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EUROPEAN CENTRAL BANK

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MONTHLY BULLETIN
NOVEMBER

01 | 2012
02 | 2012
03 | 2012
04 | 2012
05 | 2012
06 | 2012
07 | 2012
08 | 2012
09 | 2012
10 | 2012
11 | 2012
12 | 2012

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In 2012 all ECB publications feature a motif taken from the €50 banknote.

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CONTENTS

EDITORIAL 5

ECONOMIC AND MONETARY DEVELOPMENTS

The external environment of the euro area 7

Monetary and financial developments 14

Prices and costs 50

Output, demand and the labour market 64

Boxes:

1 The results of the euro area bank lending survey for the third quarter of 2012 18

2 Cross-country heterogeneity in MFI interest rates on loans to non-financial corporations in the euro area 35

3 Survey on the access to finance of small and medium-sized enterprises in the euro area: April to September 2012 41

4 Integrated euro area accounts for the second quarter of 2012 44

5 Flash estimates for the main components of the euro area HICP 50

6 Recent house price developments in the euro area 57

7 Results of the ECB Survey of Professional Forecasters for the fourth quarter of 2012 58

ARTICLES

Inflation differentials in the euro area during the last decade 71

Recent economic and financial developments in EU candidate countries 87

EURO AREA STATISTICS S1

ANNEXES

Chronology of monetary policy measures of the Eurosystem I

Publications produced by the European Central Bank V

Glossary VII

ABBREVIATIONS

COUNTRIES

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

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE	statistical classification of economic activities in the European Union
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 4	Standard International Trade Classification (revision 4)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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

EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 8 November to keep the key ECB interest rates unchanged. Owing to high energy prices and increases in indirect taxes in some euro area countries, inflation rates are likely to remain above 2% for the remainder of 2012. They are expected to fall below that level in the course of next year and to remain in line with price stability over the policy-relevant horizon. Consistent with this picture, the underlying pace of monetary expansion continues to be subdued. Inflation expectations for the euro area remain firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term. Economic activity in the euro area is expected to remain weak, although it continues to be supported by the Governing Council's monetary policy stance and financial market confidence has visibly improved on the back of its decisions as regards Outright Monetary Transactions (OMTs). At the same time, the necessary process of balance sheet adjustment in large parts of the financial and non-financial sectors as well as high uncertainty continue to weigh on the economic outlook. It is essential for governments to support confidence by forcefully implementing the necessary steps to reduce both fiscal and structural imbalances and to proceed with financial sector restructuring.

The Governing Council remains firmly committed to preserving the singleness of its monetary policy and to ensuring the proper transmission of the policy stance to the real economy throughout the euro area. It is ready to undertake OMTs, which will help to avoid extreme scenarios, thereby clearly reducing concerns about the materialisation of destructive forces.

As regards the economic analysis, euro area real GDP contracted by 0.2%, quarter on quarter, in the second quarter of 2012, following flat growth in the previous quarter. As regards the second half of 2012, the available indicators continue to signal weak activity. While industrial production data showed some resilience in July/August, most recent survey evidence for the economy as a whole, extending into the fourth quarter, does not signal improvements towards the end of the year.

Looking ahead to next year, the growth momentum is expected to remain weak. It continues to be supported by the ECB's standard and non-standard monetary policy measures, but the necessary process of balance sheet adjustment in the financial and non-financial sectors and an uneven global recovery will continue to dampen the pace of recovery. The risks surrounding the economic outlook for the euro area remain on the downside.

Euro area annual HICP inflation was 2.5% in October 2012, according to Eurostat's flash estimate, compared with 2.6% in September and August. On the basis of current futures prices for oil, inflation rates could remain at elevated levels, before declining to below 2% again in the course of next year. Over the policy-relevant horizon, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain moderate. Current levels of inflation should thus remain transitory. The Governing Council will continue to monitor closely further developments in costs, wages and prices.

Risks to the outlook for price developments continue to be broadly balanced over the medium term. Upside risks pertain to further increases in indirect taxes owing to the need for fiscal consolidation. The main downside risks relate to the impact of weaker than expected growth in the euro area, in the event of a renewed intensification of financial market tensions, and its effects on the domestic components of inflation.

Turning to the monetary analysis, the underlying pace of monetary expansion continues to be subdued. In September the annual growth rate of M3 decreased to 2.7%, from 2.8% in August. Monthly outflows from M3 reflected to some extent the reversal of portfolio shifts into the most liquid components of M3. Accordingly, the annual rate of growth of M1 declined to 5.0% in September, from 5.2% in August. At the same time, a strengthening in the deposit base of banks in some stressed countries was observed, amid improvements in investors' confidence in the euro area.

The annual growth rate of loans to the private sector (adjusted for loan sales and securitisation) declined further to -0.4% in September, from -0.2% in August. This development was mainly due to further net redemptions in loans to non-financial corporations, which led to an annual rate of decline in these loans of -1.2%, compared with -0.5% in August. The annual growth in MFI lending to households remained unchanged at 0.9% in September. To a large extent, subdued loan dynamics reflect the weak outlook for GDP, heightened risk aversion and the ongoing adjustment in the balance sheets of households and enterprises, all of which weigh on credit demand. At the same time, in a number of euro area countries, the segmentation of financial markets and capital constraints for banks restrict credit supply. The recent results of the bank lending survey for the third quarter of 2012 underpin this assessment.

The soundness of banks' balance sheets will be a key factor in facilitating both an appropriate provision of credit to the economy and the normalisation of all funding channels, thereby contributing to an adequate transmission of monetary policy to the financing conditions of the non-financial sectors in the individual countries of the euro area. It is thus essential that the resilience of banks continues to be strengthened where needed.

To sum up, the economic analysis indicates that price developments should remain in line with price stability over the medium term. A cross-check with the signals from the monetary analysis confirms this picture.

Other economic policy areas need to make substantial contributions to ensure a further stabilisation of financial markets and an improvement in the outlook for growth. Structural reforms are crucial to boost the growth potential of euro area countries and to enhance employment. Policy action is also necessary to increase the adjustment capacity of euro area economies in order to complete the ongoing process of unwinding existing imbalances. Visible progress is being made in the correction of unit labour costs and current account imbalances. However, further measures to enhance labour market flexibility and labour mobility across the euro area are warranted. Such structural measures would also complement and support fiscal consolidation and debt sustainability. As regards fiscal policies, there is clear evidence that consolidation efforts in euro area countries are bearing fruit. It is crucial that efforts are maintained to restore sound fiscal positions, in line with the commitments under the Stability and Growth Pact and the 2012 European Semester recommendations. Full compliance with the reinforced EU fiscal and governance framework, including the rapid implementation of the fiscal compact, will send a strong signal to markets and strengthen confidence in the soundness of public finances.

The Governing Council takes note of the European Council conclusions on completing Economic and Monetary Union, adopted on 18 October 2012. In the context of measures to achieve an integrated financial framework, it welcomes in particular the objective of agreeing on the legislative framework for a Single Supervisory Mechanism (SSM) by 1 January 2013 with a view to the SSM becoming operational in the course of 2013.

This issue of the Monthly Bulletin contains two articles. The first article reviews developments in inflation differentials within the euro area over the past decade and identifies factors behind such developments. The second article takes stock of recent economic and financial developments in EU candidate countries and outlines the challenges that remain ahead on the road to EU membership.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The recovery of the world economy is continuing, albeit gradually and subject to considerable fragilities. The latest survey data suggest some stabilisation of sentiment at the beginning of the fourth quarter, albeit at low levels. Notwithstanding the rather synchronised growth moderation witnessed earlier this year, the overall pace of expansion in emerging markets has remained solid in comparison with advanced economies. Headline global inflation picked up slightly in September on the back of oil price developments, while core inflation continued to ease.

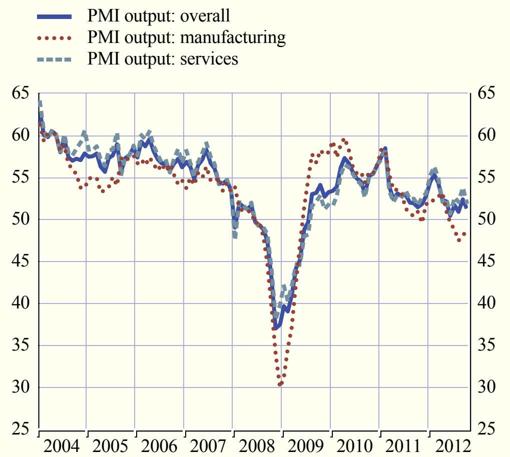
1.1 DEVELOPMENTS IN THE WORLD ECONOMY

The gradual recovery of the world economy is continuing, but remains subject to considerable fragilities. Although growth momentum slowed across all regions earlier this year, the latest survey indicators suggest that sentiment stabilised somewhat at the beginning of the fourth quarter, albeit at low levels, and activity is expected to strengthen gradually in the short term. In October the Purchasing Managers' Index (PMI) for global all-industry output eased to 51.3, following a strong increase to 52.4 in September, as incoming new orders softened. The global services sector continues to outperform the manufacturing sector, with service providers continuing to report solid growth in business activity, while manufacturers reported a further contraction in output, although at a slower pace. Continued weakness in consumer and business confidence, fragile labour markets and ongoing balance sheet repair will continue to restrain the pace of growth in a number of advanced economies. GDP growth in emerging economies, albeit decelerating, is expected to remain solid by comparison, thereby providing a larger contribution to global economic growth.

Global inflation picked up slightly again in September, largely driven by higher energy prices. In the OECD area, consumer price inflation rose to 2.2% in the year to September, from 2.1% in August. Excluding food and energy, the annual rate of inflation declined further to 1.6% in September, from 1.7% in August. In several emerging markets, annual rates of inflation also increased, but remain significantly below the peaks recorded last year.

Chart 1 Global PMI output

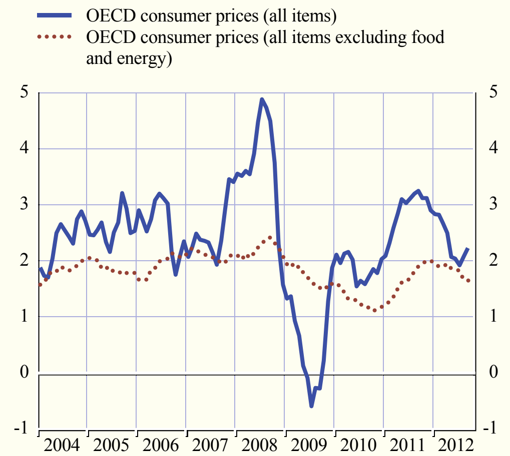
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



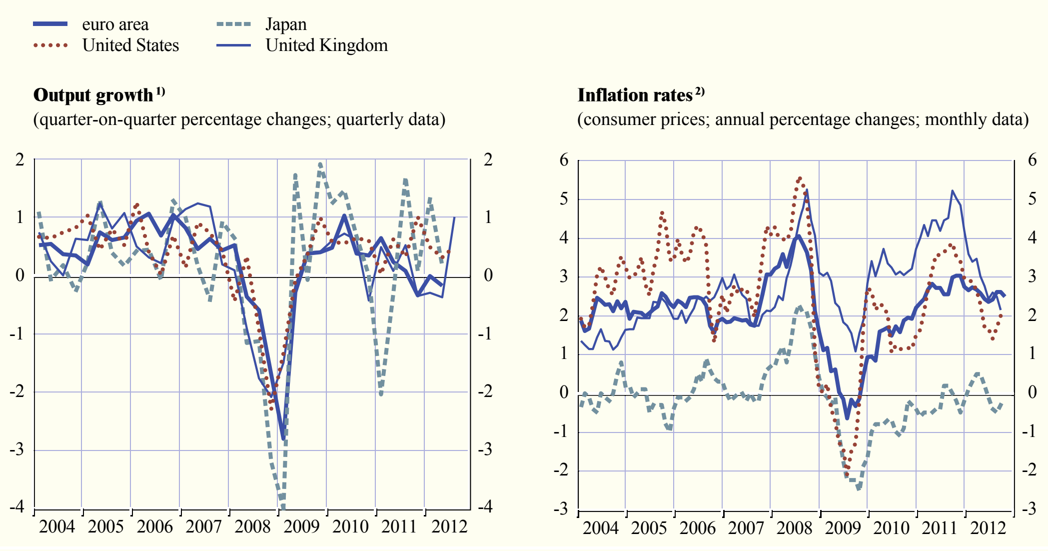
Source: OECD.

UNITED STATES

In the United States, real GDP accelerated in the third quarter of 2012. According to the advance estimate by the Bureau of Economic Analysis, real GDP increased at an annualised rate of 2.0% (0.5% quarter on quarter) in the third quarter of 2012, up from 1.3% (0.3% quarter on quarter) in the second quarter. The increase in the third quarter was mainly led by positive contributions from personal consumption expenditure (1.4 percentage points to real GDP growth) and by an upturn in government spending, which posted the strongest quarterly growth rate in three years, adding 0.7 percentage point to GDP growth. Economic activity in the third quarter also benefited from the acceleration in residential private investment, which added 0.3 percentage point to growth. On the other hand, net exports were a drag on growth (-0.2 percentage point), as the decline in exports was stronger than the one in imports, and non-residential investment and private inventories also subtracted from real GDP growth (-0.1 percentage point each). Real disposable personal income growth slowed down to 0.8% (annualised), from 3.1% in the second quarter, leading to a drop in the personal saving rate to 3.7%, from 4.0% in the second quarter.

Recent indicators suggest that the economy has continued to grow at a moderate pace in the fourth quarter of 2012. In October the number of non-farm payrolls increased by 171,000, more than expected by market analysts and up from an upwardly revised 148,000 in September. However, the unemployment rate edged up slightly to 7.9%, from 7.8%. Reflecting the continued improvement in the housing market, home builders' confidence continued to increase in October, after new home sales data for September increased at a strong pace. Moreover, house prices continued to move upwards in August and according to the S&P/Case-Shiller index were 2.0% above the levels of August 2011. Consumer confidence improved further in October. On the business side, the Institute for Supply Management's manufacturing index for October rose marginally, from 51.5 to 51.7, while the non-manufacturing index contracted from 55.1 in September to 54.2 in October.

Chart 3 Main developments in major industrialised economies



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

As regards price developments, annual CPI inflation increased from 1.7% in August to 2.0% in September, mainly reflecting higher energy prices. The annual average inflation rate for the third quarter declined slightly to 1.7%, from 1.9% in the previous quarter. Annual food price inflation continued to ease further, standing at 1.6%, down from the peak of 4.7% reached in October 2011. Annual inflation, excluding food and energy, posted its first increase since April 2012, rising to 2.0% in September from 1.9% in August.

On 24 October 2012 the Federal Open Market Committee (FOMC) stated that economic activity had continued to expand at a moderate pace, while recognising that employment growth had been slow and the unemployment rate had remained elevated. The FOMC stated that it would continue purchasing additional agency mortgage-backed securities at a pace of USD 40 billion per month, as announced in September. It will also continue with its programme to extend the average maturity of its holdings of securities until the end of the year, as well as with its existing policy of reinvesting principal payments from its holding of agency debt and agency mortgage-backed securities. The FOMC also decided to keep the target range for the federal funds rate at 0% to 0.25% and anticipated that exceptionally low levels for the federal funds rate were likely to be warranted at least until mid-2015.

JAPAN

In Japan, economic indicators continue to point to a deterioration of economic activity in the third quarter of 2012. On the domestic side, in September industrial production contracted by 4.1%. This decline is the largest since the earthquake in March 2011 and the third monthly drop in a row. Retail sales increased by a mere 0.4% in September. Fears of slowing world demand and adverse effects from the tensions between China and Japan were reported as major reasons for the decline in sentiment indicators in September: the Reuters Tankan manufacturing diffusion index dropped by 12 points to -17 and the consumer sentiment diffusion index decreased to 40.1 (from 40.5). The October PMI for manufacturing fell from 48.0 to 46.9. In the labour market, the unemployment rate remained flat at 4.2% in September. Weakness in the external environment was a further drag on economic activity. The trade balance decreased substantially, reaching a deficit of JPY 980 billion in September, the country's largest deficit to date.

Annual CPI inflation stood at -0.3% in September. Annual core CPI inflation (excluding food, beverages and energy) remained flat at -0.6%, after -0.5% in the previous month. To overcome deflation, on 30 October 2012 the Bank of Japan decided to increase the total size of its asset purchase programme by about JPY 11 trillion to JPY 91 trillion and announced the establishment of a framework to stimulate bank lending, namely the "Stimulating Bank Lending Facility". It provides long-term funds – up to the amount equivalent to the net increase in lending – at a low interest rate to financial institutions at their request. There is no upper limit to the total amount of funds under this facility. The Bank of Japan kept its target interest rate unchanged at 0% to 0.1%.

UNITED KINGDOM

In the United Kingdom, according to a preliminary estimate, real GDP increased by 1.0% quarter on quarter in the third quarter of 2012. There were broad-based gains in services and production, while construction continued to contract. The overall increase was largely driven by temporary factors, such as the London Olympics. However, there are also some signs that underlying growth is slowly moving into positive territory. Some monthly hard data, such as retail sales, have been relatively buoyant in recent months, although survey indicators for October have generally been weaker. The labour market situation has continued to improve, with the unemployment rate dropping by 0.2 percentage point to 7.9% in the three months to August 2012. Looking ahead, the economic recovery is nevertheless likely to remain sluggish in the short term and gather pace only very gradually, as domestic demand is expected to remain constrained by tight credit conditions, ongoing household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation slowed down to 2.2% in September from 2.5% in August, while CPI inflation excluding energy and unprocessed food remained unchanged at 2.2%. The decline in CPI inflation was entirely due to energy price base effects. Looking ahead, the existence of spare capacity and the sluggish recovery in economic activity should help contain inflationary pressures. At its meeting on 4 October, the Bank of England's Monetary Policy Committee maintained the policy rate at 0.5% and the size of its asset purchase programme at GBP 375 billion.

CHINA

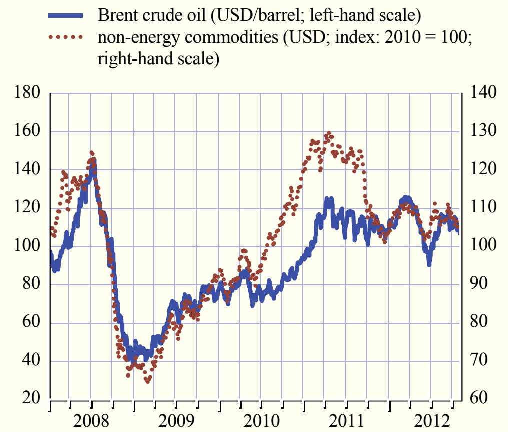
Economic conditions in China have improved in recent months. Real GDP growth decelerated slightly in year-on-year terms in the third quarter to 7.4% from 7.6%. However, this masks a solid rise on a seasonally-adjusted basis as the economy grew by 2.2% quarter on quarter, the strongest performance in four quarters, compared with 2.0% in the previous quarter. According to ECB estimates, growth in the third quarter was mainly supported by domestic demand, with consumption and investment contributing in almost equal measure, while net exports contributed only modestly. Growth in industrial production, fixed-asset investment and retail sales also accelerated in September. The housing market weakened slightly after a strong pick-up in August. Both the official and the HSBC manufacturing PMIs rose in October, with the official index climbing to just above the 50 level, confirming the positive growth momentum. Total export growth rebounded strongly in September to 10% in year-on-year terms. The increase in import growth was more subdued, but turned positive again following a decline in August. As a result, the 12-month cumulative trade balance rose to a surplus of USD 198 billion, its highest level since December 2009. Foreign reserves increased by USD 12 billion, to USD 3.29 trillion. In October the renminbi almost fully reversed its modest depreciation vis-à-vis the US dollar witnessed between May and September. Both CPI and core inflation stood below 2% in September, while PPI inflation remained negative for the seventh consecutive month. Loan and broad money growth accelerated slightly.

1.2 COMMODITY MARKETS

Oil prices fluctuated in a range of USD 110-115 per barrel during most of October. Brent crude oil prices stood at USD 109 per barrel on 7 November. Looking ahead, market participants expect lower oil prices over the medium term, with futures contracts for December 2013 trading at USD 101 per barrel.

The recent volatility in oil prices can be explained by an interplay of demand and supply-side factors. On the demand side, concerns about the global economic outlook have put downward pressure on oil prices because of weaker oil demand growth. On the supply side, by contrast, geopolitical tensions have exerted upward pressure on oil prices. In addition, OPEC oil

Chart 4 Main developments in commodity prices



Sources: Bloomberg and HWWI.

production fell to an eight-month low in September as higher supplies from Iraq and Libya failed to compensate for output declines in Iran in particular. In the medium term, the International Energy Agency expects oil production capacity to expand well beyond the expected increase in demand, mainly because of further growth in North-American oil production and Iraqi capacity.

International prices of non-energy commodities declined in October. Metal prices were lower owing to a more subdued economic outlook, whereas signs of stock rebuilding increased the price of iron ore. Agricultural commodity prices continued their decline after the spikes of June and July caused by the droughts in the United States. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) stood 1.3% higher towards the end of October than at the beginning of the year.

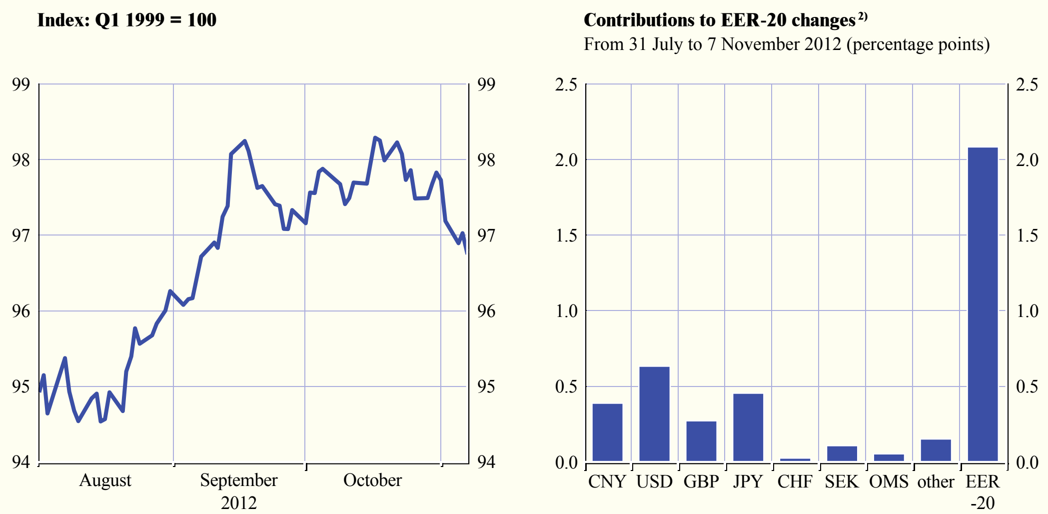
1.3 EXCHANGE RATES

Between the end of July and early November 2012 the effective exchange rate of the euro appreciated in an environment of declining volatility. On 7 November 2012 the nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's most important trading partners, stood 2.1% above its level at the end of July 2012 and 6.5% below its average level in 2011 (see Chart 5).

In bilateral terms, over the past three months the euro has broadly appreciated against most major currencies. Between 31 July and 7 November 2012 the euro appreciated against the US dollar (by 3.8%), the Japanese yen (by 6.3%) and the pound sterling (by 1.8%). Over the same horizon,

Chart 5 Euro effective exchange rate (EER-20) and its decomposition [1]

(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 20 of the most important trading partners of the euro area (including all non-euro area EU Member States).
2) Contributions to EER-20 changes are displayed individually for the currencies of the main trading partners of the euro area. The category "other Member States" (OMS) refers to the aggregate contribution of the currencies of the non-euro area Member States (except the pound sterling and the Swedish krona). The category "other" refers to the aggregate contribution of the currencies of the remaining six trading partners of the euro area in the EER-20 index. Changes are calculated using the corresponding overall trade weights in the EER-20 index.

Table 1 Euro exchange rate developments [1]

(daily data; units of national currency per euro; percentage changes)

	Weight in EER-20	Level on 7 November 2012	Appreciation (+)/ depreciation (-) of the euro as at 7 November 2012 since: 31 July 2012	since: 2 January 2012	compared with: average for 2011
Chinese renminbi	18.8	7.977	2.1	-2.2	-11.3
US dollar	16.9	1.275	3.8	-1.5	-8.4
Pound sterling	14.9	0.798	1.8	-4.4	-8.0
Japanese yen	7.2	102.1	6.3	2.6	-8.0
Swiss franc	6.5	1.207	0.4	-0.7	-2.1
Polish zloty	6.2	4.113	0.2	-8.1	-0.2
Czech koruna	5.0	25.40	0.6	-0.4	3.3
Swedish krona	4.7	8.555	2.3	-4.2	-5.3
Korean won	3.9	1,384	-0.3	-7.4	-10.2
Hungarian forint	3.2	282.1	1.1	-10.3	1.0
NEER [2]		96.7	2.1	-2.8	-6.5

Source: ECB.
1) Bilateral exchange rates in descending order based on the corresponding currencies' trade weights in the EER-20 index.
2) Euro nominal effective exchange rate against the currencies of 20 of the most important trading partners of the euro area (EER-20).

the euro also appreciated vis-à-vis the currencies of large Asian and commodity-exporting countries as well as against the currencies of most non-euro area EU Member States (see Table 1). Market volatility – as measured on the basis of foreign exchange option prices – has continued to decrease over the past three months and thus remains below historical averages.

Between 31 July and 7 November 2012 the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates. The Latvian lats traded on the stronger side of its central rate within the unilaterally set fluctuation band of ±1%.

1.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, economic activity is expected to strengthen gradually, amid improved financial conditions and accommodative monetary policies. The new orders component of the global composite PMI moved above the expansion/contraction threshold of 50 in September and eased only slightly to 51.3 in October. This stabilisation in sentiment signals a more positive start to the fourth quarter and suggests that global sentiment may have passed the trough. Meanwhile, the OECD's composite leading indicator, designed to anticipate turning points in economic activity relative to trend, continues to signal moderating growth momentum in the OECD area, and in the major non-member economies.

The outlook for the external environment of the euro area continues to be surrounded by

Chart 6 OECD composite leading indicators

(monthly data; amplitude-adjusted)

Source: OECD.
Note: The emerging market indicator is a weighted average of the composite leading indicators for Brazil, Russia and China.

considerable uncertainty, with risks to the global outlook on the downside. Spillover effects from a further intensification of the euro area crisis remain the main downside risk. Further downside risks relate to the impending fiscal tightening and debt ceiling extension in the United States, as well as geopolitical tensions in the Middle East, where concerns over Iran could disrupt oil supplies, and East Asia, where tensions between Japan and China could negatively affect global trade.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The monetary data for September 2012 continued to point to subdued underlying money and credit growth. Some easing of financial market stress in September is likely to have prompted euro area institutional investors to scale down their liquidity buffers, thereby leading to outflows from the broad monetary aggregate M3, although its annual growth rate was broadly unchanged. MFI lending to the euro area private sector continued to contract, driven by large net redemptions of loans to non-financial corporations, as supply-side constraints interacted with feeble demand for bank loans. At the same time, developments in bank balance sheets in September provide some tentative signs of reduced financial fragmentation in the euro area, visible most notably in a rebalancing of deposits by non-euro area residents in favour of some countries that had previously sustained outflows.

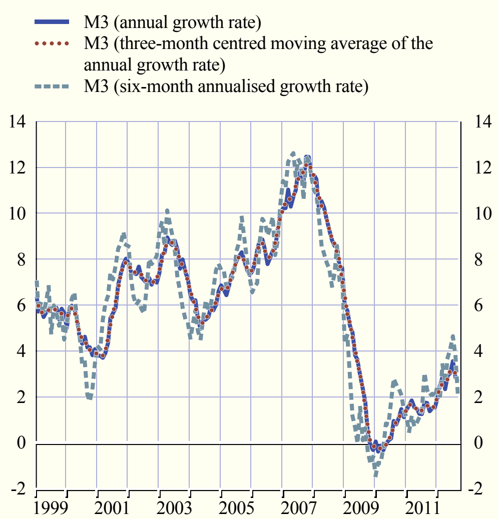
THE BROAD MONETARY AGGREGATE M3

The annual growth rate of euro area M3 remained broadly unchanged in September, standing at 2.7% after 2.8% in the previous month (see Chart 7). The marginal change in the annual growth rate conceals a sizeable monthly outflow from the broad monetary aggregate. Against the backdrop of the ECB's announcement to conduct Outright Monetary Transactions (OMTs) and legal decisions paving the way for the launch of the European Stability Mechanism (ESM) there was some easing of financial market stress in September. This in turn is likely to have prompted some unwinding of uncertainty-related liquidity buffers that had been built-up by institutional investors in previous months. Indeed, the breakdown by instrument and sector shows that the September outflow from M3 was driven by holdings by other financial intermediaries (OFIs) of the most liquid and volatile components, namely M1 and marketable instruments.

Turning to M3 counterparts, MFI loans to the non-financial private sector contracted further as a result of significant monthly net redemptions in loans to non-financial corporations. However, this was offset by a slight increase in the annual growth rate of the credit extended to general government.

Chart 7 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The volume of euro area MFIs' main assets contracted further in September, although by much less than in August. The reduction in assets was mainly driven by a decline in interbank lending, external assets and loans to non-financial corporations.

MAIN COMPONENTS OF M3

The most liquid monetary component, the monetary aggregate M1, posted a visible outflow in September, following four consecutive months of positive readings. Its annual growth rate declined to 5.0% in September, from 5.2% in the previous month. The fact that outflows almost entirely reflect a reduction of liquidity buffers held by institutional investors indicates that developments were largely driven by some easing of financial market stress. Against the backdrop of the ECB's announcement of its OMT programme and legal decisions paving the way for the launch of the European Stability Mechanism (ESM), euro area institutional investors seem to have shifted liquidity into riskier assets. Moreover, international investors seem to have somewhat reshuffled their allocation of funds among euro area Member States. In this context, banks in countries under stress recorded deposit inflows at the expense of deposits held with MFIs in countries perceived as safe havens.

The annual growth rate of short-term deposits other than overnight deposits (M2 minus M1) remained broadly unchanged from the previous month at 0.6% in September. In particular, short-term saving deposits (redeemable at notice of up to three months) benefited from further inflows from households. By contrast, short-term time deposits (with an agreed maturity of up to two years) broadly stagnated. However, positive monthly flows were observed in some euro area Member States that had previously recorded stress-induced outflows, not only reflecting the intensified efforts of banks in these jurisdictions to attract and retain stable deposit funding, but also regulatory changes that supported inflows into deposits from short-term securities.

Among the main components of M3, marketable instruments (M3 minus M2) registered the largest outflow in September, pushing its annual growth rate down to -1.4%, from -0.3% in August. While all individual instruments were affected by withdrawals in September, the bulk of the outflows were recorded for repurchase agreements, which were entirely driven by OFIs. This development provides further indications that institutional investors reduced their uncertainty-related deposit buffers. Money market fund (MMF) shares/units experienced the fourth consecutive month of withdrawals in an environment of very low real returns.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which a timely sectoral breakdown is available – stood at 2.4% in September, unchanged from the previous month. All sectors but OFIs – whose deposit holdings are known to be volatile and driven by portfolio considerations – contributed positively to the annual expansion of M3 deposits.

MAIN COUNTERPARTS OF M3

The annual rate of growth in MFI credit to euro area residents was unchanged at 0.5% in September (see Table 2). This development masks the opposite movements recorded in the annual growth rates of MFI credit to the general government and that to the euro area private sector. In particular, the annual growth rate of MFI credit to the general government edged up to 8.3% in September, from 8.1% in August. While this increase was modest, the monthly development was notable, as MFIs reverted to considerable acquisitions of government debt securities in September. The acquisitions seen in September were relatively broad-based across euro area countries and occurred in an environment of easing financial market stress in this asset class. Whereas they increased their holdings of government securities, MFIs did not extend loans to general government in September on a net basis.

The contraction of MFI credit to the euro area private sector continued in September, with the annual rate of change standing at -1.3%, after -1.2% in August. In particular, MFI lending to the private sector contracted further in September, mainly owing to a significant redemption of loans to non-financial corporations, which brought the annual rate of change down to -0.4%, from -0.2% in August. Moreover, MFIs' holdings of securities other than shares issued by the euro area private sector declined in September, thereby increasing further the annual rate of decline in this balance sheet item. This development was mainly related to holdings of securities issued by financial vehicle corporations, therefore reflecting net redemptions of asset-backed securities held by MFIs

Table 2 Summary table of monetary variables

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

	Outstanding amounts as a percentage of M3[1]	Annual growth rates					
		2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Aug.	2012 Sep.
M1	**51.9**	**2.0**	**2.4**	**2.9**	**4.7**	**5.2**	**5.0**
Currency in circulation	9.0	6.2	6.1	5.5	5.3	5.2	4.3
Overnight deposits	42.9	1.2	1.7	2.4	4.6	5.2	5.1
M2-M1 (=other short-term deposits)	39.7	2.1	2.5	2.6	1.3	0.7	0.6
Deposits with an agreed maturity of up to two years	18.6	1.6	3.0	2.3	-1.1	-2.5	-2.9
Deposits redeemable at notice of up to three months	21.1	2.5	2.1	2.9	3.6	3.7	4.0
M2	**91.6**	**2.1**	**2.5**	**2.8**	**3.2**	**3.2**	**3.1**
M3-M2 (=marketable instruments)	8.4	-3.6	-0.1	2.6	1.7	-0.3	-1.4
M3	**100.0**	**1.5**	**2.2**	**2.7**	**3.1**	**2.8**	**2.7**
Credit to euro area residents		**1.1**	**1.2**	**1.3**	**0.8**	**0.5**	**0.5**
Credit to general government		1.4	5.2	8.4	8.8	8.1	8.3
Loans to general government		-2.1	-4.6	-1.7	1.5	1.7	1.7
Credit to the private sector		1.1	0.3	-0.3	-1.0	-1.2	-1.3
Loans to the private sector		1.8	0.7	-0.1	-0.5	-0.6	-0.8
Loans to the private sector adjusted for sales and securitisation[2]		2.0	1.1	0.4	-0.1	-0.2	-0.4
Longer-term financial liabilities (excluding capital and reserves)		**2.6**	**0.4**	**-2.4**	**-4.4**	**-4.5**	**-5.0**

Source: ECB.
1) As at the end of the last month available. Figures may not add up due to rounding.
2) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.

in an environment of muted new issuance of such securities. At the same time, MFIs in September expanded their holdings of shares and other equities issued by the non-monetary private sector.

The sizeable net redemption in MFI loans to non-financial corporations in September led to a further reduction in the annual rate of change (adjusted for loan sales and securitisations) to

Table 3 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total[1]	Annual growth rates					
		2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Aug.	2012 Sep.
Non-financial corporations	**42.5**	**1.7**	**0.7**	**0.1**	**-0.7**	**-0.7**	**-1.4**
Adjusted for sales and securitisation[2]	*-*	*2.0*	*0.9*	*0.3*	*-0.5*	*-0.5*	*-1.2*
Up to one year	24.5	3.7	0.6	0.0	-0.7	-0.2	-1.9
Over one and up to five years	17.8	-2.6	-3.1	-2.7	-3.2	-3.3	-4.1
Over five years	57.7	2.3	2.0	1.0	0.0	-0.1	-0.4
Households[3]	**47.9**	**2.2**	**1.2**	**0.4**	**0.2**	**0.2**	**0.1**
Adjusted for sales and securitisation[2]	*-*	*2.3*	*1.9*	*1.4*	*1.0*	*0.9*	*0.9*
Consumer credit[4]	11.5	-2.0	-1.8	-2.1	-2.3	-2.5	-2.9
Lending for house purchase[4]	72.8	3.0	1.8	0.9	0.8	0.8	0.7
Other lending	15.7	1.8	0.9	0.2	-0.6	-0.6	-0.7
Insurance corporations and pension funds	**0.8**	**4.2**	**-3.1**	**-5.4**	**-9.2**	**-11.3**	**-9.0**
Other non-monetary financial intermediaries	**8.8**	**-0.2**	**-1.8**	**-3.4**	**-2.8**	**-3.5**	**-2.0**

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) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.
3) As defined in the ESA 95.
4) Definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

-1.2%, from -0.5% in August (see Table 3). The reduction in loans to non-financial corporations predominantly affected short maturities, which are typically associated with the financing of working capital but also have a high natural run-off rate. While loans with medium-term initial maturities (of up to five years) also registered net redemptions, the net flow in long-term loans was zero. A further deceleration in MFI loans to non-financial corporations would be consistent with historical regularities given current and expected developments in economic activity (see also Box 1). The annual rate of growth in MFI loans to households remained unchanged at 0.9% in September. This reflects an anaemic monthly flow, driven exclusively by lending for house purchase.

All in all, the developments in September confirm that MFI lending to the non-financial private sector in the euro area remains weak, although developments across countries are still somewhat heterogeneous. The weakness in MFI lending to the private sector reflects a confluence of supply and demand factors, which also vary in relevance across countries. Box 3 presents the results of the latest survey on the access to finance of small and medium-sized enterprises in the euro area. In addition, a broader analysis of savings, investment and financing broken down by institutional sector is presented in Box 4.

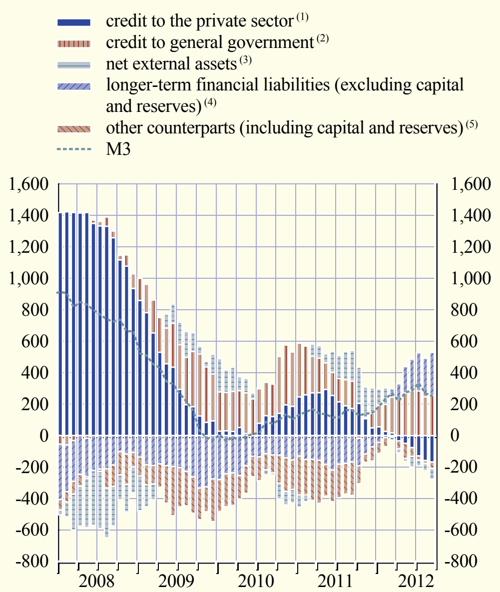
Despite some improvements, economic uncertainty continues to prevail and economic activity remains weak. Coupled with the ongoing need for downward adjustment of household and firm leverage positions, these factors depress the appetite and capacity for taking on debt. At the same time, recourse to internal and market-based funding is dampening demand for borrowing from banks in particular. On the supply side, the stretched capital position of a number of banks is limiting their capacity to expand their credit portfolios.

The annual rate of change of longer-term financial liabilities (excluding capital and reserves) continued to decline in September, standing at -5.0%. This reflects outflows from all individual instruments in September, suggesting that movements out of deposits included in M3 did not benefit longer-term MFI instruments but were rather directed towards investments further along the maturity and risk spectrum. The annual growth rate of capital and reserves remained robust in September, following a positive monthly flow related to a government support programme.

The net external asset position of euro area MFIs decreased by €68 billion in the 12 months to September, thus exerting only a modest influence on M3 developments (see Chart 8). On a monthly basis, a moderate capital outflow from the euro area was observed, following

Chart 8 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.

two months of inflows. This probably reflects that some of the reductions in OFIs' M3 holdings in September were used to finance acquisitions of foreign assets, as an improved risk environment is typically associated with a reduced home bias.

Overall, the data for September confirm that the underlying dynamics of money and credit growth have remained subdued over a protracted period. The outflow from M3 in September probably reflects some normalisation of portfolio allocation following the preference of institutional investors for liquid deposits in previous months. All in all, M3 growth remains lacklustre. Developments in bank balance sheets in September provide some tentative signs of reduced financial fragmentation in the euro area, most notably a rebalancing of deposits by non-euro area residents in favour of some countries that had previously sustained outflows. At the same time, MFI lending to the euro area private sector continued to contract as supply-side constraints interacted with feeble demand for bank loans.

Box 1

THE RESULTS OF THE EURO AREA BANK LENDING SURVEY FOR THE THIRD QUARTER OF 2012

This box summarises the main results of the euro area bank lending survey for the third quarter of 2012, which was conducted by the Eurosystem between 25 September and 9 October 2012.[1]

For the euro area as a whole, the net tightening of banks' credit standards on loans to enterprises increased in the third quarter of 2012, compared with the previous survey round. By contrast, credit standards remained broadly stable for housing loans and eased slightly for consumer loans. Risk perceptions contributed more to the net tightening of credit standards on loans to enterprises, whilst remaining broadly unchanged in the case of loans to households. By contrast, the impact of banks' cost of funds and balance sheet constraints declined somewhat in the case of lending to enterprises, while easing more markedly in the case of lending to households. As regards demand for loans to enterprises, a somewhat more pronounced decline in net terms was reported for the third quarter of 2012. This net fall was not related to fixed investment as in the previous rounds, but was rather driven by a decline in mergers and acquisitions, inventories and working capital, as well as by the use of other external sources of finance like the issuance of debt securities and equity. In net terms, the demand for loans to households for house purchase declined at a faster pace in the third quarter than in the second quarter, whereas the net contraction in the demand for consumer credit abated somewhat. Looking ahead, survey participants expect a similar degree of net tightening of credit standards for loans to enterprises and housing loans, and some moderation in the case of consumer credit. The net decline in the demand for loans to both enterprises and households is expected to slow down in the fourth quarter of 2012.

Loans and credit lines to enterprises

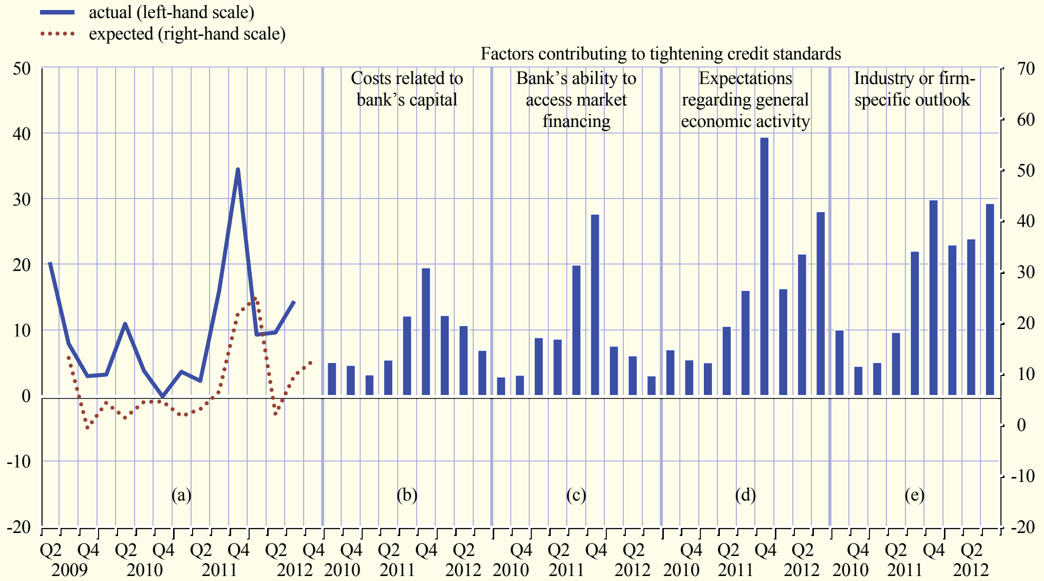
In the third quarter of 2012 the net percentage[2] of banks reporting a tightening of credit standards on loans and credit lines to enterprises increased to 15% (compared with 10% in the previous

1 The cut-off date of the survey was 9 October 2012. A comprehensive assessment of its results was published on the ECB's website on 31 October 2012.

2 The reported net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks reporting that they have been eased. A positive net percentage indicates that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage indicates that banks have tended to ease credit standards ("net easing").

