersion can be explained by differences in trend output growth.

In line with the above finding, the degree of synchronisation of business cycles across the euro area countries seems to have increased since the beginning of the 1990s. Chart 3 suggests that the degree of synchronisation is currently at historically high levels. This result holds for various measures of synchronisation.⁶

2 FACTORS EXPLAINING OUTPUT GROWTH DIFFERENTIALS ACROSS THE EURO AREA COUNTRIES

This section reviews some possible explanations for output growth differentials in the euro area. First, it analyses the sources of trend GDP growth differentials, relying mainly upon the growth accounting literature, and relates supply-side differences across countries to

structural and institutional features. Second, it reviews the relevance of shocks and adjustment mechanisms in a currency area. It is important to bear in mind that there is as yet no single and comprehensive framework available, so that conclusions are thus of a more qualitative nature.

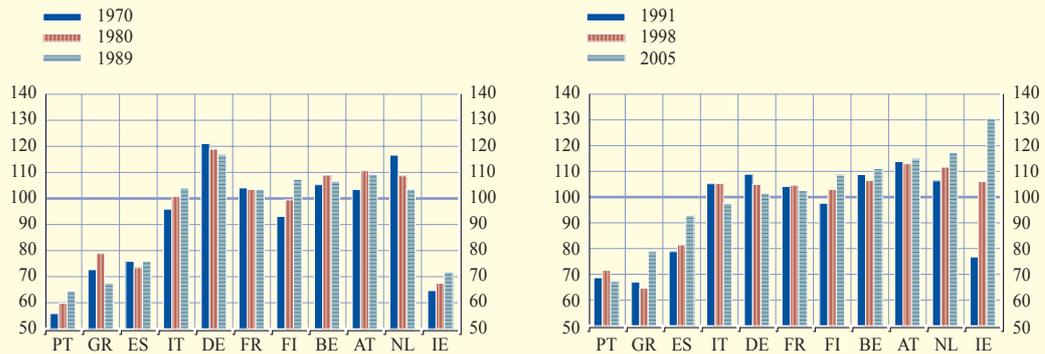
2.1 SOURCES OF TREND GROWTH DIFFERENTIALS

A review of the stylised facts on growth differentials across the euro area countries suggests a key role for differences in trend growth. This section therefore takes a close look at the structural factors that are behind trend growth differentials, by assessing the relevance of initial conditions, i.e. the potential effects of catching-up, and the supply-side factors behind trend output growth differences.

6 See also D. Giannone and L. Reichlin, "Trends and cycles in the euro area: how much heterogeneity and should we worry about it?", ECB Working Paper No 595, 2006.

Chart 4 Per capita GDP in purchasing power standard ¹⁾

(euro area = 100 in each year considered)



Source: ECB computations based on European Commission data.

Note: Data for Germany refer to West Germany up to 1991.

1) In both charts the countries have been ranked in ascending order for the year 2005. Luxembourg is excluded as per capita GDP computations are distorted by the high number of cross-border workers. Such a computation for Luxembourg would show a per capita GDP in purchasing power standard of close to 230 relative to the euro area average in 2005.

THE RELEVANCE OF INITIAL CONDITIONS

Output growth differentials may partly reflect catching-up processes in lower-income countries. Chart 4 shows the relative level of per capita GDP measured for the euro area countries in purchasing power standard for different years.

The left-hand panel of Chart 4 indicates that among the low-income group of countries of the 1970s – Ireland, Greece, Spain and Portugal – some limited catching-up occurred in Ireland and Portugal during the 1970s and 1980s. However, these four countries were still well below the euro area average in 1989. Ireland, Greece and Spain subsequently made considerable progress, and Ireland has even been able to reach and then substantially overtake the euro area average in recent years (see the right-hand panel of Chart 4). By contrast, per capita GDP in Portugal relative to the euro area average has declined slightly since 2000.

THE ROLE OF SUPPLY-SIDE FACTORS

Looking at the supply side, in the context of a standard growth accounting framework, real output growth can be broken down into changes in hourly labour productivity (real GDP/total hours worked), changes in labour utilisation (total hours worked/population) and changes in the population (see Box 1). Hourly labour productivity growth can be broken down into total factor productivity (TFP) developments – which are usually attributed both to innovation and to technological and organisational improvements – and changes in capital deepening. It is important to stress that the cross-country comparability of such a breakdown suffers from several measurement shortcomings. Moreover, the growth accounting exercise does not reveal causality relationships but only provides an accounting breakdown of growth differentials. Indeed, the components are not necessarily independent of one another (for example, in standard growth theory, the rate of capital deepening depends on the rate of TFP growth).

Box 1

GROWTH ACCOUNTING

This box explains the breakdown of output growth in a standard growth accounting framework and elaborates on some measurement issues.

In formal terms, real GDP growth can be broken down as follows:

$$(1) \quad \Delta(\text{Real GDP}) = \Delta\left(\frac{\text{Real GDP}}{\text{Total hours worked}}\right) + \Delta\left(\frac{\text{Total hours worked}}{\text{Population}}\right) + \Delta(\text{Population})$$

where the first term on the right-hand side represents changes in hourly labour productivity and the second term represents changes in labour utilisation. In turn, according to the standard growth accounting literature, hourly labour productivity growth can be broken down as follows:

$$(2) \quad \Delta\left(\frac{\text{Real GDP}}{\text{Total hours worked}}\right) = \Delta(\text{TFP}) + (1-\alpha)\Delta\left(\frac{\text{Capital stock}}{\text{Total hours worked}}\right)$$

where the first term on the right-hand side indicates changes in total factor productivity and the second term represents changes in capital deepening, defined as the ratio of the capital stock to total employment (in hours worked), multiplied by the capital income share $(1-\alpha)$ ¹.

Despite major harmonisation efforts by international organisations, measurement problems still limit the comparability of growth accounting across countries and over time.

First, caution is required when interpreting differences in hours worked across countries, since data on hours worked are not harmonised and may therefore not be comparable across countries.

Second, the measurement of TFP growth is surrounded by considerable uncertainty, given the difficulties in properly measuring improvements in capital and labour inputs. Measured TFP growth, which is calculated as a residual, does not include only disembodied technological changes, but also some embodied technological changes. Disembodied technological change results from new knowledge, blueprints and network effects, including better management and organisational changes, leading to a genuine improvement in the productivity of all factors of production. Embodied technological change represents improvements in the quality of new vintages of capital. Furthermore, some non-technological factors, such as improvements in the skill composition of the workforce and measurement errors, among others, are likely to be picked up by the residual measuring TFP growth.²

1 Equation (2) is derived from a standard Cobb-Douglas production function, where α refers to the labour income share. Furthermore, changes in labour utilisation can be broken down into changes in the age structure of the population, in the labour market performance and in the use of the employed workforce. For the sake of simplicity, this further breakdown is not shown.

2 Using the concept of capital services (as used in the databases of the Groningen Growth and Development Centre (GGDC) and the OECD) instead of net capital stocks (as used in Table 3, which is based on the European Commission database) for the calculation of TFP may resolve some of the measurement issues mentioned above (in particular, the distinction between embodied and disembodied technological changes). However, the GGDC database has not been used owing to the lack of updated series, while the OECD database does not cover the whole time horizon needed for this analysis.

Table 2 Growth accounting – breakdown of real GDP growth – equation (1)

(percentage changes)

	Real GDP = (1)+(2)+(3)					Hourly labour productivity (1)					Labour utilisation (2)					Population (3)				
	1970-1979	1980-1989	1990-1994	1995-1998	1999-2005	1970-1979	1980-1989	1990-1994	1995-1998	1999-2005	1970-1979	1980-1989	1990-1994	1995-1998	1999-2005	1970-1979	1980-1989	1990-1994	1995-1998	1999-2005
Euro area	3.7	2.3	1.9	2.3	1.9	4.3	2.5	2.1	1.5	1.2	-1.2	-0.4	-0.7	0.5	0.2	0.6	0.3	0.5	0.3	0.5
Belgium	3.6	2.2	1.8	2.2	2.1	4.3	2.5	2.6	0.9	1.4	-0.9	-0.4	-1.2	1.1	0.3	0.2	0.1	0.4	0.2	0.4
Germany	3.2	1.9	3.0	1.7	1.2	4.1	2.0	2.4	2.1	1.5	-1.1	-0.2	-0.4	-0.6	-0.4	0.2	0.1	1.0	0.2	0.1
Ireland	4.7	3.1	4.3	10.0	6.8	4.8	4.0	3.5	6.0	3.8	-1.5	-1.2	0.4	2.8	1.3	1.4	0.4	0.3	1.0	1.6
Greece	5.5	0.8	0.8	2.9	4.3	5.6	0.3	0.0	1.9	3.7	-0.9	0.0	0.2	0.0	0.3	0.9	0.5	0.7	1.0	0.3
Spain	3.9	2.7	1.7	3.4	3.7	4.6	3.4	1.8	0.2	0.5	-1.8	-1.0	-0.2	2.9	1.9	1.1	0.4	0.2	0.2	1.2
France	3.8	2.5	1.3	2.2	2.1	4.5	3.2	1.9	1.3	2.1	-1.3	-1.1	-1.0	0.6	-0.6	0.6	0.5	0.5	0.4	0.6
Italy	4.0	2.6	1.1	1.7	1.2	4.5	2.1	1.9	1.2	0.4	-1.0	0.3	-0.8	0.5	0.4	0.5	0.1	0.1	0.0	0.4
Luxembourg	2.7	4.6	4.8	3.8	4.6	2.5	3.8	2.3	0.9	1.7	-0.4	0.4	1.1	1.5	1.8	0.7	0.4	1.4	1.4	1.0
Netherlands	3.3	2.0	2.3	3.7	2.1	4.1	2.1	1.6	1.3	1.5	-1.5	-0.6	0.0	1.8	0.0	0.9	0.6	0.7	0.5	0.5
Austria	4.2	2.0	2.7	2.5	2.0	4.5	2.3	2.8	3.6	1.6	-0.4	-0.4	-0.9	-1.1	0.0	0.1	0.1	0.8	0.1	0.5
Portugal	5.1	3.4	1.7	4.2	1.6	5.4	3.7	2.9	3.6	1.0	-1.2	-0.7	-1.2	0.3	-0.1	1.0	0.4	0.0	0.3	0.6
Finland	4.1	3.5	-1.4	4.7	3.1	4.5	3.0	3.1	2.8	2.1	-0.7	0.1	-4.9	1.6	0.6	0.3	0.4	0.5	0.3	0.3
<i>SD¹⁾</i>	<i>2.3</i>	<i>1.6</i>	<i>2.1</i>	<i>2.4</i>	<i>1.9</i>	<i>2.3</i>	<i>2.1</i>	<i>1.7</i>	<i>2.1</i>	<i>1.5</i>	<i>1.3</i>	<i>1.7</i>	<i>2.0</i>	<i>1.8</i>	<i>1.3</i>	<i>0.6</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>

Source: ECB computations based on European Commission and GGDC data.

Notes: Data for Germany refer to West Germany up to 1991. See Box 1 for an explanation of this accounting exercise and some methodological considerations.

1) SD = unweighted standard deviation.

Tables 2 and 3 report the breakdowns shown in equations (1) and (2), respectively, of Box 1 for the euro area countries over the period 1970-2005.

Table 2 suggests that the above-mentioned factors behind real GDP growth performance played different roles across countries. In particular, focusing on demographic developments,⁷ growth in Ireland, Spain and Luxembourg has been boosted by favourable demographic factors since the mid-1990s, partly reflecting immigration flows. However, demographic factors have made only a marginal contribution to growth in Germany and Italy.

With regard to labour productivity developments, it is worth noting that some euro area countries saw a significant downward trend, mainly associated with a slowdown in TFP growth (see Table 3).

Finally, the fall in labour utilisation observed in most countries in the 1980s and the first half of the 1990s was reversed from the mid-1990s onwards in some countries. This reversal is most likely to be the result of successful

structural reforms as well as of wage moderation in the late 1980s and the 1990s.

Structural rigidities appear to play an important role in explaining labour productivity and labour utilisation developments in the euro area countries. For instance, it has been shown that regulations limiting competition in the goods, services, labour and capital markets have negative repercussions on technological advancement, and thus on productivity growth. There is also increasing empirical evidence to suggest that high tax wedges are an important determinant of cross-country differences in employment performance. By affecting the degree of labour market flexibility, product market competition and the tax/benefit system, structural policies influence supply and demand for labour and capital, the efficient adoption of technical innovations, and investment in research and development (R&D). There is also

7 In the context of the growth accounting framework, demographic changes affect output growth, first, via the population growth rate and, second, via developments in the working-age population rate, measured as the share of the working-age population in the total population, which captures changes in the age structure of the population.

Table 3 Growth accounting – breakdown of labour productivity – equation (2)

(percentage changes)

	Hourly labour productivity = (1)+(2)					TFP (1)					Capital deepening (2)				
	1970- 1979	1980- 1989	1990- 1994	1995- 1998	1999- 2005	1970- 1979	1980- 1989	1990- 1994	1995- 1998	1999- 2005	1970- 1979	1980- 1989	1990- 1994	1995- 1998	1999- 2005
Euro area	4.3	2.5	2.1	1.5	1.2	2.9	1.6	1.2	1.1	0.7	1.5	0.8	0.9	0.5	0.5
Belgium	4.3	2.5	2.6	0.9	1.4	2.7	1.7	1.3	0.6	1.0	1.6	0.7	1.3	0.3	0.5
Germany	4.1	2.0	2.4	2.1	1.5	2.8	1.4	1.8	1.4	1.0	1.3	0.6	0.6	0.8	0.5
Ireland	4.8	4.0	3.5	6.0	3.8	2.8	2.4	2.8	6.0	2.7	2.0	1.6	0.7	0.0	1.2
Greece	5.6	0.3	0.0	1.9	3.7	3.1	-0.6	-0.6	1.4	2.5	2.5	0.8	0.6	0.5	1.2
Spain	4.6	3.4	1.8	0.2	0.5	2.7	2.2	0.4	0.2	0.0	1.9	1.2	1.4	0.0	0.5
France	4.5	3.2	1.9	1.3	2.1	2.7	2.0	0.7	0.9	1.2	1.7	1.1	1.2	0.4	0.9
Italy	4.5	2.1	1.9	1.2	0.4	3.0	1.3	0.7	0.7	-0.1	1.5	0.9	1.2	0.6	0.5
Luxembourg	2.5	3.8	2.3	0.9	1.7	1.8	3.2	1.5	0.5	0.6	0.7	0.6	0.8	0.5	1.2
Netherlands	4.1	2.1	1.6	1.3	1.5	2.7	1.4	1.3	1.4	1.1	1.4	0.7	0.3	-0.1	0.4
Austria	4.5	2.3	2.8	3.6	1.6	3.3	1.6	1.9	2.4	1.0	1.1	0.8	0.8	1.2	0.6
Portugal	5.4	3.7	2.9	3.6	1.0	4.0	2.2	1.0	2.4	-0.1	1.4	1.5	1.9	1.2	1.1
Finland	4.5	3.0	3.1	2.8	2.1	3.0	2.1	1.2	3.4	1.9	1.6	0.9	1.9	-0.7	0.3
<i>SD¹⁾</i>	2.3	2.1	1.7	2.1	1.5	2.1	1.8	1.5	1.9	1.3	0.6	0.6	0.8	0.7	0.6

Source: ECB computations based on European Commission and GGDC data.

Notes: Data for Germany refer to West Germany up to 1991. See Box 1 for an explanation of this accounting exercise and some methodological considerations.

1) SD = unweighted standard deviation.

growing evidence that different degrees of efficiency in the financial system can explain differences in TFP growth across countries.⁸

2.2 THE RELEVANCE OF SHOCKS AND ADJUSTMENT MECHANISMS

The presence of persistent output growth differences may, to some extent, reflect the long-lasting output impact of economic shocks. This in turn would imply a relatively low shock absorption capacity of the economy concerned, i.e. a slow functioning of the relevant adjustment mechanisms. This section therefore reviews, first, the kind and role of shocks affecting the euro area economies and, second, the working of various adjustment mechanisms within EMU.

THE RELEVANCE OF SHOCKS

Two broad categories of shocks may translate into different output effects: common and country-specific shocks.

Common shocks might create different effects on output growth across countries, either if

there are differences in the way these shocks are transmitted, or if countries are exposed to these common factors to a different degree. Common shocks typically refer to external shocks that are related, for example, to oil prices, extra-euro area foreign demand and euro exchange rate developments. These shocks may also generate different output growth reactions, depending on how different the structural features of the economies are, such as the trade structure and the degree of energy dependency, openness and flexibility. However, there is little evidence that any of the major common shocks over recent years have by themselves been a relevant factor behind persistent real GDP growth differentials.

8 For an overall review of the link between efficient financial intermediation and output growth, see R. Levine, "Finance and growth: theory, evidence, and mechanisms", in P. Aghion and S. Durlauf, (eds.), *The Handbook of Economic Growth*, Elsevier, Amsterdam, North Holland, 2005. More specifically, there is evidence showing that efficient finance fosters productivity by swiftly reallocating resources to sectors with positive global investment prospects, see A. Ciccone and E. Papaioannou, "Adjustment to target capital, finance, and growth", CEPR Discussion Paper No 5969, 2006.

Another type of common shock refers to monetary policy shocks. As far as the euro area is concerned, empirical work has shown that, overall, there is a considerable degree of homogeneity in the general pattern of output growth responses to a temporary change in short-term interest rates.⁹

Country-specific (or asymmetric) shocks, such as fiscal measures and structural reforms, naturally give rise to differentials in output growth. Overall, the available empirical literature shows that country-specific shocks have played a greater role in generating growth differentials in recent years than common shocks, and that the effects of those shocks are highly persistent.¹⁰ There are many types of country-specific shock. Notably the one-off convergence of nominal interest rates in the run-up to EMU is likely to have contributed to growth differentials, as some countries saw a notable reduction in short and long-term interest rates. However, this effect has been empirically found to be of a temporary nature, mostly restricted to the first years of EMU.¹¹

Other country-specific developments, such as the impact of the German reunification, may also have played a role. The lacklustre growth performance of the German economy since the mid-1990s can be attributed, to some degree, to the impact of the German reunification. The resulting fiscal burden, largely associated with financing social security expenditure and infrastructure investment in eastern Germany, the increasing tax wedge and the long-lasting adjustment process in the construction sector affected the dynamism of the economy for a long period of time. Regarding country-specific fiscal measures, there is some evidence that pro-cyclical effects of discretionary fiscal policies of euro area countries contributed to widening cyclical output growth differences before EMU.

ADJUSTMENT MECHANISMS IN EMU

The slow functioning of adjustment mechanisms to shocks can explain persistent output growth differentials. In a monetary union such as the

euro area, with a single currency and a single monetary policy, the main adjustment mechanisms that can play a role – in the absence of a high degree of labour mobility across countries – are the competitiveness channel and, of a somewhat different nature, the “risk-sharing channel”.

The competitiveness channel is typically seen as the most important equilibrating mechanism. If, for example, a country in a monetary union experiences a shock that drives its output above its potential, this will lead to domestic inflationary pressures, in particular a rise in wages and other domestic costs. As a result, a deterioration in external competitiveness will gradually accumulate, reducing foreign demand for the country’s exports over time. The resulting decline in demand for the country’s output will tend to restore output to its potential level and to dampen previous inflationary pressures. The working of this adjustment mechanism through the competitiveness channel would be enhanced in an environment of highly integrated labour, goods and services markets in the euro area. However, available evidence shows that in the euro area this key equilibrating mechanism appears, as a result of structural rigidities and a lack of full implementation of the Single Market, to require a relatively long period to work through.¹²

It is sometimes claimed that a destabilising real interest rate channel can emerge in response to higher inflation in a given country, which might

9 For a comprehensive review of the Eurosystem Monetary Transmission Network results, see I. Angeloni, A. Kashyap and B. Mojon, *Monetary policy transmission in the euro area*, Cambridge University Press, 2003. It should also be highlighted that differences in the monetary transmission mechanism depend on structural features of the economies. See R. P. Berben, A. Locarno, J. Morgan and J. Valles, “Cross-country differences in monetary policy transmission”, ECB Working Paper No 400, 2004.

10 Recent analyses of this issue are provided in D. Giannone and L. Reichlin (cf. footnote 6), and in A. Buisán and F. Restoy, “Cross-country macroeconomic heterogeneity in EMU”, Banco de España Occasional Paper No 0504, 2005.

11 See G. Fagan and V. Gaspar, “Adjusting to the euro”, ECB Working Paper No 716, 2007.

12 For a comprehensive study of adjustment mechanisms in EMU, see the European Commission, “The EU economy 2006 review – Adjustment dynamics in the euro area: experiences and challenges”, *European Economy* 6, 2006, and F. P. Mongelli and J. L. Vega, “What effects is EMU having on the euro area and its member countries? An overview”, ECB Working Paper No 599, 2006.

itself be related to relatively strong output growth. Such a country would face lower real rates, fostering further domestic demand and output growth. However, what matters for investment and consumption decisions are ex ante real interest rates that take into account inflation expectations rather than realised inflation rates. Indeed, inflation expectations across the euro area countries do not diverge greatly. Moreover, although the real interest rate channel may have had a short-term impact at the country level on some occasions in the past, it is typically – as empirical evidence shows – more than offset by the competitiveness channel over the medium and long run.¹³

A high degree of wage flexibility is essential for the competitiveness channel to work through because it would help national labour markets to adjust to economic shocks and would facilitate the efficient allocation of labour and other resources.¹⁴ A high degree of price flexibility is similarly important. This has been analysed in depth in the context of the Eurosystem Inflation Persistence Network (IPN),¹⁵ a research network comprising all euro area NCBs and the ECB. While cross-country heterogeneity in price flexibility does not appear to be the main factor behind growth differentials, it should be noted that prices change only infrequently, and considerably less often in the euro area countries than in the United States, for example. Product market regulations limiting competition may be a factor behind this finding.

Another market mechanism, albeit of a somewhat different nature, which can counteract the differential impact of asymmetric shocks on output growth among members of a currency union is the “risk-sharing channel”: integrated financial markets allow borrowers and lenders to better share risks that arise from country-specific or asymmetric shocks. If, for example, a country is hit by a positive/negative demand shock, the implied output gains/losses would be shared by other countries if an environment of highly integrated cross-border financial activities through portfolio diversification exists. As explained in greater detail in Box 2, the available evidence points to an increase in risk-sharing across the euro area countries, but risk-sharing overall is lower than within a long-standing monetary union such as the United States.

¹³ See the article entitled “Monetary policy and inflation differentials in a heterogeneous currency area” in the May 2005 issue of the Monthly Bulletin. See also the box entitled “Measuring real interest rates in the euro area countries” in the September 2004 issue of the Monthly Bulletin. For a more recent overview, see European Commission, “The EU economy 2006 review” (cf. footnote 12).

¹⁴ The International Wage Flexibility Project, an international research network of academics and policy-makers, including the ECB, found, on the basis of microeconomic data for a number of euro area countries, a significant degree of nominal and real wage rigidity in many euro area countries, as well as significant heterogeneity in the magnitude of these types of rigidity across the countries. See W. Dickens, L. Goette, E. Groshen, S. Holden, J. Messina, M. Schweitzer, J. Turunen and M. Ward, “How wages change: micro-evidence from the International Wage Flexibility Project”, ECB Working Paper No 697, 2006.

¹⁵ See F. Altissimo, M. Ehrmann and F. Smets, “Inflation persistence and price-setting behaviour in the euro area: a summary of the IPN evidence”, ECB Occasional Paper No 46, 2006.

Box 2

RISK-SHARING IN THE EURO AREA

Well-integrated financial markets and readily available portfolio diversification opportunities provide an important mechanism to counteract the differential impact of asymmetric shocks among members of a currency union, reducing the dependence of firms’ and households’ saving and spending decisions on national economic and financial developments. In essence, this mechanism implies that consumption does not need to follow movements in output because consumers can borrow abroad. Given the key role that this risk-sharing channel can play in the face of asymmetric shocks, it is natural to consider whether risk-sharing opportunities in the euro area are broadly similar to those available in other currency areas, and whether risk-sharing has increased since the introduction of the euro.

Asdrubali et al. applied to the United States a framework measuring the amount of risk-sharing actually achieved. They found that, over the period 1963-1990, 75% of idiosyncratic fluctuations in gross state output were smoothed and thus did not affect state consumption.¹ Moreover, the bulk of this significant hedging of output shocks across US states was the result of efficient and integrated financial markets, including cross-border portfolio diversification, rather than centralised fiscal policy.

Early applications of the same methodology to several EU economies concluded that over the period 1966-1990 the amount of risk-sharing across European countries was basically nil. More recent evidence, however, points to a substantial increase in risk-sharing across euro area countries, reflecting the increasing integration of financial markets. As regards the availability of credit, the euro area has already gone a long way towards closing the gap with the United States. Money markets are fully integrated. The market in euro-denominated bonds has developed very fast, and a small increase in the diversification of equity portfolios also seems to have occurred in Europe since the run-up to Monetary Union.²

Recent work at the ECB confirms that the impact of country-specific output fluctuations on national consumption has decreased since the start of Monetary Union. Giannone and Reichlin carried out a panel analysis in which the deviations of consumption growth of each country from the euro area average are regressed on the deviations of the real GDP growth of each country from the euro area average, on a year-by-year basis, over the period 1970-2004.³ The elasticity of consumption growth deviations from the euro area average to deviations of real GDP growth falls from around 0.8 over the period 1970-89 to around 0.65 over the period 1990-2003, which can be interpreted as an increase in the amount of idiosyncratic output risk that has smoothed since the early 1990s. The increase in risk-sharing occurred in a period when the integration of capital and goods markets accelerated significantly in Europe.

Overall, although the smoothing of output fluctuations seen within the United States is greater than that found among euro area countries, recent evidence shows that the degree of risk-sharing across euro area countries has increased since the 1990s.

1 P. Asdrubali, B. Sorensen and O. Yosha, "Channels of interstate risk sharing: United States 1963-1990", *Quarterly Journal of Economics*, Vol. 111, 1996.

2 See S. Kalemli-Ozcan, B. Sorensen and O. Yosha, "Asymmetric shocks and risk sharing in a monetary union: Updated evidence and policy implications for Europe", CEPR Discussion Paper No 4463, 2004.

3 See footnote 6 in the main text.

3 POLICY IMPLICATIONS OF OUTPUT GROWTH DIFFERENTIALS ACROSS THE EURO AREA COUNTRIES

Some differentials in output growth in the euro area, as in any currency union, are natural and to some extent desirable. This is the case, for example, when such differences reflect catching-up effects of lower-income countries or differences in demographic trends. Furthermore, there may be temporary differences in output growth across countries,

for instance, as a result of country-specific shocks or common shocks which require different country adjustments. Policy-makers should therefore be concerned only about those differences in output growth that reflect inappropriate national economic policies, structural rigidities or a malfunctioning adjustment mechanism in individual countries. This may lead to increasing internal imbalances and diverging developments in competitiveness across countries. While it is often difficult in practice to precisely identify those undesirable

aspects of divergence, there is sufficient evidence of structural deficiencies in individual countries which need to be addressed by appropriate policies.

The single monetary policy of the ECB is geared towards the primary objective of price stability in the euro area as a whole. The very existence of a single monetary policy and, thereby, of a uniform policy interest rate across the euro area countries does not allow monetary policy to be used to influence output growth (or inflation) differentials across euro area countries.¹⁶ The best contribution the ECB's single monetary policy can make to the smooth functioning of EMU is to maintain price stability in the euro area as a whole.

Addressing “unsatisfactory” output growth performance in some individual countries must be tackled by properly designed national policies in the fiscal and structural domains. In the context of EMU with a single monetary policy, the later the necessary national policy measures are taken, the larger the potential costs can be in case of adverse shocks. Policies have to focus, in particular, on increasing the adjustment capacity of economies to shocks and, in the slower growth countries, on fostering productivity and labour utilisation while maintaining stable macroeconomic conditions.

3.1 FISCAL POLICIES

Fiscal policies in the euro area countries can best support the smooth functioning of EMU by being sustainable and medium term-oriented. The use of “activist” fiscal policies as a stabilisation tool entails significant risks: in particular, an ill-timed fiscal policy adjustment aimed at stabilising demand can be a significant source of variability in the economy and might, depending on the relative initial position of the countries, cause output growth differentials between countries. Experience shows that discretionary fiscal policies – particularly in view of the long implementation and impact lags involved – are imprecise tools for fine-tuning aggregate demand, often resulting in

pro-cyclical effects. By contrast, automatic stabilisers can play a useful role, and the necessary room for the operation of automatic stabilisers should be created during economic upswings.

Fiscal policies can also help to mitigate undesirable output growth performance if public spending and tax systems are made more efficient and growth-friendly. Such an improvement in the quality of public finances could also facilitate the adjustment of the euro area economies in the event of adverse shocks.

3.2 STRUCTURAL POLICIES

It is in the area of structural measures and enhanced cross-border integration that national policies can make the most significant contribution, first, to facilitating the working of adjustment mechanisms and, second, to improving long-term growth and employment prospects and addressing persistent growth underperformance in some countries.

The working of adjustment mechanisms in EMU, seen as a crucial element for the better absorption of shocks, can be improved by removing institutional barriers to flexible price and wage-setting mechanisms, in particular by easing product market regulation and employment protection legislation. The completion of the Single Market, in particular in the services sector and the financial markets, can stimulate price flexibility by fostering competition. In addition, existing barriers to labour mobility within the euro area must be removed. Greater cross-border competition and the integration of markets across countries can also enhance the adjustment mechanisms in the individual countries in the event of asymmetric shocks or differentials in cyclical developments across countries. In this respect, measures aimed at protecting domestic industries or

¹⁶ The aim of keeping inflation for the euro area as a whole below but close to 2% also addresses the implications of those equilibrium inflation differentials within the euro area which are related to real catching-up processes. See ECB, “Background studies for the ECB's evaluation of its monetary policy strategy”, 18 November 2003.

employees against international competition are detrimental.

As regards wage-setting, nominal and real wages should adjust to help to absorb shocks. In a monetary union, much of the adjustment to economic fluctuations has to take place in national labour markets. Wage-setting must, therefore, reflect the differing situations of firms and labour market conditions, rather than being defined homogeneously across regions or sectors irrespective of the local conditions. In particular, sufficient wage differentiation would improve employment opportunities for less skilled workers and in regions with high unemployment. It is consequently of particular importance for all countries to achieve a high degree of wage flexibility to improve the ability of their labour markets to adjust to such shocks. Wage indexation mechanisms to past price increases as well as minimum wage regulations should be avoided, as they tend to undermine the speed of wage adjustment and job creation, in particular in regions hit by adverse shocks.

Long-term growth prospects can be improved by national measures targeted at raising labour productivity growth and employment growth. Growth in productivity should be supported by policies that aim to promote innovation and technological change. Regulations limiting competition in goods, services, labour and capital markets have negative repercussions on innovation and technological advancements. Structural policies can increase employment by enhancing labour supply incentives. High average and marginal tax rates and unemployment benefits may have a negative impact on the incentives to engage in paid employment or on the choice of the number of hours to work. Early retirement policies may also have a significant negative effect on the labour supply and, hence, on the levels of participation and the employment rate (see Box 3 for a review of the empirical literature on the link between structural policies and productivity/employment growth).

Box 3

STRUCTURAL POLICIES, PRODUCTIVITY AND EMPLOYMENT

Structural factors appear to play an important role in explaining labour productivity and employment developments in the euro area countries. Certain recent reforms in some euro area countries, aimed at stimulating employment growth, notably for low-skilled workers, by integrating workers with below-average productivity into the productive process, raised output but lowered productivity growth, dampening the positive effect of employment growth on real GDP growth. However, this should only be a temporary phenomenon. In the longer run, increasing the flexibility of the labour market and the diffusion of innovation and technological progress seems to be crucial to achieving relatively high levels of both productivity and employment.

Structural policies and productivity

Starting with productivity, differences in technological progress and in the diffusion of innovation, as associated with differences in TFP growth, seem to have been a major factor behind the disparities in the trend in hourly labour productivity performance across euro area countries.¹ A key policy issue is how to raise labour and TFP growth. Policies targeted at

¹ See A. Annenkov and C. Madaschi, "Labour productivity in the Nordic EU countries: a comparative overview and explanatory factors 1980-2004", ECB Occasional Paper No 39, 2005.

increasing innovation and technological diffusion can be grouped into three broad categories²: (i) policies aimed at easing regulations, (ii) policies aimed at improving human capital and (iii) policies aimed at promoting venture capital and the speedy and efficient adoption of technical innovations and investment in R&D.

With regard to the first category, regulations restricting competition in goods, services, labour and capital markets by, for instance, limiting entrepreneurial activities, imposing entry restrictions or regulations affecting labour market adaptability, such as recruitment and dismissal rules, have negative repercussions on innovation and technological advancement. There is consistent empirical evidence to show that significant TFP gains and increasing investment in information and communications technology can be obtained by deregulating product markets.³ Moreover, it seems that the positive effect of deregulating product markets on diffusing innovation and technological changes, and therefore on labour productivity levels and real GDP growth rates, is amplified in periods of rapid technological change, giving rise to significant disparities in trend labour productivity levels and growth rates across euro area countries in which the degree of product market regulation differs. The extension and deepening of the Single Market is also a priority since the existing regulatory environment in the euro area is still overly complex, in particular in comparison with the United States, and is consequently an obstacle to innovation and labour productivity gains.

Second, with regard to policies aimed at improving human capital, measures favouring improvements in skills and lifelong learning contribute to further innovation, facilitate the use of advanced technologies and allow technological change to translate into more jobs. Third, policies promoting investment in R&D and venture capital are also important drivers of innovation and technological change. While private venture capital markets can allow the market mechanism to play a greater role in financing innovation, as an alternative or complement to traditional financial R&D support, thereby improving efficiency in the allocation of finance, higher outlays for R&D should, all other things being equal, yield higher results in terms of innovation, and thus of productivity and output.

Structural policies and employment

The structural factors that may affect employment trends can be grouped into two broad categories: (i) policies aimed at increasing incentives to supply work and to create jobs, e.g. by reducing taxes on labour, and (ii) policies aimed at increasing the flexibility of markets and the ability to adjust to shocks by easing, for instance, regulation on labour and product markets.

As regards the first category, high average and marginal tax rates, as well as generous unemployment benefits, may have a negative impact on the incentives to engage in paid employment and/or, following a decision to work, on the number of hours people choose to work. Moreover, there is growing empirical evidence that high tax wedges⁴ are a significant determinant of cross-country differences in employment and labour utilisation.⁵ Recent

2 See S. Scarpetta, P. Hemmings, T. Tresselt and J. Woo, "The role of policy and institutions for productivity and firm dynamics: evidence from micro and industry data", OECD Working Paper No 329, 2002.

3 See G. Nicoletti and S. Scarpetta, "Regulation and economic performance: product market reforms and productivity in the OECD", OECD Working Paper No 460, 2005.

4 The tax wedge captures the amount of social security contributions, payroll taxes, personal income tax and consumer taxes that create a wedge between the real labour costs for employers and the real take-home pay of employees.

5 See E. Prescott, "Why do Americans work so much more than Europeans?", Federal Reserve Bank of Minneapolis, 2004, and M. Spolander and J. Tarkka, "Taxation and employment – international comparisons", *Bank of Finland Bulletin*, Vol. 79, 2005.

empirical work finds that high unemployment benefits and high tax wedges are associated with generally lower employment rates, especially for women. This work also shows that public pension systems and other social transfer programmes which provide significant early retirement incentives may have a major negative impact on the employment rate of older workers.⁶

With regard to flexibility and regulation, the central question has been whether excessively strict employment protection and product market regulation negatively affect the performance of the labour market. Studies suggest that groups that have problems in entering the labour market, such as young workers, women and the long-term unemployed, are mostly negatively affected by excessively strict employment protection legislation.⁷ As regards product regulation, there is consistent empirical evidence to show that significant employment gains can be obtained by deregulating product markets.⁸

6 A. Bassanini and R. Duval, "Employment patterns in OECD countries: reassessing the role of policies and institutions", OECD Social, Employment and Migration Working Paper No 35, 2006.

7 See also A. Bassanini and R. Duval (cf. footnote 6 of this box).

8 See G. Nicoletti and S. Scarpetta, "Product market reforms and employment in OECD countries", OECD Working Paper No 472, 2005.

4 CONCLUSION

The evidence discussed has generally stressed the important role of structural factors in the output growth differentials seen across euro area countries. These differentials are largely caused by differing trend growth patterns and, to a lesser extent, by cyclical factors. Moreover, the various rigidities within euro area countries may have hampered the capacity of the economies of the euro area to adjust to shocks. In this respect, persistent output growth differences also appear to be related to the relatively long-lasting effects of economic shocks, which, in turn, are largely due to the slow functioning of adjustment mechanisms in the individual countries, mainly reflecting structural rigidities and the lack of integrated markets.

The best contribution the ECB's single monetary policy can make to the smooth functioning of EMU is to maintain price stability in the euro area as a whole. Undesirable output growth performance in some individual countries must be tackled by properly designed national policies in the fiscal and structural domains. In the context of EMU, the later the necessary national policy measures are taken, the larger the potential costs can be in the event of adverse

shocks. Fiscal policies in the euro area can best support the smooth functioning of EMU by being sustainable and oriented to the medium term. Structural policies must focus, in particular, on increasing the adjustment capacity of economies to shocks and on fostering productivity and employment trends while maintaining stable macroeconomic conditions. Open, integrated and flexible economies create the best conditions for exploiting the substantial benefits of the single currency, which is in the interests of each euro area country and its citizens.

FROM GOVERNMENT DEFICIT TO DEBT: BRIDGING THE GAP

ARTICLES

From government
deficit to debt:
bridging the gap

Government deficit and debt are the primary focus of fiscal surveillance in the euro area, and reliable data for these key indicators are essential for the credibility of the surveillance process. However, there are differences between the government deficit and the change in government debt, known as deficit-debt adjustments, which can in some cases be rather significant. This article examines these differences in depth and argues that as long as they reflect the proper recording of government financial activity, such as the building-up of assets by social security funds to prepare for future pension payments, there is no reason for concern. Following recording difficulties in a few cases, statistical surveillance at the European Union (EU) level has evolved significantly in recent years. This has strengthened the implementation of accounting rules and the reliability of fiscal figures, both of which support the implementation of the revised Stability and Growth Pact.

I INTRODUCTION

Government deficit and debt are the primary focus of fiscal surveillance in the euro area. However, their development has always diverged somewhat and, in certain instances, these divergences have been significant. From the start of Economic and Monetary Union on 1 January 1999 to the end of 2005, the total increase in euro area government debt (also known as “Maastricht debt”) amounted to 15% of GDP, whereas the accumulated euro area government deficit amounted to around 13% of GDP.¹ The difference between the change in debt and the cumulated deficit was thus 2% of GDP over the period or 0.3% of GDP on average per year for the euro area as a whole. However, at the country level, cumulated differences between the change in debt and the deficit were much more substantial in some cases, amounting to up to 28% of GDP over the period. This difference between the change in government debt and the government deficit is also known as the “deficit-debt adjustment” (DDA) or more generally as the “stock-flow adjustment”.

As long as the DDA and its components are the result of proper statistical recording, the reliability of deficit and debt figures is secured. This, in turn, supports the credibility of EU fiscal surveillance. By contrast, fiscal surveillance could be undermined if doubts arise about the reliability of these figures.

Section 2 describes the sources of deficit-debt adjustments. Section 3 explores the relationship

of these adjustments with EU fiscal surveillance and the Stability and Growth Pact. Section 4 provides a quantitative analysis of the various components of the DDA and of changes over time in the euro area, and Section 5 concludes.

2 DEFINITION AND SOURCES OF THE DEFICIT-DEBT ADJUSTMENT

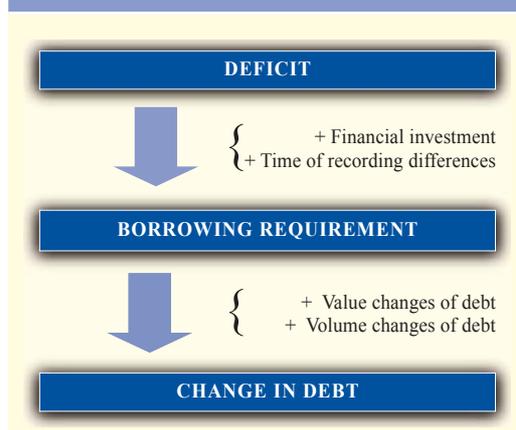
It seems intuitive that outstanding government debt should increase in line with the deficit. However, this is not necessarily the case for several reasons, which are best explained by looking at the underlying accounting steps (as illustrated in Chart 1). First, the deficit is different from the amount a government needs to borrow (the borrowing requirement) due to financial investment. Second, there are time of recording differences mainly between government expenditure or revenue and any related cash flow. Moreover, the change in outstanding government debt may differ from the borrowing requirement owing to other changes in the value or volume of debt.²

Starting with potential discrepancies between the deficit and the borrowing requirement, financial investment for instance comprises the deposits held by government at monetary financial institutions, the acquisition of (non-government) securities by social security funds

1 Both measures are expressed in terms of 2005 GDP.

2 A more detailed explanation of the DDA is provided in the ECB Government Finance Statistics Guide: <http://www.ecb.int/pub/pdf/other/governmentfinancestatisticsguide200701en.pdf>.

