



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 09 | 2005

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SEPTEMBER

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EUROPEAN CENTRAL BANK



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## MONTHLY BULLETIN SEPTEMBER 2005

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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

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

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



## EDITORIAL

At its meeting on 1 September 2005, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

On the basis of its regular economic and monetary analyses, the Governing Council has concluded that the monetary policy stance remains appropriate, given the current outlook for inflation rates over the medium term. The prevailing exceptionally low level of both nominal and real interest rates across the entire maturity spectrum provides considerable support to economic activity in the euro area. At present, although upside risks to price stability exist, the Governing Council continues to see no significant evidence of a build-up in underlying inflationary pressures in the euro area. However, not least in view of the risk of second-round effects from ongoing oil price increases, it continues to monitor the development of inflation expectations very closely. At present, particular vigilance with regard to upside risks to price stability is warranted.

Considering first the economic analysis, real GDP grew at a quarter-on-quarter rate of 0.3% in the second quarter of 2005, compared with 0.4% in the first quarter according to the latest release from Eurostat. Economic activity thus continued to grow moderately in the euro area. The most recent survey indicators have, on balance, been supportive to the view that economic growth could improve in the second half of 2005, while higher oil prices continue to weigh on demand and confidence.

On the external side, ongoing growth in global demand and improvements in euro area price competitiveness should support euro area exports. On the domestic side, investment should benefit from very favourable financing conditions, the robust growth of corporate earnings and ongoing improvements in

corporate efficiency. Consumption growth should gradually rise, broadly in line with expected developments in disposable income.

This assessment is broadly consistent with the September 2005 ECB staff projections. Euro area real GDP is projected by staff to grow at rates of between 1.0% and 1.6% in 2005 and between 1.3% and 2.3% in 2006 (for more details, see Box 7 entitled “ECB staff macroeconomic projections for the euro area”). Recent forecasts from international and private sector organisations give a similar picture. In comparison with the June Eurosystem staff projections, the ranges projected for real GDP growth in 2005 and 2006 have been revised downwards slightly, reflecting both the downward revision of growth data for the first quarter of this year and the effects of higher oil prices.

On balance, risks to the economic growth projections continue to lie on the downside, and relate to higher oil prices, low consumer confidence and concerns about global imbalances.

Turning to price developments, annual HICP inflation was 2.1% in August according to Eurostat’s flash estimate, compared with 2.2% in July. Over the next few months, annual HICP inflation rates are expected to fluctuate around current levels, mainly due to recent developments in oil prices. Looking further ahead, ECB staff project average annual HICP inflation to lie between 2.1% and 2.3% in 2005 and between 1.4% and 2.4% in 2006. The latest projections constitute considerable upward revisions to the Eurosystem staff inflation projections published in June, reflecting the fact that oil prices have once again increased by more than was suggested earlier by forward prices. At the same time, wage increases have remained contained over recent quarters; the projections are based on the assumption that this trend will prevail for the time being given the current labour market situation. Overall, the Governing Council continues to see no

significant evidence of underlying domestic inflationary pressures building up in the euro area.

Risks to this new baseline inflation scenario are on the upside and relate to potential further rises in oil prices, administered prices and indirect taxes. More fundamentally, the main risks to the inflation outlook stem from potential second-round effects in wage and price-setting behaviour triggered by ongoing oil price rises. In this respect, it is key that the social partners continue to meet their responsibilities. Against this background, wage developments and inflation expectations will continue to be monitored very closely. Ongoing vigilance is required in order to ensure that longer-term inflation expectations remain well-anchored in the euro area.

Turning to the monetary analysis, the latest data confirm the strong monetary and credit growth which has been observed since mid-2004. The monetary dynamics are driven by the prevailing low level of interest rates, as reflected in the robust growth of the more liquid components of M3. Low interest rates are also fuelling credit expansion, with the strengthening of the demand for loans broadly based across the private sector. The growth of mortgage borrowing remains very strong. In this context, price dynamics in the housing markets need to be monitored closely. The liquidity situation in the euro area remains ample by all plausible measures, indicating risks to price stability over medium to longer horizons.

To sum up, recent oil price developments have pushed up the inflation projections for the year ahead, while medium-term domestic inflationary pressures still remain contained in the euro area. However, the balance of risks to the baseline inflation scenario is tilted to the upside. Cross-checking the economic analysis with the monetary analysis confirms the need for particular vigilance in order to keep medium-term inflation expectations firmly anchored at levels consistent with price stability. By achieving this, monetary policy is

making a significant contribution towards a recovery in economic growth.

Fiscal policies will make their best contribution to stability, growth and confidence if prevailing imbalances are tackled as part of determined and well-designed reform programmes. A rigorous implementation of the revised Stability and Growth Pact would reinforce the credibility of reform plans and boost expectations of a sound fiscal and growth situation. Against this background, it is regrettable that the pace of fiscal consolidation remains too slow. In some countries, targets for correcting excessive deficits are at risk. Moreover, due to a very generous application of the new rules of the Pact, countries which have recently breached the 3% deficit limit are being granted relatively long periods to correct the situation. The Governing Council therefore urges Member States to step up consolidation efforts where needed and to implement the revised rules in a manner that supports these efforts and deters future slippages.

As regards structural reforms, the European Commission has recently presented the “Community Lisbon Programme” and a list of measures at the EU level to relaunch the Lisbon strategy. The programme focuses on enhancing knowledge and innovation in order to strengthen growth, on making Europe a more attractive place to invest and work, and on creating more and better jobs. It includes, for example, measures to further open EU markets and to simplify the regulatory framework within which business operates. The Community Lisbon Programme will be complemented by the introduction of national action plans for growth and jobs, which the Member States will present this autumn. Progress at both the Community and the Member State level is crucial to addressing the economic challenges facing the EU.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*The global economy continues to expand at a fairly robust pace. It appears increasingly likely that the weakness in the global manufacturing sector during the first half of the year was a temporary phenomenon. Despite the continued rise in oil prices, inflationary pressures at the global level remain relatively well contained. The outlook for the global economy remains relatively favourable, with oil prices being the main source of downside risks to growth.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

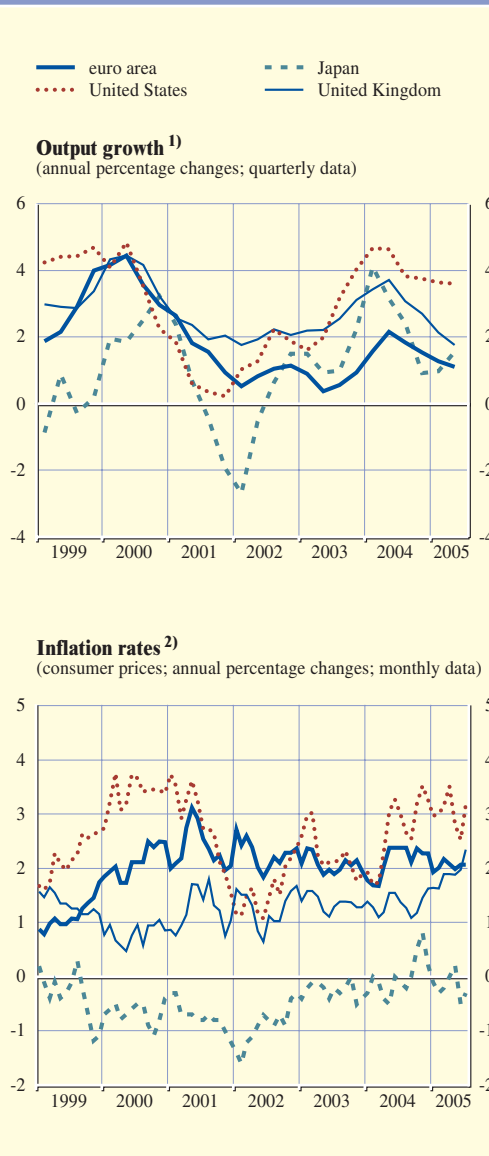
The global economy continues to expand at a fairly robust pace. Industrial production has recently picked up in a number of countries. In addition, survey results suggest that the manufacturing sector improved strongly in many countries in July, while the services sector continued its robust growth performance. At the same time, the robust expansion of several Asian economies, most notably China, persisted more or less unabated. Despite the continued increase in oil prices, annual inflation rates at the consumer price level have generally continued to ease. The annual rate of change of the CPI, excluding food and energy, declined to 1.8% on average for the OECD countries in June, continuing its gradual downward trend.

#### UNITED STATES

In the United States robust economic expansion has continued, supported by fairly rapid growth in labour productivity and by a gradual improvement in the employment situation. According to preliminary estimates, real GDP grew at a quarterly annualised rate of 3.3% in the second quarter of 2005. Growth was therefore slightly down on the previous quarter, partly on account of a large decrease in inventory investment. Growth in final domestic demand remained strong, and the contribution of net trade to GDP growth turned positive. This improvement in net trade was largely the result of a deceleration in imports, which, to some extent, probably reflected the inventory adjustment.

The latest indicators suggest that the economy has continued to expand at a fairly brisk rate in recent months. The dampening effect of elevated oil prices on activity appears to have

Chart I Main developments in major industrialised economies



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



remained limited. Long-term interest rates are still relatively low, despite rising short-term interest rates. Together with increases in house prices, this has bolstered residential investment and other components of household and business spending. Momentum in manufacturing output has strengthened in recent months, following some weakness, which appears to have been related to a need to reduce inventories in some sectors, most notably in the automobile sector.

The gradual improvement in labour market conditions has continued. In July non-farm employment rose by 207,000, bringing the average monthly increase in the first seven months of this year to 191,000. The rate of unemployment fell to 5.0% in July. Increases in labour productivity have remained fairly strong, with the quarterly annualised increase in the non-farm business sector standing at 2.2% in the second quarter of 2005, which was slightly down on the previous quarter.

Looking ahead, the outlook for overall economic activity in the near future remains rather benign. Business fixed investment is expected to continue growing, as corporate profits remain strong and financing conditions relatively favourable. Growth of household consumption is also expected to continue to be rather robust, supported by favourable employment developments. Even though the elevated level of energy prices appears to have had only a limited effect on economic activity so far, developments in the price of energy constitute a risk to growth.

Increases in consumer prices other than energy have remained relatively contained, despite the elevated price of oil and last year's acceleration in unit labour costs. Excluding food and energy, annual consumer price inflation rose to 2.1% in July. With regard to monetary policy, the Federal Open Market Committee decided, at its meeting of 9 August 2005, to raise its target for the federal funds rate by 25 basis points for the tenth consecutive time, bringing the policy rate to 3.5%. The Committee reiterated its statement that "policy accommodation can be removed at a pace that is likely to be measured".

## **JAPAN**

In Japan economic activity is regaining momentum following the considerable slowdown experienced throughout last year. According to the first estimate of national accounts, real GDP rose by 0.3% on a quarterly basis in the second quarter of 2005, which is equivalent to an annualised growth rate of 1.1%. This figure is significantly down on the previous quarter, but this was expected in the light of the exceptionally strong rate of quarterly expansion observed in the first quarter of 2005 (5.4% in annualised terms). The change in GDP growth from the previous quarter largely reflected a significant negative contribution from inventories. By contrast, positive contributions were provided by domestic demand and net trade.

The latest GDP data confirmed earlier indications of solid growth in domestic demand and also pointed to an incipient recovery in exports. Looking ahead, the Japanese economy is expected to continue to recover at a sustained pace throughout the rest of the year, bolstered by favourable developments in labour markets and robust corporate investment activity.

With regard to price developments, both the headline CPI and the CPI excluding fresh food continued to decline. The annual rate of change in the CPI was -0.3% in July, while that of the CPI excluding fresh food stood at -0.2%. By contrast, producer prices – as measured by the domestic corporate goods price index – rose by 1.5% on an annual basis in July, reflecting the high prices of oil products and raw materials.

At its meeting on 9 August 2005, the Bank of Japan decided to leave its target for the outstanding balance of current accounts unchanged at around JPY 30 to 35 trillion. At the same time, it reiterated in the associated press release that when the demand for liquidity is exceptionally weak due to technical factors, the balance may be allowed to fall below the lower threshold of the target.

### UNITED KINGDOM

Recent developments in the United Kingdom indicate slow economic growth and a gradual increase in inflation. The quarterly rate of real GDP growth was 0.5% in the second quarter of 2005, a slight increase from the previous quarter. Household spending and investment remained weak, while exports accelerated strongly in the second quarter. Imports also rose, but the rebound in the second quarter was weaker, contributing to the decline in the trade deficit. In light of the most recent release of national accounts data, forecasts for economic growth in 2005 have been revised downwards.

HICP inflation increased further in July to 2.3% year on year, from 2.0% in the preceding month. The main upward effect came from transport prices, primarily as a result of higher petrol prices. Energy prices continued to drive producer prices too, which increased by 10.4% year on year. Residential property prices remained relatively flat in the second quarter of 2005. On 4 August 2005, the Bank of England's Monetary Policy Committee lowered the repo rate by 0.25 percentage point to 4.5%. This decision was motivated by the subdued economic performance and a less optimistic outlook for output growth.

### OTHER EUROPEAN COUNTRIES

The economic outlook for the other non-euro area EU countries remains relatively favourable, although in most countries output growth for the year 2005 as a whole is likely to be weaker than last year. At the same time, HICP inflation data for July suggest that the downward trend in inflation in some countries has come to a halt.

In Sweden preliminary data indicate that quarter-on-quarter real GDP growth in the second quarter of this year increased to 0.6%. Economic activity was supported by private consumption and investment, as net exports did not contribute to GDP growth. In Denmark output growth is also expected to recover, having remained relatively subdued in the first quarter of this year (0.1% quarter on quarter). Annual HICP inflation seems to be increasingly affected by developments in energy prices, particularly in Denmark, where annual inflation increased to 1.9% in July. In Sweden, however, inflation remained rather muted at 0.7% in July, favoured by strong competition and high productivity growth. Looking ahead, output growth in 2005 is expected to remain relatively robust in both countries, largely driven by domestic demand.

In the three largest new EU Member States, real GDP growth continued to expand at a relatively robust pace in the first quarter of this year, albeit generally slower than before. Activity indicators for the second quarter point to continued relatively robust growth in the Czech Republic and Hungary. In the Czech Republic output growth is expected to be positively influenced by developments in net exports. In Hungary retail sales and construction growth point to an increase in real GDP growth in the second quarter of this year. In Poland, however, preliminary estimates for GDP growth in the second quarter suggest that economic activity has been weaker than in the other two countries. Looking forward, lower interest rates are likely to stimulate domestic demand in all three countries. HICP inflation trends have differed across countries. While inflation has declined significantly in Poland since the beginning of the year (1.5% in July), it has remained relatively high, although generally declining, in Hungary (3.6% in July). In the Czech

Republic inflation continues to be low (1.4% in July). In all these countries favourable developments in food prices and recent currency appreciations seem to be offsetting the upward pressure from higher energy prices. Against the background of a further improvement in the inflation outlook, Magyar Nemzeti Bank reduced its policy rate by 0.5 percentage point on 22 August, to 6.25%. On 31 August Narodowy Bank Polski also lowered its key policy rate by 0.25 percentage point, to 4.5%.

In most other non-euro area EU countries, the growth outlook remains relatively favourable, particularly in the Baltic States and Slovakia. In the countries for which data are available, annual real GDP growth remained robust in the second quarter of this year, reaching 5.1% in Slovakia and 6.7% in Lithuania. Although HICP inflation has declined in most countries since the beginning of the year, it has remained particularly high in Latvia (6.3% in July).

In Switzerland economic activity remained weak at the beginning of 2005, but recently the economy has shown some signs of improvement. Exports strengthened significantly in May and June, and survey data indicate that the weakness in growth is likely to come to an end in the third quarter. Annual CPI inflation was 1.2% in July, up from 0.7% in June.

In Russia the pace of economic expansion continues to slow from the rates observed in 2004. Industrial production growth was 4.1% year on year in the second quarter, compared with 7.3% in 2004. This slowdown was particularly pronounced in the mining and quarrying sector, and growth in the manufacturing sector declined from 9.2% in 2004 to 6.0% in the second quarter of 2005. At the same time, inflation rates remain at relatively high levels, despite easing somewhat. Annual consumer price inflation declined to 13.2% in July, from 13.7% in June.

#### **NON-JAPAN ASIA**

Overall, economic growth in non-Japan Asia continued at a robust pace in the second quarter of 2005. Exports have recently maintained a steady growth rate, after decelerating for a number of quarters, while domestic demand has continued to show fairly strong growth momentum in most major economies in the region. At the same time, inflationary pressures generally remain moderate, but have increased in some South-East Asian countries as a result of a reduction in government fuel subsidies.

In China, the economy continued to expand strongly in the second quarter of 2005. Both rising exports and robust domestic demand contributed to the growth performance. The combination of persistently high export growth and a decline in import growth resulted in a sharp rise in the trade balance and a larger net trade contribution to GDP growth. Exports continued to expand rapidly, growing by 28.6% year on year in July 2005, while imports rose by a more moderate 12.7%. At the same time, robust domestic demand continued to boost economic activity. Year-on-year growth in industrial production and retail sales, albeit decelerating slightly from June, remained high at 16.1% and 12.7% respectively in July. Regarding price developments, annual CPI inflation rose slightly from 1.6% in June to 1.8% in July.

In South Korea the economy expanded robustly in the second quarter of the year. Real GDP grew by 3.3% year on year, up from 2.7% in the first quarter of 2005. Growth in industrial production rose to 4.1% year on year in June. The expansion in economic activity can be attributed to an improvement in domestic demand and exports.

Economic prospects for the non-Japan Asia region remain fairly favourable, bolstered by the ongoing improvement in domestic demand, particularly private consumption, although high oil prices remain a major risk to the region. Growth in the Chinese economy, however, is expected to moderate gradually on account of a probable slowdown in export and investment growth.

## LATIN AMERICA

The latest indicators for Latin America confirm that economic growth continues to proceed at a relatively fast pace. This expansion is still being driven by export activity, with further support from domestic demand. Real GDP in Brazil and Mexico rose by 3.9% and 3.1% year on year in the second quarter respectively. Industrial production growth continued to be very strong in Argentina, reaching 8.4% year on year over the same period. Inflationary pressures do not display a homogeneous pattern across the region, but have, on average, receded somewhat in recent months.

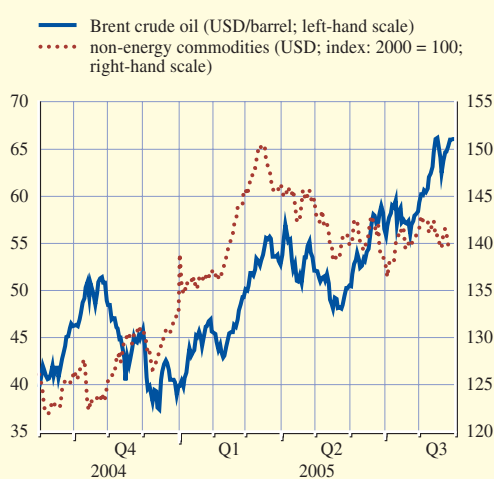
At present, the region's economic prospects look favourable. Supported by lower interest rates, domestic demand is projected to gain some momentum during the rest of the year. This would help compensate for the expected reduction of export growth to more sustainable rates.

## 1.2 COMMODITY MARKETS

Oil prices soared between mid-July and end-August, with the price of Brent crude oil reaching a new all-time high of USD 66.9 on 31 August. Against the backdrop of already tight oil market fundamentals, refinery disruptions, heightened geopolitical concerns over the security of oil supplies, and weather-related supply disruptions pushed up prices. The International Energy Agency's latest assessment of oil market conditions indicates a further tightening of the supply-demand balance, as it expects demand for oil to remain relatively robust in spite of the record high prices, while non-OPEC supply growth forecasts remain short of earlier expectations. Consequently, demand for OPEC's oil and, in turn, the degree of dependency on some of the world's most volatile producers continues to rise. There is only limited scope for additional supplies from OPEC, as it is already producing near capacity. Moreover, most of OPEC's spare capacity is of a quality for which there is currently only limited demand on account of constraints in the global refining capacity. The narrow spare capacity cushion all along the oil supply chain, and thus the high sensitivity to unanticipated changes in the supply-demand balance, are expected to keep oil prices both high and volatile in the near future. According to oil futures markets, oil prices are expected to remain near current levels over the coming years.

After declining from their March 2005 peak, non-energy commodity prices have broadly moved sideways over the last four months, as an increase in the prices of industrial raw

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

materials was balanced by declining food prices. Nonetheless, expressed in US dollar terms, non-energy commodity prices in August were approximately 13% higher than one year earlier.

### **I.3 OVERALL OUTLOOK FOR THE EXTERNAL ENVIRONMENT**

The outlook for the external environment and for euro area external demand remains fairly favourable. In particular, the improvement in the manufacturing sector in a number of countries suggests that the recent weakening in this sector might to some extent have been temporary, partially reflecting inventory corrections. A similar picture emerges from the OECD Composite Leading Indicator, whose six-month rate of change, while remaining at low levels, rose noticeably in June, continuing the improvement that started in May. The recovery in the leading indicator has been broad-based, with particularly robust increases in the United States, Canada and Switzerland. The outlook for major emerging market economies in Asia and Latin America also remains fairly favourable, supported, in particular, by domestic demand. Continued favourable financing conditions and robust profit growth should continue to boost global growth. The main downside risk to this rather benign outlook stems from oil prices.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

Monetary developments over the past few months confirm the strengthening of M3 growth observed since the middle of 2004. The stimulative effect of the low level of interest rates remains the main factor behind M3 dynamics, while the dampening effect of the normalisation of portfolio allocation behaviour has waned. The impact of low interest rates is reflected in the dynamism of the most liquid instruments of M3 contained in M1 on the components side and by the further strengthening of credit growth on the counterparts side. Overall, the evidence available suggests that the stock of liquidity in the euro area remains ample, which continues to signal upside risks to price stability over the medium to longer term.

#### THE BROAD MONETARY AGGREGATE M3

Over the past few months, the strengthening of the annual rate of growth of M3 observed since mid-2004 continued. The annual growth rate of M3 stood at 7.9% in July 2005, after 7.0% in the second quarter and 6.6% in the first quarter. The three-month moving average of the annual growth rates of M3 over the period from May to July 2005 increased to 7.6%, from 7.2% in the period from April to June 2005 (see Chart 3). The further strengthening of the annual rate of growth of M3 in mid-2005 reflects strong short-term dynamics, as indicated, for instance, by the increase in the annualised six-month rate of growth of M3 to 8.7% in July (compared with 7.1% in January 2005).

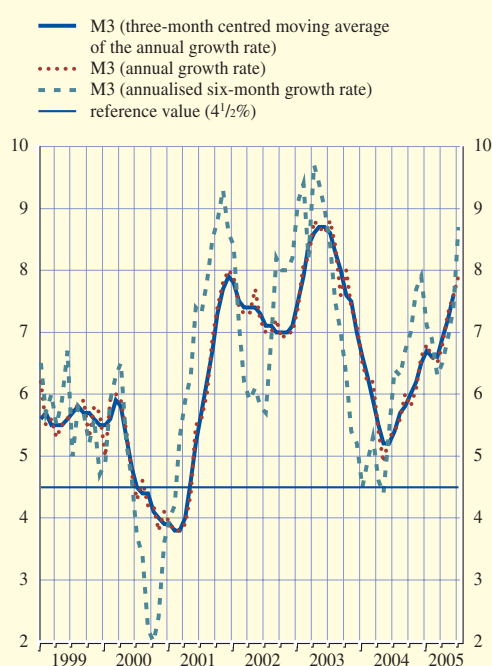
The stimulative impact of the prevailing low level of interest rates, which implies a low opportunity cost of holding money, has remained the main factor driving monetary dynamics. This is reflected in the strong growth of the most liquid components of M3, which are included in the narrow monetary aggregate M1.

At the same time, the allocation of new investment now seems to have returned to more normal patterns and the factor labelled “normalisation of the portfolio allocation behaviour of euro area economic agents”, which had dampened monetary growth in the aftermath of the exceptional preference for liquidity between 2001 and mid-2003, seems to have lost its past impetus. This view is supported, for instance, by the fact that the wedge between the strong growth of MFI longer-term financial liabilities and the subdued growth of safe money market fund shares/units has not increased further in recent months.

In reflection of the fading-out of the effects of the factor labelled “normalisation of the portfolio allocation behaviour of euro area economic agents”, the difference between the

Chart 3 M3 growth and the reference value

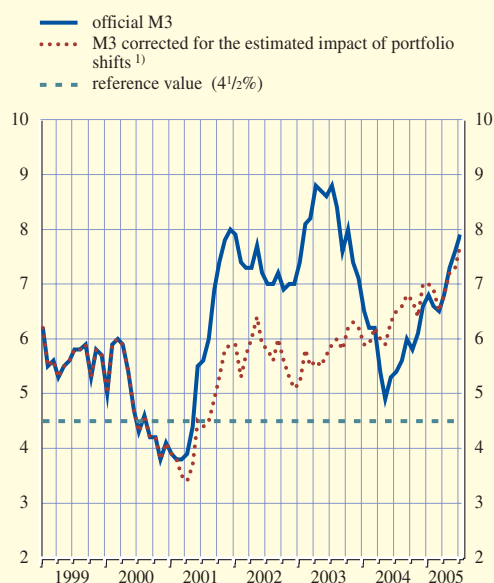
(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 4 M3 and M3 corrected for the estimated impact of portfolio shifts**

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

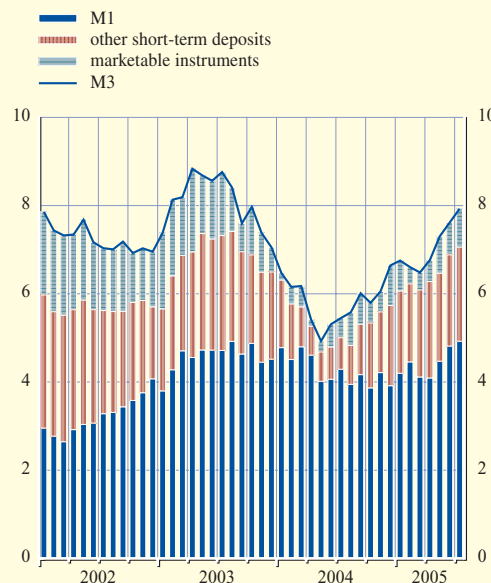


Source: ECB.

1) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

**Chart 5 Contributions to annual M3 growth**

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



Source: ECB.

annual growth rate of official M3 and that of a measure of M3 corrected for the estimated impact of portfolio shifts disappeared in the second quarter of 2005. In July the annual rate of growth of the corrected measure was 7.7% (see Chart 4).<sup>1</sup> However, it should be noted that, given the uncertainties inevitably surrounding estimates of the magnitude of portfolio shifts, some caution is required in interpreting the corrected measure and its recent convergence with the official series.

### MAIN COMPONENTS OF M3

Over the period under review, strong annual M1 growth continued to make the main contribution to M3 dynamics (see Chart 5). The annual rate of growth of M1 increased to 9.8% in the second quarter of 2005, from 9.6% in the first quarter (see Table 1). In July the annual growth rate of M1 rose further to 11.1%, from 10.9% in the preceding month.

The increase in the annual growth rate of M1 in the first half of 2005 conceals some differences in the development of its two components. Whereas the annual growth rate of currency in circulation moderated somewhat (standing at 17.3% in the second quarter, after 18.0% in the first quarter), that of overnight deposits increased to 8.5% in the second quarter, from 8.2% in the preceding quarter.

1 For further details on the construction of the corrected measure, see the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

Table I Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 June	2005 July
<b>M1</b>	<b>48.0</b>	<b>9.6</b>	<b>9.3</b>	<b>9.6</b>	<b>9.8</b>	<b>10.9</b>	<b>11.1</b>
Currency in circulation	7.2	20.3	19.1	18.0	17.3	17.2	16.0
Overnight deposits	40.8	7.9	7.7	8.2	8.5	9.8	10.2
<b>M2 - M1 (= other short-term deposits)</b>	<b>37.5</b>	<b>2.0</b>	<b>3.5</b>	<b>4.5</b>	<b>5.0</b>	<b>5.1</b>	<b>5.3</b>
Deposits with an agreed maturity of up to two years	15.2	-5.8	-2.4	0.5	2.6	3.4	4.1
Deposits redeemable at notice of up to three months	22.2	7.6	7.4	7.1	6.6	6.1	6.0
<b>M2</b>	<b>85.5</b>	<b>5.8</b>	<b>6.4</b>	<b>7.1</b>	<b>7.5</b>	<b>8.1</b>	<b>8.3</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.5</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>4.3</b>	<b>5.0</b>	<b>5.9</b>
<b>M3</b>	<b>100.0</b>	<b>5.6</b>	<b>6.1</b>	<b>6.6</b>	<b>7.0</b>	<b>7.6</b>	<b>7.9</b>
<b>Credit to euro area residents</b>		<b>6.2</b>	<b>6.0</b>	<b>6.4</b>	<b>6.5</b>	<b>6.6</b>	<b>6.8</b>
Credit to general government		6.3	3.7	3.4	2.1	1.1	1.0
Loans to general government		2.2	0.6	-0.4	-0.9	-1.1	-1.8
Credit to the private sector		6.2	6.7	7.3	7.7	8.1	8.4
Loans to the private sector		6.2	6.9	7.3	7.5	8.0	8.2
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>8.5</b>	<b>8.9</b>	<b>9.5</b>	<b>9.6</b>	<b>10.4</b>	<b>9.8</b>

Source: ECB.

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

Short-term deposits other than overnight deposits have played an increasingly important role in monetary developments since mid-2004. The annual growth rate of these deposits increased further during the second quarter of 2005, edging up to 5.0%, from 4.5% in the preceding quarter. This trend continued with an increase to 5.3% in July, from 5.1% in the previous month. The increase reflected a stronger demand for deposits with an agreed maturity of up to two years (time deposits), while the growth of deposits redeemable at notice of up to three months (saving deposits) remained robust.

The annual rate of growth of marketable instruments stood at 5.9% in July, having edged up to 4.3% in the second quarter of 2005, from 3.9% in the first quarter. On the one hand, the annual growth rate of money market fund shares/units increased from 2.2% in June to 3.9% in July. The growth of these assets, which are held by households and firms to park liquidity in times of heightened uncertainty, has remained relatively subdued, but has not – looking beyond short-term fluctuations – moderated further in past months. On the other hand, demand for debt securities with a maturity of up to two years has tended to strengthen in recent months.

The sectoral breakdown of short-term deposits and repurchase agreements indicates that households remained the main contributors to the strong dynamics of these instruments. In the first half of 2005, however, non-financial corporations made a significantly higher contribution to overall short-term deposit growth than in the last quarter of 2004. Holdings by non-financial corporations are typically concentrated in the most liquid types of deposits, suggesting that they are generally held for transaction purposes, associated with short-term financing and working capital needs. Taking a slightly longer perspective, since the middle of 2004, the increase in the annual growth of holdings of short-term deposits and repurchase agreements was broadly based across all money-holding sectors, but was particularly strong in the case of financial intermediaries.



### MAIN COUNTERPARTS OF M3

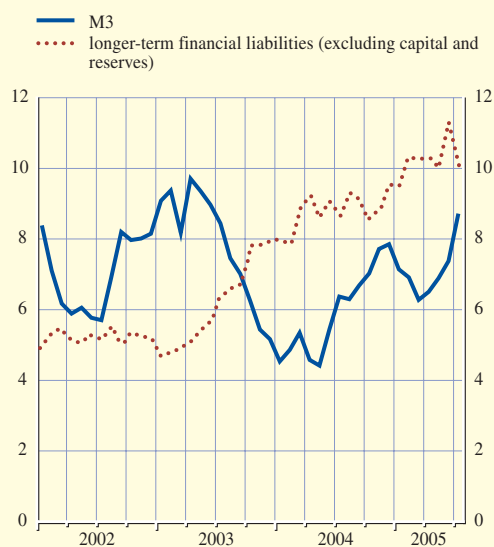
On the counterparts side, the annual growth rate of total MFI credit to euro area residents stood at 6.5% in the second quarter of 2005, after 6.4% in the preceding quarter. This development masked a continued upward trend in the growth of credit to the private sector, whereas the dynamics of credit to the general government moderated further (see Table 1).

The further strengthening of the growth of credit to the private sector in the second quarter of 2005 (7.7% on an annual basis, compared with 7.3% in the previous quarter) reflects both the prevailing low level of interest rates and improving credit supply conditions over the last year (as reported by the bank lending surveys carried out by the Eurosystem). The strengthening of private sector borrowing continued in July, with the annual growth rate of credit to the private sector increasing to 8.4% in that month, from 8.1% in June. MFI loans to the private sector grew at an annual rate of 8.2% in July, after 8.0% in June (see Sections 2.6 and 2.7 for sectoral developments in loans to the private sector). In recent years, the growth in MFI loans may have understated the dynamics of total loans to the private sector, due to the increasing importance of loan securitisation (see Box 1 entitled “The impact of MFI loan securitisation on monetary analysis in the euro area”).

The annual growth rate of credit to the general government fell to 2.1% in the second quarter of 2005, from 3.4% in the previous quarter. This moderation was mainly attributable to a reduction of the annual growth of loans to general government, which continued the downward trend observed since the last quarter of 2004. At the same time, the annual growth rate of MFI purchases of government securities also moderated somewhat.

**Chart 6 M3 and MFI longer-term financial liabilities (excluding capital and reserves)**

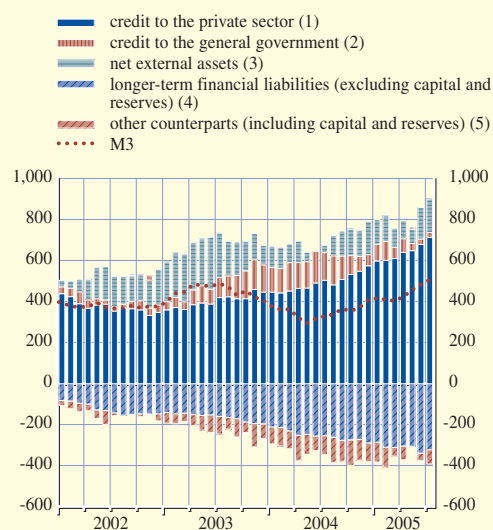
(annualised six-month percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 7 Counterparts of M3**

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



Source: ECB.

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

Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) strengthened further in the second quarter of 2005, continuing the trend observed since 2003 (see Chart 6). The annual rate of growth of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector stood at 9.8% in July, after 9.6% in the second quarter and 9.5% in the first quarter of 2005. The robust demand for these longer-term instruments by euro area investors provides evidence of an ongoing inclination to invest in longer-term and riskier financial instruments, while the dynamics point to a possible levelling-off in recent months.

The annual flow in the net external asset position of MFIs increased somewhat further in July, standing at €163 billion, and thereby returning to levels seen at the beginning of 2005 (see Chart 7). The ongoing positive inflows into the net external asset position of MFIs, together with information from the monetary presentation of balance of payments data, suggest that the euro area money-holding sector continued to be reluctant to invest in foreign assets. This has acted as an impediment to a substantial further unwinding of past portfolio shifts.

In summary, developments in the counterparts of M3 in the first half of 2005 were broadly in line with previous trends. The dynamics of credit to the private sector have strengthened further, driven by the low level of interest rates, and continued to fuel monetary growth. At the same time, the money-holding sector purchased riskier and longer-term assets. However, the dampening effect that this entails, all other things being equal, for M3 growth was not sufficient to offset the stimulative effect of strong credit growth.

#### Box 1

### THE IMPACT OF MFI LOAN SECURITISATION ON MONETARY ANALYSIS IN THE EURO AREA

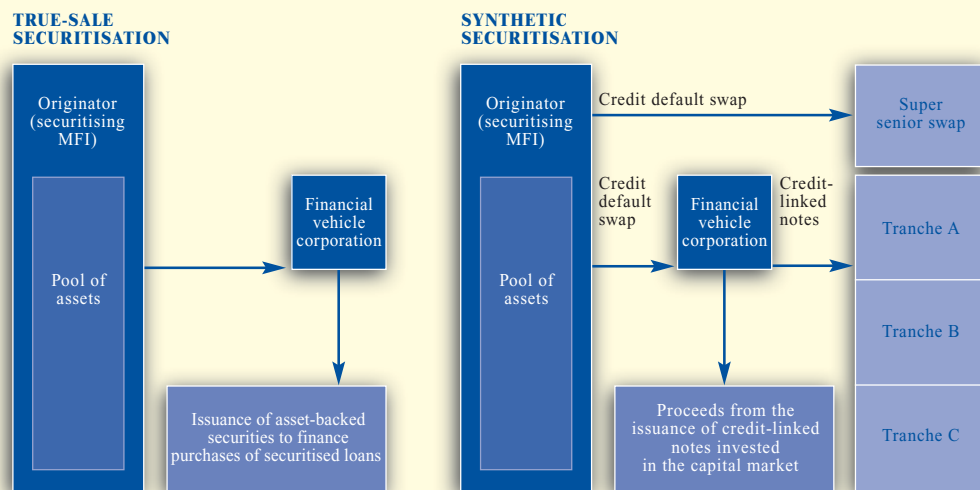
Recent years have witnessed a strong expansion of loan securitisation by MFIs.<sup>1</sup> To the extent that securitisation implies a transfer of loans off the MFI balance sheet, they drive a wedge between the actual growth rate of total loans to the private sector and that derived from the MFI balance sheet. In general, MFI loan securitisation involves the use of separate legal entities that are classified as financial vehicle corporations (FVCs) and belong to the other financial intermediaries (OFIs) sector. Latest available estimates suggest that, by the end of 2003, FVCs represented about 7% of total OFI assets, and are a fast growing component of that sector. Against this background, this box reviews the main conceptual issues related to the process of MFI loan securitisation and discusses the impact of this process on monetary analysis.

#### Conceptual issues

The term “loan securitisation” denotes a process whereby non-tradable assets such as mortgage loans and corporate loans are pooled and repackaged as marketable securities that can be sold to investors. There are two main types of loan securitisation: true-sale securitisation and synthetic securitisation. While true-sale securitisation involves the actual transfer of loans off the MFI balance sheet, synthetic securitisation only transfers the associated credit risk, with the loans remaining on the originator’s balance sheet.

<sup>1</sup> A comprehensive description of the instruments and risk management practices of MFIs can be found in the publication entitled “Credit risk transfer by EU banks: activities, risks and risk management”, ECB, May 2004. In addition, the box entitled “Securitisation and the activity of special finance vehicles” in the October 2003 issue of the Monthly Bulletin provides further information on the activity of the financial vehicles involved in the process of loan securitisation.

Chart A Basic structure of a true-sale securitisation and a synthetic securitisation



Sources: Deutsche Bundesbank and ECB.

Notes: **True-sale securitisation:** the securitising MFI sells the securitised loans to a financial vehicle corporation (FVC). The latter issues asset-backed securities to finance the purchase.

**Synthetic securitisation:** with the aid of credit derivatives, the securitising MFI transfers the credit risks to an FVC. The latter issues credit-linked notes in individual tranches (A, B, C), which are purchased by investors, who then assumes the credit risks. The tranches are rated according to their loss participation. The FVC invests the proceeds in the capital markets. If the nominal value of the underlying portfolio of the MFI exceeds the par value of the credit-linked notes, then the MFI can transfer the residual risk to other market participants without involving the FVC. Such a credit default swap is often called a super senior swap, as it usually has the lowest risk of loss participation.

For more information, see the article entitled "Credit risk transfer instruments: their use by German banks and aspects of financial stability" in the April 2004 Monthly Report of the Deutsche Bundesbank.

MFI loan securitisation typically involves the use of an FVC as counterpart for the transaction. In the case of true-sale securitisation, the FVC finances the purchase of securitised loans by issuing asset-backed securities, the interest payments and repayment of which are financed by the cash flows generated by the securitised loans. Owing to diversification of the underlying risk, these securities generally represent a lower level of risk than the original securitised loans. Synthetic securitisation, by contrast, has a more complex basic structure. It involves the use of credit derivatives which transfer the risk to the FVC and, ultimately, to market investors through the issuance of credit-linked notes, while leaving the loans themselves on the MFI balance sheet (see Chart A for an illustration of the process).

In view of these characteristics, loan securitisation is likely to change the dominant role of MFIs in the euro area in providing loans to non-financial corporations and households. On the one hand, loan securitisation introduces new players to credit markets (as do other forms of financial innovation) and may thus broaden the financing possibilities for firms and households. On the other hand, it may become more difficult to assess the ultimate owners of credit risk in the financial system.<sup>2</sup>

### The impact of securitisation on monetary analysis

Loan securitisation can affect monetary analysis in various ways. First, true-sale securitisation reduces the amount of MFI loans (in terms of both stocks and flows) while at the same time

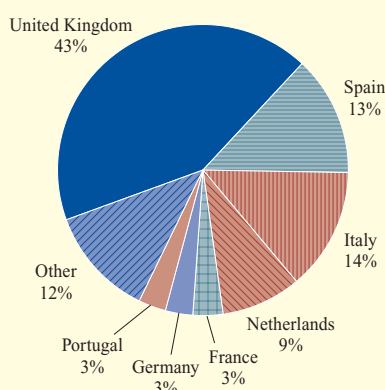
<sup>2</sup> For a discussion of the possible effects of loan securitisation on financial stability, see the special feature entitled "Has the European collateralised debt obligations market matured?" in the June 2005 issue of the ECB's Financial Stability Review.

increasing that of FVC loans (and, therefore, that of OFI loans). As a result, loans as calculated from the MFI balance sheet will imply an underestimation of total loans to the private sector, thus possibly distorting the analysis of credit dynamics. Second, as a result of synthetic loan securitisation, OFIs are likely to become increasingly important as a money-holding sector if the funds raised by selling the credit-linked notes are – at least temporarily – stored in short-term deposits. This may have consequences for the analysis of the components of M3, as the structure of OFIs' demand for money across monetary instruments may differ from that of non-financial corporations and households. In addition, the volatility of OFIs' deposit holdings may increase and thereby blur signal extraction in the monthly monetary analysis. Third, as securitisations are often settled through offshore centres, they also have an impact on the external assets and liabilities of MFIs. Finally, loan securitisation (both synthetic and true-sale) is likely to have a positive impact on both the demand and the supply of credit to the private sector by increasing the population of potential lenders to the private sector and reducing the costs of borrowing.<sup>3</sup>

In recent years, true-sale loan securitisation has become more important in the euro area, partly in response to the prevailing low level of interest rates and the strong growth of loans to the private sector: anecdotal evidence suggests that the volume of such transactions has approximately doubled over the past three years, reaching €25 billion in 2004.<sup>4</sup> The importance of loan securitisation can also be seen from the statistics regarding the issuance of debt securities by non-monetary financial corporations, which consists almost exclusively of debt securities issued by OFIs. In May 2005 the amount outstanding of debt securities issued by non-monetary financial corporations accounted for around 8% of the total outstanding debt securities and 15% of the debt securities issued by the private sector. These shares are larger than the corresponding shares of debt-securities issued by non-financial corporations. With regard to the situation at the national level, several countries – for instance, Spain, Italy and the Netherlands – witnessed a considerable volume of true-sale securitisation in 2004 (see Chart B).<sup>5</sup> However, the level of loan securitisation in the euro area remains relatively low by comparison with the United Kingdom, which continues to be the leading country in terms of securitisation volumes, accounting for almost half of the securitisations in Europe.

**Chart B Country share of total securitisations in Europe**

(2004; percentages by country of collateral)



Sources: Dealogic Bondware, Thomson Financial Securities Data (ESF Securitisation Data Report, Winter 2005).  
Note: "Other" includes Austria, Belgium, the Czech Republic, Greece, Ireland, Latvia, Luxembourg, Poland, Russia, Sweden, Switzerland, Turkey, Ukraine and "multinational" (i.e. cases where collateral is outstanding in several countries).

3 There may be several cost benefits for MFIs to securitise parts of their loan portfolio; for example, they could sell securitised loans to improve solvency. Some MFIs use loan securitisation to obtain collateral that can be used in the weekly refinancing operations of the ESCB. For a comprehensive overview of the motives behind loan securitisation and the different types of securitisation, see the article entitled "Growing importance of securitisation and special purpose vehicles" in the December 2003 Statistical Bulletin of De Nederlandsche Bank.

4 For information on the expansion of the issuance activity of FVCs, see the box cited in footnote 1 and the box entitled "Credit derivatives markets continue to grow rapidly" in the December 2004 issue of the ECB's Financial Stability Review.

5 For recent developments at the country level, see, for example, the articles "Special Purpose Vehicles: einde aan de groei?" in the June 2005 Statistical Bulletin of De Nederlandsche Bank and "Credit risk transfer instruments: their use by German banks and aspects of financial stability" in the April 2004 Monthly Report of the Deutsche Bundesbank.

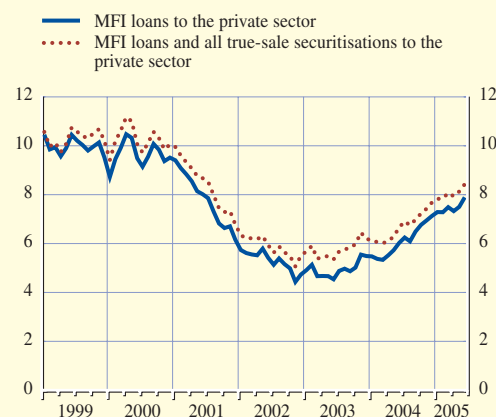
Rough estimates suggest that the annual growth rate of MFI loans to the private sector understates the total annual growth rate of loans to the private sector (originated by MFIs) by approximately ½ percentage point in the euro area (see Chart C). This is in line with the analysis of the financing of the household sector, as reported in Sub-section 2.7 of the “Monetary and financial developments” section of this issue of the Monthly Bulletin. It should be noted, however, that the currently available estimates of true-sale securitisation are surrounded by considerable uncertainty and should, therefore, only be seen as indicative.

In summary, loan securitisation by MFIs, although still relatively low, appears to be gaining in importance and will increasingly affect monetary analysis based on MFI data.

In this respect, the various aspects of securitisation will need to be monitored closely. This would also entail the need for statistical improvements with respect to data on securitisation in the euro area, both from the MFIs’ and from the FVCs’ side.

**Chart C Impact of true-sale securitisations on the annual growth rate of loans to the private sector**

(annual percentage changes)



Source: ECB and ECB estimates.

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

The continued strong expansion of M3 in mid-2005 led to a further increase in the nominal and real money gaps, which represent estimates of the overall liquidity situation.

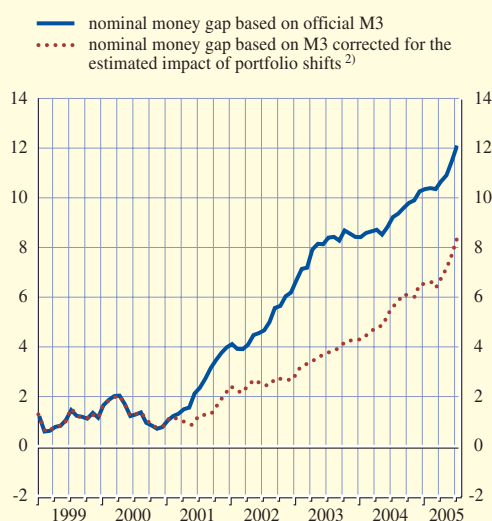
Both the nominal money gap constructed on the basis of the official M3 series and that constructed on the basis of the M3 series corrected for portfolio shifts increased further in July 2005. The two gaps remained at very different levels, however, with the money gap constructed on the basis of the corrected M3 series being substantially lower (see Chart 8). The continued but relatively stable difference between the two measures over the past few quarters illustrates the assessment that, while past portfolio shifts have not been reversed, the distribution of new investment by the money-holding sector has returned to more normal patterns.

The real money gaps take account of the fact that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations in inflation rates from the ECB’s objective of price stability. The real money gaps constructed on the basis of both the official M3 series and the measure of M3 corrected for the estimated impact of portfolio shifts are lower than the respective nominal money gap measures (see Charts 8 and 9).

However, these mechanical measures are only imperfect estimates of the liquidity situation. Because the choice of the base period is to some extent arbitrary, the levels of these measures are surrounded by considerable uncertainty and should thus be treated with caution. This uncertainty is well illustrated by the broad range of estimates derived from the four measures discussed above. However, while the estimates are uncertain, the overall picture painted by these measures points to ample liquidity conditions in the euro area. Viewed from a medium to longer-term perspective,

**Chart 8 Estimates of the nominal money gap<sup>1)</sup>**

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



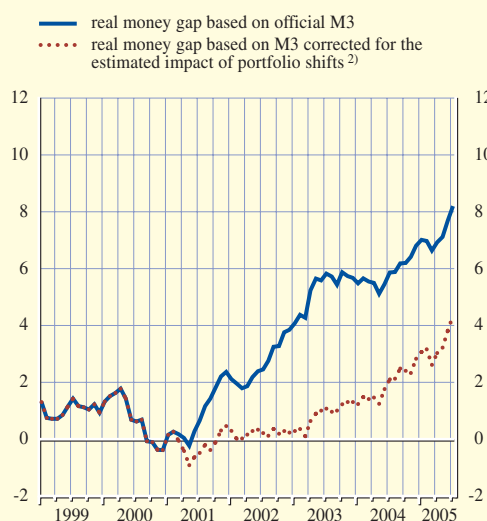
Source: ECB.

1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

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

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



Source: ECB.

1) The measure of the real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

ample liquidity poses risks to price stability, especially if liquid holdings were to be transformed into transaction balances at a time when confidence and economic activity were strengthening. Moreover, the strong monetary and credit growth in a context of ample liquidity implies a need to monitor asset price dynamics and their potential consequences.

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

*In the first quarter of 2005 (denoting the latest available data), the annual growth rate of financial investment by the non-financial sector remained broadly stable. This concealed a further strengthening of the growth of investment in long-term debt securities and a further decline in the growth of investment in money market funds, consistent with a gradual normalisation of portfolio allocation behaviour at the beginning of the year.*

### NON-FINANCIAL SECTOR

In the first quarter of 2005, the most recent quarter for which these data are available, the annual growth rate of financial investment by the non-financial sector was 4.8%, almost unchanged from the growth of 4.7% recorded in the fourth quarter of 2004 (see Table 2). This development reflected a moderate increase in the annual growth rate of long-term financial investment, while the annual

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

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates								
		2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
<b>Financial investment</b>	<b>100</b>	<b>4.4</b>	<b>4.6</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.9</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>
Currency and deposits	37	6.2	6.7	6.7	5.8	5.5	5.5	5.8	6.3	6.1
Securities other than shares	12	0.0	-2.3	-1.8	-1.2	-1.0	3.0	3.3	2.3	4.1
<i>of which: short-term</i>	1	-4.9	-10.9	-7.4	-2.5	1.4	20.8	18.8	5.0	5.5
<i>of which: long-term</i>	11	0.6	-1.3	-1.1	-1.1	-1.2	1.1	1.7	2.0	3.9
Mutual fund shares	12	5.5	7.0	7.2	7.1	5.1	2.9	1.8	1.1	1.0
<i>of which: mutual fund shares, excluding money market fund shares/units</i>	9	4.3	5.7	6.7	6.8	5.8	3.2	2.1	1.6	1.9
<i>of which: money market fund shares/units</i>	2	12.0	13.6	9.3	8.5	2.8	1.7	0.5	-0.8	-2.3
Quoted shares	14	0.2	0.6	1.6	1.3	2.1	4.0	3.3	1.9	1.6
Insurance technical reserves	26	6.3	6.4	6.6	6.9	6.6	6.3	6.2	6.5	6.6
M3 <sup>2)</sup>		8.2	8.6	7.6	7.1	6.2	5.3	6.0	6.6	6.5
Annual gains and losses in the securities holdings of the non-financial sector (as a percentage of GDP)		-16.9	-6.4	1.8	4.7	8.2	3.8	3.5	2.5	3.0

Source: ECB.

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

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

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

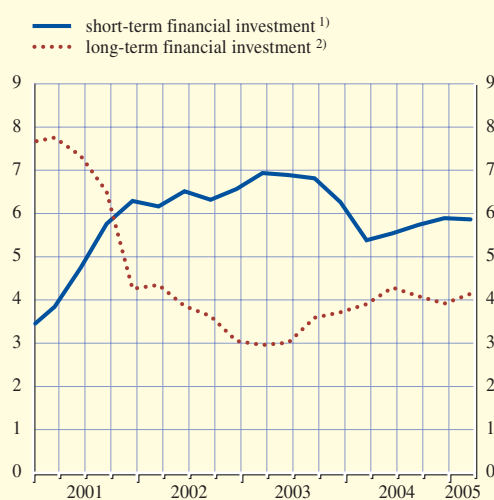
growth rate of short-term financial investment remained broadly unchanged (see Chart 10). These opposing movements are consistent with a gradual normalisation of portfolio allocation behaviour in early 2005. The upturn in the annual rate of growth of long-term investment was mainly due to an increase in the annual growth rate of investment in long-term debt securities. At the same time, the annual growth rate of investment in quoted shares fell slightly, suggesting that investors were still reluctant to step up their investment in riskier assets. Concerning short-term financial investment, the annual growth rate of short-term deposits held by households and non-financial corporations remained broadly stable, while the annual growth rate of investment in money market funds declined further to -2.3%, from -0.8% in the fourth quarter of 2004.

### INSTITUTIONAL INVESTORS

The annual rate of change in the value of total assets of investment funds was 10.5% in the first quarter of 2005, unchanged from the last quarter of 2004. The increases in the value of total assets were broadly based across all types of

**Chart 10 Financial investment of the non-financial sector**

(annual percentage changes)



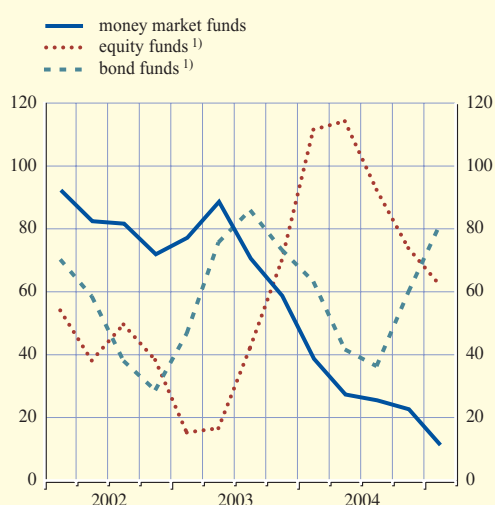
Source: ECB.

1) Includes currency, short-term deposits, short-term debt securities and money market fund shares/units. It excludes holdings of central government.

2) Includes longer-term deposits, long-term debt securities, mutual fund shares excluding money market fund shares/units, quoted shares and insurance technical reserves. It excludes holdings of central government.

Chart 11 Net annual flows into investment funds (by category)

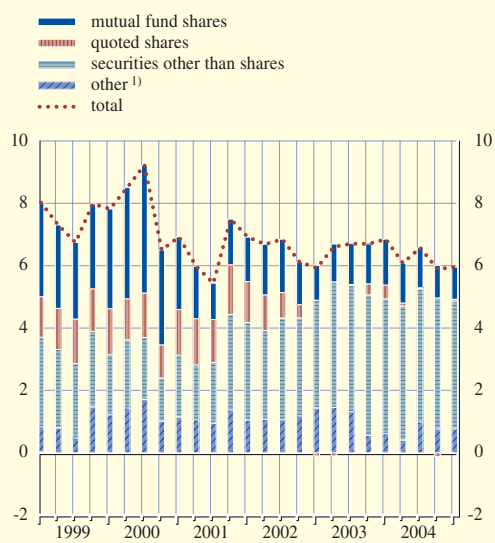
(EUR billions)



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

Chart 12 Financial investment of insurance corporations and pension funds

(annual percentage change; contributions in percentage points)



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

investment funds. However, the changes in the value of the stock of total assets include valuation effects caused by changes in asset prices and may therefore only provide incomplete information on investment behaviour. Data provided by the European Fund and Asset Management Association (EFAMA)<sup>2</sup> for the first quarter of 2005 show that net annual sales of investment funds (excluding money market funds) increased in the first quarter of 2005 compared with the last quarter of 2004, as demand for bond funds strengthened further and offset the ongoing decline in the net annual inflow into equity funds (see Chart 11). At the same time, the net annual flow into money market funds declined further. Taken together, this supports the view that the normalisation of portfolio allocation behaviour continued in early 2005.

The development of net annual flows conceals the fact that in the first quarter of 2005 net sales of investment funds were very strong as net sales of equity funds increased further and bond funds recorded the strongest inflows since early 2001.

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area remained broadly unchanged at 6.0% in the first quarter of 2005, after 5.9% in the previous quarter (see Chart 12). This conceals a slight decline in their investment in securities other than shares in this quarter, which nevertheless continued to grow robustly at an annual rate of 10%. At the same time, even though equity returns improved in early 2005, insurance corporations and pension funds remained cautious about investing in equity: annual growth of investment in quoted shares turned positive again, but remained subdued. Valuation gains on

<sup>2</sup> EFAMA provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin for further information.



overall holdings of securities were broadly unchanged in the first quarter of 2005, as compared with the last quarter of 2004.

### 2.3 MONEY MARKET INTEREST RATES

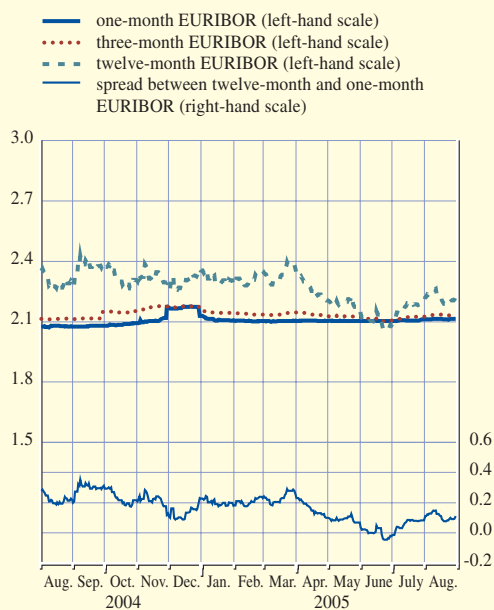
*At the end of August, longer-term money market interest rates were at levels somewhat above those observed at the beginning of June. With short-term interest rates remaining broadly stable, the slope of the money market yield curve has steepened slightly over the past three months.*

After declining in June 2005, longer-term money market interest rates rose between July and mid-August, only to decline until the end of the month, thereby returning to the levels prevailing in mid-July. By contrast, shorter-term money market interest rates have remained broadly stable over the last three months. Thus, since the beginning of June, the slope of the money market yield curve has steepened slightly. The spread between the twelve-month and the one-month EURIBOR rose from 4 basis points on 1 June to 10 basis points on 31 August (see Chart 13).

Since the beginning of June, market participants have revised upwards their expectations regarding the development of short-term interest rates in the rest of this year and the beginning of next year. Nonetheless, markets still do not generally expect a rise in short-term interest rates before the second quarter of 2006, as illustrated by developments in three-month EURIBOR futures. The interest rates implied by three-month EURIBOR futures contracts maturing in

**Chart 13 Short-term money market interest rates**

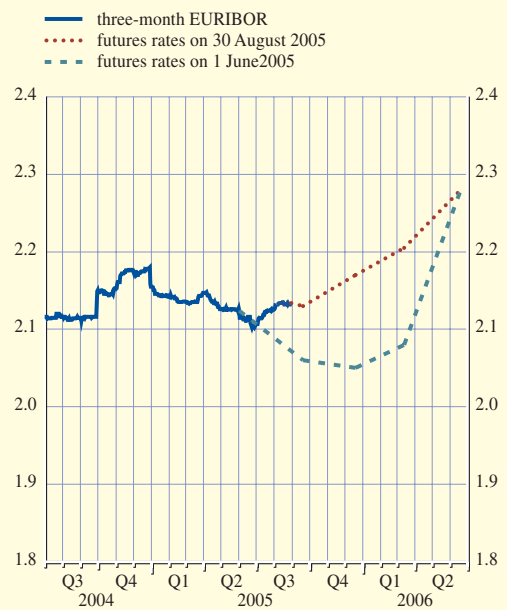
(percentages per annum; percentage points; daily data)



Source: Reuters.

**Chart 14 Three-month interest rates and futures rates in the euro area**

(percentages per annum; daily data)



Source: Reuters.

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

December 2005, March 2006 and June 2006 stood at 2.16%, 2.18% and 2.25% respectively on 31 August, 14 (in the two former cases) and 11 basis points higher than at the beginning of June (see Chart 14).

The implied volatilities derived from options on three-month EURIBOR futures decreased between July and August, after having reached higher levels during June. At the end of August, implied volatilities stood at low levels by historical standards (see Chart 15). This suggests that there is a relatively little uncertainty among market participants with regard to developments in short-term interest rates over coming months.

For most of the period from 1 June to 31 August 2005, interest rate conditions were relatively stable in the money market (see Chart 16). The marginal and weighted average rates in the Eurosystem's main refinancing operations stood at 2.05% for most of this period. The EONIA remained stable at 2.08-2.09% for most of the past three months, with a few exceptions as a result both of the usual end-of-month and end-of-semester effects and of the spikes normally seen at the end of maintenance periods. On the last day of the maintenance periods in each of the past three months, the EONIA fell below 2%, reflecting prevailing loose liquidity conditions (see Box 2).

In the two longer-term refinancing operations of the Eurosystem settled on 30 June and 28 July, the marginal rates were 5 basis points below the three-month EURIBOR prevailing on those days.