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

(net percentages)



Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

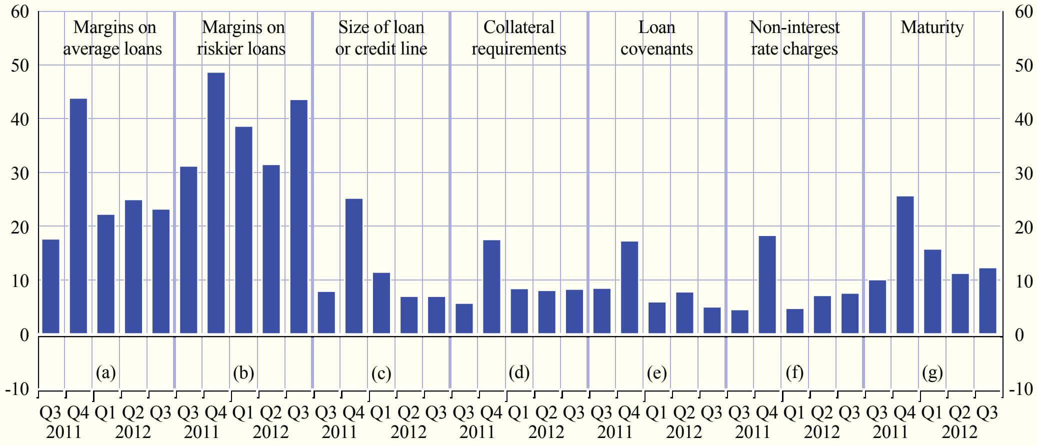
quarter; see Chart A). The tightening of credit standards was stronger than expected in the survey three months earlier (10%). It increased in net terms both on short-term loans and on long-term loans. In addition, the net tightening of credit standards for loans to small and medium-sized enterprises (SMEs) increased, whereas it remained broadly stable for loans to large firms.

Looking at the underlying factors, the net percentage of euro area banks reporting that cost of funds and balance sheet constraints contributed to a tightening of credit standards declined to 3% in the third quarter of 2012 from 7% in the second quarter. On balance, there was some moderation in the contribution of banks' capital positions (7%, down from 11% in the second quarter), banks' access to market funding (3%, after 6% in the previous quarter) and banks' liquidity positions (-2%, down from 3%). At the same time, the tightening impact from banks' capital positions remained larger than for the other two factors, indicating banks' ongoing need for balance sheet adjustment. By contrast, the impact of risk perceptions on the tightening of credit standards increased, driven mainly by more negative expectations regarding general economic activity (28%, after 22% in the second quarter of 2012) and industry-specific risks (30%, after 24% in the second quarter). The impact of collateral risk moderated somewhat, whereas other factors, such as competitive pressures from other banks and non-banks, even contributed to a net easing of credit standards in the third quarter of 2012.

The increase in net tightening reported by euro area banks was reflected in an increase in the widening of margins on riskier loans (see Chart B), while other lending terms and conditions

Chart B Changes in terms and conditions for approving loans or credit lines to enterprises

(net percentages of banks reporting tightening terms and conditions)



Note: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

remained broadly unchanged. The widening of margins on average loans changed little compared with the second quarter (23%, after 25%), while margins on riskier loans increased strongly after having decreased for two consecutive rounds (to 44%, up from 32%), suggesting a more pronounced degree of risk-related price differentiation by banks across borrowers. The net tightening for other terms and conditions (e.g. non-interest charges, loan size and maturity, and collateral requirements) remained broadly unchanged.

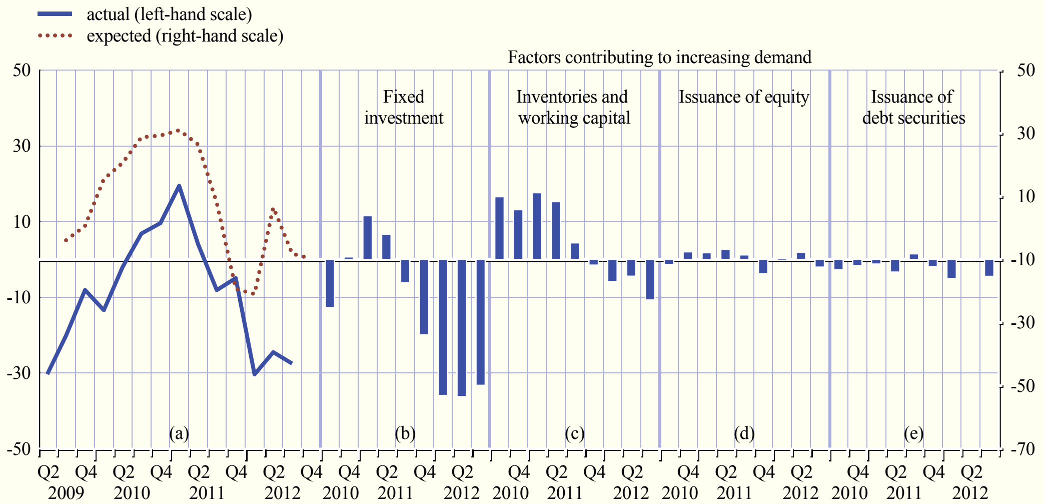
Looking ahead, on balance, euro area banks expect a similar degree of net tightening of credit standards for loans to enterprises in the fourth quarter of 2012 (at 13%). Some further tightening is expected to affect large firms (10%) more than SMEs (7%), as well as primarily long-term loans.

In the third quarter of 2012 the net decline in the demand for loans from enterprises was stronger than in the second quarter (-27%, after -25%). The decline was stronger than expected by respondents in the previous survey round (-8%). Moreover, the net decline in the demand for loans appeared to have been broadly similar for large firms and for SMEs (-24% and -23% respectively), but stronger for long-term loans than for short-term loans (-24% and -17% respectively).

According to survey participants, the net fall in demand was mainly driven by a substantial negative impact from mergers and acquisitions (-17%, down from -13%) and inventories and working capital (-11%, down from -4%). The use of other external sources of finance also contributed to the more pronounced net decline in demand for loans. On balance, euro area banks reported a stronger contribution to the net decline in demand stemming from issuance of debt securities (-5%, after 0% in the second quarter of 2012), issuance of equity (-2%, after 2% in the second quarter) and loans from non-banks (-2%, after -1%). By contrast, the negative impact on the financing needs of firms from fixed investment and from internal sources of financing contributed somewhat less to the net decline in demand for loans.

Chart C Changes in demand for loans or credit lines to enterprises

(net percentages)



Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decline. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

Looking ahead, banks expect a considerably smaller net decline in the demand for corporate loans in the fourth quarter of 2012 (-10%). The net decline in demand is expected to apply to a somewhat greater extent to large firms (-9%) than to SMEs (-6%) and to affect long-term loans (-11%) more markedly than short-term loans (-4%).

Loans to households for house purchase

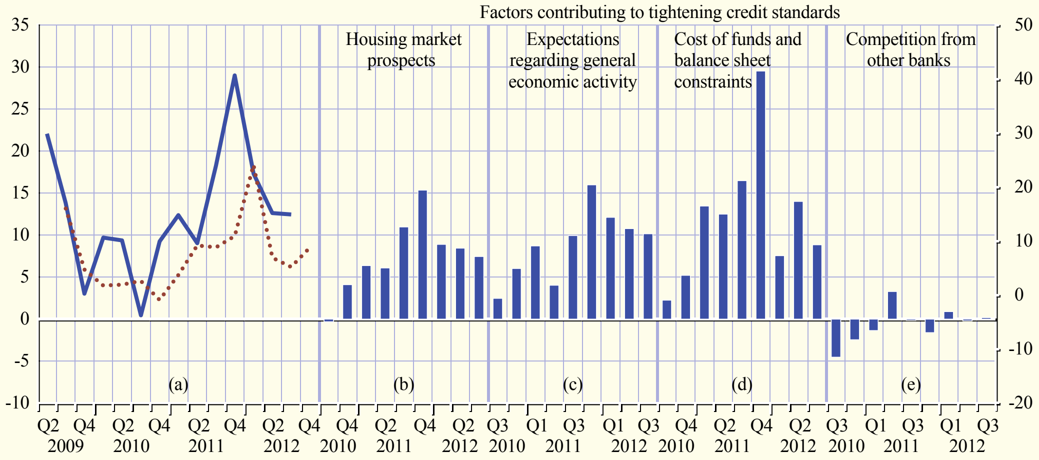
In the third quarter of 2012 the net percentage of banks reporting a tightening of credit standards for loans to households for house purchase decreased slightly to 12% from 13% in the second quarter (see Chart D). This decline was smaller than anticipated in the previous survey round. According to survey participants, the moderate decrease in net tightening in the third quarter was mainly driven by a marked easing in pressures from cost of funds and balance sheet constraints (to 9% in net terms, from 14% in the second quarter), whereas the impact of both the general economic outlook and housing market prospects remained broadly unchanged. As in the previous round, competitive pressures were reported to have remained neutral.

Terms and conditions on housing loans exhibited a mixed behaviour across price and non-price categories in the third quarter of 2012. While margins on average loans remained broadly stable (14%, after 15% in the second quarter of 2012), margins on riskier loans declined slightly (19%, down from 21%). Responses regarding non-price terms and conditions point to a slight tightening in the case of loan-to-value ratios and non-interest rate charges, and some moderation for the maturity of loans (3%, down from 5%).

Looking ahead, banks expect a somewhat lower degree of net tightening of credit standards for loans for house purchase (9%) for the fourth quarter of 2012.

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

(net percentages)

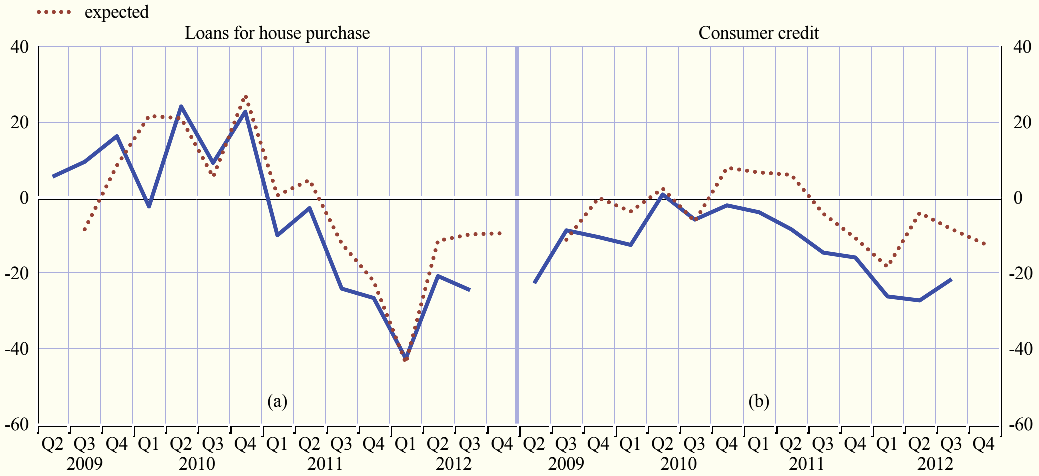


Note: See notes to Chart A.

As for loans to enterprises, euro area banks reported in net terms a more pronounced contraction in the demand for housing loans (-25%, after -21% in the second quarter of 2012; see Chart E). While the ongoing deterioration of housing market prospects (-14%, after -25%) and consumer confidence (-23%, after -27%) contributed to this net decline to a lesser extent than in the

Chart E Changes in demand for loans to households for house purchase and consumer credit

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

previous round, the use of household savings as an alternative source of finance contributed somewhat more strongly to the net decline in demand for housing loans (-9%, after -8%).

Looking ahead, banks expect a further net decline in the demand for housing loans (-9%) for the fourth quarter of 2012, albeit at a slower pace than in the third quarter of the year.

Consumer credit and other lending to households

For the third quarter of 2012 euro area banks reported a mild decline in the net tightening of credit standards (3%, down from 7%; see Chart F). Pressures from cost of funds and balance sheet constraints on credit standards eased to 1%, from 8% in the second quarter of 2012. While risk perceptions related to the economic outlook remained broadly unchanged, those related to consumers' creditworthiness declined (to 4%, from 7%). With regard to terms and conditions on consumer credit, banks reported, on balance, that the widening of margins on both riskier and average consumer loans increased slightly (to 14% and 13% respectively). The contribution of non-price terms and conditions on consumer credit remained broadly neutral.

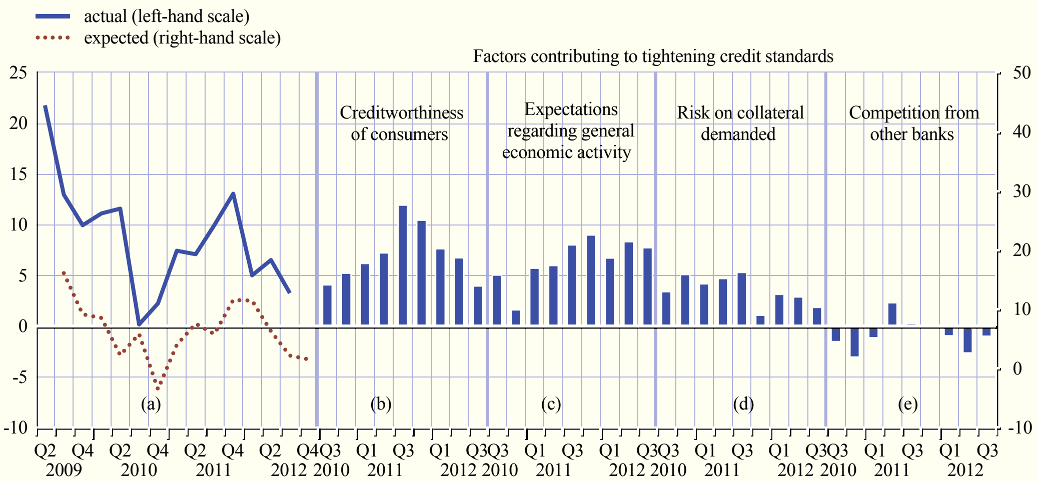
Looking ahead, in net terms, only 2% of banks expect a further tightening of credit standards on consumer credit and other lending to households in the fourth quarter of 2012.

In the third quarter of 2012 the demand for consumer credit continued to decline in net terms, albeit at a slower pace than in the previous round (-22%, after -27% in the previous quarter; see Chart E). This was mainly explained by a deceleration in the decline of household spending on durable consumer goods (-18%, after -28% in the second quarter) and in the decrease in consumer confidence (-22%, after -26%).

Looking ahead, banks expect a substantial slowdown in the net decline in demand for consumer credit in the fourth quarter of 2012 (-12%).

Chart F Changes in credit standards applied to the approval of consumer credit and other lending to households

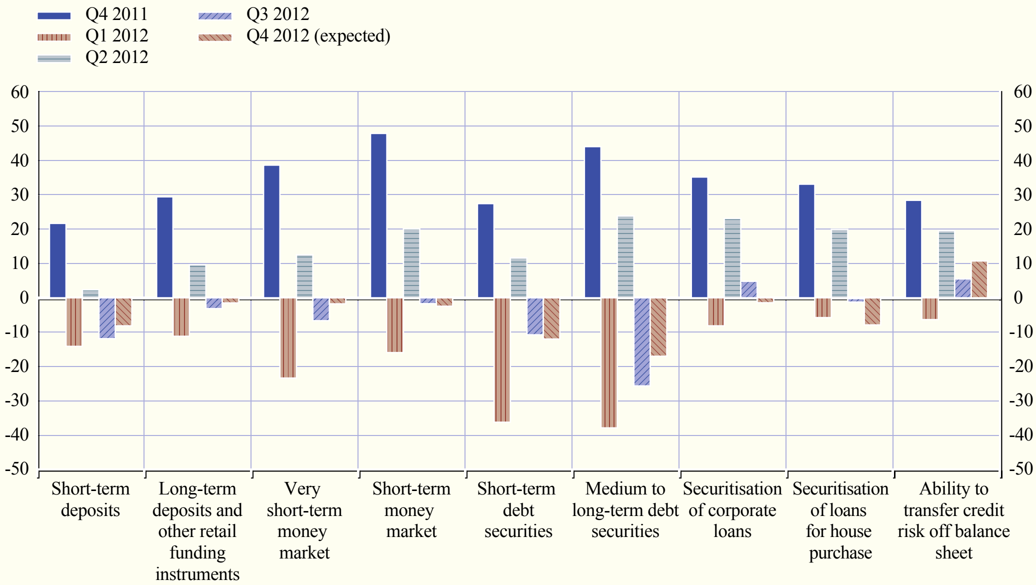
(net percentages)



Note: See notes to Chart A.

Chart G Change in the access to wholesale funding over the past three months

(net percentages of banks reporting deteriorated market access)



Note: The net percentages are defined as the difference between the sum of the percentages for "deteriorated considerably" and "deteriorated somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

Ad hoc question on the impact of the financial turmoil

As in previous survey rounds, the October 2012 bank lending survey contained an ad hoc question aimed at assessing the extent to which the financial market tensions affected banks' access to retail and wholesale funding markets in the third quarter of 2012, and the extent to which they might still have an effect in the fourth quarter of the year.

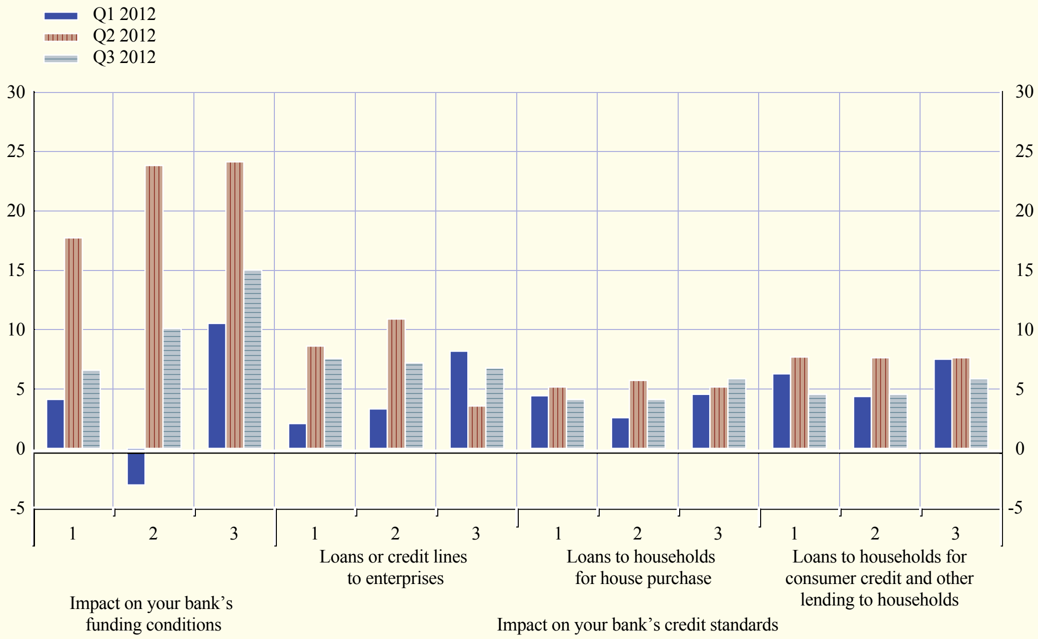
On balance, euro area banks reported an improvement in their access to retail and wholesale funding across most categories compared with the second quarter of 2012. Banks reported a net easing in their access to retail funding, money markets and debt securities (see Chart G). In addition, conditions for securitisation appeared to have deteriorated considerably less in the third quarter of 2012, both for true-sale securitisation and for banks' ability to transfer risks off their balance sheets (synthetic securitisation). Looking ahead, euro area banks expect a further net easing in market access in the case of retail funding, money markets and debt securities, whereas for securitisation they expect a further net deterioration in market access in the fourth quarter of 2012.

Ad hoc question on the impact of the sovereign debt crisis on banks' funding conditions and credit standards

The October 2012 survey also included an ad hoc question aimed at assessing the impact of the sovereign debt crisis on banks' funding conditions and their credit standards. On average, only 11% of euro area banks in net terms – compared with 22% in the second quarter of 2012 – attributed the deterioration in funding conditions to the sovereign debt crisis through either direct

Chart H Impact of the sovereign debt crisis on banks' funding conditions and credit standards

(net percentages of banks reporting an impact on funding conditions or on the tightening of credit standards)



1 Direct exposure to sovereign debt
2 Value of sovereign collateral available for wholesale market transactions
3 Other effects

Note: The net percentages are defined as the difference between the sum of the percentages for "contributed to a deterioration of funding conditions/tightening of credit standards considerably" and "contributed somewhat" and the sum of the percentages for "contributed to an easing of funding conditions/easing of credit standards somewhat" and "contributed considerably".

exposure to sovereign debt (7% compared with 18% in the second quarter), reduced collateral value of government bonds (10% compared with 24% in the previous round) or other effects (15% compared with 24%). These results suggest that the negative impact of the sovereign debt crisis on banks' funding conditions diminished substantially in the course of the third quarter of 2012. Compared with the previous quarter, the impact of the crisis on euro area banks' credit standards also decreased somewhat (to 6% on average, for both loans to non-financial corporations and loans to households; see Chart H). This development is broadly in line with the decline in the impact of the cost of funds and balance sheet constraints on banks' credit standards for loans to enterprises and households.

2.2 SECURITIES ISSUANCE

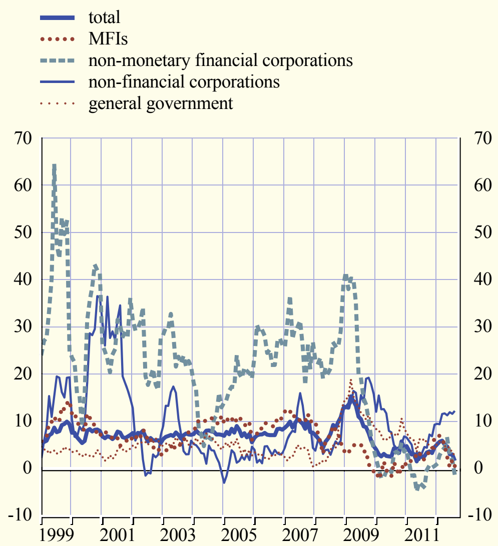
In August 2012 the annual growth rate of debt securities issued by euro area residents decreased as a result of lower debt issuance in most sectors, with the exception of the non-financial corporate sector. The year-on-year increase in debt securities issued by non-financial corporations continued along the upward trend recorded over the past year, possibly reflecting some substitution with bank loan financing. The annual growth rate of issuance of quoted shares declined marginally in August and remained at a subdued level, notably due to the ongoing moderation in equity issuance by MFIs.

DEBT SECURITIES

In August 2012 the annual growth rate of debt securities issued by euro area residents decreased by 0.3 percentage point in comparison with the previous month, to stand at 3.7% (see Table 4). This moderation was due to a decline both in the annual growth rate of long-term debt securities issuance (by 0.1 percentage point to 3.9%) and in the more volatile annual growth rate of short-term debt securities issuance (by 3.1 percentage points to 1.6%). The annualised and seasonally adjusted six-month growth rate of debt securities issued, which better conveys short-term trends, fell to 1.7%, from 3.0% in July, thereby reflecting the slowdown in issuance dynamics over recent months. Using the same measure, debt securities issuance decreased in all sectors, with the exception of the non-financial corporate sector (where it rose to 12.2%) (see Chart 9). Short-term issuance dynamics were actually negative for non-monetary financial corporations (-1.3%), whereas they moderated for MFIs, to 0.6% in August. Moreover, the annualised and seasonally adjusted six-month growth rate of general government issuance decreased further to 2.7% in August, down from 3.5% in the previous month.

Chart 9 Sectoral breakdown of debt securities issued by euro area residents

(six-month annualised growth rates; seasonally adjusted)



Source: ECB.

In recent months, refinancing activity remained concentrated on issuance in the long-term segment, notably at fixed rates. The annual growth rate of issuance of fixed rate long-term debt securities increased further to 5.2% in August, from 4.9% in July. At the same time, the annual rate of change

Table 4 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2012 August	Annual growth rates[1] 2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 July	2012 August
Debt securities	**16,799**	**3.5**	**3.1**	**4.1**	**4.2**	**4.0**	**3.7**
MFIs	5,640	2.0	3.3	4.6	3.8	4.2	3.7
Non-monetary financial corporations	3,232	-0.5	-1.2	-0.5	2.5	1.4	0.7
Non-financial corporations	951	4.9	5.0	6.7	9.3	10.6	10.8
General government	6,976	6.6	4.9	5.8	4.7	4.4	4.1
of which:							
Central government	6,274	5.9	4.2	4.8	3.8	3.4	3.3
Other general government	702	14.6	13.2	16.8	14.3	14.8	12.5
Quoted shares	**4,185**	**1.9**	**1.6**	**1.6**	**1.4**	**1.0**	**0.9**
MFIs	350	12.4	10.0	10.8	10.0	5.8	4.6
Non-monetary financial corporations	305	5.0	5.2	3.6	3.1	2.8	3.2
Non-financial corporations	3,531	0.4	0.3	0.3	0.3	0.3	0.3

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

in issuance of floating rate long-term debt securities turned slightly negative (-0.1%), from 0.6% in July, thus remaining at a subdued level.

From a sectoral perspective, and on the basis of annual rates of growth, the decrease in debt issuance was broad-based across the MFI sector, the non-monetary financial sector and general government. In all these sectors, issuance activity was below the historical average recorded over the period since 2000, in particular in the case of the non-monetary financial sector. By contrast, the annual rate of growth of debt securities issued by non-financial corporations edged up marginally to 10.8%, from 10.6% in the previous month, which is somewhat above the historical average for the period since 2000. It thereby continued the upward trend recorded over the past year. Specifically, as in July, the higher annual rate of growth of long-term debt securities issued by non-financial corporations more than compensated for the decline in the annual growth of short-term issuance in August.

The annual growth of public borrowing declined further in August, prolonging a trend recorded since the beginning of this year. The annual growth of debt securities issued by the general government sector decreased to 4.1%, from 4.4% in the previous month.

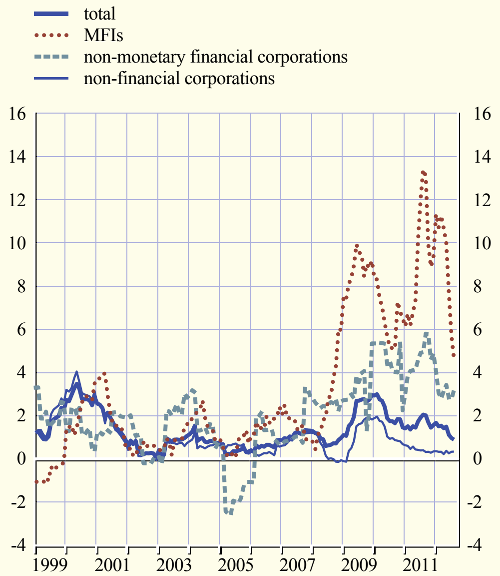
Turning to the financial sector, the annual growth rate of debt securities issued by MFIs declined to 3.7%, from 4.2% in July. This was due primarily to a drop in issuance of short-term debt securities, while the annual rate of growth of long-term debt securities issued by MFIs remained broadly stable in August. Finally, the annual growth rate of debt securities issued by non-monetary financial corporations decreased from 1.4% in July to 0.7% in August.

QUOTED SHARES

The annual growth rate of all quoted shares issued by euro area residents declined marginally to 0.9% in August, on account of an ongoing moderation of equity issuance by MFIs (see Chart 10). Indeed, the annual rate of increase in equity issuance by MFIs dropped further to 4.6%, the lowest level recorded since October 2008, from 5.8% in July. The annual growth of quoted shares issued by non-financial corporations remained unchanged at 0.3% in August, whereas it increased in the case of non-monetary financial corporations (to 3.2%, from 2.8% in July).

Chart 10 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



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

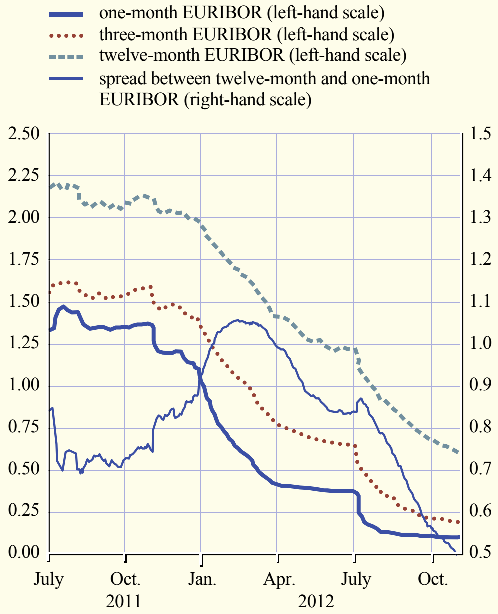
2.3 MONEY MARKET INTEREST RATES

Money market interest rates declined between early October and early November 2012. Consequently, in the tenth maintenance period of 2012, which began on 10 October, the EONIA remained close to its record low, reflecting continuing large amounts of excess liquidity.

Unsecured money market interest rates, as measured by the EURIBOR, declined between early October and early November 2012. On 7 November the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.11%, 0.20%, 0.38% and 0.60% respectively – i.e. 0, 2, 5 and 8 basis points lower respectively than the levels observed on 4 October. Consequently, the spread between the twelve-month and the one-month EURIBOR – an indicator of the slope of the money market yield curve – decreased to 49 basis points on 7 November compared to 56 basis points on 4 October (see Chart 11).

Chart 11 Money market interest rates

(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Thomson Reuters.

The three-month EONIA swap rate stood at 0.07% on 7 November, 2 basis points lower than on 4 October. This resulted in the spread between the three-month EURIBOR and the three-month EONIA swap rate declining by 1 basis points to stand at 13 basis points, thereby falling to low levels not seen since the fourth quarter 2011.

The interest rates implied by the prices of three-month EURIBOR futures maturing in December 2012 and March, June and September 2013 decreased by respectively 2, 5, 6 and 7 basis points in comparison to the levels seen on 4 October, standing at 0.17%, 0.16%, 0.17% and 0.19% respectively on 7 November.

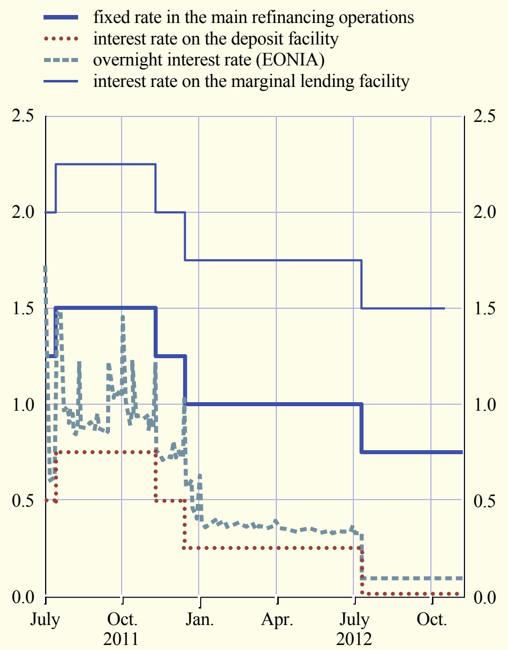
Between 4 October and the end of the ninth maintenance period of the year on 9 October, the EONIA remained stable at around 0.09%, amid continued excess liquidity. In the maintenance period starting on 10 October, the EONIA remained at the same level. Since then, volatility has remained very low and on 7 November the EONIA also stood at 0.09%.

The Eurosystem conducted several refinancing operations between 4 October and 7 November. In the main refinancing operations of the tenth maintenance period, which were conducted on 9, 16, 23, 30 October and 6 November, the Eurosystem allotted €89.8 billion, €91.8 billion, €77.3 billion, €83.7 billion and €79.5 billion respectively. The Eurosystem also conducted two longer-term refinancing operations (LTROs) in October, both as fixed rate tender procedures with full allotment, namely a special-term refinancing operation with a maturity of one maintenance period on 9 October (in which €12.6 billion was allotted); and a three-month LTRO on 31 October (in which €6.2 billion was allotted).

The Eurosystem also conducted five one-week liquidity-absorbing operations as variable rate tender procedures with a maximum bid rate of 0.75% on 9, 16, 23 and 30 October and 6 November. With these operations, the Eurosystem fully absorbed the liquidity associated with purchases carried out under the Securities Markets Programme.

Chart 12 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Thomson Reuters.

After plateauing at record levels during the second quarter of 2012, excess liquidity has declined moderately. While the tenth maintenance period of the year, which began on 10 October, was still characterised by significant levels of excess liquidity, average daily recourse to the deposit facility declined to €257.5 billion, down from €305.4 billion in the previous maintenance period. This development is a consequence of both the decline in overall excess liquidity and the reallocation of some of that excess liquidity from the deposit facility to the current accounts of banks. This reallocation, in turn, follows the reduction of the deposit facility rate to 0.0%, which has made counterparties largely indifferent about whether they use the deposit facility or the current account. At the same time, the average amount held on the current account decreased to €528.6 billion (from to €538.1 billion over the previous reserve maintenance period).

2.4 BOND MARKETS

Between the end of September and early November, yields on AAA-rated long-term government bonds in the euro area decreased by around 10 basis points, to stand at around 1.8% on 7 November. In the United States, long-term government bond yields remained broadly unchanged over the same period, standing at around 1.7% on 7 November. Despite some increases in the second half of the period under review, the yields on long-term government bonds issued by euro area countries under financial stress declined further over the review period, so that spreads vis-à-vis Germany narrowed. Uncertainty about future bond market developments in the euro area, as measured by implied bond market volatility, continued to decline, albeit at a slower pace than in August and September. Market-based indicators, although volatile, suggest that inflation expectations remain firmly anchored in line with price stability.

Between the end of September and 7 November 2012, yields on AAA-rated long-term euro area government bonds decreased by around 10 basis points, to stand at around 1.8% on the latter date. Long-term government bond yields in the United States remained broadly unchanged over the same period, standing at around 1.7% on 7 November (see Chart 13).

In the first half of October, yields on long-term government bonds of AAA-rated issuers in both economic areas moved sideways on the back of mixed market news. For instance, early in the review period, the global composite purchasing managers' index (PMI) pointed to a modest improvement in growth prospects, while the IMF revised its global growth forecasts for both 2012 and 2013 downward. Interestingly, Standard & Poor's downgrade of Spain by two notches to BBB- on 10 October did not have any significant negative effect on developments in the euro area sovereign bond market in general, nor on yields on Spanish bonds in particular. The yields on long-term government bonds of AAA-rated issuers in both the euro area and the United States increased by around 10 basis points in the middle of October, in the wake of better than expected data releases in the United States. This development was reversed in the second half of the period under review, when more negative news came to the fore, such as the downgrade of five Spanish regions by Moody's and negative rating decisions on some banks in France and Belgium, as well as disappointing quarterly earnings figures in the United States.

Chart 13 Long-term government bond yields

(percentages per annum; daily data)

Sources: EuroMTS, ECB, Bloomberg and Thomson Reuters.
Notes: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity. The euro area bond yield is based on the ECB's data on AAA-rated bonds, which currently include bonds from Austria, Finland, France, Germany and the Netherlands.

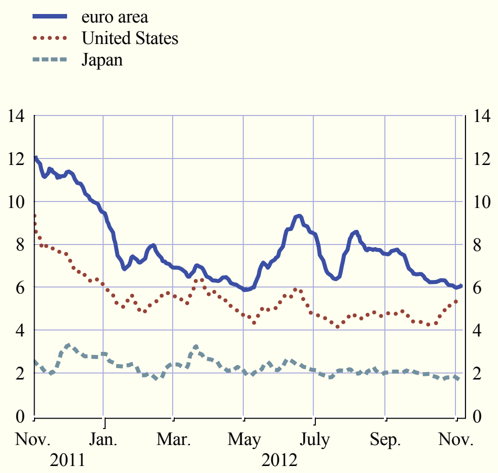
Overall, the nominal interest rate differential between ten-year government bond yields in the United States and those in the euro area decreased slightly, to stand at around 15 basis points on 7 November. In Japan, ten-year government bond yields remained close to 0.8% over the period under review, staying slightly above the lowest levels recorded since 2003.

Investors' uncertainty about short-term bond market developments in the euro area, as measured by option-implied volatility, decreased further in October and early November, namely by around 30 basis points, and stood close to 6.3% on 7 November (see Chart 14). Despite the decline, bond market volatility in the euro area remains elevated by historical standards, standing at levels close to those prevailing just before the default of Lehman Brothers. Conversely, in the United States, implied volatility increased by around 120 basis points to stand at around 5.6% in early November, which is still significantly below the levels prevailing just before the default of Lehman Brothers.

Focusing on developments in the euro area sovereign debt markets, bond yields of sovereigns under financial stress continued to decline in the first half of the period under review. The decline in yields still partly reflected the ECB's announcement of the modalities for Outright Monetary Transactions on 6 September. The downgrade of five Spanish regions by Moody's on 22 October only partially offset the declines. The most marked decreases were experienced by the three countries under financial assistance programmes. Between the end of September and early November, the spread between Greek and German long-term government bonds contracted by more than 200 basis points, while the corresponding spreads of Portuguese and Irish government bonds declined by around 50

Chart 14 Implied government bond market volatility

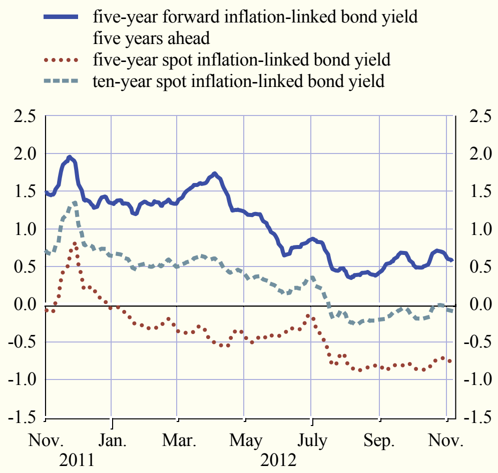
(percentages per annum; five-day moving average of daily data)



Source: Bloomberg.
Notes: The implied volatility series reflects the annualised expected percentage changes in German, Japanese and US ten-year government bond prices over a period of up to three months. It is based on the market values of related traded options contracts.

Chart 15 Euro area zero coupon inflation-linked bond yields

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



Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011 real rates have been computed as a GDP-weighted average of separate real rates for France and Germany. Before this date, real rates were computed by estimating a combined real yield curve for France and Germany.

and 40 basis points respectively. In addition, Spanish and Italian long-term government bonds saw the spread vis-à-vis Germany decline by around 20 basis points.

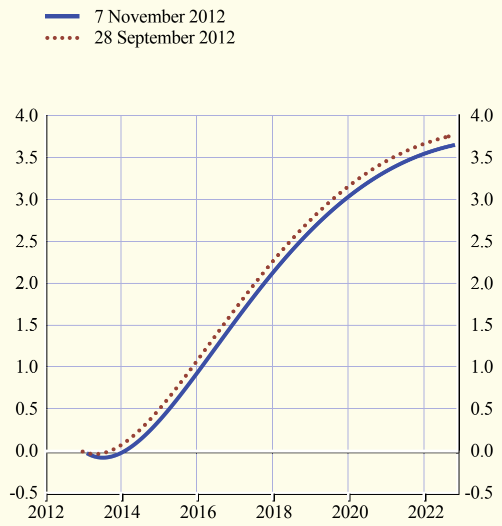
The yields on both ten-year and five-year inflation-linked euro area government bonds increased by around 15 basis points in October, before falling back to the levels observed at the end of September, namely around -0.1% and -0.8% respectively (see Chart 15). Hence, the levels of long-term real interest rates in the euro area remain negative, continuing to reflect investors' rather gloomy perceptions of medium-term growth prospects. The implied forward euro area overnight interest rate remained broadly unchanged across all maturities (see Chart 16).

Regarding financial market indicators of long-term inflation expectations in the euro area, the five-year forward break-even inflation rates five years ahead implied by inflation swaps and inflation linked bonds declined slightly over the period under review (see Chart 17). Specifically, the five-year forward break-even inflation rate five years ahead implied by inflation-linked bonds decreased sharply in October, but it picked up somewhat in early November. Overall, it decreased by around 10 basis points over the period under review and stood at around 2.5% on 7 November. The corresponding inflation swap forward rate also declined by around 10 basis points and stood at around 2.3% on 7 November. The decrease in the break-even inflation rate implied by inflation-linked bonds most likely reflects a partial unwinding of specific market circumstances prevailing in August and September,[1] rather than an actual change in long-term inflation expectations. Overall, market-based indicators suggest that inflation expectations remain firmly anchored in line with price stability.[2]

1 For more details, see *Monthly Bulletin*, ECB, October 2012.
2 For a more thorough analysis of the anchoring of long-term inflation expectations, see the article entitled "Assessing the anchoring of longer-term inflation expectations", *Monthly Bulletin,* ECB, July 2012.

Chart 16 Implied forward euro area overnight interest rates

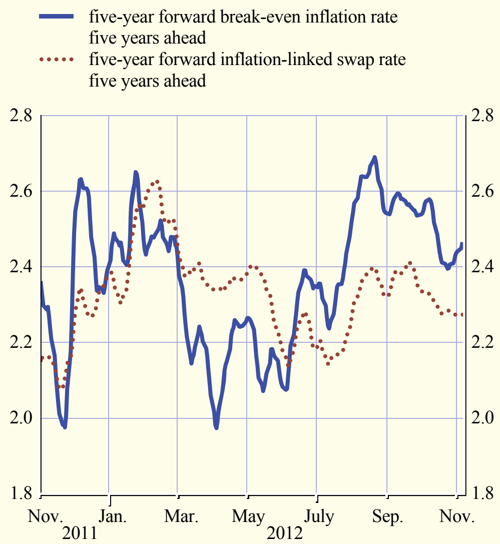
(percentages per annum; daily data)



Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).
Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects market expectations of future levels for short-term interest rates. The method used to calculate these implied forward yield curves is outlined in the "Euro area yield curve" section of the ECB's website. The data used in the estimate are AAA-rated euro area government bond yields.

Chart 17 Euro area zero coupon break-even inflation rates and inflation-linked swap rates

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



Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011 break-even inflation rates have been computed as a GDP-weighted average of separately estimated break-even rates for France and Germany. Before this date, break-even inflation rates were computed by comparing yields from the nominal yield curve of AAA-rated euro area government bonds with a combined real yield curve derived from French and German inflation-linked government bonds.

Between the end of September and 7 November 2012, spreads on investment-grade corporate bonds issued by financial corporations in the euro area (relative to the Merrill Lynch EMU AAA-rated government bond index) decreased across all rating classes. Those on BBB-, AA- and A-rated issuers fell by around 80, 20 and 15 basis points respectively, while those on AAA-rated bonds declined only marginally. Over the same period, spreads on investment-grade corporate bonds issued by non-financial corporations decreased as well. Whereas the decline for AA and A-rated issuers was around 10 basis points, spreads for BBB-rated issuers declined more substantially, namely by around 30 basis points. Overall, recent developments in corporate bond yields suggest a slight improvement in market-based financing conditions for firms in both the financial and the non-financial sectors.