Chart 1 From government deficit to debt



(which build up assets to cover future pension entitlements) and increases in equity held by the government in corporations. With a given deficit, government financial investment increases the borrowing requirement and thereby also government debt; conversely, a reduction in financial assets (as a result of privatisations for instance) tends to reduce the borrowing requirement and debt, while leaving the deficit unchanged.

Time of recording differences refer to the difference between the recording of expenditure and the related payments and that of revenue and the related cash flow to government. For instance, expenditure is recorded upon delivery of supplies and hence increases the deficit,

while government may delay (in line with contractual settlement clauses) the actual cash payment, leaving the government borrowing requirement and debt unchanged. Similarly, taxes are recorded as reducing the deficit at the time that they are assessed, even though the payment may take place somewhat later. Another time of recording difference arises on account of the advance or delay in reimbursement by the EU of the funds the government spends on its behalf. If the time of recording is not consistent across the different data sources used for the government accounts, this leads to statistical discrepancies, which are also part of this DDA component. Time of recording differences tend to broadly cancel out over time (e.g. expenses reported as expenditure but not yet paid in one year will be paid, but no longer reported as expenditure in the subsequent year).

Differences between the borrowing requirement and the actual change in debt are due to changes in the value or volume of Maastricht debt that arise independently of any transaction. For instance, the value of outstanding government debt declines when an appreciation of the domestic currency reduces the nominal value of debt denominated in foreign currencies. "Volume changes" that are not associated with transactions typically result from either reclassifications of public corporations into, and out of, the government sector or from certain debt assumptions by government.

Box

HOW ARE MAASTRICHT DEFICIT AND DEBT DEFINED?

The government deficit and debt figures used for the excessive deficit procedure are laid down in the Maastricht Treaty, which was ratified by all European Union Member States.¹ This is why government deficit and debt are also often referred to as Maastricht deficit and debt.

Maastricht debt measures the indebtedness of the government sector as a whole. However, it is not simply the sum of the debt issued by all government units, but rather consolidates the

¹ See Article 2 of the Protocol on the excessive deficit procedure annexed to the Treaty: <http://europa.eu/eur-lex/en/treaties/selected/livre335.html>.

debt across units. This means that the liabilities of one government unit that are held by another government unit, such as central government bonds held by social security funds, are excluded from government debt.

Maastricht debt is defined in gross terms: the assets held by government units that are liabilities of non-government units (for example bonds or shares issued by corporations) are not deducted from Maastricht debt.

It is measured at nominal or face value, indicating the amount the government will have to redeem when paying off its debt. However, valuation effects arising from the conversion at market price of debt denominated in foreign currencies are taken into account in Maastricht debt.

For practical reasons it excludes a number of liabilities that are difficult to measure, most importantly, other accounts payable that include trade credits originating from contractual delays of payments to providers of goods and services.²

The Maastricht deficit is the difference between government revenue and government expenditure. It is also equal to the balance of financial assets acquired by government and the total liabilities incurred.³ The proper recording of all transactions is governed by the European accounting rules known as the European System of Accounts 1995 (“ESA 95”), which is in line with other international statistical standards and is enshrined in a Council Regulation adopted by all EU Member States.⁴

² See Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure, as well as further amendments.

³ It represents the change in the government’s financial net worth due to transactions. Changes in the government’s financial net worth due to holding gains and losses are excluded from the deficit.

⁴ Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community.

3 DEFICIT-DEBT ADJUSTMENT AND FISCAL SURVEILLANCE UNDER THE STABILITY AND GROWTH PACT

The DDA is an important variable for EU fiscal surveillance because it bridges the gap between developments in the government deficit and debt which, in turn, are the key fiscal variables monitored under the Stability and Growth Pact. The 3% of GDP reference value for the deficit and the 60% of GDP reference value for public debt must be respected to preserve confidence in stable and sustainable public finances as these are a cornerstone of macroeconomic stability in each country and the proper functioning of EMU. A breach of the deficit threshold results in the initiation of the excessive deficit procedure, which can ultimately lead to financial sanctions.

As long as the DDA and its components are the result of sound statistical recording, the reliability of deficit and debt figures is strengthened which, in turn, supports the credibility of EU fiscal surveillance and the excessive deficit procedure. At this point, it is important to note that a high DDA level in itself does not raise concerns about the reliability of government finance statistics and the application of the ESA 95 accounting rules (see Box). However, if the DDA is unexpectedly large, short of outright misreporting, this may reflect the use of leeway for complex transactions (for which rules may be more difficult to apply) in a deficit-reducing manner.

Some transactions merit special attention when checking the “soundness” of the DDA from this perspective. It should for instance be verified

whether capital injections by government into public corporations warrant recording as financial investment through the acquisition of equity (which does not affect the deficit) or as deficit-increasing capital transfers. Likewise, if a sale of government non-financial assets through a securitisation does not result in a full transfer of the involved risk, the transaction cannot be recorded as a deficit-decreasing sale, but should be recorded as an increase in government debt, resulting in an increase in the DDA. If the government sells a building with the purpose of leasing it back after the sale, the revenue can be recorded as a deficit-decreasing sale or as a debt-increasing loan extended to the government. The proper recording depends on the specific conditions under which the sale takes place. In addition, debt assumptions warrant close scrutiny as the change in debt that occurs may or may not be accompanied by a deficit-increasing capital transfer.

The proper recording of these borderline transactions is dealt with in the Eurostat “ESA 95 manual on government deficit and debt”. This clarifies how the ESA 95 rules should be applied when compiling the government accounts. In cases in which the manual does not provide enough guidance, Eurostat consults the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB, in which the national statistical institutes and the national central banks of the EU Member States, as well as the European Commission and the ECB are represented) on the correct recording of complicated transactions. CMFB consultations help to ensure that the compilation of government deficit and debt is done in a manner that is consistent and stable over time and homogeneous across Member States, even though budgetary practices may vary across countries. They also help to apply the rules in an economically most sensible manner so that confidence in the statistical base for fiscal surveillance is enhanced.

Because the credibility of EU fiscal surveillance depends on reliable government finance

statistics, a Council Regulation³ was adopted towards the end of 2005 that granted Eurostat more powers to scrutinise the Maastricht deficit and debt figures reported by the Member States. This has allowed Eurostat, which is responsible for the provision of the statistical data needed for the excessive deficit procedure,⁴ to step up its efforts, including during the missions it conducts with the support of the ECB. All in all, the rules and procedures for fiscal statistical reporting have evolved considerably over recent years, thus contributing to improved fiscal surveillance at EU level and the enhanced credibility of the Stability and Growth Pact.

4 ANALYSIS OF THE DEFICIT-DEBT ADJUSTMENT IN THE EURO AREA

As discussed above, certain discrepancies between the deficit and the change in gross government debt should be a normal feature of public finances. From 1999 to 2005, deficit-debt adjustments in the euro area have on average led to an annual increase in the debt ratio that is 0.3% higher than can be explained solely on the basis of deficit figures.⁵ By comparison, the DDA of the United States was debt-reducing by on average 0.3% of GDP (hence cumulative deficits moderately overstated debt dynamics) over the same period. Japan’s DDA was debt-increasing by 1.5% of GDP per year, mainly due to large financial investments by government to pre-fund pension obligations.

The annual DDA for the euro area over the period 1999-2005, however, concealed large differences across countries (see table). Significant debt-increasing DDAs are reported for Finland (averaging 4.5% of GDP per year since the start of EMU), Greece and Luxembourg (both around 3% of GDP on average). Amongst the large euro area countries,

3 Council Regulation (EC) No 2103/2005 of 12 December 2005 amending Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure.

4 See Article 4 of the Protocol on the application of the excessive deficit procedure annexed to the Treaty.

5 Note that DDA = change in debt – deficit.

Deficit-debt adjustment (1999–2005)

(annual average as a percentage of GDP)

Countries	DDA											
	Financial investment									Valuation & volume effects		Time of recording differences ¹⁾
	Currency and deposits	Securities	Shares						Loans	Change in volume of debt		
			Equity injections	Other investment in shares	Privatisations							
BE	0.2	-0.3	0.1	0.0	0.0	0.1	0.0	-0.2	-0.4	0.2	0.2	0.3
DE	-0.3	-0.3	0.0	0.0	-0.2	0.2	0.0	-0.4	-0.1	-0.1	-0.1	0.1
IE	1.6	0.7	0.5	0.2	-0.1	1.1	0.0	-1.3	0.2	0.6	0.0	0.2
GR	3.2	0.6	0.2	0.0	0.4	0.3	0.9	-0.7	0.0	0.9	0.0	1.7
ES	0.8	1.0	0.8	0.1	-0.1	0.2	-0.3	0.0	0.2	0.0	0.1	-0.3
FR	0.6	0.5	0.1	0.0	0.4	0.1	0.5	-0.2	0.0	0.1	0.1	0.0
IT	0.0	0.0	0.1	0.0	-0.4	0.1	0.1	-0.6	0.3	-0.5	0.0	0.5
LU	2.6	2.8	2.0	0.5	0.3	n.a.	n.a.	n.a.	-0.1	0.1	n.a.	-0.2
NL	0.0	-0.2	0.1	0.0	-0.2	0.0	0.0	-0.3	-0.1	0.1	0.0	0.1
AT	0.9	1.1	0.2	0.3	0.1	n.a.	n.a.	n.a.	0.6	-0.4	n.a.	0.1
PT	0.6	0.2	-0.1	0.2	-0.1	0.5	0.1	-0.7	0.2	-0.1	0.0	0.5
FI	4.5	4.2	0.7	2.6	1.1	0.1	2.3	-1.3	-0.2	0.4	-0.1	-0.1
Euro area ²⁾	0.3	0.2	0.2	0.1	0.0	0.2	-0.1	-0.4	0.1	-0.1	0.0	0.2

Source: Eurosystem.

1) "Time of recording differences" mainly includes transactions in other accounts receivable/payable and the statistical discrepancies between the non-financial and financial accounts of general government.

2) Data for the euro area do not include Slovenia.

France and Spain have been showing a DDA of 0.6% and 0.8% of GDP per annum, respectively, while in Germany the DDA has been moderately debt-reducing. However, the DDA for single years sometimes differs substantially from the intertemporal average (and this may be of relevance for the excessive deficit procedure, which looks at both deficit and debt developments in individual countries and years). Italy is a case in point, where the DDA averaged out to zero since the start of EMU, but figures for individual years were significantly positive or negative.

Looking at the different sources of the DDA in the euro area, financial investments of general government had an important debt-increasing effect in most of the countries with large DDAs (see Chart 2). This was notably the case in Finland, Luxembourg, Austria and Spain. On average, they reached more than 4% of GDP per annum in Finland. In Finland, Luxembourg, Spain and Greece, financial investment by government was largely due to the accumulation

of assets in social security funds to prepare for future pension payments (see also Chart 3).⁶

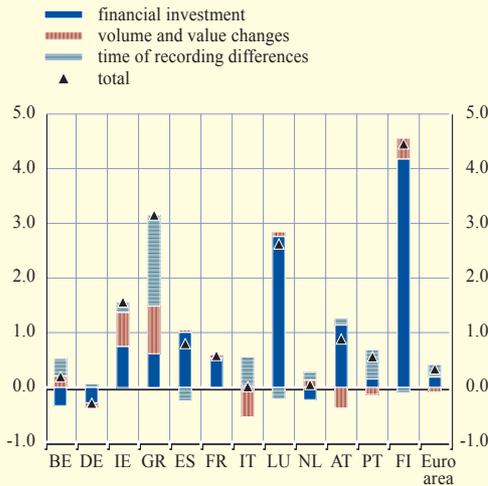
With regard to other components of government financial investment, changes in government deposits in some instances affected the magnitude of the DDA significantly. Deposits held by national treasuries with monetary financial institutions continued to increase strongly in Finland, Spain and Ireland. By contrast, governments in a number of other countries tended to contain the rise of indebtedness by reducing their average cash balance.

A few further components of government financial investment are worth mentioning.

⁶ In addition, since the start of EMU, social security funds in some countries have tended to diversify their portfolio investment out of government bonds of their own countries which has had the effect of further increasing the DDA. Since Maastricht debt is consolidated (see box), a decrease in the holdings of national government bonds by social security funds will *ceteris paribus* lead to a higher Maastricht debt without affecting the deficit. The DDA will therefore increase.

Chart 2 The components of the deficit-debt adjustment (1999-2005)

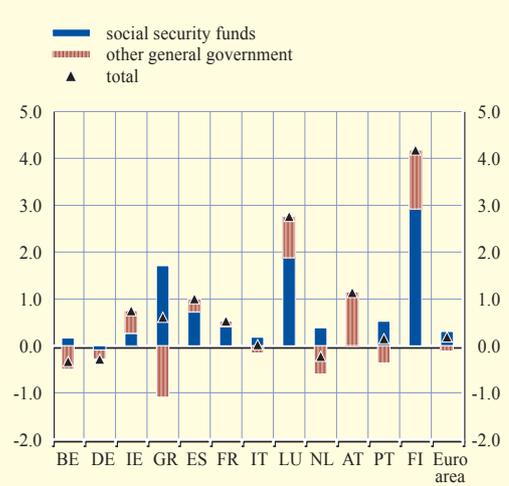
(annual average as a percentage of GDP)



Source: Eurosystem.

Chart 3 Financial investment of social security funds and other general government (1999-2005)

(annual average as a percentage of GDP)



Sources: Eurostat and ECB.

Note: Data for social security funds are not consolidated with other general government sub-sectors.

Equity injections, mainly relating to the financing of infrastructure (e.g. for transport, telecommunication and energy), had a debt-increasing effect of 0.2% on average per year for the euro area, and were particularly high in Ireland, and to a lesser degree in Portugal. Other investment in shares (largely due to financial investment by social security systems) was significant in Finland, Greece and France. However, the debt-increasing effect of equity injections and other investment in shares was on average more than offset by large privatisation programmes (amounting to 0.4% of GDP on average per year in the euro area), notably in Italy, the Netherlands and Germany.

The impact of government loans (generally to public corporations) was moderate overall, except in Belgium, Austria and Italy.

Time of recording differences were not very significant at the euro area level, except for Greece, and to a lesser extent Italy and Portugal.

Valuation and volume changes unrelated to transactions overall reduced government debt

in the euro area (by 0.1%). Exchange rate effects on the value of government debt denominated in foreign currency were marginal and tended to decline in line with the reduction in the share of such debt following the adoption of the euro (falling from 8% of total debt in 1993 to 2% in 2005). This decline was mainly seen in Greece, Finland and Ireland. The early redemption of old debt and the issuance of new debt of equivalent market value also had an impact on the change in Maastricht debt, because the face value of the old and new debt differed. In particular, such debt restructuring was reported in Italy.

In recent years, the level of DDA has been reduced in some euro area countries through the resolution of significant controversies over the accounting of certain transactions. Most notably, Eurostat has revised the deficit and debt figures notified by some countries, leading in some cases to significantly higher deficits and lower DDAs than originally reported. Revisions referred notably to the reclassification of assumptions of public enterprise debt; the recording of military expenditure; equity

injections into public enterprises; the recording of social security accounts; and the accrual methodology. Despite the clarification of accounting requirements and recent improvements in national statistical recording, new contentious issues or otherwise unexplained discrepancies may arise. Continued vigilance in the monitoring of DDAs therefore appears warranted.

5 CONCLUSION

The credibility of fiscal surveillance under the Stability and Growth Pact requires the compilation of reliable government finance statistics. Since government deficit and debt figures are the headline statistics for fiscal surveillance at the EU level, it is important to understand how these two concepts are related. The difference between the change in debt and the deficit can be grouped into three major categories: financial investment, time of recording differences and other changes in the value and volume of debt.

A high level of the DDA may not in itself raise concerns about the reliability of deficit and debt statistics. In this regard, the article finds that a large part of the DDA has been due to financial investment by social security funds to prepare for future pension payments. Nevertheless, some recording difficulties and controversies in recent years have underlined the need for reliable government finance statistics, and the powers of the European Commission (Eurostat) to verify the reported deficit and debt figures have been strengthened. This has led to improved data reporting, and considerable progress has been made on clarifying the accounting rules and ensuring their harmonised implementation. It is of crucial importance that Eurostat, with the support of the ECB, continues its close monitoring of the deficit-debt adjustment and its components.

EURO AREA STATISTICS



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

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

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

Conventions used in the tables

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



EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 ¹⁾	M2 ¹⁾	M3 ^{1),2)}	M3 ^{1),2)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ¹⁾	Securities other than shares issued in euro by non-MFI corporations ¹⁾	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2006	8.6	8.7	8.4	-	10.9	16.2	3.08	3.86
2006 Q2	9.8	9.2	8.6	-	11.2	15.9	2.90	4.05
Q3	7.6	8.4	8.1	-	11.2	15.5	3.22	3.97
Q4	6.7	8.6	9.0	-	11.1	17.1	3.59	3.86
2007 Q1	.	.	.	-	.	.	3.82	4.08
2006 Oct.	6.3	8.2	8.5	8.8	11.2	17.1	3.50	3.88
Nov.	6.6	8.8	9.3	9.2	11.2	17.9	3.60	3.80
Dec.	7.4	9.3	9.7	9.7	10.8	16.5	3.68	3.90
2007 Jan.	6.5	8.9	9.9	9.9	10.6	16.1	3.75	4.10
Feb.	6.6	8.8	10.0	.	10.3	.	3.82	4.12
Mar.	.	.	.	.	.	.	3.89	4.02

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
2005	2.2	4.1	2.4	1.4	1.3	81.2	0.8	8.6
2006	2.2	5.1	2.5	2.7	3.8	83.3	1.4	7.9
2006 Q2	2.5	5.8	2.6	2.8	4.2	83.0	1.5	7.9
Q3	2.1	5.4	2.5	2.8	4.1	83.8	1.5	7.8
Q4	1.8	4.1	2.4	3.3	3.6	84.2	1.6	7.6
2007 Q1	.	.	.	.	.	.	.	.
2006 Oct.	1.6	4.0	-	-	3.8	83.9	-	7.7
Nov.	1.9	4.3	-	-	2.7	-	-	7.6
Dec.	1.9	4.1	-	-	4.4	-	-	7.5
2007 Jan.	1.8	3.1	-	-	3.6	84.4	-	7.4
Feb.	1.8	2.9	-	-	.	-	-	7.3
Mar.	1.9	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-24 ³⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2005	2.9	47.1	-202.4	155.5	320.1	103.3	104.1	1.2441
2006	-7.4	27.5	-145.9	251.0	325.8	103.6	104.4	1.2556
2006 Q2	-9.2	6.3	-16.4	96.4	323.8	103.8	104.6	1.2582
Q3	-3.1	7.7	-41.2	28.5	325.0	104.5	105.3	1.2743
Q4	15.9	16.5	-56.7	103.5	325.8	104.6	105.3	1.2887
2007 Q1	.	.	.	.	.	105.5	106.1	1.3106
2006 Oct.	2.0	5.7	-15.3	22.4	325.5	103.9	104.7	1.2611
Nov.	5.3	7.5	-13.1	45.3	327.0	104.5	105.2	1.2881
Dec.	8.6	3.3	-28.3	35.8	325.8	105.5	106.0	1.3213
2007 Jan.	-3.5	-3.7	-5.0	39.0	338.4	104.9	105.5	1.2999
Feb.	.	.	.	.	337.3	105.4	106.0	1.3074
Mar.	.	.	.	.	.	106.1	106.7	1.3242

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

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

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

2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.

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



MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem (EUR millions)

1. Assets

	2007 16 March	2007 23 March	2007 30 March	2007 6 April
Gold and gold receivables	176,185	175,996	181,399	181,210
Claims on non-euro area residents in foreign currency	140,244	141,721	140,655	139,243
Claims on euro area residents in foreign currency	22,742	22,904	23,212	23,731
Claims on non-euro area residents in euro	15,495	15,945	15,736	14,323
Lending to euro area credit institutions in euro	411,503	421,999	433,565	443,529
Main refinancing operations	271,501	281,999	283,500	291,500
Longer-term refinancing operations	140,000	140,000	150,001	150,001
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	1	0	64	2,028
Credits related to margin calls	1	0	0	0
Other claims on euro area credit institutions in euro	13,482	14,376	14,759	14,794
Securities of euro area residents in euro	87,663	88,095	88,942	90,329
General government debt in euro	39,317	39,317	39,283	39,283
Other assets	223,366	222,303	225,053	224,978
Total assets	1,129,997	1,142,656	1,162,604	1,171,420

2. Liabilities

	2007 16 March	2007 23 March	2007 30 March	2007 6 April
Banknotes in circulation	609,192	608,308	613,605	625,993
Liabilities to euro area credit institutions in euro	182,225	178,813	181,014	185,863
Current accounts (covering the minimum reserve system)	181,869	178,447	179,754	185,086
Deposit facility	33	47	1,103	617
Fixed-term deposits	323	318	155	155
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	1	2	5
Other liabilities to euro area credit institutions in euro	111	114	106	107
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	45,701	62,004	65,823	60,074
Liabilities to non-euro area residents in euro	18,145	18,349	18,774	18,360
Liabilities to euro area residents in foreign currency	156	157	158	159
Liabilities to non-euro area residents in foreign currency	11,899	13,233	13,458	12,576
Counterpart of special drawing rights allocated by the IMF	5,611	5,611	5,578	5,578
Other liabilities	67,721	66,920	71,110	68,926
Revaluation accounts	121,990	121,990	125,521	125,521
Capital and reserves	67,246	67,157	67,457	68,263
Total liabilities	1,129,997	1,142,656	1,162,604	1,171,420

Source: ECB.

1.2 Key ECB interest rates

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

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

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 13 Dec.	383,656	344	320,000	3.50	3.55	3.56	7
20	388,526	370	321,500	3.50	3.58	3.58	8
28	379,862	373	330,500	3.50	3.58	3.68	7
2007 4 Jan.	395,644	348	330,500	3.50	3.57	3.58	6
10	381,305	375	310,500	3.50	3.55	3.56	7
17	412,215	381	312,500	3.50	3.55	3.56	7
24	428,181	395	317,500	3.50	3.55	3.56	7
31	399,269	352	292,500	3.50	3.56	3.56	7
7 Feb.	381,952	346	279,500	3.50	3.54	3.55	7
14	402,912	363	286,500	3.50	3.55	3.56	8
22	425,650	361	301,500	3.50	3.55	3.56	6
28	380,816	343	289,000	3.50	3.56	3.56	7
7 Mar.	364,245	333	280,000	3.50	3.55	3.56	7
14	375,459	352	271,500	3.75	3.81	3.81	7
21	372,414	370	282,000	3.75	3.80	3.81	7
28	365,416	357	283,500	3.75	3.82	3.83	7
4 Apr.	382,753	356	291,500	3.75	3.83	3.83	7
11	364,037	346	280,000	3.75	3.81	3.82	7
Longer-term refinancing operations							
2006 30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	91
28 Sep.	49,801	136	40,000	-	3.30	3.32	84
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91
21 Dec.	74,150	161	40,000	-	3.66	3.67	98
2007 1 Feb.	79,099	164	50,000	-	3.72	3.74	85
1 Mar.	80,110	143	50,000	-	3.80	3.81	91
29	76,498	148	50,000	-	3.87	3.87	91

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	
2005 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
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	1
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1
8 Aug.	Collection of fixed-term deposits	19,860	21	18,000	2.75	-	-	-	1
5 Sep.	Collection of fixed-term deposits	13,635	17	11,500	3.00	-	-	-	1
10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	1
12 Dec.	Reverse transaction	21,565	25	2,500	-	3.25	3.32	3.33	1
2007 13 Mar.	Collection of fixed-term deposits	2,300	2	2,300	3.50	-	-	-	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.

2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.

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

4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at ¹⁾	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Q1	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
Q2	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3
Q3	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8
2006 Aug.	14,850.7	7,760.2	576.3	1,906.6	1,234.7	3,372.8
Sep.	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8
Oct. ²⁾	15,421.0	8,133.9	615.2	1,965.1	1,264.5	3,442.4
Nov. ²⁾	15,543.0	8,199.7	613.2	1,973.0	1,285.9	3,471.2
Dec. ²⁾	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007 Jan.	15,889.0	8,478.5	638.8	1,984.4	1,278.8	3,508.5

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 Q2	162.6	163.3	0.7	0.0	2.57
Q3	165.8	166.4	0.6	0.0	3.04
2006 12 Dec.	172.5	173.2	0.7	0.0	3.30
2007 16 Jan. ³⁾	174.3	175.3	1.0	0.0	3.57
13 Feb.	175.8	176.5	0.8	0.0	3.55
13 Mar.	179.8	180.6	0.8	0.0	3.55
17 Apr.	181.8	.	.	.	.

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 ⁴⁾					
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 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
Q2	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
Q3	327.3	314.0	120.0	0.1	0.0	0.1	0.4	588.7	61.4	-55.6	166.4	755.2
2007 13 Feb.	322.1	300.5	124.6	0.1	0.1	0.1	1.5	604.6	47.9	-83.1	176.5	781.2
13 Mar.	321.6	288.7	134.6	0.0	0.0	0.5	0.8	606.2	47.1	-90.0	180.6	787.2

Source: ECB.

1) End of period.

2) Includes the reserve bases of credit institutions in Slovenia. On a transitional basis, credit institutions located in euro area countries may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Slovenia. Starting from the reserve base as at end-January 2007, the standard treatment will apply (see Regulation (EC) No 1637/2006 of the ECB of 2 November 2006 concerning transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Slovenia (ECB/2006/15)).

3) Owing to the adoption of the euro by Slovenia on 1 January 2007, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 12 countries of the euro area for the period 13-31 December 2006 and the reserve requirements for the 13 countries now in the euro area for the period 1-16 January 2007.

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



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units ²⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
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	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006 Q1	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	226.6
Q2	1,532.1	731.1	20.3	0.6	710.1	192.8	170.3	2.3	20.2	-	16.4	343.7	14.6	233.5
Q3	1,521.6	694.2	20.3	0.6	673.2	206.5	179.9	2.2	24.4	-	16.5	348.5	14.8	241.1
2006 Oct.	1,532.3	699.2	20.4	0.6	678.2	210.5	182.8	2.2	25.5	-	16.8	350.3	14.9	240.7
Nov.	1,532.1	689.8	20.4	0.6	668.9	215.9	188.0	2.4	25.5	-	17.0	350.5	14.8	244.0
Dec.	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.6	262.5
2007 Jan.	1,540.4	663.7	19.7	0.6	643.3	224.7	194.4	2.4	27.9	-	17.2	361.4	14.8	258.7
Feb. ^(p)	1,582.1	682.5	19.7	0.6	662.1	234.6	202.8	2.4	29.5	-	17.2	365.7	14.7	267.4
MFIs excluding the Eurosysteem														
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,631.5	13,681.7	826.9	8,285.1	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006 Q1	24,331.4	14,021.7	816.3	8,549.1	4,656.3	3,584.9	1,440.5	573.5	1,570.9	83.6	1,096.6	3,825.1	166.3	1,553.2
Q2	24,695.9	14,321.5	809.3	8,782.0	4,730.3	3,588.0	1,402.8	600.0	1,585.3	86.6	1,109.1	3,849.1	167.9	1,573.6
Q3	25,299.8	14,577.7	804.2	8,982.7	4,790.8	3,596.0	1,351.4	618.0	1,626.6	82.4	1,139.7	4,069.8	168.8	1,665.5
2006 Oct.	25,525.6	14,662.2	806.2	9,035.5	4,820.6	3,611.8	1,341.0	632.6	1,638.1	85.9	1,158.9	4,190.6	169.6	1,646.7
Nov.	25,876.9	14,765.1	804.2	9,117.0	4,843.9	3,623.2	1,339.6	638.1	1,645.5	83.6	1,196.0	4,270.5	170.1	1,768.3
Dec.	25,972.6	14,898.7	809.7	9,160.1	4,928.9	3,555.1	1,276.0	648.6	1,630.6	83.4	1,193.5	4,328.9	172.6	1,740.2
2007 Jan.	26,400.4	15,071.7	806.2	9,274.5	4,991.0	3,601.9	1,295.0	647.1	1,659.8	84.6	1,219.7	4,489.4	171.9	1,761.3
Feb. ^(p)	26,612.1	15,157.5	803.3	9,335.6	5,018.6	3,626.6	1,292.9	657.8	1,676.0	88.4	1,217.3	4,572.3	171.8	1,778.2

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units ³⁾	Debt securities issued ⁴⁾	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006 Q1	1,431.3	574.7	405.0	24.0	15.0	345.0	-	0.1	214.5	30.3	206.6
Q2	1,532.1	598.2	487.4	24.0	21.5	396.5	-	0.1	206.2	30.6	209.5
Q3	1,521.6	607.7	448.3	24.0	16.1	377.0	-	0.1	211.6	33.8	220.0
2006 Oct.	1,532.3	613.3	454.0	24.0	20.1	380.5	-	0.1	211.7	31.1	222.1
Nov.	1,532.1	617.2	443.3	24.0	19.9	371.4	-	0.1	212.7	33.2	225.6
Dec.	1,558.2	647.0	431.6	24.0	15.9	382.0	-	0.1	208.6	35.3	235.6
2007 Jan.	1,540.4	621.2	433.3	24.0	18.8	366.4	-	0.8	214.9	36.9	233.2
Feb. ^(p)	1,582.1	623.2	466.5	24.0	19.8	395.3	-	0.4	218.2	39.1	234.7
MFIs excluding the Eurosysteem											
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,631.5	-	12,212.2	149.2	7,211.9	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006 Q1	24,331.4	-	12,417.2	148.1	7,319.6	4,949.5	686.7	3,991.5	1,368.7	3,733.7	2,133.6
Q2	24,695.9	-	12,706.3	138.1	7,510.4	5,057.9	703.1	4,060.7	1,376.2	3,701.4	2,148.1
Q3	25,299.8	-	12,852.1	147.7	7,613.2	5,091.2	728.0	4,160.1	1,410.4	3,900.4	2,248.8
2006 Oct.	25,525.6	-	12,886.5	138.4	7,631.4	5,116.7	729.1	4,211.5	1,420.2	4,003.0	2,275.3
Nov.	25,876.9	-	13,016.9	140.6	7,694.6	5,181.7	720.4	4,242.3	1,443.3	4,012.9	2,441.1
Dec.	25,972.6	-	13,255.9	123.2	7,887.1	5,245.7	697.7	4,244.7	1,442.2	3,991.1	2,341.1
2007 Jan.	26,400.4	-	13,298.4	122.2	7,887.8	5,288.4	726.1	4,311.2	1,452.5	4,181.4	2,430.9
Feb. ^(p)	26,612.1	-	13,360.2	138.0	7,899.1	5,323.1	740.7	4,370.0	1,469.8	4,227.9	2,443.5

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
- 3) Amounts held by euro area residents.
- 4) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs ¹⁾

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2004	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,870.7	9,133.3	847.5	8,285.7	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006 Q1	18,447.9	9,386.8	837.0	8,549.8	2,184.2	1,608.4	575.8	784.5	4,174.0	181.0	1,737.4
Q2	18,712.0	9,612.2	829.6	8,782.6	2,175.4	1,573.1	602.3	786.6	4,192.8	182.5	1,762.5
Q3	19,232.6	9,807.9	824.6	8,983.3	2,151.5	1,531.3	620.2	809.3	4,418.3	183.6	1,862.0
2006 Oct.	19,414.8	9,862.6	826.5	9,036.1	2,158.6	1,523.8	634.8	827.1	4,540.9	184.4	1,841.1
Nov.	19,719.4	9,942.2	824.6	9,117.6	2,168.1	1,527.6	640.4	836.5	4,621.0	185.0	1,966.6
Dec.	19,748.7	9,990.2	829.4	9,160.7	2,114.5	1,463.4	651.0	828.7	4,680.3	187.3	1,947.8
2007 Jan.	20,097.9	10,101.1	826.0	9,275.1	2,138.8	1,489.4	649.4	846.2	4,850.8	186.6	1,974.4
Feb. ^(p)	20,274.6	10,159.3	823.0	9,336.2	2,155.9	1,495.7	660.1	833.9	4,937.9	186.5	2,001.2
Transactions											
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,608.6	708.9	12.8	696.0	156.1	76.2	79.9	53.2	448.5	1.4	240.4
2006 Q1	593.9	240.5	-10.4	250.8	54.3	28.5	25.8	67.8	202.4	-0.2	29.1
Q2	359.8	235.5	-7.2	242.7	13.0	-15.8	28.8	9.0	79.6	1.5	21.1
Q3	486.1	203.7	-3.0	206.7	-31.5	-51.2	19.7	9.8	205.3	1.1	97.7
2006 Oct.	176.9	56.5	2.7	53.8	8.4	-5.8	14.3	14.7	118.0	0.8	-21.6
Nov.	373.9	88.7	-1.8	90.5	14.8	5.7	9.1	6.3	138.7	0.6	124.8
Dec.	17.0	47.0	4.5	42.4	-46.7	-58.9	12.1	-10.1	50.1	2.5	-25.8
2007 Jan.	286.0	84.1	-3.2	87.3	22.1	20.6	1.5	14.4	143.7	-0.8	22.6
Feb. ^(p)	214.7	63.3	-2.9	66.1	15.5	4.8	10.7	-10.2	120.5	-0.1	25.8

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,870.7	532.8	173.6	7,226.4	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006 Q1	18,447.9	532.2	193.1	7,334.7	603.1	2,402.7	1,255.2	3,764.0	2,340.2	22.6
Q2	18,712.0	553.7	207.4	7,531.9	616.5	2,455.3	1,243.5	3,732.0	2,357.7	14.0
Q3	19,232.6	563.2	202.9	7,629.3	645.6	2,509.2	1,275.2	3,934.3	2,468.8	4.2
2006 Oct.	19,414.8	567.1	191.8	7,651.5	643.2	2,548.0	1,283.3	4,034.1	2,497.4	-1.5
Nov.	19,719.4	571.5	192.6	7,714.5	636.8	2,571.3	1,279.4	4,046.1	2,666.8	40.4
Dec.	19,748.7	592.2	156.9	7,902.9	614.3	2,587.2	1,268.8	4,026.4	2,576.6	23.4
2007 Jan.	20,097.9	575.7	170.4	7,906.6	641.5	2,624.3	1,276.6	4,218.3	2,664.1	20.4
Feb. ^(p)	20,274.6	578.7	189.4	7,918.9	652.3	2,665.0	1,287.5	4,267.0	2,678.3	37.6
Transactions										
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,608.6	64.4	10.9	495.7	-3.0	213.5	96.1	448.0	333.8	-50.8
2006 Q1	593.9	-0.6	19.6	103.0	9.0	77.0	29.0	240.6	81.9	34.5
Q2	359.8	21.5	15.2	204.8	14.9	65.0	1.2	19.4	12.6	5.3
Q3	486.1	9.5	-4.5	97.7	9.8	56.7	24.5	203.6	101.2	-12.4
2006 Oct.	176.9	3.9	-11.1	22.2	0.7	38.2	4.3	98.5	27.7	-7.5
Nov.	373.9	4.4	0.8	69.5	14.6	31.0	-8.1	67.2	145.7	48.8
Dec.	17.0	20.7	-36.2	182.5	-21.6	16.5	-2.2	-29.9	-95.2	-17.6
2007 Jan.	286.0	-17.0	12.2	-17.5	28.8	29.7	0.4	166.6	91.4	-8.7
Feb. ^(p)	214.7	3.1	19.0	16.4	11.3	48.5	7.2	81.3	4.1	23.8

Source: ECB.

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

2) Amounts held by euro area residents.