**Chart 15 Implied volatilities derived from options on three-month EURIBOR futures maturing in March 2006**

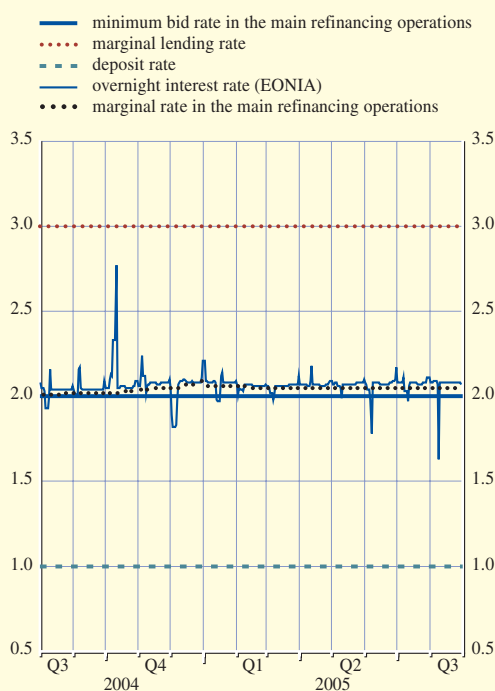
(percentages per annum; basis points; daily data)



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

**Chart 16 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

Box 2

**LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 11 MAY TO 9 AUGUST 2005**

This box reviews the ECB's liquidity management in the three reserve maintenance periods ending on 7 June, 12 July and 9 August 2005.

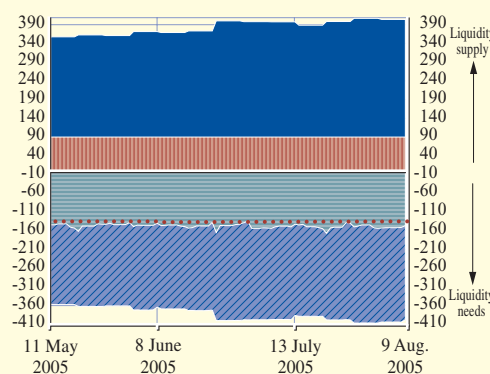
**Liquidity needs of the banking system**

Banks' liquidity needs increased further over the period, mainly as a result of the increase in the stock of banknotes in circulation (see Chart A). Banknotes in circulation, the largest "autonomous factor" (i.e. a factor that does not normally stem from the use of monetary policy instruments), reached a historic high of €537.5 billion on 5 August. On average, autonomous factors contributed €235.7 billion to the liquidity deficit of the Eurosystem in the period under review. Reserve requirements, which are the other major source of liquidity needs, increased to €147.0 billion. Daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) stood at a relatively high level in the reserve maintenance period ending on 7 June (€0.86 billion), but then fell to €0.70 billion in the period ending on 12 July to reach a level of €0.63 billion in the period ending on 9 August (see Chart B). The high value observed for the period ending on 7 June was in part due to relatively large excess reserve holdings concentrated around banking holidays.

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

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

- main refinancing operations: €293.73 billion
- longer-term refinancing operations: €90.00 billion
- current account holdings: €147.73 billion
- ..... reserve requirement level  
(reserve requirements: €147.00 billion; excess reserves: €0.73 billion)
- autonomous factors: €235.73 billion



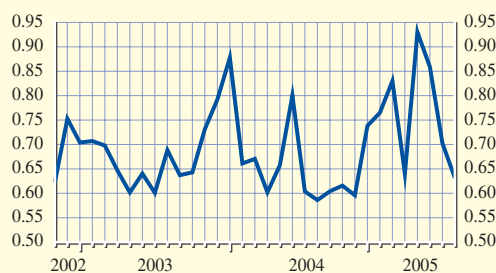
Source: ECB.

**Liquidity supply and interest rates**

In parallel with the growing demand for liquidity, the volume of open market operations increased (see Chart A). The liquidity allotted in the main refinancing operation (MRO) settled on 27 July was €317.0 billion, i.e. the highest since the introduction of the euro. Nevertheless, the ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) increased to a level of, on average, around 1.28 during the period under review.

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

(EUR billions, average level in each maintenance period)



Source: ECB.

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

In the three maintenance periods under review, the ECB allotted the benchmark amounts in all MROs. The differences between the marginal and the weighted average rates in all the weekly tenders were either zero or one basis point, with the marginal rate at 2.05%.

Generally, the EONIA was rather stable throughout most of the period under review, with its spread versus the minimum bid rate remaining at 7-8 basis points on most days (see Chart C). As usual, the EONIA increased at the month end and also showed some increase in volatility at the end of the maintenance periods.

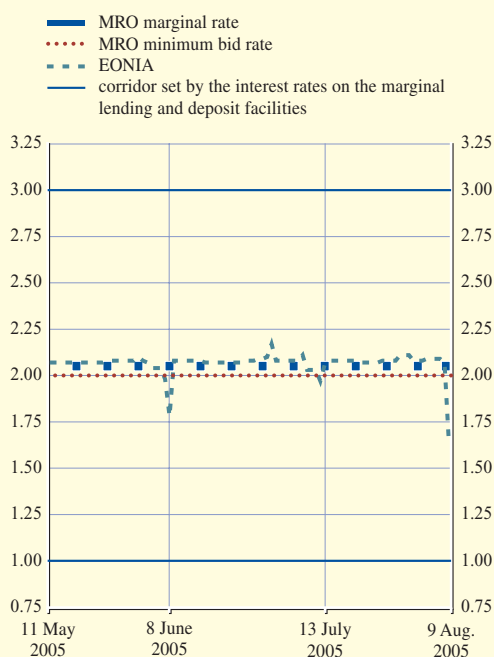
After the last MRO allotment of the maintenance period ending on 7 June, the EONIA initially declined slightly and fell below the minimum bid rate of 2% on the penultimate day of the maintenance period, as market participants perceived liquidity conditions to be loose. On 7 June, the last day of the maintenance period, the ECB conducted a fine-tuning operation to absorb an expected liquidity surplus of €7.5 billion. However, because counterparties offered less liquidity than expected in the operation, only €3.7 billion were drained from the market. The period ended with a net recourse to the deposit facility of €3.5 billion, with the EONIA declining to 1.78%.

In the following maintenance period, liquidity conditions also loosened after the last MRO allotment on 5 July. The EONIA declined to 2.03% on 8 July and to 1.97%, i.e. to slightly below the minimum bid rate, on 11 July. On 12 July, the last day of the maintenance period, the Eurosystem's updated liquidity forecasts indicated that a liquidity surplus of €10 billion was expected. A fine-tuning operation was launched, which absorbed €9.6 billion. Net recourse to the deposit facility on the last day of the maintenance period amounted to €1.4 billion, and the EONIA came out at 2.06%.

In the days following the last MRO of the maintenance period ending on 9 August, the EONIA remained stable at around 2.08% in spite of increasingly loose liquidity conditions. On 9 August, the ECB announced a liquidity-absorbing fine-tuning operation for an amount of €6.5 billion. However, only €0.5 billion were absorbed. At the end of the day, net recourse to the deposit facility totalled €5.4 billion, and the EONIA stood at 1.63%.

Chart C The EONIA and ECB interest rates

(Daily interest rates in percentages)



Source: ECB.

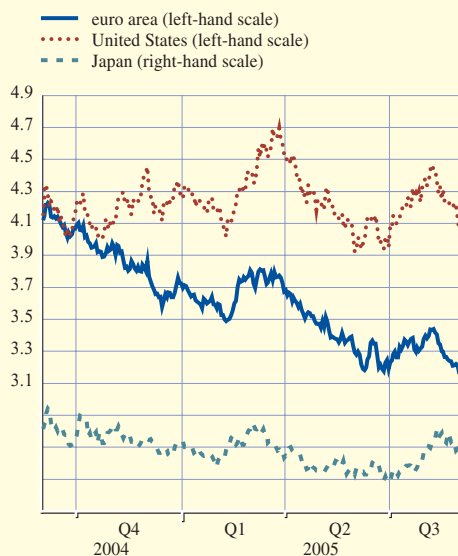
## 2.4 BOND MARKETS

Long-term interest rates in major bond markets experienced significant fluctuations over the last three months. In particular, the upward movement seen since end-May was reversed from around mid-August, most likely on account of investors' concerns about the impact of oil price developments on economic activity. Overall, between end-May and end-August, euro area long-term government bond yields declined significantly, with the decrease being almost entirely explained by lower long-term real rates. Long-term break-even inflation rates remained broadly unchanged at all horizons. In contrast, in the United States long-term bond yields ended August broadly unchanged compared with end-May. Bond market volatility extracted from options prices remained low in all major markets.

In the last three months, developments in euro area and US long-term interest rates experienced two distinct phases (see Chart 17). Ten-year government bond yields started the review period with some increases on account of more positive macroeconomic data releases, particularly for the United States. In the last few weeks, however, investors' concerns about the possible impact of recent oil price increases on worldwide economic activity triggered a downturn in bond yields. As a result of these recent decreases, ten-year government bond yields in the euro area fell by about 20 basis points between end-May and 31 August, to stand at around 3.2% on the latter date.

**Chart 17 Long-term government bond yields**

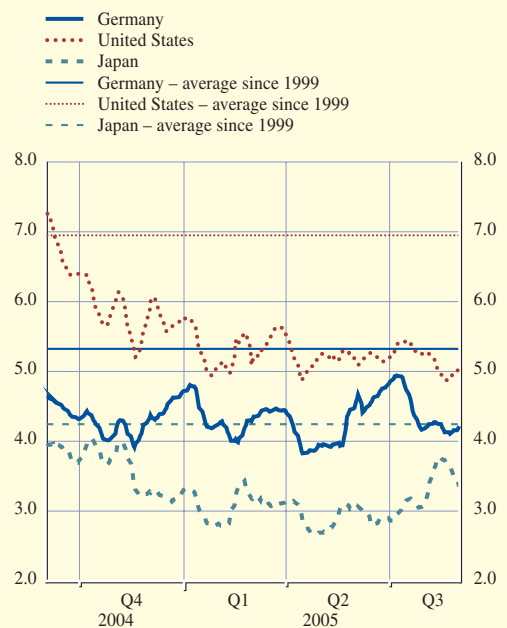
(percentages per annum; daily data)



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

**Chart 18 Implied bond market volatility**

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



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

In contrast, ten-year bond yields in the United States remained broadly unchanged all in all over the same period and stood at 4.1% on 31 August. Consequently, the differential between US and euro area ten-year government bond yields rose over the review period, to stand at around 90 basis points on 31 August. Japanese ten-year government bond yields rose by about 10 basis points between end-May and 31 August, to stand at about 1.4%. This rise appears to mainly reflect an improvement in the outlook for the Japanese economy.

Despite the recent swings in long-term interest rates, market participants' uncertainty about short-term bond market developments – as indicated by implied bond market volatility – remained relatively low in the major bond markets (see Chart 18).

In the United States long-term government bond yields gradually rebounded from the rather low levels of below 4% reached in late May. With positive macroeconomic data releases reassuring investors that economic activity was gaining momentum towards the end of the second quarter, long-term bond yields commenced an upward movement that lasted for most of the review period. Since around mid-August, however, long-term bond yields have experienced a downturn amid renewed concerns among investors about the impact of higher oil prices on inflation and economic activity, thereby reversing the earlier increases. In the context of a continuation of the measured-pace tightening by the Federal Reserve System, which twice increased the federal funds target rate by 25 basis points, on 30 June and 9 August, these developments led to a further flattening of the US yield curve, with the spread between ten-year and two-year yields reaching new year-lows towards the end of the review period.

Consistent with changes in market participants' views on the outlook for economic activity in the United States, which were the main driver of bond yields, the marked swings in nominal long-term interest rates were accompanied by similar movements in long-term index-linked bond yields over the review period. At the same time, longer-term inflation expectations, as reflected by the corresponding break-even inflation rates, remained contained, notwithstanding a significant rise in the PPI and CPI indices in the last part of the review period and statements by the Federal Reserve System about elevated inflationary pressures, which were reflected in somewhat higher short-term break-even inflation rates.

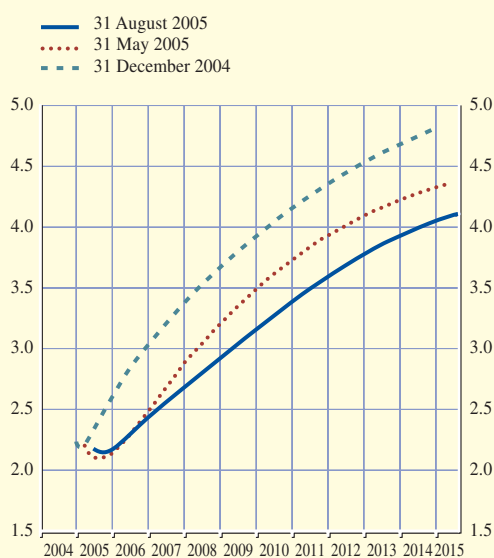
In the euro area the broader movements in long-term bond yields mirrored those seen in the US market. Euro area long-term bond yields experienced a gradual upward movement since early June, most likely reflecting the improvement in macroeconomic data for the US economy, and, since July, in most survey data releases for the euro area. In the last few weeks, however, concerns regarding oil price developments appeared to strengthen in investors' minds, to the extent that they outweighed positive news about economic activity in the euro area, and, in tandem with US yields, euro area long-term bond yields fell. The implied forward overnight interest rate curve flattened somewhat over medium to long-term maturities over the review period (see Chart 19).

The overall decline in nominal long-term bond yields in the euro area is almost entirely explained by lower long-term real rates (see Chart 20), suggesting that concerns about euro area growth prospects strengthened somewhat among market participants. The yields of index-linked bonds maturing in 2015 fell to around 1%, which is about 20 basis points lower than at end-May.

The long-term break-even inflation rate – calculated as the yield differential between nominal and index-linked government bonds maturing in 2015 – briefly dipped below 2% at the start of the review period, a level not observed since mid-2003. It has, however, hovered above that level

**Chart 19 Implied forward euro area overnight interest rates**

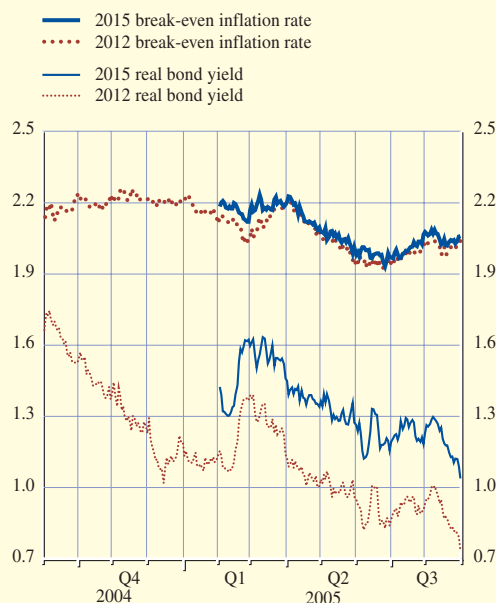
(percentages per annum; daily data)



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

**Chart 20 Euro area real bond yield and break-even inflation rate**

(percentages per annum; excluding charges; daily data)



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

since early July (see Chart 20), and, on 31 August, was recorded at 2%, broadly unchanged from end-May. This, together with the fact that short-term break-even inflation rates fluctuated around the 2% mark for most of the review period, suggests that market participants' concerns about risks to price stability in the euro area remained contained despite the surge in oil prices and headline inflation in recent months.

The developments reported regularly in this section refer to euro area-wide figures. However, it should be borne in mind that those figures are derived from an aggregation of government bond yields from each euro area country, which may be influenced by very diverse factors. Box 3 below reviews recent developments in government bond spreads in euro area countries.

**Box 3**

**RECENT DEVELOPMENTS IN GOVERNMENT BOND YIELD SPREADS IN EURO AREA COUNTRIES**

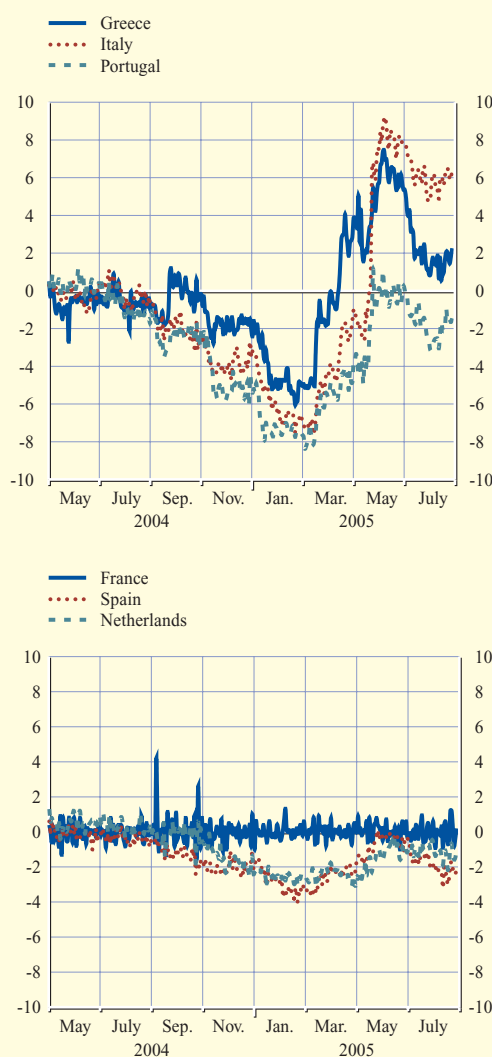
Since the introduction of the euro in January 1999 and the resulting elimination of exchange rate risk, the yield spreads between long-term government bonds of euro area countries have remained relatively narrow. However, some yield differentials still exist, indicating that investors do not generally consider government bonds of individual euro area countries to be perfect substitutes. In particular, investors differentiate between bonds in terms of liquidity and, to some extent, in terms

of credit risk. With regard to the latter, for example, if investors become concerned about the fiscal position of a country, then the long-term interest rates paid on bonds issued by that country should increase relative to those of other countries, reflecting a higher premium demanded by investors to compensate for the increased risk of default on the part of the issuer. Hence, this credit risk premium should normally represent the opinion of market participants regarding the sustainability of fiscal positions. In 2004 and in 2005 to date, a few euro area countries experienced a change in the rating of their government bonds, reflecting developments in their fiscal positions. This box investigates whether these rating changes, and recent political events which have potential fiscal policy implications in the eyes of market participants, have led to corresponding changes in the spreads between long-term government bonds of the countries concerned vis-à-vis a benchmark bond.

German ten-year government bond yields have thus far generally been the lowest among euro area countries, primarily on account of their higher liquidity and their corresponding benchmark status, but also due to limited concerns about the sustainability of public finances within the issuance horizon. In Chart A, the cumulative changes in yield spreads against German bonds, corrected for the changes in the underlying instrument of the benchmarks, are shown for a few countries from May 2004 to August 2005. Several observations can be made. The spread between French and German bonds has remained very stable throughout that period. The spreads for Greece, Italy, the Netherlands, Portugal and Spain, by contrast, all first declined until around mid-March 2005 and rebounded thereafter, all in all. The countries that showed the largest increases in yield spreads against Germany between March and August 2005 were Greece, Italy and Portugal. These countries have been the latest to report growing budgetary imbalances and to become subject to the excessive deficit procedure. Spreads for Greece, Italy and Portugal were highest immediately following the referenda on the European Constitution in France and the Netherlands and have since then again come down somewhat. The spreads for French and Dutch bonds did not show any significant reaction to the outcomes of their respective referenda on the European Constitution.

**Chart A Cumulative changes in selected government bond spreads against Germany since May 2004**

(in basis points; daily data)



Source: Reuters and ECB calculation.  
Note: These are accumulated changes in spreads excluding the days on which changes in the underlying benchmark bond occurred, since benchmark changes usually lead to jumps in the measured spreads.



## Sovereign credit ratings for the euro area countries

	Standard and Poor's		Moody's	
	May 2004	Aug. 2005	May 2004	Aug. 2005
Belgium	AA+	AA+	Aa1	Aa1
Germany	AAA	AAA	Aaa	Aaa
Greece	A+	A (Nov. 2004)	A1	A1
Spain	AA+	AAA (Dec. 2004)	Aaa	Aaa
France	AAA	AAA	Aaa	Aaa
Ireland	AAA	AAA	Aaa	Aaa
Italy	AA	AA- (July 2004)	Aa2	Aa2
Netherlands	AAA	AAA	Aaa	Aaa
Austria	AAA	AAA	Aaa	Aaa
Portugal	AA	AA- (June 2005)	Aa2	Aa2
Finland	AAA	AAA	Aaa	Aaa

Source: Bloomberg.

Note: The ratings refer to the long-term debt in local currency. Dates in parenthesis denote the last change in the ratings.

Since May 2004 the sovereign ratings have also changed, reflecting financial investors' concerns about the deteriorating budgetary positions of some countries. The table shows the sovereign ratings by two rating agencies: Standard and Poor's and Moody's. According to the former, eight of the twelve euro area Member States are rated AAA, while Belgium is rated AA+, Italy and Portugal are rated AA- and only Greece is rated A. Between May 2004 and August 2005, the ratings of Greece, Italy and Portugal were lowered, while the sovereign rating for Spain by Standard and Poor's was revised upwards. The downgrading of the long-term credit ratings for Greece and Italy as well as the upgrading of Spanish bonds seem to coincide with the overall increase and decline, respectively, in the respective yield spreads over that period, although a significant immediate reaction in the bond market to the announced rating changes was not discernible.

Developments in sovereign credit default swap (CDS) spreads provide further evidence of the recent widening of the government bond yield spread (see Chart B).<sup>1</sup> By construction, sovereign CDS spreads can also be considered as measures of the credit risk associated with holding corresponding government bonds. For the specific purpose at hand, sovereign CDS spreads have the advantage of not being distorted by changes in the benchmark bonds of the countries concerned. Consistent with the above analysis on yield spreads, CDS spreads for the three above-mentioned countries also started to increase in spring 2005.

<sup>1</sup> In CDS contracts, the protection seller promises to buy the reference bond at its par value when a pre-defined credit event occurs. In return, the protection buyer makes periodic payments to the seller until the CDS matures or until a credit event is triggered. The periodic payments are determined as a certain percentage of the principal of the underlying contract. This rate of payment, measured in annualised terms and in basis points, is called a CDS spread. In theory, the CDS spread should approximately equal the corresponding yield spread between the bond of a reference entity and a risk-free bond.

### Chart B Ten-year sovereign credit default swap spreads

(in basis points)



Source: Bloomberg.

## 2.5 EQUITY MARKETS

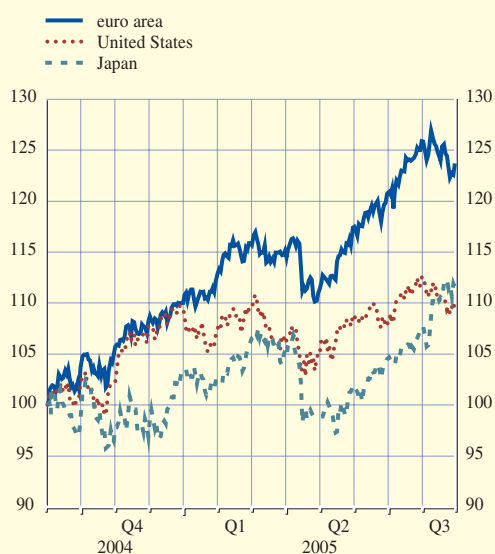
Overall, stock price indices for major equity markets increased over the last three months, continuing the general upward trend observed since mid-August 2004. This movement continued to be supported, to a large extent, by robust actual and expected corporate earnings growth. Euro area and Japanese broad stock price indices outperformed that of the United States over the review period.

Despite a downturn in the last few weeks, equity prices continued to increase in major stock markets in the last three months on the whole (see Chart 21), with strong corporate profitability being the main driving force behind that upward movement. Increases were significantly higher in the euro area than in the United States, which can, to some extent, be attributed to different patterns of interest rate developments.

In the United States the equity market recovered further over the last three months from the trough experienced in mid-April 2005. Robust earnings expectations for listed companies appeared to offset investors' concerns about the impact of higher oil prices on economic activity in the United States and on the world economy more generally. Between end-May and 31 August stock prices, as measured by the Standard & Poor's 500 index, increased by about 2%. Moreover, this increase was relatively broad-based, as most sector sub-indices increased. By far the strongest price gains were recorded in those sectors which tend to benefit from higher oil prices, i.e. energy-related

Chart 21 Stock price indices

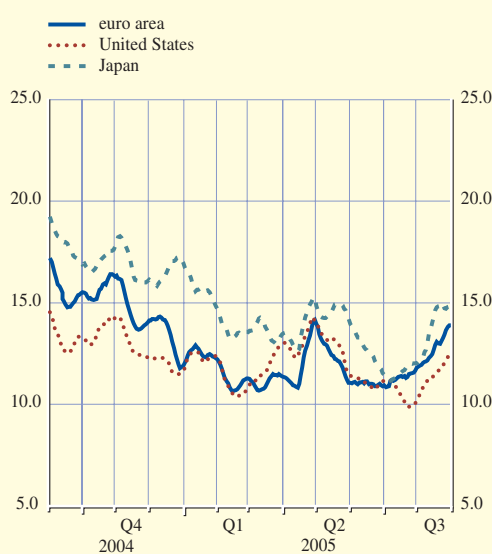
(index: 1 September 2004 = 100; daily data)



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 22 Implied stock market volatility

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



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

sectors and, to a lesser extent, utilities. As regards the Japanese stock market, the Nikkei 225 index increased strongly over the review period, by about 10%, supported by the improvement in the outlook for the Japanese economy.

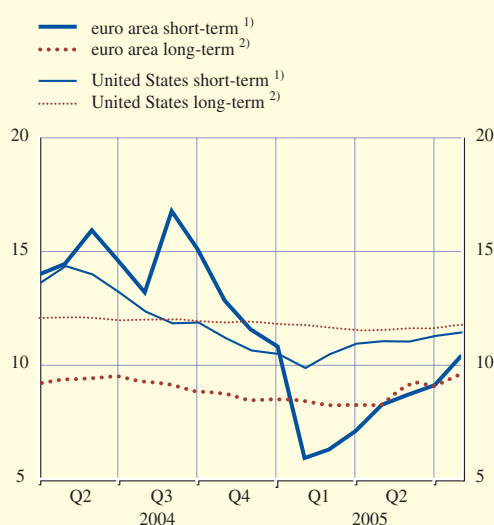
The level of uncertainty prevailing in global markets, as measured by the implied volatility derived from stock options, increased slightly over the review period. However, implied volatility in these markets has been rather stable overall since the beginning of 2005 and remained well below its average since 1999 (see Chart 22).

In the euro area stock prices followed the global upward trend in equity prices and have outperformed US broad indices over the past three months. Between end-May and 31 August, the Dow Jones EURO STOXX index increased by 7%. This relatively strong performance in recent months would appear somewhat contradictory given investors' concerns about prospects for economic activity in the euro area, which would instead seem consistent with the simultaneous decline in real bond yields.

However, when interpreting these developments in euro area stock prices, it is important to bear several considerations in mind. First, the lower real interest rates led to lower discount rates for expected future dividends and thereby contributed, all else being equal, to the observed increases in stock prices. Second, the relatively strong profitability of euro area corporations – partly driven by cost cutting efforts – continued to support stock prices. Although somewhat lower than for US

**Chart 23 Expected growth in corporate earnings per share in the euro area and the United States**

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.

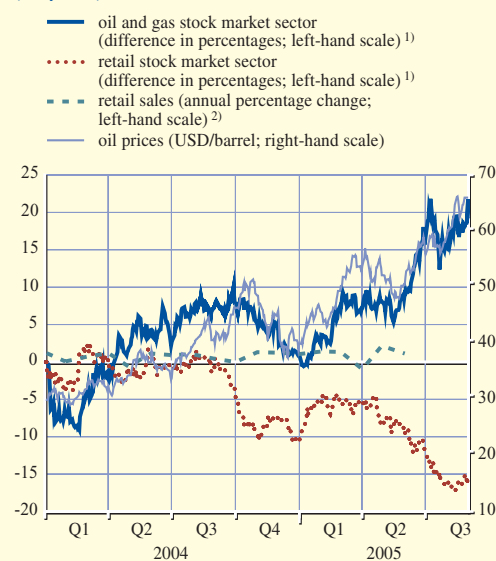
Note: Expected earnings growth of the Dow Jones EURO STOXX index for the euro area and Standard & Poor's 500 index for the United States.

1) Short-term refers to analysts' earnings expectations twelve months ahead (annual growth rates).

2) Long-term refers to analysts' earnings expectations three to five years ahead (annual growth rates).

**Chart 24 Oil prices, euro area retail sales and relative stock price developments in selected sectors**

(daily data)



Sources: Stoxx, Reuters and ECB calculations.

1) The oil and gas and retail stock price series represent the cumulative percentage difference between the respective sector index and the broad-based Dow Jones EURO STOXX index.

2) Monthly data.

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

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

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Technology	Tele-communications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> <i>(end-of-period data)</i>	4.9	7.1	11.7	8.9	31.5	4.1	10.2	5.4	8.2	8.1	100.0
<b>Price changes</b> <i>(end-of-period data)</i>											
2004 Q2	6.7	2.4	5.1	5.2	1.5	4.2	2.5	-13.6	-0.6	5.1	1.7
2004 Q3	1.5	-6.4	-9.0	3.3	-0.8	6.0	0.1	-13.0	-1.4	0.8	-2.1
2004 Q4	9.9	6.3	5.0	1.6	11.2	1.8	6.6	6.6	17.0	11.1	8.3
2005 Q1	6.0	7.5	6.3	9.7	4.7	0.1	5.3	-1.2	-4.0	3.7	4.3
2005 Q2	-0.8	1.8	2.6	11.4	2.8	5.6	5.2	10.1	-0.3	8.2	4.4
June	1.0	2.6	2.6	9.4	3.2	-4.4	4.4	3.5	2.5	4.0	3.5
July	6.1	2.2	7.2	3.6	5.3	4.9	4.3	0.7	4.1	1.2	4.4
End-May 2005 to 31 August 2005	5.8	3.0	9.0	17.3	6.8	-1.0	8.1	0.1	3.3	6.5	6.9
<b>Volatilities</b> <i>(period averages)</i>											
2004 Q2	16.1	14.7	14.4	14.5	15.6	15.8	15.8	30.3	15.0	13.4	14.1
2004 Q3	13.1	13.6	12.7	12.8	11.6	12.4	11.7	25.3	11.7	8.6	11.2
2004 Q4	12.8	10.4	11.5	10.9	10.1	15.5	9.8	19.2	12.9	9.8	10.1
2005 Q1	10.6	8.4	8.5	11.6	8.8	16.5	9.3	14.7	9.9	13.0	8.2
2005 Q2	13.1	10.1	11.0	13.8	10.7	14.9	11.8	17.1	12.1	12.3	10.3
June	11.8	8.8	11.5	13.8	9.3	15.6	10.2	16.4	12.7	12.4	9.5
July	13.0	8.6	13.0	19.3	10.5	10.9	9.6	24.7	10.9	11.1	9.7
End-May 2005 to 31 August 2005	11.8	8.4	11.3	16.2	10.0	13.5	9.5	18.4	11.5	12.1	9.6

Sources: Thomson Financial Datastream and ECB calculations.

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

corporations and for last year, analysts' short-term earnings growth expectations for the companies listed in the Dow Jones EURO STOXX index have been rising steadily over the last three quarters, and the latest data suggest that a growth rate above 10% is expected over the next twelve months. Corresponding long-term earnings growth expectations also increased in the euro area over the last couple of months (see Chart 23). In this regard, euro area broad indices probably reflect profit expectations for firms that operate not only in the euro area but also in other economic areas with higher growth rates.

Finally, although stock price increases appeared broadly based across economic sectors, a rather strong contribution to the increase in the broad Dow Jones EURO STOXX index was made by corporations in the energy sector – the fourth-largest sector in the index in terms of market capitalisation – which tend to benefit from higher oil prices. In contrast, following the relatively weak development of euro area domestic demand, firms in the retail sector underperformed the index (see Chart 24). Hence, an analysis of sectoral stock price developments may provide a more accurate picture when interpreting developments in broad stock price indices in terms of market participants' expectations regarding the outlook for the economy as a whole (see Table 3).<sup>3</sup>

<sup>3</sup> See also Box 4 entitled "How do stock markets react to changes in oil prices" published in the September 2004 issue of the Monthly Bulletin.

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

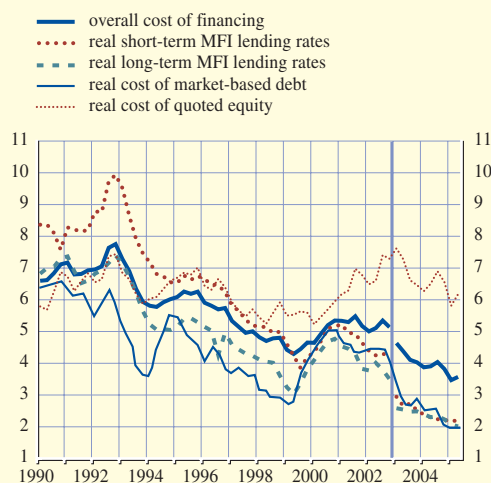
The overall cost of debt financing to non-financial corporations remained low in the second quarter of 2005. Over the same period the conditions for access to bank credit improved further, contributing to the favourable financing conditions for non-financial corporations in the euro area. The low cost of debt financing and the easing of banks' credit standards contributed to a significant pick-up in bank loans to non-financial corporations in the second quarter while equity financing remained low. As a result, the debt ratios of the euro area corporate sector increased over this period.

### FINANCING COSTS

In the second quarter of 2005 the marginal overall real cost of the external financing of non-financial corporations in the euro area, as calculated by weighting the cost of different financing sources on the basis of outstanding amounts<sup>4</sup>, remained low (see Chart 25). Underlying this low real cost of external financing, the real cost of MFI loans declined, while the real cost of market-based debt remained broadly unchanged and the real cost of equity financing increased somewhat. The latter development caused the overall real cost of external financing to increase slightly towards the end of the second quarter.

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

(percentages per annum)

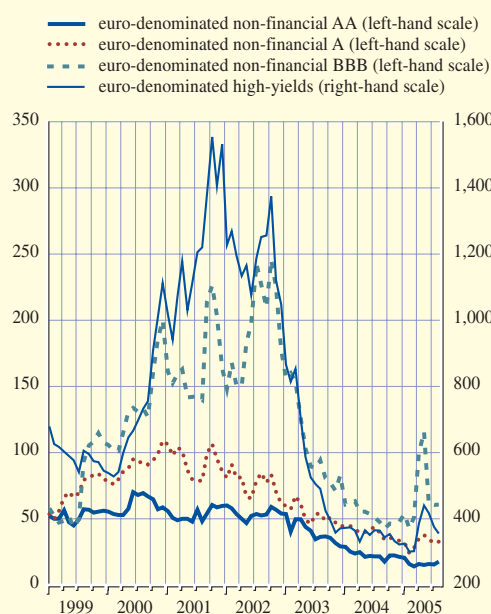


Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics forecast.

Notes: The real cost of the external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series.

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

(basis points; monthly averages)



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

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

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

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

							Change in basis points up to June 2005		
	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 May	2005 June	2004 June	2005 Mar.	2005 May
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	5.39	5.38	5.27	5.26	5.17	5.14	-25	-12	-3
Loans to non-financial corporations of up to €1 million with a floating rate and an initial rate fixation of up to one year with an initial rate fixation of over five years	3.97 4.72	3.99 4.70	3.98 4.44	3.91 4.33	3.92 4.23	3.88 4.20	-10 -52	-4 -13	-4 -3
Loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year with an initial rate fixation of over five years	3.01 4.17	3.00 4.31	3.04 4.06	3.01 4.04	2.99 3.76	2.94 3.89	-7 -28	-7 -15	-5 13
<b>Memo items</b>									
Three-month money market interest rate	2.11	2.12	2.17	2.14	2.13	2.11	0	-3	-2
Two-year government bond yield	2.74	2.60	2.36	2.49	2.22	2.07	-66	-42	-15
Five-year government bond yield	3.60	3.35	2.93	3.08	2.74	2.58	-103	-50	-16

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 Box 3 entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin.

The real cost of bank financing for new loans continued to decline slightly in the second quarter, reaching a historically low level (see Table 4). In terms of maturities, most MFI interest rates on short-term loans declined slightly over the three-month period to June 2005, broadly reflecting developments in money market rates with comparable maturities. For example, MFI rates on loans of both up to and over €1 million with a floating rate and an initial rate fixation of up to one year and the rate on bank overdrafts to non-financial corporations all declined by around 5 to 10 basis points. This compared with a decline in the three-month EURIBOR during the second quarter of 3 basis points. During the same period the decline in long-term MFI interest rates on new loans to non-financial corporations was more pronounced than the decline in short-term lending rates. For example, long-term rates with an initial rate fixation of over five years on loans to non-financial corporations of both up to and over €1 million declined by around 15 basis points. By comparison, five-year government bond yields declined by 50 basis points over the three-month period to June. The slower decline in long-term MFI lending rates against comparable market rates generally reflects a sluggish pass-through. In this respect, the decline in long-term MFI interest rates continued the downward trend that started in June 2004 when government bond yields peaked. Overall, bank interest rate margins on long-term loans to non-financial corporations increased slightly, whereas margins on short-term loans remained broadly unchanged.

The real cost of market-based debt issued by non-financial corporations remained low during the second quarter of 2005. Indeed, although it increased in April and May, the real cost of market debt declined to a historical low level in June. These developments were broadly mirrored by movements in corporate bond spreads (see Chart 26). For instance, the spreads for BBB-rated corporate bonds increased in April and May, mainly driven by a series of generally firm-specific events affecting, in particular, the automobile industry. When these firms are excluded from the BBB index, the rise in the spread was considerably smaller. More broadly, corporate bond spreads for lower-rated companies tended to increase in April and May, but subsequently reverted to

lower levels. In comparison, corporate bond spreads in higher-rated segments (A and AA) changed much less during the second quarter and remained very low by historical standards. Overall, the current low level of corporate bond spreads continues to provide support for a fairly benign assessment of the perceived credit risks of the non-financial corporate sector in the euro area. At the same time, other factors such as a “search for yield” seem to have contributed to lower corporate bond spreads, particularly in an environment of low government bond yields.

Despite relatively favourable developments in euro area stock markets, the real cost of quoted equity increased somewhat in the second quarter of 2005. This increase seems to be due, in part, to higher dividend policies implemented during this period. Overall, the real cost of quoted equity remained slightly above the average of the 1999-2005 period. Box 4 provides a more detailed analysis of developments in the cost of equity in the euro area, together with a comparison with the United States, using two different indicators.

#### Box 4

#### THE COST OF EQUITY IN THE EURO AREA AND IN THE UNITED STATES

This box examines the behaviour of the cost of equity in the euro area and in the United States from a long-term perspective by means of two indicators. The first is the earnings yield, and spans the last 30 years; the second derives from a three-stage specification of the dividend discount model, and covers the period since 1990.

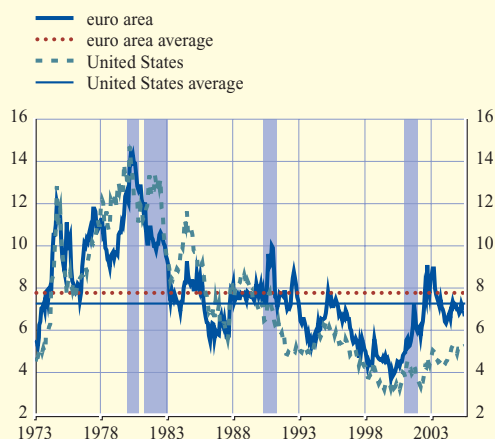
The cost of equity can be defined as the rate of return that investors require for holding a stock. In standard valuation approaches, this rate of return also coincides with the discount rate used to calculate the present value of expected future dividends. Hence, estimating the cost of equity is intrinsically linked to estimating the equity premium. This variable, however, cannot be measured reliably, as evidenced by the huge quantity of literature on the equity premium puzzle.<sup>1</sup> There are, however, at least two common ways to assess the real cost of equity without adopting proxies of the risk premium. One is based on the earnings yield, i.e. the ratio between current earnings and current equity prices, the other on the dividend discount model.

Chart A plots the monthly values of the earnings yield for broad equity indices of the euro area and the United States since January 1973. On average, the indicator was 7.8% and 7.3% in the two areas, respectively. After peaking during the first of the US recessions reported in the chart (January-July 1980) at more than 14% annualised, it started to decrease, reaching historical minima close to 4% at the beginning of 2000. Since then, it has started to rise again and stood at 5.3% in the United States and at 6.9% in the euro area at end-July 2005. In the United States the current level is significantly lower than the average recorded since 1973, while in the euro area it is only slightly below the respective average. Besides being at different levels, the cost of equity in the two economic areas has also evolved differently in recent years. A steady rise has occurred in the United States since the spring of 2002 while, in the euro area, there has been an initial steep rise, between January 2000 and March 2003, followed by a rapid decline and a phase of stability.

<sup>1</sup> Simply stated, the puzzle arises from the fact that over the last century, especially for the US market, a broad equity index yielded a much higher real return than bonds and that the gap between the two returns can be reconciled only by implausible levels of the relative risk aversion coefficient.

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

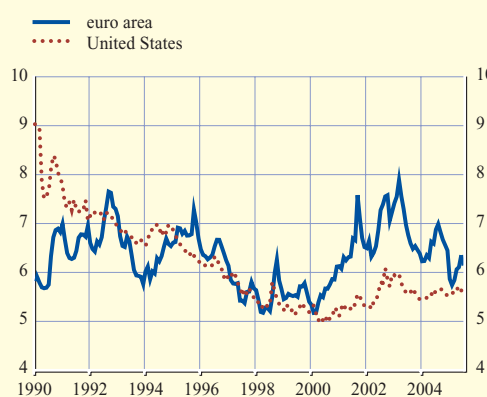
(percentages per annum; monthly data)



Source: Thomson Financial Datastream.  
Note: For each economic area the earnings yield is calculated as 100 times the inverse of the price/earnings ratio for the Datastream Global Equity Index. Shaded areas denote US recessions, as determined by NBER.

**Chart B Cost of equity in the euro area and in the United States**

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.  
Note: The cost of equity is based on the three-stage dividend discount model.

The simple calculation of the cost of equity via the earnings yield may not take properly into account the influence of business cycle developments on the main economic determinants of equity prices, in particular market participants' expectations of dividend growth. A straightforward way to include this in the analysis is through the Gordon's dividend discount model. As discussed in previous issues of this Bulletin, this model may provide a more accurate estimate of the cost of equity when the original one-stage formulation is extended to a three-stage version.<sup>2</sup> Such a modification allows dividends to grow at a higher rate in an initial period, eventually converging to the long-run growth rate over a pre-defined period, which is generally assumed to be eight years. To estimate the expected dividend growth we rely on earnings forecasts, with a horizon of 3-5 years, provided by market participants and collected by the Institutional Broker's Estimate System (IBES).

Chart B plots the monthly time series of the cost of equity for the euro area and the United States calculated through the three-stage dividend discount model between January 1990, when the IBES survey became available, and July 2005. In the calculations, the nominal expected rates of earnings growth have been converted to real figures by subtracting the expected inflation obtained from Consensus Economics. The real long-run rate of growth of earnings was set at 2.25% per annum for the euro area and at 3.0% for the United States.

All in all, the results show that the indications derived from the earnings yield are in line, especially for the euro area, with the outcome of the three-stage dividend discount model, at least over the sample analysed. Such estimates of the cost of equity must be used with some caution as they rely on figures for expected earnings provided by market participants, which have been shown to include a sizeable bias. Some light can nonetheless be shed on the plausibility of the estimated cost of equity by relating it with variables which are among its main determinants. In

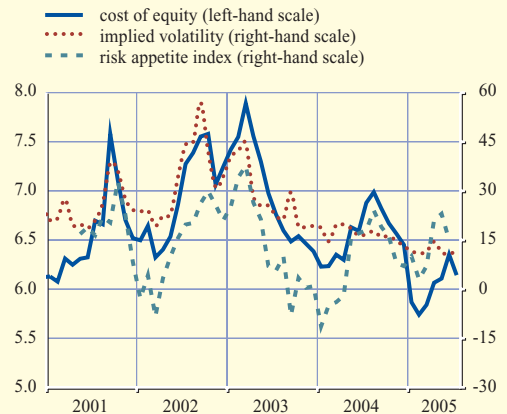
<sup>2</sup> See Box 2 in the November 2004 issue of the Monthly Bulletin and Box 4 in the March 2005 issue.



Chart C, the cost of equity for the euro area, based on the three-stage dividend discount model, is displayed together with the implied volatility of the Dow Jones EURO STOXX 50 index and an indicator of risk appetite.<sup>3</sup> The estimated cost of equity closely tracks the movements of the risk appetite index and equity market volatility. Such findings lend support to the plausibility of the indications provided by the Gordon's scheme. Further support may be obtained by regressing the cost of equity on the two variables reported in Chart C and on the equity market return. The R-squared of the regression is 75%, with the volatility and the risk appetite index having approximately the same weight in determining the movements of the cost of equity. All explanatory variables have the expected sign, i.e. the cost of equity rises with higher volatility and falls with increasing risk appetite and positive stock market returns. Analogous indications are obtained for the US stock market, although the R-squared drops to 50%.

**Chart C Cost of equity in the euro area and its determinants**

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream, Merrill Lynch and ECB calculations.

Note: The cost of equity is derived from the three-stage dividend discount model. The implied volatility is extracted from the price of options on the Dow Jones EURO STOXX 50 index. The risk appetite index refers to the net percentage balance of respondents to the Merrill Lynch Global Fund Manager Survey.

To sum up, the analysis revealed that, measured through the earnings yield, the cost of equity in the euro area and in the United States was, at the end of July 2005, lower than the averages recorded since 1973, although the recent behaviour has been rather different in the two economic areas. Overall, the three-stage dividend discount model confirms the findings based on the earnings yield and the estimated cost of equity seems to move in line with broad measures of risk, such as equity market volatility and an index of risk appetite.

<sup>3</sup> This chart starts in 2001, when the Merrill Lynch risk appetite index became available.

## FINANCING FLOWS

Financing flows to non-financial corporations in the form of bank loans and corporate debt securities continued to increase during the second quarter of 2005 (see Chart 27). Hence, non-financial corporations have slightly increased their relative debt position, confirming the trend that started in the first quarter.

At the same time, the internal financing capacity of non-financial corporations remained strong, as indicated by earnings data for listed companies. For example, actual earnings growth for major companies in the Dow Jones EURO STOXX index remained relatively high in the second quarter. The increased recourse to external debt financing on the part of non-financial corporations might, in part, be related to a desire to secure financing for future investment, particularly in an environment of low MFI lending rates and more favourable bank credit standards. Evidence for this is provided by the relatively large cash holdings of non-financial corporations, as suggested by the significant amount of deposits and other money market instruments included in M3 that are held by non-financial corporations (see Section 2.1). Although current euro area statistics do not

enable the financial investments of non-financial corporations to be analysed precisely (see Section 2.2), such an increase in financial investment by non-financial corporations is consistent with the strong growth in financial investment by the non-financial sector as a whole in the first quarter. In addition, a certain pick-up in merger and acquisition (M&A) activity in 2005 via cash-financed M&A transactions could also have contributed to the increase in the demand for debt financing.

In terms of financing instruments, higher demand for MFI loans was the main contributor to the increase in the external financing of non-financial corporations in the second quarter (see Table 5). The annual growth rate of MFI loans to non-financial corporations increased to 6.3% in the second quarter, from 5.9% in the first quarter. More recent data shows an acceleration in the annual growth rate of MFI loans to non-financial corporations, which was 6.9% in July. In terms of maturities, demand for long-term loans continued to grow at about the same high level seen in the first quarter, whereas short-term loans grew more strongly compared with the previous quarter.

This significant increase in demand for bank loans was supported by the low MFI interest rates as well as by more favourable credit conditions offered by euro area MFIs. In this respect, according to the July 2005 euro area bank lending survey (see Box 1 in the August 2005 issue of the Monthly Bulletin), banks reported a further net easing of credit standards for loans to enterprises, pointing to a marked improvement in bank credit supply conditions in the second quarter. According to respondent banks, competition from other banks is the main contributing factor.

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

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes)				
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2
<b>MFI loans</b>	3,283	4.0	4.5	5.4	5.9	6.3
up to 1 year	1,025	-2.1	-0.6	2.5	3.9	4.7
over 1 and up to 5 years	566	6.5	6.1	6.0	6.6	6.5
over 5 years	1,692	7.2	7.2	7.0	6.9	7.3
<b>Debt securities issued</b>	615	2.2	3.6	3.0	3.1	4.9
short-term	103	2.1	4.0	-1.0	3.1	1.6
long-term, of which: <sup>1)</sup>	512	2.2	3.4	3.8	3.0	5.7
fixed rate	416	2.5	1.1	0.7	-0.9	1.9
variable rate	83	-2.4	18.3	29.1	28.0	26.6
<b>Quoted shares issued</b>	3,253	0.8	0.7	0.8	0.8	0.8
<b>Memo items<sup>2)</sup></b>						
Total financing	7,873	1.8	1.8	2.2	3.1	3
Loans to non-financial corporations	3,778	2.2	1.9	3.3	4.3	4
Pension fund reserves of non-financial corporations	302	4.7	4.7	4.5	4.4	4½

Source: ECB.

Note: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issues statistics. Small differences with data reported in financial accounts statistics may arise mainly as a result of differences in valuation methods.

1) The sum of fixed rate and variable rate may not add up to total long-term debt securities because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.

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

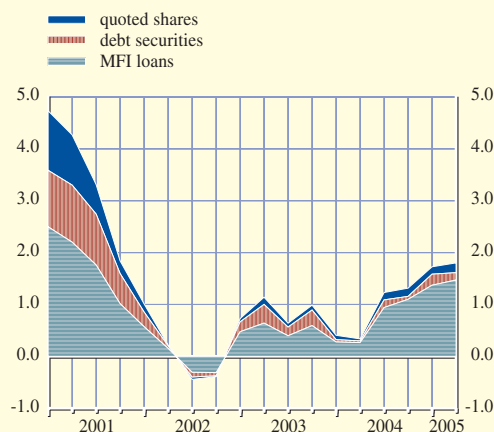
With respect to debt securities, the annual growth rate of debt securities issued by non-financial corporations increased to 4.9% in the second quarter of 2005, from 3.1% in the first quarter. In particular, gross issuance by non-financial corporations stood at very high levels in May and June, close to the historical peak reached in June 2004. The annual growth rate of long-term debt securities issued by non-financial corporations, which accounted for around 83% of the total amount outstanding of this sector, increased to 5.7% in the second quarter of 2005, from 3.0% in the previous quarter. At the same time, the annual growth rate of short-term debt securities issued by non-financial corporations declined in the second quarter to 1.6%, from 3.1% in the first quarter. The heightened demand for longer-dated instruments reflects, to some extent, a desire on the part of many investors to boost returns given the low level of yields on most debt securities with shorter maturities, despite the greater risks associated with long-term debt. Overall, this demand for longer maturities pushed long-term yields to near historical lows in June and supported long-term debt securities issuance.

The annual growth rate of debt securities issued by non-monetary financial corporations – which are partly used by non-financial corporations to raise external funds indirectly via special-purpose vehicles – increased further in the second quarter of 2005. Despite the above-mentioned increases in corporate bond spreads, corporate issuance remained relatively robust as investors continued to demand corporate bonds. In addition, strong issuance activity may have been partly due to the introduction of the new EU Prospectus Directive, which took effect on 1 July. The implementation of this directive has been surrounded by a number of uncertainties, particularly regarding legal issues, and a number of issuers may have preferred to avoid such problems by issuing securities in the second quarter.

In contrast to debt financing, equity financing remained subdued at the very low level observed over the past two years. In particular, the annual growth rate of quoted shares issued by non-financial corporations remained unchanged at 0.8% in the second quarter of 2005, although

**Chart 27 Breakdown of the real annual rate of growth of financing to non-financial corporations<sup>1)</sup>**

(annual percentage changes)

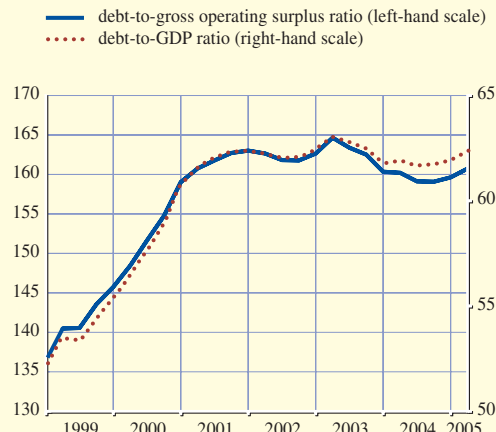


Source: ECB.

1) The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

**Chart 28 Debt ratios of the non-financial corporate sector**

(percentages)



Sources: ECB and Eurostat.

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

redemptions of quoted shares increased significantly during this period. The low recourse to equity financing seems to be a consequence of the very low cost of other external sources of finance and the availability of internal sources. Moreover, the relatively low level of investment may also have played a role, as equity issuance tends to be related to demand for long-term capital investment.

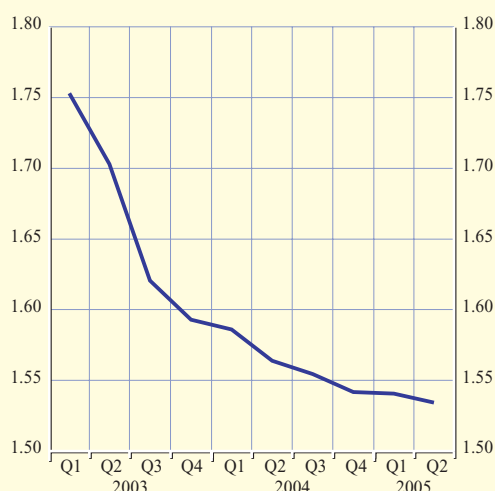
Overall, the annual growth rate of all financing of non-financial corporations is estimated to have remained at 3% in the second quarter of 2005, broadly unchanged from the 3.1% registered in the previous quarter (see Table 5).

#### FINANCIAL POSITION

The second quarter of 2005 saw a consolidation of the trend towards higher corporate debt ratios that started in the previous quarter (see Chart 28). As indicated above, this development was caused by increased recourse to debt financing, which was partly related to the high cost of issuing equity compared with the cost of debt financing. As a result of the low cost of debt financing, net interest payments by non-financial corporations remained at low levels (see Chart 29), supporting demand for new debt. However, increased debt levels could increase the risk exposure of non-financial corporations, particularly in an environment of relatively low interest rates. In this respect, it should be noted that the share of new loans and debt securities with floating rates or with a short initial rate fixation has increased in recent quarters.<sup>5</sup>

**Chart 29 Net interest payments of non-financial corporations**

(as a percentage of GDP)



Sources: ECB and Eurostat.

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

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*Household borrowing continued to strengthen in the second quarter of 2005, reflecting mainly robust growth in loans for house purchase, but also a picking-up of consumer credit. Loan demand continued to be underpinned by favourable financing conditions and buoyant housing market developments in several euro area countries. As a result of strong borrowing dynamics, the indebtedness of euro area households, measured as a proportion of GDP, increased further.*

#### FINANCING CONDITIONS

In the first half of 2005 financing conditions for the euro area household sector remained broadly favourable, on balance. What contributed to an improvement of financing conditions was the moderate decline in MFI lending rates on both loans for house purchase and consumer credit in the second quarter of 2005. In the case of lending rates for house purchase, in particular, this implied a continuation of the past downward trend. The rates on loans for house purchase with a longer

<sup>5</sup> See Box 4 entitled "Interest rate sensitivity of debt raised by non-financial corporations in the euro area", in the June 2005 issue of the ECB's Financial Stability Review.

maturity declined somewhat more sharply than those on such loans with a shorter maturity. The differential between the lending rates on longer maturities and those on shorter maturities fell to orders of magnitude last observed in early 2003 (see Chart 30). At the same time, there were also some signs of a slight deterioration of overall financing conditions. In the July 2005 Bank Lending Survey, banks reported a slight net tightening of the credit standards for the approval of loans for house purchase and a somewhat lower net easing in the case of consumer credit and other lending.

#### FINANCING FLOWS

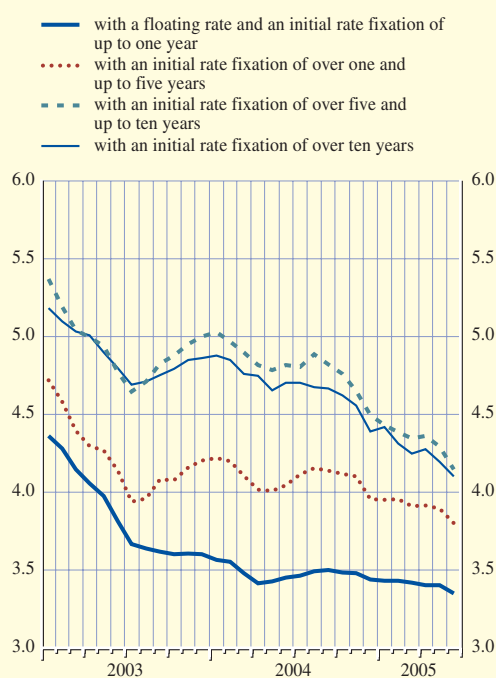
In the first quarter of 2005 the annual growth rate of total loans granted to the household sector – as measured by quarterly financial accounts data – increased to 8.2%, from 8.0% in the fourth quarter of 2004. This confirmed the upward trend previously observed in MFI loan data. MFI loans represent about 90% of total outstanding household loans, and the latest available data point to continued strong growth of total household loans in the second quarter of 2005. Since mid-2003, the annual rate of growth of household loans from other financial intermediaries (OFIs) has come down considerably to about the level of growth of total loans to households. As a result, the annual growth rate of total household loans has converged on that of MFI loans (see Chart 31). One explanation for the decline in the growth rate of household loans from OFIs is that the volume of loan transfers from MFIs to OFIs in the context of loan securitisation has come down somewhat since mid-2003 (see Box 1 for more details on loan securitisation by MFIs).

Overall loan dynamics continued to be explained mainly by the strength of MFI loans for house purchase. The annual growth rate of this component was 10.5% in July, after an average of 10.1% in the first and second quarters of 2005. According to the July 2005 Bank Lending Survey, households' favourable prospects with regard to the housing market continued to underpin their demand for mortgages.

The annual growth rate of consumer credit was 6.8% in July, following rates of 6.4% and 6.8% in the first and second quarters respectively. These developments are in line with the results of the July 2005 Bank Lending Survey, where banks reported a slightly higher net demand for consumer credit, motivated by spending on durable consumer goods and supported by a slight improvement in consumer confidence. The annual growth rate of other lending to households was 2.1% in July, after 2.2% and 2.1% in the first and second quarters respectively.

**Chart 30 MFI interest rates on loans to households for house purchase**

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

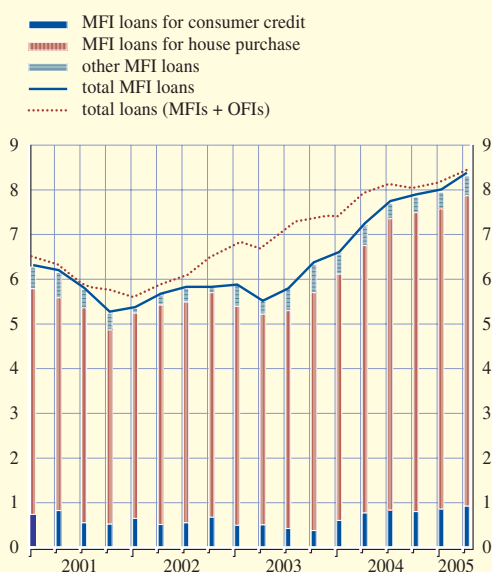


Source: ECB.

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

Chart 31 Total loans granted to households

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

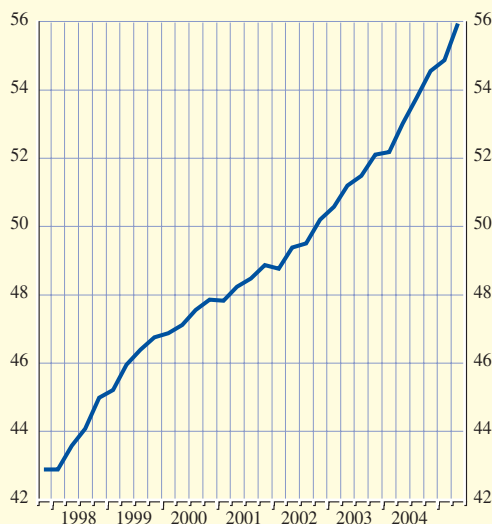


Source: ECB.

Note: Total loans to households (MFIs+OFIs) for the second quarter of 2005 have been estimated on the basis of transactions reported in money and banking statistics.

Chart 32 Ratio of household debt to GDP

(in percentages)



Source: ECB.

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

## FINANCIAL POSITION

Following strong growth in household borrowing, the ratio of household debt to GDP rose further to approximately 56% in the second quarter of 2005 (see Chart 32). The increase in the household debt-to-GDP ratio mainly reflected an increase in long-term debt. The share of short-term household debt, by contrast, has remained broadly stable in recent years. The total debt service burden of the household sector (interest payments plus repayments of principal) as a percentage of disposable income has remained relatively stable in recent years owing to the prevailing low levels of interest rates.

