



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 01 | 2006

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MONTHLY BULLETIN
JANUARY

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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 12 January 2006, the Governing Council of the ECB decided, on the basis of its regular economic and monetary analyses, to keep the key ECB interest rates unchanged, following the increase of 25 basis points on 1 December 2005. The information which has become available since then supports the assessment that an adjustment of the very accommodative monetary policy stance was warranted. It remains essential to keep medium to long-term inflation expectations in the euro area solidly anchored at levels consistent with price stability. Such anchoring of inflation expectations is a prerequisite for monetary policy to make an ongoing contribution towards supporting economic growth and job creation in the euro area. Maintaining price stability over the medium term is the ECB's guiding principle, and the Governing Council will consistently apply it when examining new information, making judgements and taking decisions. With interest rates across the whole maturity spectrum remaining historically low in both nominal and real terms, and with the monetary policy stance remaining accommodative, the Governing Council will continue to monitor very closely all developments with respect to risks to price stability over the medium term.

Starting with the economic analysis underlying the Governing Council's assessment, the information available confirms that, as expected, real GDP growth improved in the second half of 2005. According to Eurostat's first estimate, real GDP grew at a quarter-on-quarter rate of 0.6% in the third quarter of 2005, compared with 0.4% in the second quarter. The breakdown of GDP data for the third quarter of 2005 confirmed a stronger contribution from domestic demand. Moreover, recent economic indicators and survey data support the view that the expansion of economic activity broadly maintained its momentum in the fourth quarter of 2005 and will continue to do so in the first months of 2006, notwithstanding the impact of high oil prices.

Looking further ahead, the conditions remain in place for sustained growth of economic activity,

in line with the Eurosystem staff projections and other available forecasts. On the external side, the continued strength of global demand should support euro area exports. On the domestic side, investment should further benefit from continued very favourable financing conditions, robust corporate earnings and gains in corporate efficiency. Consumption growth should gradually rise, broadly in line with expected developments in disposable income.

Risks to this outlook for economic growth continue to lie on the downside and relate to high and volatile oil prices, concerns about global imbalances and the level of consumer confidence in the euro area, although the latter is improving.

Turning to price developments, annual HICP inflation was 2.2% in December, according to Eurostat's flash estimate, compared with 2.3% in November and 2.5% in October. This decline was the result of some relaxation of earlier tensions in oil and petrol markets. Nevertheless, annual HICP inflation rates are expected to remain at elevated levels over the short term, mainly on account of the most recent increases in oil prices and some adverse base effects. Beyond the short term, indirect effects of past oil price rises on other components of the price index may gradually materialise, and already announced changes to administered prices and indirect taxes can be expected to have an upward impact. Meanwhile, wage increases have remained moderate over recent quarters. All in all, the information available remains consistent with the scenario for price developments reflected in the December staff projections.

Risks to this scenario remain on the upside and include further rises in oil prices, additional increases in administered prices and indirect taxes, as well as – more fundamentally – potential second-round effects in wage and price-setting behaviour. It is therefore crucial that the social partners continue to meet their responsibilities, also in the context of a more favourable economic environment.

Turning to the monetary analysis, the annual growth rate of M3 moderated somewhat in November, but remained very robust, mainly owing to the stimulative impact of the prevailing low level of interest rates. The strong growth of M3 continues to be driven by significant contributions from its most liquid components. The growth of loans to the private sector – and, in particular, mortgage borrowing – has strengthened further over recent months, from already rapid rates of growth. Against this background, price dynamics in the housing markets need to be monitored closely. Liquidity in the euro area remains ample by all plausible measures. Strong monetary and credit growth in a context of already ample liquidity in the euro area points to upside risks to price stability over medium to longer horizons.

To sum up, the economic analysis suggests that some upward impact on HICP inflation will result from the indirect effects of recent oil price rises and already announced changes to administered prices and indirect taxes. It also indicates that risks to price stability over the medium term remain on the upside. This assessment is confirmed by cross-checking the economic analysis with the monetary analysis. It is essential that such risks do not affect medium-term inflation expectations, which need to remain firmly anchored at levels consistent with price stability. Monetary policy can thereby effectively contribute to sustainable economic growth and job creation. Accordingly, the Governing Council will continue to monitor very closely all developments with respect to risks to price stability over the medium term.

As regards fiscal policy, most euro area countries have submitted their updated stability programmes, which include their medium-term budget plans. The upcoming assessment of these programmes by the ECOFIN Council and their subsequent implementation provide an opportunity to forcefully underpin the commitment to sound fiscal policies and the rigorous implementation of the Stability and Growth Pact, which would have an important positive effect on confidence. This effect is

likely to be considerable if triggered by well-defined and credible consolidation measures, restraint in expenditure commitments, and the incorporation of fiscal measures into a comprehensive and growth-friendly reform agenda.

With respect to structural reforms, the Governing Council welcomes the ECOFIN Council's Conclusions of 6 December 2005 on the Lisbon National Reform Programmes and the intended response to the challenges of globalisation. In fact, the process of international economic and financial integration, characterised by strong growth in trade and capital flows, has been one of the driving factors behind the rise in Europe's prosperity over the past decades. The ongoing transformation of the world economy, reflecting technological advances and the entrance of new economies into the world market, again offers great opportunities in terms of higher living standards. In order to translate these chances into achievements, Europe would greatly benefit from more flexible labour and product markets so as to speed up the necessary changeover from contracting to expanding activities and to minimise adjustment costs. It would also profit considerably from a more stimulative business environment which fosters the ability to innovate, invest and create new firms. Moreover, a fully operational EU internal market, including for services, offers great opportunities. The initiatives taken to relaunch the Lisbon strategy are a welcome step in the right direction.

This issue of the Monthly Bulletin contains two articles. The first article reviews the main conceptual issues relating to the predictability of the ECB's monetary policy and discusses how a transparent monetary policy strategy and constant communication have allowed the ECB to achieve a high level of overall predictability. The second article describes the main features of the hedge fund industry, with an emphasis on the European dimension, and provides an overview of recent developments in the industry and the current policy debate on regulation.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

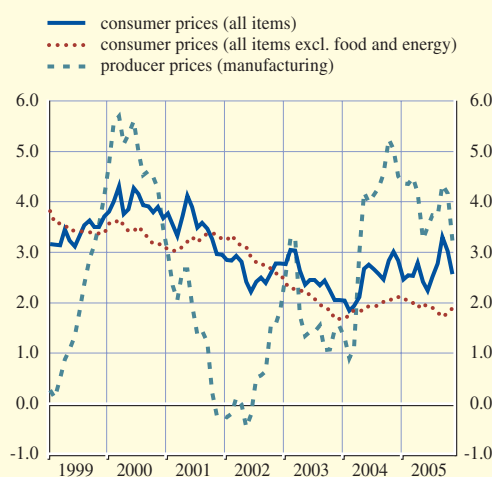
The global economy continues to expand at a relatively robust pace, with particularly strong activity in the United States and Asia. In late 2005, consumer price inflation fell in a number of countries. Overall, the outlook for the external environment and euro area external demand remains favourable.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy continues to expand at a relatively robust pace, with particularly strong activity in the United States and Asia. Survey evidence suggests that, at the moment, global activity is being supported by the services sector in particular, with a renewed moderation in the manufacturing sector of some countries, most notably the United States. Partly reflecting the decline in oil prices following the spike caused by the hurricanes in the United States, annual consumer price inflation moderated somewhat in a number of countries in late 2005 (see Chart 1). For the OECD countries, annual CPI inflation receded to 2.6% in November, after a high of 3.3% in September. Excluding food and energy, however, it increased slightly to 1.9% in November.

Chart 1 Price developments in the OECD countries

(annual percentage changes; monthly data)



Source: OECD.

UNITED STATES

In the United States, economic activity expanded solidly in the third quarter. Real GDP growth increased to an annualised rate of 4.1% from 3.3% in the second quarter. Personal consumption, business investment in equipment and software, and federal government spending were the main contributors to this increase. A small negative contribution stemmed from net trade due to a deceleration in real exports and a return to positive real import growth.

Recent activity indicators show that the momentum of economic expansion remains strong. According to the latest available information, industrial production has fully recovered from the output losses suffered as a result of the hurricanes. Likewise, manufacturing activity continued to be fairly robust, although it may have slowed down slightly recently. Employment conditions seem to be improving fairly steadily after a short period of weakness, primarily as a result of job losses in hurricane-affected regions.

Private consumption spending continued to grow rapidly, partly due to improving employment conditions, while business fixed investment, especially in equipment and software, also remained strong. Annual headline inflation declined further to 3.5% in November because of a sharp decline in energy prices, while annual CPI excluding food and energy stood at 2.1%, as in October.

The outlook for real GDP growth remains positive, although there are signs that the brisk pace of economic activity decelerated at the end of 2005. In particular, higher interest rates and a possible moderation in housing prices could restrain private consumption spending in the context of high household indebtedness and a negative personal saving rate. With inflation expectations remaining

contained, price pressures are likely to continue to retreat provided that increasing resource utilisation does not lead to a pick-up in wages and an acceleration in unit labour costs.

As regards monetary policy, the US Federal Open Market Committee decided on 13 December to raise its target for the federal funds rate by 25 basis points for the thirteenth consecutive meeting, bringing the rate to 4.25%. Moreover, the statement released after the meeting mentioned that “the Committee judges that some further measured policy firming is likely to be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance”.

JAPAN

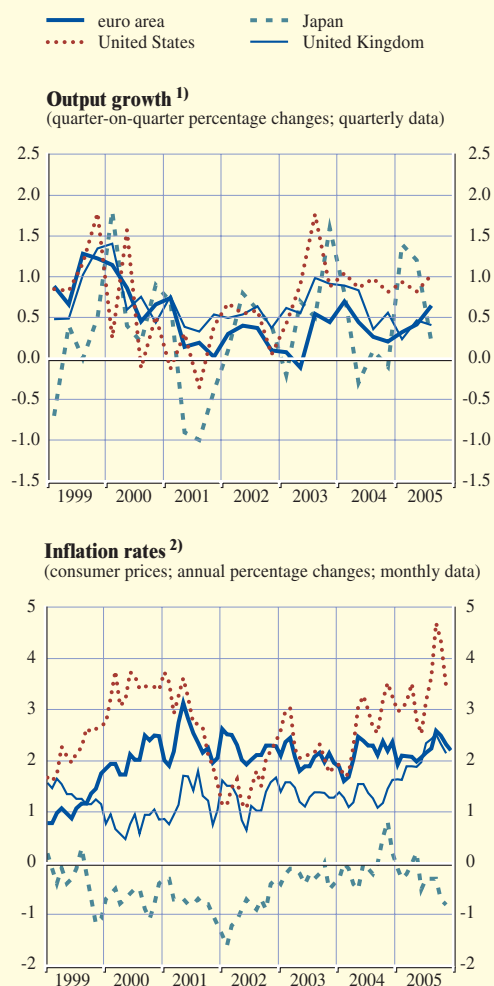
In Japan, the economy continues along a path of gradual recovery while consumer price deflation is abating. Nevertheless, revised national accounts data confirm that growth in economic activity was rather weak in the third quarter of 2005, with real GDP growth at 0.2% quarter on quarter. This figure represents a downward revision from the initial estimate (0.4% on a quarterly basis) and was largely determined by lower contributions to GDP growth from public spending and private inventories.

More recently, however, the Bank of Japan's Tankan survey for December 2005 showed a further improvement in Japanese firms' assessment of business conditions. Although relatively small, this improvement was rather broadly based across firm sizes and sectors. In particular, the net percentage of large manufacturers reporting a favourable assessment of business conditions increased, which is a positive sign, given that their assessment of business conditions has historically provided a reliable indication of the state of the general business cycle.

As regards price developments, the annual rate of change in CPI excluding fresh food turned marginally positive (+0.1%) in November for the first time in two years. By contrast, headline CPI continued to decline (-0.8% on an annual basis) over the same period. Consumer prices are expected to pick up over the next few months as deflationary pressures abate.

At its meeting on 16 December 2005, the Bank of Japan decided to maintain its target for the outstanding balance of current accounts at around 30 to 35 trillion yen. At the same time, it

Chart 2 Main developments in major industrialised economies



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

reiterated that when liquidity demand is judged to be exceptionally weak due to technical factors, the balance may be allowed to fall below the lower bound of the target.

UNITED KINGDOM

Compared with 2004, economic activity in the United Kingdom in 2005 remained relatively subdued, with quarterly real GDP growing between 0.3% and 0.5% over the first three quarters. Household consumption accelerated moderately in the third quarter and retail sales grew at a robust pace in October and November. Business investment in the third quarter, however, was weak compared with the previous quarter, while sustained growth in imports and a contraction in exports led to a negative contribution of net exports to GDP. Looking ahead, economic activity is likely to regain momentum, though the pace of the recovery remains uncertain.

In November, annual HICP inflation decreased for the second consecutive month to 2.1%. This decline was driven primarily by a fall in fuel and lubricant prices. Furthermore, following an extended period of moderation in the annual growth rate of residential property prices, there are some indications that the housing market has strengthened again.

OTHER EUROPEAN COUNTRIES

In most of the other non-euro area EU countries, output growth picked up or remained robust in the third quarter, and the economic outlook continues to be favourable. HICP inflation in November generally decreased somewhat as pressures stemming from energy prices eased.

In Denmark and Sweden, the quarterly rate of real GDP growth strengthened further to 1.4% and 1.0% respectively in the third quarter of 2005. The composition of output growth seems to be well balanced in both countries, with domestic and net foreign demand contributing to growth. Despite rising import prices, inflation remained subdued in both countries, reflecting intensive competition in retailing, moderate wage increases and strong productivity growth. Annual HICP inflation in November remained at 1.9% in Denmark, but picked up somewhat to 1.2% in Sweden.

In the three largest new EU Member States, output growth remained strong in the third quarter, mainly bolstered by a favourable export performance and a gradual improvement in domestic demand. In the Czech Republic, real GDP grew by 4.9% year on year, favoured in particular by a positive development in the external sector. In Hungary, real GDP growth was 4.4% year on year, driven mainly by investment, while in Poland annual GDP growth increased to 3.7%, largely due to improvements in domestic demand. In the Czech Republic and Poland, annual HICP inflation declined in November to 2.2% and 1.1% respectively, partly reflecting positive developments in food prices and lower growth in energy prices. In Hungary, however, it increased slightly to 3.3%, driven by increases in food and services prices.

NON-JAPAN ASIA

In non-Japan Asia, economic growth remained robust at the end of 2005. Export growth has shown further upward momentum in most major economies in the region, except for China. At the same time, domestic demand has continued to expand steadily in most countries, despite high oil prices and monetary policy tightening. In November, inflationary pressures were generally rather moderate in the region.

In China, the economy continues to expand rapidly, driven increasingly by domestic demand, while exports have been decelerating. In November, retail sales and urban fixed asset investment rose by about 12% and 29% respectively on an annual basis. In both November and December, year-

on-year growth in exports declined, falling below 20% for the first time in nearly two years. In 2005, the trade surplus reached a record level of about USD 102 billion. With regard to price developments, inflationary pressures continue to be muted, with annual CPI inflation rising marginally to 1.3% in November. On 20 December 2005, following China's first nationwide comprehensive economic survey, China's National Bureau of Statistics revised upwards nominal GDP for 2004 by CNY 2.3 trillion, or 16.8% of that previously reported. This revision was prompted mainly by the improved measurement of China's services sector, which turned out to be almost 50% larger than previously calculated.

Economic prospects for non-Japan Asia remain favourable, underpinned by steady growth in domestic demand and a continued revival in export growth. High oil prices and the resultant pressures on headline inflation remain a downward risk to the region's benign outlook.

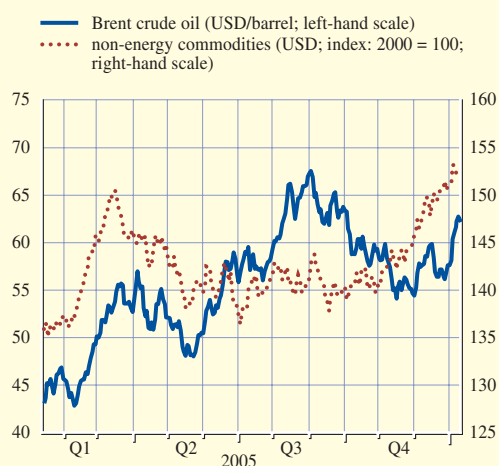
LATIN AMERICA

While the prospects for Latin America as a whole are generally positive, there appears to be more differentiation in the pace of economic activity in individual countries. In Brazil, third-quarter real GDP declined by 1.2% quarter on quarter, marking the first GDP contraction in two years against the background of subdued industrial activity. In mid-December, the central bank cut its key reference rate by another 50 basis points to 18%. By contrast, real GDP growth in Mexico has been rather buoyant, expanding by 3.3% year on year in the third quarter of 2005, partly as a result of robust consumption and investment demand. In December, the Bank of Mexico also cut interest rates by another 50 basis points to 8.25%. Finally, economic momentum in Argentina remained strong, with real GDP growing by 9.2% year on year in the third quarter of 2005. There is some early evidence that this trend was also maintained thereafter, with industrial production rising between 9% and 10% year on year both in October and November. Overall, prospects for the region remain favourable, with the gradual strengthening of domestic demand expected to compensate for an anticipated moderation in external demand.

1.2 COMMODITY MARKETS

Oil prices rebounded in December and early January, with the price of Brent crude reaching USD 62.2 on 11 January 2006. The price of Brent now stands at around only 8% below the peak levels reached in the immediate aftermath of the hurricanes in the US Gulf of Mexico in early September, but is still 56% higher than at the start of 2005. Given the temporary nature of the relatively weak demand in the second half of 2005, the International Energy Agency (IEA) expects oil demand to rebound in 2006 and continue supporting prices. Global oil supply increased considerably in October and November, led by a partial recovery in US production. Meanwhile, OPEC crude oil production also increased, but only marginally. At its meeting on 12 December 2005, OPEC delegates indicated that they were content with

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWA.

the current oil price and supply/demand balance and therefore decided to leave output quotas unchanged. The final communiqué said that the ceiling of 28 million barrels per day agreed in June 2005 “will be adequate to balance the market for the first quarter of the year”. However, it was also mentioned that, in view of the supply/demand outlook for the second and third quarters of 2006, when demand is seasonally lower, OPEC may consider reducing production in the near future. In early January, concerns about the reliability of Russian gas supplies to Europe have put – possibly only temporarily – additional upward pressure on oil prices. Limited spare capacity throughout the oil supply chain, and therefore high sensitivity to unanticipated changes in the supply/demand balance, are bound to keep oil prices both relatively high and volatile in the near term (see Box 1 on “Factors accounting for the rise in oil prices”).

Having remained broadly stable over the previous six months, non-energy commodity prices rose in November and December as the prices of both industrial raw materials and food increased. Expressed in US dollar terms, non-energy commodity prices were approximately 15% higher in December than one year earlier.

Box 1

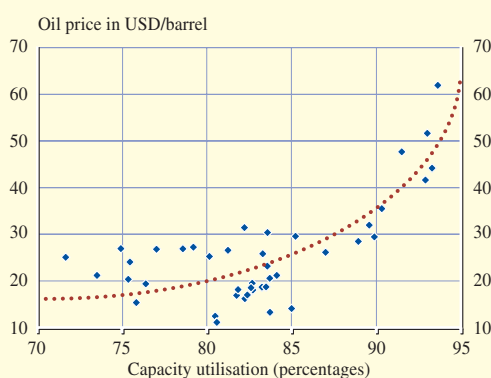
FACTORS ACCOUNTING FOR THE RISE IN OIL PRICES

Oil prices have soared since early 2004, reflecting the increased tightness in the oil markets that have become highly sensitive to shocks. The price of Brent crude oil (which serves as a benchmark) increased from around USD 30 in January 2004 to an all-time high of USD 67.5 in September 2005. Thereafter, it has decreased only slightly, standing at USD 62.2 on 11 January 2006. This strong rise in oil prices is largely attributable to the erosion of spare capacity and the emergence of bottlenecks throughout the oil supply chain following unexpectedly strong demand. This box highlights that, in this context, some of the historical relationships between oil market fundamentals (i.e. supply, demand, inventories, capacity) and prices appear to have changed since 2004.

Notably, the recent rise in oil prices seems to reflect non-linearities in the relationship

Chart A OPEC capacity utilisation and oil prices

(quarterly data; Q1 1995-Q3 2005)



Sources: Bloomberg and ECB calculations.

between oil prices and the quantities supplied to the market. Indeed, marginal increases in the volumes of oil produced and consumed are now associated with larger rises in the corresponding prices, as production capacities are reaching their limits. Since it often takes years to build additional extraction and refining capacity, the price of oil has become more sensitive to the quantity supplied as it approaches production capacity.

OPEC spare capacity acts as a buffer against unexpected supply disruptions or unexpected surges in demand. As shown in Chart A, the slope of the relationship between OPEC capacity utilisation and oil prices tends to become much steeper as the utilisation rate approaches 100%. The unexpected strength of demand, which in 2004 grew at its fastest pace in three decades, eroded spare capacity along the entire oil supply chain, as investments by oil companies had been driven by projections of a “normal” pace of demand growth.

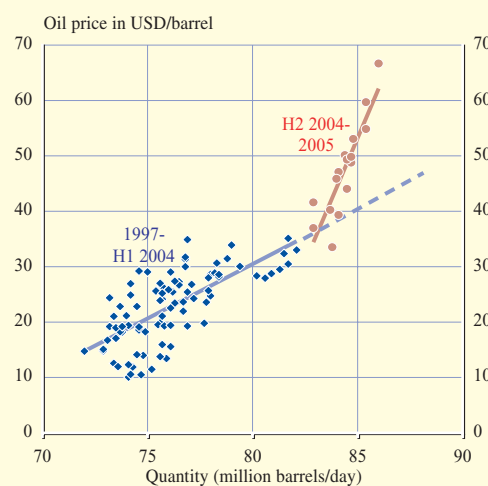
When total quantities of oil supplied are plotted against corresponding prices (see Chart B), the period 1997-2005 can be split into two sub-samples: from 1997 to the first half of 2004 and from the second half of 2004 to September 2005. The slope of the interpolation line for the most recent sub-sample has steepened significantly compared with the past. This is consistent with the hypothesis that capacity constraints in the oil industry have led to the emergence of non-linearities in the relationship between quantity and prices.

Moreover, the unexpected strong demand has eroded not only spare production capacity but also spare refining capacity. The oil industry’s flexibility to switch between refining different types of oil has consequently decreased and the premium on light and sweet grades of crude oil (e.g. Brent) compared with heavy and sour grades (e.g. Dubai) has increased markedly since mid-2004 (see Chart C).

A change in the functioning of oil markets can also be illustrated by a break in the relationship between oil inventories and prices. Prior to 2004, higher oil prices were generally associated with lower industry-held oil inventories, as the higher the oil prices the

Chart B Total oil supply and prices

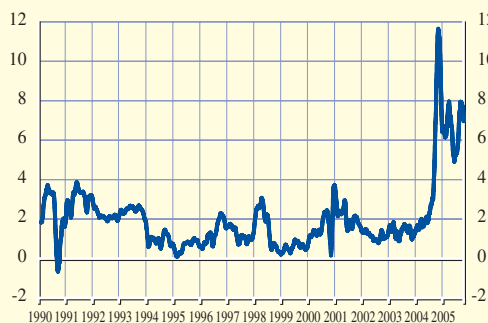
(monthly data; January 1997-October 2005)



Sources: Bloomberg and ECB calculations.

Chart C Premium of Brent crude oil over Dubai Fateh

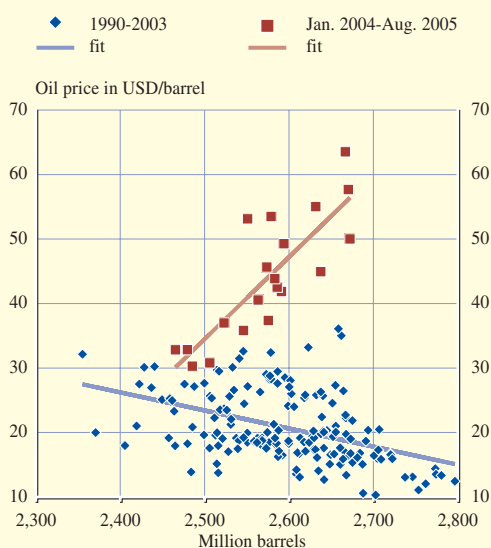
(USD per barrel; 30-day moving average)



Source: Bloomberg.

Chart D Industry-held inventories of oil in the OECD and oil prices

(monthly data)



Sources: International Energy Agency and Bloomberg.

greater the cost of holding oil inventories. The historical negative relationship between levels of industry-held oil inventories and oil prices has broken down since 2004. It may be that heightened concerns over the security of oil supplies have been an incentive to hold higher levels of inventories as a buffer against possible future supply disruptions, despite rising prices (see Chart D). In this context, rising prices may have been interpreted as a signal of future price increases.

The capacity constraints that have emerged throughout the oil supply chain need to ease in order for oil markets to become less sensitive to shocks. Additional investments would allow capacity utilisation to return to levels consistent with a normal functioning of oil markets. Initiatives to foster a more efficient use of energy sources should also be encouraged.¹

¹ See also statement by G7 Finance Ministers and Central Bank Governors, London, 2-3 December 2005, and the press release of the Economic and Financial Affairs Council Meeting, Brussels, 6 December 2005.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment and thus for euro area external demand remains positive. The robust profit situation and favourable financing conditions should continue to support corporate investment spending. This encouraging outlook is supported by the fact that the six-month rate of change in the OECD composite leading indicator increased further in November, the seventh consecutive month of increase. The renewed increase in oil prices in response to concerns about the reliability of Russian energy supplies highlights the ongoing risk to the global economy stemming from oil markets. Moreover, the persistence of economic imbalances at the global level remains a significant risk for the world economy.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

While remaining at a strong rate of 7.6%, annual M3 growth moderated somewhat further in November 2005, as signs detected in October of a resumption of the unwinding of past portfolio shifts became more evident. Nonetheless, underlying monetary and credit dynamics remained strong, with the prevailing low level of interest rates continuing to be the main driver of monetary expansion. The ongoing strong growth of money and credit in an environment of already ample liquidity points to increasing upside risks to price stability over medium- to longer-term horizons. Moreover, these developments imply a need to monitor asset price dynamics closely, given the potential for price misalignments to emerge.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 declined to 7.6% in November 2005, from 8.0% in October. The three-month average of the annual M3 growth rates in the period between September and November 2005 decreased to 8.0%, from 8.2% in the period between August and October. The decline in the annual rate of growth in November is a reflection of two consecutive subdued month-on-month growth rates, after a succession of relatively strong monthly increases over the summer. As a result, the annualised six-month rate of growth of M3, which in September had reached its highest level since the start of Stage Three of EMU, moderated further in November but nonetheless stayed above the annual growth rate (see Chart 4).

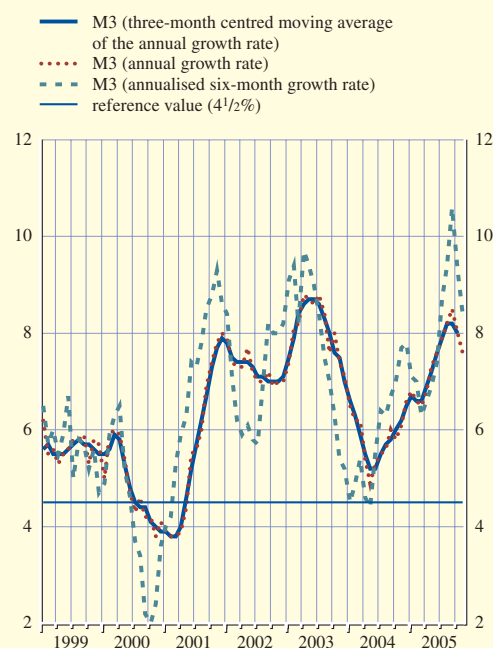
The November data suggest that the prevailing low level of interest rates has remained the main driver of strong M3 growth. This view is supported by the continued strong contribution to the annual growth rate of M3 stemming from the most liquid components of M3 contained in the narrow aggregate M1 and by the further strengthening of the robust demand for MFI loans by the private sector. At the same time, developments reflecting a possible unwinding of past portfolio shifts, last observed in the period between mid-2003 and mid-2004, exerted a dampening effect on M3 growth.¹ The signs of a resumption of this unwinding, which had already been detected in October, became more evident with the most recent available data.

Given the robust growth in M3 over the most recent quarters, liquidity in the euro area remains ample. This implies increasing risks to price stability over the medium to longer term, especially if a significant part of the ample liquidity were to be transformed into transaction

¹ See the box entitled "Approaches to identifying and estimating portfolio shifts into and out of M3" in the January 2005 issue of the Monthly Bulletin for further information.

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

balances in an environment of strengthening confidence and real economic activity. In addition, strong monetary and credit growth in the context of ample liquidity implies a need to monitor asset price dynamics carefully, given the potential for price misalignments to emerge.

MAIN COMPONENTS OF M3

The modest decline in the annual rate of growth of M3 in November was broadly based across its components. As regards M1, while this aggregate continued to expand at a robust pace, the annual growth rates of both currency in circulation and overnight deposits moderated in November. Nonetheless, M1 continued to make the largest overall contribution to the level of annual M3 growth. The annual rate of growth of short-term deposits other than overnight deposits remained broadly unchanged in November (see Table 1). The current strength of demand for short-term deposits is likely to reflect the low opportunity cost of holding these assets in an environment of low interest rates.

The annual growth rate of marketable instruments included in M3 declined somewhat in November, largely on account of a fall in the annual growth rate of money market fund shares/units. The moderation of the growth rate of money market fund shares/units – assets which are held by households and firms to park liquidity at times of heightened uncertainty – supports the view that the unwinding of past portfolio shifts may have regained some strength in recent months.

The annual growth rate of short-term deposits and repurchase agreements held by the private sector with MFIs (excluding the Eurosystem) – the broadest aggregation of M3 components for which information by holding sector is available – decreased further in November. After having risen substantially from mid-2004, the contribution to the development of this aggregation of assets stemming from financial intermediaries other than MFIs declined in October and November. By contrast, the upward trend in the corresponding contribution from non-financial corporations continued.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates					
		2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Oct.	2005 Nov.
M1	48.2	9.3	9.6	9.8	11.3	11.2	10.6
Currency in circulation	7.4	19.1	18.0	17.3	16.0	15.3	14.6
Overnight deposits	40.8	7.7	8.2	8.5	10.4	10.4	9.9
M2 - M1 (= other short-term deposits)	37.6	3.5	4.5	5.0	5.5	6.0	5.9
Deposits with an agreed maturity of up to two years	15.5	-2.4	0.5	2.6	4.5	6.1	6.7
Deposits redeemable at notice of up to three months	22.0	7.4	7.1	6.6	6.0	5.7	5.2
M2	85.7	6.4	7.1	7.5	8.5	8.6	8.3
M3 - M2 (= marketable instruments)	14.3	3.9	4.0	4.4	5.6	4.0	3.5
M3	100.0	6.1	6.7	7.1	8.0	8.0	7.6
Credit to euro area residents		6.0	6.5	6.6	7.0	7.8	8.1
Credit to general government		3.7	3.4	2.2	1.2	1.9	3.4
Loans to general government		0.4	-0.3	-0.7	-0.9	0.1	-0.2
Credit to the private sector		6.7	7.3	7.8	8.6	9.3	9.4
Loans to the private sector		6.9	7.3	7.6	8.4	8.9	9.0
Longer-term financial liabilities (excluding capital and reserves)		8.9	9.5	9.7	10.0	9.7	9.4

Source: ECB.

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

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector edged up further, to 9.0% in November, from 8.9% in October. The continued robust growth of MFI loans was broadly based across sectors, reflecting the stimulative impact of the low level of interest rates and possibly also improved confidence in some sectors of the economy.

MFI loans to households continued to be driven mainly by the dynamism of loans for house purchase, which grew at an annual rate of 11.2% in November, after 10.9% in October (see Table 2). The strong borrowing for house purchase reflects the environment of low mortgage lending rates in the euro area as a whole and the strength of housing market developments in many regions. In addition, consumer credit continued to accelerate and reached an annual rate of 8.0% in November. Growth in MFI loans to non-financial corporations, which has strengthened since early 2004, increased further in November, reflecting increases in the demand for loans with a medium- to long-term maturity.

In November, both main components of MFI credit to euro area residents strengthened further. The annual growth rate of credit to general government increased markedly, driven by the demand for securities other than shares, and growth in credit to the private sector remained robust.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) declined slightly to 9.4% in November, from 9.7% in October, but nevertheless remained strong. The robust demand for this asset class is evident in the dynamics of both debt securities issued with a maturity of over two years and deposits with an agreed maturity of over two years. The ongoing robust demand for MFI longer-term financial liabilities supports the existence of an inclination in the euro area money-holding sector to invest in longer-term euro area financial instruments.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total ¹⁾	Annual growth rates					
		2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Oct.	2005 Nov.
Non-financial corporations	41.1	5.1	5.7	6.1	6.9	7.3	7.5
Up to one year	30.6	1.6	3.2	4.6	5.8	5.9	5.2
Over one and up to five years	17.4	5.8	6.7	6.4	6.3	7.4	7.7
Over five years	52.0	7.0	6.9	7.0	7.9	8.1	8.8
Households²⁾	50.5	7.9	8.1	8.2	8.6	9.0	9.2
Consumer credit ³⁾	13.2	6.2	6.4	6.7	6.8	7.7	8.0
Lending for house purchase ³⁾	69.3	9.9	10.1	10.2	10.7	10.9	11.2
Other lending	17.4	1.9	2.2	2.1	2.2	3.1	3.0
Insurance corporations and pension funds	0.9	14.4	23.0	14.4	16.5	24.0	37.3
Other non-monetary financial intermediaries	7.5	10.2	10.6	11.4	15.7	15.6	12.9

Source: ECB.

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

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

2) As defined in the ESA 95.

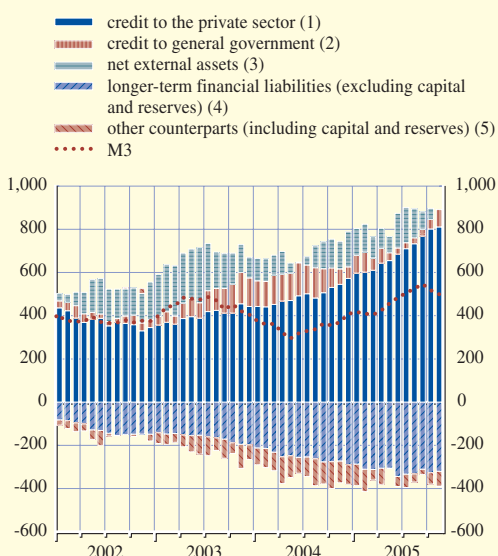
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

The annual flow in the net external asset position of MFIs turned negative in November, for the first time since December 2001. A net outflow of €2 billion was recorded for the euro area over the twelve months to November, compared with a net inflow of €51 billion in the year to October (see Chart 5). The decline in the annual flow reflected a series of net monthly outflows since August 2005. According to the latest evidence, although foreign investors have been the main driving force behind developments in the net external asset position of MFIs, investments by euro area residents abroad seem to have regained some momentum over recent months.

Summing up the information from the counterparts, the prevailing low level of interest rates fostered the increasing dynamism of MFI loans to the private sector, which continued to support strong M3 growth. At the same time, the strong demand for MFI longer-term financial liabilities and the recent developments in the MFI net external asset position have contributed to the moderation in monetary dynamics.

Chart 5 Counterparts of M3

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



Source: ECB.

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

2.2 SECURITIES ISSUANCE

In October 2005 the annual growth rate of debt securities issued by euro area residents remained strong. The annual growth rate of debt securities issued by non-financial corporations rose somewhat from the low level observed in the previous month. At the same time, the growth rate of debt securities issued by MFIs was unchanged at robust levels. The annual growth rate of quoted shares issued by euro area residents remained unchanged at the high levels recorded since last July. However, this high level is to a large extent due to a revision of statistical data.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased slightly in October, and stood at 7.4%. This increase continued to be largely driven by a robust growth in long-term debt securities – around 8% – while the annual growth rate of short-term debt securities issued by euro area residents remained relatively low at 2.4%, even though the latter was up on the level recorded in September (see Table 3). The relatively high annual growth rate of long-term debt securities was mainly driven by strong issuance at variable rates, whereas issuance at fixed rates was more moderate.

Looking at issuance by sectors, the annual growth rate of debt securities issued by non-financial corporations increased somewhat in October, to 3.9%, up from 2.8% in September, although it remained low, overall, in comparison with the levels seen in 2003 (see Chart 6). This upward trend is confirmed by the analysis of seasonally adjusted data. The three-month growth rate showed a

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2005 Oct.	Annual growth rates ¹⁾					
		2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Sep.	2005 Oct.
Debt securities:	10,160	7.2	7.6	7.7	7.6	7.3	7.4
MFIs	4,087	9.9	10.1	9.8	10.0	9.4	9.4
Non-monetary financial corporations	852	9.9	11.6	17.2	19.3	20.6	21.0
Non-financial corporations	627	3.1	2.9	4.6	2.2	2.8	3.9
General government	4,594	5.3	5.5	4.9	4.5	4.2	4.1
<i>of which:</i>							
Central government	4,321	4.8	5.1	4.5	4.0	3.8	3.6
Other general government	273	14.5	13.7	12.0	11.9	11.5	11.8
Quoted shares:	4,651	1.1	1.1	1.0	2.7	3.1	3.1
MFIs	752	2.1	2.7	2.2	2.7	3.2	3.2
Non-monetary financial corporations	473	1.5	1.0	1.0	1.2	1.3	1.3
Non-financial corporations	3,426	0.8	0.8	0.7	2.9	3.3	3.3

Source: ECB.

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

significant increase in October and reached the highest level recorded since April 2005. These developments seem to point to a stronger use of debt securities as a form of financing by non-financial corporations in the second half of 2005. This notwithstanding, the still relatively low annual growth appears to be related to substitution effects with loan financing, and to the relatively limited number of mergers and acquisitions involving non-financial corporations in recent months, even though – overall in 2005 – the latter have picked up significantly. In line with the overall trend, non-financial corporations increased their issuance, in particular of long-term securities financed at variable rates.

In October the annual growth rate of debt securities issued by MFIs remained unchanged from the previous month, at 9.4%. This robust level of growth was mainly the result of a continued strong issuance of both short-term and long-term securities at variable rates – which represent around 56% of total issuance – while issuance of securities at fixed rates remained subdued. The strong growth in MFI issuance was related to the financing needs of MFIs resulting from the rather robust growth of MFI loans to the private sector and to some securitisation of mortgage loans.

Non-financial corporations and MFIs also use non-monetary financial corporations to raise external funds indirectly. The annual growth rate of debt securities issued by non-monetary financial corporations increased slightly to reach 21.0% in October (see Chart 6). Within this sector, the annual growth rate was particularly high for the issuance of long-term debt securities at variable rates, which stood at 41.6% in October.

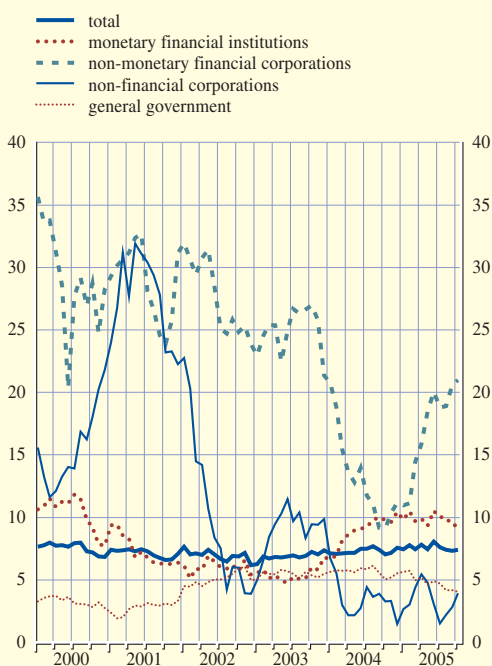
The annual growth rate of debt securities issued by the general government remained broadly unchanged at 4.1% in October.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained unchanged at 3.1% in October. The annual growth rate also remained unchanged at 3.3% when looking only at shares issued by non-financial corporations (see Chart 7). However, the growth rate has been revised

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

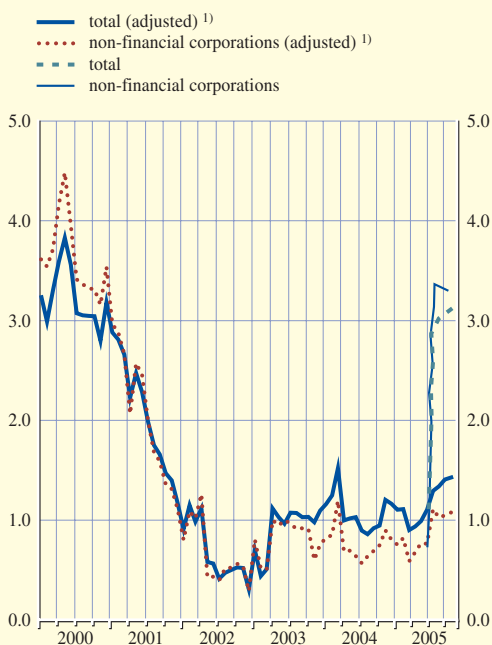
(annual growth rates)



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

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

(annual growth rates)



Source: ECB.
Notes: Growth rates are calculated on the basis of financial transactions. For annual growth rates of other sectors, see Chart C17 in the "Euro area statistics" section.
1) The adjusted series exclude the effect of a significant corporate restructuring involving a euro area resident entity and a non-euro area resident entity.

upwards since July 2005, owing to an instance of significant corporate restructuring involving an entity resident in the euro area and a non-resident entity. Without this statistical effect, the growth rate of quoted shares issued would have been only slightly higher than the annual growth rates recorded in the past few years, reflecting the moderate use of this form of financing by euro area non-financial corporations.

2.3 MONEY MARKET INTEREST RATES

From the beginning of December 2005 to early January 2006, money market interest rates with a maturity of one month decreased slightly, while longer-term money market rates increased. As a result, the slope of the money market yield curve steepened over that period.

Money market rates with a maturity of one month fell by 1 basis point, while longer-term money market rates, represented by the three- and twelve-month maturities, rose by 3 and 8 basis points respectively over the period from the beginning of December 2005 to 11 January 2006. On the latter date, the one-, three-, six- and twelve-month EURIBOR rates stood at 2.39%, 2.50%, 2.64% and 2.83% respectively. Consequently, the slope of the money market yield curve steepened over the same period. The difference between the twelve- and the one-month EURIBOR increased from 35 basis points at the beginning of December to 44 basis points on 11 January.

Chart 8 Short-term money market interest rates

(percentages per annum; percentage points; daily data)

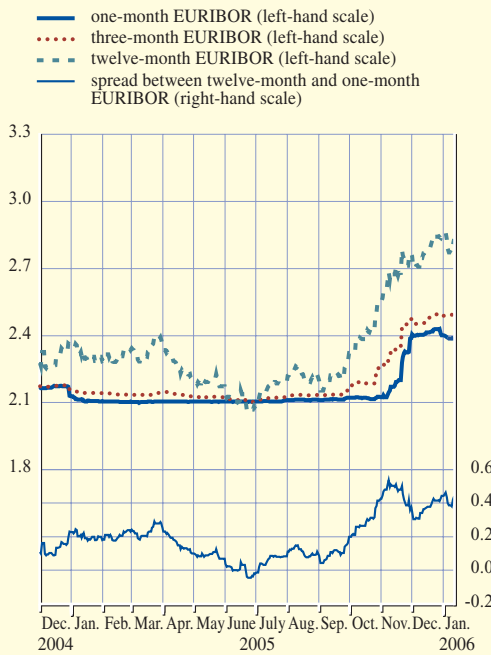
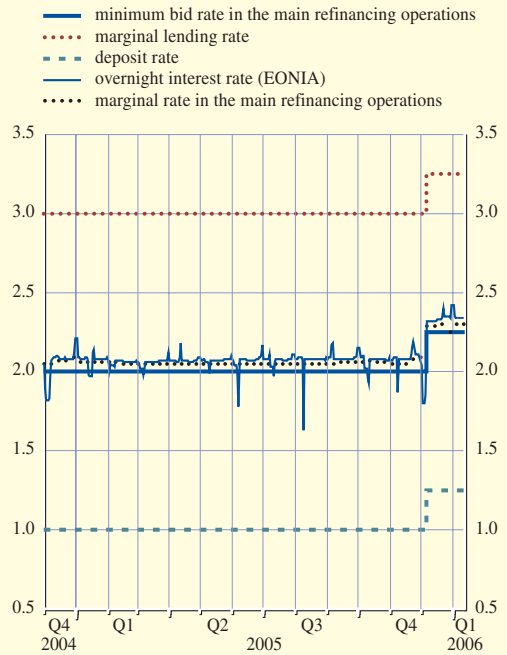


Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in March, June and September 2006 stood on 11 January at 2.70%, 2.87% and 2.99% respectively, representing increases of 4 basis points for the March contract, 7 basis points for the June contract and 13 basis points for the September contract, compared with the levels observed at the beginning of December 2005.

On 1 December 2005 the Governing Council decided to raise key ECB interest rates by 25 basis points, with the minimum bid rate in the Eurosystem's main refinancing operations being set at 2.25% as from 6 December 2005. Towards the end of the maintenance period ending on 5 December 2005, the EONIA reached values close to or below 2%, on market participants' expectations of a loose end to the maintenance period. On 5 December, despite the conduct of a fine-tuning operation which absorbed the prevailing excess liquidity, the EONIA fell to 1.85%. The EONIA rose to 2.32% at the beginning of the new maintenance period, reflecting the increase in key ECB interest rates. Rates remained at around this level until Christmas week, when they rose somewhat. On the last trading day of the year the overnight rate rose to 2.42%, reflecting the usual end-of-year effect. The magnitude of this effect was however very modest compared with previous years, which may be related to the fact that the ECB, as in 2004, provided banks with ample liquidity in December to counteract liquidity uncertainty related to the holiday period.

During December 2005 the marginal and average rates in the Eurosystem's main refinancing operations rose, reflecting the increase in key ECB interest rates. Liquidity was provided at a marginal rate of 2.29-2.30% and an average rate of 2.30-2.31%, except in the tender operation covering the end of the year. Then, the marginal rate fell to 2.25%, while the average rate rose to

2.42%, with the wide spread between the two rates reflecting heightened end-of-year uncertainty. At the beginning of January 2006, the EONIA rate adjusted slowly downwards to levels slightly above those observed before Christmas, stabilising at 2.34%. Hence, the spread between the EONIA and the minimum bid rate increased slightly compared with that observed before Christmas.

In the Eurosystem's longer-term refinancing operation settled on 1 December, the marginal and the weighted average rates rose to 2.40% and 2.41% respectively, i.e. 23 and 22 basis points higher than in the previous operation, pricing in an increase in key ECB interest rates. Compared with the three-month EURIBOR prevailing on that date, tender rates were lower by 7 and 6 basis points respectively. In the longer-term refinancing operation settled on 22 December 2005, the marginal and the weighted average rates increased to 2.45% and 2.46% respectively, in part due to a technical incident caused by one inaccurate bid from a private bank which led to the provision of less liquidity than intended. This error required the conduct of a special operation on the next day to inject liquidity.

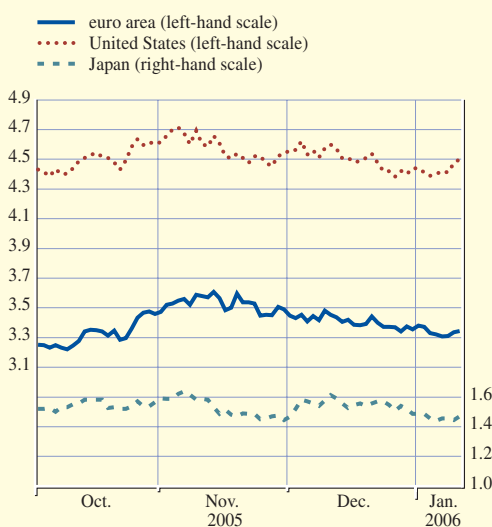
2.4 BOND MARKETS

Long-term nominal and real government bond yields dropped slightly between the end of November and early January both in the euro area and in the United States. Shorter-term nominal and real bond yields in the euro area, however, remained broadly unchanged in the same period, suggesting that market participants did not revise their expectations regarding the growth prospects for the euro area economy over the next few years to any major extent. Long-term break-even inflation rates, which reflect market participants' inflation expectations over a long horizon, remained broadly unchanged in the euro area, but continued to moderate somewhat in the United States. Bond market volatility, as extracted from option prices, continued to decline in both economies, reaching extremely low levels.

Ten-year government bond yields in the euro area and in the United States declined slightly in December and early January, after having risen in the period from September to mid-November (see Chart 10). The yield curve in the euro area shifted slightly downwards for all maturities longer than two years (see Chart 11), while interest rates in the United States fell for all maturities, except those at the very short end of the curve. Overall, ten-year government bond yields in the euro area and in the United States fell by about 15 and 5 basis points respectively between the end of November 2005 and 11 January 2006. Consequently, the differential between US and euro area ten-year government bond yields increased to approximately 115 basis points at the end of the review period. Japanese ten-year government bond yields remained more or less flat at around 1.5% in

Chart 10 Long-term government bond yields

(percentages per annum; daily data)



Sources: Bloomberg and Reuters.

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

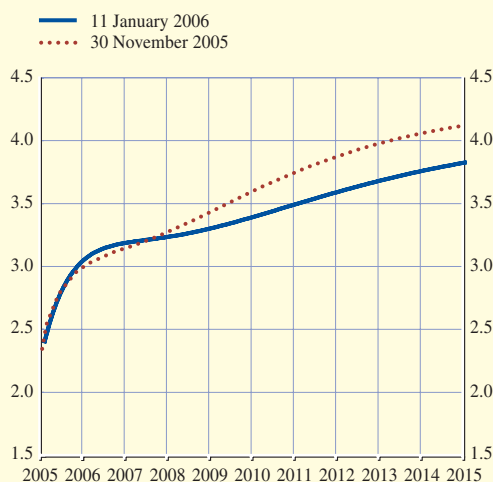
December and early January, despite survey data indicating a sustained improvement in business conditions. Market participants' uncertainty about near-term developments in the ten-year segment of the bond market, as indicated by the implied volatility extracted from bond options, declined in both the euro area and the United States in December, while it remained unchanged in Japan.

In the United States, after a parallel upward shift over the three preceding months, the movements of interest rates across different maturities became less correlated. Yields on bonds with a very short maturity rose further, pushed up by the latest 25 basis point increase in the federal funds target rate on 13 December. At longer maturities, interest rates dropped, in part possibly because market participants started to perceive a lower need for further monetary policy tightening in the medium term, as also reflected in the statement released by the Federal Open Market Committee (FOMC) after its meeting on 13 December.

Lower long-term rates resulted in a further flattening of the yield curve, despite macroeconomic releases and survey data that pointed towards robust economic growth. The differential between nominal ten-year government bond yields and three-month money market interest rates, which had been around 180 basis points at the beginning of 2005, has become negative since mid-December and stood at -10 basis points by the end of the review period. In the United States, an inverted yield curve has typically preceded periods of low economic growth. This may have somewhat increased market concerns about the short-term growth prospects for the US economy. In the current environment, however, the negative slope of the yield curve appears to mainly reflect low long-term bond yields, induced by a number of factors that have contributed to driving and holding

Chart 11 Implied forward euro area overnight interest rates

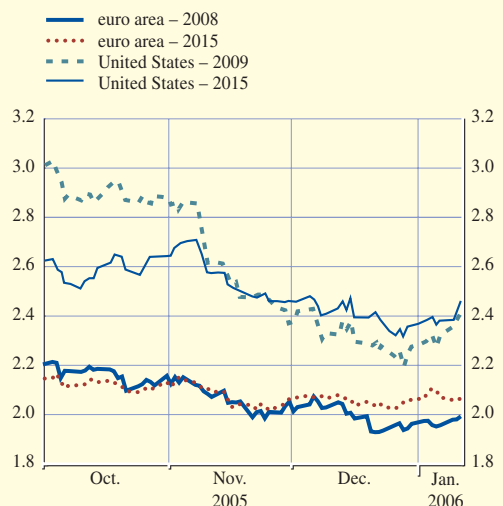
(percentages per annum; daily data)



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

Chart 12 Break-even inflation rates in the euro area and in the United States

(percentages)



Sources: Reuters and ECB calculations.

down risk premia at the long end of the curve.² The decline in nominal US ten-year bond yields reflected entirely lower ten-year index-linked bond yields, while ten-year break-even inflation rates remained broadly unchanged over the review period (see Chart 12).

As in the United States, break-even inflation rates in the euro area remained broadly stable throughout the period under review, so that the movements of the nominal yield curve mirrored those of the real yields. Although slipping at the ten-year maturity, index-linked bond yields rose marginally over shorter maturities (see Chart 12), in line with overall better-than-expected releases of macroeconomic data and the positive signals embodied in survey results. This would suggest that market participants did not much revise the growth prospects they anticipate for the euro area economy over the next few years. Together with the increase in key ECB interest rates at the beginning of the period under review, this explains the rise in the implied forward overnight interest rate curve up to the two-year maturity range (see Chart 11). Overall in 2005, a noticeable decline was recorded in the steepness of the yield curve for the euro area. For example, the differential between ten-year government bond yields and the three-month EURIBOR has fallen by nearly 70 basis points since end-December 2004, but it nevertheless remained clearly positive at around 80 basis points on 11 January 2006. Finally, the slight drop in market participants' uncertainty over the review period, to close to the lowest levels recorded in 2005, may have led to a further reduction of the risk premia included in nominal and real yields.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In October 2005 MFI deposit and lending rates to households and non-financial corporations developed along mixed lines, but changed only little overall.

In October 2005 short-term interest rates on MFI loans to both households and non-financial corporations changed little in comparison with the preceding month, the only exception being the rates on loans to households for consumption, which declined by more than 20 basis points (see Table 4). Generally, however, short-term movements in the latter interest rate category have to be interpreted with particular caution as the levels are relatively volatile and as the decline in October was probably related to an unwinding of the increases recorded in the summer. Short-term MFI deposit rates followed a very similar pattern and remained broadly unchanged in October 2005.

The stability of short-term MFI interest rates was accompanied by some increases in short-term money market rates over the same period. This was possibly due to the fact that these increases were recorded mainly in the last days of the month and had thus not, as yet, been transmitted to MFI interest rates.

Taking a longer perspective, most short-term deposit rates have remained broadly unchanged since October 2004, which was in line with the stability of money market rates in the same period. Conversely, most short-term lending rates declined by at least 10 basis points in the same period, except for short-term lending rates to households for consumption purposes, which remained unchanged.

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

Table 4 MFI interest rates on new business

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

							Change in basis points up to Oct. 2005		
	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Sep.	2005 Oct.	2004 Oct.	2005 July	2005 Sep.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.90	1.95	1.92	1.94	1.97	1.97	6	5	1
with an agreed maturity of over two years	2.48	2.31	2.38	2.21	2.06	2.16	-37	-6	10
redeemable at notice of up to three months	2.00	2.01	1.96	2.17	2.02	1.96	-5	-20	-6
redeemable at notice of over three months	2.52	2.52	2.47	2.38	2.29	2.27	-25	-7	-2
Overnight deposits from non-financial corporations									
	0.89	0.91	0.94	0.92	0.96	0.97	7	2	1
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.00	2.08	2.00	2.01	2.04	2.04	0	2	0
with an agreed maturity of over two years	3.52	3.46	3.34	3.63	2.98	3.37	-15	40	39
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.89	6.74	6.62	6.61	6.96	6.74	3	19	-22
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.50	3.44	3.42	3.35	3.32	3.32	-16	1	1
with an initial rate fixation of over five and up to ten years	4.82	4.50	4.35	4.15	3.99	3.99	-77	-9	0
Bank overdrafts to non-financial corporations									
	5.38	5.27	5.26	5.13	5.13	5.09	-31	-3	-4
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.99	3.98	3.91	3.88	3.81	3.88	-13	2	7
with an initial rate fixation of over five years	4.70	4.44	4.33	4.20	4.04	4.04	-61	-11	0
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.00	3.04	3.01	2.94	2.94	2.91	-8	-5	-3
with an initial rate fixation of over five years	4.31	4.06	4.04	3.89	3.87	3.78	-41	-7	-9
Memo items									
Three-month money market interest rate	2.12	2.17	2.14	2.11	2.14	2.20	5	8	6
Two-year government bond yield	2.60	2.36	2.49	2.07	2.21	2.45	-2	26	24
Five-year government bond yield	3.35	2.93	3.08	2.58	2.60	2.85	-33	19	25

Source: ECB.

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

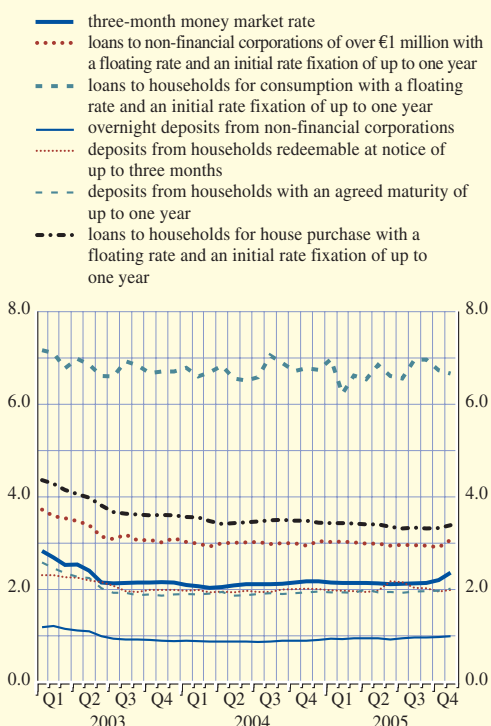
2) Quarterly data refer to the end of the quarter.