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

2.3 Monetary statistics ¹⁾

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

1. Monetary aggregates ²⁾ and counterparts

	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 ³⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2004	2,906.7	2,663.2	5,569.9	965.4	6,535.2	-	4,462.8	2,298.1	8,698.6	7,553.7	373.8
2005	3,419.4	2,653.2	6,072.6	994.9	7,067.5	-	5,000.2	2,472.5	9,561.0	8,287.3	422.2
2006 Q1	3,492.8	2,720.2	6,213.0	1,007.8	7,220.8	-	5,139.7	2,438.0	9,903.1	8,553.2	426.6
Q2	3,555.6	2,783.0	6,338.6	1,027.4	7,366.0	-	5,222.5	2,389.4	10,141.7	8,756.7	456.1
Q3	3,591.5	2,877.4	6,468.9	1,092.6	7,561.5	-	5,323.0	2,364.9	10,443.9	8,992.8	467.6
2006 Oct.	3,595.9	2,902.3	6,498.2	1,094.3	7,592.5	-	5,363.7	2,354.7	10,529.2	9,052.5	484.2
Nov.	3,618.8	2,931.4	6,550.2	1,096.3	7,646.5	-	5,396.7	2,342.5	10,601.2	9,114.3	563.6
Dec.	3,674.1	2,953.9	6,628.0	1,090.7	7,718.7	-	5,422.1	2,319.9	10,659.8	9,167.2	631.8
2007 Jan.	3,685.9	2,989.1	6,675.0	1,137.5	7,812.4	-	5,469.7	2,320.5	10,772.1	9,272.6	629.5
Feb. ^(p)	3,708.7	3,006.2	6,714.9	1,150.3	7,865.2	-	5,504.7	2,321.6	10,838.7	9,341.0	679.8
Transactions											
2004	237.3	110.7	348.1	58.1	406.2	-	341.0	55.3	580.5	508.7	162.5
2005	337.0	138.9	475.9	6.9	482.8	-	401.5	94.5	835.5	700.4	0.1
2006 Q1	75.1	69.7	144.7	27.9	172.6	-	108.0	-19.2	326.3	252.7	0.3
Q2	65.4	66.3	131.6	26.6	158.3	-	104.0	-29.0	257.4	213.3	39.1
Q3	35.2	93.9	129.1	49.8	178.8	-	94.0	-31.9	296.8	242.0	-10.1
2006 Oct.	4.4	25.0	29.4	4.7	34.1	-	36.2	-7.7	82.9	60.8	13.3
Nov.	24.3	32.7	57.0	17.0	74.0	-	43.9	-10.3	81.5	70.8	82.8
Dec.	48.5	23.0	71.5	-3.5	68.0	-	33.8	-17.4	57.1	52.2	69.2
2007 Jan.	3.2	25.8	29.0	48.5	77.5	-	29.1	-4.5	85.1	78.3	-3.8
Feb. ^(p)	24.0	19.0	43.1	13.1	56.2	-	40.4	-0.5	73.7	73.4	51.0
Growth rates											
2004 Dec.	8.9	4.3	6.6	6.4	6.6	6.5	8.2	2.5	7.1	7.2	162.5
2005 Dec.	11.3	5.4	8.5	0.7	7.3	7.5	8.9	4.1	9.6	9.2	0.1
2006 Mar.	10.1	7.9	9.0	5.6	8.5	8.4	8.8	2.0	11.6	10.8	-6.7
June	9.2	8.8	9.0	4.9	8.4	8.3	7.9	0.2	11.6	11.0	-19.3
Sep.	7.2	9.9	8.4	9.0	8.4	8.4	8.3	-1.6	12.2	11.4	-10.9
2006 Oct.	6.3	10.8	8.2	10.3	8.5	8.8	8.2	-2.4	12.0	11.2	18.8
Nov.	6.6	11.7	8.8	12.3	9.3	9.2	8.5	-3.8	11.9	11.2	135.6
Dec.	7.4	11.7	9.3	12.5	9.7	9.7	8.4	-4.7	11.5	10.8	194.6
2007 Jan.	6.5	12.0	8.9	16.2	9.9	9.9	8.4	-4.8	11.3	10.6	183.8
Feb. ^(p)	6.6	11.6	8.8	17.6	10.0	.	8.2	-4.1	10.7	10.3	249.4

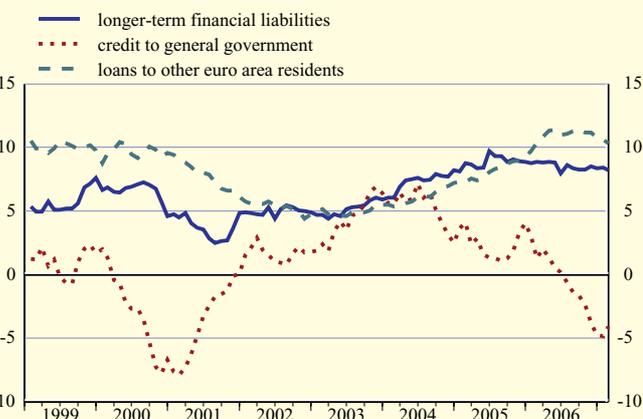
C1 Monetary aggregates ¹⁾

(annual growth rates; seasonally adjusted)



C2 Counterparts ¹⁾

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

2.3 Monetary statistics ¹⁾

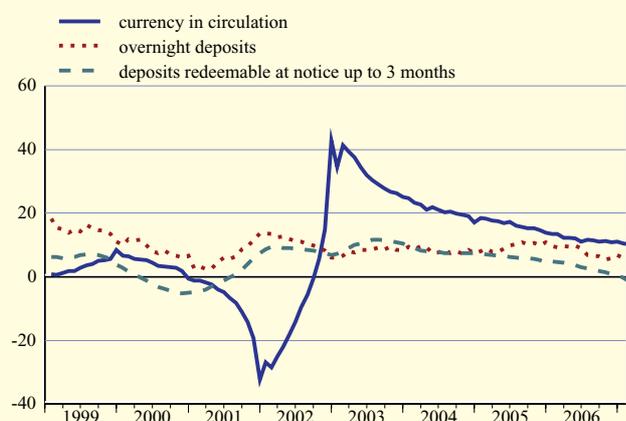
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2004	458.3	2,448.4	1,026.8	1,636.4	243.5	619.6	102.3	1,964.2	90.0	1,358.0	1,050.5
2005	521.5	2,897.9	1,109.9	1,543.2	237.0	631.6	126.2	2,202.6	86.9	1,511.2	1,199.6
2006 Q1	535.4	2,957.4	1,156.7	1,563.5	239.0	605.7	163.1	2,239.4	88.7	1,559.0	1,252.6
Q2	548.3	3,007.3	1,217.4	1,565.6	248.0	617.7	161.8	2,287.2	92.4	1,598.0	1,244.9
Q3	563.8	3,027.7	1,311.5	1,565.9	268.7	645.2	178.7	2,330.2	97.5	1,626.7	1,268.7
2006 Oct.	571.1	3,024.9	1,338.2	1,564.1	256.4	643.5	194.3	2,344.8	99.3	1,640.1	1,279.6
Nov.	574.2	3,044.7	1,372.0	1,559.4	257.0	639.9	199.4	2,365.5	101.2	1,648.1	1,281.9
Dec.	579.0	3,095.1	1,402.2	1,551.7	262.3	631.5	196.9	2,397.3	102.4	1,654.5	1,267.9
2007 Jan.	583.2	3,102.7	1,442.3	1,546.7	269.8	645.5	222.2	2,420.5	105.2	1,666.7	1,277.3
Feb. ^(p)	588.3	3,120.4	1,468.3	1,537.9	264.5	655.6	230.3	2,440.6	106.9	1,670.3	1,286.9
Transactions											
2004	66.8	170.6	-2.6	113.4	24.2	22.7	11.3	185.5	-0.9	106.7	49.6
2005	63.2	273.8	69.1	69.8	-7.5	-2.0	16.4	198.4	-4.3	111.2	96.1
2006 Q1	13.9	61.2	49.1	20.6	2.0	-4.1	30.0	40.6	1.8	38.2	27.4
Q2	12.9	52.5	64.0	2.3	9.7	13.4	3.5	55.3	3.7	39.8	5.2
Q3	15.5	19.6	93.7	0.2	20.7	8.4	20.7	42.2	5.1	30.1	16.6
2006 Oct.	7.3	-2.9	26.8	-1.8	-12.3	1.5	15.5	14.1	1.8	13.3	7.0
Nov.	3.1	21.2	37.3	-4.6	0.6	17.5	-1.1	34.4	2.0	9.4	-1.9
Dec.	4.9	43.6	30.3	-7.3	5.3	-7.5	-1.3	31.3	1.1	6.8	-5.5
2007 Jan.	3.8	-0.6	31.7	-5.9	7.4	15.5	25.5	15.5	2.1	9.5	2.0
Feb. ^(p)	5.1	18.9	27.8	-8.8	-5.2	10.6	7.7	28.3	1.6	4.5	5.9
Growth rates											
2004 Dec.	17.0	7.5	-0.3	7.4	11.1	3.8	12.3	10.3	-1.0	8.5	4.9
2005 Dec.	13.8	10.9	6.5	4.4	-3.1	-0.3	15.7	10.0	-4.7	8.1	8.9
2006 Mar.	12.3	9.7	12.8	4.4	3.6	-0.4	43.5	8.7	-3.1	8.9	9.8
June	11.1	8.8	17.3	3.1	2.7	0.7	30.4	8.1	1.6	8.9	7.1
Sept.	11.1	6.5	21.4	1.7	12.3	0.6	44.7	8.1	10.6	9.3	7.1
2006 Oct.	11.3	5.4	24.2	1.4	8.4	1.8	55.8	7.6	13.8	9.6	7.4
Nov.	10.8	5.8	27.2	0.9	8.8	5.7	49.3	8.8	16.5	9.5	6.3
Dec.	11.0	6.7	27.2	0.6	11.1	4.7	52.3	9.9	17.8	9.1	4.0
2007 Jan.	10.5	5.8	29.3	-0.5	11.7	8.2	58.3	10.2	18.9	8.9	4.0
Feb. ^(p)	10.2	5.9	29.3	-1.4	15.1	9.6	54.3	10.7	20.7	8.2	2.8

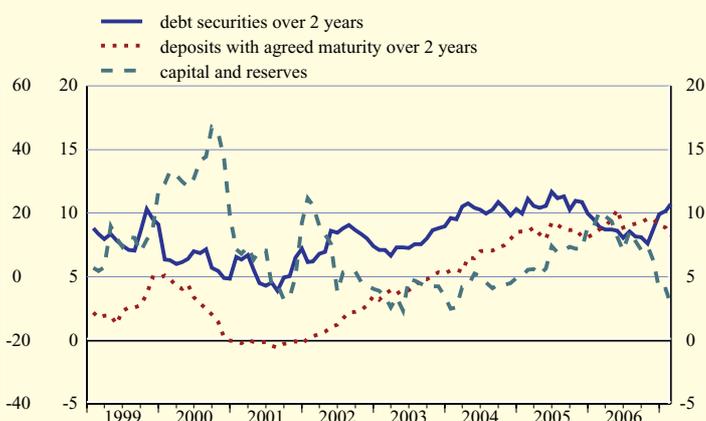
C3 Components of monetary aggregates ¹⁾

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities ¹⁾

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2.4 MFI loans, breakdown ^{1), 2)}

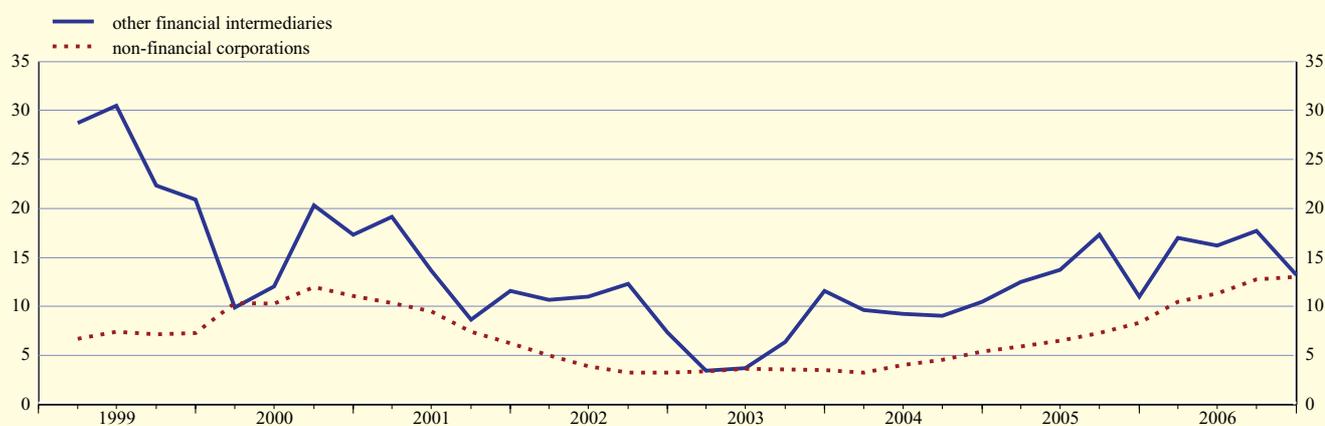
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries ⁴⁾		Non-financial corporations			
	Total		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								
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006 Q1	81.9	57.1	661.9	412.0	3,525.1	1,060.8	626.7	1,837.6
Q2	84.7	59.6	673.5	419.6	3,640.0	1,098.6	650.9	1,890.5
Q3	89.5	63.0	703.6	439.0	3,731.0	1,106.4	681.7	1,942.9
2006 Nov.	95.0	68.1	704.1	434.7	3,806.1	1,129.0	700.4	1,976.7
Dec.	82.9	55.1	695.7	420.4	3,846.7	1,134.3	711.6	2,000.8
2007 Jan.	99.9	72.1	721.6	440.7	3,897.7	1,150.8	722.2	2,024.8
Feb. ^(p)	97.0	70.2	742.6	461.2	3,919.8	1,154.4	730.1	2,035.3
Transactions								
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006 Q1	17.1	15.6	46.6	45.2	108.9	27.0	35.8	46.1
Q2	2.8	2.6	13.8	9.0	120.8	39.6	26.4	54.8
Q3	4.8	3.4	32.5	20.7	91.2	8.3	30.8	52.1
2006 Nov.	6.1	6.2	4.9	-0.5	43.1	13.4	9.5	20.2
Dec.	-12.1	-13.0	-14.0	-14.7	43.1	-1.4	11.8	32.7
2007 Jan.	16.9	17.0	16.9	19.1	36.3	11.7	7.4	17.2
Feb. ^(p)	-2.8	-1.9	22.1	21.3	24.7	4.5	8.6	11.7
Growth rates								
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Mar.	40.3	44.1	17.0	16.8	10.5	7.7	14.9	10.6
June	32.5	36.3	16.2	16.7	11.3	8.0	17.4	11.4
Sept.	37.0	47.6	17.7	19.5	12.7	10.3	20.4	11.6
2006 Nov.	26.1	35.0	16.0	17.3	13.1	10.7	20.8	12.0
Dec.	28.3	33.0	13.2	15.6	13.0	9.4	21.1	12.4
2007 Jan.	30.5	36.9	11.4	13.2	13.2	9.6	20.8	12.7
Feb. ^(p)	28.8	37.1	10.8	12.4	12.6	9.0	19.8	12.3

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

(annual growth rates)



Source: ECB.

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

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

3) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

4) This category includes investment funds.

2.4 MFI loans, breakdown^{1), 2)}

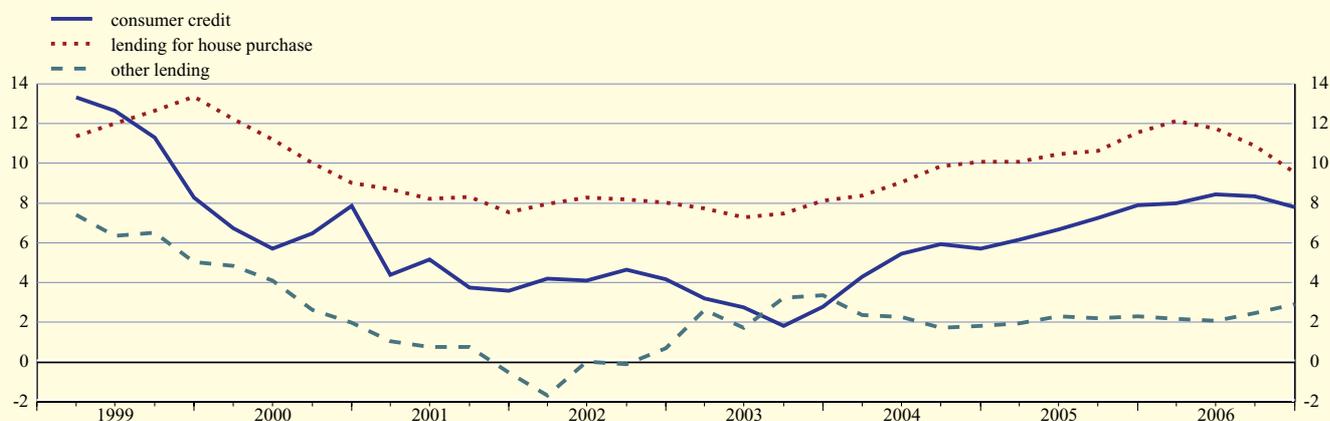
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households³⁾

	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														
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	4,191.0	554.1	129.1	200.7	224.3	2,915.3	15.2	67.5	2,832.6	721.6	147.3	99.9	474.4	
2006 Q1	4,280.1	557.1	126.2	200.9	230.1	3,004.0	15.1	67.9	2,921.0	719.1	146.4	98.1	474.5	
Q2	4,383.9	576.1	130.6	205.5	240.0	3,079.3	15.8	70.0	2,993.6	728.4	150.7	98.3	479.5	
Q3	4,458.7	582.9	130.2	206.1	246.5	3,147.1	16.4	70.9	3,059.8	728.7	146.7	99.1	483.0	
2006 Oct.	4,477.1	584.3	131.9	206.0	246.4	3,163.6	15.6	71.2	3,076.7	729.2	146.0	99.3	484.0	
Nov.	4,511.8	585.3	131.7	206.5	247.0	3,190.5	15.8	71.0	3,103.6	736.0	150.1	100.0	485.9	
Dec.	4,534.8	586.8	134.1	205.3	247.4	3,209.6	15.8	71.6	3,122.2	738.5	146.2	101.8	490.4	
2007 Jan.	4,555.2	586.5	133.5	204.5	248.5	3,230.4	15.5	72.0	3,142.9	738.4	145.3	101.2	491.8	
Feb. ^(p)	4,576.2	584.0	130.5	204.0	249.6	3,251.8	15.7	72.0	3,164.0	740.4	145.6	101.2	493.6	
Transactions														
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	357.5	40.7	9.0	11.6	20.0	300.6	0.7	4.8	295.0	16.2	3.8	1.3	11.1	
2006 Q1	78.3	5.2	-2.2	1.2	6.2	71.8	0.0	0.4	71.4	1.2	-0.2	0.4	1.0	
Q2	105.4	19.3	4.5	4.3	10.4	75.6	0.6	1.9	73.0	10.5	4.5	0.7	5.4	
Q3	78.1	8.8	0.2	0.8	7.8	68.5	0.7	0.9	66.9	0.9	-4.0	0.8	4.1	
2006 Oct.	19.2	3.1	1.5	0.0	1.6	15.0	-0.4	0.3	15.1	1.1	-0.7	0.4	1.5	
Nov.	36.5	2.4	0.4	0.7	1.4	26.8	0.3	-0.2	26.7	7.3	4.0	0.8	2.4	
Dec.	25.5	4.0	2.5	-0.7	2.2	21.5	0.4	0.7	20.4	-0.1	-2.0	0.9	1.1	
2007 Jan.	17.1	-2.2	-0.6	-1.4	-0.2	19.3	-0.3	0.4	19.2	0.0	-1.2	-0.6	1.8	
Feb. ^(p)	22.1	-2.0	-2.9	-0.5	1.4	21.7	0.3	0.1	21.3	2.4	0.4	0.0	2.0	
Growth rates														
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 Dec.	9.4	7.9	7.5	6.1	9.8	11.5	5.2	7.5	11.7	2.3	2.6	1.3	2.4	
2006 Mar.	9.8	8.0	5.9	5.8	11.1	12.1	6.9	6.0	12.3	2.2	1.6	2.1	2.4	
June	9.6	8.4	6.2	4.8	13.1	11.8	7.5	8.1	11.9	2.1	0.8	2.4	2.4	
Sep.	9.1	8.3	5.1	4.1	14.0	10.9	9.5	7.3	11.0	2.5	1.3	3.2	2.7	
2006 Oct.	8.6	8.0	5.2	3.5	13.7	10.2	9.4	7.3	10.3	2.5	1.3	3.6	2.6	
Nov.	8.6	7.9	5.9	3.5	13.1	10.2	10.6	6.4	10.2	3.1	2.2	3.8	3.2	
Dec.	8.2	7.8	5.5	3.1	13.3	9.5	11.1	6.1	9.6	2.9	1.0	4.2	3.3	
2007 Jan.	8.0	7.1	5.2	2.6	12.3	9.4	10.2	7.0	9.5	2.9	0.5	4.2	3.4	
Feb. ^(p)	8.0	6.5	3.6	1.9	12.2	9.4	11.9	6.8	9.5	3.4	1.2	3.6	4.1	

C6 Loans to households²⁾

(annual growth rates)



Source: ECB.

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

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

3) Including non-profit institutions serving households.

2.4 MFI loans, breakdown ^{1), 2)}

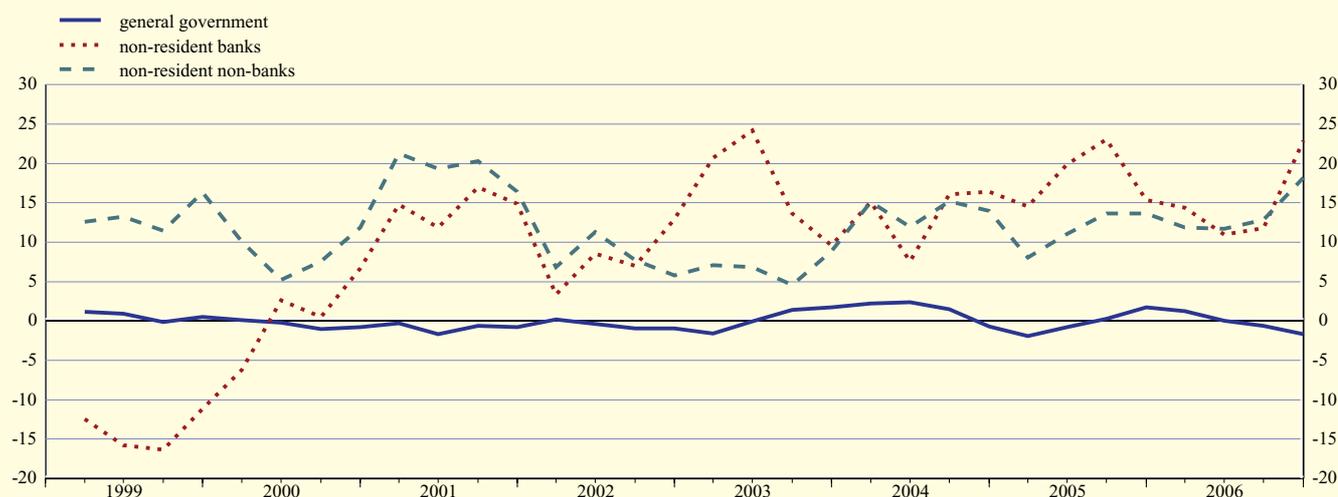
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006 Q1	816.3	118.5	240.9	427.7	29.2	2,594.7	1,821.6	773.1	62.9	710.2
Q2	809.3	106.7	234.5	436.0	32.0	2,611.3	1,839.9	771.5	66.5	705.0
Q3	804.2	101.8	230.1	436.6	35.7	2,735.9	1,919.9	816.1	66.5	749.6
Q4 ^(p)	809.7	103.6	232.5	439.4	34.2	2,923.1	2,053.2	869.9	67.2	802.7
Transactions										
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	4.7	84.3
2006 Q1	-10.4	-6.3	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.5	3.6	9.9
Q3	-3.0	-2.7	-4.3	0.4	3.6	120.2	75.8	44.3	-0.7	45.0
Q4 ^(p)	6.1	2.7	2.4	2.5	-1.4	217.5	159.3	58.2	1.3	56.9
Growth rates										
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	7.7	14.2
2006 Mar.	1.2	-8.0	-3.9	5.8	29.5	13.7	14.4	11.9	1.7	12.9
June	0.1	-13.9	-6.3	7.4	12.2	11.2	10.9	11.7	7.3	12.1
Sep.	-0.6	-12.8	-7.9	6.5	9.1	12.1	11.8	12.8	2.9	13.8
Dec. ^(p)	-1.7	-14.4	-5.8	3.1	17.1	21.5	22.9	18.2	1.8	19.8

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

(annual growth rates)



Source: ECB.

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

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

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

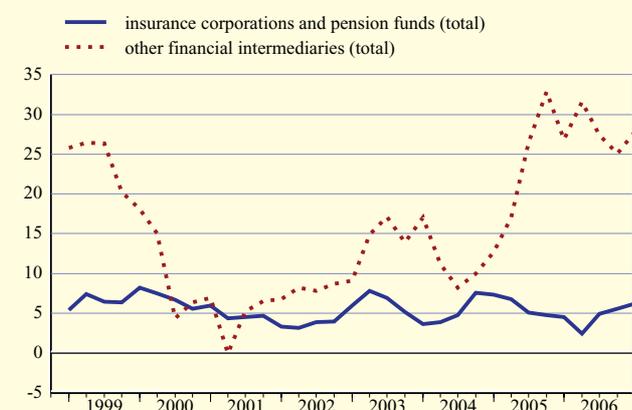
2.5 Deposits held with MFIs, breakdown ^{1), 2)}

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

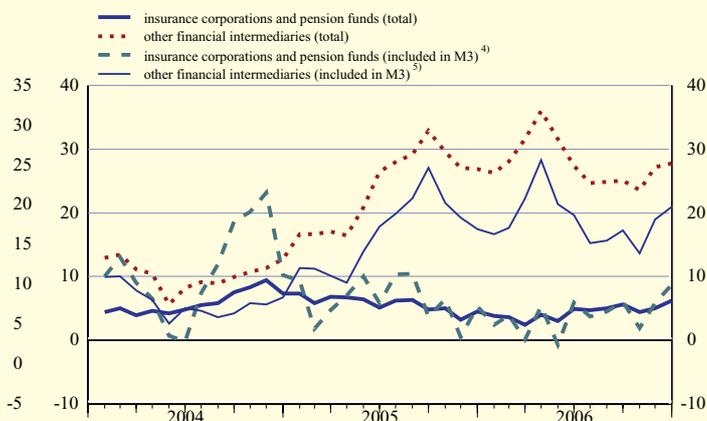
1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries ³⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
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	612.6	67.8	51.9	469.7	1.2	1.4	20.6	880.4	233.9	185.0	329.8	10.5	0.1	121.1
2006 Q1	613.0	65.6	50.4	474.8	1.1	1.4	19.7	986.8	271.5	195.1	373.9	11.0	0.1	135.2
Q2	625.7	68.6	47.9	484.7	1.0	1.4	22.1	1,045.8	278.1	213.3	404.6	10.8	0.2	138.8
Q3	637.3	66.8	51.1	492.7	1.0	1.4	24.4	1,082.5	272.2	236.0	418.4	10.2	0.3	145.5
2006 Nov.	636.3	63.7	50.4	492.6	1.0	1.4	27.2	1,116.2	271.5	245.0	451.3	10.8	0.2	137.3
Dec.	650.0	70.3	57.0	495.4	1.0	1.4	24.9	1,137.4	282.7	252.6	469.5	10.6	0.2	121.8
2007 Jan.	655.7	71.9	57.7	499.5	1.0	1.4	24.3	1,177.6	307.3	247.1	476.0	10.5	0.2	136.6
Feb.	657.2	69.4	58.3	502.8	1.1	1.2	24.3	1,176.4	299.7	247.2	480.6	10.3	0.2	138.5
Transactions														
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	176.1	40.1	37.3	96.8	1.5	0.0	0.4
2006 Q1	0.6	-2.0	-1.4	5.0	-0.1	0.0	-0.8	98.2	38.3	10.7	34.4	0.5	0.0	14.2
Q2	12.9	3.0	-2.4	10.0	0.0	0.0	2.4	61.7	7.6	18.5	31.3	-0.1	0.1	4.3
Q3	11.4	-1.9	3.2	8.0	-0.1	0.0	2.2	35.9	-6.6	22.5	14.0	-0.7	0.1	6.7
2006 Nov.	-1.0	-2.2	2.2	-0.4	0.0	0.0	-0.7	33.3	12.0	5.5	13.7	0.7	0.0	1.4
Dec.	13.6	6.6	6.6	2.8	0.0	0.0	-2.3	14.2	5.3	6.6	18.1	-0.2	0.0	-15.6
2007 Jan.	5.2	1.5	0.3	4.0	0.0	0.0	-0.7	37.2	24.0	-6.4	5.2	-0.3	0.0	14.8
Feb.	1.6	-2.4	0.7	3.4	0.1	-0.1	0.0	0.9	-7.1	0.9	5.3	-0.1	0.0	1.9
Growth rates														
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	26.9	22.2	25.0	47.3	14.3	-	0.4
2006 Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	31.6	20.7	41.8	52.2	6.1	-	4.7
June	4.9	11.8	-1.7	4.6	-8.9	0.8	7.5	27.4	18.2	43.5	42.5	-1.8	-	-1.8
Sep.	5.6	10.9	-0.4	5.5	-12.0	-3.8	8.6	25.1	7.9	39.3	40.2	-3.2	-	8.4
2006 Nov.	5.0	-6.2	19.4	4.8	-14.3	-3.8	17.9	27.2	16.2	37.9	41.9	-1.1	-	0.5
Dec.	6.2	4.1	10.5	5.5	-16.0	-3.4	21.2	27.8	19.1	37.3	38.9	2.9	-	1.3
2007 Jan.	5.6	-0.7	15.5	5.9	-13.5	-3.5	-1.4	27.3	16.2	38.5	38.8	4.7	-	5.4
Feb.	6.9	1.2	23.3	6.2	-6.7	-13.8	7.5	24.1	15.0	30.2	35.1	1.1	-	4.8

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



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



Source: ECB.

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

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

3) This category includes investment funds.

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

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

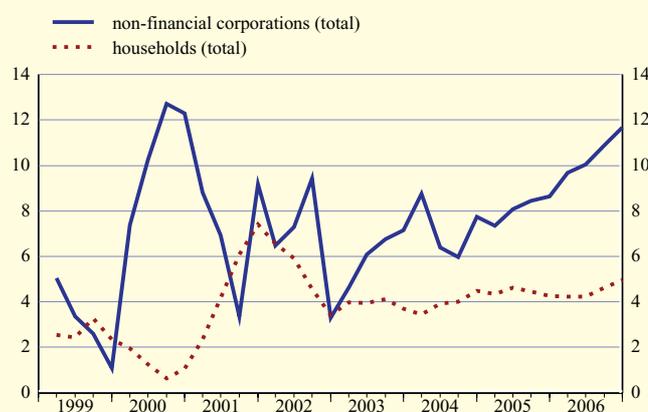
2.5 Deposits held with MFIs, breakdown ^{1), 2)}

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

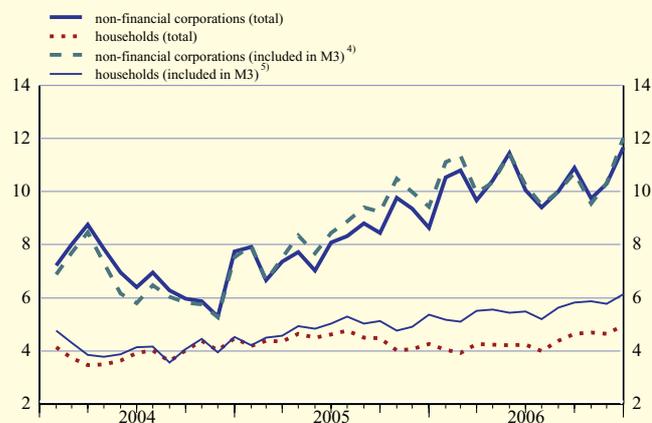
2. Deposits by non-financial corporations and households

	Non-financial corporations							Households ³⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
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	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006 Q1	1,199.9	745.5	313.0	71.9	46.7	1.2	21.6	4,355.8	1,673.8	549.3	623.6	1,367.7	86.3	55.1
Q2	1,236.7	783.6	313.0	73.2	43.6	1.2	22.0	4,422.9	1,725.6	569.4	616.5	1,363.9	89.0	58.5
Q3	1,269.0	790.6	334.7	73.4	43.8	1.3	25.1	4,439.1	1,703.2	613.8	608.9	1,355.4	93.0	64.8
2006 Nov.	1,289.4	799.7	351.3	71.3	42.0	1.3	23.7	4,452.6	1,698.2	644.6	602.1	1,341.5	97.7	68.5
Dec.	1,342.8	851.8	355.1	69.4	40.5	1.3	24.7	4,552.1	1,750.9	669.0	606.6	1,355.7	99.8	70.0
2007 Jan.	1,302.1	806.9	359.1	69.7	39.4	2.1	24.9	4,553.1	1,717.5	701.3	602.6	1,357.1	101.7	72.9
Feb. ^(p)	1,304.0	808.4	360.1	69.2	38.0	2.1	26.3	4,562.2	1,717.2	721.7	597.3	1,347.2	103.8	75.0
Transactions														
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	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Q1	-10.4	-23.0	8.9	4.8	2.0	0.0	-3.1	14.0	-11.9	16.0	-8.1	13.9	1.8	2.3
Q2	40.0	39.3	2.0	1.3	-3.0	0.0	0.4	68.5	52.2	21.0	-7.0	-3.7	2.7	3.4
Q3	32.0	6.9	21.6	0.2	0.2	0.0	3.1	17.5	-22.2	44.3	-6.3	-8.5	3.9	6.3
2006 Nov.	14.7	18.6	-1.4	-0.8	-0.5	0.0	-1.2	11.1	2.8	15.6	-3.0	-8.4	2.6	1.6
Dec.	55.3	52.4	5.1	-1.8	-1.4	0.0	1.0	99.8	52.2	24.5	4.9	14.5	2.1	1.5
2007 Jan.	-45.1	-46.6	2.6	0.1	-1.4	0.0	0.1	-11.8	-39.1	26.6	-5.1	1.1	1.8	2.9
Feb. ^(p)	3.1	2.0	1.6	-0.4	-1.4	0.0	1.4	9.7	-0.1	20.8	-5.3	-9.9	2.1	2.1
Growth rates														
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 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Mar.	9.7	9.8	11.5	6.6	14.2	-27.6	-9.8	4.2	7.4	6.6	-1.7	3.2	-2.7	7.6
June	10.1	8.9	15.4	8.3	4.3	-19.5	1.1	4.2	6.0	11.5	-2.5	2.2	2.1	14.9
Sep.	10.9	10.1	13.9	14.0	-0.5	4.2	10.6	4.6	4.8	19.2	-2.8	1.1	10.8	25.7
2006 Nov.	10.3	8.1	19.2	10.1	-6.6	4.9	0.9	4.6	3.5	24.1	-3.4	0.5	16.9	30.5
Dec.	11.7	11.2	18.3	5.6	-9.2	5.9	0.4	4.9	3.9	25.8	-3.7	0.2	18.2	32.7
2007 Jan.	10.1	9.1	20.1	1.9	-17.5	8.7	-2.4	4.8	2.6	30.3	-4.2	-0.6	19.4	37.1
Feb. ^(p)	10.9	9.9	19.8	0.3	-19.8	8.5	19.3	4.9	2.7	32.6	-4.6	-1.4	21.4	39.7

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



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



Source: ECB.

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

2.5 Deposits held with MFIs, breakdown ^{1), 2)}

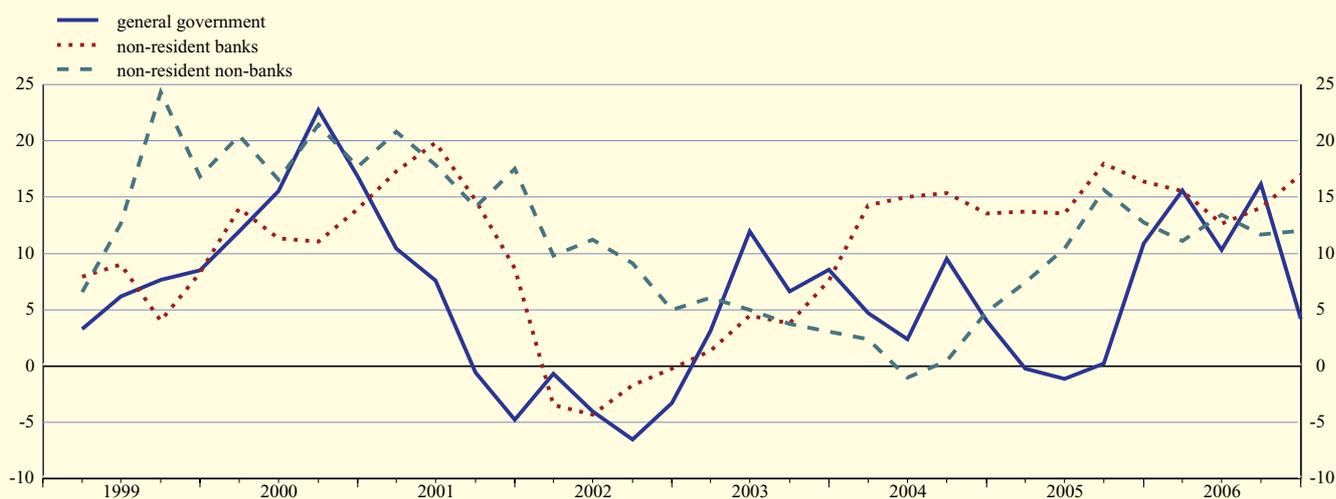
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3	333.0	147.7	41.6	83.5	60.2	3,369.2	2,492.1	877.1	133.3	743.7
Q4 ^(p)	327.9	123.2	45.4	91.2	68.1	3,428.9	2,552.1	876.8	128.6	748.2
Transactions										
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3	15.8	9.6	2.0	0.9	3.3	157.5	117.5	40.0	5.1	34.9
Q4 ^(p)	-7.8	-25.0	3.8	5.6	7.9	98.4	99.0	-0.6	-4.7	4.1
Growth rates										
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.0	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep.	16.2	10.1	15.8	17.2	33.3	13.4	14.0	11.7	6.5	12.7
Dec. ^(p)	4.2	-17.2	18.4	10.1	52.5	15.7	17.0	12.0	2.3	13.9

C12 Deposits by government and non-euro area residents ²⁾

(annual growth rates)



Source: ECB.

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

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

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

2.6 MFI holdings of securities, breakdown ^{1), 2)}

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2004	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006 Q1	4,551.2	1,501.6	69.3	1,423.8	16.6	544.9	28.6	966.3	1,359.5	323.6	773.0	262.9
Q2	4,565.7	1,519.5	65.8	1,385.6	17.2	572.6	27.4	977.7	1,367.8	334.5	774.7	258.7
Q3	4,652.8	1,557.7	68.9	1,334.7	16.7	589.3	28.7	1,056.8	1,415.5	342.4	797.2	275.8
2006 Oct.	4,691.8	1,568.4	69.7	1,324.5	16.6	602.3	30.3	1,080.0	1,447.4	344.1	814.8	288.5
Nov.	4,722.3	1,575.4	70.1	1,323.1	16.5	609.1	28.9	1,099.1	1,479.7	372.2	823.9	283.6
Dec.	4,663.9	1,558.2	72.3	1,259.8	16.2	618.9	29.7	1,108.8	1,489.2	377.5	816.0	295.7
2007 Jan.	4,755.7	1,584.8	75.1	1,278.8	16.2	616.5	30.6	1,153.9	1,528.9	386.3	833.4	309.2
Feb. ^(p)	4,789.9	1,598.4	77.5	1,276.9	16.0	625.3	32.5	1,163.3	1,539.6	396.1	821.1	322.3
Transactions												
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	356.2	85.7	2.0	52.3	-0.9	71.9	7.7	137.6	109.1	26.5	53.4	29.2
2006 Q1	172.6	59.2	3.6	23.4	0.2	22.2	3.4	60.7	89.2	10.7	67.2	11.3
Q2	45.4	15.1	-2.0	-20.8	1.0	29.1	-0.4	23.3	17.4	13.5	8.0	-4.0
Q3	72.4	39.0	4.1	-58.2	-0.7	18.6	1.2	68.4	25.6	2.1	10.0	13.4
2006 Oct.	37.1	10.9	0.6	-9.0	-0.1	12.8	1.5	20.5	26.5	1.0	14.7	10.8
Nov.	62.8	14.1	2.2	0.4	0.4	9.5	-0.6	36.8	29.4	28.4	6.3	-5.3
Dec.	-54.1	-17.7	2.3	-59.3	-0.2	11.2	0.9	8.7	5.5	3.4	-10.2	12.3
2007 Jan.	80.4	25.7	1.9	15.2	-0.7	-2.0	3.7	36.7	35.8	7.2	14.4	14.2
Feb. ^(p)	44.1	13.3	3.6	-3.0	0.0	8.3	2.4	19.5	12.8	10.0	-10.3	13.1
Growth rates												
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.0	6.3	3.6	4.2	-4.5	16.0	43.8	18.2	9.5	9.4	8.0	13.6
2006 Mar.	9.5	8.3	1.2	1.6	-0.4	16.5	68.1	21.1	11.7	9.9	15.3	3.8
June	7.1	5.9	1.0	-0.9	12.4	17.4	50.7	15.9	11.6	12.6	12.3	8.3
Sept.	8.5	8.5	6.9	-3.6	1.7	22.0	50.5	19.6	12.6	12.7	12.9	11.2
2006 Oct.	8.2	8.9	5.1	-5.3	-1.0	21.3	38.8	20.7	14.3	13.0	13.7	17.9
Nov.	7.7	9.3	6.9	-8.1	2.2	19.3	27.0	23.4	14.7	17.1	14.2	12.9
Dec.	7.7	8.3	16.5	-8.9	3.1	19.8	23.9	24.1	15.2	18.8	13.6	15.2
2007 Jan.	7.4	8.1	24.9	-9.3	-2.7	18.4	31.1	23.7	15.3	17.3	13.3	18.4
Feb. ^(p)	7.5	7.8	24.3	-9.1	-5.0	17.4	41.5	24.2	14.9	22.3	9.3	21.9

C13 MFI holdings of securities ²⁾

(annual growth rates)



Source: ECB.

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

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

2.7 Revaluation of selected MFI balance sheet items ^{1), 2)}

(EUR billions)

1. Write-offs/write-downs of loans to households³⁾

	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
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	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Q1	-1.1	-0.4	-0.2	-0.5	-1.3	-0.1	0.0	-1.2	-2.0	-0.5	-0.3	-1.2
Q2	-0.7	-0.2	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-1.4	-0.1	-0.6	-0.7
Q3	-0.9	-0.3	-0.2	-0.3	-0.4	0.0	0.0	-0.4	-1.1	-0.1	-0.3	-0.7
2006 Oct.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Nov.	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.3
Dec.	-0.6	-0.2	-0.2	-0.3	-0.6	-0.1	0.0	-0.5	-1.3	-0.2	-0.5	-0.5
2007 Jan.	-0.5	-0.2	-0.1	-0.2	-0.5	0.0	0.0	-0.4	-0.9	-0.3	-0.1	-0.5
Feb. ^(p)	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-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
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
Q2	-2.6	-0.6	-1.1	-0.9	-0.1	0.0	0.0
Q3	-2.5	-0.5	-1.2	-0.9	-0.2	0.0	-0.2
2006 Oct.	-0.4	0.1	-0.2	-0.3	0.0	0.0	0.0
Nov.	-0.7	-0.2	-0.2	-0.4	-0.1	0.0	-0.1
Dec.	-2.9	-0.6	-1.2	-1.1	-0.2	0.0	-0.2
2007 Jan.	-1.4	-0.4	-0.4	-0.6	0.0	0.0	0.0
Feb. ^(p)	-0.7	-0.2	-0.1	-0.4	0.0	0.0	0.0

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
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	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006 Q1	-6.6	-1.2	-0.1	-4.1	-0.1	-0.8	-0.1	-0.3	15.9	4.0	6.6	5.3
Q2	-9.0	0.2	-0.1	-4.2	0.0	-1.2	-0.1	-3.6	-10.8	-2.2	-6.4	-2.2
Q3	11.7	2.0	0.0	6.0	0.0	1.3	0.0	2.3	14.0	3.0	8.1	2.8
2006 Oct.	0.4	0.2	0.0	-1.6	0.0	0.8	0.0	1.0	5.3	0.7	2.7	1.9
Nov.	0.3	0.4	-0.1	0.0	-0.1	0.4	0.0	-0.2	2.9	-0.4	2.8	0.4
Dec.	-4.8	-0.5	-0.1	-3.6	0.0	-1.0	-0.1	0.5	4.0	2.0	2.3	-0.3
2007 Jan.	0.5	-1.4	0.0	0.6	0.0	0.0	0.1	1.3	2.9	0.4	2.1	0.4
Feb. ^(p)	1.9	0.5	-0.1	1.1	0.0	0.5	0.0	-0.1	-1.5	-0.1	-1.4	0.0

Source: ECB.