## 3 PRICES AND COSTS

Largely reflecting developments in oil prices, annual HICP inflation in the euro area has edged up since last May, to reach a level of 2.2% in July 2005. According to Eurostat's flash estimate, it eased slightly to 2.1% in August. In recent months, the increase in energy prices has been only partly counterbalanced by moderate developments in most other components of overall HICP inflation. The upward pressure from oil price increases was also reflected in a small rebound in the annual growth rate of producer prices in June, although there is little evidence of significant pass-through at the latter stages of the production chain. Despite conflicting evidence from various indicators, labour cost growth in the euro area is assessed to have remained moderate in the first half of 2005. In particular, the annual rate of increase in negotiated wages eased slightly to 2.1% in the second quarter of 2005. In the coming months, annual HICP inflation is expected to remain above 2%, with some degree of volatility, depending on oil price developments. Looking ahead, underlying inflationary pressures are expected to remain contained in the euro area, despite there being some upside risks to price stability.

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR AUGUST 2005

According to Eurostat's flash estimate, annual HICP inflation eased slightly to 2.1% in August. Although a detailed breakdown showing the different components is not yet available, the upward impact of a further increase in energy prices in August may have been dampened by a favourable base effect from last year's developments. There is still considerable uncertainty surrounding this estimate given the preliminary nature of the data.

#### HICP INFLATION UP TO JULY 2005

Since last May, overall euro area HICP inflation edged up to 2.2% in July 2005 (see Table 6). This small increase largely reflects the recent surge in euro-denominated oil prices, which has put strong upward pressure on energy prices. This was only partly counterbalanced by declining annual growth rates in most other HICP components, in particular unprocessed food and non-energy industrial goods prices.

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

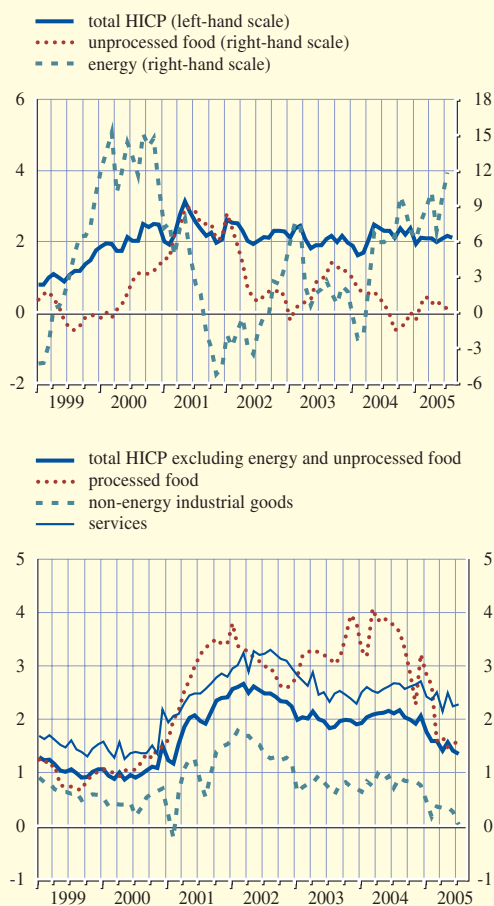
	2003	2004	2005 Mar.	2005 Apr.	2005 May	2005 June	2005 July	2005 Aug.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.1	2.1	2.1	2.0	2.1	2.2	2.1
Energy	3.0	4.5	8.8	10.2	6.9	9.4	11.8	.
Unprocessed food	2.1	0.6	1.3	0.8	1.0	0.6	0.3	.
Processed food	3.3	3.4	1.6	1.7	1.5	1.5	1.6	.
Non-energy industrial goods	0.8	0.8	0.4	0.3	0.4	0.3	0.0	.
Services	2.5	2.6	2.5	2.2	2.5	2.2	2.3	.
<b>Other price indicators</b>								
Industrial producer prices	1.4	2.3	4.2	4.3	3.5	4.0	.	.
Oil prices (EUR per barrel)	25.1	30.5	40.4	41.4	39.4	45.7	48.3	51.9
Non-energy commodity prices	-4.5	10.8	-0.4	-1.9	1.2	7.6	9.6	11.9

Sources: Eurostat, Thomson Financial Datastream and HWWA.

1) HICP inflation in August 2005 refers to Eurostat's flash estimate.

**Chart 33 Breakdown of HICP inflation: main sub-components**

(annual percentage changes; monthly data)



Source: Eurostat.

stemming from strong external competition and the past appreciation of the euro, both of which may continue to exert downward pressure on these prices. The slight increase in the annual growth rate of services prices is linked to developments in some volatile sub-components, such as package holidays and transport services.

### 3.2 PRODUCER PRICES

Since the last issue of the Monthly Bulletin, no further data on producer prices have been published. Having fallen to 3.5% in May, the annual growth rate of overall producer prices (excluding construction) rose to 4.0% in June. Since the beginning of the year, developments in producer prices have largely reflected the impact of higher energy prices. So far, however, there has not been any evidence of significant pass-through at the latter stages of the production chain (see Chart 34). The annual growth rate of intermediate and capital goods prices eased throughout the first half of the year. Furthermore, there was some easing in the annual growth rate of consumer goods prices, although mostly as a result of base effects from previous tobacco tax

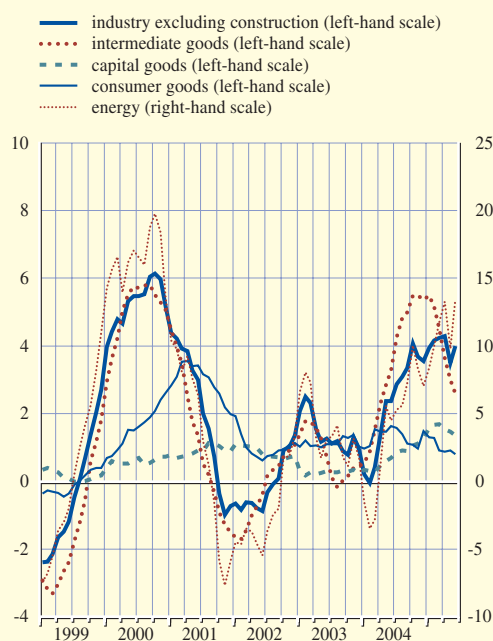
The annual growth rate of energy prices rose again from 9.4% in June to 11.8% in July. The impact of surging oil prices more than offset the further decline in the annual growth rate of unprocessed food prices, which fell to 0.3% in July. Despite concerns that drought conditions in some parts of the euro area could trigger significant price increases, this summer's increase in unprocessed food prices has so far been more moderate than that usually observed at this time of the year.

In contrast to overall inflation, the annual growth rate of the HICP excluding the most volatile components (i.e. energy and unprocessed food prices) remained unchanged at 1.4% in July, despite a slight increase in both the processed food and the services components (see Chart 33). As yet there is very little evidence of indirect effects from the increase in energy prices. Indeed, the annual growth rate of non-energy industrial goods has fallen substantially from an average of 0.3%-0.4% in the first half of the year to 0.0% in July. This noticeable decline is due, in particular, to even greater seasonal summer sales discounts in the majority of euro area countries, which dampened the clothing and footwear sub-component of non-energy industrial goods prices. The historically very low contribution of non-energy industrial goods prices to overall inflation in the euro area may also reflect a downward impact on prices



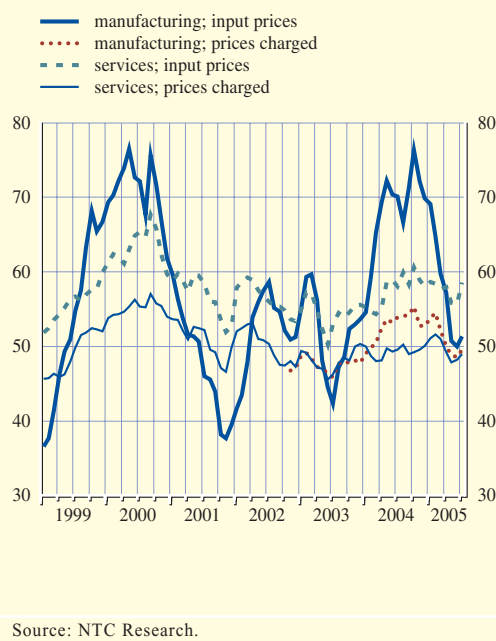
**Chart 34 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)



**Chart 35 Producer input and output price surveys**

(diffusion indices; monthly data)



increases. The higher energy costs therefore appear to have been partly absorbed in manufacturing firms' profit margins. This has been confirmed by recent Eurozone Purchasing Managers' Surveys which report that factors such as weak consumer demand and increased external competition are dampening the upward pressures emanating from the indirect effects of past oil price increases.

Survey data for July suggested a slight increase in price pressures in the manufacturing sector, after several consecutive months of decrease (see Chart 35). The Eurozone Manufacturing Input Price Index from the Purchasing Managers' Surveys rose slightly in July, signalling an acceleration in input prices for the first time since November last year. This largely reflected the surge in oil prices in June and July. At the same time, the index for prices charged climbed significantly, but remained just below 50, thus still indicating a decline in prices. Survey respondents, however, continued to report that increased external competition had prevented them from fully passing on increases in input costs. The general rebound in price pressures at the producer level was also reflected in the July survey results of the European Commission, which showed an increase in selling price expectations in all branches of industry.

### 3.3 LABOUR COST INDICATORS

Despite conflicting evidence from various indicators, labour cost growth in the euro area is assessed to have remained moderate in the first half of 2005. The annual rate of increase in negotiated wages eased from 2.3% in the first quarter of 2005 to 2.1% in the second quarter of 2005 (see Table 7). This easing was observed in the majority of euro area countries.

**Table 7 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2
Negotiated wages	2.4	2.2	2.3	2.1	2.2	2.3	2.1
Total hourly labour costs	2.8	2.6	2.5	2.5	2.5	3.1	.
Compensation per employee	2.3	2.1	2.5	1.8	1.8	2.2	.
<i>Memo items:</i>							
Labour productivity	0.5	1.2	1.7	1.2	0.7	0.5	.
Unit labour costs	1.8	0.9	0.8	0.6	1.1	1.7	.

Sources: Eurostat, national data and ECB calculations.

Data for other labour cost indicators are only available up to the first quarter of 2005, when there were increases in the annual growth rates of compensation per employee and total hourly labour costs (see Chart 36). Both indicators, however, may have been impacted by statistical working-day effects. Total hourly labour costs may also be subject to volatility due to the phasing-in of the new regulations concerning the labour cost index. While the indicator of negotiated wages is a relatively crude indicator of wage developments (owing to the differences in coverage and institutions across countries, as well as the absence of wage drift), it has so far followed the same broad pattern of other labour cost indicators without being subject to as many statistical or idiosyncratic effects. Overall, therefore, the decline in euro area labour cost growth still appears to be levelling off at a moderate rate.

Taking into account the increase in the annual growth rate of compensation per employee to 2.2% in the first quarter of 2005 and the slight slowdown in productivity growth, the annual rate of change in unit labour costs rose to 1.7% in the same period. Looking ahead, the annual growth rate of unit labour costs should be dampened by a gradual recovery in productivity.

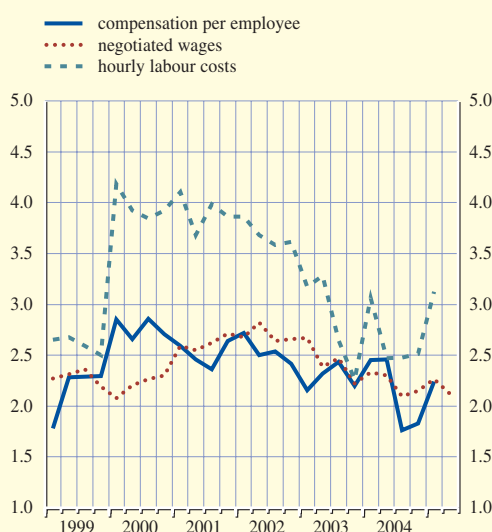
Box 5 discusses the wage growth differential between market and non-market services, which increased somewhat in 2004 compared with previous years. In particular, it shows the significant influence of structural developments, such as part-time employment growth.

### 3.4 THE OUTLOOK FOR INFLATION

Given the recent oil price developments, the short-term outlook for inflation has deteriorated and the annual growth rate of HICP inflation is likely to remain above 2% in the coming months. Looking further ahead, there is thus far no significant evidence of underlying inflationary pressures building up in the euro area economy. In particular, it is assumed that wage increases will remain contained against the background of increasing

**Chart 36 Selected labour cost indicators**

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

external competition, the continued existence of a slack in the labour market and the only gradual increase in economic activity.

The latest ECB staff macroeconomic projections (see the box entitled “ECB staff macroeconomic projections for the euro area”) expect HICP inflation to lie between 2.1% and 2.3% in 2005 and between 1.4% and 2.4% in 2006. Several upside risks to these projections need to be taken into account, notably future oil price developments. Developments in indirect taxes and administered prices may also surprise on the upside. Furthermore, vigilance is required in terms of the potential risk of past increases in inflation leading to second-round effects in wage and price-setting throughout the economy. Such risks may become more relevant in the medium term as labour market conditions gradually improve. In this regard, developments in longer-term inflation expectations must be closely monitored.

#### Box 5

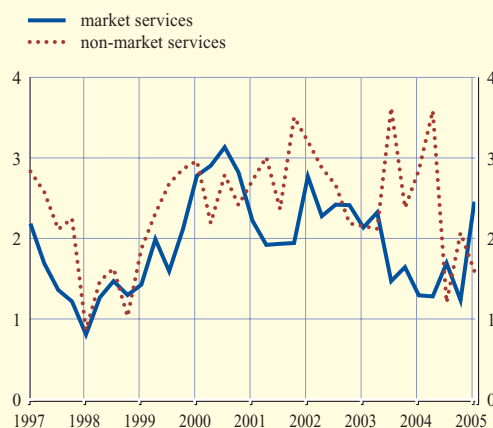
### WHAT CAN EXPLAIN THE DIFFERENCES IN WAGE GROWTH BETWEEN MARKET AND NON-MARKET SERVICES?

Given the substantial weight of services in overall economic activity (nearly 70% of euro area value added), a clear understanding of wage developments in the services sector is crucial also for assessing inflationary pressures. In 2004 overall wage growth in the euro area services sector remained moderate, with an average annual growth rate of compensation per employee of 1.8%. However, this concealed significant differences within services. In particular, the annual growth rate of compensation per employee in “non-market” services (e.g. public administration, education, social security and health services, covering around 45% of total employment in services) was 2.4%, compared with 1.4% in more “market-oriented” services (e.g. trade, transport, finance and business services, accounting for around 55% of total employment in services). This difference also appears to have been persistent in recent years (see Chart A), although the differential widened between mid-2003 and mid-2004. Since 1997 the annual average growth rate of compensation per employee in “non-market” services, which are subject to less intense competitive pressures, has been on average 0.5 percentage point higher than in the more competitive market services. This Box analyses in more detail the reasons for differences in wage growth across different types of services.

Changes in part-time employment could partly explain recent patterns in services sub-sector wage growth. In total services, the proportion of part-timers rose from less than 18% to more than 22% between 1997 and 2004. Moreover the growth in part-time

Chart A Compensation per employee in services

(annual percentage changes)

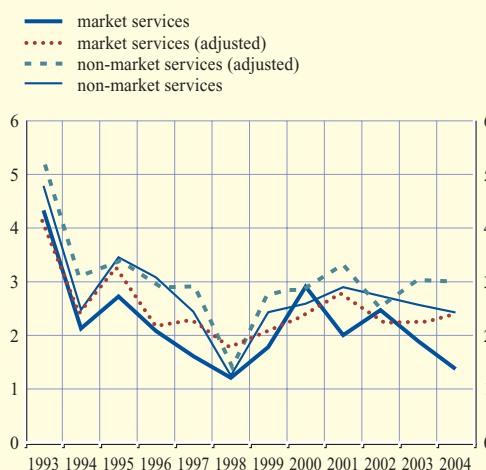


Sources: Eurostat and ECB calculations.

employment was stronger in market services (5.6% per year on average) than in the more “sheltered” services (3.1% per year on average). In 2004, the proportion of part-timers continued to rise in “market-oriented” services, but declined very slightly in the more sheltered services. Such developments have an impact on the overall wage structure since a higher proportion of part-time workers mechanically lowers the average number of hours worked and thus reduces average growth in compensation per employee. In addition, part-time employees tend to have lower hourly wages than full-time employees.<sup>1</sup> Using European Labour Force survey data on part-time work and average hours worked, it is possible to adjust the increase in wage growth for the impact of part-time work (see Chart B).<sup>2</sup>

**Chart B Compensation per employee adjusted for part-time growth**

(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart B confirms that, in 2004, developments in part-time work explain more than half of the gap in wage growth between the two sub-sectors of services. However, over the longer term, differences in the pattern of part-time employment do not explain the entire gap and why the annual growth rate of compensation per employee in more “sheltered” services was consistently higher than that of market services during the 1990s. Since 1997, after adjusting for the impact of part-time work, the average gap has been only marginally reduced to 0.4 percentage point on average.

Some other structural factors may be at play. In particular, average wage levels in the non-market services sector have been persistently below those in market services, despite the fact that more than a third of employees in non-market services are classified as highly skilled, compared with around 20% in market services.<sup>3</sup> The persistence of the wage growth differential in recent years may thus also reflect a catching-up of average wage levels in non-market services.

Furthermore, the wage-setting process in a competitive sector may differ from that in more sheltered sectors. For example, the demand for and supply of services such as health, education and other public services, and hence labour demand and supply, may be partly determined by political processes that are not necessarily influenced by cyclical developments in the economy. In addition, the moderating impact of unemployment on wage claims may be lower in

1 See, for example, OECD Employment Outlook, June 1999.

2 The number of part-time employees may be converted to full-time equivalents, multiplying it by the ratio of “average hours worked by part-timers” to “average hours worked by full-timers”. This number is then added to the number of full-time employees to obtain total employees in full-time equivalents. Total compensation is then divided by the latter in order to estimate compensation per “full-time equivalent”.

3 See Genre, Momferatou and Mourre (2005), “Wage diversity in the euro area: an overview of labour cost differentials across industries”, ECB Occasional Paper No. 24, February.

less competitive services sectors. Indeed, the volatility of employment growth in sheltered services is significantly lower than in more competitive services.

Notwithstanding the above reasons for differences in wage growth within the services sector, the wage growth differential may also be the sign of some lack of efficiency or rigidities in some non-market services that could be addressed by policy measures. Furthering the necessary reform process across the euro area can thus be seen as a key determinant in shaping future wage growth trends in non-market services and thus in the economy as a whole.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

According to Eurostat's first estimate, real GDP in the euro area in the second quarter of 2005 was up 0.3% on the previous quarter, following somewhat higher growth of 0.4% in the first quarter of this year. The decomposition of domestic demand showed that growth in private consumption was slightly negative and investment growth weak in the second quarter. At the same time, inventory changes were the main contribution to overall growth, while the contribution from net exports was close to zero. Survey indicators suggest that there was a slight improvement in confidence in both the manufacturing and services sectors at the start of the third quarter. Household spending indicators point to rather subdued private consumption growth in the second quarter, in line with GDP growth estimates. Labour market conditions appear to have remained broadly stable in the first half of 2005. Looking ahead, a gradual improvement in euro area economic activity is generally expected. However, the strong increase in oil prices in particular poses a downside risk to growth.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

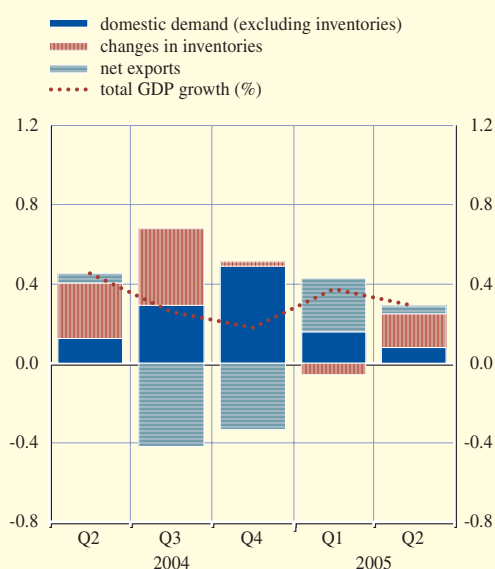
#### REAL GDP AND EXPENDITURE COMPONENTS

Euro area real GDP growth slowed in the second quarter of 2005. According to Eurostat's first estimate, real GDP increased by 0.3% quarter on quarter, after adjustment for seasonal and working-day variations (see Chart 37). Compared with GDP growth of 0.4% in the preceding period, the rate of growth in real economic activity would appear to have lost some momentum in the second quarter. However, it is likely that the higher GDP growth in the first quarter stems to some extent from statistical effects on account of a distortion caused by working day adjustments.

Taking into account the quarter-on-quarter growth rates of 0.3% and 0.2% in the last two quarters of 2004, the underlying pace of economic growth has remained moderate over the past four quarters.

Chart 37 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

The most recent estimate of national accounts for the euro area showed a downward correction of real GDP growth from 0.5% to 0.4% in the first quarter of 2005. At the same time the composition of expenditure was revised, leading to a slightly larger contribution from domestic demand, while the contribution of net trade declined to 0.3 percentage point.

Further information on the individual expenditure components in the second quarter of 2005 shows that the contribution from domestic demand provided the strongest impetus to growth in the second quarter compared with the previous quarter. However, this was mainly attributable to changes in inventories in the second quarter, which added 0.2 percentage point to quarter-on-quarter real GDP growth. Investment in the second quarter rose by 0.2%, following a decline of 0.2% in the

**Table 8 Employment growth**

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

	Annual rates		Quarterly rates				
	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
Whole economy	0.3	0.6	0.2	0.2	0.2	0.2	0.1
<i>of which:</i>							
Agriculture and fishing	-1.9	-0.9	-0.3	-0.2	0.0	-0.4	-1.0
Industry	-1.0	-0.9	-0.4	0.2	-0.1	0.0	-0.6
Excluding construction	-1.5	-1.6	-0.6	0.1	-0.5	0.2	-0.9
Construction	0.1	1.0	0.0	0.6	1.1	-0.5	0.1
Services	0.9	1.2	0.4	0.3	0.3	0.3	0.4
Trade and transport	0.3	0.9	0.1	0.3	0.4	0.2	0.1
Finance and business	1.3	2.5	1.1	0.4	0.6	0.5	0.8
Public administration	1.2	0.8	0.3	0.1	0.2	0.3	0.5

Sources: Eurostat and ECB calculations.

first quarter of the year. This pattern is partly attributable to weather conditions, which had a significant negative impact on construction investment in the first quarter (particularly in Germany). Construction investment accounts for nearly half of all euro area investment (see the Box entitled “Construction developments in the euro area”). This development in gross capital formation accounted for a contribution of 0.1 percentage point to GDP growth in the second quarter. Consumer spending growth was negative in the second quarter, probably as a result of the adverse impact of recent oil price increases. On the external side, the increase in export growth in the second quarter – which reflected the generally favourable global economic situation – was offset by a significant increase in import growth. Hence, the contribution of net exports to growth was almost zero in the period from April to June.

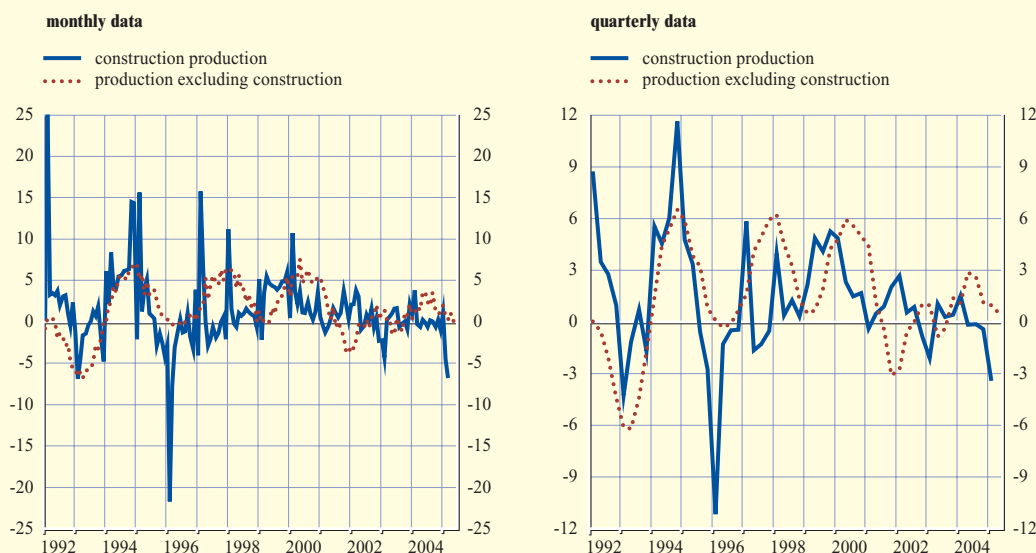
All in all, the composition of real GDP growth in the second quarter reflects a broadly unchanged and moderate pace of expansion. However, there are no clear signs as yet that the recovery may be becoming self-sustaining.

**Box 6****CONSTRUCTION DEVELOPMENTS IN THE EURO AREA**

Construction output constitutes around 17% of overall industrial production in the euro area. Moreover, this sector accounted for just over 28% of overall industrial employment and some 19% of industrial sector value added (in constant prices) in 2004. In the same year, construction investment accounted for nearly half of total investment in the euro area and, as a result, some 10% of real GDP. This clearly shows that construction is an important sector when assessing cyclical movements in the overall economy.

Chart A Industrial and construction production in the euro area

(annual percentage changes)



Source: Eurostat.

Nonetheless, there are a number of reasons why construction is normally excluded from industrial production and analysed separately. It exhibits a much larger degree of volatility, which complicates the assessment of short-term movements in activity. This is evident from the left-hand panel in Chart A, which displays the annual rate of change in construction production together with industrial production excluding construction calculated on the basis of monthly data. Moreover, euro area construction production data, although calculated on a monthly basis, are currently only released at a quarterly frequency. However, following the amended Council Regulation concerning short-term statistics, which entered into force in August 2005, Eurostat is likely to publish this series at a monthly frequency by 2006. Another advantage of looking at construction output separately is that short-term developments in the euro area data are often considerably affected by country-specific factors. In contrast to industrial production excluding construction, which exhibits a high degree of co-movement across euro area countries, construction output is characterised by substantial differences between countries.

One possible way of eliminating some of the volatility of construction growth is to calculate the annual rate of change using quarterly data (see the right-hand panel of Chart A). Although there are some differences between growth in construction output and industrial production excluding construction, they show fairly similar cyclical movements at the euro area level, reaching peaks as well as troughs at roughly the same time. The average annual growth rate since the early 1990s has been around 1.5% for both construction and non-construction production. However, the correlation between the two series has declined over recent years and is currently around 0.4. Indeed, a notable difference can be observed over the last couple of years. While annual growth in industrial production excluding construction gradually picked up between 2001 and end-2004, construction output displayed a much weaker growth pattern.

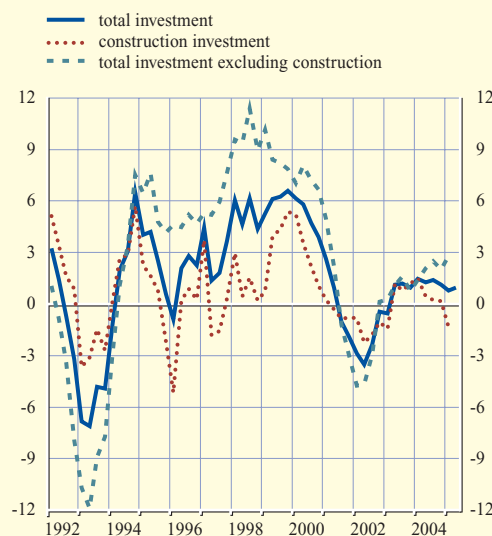


Subdued developments in a number of countries explain part of this weakness. They also help to explain why construction investment did not strengthen and, hence, why euro area total investment growth has recently been weaker than would be expected given prevailing low financing conditions and relatively strong corporate earnings (see Chart B). While construction continued to expand strongly in Austria and Finland, its momentum declined somewhat in Spain and Italy. Moreover, construction output shrank substantially in Belgium, Germany and the Netherlands. In the case of Germany, both residential and business construction continued to suffer from significant excess supply, while public construction remained depressed. However, industrial output excluding construction gathered momentum in all countries except Italy as the production of export goods benefited from the favourable external environment.

Despite the relatively high degree of longer-term co-movement between construction and non-construction industrial production, there are a number of factors which are particularly important for the evolution of construction production. First, weather conditions play a crucial role as regards construction, with extreme or unfavourable weather delaying or even halting ongoing construction work. This is one reason for the volatile growth of construction production. Second, construction may be influenced by fiscal measures. For example, in the late 1980s and early 1990s, euro area construction production expanded to a large extent on account of German construction, which was in turn heavily influenced by government incentives that were introduced following German reunification. Third, financial market developments are also important determinants of construction output. For instance, movements in interest rates affect housing demand and, thus, construction investment, owing to changes in financing costs. Finally, demographic changes may also have an impact on the

**Chart B Investment in the euro area**

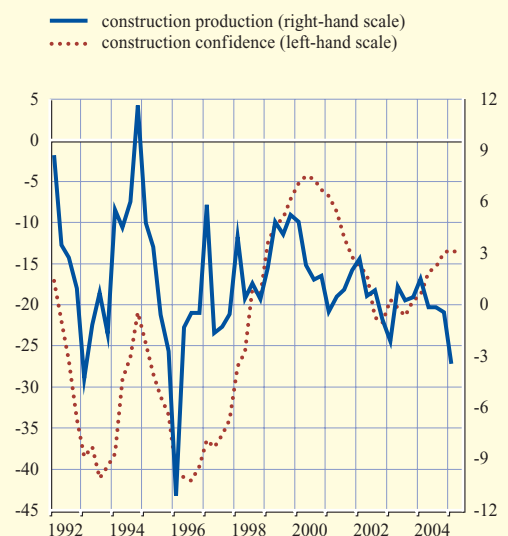
(annual percentage changes; quarterly data)



Source: Eurostat.

**Chart C Construction production and confidence in the euro area**

(annual percentage changes, percentage balances; quarterly data)



Sources: Eurostat and European Commission Business and Consumer Surveys.

demand for housing over the long term and consequently on construction production. The above factors may help to explain the relatively large differences in construction developments across euro area countries.

Some evidence of short-term developments in the construction sector may be derived from the monthly business opinion surveys made available by the European Commission. The construction confidence indicator, which is based on questions relating to an assessment of order books and employment expectations in the construction industry for three months ahead, has been broadly consistent with construction activity developments since the early 1990s (see Chart C). However, the confidence indicator does not capture the higher frequency shorter-term fluctuations in actual construction output and does not appear to contain much leading information. More recently, the confidence indicator continues to signal an improvement in activity in the construction sector, although this is somewhat at odds with the latest developments in actual construction output. Construction confidence improved recently in all euro area countries except Italy and Greece. In the latter case, the worsening in construction confidence since end-2003 seems to reflect the unwinding of the stimulus to construction in the run-up to the Olympic Games.

To sum up, in the construction sector there are relatively large differences across countries in terms of supply and demand conditions. This has contributed to heterogeneous growth developments within the euro area in recent years. While some countries have experienced positive growth rates for construction production and investment, others have experienced a contraction, which has blurred the assessment of the underlying trends in overall industrial production and investment. Notwithstanding such country differences, the construction sector forms a significant part of the total euro area economy and thereby plays an important role in the assessment of overall developments in activity.

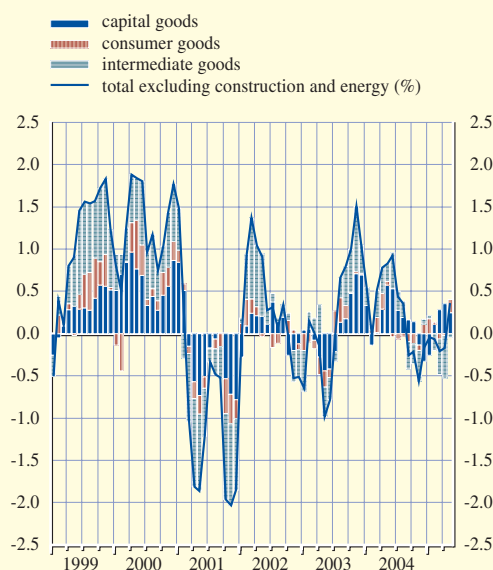
## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The sectoral decomposition of economic growth in the second quarter of this year shows that value added in both the industrial and the services sectors contributed to growth. While value added in the industrial sector gained some momentum vis-à-vis the previous quarter, value added growth in the services sector remained at the level recorded in the first quarter of 2005.

Euro area industrial production (excluding construction) increased by 0.4% quarter on quarter in the second quarter of this year, compared with the first quarter when it was stagnant. The overall increase in industrial production masked heterogeneous developments across the main industrial groupings (see Chart 38). Data for the second quarter showed an increase in the production of capital and consumer goods, while declines were registered in the intermediate goods and energy production sectors. The marked fall of the latter is probably attributable to the unusually cold weather in some regions of the euro area at the beginning of the year, as a result of which energy production was rather high. A longer-term perspective reveals that industrial production, following a strong increase in the period from mid-2003 to mid-2004, has in recent months fluctuated around a constant level. New orders in manufacturing rose quarter on quarter in the second quarter, following a significant decline in the first quarter, and as a result provide some positive signals as regards the third quarter.

**Chart 38 Industrial production growth and contributions**

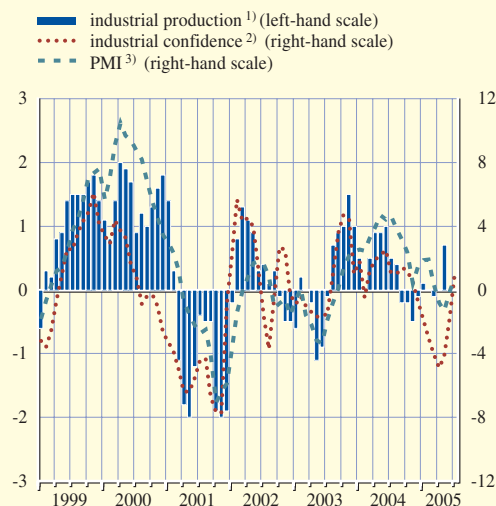
(growth rate and percentage point contributions; seasonally adjusted)



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

**Chart 39 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Research 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.

## SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data for July indicate a strengthening of confidence for both the industrial and the services sectors. The July data therefore provide some positive signals for the start of the third quarter, reaffirming the expectation of a moderate and stable expansion in the industrial and services sectors.

As regards the manufacturing sector, both the European Commission's industrial confidence indicator and the Eurozone Manufacturing Purchasing Managers' Index (PMI) point to some recent improvements (see Chart 39). Both indicators rose in June and July, following significant declines in previous months. However, the level of both indicators suggests only moderate growth in the industrial sector, as the PMI exceeds the level of 50 only slightly and the European Commission's industrial confidence indicator is still slightly below its long-term average.

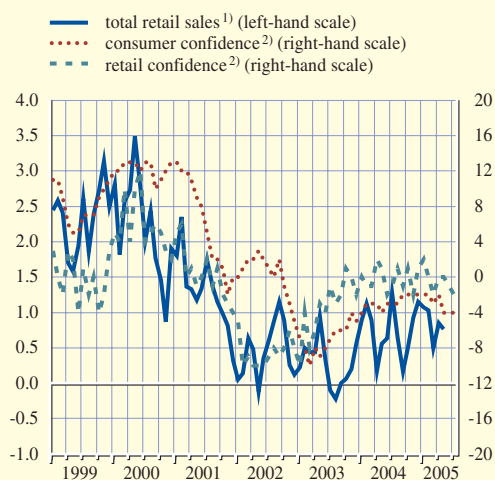
Looking at developments in the services sector, both the PMI and the European Commission's services confidence indicator improved in July, after having remained broadly unchanged or having declined slightly in the second quarter compared with the first quarter. The services PMI exceeds the threshold of 50 marginally, thereby indicating gradually improving business conditions in this sector.

## INDICATORS OF HOUSEHOLD SPENDING

Although the most recent data have been positive, overall indicators of household spending on average point to rather subdued private consumption growth in the second quarter (see Chart 40).

**Chart 40 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

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

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

In fact, retail sales volumes increased month on month in both May and June. However, quarter on quarter the volume of euro area retail sales declined by 0.2% in the second quarter, following an increase of 0.8% in the first quarter. At the same time, despite being highly volatile on a month-on-month basis, new passenger car registrations increased by 1.9% quarter on quarter. The decline in euro area retail sales and the increase in new passenger car registrations resulted in a zero contribution of monthly household spending indicators to private consumption growth in the second quarter.

Finally, the European Commission's consumer confidence indicator has remained broadly stable at a relatively low level over the last three months. However, consumer sentiment has declined since the beginning of the year. Furthermore, the typically rather robust link between the evolution of unemployment and consumer confidence appears to have weakened recently, possibly reflecting the adverse effect of the strong increase in oil

prices. However, methodological changes in the compilation of unemployment data must also be borne in mind.

## 4.2 LABOUR MARKET

Available data indicate largely unchanged labour market conditions during the first half of 2005. Survey data suggest broadly stable or slight improvements in employment expectations at the start of the third quarter.

### UNEMPLOYMENT

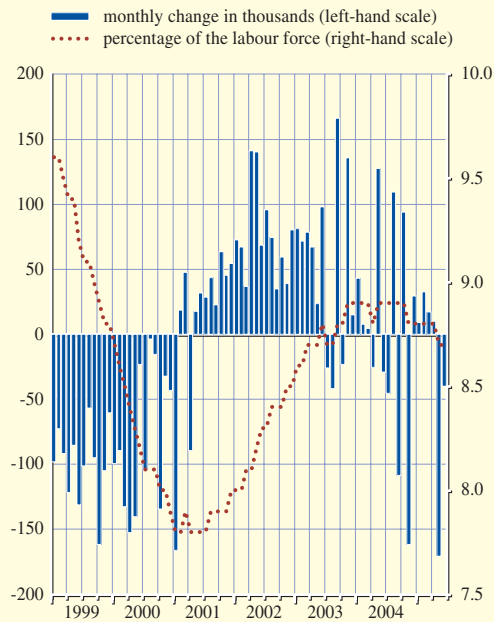
The euro area standardised unemployment rate was 8.7% in June, unchanged from May (see Chart 41). The unemployment rate stood at 8.8% in the second quarter, unchanged for the third quarter in a row. In terms of age breakdown, the unemployment rate for those under 25 increased by 0.3 percentage point to 17.9% in June, while the rate for those older than 25 remained unchanged at 7.5%. The number of unemployed fell by about 40,000 in June after declining by about 170,000 in May. However, the latest data should be interpreted with some caution as methodological changes in compiling unemployment data in Germany have recently led to a significant increase in the volatility of figures for the euro area.

### EMPLOYMENT

Euro area employment grew by 0.1% quarter on quarter in the first quarter of 2005 (revised downward by 0.1 percentage point), compared with a growth rate of 0.2% in each quarter of last year. This overall development masks divergent trends in employment growth in the services and

**Chart 41 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

industry (excluding construction) sectors. While employment in the former continued to increase in the first quarter, it declined in the latter.

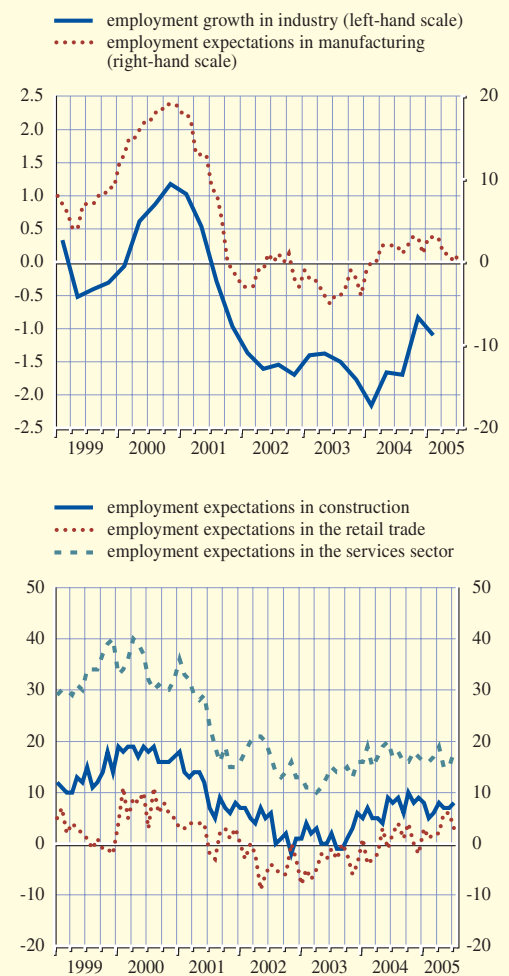
Survey data from the European Commission and the PMI suggest broadly unchanged employment expectations in the services sector between the first and second quarters of 2005, but a slight deterioration in the manufacturing sector (see Chart 42). Employment expectations in July generally show slight improvements in the services sector and broadly stable conditions in the manufacturing sector.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Compared with the first quarter of 2005, euro area real GDP growth moderated in the second quarter. However, once the distorting impact of working day adjustments are taken into account, the picture is one of moderate real GDP growth in the first half of 2005, at a broadly similar pace to that recorded in the second half of 2004.

**Chart 42 Employment growth and employment expectations**

(annual percentage changes; percentage balances; seasonally adjusted)



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

Looking ahead, a gradual strengthening of euro area economic activity is generally expected (see the box entitled “ECB staff macroeconomic projections for the euro area”). This view is supported by recent improvements in business surveys. Moreover, in the period ahead the euro area economy should benefit more visibly from the positive fundamental environment, given that the effects of past adverse shocks remain contained. However, downward risks to economic growth persist, stemming in particular from continually high oil prices. Related to this, the low level of consumer confidence is weighing on consumption growth. Finally, global imbalances remain a key challenge and a matter of concern.

**Box 7****ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA**

On the basis of the information available up to 19 August 2005, ECB staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup>

The ECB staff projections are based on assumptions about interest rates, exchange rates, oil prices, world trade outside the euro area and fiscal policies. In particular, the technical assumption is made that short-term market interest rates and bilateral exchange rates will remain unchanged over the projection horizon at the levels prevailing in the first half of August. The technical assumptions concerning long-term interest rates and both oil and non-energy commodity prices are based on market expectations in mid-August.<sup>2</sup> Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are likely to pass the legislative process.

To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences.

**Assumptions with regard to the international environment**

The external environment of the euro area is expected to remain favourable in 2005 and 2006. Real GDP growth in the United States should remain robust, although at somewhat lower rates than in 2004. Real GDP growth in non-Japan Asia is expected to remain well above the global average, but be lower than in recent years. Growth in most large economies is projected to remain dynamic.

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in “A guide to Eurosystem staff macroeconomic projection exercises”, ECB, June 2001.

2 Short-term interest rates as measured by the three-month EURIBOR are therefore assumed to remain constant at 2.12% over the projection horizon. The technical assumption of constant exchange rates implies that the EUR/USD exchange rate stays at 1.22 over the horizon and that the effective exchange rate of the euro is in 2005 0.1% higher than the average for 2004 and in 2006 0.8% lower. Market expectations for euro area ten-year nominal government bond yields imply a small increase from an average of 3.5% in 2005 to an average of 3.7% in 2006. The increase in annual average non-energy commodity prices in US dollars is assumed to be 6.4% in 2005 and 2.4% in 2006. Based on the path implied by futures markets, annual average oil prices are assumed to increase further, from USD 55.3 per barrel in 2005 to USD 62.8 per barrel in 2006.

Annual growth in world real GDP outside the euro area is estimated to average about 4.8% in 2005 and 4.6% in 2006. Growth in the euro area's external export markets is projected to be about 7.1% in 2005 and 7.2% in 2006.

### Real GDP growth projections

Eurostat's flash estimate for euro area real GDP in the second quarter of 2005 indicates quarter-on-quarter growth of 0.3%. It is projected that growth will pick up slightly from the second half of this year onwards. Average annual real GDP growth is projected to be between 1.0% and 1.6% in 2005 and between 1.3% and 2.3% in 2006. On the back of the assumed continued strength in foreign demand, export growth is expected to continue to support economic activity over the horizon, while domestic demand should gradually strengthen.

Private consumption is projected to increase in line with real disposable income, which should be supported by growth in employment. Consumption growth is expected to be dampened, however, predominantly by the rise in oil prices and by precautionary savings related to ongoing concerns about the development of public finances and the longer-term prospects for public health care and pension systems. At the same time, total fixed investment growth is projected to recover from its recent weakness, since business investment should benefit from strong foreign demand and eventually respond to favourable credit conditions and robust corporate earnings. Residential private investment is projected to continue to grow at moderate rates over the horizon. As domestic demand is likely to stimulate import growth, net trade is expected to contribute only slightly to real GDP growth over the projection horizon.

### Price and cost projections

The average rate of increase in the overall HICP is projected to be between 2.1% and 2.3% in 2005 and between 1.4% and 2.4% in 2006. The small decline in HICP inflation in 2006 is mainly the result of the statistical treatment of a proposed health care reform in the Netherlands, which is estimated to contribute -0.2 percentage point. It also reflects the assumption of lower energy price inflation and of a lower rate of change in import prices in 2006.

Growth in nominal compensation per employee is assumed to remain moderate over the horizon. This not only takes into account current wage settlements and the projected only

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

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

	2004	2005	2006
HICP	2.1	2.1-2.3	1.4-2.4
Real GDP	1.8	1.0-1.6	1.3-2.3
Private consumption	1.3	1.1-1.5	0.7-1.9
Government consumption	1.4	0.6-1.6	1.1-2.1
Gross fixed capital formation	1.4	0.4-2.0	1.3-4.5
Exports (goods and services)	5.9	2.4-5.2	4.6-7.8
Imports (goods and services)	6.1	2.2-5.2	4.3-7.7

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

modest improvement in labour market conditions, but also embodies the assumption that the large rise in oil prices will have no significant second-round effects on nominal compensation. The projections for real GDP growth and employment imply that labour productivity growth will slowly pick up. As a result of the developments in wages and productivity, unit labour cost growth is expected to remain relatively contained in both 2005 and 2006.

### Comparison with the June 2005 projections

Compared with the Eurosystem staff macroeconomic projections published in the June 2005 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2005 and 2006 have been adjusted slightly downwards. For 2005, this mainly reflects slight downward revisions of past data, and for 2006, mainly the effect of increases in the assumptions for oil prices on real disposable income.

The ranges projected for the annual rates of increase in the overall HICP for 2005 and 2006 have been shifted upwards compared with the June 2005 projections. This mainly reflects the aforementioned increase in the assumptions for oil prices for both 2005 and 2006. These imply a larger contribution from the energy component to the overall HICP, whereas the projections for the non-energy component are largely unchanged compared with the June projections.

**Table B Comparison of macroeconomic projections for the euro area**

(average annual percentage changes)

	2004	2005	2006
HICP – June 2005	2.1	1.8-2.2	0.9-2.1
HICP – September 2005	2.1	2.1-2.3	1.4-2.4
Real GDP – June 2005	1.8	1.1-1.7	1.5-2.5
Real GDP – September 2005	1.8	1.0-1.6	1.3-2.3



## 5 FISCAL DEVELOPMENTS

*Intra-annual data for individual countries broadly confirm the European Commission's fiscal forecasts for 2005, with a government deficit ratio in the euro area remaining broadly unchanged from the previous year. The fiscal stance is assessed to be tightening slightly. Disappointing fiscal developments in many countries are only partly explained by less favourable economic conditions than expected. They also indicate insufficient efforts to achieve consolidation objectives. Fiscal imbalances are of particular concern in the five countries currently subject to excessive deficit procedures. The current fiscal outlook suggests that deficit ratios in the euro area as a whole and in many of its member countries will remain near or above 3% of GDP also in 2006, and well above stability programme targets. The budgets for 2006 should quicken the pace of fiscal consolidation in order to correct existing imbalances within a reasonable period of time. In this context, it is important to reiterate the need for a rigorous and consistent application of the reformed Stability and Growth Pact that is conducive to fiscal discipline and the sustainability of public finances.*

### FISCAL OUTLOOK IN 2005

The most recent information provided by governments on budgetary developments and policy measures is not harmonised across countries, as there are differences in the coverage and definition of data. Therefore, at this stage, an assessment of the short-term outlook for public finances in the euro area countries can only be tentative. The latest harmonised fiscal data on the euro area are the forecasts published by the European Commission in spring 2005 (presented in the June 2005 issue of the Monthly Bulletin) and the quarterly statistical indicators for the first quarter of 2005 (published in the "Euro area statistics" section of this issue of the Monthly Bulletin).

Intra-annual data available for individual countries broadly confirm the fiscal forecasts for 2005. In particular, it is by now manifest that most countries will miss their budgetary targets set in the updated stability programmes prepared at the end of 2004, in some cases by a large margin. Many countries are expected to record deficits, with five of them (Germany, Greece, France, Italy and Portugal) either coming very close to or exceeding the deficit threshold of 3% of GDP. The government deficit ratio in the euro area is expected to remain broadly stable in 2005, compared with 2004, at approximately 2.7% of GDP, instead of declining, as initially projected on the basis of member countries' fiscal plans. The fiscal stance is assessed to become slightly tighter in 2005, in contrast to the aggregate consolidation initially planned.

The euro area government debt ratio is expected to continue to increase for the third year in a row. Of the seven countries with debt ratios above the 60% reference value, only Belgium will record a noticeable reduction. In Italy, the debt ratio will increase, following a previous gradual downward trend. The ratio will also increase in Portugal, where the rise is likely to be significant (see the box entitled "Recent developments in government bond yield spreads in euro area countries" in this issue of the Monthly Bulletin).

Adverse budgetary developments are of particular concern in the case of countries in excessive deficit. Following the Council decision at the end of July on the existence of an excessive deficit in Italy, and the Commission recommendation in July to initiate the procedure for Portugal, the number of countries currently subject to excessive deficit procedures rose to five (the others being Germany, Greece and France). All of these countries are experiencing budgetary pressures that are driving their deficits above the initial targets. Factors underlying budgetary slippages partly originate from a disappointing economic environment, but also point to insufficient efforts to achieve consolidation objectives.

In Germany, where the consolidation strategy strongly relies on expenditure restraint at all levels of government, a possible deviation from the deficit target may result mainly from revenue shortfalls due to macroeconomic developments that are less favourable than initially projected. In addition, social benefit payments risk overshooting budget targets. Pending decisions by Eurostat concerning temporary fiscal measures add uncertainty to the fiscal outcome. Given that Germany's 2005 budget target allowed for hardly any safety margin, these developments seriously put at risk correction of the excessive deficit in 2005.

The overall fiscal strategy implemented by the Greek government – comprising the budget law and the additional package adopted in March to comply with the Council recommendations – aims for a deficit reduction to below 3% of GDP in 2006 and mainly relies on expenditure control of both capital spending and public consumption. There are, however, indications of deviations from the budget targets owing to overly optimistic initial growth projections, some overruns in expenditures (particularly public wages) and revenue shortfalls (mainly uncertain receipts from a tax amnesty). Moreover, structural measures to cope with ageing-related challenges do not feature on the policy agenda.

In France, a minimalist fiscal strategy mainly relies on one-off receipts from the integration of various pension obligations into the general pension system. A disappointing growth performance and shortfalls in revenues place a question mark over whether the 3% deficit target for 2005 will be met. A potential risk to the budget also stems from current expenditure developments, particularly compensation of employees and social benefits, as control thereof has not proven fully effective in the past.

In spring, the Italian government drastically revised downward its budget projections, indicating that the deficit ratio would exceed the 3% reference value in 2005. This revision follows a sharp downward adjustment of the macroeconomic projections from a close-to-trend to a no-growth scenario. In addition, the underlying fiscal strategy, mainly based on expenditure restraint, has not proved fully effective, with possible overruns affecting health expenditure in particular. A rapid unwinding of the effects of temporary measures adopted in previous years contributed to accelerate the deterioration of the budgetary position. A chronic divergence between cash and accrual deficit, which is also manifest in discrepancies between the nominal deficit and the increase in the debt level, is a cause of concern. As regards the excessive deficit procedure, the Italian government is committed to rigorous budget implementation in the remainder of 2005 and is targeting a correction of the excessive deficit in 2007.

In Portugal, the fiscal strategy adopted by the government in the budget law for 2005 and in the additional package of June mainly focuses on expenditure restraint, including civil servants' remuneration, and some revenue increases. A huge upward revision of the 2005 deficit target – compared with the initial stability programme – was initiated by the new government in spring. This revision is explained by a much less favourable growth performance and by the fact that the new government decided to no longer rely on the one-off measures that had helped contain deficits in previous years. A reduction of the deficit ratio below 3% of GDP is targeted for 2008. However, there is significant uncertainty surrounding the outcome of the package of revenue and expenditure measures, as well as expenditure controls, which have turned out to be rather weak in the past.

In all of the above countries, fiscal imbalances strongly call for a cautious budget implementation in the remainder of the year. Some of these countries have already implemented additional budgetary measures (Greece and Portugal). France has stated that additional measures will be implemented, if needed, with possible recourse to one-off measures or freezing of expenditures. Governments should stand ready to take further action to correct budgetary developments that are of concern. Especially in countries where elections are scheduled in the near future, political considerations should not draw governments away from the appropriate policy course.

### **BUDGETARY PLANS IN 2006**

Most Member States are now in the process of preparing their draft budgets for 2006. From a euro area perspective, the current fiscal outlook suggests only limited progress in improving the situation of public finances. So far, it appears that deficit ratios for the euro area and in many countries will remain near or above 3% of GDP also in 2006. Although this outlook reflects the fact that consolidation strategies continue to be insufficiently ambitious in several countries, their direction is generally appropriate. It is welcome that a number of countries have indicated their intention to pursue structural adjustment on the expenditure side rather than pursuing tax hikes. In addition, countries that have, in the past, made considerable use of temporary measures now intend instead to implement structural and permanent measures.

In this context, it is important to reiterate the need for a rigorous and consistent application of the reformed Stability and Growth Pact that is conducive to fiscal discipline and the sustainability of public finances. It is crucial that countries take the necessary steps to correct excessive deficits in line with their commitments and to make the requisite progress towards sound medium-term budgetary positions. A timely and full implementation of consolidation commitments and of the Pact's procedures will credibly improve the sustainability of public finances and strengthen the confidence of investors and consumers in the economy (see the article entitled "The reform of the Stability and Growth Pact" in the August 2005 issue of the Monthly Bulletin).

With regard to the ongoing excessive deficit procedures, Germany and France are obliged to correct their excessive deficits in 2005 and Greece has to do so in 2006, in accordance with the respective Council recommendations and decisions addressed to these countries. The governments need to stand ready to take all the necessary action to correct their excessive deficits within the respective deadlines. Should they fail to do so, the Pact requires an assessment of whether to proceed to the next procedural steps. The deadline for Italy to correct its excessive deficit by 2007 and, more particularly, the deadline of 2008 proposed for Portugal constitute a very generous application of the revised Stability and Growth Pact. Deadlines were extended by one and two years respectively, beyond "the year of identification" due to "special circumstances". It is now essential that the two countries introduce a credible reform strategy with measures of a structural nature so as to progress with consolidation at least at the pace promised.

While the Stability and Growth Pact explicitly acknowledges the possibility of extending deadlines for correcting excessive deficits, this can raise concerns about moral hazard. First, the possibility of an extended deadline could induce countries to undertake temporary rather than structural measures if, at a later stage, the elimination of temporary measures is a legitimate reason for being granted more time to correct an excessive deficit. Second, the extension of deadlines can reduce the chance of a positive turnaround in public finances and confidence through a reasonable and comprehensive reform package. This is the case when the extension is overly generous for the seriousness of the situation or when it does not instil trust in a sufficient reform momentum.

Consolidation should reflect structural fiscal reforms rather than temporary measures and it should be embedded in a broad and comprehensive agenda that supports confidence and growth. This is particularly true for countries experiencing low trend growth coupled with poor investment and employment prospects as well as adverse budgetary effects from population ageing. Such policies and reforms are key to meeting the employment and growth goals of the Lisbon strategy, bringing the debt ratio back on a decreasing path and containing the fiscal burden of population ageing.

## 6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 6.1 EXCHANGE RATES

Having followed a trend of gradual appreciation from early July, the effective exchange rate of the euro depreciated in mid-August, rebounding slightly towards the end of the month. Compared with its end-July levels, the euro was broadly stable in August, weakening vis-à-vis the pound sterling, the Swiss franc and the Canadian dollar, while strengthening vis-à-vis the US dollar and a number of Asian currencies.

#### US DOLLAR/EURO

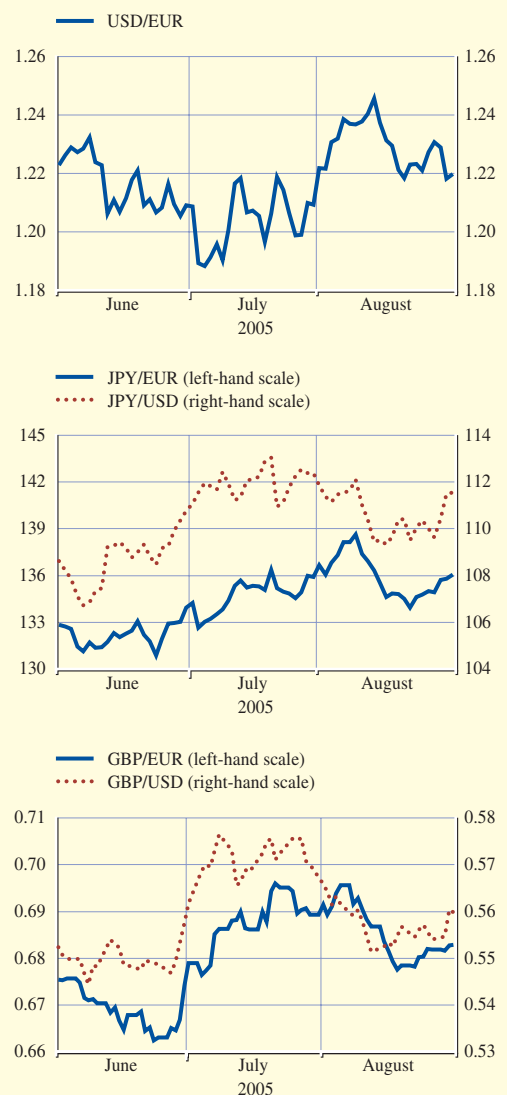
As a result of a period of positive market sentiment the euro appreciated sizeably vis-à-vis the US dollar, from around USD 1.19 in early July to almost USD 1.25 by mid-August. In the second half of August, however, the US dollar partly rebounded vis-à-vis the euro. This strengthening of the US currency may reflect some easing of market concerns about the persistence of external imbalances following the release of US portfolio investment flow data for June, which showed that the United States had been attracting considerable inflows. At the same time, widening interest rate differentials between the United States and the euro area continue to be a factor supporting the US currency. Against this background, the euro stood at USD 1.22 on 31 August 2005, or 0.9% above its level at the end of July and 1.9% below its 2004 average.

#### JAPANESE YEN/EURO

After appreciating sizeably in July and early August, reaching almost JPY 139, the euro subsequently experienced a downward correction against the Japanese yen. This strengthening of the Japanese yen was relatively broad-based and to a large extent reflected the improved outlook for the Japanese economy. The yen was also supported by evidence of strong cross-border portfolio inflows into Japanese equities. Towards the end of August, the yen depreciated slightly against the euro as foreign exchange markets appeared to shift their attention to the relatively higher oil dependency of the Japanese economy. On 31 August 2005 the euro was quoted at JPY 136, that is broadly unchanged from its end-July level and 1.2% above its 2004 average.

Chart 43 Patterns in exchange rates

(daily data)



Source: ECB.

## EU MEMBER STATES' CURRENCIES

In ERM II, fluctuations were very small in August. There was a slight depreciation of the euro vis-à-vis the Cyprus pound (-0.2%), which is now trading at a level around 2.1% above its central rate. With regard to the currencies of other EU Member States, the euro depreciated against the pound sterling, unwinding part of the gains recorded in the previous month. Following the publication of the minutes of the Monetary Policy Committee meeting of the Bank of England on 3 and 4 August, market analysts appeared to reassess their expectations for short-term interest rates. On 31 August the euro traded at GBP 0.68, which is 0.9% below its end-July level and 0.6% above its 2004 average. During the reference period, the euro also depreciated against the Czech koruna (-1.9%), the Polish zloty (-1.0%) and the Swedish krona (-0.7%) while remaining broadly stable vis-à-vis the Slovak koruna. In the first part of August, the Hungarian forint appreciated gradually vis-à-vis the euro. This movement was reversed, however, following the decision by Magyar Nemzeti Bank to cut its key interest rate by 50 basis points on 22 August. On 31 August the Hungarian forint traded at HUF/EUR 244.5, i.e. approximately 1.8% weaker than the stronger edge of the  $\pm 15\%$  euro-based exchange rate band.