In October 2005 most long-term interest rates for households remained broadly unchanged, the sole exception being the rates on households' deposits with an agreed maturity of over two years, which increased by around 10 basis points. At the same time, long-term rates for non-financial corporations developed along disparate lines. The rates on deposits with an agreed maturity of over two years rose sharply, by about 40 basis points, which was due mainly to a very marked increase in one country. Long-term rates on loans to non-financial corporations, by contrast, declined by a few basis points (see Chart 14). Yields on two-year and five-year government bonds rose by around 25 basis points over the same period.

Since October 2004, long-term lending rates have fallen markedly in a range between 30 and 80 basis points. The most significant declines were recorded for long-term rates on housing loans and on loans to non-financial corporations of up to €1 million with an initial rate fixation of over five years. Over the same period, long-term deposit rates decreased by between 15 and 40 basis points, with the largest decrease being seen for long-term deposits from households (see Table 4).

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

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

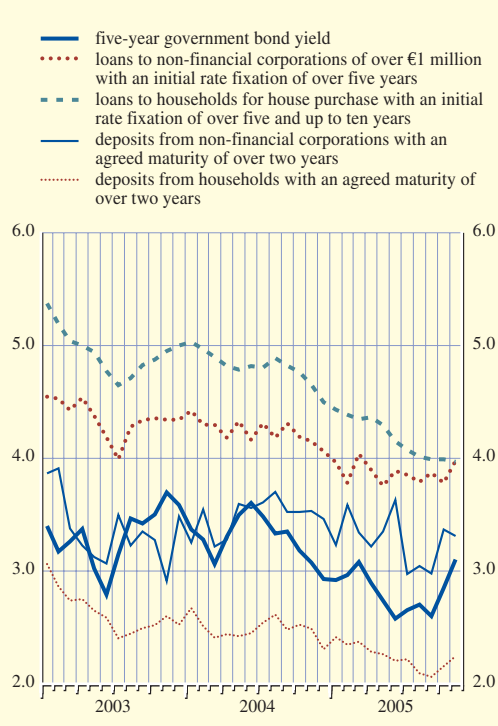


Source: ECB.

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

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

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



Source: ECB.

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

These developments were consistent with the trends observed in five-year government bond yields, which fell by around 35 basis points over the same period.

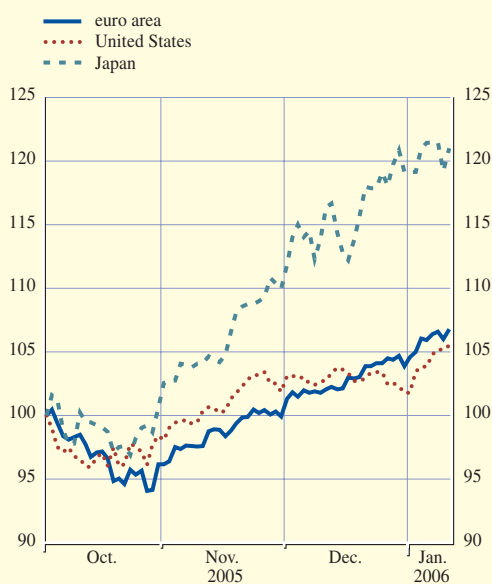
2.6 EQUITY MARKETS

Stock prices rose in the euro area and in the United States between end-November and January. They continued to grow particularly strongly in Japan over the same period. All in all, stock market uncertainty was unchanged in both the United States and the euro area, but rose in Japan. Profitability, both current and expected, continued to support equity prices in the major markets.

Stock prices increased in the euro area and in the United States between the end of November and 11 January (see Chart 15). In the same period, the upward trend recorded in Japanese stock prices in preceding months became even steeper. In the euro area, the Dow Jones EURO STOXX index

Chart 15 Stock price indices

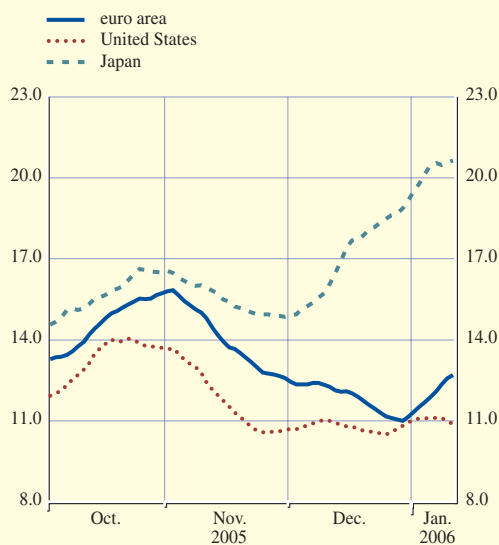
(index: 1 October 2005 = 100; daily data)



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

Chart 16 Implied stock market volatility

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



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

rose by nearly 7%, while the Standard & Poor's 500 index in the United States was up by 4%. At the same time, Japanese stock prices, as measured by the Nikkei 225 index, increased by around 10%. Overall, across 2005, broad equity indices rose by 40% in Japan, by 22% in the euro area and by only 4% in the United States. Box 2 briefly reviews recent changes in corporate accounting requirements and their potential impact on stock prices.

Stock market uncertainty, as measured by the implied volatility extracted from equity options, was almost unchanged in the euro area and in the United States between end-November and 11 January. However, it rose sharply in Japan (see Chart 15), remaining slightly above 20% in early January. The rise in perceived market uncertainty about future developments in Japanese equities may be linked to concerns about the sustainability of the gains of nearly 10% posted in three of the last four months of the year. Some uncertainty may also be related to market concerns about the robustness of the current recovery. In 2005 there were no major fluctuations in stock market uncertainty in the major markets, at least if the short-lived peak recorded after the two summer hurricanes in the United States and the sudden rise recorded in Japan in December are excluded.

In the United States, the rise in stock prices was in line with the expected robust profitability, both in the short run and over longer horizons, although the rate of growth in earnings per share declined somewhat in the last quarter of 2005. Looking at other determinants, equity risk premia do not seem to have played a significant role in December, given the stability of the implied stock market volatility derived from options on the Standard & Poor's 500 index (see Chart 16). The underperformance of US equities relative to the euro area may, to some extent, reflect the smaller decline in US long-term real interest rates. In addition, although inflation remained relatively low

and inflation expectations contained, the FOMC statement of 13 January pointed towards upside inflation risks emanating from resource utilisation and elevated energy prices, which may have contributed to depressing equity valuations.

The increase in euro area stock prices over the review period may have reflected lower long-term real interest rates and, more importantly, corporate profit growth – both actual and expected – which remained quite solid. The increase in equity prices was broad-based, but some sectors tended to post higher gains, especially the industrial, the basic materials and the financial sectors. The oil and gas sector, which has recently recorded strong gains, was the worst performer in December and early January, despite the renewed increase in oil prices in that month. Stock prices also recovered in the consumer goods sector, although such companies' outlook for earnings tended to remain comparatively weaker.

Box 2**STOCK OPTIONS, SHARE BUY-BACKS AND THEIR EFFECTS ON EQUITY MARKETS: EVIDENCE FROM THE UNITED STATES**

Changes in corporate accounting requirements can affect the valuations of companies and, consequently, the prices of stocks. Useful information on this topic can be gained by looking at recent changes in accounting requirements in the United States. After years of debate between regulators and company representatives (especially those of companies belonging to the so-called growth sectors), new accounting rules have been approved on the treatment of stock options – staff compensation in the form of shares in the company. The new accounting rules set out in the revised Financial Accounting Standards Board Statement No 123 require companies to recognise the value of stock options entirely as expenses on the date of issuance and for the entire vesting period of the option, starting in 2006 for the majority of the companies. Thus, the impact of these new requirements on corporate earnings is likely to become visible in releases over the next few quarters. Although the near-term impact of these new regulations on stock prices is likely to be significant for certain sectors, the overall effect on the broad index will probably be moderate.

The systematic exclusion of stock options from the cost account was a general characteristic of so-called pro-forma earnings.¹ These pro-forma earnings, and the distorted image they tended to give of company profitability, were mentioned as one of the reasons for the stock market bubble that built up at the end of the 1990s and then burst in 2000, especially in the case of companies in the technology sector. In addition, the release of pro-forma earnings helped to hide cases of fraud which were eventually revealed in the accounting scandals involving US corporations – Enron, Tyco and WorldCom. Pressured by concerned investors in the aftermath of the scandals, more companies have started to treat stock options as an expense, but their number remain low.

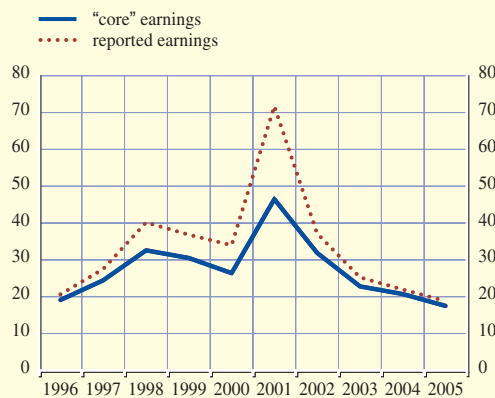
Analysts at Standard & Poor's started to include stock options as expenses in the calculation of earnings in 2001, and a new series, the core earnings series for companies included in the Standard & Poor's 500 index, was published (see Chart A). The difference between released

¹ These are projected earnings based on a set of assumptions which exclude non-recurring items. Items sometimes excluded from figures on pro-forma earnings include write-downs, goodwill, amortisation, depreciation, restructuring and merger costs, interest, taxes, stock-based employee pay and other expenses.

earnings and core earnings was sizable in the period from 2000 to 2001, but has declined noticeably in the most recent years, when a larger group of companies started to take stock options into account and several companies changed their compensation policies, thereby reducing the use of stock options altogether. The difference between the values of the earnings in the two series at the end of 2004 – the latest date for which official balance sheets data are available – was around 6%. Thus, the effect of the new regulations on earnings releases, and on the overall stock market index, in the next few quarters is not expected to be significant. However, the aggregate series hide large differences in the importance of stock options among sectors. Time series data on the earnings per share at a sectoral level are not readily available; however, option costs range from around 5-6% of the total operating costs in sectors such as “consumer discretionary” and “health care” to almost 18% in the case of companies in the information technology sector (see Chart B).

Chart A Reported earnings per share and “core earnings” of companies in the S&P 500 index

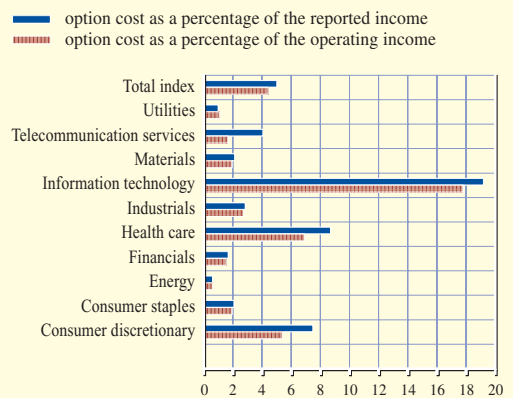
(annual data)



Source: Standard & Poor's.
Note: Data for 2005 are estimated.

Chart B Impact of stock options on the corporate income of sectors in the S&P 500 index

(end of the 2004 fiscal year)



Source: Standard & Poor's.

The impact of the new accounting rules is also evident in another important trend characterising recent developments in the stock market, especially in the United States: the rise in share buy-backs. When a stock option is “in-the-money”, the holder of the option is likely to exercise it. At this point, a firm really has a choice between two alternatives: it can issue new shares and give them to the holder of the option, or it can buy outstanding shares in the market and sell them to the holder of the option at the price implied by the option contract, which is lower than the market price. If a company issues new shares, the earnings per share decline because of the dilution effect – there are simply more shares outstanding. Conversely, if the company buys shares at the market price and then sells them at a lower price, it will incur a loss which will decrease its overall earnings. The monetary impact the two alternatives have on profits will not be the same.

Over the past few years, US companies seem to have increasingly chosen the second option, as reflected in the rising trend of share buy-backs in the United States in the last few quarters.²

² See the box entitled “The recent surge in US share buy-backs: causes and possible financial stability implications,” in the ECB Financial Stability Review of December 2005.

Under US accounting rules, share buy-backs allow a more “dynamic” management of equity liabilities since shares retired from the market through a buy-back can later be re-utilised where necessary. Another reason why companies buy back their shares is that the funds they have available are higher than their near-term investment needs, which seems to have been true in an environment of comparatively low investment by US companies over the past few years. All in all, the increase in the use of share buy-backs, and thus an increased demand for corporate shares, is likely to have supported stock prices.

In Europe, except in the case of the United Kingdom, both evidence on the use of stock options as a form of employees’ compensation and data on share buy-back programmes are fragmented. Nevertheless, there are signs that buying back shares is on the rise in the euro area as well. Under the new international financial reporting standards, which all listed companies in the EU have to fulfil as from the 2005 fiscal year, companies are required to recognise the value of share-based payments in their income statements. Whether this will translate into a one-off impact on earnings or whether it will have a longer-lasting effect depends on the extent to which stock options are used as a form of compensation in the euro area. Anecdotal evidence suggests that the use of this form of compensation is limited in the euro area, although it is significant in specific industries (in the technology sector, in particular).

3 PRICES AND COSTS

Largely reflecting developments in oil prices, annual HICP inflation in the euro area continued to decline and stood at 2.2% in December as reported by Eurostat's flash estimate. Domestic price pressures remained moderate as no clear sign that higher energy prices have been passed through to non-energy producer prices or to labour costs has emerged so far. Overall, the inflation outlook is broadly unchanged with upside risks to price stability relating mainly to oil prices and the risk of potential second-round effects in wage and price setting.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR DECEMBER 2005

According to Eurostat's flash estimate, HICP inflation eased slightly to 2.2% in December (see Table 5), continuing the pattern of declining inflation rates seen since September 2005. Although no breakdown is available so far, this further fall in December could be related to a base effect in food prices.

Eurostat's flash estimate is calculated on the basis of preliminary data, and as such is surrounded by uncertainty. However, as discussed in the box entitled "Assessing the reliability of Eurostat's euro area HICP flash estimate", the flash estimate has proved to be a very reliable indicator of HICP developments. In addition, its forecasting performance has exceeded that of alternative methods.

HICP INFLATION UP TO NOVEMBER 2005

After a pick-up in September, overall HICP inflation decreased somewhat in recent months and stood at 2.3% in November. These movements in inflation were primarily due to changes in the contribution of energy prices.

Following the decline in oil prices in October and November, the annual growth rate of energy prices decreased notably, although it still remained elevated at a rate of 10% in November. The decline in energy price growth was mainly driven by transport and heating fuel, while gas prices, which tend to respond more slowly to oil price changes, continued to edge up. The price pressure

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 July	2005 Aug.	2005 Sep.	2005 Oct.	2005 Nov.	2005 Dec.
HICP and its components								
Overall index ¹⁾	2.1	.	2.2	2.2	2.6	2.5	2.3	2.2
Energy	4.5	.	11.7	11.5	15.0	12.1	10.0	.
Unprocessed food	0.6	.	0.3	1.0	1.0	1.1	1.5	.
Processed food	3.4	.	1.6	1.7	2.3	2.4	2.6	.
Non-energy industrial goods	0.8	.	0.0	0.0	0.2	0.3	0.4	.
Services	2.6	.	2.3	2.2	2.2	2.2	2.1	.
Other price indicators								
Industrial producer prices	2.3	.	4.1	4.0	4.4	4.2	4.2	.
Oil prices (EUR per barrel)	30.5	44.6	48.3	52.0	52.2	49.3	47.9	48.5
Non-energy commodity prices	10.8	9.4	9.6	11.9	13.2	17.4	22.5	29.8

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

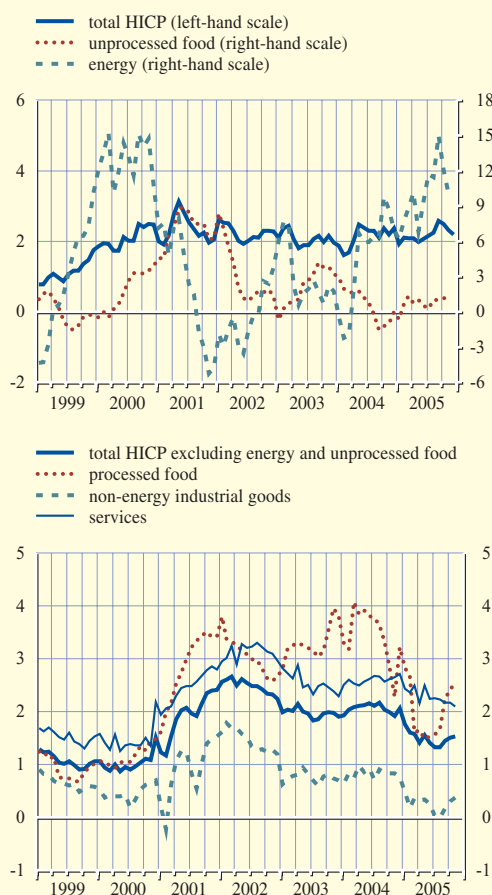
1) HICP inflation in December 2005 refers to Eurostat's flash estimate.

from unprocessed food increased, partly dampening the effect of developments in energy prices in November.

In contrast to overall inflation the annual growth rate of the HICP excluding energy and unprocessed food prices remained broadly unchanged in recent months, and stood at a more moderate rate of 1.5% in November. This relative stability has, however, been a result of conflicting movements in its components (see Chart 17). Following a pick-up in September due to an increase in German tobacco taxes, the annual growth rate of processed food prices continued to rise and stood at 2.6% in November. The annual growth in non-energy industrial goods prices edged up to 0.4% in November due to an increase in clothing prices following the relatively sharp seasonal discounting observed during the summer sales period. However, the annual rate of growth of non-energy industrial goods prices remains well below its historical average, suggesting that there are still no significant indirect effects from previous increases in commodity prices. In contrast to processed food and non-energy industrial goods prices, services price inflation decreased slightly to 2.1% in November.

Chart 17 Breakdown of HICP inflation: main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

Box 3

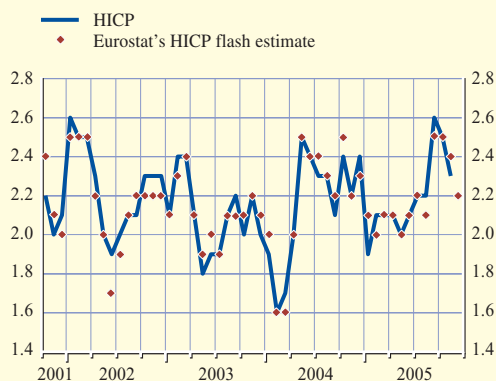
ASSESSING THE RELIABILITY OF EUROSTAT'S EURO AREA HICP FLASH ESTIMATE

Eurostat's euro area HICP flash estimate provides a very timely indication of euro area inflation developments. As the first flash estimate was released for the October 2001 HICP, there are now 50 months of official HICP figures against which to assess its performance.

The flash estimate is computed by Eurostat using econometric techniques that combine the available provisional national HICP figures with early information available from the European Commission's weekly Oil Bulletin about the prices of some energy products. In addition, where available, information regarding the effects on prices of one-off events, such as changes in indirect taxes, is also taken into account. Eurostat's estimate is generally released on the last working day of the reference month. Only the annual growth rate of the overall HICP for the euro area is published. The HICP flash estimate currently incorporates provisional national

HICP flash estimate and outcome

(annual percentage changes)



Source: Eurostat.

Table A Comparison of forecast performance statistics

(percentage points, unless otherwise indicated)

	Eurostat's flash estimate	Random walk	AR model
Mean error	0.00	0.00	-0.01
RMSE	0.09	0.21	0.20
Maximum deviation	0.2	0.5	0.4
Minimum deviation	-0.2	-0.5	-0.6
Absolute size of deviation	Number of occasions	Number of occasions	Number of occasions
0.0	22	11	18
0.1	25	15	16
>0.1	3	24	16

Source: ECB calculations.

estimates covering around 65% of the euro area HICP whereas, in the first two years of its publication, only HICP data for Germany and Italy and CPI data for Belgium were available – these countries accounting for a little over 50% of the euro area HICP. Greece and Spain began to produce provisional inflation data sufficiently early for inclusion in the euro area HICP flash estimate in 2003 and 2004 respectively.

Summary of performance to date

The chart plots the flash estimate alongside the actual HICP outcome. Generally the flash estimate appears to have performed well. Of the 50 releases to date, 22 were entirely accurate, 25 were 0.1 percentage point out and three were 0.2 percentage point out. In addition, the flash estimate has never suggested that the inflation rate declined when it actually increased, or vice versa. Lastly, the average deviation between the flash estimate and the actual HICP outcome – the mean error reported in Table A – is exactly 0.0 percentage point. This indicates that there has to date been no tendency toward bias in the flash estimate as a predictor of the official HICP outcome.

Another measure that can be used to assess the reliability of the flash estimate is the root mean square error (RMSE). The RMSE measure, which provides an indication of the average size and variability of the deviation between the flash estimate and the actual HICP outcome, shows that the flash estimate has clearly outperformed both a random walk forecast (i.e. assuming an unchanged annual inflation rate) and a forecast based on a simple Autoregressive (AR) model of inflation (see Table A). This indicates the usefulness of the flash estimate in providing information about the latest inflation developments compared with other simple benchmark indicators.

Possible sources of deviation between the flash estimate and the HICP outcome

Deviation of the flash estimate from the HICP outcome may arise from a number of sources. First, the HICP is a revisable index and countries that have provided provisional information may subsequently revise their data based on more complete information. Second, inflation developments in countries which have not provided provisional information may move differently to developments in countries for which provisional information is available. Third, volatility in

the seasonal pattern or other atypical developments in some HICP components may be difficult to capture using econometric techniques. Lastly, deviation between the flash estimate and the HICP outcome may simply reflect the rounding of the price indices employed in the calculation of inflation.

Analysis suggests that differences between inflation developments in countries which have provided provisional information and those in countries which have not may explain a small part of the deviation between the flash estimate and the HICP outcome. The correlation coefficient is approximately 0.2 between deviations of the flash estimate from the HICP outcome and differences in inflation developments between the countries providing data and those that do not. Furthermore, it is interesting to consider whether developments in particular components have been associated with deviation from the flash estimate. Table B shows the correlation of (seasonally adjusted) month-on-month changes in the components of the HICP with deviations between the flash estimate and the HICP outcome.¹ The results indicate that the highest correlation is to be found with movements in the two food components (unprocessed and processed food), at 0.23 and 0.33 respectively. Given the high volatility of oil price developments and their significant contribution to inflation over the last four years, it is not surprising that some correlation also exists with the energy component. However, the information available from the European Commission's weekly Oil Bulletin may have served to limit the extent of deviations emanating from energy price developments. The relatively low correlation with developments in both the non-energy industrial goods and the services components suggests that such developments are captured fairly well through available country data when the flash estimate is compiled and by the econometric techniques used by Eurostat.

Overall, it appears that some of the deviations may relate to differences in inflation patterns between the countries providing data and those that do not, and to component-specific developments. Other factors such as the rounding conventions employed to calculate the HICP² and data revisions may also have played a role. However, this analysis can only be regarded as indicative given that the flash estimate incorporates information from a number of sources and some judgement.

Forthcoming improvements in the flash estimate

In conclusion, Eurostat's euro area HICP flash estimate has significantly improved the timeliness of a key economic indicator for the euro area and has performed very satisfactorily over the past four years. Looking forward, the performance of the flash estimate is expected to improve further as a result of work by Eurostat and the national statistical institutes on the Principal European Economic Indicators.³ The national statistical institutes of France, Austria and Finland

Table B Correlation coefficients between monthly changes in HICP components and deviation of the flash estimate from the HICP outcome

HICP component	Correlation
Unprocessed food	0.23
Processed food	0.33
<i>Unprocessed and processed food</i>	<i>0.34</i>
Non-energy industrial goods	0.06
Energy	0.18
Services	0.02

Source: ECB calculations.

1 As the flash estimate is presented in terms of the annual rate of change, deviations from the actual HICP outcome should not be due to "normal" seasonal variations. Thus, the seasonally adjusted month-on-month rates of change are used to capture atypical developments in the individual components.

2 At present the overall euro area HICP is calculated on the basis of country indices rounded to one decimal place and is then rounded to one decimal place in turn. Hence, small country-specific developments can sometimes give rise to 0.1 percentage point deviations from the outcome, both in the estimates provided by Member States and in the euro area flash estimate.

3 See also Box 6 in the December 2005 issue of the ECB Monthly Bulletin entitled "Further progress on the Principal European Economic Indicators".

have indicated that in 2006 they will start providing provisional information to Eurostat for inclusion in the euro area flash estimate. Moreover, work on a national HICP flash estimate is also being undertaken in the Netherlands. As a result, the overall country coverage of the euro area flash estimate may increase to more than 95%, which would further enhance its reliability.

3.2 INDUSTRIAL PRODUCER PRICES

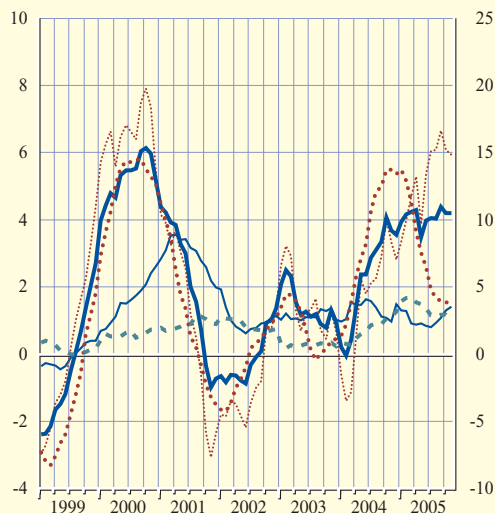
In November producer price inflation in the industrial sector was broadly stable. The annual rate of change in industrial producer prices excluding construction remained at 4.2% despite a slight decrease in the contribution of energy prices compared with previous months (see Chart 18). The relatively low annual growth rate of industrial producer prices excluding construction and energy also persisted in November, supporting the view that there had been only a limited transmission of higher energy costs to prices in other sectors of the economy.

In line with the above assessment, although the annual growth rate of consumer goods producer prices has risen since August 2005, reaching 1.4% in November, the process has mainly been driven by tobacco and food prices. Moreover, the pace of the increase is below the peak levels associated with commodity price shocks in the past. Meanwhile, the annual growth rate of intermediate goods prices may have levelled off after a sharp drop in the first half of 2005. In addition, the annual growth of capital goods prices has also remained muted in recent months.

Chart 18 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

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

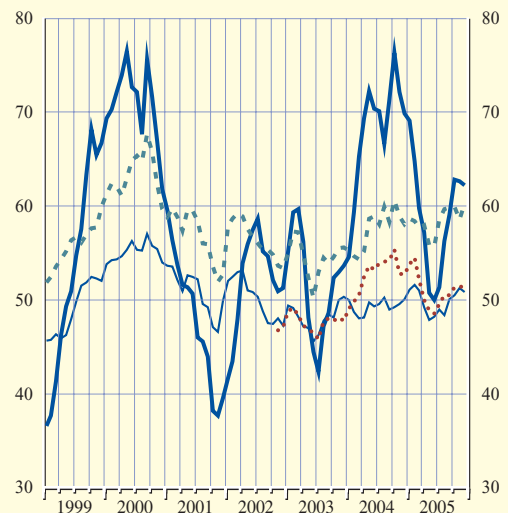


Sources: Eurostat and ECB calculations.

Chart 19 Producer input and output price surveys

(diffusion indices; monthly data)

- manufacturing; input prices
- manufacturing; prices charged
- - - services; input prices
- services; prices charged



Source: NTC Economics.

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

Reflecting developments in producer prices, price-related survey indicators suggest that there is ongoing pressure on firms' input prices in both the manufacturing and the services sectors, although they indicate only a moderate increase in selling prices (see Chart 19). The Eurozone Manufacturing Input Price Index remains high at 62.2 and firms reported that the high prices of energy and other raw materials were the main contributing factors. The rise of the selling price index was, however, still moderate in November, indicating that the surge in input costs was not passing through fully to selling prices, notably due to strong competition and weak consumer demand. The picture in the services sector is broadly similar: the gap between input and selling prices widened in the period, although to a lesser extent than in manufacturing.

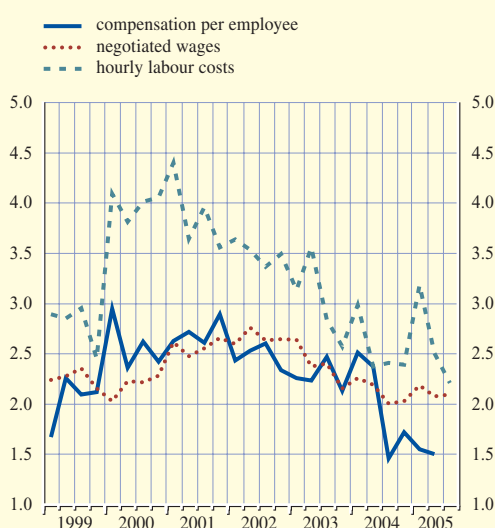
3.3 LABOUR COST INDICATORS

Recent developments in labour cost indicators suggest that wage pressures remained subdued in the euro area up to the third quarter of 2005 (see Chart 20 and Table 6). In particular, the annual growth rate of negotiated wages was 2.1% in the second and third quarters. Following a peak in the first quarter, which mainly resulted from statistical factors, the annual growth rate of total hourly labour costs declined gradually during the year to reach 2.2% in the third quarter. The decline was significant in the non-wage components while the decline in wage costs remained small. Following an increase at the end of 2004, the annual rate of change in compensation per employee also decreased in the first half of 2005. The fall was more marked in the industrial sector, but wage growth declined in the services sector as well (see Chart 21). According to available country information, the moderate pace of growth in compensation per employee continued in the third quarter.

Considering that productivity growth picked up by 0.3 percentage point in the third quarter, and compensation per employee growth is likely to have remained moderate, unit labour costs growth is estimated to have remained subdued in that quarter.

Chart 20 Selected labour cost indicators

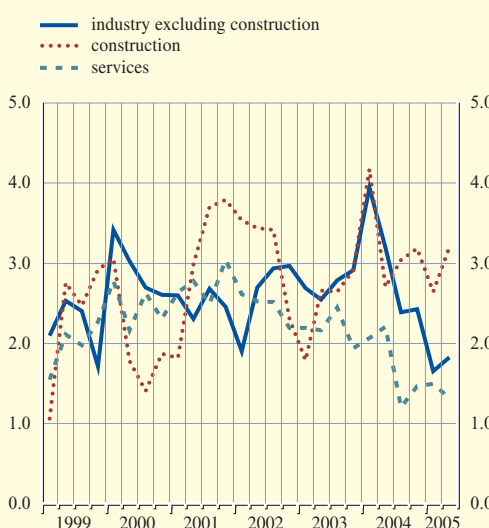
(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

Chart 21 Sectoral compensation per employee

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
Negotiated wages	2.4	2.1	2.0	2.0	2.2	2.1	2.1
Total hourly labour costs	3.0	2.5	2.4	2.4	3.2	2.5	2.2
Compensation per employee	2.3	2.0	1.5	1.7	1.5	1.5	.
<i>Memo items:</i>							
Labour productivity	0.5	1.1	1.1	0.7	0.4	0.5	0.8
Unit labour costs	1.8	0.9	0.4	1.1	1.1	1.0	.

Sources: Eurostat, national data and ECB calculations.

3.4 THE OUTLOOK FOR INFLATION

Overall, taking account of the latest information, the inflation outlook has remained broadly unchanged from the Eurosystem staff projections published in early December 2005. Following the decline since September, inflation rates could exhibit some volatility in the early months of 2006 and could rise somewhat, partly reflecting unfavourable base effects from the unprocessed food component. Moreover, the short-term outlook continues to depend crucially on developments in oil prices. More generally, reflecting the subdued labour markets, wage increases are expected to remain contained and thus contribute to continued overall moderate pressures on domestic prices. However, the inflation outlook continues to be subject to a number of significant upside risks, in particular, relating to oil prices and the risk of potential second-round effects in wage and price setting. In this regard, the effects of the most recent rise in oil prices and oil price futures need to be monitored closely. In addition, further increases in administered prices and indirect taxes could also put upward pressure on euro area inflation.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The latest data releases confirm the picture of stronger economic activity in the second half of 2005, indicating that the euro area economy demonstrated considerable resilience in the face of higher oil prices. Overall, real economy indicators and survey data continue to support the expectation of sustained economic growth in 2006, and there are also signs of improvement in labour market conditions. Downside risks to the economic outlook relate mainly to prevailing global imbalances and uncertainties surrounding oil price developments.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

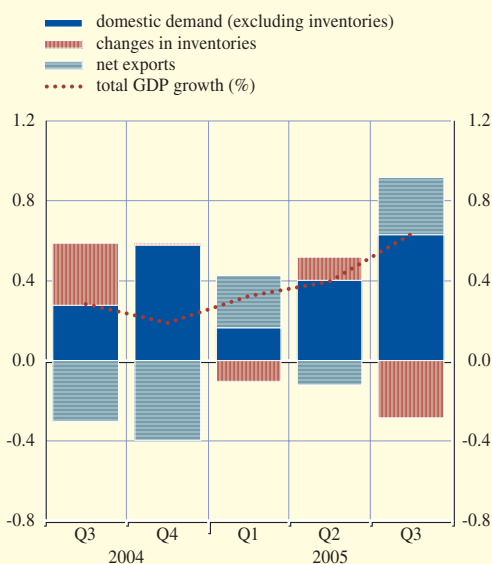
The first release of national accounts data for the third quarter of 2005, reported in the December 2005 issue of the Monthly Bulletin, confirmed that euro area real GDP rose by 0.6% quarter on quarter, in line with the flash estimate. Taking into account the quarter-on-quarter growth rates of 0.4% in the second quarter and 0.3% in the first quarter of 2005 (see Chart 22), this confirms the picture of a strengthening in activity. The euro area economy has therefore shown considerable resilience to the marked increase in oil prices.

The contributions from domestic demand and net exports were both positive. The domestic demand contribution stemmed from slightly higher private consumption growth and from strong investment growth, which recorded its highest contribution to GDP growth since the first quarter of 2000. Both net exports and investment have been contributing substantially to economic activity since the beginning of the recovery in the third quarter of 2003.

While growth dynamics have strengthened, however, potential growth in the euro area remains disappointingly low. EU Member States recently submitted National Reform Programmes aimed at achieving higher labour participation and employment growth, and at boosting labour productivity growth and competitiveness. Box 4 reviews the main structural measures planned by the euro area countries in their programmes.

Chart 22 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

Box 4

THE 2005-2008 LISBON NATIONAL REFORM PROGRAMMES OF THE EURO AREA COUNTRIES

The March 2005 European Council meeting relaunched the Lisbon strategy by focusing on growth and employment.¹ At the same time, in order to improve the implementation of structural reforms, a number of changes were made to the governance framework of the strategy.

¹ See the article entitled "The Lisbon strategy – five years on" in the July 2005 issue of the Monthly Bulletin.

Specifically, the European Commission put forward an Integrated Guidelines package, consisting of a new set of Broad Economic Policy Guidelines (BEPGs) and Employment Guidelines. The ECOFIN Council adopted the 2005-2008 Integrated Guidelines in July 2005.² The Integrated Guidelines will remain valid for three years, thus providing policy continuity for this period.

In response to the Integrated Guidelines, EU Member States submitted in autumn 2005 National Reform Programmes (NRPs), in consultation with key stakeholders in the implementation of the Lisbon strategy, such as national parliaments, regional and local authorities, and social partners.³ The NRPs set out a comprehensive three-year strategy to implement the Integrated Guidelines at the national level. They present key country-specific challenges and an outline of policy initiatives and concrete measures in response to the challenges identified at the EU level. As part of the existing multilateral surveillance arrangements, the ECOFIN Council, assisted by the Economic Policy Committee of the EU, undertook a preliminary review of the NRPs.⁴ In addition, the Commission will present its own assessment of the NRPs in the form of a first annual progress report on the Lisbon strategy in late January 2006.

This box provides an overview of the main structural measures decided or planned by the euro area countries in their NRPs for the period 2005-2008. The focus of the NRPs is on reforms aimed at achieving higher labour participation and employment growth, and at boosting labour productivity growth and competitiveness. To achieve this, the NRPs include measures to boost innovation, continue the completion of the EU internal market, create the right climate for entrepreneurs and ensure the long-term sustainability and quality of public finances.

With regard to labour market reforms, stimulating labour participation and employment is a core challenge for policy. It is essential to provide stronger incentives for people to stay in or enter the labour market and to increase the employment rate, in particular for women, the young and older workers. Therefore, the labour market measures in the NRPs target these groups as a matter of priority. Measures have been announced in some countries to develop childcare facilities in order to support an increase in the female employment rate. Measures aimed at raising older workers' employment rates mainly consist in increasing financial incentives to remain in the labour market (e.g. by providing the possibility to draw a pension and a salary at the same time), in limiting the possibilities for early retirement (e.g. by withdrawing tax incentives for early retirement schemes) or in adapting the incentive structure for companies to hire older workers by introducing a more flexible employment contract. Finally, measures aimed at reducing youth unemployment mainly include tax cuts at the lower end of the wage scale in order to reduce labour costs and/or measures to develop human capital by improving the educational and training system. By contrast, little or no action aimed at easing employment protection legislation or increasing wage flexibility has been taken in most euro area countries. These remain important issues that need to be addressed, especially with regard to the employment prospects for unskilled workers.

Turning to measures aimed at boosting labour productivity growth and competitiveness, most euro area countries have decided to significantly enhance investment in research and

2 See the box entitled "The Integrated Guidelines for Growth and Jobs 2005-2008" in the August 2005 issue of the Monthly Bulletin.

3 A parallel Community Lisbon Programme was adopted by the Commission in July 2005 to complement the NRPs with action to be taken at the European level.

4 See the ECOFIN Council conclusions of 6 December 2005 and the Economic Policy Committee's November 2005 "Report on the Lisbon National Reform Programmes 2005".

development. However, while specific actions to boost public R&D investment have been announced, measures aimed at increasing private R&D investment focus often on strengthening fiscal incentives. In addition, some countries intend to step up cooperation with the private sector to achieve this goal.

With regard to reforms aimed at increasing product market competition, the NRPs would have benefited from focusing more on concrete measures decided or envisaged. Even though progress has been recorded over the past few years, more still needs to be done in this field, particularly in the services sector, including network industries. In June 2005 nine euro area countries had not reached the EU target of reducing the transposition deficit for internal market directives to below 1.5%, with three of them being the worst performers of the 25 EU Member States in this respect.

With respect to measures on the fiscal side, the NRPs address two broad areas for structural reforms, namely: (i) the sustainability of public finances, especially in view of the ageing of the EU population; and (ii) the composition of public expenditure and the economic efficiency of taxation and public spending. In the area of fiscal sustainability, demographic ageing has been projected to have a pronounced effect on fiscal balances, in particular through its impact on public expenditure on pensions as well as health and long-term care. In light of such projections, several euro area countries have implemented pension reforms in the past few years with a view to making their public pension systems financially sustainable. In particular, the financial soundness of public pay-as-you-go pension systems has been strengthened, partly through measures to raise the effective retirement age and to tighten benefits. At the same time, the role of funded pension pillars has been increased. Intentions for future pension reforms tend to go in the same direction. Overall, however, it appears that more needs to be done to ensure the financial viability of public pension systems in several countries.

A number of programmes elaborate on ongoing or planned reforms to tackle ageing-induced fiscal pressures in public healthcare systems. While such reforms are generally targeted at addressing current inefficiencies, they would also contribute to preparing the systems for future challenges.

Some NRPs present concrete plans to raise the efficiency of taxation and public spending and to strengthen institutions of budget management and control. The design of tax-benefit systems represents a direct link between the need to ensure fiscal sustainability and the incentive structure for the entire economy, in particular in the area of labour supply and demand. Several programmes acknowledge the disincentive effects arising from high effective marginal tax rates due to the loss of social transfers for workers re-entering employment after a period of unemployment. In addition to lowering overall taxation on labour, some countries have implemented or envisage a reduction in the tax rates on low incomes to make work pay. Further measures in this regard consist in granting low-wage employees continued entitlement to some social benefits and introducing negative income taxes. Such efforts are targeted in particular at raising the work incentives for recipients of disability benefits.

Overall, the NRPs appear to demonstrate a stronger political commitment to the reform process in the context of the Lisbon strategy. All euro area governments acknowledge the need for further reforms and the benefits arising from implementing such reforms. However, despite

important progress in some areas, the NRPs would have benefited from focusing more on concrete measures to meet the identified challenges.

Looking ahead, it will be important to communicate, monitor and evaluate the implementation of the reform process effectively. It is likely that in some areas euro area countries will need to go beyond the reforms presented in their NRPs in order to meet the objectives of the Lisbon strategy by 2010. The submission of the updated NRPs in autumn 2006, which will include an assessment of the previous year's implementation efforts, should also provide the opportunity to review to a certain degree national strategies and commitments while maintaining policy continuity over the period 2005-2008.

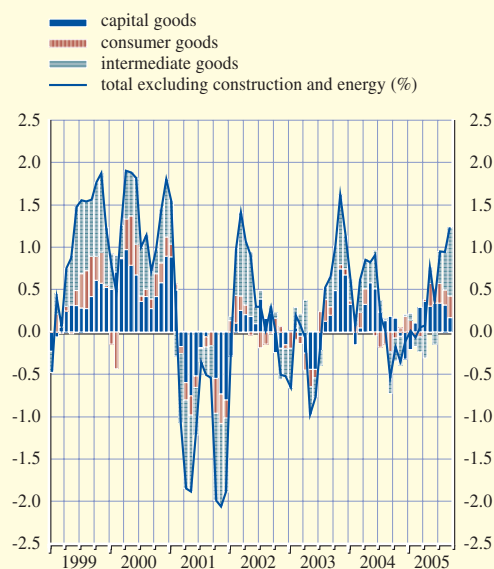
SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

In terms of the sectoral composition of growth in the euro area, the data for real value added in the third quarter of 2005 (which were reported in the December 2005 issue of the Monthly Bulletin) showed a positive contribution to growth from both the industrial and the services sector. Value added in the industrial sector increased at a marginally higher pace than in the services sector.

Euro area industrial production (excluding construction) fell by 0.8% month on month in October 2005; on a three-month moving average basis, however, the latest results show a rate of expansion in the industrial sector of 0.5% in September. The three-month moving average growth rate has remained broadly stable since the second quarter. The three-month moving average for industrial production excluding energy as well as construction continued the upward trend it had followed throughout 2005 (see Chart 23). In terms of three-month moving averages, the strongest growth in the industrial sector in September was recorded in intermediate goods (at 1.5%).

Chart 23 Industrial production growth and contributions

(growth rate and percentage point contributions; seasonally adjusted)



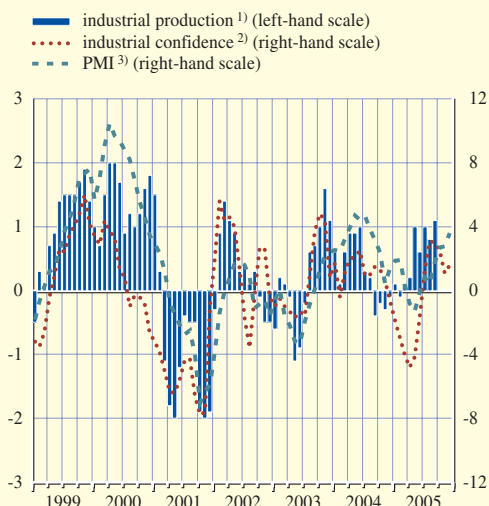
Sources: Eurostat and ECB calculations.
Note: Data shown are calculated as three-month centred moving averages against the corresponding average three months earlier.

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data for the manufacturing and services sectors in the euro area continue to show signs of improvement. For the manufacturing sector, the European Commission's industrial confidence indicator increased by two points in December 2005, having registered no change in November and a slight increase in October. The Purchasing Managers' Index (PMI) for the manufacturing sector rose in December for the fourth successive month, to reach its highest level since August 2004. The increase in the PMI was widely spread across components and countries, confirming that the improvement which began in May 2005 was sustained in the fourth quarter. Overall, the

Chart 24 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)

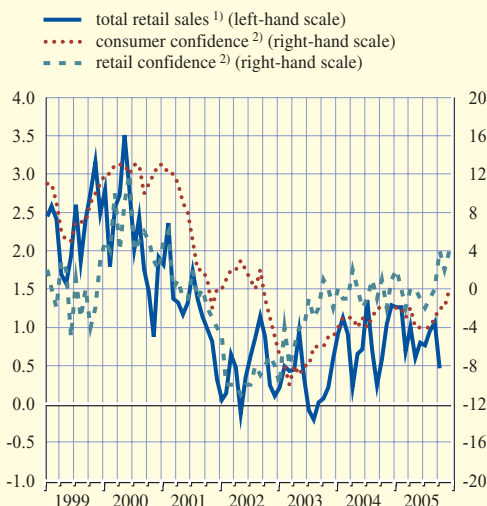


Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.

- 1) Manufacturing; three-month on three-month percentage changes.
- 2) Percentage balances; changes compared with three months earlier.
- 3) Purchasing Managers' Index; deviations from an index value of 50.

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

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

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

increase in both the industrial confidence indicator and the PMI in December provides a positive signal for the fourth quarter and the start of 2006 (see Chart 24).

As regards the services sector, the European Commission's services confidence indicator declined slightly in December 2005, although it remained close to its highest value of 2005. The business activity index of the PMI survey for the services sector rose in December. Both the employment and outstanding business indices also rose, reaching their highest values in more than four years. Overall, the available survey information for the services sector provides a positive signal for the last quarter of 2005 and the start of 2006.

INDICATORS OF HOUSEHOLD SPENDING

Growth in euro area private consumption continued to improve in the third quarter of 2005, while remaining moderate. Private consumption increased by 0.3% quarter on quarter, following an increase of 0.2% in the second quarter and 0.1% in the first. The contributions from both retail sales and new car registrations were larger in the third quarter.

Retail sales volumes decreased by 0.1% month on month in November, following an increase of 0.2% in October, thus again recording approximately the same rate of change as in May and June. The decline in November was attributable to lower growth in sales of food products. From a medium-term perspective, retail sales growth remained subdued. As regards other indicators of household spending, new passenger car registrations fell by 0.9% month on month in November, following a fall of 1.1% in October. On a three-month moving average basis, the latest results show a contraction in new passenger car registrations of 0.8% in October.

The picture of a moderate recovery in consumption growth is consistent with recent developments in the European Commission's consumer confidence indicator. In December 2005, following a gradual improvement over the previous few months, consumer confidence reached its long-term average (see Chart 25).

4.2 LABOUR MARKET

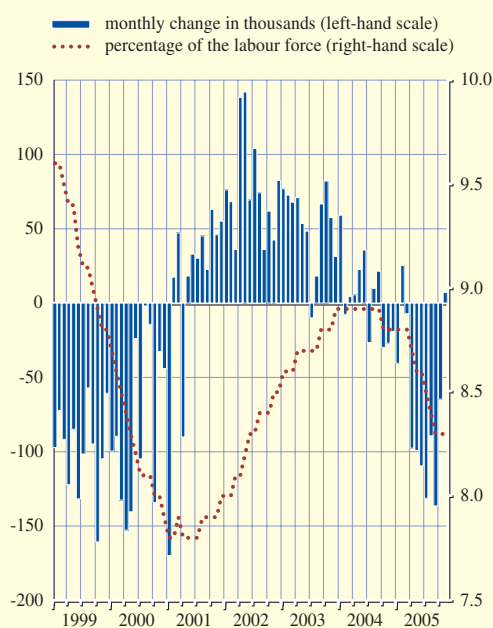
The latest indicators suggest that the improvement in labour market conditions which started in the first half of 2005 has been sustained. Employment expectations for both the industrial and services sectors improved in December, signalling a positive outlook for underlying labour market conditions in the fourth quarter of 2005 and the start of 2006.

UNEMPLOYMENT

The euro area unemployment rate remained unchanged at 8.3% in November 2005 for the third consecutive month (see Chart 26). The number of unemployed increased for the first time since March 2005. However, this appears to reflect primarily the developments in Germany, where recent methodological and institutional changes make the underlying trend difficult to assess (see Box 5). The total number of unemployed in all euro area countries for which data are available excluding Germany declined in November. While the new data alone do not signal an expansion in employment, taken together with other information on actual and expected employment developments, they suggest an improvement in labour market conditions.

Chart 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 7 Employment growth

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

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

Sources: Eurostat and ECB calculations.

EMPLOYMENT

Employment increased by 0.3% quarter on quarter in the third quarter of 2005, following an increase of 0.2% in the second quarter and no change in the first (see Table 7). The increase in the third quarter compared with the second quarter was driven mainly by employment growth in the services sector. The main contribution to the strong performance of service-sector employment in the first three quarters of 2005 came from the finance and business and the public administration sub-sectors.

Survey data support the picture of gradually improving labour market conditions. The employment index of the PMI survey for the services sector rose in December to its highest value in more than four years. Positive developments were also recorded in the employment index of the PMI survey for the manufacturing sector. Employment expectations from the European Commission's confidence indicator improved further for both the industrial and the services sector in December. Employment expectations in industry are at their highest level since mid-2001.

Developments in euro area employment over recent years partly reflect the implementation of labour market reforms. These reforms may also have led to changes in the composition of employment, which should be taken into account when interpreting employment figures. Furthermore, some important methodological and statistical changes to employment data have been introduced in a number of euro area countries. Box 5 discusses these issues, concluding that while caution is needed in interpreting recent developments in euro area labour markets, recent figures point to improving conditions.

Box 5

SOME COUNTRY-SPECIFIC FACTORS BEHIND RECENT EURO AREA EMPLOYMENT DEVELOPMENTS

Euro area employment data point to a gradual improvement in labour market conditions. According to national accounts data, euro area employment, measured in persons, rose by an average of 0.2% quarter on quarter from the beginning of 2004 to the third quarter of 2005, compared with just 0.1% during the years 2002 and 2003. However, when interpreting recent employment data, certain important country-specific factors should be taken into account. This box highlights the potential impact of various labour market reforms, as well as methodological and statistical changes, for some of the larger euro area countries. It concludes with an assessment of recent employment developments in the euro area as a whole against the background of these factors.

Labour market reforms have affected employment developments in a number of euro area countries. In Germany, while contracts in the form of full-time employment for an unlimited period have become less prevalent in the past few years, self-employment and part-time employment have been gaining importance.¹ These changes reflect the need for flexibility in enterprises and households, and have recently been further strengthened by measures introduced in the context of the Acts promoting modern labour market services (also known as the Hartz reforms). These include i) the introduction of financial assistance for unemployed persons setting up new businesses; ii) the promotion of part-time jobs paying up to €400 a month; and

¹ For a comprehensive overview see the Deutsche Bundesbank, "Rapid change in paid employment", Monthly Report, July 2005, pp. 13-25.

iii) the promotion since the beginning of 2005 of “one-euro” jobs, which allow the long-term unemployed to take up specifically allocated work and earn up to €2 per hour on top of their unemployment benefits. As a result of these measures, the employment figures measured in terms of persons have improved considerably more than employment measured in hours worked. In France, a special two-year contract, entailing no costs for dismissing new recruits for enterprises with less than 20 employees, was introduced in August 2005 to boost employment in the private sector. In Italy, new legislation implemented in 2003 (known as the Biagi Law) introduced measures to enhance flexibility in the labour market, mainly in the form of more flexible part-time contracts and non-standard labour contracts for temporary workers. In the Netherlands, the Act on the extension of continued payment of salary in case of illness provided that from January 2005 firms must pay an extra year of sick-leave before employees can qualify for the disability scheme. This has led to an increase in measured employment, as workers are counted as employed as long as they receive sick-leave payment from their employers.

Statistical and methodological changes have also been implemented in some euro area countries. In Spain, revised employment data for the period from 1996 to 2004, published in March 2005, showed both higher levels and growth rates of employment. These upward revisions are due to the incorporation of a higher number of immigrant workers than previously recorded. In particular, the level of employment in the fourth quarter of 2004 was increased by 965,000 persons as a result of this factor. The revised annual growth rates reflect the fact that the immigrant population has been rising more strongly over the last few years than initially recorded. Moreover, the national statistical institute introduced a second set of important methodological changes in April 2005, aimed at adjusting its labour force survey questionnaire to EU requirements.² In Italy, the budget laws for 2003 and 2004 introduced measures to legalise immigrant workers in the grey economy and an opportunity for retired persons who have continued to work to register as employed. As the employment data in the national accounts already include an estimate of employment in the informal economy, these measures amount only to a redistribution between official and grey economy workers, without affecting the overall employment figures.

Overall, recent employment figures in some of the largest euro area countries have been affected by labour market reforms and by methodological and statistical changes, influencing the data for the euro area as a whole. Although the impact on the euro area data is very difficult to quantify, the effects in some countries appear to be non-negligible, suggesting that caution is needed when interpreting recent euro area employment developments. More detailed employment data, for instance on hours worked, would help to better evaluate the impact of such country-specific factors. Nonetheless, even when these factors are taken into account, there are signs of improving labour market conditions, as indicated by a rising number of job vacancies and rising employment expectations in various surveys.

² For a more detailed explanation see the Banco de España, “La revisión de las cifras de la EPA”, Boletín Económico, April 2005, pp.14-15 and “EPA 2005: Resumen de los cambios metodológicos”, Boletín Económico, May 2005, p. 32.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The information that has become available since the beginning of December 2005 tends to confirm the scenario of a strengthening and broadening recovery in euro area economic activity. New data show that employment has continued to strengthen in the euro area, and there have also been signs of a further improvement in consumer and industrial confidence. This scenario of sustained growth is in line with the Eurosystem staff macroeconomic projections published in early December as well as with forecasts by international and private sector organisations. Downside risks to this outlook mainly relate to prevailing global imbalances and uncertainties surrounding oil price developments.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

Following a period of weakness in November, the euro was relatively stable in December and appreciated moderately in early January. The strengthening of the euro in nominal effective terms over this period largely reflected its appreciation against the US dollar and, to a lesser extent, against the Chinese renminbi and the pound sterling, which was partially offset by its fall against the Japanese yen and some of the new Member States' currencies.

US DOLLAR/EURO

Following a considerable decline against the US dollar in November, the euro appreciated moderately against the US currency in December and more strongly in early January (see Chart 27). Developments in the euro-dollar exchange rate were notably affected by market expectations about the future course of monetary policy in the United States and in the euro area. Favourable news about the euro area economy combined with a change in the Federal Reserve's communication on monetary policy decisions tended to weaken market expectations about a further widening of the US-euro area interest rate differential. Concerns about a new record high in the US trade deficit were mitigated by reports of very high portfolio investment inflows. Overall, on 11 January, the euro stood at USD 1.21, i.e. 2.7% above its end-November level and 2.8% lower than its 2005 average.

JAPANESE YEN/EURO

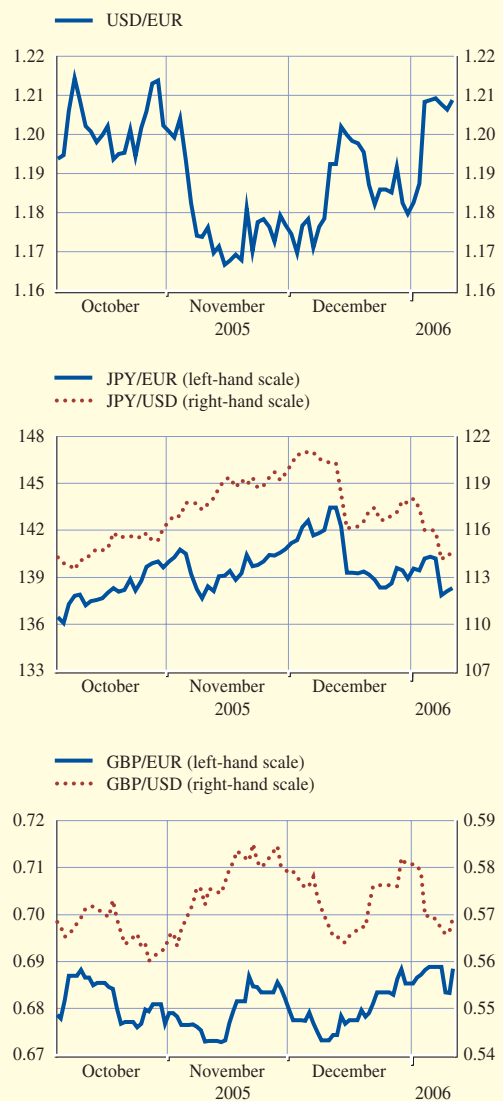
Following a substantial decline against the major currencies in recent months, the Japanese yen showed a relatively strong and broad-based appreciation in the second half of December. The recovery may have been related to technical factors, as investors reportedly closed sizeable short positions cumulated earlier against the currency. On 11 January the euro traded 1.8% lower than its end-November level and 1.1% above its 2005 average (see Chart 27).

EU MEMBER STATES' CURRENCIES

In December and early January, most currencies in ERM II were trading at or close to their respective central parity (see Chart 28). Together with some other currencies in central and eastern Europe, the Slovak koruna appreciated vis-à-vis the euro (1.4%) to trade 2.8% above parity at the stronger end of the ERM II band on 11 January. With regard to the currencies of other EU Member States, the euro appreciated vis-à-

Chart 27 Patterns in exchange rates

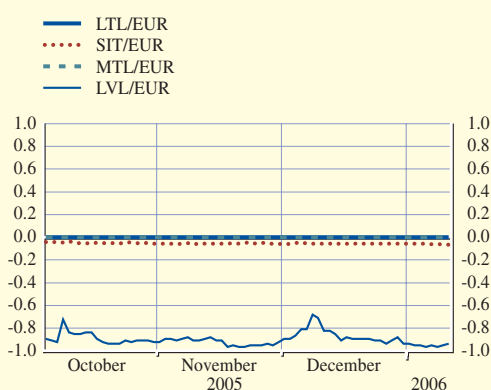
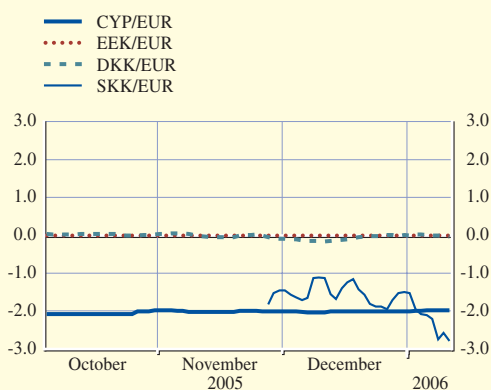
(daily data)



Source: ECB.