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

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

3) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

(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													
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,361.0	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,467.7	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,648.5	96.6	3.4	2.0	0.3	0.1	0.6
Q3	5,091.2	90.4	9.6	5.7	0.4	1.5	1.2	7,760.9	96.4	3.6	2.2	0.3	0.1	0.6
Q4 ⁴⁾	5,245.7	90.7	9.3	5.7	0.4	1.4	1.2	8,010.2	96.3	3.7	2.2	0.3	0.1	0.6
	By non-euro area residents													
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.4	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3	2,492.1	47.3	52.7	34.4	2.2	2.6	10.3	877.1	51.7	48.3	31.2	1.6	2.1	10.1
Q4 ⁴⁾	2,552.1	45.2	54.8	35.5	2.4	2.6	11.1	876.8	51.0	49.0	31.8	1.3	1.9	10.4

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3	4,383.1	80.9	19.1	9.8	1.6	1.9	3.3
Q4 ⁴⁾	4,482.7	80.5	19.5	10.0	1.6	1.9	3.5

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						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005	4,569.7	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1	4,656.3	-	-	-	-	-	9,365.4	96.3	3.7	1.7	0.2	1.2	0.5	
Q2	4,730.3	-	-	-	-	-	9,591.2	96.4	3.6	1.7	0.1	1.2	0.5	
Q3	4,790.8	-	-	-	-	-	9,786.9	96.3	3.7	1.7	0.1	1.2	0.6	
Q4 ^(p)	4,928.9	-	-	-	-	-	9,969.8	96.4	3.6	1.7	0.1	1.1	0.5	
To non-euro area residents														
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006 Q1	1,821.6	49.6	50.4	30.3	3.8	2.4	9.2	773.1	38.9	61.1	44.1	1.7	3.9	7.8
Q2	1,839.9	49.6	50.4	29.4	2.8	2.4	10.6	771.5	40.3	59.7	42.2	1.1	4.1	8.3
Q3	1,919.9	50.2	49.8	29.1	2.3	2.4	10.8	816.1	41.2	58.8	41.1	1.8	3.8	8.5
Q4 ^(p)	2,053.2	50.6	49.4	29.1	2.2	2.3	10.8	869.9	39.8	60.2	42.5	1.3	4.0	8.7

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						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.7	97.8	2.2	1.2	0.3	0.1	0.6
Q3	1,626.6	95.8	4.2	2.2	0.2	0.3	1.2	1,969.4	97.7	2.3	1.3	0.3	0.1	0.6
Q4 ^(p)	1,630.6	95.6	4.4	2.3	0.3	0.3	1.3	1,924.5	97.6	2.4	1.3	0.3	0.1	0.7
Issued by non-euro area residents														
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006 Q1	426.5	52.8	47.2	26.8	0.8	0.5	15.7	539.8	39.6	60.4	33.8	5.3	0.8	14.8
Q2	439.9	53.5	46.5	26.8	0.9	0.5	15.0	537.8	40.1	59.9	33.5	5.6	0.8	14.6
Q3	475.2	52.4	47.6	28.4	0.7	0.6	14.5	581.6	38.2	61.8	35.6	4.7	0.8	15.4
Q4 ^(p)	510.7	52.5	47.5	28.4	0.7	0.4	14.5	598.0	38.7	61.3	35.6	4.5	0.8	15.7

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				
2005 Q2	4,313.4	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.0
Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2	5,135.6	316.7	1,908.3	145.2	1,763.1	1,776.1	600.9	180.3	353.2
Q3 ^(p)	5,355.2	315.5	1,983.9	178.4	1,805.5	1,865.1	637.1	181.3	372.2

2. Liabilities

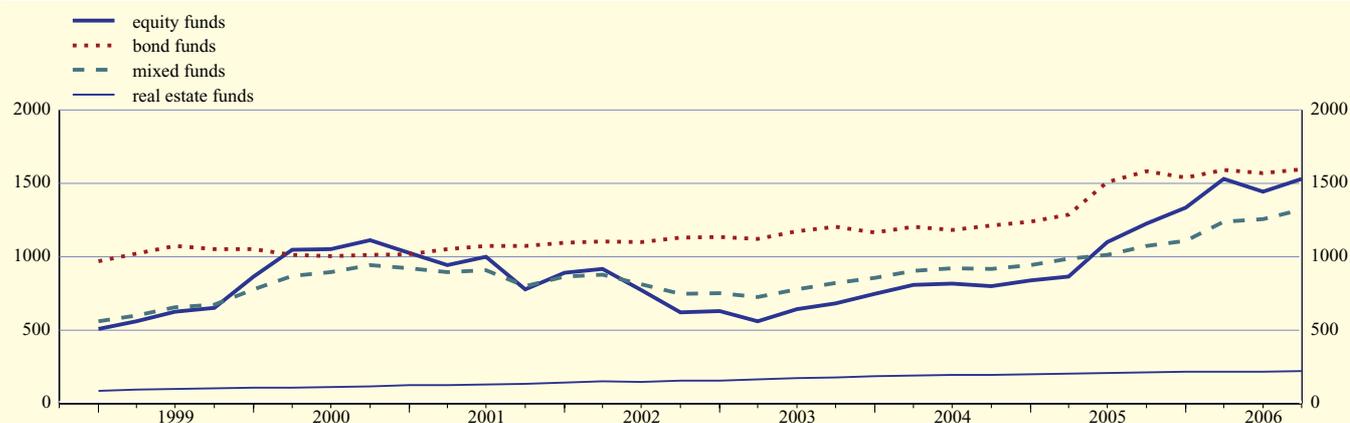
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2005 Q2	4,313.4	58.6	4,034.4	220.4
Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2	5,135.6	76.4	4,787.2	271.9
Q3 ^(p)	5,355.2	75.7	4,992.4	287.0

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

	Total 1	Funds by investment policy				Other funds 6	Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5		General public funds 7	Special investors' funds 8
2005 Q2	4,313.4	1,097.2	1,510.2	1,011.1	207.1	487.9	3,245.6	1,067.9
Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2	5,135.6	1,441.6	1,569.3	1,256.4	217.4	650.9	3,910.9	1,224.7
Q3 ^(p)	5,355.2	1,531.2	1,597.0	1,320.4	221.0	685.6	4,080.6	1,274.5

C14 Total assets of investment funds ²⁾

(EUR billions)



Source: ECB.

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

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
Equity funds									
2005 Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2	1,441.6	52.2	51.3	6.4	44.9	1,220.3	69.2	-	48.6
Q3 ^(p)	1,531.2	53.6	75.9	33.2	42.7	1,281.3	68.2	-	52.3
Bond funds									
2005 Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3 ^(p)	1,597.0	105.5	1,285.6	86.6	1,199.0	41.5	51.0	-	113.4
Mixed funds									
2005 Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2	1,256.4	71.9	483.9	40.3	443.6	318.3	253.6	0.2	128.5
Q3 ^(p)	1,320.4	68.1	509.6	45.1	464.5	331.9	273.2	0.3	137.2
Real estate funds									
2005 Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9
Q3 ^(p)	221.0	16.4	6.0	1.6	4.4	1.9	6.2	180.1	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							
2005 Q2	3,245.6	247.7	1,207.1	1,125.1	313.7	144.8	207.2
Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2	3,910.9	256.9	1,321.1	1,448.1	452.1	151.2	281.5
Q3 ^(p)	4,080.6	260.1	1,371.5	1,527.7	473.7	151.1	296.5
Special investors' funds							
2005 Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2	1,224.7	59.9	587.2	328.1	148.8	29.1	71.7
Q3 ^(p)	1,274.5	55.4	612.4	337.3	163.4	30.2	75.7

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)

	Total		Currency and deposits								Memo: deposits of non-MFIs with banks outside the euro area
	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											
2005 Q2	17,432.6	6,535.9	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	343.4	369.7
Q3	17,796.2	6,536.5	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	349.1	389.2
Q4	18,205.4	6,737.7	465.5	5,732.3	2,559.1	1,604.4	1,488.5	80.3	173.6	366.4	366.8
2006 Q1	18,674.1	6,759.1	459.4	5,733.7	2,517.7	1,629.2	1,505.9	80.9	193.1	372.9	376.9
Q2	18,756.9	6,913.7	478.9	5,859.1	2,619.4	1,653.9	1,501.6	84.2	207.4	368.2	385.5
Q3	19,063.8	6,957.3	486.8	5,908.4	2,601.6	1,715.7	1,497.1	93.9	202.9	359.2	373.9
Transactions											
2005 Q2	300.6	163.6	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	7.3	-12.5
Q3	101.3	0.8	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	5.4	11.4
Q4	292.7	204.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	16.6	-12.3
2006 Q1	142.8	23.9	-6.1	4.2	-40.5	26.6	17.5	0.6	19.6	6.3	4.6
Q2	303.7	160.2	19.6	130.1	103.2	27.7	-4.1	3.3	15.2	-4.7	-0.9
Q3	177.0	55.6	7.9	50.4	-17.7	62.9	-4.5	9.7	-4.5	1.9	-16.4
Growth rates											
2005 Q2	4.6	5.8	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	7.3	1.4
Q3	4.5	5.4	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	5.8	1.5
Q4	5.1	6.0	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	6.9	2.7
2006 Q1	4.9	6.2	12.2	5.6	8.4	4.5	2.9	2.7	2.9	10.6	-2.4
Q2	4.8	6.0	10.9	5.8	7.1	7.0	2.2	9.2	-1.6	6.9	0.8
Q3	5.1	6.8	10.7	6.4	6.7	9.7	1.6	20.7	11.7	5.8	-6.4
Securities other than shares											
			Shares ¹⁾				Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Investment fund and money market fund shares/units	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											
2005 Q2	1,997.8	237.8	1,760.0	4,447.7	2,366.9	2,080.8	409.2	4,451.2	4,042.5	408.7	
Q3	1,990.7	236.2	1,754.6	4,710.3	2,549.3	2,161.0	410.3	4,558.7	4,144.7	414.0	
Q4	1,968.5	219.0	1,749.5	4,839.6	2,669.5	2,170.0	400.5	4,659.5	4,242.0	417.5	
2006 Q1	2,044.7	251.2	1,793.5	5,121.4	2,911.7	2,209.8	379.0	4,748.9	4,327.4	421.5	
Q2	2,068.3	253.1	1,815.2	4,980.6	2,837.5	2,143.1	378.1	4,794.2	4,371.0	423.3	
Q3	2,111.0	259.7	1,851.3	5,120.6	2,959.6	2,161.0	383.8	4,874.8	4,448.8	426.0	
Transactions											
2005 Q2	26.2	8.4	17.7	34.4	21.4	13.0	-0.7	76.4	72.0	4.4	
Q3	-3.2	4.7	-7.9	26.9	-6.7	33.6	3.0	76.7	71.3	5.4	
Q4	0.3	-17.3	17.6	2.4	1.7	0.7	-8.4	85.9	82.3	3.6	
2006 Q1	62.9	31.8	31.1	-31.4	-44.8	13.4	4.2	87.5	82.0	5.4	
Q2	36.0	4.3	31.7	41.7	45.7	-4.1	-2.3	65.7	64.2	1.6	
Q3	48.7	12.2	36.5	4.3	17.4	-13.1	7.1	68.5	68.4	0.1	
Growth rates											
2005 Q2	3.5	8.8	2.8	0.6	-0.9	2.3	-3.3	7.2	7.3	5.7	
Q3	2.6	7.6	1.9	0.9	-1.6	3.6	-1.8	7.4	7.6	6.1	
Q4	2.3	-2.9	3.1	2.5	0.9	4.2	0.1	7.6	7.7	6.1	
2006 Q1	4.4	12.0	3.4	0.7	-1.2	3.0	-0.5	7.5	7.8	4.7	
Q2	4.8	9.9	4.1	0.9	-0.2	2.1	-0.9	7.1	7.4	3.9	
Q3	7.4	13.1	6.7	0.4	0.8	-0.1	0.2	6.7	7.2	2.6	

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													
2005 Q2	18,808.1	9,251.4	8,110.3	926.7	82.2	844.5	3,912.2	1,241.4	2,670.8	4,412.4	303.2	4,109.2	528.5
Q3	19,270.4	9,381.7	8,240.1	931.0	87.5	843.4	3,947.4	1,228.4	2,718.9	4,503.4	300.7	4,202.7	555.5
Q4	19,542.5	9,621.9	8,448.2	937.9	79.8	858.1	4,062.7	1,270.6	2,792.1	4,621.3	307.1	4,314.3	588.9
2006 Q1	20,177.3	9,846.1	8,642.9	932.6	86.7	845.9	4,199.9	1,290.9	2,909.0	4,713.5	302.4	4,411.1	648.1
Q2	20,252.9	10,069.6	8,854.1	919.0	88.7	830.3	4,330.0	1,339.9	2,990.1	4,820.6	311.9	4,508.6	689.1
Q3	20,641.1	10,241.8	9,014.9	911.1	90.5	820.6	4,429.4	1,355.4	3,074.0	4,901.3	309.1	4,592.2	750.8
Transactions													
2005 Q2	341.9	199.1	187.8	0.8	4.8	-4.0	84.4	39.1	45.3	113.8	10.5	103.3	51.6
Q3	205.6	130.8	133.4	4.5	5.3	-0.9	33.2	-16.8	50.0	93.1	-2.5	95.6	28.6
Q4	278.2	265.3	224.7	14.4	-7.5	21.9	131.1	45.3	85.8	119.8	6.5	113.3	45.6
2006 Q1	303.0	205.7	176.8	-5.0	6.9	-12.0	122.0	22.2	99.7	88.8	-2.3	91.0	56.7
Q2	327.8	242.7	219.0	-7.2	2.3	-9.5	136.7	49.1	87.5	113.2	9.8	103.4	67.0
Q3	206.7	182.7	166.4	-2.9	1.8	-4.7	101.6	21.1	80.5	84.1	-2.4	86.4	42.8
Growth rates													
2005 Q2	4.8	6.2	6.6	-0.8	-10.1	0.2	5.2	4.8	5.3	8.7	4.9	9.0	18.3
Q3	5.1	6.6	7.1	0.2	-2.8	0.5	5.8	4.4	6.5	8.8	5.0	9.1	23.4
Q4	5.9	7.8	8.1	1.5	-0.9	1.7	7.7	6.1	8.4	9.3	5.2	9.6	32.0
2006 Q1	6.2	8.9	9.2	1.6	12.4	0.6	9.7	7.5	10.7	9.7	4.2	10.1	39.2
Q2	5.9	9.1	9.3	0.7	8.7	-0.1	10.8	8.0	12.1	9.4	3.8	9.8	37.5
Q3	5.8	9.6	9.5	-0.1	4.1	-0.5	12.4	11.2	13.0	9.0	3.9	9.4	38.2
Securities other than shares issued by													
	Total			General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of general government	Pension fund reserves of non- financial corporations	
	Total			Total	Short-term	Long-term	Total	Short-term	Long-term				
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2005 Q2	5,713.7	5,031.8	625.2	4,406.7	681.9	246.1	435.8	3,242.4	293.6	307.0			
Q3	5,702.6	5,025.8	611.3	4,414.5	676.8	239.3	437.5	3,579.5	296.1	310.5			
Q4	5,620.2	4,957.5	586.9	4,370.6	662.7	234.0	428.7	3,674.9	311.7	313.8			
2006 Q1	5,612.2	4,944.6	596.1	4,348.5	667.6	246.0	421.7	4,082.3	319.6	317.1			
Q2	5,606.8	4,921.5	608.5	4,313.1	685.3	252.1	433.2	3,942.2	314.1	320.2			
Q3	5,676.5	4,988.2	596.2	4,391.9	688.4	251.9	436.5	4,084.9	314.3	323.6			
Transactions													
2005 Q2	123.7	113.2	24.7	88.5	10.5	8.8	1.7	1.4	14.5	3.3			
Q3	-10.5	-4.0	-13.6	9.7	-6.5	-6.9	0.4	79.3	2.6	3.4			
Q4	-25.3	-20.0	-24.4	4.4	-5.3	-5.1	-0.2	20.5	14.4	3.3			
2006 Q1	88.6	78.6	9.4	69.2	10.0	12.1	-2.1	-2.5	7.9	3.3			
Q2	69.5	46.3	11.9	34.5	23.2	6.0	17.1	18.0	-5.4	3.0			
Q3	16.8	10.7	-11.8	22.6	6.1	-0.6	6.7	3.4	0.2	3.5			
Growth rates													
2005 Q2	4.8	5.1	1.9	5.6	3.0	5.7	1.6	0.5	7.1	4.5			
Q3	3.7	4.1	-0.3	4.7	0.8	4.3	-1.1	3.2	5.3	4.5			
Q4	4.2	4.6	-0.4	5.3	1.3	5.5	-0.8	3.6	7.7	4.2			
2006 Q1	3.2	3.5	-0.7	4.1	1.3	3.8	-0.1	3.1	14.1	4.4			
Q2	2.1	2.0	-2.7	2.7	3.1	2.5	3.5	3.6	6.6	4.2			
Q3	2.6	2.3	-2.5	3.0	5.0	5.2	4.9	1.1	5.8	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											
2005 Q2	4,534.1	595.8	61.2	511.3	2.7	20.6	67.5	298.3	1,839.3	84.5	1,754.8	
Q3	4,707.6	602.9	60.0	517.7	2.7	22.4	73.2	299.4	1,885.5	82.2	1,803.3	
Q4	4,802.2	612.6	67.8	521.6	2.6	20.6	79.0	297.0	1,911.5	84.8	1,826.7	
2006 Q1	4,972.1	613.0	65.6	525.2	2.5	19.7	83.6	305.9	1,937.6	88.4	1,849.2	
Q2	4,967.2	625.7	68.6	532.6	2.4	22.1	84.8	304.6	1,950.6	88.8	1,861.8	
Q3	5,136.9	637.3	66.8	543.8	2.4	24.4	80.7	305.6	2,010.1	93.2	1,916.9	
	Transactions											
2005 Q2	60.6	-2.0	-5.3	2.2	0.2	0.8	-4.4	1.4	-5.8	36.3	0.6	35.7
Q3	81.5	7.1	-1.2	6.4	0.1	1.8	2.2	1.2	1.1	36.2	-2.2	38.4
Q4	75.8	8.7	7.4	3.1	0.0	-1.9	1.3	5.4	-4.1	41.6	1.9	39.7
2006 Q1	94.5	0.6	-2.0	3.6	-0.1	-0.8	13.5	4.6	8.9	42.7	2.9	39.8
Q2	68.6	12.9	3.0	7.6	0.0	2.4	0.4	1.3	-0.8	28.7	-1.1	29.9
Q3	77.9	11.4	-1.9	11.2	-0.1	2.2	1.6	0.2	1.4	35.0	5.3	29.7
	Growth rates											
2005 Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-1.7	2.2	-2.6	9.7	6.2	9.9
Q3	7.0	4.8	-2.8	5.3	30.1	12.0	-1.0	4.3	-2.1	9.8	2.6	10.1
Q4	7.0	4.5	12.5	3.7	18.4	-0.8	-0.9	13.2	-3.9	9.2	-1.8	9.8
2006 Q1	7.1	2.4	-1.7	3.0	7.2	-0.3	3.4	18.9	0.0	8.8	3.8	9.1
Q2	7.1	4.9	11.8	4.0	-3.1	7.5	4.8	18.2	1.7	8.1	1.6	8.4
Q3	6.7	5.6	10.9	4.9	-6.9	8.6	4.5	15.5	1.8	7.9	10.8	7.7

	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	Investment fund and money market fund shares/units	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														
2005 Q2	1,598.1	759.7	838.4	86.1	135.1	4,663.5	92.8	63.8	22.2	223.3	4,325.2	3,707.5	617.7		
Q3	1,708.9	830.4	878.6	86.9	137.7	4,801.8	92.4	65.2	22.9	251.2	4,435.3	3,808.5	626.8		
Q4	1,762.2	859.4	902.9	79.6	139.8	4,910.0	66.3	64.6	23.0	285.9	4,534.8	3,900.4	634.4		
2006 Q1	1,889.6	920.8	968.8	81.8	142.4	5,032.2	83.7	81.9	22.9	298.7	4,626.9	3,983.5	643.4		
Q2	1,856.7	886.2	970.4	85.7	144.8	5,053.6	86.6	84.7	23.1	272.5	4,671.4	4,024.1	647.3		
Q3	1,956.8	927.8	1,029.0	87.9	146.5	5,175.3	91.2	89.5	23.7	308.3	4,752.1	4,101.0	651.1		
	Transactions														
2005 Q2	28.4	4.0	24.5	6.3	2.2	78.7	2.8	5.5	0.1	0.5	75.3	70.3	5.0		
Q3	33.4	16.2	17.2	0.9	2.6	80.2	-0.4	1.4	0.6	1.1	78.9	69.7	9.3		
Q4	22.6	0.4	22.2	-8.3	1.6	90.6	-0.5	-0.6	0.2	4.0	86.9	80.1	6.8		
2006 Q1	33.9	-2.2	36.2	-0.1	3.8	107.6	17.3	17.1	0.0	0.1	90.3	79.5	10.7		
Q2	23.2	5.4	17.8	3.4	3.3	67.8	3.0	2.8	0.3	0.1	64.4	61.2	3.2		
Q3	27.6	6.9	20.7	0.9	2.4	76.8	4.5	4.8	0.5	4.1	67.7	64.6	3.0		
	Growth rates														
2005 Q2	5.5	3.4	7.3	16.7	5.2	6.7	3.5	17.6	-4.4	1.4	7.1	7.5	5.0		
Q3	6.8	4.3	9.0	19.4	5.4	7.1	1.1	22.8	6.7	0.9	7.5	7.8	5.5		
Q4	7.4	3.8	10.7	-2.4	7.7	7.7	14.4	30.8	7.2	2.7	7.9	8.2	5.8		
2006 Q1	7.8	2.5	12.6	-1.8	7.8	7.9	21.2	40.4	3.9	2.6	7.9	8.4	5.1		
Q2	7.1	2.6	11.1	-4.8	8.4	7.4	20.8	32.5	4.7	2.4	7.4	7.8	4.9		
Q3	6.3	1.3	11.0	-4.7	8.1	7.1	26.3	37.1	4.2	3.3	7.0	7.5	3.8		

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories ¹⁾	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) ³⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	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	
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0	
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6	
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7	
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8	
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4	
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5	

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
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

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	Gross disposable income	Gross saving ratio ⁶⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7

Source: ECB.

- Including net acquisition of valuables.
- Excluding financial derivatives.
- Financial derivatives and other accounts receivable/payable.
- Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
- Including non-profit institutions serving households.
- Gross saving divided by gross disposable income and net increase in claims on pension funds reserves.

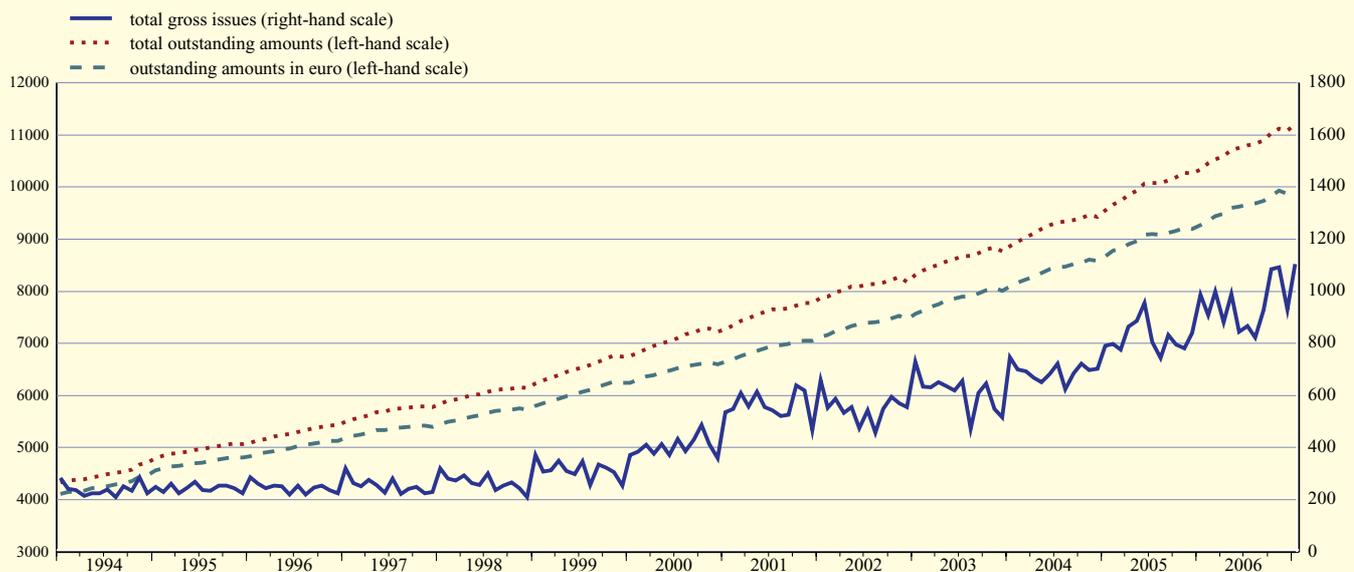
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(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												
2006 Jan.	10,882.8	971.4	55.6	9,274.8	926.4	84.7	10,341.2	986.6	103.2	7.6	61.6	7.1
Feb.	10,995.3	922.7	110.2	9,358.5	851.0	81.3	10,452.8	907.8	94.0	7.3	66.3	7.6
Mar.	11,147.5	1,050.4	151.9	9,439.6	937.1	81.0	10,537.4	998.6	97.4	7.6	70.5	8.1
Apr.	11,170.1	873.7	19.3	9,491.2	820.6	48.5	10,595.2	881.4	67.4	7.2	55.6	8.0
May	11,296.8	1,007.7	126.9	9,603.3	936.8	112.2	10,716.1	989.0	126.0	7.8	88.9	8.3
June	11,358.9	895.3	64.1	9,624.4	792.7	23.0	10,748.5	845.7	31.7	6.7	24.0	7.2
July	11,372.0	877.5	12.5	9,659.8	820.0	34.8	10,797.9	867.7	44.7	7.1	53.7	7.0
Aug.	11,404.2	837.8	31.7	9,681.2	779.9	20.9	10,827.5	822.4	24.3	7.3	74.4	7.1
Sep.	11,525.0	1,004.1	120.4	9,731.9	882.0	50.3	10,896.2	927.7	57.0	7.4	57.2	6.8
Oct.	11,621.6	1,106.1	94.4	9,835.9	1,022.9	102.1	11,032.0	1,085.6	122.6	8.0	123.4	8.1
Nov.	11,759.1	1,133.3	136.6	9,927.4	1,036.6	91.0	11,123.5	1,092.1	107.2	8.3	99.8	8.3
Dec.	11,741.8	979.6	-17.9	9,875.7	885.6	-52.7	11,081.6	930.4	-56.9	8.0	42.3	8.6
2007 Jan.	.	.	.	9,969.8	1,045.1	94.2	11,205.0	1,103.9	112.1	8.0	72.7	8.9
Long-term												
2006 Jan.	9,945.2	196.6	48.9	8,424.4	173.7	44.7	9,353.2	195.7	57.1	8.1	57.5	7.3
Feb.	10,039.7	220.0	93.0	8,490.6	175.7	64.6	9,443.6	201.3	76.8	7.7	54.5	7.9
Mar.	10,136.3	243.8	96.9	8,561.6	194.3	71.4	9,512.4	220.1	79.7	7.8	60.2	8.2
Apr.	10,172.4	174.8	34.6	8,591.0	141.6	28.1	9,550.2	170.6	47.9	7.5	49.3	8.2
May	10,273.0	205.9	100.9	8,676.8	167.4	86.1	9,643.4	187.0	95.7	7.8	63.6	7.9
June	10,331.9	199.5	59.7	8,740.2	167.6	64.0	9,727.2	192.5	80.1	6.8	52.0	7.3
July	10,365.7	186.7	33.9	8,766.0	158.5	26.0	9,768.2	177.2	37.1	7.2	49.1	7.1
Aug.	10,381.9	90.4	16.4	8,777.1	71.5	11.3	9,786.2	87.9	20.7	7.6	65.7	7.3
Sep.	10,475.8	218.5	94.3	8,832.2	156.7	55.5	9,855.6	175.4	63.0	7.6	53.5	7.1
Oct.	10,578.2	224.7	100.0	8,903.1	173.8	68.9	9,948.7	206.1	86.5	8.2	102.4	8.2
Nov.	10,712.3	224.8	133.2	8,997.9	167.2	94.1	10,042.4	193.0	108.4	8.4	101.4	9.0
Dec.	10,740.4	172.9	25.5	9,019.8	132.1	18.9	10,072.0	152.0	15.9	8.3	58.9	9.1
2007 Jan.	.	.	.	9,067.9	171.7	48.1	10,140.5	194.9	58.5	8.2	61.8	9.3

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

(EUR billions)



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

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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2005	10,258	4,112	926	613	4,325	283	9,869	6,983	325	1,033	1,433	95
2006	11,082	4,557	1,165	645	4,411	304	11,335	8,375	413	1,118	1,344	85
2006 Q1	10,537	4,262	969	621	4,395	289	2,893	2,106	85	256	423	22
Q2	10,749	4,340	1,032	639	4,440	298	2,716	1,976	107	260	351	22
Q3	10,896	4,438	1,069	637	4,455	298	2,618	1,928	78	265	329	18
Q4	11,082	4,557	1,165	645	4,411	304	3,108	2,365	143	336	241	23
2006 Oct.	11,032	4,524	1,110	645	4,455	298	1,086	801	56	115	104	9
Nov.	11,123	4,556	1,137	648	4,479	304	1,092	834	43	114	91	9
Dec.	11,082	4,557	1,165	645	4,411	304	930	729	44	106	46	5
2007 Jan.	11,205	4,635	1,169	646	4,450	306	1,104	849	18	76	153	7
	Short-term											
2005	945	482	7	90	361	5	7,797	6,046	45	943	729	33
2006	1,010	570	12	94	329	4	9,176	7,376	59	1,023	686	31
2006 Q1	1,025	539	7	98	376	5	2,276	1,817	14	242	195	8
Q2	1,021	531	10	101	374	5	2,166	1,739	16	227	175	8
Q3	1,041	561	12	96	367	4	2,177	1,733	16	249	171	8
Q4	1,010	570	12	94	329	4	2,557	2,087	14	305	144	7
2006 Oct.	1,083	603	11	101	364	4	880	707	6	106	57	3
Nov.	1,081	596	12	103	367	4	899	732	4	104	57	2
Dec.	1,010	570	12	94	329	4	778	648	4	95	30	2
2007 Jan.	1,064	607	11	96	346	4	909	753	4	73	77	3
	Long-term ¹⁾											
2005	9,313	3,630	919	523	3,964	278	2,072	937	279	90	705	61
2006	10,072	3,986	1,152	551	4,082	300	2,159	999	354	94	658	54
2006 Q1	9,512	3,723	962	523	4,020	285	617	290	71	14	228	15
Q2	9,727	3,809	1,021	538	4,066	293	550	237	91	33	175	14
Q3	9,856	3,878	1,057	540	4,088	293	441	195	62	16	158	9
Q4	10,072	3,986	1,152	551	4,082	300	551	278	130	31	97	16
2006 Oct.	9,949	3,921	1,098	545	4,090	294	206	94	50	9	47	6
Nov.	10,042	3,960	1,125	546	4,112	300	193	102	39	10	35	7
Dec.	10,072	3,986	1,152	551	4,082	300	152	82	40	12	15	3
2007 Jan.	10,141	4,028	1,158	550	4,104	301	195	97	14	4	76	4
	Of which long-term fixed rate											
2005	6,719	2,017	459	413	3,614	217	1,227	413	91	54	621	48
2006	7,049	2,133	536	420	3,723	237	1,292	474	137	60	581	39
2006 Q1	6,826	2,062	475	407	3,657	225	406	156	31	8	200	12
Q2	6,921	2,081	499	415	3,695	232	332	109	41	21	151	10
Q3	6,974	2,108	508	414	3,711	233	275	94	22	11	140	8
Q4	7,049	2,133	536	420	3,723	237	280	116	44	20	90	10
2006 Oct.	7,023	2,130	526	416	3,718	234	115	42	23	5	42	4
Nov.	7,058	2,136	529	418	3,738	237	100	43	11	9	33	4
Dec.	7,049	2,133	536	420	3,723	237	65	32	10	6	15	2
2007 Jan.	7,098	2,159	539	420	3,742	238	139	59	6	2	67	4
	Of which long-term variable rate											
2005	2,259	1,344	456	94	305	60	715	429	188	28	58	12
2006	2,605	1,501	610	118	313	63	712	403	213	31	51	14
2006 Q1	2,332	1,385	482	97	308	60	172	108	39	4	18	3
Q2	2,431	1,425	517	108	320	61	176	95	50	12	15	4
Q3	2,489	1,444	543	110	332	60	134	76	40	4	13	2
Q4	2,605	1,501	610	118	313	63	230	123	85	11	5	6
2006 Oct.	2,525	1,459	566	113	327	60	78	42	27	4	3	2
Nov.	2,571	1,479	589	112	328	63	77	43	28	1	2	3
Dec.	2,605	1,501	610	118	313	63	75	38	30	6	0	1
2007 Jan.	2,614	1,513	612	116	310	63	41	30	7	1	3	0

Source: ECB.

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

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

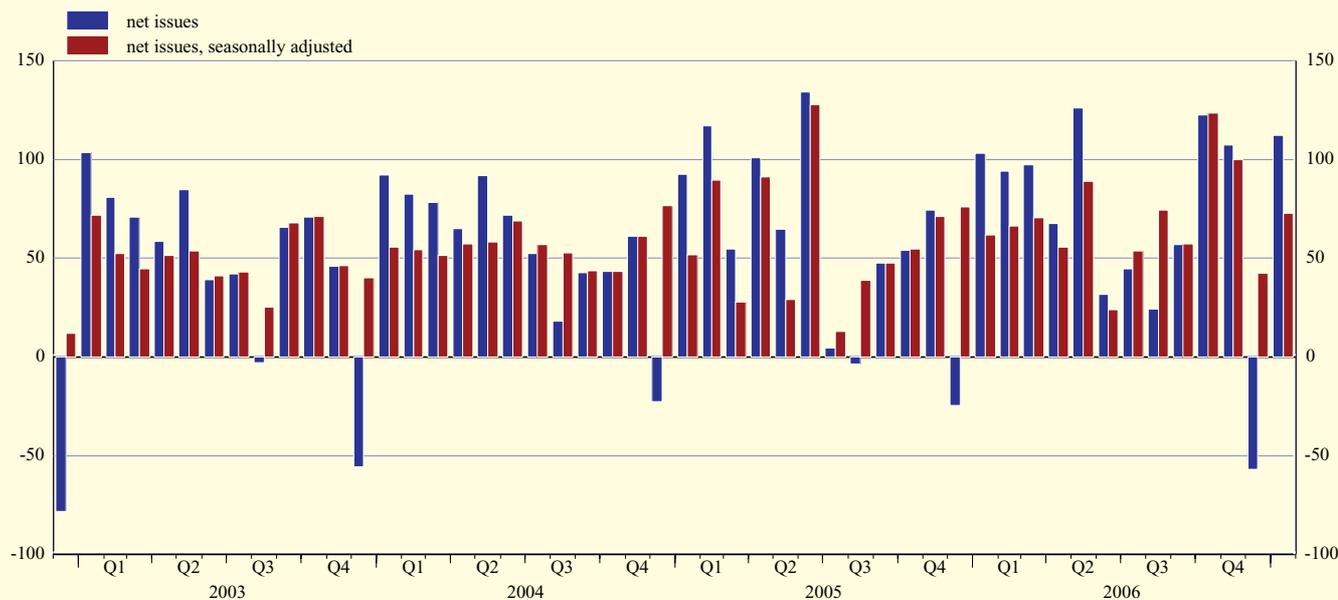
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2005	716.7	316.4	175.8	22.2	170.1	32.2	718.6	319.9	171.6	22.4	172.3	32.4
2006	818.5	418.7	245.5	36.8	95.4	22.1	817.7	423.0	240.9	37.2	94.4	22.2
2006 Q1	294.6	158.7	46.1	9.4	73.5	6.9	198.4	106.9	66.2	6.0	13.2	6.1
Q2	225.1	83.6	64.5	19.4	48.6	8.9	168.4	88.0	52.0	12.8	7.3	8.4
Q3	126.0	78.1	36.3	-2.5	14.4	-0.5	185.3	94.6	53.0	1.7	33.7	2.3
Q4	172.8	98.2	98.6	10.5	-41.2	6.7	265.5	133.4	69.7	16.7	40.2	5.4
2006 Oct.	122.6	72.6	40.7	8.5	0.0	0.8	123.4	58.6	44.7	5.0	15.2	-0.1
Nov.	107.2	39.7	30.1	4.5	27.2	5.6	99.8	42.1	24.1	5.8	24.1	3.7
Dec.	-56.9	-14.1	27.8	-2.6	-68.3	0.3	42.3	32.6	0.9	6.0	0.9	1.9
2007 Jan.	112.1	70.0	3.1	-0.4	38.3	1.1	72.7	52.5	21.9	-3.2	1.1	0.4
	Long-term											
2005	709.1	293.0	176.2	22.5	184.9	32.5	710.7	294.9	172.1	22.4	188.7	32.6
2006	769.0	345.8	240.2	33.4	126.5	23.1	768.2	348.0	235.5	33.3	128.3	23.1
2006 Q1	213.6	100.5	45.8	1.8	58.4	7.0	172.2	70.0	65.9	7.0	23.3	6.0
Q2	223.7	87.3	61.5	16.3	49.7	8.9	164.9	85.1	48.9	9.7	12.8	8.5
Q3	120.8	61.8	35.0	2.6	21.5	-0.1	168.3	66.6	51.6	4.8	42.7	2.6
Q4	210.8	96.1	97.9	12.7	-3.1	7.2	262.7	126.2	69.1	11.8	49.5	6.1
2006 Oct.	86.5	37.6	41.2	4.2	2.7	0.9	102.4	35.7	44.6	2.6	19.5	0.0
Nov.	108.4	45.7	29.8	2.6	24.2	6.0	101.4	52.2	24.2	2.5	18.5	4.1
Dec.	15.9	12.8	26.9	5.9	-30.1	0.4	58.9	38.3	0.3	6.8	11.5	2.0
2007 Jan.	58.5	34.9	4.2	-2.4	21.0	0.7	61.8	38.2	22.8	1.0	-0.2	0.0

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

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

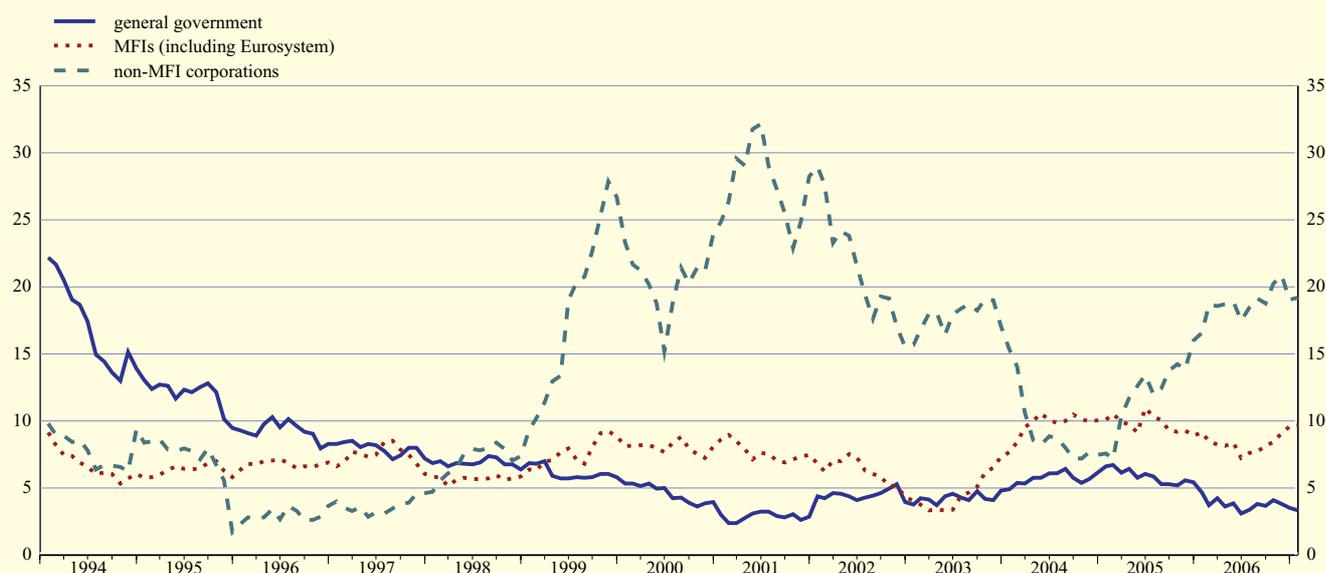


Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2006 Jan.	7.6	9.1	24.3	3.4	3.6	11.3	7.1	7.7	26.1	4.2	3.2	12.7
Feb.	7.3	8.9	26.9	3.0	2.7	11.9	7.6	8.1	30.9	4.2	3.0	14.2
Mar.	7.6	9.3	27.3	2.9	3.1	11.6	8.1	9.3	31.7	3.9	2.8	13.0
Apr.	7.2	8.9	27.2	2.6	2.6	10.2	8.0	9.3	31.5	3.3	3.0	11.4
May	7.8	9.9	26.6	3.7	2.7	12.1	8.3	10.5	31.5	6.1	2.1	10.5
June	6.7	8.1	24.4	4.6	1.9	12.3	7.2	9.6	27.7	6.2	0.9	10.5
July	7.1	8.3	26.3	4.7	2.3	11.7	7.0	8.9	26.6	5.2	1.4	10.6
Aug.	7.3	8.4	27.9	3.4	2.7	12.1	7.1	8.8	25.3	2.6	2.3	10.1
Sep.	7.4	9.0	27.1	4.3	2.3	10.2	6.8	8.8	22.8	4.7	1.9	7.5
Oct.	8.0	9.7	29.8	4.0	2.7	9.4	8.1	10.1	28.2	4.7	2.5	7.5
Nov.	8.3	10.0	30.2	5.2	2.6	8.7	8.3	9.5	28.9	4.2	3.3	7.0
Dec.	8.0	10.2	26.6	6.0	2.2	7.8	8.6	10.8	25.4	5.9	3.4	5.3
2007 Jan.	8.0	10.5	26.7	5.3	2.0	7.3	8.9	12.3	26.7	5.4	2.6	4.0
	Long-term											
2006 Jan.	8.1	9.1	24.5	4.9	4.2	11.8	7.3	7.3	26.4	7.0	3.3	13.1
Feb.	7.7	8.5	27.2	5.9	3.1	12.6	7.9	7.6	31.0	7.2	3.2	15.0
Mar.	7.8	8.2	27.6	5.0	3.7	12.1	8.2	7.9	32.0	5.9	3.6	13.7
Apr.	7.5	8.1	27.5	5.4	3.1	10.5	8.2	7.8	31.4	5.8	3.9	12.0
May	7.8	8.4	26.7	6.8	3.3	12.5	7.9	7.7	31.3	8.1	2.9	11.0
June	6.8	7.2	24.3	6.4	2.5	12.7	7.3	8.7	27.1	6.5	1.8	10.7
July	7.2	7.6	26.2	6.0	2.8	11.9	7.1	7.9	26.1	5.1	2.3	10.6
Aug.	7.6	7.7	27.6	5.5	3.2	12.4	7.3	7.8	24.6	3.9	3.3	9.9
Sep.	7.6	8.1	26.8	5.7	3.2	10.8	7.1	8.3	21.9	5.6	2.8	8.0
Oct.	8.2	8.4	29.5	5.2	3.7	9.9	8.2	9.1	27.6	4.6	3.5	8.1
Nov.	8.4	9.1	29.9	5.7	3.4	9.3	9.0	10.5	28.5	3.3	3.9	7.6
Dec.	8.3	9.5	26.2	6.4	3.2	8.3	9.1	10.4	25.3	6.3	4.6	6.0
2007 Jan.	8.2	9.7	26.5	6.3	3.0	7.5	9.3	11.4	26.8	7.5	3.8	4.5

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



Source: ECB.