## OTHER CURRENCIES

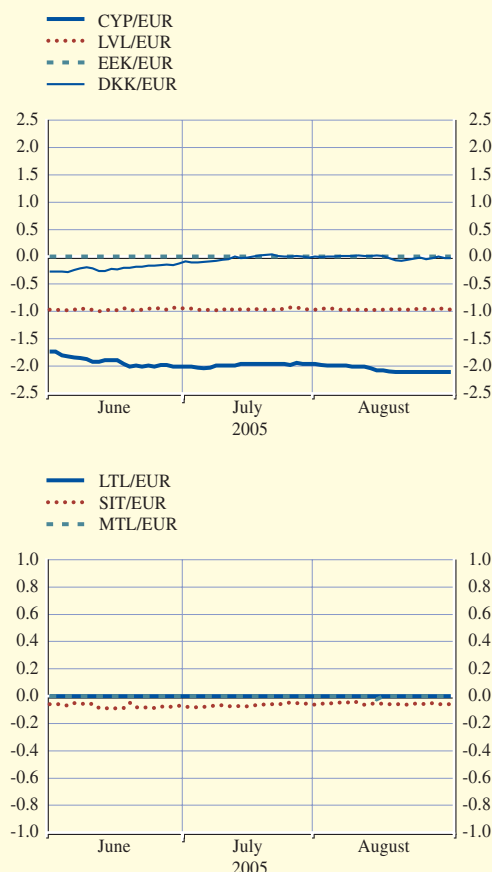
As far as other currencies are concerned, by 31 August the euro had depreciated by 0.8% vis-à-vis the Swiss franc as compared with its end-July level. Other developments over the period under consideration include the euro's depreciation (by 2.0%) vis-à-vis the Canadian dollar and its appreciation vis-à-vis the Australian dollar (2.8%) and a number of Asian currencies, in particular the Singapore dollar (2.4%) and the Korean won (2.0%). Since the start of the new exchange rate regime, the Chinese renminbi has fluctuated only marginally vis-à-vis the US dollar. See the box entitled "The reform of the renminbi exchange rate regime" for a detailed description of the foreign exchange measures undertaken by the Chinese authorities.

## EFFECTIVE EXCHANGE RATE OF THE EURO

On 31 August 2005 the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was broadly unchanged compared with its end-July level and 1.8% below its average level in 2004 (see Chart 45). The broad stability of the euro in effective terms was primarily attributable to the fact that its depreciation against the

Chart 44 Patterns in exchange rates within ERM II

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

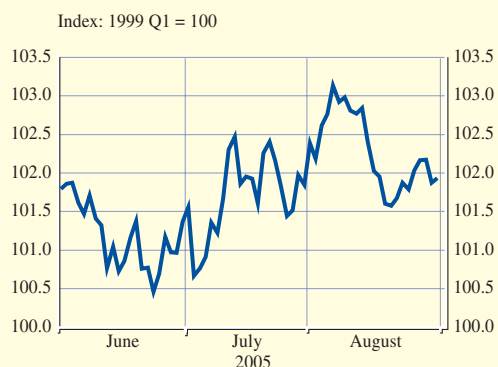


Source: ECB.

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

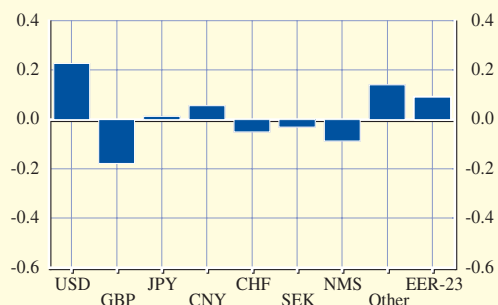
**Chart 45 Euro effective exchange rate and its decomposition <sup>1)</sup>**

(daily data)



**Contributions to EER changes <sup>2)</sup>**

From 29 July 2005 to 31 August 2005  
(in percentage points)



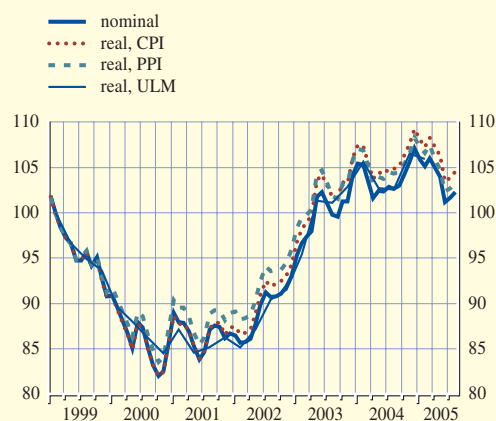
Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.

2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States which joined the EU on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

**Chart 46 Euro nominal and real effective exchange rates <sup>1)</sup>**

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



Source: ECB.

1) An upward movement of the EER-23 indices represents an appreciation of the euro. The latest observations for monthly data are for August 2005. In the case of the ULM-based real EER-23, the latest observation is for 2005 Q1 and is partly based on estimates.

pound sterling, the Swiss franc and the Canadian dollar was offset by its appreciation against the US dollar and a number of Asian currencies.

The real effective exchange rates of the euro – based on different cost and price indices – have closely followed developments in the nominal index (see Chart 46). In August 2005 the real effective exchange rate index based on developments in consumer prices was 1.3% below its average level in 2004, while that based on developments in producer prices was 1.9% below its average level.

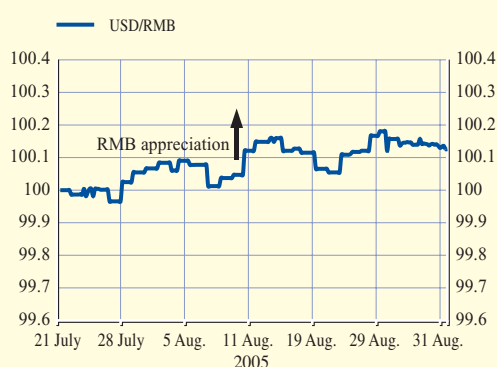
**Box 8**

**THE REFORM OF THE RENMINBI EXCHANGE RATE REGIME**

On 21 July 2005 China revalued its currency by 2% against the US dollar, from 8.2765 to 8.11, and moved to a “managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies”, as the People’s Bank of China (PBC) stated. The PBC pointed out that managing the exchange rate “with reference to” a basket of currencies did not mean that the renminbi would actually be pegged to a basket of currencies. While the weights of the currencies in the reference basket were not disclosed, the currencies were selected

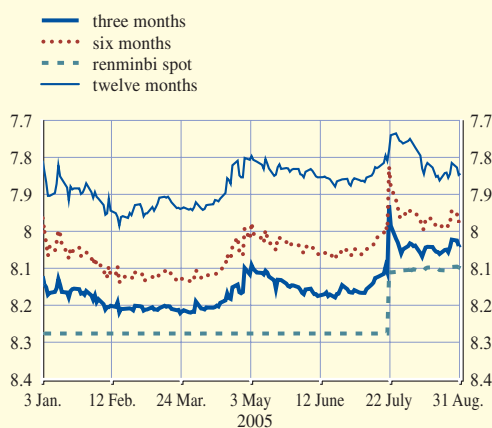
Chart A Recent intraday developments in the renminbi exchange rate

(index: 21 July 2005 = 100)



Source: Bloomberg.

Chart B RMB/USD non-deliverable forward contracts



Source: Bloomberg.

mainly on the basis of the relative shares of China's partners in goods and services trade (the other variables considered include the sources of foreign direct investment into China and the currency composition of Chinese debt). The currencies with the largest weight in the basket are the US dollar, the euro, the Japanese yen and the Korean won. The other currencies in the basket include the Singapore dollar, the pound sterling, the Malaysian ringgit, the Russian rouble, the Australian dollar, the Thai baht and the Canadian dollar.

The ECB welcomes China's exchange rate reform and expects the new managed floating exchange rate regime to contribute to global financial stability. The G7 finance ministers and central bank governors welcomed this move. The international community had considered such a move towards greater flexibility as desirable for a better functioning of the global economy.

Under the new regime, the PBC announces the closing price of the foreign currencies traded against the renminbi in the interbank market at the end of each working day. This closing price then serves as the central parity for trading against the renminbi on the following day. As in the past, the daily trading price of the US dollar against the renminbi is allowed to float within a  $\pm 0.3\%$  band around the central parity announced each day by the PBC. The other currencies are allowed to move within a  $\pm 1.5\%$  band in daily trading against the renminbi, a slight broadening compared with the previous  $\pm 1\%$  band.

Since 21 July the actual movements of the renminbi against the US dollar (see Chart A) have been well within the statutory bands. The reform has thus far mainly resulted in a one-off revaluation against the US dollar, with an otherwise tightly managed exchange rate.

Looking forward, the new regime potentially creates room for further market-driven fluctuation. Indeed, market participants continue to expect some further renminbi appreciation over a 12-month horizon, as confirmed by trends in the offshore market where expectations about renminbi changes are traded through non-deliverable forward contracts (see Chart B).



Regarding the two other major Asian currencies that were formally pegged to the US dollar – the Malaysian ringgit and the Hong Kong dollar – Malaysia also abandoned its official peg to the US currency on 21 July. It shifted to a managed floating regime in which the central bank will monitor the exchange rate against an undisclosed trade-weighted basket of currencies. The central bank specified, however, that exchange rate stability continues to be its primary policy objective and that the current valuation of the ringgit is consistent with economic fundamentals. The Malaysian ringgit, which had been pegged at 3.8 to the US dollar before the change, has been allowed to appreciate only slightly since then.

The exchange rate regime in Hong Kong has remained unchanged following the PBC's exchange rate reform. The Hong Kong Monetary Authority had strengthened its 21-year old currency board arrangement with a number of measures taken on 18 May 2005 in order to ease possible market pressures to revalue the Hong Kong dollar. This approach seems to be working well, as expectations of appreciation as reflected by the six-month forward rate on the Hong Kong dollar have been brought within the band limit.

## 6.2 BALANCE OF PAYMENTS

*Balance of payments data up to June 2005 show continued growth in the value of exports of goods and services in the second quarter and a fairly sharp upturn in imports, with the latter probably due to a combination of rising import prices (resulting from higher oil prices) and increasing import volumes (particularly for capital goods). Taking a longer-term perspective, the 12-month cumulated surplus of the euro area current account fell to €15.5 billion, as compared with €47.3 billion a year earlier. In the financial account, there has been a sizeable switch in the direction of capital flows. Combined direct and portfolio investment in the 12-month period to June 2005 recorded net inflows of €76.4 billion, as compared with nearly equivalent net outflows a year earlier.*

### TRADE AND THE CURRENT ACCOUNT

The combined value of exports of goods and services continued its upward trend in the second quarter of 2005, rising by 1.2% compared with the first quarter. This was the result of a sharp rebound in exports of goods – which increased by 3.6% following weak growth of around 1% in the previous quarter – partly offset by a fall in exports of services (see Table 9). Meanwhile, there was also a turnaround in imports of goods and services, which grew by 3.4% in the second quarter after falling marginally in the first quarter. Again, this was due to a strong increase in goods (which rose by 5%) accompanied by a decline in services (see Chart 47).

Preliminary data provided by Eurostat regarding the breakdown of trade into volumes and prices suggest that the robust growth in the value of exports of goods in the second quarter is due to both stronger export volumes and higher export prices, with the latter partly accounted for by further increases in costs associated with the strong rise in oil prices over this period. After slowing down at the start of the year, growth in foreign demand was stronger in the second quarter – particularly from some European markets outside the euro area – and this seems largely to explain the recovery in export volumes of goods. In addition, the depreciation of the euro may have helped to boost euro area competitiveness and exports in the second quarter, and may partly explain the more optimistic outlook for exports implied by export order book survey data for July.

**Table 9 Main items of the euro area balance of payments**

(EUR billions; seasonally adjusted, unless otherwise indicated)

	2004	2004	2005	2005	2005	2005	12-month cumulated figures ending	
	Q3	Q4	Q1	Q2	May	June	2004 June	2005 June
<b>Current account balance</b>	3.9	8.5	3.0	0.1	1.9	-2.5	47.3	15.5
Goods balance	17.6	17.7	22.6	19.5	7.5	6.2	123.1	77.5
Exports	282.0	285.9	288.4	298.7	101.0	100.1	1,077.5	1,155.1
Imports	264.4	268.2	265.8	279.2	93.5	93.9	954.4	1,077.6
Services balance	7.8	6.8	7.9	3.6	1.4	0.5	22.8	26.0
Exports	89.7	89.5	92.9	87.2	28.8	30.0	339.8	359.4
Imports	82.0	82.8	85.0	83.6	27.4	29.5	317.0	333.4
Income balance	-6.2	-2.1	-8.6	-11.3	-2.7	-4.7	-41.5	-28.2
Current transfers balance	-15.3	-13.8	-19.0	-11.7	-4.3	-4.5	-57.2	-59.8
<b>Financial account balance<sup>1)</sup></b>	3.1	-25.4	34.4	36.9	36.3	18.4	1.3	49.0
Combined net direct and portfolio investment	8.3	-16.9	-21.5	106.4	25.9	96.3	-72.8	76.4
Direct investment	1.1	-44.1	-24.1	-10.5	3.3	-8.9	-63.8	-77.6
Portfolio investment	7.2	27.3	2.6	116.8	22.7	105.1	-9.0	153.9
Equities	32.1	47.3	-12.4	44.7	21.6	61.5	-1.8	111.7
Debt instruments	-24.9	-20.0	15.0	72.2	1.0	43.6	-7.2	42.3

Source: ECB.

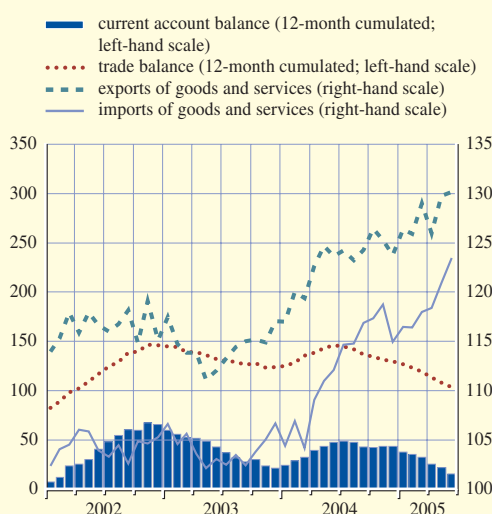
Notes: Figures may not add up due to rounding.

1) Not seasonally adjusted. A positive (negative) sign indicates a net inflow (outflow).

Turning to imports, a substantial part of the strong growth in the value of imports of goods in the second quarter reflects rising import prices, mainly resulting from significant increases in oil prices in US dollar terms and exacerbated by the depreciation of the euro against the US dollar during this period. However, import volumes also seem to have recovered from their small decline

**Chart 47 The euro area current account and trade balances**

(EUR billions; monthly data; seasonally adjusted)



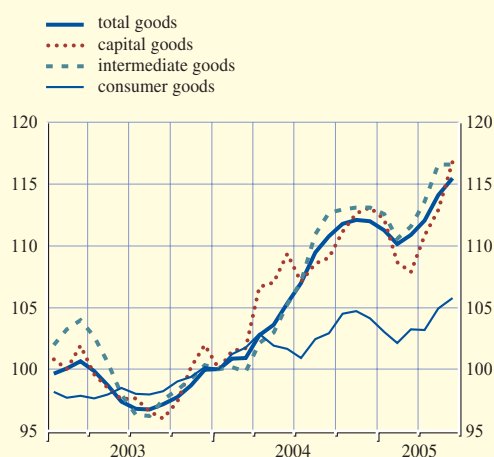
Source: ECB.

in the first quarter. This drop was mostly due to the significant decrease in import volumes of capital goods, largely resulting from the fall in euro area capital expenditure over this period (which is a highly import-intensive component of demand). Preliminary data suggest that a rebound in import volumes of capital goods partly explains the recovery of imports in the second quarter. Chart 48 shows import values by sector as more recent observations are available for values than for volumes, but the evolution of both series should be similar. Looking at the geographical breakdown, rising euro area imports from Asia and the new EU Member States seem to account for a significant share of the rebound in imports according to data available for the first two months of the second quarter.

Reflecting the above developments, the euro area surplus in goods and services declined in the second quarter of 2005 (to €23.1 billion,

**Chart 48 Extra-euro area import values for selected commodities**

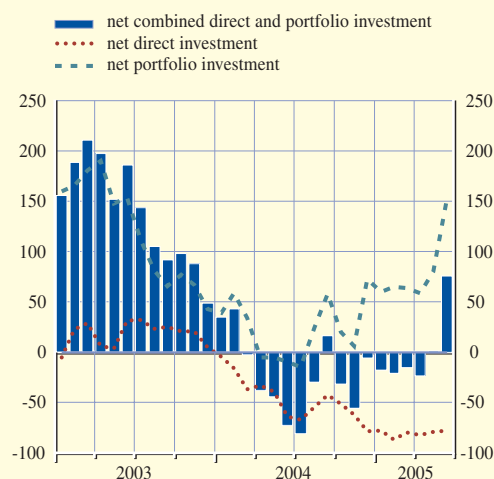
(indices: January 2004 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.  
Note: The latest observations are for June 2005.

**Chart 49 Net direct and portfolio investment flows**

(EUR billions; 12-month cumulated data)



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

from €30.5 billion in the first quarter) as a result of the stronger growth in imports. This was partly reflected in the euro area current account surplus, which decreased from €3 billion to a balanced position in the second quarter.

From a longer-term perspective, the 12-month cumulated surplus in goods fell by €45.6 billion in June 2005 compared with a year earlier, largely due to higher import values which partly resulted from rising oil prices. The decline in the goods surplus was only partially compensated for by a reduction in the deficit for the income account (of €13.3 billion) – corresponding to a greater rise in income credits than in debits – while the cumulated balances for services and current transfers remained largely unchanged (the services surplus rose marginally by €3.2 billion and the deficit for current transfers increased by €2.6 billion). These developments resulted in a fall in the 12-month cumulated surplus of the euro area current account to €15.5 billion, i.e. around 0.2% of GDP, as compared with €47.3 billion a year earlier

#### FINANCIAL ACCOUNT

In the second quarter of 2005, and in contrast to the previous two quarters, the euro area recorded large net inflows of €106 billion in combined direct and portfolio investment (see Table 9). This resulted from a sharp increase in net inflows in portfolio investment, equally accounted for by rises in (net) investment in both equity securities and debt instruments (of €57 billion) – in essence bonds and notes – by comparison with the previous quarter. Large net purchases of euro area securities by non-residents (€126 billion) in June 2005 significantly influenced portfolio investment developments in the second quarter. Meanwhile, the euro area continued to record net outflows in direct investment, although these have decelerated slightly since the beginning of the year. Rising profits of euro area companies, particularly in the second quarter of 2005, may have attracted foreign investment in euro area equity securities and supported euro area direct investment abroad.

A similar picture emerges when looking at the euro area combined direct and portfolio investment in the 12-month period up to June 2005. The sizeable net inflows in portfolio investment in the second quarter of 2005 largely contributed to a switch in the direction of capital flows, from cumulated net outflows of €73 billion in June 2004 to net inflows of €76 billion a year later (see Chart 49 and Table 9). This switch can in large part be attributed to the strong rise in the net purchases of euro area equity securities by non-residents over this longer period. At the same time, direct investment recorded net outflows that only partly offset developments in portfolio investment. Direct investment in the form of equity capital by euro area residents abroad continued to be the main factor behind the net outflows observed in direct investment.



# EURO AREA STATISTICS





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



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#### Conventions used in the tables

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



# EURO AREA OVERVIEW

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

## 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1),2)</sup>	M3 <sup>1),2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2003	10.9	8.0	8.1	-	4.9	19.2	2.33	4.16
2004	10.0	6.3	5.8	-	6.1	9.9	2.11	4.14
2004 Q3	9.6	5.8	5.6	-	6.2	8.8	2.12	4.21
Q4	9.3	6.4	6.1	-	6.9	7.7	2.16	3.84
2005 Q1	9.6	7.1	6.6	-	7.3	9.0	2.14	3.67
Q2	9.8	7.5	7.0	-	7.5	13.7	2.12	3.41
2005 Mar.	9.3	7.1	6.5	6.6	7.5	11.7	2.14	3.76
Apr.	9.2	7.4	6.8	6.9	7.4	13.3	2.14	3.57
May	10.1	7.6	7.3	7.2	7.5	14.6	2.13	3.41
June	10.9	8.1	7.6	7.6	8.0	14.6	2.11	3.25
July	11.1	8.3	7.9	.	8.2	.	2.12	3.32
Aug.	.	.	.	.	.	.	2.13	3.32

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

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2003	2.1	1.4	2.8	0.7	0.3	81.1	0.3	8.7
2004	2.1	2.3	2.6	2.1	2.0	81.7	0.6	8.9
2004 Q3	2.2	3.1	2.5	1.8	2.8	82.1	0.6	8.9
Q4	2.3	3.8	2.5	1.5	1.1	82.0	0.8	8.8
2005 Q1	2.0	4.1	3.1	1.3	0.8	81.6	0.8	8.8
Q2	2.0	3.9	.	1.1	0.5	81.2	.	8.8
2005 Mar.	2.1	4.2	-	-	0.1	-	-	8.8
Apr.	2.1	4.3	-	-	1.2	81.2	-	8.8
May	2.0	3.5	-	-	0.0	-	-	8.7
June	2.1	4.0	-	-	0.4	-	-	8.7
July	2.2	.	-	-	.	81.2	-	.
Aug.	2.1	.	-	-	.	-	-	.

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

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2003	33.5	102.7	5.4	43.4	306.5	99.9	101.7	1.1312
2004	64.2	102.7	-78.1	72.8	280.6	103.8	105.9	1.2439
2004 Q3	15.5	23.5	1.1	7.2	298.5	102.8	104.9	1.2220
Q4	21.7	20.1	-44.1	27.3	280.6	105.7	107.7	1.2977
2005 Q1	2.0	14.5	-24.1	2.6	284.9	105.7	107.9	1.3113
Q2	-11.2	19.4	-10.5	116.8	302.2	103.4	105.7	1.2594
2005 Mar.	3.8	7.9	-15.1	-2.5	284.9	106.0	108.3	1.3201
Apr.	-9.8	4.2	-4.8	-11.0	288.9	105.1	107.3	1.2938
May	-1.3	6.9	3.3	22.7	291.7	104.0	106.3	1.2694
June	-0.2	8.2	-8.9	105.1	302.2	101.2	103.4	1.2165
July	.	.	.	.	296.2	101.7	103.9	1.2037
Aug.	.	.	.	.	.	102.3	104.5	1.2292

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

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

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



# MONETARY POLICY STATISTICS

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

### 1. Assets

	2005 5 Aug.	2005 12 Aug.	2005 19 Aug.	2005 26 Aug.
<b>Gold and gold receivables</b>	137,991	137,874	137,829	137,829
<b>Claims on non-euro area residents in foreign currency</b>	160,442	159,282	159,890	159,500
<b>Claims on euro area residents in foreign currency</b>	21,543	21,626	21,626	21,601
<b>Claims on non-euro area residents in euro</b>	9,509	9,525	9,570	9,548
<b>Lending to euro area credit institutions in euro</b>	404,001	398,004	393,030	400,031
Main refinancing operations	313,999	308,000	303,001	310,002
Longer-term refinancing operations	89,998	89,998	89,998	89,998
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	3	5	4	0
Credits related to margin calls	1	1	27	31
<b>Other claims on euro area credit institutions in euro</b>	3,083	2,759	3,302	3,221
<b>Securities of euro area residents in euro</b>	85,928	86,480	86,274	87,582
<b>General government debt in euro</b>	40,752	40,752	40,753	40,750
<b>Other assets</b>	131,616	131,455	131,832	132,208
<b>Total assets</b>	994,865	987,757	984,106	992,270

### 2. Liabilities

	2005 5 Aug.	2005 12 Aug.	2005 19 Aug.	2005 26 Aug.
<b>Banknotes in circulation</b>	537,527	536,802	532,474	527,710
<b>Liabilities to euro area credit institutions in euro</b>	152,387	150,852	149,494	150,358
Current accounts (covering the minimum reserve system)	152,355	150,831	149,480	150,331
Deposit facility	31	21	14	27
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	0	0	0
<b>Other liabilities to euro area credit institutions in euro</b>	127	127	127	127
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	71,192	67,914	68,533	80,399
<b>Liabilities to non-euro area residents in euro</b>	10,169	10,164	10,259	10,304
<b>Liabilities to euro area residents in foreign currency</b>	270	348	380	224
<b>Liabilities to non-euro area residents in foreign currency</b>	8,899	7,719	8,095	7,980
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,896	5,896	5,896	5,896
<b>Other liabilities</b>	57,813	57,349	58,261	58,684
<b>Revaluation accounts</b>	92,292	92,292	92,292	92,292
<b>Capital and reserves</b>	58,293	58,294	58,295	58,296
<b>Total liabilities</b>	994,865	987,757	984,106	992,270

Source: ECB.

## 1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
	1	2	3	4	5	6	7
<b>Main refinancing operations</b>							
2005 4 May	339,182	301	273,000	2.00	2.05	2.05	7
11	349,569	325	267,500	2.00	2.05	2.05	7
18	358,949	342	272,500	2.00	2.05	2.05	7
25	376,920	351	271,000	2.00	2.05	2.05	7
1 June	369,397	337	281,500	2.00	2.05	2.06	7
8	365,346	316	279,000	2.00	2.05	2.05	7
15	372,104	340	283,500	2.00	2.05	2.05	7
22	378,472	364	310,000	2.00	2.05	2.05	7
29	353,941	343	308,000	2.00	2.05	2.06	7
6 July	389,743	336	307,500	2.00	2.05	2.05	7
13	388,642	334	298,500	2.00	2.05	2.05	7
20	406,178	355	308,500	2.00	2.05	2.05	7
27	391,489	357	317,000	2.00	2.05	2.06	7
3 Aug.	414,656	336	314,000	2.00	2.05	2.06	7
10	432,277	345	308,000	2.00	2.05	2.05	7
17	445,746	354	303,000	2.00	2.05	2.06	7
24	474,374	367	310,000	2.00	2.05	2.06	7
31	433,707	339	293,000	2.00	2.05	2.06	7
<b>Longer-term refinancing operations</b>							
2004 26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91
24 Feb.	40,340	145	30,000	-	2.08	2.09	91
31 Mar.	38,462	148	30,000	-	2.09	2.10	91
28 Apr.	47,958	148	30,000	-	2.08	2.09	91
26 May	48,282	140	30,000	-	2.08	2.08	98
30 June	47,181	141	30,000	-	2.06	2.07	91
28 July	46,758	166	30,000	-	2.07	2.08	92
1 Sep.	62,563	153	30,000	-	2.08	2.09	91

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
	1	2	3	4	5	6	7	8	9
2001 12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1
7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	1
12 July	Collection of fixed-term deposits	9,605	11	9,605	2.00	-	-	-	1
9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1

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 <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Q1	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
2005 Apr.	13,081.7	6,888.4	496.7	1,607.3	1,067.3	3,022.1
May	13,224.8	6,988.9	494.8	1,616.4	1,069.5	3,055.3
June	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9

**2. Reserve maintenance**

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2005 Q1	140.5	141.3	0.8	0.0	2.05
Q2	144.6	145.5	0.9	0.0	2.05
2005 12 July	147.2	147.9	0.7	0.0	2.05
9 Aug.	149.2	149.8	0.6	0.0	2.05
6 Sep.	149.7	.	.	.	.

**3. Liquidity**

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility				Other liquidity-absorbing operations		
1	2	3	4	5	6	7	8	9	10	11	12	
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 Q1	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
2005 12 Apr.	282.1	278.2	86.9	0.2	0.0	0.1	0.0	498.6	67.4	-62.1	143.3	642.0
10 May	287.0	276.5	90.0	0.1	0.0	0.1	0.0	505.5	62.9	-58.9	144.0	649.7
7 June	286.8	273.1	90.0	0.1	0.0	0.2	0.1	512.8	53.5	-62.0	145.5	658.5
12 July	293.3	297.6	90.0	0.1	0.0	0.2	0.3	522.6	67.4	-57.3	147.9	670.6
9 Aug.	305.5	309.5	90.0	0.0	0.0	0.3	0.0	532.6	67.4	-45.0	149.8	682.7

Source: ECB.

1) End of period.



## MONEY, BANKING AND INVESTMENT FUNDS

### 2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

#### 1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>1)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	291.6	14.0	176.2
2005 Q1	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	296.6	12.5	183.7
2005 Apr.	1,286.4	602.9	21.5	0.6	580.8	169.3	153.1	1.6	14.7	-	13.7	300.8	13.1	186.7
May	1,275.5	581.0	21.5	0.6	558.9	173.6	156.3	1.8	15.4	-	13.9	304.1	13.1	189.8
June	1,353.6	638.4	21.2	0.6	616.6	176.9	158.8	2.0	16.1	-	14.1	315.2	13.3	195.8
July <sup>(p)</sup>	1,353.4	642.4	21.2	0.6	620.6	176.8	159.6	1.8	15.5	-	14.4	309.2	13.3	197.2
MFIs excluding the Eurosystem														
2003	19,795.4	12,113.1	817.5	7,101.8	4,193.9	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,567.8	161.8	1,046.4
2004	21,351.9	12,826.4	812.4	7,557.4	4,456.5	3,187.8	1,299.9	465.3	1,422.6	72.5	943.1	2,942.8	159.6	1,219.7
2005 Q1	22,027.0	13,051.3	806.6	7,669.4	4,575.3	3,295.2	1,358.5	481.2	1,455.5	73.1	970.5	3,182.3	156.5	1,298.3
2005 Apr.	22,483.9	13,229.4	811.3	7,720.1	4,698.0	3,340.8	1,372.3	491.8	1,476.7	76.3	1,043.4	3,297.3	156.5	1,340.2
May	22,700.7	13,327.6	809.2	7,784.2	4,734.1	3,343.3	1,369.2	497.3	1,476.7	75.7	1,045.8	3,352.6	157.1	1,398.7
June	22,774.9	13,251.8	808.6	7,917.6	4,525.6	3,390.0	1,382.5	506.4	1,501.1	75.3	1,000.7	3,398.3	163.5	1,495.3
July <sup>(p)</sup>	22,899.8	13,321.3	808.8	7,974.6	4,537.9	3,394.6	1,378.8	504.8	1,511.0	75.3	1,026.3	3,441.6	164.6	1,476.2

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Q1	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
2005 Apr.	1,286.4	523.3	410.6	59.3	15.8	335.5	-	0.5	152.5	26.0	173.5
May	1,275.5	529.0	386.0	46.3	17.2	322.5	-	0.5	160.0	24.7	175.2
June	1,353.6	540.8	433.6	76.4	18.7	338.5	-	0.6	173.6	24.4	180.5
July <sup>(p)</sup>	1,353.4	550.6	426.2	68.5	13.8	344.0	-	0.6	170.0	23.9	182.0
MFIs excluding the Eurosystem											
2003	19,795.4	0.0	10,774.8	134.4	6,275.5	4,364.9	648.8	3,161.4	1,145.0	2,606.4	1,458.9
2004	21,351.9	0.0	11,487.5	137.7	6,641.8	4,708.0	677.4	3,496.9	1,199.5	2,815.0	1,675.6
2005 Q1	22,027.0	0.0	11,653.8	126.3	6,706.7	4,820.7	687.7	3,614.8	1,213.5	3,085.5	1,771.7
2005 Apr.	22,483.9	0.0	11,840.1	121.6	6,759.7	4,958.8	704.1	3,667.7	1,227.8	3,198.7	1,845.5
May	22,700.7	0.0	11,893.7	127.2	6,808.0	4,958.5	710.5	3,695.4	1,236.3	3,285.5	1,879.3
June	22,774.9	0.0	11,847.0	134.9	6,921.1	4,791.0	696.4	3,762.4	1,266.1	3,226.4	1,976.6
July <sup>(p)</sup>	22,899.8	0.0	11,892.7	144.1	6,947.7	4,800.9	710.5	3,773.3	1,302.7	3,261.7	1,958.9

Source: ECB.

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

## 2.2 Consolidated balance sheet of euro area MFIs

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

## 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	14,551.8	7,942.6	840.1	7,102.5	1,793.1	1,364.1	429.0	623.6	2,885.7	174.2	1,132.6
2004	15,720.4	8,392.0	833.9	7,558.0	1,906.8	1,439.9	466.9	666.4	3,234.5	173.6	1,347.1
2005 Q1	16,260.4	8,498.1	828.1	7,670.0	1,993.2	1,510.4	482.8	683.9	3,478.9	169.0	1,437.3
2005 Apr.	16,564.9	8,553.5	832.8	7,720.7	2,018.8	1,525.4	493.4	740.4	3,598.0	169.6	1,484.7
May	16,751.9	8,615.5	830.7	7,784.9	2,024.7	1,525.6	499.1	739.4	3,656.7	170.3	1,545.3
June	17,050.3	8,747.9	829.7	7,918.2	2,049.7	1,541.4	508.3	715.6	3,713.4	176.8	1,646.8
July <sup>(p)</sup>	17,127.1	8,805.2	830.0	7,975.2	2,044.9	1,538.4	506.5	719.1	3,750.8	177.9	1,629.2
Transactions											
2003	766.6	384.3	12.1	372.2	170.4	116.3	54.1	19.3	224.8	-3.6	-28.6
2004	1,266.9	500.0	-5.9	506.0	92.0	58.1	33.9	34.5	435.0	2.7	202.7
2005 Q1	447.8	105.6	-6.5	112.2	82.5	66.1	16.4	15.5	185.3	-4.1	62.9
2005 Apr.	290.5	56.1	4.6	51.4	21.6	11.9	9.7	58.2	109.5	0.1	45.0
May	106.0	56.9	-2.4	59.3	1.0	-3.8	4.7	-4.1	-6.9	0.7	58.5
June	141.9	88.9	-1.2	90.1	15.2	6.4	8.8	-26.9	17.4	0.5	46.7
July <sup>(p)</sup>	90.8	61.1	0.3	60.7	-3.5	-1.3	-2.2	2.5	48.1	1.1	-18.6

## 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>1)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2003	14,551.8	397.9	155.7	6,292.3	581.5	1,878.5	1,004.7	2,634.0	1,598.3	8.9
2004	15,720.4	468.4	162.4	6,656.8	604.9	2,061.7	1,047.0	2,842.2	1,843.0	34.0
2005 Q1	16,260.4	471.8	187.4	6,724.4	614.6	2,145.5	1,062.9	3,110.4	1,943.0	0.4
2005 Apr.	16,564.9	481.1	180.9	6,775.5	627.8	2,176.8	1,063.5	3,224.7	2,019.1	15.5
May	16,751.9	485.8	173.5	6,825.2	634.8	2,203.7	1,076.1	3,310.2	2,054.5	-12.0
June	17,050.3	496.6	211.3	6,939.8	621.1	2,245.8	1,140.5	3,250.8	2,157.1	-12.7
July <sup>(p)</sup>	17,127.1	506.4	212.5	6,961.5	635.2	2,247.4	1,151.1	3,285.6	2,141.0	-13.6
Transactions										
2003	766.6	79.0	15.1	313.7	56.7	133.5	39.0	130.8	-60.8	59.8
2004	1,266.9	70.5	6.1	377.2	22.3	197.1	50.4	276.8	229.1	37.3
2005 Q1	447.8	3.4	25.0	57.0	9.9	65.3	13.1	211.7	107.3	-44.8
2005 Apr.	290.5	9.3	-6.5	50.2	13.7	29.2	-2.9	107.7	75.8	14.0
May	106.0	4.8	-7.4	42.6	7.5	14.7	4.7	32.1	48.6	-41.6
June	141.9	10.7	37.8	74.9	-14.8	39.5	32.2	-80.5	45.4	-3.3
July <sup>(p)</sup>	90.8	9.9	1.2	25.4	14.0	3.9	14.2	41.4	-20.6	1.4

Source: ECB.

1) Amounts held by euro area residents.

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



## 2.3 Monetary statistics

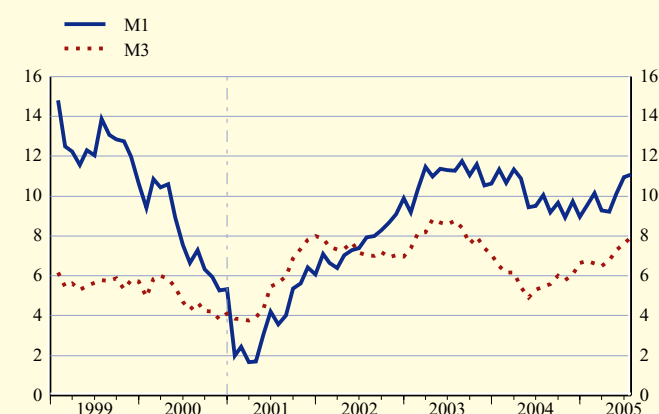
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2003	2,680.6	2,553.3	5,233.9	907.2	6,141.1	-	4,133.3	2,226.1	8,156.0	7,097.8	230.6
2004	2,912.6	2,661.0	5,573.6	961.5	6,535.1	-	4,454.5	2,298.1	8,692.3	7,552.9	373.3
2005 Q1	3,007.2	2,675.4	5,682.7	945.0	6,627.6	-	4,579.5	2,328.5	8,827.5	7,670.2	383.3
2005 Apr.	3,024.0	2,694.8	5,718.8	956.5	6,675.3	-	4,611.1	2,352.6	8,911.0	7,704.4	406.2
May	3,050.4	2,702.2	5,752.7	972.2	6,724.8	-	4,656.0	2,338.7	8,976.4	7,768.5	367.2
June	3,258.3	2,558.7	5,816.9	980.9	6,797.8	-	4,807.1	2,352.4	9,108.7	7,892.0	461.0
July <sup>(p)</sup>	3,300.7	2,573.1	5,873.7	996.5	6,870.2	-	4,816.1	2,364.6	9,194.6	7,963.0	468.5
Transactions											
2003	259.4	113.4	372.9	32.2	405.1	-	236.5	131.9	445.9	372.3	96.0
2004	240.4	111.8	352.2	55.7	407.9	-	340.7	54.5	574.3	505.5	160.4
2005 Q1	91.8	8.2	100.0	-21.3	78.7	-	107.2	25.3	133.9	117.6	7.3
2005 Apr.	16.4	18.9	35.3	11.7	47.1	-	26.0	21.0	85.0	34.9	19.9
May	23.6	4.4	28.0	15.9	43.9	-	23.9	-18.1	56.5	59.2	-51.1
June	46.7	15.3	61.9	8.7	70.6	-	81.0	4.2	85.7	80.5	75.6
July <sup>(p)</sup>	42.9	14.9	57.7	16.2	73.9	-	16.9	13.9	88.3	74.7	11.7
Growth rates											
2003 Dec.	10.6	4.6	7.6	3.8	7.1	7.0	6.0	6.3	5.8	5.5	96.0
2004 Dec.	9.0	4.4	6.7	6.2	6.6	6.5	8.2	2.4	7.1	7.1	160.4
2005 Mar.	9.3	4.8	7.1	2.7	6.5	6.6	8.7	2.4	7.4	7.5	94.1
2005 Apr.	9.2	5.3	7.4	3.3	6.8	6.9	8.4	2.9	7.7	7.4	88.9
May	10.1	4.9	7.6	5.7	7.3	7.2	8.4	1.5	7.8	7.5	70.8
June	10.9	5.1	8.1	5.0	7.6	7.6	9.7	1.1	8.1	8.0	155.4
July <sup>(p)</sup>	11.1	5.3	8.3	5.9	7.9	.	9.5	1.0	8.4	8.2	163.2

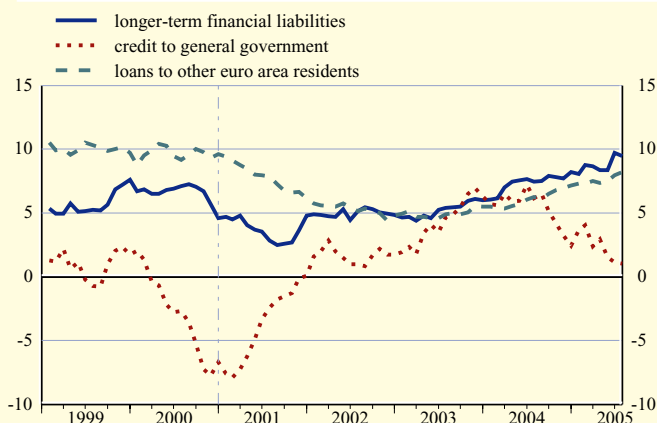
### C1 Monetary aggregates

(annual growth rates; seasonally adjusted)



### C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

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

## 2.3 Monetary statistics

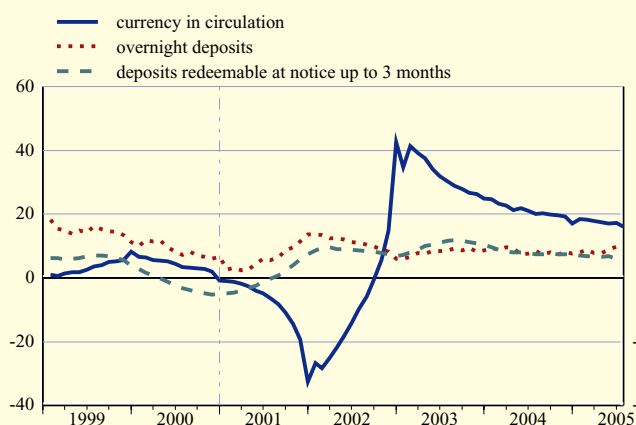
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	386.9	2,293.7	1,031.0	1,522.3	218.4	596.1	92.7	1,789.6	90.7	1,250.0	1,003.1
2004	452.7	2,460.0	1,026.5	1,634.5	240.3	618.9	102.3	1,962.6	89.6	1,357.3	1,044.9
2005 Q1	477.6	2,529.7	1,019.3	1,656.1	225.8	613.2	106.1	2,038.7	90.9	1,387.1	1,062.8
2005 Apr.	481.5	2,542.5	1,030.5	1,664.3	215.7	619.8	121.0	2,056.7	91.3	1,395.2	1,067.9
May	487.0	2,563.5	1,023.9	1,678.3	231.3	627.4	113.5	2,085.9	91.4	1,396.1	1,082.6
June	493.7	2,764.5	1,040.2	1,518.5	239.5	622.7	118.8	2,125.2	91.6	1,448.6	1,141.7
July <sup>(p)</sup>	494.7	2,806.0	1,046.2	1,526.9	243.1	632.5	120.9	2,122.4	90.8	1,452.3	1,150.6
Transactions											
2003	77.5	181.9	-29.7	143.1	-10.3	57.6	-15.1	149.2	-13.2	61.9	38.5
2004	65.7	174.7	-0.8	112.6	22.8	21.7	11.2	185.2	-1.1	106.6	50.0
2005 Q1	24.9	66.9	-13.2	21.4	-14.7	-5.6	-1.0	62.4	0.8	28.9	15.1
2005 Apr.	4.0	12.4	10.8	8.1	-10.1	7.2	14.7	16.1	0.5	8.0	1.5
May	5.4	18.2	-9.4	13.8	15.5	8.0	-7.6	17.2	0.0	-0.1	6.9
June	6.8	39.9	13.0	2.3	8.2	-5.8	6.4	35.7	-0.5	18.9	26.9
July <sup>(p)</sup>	1.0	41.9	6.4	8.4	3.6	9.6	2.9	-1.4	-0.8	6.6	12.5
Growth rates											
2003 Dec.	24.9	8.6	-2.8	10.4	-4.6	11.0	-14.9	8.9	-12.7	5.2	3.9
2004 Dec.	17.0	7.6	-0.1	7.4	10.5	3.6	12.3	10.3	-1.2	8.5	5.0
2005 Mar.	17.8	7.8	1.7	6.8	3.7	1.8	6.5	10.6	0.5	9.1	5.4
2005 Apr.	17.5	7.8	3.3	6.6	-0.1	2.6	14.6	10.4	1.2	8.7	4.9
May	17.0	8.9	1.9	6.7	8.0	4.2	10.0	10.6	1.7	8.2	5.0
June	17.2	9.8	3.4	6.1	9.8	2.2	10.8	11.8	1.4	8.8	7.6
July <sup>(p)</sup>	16.0	10.2	4.1	6.0	6.7	3.9	16.0	11.0	0.3	8.6	8.4

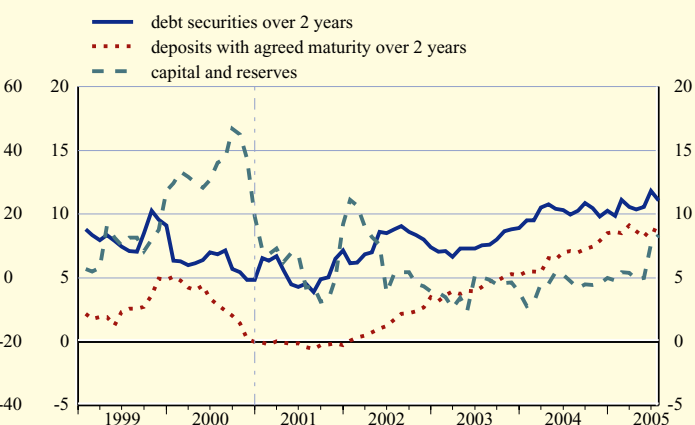
### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

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

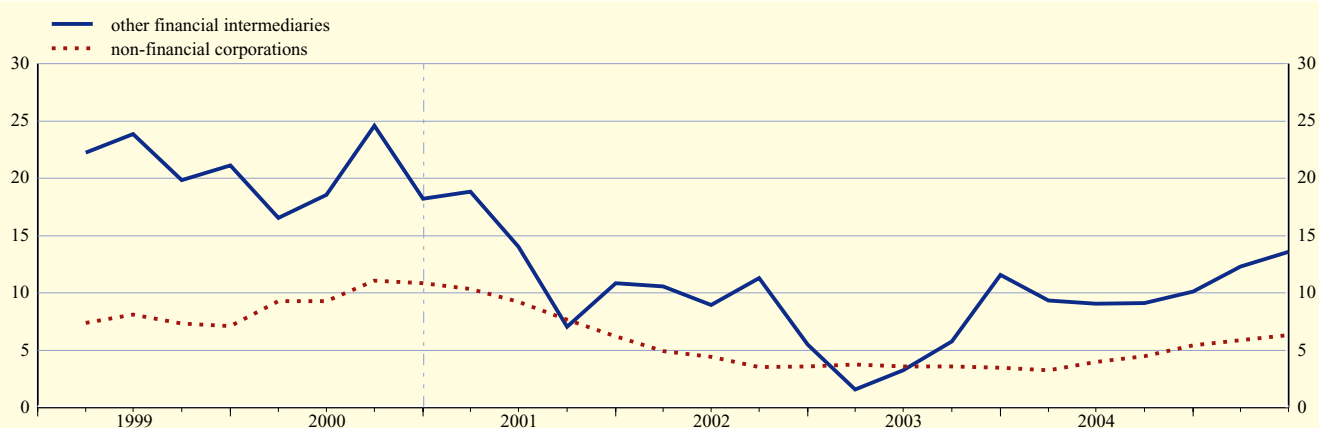
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.7	334.8	3,153.7	974.7	547.7	1,631.3
2005 Q1	58.2	39.7	560.1	350.0	3,190.7	985.0	554.7	1,650.9
2005 Apr.	59.3	40.6	556.7	343.4	3,216.3	993.0	559.7	1,663.6
May	62.1	42.9	567.7	351.9	3,235.1	994.4	564.3	1,676.4
June	63.9	44.2	579.5	360.7	3,283.0	1,025.1	565.6	1,692.3
July <sup>(p)</sup>	63.9	43.7	581.0	356.5	3,308.7	1,023.1	574.5	1,711.1
Transactions								
2003	4.2	2.2	53.4	26.2	102.9	-7.9	15.9	94.9
2004	13.1	9.1	50.5	26.2	163.9	24.2	31.2	108.5
2005 Q1	8.6	7.9	10.2	13.7	37.2	7.9	7.8	21.5
2005 Apr.	1.1	1.0	-3.1	-6.2	27.1	8.2	6.2	12.7
May	2.7	2.2	8.7	7.0	17.1	0.6	4.7	11.8
June	1.8	1.3	10.8	8.3	32.4	16.3	1.1	14.9
July <sup>(p)</sup>	0.0	-0.5	2.1	-3.8	27.5	-1.1	8.8	19.8
Growth rates								
2003 Dec.	11.8	11.6	11.6	8.8	3.5	-0.8	3.1	6.5
2004 Dec.	36.9	41.5	10.1	8.5	5.4	2.5	6.0	7.0
2005 Mar.	23.7	21.8	12.3	17.0	5.9	3.9	6.6	6.9
2005 Apr.	14.3	7.8	9.7	10.7	6.0	4.3	6.6	6.9
May	8.8	0.6	10.2	11.4	6.2	4.9	6.4	7.0
June	17.7	10.6	13.6	18.0	6.3	4.7	6.5	7.3
July <sup>(p)</sup>	11.6	3.9	15.0	18.3	6.9	4.9	7.4	7.9

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

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

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

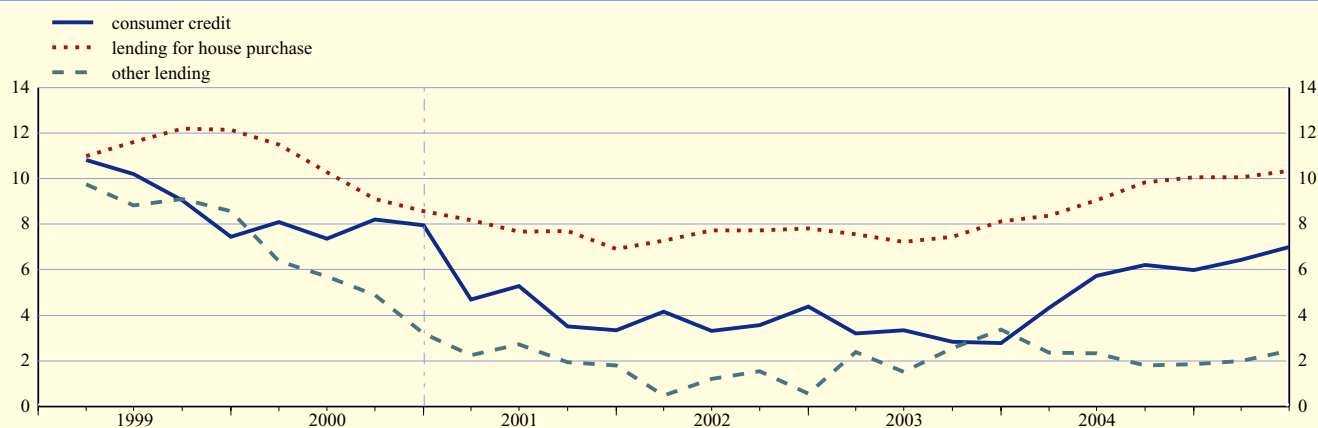
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	2. Loans to households <sup>2)</sup>												
	Total	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1
2004	3,808.4	515.4	120.3	189.5	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.0	99.3	458.2
2005 Q1	3,860.4	519.3	120.2	191.1	208.0	2,640.2	14.3	67.1	2,558.9	700.8	144.4	98.7	457.8
2005 Apr.	3,887.7	522.9	119.8	192.6	210.5	2,662.2	14.3	65.0	2,582.9	702.7	142.5	100.2	460.0
May	3,919.4	527.5	121.2	194.5	211.8	2,686.1	14.3	65.0	2,606.9	705.8	142.6	100.8	462.4
June	3,991.1	537.7	125.2	196.9	215.5	2,736.4	14.5	65.7	2,656.2	717.0	149.7	101.1	466.2
July <sup>(p)</sup>	4,021.1	538.3	122.4	198.4	217.4	2,769.6	14.6	66.3	2,688.7	713.2	145.1	101.2	466.8
Transactions													
2003	211.7	13.0	8.4	6.1	-1.4	177.3	-5.9	1.7	181.4	21.4	-6.2	-4.7	32.3
2004	278.5	29.0	7.1	8.6	13.3	236.9	0.9	2.9	233.1	12.6	-0.9	2.0	11.5
2005 Q1	56.1	4.4	-0.3	1.6	3.0	49.5	-0.2	1.3	48.4	2.2	1.3	-0.5	1.3
2005 Apr.	26.3	4.2	-0.3	1.6	2.8	21.5	0.0	-0.8	22.3	0.6	-1.7	0.1	2.2
May	30.8	4.8	1.5	2.0	1.3	23.1	0.0	0.2	22.9	3.0	0.0	0.7	2.3
June	45.2	8.4	4.1	2.0	2.3	28.6	0.3	0.8	27.5	8.3	6.9	-0.2	1.6
July <sup>(p)</sup>	31.2	1.2	-2.5	1.6	2.1	33.3	0.0	0.5	32.8	-3.4	-4.4	0.2	0.8
Growth rates													
2003 Dec.	6.4	2.8	8.0	3.4	-0.2	8.1	-26.3	2.6	8.6	3.4	-4.1	-4.8	8.5
2004 Dec.	7.9	6.0	6.3	4.8	7.0	10.0	6.0	4.6	10.2	1.9	-0.6	2.1	2.6
2005 Mar.	8.0	6.4	7.7	4.6	7.4	10.1	5.0	8.1	10.1	2.0	2.0	1.1	2.2
2005 Apr.	8.0	6.4	6.6	4.7	8.0	10.1	5.4	6.2	10.2	1.9	1.2	0.5	2.5
May	8.2	7.2	8.4	5.7	8.0	10.1	5.0	5.9	10.3	2.3	2.2	1.2	2.6
June	8.4	7.0	7.7	5.6	7.9	10.4	2.4	4.0	10.6	2.4	3.5	0.7	2.5
July <sup>(p)</sup>	8.4	6.8	6.7	5.6	8.0	10.5	3.7	4.1	10.7	2.1	2.9	1.0	2.1

## C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

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

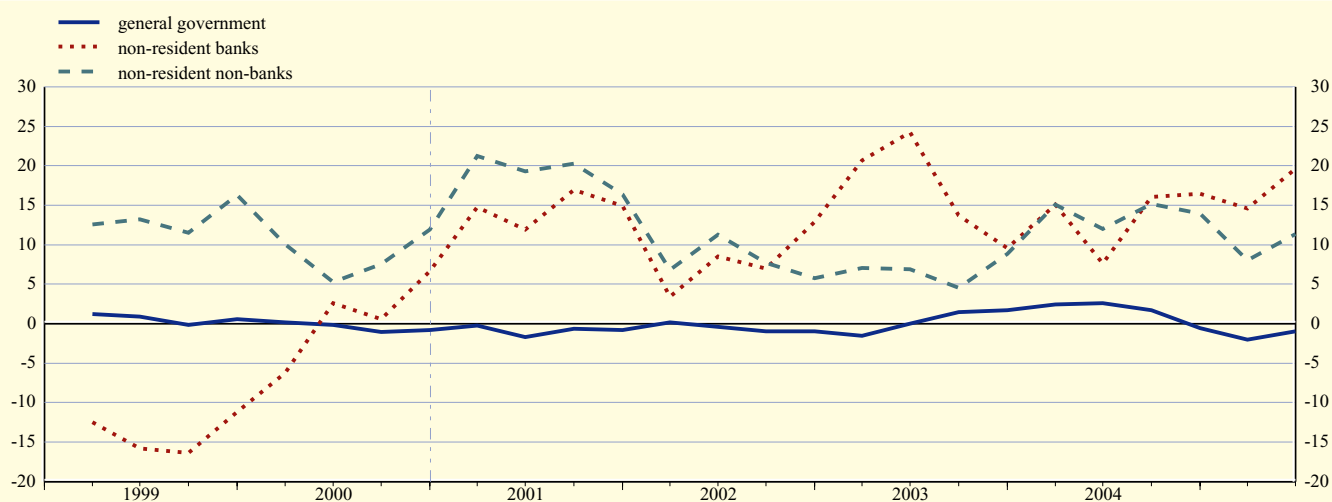
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	812.4	130.6	252.3	405.6	23.8	1,974.6	1,342.2	632.4	61.3	571.1
2005 Q1	806.6	129.3	248.1	406.6	22.5	2,136.5	1,463.8	672.7	61.9	610.7
Q2 <sup>(p)</sup>	808.6	125.3	247.8	412.3	23.3	2,291.8	1,579.6	712.2	63.5	648.7
	Transactions									
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-4.8	3.1	-13.9	17.2	-11.2	275.5	194.9	80.4	1.8	78.6
2005 Q1	-6.6	-1.6	-4.2	0.5	-1.3	124.8	98.6	26.2	0.6	25.6
Q2 <sup>(p)</sup>	1.4	-4.4	-0.5	5.5	0.7	93.2	78.3	14.9	1.6	13.3
	Growth rates									
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Dec.	-0.6	2.4	-5.2	4.4	-32.0	15.6	16.4	13.9	3.0	15.2
2005 Mar.	-2.0	-2.8	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June <sup>(p)</sup>	-1.0	-1.4	-2.5	5.2	-46.8	17.0	19.7	11.3	4.4	12.1

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

(annual growth rates)



Source: ECB.

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

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

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

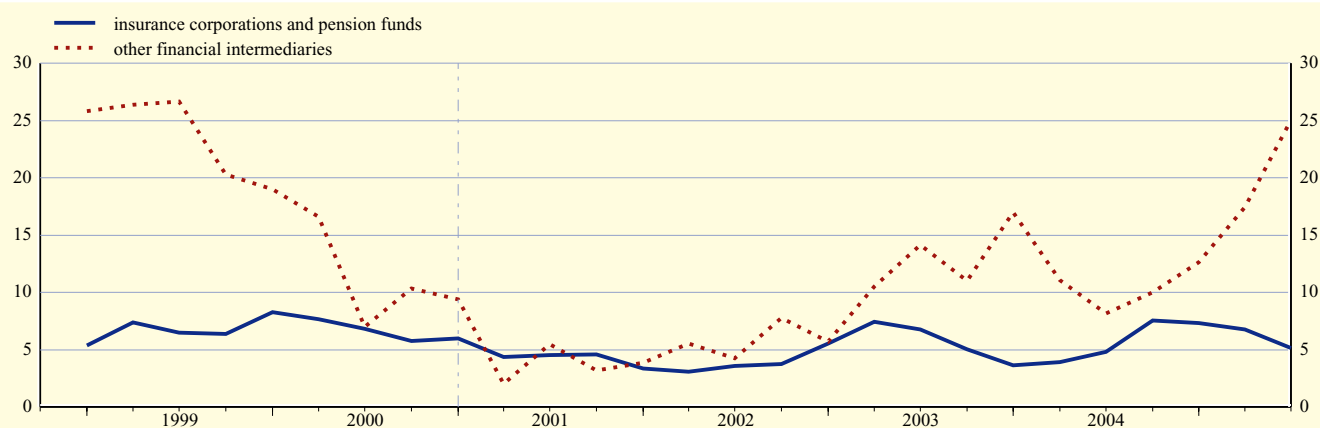
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	565.6	180.9	130.8	143.3	6.1	0.1	104.4
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	637.5	180.3	139.0	187.3	10.1	0.1	120.7
2005 Q1	597.0	65.7	48.5	460.3	1.3	1.3	19.8	692.9	213.3	134.2	205.2	11.5	0.1	128.7
2005 Apr.	602.6	65.7	50.6	462.5	1.3	1.3	21.1	703.4	208.5	143.9	210.7	13.1	0.1	127.1
May	602.1	65.1	50.4	461.9	1.6	1.3	21.8	728.8	216.5	144.7	215.2	12.7	0.1	139.6
June	596.1	61.6	48.5	462.9	1.1	1.6	20.5	790.1	225.5	148.5	264.5	11.1	0.1	140.4
July <sup>(p)</sup>	604.1	64.3	52.0	465.1	1.1	1.6	20.1	795.7	221.6	155.2	266.8	11.6	0.1	140.3
Transactions														
2003	19.0	1.6	3.9	11.8	0.3	0.4	1.1	82.8	25.3	-0.2	38.5	3.2	0.1	16.0
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	71.9	0.9	5.8	43.7	4.1	0.0	17.4
2005 Q1	12.5	6.4	-3.1	10.0	0.1	0.0	-1.0	47.9	32.1	-9.4	16.0	1.3	0.0	7.8
2005 Apr.	5.6	-0.1	2.1	2.3	0.0	0.0	1.3	10.1	-4.9	9.6	5.4	1.6	0.0	-1.5
May	-0.8	-0.8	-0.4	-0.7	0.3	0.0	0.7	23.2	7.1	0.3	4.0	-0.6	0.0	12.4
June	-6.4	-4.1	-2.0	1.0	0.0	0.0	-1.2	23.3	7.3	0.4	15.0	-0.2	0.0	0.8
July <sup>(p)</sup>	8.1	2.7	3.6	2.2	-0.1	0.0	-0.4	8.8	-3.7	6.9	5.2	0.5	0.0	-0.2
Growth rates														
2003 Dec.	3.6	2.8	9.9	2.9	41.3	58.8	6.0	17.0	16.3	-0.2	36.4	70.4	-	17.1
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.4	67.6	-	16.7
2005 Mar.	6.8	2.3	16.4	7.5	1.7	-51.5	-10.4	17.4	8.5	9.3	40.1	50.0	-	10.7
2005 Apr.	6.7	6.1	22.9	6.8	-9.4	-52.2	-16.2	16.7	7.2	8.7	41.2	60.1	-	7.4
May	6.4	14.4	11.2	5.5	11.2	-53.8	-3.9	21.1	12.4	9.0	44.2	60.3	-	17.1
June	5.1	2.5	15.7	4.8	18.3	31.3	-3.0	25.0	15.9	13.8	48.2	50.1	-	19.9
July <sup>(p)</sup>	6.2	15.0	13.6	5.0	13.9	32.3	-8.3	26.7	18.7	18.3	47.0	56.5	-	18.3

### C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) This category includes investment funds.

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

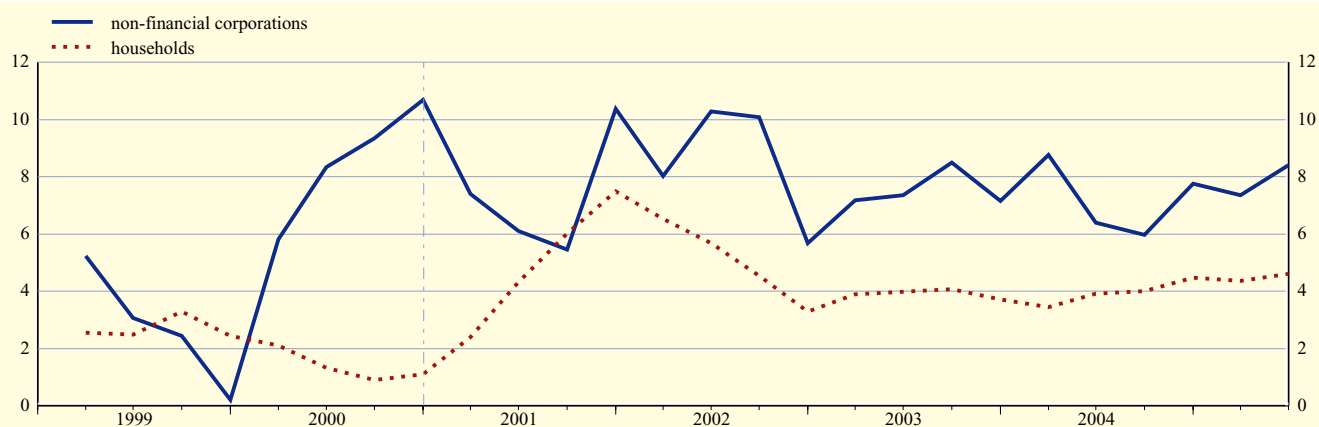
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Non-financial corporations							Households <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.6	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005 Q1	1,096.3	675.3	280.2	72.1	44.0	1.1	23.6	4,177.0	1,409.1	513.2	632.8	1,481.9	88.7	51.2
2005 Apr.	1,102.1	678.7	284.9	69.2	44.7	1.1	23.5	4,206.1	1,433.8	514.7	633.5	1,485.1	88.2	50.8
May	1,112.7	692.4	282.8	69.3	45.5	1.1	21.7	4,214.9	1,440.0	514.6	630.7	1,489.7	87.8	52.1
June	1,136.2	723.3	275.9	71.6	41.6	1.5	22.2	4,245.3	1,629.3	510.9	630.6	1,336.1	87.2	51.2
July <sup>(p)</sup>	1,135.9	720.1	280.1	70.6	42.2	1.4	21.5	4,264.0	1,642.3	513.1	629.3	1,339.3	86.4	53.6
Transactions														
2003	70.4	40.9	20.3	3.3	10.2	0.0	-4.2	141.9	95.3	-45.4	10.0	117.4	-13.7	-21.8
2004	80.8	48.5	17.1	6.7	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.8
2005 Q1	-20.0	-0.5	-12.1	-1.1	-0.2	0.0	-6.1	14.8	5.4	-2.0	-0.1	15.8	0.2	-4.5
2005 Apr.	5.5	3.2	4.6	-2.9	0.7	0.0	-0.1	29.0	24.7	1.4	0.6	3.2	-0.4	-0.4
May	7.9	12.2	-3.1	-0.2	0.7	0.0	-1.8	7.2	5.9	-1.1	-2.9	4.4	-0.5	1.3
June	22.7	27.0	-7.4	3.0	-0.4	-0.1	0.6	29.7	32.2	-4.1	-0.1	3.3	-0.5	-1.0
July <sup>(p)</sup>	0.1	-3.0	4.3	-1.0	0.6	-0.2	-0.8	18.9	13.1	2.3	-1.3	3.2	-0.8	2.5
Growth rates														
2003 Dec.	7.2	6.7	7.7	5.3	41.5	-3.9	-12.4	3.7	7.9	-7.7	1.7	9.3	-13.2	-29.2
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Mar.	7.4	9.3	3.7	4.4	15.2	68.0	-8.3	4.4	6.6	-2.7	3.8	5.6	0.1	-1.3
2005 Apr.	7.7	9.3	7.0	-1.4	15.3	66.5	-11.2	4.7	7.2	-1.6	3.7	5.5	0.9	-2.9
May	7.0	10.3	2.9	-2.8	16.0	69.5	-16.7	4.5	6.6	-1.1	3.0	5.4	1.3	3.2
June	8.4	10.8	5.0	2.9	14.9	-5.8	-12.9	4.6	7.8	-1.4	2.8	4.8	1.2	1.5
July <sup>(p)</sup>	8.5	11.8	4.6	0.9	14.9	-17.5	-19.0	4.7	8.2	-0.8	2.5	4.6	0.1	2.0

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

(annual growth rates)



Source: ECB.