Chart 28 Patterns in exchange rates within ERM II

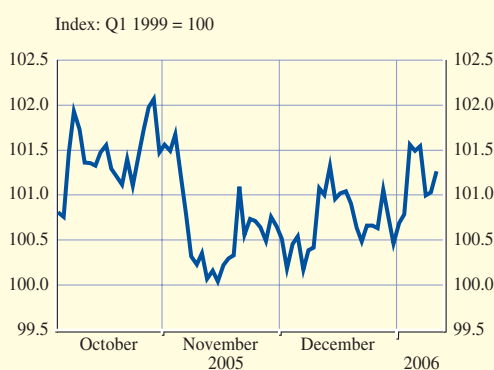
(daily data; deviation from central parity in percentage points)



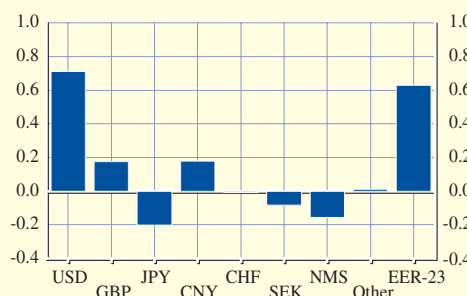
Source: ECB.
Note: A positive/negative deviation from the central parity against the euro implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is $\pm 2.25\%$; for all other currencies the standard fluctuation band of $\pm 15\%$ applies.

Chart 29 Euro effective exchange rate and its decomposition ¹⁾

(daily data)



Contributions to EER changes ²⁾
From 30 November 2005 to 11 January 2006
(in percentage points)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category 'NMS' refers to the aggregate contribution of the currencies of the ten new Member States 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.

vis the pound sterling to stand at GBP 0.69 on 11 January, 0.9% stronger than its end-November level and 0.7% stronger than its 2005 average. The euro depreciated against the Swedish krona (1.9%), which experienced a rather strong recovery in the period under review, and against the Czech koruna, the Polish zloty and the Hungarian forint (by 0.6%, 3.4% and 1.1% respectively).

OTHER CURRENCIES

Since end-November the euro has been stable vis-à-vis the Swiss franc. It appreciated by 0.7% against the Norwegian krone, by 2.4% against the Canadian dollar, by 0.9% against the Australian dollar and by 2.6% against the Chinese renminbi. At the same time, it depreciated by 2.4% against the South Korean won.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 11 January the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was 0.6% above its end-November level and 1.6% weaker than its average in 2005 (see Chart 29). The moderate strengthening of the euro in nominal effective terms in December and early January largely reflected a rise against the US dollar and, to a lesser extent, against the Chinese renminbi and the pound sterling, which was partially offset by its fall against the Japanese yen and some of the new Member States' currencies.

5.2 BALANCE OF PAYMENTS

Balance of payments data up to October 2005 indicate that values of extra-euro area imports and exports remain on a strong upward trend. While the rapid rise in the value of imports is mainly explained by rising import prices, the robust rise in exports largely reflects strong export volumes. The stronger growth in import values relative to export values is the main factor explaining why the 12-month euro area current account turned into a deficit of almost €9 billion in October 2005, compared with a €43 billion surplus a year earlier. In the financial account, the euro area recorded net inflows of €60 billion in combined direct and portfolio investment in the 12-month period up to October, compared with virtually balanced net flows until May 2005. This development reflects strong investment in euro area equities.

TRADE AND THE CURRENT ACCOUNT

The latest balance of payments data for October 2005 confirm that values of extra-euro area imports and exports of goods and services remain on a strong upward trend, albeit one that is decelerating to some extent in comparison with previous months (see Chart 30). The three-month moving average

Table 8 Main items of the euro area balance of payments

(EUR billions; seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2005 Sep.	2005 Oct.	2005 Jan.	2005 Apr.	2005 July	2005 Oct.	2004 Oct.	2005 Oct.
Current account	-3.3	-9.0	1.9	1.8	-0.8	-5.8	42.6	-8.7
Goods balance	5.3	0.2	6.8	6.7	5.6	2.6	110.1	65.4
Exports	105.8	103.0	96.0	97.0	100.6	104.6	1,109.4	1,194.6
Imports	100.5	102.7	89.1	90.3	95.0	102.0	999.3	1,129.2
Services balance	2.5	2.6	2.2	2.5	2.0	2.4	29.1	27.0
Exports	31.7	32.1	30.3	31.1	31.4	31.7	356.3	373.4
Imports	29.2	29.6	28.1	28.6	29.4	29.3	327.2	346.4
Income balance	-4.9	-7.4	-1.4	-2.9	-4.0	-5.5	-39.8	-41.4
Current transfers balance	-6.2	-4.4	-5.7	-4.5	-4.4	-5.3	-56.8	-59.7
Financial account¹⁾	26.0	-6.6	12.3	-1.3	18.5	4.7	-23.3	102.8
Combined direct and portfolio investment	16.5	-6.1	-5.5	-4.9	38.4	-8.0	-1.5	60.3
Direct investment	2.2	-0.9	-6.7	-7.0	-27.1	-4.6	-38.6	-136.1
Portfolio investment	14.3	-5.1	1.2	2.2	65.5	-3.4	37.1	196.4
Equities	5.9	-12.5	14.7	-16.1	53.4	4.5	-4.1	169.6
Debt instruments	8.5	7.4	-13.5	18.3	12.1	-7.9	41.2	26.8

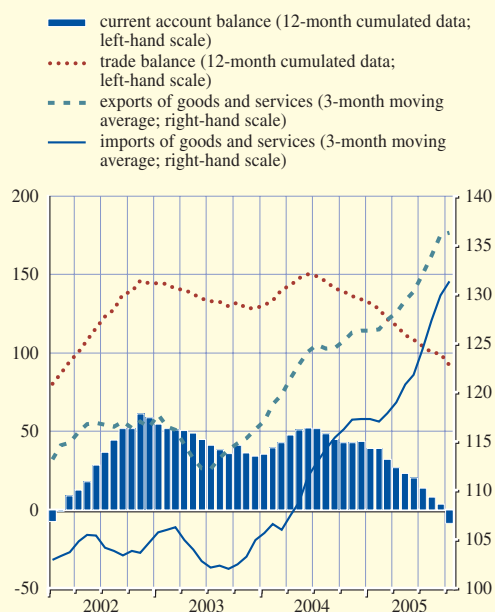
Source: ECB.

Note: Figures may not add up due to rounding.

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

Chart 30 The euro area current account and trade balances

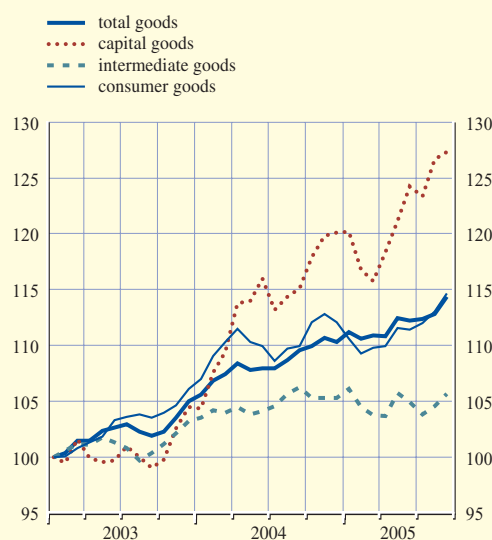
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 31 Extra-euro area import volumes for selected commodities

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



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

of exports increased by 3.2% in October compared with the corresponding figure for July (see Table 8), due to a strong rise in goods exports (3.9%) and a subdued growth in the exports of services (1.1%). Over the same period, imports continued to grow faster than exports (5.5%) owing to the rapid rise of imports of goods, while imports of services remained virtually flat.

The breakdown of extra-euro area trade in goods into volumes and prices provided by Eurostat (up to September 2005) suggests that the ongoing increase in the value of goods exports mostly stems from strong growth in export volumes. In the third quarter of 2005, export volumes to Asia (especially China) and the new EU Member States grew robustly. This reflects both the sustained import growth in these countries together with gains in the price competitiveness of euro area exports, partly due to the depreciation of the euro in the second and third quarters of 2005. In terms of product categories, export volumes of capital goods registered much stronger growth in the third quarter than intermediate and consumer goods.

Meanwhile, the recent increase in goods imports is mainly explained by the strong growth in import prices, although import volumes continued to accelerate as well. The rise in import prices recorded in the third quarter of 2005 was mainly related to the increase in the price of oil and, to a lesser extent, to the pick-up in manufacturing import prices. The latter might reflect both the depreciation of the euro as well as higher production costs for euro area import suppliers following the hike in oil prices.

The acceleration in import volumes which started in the second quarter of 2005 continued in the third quarter. This partly reflected the pick-up in euro area GDP growth over the period as well as the strong growth in import-intensive categories of expenditure, such as exports and investment.

In this context, the recovery in euro area imports can mostly be ascribed to significant increases in imports of capital goods (see Chart 31), while since the beginning of 2005, import volumes of consumer goods grew at a moderate pace and volumes of intermediate goods remained almost flat.

As a result of the above trends, the 12-month cumulated goods surplus fell to about €65 billion in October. Also, taking into account the reduction in the services surplus and the rise in the deficit for income and current transfers, the 12-month cumulated current account turned into a deficit of around €9 billion in October 2005 (or less than 0.1% of GDP), which compares with a €43 billion surplus a year earlier.

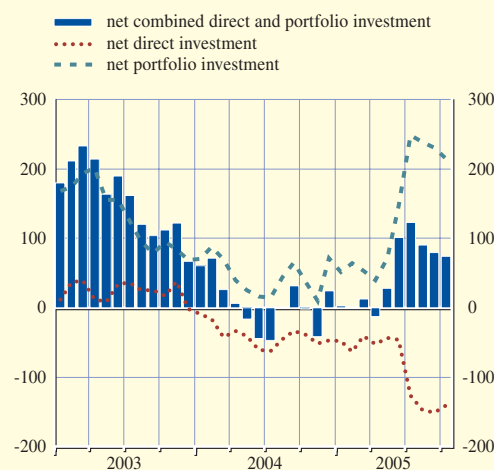
FINANCIAL ACCOUNT

The euro area combined direct and portfolio investment recorded average monthly net outflows of €8 billion over the three-month period up to October 2005 (see Table 8), as net outflows in direct investment (€4.6 billion) and debt instruments (€7.9 billion) more than offset net inflows in equity portfolio investment (€4.5 billion). Net outflows in debt instruments recorded in September and October were the result of large net purchases of foreign debt by euro area residents, possibly related to the wider interest rate differentials between the United States and the euro area.

In 12-month cumulated terms the euro area recorded net inflows of €60 billion in combined direct and portfolio investment in October (see Chart 32 and Table 8). In particular, net investment in euro area equities rose to €170 billion from a broadly balanced position the previous year, partly reflecting the financing of one large transaction involving euro area direct investment abroad in July 2005. Nonetheless, even when adjusted by the above transaction, net investment in euro area equity securities still accounted for most of the net inflows in combined direct and portfolio investment in the 12-month cumulated period. Against this background, market survey data also indicated an interest in euro area equity securities among foreign investors, as in relative terms these were considered to be more attractively priced.

Chart 32 Net direct and portfolio investment flows

(EUR billions; 12-month cumulated data)



Source: ECB.

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

ARTICLES

THE PREDICTABILITY OF THE ECB'S MONETARY POLICY



Current best practice in central banking views a high level of monetary policy predictability as desirable. A clear distinction, however, is made between short-term and longer-term predictability. While short-term predictability can be narrowly defined as the ability of the public to anticipate monetary policy decisions correctly over short horizons, the broader and more meaningful concept of longer-term predictability would encompass the ability to understand the monetary policy framework of a central bank, i.e. its objectives and systematic behaviour in reacting to different circumstances and contingencies. In this broader sense, longer-term predictability is also closely related to the credibility of the central bank. This article reviews the main conceptual issues relating to predictability, in both its short and longer-term dimensions, and discusses how a transparent monetary policy strategy and constant communication have allowed the ECB to achieve a high level of overall predictability. Moreover, it presents descriptive evidence indicating that financial markets have been able to anticipate the ECB's monetary policy decisions with a degree of precision similar to that with which they anticipate the decisions of other large central banks. The ECB remains committed to fostering a genuine understanding of its monetary policy among the public and in financial markets, thereby contributing further to its already high level of predictability.

I INTRODUCTION

Current best practice in monetary policy-making, as embodied in the monetary policy framework of the ECB, emphasises the desirability of a high level of predictability in central bank decisions. A distinction can be made between the notions of short-term and longer-term predictability. Short-term predictability is achieved when the public is in a position to anticipate correctly the central bank's next monetary policy decisions.¹ A more fundamental aspect of monetary policy predictability relates to its longer-term dimension, which requires that the public has a genuine understanding of the central bank's monetary policy framework and its behaviour over time. A high degree of predictability of interest rate decisions is the result of monetary policy being conducted in a credible and transparent manner that is well explained to the public. Hence, while predictability broadly understood is not an objective per se, it enhances the effectiveness of monetary policy and contributes to accountability vis-à-vis the public at large.

This article reviews the main conceptual and empirical issues related to predictability and illustrates how the ECB's monetary policy framework contributes to enhancing both the

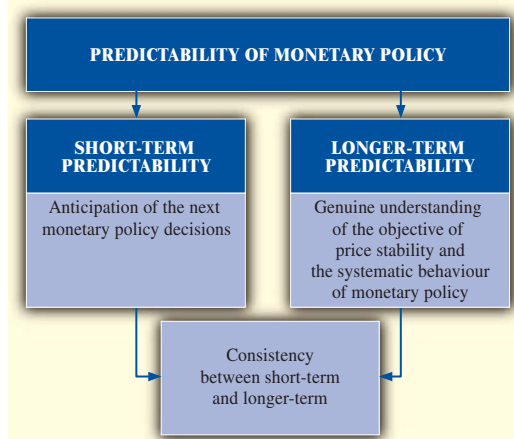
short and longer-term predictability of the single monetary policy. Section 2 sets out a general discussion of predictability and its role in practical monetary policy-making. Section 3 presents the ECB's approach to enhancing the predictability of its monetary policy, while Section 4 provides empirical evidence focused on the short-term predictability of the ECB relative to that of other major central banks. Section 5 offers some concluding remarks.

2 PREDICTABILITY AND THE CONDUCT OF MONETARY POLICY

The predictability of monetary policy is often understood in its narrower definition as the ability of financial markets to correctly anticipate the next monetary policy decisions of a central bank. Predictability of central bank decisions should not be restricted to this short-term notion, however, as it does not adequately reflect the appropriateness of monetary policy decisions as regards the achievement of the objective of price stability. A more meaningful definition therefore relates to a longer-term dimension and centres on the central bank's close adherence to its institutional objectives

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

Chart 1 Predictability of monetary policy



as well as its consistent and transparent use of the instruments available to achieve these objectives. A central bank is predictable in the longer term if its objectives are transparent and credible, and if these are consistently pursued in monetary policy decisions. This in turn will normally result in a genuine understanding on the part of the public of the behaviour of the central bank and, in particular, its systematic reactions to different circumstances and contingencies (see Chart 1).

Against this background, short-term predictability should not be taken mechanically as an indicator of monetary policy transparency. Rather, a high level of short-term predictability should be seen as the natural outcome of a central bank's consistent pursuit of its monetary policy strategy combined with communication that explains its objectives and economic assessment. As such, the short-term predictability of interest rate decisions is an observable reflection of the public's overall understanding of a central bank's monetary policy framework.

Longer-term predictability enhances the effectiveness of monetary policy mainly through its contribution to the formation of expectations on the likely future path of the economy. This expectation formation process is a crucial element in the transmission of monetary policy. In a market-based economy, the central bank can

directly influence only short-term interest rates. However, consumption and investment decisions, and therefore also medium-term price developments, are to a large extent influenced by longer-term interest rates, which in turn depend on private expectations regarding future central bank decisions and inflation. As a result, it is important that the private sector is in a position to anticipate correctly the broad direction of monetary policy over the medium term.

Predictability reduces uncertainty about interest rates and thereby facilitates the pricing of assets and lowers risk premia, which in turn contributes to the efficiency of market allocation. It therefore allows firms to better manage their balance sheets, reduces their vulnerability to economic shocks and lowers risk management costs, thus creating the right conditions for investment decisions.

In addition, understanding of the monetary policy strategy among the public helps to guide price and wage-setting behaviour in a fashion that is consistent with the objectives of the central bank. This can only be achieved through consistent and credible implementation of the central bank's monetary policy strategy. In a setting where the private sector has no clear understanding of the central bank's reaction to economic developments, a perceived lack of commitment to maintaining price stability over the medium term may result in poor predictability and in inflation expectations hence not being anchored in a manner that is consistent with the central bank's objectives. Short-term changes in inflation and output might then become more protracted via wage and price-setting behaviour, possibly resulting in unwarranted economic fluctuations and welfare losses.

While a deeper understanding of the systematic behaviour of monetary policy will normally result in a high level of short-term predictability, perfect short-term predictability may not be attainable for a monetary policy geared towards the attainment of price stability over the medium term. First, perfect short-term predictability

could be trivially achieved if the central bank always mechanically executed the market's expectations, but this approach would not be appropriate. Since financial market expectations of future short-term interest rates largely reflect current market views about the forthcoming policy decision, a mechanical execution of market expectations by the central bank would result in these expectations becoming self-fulfilling even though they do not necessarily reflect an adequate monetary policy stance to maintain price stability. By contrast, a central bank following a price stability-oriented monetary policy is able to underpin interest rate expectations by frequently providing an independent and comprehensive assessment of the current and prospective economic and monetary situation. Second, a central bank may achieve perfect predictability by systematically pre-announcing changes in interest rates and then implementing them under any contingency. However, an unconditional commitment by the central bank regarding the future path of policy rates would restrict the flexibility of its monetary policy framework by limiting its ability to react swiftly to rapid changes in the economic situation. The need to react quickly, on occasion, may also limit the opportunity to fully prepare markets prior to a monetary policy decision. As a result, while central banks have no intention to surprise markets, any indications about the monetary policy stance must be seen as conditional on new information relevant for assessing the risks to price stability.

A coherent track record of reliable policy-making is clearly indispensable for ensuring that the public understands the behaviour of the central bank. However, it is useful to note that this goal cannot be achieved by mechanically implementing a simple policy rule linking monetary policy rates to a small set of indicators in a perfectly predictable manner.² Changes in key variables affecting the monetary policy stance are often subject to substantial revisions and to uncertain structural relationships. Moreover, a monetary policy guided by a small set of indicators would not necessarily guarantee the attainment of the price stability objective.

When reacting to risks to price stability and shocks, a central bank has to weigh up a number of factors, such as the nature and type of the shock, the current business cycle position, accumulated imbalances in the economy, the stability of the financial system and asset price developments.

Finally, communication plays a key role in enhancing predictability by allowing the public to understand monetary policy decisions. Given that monetary policy decisions are necessarily based on judgement and cannot be taken mechanically, there are limits to the extent to which these may be self-explanatory to the public. Therefore, a central bank has to be open and transparent in communicating its policy objectives and the underlying rationale of its decisions. It should not provide unconditional predictions of policy rates in the medium to long term, but allow the public to understand how monetary policy reacts systematically to different economic and monetary conditions and forthcoming developments. The combination of transparent objectives and consistent decision-making credibly explained through convincing communication to the public thus establishes a sound track record that forms the basis for a high level of monetary policy predictability.

3 THE ECB'S MONETARY POLICY FRAMEWORK AND PREDICTABILITY

Each central bank has to find its own approach to matching "words and deeds" so as to enhance the predictability of its monetary policy. The approach chosen is inextricably linked to the history of the central bank and to the surrounding economic and institutional environment. Although in 1999 the ECB, as a newly created central bank, was able to build upon the experience of the NCBs in the Eurosystem, it did not have its own track record of consistent monetary policy. At the same time, the ECB was faced with a high degree of

² For a detailed discussion, see the article entitled "Issues related to monetary policy rules" in the October 2001 issue of the Monthly Bulletin.

uncertainty stemming from data, structural parameters and the need to identify the appropriate economic model for analysing the euro area economy. These conditions constituted a considerable challenge to the task of conducting predictable monetary policy.

From the outset, the ECB gave high priority to establishing a monetary policy strategy that could underpin a credible and predictable policy course.³ First, when announcing its strategy in late 1998 the ECB's Governing Council quantified the objective of price stability in line with its mandate. This quantified objective provides a benchmark for the ECB's monetary policy, increasing its public accountability and providing a focal point for long-term inflation expectations.⁴ While the empirical measurement of such expectations has to be carried out with some caution, existing measures derived from index-linked bonds and surveys suggest that the ECB has been successful in anchoring inflation expectations in the euro area.⁵

Second, the ECB has maintained a medium-term orientation in its monetary policy strategy. While a central bank sets its monetary policy in response to shocks hitting the economy and the existing structures and expectations, it also needs to take account of the fact that financial markets and the public at large try for their part to understand the general pattern of monetary policy when forming their expectations. Such a pattern may be easier to detect if the central bank operates in a rather gradualist manner and does not aim to fine-tune economic developments, in particular given the problems of measuring the state of the economy and the long and variable time lags.⁶ The medium-term orientation of the policy course pursued by the ECB helps the public to understand the reaction of the central bank to the course of broad economic trends, thereby contributing to lower overall volatility and avoiding the disturbances caused by an erratic interest rate-setting policy.

The ECB has also been proactive in being transparent and continuously communicating with the public. In this context, transparency can be defined as an environment in which the

central bank provides in an open, clear and timely manner all relevant information on its mandate, strategy, assessments and policy decisions to the general public and the markets.⁷ The ECB sees transparency not only as an obligation to ensure democratic accountability, but also as an opportunity to communicate information facilitating the processes of learning and expectation formation in the private sector.⁸ In particular, its systematic approach to monetary policy has been further clarified in a number of speeches, studies and Monthly Bulletin articles. At the same time it should be noted that the quest for transparency and predictability implies that information made available to the public should be well structured and organised. If it is not, it could be confusing and counterproductive to the process of efficient expectation formation.

The collegial manner of decision-making in the Governing Council is reflected in the introductory statement given at the press conferences held on Governing Council meeting days, at which monetary policy decisions are explained to the public almost in real time. Moreover, empirical research supports the view that the Eurosystem's communication about the economic situation and monetary policy stance has also been generally homogeneous.⁹

3 See ECB (2004): The Monetary Policy of the ECB.

4 See Levin, A. T., F. M. Natalucci and J. M. Piger (2004), "Explicit inflation objectives and macroeconomic outcomes", ECB Working Paper No 383.

5 See in particular the intervention by Jean-Claude Trichet, President of the ECB, entitled "Monetary policy and 'credible alertness'", at the panel discussion at the Jackson Hole Conference on 27 August 2005.

6 See Issing, O. et al. (2003), Background studies for the ECB's evaluation of its monetary policy strategy, ECB.

7 See the article entitled "Transparency in the monetary policy of the ECB" in the November 2002 issue of the Monthly Bulletin. See also Issing, O. (2005), "Communication, transparency, accountability: monetary policy in the twenty-first century", Federal Reserve Bank of St. Louis Review 87 (2, Part 1), pp. 65-83.

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

9 See Ehrmann, M. and M. Fratzscher (2005), "Communication and decision-making by central bank committees: different strategies, same effectiveness?", ECB Working Paper No 488.

4 THE PREDICTABILITY OF THE ECB'S MONETARY POLICY: EMPIRICAL EVIDENCE

Despite the relatively short history of the euro area, a number of empirical studies have assessed the predictability of the ECB's monetary policy. Mainly for reasons related to measurability and the feasibility of empirical analyses, most of these studies have focused on the narrower notion of short-term predictability. Despite using somewhat different approaches and data, these studies have generally concluded that financial markets have predicted the ECB's monetary policy decisions well. This section presents and updates some of these results.¹⁰

There is no single approach to measuring short-term predictability. Consequently, results from empirical studies using different approaches can vary to some degree. For example, measures of predictability can be based on information derived from different money market asset prices or surveys of financial market participants. The time horizon also matters: a shorter horizon focuses the empirical analysis towards the monetary policy decision on a given day and includes the information available to the central bank at the time of the decision, whereas a longer time horizon may incorporate additional information about the future path of monetary policy.

Short-term predictability is most commonly measured using changes in money market interest rates around the time of monetary policy decisions.¹¹ Financial markets follow central bank decisions very closely and market interest rates therefore contain all the information available to the markets about the economic outlook and monetary policy stance at a given point in time. As a result, changes in market interest rates around the time of monetary policy decisions can be interpreted as a measure of the "surprise" element contained in the announced policy decision. In this context, both unexpected changes in the policy rate and no action when a change in the policy rate was expected constitute a surprise. From

these data, "hit rates" – the number of monetary policy decision days when the surprise element was smaller than a given threshold value, divided by the number of all monetary policy decision days – can be calculated (see Chart 2). Higher hit rates indicate a higher degree of predictability. Monetary policy decision days include all days with scheduled meetings of the decision-making bodies, as well as those with unscheduled meetings at which interest rate decisions were taken. In the case of the ECB, this includes the monthly meeting of the Governing Council at which monetary policy decisions are normally discussed.¹²

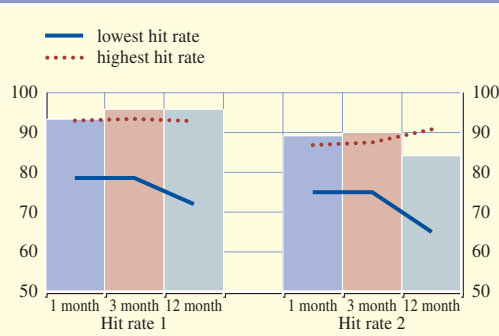
In the exercise considered in this article, two threshold values were used to calculate different hit rates. They are defined as a 12.5 basis point daily change, corresponding to a 50% probability of a 25 basis point change in the policy interest rate (hit rate 1), and twice the normal volatility of daily changes (hit rate 2). While the threshold values and the consequent hit rates are to some extent arbitrary, they are a useful tool for comparing short-term predictability across major central banks. The hit rates are calculated using money market interest rates for assets with three different maturities (one month, three months and twelve months). As shown in Chart 2, the hit rates for different maturities and threshold

¹⁰ The analysis presented in this section closely follows the approach in Wilhelmsen, B.-R. and A. Zaghini (2005), "Monetary policy predictability in the euro area: an international comparison", ECB Working Paper No 504, including data up to 12 December 2005. Examples of other recent studies that also include an international comparison are Connolly, E. and M. Kohler (2004), "News and interest rate expectations: a study of six central banks", Reserve Bank of Australia Research Discussion Paper, and Ehrmann and Fratzscher (2005). See the references in these publications for a more complete list of studies.

¹¹ In this article, the focus is on relatively simple, illustrative indicators of short-term predictability that can be easily compared across currency areas. These indicators were first used to measure the predictability of the ECB in Sicilia, J. and G. Pérez-Quirós (2002), "Is the European Central Bank (and the United States Federal Reserve) predictable?", ECB Working Paper No 192, and they have been more recently applied to data for several other central banks in Wilhelmsen and Zaghini (2005).

¹² Until November 2001 these meetings took place twice a month. Monetary policy decision days also include the decision to lower interest rates taken at an unscheduled meeting on 17 September 2001.

Chart 2 Hit rates of the ECB compared with other major central banks



Sources: ECB calculations based on data from Reuters, the BIS and Global Financial Data.

Notes: Bars indicate hit rates for the ECB and lines represent the range of hit rates for a group of major central banks, i.e. the Federal Reserve System of the United States, the Bank of England, the Bank of Canada, the Reserve Bank of Australia, the Swiss National Bank and the Reserve Bank of New Zealand. For details on the methodology, see Wilhelmsen and Zaghini (2005). The sample period is 1 January 1999 to 12 December 2005 (owing to the unavailability of data, the sample length for some assets in the international benchmark is slightly shorter). The underlying data are based on interbank rates of different maturities (EURIBOR for the euro area).

values indicate a high level of predictability for ECB decisions. The ECB hit rates are high in absolute terms, ranging from a low of 84% to a high of 96%, and in all cases are close to the

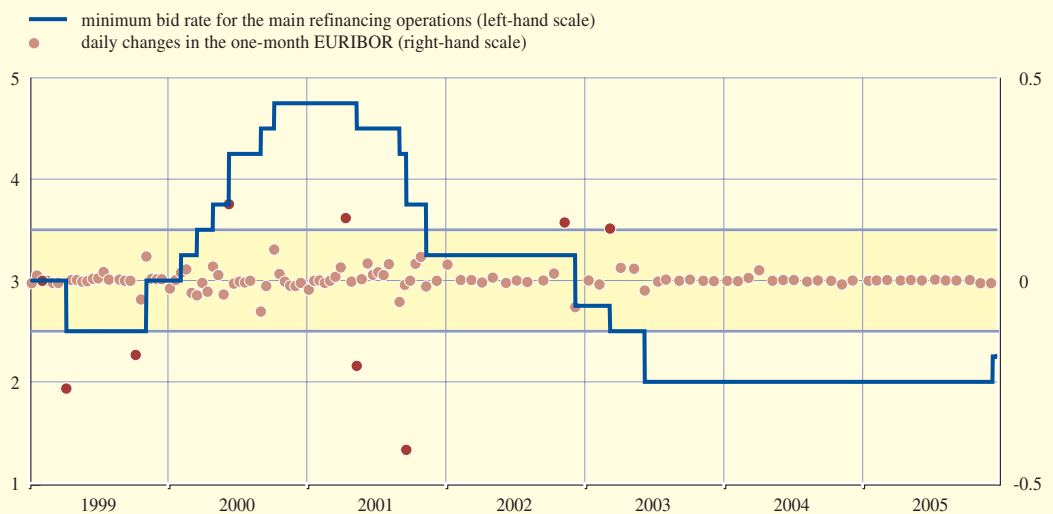
upper bound of the range of hit rates for a group of major central banks. The two hit rates provide similar information, with hit rate 2 providing a somewhat more stringent test of short-term predictability.

Chart 3 shows developments in the minimum bid rate for the main refinancing operations (MROs) of the Eurosystem together with daily changes in the one-month EURIBOR. The light circles close to zero (on the right-hand scale) correspond to days on which the absolute daily change in market rates was smaller than 12.5 basis points, i.e. days on which the financial markets forecast the ECB's monetary policy decisions well. The dark circles outside the band reflect days on which financial markets were surprised by the decision.

The chart further illustrates the high predictability of the ECB's decisions in the short term, as on most days financial markets anticipated the monetary policy decision. These results show that, out of a total of 120 days on which Governing Council meetings were held, financial markets were surprised –

Chart 3 The minimum bid rate and daily changes in the one-month EURIBOR

(percentages per annum; percentage points)



Sources: Reuters and ECB calculations.

Notes: The thin lines represent ± 12.5 basis point threshold values. The circles are daily changes in the one-month EURIBOR around the time of the monetary policy decision day.

according to this definition – on only eight occasions. The greatest surprise occurred on 17 September 2001 when the ECB lowered interest rates at an unscheduled meeting as a response to the exceptional events of 11 September 2001. The surprises are roughly evenly split between days when the policy rate was changed and days when it was not. All surprises that occurred on days when no changes in policy rates were made were followed by a change in policy rates a month later, suggesting that these surprises were related to the precise timing of the decisions. It is also likely that some of the surprises were related to the size of the change in policy rates. This is particularly true for surprises that occurred within longer periods of gradual tightening or loosening of policy rates (such as in early 2000 or early 2003 respectively). Finally, the largest surprises occurred within the first three years of Monetary Union, indicating that the short-term predictability of the ECB may have increased over time. This evidence may reflect the fact that financial markets have gradually learned about the ECB's monetary policy framework and communication.¹³

The announcement of the ECB's policy decision is followed by a press conference at which the President provides a detailed explanation of the economic outlook for the euro area and the risks

to price stability. This communication is aimed at improving the public's understanding of the current decision and the possible future course of policy interest rates. Thus, a separate analysis of the volatility of market interest rates in short time windows around the time of the announcement and the press conference provides a useful starting point for measuring the impact of these events on financial markets. Evidence presented in Box 1 suggests that the volatility of long-term bond futures prices increases around the time that the ECB makes its monetary policy announcements and holds its press conferences, suggesting that both of these events contain information that is relevant to bond markets. However, the increase in volatility is relatively muted and short-lived, which is consistent with the interpretation that the ECB's decisions and its communication have, on the whole, been predictable.¹⁴

¹³ The BIS documents a general improvement in the predictability of major central banks since the mid-1980s (see BIS (2004), Annual Report). In the case of the ECB, the increase in predictability may also be related to the fact that, from November 2001 to December 2005, monetary policy decisions were taken only once a month.

¹⁴ For a discussion of the separate impact of policy announcements and communication in the case of the United States Federal Reserve System, see Gürkaynak, R., B. Sack and E. T. Swanson (2005), "Do actions speak louder than words? The response of asset prices to monetary policy actions and statements", *International Journal of Central Banking* 1(1), pp. 55-93. Complementary evidence based on the communication of the ECB between meetings is presented in Ehrmann and Fratzscher (2005).

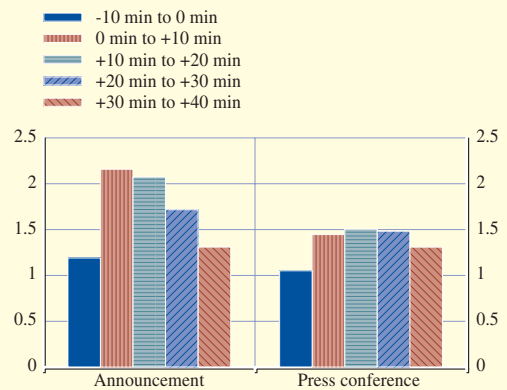
Box 1

THE EFFECTS OF THE ECB'S MONETARY POLICY ANNOUNCEMENTS AND COMMUNICATION ON LONG-TERM BOND MARKETS

Long-term interest rates reflect, among other factors, the views of market participants about the future path of monetary policy rates. As a result, through its monetary policy decisions and related communication, a central bank can have a significant impact on long-term interest rates. This box examines the extent to which monetary policy announcements and communications by the ECB tend to move the market for long-term bonds in the euro area. For this purpose, an assessment is made of how the price volatility of futures contracts on German ten-year government bonds (Bunds) behaves in short intraday time windows around the ECB's statement on its monetary policy decision and the press conference at which the President of the ECB elaborates on the decisions taken.

The price volatility of Bund futures indicates whether and to what extent these policy events contain “news” for market participants that leads them to revise their expectations of the future course of monetary policy. If such events have an impact on market expectations, volatility should increase when compared with a comparatively “eventless” period of time. Even if monetary policy is largely predictable, some market reactions to monetary policy events would still be expected, resulting in increased volatility. First of all, central banks may have conveyed messages to the public that differ in tone from those of previous events. Second, even if a monetary policy decision and communication is fully anticipated and understood by market participants, the events may trigger portfolio adjustments by those individuals who deviated from the on-average correct anticipations. Nevertheless, any increase in market volatility should be relatively moderate and only short-lived. This means that if monetary policy decisions and communication tend to be largely anticipated and well understood, they should not trigger persistently higher uncertainty in financial markets.

Bond price volatility around the ECB's monetary policy decision announcement and press conference



Sources: Tick Data Inc. and ECB calculations.
 Note: The bars represent the ratio of the average realised bond price volatility around the time of the release of monetary policy decisions and the time of the press conference to volatility on corresponding days when there was no meeting of the Governing Council.

To examine how volatility behaves around such times, the average absolute percentage price change in five consecutive ten-minute windows around each event taking place between January 1999 and August 2005 has been calculated. The first window covers the ten-minute period immediately before the announcement, the second covers the ten-minute period immediately after the announcement and the last three windows display average volatility up to 40 minutes after the announcement. These average volatilities are then used to construct a ratio between volatility on monetary policy meeting days and volatility on corresponding days when there was no meeting. A value larger than 1 indicates that monetary policy announcements and communication induced stronger market movements than could be deemed “normal” volatility had the announcements not been made. The greater the news content of an announcement, the stronger the financial market reaction should be. The results for the overall sample period are displayed in the chart.

The market impact following the ECB’s announcement of its monetary policy decisions (see the bar corresponding to the ten-minute interval after the announcement) is reflected in an increase in volatility, which remains at a higher-than-normal level in the third interval (between 10 and 20 minutes after the announcement). However, volatility tends to fall back to normal quickly thereafter. This suggests that monetary policy announcements in the sample period tended to contain some news for the market, and that investors needed some time to fully adjust to the news. However, while the immediate increase in volatility is significant in statistical terms, its impact can still be regarded as relatively muted and it tends to be short-lived.

In a similar manner, higher-than-average volatility can be observed after the press conferences, with volatility also remaining elevated in the third time interval and gradually declining

thereafter. Part of the jump in volatility surrounding the press conference could also stem from the macroeconomic data releases which are published at the same time.

Overall, higher-than-average bond market volatility accompanied the ECB's monetary policy decisions and press conferences. This should reflect investors incorporating into prices the new pieces of information contained in the ECB's communication. However, the increase in volatility is moderate and short-lived, which is consistent with the view that the monetary policy actions taken by the ECB have been quite predictable.

More generally, while asset price volatility is influenced by a number of factors, it also provides a measure of the overall level of persistent uncertainty in financial markets when evaluated over a longer period. This uncertainty may partly originate from a poor understanding of the monetary policy framework. In this respect changes in market

volatility over time may also provide information about possible changes in the predictability of monetary policy in a broader, longer-term sense. Box 2 presents evidence of a recent decline in market uncertainty and tentatively suggests that this decline is indicative of an increase in the predictability of the ECB.

Box 2

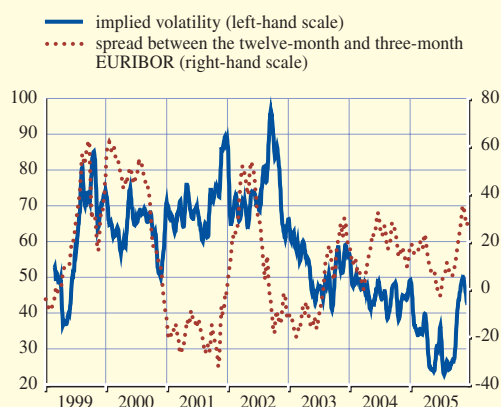
CENTRAL BANK PREDICTABILITY AND IMPLIED VOLATILITY DERIVED FROM OPTIONS ON SHORT-TERM INTEREST RATE FUTURES

A central bank can reduce uncertainty regarding future levels of short-term interest rates by increasing the predictability of its future actions. A widely used measure of uncertainty is implied volatility derived from options on futures contracts on the three-month money market interest rate. This box analyses the developments in the implied volatility derived from three-month EURIBOR futures.

Given appropriate assumptions, implied volatility is normally calculated using option pricing models to obtain an estimate of the expected dispersion of future changes in short-term interest rates measured in percentages per annum. However, this direct estimate can hide very different levels of volatility in the futures interest rates, as it depends on the level of the implied interest rate itself. This is addressed by weighting the implied volatility measured in percentages per annum by the level of the implied interest rate. For instance, a value of implied volatility equal to 20% is equivalent to an annualised expected deviation of 40 basis points in

Euro area implied volatility with six months to maturity derived from options on three-month EURIBOR futures

(basis points; ten-day moving average)



Sources: Bloomberg and ECB calculations.

interest rate changes if the interest rate implied by the futures rate is 2%. This box uses a derivation of a constant maturity measure, obtained on the basis of an interpolation of an implied volatility term curve weighted with a corresponding measure of the implied interest rate.¹

The implied volatility with six months to maturity as derived from EURIBOR futures was, on average, 58 basis points in the period from February 1999 to December 2005 (see Chart). Between the second half of 1999 and the end of 2002 implied volatility fluctuated at around 70 basis points. In the first half of 2003 it fell to a level of around 50 basis points. It should be noted that the level of the ECB's key interest rates was unchanged between June 2003 and November 2005. In 2005 implied volatility averaged 33 basis points.

Overall, high volatility is often associated with periods of significant change in the slope of the money market yield curve as indicated by the spread between twelve-month and three-month interest rates. In particular, the large changes in the slope of the yield curve in 2002 were accompanied by high levels of implied volatility. The changes in the slope of the yield curve observed in 2004 and 2005 are comparable with previous episodes in most of 2001 and 2003. However, the level of implied volatility was significantly below the levels observed in those periods. The increase in implied volatility observed since October 2005 largely reflects uncertainty about the future path of interest rates. However, compared with the previous interest rate increase in late 1999, the level of implied volatility remains very low. Altogether, this supports the view that the ECB may have become more predictable over time. At the same time, this decline in volatility may also have been affected by the macroeconomic environment.

¹ For a more comprehensive discussion on the analysis of implied volatility over longer periods, see 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.

In summary, the evidence presented in this section regarding short-term predictability supports the conclusion that financial markets have generally predicted the ECB's monetary policy decisions well in the shorter term. These results also show that, beyond the impact of the policy announcement in question, the ECB's communication on the day of the decision influences financial markets by providing them with additional information about the ECB's current and future policy decisions. Finally, lower market volatility in more recent years supports the view that understanding of the ECB's monetary policy framework has improved over time.

5 CONCLUSION

In 1999 the ECB, as a newly created central bank, faced a considerable challenge in

establishing a monetary policy framework and communication that would foster predictability. It therefore announced, in late 1998, a medium-term-oriented monetary policy strategy, including a quantification of its objective of price stability and an analytical framework for guiding its decisions. This has been coupled with regular communication which aims to explain the ECB's assessment of the economic situation, the risks to medium-term price stability and the way in which they systematically influence policy decisions.

After seven years of conducting monetary policy for the euro area, empirical evidence confirms that, in applying this approach, the ECB has achieved a high degree of short-term predictability. This is a natural outcome of a monetary policy strategy that emphasises a high level of predictability of central bank behaviour, underpinned

ARTICLES

The predictability
of the ECB's
monetary policy

by transparent, comprehensive and timely communication. In the years ahead, the ECB will remain committed to fostering a genuine understanding of its monetary policy. This is essential for the effectiveness of its monetary policy and contributes to its accountability vis-à-vis the public at large. However, it should be recognised that short-term predictability is not an objective of monetary policy per se and that there are limits to further increases in the ability to anticipate the next policy decisions.

HEDGE FUNDS: DEVELOPMENTS AND POLICY IMPLICATIONS

ARTICLES

Hedge funds:
Developments
and policy
implications

The near-default of Long-Term Capital Management (LTCM) in 1998 highlighted the significance of the hedge fund industry for the global financial system at large. Since then the hedge fund industry has continued to grow and develop unabated so that it has remained a focus of attention for authorities and the financial community. With an emphasis on the European dimension, this article describes the main features of the hedge fund industry and discusses recent developments. It also provides an overview of the current policy debate on regulation, which is centred on the implications of the increasing role of hedge funds for the financial system and the possible public and private sector initiatives to address them.

I INTRODUCTION

The near-default of Long-Term Capital Management (LTCM) in September 1998 and the fall-out effects on the global financial system brought hedge funds firmly to the attention of both authorities and the financial community. The LTCM episode, however, proved to be only a temporary set-back for the long-term growth of this industry, which has continued unabated since then. Between December 1998 and September 2005, total hedge fund capital under management grew at an annual rate of 28%, with estimates exceeding USD 1 trillion.¹ Whereas hedge funds were reserved initially for very wealthy investors, they have now developed into an important alternative investment vehicle accessible to both institutional investors and, directly or indirectly, retail investors.

The purpose of this article is to provide an overview of the hedge fund industry's development and the policy debate it has triggered. The industry is essentially global in nature but wherever possible its specific European dimension is also addressed. To this end, the article is divided into seven sections, with the following two providing facts on the hedge fund industry and the subsequent three focusing on the current policy debate.

Section 2 looks at the typical features of hedge funds and how they differ from traditional investment funds. Section 3 reviews the main developments in the industry over recent years. The implications for the financial system at large, mainly from a stability angle, are addressed in Section 4. Section 5 reviews the

debate about the possible regulation of hedge funds, either directly or through their interactions with banks. Section 6 follows up on this issue by reviewing the supervisory implications for banks in the field of risk management practices and capital requirements. The final section draws some conclusions on the policy debate.

2 CHARACTERISTICS OF HEDGE FUNDS

DEFINITION

The origin of the term “hedge fund” is related to the activities of the first institutions of this kind in the beginning of the second half of the last century.² These institutions were involved in buying and short-selling equities with the aim of eliminating (hedging) the risk of market-wide fluctuations. Since then hedge funds have become increasingly sophisticated in using a wide variety of other investment strategies that do not necessarily involve hedging. As a result, there is at present no generally accepted definition of what exactly a hedge fund is. Moreover, alternative terms have also occasionally been used – such as “leveraged investment funds”, “highly leveraged

¹ This figure does not include private managed accounts accepted by hedge fund managers and managed using hedge fund-like strategies. According to Tremont Capital Management, total assets in such accounts were USD 325 billion at the end of June 2005.

² Alfred Winslow Jones is often credited with having started one of the first hedge funds as a private partnership in 1949. His hedge fund combined short-selling and leverage to hedge against stock market movements. Short-selling is the sale of borrowed assets that a seller does not own. Leverage refers to debt financing or the making of investments on margin.

institutions” and “sophisticated alternative investment vehicles” – which have the same definitional problems.

One possible way of defining hedge funds is to exclude various types of pooled investment vehicles from the funds’ universe, rather than to try to single out their truly distinctive features. By following this approach, one would separate traditional investment funds (e.g. UCITS³) and other alternative funds (e.g. real estate, venture capital, private equity funds). The remaining funds could then be labelled as “hedge funds”. However, such an approach would not be satisfactory for statistical or legal purposes and would in the end not add much clarity.

An examination of typical hedge fund characteristics (see Table 1) allows for a better understanding of some of the differences in relation to other investment pools. It tends to support the view that hedge funds represent a flexible business model rather than an alternative asset class.

The key differences between hedge funds and other investment pools that emerge from such an analysis are that hedge funds generally have broad investment mandates, no or very limited regulatory restrictions on the type of instruments or strategies and that they make extensive use of short-selling, leverage and derivatives. The ability to pursue unconstrained and leveraged investment strategies lies at the core of hedge fund activities and should be an enduring feature, whereas other second-tier characteristics – including regulation, investor base and disclosure – will probably evolve.

For the purpose of this article, a hedge fund can therefore be described as a fund whose managers receive performance-related fees and can freely use various active investment strategies to achieve positive absolute returns, involving any combination of leverage, derivatives, long and short positions in securities or any other assets in a wide range of markets.

³ Undertakings of Collective Investments in Transferable Securities.

Table 1 Typical hedge fund characteristics

Investment strategies	Position-taking in a wide range of markets. Free to choose various investment techniques and instruments, including short-selling, leverage and derivatives.
Return objective	Positive absolute returns under all market conditions. Usually managers also commit their own money, hence preservation of capital is important.
Incentive structure	Typically a 2% management fee and a 20% performance fee. Quite often high “watermarks” apply (i.e. performance fees are paid only if cumulative performance recovers any past shortfalls) and/or a certain hurdle rate must be exceeded before managers receive any performance fees. Moral hazard stemming from asymmetric performance fees is to some extent curtailed by high watermarks and managers co-investing their own money.
Subscription/Redemption	Predefined schedule with quarterly or monthly subscriptions and redemptions. Lock-up periods for up to several years until first redemption. Some hedge funds retain the right to suspend redemptions under exceptional circumstances.
Domicile	Offshore financial centres with low tax and a “light touch” regulatory regime, as well as some onshore financial centres.
Legal structure	Private investment partnership that provides pass-through tax treatment or offshore investment corporation.
Managers	May or may not be registered or regulated by financial supervisors. Managers serve as general partners in private partnership agreements.
Investor base	High net worth individuals and institutional investors. Not widely available to the public. Securities issued take the form of private placements.
Regulation	Generally minimal or no regulatory oversight due to their offshore residence or “light touch” approach by onshore regulators; exempted from many investor protection requirements.
Disclosure	Voluntary or very limited disclosure requirements.

TYPES OF STRATEGY

The investment style of a hedge fund is more important to its risk-return profile than its asset class selection or sector/geographic orientation. In general, four major groups of strategies can be distinguished:

- *Directional* hedge funds generally try to anticipate market movements and offer returns commensurate to the high risks and leverage involved. Macro hedge funds are the most prominent example of this investment style. These funds follow a “top-down” approach and try to take advantage of major economic trends or events. By contrast, emerging markets and other directional hedge funds with a regional focus favour a “bottom-up” approach, i.e. they tend to be asset-pickers in certain markets and look for inefficiencies in developing markets.
- *Market neutral* hedge funds (also referred to as “arbitrage” or “relative value” funds) search for relative value or arbitrage opportunities to exploit various price discrepancies and try to avoid exposure to market-wide movements. Returns from such strategies usually exhibit lower volatility, but their implementation requires medium to high leverage in order to benefit from small pricing distortions, particularly in bond and other credit markets.
- *Event driven* strategies try to take advantage of “special situations” in a company’s life, such as mergers and acquisitions, reorganisations or bankruptcies. These strategies lie somewhere in the middle of the volatility spectrum, with corresponding medium volatility and low to medium leverage. Some event driven hedge funds, specialising in securities of distressed companies, try to exploit the fact that it is difficult to value such securities and that institutional investors are prohibited from investing in them.
- *Funds of hedge funds* (FOHFs) invest in a number of other hedge funds and are

expected to have lower volatility and attractive risk-adjusted returns due to diversification benefits.

PARTIES INVOLVED

Hedge funds are predominantly domiciled offshore, meaning that they generally have minimal regulatory intervention and a favourable tax treatment, although their managers generally conduct their operations from major financial centres. Most of the European hedge funds, for instance, are managed from London.

Hedge fund managers prefer to concentrate on their proprietary trading strategies (where their strengths are) and typically outsource support services to fund administrators. Administrators provide a variety of services, including the valuation of positions and the calculation of the fund’s net asset value, legal counselling, assistance in reporting and the processing of investor transactions. Position valuation and net asset value calculation are particularly important for ensuring that investors have adequate information on a hedge fund’s performance and its investment portfolio.

Hedge fund investment strategies involve substantial trading and thus require extensive operational support, brokerage and financing services from “prime brokers”, i.e. banks or securities firms offering brokerage and other professional services to hedge funds and other large institutional clients. Prime brokerage platforms facilitate the financing, risk management, execution, clearance and settlement of transactions. Other services include custody of assets, access to research, consulting and the introduction of managers to potential investors. The major share of prime brokers’ income comes from trading commissions and collateralised cash or securities-lending to facilitate short-selling.

Sometimes the assets of a hedge fund are deposited with a custodian bank instead of a prime broker. For hedge fund investors, this

arrangement serves as an additional safeguard as the custodian bank is subject to fiduciary duties vis-à-vis them, whereas a prime broker holds assets largely as a principal and as a security against its underlying fund positions.

3 DEVELOPMENTS IN THE HEDGE FUND INDUSTRY

CAPITAL UNDER MANAGEMENT

Persistently low interest rates and ample liquidity led to a global search for yield that began in 2003.⁴ Faced with the unsatisfactory performance of traditional assets, such as bonds and equities, many investors turned to hedge funds to improve their risk-adjusted returns. Investors were particularly attracted by the performance profile of hedge funds (see

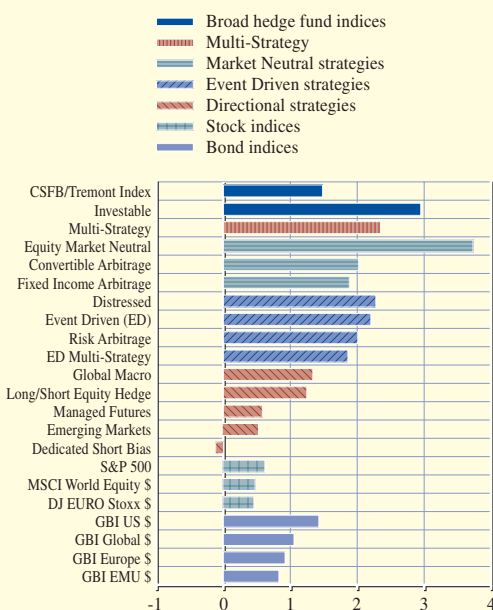
Chart 1), which is largely uncorrelated with that of other assets.

Inflows into the hedge fund industry have been particularly strong since 2002 (see Charts 2 and 3). The European segment, comprising funds either domiciled or managed from Europe, has been growing faster than the whole industry and is estimated to account for at least 20% of capital under management globally.⁵ Another development is the growing share of multi-strategy funds, as both managers and investors appear to prefer the ability to switch among investment strategies depending on market conditions (see Charts 4 and 5).

However, there are some signs that inflows have been decelerating following recent mediocre returns. This has raised questions about whether there are capacity constraints for the hedge fund industry to continue delivering high absolute returns as both the number of market imperfections and resulting arbitrage opportunities may eventually decline. If capacity limits are reached, this would probably induce more pressure on hedge fund fees and attrition rates would increase, especially as some hedge funds are increasingly found to be taking exposures towards general market risk rather than providing extra returns resulting from active management. Expansion beyond capacity limits could also lead to the process of redistribution of capital among hedge funds themselves, as active hedge fund trading would itself create opportunities for other hedge funds. According to another scenario, the differences between the traditional fund management industry and hedge funds could become more blurred as conventional funds start using investment techniques similar to hedge funds and the latter are compelled to lower their fees.

Chart 1 Return-to-risk ratios

(annualised compound rate of return divided by annualised volatility of monthly returns; January 1994-October 2005; monthly data)



Sources: Datastream, Bloomberg and ECB calculations. Notes: CSFB/Tremont Index and sub-indices began in January 1994, except Multi-Strategy, which began in April 1994, and Investable, which began in January 2000. Global Bond Index (GBI) EMU \$ began in January 1995.

4 See ECB (2004), Financial Stability Review, December; ECB (2005), Financial Stability Review, June; ECB (2005), Financial Stability Review, December.

5 See Garbaravicius, T. and F. Dierick (2005), "Hedge funds and their implications for financial stability", ECB Occasional Paper No 34, August.

Chart 2 Hedge fund net flows by strategy

(USD billions; quarterly data)

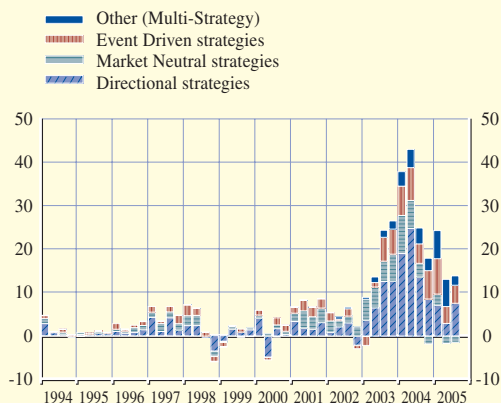


Chart 3 Hedge fund capital under management by strategy

(USD billions; quarterly data)

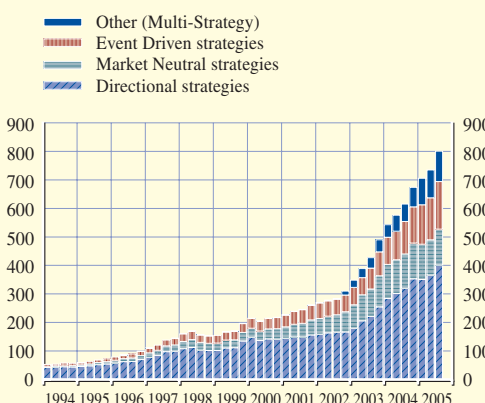


Chart 4 Hedge fund capital structure by strategy

(percentages; quarterly data)

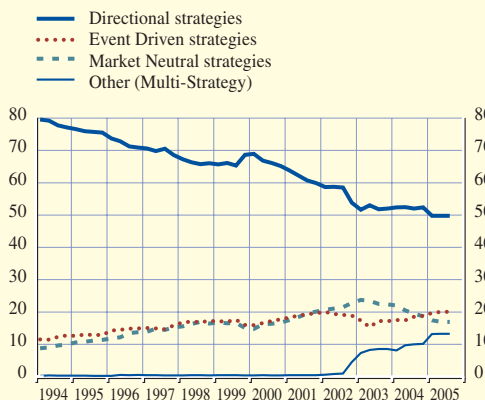
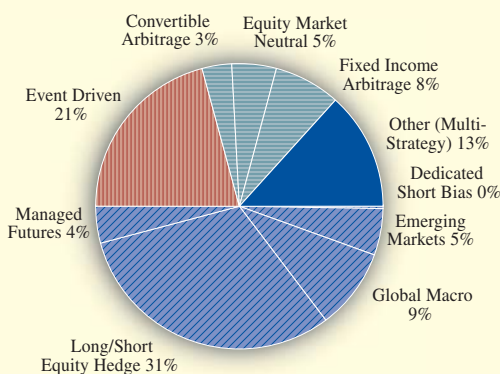


Chart 5 Hedge fund capital structure by strategy

(September 2005)



Source: Tremont Capital Management.

Notes: Excluding FOHFs. Directional strategies comprise Long/Short Equity Hedge, Global Macro, Emerging Markets, Managed Futures and Dedicated Short Bias; the Market Neutral group comprises Convertible Arbitrage, Equity Market Neutral, Fixed Income Arbitrage.