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

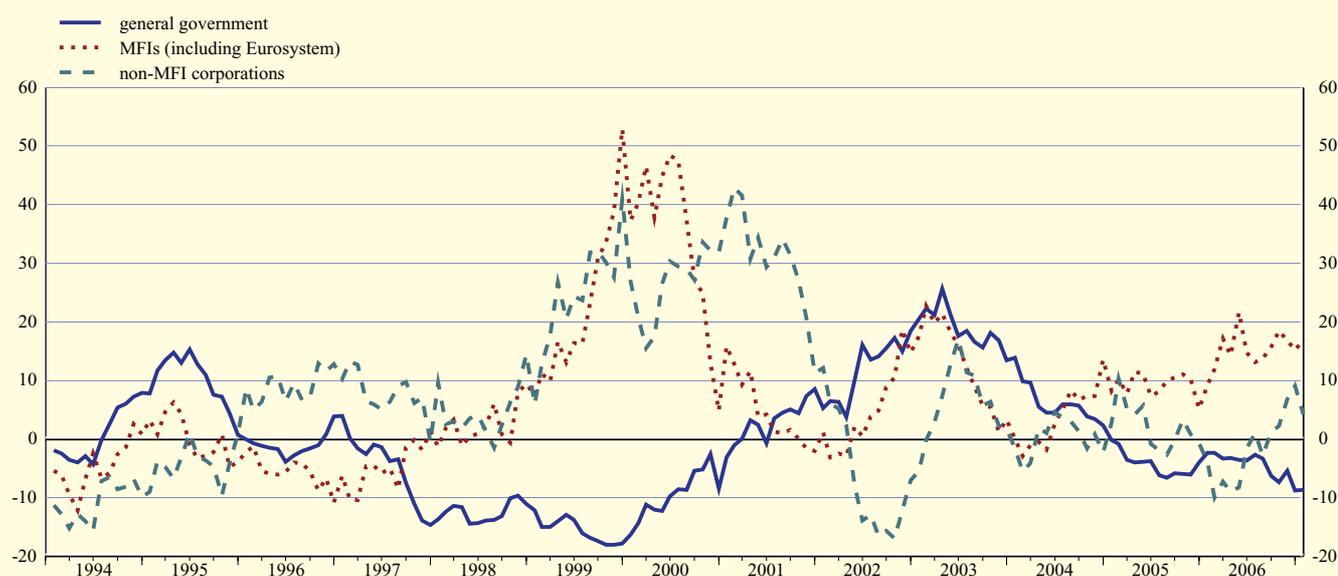
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2005	4.7	3.1	5.7	0.4	5.5	15.0	19.4	18.3	35.7	22.6	9.9	4.7
2006	4.6	4.7	13.8	1.1	3.2	13.4	16.6	11.7	42.4	27.4	5.2	4.0
2006 Q1	4.3	4.2	8.9	0.7	3.7	15.6	18.9	14.3	48.4	24.5	7.8	1.1
Q2	4.3	4.4	11.7	1.1	3.2	13.5	16.8	11.9	45.5	28.3	3.6	5.1
Q3	4.4	4.6	14.9	1.0	2.9	13.8	15.1	10.0	39.6	30.1	4.1	5.8
Q4	5.1	5.4	19.5	1.8	3.3	11.1	15.8	11.0	37.9	26.8	5.5	4.1
2006 Aug.	4.6	4.7	15.5	0.6	3.1	14.0	15.4	10.1	41.4	29.7	4.1	6.4
Sep.	4.8	5.1	16.9	1.5	3.0	12.9	14.9	10.1	37.5	27.8	5.1	3.3
Oct.	5.1	5.1	20.0	0.7	3.5	12.0	15.9	10.7	39.4	29.6	6.2	2.5
Nov.	5.2	5.5	20.9	2.5	3.2	10.3	16.3	11.4	38.9	24.4	6.5	5.9
Dec.	5.3	6.0	18.2	3.1	3.2	9.3	15.3	11.7	33.9	25.4	2.7	4.7
2007 Jan.	5.3	5.7	18.8	4.1	3.3	8.4	15.0	12.1	33.8	21.3	0.2	4.2
In euro												
2005	4.3	0.9	9.1	-0.1	5.4	15.3	18.8	17.2	35.1	22.6	10.3	5.3
2006	3.9	3.1	11.3	0.3	3.3	13.6	15.5	10.1	38.9	30.4	5.4	3.1
2006 Q1	3.8	2.4	9.1	0.6	3.6	16.1	18.1	12.9	45.7	26.4	8.2	1.0
Q2	3.7	2.8	10.0	0.8	3.2	13.9	15.5	10.2	41.5	31.6	3.6	4.0
Q3	3.7	3.1	11.2	-0.2	3.1	13.7	13.6	8.1	35.1	33.9	4.1	4.4
Q4	4.4	4.1	14.8	0.1	3.5	11.2	14.9	9.6	35.1	29.6	5.6	3.2
2006 Aug.	3.8	3.2	11.3	-0.8	3.3	13.9	14.0	8.2	36.5	33.5	4.2	5.2
Sep.	4.0	3.7	12.8	0.4	3.1	12.9	13.8	8.5	34.2	31.2	5.2	2.1
Oct.	4.3	3.5	14.7	-1.1	3.7	12.0	15.1	9.2	36.9	32.9	6.3	1.7
Nov.	4.5	4.4	15.9	0.6	3.3	10.4	15.6	10.1	36.3	26.9	6.6	4.9
Dec.	4.7	5.0	14.6	1.1	3.6	9.5	14.1	10.3	30.4	27.4	2.8	3.7
2007 Jan.	4.8	5.1	15.0	2.1	3.6	8.4	13.6	10.5	30.4	22.5	0.2	3.5

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

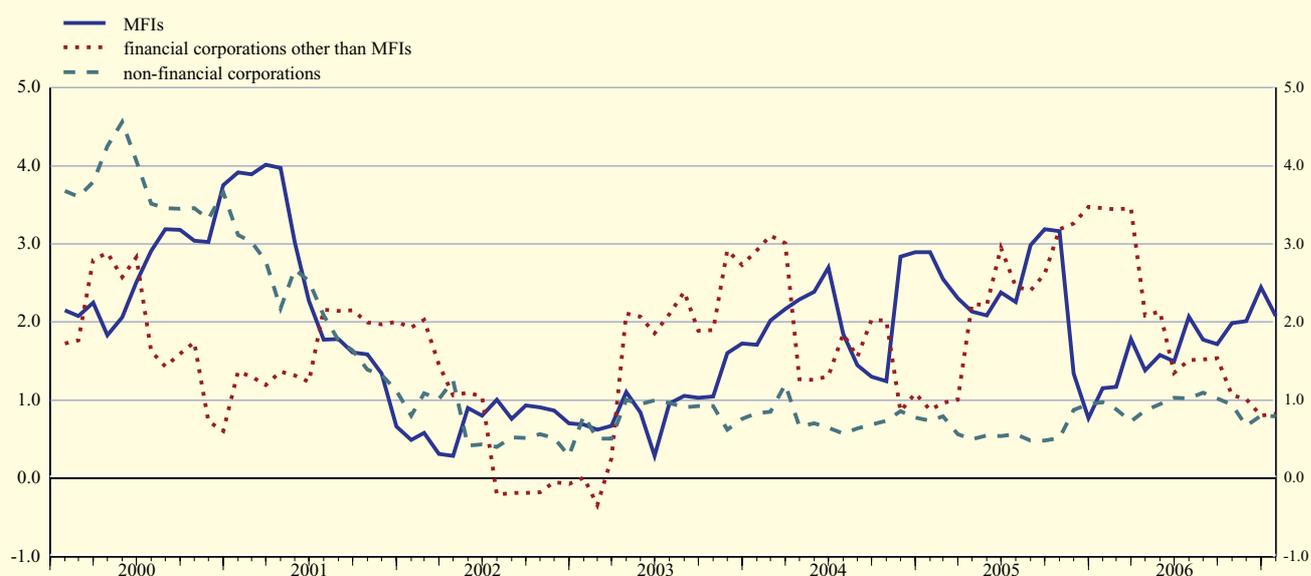
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2005 Jan.	4,146.8	102.6	1.1	662.8	2.9	415.7	0.9	3,068.3	0.7
Feb.	4,263.1	102.6	1.1	681.4	2.6	435.5	1.0	3,146.1	0.8
Mar.	4,250.5	102.7	0.9	677.8	2.3	425.4	1.0	3,147.3	0.6
Apr.	4,102.5	102.9	0.9	656.0	2.1	410.8	2.2	3,035.6	0.5
May	4,280.1	102.9	1.0	678.1	2.1	425.4	2.2	3,176.5	0.6
June	4,388.2	103.1	1.1	698.1	2.4	442.6	2.9	3,247.5	0.5
July	4,638.2	103.1	1.0	727.9	2.3	467.7	2.5	3,442.6	0.6
Aug.	4,613.0	103.1	1.1	723.5	3.0	458.2	2.4	3,431.4	0.5
Sep.	4,834.1	103.3	1.1	764.1	3.2	484.8	2.6	3,585.2	0.5
Oct.	4,666.6	103.4	1.2	752.4	3.2	481.5	3.2	3,432.7	0.5
Nov.	4,889.2	103.7	1.2	809.2	1.3	514.6	3.3	3,565.4	0.9
Dec.	5,063.5	103.8	1.2	836.4	0.8	541.8	3.5	3,685.3	0.9
2006 Jan.	5,296.6	103.8	1.2	884.8	1.2	536.8	3.5	3,875.0	1.0
Feb.	5,436.6	103.8	1.2	938.8	1.2	562.7	3.4	3,935.1	0.9
Mar.	5,637.3	103.9	1.2	962.3	1.8	580.0	3.5	4,094.9	0.7
Apr.	5,661.4	104.0	1.1	948.8	1.4	573.9	2.1	4,138.7	0.9
May	5,373.0	104.1	1.2	896.7	1.6	534.5	2.1	3,941.8	0.9
June	5,384.8	104.3	1.1	905.0	1.5	530.6	1.3	3,949.1	1.0
July	5,381.0	104.4	1.3	918.4	2.1	544.4	1.5	3,918.2	1.0
Aug.	5,545.2	104.4	1.3	958.6	1.8	595.7	1.5	3,990.8	1.1
Sep.	5,689.4	104.5	1.2	986.1	1.7	607.7	1.5	4,095.6	1.0
Oct.	5,868.9	104.6	1.1	1,015.6	2.0	614.5	1.1	4,238.9	0.9
Nov.	5,922.4	104.7	0.9	1,024.3	2.0	603.8	1.0	4,294.3	0.7
Dec.	6,139.2	104.9	1.1	1,056.3	2.4	623.2	0.8	4,459.8	0.8
2007 Jan.	6,310.8	104.9	1.0	1,111.3	2.1	639.1	0.8	4,560.3	0.8

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

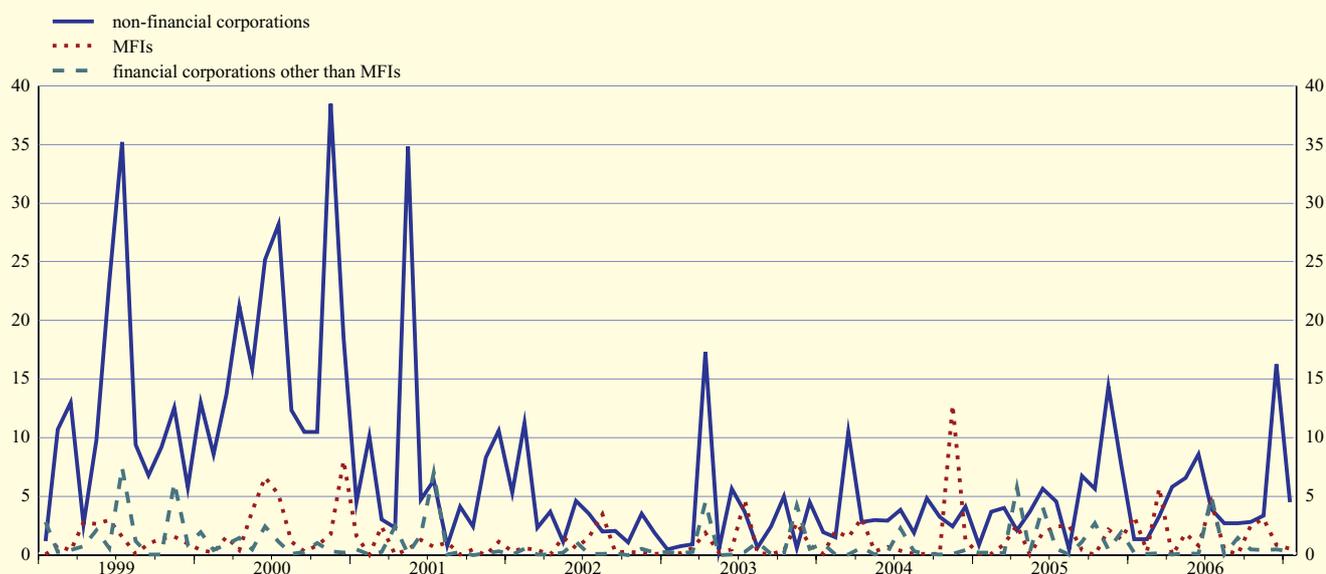
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2005 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.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	3.1	0.8	0.0	0.0	0.0	0.2	0.3	-0.1	3.7	2.8	0.8
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.9	13.0	2.1	0.0	2.1	0.5	0.1	0.4	14.4	3.9	10.5
Dec.	10.9	7.4	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.7	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.1	0.0	0.1	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.5	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.6	2.2	6.4	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.4
June	9.4	2.7	6.8	0.8	0.3	0.5	0.1	0.1	0.0	8.6	2.4	6.2
July	13.4	6.6	6.8	4.5	0.0	4.5	5.0	3.5	1.5	3.9	3.1	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.0
Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.1	4.8	3.1	0.0	3.1	0.4	0.2	0.3	3.3	1.9	1.5
Dec.	17.6	5.1	12.5	0.9	0.3	0.5	0.5	0.0	0.5	16.3	4.7	11.5
2007 Jan.	5.3	3.9	1.4	0.5	0.1	0.4	0.3	0.0	0.3	4.5	3.8	0.7

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

1. Interest rates on deposits (new business)

	Deposits from households					Deposits from non-financial corporations				Repos	
	Overnight ²⁾	With agreed maturity			Redeemable at notice ^{2),3)}		Overnight ²⁾	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years		Over 2 years
	1	2	3	4	5	6	7	8	9	10	11
2006 Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.93	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.63	1.32	2.92	3.25	3.78	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.99	3.45	3.82	2.96
Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14
Nov.	0.91	3.10	3.34	2.80	2.30	2.81	1.49	3.26	3.47	3.66	3.23
Dec.	0.92	3.27	3.31	2.79	2.38	2.87	1.52	3.47	4.98	3.88	3.41
2007 Jan.	0.99	3.33	3.48	2.98	2.39	2.98	1.60	3.49	3.90	4.09	3.46

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

	Bank overdrafts ²⁾	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge ⁴⁾	By initial rate fixation				Annual percentage rate of charge ⁴⁾	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 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
2006 Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.24	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76
June	9.84	7.11	6.31	7.82	7.71	4.00	4.19	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.33	6.33	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74
Aug.	9.95	7.86	6.39	8.15	8.12	4.21	4.36	4.60	4.39	4.59	4.65	5.26	4.94
Sep.	10.06	7.86	6.26	8.09	7.98	4.30	4.36	4.61	4.44	4.65	4.76	5.30	4.98
Oct.	10.04	7.50	6.02	8.17	7.77	4.42	4.45	4.58	4.46	4.72	4.93	5.18	4.80
Nov.	10.08	7.66	6.16	8.15	7.83	4.49	4.50	4.58	4.47	4.76	4.97	5.25	4.90
Dec.	10.03	7.56	6.08	7.97	7.73	4.56	4.58	4.56	4.49	4.80	4.93	5.23	4.82
2007 Jan.	10.19	7.63	6.70	8.37	8.26	4.67	4.59	4.59	4.50	4.84	5.13	5.40	4.92

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

	Bank overdrafts ²⁾	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1	2	3	4	5	6	7
2006 Feb.		5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.		5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.		5.40	4.34	4.73	4.15	3.51	3.94	4.22
May		5.36	4.38	4.83	4.26	3.57	4.13	4.32
June		5.45	4.47	4.84	4.33	3.74	4.12	4.23
July		5.52	4.57	4.99	4.38	3.84	4.21	4.36
Aug.		5.56	4.70	5.09	4.60	3.97	4.33	4.49
Sep.		5.69	4.75	5.02	4.54	4.02	4.41	4.47
Oct.		5.76	4.91	5.16	4.57	4.24	4.37	4.45
Nov.		5.82	5.00	5.24	4.68	4.31	4.62	4.58
Dec.		5.83	5.08	5.23	4.71	4.50	4.77	4.63
2007 Jan.		5.89	5.15	5.28	4.63	4.42	4.66	4.64

Source: ECB.

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

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

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

4. Interest rates on deposits (outstanding amounts)

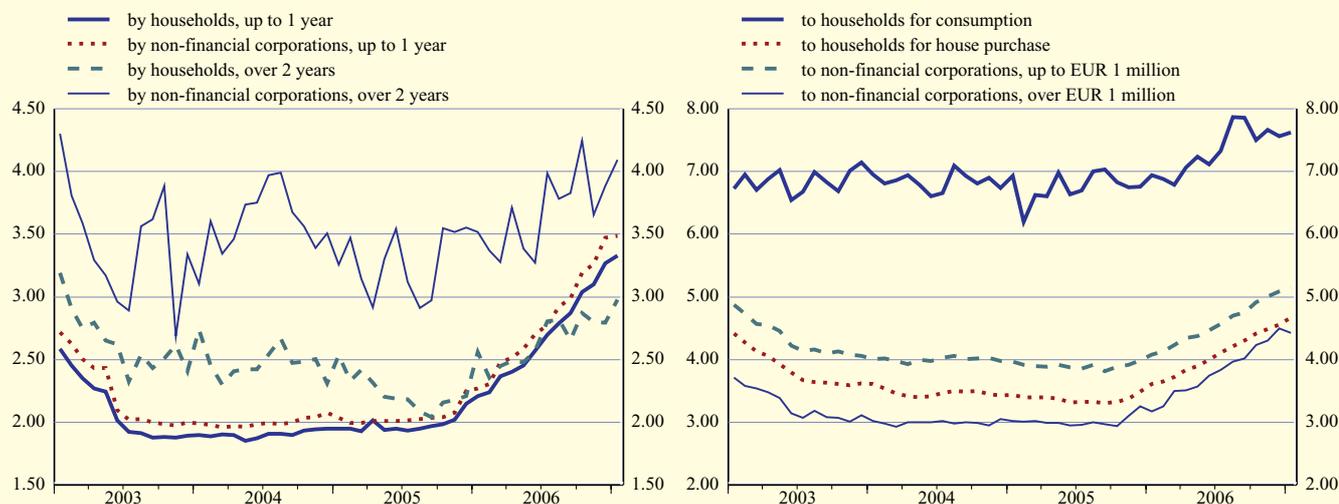
	Deposits from households				Deposits from non-financial corporations				Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2006 Feb.	0.74	2.09	3.13	1.97	2.34	1.08	2.38	3.47	2.27
Mar.	0.76	2.16	3.01	1.98	2.37	1.14	2.48	3.46	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.53	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.57	2.71
Aug.	0.85	2.52	3.05	2.23	2.63	1.32	2.93	3.64	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.69	2.90
Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05
Nov.	0.91	2.78	3.05	2.30	2.81	1.49	3.24	3.80	3.14
Dec.	0.92	2.89	3.05	2.38	2.87	1.52	3.42	3.88	3.29
2007 Jan.	0.99	2.99	3.06	2.39	2.98	1.60	3.46	3.91	3.36

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2006 Feb.	4.59	4.17	4.54	7.97	6.78	5.68	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.82	4.27	4.62	8.31	6.81	5.87	4.93	4.40	4.53
Oct.	4.90	4.29	4.65	8.36	6.81	5.88	5.07	4.51	4.57
Nov.	4.98	4.33	4.68	8.34	6.81	5.91	5.14	4.59	4.63
Dec.	5.00	4.35	4.70	8.42	6.83	5.94	5.24	4.66	4.68
2007 Jan.	5.04	4.37	4.72	8.58	6.84	5.95	5.31	4.76	4.77

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

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



Source: ECB.

4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ^{1,2)}					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
Q4	3.36	3.46	3.59	3.72	3.86	5.37	0.49
2007 Q1	3.61	3.71	3.82	3.94	4.09	5.36	0.62
2006 Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.96	3.22	5.07	0.11
May	2.58	2.69	2.89	3.06	3.31	5.18	0.19
June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40
Aug.	2.97	3.09	3.23	3.41	3.62	5.42	0.41
Sep.	3.04	3.16	3.34	3.53	3.72	5.38	0.42
Oct.	3.28	3.35	3.50	3.64	3.80	5.37	0.44
Nov.	3.33	3.42	3.60	3.73	3.86	5.37	0.48
Dec.	3.50	3.64	3.68	3.79	3.92	5.36	0.56
2007 Jan.	3.56	3.62	3.75	3.89	4.06	5.36	0.56
Feb.	3.57	3.65	3.82	3.94	4.09	5.36	0.59
Mar.	3.69	3.84	3.89	4.00	4.11	5.35	0.71

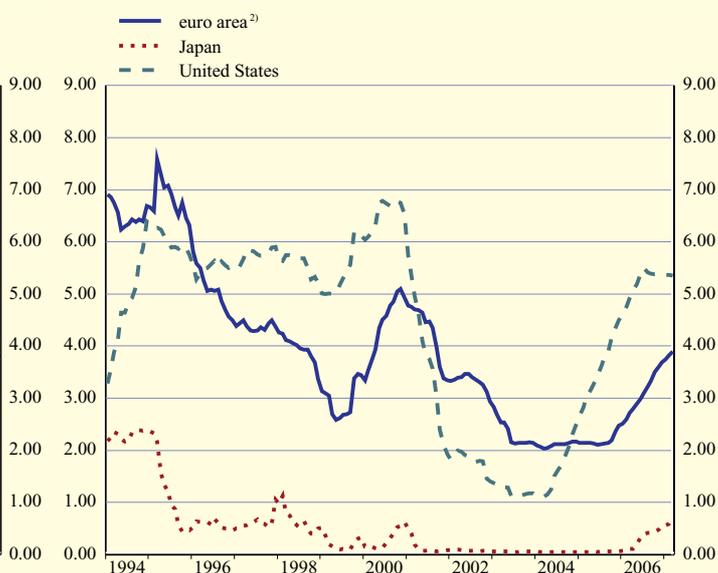
C23 Euro area money market rates ²⁾

(monthly; percentages per annum)



C24 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

- 1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.

4.7 Government bond yields

(percentages per annum; period averages)

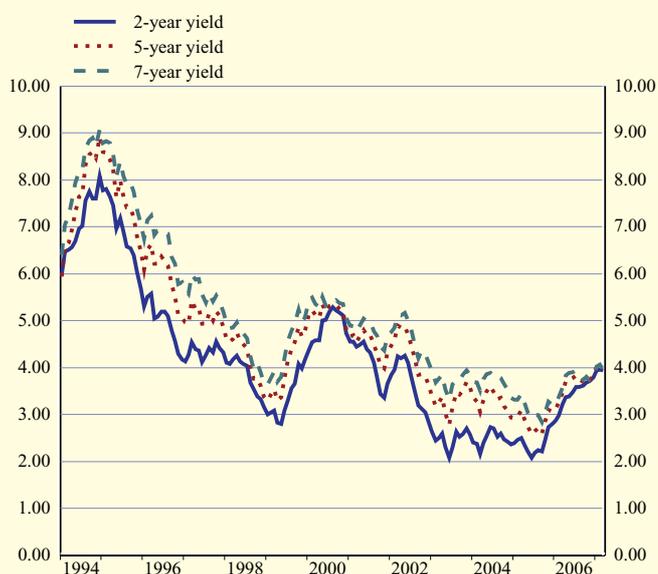
	Euro area ^{1,2)}					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2007 Q1	3.95	3.96	3.99	4.02	4.08	4.68	1.68
2006 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
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.08	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64
2007 Jan.	3.94	3.96	4.02	4.02	4.10	4.76	1.71
Feb.	3.96	3.98	4.02	4.07	4.12	4.73	1.71
Mar.	3.94	3.94	3.95	3.96	4.02	4.56	1.62

C25 Euro area government bond yields ²⁾

(monthly; percentages per annum)

C26 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

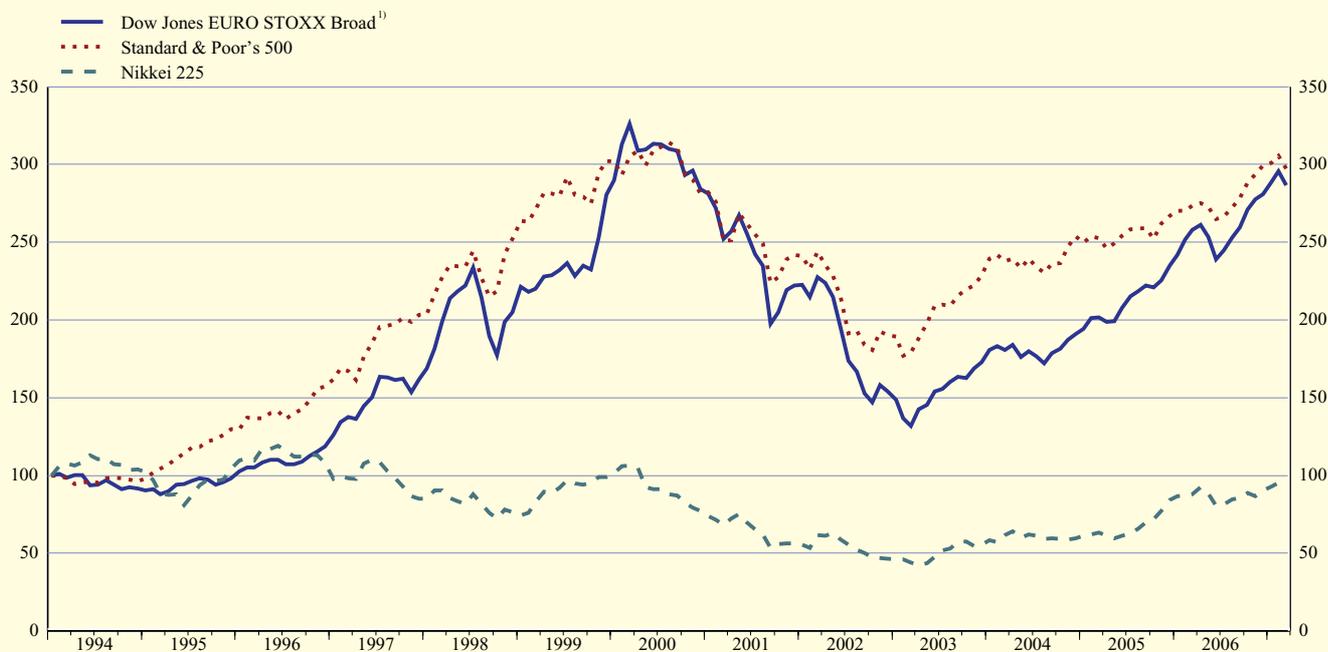
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices ¹⁾												United States Standard & Poor's 500	Japan Nikkei 225
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,121.2
2006 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
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2007 Q1	402.5	4,150.5	489.9	233.3	335.7	422.8	418.6	462.7	349.4	512.3	472.8	527.2	1,424.8	17,363.9
2006 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
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2
2007 Jan.	400.4	4,157.8	476.4	229.1	328.2	426.5	419.8	452.2	350.4	505.0	485.0	538.1	1,423.9	17,270.0
Feb.	410.3	4,230.2	496.6	235.9	339.4	428.2	428.3	476.2	355.3	524.7	481.0	530.4	1,445.3	17,729.4
Mar.	397.5	4,070.5	497.9	235.1	340.2	413.9	408.6	461.2	343.0	508.5	452.6	512.9	1,407.0	17,130.0

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

(January 1994 = 100; monthly averages)



Source: ECB.

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



PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices ¹⁾

	Total					Total (s.a., percentage change on previous period)					
	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 ²⁾	100.0	100.0	82.8	59.2	40.8	100.0	11.9	7.6	30.0	9.6	40.8
	1	2	3	4	5	6	7	8	9	10	11
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	-	-	-	-	-	-
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-
2005 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	0.7	0.1	1.3	0.4
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.5	0.6	0.3	3.9	0.5
Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.4	1.9	0.2	0.6	0.6
Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.8	0.8	0.3	-4.2	0.6
2006 Oct.	102.6	1.6	1.6	1.3	2.1	0.0	0.5	-0.2	0.1	-1.8	0.2
Nov.	102.6	1.9	1.6	1.7	2.1	0.1	0.1	0.5	0.1	-0.5	0.2
Dec.	103.0	1.9	1.6	1.8	2.0	0.1	0.1	-0.1	0.1	0.1	0.2
2007 Jan.	102.5	1.8	1.8	1.5	2.3	0.2	0.1	0.1	0.1	0.4	0.3
Feb.	102.8	1.8	1.9	1.5	2.4	0.2	0.1	-0.5	0.3	0.3	0.3
Mar. ³⁾	.	1.9	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents
% of total ²⁾	19.6	11.9	7.6	39.6	30.0	9.6	10.2	6.2	6.4	3.1	14.4	6.7
	12	13	14	15	16	17	18	19	20	21	22	23
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.4	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2005 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
Q2	2.0	2.2	1.6	3.1	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2006 Sep.	2.9	1.8	4.6	1.0	0.8	1.5	2.5	2.1	2.4	-3.4	2.3	2.4
Oct.	3.0	2.3	4.2	0.5	0.8	-0.5	2.5	2.2	2.4	-2.7	2.4	2.4
Nov.	3.0	2.2	4.4	1.1	0.8	2.1	2.5	2.1	2.3	-2.7	2.5	2.4
Dec.	2.7	2.1	3.7	1.4	0.9	2.9	2.5	2.1	2.2	-2.3	2.4	2.4
2007 Jan.	2.8	2.2	3.7	0.9	0.9	0.9	2.6	2.0	2.9	-1.7	2.7	2.4
Feb.	2.4	2.1	2.8	1.1	1.1	0.8	2.6	2.0	2.8	-1.7	2.8	2.6

Sources: Eurostat and ECB calculations.

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

2) Referring to the index period 2007.

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct- ion ¹⁾	Residential property prices ²⁾	World market prices of raw materials ³⁾	Oil prices ⁴⁾ (EUR per barrel)		
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy					Total	Total excluding energy
		Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods										
						Total	Durable	Non-durable								
% of total ⁵⁾	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6			100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.7	2.1	7.1	-4.0	-4.5	25.1	
2004	105.8	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.4	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.9	2.9	1.3	1.1	1.3	1.1	13.4	3.1	7.8	28.5	9.4	44.6	
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.7	1.6	1.7	13.2	.	.	19.7	24.8	52.9	
2006 Q1	113.9	5.2	3.2	1.7	2.2	1.0	1.5	1.4	1.5	18.8	2.6	-	36.4	23.6	52.3	
Q2	115.8	5.8	3.9	2.6	4.4	1.2	1.7	1.6	1.8	17.3	3.5	7.0 ⁶⁾	30.0	26.2	56.2	
Q3	116.9	5.4	3.7	3.6	6.3	1.7	1.9	1.8	1.9	11.7	3.5	-	13.4	26.6	55.7	
Q4	116.6	4.1	2.8	3.5	6.2	1.8	1.6	1.7	1.6	6.1	.	-	3.9	23.0	47.3	
2007 Q1													-5.5	15.7	44.8	
2006 Oct.	116.6	4.0	2.5	3.6	6.3	1.8	1.7	1.7	1.7	5.2	-	-	3.9	28.7	47.6	
Nov.	116.6	4.3	2.9	3.5	6.2	1.9	1.6	1.7	1.6	6.9	-	-	4.5	22.9	46.7	
Dec.	116.6	4.1	2.9	3.4	6.1	1.8	1.5	1.7	1.4	6.2	-	-	3.2	17.7	47.4	
2007 Jan.	116.8	3.1	2.4	3.5	6.1	2.0	1.5	1.9	1.4	1.5	-	-	-9.6	15.6	42.2	
Feb.	117.2	2.9	2.5	3.4	5.9	2.1	1.6	2.0	1.5	1.0	-	-	-4.6	13.9	44.9	
Mar.											-	-	-2.3	17.6	47.3	

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
2003	110.8	3.1	2.9	3.8	3.1	3.8	2.9	2.4
2004	113.5	2.4	2.3	2.3	2.8	2.7	2.0	2.1
2005	116.2	2.4	2.6	1.9	2.5	2.2	2.4	2.1
2006	119.1	2.5	2.8	1.9	2.8	2.2	2.4	2.2
2005 Q4	117.3	2.4	2.6	1.4	2.5	2.5	2.3	2.0
2006 Q1	118.0	2.5	2.9	1.2	2.7	2.4	2.4	2.1
Q2	118.7	2.6	2.9	2.0	3.2	1.7	2.4	2.4
Q3	119.5	2.5	2.7	2.2	3.1	1.9	2.2	2.0
Q4	120.2	2.4	2.5	2.2	2.2	2.6	2.5	2.4

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

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					Public administration, education, health and other services
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2003	106.5	1.8	6.2	0.4	3.3	2.2	1.3	2.8
2004	107.6	1.1	-9.3	-0.1	3.1	-0.3	2.6	2.6
2005	108.6	0.9	8.7	-1.2	3.5	0.2	2.0	1.8
2006	109.5	0.8	3.9	-2.0	1.3	0.0	2.7	2.4
2005 Q4	109.2	0.9	10.2	-2.1	2.4	0.0	2.2	2.7
2006 Q1	109.4	1.0	5.7	-1.7	1.8	0.0	2.9	2.4
Q2	109.7	1.0	4.4	-1.9	0.2	0.3	2.1	3.4
Q3	109.6	1.1	4.3	-2.0	1.1	-0.1	3.3	2.8
Q4	109.2	0.0	1.3	-2.4	2.1	-0.1	2.4	0.9
Compensation per employee								
2003	107.4	2.1	2.6	2.2	2.8	1.9	2.3	2.0
2004	109.7	2.1	2.5	2.5	2.4	1.2	2.0	2.5
2005	111.5	1.6	3.1	1.5	1.9	1.4	2.1	1.6
2006	113.9	2.2	2.8	2.5	2.5	2.0	1.7	2.2
2005 Q4	112.5	2.1	3.2	1.7	1.9	1.5	1.8	3.0
2006 Q1	113.1	2.2	1.9	2.6	2.3	1.9	1.7	2.2
Q2	113.9	2.4	2.3	2.5	2.0	2.2	1.2	3.2
Q3	114.1	2.3	3.6	2.6	2.2	1.8	1.9	2.7
Q4	114.5	1.8	3.3	2.2	3.4	2.1	2.0	0.7
Labour productivity ²⁾								
2003	100.9	0.3	-3.3	1.8	-0.5	-0.2	1.0	-0.8
2004	101.9	1.0	13.0	2.6	-0.6	1.5	-0.5	0.0
2005	102.6	0.7	-5.1	2.8	-1.7	1.1	0.1	-0.2
2006	104.0	1.4	-1.1	4.6	1.2	2.0	-1.0	-0.2
2005 Q4	103.0	1.1	-6.3	3.9	-0.5	1.5	-0.4	0.3
2006 Q1	103.3	1.2	-3.5	4.4	0.5	1.9	-1.2	-0.2
Q2	103.8	1.4	-2.0	4.5	1.8	1.9	-0.9	-0.1
Q3	104.2	1.2	-0.7	4.7	1.1	1.9	-1.4	-0.2
Q4	104.8	1.8	2.0	4.7	1.2	2.1	-0.4	-0.3

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports ³⁾	Imports ³⁾	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2003	107.3	2.1	2.0	2.1	2.4	1.2	-1.2	-1.8
2004	109.3	1.9	2.1	2.1	2.2	2.5	1.1	1.5
2005	111.4	1.9	2.2	2.0	2.2	2.3	2.6	3.6
2006	113.4	1.8	2.4	2.0	1.7	2.7	2.6	4.2
2005 Q4	112.4	2.1	2.6	2.2	2.9	2.1	2.9	4.2
2006 Q1	112.6	1.8	2.8	2.3	2.0	2.3	2.7	5.5
Q2	113.1	1.9	2.8	2.2	2.6	2.8	3.0	5.4
Q3	113.7	1.9	2.4	2.0	1.8	2.9	2.7	3.8
Q4	114.2	1.6	1.8	1.6	0.5	2.8	1.9	2.3

Sources: ECB calculations based on Eurostat data.

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

2) Value added (volumes) per person employed.