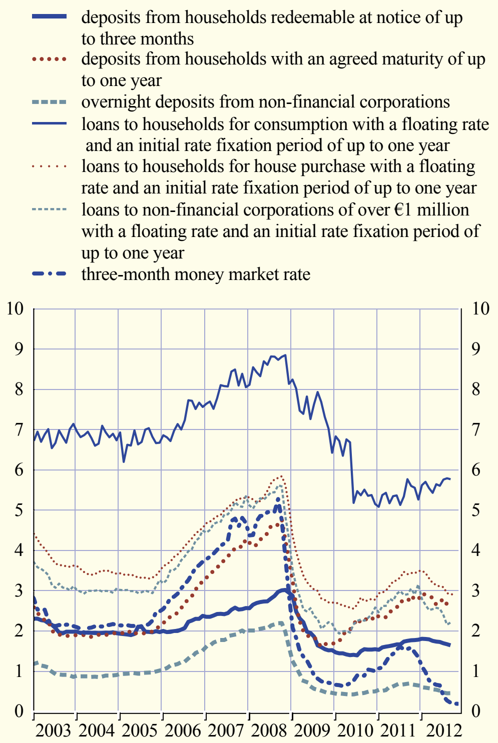
2.5 INTEREST RATES ON LOANS AND DEPOSITS

In September 2012, MFI interest rates on long-term loans to non-financial corporations declined somewhat further, thereby reflecting the pass-through of the cuts in key ECB interest rates since November 2011. The spreads between rates on small and large loans to non-financial corporations remained elevated for both short-term and long-term maturities. Short-term and long-term rates on loans to households for house purchase remained broadly unchanged in September. The spread between long-term lending rates and the yield on AAA-rated seven-year government bonds remained stable for housing loans, and declined somewhat further in the case of loans to non-financial corporations.

In September 2012 most short-term MFI interest rates on deposits from households declined further. This held true for rates on both overnight deposits and deposits redeemable at notice, while the rates on deposits with an agreed maturity of up to one year increased somewhat in comparison with August. Short-term rates on deposits from non-financial corporations remained unchanged in the case of overnight deposits and increased slightly for deposits with an agreed maturity of up to one year. Turning to MFI lending rates, short-term interest rates on both loans to households for house purchase and consumer credit remained broadly unchanged in September, at 2.9% and 5.8% respectively. Where non-financial corporations are concerned, short-term rates on large loans (i.e. loans of more than €1 million) increased slightly, by 5 basis points, to 2.2% in September (see Chart 18), while banks' short-term interest rates on small loans (i.e. loans of up to €1 million) decreased slightly, by 7 basis points, to 3.9%. Despite this decline, the spread between short-term rates on small loans to non-financial corporations and those on corresponding large loans still remained at an elevated level in September (170 basis points, compared with an historical average of 100 basis points over the period since 2003). This may indicate that financing conditions for small and medium-sized enterprises were persistently worse than those for large firms. On average, rates on households' overdrafts increased slightly, by 5 basis points, to 8.6%, while interest rates on overdrafts of non-financial corporations remained broadly unchanged at 4.0%. Overall, given that the EURIBOR declined somewhat further, namely by 6 basis points, in September 2012, the spreads between the three-month money market rate and short-term MFI interest rates on loans to both households and non-financial corporations widened (see Chart 19).

Chart 18 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business)



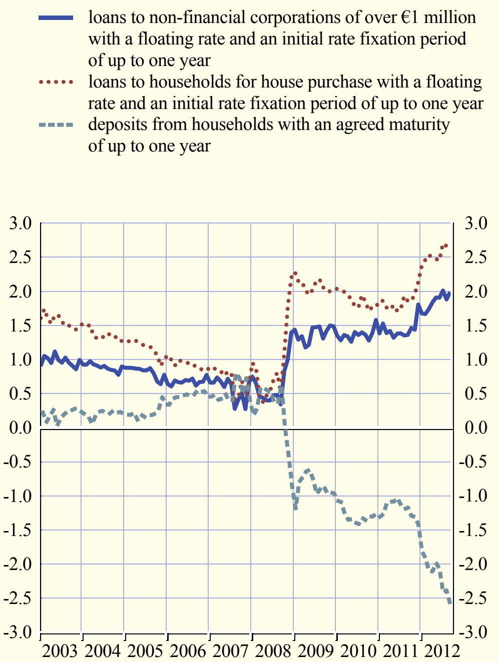
Source: ECB.
Note: Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Taking a longer-term perspective, short-term MFI interest rates on both loans to households for house purchase and loans to non-financial corporations have decreased by around 50 to 60 basis points since the beginning of 2012. To a large extent, this development reflects the pass-through of changes in market rates to bank lending rates in the wake of the cuts in the key ECB interest rates since November 2011 (75 basis points in total). In addition, the decline in short-term lending rates may also reflect the improvements both in banks' cost of funds and in their balance sheet positions, as is indicated, for instance, by the results of the euro area bank lending survey (see Box 1).

Turning to longer maturities, MFI interest rates on long-term deposits from households decreased somewhat further in September, by 8 basis points, to 2.4%, while those on deposits from non-financial corporations increased by 10 basis points, to 2.5%. Most interest rates on longer-term loans to households for house purchase remained broadly unchanged in September. Specifically, rates on

Chart 19 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate

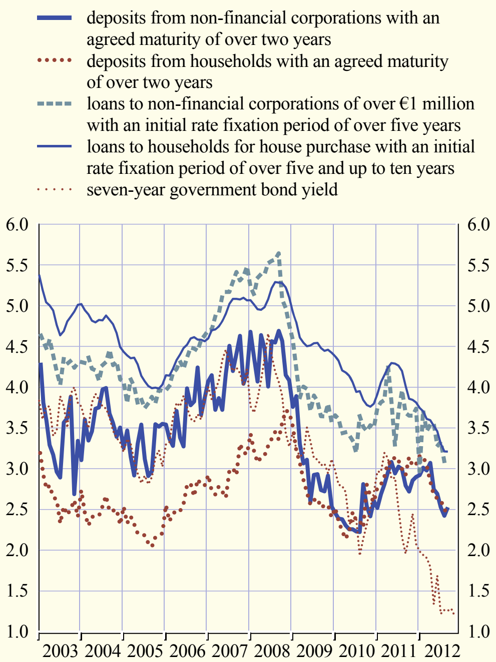
(percentage points; rates on new business)



Source: ECB.
Notes: For the loans, the spreads are calculated as the lending rate minus the three-month money market rate. For the deposits, the spread is calculated as the three-month money market rate minus the deposit rate. Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Chart 20 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business)



Source: ECB.
Note: Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

loans to households for house purchase with an initial rate fixation period of over five and up to ten years remained unchanged at the lowest level recorded since 2003, namely at 3.2%. Long-term rates (with an initial rate fixation period of over five years) on large loans to non-financial corporations declined somewhat, by 8 basis points, to 3.0% (see Chart 20), whereas long-term rates on small-sized loans to non-financial corporations remained broadly unchanged at 3.6%. The spread between long-term rates on small-sized and those on large loans (60 basis points) remained above the historical average recorded over the period since 2003 (30 basis points at the euro area level). Compared with the yields on AAA-rated seven-year government bonds, which remained stable in September, the spread was unchanged for long-term rates on housing loans and narrowed marginally for long-term rates on large loans to non-financial corporations, both in comparison with the previous month.

Viewed over a longer term, the spreads between long-term lending rates and the yields on AAA-rated seven-year government bonds generally widened between the beginning of the year and September 2012. This reflects a stronger decline in the yields on AAA-rated government bonds in the context of flight-to-safety flows than that in long-term MFI lending rates on both loans to households for house purchase and loans to non-financial corporations. At the same time, the decrease in long-term lending rates reflects the pass-through of past cuts in key ECB interest rates, as well the improvement in bank funding conditions during this period, with the latter related to the ECB's non-standard measures such as the two three-year longer-term refinancing operations (LTROs) of December 2011 and February 2012.

Box 2 analyses the dispersion of MFI lending rates to non-financial corporations across euro area countries, which increased significantly in the early stages of the financial crisis in late 2008 and early 2009. While the dispersion narrowed somewhat in the period from late 2009 to mid-2011, it tended thereafter to widen again in the case of short-term loans. By contrast, the dispersion of lending rates on long-term loans has recently contracted somewhat.

Box 2

CROSS-COUNTRY HETEROGENEITY IN MFI INTEREST RATES ON LOANS TO NON-FINANCIAL CORPORATIONS IN THE EURO AREA

The dynamics of bank lending rates on loans to non-financial corporations (NFCs) have been highly heterogeneous across countries since the start of the financial crisis. Heterogeneity has increased further, following the intensification of euro area sovereign debt concerns in 2010. This box uses detailed MFI interest rate statistics to analyse developments in interest rates on loans to NFCs in the four largest euro area economies and in the EU/IMF programme countries. It first analyses developments in MFI interest rates on loans with different maturities and then describes the dynamics of interest rates on loans of different sizes. The box concludes with a discussion of the possible reasons for the observed heterogeneity.

Computing an indicator of the cost of borrowing for euro area non-financial corporations

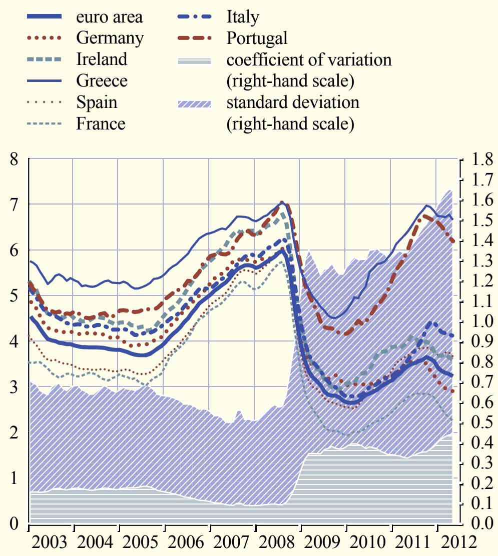
The borrowing costs of NFCs located in different countries vary, reflecting differences in their economies and in the structure of their financial sectors. For an accurate assessment of developments in borrowing costs in the euro area, the overall financing structure of firms must be taken into account when computing an indicator of the marginal cost of loans to NFCs. For example, MFI interest rate statistics on short-term loans to NFCs, which capture bank lending rates on loans with a rate fixation period of up to one year, only offer a partial view of firms' financing costs in some countries. That is because those statistics do not include overdrafts, which are a major source of finance for firms in some euro area economies (e.g. Italy and Portugal). Indeed, because interest rates on overdrafts are higher than other short-term bank lending rates, the estimated borrowing costs tend to be lower if those data are excluded, in particular in countries where overdrafts are an important source of firms' external finance.[1]

Chart A shows an indicator of the short-term cost of borrowing for NFCs in the euro area which includes data on overdrafts. The indicator is a weighted average of bank lending rates on loans with a rate fixation period of up to one year and interest rates on overdrafts, using outstanding amounts as a weighting scheme. The chart shows that the short-term cost of borrowing for NFCs has tended to be lower in Germany, Spain, France and Italy than in Greece and Portugal.

1 It should be noted that lending rate statistics do not capture the full cost of borrowing from MFIs, because they do not include fees and other non-interest related costs that non-financial corporations incur when taking out a loan.

Chart A Indicator of the short-term cost of borrowing for non-financial corporations

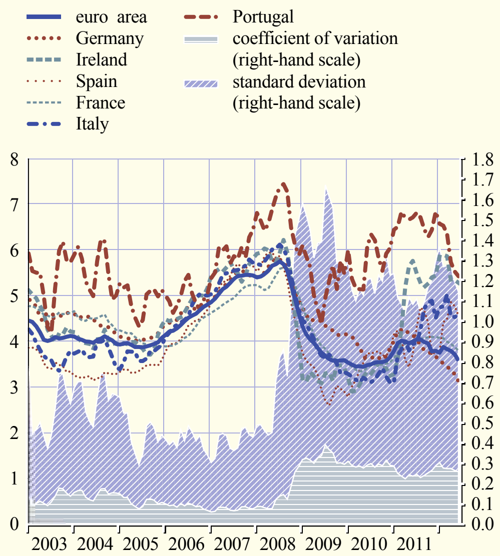
(percentages per annum; three-month moving averages; March 2003 to September 2012)



Sources: ECB, as well as the MIR and BSI databases.
Notes: The indicator is computed using lending rates on loans with a maturity of up to one year and interest rates on overdrafts, aggregated on the basis of amounts outstanding. The weight applied to lending rates on loans with a maturity of up to one year accounts for the share of long-term loans issued at a floating rate. The coefficient of variation and the standard deviation are computed for all euro area countries where data are available, based on a changing composition of countries.

Chart B Indicator of the long-term cost of borrowing for non-financial corporations

(percentages per annum; three-month moving averages; March 2003 to September 2012)



Sources: ECB and the MIR database.
Notes: Long-term lending rates on loans with a maturity of more than one year. Aggregation is based on new business volumes. The coefficient of variation and the standard deviation are computed for all euro area countries where data are available, based on a changing composition of countries. Data for Greece are not available.

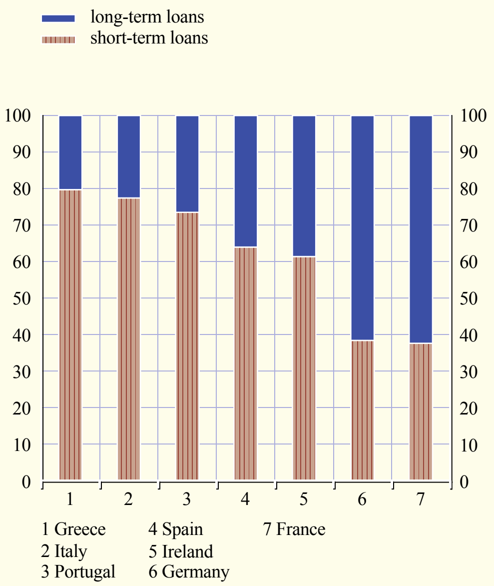
The long-term cost of borrowing for NFCs, aggregated at the euro area level on the basis of long-term moving averages of new business volumes, has been more volatile and has tended to follow a less clear-cut structural pattern (see Chart B).

The short and long-term costs of borrowing for NFCs have both exhibited different dynamics across countries in response to the financial crisis and the intensification of concerns about sovereign debt in the euro area. In the early stages of the financial crisis in late 2008 and in 2009, short-term lending rates tended to contract to a lesser extent in Greece and Portugal than in the other euro area countries. Thereafter, following the intensification of sovereign debt tensions in 2010, rates in these two countries started to rise sooner and more rapidly than in the other euro area countries. Since mid-2011 the short-term cost of borrowing has also increased in Italy and remains above the level recently recorded in the other euro area economies. With regard to interest rates on long-term loans, the cost of borrowing has increased in Italy and Spain since mid-2011, while it has contracted in Germany and France.

The heterogeneous developments in the short and long-term cost of borrowing for NFCs are reflected in measures of the dispersion of lending rates across countries. In particular, the dispersion of interest rates on both short and long-term loans to NFCs increased significantly in the early stages of the crisis in late 2008 and early 2009. Although the dispersion narrowed somewhat in the period from late 2009 to mid-2011, it has thereafter tended to widen again in the case of short-term loans. By contrast, the dispersion of lending rates on long-term loans contracted somewhat

Chart C The share of short and long-term loans in total loans

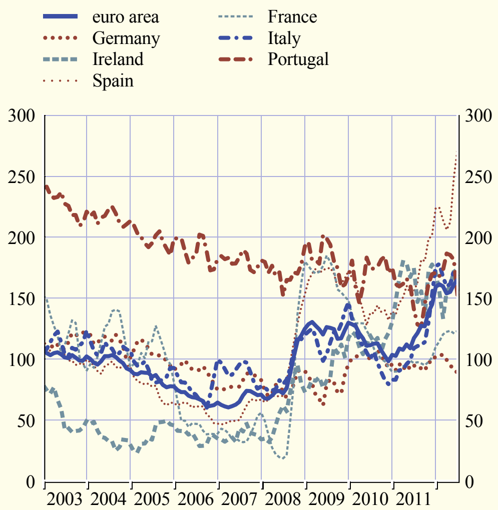
(percentages; September 2012)



Sources: ECB, as well as the MIR and BSI databases.
Notes: Short-term loans are those with a maturity of up to one year, plus overdrafts and the share of long-term loans issued at a floating rate. The data are aggregated on the basis of outstanding amounts.

Chart D The spread between lending rates on small and large loans

(percentages per annum; three-month moving averages; March 2003 to September 2012)



Sources: ECB and the MIR databases.
Notes: Lending rates have been aggregated using new business volumes. Small loans are loans of up to €1 million, while large loans are those of over €1 million. Data for Greece are not available.

recently.[2] Developments in short and long-term lending rates on loans to corporations result in different funding pressures across countries, owing to differences in the financing structure of firms. Chart C shows that NFCs in Greece, Ireland, Spain, Italy and Portugal rely more heavily on short-term financing than their counterparts in Germany and France.

Heterogeneities in bank lending rates for small and medium-sized enterprises in the euro area

Based on the assumption that loans to small and medium-sized enterprises (SMEs) are generally smaller than loans to large corporations, a breakdown of lending rates into those applied to small loans and those for large loans permits a more detailed analysis of the borrowing costs of SMEs.[3] A long data series on MFI interest rates is available in the MIR database, distinguishing between lending rates on loans of up to €1 million and those on loans of over €1 million. Chart D shows that the spread between lending rates on these two types of loan is positive for all the countries considered. Lending rates on loans to small businesses are higher than those on loans to large businesses, owing to the higher transaction costs and weaker bargaining power of SMEs and the higher business risk they represent (given that they have fewer assets and a higher probability of default), among other factors. The chart also shows that during the crisis in late

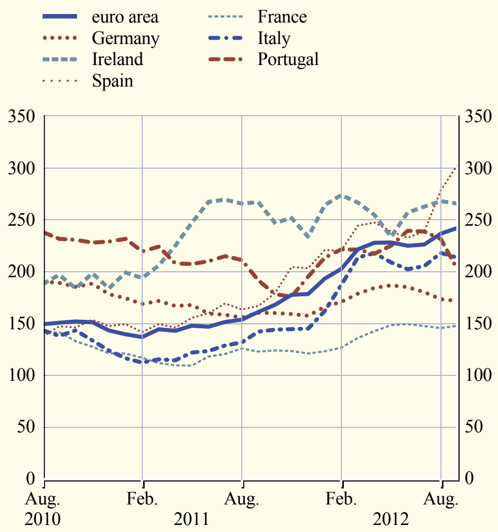
2 For an analysis of heterogeneities in mortgage interest rates in the euro area, see Kok Sørensen, C. and Lichtenberger, J-D., "Mortgage interest rate dispersion in the euro area", *Working Paper*, No. 733, ECB, February 2007.
3 The size of loans may also be related, to some extent, to the purpose (e.g. inventory financing, working capital, long-term investment) and the duration of the loan.

2008 and in 2009, bank financing conditions for SMEs deteriorated sharply in most euro area countries, but particularly so in Ireland, Spain, France and Italy. The situation improved in all countries during 2010, but has deteriorated again since 2011. The spread between bank lending rates on small and large loans has recently widened again, particularly in Spain, Italy and Portugal. In France, the increase has been more moderate.

The €1 million ceiling used to define small loans may be too high a proxy for lending to SMEs. Consequently, since June 2010, the ECB has collected more refined data on bank interest rates on small loans. Specifically, the category of loans of up to €1 million was broken down into two sub-categories, which capture loans of up to €0.25 million and loans of over €0.25 million and up to €1 million. This additional breakdown permits a more precise measure of the borrowing costs of SMEs.[4] Chart E shows that the spread between interest rates on very small loans (of up to €0.25 million) and large loans (of over €1 million) is wider than that between small (of up to €1 million) and large loans (over €1 million) shown in Chart D for each of the countries considered. As was the case for the spread between lending rates on loans of up to €1 million and those on loans of over €1 million, the spread between interest rates on very small loans and large loans shown in Chart E has increased since 2011, particularly in the case of Spain, Italy and Ireland. In Germany and France, the spread has also increased since the beginning of 2012, although to a much lesser extent. The spread between bank lending rates for very small loans and large loans remains high by historical standards, standing at about 240 basis points, on average, in the euro area in September 2012.

Chart E Spread between lending rates on very small and large loans

(percentages per annum; three-month moving averages; August 2010 to September 2012)



Sources: ECB and the MIR databases.
Notes: Very small loans are loans of up to €0.25 million, while large loans are those above €1 million. Aggregation is based on new business volumes. Data for Greece are not available.

Factors affecting the dynamics of bank lending rates on loans to non-financial corporations

Although it is difficult to isolate the precise determinants of cross-country divergences in MFI lending rates, a number of driving factors seem to be at play. First, the structure of the financial system differs across countries. Lending rates tend to be lower in economies where bank competition is stronger and alternative, market-based sources of finance are available through more developed financial sectors, such as in Germany and France. Second, the observed heterogeneity in MFI lending rates to non-financial corporations may also reflect country specific institutional factors, such as the fiscal and regulatory frameworks, enforcement procedures and differences in the degree to which loans are secured. Third, the business cycle and the associated perceptions of

4 Other improvements in the collection of MFI interest rate statistics from June 2010 include: i) further breakdowns by period of rate fixation; ii) additional information on guarantees and collateralisation; iii) data on interest rates on overdrafts and revolving loans compiled by an homogenous method and separately from data on credit card debt; and iv) the separate reporting of interest rates on loans to sole proprietors in the household sector. See the article entitled "Keeping the ECB's monetary and financial statistics fit for use", *Monthly Bulletin*, ECB, August 2011.

credit risk have also differed across countries, particularly over the last few years. In periods of weak economic activity, credit risk tends to increase because the probability that a firm will go bankrupt increases. Hence, weak economic conditions in countries such as Greece, Spain, Italy and Portugal may also have played a role in explaining recent diverging dynamics in lending rates. Finally, the divergence in banks' funding conditions is another key factor explaining the heterogeneity in MFI lending rates offered to NFCs across euro area countries.[5] Pressures on banks' funding conditions have eased in 2012, following the cuts in the key ECB policy rates and the implementation of further non-standard monetary policy measures (namely the broadening of the Eurosystem's collateral framework and the two three-year longer-term refinancing operations). These policy measures have contributed to lower lending rates across the euro area, as shown by the short and long-term cost of borrowing indicators presented in Charts A and B. At the same time, sovereign debt tensions also help to explain differences in the cost of lending to NFCs across countries, to the extent that they translate into bank funding and balance sheet vulnerabilities in several jurisdictions.

5 See the box entitled "Monetary policy measures decided by the Governing Council on 6 September 2012", *Monthly Bulletin*, ECB, September 2012.

2.6 EQUITY MARKETS

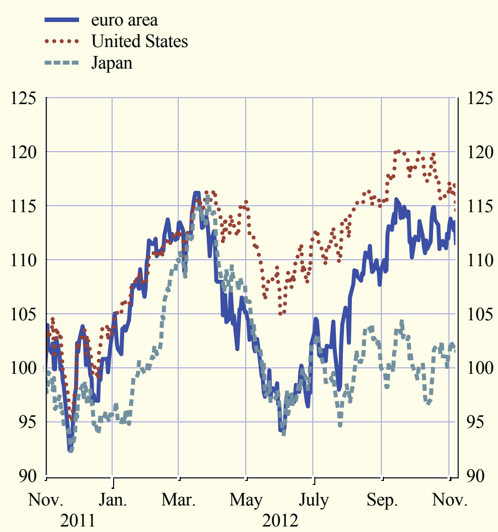
Between the end of September and 7 November 2012, stock prices increased by around 1% in the euro area, while they decreased by around 3% in the United States. These developments took place against the background of mixed market news on both sides of the Atlantic. In the euro area, Moody's affirmation of the Spanish sovereign debt rating supported positive market sentiment. However, downgrades of five Spanish regions, as well as negative ratings decisions on some banks in France and Belgium, in the second half of the period under review weighed somewhat on stock prices. In the United States, quarterly earnings of most non-financial companies disappointed, while better than expected macroeconomic data releases later in the review period brought back some optimism among investors. The two-day closure of the stock markets in the United States as a result of Hurricane Sandy at the end of October did not appear to have significantly affected the markets. In both economic areas, stock prices in the financial sector outperformed those in the non-financial sector. Stock market uncertainty, as measured by implied volatility, continued to decrease slightly in the euro area, while it picked up somewhat in the United States.

Between the end of September and 7 November, stock prices moved sideways in both the euro area and the United States (see Chart 21). Overall, stock prices in the euro area, as measured by the broad-based Dow Jones EURO STOXX index, increased by around 1%, while those in the United States, as measured by the Standard & Poor's 500 index, decreased by around 3%. Over the same period, stock prices in Japan, as measured by the Nikkei 225 index, increased by around 1%.

The increase in the euro area was driven mainly by financial equity prices, which rose by around 4% over the period under review. Non-financial equity prices increased as well, but at a lower rate of around 1%. In addition, equity price movements were quite uniform across the euro area, with stocks increasing slightly in most of the major euro area countries. In the United States, financial stock prices remained broadly unchanged, whereas those of non-financials decreased by more than 3%, thereby dragging the broad stock market index into negative territory.

Chart 21 Stock price indices

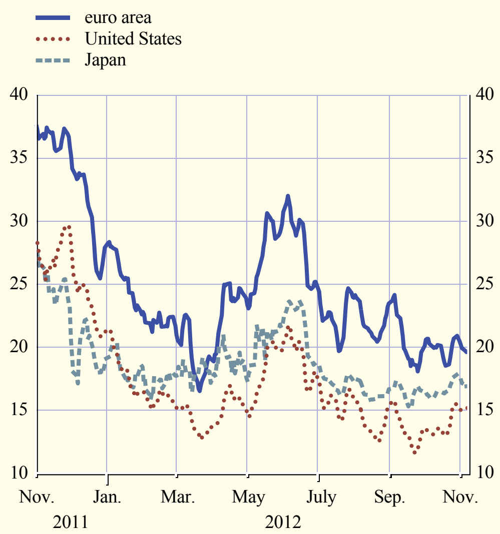
(index: 1 November 2011 = 100; daily data)



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

Chart 22 Implied stock market volatility

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



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

These developments took place against the background of mixed market news on both sides of the Atlantic. In the euro area, several rating decisions affected stock market moves. Analogous to developments in the bond markets, Standard & Poor's downgrade of Spain by two notches to BBB- on 10 October did not have a major impact on equity prices, whereas Moody's affirmation of the Spanish sovereign debt rating a few days later significantly improved market sentiment in the euro area. Nevertheless, Moody's downgrades of five Spanish regions, as well as negative rating decisions on some banks in France and Belgium, weighed on euro area equity prices later in the period under review. In the United States, quarterly earnings of most non-financial companies disappointed, while those of some financial companies surprised on the upside. Furthermore, better than expected data releases in the United States regarding labour and housing markets brought back optimism among investors in early November, with positive spillover effects on the euro area equity market. The two-day closure of the stock markets in the United States as a result of hurricane Sandy late in the review period did not appear to have significantly affected the markets, although the overall impact of the hurricane has yet to be assessed in full.

Stock market uncertainty, as measured by implied volatility, moved very modestly and in opposing directions in the two main economic areas. Overall, in annualised terms, implied volatility dropped by 1 percentage point, to 20%, in the euro area, whereas it picked up by around 2 percentage points, to 16%, in the United States (see Chart 22). While implied volatility continues to be lower in the United States than in the euro area, both currency areas currently see volatility levels that are low by historical standards.

Box 3

SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA: APRIL TO SEPTEMBER 2012

This box presents the main results of the seventh round of the "Survey on the access to finance of small and medium-sized enterprises (SMEs) in the euro area".[1] The survey was conducted between 3 September and 11 October 2012 and covered 7,514 firms, of which 6,959 (i.e. 93%) had less than 250 employees and are thus categorised as SMEs. This box describes the changes in the financial situation, financing needs and the access to financing of SMEs in the euro area, compared with large firms, over the preceding six months (i.e. from April to September 2012).[2]

Deterioration in the overall financial situation of SMEs

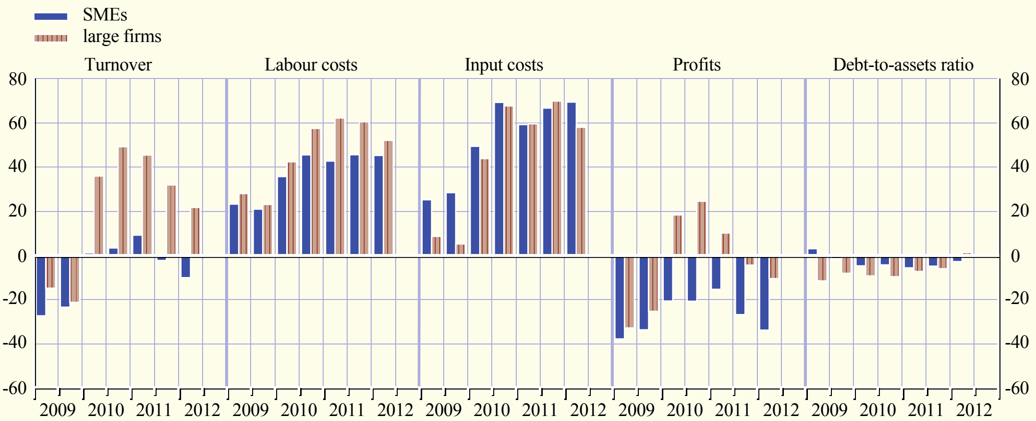
In the period from April to September 2012, which was characterised by a weakening of economic activity in the euro area compared with the previous six-month period, the financial situation of euro area SMEs deteriorated. The dominant concern mentioned by most SMEs continued to be "Finding customers" (27%, unchanged from the previous survey round). The importance of "Access to finance" was broadly unchanged as a concern (18%, compared with 17% in the previous survey round) and remained below the peak of 19% reached in the second half of 2009, whereas "Access to finance" was less of an issue for large firms.

In the survey period, 10% of euro area SMEs reported, in net terms,[3] a contraction in turnover (-2%), which was a further deterioration compared with the previous six-month period (see Chart A). In addition, on balance, a higher percentage of euro area SMEs (-34%) than in

1 A comprehensive report, detailed statistical tables and additional breakdowns were published in the "Statistics" section of the ECB's website on 2 November 2012 (see "Monetary and financial statistics/Surveys/Access to finance of SMEs").
2 The reference period for the previous survey round (H2 2011) was October 2011 to March 2012.
3 Net terms refer to the difference between the percentage of firms reporting an increase and that reporting a decrease.

Chart A Indicators of the financial situation of euro area firms

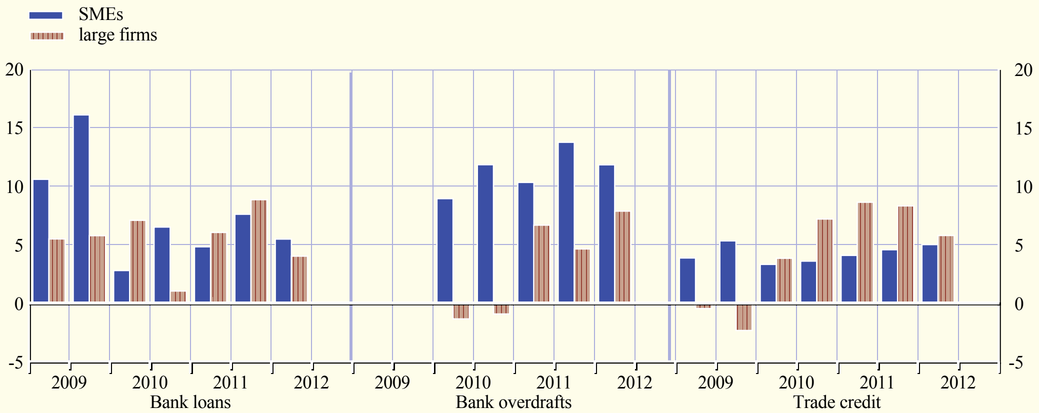
(changes over the preceding six months; as a net percentage of respondents)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: Net percentages are defined as the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

Chart B External financing needs of euro area firms

(changes over the preceding six months; as a net percentage of respondents)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: Net percentages are defined as the difference between the percentage of firms reporting an increase in needs and that reporting a decrease. Data for bank overdrafts (which also include credit lines and credit card overdrafts) are not available for the first two rounds of the survey.

the previous survey round (-27%) reported a decrease in their profits. Instead, the percentage of SMEs reporting increased labour and other costs remained broadly unchanged (45% and 69% respectively). A larger percentage of large firms also reported, on balance, a decline in their profits (-10%, down from a decrease of -4% in the previous survey period), but to a much lesser extent than for SMEs. In addition, large firms continued to report, on balance, an increase in turnover, albeit at a lower level than in the previous six-month period (22%, down from 32%).

The deleveraging process of euro area SMEs continued, but may have slowed down, as they reported, in net terms, a less pronounced decline in their ratio of debt to assets (-3%, compared with -5% in the previous survey round). This reduction reflects the ongoing adjustment in the balance sheets of enterprises in an environment of heightened risk aversion, but also a decline in the availability of debt fi nancing in the survey period. Large firms reported instead, for the first time since the start of the survey, an increase in net terms in their leverage ratio (1%, compared with -6% in the previous survey round).

Some decrease in the external financing needs of euro area SMEs

On balance, external financing needs of euro area SMEs for bank loans and bank overdrafts decreased somewhat compared with the previous six-month period (5% and 12% respectively, down from 8% and 14%), while the need for trade credit remained broadly unchanged at 5% (see Chart B). SMEs reported broadly unchanged financing needs for fixed investment or for the financing of inventory and working capital (at 10% and 11% respectively). The availability of internal funds remained, on balance, positive (5%, compared with 7% in the previous survey period), although it decreased and thus contributed less to SMEs' overall financing.

Large firms reported, on balance, a decreased need for bank loans and trade credit (4% and 6%, down from 9% and 8% respectively). But unlike SMEs, they reported an increase in bank overdrafts (8%, up from 5%).

Deterioration in the availability of external financing

Between April and September 2012, SMEs reported, in net terms, a stronger deterioration in the availability of bank loans at -22% in net terms, down from -20% in the previous survey round (see Chart C). The perceived deterioration is, however, well below the peak of 2009 (around -30%), which occurred in the period following the bankruptcy of Lehman Brothers. More SMEs also reported a further deterioration in the availability of two other sources of external financing, namely bank overdrafts and trade credit.

The picture regarding the terms and conditions of bank loan financing was mixed. On balance, fewer SMEs reported an increase in interest rates (27%, down from 42%). At the same time, with respect to non-price terms and conditions, the degree of deterioration was generally lower for other costs of financing and collateral requirements, but SMEs reported, on balance, a stronger decline in the size of the loans or credit lines (-8%, from -1% in the previous survey round).

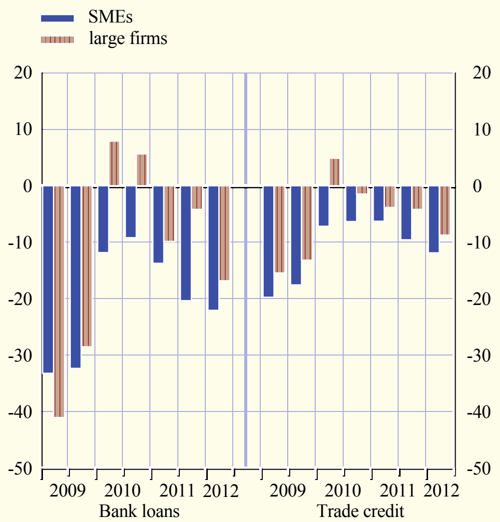
In this survey round, the deterioration in the availability of bank loans for large firms (-17% in net terms, down from -4%) was stronger than for SMEs, narrowing the perceived differences in availability across firm sizes.

Higher rejection of bank loan applications of SMEs

When looking at the actual outcome of bank loan applications by SMEs between April and September 2012, 15% of the SMEs reported that their application had been rejected (up from 13% in the previous survey round; see Chart D). This is the highest percentage since the peak of 18% in the second half of 2009, and reflects SMEs' constraints in accessing bank lending in the period under review. At the same time, 60% (slightly lower than the 62% of the previous survey round) of

Chart C Availability of external financing for euro area firms

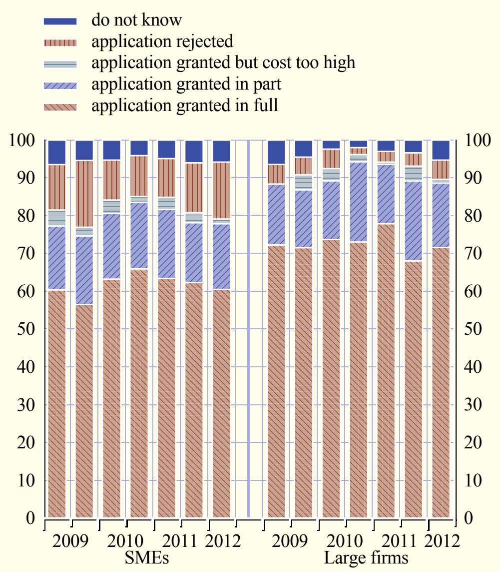
(changes over the preceding six months; as a net percentage of firms that applied for external financing)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: Net percentages are defined as the difference between the percentage of firms reporting an increase in availability and that reporting a decrease.

Chart D Outcome of loan applications by euro area firms

(over the preceding six months; as a percentage of firms that applied for bank loans)



Source: ECB and European Commission survey on the access to finance of SMEs.

the SMEs reported that they had received the full amount of their loan application (the lowest percentage was 56% in the second half of 2009). The reduction was partially compensated for by a small increase in the percentage of loans which were only granted in part (17%, compared with 16% in the previous survey round). This may reflect the fact that banks continued to apply a very cautious lending policy, in particular for riskier loans. Regarding bank overdrafts, SMEs reported no changes in the rejection rate, which remained at 14%.

For large firms, the rejection rate for bank loans increased marginally, to 5% (up from 3% in the previous survey round). However, their success when applying for a bank loan increased to 72% (up from 68%), whereas there was a decrease in the percentage of bank loan applications only partly satisfied (17%, down from 21% in the previous survey round). This result also tends to confirm a possible increased scrutiny of banks aiming at differentiating between loan applications.

Box 4

INTEGRATED EURO AREA ACCOUNTS FOR THE SECOND QUARTER OF 2012[1]

The integrated euro area accounts released on 30 October 2012, covering data up to the second quarter of 2012, offer comprehensive information on the income, spending, financing and portfolio decisions of institutional sectors in the euro area. In the context of contracting economic activity, the household savings ratio again fell to a new record low, as consumers sought to mitigate the sharp fall of their disposable income in real terms. The profit margins of non-financial corporations (NFCs) decreased further, reaching low levels, but NFCs have not yet returned to their traditional net borrowing position, due to cuts in fixed investment, to destocking and to still substantial retained earnings. The reduction of government deficits continued, but at a slower pace, while the euro area external balance further improved, turning into a surplus on an annual basis. Households' net wealth declined significantly in the quarter under review, as a result of falling house and equity prices. The reduction of NFCs' leverage came to a halt, as a result of the negative impact on their wealth of losses on equity held, while financial corporations' capital ratios increased again, owing to equity issuance and higher retained earnings.

Euro area income and net lending/net borrowing

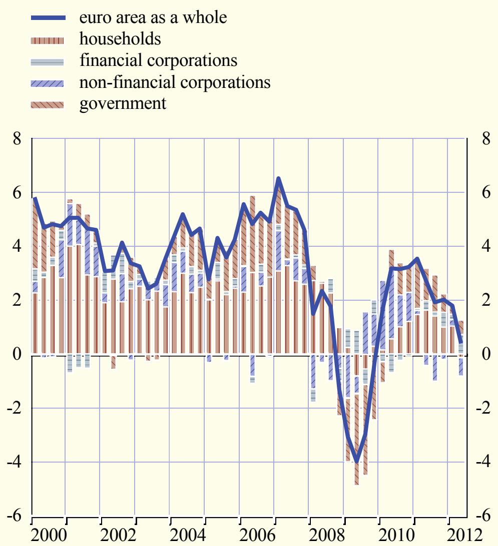
In reflection of the contraction of economic activity, the annual growth rate of nominal gross disposable income in the euro area declined markedly in the second quarter of 2012 (to 0.4%, after 1.8% in the first quarter) (see Chart A).

As euro area income expanded more slowly than total consumption (for the first time since the first quarter of 2010), there was a year-on-year contraction of gross saving. Households' saving ratio declined to the lowest level in historical terms in the second quarter of 2012. Government dissaving was reduced further, although it remained elevated. Retained earnings fell markedly in the case of NFCs in the second quarter (by 11%, year on year), while they rose for financial corporations. The growth of fixed capital formation in the euro area, expressed in annual terms, was negative

1 Detailed data can be found on the ECB's website at http://sdw.ecb.europa.eu/browse.do?node=2019181.

Chart A Gross disposable income in the euro area – contribution by sector

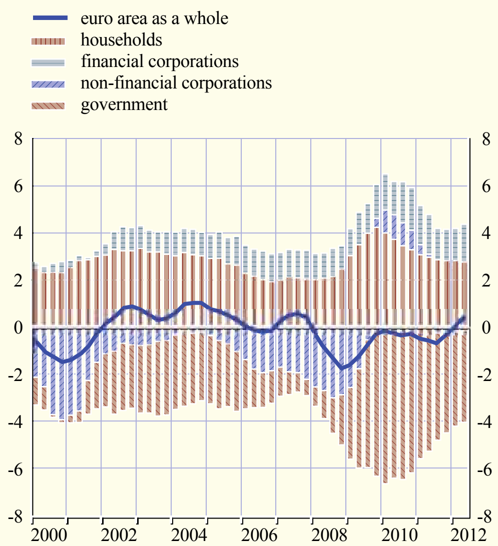
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

Chart B Net lending/net borrowing of the euro area

(percentages of GDP; four-quarter moving sums)



Sources: Eurostat and ECB.

and decreased further across all sectors, with the most pronounced declines being recorded for the government sector and for financial corporations. Households' investment declined by 2.1%, and that of NFCs by 1.1%. Destocking of inventories, assessed on the basis of seasonally adjusted data, appears to have gained further momentum in the second quarter; this contrasts with the significant restocking recorded a year earlier, so that inventories reduced the annual rate of growth in nominal GDP by 1 percentage point in the second quarter of 2012. As a result, overall gross capital formation fell far more markedly (by 7.4%, year on year) than gross fixed capital formation (2.7%).

Given that the decline in euro area investment was sharper than that in saving, the net lending/net borrowing position of the euro area improved (turning into a surplus of 0.3% of GDP on a four-quarter sum basis). The improvement in the external balance was due mainly to net trade in goods. From a sectoral viewpoint, the improvement reflected primarily increased net lending by financial corporations, the shift in the position of NFCs to slight net lending, from net borrowing a year earlier, mainly on account of destocking, and a steady reduction of government deficits. By contrast, households reduced net lending, as the contraction of saving exceeded the reduction of investment (see Chart B). On the financing side, cross-border flows were subdued, although non-residents resumed their investment in euro area government debt securities in the first half of 2012.

Behaviour of institutional sectors

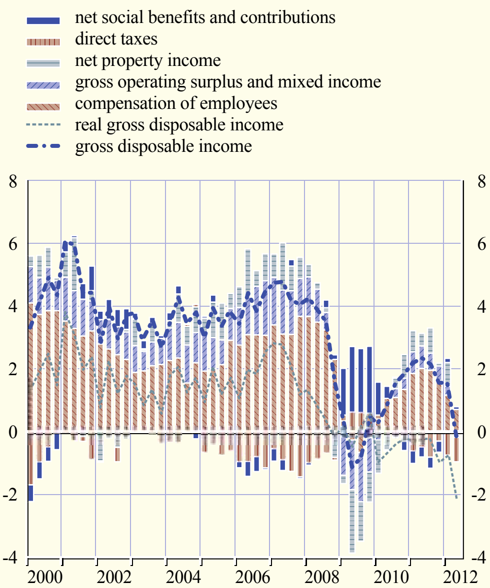
In the second quarter of 2012, *households'* nominal income fell by 0.2%, year on year, after having increased by around 1.5% in the two previous quarters. This reflected lower growth in compensation of employees and a decline in both net property income earned and the gross operating surplus/mixed income. The negative fiscal drag on households' net income, i.e. that from government transfers and taxes, remained at the level recorded in previous quarters, reducing annual income growth by 0.7 percentage point. In real terms, households' income declined by 2.2%, year on year (see Chart C). In order to mitigate the effect of that decline on consumption, households dipped into their savings. This caused their saving ratio to fall, on a seasonally adjusted basis, to 12.9% in the second quarter, the lowest level on record (see Chart D).[2] As savings fell more rapidly than housing investment, households' net lending decreased. Growth of households' financing continued to edge down. The shifts in households' investment portfolios away from non-bank liabilities (notably insurance technical reserves) back to monetary assets (e.g. bank deposits) continued, in the context of an overall slowdown in financial asset accumulation. Households' net wealth fell significantly year on year, as their holding losses on housing and equity exceeded their net saving.