INVESTOR BASE

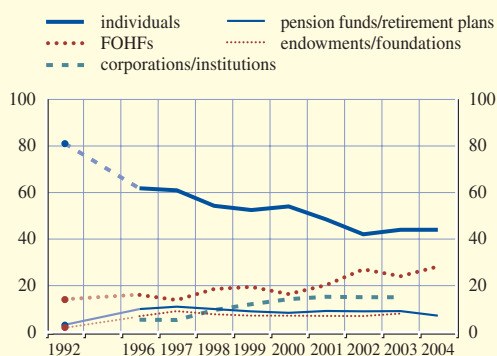
Throughout the 1990s, high net worth individuals were the dominant investors in hedge funds (see Chart 6). This fact, notwithstanding the LTCM episode, diluted somewhat the systemic concerns of such funds. However, the growing interest from institutional investors has, over time, changed the investor profile, as even moderate absolute hedge fund returns can enhance the overall risk-return profile of institutional portfolios

thanks to the low correlation of hedge fund returns with traditional investments.

The growing role of FOHFs is another noticeable trend (see Chart 7), as even institutional investors often prefer to rely on their expertise and diversification benefits despite the second layer of fees charged on top of the fees of the underlying single hedge funds. Furthermore, the attrition rate is rather high among single hedge funds – another reason why some investors prefer FOHFs.

Chart 6 Hedge fund investors

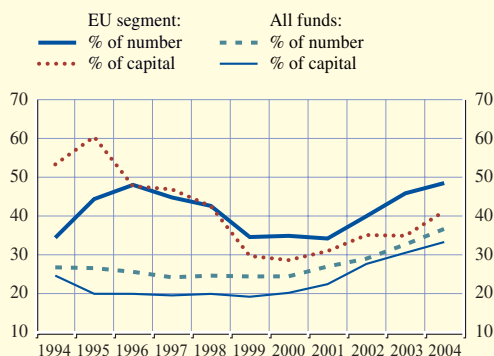
(percentages of total; 1992 and 1996-2004; end-of-year data)



Source: Hennessee Group.
Note: 1992 data from International Financial Services, London (obtained from Hennessee Group and CQA analysis).

Chart 7 The importance of FOHFs

(FOHFs as a percentage of single hedge funds; end-of-year data)



Source: Lipper TASS database (30 June 2005 version).
Note: Only funds with reported (estimated) capital under management.

Moreover, institutional investors often have a minimum amount to allocate in absolute terms or in relation to the capital under management of a target hedge fund owing to the high costs associated with the due diligence and monitoring of a large number of funds. This makes FOHFs the key source of funds for smaller hedge funds, because the latter are usually too small for institutional investors. At the same time, FOHFs are an important vehicle for retail investors acquiring access to hedge funds owing to the lower minimum investment requirements or lower restrictions on public offering in some countries.

As more institutional investors consider investing in hedge funds, they also bring requests for stronger governance and better risk management. This may lead to some consolidation in the industry as the costs of running a hedge fund have been increasing, and many funds are rather small with less than USD 100 million under management. Consolidation could take place in tandem with the growing institutionalisation of the hedge fund industry, as banks increase their participation by acquiring or setting up their own funds in response to investors' demand for a broader spectrum of alternative investments.

4 FINANCIAL STABILITY IMPLICATIONS

POSSIBLE POSITIVE EFFECTS

There is often more discussion about the risks posed by hedge funds than discussion about the positive aspects of their activities. However, hedge funds can also have beneficial effects. They may contribute to market liquidity, as they tend to be more willing to put their capital at risk in volatile market conditions so that market shocks can be absorbed. The presence of hedge funds as active risk-takers may also contribute to the development of fledgling and sophisticated over-the-counter markets, such as the credit derivatives market, and enhance the spreading of risks among market participants. In their quest for excess returns, hedge funds arbitrage away price differences for the same risk across markets, which is beneficial to the price discovery process. It may be argued that in this way hedge funds also contribute to the integration of financial markets. Their activity may also enhance the disciplinary force exercised by markets. Furthermore, hedge funds offer more possibilities for diversifying portfolios, thereby increasing the completeness of financial markets and ultimately leading to

greater social welfare. Finally, all these features, taken together, suggest that hedge funds can even contribute positively to the stability of the global financial system.

POSSIBLE NEGATIVE EFFECTS

The rapid growth of the hedge fund industry also raises important questions about possible negative implications for financial stability. Hedge funds can cause financial instability through their potential impact on financial markets and banks. These two channels are closely related and a hedge fund-related triggering event associated with either of them may be further escalated through these mutual links.

(A) THROUGH FINANCIAL MARKETS

The near-collapse of LTCM in September 1998 provides the most vivid example of how hedge funds have the potential to disrupt the functioning of global financial markets. The prevention of a similar event occurring depends critically on the application of prudent risk management practices by both hedge funds and banks. In this respect, it is particularly important that both take into account the interaction between leverage, credit risk and liquidity risk. If not supported by adequate liquidity reserves or borrowing capacity, leveraged and possibly undiversified market risk associated with high return objectives can force a fund to default on its margin calls and other obligations. The situation can be further exacerbated by asset illiquidity in stressed markets, as hedge funds may not be able to unwind their positions at reasonable prices and banks may encounter difficulties in liquidating collateral.

Since the LTCM event, most hedge funds have seemed to make more cautious use of leverage, though a comprehensive assessment is hampered by the limited disclosure of the industry. Many of the largest hedge funds are also diversified among several strategies, which also reduces somewhat the concerns. Nonetheless, there are some indications that

lower profit opportunities in the current environment of low interest rates, low volatility and high perceived liquidity have prompted some hedge funds to increase their exposures to illiquid instruments. At the same time, hedge funds seem to be seeking more stable funding facilities from banks or imposing longer lock-up periods to protect themselves from sudden withdrawals by investors. However, lock-ups alone do not provide a complete picture of redemption risk, as redemption frequency, notice periods and early redemption possibilities (after paying the “gate” fees) have to be considered as well.

Another often debated issue is the impact of hedge fund trading on market volatility. Hedge funds are often blamed for their aggressive short-term-oriented strategies, which may cause excessive volatility and destabilise financial markets. However, it is not clear whether hedge fund managers generally tend to be momentum or contrarian traders. Momentum or positive feedback trading refers to the buying of financial instruments after price increases and selling after decreases, which can amplify price swings or lead to bubbles. In this respect, the study by the US Commodity Futures and Trading Commission (CFTC) is particularly interesting. On the basis of micro trading data, it found that managed futures hedge funds⁶ can dampen, rather than increase, volatility in energy markets by providing liquidity to other market participants.⁷

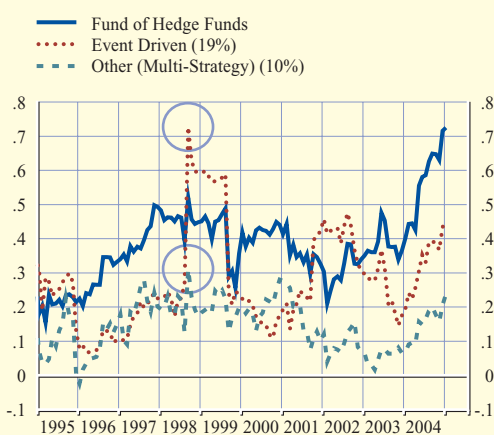
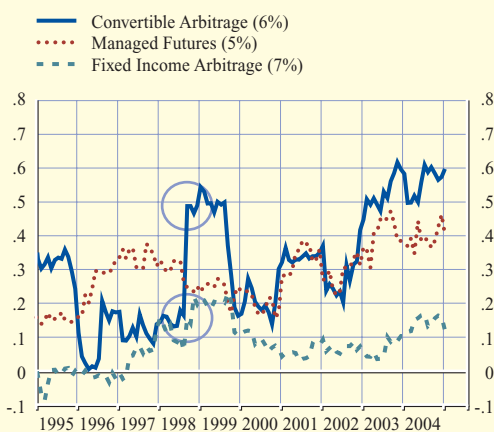
A further concern is related to the “crowding” of hedge fund trades. As an increasing number of funds attempt to exploit profitable opportunities from similar strategies, the positioning of individual hedge funds can become more similar or crowded. If market participants try to liquidate their positions simultaneously, this could leave hedge funds,

6 Managed futures hedge funds invest in financial and commodity futures markets, and are reportedly cited as adopting trend-following (i.e. momentum) strategies.

7 Haigh, M. S., J. Hranaiova and J. A. Overdahl (2005), “Price Dynamics, Price Discovery and Large Futures Trader Interactions in the Energy Complex”, CFTC, April.

Chart 8 Median pairwise correlations of hedge fund returns within strategies

(moving 12-month window; monthly data)



Source: Garbaravicius, T. and F. Dierick (2005), "Hedge funds and their implications for financial stability", ECB Occasional Paper No 34, August.

Notes: Circled points relate to increases in August 1998. For each 12-month moving window, only hedge funds with 12 monthly observations were included. Numbers in parentheses after strategy names indicate the share of total capital under management (excluding FOHFs) at the end of December 2004, as reported by Tremont Capital Management.

investment banks with hedge fund-like strategies, and affected markets vulnerable to adverse market dynamics. This concern is partly validated by the fact that correlations of hedge fund returns within strategies have recently been increasing for some strategies (see Chart 8). Moreover, the correlations are the highest for convertible arbitrage and credit strategies, which usually have the highest leverage. The unwinding of leveraged

positions could be disruptive for affected markets, especially if the degree of liquidity in these markets was to prove low.

(B) THROUGH BANKS

Bank exposures to hedge funds can be divided into direct and indirect exposures. Direct exposures include financing, trading, investment and income exposures. Indirect risks arise from exposures to counterparties that in turn have exposures to hedge funds and to financial markets affected by hedge funds. Among direct risks, financing and trading links with hedge funds constitute the greatest source of risk, given the complexities associated with the management of such exposures.

In 2005 the ESCB's Banking Supervision Committee conducted a survey on large EU banks' exposures to hedge funds.⁸ The survey provided some evidence that exposures of large EU banks varied significantly across countries. Generally, they were not large in relation to banks' balance sheets or total income and were mostly in the form of investments. This is at least partially due to the fact that the global prime brokerage market is largely dominated by US financial institutions. But even the limited data showed that exposures were growing rapidly and are likely to continue doing so in line with the further expansion of the hedge fund industry and its European segment.

Generally speaking, the banks surveyed had stringent requirements for exposures to hedge funds, with a strong emphasis on collateralisation. Most banks reported the use of stress tests for the evaluation of potential effects of volatile or illiquid markets on their exposures. At the same time, the survey highlighted scope for further improvement in a number of areas. Stress testing, for example, seemed to be less common for collateral and was mostly limited to individual exposures.

⁸ ECB (2005), "Large EU banks' exposures to hedge funds", November.

Some banks had difficulties in aggregating – on a firm-wide basis – their exposures to individual hedge funds and groups of hedge funds with similar strategies. Banks also experienced difficulties in assessing the risk profile of a fund as a whole, particularly in the case of large funds with financing and trading relationships involving several counterparties. Furthermore, certain shortcomings regarding the quantity, quality and timeliness of information provided by hedge funds to banks were identified. Moreover, counterparty discipline, as applied by banks, was found to be under pressure owing to competitive market conditions. Hedge funds, particularly the larger ones, were successful in negotiating less rigorous credit terms, including, for example, lower lending spreads, higher net asset value decline triggers or trading on a variation margin only.

In conclusion, the survey indicated that most of the recommendations made after the near-default of LTCM (see Section 6) remain relevant. Banks should therefore continue to strengthen their risk management further and keep exerting pressure on hedge funds to increase transparency.

5 REGULATORY ISSUES

The strong development of hedge funds has raised a number of concerns that are central to the debate about whether hedge funds should be regulated, and if so how. There are three main reasons why one might consider regulation: for financial stability, to protect investors and for market integrity. Another, though less frequently quoted reason, is that a common (light) regulatory regime might benefit market integration. This argument was raised in the debate about a possible EU regime for hedge funds that would benefit from the “single European passport”, as is currently the case for UCITS.

The financial stability reason is probably the most relevant, but, as mentioned in

Section 4, it is very difficult to make a definitive judgement about the net result of positive and negative aspects. The investor protection reason is very much tied to the question of to what extent retail investors should be permitted to invest in hedge funds and be protected against practices such as inappropriate selling and insufficient disclosure. In some countries hedge funds have become more accessible to retail investors. This “retailisation” can occur directly, but very often it takes place in an indirect way through FOHFs or financial instruments whose performance is linked to that of hedge funds (e.g. certain types of structured notes or unit-linked insurance policies). Finally, the market integrity reason is based on the argument that the international and unregulated character of the hedge funds business makes it particularly vulnerable to illicit activities, such as fraud, market abuse and money laundering. However, there is no conclusive evidence that such abuses occur more frequently in the case of hedge funds than for other types of unregulated intermediaries.

As regards the possible regulatory approaches, a wide spectrum is available ranging from no regulation at all to full direct regulation, with various alternatives in between. These alternatives include self-regulation (e.g. through codes of conduct adopted by the asset management industry), indirect regulation (through the interaction of hedge funds with regulated counterparties) and soft direct regulation (e.g. by regulating certain aspects, such as disclosure or the interaction with retail investors). Since the hedge fund business is very international in nature and can easily evade national regulations, the emphasis up to now has been on indirect regulation, which is ultimately more in the field of banking supervision. Recently, however, the Securities and Exchange Commission (SEC) in the United States adopted a regulation targeted at hedge fund advisors (managers), who will be required to register with the SEC before February 2006 and will henceforth be subject to the provisions of the Investment Advisers Act.

CURRENT EU FRAMEWORK

The current regulatory framework for investment funds in the EU is based on the UCITS regime.⁹ UCITS are collective investment schemes that are dedicated to the investment of funds raised from retail investors. They benefit from the “European passport”, meaning that once they have been authorised in one Member State they can also be offered to retail investors in all other EU Member States, subject only to a simple notification. As a corollary to this greater ease of cross-border commercialisation, risks to retail investors are limited through strict rules as regards the UCITS’ investment policy, capital and disclosures, asset-safekeeping and oversight by an independent depository. The UCITS regulation is quite restrictive in terms of financial products to invest in and the risk diversification rules that apply, so that the typical hedge fund would be excluded. However, as a result of the “UCITS III” regime, investment restrictions have been loosened. For example, UCITS are now allowed to make greater use of derivatives and leverage so that they have more possibilities to engage in hedge fund-like strategies.

At present, there is no common regulatory regime in the EU that specifically addresses hedge funds or their managers. However, several countries have adopted domestic legislation. For example, France, Germany, Ireland, Italy, Luxembourg and Spain are countries in the euro area that have introduced national legislation for single hedge funds or FOHFs. The focus of these national rules seems to be mainly on investor protection, though they differ in various aspects, such as the way hedge funds can be distributed, subscription restrictions, rules regarding the management of the fund and disclosure requirements.

Finally, though not specifically targeted at hedge funds or the asset management business, there are a number of more general EU rules that may also affect the hedge fund industry. These include the Markets in Financial

Instruments Directive (MIFID)¹⁰, the Prospectus Directive¹¹ and the Market Abuse Directive¹². For example, a hedge fund manager provides investment advice and portfolio management services, activities which are covered by the MIFID. Hence, the manager also needs to comply with the ensuing obligations in areas such as order execution, conflicts of interest and risk management.

RECENT EU INITIATIVES

National differences regarding non-harmonised asset management products, such as hedge funds, result in fragmentation that may hamper the development of a single market. This was an important consideration in the resolution adopted by the European Parliament in January 2004 with the proposal to adopt a light regulatory regime for “sophisticated alternative investment vehicles” (including hedge funds). The purpose of this proposal was to bring funds onshore that are presently offshore and to provide them with the benefit of the European passport.

The question of hedge fund regulation at the EU level is also being addressed within the current discussions on the overall financial services strategy for the next five years, now that the Financial Services Action Plan (FSAP) is nearing completion. An expert group that was set up to provide input in the area of asset management recommended in May 2004 that the European Commission review the framework for non-harmonised products, such as hedge funds, with the aim of developing a pan-European market. In this respect, the current UCITS framework was seen as a useful reference point that could be adapted to the specific nature of such products.

9 See in particular Directive 85/61/EEC, as amended, *inter alia*, by Directive 2001/107/EC (“Management Company Directive”) and Directive 2001/108/EC (“Product Directive”). These latter two Directives are generally known as “UCITS III”.

10 Directive 2004/39/EC.

11 Directive 2003/71/EC.

12 Directive 2003/6/EC.

Table 2 Major initiatives of international organisations related to hedge funds

January 1999	Basel Committee on Banking Supervision, Banks' Interactions with Highly Leveraged Institutions (HLIs)
January 1999	Basel Committee on Banking Supervision, Sound Practices for Banks' Interactions with HLIs
June 1999	Counterparty Risk Management Policy Group I, Improving Counterparty Risk Management Practices
November 1999	International Organization of Securities Commissions, Report on Hedge Funds and Other HLIs
January 2000	Basel Committee on Banking Supervision, Banks' Interactions with HLIs: Implementation of the Basel Committee's Sound Practices Paper
April 2000	Financial Stability Forum, Report of the Working Group on HLIs
March 2001	Basel Committee on Banking Supervision/International Organization of Securities Commissions, Review of issues relating to HLIs
August 2002	Alternative Investment Management Association, Guide to Sound Practices for European Hedge Fund Managers
July 2005	Counterparty Risk Management Policy Group II, Toward Greater Financial Stability: A Private Sector Perspective
August 2005	Managed Funds Association, Sound Practices for Hedge Fund Managers (update of the practices papers of 2000 and 2003)

In May 2005 the Commission published a Green Paper outlining its preliminary views on financial services policy for the next five years. However, the communication did not indicate any particular Commission initiatives as regards hedge funds. In July of the same year, the Commission launched a public consultation on the enhancement of the EU framework for investment funds in which it stated that there was currently no compelling evidence for EU legislation on hedge funds. It nevertheless confirmed that further attention should be paid to the growing "retailisation" of hedge funds, the impact of this on financial markets and the exposures of investment banks. To investigate these issues in greater detail, it announced the creation of an industry-wide working group on alternative investment strategies.

6 SUPERVISORY ISSUES

Any direct regulation of hedge funds is confronted with the problem that the industry is global in nature and that hedge funds can easily relocate their domicile, thus evading national regulation. This is basically why all international initiatives regarding hedge funds taken since the LTCM episode have tried to influence the activity of hedge funds through their interactions with regulated firms, and in

particular banks. Most of these initiatives relate to sound risk management practices. Although banking supervisors were the first to publish specific guidance in this area, the private sector has also taken several initiatives (see Table 2). Another important supervisory dimension is how hedge fund exposures are dealt with under the capital rules for banks.

RISK MANAGEMENT PRACTICES

(A) PUBLIC SECTOR INITIATIVES

In 1999, when reviewing banks' dealings with hedge funds in the aftermath of the LTCM episode, the Basel Committee on Banking Supervision (BCBS) identified a number of weaknesses in banks' credit risk management. These included an insufficient weight placed on in-depth credit analyses of counterparties, an over-reliance on financial collateral to limit credit risk, and deficiencies in the measurement and management of exposures. To address these weaknesses, the Committee developed specific guidance for banks' interactions with "highly leveraged institutions" (HLIs), which are primarily hedge funds. These recommendations are complementary to the BCBS' general risk management guidance, such as in the area of credit risk.¹³ The Financial

¹³ Basel Committee on Banking Supervision (2000), "Principles for the Management of Credit Risk", September.

Stability Forum (FSF) later stressed that strong counterparty risk management and enhanced oversight of HLI credit providers are key elements with which to provide an adequate response to the systemic risk concerns posed by HLIs.

The BCBS guidance requires banks to establish clear policies and procedures for their interactions with HLIs as part of the general credit risk management. This has to include adequate information gathering, due diligence and satisfactory credit analysis. Credit exposures should be correctly measured and closely monitored. As the measures have to be adapted to the nature of the dealings with HLIs, which often include trading and derivatives transactions, the use of “potential future credit exposure” measures¹⁴ and stress testing would normally be part of such a process. To bound potential losses, exposures need to be subject to formal limits. Another way to limit losses is to better align collateral and contractual provisions with the features of HLIs, for example by requiring initial margins and by using covenants that allow an early termination in the event of a material deterioration in a HLI’s credit quality. The BCBS and the International Organization of Securities Commissions (IOSCO) also reviewed to what extent the sound practices had actually been implemented. They concluded that although banks had improved their risk management practices, further improvements were possible in the due diligence process, exposure measurement and stress testing.

(B) PRIVATE SECTOR INITIATIVES

The various public sector initiatives are complemented by the efforts of the financial industry to improve risk management standards, something that was also called for by the authorities in the aftermath of the LTCM crisis.¹⁵ One of the most significant initiatives in this respect are the recommendations of the Counterparty Risk Management Policy Group (CRMPG), a group of major, internationally active commercial and investment banks. The first report, released in 1999, aimed at

improving internal counterparty credit and market risk management practices. It was followed in 2005 by an update, driven by developments such as the increased proliferation of hedge funds and complex financial instruments. Some of the CRMPG recommendations are targeted at individual firms (in particular for risk management practices), others at the industry (e.g. in the area of netting and master agreements) and a third category at authorities (e.g. to investigate the reporting of large exposures by regulated firms).

Finally, in line with the policy recommendations of the FSF, the asset management industry also took several initiatives to improve sound risk management practices for hedge fund managers. For example, the Alternative Investment Management Association (AIMA) and Managed Funds Association (MFA) both issued recommendations in this respect.

CAPITAL REQUIREMENTS

Banks are required by supervisors to hold regulatory capital in relation to the risks they take on. At present, the capital requirements are based on crude credit risk measures as laid down by the BCBS in its Capital Accord of 1988 (“Basel I”). In 1996 the Accord was extended to cover market risk. A fundamental change in the capital rules came about in 2004 when a new, and much more developed and risk-sensitive framework was adopted (“Basel II”), which countries will implement in the coming years.¹⁶ Whereas Basel I only covered minimum capital requirements, the Basel II

¹⁴ Current credit exposure is equal to the value of credit outstanding or the replacement cost of trading positions. Potential future credit exposure, by contrast, takes into account the possible variations in the value of the current credit exposure over the life of the trading positions.

¹⁵ See, for example, The President’s Working Group on Financial Markets (1999), “Hedge Funds, Leverage, and the Lessons of Long-Term Capital Management”, April.

¹⁶ Basel Committee on Banking Supervision (2004), “International Convergence of Capital Measurement and Capital Standards”, June.

framework is based on three complementary pillars:

- Pillar I – minimum capital requirements,
- Pillar II – the supervisory review process, and
- Pillar III – market discipline.

An important innovative feature of the new framework is that, in order to calculate the minimum capital requirements for credit risk, banks can now rely for their risk assessment either on ratings provided by rating agencies (the “standardised approach”) or on ratings that result from their own risk assessment models (the “internal ratings-based approach”).

The capital requirements for banks do not provide for a specific treatment of exposures to hedge funds. Hence, they have to be fitted into the general solvency framework. In this respect, Basel II is much better suited to deal with the risks that hedge funds pose.

Whereas Basel I does not provide much differentiation of capital requirements in terms of risk levels, this is much more the case under Basel II, both under the standardised approach and the internal ratings-based approach. Hence, Basel II can better accommodate the increased risk that hedge funds generally demonstrate as a result of their high leverage, relative opacity and dynamic risk profile.

But even under Basel II, banks may face considerable challenges when using their own models to estimate the risk of hedge funds exposures. Potential difficulties include the suitability of credit risk models originally developed for corporate clients to hedge funds that have a very different and more complex risk profile. For market risk models, difficulties may relate to the low frequency of net asset value figures (needed to calculate volatilities) and the skewed distribution of returns that result from certain investment strategies.

Furthermore, under the supervisory review process of Basel II, the bank’s management has to make sure that the institution has adequate capital to support its risks; supervisors should take appropriate action when this is not the case. Such action can, for example, include requiring the bank to strengthen its risk management, improve internal controls, increase provisions and, ultimately, even increase capital. Pillar II therefore provides a useful framework for ensuring that the bank adequately addresses its risks, including those resulting from its interactions with hedge funds.

7 CONCLUSION

Hedge funds have shown very impressive growth over recent years and have developed into an important alternative investment instrument that has also become increasingly available to retail investors. This development, as well as the international character of the hedge funds business and its largely unregulated nature, poses considerable challenges to authorities. These challenges can be subsumed under two basic policy questions: the possible implications of hedge funds for the stability of the financial system, and the way in which the public and private sectors can reduce risks associated with the increasing role of hedge funds in the financial system.

Although hedge funds are often associated with negative market events, a balanced assessment should also take into account their beneficial effects on the financial system, for example through their contribution to the price discovery process, market liquidity, market discipline, risk diversification and financial integration. Nevertheless, forming an unambiguous assessment about the systemic impact of hedge funds still remains a challenge, not least because such an assessment is hampered by the lack of high-quality information and the continued opaqueness of the industry. It is important, therefore, that both the industry and authorities continue with their efforts to make further progress in this area and improve their understanding of the

implications of hedge fund developments for the financial system at large.

The main arguments advanced in the debate on a possible direct regulation of hedge funds are in the area of financial stability and investor protection. Although hedge funds and hedge-fund related products have become increasingly available to retail investors, the extent to which they have already developed into a significant investment alternative for households remains unclear. Efforts to gain a better insight into this issue, such as the recent survey organised by IOSCO, should therefore be welcomed. At the same time, if one comes to the conclusion that hedge funds should be regulated for financial stability reasons, it seems that this can only be done effectively in a strongly coordinated manner at the international level because of the very nature of the business.

The indirect regulation of hedge funds (i.e. the control of risks through banks) has been addressed through various public and private initiatives that pertain mainly to the domain of risk management practices. Moreover, the capital adequacy regime for banks, and in particular the supervisory review process of Basel II, provides an appropriate and flexible framework for addressing risks, also in relation to hedge funds. Thus, it is important that these best practices and recommendations are put in place effectively and are not eroded as a result of competitive pressures.

EURO AREA STATISTICS



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

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WHAT'S NEW

The statistics in Sections 2.9 and 2.10, which have not previously included Ireland, will from now on cover all euro area countries.

Conventions used in the tables

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



EURO AREA OVERVIEW

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

1. Monetary developments and interest rates

	M1 ¹⁾	M2 ¹⁾	M3 ^{1),2)}	M3 ^{1),2)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ¹⁾	Securities other than shares issued in euro by non- financial and non- monetary financial corporations ¹⁾	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.8	-	6.1	9.9	2.11	4.14
2005	.	.	.	.	.	.	2.19	3.44
2005 Q1	9.6	7.1	6.7	-	7.3	9.0	2.14	3.67
Q2	9.8	7.5	7.1	-	7.6	13.2	2.12	3.41
Q3	11.3	8.5	8.0	-	8.4	13.2	2.13	3.26
Q4	.	.	.	-	.	.	2.34	3.42
2005 July	11.1	8.3	7.9	7.9	8.3	12.7	2.12	3.32
Aug.	11.6	8.6	8.2	8.2	8.5	13.1	2.13	3.32
Sep.	11.1	8.9	8.5	8.2	8.7	13.9	2.14	3.16
Oct.	11.2	8.6	8.0	8.0	8.9	14.6	2.20	3.32
Nov.	10.6	8.3	7.6	.	9.0	.	2.36	3.53
Dec.	.	.	.	.	.	.	2.47	3.41

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
2004	2.1	2.3	2.5	2.1	2.0	81.6	0.7	8.9
2005	.	.	.	.	.	.	.	.
2005 Q1	2.0	4.1	3.2	1.2	0.6	81.5	0.9	8.8
Q2	2.0	3.9	2.5	1.2	0.7	81.0	0.8	8.6
Q3	2.3	4.2	2.2	1.6	1.4	81.1	0.8	8.4
Q4	.	.	.	.	.	.	.	.
2005 July	2.2	4.1	-	-	0.6	80.9	-	8.5
Aug.	2.2	4.0	-	-	2.6	-	-	8.4
Sep.	2.6	4.4	-	-	1.2	-	-	8.3
Oct.	2.5	4.2	-	-	0.2	81.2	-	8.3
Nov.	2.3	4.2	-	-	-	-	-	8.3
Dec.	2.2	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 ³⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2004	63.0	106.7	-46.8	71.2	280.7	103.8	105.9	1.2439
2005	.	.	.	.	.	103.0	105.2	1.2441
2005 Q1	4.6	15.6	-20.0	3.8	285.0	105.7	107.9	1.3113
Q2	-9.4	18.8	-11.6	106.7	302.3	103.4	105.6	1.2594
Q3	-1.0	16.7	-94.0	70.2	311.6	101.9	104.2	1.2199
Q4	.	.	.	.	.	100.9	103.2	1.1884
2005 July	2.2	9.9	-81.2	75.3	296.3	101.7	103.9	1.2037
Aug.	-0.9	2.1	-15.0	-19.5	295.7	102.3	104.6	1.2292
Sep.	-2.4	4.7	2.2	14.3	311.6	101.8	104.1	1.2256
Oct.	-8.4	2.3	-0.9	-5.1	310.5	101.4	103.7	1.2015
Nov.	.	.	.	.	322.7	100.7	103.0	1.1786
Dec.	.	.	.	.	.	100.7	103.1	1.1856

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 16 Dec.	2005 23 Dec.	2005 30 Dec.	2006 6 Jan.
Gold and gold receivables	148,298	148,133	163,881	163,804
Claims on non-euro area residents in foreign currency	156,711	152,014	154,141	155,332
Claims on euro area residents in foreign currency	22,606	23,960	23,694	22,780
Claims on non-euro area residents in euro	9,456	9,289	9,185	8,895
Lending to euro area credit institutions in euro	398,516	404,019	405,967	406,239
Main refinancing operations	308,500	314,002	315,001	316,000
Longer-term refinancing operations	90,000	90,017	90,017	90,017
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	0	949	211
Credits related to margin calls	16	0	0	11
Other claims on euro area credit institutions in euro	3,203	3,500	3,635	3,735
Securities of euro area residents in euro	93,859	94,435	92,367	92,987
General government debt in euro	40,662	40,274	40,113	40,113
Other assets	143,632	144,125	145,169	144,729
Total assets	1,016,943	1,019,749	1,038,152	1,038,614

2. Liabilities

	2005 16 Dec.	2005 23 Dec.	2005 30 Dec.	2006 6 Jan.
Banknotes in circulation	558,596	567,962	565,216	560,253
Liabilities to euro area credit institutions in euro	158,390	150,732	155,535	153,127
Current accounts (covering the minimum reserve system)	158,283	150,714	155,283	153,097
Deposit facility	107	18	252	29
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	0	1
Other liabilities to euro area credit institutions in euro	219	207	207	207
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	42,389	43,476	41,767	49,468
Liabilities to non-euro area residents in euro	12,065	12,364	13,224	12,609
Liabilities to euro area residents in foreign currency	410	480	367	402
Liabilities to non-euro area residents in foreign currency	8,441	8,424	8,405	10,133
Counterpart of special drawing rights allocated by the IMF	5,885	5,885	5,920	5,920
Other liabilities	68,373	68,041	70,043	68,969
Revaluation accounts	103,749	103,749	119,113	119,113
Capital and reserves	58,426	58,429	58,355	58,413
Total liabilities	1,016,943	1,019,749	1,038,152	1,038,614

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

1.3 Eurosystem monetary policy operations allotted through tenders ^{1), 2)}

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations ³⁾

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2005 14 Sep.	435,111	356	279,500	2.00	2.06	2.06	7
21	396,280	402	287,500	2.00	2.06	2.06	7
28	364,417	361	293,500	2.00	2.06	2.07	7
5 Oct.	382,662	348	288,000	2.00	2.06	2.07	7
12	380,299	372	281,000	2.00	2.07	2.07	7
19	383,949	397	296,000	2.00	2.06	2.07	7
26	371,445	384	301,500	2.00	2.06	2.07	8
3 Nov.	354,563	340	294,000	2.00	2.05	2.06	6
9	366,131	350	295,000	2.00	2.05	2.06	7
16	401,859	393	293,500	2.00	2.05	2.06	7
23	403,121	434	311,000	2.00	2.08	2.10	7
30	361,548	379	306,500	2.00	2.09	2.11	6
6 Dec.	354,476	300	333,500	2.25	2.29	2.31	8
14	378,799	345	308,500	2.25	2.29	2.30	7
21	391,591	393	314,000	2.25	2.30	2.31	8
29	315,797	386	315,000	2.25	2.25	2.42	6
2006 4 Jan.	359,312	353	316,000	2.25	2.30	2.31	7
11	378,353	368	309,000	2.25	2.30	2.31	7
Longer-term refinancing operations							
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
29	52,795	142	30,000	-	2.09	2.10	84
28 Oct.	51,313	168	30,000	-	2.17	2.19	90
1 Dec.	52,369	152	30,000	-	2.40	2.41	84
22 ⁵⁾	89,877	165	12,500	-	2.45	2.46	98
23 ⁵⁾	45,003	127	17,500	-	2.44	2.45	97

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	
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
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1

Source: ECB.

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

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at ¹⁾ :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Q1	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
Q2	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9
2005 July	13,431.5	7,064.6	496.2	1,682.8	1,068.0	3,119.9
Aug.	13,388.1	7,003.0	499.9	1,689.2	1,066.0	3,130.1
Sep.	13,562.1	7,125.7	498.5	1,697.7	1,085.4	3,154.9
Oct.	13,712.7	7,184.5	503.4	1,712.0	1,127.0	3,185.8

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2005 Q1	140.5	141.3	0.8	0.0	2.05
Q2	144.6	145.5	0.9	0.0	2.05
Q3	149.7	150.2	0.6	0.0	2.05
2005 11 Oct.	150.7	151.4	0.7	0.0	2.05
8 Nov.	149.5	150.2	0.7	0.0	2.06
5 Dec.	152.0	153.0	1.0	0.0	2.07
2006 17 Jan.	153.3	.	.	.	.

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
Q2	286.8	273.1	90.0	0.1	0.0	0.2	0.1	512.8	53.5	-62.0	145.5	658.5
2005 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
6 Sep.	304.8	303.5	90.0	0.0	0.3	0.1	0.0	531.5	63.1	-46.2	150.2	681.8
11 Oct.	307.9	288.6	90.0	0.1	0.0	0.1	0.2	531.6	47.9	-44.6	151.4	683.1
8 Nov.	315.1	293.4	90.0	0.1	0.0	0.1	0.0	535.6	50.4	-37.9	150.2	686.0
5 Dec.	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9

Source: ECB.

1) End of period.



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units ¹⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets	
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005 Q1	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	301.0	12.5	179.3
Q2	1,353.6	638.4	21.2	0.6	616.6	176.9	158.8	2.0	16.1	-	14.1	319.6	13.3	191.3
2005 July	1,353.4	642.4	21.2	0.6	620.6	176.8	159.6	1.8	15.5	-	14.4	312.8	13.3	193.7
Aug.	1,327.9	610.7	21.2	0.6	588.9	180.6	162.8	1.9	15.9	-	14.4	313.4	13.3	195.5
Sep.	1,351.1	609.8	21.2	0.6	588.0	183.8	165.6	1.9	16.3	-	14.9	328.9	13.3	200.4
Oct.	1,370.1	630.5	21.2	0.6	608.6	184.2	166.4	2.1	15.7	-	14.4	326.9	13.3	200.8
Nov. ^(p)	1,386.9	630.8	21.2	0.6	609.0	184.3	167.7	2.0	14.6	-	14.4	339.0	13.4	204.9
MFIs excluding the Eurosysteem														
2003	19,795.4	12,113.1	817.5	7,101.8	4,193.9	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,567.8	161.8	1,046.4
2004	21,351.8	12,825.3	811.4	7,556.1	4,457.8	3,187.7	1,299.9	465.2	1,422.6	72.5	942.9	2,942.9	159.6	1,220.9
2005 Q1	22,027.0	13,051.3	806.6	7,669.3	4,575.4	3,295.2	1,358.5	481.2	1,455.5	73.1	970.5	3,182.3	156.5	1,298.3
Q2	22,770.4	13,256.3	808.4	7,918.5	4,529.4	3,394.2	1,383.9	506.9	1,503.5	75.1	999.3	3,404.2	163.1	1,478.1
2005 July	22,874.4	13,326.7	808.9	7,976.8	4,541.0	3,396.6	1,378.7	506.5	1,511.5	75.1	999.9	3,444.4	164.3	1,467.6
Aug.	22,826.6	13,305.3	809.9	7,979.7	4,515.6	3,386.5	1,371.1	505.1	1,510.3	80.6	999.5	3,436.8	164.3	1,453.7
Sep.	23,058.6	13,434.5	816.0	8,067.1	4,551.4	3,375.2	1,360.4	504.5	1,510.3	81.4	1,012.6	3,517.6	164.5	1,472.9
Oct.	23,300.4	13,595.1	812.2	8,132.6	4,650.4	3,435.6	1,400.7	520.9	1,514.1	83.7	989.5	3,577.1	165.3	1,454.0
Nov. ^(p)	23,783.0	13,708.3	805.6	8,216.5	4,686.2	3,552.3	1,484.6	542.4	1,525.3	86.9	1,008.8	3,721.9	165.5	1,539.3

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Q1	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
Q2	1,353.6	540.9	433.6	76.4	18.7	338.5	-	0.6	173.6	24.4	180.5
2005 July	1,353.4	550.7	426.2	68.5	13.8	344.0	-	0.6	170.0	23.9	182.0
Aug.	1,327.9	544.4	402.6	56.6	13.4	332.6	-	0.6	171.6	25.2	183.5
Sep.	1,351.1	550.3	396.5	47.4	15.3	333.9	-	0.6	186.6	27.4	189.7
Oct.	1,370.1	554.7	413.6	46.3	17.5	349.7	-	0.6	184.2	27.3	189.8
Nov. ^(p)	1,386.9	558.9	409.6	47.9	17.9	343.8	-	0.6	194.1	28.1	195.7
MFIs excluding the Eurosysteem											
2003	19,795.4	-	10,774.8	134.4	6,275.5	4,364.9	648.8	3,161.4	1,145.0	2,606.4	1,458.9
2004	21,351.8	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,199.5	2,815.0	1,675.6
2005 Q1	22,027.0	-	11,653.8	126.3	6,706.7	4,820.7	687.6	3,614.8	1,213.5	3,085.6	1,771.7
Q2	22,770.4	-	11,849.5	135.1	6,921.1	4,793.3	696.4	3,761.9	1,258.7	3,228.0	1,976.0
2005 July	22,874.4	-	11,895.5	142.3	6,950.5	4,802.7	710.1	3,775.9	1,268.7	3,264.1	1,960.1
Aug.	22,826.6	-	11,813.9	110.2	6,929.8	4,773.9	720.3	3,788.7	1,274.0	3,254.4	1,975.3
Sep.	23,058.6	-	11,913.6	134.6	6,987.7	4,791.3	712.9	3,807.5	1,271.8	3,350.6	2,002.2
Oct.	23,300.4	-	12,062.8	133.0	7,029.8	4,900.0	712.6	3,844.7	1,271.1	3,418.9	1,990.4
Nov. ^(p)	23,783.0	-	12,145.8	136.7	7,062.1	4,947.1	716.4	3,873.8	1,289.4	3,608.7	2,148.8

Source: ECB.

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

2.2 Consolidated balance sheet of euro area MFIs

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	14,551.8	7,942.6	840.1	7,102.5	1,793.1	1,364.1	429.0	623.6	2,885.7	174.2	1,132.6
2004	15,719.1	8,389.6	832.9	7,556.8	1,906.8	1,439.9	466.9	666.2	3,236.9	173.6	1,345.9
2005 Q1	16,260.4	8,498.1	828.1	7,669.9	1,993.2	1,510.4	482.8	683.9	3,483.3	169.0	1,432.9
Q2	17,039.4	8,748.7	829.6	7,919.2	2,051.5	1,542.7	508.9	713.7	3,723.8	176.4	1,625.2
2005 July	17,112.3	8,807.5	830.0	7,977.5	2,046.5	1,538.3	508.2	706.7	3,757.1	177.5	1,617.0
Aug.	17,091.5	8,811.5	831.1	7,980.4	2,040.9	1,533.9	507.0	705.7	3,750.1	177.6	1,605.7
Sep.	17,317.6	8,904.9	837.2	8,067.7	2,032.4	1,526.0	506.4	726.0	3,846.5	177.8	1,630.1
Oct.	17,452.5	8,966.6	833.4	8,133.2	2,090.0	1,567.0	523.0	702.5	3,904.0	178.7	1,610.6
Nov. ^(p)	17,888.4	9,044.0	826.8	8,217.2	2,196.8	1,652.4	544.4	708.1	4,061.0	178.8	1,699.8
Transactions											
2003	766.2	384.0	12.1	371.8	170.4	116.3	54.1	19.3	224.8	-3.6	-28.6
2004	1,268.0	499.7	-7.0	506.7	91.9	58.1	33.8	34.6	437.6	2.7	201.5
2005 Q1	448.9	107.9	-5.5	113.4	82.5	66.2	16.4	15.7	187.2	-4.1	59.7
Q2	533.0	207.8	0.9	206.9	39.7	15.8	23.8	25.2	126.4	1.0	133.0
2005 July	88.6	61.9	0.5	61.4	-1.5	-0.7	-0.8	-8.3	44.6	1.1	-9.2
Aug.	-16.3	6.2	1.2	5.0	-7.4	-5.7	-1.8	-1.6	-1.3	0.1	-12.1
Sep.	182.7	91.1	6.2	84.9	-7.2	-6.4	-0.8	11.9	64.1	0.1	22.7
Oct.	135.6	61.6	-3.8	65.4	33.2	17.1	16.1	8.4	56.1	0.9	-24.6
Nov. ^(p)	211.6	76.1	-6.7	82.7	61.2	44.3	16.9	1.5	23.9	0.2	48.8

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ¹⁾	Debt securities issued ²⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2003	14,551.8	397.9	155.7	6,292.3	581.5	1,878.5	1,004.7	2,634.0	1,598.3	8.9
2004	15,719.1	468.4	162.4	6,655.9	604.9	2,061.7	1,047.0	2,842.2	1,842.9	33.6
2005 Q1	16,260.4	471.8	187.4	6,724.4	614.5	2,145.5	1,062.9	3,110.5	1,943.0	0.4
Q2	17,039.4	496.6	211.5	6,939.8	621.3	2,242.9	1,132.6	3,252.4	2,156.5	-14.2
2005 July	17,112.3	506.4	210.8	6,964.3	635.1	2,249.4	1,131.1	3,288.0	2,142.1	-14.9
Aug.	17,091.5	500.9	166.8	6,943.2	639.7	2,263.1	1,137.5	3,279.6	2,158.8	1.9
Sep.	17,317.6	507.1	181.9	7,002.9	631.4	2,281.5	1,157.0	3,378.0	2,192.0	-14.2
Oct.	17,452.5	510.5	179.3	7,047.3	628.9	2,315.5	1,153.9	3,446.2	2,180.2	-9.3
Nov. ^(p)	17,888.4	514.5	184.6	7,080.0	629.5	2,334.5	1,168.4	3,636.8	2,344.5	-4.3
Transactions										
2003	766.2	79.0	15.1	313.7	56.7	133.5	38.6	130.8	-60.8	59.8
2004	1,268.0	70.5	6.1	377.4	22.3	197.1	50.5	276.8	229.4	37.7
2005 Q1	448.9	3.3	25.0	57.8	9.7	65.3	13.1	212.0	107.1	-44.4
Q2	533.0	24.8	24.1	175.3	6.7	80.3	24.6	61.4	169.0	-33.2
2005 July	88.6	9.9	-0.7	28.2	12.9	6.8	2.9	43.9	-16.9	1.7
Aug.	-16.3	-5.5	-44.3	-19.4	4.1	14.8	4.3	-3.0	15.4	17.4
Sep.	182.7	6.2	15.2	57.6	-7.0	13.4	5.6	83.6	27.1	-19.1
Oct.	135.6	3.4	-2.6	44.1	-6.0	33.0	2.9	65.6	-11.3	6.4
Nov. ^(p)	211.6	4.0	5.2	30.3	-9.7	7.3	4.5	67.7	102.3	0.1

Source: ECB.

1) Amounts held by euro area residents.

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

2.3 Monetary statistics

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

1. Monetary aggregates¹⁾ and counterparts

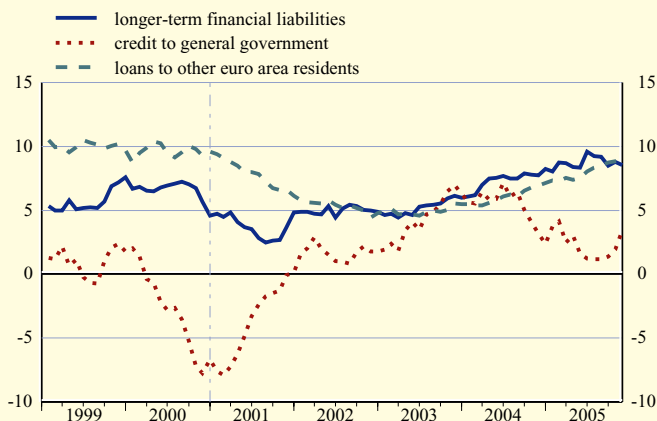
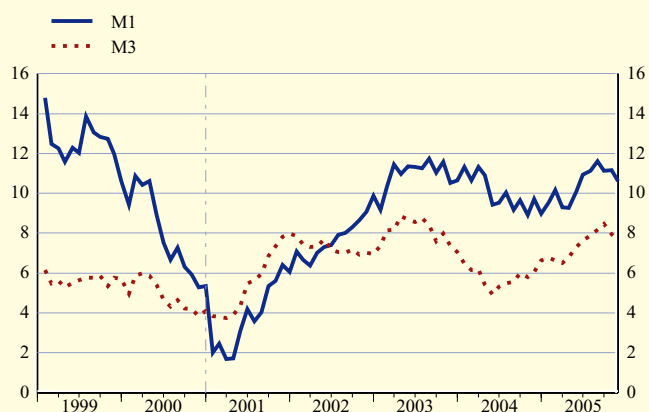
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2003	2,680.6	2,553.3	5,233.9	907.2	6,141.1	-	4,133.3	2,226.1	8,149.6	7,093.4	230.6
2004	2,912.7	2,661.0	5,573.6	960.6	6,534.2	-	4,454.5	2,297.0	8,681.9	7,545.2	375.8
2005 Q1	3,007.2	2,675.4	5,682.7	944.9	6,627.5	-	4,579.5	2,328.5	8,830.0	7,673.6	387.5
Q2	3,258.0	2,557.9	5,815.9	981.1	6,797.0	-	4,797.2	2,353.5	9,114.6	7,893.9	469.8
2005 July	3,302.6	2,572.2	5,874.8	994.6	6,869.3	-	4,801.4	2,364.5	9,185.5	7,960.6	472.5
Aug.	3,329.9	2,584.9	5,914.8	1,005.2	6,920.0	-	4,827.8	2,375.9	9,240.0	8,010.5	466.6
Sep.	3,349.4	2,629.4	5,978.8	1,002.0	6,980.8	-	4,859.5	2,370.1	9,333.0	8,083.1	457.5
Oct.	3,369.7	2,635.6	6,005.3	990.1	6,995.3	-	4,896.9	2,407.8	9,389.5	8,147.6	437.3
Nov. ^(p)	3,385.6	2,639.5	6,025.1	1,002.1	7,027.2	-	4,938.0	2,478.1	9,474.8	8,212.4	403.7
Transactions											
2003	259.4	113.4	372.9	32.2	405.1	-	236.1	131.9	442.9	370.1	96.0
2004	240.4	111.8	352.2	56.0	408.3	-	340.8	53.5	572.5	504.2	163.0
2005 Q1	91.8	8.2	99.9	-20.5	79.5	-	107.1	26.4	146.8	128.6	8.9
Q2	86.3	38.7	125.0	36.5	161.5	-	126.0	8.2	235.6	178.1	48.6
2005 July	45.1	14.7	59.8	12.5	72.3	-	11.8	14.7	72.6	69.8	5.6
Aug.	28.4	13.1	41.5	10.1	51.7	-	25.5	10.1	55.4	52.0	-5.6
Sep.	18.8	43.5	62.2	-1.2	61.1	-	11.8	-4.2	81.8	70.2	-26.6
Oct.	20.7	5.4	26.2	-15.8	10.3	-	42.9	13.7	88.6	64.4	-19.0
Nov. ^(p)	14.9	3.1	18.0	-5.3	12.6	-	25.9	29.3	75.3	63.6	-43.6
Growth rates											
2003 Dec.	10.6	4.6	7.6	3.8	7.1	7.0	6.0	6.3	5.7	5.5	96.0
2004 Dec.	9.0	4.4	6.7	6.2	6.6	6.5	8.2	2.4	7.0	7.1	163.0
2005 Mar.	9.3	4.8	7.1	2.8	6.5	6.6	8.7	2.5	7.4	7.5	98.2
June	10.9	5.1	8.1	5.1	7.6	7.6	9.6	1.2	8.2	8.1	160.3
2005 July	11.1	5.3	8.3	5.5	7.9	7.9	9.2	1.2	8.4	8.3	162.8
Aug.	11.6	5.3	8.6	5.8	8.2	8.2	9.2	1.2	8.7	8.5	134.4
Sep.	11.1	6.5	8.9	6.2	8.5	8.2	8.5	1.4	9.0	8.7	81.1
Oct.	11.2	6.0	8.6	4.0	8.0	8.0	8.8	1.9	9.3	8.9	50.6
Nov. ^(p)	10.6	5.9	8.3	3.5	7.6	.	8.6	3.4	9.4	9.0	-2.1

C1 Monetary aggregates

(annual growth rates; seasonally adjusted)

C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2.3 Monetary statistics

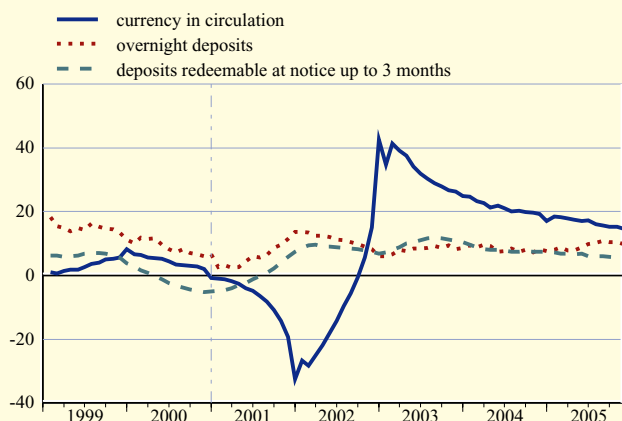
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	386.9	2,293.7	1,031.0	1,522.3	218.4	596.1	92.7	1,789.6	90.7	1,250.0	1,003.1
2004	452.7	2,460.0	1,026.5	1,634.5	239.4	618.9	102.3	1,962.6	89.6	1,357.3	1,044.9
2005 Q1	477.6	2,529.7	1,019.3	1,656.1	225.8	613.1	106.1	2,038.7	90.9	1,387.1	1,062.8
2005 Q2	493.7	2,764.3	1,039.2	1,518.7	239.7	622.9	118.5	2,122.6	91.6	1,449.2	1,133.8
2005 July	494.7	2,807.9	1,045.1	1,527.0	243.0	632.3	119.2	2,126.1	90.8	1,453.9	1,130.6
2005 Aug.	501.5	2,828.4	1,047.8	1,537.1	252.6	631.8	120.7	2,146.2	89.8	1,455.4	1,136.4
2005 Sep.	507.4	2,842.0	1,083.5	1,545.9	244.9	636.6	120.5	2,155.2	87.8	1,465.4	1,151.1
2005 Oct.	514.9	2,854.8	1,086.9	1,548.7	237.2	631.2	121.6	2,186.0	87.0	1,473.9	1,150.0
2005 Nov. ^(p)	519.6	2,866.0	1,090.0	1,549.5	237.8	633.5	130.8	2,196.3	86.7	1,484.5	1,170.5
Transactions											
2003	77.5	181.9	-29.7	143.1	-10.3	57.6	-15.1	149.2	-13.2	61.9	38.1
2004	65.8	174.7	-0.8	112.6	23.1	21.7	11.2	185.2	-1.1	106.6	50.1
2005 Q1	24.9	66.9	-13.2	21.4	-13.7	-5.7	-1.0	62.4	0.8	28.9	15.0
2005 Q2	16.2	70.2	14.3	24.4	13.7	9.7	13.0	66.2	0.0	34.0	25.8
2005 July	1.0	44.1	6.3	8.4	3.3	8.5	0.7	3.8	-0.8	7.6	1.2
2005 Aug.	6.8	21.6	3.0	10.1	9.6	-1.1	1.6	21.2	-1.0	1.6	3.7
2005 Sep.	5.9	12.8	34.7	8.8	-7.8	6.2	0.5	3.2	-2.0	9.8	0.8
2005 Oct.	7.5	13.2	2.6	2.8	-7.6	-8.8	0.6	30.3	-0.7	8.4	4.8
2005 Nov. ^(p)	4.7	10.2	2.3	0.7	0.5	-8.0	2.2	5.7	-0.3	10.1	10.5
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	10.7	3.6	12.3	10.3	-1.2	8.5	5.0
2005 Mar.	17.8	7.8	1.7	6.8	4.0	1.8	6.5	10.6	0.5	9.1	5.4
2005 June	17.2	9.8	3.4	6.1	10.3	2.3	10.5	11.7	1.4	9.4	6.7
2005 July	16.0	10.3	4.0	6.0	6.7	3.7	13.5	11.2	0.3	9.3	6.4
2005 Aug.	15.6	10.9	4.3	6.0	11.0	2.6	13.5	11.3	-0.9	8.8	6.5
2005 Sep.	15.3	10.4	7.1	5.9	8.8	3.7	15.0	10.1	-2.3	8.9	5.9
2005 Oct.	15.3	10.4	6.1	5.7	5.0	1.4	17.6	10.9	-3.8	8.7	6.0
2005 Nov. ^(p)	14.6	9.9	6.7	5.2	6.6	0.5	14.9	10.8	-4.5	8.3	5.8

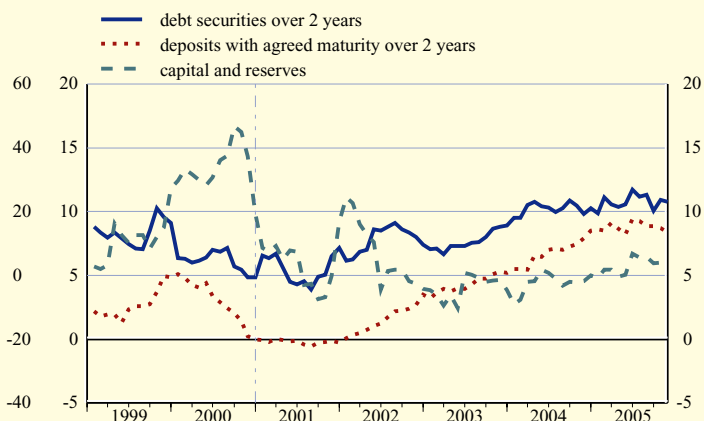
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown ¹⁾

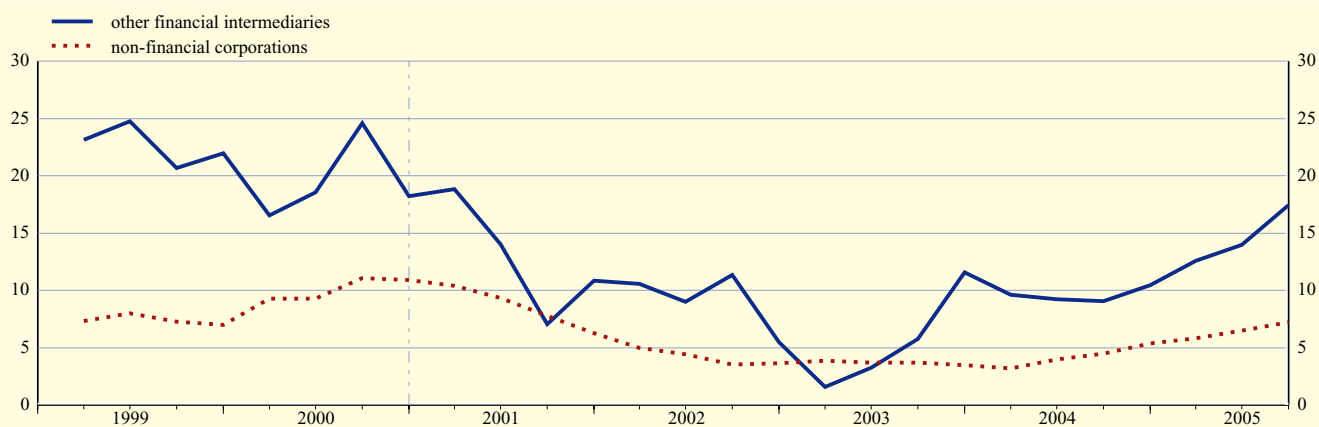
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries ²⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.3	334.4	3,152.7	973.8	547.8	1,631.2
2005 Q1	58.2	39.7	561.3	351.1	3,189.5	983.8	554.7	1,650.9
Q2	63.8	43.9	581.5	362.9	3,281.9	1,025.1	564.1	1,692.7
2005 July	63.7	43.3	579.5	357.1	3,308.7	1,024.9	573.1	1,710.7
Aug.	64.4	42.7	572.6	349.2	3,294.3	1,001.1	571.0	1,722.3
Sep.	65.2	42.6	601.7	373.1	3,320.8	1,014.4	572.6	1,733.8
Oct.	68.9	45.3	601.8	368.9	3,341.8	1,022.1	582.6	1,737.1
Nov. ^(p)	75.4	50.4	616.9	377.2	3,373.2	1,031.6	586.2	1,755.5
Transactions								
2003	4.2	2.2	53.4	26.2	102.6	-7.9	15.9	94.7
2004	13.1	9.1	52.1	27.7	162.9	23.2	31.2	108.5
2005 Q1	8.6	7.9	11.3	14.9	37.2	8.0	7.7	21.5
Q2	5.5	4.2	16.4	9.5	82.4	35.0	9.8	37.6
2005 July	-0.1	-0.6	-1.4	-5.5	27.7	0.3	9.1	18.3
Aug.	0.7	-0.5	-7.1	-7.8	-12.4	-22.8	-2.0	12.4
Sep.	0.7	-0.2	28.4	23.5	24.8	12.3	1.4	11.1
Oct.	3.7	2.7	-2.5	-5.9	23.0	8.8	10.2	3.9
Nov. ^(p)	6.4	5.1	13.0	7.7	31.7	9.7	4.1	17.9
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	10.5	9.1	5.4	2.4	6.0	7.0
2005 Q1	23.7	21.8	12.6	17.5	5.9	3.8	6.6	6.9
June	17.5	9.8	14.0	18.8	6.5	5.6	6.1	7.2
2005 July	11.3	3.1	15.0	19.1	7.1	6.0	7.0	7.7
Aug.	18.3	9.1	16.4	21.4	6.9	5.5	5.8	8.0
Sep.	22.7	12.6	17.5	23.0	7.2	5.9	5.9	8.5
Oct.	24.0	15.0	15.6	19.0	7.3	5.9	7.4	8.1
Nov. ^(p)	37.3	32.1	12.9	12.6	7.5	5.2	7.7	8.8