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2003	7,461.9	7,305.2	4,278.3	1,526.7	1,499.2	1.0	156.7	2,624.5	2,467.8
2004	7,738.8	7,576.5	4,426.6	1,580.9	1,562.4	6.6	162.3	2,823.6	2,661.3
2005	8,001.5	7,883.4	4,584.2	1,639.9	1,641.1	18.1	118.0	3,025.7	2,907.6
2006	8,374.6	8,276.6	4,763.4	1,704.0	1,769.3	39.9	98.0	3,366.2	3,268.1
2005 Q4	2,031.5	2,008.0	1,162.1	418.3	419.0	8.6	23.6	784.4	760.9
2006 Q1	2,052.1	2,034.8	1,174.9	421.1	426.9	11.9	17.3	812.1	794.8
Q2	2,082.5	2,063.8	1,185.4	425.9	440.0	12.7	18.7	826.8	808.0
Q3	2,106.3	2,086.7	1,198.1	427.0	446.7	14.9	19.6	848.0	828.5
Q4	2,133.7	2,091.2	1,205.1	430.0	455.7	0.4	42.4	879.2	836.8
<i>percentage of GDP</i>									
2006	100.0	98.8	56.9	20.3	21.1	0.5	1.2	-	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted ³⁾)</i>									
<i>quarter-on-quarter percentage changes</i>									
2005 Q4	0.4	0.7	0.2	0.1	0.5	-	-	0.8	1.7
2006 Q1	0.8	0.5	0.5	1.3	1.1	-	-	3.2	2.4
Q2	1.0	1.0	0.4	0.0	2.2	-	-	1.0	0.9
Q3	0.6	0.7	0.7	0.7	0.9	-	-	1.9	2.2
Q4	0.9	0.1	0.4	0.4	1.5	-	-	3.6	1.7
<i>annual percentage changes</i>									
2003	0.8	1.5	1.2	1.8	1.1	-	-	1.1	3.1
2004	2.0	1.9	1.5	1.4	2.2	-	-	6.9	6.7
2005	1.4	1.7	1.4	1.4	2.5	-	-	4.2	5.2
2006	2.7	2.4	1.7	2.2	4.7	-	-	8.3	7.8
2005 Q4	1.8	2.0	1.3	1.6	3.5	-	-	4.9	5.6
2006 Q1	2.2	2.2	1.8	2.5	4.1	-	-	8.8	9.1
Q2	2.8	2.6	1.8	1.9	5.3	-	-	7.9	7.4
Q3	2.8	2.9	1.8	2.0	4.7	-	-	7.1	7.5
Q4	3.3	2.3	2.0	2.4	5.8	-	-	10.0	7.5
<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>									
2005 Q4	0.4	0.7	0.1	0.0	0.1	0.5	-0.3	-	-
2006 Q1	0.8	0.5	0.3	0.3	0.2	-0.3	0.3	-	-
Q2	1.0	0.9	0.2	0.0	0.4	0.3	0.0	-	-
Q3	0.6	0.7	0.4	0.1	0.2	0.0	-0.1	-	-
Q4	0.9	0.1	0.2	0.1	0.3	-0.5	0.8	-	-
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.8	0.9	0.3	0.4	0.2	0.2	-	-
2005	1.4	1.6	0.8	0.3	0.5	0.0	-0.2	-	-
2006	2.7	2.4	1.0	0.4	1.0	0.0	0.3	-	-
2005 Q4	1.8	1.9	0.7	0.3	0.7	0.2	-0.1	-	-
2006 Q1	2.2	2.2	1.0	0.5	0.8	-0.2	0.0	-	-
Q2	2.8	2.5	1.0	0.4	1.1	0.0	0.3	-	-
Q3	2.8	2.8	1.0	0.4	1.0	0.4	0.0	-	-
Q4	3.3	2.3	1.2	0.5	1.2	-0.6	1.0	-	-

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>								
2003	6,704.0	152.1	1,385.5	390.2	1,423.4	1,824.9	1,528.0	757.9
2004	6,946.1	157.3	1,418.2	413.6	1,476.0	1,898.5	1,582.4	792.7
2005	7,166.3	143.4	1,454.3	436.7	1,519.5	1,977.0	1,635.5	835.1
2006	7,479.8	147.1	1,520.5	478.7	1,572.5	2,075.2	1,685.8	894.8
2005 Q4	1,816.0	36.2	367.0	113.0	382.1	501.7	416.0	215.5
2006 Q1	1,833.0	35.5	373.0	114.7	385.5	508.3	416.0	219.2
Q2	1,860.6	36.4	377.6	118.1	391.0	515.5	422.1	221.9
Q3	1,884.1	37.2	383.8	121.5	396.3	522.7	422.7	222.2
Q4	1,902.1	38.1	386.1	124.5	399.7	528.8	425.1	231.5
<i>percentage of value added</i>								
2006	100.0	2.0	20.3	6.4	21.0	27.7	22.5	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted¹⁾)</i>								
<i>quarter-on-quarter percentage changes</i>								
2005 Q4	0.4	0.2	0.6	0.9	0.5	0.1	0.2	0.3
2006 Q1	0.8	-2.1	1.6	-0.1	0.8	0.9	0.4	1.2
Q2	1.1	0.6	1.4	2.4	1.3	1.0	0.3	0.2
Q3	0.6	-0.1	1.1	1.0	0.6	0.4	0.2	0.6
Q4	0.7	2.2	0.5	1.5	0.8	0.8	0.4	2.6
<i>annual percentage changes</i>								
2003	0.7	-5.9	0.3	0.3	0.4	1.6	1.0	1.4
2004	2.1	11.6	1.9	1.1	2.8	1.7	1.2	1.5
2005	1.4	-6.3	1.2	0.9	1.7	2.2	1.1	1.4
2006	2.6	-1.3	4.0	3.9	3.0	2.4	1.1	3.4
2005 Q4	1.8	-7.3	2.7	2.1	2.0	2.1	1.1	2.2
2006 Q1	2.1	-3.0	3.8	2.8	2.6	1.7	1.0	3.1
Q2	2.8	-0.8	4.4	3.8	3.3	2.6	1.2	3.2
Q3	2.8	-1.3	4.7	4.2	3.2	2.5	1.2	2.5
Q4	3.2	0.7	4.6	4.8	3.6	3.2	1.3	4.8
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2005 Q4	0.4	0.0	0.1	0.1	0.1	0.0	0.1	-
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.2	0.1	-
Q2	1.1	0.0	0.3	0.1	0.3	0.3	0.1	-
Q3	0.6	0.0	0.2	0.1	0.1	0.1	0.1	-
Q4	0.7	0.0	0.1	0.1	0.2	0.2	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.1	0.3	0.4	0.1	0.6	0.5	0.3	-
2005	1.4	-0.1	0.2	0.1	0.4	0.6	0.2	-
2006	2.8	0.2	0.8	0.2	0.6	0.7	0.3	-
2005 Q4	1.8	-0.2	0.5	0.1	0.4	0.6	0.3	-
2006 Q1	2.1	-0.1	0.8	0.2	0.5	0.5	0.2	-
Q2	2.8	0.0	0.9	0.2	0.7	0.7	0.3	-
Q3	2.8	0.0	0.9	0.3	0.7	0.7	0.3	-
Q4	3.2	0.0	0.9	0.3	0.8	0.9	0.3	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction								Construction	
	% 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
2004	2.1	102.3	2.0	2.1	2.0	2.2	3.3	0.5	0.1	0.6	2.0	-0.1
2005	1.1	103.7	1.3	1.3	1.1	0.9	2.8	0.5	-0.9	0.7	1.2	-0.2
2006	3.7	107.7	3.8	4.2	4.2	4.9	5.5	2.4	4.2	1.9	0.7	4.4
2006 Q1	3.8	106.1	3.4	3.6	3.5	3.0	5.0	2.2	2.4	2.2	3.8	2.1
Q2	3.1	107.4	4.2	4.3	4.6	5.8	5.3	2.6	3.7	2.4	0.9	3.8
Q3	4.2	108.4	4.1	4.4	4.3	5.8	5.5	1.6	5.0	1.0	1.5	4.6
Q4	3.8	108.9	3.6	4.5	4.4	5.2	6.2	3.0	5.6	1.9	-3.2	6.7
2006 Aug.	5.3	109.3	5.5	6.0	5.8	7.9	7.6	2.3	9.0	1.5	2.4	4.0
Sep.	3.6	108.3	3.4	3.7	3.6	4.6	5.2	1.4	4.5	0.8	-0.3	4.0
Oct.	3.9	108.3	3.8	4.3	4.4	5.3	5.4	3.0	4.9	1.9	-1.6	5.3
Nov.	3.5	108.6	2.7	3.7	3.5	3.4	6.1	2.5	5.4	1.2	-3.6	6.4
Dec.	4.1	109.9	4.4	5.5	5.5	7.2	7.2	3.7	6.6	2.7	-4.1	8.8
2007 Jan.	4.1	109.6	3.6	5.6	5.8	5.7	7.2	3.5	4.0	3.5	-6.7	11.3
<i>month-on-month percentage changes (s.a.)</i>												
2006 Aug.	1.3	-	1.6	2.0	2.0	2.9	2.1	1.4	4.3	0.9	-1.8	0.0
Sep.	-0.7	-	-0.9	-1.1	-1.0	-2.1	-0.5	-0.7	-3.2	-0.2	-1.4	0.8
Oct.	-0.1	-	0.0	0.1	0.2	0.5	-0.3	0.5	0.2	0.3	-2.1	0.9
Nov.	0.6	-	0.3	0.6	0.4	0.1	1.4	0.1	1.4	-0.1	0.7	0.8
Dec.	0.9	-	1.2	1.2	1.4	2.1	0.7	1.0	0.8	1.2	1.7	0.8
2007 Jan.	0.1	-	-0.3	0.2	0.2	-0.5	0.7	-0.3	-1.4	0.1	-3.0	0.8

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		
2004	105.0	7.4	106.2	5.1	2.3	105.3	1.6	1.2	1.7	1.9	3.3	926	1.0
2005	111.0	4.6	110.7	3.6	2.2	106.7	1.3	0.6	1.7	2.3	1.2	941	1.6
2006	121.2	9.2	118.9	7.3	3.2	108.8	1.9	0.7	2.6	2.2	4.7	962	2.1
2006 Q1	117.3	12.1	115.5	9.1	2.4	107.9	1.2	0.7	1.4	1.1	2.5	963	2.6
Q2	119.4	8.0	118.3	6.4	3.6	108.5	2.2	1.2	2.6	2.2	4.0	966	2.5
Q3	123.0	10.2	119.8	6.5	3.6	109.1	2.1	1.3	2.5	2.8	4.9	936	-1.8
Q4	125.1	6.6	121.9	7.6	3.2	109.6	2.2	-0.2	3.6	2.7	7.0	982	5.1
2006 Sep.	123.3	7.5	119.9	3.7	2.8	108.9	1.5	0.9	1.9	0.1	5.3	964	1.0
Oct.	123.7	12.9	119.8	10.9	2.3	109.0	1.4	-0.9	2.6	1.1	5.4	948	-0.5
Nov.	124.6	5.9	122.3	8.0	3.2	109.6	2.1	-0.1	3.5	2.9	7.2	972	4.4
Dec.	126.9	1.8	123.5	3.9	4.0	110.1	3.0	0.3	4.5	3.9	8.0	1,026	13.1
2007 Jan.	126.6	12.1	123.5	10.2	2.2	109.2	1.1	-0.4	1.9	2.2	4.4	938	-2.9
Feb.	.	.	.	.	2.2	109.6	1.2	-0.5	2.4	.	.	934	-3.7
<i>month-on-month percentage changes (s.a.)</i>													
2006 Sep.	-	-0.9	-	-0.7	-0.8	-	-0.5	0.2	-0.9	-4.2	-0.9	-	3.0
Oct.	-	0.3	-	-0.1	0.2	-	0.1	-0.3	0.3	1.0	0.3	-	-1.7
Nov.	-	0.7	-	2.2	0.7	-	0.5	0.1	0.8	1.5	1.2	-	2.5
Dec.	-	1.8	-	0.9	0.5	-	0.5	0.3	0.5	0.5	1.2	-	5.6
2007 Jan.	-	-0.2	-	0.0	-0.8	-	-0.8	-0.4	-1.0	-0.6	-2.0	-	-8.5
Feb.	-	.	-	.	0.5	-	0.3	0.3	0.5	.	.	-	-0.5

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

1) In 2000.

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

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator ³⁾				
		Industrial confidence indicator				Capacity utilisation ⁴⁾	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2003	93.1	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.2	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.9	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.3	-9	-3	-9	15	-9
2006 Q1	102.6	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	106.8	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.2	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	109.9	6	6	4	15	84.2	-7	-3	-7	10	-9
2007 Q1	110.0	6	7	4	14	.	-5	-2	-5	6	-8
2006 Oct.	110.0	5	5	4	14	83.9	-8	-3	-8	11	-9
Nov.	109.9	6	6	4	16	-	-7	-3	-7	10	-9
Dec.	109.8	6	8	3	14	-	-6	-3	-5	9	-9
2007 Jan.	109.2	5	6	4	15	84.4	-7	-2	-7	8	-9
Feb.	109.7	5	7	3	12	-	-5	-3	-4	5	-8
Mar.	111.2	6	8	4	14	-	-4	-1	-3	5	-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
2003	-16	-23	-9	-10	-12	16	0	4	-4	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	0	-5	5	0	3	14	13	18	13	18	23
2006 Q1	-2	-8	3	-3	-4	15	9	15	10	14	20
Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2007 Q1	0	-8	9	-1	1	16	12	21	16	21	25
2006 Oct.	3	-2	7	4	9	13	14	21	14	23	26
Nov.	3	-4	10	3	10	13	12	19	12	19	26
Dec.	2	-2	7	0	5	13	8	19	12	20	25
2007 Jan.	1	-8	10	-1	2	16	11	20	16	19	23
Feb.	0	-8	8	-1	0	16	12	20	15	21	24
Mar.	0	-9	9	0	2	15	13	22	18	22	28

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

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

5.3 Labour markets ¹⁾

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total ²⁾	100.0	100.0	84.6	15.4	4.3	17.4	7.6	24.9	15.3	30.5
	1	2	3	4	5	6	7	8	9	10
2003	135.465	0.4	0.5	0.1	-2.7	-1.4	0.8	0.7	0.6	1.8
2004	136.451	0.7	0.7	0.9	-1.2	-1.3	1.5	1.0	2.1	1.2
2005	137.532	0.8	1.0	-0.1	-1.4	-1.2	2.7	0.7	2.1	1.3
2006	139.456	1.4	1.5	1.0	0.0	-0.2	2.7	1.2	3.5	1.4
2005 Q4	137.994	0.7	1.0	-1.0	-1.0	-1.1	2.4	0.5	2.5	0.8
2006 Q1	138.664	1.0	1.1	0.6	0.2	-0.6	2.0	0.8	2.8	1.2
Q2	139.339	1.5	1.5	1.3	1.2	-0.1	1.9	1.5	3.4	1.3
Q3	139.697	1.5	1.6	0.8	-0.6	0.1	2.8	1.2	3.8	1.3
Q4	140.124	1.6	1.7	1.0	-1.0	-0.3	4.0	1.4	3.9	1.6
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2005 Q4	0.406	0.3	0.3	0.0	0.2	0.0	1.0	0.3	1.1	-0.1
2006 Q1	0.670	0.5	0.4	0.9	0.2	-0.1	0.6	0.5	0.9	0.7
Q2	0.675	0.5	0.5	0.6	0.8	0.2	0.7	0.5	0.9	0.4
Q3	0.358	0.3	0.4	-0.4	-1.8	0.0	0.8	0.0	1.0	0.4
Q4	0.426	0.3	0.3	0.1	-0.5	-0.2	1.5	0.4	0.7	0.2

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total ²⁾	100.0		75.4		24.6		47.9		52.1	
	1	2	3	4	5	6	7	8	9	10
2003	12.521	8.7	9.332	7.4	3.189	17.8	5.978	7.3	6.543	10.4
2004	12.876	8.8	9.657	7.5	3.219	18.2	6.190	7.5	6.685	10.4
2005	12.660	8.6	9.570	7.4	3.090	17.7	6.140	7.4	6.521	10.0
2006	11.730	7.9	8.838	6.7	2.891	16.8	5.621	6.8	6.108	9.3
2005 Q4	12.412	8.4	9.386	7.2	3.026	17.4	5.951	7.2	6.461	9.9
2006 Q1	12.213	8.2	9.196	7.0	3.018	17.4	5.840	7.0	6.373	9.7
Q2	11.746	7.9	8.890	6.8	2.856	16.6	5.691	6.8	6.055	9.3
Q3	11.580	7.8	8.710	6.6	2.870	16.7	5.532	6.6	6.048	9.2
Q4	11.371	7.6	8.520	6.4	2.851	16.6	5.363	6.4	6.008	9.1
2006 Sep.	11.523	7.7	8.657	6.6	2.865	16.6	5.463	6.6	6.060	9.2
Oct.	11.493	7.7	8.614	6.5	2.879	16.7	5.412	6.5	6.081	9.2
Nov.	11.368	7.6	8.528	6.5	2.840	16.5	5.361	6.4	6.007	9.1
Dec.	11.251	7.5	8.419	6.4	2.832	16.5	5.315	6.4	5.936	9.0
2007 Jan.	11.104	7.4	8.267	6.3	2.836	16.5	5.226	6.3	5.877	8.9
Feb.	10.975	7.3	8.145	6.2	2.830	16.4	5.137	6.2	5.838	8.9

Source: Eurostat.

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

2) Employment in 2005; unemployment 2006.

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

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



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 ³⁾	
	1	2	Direct taxes		Indirect taxes	Social contributions		Sales	Capital taxes					
			Households	Corporations		Employers	Employees		12	13				
	3	4	5	6	7	8	9	10	11	14				
1997	47.0	46.5	11.9	8.7	2.9	13.3	0.7	17.1	8.5	5.4	2.3	0.5	0.3	42.7
1998	46.5	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.8	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.9	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.4	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.8	44.3	11.4	8.6	2.5	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.2	44.7	11.7	8.7	2.7	13.7	0.3	15.5	8.2	4.5	2.2	0.5	0.3	41.2

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	10	11	12	13
	3	4	5	6	7	8	9	10	11	12	13	14		
1997	49.6	46.0	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	48.8	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.2
1999	48.4	44.5	10.6	4.8	4.0	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.6	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
2001	47.7	43.8	10.3	4.8	3.8	24.9	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	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.3	44.3	10.5	5.0	3.3	25.5	22.7	1.9	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.8	10.4	5.0	3.1	25.2	22.5	1.8	0.5	3.8	2.5	1.4	0.0	44.5
2005	47.6	43.7	10.4	5.1	3.0	25.3	22.5	1.7	0.5	3.9	2.5	1.4	0.0	44.6

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption 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	4.8	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.7	10.6	4.7	4.8	1.9	2.3	8.2	11.5
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3

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

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	0.0	-3.7	-0.4	-5.2	-0.3	-3.2	-2.9	2.1	-2.0	-0.5	-2.9	-2.5	4.1
2003	0.0	-4.0	0.3	-6.1	0.0	-4.2	-3.5	0.3	-3.1	-1.6	-2.9	-2.8	2.5
2004	0.0	-3.7	1.5	-7.8	-0.2	-3.7	-3.4	-1.1	-1.8	-1.2	-3.2	-2.3	2.3
2005	-2.3	-3.2	1.1	-5.2	1.1	-2.9	-4.1	-1.0	-0.3	-1.5	-6.0	-1.4	2.7

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⁾
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1996	75.1	2.8	17.0	7.9	47.3	58.3	30.3	12.1	15.9	16.8
1997	74.1	2.8	16.0	6.5	48.8	55.4	28.3	13.6	13.5	18.7
1998	72.8	2.7	15.1	5.6	49.3	52.1	26.4	14.5	11.2	20.7
1999	72.0	2.9	14.2	4.2	50.6	48.5	25.4	12.0	11.2	23.4
2000	69.4	2.7	13.1	3.6	50.0	44.1	22.0	11.0	11.0	25.3
2001	68.3	2.8	12.3	4.0	49.2	42.1	20.6	10.4	11.1	26.2
2002	68.2	2.7	11.7	4.6	49.2	40.2	19.2	9.9	11.1	28.0
2003	69.3	2.1	12.3	5.0	49.9	39.1	19.2	10.3	9.6	30.2
2004	69.8	2.2	11.9	5.1	50.7	37.3	18.2	10.0	9.1	32.6
2005	70.8	2.4	11.8	4.9	51.6	35.4	17.1	10.3	8.0	35.4

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

	Total	Issued by ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies ⁵⁾	Other currencies
1996	75.1	62.9	5.9	5.7	0.5	11.6	63.5	8.6	19.1	25.7	30.2	73.1	2.0
1997	74.1	62.1	6.1	5.4	0.6	9.9	64.2	8.5	18.3	25.3	30.5	72.1	2.0
1998	72.8	61.1	6.1	5.2	0.4	8.9	63.9	7.6	15.8	26.4	30.6	70.9	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.7	64.3	6.6	13.6	28.0	30.4	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.8	62.6	5.9	13.4	28.0	28.0	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	5.0	13.7	26.8	27.8	66.7	1.7
2002	68.2	56.7	6.3	4.8	0.4	8.2	60.0	5.0	15.4	25.3	27.5	66.7	1.5
2003	69.3	57.0	6.6	5.1	0.6	8.5	60.8	5.0	14.4	26.1	28.9	68.2	1.1
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.4	4.7	14.3	26.6	28.9	68.8	1.1
2005	70.8	58.1	6.8	5.4	0.5	8.7	62.1	4.7	14.7	26.1	30.0	69.6	1.2

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	103.3	60.3	32.2	110.7	52.5	58.2	105.6	6.5	50.5	65.8	55.5	29.1	41.3
2003	98.6	63.9	31.1	107.8	48.7	62.4	104.3	6.3	52.0	64.6	57.0	28.5	44.3
2004	94.3	65.7	29.7	108.5	46.2	64.4	103.9	6.6	52.6	63.8	58.6	28.7	44.3
2005	93.2	67.9	27.4	107.5	43.1	66.6	106.6	6.0	52.7	63.4	64.0	28.0	41.3

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

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

6.3 Change in debt ¹⁾

(as a percentage of GDP)

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

	Total													
	Source of change					Financial instruments				Holders				
	Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	Other creditors ⁷⁾		
1	2	3	4	5	6	7	8	9	10	11	12	13		
1997	1.9	2.5	0.0	-0.3	-0.2	0.0	-0.3	-1.1	3.3	-0.6	-0.8	1.9	2.6	
1998	1.8	2.2	-0.2	0.0	-0.1	0.1	-0.3	-0.6	2.6	-0.9	-0.7	1.5	2.7	
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.6	0.0	-2.0	3.6	
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.0	-2.1	-0.3	3.0	
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	-0.1	-0.6	-0.1	2.0	
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.7	-0.5	-0.7	-0.2	2.6	
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	1.0	0.6	2.1	0.1	0.5	0.7	3.0	
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	-0.4	-0.3	0.1	3.5	
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.2	0.0	2.6	-0.8	-0.5	0.6	3.9	

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁸⁾	Deficit-debt adjustment ⁹⁾											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other ¹⁰⁾
				Total	Currency and deposits	Loans	Securities ¹¹⁾	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	-0.4	0.1	0.0	-0.1	-0.5	-0.7	0.1	0.0	0.1	-0.3	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.5	-0.7	0.2	-0.2	0.0	0.0	0.1
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.0	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	-0.5	-0.7	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.0	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.1	-0.2	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-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 2001.
- 6) Holders resident in the country whose government has issued the debt.
- 7) Includes residents of euro area countries other than the country whose government has issued the debt.
- 8) Including proceeds from sales of UMTS licences.
- 9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 11) Excluding financial derivatives.

6.4 Quarterly revenue, expenditure and deficit/surplus ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2000 Q3	44.1	43.7	11.9	12.5	15.6	2.0	0.8	0.4	0.2	40.3
Q4	49.9	49.4	13.9	14.1	16.6	2.9	1.0	0.5	0.3	44.9
2001 Q1	42.3	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.0	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	14.0	16.3	2.9	1.1	0.5	0.3	44.1
2002 Q1	42.0	41.6	10.1	12.7	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	2.0	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.2	16.2	2.9	0.9	0.6	0.3	44.1
2003 Q1	42.0	41.5	9.8	12.8	15.6	1.7	0.7	0.5	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	42.8	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.3	48.3	13.1	14.3	16.2	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.5	41.0	9.6	12.8	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.1	44.4	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.7	12.6	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.5	48.5	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.2
2005 Q1	42.2	41.7	10.0	13.0	15.4	1.7	0.6	0.5	0.3	38.6
Q2	45.0	44.3	12.0	13.3	15.3	2.0	0.9	0.6	0.3	40.9
Q3	43.4	42.7	11.1	12.8	15.3	1.9	0.8	0.7	0.3	39.5
Q4	49.6	48.8	13.5	14.5	16.2	2.9	0.9	0.8	0.3	44.5
2006 Q1	42.8	42.4	10.4	13.3	15.4	1.6	0.8	0.5	0.3	39.3
Q2	46.0	45.6	12.7	13.7	15.3	2.0	1.1	0.4	0.3	42.0
Q3	43.4	42.9	11.5	12.7	15.3	1.9	0.7	0.4	0.3	39.8

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	Subsidies	Investment	Capital transfers				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000 Q3	43.0	42.7	10.1	4.6	4.0	24.2	20.9	1.5	0.3	2.5	1.1	1.0	5.0
Q4	49.7	45.9	11.0	5.3	3.7	25.9	22.0	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.7	42.3	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.1
Q4	51.1	46.2	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	1.4	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.6	1.7
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.1	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.5	1.9
Q3	47.0	43.3	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.1	-4.1	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.2	1.6	-1.8	1.3
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.9
Q2	46.8	43.4	10.4	4.9	3.1	25.0	21.6	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.1	42.7	10.0	4.6	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-3.4	-0.3
Q4	50.8	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.8	43.4	10.3	4.6	3.1	25.3	21.6	1.2	3.4	1.9	1.5	-4.5	-1.4
Q2	46.5	43.1	10.3	5.0	3.1	24.8	21.6	1.1	3.4	2.3	1.0	-1.5	1.6
Q3	46.2	42.4	9.9	4.7	3.0	24.8	21.5	1.2	3.8	2.4	1.3	-2.8	0.2
Q4	50.8	46.0	11.1	5.7	2.8	26.3	22.7	1.4	4.8	3.1	1.6	-1.2	1.7
2006 Q1	45.8	42.7	10.1	4.6	3.0	24.9	21.3	1.1	3.1	1.9	1.2	-3.0	0.1
Q2	46.0	42.7	10.3	5.0	3.0	24.4	21.4	1.0	3.3	2.4	1.0	0.0	3.0
Q3	46.3	42.0	9.8	4.7	3.0	24.5	21.2	1.1	4.3	2.5	1.8	-2.9	0.1

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument¹⁾

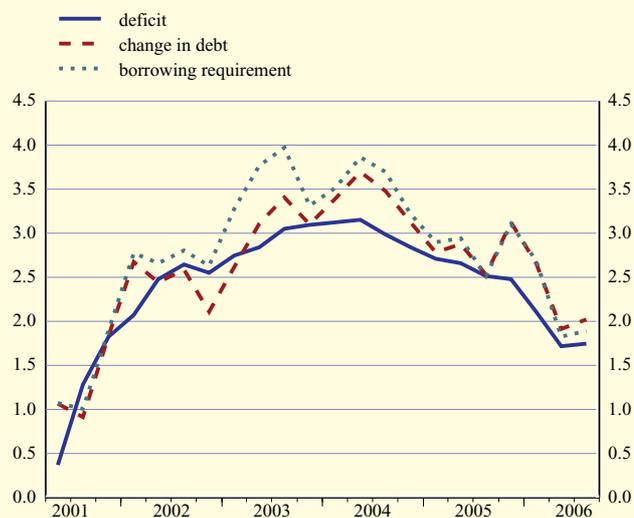
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
		2003 Q4	69.3	2.1	12.3	5.0	49.9
2004 Q1	70.8	2.1	12.3	5.5	50.8
Q2	71.4	2.2	12.1	5.5	51.5
Q3	71.3	2.3	12.1	5.6	51.4
Q4	69.8	2.2	11.9	5.1	50.7
2005 Q1	71.1	2.2	11.9	5.3	51.7
Q2	72.0	2.4	11.7	5.3	52.6
Q3	71.6	2.4	11.8	5.3	52.1
Q4	70.8	2.4	11.8	4.9	51.6
2006 Q1	71.2	2.5	11.8	5.1	51.8
Q2	71.2	2.5	11.6	5.1	52.0
Q3	70.8	2.5	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	Loans 6	Securities 7			Shares and other equity 8	
2003 Q4	-2.0	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.6	-1.5
2004 Q1	8.5	-5.1	3.4	2.0	1.4	-0.1	0.2	0.5	-0.1	1.5	8.6
Q2	5.6	-1.6	3.9	4.1	3.4	0.2	0.3	0.3	0.0	-0.2	5.5
Q3	2.0	-3.4	-1.4	-1.1	-1.4	0.0	0.2	0.2	-0.3	-0.1	2.3
Q4	-3.1	-1.3	-4.5	-3.4	-2.6	0.1	-0.2	-0.7	0.0	-1.0	-3.1
2005 Q1	7.0	-4.5	2.4	2.5	1.4	0.2	0.4	0.4	-0.2	0.2	7.2
Q2	5.8	-1.5	4.4	3.6	2.7	0.2	0.3	0.4	0.2	0.5	5.6
Q3	0.7	-2.8	-2.2	-2.6	-2.5	-0.2	0.3	-0.3	0.0	0.4	0.6
Q4	-0.7	-1.2	-1.9	-0.6	-0.3	0.1	-0.4	0.0	0.0	-1.3	-0.7
2006 Q1	5.0	-3.0	2.0	1.5	1.1	0.1	0.6	-0.3	-0.4	0.8	5.3
Q2	2.8	0.0	2.8	3.1	2.4	0.1	0.3	0.2	0.6	-0.9	2.1
Q3	1.2	-2.9	-1.8	-0.9	-0.6	-0.1	0.1	-0.2	0.2	-1.1	0.9

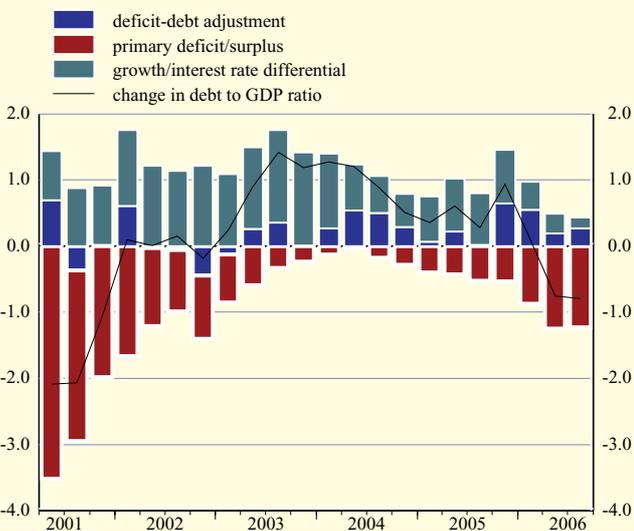
C28 Deficit, borrowing requirement and change in debt

(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

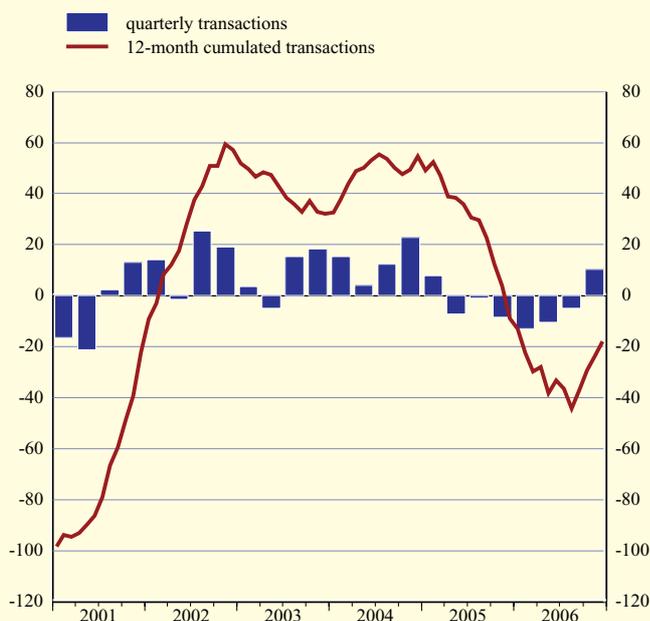
(EUR billions; net transactions)

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
2004	54.7	102.5	31.5	-20.3	-58.9	16.5	71.2	-19.9	-64.0	66.9	-6.6	-28.6	12.4	-51.3
2005	-8.9	47.1	36.8	-22.7	-70.3	11.8	2.9	38.3	-202.4	155.5	-10.7	77.8	18.0	-41.2
2006	-18.0	27.5	37.2	-8.3	-74.4	10.6	-7.4	107.4	-145.9	251.0	-5.7	11.6	-3.7	-99.9
2005 Q4	-8.6	3.4	11.2	-6.5	-16.7	4.5	-4.1	-42.3	-36.4	-50.1	-6.2	42.1	8.3	46.4
2006 Q1	-13.0	-3.0	5.0	1.3	-16.3	2.0	-11.0	66.3	-31.6	22.6	-8.5	77.7	6.1	-55.3
Q2	-10.5	6.3	12.2	-13.2	-15.7	1.2	-9.2	48.8	-16.4	96.4	-2.8	-27.1	-1.4	-39.6
Q3	-4.9	7.7	10.9	-0.7	-22.9	1.9	-3.1	52.9	-41.2	28.5	7.7	61.2	-3.2	-49.9
Q4	10.4	16.5	9.1	4.4	-19.6	5.5	15.9	-60.6	-56.7	103.5	-2.0	-100.2	-5.2	44.8
2006 Jan.	-10.1	-6.3	1.0	0.0	-4.7	0.8	-9.3	-2.7	-2.8	-36.5	-2.9	41.9	-2.3	12.0
Feb.	-0.7	0.4	2.4	0.8	-4.3	1.0	0.3	19.3	-29.1	21.3	-3.3	28.5	1.9	-19.6
Mar.	-2.2	2.9	1.6	0.6	-7.2	0.2	-2.0	49.7	0.3	37.9	-2.3	7.3	6.5	-47.7
Apr.	-7.2	0.7	3.2	-5.0	-6.2	0.3	-7.0	17.3	1.8	-7.3	-6.5	30.4	-1.1	-10.3
May	-11.5	0.4	4.0	-10.5	-5.4	0.3	-11.3	32.0	-3.4	40.2	1.8	-4.9	-1.7	-20.7
June	8.3	5.1	5.0	2.2	-4.0	0.7	9.0	-0.5	-14.7	63.5	1.8	-52.5	1.4	-8.5
July	0.0	4.5	5.0	-1.7	-7.9	0.7	0.7	6.4	-9.3	0.0	3.3	13.8	-1.3	-7.1
Aug.	-6.4	-2.4	1.4	1.5	-6.8	1.0	-5.3	1.9	-4.7	-15.9	-2.5	25.8	-0.8	3.5
Sep.	1.4	5.6	4.6	-0.5	-8.2	0.1	1.6	44.7	-27.1	44.4	6.9	21.5	-1.1	-46.2
Oct.	1.5	5.7	4.0	-0.4	-7.7	0.4	2.0	-4.4	-15.3	22.4	6.9	-18.4	0.1	2.5
Nov.	4.3	7.5	2.3	1.8	-7.3	1.0	5.3	-19.0	-13.1	45.3	-4.1	-46.2	-0.8	13.6
Dec.	4.5	3.3	2.8	3.0	-4.5	4.0	8.6	-37.3	-28.3	35.8	-4.8	-35.6	-4.4	28.7
2007 Jan.	-6.0	-3.7	-0.1	-1.0	-1.2	2.5	-3.5	53.2	-5.0	39.0	-5.2	27.4	-3.1	-49.7
	<i>12-month cumulated transactions</i>													
2007 Jan.	-13.9	30.1	36.1	-9.2	-70.9	12.4	-1.6	163.2	-148.0	326.5	-8.0	-2.9	-4.4	-161.7

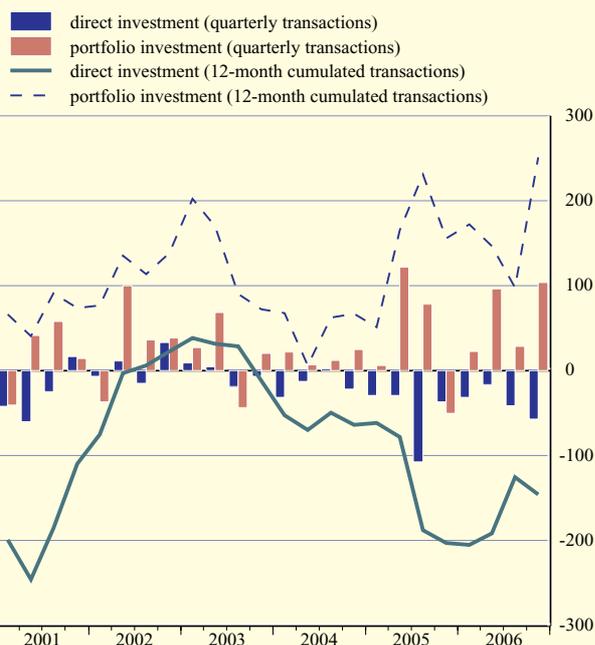
C30 B.o.p. current account balance

(EUR billions)



C31 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

2. Current and capital accounts

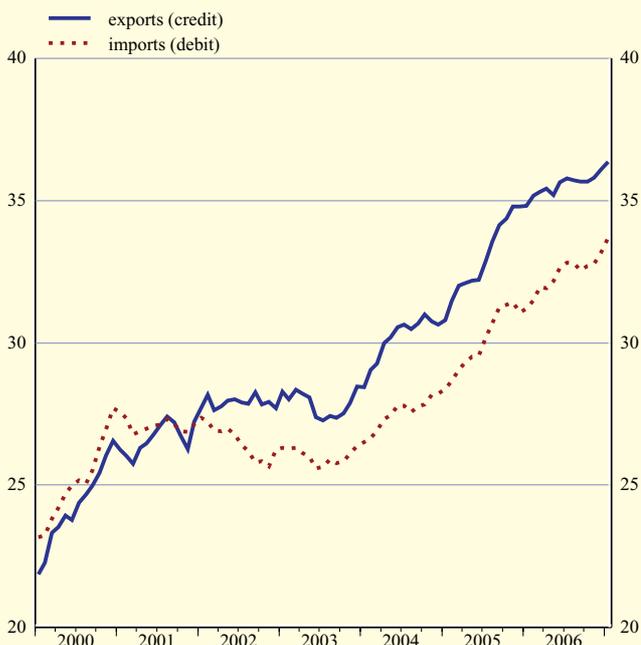
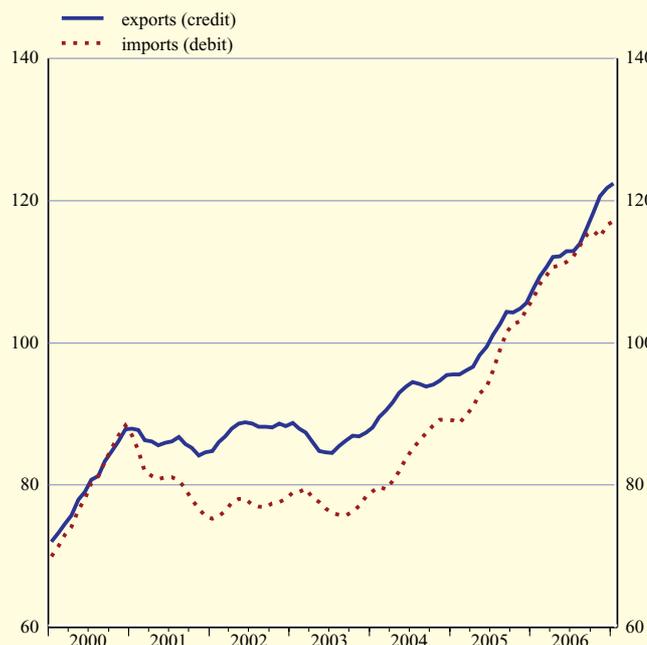
	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2004	1,855.5	1,800.8	54.7	1,128.5	1,026.1	365.0	333.5	280.2	300.6	81.7	140.6	24.5	8.0
2005	2,044.3	2,053.2	-8.9	1,220.1	1,172.9	400.5	363.7	338.4	361.0	85.3	155.5	23.7	11.9
2006	2,312.2	2,330.3	-18.0	1,383.3	1,355.8	427.8	390.6	418.4	426.6	82.8	157.2	22.7	12.1
2005 Q4	553.9	562.4	-8.6	326.6	323.3	106.1	94.8	98.6	105.1	22.6	39.3	8.3	3.8
2006 Q1	541.2	554.2	-13.0	328.7	331.7	96.6	91.6	86.2	84.9	29.6	45.9	5.9	3.9
Q2	578.9	589.3	-10.5	341.2	334.9	107.0	94.8	113.3	126.5	17.4	33.1	4.4	3.2
Q3	570.4	575.3	-4.9	339.9	332.2	114.5	103.6	100.5	101.2	15.4	38.3	4.4	2.5
Q4	621.8	611.5	10.4	373.5	357.0	109.6	100.6	118.3	113.9	20.3	39.9	8.0	2.6
2006 Nov.	206.2	201.9	4.3	129.0	121.5	34.5	32.2	37.5	35.6	5.2	12.6	1.8	0.8
Dec.	212.0	207.5	4.5	117.0	113.7	37.7	34.9	47.2	44.2	10.1	14.7	5.0	1.0
2007 Jan.	192.7	198.7	-6.0	114.0	117.7	33.3	33.5	36.0	37.0	9.4	10.6	3.5	1.0
	Seasonally adjusted												
2005 Q4	535.6	548.9	-13.3	317.0	314.1	104.4	93.2	93.5	101.9	20.8	39.6	.	.
2006 Q1	557.6	566.3	-8.7	332.0	328.4	105.9	95.9	91.6	98.6	28.0	43.4	.	.
Q2	572.1	576.6	-4.4	338.6	334.0	106.9	97.9	105.4	108.7	21.2	35.9	.	.
Q3	582.7	591.5	-8.8	348.7	345.6	107.0	97.6	106.8	107.9	20.2	40.3	.	.
Q4	605.8	599.9	5.9	365.2	349.6	108.3	99.5	113.1	109.9	19.2	40.9	.	.
2006 May	193.7	201.5	-7.7	111.9	111.4	35.8	33.0	38.7	44.5	7.3	12.6	.	.
June	194.0	190.2	3.8	113.8	111.2	36.0	33.2	36.8	35.3	7.4	10.5	.	.
July	189.8	193.6	-3.8	112.9	113.8	35.5	32.2	35.1	34.2	6.1	13.4	.	.
Aug.	193.1	200.0	-7.0	115.0	116.2	35.6	33.0	35.1	37.2	7.4	13.6	.	.
Sep.	199.9	197.9	2.0	120.8	115.6	35.9	32.4	36.6	36.5	6.7	13.3	.	.
Oct.	198.2	196.2	2.0	119.2	115.3	35.5	32.7	36.1	33.6	7.3	14.5	.	.
Nov.	198.8	196.9	1.9	121.9	113.7	36.0	33.1	35.7	36.5	5.2	13.6	.	.
Dec.	208.8	206.8	2.0	124.0	120.6	36.8	33.6	41.2	39.8	6.7	12.7	.	.
2007 Jan.	202.3	199.6	2.7	121.2	117.0	36.3	34.3	40.6	41.1	4.2	7.1	.	.