The gross operating surplus of *NFCs* contracted further on an annual basis in the second quarter, as value added decelerated relative to wages and as taxes on production increased. NFC margins fell further to 38.1% in the second quarter of 2012. This series had peaked at 41% in the third quarter of 2007, and had a trough of 36.6% in the first quarter of 2009. Savings (i.e. retained earnings) fell markedly in annual terms (by 11%), but remained at high levels. NFCs' net lending/borrowing has remained close to balance in recent quarters, thus not returning to the more traditional net borrowing position, as capital expenditure slowed down markedly in the

2 This analysis is currently subject to higher statistical uncertainty than would normally be the case, with more scope for revisions than usual, as the financial side of the accounts pointed to a noticeably higher household saving ratio than the non-financial side prior to balancing.

Chart C Households' nominal gross disposable income

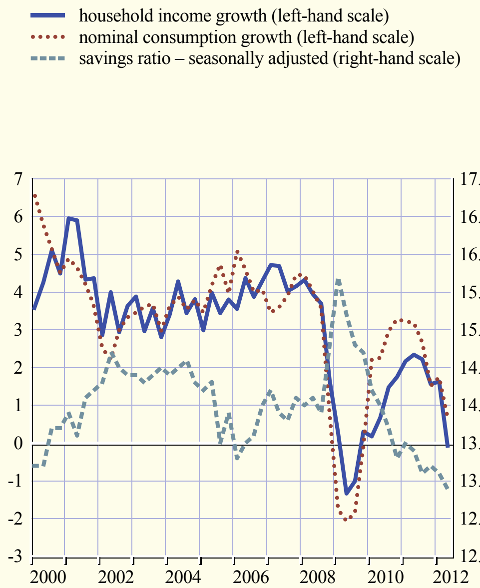
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

Chart D Households' income, consumption and saving ratio

(annual percentage changes; percentage of gross disposable income, four-quarter moving sum)



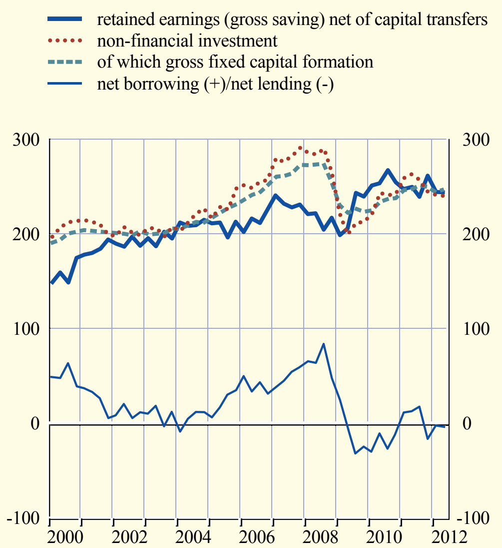
Sources: Eurostat and ECB.

context of destocking (see Chart E). NFCs' market financing benefited from the ECB's three-year longer-term refinancing operations (LTROs), which contributed to improving the environment for corporate debt issuance, whereas bank loans contracted again. NFCs continued to augment their already ample liquidity buffers (which stood at €2.8 trillion). In contrast to the rapid weakening of growth in value added, intra-sector lending (trade credits, loans granted by NFCs) remained resilient, once again providing a buffer for bank financing constraints, particularly in the case of small and medium-sized enterprises (Chart F). The reduction in NFCs' leverage came to a halt in the second quarter, as a consequence of lower equity prices diminishing the value of their portolios, rather than as a result of an increase in debt.

In the second quarter of 2012, the *government* deficit, which has been falling fairly rapidly since its peak in the first quarter of 2010, declined further, albeit at a significantly slower pace. On a four-quarter moving sum basis, the government deficit fell to 3.9% of GDP in the second quarter, from 4.0% in the first quarter. Year-on-year growth in the government sector's current revenues declined (particularly VAT and direct taxes on corporations). Year-on-year growth in total expenditure remained contained at close to 1% (in nominal terms and excluding capital transfers), reflecting the ongoing consolidation measures, inter alia stagnant or declining compensation of employees. With respect to financing, loan liabilities have increasingly replaced debt issuance. Debt securities issued were bought by banks and non-residents alike, in the context of the ECB's refinancing operations (three-year LTROs), thus partly reversing the offloading of holdings observed in parallel to interventions under the Securities Markets Programme (SMP) in the second half of 2011.

Chart E Non-financial corporations' saving, capital investment and net lending(-)/net borrowing(+)

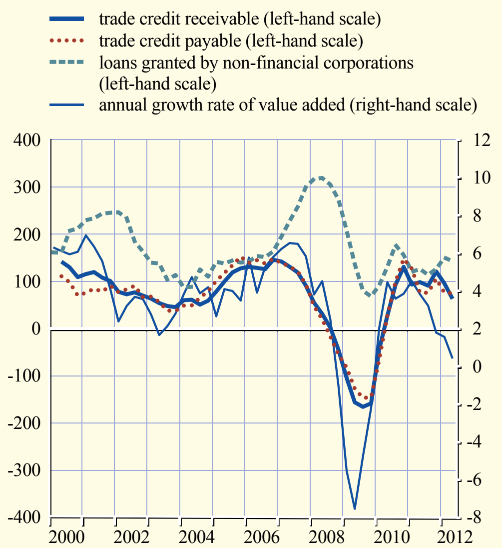
(EUR billions, seasonally adjusted)



Sources: Eurostat and ECB.
Note: Seasonal adjustment by the ECB.

Chart F Loans granted by non-financial corporations and their trade credit receivable and payable

(four-quarter moving sums in EUR billions; annual percentage changes)



Sources: Eurostat and ECB.
Note: Trade credit receivable and payable are estimated by the ECB, on the basis of partial information.

The retained earnings (i.e. disposable income) of *financial corporations* increased sharply in spite of subdued growth in value added plus net interest earned, mainly as a result of higher net dividends earned on the back of lower dividends distributed. This, together with continued equity issuance and a reversal of previous holding losses on net assets in 2011, led to an increase in financial corporations' net assets at market value. Against the background of deleveraging pressures, additions to financial corporations' balance sheets remained subdued on a consolidated basis.

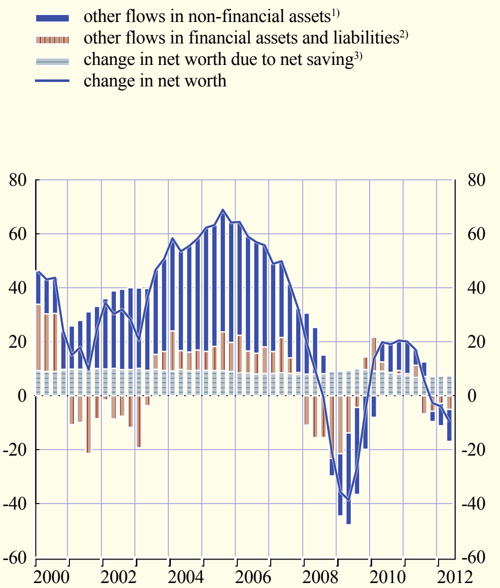
Balance sheet dynamics

In the second quarter of 2012, the net worth of households fell markedly in year-on-year terms, namely by the equivalent of 9.6% of income (as opposed to increases in 2010, peaking at 20.5% of income in the fourth quarter). The positive influence of net saving (7.4% of income) was more than compensated for by the losses suffered by households (17.0% of income) on their holdings of non-financial assets (predominantly housing) and, to a lesser extent, on their portfolios of financial assets (see Chart G).

Financial corporations posted small holding gains on their financial assets in the second quarter of 2012, after significant gains in the first quarter (see Chart H). Holding losses on equity held (quoted shares, unquoted shares and mutual funds), due to falling stock markets,

Chart G Change in the net worth of households

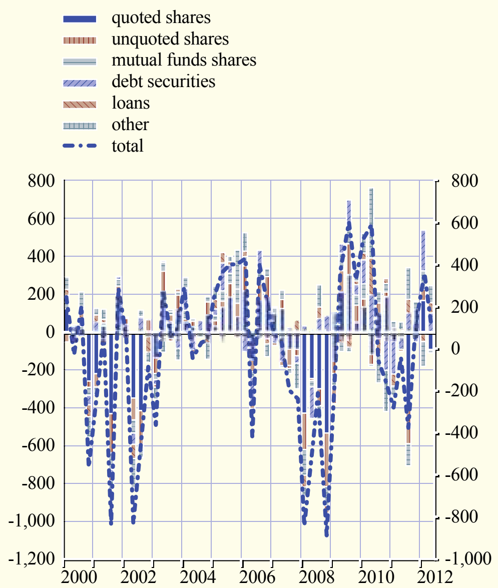
(four-quarter moving sums; percentages of gross disposable income)



Sources: Eurostat and ECB.
Notes: Data on non-financial assets are estimates by the ECB.
1) Mainly holding gains and losses on real estate and land.
2) Mainly holding gains and losses on shares and other equity.
3) This item comprises net saving, net capital transfers received and the discrepancy between the non-financial and the financial accounts.

Chart H Gains and losses in financial corporations' asset holdings

(quarterly flows; EUR billions)



Sources: Eurostat and ECB.
Note: Total refers to "other economic flows", which mainly relate to (realised or unrealised) holding gains and losses (including loan write-offs).

and on government debt securities were offset by holding gains (and other effects, such as reclassifications) on other instruments that stemmed from the impact of the depreciation of the euro in the second quarter on assets denominated in foreign currencies (deposits and loans, as well as debt securities held). However, the depreciation of the euro also led to offsetting holding losses on liabilities denominated in foreign currencies. The effect of bad loans in loan portfolios generally remained limited, mainly as a result of the way in which loan impairments are accounted for, only gradually, in the euro area accounts.[3]

3 In international statistical standards, the impairment of loans is not usually recorded as an immediate change in balance sheet items outstanding, even though impairment charges may have been incorporated in the profit and loss account by the lender. Instead, the impaired loans are still recorded at their nominal value until such time as the partial or total derecognition of the affected loan balances is prescribed.

3 PRICES AND COSTS

Euro area annual HICP inflation was 2.5% in October 2012, according to Eurostat's flash estimate, compared with 2.6% in September and August. On the basis of current futures prices for oil, inflation rates will remain elevated in the near term, before declining to below 2% again in the course of next year. Over the policy-relevant horizon, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain moderate. Current levels of inflation should thus remain transitory. Risks to the outlook for price developments continue to be broadly balanced over the medium term.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, headline HICP inflation was 2.5% in October 2012, compared with 2.6% in September and August (see Table 5). The most recent data from Eurostat include flash estimates for the main components of the HICP in October, i.e. energy, total food, services and non-energy industrial goods (see Box 5). The annual rates of change for food and services increased in October, while those for energy and non-energy industrial goods decreased.

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2010	2011	2012 May	2012 June	2012 July	2012 Aug.	2012 Sep.	2012 Oct.
HICP and its components [1]								
Overall index	1.6	2.7	2.4	2.4	2.4	2.6	2.6	*2.5*
Energy	7.4	11.9	7.3	6.1	6.1	8.9	9.1	*7.8*
Food	1.1	2.7	2.8	3.2	2.9	3.0	2.9	*3.2*
Unprocessed food	1.3	1.8	1.8	3.1	2.9	3.5	3.7	.
Processed food	0.9	3.3	3.4	3.2	2.9	2.7	2.5	.
Non-energy industrial goods	0.5	0.8	1.3	1.3	1.5	1.1	1.2	*1.1*
Services	1.4	1.8	1.8	1.7	1.8	1.8	1.7	*1.8*
Other price indicators								
Industrial producer prices	2.9	5.9	2.3	1.8	1.6	2.7	2.7	.
Oil prices (EUR per barrel)	60.7	79.7	86.0	76.4	83.4	90.5	87.9	85.6
Non-energy commodity prices	44.6	12.2	-0.3	0.8	4.7	6.5	4.6	5.8

Sources: Eurostat, ECB and ECB calculations based on Thomson Reuters data.
1) HICP inflation (excluding unprocessed food and processed food) in October 2012 refers to Eurostat's flash estimates.

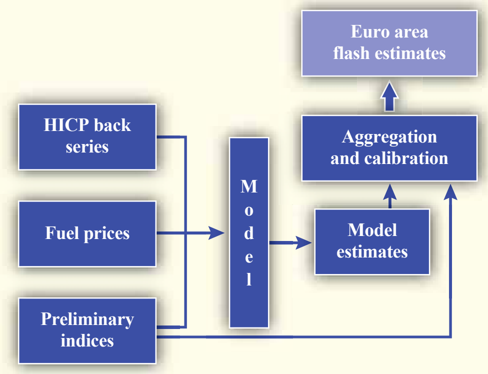
Box 5

FLASH ESTIMATES FOR THE MAIN COMPONENTS OF THE EURO AREA HICP

Since October 2001 Eurostat has published a flash estimate of headline euro area inflation, measured in terms of the all-items HICP, on the last working day of the reference month or shortly thereafter. For the first time, in September 2012 Eurostat supplemented this publication with flash estimates for the annual rates of change in the main components of the euro area HICP: energy, food (including alcohol and tobacco), non-energy industrial goods and services.

The higher degree of detail in the flash estimate, which was requested by the ECB and other users, helps facilitate a more timely assessment of price developments. There are important differences between HICP components in terms of the forces driving price changes and their persistence. For example, the energy component is the most volatile of the main components and its dynamics are driven, to a substantial extent, by developments in crude oil prices. By contrast, services prices vary much less on average and are mainly determined by domestic factors. Providing flash estimates for the main components of the euro area HICP thus allows for a more comprehensive analysis to be carried out in a more timely manner.

Chart A Methodology for deriving euro area HICP flash estimates



Source: Eurostat.

Methodology

The flash estimates for the main HICP components are available as annual rates of change rounded to the first decimal place.[1] As is the case with the headline HICP estimate, Eurostat derives the flash estimates for the main components from national data provided by the statistical offices of euro area Member States in the form of published or unpublished early estimates. The flash estimates for the headline HICP are derived separately from those of its main components. The estimates for the components are calibrated to be consistent with the estimate for the headline HICP. The derivation of the flash estimates is illustrated in Chart A.[2]

Where preliminary data are incomplete, estimates are obtained using econometric models. These models rely on the information on energy prices provided by the General Directorate Energy of the European Commission (published in the weekly Oil Bulletin[3]), on HICP back series and on HICP data for the reference month available for other countries. The overall data used both for deriving the estimate of the euro area headline HICP and for its breakdown normally cover more than 95% of the consumption expenditure in the euro area.

Reliability

The flash estimate for the headline HICP has been very reliable. Chart B shows the flash estimates, the official data and the differences between them since January 2007. Out of 69 flash estimates published in this period, the inflation rate was accurately estimated 47 times (which corresponds to two-thirds of the reference months) and differed by only 0.1 percentage point 22 times.[4]

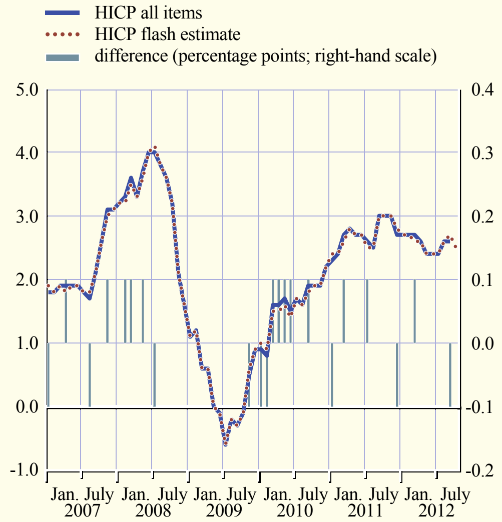
1 In addition to the annual rates of change, the corresponding index levels and the monthly rates of change are made available in Eurostat's online database: http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction.
2 For further information, see the article entitled "Inflation in the euro area", available in the "Statistics Explained" section of Eurostat's website at http://epp.eurostat.ec.europa.eu/statistics_explained.
3 Available on the European Commission's website at http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm
4 See also the boxes entitled "Assessing the reliability of Eurostat's euro area HICP flash estimate", *Monthly Bulletin*, ECB, January 2006, "Evaluating Eurostat's euro area HICP flash estimate", *Monthly Bulletin*, ECB, November 2002, and for a review of baseline inflation projections "The forecast bias for euro area HICP inflation", *Monthly Bulletin*, ECB, June 2012.

As the calibration procedure leaves the flash estimate of the headline HICP unchanged, its level of reliability is not affected by the publication of flash estimates for the main components.

Regarding the reliability of the flash estimates for the main components, Eurostat tested the compilation of these estimates over a 15-month period prior to their first publication. On the basis of the results of this assessment, Eurostat has concluded that the reliability of flash estimates for the four components is expected to be sufficiently high. However, the quality and availability of the preliminary data and the higher volatility of some of the components are factors which may render their estimation less accurate than the estimation of headline all-items inflation.

Chart B Headline HICP, official data and flash estimates

(annual percentage changes, unless otherwise indicated)



Sources: Eurostat and ECB calculations.
Note: Differences are calculated between the inflation rates rounded to the first decimal point.

The table below compares the flash estimates for September 2012 with the official data. The headline inflation rate was overestimated by 0.1 percentage point. Similarly, the flash estimates for energy and services inflation were higher (9.2% and 2.0% respectively) than the final inflation rates for these components (9.1% and 1.7% respectively). While the annual rate of change in non-energy industrial goods prices was underestimated (0.8% compared with the final rate of 1.2%), the increase in food prices was accurately estimated at 2.9%.

Conclusion

The release of flash estimates for the main components of the HICP to supplement the flash estimate of the euro area headline inflation rate significantly improves the ECB's ability to make a timely assessment of price developments. At the same time, it should be borne in mind that the reliability of the flash estimates for the components may be more sensitive to the availability and quality of preliminary data than is the case for the all-items HICP.

Headline HICP and its components, official data and flash estimates, September 2012

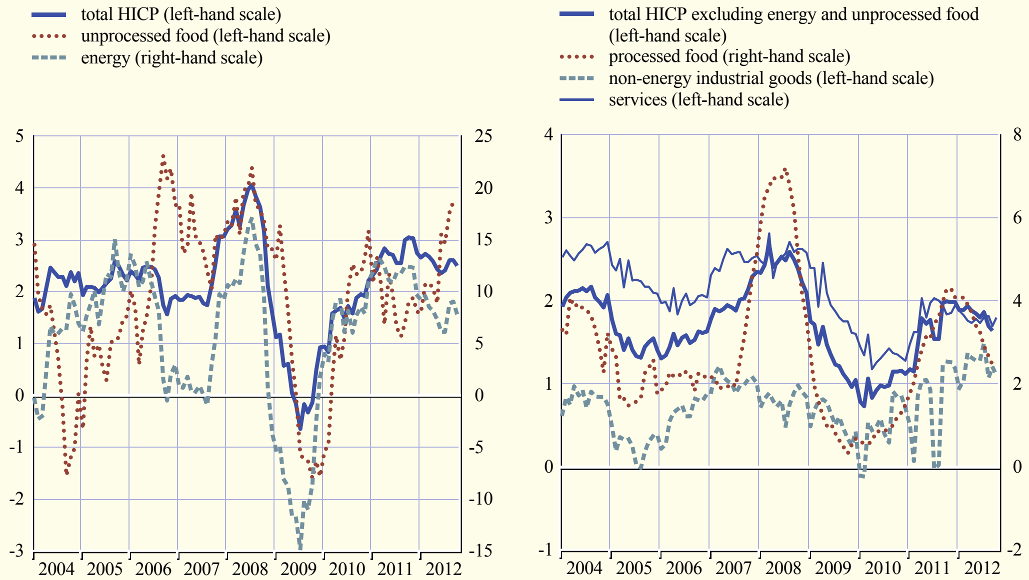
(annual percentage changes, unless otherwise indicated)

	Percentages of total in 2012	Flash estimate	Official data	Difference (percentage points)
Overall index	100.0	2.7	2.6	-0.1
Energy	11.0	9.2	9.1	-0.1
Food	19.1	2.9	2.9	0.0
Non-energy industrial goods	28.5	0.8	1.2	0.4
Services	41.5	2.0	1.7	-0.3

Source: Eurostat.

Chart 23 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

Looking at the main components of the HICP in more detail, energy inflation fell to 7.8% in October 2012, from 9.1% in September (see Chart 23). This most likely reflected the decrease in oil and gas prices in recent months.

The flash estimate for the total food component refers to the annual rate of change in processed and unprocessed food prices taken together, which increased from 2.9% in September to 3.2% in October. On the basis of the data for September, the last month for which a detailed breakdown of the food component is available, the increase reflects the upward trend in unprocessed food price inflation, which reached 3.7% in September 2012, the highest level in four years. This was accounted for by increasing annual rates of change in the prices of fruit and vegetables, mainly as a result of seasonal influences. By contrast, processed food price inflation steadily declined from rates above 4% in the first few months of 2012 to 2.5% in September after food commodity prices eased earlier in the year. Meanwhile, the recent increases in international food commodity prices appear to have been short-lived, and any pass-through to consumer prices would take several months.

Eurostat does not publish a flash estimate for annual HICP inflation excluding all food and energy items. This measure stood at 1.5% in September 2012, unchanged from August. Excluding the volatile food and energy components, HICP inflation consists of two main components: non-energy industrial goods and services.

The annual rate of change in non-energy industrial goods fell to 1.1% in October 2012, from 1.2% in September. The development of this component largely mirrors the volatility in the annual rates of change in the prices of garments and footwear that is associated with the impact of sales periods, as well as increases in indirect taxation in September. Services inflation has been relatively stable since the beginning of this year. It crept up to 1.8% in October, from 1.7% in September, which may to some extent be due to higher indirect taxes, as well as possibly being linked to some pass-through of higher energy costs to the prices of services components such as transport services.

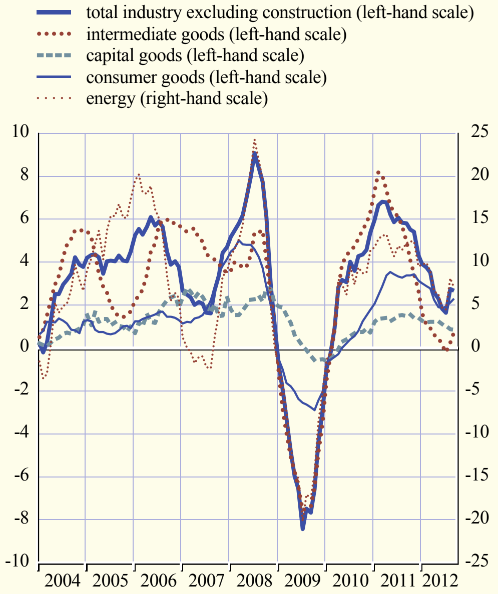
3.2 INDUSTRIAL PRODUCER PRICES

Industrial producer price inflation (excluding construction) stood at 2.7% in September 2012, unchanged from the previous month (see Table 5 and Chart 24). A decrease in the energy component from 8.1% in August to 7.0% in September was offset by increases in the annual rate of change of producer prices in the intermediate goods and consumer goods industries, while inflation in the capital goods industries remained unchanged. The producer price index for industry excluding construction and energy increased to 1.2% in September year on year, from 1.0% in August.

Focusing on the later stages of the production chain, the annual rate of change in the consumer food component of the producer price index rose from 3.1% in August to 3.6% in September. The annual growth in EU farm gate prices for food commodities accelerated from 6.5% in August to 8.5% in September, albeit remaining far below the peaks seen in 2007 and 2011. International

Chart 24 Breakdown of industrial producer prices

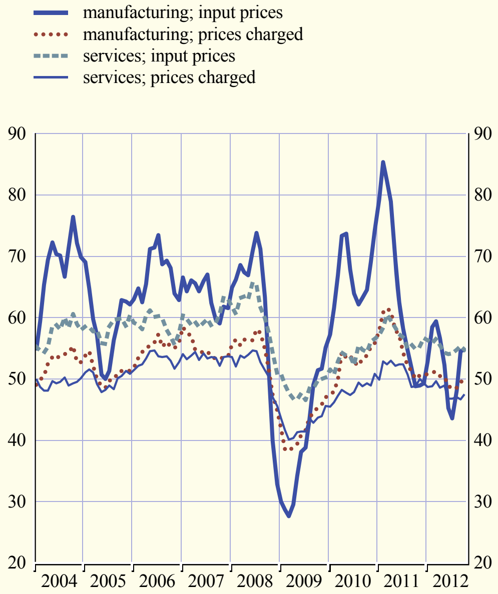
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 25 Producer input and output price surveys

(diffusion indices; monthly data)



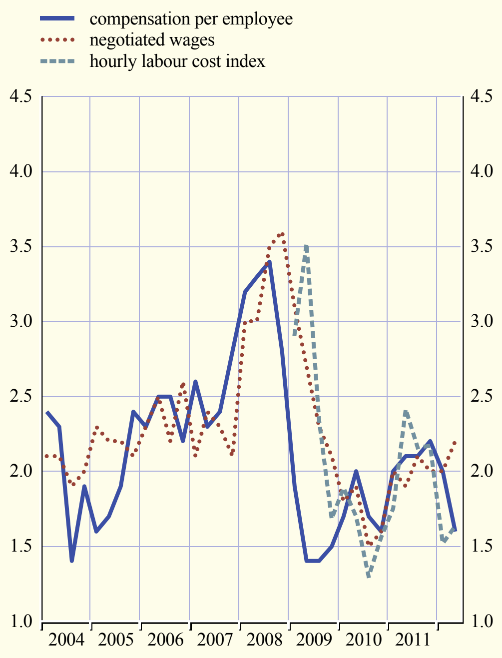
Source: Markit.
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease.

food commodity prices declined by 6.3% in euro terms in October compared with September. Overall, while some upward pipeline pressures remain in the short term, the impact of the recent food commodity price spike on the HICP food component is still expected to be relatively limited and short-lived. The annual rate of change in the non-food consumer goods component decreased slightly to 0.7% in September, from 0.8% in August. The downward trend in non-food consumer goods prices since the start of the year, together with moderate developments in prices for imported raw materials and intermediate goods, suggest that pipeline pressures in the non-energy industrial goods component of the HICP remain subdued.

Turning to the results of surveys on industrial producer prices, both the Purchasing Managers' Index (PMI) and European Commission surveys indicate that companies' price expectations rose again in October, nevertheless remaining well below their historical averages (see Chart 24). The survey data also suggest mild upward pressure on input prices, while indicators still signal falling output prices. With regard to the PMI, the input price index for the manufacturing sector increased from 54.5 in September to 54.7 in October, while the output price index also increased over the same period, rising from 49.5 to 49.7, just below the threshold value of 50. Forward-looking European Commission survey data in October suggest slightly higher selling price expectations, in particular for intermediate goods. Overall, pipeline pressures at earlier stages of the production and retail chain have remained relatively muted.

Chart 26 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

3.3 LABOUR COST INDICATORS

Consistent with the weakness in economic activity and the continued slack in the labour market, recent labour cost indicators point to subdued domestic price pressures (see Table 6 and Chart 26).

Table 6 Labour cost indicators

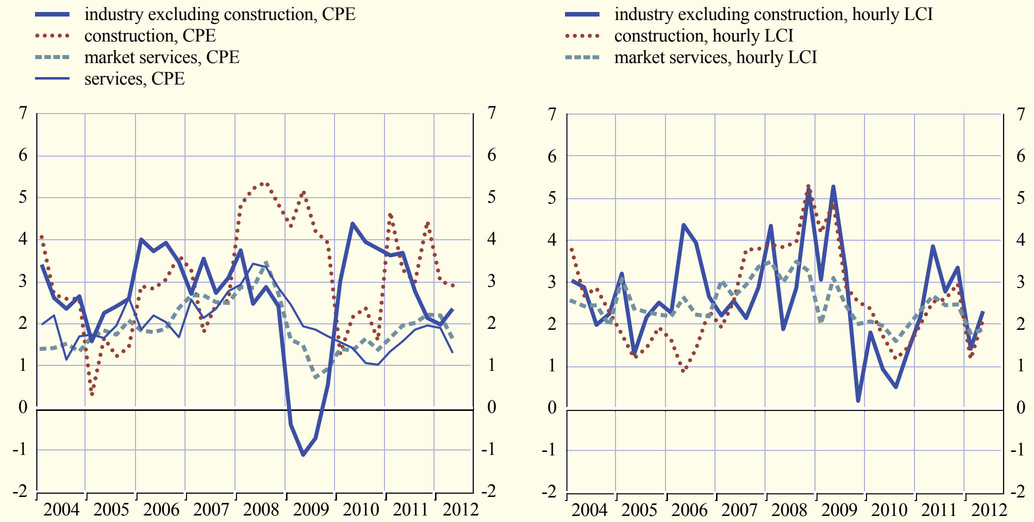
(annual percentage changes, unless otherwise indicated)

	2010	2011	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2
Negotiated wages	1.7	2.0	1.9	2.1	2.0	2.0	2.2
Hourly labour cost index	1.6	2.1	2.4	2.2	2.2	1.5	1.6
Compensation per employee	1.7	2.2	2.1	2.1	2.2	2.0	1.6
Memo items:							
Labour productivity	2.5	1.2	1.1	1.0	0.7	0.4	0.2
Unit labour costs	-0.8	1.0	1.0	1.1	1.5	1.5	1.4

Sources: Eurostat, national data and ECB calculations.

Chart 27 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.
Note: CPE stands for compensation per employee and LCI stands for labour cost index.

Wage growth for the euro area as a whole has remained in line with price stability and productivity developments. Annual growth in compensation per employee declined further in the second quarter of 2012 to 1.6% year on year, compared with rates above 2% in the second half of 2011. As regards unit labour costs, the decline in the annual growth of compensation per employee was by and large offset by the upward impact of lower productivity growth. Year-on-year unit labour cost growth stood at 1.4% in the second quarter of this year, compared with 1.5% in the first quarter. By contrast, total hourly labour costs in the euro area rose at a slightly faster pace, on average, in the three months from April to June than in the previous quarter, going up by 1.6% year on year, up from 1.5% (see Chart 27).

As actual wages, measured by compensation per employee, have grown more moderately than negotiated wages, some adjustment of wage costs at the euro area level seems to be taking place via negative wage drift. Preliminary data on negotiated wages up to August confirm the picture of subdued labour market conditions.

3.4 EURO AREA RESIDENTIAL PROPERTY PRICES

According to the ECB's residential property price indicator, the annual rate of change in residential property prices in the euro area was -1.5% year on year in the second quarter of 2012 (see Chart A). Since the end of 2010, when it stood at around 2%, this indicator has slowed gradually, entering negative territory in the last quarter of 2011 (see Box 6 for more details).

Box 6

RECENT HOUSE PRICE DEVELOPMENTS IN THE EURO AREA

According to the ECB's residential property price indicator[1], the annual rate of change in residential property prices in the euro area was -1.5% in the second quarter of 2012 (see the chart). Since the fourth quarter of 2010, when it stood at around 2%, it has moderated gradually, entering negative territory in the last quarter of 2011. This moderation has taken place against the background of tensions in several euro area financial markets.

The contributions to recent developments in euro area house price growth vary considerably across countries. Prices have continued to decline in year-on-year terms in many countries, particularly in some southern European countries (e.g. Greece, Spain and Portugal), but also in Ireland and the Netherlands (see the table). In most of these countries, the declines were

Nominal residential property prices in the euro area

(index: 2007 = 100; annual percentage changes)

Sources: National data and ECB calculations.
Note: Footnote 1 in the main text provides information on the compilation of the nominal index.

1 In 2010 the ECB started to compile its residential property price indicator for the euro area on a quarterly basis. For further details, see the box entitled "Recent housing market developments in the euro area", *Monthly Bulletin*, ECB, Frankfurt am Main, December 2010.

Residential property prices (nominal) in the euro area

(annual percentage changes)

	Weight (percentage)	Average over 1999-2011	2010	2011	2011 H1	2011 H2	2012 H1	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2
Belgium 1)	3.8	6.5	5.4	3.1	3.3	2.9	3.2	3.1	3.4	3.8	2.1	3.8	2.7
Germany 2)	26.7	-	0.5	2.6	2.7	2.5	3.0	3.1	2.3	2.7	2.3	2.5	3.5
Estonia 3)	0.2	-	0.1	9.9	6.4	13.4	10.2	2.2	10.7	14.4	12.4	13.8	6.8
Ireland 2)	1.8	3.1	-13.1	-13.2	-11.8	-14.7	-16.3	-11.1	-12.4	-13.5	-15.8	-17.2	-15.4
Greece 3)	2.6	5.1	-4.7	-5.4	-5.3	-5.6	-9.7	-5.4	-5.1	-4.6	-6.5	-9.3	-10.1
Spain 2)	11.7	6.5	-2.0	-7.4	-5.5	-9.3	-13.5	-4.1	-6.8	-7.4	-11.2	-12.6	-14.4
France 1)	21.3	7.4	5.1	5.9	7.0	4.9	0.9	7.0	7.1	6.2	3.7	1.9	-0.1
Italy 2)	17.0	4.6	0.1	0.7	0.9	0.5	-0.9	0.6	1.1	0.9	0.3	-0.3	-1.7
Cyprus 2)	0.2	-	-1.3	-4.1	-3.2	-5.0	-5.4	-3.1	-3.4	-4.3	-5.7	-4.9	-5.9
Luxembourg 3)	0.4	-	4.5	4.1	4.0	4.2	4.8	2.4	5.7	1.9	6.5	5.4	4.3
Malta 2)	0.1	5.2	1.1	1.3	-1.3	3.9	-	-2.6	0.0	1.8	6.2	5.5	0.1
Netherlands 1)	6.4	4.1	-2.0	-2.3	-1.6	-3.0	-4.4	-1.2	-1.9	-2.7	-3.4	-3.8	-5.0
Austria 2)	3.1	2.2	5.7	4.1	2.6	5.6	-	3.9	1.4	5.7	5.5	10.7	-
Portugal 2)	1.9	2.2	1.8	-0.2	0.4	-0.8	-1.6	0.6	0.2	-0.8	-0.8	-1.5	-1.8
Slovenia 2)	0.4	-	0.1	2.7	3.7	1.7	-6.4	4.1	3.2	2.1	1.4	-7.1	-5.7
Slovakia 1)	0.7	-	-3.9	-3.1	-2.7	-3.5	-2.3	-2.5	-2.8	-4.3	-2.7	-2.3	-2.3
Finland 1)	1.9	4.7	8.7	2.7	3.7	1.8	0.8	4.2	3.2	2.7	0.9	1.1	0.5
Euro area	100	4.2	1.0	1.0	1.6	0.4	-1.2	1.8	1.3	1.1	-0.3	-0.8	-1.5

Sources: National data and ECB calculations.
Notes: Weights are based on nominal GDP in 2009.
1) Existing dwellings (i.e. houses and flats); whole country.
2) All dwellings (i.e. new and existing houses and flats); whole country.
3) All flats; whole country.

somewhat steeper in the first half of 2012 than in the second half of 2011. Furthermore, in the first half of 2012 the annual rate of growth in house prices entered negative territory in Italy, but accelerated somewhat in Belgium, Germany and Luxembourg.

In the second quarter of 2012 the residential property price indicator for the euro area was around 3% lower than it was in mid-2008. This suggests little unwinding in absolute terms, but should be viewed against developments in the affordability of residential properties and the prices of alternatives to owner-occupied housing. For example, commonly used valuation indicators suggest that the degree of misalignment of house prices with fundamentals that had built up in a number of euro area countries has declined significantly since the onset of the crisis, but has not been eliminated entirely.[2]

2 See the box entitled "Tools for detecting a possible misalignment of residential property prices from fundamentals", *Financial Stability Review*, ECB, Frankfurt am Main, June 2011.

3.5 THE OUTLOOK FOR INFLATION

Euro area annual HICP inflation was 2.5% in October 2012, according to Eurostat's flash estimate, compared with 2.6% in September and August. On the basis of current futures prices for oil, inflation rates will remain elevated in the near term, before declining to below 2% again in the course of next year. Over the policy-relevant horizon, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain moderate. Current levels of inflation should thus remain transitory.

The latest ECB Survey of Professional Forecasters (see Box 7) shows that, compared with the previous round, forecasters have revised their inflation expectations upwards by 0.2 percentage point for 2012 and 2013, to 2.5% and 1.9% respectively. Inflation expectations for 2014 remain unchanged at 1.9%. Their inflation expectations from 2012 to 2014 are broadly in line with the ranges reported in the September 2012 ECB staff macroeconomic projections for the euro area. Longer-term inflation expectations (for 2017) are unchanged at 2.0%.

Risks to the outlook for price developments continue to be broadly balanced over the medium term. Upside risks pertain to further increases in indirect taxes, owing to the need for fiscal consolidation. The main downside risks relate to the impact of weaker than expected growth in the euro area, in the event of a renewed intensification of financial market tensions, and its effect on the domestic components of inflation.

Box 7

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE FOURTH QUARTER OF 2012

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the fourth quarter of 2012. The survey was conducted between 16 and 22 October 2012 and received 56 responses.[1] The results imply higher inflation expectations for 2012 and 2013, compared with the previous survey round, while inflation expectations for 2014 remain unchanged. GDP growth

1 The survey collects information on expectations for euro area inflation, real GDP growth and unemployment from experts affiliated with financial or non-financial institutions that are based in the EU. Data are available on the ECB's website at http://www.ecb.europa.eu/stats/prices/indic/forecast/html/index.en.html.

Results of the SPF, ECB staff macroeconomic projections, Consensus Economics and the Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

	Survey horizon			
HICP inflation	**2012**	**2013**	**2014**	**Longer-term [2)]**
SPF Q4 2012	2.5	1.9	1.9	2.0
Previous SPF (Q3 2012)	*2.3*	*1.7*	*1.9*	*2.0*
ECB staff macroeconomic projections (September 2012)	2.4-2.6	1.3-2.5	-	-
Consensus Economics (October 2012)	2.4	1.9	1.7	2.1
Euro Zone Barometer (October 2012)	2.4	1.9	1.9	2.0
Real GDP growth	**2012**	**2013**	**2014**	**Longer-term [2)]**
SPF Q4 2012	-0.5	0.3	1.3	1.8
Previous SPF (Q3 2012)	*-0.3*	*0.6*	*1.4*	*1.8*
ECB staff macroeconomic projections (September 2012)	-0.6 - -0.2	-0.4-1.4	-	-
Consensus Economics (October 2012)	-0.5	0.2	1.2	1.5
Euro Zone Barometer (October 2012)	-0.5	0.2	1.3	1.7
Unemployment rate [1)]	**2012**	**2013**	**2014**	**Longer-term [2)]**
SPF Q4 2012	11.3	11.6	11.2	9.0
Previous SPF (Q3 2012)	*11.2*	*11.4*	*10.8*	*9.2*
Consensus Economics (October 2012)	11.2	11.7	-	-
Euro Zone Barometer (October 2012)	11.2	11.7	11.2	10.4

1) As a percentage of the labour force.
2) Longer-term expectations refer to 2017 in the SPF and Consensus Economics. They refer to 2016 in the Euro Zone Barometer.

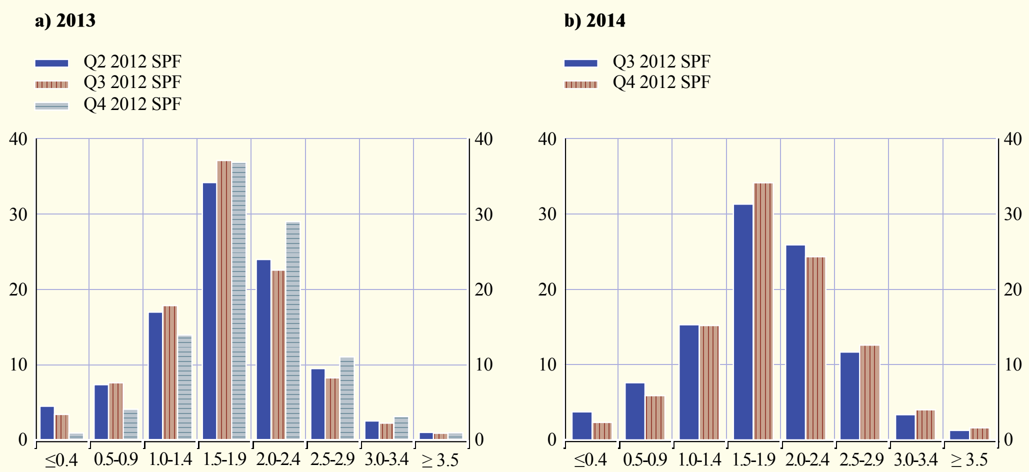
expectations have been revised downwards for 2012, 2013 and 2014, while unemployment expectations have been revised further upwards for these horizons. As regards longer-term inflation expectations, the average point forecast remains unchanged at 2.0%.

Higher inflation expectations for 2012 and 2013

The SPF inflation expectations for 2012 and 2013 stand at 2.5% and 1.9% respectively (see the table). This implies upward revisions of 0.2 percentage point for both years, compared

Chart A Aggregate probability distribution of average annual inflation expectations for 2013 and 2014 in the latest SPF rounds

(probability in percentages)



Source: ECB.
Note: The aggregate probability distribution corresponds to the average of individual probability distributions provided by SPF forecasters.

with the previous survey round. According to participants, these revisions mainly reflect higher than expected increases in commodity prices and indirect taxes. Inflation expectations for 2014 remain unchanged at 1.9%.

The SPF inflation expectations for 2012 and 2013 are within the ranges reported in the September 2012 ECB staff macroeconomic projections and are very similar to those published in the Euro Zone Barometer and Consensus Economics surveys in October. The aggregate probability distribution for inflation in 2012 has become more concentrated in the interval between 2.5% and 2.9%, while the distributions for inflation in 2013 and 2014 have shifted towards higher outcomes, compared with the previous survey round (see Chart A).

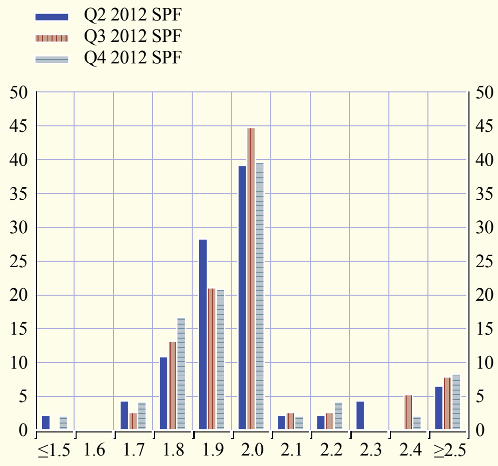
Risks to the baseline inflation outlook are perceived by participants to be broadly balanced. Some respondents mentioned further increases in commodity prices, indirect taxes and administered prices as upward risks. The main downside risk to inflation was related to a further deterioration in economic activity and labour markets in the euro area.