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.4 MFI loans, breakdown ¹⁾

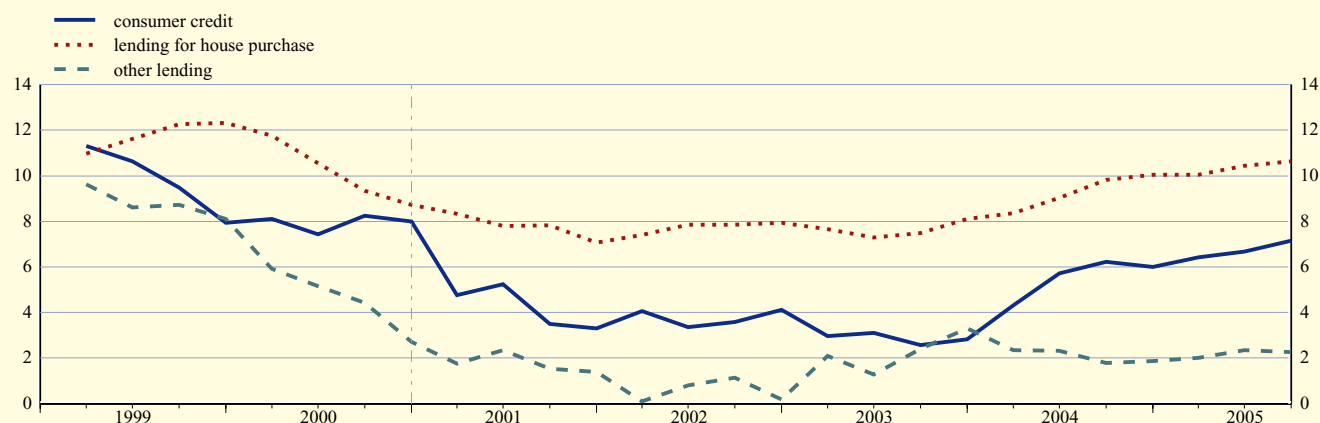
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households ²⁾

	Total		Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years		
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts														
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1	
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2	
2005 Q1	3,860.4	519.3	120.2	191.1	208.0	2,640.3	14.3	67.1	2,558.9	700.9	144.4	98.7	457.8	
Q2	3,991.3	537.3	124.4	197.3	215.6	2,737.2	14.8	66.2	2,656.1	716.8	149.9	101.0	465.9	
2005 July	4,024.9	539.1	122.3	199.1	217.7	2,772.9	14.8	66.8	2,691.2	712.9	145.2	101.2	466.5	
Aug.	4,048.3	540.6	123.2	198.8	218.6	2,795.1	14.6	67.2	2,713.3	712.6	143.6	101.3	467.8	
Sep.	4,079.4	544.3	126.1	198.6	219.6	2,820.2	15.0	67.6	2,737.5	714.9	145.7	101.1	468.0	
Oct.	4,120.1	548.3	127.2	199.6	221.5	2,851.1	14.7	67.9	2,768.4	720.7	145.7	101.6	473.5	
Nov. ^(p)	4,151.1	549.7	126.7	200.3	222.7	2,877.4	14.8	68.4	2,794.2	724.0	148.2	102.2	473.7	
Transactions														
2003	211.6	13.3	8.4	6.3	-1.4	177.3	-5.9	1.7	181.4	21.0	-6.3	-4.9	32.2	
2004	278.6	29.0	7.1	8.6	13.3	236.9	0.9	2.9	233.1	12.7	-0.8	2.0	11.6	
2005 Q1	56.2	4.4	-0.3	1.6	3.1	49.5	-0.2	1.3	48.4	2.2	1.3	-0.4	1.3	
Q2	102.5	15.7	4.0	6.0	5.7	75.6	0.5	0.5	74.5	11.3	5.6	0.5	5.1	
2005 July	35.2	2.4	-1.9	1.9	2.3	35.9	0.0	0.5	35.3	-3.1	-4.5	0.2	1.2	
Aug.	23.8	2.1	1.0	-0.3	1.3	22.1	-0.2	0.4	21.9	-0.3	-1.5	0.1	1.1	
Sep.	31.1	3.9	2.7	0.1	1.1	25.4	0.4	0.5	24.5	1.7	1.8	-0.2	0.1	
Oct.	41.2	4.4	1.4	1.1	1.9	31.0	-0.2	0.3	31.0	5.8	-0.1	0.5	5.4	
Nov. ^(p)	31.6	2.7	-0.5	0.7	2.5	26.2	0.1	0.5	25.7	2.7	2.6	0.6	-0.6	
Growth rates														
2003 Dec.	6.4	2.8	8.1	3.6	-0.2	8.1	-26.3	2.6	8.6	3.3	-4.1	-5.0	8.5	
2004 Dec.	7.9	6.0	6.3	4.8	6.9	10.0	6.0	4.6	10.2	1.9	-0.5	2.0	2.6	
2005 Mar.	8.0	6.4	7.7	4.6	7.5	10.1	5.0	8.1	10.1	2.0	2.0	1.1	2.2	
June	8.4	6.7	6.6	5.8	7.5	10.4	4.1	4.6	10.6	2.4	3.8	0.6	2.3	
2005 July	8.5	6.7	6.1	6.0	7.8	10.7	5.4	4.7	10.9	2.1	3.1	0.9	2.0	
Aug.	8.6	6.9	6.4	6.1	8.0	10.8	4.3	4.7	11.0	2.2	3.1	1.2	2.1	
Sep.	8.6	7.2	8.0	6.0	7.8	10.6	5.7	4.9	10.8	2.3	2.7	1.1	2.4	
Oct.	9.0	7.7	9.4	6.2	8.1	10.9	0.9	4.8	11.2	3.1	3.2	0.7	3.6	
Nov. ^(p)	9.2	8.0	9.2	6.4	8.9	11.2	4.1	6.5	11.3	3.0	2.8	1.5	3.4	

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2.4 MFI loans, breakdown ¹⁾

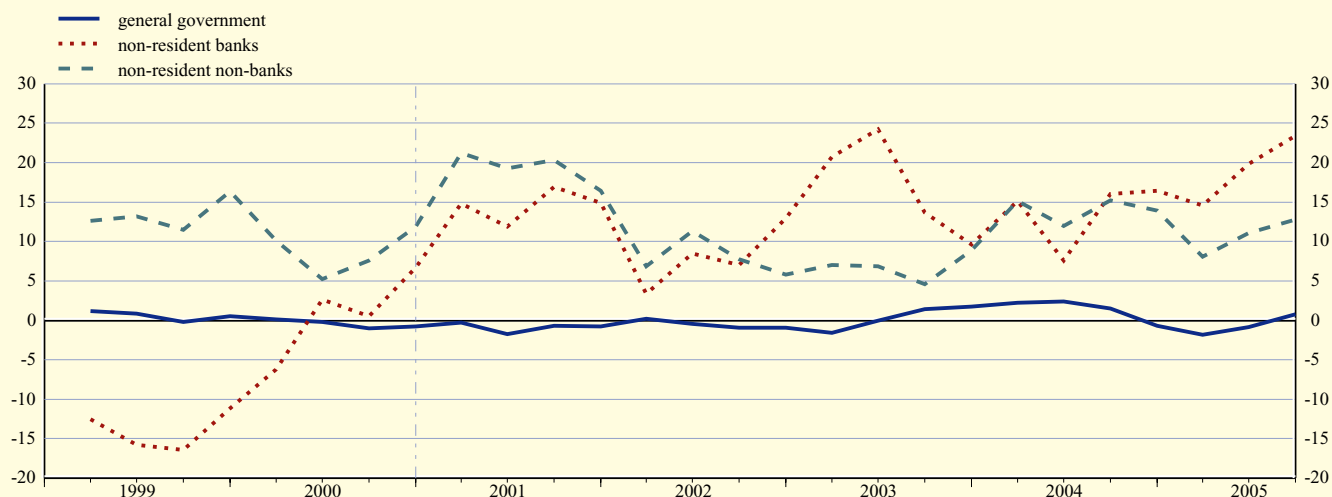
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.4	129.6	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	806.6	129.3	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	808.4	125.0	247.5	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3 ^(p)	816.0	124.8	247.1	414.5	29.6	2,375.7	1,638.7	736.9	64.2	672.7
Transactions										
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-5.9	2.0	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005 Q1	-5.5	-0.5	-4.2	0.5	-1.3	124.8	98.6	26.2	0.6	25.5
Q2	1.2	-4.7	-0.8	0.6	6.0	93.9	81.1	12.9	0.2	12.7
Q3 ^(p)	7.8	-0.1	-0.5	7.3	1.1	85.2	57.5	27.9	2.1	25.7
Growth rates										
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Dec.	-0.7	1.5	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-1.8	-1.6	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-0.8	-0.4	-2.6	4.0	-34.7	17.0	19.9	11.0	2.1	12.0
Sep. ^(p)	0.8	1.5	-2.4	5.0	-23.5	19.9	23.4	12.8	5.5	13.6

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

2.5 Deposits held with MFIs, breakdown ¹⁾

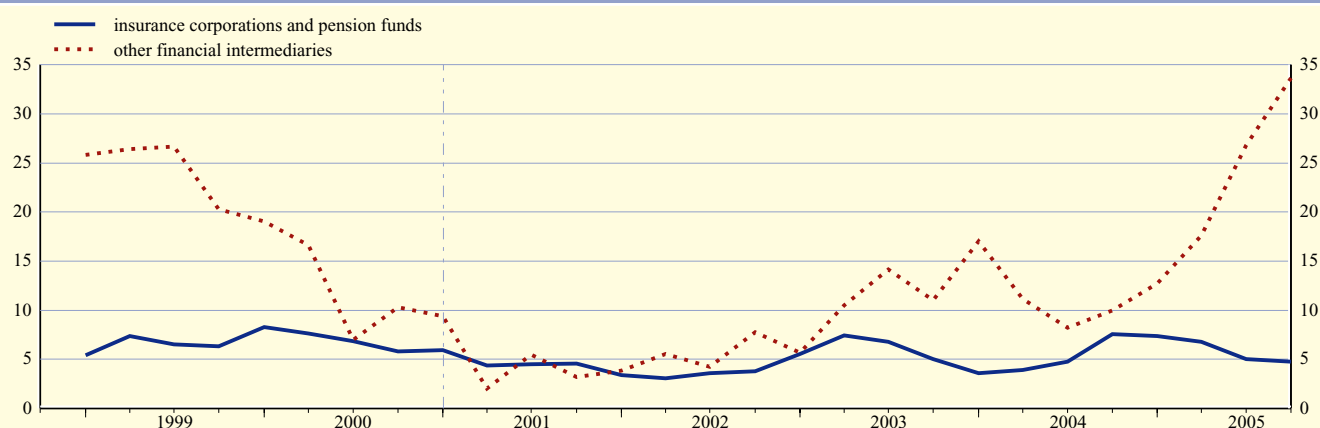
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries ²⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	565.6	180.9	130.8	143.3	6.1	0.1	104.4
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005 Q1	597.0	65.7	48.5	460.3	1.3	1.3	19.8	692.9	213.3	134.2	205.2	11.5	0.1	128.7
Q2	595.7	61.2	48.3	463.0	1.1	1.6	20.5	792.2	226.7	149.1	264.3	11.1	0.1	140.7
2005 July	603.7	64.3	51.9	464.8	1.1	1.6	20.1	799.4	223.5	155.8	267.7	11.6	0.1	140.5
Aug.	604.1	59.1	50.8	466.1	1.1	1.6	25.4	797.4	217.2	157.5	268.1	11.4	0.1	143.2
Sep.	602.9	60.0	50.8	466.9	1.1	1.6	22.4	834.4	242.7	169.9	276.8	10.6	0.1	134.4
Oct.	609.9	66.7	48.0	468.5	1.1	1.5	24.1	847.4	232.4	176.7	285.5	11.0	0.1	141.7
Nov. ^(p)	605.3	67.9	42.0	469.7	1.2	1.5	23.1	853.8	227.1	180.3	298.3	11.1	0.1	136.9
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	72.2	0.9	5.8	43.7	4.1	0.0	17.7
2005 Q1	12.5	6.4	-3.1	10.0	0.1	0.0	-1.0	48.8	32.1	-9.4	16.0	1.3	0.0	8.7
Q2	-2.1	-5.3	-0.5	2.7	0.2	0.0	0.8	66.3	10.7	11.9	31.0	0.8	0.0	11.9
2005 July	8.1	3.2	3.6	1.8	-0.1	0.0	-0.4	10.4	-3.0	6.8	6.2	0.5	0.0	-0.2
Aug.	0.5	-5.2	-1.0	1.3	0.0	0.1	5.3	-2.1	-6.3	1.5	0.4	-0.3	0.0	2.7
Sep.	-1.4	0.9	-0.1	0.7	0.0	0.0	-2.9	36.4	25.2	12.2	8.6	-0.8	0.0	-8.8
Oct.	6.9	6.7	-2.9	1.5	0.0	0.0	1.6	8.8	-10.3	6.6	4.9	0.4	0.0	7.2
Nov. ^(p)	-4.7	1.1	-6.1	1.2	0.0	0.0	-0.9	5.8	-5.7	3.7	12.4	0.2	0.0	-4.8
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	-	17.1
2005 Mar.	6.8	2.3	16.4	7.5	1.7	-51.5	-10.4	17.6	8.5	9.3	40.1	50.0	-	11.4
June	5.1	1.8	15.3	4.8	18.1	31.3	-3.0	26.8	16.5	15.1	52.5	50.1	-	21.0
2005 July	6.2	15.1	13.2	4.9	13.7	32.1	-8.3	28.6	19.8	19.6	51.8	56.2	-	18.6
Aug.	6.3	10.0	9.1	5.1	11.3	32.6	13.8	29.6	23.1	16.7	48.4	55.3	-	25.2
Sep.	4.8	-2.7	7.8	5.1	26.3	33.0	12.0	33.6	27.3	33.5	50.1	46.3	-	18.8
Oct.	5.0	13.3	-2.1	4.6	22.3	2.8	5.5	29.7	22.7	25.2	51.0	45.9	-	14.6
Nov. ^(p)	3.2	6.0	-12.3	4.1	18.2	2.9	10.9	28.0	13.8	34.0	47.9	27.1	-	13.8

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 ¹⁾

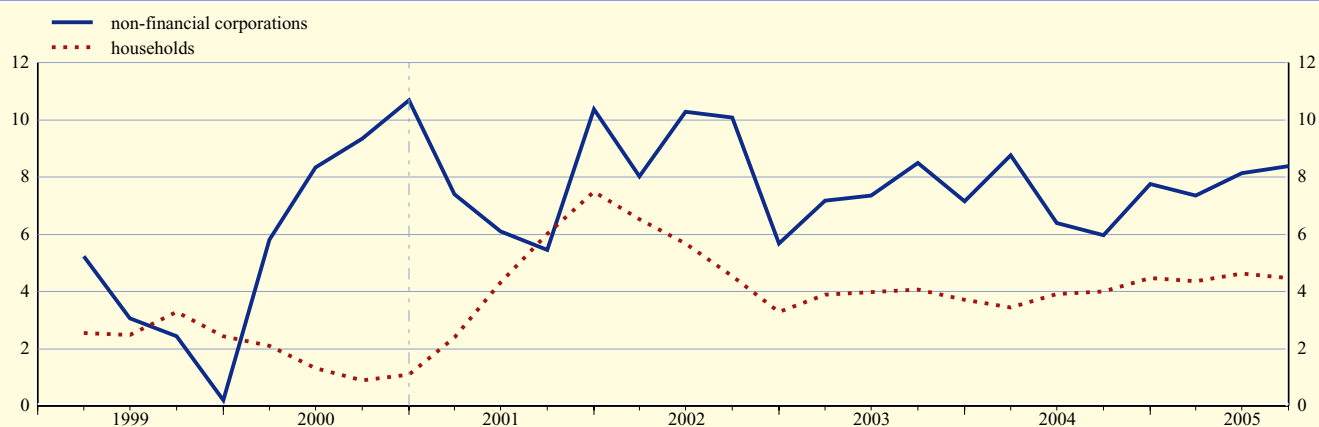
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households ²⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.6	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005 Q1	1,096.3	675.3	280.2	72.1	44.0	1.1	23.6	4,177.0	1,409.1	513.2	632.8	1,481.9	88.7	51.2
Q2	1,133.5	722.2	274.1	71.9	41.6	1.5	22.1	4,246.6	1,629.9	511.2	630.8	1,336.3	87.2	51.2
2005 July	1,134.0	719.8	278.9	70.8	42.2	1.4	21.1	4,265.4	1,643.0	512.8	630.0	1,339.5	86.4	53.6
Aug.	1,138.6	715.3	287.2	70.7	41.8	1.3	22.3	4,238.4	1,610.4	515.6	630.2	1,342.3	85.5	54.4
Sep.	1,151.8	719.1	296.5	68.7	43.9	1.2	22.4	4,246.3	1,626.9	515.0	627.1	1,341.9	83.9	51.6
Oct.	1,168.9	734.0	302.8	65.6	44.5	1.2	20.8	4,247.2	1,629.9	517.3	625.6	1,339.8	83.4	51.2
Nov. ^(p)	1,181.2	746.3	299.0	66.6	44.8	1.2	23.3	4,260.4	1,642.4	520.8	623.7	1,337.4	83.7	52.5
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	2.7
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
Q2	33.3	41.3	-7.7	0.2	1.1	-0.1	-1.5	67.1	63.4	-3.6	-2.3	11.1	-1.4	0.0
2005 July	0.9	-2.3	4.9	-1.1	0.6	-0.2	-1.0	19.0	13.2	1.8	-0.8	3.2	-0.8	2.5
Aug.	6.1	-3.4	8.7	0.0	-0.4	-0.1	1.3	-26.7	-32.6	2.8	0.2	2.9	-1.0	0.8
Sep.	12.4	3.4	8.9	-2.0	2.0	0.0	0.1	7.2	16.3	-0.9	-3.2	-0.5	-1.5	-2.9
Oct.	21.0	15.0	6.3	0.8	0.6	0.0	-1.7	0.9	3.5	1.9	-1.5	-2.1	-0.5	-0.3
Nov. ^(p)	11.2	11.9	-4.3	0.9	0.3	0.0	2.5	12.7	12.4	3.2	-2.0	-2.5	0.2	1.3
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
June	8.1	10.6	4.4	3.3	14.9	-5.8	-13.4	4.6	7.8	-1.3	2.9	4.8	1.1	1.5
2005 July	8.3	11.7	4.1	1.1	14.9	-17.5	-20.5	4.8	8.3	-0.9	2.6	4.7	0.1	2.0
Aug.	8.8	11.7	7.0	1.0	12.5	-24.5	-22.5	4.5	7.8	0.0	2.3	4.7	-0.9	-0.3
Sep.	8.4	9.0	10.6	-1.7	16.5	-26.5	-12.6	4.5	7.9	0.4	1.8	4.6	-2.4	-4.0
Oct.	9.7	12.6	7.1	0.4	18.2	-28.2	-19.9	4.0	7.1	1.1	1.1	4.2	-3.5	-5.8
Nov. ^(p)	9.7	12.2	6.8	1.5	16.2	-29.8	-8.9	4.1	7.5	1.7	0.7	3.8	-4.1	-3.5

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 ¹⁾

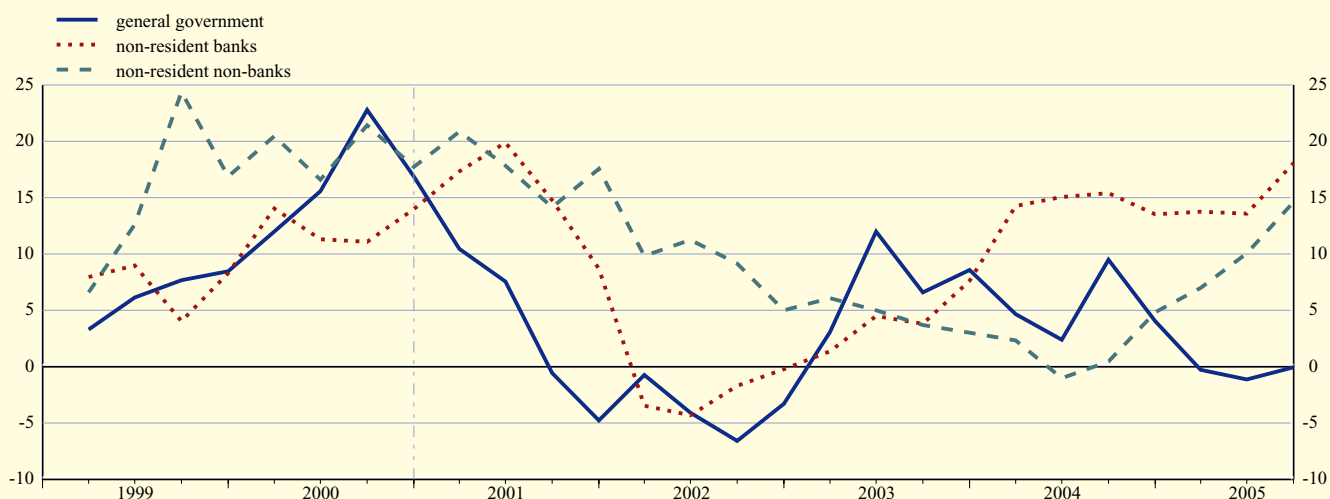
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.1	1,935.7	733.4	105.4	628.0
Q2	288.3	135.1	35.1	69.7	48.4	2,784.9	2,034.1	750.8	118.6	632.3
Q3 ^(p)	286.8	134.6	35.9	71.4	44.9	2,904.9	2,109.8	795.1	124.3	670.8
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	-2.1	-1.6	188.2	147.1	41.0	2.0	39.1
Q2	18.3	8.8	1.7	2.2	5.7	42.2	42.7	-0.5	13.2	-13.7
Q3 ^(p)	-1.6	-0.8	0.9	1.8	-3.5	120.3	76.3	44.0	5.7	38.3
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	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar.	-0.3	-10.5	19.6	8.3	8.6	11.8	13.7	7.0	4.1	7.5
June	-1.2	-13.8	19.3	8.3	16.9	12.6	13.5	10.1	15.8	9.0
Sep. ^(p)	-0.1	-8.3	14.0	8.1	5.2	17.1	18.0	14.6	17.8	14.0

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.

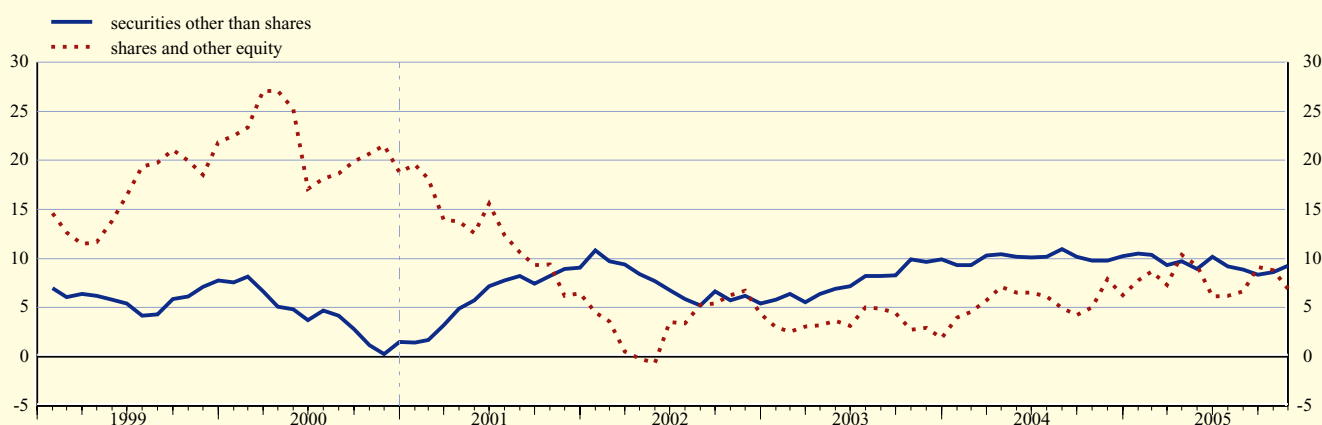
2.6 MFI holdings of securities, breakdown ¹⁾

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.7	59.9	1,284.1	15.8	449.0	16.3	751.7	1,158.1	286.4	656.4	215.2
2005 Q1	4,093.1	1,388.9	66.6	1,342.8	15.8	464.9	16.3	797.9	1,217.0	296.1	674.4	246.5
Q2	4,269.0	1,435.8	67.7	1,368.1	15.8	488.0	18.9	874.7	1,234.8	295.3	704.1	235.5
2005 July	4,272.4	1,444.3	67.2	1,362.8	15.9	486.8	19.7	875.8	1,241.2	303.2	696.7	241.3
Aug.	4,281.2	1,443.0	67.3	1,355.0	16.1	484.7	20.4	894.6	1,241.5	303.7	695.7	242.0
Sep.	4,271.4	1,442.5	67.8	1,343.7	16.7	484.9	19.6	896.2	1,256.9	297.1	715.5	244.4
Oct.	4,346.3	1,444.4	69.7	1,383.8	16.9	498.5	22.3	910.7	1,227.8	296.9	692.6	238.3
Nov. ^(p)	4,471.0	1,454.1	71.2	1,467.3	17.4	518.0	24.4	918.7	1,249.7	310.7	698.1	240.9
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	368.4	148.1	4.9	40.3	1.3	34.8	-1.3	140.4	67.6	2.2	34.5	30.8
2005 Q1	137.7	29.1	4.7	55.3	-0.5	17.0	-0.5	32.5	57.1	9.4	16.1	31.6
Q2	128.9	46.2	-1.8	11.6	-1.0	21.9	1.6	50.3	14.5	5.0	25.2	-15.7
2005 July	9.6	8.3	0.1	-2.3	0.4	-1.6	1.0	3.7	-0.1	3.9	-8.3	4.3
Aug.	7.0	-2.1	0.1	-8.7	0.2	-2.5	0.6	19.5	-1.9	0.1	-1.8	-0.3
Sep.	-14.0	-1.2	0.0	-9.8	0.4	0.0	-0.8	-2.5	8.1	-2.9	11.7	-0.7
Oct.	49.0	3.1	1.7	14.8	0.3	13.3	2.6	13.2	2.4	0.2	8.4	-6.3
Nov. ^(p)	74.4	7.8	0.9	42.7	-0.1	15.1	1.8	6.2	20.1	13.1	1.6	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	8.4	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Mar.	9.3	9.1	14.1	3.9	-4.1	11.1	-4.6	19.1	7.3	1.9	4.0	26.4
June	10.2	11.4	8.1	1.4	-9.9	12.7	4.2	24.2	6.1	1.4	6.5	11.6
2005 July	9.2	10.5	9.4	1.5	-6.7	12.2	15.9	19.7	6.2	3.5	6.7	8.6
Aug.	8.9	9.9	7.3	0.9	-2.9	11.7	20.9	19.9	6.7	3.9	8.0	6.3
Sep.	8.3	9.1	5.8	-0.1	2.9	12.3	10.3	20.3	9.1	4.7	10.1	12.4
Oct.	8.6	7.7	8.3	1.6	-19.2	14.7	22.5	19.8	8.8	4.7	10.9	8.2
Nov. ^(p)	9.3	7.5	8.9	4.4	-14.2	16.6	31.1	16.9	6.9	7.1	9.1	0.6

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 ¹⁾
(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.2	-2.8	-0.3	-4.1
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005 Q1	-1.3	-0.6	-0.2	-0.5	-1.2	-0.1	0.0	-1.1	-2.7	-1.1	-0.1	-1.6
Q2	-0.8	-0.3	-0.2	-0.3	-0.8	0.0	0.0	-0.7	-1.6	-0.8	-0.1	-0.8
2005 July	-0.4	-0.2	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.3	-0.1	0.0	-0.1
Aug.	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.1
Sep.	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.2	0.0	-0.2
Oct.	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
Nov. ^(p)	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2003	-17.5	-8.8	-1.3	-7.4	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005 Q1	-5.1	-2.5	-0.7	-1.9	-0.3	-0.1	-0.3
Q2	-3.8	-1.9	-0.2	-1.8	-0.3	0.0	-0.3
2005 July	-0.5	-0.3	-0.1	-0.2	-0.1	0.0	-0.1
Aug.	-0.5	-0.2	-0.1	-0.2	-0.1	0.0	0.0
Sep.	-0.8	-0.4	-0.1	-0.3	-0.1	-0.1	0.0
Oct.	-1.4	-1.1	-0.1	-0.2	0.0	0.0	0.0
Nov. ^(p)	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	8.1	1.3	3.4	3.5
2005 Q1	5.9	1.0	0.1	3.8	0.1	-0.7	0.1	1.6	4.6	0.5	2.7	1.4
Q2	17.2	2.9	0.2	7.8	0.2	1.6	0.1	4.4	9.8	0.9	4.3	4.6
2005 July	-3.1	-0.1	0.0	-3.0	-0.1	0.0	0.0	0.2	5.0	1.0	2.4	1.6
Aug.	1.0	0.2	0.1	0.9	0.0	0.1	0.1	-0.5	2.3	0.2	1.0	1.0
Sep.	-1.0	0.1	0.1	-1.5	0.0	0.2	-0.1	0.3	6.9	0.6	3.5	2.7
Oct.	-3.1	-0.6	-0.1	-1.4	0.0	-0.4	0.1	-0.7	-0.9	-0.3	-0.8	0.2
Nov. ^(p)	4.7	-0.6	0.0	0.7	0.5	0.0	0.0	4.0	7.6	1.0	3.4	3.2

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 ¹⁾

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

1. Deposits

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				
			Total							Total				
			USD	JPY	CHF	GBP				USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1	4,820.7	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	4,793.3	90.9	9.1	5.5	0.4	1.4	1.1	7,056.2	96.9	3.1	1.9	0.3	0.1	0.4
Q3 ³⁾	4,791.3	90.6	9.4	5.7	0.5	1.5	1.1	7,122.2	96.7	3.3	2.0	0.3	0.1	0.4
	By non-euro area residents													
2003	1,580.8	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1	1,935.7	46.9	53.1	35.2	2.4	2.9	9.7	733.4	54.6	45.4	29.4	1.5	2.0	9.2
Q2	2,034.1	45.8	54.2	36.0	2.4	3.1	9.5	750.8	52.5	47.5	30.6	1.5	2.3	9.9
Q3 ³⁾	2,109.8	46.7	53.3	35.0	2.5	3.0	9.5	795.1	52.3	47.7	30.6	1.8	2.2	10.0

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,794.9	83.4	16.6	8.2	1.7	1.9	2.9
Q2	3,942.7	82.4	17.6	9.0	1.8	1.9	3.0
Q3 ³⁾	3,994.0	81.8	18.2	9.2	1.9	1.9	3.1

Source: ECB.

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

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

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

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

3. Loans

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2003	4,193.9	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3	
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005 Q1	4,575.4	-	-	-	-	-	8,475.9	96.5	3.5	1.5	0.2	1.3	0.4	
Q2	4,529.4	-	-	-	-	-	8,726.9	96.4	3.6	1.6	0.2	1.3	0.4	
Q3 ^(p)	4,551.4	-	-	-	-	-	8,883.1	96.3	3.7	1.7	0.2	1.2	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	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005 Q1	1,463.8	51.8	48.2	29.2	3.4	2.1	9.2	672.7	41.8	58.2	42.1	1.4	4.3	7.1
Q2	1,582.4	49.3	50.7	31.0	4.2	2.0	9.0	710.1	41.0	59.0	43.1	1.1	4.4	7.2
Q3 ^(p)	1,638.7	49.3	50.7	30.1	4.3	2.0	9.6	736.9	39.8	60.2	43.0	1.6	3.9	8.3

4. Holdings of securities other than shares

	Issued by MFIs ²⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004	1,422.6	95.8	4.2	1.8	0.3	0.5	1.3	1,765.1	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1	1,455.5	95.4	4.6	2.1	0.4	0.4	1.5	1,839.7	98.3	1.7	0.9	0.4	0.1	0.3
Q2	1,503.5	95.5	4.5	2.1	0.3	0.4	1.5	1,890.8	98.2	1.8	1.0	0.4	0.1	0.3
Q3 ^(p)	1,510.3	95.5	4.5	2.0	0.3	0.4	1.5	1,864.8	98.1	1.9	1.0	0.4	0.1	0.4
Issued by non-euro area residents														
2003	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1	359.8	48.9	51.1	30.3	1.0	0.5	16.5	438.0	43.7	56.3	32.7	7.2	0.8	9.1
Q2	397.4	47.9	52.1	30.3	0.8	0.5	17.8	477.3	41.1	58.9	34.0	7.9	0.8	9.9
Q3 ^(p)	404.9	49.6	50.4	29.1	0.8	0.5	17.1	491.3	40.2	59.8	35.4	7.3	0.8	10.6

Source: ECB.

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

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

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

2.9 Aggregated balance sheet of euro area investment funds ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

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

2. Liabilities

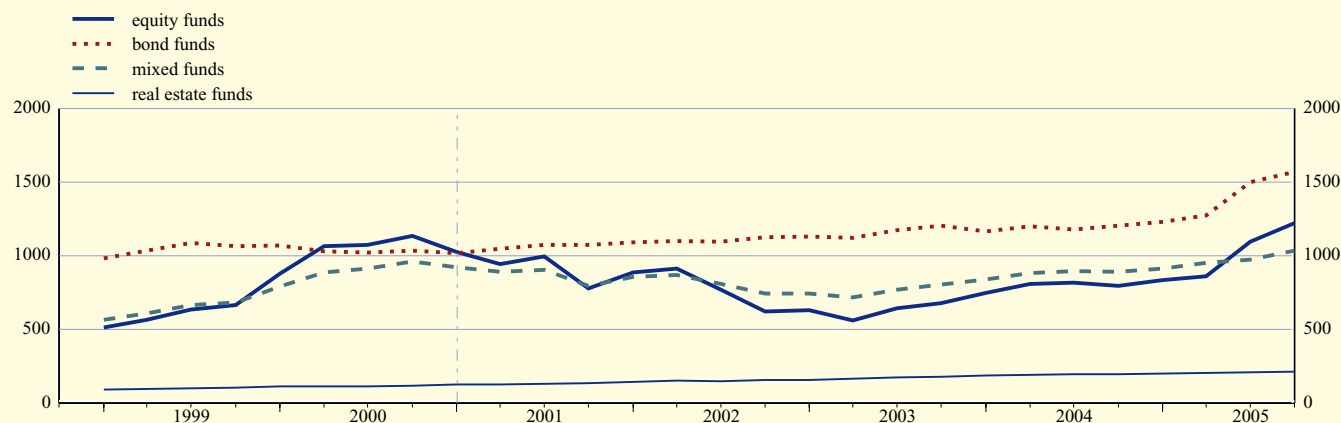
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2004 Q2	3,631.6	54.2	3,441.1	136.3
Q3	3,652.8	53.3	3,463.1	136.4
Q4	3,790.0	52.3	3,588.4	149.2
2005 Q1	4,013.0	60.5	3,764.0	188.5
Q2	4,263.4	57.8	3,996.9	208.6
Q3 ^(p)	4,572.2	59.5	4,306.0	206.7

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

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

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

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

2. Funds by type of investor

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

Source: ECB.



FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Currency and deposits											Memo: deposits of non-banks with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs ¹⁾		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q1	15,701.6	5,920.1	350.8	5,180.6	2,020.6	1,545.0	1,533.9	81.2	183.8	204.8	396.9	
Q2	15,963.4	6,056.9	372.3	5,263.9	2,101.2	1,529.5	1,553.9	79.4	223.7	197.0	397.2	
Q3	16,026.8	6,081.9	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	210.0	394.9	
Q4	16,361.8	6,241.7	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	230.7	385.4	
2005 Q1	16,670.2	6,257.7	408.4	5,433.3	2,174.8	1,560.0	1,620.0	78.5	187.4	228.5	429.8	
Q2	17,136.0	6,424.3	430.8	5,550.7	2,449.1	1,552.8	1,471.1	77.7	211.5	231.3	446.0	
Transactions												
2004 Q1	146.5	27.8	-1.6	-5.0	-7.6	-15.8	22.4	-3.9	28.1	6.3	44.4	
Q2	295.2	139.2	21.4	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.8	-0.2	
Q3	118.5	29.4	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.0	1.7	
Q4	152.0	168.5	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	20.7	2.0	
2005 Q1	154.1	15.4	-5.2	-3.5	7.9	-17.4	15.7	-9.7	25.0	-0.9	37.7	
Q2	298.1	160.2	22.3	111.0	111.0	-10.1	11.0	-0.9	24.1	2.8	5.5	
Growth rates												
2004 Q1	4.4	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	8.0	26.2	
Q2	4.7	5.3	19.5	4.2	8.3	-1.7	6.3	-15.7	12.8	3.9	21.9	
Q3	4.6	5.6	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	10.7	16.5	
Q4	4.6	6.2	17.4	5.1	7.1	1.6	6.2	3.6	3.9	16.2	13.8	
2005 Q1	4.6	6.0	16.4	5.2	7.9	1.5	5.6	-3.3	1.7	12.2	10.4	
Q2	4.5	6.2	15.7	5.5	9.0	1.8	4.9	-2.1	-5.5	18.1	11.8	
Securities other than shares												
			Shares ²⁾					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares/units	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2004 Q1	1,894.8	157.0	1,737.8	3,917.4	1,957.7	1,959.7	419.6	3,969.3	3,595.4	373.9		
Q2	1,918.4	174.2	1,744.2	3,967.6	2,014.3	1,953.3	423.1	4,020.4	3,642.0	378.4		
Q3	1,931.5	172.8	1,758.7	3,926.8	1,977.7	1,949.2	423.7	4,086.5	3,704.4	382.2		
Q4	1,904.7	160.5	1,744.2	4,056.2	2,094.3	1,961.9	406.6	4,159.2	3,774.6	384.6		
2005 Q1	1,938.4	161.6	1,776.8	4,204.1	2,191.6	2,012.5	414.9	4,270.1	3,876.6	393.5		
Q2	2,016.1	167.9	1,848.2	4,321.9	2,250.2	2,071.7	416.2	4,373.7	3,976.7	397.0		
Transactions												
2004 Q1	13.1	8.5	4.6	37.4	6.7	30.8	15.1	68.2	58.6	9.6		
Q2	40.2	17.5	22.6	58.2	56.5	1.7	-0.4	57.7	53.2	4.4		
Q3	16.1	0.1	16.0	10.9	7.1	3.8	-2.0	62.1	58.3	3.8		
Q4	-21.2	-16.1	-5.2	-56.2	-45.1	-11.0	-15.5	60.9	58.4	2.5		
2005 Q1	33.9	-0.2	34.1	31.1	-0.3	31.4	8.8	73.7	64.8	8.9		
Q2	50.6	5.3	45.3	25.8	2.5	23.2	5.2	61.6	57.8	3.8		
Growth rates												
2004 Q1	-1.2	-1.9	-1.1	3.6	1.8	5.1	3.0	6.6	6.7	5.3		
Q2	2.5	15.9	1.3	3.3	3.6	3.0	1.8	6.3	6.4	5.1		
Q3	2.6	10.2	1.9	2.4	2.8	2.0	0.7	6.2	6.4	5.0		
Q4	2.6	6.9	2.2	1.3	1.3	1.3	-0.7	6.4	6.5	5.6		
2005 Q1	3.6	0.8	3.9	1.1	0.9	1.3	-2.2	6.4	6.5	5.2		
Q2	4.1	-6.3	5.2	0.3	-1.8	2.4	-0.8	6.4	6.6	5.0		

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 ¹⁾			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2004 Q1	17,078.1	8,570.8	7,463.0	938.9	86.1	852.8	3,693.0	1,178.2	2,514.8	3,938.9	280.1	3,658.8	338.5
2004 Q2	17,275.4	8,714.2	7,593.6	932.8	91.5	841.3	3,736.5	1,187.8	2,548.7	4,044.9	291.9	3,753.0	289.3
2004 Q3	17,388.4	8,795.1	7,671.3	928.5	90.1	838.4	3,740.4	1,171.5	2,568.9	4,126.1	289.5	3,836.6	284.2
2004 Q4	17,755.2	8,919.0	7,794.7	927.9	80.9	847.0	3,781.8	1,193.6	2,588.2	4,209.4	294.6	3,914.8	290.6
2005 Q1	18,121.0	9,008.9	7,878.6	924.3	77.5	846.8	3,812.5	1,192.7	2,619.8	4,272.1	294.6	3,977.5	332.8
2005 Q2	18,636.0	9,214.5	8,103.4	923.8	82.4	841.5	3,905.3	1,240.6	2,664.7	4,385.3	305.1	4,080.3	359.8
Transactions													
2004 Q1	205.5	51.5	74.3	3.9	3.9	0.0	-8.8	-3.7	-5.1	56.4	-4.3	60.7	66.7
2004 Q2	266.1	150.2	134.5	-9.2	5.4	-14.6	69.8	16.7	53.0	89.6	8.6	81.1	-2.9
2004 Q3	153.9	78.5	86.1	-5.2	-1.4	-3.8	0.0	-16.8	16.8	83.8	-1.9	85.7	-1.9
2004 Q4	114.7	141.7	139.6	1.8	-9.2	11.0	56.0	24.8	31.2	83.9	6.3	77.6	15.8
2005 Q1	232.6	89.6	87.9	-4.3	-3.4	-0.9	28.9	5.4	23.5	65.1	1.0	64.1	35.2
2005 Q2	315.3	195.1	185.8	-1.1	4.9	-5.9	86.3	38.9	47.4	109.9	10.4	99.4	18.3
Growth rates													
2004 Q1	4.4	4.5	4.7	1.7	25.6	-0.4	2.0	-1.6	3.8	7.6	-0.8	8.3	35.4
2004 Q2	4.4	4.9	5.3	1.7	28.1	-0.7	2.4	-2.3	4.8	8.0	0.8	8.7	33.6
2004 Q3	4.5	4.8	5.7	0.9	24.6	-1.2	2.2	-1.5	3.9	8.3	1.9	8.8	22.0
2004 Q4	4.4	4.9	5.9	-0.9	-1.6	-0.9	3.2	1.8	3.8	8.1	3.0	8.5	29.2
2005 Q1	4.5	5.4	6.0	-1.8	-10.0	-1.0	4.2	2.6	5.0	8.2	5.0	8.4	13.7
2005 Q2	4.7	5.8	6.6	-0.9	-10.0	0.0	4.6	4.4	4.7	8.5	5.4	8.7	23.3
Securities other than shares issued by													
	Total			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				
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2004 Q1	5,193.5	4,566.5	594.7	3,971.9	627.0	214.3	412.7	2,834.5	189.0	290.3			
2004 Q2	5,242.9	4,599.4	618.5	3,980.9	643.5	228.3	415.2	2,843.1	181.9	293.4			
2004 Q3	5,338.8	4,688.3	620.1	4,068.2	650.4	224.7	425.8	2,763.8	194.0	296.6			
2004 Q4	5,342.4	4,698.1	587.6	4,110.5	644.3	216.4	427.9	2,980.4	213.5	299.9			
2005 Q1	5,459.1	4,802.6	597.0	4,205.6	656.5	231.7	424.8	3,138.4	212.0	302.7			
2005 Q2	5,660.3	4,992.6	618.0	4,374.6	667.7	237.0	430.7	3,240.5	214.7	306.0			
Transactions													
2004 Q1	140.6	145.3	40.1	105.2	-4.7	14.0	-18.7	3.0	7.3	3.0			
2004 Q2	118.1	98.4	23.3	75.1	19.7	14.1	5.6	1.8	-7.1	3.1			
2004 Q3	53.2	45.0	3.4	41.6	8.1	-2.6	10.8	6.8	12.1	3.2			
2004 Q4	-52.7	-44.2	-32.7	-11.6	-8.5	-7.5	-1.0	2.3	19.4	4.0			
2005 Q1	135.8	119.8	7.9	111.9	16.0	16.7	-0.8	4.7	-0.2	2.8			
2005 Q2	115.6	110.6	22.2	88.4	5.0	4.8	0.2	-1.4	2.6	3.4			
Growth rates													
2004 Q1	5.5	5.6	10.4	4.9	4.8	13.8	0.8	1.0	7.5	4.9			
2004 Q2	5.4	5.7	7.2	5.5	3.5	15.9	-2.1	0.4	4.8	4.8			
2004 Q3	5.7	5.8	9.0	5.3	5.2	12.9	1.5	0.5	11.3	4.8			
2004 Q4	5.2	5.6	6.2	5.5	2.3	9.1	-0.8	0.5	17.5	4.7			
2005 Q1	4.9	4.8	0.3	5.5	5.6	9.7	3.5	0.6	12.8	4.5			
2005 Q2	4.8	5.0	0.1	5.8	3.2	5.0	2.2	0.4	18.7	4.6			

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
	Outstanding amounts											
2004 Q1	4,017.2	557.3	64.7	468.3	2.3	22.0	354.2	63.5	290.7	1,607.6	64.7	1,543.0
Q2	4,038.2	565.4	59.9	482.0	2.3	21.2	347.6	61.8	285.8	1,612.8	65.7	1,547.1
Q3	4,100.9	573.6	61.5	489.8	2.3	20.0	353.2	64.6	288.6	1,656.5	65.3	1,591.1
Q4	4,195.6	583.2	59.2	500.8	2.5	20.8	332.7	57.4	275.3	1,715.4	66.0	1,649.4
2005 Q1	4,329.2	597.0	65.7	508.8	2.7	19.8	335.1	59.3	275.9	1,765.7	66.2	1,699.5
Q2	4,454.6	595.7	61.2	511.3	2.7	20.5	324.5	57.6	266.9	1,832.2	67.2	1,765.0
	Transactions											
2004 Q1	80.2	14.6	-5.7	5.9	0.2	2.8	1.2	1.9	-0.8	47.2	1.0	46.2
Q2	30.4	7.2	-4.9	13.7	-0.6	-0.9	-6.6	-1.7	-4.9	26.2	1.0	25.3
Q3	54.8	8.2	1.6	7.8	-0.1	-1.1	5.6	2.8	2.7	28.3	-0.5	28.8
Q4	51.6	9.9	-1.7	10.6	0.2	0.7	-20.6	-7.3	-13.3	50.3	0.5	49.8
2005 Q1	94.9	12.5	6.4	6.9	0.2	-1.0	0.2	1.9	-1.7	52.2	-0.1	52.2
Q2	50.1	-2.1	-5.3	2.2	0.2	0.8	-10.8	-1.7	-9.2	39.0	0.1	38.9
	Growth rates											
2004 Q1	7.1	3.9	5.0	3.0	38.5	18.7	3.3	6.8	2.5	10.5	8.2	10.6
Q2	6.1	4.8	-6.4	6.9	6.5	-6.3	0.6	0.3	0.6	10.4	4.4	10.6
Q3	6.6	7.5	6.8	7.7	-12.8	7.7	2.1	7.4	1.0	10.2	1.6	10.5
Q4	5.6	7.4	1.2	8.2	-12.0	7.8	-5.8	-6.9	-5.6	9.8	3.2	10.1
2005 Q1	5.8	6.8	2.2	8.3	-11.6	-10.5	-6.0	-6.8	-5.9	9.8	1.4	10.1
Q2	6.2	5.1	1.8	5.7	23.8	-3.0	-7.4	-6.9	-7.5	10.5	0.0	11.0

	Main financial assets					Main liabilities								
	Shares ¹⁾				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves			
	Total	Quoted shares	Mutual fund shares	Money market fund shares/units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims	
														13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts													
2004 Q1	1,363.7	657.2	706.5	66.0	134.4	4,176.3	84.5	46.3	23.8	191.5	3,876.5	3,292.5	584.0	
Q2	1,376.7	661.9	714.8	65.8	135.6	4,232.5	89.0	53.7	24.4	193.9	3,925.1	3,335.8	589.3	
Q3	1,380.0	656.6	723.5	65.1	137.7	4,292.2	90.7	52.5	23.1	186.4	3,992.0	3,396.3	595.7	
Q4	1,425.5	687.6	737.8	70.3	138.8	4,370.9	79.5	48.6	23.8	207.9	4,059.8	3,461.9	597.9	
2005 Q1	1,488.9	715.0	773.9	70.3	142.4	4,512.3	90.0	58.2	23.7	220.3	4,178.3	3,564.1	614.2	
Q2	1,557.6	745.6	812.0	90.4	144.6	4,626.7	92.7	63.8	23.9	223.7	4,286.4	3,674.2	612.2	
	Transactions													
2004 Q1	13.5	-3.8	17.3	-0.9	3.7	79.1	9.2	10.8	0.6	0.8	68.5	55.2	13.3	
Q2	2.4	-3.2	5.6	-0.5	1.2	60.1	4.2	7.0	0.6	0.1	55.3	50.0	5.2	
Q3	10.5	5.2	5.4	-0.6	2.2	63.3	1.7	-1.1	-1.2	2.1	60.7	55.2	5.5	
Q4	10.7	3.4	7.3	5.3	1.2	43.4	-10.9	-3.6	0.5	0.1	53.7	50.3	3.3	
2005 Q1	26.5	6.4	20.1	0.1	3.5	84.0	9.6	8.6	0.4	0.0	74.0	61.2	12.8	
Q2	21.3	1.9	19.3	6.8	2.8	63.7	2.7	5.5	0.1	0.5	60.3	56.0	4.3	
	Growth rates													
2004 Q1	6.0	3.3	8.4	6.7	0.1	6.7	8.5	8.5	27.1	8.3	6.5	6.8	4.9	
Q2	3.8	1.0	6.5	-2.0	-0.5	6.1	3.3	18.8	25.7	3.5	6.2	6.5	4.5	
Q3	3.9	1.1	6.6	3.7	-0.1	6.1	6.1	17.5	12.4	4.7	6.2	6.5	4.4	
Q4	2.8	0.3	5.3	5.0	6.3	6.1	5.6	36.9	2.3	1.6	6.3	6.6	4.8	
2005 Q1	3.7	1.8	5.4	6.5	6.0	6.0	5.4	23.7	1.3	1.2	6.3	6.6	4.6	
Q2	5.0	2.6	7.3	17.6	7.1	6.0	3.5	17.6	-0.8	1.4	6.3	6.7	4.4	

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

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

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

2. Non-financial corporations

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

3. Households⁵⁾

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

Source: ECB.

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



FINANCIAL MARKETS

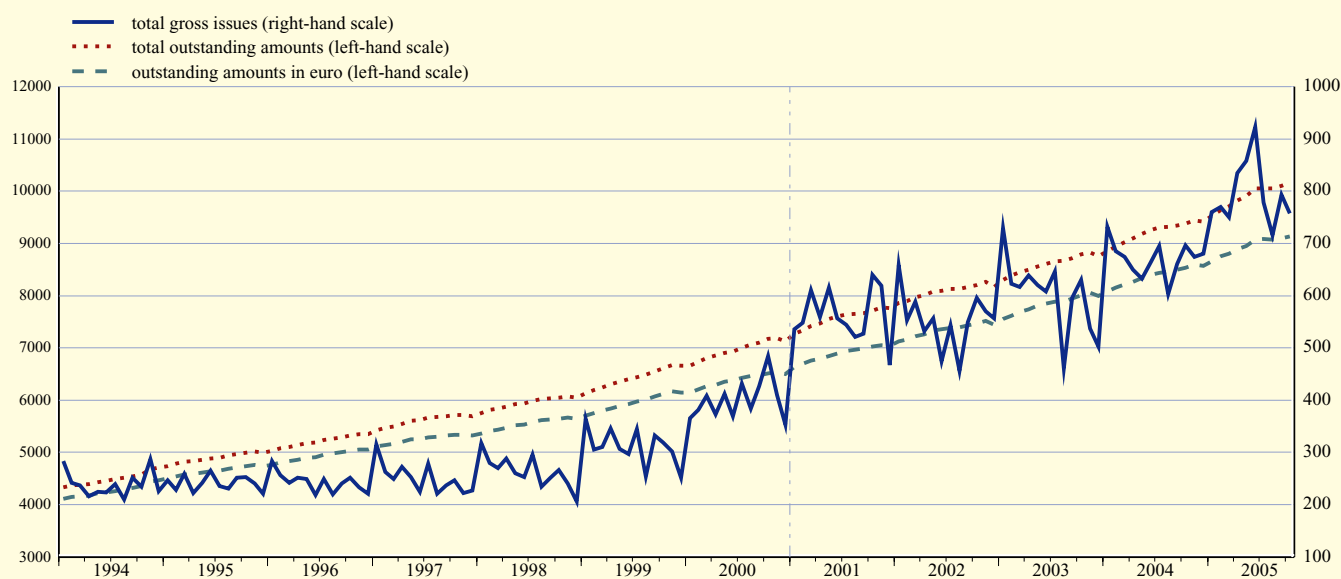
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro ¹⁾			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies			Annual growth rates	Seasonally adjusted ²⁾	
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues		Net issues ¹¹	6-month growth rates ¹²
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2004 Oct.	9,937.1	712.2	21.7	8,535.7	652.7	32.5	9,385.3	696.7	42.7	7.0	41.2	7.0
Nov.	10,028.3	703.7	84.8	8,597.6	635.9	56.6	9,441.8	674.0	59.5	7.1	62.8	6.9
Dec.	10,032.5	706.6	4.8	8,575.8	648.1	-22.0	9,414.6	680.4	-23.2	7.6	76.5	6.9
2005 Jan.	10,097.9	763.3	52.8	8,653.6	712.5	74.3	9,527.1	759.6	90.4	7.5	52.5	7.2
Feb.	10,217.8	792.7	116.7	8,760.9	726.6	106.7	9,640.7	769.2	116.8	7.8	81.4	7.9
Mar.	10,326.1	798.6	107.3	8,806.4	704.4	44.3	9,709.1	750.4	54.5	7.4	35.9	7.6
Apr.	10,384.1	835.5	54.6	8,893.1	788.4	86.7	9,820.3	834.9	102.9	7.8	87.8	8.6
May	10,449.3	873.1	65.7	8,953.7	818.2	61.6	9,910.8	857.9	66.2	7.5	36.5	8.0
June	10,640.5	996.6	189.3	9,076.6	872.9	123.4	10,049.3	922.6	133.1	8.1	136.3	9.2
July	10,612.8	788.1	-28.3	9,079.6	737.3	2.8	10,055.9	778.6	5.8	7.6	2.9	8.1
Aug.	10,619.4	729.4	0.9	9,071.4	676.6	-11.7	10,056.6	715.8	-3.5	7.4	34.4	7.0
Sep.	10,714.8	860.3	96.0	9,102.5	751.9	32.7	10,105.8	793.1	41.6	7.3	40.9	7.1
Oct.	.	.	.	9,139.2	711.3	36.6	10,160.0	757.2	52.9	7.4	51.5	6.2
Long-term												
2004 Oct.	9,011.1	174.0	33.8	7,694.1	139.2	17.7	8,440.6	158.0	28.2	7.4	36.6	7.4
Nov.	9,087.0	168.7	70.1	7,749.8	138.3	51.9	8,494.8	155.1	61.3	7.6	65.4	7.3
Dec.	9,112.1	148.5	24.8	7,766.6	124.6	16.2	8,502.5	136.0	16.2	7.8	62.5	7.3
2005 Jan.	9,181.9	198.5	59.8	7,827.9	174.9	57.1	8,589.9	195.0	67.7	8.0	68.3	8.0
Feb.	9,297.4	220.5	113.0	7,924.9	180.2	96.8	8,692.8	199.4	105.4	8.2	75.6	8.8
Mar.	9,372.3	203.0	74.3	7,975.2	163.4	50.1	8,759.9	183.8	58.0	8.2	47.9	8.7
Apr.	9,427.0	182.9	53.1	8,035.8	163.8	60.7	8,839.7	181.7	72.1	8.4	67.9	9.4
May	9,497.5	180.5	69.0	8,097.2	151.1	61.6	8,928.1	166.5	67.9	8.0	41.0	8.7
June	9,678.9	299.2	177.7	8,241.9	232.1	145.0	9,092.4	254.6	155.1	8.9	142.7	10.6
July	9,673.5	154.2	-5.8	8,235.1	130.4	-6.9	9,089.0	145.1	-2.3	8.4	-2.6	8.8
Aug.	9,671.4	85.4	-5.1	8,221.1	62.2	-17.6	9,085.6	75.7	-10.1	8.1	21.1	7.4
Sep.	9,736.1	183.7	65.3	8,259.3	137.3	38.8	9,140.8	156.8	50.2	7.9	43.1	7.3
Oct.	.	.	.	8,277.6	136.5	19.0	9,175.5	157.9	31.8	8.0	41.9	6.6

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

(EUR billions)



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

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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003	8,751	3,353	665	591	3,923	219	7,209	4,487	245	912	1,479	87
2004	9,415	3,714	735	595	4,120	250	8,049	5,252	222	1,028	1,464	83
2004 Q4	9,415	3,714	735	595	4,120	250	2,051	1,434	84	228	284	20
2005 Q1	9,709	3,850	755	608	4,238	259	2,279	1,544	50	248	412	25
Q2	10,049	3,994	830	619	4,341	266	2,615	1,803	109	281	399	23
Q3	10,106	4,045	837	617	4,337	270	2,287	1,649	44	251	323	21
2005 July	10,056	4,015	830	618	4,325	268	779	550	14	88	119	7
Aug.	10,057	4,031	826	619	4,313	268	716	546	8	81	77	4
Sep.	10,106	4,045	837	617	4,337	270	793	553	22	82	126	9
Oct.	10,160	4,087	852	627	4,321	273	757	531	26	85	108	7
	Short-term											
2003	861	390	6	94	367	3	5,333	3,698	41	796	768	29
2004	912	447	7	90	362	5	6,147	4,383	44	931	756	33
2004 Q4	912	447	7	90	362	5	1,602	1,223	12	205	155	7
2005 Q1	949	457	8	105	374	5	1,701	1,262	12	229	188	9
Q2	957	462	7	105	377	5	2,013	1,558	11	258	178	8
Q3	965	475	7	99	379	5	1,910	1,480	12	234	175	9
2005 July	967	475	7	103	376	5	634	490	4	81	56	3
Aug.	971	481	7	102	376	5	640	501	4	77	56	3
Sep.	965	475	7	99	379	5	636	490	4	76	63	3
Oct.	985	491	7	102	380	5	599	457	4	75	61	3
	Long-term ¹⁾											
2003	7,890	2,963	659	497	3,556	216	1,876	788	203	115	711	58
2004	8,502	3,266	728	505	3,758	245	1,902	869	179	97	708	49
2004 Q4	8,502	3,266	728	505	3,758	245	449	211	72	24	129	13
2005 Q1	8,760	3,393	747	503	3,863	254	578	281	37	19	224	16
Q2	9,092	3,531	822	514	3,965	260	603	245	98	24	221	14
Q3	9,141	3,570	830	518	3,957	265	378	168	33	17	148	12
2005 July	9,089	3,540	822	515	3,949	263	145	60	10	7	63	5
Aug.	9,086	3,550	819	517	3,937	262	76	45	4	4	22	1
Sep.	9,141	3,570	830	518	3,957	265	157	63	19	6	63	6
Oct.	9,175	3,597	845	525	3,941	268	158	74	23	10	47	4
	Of which long-term fixed rate											
2003	6,118	1,885	406	422	3,240	165	1,287	415	114	91	626	41
2004	6,380	1,929	416	414	3,436	186	1,193	408	69	61	620	36
2004 Q4	6,380	1,929	416	414	3,436	186	259	93	26	15	117	9
2005 Q1	6,517	1,968	426	409	3,517	196	387	137	21	15	199	15
Q2	6,675	2,004	445	417	3,607	203	343	101	28	15	187	12
Q3	6,674	2,015	436	415	3,601	207	235	80	8	8	133	8
2005 July	6,651	1,999	440	416	3,590	205	93	24	3	4	59	3
Aug.	6,650	2,003	437	416	3,589	205	46	24	2	2	17	1
Sep.	6,674	2,015	436	415	3,601	207	97	32	3	1	56	4
Oct.	6,690	2,031	439	420	3,592	209	104	43	8	7	43	3
	Of which long-term variable rate											
2003	1,580	959	249	59	262	51	508	337	90	12	53	16
2004	1,869	1,149	309	77	275	59	619	404	109	32	60	14
2004 Q4	1,869	1,149	309	77	275	59	175	105	47	7	12	4
2005 Q1	1,957	1,212	317	79	291	58	167	129	16	3	17	2
Q2	2,115	1,292	374	83	308	57	236	128	70	7	28	2
Q3	2,157	1,309	390	86	313	58	118	75	25	6	8	5
2005 July	2,129	1,302	379	84	307	57	44	31	7	2	2	1
Aug.	2,131	1,301	379	85	309	57	23	17	2	1	2	0
Sep.	2,157	1,309	390	86	313	58	51	27	15	3	4	3
Oct.	2,167	1,314	402	88	304	58	46	26	14	2	3	1

Source: ECB.