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	15.1	7.5	227.2	273.3	64.5	57.8	10.3	10.8	18.7	52.9	65.5	79.3	68.2	72.6
2004	15.4	7.9	264.8	292.6	94.4	74.4	13.4	12.9	24.5	56.0	67.5	77.4	65.0	72.0
2005	15.7	9.5	322.7	351.6	112.5	89.5	13.8	13.8	31.2	71.4	78.9	79.8	86.3	97.1
2005 Q3	3.9	2.9	80.2	85.5	27.8	26.1	3.1	3.0	7.5	15.8	20.6	17.0	21.2	23.6
Q4	4.0	2.5	94.5	102.6	36.3	33.4	4.1	4.2	7.3	14.0	21.3	22.5	25.5	28.5
2006 Q1	4.0	2.1	82.2	82.9	19.7	12.2	4.2	3.5	8.2	16.1	23.5	21.2	26.6	29.9
Q2	4.0	2.5	109.3	124.0	36.3	18.9	4.5	4.2	13.2	42.9	24.6	21.8	30.7	36.1
Q3	4.0	3.0	96.5	98.2	24.5	15.4	4.4	4.1	8.4	21.4	26.3	19.1	32.9	38.2

4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	-154.5	-164.5	-21.3	-143.2	10.0	0.1	10.0	90.6	94.0	1.5	92.5	-3.4	0.5	-4.0
2005	-294.0	-234.6	-12.1	-222.5	-59.5	-0.2	-59.3	91.7	59.9	0.6	59.3	31.8	-0.3	32.1
2006	-297.9	-243.5	-34.1	-209.4	-54.4	-1.7	-52.8	152.0	119.6	3.8	115.8	32.4	-0.2	32.7
2005 Q4	-72.6	-58.3	-0.4	-57.9	-14.4	0.1	-14.4	36.2	26.9	-1.5	28.4	9.3	-0.4	9.8
2006 Q1	-50.6	-41.7	-1.7	-39.9	-9.0	0.2	-9.2	19.0	14.8	0.7	14.0	4.2	-0.3	4.6
Q2	-109.1	-88.2	-6.2	-82.0	-21.0	-1.0	-20.0	92.8	79.4	0.5	78.9	13.3	1.0	12.4
Q3	-69.0	-60.3	-10.4	-49.9	-8.7	-0.1	-8.6	27.8	25.3	1.2	24.1	2.5	-0.3	2.8
Q4	-69.2	-53.3	-15.8	-37.6	-15.9	-0.8	-15.0	12.4	0.1	1.3	-1.2	12.3	-0.6	12.9
2006 Jan.	-6.6	4.4	-0.6	4.9	-11.0	-0.1	-10.9	3.8	6.2	0.2	6.0	-2.5	0.1	-2.5
Feb.	-39.4	-33.8	-1.5	-32.3	-5.6	0.1	-5.6	10.3	12.0	0.4	11.6	-1.7	0.1	-1.8
Mar.	-4.7	-12.2	0.4	-12.6	7.6	0.2	7.3	4.9	-3.4	0.2	-3.6	8.4	-0.5	8.9
Apr.	-82.9	-59.1	-1.8	-57.3	-23.7	-0.5	-23.3	84.7	70.9	0.0	70.8	13.8	0.2	13.6
May	-14.3	-19.0	-3.2	-15.8	4.6	-0.3	4.9	10.9	8.7	0.4	8.3	2.2	0.4	1.9
June	-11.9	-10.1	-1.2	-8.9	-1.9	-0.2	-1.7	-2.8	-0.1	0.1	-0.2	-2.7	0.4	-3.1
July	-16.4	-13.3	-1.5	-11.8	-3.2	0.0	-3.2	7.1	5.4	0.4	5.1	1.6	-0.1	1.8
Aug.	-4.8	-7.9	-3.6	-4.3	3.1	-0.1	3.2	0.1	5.7	0.4	5.3	-5.6	-0.1	-5.5
Sep.	-47.7	-39.2	-5.3	-33.9	-8.6	0.0	-8.6	20.6	14.1	0.4	13.7	6.5	-0.1	6.6
Oct.	-20.1	-12.8	-5.7	-7.1	-7.3	0.1	-7.4	4.8	-1.3	1.2	-2.5	6.1	1.4	4.7
Nov.	-12.3	-14.2	-1.7	-12.5	2.0	-0.2	2.2	-0.9	-5.0	0.1	-5.1	4.1	-1.9	6.0
Dec.	-36.8	-26.3	-8.4	-18.0	-10.5	-0.7	-9.7	8.6	6.4	0.0	6.4	2.1	-0.1	2.2
2007 Jan.	-17.1	-18.8	-2.6	-16.1	1.7	2.3	-0.6	12.1	1.9	0.2	1.7	10.2	-1.1	11.3

Source: ECB.

7.1 Balance of payments (EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments											
	Assets				Liabilities	Bonds and notes				Money market instruments						
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	Assets				Liabilities	
			General gov.	Eurosystem	MFIs excluding Eurosystem			General gov.	Eurosystem		MFIs excluding Eurosystem	Non-MFIs				
1	2	3	4			5	6			7		8	9	10	11	12	13	14	15
2004	0.0	-22.4	-84.3	-3.7	123.8	0.6	-81.8	-96.8	-2.3	271.6	0.0	-43.2	-15.2	0.2	14.5	
2005	-0.1	-14.3	-120.7	-3.5	282.5	-0.7	-118.6	-138.1	-0.9	242.1	0.1	-14.3	0.1	0.1	37.6	
2006	0.0	-27.7	-100.5	-	303.4	-2.6	-171.4	-113.7	-	422.3	-0.1	-46.6	-8.1	-	-4.1	
2005 Q4	0.0	-5.0	-53.9	-0.8	62.9	0.5	-24.6	-27.0	-0.2	18.4	0.1	-4.7	5.9	5.9	-22.6	
2006 Q1	0.0	-19.1	-78.0	-0.7	121.1	-0.2	-53.7	-36.1	-0.1	80.8	0.7	2.5	-10.2	-3.7	15.0	
Q2	0.0	11.5	7.3	-2.5	35.7	1.0	-23.5	-26.8	0.2	114.1	-3.2	-7.4	-0.9	-3.2	-11.4	
Q3	0.0	-5.3	-25.7	-0.8	67.7	-0.4	-51.8	-15.5	-0.1	75.9	1.9	-25.6	0.7	3.1	6.6	
Q4	0.0	-14.7	-4.1	-	78.8	-3.0	-42.3	-35.2	-	151.5	0.6	-16.0	2.3	-	-14.3	
2006 Jan.	0.0	-6.7	-37.2	-	35.5	0.2	-32.8	-2.5	-	0.9	0.4	3.0	-7.5	-	10.2	
Feb.	0.0	-3.7	-23.4	-	36.2	-0.2	-7.1	-16.8	-	25.0	0.3	1.5	-2.3	-	11.9	
Mar.	0.0	-8.7	-17.4	-	49.4	-0.1	-13.8	-16.8	-	54.9	0.0	-2.0	-0.4	-	-7.2	
Apr.	0.0	3.5	-5.8	-	-10.0	0.2	-6.1	-11.3	-	25.9	-1.1	-7.0	0.6	-	3.9	
May	0.0	3.5	12.1	-	-11.8	0.1	-11.1	-12.1	-	63.7	-1.6	-2.0	-2.1	-	1.5	
June	0.0	4.6	1.1	-	57.5	0.6	-6.3	-3.4	-	24.5	-0.4	1.6	0.6	-	-16.8	
July	0.0	2.4	-12.3	-	43.1	0.2	-13.1	-2.1	-	3.8	0.4	-18.2	-0.9	-	-3.3	
Aug.	0.0	-4.6	-7.8	-	-4.1	0.0	-9.0	-9.1	-	12.7	1.0	0.2	1.2	-	3.5	
Sep.	0.0	-3.1	-5.6	-	28.7	-0.6	-29.7	-4.3	-	59.4	0.5	-7.7	0.4	-	6.4	
Oct.	0.0	-5.4	-1.3	-	16.7	-1.8	-16.2	-18.9	-	45.5	0.4	-5.0	-0.5	-	8.9	
Nov.	0.0	-1.3	-6.8	-	29.2	-0.6	-27.6	-6.9	-	51.0	0.3	-8.7	5.0	-	11.6	
Dec.	0.0	-8.0	4.1	-	32.9	-0.6	1.5	-9.3	-	55.0	-0.1	-2.4	-2.2	-	-34.9	
2007 Jan.	0.0	-6.0	-3.7	-	44.0	-0.1	-32.2	-10.5	-	38.6	0.5	-8.4	-2.3	-	18.9	

6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2004	-311.9	283.3	0.4	7.8	-1.5	-2.0	-3.6	-260.9	245.1	5.0	-17.1	-266.0	262.2	-49.8	-9.7	34.0
2005	-567.2	645.0	-0.9	6.7	5.2	-2.4	-2.5	-395.6	479.9	-96.5	52.3	-299.2	427.6	-175.8	-6.2	160.9
2006	-771.0	782.6	-1.8	18.8	3.2	-2.9	-0.1	-547.1	498.7	-150.9	51.3	-396.2	447.4	-225.4	22.1	265.2
2005 Q4	-128.1	170.2	-1.1	-0.9	-2.0	-1.1	-2.0	-87.5	119.8	-37.1	5.3	-50.4	114.5	-37.4	13.6	53.4
2006 Q1	-217.4	295.1	-3.2	7.0	7.6	3.8	-3.6	-135.7	222.2	-12.8	12.7	-122.9	209.6	-86.0	-8.3	69.5
Q2	-105.0	78.0	0.9	2.1	-11.3	-12.2	0.3	-56.8	10.0	-14.7	21.8	-42.1	-11.7	-37.8	13.2	65.6
Q3	-153.7	214.9	0.5	4.9	12.4	8.5	6.5	-119.8	161.1	-32.7	21.3	-87.1	139.8	-46.7	8.3	42.4
Q4	-294.9	194.7	0.0	4.8	-5.4	-2.9	-3.3	-234.8	105.4	-90.7	-4.4	-144.1	109.8	-54.8	9.0	87.7
2006 Jan.	-103.0	144.9	0.3	5.1	3.7	2.3	-2.4	-71.1	118.1	6.7	-0.9	-77.8	119.0	-35.9	-15.8	24.1
Feb.	-44.5	73.0	-4.8	0.3	1.2	1.0	-1.2	-3.5	36.1	-7.3	9.8	3.8	26.3	-37.4	-3.3	37.8
Mar.	-69.9	77.2	1.2	1.6	2.6	0.5	0.0	-61.0	68.0	-12.1	3.8	-48.9	64.2	-12.7	10.8	7.6
Apr.	-83.3	113.7	0.0	-1.4	-4.6	-4.9	4.3	-64.4	82.5	0.0	10.1	-64.4	72.4	-14.3	4.9	28.3
May	-72.4	67.5	0.1	4.4	-4.5	-4.8	-4.8	-44.5	40.3	-2.7	2.6	-41.8	37.7	-23.6	-4.6	27.6
June	50.7	-103.2	0.8	-0.9	-2.3	-2.6	0.8	52.1	-112.8	-11.9	9.0	64.1	-121.8	0.0	13.0	9.7
July	-59.4	73.2	1.6	1.0	7.2	7.1	1.8	-48.7	65.0	-10.5	8.5	-38.2	56.5	-19.5	6.9	5.3
Aug.	2.1	23.7	-1.5	1.3	0.6	0.0	-0.5	7.4	18.4	-7.2	6.7	14.7	11.7	-4.3	-1.4	4.5
Sep.	-96.4	118.0	0.5	2.5	4.6	1.4	5.1	-78.6	77.6	-15.0	6.1	-63.5	71.6	-22.9	2.8	32.7
Oct.	-110.0	91.5	-0.5	-0.9	-2.2	-3.8	-2.2	-84.2	67.9	-47.8	-2.2	-36.5	70.1	-23.0	2.2	26.7
Nov.	-154.9	108.7	0.4	3.2	-3.9	-4.4	1.5	-115.7	73.9	-14.2	12.0	-101.6	61.9	-35.6	-7.1	30.1
Dec.	-30.1	-5.5	0.1	2.5	0.7	5.4	-2.6	-34.8	-36.3	-28.7	-14.2	-6.0	-22.2	3.8	13.8	30.9
2007 Jan.	-142.1	169.5	-1.5	5.7	1.0	1.3	-5.0	-91.7	144.7	-27.1	9.4	-64.6	135.3	-49.8	-30.8	24.1

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosysteem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2003	-0.3	0.0	10.7	0.0	-0.1	0.7	-	-	-1.0	0.0	-3.7	0.3
2004	0.6	-0.3	7.8	0.0	0.0	-0.3	1.8	-2.0	-1.3	0.0	-3.4	-0.2
2005	-0.9	0.0	6.7	0.0	0.0	6.4	8.8	-2.4	-1.2	0.0	-2.2	-0.3
2005 Q3	0.9	0.0	5.0	0.0	0.0	7.9	3.3	4.6	-0.3	0.0	1.3	-0.1
Q4	-1.2	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0
2006 Q1	-3.2	0.0	6.9	0.1	0.0	7.7	4.0	3.8	-0.1	0.0	-3.3	-0.4
Q2	0.9	0.0	2.1	0.0	0.0	-11.0	1.3	-12.2	-0.4	0.0	0.2	0.1
Q3	0.5	0.0	4.8	0.0	0.0	12.2	3.8	8.5	0.1	0.0	6.3	0.1

	MFIs (excluding Eurosysteem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2003	-151.3	-0.6	135.2	-0.1	-0.9	-94.6	-	-	-2.3	4.3	28.8	0.3
2004	-257.0	-3.9	242.2	2.9	-6.2	-39.3	-29.6	-9.7	-4.3	9.4	23.0	1.6
2005	-392.4	-3.2	478.3	1.6	-8.6	-150.8	-144.6	-6.2	-16.5	11.5	143.2	6.2
2005 Q3	-81.1	-5.3	120.5	2.8	1.4	-22.7	-6.8	-15.9	-6.6	2.0	27.2	-1.7
Q4	-90.9	3.4	124.6	-4.8	-1.7	-36.7	-50.3	13.6	0.9	4.9	47.5	0.9
2006 Q1	-131.8	-3.9	216.3	5.9	-3.9	-73.8	-65.5	-8.3	-8.4	4.3	59.8	5.4
Q2	-57.2	0.5	15.6	-5.5	-3.6	-36.7	-49.9	13.2	2.4	4.0	66.6	-4.9
Q3	-119.0	-0.9	159.5	1.6	2.4	-45.3	-53.6	8.3	-3.8	3.3	36.3	2.9

8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	
					Total	Currency and deposits		Securities				Financial derivatives
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2003	27.8	1.7	0.0	-1.6	27.7	-2.5	1.9	-0.1	22.2	6.3	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.7	-3.0	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2005 Q3	2.4	0.5	0.0	2.6	-0.7	1.4	1.4	0.0	-4.9	1.4	-0.1	0.0
Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	6.1	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.6	4.6	0.0	-0.5
Q2	-1.4	1.4	0.0	-0.5	-3.0	0.9	2.4	0.0	-6.8	0.5	0.0	0.7
Q3	-3.2	0.9	-0.3	0.8	-4.6	1.0	-2.9	0.0	-3.9	1.1	0.0	0.0

Source: ECB.

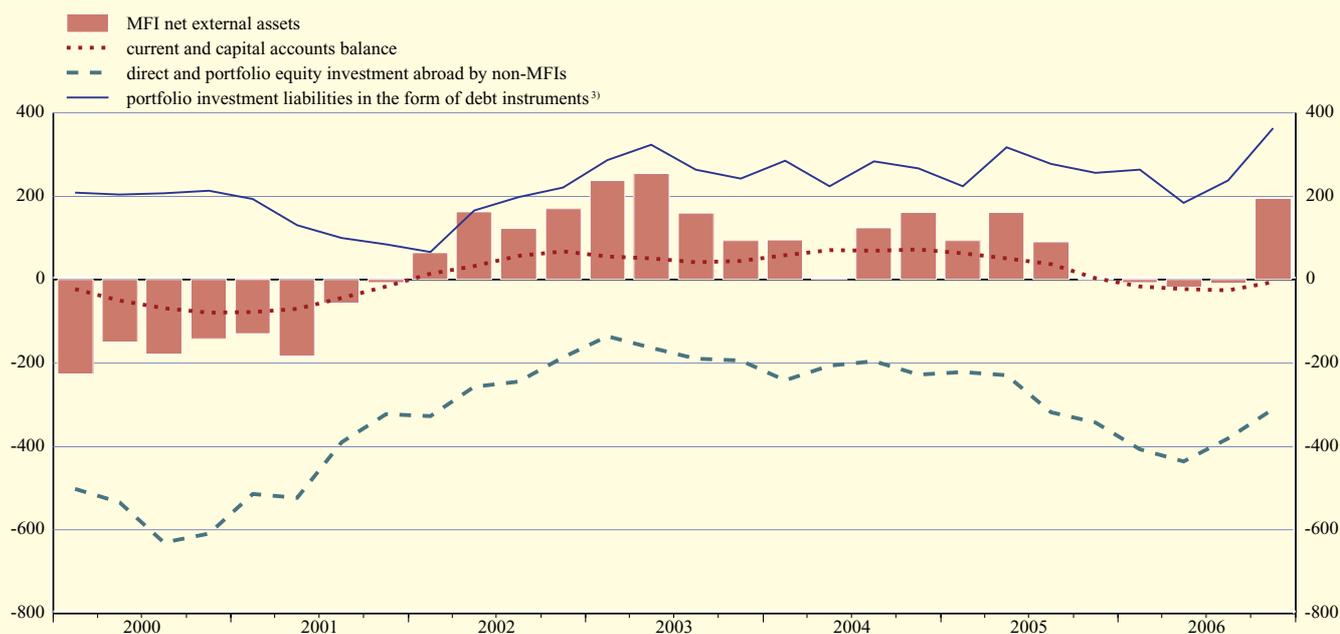
7.2 Monetary presentation of the balance of payments ¹⁾

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity ²⁾	Debt instruments ³⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2004	72.2	-133.6	90.1	-196.0	113.9	266.7	-52.5	30.8	-6.6	-51.1	134.0	160.8
2005	3.7	-281.8	92.0	-258.2	239.6	256.1	-171.3	159.1	-10.7	-41.1	-12.7	0.5
2006	-6.3	-262.0	152.2	-222.3	242.5	362.9	-222.9	265.9	-5.7	-99.5	204.8	194.8
2005 Q4	-3.6	-72.4	36.6	-74.9	48.2	-7.8	-39.8	51.4	-6.2	46.0	-22.5	-33.1
2006 Q1	-10.8	-49.0	19.3	-124.4	116.1	73.8	-78.5	66.2	-8.5	-55.2	-51.0	-38.1
Q2	-9.2	-101.9	91.8	-20.4	29.2	98.2	-49.3	66.1	-2.8	-39.0	62.7	60.3
Q3	-2.6	-58.6	28.0	-40.5	34.5	72.8	-34.9	49.1	7.7	-49.5	5.9	1.7
Q4	16.4	-52.5	13.1	-36.9	62.8	118.1	-60.3	84.5	-2.0	44.2	187.2	170.9
2006 Jan.	-9.4	-5.8	3.8	-47.1	31.8	3.6	-32.2	21.8	-2.9	12.4	-24.1	-12.4
Feb.	0.4	-37.9	10.2	-42.6	31.3	31.0	-36.3	36.7	-3.3	-19.9	-30.4	-26.1
Mar.	-1.9	-5.3	5.4	-34.7	52.9	39.2	-10.0	7.7	-2.3	-47.6	3.5	0.4
Apr.	-7.0	-80.6	84.5	-16.6	-14.1	20.1	-18.8	32.7	-6.5	-10.4	-16.7	-16.4
May	-11.2	-10.8	10.5	-2.1	-12.2	60.9	-28.1	22.9	1.8	-20.5	11.3	6.4
June	9.0	-10.6	-3.1	-1.7	55.5	17.2	-2.4	10.6	1.8	-8.2	68.0	70.3
July	1.0	-15.0	7.1	-15.3	24.9	4.0	-12.5	7.2	3.3	-7.2	-2.4	3.8
Aug.	-5.3	-1.1	0.2	-15.7	1.1	8.8	-3.9	4.0	-2.5	3.7	-10.8	-19.1
Sep.	1.7	-42.5	20.7	-9.5	8.5	60.0	-18.5	37.8	6.9	-46.0	19.2	17.0
Oct.	2.0	-14.5	3.4	-20.8	6.2	31.9	-25.1	24.5	6.9	2.3	16.8	19.5
Nov.	5.6	-10.2	1.0	-8.7	33.7	63.9	-39.6	31.6	-4.1	13.1	86.2	71.5
Dec.	8.8	-27.8	8.7	-7.4	22.9	22.3	4.5	28.3	-4.8	28.8	84.2	80.0
2007 Jan.	-3.5	-16.8	13.2	-16.4	34.0	51.3	-48.8	19.1	-5.2	-49.7	-22.8	-22.9
	<i>12-month cumulated transactions</i>											
2007 Jan.	-0.4	-272.9	161.7	-191.6	244.7	410.6	-239.6	263.2	-7.9	-161.6	206.2	184.2

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

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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

2) Excluding money market fund shares/units.

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

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

1. Balance of payments: current and capital accounts

(cumulated transactions)

	Total	European Union 25 (outside the euro area)					Canada	Japan	Switzerland	United States	Other	
		Total	Denmark	Sweden	United Kingdom	Other EU countries						EU institutions
2005 Q4 to 2006 Q3	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	2,244.3	810.7	46.5	71.7	433.6	199.8	59.1	30.0	55.3	147.5	379.6	821.2
Goods	1,336.4	457.8	31.1	47.9	220.5	158.2	0.1	17.7	34.2	74.9	199.2	552.7
Services	424.2	148.6	8.3	11.5	102.9	20.7	5.3	6.2	11.8	41.3	78.7	137.5
Income	398.6	143.4	6.6	11.6	100.1	18.9	6.1	5.7	8.5	25.0	95.0	121.1
of which: investment income	382.5	138.0	6.5	11.5	98.4	18.8	2.9	5.7	8.4	18.8	93.5	118.1
Current transfers	85.1	61.0	0.5	0.7	10.2	2.0	47.6	0.4	0.8	6.3	6.7	10.0
Capital account	22.9	19.2	0.0	0.1	0.8	0.0	18.2	0.0	0.0	0.4	0.6	2.8
Debits												
Current account	2,281.3	723.8	38.8	68.5	364.8	157.4	94.2	21.6	84.9	139.5	336.9	974.5
Goods	1,322.1	368.8	26.9	44.4	170.4	127.1	0.0	10.6	53.0	67.6	128.7	693.5
Services	384.8	119.9	7.0	9.0	81.3	22.5	0.1	5.2	7.6	30.7	87.1	134.3
Income	417.8	136.4	4.4	14.3	104.5	6.6	6.6	4.5	24.0	35.8	113.9	103.1
of which: investment income	407.7	131.2	4.4	14.2	103.3	2.7	6.6	4.4	23.9	35.3	113.1	99.8
Current transfers	156.6	98.7	0.5	0.8	8.6	1.2	87.6	1.3	0.4	5.3	7.2	43.7
Capital account	13.3	1.7	0.0	0.2	1.2	0.2	0.2	0.1	0.1	0.5	1.2	9.7
Net												
Current account	-37.0	86.9	7.6	3.2	68.8	42.4	-35.2	8.4	-29.6	8.0	42.6	-153.3
Goods	14.3	88.9	4.2	3.5	50.0	31.1	0.1	7.1	-18.8	7.3	70.6	-140.8
Services	39.3	28.7	1.3	2.5	21.6	-1.8	5.2	1.1	4.3	10.5	-8.4	3.1
Income	-19.2	7.0	2.1	-2.6	-4.3	12.3	-0.5	1.2	-15.5	-10.9	-19.0	18.0
of which: investment income	-25.2	6.8	2.1	-2.6	-5.0	16.0	-3.7	1.3	-15.5	-16.5	-19.6	18.3
Current transfers	-71.5	-37.7	0.0	-0.1	1.5	0.8	-39.9	-0.9	0.4	1.0	-0.6	-33.6
Capital account	9.6	17.4	0.0	-0.1	-0.3	-0.1	18.0	-0.1	0.0	-0.1	-0.6	-6.9

2. Balance of payments: direct investment

(cumulated transactions)

	Total	European Union 25 (outside the euro area)					Canada	Japan	Switzerland	United States	Offshore financial centres	Other	
		Total	Denmark	Sweden	United Kingdom	Other EU countries							EU institutions
2005 Q4 to 2006 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-125.6	-78.6	-2.2	14.8	-69.3	-21.9	0.0	-0.7	1.3	-4.9	-3.9	4.7	-43.5
Abroad	-301.4	-164.5	-0.5	2.7	-144.6	-22.1	0.0	-6.0	-3.4	-10.1	-38.0	-28.3	-51.0
Equity/reinvested earnings	-248.4	-155.2	-0.9	-0.5	-132.4	-21.4	0.0	-1.9	-2.0	-6.8	-9.8	-23.4	-49.4
Other capital	-53.0	-9.3	0.4	3.2	-12.2	-0.7	0.0	-4.1	-1.4	-3.3	-28.3	-5.0	-1.6
In the euro area	175.8	86.0	-1.7	12.1	75.3	0.2	0.0	5.3	4.7	5.2	34.2	33.1	7.5
Equity/reinvested earnings	146.4	71.0	-2.4	11.7	60.8	0.8	0.0	3.9	4.0	10.2	8.9	42.5	5.9
Other capital	29.4	15.0	0.7	0.4	14.4	-0.6	0.0	1.4	0.7	-5.1	25.3	-9.5	1.6

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 25 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2005 Q4 to 2006 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-466.8	-131.4	-0.7	-5.3	-121.4	-5.3	1.5	-7.3	-30.8	-4.2	-130.3	-93.9	-69.0
Equity	-168.3	-19.3	0.6	-3.3	-18.3	1.6	0.0	-1.6	-22.4	-2.6	-60.7	-33.1	-28.5
Debt instruments	-298.6	-112.1	-1.4	-2.1	-103.2	-7.0	1.5	-5.8	-8.3	-1.6	-69.6	-60.8	-40.4
Bonds and notes	-258.2	-96.2	-1.8	-1.9	-84.5	-9.6	1.5	-4.3	-7.8	1.0	-62.0	-47.8	-41.1
Money market instruments	-40.4	-15.9	0.5	-0.2	-18.7	2.6	0.0	-1.5	-0.6	-2.5	-7.6	-12.9	0.7

4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union 25 (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 Q4 to 2006 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	153.9	55.4	-1.1	7.0	45.8	-7.9	11.7	-0.8	34.2	-12.6	15.3	52.5	15.6	-5.5
Assets	-604.2	-397.2	-21.0	-1.8	-352.5	-21.8	-0.2	-2.1	20.2	-45.0	-22.5	-72.0	-0.9	-84.7
General government	6.6	-2.9	-0.1	-0.6	-1.7	0.0	-0.4	0.0	0.0	0.0	0.6	0.0	-1.4	10.3
MFIs	-402.8	-231.6	-20.3	-0.1	-190.5	-21.1	0.3	-1.6	19.8	-38.3	-26.8	-47.3	0.6	-77.6
Other sectors	-208.0	-162.7	-0.5	-1.1	-160.3	-0.7	-0.1	-0.6	0.4	-6.7	3.8	-24.7	-0.1	-17.4
Liabilities	758.1	452.6	19.9	8.7	398.3	13.9	11.9	1.3	14.0	32.4	37.7	124.5	16.5	79.2
General government	1.1	-1.5	0.0	0.0	-0.5	0.0	-1.0	0.0	-0.2	1.9	-0.7	0.0	2.9	-1.4
MFIs	526.2	256.8	19.5	8.0	216.0	12.3	1.0	1.3	11.7	27.5	6.6	123.4	13.6	85.2
Other sectors	230.9	197.3	0.4	0.7	182.7	1.6	11.9	0.0	2.4	3.0	31.9	1.0	0.0	-4.7

5. International investment position

(end-of-period outstanding amounts)

	Total	European Union 25 (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	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	325.9	-160.1	0.8	-17.3	-292.9	149.5	-0.2	25.2	4.7	35.3	-1.6	-13.9	-0.3	436.7
Abroad	2,711.1	937.9	33.8	81.0	651.8	171.4	0.0	76.1	68.8	241.8	558.1	316.1	0.0	512.2
Equity/reinvested earnings	2,184.7	735.5	29.7	56.8	502.1	146.8	0.0	64.9	63.6	193.8	419.2	297.1	0.0	410.7
Other capital	526.4	202.5	4.1	24.2	149.6	24.5	0.0	11.2	5.2	48.1	138.9	19.0	0.0	101.5
In the euro area	2,385.2	1,098.1	33.0	98.3	944.7	21.9	0.2	50.9	64.1	206.6	559.6	330.0	0.3	75.5
Equity/reinvested earnings	1,777.4	873.0	26.9	81.9	757.1	7.0	0.1	45.9	53.5	142.2	396.0	199.7	0.0	67.1
Other capital	607.8	225.1	6.1	16.4	187.6	14.9	0.1	5.1	10.7	64.4	163.6	130.2	0.3	8.4
Portfolio investment assets	3,874.8	1,197.9	61.2	119.3	860.9	86.5	69.9	83.3	270.3	122.3	1,307.2	411.4	30.8	451.5
Equity	1,733.6	421.8	10.9	46.5	342.3	22.1	0.0	21.6	182.3	112.1	616.8	155.6	1.4	222.0
Debt instruments	2,141.1	776.1	50.3	72.8	518.7	64.5	69.9	61.7	87.9	10.2	690.4	255.8	29.4	229.5
Bonds and notes	1,826.4	647.7	45.9	61.6	407.9	62.5	69.8	60.2	62.3	7.8	591.3	228.6	28.7	199.8
Money market instruments	314.7	128.4	4.3	11.2	110.8	1.9	0.1	1.5	25.6	2.4	99.2	27.2	0.7	29.7
Other investment	-307.9	-64.3	51.8	15.4	17.8	-4.3	-145.0	4.5	9.4	-81.5	-13.0	-216.6	-22.8	76.4
Assets	3,659.1	1,849.5	77.0	62.0	1,618.3	82.5	9.8	21.7	92.6	209.2	510.6	354.2	41.8	579.4
General government	102.0	17.2	0.2	0.3	8.9	0.3	7.5	0.1	0.1	0.1	3.3	1.2	35.8	44.2
MFIs	2,519.6	1,426.4	65.7	44.5	1,243.0	72.2	0.9	11.6	67.1	122.0	316.3	245.0	5.4	325.9
Other sectors	1,037.5	406.0	11.0	17.2	366.4	10.0	1.4	10.0	25.4	87.2	191.0	107.9	0.6	209.3
Liabilities	3,967.0	1,913.9	25.2	46.6	1,600.5	86.9	154.8	17.2	83.1	290.7	523.6	570.7	64.6	503.1
General government	46.5	23.7	0.0	0.3	3.3	0.0	20.1	0.0	0.8	0.1	7.4	0.2	3.3	11.1
MFIs	3,181.5	1,488.3	20.0	26.3	1,270.8	70.6	100.6	12.2	55.5	243.9	400.6	518.2	60.0	402.8
Other sectors	739.0	401.9	5.2	20.0	326.4	16.3	34.0	5.0	26.8	46.7	115.6	52.3	1.4	89.2

Source: ECB.

7.4 International investment position (including international reserves)

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

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2002	-714.9	-9.8	179.5	-940.9	-12.6	-307.1	366.1
2003	-787.9	-10.5	88.2	-916.1	-7.5	-259.2	306.7
2004	-832.2	-10.7	107.4	-996.6	-14.9	-209.1	281.0
2005	-818.9	-10.2	325.9	-1,142.6	-14.4	-307.9	320.1
2006 Q2	-870.1	-10.4	352.4	-1,229.7	-2.0	-314.6	323.8
Q3	-975.7	-11.6	394.5	-1,287.4	-15.5	-392.4	325.1
Outstanding assets							
2002	7,419.6	102.1	2,005.9	2,291.9	133.1	2,622.6	366.1
2003	7,961.1	106.4	2,169.7	2,658.3	160.8	2,665.6	306.7
2004	8,764.2	112.7	2,337.1	3,036.0	174.1	2,936.0	281.0
2005	10,801.1	134.4	2,711.1	3,874.8	236.1	3,659.1	320.1
2006 Q2	11,340.4	135.0	2,845.5	3,978.1	268.3	3,924.7	323.8
Q3	11,844.6	141.0	2,926.8	4,208.2	300.0	4,084.6	325.1
Outstanding liabilities							
2002	8,134.5	111.9	1,826.4	3,232.7	145.7	2,929.7	-
2003	8,749.0	116.9	2,081.6	3,574.4	168.3	2,924.7	-
2004	9,596.3	123.4	2,229.7	4,032.6	189.0	3,145.1	-
2005	11,620.0	144.6	2,385.2	5,017.4	250.5	3,967.0	-
2006 Q2	12,210.4	145.4	2,493.0	5,207.8	270.3	4,239.3	-
Q3	12,820.4	152.6	2,532.3	5,495.6	315.4	4,477.0	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2002	1,544.6	132.3	1,412.3	461.3	1.6	459.7	1,295.6	42.1	1,253.5	530.8	2.7	528.1
2003	1,726.9	124.3	1,602.6	442.8	2.1	440.7	1,510.0	46.2	1,463.8	571.5	3.0	568.5
2004	1,897.1	144.5	1,752.6	439.9	3.1	436.8	1,661.0	43.9	1,617.1	568.7	8.1	560.6
2005	2,184.7	166.5	2,018.2	526.4	6.9	519.5	1,777.4	45.9	1,731.5	607.8	9.9	597.8
2006 Q2	2,298.1	164.6	2,133.5	547.4	7.0	540.4	1,882.6	44.5	1,838.1	610.5	10.1	600.4
Q3	2,378.2	176.6	2,201.5	548.6	6.7	541.9	1,925.3	46.2	1,879.1	607.0	10.0	597.0

3. Portfolio investment assets by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
						Assets		Liabilities	Assets		Liabilities	Assets		Liabilities	
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs	Eurosystem	MFIs excluding Eurosystem	Non-MFIs	Eurosystem		MFIs excluding Eurosystem	Non-MFIs					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	0.7	43.6	8.3	799.2	1,364.4	7.2	403.1	6.3	784.7	1,660.1	1.3	189.4	1.1	47.1	208.2
2003	1.7	53.6	11.5	1,026.4	1,570.7	9.3	461.2	6.3	846.8	1,755.7	1.1	191.5	0.5	48.5	248.0
2004	2.1	74.0	16.1	1,160.8	1,756.3	7.9	541.5	8.0	938.7	2,041.1	0.9	231.5	0.4	54.2	235.2
2005	3.0	100.8	26.6	1,603.3	2,428.0	8.3	693.6	10.1	1,114.5	2,271.7	0.8	260.6	0.4	52.9	317.7
2006 Q2	2.8	105.1	29.6	1,628.5	2,567.3	7.4	732.5	9.0	1,141.2	2,327.3	3.3	253.9	7.2	57.6	313.2
Q3	2.9	113.7	31.6	1,726.4	2,768.6	7.8	789.0	9.1	1,179.3	2,409.1	1.4	283.1	4.2	59.7	317.9

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosystem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2002	4.9	0.3	57.2	0.1	1.4	62.1	-	-	55.4	0.1	42.6	13.8	
2003	5.2	0.7	66.0	0.1	0.2	58.7	53.3	5.5	42.4	0.0	42.3	3.8	
2004	4.7	0.3	74.5	0.2	0.2	62.1	54.2	7.9	42.6	0.0	42.4	3.4	
2005	5.4	0.4	82.2	0.2	0.1	57.3	45.9	11.5	44.6	0.0	42.8	3.6	
2006 Q2	8.2	0.4	90.6	0.2	0.1	60.0	40.1	19.9	43.6	0.0	39.8	3.3	
Q3	7.4	0.4	95.6	0.2	0.1	47.8	36.4	11.4	43.6	0.0	46.5	3.4	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2002	1,685.1	61.0	2,250.8	48.4	174.4	487.4	-	-	90.7	104.5	364.3	47.8	
2003	1,737.9	38.6	2,243.2	30.9	168.9	528.7	203.3	325.4	84.3	106.8	385.9	45.7	
2004	1,954.8	45.4	2,423.9	42.1	172.1	560.4	232.9	327.6	93.4	109.8	399.3	49.7	
2005	2,457.3	56.4	3,046.8	52.3	184.4	721.2	370.3	350.9	131.8	124.7	545.2	69.1	
2006 Q2	2,584.0	53.9	3,198.8	47.0	191.0	847.8	486.9	361.0	135.7	133.9	647.9	77.8	
Q3	2,705.9	57.1	3,362.6	52.3	180.5	900.7	543.1	357.7	141.2	129.7	702.9	83.8	

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosystem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.2	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
Q3	325.1	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	0.5	79.1	30.0	-0.1	0.0	26.8	-21.9
2006 Dec.	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	-	-	-	0.3	0.0	24.6	-21.5
2007 Jan.	338.4	183.1	364.652	4.7	5.1	145.4	4.4	22.9	118.1	-	-	-	0.0	0.0	24.9	-24.0
Feb.	337.3	183.1	364.205	4.6	4.5	145.1	4.1	26.6	114.1	-	-	-	0.2	0.0	23.6	-23.8
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q1	40.5	11.1	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
Q3	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	0.0	18.4	6.9	0.0	0.0	2.9	-0.7
2006 Dec.	39.9	9.9	20.572	0.4	0.0	29.6	1.6	1.5	26.5	-	-	-	0.0	0.0	2.8	-0.3
2007 Jan.	43.0	10.4	20.632	0.4	0.0	32.2	0.7	3.9	27.6	-	-	-	0.0	0.0	2.5	-2.0
Feb.	42.8	10.4	20.632	0.4	0.0	32.0	0.7	4.4	27.0	-	-	-	0.0	0.0	2.4	-1.9