Longer-term inflation expectations unchanged at 2.0%

The average point forecast for longer-term inflation (for 2017) remains at 2.0%. Rounded to two decimal places, expectations stand on average at 1.98%, compared with 2.02% in the previous survey round. The median and the mode of the point forecasts are also stable at 2.0%. The share of respondents providing a point forecast of 2.0% has fallen from 45% to 40% (see Chart B). The SPF longer-term inflation expectations are broadly in line with the latest longer-term forecasts from Consensus Economics and the Euro Zone Barometer. The aggregate probability distribution has become slightly flatter (with some probability moving to the tails of the distribution)

Chart B Cross-sectional distribution of longer-term inflation point forecasts (i.e. five years ahead)

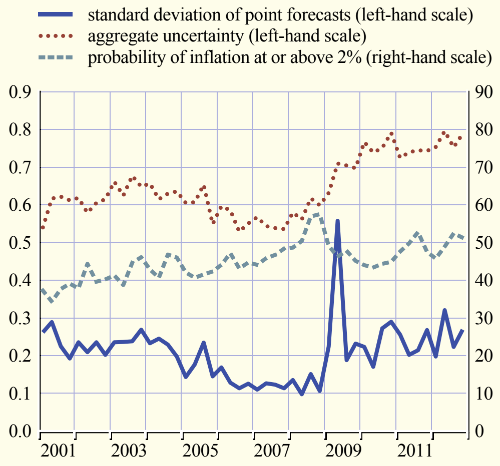
(percentage of respondents)



Source: ECB.

Chart C Disagreement and uncertainty about longer-term inflation expectations

(percentage points; percentages)



Source: ECB.
Note: Aggregate uncertainty is defined as the standard deviation of the aggregate probability distribution (assuming discrete probability density function with probability mass concentrated in the middle of the interval).

compared with the previous SPF round. The probability of inflation being at or above 2.0% inched downwards, falling from 52% in the previous SPF round to 51% in this round.

Disagreement about longer-term inflation expectations, as measured by the standard deviation of the point forecasts, increased to 0.3 percentage point (from 0.2 percentage point). Aggregate uncertainty surrounding longer-term inflation expectations, as measured by the standard deviation of the aggregate probability distribution, has risen marginally compared with the previous round and remains at historically high levels (see Chart C).[2]

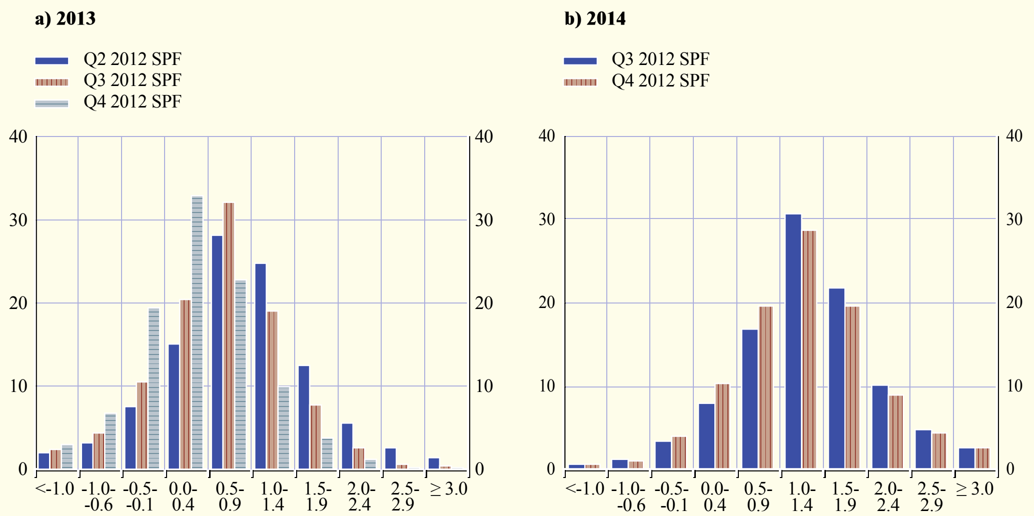
Lower GDP growth expectations for 2012, 2013 and 2014

GDP growth expectations for 2012 and 2013 have been revised downwards by 0.2 and 0.3 percentage points to stand at -0.5% and 0.3% respectively. Expectations for 2014 stand at 1.3%, compared with 1.4% in the previous round (see the table). Expectations for 2012 and 2013 lie within the ranges reported in the September 2012 ECB staff macroeconomic projection exercise, but have come close to the lower end for 2012. Compared with the latest corresponding forecasts of Consensus Economics and the Euro Zone Barometer, SPF expectations are similar for 2012 and 2014, but slightly higher for 2013. According to the respondents, the main factor behind the downward revision for 2012 was the prolonged uncertainty in the euro area, which was also reflected in weak economic indicators in summer and early autumn. Positive contributions to growth continue to come from net exports, but less than previously expected, owing to a slowdown in growth in China and the United States. Downward revisions for 2013 and 2014 reflect the longer than expected persistence of uncertainty, as well as a continuation of fiscal consolidation measures associated with the sovereign debt crisis in some euro area countries and their negative impact on consumption and investment.

2 For a discussion regarding uncertainty measures, see the box entitled "Measuring perceptions of macroeconomic uncertainty", *Monthly Bulletin*, ECB, January 2010.

Chart D Aggregate probability distribution of average annual real GDP growth expectations for 2013 and 2014 in the latest SPF rounds

(probability in percentages)



Source: ECB.
Note:The aggregate probability distribution corresponds to the average of individual probability distributions provided by SPF forecasters.

The aggregate probability distribution for 2012 is more strongly concentrated around relatively low outcomes than the previous round, while the whole distributions for 2013 and 2014 have shifted towards lower outcomes (see Chart D). For 2012 the respondents now assign the highest probability, 57%, to the interval between -0.5% and -0.1%, compared with 45% in the previous SPF round. For 2013 the highest probability is assigned to the interval between 0.0% and 0.4% (33%, compared with 20% in the previous SPF round). For 2014 the most likely outcome still falls in the interval between 1.0% and 1.4%, although the probability assigned to it has decreased slightly to 29%, from 31% in the previous SPF round. Respondents continue to see the balance of risks to euro area GDP growth as tilted to the downside, mainly on account of fears of a renewed intensification of the sovereign debt crisis. The main upside risk to the baseline outlook is seen to be a faster than expected pick-up in private sector confidence following the ECB's announcement of its Outright Monetary Transactions programme.

Longer-term growth expectations (for 2017) remain stable at 1.8%. The aggregate probability distribution has changed only marginally from the previous SPF round, with a slightly higher concentration on the intervals from 1.0% to 1.9% and a lower concentration on those in the tails.

Higher unemployment rate expectations for 2012, 2013 and 2014

Unemployment rate expectations currently stand at 11.3% for 2012, 11.6% for 2013 and 11.2% for 2014 (see table). This implies upward revisions of 0.1 percentage point for 2012, 0.2 percentage point for 2013 and 0.4 percentage point for 2014, compared with the previous SPF round. According to the forecasters' comments, the upward revisions are mainly a result of weaker than expected economic activity. Forecasters anticipate the unemployment rate to peak in 2013, and the subsequent decrease is seen to be due to the success of structural reforms in the labour market that have already been implemented in certain countries. The forecasts for 2012 are slightly higher than those from Consensus Economics and the Euro Zone Barometer, while those for 2013 are somewhat lower. The SPF expectations for 2014 are in line with the latest Eurozone Barometer forecasts.

Regarding the risk assessment, the main upside risks are considered to be a further weakening of economic activity and a slower than expected implementation of structural reforms in the labour market. At the same time, downside risks are mentioned mainly in the context of the longer-term horizon and are mostly associated with structural reforms having a greater impact in some countries.

Longer-term unemployment rate expectations (for 2017) declined by 0.2 percentage point, compared with the previous round, to 9.0%, with the balance of risks assessed to be on the downside. The aggregate probability distribution has shifted towards lower outcomes.

Other variables and conditioning assumptions

The assumptions for the variables that underlie the respondents' forecasts have been revised in different directions. Oil price expectations have been revised upwards, starting from USD 102 per barrel in the fourth quarter of 2012 in the previous SPF round to around USD 110 per barrel in the current round, mirroring a 7% increase in oil prices since the last survey. For 2014 an oil price of around USD 113 is foreseen. Growth in compensation per employee is expected to stand at 2.0% in 2012, 1.8% in 2013 and 1.9% in 2014, which is somewhat higher for 2012 and somewhat lower for 2014 than assumed in the previous survey round. The long-term expectations for growth in compensation per employee remain unchanged at 2.4% for 2017. The interest rate on the main refinancing operations of the Eurosystem is expected to decrease to 0.6% in 2013 and increase to 0.8% in 2014. The USD/EUR exchange rate is expected to stay stable at around 1.28 up to 2014.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

On a quarterly basis, euro area real GDP contracted by 0.2% in the second quarter of 2012, following flat growth in the previous quarter. As regards the second half of 2012, the available indicators continue to signal weak activity. While industrial production data showed some resilience in July and August, most recent survey evidence for the economy as a whole, extending into the fourth quarter, does not signal improvements towards the end of the year. Looking ahead to next year, the growth momentum is expected to remain weak. It continues to be supported by the standard and non-standard monetary policy measures, but the necessary process of balance sheet adjustment in the financial and non-financial sectors and an uneven global recovery will continue to dampen the pace of recovery. The risks surrounding the economic outlook for the euro area remain on the downside.

4.1 REAL GDP AND DEMAND COMPONENTS

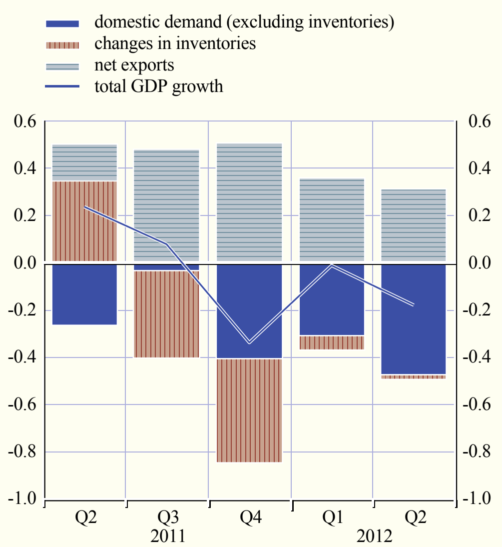
Real GDP in the euro area contracted slightly in the second quarter of 2012, after being stagnant in the previous quarter (see Chart 28). Domestic demand contributed negatively, while net trade continued to provide positive impetus to growth. Changes in inventories recorded a neutral contribution to quarter-on-quarter GDP growth.

Following a decrease of 0.2% in the first quarter of 2012, private consumption shrank further by 0.4% in the second quarter of this year. This development was mainly the result of a negative contribution to consumer spending growth from the consumption of retail goods, while the contributions from car purchases and consumption of services were broadly neutral. Consumption has diminished for three consecutive quarters and has during this period shown a cumulated fall of more than 1%.

As regards the third quarter of 2012, information on private consumption reveals continued weak developments in household spending. The volume of retail sales increased by 0.4%, quarter on quarter, in the third quarter, following a decline of 0.7% in the previous quarter. At the same time, however, euro area new passenger car registrations declined, quarter on quarter, by 6.5% in the third quarter, following a decrease of 0.5% in the previous quarter. Given the weights of car purchases and retail trade in euro area private consumption (of around 5% and 45%, respectively), this implies that their combined contribution to quarter-on-quarter consumption growth should continue to be negative in the third quarter, albeit less than in the second quarter when their contribution was around -0.3 percentage point. Retail sector survey data show a protracted weakness in consumption of retail goods in the third quarter as well as in October 2012 (see Chart 29). The Purchasing Managers' Index (PMI) for the retail trade rose between the second and

Chart 28 Real GDP growth and contributions

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



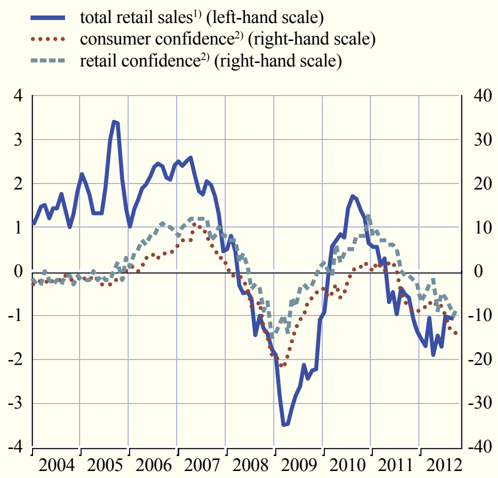
Sources: Eurostat and ECB calculations.

third quarters, but remained clearly below the theoretical expansion-contraction threshold of 50, which points to continued sluggish sales. The index of retail sales for October suggests a continuation of weak dynamics. Moreover, euro area consumer confidence, which declined between the second and third quarters, was broadly stable in October. The index thus remains clearly below its long-term average, signalling further negative developments in consumer spending. Similarly, the indicator for major purchases also stands at a level well below its long-term average.

Gross fixed capital formation declined by 1.5%, quarter on quarter, in the second quarter of 2012, following a somewhat milder decline in the previous quarter. With regard to the breakdown of investment in the second quarter, both construction and non-construction investment contracted quarter on quarter at a similar pace.

Chart 29 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month moving averages; working day-adjusted; including fuel.
2) Percentage balances; seasonally and mean-adjusted.

Looking ahead, industrial production of capital goods (an indicator of future non-construction investment) increased by 0.7% in August, following a rise of 2.0% in July. The average level of capital goods production in these two months stood some 2% above that of the second quarter, which compares with a quarter-on-quarter rate of -1.3% in the second quarter. However, survey results for the non-construction industrial sector, from both the PMI and the European Commission, suggest a further decline in investment in the third quarter of 2012 as well as at the beginning of the last quarter of the year. At the same time, the Commission surveys indicate that capacity utilisation declined further in the three-month period up to October 2012, remaining below its long-term average level.

Data with a bearing on construction investment provide mixed signals for the third quarter. On the one hand, euro area construction production has risen for two consecutive months and stood on average in July and August slightly above its average level in the second quarter, when it rose very moderately. On the other hand, surveys point to ongoing weakness in the construction sector. For instance, the European Commission indicator on construction confidence, which is available up to October 2012, has continued to decline, thus falling further below its historical average. At the same time, the PMI for construction in the euro area remained at a level well below 50 in the third quarter, pointing to further negative developments in that quarter. Survey results suggest that continued financing constraints and ongoing housing market adjustments in a number of euro area countries are still weighing on construction investment.

Euro area trade flows strengthened in the second quarter of 2012, with exports and imports increasing, quarter on quarter, by 1.3% and 0.6% respectively. However, more recent information suggests that both import and export dynamics weakened again in the third quarter. The trade flows recorded in July and August were, on average, above the levels seen in the second quarter, pointing to a positive but rather small expansion in the third quarter. Against the backdrop of prevailing uncertainty about the strength of the global recovery, survey data relating to euro area exports remain at a very low level. In October the PMI new export orders remained broadly stable at around 45, while the European Commission survey reported a further deterioration in export orders compared with the average level in the third quarter. Growth in foreign demand and euro area exports is expected to remain subdued in the last quarter of 2012. Broadly consistent with the prospects for economic activity in the euro area, the near-term outlook for imports remains rather muted.

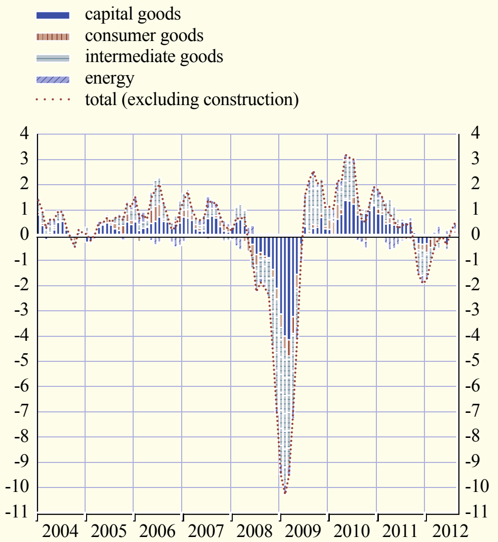
4.2 SECTORAL OUTPUT

Real value added declined by 0.1%, quarter on quarter, in the second quarter of 2012. Activity in industry (excluding construction) as well as construction contracted, while value added in services was stagnant.

With regard to developments in the third quarter of 2012, growth in industrial production (excluding construction) increased by 0.6% month on month in August, following a rise of the same magnitude in the previous month. In July and August production stood on average around 1% above its level in the second quarter. This represents an improvement compared with the second quarter, when production contracted, quarter on quarter, by 0.4% (see Chart 30). More timely survey data, however, paint a less optimistic picture. For example, the PMI manufacturing output index declined again in the third quarter, thus moving further below the theoretical no-growth threshold of 50.

Chart 30 Industrial production growth and contributions

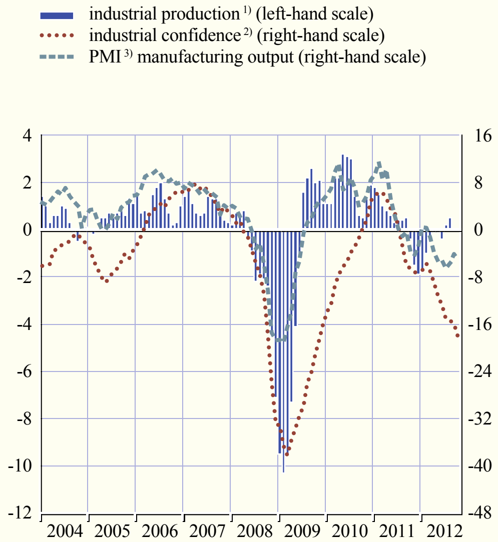
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 31 Industrial production, industrial confidence and PMI manufacturing output

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Note: Survey data refer to manufacturing.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

At the same time, European Commission survey data indicate increasing constraints on production in the three months to October 2012 which were mainly attributed to a worsening of demand conditions. The PMI services business activity index rose somewhat in the third quarter of 2012, but stayed clearly below 50. Other business surveys, such as those of the European Commission, are broadly in line with developments in the PMI. Most survey evidence for the euro area points to a further deterioration or at best a stabilisation in October (see Chart 31).

4.3 LABOUR MARKET

Euro area labour markets continued to weaken and survey data anticipate further negative developments in the period ahead.

Headcount employment was stable between the first and second quarters of 2012, following three quarters of negative growth (see Table 7). At the same time, hours worked declined further by 0.3%, quarter on quarter, in the second quarter. At the sectoral level, on a quarter-on-quarter basis, the latest figures show that employment in industry declined, particularly in the construction sector. Services sector employment was more stable between the first and second quarters.

Annual growth in labour productivity per person employed decreased further to 0.2% in the second quarter of 2012, down from 0.4% in the previous quarter (see Chart 32). During the same period, annual growth in hourly labour productivity recorded a more pronounced fall, from 0.7% to 0.3%. As regards the remainder of the year, the latest readings of the PMI productivity index, which covers the manufacturing and services sectors, signal continued weak developments.

The unemployment rate has continued to drift upwards and stood at 11.6% in September (see Chart 33). This is an increase of 1.3 percentage points compared with one year ago. Survey

Table 7 Employment growth

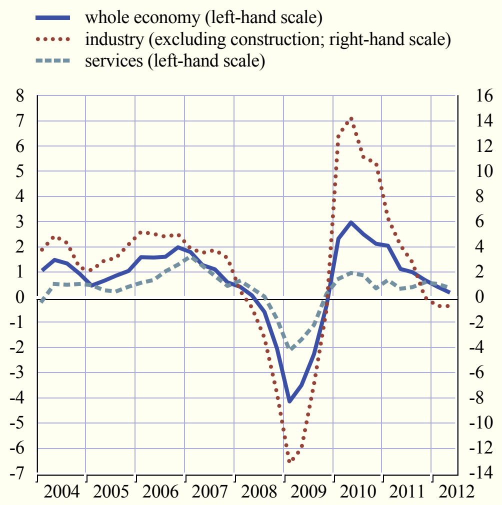
(percentage changes compared with the previous period; seasonally adjusted)

	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2010	2011	2011 Q4	2012 Q1	2012 Q2	2010	2011	2011 Q4	2012 Q1	2012 Q2
Whole economy	-0.5	0.3	-0.3	-0.3	0.0	0.0	0.2	-0.4	-0.1	-0.3
of which:										
Agriculture and fishing	-1.1	-2.2	-0.9	0.0	0.5	-0.5	-2.1	-0.3	-0.3	-0.2
Industry	-3.2	-1.0	-0.8	-0.7	-0.5	-1.5	-0.8	-1.1	-0.1	-1.1
Excluding construction	-2.8	0.3	-0.3	-0.4	-0.5	-0.3	0.9	-0.4	0.2	-0.6
Construction	-3.9	-3.9	-1.8	-1.5	-0.6	-3.9	-4.1	-2.7	-0.5	-2.2
Services	0.3	0.8	-0.1	-0.2	0.2	0.6	0.7	-0.1	-0.1	-0.1
Trade and transport	-0.7	0.6	-0.4	-0.3	0.2	-0.3	0.3	-0.7	-0.4	0.1
Information and communication	-1.3	1.8	0.6	0.7	0.6	-0.7	1.8	0.6	0.8	0.3
Finance and insurance	-0.8	-0.2	0.0	0.0	-0.9	-0.3	-0.1	-0.2	-0.2	-1.5
Real estate activities	-0.4	3.0	2.4	-1.2	0.7	0.6	3.5	1.0	-1.4	1.1
Professional services	1.7	2.6	0.3	-0.6	0.7	2.4	2.7	0.4	-0.6	0.2
Public administration	1.0	0.1	-0.2	-0.1	0.1	1.1	0.1	0.1	0.3	-0.2
Other services [1]	0.9	0.2	0.2	0.6	-0.4	0.6	-0.1	0.0	0.7	-1.1

Sources: Eurostat and ECB calculations.
1) Also includes household services, the arts and activities of extraterritorial organisations.

Chart 32 Labour productivity per person employed

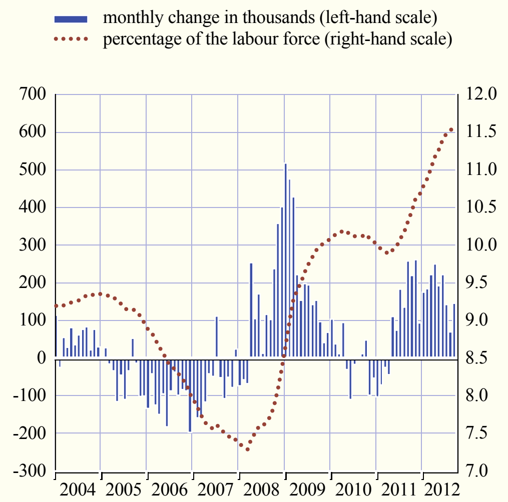
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 33 Unemployment

(monthly data; seasonally adjusted)

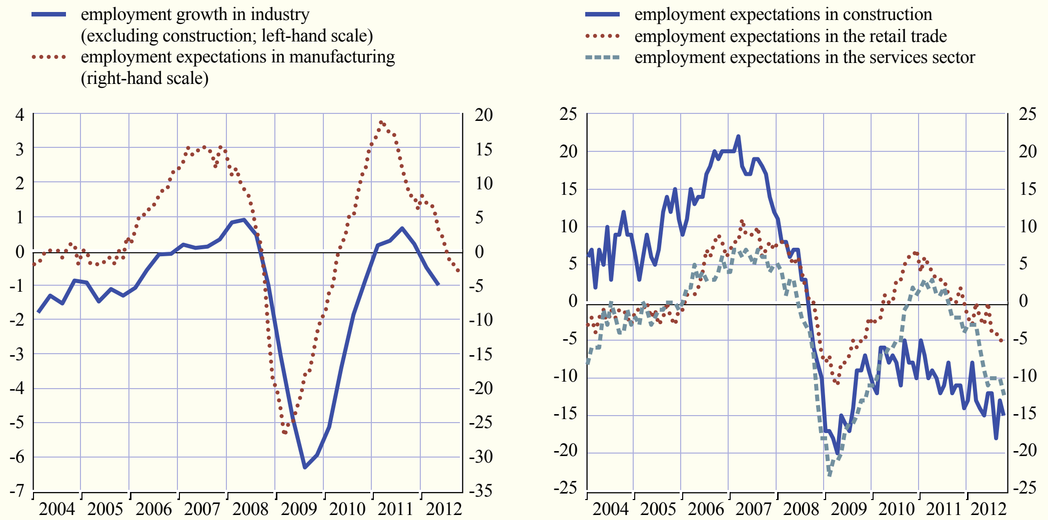


Source: Eurostat.

indicators point towards further job losses in both industry and services in the third quarter and at the beginning of the fourth quarter of 2012 (see Chart 34). Moreover, the unemployment rate expected for 2012 to 2014 has been revised upwards in the latest Survey of Professional Forecasters (see Box 7 in Section 3).

Chart 34 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



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

4.4 THE OUTLOOK FOR ECONOMIC ACTIVITY

As regards the second half of 2012, the available indicators continue to signal weak activity. While industrial production data showed some resilience in July and August, most recent survey evidence for the economy as a whole, extending into the fourth quarter, does not signal improvements towards the end of the year. Looking ahead to next year, the growth momentum is expected to remain weak. It continues to be supported by the standard and non-standard monetary policy measures, but the necessary process of balance sheet adjustment in the financial and non-financial sectors and an uneven global recovery will continue to dampen the pace of recovery. The risks surrounding the economic outlook for the euro area remain on the downside.

ARTICLES

INFLATION DIFFERENTIALS IN THE EURO AREA DURING THE LAST DECADE

This article reviews the developments of inflation differentials within the euro area over the past decade. It shows that, until 2008, a number of cyclical and structural factors worked together in the emergence and persistence of inflation differentials. In particular, mispricing of risk, overly optimistic expectations concerning future income prospects and inappropriate national policies played a role. By contrast, since 2008, developments in inflation differentials appear to be mostly related to changes in national policies aimed at reducing imbalances.

Understanding the sources of inflation differentials is a key input for designing the appropriate monetary policy response to preserve price stability in the euro area as a whole. Preserving price stability requires safeguarding the monetary policy transmission mechanism in all euro area countries. In this respect, the ECB non-standard measures have ensured and continue to ensure the transmission of the ECB policy stance to the real economy throughout the euro area and have prevented disorderly adjustments. These measures have been designed to preserve strong incentives for carrying out national adjustment. In the long term, persistent inflation differentials can be addressed only by national policies.

1 INTRODUCTION

Inflation differentials in monetary unions are a common phenomenon. Countries and regions can be exposed to specific shocks, affecting one country or region but not another. However, even common shocks can cause divergences in inflation rates, given that countries and regions tend to be characterised by different economic structures, often find themselves in different stages of the business cycle, or follow different national policies (e.g. fiscal and wage policies) – both over a longer-term perspective and in response to economic shocks.

Standard statistical measures, such as standard deviations, suggest that inflation dispersion across euro area countries has, on balance, been comparable to that observed across different regions of the United States. Until the outbreak of the 2008 crisis, inflation differentials in the euro area were persistent, in the sense that many countries systematically maintained either a positive or a negative inflation gap vis-à-vis the euro area average.

Chart 1 (left-hand panel) shows that during the period 2002-08 the countries with the largest absolute average inflation differential vis-à-vis the euro area were also those where these differentials remained persistently positive or negative. In many cases this persistence reflected unsustainable developments. In the post-2008 period (see Chart 1, right-hand panel), this systematic pattern is no longer visible. The rebalancing process that has taken place over this period has implied that, for some countries, the average inflation rate has been falling below the euro area average, while for others, it has been increasing to above the euro area average. In Germany and the Netherlands, the inflation rate has been below the euro area average during both periods.

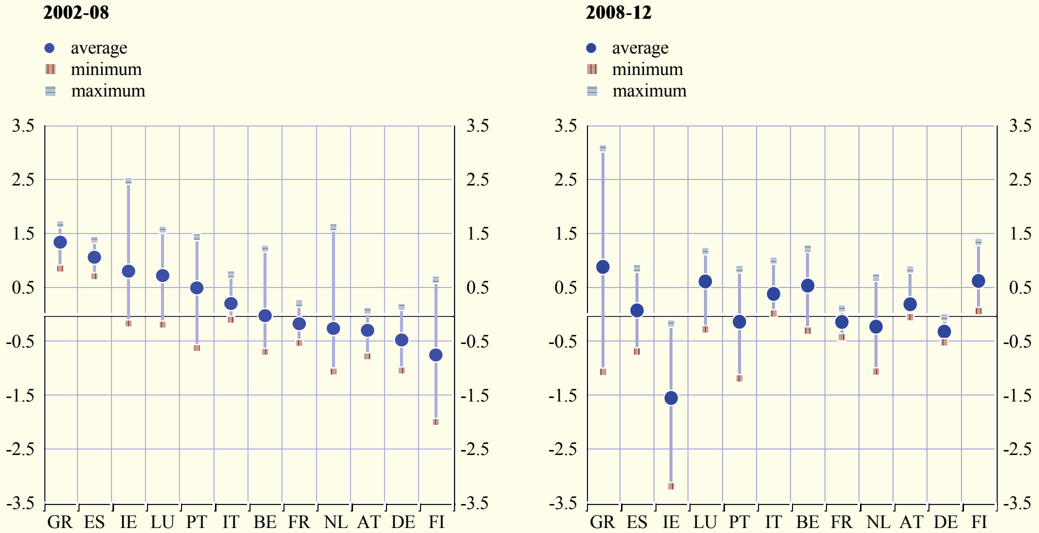
Understanding the size, persistence and determinants of inflation differentials is of critical importance in order to properly assess area-wide inflation dynamics for the design of monetary policy.[1] Against this background, this article reviews some key factors driving inflation differentials over the last decade, distinguishing the pre-2008 period and the rebalancing process in the post-2008 period.[2]

1 See Angelini, P., Del Giovane, P., Siviero, S. and Terlizzese, D., "Monetary Policy Rules for the Euro Area: What Role for National Information?", *Working Papers*, No 457, Banca d'Italia, February 2002.

2 This article covers all countries which joined the euro area prior to 2007. For earlier discussions of this issue, see the box entitled "Inflation differentials within the euro area", *Monthly Bulletin*, ECB, December 2000; the report entitled "Inflation differentials in the euro area: potential causes and policy implications", ECB, September 2003; and the article entitled "Monetary policy and inflation differentials in a heterogeneous currency area", *Monthly Bulletin*, ECB, May 2005.

Chart 1 HICP inflation – deviation from the euro area

(percentage points)



Sources: Eurostat, European Commission and ECB calculations.
Note: The countries are listed in descending order according to the differential vis-à-vis the euro area in the period 2002-08. European Commission forecasts have been used for 2012.

The article is structured as follows. Section 2 provides a general overview of the factors that can give rise to inflation differentials. Sections 3 and 4 discuss, respectively, the relevance of such factors during the "imbalances" period 2002-08 and during the "rebalancing" period 2008-12. Section 5 concludes with some policy considerations.

2 INFLATION DIFFERENTIALS: WHY DO THEY OCCUR AND WHY DO THEY PERSIST?

There are many factors that can give rise to inflation differentials and make them persist over time. One possible way of distinguishing different sets of factors is according to the time horizon over which their effects are likely to be felt: longer-term or structural factor, medium-term or business cycle factors and shorter-term or one-off factors.

STRUCTURAL FACTORS

Several factors may lead to persistent inflation differentials. A prominent factor is the convergence in price levels that is to be expected, to some degree, at least in tradable goods and services: the lower the price of a tradable good in a given euro area country, the stronger the demand for this product and the weaker the demand for more expensive substitutes produced in other euro area countries. This international competitiveness mechanism makes prices in the "cheap" countries increase faster and prices in the "expensive" countries increase slower, thus giving rise to inflation differentials.

Another convergence-related mechanism that may theoretically create long-lasting differences in inflation rates across countries is the Balassa-Samuelson effect,[3] which may appear in economies with uneven labour productivity growth between their tradable and non-tradable sectors: international competition among countries, especially inside a currency area, should in theory ensure that no substantial divergent price pressures emerge in the tradable sector as a result of the law of one price.

3 For evidence of the Balassa-Samuelson effect in the early years of EMU, see Wagner, M., "The Balassa-Samuelson Effect in 'East & West'. Differences and Similarities", *Economics Series*, No 180, Institute for Advanced Studies, December 2005.

Therefore, according to this approach, the typically higher labour productivity in the tradable sector translates into higher equilibrium real wages through rising nominal wages. Assuming perfect labour mobility within a country, higher nominal wages in the tradable sector should then contribute to pushing up nominal wages in the non-tradable sector. As a result, if labour productivity growth were lower in the non-tradable sector, prices in that sector would increase faster to prevent real wage growth from outpacing labour productivity growth, putting upward pressure on inflation.

Changes in the structure of the economy and regulations in labour and product markets can also give rise to protracted inflation differentials in a currency union. For instance, a reduction in employment protection or unemployment benefits can put downward pressure on wages and thereby lead to a negative inflation differential relative to other countries, which may last for a relatively long period of time. Similarly, deregulation that increases the degree of competition in the goods and services markets can lower firms' mark-up of prices over costs and therefore open a negative inflation differential relative to other countries. The emergence of inflation differentials can thus reflect not only adverse developments in higher inflation countries, but also favourable developments in lower inflation countries.

Inflation differentials can also arise as a result of the fact that economic structures are different: if wages and/or prices adjust with different degrees of flexibility in the aftermath of a shock (e.g. higher oil prices), inflation differentials can persist across countries.[4]

BUSINESS CYCLE FACTORS

Inflation differentials in a monetary union may also arise if countries' business cycles are not synchronised or have very different scales: countries whose economies are booming owing, for instance, to bubbles in asset prices or to unsustainable expansionary fiscal policies are normally expected to experience higher inflation than countries whose economies are growing below potential.

The degree of persistence of these "cyclical" inflation differentials clearly depends, inter alia, on the speed at which the competitiveness channel fulfils its equilibrating role. If the competitiveness channel works very quickly, cyclical conditions would move back into line with the euro area average relatively rapidly.

By contrast, a potential source of persistence of inflation differentials could stem from the pro-cyclical working of the "real interest rate" channel. As long as national inflation expectations are affected by national cyclical conditions and hence respond strongly to the past country-specific inflation record, the ex ante real interest rate will be subdued in a country which is going through a protracted boom. As a result, domestic demand will be boosted even further and inflation differentials may last longer than they would otherwise.

ONE-OFF FACTORS

There are also sources of inflation differentials which tend to be short-lived. One such source, for instance, is the different impact that one-off commodity price shocks can have on price levels in individual countries. These impacts disappear from annual inflation rates after one year. Short-term effects can also be related to uneven changes in administered prices and indirect taxes (e.g. rates of value added tax) across countries. Whether inflation differentials that are due to such factors also persist for medium-term horizons depends on the prevalence of so-called second-round effects, i.e. the degree to which one-off shocks to inflation have knock-on effects for wages and prices at later stages and lead to changes in inflation expectations.

4 See, for instance, Fahr, S.A. and Smets, F., "Downward Wage Rigidities and Optimal Monetary Policy in a Monetary Union", *Scandinavian Journal of Economics*, No 112, 2010, pp. 812-40.

3 FACTORS BEHIND INFLATION DIFFERENTIALS IN THE PERIOD 2002-08

This section discusses some of the main factors which contributed to the appearance and persistence of inflation differentials in the euro area in the period 2002-08. In view of the multitude of factors that can be at work at any point in time, the discussion is necessarily selective. Box 1 discusses how the relevance of factors can be determined with the help of an econometric model.

Box 1

IDENTIFYING THE KEY FACTORS DRIVING INFLATION DIFFERENTIALS IN THE EURO AREA OVER THE PERIOD 2002-08

Inflation differentials between an individual Member State and the euro area as a whole can be due to many factors, and the specific set of factors is likely to differ from Member State to Member State. At the same time, it is important to know which of these factors are of a more common nature and are thus more immediately accessible for policy consideration at an area-wide level. This box describes some empirical results regarding the identification of key common factors that have been driving inflation differentials in the euro area in the period prior to the 2008 crisis.

The empirical approach is based on a dynamic panel data model estimated with annual data for 11 euro area countries (Belgium, Germany, Ireland, Greece, Spain, France, Italy, the Netherlands, Austria, Portugal and Finland) over the period 2002-08. The estimated specification is:[1]

$$\pi_{it} = -0.05 \text{ x } price_{it-1} + 0.71 \text{ x } E\pi_{it+1} + 0.21 \text{ x } outputgap_{it} + 0.18 \text{ x } riskpremium_{it} + 0.18 \text{ x } adminprice_{it} + \alpha_i + \varepsilon_{it}$$

where π_{it} denotes the inflation rate in country i in year t, $price_{it-1}$ is the lagged price level in country i, $E\pi_{it+1}$ is the Consensus Economics forecast for inflation for the next calendar year from its December survey, $outputgap_{it}$ denotes the cyclical component of GDP (extracted using the Hodrick-Prescott filter with data since the start of Eurostat's annual GDP time series), $riskpremium_{it}$ denotes the distance between the country risk premium (the difference between ten-year government bond rates and German ten-year Bund rates) and its long-term trend (extracted using the Hodrick-Prescott filter with data since 1993) and $adminprice_{it}$ is the administered price inflation rate from Eurostat. All variables are included in deviations from euro area averages. α_i captures fixed country effects and ε_{it} is an error term.

The model is able to broadly fit the pattern of inflation differentials in the euro area at the country level (see the chart). A significant negative impact is found for differences in price levels (i.e. countries with lower relative price levels experienced positive inflation differentials), although the size of this negative impact is relatively small, suggesting a rather slow pace of convergence of national prices to euro area levels. Regarding the business cycle variables, the results point to a positive impact of short-term inflation expectations and the output gap (although the latter is not statistically significant), suggesting that the business cycle has had significant effects on inflation differentials over the 2002-08 period. The coefficient on the risk premium variable is not statistically significant, suggesting that most of the effect of this variable on inflation differentials may work through business cycle variables and the fixed country effect.

1 The estimation method is the two-step Generalised Method of Moments (see Blundell, R. and Bond, S.R., "Initial Conditions and Moments Restrictions in Dynamic Panel Data Models", *Journal of Econometrics*, No 87, 1998, pp. 115-143).

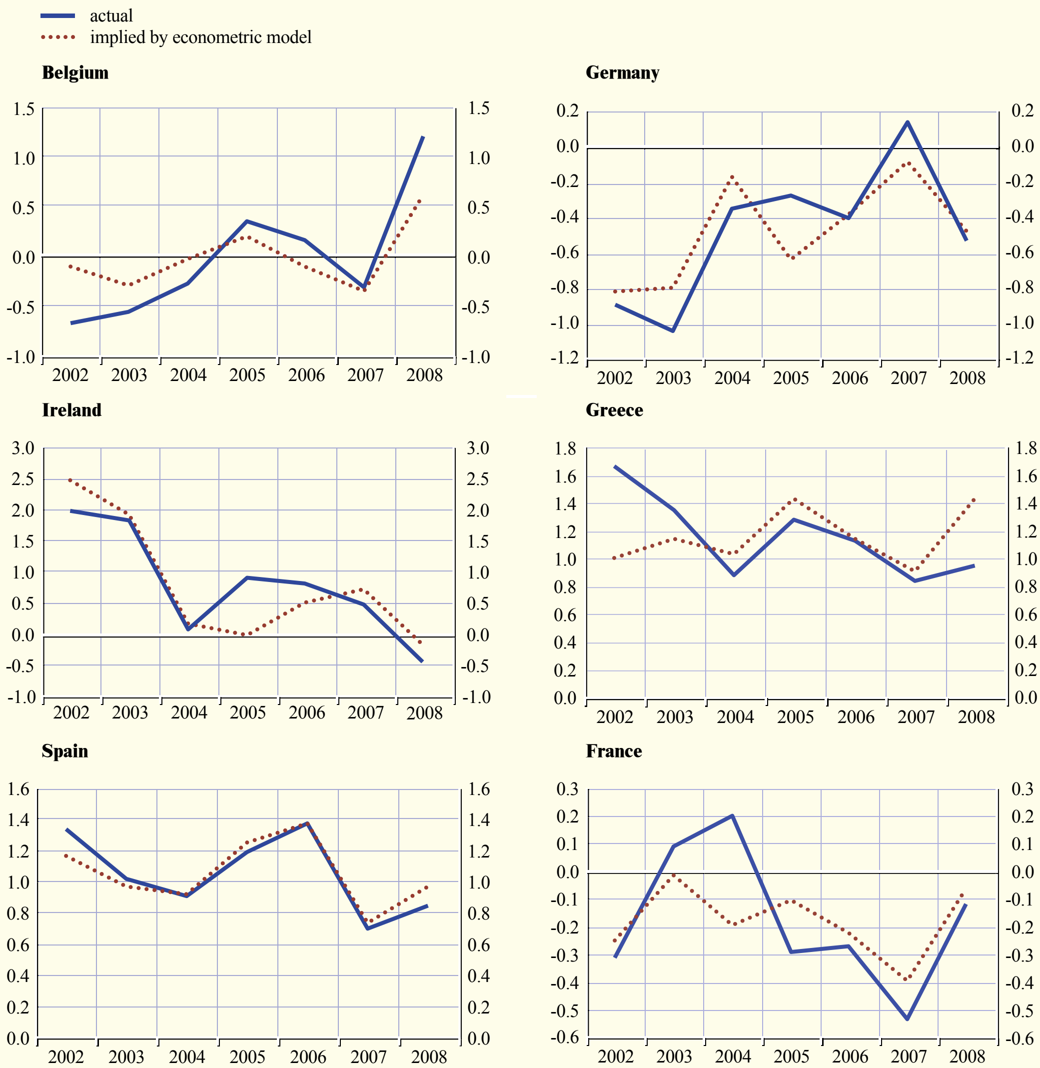
Finally, a significantly positive coefficient is found for administered prices, and its size is consistent with the relative importance of the set of goods and services with administered prices in the HICP basket.

The empirical model tested the significance of many other potential determinants of inflation differentials, but found their contribution to be statistically insignificant at the euro area level.[2] This finding suggests that, while some of these variables may be important at the country level,

2 The list of additional variables includes changes in the OECD employment protection regulation index, changes in unemployment benefits, changes in the OECD product market regulation index, changes in the OECD index of barriers to competition in the services market, the cyclical component of the labour income share, cyclically-adjusted public deficits (as a proportion of GDP) and changes in value added tax rates (reduced and standard). All variables are constructed as deviations from their euro area averages.