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

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

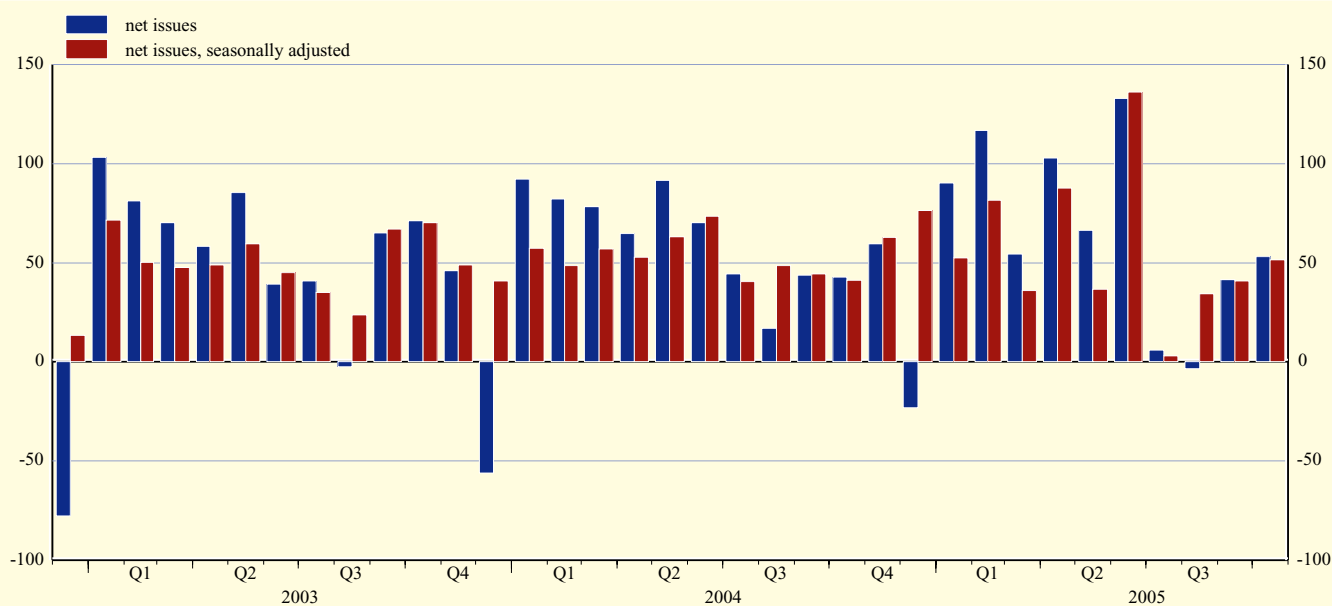
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003	602.0	213.5	118.1	53.7	176.7	39.9	607.9	214.9	115.6	53.7	183.4	40.2
2004	663.0	350.9	74.3	8.8	197.6	31.5	667.0	353.6	72.4	8.5	200.8	31.7
2004 Q4	79.0	72.3	50.5	-4.5	-47.6	8.4	180.5	100.6	36.5	0.9	34.6	7.9
2005 Q1	261.7	114.5	13.2	13.7	111.3	9.0	169.8	72.1	29.3	10.2	50.0	8.3
Q2	302.2	118.4	71.0	8.7	98.1	6.0	260.6	122.7	64.0	4.9	63.5	5.5
Q3	43.9	37.4	7.8	-0.9	-4.8	4.5	78.2	48.9	13.8	1.0	8.3	6.3
2005 July	5.8	19.8	0.1	-0.3	-16.3	2.6	2.9	10.4	-7.0	-4.9	1.1	3.3
Aug.	-3.5	10.6	-3.2	0.7	-11.1	-0.5	34.4	28.6	7.1	2.7	-4.9	0.8
Sep.	41.6	7.0	11.0	-1.3	22.6	2.3	40.9	9.9	13.7	3.1	12.1	2.2
Oct.	52.9	41.3	15.2	9.3	-15.4	2.6	51.5	31.7	18.2	7.2	-6.6	1.1
	Long-term											
2003	546.3	202.4	118.8	51.2	133.3	40.5	547.4	203.1	116.4	51.2	135.9	40.8
2004	615.7	298.2	72.9	12.4	202.3	29.8	618.8	299.2	71.1	12.3	206.1	30.1
2004 Q4	105.7	47.6	49.2	5.2	-5.4	9.1	164.5	74.4	35.3	4.0	41.8	8.9
2005 Q1	231.1	111.5	12.8	-1.2	99.3	8.7	191.8	85.3	29.1	3.1	66.8	7.5
Q2	295.2	113.1	71.3	8.6	96.0	6.1	251.7	111.2	63.9	3.4	67.3	5.8
Q3	37.8	26.9	8.1	5.9	-7.6	4.5	61.6	27.9	14.2	7.8	5.5	6.2
2005 July	-2.3	9.0	0.1	1.9	-15.9	2.7	-2.6	1.8	-6.7	-0.9	-0.6	3.8
Aug.	-10.1	2.0	-2.6	1.6	-10.7	-0.5	21.1	13.0	7.9	4.1	-4.4	0.5
Sep.	50.2	15.9	10.6	2.4	19.0	2.3	43.1	13.1	13.0	4.6	10.5	2.0
Oct.	31.8	23.6	15.7	6.0	-16.3	2.7	41.9	23.5	18.7	5.2	-6.7	1.2

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

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

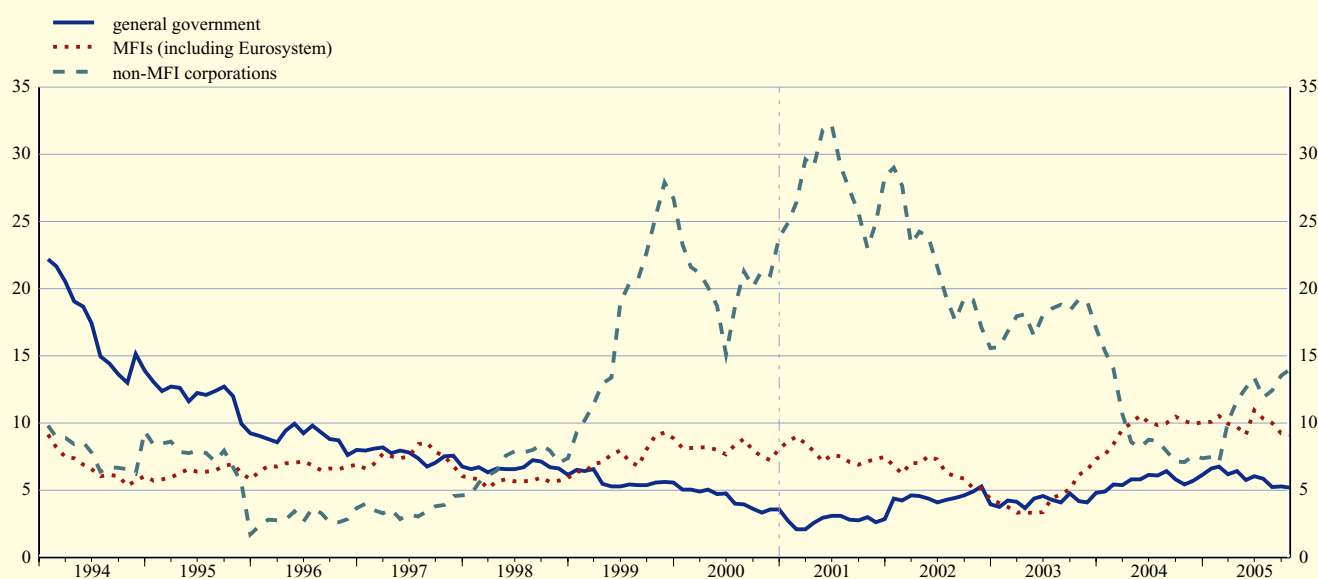


Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004 Oct.	7.0	9.8	9.1	3.3	4.5	14.2	7.0	9.4	12.1	4.8	4.3	9.9
Nov.	7.1	9.6	10.3	3.3	4.7	14.5	6.9	8.8	17.0	4.1	3.8	13.0
Dec.	7.6	10.4	11.2	1.5	5.0	14.4	6.9	10.4	13.3	1.0	3.6	10.7
2005 Jan.	7.5	9.8	11.0	2.7	5.1	15.1	7.2	9.4	15.2	0.5	4.4	16.1
Feb.	7.8	10.5	11.1	3.0	5.3	13.0	7.9	10.2	15.9	2.7	4.9	15.6
Mar.	7.4	9.7	14.4	4.4	4.6	11.9	7.6	9.7	19.9	3.7	4.1	13.7
Apr.	7.8	9.9	15.9	5.4	4.7	12.7	8.6	10.4	19.6	6.1	5.3	15.6
May	7.5	9.3	18.4	4.8	4.2	11.7	8.0	9.8	19.8	5.4	4.6	10.5
June	8.1	10.5	20.1	3.1	4.6	11.1	9.2	10.6	27.1	5.1	5.5	11.3
July	7.6	10.0	18.8	1.5	4.3	12.7	8.1	10.7	22.5	2.5	4.1	9.4
Aug.	7.4	10.0	18.9	2.2	3.7	11.8	7.0	9.8	22.2	1.7	2.7	8.3
Sep.	7.3	9.4	20.6	2.8	3.8	11.5	7.1	9.1	21.5	1.9	3.4	9.3
Oct.	7.4	9.4	21.0	3.9	3.6	11.8	6.2	8.4	22.6	1.9	2.0	8.2
	Long-term											
2004 Oct.	7.4	10.1	9.2	4.4	4.9	13.5	7.4	9.4	12.0	9.4	4.6	9.2
Nov.	7.6	9.9	10.4	3.9	5.2	13.5	7.3	8.5	16.8	7.9	4.2	12.1
Dec.	7.8	10.0	11.1	2.5	5.7	13.8	7.3	9.7	12.8	6.1	4.2	10.9
2005 Jan.	8.0	10.1	10.9	2.9	6.1	14.8	8.0	9.8	14.7	2.8	5.5	16.0
Feb.	8.2	10.5	10.9	2.0	6.4	12.6	8.8	10.8	15.4	2.7	6.3	15.6
Mar.	8.2	10.0	14.2	4.6	5.8	11.5	8.7	10.2	19.7	2.9	5.9	14.3
Apr.	8.4	9.7	15.6	6.2	6.0	12.6	9.4	10.0	19.2	3.1	7.5	16.2
May	8.0	9.1	18.3	4.9	5.4	11.7	8.7	9.8	19.6	2.0	6.6	11.3
June	8.9	11.0	19.9	4.4	5.7	11.1	10.6	12.2	27.4	2.6	7.2	11.1
July	8.4	10.3	18.6	2.7	5.4	13.0	8.8	10.8	22.7	2.7	5.2	10.0
Aug.	8.1	10.0	19.0	3.5	4.8	12.1	7.4	9.2	22.8	4.3	3.4	8.8
Sep.	7.9	9.2	20.7	3.7	4.8	12.0	7.3	8.3	21.8	4.5	3.8	9.7
Oct.	8.0	9.2	21.1	4.2	4.7	12.2	6.6	8.3	23.1	5.3	2.0	8.4

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



Source: ECB.

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

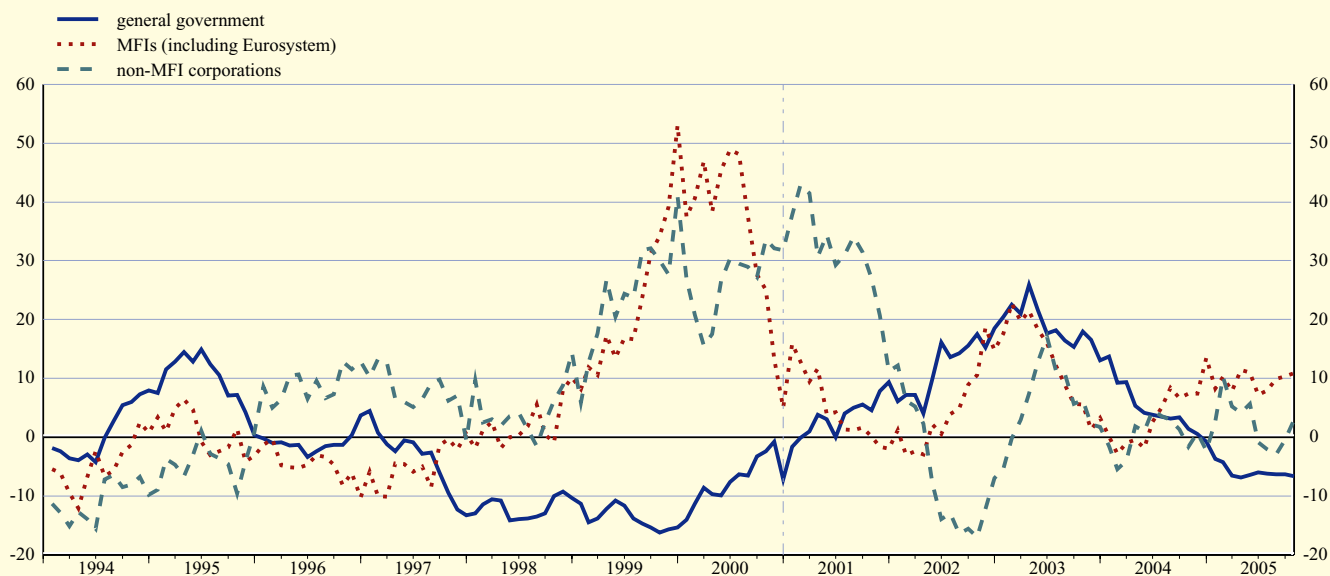
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
	In all currencies combined											
2003	5.2	2.2	15.3	12.2	4.4	22.6	8.5	8.3	51.2	-13.4	-9.2	43.2
2004	5.1	3.1	6.4	3.4	5.8	14.7	16.3	18.5	27.2	8.5	0.6	26.4
2004 Q4	4.3	2.4	2.6	0.8	5.7	12.3	17.8	20.2	22.6	29.7	2.3	18.7
2005 Q1	4.7	2.8	3.9	-1.2	6.3	13.7	18.3	19.4	23.8	28.4	7.7	12.4
Q2	4.8	2.5	6.1	1.2	5.8	14.8	19.4	18.9	34.8	27.2	8.5	3.0
Q3	4.5	3.0	6.6	0.5	5.0	15.7	20.6	19.6	38.4	18.2	11.2	1.3
2005 May	4.6	2.2	6.2	0.9	5.6	15.1	18.9	17.7	38.0	26.8	7.7	1.5
June	4.8	3.1	7.5	0.7	5.5	14.7	22.0	21.5	39.0	26.9	10.8	0.0
July	4.6	3.0	6.3	0.2	5.2	16.5	20.6	20.4	37.1	15.7	10.1	1.8
Aug.	4.5	3.1	6.4	0.9	5.0	15.8	19.9	19.1	37.9	16.5	10.1	0.6
Sep.	4.2	3.0	6.7	0.3	4.5	14.7	20.5	17.3	41.4	18.9	16.2	3.2
Oct.	4.7	4.1	7.0	1.0	4.7	15.4	18.4	15.2	41.6	18.4	11.3	2.1
	In euro											
2003	4.6	0.1	20.5	12.5	4.2	21.3	8.6	7.6	51.2	-8.9	-9.3	43.7
2004	4.8	1.3	10.4	2.0	5.9	14.7	15.7	17.8	27.3	8.8	0.5	25.3
2004 Q4	4.0	0.3	6.3	-0.9	5.8	12.5	17.2	19.7	22.8	27.3	2.3	18.1
2005 Q1	4.3	0.5	7.8	-2.5	6.2	13.7	17.6	18.2	24.0	27.5	7.8	12.9
Q2	4.4	0.3	10.1	0.8	5.8	15.1	18.9	18.0	34.9	25.3	8.9	3.7
Q3	4.2	1.0	10.2	0.3	4.9	16.1	20.3	18.8	37.9	19.1	11.8	2.2
2005 May	4.3	0.1	10.3	0.4	5.6	15.5	18.6	17.0	38.1	24.5	8.1	2.6
June	4.5	0.9	11.6	0.5	5.4	15.2	21.9	21.2	38.8	24.8	11.4	1.0
July	4.2	0.9	10.0	-0.2	5.0	17.1	20.5	19.8	36.9	16.9	10.6	2.7
Aug.	4.1	1.0	9.9	0.7	4.8	16.3	19.7	18.3	37.7	17.9	10.6	1.4
Sep.	3.8	1.1	9.9	0.1	4.3	14.9	19.8	15.9	39.6	20.4	16.9	4.0
Oct.	4.3	2.1	9.7	1.3	4.6	15.7	17.7	14.0	39.1	19.9	11.8	2.2

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

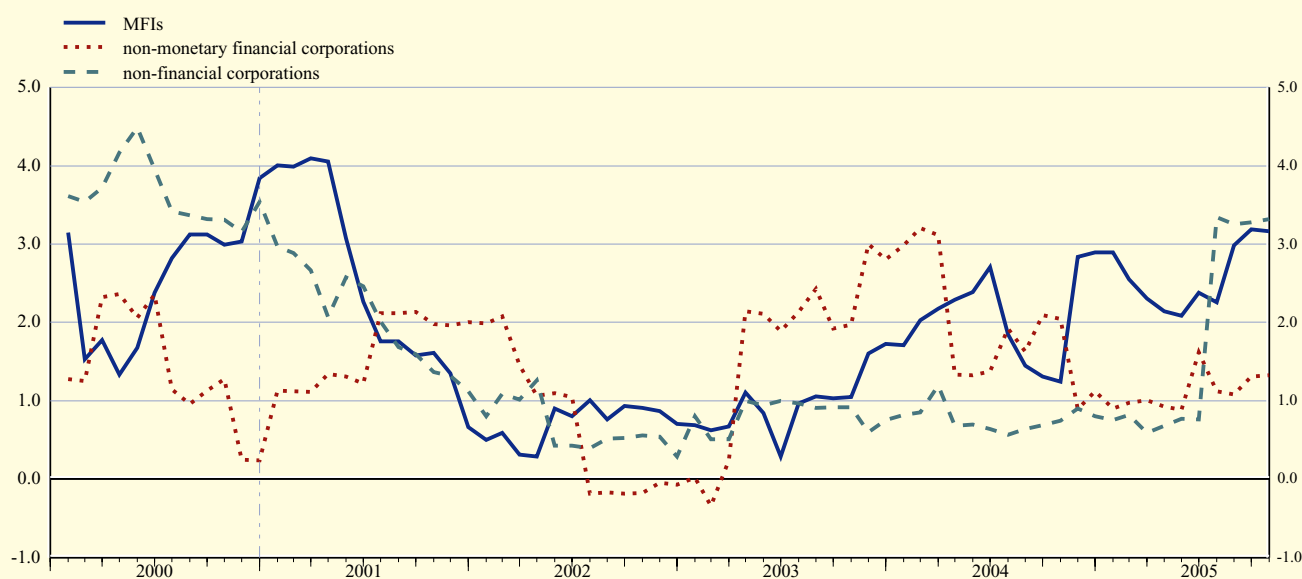
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2003 Oct.	3,484.0	101.2	1.0	535.2	1.0	335.9	2.0	2,612.9	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	340.0	3.0	2,657.4	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	351.0	2.8	2,726.9	0.8
2004 Jan.	3,788.6	101.5	1.2	584.1	1.7	375.1	3.0	2,829.4	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	377.1	3.2	2,887.1	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.2	357.7	3.1	2,836.9	1.2
Apr.	3,748.5	102.0	1.0	579.4	2.3	363.7	1.3	2,805.4	0.7
May	3,687.9	101.9	1.0	568.1	2.4	353.0	1.3	2,766.8	0.7
June	3,790.1	102.0	1.0	582.5	2.7	364.4	1.4	2,843.2	0.6
July	3,679.8	102.1	0.9	562.3	1.8	356.2	1.9	2,761.3	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	355.3	1.6	2,703.4	0.6
Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	0.9	656.0	2.1	403.9	0.9	3,034.8	0.7
May	4,272.6	103.0	1.0	678.1	2.1	417.1	0.9	3,177.4	0.8
June	4,381.7	103.1	1.1	698.0	2.4	434.0	1.6	3,249.7	0.8
July	4,631.7	105.1	3.0	727.9	2.3	460.1	1.1	3,443.8	3.3
Aug.	4,606.4	105.1	3.0	723.4	3.0	450.3	1.1	3,432.7	3.3
Sep.	4,818.7	105.2	3.1	764.1	3.2	475.8	1.3	3,578.8	3.3
Oct.	4,651.1	105.3	3.1	752.4	3.2	473.0	1.3	3,425.7	3.3

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 ¹⁾

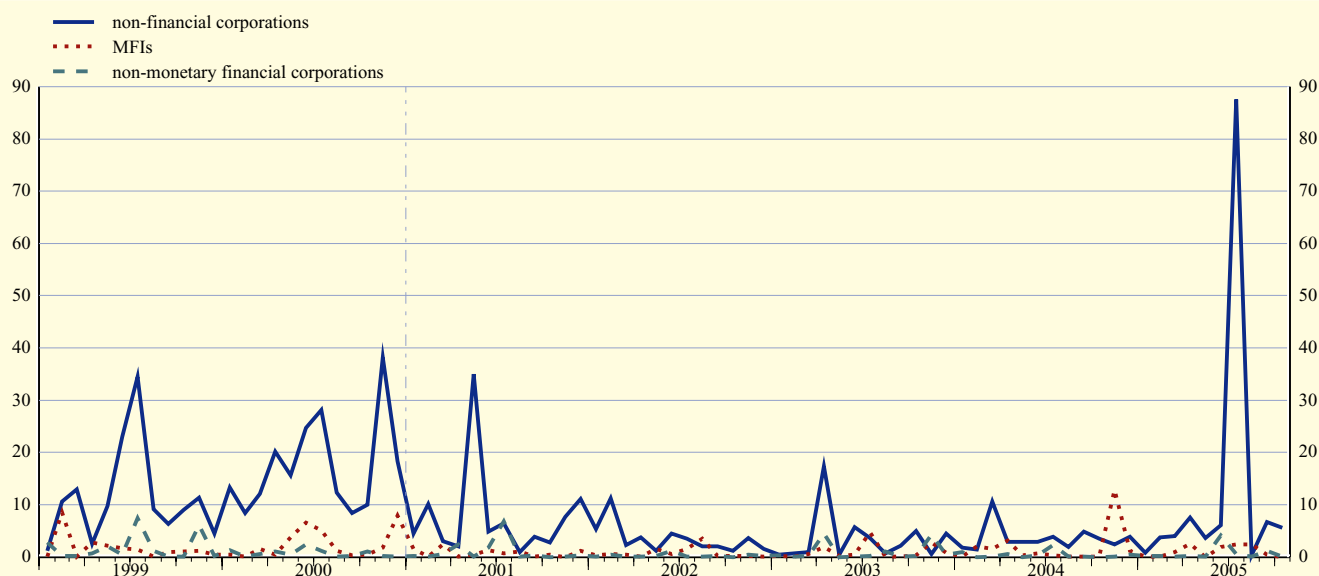
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2003 Oct.	5.5	3.9	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.9	1.0
Nov.	7.5	5.6	1.9	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.3	-4.6
Dec.	5.7	1.4	4.2	0.8	0.1	0.8	0.4	0.9	-0.5	4.5	0.5	4.0
2004 Jan.	2.9	1.0	1.8	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.6	2.9	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.3	1.1
Mar.	12.1	1.5	10.6	1.5	0.0	1.5	0.0	0.1	-0.1	10.6	1.3	9.3
Apr.	6.6	0.7	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.9	0.6	2.3
May	3.3	4.2	-0.9	0.3	0.0	0.3	0.0	0.0	0.0	2.9	4.2	-1.2
June	3.9	2.2	1.6	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.3
July	6.4	3.9	2.5	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.9	0.0
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	0.7	1.1
Sep.	5.0	2.3	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.4	3.4
Oct.	3.5	0.8	2.8	0.1	0.0	0.1	0.0	0.0	0.0	3.5	0.8	2.7
Nov.	15.2	3.5	11.8	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.1	-0.8
Dec.	5.5	2.3	3.2	1.2	0.0	1.2	0.4	0.1	0.3	3.9	2.2	1.7
2005 Jan.	1.1	1.5	-0.4	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.5	-0.7
Feb.	4.0	0.7	3.4	0.1	0.0	0.1	0.2	0.1	0.1	3.8	0.6	3.2
Mar.	5.0	2.0	3.0	0.9	0.8	0.1	0.1	0.1	0.0	3.9	1.1	2.9
Apr.	10.3	2.3	8.1	2.5	0.0	2.5	0.2	0.0	0.2	7.6	2.2	5.3
May	3.7	2.5	1.2	0.0	0.0	0.0	0.0	0.2	-0.2	3.6	2.2	1.4
June	12.1	5.4	6.7	1.9	1.0	0.9	4.1	0.7	3.3	6.1	3.6	2.5
July	90.5	7.3	83.2	2.4	2.9	-0.4	0.5	0.0	0.5	87.5	4.4	83.1
Aug.	2.8	1.9	0.9	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	1.8	-1.4
Sep.	8.2	1.8	6.5	0.4	0.0	0.4	1.1	0.0	1.1	6.7	1.7	5.0
Oct.	5.7	0.8	4.9	0.0	0.1	-0.1	0.1	0.0	0.1	5.6	0.7	4.9

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 ¹⁾	With agreed maturity			Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2004 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	0.69	1.95	2.21	2.20	2.17	2.38	0.91	2.01	2.05	3.57	2.00
July	0.68	1.94	2.01	2.19	2.15	2.34	0.94	2.02	2.21	3.11	2.00
Aug.	0.69	1.95	2.07	2.32	2.03	2.31	0.96	2.02	2.22	2.90	2.01
Sep.	0.69	1.97	2.05	2.04	2.02	2.29	0.96	2.04	2.23	2.97	2.04
Oct.	0.69	1.98	2.28	2.16	1.96	2.27	0.97	2.04	2.58	3.44	2.02

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

	Bank overdrafts ¹⁾	Consumer credit				Annual percentage rate of charge ³⁾	Lending for house purchase				Annual percentage rate of charge ³⁾	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge ³⁾		By initial rate fixation					Annual percentage rate of charge ³⁾	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2004 Nov.	9.48	6.89	6.84	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.97	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	6.83	8.33	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62		
Feb.	9.65	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	4.00	4.73	4.49		
Mar.	9.60	6.62	6.72	8.12	7.83	3.40	3.89	4.35	4.27	3.97	3.84	4.60	4.57		
Apr.	9.62	6.60	6.64	8.19	7.81	3.40	3.89	4.36	4.28	3.95	3.97	4.71	4.62		
May	9.64	6.96	6.56	8.00	7.82	3.38	3.85	4.28	4.20	3.93	3.86	4.68	4.61		
June	9.61	6.62	6.50	7.90	7.72	3.32	3.76	4.13	4.09	3.89	3.84	4.60	4.50		
July	9.52	6.67	6.61	7.96	7.80	3.33	3.70	4.06	4.05	3.87	3.89	4.54	4.29		
Aug.	9.58	6.99	6.70	8.10	7.99	3.32	3.72	4.00	3.99	3.89	3.80	4.59	4.41		
Sep.	9.61	7.04	6.43	7.94	7.85	3.31	3.68	3.98	3.96	3.82	3.85	4.51	4.25		
Oct.	9.64	6.82	6.36	7.99	7.75	3.33	3.67	3.99	3.95	3.82	3.89	4.50	4.28		

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

	Bank overdrafts ¹⁾	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1	2	3	4	5	6	7
2004 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	3.29	4.10
Feb.		5.30	3.91	4.76	4.36	3.01	3.33	3.81
Mar.		5.28	3.90	4.50	4.32	3.02	3.47	4.11
Apr.		5.22	3.88	4.51	4.34	3.00	3.53	3.99
May		5.14	3.91	4.45	4.24	2.99	3.60	3.80
June		5.12	3.87	4.45	4.14	2.92	3.44	3.88
July		5.12	3.86	4.40	4.11	2.96	3.57	3.77
Aug.		5.04	3.91	4.45	4.13	2.87	3.52	3.81
Sep.		5.14	3.81	4.36	4.03	2.90	3.39	3.87
Oct.		5.10	3.88	4.43	4.01	2.88	3.58	3.80

Source: ECB.

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

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

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

4. Interest rates on deposits (outstanding amounts)

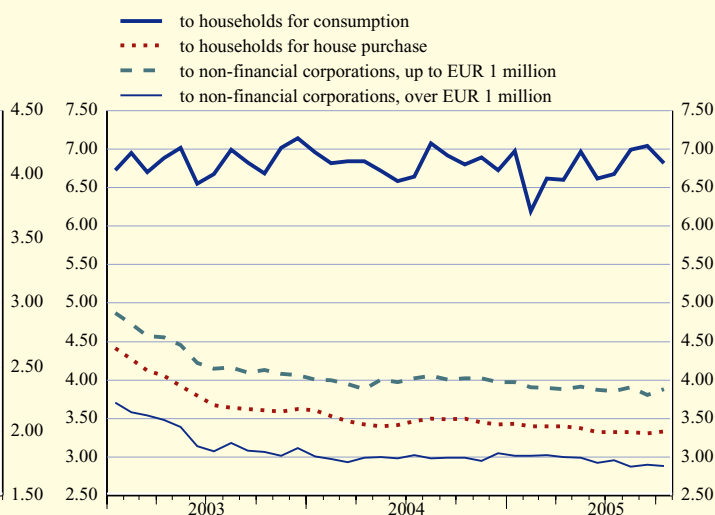
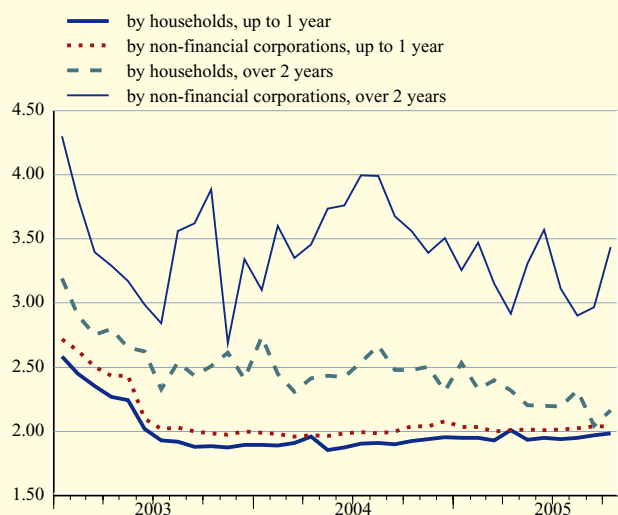
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 Nov.	0.73	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	3.71	1.99
Apr.	0.74	1.93	3.22	1.95	2.45	0.95	2.10	3.57	1.99
May	0.75	1.92	3.19	1.97	2.43	0.95	2.11	3.50	2.00
June	0.69	1.92	3.22	2.17	2.38	0.91	2.10	3.54	2.01
July	0.68	1.91	3.18	2.15	2.34	0.94	2.11	3.49	1.98
Aug.	0.69	1.92	3.18	2.03	2.31	0.96	2.10	3.51	2.00
Sep.	0.69	1.91	3.19	2.02	2.29	0.96	2.11	3.53	2.01
Oct.	0.69	1.93	3.17	1.96	2.27	0.97	2.12	3.48	2.03

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 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	7.01	5.80	4.35	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	8.06	7.03	5.76	4.39	3.92	4.46
Mar.	4.75	4.41	4.78	8.07	6.97	5.77	4.38	3.91	4.40
Apr.	4.69	4.38	4.74	8.02	6.94	5.76	4.34	3.86	4.37
May	4.63	4.36	4.71	8.00	6.87	5.74	4.33	3.85	4.35
June	4.62	4.33	4.67	7.92	6.93	5.72	4.32	3.85	4.35
July	4.57	4.29	4.63	7.89	6.86	5.70	4.30	3.82	4.29
Aug.	4.54	4.24	4.60	7.96	6.86	5.73	4.25	3.80	4.28
Sep.	4.52	4.23	4.59	7.94	6.85	5.70	4.25	3.78	4.26
Oct.	4.50	4.19	4.58	7.95	6.80	5.70	4.24	3.77	4.25

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.

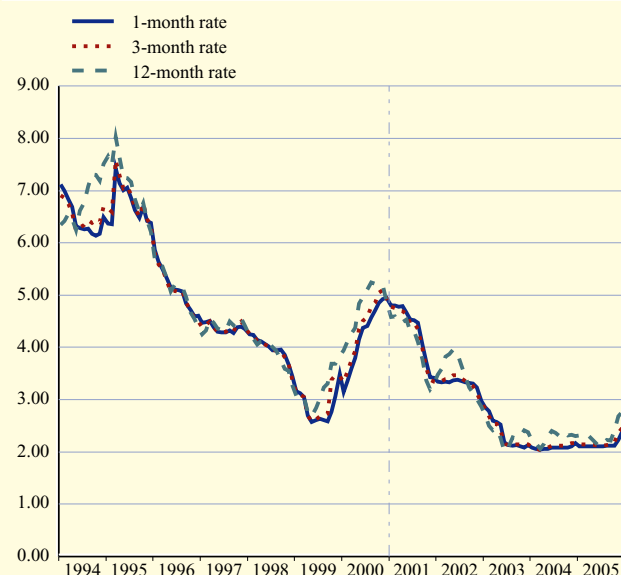
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.19	2.24	2.34	3.56	0.06
2004 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
Q3	2.08	2.11	2.13	2.15	2.20	3.77	0.06
Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
2004 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
Sep.	2.09	2.12	2.14	2.17	2.22	3.91	0.06
Oct.	2.07	2.12	2.20	2.27	2.41	4.17	0.06
Nov.	2.09	2.22	2.36	2.50	2.68	4.35	0.06
Dec.	2.28	2.41	2.47	2.60	2.79	4.49	0.07

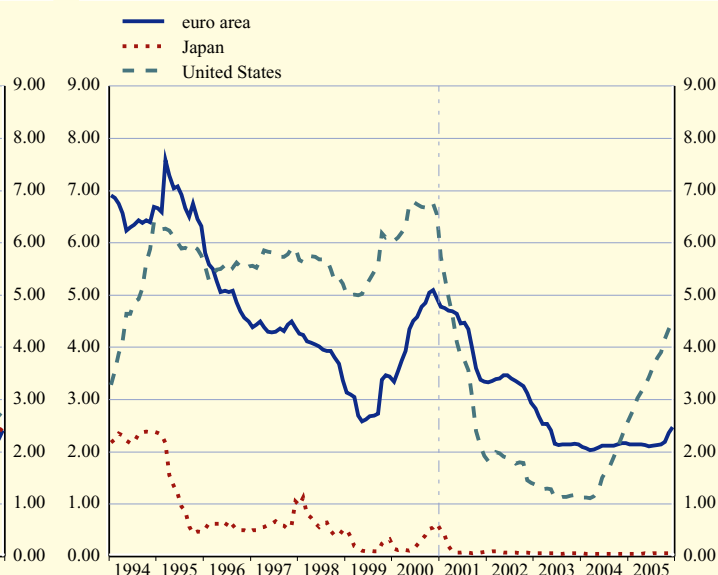
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

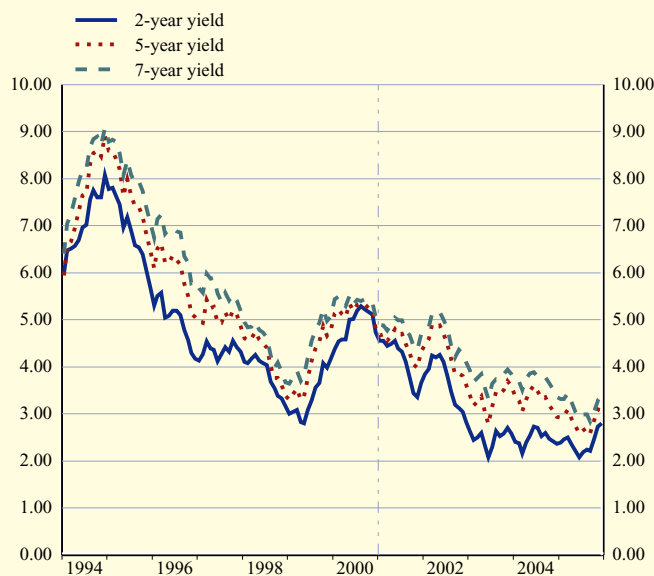
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2004 Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2004 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
Sep.	2.21	2.34	2.60	2.84	3.16	4.19	1.38
Oct.	2.45	2.61	2.85	3.05	3.32	4.45	1.54
Nov.	2.73	2.86	3.10	3.28	3.53	4.53	1.52
Dec.	2.80	2.88	3.07	3.21	3.41	4.46	1.54

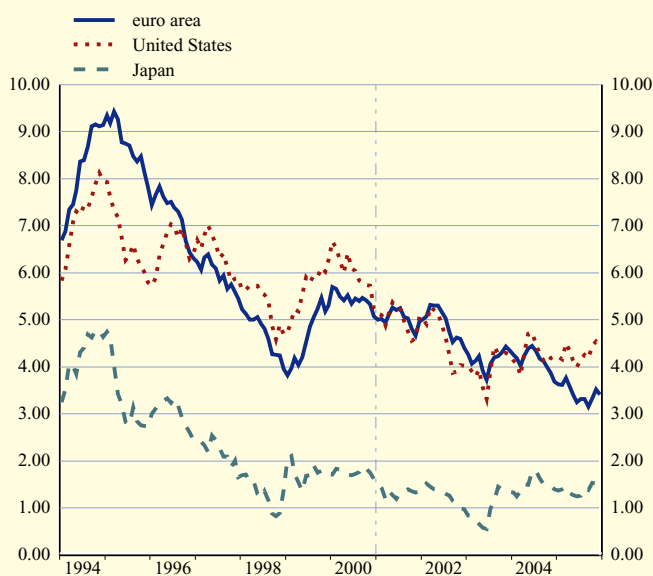
C23 Euro area government bond yields

(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.

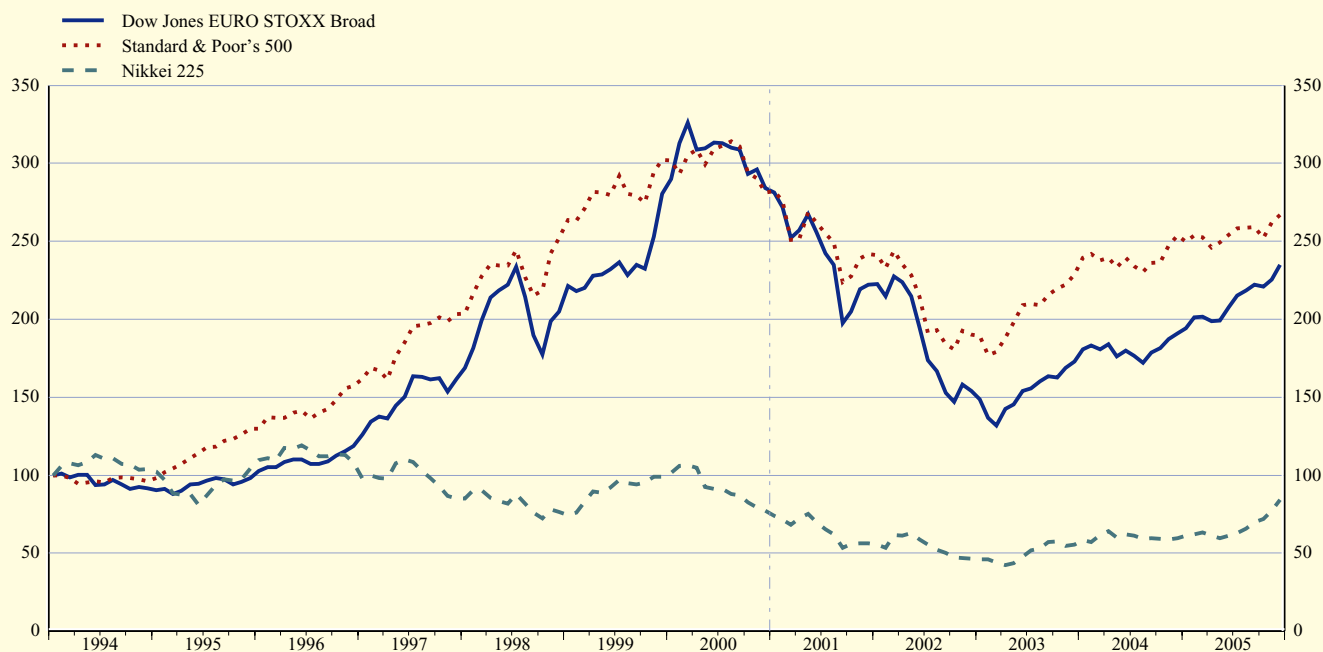
4.8 Stock market indices

(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	
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2004 Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.8
Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2004 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
Sep.	308.4	3,351.8	321.7	184.4	263.0	429.3	298.5	322.9	305.7	357.0	436.5	462.5	1,225.6	12,986.6
Oct.	306.8	3,340.1	322.4	182.4	260.6	405.3	302.6	317.3	312.4	347.7	434.0	466.8	1,192.0	13,384.9
Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0
Dec.	325.7	3,550.1	348.4	190.8	268.4	418.5	330.8	342.7	339.2	373.5	418.5	496.1	1,262.4	15,664.0

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 ¹⁾	100.0	100.0	83.9	59.2	40.8	100.0	12.0	7.5	31.0	8.6	40.8
	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 Q3	115.9	2.2	2.1	2.0	2.6	0.5	0.3	-0.2	0.2	1.9	0.7
Q4	116.6	2.3	2.0	2.1	2.7	0.5	0.4	0.1	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.7	1.8	2.4	0.4	0.7	0.7	-0.1	0.3	0.5
Q2	118.1	2.0	1.5	1.8	2.3	0.7	0.3	0.2	0.1	4.5	0.5
Q3	118.6	2.3	1.4	2.4	2.2	0.8	0.5	-0.2	0.0	5.6	0.6
2005 July	118.2	2.2	1.3	2.1	2.3	0.3	0.1	-0.5	-0.1	2.7	0.2
Aug.	118.5	2.2	1.3	2.2	2.2	0.3	0.1	0.4	0.0	1.3	0.2
Sep.	119.1	2.6	1.4	2.9	2.2	0.5	0.6	-0.1	0.2	3.0	0.1
Oct.	119.4	2.5	1.5	2.6	2.2	0.2	0.1	0.0	0.1	0.2	0.2
Nov.	119.1	2.3	1.5	2.4	2.1	-0.2	0.1	0.5	0.1	-3.0	0.1
Dec. ²⁾	.	2.2	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total ¹⁾	19.6	12.0	7.5	39.6	31.0	8.6	10.3	6.4	6.3	2.9	14.6	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 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	1.2	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.4	1.8	0.8	2.8	0.1	12.7	2.5	2.1	2.6	-2.2	2.3	3.0
2005 June	1.1	1.5	0.5	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	11.7	2.5	2.1	2.7	-2.1	2.4	3.0
Aug.	1.4	1.7	1.0	2.5	0.0	11.5	2.6	2.1	2.6	-2.1	2.4	3.1
Sep.	1.8	2.3	1.0	3.4	0.2	15.0	2.5	2.1	2.6	-2.2	2.3	2.9
Oct.	1.9	2.4	1.1	2.9	0.3	12.1	2.5	1.9	2.9	-2.8	2.4	2.7
Nov.	2.2	2.6	1.5	2.5	0.4	10.0	2.4	1.9	2.8	-2.8	2.2	2.7

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 ¹⁾	Residential property prices ²⁾	World market prices of raw materials ³⁾	Oil prices ⁴⁾ (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total ⁵⁾	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	6.8	-4.1	-0.9	26.5	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	7.1	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.0	18.4	10.8	30.5	
2005	.	.	.	.	.	.	.	.	.	.	.	.	28.5	9.4	44.6
2004 Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.5	7.2 ⁶⁾	22.9	1.3	34.5	
2005 Q1	108.2	4.1	3.8	2.8	5.1	1.6	1.2	1.4	1.1	10.0	3.5	-	22.9	1.9	36.6	
Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.1	3.1	-	22.4	2.2	42.2	
Q3	110.8	4.2	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.7	.	-	33.5	11.6	50.9	
Q4	.	.	.	.	.	.	.	.	.	.	.	-	34.2	23.2	48.6
2005 July	110.3	4.1	3.0	1.3	1.9	1.2	0.8	1.2	0.7	15.1	-	-	34.1	9.6	48.3	
Aug.	110.8	4.0	2.9	1.3	1.7	1.1	0.9	1.2	0.9	15.2	-	-	32.4	11.9	52.0	
Sep.	111.3	4.4	3.2	1.3	1.6	1.2	1.1	1.2	1.1	16.6	-	-	33.9	13.2	52.2	
Oct.	112.0	4.2	2.8	1.4	1.5	1.2	1.3	1.3	1.3	15.2	-	-	23.1	17.4	49.3	
Nov.	111.7	4.2	2.7	1.4	1.7	1.0	1.4	1.2	1.4	14.8	-	-	33.0	22.5	47.9	
Dec.	.	.	.	.	.	.	.	.	.	.	-	-	48.6	29.8	48.5

3. Hourly labour costs⁷⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total ⁵⁾	100.0	100.0	73.3	26.7	36.8	8.9	54.4	
	1	2	3	4	5	6	7	8
2001	103.8	3.9	4.0	3.7	3.7	3.9	4.0	2.6
2002	107.5	3.5	3.3	4.5	3.2	4.3	3.6	2.7
2003	110.7	3.0	2.8	3.8	3.0	3.9	2.8	2.4
2004	113.6	2.5	2.3	3.0	2.8	3.3	2.3	2.1
2004 Q3	114.0	2.4	2.3	2.7	2.4	3.3	2.3	2.0
Q4	114.7	2.4	1.9	4.0	2.8	2.9	2.1	2.0
2005 Q1	115.5	3.2	2.6	4.6	3.3	3.1	3.2	2.2
Q2	116.1	2.5	2.2	3.2	2.7	2.2	2.4	2.1
Q3	116.8	2.2	2.1	2.7	2.5	1.5	2.1	2.1

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

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2001	102.3	2.3	1.7	1.3	2.3	1.4	4.0	2.6
2002	104.5	2.2	1.6	1.1	3.1	1.6	3.1	2.9
2003	106.4	1.8	3.0	0.9	1.6	1.7	1.9	2.7
2004	107.4	0.9	-7.3	-0.3	2.4	0.5	2.1	1.6
2004 Q2	107.3	0.8	-8.3	-1.4	0.9	-0.1	1.9	2.6
Q3	107.3	0.4	-8.8	-1.4	3.6	0.8	2.3	0.4
Q4	107.8	1.1	-5.5	0.7	3.2	0.4	2.0	1.3
2005 Q1	108.2	1.1	0.8	-0.1	4.0	0.7	1.9	1.6
Q2	108.4	1.0	3.3	-0.2	2.6	1.1	2.6	1.3
Compensation per employee								
2001	102.7	2.7	1.3	2.5	3.1	2.5	2.6	3.0
2002	105.3	2.5	3.1	2.6	3.2	2.2	1.9	2.9
2003	107.7	2.3	1.0	2.7	2.5	2.0	1.8	2.5
2004	109.8	2.0	0.5	3.0	3.3	1.5	1.4	2.0
2004 Q2	109.8	2.4	0.3	3.2	2.7	1.3	1.3	3.3
Q3	109.8	1.5	0.4	2.4	3.0	1.6	1.6	0.7
Q4	110.3	1.7	1.7	2.4	3.2	1.7	1.1	1.5
2005 Q1	111.0	1.5	2.8	1.7	2.6	1.9	1.7	1.1
Q2	111.5	1.5	2.6	1.8	3.2	2.1	2.2	0.3
Labour productivity ²⁾								
2001	100.5	0.5	-0.3	1.2	0.8	1.1	-1.4	0.4
2002	100.7	0.2	1.5	1.5	0.1	0.6	-1.1	0.0
2003	101.2	0.5	-1.9	1.8	0.9	0.3	-0.1	-0.2
2004	102.3	1.1	8.4	3.3	0.9	1.0	-0.8	0.4
2004 Q3	102.4	1.1	10.0	3.9	-0.5	0.9	-0.7	0.3
Q4	102.3	0.7	7.7	1.7	0.0	1.3	-0.9	0.1
2005 Q1	102.6	0.4	2.0	1.8	-1.3	1.2	-0.2	-0.5
Q2	102.8	0.5	-0.7	2.0	0.6	1.0	-0.4	-0.9
Q3	103.2	0.8	0.0	2.2	2.0	1.4	-0.5	-0.7

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports ³⁾	Imports ³⁾	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2001	102.4	2.4	2.2	2.4	2.5	1.5	1.2	0.8
2002	104.9	2.5	2.0	1.9	2.7	1.3	-0.4	-2.1
2003	107.0	2.0	1.8	1.9	2.2	1.1	-1.2	-1.8
2004	109.0	1.8	2.0	2.0	2.1	2.4	1.2	1.4
2004 Q3	109.3	1.7	2.1	2.0	1.0	3.1	1.9	3.1
Q4	109.7	1.8	2.3	2.1	2.1	3.3	1.8	3.6
2005 Q1	110.1	1.9	2.4	2.0	2.0	3.5	2.5	4.1
Q2	110.6	1.6	2.1	1.8	1.4	2.6	1.7	3.5
Q3	110.9	1.5	2.2	2.1	1.6	2.5	2.2	4.3

Sources: ECB calculations based on Eurostat data.

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2001	6,971.0	6,859.1	4,021.2	1,381.1	1,453.4	3.4	112.0	2,595.4	2,483.5
2002	7,213.6	7,023.7	4,138.0	1,455.3	1,443.6	-13.3	189.9	2,630.6	2,440.7
2003	7,411.8	7,248.5	4,264.6	1,511.5	1,471.3	1.2	163.3	2,633.2	2,469.9
2004	7,686.1	7,522.7	4,409.6	1,560.7	1,532.8	19.6	163.4	2,821.9	2,658.5
2004 Q3	1,930.4	1,891.8	1,104.5	391.2	386.5	9.6	38.7	717.0	678.3
Q4	1,941.3	1,911.2	1,118.9	392.3	391.0	8.9	30.1	720.0	689.9
2005 Q1	1,955.3	1,922.0	1,124.5	396.8	392.1	8.6	33.4	720.0	686.7
Q2	1,972.6	1,946.4	1,133.8	401.3	398.6	12.7	26.3	736.8	710.5
Q3	1,988.9	1,962.9	1,145.2	402.8	408.5	6.4	26.1	770.8	744.7
	<i>percentage of GDP</i>								
2004	100.0	97.9	57.4	20.3	19.9	0.3	2.1	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted ³⁾)								
	<i>quarter-on-quarter percentage changes</i>								
2004 Q3	0.3	0.6	0.2	0.3	0.4	-	-	1.2	2.0
Q4	0.2	0.6	0.8	-0.1	0.6	-	-	0.3	1.3
2005 Q1	0.3	0.1	0.1	0.3	0.1	-	-	-0.8	-1.5
Q2	0.4	0.5	0.2	0.6	0.8	-	-	2.2	2.6
Q3	0.6	0.3	0.3	0.6	1.6	-	-	3.4	2.8
	<i>annual percentage changes</i>								
2001	1.9	1.2	1.9	2.2	0.4	-	-	3.7	1.8
2002	0.9	0.4	0.9	2.6	-2.0	-	-	1.7	0.2
2003	0.7	1.4	1.1	1.6	0.8	-	-	1.2	3.0
2004	2.1	2.1	1.5	1.2	2.2	-	-	6.5	6.6
2004 Q3	1.9	2.3	1.1	1.2	2.0	-	-	6.3	7.6
Q4	1.6	2.0	1.8	0.7	1.6	-	-	5.9	7.1
2005 Q1	1.2	1.6	1.3	0.9	1.3	-	-	3.2	4.2
Q2	1.2	1.8	1.4	1.1	1.9	-	-	2.9	4.5
Q3	1.6	1.5	1.5	1.4	3.1	-	-	5.2	5.2
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2004 Q3	0.3	0.5	0.1	0.1	0.1	0.3	-0.3	-	-
Q4	0.2	0.5	0.5	0.0	0.1	0.0	-0.4	-	-
2005 Q1	0.3	0.1	0.1	0.1	0.0	-0.1	0.2	-	-
Q2	0.4	0.5	0.1	0.1	0.2	0.1	-0.1	-	-
Q3	0.6	0.3	0.2	0.1	0.3	-0.3	0.3	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2001	1.9	1.2	1.1	0.4	0.1	-0.5	0.7	-	-
2002	0.9	0.4	0.5	0.5	-0.4	-0.2	0.5	-	-
2003	0.7	1.3	0.6	0.3	0.2	0.2	-0.6	-	-
2004	2.1	2.0	0.9	0.2	0.4	0.4	0.1	-	-
2004 Q3	1.9	2.2	0.6	0.2	0.4	0.9	-0.3	-	-
Q4	1.6	1.9	1.0	0.1	0.3	0.4	-0.3	-	-
2005 Q1	1.2	1.5	0.8	0.2	0.3	0.3	-0.3	-	-
Q2	1.2	1.7	0.8	0.2	0.4	0.3	-0.5	-	-
Q3	1.6	1.5	0.9	0.3	0.6	-0.3	0.1	-	-

Sources: Eurostat and ECB calculations.

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

2) Including acquisitions less disposals of valuables.