Source: ECB.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.y.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)													
2003	-2.3	0.5	1,059.3	500.7	222.5	300.4	923.7	990.4	553.7	164.5	241.1	715.3	109.0
2004	8.9	9.4	1,148.3	548.4	247.5	313.4	997.4	1,075.1	604.7	183.5	256.0	770.6	129.1
2005	7.7	13.4	1,240.9	593.1	270.1	333.7	1,070.0	1,224.4	705.4	207.0	276.1	845.4	185.9
2006	11.1	13.2	1,380.9	664.4	289.7	364.1	1,186.4	1,392.0	825.9	207.1	302.4	941.8	224.2
2005 Q3	10.1	15.6	319.7	151.2	71.0	85.7	275.2	318.9	184.6	54.0	70.9	218.1	52.9
Q4	9.8	15.7	323.9	155.1	69.3	86.4	277.4	328.9	189.0	56.4	72.6	223.8	53.6
2006 Q1	15.9	22.3	333.4	159.8	71.7	89.0	283.3	336.9	197.9	52.7	74.1	223.9	55.2
Q2	9.3	14.2	338.6	162.6	71.5	89.6	290.2	344.8	204.3	51.9	75.1	231.4	56.9
Q3	8.1	10.4	347.3	168.4	72.1	91.3	298.5	355.2	213.3	51.3	75.8	239.9	59.9
Q4	11.6	7.3	361.5	173.7	74.4	94.1	314.3	355.1	210.4	51.2	77.5	246.5	52.1
2006 July	7.5	13.0	111.2	54.2	22.9	29.6	95.5	117.4	70.0	16.9	25.1	79.0	19.6
Aug.	8.1	11.0	115.5	55.8	23.7	30.9	99.5	119.9	73.5	17.3	25.4	80.3	21.5
Sep.	8.5	7.5	120.7	58.4	25.5	30.8	103.5	117.9	69.9	17.1	25.4	80.6	18.8
Oct.	15.9	13.6	119.3	57.5	24.7	30.9	102.2	117.8	69.9	17.2	25.8	80.8	18.0
Nov.	12.5	6.1	120.1	58.3	25.0	30.9	105.4	116.2	69.2	16.9	25.9	81.2	17.0
Dec.	6.5	2.3	122.1	57.9	24.7	32.3	106.8	121.1	71.3	17.0	25.9	84.5	17.2
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2003	1.0	3.7	109.1	105.8	107.9	114.9	109.3	102.0	100.6	95.3	110.5	100.2	104.9
2004	9.1	6.7	118.5	115.6	121.5	119.9	118.6	108.0	104.4	107.6	118.5	108.0	105.3
2005	4.7	5.2	124.5	120.2	130.9	125.0	124.6	114.2	108.2	122.2	124.6	116.0	110.4
2006	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Q3	6.9	5.9	127.5	121.7	137.1	127.4	127.4	116.1	109.3	125.9	127.1	119.0	114.7
Q4	5.6	5.4	127.9	123.3	133.4	127.3	127.8	117.4	109.0	131.7	127.5	120.9	111.4
2006 Q1	10.6	8.3	129.9	125.2	136.6	129.9	129.2	116.9	110.1	121.3	128.7	119.1	107.0
Q2	5.2	3.5	131.8	127.3	136.5	130.2	132.5	119.2	111.9	122.3	131.7	123.4	105.6
Q3	5.1	4.2	134.8	130.6	138.0	132.9	135.6	122.2	116.3	122.0	131.2	126.7	113.9
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 July	4.5	5.2	129.8	126.9	131.5	129.0	130.7	120.6	113.4	120.9	130.2	125.6	108.4
Aug.	4.9	4.3	134.1	129.1	135.8	134.9	135.4	123.1	119.6	122.9	131.4	127.2	121.0
Sep.	5.9	3.2	140.4	135.9	146.8	134.7	140.7	122.8	115.9	122.3	132.0	127.3	112.3
Oct.	13.1	11.0	138.4	133.3	141.5	134.4	138.1	124.1	117.7	123.2	133.9	127.7	116.6
Nov.	9.5	4.1	138.9	134.2	142.3	135.3	142.0	122.8	117.3	119.0	135.2	127.9	113.5
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
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	-0.2	2.4	96.7	96.3	94.2	99.6	96.2	97.1	98.1	93.0	97.8	96.1	99.5
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.4	92.4	100.3	98.1	136.8
2006	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Q3	3.0	9.2	100.1	101.0	95.8	102.5	98.8	107.2	114.4	93.6	101.1	98.7	150.2
Q4	4.0	9.8	101.1	102.2	96.1	103.4	99.3	109.4	117.5	93.5	103.1	99.7	156.8
2006 Q1	4.8	13.0	102.5	103.7	97.1	104.5	100.3	112.6	121.8	94.8	104.2	101.3	168.3
Q2	4.0	10.4	102.5	103.7	96.8	104.9	100.2	112.9	123.8	92.7	103.2	101.0	175.5
Q3	2.8	6.0	102.9	104.7	96.6	104.7	100.7	113.5	124.3	91.8	104.7	102.0	171.1
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 July	2.9	7.4	102.6	104.1	96.5	104.9	100.3	114.1	125.4	91.4	104.6	101.6	176.4
Aug.	3.1	6.4	103.1	105.3	96.8	104.6	100.8	114.1	124.9	92.3	104.8	102.1	173.7
Sep.	2.4	4.1	102.9	104.7	96.5	104.6	101.0	112.4	122.6	91.6	104.5	102.4	163.3
Oct.	2.5	2.3	103.3	105.2	97.0	105.0	101.6	111.2	120.7	91.6	104.5	102.2	150.6
Nov.	2.7	1.9	103.6	105.8	97.4	104.6	101.8	110.8	120.0	93.1	103.9	102.6	146.0
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
	1	Denmark	Sweden	United Kingdom	Other EU countries	6	7	8	9	China	Japan	Other Asian countries	13	14	15
Exports (f.o.b.)															
2003	1,059.3	24.9	38.6	194.6	117.5	29.2	63.3	24.8	167.0	35.2	31.3	135.1	59.4	37.7	100.6
2004	1,148.3	25.6	41.8	204.0	128.5	35.3	66.1	31.8	172.2	40.3	33.0	150.3	63.8	40.6	115.0
2005	1,240.9	28.8	44.9	202.5	144.3	43.0	70.5	34.6	184.7	43.2	34.0	165.6	72.8	46.9	125.0
2006	1,380.9	31.0	49.6	215.1	175.2	54.6	76.4	38.5	199.6	53.4	34.4	182.7	76.7	54.1	139.5
2005 Q3	319.7	7.4	11.4	51.4	36.6	11.2	17.9	9.1	47.4	11.3	8.5	43.9	19.3	12.2	32.1
Q4	323.9	7.5	11.3	51.5	38.8	11.3	17.8	9.5	48.6	11.6	8.6	41.8	19.1	12.4	34.2
2006 Q1	333.4	7.5	11.6	52.1	40.8	12.1	17.9	9.6	49.5	12.6	8.8	43.7	18.9	13.3	35.2
Q2	338.6	7.7	12.1	53.3	43.2	12.8	18.2	9.8	49.4	12.7	8.4	44.8	19.1	13.3	33.8
Q3	347.3	7.8	12.8	54.7	44.6	14.1	19.4	9.6	49.7	13.5	8.6	45.9	19.1	13.5	34.0
Q4	361.5	8.0	13.2	55.0	46.7	15.5	20.9	9.6	51.0	14.6	8.7	48.3	19.6	13.9	36.5
2006 July	111.2	2.6	4.2	17.6	14.3	4.5	6.4	3.1	16.1	4.3	2.8	14.8	6.3	4.3	10.0
Aug.	115.5	2.6	4.2	18.9	15.0	4.6	6.4	3.2	16.8	4.4	2.9	14.8	6.3	4.6	10.8
Sep.	120.7	2.6	4.3	18.2	15.3	5.1	6.6	3.3	16.8	4.8	2.9	16.3	6.6	4.7	13.2
Oct.	119.3	2.6	4.4	18.1	15.4	5.1	7.0	3.1	15.9	4.8	2.9	15.6	6.2	4.7	13.6
Nov.	120.1	2.7	4.3	18.1	15.5	5.3	6.9	3.3	17.2	5.0	2.9	16.3	6.6	4.6	11.4
Dec.	122.1	2.7	4.5	18.7	15.8	5.1	7.0	3.2	17.9	4.9	2.9	16.4	6.8	4.6	11.5
<i>% share of total exports</i>															
2006	100.0	2.2	3.6	15.6	12.7	3.9	5.5	2.8	14.5	3.9	2.5	13.2	5.6	3.9	10.1
Imports (c.i.f.)															
2003	990.4	23.7	36.9	138.7	101.9	47.4	50.5	19.3	110.3	74.4	52.1	141.7	68.2	39.7	85.6
2004	1,075.1	25.4	39.7	144.1	107.3	56.4	53.0	22.8	113.8	92.0	53.9	161.1	72.5	45.2	88.0
2005	1,224.4	26.3	42.1	152.1	117.8	75.9	57.8	24.8	120.1	117.7	52.9	189.5	95.4	53.3	98.7
2006	1,392.0	27.2	47.2	165.6	140.4	95.0	61.9	28.6	127.7	143.3	56.2	211.9	109.4	65.6	112.0
2005 Q3	318.9	6.6	10.7	39.3	30.0	19.9	14.8	6.1	30.9	31.4	13.6	49.7	25.4	14.0	26.6
Q4	328.9	6.6	11.0	39.5	31.0	20.5	15.2	6.6	31.1	32.1	13.8	52.7	26.1	14.8	28.0
2006 Q1	336.9	6.8	11.2	40.6	32.2	23.9	14.9	6.8	31.8	33.3	13.8	51.9	27.2	15.6	26.9
Q2	344.8	6.7	11.4	42.8	34.0	24.8	15.2	7.4	31.8	34.4	14.0	53.4	27.3	15.7	26.0
Q3	355.2	6.9	12.1	41.5	36.2	24.2	15.9	7.2	32.2	35.9	14.4	54.5	27.1	16.6	30.6
Q4	355.1	6.9	12.5	40.7	38.1	22.1	15.8	7.2	32.1	39.7	13.9	52.2	27.8	17.7	28.4
2006 July	117.4	2.5	4.0	14.0	11.7	7.6	5.3	2.4	10.8	11.8	4.8	17.9	9.0	5.6	10.0
Aug.	119.9	2.2	4.0	14.1	12.0	8.8	5.4	2.4	10.8	11.8	4.8	18.3	9.3	5.6	10.3
Sep.	117.9	2.2	4.0	13.4	12.4	7.7	5.3	2.4	10.6	12.4	4.8	18.3	8.8	5.4	10.3
Oct.	117.8	2.2	4.1	13.3	12.7	7.3	5.1	2.3	10.7	12.5	4.6	17.8	9.4	5.7	10.2
Nov.	116.2	2.3	4.1	13.6	12.5	7.3	5.3	2.4	10.6	13.4	4.5	17.4	9.1	5.9	7.6
Dec.	121.1	2.3	4.3	13.9	12.9	7.5	5.4	2.5	10.8	13.7	4.8	17.0	9.3	6.1	10.6
<i>% share of total imports</i>															
2006	100.0	2.0	3.4	11.9	10.1	6.8	4.4	2.1	9.2	10.3	4.0	15.2	7.9	4.7	8.0
Balance															
2003	68.9	1.2	1.7	55.9	15.6	-18.2	12.7	5.6	56.7	-39.2	-20.8	-6.6	-8.8	-2.0	15.0
2004	73.3	0.2	2.2	59.9	21.2	-21.1	13.1	8.9	58.5	-51.7	-20.8	-10.8	-8.7	-4.6	27.0
2005	16.5	2.6	2.8	50.4	26.5	-32.9	12.7	9.7	64.6	-74.5	-18.9	-23.9	-22.6	-6.4	26.3
2006	-11.1	3.8	2.4	49.4	34.8	-40.3	14.5	9.9	71.8	-89.9	-21.7	-29.2	-32.6	-11.5	27.5
2005 Q3	0.7	0.8	0.7	12.1	6.6	-8.7	3.1	2.9	16.5	-20.1	-5.1	-5.8	-6.0	-1.8	5.5
Q4	-5.1	0.9	0.4	12.0	7.8	-9.2	2.6	2.8	17.5	-20.5	-5.3	-10.9	-7.0	-2.5	6.2
2006 Q1	-3.5	0.7	0.4	11.4	8.6	-11.8	2.9	2.8	17.8	-20.7	-5.1	-8.2	-8.3	-2.3	8.2
Q2	-6.2	1.0	0.7	10.5	9.2	-12.0	3.0	2.4	17.6	-21.7	-5.6	-8.6	-8.2	-2.4	7.8
Q3	-7.9	0.8	0.7	13.2	8.4	-10.0	3.5	2.4	17.6	-22.4	-5.8	-8.6	-8.0	-3.0	3.4
Q4	6.4	1.2	0.7	14.3	8.6	-6.6	5.1	2.4	18.9	-25.0	-5.3	-3.9	-8.2	-3.8	8.1
2006 July	-6.2	0.1	0.2	3.6	2.5	-3.1	1.1	0.7	5.4	-7.5	-2.0	-3.1	-2.8	-1.3	0.0
Aug.	-4.4	0.3	0.2	4.8	3.0	-4.2	1.1	0.8	6.0	-7.3	-2.0	-3.6	-3.0	-1.0	0.5
Sep.	2.8	0.4	0.3	4.8	2.9	-2.6	1.3	0.9	6.2	-7.6	-1.8	-1.9	-2.2	-0.7	2.9
Oct.	1.5	0.5	0.3	4.8	2.7	-2.2	1.9	0.8	5.2	-7.8	-1.8	-2.2	-3.2	-1.0	3.4
Nov.	3.9	0.3	0.2	4.6	3.0	-2.1	1.6	0.9	6.6	-8.4	-1.6	-1.1	-2.5	-1.3	3.8
Dec.	1.0	0.4	0.2	4.9	2.9	-2.4	1.6	0.7	7.1	-8.9	-1.9	-0.6	-2.5	-1.6	0.9

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



EXCHANGE RATES

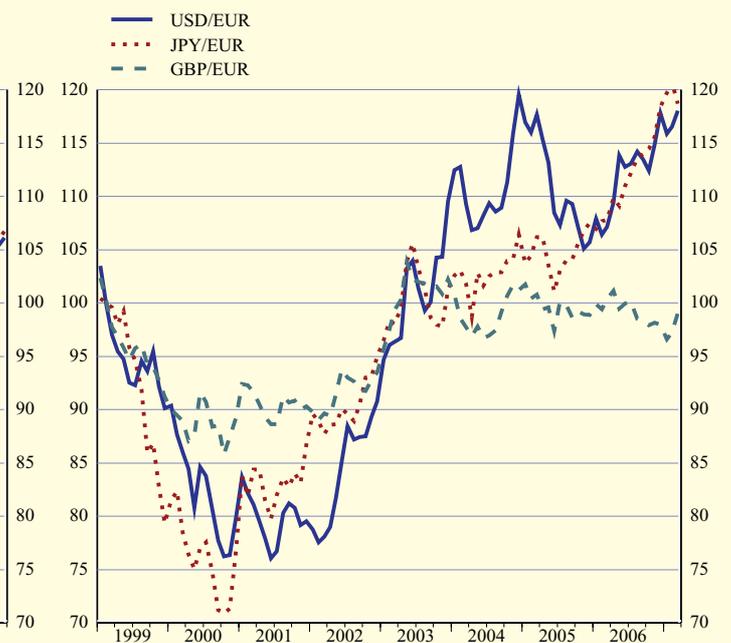
8.1 Effective exchange rates ¹⁾ (period averages; index 1999 Q1=100)

	EER-24						EER-44		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2004	104.3	105.1	104.2	103.2	99.9	101.8	111.2	105.6	
2005	103.3	104.1	102.5	100.9	97.4	99.3	109.7	103.7	
2006	103.6	104.4	102.9	100.7	95.1	97.7	110.0	103.4	
2006 Q1	101.7	102.5	101.0	99.0	94.1	96.6	107.4	101.2	
Q2	103.8	104.6	103.0	100.9	95.1	98.2	110.1	103.6	
Q3	104.5	105.3	103.7	101.4	95.7	98.3	111.2	104.5	
Q4	104.6	105.3	104.1	101.5	95.3	97.8	111.3	104.3	
2007 Q1	105.5	106.1	104.8	.	.	.	112.0	104.8	
2006 Mar.	101.9	102.9	101.4	-	-	-	107.6	101.4	
Apr.	103.0	104.0	102.5	-	-	-	108.8	102.5	
May	104.0	104.9	103.3	-	-	-	110.5	104.0	
June	104.2	104.9	103.3	-	-	-	111.1	104.4	
July	104.5	105.4	103.8	-	-	-	111.3	104.7	
Aug.	104.6	105.4	103.8	-	-	-	111.3	104.6	
Sep.	104.4	105.1	103.4	-	-	-	111.1	104.3	
Oct.	103.9	104.7	103.4	-	-	-	110.4	103.6	
Nov.	104.5	105.2	103.9	-	-	-	111.1	104.2	
Dec.	105.5	106.0	104.9	-	-	-	112.3	105.0	
2007 Jan.	104.9	105.5	104.2	-	-	-	111.5	104.3	
Feb.	105.4	106.0	104.7	-	-	-	111.9	104.6	
Mar.	106.1	106.7	105.4	-	-	-	112.7	105.4	
	<i>% change versus previous month</i>								
2007 Mar.	0.7	0.7	0.7	-	-	-	0.8	0.8	
	<i>% change versus previous year</i>								
2007 Mar.	4.1	3.7	3.9	-	-	-	4.8	3.9	

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



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



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish 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
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2006 Q3	7.4604	9.2304	0.67977	1.2743	148.09	1.5768	1,217.10	9.9109	2.0125	1.4283	8.0604	1.6831
2006 Q4	7.4557	9.1350	0.67314	1.2887	151.72	1.5928	1,209.29	10.0269	2.0091	1.4669	8.2712	1.6740
2007 Q1	7.4524	9.1894	0.67062	1.3106	156.43	1.6162	1,230.80	10.2334	2.0073	1.5357	8.1690	1.6670
2006 Sep.	7.4601	9.2665	0.67511	1.2727	148.99	1.5841	1,212.64	9.9051	2.0101	1.4203	8.2572	1.6839
2006 Oct.	7.4555	9.2533	0.67254	1.2611	149.65	1.5898	1,202.31	9.8189	1.9905	1.4235	8.3960	1.6733
2006 Nov.	7.4564	9.1008	0.67397	1.2881	151.11	1.5922	1,205.01	10.0246	2.0049	1.4635	8.2446	1.6684
2006 Dec.	7.4549	9.0377	0.67286	1.3213	154.82	1.5969	1,222.34	10.2704	2.0354	1.5212	8.1575	1.6814
2007 Jan.	7.4539	9.0795	0.66341	1.2999	156.56	1.6155	1,217.83	10.1390	1.9983	1.5285	8.2780	1.6602
2007 Feb.	7.4541	9.1896	0.66800	1.3074	157.60	1.6212	1,225.25	10.2130	2.0049	1.5309	8.0876	1.6708
2007 Mar.	7.4494	9.2992	0.68021	1.3242	155.24	1.6124	1,248.82	10.3464	2.0186	1.5472	8.1340	1.6704
	% change versus previous month											
2007 Mar.	-0.1	1.2	1.8	1.3	-1.5	-0.5	1.9	1.3	0.7	1.1	0.6	0.0
	% change versus previous year											
2007 Mar.	-0.2	-1.1	-1.3	10.2	10.1	2.8	6.6	10.9	3.6	11.2	2.0	1.0
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovak koruna 21	Bulgarian lev 22	New Roman- ian leu ¹⁾ 23	
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	40.022	1.9533	40,510	
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	38.599	1.9558	3,6209	
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	37.234	1.9558	3,5258	
2006 Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	37.842	1.9558	3,5415	
2006 Q4	28.044	15.6466	0.57748	0.6969	3.4528	260.25	0.4293	3.8478	35.929	1.9558	3,4791	
2007 Q1	28.037	15.6466	0.57915	0.7023	3.4528	252.32	0.4293	3.8863	34.347	1.9558	3,3812	
2006 Sep.	28.383	15.6466	0.57650	0.6961	3.4528	274.42	0.4293	3.9649	37.497	1.9558	3,5274	
2006 Oct.	28.290	15.6466	0.57672	0.6961	3.4528	267.10	0.4293	3.9014	36.804	1.9558	3,5191	
2006 Nov.	28.029	15.6466	0.57770	0.6970	3.4528	258.84	0.4293	3.8248	35.884	1.9558	3,4955	
2006 Dec.	27.778	15.6466	0.57811	0.6976	3.4528	253.97	0.4293	3.8125	34.967	1.9558	3,4137	
2007 Jan.	27.840	15.6466	0.57842	0.6975	3.4528	253.88	0.4293	3.8795	34.751	1.9558	3,3922	
2007 Feb.	28.233	15.6466	0.57918	0.7003	3.4528	253.30	0.4293	3.8943	34.490	1.9558	3,3823	
2007 Mar.	28.057	15.6466	0.57985	0.7088	3.4528	249.86	0.4293	3.8859	33.813	1.9558	3,3692	
	% change versus previous month											
2007 Mar.	-0.6	0.0	0.1	1.2	0.0	-1.4	0.0	-0.2	-2.0	0.0	-0.4	
	% change versus previous year											
2007 Mar.	-2.1	0.0	0.8	1.8	0.0	-4.2	0.0	0.1	-9.8	0.0	-3.9	
	Chinese yuan renminbi ²⁾ 24	Croatian kuna ²⁾ 25	Icelandic krona 26	Indonesian rupiah ²⁾ 27	Malaysian ringgit ²⁾ 28	New Zealand dollar 29	Philippine peso ²⁾ 30	Russian rouble ²⁾ 31	South African rand 32	Thai baht ²⁾ 33	New Turkish lira ³⁾ 34	
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052	
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1,6771	
2006	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1,8090	
2006 Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1,9118	
2006 Q4	10.1339	7.3657	88.94	11,771.01	4.6734	1.9143	64.108	34.2713	9.4458	47.109	1,8781	
2007 Q1	10.1688	7.3656	89.28	11,934.33	4.5842	1.8836	63.609	34.4795	9.4919	44.538	1,8492	
2006 Sep.	10.0971	7.3945	89.31	11,646.15	4.6724	1.9453	64.029	34.0549	9.4553	47.640	1,8870	
2006 Oct.	9.9651	7.3913	86.29	11,569.46	4.6390	1.9066	63.022	33.8849	9.6481	47.068	1,8654	
2006 Nov.	10.1286	7.3482	89.29	11,772.03	4.6927	1.9263	64.186	34.2602	9.3616	47.049	1,8786	
2006 Dec.	10.3356	7.3564	91.59	12,003.18	4.6909	1.9094	65.274	34.7316	9.3092	47.224	1,8920	
2007 Jan.	10.1238	7.3711	91.02	11,796.04	4.5596	1.8699	63.552	34.4578	9.3440	45.850	1,8536	
2007 Feb.	10.1326	7.3612	88.00	11,855.46	4.5706	1.8859	63.167	34.4060	9.3797	44.434	1,8260	
2007 Mar.	10.2467	7.3641	88.69	12,144.32	4.6212	1.8952	64.069	34.5680	9.7417	43.320	1,8659	
	% change versus previous month											
2007 Mar.	1.1	0.0	0.8	2.4	1.1	0.5	1.4	0.5	3.9	-2.5	2.2	
	% change versus previous year											
2007 Mar.	6.1	0.5	5.9	10.3	3.8	0.0	4.2	3.2	29.6	-7.5	16.1	

Source: ECB.

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

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

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



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
HICP														
2005	6.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	7.4	2.1	1.9	4.4	2.2	6.6	3.8	4.0	2.6	1.3	6.6	4.3	1.5	2.3
2006 Q2	8.6	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	7.2	4.6	1.9	2.2
Q3	6.7	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	5.9	4.8	1.5	2.4
Q4	5.7	1.1	1.6	4.5	1.5	6.2	4.2	6.4	1.1	1.3	4.8	3.5	1.4	2.7
2006 Oct.	5.2	0.8	1.4	3.8	1.7	5.6	3.7	6.3	1.7	1.1	4.8	3.1	1.2	2.4
Nov.	5.9	1.0	1.8	4.7	1.3	6.3	4.4	6.4	0.9	1.3	4.7	3.7	1.5	2.7
Dec.	6.1	1.5	1.7	5.1	1.5	6.8	4.5	6.6	0.8	1.4	4.9	3.7	1.4	3.0
2007 Jan.	6.8	1.4	1.8	5.0	1.4	7.1	4.0	8.4	1.2	1.6	4.1	2.2	1.6	2.7
Feb.	4.6	1.7	1.9	4.6	1.2	7.2	4.4	9.0	0.8	1.9	3.9	2.0	1.7	2.8
General government deficit (-)/surplus (+) as a % of GDP														
2003	0.3	-6.6	1.1	2.0	-6.3	-1.2	-1.3	-7.2	-10.0	-4.7	-1.5	-3.7	0.1	-3.3
2004	2.7	-2.9	2.7	2.3	-4.1	-0.9	-1.5	-6.5	-5.0	-3.9	-1.5	-3.0	1.8	-3.2
2005	2.4	-3.6	4.9	2.3	-2.3	0.1	-0.5	-7.8	-3.2	-2.5	-1.5	-3.1	3.0	-3.3
General government gross debt as a % of GDP														
2003	46.0	30.1	44.4	5.7	69.1	14.4	21.2	58.0	70.2	43.9	21.5	42.7	51.8	38.9
2004	38.4	30.7	42.6	5.2	70.3	14.5	19.4	59.4	74.9	41.8	18.8	41.6	50.5	40.4
2005	29.8	30.4	35.9	4.5	69.2	12.1	18.7	61.7	74.2	42.0	15.9	34.5	50.4	42.4
Long-term government bond yield as a % per annum, period average														
2006 Sep.	4.40	3.90	3.79	-	4.28	4.38	4.28	7.58	4.34	5.48	7.49	4.79	3.70	4.44
Oct.	4.26	3.89	3.88	-	4.26	4.55	4.28	7.47	4.34	5.40	7.56	4.42	3.73	4.51
Nov.	4.38	3.78	3.78	-	4.26	4.95	4.28	7.01	4.34	5.20	7.56	4.25	3.62	4.45
Dec.	4.18	3.68	3.78	-	4.26	4.90	4.28	6.81	4.33	5.14	7.42	4.15	3.65	4.54
2007 Jan.	4.27	3.84	4.00	-	4.36	4.92	4.28	6.96	4.34	5.17	7.39	4.25	3.90	4.94
Feb.	4.24	3.78	4.05	-	4.42	5.07	4.28	6.96	4.38	5.19	7.52	4.28	3.93	4.97
3-month interest rate as a % per annum, period average														
2006 Sep.	3.74	2.49	3.45	3.40	3.39	4.84	3.38	7.88	3.65	4.21	8.66	4.95	2.83	5.03
Oct.	3.78	2.65	3.61	3.57	3.62	4.97	3.53	8.20	3.62	4.21	8.62	5.02	2.96	5.13
Nov.	3.84	2.64	3.72	3.66	3.80	4.36	3.61	-	3.90	4.20	8.71	4.94	3.08	5.23
Dec.	4.01	2.56	3.84	3.81	3.76	4.21	3.72	8.20	3.90	4.20	8.19	4.82	3.21	5.29
2007 Jan.	4.06	2.58	3.92	3.90	3.82	3.82	3.79	8.15	3.85	4.20	6.69	4.50	3.35	5.49
Feb.	4.09	2.59	3.99	3.94	3.87	5.61	3.87	-	4.10	4.20	7.13	4.60	3.43	5.57
Real GDP														
2005	6.2	6.1	3.1	10.5	3.9	10.6	7.6	4.2	3.0	3.5	4.1	6.0	2.9	1.9
2006	6.0	6.1	3.2	11.4	3.8	11.9	7.5	3.9	2.9	5.8	7.6	8.3	4.4	2.8
2006 Q2	6.4	6.1	3.0	11.8	4.2	11.1	8.4	4.0	2.6	5.6	7.7	6.7	5.0	2.8
Q3	6.7	6.0	3.0	11.0	3.8	11.9	6.9	3.9	2.3	5.9	8.2	9.8	4.5	3.0
Q4	5.7	5.8	3.1	11.2	3.6	11.7	7.0	3.4	3.6	6.6	7.6	9.6	4.9	3.0
Current and capital accounts balance as a % of GDP														
2005	-11.0	-2.4	3.9	-9.5	-5.1	-11.2	-5.9	-6.0	-6.3	-1.4	-7.9	-8.6	6.3	-2.3
2006	-15.1	-4.0	2.4	-12.3	-5.9	-19.9	-9.7	-4.9	.	-1.7	-10.4	-8.4	.	-3.4
2006 Q2	-11.7	-5.9	2.7	-10.6	-2.3	-16.3	-8.3	-5.4	-7.3	-1.7	-13.6	-9.3	6.0	-3.0
Q3	-4.4	-5.1	4.5	-12.6	8.6	-22.7	-11.1	-4.2	2.9	-0.7	-9.5	-10.1	7.2	-3.5
Q4	-24.5	-5.3	1.4	-14.5	-19.5	-25.3	-10.0	-2.9	.	-2.6	-10.7	-7.3	.	-3.3
Unit labour costs														
2005	2.4	-0.5	0.9	2.7	1.3	15.5	3.4	.	0.0	0.9	.	0.5	0.6	.
2006	4.5	.	2.0	5.7	1.9	13.8	7.0	.	-0.7	.	.	1.7	-0.6	.
2006 Q1	-	0.5	1.4	3.7	-	-	3.6	-	-0.1	-	-	1.9	-2.2	.
Q2	-	.	1.8	5.1	-	-	3.5	-	-0.6	-	-	3.7	-0.3	.
Q3	-	.	2.4	5.6	-	-	11.1	-	-0.9	-	-	0.5	0.5	.
Standardised unemployment rate as a % of labour force (s.a.)														
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.3	7.2	7.3	17.8	7.1	16.3	7.4	4.8
2006	9.0	7.2	3.9	5.9	4.7	6.8	5.6	7.5	7.4	13.8	7.4	13.4	7.0	5.3
2006 Q2	9.2	7.3	4.2	6.0	4.8	7.1	5.9	7.3	7.5	14.2	7.3	13.7	.	5.4
Q3	9.2	7.1	3.7	5.8	4.6	6.7	5.9	7.6	7.3	13.4	7.6	13.1	.	5.4
Q4	8.3	6.7	3.6	5.6	4.5	6.1	5.0	7.7	7.0	12.6	7.8	12.3	.	5.3
2006 Oct.	8.3	6.8	3.6	5.8	4.5	6.2	5.1	7.6	7.1	12.9	7.8	12.7	.	5.3
Nov.	8.3	6.7	3.6	5.5	4.5	6.1	5.0	7.7	7.1	12.6	7.8	12.4	.	5.4
Dec.	8.3	6.6	3.5	5.4	4.5	5.9	4.9	7.7	6.9	12.3	7.8	11.9	.	5.4
2007 Jan.	8.4	6.5	3.3	4.8	4.5	6.0	5.8	7.8	6.8	12.1	7.5	11.2	.	.
Feb.	8.2	6.4	3.4	4.9	4.5	5.8	5.7	7.9	6.7	11.8	7.3	11.0	.	.

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

9.2 In the United States and Japan

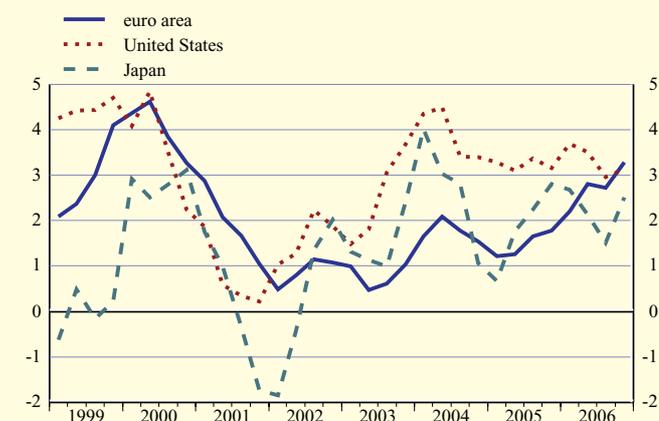
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs ¹⁾ (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2003	2.3	0.8	2.5	1.3	6.0	7.0	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	3.0	5.5	4.7	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	-0.1	3.2	4.0	5.1	4.4	3.56	4.28	1.2441	-3.7	49.2
2006	3.2	-0.2	3.3	5.0	4.6	4.7	5.19	4.79	1.2556	.	.
2006 Q1	3.6	1.9	3.7	4.9	4.7	4.6	4.76	4.57	1.2023	-2.3	49.8
Q2	4.0	0.1	3.5	5.5	4.6	4.7	5.21	5.07	1.2582	-2.3	48.6
Q3	3.3	-2.2	3.0	6.1	4.7	4.5	5.43	4.90	1.2743	-2.6	48.5
Q4	1.9	-0.4	3.1	3.6	4.5	5.0	5.37	4.63	1.2887	.	.
2007 Q1	.	.	.	.	4.5	.	5.36	4.68	1.3106	.	.
2006 Nov.	2.0	.	.	2.9	4.5	5.0	5.37	4.60	1.2881	-	-
Dec.	2.5	.	.	3.6	4.5	5.3	5.36	4.57	1.3213	-	-
2007 Jan.	2.1	.	.	2.2	4.6	5.5	5.36	4.76	1.2999	-	-
Feb.	2.4	.	.	2.9	4.5	5.6	5.36	4.73	1.3074	-	-
Mar.	.	.	.	.	4.4	.	5.35	4.56	1.3242	-	-
Japan											
2003	-0.2	-3.8	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	151.4
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-5.5	157.6
2005	-0.3	-0.5	1.9	1.1	4.4	1.8	0.06	1.39	136.85	-5.9	164.2
2006	0.2	-2.6	2.2	4.6	4.1	1.1	0.30	1.74	146.02	.	.
2006 Q1	-0.1	-1.6	2.7	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.1	4.2	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	-2.9	1.5	5.4	4.1	0.6	0.41	1.80	148.09	.	.
Q4	0.3	-3.6	2.5	5.7	4.1	0.7	0.49	1.70	151.72	.	.
2007 Q1	.	.	.	.	.	.	0.62	1.68	156.43	.	.
2006 Nov.	0.3	-3.3	.	4.9	4.0	0.6	0.48	1.70	151.11	-	-
Dec.	0.3	-3.1	.	4.9	4.1	0.7	0.56	1.64	154.82	-	-
2007 Jan.	0.0	.	.	4.1	4.0	0.9	0.56	1.71	156.56	-	-
Feb.	-0.2	.	.	2.6	4.0	1.0	0.59	1.71	157.60	-	-
Mar.	.	.	.	.	.	.	0.71	1.62	155.24	-	-

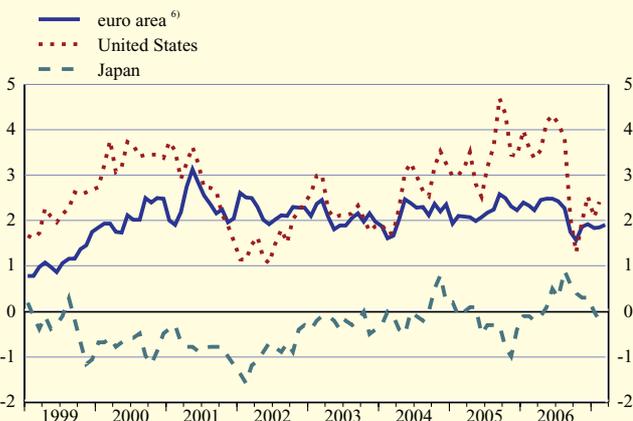
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 Consumer price indices

(annual percentage changes; monthly)



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

1) Data for the United States are seasonally adjusted.

2) Average-of-period values; M2 for US, M2+CDs for Japan.

3) For more information, see Sections 4.6 and 4.7.

4) For more information, see Section 8.2.

5) Gross consolidated general government debt (end of period).

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

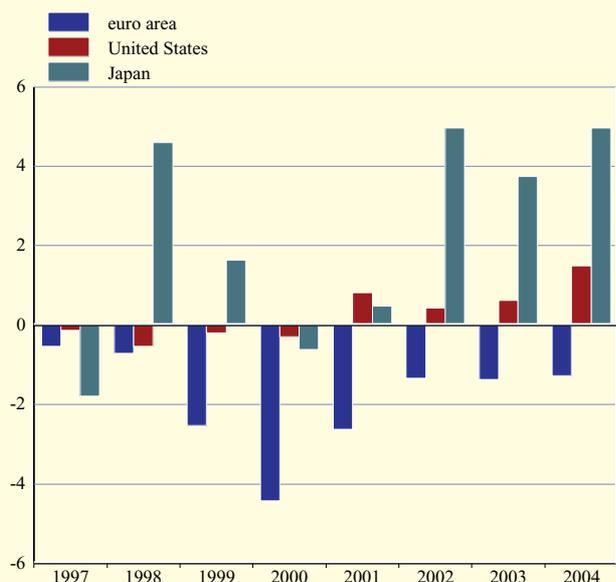
9.2 In the United States and Japan

(as a percentage of GDP)

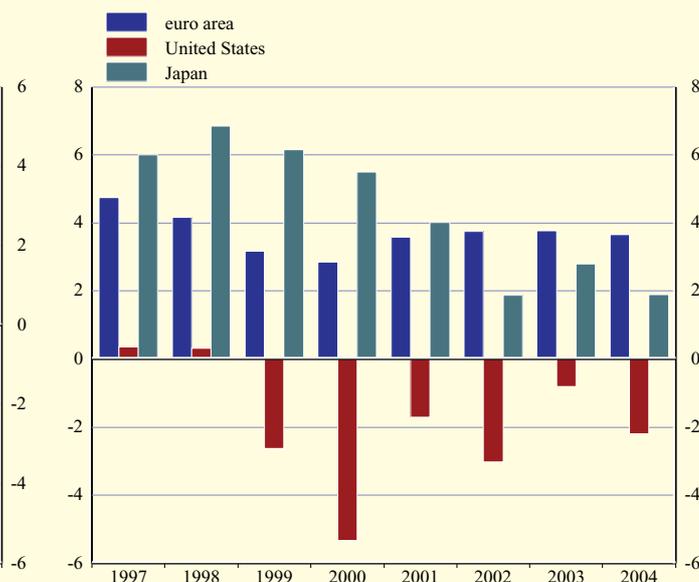
2. Saving, investment and financing

	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													
2003	13.3	18.5	-4.7	6.8	6.8	0.8	7.6	0.1	0.4	13.3	8.5	11.3	9.3
2004	13.2	19.3	-5.6	7.0	6.7	6.7	7.6	5.2	0.3	13.5	7.9	11.2	10.1
2005	12.9	19.7	-6.2	7.1	7.0	3.3	7.9	2.6	-1.0	13.8	4.9	9.6	9.7
2006	13.8	20.0	-6.2	7.6	7.3	2.3	8.2	1.4	-1.2	13.1	3.6	8.5	8.1
2005 Q1	13.2	19.8	-6.3	7.3	6.9	3.4	7.4	3.6	0.1	13.6	5.7	10.0	8.5
Q2	12.7	19.5	-6.1	6.9	7.0	3.4	7.9	3.1	-0.7	14.0	4.4	9.4	10.4
Q3	13.2	19.5	-5.7	6.8	7.0	3.5	8.5	1.4	-1.4	13.9	5.6	10.0	10.3
Q4	12.7	20.2	-6.8	7.3	7.1	3.1	7.9	2.3	-1.7	13.6	3.8	9.1	9.7
2006 Q1	14.5	20.3	-6.3	7.5	7.2	2.7	8.4	1.1	-0.8	13.6	5.4	9.1	9.4
Q2	13.6	20.2	-6.4	7.6	7.3	3.0	8.1	2.3	-1.5	13.3	1.9	8.2	8.5
Q3	13.3	20.0	-6.5	7.7	7.4	1.5	8.3	0.7	-1.9	12.9	4.4	8.3	7.3
Q4	14.0	19.4	-5.7	7.7	7.3	2.0	8.1	1.4	-0.7	12.6	2.7	8.4	7.4
Japan													
2003	25.4	22.9	3.1	13.2	13.2	2.4	16.9	-5.4	0.2	3.6	0.3	7.0	-0.7
2004	25.8	22.8	3.6	13.6	13.4	4.2	17.8	-0.5	1.0	4.8	3.1	6.8	-1.0
2005	26.4	23.3	3.5	14.4	14.2	6.8	17.1	-4.9	-4.6	4.4	3.0	6.4	1.2
2006	.	24.1	.	.	.	1.6	.	0.4	0.2	.	4.1	0.0	-0.2
2005 Q1	31.6	25.9	3.7	.	.	10.5	.	-3.5	-1.7	.	-12.3	.	3.0
Q2	22.3	24.2	3.2	.	.	-15.6	.	-14.0	2.3	.	9.1	.	-6.4
Q3	24.6	23.6	3.8	.	.	6.2	.	2.0	0.5	.	-3.3	.	3.1
Q4	27.0	24.2	3.4	.	.	21.4	.	-9.6	-19.8	.	16.3	.	4.6
2006 Q1	31.9	23.8	4.2	.	.	8.6	.	-5.0	-3.1	.	-7.6	.	5.2
Q2	.	23.4	.	.	.	-24.3	.	-15.7	1.2	.	9.8	.	-9.9
Q3	.	24.3	.	.	.	8.3	.	2.9	-0.1	.	0.2	.	3.9
Q4	.	24.7	.	.	.	13.4	.	18.3	2.7	.	13.0	.	0.3

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 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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:

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

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:

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

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

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:

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

where I_t is the index of notional stocks as at month t . Likewise, for the year ending in month t , the average growth rate is calculated as:

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

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:

$$p) a_t = \left[\prod_{i=0}^5 \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$q) a_t = \left(\frac{I_t}{I_{t-6}} - 1 \right) \times 100$$

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 and income are pre-adjusted to take a working-day effect into account. 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). This allows user-friendly access to data via the ECB Statistical Data Warehouse (<http://sdw.ecb.int/>), which includes search and download facilities. Further services available under the “Data services” sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB’s Governing Council. For this issue, the cut-off date was 11 April 2007.

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

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain,

France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data after 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia.

Given that the composition of the ECU does not coincide with the former currencies of the countries which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States which have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group “Other EU Member States” comprises Bulgaria, the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term “up to (x) years” means “up to and including (x) years”.

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the

balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section

2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "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,

1 OJ L 356, 30.12.1998, p. 7.

2 OJ L 250, 2.10.2003, p. 19.

real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-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 (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 13 (i.e. the Euro 12 plus Slovenia) for the whole time series (fixed composition).

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not

change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of Table 1 in Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of Table 2 in Section 2.1. The total net issues for total debt securities in

column 1 of Table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in Table 1 in Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-

vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP;

thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data 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

³ OJ L 162, 5.6.1998, p. 1.

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.

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 Organization (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

4 OJ L 86, 27.3.2001, p. 11.

5 OJ L 69, 13.3.2003, p. 1.

6 OJ L 169, 8.7.2003, p. 37.

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 excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 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 by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations, is available on the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also

⁷ OJ L 172, 12.7.2000, p. 3.

⁸ OJ L 179, 9.7.2002, p. 1.

⁹ OJ L 354, 30.11.2004, p. 34.

working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international

organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest available four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest available end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the

ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices

based on 1995-1997 weights to those based on 1999-2001 weights. The EER-24 group of trading partners is composed of the 14 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-44 group includes, in addition to the EER-24, the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 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



13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

1 DECEMBER 2005

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and

1.25% respectively, both with effect from 6 December 2005.

16 DECEMBER 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the

¹ The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 can be found on pages 176 to 180 of the ECB's Annual report 1999, on pages 205 to 208 of the ECB's Annual report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.

marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by

25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

31 AUGUST 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50%, both with effect from 13 December 2006.

21 DECEMBER 2006

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2008.

the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

12 APRIL 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on





DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2006

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CONVERGENCE REPORT

"Convergence Report May 2006".

"Convergence Report December 2006".

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates

on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

ISSN 1561013-6



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