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

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

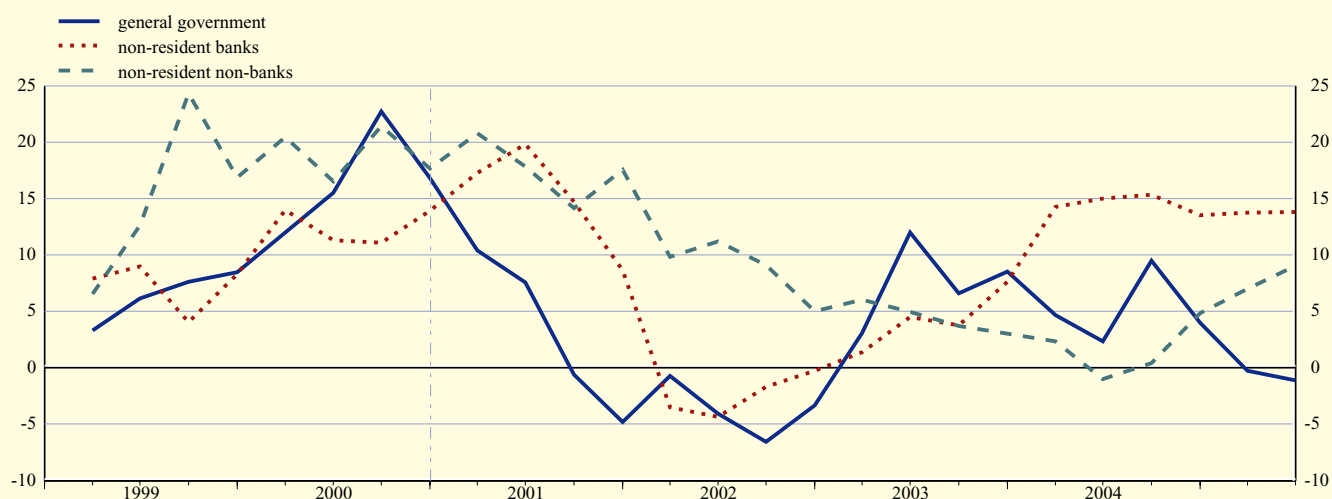
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.1	1,935.7	733.4	105.4	628.0
Q2 <sup>(p)</sup>	288.4	134.9	35.3	69.8	48.4	2,783.0	2,039.0	744.0	117.2	626.9
Transactions										
2003	21.5	23.3	-0.5	-2.3	1.0	138.6	117.5	21.1	-1.3	22.4
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.8	32.0	6.9	25.1
2005 Q1	-12.2	-11.4	2.8	-2.0	-1.6	188.2	147.1	41.0	2.0	39.1
Q2 <sup>(p)</sup>	18.5	8.6	1.9	2.2	5.7	40.3	47.6	-7.2	11.8	-19.0
Growth rates										
2003 Dec.	8.6	21.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Dec.	4.0	2.1	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar.	-0.3	-10.5	19.6	8.3	8.6	11.8	13.7	7.0	4.1	7.5
June <sup>(p)</sup>	-1.1	-13.9	20.1	8.3	16.9	12.5	13.8	9.1	14.4	8.1

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

(annual growth rates)



Source: ECB.

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

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



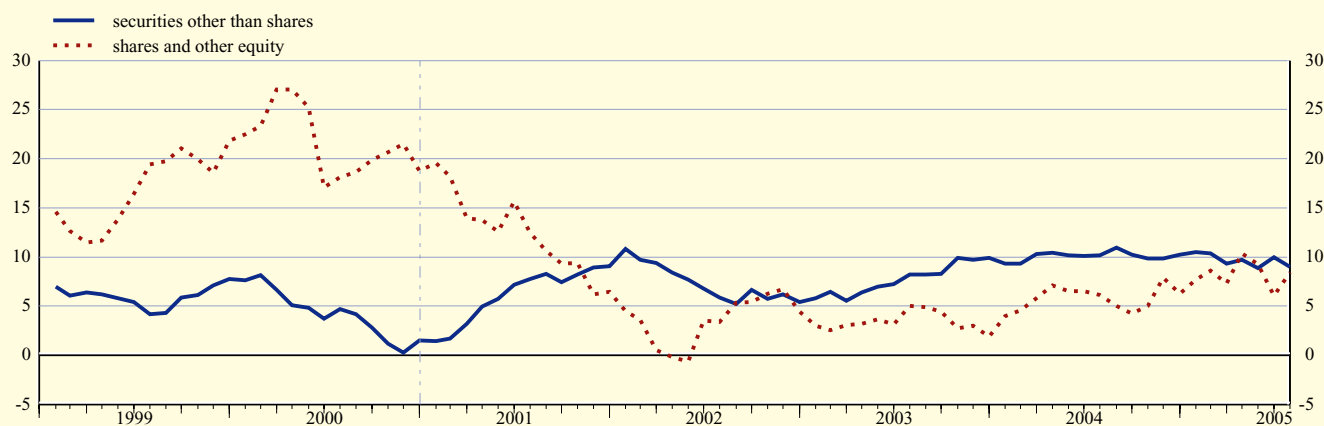
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.7	59.9	1,284.1	15.8	449.0	16.3	751.7	1,158.3	286.5	656.6	215.2
2005 Q1	4,093.1	1,388.9	66.6	1,342.7	15.8	464.9	16.3	797.9	1,217.0	296.1	674.4	246.5
2005 Apr.	4,160.0	1,411.7	65.0	1,354.4	17.9	474.2	17.7	819.2	1,281.7	312.3	731.1	238.3
May	4,198.8	1,409.6	67.2	1,351.1	18.1	478.0	19.3	855.5	1,283.0	315.9	729.9	237.2
June	4,260.9	1,435.1	66.0	1,366.8	15.8	486.0	20.4	871.0	1,234.7	294.8	705.9	234.0
July <sup>(p)</sup>	4,267.1	1,444.2	66.7	1,362.7	16.1	485.0	19.7	872.5	1,266.9	317.2	709.1	240.5
Transactions												
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004	368.5	148.1	4.9	40.3	1.3	34.9	-1.3	140.4	67.4	2.2	34.4	30.8
2005 Q1	137.7	29.1	4.7	55.3	-0.5	17.0	-0.5	32.6	56.9	9.4	16.0	31.6
2005 Apr.	60.5	23.0	-2.1	9.5	1.9	8.5	1.2	18.5	67.3	16.6	58.2	-7.4
May	16.6	-2.0	0.5	-6.2	-0.4	3.5	1.0	20.2	-6.6	2.7	-4.2	-5.2
June	43.6	24.6	-1.9	7.1	-2.6	7.9	0.8	7.8	-46.5	-15.1	-26.9	-4.5
July <sup>(p)</sup>	7.9	7.5	1.3	-3.1	0.6	-1.5	-0.5	3.6	25.9	18.0	2.6	5.3
Growth rates												
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Mar.	9.3	9.1	14.1	3.9	-4.1	11.2	-4.6	19.2	7.3	1.9	4.0	26.4
2005 Apr.	9.7	10.1	8.6	4.0	10.3	12.0	-0.2	18.7	10.4	5.5	9.3	21.4
May	8.9	9.0	10.6	1.3	7.3	11.5	10.8	21.4	9.2	5.1	8.7	17.4
June	10.0	11.3	5.3	1.3	-10.0	12.2	12.7	23.6	6.1	1.1	6.8	10.9
July <sup>(p)</sup>	9.0	10.4	8.5	1.4	-5.5	11.7	15.9	19.2	8.4	8.1	8.6	8.4

## C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

## 2.7 Revaluation of selected MFI balance sheet items <sup>1)</sup>

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.6	-2.3	-0.3	-4.0
2005 Q1	-1.3	-0.6	-0.2	-0.5	-1.2	-0.1	0.0	-1.1	-2.7	-1.1	-0.1	-1.6
2005 Apr.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
May	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.2	0.0	-0.2
June	-0.3	-0.1	-0.1	-0.1	-0.5	0.0	0.0	-0.5	-0.9	-0.4	0.0	-0.4
July <sup>(p)</sup>	-0.4	-0.2	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.2	0.0	-0.1

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2003	-17.7	-8.8	-1.3	-7.6	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.4	-1.6	-0.5	-1.1
2005 Q1	-5.1	-2.5	-0.7	-1.9	-0.3	-0.1	-0.3
2005 Apr.	-0.8	-0.5	0.0	-0.3	0.0	0.0	0.0
May	-1.1	-0.5	0.0	-0.6	-0.2	0.0	-0.2
June	-1.8	-1.0	-0.1	-0.8	-0.1	0.0	-0.1
July <sup>(p)</sup>	-1.1	-0.6	-0.1	-0.4	-0.1	0.0	-0.1

### 3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.4	1.5	-0.1	10.8	-0.2	0.8	-0.1	0.6	8.4	1.3	3.6	3.5
2005 Q1	5.9	1.0	0.1	3.8	0.1	-0.7	0.1	1.6	4.6	0.5	2.7	1.4
2005 Apr.	3.8	0.4	0.0	2.2	0.0	0.8	0.0	0.4	-3.1	-0.8	-1.5	-0.8
May	6.0	0.5	0.1	2.9	0.1	0.3	0.1	2.2	7.8	0.8	3.0	4.1
June	7.7	2.0	0.1	2.8	0.1	0.6	0.0	2.1	5.3	1.1	2.8	1.4
July <sup>(p)</sup>	1.0	1.2	0.0	-1.0	-0.1	0.5	0.0	0.6	4.9	1.5	2.2	1.2

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
2004	4,708.0	91.4	8.6	5.0	0.5	1.5	1.1	6,779.5	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1	4,820.7	91.0	9.0	5.4	0.5	1.4	1.1	6,833.0	97.0	3.0	1.9	0.3	0.1	0.4
Q2 <sup>(p)</sup>	4,791.0	90.8	9.2	5.5	0.5	1.4	1.1	7,056.0	96.9	3.1	1.9	0.3	0.1	0.4
	By non-euro area residents													
2003	1,580.8	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1	1,935.7	46.9	53.1	35.2	2.4	2.9	9.7	733.4	54.6	45.4	29.4	1.5	2.0	9.2
Q2 <sup>(p)</sup>	2,039.0	45.8	54.2	35.9	2.3	3.0	9.8	744.0	52.3	47.7	30.9	1.5	2.2	9.9

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

	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,794.9	83.4	16.6	8.2	1.7	1.9	2.9
Q2 <sup>(p)</sup>	3,943.5	82.4	17.6	9.0	1.8	1.9	3.0

Source: ECB.

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

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

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

### 3. Loans

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	To euro area residents													
2003	4,193.9	-	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3
2004	4,456.5	-	-	-	-	-	-	8,369.8	96.6	3.4	1.4	0.2	1.3	0.4
2005 Q1	4,575.3	-	-	-	-	-	-	8,476.0	96.5	3.5	1.5	0.2	1.3	0.4
Q2 <sup>(p)</sup>	4,525.6	-	-	-	-	-	-	8,726.1	96.4	3.6	1.7	0.2	1.3	0.4
	To non-euro area residents													
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	575.7	38.8	61.2	43.6	2.4	4.6	7.0
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.4	42.2	57.8	40.1	2.6	4.5	7.2
2005 Q1	1,463.8	51.8	48.2	29.2	3.4	2.1	9.2	672.7	41.8	58.2	42.1	1.4	4.3	7.1
Q2 <sup>(p)</sup>	1,579.6	49.5	50.5	31.1	3.8	2.2	8.8	712.2	40.5	59.5	43.3	1.1	4.4	7.3

### 4. Holdings of securities other than shares

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	Issued by euro area residents													
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004	1,422.6	95.8	4.2	1.8	0.3	0.5	1.3	1,765.1	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1	1,455.5	95.4	4.6	2.1	0.4	0.4	1.5	1,839.7	98.3	1.7	0.9	0.4	0.1	0.3
Q2 <sup>(p)</sup>	1,501.1	95.6	4.4	2.0	0.3	0.4	1.4	1,888.9	98.1	1.9	1.0	0.4	0.1	0.3
	Issued by non-euro area residents													
2003	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1	359.8	48.9	51.1	30.3	1.0	0.5	16.5	438.0	43.7	56.3	32.7	7.2	0.8	9.1
Q2 <sup>(p)</sup>	395.6	47.0	53.0	30.9	0.9	0.5	17.9	475.4	41.4	58.6	34.0	7.4	0.8	10.0

Source: ECB.

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

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

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

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

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2003 Q4	3,174.3	235.1	1,389.0	67.4	1,321.6	1,033.6	243.9	133.7	139.1
2004 Q1	3,356.2	266.5	1,434.5	70.4	1,364.1	1,103.9	263.2	136.9	151.2
Q2	3,373.2	244.9	1,430.8	69.4	1,361.5	1,121.1	278.5	140.3	157.6
Q3	3,392.8	246.7	1,472.8	72.1	1,400.6	1,095.3	281.0	144.4	152.6
Q4	3,509.0	240.1	1,497.6	71.9	1,425.7	1,157.8	293.7	146.9	172.9
2005 Q1 <sup>(p)</sup>	3,708.7	265.5	1,560.5	72.8	1,487.7	1,222.8	315.9	151.1	193.0

### 2. Liabilities

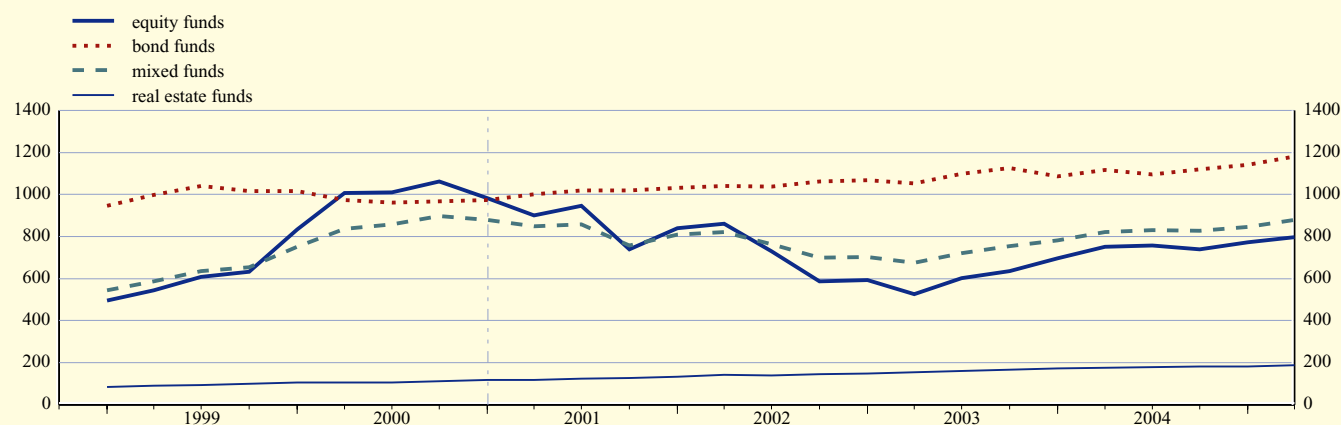
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2003 Q4	3,174.3	44.2	3,011.0	119.1
2004 Q1	3,356.2	49.6	3,173.8	132.9
Q2	3,373.2	50.4	3,196.2	126.6
Q3	3,392.8	49.5	3,216.6	126.7
Q4	3,509.0	48.5	3,322.4	138.2
2005 Q1 <sup>(p)</sup>	3,708.7	56.0	3,478.4	174.4

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

	Total 1	Funds by investment policy					Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2003 Q4	3,174.3	697.8	1,086.3	783.0	171.7	435.5	2,317.7	856.6
2004 Q1	3,356.2	750.4	1,116.3	820.6	176.2	492.8	2,469.8	886.4
Q2	3,373.2	756.5	1,094.2	830.0	179.7	512.7	2,479.5	893.7
Q3	3,392.8	740.1	1,119.0	825.8	182.4	525.5	2,495.4	897.4
Q4	3,509.0	772.4	1,140.9	844.4	182.3	568.9	2,588.3	920.7
2005 Q1 <sup>(p)</sup>	3,708.7	797.1	1,179.4	879.5	186.2	666.5	2,758.1	950.6

### C12 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. Data refer to euro area countries excluding Ireland. For further details, see the General notes.

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

(EUR billions; outstanding amounts at end of period)

## 1. Funds by investment policy

	Total 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				
Equity funds									
2003 Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1	750.4	32.8	32.2	3.0	29.2	635.6	23.4	-	26.5
Q2	756.5	31.5	31.6	3.2	28.3	642.8	25.3	-	25.3
Q3	740.1	31.5	33.0	3.7	29.3	625.3	25.1	-	25.1
Q4	772.4	28.5	33.9	3.7	30.2	653.4	28.0	-	28.6
2005 Q1 <sup>(p)</sup>	797.1	31.2	33.9	3.7	30.3	674.9	28.9	-	28.2
Bond funds									
2003 Q4	1,086.3	82.5	905.7	31.6	874.1	31.0	21.6	-	45.5
2004 Q1	1,116.3	97.3	918.4	35.3	883.1	32.6	21.4	-	46.6
Q2	1,094.2	79.1	910.0	36.3	873.7	33.0	21.8	-	50.3
Q3	1,119.0	80.8	932.4	38.8	893.6	31.9	23.4	-	50.5
Q4	1,140.9	77.5	943.6	39.9	903.7	36.9	23.4	-	59.5
2005 Q1 <sup>(p)</sup>	1,179.4	90.3	964.0	41.3	922.7	36.4	26.0	-	62.6
Mixed funds									
2003 Q4	783.0	49.4	323.8	22.1	301.7	272.3	100.5	0.3	36.7
2004 Q1	820.6	52.9	333.7	21.2	312.5	286.6	107.2	0.3	39.9
Q2	830.0	52.3	340.1	22.3	317.7	278.9	114.9	0.3	43.5
Q3	825.8	52.3	347.8	22.0	325.9	270.5	115.6	0.3	39.4
Q4	844.4	50.4	347.0	20.1	326.8	281.6	121.3	0.2	43.9
2005 Q1 <sup>(p)</sup>	879.5	55.9	358.5	20.8	337.7	290.3	124.1	0.1	50.6
Real estate funds									
2003 Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1	176.2	14.7	9.1	0.6	8.5	0.7	7.7	135.9	8.0
Q2	179.7	15.0	8.6	0.6	7.9	0.7	7.7	139.2	8.7
Q3	182.4	14.4	8.5	0.6	7.9	0.7	7.5	143.1	8.0
Q4	182.3	14.6	7.1	0.7	6.4	0.9	6.9	144.8	8.0
2005 Q1 <sup>(p)</sup>	186.2	13.3	7.8	0.7	7.1	1.0	6.9	148.9	8.3

## 2. Funds by type of investor

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2003 Q4	2,317.7	191.6	913.2	815.7	183.8	115.5	98.0
2004 Q1	2,469.8	219.2	948.7	877.3	198.8	117.8	107.9
Q2	2,479.5	202.1	945.8	890.2	211.0	120.5	109.8
Q3	2,495.4	205.7	974.3	872.6	213.2	124.0	105.5
Q4	2,588.3	201.2	992.9	926.0	221.4	127.4	119.4
2005 Q1 <sup>(p)</sup>	2,758.1	223.5	1,045.0	979.2	240.2	130.7	139.5
Special investors' funds							
2003 Q4	856.6	43.4	475.8	217.9	60.0	18.3	41.2
2004 Q1	886.4	47.3	485.8	226.5	64.4	19.1	43.3
Q2	893.7	42.8	485.0	230.8	67.5	19.8	47.8
Q3	897.4	41.0	498.4	222.7	67.7	20.4	47.2
Q4	920.7	38.9	504.7	231.8	72.3	19.5	53.5
2005 Q1 <sup>(p)</sup>	950.6	42.1	515.5	243.6	75.7	20.4	53.5

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

	Currency and deposits											Memo: deposits of non-banks 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 <sup>1)</sup>			
			Total	Overnight	With agreed maturity	Redeemable at notice	Repos					
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2003 Q4	15,702.8	5,929.4	397.9	5,183.2	2,027.5	1,559.1	1,511.4	85.2	155.7	192.6	348.0	
2004 Q1	15,917.9	5,963.4	399.6	5,180.6	2,020.6	1,545.0	1,533.9	81.2	183.8	199.4	397.6	
Q2	16,202.2	6,102.8	423.0	5,263.9	2,101.2	1,529.5	1,553.9	79.4	223.7	192.2	398.0	
Q3	16,294.9	6,130.8	438.0	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	204.4	395.3	
Q4	16,652.8	6,289.8	468.4	5,434.9	2,165.2	1,577.9	1,603.7	88.2	162.4	224.0	385.3	
2005 Q1	16,941.5	6,314.7	471.8	5,433.3	2,174.8	1,560.0	1,620.0	78.5	187.4	222.2	-	
Transactions												
2003 Q4	166.2	130.9	33.1	118.0	79.0	7.9	36.3	-5.2	-28.1	8.0	10.9	
2004 Q1	151.8	31.6	1.7	-5.0	-7.6	-15.8	22.4	-3.9	28.1	6.8	44.1	
Q2	293.1	141.7	23.4	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.2	-0.1	
Q3	123.9	32.4	15.1	24.8	4.6	5.5	11.3	3.4	-19.7	12.2	1.4	
Q4	165.7	167.7	30.4	159.4	65.2	49.9	38.9	5.4	-41.7	19.6	1.5	
2005 Q1	177.0	24.4	3.4	-3.5	7.9	-17.4	15.7	-9.7	25.0	-0.5	-	
Growth rates												
2003 Q4	4.8	5.8	23.2	4.3	7.6	-1.0	8.1	-23.4	11.0	9.0	24.9	
2004 Q1	4.5	5.5	22.3	4.3	8.8	-1.3	6.5	-23.0	5.9	7.5	25.9	
Q2	4.9	5.5	20.7	4.2	8.3	-1.7	6.3	-15.7	12.8	4.8	21.9	
Q3	4.8	5.8	20.1	4.4	8.1	-1.1	6.2	-8.5	10.7	10.7	16.3	
Q4	4.7	6.3	17.7	5.1	7.1	1.6	6.2	3.6	3.9	16.3	13.5	
2005 Q1	4.8	6.1	18.1	5.2	7.9	1.5	5.6	-3.3	1.7	12.1	-	
Securities other than shares												
			Shares <sup>2)</sup>					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	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												
2003 Q4	1,904.9	191.0	1,713.9	3,932.1	2,036.3	1,895.8	406.6	3,936.3	3,561.1	375.2		
2004 Q1	1,923.8	198.8	1,725.0	4,020.8	2,070.1	1,950.7	420.9	4,009.8	3,624.7	385.1		
Q2	1,955.2	215.5	1,739.7	4,068.1	2,125.5	1,942.6	424.2	4,076.1	3,686.5	389.5		
Q3	1,974.6	214.8	1,759.8	4,034.8	2,097.1	1,937.7	424.7	4,154.6	3,761.5	393.1		
Q4	1,967.5	202.0	1,765.6	4,166.4	2,216.1	1,950.3	407.4	4,229.1	3,831.9	397.2		
2005 Q1	2,006.4	212.8	1,793.6	4,299.4	2,306.4	1,993.0	415.7	4,321.0	3,916.3	404.7		
Transactions												
2003 Q4	1.3	11.5	-10.2	-17.6	-17.8	0.1	-10.2	51.7	51.1	0.6		
2004 Q1	10.7	7.6	3.1	37.2	7.1	30.1	15.1	72.4	62.5	9.9		
Q2	37.4	16.0	21.4	58.3	58.0	0.3	-0.5	55.8	51.4	4.5		
Q3	15.3	-0.2	15.5	13.5	10.6	2.9	-2.2	62.7	59.1	3.6		
Q4	-18.9	-13.8	-5.1	-49.6	-37.4	-12.2	-15.8	66.5	62.5	4.0		
2005 Q1	44.9	8.9	36.0	29.7	1.5	28.2	8.9	78.1	69.7	8.5		
Growth rates												
2003 Q4	-1.2	-2.5	-1.1	4.2	1.3	7.1	8.5	6.9	7.1	4.7		
2004 Q1	-1.0	1.4	-1.2	3.7	2.1	5.1	2.8	6.6	6.8	5.4		
Q2	3.0	20.8	1.1	3.4	4.0	2.9	1.7	6.3	6.4	5.1		
Q3	3.3	18.8	1.7	2.5	3.3	1.8	0.5	6.2	6.4	4.9		
Q4	2.3	5.0	2.0	1.5	1.9	1.1	-0.8	6.5	6.6	5.8		
2005 Q1	4.1	5.5	3.9	1.3	1.6	1.0	-2.3	6.6	6.7	5.3		

Source: ECB.

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

2) Excluding unquoted shares.

## 3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households <sup>1)</sup>			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2003 Q4	16,655.7	8,496.4	7,395.7	965.1	82.3	882.7	3,664.5	1,167.3	2,497.2	3,866.8	284.6	3,582.2	266.4
2004 Q1	17,010.1	8,543.6	7,464.5	978.8	86.3	892.4	3,649.3	1,163.7	2,485.5	3,915.5	278.7	3,636.8	308.2
Q2	17,220.7	8,698.1	7,595.2	979.9	91.7	888.1	3,694.0	1,172.9	2,521.1	4,024.3	290.7	3,733.6	308.0
Q3	17,330.7	8,777.4	7,672.9	976.4	90.4	885.9	3,695.2	1,153.5	2,541.8	4,105.8	288.0	3,817.8	285.3
Q4	17,696.9	8,906.6	7,796.6	974.0	80.9	893.2	3,746.8	1,178.1	2,568.8	4,185.7	293.3	3,892.4	290.3
2005 Q1	18,066.5	8,993.1	7,879.8	968.9	77.4	891.5	3,778.4	1,180.4	2,598.0	4,245.8	293.2	3,952.6	-
Transactions													
2003 Q4	134.1	117.5	118.4	23.2	9.8	13.5	15.4	-17.2	32.7	78.8	3.8	75.0	-1.4
2004 Q1	211.2	56.4	75.9	15.2	4.0	11.2	-12.8	-3.8	-9.0	54.1	-4.4	58.5	36.0
Q2	277.7	161.3	134.4	-0.5	5.3	-5.9	69.5	16.3	53.2	92.4	8.7	83.6	-0.5
Q3	152.0	79.4	86.1	-3.2	-1.3	-1.8	-1.4	-16.9	15.6	84.0	-2.3	86.2	-19.5
Q4	117.5	141.5	140.0	-2.4	-9.5	7.2	63.9	25.5	38.4	80.0	6.6	73.4	14.2
2005 Q1	233.6	83.9	86.8	-5.9	-3.5	-2.4	25.6	5.1	20.5	64.3	0.8	63.4	-
Growth rates													
2003 Q4	4.9	5.0	4.6	2.0	35.5	-0.5	3.4	0.1	5.0	7.4	-1.9	8.2	12.9
2004 Q1	4.6	4.5	4.7	3.6	25.9	1.7	1.8	-1.7	3.5	7.4	-0.7	8.1	23.3
Q2	4.7	5.1	5.3	4.7	28.3	2.6	2.2	-2.5	4.5	7.9	0.9	8.5	22.4
Q3	4.8	5.0	5.7	3.9	24.5	2.1	1.9	-1.8	3.7	8.1	2.1	8.6	5.3
Q4	4.6	5.2	5.9	0.9	-1.8	1.2	3.3	1.8	3.9	8.0	3.0	8.4	11.4
2005 Q1	4.6	5.5	6.0	-1.2	-10.4	-0.3	4.3	2.6	5.1	8.2	5.0	8.4	-
Securities other than shares issued by													
	General government							Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations
Total	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term				
14	15	16	17	18	19	20	21	22	23				
Outstanding amounts													
2003 Q4	4,958.7	4,341.1	551.4	3,789.6	617.7	196.7	421.0	2,726.3	181.7	292.5			
2004 Q1	5,146.9	4,531.1	594.4	3,936.7	615.7	209.0	406.8	2,834.1	189.0	296.5			
Q2	5,197.2	4,566.0	619.9	3,946.0	631.3	219.0	412.3	2,842.8	181.9	300.7			
Q3	5,290.8	4,651.1	617.5	4,033.6	639.7	217.4	422.3	2,763.5	194.0	305.0			
Q4	5,297.2	4,661.4	585.0	4,076.4	635.8	213.2	422.6	2,980.1	213.5	299.5			
2005 Q1	5,420.8	4,766.3	594.4	4,171.9	654.5	231.3	423.2	3,138.3	212.0	302.3			
Transactions													
2003 Q4	4.5	-4.2	-14.2	10.0	8.7	0.8	7.9	0.2	7.4	4.4			
2004 Q1	142.5	149.3	42.7	106.6	-6.8	12.4	-19.2	2.1	7.3	2.9			
Q2	118.5	100.8	25.4	75.4	17.7	10.7	7.1	1.8	-7.1	3.1			
Q3	51.3	41.0	-1.1	42.1	10.3	-1.0	11.2	5.9	12.1	3.2			
Q4	-49.6	-45.0	-32.9	-12.1	-4.6	-4.2	-0.5	2.4	19.4	3.8			
2005 Q1	143.1	120.5	7.7	112.8	22.6	19.2	3.4	3.9	-0.2	2.8			
Growth rates													
2003 Q4	6.5	5.8	13.8	4.8	11.6	22.2	7.2	0.8	8.9	4.9			
2004 Q1	6.1	6.3	11.1	5.7	4.7	14.0	0.6	1.0	7.5	4.8			
Q2	6.1	6.5	8.2	6.2	3.4	15.8	-2.0	0.3	4.8	4.7			
Q3	6.3	6.5	9.4	6.1	4.9	11.9	1.7	0.4	11.3	4.7			
Q4	5.3	5.7	6.2	5.6	2.7	9.1	-0.3	0.4	17.5	4.5			
2005 Q1	5.1	4.8	-0.1	5.5	7.5	11.8	5.2	0.5	12.8	4.4			

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												
2003 Q4	3,633.0	542.4	58.9	462.3	2.1	19.1	349.0	60.0	289.0	1,476.3	59.4	1,416.9
2004 Q1	3,759.9	557.3	64.7	468.3	2.3	22.0	349.3	60.8	288.5	1,541.0	62.0	1,479.0
Q2	3,774.7	565.4	59.9	482.0	2.3	21.2	342.6	59.0	283.5	1,544.3	63.4	1,480.9
Q3	3,837.2	573.6	61.5	489.8	2.3	20.0	348.7	62.2	286.5	1,589.8	63.3	1,526.5
Q4	3,918.1	583.2	59.2	500.8	2.5	20.8	329.0	56.0	273.0	1,644.5	61.9	1,582.6
2005 Q1	4,043.8	597.0	65.7	508.8	2.7	19.8	332.6	58.7	273.9	1,695.7	62.4	1,633.3
Transactions												
2003 Q4	71.2	10.2	1.5	7.9	0.3	0.5	-3.7	1.2	-4.9	50.2	-1.4	51.6
2004 Q1	81.5	14.6	5.7	5.9	0.2	2.8	0.0	0.6	-0.6	47.0	2.3	44.7
Q2	26.1	7.2	-4.9	13.7	-0.6	-0.9	-6.7	-1.6	-5.0	24.4	0.9	23.5
Q3	54.3	8.2	1.6	7.8	-0.1	-1.1	5.6	2.6	3.0	29.4	-0.6	30.0
Q4	52.1	9.9	-1.7	10.6	0.2	0.7	-19.4	-5.9	-13.5	51.5	-0.5	52.0
2005 Q1	91.4	12.5	6.4	6.9	0.2	-1.0	3.7	2.8	0.9	48.6	0.3	48.2
Growth rates												
2003 Q4	6.7	3.6	2.9	3.5	17.9	6.1	0.2	-13.1	3.5	11.3	14.7	11.1
2004 Q1	6.9	3.9	5.0	3.0	38.5	18.7	-0.1	0.4	-0.2	10.5	11.7	10.5
Q2	6.1	4.8	-6.4	6.9	6.5	-6.3	-3.0	-2.4	-3.1	10.6	8.4	10.7
Q3	6.6	7.5	6.8	7.7	-12.8	6.7	-1.3	4.8	-2.6	10.5	1.9	10.9
Q4	5.9	7.4	1.2	8.2	-12.0	7.8	-5.8	-7.1	-5.6	10.3	3.4	10.6
2005 Q1	6.0	6.8	2.2	8.3	-11.6	-10.5	-4.8	-3.5	-5.1	10.0	0.1	10.4

Main financial assets						Main liabilities							
Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves			
Total	Quoted shares	Mutual fund shares	Money market fund shares			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
Outstanding amounts													
2003 Q4	1,157.5	526.5	631.0	64.1	107.8	3,914.3	54.9	35.4	23.0	189.9	3,646.4	3,112.5	534.0
2004 Q1	1,200.8	539.6	661.2	63.4	111.5	4,009.4	64.7	46.3	23.7	190.9	3,730.1	3,182.9	547.2
Q2	1,209.9	538.6	671.2	63.6	112.6	4,079.2	71.1	53.7	24.2	193.3	3,790.6	3,238.3	552.3
Q3	1,210.5	531.2	679.4	63.1	114.6	4,135.5	68.8	52.5	22.6	185.7	3,858.3	3,300.6	557.8
Q4	1,245.6	553.3	692.3	68.4	115.9	4,222.2	65.5	48.6	23.6	207.1	3,926.0	3,364.5	561.5
2005 Q1	1,299.2	601.4	697.8	68.5	119.2	4,332.3	74.2	58.2	24.4	219.5	4,014.3	3,441.2	573.0
Transactions													
2003 Q4	21.8	6.7	15.1	4.1	-7.2	42.6	-9.6	-8.9	2.5	5.0	44.7	43.4	1.3
2004 Q1	16.2	-1.1	17.3	-0.8	3.6	81.3	9.6	10.8	0.4	0.8	70.5	57.3	13.2
Q2	0.0	-7.5	7.5	-0.1	1.1	58.2	6.1	7.0	0.6	0.1	51.5	46.5	5.1
Q3	9.0	3.2	5.7	-0.5	2.1	58.1	-2.3	-1.1	-1.3	2.1	59.5	54.1	5.5
Q4	8.7	0.9	7.8	5.4	1.4	53.6	-3.0	-3.6	0.7	0.1	55.9	52.2	3.6
2005 Q1	23.4	5.5	17.9	0.2	3.2	84.7	7.8	8.6	0.7	0.1	76.0	63.5	12.5
Growth rates													
2003 Q4	5.3	2.6	7.5	11.3	-1.1	7.1	16.7	12.7	26.4	6.2	6.9	7.3	4.7
2004 Q1	6.6	3.6	8.8	5.9	-0.1	6.9	7.5	8.5	25.4	8.3	6.7	6.9	5.2
Q2	4.5	0.7	7.5	-1.7	-0.9	6.4	12.3	18.8	23.7	3.5	6.3	6.6	4.8
Q3	4.3	0.3	7.5	4.6	-0.4	6.2	6.0	17.5	10.9	4.8	6.3	6.5	4.7
Q4	2.9	-0.8	6.1	6.3	7.6	6.4	19.0	36.9	1.7	1.6	6.5	6.7	5.1
2005 Q1	3.4	0.4	5.9	8.0	7.0	6.3	13.3	23.7	2.8	1.2	6.5	6.8	4.9

Source: ECB.

1) Excluding unquoted shares.

## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	338.2	1,136.1	-797.1	-0.9	0.0	1,951.2	-0.2	390.9	330.7	464.6	491.4	224.1	49.7
1998	404.8	1,201.3	-823.6	27.0	0.2	2,419.2	11.0	419.6	360.1	515.3	845.0	213.7	54.6
1999	444.5	1,290.9	-863.7	17.1	0.2	3,117.8	1.3	559.2	429.1	878.8	942.2	259.2	47.9
2000	486.6	1,394.2	-913.1	22.2	-16.7	2,910.7	1.3	350.9	264.6	829.9	1,189.1	251.3	23.5
2001	466.2	1,449.6	-973.6	-11.8	2.0	2,590.6	-0.5	579.0	449.1	731.2	602.3	248.8	-19.4
2002	413.7	1,439.3	-1,005.4	-21.3	1.1	2,292.7	0.9	656.6	279.7	632.8	468.4	220.8	33.5
2003	433.1	1,464.8	-1,034.5	2.4	0.5	2,403.0	1.7	678.6	426.8	578.8	456.6	240.7	19.8

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,570.8	668.9	489.9	634.3	521.6	256.0
2002	472.7	1,468.2	-1,005.4	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	443.5	1,472.8	-1,034.5	5.2	2,392.7	676.2	514.0	539.3	420.3	242.8

## 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	150.3	591.9	-453.2	272.3	26.0	-12.1	65.8	100.8	104.8	521.3	317.8	12.1	175.9	120.1
1998	193.7	635.1	-470.6	439.8	45.7	-11.5	110.9	204.5	147.6	569.1	485.9	22.8	257.2	194.9
1999	212.0	683.1	-490.7	654.0	24.5	93.6	186.0	336.3	106.7	547.6	759.3	47.5	434.1	261.1
2000	306.1	751.6	-522.4	921.0	74.2	87.4	230.4	511.4	79.9	554.9	1,147.2	61.0	597.1	480.7
2001	215.7	778.9	-558.8	638.2	101.6	44.6	169.2	232.1	91.3	590.5	762.6	99.7	355.5	295.9
2002	171.9	757.6	-581.0	515.7	31.8	-55.7	174.2	253.1	108.6	633.2	579.0	21.0	352.0	190.8
2003	156.7	746.4	-597.9	360.9	69.3	-57.9	107.6	191.3	80.5	647.0	437.1	55.0	174.1	194.9

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

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>6)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	154.1	374.7	-210.3	441.3	69.3	-20.8	192.5	217.6	425.7	615.5	169.7	168.3	3,852.4	16.0
1998	171.4	387.8	-215.1	453.0	92.9	-119.0	287.4	209.3	409.7	593.4	214.6	213.3	3,954.9	15.0
1999	185.5	418.2	-230.2	478.8	122.6	-28.5	195.8	245.2	395.9	580.1	268.4	266.9	4,105.3	14.1
2000	200.4	442.2	-239.5	433.8	66.2	35.3	122.6	245.9	407.7	607.5	226.4	224.7	4,329.8	14.0
2001	192.1	452.6	-256.5	414.1	180.7	82.7	45.4	229.1	430.0	650.1	176.2	174.3	4,619.4	14.1
2002	186.9	463.8	-260.6	469.7	220.6	83.1	-1.0	211.3	443.3	661.2	213.2	211.1	4,747.8	13.9
2003	209.3	485.0	-268.7	515.9	224.2	16.6	83.6	229.8	465.0	697.9	260.2	257.9	4,904.2	14.2

Source: ECB.

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



## FINANCIAL MARKETS

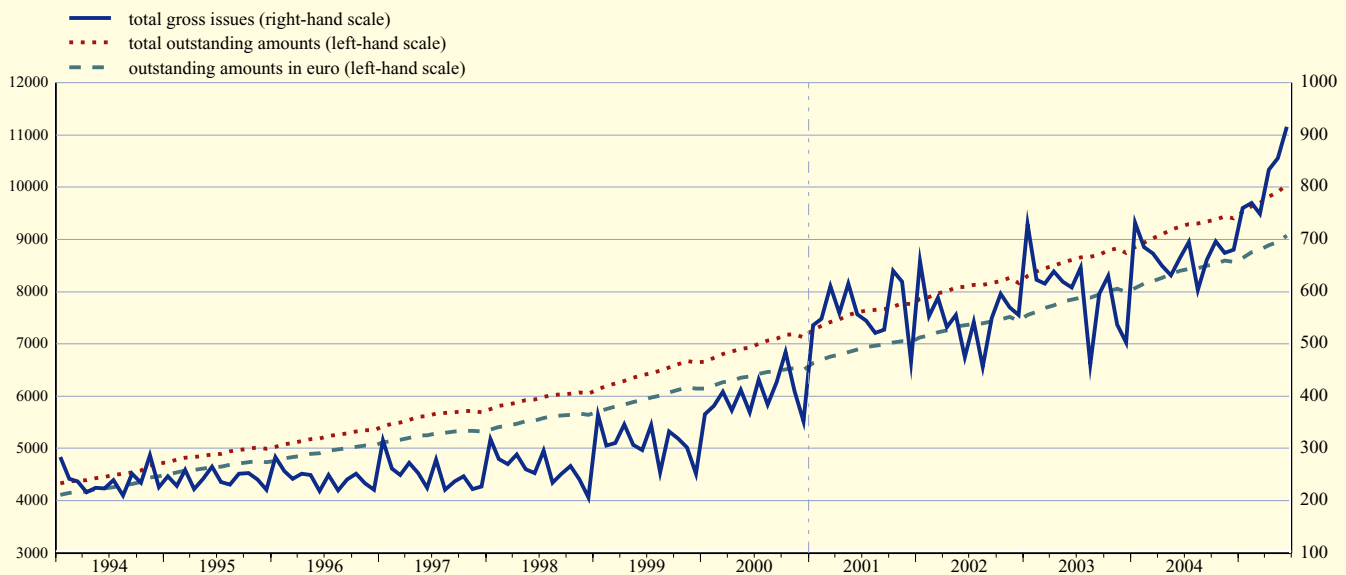
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2004 June	9,738.8	711.2	602.1	109.1	9,249.3	664.7	598.0	66.8	90.8	94.3	94.7	60.3
July	9,761.5	707.8	686.3	21.5	9,294.3	695.2	653.9	41.3	90.8	94.1	94.6	35.5
Aug.	9,794.2	619.8	590.5	29.3	9,309.8	603.7	590.2	13.5	90.8	94.7	94.8	12.8
Sep.	9,907.0	725.1	616.5	108.6	9,342.6	661.2	621.5	39.6	91.0	94.9	94.5	40.2
Oct.	9,932.8	712.2	690.2	22.0	9,379.6	696.7	656.0	40.7	91.0	93.7	94.9	30.4
Nov.	10,023.4	703.7	618.7	85.0	9,435.5	673.9	615.1	58.8	91.1	94.3	94.3	55.9
Dec.	10,026.7	706.5	702.0	4.5	9,407.6	680.3	703.1	-22.8	91.1	95.3	95.2	-21.6
2005 Jan.	10,092.3	763.3	710.2	53.1	9,521.6	759.5	676.5	83.0	90.8	93.8	95.6	65.4
Feb.	10,212.8	792.9	675.5	117.4	9,635.8	769.2	654.2	115.1	90.9	94.5	95.1	104.5
Mar.	10,320.3	797.2	690.1	107.1	9,704.1	749.5	694.5	55.0	90.7	93.9	94.9	44.5
Apr.	10,381.3	833.1	775.6	57.4	9,820.7	833.6	729.1	104.5	90.6	94.4	95.9	88.2
May	10,444.2	869.6	806.3	63.4	9,910.7	855.3	790.3	65.0	90.3	95.4	95.6	60.6
June	10,632.5	987.9	802.6	185.3	10,048.2	916.0	785.8	130.1	90.3	94.6	95.0	120.1
Long-term												
2004 June	8,808.8	204.2	120.3	83.9	8,309.0	181.2	112.6	68.6	91.2	92.9	92.2	64.4
July	8,848.1	190.3	153.1	37.1	8,348.5	173.4	139.1	34.4	91.1	91.8	93.7	28.8
Aug.	8,875.5	87.2	61.9	25.3	8,364.1	75.3	59.8	15.5	91.1	86.9	91.6	10.6
Sep.	8,969.9	191.4	102.0	89.4	8,413.7	156.7	104.6	52.1	91.2	91.6	89.0	50.4
Oct.	9,006.8	174.0	140.0	34.1	8,435.0	158.1	131.9	26.2	91.2	88.0	93.7	15.6
Nov.	9,082.0	168.7	98.3	70.3	8,488.6	155.1	95.3	59.7	91.2	89.1	92.2	50.3
Dec.	9,106.4	148.4	123.9	24.5	8,495.5	135.9	120.0	15.9	91.4	91.6	90.5	15.9
2005 Jan.	9,176.3	198.5	138.3	60.2	8,584.4	195.0	131.3	63.7	91.1	89.7	93.9	51.6
Feb.	9,292.4	220.7	107.0	113.7	8,687.9	199.4	95.5	103.9	91.2	90.4	89.5	94.8
Mar.	9,368.1	202.7	127.6	75.2	8,756.5	184.0	125.1	59.0	91.0	88.9	90.1	50.9
Apr.	9,425.7	180.6	124.6	56.0	8,841.6	180.5	105.0	75.5	90.9	90.1	94.0	63.9
May	9,493.7	178.1	111.6	66.5	8,929.2	164.9	99.6	65.3	90.7	90.9	91.0	59.2
June	9,673.2	294.6	118.3	176.3	9,092.3	251.8	99.1	152.8	90.7	91.1	87.8	142.3

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

(EUR billions)



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

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

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

(EUR billions unless otherwise indicated; nominal values)

### 1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003	8,748	3,353	665	589	3,923	219	91.4	85.0	87.5	88.3	97.7	95.4
2004	9,408	3,710	735	592	4,120	250	91.1	84.1	90.4	87.6	97.8	95.6
2004 Q3	9,343	3,641	690	601	4,169	242	91.0	84.0	89.0	87.3	97.6	95.7
2004 Q4	9,408	3,710	735	592	4,120	250	91.1	84.1	90.4	87.6	97.8	95.6
2005 Q1	9,704	3,845	755	607	4,238	260	90.7	83.2	90.7	87.7	97.6	95.7
2005 Q2	10,048	3,990	836	615	4,342	266	90.3	82.6	91.0	87.1	97.4	95.9
2005 Mar.	9,704	3,845	755	607	4,238	260	90.7	83.2	90.7	87.7	97.6	95.7
2005 Apr.	9,821	3,903	776	615	4,264	263	90.6	83.0	90.7	87.6	97.6	95.7
2005 May	9,911	3,934	797	622	4,296	262	90.3	82.6	90.7	87.6	97.4	95.9
2005 June	10,048	3,990	836	615	4,342	266	90.3	82.6	91.0	87.1	97.4	95.9
	Short-term											
2003	861	390	6	94	367	3	89.3	78.4	100.0	94.1	99.6	88.0
2004	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2004 Q3	929	412	6	100	405	6	88.9	77.8	96.2	95.5	98.5	85.8
2004 Q4	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2005 Q1	948	455	8	105	374	5	87.5	76.2	96.7	96.7	98.6	86.4
2005 Q2	956	463	8	103	377	5	87.1	75.7	97.7	96.8	98.4	76.6
2005 Mar.	948	455	8	105	374	5	87.5	76.2	96.7	96.7	98.6	86.4
2005 Apr.	979	481	8	111	374	5	87.4	76.5	97.5	96.7	98.5	81.2
2005 May	981	476	8	114	378	5	87.1	75.7	97.6	97.2	98.4	81.8
2005 June	956	463	8	103	377	5	87.1	75.7	97.7	96.8	98.4	76.6
	Total long-term <sup>1)</sup>											
2003	7,887	2,963	659	495	3,556	216	91.6	85.9	87.4	87.2	97.5	95.5
2004	8,495	3,263	728	502	3,758	245	91.4	84.9	90.4	86.2	97.6	95.8
2004 Q3	8,414	3,229	683	501	3,764	236	91.2	84.8	89.0	85.7	97.5	95.9
2004 Q4	8,495	3,263	728	502	3,758	245	91.4	84.9	90.4	86.2	97.6	95.8
2005 Q1	8,756	3,390	747	502	3,863	254	91.0	84.2	90.6	85.8	97.5	95.9
2005 Q2	9,092	3,526	828	512	3,965	260	90.7	83.5	90.9	85.2	97.3	96.3
2005 Mar.	8,756	3,390	747	502	3,863	254	91.0	84.2	90.6	85.8	97.5	95.9
2005 Apr.	8,842	3,422	768	504	3,890	257	90.9	83.9	90.6	85.6	97.5	96.0
2005 May	8,929	3,458	789	508	3,918	257	90.7	83.5	90.7	85.4	97.3	96.2
2005 June	9,092	3,526	828	512	3,965	260	90.7	83.5	90.9	85.2	97.3	96.3
	Of which long-term fixed rate											
2003	6,115	1,885	406	419	3,240	165	91.8	85.4	80.4	86.7	97.4	95.4
2004	6,376	1,927	416	411	3,436	186	91.7	84.0	83.9	85.5	97.5	95.6
2004 Q3	6,388	1,950	408	415	3,436	180	91.6	84.1	82.2	85.2	97.5	95.8
2004 Q4	6,376	1,927	416	411	3,436	186	91.7	84.0	83.9	85.5	97.5	95.6
2005 Q1	6,515	1,966	427	409	3,517	196	91.5	83.3	84.4	85.0	97.4	95.8
2005 Q2	6,675	2,004	445	416	3,607	203	91.1	82.6	84.2	84.4	97.2	96.1
2005 Mar.	6,515	1,966	427	409	3,517	196	91.5	83.3	84.4	85.0	97.4	95.8
2005 Apr.	6,553	1,971	430	410	3,543	199	91.4	82.9	84.1	84.9	97.4	95.9
2005 May	6,599	1,982	433	412	3,573	199	91.2	82.7	83.9	84.6	97.3	95.9
2005 June	6,675	2,004	445	416	3,607	203	91.1	82.6	84.2	84.4	97.2	96.1
	Of which long-term variable rate											
2003	1,579	959	249	59	262	51	91.3	87.5	98.7	89.5	97.5	95.8
2004	1,867	1,147	309	77	275	59	90.9	86.9	99.0	88.9	97.7	96.6
2004 Q3	1,771	1,101	273	73	269	56	90.6	86.7	98.9	87.6	97.5	96.3
2004 Q4	1,867	1,147	309	77	275	59	90.9	86.9	99.0	88.9	97.7	96.6
2005 Q1	1,955	1,211	317	79	291	58	90.5	86.3	98.9	89.1	98.0	96.3
2005 Q2	2,115	1,287	380	83	308	57	90.4	86.0	98.7	88.5	98.0	97.2
2005 Mar.	1,955	1,211	317	79	291	58	90.5	86.3	98.9	89.1	98.0	96.3
2005 Apr.	2,006	1,232	334	80	302	58	90.4	86.1	98.9	88.4	98.0	96.3
2005 May	2,038	1,250	352	81	297	58	90.3	85.8	98.8	88.4	98.0	97.2
2005 June	2,115	1,287	380	83	308	57	90.4	86.0	98.7	88.5	98.0	97.2

Source: ECB.

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

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

(EUR billions unless otherwise indicated; nominal values)

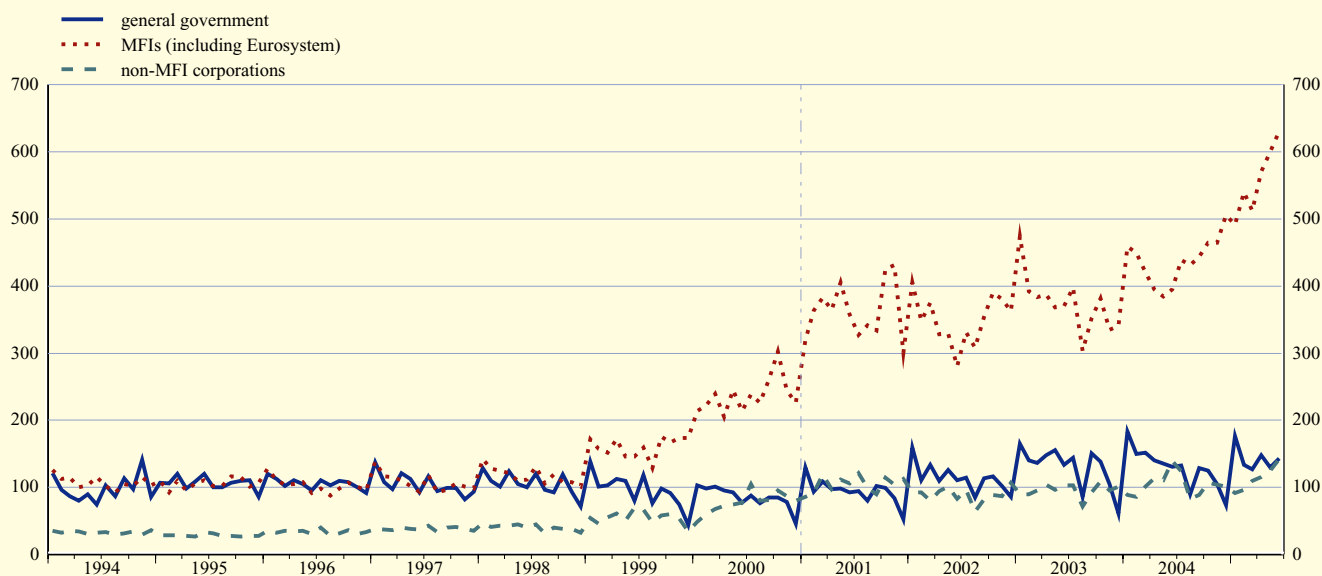
### 2. Gross issues

(transactions during the period)

	Total						Long-term <sup>1)</sup>					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total						Long-term fixed rate					
2003	7,206.3	4,485.6	244.7	909.7	1,478.8	87.4	1,284.7	414.2	113.7	89.0	626.4	41.4
2004	8,046.1	5,249.8	222.1	1,027.8	1,463.6	82.8	1,191.0	405.7	69.2	60.4	619.8	35.9
2004 Q3	1,960.1	1,313.3	40.7	255.5	334.2	16.3	248.1	86.6	9.2	14.3	131.9	6.1
Q4	2,051.0	1,434.1	84.2	228.4	283.9	20.4	258.7	92.7	25.6	14.7	117.1	8.5
2005 Q1	2,278.3	1,542.6	49.9	248.3	412.5	25.0	386.6	136.5	21.1	15.1	198.9	14.9
Q2	2,604.8	1,799.6	105.9	277.6	399.0	22.7	344.2	102.9	27.6	14.9	187.1	11.8
2005 Mar.	749.5	512.2	24.9	84.9	120.5	7.0	117.1	40.9	12.0	8.2	52.5	3.4
Apr.	833.6	569.9	30.8	84.9	140.0	8.0	105.0	29.9	7.1	3.5	60.8	3.8
May	855.3	599.7	28.0	97.2	126.3	4.1	97.4	24.3	5.6	2.9	63.4	1.1
June	916.0	630.0	47.1	95.6	132.7	10.6	141.8	48.6	15.0	8.5	62.8	6.9
	Of which short-term						Long-term variable rate					
2003	5,332.7	3,698.2	41.3	796.1	767.6	29.4	507.8	336.8	89.5	11.7	53.3	16.5
2004	6,147.2	4,383.4	43.9	930.9	755.6	33.4	618.1	403.5	108.9	31.7	60.5	13.5
2004 Q3	1,554.7	1,118.9	10.8	230.4	185.9	8.7	136.0	95.2	20.7	10.0	8.6	1.6
Q4	1,601.9	1,222.9	12.0	204.7	154.7	7.5	175.0	105.0	46.6	7.4	11.7	4.4
2005 Q1	1,699.8	1,261.3	12.4	229.1	188.4	8.6	167.6	129.5	16.3	3.4	16.9	1.5
Q2	2,007.6	1,557.5	9.1	254.7	178.0	8.4	229.6	123.8	68.8	6.8	27.7	2.5
2005 Mar.	565.5	423.6	3.5	75.0	60.2	3.2	57.7	41.9	9.2	1.4	4.9	0.3
Apr.	653.1	501.8	4.2	79.2	65.2	2.8	67.8	33.4	19.5	1.6	11.8	1.5
May	690.4	537.3	2.4	91.8	56.0	2.8	60.9	34.0	19.8	2.1	4.8	0.2
June	664.2	518.4	2.5	83.7	56.8	2.8	100.9	56.4	29.5	3.0	11.1	0.8

### C14 Gross issues of securities, other than shares, by sector

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



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.