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

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2001	6,256.8	156.8	1,354.8	352.8	1,327.0	1,681.1	1,384.3	714.2
2002	6,476.6	151.9	1,366.8	365.5	1,377.6	1,758.3	1,456.6	736.9
2003	6,651.6	151.6	1,375.6	382.6	1,408.8	1,821.7	1,511.3	760.3
2004	6,891.0	152.1	1,418.0	406.6	1,456.8	1,892.2	1,565.3	795.0
2004 Q3	1,730.7	37.7	357.5	101.9	366.5	476.2	390.8	199.8
Q4	1,739.1	38.1	356.6	103.7	367.6	479.0	394.0	202.2
2005 Q1	1,753.5	37.3	359.9	104.1	369.7	484.2	398.4	201.8
Q2	1,769.5	37.1	363.8	106.7	372.0	490.4	399.5	203.1
Q3	1,779.3	37.2	364.8	108.9	374.9	493.7	399.8	209.7
	<i>percentage of value added</i>							
2004	100.0	2.2	20.6	5.9	21.1	27.5	22.7	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted ¹⁾)							
	<i>quarter-on-quarter percentage changes</i>							
2004 Q3	0.2	-0.2	0.2	-0.4	0.4	0.4	0.1	0.6
Q4	0.2	0.8	-0.6	0.6	0.4	0.2	0.4	0.5
2005 Q1	0.3	-1.8	0.3	-0.3	0.4	0.7	0.2	0.4
Q2	0.4	-1.0	0.7	1.9	0.6	0.4	-0.2	0.2
Q3	0.5	-0.3	0.7	0.3	0.7	0.4	0.6	1.4
	<i>annual percentage changes</i>							
2001	2.0	-1.4	1.2	1.2	2.8	2.7	1.8	0.8
2002	1.0	-0.3	-0.1	0.0	1.2	1.4	2.0	0.1
2003	0.7	-4.1	0.2	1.0	0.5	1.3	1.1	0.9
2004	2.2	7.3	2.4	2.0	2.3	1.9	1.7	1.4
2004 Q3	2.0	9.2	2.2	1.2	1.8	1.8	1.6	1.2
Q4	1.7	6.8	0.8	1.3	2.3	1.7	1.5	0.9
2005 Q1	1.4	0.3	0.7	-0.1	2.1	2.0	0.9	0.2
Q2	1.2	-2.2	0.7	1.7	1.8	1.8	0.5	1.7
Q3	1.4	-2.3	1.2	2.4	2.0	1.7	0.9	2.5
	<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>							
2004 Q3	0.2	0.0	0.0	0.0	0.1	0.1	0.0	-
Q4	0.2	0.0	-0.1	0.0	0.1	0.1	0.1	-
2005 Q1	0.3	0.0	0.1	0.0	0.1	0.2	0.0	-
Q2	0.4	0.0	0.1	0.1	0.1	0.1	0.0	-
Q3	0.5	0.0	0.1	0.0	0.1	0.1	0.1	-
	<i>contributions to annual percentage changes of value added in percentage points</i>							
2001	2.0	0.0	0.3	0.1	0.6	0.7	0.4	-
2002	1.0	0.0	0.0	0.0	0.2	0.4	0.4	-
2003	0.7	-0.1	0.0	0.1	0.1	0.4	0.2	-
2004	2.2	0.2	0.5	0.1	0.5	0.5	0.4	-
2004 Q3	2.0	0.2	0.4	0.1	0.4	0.5	0.4	-
Q4	1.7	0.2	0.2	0.1	0.5	0.5	0.4	-
2005 Q1	1.4	0.0	0.1	0.0	0.4	0.6	0.2	-
Q2	1.2	-0.1	0.1	0.1	0.4	0.5	0.1	-
Q3	1.4	-0.1	0.2	0.1	0.4	0.5	0.2	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total ¹⁾	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-0.2	99.9	-0.5	-0.8	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	1.4
2003	0.2	100.2	0.3	0.0	0.0	0.4	-0.2	-0.5	-4.6	0.2	2.9	-0.1
2004	2.1	102.1	2.0	2.0	1.9	1.8	3.0	0.5	0.0	0.6	2.5	-0.2
2004 Q4	1.1	102.4	1.1	0.7	0.5	1.0	1.7	-0.2	-3.5	0.4	3.0	-0.8
2005 Q1	-0.4	102.3	0.6	0.4	0.2	0.8	2.1	-1.0	-3.9	-0.5	1.1	-4.2
Q2	1.1	102.9	0.7	0.8	0.3	-0.4	2.1	0.5	-1.8	0.9	1.2	-0.1
Q3	1.1	103.7	1.4	1.4	1.3	1.2	2.6	1.7	-0.2	2.0	0.1	0.8
2005 May	0.3	102.7	0.1	-0.3	-0.8	-0.4	0.5	0.4	-4.2	1.2	0.8	-0.3
June	0.8	103.1	0.7	0.5	-0.1	-1.2	2.4	0.5	-0.5	0.7	2.6	0.6
July	0.6	103.2	0.6	0.0	-0.1	-0.5	2.6	0.0	-1.9	0.4	2.0	0.6
Aug.	1.8	104.1	2.6	3.0	3.0	3.8	2.3	3.5	2.6	3.6	-0.5	2.3
Sep.	1.1	103.8	1.2	1.6	1.5	1.0	2.7	1.9	-0.3	2.3	-1.4	-0.3
Oct.	.	103.0	0.2	0.7	0.5	1.2	0.2	0.9	-0.8	1.2	-2.2	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 May	-0.6	-	-0.4	-1.0	-1.2	-0.4	-0.3	-0.3	-2.1	0.0	1.8	0.4
June	0.1	-	0.5	0.6	0.5	-0.3	1.3	0.1	1.5	-0.1	2.1	0.9
July	0.0	-	0.1	-0.1	0.1	0.9	0.1	0.0	-0.4	0.0	-0.3	-0.1
Aug.	0.6	-	0.8	1.4	1.5	2.1	-0.1	1.2	1.0	1.3	-2.4	0.2
Sep.	-0.2	-	-0.2	-0.3	-0.3	-1.2	0.9	-0.5	-1.3	-0.4	-0.1	-1.5
Oct.	.	-	-0.7	-0.8	-0.8	0.0	-1.3	-0.6	-0.6	-0.6	-1.7	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) ³⁾	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total ¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2002	98.4	-0.4	101.4	-0.6	1.9	101.7	0.3	1.2	-0.4	-1.9	-1.9	925	-4.4
2003	98.4	0.1	101.0	-0.3	1.8	102.1	0.4	1.1	-0.3	-2.7	0.2	911	-1.5
2004	105.1	7.1	105.9	4.9	1.7	102.9	0.9	0.8	0.8	0.9	2.8	922	1.1
2004 Q4	109.3	8.2	107.3	5.1	1.7	103.3	1.0	1.2	0.7	1.2	2.6	942	3.6
2005 Q1	106.0	3.1	106.7	2.5	2.0	104.0	1.3	1.2	1.2	0.5	0.8	921	0.4
Q2	108.6	3.3	110.3	4.2	1.6	103.6	0.6	0.3	0.6	0.8	0.6	938	1.0
Q3	109.8	4.9	110.8	3.9	2.0	103.8	1.0	0.3	1.4	1.3	1.7	942	4.6
2005 June	110.8	6.2	112.3	3.6	1.3	104.0	0.4	0.7	0.0	-0.3	0.6	981	6.1
July	109.2	1.7	106.7	0.3	0.5	103.3	-0.2	-1.0	0.3	0.1	0.5	940	3.0
Aug.	109.2	7.8	112.6	7.3	3.2	104.4	2.2	0.9	3.3	4.4	3.3	933	7.4
Sep.	110.9	6.0	113.1	4.8	2.3	103.6	1.0	1.0	0.8	0.0	1.6	953	4.5
Oct.	110.2	4.2	106.4	1.4	1.4	103.8	0.2	0.4	0.0	0.8	0.8	942	0.1
Nov.	.	.	.	.	1.4	103.7	0.3	-0.2	0.7	.	.	934	-2.0
<i>month-on-month percentage changes (s.a.)</i>													
2005 June	-	3.2	-	4.2	0.0	-	-0.1	-0.2	0.0	1.0	0.5	-	9.6
July	-	-1.5	-	-5.0	-0.5	-	-0.6	-0.8	-0.3	0.1	-0.4	-	-4.1
Aug.	-	0.0	-	5.6	1.1	-	1.0	0.5	1.3	1.9	1.3	-	-0.8
Sep.	-	1.6	-	0.5	-0.5	-	-0.7	0.0	-1.2	-3.6	-0.7	-	2.2
Oct.	-	-0.7	-	-6.0	0.3	-	0.2	0.4	-0.1	1.1	-0.3	-	-1.1
Nov.	-	.	-	.	-0.1	-	-0.1	-0.4	0.2	.	.	-	-0.9

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

1) In 2000.

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

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator ³⁾				
		Industrial confidence indicator				Capacity utilisation ⁴⁾	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2002	94.4	-11	-25	11	3	81.2	-11	-1	-12	27	-3
2003	93.5	-11	-25	10	3	81.0	-18	-5	-21	38	-9
2004	99.5	-5	-16	8	10	81.6	-14	-4	-14	30	-8
2005	98.2	-7	-17	11	6	.	-14	-4	-15	28	-8
2004 Q4	100.5	-3	-12	8	9	82.0	-13	-3	-14	29	-6
2005 Q1	98.7	-6	-15	11	6	81.5	-13	-3	-13	30	-8
Q2	96.1	-10	-20	13	3	81.0	-14	-3	-16	31	-7
Q3	97.8	-8	-18	11	6	81.1	-15	-4	-17	29	-8
Q4	100.2	-6	-15	10	7	.	-12	-4	-15	22	-9
2005 July	97.3	-8	-18	11	4	80.9	-15	-4	-19	30	-9
Aug.	97.6	-8	-18	11	6	-	-15	-4	-17	29	-8
Sep.	98.4	-7	-16	10	7	-	-14	-5	-16	28	-9
Oct.	100.2	-6	-16	10	8	81.2	-13	-5	-15	23	-9
Nov.	99.9	-7	-16	9	6	-	-13	-5	-17	23	-8
Dec.	100.5	-5	-13	10	8	-	-11	-4	-12	19	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total ⁵⁾	Order books	Employment expectations	Total ⁵⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁵⁾	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2002	-18	-25	-11	-17	-20	18	-12	2	-3	-4	14
2003	-19	-26	-13	-12	-16	17	-3	4	-5	3	14
2004	-15	-23	-7	-8	-12	14	1	11	7	8	17
2005	-10	-15	-4	-7	-12	14	3	11	6	10	17
2004 Q4	-12	-19	-5	-8	-14	13	3	11	9	9	16
2005 Q1	-12	-16	-7	-8	-12	12	1	11	8	7	17
Q2	-12	-18	-6	-8	-13	13	1	9	0	9	17
Q3	-9	-16	-3	-9	-13	14	1	11	6	10	17
Q4	-5	-11	0	-5	-8	15	10	14	10	13	18
2005 July	-12	-18	-5	-10	-14	15	-3	12	5	11	19
Aug.	-9	-16	-2	-9	-14	13	1	10	3	10	15
Sep.	-8	-14	-1	-8	-12	15	5	11	8	10	15
Oct.	-8	-14	-1	-4	-9	13	12	14	10	13	19
Nov.	-3	-7	1	-6	-11	16	9	14	11	13	18
Dec.	-5	-10	0	-4	-5	16	9	13	9	13	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 assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets ¹⁾

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total ²⁾	100.0	100.0	84.4	15.6	4.5	18.1	7.2	24.9	15.3	30.0
	1	2	3	4	5	6	7	8	9	10
2001	134.494	1.5	1.7	0.2	-0.8	0.1	0.7	1.8	4.2	1.3
2002	135.466	0.7	0.8	0.1	-1.6	-1.6	0.1	0.5	2.6	2.0
2003	135.842	0.3	0.3	0.3	-2.0	-1.5	0.2	0.3	1.3	1.3
2004	136.817	0.7	0.6	1.2	-0.8	-1.6	1.0	0.9	2.6	1.2
2004 Q3	136.888	0.8	0.6	1.5	-0.4	-1.8	2.0	0.9	2.4	1.3
Q4	137.225	1.0	0.9	1.5	-0.7	-0.9	1.5	1.1	2.5	1.4
2005 Q1	137.293	0.9	0.8	1.0	-1.5	-1.1	1.5	1.0	2.2	1.4
Q2	137.499	0.8	0.8	1.0	-1.3	-1.3	1.4	0.8	2.3	1.4
Q3	137.890	0.8	0.8	0.5	-1.9	-1.0	1.5	0.4	2.3	1.6
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2004 Q3	0.360	0.3	0.1	1.4	0.1	-0.5	1.1	0.4	0.6	0.3
Q4	0.337	0.2	0.3	0.0	-0.4	0.1	-0.3	0.2	0.5	0.5
2005 Q1	0.068	0.0	0.3	-1.1	-1.1	-0.8	0.0	0.1	0.7	0.4
Q2	0.206	0.2	0.0	0.7	-0.2	-0.1	0.3	0.2	0.3	0.2
Q3	0.391	0.3	0.2	0.6	-0.7	-0.1	0.4	0.2	0.6	0.5

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total ²⁾	100.0		75.6		24.4		48.0		52.0	
	1	2	3	4	5	6	7	8	9	10
2001	11.017	7.9	8.093	6.6	2.924	16.1	5.037	6.3	5.980	9.9
2002	11.747	8.3	8.729	7.0	3.018	16.8	5.513	6.9	6.233	10.1
2003	12.534	8.7	9.413	7.5	3.120	17.6	5.971	7.4	6.562	10.5
2004	12.869	8.9	9.732	7.6	3.137	17.9	6.174	7.6	6.695	10.5
2004 Q3	12.902	8.9	9.762	7.6	3.140	17.9	6.181	7.6	6.721	10.5
Q4	12.865	8.8	9.741	7.6	3.124	18.0	6.259	7.6	6.606	10.3
2005 Q1	12.818	8.8	9.616	7.5	3.202	18.3	6.205	7.6	6.613	10.3
Q2	12.622	8.6	9.571	7.4	3.050	17.6	6.136	7.5	6.486	10.1
Q3	12.279	8.4	9.343	7.2	2.935	17.2	6.010	7.3	6.269	9.8
2005 June	12.515	8.6	9.535	7.4	2.981	17.3	6.091	7.4	6.425	10.0
July	12.384	8.5	9.455	7.3	2.928	17.1	6.046	7.4	6.338	9.9
Aug.	12.294	8.4	9.362	7.3	2.932	17.1	6.025	7.4	6.269	9.8
Sep.	12.158	8.3	9.212	7.1	2.945	17.2	5.958	7.3	6.200	9.7
Oct.	12.093	8.3	9.129	7.1	2.964	17.4	5.899	7.2	6.194	9.7
Nov.	12.100	8.3	9.121	7.1	2.980	17.4	5.874	7.2	6.226	9.7

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 ¹⁾ (as a percentage of GDP)

1. Euro area – revenue

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

2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure ³⁾		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
							7	8							9	10	11	12	13
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	51.3	47.4	11.1	4.8	5.6	25.9	22.9	2.2	0.6	3.8	2.6	1.3	0.0	45.6
1997	49.9	46.3	10.9	4.7	5.0	25.6	22.8	2.1	0.6	3.6	2.4	1.2	0.1	44.9
1998	49.0	45.2	10.6	4.6	4.6	25.4	22.3	2.1	0.5	3.8	2.4	1.4	0.1	44.4
1999	48.6	44.7	10.6	4.7	4.1	25.3	22.3	2.1	0.5	3.9	2.5	1.4	0.1	44.5
2000	47.9	44.1	10.5	4.7	3.9	25.0	21.9	2.0	0.5	3.8	2.5	1.3	0.0	44.0
2001	48.0	44.0	10.4	4.8	3.8	25.0	21.9	1.9	0.5	4.0	2.5	1.4	0.0	44.1
2002	48.1	44.2	10.5	4.9	3.6	25.3	22.4	1.9	0.5	3.8	2.4	1.4	0.0	44.5
2003	48.5	44.5	10.6	4.9	3.4	25.7	22.8	1.9	0.5	4.0	2.6	1.4	0.1	45.2
2004	47.7	43.9	10.5	4.9	3.2	25.3	22.6	1.8	0.5	3.8	2.5	1.4	0.0	44.6

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.3	20.3	11.1	4.8	4.9	1.9	2.4	8.5	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.7	4.9	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.7	10.6	4.6	4.9	1.8	2.3	8.1	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.7	4.9	1.8	2.3	8.2	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.5	4.7	4.9	1.8	2.2	8.1	11.7
2001	-1.9	-1.7	-0.4	0.0	0.3	2.0	19.8	10.4	4.8	5.0	1.8	2.2	8.0	11.8
2002	-2.6	-2.1	-0.5	-0.2	0.2	1.0	20.2	10.5	4.9	5.1	1.8	2.2	8.1	12.1
2003	-3.0	-2.3	-0.4	-0.2	0.0	0.3	20.4	10.6	4.9	5.2	1.8	2.2	8.1	12.3
2004	-2.7	-2.3	-0.3	-0.3	0.1	0.4	20.3	10.5	4.9	5.2	1.8	2.1	8.0	12.3

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

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

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

- 1) Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- 2) The fiscal burden comprises taxes and social contributions.
- 3) Comprises total expenditure minus interest expenditure.
- 4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 5) 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 ¹⁾

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors ³⁾
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1995	74.0	2.8	17.6	8.0	45.7	58.6	30.3	10.3	18.0	15.4
1996	75.4	2.8	17.1	7.9	47.5	59.1	30.9	12.0	16.1	16.3
1997	74.5	2.8	16.1	6.6	49.1	56.7	29.4	13.3	14.0	17.8
1998	73.1	2.7	15.1	5.6	49.6	53.3	27.6	14.2	11.5	19.7
1999	72.4	2.9	14.3	4.3	50.9	49.4	26.5	11.4	11.6	22.9
2000	69.9	2.7	13.2	3.7	50.3	44.8	23.3	10.3	11.1	25.1
2001	68.6	2.7	12.5	3.9	49.5	42.6	21.9	9.8	11.0	25.9
2002	68.5	2.7	11.8	4.5	49.5	40.2	20.4	8.9	10.9	28.3
2003	69.8	2.0	12.4	4.9	50.4	39.7	21.0	9.4	9.3	30.1
2004	70.2	2.2	11.9	4.7	51.4	39.3	20.1	9.8	9.4	30.9

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

	Total	Issued by ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies ⁵⁾	Other currencies
1995	74.0	61.8	5.6	5.9	0.8	11.5	62.5	7.5	18.6	26.7	28.8	71.8	2.2
1996	75.4	63.1	5.9	5.8	0.5	11.2	64.2	7.0	20.0	26.1	29.2	73.1	2.2
1997	74.5	62.4	6.1	5.4	0.6	9.7	64.8	6.8	19.4	25.9	29.3	72.3	2.2
1998	73.1	61.3	6.1	5.3	0.4	8.5	64.6	6.4	16.7	27.0	29.4	71.0	2.1
1999	72.4	60.9	6.1	5.1	0.3	7.3	65.0	5.7	15.1	27.9	29.3	70.4	1.9
2000	69.9	58.7	5.9	4.9	0.3	6.5	63.4	5.0	15.0	28.4	26.5	68.1	1.8
2001	68.6	57.4	6.1	4.8	0.3	6.8	61.7	3.6	15.6	26.4	26.6	67.1	1.5
2002	68.5	57.0	6.3	4.8	0.3	7.6	60.9	3.4	16.4	25.2	26.8	67.2	1.3
2003	69.8	57.4	6.6	5.2	0.6	7.7	62.1	3.5	15.3	26.4	28.1	68.8	1.0
2004	70.2	57.9	6.7	5.2	0.4	7.5	62.7	3.4	15.5	26.8	27.9	69.3	0.9

3. Euro area countries ⁶⁾

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

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

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

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

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

	Total	Source of change				Financial instruments				Holders			Other creditors ⁷⁾
		Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	
1996	3.9	4.2	0.0	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	1.7	2.0	1.4
1997	2.0	2.2	0.4	-0.4	-0.1	0.0	-0.3	-1.1	3.3	-0.1	-0.4	1.8	2.1
1998	1.8	2.0	0.0	0.0	-0.1	0.1	-0.3	-0.6	2.7	-1.0	-0.5	1.5	2.8
1999	2.0	1.6	0.5	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.9	-0.1	-2.3	3.9
2000	1.0	0.9	0.2	0.0	0.0	0.0	-0.4	-0.4	1.9	-2.2	-1.8	-0.5	3.3
2001	1.8	1.6	0.0	0.1	0.0	0.2	-0.1	0.4	1.4	-0.2	-0.5	-0.1	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.0	-0.7	-0.6	3.2
2003	3.1	3.3	-0.1	0.0	0.0	-0.6	0.9	0.5	-2.3	0.6	1.1	0.8	2.5
2004	3.1	3.2	0.0	-0.1	0.0	0.2	0.0	0.0	2.9	1.1	-0.1	0.7	2.0

2. Euro area – deficit-debt adjustment

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

Source: ECB.

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

6.4 Quarterly revenue, expenditure and deficit/surplus ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue					Capital revenue		Memo: fiscal burden ²⁾	
		Direct taxes	Indirect taxes	Social contributions	Sales	Property income	Capital taxes			
	1	2	3	4	5	6	7	8	9	10
1999 Q2	47.8	47.2	13.4	13.5	16.0	2.1	1.4	0.6	0.3	43.1
Q3	44.9	44.3	11.8	13.0	16.0	2.0	0.8	0.5	0.3	41.0
Q4	50.8	50.1	14.2	14.5	16.7	2.8	0.9	0.7	0.3	45.8
2000 Q1	43.7	43.1	11.1	13.1	15.5	1.9	0.7	0.6	0.3	39.9
Q2	47.8	47.2	13.9	13.4	15.8	2.1	1.2	0.6	0.3	43.3
Q3	44.5	44.0	12.0	12.7	15.8	2.0	0.8	0.5	0.2	40.7
Q4	50.0	49.4	13.9	14.1	16.6	2.9	0.9	0.6	0.3	44.9
2001 Q1	42.6	42.1	10.5	12.8	15.3	1.8	0.9	0.5	0.2	38.9
Q2	47.1	46.7	13.5	13.0	15.6	2.0	1.7	0.5	0.2	42.4
Q3	43.8	43.4	11.7	12.4	15.6	1.9	0.9	0.4	0.3	40.0
Q4	49.3	48.8	13.6	13.9	16.3	3.0	1.1	0.5	0.3	44.1
2002 Q1	42.3	41.8	10.2	12.8	15.5	1.7	0.8	0.5	0.2	38.8
Q2	45.9	45.3	12.6	12.8	15.5	2.0	1.6	0.6	0.3	41.2
Q3	43.9	43.4	11.3	12.9	15.5	2.0	0.8	0.5	0.3	40.0
Q4	49.3	48.7	13.5	14.1	16.3	3.0	0.9	0.6	0.3	44.2
2003 Q1	42.3	41.8	9.9	12.9	15.6	1.8	0.7	0.5	0.2	38.7
Q2	46.4	44.8	12.2	12.8	15.8	2.0	1.3	1.6	1.3	42.0
Q3	43.3	42.7	10.9	12.8	15.6	1.9	0.7	0.5	0.2	39.6
Q4	49.6	48.5	13.2	14.3	16.3	2.9	0.8	1.1	0.3	44.1
2004 Q1	41.9	41.3	9.7	13.0	15.4	1.7	0.7	0.5	0.3	38.4
Q2	45.2	44.3	12.2	13.0	15.4	2.0	0.9	0.9	0.6	41.3
Q3	43.0	42.5	10.8	12.8	15.5	1.9	0.7	0.5	0.3	39.3
Q4	49.7	48.6	13.1	14.6	16.3	2.9	0.8	1.1	0.4	44.3
2005 Q1	42.6	42.0	10.1	13.1	15.5	1.7	0.7	0.6	0.2	38.9
Q2	44.6	43.9	11.9	13.0	15.3	2.0	0.9	0.7	0.3	40.5

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure					Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)	
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits		Investment	Capital transfers				
						7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q2	47.4	43.8	10.5	4.6	4.1	24.5	21.3	1.5	3.6	2.4	1.2	0.4	4.5
Q3	47.4	43.7	10.3	4.6	4.0	24.9	21.2	1.6	3.7	2.5	1.2	-2.5	1.5
Q4	50.5	45.8	11.0	5.3	3.7	25.8	22.2	1.7	4.7	3.1	1.7	0.3	4.0
2000 Q1	46.2	42.9	10.2	4.5	4.1	24.1	20.9	1.2	3.4	2.0	1.4	-2.6	1.5
Q2	46.6	43.2	10.4	4.6	3.9	24.3	21.0	1.4	3.5	2.4	1.2	1.2	5.0
Q3	43.3	42.9	10.1	4.5	4.0	24.3	20.9	1.5	0.4	2.5	1.1	1.2	5.2
Q4	49.6	45.8	11.0	5.2	3.7	25.8	21.9	1.6	3.9	3.1	1.6	0.3	4.1
2001 Q1	45.8	42.4	10.1	4.1	4.0	24.1	21.0	1.2	3.4	2.0	1.5	-3.2	0.8
Q2	46.7	43.1	10.3	4.6	3.9	24.3	20.9	1.4	3.5	2.4	1.2	0.4	4.3
Q3	46.7	42.9	10.1	4.6	3.9	24.3	21.0	1.5	3.8	2.5	1.3	-2.8	1.1
Q4	51.1	46.0	10.9	5.5	3.6	25.9	22.1	1.6	5.0	3.2	1.8	-1.8	1.8
2002 Q1	46.3	42.8	10.4	4.2	3.7	24.5	21.3	1.2	3.5	1.9	1.5	-4.0	-0.3
Q2	47.0	43.5	10.4	4.9	3.6	24.6	21.3	1.4	3.5	2.3	1.2	-1.1	2.5
Q3	47.3	43.5	10.1	4.7	3.6	25.1	21.5	1.4	3.8	2.5	1.3	-3.4	0.2
Q4	51.0	46.5	11.0	5.5	3.4	26.5	22.7	1.6	4.5	2.8	1.7	-1.7	1.7
2003 Q1	47.0	43.5	10.4	4.4	3.6	25.1	21.7	1.2	3.5	1.9	1.6	-4.7	-1.1
Q2	47.8	44.1	10.5	4.7	3.5	25.5	21.9	1.4	3.6	2.4	1.2	-1.4	2.1
Q3	47.5	43.7	10.3	4.7	3.3	25.4	21.8	1.4	3.8	2.6	1.2	-4.2	-0.9
Q4	51.4	46.5	11.0	5.7	3.1	26.7	22.9	1.5	4.9	3.3	1.7	-1.8	1.3
2004 Q1	46.7	43.3	10.4	4.4	3.3	25.1	21.6	1.1	3.4	2.0	1.4	-4.8	-1.5
Q2	46.9	43.5	10.5	4.7	3.2	25.0	21.6	1.3	3.4	2.4	1.1	-1.7	1.5
Q3	46.5	43.0	10.1	4.5	3.2	25.1	21.6	1.3	3.5	2.5	1.0	-3.5	-0.2
Q4	50.9	45.9	10.9	5.6	3.0	26.3	22.6	1.4	5.0	3.1	1.9	-1.2	1.9
2005 Q1	46.8	43.3	10.3	4.4	3.3	25.3	21.6	1.1	3.5	1.9	1.6	-4.2	-0.9
Q2	46.5	43.0	10.3	4.8	3.1	24.8	21.4	1.3	3.4	2.3	1.1	-1.9	1.3

Source: ECB calculations based on Eurostat and national data.

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

6.5 Quarterly debt and change in debt

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument¹⁾

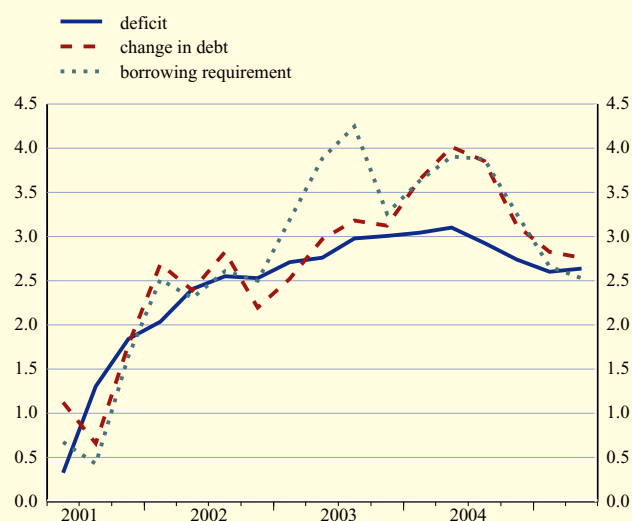
	Total 1	Financial instruments			
		Coins and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2002 Q3	69.2	2.6	11.9	4.5	50.3
Q4	68.5	2.7	11.8	4.5	49.4
2003 Q1	69.7	2.6	11.9	5.2	50.1
Q2	70.2	2.6	11.7	5.7	50.2
Q3	70.5	2.7	11.7	5.5	50.6
Q4	69.8	2.0	12.4	4.9	50.4
2004 Q1	71.4	2.0	12.5	5.4	51.5
Q2	71.8	2.1	12.3	5.7	51.7
Q3	71.8	2.2	12.1	5.5	51.9
Q4	70.2	2.2	11.9	4.7	51.4
2005 Q1	71.7	2.1	12.0	4.9	52.7
Q2	72.3	2.3	11.7	5.1	53.2

2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment								Memo: Borrowing requirement 11
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Securities 6	Loans 7			Shares and other equity 8	
2002 Q3	2.1	-3.4	-1.2	-2.4	-2.5	-0.1	0.0	0.2	0.7	0.5	1.5
Q4	-0.7	-1.7	-2.4	0.6	0.3	0.0	0.4	-0.1	-2.8	-0.2	2.1
2003 Q1	7.1	-4.7	2.4	2.8	1.9	0.2	0.5	0.3	-0.7	0.3	7.8
Q2	3.5	-1.4	2.2	3.1	2.2	0.0	0.1	0.9	-0.7	-0.3	4.3
Q3	3.0	-4.2	-1.2	-1.6	-1.6	-0.1	0.0	0.1	0.0	0.4	3.0
Q4	-0.8	-1.8	-2.6	-3.6	-2.2	-0.1	-0.6	-0.7	0.8	0.1	-1.6
2004 Q1	9.0	-4.8	4.2	1.9	1.2	0.2	0.5	0.0	-0.1	2.4	9.1
Q2	5.0	-1.7	3.3	3.8	3.4	0.3	0.0	0.1	-0.3	-0.2	5.3
Q3	2.4	-3.5	-1.0	-0.8	-1.2	0.1	0.1	0.1	-0.5	0.3	2.9
Q4	-3.4	-1.2	-4.6	-3.5	-2.6	-0.2	0.1	-0.7	0.4	-1.5	-3.8
2005 Q1	7.6	-4.2	3.5	2.2	1.7	0.4	0.1	0.0	1.1	0.2	6.6
Q2	4.7	-1.9	2.8	3.3	2.7	0.4	0.1	0.1	-0.1	-0.4	4.7

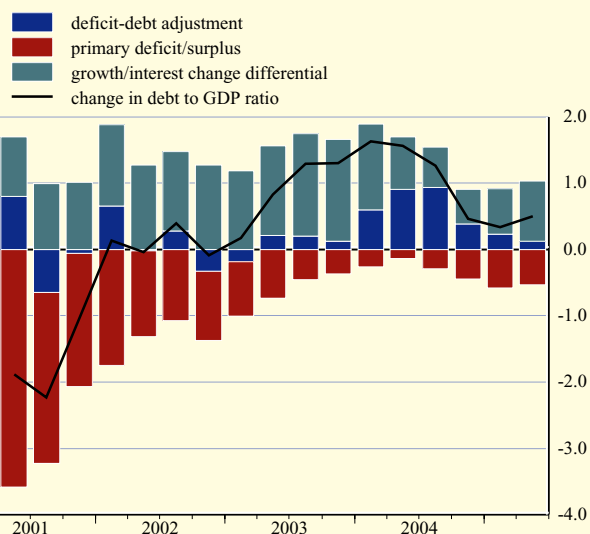
C26 Deficit, borrowing requirement and change in debt

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



C27 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

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

EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments

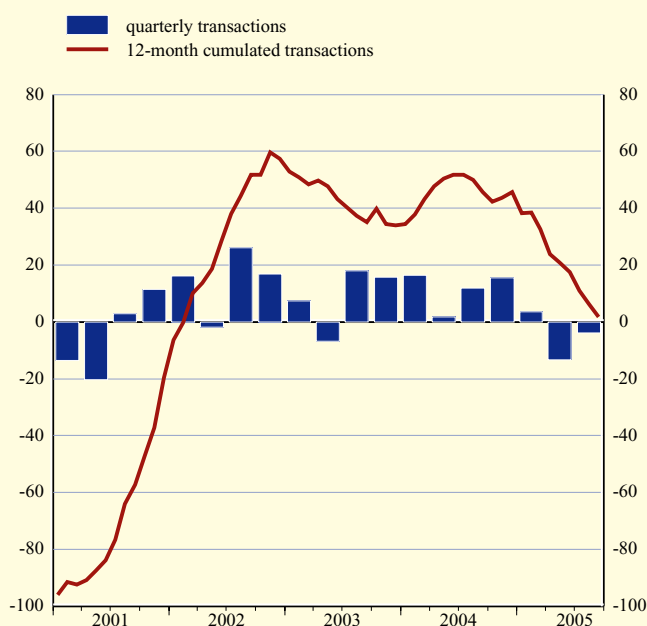
(EUR billions; net transactions)

1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	57.3	130.2	13.7	-37.6	-49.0	10.2	67.6	-15.2	21.9	136.3	-11.0	-159.9	-2.6	-52.3
2003	33.9	108.2	19.5	-37.4	-56.4	12.9	46.8	4.1	-1.7	68.9	-11.2	-80.2	28.2	-50.9
2004	45.6	106.7	28.3	-33.1	-56.3	17.4	63.0	-8.3	-46.8	71.2	-4.8	-40.4	12.5	-54.7
2004 Q3	11.9	24.5	9.2	-4.0	-17.8	4.1	15.9	1.0	8.4	8.8	-2.3	-17.4	3.5	-16.9
Q4	15.5	21.6	6.3	1.9	-14.3	5.9	21.4	2.3	-19.9	30.7	-4.1	-6.8	2.4	-23.7
2005 Q1	3.5	15.6	3.2	-3.0	-12.2	1.1	4.6	25.9	-20.0	3.8	-7.2	44.5	4.8	-30.5
Q2	-13.3	18.8	9.5	-25.5	-16.1	3.9	-9.4	46.0	-11.6	106.7	3.2	-55.3	3.1	-36.6
Q3	-3.9	16.7	8.4	-10.3	-18.7	2.9	-1.0	18.8	-94.0	70.2	-7.6	48.2	2.0	-17.8
2004 Oct.	3.2	8.9	4.1	-4.1	-5.7	0.7	3.8	-16.4	-10.4	9.8	-3.7	-13.1	0.9	12.6
Nov.	4.6	5.2	0.8	3.1	-4.5	1.1	5.7	13.2	-9.1	-22.4	1.8	42.9	0.0	-18.9
Dec.	7.7	7.5	1.4	3.0	-4.1	4.1	11.9	5.6	-0.4	43.3	-2.1	-36.6	1.5	-17.4
2005 Jan.	-5.8	1.4	0.5	-4.1	-3.6	-0.8	-6.6	18.3	-10.5	-17.3	-3.4	51.0	-1.6	-11.7
Feb.	5.9	5.9	1.2	1.4	-2.6	1.1	6.9	27.1	-2.7	23.3	1.3	0.4	4.9	-34.0
Mar.	3.5	8.3	1.5	-0.4	-6.0	0.8	4.3	-19.4	-6.8	-2.1	-5.0	-7.0	1.5	15.1
Apr.	-10.7	4.0	2.6	-13.0	-4.3	0.2	-10.5	-11.5	-11.6	-14.5	-0.4	15.8	-0.8	22.0
May	-2.8	6.1	3.0	-6.7	-5.3	1.6	-1.2	39.5	8.2	19.7	0.6	8.5	2.6	-38.3
June	0.2	8.7	3.9	-5.8	-6.5	2.1	2.3	18.0	-8.2	101.5	3.0	-79.7	1.3	-20.3
July	1.3	9.9	3.8	-6.8	-5.6	0.9	2.2	-1.9	-81.2	75.3	0.7	0.8	2.4	-0.3
Aug.	-1.7	2.1	1.8	0.0	-5.6	0.8	-0.9	-5.3	-15.0	-19.5	-6.3	35.6	-0.1	6.2
Sep.	-3.5	4.7	2.9	-3.6	-7.5	1.2	-2.4	26.0	2.2	14.3	-2.0	11.9	-0.3	-23.7
Oct.	-9.2	2.3	3.5	-9.5	-5.5	0.8	-8.4	-6.6	-0.9	-5.1	-1.4	0.9	0.1	15.0
<i>12-month cumulated transactions</i>														
2005 Oct.	-10.6	66.1	26.8	-42.4	-61.1	13.9	3.4	102.8	-136.1	196.4	-13.4	44.5	11.5	-106.2

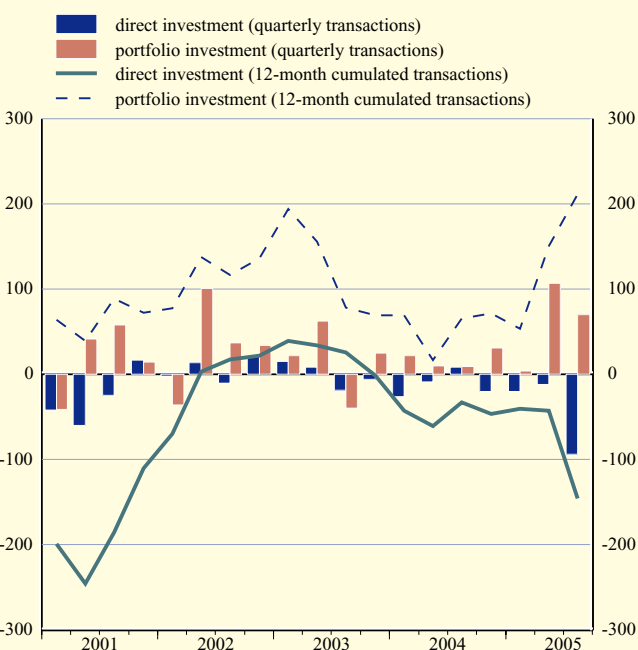
C28 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



Source: ECB.

7.1 Balance of payments

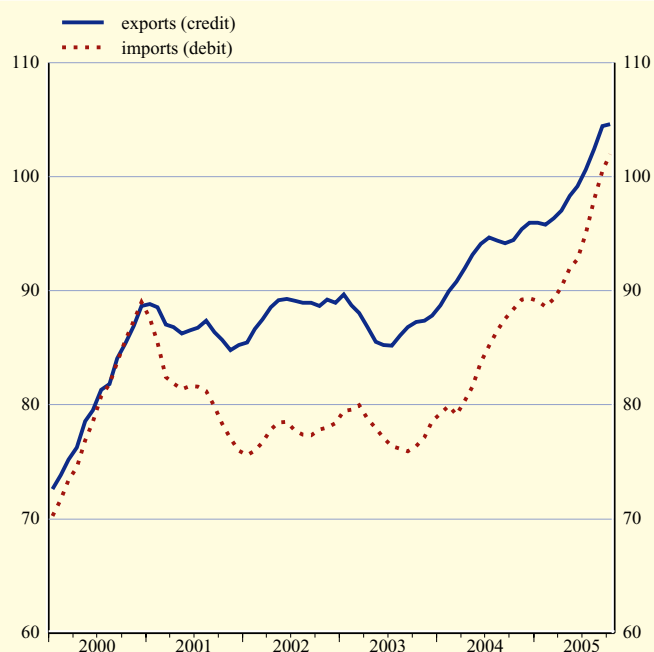
(EUR billions; transactions)

2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2002	1,723.5	1,666.2	57.3	1,061.6	931.4	331.1	317.4	245.7	283.3	85.1	134.1	19.1	8.9
2003	1,691.0	1,657.1	33.9	1,041.2	933.0	331.9	312.3	236.3	273.6	81.7	138.1	23.7	10.8
2004	1,840.7	1,795.1	45.6	1,133.1	1,026.4	360.3	332.0	266.2	299.3	81.0	137.3	24.0	6.6
2004 Q3	458.4	446.5	11.9	280.7	256.2	98.0	88.8	63.7	67.8	15.9	33.7	5.8	1.7
Q4	485.0	469.5	15.5	299.9	278.3	92.6	86.2	74.5	72.6	18.0	32.3	7.6	1.7
2005 Q1	460.5	457.0	3.5	278.9	263.3	83.9	80.7	65.3	68.4	32.3	44.5	4.8	3.7
Q2	496.7	510.0	-13.3	304.3	285.5	95.0	85.5	80.8	106.3	16.6	32.7	5.7	1.8
Q3	497.0	500.9	-3.9	309.4	292.7	101.7	93.3	70.7	81.0	15.2	33.9	4.4	1.5
2005 Aug.	160.0	161.7	-1.7	97.9	95.7	33.2	31.4	23.4	23.4	5.6	11.1	1.4	0.6
Sep.	169.8	173.3	-3.5	108.0	103.3	33.2	30.3	24.0	27.5	4.6	12.1	1.7	0.5
Oct.	168.4	177.6	-9.2	108.0	105.7	33.2	29.7	23.1	32.6	4.2	9.7	1.7	0.9
	Seasonally adjusted												
2004 Q3	460.3	454.8	5.4	282.5	262.7	91.1	83.4	66.1	73.5	20.6	35.3	.	.
Q4	470.3	460.4	9.9	287.8	268.0	91.0	83.8	71.4	74.8	20.1	33.9	.	.
2005 Q1	473.7	469.2	4.5	289.0	267.8	93.2	85.8	70.7	77.4	20.8	38.2	.	.
Q2	485.9	485.4	0.5	297.4	278.3	93.3	87.0	73.7	85.6	21.5	34.6	.	.
Q3	501.3	512.9	-11.6	313.2	301.6	94.8	88.0	73.7	88.1	19.7	35.2	.	.
2005 Feb.	157.1	152.8	4.3	95.8	88.8	31.1	28.7	23.3	24.6	6.9	10.7	.	.
Mar.	160.1	158.8	1.3	97.3	90.4	31.2	28.8	24.6	27.0	7.0	12.7	.	.
Apr.	161.2	161.5	-0.3	98.0	91.8	30.9	28.3	24.9	30.0	7.5	11.4	.	.
May	162.3	161.7	0.6	99.6	93.8	31.0	29.4	24.7	27.1	6.9	11.6	.	.
June	162.4	162.2	0.2	99.9	92.8	31.4	29.3	24.1	28.6	7.1	11.5	.	.
July	165.3	168.5	-3.2	102.4	98.4	31.7	29.6	24.3	29.5	6.8	11.0	.	.
Aug.	168.3	173.3	-5.0	105.0	102.7	31.4	29.2	24.9	29.2	7.0	12.2	.	.
Sep.	167.8	171.1	-3.3	105.8	100.5	31.7	29.2	24.5	29.4	5.9	12.1	.	.
Oct.	166.8	175.8	-9.0	103.0	102.7	32.1	29.6	25.2	32.6	6.5	10.9	.	.

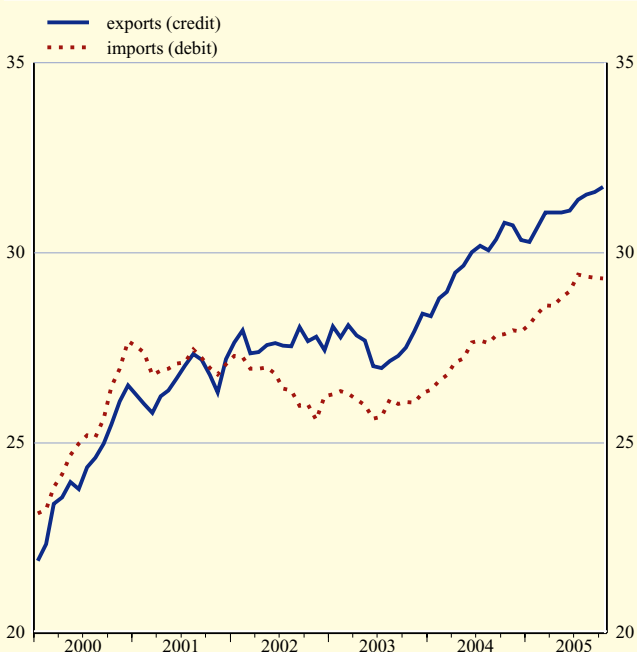
C30 B.o.p. goods

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



C31 B.o.p. services

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



Source: ECB.

7.1 Balance of payments

(EUR billions)

3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	15.1	6.2	230.6	277.1	54.9	55.2	7.5	7.1	19.9	52.1	65.4	71.9	83.0	90.8
2003	14.8	6.1	221.4	267.5	59.4	52.6	10.0	9.7	18.6	53.5	65.7	79.1	67.8	72.6
2004	15.2	6.2	251.0	293.1	77.8	67.5	11.7	12.3	24.0	57.3	74.6	84.3	63.0	71.6
2004 Q2	3.7	1.6	64.8	90.7	20.2	20.0	3.1	3.1	8.2	26.2	17.8	23.9	15.4	17.5
Q3	3.8	1.8	59.9	66.0	16.5	16.3	2.5	2.9	5.7	11.3	19.3	17.6	15.9	17.8
Q4	4.0	1.6	70.5	71.0	25.5	15.1	3.0	3.5	5.4	10.4	19.5	22.7	17.1	19.4
2005 Q1	3.7	1.4	61.7	67.0	15.6	13.2	2.8	2.9	6.1	11.2	19.2	19.1	18.0	20.5
Q2	3.7	1.7	77.1	104.5	24.2	23.8	3.1	3.5	9.6	30.2	21.7	24.1	18.5	22.8

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	-170.1	-175.9	-22.8	-153.2	5.9	0.0	5.9	192.0	141.4	2.1	139.3	50.5	0.5	50.1
2003	-139.7	-122.6	-2.3	-120.3	-17.1	0.0	-17.1	138.0	120.4	3.1	117.4	17.6	0.1	17.5
2004	-130.8	-141.6	-18.5	-123.0	10.8	0.1	10.7	84.0	76.6	1.2	75.5	7.4	0.7	6.7
2004 Q3	-15.4	-26.9	-1.2	-25.7	11.4	0.0	11.4	23.9	19.6	0.6	19.0	4.3	0.4	3.9
Q4	-65.2	-68.6	-8.6	-60.0	3.4	0.1	3.3	45.4	36.4	1.0	35.4	9.0	-0.1	9.1
2005 Q1	-32.3	-15.5	-2.4	-13.0	-16.9	0.1	-16.9	12.3	12.2	0.3	11.8	0.1	0.3	-0.2
Q2	-27.0	-21.4	-2.1	-19.3	-5.7	0.0	-5.7	15.4	4.6	0.6	4.0	10.9	-0.1	11.0
Q3	-104.0	-80.5	-3.8	-76.7	-23.5	0.0	-23.5	10.0	-2.7	0.5	-3.2	12.7	0.1	12.5
2004 Oct.	-29.6	-23.0	-0.2	-22.7	-6.6	0.0	-6.7	19.3	11.0	0.3	10.7	8.3	-0.1	8.4
Nov.	-29.9	-25.7	-13.2	-12.5	-4.2	0.1	-4.3	20.8	11.4	0.2	11.2	9.5	0.2	9.2
Dec.	-5.7	-20.0	4.8	-24.8	14.3	0.0	14.3	5.3	14.0	0.6	13.5	-8.8	-0.2	-8.6
2005 Jan.	-13.9	-7.7	-0.5	-7.2	-6.2	0.0	-6.2	3.4	4.7	0.1	4.7	-1.3	0.1	-1.4
Feb.	-5.9	-2.1	-1.2	-0.9	-3.9	0.0	-3.9	3.2	2.9	0.3	2.6	0.3	0.1	0.2
Mar.	-12.5	-5.7	-0.8	-4.9	-6.8	0.1	-6.9	5.7	4.5	-0.1	4.6	1.2	0.2	1.0
Apr.	-16.0	1.5	-1.9	3.4	-17.5	0.0	-17.5	4.4	7.8	-0.1	7.9	-3.4	0.1	-3.5
May	8.5	-4.3	-0.6	-3.7	12.9	0.0	12.9	-0.4	-2.6	0.3	-2.9	2.2	0.0	2.2
June	-19.6	-18.5	0.4	-18.9	-1.1	0.0	-1.1	11.4	-0.6	0.4	-1.0	12.0	-0.3	12.3
July	-82.6	-74.8	-2.7	-72.0	-7.8	0.0	-7.8	1.4	3.6	0.2	3.4	-2.2	0.0	-2.2
Aug.	-11.7	-4.0	-0.5	-3.5	-7.8	0.0	-7.7	-3.3	-3.2	0.1	-3.3	-0.1	-0.1	0.0
Sep.	-9.6	-1.7	-0.6	-1.1	-7.9	0.0	-7.9	11.8	-3.1	0.2	-3.3	14.9	0.2	14.7
Oct.	-4.3	7.0	0.6	6.5	-11.4	0.0	-11.4	3.4	6.3	0.1	6.2	-2.9	0.0	-2.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	
			General gov.		General gov.			General gov.							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	-0.4	-7.4	-31.2	-4.4	85.4	-0.6	-17.4	-70.7	-0.9	167.4	2.0	-31.9	-18.8	-1.1	59.8
2003	-0.3	-13.9	-63.1	-2.6	111.6	-2.4	-45.0	-129.4	-0.2	197.5	0.2	-45.9	21.6	0.6	38.0
2004	0.0	-22.4	-80.4	-3.4	137.5	1.2	-81.4	-94.7	-2.1	255.8	-0.1	-43.3	-9.7	0.1	8.6
2004 Q3	0.0	-2.5	-7.3	-1.0	39.5	0.7	-23.3	-20.4	-0.4	51.7	0.0	-14.7	-4.8	-0.7	-10.1
Q4	0.0	-0.9	-23.8	-0.2	82.9	0.6	-20.9	-27.2	-0.5	41.3	-0.1	-12.2	5.6	4.3	-14.6
2005 Q1	0.0	-27.5	-20.6	-0.9	36.5	-0.1	-35.4	-38.9	-0.3	45.3	0.3	5.9	-6.6	-3.7	45.1
Q2	0.0	21.7	-22.4	-0.6	27.6	-0.7	-40.5	-33.1	-0.1	155.7	-0.4	-9.7	-4.6	-2.3	13.1
Q3	-0.1	-5.8	-15.6	.	137.9	-0.4	-19.6	-55.7	.	24.3	0.1	-7.4	-8.7	.	21.2
2004 Oct.	0.0	-3.7	-10.7	-	22.1	0.2	-13.4	-6.8	-	18.0	-0.1	0.7	0.0	-	3.6
Nov.	0.0	-9.1	-7.2	-	22.7	0.3	-5.9	-12.5	-	8.0	0.2	-14.3	4.7	-	-9.2
Dec.	0.0	11.9	-5.9	-	38.2	0.1	-1.5	-7.9	-	15.3	-0.2	1.5	0.9	-	-9.0
2005 Jan.	0.0	-9.2	-7.7	-	10.5	-0.1	-27.0	-2.1	-	4.9	0.2	-4.1	-5.9	-	23.1
Feb.	0.0	-16.5	-3.7	-	9.2	-0.2	-4.0	-16.4	-	37.5	0.1	17.2	-1.9	-	1.9
Mar.	0.0	-1.8	-9.3	-	16.8	0.2	-4.5	-20.4	-	2.9	0.0	-7.3	1.2	-	20.1
Apr.	0.0	9.9	-5.3	-	-47.5	-0.9	-13.3	-10.6	-	51.9	-0.3	-10.6	2.0	-	10.1
May	0.0	6.7	-15.5	-	22.8	-0.1	-16.1	-5.3	-	27.8	0.0	-2.4	-6.2	-	8.0
June	0.0	5.1	-1.6	-	52.3	0.2	-11.1	-17.2	-	75.9	0.0	3.4	-0.4	-	-5.1
July	-0.1	-3.5	-11.1	-	105.0	0.3	-1.8	-17.6	-	2.6	-0.6	0.4	-0.1	-	1.8
Aug.	0.0	2.0	-4.8	-	23.0	-0.5	-5.2	-15.9	-	-10.7	0.3	-11.6	-1.6	-	5.6
Sep.	0.0	-4.2	0.3	-	9.8	-0.2	-12.6	-22.1	-	32.4	0.4	3.8	-7.0	-	13.8
Oct.	0.0	4.9	-7.4	-	-10.0	0.6	-16.0	-12.9	-	20.0	0.0	7.0	4.6	-	4.1

6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2002	-225.4	65.5	-0.9	19.3	-0.1	-	-8.0	-168.0	25.8	-34.9	52.5	-133.1	-26.7	-56.4	-	28.4
2003	-254.1	173.9	-0.8	10.0	-0.4	-	-3.4	-152.4	134.8	-50.7	52.3	-101.7	82.5	-100.5	-	32.6
2004	-314.3	273.9	-0.2	7.1	-2.2	-2.0	-2.6	-259.6	246.9	-20.0	-3.3	-239.6	250.2	-52.4	-13.2	22.5
2004 Q3	-32.8	15.4	-1.5	3.2	0.2	-0.2	2.3	-23.8	6.5	-7.9	-6.0	-15.9	12.4	-7.7	-12.9	3.4
Q4	-71.8	65.0	1.4	3.5	3.1	3.7	-1.6	-73.8	58.8	0.9	-0.9	-74.6	59.7	-2.5	10.3	4.4
2005 Q1	-170.6	215.1	0.5	4.7	4.0	2.7	0.3	-126.8	195.8	-21.5	10.3	-105.2	185.6	-48.3	-19.0	14.2
Q2	-160.4	105.1	-1.3	0.4	-7.4	-8.4	-1.8	-97.4	45.2	-18.7	22.2	-78.7	23.0	-54.3	13.2	61.3
Q3	-81.9	130.0	0.4	4.3	7.9	5.3	1.1	-75.1	118.7	-37.2	15.1	-37.9	103.6	-15.0	-12.0	5.9
2004 Oct.	-15.9	2.9	0.0	1.2	2.0	2.3	0.1	-9.6	-0.5	8.4	7.0	-18.0	-7.6	-8.3	-1.3	2.0
Nov.	-66.1	109.0	0.8	2.0	-0.7	-0.8	1.0	-59.9	97.1	-0.3	3.2	-59.5	94.0	-6.3	-0.9	9.0
Dec.	10.2	-46.9	0.7	0.3	1.8	2.2	-2.7	-4.3	-37.9	-7.2	-11.2	2.9	-26.7	12.1	12.5	-6.7
2005 Jan.	-50.4	101.4	0.7	3.9	0.2	-1.3	2.6	-33.8	95.4	-9.0	12.9	-24.9	82.5	-17.4	-16.1	-0.5
Feb.	-65.5	65.9	0.1	-3.5	-1.8	0.3	-4.3	-60.8	61.8	-8.2	4.6	-52.6	57.2	-3.0	5.2	11.9
Mar.	-54.7	47.8	-0.2	4.3	5.5	3.7	2.0	-32.1	38.6	-4.4	-7.2	-27.8	45.8	-27.9	-8.0	2.9
Apr.	-120.3	136.1	0.1	-0.2	-5.1	-5.2	-2.1	-98.0	94.5	-9.1	0.0	-89.0	94.5	-17.2	11.6	43.9
May	-13.0	21.5	-0.8	-0.2	0.2	2.3	0.5	17.5	20.9	-3.4	10.9	20.9	10.0	-30.0	-4.2	0.4
June	-27.1	-52.6	-0.7	0.8	-2.5	-5.5	-0.2	-16.8	-70.2	-6.2	11.3	-10.6	-81.5	-7.1	5.8	17.0
July	-40.4	41.2	0.0	-1.1	-0.6	-4.3	0.8	-34.4	42.0	-10.3	3.4	-24.1	38.6	-5.4	-5.5	-0.5
Aug.	28.3	7.3	0.2	0.8	6.3	8.6	0.5	24.1	0.7	-6.4	4.1	30.6	-3.4	-2.3	-1.9	5.3
Sep.	-69.7	81.5	0.2	4.5	2.2	1.0	-0.2	-64.8	76.0	-20.4	7.6	-44.4	68.4	-7.3	-4.6	1.2
Oct.	-55.1	56.0	0.0	-1.0	0.3	-0.6	2.0	-49.1	50.7	-5.0	0.6	-44.1	50.1	-6.3	-0.4	4.3

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	-	-	-1.1	0.0	-7.8	-0.3
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-	-	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.1	0.1	0.0	-0.3	1.8	-2.0	-2.0	0.0	-2.6	0.0
2004 Q2	0.8	0.0	1.5	0.2	0.0	-4.6	0.3	-4.9	-0.4	0.0	2.9	0.2
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.2	0.1
Q4	1.7	-0.3	3.5	0.0	0.0	3.6	-0.1	3.7	-0.5	0.0	-1.6	-0.1
2005 Q1	0.5	0.0	4.7	0.0	0.0	4.4	1.7	2.7	-0.5	0.0	0.6	-0.2
Q2	-1.2	-0.1	0.4	0.0	0.0	-6.8	1.6	-8.4	-0.5	0.0	-1.8	0.0

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2002	-163.0	-5.0	27.9	-2.1	-1.9	-51.0	-	-	-3.5	-3.7	25.5	6.6
2003	-151.9	-0.5	134.8	-0.1	-1.2	-97.1	-	-	-2.3	4.1	28.3	0.1
2004	-256.5	-3.1	244.0	2.9	-6.0	-41.3	-28.1	-13.2	-5.0	8.6	11.7	2.2
2004 Q2	-4.8	-0.6	22.5	0.1	-4.9	-8.9	-16.9	8.0	-0.9	3.3	-6.4	-2.2
Q3	-22.1	-1.7	4.9	1.5	1.8	-8.7	4.2	-12.9	-0.8	0.0	-0.3	3.7
Q4	-75.6	1.8	59.1	-0.3	-0.1	-0.8	-11.2	10.3	-1.6	2.5	2.4	-0.5
2005 Q1	-124.8	-1.9	193.0	2.8	-2.8	-42.7	-23.8	-19.0	-2.8	2.9	6.2	5.2
Q2	-97.2	-0.2	44.0	1.2	-5.0	-47.3	-60.5	13.2	-2.0	1.1	58.6	1.6

8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	
					Total	Currency and deposits		Securities				Financial derivatives
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-2.6	0.7	0.2	-2.0	-1.5	-1.7	-17.1	0.0	8.5	8.9	-0.2	0.0
2003	28.2	1.7	0.0	-1.6	28.1	-2.5	1.9	-0.1	22.1	6.7	0.1	0.0
2004	12.5	1.2	0.5	4.0	6.9	-3.8	4.0	0.3	18.7	-12.2	-0.1	0.0
2004 Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.3	0.1	0.0
Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.1	1.4	1.7	0.0	0.0
Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	-0.1	3.4	-2.8	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.1	-2.7	0.0	0.0
Q2	3.1	1.3	0.0	1.3	0.5	-4.4	1.1	0.0	0.8	3.0	0.0	0.0

Source: ECB.