Actual inflation differentials in the euro area and those implied by an econometric model

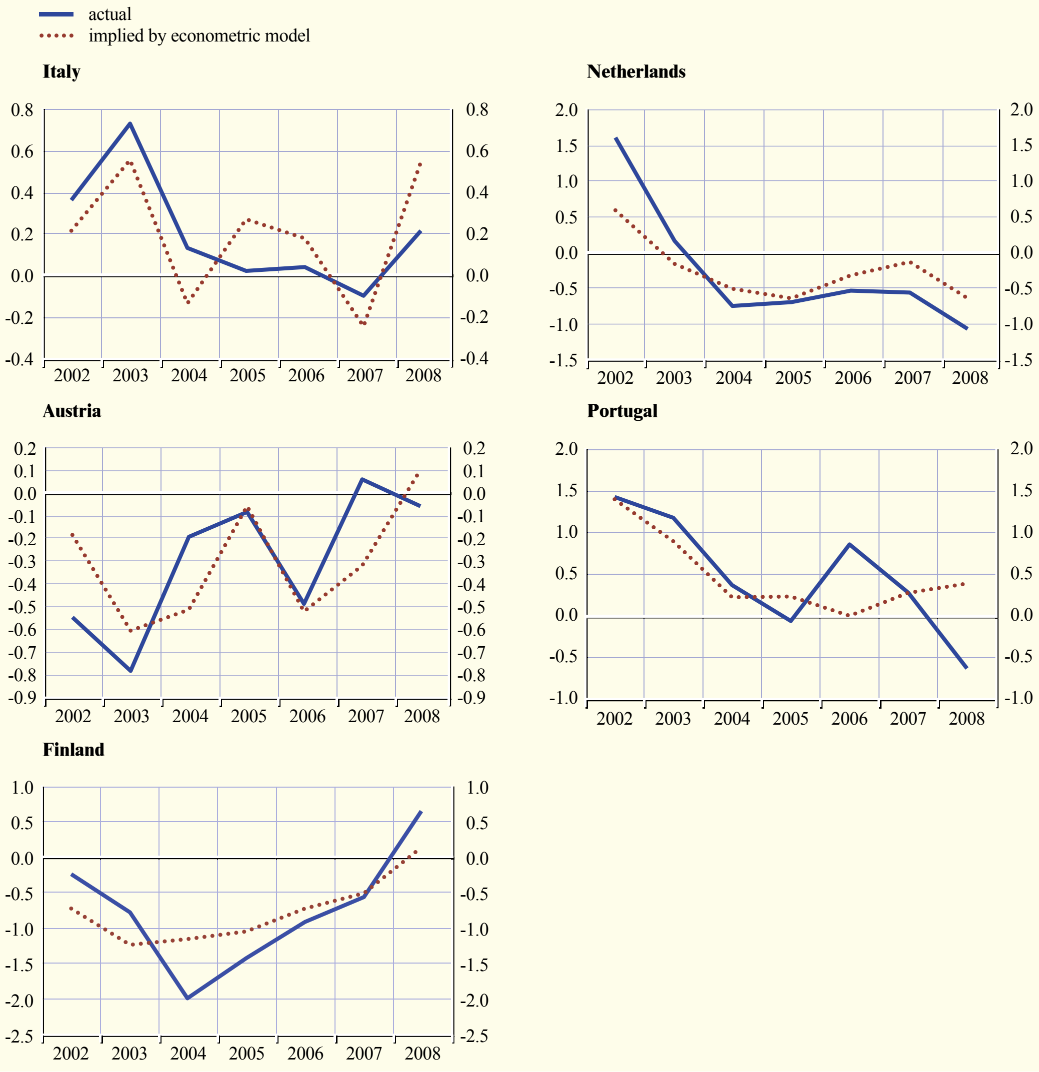
(percentage points)



Sources: Eurostat and ECB estimations.

Actual inflation differentials in the euro area and those implied by an econometric model (cont'd)

(percentage points)



Sources: Eurostat and ECB estimations.

their significance disappears at the euro area level. However, this may be the result of more complex relationships between these variables and inflation differentials (e.g. non-linear or non-contemporaneous effects), or of the fact that their effects are mainly transmitted through another correlated variable. Therefore, caution is needed when interpreting these results, given that it is difficult to model all possible interactions among those variables and find all theoretical casual relationships confirmed by the data. Consequently, an analysis of inflation differentials in the euro area should also discuss a broader set of factors and not just the significant variables found in the empirical analysis.

CONVERGENCE OF PRICE LEVELS

In the initial years of EMU, inflation differentials were largely associated with the process of the nominal convergence of catching-up countries. Such catching-up effects, operating via the convergence of prices, became less prominent after the initial years, but are still visible.

Chart 2 shows country-specific pairs of average annual inflation differentials from 2002 to 2008 and the price-level gap between the respective country and the euro area in 2002. The negatively-sloped relationship is consistent with some degree of price-level convergence in the euro area: countries whose price level was relatively low have experienced relatively higher inflation rates. This was the case, for instance, for Greece, Spain and Portugal. Luxembourg and Ireland are the only two countries which experienced a positive average inflation differential starting from a price level above the euro area average in 2002.[5]

BUSINESS CYCLE AND CYCLICAL FACTORS

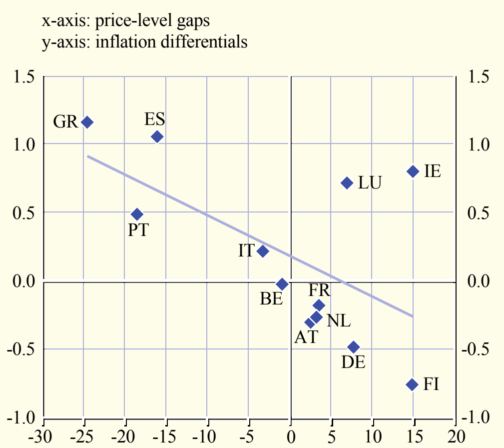
The business cycles across euro area countries before the 2008 crisis included some countries experiencing an unsustainable boom (e.g. Ireland, Greece and Spain), while other countries experienced relatively muted and slower economic growth. Such differences in business cycles may partially reflect the sizeable changes in real interest rates witnessed in some countries at the end of the 1990s, with peripheral countries experiencing more significant declines than others.

Commonly used indicators of a country's position in the business cycle are the output gap (an economic boom is frequently associated with output rising above potential), labour costs (wages tend to grow more when unemployment is low) and inflation expectations (the inflation rate tends to be higher when demand is strong). The output gap is often used as an encompassing proxy for cost pressures over the business cycle. Countries where real GDP is above potential GDP would experience, all other things being equal, faster increases in costs and prices than countries where output is below potential.[6] However, estimates of the output gap are typically surrounded by a significant degree of uncertainty and should therefore be treated with caution.

Chart 3 shows country-specific pairs of average annual inflation differentials and the differentials in average output gaps relative to the euro area average over the period 2002-08. The data suggest that different business cycle positions have probably supported inflation differentials throughout the euro area. Economic booms in many countries (e.g. Ireland, Greece, Spain and Luxembourg) were paired with positive inflation differentials, while negative output gaps in other

Chart 2 Average annual inflation differentials from 2002 to 2008 and price level gaps in 2002

(percentage points)



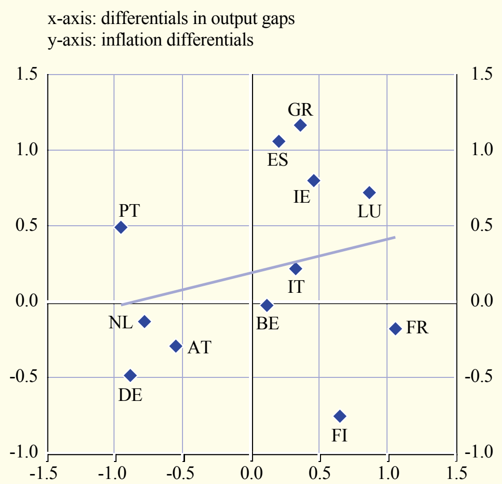
Sources: Eurostat and ECB calculations.
Note: The pale blue line denotes the fitted linear relationship between the two variables.

5 However, full price-level convergence in the euro area should not be expected since many goods and services are not perfectly tradable. For instance, the market for services is still characterised by significant barriers to competition, in which case their price would not equalise across borders but would remain linked in the long run to the real income levels of the population in each country (see Andersson, M., Masuch, K. and Schiffbauer, M., "Determinants of inflation and price level differentials across the euro area countries", *Working Paper Series*, No 1129, ECB, December 2009).

6 The standard framework for the determination of inflation at the business cycle frequency is the New Keynesian Phillips curve. In this framework, inflation is mainly affected by two determinants: firms' costs and inflation expectations. See, for instance, Gali, J. and Gertler, M., "Inflation Dynamics: A Structural Econometric Analysis", *Journal of Monetary Economics,* No 44, 1999, pp. 195-222.

Chart 3 Average annual inflation differentials and differentials in the average output gap from 2002 to 2008

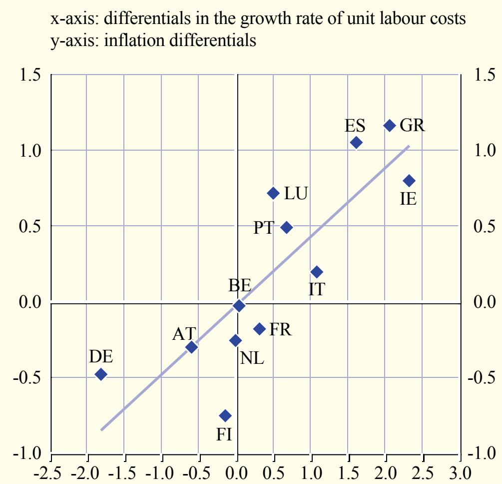
(percentage points)



Sources: Eurostat, European Commission and ECB calculations.
Note: The pale blue line denotes the fitted linear relationship between the two variables.

Chart 4 Average annual HICP inflation differentials and differentials in the average growth rate of nominal unit labour costs from 2002 to 2008

(percentage points)



Sources: Eurostat and ECB calculations.
Note: The pale blue line denotes the fitted linear relationship between the two variables.

Member States (e.g. Germany, the Netherlands and Austria) were accompanied by lower and even negative inflation differentials.

A second useful indicator of a country's position in the business cycle is the growth rate of unit labour costs (ULC). As shown in Chart 4, differences in ULC developments across individual euro area countries have clearly been positively associated with differences in the HICP inflation rates over the same period. This suggests that countries that went through an economic boom experienced more significant increases in both costs and prices than in the rest of the euro area (see Box 2 for a decomposition of domestic cost pressures in euro area countries).

Inflation differentials may also be correlated to a third business cycle indicator, inflation expectations, owing to real interest rate channel effects (see Section 2). If, all other things being equal, relatively high inflation expectations reduce the real cost of borrowing for households and firms, higher consumption and investment could lead to a temporary boom in economic activity and upward inflationary pressures.

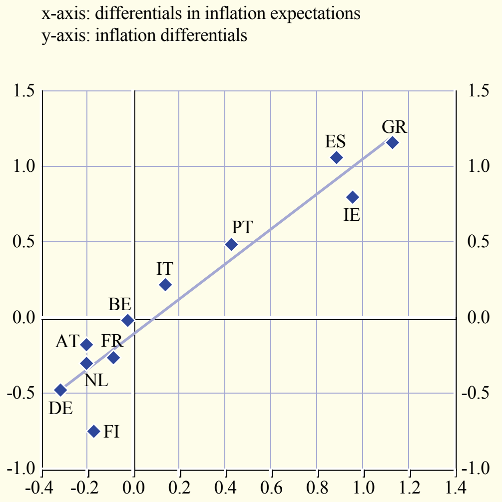
Chart 5 shows inflation differentials and differentials in inflation expectations for the year ahead, and indicates that differentials in inflation expectations seem to be highly correlated with inflation differentials.

The main underlying driver of the differences in business cycle positions could be related to excessively low risk premia – defined here as the spread between ten-year government bond yields and the German ten-year Bund. The move to Stage Three of EMU led to very low interest rates in a number of countries where inflation and nominal interest rates had been systematically above the euro area average prior to 1999. The reduction of financial costs and a higher degree of integration with capital markets in the rest of the euro area may have contributed to this outcome, but most of the effect came from the market's belief that country risks were almost equal for all sovereigns that had gone through a convergence process and were participating in Stage Three of EMU.[7]

7 See Fagan, G. and Gaspar V., "Adjusting to the euro", *Working Paper Series*, No 716, ECB, January 2007.

Chart 5 Average annual inflation differentials and average differentials in short-term inflation expectations from 2002 to 2008

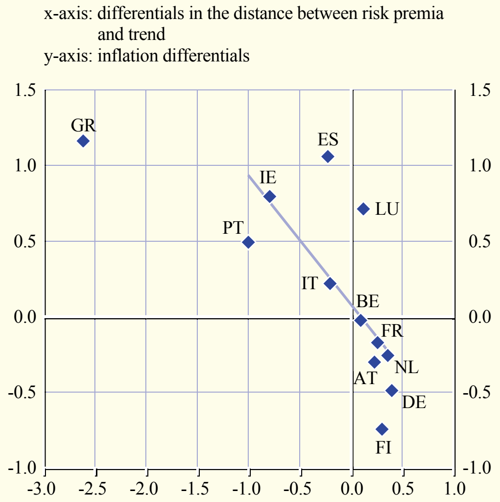
(percentage points)



Sources: Consensus Economics and ECB calculations.
Notes: Inflation expectations refer to the next calendar year and are obtained from the January issues of Consensus Economics. Consensus Economics does not provide inflation expectations for Luxembourg. The pale blue line denotes the fitted linear relationship between the two variables.

Chart 6 Average annual inflation differentials and differentials in the average distance between the country risk premium and its long-term trend from 2002 to 2008

(percentage points)



Sources: Eurostat, ECB and ECB calculations.
Notes: The risk premium is defined as the spread between ten-year government bond yields and the German ten-year Bund. The Hodrick-Prescott filter is used to extract the long-term trend from each country's risk-premium time series over the period 1993-2011. The pale blue line denotes the fitted linear relationship between the two variables.

Households and firms in a number of countries took the opportunity of low interest rates to borrow at favourable costs. Consumption and investment then increased in those countries, supporting growth in aggregate demand and output, and fuelling consumer price and asset price inflation. In some countries, the sharp housing price increases, in turn, fuelled domestic demand further and thereby put additional upward pressure on consumer price inflation.[8]

Each diamond on Chart 6 shows a Member State's average inflation differential for the period 2002-08 on the vertical axis. On the horizontal axis, each diamond represents the average distance between the country risk premium and its long-term trend minus the average distance between the euro area risk premium and its long-term trend.[9] Therefore, negative values on the horizontal axis imply that the country risk premium was further below its long-term trend relative to the euro area as a whole. The chart shows a negative relationship between these two variables: those countries whose risk premia were further below their long-term trend experienced a more pronounced domestic demand boom, which led to positive inflation differentials. This seems to hold true especially of Greece, but also of Ireland and Portugal and, to a lesser extent, of Spain.

8 This cyclical effect may have reinforced convergence in price levels in those countries whose price level was lower than the euro area average in 2002 and then experienced a pronounced economic boom during the period 2002-08. It may also help to explain why prices in Ireland kept rising further from the euro area average.

9 The euro area risk premium is calculated as a weighted average of country-specific risk premia, with weights equal to time-varying HICP weights. The Hodrick Prescott filter is used to obtain the long-term trend of each risk premium time series over the period 1993-2011 (λ=1400). These estimates of the long-term trend in risk premia are surrounded by a significant degree of uncertainty and should therefore be treated with caution.

THE INFLUENCE OF OTHER FACTORS

The evidence presented in this section suggests that different positions in the business cycle have probably had an effect in the euro area in terms of explaining inflation differentials in the 2002-08 period. Longer-term influences, such as convergence in price levels, have also played a role. However, this does not imply that other factors are not relevant during this period, especially for individual countries. Structural reforms in labour or product markets could have supported negative inflation differentials in Germany, the Netherlands and Austria, while relatively more timid reform efforts may help to explain higher inflation in countries such as Greece, Spain and Portugal. Real wage rigidities may have contributed to the persistence of inflation differentials in Belgium, Spain and Luxembourg through wage indexation clauses.

Higher cyclically-adjusted fiscal positions relative to the euro area have been accompanied by negative inflation differentials in Belgium, Germany (after 2004), the Netherlands, Austria and Finland, while larger than average cyclically-adjusted fiscal deficits may have contributed to positive inflation differentials especially in Greece and, to a lesser extent, in Portugal.

For the period 2002-08, the impact of uneven changes in administered prices across euro area countries on short-term inflation differentials was also visible. Those countries that raised administered prices significantly faster than others (e.g. Ireland, Luxembourg and Portugal) experienced positive inflation differentials with respect to the euro area.

Finally, changes in indirect taxes could also help to explain some temporary inflation differentials. In Germany, for instance, the government significantly increased indirect taxes in 2007, and the country's traditionally negative inflation differential became slightly positive that year. In 2008 its inflation differential turned back to negative territory as a result of the influence of the more persistent factors described above.

4 INFLATION DIFFERENTIALS AFTER 2008: THE ROLE OF REBALANCING

Since 2008 an adjustment process, which has triggered the implementation of important reforms in fiscal, financial and structural areas, has been under way in those countries which had previously accumulated significant macroeconomic imbalances and positive inflation differentials vis-à-vis the euro area. This rebalancing process has not yet led to inflation being lower than the euro area average in all countries with previously high inflation (see Chart 2). In fact, the expected downward pressures on inflation resulting from the sharp downward adjustment of domestic demand and an increase in the unemployment rate have, in some cases, been offset by fiscal consolidation measures via indirect tax and administrative price increases. In other cases, downward nominal wage rigidities have limited the adjustment of competitiveness, thereby preventing a significant reduction of domestic inflationary pressures. At the same time, in countries not affected by the adjustment process, upward inflationary pressures have prevailed in view of relatively more favourable cyclical conditions, which were possibly supported by the working of the real interest rate channel as nominal interest rates fell to historical lows and inflation expectations remained anchored.

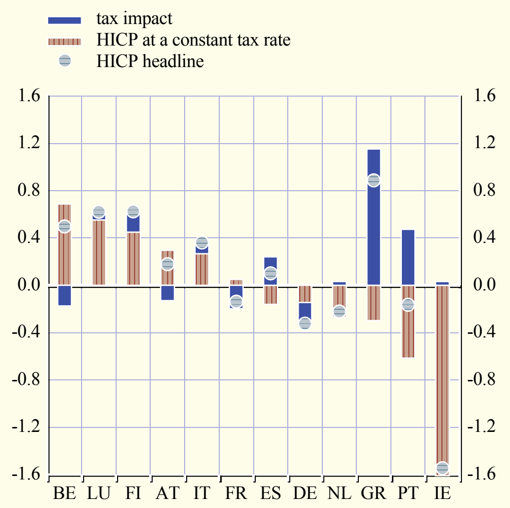
This section discusses the different macroeconomic and structural factors which have contributed to, or worked against, the reduction in inflation differentials across euro area countries from 2008 onwards.

THE ROLE OF FISCAL CONSOLIDATION MEASURES

In contrast to the period 2002-08, indirect tax impacts played a key role in explaining inflation differentials across euro area countries between 2008 and 2012. Chart 7 shows the average tax impact on HICP inflation in the period 2008-12 across countries in deviation from the euro area. This impact considerably affected the inflation differential in Greece, Spain and Portugal and, to a lesser extent, in

Chart 7 HICP inflation broken down by constant tax rate and tax impact (average between 2008 and 2012) – deviation from the euro area

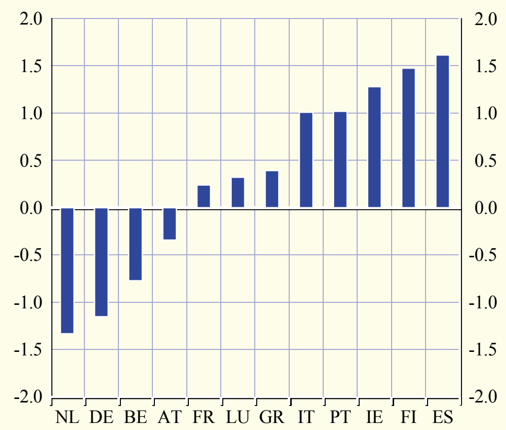
(percentage points)



Sources: Eurostat, European Commission and ECB calculations.
Notes: The HICP at a constant tax rate excludes the potential impact of changes in indirect taxes on overall inflation. It is constructed under the assumption of an instantaneous pass-through of tax rate changes on the price paid by the consumer. The countries are listed in descending order according to the HICP at a constant tax rate. The latest observations are for August 2012.

Chart 8 Average changes in administered prices between 2008 and 2012 – deviation from the euro area

(percentage points)



Sources: Eurostat and ECB calculations.
Notes: The countries are listed in ascending order according to the changes in administered prices. The latest observations are for August 2012.

Italy and Finland in recent years.[10] Indirect taxes are likely to continue to be a major element in governments' budget policies, with regard to both the fiscal consolidation necessary in many countries and a general tendency to rebalance the fiscal burden from direct to indirect taxes in order to reduce labour costs and the tax bias against saving.[11]

Government policies have also been affecting relative prices via increases in administered prices. In view of the evidence presented in Section 3, this is a factor that has been relevant in both the pre-2008 and the post-2008 period. Chart 8 shows that the increase in administered prices in Ireland, Spain, Italy, Portugal and Finland has exceeded the euro area average by a large margin between 2008 and 2012. By contrast it has been significantly below the euro area average in Belgium, Germany and the Netherlands.

THE ROLE OF COMPETITIVENESS ADJUSTMENT

By contrast with the above government measures, relative developments in nominal ULC have been a key factor in the rebalancing of inflation differentials as countries aimed to improve competitiveness.[12]

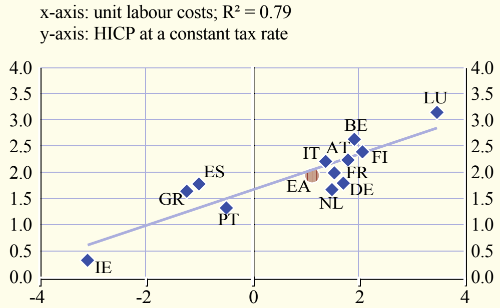
10 In the case of Ireland, the HICP at a constant tax rate is not available. The tax impact has been proxied by taking the difference between the GDP deflator at market prices and at factor costs.

11 See the box entitled "Fiscal devaluation – a tool for economic adjustment", *Monthly Bulletin*, ECB, December 2011. See also Johansson, Å. et al., "Taxation and Economic Growth", *OECD Economic Department Working Papers*, No 620, OECD, 2008, who find that VAT and property taxes are the least harmful taxes for growth, while labour and corporate income taxes are the most damaging.

12 See the article entitled "Monitoring labour cost developments across euro area countries", *Monthly Bulletin*, ECB, November 2008.

Chart 9 HICP inflation at constant tax rates and unit labour cost growth (average for the period 2008-12)

(percentage changes)



Sources: Eurostat, European Commission and ECB calculations.
Note: The pale blue line denotes the fitted linear relationship between the two variables.

Chart 9 shows that the correlation between inflation at constant tax rates and ULC growth has also been relatively strong since 2008. Thus, countries which began to correct the previously high growth of ULC had, at the same time, experienced lower inflation rates (compared with the euro area average). By contrast, countries with only limited or no adjustment needs in most cases experienced both higher ULC growth than in the euro area as a whole and above-average inflation rates. However, the significant ULC correction in the adjusting countries has not translated fully into lower domestic inflation, partly owing to the resilience of profit margins (see Box 2).

Box 2

INFLATION ACCOUNTING FOR THE PERIODS 2002-08 AND 2008-12

This box shows the results of an inflation accounting exercise, which breaks down the euro area inflation differentials into their primary determinants. The exercise decomposes changes in the GDP deflator into contributions from wages, profits (as measured by the gross operating surplus) and indirect taxes (net of subsidies) – all measured per unit of output. The main contributions to the differential among countries come from unit labour costs (ULC) and the gross operating surplus in the periods 2002-08 and 2008-12. However, one can notice that in the second period the contribution from net indirect taxes to the inflation differential has increased significantly.

Notably, in Germany and Finland, below-average dynamics of both ULC and the gross operating surplus contributed to the negative GDP inflation differentials in relation to the euro area average between 2002 and 2008. In the second period, however, the dynamics of ULC have become stronger relative to the euro area in both countries.

Among the four countries with higher inflation differentials in the first period, the positive gap in Spain and Greece was the result of dynamic growth in both ULC and gross operating surplus, while the gap in Ireland and Portugal was due to higher ULC dynamics alone. In the second period a reversal of the dynamics of the GDP deflator can be observed in all four countries, particularly in Ireland. It is worth noting that the contribution of profits to the GDP deflator was very high relative to the euro area in the second period in Greece, Spain and Portugal – mitigating the adjustments achieved in terms of labour costs.

Looking at ULC developments, in the first period, the relatively strong ULC dynamics with respect to the euro area average, particularly in Ireland, Greece and Spain, was due to relatively high increases in compensation per employee. In the second period, a remarkable downward correction of ULC took place in the above countries and in Portugal. The correction with respect to the euro

Table A Results of the inflation accounting exercise for the period 2002-08

(percentage points, unless indicated otherwise)

	GDP deflator				Unit labour costs		
	Total percentage change	Contribution to change: Unit labour costs	Contribution to change: Gross operating surplus	Contribution to change: Net indirect taxes	Total percentage change	Contribution to change: Compensation per employee	Contribution to change: Inverse labour productivity
	1=2+3+4	*2*	*3*	*4*	*5=6+7*	*6*	*7*
Average annual growth							
Euro area	2.1	0.7	1.0	0.3	1.2	2.2	-1.0
Deviation from the euro area average							
Belgium	0.0	-0.7	0.9	-0.2	0.5	0.4	0.1
Germany	-1.3	-1.1	-0.2	0.0	-1.8	-1.4	-0.4
Ireland	0.2	0.9	-1.2	0.1	2.2	3.1	-0.9
Greece	1.3	0.9	0.3	0.0	2.1	2.9	-1.1
Spain	1.6	0.9	0.8	0.0	1.6	1.1	0.5
France	0.0	0.2	-0.2	0.1	0.3	0.6	-0.3
Italy	0.0	-0.1	0.0	0.1	1.0	-0.1	1.1
Netherlands	0.0	0.1	-0.1	0.0	0.0	0.8	-0.8
Austria	-0.4	-0.3	0.1	-0.2	-0.5	0.0	-0.6
Portugal	0.6	0.4	-0.1	0.3	0.7	0.7	0.0
Finland	-0.8	-0.1	-0.7	-0.1	0.0	0.9	-0.9

Sources: European Commission, Eurostat and ECB calculations.

area average was achieved mainly thanks to significant wage reductions in Ireland, Greece and Portugal, while this occurred via strong "apparent" productivity gains, achieved through labour shedding, in Spain. Italy, which experienced strong ULC increases in the first period, did not see a significant ULC adjustment in the second period, owing to the fact that the fall in productivity caused by the recession was not followed by a downward adjustment of wages.

Table B Results of the inflation accounting exercise for the period 2008-12

(percentage points, unless indicated otherwise)

	GDP deflator				Unit labour costs		
	Total percentage change	Contribution to change: Unit labour costs	Contribution to change: Gross operating surplus	Contribution to change: Net indirect taxes	Total percentage change	Contribution to change: Compensation per employee	Contribution to change: Inverse labour productivity
	1=2+3+4	*2*	*3*	*4*	*5=6+7*	*6*	*7*
Average annual growth							
Euro area	1.3	1.1	0.1	0.2	1.9	2.1	-0.2
Deviation from the euro area average							
Belgium	-0.2	0.6	-0.8	-0.1	0.9	0.4	0.4
Germany	-0.2	0.2	-0.5	0.0	0.4	-0.1	0.5
Ireland	-2.8	-1.9	-0.1	-0.7	-3.4	-2.3	-1.2
Greece	0.7	-0.9	1.6	0.0	-1.7	-3.0	1.3
Spain	-0.2	-1.1	1.2	-0.4	-1.9	0.2	-2.1
France	0.1	0.2	-0.2	0.1	0.2	0.0	0.2
Italy	-0.2	1.4	-1.7	0.2	0.2	-0.6	0.8
Netherlands	-0.2	0.1	0.0	-0.3	0.2	-0.1	0.2
Austria	0.3	0.3	-0.1	0.1	0.6	0.5	0.1
Portugal	-0.3	-0.9	0.7	-0.1	-1.7	-1.3	-0.3
Finland	0.8	0.9	-0.4	0.4	1.6	1.1	0.4

Sources: European Commission, Eurostat and ECB calculations.
Note: Underlying data for 2012 are European Commission estimates.

Overall, the breakdown shows the prominent role played by wage growth both in the building-up of imbalances and in rebalancing the economy. But it also shows that a rebalancing of overall inflation differentials requires that advances made via wage restraint are not absorbed by increased profit margins.

CYCLICAL CONDITIONS AND THE REAL INTEREST RATE

Different measures of cyclical conditions, such as the output gap and the current level of ex ante real interest rates, suggest a very different impact of cyclical conditions on inflation differentials across countries. Most of the countries which experienced low or even negative ex ante real interest rates in the run-up to the crisis saw significantly rising real ex ante lending rates with the start of the adjustment in 2008, inter alia, on the back of adjusting risk premia (see the example of bank lending rates for non-financial corporations in Chart 10). This, in turn, curbed credit growth and domestic demand. The size of the negative output gap has also contributed to subdued inflation rates in these countries relative to the euro area (see Chart 11). However, not all countries with substantially negative output gaps saw commensurate reductions in inflation rates as the historically positive correlation between the two variables would have suggested (Chart 3 in Section 3). This indicates, inter alia, existing structural rigidities, which prevent the necessary adjustment in prices (see the role of profit margins in Box 2).

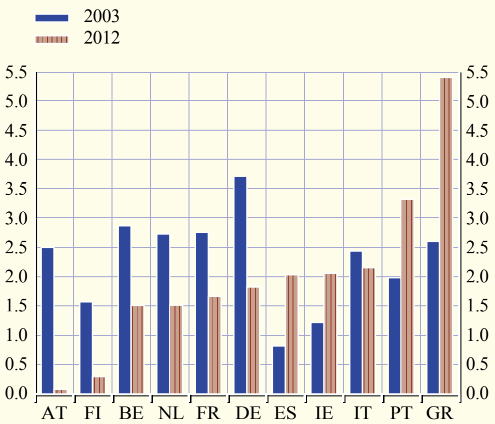
THE ROLE OF STRUCTURAL POLICIES

The removal of existing rigidities in product and labour markets will allow the gains from the ongoing cyclical competitiveness adjustment to be preserved and the persistence of inflation differentials to be reduced.[13] Many of the

13 Empirical evidence confirms that reforms targeting these rigidities will facilitate the removal of persistent inflation differentials. See Birioli P., Mourre G. and Turrini A., "Adjustment in the euro area and regulation of product and labour markets: an empirical assessment", *European Economy*, Economic Papers, No 428, 2010, and Jaumotte, F. and Morsy, H., "Determinants of Inflation in the Euro Area: The Role of Labour and Product Market Institutions", *Working Paper Series*, No 12/37, IMF, January 2012.

Chart 10 Real ex ante lending rates to non-financial corporations

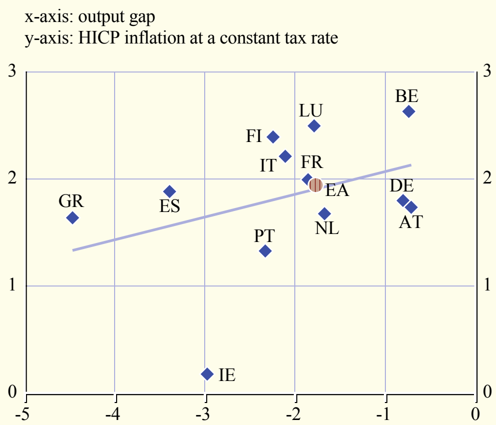
(percentages per annum)



Sources: ECB and Consensus Economics.
Notes: Lending (composite) rates are only available as of 2003 and are not available for Luxembourg. The countries are listed according the real ex ante lending rate in 2012. The latest observations are for August 2012.

Chart 11 Output gap and HICP at constant taxes (average for the period 2008-12)

(percentages of trend GDP; percentage changes)



Sources: Eurostat, European Commission and ECB calculations.
Note: The pale blue line denotes the fitted linear relationship between the two variables.

countries with substantial losses in competitiveness prior to the crisis have started to increase the flexibility of their product and labour markets. In particular, labour market reforms have helped to achieve some degree of downward flexibility of wages in several countries. Contrary to the progress made on the labour market side, the steps taken towards improving competition in the non-tradable sector have thus far been weaker in most countries, limiting price adjustment. Excessive profit margins are particularly prevalent in domestically oriented sectors (predominantly the services sectors).

A number of fiscal policies, such as cuts in public sector wages, have been helping to adjust competitiveness and have therefore exerted downward pressures on domestic inflation.

5 CONCLUSIONS

This article has identified factors that help to explain the build-up of inflation differentials across euro area countries during the pre-2008 period and those that were at work during the period of "rebalancing" after 2008. Some of the factors, such as output gaps, real interest rates and risk premia, are now operating in the opposite direction from that in the pre-2008 period. Overall, the ongoing rebalancing process has reduced the previous persistence of inflation differentials, although the inflationary impact of some necessary fiscal consolidation measures prevents a clearer decline of inflation in adjustment countries to levels below the euro area average. The fact that inflation dispersion in the post-2008 period remains high is thus partly the reflection of a welcome process of adjustment and rebalancing.

To make sure that the rebalancing will continue to work as an equilibrating adjustment process that ultimately leads to lower inflation dispersion, strong determination will need to be maintained on the part of national policy-makers to achieve a higher degree of flexibility in all regions of the euro area. Looking further ahead, once current imbalances have been adjusted, a number of changes in the economic governance of the euro area should make a renewed significant build-up of macroeconomic imbalances less likely, thus limiting the risk of harmful inflation differentials in the future. In particular, in the context of the new macroeconomic imbalance procedure, it should be ensured that euro area countries put in place the right policies to prevent any future emergence of macroeconomic imbalances.

The strengthened fiscal framework also introduces key control mechanisms that should prevent the reoccurrence of the strong pro-cyclicality in fiscal policies experienced in the past in several countries. Therefore, inappropriate fiscal policies should become less of a source of domestic inflationary pressures and inflation differentials in the euro area, provided that there is a swift adoption and implementation of the stricter budgetary rules in national laws, and that the new European governance framework is implemented rapidly.

Inflation differentials that result from structural inefficiencies or systematically misaligned national policies need to be addressed by national fiscal and economic policies. They cannot be tackled by the single monetary policy.

The best contribution that monetary policy can make to support the readjustment process in the euro area is to ensure price stability in the area as a whole over the medium term. However, maintaining price stability requires safeguarding the monetary policy transmission mechanism in all euro area countries. In this respect, the ECB non-standard measures have ensured and continue to ensure the transmission of the ECB policy stance to the real economy throughout the euro area and have prevented disorderly adjustments. These measures have been designed to preserve strong incentives for carrying out national adjustment.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS IN EU CANDIDATE COUNTRIES

In view of the advances made as regards accession prospects in a number of candidate countries, this article takes stock of recent economic and financial developments in these countries and outlines the challenges that remain ahead on the road to EU membership. While growth in candidate countries was generally robust prior to the global recession of 2009, this tended to be associated with increasing external and domestic imbalances, which proved unsustainable in the face of an external shock on the scale of the global financial crisis. The drying-up of external finance following Lehman Brothers' collapse also exposed other long-standing vulnerabilities in candidate countries which had not been addressed in the context of the rapid financial expansion seen prior to the crisis. Policy responses to the crisis were conditioned by the monetary policy frameworks and exchange rate regimes chosen by the respective authorities. The recent crisis, coupled with the ongoing turbulence in some parts of the euro area, serves as a reminder that lasting and sustainable convergence requires sustained policy efforts. In this regard, both membership of the EU and the eventual adoption of the euro should be seen as means to an end – namely real convergence, stability and prosperity – rather than as objectives in themselves.

1 INTRODUCTION

On 1 July 2013, Croatia is set to become the EU's 28th Member State. This will be the seventh enlargement in the EU's history and the first since 2007. A number of other countries are either on a formal path towards EU membership, subject to the successful fulfilment of relevant criteria (the "candidate countries", which are the primary focus of this article), or have at least been explicitly offered the prospect of EU membership (the "potential candidate countries", which are treated in a selective manner for the purposes of this article[1]).

In addition to Croatia's accession set to take place in 2013, over the past few years there have been a multitude of changes in terms of the institutional status of the various countries, with some countries being formally "upgraded" to candidate country status (having previously been regarded as potential candidate countries), other countries formally beginning accession negotiations a number of years after being granted candidate country status, and others moving from non-member status to the formal negotiation of accession within a relatively short period of time. At the same time, it is worth noting that some candidate countries were among the first casualties in the chain of events triggered by the global financial crisis, exhibiting some of the vulnerabilities that would subsequently afflict other parties elsewhere. These vulnerabilities included, to varying degrees, financial excesses, external and internal imbalances, fiscal fragility, limited scope for counter-cyclical fiscal policies and, in some cases, a need to resort to multilateral sources of external finance for balance of payment support. In light of these developments, this article reviews recent economic and financial developments in candidate countries and the challenges that lie ahead.

The remainder of this article is structured as follows. Section 2 documents the economic and institutional heterogeneity of countries on the road to EU membership. Section 3 describes economic and financial developments in candidate countries before, during and after the 2008-09 global financial crisis. Section 4 provides an overview of the monetary policy frameworks and exchange rate regimes in candidate countries. Section 5 outlines selected

1 The Treaty on European Union states that any European country may apply for membership if it respects the EU's democratic values and is committed to promoting them. A country can only join the EU if it meets all of the membership criteria articulated by the Copenhagen European Council of 1993 (and thus referred to as the "Copenhagen criteria"), namely: (i) it must have stable institutions guaranteeing democracy, the rule of law and human rights; (ii) it must have a functioning market economy and be able to cope with competitive pressures and market forces within the EU; and (iii) it must accept established EU law and practices, especially the major goals of political, economic and monetary union. Croatia is termed an "acceding country", having concluded accession negotiations and signed an act of accession. Five countries (Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) have officially been granted "candidate country" status, and other countries in the western Balkans (Albania, Bosnia and Herzegovina, and Kosovo as defined under UNSCR 1244/99) are recognised as "potential candidate countries".

economic and financial challenges for candidate countries in the period ahead, with a focus on long-standing vulnerabilities that were not addressed in the context of the rapid financial expansion seen prior to the crisis. Section 6 concludes and draws some tentative policy lessons from the experiences of candidate countries in recent years.

2 THE ECONOMIC AND INSTITUTIONAL HETEROGENEITY OF COUNTRIES ON THE ROAD TO EU MEMBERSHIP

2.1 THE STATE OF THE EU ACCESSION PROCESS

The candidate countries are very diverse as regards their relative positions on the road to EU membership, as well as in economic terms. As regards the current state of accession negotiations, Croatia signed its accession treaty with the EU in December 2011 after around six years of negotiations and is now an acceding country.[2] It is set to become a full EU Member State in July 2013. Of the five countries that have officially been recognised as candidates to join the EU, three have begun accession negotiations: (i) Iceland, which applied for EU membership in July 2009 and began accession negotiations just one year later, as it already enjoyed a high degree of integration with the EU (as a member of the European Economic Area, the Schengen area and the European Free Trade Association); (ii) Montenegro, which applied for EU membership in 2008 and was granted candidate country status in 2010, before the opening of accession negotiations in June 2012; and (iii) Turkey, which applied to join what was then the European Economic Community in 1987, was declared eligible in 1997, and has been negotiating its accession since 2005.

The two other recognised candidate countries have yet to begin accession negotiations. The former Yugoslav Republic of Macedonia applied for EU membership in 2004 and was granted candidate country status in 2005, and Serbia applied for EU membership in 2009 and was granted candidate country status in March 2012. The three other western Balkan countries (i.e. Albania, Bosnia and Herzegovina, and Kosovo[3] as defined under UNSCR 1244/99) have been identified as potential candidates for EU membership in line with the conclusions of the Thessaloniki European Council of June 2003, which established the integration of this region as a priority for EU enlargement.

The ECB is involved in the accession process in its areas of competence, notably as regards monetary and exchange rate policies, financial stability and central bank statutes. The ECB closely monitors economic, financial and monetary developments in candidate and potential candidate countries. It also engages in regular exchanges of views with central banks from these countries (including an annual high-level policy dialogue with the central banks of candidate countries that have begun accession negotiations) and organises a number of other events at various levels aimed at establishing institutional relations and fostering dialogue. Finally, together with the NCBs of the Eurosystem and the European System of Central Banks, the ECB engages in technical cooperation with the central banks of candidate and potential candidate countries, with the aim of enhancing institutional capacity.[4]

2.2 DIFFERENCES IN ECONOMIC STRUCTURE

Candidate countries also vary significantly in terms of their underlying economic structures, ranging from Iceland's highly advanced economy to the transition countries of the

2 Despite being an acceding country, Croatia will be discussed together with the other candidate countries in this article.

3 This designation does not constitute a position on the status of this territory and is in line with UNSCR 1244/99 and the opinion issued by the International Court of Justice on Kosovo's declaration of independence.

4 The ECB and the NCBs provide technical cooperation both in response to ad hoc requests for short-term assistance and in the form of fully fledged longer-term programmes. Bilateral technical cooperation programmes have seen assistance provided to the central banks of Bosnia and Herzegovina (2007 and 2010-11), Serbia (2008-09 and 2011-13), Turkey (as of 2012) and the former Yugoslav Republic of Macedonia (2012-13), while a regional programme in 2010-12 has seen support for the central banks and banking supervisors of all candidate and potential candidate countries (with the exception of Iceland).

Table 1 Structural indicators for candidate and potential candidate countries

	Population (millions)	GDP per capita (US dollars, PPP terms)	Economic structure (percentages of GDP)			Exports (as a percentage of GDP)	Institutional indicators	
			Agriculture	Industry	Services		Transition progress [1]	Governance [2]
	2011	2011	2011	2011	2011	2011	2010	2011
Candidate countries								
Croatia	4.4	18,192	5.5	27.4	67.1	40.8	3.6	0.4
FYR Macedonia	2.1	10,367	11.3 [3]	27.8 [3]	60.9 [3]	56.0	3.3	-0.1
Iceland	0.3	38,061	7.2 [4]	25.2 [4]	67.6 [4]	58.4	...	1.4
Montenegro	0.6	11,545	10.1	20.0	69.9	39.5	2.9	0.1
Serbia	7.4	10,642	9.0	26.6	64.3	36.1	2.9	-0.1
Turkey	74.0	14,517	9.2	27.1	63.8	23.5	3.3	-0.1
Potential candidate countries								
Albania	3.2	7,741	20.0	19.4	60.6	33.6	3.1	-0.2
Bosnia and Herzegovina	3.9	8,133	8.7	26.2	65.1	41.1	2.8	-0.4
Kosovo	1.7	...	12.0	20.0	68.0	...	...	-0.5
Memorandum item								
EU10 [5]	...	19,991	4.2 [6]	29.6 [6]	66.2 [6]	70.8	3.7 [7]	0.7

Sources: IMF, World Bank, EBRD and national sources.
1) The EBRD's transition indicator measures a country's progress from a rigid centrally planned economy (score of 1.0) to an industrialised market economy (score of 4.3). The figures shown in the table represent average scores across nine areas assessed by the EBRD.
2) The World Bank's governance indicator measures six aspects of governance, with scores ranging from -2.5 (worst) to +2.5 (best). The figures shown in the table represent unweighted averages across the six aspects assessed.
3) Data for 2010.
4) Data for 2009.
5) Unweighted average of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
6) Data for 2010; average excludes the Czech Republic and Estonia.
7) Average excludes the Czech Republic.

western Balkans, to G20 member Turkey. Table 1 provides summary indicators illustrating the differences between candidate countries as well as between potential candidate countries as regards economic structure and institutional development.

Iceland stands out in this respect, having by far the highest GDP per capita of all candidate countries (more than USD 38,000 in 2011), while displaying levels of governance akin to those of other industrialised economies. By contrast, the income per capita and institutional maturity of the remaining candidate countries generally fall short of the levels observed in the EU countries in central and eastern Europe (EU10)[5]. Performance in respect of institutional variables, such as progress with transition and the quality of governance, appears to be most advanced in those economies that have come the furthest as regards EU integration, with the country closest to becoming an EU Member State (i.e. Croatia) tending to rank highest, and candidate countries in the western Balkans tending to be less advanced. This is also the case for the three potential candidate countries in that region.

In spite of these differences, some similarities are worth noting. First, all candidate countries have service-oriented economies with more than 60% of GDP derived from this sector. Nevertheless, agriculture seems, overall, to play a more prominent role than in the EU10. Second, with the exception of Turkey, most candidate countries are relatively open to trade, although they remain a long way behind in relation to the export shares typically observed in the EU10. Third, candidate countries have significant trade links with the EU, which typically accounts for around two-thirds of their total exports and imports.