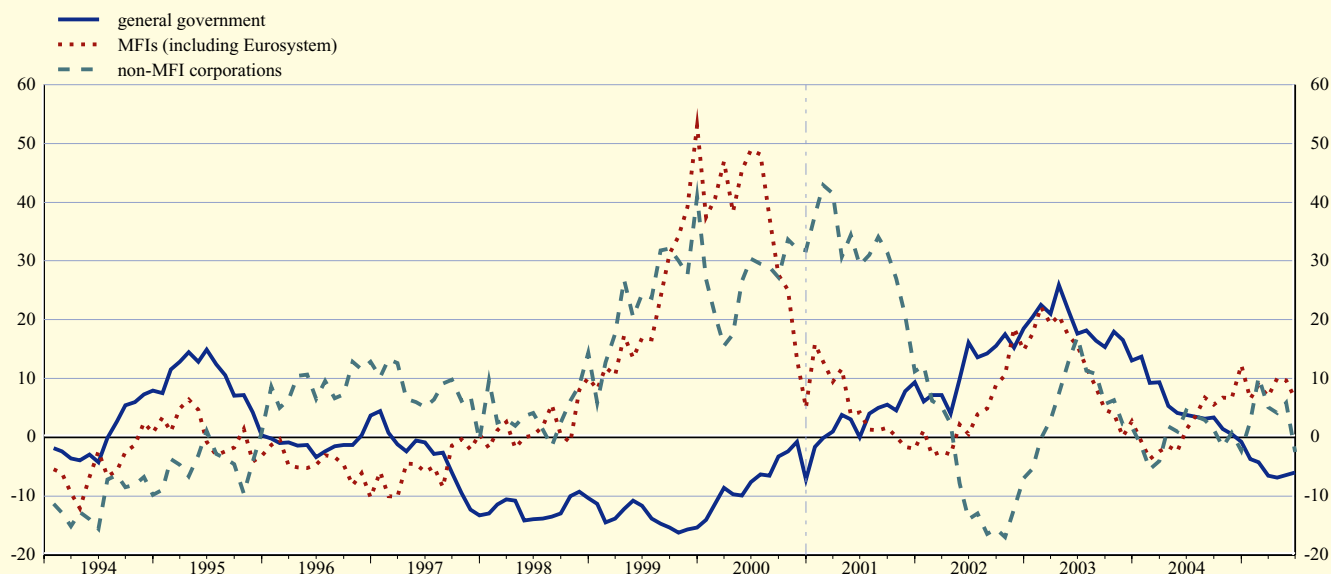
### 4.3 Annual growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup>

(percentage changes)

	Total						Short-term					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
In all currencies combined												
2003	6.7	5.1	25.1	8.6	4.5	26.0	14.0	12.2	1.1	5.7	19.2	-2.2
2004	6.9	7.8	13.4	3.7	5.0	17.6	3.2	2.2	-9.6	0.9	4.9	29.9
2004 Q3	7.1	8.5	11.4	3.6	5.4	16.4	3.9	4.6	-10.7	4.0	3.1	32.4
2004 Q4	6.8	8.8	9.9	3.0	4.8	14.6	3.7	7.4	8.9	-1.0	0.5	66.9
2005 Q1	7.2	9.0	11.6	3.1	5.1	13.7	2.6	8.3	34.1	3.1	-4.3	35.5
2005 Q2	7.4	8.8	17.8	4.9	4.5	12.0	1.5	8.8	46.1	1.6	-6.8	16.2
2005 Jan.	7.0	8.7	10.9	2.9	5.1	15.1	1.7	6.6	23.3	1.5	-4.1	32.7
2005 Feb.	7.4	9.3	11.1	3.2	5.3	13.0	3.3	8.9	45.7	8.3	-4.6	31.6
2005 Mar.	7.1	8.7	14.5	4.7	4.6	12.0	0.8	6.9	47.6	3.0	-7.0	36.4
2005 Apr.	7.5	8.9	16.5	5.8	4.7	12.8	2.0	10.0	46.3	1.9	-7.1	16.3
2005 May	7.2	8.4	19.2	5.1	4.2	11.7	2.2	9.6	43.7	3.9	-6.6	11.9
2005 June	7.8	9.6	20.9	3.1	4.6	11.1	0.0	6.5	49.2	-5.0	-6.2	7.8
In euro												
2003	6.4	3.8	30.6	9.4	4.4	25.0	15.6	15.8	0.9	4.8	19.3	-8.2
2004	6.6	6.6	16.8	2.8	5.1	17.3	3.1	1.7	-11.1	0.9	4.8	29.5
2004 Q3	6.7	7.0	15.1	2.4	5.5	16.3	3.0	2.5	-13.3	4.4	3.0	28.8
2004 Q4	6.4	7.6	13.1	1.8	4.8	14.6	3.6	7.7	3.9	0.0	0.6	72.7
2005 Q1	6.7	7.7	14.9	2.3	5.0	13.9	2.8	9.7	28.5	5.1	-4.2	33.3
2005 Q2	7.1	7.6	21.6	4.7	4.5	12.3	1.7	10.4	42.3	3.7	-6.6	10.0
2005 Jan.	6.6	7.3	14.1	2.2	5.0	15.2	1.8	7.8	17.4	3.3	-4.0	28.6
2005 Feb.	6.8	7.8	14.3	2.6	5.2	13.1	3.5	10.3	41.2	10.5	-4.5	28.8
2005 Mar.	6.7	7.3	18.1	4.5	4.6	12.2	0.8	7.9	42.8	5.1	-6.8	39.4
2005 Apr.	7.2	7.6	20.1	5.5	4.8	13.0	2.0	11.4	42.6	3.9	-6.9	10.3
2005 May	6.9	7.3	23.1	5.0	4.2	12.1	2.4	11.8	40.2	6.3	-6.6	3.4
2005 June	7.6	8.7	24.6	2.9	4.5	11.5	0.3	8.4	45.8	-3.4	-6.0	-1.2

### C15 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(percentage changes)



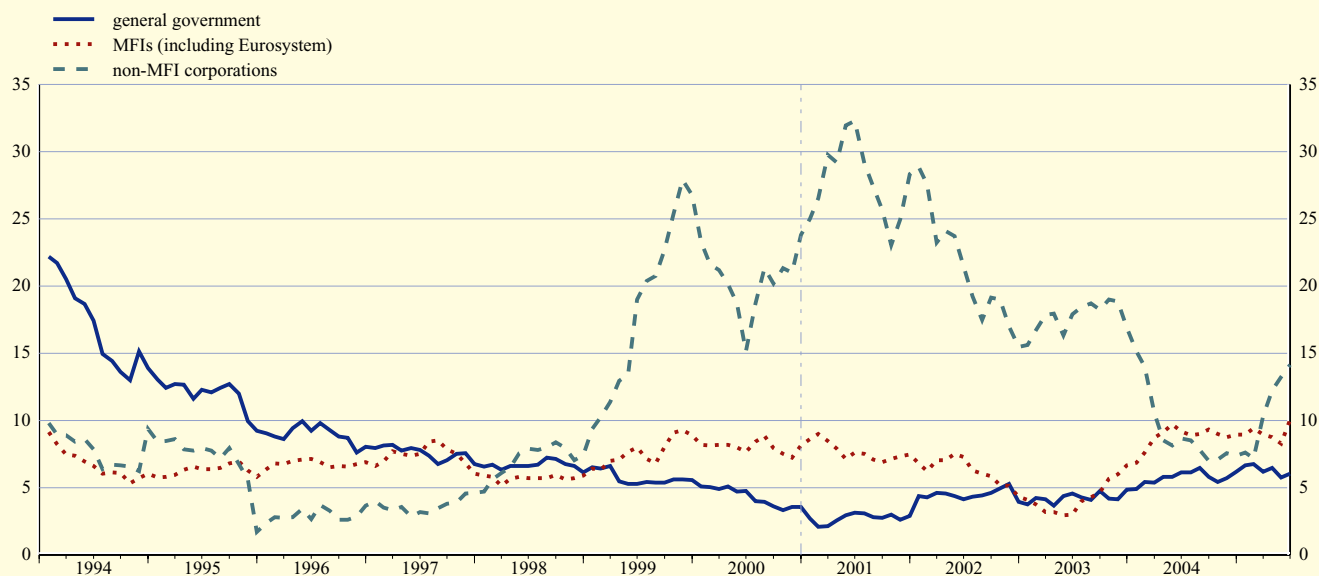
Source: ECB.

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

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

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2003	5.2	2.1	15.3	11.9	4.4	22.6	8.5	8.3	51.2	-13.4	-9.2	43.4
2004	5.0	3.0	6.4	3.1	5.8	14.7	16.2	18.4	27.2	8.2	0.6	26.5
2004 Q3	4.9	3.0	3.5	1.1	6.2	13.5	17.5	19.1	27.1	18.3	3.3	25.2
Q4	4.3	2.3	2.6	0.7	5.7	12.3	17.7	20.2	22.6	29.1	2.3	18.8
2005 Q1	4.7	2.7	3.9	-0.9	6.3	13.7	18.3	19.4	23.7	28.0	7.7	12.4
Q2	4.8	2.5	6.1	1.9	5.8	14.8	19.7	19.1	36.4	26.6	8.5	3.2
2005 Jan.	4.8	2.9	3.6	-0.7	6.2	14.9	17.9	18.5	22.6	28.3	9.4	14.4
Feb.	4.9	2.8	3.6	-1.8	6.8	12.9	18.3	20.3	22.5	26.3	6.5	11.9
Mar.	4.5	2.3	5.8	1.1	5.6	13.7	19.0	19.6	28.2	27.8	9.3	5.1
Apr.	5.1	2.4	5.5	2.8	6.3	15.1	19.1	18.8	34.4	27.0	7.8	5.4
May	4.6	2.2	6.2	1.5	5.6	15.1	19.2	17.9	39.8	25.6	7.7	1.7
June	4.9	3.3	7.5	1.4	5.5	14.7	22.2	21.3	41.1	26.7	10.8	0.2
In euro												
2003	4.6	0.1	20.5	12.2	4.2	21.3	8.6	7.7	51.2	-8.9	-9.3	43.8
2004	4.8	1.3	10.4	1.8	5.9	14.7	15.6	17.7	27.3	8.5	0.5	25.4
2004 Q3	4.7	1.2	7.5	-0.5	6.4	13.8	16.9	18.2	27.3	15.9	3.3	24.1
Q4	4.0	0.3	6.3	-0.9	5.8	12.5	17.1	19.5	22.9	26.6	2.3	18.1
2005 Q1	4.3	0.5	7.9	-2.4	6.2	13.8	17.5	18.2	24.0	27.1	7.8	13.0
Q2	4.5	0.3	10.1	1.1	5.8	15.1	19.2	18.1	36.5	24.9	8.9	3.9
2005 Jan.	4.3	0.7	7.5	-2.3	6.1	14.9	17.3	17.5	22.9	27.3	9.5	15.1
Feb.	4.5	0.4	7.5	-3.5	6.7	13.0	17.4	18.9	22.7	25.4	6.6	12.4
Mar.	4.2	0.2	10.2	0.0	5.6	13.9	18.1	18.0	28.5	27.2	9.7	5.3
Apr.	4.8	0.2	9.2	2.0	6.4	15.4	18.5	17.7	34.7	25.1	8.2	5.6
May	4.3	0.0	10.3	0.8	5.6	15.5	19.0	17.1	40.0	23.6	8.1	2.8
June	4.6	1.2	11.5	0.9	5.4	15.2	22.1	20.9	41.0	24.9	11.4	1.2

#### C16 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined (percentage changes)



Source: ECB.

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

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

(EUR billions, unless otherwise indicated; market values)

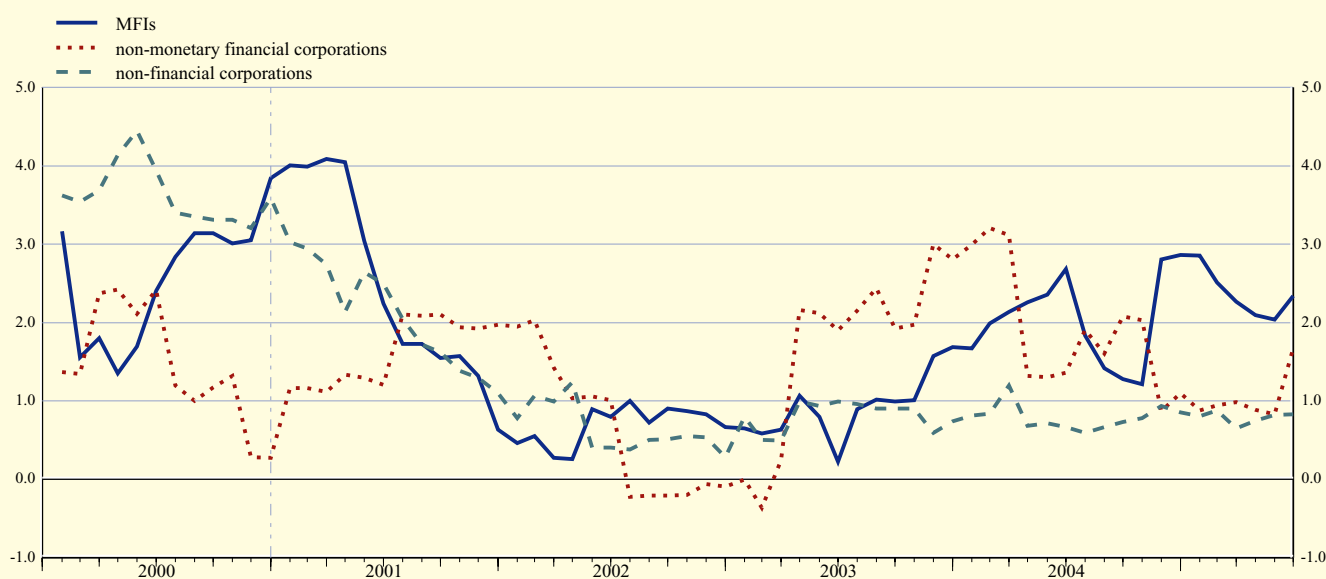
## 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2003 June	3,256.2	100.9	0.9	504.2	0.2	300.6	1.9	2,451.4	1.0
July	3,366.5	101.1	1.1	528.0	0.9	330.9	2.2	2,507.6	1.0
Aug.	3,413.4	101.1	1.1	506.5	1.0	325.5	2.4	2,581.5	0.9
Sep.	3,276.7	101.1	1.0	494.8	1.0	307.1	1.9	2,474.7	0.9
Oct.	3,484.0	101.2	1.0	535.2	1.0	333.2	2.0	2,615.6	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	337.9	3.0	2,659.6	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	348.6	2.8	2,729.3	0.7
2004 Jan.	3,788.6	101.4	1.1	584.1	1.7	372.3	3.0	2,832.2	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	374.3	3.2	2,889.9	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.1	355.0	3.1	2,839.6	1.2
Apr.	3,748.5	101.9	1.0	579.4	2.3	361.1	1.3	2,808.0	0.7
May	3,687.9	101.9	1.0	568.1	2.4	350.6	1.3	2,769.2	0.7
June	3,790.1	102.0	1.0	582.5	2.7	362.0	1.4	2,845.7	0.7
July	3,679.8	102.0	0.9	562.3	1.8	354.0	1.9	2,763.5	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	353.1	1.6	2,705.6	0.7
Sep.	3,707.9	102.1	0.9	579.6	1.3	362.3	2.1	2,766.1	0.7
Oct.	3,787.6	102.2	1.0	598.0	1.2	372.6	2.0	2,817.1	0.8
Nov.	3,906.5	102.5	1.2	623.9	2.8	386.5	0.9	2,896.2	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	405.6	1.1	2,984.5	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	412.2	0.9	3,063.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.5	431.8	0.9	3,141.5	0.9
Mar.	4,242.4	102.7	0.9	677.7	2.3	421.8	1.0	3,142.9	0.7
Apr.	4,094.2	102.9	1.0	655.5	2.1	400.6	0.9	3,038.1	0.7
May	4,279.1	103.0	1.0	684.6	2.0	414.0	0.8	3,180.5	0.8
June	4,382.2	103.2	1.2	698.0	2.3	431.1	1.7	3,253.0	0.8

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

(annual percentage changes)



Source: ECB.

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



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

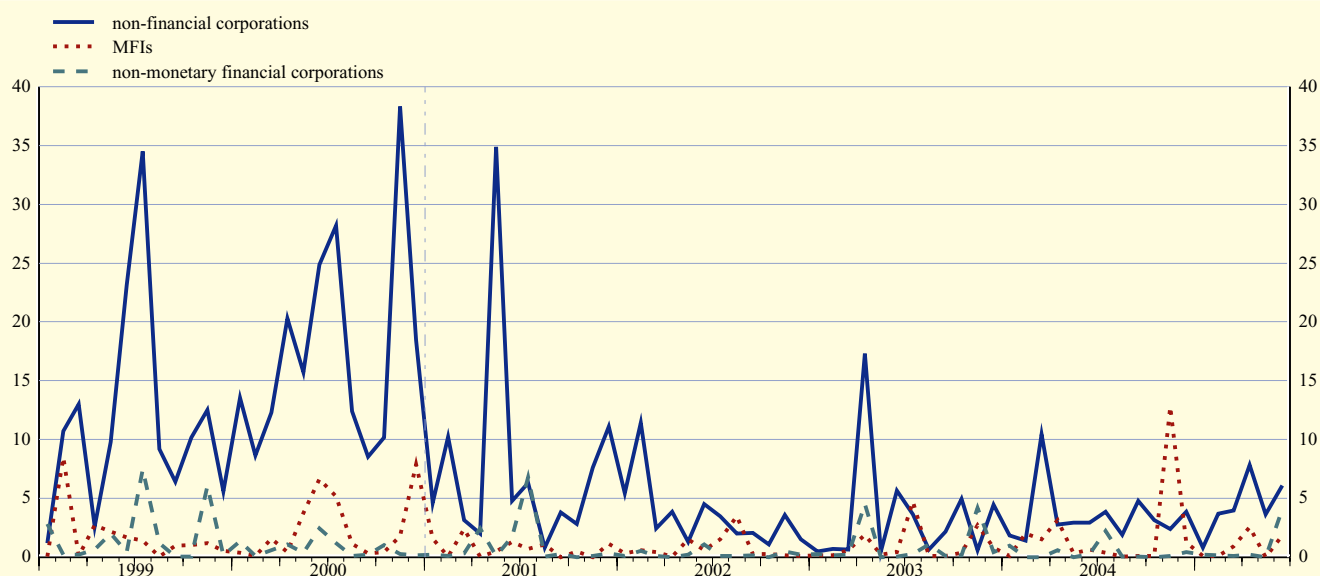
(EUR billions; market values)

### 2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2003 June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
July	8.6	2.0	6.6	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.8	1.8
Aug.	1.8	1.4	0.4	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.3	-0.7
Sep.	2.3	2.1	0.3	0.1	0.1	0.0	0.1	1.6	-1.5	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.6	4.0	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.5	0.6	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.2	0.5	2.7	0.1	0.0	0.1	0.0	0.0	0.0	3.1	0.5	2.7
Nov.	15.2	3.3	11.9	12.8	0.3	12.4	0.1	0.0	0.1	2.4	3.0	-0.6
Dec.	5.5	2.2	3.2	1.2	0.0	1.2	0.4	0.1	0.3	3.9	2.1	1.8
2005 Jan.	1.1	1.2	-0.1	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.1	-0.3
Feb.	3.9	0.6	3.3	0.1	0.0	0.1	0.2	0.1	0.1	3.7	0.5	3.2
Mar.	5.0	1.8	3.2	0.9	0.9	0.0	0.1	0.1	0.0	3.9	0.8	3.1
Apr.	10.6	2.4	8.2	2.5	0.0	2.5	0.2	0.1	0.1	7.8	2.3	5.6
May	3.6	2.4	1.2	0.0	0.0	0.0	0.0	0.3	-0.3	3.6	2.1	1.5
June	12.0	4.5	7.6	1.9	1.0	0.9	4.1	0.4	3.7	6.1	3.1	3.0

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

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



Source: ECB.

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

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

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

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

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>1)</sup>	With agreed maturity			Redeemable at notice <sup>1,2)</sup>		Overnight <sup>1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2004 July	0.70	1.90	2.21	2.54	1.94	2.55	0.86	1.99	2.60	4.00	1.98
Aug.	0.72	1.91	2.18	2.67	1.95	2.53	0.87	1.98	2.37	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.32	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.34	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.23	3.39	2.02
Dec.	0.73	1.95	2.19	2.31	2.00	2.52	0.90	2.08	2.70	3.51	2.02
2005 Jan.	0.74	1.95	2.29	2.54	1.98	2.49	0.93	2.04	2.25	3.26	2.05
Feb.	0.74	1.95	2.19	2.33	1.97	2.49	0.93	2.03	2.25	3.47	2.03
Mar.	0.74	1.93	2.16	2.40	1.96	2.47	0.94	2.00	2.35	3.15	1.99
Apr.	0.74	2.01	2.09	2.32	1.95	2.45	0.95	2.01	2.23	2.92	2.00
May	0.75	1.94	2.01	2.20	1.97	2.43	0.95	2.01	2.12	3.31	2.00
June	0.70	1.95	2.21	2.20	2.15	2.38	0.91	2.01	2.05	3.58	2.00

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

	Bank overdraft <sup>1)</sup>	Consumer credit				Annual percentage rate of charge <sup>3)</sup>	Lending for house purchase				Annual percentage rate of charge <sup>3)</sup>	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>		By initial rate fixation					Annual percentage rate of charge <sup>3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2004 July	9.79	6.64	6.86	8.52	7.97	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01		
Aug.	9.86	7.08	6.89	8.58	8.15	3.50	4.19	4.87	4.65	4.29	3.91	5.07	5.02		
Sep.	9.60	6.92	6.96	8.45	8.07	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00		
Oct.	9.53	6.80	6.87	8.34	7.87	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92		
Nov.	9.48	6.89	6.84	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.96	4.89	4.82		
Dec.	9.53	6.73	6.60	7.67	7.59	3.43	3.95	4.49	4.41	4.07	3.82	4.59	4.65		
2005 Jan.	9.60	6.97	6.81	8.32	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62		
Feb.	9.65	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	3.99	4.73	4.49		
Mar.	9.62	6.62	6.72	8.12	7.83	3.40	3.89	4.35	4.27	3.97	3.84	4.60	4.57		
Apr.	9.62	6.60	6.64	8.19	7.81	3.40	3.89	4.36	4.28	3.95	3.97	4.71	4.62		
May	9.64	6.96	6.56	8.00	7.82	3.38	3.85	4.28	4.20	3.93	3.86	4.68	4.61		
June	9.61	6.62	6.49	7.90	7.72	3.32	3.76	4.13	4.09	3.89	3.84	4.60	4.50		

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

	Bank overdraft <sup>1)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2004 July		5.42	4.02	4.85	4.65	3.02	3.29	4.27
Aug.		5.44	4.06	4.89	4.73	2.98	3.12	4.30
Sep.		5.37	4.00	4.85	4.68	2.99	3.41	4.46
Oct.		5.39	4.02	4.87	4.64	2.99	3.30	4.27
Nov.		5.37	4.02	4.79	4.55	2.95	3.41	4.31
Dec.		5.26	3.97	4.67	4.46	3.05	3.55	4.10
2005 Jan.		5.38	3.97	4.69	4.47	3.02	3.30	4.10
Feb.		5.30	3.91	4.76	4.36	3.02	3.34	3.81
Mar.		5.28	3.89	4.51	4.32	3.02	3.48	4.11
Apr.		5.22	3.88	4.51	4.34	3.00	3.54	3.99
May		5.14	3.91	4.45	4.24	2.99	3.61	3.80
June		5.12	3.87	4.45	4.14	2.92	3.44	3.88

Source: ECB.

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

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

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

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

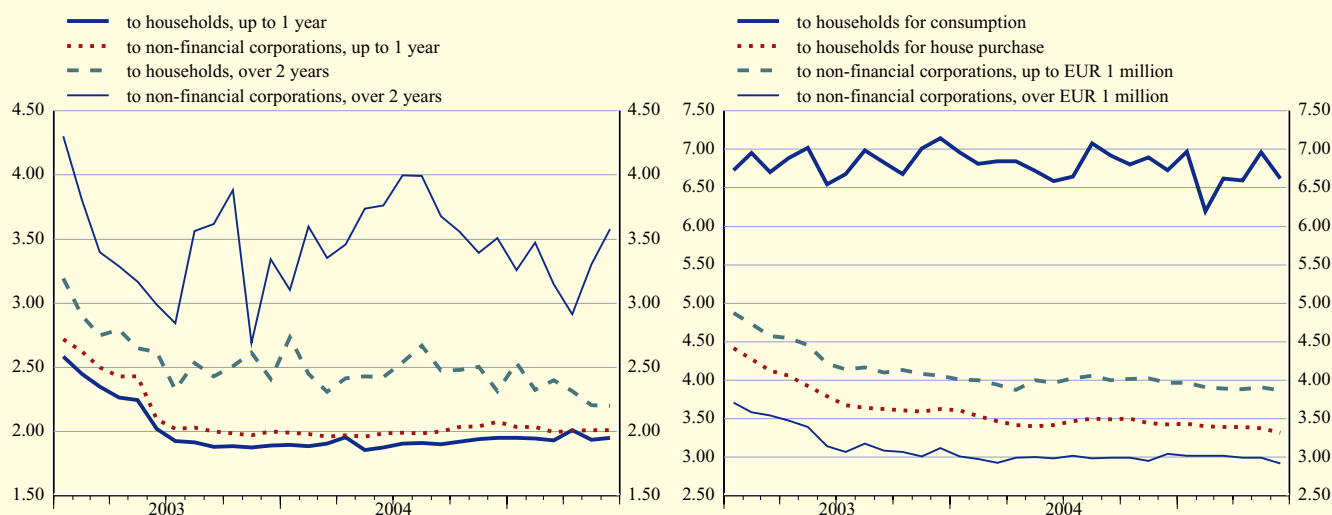
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 July	0.70	1.89	3.26	1.94	2.55	0.86	2.09	4.03	1.97
Aug.	0.72	1.90	3.24	1.95	2.53	0.87	2.10	3.99	1.98
Sep.	0.72	1.90	3.22	2.00	2.52	0.90	2.12	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.10	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.86	2.00
Dec.	0.73	1.92	3.24	2.00	2.52	0.90	2.16	3.77	2.02
2005 Jan.	0.74	1.91	3.23	1.98	2.49	0.93	2.12	3.73	2.01
Feb.	0.74	1.92	3.26	1.97	2.49	0.93	2.11	3.70	2.00
Mar.	0.74	1.92	3.22	1.96	2.47	0.94	2.09	3.70	1.99
Apr.	0.74	1.93	3.22	1.95	2.45	0.95	2.10	3.57	1.99
May	0.75	1.92	3.19	1.97	2.43	0.95	2.10	3.50	2.00
June	0.70	1.92	3.23	2.15	2.38	0.91	2.10	3.50	2.01

#### 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
2004 July	4.84	4.64	4.94	8.16	7.10	5.85	4.43	4.00	4.52
Aug.	4.81	4.61	4.91	8.17	7.06	5.86	4.42	3.97	4.51
Sep.	4.82	4.58	4.90	8.06	7.13	5.85	4.45	3.99	4.52
Oct.	4.69	4.54	4.88	8.05	7.07	5.80	4.41	3.97	4.48
Nov.	4.67	4.52	4.86	7.94	6.98	5.82	4.40	3.96	4.48
Dec.	4.78	4.50	4.83	7.94	7.00	5.80	4.34	3.97	4.44
2005 Jan.	4.78	4.45	4.79	8.07	6.97	5.77	4.41	3.90	4.41
Feb.	4.74	4.45	4.76	8.07	7.03	5.76	4.39	3.92	4.46
Mar.	4.75	4.41	4.78	8.08	6.97	5.77	4.38	3.91	4.40
Apr.	4.69	4.38	4.74	8.02	6.94	5.76	4.34	3.86	4.37
May	4.63	4.36	4.71	8.00	6.87	5.74	4.33	3.85	4.35
June	4.60	4.33	4.67	7.87	6.93	5.72	4.31	3.85	4.35

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

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



Source: ECB.

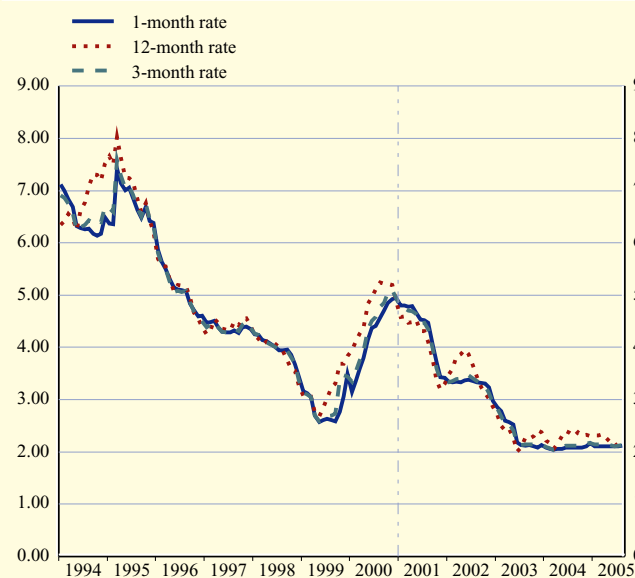
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2004 Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
Q4	2.08	2.12	2.16	2.20	2.32	2.30	0.05
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
Q2	2.07	2.10	2.12	2.14	2.19	3.28	0.05
2004 Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05
Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.34	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05
May	2.07	2.10	2.13	2.14	2.19	3.27	0.05
June	2.06	2.10	2.11	2.11	2.10	3.43	0.05
July	2.07	2.11	2.12	2.13	2.17	3.61	0.06
Aug.	2.06	2.11	2.13	2.16	2.22	3.80	0.06

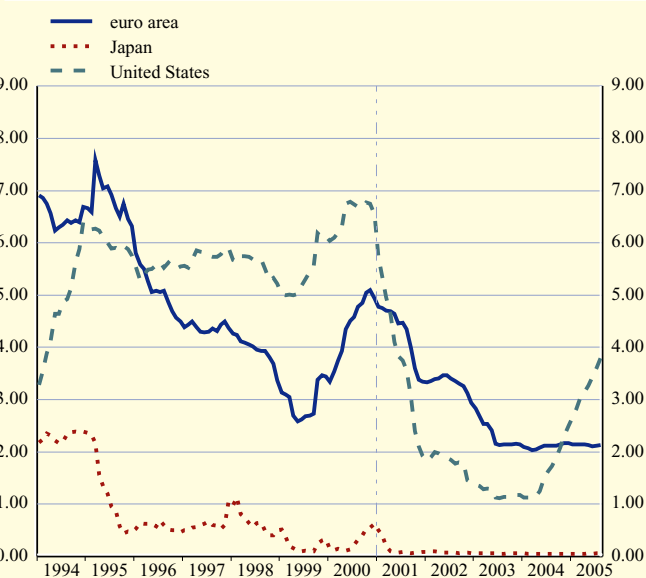
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

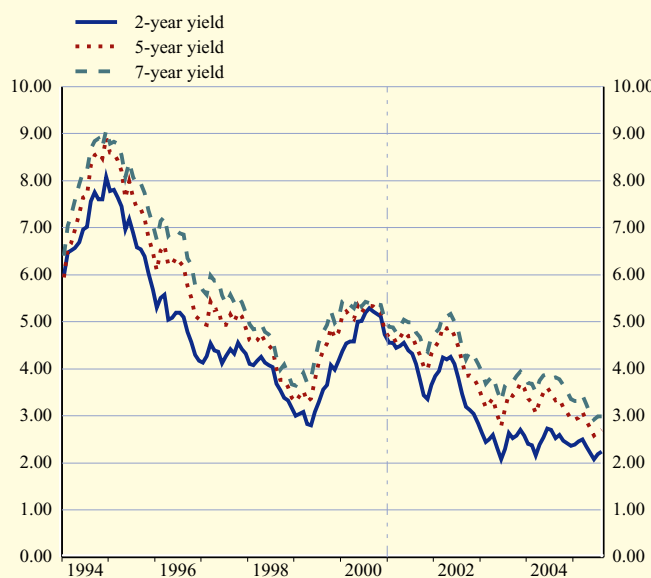
## 4.7 Government bond yields

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2002	3.67	3.94	4.35	4.69	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2004 Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
2004 Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37
Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32
May	2.22	2.41	2.74	3.05	3.41	4.14	1.27
June	2.07	2.24	2.58	2.93	3.25	4.00	1.24
July	2.19	2.34	2.66	2.99	3.32	4.16	1.26
Aug.	2.24	2.40	2.70	2.99	3.32	4.26	1.43

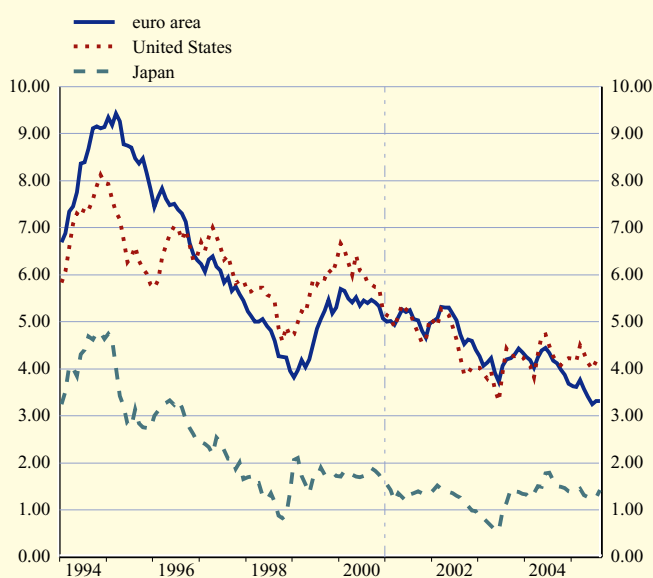
### C23 Euro area government bond yields

(monthly; percentages per annum)



### C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

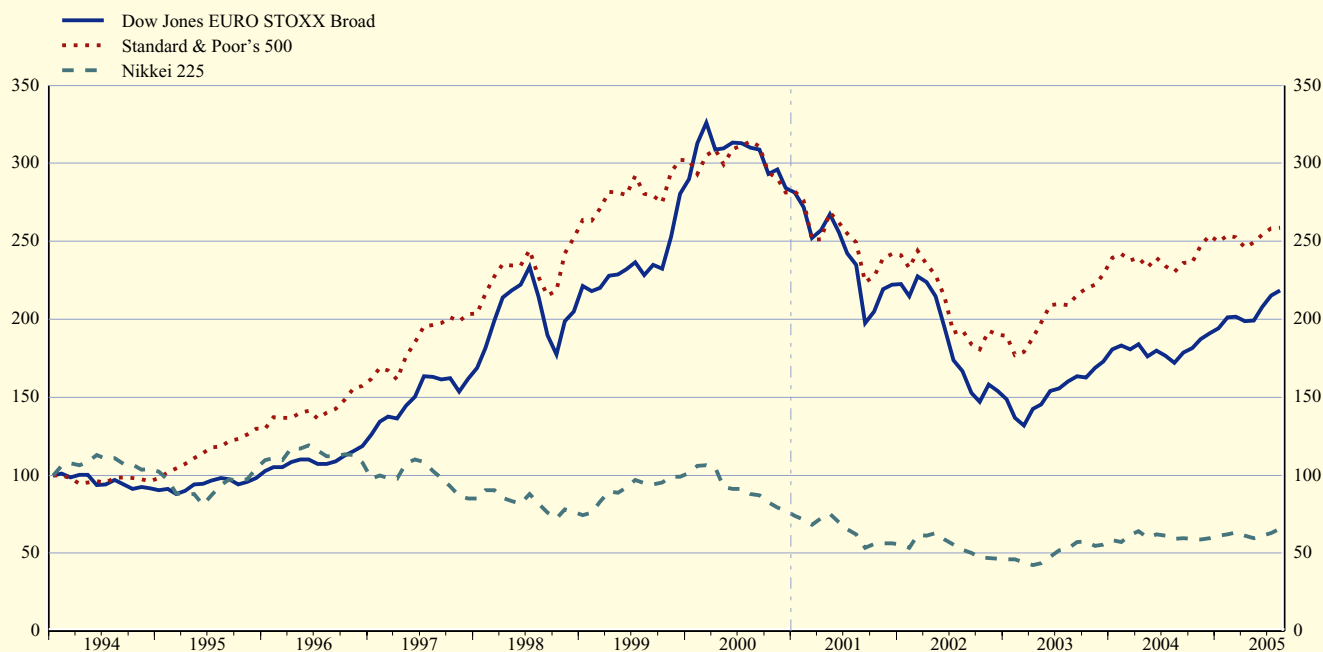
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2004 Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
2004 Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.1
Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.4
Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2
May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4
June	288.2	3,151.7	297.7	181.0	240.4	373.4	277.4	302.0	301.5	331.2	421.7	462.8	1,202.3	11,402.7
July	298.4	3,267.1	302.0	184.9	249.5	398.3	288.2	313.8	308.6	336.8	437.5	463.4	1,220.9	11,718.9
Aug.	303.1	3,303.3	311.5	185.7	257.1	405.8	293.4	318.9	297.6	343.9	444.7	473.0	1,224.3	12,205.0

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

(January 1994 = 100; monthly averages)



Source: ECB.



# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices

	Total					Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
		Total excl. unprocessed food and energy									
% of total <sup>1)</sup>	100.0	100.0	83.8	59.0	41.0	100.0	12.0	7.6	30.8	8.6	41.0
	1	2	3	4	5	6	7	8	9	10	11
2001	108.5	2.3	1.9	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	2.5	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	115.7	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2004 Q2	115.8	2.3	2.1	2.1	2.6	0.7	1.1	-0.1	0.2	3.3	0.6
Q3	115.9	2.2	2.1	2.0	2.6	0.5	0.3	-0.2	0.1	1.9	0.7
Q4	116.6	2.3	2.0	2.1	2.7	0.5	0.3	0.1	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.6	1.8	2.4	0.3	0.6	0.7	-0.1	0.3	0.5
Q2	118.1	2.0	1.5	1.8	2.3	0.7	0.3	0.3	0.1	4.5	0.5
2005 Mar.	117.4	2.1	1.6	1.9	2.5	0.4	0.1	0.5	0.1	2.4	0.3
Apr.	117.9	2.1	1.4	2.1	2.2	0.2	0.2	-0.4	0.0	2.3	-0.1
May	118.2	2.0	1.6	1.6	2.5	0.2	0.0	0.3	0.1	-0.6	0.5
June	118.3	2.1	1.4	1.9	2.2	0.1	0.2	-0.2	0.0	1.6	0.0
July	118.2	2.2	1.4	2.1	2.3	0.3	0.2	-0.4	-0.2	2.8	0.3
Aug. <sup>2)</sup>	.	2.1	.	.	.	.	.	.	.	.	.

	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						
% of total <sup>1)</sup>	19.6	12.0	7.6	39.4	30.8	8.6	10.4	6.4	6.4	2.8	14.8	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	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
2004 Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2005 Q1	1.6	2.4	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.5
Q2	1.3	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
2005 Mar.	1.5	1.6	1.3	2.2	0.4	8.8	2.6	2.1	3.1	-1.5	2.6	3.4
Apr.	1.3	1.7	0.8	2.4	0.3	10.2	2.6	2.1	2.3	-1.7	1.9	3.5
May	1.3	1.5	1.0	1.8	0.4	6.9	2.7	2.2	2.5	-2.2	2.8	3.5
June	1.2	1.5	0.6	2.2	0.3	9.4	2.7	2.2	2.5	-2.1	2.2	3.2
July	1.1	1.6	0.3	2.6	0.0	11.8	2.5	2.1	2.7	-2.1	2.4	3.0
Aug.	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

	Industrial producer prices excluding construction										Construct- ion <sup>1)</sup>	Residential property prices <sup>2)</sup>	World market prices of raw materials <sup>3)</sup>	Oil prices <sup>4)</sup> (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Intermed- iate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total <sup>5)</sup>	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	102.0	2.0	1.2	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.8	6.0	-8.3	-8.1	27.8	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	6.8	-4.1	-0.9	26.5	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	7.1	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.4	18.4	10.8	30.5	
2004 Q2	105.3	2.0	2.5	1.7	2.8	0.6	1.5	0.6	1.7	3.7	2.2	6.8 <sup>6)</sup>	28.8	20.9	29.3	
Q3	106.4	3.1	3.5	2.5	4.7	0.9	1.4	0.8	1.5	6.1	3.0	-	26.9	11.9	33.3	
Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.6	7.5 <sup>6)</sup>	22.9	1.3	34.5	
2005 Q1	108.2	4.1	3.8	2.8	5.1	1.6	1.2	1.4	1.1	10.0	3.5	-	22.9	1.9	36.6	
Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.2	.	.	22.4	2.2	42.2	
2005 Mar.	108.9	4.2	3.9	2.5	4.5	1.7	0.9	1.4	0.8	11.7	-	-	24.1	-0.4	40.4	
Apr.	109.4	4.3	3.5	2.1	3.6	1.5	0.9	1.4	0.8	13.3	-	-	22.2	-1.9	41.4	
May	109.2	3.5	2.6	1.9	3.0	1.5	0.9	1.4	0.8	9.8	-	-	13.2	1.2	39.4	
June	109.7	4.0	3.1	1.7	2.6	1.4	0.8	1.4	0.7	13.5	-	-	31.9	7.6	45.7	
July	.	.	.	.	.	.	.	.	.	.	-	-	34.1	9.6	48.3	
Aug.	.	.	.	.	.	.	.	.	.	.	-	-	31.8	11.9	51.9	

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

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>5)</sup>	100.0	100.0	73.3	26.7	36.8	8.9	54.4	
	1	2	3	4	5	6	7	8
2001	103.9	3.9	4.1	3.3	3.8	4.2	4.0	2.6
2002	107.7	3.7	3.5	4.3	3.3	4.4	3.9	2.7
2003	110.8	2.8	2.7	3.4	2.8	3.3	2.8	2.4
2004	113.7	2.6	2.5	3.0	2.8	2.7	2.4	2.2
2004 Q2	113.3	2.5	2.4	2.6	2.5	2.4	2.4	2.3
Q3	114.0	2.5	2.3	3.0	2.4	2.6	2.3	2.1
Q4	114.9	2.5	2.2	3.4	2.9	2.5	2.1	2.2
2005 Q1	115.8	3.1	2.8	4.3	3.5	1.3	2.9	2.3
Q2	.	.	.	.	.	.	.	2.1

Sources: Eurostat, HWWA (columns 13 and 14), Thomson Financial Datastream (column 15), 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 <sup>1)</sup>								
2001	102.2	2.2	1.4	1.5	3.2	1.4	2.4	2.4
2002	104.6	2.4	1.0	1.1	3.5	1.8	3.4	2.8
2003	106.5	1.8	3.2	0.7	2.1	1.8	1.9	2.7
2004	107.5	0.9	-7.7	-0.3	2.5	0.8	2.0	1.7
2004 Q1	107.0	1.2	-8.3	0.8	1.0	1.4	1.9	2.0
Q2	107.5	0.8	-8.3	-1.5	1.5	0.1	1.6	2.5
Q3	107.6	0.6	-6.4	-1.4	4.6	1.2	2.5	0.6
Q4	108.0	1.1	-7.9	0.8	3.0	0.4	1.9	1.6
2005 Q1	108.8	1.7	.	-0.3	6.0	0.6	3.2	2.1
Compensation per employee								
2001	102.5	2.5	0.6	2.8	3.5	2.6	0.9	2.8
2002	105.1	2.5	2.6	2.7	3.4	2.5	2.2	2.7
2003	107.5	2.3	1.0	2.7	2.5	1.9	1.9	2.5
2004	109.8	2.1	0.4	3.0	2.7	1.5	1.2	2.5
2004 Q1	109.1	2.4	-2.4	4.0	2.8	1.5	1.1	3.0
Q2	109.8	2.5	0.1	3.2	2.3	1.2	1.1	3.7
Q3	109.9	1.8	3.6	2.5	3.2	1.7	1.6	1.4
Q4	110.4	1.8	0.3	2.4	2.5	1.6	1.0	2.1
2005 Q1	111.6	2.2	.	1.9	3.7	2.4	2.8	1.6
Labour productivity <sup>2)</sup>								
2001	100.3	0.3	-0.8	1.4	0.3	1.2	-1.4	0.4
2002	100.5	0.2	1.6	1.5	-0.2	0.7	-1.2	0.0
2003	100.9	0.5	-2.2	2.0	0.3	0.1	0.0	-0.2
2004	102.1	1.2	8.8	3.4	0.2	0.7	-0.8	0.9
2004 Q1	102.0	1.3	6.4	3.2	1.7	0.2	-0.8	0.9
Q2	102.2	1.7	9.1	4.8	0.8	1.1	-0.5	1.2
Q3	102.2	1.2	10.7	4.0	-1.3	0.5	-0.8	0.8
Q4	102.2	0.7	9.0	1.7	-0.5	1.2	-0.9	0.5
2005 Q1	102.5	0.5	2.5	2.2	-2.2	1.8	-0.4	-0.4

### 5. Gross Domestic Product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2001	102.4	2.4	2.3	2.4	2.6	1.8	0.8	0.6
2002	105.0	2.6	2.2	2.1	2.7	1.8	-0.6	-1.7
2003	107.3	2.2	1.9	1.9	2.4	1.3	-0.6	-1.4
2004	109.3	1.9	2.0	2.0	2.2	2.7	1.3	1.5
2004 Q2	109.3	2.2	2.4	2.2	3.1	2.7	1.3	1.4
Q3	109.6	1.8	2.1	2.2	1.0	3.1	2.1	3.1
Q4	110.0	1.6	2.1	1.9	1.9	3.2	2.4	3.7
2005 Q1	110.5	1.8	2.2	1.8	1.9	3.6	2.6	3.8
Q2	110.9	1.3	1.6	1.6	1.4	2.7	1.9	3.1

Sources: ECB calculations based on Eurostat data.

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

## 5.2 Output and demand

## 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>1)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>2)</sup>	Total	Exports <sup>1)</sup>	Imports <sup>1)</sup>
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2001	6,882.3	6,776.8	3,972.5	1,371.6	1,452.3	-19.6	105.5	2,561.3	2,455.8
2002	7,121.8	6,947.8	4,089.4	1,443.7	1,443.7	-29.1	174.1	2,595.7	2,421.6
2003	7,327.0	7,181.7	4,212.3	1,500.2	1,472.2	-2.9	145.4	2,596.8	2,451.5
2004	7,601.1	7,453.7	4,355.2	1,549.4	1,533.5	15.6	147.4	2,788.2	2,640.7
2004 Q2	1,898.0	1,855.4	1,084.0	388.5	381.6	1.4	42.6	694.3	651.7
Q3	1,909.0	1,874.0	1,091.8	388.9	386.9	6.5	35.0	709.6	674.6
Q4	1,918.3	1,892.0	1,104.1	389.7	390.8	7.4	26.3	714.7	688.4
2005 Q1	1,934.3	1,903.5	1,109.9	394.3	391.4	7.9	30.7	711.5	680.8
Q2	1,947.8	1,920.4	1,114.5	399.9	393.8	12.2	27.4	728.0	700.6
	<i>percentage of GDP</i>								
2004	100.0	98.1	57.3	20.4	20.2	0.2	1.9	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	<i>quarter-on-quarter percentage changes</i>								
2004 Q2	0.5	0.4	0.1	0.3	0.1	-	-	2.5	2.6
Q3	0.3	0.7	0.2	0.4	0.5	-	-	1.3	2.5
Q4	0.2	0.5	0.8	-0.3	0.4	-	-	0.5	1.4
2005 Q1	0.4	0.1	0.2	0.5	-0.2	-	-	-0.7	-1.4
Q2	0.3	0.3	-0.1	0.3	0.2	-	-	2.1	2.1
	<i>annual percentage changes</i>								
2001	1.7	0.9	1.8	2.2	0.0	-	-	4.0	2.1
2002	0.9	0.2	0.9	2.6	-2.4	-	-	1.9	0.3
2003	0.7	1.4	1.0	1.5	0.8	-	-	0.7	2.7
2004	2.1	2.0	1.5	1.1	1.8	-	-	6.4	6.5
2004 Q2	2.1	1.4	1.3	1.4	1.3	-	-	7.9	6.2
Q3	1.8	2.3	1.0	1.1	1.4	-	-	6.4	7.9
Q4	1.5	1.9	1.9	0.6	1.1	-	-	6.1	7.4
2005 Q1	1.3	1.8	1.3	0.9	0.8	-	-	3.7	5.1
Q2	1.1	1.6	1.1	0.9	1.0	-	-	3.2	4.6
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2001	1.7	0.9	1.0	0.4	0.0	-0.5	0.8	-	-
2002	0.9	0.2	0.5	0.5	-0.5	-0.3	0.6	-	-
2003	0.7	1.4	0.6	0.3	0.2	0.3	-0.7	-	-
2004	2.1	1.9	0.9	0.2	0.4	0.4	0.1	-	-
2004 Q2	2.1	1.4	0.7	0.3	0.3	0.1	0.8	-	-
Q3	1.8	2.2	0.6	0.2	0.3	1.1	-0.4	-	-
Q4	1.5	1.9	1.1	0.1	0.2	0.5	-0.3	-	-
2005 Q1	1.3	1.7	0.7	0.2	0.2	0.6	-0.4	-	-
Q2	1.1	1.6	0.6	0.2	0.2	0.5	-0.4	-	-

Source: Eurostat.

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.

## 5.2 Output and demand

### 2. Value added by economic activity

	Gross value added (basic prices)						Intermediate consumption of FISIM <sup>1)</sup>	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	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2001	6,381.7	160.4	1,384.9	360.5	1,346.3	1,726.2	1,403.4	215.7	716.2
2002	6,612.3	155.8	1,399.1	374.0	1,397.5	1,809.6	1,476.4	230.9	740.4
2003	6,805.5	155.2	1,414.9	391.6	1,430.4	1,878.1	1,535.4	238.6	760.2
2004	7,052.4	157.1	1,458.7	414.3	1,476.9	1,948.6	1,596.8	242.5	791.3
2004 Q2	1,763.7	39.4	365.6	103.2	369.2	485.5	400.7	61.2	195.4
Q3	1,770.5	39.0	367.3	103.8	371.0	490.6	398.9	60.0	198.5
Q4	1,778.2	39.6	366.5	105.8	371.9	493.0	401.4	61.3	201.4
2005 Q1	1,795.4	38.9	371.7	106.2	375.3	497.8	405.4	62.1	201.0
Q2	1,809.8	39.1	374.5	108.8	373.9	503.3	410.1	63.1	201.1
<i>percentage of value added</i>									
2004	100.0	2.2	20.7	5.9	20.9	27.6	22.6	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2004 Q2	0.7	1.0	0.9	0.1	0.8	0.7	0.3	1.8	-1.1
Q3	0.2	0.2	0.1	-0.4	0.4	0.3	0.1	-0.3	0.8
Q4	0.2	1.2	-0.5	0.5	0.5	0.3	0.2	0.8	0.5
2005 Q1	0.4	-1.6	0.5	-1.1	1.2	0.6	0.0	-0.1	-0.5
Q2	0.4	0.4	0.6	1.7	-0.1	0.4	0.4	0.3	-0.8
<i>annual percentage changes</i>									
2001	1.9	-1.8	1.3	0.7	2.7	2.6	1.9	5.4	0.7
2002	1.0	-0.1	-0.2	-0.3	1.2	1.4	2.0	2.5	0.2
2003	0.6	-3.9	0.2	0.5	0.3	1.4	1.0	1.5	1.5
2004	2.2	8.0	2.5	1.7	2.1	2.1	1.6	4.4	1.7
2004 Q2	2.3	7.8	3.0	1.2	2.0	2.0	2.0	5.6	1.7
Q3	1.9	9.6	2.2	0.5	1.4	1.7	1.6	4.3	2.6
Q4	1.6	8.0	0.8	0.7	2.3	1.6	1.4	4.5	1.8
2005 Q1	1.5	0.8	1.1	-0.9	2.9	1.8	0.6	2.1	-0.2
Q2	1.2	0.2	0.8	0.6	2.0	1.6	0.6	0.6	0.1
<i>contributions to annual percentage changes of value added in percentage points</i>									
2001	1.9	0.0	0.3	0.0	0.6	0.7	0.4	-	-
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.4	-	-
2003	0.6	-0.1	0.1	0.0	0.1	0.4	0.2	-	-
2004	2.2	0.2	0.6	0.1	0.5	0.5	0.3	-	-
2004 Q2	2.3	0.2	0.7	0.1	0.4	0.5	0.4	-	-
Q3	1.9	0.2	0.5	0.0	0.3	0.4	0.4	-	-
Q4	1.6	0.2	0.2	0.0	0.5	0.4	0.3	-	-
2005 Q1	1.5	0.0	0.2	0.0	0.6	0.5	0.1	-	-
Q2	1.2	0.0	0.2	0.0	0.4	0.4	0.1	-	-

Source: Eurostat.

1) The use of financial intermediation services indirectly measured (FISIM) is treated as intermediate consumption which is not allocated among branches.

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

## 3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total <sup>1)</sup>	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-0.3	99.9	-0.5	-0.8	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	0.8
2003	0.2	100.2	0.3	0.0	0.0	0.4	-0.2	-0.5	-4.6	0.2	3.0	0.0
2004	2.1	102.1	2.0	2.0	1.9	1.8	3.0	0.5	-0.1	0.7	2.5	0.1
2004 Q3	2.9	102.6	2.8	3.0	2.8	2.9	5.0	0.4	-0.6	0.5	2.6	-0.2
2004 Q4	1.2	102.3	1.1	0.8	0.5	1.1	1.7	-0.2	-3.6	0.4	2.7	-0.3
2005 Q1	-0.1	102.4	0.8	0.6	0.4	1.0	2.0	-0.4	-3.5	0.1	1.4	-3.6
2005 Q2	.	102.7	0.5	0.6	0.1	-0.4	1.8	0.5	-1.8	1.0	1.2	.
2005 Jan.	2.9	102.8	2.0	2.6	2.5	3.3	2.8	1.3	-2.7	2.0	0.0	1.4
2005 Feb.	-0.8	102.2	0.5	0.1	-0.1	0.2	1.4	-0.6	-3.7	-0.1	2.2	-4.5
2005 Mar.	-2.0	102.1	0.1	-0.8	-1.0	-0.5	1.9	-1.8	-3.9	-1.4	2.0	-7.2
2005 Apr.	.	102.9	1.2	2.1	1.8	0.4	3.0	0.9	-0.5	1.1	0.2	.
2005 May	.	102.5	0.0	-0.4	-0.9	-0.6	0.4	0.7	-4.1	1.5	1.1	.
2005 June	.	102.8	0.4	0.2	-0.4	-0.9	2.0	0.1	-0.7	0.3	2.4	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 Jan.	0.3	-	0.3	0.6	0.8	0.9	1.2	0.1	0.7	0.0	-2.5	0.8
2005 Feb.	-1.5	-	-0.6	-1.1	-1.1	-1.5	-0.5	-0.9	-0.1	-1.0	3.8	-3.6
2005 Mar.	-0.9	-	-0.1	-0.4	-0.4	-0.9	1.3	-0.4	-0.4	-0.4	1.0	-3.3
2005 Apr.	.	-	0.8	1.9	1.8	1.1	0.0	1.5	2.2	1.4	-5.1	.
2005 May	.	-	-0.4	-1.1	-1.3	-0.6	-0.2	-0.3	-2.0	0.0	2.2	.
2005 June	.	-	0.3	0.4	0.3	-0.1	1.0	-0.3	1.2	-0.5	1.5	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a.) thousands <sup>3)</sup>	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2002	98.2	-0.4	101.4	-0.6	1.9	101.7	0.3	1.2	-0.4	-1.9	-1.9	925	-4.4
2003	98.2	0.1	101.0	-0.3	1.8	102.1	0.3	1.1	-0.4	-2.8	0.2	911	-1.5
2004	106.0	8.2	105.9	4.9	1.6	102.8	0.8	0.7	0.8	0.3	2.3	922	1.1
2004 Q3	104.6	7.2	106.5	5.6	1.4	102.8	0.7	0.3	0.9	1.2	2.1	904	-3.4
2004 Q4	110.7	9.9	107.2	5.1	1.6	103.1	0.9	1.0	0.7	0.7	1.8	941	3.6
2005 Q1	105.9	3.1	106.7	2.5	1.9	103.9	1.0	1.0	1.1	0.6	0.4	921	0.4
2005 Q2	108.3	1.1	.	.	1.7	103.7	0.8	0.2	0.9	.	0.9	938	1.0
2005 Jan.	107.9	6.9	106.2	5.4	1.2	104.1	0.7	0.0	0.8	-1.1	0.6	922	1.5
2005 Feb.	105.1	3.3	106.8	3.3	2.0	103.7	1.0	1.4	0.8	-0.9	0.4	910	-2.3
2005 Mar.	104.7	-0.3	107.1	-0.4	2.4	103.8	1.4	1.5	1.6	3.9	0.3	931	1.7
2005 Apr.	107.2	1.8	111.0	4.3	0.3	102.7	-0.9	-2.2	-0.1	0.8	-0.2	939	1.0
2005 May	107.1	-3.6	107.8	5.0	3.0	104.0	2.0	1.7	2.1	1.9	2.1	894	-4.2
2005 June	110.5	5.0	.	.	1.9	104.4	1.1	1.3	0.8	.	0.8	981	6.1
<i>month-on-month percentage changes (s.a.)</i>													
2005 Jan.	-	-9.6	-	-2.2	0.7	-	1.0	0.7	0.8	1.2	0.3	-	-0.3
2005 Feb.	-	-2.6	-	0.5	-0.1	-	-0.4	-0.2	-0.3	-1.2	-0.4	-	-1.4
2005 Mar.	-	-0.3	-	0.3	-0.1	-	0.1	-0.1	0.4	1.8	0.3	-	2.3
2005 Apr.	-	2.4	-	3.7	-0.1	-	-1.0	-2.0	-0.5	0.5	0.1	-	0.9
2005 May	-	-0.1	-	-2.9	0.9	-	1.2	2.2	0.6	-1.7	0.7	-	-4.8
2005 June	-	3.1	-	.	0.4	-	0.4	0.2	0.4	.	0.2	-	9.7

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

1) In 2000.

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

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

## 5.2 Output and demand

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

### 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator <sup>3)</sup>				
		Industrial confidence indicator				Capacity utilisation <sup>4)</sup>	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2001	100.9	-9	-15	13	1	82.8	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.3	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.1	-18	-5	-21	38	-9
2004	100.0	-5	-15	8	10	81.7	-14	-4	-14	30	-8
2004 Q2	99.9	-5	-17	8	10	81.6	-14	-3	-15	32	-8
Q3	100.6	-4	-12	7	9	82.1	-14	-4	-14	29	-8
Q4	100.9	-3	-12	8	10	82.0	-13	-3	-13	29	-6
2005 Q1	99.0	-6	-15	11	6	81.6	-13	-3	-13	29	-8
Q2	96.3	-10	-20	13	4	81.2	-14	-3	-16	31	-7
2005 Feb.	98.8	-6	-15	10	6	-	-13	-2	-13	30	-8
Mar.	97.5	-8	-17	12	6	-	-14	-3	-13	31	-9
Apr.	96.5	-9	-19	13	4	81.2	-13	-3	-14	29	-8
May	96.1	-11	-21	14	3	-	-15	-4	-17	31	-7
June	96.3	-10	-20	12	4	-	-15	-4	-17	33	-7
July	97.3	-8	-18	11	4	81.2	-15	-4	-19	30	-9
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2001	-10	-16	-4	-8	-5	17	-1	15	16	8	20
2002	-19	-26	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	12
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2004 Q2	-16	-23	-9	-8	-10	15	2	11	6	12	17
Q3	-15	-24	-7	-8	-10	14	0	12	8	11	17
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2005 Q1	-13	-18	-9	-8	-12	12	1	11	6	7	18
Q2	-14	-20	-7	-8	-13	13	1	9	1	8	17
2005 Feb.	-14	-18	-10	-8	-14	13	2	10	6	5	18
Mar.	-13	-17	-9	-10	-15	13	-1	9	1	7	19
Apr.	-14	-21	-7	-8	-12	14	1	8	1	6	18
May	-13	-19	-8	-8	-13	11	1	10	1	11	16
June	-14	-21	-8	-9	-16	14	2	9	1	8	17
July	-13	-20	-7	-10	-13	15	-3	11	5	11	18

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

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

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

(annual percentage changes, unless otherwise indicated)

## 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.4	15.6	4.5	18.2	7.3	25.0	15.1	29.9
	1	2	3	4	5	6	7	8	9	10
2001	134.496	1.5	1.7	0.2	-0.6	0.1	0.7	1.7	4.2	1.4
2002	135.457	0.7	0.8	0.1	-1.5	-1.6	0.1	0.5	2.6	2.0
2003	135.811	0.3	0.3	0.3	-1.9	-1.5	0.1	0.3	1.3	1.2
2004	136.576	0.6	0.4	1.3	-0.9	-1.6	1.0	0.9	2.5	0.8
2004 Q1	135.985	0.3	0.2	0.7	-1.4	-2.2	-0.1	0.8	2.5	0.8
Q2	136.303	0.5	0.4	1.2	-1.1	-1.7	0.6	0.9	2.7	0.7
Q3	136.614	0.6	0.4	1.7	-0.4	-1.8	2.0	0.8	2.3	0.8
Q4	136.868	0.8	0.7	1.4	-0.7	-0.8	1.6	1.1	2.5	0.9
2005 Q1	136.989	0.8	0.8	1.2	-1.2	-1.1	2.1	1.0	2.4	1.1
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2004 Q1	0.224	0.2	0.3	-0.5	-0.3	-0.6	0.0	0.1	1.1	0.3
Q2	0.318	0.2	0.1	0.7	-0.2	0.1	0.6	0.3	0.4	0.1
Q3	0.311	0.2	0.0	1.3	0.0	-0.5	1.1	0.4	0.6	0.2
Q4	0.254	0.2	0.2	0.1	-0.4	0.2	-0.5	0.2	0.5	0.3
2005 Q1	0.121	0.1	0.2	-0.8	-1.0	-0.9	0.1	0.1	0.8	0.5

## 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		75.6		24.4		47.9		52.1	
	1	2	3	4	5	6	7	8	9	10
2001	11.018	7.9	8.092	6.6	2.925	16.1	5.037	6.3	5.981	9.9
2002	11.737	8.3	8.721	7.0	3.017	16.8	5.509	6.9	6.228	10.1
2003	12.515	8.7	9.397	7.5	3.117	17.6	5.963	7.4	6.552	10.5
2004	12.867	8.9	9.731	7.6	3.136	17.9	6.166	7.6	6.701	10.5
2004 Q2	12.887	8.9	9.710	7.6	3.177	18.1	6.152	7.6	6.735	10.6
Q3	12.901	8.9	9.756	7.6	3.145	18.0	6.155	7.5	6.746	10.6
Q4	12.861	8.8	9.762	7.6	3.100	17.9	6.261	7.7	6.600	10.4
2005 Q1	12.864	8.8	9.601	7.5	3.263	18.6	6.209	7.6	6.654	10.4
Q2	12.769	8.8	9.638	7.5	3.130	18.0	6.183	7.5	6.586	10.3
2005 Jan.	12.836	8.8	9.571	7.5	3.265	18.6	6.233	7.6	6.603	10.3
Feb.	12.869	8.8	9.639	7.5	3.230	18.4	6.154	7.5	6.715	10.5
Mar.	12.886	8.8	9.593	7.5	3.293	18.8	6.240	7.6	6.645	10.4
Apr.	12.896	8.8	9.678	7.5	3.217	18.4	6.239	7.6	6.656	10.4
May	12.725	8.7	9.671	7.5	3.054	17.6	6.176	7.5	6.549	10.2
June	12.685	8.7	9.565	7.5	3.120	17.9	6.133	7.5	6.553	10.3

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

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

2) In 2004.