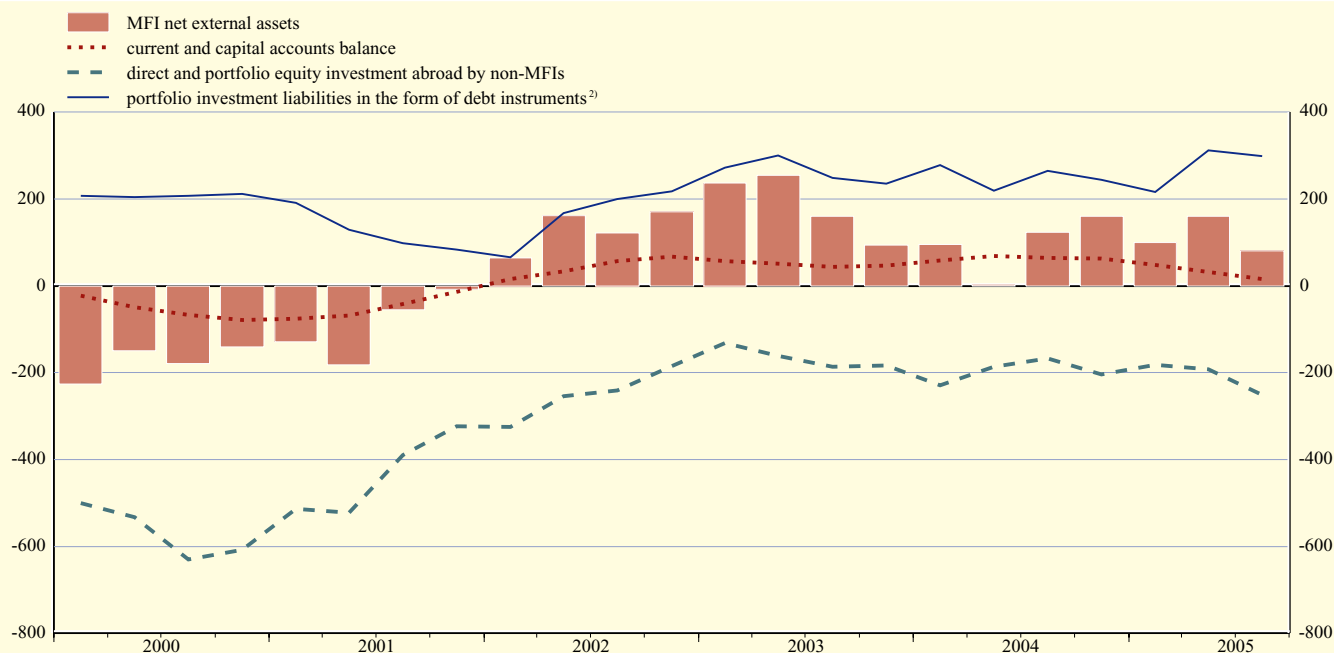
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity ¹⁾	Debt instruments ²⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2002	67.6	-147.3	191.5	-120.6	49.1	217.5	-56.5	20.3	-11.0	-52.3	158.2	170.4
2003	46.8	-137.4	137.9	-170.9	115.9	235.8	-100.9	29.2	-11.2	-50.9	94.3	94.1
2004	63.0	-112.4	83.3	-184.8	127.5	244.5	-54.6	19.9	-4.8	-54.7	127.0	160.7
2004 Q3	15.9	-14.3	23.5	-32.5	38.6	53.2	-7.5	5.8	-2.3	-16.9	63.4	63.7
Q4	21.4	-56.7	45.4	-45.4	90.3	13.3	0.6	2.7	-4.1	-23.7	43.9	57.2
2005 Q1	4.6	-30.0	12.0	-66.2	29.3	71.2	-44.4	14.6	-7.2	-30.5	-46.6	-24.8
Q2	-9.4	-25.0	15.6	-60.2	1.8	174.4	-61.7	59.5	3.2	-36.6	61.6	65.0
Q3	-1.0	-100.1	9.9	-79.9	142.4	39.6	-7.1	7.0	-7.6	-17.8	-14.6	-17.2
2004 Oct.	3.8	-29.4	19.4	-17.5	20.8	18.7	-6.3	2.1	-3.7	12.6	20.5	20.5
Nov.	5.7	-16.8	20.6	-15.0	26.5	-3.4	-7.0	10.0	1.8	-18.9	3.5	10.3
Dec.	11.9	-10.5	5.4	-12.9	43.0	-2.0	13.9	-9.4	-2.1	-17.4	19.8	26.4
2005 Jan.	-6.6	-13.4	3.3	-15.7	7.4	22.9	-17.2	2.1	-3.4	-11.7	-32.2	-15.8
Feb.	6.9	-4.8	3.1	-22.0	16.4	35.8	-4.8	7.6	1.3	-34.0	5.5	13.7
Mar.	4.3	-11.8	5.5	-28.6	5.5	12.5	-22.4	4.9	-5.0	15.1	-19.9	-22.7
Apr.	-10.5	-14.1	4.3	-13.9	-57.9	59.2	-22.4	41.8	-0.4	22.0	8.1	2.3
May	-1.2	9.1	-0.4	-27.0	11.1	33.8	-29.7	0.8	0.6	-38.3	-41.2	-39.5
June	2.3	-20.0	11.7	-19.3	48.6	81.4	-9.6	16.8	3.0	-20.3	94.7	102.2
July	2.2	-79.9	1.4	-28.8	112.0	2.6	-6.0	0.3	0.7	-0.3	4.3	0.6
Aug.	-0.9	-11.2	-3.2	-22.3	24.7	-6.2	3.9	5.7	-6.3	6.2	-9.6	1.7
Sep.	-2.4	-9.0	11.6	-28.8	5.8	43.2	-5.1	1.0	-2.0	-23.7	-9.3	-19.5
Oct.	-8.4	-4.9	3.4	-15.7	-10.7	18.2	-6.0	6.2	-1.4	15.0	-4.3	-9.5
	<i>12-month cumulated transactions</i>											
2005 Oct.	3.4	-187.3	66.9	-249.9	232.4	298.0	-112.4	87.8	-13.4	-106.2	19.3	50.2

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

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

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

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

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

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2004 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	1,900.5	701.5	39.0	62.8	378.7	161.3	59.6	25.5	49.5	129.6	324.4	670.1
Goods	1,163.8	406.9	26.8	43.4	205.1	131.5	0.2	14.9	33.3	67.3	174.9	466.4
Services	369.5	133.8	7.3	10.3	94.3	17.7	4.2	5.1	10.5	35.6	74.0	110.5
Income	284.4	100.4	4.6	8.7	70.5	10.8	5.8	5.0	5.4	20.5	69.2	84.0
of which: investment income	269.2	95.3	4.5	8.6	69.0	10.6	2.5	4.9	5.3	14.4	67.6	81.7
Current transfers	82.9	60.4	0.4	0.5	8.7	1.3	49.4	0.5	0.2	6.2	6.3	9.2
Capital account	23.9	21.3	0.0	0.1	0.8	0.1	20.3	0.0	0.1	0.3	1.1	1.1
Debits												
Current account	1,883.0	615.2	34.0	59.1	296.8	137.3	88.0	18.7	79.4	120.8	285.2	763.7
Goods	1,083.3	321.2	25.4	39.4	147.0	109.4	0.0	8.6	51.1	53.9	113.7	534.8
Services	341.3	106.6	6.0	7.9	71.0	21.6	0.1	5.1	7.3	29.5	73.4	119.4
Income	315.1	93.8	2.3	10.9	71.3	4.7	4.6	3.3	20.7	32.2	89.7	75.3
of which: investment income	308.5	90.6	2.2	10.9	70.3	2.6	4.5	3.2	20.6	31.7	88.8	73.6
Current transfers	143.3	93.6	0.3	0.9	7.6	1.6	83.3	1.6	0.3	5.2	8.5	34.2
Capital account	8.9	1.0	0.0	0.1	0.6	0.2	0.1	0.1	0.0	0.4	0.6	6.8
Net												
Current account	17.5	86.3	5.0	3.7	81.9	24.0	-28.4	6.8	-29.9	8.8	39.2	-93.7
Goods	80.4	85.7	1.3	4.0	58.1	22.1	0.2	6.3	-17.8	13.4	61.3	-68.4
Services	28.2	27.2	1.3	2.3	23.4	-3.9	4.1	0.0	3.2	6.1	0.6	-8.9
Income	-30.7	6.6	2.3	-2.2	-0.8	6.1	1.2	1.7	-15.3	-11.7	-20.5	8.7
of which: investment income	-39.3	4.7	2.3	-2.3	-1.3	8.0	-2.0	1.7	-15.3	-17.3	-21.2	8.2
Current transfers	-60.4	-33.2	0.1	-0.3	1.2	-0.3	-33.8	-1.1	0.0	1.0	-2.1	-25.0
Capital account	15.0	20.3	0.0	0.0	0.3	-0.1	20.2	-0.1	0.1	-0.1	0.5	-5.7

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 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-43.1	-27.0	5.1	-0.7	-31.7	0.4	0.0	-2.0	1.3	20.3	10.1	-14.2	-31.6
Abroad	-140.0	-77.9	-0.1	-5.8	-52.3	-19.7	0.0	1.5	-1.5	7.5	-10.3	-20.7	-38.6
Equity/reinvested earnings	-132.3	-65.1	-2.6	-2.4	-36.9	-23.2	0.0	2.1	-1.3	1.1	-22.0	-22.1	-25.2
Other capital	-7.7	-12.8	2.6	-3.4	-15.4	3.4	0.0	-0.6	-0.3	6.4	11.7	1.4	-13.4
In the euro area	96.9	50.9	5.2	5.1	20.5	20.1	0.0	-3.5	2.8	12.8	20.4	6.5	7.0
Equity/reinvested earnings	72.7	41.8	-1.1	4.0	36.5	2.4	0.0	-4.5	1.1	7.5	15.1	10.1	1.6
Other capital	24.2	9.1	6.2	1.1	-15.9	17.7	0.0	1.0	1.7	5.3	5.3	-3.5	5.4

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 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-364.0	-157.1	-5.3	-6.0	-116.4	-20.2	-9.2	-3.6	-36.9	0.2	-54.6	-57.6	-54.3
Equity	-83.4	-23.9	0.5	-1.4	-20.4	-2.5	-0.1	-2.3	-11.7	-0.1	-7.9	-19.6	-17.8
Debt instruments	-280.6	-133.2	-5.8	-4.5	-96.1	-17.7	-9.1	-1.3	-25.3	0.3	-46.7	-38.0	-36.4
Bonds and notes	-239.4	-109.1	-4.0	-6.6	-71.4	-18.1	-8.9	-1.7	-16.6	0.5	-55.9	-23.3	-33.4
Money market instruments	-41.2	-24.1	-1.7	2.1	-24.6	0.4	-0.2	0.3	-8.6	-0.2	9.2	-14.8	-3.1

4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	-35.0	-73.1	3.6	-0.4	-71.9	-11.1	6.7	-2.5	12.8	-2.0	33.7	-27.5	1.9	21.6
Assets	-435.6	-320.1	-9.6	-4.3	-282.7	-21.4	-2.1	-3.5	7.3	-10.1	-32.3	-46.4	-3.2	-27.4
General government	-0.1	-1.1	-1.3	-0.1	-0.4	1.4	-0.6	-0.3	0.0	-0.1	0.0	0.0	-1.8	3.2
MFIs	-322.7	-232.1	-6.2	-1.8	-200.4	-22.0	-1.5	-2.8	8.8	-8.3	-35.8	-30.2	-1.4	-20.9
Other sectors	-112.9	-86.9	-2.0	-2.3	-81.8	-0.8	0.0	-0.3	-1.5	-1.8	3.5	-16.2	0.0	-9.7
Liabilities	400.6	247.0	13.2	3.8	210.8	10.3	8.8	0.9	5.5	8.2	66.0	18.9	5.1	49.0
General government	-0.8	0.6	0.0	0.1	-0.6	0.0	1.1	0.0	-0.5	0.0	-0.8	0.0	-0.4	0.3
MFIs	318.1	176.1	13.0	3.0	147.0	8.4	4.7	0.6	5.1	8.1	49.0	15.6	5.6	58.0
Other sectors	83.3	70.3	0.2	0.8	64.4	1.9	3.0	0.3	1.0	0.1	17.8	3.2	-0.1	-9.3

5. International investment position

(end-of-period outstanding amounts)

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

Source: ECB.

7.4 International investment position (including international reserves)

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

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2001	-389.0	-5.6	422.9	-834.8	2.5	-372.3	392.7
2002	-703.6	-9.8	184.5	-937.6	-12.0	-304.6	366.1
2003	-809.3	-10.9	43.1	-914.0	-8.3	-236.8	306.6
2004	-946.4	-12.3	33.1	-1,049.4	-14.8	-196.1	280.8
2005 Q1	-956.7	-12.1	89.2	-1,071.1	-21.3	-238.5	285.0
Q2	-1,009.2	-12.7	113.5	-1,226.1	-13.5	-185.4	302.3
Outstanding assets							
2001	7,758.3	111.3	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	103.1	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	107.1	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	112.1	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q1	9,118.1	114.9	2,324.0	3,141.0	174.3	3,193.8	285.0
Q2	9,684.6	122.0	2,378.1	3,355.3	197.7	3,451.2	302.3
Outstanding liabilities							
2001	8,147.3	116.9	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.8	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	118.1	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,579.0	124.4	2,231.9	4,033.4	177.2	3,136.4	-
2005 Q1	10,074.8	126.9	2,234.8	4,212.2	195.6	3,432.3	-
Q2	10,693.8	134.7	2,264.6	4,581.4	211.2	3,636.6	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q1	1,858.6	145.3	1,713.3	465.3	1.2	464.2	1,640.0	46.1	1,593.9	594.7	3.7	591.0
Q2	1,908.5	152.1	1,756.4	469.6	1.2	468.4	1,655.1	47.2	1,608.0	609.5	3.7	605.8

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes				Money market instruments					
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	
			General gov.	Other sectors				General gov.	Other sectors			General gov.	Other sectors		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	0.6	38.5	6.7	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q1	2.1	104.2	17.1	1,180.5	1,862.5	6.1	582.4	10.1	950.3	2,078.1	0.5	223.9	4.1	59.7	271.6
Q2	2.5	88.1	18.8	1,266.5	2,002.9	6.9	643.4	10.2	1,006.5	2,283.8	0.9	242.0	6.5	63.0	294.6

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosystem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2001	2.3	0.8	40.2	0.2	3.1	70.1	-	-	55.8	0.2	44.7	12.3	
2002	3.6	0.1	57.2	0.2	1.3	59.4	-	-	54.5	0.1	42.2	13.8	
2003	4.4	0.6	65.3	0.2	1.4	54.2	50.1	4.1	39.1	0.0	40.2	3.8	
2004	4.5	0.1	73.2	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5	
2005 Q1	3.8	0.1	77.5	0.2	1.4	55.3	49.1	6.2	40.8	0.0	43.7	2.4	
Q2	5.0	0.2	78.9	0.2	1.4	62.2	47.7	14.5	42.3	0.0	42.0	3.1	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2001	1,666.4	48.8	2,362.1	49.3	176.4	511.7	-	-	101.2	109.7	349.7	40.7	
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	-	-	92.7	104.4	365.2	47.8	
2003	1,739.6	38.4	2,242.9	30.9	170.3	538.4	208.7	329.8	96.7	106.6	383.5	46.3	
2004	1,955.8	44.3	2,424.3	42.0	172.3	558.6	227.5	331.1	106.2	109.5	394.7	48.9	
2005 Q1	2,117.3	58.5	2,662.9	60.8	177.6	627.5	259.7	367.9	111.4	116.7	411.6	56.4	
Q2	2,277.6	66.4	2,780.1	72.5	184.4	683.0	325.8	357.1	128.6	116.4	480.5	62.8	

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosystem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.6	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.7	1.0	80.2	26.5	0.9	0.0	20.3	-16.3
2004	280.8	125.4	389.998	3.9	18.6	132.9	12.5	25.5	94.7	0.5	58.5	35.6	0.2	0.0	19.1	-12.8
2005 Q1	285.0	127.7	387.359	4.0	17.4	135.8	7.7	27.8	100.4	0.5	59.8	40.1	-0.1	0.0	21.4	-15.1
Q2	302.3	138.2	382.323	4.2	16.5	143.4	12.4	28.3	103.0	0.5	62.8	39.7	-0.4	0.0	23.4	-17.7
2005 Sep.	311.6	149.4	380.258	4.2	13.8	144.2	10.8	27.3	106.3	-	-	-	-0.2	0.0	24.0	-19.5
Oct.	310.5	148.1	378.357	4.2	13.6	144.5	8.7	28.8	107.1	-	-	-	-0.1	0.0	23.6	-20.4
Nov.	322.7	158.8	377.023	4.3	13.4	146.2	8.8	27.8	109.7	-	-	-	-0.1	0.0	23.6	-19.4
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Q1	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	0.0	7.7	14.9	0.0	0.0	2.7	-0.9
Q2	39.7	8.4	23.145	0.2	0.0	31.2	3.8	5.1	22.3	0.0	8.2	14.1	0.0	0.0	2.6	-1.4
2005 Sep.	41.0	9.1	23.145	0.2	0.0	31.8	4.7	5.1	22.0	-	-	-	0.0	0.0	2.3	-1.5
Oct.	41.0	9.1	23.145	0.2	0.0	31.7	2.3	6.9	22.6	-	-	-	0.0	0.0	2.3	-1.5
Nov.	42.3	9.7	23.145	0.2	0.0	32.3	2.2	6.4	23.8	-	-	-	0.0	0.0	3.1	-2.3

Source: ECB.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: 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	235.1	289.2	932.5	1,016.8	579.2	178.9	228.4	740.9	107.7
2002	2.0	-3.0	1,083.7	512.4	227.8	309.5	949.3	984.6	559.4	163.2	234.3	717.4	105.2
2003	-2.3	0.5	1,059.8	500.9	222.8	300.4	925.2	989.9	553.8	164.2	240.9	716.4	109.0
2004	8.9	9.3	1,147.1	548.0	247.0	313.6	997.1	1,075.1	604.1	183.7	256.2	769.7	129.4
2004 Q2	12.6	10.0	288.4	137.3	62.0	80.1	249.5	265.1	148.3	46.6	63.7	189.8	29.8
Q3	9.0	14.5	287.9	138.7	61.7	78.6	250.0	275.6	157.1	46.1	64.0	195.2	36.6
Q4	8.8	12.5	291.7	139.5	62.8	77.9	254.0	279.1	158.5	47.3	65.1	199.7	36.6
2005 Q1	3.4	8.5	292.1	137.7	62.0	77.3	255.7	279.3	155.3	45.0	63.2	197.8	36.1
Q2	5.9	10.5	301.6	143.0	63.7	80.2	258.4	292.1	165.1	49.0	64.5	200.8	40.5
Q3	9.5	14.0	317.3	148.2	69.4	83.4	273.1	314.2	179.2	51.4	68.0	215.9	51.0
2005 May	6.8	13.1	101.1	47.7	21.1	26.6	86.8	98.1	55.4	15.9	21.8	68.0	13.2
June	6.4	7.8	100.9	47.7	21.5	27.2	85.8	97.2	54.8	16.7	21.7	66.5	13.7
July	2.8	9.4	103.3	47.7	22.3	26.9	88.8	102.2	56.8	16.5	22.0	70.9	14.7
Aug.	14.1	19.7	106.7	50.0	23.4	28.1	91.9	106.8	62.4	18.0	23.0	73.3	18.1
Sep.	12.4	13.3	107.3	50.5	23.7	28.4	92.3	105.1	60.1	16.9	23.0	71.7	18.2
Oct.	6.9	12.3	104.9	48.7	22.6	27.7	88.8	106.0	59.2	17.3	22.7	71.3	14.8
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	99.1	99.3	96.3	100.5	97.8	99.3
2002	2.9	-0.7	107.9	105.0	106.2	115.1	108.2	98.3	98.8	89.5	104.1	96.3	101.4
2003	1.0	3.7	109.0	105.9	108.0	114.9	109.3	102.0	100.4	95.2	110.4	100.0	104.9
2004	8.8	6.6	117.9	115.4	121.0	120.0	118.2	108.0	103.8	108.3	118.4	107.3	105.6
2004 Q2	12.1	6.8	118.4	115.9	121.0	122.0	118.3	107.1	103.0	109.1	117.9	105.8	101.3
Q3	7.7	8.2	117.6	116.0	120.2	120.1	118.0	108.8	105.1	108.2	117.8	108.1	114.4
Q4	7.5	6.0	119.6	116.1	123.6	119.3	120.1	109.5	104.2	112.9	120.0	110.7	105.0
2005 Q1	1.3	2.4	119.0	113.6	122.3	117.9	120.1	110.1	102.6	108.9	116.3	109.6	105.8
Q2	4.2	4.3	121.8	117.0	125.0	121.4	121.0	111.4	103.8	116.9	118.3	110.5	103.6
Q3	6.8	4.3	126.5	119.7	135.3	124.7	127.0	113.5	104.5	119.8	122.5	117.3	108.9
2005 May	5.6	8.0	123.3	117.8	124.8	121.1	122.5	113.9	106.6	114.3	119.9	112.6	107.3
June	4.4	1.4	121.5	116.2	126.2	122.7	120.0	108.9	100.8	117.5	118.2	108.7	99.3
July	0.3	0.9	123.8	115.5	130.6	121.4	124.0	111.8	100.6	116.1	119.3	115.8	97.7
Aug.	11.5	9.1	127.5	121.5	136.4	125.6	128.2	115.3	108.8	123.7	124.1	119.1	117.3
Sep.	9.4	3.4	128.2	122.2	138.8	127.0	128.7	113.5	104.1	119.4	124.1	117.1	111.7
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	102.8	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	96.9	96.4	94.4	99.5	96.2	97.2	98.4	92.6	97.9	96.2	99.6
2004 Q2	0.4	3.0	97.1	96.3	94.7	100.0	96.3	96.7	97.4	93.4	97.9	96.2	95.7
Q3	1.3	5.8	97.6	97.1	94.8	99.7	96.7	99.0	101.1	93.1	98.4	96.9	104.0
Q4	1.2	6.1	97.3	97.6	93.9	99.5	96.5	99.6	103.0	91.5	98.1	96.8	113.6
2005 Q1	2.1	6.0	97.8	98.5	93.8	99.9	97.1	99.1	102.3	90.2	98.4	96.9	111.2
Q2	1.6	5.9	98.7	99.4	94.3	100.7	97.5	102.5	107.7	91.6	98.8	97.5	127.5
Q3	2.5	9.3	100.0	100.6	94.9	101.9	98.1	108.1	116.0	93.8	100.4	98.8	152.3
2005 May	1.1	4.7	98.1	98.7	93.9	100.3	97.0	101.0	105.4	91.1	98.8	97.3	120.2
June	2.0	6.3	99.4	100.1	94.4	101.4	97.8	104.6	110.4	92.9	99.5	98.4	134.8
July	2.5	8.4	99.8	100.6	94.8	101.3	98.1	107.1	114.5	93.3	100.0	98.6	146.7
Aug.	2.2	9.8	100.1	100.4	95.0	102.4	98.1	108.6	116.3	95.4	100.5	99.1	151.3
Sep.	2.8	9.6	100.1	100.7	94.8	102.0	98.1	108.6	117.2	92.6	100.7	98.6	159.0
Oct.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
	1	Denmark	Sweden	United Kingdom	Other EU countries	6	7	8	9	China	Japan	Other Asian countries	13	14	15
Exports (f.o.b.)															
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	60.4	49.9	93.4
2002	1,083.7	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.4
2003	1,059.8	24.9	38.7	194.9	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.5	59.5	37.9	100.5
2004	1,147.1	25.7	41.8	203.7	128.0	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.3
2004 Q2	288.4	6.3	10.4	51.0	32.3	9.0	16.3	8.3	44.1	10.7	8.0	36.9	16.0	9.9	29.2
Q3	287.9	6.5	10.5	51.4	31.7	9.2	17.2	7.9	43.3	9.7	8.4	38.3	16.5	10.2	26.9
Q4	291.7	6.7	10.7	51.1	32.8	9.2	17.1	7.7	43.8	10.1	8.2	37.8	16.0	10.5	30.2
2005 Q1	292.1	6.7	10.9	49.8	33.3	9.8	17.4	8.0	43.5	10.3	8.5	39.0	17.1	11.0	26.9
Q2	301.6	7.0	11.2	49.9	34.0	10.6	16.8	8.1	45.4	10.0	8.4	40.4	17.1	11.2	31.6
Q3	317.3	7.3	11.4	51.3	35.8	11.3	17.8	8.9	47.0	11.3	8.5	43.7	19.1	12.2	31.6
2005 May	101.1	2.4	3.7	16.9	11.2	3.5	5.7	2.7	15.1	3.3	2.7	13.3	6.1	3.7	10.8
June	100.9	2.4	3.7	16.5	11.5	3.6	5.5	2.7	15.3	3.4	2.8	13.3	5.5	3.6	11.3
July	103.3	2.4	3.8	16.8	11.7	3.4	5.7	2.8	15.2	3.7	2.8	14.5	6.0	4.1	10.5
Aug.	106.7	2.5	3.8	17.5	11.8	4.0	6.2	3.1	15.9	3.7	2.9	14.4	6.6	4.0	10.1
Sep.	107.3	2.5	3.8	16.9	12.3	3.8	5.9	3.1	15.9	3.9	2.8	14.8	6.5	4.1	11.0
Oct.	104.9	.	.	.	.	3.6	5.8	3.0	15.5	3.7	2.8	13.8	6.0	4.0	.
<i>% share of total exports</i>															
2004	100.0	2.2	3.6	17.8	11.2	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.6	3.5	9.9
Imports (c.i.f.)															
2001	1,016.8	22.0	35.6	154.6	88.9	42.8	52.9	16.7	138.7	57.5	58.6	150.5	74.0	41.0	83.0
2002	984.6	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	80.9
2003	989.9	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.4	52.2	141.4	68.9	39.8	84.2
2004	1,075.1	25.3	39.7	143.7	107.1	56.4	53.4	22.8	113.8	92.1	53.9	163.1	72.8	45.1	86.0
2004 Q2	265.1	6.1	9.9	35.2	26.8	13.6	13.2	5.7	29.8	22.5	13.1	40.7	17.2	11.0	20.3
Q3	275.6	6.4	10.1	37.4	26.1	14.5	13.6	6.0	28.7	23.6	13.7	42.2	19.1	11.6	22.6
Q4	279.1	6.5	10.2	36.4	27.3	15.9	13.8	6.1	28.8	25.3	13.5	43.2	19.9	11.7	20.7
2005 Q1	279.3	6.2	10.0	35.7	27.0	16.7	13.4	6.2	29.1	26.6	13.0	41.0	20.2	12.1	22.1
Q2	292.1	6.4	10.2	36.6	28.8	17.5	14.4	5.8	29.9	27.8	12.4	45.8	21.8	11.9	22.8
Q3	314.2	6.3	10.5	38.6	29.8	18.7	15.0	6.1	30.6	30.4	13.4	49.2	26.6	13.7	25.3
2005 May	98.1	2.3	3.4	12.2	9.9	6.0	4.8	2.1	9.9	9.5	4.2	14.9	7.6	3.9	7.5
June	97.2	2.0	3.4	11.9	9.6	5.8	4.9	1.8	10.0	9.4	4.1	16.1	7.2	4.0	7.0
July	102.2	2.0	3.5	12.8	9.7	5.7	5.0	2.0	10.1	9.9	4.3	15.6	7.8	4.1	9.8
Aug.	106.8	2.2	3.5	13.0	9.9	6.7	5.0	2.1	10.3	10.2	4.7	17.3	9.8	4.9	7.4
Sep.	105.1	2.1	3.5	12.9	10.1	6.4	5.0	2.0	10.2	10.3	4.4	16.3	9.1	4.7	8.2
Oct.	106.0	.	.	.	.	6.3	5.0	2.1	10.2	10.4	4.2	15.1	8.2	4.7	.
<i>% share of total imports</i>															
2004	100.0	2.4	3.7	13.4	10.0	5.2	5.0	2.1	10.6	8.6	5.0	15.2	6.8	4.2	8.0
Balance															
2001	45.9	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.1	-10.2	-13.6	8.9	10.4
2002	99.2	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.4	-31.9	-19.7	-2.2	-8.3	4.0	19.5
2003	69.9	1.1	1.7	56.0	15.5	-18.2	12.9	5.5	56.0	-39.1	-20.9	-5.9	-9.4	-1.8	16.3
2004	72.0	0.5	2.1	60.0	20.9	-20.7	12.6	8.9	60.0	-51.8	-20.8	-13.2	-9.0	-4.8	27.3
2004 Q2	23.3	0.3	0.6	15.7	5.5	-4.5	3.1	2.6	14.3	-11.8	-5.1	-3.8	-1.3	-1.1	8.8
Q3	12.3	0.1	0.4	14.0	5.7	-5.3	3.5	1.9	14.6	-13.8	-5.3	-3.9	-2.5	-1.4	4.3
Q4	12.6	0.2	0.5	14.7	5.5	-6.6	3.3	1.6	15.0	-15.2	-5.3	-5.5	-3.9	-1.2	9.5
2005 Q1	12.8	0.5	0.9	14.1	6.3	-6.9	4.0	1.7	14.4	-16.3	-4.5	-2.1	-3.2	-1.1	4.8
Q2	9.5	0.6	1.0	13.3	5.2	-6.9	2.5	2.3	15.5	-17.8	-4.0	-5.4	-4.7	-0.7	8.8
Q3	3.1	1.1	0.9	12.7	6.1	-7.4	2.9	2.9	16.4	-19.1	-4.9	-5.5	-7.6	-1.5	6.3
2005 May	3.0	0.1	0.3	4.7	1.3	-2.4	0.9	0.7	5.1	-6.2	-1.5	-1.6	-1.5	-0.2	3.4
June	3.8	0.3	0.3	4.6	1.8	-2.1	0.6	0.9	5.3	-6.0	-1.3	-2.8	-1.7	-0.4	4.3
July	1.1	0.3	0.3	4.0	1.9	-2.3	0.8	0.9	5.1	-6.2	-1.5	-1.1	-1.8	0.0	0.7
Aug.	-0.2	0.3	0.3	4.6	1.9	-2.7	1.2	1.0	5.6	-6.4	-1.8	-2.9	-3.2	-0.9	2.8
Sep.	2.2	0.4	0.3	4.1	2.2	-2.5	0.9	1.0	5.7	-6.4	-1.6	-1.5	-2.6	-0.6	2.8
Oct.	-1.2	.	.	.	.	-2.7	0.8	1.0	5.3	-6.7	-1.4	-1.4	-2.2	-0.7	.

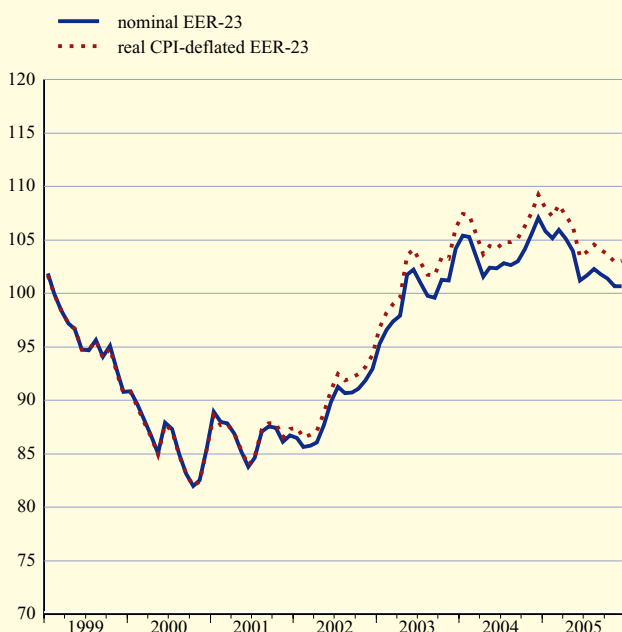
Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

EXCHANGE RATES

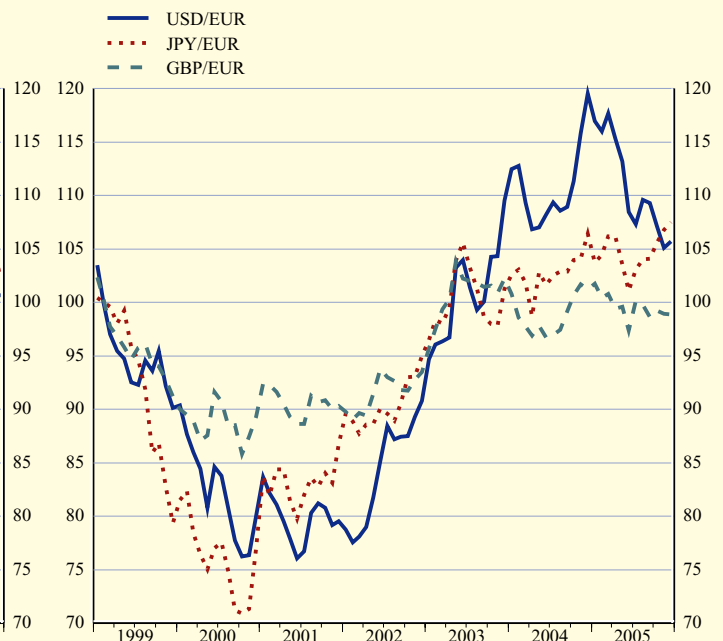
8.1 Effective exchange rates ¹⁾ (period averages; index 1999 Q1=100)

	EER-23						EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2003	99.9	101.7	102.2	101.2	97.8	98.6	106.6	101.6	
2004	103.8	105.9	105.2	105.0	103.2	102.8	111.0	105.4	
2005	102.9	105.2	103.6	.	.	.	109.5	103.6	
2004 Q4	105.7	107.7	106.6	106.6	105.2	104.2	113.0	107.1	
2005 Q1	105.7	107.9	106.9	106.8	103.9	103.6	112.6	106.6	
Q2	103.4	105.6	104.2	104.5	100.8	101.6	110.1	104.1	
Q3	101.9	104.2	102.4	102.7	99.5	100.2	108.3	102.4	
Q4	100.9	103.2	100.9	.	.	.	107.2	101.2	
2004 Dec.	107.1	109.2	108.1	-	-	-	114.4	108.4	
2005 Jan.	105.8	108.0	107.1	-	-	-	112.9	106.9	
Feb.	105.1	107.2	106.4	-	-	-	111.9	105.9	
Mar.	106.0	108.3	107.3	-	-	-	112.9	106.9	
Apr.	105.1	107.3	105.9	-	-	-	111.9	105.8	
May	104.0	106.2	104.6	-	-	-	110.6	104.6	
June	101.2	103.4	102.1	-	-	-	107.6	101.8	
July	101.7	103.9	102.3	-	-	-	108.0	102.1	
Aug.	102.3	104.6	102.9	-	-	-	108.7	102.8	
Sep.	101.8	104.1	102.0	-	-	-	108.2	102.4	
Oct.	101.4	103.7	101.4	-	-	-	107.8	101.8	
Nov.	100.7	103.0	100.7	-	-	-	106.9	100.8	
Dec.	100.7	103.1	100.6	-	-	-	106.9	100.8	
	<i>% change versus previous month</i>								
2005 Dec.	0.0	0.1	-0.1	-	-	-	0.0	0.0	
	<i>% change versus previous year</i>								
2005 Dec.	-6.0	-5.6	-7.0	-	-	-	-6.6	-7.0	

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



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



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish kroner 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian kroner 11	Australian dollar 12
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2005 Q2	7.4463	9.2083	0.67856	1.2594	135.42	1.5437	1,269.53	9.8090	2.0885	1.5677	8.0483	1.6389
Q3	7.4588	9.3658	0.68344	1.2199	135.62	1.5533	1,255.21	9.4782	2.0436	1.4668	7.8817	1.6054
Q4	7.4586	9.4731	0.67996	1.1884	139.41	1.5472	1,231.69	9.2157	2.0065	1.3956	7.8785	1.5983
2005 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
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
Aug.	7.4596	9.3398	0.68527	1.2292	135.98	1.5528	1,255.33	9.5529	2.0439	1.4819	7.9165	1.6144
Sep.	7.4584	9.3342	0.67760	1.2256	136.06	1.5496	1,261.46	9.5138	2.0603	1.4452	7.8087	1.6009
Oct.	7.4620	9.4223	0.68137	1.2015	138.05	1.5490	1,256.66	9.3191	2.0326	1.4149	7.8347	1.5937
Nov.	7.4596	9.5614	0.67933	1.1786	139.59	1.5449	1,226.38	9.1390	2.0017	1.3944	7.8295	1.6030
Dec.	7.4541	9.4316	0.67922	1.1856	140.58	1.5479	1,212.30	9.1927	1.9855	1.3778	7.9737	1.5979
	% change versus previous month											
2005 Dec.	-0.1	-1.4	0.0	0.6	0.7	0.2	-1.1	0.6	-0.8	-1.2	1.8	-0.3
	% change versus previous year											
2005 Dec.	0.3	5.0	-2.3	-11.6	1.0	0.7	-13.9	-11.8	-9.8	-15.6	-3.0	-8.5
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New Roman- ian leu ¹⁾ 24
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37.551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40.510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	239.57	38.599	1.9558	3.6209
2005 Q2	30.129	15.6466	0.57824	0.6960	3.4528	249.75	0.4295	4.1301	239.54	38.919	1.9558	36.195
Q3	29.688	15.6466	0.57328	0.6960	3.4528	245.57	0.4293	4.0186	239.49	38.672	1.9558	3.5250
Q4	29.304	15.6466	0.57339	0.6965	3.4528	251.84	0.4293	3.9152	239.51	38.494	1.9558	3.6379
2005 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
July	30.180	15.6466	0.57367	0.6961	3.4528	246.47	0.4293	4.0986	239.48	38.886	1.9558	3.5647
Aug.	29.594	15.6466	0.57321	0.6960	3.4528	244.49	0.4293	4.0436	239.51	38.681	1.9557	3.5034
Sep.	29.317	15.6466	0.57296	0.6961	3.4528	245.83	0.4293	3.9160	239.47	38.459	1.9558	3.5097
Oct.	29.675	15.6466	0.57319	0.6965	3.4528	251.85	0.4293	3.9229	239.53	38.923	1.9559	3.5997
Nov.	29.266	15.6466	0.57351	0.6963	3.4528	251.04	0.4293	3.9701	239.51	38.678	1.9557	3.6543
Dec.	28.972	15.6466	0.57346	0.6967	3.4528	252.68	0.4293	3.8501	239.51	37.872	1.9558	3.6589
	% change versus previous month											
2005 Dec.	-1.0	0.0	0.0	0.1	0.0	0.7	0.0	-3.0	0.0	-2.1	0.0	0.1
	% change versus previous year											
2005 Dec.	-5.4	0.0	-1.0	1.0	0.0	2.8	-0.7	-6.9	-0.1	-2.6	0.0	-
	Chinese yuan renminbi ²⁾ 25	Croatian kuna ²⁾ 26	Icelandic krona 27	Indonesian rupiah ²⁾ 28	Malaysian ringgit ²⁾ 29	New Zealand dollar 30	Philippine peso ²⁾ 31	Russian rouble ²⁾ 32	South African rand 33	Thai baht ²⁾ 34	New Turkish lira ³⁾ 35	
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851	
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052	
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771	
2005 Q2	10.4232	7.3443	80.79	12,032.61	4.7858	1.7597	68.847	35.3733	8.0799	50.497	1.7193	
Q3	9.9250	7.3728	77.64	12,216.99	4.6008	1.7640	68.335	34.7864	7.9392	50.375	1.6372	
Q4	9.6057	7.3831	73.86	11,875.37	4.4881	1.7124	64.821	34.1294	7.7706	48.780	1.6132	
2005 June	10.0683	7.3169	79.30	11,716.31	4.6234	1.7175	67.214	34.6951	8.2194	49.793	1.6560	
July	9.8954	7.3090	78.40	11,803.89	4.5590	1.7732	67.394	34.5513	8.0790	50.199	1.6133	
Aug.	9.9589	7.3684	78.37	12,283.08	4.6216	1.7675	68.768	35.0119	7.9508	50.604	1.6534	
Sep.	9.9177	7.4384	76.15	12,542.23	4.6190	1.7515	68.782	34.7750	7.7936	50.305	1.6430	
Oct.	9.7189	7.3822	73.29	12,118.09	4.5330	1.7212	66.777	34.3262	7.9139	49.153	1.6331	
Nov.	9.5273	7.3791	72.98	11,834.55	4.4534	1.7088	64.258	33.9184	7.8502	48.469	1.6033	
Dec.	9.5746	7.3882	75.36	11,675.40	4.4796	1.7072	63.454	34.1538	7.5439	48.731	1.6038	
	% change versus previous month											
2005 Dec.	0.5	0.1	3.3	-1.3	0.6	-0.1	-1.3	0.7	-3.9	0.5	0.0	
	% change versus previous year											
2005 Dec.	-13.7	-2.3	-10.3	-5.7	-12.1	-8.9	-15.8	-8.7	-1.8	-7.3	-	

Source: ECB.

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

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

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

DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	.	.	.	.	.	2.5	.	.	.
2005 Q2	1.2	1.6	3.6	2.1	6.7	2.4	3.6	2.2	2.2	2.2	2.6	0.5	1.9
Q3	1.6	2.2	4.3	1.7	6.7	2.2	3.5	2.1	1.7	2.3	2.2	0.9	2.4
Q4	2.2	2.0	4.0	1.9	.	.	.	.	.	2.6	.	.	.
2005 Aug.	1.4	2.3	4.2	1.5	6.3	2.3	3.5	2.5	1.8	1.8	2.1	1.1	2.4
Sep.	2.0	2.4	4.9	2.1	7.4	2.6	3.6	2.0	1.9	3.2	2.3	1.1	2.5
Oct.	2.5	1.9	4.5	2.2	7.7	3.0	3.1	3.0	1.6	3.2	3.5	0.9	2.3
Nov.	2.2	1.9	4.0	2.0	7.5	2.8	3.3	4.3	1.1	2.1	3.6	1.2	2.1
Dec.	1.9	2.2	3.6	1.4	.	.	.	.	.	2.4	.	.	.
General government deficit (-)/surplus (+) as a % of GDP ¹⁾													
2002	-6.8	1.4	1.5	-4.5	-2.3	-1.4	-8.5	-5.8	-3.3	-2.7	-7.8	-0.3	-1.7
2003	-12.5	1.2	2.6	-6.3	-1.2	-1.2	-6.5	-10.4	-4.8	-2.7	-3.8	0.2	-3.3
2004	-3.0	2.9	1.7	-4.1	-0.9	-1.4	-5.4	-5.1	-3.9	-2.1	-3.1	1.6	-3.2
General government gross debt as a % of GDP ¹⁾													
2002	29.8	47.6	5.8	65.2	14.2	22.4	55.5	63.2	41.2	29.8	43.7	52.4	38.2
2003	36.8	45.0	6.0	69.8	14.6	21.4	57.4	72.8	45.3	29.4	43.1	52.0	39.7
2004	36.8	43.2	5.5	72.0	14.7	19.6	57.4	75.9	43.6	29.8	42.5	51.1	41.5
Long-term government bond yield as a % per annum, period average													
2005 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
Aug.	3.37	3.24	-	4.84	3.87	3.50	5.85	4.43	4.88	3.79	3.24	3.14	4.34
Sep.	3.26	3.05	-	4.81	3.87	3.50	5.64	4.41	4.57	3.74	3.13	2.98	4.25
Oct.	3.46	3.22	-	4.22	3.87	3.50	6.49	4.41	4.91	3.62	3.25	3.17	4.40
Nov.	3.76	3.46	-	4.22	3.56	3.64	6.81	4.39	5.38	3.62	3.70	3.39	4.37
3-month interest rate as a % per annum, period average													
2005 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
Aug.	1.79	2.17	2.33	3.85	2.76	2.33	6.35	3.26	4.67	4.02	2.94	1.67	4.59
Sep.	1.80	2.18	2.32	3.80	2.82	2.32	5.65	3.26	4.51	4.03	2.93	1.67	4.60
Oct.	1.91	2.22	2.32	3.59	2.78	2.31	6.15	3.24	4.55	4.01	3.03	1.72	4.59
Nov.	2.24	2.39	2.32	3.51	2.84	2.42	6.20	3.19	4.64	4.01	3.19	1.72	4.62
Real GDP													
2003	3.2	0.6	6.7	1.9	7.2	10.4	3.4	-1.7	3.8	2.7	4.5	1.7	2.5
2004	4.7	2.1	7.8	3.8	9.8	7.0	4.6	0.1	5.4	4.2	5.5	3.7	3.2
2005 Q1	5.0	2.1	7.0	3.9	7.3	6.3	4.3	0.2	2.1	2.9	5.1	2.3	2.0
Q2	5.2	3.1	10.2	3.7	11.4	7.6	4.3	1.9	2.8	5.0	5.1	2.3	1.6
Q3	4.9	4.7	10.4	3.9	11.4	8.5	4.4	2.9	3.7	4.2	6.2	2.8	1.7
Current and capital accounts balance as a % of GDP													
2003	-6.3	3.3	-11.6	-2.4	-7.5	-6.4	-8.7	-5.5	-2.1	-1.0	-0.5	7.4	-1.3
2004	-5.7	2.4	-11.9	-4.9	-11.8	-6.4	-8.5	-8.7	-3.8	-2.5	-3.1	8.2	-1.8
2005 Q1	3.0	3.4	-9.5	-13.5	-9.3	-3.7	-6.8	-7.9	-1.0	-1.7	-2.2	8.3	-1.7
Q2	-4.1	5.3	-10.9	1.5	-9.8	-6.7	-7.2	-10.4	-0.8	0.4	-11.9	6.2	-1.1
Q3	-4.4	5.2	-6.6	3.1	-11.1	-6.7	-7.1	-0.6	-1.4	0.6	-4.7	7.8	-3.1
Unit labour costs													
2003	7.6	1.6	4.9	-	5.6	1.5	7.2	-	.	4.7	3.5	1.0	3.2
2004	1.1	1.1	3.0	-	7.3	.	4.2	-	.	3.8	2.1	-0.6	2.0
2005 Q1	-0.3	1.9	3.1	-	-	4.0	-	-	.	-	5.7	2.6	4.3
Q2	0.4	2.6	2.4	-	-	1.2	-	-	.	-	3.6	0.1	3.3
Q3	2.0	-1.1	4.1	-	-	3.4	-	-	.	-	4.1	0.9	.
Standardised unemployment rate as a % of labour force (s.a.)													
2004	8.3	5.4	9.2	5.2	9.8	10.9	6.0	7.7	18.8	6.0	18.2	6.4	4.7
2005	7.9	.	.	6.0	.	8.2	.	.	.	.	.	.	.
2005 Q2	8.0	5.0	7.8	5.8	9.1	8.6	7.1	8.2	18.0	5.8	16.5	.	4.6
Q3	7.8	4.8	7.3	6.1	8.8	7.9	7.2	7.8	17.7	5.8	16.3	.	4.7
Q4	7.9	.	.	5.9	.	7.0	.	.	.	.	.	.	.
2005 Aug.	7.8	4.8	7.3	6.1	8.8	7.9	7.2	7.8	17.7	5.8	16.2	.	4.6
Sep.	7.9	4.7	7.1	6.2	8.8	7.6	7.2	7.8	17.7	5.8	16.2	.	4.8
Oct.	7.9	4.6	6.8	6.1	8.7	7.3	7.2	7.7	17.6	5.8	16.2	.	.
Nov.	7.9	4.5	6.6	5.9	8.6	7.0	7.3	7.7	17.4	5.9	16.0	.	.
Dec.	7.8	.	.	5.8	.	6.8	.	.	.	.	.	.	.

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

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

9.2 In the United States and Japan

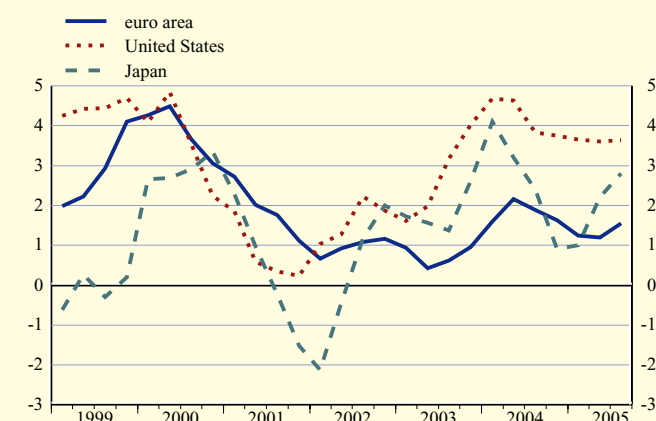
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs ¹⁾ (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2002	1.6	-0.6	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	2.2	2.7	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-3.1	4.2	5.0	5.5	5.1	1.62	4.26	1.2439	-4.7	48.6
2005	.	.	.	.	5.1	.	3.56	4.28	1.2441	.	.
2004 Q4	3.3	-1.6	3.8	5.2	5.4	5.8	2.30	4.17	1.2977	-4.3	48.6
2005 Q1	3.0	2.3	3.6	4.8	5.2	5.8	2.84	4.30	1.3113	-3.7	49.5
Q2	2.9	3.1	3.6	3.4	5.1	5.0	3.28	4.16	1.2594	-3.4	48.6
Q3	3.8	1.7	3.6	3.0	5.0	6.1	3.77	4.21	1.2199	.	.
Q4	.	.	.	.	4.9	.	4.34	4.48	1.1884	.	.
2005 Aug.	3.6	.	.	3.1	4.9	6.1	3.80	4.26	1.2292	-	-
Sep.	4.7	.	.	2.7	5.1	6.6	3.91	4.19	1.2256	-	-
Oct.	4.3	.	.	3.7	4.9	7.3	4.17	4.45	1.2015	-	-
Nov.	3.5	.	.	4.1	5.0	7.4	4.35	4.53	1.1786	-	-
Dec.	.	.	.	.	4.9	.	4.49	4.46	1.1856	-	-
Japan											
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	.	.
2005	.	.	.	.	.	.	0.06	1.39	136.85	.	.
2004 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	1.0	1.4	4.6	2.0	0.05	1.41	137.01	.	.
Q2	-0.1	0.9	2.2	0.3	4.4	1.7	0.05	1.28	135.42	.	.
Q3	-0.3	0.3	2.8	0.1	4.3	1.8	0.06	1.36	135.62	.	.
Q4	.	.	.	.	.	.	0.06	1.53	139.41	.	.
2005 Aug.	-0.3	-1.1	.	1.5	4.3	1.7	0.06	1.43	135.98	-	-
Sep.	-0.3	-0.6	.	1.1	4.2	2.0	0.06	1.38	136.06	-	-
Oct.	-0.7	.	.	3.0	4.5	2.0	0.06	1.54	138.05	-	-
Nov.	-0.8	.	.	3.3	4.6	2.2	0.06	1.52	139.59	-	-
Dec.	.	.	.	.	.	.	0.07	1.54	140.58	-	-

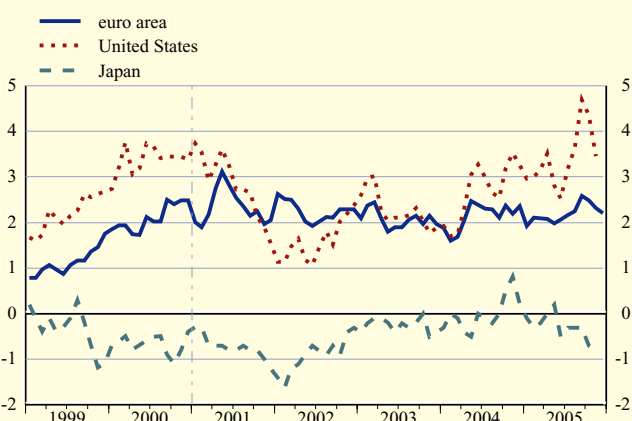
C35 Real gross domestic product

(annual percentage changes; quarterly)



C36 Consumer price indices

(annual percentage changes; monthly)



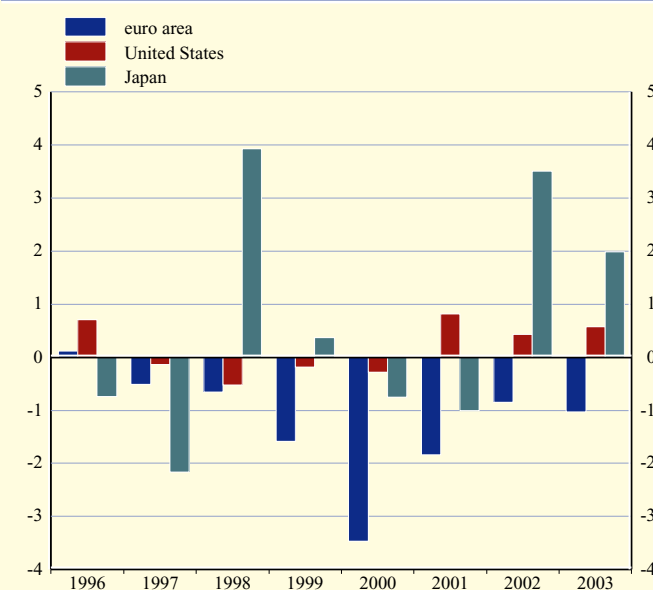
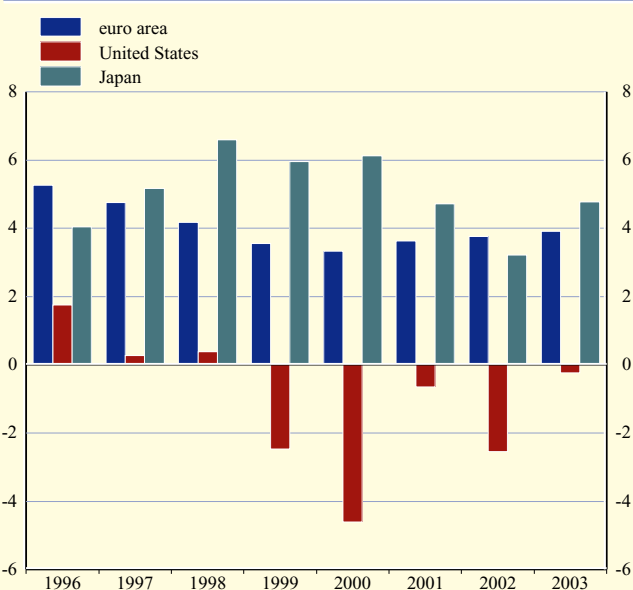
Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

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

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

2. Saving, investment and financing

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

C37 Net lending of non-financial corporations
(as a percentage of GDP)C38 Net lending of households¹⁾
(as a percentage of GDP)

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

1) Including non-profit institutions serving households.

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

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



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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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

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

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

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

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

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

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

issues) in month t and L_t the level outstanding at the end of the month t , the index I_t of notional stocks in month t is defined as:

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

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

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

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

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

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

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

where I_t is the index of notional stocks as at month t . Likewise, for the year ending in month t , the average growth rate is calculated as:

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS⁴

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of the seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

Similar as depicted in formula l) and m), the growth rate a_t for month t corresponding to the change in the 6 months ending in month t , may be calculated using either of the following two formulae:

$$p) \quad a_t = \left[\prod_{i=0}^5 \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$q) \quad a_t = \left(\frac{I_t}{I_{t-6}} - 1 \right) \times 100$$

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, the working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.



GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 11 January 2006.

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

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

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

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

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

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

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

In the tables, the term “up to (x) years” means “up to *and including* (x) years”.

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational

framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed

on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item “net external assets”.

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the “Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector¹, as last amended by Regulation ECB/2003/10².

In line with this Regulation, the balance sheet item “money market paper” has been merged with the item “debt securities” on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors’ funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity (“short-term” refers to an original maturity of up to one year; “long-term” refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. 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 other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of

securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an

institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuer's own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities.

Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics³. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001⁴. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index⁵ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁶. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000⁷ amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJ L 69, 13.3.2003, p. 1.

6 OJ L 169, 8.7.2003, p. 37.

7 OJ L 172, 12.7.2000, p. 3.

amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002⁸ on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)⁹, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 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). 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 loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

⁸ OJ L 179, 9.7.2002, p. 1.

⁹ OJ L 354, 30.11.2004, p. 34.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the

December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7

and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM¹



8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy

stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER, 2 DECEMBER 2004 AND 13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will

¹ The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 can be found on pages 176 to 180 of the ECB's Annual report 1999, on pages 205 to 208 of the ECB's Annual report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

remain unchanged at 2.0%, 3.0% and 1.0% respectively.

1 DECEMBER 2005

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.

16 DECEMBER 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

12 JANUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.



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- “The euro area at a glance”, August 2005.



GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by general government.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the European Central Bank and the national central banks of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital

formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

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