5 This article uses the term "EU10" to refer to Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia – i.e. the countries in central and eastern Europe that joined the EU in 2004 and 2007.

3 ECONOMIC AND FINANCIAL DEVELOPMENTS IN CANDIDATE COUNTRIES

3.1 DEVELOPMENTS PRIOR TO THE CRISIS

Notwithstanding their economic and institutional heterogeneity, candidate countries shared a number of characteristics in the years prior to the onset of the global financial crisis in 2008. First, the period between 2003 and 2008 was characterised by robust growth, with average annual increases in real GDP ranging between 4.3% (in Croatia) and 6.2% (in Montenegro) (see Table 2).

Second, this surge in output was accompanied by considerable financial expansion (see Chart 1), with the largest increases in domestic credit as a percentage of GDP in the period between 2003 and 2008 being observed in Montenegro (75 percentage points) and Iceland (55 percentage points). In the remaining countries, such increases ranged from 19 percentage points (in Croatia) to 25 percentage points (in the former Yugoslav Republic of Macedonia), more or less in line with trends witnessed in the EU10 (where an average increase of 27 percentage points was observed). A substantial percentage of domestic credit was supplied by foreign financial institutions, the majority of which were located in the EU. In fact, in a number of economies, real increases in the volume of local deposit money banks' liabilities vis-à-vis non-residents were broadly matched by the corresponding rise in credit to the private sector (see Chart 2).

Third, the provision of such significant amounts of finance fuelled a domestic demand boom, which in most instances could not be matched by the expansion of local productive capacity, leading to the emergence of sizeable external imbalances. By 2008, all candidate and potential candidate countries were recording significant current account deficits (ranging from around 10% of GDP to far higher levels), which in most cases represented a further deterioration relative to the sizeable shortfalls recorded in 2003. This was particularly true of Serbia, Iceland and Montenegro, where current account

Table 2 Economic indicators for candidate and potential candidate countries

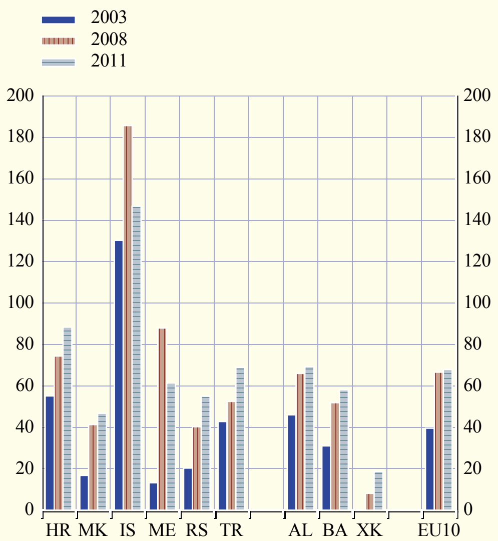
(annual averages; percentages; percentages of GDP)

	GDP growth			Inflation			Current account balance			General government balance[1]			General government gross debt		
	2003-2008	2009	2010-2011	2003-2008	2009	2010-2011	2003-2008	2009	2010-2011	2003-2008	2009	2010-2011	2003-2008	2009	2010-2011
Candidate countries															
Croatia	4.3	-6.0	-0.6	3.1	1.9	2.0	-6.7	-5.0	-0.1	-2.7	-4.1	-5.2	34.4	35.1	43.4
FYR Macedonia	4.7	-0.9	2.4	2.8	-1.7	2.9	-6.5	-6.8	-2.5	-0.1	-2.7	-2.5	30.5	23.8	26.5
Iceland	4.9	-6.8	-0.5	6.8	7.5	3.9	-17.7	-11.8	-7.4	2.4	-8.6	-5.5	40.0	88.2	96.1
Montenegro	6.2	-5.7	2.5	5.6[2]	1.8	1.7	-29.8	-29.6	-21.9	0.6	-5.7	-5.7	34.8	40.7	44.2
Serbia	5.0	-3.5	1.4	10.6	6.6	8.6	-14.1	-7.1	-8.3	-1.0	-3.7	-3.8	47.7	38.2	46.4
Turkey	5.8	-4.8	8.7	11.0	6.5	8.4	-5.1	-2.2	-8.2	-2.5	-5.6	-1.4	48.7	46.1	40.7
Potential candidate countries															
Albania	6.0	3.3	2.7	2.5	3.7	2.5	-8.6	-13.5	-12.5	-4.1	-7.4	-3.8	56.8	59.8	58.6
Bosnia and Herzegovina	5.3	-2.9	1.2	4.4[3]	0.0	2.9	-13.7	-6.3	-7.3	-0.4	-5.7	-3.8	27.8	36.1	40.1
Kosovo	4.7	2.9	4.4	1.5	0.1	5.1	-9.5	-15.4	-19.0	0.7	-0.6	-2.2	...	...	...
Memorandum item															
EU10[4]	5.8	-8.2	2.5	5.2	1.6	3.6	-9.4	-0.7	-0.9	-1.9	-5.9	-4.2	27.5	34.4	39.4

Sources: IMF and ECB calculations.
1) General government net lending/borrowing.
2) 2006-2008.
3) 2007-2008.
4) Unweighted average of data for Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

Chart 1 Domestic credit

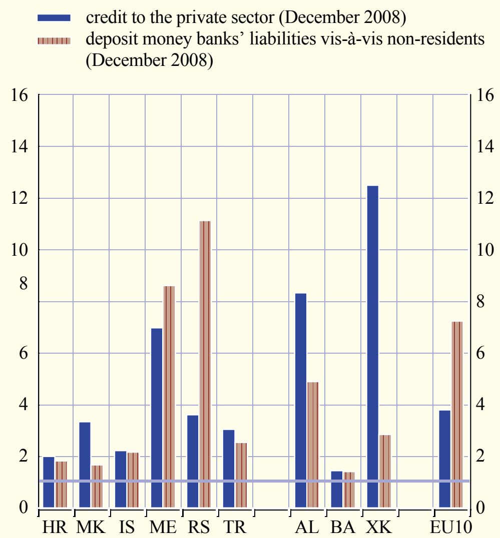
(as a percentage of GDP)



Sources: IMF and ECB calculations.
HR: Croatia; MK: the former Yugoslav Republic of Macedonia; IS: Iceland; ME: Montenegro; RS: Serbia; TR: Turkey; AL: Albania; BA: Bosnia and Herzegovina; XK: Kosovo.

Chart 2 Real growth in credit to the private sector and liabilities of deposit money banks vis-à-vis non-residents

(index: December 2002 = 1.0)



Sources: IMF and ECB calculations.
Notes: For reasons of data availability, figures for Montenegro and Bosnia and Herzegovina relate to December 2005 and December 2006, respectively.
HR: Croatia; MK: the former Yugoslav Republic of Macedonia; IS: Iceland; ME: Montenegro; RS: Serbia; TR: Turkey; AL: Albania; BA: Bosnia and Herzegovina; XK: Kosovo.

deficits in 2008 of 21.6%, 28.3% and 50.6% of GDP respectively were not sustainable from a medium-term perspective.

Fourth, consistent with these trends, in some candidate countries (notably Iceland, Montenegro, Serbia and Turkey) inflation was not generally in line with local targets of price stability (see Table 2 and Section 5.1).

3.2 THE CRISIS AND ITS AFTERMATH

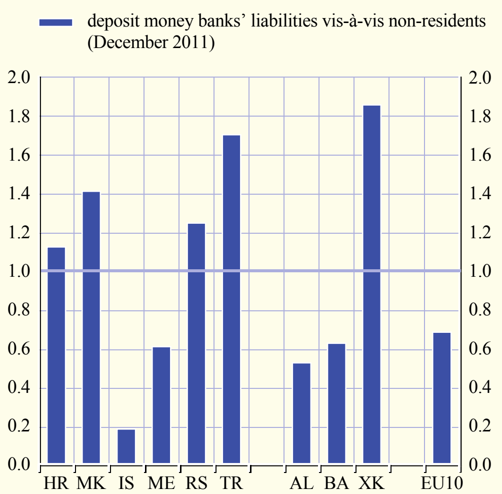
With the onset of the global financial crisis in autumn 2008 and the spillover from advanced to emerging and developing economies, candidate countries experienced a severe real economic contraction. Although this was associated primarily with the drying-up of external finance and downturns in key trading partners affected by the first wave of the crisis, other variables – such as countries' relative starting positions (e.g. as regards the pace of underlying credit expansion) and economic openness (with more open countries being more vulnerable) – were also important in determining the extent of the downturn in economic activity in candidate countries.

Thus, the domestic and external imbalances that had accumulated over the years unwound at a relatively rapid pace. The most heavily affected candidate countries saw real GDP contract by between 3.5% (in the case of Serbia) and 6.8% (in the case of Iceland) in 2009. The former Yugoslav Republic of Macedonia experienced a mild recession, with real growth contracting by 0.9%, while less financially exposed potential candidate countries in the western Balkans, such as Albania and Kosovo, had a soft economic landing and continued to post positive rates of real growth (see Table 2). Flows of finance from abroad – which had primarily taken the form of foreign direct investment and (debt-creating) other investment – tailed off. However, banks maintained their credit exposure to most candidate and potential candidate countries, partly as a result of policy action such as the "Vienna Initiative"[6], and those countries whose domestic banking systems were dependent on (now scarce) wholesale funding from abroad were put in a difficult predicament (see Chart 3). In some candidate countries (such as Montenegro) and in some potential candidate countries in the western Balkans, there was a marked contraction in foreign claims on domestic banking systems. Iceland is a special case in this respect on account of it defaulting on its external liabilities (see Box 2).

While candidate countries experienced similar economic and financial dynamics prior to the crisis, and the immediate contractionary effect seen in those countries as a result of Lehman Brothers' collapse was broadly comparable, there has been considerable heterogeneity in terms of those countries' economic performance since the 2009 recession. In 2010 and 2011 real activity in the former Yugoslav Republic of Macedonia, Montenegro and Serbia was relatively muted, Turkey recorded strong growth, and Croatia and Iceland continued to contract (see Table 2). These differences were also reflected in the changes observed in current account balances and inflation rates in the wake of the crisis. In Turkey, the current account deficit increased markedly following the 2009 recession and inflation rose. By contrast, there was persistent narrowing of external deficits in Croatia and Iceland, with price pressures remaining relatively limited.

Chart 3 Real growth in liabilities of deposit money banks vis-à-vis non-residents

(index: December 2008 = 1.0)



Sources: IMF and ECB calculations.
Note: HR: Croatia; MK: the former Yugoslav Republic of Macedonia; IS: Iceland; ME: Montenegro; RS: Serbia; TR: Turkey; AL: Albania; BA: Bosnia and Herzegovina; XK: Kosovo.

As regards countries' fiscal stances, the aftermath of the crisis has revealed that the broadly favourable picture observed in most countries prior to the crisis stemmed largely from the sizeable contribution that the dynamic (and, with hindsight, unsustainable) pace of economic activity made to public revenues. Average government budget balances in candidate countries ranged from -2.7% of GDP (in Croatia) to 2.4% of GDP (in Iceland) in the period 2003-08, but public deficits and indebtedness both rose sharply in 2009 (see Table 2). Following this deterioration, some of which was related to the operation of automatic stabilisers and shrinking revenue bases associated with the downturn in economic activity, budget balances have improved modestly in most candidate countries. However, fiscal positions have become more fragile relative to the pre-crisis period, limiting fiscal room for manoeuvre and making fiscal consolidation a significant challenge in many candidate countries.

4 MONETARY POLICY FRAMEWORKS AND CONDUCT IN CANDIDATE AND POTENTIAL CANDIDATE COUNTRIES

Monetary policy and exchange rate regimes in candidate countries encompass a broad spectrum of approaches, ranging from the

6 The European Bank Coordination Initiative (referred to as the "Vienna Initiative") was launched in January 2009 as a coordination platform for parent banks, home and host country authorities (i.e. central banks, supervisory authorities and ministries of finance), the IMF, the European Commission and the EBRD. Within this framework, parent banks signed (non-binding) letters pledging to maintain their exposure to countries with IMF/EU stabilisation programmes that were participating in the Vienna Initiative.

Table 3 Monetary policy and exchange rate regimes of candidate and potential candidate countries

	Currency	Monetary arrangement	Exchange rate structure	
			De jure	De facto
Candidate countries				
Croatia	Croatian kuna	exchange rate anchor vis-à-vis the euro	managed float	managed float
FYR Macedonia	Macedonian denar	exchange rate anchor vis-à-vis the euro	float	stabilised arrangement
Iceland	Icelandic króna	inflation-targeting with exchange rate stability as an interim target	float	float
Montenegro	euro	unilateral euroisation	no separate legal tender	no separate legal tender
Serbia	Serbian dinar	inflation-targeting	managed float	float
Turkey	Turkish lira	inflation-targeting	float	float
Potential candidate countries				
Albania	Albanian lek	inflation-targeting	float	float
Bosnia and Herzegovina	convertible mark	exchange rate anchor vis-à-vis the euro	currency board	currency board
Kosovo	euro	unilateral euroisation	no separate legal tender	no separate legal tender

Sources: IMF Annual Report on Exchange Arrangements and Exchange Restrictions and ECB compilation.

unilateral adoption of the euro in Montenegro to a tightly managed float in the former Yugoslav Republic of Macedonia, to inflation-targeting with a freely floating exchange rate in Serbia. Turkey and Iceland also operate inflation-targeting regimes with a number of idiosyncratic elements (discussed in detail in Boxes 1 and 2 respectively). Monetary policy and exchange rate regimes also vary widely across potential candidate countries, with unilateral euroisation in Kosovo, a currency board arrangement in Bosnia and Herzegovina, and an inflation-targeting regime with a freely floating exchange rate in Albania (see Table 3).

Box 1

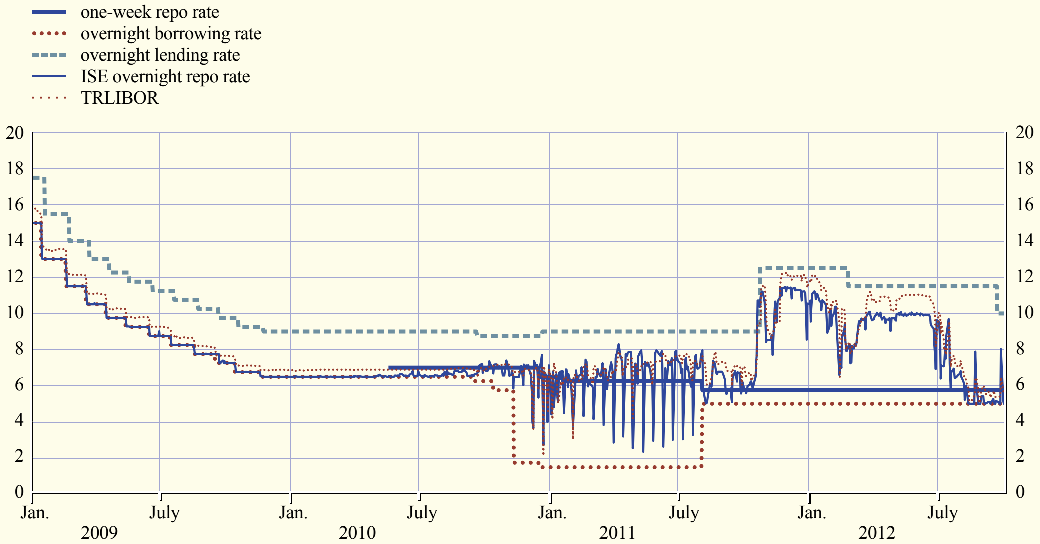
THE MONETARY POLICY OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

The monetary policy framework of the Central Bank of the Republic of Turkey has undergone some significant changes since autumn 2010, when the central bank introduced a monetary and macro-prudential policy mix. The central bank's primary objective is the achievement and maintenance of price stability in line with its inflation-targeting framework (which was established in its current, fully fledged form in 2006). However, in autumn 2010 the central bank began referring to financial stability goals when communicating strategy and policy decisions. In practice, in addition to targeting inflation, the monetary policy framework currently focuses on a number of variables (such as credit growth and the exchange rate) with a view to achieving multiple objectives, including financial stability, the rebalancing of economic growth and (given the large current account deficit) external stability.

The monetary policy tools used to achieve these multiple objectives include the more active use of the interest rate corridor and reserve requirement ratios in addition to the policy rate, with the resulting flexibility being the primary feature of this framework. In practice, this flexibility offers the possibility to adjust the primary focus of monetary policy and the way in which instruments

Money market and monetary policy rates in Turkey

(percentages per annum)



Source: Haver Analytics.
Note: ISE = Istanbul Stock Exchange; TRLIBOR = Turkish lira reference interest rate.

are applied in response to external and domestic financial conditions. Consequently, several distinct phases can be seen as regards the use of monetary policy (see the chart for details of interest rate developments as of 2009).

In the first phase, as of autumn 2010, the central bank focused, in an environment characterised by ample short-term external financing at low cost, on reducing macro-financial risks. In particular, it widened the interest rate corridor by reducing the overnight borrowing rate, and it also cut the policy rate (the one-week repo rate) in order to discourage short-term capital inflows. At the same time, it raised reserve requirement ratios – varying them by maturity, with lower ratios for longer maturities – to counter accelerating credit growth and encourage long-term (as opposed to short-term) lending.

The external environment then changed, with renewed increases in risk aversion in August 2011. The central bank reacted by narrowing the corridor between the overnight borrowing and lending rates, as well as applying liquidity measures and adopting a more accommodative stance by means of lower reserve requirements and a further reduction in the policy rate.

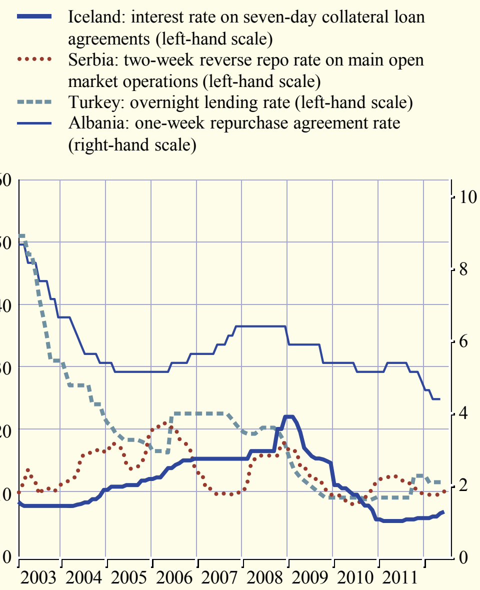
In October 2011, in order to counter rising inflationary pressures (partly due to the depreciation of the Turkish lira), the central bank widened the interest rate corridor, and coupled this with foreign exchange interventions. The central bank then allowed market rates to increase by rationing funding for banks in the repo market, thereby changing the average cost of the liquidity that it provided.

More recently, with inflation gradually becoming less of a concern, the central bank first allowed market rates to return to lower levels within the interest rate corridor, showing how it makes use of the flexibility provided for by the framework. Then, effective from 18 September 2012 onwards, it also reduced the top-end of the corridor by 150 basis points.

Looking at the monetary policy frameworks and exchange rate regimes in candidate countries helps to shed light on the various actions undertaken by domestic authorities in response to the fluctuations seen in the business cycle in recent years. Prior to the crisis, inflation-targeting central banks in candidate countries tended to tighten their monetary stances in a bid to prevent their economies from overheating and curb rising inflationary pressures in the context of rapid financial expansion (see Chart 4). Indeed, policy rates in Iceland increased by a total of 880 basis points between spring 2004 and autumn 2008. The National Bank of Serbia reduced interest rates between mid-2006 and mid-2007, but began tightening them again in autumn 2007, closely mirroring fluctuations in the dinar's exchange rate during this period (see Chart 5). Only one potential candidate country (namely Albania) has a monetary policy framework involving inflation-targeting, but developments there followed a similar pattern. Turkey was an exception among inflation-targeting candidate countries in the pre-crisis period. The Turkish central bank attempted to further reduce real interest rates in the face of continued disinflation in the economy, with inflation coming down from the high double-digit rates that were still common in the early 2000s. This policy was also facilitated by

Chart 4 Central bank policy rates

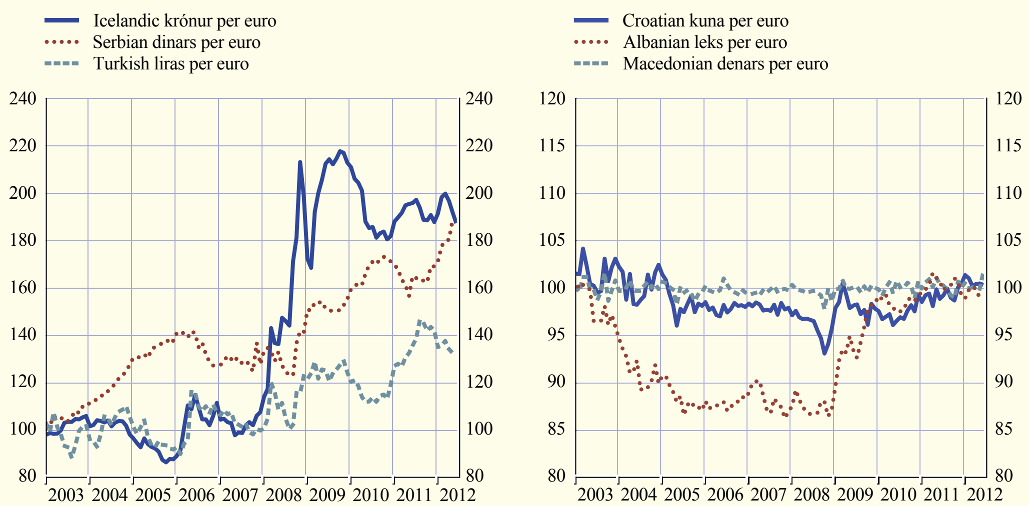
(percentages per annum)



Sources: IMF and national sources.

Chart 5 Exchange rates

(index: December 2002 = 100)



Sources: IMF and ECB calculations.
Note: An upward movement indicates a depreciation against the euro.

the relatively moderate pace of credit growth relative to other candidate countries.

Although use of the interest rate policy lever is a straightforward way of attempting to rein in credit growth for central banks with independent monetary policies, the side effects for small, open, and financially integrated economies can sometimes be significant, as Iceland's experience shows. There, increases in the central bank's policy rate also encouraged inflows of short-term "hot money" attracted by significant nominal interest rate differentials relative to the rest of the world (i.e. the potential for "carry trades"). This not only led to the strong appreciation of the króna and a worsening of the current account deficit, but it also failed to curb the expansion of the money supply to any significant extent.

By contrast, central banks in candidate and potential candidate countries that had more tightly managed exchange rates or did not have their own domestic currency approached the challenges of overly rapid credit growth, buoyant domestic demand and soaring inflation by introducing administrative or prudential measures to restrain foreign borrowing and domestic credit (e.g. higher reserve requirements, increased risk weights and provisioning obligations and quantitative restrictions on lending).[7] These measures were designed to compensate, in part, for the drawbacks of not having an independent monetary policy with the autonomy to gear interest rates to domestic objectives. Indeed, interest rate levels "imported" from anchor currencies were generally lower than those warranted by the economic circumstances in the candidate and potential candidate countries themselves, implying a pro-cyclical policy stance in the presence of financial expansion. Although the use – and effectiveness – of these administrative and prudential measures varied from country to country, it is clear that giving up control over a number of important policy levers severely restricts a country's room for manoeuvre when seeking to effectively smooth out fluctuations in the business cycle and maintain price stability.

Following the onset of the crisis, inflation-targeting central banks in candidate and potential candidate countries tended to swiftly reduce their policy rates. The accompanying declines in nominal exchange rates had mixed results. On the one hand, an "orderly" depreciation had the potential to make the dynamics of adjustment easier relative to countries that had tightly managed exchange rate regimes (or did not have their own domestic currency), as well as allowing a greater degree of freedom in terms of counter-cyclical policy responses. Turkey's experience was favourable in this regard, as was that of Albania. However, where (i) there was considerable downward pressure on the exchange rate; (ii) banks were highly dependent on foreign funding; and (iii) there was significant domestic lending in foreign currencies, the interaction between strongly depreciating currencies and high levels of private sector debt denominated in (or indexed to) foreign currencies created a host of new challenges for domestic authorities.

This often led to the pursuit of pro-cyclical policies as a result of conflicts between the objectives of macroeconomic stabilisation and financial stability (see also Section 5.2 on financial stability challenges related to foreign currency-denominated lending). This was the case in Serbia, and it was particularly true of Iceland, where the steep decline in the króna's exchange rate following the collapse of its banking system triggered a wave of defaults on foreign currency-denominated and inflation-indexed private sector liabilities, forcing the authorities to impose capital controls in order to regain control of the exchange rate and prevent further damage to balance sheets that were already considerably impaired (see Box 2).

7 For a more detailed overview of these measures, see Polgar, E.K. and Zdzienicka, A., *The Effectiveness of Policy Measures to Control Credit Growth in Emerging Europe*, mimeo., 2010.

Box 2

DEVELOPMENTS IN ICELAND DURING THE CRISIS AND THE AUTHORITIES' SUBSEQUENT POLICY RESPONSE

Although financial and economic developments in Iceland before and after the crisis were comparable to those seen in other candidate and potential candidate countries, the scale of the imbalances that accumulated prior to the crisis, the severity of the subsequent downturn and the policy reactions of the Icelandic authorities can be considered unique in many respects.

Following a credit-fuelled boom in consumption and investment, Iceland's private sector debt, which was largely indexed to inflation or the króna's exchange rate, reached around 500% of GDP in autumn 2008. At the same time, the strong growth seen in the international activities of Iceland's banks not only allowed the intermediation of this credit, but led to banks' – largely short-term – foreign liabilities increasing to almost 700% of GDP by August 2008. Glitnir, Iceland's third-largest bank, found it increasingly difficult to roll over obligations following the collapse of Lehman Brothers on 15 September 2008 and was nationalised on 29 September 2008. Just ten days later, Iceland's banking system disintegrated and defaulted on its external debt. These events were accompanied by a steep decline in the króna's exchange rate, with the currency depreciating against the euro by 15% between 15 September and 24 October 2008, when Iceland requested a stand-by arrangement (SBA) with the IMF. By 19 November 2008, when the SBA was formally approved, the króna had depreciated by a further 13%. The IMF also recommended the imposition of capital account restrictions to arrest the decline in the króna's exchange rate and prevent the further deterioration of households' and firms' balance sheets.

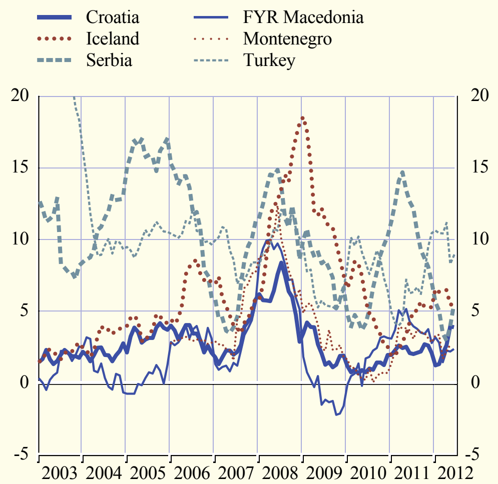
Indeed, limiting the convertibility of the króna swiftly halted the decline in its exchange rate (see also Chart 5) and enabled the central bank to take a domestic focus, resulting in a series of growth-supporting interest rate cuts (see also Chart 4) as inflationary pressures eased. Supported by the restructuring of the sizeable stock of non-performing assets, the re-establishment of a viable financial sector and efforts to put public finances back on a sustainable trajectory, Iceland's output registered its first quarterly increase in the third quarter of 2010 and has since continued to improve, leading to the successful completion of its SBA in August 2011.

When Iceland's policy response in the wake of the crisis is compared with that of other affected countries, there are two measures that stand out most. First, Iceland introduced capital controls to protect itself from the worst repercussions of the sudden reversal of capital flows that it faced at the end of 2008, a strategy that has possibly aided its subsequent recovery. However, as time goes by, evidence is mounting regarding the distortive and often detrimental effects that these restrictions are having on the decision-making of economic agents and the difficulties that Iceland's authorities face in decisively reducing the substantial stock of krónur that continues to be held offshore and returning to a fully liberalised capital account in the near future. Second, Iceland decided not to nationalise the debts of its oversized banking sector, instead opting to inflict losses on its financial institutions' creditors and foreign depositors. Although this saved the government from assuming liabilities that would potentially have been beyond its debt-servicing capacity, it also opened the door to a series of legal challenges (with final decisions still pending in some instances), thereby introducing a significant degree of uncertainty for authorities, businesses, foreign investors and the general public.

Candidate and potential candidate countries that had imposed administrative or prudential restrictions on the provision of credit in the boom years were in a position to relax some of these constraints, thereby cushioning the impact of the recession to some degree. While countries that had more tightly managed exchange rate regimes (or had no separate currency of their own) avoided the pernicious balance sheet effects associated with the currency mismatches described above, this came at a price, with those countries enduring, among other things, a slower unwinding of external imbalances (e.g. in Montenegro), the impairment of counter-cyclical policy responses in the face of fiscal constraints (e.g. in the former Yugoslav Republic of Macedonia), and a slower recovery in competitiveness relative to countries that experienced significant nominal depreciation (e.g. Croatia as compared with Serbia).

Chart 6 Inflation

(annual percentage changes)



Source: IMF.

5 SELECTED ECONOMIC AND FINANCIAL CHALLENGES FOR CANDIDATE COUNTRIES

Although the immediate trigger for the 2009 recession in candidate countries was an exogenous shock, the crisis exposed a number of long-standing vulnerabilities and challenges that had not been addressed in the context of the rapid financial expansion seen prior to the crisis. This section highlights challenges in three areas: monetary policy, financial stability and competitiveness.

5.1 MONETARY POLICY CHALLENGES

Price stability features prominently in the mandates of all monetary authorities in candidate and potential candidate countries. However, even inflation-targeting central banks have often failed to keep annual price rises within agreed thresholds, pointing to the difficulty of achieving and maintaining price stability. In this regard, Iceland, Serbia and Turkey have all had extended periods in which inflation has considerably exceeded their central banks' objectives (see Chart 6).

In Iceland, where the aim is for consumer prices to increase by 2.5% per year (+/- 1.5 percentage points), inflation has overshot the upper bound of this corridor in almost two-thirds of all months since January 2003. In particular, the significant pass-through of exchange rate developments to domestic prices complicates the conduct of monetary policy in Iceland and hinders the successful anchoring of inflation expectations. Thus, in the wake of the banking and currency crisis of 2008 and in light of the recent re-emergence of inflationary pressures, Iceland's authorities have initiated wide-ranging policy discussions with the aim of identifying a more appropriate monetary and exchange rate regime.

In Serbia, the inflation target is defined as a continuously declining value within a tolerance band, and the monetary policy objective for end-2012 is to reduce inflation to 4.0% (+/- 1.5 percentage points). The headline consumer price index remains highly volatile, with a significant peak seen in April 2011, and targets have generally been missed (with the exception of the first half of 2012). Core inflation, however, has generally moved within the tolerance band. Nonetheless, recent political pressure on the central bank may undermine the credibility of monetary policy, highlighting the importance of sound institutional frameworks for central banks in order to ensure their independence (as stipulated, moreover, by the EU *acquis communautaire*).

In Turkey, the inflation target was set at 4% in 2007 and 2008, with a tolerance band of +/- 2 percentage points, but the target was raised to 7.5% in 2009. In 2010 and 2011 it was reduced to 6.5% and 5.5% respectively, and for 2012 it is set at 5%, which is considered a medium-term target. Since 2006, when fully fledged inflation-targeting was introduced, end-of-year targets have generally been missed, with the exception of 2009 and 2010.

More generally, challenges associated with monetary policy and exchange rate regimes in candidate countries concern both the achievement and maintenance of price stability and the broader ramifications that the choice of a specific framework has for other policies. The fact that countries in the same area (e.g. the western Balkans) that are at similar stages of development have opted for very different monetary policy and exchange rate regimes suggests that there is no "one size fits all" approach. However, domestic policy-makers should be cognisant of the implicit choices that they are making for other areas as a result of choosing a specific monetary policy and exchange rate regime. Monetary authorities can face equally difficult policy dilemmas at either end of the policy spectrum, whether they have a freely floating exchange rate regime with inflation-targeting or a "hard" policy arrangement involving either a tightly managed exchange rate or the use of an external currency as legal tender. In addition, unilateral euroisation cannot become a way of circumventing the provisions of the Treaty on the Functioning of the European Union (hereinafter "the Treaty") that govern the adoption of the euro with the aim of ensuring lasting convergence (see Box 3).

The experiences during the crisis of candidate countries that have tightly managed exchange rate arrangements or do not have their own domestic currency suggest that such arrangements are more – rather than less – demanding for domestic policy-makers. This is because such arrangements not only restrict countries' room for manoeuvre as regards monetary policy itself, but also place greater onus on other policy areas. The conduct of fiscal policy, in particular, has to be especially prudent in such cases, as it needs to act as the primary stabilising device for the economy. In a similar vein, the fact that the exchange rate is unable to act as a shock absorber and facilitate adjustment in a downturn means, ceteris paribus, that labour and product markets need to be more flexible than those of countries with floating exchange rate regimes, so as to allow the nominal adjustment of wages and prices.

Moreover, a tightly managed exchange rate regime can help to encourage borrowing in foreign currencies to a far greater extent than other factors common to peers with more flexible exchange rate regimes (such as optimistic expectations regarding convergence). It is worth noting, in this regard, that two of the three candidate countries where foreign currency-denominated assets and liabilities account for the largest percentage of total assets and liabilities have tightly managed exchange rate regimes.

In turn, pervasive foreign currency-denominated lending limits room for manoeuvre as regards monetary policy, as a depreciation of the domestic currency would entail adverse balance sheet effects, resulting in financial stability challenges. Furthermore, significant use of foreign – as opposed to domestic – currencies complicates the transmission of central banks' policy decisions to domestic interest rates. Consequently, actively encouraging the use of domestic currencies may be a viable strategy with a view to giving monetary policy additional room for manoeuvre and addressing financial stability challenges (see Section 5.2).

Box 3

THE POSITION OF THE EU AND THE ECB ON UNILATERAL EUROISATION IN ACCESSION COUNTRIES

In November 2000 the ECOFIN Council adopted a position on unilateral euroisation as part of a policy stance on exchange rate-related aspects of EU enlargement. It stated that "Potential EU members wishing to join ERM II relatively swiftly after accession are already now expected to consider their policies with a view to their prospective membership in ERM II. In this context, it should be made clear that any unilateral adoption of the single currency by means of 'euroisation' would run counter to the underlying economic reasoning of EMU in the Treaty, which foresees the eventual adoption of the euro as the end point of a structured convergence process within a multilateral framework. Therefore, unilateral 'euroisation' would not be a way to circumvent the stages foreseen by the Treaty for the adoption of the euro."[1]

In December 2003 the Governing Council of the ECB published a policy position on exchange rate issues relating to the acceding countries[2], indicating that any unilateral adoption of the single currency by means of euroisation outside the framework of the Treaty would run counter to the economic reasoning underlying EMU.

In addition, in 2007 the ECOFIN Council adopted a specific declaration on Montenegro[3] on the occasion of the signing of its stabilisation and association agreement. This declaration stresses: "Montenegro's present use of the euro, decided by the Montenegrin authorities in exceptional circumstances, is fully distinct from euro area membership." At the same time, the ECOFIN Council reiterated that "unilateral 'euroisation' is not compatible with the Treaty [...]. An EU Member State cannot adopt the euro and join the euro area without fulfilling all the criteria defined in the Treaty. These comprise the achievement of a high degree of sustainable convergence as defined in the Treaty". The ECOFIN Council concluded that "the implications of the Treaty framework for Montenegro's monetary regime will be detailed in due course, at the latest by the time of possible future negotiations for accession to the EU"[4].

1 Report by the ECOFIN Council to the European Council in Nice on exchange rate-related aspects of enlargement, Brussels, 8 November 2000, Council of the European Union press release No 13055/00.
2 Policy position of the Governing Council of the European Central Bank on exchange rate issues relating to the acceding countries, Frankfurt am Main, 18 December 2003.
3 Montenegro unilaterally introduced the euro as legal tender in January 2002.
4 Council Decision on the signing on behalf of the European Community of a Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Montenegro, of the other part, Brussels, 9 October 2007, Council of the European Union press release No 13484/07.

5.2 FINANCIAL STABILITY CHALLENGES

A long-standing challenge for most candidate countries in the area of financial stability is the preponderance of lending denominated in – or indexed to – foreign currencies.[8] Lending in foreign currencies (notably the euro) remains stubbornly high in countries such as Croatia, the former Yugoslav Republic of Macedonia and Serbia (see Table 4). Lending in foreign currencies entails several financial stability risks for borrowers and lenders. To the extent that borrowers (whether households or firms) do not hedge these loans, they are vulnerable to exchange rate risk. Banks granting such loans are indirectly exposed to exchange rate risk, which can materialise as credit risk where

8 See, for example, "Foreign currency lending in CESEE countries: evidence from the OeNB euro survey" and "Risks and costs associated with foreign currency lending", *The international role of the euro*, ECB, July 2011.

Table 4 Selected financial stability indicators for EU candidate countries

(percentages)

	Non-performing loans[1)]	Capital adequacy ratio	Foreign currency lending ratio[2)]	Ratio of liquid assets to total assets	Loan-to-deposit ratio[3)]
Croatia	12.6	19.9	74.6	29.6	126.4
FYR Macedonia	9.9	17.5	58.3	26.5	86.4
Iceland	22.9	21.7	28.0	16.0	124.2
Montenegro	15.5	16.5	…	19.9	…
Turkey	2.7	16.6	26.9	51.1	94.9
Serbia	18.8	19.7	75.6	36.7	…

Sources: Haver Analytics, IMF and national sources.
Note: Data are for the first quarter of 2012, with the exception of Iceland (fourth quarter of 2011), Montenegro (fourth quarter of 2011) and Serbia (third quarter of 2011).
1) As a percentage of total loans.
2) Loans denominated in or indexed to foreign currencies as a percentage of total loans.
3) Data for the fourth quarter of 2011.

borrowers who do not hedge their foreign currency loans are unable to fully repay them on account of the depreciation of the local currency inflating the value of debt repayments in that currency. In addition, financial institutions granting foreign currency-denominated loans may be exposed to funding risk if they rely heavily on wholesale funding or financing provided by a parent bank, rather than on local deposits.[9] Furthermore, lending in foreign currencies can foster excessive credit growth, given that lower foreign interest rates may lead to increased demand for loans. This may, in turn, contribute to the build-up of asset price bubbles and – if foreign currency-denominated lending is financed by means of capital inflows (e.g. capital flows to local subsidiaries via parent banks) – to unsustainable external imbalances (see also Section 3).

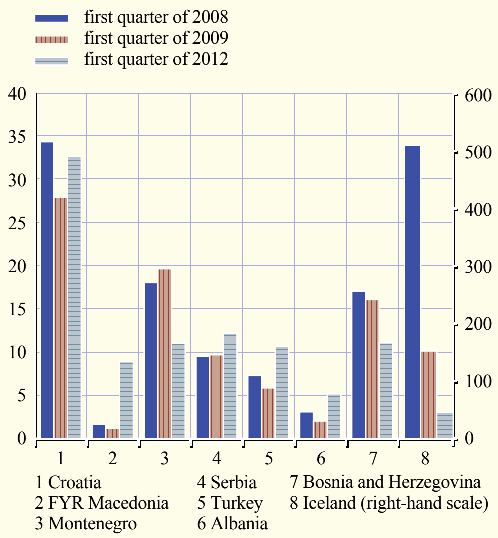
It is worth noting that the risks to financial stability arising from foreign currency-denominated lending to the non-financial private sector are not limited to candidate and potential candidate countries. Indeed, they also apply to some EU Member States in central and eastern Europe. For this reason, the European Systemic Risk Board (ESRB) has published a number of recommendations on this issue. While directed at EU Member States, these are also relevant for candidate and potential candidate countries.[10]

More recently, challenges in candidate countries have also been related to the management of credit and funding liquidity risks following the global financial crisis. As regards credit risk, while candidate countries' banking systems have relatively high capital adequacy ratios (see Table 4), some countries' non-performing

9 This is of particular concern given the strong presence of foreign institutions in the domestic banking systems of candidate countries, whether through subsidiaries or affiliates.
10 See the ESRB recommendations on lending in foreign currencies issued in October 2011 (www.esrb.europa.eu).

Chart 7 Stock of claims of BIS reporting banks on candidate and potential candidate countries

(as a percentage of GDP)



Source: BIS.
Note: Figures show claims on banking sector only.

loan ratios have tended to increase in recent years. Particularly in those countries where the economic outlook is expected to remain subdued, the potential for further deterioration in banks' loan portfolios is a matter of concern. With regard to funding liquidity risks, the main risk is disorderly deleveraging by foreign banks (many of which have headquarters in the EU), which has so far largely been averted[11] (see Chart 7).

The decline seen in recent years in BIS reporting banks' stock of claims on candidate countries' banking systems has been most pronounced in the case of Montenegro and, more particularly, Iceland (see also Box 2). Some deleveraging is unavoidable – and even warranted, to the extent that past excesses are unwound. Available evidence suggests that deleveraging by foreign banks – as measured by quarter-on-quarter changes in the external positions of BIS reporting banks – gained momentum in the second half of 2011, coinciding with strains in funding markets and efforts by regulators to improve capitalisation in foreign (or parent) institutions. However, the pace of deleveraging appears to have stabilised in the first quarter of 2012, coinciding with measures to improve bank funding and capital conditions in the EU and improvements in sentiment in certain financial market segments. Nevertheless, to the extent that strains in the banking sector persist, the risk of a further increase in deleveraging by parent banks in candidate countries (and elsewhere in the region) will probably remain. In order to counter this exposure in the long term, the establishment of a strong local deposit base and viable domestic financial markets are possible cornerstones of a policy strategy addressing vulnerabilities in this area.

5.3 COMPETITIVENESS CHALLENGES

By contrast with many other emerging market economies, where the key challenges concern the need to redirect those countries' development strategies, moving from reliance on export-led growth to a stronger focus on domestic demand, candidate countries generally face the task of shifting their focus from domestic to foreign drivers of growth. Indeed, policies emphasising the strengthening of the external sector would seem to be a prerequisite for the achievement of more dynamic economic activity, in particular if capital flows do not return to pre-crisis levels. This will also help to further unwind the external imbalances that accumulated in many candidate countries prior to the crisis.

As a consequence, issues relating to competitiveness are likely to gain in prominence, also in light of the strong competitive pressures that candidate countries will face in the single market when they join the EU (and eventually the euro area). Competitiveness issues in certain euro area countries are instructive in this regard.

In the years before the crisis, price and cost-related indicators of competitiveness gradually deteriorated in all candidate countries. Increases in unit labour costs were particularly pronounced in Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey (which is arguably part of the catching-up process). Available evidence for most candidate countries suggests that, in the last few years before the crisis, productivity failed to keep pace with increases in labour costs. Rising costs were associated with rising prices (e.g. in the non-tradable sector, to which capital inflows and credit were largely channelled), leading in turn to increases in real effective exchange rates, particularly in Serbia and Turkey. In spite of these developments, most candidate countries actually saw their shares of world export markets increase in the pre-crisis period, partly as countries opened up further to external trade.