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

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



## GOVERNMENT FINANCE

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

#### 1. Euro area – revenue

	Total		Current revenue									Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes			Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes		
			Households	Corporations	Employers			Employees						
	3	4	5	6	7	8	9	10	11	12	13	14		
1996	47.3	46.9	11.8	9.1	2.3	13.3	0.8	17.4	8.6	5.5	2.4	0.4	0.3	42.8
1997	47.6	47.1	12.0	9.1	2.6	13.5	0.7	17.4	8.6	5.5	2.4	0.5	0.4	43.2
1998	47.1	46.8	12.3	9.6	2.3	14.1	0.7	16.3	8.4	4.9	2.3	0.3	0.3	43.0
1999	47.6	47.3	12.7	9.8	2.6	14.3	0.6	16.3	8.4	4.9	2.3	0.3	0.3	43.6
2000	47.2	46.9	12.9	9.9	2.7	14.1	0.6	16.0	8.3	4.9	2.3	0.3	0.3	43.3
2001	46.4	46.2	12.5	9.7	2.5	13.7	0.6	15.9	8.3	4.7	2.2	0.3	0.3	42.4
2002	45.8	45.5	12.0	9.5	2.2	13.7	0.4	15.8	8.3	4.7	2.2	0.3	0.3	41.9
2003	45.9	45.2	11.7	9.3	2.1	13.7	0.4	16.0	8.4	4.7	2.3	0.7	0.6	41.9
2004	45.4	44.9	11.6	9.0	2.3	13.8	0.4	15.9	8.3	4.7	2.2	0.5	0.4	41.6

#### 2. Euro area – expenditure

	Total		Current expenditure							Capital expenditure			Memo: primary expenditure <sup>3)</sup>		
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
								7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1996	51.6	47.8	11.1	4.8	5.7	26.1	23.0	2.2	0.6	3.8	2.6	1.3	0.0	45.9	
1997	50.2	46.6	11.0	4.8	5.1	25.8	22.9	2.1	0.6	3.6	2.4	1.2	0.1	45.1	
1998	49.3	45.6	10.7	4.7	4.7	25.5	22.5	2.1	0.5	3.8	2.4	1.3	0.1	44.6	
1999	48.9	45.0	10.6	4.8	4.1	25.4	22.4	2.0	0.5	3.9	2.5	1.4	0.1	44.7	
2000	48.1	44.3	10.5	4.8	4.0	25.0	22.0	1.9	0.5	3.8	2.5	1.3	0.1	44.1	
2001	48.2	44.2	10.4	4.8	3.9	25.1	22.1	1.9	0.5	4.0	2.6	1.4	0.0	44.3	
2002	48.3	44.4	10.6	4.9	3.6	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.0	44.7	
2003	48.8	44.8	10.6	4.9	3.4	25.8	22.9	1.8	0.5	4.0	2.6	1.4	0.1	45.3	
2004	48.2	44.2	10.5	4.9	3.3	25.5	22.8	1.8	0.5	3.9	2.5	1.4	0.0	44.9	

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.4	20.4	11.1	4.8	5.0	1.9	2.4	8.6	11.8
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.2	11.0	4.8	5.0	1.8	2.4	8.5	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.9	10.7	4.7	5.0	1.8	2.3	8.3	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.8	19.9	10.6	4.8	5.0	1.8	2.3	8.3	11.6
2000	-0.9	-1.4	-0.1	0.1	0.5	3.0	19.8	10.5	4.8	5.0	1.8	2.3	8.2	11.6
2001	-1.8	-1.6	-0.4	0.0	0.3	2.1	20.0	10.4	4.8	5.1	1.8	2.2	8.2	11.7
2002	-2.5	-2.0	-0.5	-0.2	0.2	1.1	20.3	10.6	4.9	5.2	1.8	2.2	8.3	12.0
2003	-2.8	-2.3	-0.4	-0.1	0.0	0.6	20.6	10.6	4.9	5.3	1.8	2.3	8.4	12.2
2004	-2.7	-2.4	-0.4	-0.2	0.2	0.5	20.4	10.5	4.9	5.3	1.8	2.2	8.3	12.2

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

	BE <sup>1</sup>	DE <sup>2</sup>	GR <sup>3</sup>	ES <sup>4</sup>	FR <sup>5</sup>	IE <sup>6</sup>	IT <sup>7</sup>	LU <sup>8</sup>	NL <sup>9</sup>	AT <sup>10</sup>	PT <sup>11</sup>	FI <sup>12</sup>
2001	0.6	-2.8	-3.6	-0.5	-1.5	0.9	-3.2	6.2	-0.1	0.3	-4.4	5.2
2002	0.1	-3.7	-4.1	-0.3	-3.2	-0.4	-2.7	2.3	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-5.2	0.3	-4.2	0.2	-3.2	0.5	-3.2	-1.1	-2.9	2.5
2004	0.1	-3.7	-6.1	-0.3	-3.6	1.3	-3.2	-1.1	-2.5	-1.3	-2.9	2.1

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

- Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.1% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- Ratios are computed using GDP excluding Financial Intermediation Services Indirectly Measured (FISIM). Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors <sup>3)</sup>
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1995	74.5	2.8	17.7	8.0	46.0	58.9	30.9	10.8	17.2	15.5
1996	75.8	2.8	17.2	8.0	47.8	59.4	30.6	12.6	16.2	16.4
1997	74.9	2.8	16.2	6.6	49.4	57.1	28.9	14.1	14.1	17.9
1998	73.4	2.7	15.0	5.7	49.9	53.5	26.9	15.0	11.5	19.9
1999	72.5	2.9	14.2	4.3	51.2	49.5	26.4	11.4	11.7	23.1
2000	70.0	2.7	13.1	3.7	50.5	44.8	23.3	10.3	11.2	25.2
2001	68.9	2.7	12.4	3.9	49.9	42.8	21.9	9.7	11.2	26.2
2002	68.8	2.7	11.8	4.6	49.8	40.2	20.4	8.6	11.2	28.6
2003	70.1	2.0	12.4	4.9	50.9	39.7	20.9	9.3	9.6	30.4
2004	70.6	2.1	11.9	4.8	51.7	39.2	20.1	9.6	9.5	31.4

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

	Total	Issued by <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies <sup>5)</sup>	Other currencies
1995	74.5	62.2	5.6	5.9	0.8	13.0	61.5	6.2	18.7	26.8	28.9	72.2	2.2
1996	75.8	63.5	5.9	5.8	0.5	12.4	63.4	5.9	20.2	26.2	29.4	73.6	2.2
1997	74.9	62.8	6.1	5.4	0.6	11.1	63.9	5.5	19.5	26.0	29.4	72.7	2.2
1998	73.4	61.6	6.1	5.3	0.4	9.3	64.1	5.8	16.8	27.1	29.5	71.3	2.1
1999	72.5	61.0	6.1	5.2	0.3	9.1	63.4	4.0	15.2	28.0	29.4	70.6	2.0
2000	70.0	58.8	6.0	5.0	0.3	8.1	61.9	3.4	15.0	28.5	26.5	68.3	1.8
2001	68.9	57.6	6.2	4.8	0.3	8.6	60.3	2.1	15.6	26.6	26.7	67.4	1.5
2002	68.8	57.3	6.4	4.8	0.3	8.9	60.0	1.9	16.5	25.4	27.0	67.5	1.3
2003	70.1	57.7	6.7	5.2	0.6	8.9	61.2	1.8	15.3	26.5	28.3	69.1	1.0
2004	70.6	58.1	6.8	5.2	0.4	9.8	60.8	0.8	15.5	27.1	28.0	69.6	1.0

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	108.0	59.1	114.8	56.3	56.8	35.8	110.9	7.2	52.9	67.0	55.9	43.8
2002	105.4	60.6	112.2	53.2	58.8	32.6	108.3	7.5	52.6	66.8	58.5	42.5
2003	100.0	64.0	109.3	49.4	63.2	32.0	106.8	7.1	54.3	65.2	60.1	45.3
2004	95.6	66.1	110.5	46.9	65.0	29.9	106.6	7.5	55.7	64.4	61.9	45.3

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) Ratios are computed using GDP excluding Financial Intermediation Services Indirectly Measured (FISIM).



## 6.3 Change in debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
1996	3.9	4.4	-0.2	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	0.7	2.1	1.4
1997	2.0	2.4	0.2	-0.4	-0.2	0.0	-0.3	-1.1	3.4	-0.1	-0.6	1.9	2.1
1998	1.7	2.0	-0.2	0.0	-0.1	0.1	-0.5	-0.6	2.7	-1.1	-0.7	1.6	2.8
1999	1.9	1.5	0.4	0.0	-0.1	0.2	-0.3	-1.2	3.2	-2.0	0.5	-3.1	3.9
2000	1.1	1.0	0.1	0.0	0.0	0.0	-0.3	-0.4	1.9	-2.2	-1.8	-0.5	3.3
2001	1.8	1.7	0.0	0.1	0.0	0.1	-0.1	0.4	1.4	-0.2	-0.5	-0.2	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.1	-0.8	-0.7	3.3
2003	3.0	3.2	-0.1	0.0	0.0	-0.6	0.9	0.5	-2.3	0.5	1.0	0.9	2.5
2004	3.1	3.3	0.0	-0.1	0.0	0.3	0.0	0.1	2.8	0.9	0.0	0.7	2.2

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

	Change in debt	Deficit (-) / surplus (+) <sup>8)</sup>	Deficit-debt adjustment <sup>9)</sup>											Other <sup>10)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.0	-0.2
1997	2.0	-2.6	-0.6	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.2	0.2	-0.4	0.0
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.6	-0.8	0.3	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.1	0.5	0.0	0.1	-0.7	-0.8	0.1	0.4	0.3	0.0	0.3
2000	1.1	0.1	1.2	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.1	0.1	0.0	0.0
2001	1.8	-1.7	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.2	0.0	0.0	0.1	0.4
2002	2.2	-2.5	-0.3	0.0	0.0	0.0	0.0	0.0	-0.4	0.2	-0.4	0.0	0.1	0.0
2003	3.0	-2.8	0.2	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.2
2004	3.1	-2.7	0.4	0.2	0.2	0.1	0.0	-0.1	-0.2	0.1	0.0	0.0	-0.1	0.4

Source: ECB.

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

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

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
1999 Q1	44.3	43.7	10.8	13.4	16.0	2.0	0.7	0.6	0.2	40.4
Q2	48.3	47.7	13.5	13.6	16.2	2.1	1.4	0.6	0.3	43.6
Q3	45.3	44.8	11.9	13.1	16.1	2.0	0.8	0.5	0.3	41.4
Q4	51.5	50.7	14.4	14.7	16.9	2.9	0.9	0.7	0.3	46.3
2000 Q1	44.1	43.5	11.2	13.3	15.6	1.9	0.7	0.6	0.3	40.3
Q2	48.2	47.6	14.0	13.5	15.9	2.1	1.2	0.6	0.3	43.8
Q3	45.0	44.5	12.1	12.8	15.9	2.0	0.8	0.5	0.3	41.1
Q4	50.7	50.1	14.1	14.3	16.8	3.0	0.9	0.6	0.3	45.6
2001 Q1	43.0	42.5	10.6	12.9	15.5	1.8	0.9	0.5	0.2	39.3
Q2	47.7	47.2	13.7	13.2	15.8	2.0	1.7	0.5	0.2	42.9
Q3	44.5	44.0	11.9	12.6	15.8	1.9	0.9	0.5	0.3	40.6
Q4	50.0	49.5	13.8	14.1	16.6	3.0	1.1	0.6	0.3	44.7
2002 Q1	42.8	42.2	10.3	13.0	15.7	1.7	0.8	0.5	0.2	39.3
Q2	46.5	45.9	12.8	12.9	15.7	2.0	1.6	0.6	0.3	41.8
Q3	44.5	43.9	11.4	13.0	15.7	2.0	0.8	0.5	0.3	40.5
Q4	50.0	49.4	13.7	14.4	16.5	3.0	0.9	0.7	0.3	44.8
2003 Q1	42.7	42.1	10.0	13.1	15.8	1.7	0.7	0.5	0.2	39.1
Q2	47.0	45.4	12.3	12.9	16.0	2.0	1.3	1.6	1.3	42.5
Q3	43.7	43.2	11.0	12.9	15.8	1.9	0.7	0.6	0.3	40.0
Q4	50.2	49.1	13.3	14.5	16.5	2.9	0.8	1.1	0.3	44.6
2004 Q1	42.2	41.6	9.7	13.1	15.6	1.6	0.6	0.6	0.3	38.8
Q2	45.7	44.7	12.3	13.2	15.6	2.0	0.9	0.9	0.7	41.7
Q3	43.5	42.9	10.9	12.9	15.7	1.9	0.7	0.6	0.3	39.8
Q4	50.4	49.4	13.3	14.7	16.6	2.9	0.8	1.0	0.4	45.0
2005 Q1	42.8	42.2	10.2	13.3	15.6	1.5	0.6	0.6	0.3	39.3

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
1999 Q1	47.8	44.5	10.5	4.4	4.5	25.1	21.7	1.3	3.3	2.0	1.4	-3.6	1.0
Q2	47.8	44.2	10.6	4.6	4.2	24.8	21.5	1.5	3.6	2.4	1.2	0.4	4.6
Q3	47.8	44.1	10.4	4.6	4.0	25.2	21.5	1.6	3.7	2.5	1.2	-2.5	1.5
Q4	51.1	46.4	11.1	5.3	3.7	26.2	22.5	1.7	4.8	3.1	1.7	0.3	4.1
2000 Q1	46.6	43.2	10.3	4.5	4.1	24.3	21.1	1.2	3.4	2.0	1.4	-2.5	1.6
Q2	47.0	43.5	10.4	4.6	3.9	24.5	21.1	1.4	3.5	2.4	1.2	1.2	5.1
Q3	43.8	43.4	10.2	4.6	4.0	24.6	21.2	1.5	0.4	2.5	1.2	1.2	5.2
Q4	50.4	46.4	11.1	5.3	3.8	26.2	22.2	1.7	3.9	3.1	1.6	0.3	4.1
2001 Q1	46.2	42.7	10.2	4.1	4.1	24.3	21.1	1.2	3.5	2.0	1.6	-3.1	0.9
Q2	47.2	43.6	10.5	4.7	4.0	24.5	21.1	1.4	3.6	2.4	1.2	0.5	4.4
Q3	47.2	43.4	10.2	4.6	3.9	24.6	21.3	1.5	3.9	2.5	1.3	-2.8	1.2
Q4	51.9	46.8	11.1	5.6	3.7	26.3	22.4	1.6	5.1	3.2	1.9	-1.9	1.8
2002 Q1	46.7	43.2	10.4	4.2	3.8	24.8	21.5	1.2	3.5	2.0	1.6	-3.9	-0.2
Q2	47.6	44.0	10.5	4.9	3.7	24.9	21.5	1.4	3.5	2.4	1.2	-1.1	2.5
Q3	47.8	44.0	10.2	4.7	3.6	25.4	21.7	1.5	3.8	2.5	1.3	-3.3	0.3
Q4	51.7	47.1	11.2	5.7	3.4	26.8	23.0	1.6	4.6	2.8	1.7	-1.7	1.7
2003 Q1	47.2	43.6	10.4	4.3	3.6	25.2	21.8	1.2	3.6	2.0	1.6	-4.5	-0.9
Q2	48.3	44.7	10.6	4.8	3.5	25.8	22.1	1.4	3.6	2.4	1.2	-1.3	2.2
Q3	47.9	44.1	10.4	4.8	3.4	25.6	22.0	1.4	3.8	2.6	1.2	-4.1	-0.8
Q4	52.0	47.1	11.2	5.7	3.2	27.0	23.1	1.5	4.9	3.3	1.7	-1.8	1.4
2004 Q1	46.9	43.4	10.4	4.4	3.3	25.3	21.8	1.1	3.5	2.0	1.5	-4.7	-1.3
Q2	47.3	43.9	10.6	4.8	3.2	25.3	21.8	1.3	3.5	2.4	1.1	-1.7	1.6
Q3	47.0	43.5	10.1	4.6	3.3	25.5	21.9	1.3	3.5	2.5	1.0	-3.5	-0.2
Q4	51.8	46.6	11.1	5.7	3.1	26.7	23.0	1.4	5.2	3.1	1.9	-1.4	1.7
2005 Q1	46.9	43.4	10.4	4.4	3.3	25.3	21.7	1.0	3.5	1.9	1.6	-4.1	-0.8

Source: ECB calculations based on Eurostat and national data.

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



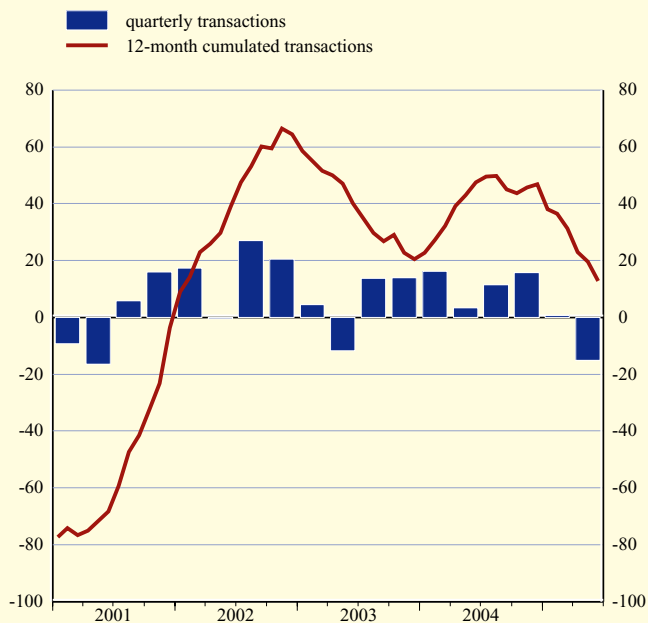
# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments (EUR billions; net transactions)

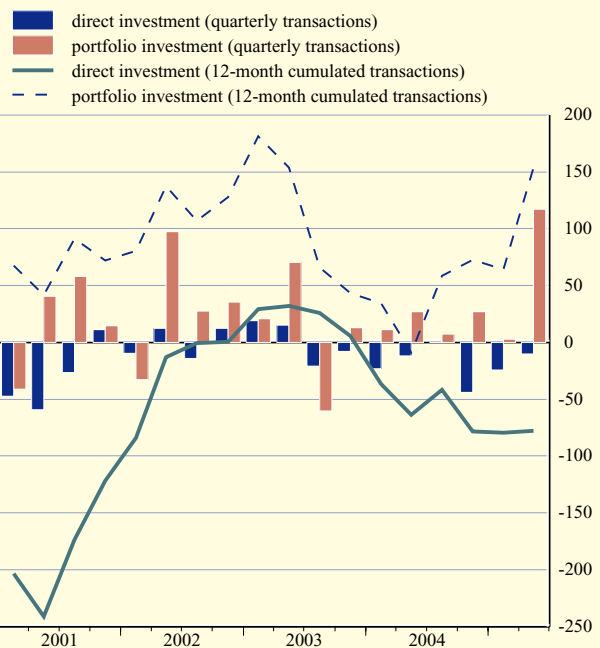
### 1. Summary balance of payments

	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
2002	64.5	128.5	16.4	-31.9	-48.6	10.2	74.6	-43.9	0.6	127.8	-11.0	-159.1	-2.3	-30.7
2003	20.4	102.7	19.7	-45.8	-56.1	13.1	33.5	-5.9	5.4	43.4	-12.2	-72.5	30.0	-27.6
2004	46.8	102.7	27.7	-28.0	-55.7	17.4	64.2	-5.5	-78.1	72.8	-1.7	-10.8	12.3	-58.7
2004 Q2	3.4	31.4	10.4	-21.7	-16.7	4.0	7.4	11.3	-12.1	27.0	-1.2	0.4	-2.8	-18.6
Q3	11.4	23.5	8.8	-3.0	-18.0	4.1	15.5	3.1	1.1	7.2	-1.0	-7.7	3.5	-18.6
Q4	15.8	20.1	6.7	3.1	-14.0	5.9	21.7	-25.4	-44.1	27.3	-4.8	-6.1	2.4	3.7
2005 Q1	0.8	14.5	2.8	-4.4	-12.2	1.2	2.0	34.4	-24.1	2.6	-7.4	58.5	4.8	-36.4
Q2	-15.1	19.4	7.5	-26.2	-15.8	3.9	-11.2	36.9	-10.5	116.8	4.9	-77.1	2.7	-25.6
2004 June	4.7	11.5	3.9	-4.2	-6.6	0.9	5.5	11.1	-10.1	31.6	1.8	-11.3	-0.8	-16.7
July	8.3	13.5	3.7	-2.5	-6.4	1.3	9.6	-17.6	-7.2	-40.6	0.6	29.4	0.2	8.0
Aug.	3.3	5.2	2.6	0.8	-5.3	1.6	4.9	6.3	5.1	2.5	-4.2	-0.9	3.8	-11.2
Sep.	-0.1	4.9	2.5	-1.2	-6.3	1.1	1.0	14.4	3.3	45.3	2.5	-36.2	-0.5	-15.4
Oct.	3.4	8.4	4.1	-3.5	-5.6	0.6	4.1	-30.4	-13.4	-1.5	-4.0	-12.4	0.9	26.3
Nov.	4.7	4.5	1.2	3.5	-4.4	1.0	5.7	28.4	-5.8	-10.1	1.5	42.8	-0.1	-34.1
Dec.	7.6	7.2	1.4	3.1	-4.0	4.3	12.0	-23.4	-24.9	38.8	-2.2	-36.6	1.5	11.4
2005 Jan.	-6.6	0.8	0.3	-4.0	-3.6	-0.7	-7.3	24.4	-9.3	-15.7	-3.5	54.5	-1.6	-17.2
Feb.	4.4	5.9	1.1	0.0	-2.7	1.1	5.5	28.6	0.2	20.9	1.2	1.4	4.9	-34.1
Mar.	2.9	7.9	1.3	-0.4	-5.9	0.9	3.8	-18.6	-15.1	-2.5	-5.1	2.7	1.5	14.8
Apr.	-10.1	4.2	2.3	-12.5	-4.2	0.3	-9.8	-17.8	-4.8	-11.0	-0.6	-0.6	-0.8	27.6
May	-3.0	6.9	2.8	-7.4	-5.3	1.7	-1.3	36.3	3.3	22.7	0.4	7.3	2.6	-34.9
June	-2.1	8.2	2.3	-6.3	-6.3	1.9	-0.2	18.4	-8.9	105.1	5.1	-83.8	0.9	-18.3
<i>12-month cumulated transactions</i>														
2005 June	12.8	77.5	25.7	-30.5	-60.0	15.1	27.9	49.0	-77.6	153.9	-8.4	-32.4	13.4	-77.0

### C26 B.o.p. current account balance (EUR billions)



### C27 B.o.p. net direct and portfolio investment (EUR billions)



Source: ECB.

## 7.1 Balance of payments

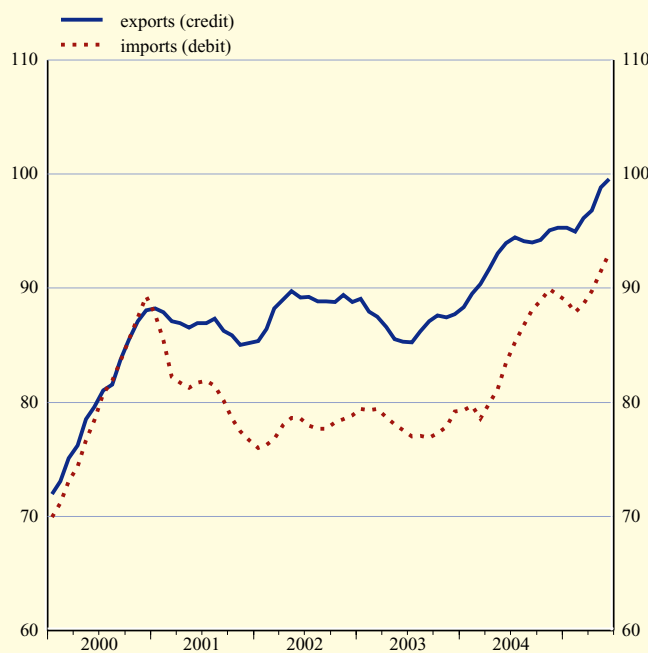
(EUR billions; transactions)

### 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	
2002	1,726.9	1,662.4	64.5	1,062.1	933.6	332.1	315.7	247.3	279.2	85.4	133.9	19.2	9.0
2003	1,675.4	1,655.0	20.4	1,039.7	937.0	329.3	309.6	225.6	271.5	80.8	137.0	23.3	10.1
2004	1,819.0	1,772.3	46.8	1,129.6	1,026.9	355.5	327.8	254.0	281.9	80.0	135.7	23.5	6.1
2004 Q2	455.9	452.5	3.4	285.0	253.6	89.8	79.4	66.0	87.7	15.0	31.7	5.3	1.3
Q3	451.7	440.3	11.4	279.6	256.1	96.4	87.5	60.3	63.3	15.4	33.4	5.6	1.6
Q4	480.4	464.7	15.8	298.8	278.8	92.1	85.5	71.4	68.4	18.0	32.0	7.6	1.6
2005 Q1	457.0	456.3	0.8	278.3	263.8	83.0	80.2	63.4	67.8	32.4	44.5	4.7	3.5
Q2	489.7	504.8	-15.1	306.8	287.4	89.4	81.9	77.1	103.3	16.5	32.2	5.4	1.5
2005 Apr.	160.1	170.2	-10.1	99.2	95.0	28.4	26.1	26.9	39.4	5.5	9.7	0.9	0.6
May	159.5	162.4	-3.0	100.9	94.0	28.9	26.1	24.2	31.6	5.5	10.8	2.1	0.4
June	170.1	172.2	-2.1	106.7	98.4	32.0	29.7	26.0	32.3	5.4	11.8	2.4	0.4
	Seasonally adjusted												
2004 Q2	452.4	435.7	16.7	281.9	250.3	89.1	81.8	61.4	71.2	20.0	32.4	.	.
Q3	454.6	450.7	3.9	282.0	264.4	89.7	82.0	63.3	69.5	19.6	34.9	.	.
Q4	464.1	455.6	8.5	285.9	268.2	89.5	82.8	68.9	71.1	19.8	33.6	.	.
2005 Q1	469.3	466.3	3.0	288.4	265.8	92.9	85.0	67.2	75.8	20.7	39.7	.	.
Q2	479.6	479.5	0.1	298.7	279.2	87.2	83.6	72.0	83.3	21.8	33.5	.	.
2004 Oct.	155.1	151.5	3.7	95.6	89.9	30.8	27.4	22.2	23.5	6.6	10.6	.	.
Nov.	156.0	154.1	1.9	95.9	91.1	29.4	27.6	24.2	24.4	6.5	11.0	.	.
Dec.	153.0	150.1	2.9	94.5	87.2	29.3	27.7	22.6	23.1	6.7	12.0	.	.
2005 Jan.	156.2	157.0	-0.8	95.5	88.3	30.9	28.2	22.9	25.9	6.9	14.7	.	.
Feb.	152.7	151.2	1.5	94.9	88.3	31.0	28.1	20.0	23.6	6.7	11.2	.	.
Mar.	160.4	158.1	2.3	98.0	89.3	31.1	28.7	24.2	26.3	7.1	13.8	.	.
Apr.	159.2	158.5	0.8	97.6	91.7	28.4	26.7	25.7	29.6	7.6	10.5	.	.
May	161.1	159.2	1.9	101.0	93.5	28.8	27.4	24.0	26.7	7.3	11.6	.	.
June	159.3	161.8	-2.5	100.1	93.9	30.0	29.5	22.2	27.0	6.9	11.4	.	.

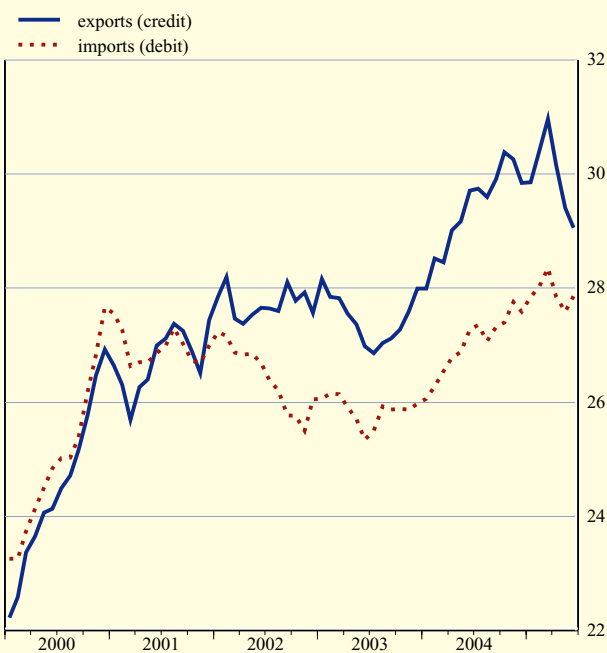
### C28 B.o.p. goods

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



### C29 B.o.p. services

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



Source: ECB.

## 7.1 Balance of payments

(EUR billions)

### 3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	14.9	6.2	232.4	273.0	56.4	51.8	7.6	7.1	19.8	52.3	65.6	71.0	83.0	90.8
2003	14.5	6.3	211.1	265.2	47.9	53.7	10.3	9.6	19.0	50.0	64.6	76.7	69.3	75.2
2004	15.1	6.3	238.9	275.6	66.7	56.8	11.8	11.2	23.9	56.6	73.9	79.3	62.7	71.7
2004 Q1	3.7	1.3	52.5	61.2	11.7	13.3	3.2	2.5	4.6	9.3	17.8	18.7	15.1	17.3
Q2	3.7	1.6	62.4	86.1	18.2	17.0	3.0	2.7	8.1	26.0	17.6	22.8	15.4	17.6
Q3	3.8	1.8	56.6	61.5	14.0	13.8	2.4	2.6	5.7	11.1	19.0	16.5	15.4	17.6
Q4	4.0	1.6	67.5	66.8	22.7	12.7	3.1	3.4	5.4	10.2	19.4	21.3	16.8	19.2
2005 Q1	3.7	1.5	59.8	66.3	13.8	12.9	2.8	2.8	6.1	11.2	19.2	19.0	18.0	20.4

### 4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
2002	-179.9	-179.3	-22.3	-157.0	-0.6	0.0	-0.7	180.6	124.9	1.9	123.0	55.6	0.5	55.2
2003	-136.0	-112.7	-1.7	-111.0	-23.3	-0.1	-23.3	141.4	124.2	3.0	121.2	17.2	0.1	17.1
2004	-155.4	-163.8	-18.0	-145.8	8.4	0.1	8.3	77.3	75.3	3.2	72.1	2.1	0.8	1.3
2004 Q2	-27.9	-24.8	-3.6	-21.2	-3.1	0.0	-3.1	15.8	10.6	0.6	10.0	5.2	0.8	4.5
Q3	-16.4	-27.5	-1.1	-26.4	11.1	0.0	11.1	17.6	17.7	1.5	16.3	-0.1	0.4	-0.6
Q4	-82.7	-89.0	-8.4	-80.5	6.3	0.1	6.2	38.5	33.5	1.8	31.7	5.1	-0.1	5.1
2005 Q1	-36.4	-20.1	-2.8	-17.3	-16.3	0.1	-16.4	12.3	12.0	0.5	11.5	0.3	0.3	0.0
Q2	-28.5	-22.5	-2.6	-19.9	-5.9	0.0	-6.0	18.0	4.9	0.7	4.2	13.1	0.2	12.9
2004 June	-9.7	-11.6	-3.2	-8.5	2.0	0.0	2.0	-0.5	-1.1	0.0	-1.2	0.7	0.4	0.3
July	-18.7	-16.4	0.1	-16.4	-2.3	0.0	-2.3	11.4	11.4	0.2	11.2	0.0	-0.1	0.1
Aug.	9.1	-7.3	0.2	-7.5	16.4	0.0	16.4	-4.0	-1.9	0.3	-2.3	-2.1	0.0	-2.0
Sep.	-6.8	-3.9	-1.3	-2.5	-3.0	0.0	-3.0	10.2	8.3	0.9	7.3	1.9	0.5	1.4
Oct.	-31.9	-25.0	0.0	-25.0	-6.9	0.0	-6.9	18.4	10.8	0.5	10.3	7.6	0.0	7.6
Nov.	-25.4	-24.4	-13.2	-11.2	-1.0	0.1	-1.1	19.6	11.6	0.6	11.0	8.0	0.0	8.0
Dec.	-25.4	-39.5	4.8	-44.3	14.1	0.0	14.1	0.5	11.0	0.7	10.3	-10.5	0.0	-10.5
2005 Jan.	-11.8	-7.6	-0.5	-7.1	-4.2	0.0	-4.2	2.5	4.6	0.1	4.5	-2.1	0.1	-2.1
Feb.	-2.9	-0.6	-1.5	0.9	-2.3	0.0	-2.3	3.1	3.0	0.4	2.6	0.1	0.1	0.1
Mar.	-21.8	-11.9	-0.8	-11.1	-9.9	0.1	-10.0	6.7	4.4	0.0	4.4	2.2	0.2	2.1
Apr.	-12.3	2.1	-1.3	3.4	-14.4	0.0	-14.4	7.4	8.5	0.3	8.2	-1.1	0.1	-1.2
May	5.0	-5.7	-0.6	-5.1	10.8	0.0	10.8	-1.8	-1.8	0.2	-2.0	0.0	0.0	0.0
June	-21.2	-18.9	-0.7	-18.2	-2.3	0.0	-2.3	12.4	-1.8	0.2	-2.0	14.1	0.0	14.1

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

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

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		Liabilities	
			General gov.		General gov.			General gov.							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	-0.4	-7.4	-31.0	-4.4	86.2	-0.7	-17.4	-70.6	-0.9	157.9	2.0	-31.9	-18.8	-1.1	59.8
2003	-0.3	-12.8	-53.8	-2.6	117.2	-2.4	-45.1	-134.8	-0.2	170.4	0.2	-41.3	13.7	0.6	32.4
2004	0.0	-21.9	-52.3	-2.4	123.1	1.2	-80.8	-72.3	-1.3	211.4	-0.1	-42.9	-14.6	0.2	21.8
2004 Q2	0.0	-12.4	-3.8	-0.7	-4.1	0.3	-10.7	-17.6	-0.1	85.4	0.1	-5.0	-3.5	-2.4	-1.7
Q3	0.0	-2.5	-3.9	-0.6	38.5	0.7	-23.0	-15.0	-0.1	39.9	0.0	-14.7	-5.8	-0.7	-6.9
Q4	0.0	-0.9	-19.9	-0.2	68.1	0.6	-20.7	-22.2	-0.5	32.0	-0.1	-12.6	4.8	4.3	-1.8
2005 Q1	0.0	-27.6	-20.8	-0.9	36.0	-0.1	-35.6	-39.2	-0.3	45.6	0.3	5.7	-6.2	-3.6	44.6
Q2	-0.1	22.4	-14.4	.	36.6	-0.7	-32.6	-42.9	.	163.6	-0.4	-11.6	-2.6	.	-0.7
2004 June	0.0	-9.7	-6.8	-	14.5	0.0	-0.5	-5.0	-	29.1	0.3	7.6	-0.3	-	2.4
July	0.0	-8.9	-0.5	-	10.2	-0.3	-12.9	0.7	-	-9.1	0.3	-19.1	1.4	-	-2.4
Aug.	0.0	-4.2	-7.5	-	15.8	0.4	-12.0	-0.7	-	9.8	-0.1	-3.5	-2.2	-	6.8
Sep.	0.0	10.6	4.0	-	12.6	0.6	1.9	-15.0	-	39.2	-0.1	7.9	-5.0	-	-11.3
Oct.	0.0	-3.7	-10.6	-	14.6	0.3	-13.7	-5.1	-	11.7	-0.1	0.6	0.2	-	4.3
Nov.	0.0	-9.1	-5.6	-	23.5	0.4	-5.9	-10.4	-	8.4	0.2	-14.5	5.0	-	-2.0
Dec.	0.0	11.9	-3.6	-	30.0	-0.1	-1.1	-6.7	-	11.9	-0.1	1.3	-0.4	-	-4.2
2005 Jan.	0.0	-9.2	-7.5	-	12.3	-0.1	-27.1	-2.1	-	4.7	0.2	-4.1	-5.8	-	23.0
Feb.	0.0	-16.5	-3.7	-	6.8	-0.2	-3.9	-16.3	-	37.6	0.1	17.1	-1.8	-	1.8
Mar.	0.0	-1.8	-9.5	-	16.9	0.2	-4.6	-20.8	-	3.3	0.0	-7.3	1.4	-	19.7
Apr.	0.0	11.3	-3.0	-	-46.7	-0.9	-8.3	-15.1	-	57.0	-0.3	-12.9	3.2	-	4.8
May	0.0	6.7	-10.9	-	25.9	-0.1	-15.6	-6.7	-	29.7	0.0	-2.6	-6.8	-	3.2
June	0.0	4.4	-0.4	-	57.5	0.3	-8.7	-21.0	-	76.9	-0.1	4.0	1.0	-	-8.7

## 6. Other investment by sector

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2002	-225.1	66.0	-0.9	19.3	0.1	-	-8.3	-168.0	25.8	-35.0	52.1	-133.0	-26.3	-56.3	-	29.2
2003	-240.1	167.6	-0.8	10.0	-0.6	-	-3.9	-154.7	136.2	-59.9	64.4	-94.9	71.8	-84.0	-	25.3
2004	-288.7	277.9	0.1	7.3	-1.8	-1.9	-2.7	-259.6	246.5	-19.9	0.5	-239.7	246.0	-27.4	-5.4	26.8
2004 Q2	-18.6	19.0	0.9	1.7	-4.9	-4.9	3.1	-5.3	22.2	-2.3	6.7	-3.0	15.5	-9.3	10.1	-7.9
Q3	-17.9	10.2	-1.5	3.2	0.2	-0.2	2.2	-24.2	6.5	-7.8	-5.7	-16.5	12.2	7.6	-7.4	-1.7
Q4	-73.3	67.1	1.4	3.7	3.4	3.7	-1.7	-74.0	59.3	0.7	-0.8	-74.7	60.1	-4.1	7.8	5.7
2005 Q1	-172.2	230.7	0.5	4.7	4.4	3.2	0.3	-127.6	194.8	-22.0	9.0	-105.6	185.8	-49.5	-19.1	30.8
Q2	-158.5	81.4	-1.2	0.6	-8.9	-10.0	-2.4	-97.6	42.2	-20.9	24.0	-76.7	18.2	-50.9	11.6	41.0
2004 June	20.3	-31.6	0.5	1.3	-3.3	-3.6	2.9	27.4	-42.4	0.4	2.7	27.1	-45.2	-4.4	-1.2	6.7
July	57.3	-27.8	-0.3	1.5	-0.3	-0.5	-0.4	46.1	-12.7	3.1	-7.8	43.0	-4.9	11.8	2.7	-16.2
Aug.	-31.8	30.9	-0.2	0.2	-0.2	-0.3	0.1	-31.3	18.8	-5.7	2.3	-25.5	16.5	-0.1	-1.2	11.8
Sep.	-43.4	7.2	-1.0	1.5	0.7	0.7	2.6	-39.0	0.4	-5.2	-0.2	-33.9	0.6	-4.0	-8.9	2.7
Oct.	-15.6	3.2	-0.2	1.3	2.0	2.2	0.2	-9.7	-0.3	8.3	5.3	-18.0	-5.6	-7.7	-0.6	2.0
Nov.	-66.6	109.5	0.5	2.0	-0.4	-0.8	1.0	-60.0	97.3	-0.4	3.3	-59.6	94.1	-6.8	-1.5	9.1
Dec.	8.9	-45.5	1.1	0.4	1.8	2.2	-2.9	-4.3	-37.8	-7.3	-9.4	2.9	-28.4	10.4	9.9	-5.3
2005 Jan.	-51.4	105.9	0.7	3.9	0.4	-1.1	2.6	-34.1	94.1	-9.1	11.5	-25.0	82.6	-18.4	-16.1	5.3
Feb.	-65.3	66.7	0.1	-3.5	-1.6	0.4	-4.3	-61.1	62.0	-8.4	4.7	-52.7	57.3	-2.7	5.1	12.5
Mar.	-55.4	58.1	-0.2	4.3	5.7	3.9	2.0	-32.4	38.8	-4.5	-7.1	-27.9	45.9	-28.5	-8.1	13.0
Apr.	-119.2	118.6	0.1	0.0	-5.7	-5.7	-2.1	-97.7	92.2	-10.4	0.2	-87.3	92.0	-16.0	9.8	28.5
May	-11.0	18.3	-0.8	-0.2	-0.1	1.8	0.4	18.8	19.1	-4.6	10.8	23.4	8.3	-28.8	-4.7	-1.0
June	-28.4	-55.4	-0.5	0.9	-3.0	-6.1	-0.6	-18.7	-69.1	-5.9	13.0	-12.8	-82.1	-6.1	6.5	13.4

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-8.0	-0.3
2003	-0.8	0.0	10.0	0.0	-0.1	0.4	-	-	-0.9	0.0	-4.2	0.3
2004	0.4	-0.3	7.1	0.2	0.0	0.1	2.0	-1.9	-1.9	0.0	-2.7	0.0
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.0	-0.3
Q2	0.9	0.0	1.5	0.2	0.0	-4.5	0.4	-4.9	-0.4	0.0	2.8	0.2
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.1	0.1
Q4	1.7	-0.3	3.5	0.2	0.0	3.9	0.2	3.7	-0.4	0.0	-1.6	-0.1
2005 Q1	0.5	0.0	4.7	0.0	0.0	5.0	1.8	3.2	-0.5	0.0	0.6	-0.2

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2002	-163.0	-5.0	27.9	-2.1	-1.9	-50.7	-	-	-3.7	-3.7	26.2	6.6
2003	-154.2	-0.5	136.3	-0.1	0.2	-81.2	-	-	-3.0	3.4	22.7	-0.7
2004	-256.5	-3.1	243.6	2.9	-4.2	-18.0	-12.6	-5.4	-5.2	8.3	18.0	0.6
2004 Q1	-153.5	-2.6	156.8	1.6	-2.8	-17.2	-1.2	-16.0	-1.6	4.8	25.3	0.5
Q2	-4.7	-0.6	22.2	0.0	-3.2	-5.1	-15.3	10.1	-1.0	1.6	-7.4	-2.1
Q3	-22.5	-1.7	5.0	1.5	1.9	6.6	14.0	-7.4	-0.9	-0.2	-4.1	2.7
Q4	-75.8	1.8	59.6	-0.3	0.0	-2.3	-10.1	7.8	-1.8	2.2	4.2	-0.6
2005 Q1	-125.7	-1.9	192.0	2.8	-3.0	-43.7	-24.6	-19.1	-2.9	3.2	23.2	4.5

### 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
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	30.0	1.7	0.0	-1.6	29.9	-1.8	1.6	0.0	23.2	6.9	0.1	0.0
2004	12.3	1.2	0.5	4.0	6.7	-3.8	3.7	0.3	17.8	-11.3	-0.1	0.0
2004 Q1	9.3	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	-0.1	0.0
Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.4	0.1	0.0
Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.0	1.0	2.1	0.0	0.0
Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	-0.1	3.3	-2.6	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.3	-2.9	0.0	0.0

Source: ECB.

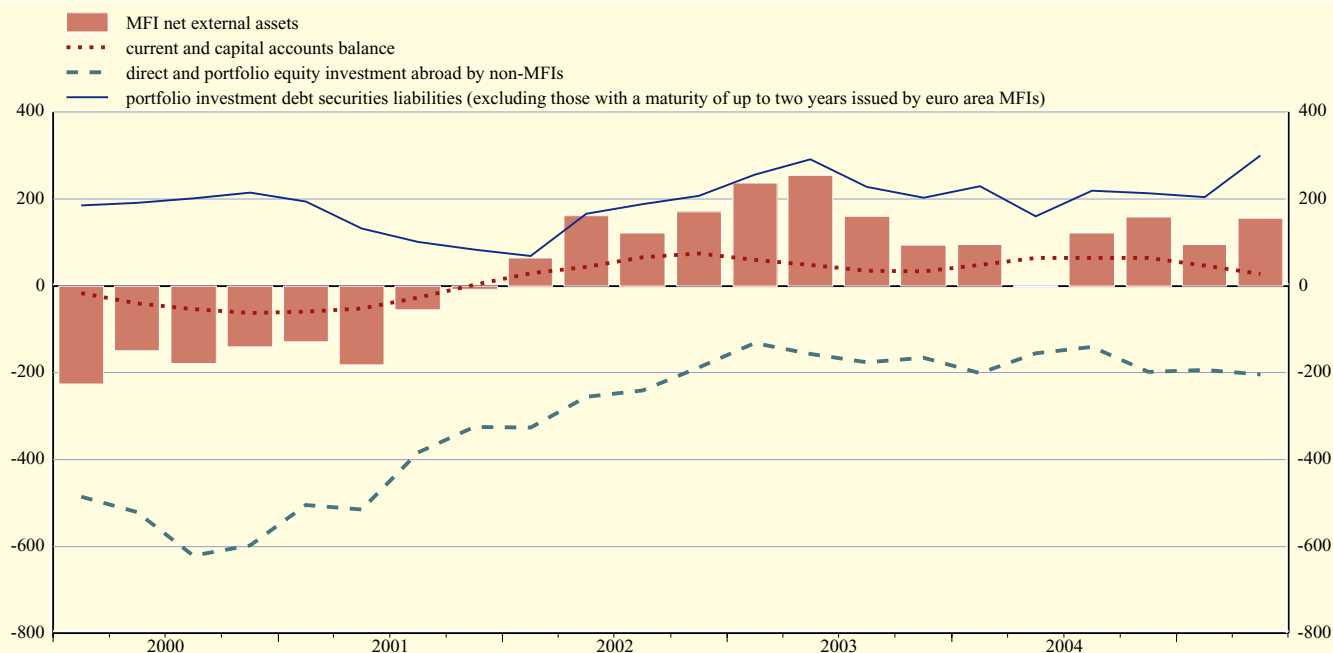
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
					Non-MFIs	Equity <sup>1)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2002	74.6	-157.7	180.1	-120.5	49.9	208.0	-56.2	20.9	-11.0	-30.7	157.5	170.4
2003	33.5	-134.2	141.3	-174.9	121.5	203.1	-84.6	21.5	-12.2	-27.6	87.4	94.1
2004	64.2	-137.4	76.5	-139.1	113.1	213.3	-29.2	24.1	-1.7	-58.7	124.9	158.2
2004 Q2	7.4	-24.3	15.0	-24.9	-4.3	72.7	-14.2	-4.9	-1.2	-18.6	2.8	0.1
Q3	15.5	-15.4	17.2	-24.8	37.6	44.6	7.9	0.5	-1.0	-18.6	63.4	64.6
Q4	21.7	-74.3	38.6	-37.4	75.5	16.8	-0.7	4.1	-4.8	3.7	43.3	57.2
2005 Q1	2.0	-33.7	12.0	-66.2	28.9	71.0	-45.1	31.2	-7.4	-36.4	-43.8	-26.4
Q2	-11.2	-25.8	17.8	-59.9	10.7	168.4	-59.8	38.6	4.9	-25.6	58.0	60.8
2004 June	5.5	-6.5	-0.8	-12.1	13.9	30.4	-7.7	9.6	1.8	-16.7	17.5	14.3
July	9.6	-18.8	11.5	1.6	5.9	-10.3	11.4	-16.6	0.6	8.0	3.0	-0.6
Aug.	4.9	8.9	-4.0	-10.3	15.5	17.9	-0.3	11.9	-4.2	-11.2	29.1	30.3
Sep.	1.0	-5.5	9.7	-16.0	16.1	37.0	-3.3	5.3	2.5	-15.4	31.3	34.9
Oct.	4.1	-31.9	18.5	-15.5	13.3	13.2	-5.7	2.2	-4.0	26.3	20.4	20.3
Nov.	5.7	-12.3	19.6	-11.0	27.3	4.2	-7.1	10.1	1.5	-34.1	3.9	10.5
Dec.	12.0	-30.2	0.5	-10.8	34.9	-0.6	12.2	-8.2	-2.2	11.4	19.0	26.3
2005 Jan.	-7.3	-11.2	2.4	-15.4	9.2	22.6	-18.0	7.9	-3.5	-17.2	-30.5	-17.4
Feb.	5.5	-1.4	3.0	-21.8	13.9	35.9	-4.3	8.2	1.2	-34.1	6.1	13.6
Mar.	3.8	-21.1	6.5	-29.0	5.8	12.6	-22.8	15.0	-5.1	14.8	-19.4	-22.6
Apr.	-9.8	-11.0	7.3	-14.9	-57.2	59.0	-21.6	26.4	-0.6	27.6	5.1	1.8
May	-1.3	5.6	-1.8	-24.4	14.2	30.8	-29.0	-0.6	0.4	-34.9	-41.1	-39.0
June	-0.2	-20.5	12.3	-20.5	53.8	78.6	-9.2	12.8	5.1	-18.3	94.0	98.0
	<i>12-month cumulated transactions</i>											
2005 June	27.9	-149.2	85.5	-188.2	152.7	300.7	-97.7	74.4	-8.4	-77.0	120.9	156.2

## C30 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

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



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

(EUR billions)

### 1. Balance of payments: current and capital accounts

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2004 Q2 to 2005 Q1	1	2	3	4	5	6	7	8	9	10	11	12
<b>Credits</b>												
<b>Current account</b>	1,845.1	679.8	37.6	60.1	368.4	155.8	58.0	24.6	48.7	126.6	312.7	652.7
Goods	1,141.8	399.9	25.7	42.4	204.4	127.2	0.3	14.7	32.9	66.5	172.4	455.5
Services	361.2	127.4	6.8	9.6	89.7	17.1	4.2	4.8	10.5	35.5	73.6	109.4
Income	261.3	93.2	4.7	7.6	65.4	10.1	5.3	4.5	5.0	18.4	60.1	80.1
of which: investment income	246.2	88.3	4.6	7.5	63.9	10.0	2.4	4.4	5.0	12.2	58.4	77.9
Current transfers	80.8	59.4	0.4	0.5	9.0	1.3	48.2	0.6	0.3	6.2	6.6	7.7
<b>Capital account</b>	23.2	20.8	0.0	0.0	0.6	0.1	20.1	0.0	0.0	0.3	1.2	0.9
<b>Debits</b>												
<b>Current account</b>	1,813.7	602.4	34.1	57.5	291.1	131.6	88.0	19.0	83.8	120.8	267.3	720.6
Goods	1,052.2	312.7	24.3	38.9	143.9	105.7	0.0	8.6	51.7	52.5	112.8	513.9
Services	332.6	98.8	5.8	7.3	65.4	20.1	0.2	4.9	7.1	30.2	73.7	117.9
Income	287.2	96.5	3.8	10.5	74.0	4.3	4.0	3.8	24.6	32.8	71.6	57.9
of which: investment income	280.7	93.3	3.7	10.4	73.1	2.2	4.0	3.7	24.5	32.3	70.7	56.2
Current transfers	141.7	94.4	0.3	0.9	7.7	1.6	83.9	1.7	0.3	5.2	9.2	30.9
<b>Capital account</b>	8.0	0.9	0.0	0.0	0.4	0.2	0.3	0.1	0.0	0.2	0.4	6.4
<b>Net</b>												
<b>Current account</b>	31.3	77.5	3.5	2.5	77.3	24.1	-30.0	5.6	-35.1	5.8	45.4	-67.9
Goods	89.5	87.2	1.4	3.5	60.4	21.6	0.2	6.1	-18.8	14.0	59.5	-58.4
Services	28.6	28.7	1.1	2.2	24.3	-2.9	4.0	-0.1	3.4	5.3	-0.1	-8.6
Income	-26.0	-3.4	0.9	-2.9	-8.6	5.8	1.4	0.7	-19.6	-14.5	-11.5	22.3
of which: investment income	-34.6	-5.0	0.9	-2.9	-9.2	7.8	-1.6	0.7	-19.5	-20.1	-12.3	21.7
Current transfers	-60.9	-35.0	0.1	-0.3	1.3	-0.3	-35.7	-1.1	0.0	1.0	-2.5	-23.1
<b>Capital account</b>	15.2	19.9	0.0	0.0	0.3	-0.1	19.8	0.0	0.0	0.0	0.8	-5.5

### 2. Balance of payments: direct investment

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q2 to 2005 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-79.2	-26.9	5.3	-1.3	-26.4	-4.5	0.0	-4.9	-6.1	12.0	12.6	-43.5	-22.5
Abroad	-163.4	-70.2	2.0	-6.6	-55.1	-10.5	0.0	0.6	-10.3	3.4	-3.6	-52.1	-31.2
Equity/reinvested earnings	-161.4	-63.1	-0.8	-2.3	-44.8	-15.2	0.0	1.2	-8.4	0.4	-18.9	-51.5	-21.2
Other capital	-2.0	-7.1	2.9	-4.3	-10.3	4.6	0.0	-0.6	-1.9	3.0	15.3	-0.7	-10.0
In the euro area	84.2	43.3	3.3	5.3	28.7	6.0	0.0	-5.5	4.2	8.5	16.2	8.7	8.8
Equity/reinvested earnings	73.7	38.6	0.6	4.2	32.8	1.0	0.0	-6.5	1.2	7.4	18.8	12.0	2.3
Other capital	10.5	4.7	2.7	1.1	-4.1	5.0	0.0	1.0	3.0	1.2	-2.6	-3.3	6.5

Source: ECB.

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

(EUR billions)

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

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q2 to 2005 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-311.5	-126.1	-2.9	-5.1	-95.0	-15.6	-7.5	-4.8	-41.8	-4.9	-43.3	-50.6	-40.0
Equity	-91.9	-22.4	3.0	-1.3	-21.9	-2.0	-0.1	-1.7	-18.8	-4.3	-18.4	-16.3	-10.0
Debt securities	-219.6	-103.6	-5.8	-3.8	-73.1	-13.6	-7.3	-3.1	-23.0	-0.7	-24.9	-34.3	-30.0
Bonds and notes	-182.6	-84.4	-4.2	-4.2	-55.4	-13.3	-7.3	-3.2	-9.7	-0.1	-42.6	-10.9	-31.7
Money market instruments	-37.0	-19.2	-1.6	0.4	-17.7	-0.3	0.0	0.1	-13.3	-0.6	17.7	-23.4	1.8

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

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q2 to 2005 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	45.1	-23.6	-0.2	-8.7	-19.7	-3.4	8.4	1.7	22.7	6.2	24.8	-3.1	-0.8	17.2
Assets	-281.9	-234.2	-4.2	-16.8	-194.9	-17.9	-0.4	-0.3	17.8	-22.7	-12.8	-15.4	-2.9	-11.3
General government	3.2	1.5	-0.3	0.1	2.0	0.2	-0.6	0.0	0.0	0.0	0.4	-0.3	-1.6	3.3
MFIs	-229.9	-180.3	-4.7	-13.9	-144.4	-17.6	0.3	0.3	17.8	-24.9	-18.3	-1.3	-1.2	-21.9
Other sectors	-55.3	-55.4	0.7	-3.0	-52.5	-0.6	0.0	-0.6	0.0	2.2	5.1	-13.8	-0.1	7.3
Liabilities	327.1	210.6	4.0	8.0	175.2	14.5	8.9	2.1	4.9	28.9	37.6	12.4	2.1	28.5
General government	3.9	1.3	0.0	0.0	-1.0	0.0	2.2	0.0	-0.7	3.0	-0.4	0.0	-0.3	1.0
MFIs	296.2	191.8	4.2	6.5	164.2	12.8	4.0	1.1	4.2	15.8	26.0	11.8	2.6	43.0
Other sectors	27.0	17.5	-0.2	1.5	12.0	1.7	2.6	0.9	1.3	10.1	12.0	0.6	-0.1	-15.4

## 5. International investment position

(End-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2003	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	79.7	-250.1	1.8	-11.1	-346.3	105.6	-0.1	33.0	5.0	71.2	-3.3	-40.2	-0.1	264.2
Abroad	2,110.4	683.3	25.9	63.5	485.0	108.8	0.0	73.0	53.6	231.6	492.8	218.5	0.0	357.6
Equity/reinvested earnings	1,647.3	524.9	22.6	40.3	377.0	85.0	0.0	59.5	45.4	171.4	350.5	206.0	0.0	289.5
Other capital	463.1	158.3	3.4	23.2	107.9	23.8	0.0	13.5	8.2	60.1	142.3	12.5	0.0	68.0
In the euro area	2,030.7	933.4	24.2	74.6	831.2	3.2	0.1	39.9	48.7	160.4	496.2	258.7	0.1	93.4
Equity/reinvested earnings	1,474.4	732.2	18.9	60.2	650.8	2.3	0.0	37.5	38.4	109.7	347.0	135.1	0.1	74.2
Other capital	556.4	201.1	5.2	14.4	180.5	1.0	0.1	2.4	10.2	50.7	149.1	123.6	0.0	19.1
<b>Portfolio investment assets</b>	2,607.4	799.4	48.3	91.7	568.3	45.0	46.1	57.0	117.5	84.7	960.3	284.5	27.8	276.2
Equity	1,054.6	267.4	8.3	26.0	223.5	9.6	0.0	6.8	80.7	75.7	441.6	74.9	0.5	107.0
Debt securities	1,552.8	532.0	40.0	65.7	344.8	35.5	46.1	50.2	36.8	9.0	518.7	209.6	27.3	169.2
Bonds and notes	1,317.0	433.8	37.5	53.6	262.3	34.9	45.5	49.0	35.2	7.9	423.6	197.0	26.2	144.2
Money market instruments	235.8	98.2	2.5	12.0	82.4	0.6	0.6	1.2	1.6	1.2	95.0	12.5	1.1	25.0
<b>Other investment</b>	-314.8	-76.5	33.5	18.1	23.4	12.2	-163.8	2.1	14.1	-52.5	-71.8	-239.6	-6.8	116.1
Assets	2,587.3	1,240.7	49.9	49.1	1,064.8	72.5	4.5	14.2	86.4	170.6	368.4	229.7	38.9	438.4
General government	92.7	9.4	0.0	0.0	4.2	2.4	2.8	0.0	0.3	0.1	2.8	1.1	33.2	45.8
MFIs	1,768.1	961.8	42.2	33.1	834.2	51.7	0.7	6.8	70.3	109.0	233.9	153.0	5.1	228.1
Other sectors	726.4	269.5	7.7	16.0	226.4	18.4	1.0	7.3	15.8	61.5	131.7	75.6	0.5	164.5
Liabilities	2,902.1	1,317.2	16.3	31.0	1,041.4	60.3	168.2	12.1	72.3	223.1	440.1	469.3	45.6	322.3
General government	43.5	25.6	0.0	0.1	4.1	0.2	21.1	0.0	1.6	0.3	5.2	0.3	3.0	7.6
MFIs	2,333.1	1,012.1	13.2	15.5	816.6	48.3	118.5	6.7	50.6	192.0	350.7	436.2	41.3	243.5
Other sectors	525.5	279.5	3.2	15.3	220.7	11.8	28.6	5.4	20.1	30.8	84.3	32.8	1.4	71.2

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							
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.4	79.7	-823.5	-7.5	-314.8	306.5
2004 Q2	-706.4	-9.3	134.4	-842.3	-10.2	-290.5	302.2
Q3	-714.1	-9.4	112.1	-865.8	-6.5	-252.4	298.5
Q4	-874.1	-11.5	58.1	-959.5	-14.4	-239.0	280.7
2005 Q1	-931.4	-11.8	108.6	-1,028.4	-20.8	-275.7	285.0
Outstanding assets							
2001	7,628.1	110.9	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	102.0	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.1	2,110.4	2,607.4	156.6	2,587.3	306.5
2004 Q2	8,317.6	109.2	2,188.7	2,821.9	150.6	2,854.2	302.2
Q3	8,429.8	110.7	2,202.0	2,869.5	167.7	2,892.0	298.5
Q4	8,525.7	112.0	2,252.4	2,933.8	164.9	2,893.9	280.7
2005 Q1	9,028.6	114.7	2,319.0	3,082.5	175.4	3,166.7	285.0
Outstanding liabilities							
2001	8,026.9	116.7	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	110.7	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	116.5	2,030.7	3,430.9	164.1	2,902.1	-
2004 Q2	9,024.0	118.5	2,054.3	3,664.2	160.8	3,144.7	-
Q3	9,143.9	120.1	2,090.0	3,735.3	174.2	3,144.4	-
Q4	9,399.8	123.4	2,194.3	3,893.2	179.4	3,132.9	-
2005 Q1	9,960.0	126.5	2,210.4	4,111.0	196.2	3,442.4	-

### 2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,555.8	124.6	1,431.2	395.6	0.8	394.8	1,175.1	32.5	1,142.6	366.1	2.8	363.3
2002	1,544.1	127.7	1,416.4	333.3	0.3	333.0	1,264.6	37.1	1,227.5	408.6	2.9	405.7
2003	1,647.3	114.8	1,532.5	463.1	0.4	462.7	1,474.4	47.6	1,426.8	556.4	2.9	553.5
2004 Q2	1,709.1	124.9	1,584.1	479.6	1.5	478.1	1,494.5	38.3	1,456.3	559.8	3.6	556.2
Q3	1,757.4	124.3	1,633.1	444.6	1.5	443.1	1,515.4	42.1	1,473.2	574.6	4.0	570.7
Q4	1,809.8	129.3	1,680.5	442.6	1.7	440.9	1,617.8	46.4	1,571.4	576.5	4.3	572.2
2005 Q1	1,853.2	132.9	1,720.2	465.8	1.1	464.7	1,629.5	43.8	1,585.7	580.9	4.5	576.4

### 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		
	Eurosystem	MFI excluding Eurosystem	Non-MFI	Eurosystem	MFI excluding Eurosystem	Non-MFI	Eurosystem		MFI excluding Eurosystem	Non-MFI	General gov.		Other sectors		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	0.6	38.5	6.7	1,070.9	1,640.5	2.0	424.8	8.2	783.6	1,514.8	2.8	135.1	0.2	41.6	180.5
2002	0.7	43.8	8.3	800.5	1,366.1	6.4	404.8	8.0	787.2	1,628.8	1.2	193.8	1.3	46.7	186.7
2003	1.8	52.6	11.5	988.8	1,516.2	8.3	463.7	8.0	837.1	1,701.3	1.1	184.8	0.6	49.2	213.4
2004 Q2	1.8	73.7	14.1	1,075.5	1,620.0	6.9	515.8	8.5	866.4	1,819.2	1.1	198.4	4.0	55.7	225.1
Q3	1.8	75.3	14.4	1,063.8	1,632.3	6.5	539.6	8.6	884.1	1,891.1	0.9	212.0	4.7	57.8	211.9
Q4	1.7	76.3	15.9	1,107.7	1,782.3	6.1	546.2	10.1	895.1	1,902.5	1.0	219.3	0.5	53.8	208.4
2005 Q1	1.7	106.0	15.9	1,144.4	1,861.1	5.9	588.1	9.3	934.6	1,997.6	0.5	214.0	4.1	58.0	252.2

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosysteem					General government							
	Assets		Liabilities			Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2001	3.0	0.1	40.5	0.2	3.1	68.6	-	-	55.8	0.2	44.8	12.3	
2002	3.4	0.1	57.2	0.2	1.3	58.7	-	-	54.4	0.1	42.8	13.5	
2003	4.2	0.6	65.3	0.2	1.4	53.2	49.1	4.1	38.1	0.0	39.7	3.8	
2004 Q2	4.3	0.6	66.0	0.2	1.4	60.6	50.2	10.5	39.5	0.0	39.0	3.5	
Q3	5.6	0.6	69.5	0.2	1.4	60.1	49.4	10.7	38.9	0.0	40.8	3.3	
Q4	4.6	2.2	71.8	0.2	1.4	58.5	51.3	7.2	38.9	0.0	41.0	3.1	
2005 Q1	4.0	2.2	77.5	0.2	1.4	55.6	49.4	6.2	39.6	0.0	42.6	2.8	

	MFIs (excluding Eurosysteem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2001	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9
2004 Q2	1,943.5	25.1	2,458.8	32.8	169.9	509.0	189.2	319.8	100.4	111.0	385.7	47.5
Q3	1,946.2	29.1	2,437.5	38.3	169.7	538.3	198.9	339.4	102.1	111.4	393.4	50.0
Q4	1,955.2	45.4	2,426.9	44.2	155.8	527.4	199.1	328.3	104.5	106.4	392.3	47.0
2005 Q1	2,119.3	58.4	2,676.1	60.4	163.9	611.5	256.9	354.6	110.8	115.4	412.3	55.1

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Total	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)				Currency and deposits	Securities			Financial derivatives					
								With monetary authorities and the BIS	With banks	Total		Equity				Bonds and notes
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosysteem																
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	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Q4	280.7	125.4	389.998	3.9	18.6	132.8	12.5	25.5	94.6	0.5	58.2	35.9	0.1	0.0	19.1	-12.8
2005 Q1	285.0	127.7	387.359	4.0	17.4	135.8	7.7	27.8	100.4	0.5	59.0	40.9	-0.1	0.0	21.4	-15.1
2005 May	291.7	129.3	384.622	4.2	17.3	141.0	9.9	29.5	102.0	-	-	-	-0.4	0.0	23.3	-17.3
June	302.2	138.2	382.323	4.2	16.5	143.3	12.4	28.3	102.9	-	-	-	-0.3	0.0	23.4	-17.7
July	296.2	135.2	381.223	4.2	14.7	142.0	8.3	29.2	104.8	-	-	-	-0.3	0.0	23.4	-16.3
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Q4	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Q1	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	0.0	7.7	14.9	0.0	0.0	2.7	-0.9
2005 May	37.8	7.8	23.145	0.2	0.0	29.9	1.8	5.4	22.6	-	-	-	0.0	0.0	2.4	-0.4
June	39.7	8.4	23.145	0.2	0.0	31.2	3.8	5.1	22.3	-	-	-	0.0	0.0	2.6	-1.4
July	39.7	8.2	23.145	0.2	0.0	31.4	2.1	6.5	22.8	-	-	-	0.0	0.0	2.0	-1.1

Source: ECB.

## 7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

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

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2001	6.1	-0.7	1,062.7	506.0	235.2	289.2	932.4	1,014.4	579.1	178.9	228.5	741.1	107.7
2002	2.0	-3.0	1,084.1	512.4	227.9	309.5	949.2	984.7	559.5	163.2	234.3	717.8	105.2
2003	-2.3	0.5	1,059.1	500.8	222.9	300.4	925.3	988.8	553.9	164.3	241.0	716.0	109.0
2004	8.6	8.9	1,145.5	540.7	242.4	310.3	988.3	1,073.4	596.8	179.0	252.4	760.2	128.2
2004 Q1	4.8	0.0	278.2	131.0	59.1	75.9	241.4	252.5	138.3	42.0	62.4	183.1	26.3
Q2	11.9	9.3	286.7	134.8	60.0	78.7	245.7	263.6	145.8	45.2	62.2	186.0	29.3
Q3	8.9	14.5	288.9	137.0	61.0	78.4	249.6	277.1	156.1	45.1	63.9	193.7	36.2
Q4	8.9	12.3	291.7	137.9	62.3	77.3	251.6	280.1	156.7	46.7	63.9	197.4	36.5
2005 Q1	3.5	8.8	291.5	137.4	61.7	77.2	255.0	277.3	154.6	44.6	63.1	196.8	36.0
Q2	6.2	10.9	300.9	142.1	62.6	80.0	256.9	288.8	161.5	48.3	64.6	200.4	38.1
2005 Jan.	6.7	10.7	97.2	45.9	20.6	25.8	85.9	92.0	50.5	15.0	20.9	65.4	11.3
Feb.	3.9	8.4	96.7	45.6	20.3	25.4	83.4	91.5	50.3	14.5	20.9	65.1	11.0
Mar.	0.7	7.6	97.6	45.9	20.7	26.0	85.7	93.8	53.7	15.1	21.4	66.3	13.7
Apr.	4.9	10.6	99.4	47.2	20.9	26.2	85.4	95.0	53.3	16.2	21.0	66.0	13.3
May	7.1	12.9	101.0	47.3	20.7	26.4	86.4	96.7	54.5	15.4	21.3	67.5	12.9
June	6.7	9.3	100.5	47.6	21.1	27.5	85.2	97.1	53.7	16.7	22.3	66.9	11.9
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	5.1	-0.8	104.9	102.1	108.6	107.9	105.4	98.8	99.3	96.3	100.6	97.8	99.3
2002	2.9	-0.7	108.0	105.0	106.2	115.1	108.2	98.3	98.8	89.5	104.1	96.4	101.4
2003	1.0	3.7	109.0	105.9	108.0	114.9	109.3	101.8	100.5	95.2	110.4	100.0	104.9
2004	8.5	6.2	117.8	113.9	118.7	118.7	117.1	107.8	102.5	105.5	116.8	106.0	104.5
2004 Q1	7.7	4.9	115.9	112.3	116.3	117.2	115.6	105.6	101.5	99.4	116.5	103.7	101.6
Q2	11.4	6.1	117.8	113.8	117.2	119.9	116.4	106.5	101.5	105.8	115.3	103.9	99.6
Q3	7.5	8.2	118.0	114.5	118.6	119.5	117.6	109.0	104.2	105.3	117.2	107.0	113.1
Q4	7.5	5.8	119.6	115.0	122.6	118.3	118.9	110.0	102.8	111.5	118.1	109.5	103.8
2005 Q1	1.4	2.6	119.0	113.5	121.7	117.7	120.0	109.4	102.2	108.2	116.4	109.2	106.4
Q2	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Jan.	5.0	6.1	119.5	114.5	121.8	118.4	121.4	110.5	103.4	110.3	115.7	109.3	109.6
Feb.	1.5	2.2	118.6	112.9	120.0	116.5	117.9	108.3	99.5	105.5	115.7	108.3	97.4
Mar.	-1.5	-0.1	118.9	113.1	123.2	118.3	120.6	109.3	103.9	108.7	117.9	110.0	112.4
Apr.	2.9	3.7	120.9	115.8	123.3	119.4	120.1	109.6	101.5	117.7	116.2	110.0	102.7
May	5.9	8.2	122.9	116.9	122.8	120.3	121.9	112.5	105.2	111.5	118.3	112.4	104.9
June	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.4	102.9	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.1	2.5	97.0	96.4	94.4	99.5	96.2	97.2	98.5	92.6	97.9	96.2	99.7
2004 Q1	-2.7	-4.6	95.7	94.8	93.9	98.7	95.3	93.4	92.2	92.3	97.0	94.8	84.3
Q2	0.4	3.0	97.1	96.2	94.6	99.9	96.3	96.7	97.2	93.3	97.8	96.1	95.8
Q3	1.3	5.8	97.7	97.2	95.0	99.9	96.8	99.3	101.4	93.5	98.7	97.2	104.1
Q4	1.2	6.1	97.3	97.5	94.0	99.6	96.6	99.5	103.1	91.5	98.1	96.8	114.5
2005 Q1	2.1	6.0	97.7	98.3	93.7	99.9	97.0	99.0	102.3	90.0	98.2	96.7	110.2
Q2	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Jan.	1.6	4.3	97.4	97.6	93.9	99.6	96.8	97.5	99.3	89.1	98.2	96.4	100.6
Feb.	2.4	6.1	97.6	98.4	93.8	99.7	96.9	99.0	102.6	90.1	98.0	96.8	110.7
Mar.	2.2	7.7	98.2	99.0	93.3	100.4	97.3	100.5	105.0	90.8	98.4	97.0	119.3
Apr.	1.9	6.6	98.4	99.3	94.0	100.2	97.3	101.5	106.6	90.3	98.0	96.7	126.9
May	1.1	4.3	98.3	98.8	93.4	100.2	96.9	100.7	105.2	90.3	98.1	96.7	119.9
June	.	.	.	.	.	.	.	.	.	.	.	.	.

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	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Exports (f.o.b.)</b>															
2001	1,062.7	24.4	37.0	202.5	105.8	24.7	66.4	17.9	180.2	25.2	34.5	140.3	60.5	49.9	93.4
2002	1,084.1	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.7
2003	1,059.1	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.3	31.3	135.4	59.6	37.9	99.9
2004	1,145.5	25.5	41.8	203.2	126.8	35.6	66.1	31.8	173.5	40.3	33.1	149.6	63.6	40.2	114.5
2004 Q1	278.2	6.1	10.0	49.6	31.3	8.1	15.5	7.9	42.5	9.7	8.4	36.8	15.1	9.6	27.5
2004 Q2	286.7	6.3	10.4	50.6	31.5	9.0	16.3	8.2	43.9	10.6	8.0	36.7	15.8	9.9	29.5
2004 Q3	288.9	6.5	10.5	51.7	31.2	9.3	17.2	8.0	43.3	10.0	8.4	38.7	16.8	10.3	27.1
2004 Q4	291.7	6.6	10.8	51.3	32.8	9.2	17.1	7.7	43.7	10.0	8.2	37.4	15.9	10.5	30.4
2005 Q1	291.5	6.6	10.9	49.9	33.0	9.7	17.4	7.9	43.5	10.1	8.5	39.1	17.0	11.0	26.8
2005 Q2	300.9	6.9	10.9	50.1	33.8	10.4	16.9	7.9	45.6	9.5	8.4	40.1	17.0	11.0	32.4
2005 Jan.	97.2	2.2	3.6	16.6	11.3	3.2	5.9	2.7	14.6	3.4	2.8	13.7	5.6	3.7	7.9
2005 Feb.	96.7	2.2	3.6	16.7	10.9	3.2	5.6	2.5	14.4	3.3	2.8	12.5	5.4	3.7	9.9
2005 Mar.	97.6	2.2	3.7	16.6	10.9	3.3	5.9	2.7	14.5	3.5	2.9	12.9	6.0	3.6	9.0
2005 Apr.	99.4	2.3	3.7	16.5	11.3	3.4	5.6	2.7	14.9	3.2	2.9	13.8	5.5	3.9	9.6
2005 May	101.0	2.3	3.7	16.8	11.2	3.5	5.7	2.7	15.2	3.2	2.7	13.2	6.0	3.7	11.1
2005 June	100.5	2.3	3.6	16.8	11.4	3.5	5.6	2.5	15.4	3.1	2.8	13.0	5.4	3.5	11.6
<i>% share of total exports</i>															
2004	100.0	2.2	3.6	17.7	11.1	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.6	3.5	10.0
<b>Imports (c.i.f.)</b>															
2001	1,014.4	22.0	35.6	154.6	88.8	42.8	52.9	16.7	138.7	57.5	58.6	150.5	74.0	41.0	80.6
2002	984.7	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.8	52.7	142.7	67.9	39.4	81.0
2003	988.8	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.3	52.2	141.4	68.9	39.8	83.1
2004	1,073.4	24.4	39.4	141.9	107.5	56.2	53.4	22.8	113.5	92.0	53.6	163.0	72.2	44.9	88.4
2004 Q1	252.5	6.0	9.4	33.9	27.0	12.3	12.8	5.0	26.4	20.6	13.5	36.2	16.5	10.6	22.1
2004 Q2	263.6	5.8	9.8	34.6	26.3	13.5	13.2	5.7	29.6	22.4	12.9	40.8	17.1	10.9	21.1
2004 Q3	277.1	6.2	10.1	37.4	26.6	14.6	13.7	6.0	28.8	23.8	13.7	42.9	19.0	11.6	22.6
2004 Q4	280.1	6.3	10.1	36.0	27.5	15.9	13.8	6.1	28.7	25.2	13.4	43.2	19.6	11.7	22.5
2005 Q1	277.3	6.1	10.0	35.4	26.9	16.7	13.5	6.2	29.0	26.2	13.0	40.5	20.0	12.0	21.8
2005 Q2	288.8	6.5	10.0	36.8	28.6	17.3	14.3	5.8	29.9	26.8	12.6	45.6	21.5	11.6	21.5
2005 Jan.	92.0	2.0	3.3	11.8	9.2	5.0	4.5	2.1	9.6	8.5	4.3	12.9	6.4	4.0	8.4
2005 Feb.	91.5	2.0	3.3	11.7	9.0	5.8	4.4	2.0	9.6	8.6	4.2	13.9	6.4	4.0	6.6
2005 Mar.	93.8	2.1	3.3	11.9	8.7	5.9	4.5	2.1	9.8	9.0	4.5	13.7	7.3	4.0	6.9
2005 Apr.	95.0	2.1	3.4	12.4	9.3	5.7	4.6	2.0	9.9	8.7	4.1	14.8	7.0	3.9	7.2
2005 May	96.7	2.3	3.4	11.9	9.7	5.9	4.8	2.1	10.0	9.2	4.2	15.0	7.4	3.9	7.0
2005 June	97.1	2.2	3.3	12.5	9.6	5.7	4.9	1.8	10.0	8.9	4.3	15.8	7.0	3.8	7.3
<i>% share of total imports</i>															
2004	100.0	2.3	3.7	13.2	10.0	5.2	5.0	2.1	10.6	8.6	5.0	15.2	6.7	4.2	8.2
<b>Balance</b>															
2001	48.4	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.0	-10.2	-13.6	8.9	12.9
2002	99.4	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.4	-31.9	-19.7	-2.3	-8.3	4.0	19.7
2003	70.4	1.1	1.7	56.0	15.5	-18.2	12.9	5.6	56.0	-39.1	-20.9	-6.0	-9.4	-1.8	16.8
2004	72.1	1.2	2.4	61.3	19.3	-20.7	12.7	9.0	59.9	-51.8	-20.5	-13.4	-8.6	-4.7	26.1
2004 Q1	25.7	0.1	0.6	15.7	4.2	-4.2	2.7	2.9	16.1	-11.0	-5.1	0.6	-1.4	-1.0	5.3
2004 Q2	23.2	0.5	0.6	16.0	5.2	-4.4	3.1	2.6	14.3	-11.8	-4.9	-4.0	-1.3	-1.0	8.4
2004 Q3	11.7	0.2	0.4	14.2	4.6	-5.3	3.6	2.0	14.5	-13.9	-5.3	-4.2	-2.2	-1.3	4.5
2004 Q4	11.6	0.3	0.7	15.3	5.3	-6.7	3.3	1.6	15.0	-15.1	-5.3	-5.8	-3.7	-1.2	7.8
2005 Q1	14.2	0.5	1.0	14.5	6.1	-7.0	4.0	1.7	14.5	-16.1	-4.5	-1.4	-3.1	-1.0	5.0
2005 Q2	12.0	0.4	0.9	13.3	5.3	-6.9	2.6	2.1	15.7	-17.3	-4.2	-5.5	-4.5	-0.6	10.9
2005 Jan.	5.2	0.1	0.3	4.8	2.1	-1.8	1.4	0.6	5.1	-5.2	-1.5	0.8	-0.8	-0.2	-0.5
2005 Feb.	5.2	0.3	0.3	5.0	1.8	-2.6	1.2	0.5	4.8	-5.3	-1.4	-1.4	-0.9	-0.3	3.3
2005 Mar.	3.8	0.1	0.4	4.7	2.2	-2.6	1.4	0.6	4.7	-5.6	-1.6	-0.8	-1.3	-0.4	2.1
2005 Apr.	4.4	0.2	0.3	4.1	2.0	-2.3	1.0	0.8	5.0	-5.5	-1.2	-0.9	-1.4	0.0	2.4
2005 May	4.2	0.0	0.3	4.8	1.4	-2.3	0.9	0.6	5.2	-6.0	-1.6	-1.8	-1.4	-0.2	4.1
2005 June	3.4	0.1	0.3	4.4	1.8	-2.3	0.7	0.7	5.5	-5.8	-1.5	-2.8	-1.6	-0.4	4.4

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



## EXCHANGE RATES

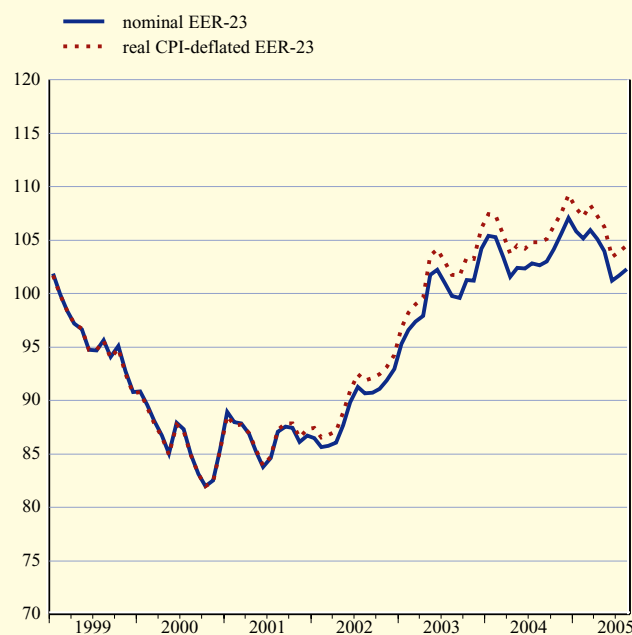
### 8.1 Effective exchange rates <sup>1)</sup>

(period averages; index 1999 Q1=100)

	EER-23						EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2002	89.2	90.4	91.9	90.3	88.6	88.4	94.8	90.9	
2003	99.9	101.7	102.2	101.6	100.2	99.6	106.6	101.6	
2004	103.8	105.9	105.3	105.5	104.4	104.0	111.0	105.4	
2004 Q2	102.1	104.1	103.7	104.1	102.7	102.4	109.2	103.8	
Q3	102.8	104.9	104.4	104.4	102.6	103.1	110.1	104.5	
Q4	105.7	107.7	106.7	107.0	106.5	105.5	113.0	107.1	
2005 Q1	105.7	107.9	107.1	107.2	105.9	105.3	112.6	106.6	
Q2	103.4	105.7	104.4	.	.	.	110.1	104.1	
2004 Aug.	102.7	104.8	104.3	-	-	-	109.9	104.5	
Sep.	103.0	105.1	104.5	-	-	-	110.3	104.7	
Oct.	104.2	106.3	105.3	-	-	-	111.5	105.8	
Nov.	105.6	107.6	106.5	-	-	-	113.1	107.0	
Dec.	107.1	109.2	108.3	-	-	-	114.4	108.4	
2005 Jan.	105.8	108.0	107.2	-	-	-	112.9	106.9	
Feb.	105.1	107.2	106.6	-	-	-	111.9	105.9	
Mar.	106.0	108.3	107.4	-	-	-	112.9	106.9	
Apr.	105.1	107.3	106.0	-	-	-	111.9	105.9	
May	104.0	106.3	104.7	-	-	-	110.6	104.7	
June	101.2	103.4	102.4	-	-	-	107.6	101.8	
July	101.7	103.9	102.7	-	-	-	108.0	102.0	
Aug.	102.3	104.5	103.3	-	-	-	108.7	102.7	
	<i>% change versus previous month</i>								
2005 Aug.	0.6	0.6	0.6	-	-	-	0.7	0.6	
	<i>% change versus previous year</i>								
2005 Aug.	-0.4	-0.3	-1.0	-	-	-	-1.1	-1.7	

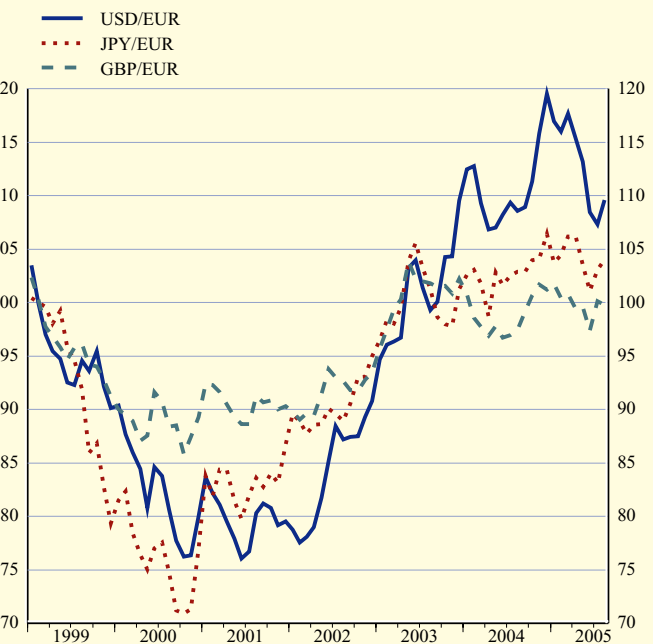
### C31 Effective exchange rates

(monthly averages; index 1999 Q1=100)



### C32 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
2002	7.4305	9.1611	0.62883	0.9456	118.06	1.4670	1,175.50	7.3750	1.6912	1.4838	7.5086	1.7376
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2004 Q4	7.4343	9.0128	0.69507	1.2977	137.11	1.5335	1,415.11	10.0964	2.1481	1.5835	8.1987	1.7132
2005 Q1	7.4433	9.0736	0.69362	1.3113	137.01	1.5488	1,340.74	10.2257	2.1452	1.6083	8.2388	1.6878
2005 Q2	7.4463	9.2083	0.67856	1.2594	135.42	1.5437	1,269.53	9.8090	2.0885	1.5677	8.0483	1.6389
2005 Feb.	7.4427	9.0852	0.68968	1.3014	136.55	1.5501	1,330.26	10.1507	2.1327	1.6128	8.3199	1.6670
2005 Mar.	7.4466	9.0884	0.69233	1.3201	138.83	1.5494	1,329.44	10.2960	2.1522	1.6064	8.1880	1.6806
2005 Apr.	7.4499	9.1670	0.68293	1.2938	138.84	1.5475	1,306.82	10.0899	2.1375	1.5991	8.1763	1.6738
2005 May	7.4443	9.1931	0.68399	1.2694	135.37	1.5449	1,272.34	9.8900	2.0962	1.5942	8.0814	1.6571
2005 June	7.4448	9.2628	0.66895	1.2165	132.22	1.5391	1,231.12	9.4597	2.0342	1.5111	7.8932	1.5875
2005 July	7.4584	9.4276	0.68756	1.2037	134.75	1.5578	1,248.53	9.3590	2.0257	1.4730	7.9200	1.6002
2005 Aug.	7.4596	9.3398	0.68527	1.2292	135.98	1.5528	1,255.33	9.5529	2.0439	1.4819	7.9165	1.6144
% change versus previous month												
2005 Aug.	0.0	-0.9	-0.3	2.1	0.9	-0.3	0.5	2.1	0.9	0.6	0.0	0.9
% change versus previous year												
2005 Aug.	0.3	1.7	2.4	1.0	1.1	0.9	-10.9	0.6	-2.1	-7.4	-5.0	-5.8
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New Roman ian leu <sup>1)</sup> 24
2002	30.804	15.6466	0.57530	0.5810	3.4594	242.96	0.4089	3.8574	225.98	42.694	1.9492	31.270
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37.551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2004 Q4	31.125	15.6466	0.57769	0.6801	3.4528	245.94	0.4314	4.2342	239.83	39.454	1.9559	39,839
2005 Q1	30.012	15.6466	0.58267	0.6962	3.4528	245.01	0.4316	4.0267	239.74	38.294	1.9559	37,069
2005 Q2	30.129	15.6466	0.57824	0.6960	3.4528	249.75	0.4295	4.1301	239.54	38.919	1.9558	36,195
2005 Feb.	29.957	15.6466	0.58315	0.6961	3.4528	243.69	0.4309	3.9867	239.74	38.044	1.9559	36,733
2005 Mar.	29.771	15.6466	0.58319	0.6961	3.4528	244.81	0.4317	4.0123	239.70	38.253	1.9559	36,292
2005 Apr.	30.134	15.6466	0.58282	0.6961	3.4528	248.19	0.4299	4.1559	239.65	39.232	1.9553	36,277
2005 May	30.220	15.6466	0.57806	0.6960	3.4528	251.95	0.4293	4.1749	239.51	39.004	1.9561	36,175
2005 June	30.034	15.6466	0.57405	0.6960	3.4528	249.04	0.4293	4.0606	239.47	38.535	1.9558	36,136
2005 July	30.180	15.6466	0.57367	0.6961	3.4528	246.47	0.4293	4.0986	239.48	38.886	1.9558	35,647
2005 Aug.	29.594	15.6466	0.57321	0.6960	3.4528	244.49	0.4293	4.0436	239.51	38.681	1.9557	35,034
% change versus previous month												
2005 Aug.	-1.9	0.0	-0.1	0.0	0.0	-0.8	0.0	-1.3	0.0	-0.5	0.0	-1.7
% change versus previous year												
2005 Aug.	-6.4	0.0	-0.9	5.7	0.0	-1.8	0.7	-8.7	-0.2	-3.6	0.0	-
	Chinese yuan renminbi <sup>2)</sup> 25	Croatian kuna <sup>2)</sup> 26	Icelandic krona 27	Indonesian rupiah <sup>2)</sup> 28	Malaysian ringgit <sup>2)</sup> 29	New Zealand dollar 30	Philippine peso <sup>2)</sup> 31	Russian rouble <sup>2)</sup> 32	South African rand 33	Thai baht <sup>2)</sup> 34	New Turkish lira <sup>3)</sup> 35	
2002	7.8265	7.4130	86.18	8,785.12	3.5933	2.0366	48.837	29.7028	9.9072	40.637	1,439,680	
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851	
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052	
2004 Q4	10.7423	7.5528	86.19	11,840.69	4.9324	1.8526	73.035	36.9618	7.8379	52.191	1,871,592	
2005 Q1	10.8536	7.5081	80.67	12,165.35	4.9835	1.8299	72.084	36.5154	7.8793	50.622	1,7412	
2005 Q2	10.4232	7.3443	80.79	12,032.61	4.7858	1.7597	68.847	35.3733	8.0799	50.497	1,7193	
2005 Feb.	10.7719	7.5176	80.74	12,039.68	4.9458	1.8192	71.305	36.3910	7.8337	50.078	1,7104	
2005 Mar.	10.9262	7.4577	79.15	12,377.13	5.0167	1.8081	71.842	36.4789	7.9635	50.908	1,7333	
2005 Apr.	10.7080	7.3908	80.71	12,362.94	4.9163	1.7967	70.435	35.9794	7.9649	51.165	1,7645	
2005 May	10.5062	7.3272	82.36	12,033.61	4.8237	1.7665	68.966	35.4730	8.0500	50.562	1,7396	
2005 June	10.0683	7.3169	79.30	11,716.31	4.6234	1.7175	67.214	34.6951	8.2194	49.793	1,6560	
2005 July	9.8954	7.3090	78.40	11,803.89	4.5590	1.7732	67.394	34.5513	8.0790	50.199	1,6133	
2005 Aug.	9.9589	7.3684	78.37	12,283.08	4.6216	1.7675	68.768	35.0119	7.9508	50.604	1,6534	
% change versus previous month												
2005 Aug.	0.6	0.8	0.0	4.1	1.4	-0.3	2.0	1.3	-1.6	0.8	2.5	-
% change versus previous year												
2005 Aug.	-1.2	0.0	-10.0	9.0	-0.1	-5.0	1.1	-1.6	1.2	0.1	-	-

Source: ECB.

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

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

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





## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.4	1.0	1.3
2004 Q4	2.7	1.2	4.4	2.8	7.2	3.0	5.9	2.2	4.5	3.5	6.0	1.1	1.4
2005 Q1	1.4	1.0	4.5	2.5	6.7	3.1	3.5	2.3	3.6	2.8	2.6	0.7	1.7
Q2	1.2	1.6	3.6	2.1	6.7	2.4	3.6	2.2	2.2	2.2	2.4	0.5	1.9
2005 Mar.	1.2	1.3	4.8	2.4	6.6	3.3	3.3	2.6	3.4	3.3	2.3	0.5	1.9
Apr.	1.4	1.7	4.7	2.8	7.1	3.2	3.8	2.0	3.1	2.7	2.5	0.4	1.9
May	0.9	1.3	2.9	2.0	6.5	1.9	3.5	2.4	2.2	2.1	2.3	0.2	1.9
June	1.3	1.7	3.2	1.5	6.6	2.0	3.7	2.1	1.4	1.7	2.5	0.8	2.0
July	1.4	1.9	3.9	1.3	6.3	1.9	3.6	1.7	1.5	2.0	2.0	0.7	2.3
General government deficit (-)/surplus (+) as a % of GDP <sup>1)</sup>													
2002	-6.8	1.7	1.4	-4.5	-2.7	-1.4	-8.5	-5.9	-3.6	-2.4	-5.7	-0.3	-1.7
2003	-11.7	1.2	3.0	-6.3	-1.5	-1.2	-6.2	-10.5	-4.5	-2.0	-3.7	0.2	-3.4
2004	-3.0	2.8	1.7	-4.2	-0.5	-1.4	-4.5	-5.2	-4.8	-1.9	-3.3	1.4	-3.2
General government gross debt as a % of GDP <sup>1)</sup>													
2002	30.7	47.2	5.3	65.2	14.1	22.4	55.5	62.7	41.2	29.5	43.3	52.4	38.3
2003	38.3	44.7	5.3	69.8	14.4	21.4	56.9	71.8	45.4	29.4	42.6	52.0	39.7
2004	37.4	42.7	4.8	71.9	14.3	19.7	57.6	75.0	43.6	29.4	43.6	51.2	41.6
Long-term government bond yield as a % per annum, period average													
2005 Feb.	3.55	3.64	-	6.06	4.03	3.80	6.84	4.72	5.73	3.92	3.80	3.76	4.66
Mar.	3.62	3.82	-	5.89	3.94	3.73	6.83	4.72	5.55	3.89	3.60	3.86	4.87
Apr.	3.55	3.58	-	5.87	3.87	3.82	6.91	4.71	5.49	3.95	3.76	3.58	4.67
May	3.49	3.39	-	5.84	3.87	3.87	7.00	4.66	5.35	3.92	3.54	3.34	4.45
June	3.31	3.16	-	5.13	3.87	3.78	6.59	4.56	4.91	3.90	3.36	3.11	4.31
July	3.35	3.21	-	4.84	3.87	3.61	6.13	4.55	4.72	3.78	3.22	3.06	4.31
3-month interest rate as a % per annum, period average													
2005 Feb.	2.25	2.19	2.40	5.13	3.97	2.59	8.45	2.97	6.54	4.05	2.90	2.12	4.89
Mar.	2.08	2.19	2.40	4.96	3.26	2.49	-	2.98	6.15	4.05	2.29	2.11	4.99
Apr.	2.03	2.18	2.40	4.89	2.92	2.44	7.43	3.24	5.78	4.05	2.56	2.11	4.94
May	1.78	2.18	2.39	4.67	2.85	2.42	7.52	3.25	5.48	4.05	2.75	2.05	4.89
June	1.75	2.16	2.34	4.11	2.81	2.36	-	3.27	5.22	4.05	2.88	1.82	4.84
July	1.78	2.16	2.33	3.92	2.71	2.32	6.50	3.28	4.68	4.04	2.89	1.64	4.66
Real GDP													
2003	3.2	0.7	6.7	2.0	7.5	9.7	2.9	-1.9	3.8	2.5	4.5	1.5	2.5
2004	4.4	2.4	7.8	3.8	8.5	6.7	4.2	1.0	5.4	4.6	5.5	3.6	3.2
2004 Q4	4.6	3.0	6.8	3.1	8.6	6.3	4.0	1.4	3.7	3.4	5.8	2.6	2.7
2005 Q1	4.4	1.9	6.9	3.9	7.4	6.5	3.6	-0.1	3.8	2.7	5.1	2.1	2.1
Q2	.	.	.	.	.	6.7	.	.	.	.	5.1	2.0	1.7
Current and capital accounts balance as a % of GDP													
2003	-6.3	3.3	-12.6	-3.3	-7.6	-6.5	-8.8	-5.6	-2.2	-1.0	-0.5	7.0	-1.4
2004	-5.7	2.4	-12.5	-5.0	-11.3	-5.9	-8.4	-8.6	-1.1	-1.6	-3.4	8.2	-1.8
2004 Q3	-7.4	2.5	-4.4	5.1	-11.6	-5.0	-8.1	-7.2	-0.7	-0.7	-3.4	8.5	-2.7
Q4	-7.8	0.5	-16.3	-12.6	-7.1	-2.5	-7.1	-17.6	0.5	-2.6	-3.6	7.3	-0.9
2005 Q1	2.3	3.2	-8.5	-13.6	-9.2	-3.7	-6.7	-9.9	1.5	-0.2	-1.9	9.0	-1.4
Unit labour costs													
2003	7.6	2.0	4.9	-	5.2	1.5	7.4	-	.	4.8	3.5	0.6	3.2
2004	1.2	0.9	3.0	-	8.7	.	.	-	.	.	2.1	.	2.0
2004 Q3	1.4	1.1	3.2	-	-	.	-	-	.	-	3.5	-1.2	0.7
Q4	0.7	0.3	2.9	-	-	.	-	-	.	-	5.1	-0.4	1.3
2005 Q1	-0.2	1.9	3.1	-	-	.	-	-	.	-	5.7	2.8	4.6
Standardised unemployment rate as a % of labour force (s.a.)													
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.7	8.0	19.2	6.5	17.5	5.6	5.0
2004	8.3	5.4	9.2	5.0	9.8	10.7	5.9	7.3	18.8	6.0	18.0	6.4	4.7
2004 Q4	8.2	5.2	8.4	5.3	9.7	9.6	6.1	7.0	18.4	5.8	17.1	6.4	4.6
2005 Q1	8.1	5.0	8.0	5.4	9.5	8.8	6.3	6.9	18.0	5.8	16.1	6.3	4.6
Q2	7.8	4.9	7.9	5.0	9.1	8.2	6.3	6.7	17.8	5.9	15.5	.	.
2005 Mar.	8.0	4.9	7.9	5.1	9.4	8.6	6.3	6.9	18.0	5.8	15.8	6.3	4.6
Apr.	7.9	4.9	7.9	4.8	9.2	8.4	6.3	6.9	17.9	5.8	15.6	.	4.7
May	7.8	4.9	7.9	5.0	9.1	8.2	6.3	6.7	17.8	5.9	15.5	.	4.7
June	7.8	4.8	7.8	5.3	9.0	7.9	6.3	6.6	17.7	5.9	15.4	.	.
July	7.7	.	7.6	5.3	8.8	7.8	6.4	6.5	17.6	5.9	15.2	.	.

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

1) Ratios are computed using GDP excluding Financial Intermediation Services Indirectly Measured (FISIM).

9.2 In the United States and Japan

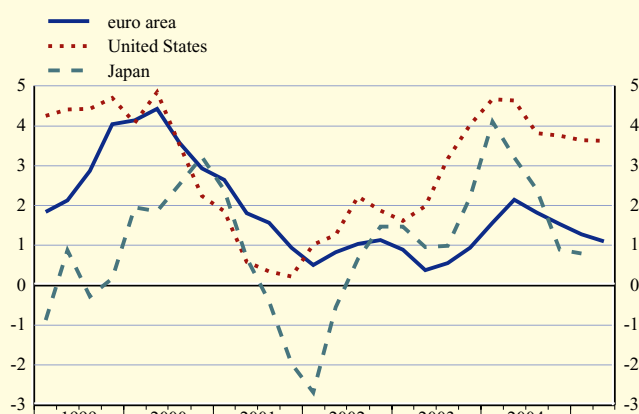
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup> (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup> as a % per annum	10-year government bond yield <sup>3)</sup> as a % per annum	Exchange rate <sup>5)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.2	1.6	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.3
2003	2.3	2.9	2.7	0.0	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-2.9	4.2	4.9	5.5	5.2	1.62	4.26	1.2439	-4.7	48.6
2004 Q2	2.9	-4.6	4.6	5.6	5.6	5.7	1.30	4.58	1.2046	-4.8	48.2
Q3	2.7	-2.2	3.8	5.5	5.4	4.8	1.75	4.29	1.2220	-4.8	48.4
Q4	3.3	-1.5	3.8	5.1	5.4	5.8	2.30	4.17	1.2977	-4.3	48.6
2005 Q1	3.0	2.5	3.6	4.5	5.3	5.8	2.84	4.30	1.3113	-3.7	49.6
Q2	2.9	3.7	3.6	3.3	5.1	4.7	3.28	4.16	1.2594	.	.
2005 Apr.	3.5	-	-	3.2	5.2	5.0	3.15	4.34	1.2938	-	-
May	2.8	-	-	3.0	5.1	4.4	3.27	4.14	1.2694	-	-
June	2.5	-	-	3.6	5.0	4.8	3.43	4.00	1.2165	-	-
July	3.2	-	-	2.9	5.0	5.0	3.61	4.16	1.2037	-	-
Aug.	.	-	-	.	.	.	3.80	4.26	1.2292	-	-
Japan											
2001	-0.7	4.4	0.2	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.5
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	149.2
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	.	.
2004 Q2	-0.3	-6.7	3.2	7.2	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.7	2.4	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	-1.5	0.9	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	-0.2	-1.0	0.8	1.4	4.6	2.0	0.05	1.41	137.01	.	.
Q2	-0.1	.	.	0.3	4.4	1.7	0.05	1.28	135.42	.	.
2005 Apr.	0.0	0.8	-	0.3	4.4	1.9	0.05	1.32	138.84	-	-
May	0.2	1.1	-	0.3	4.4	1.5	0.05	1.27	135.37	-	-
June	-0.5	.	-	0.2	4.2	1.6	0.05	1.24	132.22	-	-
July	-0.3	.	-	-2.2	.	1.7	0.06	1.26	134.75	-	-
Aug.	.	.	-	.	.	.	0.06	1.43	135.98	-	-

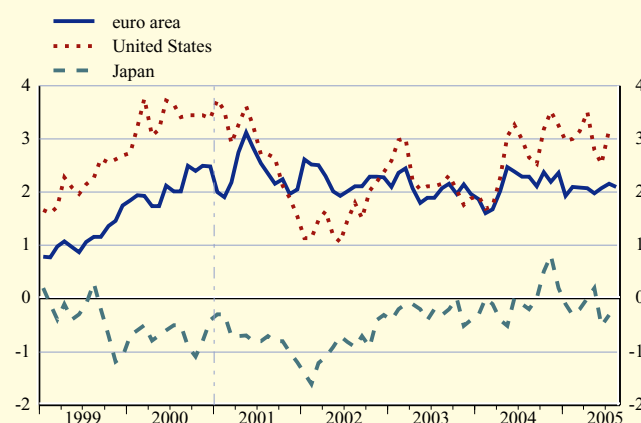
C33 Real gross domestic product

(annual percentage changes; quarterly)



C34 Consumer price indices

(annual percentage changes; monthly)



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

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

## 9.2 In the United States and Japan

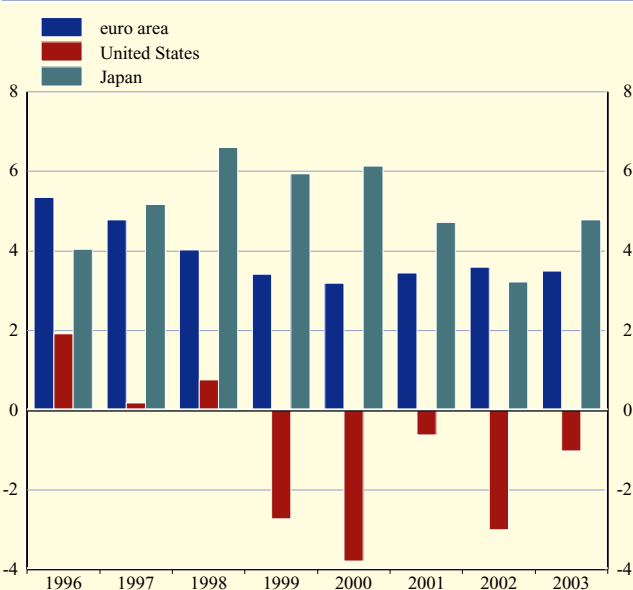
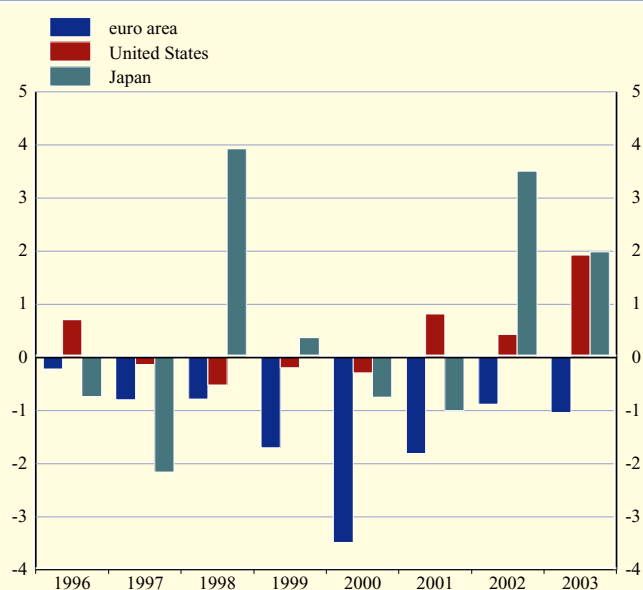
(as a percentage of GDP)

### 2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving 1	Gross capital formation 2	Net lending to the rest of the world 3	Gross capital formation 4	Gross fixed capital formation 5	Net acquisition of financial assets 6	Gross saving 7	Net incurrence of liabilities 8	Securities and shares 9	Capital expenditures <sup>2)</sup> 10	Net acquisition of financial assets 11	Gross saving <sup>3)</sup> 12	Net incurrence of liabilities 13
United States													
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.5	0.9	1.7	12.8	5.1	10.8	5.7
2002	14.2	18.4	-4.4	7.3	7.3	1.2	7.9	0.8	-0.1	12.9	3.6	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	3.3	8.3	1.3	0.8	13.2	7.1	10.6	8.1
2004	14.0	19.7	-5.4	7.7	7.4	5.1	8.5	3.2	0.6	13.4	6.1	10.5	9.6
2003 Q2	13.2	18.1	-4.8	6.8	7.0	3.5	8.3	1.9	2.0	13.1	10.3	10.5	11.8
Q3	13.7	18.6	-4.6	7.0	7.1	2.4	8.5	0.4	0.3	13.4	9.3	11.2	7.5
Q4	14.4	18.8	-4.3	7.2	7.2	3.5	8.9	1.1	0.0	13.4	4.1	10.7	4.3
2004 Q1	13.7	19.1	-4.9	7.4	7.2	6.1	8.7	4.0	1.0	13.1	6.0	10.2	10.2
Q2	13.9	19.8	-5.4	7.7	7.3	4.9	8.6	2.9	-0.6	13.4	6.5	10.3	9.1
Q3	13.8	19.7	-5.4	7.6	7.4	4.1	8.9	2.5	0.2	13.5	6.9	10.4	9.2
Q4	14.5	20.1	-6.0	7.9	7.6	5.4	8.0	3.3	1.8	13.5	4.9	11.2	9.8
2005 Q1	14.6	20.3	-6.2	8.1	7.6	5.5	8.4	4.4	1.3	13.5	4.6	10.1	8.0
Japan													
2001	26.6	25.8	2.0	15.3	15.3	-2.8	14.4	-6.4	0.2	4.9	2.8	8.6	0.2
2002	25.7	24.2	2.8	13.8	14.1	-1.7	15.4	-7.4	-0.8	4.8	-0.2	9.1	-2.1
2003	26.4	23.9	3.1	14.3	14.4	2.3	16.1	-5.3	-0.1	4.6	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.6	.	0.8	0.6	.	1.9	.	-0.7
2003 Q2	23.7	23.3	2.9	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	25.9	24.0	3.7	.	.	9.2	.	-5.6	-0.6	.	-3.7	.	1.4
Q4	27.9	24.8	2.9	.	.	10.5	.	5.5	1.1	.	9.5	.	-1.4
2004 Q1	31.0	24.0	3.9	.	.	12.5	.	-1.9	-0.3	.	-7.2	.	2.6
Q2	.	23.0	.	.	.	-13.7	.	-11.2	1.3	.	8.0	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	-0.5	.	-2.1	.	1.5
Q4	.	24.6	.	.	.	12.1	.	14.6	1.9	.	8.3	.	-0.5
2005 Q1	.	24.4	.	.	.	12.5	.	0.7	-1.1	.	-11.5	.	4.1

**C35 Net lending of non-financial corporations**  
(as a percentage of GDP)

**C36 Net lending of households<sup>1)</sup>**  
(as a percentage of GDP)



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

1) Including non-profit institutions serving households.

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

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



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## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website ([www.ecb.int](http://www.ecb.int)) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

The annual growth rate  $a_t$  for month  $t$  – i.e. the change in the 12 months ending in month  $t$  – may be calculated using either of the following two formulae:

$$f) a_t = \left[ \prod_{i=0}^{11} \left( 1 + \frac{F_{t-i}^M}{L_{t-i}} \right) - 1 \right] \times 100$$

$$g) a_t = \left( \frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in g) by dividing the index of December 2002 by the index of December 2001.

Growth rates for intra-annual periods may be derived by adapting formula g). For example, the month-on-month growth rate  $a_t^M$  may be calculated as:

$$h) a_t^M = \left( \frac{I_t}{I_{t-1}} - 1 \right) \times 100$$

Finally, the three-month moving average (centred) for the annual growth rate of M3 is obtained as  $(a_{t+1} + a_t + a_{t-1})/3$ , where  $a_t$  is defined as in f) or g) above.

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

If  $F_t^Q$  and  $L_{t-3}$  are defined as above, the index  $I_t$  of adjusted outstanding amounts for the quarter ending in month  $t$  is defined as:

$$i) I_t = I_{t-3} \times \left( 1 + \frac{F_t^Q}{L_{t-3}} \right)$$

The annual growth rate in the four quarters ending in month  $t$ , i.e.  $a_t$ , may be calculated using formula g).

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS<sup>1</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA.<sup>2</sup> The seasonal adjustment may include a day-of-the-week adjustment, and for some series is carried out indirectly by means of a linear combination of components. In particular, this is the case for M3, derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.<sup>3</sup> The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions.

Seasonal (and trading day) factors are revised at annual intervals or as required.

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

If  $T_t$  represents the transactions in quarter  $t$  and  $L_t$  represents the outstanding amount at the end of quarter  $t$ , then the growth rate for the quarter  $t$  is calculated as:

$$j) \frac{\sum_{i=0}^3 T_{t-i}}{L_{t-4}} \times 100$$

#### RELATING TO SECTION 4.3 AND 4.4

#### CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of adjusted outstanding amounts. If  $N_t^M$  represents the

<sup>1</sup> For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website ([www.ecb.int](http://www.ecb.int)), under the "Money, banking and financial markets" sub-section.

<sup>2</sup> For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

<sup>3</sup> It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

transactions (net issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of adjusted outstanding amounts in month  $t$  is defined as:

$$k) \quad I_t = I_{t-1} \times \left( 1 + \frac{N_t}{L_{t-1}} \right)$$

As a base, the index is set equal to 100 on December 2001. The growth rate  $a_t$  for month  $t$  corresponding to the change in the 12 months ending in month  $t$ , may be calculated using either of the following two formulae:

$$l) \quad a_t = \left[ \prod_{i=0}^{11} \left( 1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$m) \quad a_t = \left( \frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used rather than an “F”. The reason for this is to distinguish between the different ways of obtaining “net issues” for securities issues statistics, where the ECB collects information on gross issues and redemptions separately, and “transactions” used for the monetary aggregates.

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

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

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

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

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.

#### RELATING TO TABLE I IN SECTION 5.1

#### SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

#### RELATING TO TABLE 2 IN SECTION 7.1

#### SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods and services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and current transfers, the working-day adjustment is corrected for national public holidays. Data on

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)), under the “Money, banking and financial markets” sub-section.



service credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. Current transfers debits are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.



## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.int](mailto:statistics@ecb.int).

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 31 August 2005.

All data relate to the Euro 12, unless otherwise indicated. For the monetary data, the Harmonised Index of Consumer Prices (HICP), investment fund and financial market statistics, the statistical series relating to the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate. Where applicable, this is shown in the tables by means of a footnote; in the charts, the break is indicated by a dotted line. In these cases, where underlying data are available, absolute and percentage changes for 2001, calculated from a base in 2000, use a series which takes into account the impact of Greece’s entry into the euro area.

Given that the composition of the ECU does not coincide with the former currencies of the countries which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States which have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated,

price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group “Other EU Member States” comprises the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Sweden and United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term “up to (x) years” means “up to *and including* (x) years”.

### OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

### MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational

framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed

on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

## **MONEY, BANKING AND INVESTMENT FUNDS**

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item “net external assets”.

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the “Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

In line with this Regulation, the balance sheet item “money market paper” has been merged with the item “debt securities” on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors’ funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

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. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

## FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues

differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (i.e. debt securities) issued by euro area residents. Columns 9 to 11 show the percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for issuers resident in the euro area which is in line with the ESA 95<sup>3</sup>. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in Section 4.1, column 5. The outstanding amounts for total and long-term debt securities issued by MFIs in Table 4.2.1, column 2, are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2 of Section 2.1, column 8.

The total gross issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total gross issues by euro area residents in Section 4.1, column 6. The residual difference between long-term debt securities in Section 4.1, column 6, and total fixed and variable rate long-term debt securities in Table 2 of Section 4.2, column 7 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows annual 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 annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Annual percentage changes for monthly data refer to the end of the month, whereas for quarterly and yearly data, those percentage changes refer to the annual change in the period average. 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

<sup>3</sup> The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in

each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

## PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>4</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial

4 OJL 162, 5.6.1998, p. 1.

Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>5</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index<sup>6</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003<sup>7</sup>. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

## GOVERNMENT FINANCE

Sections 6.1 to 6.4 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 Section 6.4 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>8</sup>

<sup>5</sup> OJL 86, 27.3.2001, p. 11.

<sup>6</sup> OJL 69, 13.3.2003, p. 1.

<sup>7</sup> OJL 169, 8.7.2003, p. 37.

<sup>8</sup> OJL 172, 12.7.2000, p. 3.



amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002<sup>9</sup> on quarterly non-financial accounts for general government.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)<sup>10</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2004), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004),

which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics ([www.cmfb.org](http://www.cmfb.org)). The first annual quality report on the euro area b.o.p./i.i.p. (January 2005), which is based on the Task Force’s recommendations, is available on the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as

<sup>9</sup> OJ L 179, 9.7.2002, p. 1.

<sup>10</sup> OJ L 354, 30.11.2004, p. 34.

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 four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

## EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using

consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

## DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.



## CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>

### 9 JANUARY 2003

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.

### 23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always 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 pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

### 6 FEBRUARY 2003

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.

### 6 MARCH 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

### 3 APRIL 2003

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 MAY 2003

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.

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 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 and on pages 234 to 235 of the ECB's Annual Report 2002 respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

#### **5 JUNE 2003**

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage

point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

#### **10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

#### **12 JANUARY 2004**

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

#### **5 FEBRUARY, 4 MARCH 2004**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

**10 MARCH 2004**

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

**1 APRIL, 6 MAY, 3 JUNE, 1 JULY,  
5 AUGUST, 2 SEPTEMBER, 7 OCTOBER,  
4 NOVEMBER, 2 DECEMBER 2004 AND  
13 JANUARY 2005**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

**14 JANUARY 2005**

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

**3 FEBRUARY, 3 MARCH, 7 APRIL,  
4 MAY, 2 JUNE, 7 JULY, 4 AUGUST AND  
1 SEPTEMBER 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.





# THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM



## PAYMENT FLOWS IN TARGET

In the second quarter of 2005 TARGET processed a daily average of 291,541 payments with a value of €1,919 billion. Both figures are the highest recorded since the start of TARGET in January 1999. Compared with the previous quarter, this represented an increase of 5% in terms of volume and 2% in terms of value.

TARGET's overall market share remained at the same high levels for both value (89%) and volume (58%) terms. When compared to the same period last year the market share has increased 2% in terms of value. This is largely explained by the increase of 18% in the inter-Member State customer payments segment.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed on average 222,025 intra-Member State payments with a value of €1,275 billion per business day in the second quarter of 2005. This represented an increase of 6% in volume and 2% in value as compared with the previous quarter. Compared with the corresponding period in 2004, the volume increased by 6%, and the value increased by 9%. Intra-Member State traffic accounted for 76.2% of the total volume and 66.4% of the total value of TARGET payments. The average value of an intra-Member State payment decreased from €5.9 million in the first quarter of 2005 to €5.7 million in the second quarter. At the intra-Member State level, 67% of payments were below €50,000, while 10% were above €1 million. On average there were 148 intra-Member State payments per day with a value above €1 billion. The highest intra-Member State traffic was recorded on 30 June, the last day of the half-year, when a total of 319,852 payments with a total value of €1,843 billion were processed.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 69,515 payments with a total value of €644 billion in the second quarter of 2005. Compared with the first quarter, this represented an increase of 3% in terms of volume and 2% in terms of value. Interbank payments only marginally increased in volume by less than 1% but increased by 2% in value as compared with the previous quarter. For customer payments, an increase of 6% was observed in terms of both volume and value. The proportion of interbank payments in the average daily inter-Member State traffic was 48% in volume and 95% in value. The average value of interbank payments increased from €18 million to €18.3 million and that of customer payments grew from €895,000 to €902,000 as compared with the first quarter. 64% of the inter-Member State payments had a value below €50,000. 15% had a value above €1 million. On average there were 48 inter-Member State payments per day with a value above €1 billion. The highest inter-Member State traffic was recorded on 30 June, the last day of the half-year, when a total of 94,191 payments with a total value of €900 billion were processed.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the second quarter of 2005 TARGET achieved an overall availability of 99.81%, compared with 99.73% in the first quarter. The number of incidents with an effect on TARGET's availability was 19, which was 12 less than in the previous quarter. Incidents considered for the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. During the second quarter of 2005 there was one incident that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM). In the



**Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total volume	17,264,247	16,871,971	18,033,316	17,219,984	18,952,096
Daily average	274,036	255,636	273,232	277,741	291,541
<b>Inter-Member State TARGET payments</b>					
Total volume	4,286,846	4,068,531	4,305,815	4,183,482	4,518,137
Daily average	68,045	61,644	65,240	67,476	69,515
<b>Intra-Member State TARGET payments</b>					
Total volume	12,977,401	12,803,440	13,727,501	13,036,502	14,433,959
Daily average	205,990	193,992	207,992	210,266	222,025
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total volume	9,840,955	10,831,383	11,382,418	10,883,591	11,856,745
Daily average	156,206	164,112	172,420	175,542	182,452
<b>Paris Net Settlement (PNS)</b>					
Total volume	1,767,244	1,700,070	1,766,831	1,681,581	1,760,484
Daily average	28,051	25,759	26,770	27,122	27,098
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total volume	184,269	128,745	119,693	127,802	183,226
Daily average	2,925	1,951	1,813	2,061	2,811
<b>Servicio Español de Pagos Interbancarios (SPI)</b>					
Total volume	316,448	237,482	139,269		
Daily average	5,023	3,598	2,360		

**Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions**

(EUR billions)	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total value	111,025	107,592	116,389	116,318	124,726
Daily average	1,762	1,630	1,763	1,876	1,919
<b>Inter-Member State TARGET payments</b>					
Total value	36,046	35,378	38,226	39,152	41,846
Daily average	572	536	579	631	644
<b>Intra-Member State TARGET payments</b>					
Total value	74,979	72,214	78,163	77,166	82,881
Daily average	1,190	1,094	1,184	1,245	1,275
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total value	10,987	10,487	11,005	10,483	10,850
Daily average	174	159	167	169	167
<b>Paris Net Settlement (PNS)</b>					
Total value	4,765	4,217	4,215	3,922	4,102
Daily average	76	64	64	63	63
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total value	117	117	113	122	117
Daily average	2	2	2	2	2
<b>Servicio Español de Pagos Interbancarios (SPI)</b>					
Total value	60	110	37		
Daily average	1	2	1		

**Table 3 TARGET availability for each national component and the ECB payment mechanism (EPM)**

National TARGET component	Availability Q2 2005
Belgium	99.77%
Denmark	99.90%
Germany	98.92%
Greece	99.70%
Spain	99.96%
France	99.71%
Ireland	100.00%
Italy	100.00%
Luxembourg	99.64%
The Netherlands	100.00%
Austria	100.00%
Poland	100.00%
Portugal	100.00%
Finland	100.00%
Sweden	99.56%
United Kingdom	100.00%
ECB payment mechanism	99.83%
Overall TARGET availability	99.81%

second quarter 95.62% of inter-Member State payments were processed in less than five minutes, 3.78% needed between 5 minutes and 15 minutes and 0.30% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes only for 209 payments per day, which should be seen in the context of the 69,515 inter-Member State payments processed on average every day.

### TARGET AT SIBOS, COPENHAGEN

Since 2000 the Eurosystem has presented the TARGET system at the annual Sibos conference, which is organised by SWIFT. This year the Eurosystem will again be present at Sibos in Copenhagen from 5 to 8 September 2005. This presence is considered an excellent opportunity for Sibos participants to learn more about the euro, the financial services available in the euro area, the TARGET system and its second generation, TARGET2. The Eurosystem's stand will provide up-to-date information in all kinds of media. Members of Eurosystem staff will be pleased to answer visitors' questions. Furthermore a special interest session on TARGET2 will be organised on Tuesday, 6 September from 4 to 5.30 p.m.





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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](http://www.ecb.int/home/glossary/html/index.en.html)).

**Autonomous liquidity factors:** liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

**Bank lending survey:** 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.

**Central parity:** the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

**Compensation per employee:** the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

**Consolidated balance sheet of the MFI sector:** a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

**Debt (financial accounts):** loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

**Debt (general government):** the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

**Debt security:** a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Debt-to-GDP ratio (general government):** the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

**Deficit (general government):** the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

**Deficit 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.

**Deposit facility:** a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

**Direct investment:** cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

**Effective exchange rates (EERs) of the euro (nominal/real):** weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

**EONIA (euro overnight index average):** a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

**Equities:** securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

**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 sectors, 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).

**Eurozone Purchasing Managers' Surveys:** surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

**External trade in goods:** exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

**Fixed rate tender:** a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

**Gross domestic product (GDP):** the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

**Gross monthly earnings:** gross monthly wages and salaries of employees, including employees' social security contributions.

**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 (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of all hours worked by them (including overtime).

**Implied volatility:** a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

**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-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.

**Job vacancies:** a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

**Labour force:** the sum total of persons in employment and the number of unemployed.

**Labour productivity:** the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

**M1:** a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Main refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

**MFI credit to euro area residents:** MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

**MFI interest rates:** the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

**MFI longer-term financial liabilities:** deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

**MFIs (monetary financial institutions):** financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

**Portfolio investment:** euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

**Survey of Professional Forecasters (SPF):** a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Yield curve:** a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