By contrast, the onset of the crisis was generally associated with falling export market shares. These declines were particularly pronounced in Croatia and Iceland, which saw their export market shares fall below 2005 levels by end-2011 (see Table 5). In the aftermath of the crisis,

11 See also "EU bank deleveraging – driving forces and strategies", *Financial Stability Review*, ECB, June 2012.

Table 5 Developments in prices, costs and export market shares in candidate countries

(index: 2007=100)

	Real effective exchange rate		Unit labour costs		World export market share	
	2005	2011	2005	2011	2005	2011
Croatia	97.4	99.3	94.0	107.4	101.9	79.5
FYR Macedonia	100.1	102.2	90.9	121.0	82.0	104.6
Iceland	103.0	67.3	81.6	112.3	98.0	90.2
Montenegro	n/a	101.0	72.9	144.0 1)	83.5	91.0
Serbia	83.3	104.8	82.4	103.8	74.6	107.0
Turkey	85.5	112.0	86.0	104.8	98.0	99.0
EU12	92.6	104.1	89.2	110.5	88.2	101.7
EU15	98.9	95.9	96.6	108.9	102.0	86.4

Sources: BIS, European Commission, IMF, Haver Analytics, national statistics and ECB calculations.
Notes: The EU12 comprises Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. The EU15 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.
1) 2010 data.

candidate countries' real effective exchange rates have generally edged downwards or stabilised, but labour costs have not followed suit. Other factors potentially impinging on competitiveness relate to institutional quality. Developments in this area suggest that, while some marked improvements have been made in recent years, candidate countries continue to lag behind the central and eastern European countries that joined the EU in 2004 and 2007 (see Table 1).

6 CONCLUSIONS

Growth in candidate countries was generally robust prior to 2009, but tended to be associated with increasing external and domestic imbalances, which proved unsustainable in the face of an external shock on the scale of the global financial crisis. Subsequently, the drying-up of external finance following Lehman Brothers' collapse exposed other long-standing vulnerabilities in candidate countries that had not been addressed in the context of the rapid financial expansion seen prior to the crisis. While financial expansion is a normal part of the catching-up process, in some countries it led to unsustainable developments. Policy responses to the crisis were conditioned by the monetary policy frameworks and exchange rate regimes chosen by the authorities in the various countries.

The experience of the crisis, coupled with the ongoing financial tensions in parts of the euro area, should remind authorities in candidate countries that lasting and sustainable convergence requires sustained policy efforts. Against the background of a less favourable external environment, these countries are facing significant challenges in a number of areas. In the area of financial stability, critical tasks include addressing the vulnerabilities created by foreign currency-denominated lending and managing credit and funding risks. As regards monetary policy, achieving and maintaining price stability should be the first priority, which requires that central banks have a sound institutional framework ensuring their independence in line with the EU *acquis communautaire*. Another challenge will be to successfully handle the higher demands that tightly managed exchange rate regimes arguably impose on domestic policy-makers, as well as remaining vigilant regarding the links between monetary policy and financial stability under a given framework. Maintaining and improving competitiveness is also crucial for candidate countries. The key question for many of them is how to return to more dynamic economic growth. This requires the rebalancing of economic activity, with shifts from domestic to foreign drivers of growth, the assumption being that the ample capital inflows and credit which supported domestic demand prior to 2009 were not sustainable and will not be available to this extent in the future.

Overall, it should be borne in mind that both membership of the EU and the eventual adoption of the euro should be seen as means to an end – namely real convergence, stability and prosperity – rather than as objectives in themselves. The current tensions in parts of the euro area also serve as a reminder that adoption of the euro does not in itself guarantee continued convergence if the appropriate policies are not followed and the necessary reforms are not implemented.

EURO AREA STATISTICS

CONTENTS[1]

EURO AREA OVERVIEW

Summary of economic indicators for the euro area S5

1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem S6
1.2 Key ECB interest rates S7
1.3 Eurosystem monetary policy operations allotted through tender procedures S8
1.4 Minimum reserve and liquidity statistics S9

2 MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

2.1 Aggregated balance sheet of euro area MFIs S10
2.2 Consolidated balance sheet of euro area MFIs S11
2.3 Monetary statistics S12
2.4 MFI loans: breakdown S15
2.5 Deposits held with MFIs: breakdown S17
2.6 MFI holdings of securities: breakdown S20
2.7 Currency breakdown of selected MFI balance sheet items S21
2.8 Aggregated balance sheet of euro area investment funds S22
2.9 Securities held by investment funds broken down by issuer of securities S23
2.10 Aggregated balance sheet of euro area financial vehicle corporations S24
2.11 Aggregated balance sheet of euro area insurance corporations and pension funds S25

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector S26
3.2 Euro area non-financial accounts S30
3.3 Households S32
3.4 Non-financial corporations S33
3.5 Insurance corporations and pension funds S34

4 FINANCIAL MARKETS

4.1 Securities other than shares by original maturity, residency of the issuer and currency S35
4.2 Securities other than shares issued by euro area residents, by sector of the issuer and instrument type S36
4.3 Growth rates of securities other than shares issued by euro area residents S38
4.4 Quoted shares issued by euro area residents S40
4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents S42
4.6 Money market interest rates S44
4.7 Euro area yield curves S45
4.8 Stock market indices S46

5 PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs S47
5.2 Output and demand S50
5.3 Labour markets S54

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus S56
6.2 Debt S57
6.3 Change in debt S58

1 For further information, please contact us at: statistics@ecb.europa.eu. See the ECB's Statistical Data Warehouse in the "Statistics" section of the ECB's website (http://sdw.ecb.europa.eu) for longer runs and more detailed data.

6.4 Quarterly revenue, expenditure and deficit/surplus S59
6.5 Quarterly debt and change in debt S60

7 EXTERNAL TRANSACTIONS AND POSITIONS
7.1 Summary balance of payments S61
7.2 Current and capital accounts S62
7.3 Financial account S64
7.4 Monetary presentation of the balance of payments S70
7.5 Trade in goods S71

8 EXCHANGE RATES
8.1 Effective exchange rates S73
8.2 Bilateral exchange rates S74

9 DEVELOPMENTS OUTSIDE THE EURO AREA
9.1 Economic and financial developments other EU Member States S75
9.2 Economic and financial developments in the United States and Japan S76

LIST OF CHARTS S77

TECHNICAL NOTES S79

GENERAL NOTES S85

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 [1)]

	M1 [2)]	M2 [2)]	M3 [2), 3)]	M3 [2), 3)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2)]	Securities other than shares issued in euro by non-MFI corporations [2)]	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) [4)]
	1	2	3	4	5	6	7	8
2010	8.5	1.8	0.3	-	0.5	4.2	0.81	3.36
2011	2.1	2.3	1.5	-	2.2	0.8	1.39	2.65
2011 Q4	2.0	2.1	1.5	-	1.8	-0.4	1.50	2.65
2012 Q1	2.4	2.5	2.2	-	0.7	0.3	1.04	2.60
Q2	2.9	2.8	2.7	-	-0.1	2.7	0.69	2.32
Q3	4.7	3.2	3.1	-	-0.5	.	0.36	1.94
2012 May	3.5	2.9	2.9	2.8	-0.2	3.0	0.68	1.89
June	3.7	3.0	3.0	3.2	-0.4	2.2	0.66	2.32
July	4.7	3.5	3.6	3.1	-0.4	1.2	0.50	1.87
Aug.	5.2	3.2	2.8	3.0	-0.6	0.6	0.33	1.91
Sep.	5.0	3.1	2.7	.	-0.8	.	0.25	1.94
Oct.	.	.	.	.	.	.	0.21	1.95

2. Prices, output, demand and labour markets [5)]

	HICP [1)]	Industrial producer prices	Hourly labour costs	Real GDP (s.a.)	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment (s.a.)	Unemployment (% of labour force; s.a.)
	1	2	3	4	5	6	7	8
2010	1.6	2.9	1.6	2.0	7.3	76.8	-0.5	10.1
2011	2.7	5.9	2.1	1.4	3.4	80.4	0.3	10.1
2012 Q1	2.7	3.7	1.5	0.0	-1.8	79.8	-0.5	10.9
Q2	2.5	2.2	1.6	-0.4	-2.4	78.8	-0.6	11.3
Q3	2.5	2.3	.	.	.	77.4	.	11.5
2012 May	2.4	2.3	-	-	-2.6	-	-	11.3
June	2.4	1.8	-	-	-2.0	-	-	11.4
July	2.4	1.6	-	-	-2.8	77.9	-	11.5
Aug.	2.6	2.7	-	-	-2.9	-	-	11.5
Sep.	2.6	2.7	-	-	.	-	-	11.6
Oct.	2.5	.	-	-	.	76.8	-	.

3. External statistics
(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)			Reserve assets (end-of-period positions)	Net international investment position (as a % of GDP)	Gross external debt (as a % of GDP)	Effective exchange rate of the euro: EER-20 [6)] (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8	9
2010	10.9	18.2	29.1	591.2	-13.8	118.3	103.6	101.6	1.3257
2011	23.9	9.2	119.2	667.1	-14.0	117.1	103.4	100.7	1.3920
2011 Q4	42.7	15.8	-69.7	667.1	-14.0	117.1	102.1	99.4	1.3482
2012 Q1	-2.6	6.3	-74.5	671.2	-10.7	117.5	99.5	96.9	1.3108
Q2	17.3	25.7	76.0	701.5	-8.8	118.8	98.2	95.9	1.2814
Q3	.	.	.	733.8	.	.	95.9	93.8	1.2502
2012 May	-3.4	6.1	34.0	695.7	.	.	98.0	95.7	1.2789
June	17.7	14.3	42.6	701.5	.	.	97.2	94.9	1.2526
July	14.5	11.1	18.2	724.8	.	.	95.3	93.2	1.2288
Aug.	8.5	4.4	-3.4	716.1	.	.	95.2	93.2	1.2400
Sep.	.	.	.	733.8	.	.	97.2	95.0	1.2856
Oct.	.	.	.	.	.	.	97.8	95.5	1.2974

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Thomson Reuters.
Note: For more information on the data, see the relevant tables later in this section.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.
3) 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.
4) Based on AAA-rated euro area central government bond yield curves. For further information, see Section 4.7.
5) Data refer to the Euro 17, unless otherwise indicated.
6) For a 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

	5 October 2012	12 October 2012	19 October 2012	26 October 2012	2 November 2012
Gold and gold receivables	479,106	479,106	479,107	479,107	479,108
Claims on non-euro area residents in foreign currency	257,825	258,416	258,859	260,111	258,358
Claims on euro area residents in foreign currency	39,713	39,135	37,971	38,289	37,275
Claims on non-euro area residents in euro	17,201	16,912	17,133	17,268	16,560
Lending to euro area credit institutions in euro	1,162,312	1,148,612	1,150,496	1,135,148	1,131,744
Main refinancing operations	102,886	89,783	91,813	77,293	83,730
Longer-term refinancing operations	1,058,750	1,057,534	1,057,534	1,057,534	1,047,496
Fine-tuning reverse operations	0	0	0	0	0
Structural reverse operations	0	0	0	0	0
Marginal lending facility	669	1,291	1,035	316	514
Credits related to margin calls	7	4	114	6	4
Other claims on euro area credit institutions in euro	211,168	220,585	214,553	230,744	232,223
Securities of euro area residents in euro	596,870	596,465	594,084	591,733	590,204
Securities held for monetary policy purposes	280,008	279,748	279,298	279,010	278,268
Other securities	316,862	316,716	314,787	312,723	311,936
General government debt in euro	30,010	30,010	30,010	30,010	30,010
Other assets	268,384	264,401	264,356	264,132	265,211
Total assets	3,062,589	3,053,641	3,046,569	3,046,543	3,040,693

2. Liabilities

	5 October 2012	12 October 2012	19 October 2012	26 October 2012	2 November 2012
Banknotes in circulation	894,360	892,205	889,092	888,103	893,220
Liabilities to euro area credit institutions in euro	1,028,244	998,909	993,657	993,442	987,986
Current accounts (covering the minimum reserve system)	521,337	527,512	533,667	515,268	515,396
Deposit facility	296,464	260,477	248,711	266,967	261,368
Fixed-term deposits	209,000	209,500	209,500	209,500	209,500
Fine-tuning reverse operations	0	0	0	0	0
Deposits related to margin calls	1,443	1,419	1,778	1,708	1,723
Other liabilities to euro area credit institutions in euro	6,122	6,145	6,161	6,448	6,064
Debt certificates issued	0	0	0	0	0
Liabilities to other euro area residents in euro	128,650	154,735	156,892	151,204	151,782
Liabilities to non-euro area residents in euro	164,572	164,539	163,410	168,893	164,878
Liabilities to euro area residents in foreign currency	4,761	4,738	5,767	6,414	4,122
Liabilities to non-euro area residents in foreign currency	7,114	7,126	5,617	5,883	5,523
Counterpart of special drawing rights allocated by the IMF	56,243	56,243	56,243	56,243	56,243
Other liabilities	234,149	230,626	231,355	231,539	232,499
Revaluation accounts	452,824	452,824	452,824	452,824	452,824
Capital and reserves	85,551	85,551	85,551	85,551	85,551
Total liabilities	3,062,589	3,053,641	3,046,569	3,046,543	3,040,693

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	
			Fixed rate tenders	Variable rate tenders			
			Fixed rate	Minimum bid rate			
	Level	Change	Level	Level	Change	Level	Change
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 [2]	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 [3]	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25
2007 14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25
13 June	3.00	0.25	-	4.00	0.25	5.00	0.25
2008 9 July	3.25	0.25	-	4.25	0.25	5.25	0.25
8 Oct.	2.75	-0.50	-	-	-	4.75	-0.50
9 [4]	3.25	0.50	-	-	-	4.25	-0.50
15 [5]	3.25	...	3.75	-	-0.50	4.25	...
12 Nov.	2.75	-0.50	3.25	-	-0.50	3.75	-0.50
10 Dec.	2.00	-0.75	2.50	-	-0.75	3.00	-0.75
2009 21 Jan.	1.00	-1.00	2.00	-	-0.50	3.00	...
11 Mar.	0.50	-0.50	1.50	-	-0.50	2.50	-0.50
8 Apr.	0.25	-0.25	1.25	-	-0.25	2.25	-0.25
13 May	0.25	...	1.00	-	-0.25	1.75	-0.50
2011 13 Apr.	0.50	0.25	1.25	-	0.25	2.00	0.25
13 July	0.75	0.25	1.50	-	0.25	2.25	0.25
9 Nov.	0.50	-0.25	1.25	-	-0.25	2.00	-0.25
14 Dec.	0.25	-0.25	1.00	-	-0.25	1.75	-0.25
2012 11 July	0.00	-0.25	0.75	-	-0.25	1.50	-0.25

Source: ECB.

1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers both to the deposit and marginal lending facilities and to the main refinancing operations (with changes effective from the first main refinancing operation following the Governing Council decision), 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.
4) As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.
5) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

1.3 Eurosystem monetary policy operations allotted through tender procedures [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)	Fixed rate tender procedures	Variable rate tender procedures			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8
	Main refinancing operations							
2012 1 Aug.	132,768	97	132,768	0.75	-	-	-	7
8	133,426	87	133,426	0.75	-	-	-	7
15	130,578	86	130,578	0.75	-	-	-	7
22	131,245	91	131,245	0.75	-	-	-	7
29	131,484	92	131,484	0.75	-	-	-	7
5 Sep.	126,334	84	126,334	0.75	-	-	-	7
12	130,342	80	130,342	0.75	-	-	-	7
19	119,838	84	119,838	0.75	-	-	-	7
26	117,383	85	117,383	0.75	-	-	-	7
3 Oct.	102,886	84	102,886	0.75	-	-	-	7
10	89,783	86	89,783	0.75	-	-	-	7
17	91,813	96	91,813	0.75	-	-	-	7
24	77,293	93	77,293	0.75	-	-	-	7
31	83,730	87	83,730	0.75	-	-	-	7
7 Nov.	79,474	81	79,474	0.75	-	-	-	7
	Longer-term refinancing operations [5)]							
2012 9 May	12,988	20	12,988	1.00	-	-	-	35
31	8,307	33	8,307	0.86	-	-	-	91
13 June	18,905	21	18,905	1.00	-	-	-	28
28	26,295	50	26,295	0.79	-	-	-	91
11 July	24,398	27	24,398	0.75	-	-	-	28
26	8,450	36	8,450	0.75	-	-	-	98
8 Aug.	25,180	28	25,180	0.75	-	-	-	35
30 [6)]	9,746	36	9,746	.	-	-	-	91
12 Sep.	13,844	26	13,844	0.75	-	-	-	28
27 [6)]	18,709	55	18,709	.	-	-	-	84
10 Oct.	12,629	27	12,629	0.75	-	-	-	35
1 Nov. [6)]	6,156	52	6,156	.	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2012 1 Aug.	Collection of fixed-term deposits	463,066	72	211,500	-	-	0.75	0.02	0.01	7
8	Collection of fixed-term deposits	419,957	67	211,500	-	-	0.75	0.01	0.01	7
15	Collection of fixed-term deposits	419,503	58	211,500	-	-	0.75	0.01	0.01	7
22	Collection of fixed-term deposits	446,823	57	211,500	-	-	0.75	0.01	0.01	7
29	Collection of fixed-term deposits	452,904	56	209,000	-	-	0.75	0.01	0.01	7
5 Sep.	Collection of fixed-term deposits	460,886	57	209,000	-	-	0.75	0.01	0.01	7
12	Collection of fixed-term deposits	433,177	58	209,000	-	-	0.75	0.01	0.01	7
19	Collection of fixed-term deposits	468,232	59	209,000	-	-	0.75	0.01	0.01	7
26	Collection of fixed-term deposits	385,607	49	209,000	-	-	0.75	0.01	0.01	7
3 Oct.	Collection of fixed-term deposits	420,868	56	209,000	-	-	0.75	0.01	0.01	7
10	Collection of fixed-term deposits	444,984	55	209,500	-	-	0.75	0.01	0.01	7
17	Collection of fixed-term deposits	418,992	60	209,500	-	-	0.75	0.01	0.01	7
24	Collection of fixed-term deposits	425,726	60	209,500	-	-	0.75	0.01	0.01	7
31	Collection of fixed-term deposits	404,051	56	209,500	-	-	0.75	0.01	0.01	7
7 Nov.	Collection of fixed-term deposits	459,619	62	208,500	-	-	0.75	0.01	0.01	7

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
2) With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures in parallel with a main refinancing operation) are classified as main refinancing operations.
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 tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October 2008, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. On 4 March 2010 the ECB decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010 and settled on 29 April 2010.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) For the operations settled on 22 December 2011 and 1 March 2012, after one year counterparties have the option to repay any part of the liquidity that they have been allotted in these operations, on any day that coincides with the settlement day of a main refinancing operation.
6) In this longer-term refinancing operation, the rate at which all bids are satisfied is indexed to the average minimum bid rate in the main refinancing operations over the life of the operation. The interest rates displayed for these indexed longer-term refinancing operations have been rounded to two decimal places. For the precise calculation method, please refer to the Technical Notes.

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 (end of period):	Total	Liabilities to which a positive reserve coefficient is applied [1]		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5
2011	18,970.0	9,790.9	687.7	2,781.2	1,303.5	4,406.8
2012 Apr.	19,172.3	10,013.4	726.5	2,736.0	1,349.9	4,346.5
May	19,253.6	10,031.6	716.1	2,736.6	1,406.7	4,362.6
June	19,077.1	10,059.8	701.3	2,708.9	1,284.8	4,322.3
July	19,077.4	10,025.9	724.6	2,655.6	1,332.9	4,338.4
Aug.	18,943.3	9,977.3	714.4	2,643.9	1,287.7	4,320.1

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
2008	217.2	218.7	1.5	0.0	3.25
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	0.5	1.00
2011	207.7	212.2	4.5	0.0	1.25
2012 12 June	106.6	110.8	4.2	0.0	1.00
10 July	106.9	111.5	4.6	0.0	1.00
7 Aug.	107.0	510.2	403.2	0.0	0.75
11 Sep.	107.1	540.0	432.9	0.0	0.75
9 Oct.	107.0	538.1	431.1	0.0	0.75
13 Nov.	106.4	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations [2]	Deposit facility	Other liquidity-absorbing operations [3]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2008	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2010	511.1	179.5	336.3	1.9	130.4	44.7	70.8	815.9	94.4	-79.1	212.5	1,073.1
2011	622.1	238.0	389.0	4.4	260.3	253.7	200.5	869.4	63.8	-85.9	212.2	1,335.3
2012 8 May	659.3	47.0	1,088.7	1.0	281.3	771.4	214.0	872.7	137.1	-28.5	110.5	1,754.6
12 June	656.8	58.1	1,071.0	1.6	281.1	770.8	212.8	880.8	117.8	-24.2	110.8	1,762.3
10 July	666.7	160.7	1,074.9	1.8	280.7	770.6	210.9	892.5	138.8	60.6	111.5	1,774.6
7 Aug.	678.9	146.0	1,079.9	0.8	281.0	343.1	211.5	897.7	130.7	93.5	510.2	1,751.0
11 Sep.	676.8	130.6	1,076.8	0.8	279.7	328.6	210.5	897.6	107.0	81.0	540.0	1,766.2
9 Oct.	681.5	117.6	1,062.8	1.1	279.6	305.4	209.0	892.7	101.4	96.0	538.1	1,736.2

Source: ECB.
1) A coefficient of 1% is applied as of the maintenance period beginning on 18 January 2012. A coefficient of 2% is applied to all previous maintenance periods.
2) Includes liquidity provided under the Eurosystem's covered bond purchase programmes and the Eurosystem's Securities Markets Programme.
3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.
For more information, please see: http://www.ecb.europa.eu/mopo/liq/html/index.en.html

2 MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

2.1 Aggregated balance sheet of euro area MFIs 1)

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units 2)	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets 3)
		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
	Eurosystem													
2010	3,212.4	1,566.8	18.6	0.9	1,547.3	573.6	425.4	9.4	138.7	-	18.6	684.1	8.0	361.4
2011	4,700.3	2,780.5	18.0	1.0	2,761.5	717.2	556.9	10.1	150.2	-	20.3	779.2	8.1	395.0
2012 Q2	5,572.8	3,656.6	17.0	1.0	3,638.7	729.6	569.7	10.1	149.7	-	20.9	793.6	8.2	363.9
Q3 (p)	5,493.3	3,520.7	17.1	1.0	3,502.7	730.0	572.4	10.8	146.7	-	21.7	843.6	8.4	368.9
2012 June	5,572.8	3,656.6	17.0	1.0	3,638.7	729.6	569.7	10.1	149.7	-	20.9	793.6	8.2	363.9
July	5,606.4	3,654.7	16.9	1.0	3,636.8	730.0	569.5	10.4	150.1	-	21.0	828.0	8.3	364.3
Aug.	5,628.1	3,674.8	16.9	1.0	3,656.9	731.1	571.5	10.6	148.9	-	21.6	822.6	8.3	369.6
Sep. (p)	5,493.3	3,520.7	17.1	1.0	3,502.7	730.0	572.4	10.8	146.7	-	21.7	843.6	8.4	368.9
	MFIs excluding the Eurosystem													
2010	32,205.6	17,761.3	1,217.9	11,026.1	5,517.3	4,948.9	1,524.2	1,538.3	1,886.4	59.9	1,233.1	4,320.9	223.5	3,657.9
2011	33,538.3	18,481.9	1,159.6	11,161.5	6,160.7	4,765.2	1,395.8	1,517.4	1,852.0	50.2	1,211.8	4,253.0	232.3	4,544.0
2012 Q2	34,181.2	18,670.5	1,169.8	11,188.0	6,312.7	4,907.2	1,588.6	1,453.5	1,865.2	64.1	1,204.0	4,292.8	220.7	4,822.0
Q3 (p)	33,904.8	18,451.7	1,163.4	11,188.2	6,100.2	4,883.4	1,619.2	1,372.1	1,892.1	61.7	1,222.8	4,203.9	222.4	4,858.9
2012 June	34,181.2	18,670.5	1,169.8	11,188.0	6,312.7	4,907.2	1,588.6	1,453.5	1,865.2	64.1	1,204.0	4,292.8	220.7	4,822.0
July	34,454.1	18,637.5	1,169.4	11,214.6	6,253.6	4,872.7	1,574.8	1,406.4	1,891.5	61.9	1,210.0	4,352.4	221.1	5,098.5
Aug.	34,159.2	18,477.7	1,160.0	11,160.8	6,156.9	4,879.7	1,575.4	1,390.7	1,913.6	63.8	1,211.1	4,278.9	221.8	5,026.1
Sep. (p)	33,904.8	18,451.7	1,163.4	11,188.2	6,100.2	4,883.4	1,619.2	1,372.1	1,892.1	61.7	1,222.8	4,203.9	222.4	4,858.9

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units 4)	Debt securities issued 5)	Capital and reserves	External liabilities	Remaining liabilities 3)
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2010	3,212.4	863.7	1,394.8	68.0	8.7	1,318.1	-	0.0	428.5	153.8	371.7
2011	4,700.3	913.7	2,609.0	63.8	12.1	2,533.1	-	0.0	481.2	285.3	411.1
2012 Q2	5,572.8	918.9	3,425.9	142.4	11.3	3,272.2	-	0.0	521.7	284.9	421.4
Q3 (p)	5,493.3	917.9	3,261.5	91.9	21.3	3,148.3	-	0.0	575.2	305.1	433.7
2012 June	5,572.8	918.9	3,425.9	142.4	11.3	3,272.2	-	0.0	521.7	284.9	421.4
July	5,606.4	923.1	3,389.6	112.0	27.9	3,249.7	-	0.0	550.9	318.0	424.6
Aug.	5,628.1	921.8	3,414.7	80.2	24.1	3,310.5	-	0.0	550.8	311.3	429.4
Sep. (p)	5,493.3	917.9	3,261.5	91.9	21.3	3,148.3	-	0.0	575.2	305.1	433.7
	MFIs excluding the Eurosystem										
2010	32,205.6	-	16,513.5	196.2	10,542.5	5,774.7	612.3	4,848.0	2,045.5	4,213.7	3,972.5
2011	33,538.3	-	17,317.1	195.5	10,750.9	6,370.7	570.6	5,008.2	2,231.1	3,802.8	4,608.5
2012 Q2	34,181.2	-	17,651.5	191.9	10,837.3	6,622.3	560.9	4,993.6	2,285.4	3,880.0	4,809.8
Q3 (p)	33,904.8	-	17,430.6	206.4	10,824.9	6,399.3	541.8	4,974.4	2,322.6	3,748.2	4,887.2
2012 June	34,181.2	-	17,651.5	191.9	10,837.3	6,622.3	560.9	4,993.6	2,285.4	3,880.0	4,809.8
July	34,454.1	-	17,562.1	190.5	10,789.1	6,582.6	557.2	5,041.8	2,298.8	3,890.0	5,104.1
Aug.	34,159.2	-	17,416.5	184.8	10,770.7	6,461.0	563.4	5,031.7	2,306.3	3,810.9	5,030.2
Sep. (p)	33,904.8	-	17,430.6	206.4	10,824.9	6,399.3	541.8	4,974.4	2,322.6	3,748.2	4,887.2

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
3) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
4) Amounts held by euro area residents.
5) Amounts issued with a maturity of up to two years and held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs [1]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets [2]
		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										
2010	25,762.1	12,263.6	1,236.5	11,027.1	3,497.4	1,949.7	1,547.7	800.6	5,005.0	231.5	3,964.1
2011	26,715.5	12,340.1	1,177.6	11,162.5	3,480.3	1,952.7	1,527.5	739.7	5,032.2	240.4	4,882.8
2012 Q2	27,178.9	12,375.7	1,186.8	11,189.0	3,621.9	2,158.3	1,463.6	731.3	5,086.4	228.9	5,134.7
Q3 (p)	27,149.4	12,369.6	1,180.4	11,189.2	3,574.5	2,191.6	1,382.9	750.4	5,047.5	230.7	5,176.7
2012 June	27,178.9	12,375.7	1,186.8	11,189.0	3,621.9	2,158.3	1,463.6	731.3	5,086.4	228.9	5,134.7
July	27,519.2	12,401.9	1,186.3	11,215.5	3,561.1	2,144.3	1,416.7	735.5	5,180.4	229.4	5,410.9
Aug.	27,300.9	12,338.7	1,176.9	11,161.8	3,548.2	2,146.9	1,401.3	738.1	5,101.6	230.1	5,344.2
Sep. (p)	27,149.4	12,369.6	1,180.4	11,189.2	3,574.5	2,191.6	1,382.9	750.4	5,047.5	230.7	5,176.7
	Transactions										
2010	572.6	409.0	203.3	205.7	139.4	140.5	-1.0	5.7	-114.8	2.4	130.8
2011	989.0	59.8	-55.6	115.3	125.0	149.3	-24.3	-29.9	-38.0	7.8	864.2
2012 Q2	407.3	53.3	33.8	19.5	-1.1	41.5	-42.6	-11.8	-71.2	-0.1	438.3
Q3 (p)	-56.7	15.8	-6.6	22.4	-86.1	2.2	-88.3	17.8	-52.4	2.4	45.8
2012 June	-542.8	49.4	25.2	24.2	-19.4	17.4	-36.8	-22.8	-85.2	-1.0	-463.7
July	247.6	28.0	-0.6	28.6	-71.6	-17.3	-54.3	5.5	7.6	0.5	277.6
Aug.	-165.5	-55.0	-9.3	-45.7	-24.8	-9.5	-15.3	0.0	-23.6	1.2	-63.2
Sep. (p)	-138.8	42.8	3.3	39.5	10.4	29.1	-18.7	12.4	-36.4	0.7	-168.6

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities [2]	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010	25,762.1	808.6	264.2	10,551.2	552.4	2,823.0	2,022.9	4,367.5	4,344.2	28.2
2011	26,715.5	857.5	259.3	10,763.0	520.4	3,006.1	2,219.9	4,088.2	5,019.5	-18.5
2012 Q2	27,178.9	867.7	334.4	10,848.6	496.8	2,978.7	2,313.5	4,164.9	5,231.2	-56.9
Q3 (p)	27,149.4	866.7	298.3	10,846.2	480.1	2,935.5	2,403.7	4,053.3	5,320.9	-55.3
2012 June	27,178.9	867.7	334.4	10,848.6	496.8	2,978.7	2,313.5	4,164.9	5,231.2	-56.9
July	27,519.2	871.3	302.5	10,817.0	495.3	3,000.2	2,354.3	4,208.0	5,528.8	-58.1
Aug.	27,300.9	870.2	265.0	10,794.8	499.6	2,969.2	2,362.5	4,122.3	5,459.6	-42.3
Sep. (p)	27,149.4	866.7	298.3	10,846.2	480.1	2,935.5	2,403.7	4,053.3	5,320.9	-55.3
	Transactions									
2010	572.6	38.6	11.8	332.2	-98.5	39.3	99.8	-28.6	143.0	35.0
2011	989.0	49.1	-0.8	167.5	-29.0	50.4	138.1	-200.1	860.4	-46.6
2012 Q2	407.3	22.8	8.2	30.3	-0.8	-48.6	54.2	-77.9	437.1	-18.0
Q3 (p)	-56.7	-0.9	-36.0	0.6	-16.8	-15.7	20.0	-84.6	80.0	-3.2
2012 June	-542.8	11.4	17.1	31.7	-22.8	-5.4	35.8	-103.4	-504.4	-2.9
July	247.6	3.7	-31.8	-37.0	-1.5	8.8	11.9	-3.3	297.9	-1.1
Aug.	-165.5	-1.1	-37.7	-15.8	4.2	-10.8	0.6	-45.7	-73.4	14.1
Sep. (p)	-138.8	-3.5	33.5	53.3	-19.5	-13.7	7.4	-35.6	-144.5	-16.2

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
3) Amounts held by euro area residents.
4) Amounts issued with a maturity of up to two years and held by non-euro area residents are included in external liabilities.

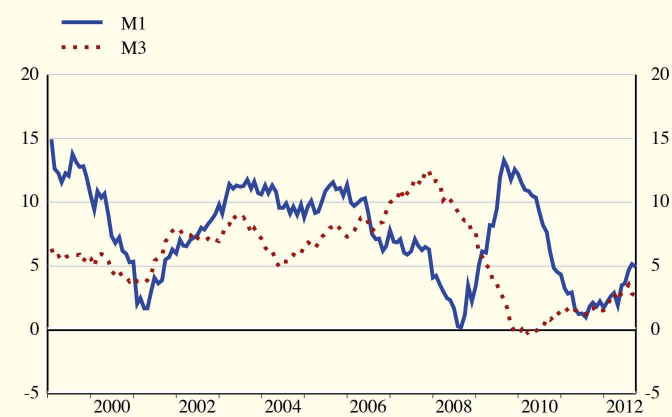
2.3 Monetary statistics [1]

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

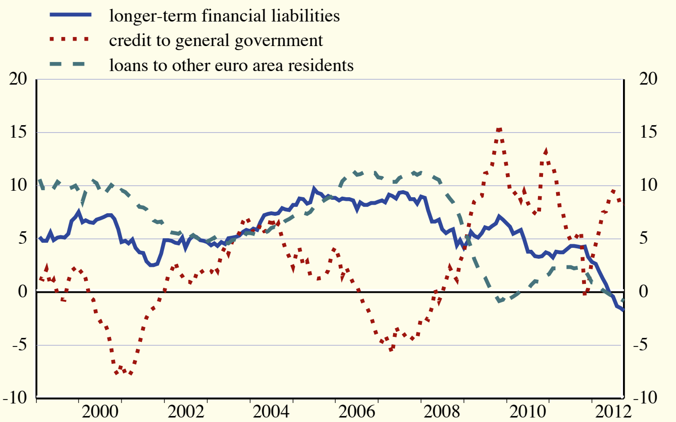
1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents [3]			Net external assets [4]
	M2			M3-M2						Loans	Loans adjusted for sales and securitisation [5]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2010	4,702.1	3,707.3	8,409.4	870.2	9,279.6	-	7,292.8	3,212.9	13,244.4	10,898.4	-	623.4
2011	4,790.9	3,799.7	8,590.5	886.6	9,477.1	-	7,680.2	3,156.7	13,287.3	11,022.4	-	929.8
2012 Q2	4,902.8	3,878.6	8,781.3	859.4	9,640.7	-	7,622.2	3,312.5	13,180.6	10,978.3	-	907.8
Q3 (p)	5,025.2	3,844.3	8,869.5	816.0	9,685.5	-	7,654.0	3,383.6	13,099.4	10,945.3	-	972.8
2012 June	4,902.8	3,878.6	8,781.3	859.4	9,640.7	-	7,622.2	3,312.5	13,180.6	10,978.3	-	907.8
July	4,966.2	3,875.3	8,841.5	867.2	9,708.7	-	7,636.5	3,324.2	13,140.2	10,980.3	-	971.9
Aug.	5,045.4	3,832.3	8,877.6	842.3	9,719.9	-	7,637.0	3,335.6	13,127.9	10,974.6	-	967.9
Sep. (p)	5,025.2	3,844.3	8,869.5	816.0	9,685.5	-	7,654.0	3,383.6	13,099.4	10,945.3	-	972.8
	Transactions											
2010	195.8	-10.3	185.4	-82.5	102.9	-	251.1	344.1	186.7	182.9	239.0	-85.6
2011	82.3	71.2	153.6	-9.9	143.6	-	207.8	92.3	49.8	103.8	130.3	162.1
2012 Q2	38.7	1.1	39.8	-8.4	31.4	-	-68.4	45.9	-74.9	-20.4	-21.4	-25.3
Q3 (p)	129.7	-38.8	90.9	-31.5	59.4	-	-23.1	39.6	-67.9	-10.8	-1.8	24.5
2012 June	20.2	5.0	25.2	-6.9	18.4	-	-16.0	21.0	-38.9	-3.0	-7.5	-25.4
July	61.7	-4.9	56.8	8.1	64.9	-	-29.1	8.2	-44.6	4.0	9.6	24.0
Aug.	84.8	-44.9	39.9	-15.8	24.1	-	9.6	-0.7	-6.7	2.5	4.2	11.2
Sep. (p)	-16.9	11.1	-5.8	-23.8	-29.6	-	-3.7	32.1	-16.6	-17.2	-15.6	-10.7
	Growth rates											
2010	4.3	-0.3	2.3	-8.3	1.1	1.3	3.6	11.9	1.4	1.7	2.2	-85.6
2011	1.8	1.9	1.8	-1.1	1.5	1.7	2.8	3.1	0.4	0.9	1.2	162.1
2012 Q2	3.7	2.2	3.0	3.5	3.0	3.2	-0.4	9.5	-0.6	-0.4	0.1	-68.0
Q3 (p)	5.0	0.6	3.1	-1.4	2.7	3.0	-1.8	8.3	-1.3	-0.8	-0.4	-68.5
2012 June	3.7	2.2	3.0	3.5	3.0	3.2	-0.4	9.5	-0.6	-0.4	0.1	-68.0
July	4.7	1.9	3.5	4.3	3.6	3.1	-1.3	9.4	-1.0	-0.4	0.1	-37.4
Aug.	5.2	0.7	3.2	-0.3	2.8	3.0	-1.5	8.1	-1.2	-0.6	-0.2	-43.9
Sep. (p)	5.0	0.6	3.1	-1.4	2.7	.	-1.8	8.3	-1.3	-0.8	-0.4	-68.5

C1 Monetary aggregates [1]
(annual growth rates; seasonally adjusted)



C2 Counterparts [1]
(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General Notes. Monthly and other shorter-term growth rates for selected items are available at: http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html
2) Monetary liabilities of MFIs and central government (post office, treasury, etc.) vis-à-vis non-MFI euro area residents excluding central government. For definitions of M1, M2 and M3, see glossary.
3) Excludes reverse repos to central counterparties as of June 2010; transactions and growth rates are adjusted for this effect.
4) Values in the section “growth rates” are sums of the transactions during the 12 months ending in the period indicated.
5) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

2.3 Monetary statistics [1]

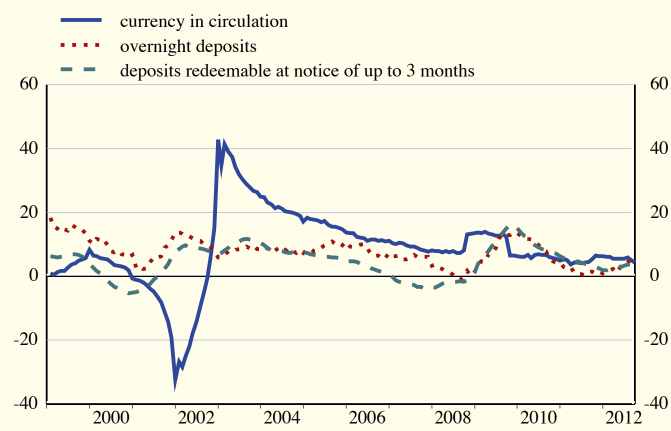
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos [2]	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2010	794.0	3,908.2	1,794.7	1,912.6	178.4	568.7	123.1	2,719.0	118.9	2,448.2	2,006.8
2011	843.2	3,947.6	1,841.2	1,958.4	144.5	535.5	206.6	2,820.6	115.4	2,542.8	2,201.4
2012 Q2	861.0	4,041.8	1,871.0	2,007.5	126.9	500.6	231.9	2,737.8	112.6	2,463.2	2,308.5
Q3 (p)	867.2	4,157.9	1,803.0	2,041.3	120.4	482.3	213.3	2,715.9	109.3	2,424.1	2,404.8
2012 June	861.0	4,041.8	1,871.0	2,007.5	126.9	500.6	231.9	2,737.8	112.6	2,463.2	2,308.5
July	866.2	4,099.9	1,856.2	2,019.1	138.7	494.7	233.8	2,753.2	111.6	2,417.6	2,354.1
Aug.	868.2	4,177.2	1,802.6	2,029.6	132.9	489.9	219.4	2,738.3	110.5	2,424.9	2,363.4
Sep. (p)	867.2	4,157.9	1,803.0	2,041.3	120.4	482.3	213.3	2,715.9	109.3	2,424.1	2,404.8
					Transactions						
2010	36.5	159.3	-122.3	112.0	37.7	-101.6	-18.7	59.7	-7.4	102.3	96.5
2011	49.4	32.9	34.6	36.6	-13.5	-29.7	33.2	19.1	-2.5	55.6	135.5
2012 Q2	13.1	25.6	-30.4	31.5	-6.1	4.0	-6.3	-49.6	-0.6	-62.5	44.3
Q3 (p)	6.3	123.4	-70.9	32.1	-0.9	-18.4	-12.3	-0.8	-3.3	-44.9	25.9
2012 June	4.3	15.9	-5.6	10.6	-4.4	-9.2	6.8	-11.9	-0.6	-18.2	14.7
July	5.4	56.4	-16.6	11.7	11.6	-5.9	2.4	2.3	-1.0	-47.1	16.7
Aug.	1.9	82.9	-53.5	8.6	-0.1	-5.0	-10.7	1.6	-1.1	7.6	1.6
Sep. (p)	-1.0	-15.9	-0.7	11.8	-12.4	-7.5	-3.9	-4.7	-1.2	-5.4	7.6
					Growth rates						
2010	4.8	4.3	-6.4	6.2	14.9	-15.2	-13.7	2.3	-5.7	4.5	5.2
2011	6.2	0.8	1.9	1.9	-8.1	-5.1	24.1	0.7	-2.1	2.2	6.7
2012 Q2	5.5	3.3	1.0	3.3	-14.8	3.4	17.7	-5.2	-5.8	-1.8	7.9
Q3 (p)	4.3	5.1	-2.9	4.0	-23.5	-1.0	17.6	-5.2	-8.5	-4.6	6.3
2012 June	5.5	3.3	1.0	3.3	-14.8	3.4	17.7	-5.2	-5.8	-1.8	7.9
July	5.9	4.5	0.2	3.6	-15.2	4.5	19.8	-5.0	-6.9	-3.7	6.6
Aug.	5.2	5.2	-2.5	3.7	-21.9	1.1	16.5	-5.0	-7.8	-3.7	6.1
Sep. (p)	4.3	5.1	-2.9	4.0	-23.5	-1.0	17.6	-5.2	-8.5	-4.6	6.3

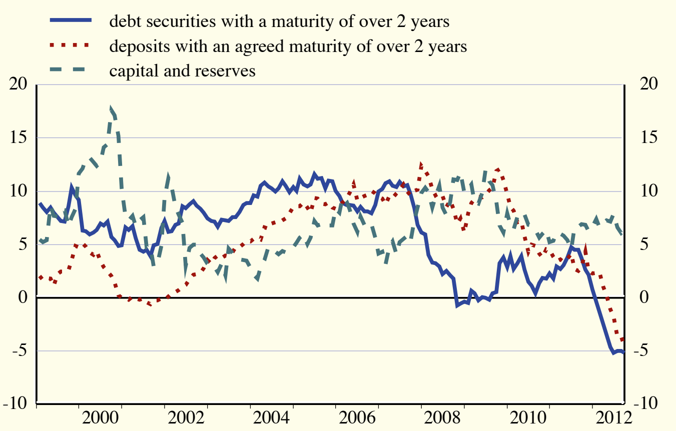
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2) Excludes repurchase agreements with central counterpaties as of June 2010; transactions and growth rates are adjusted for this effect.

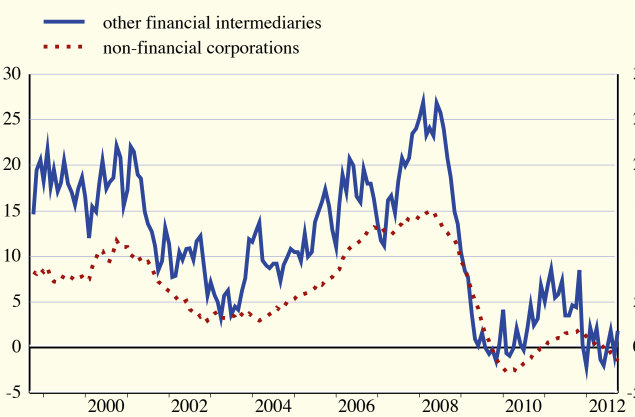
2.3 Monetary Statistics [1]

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

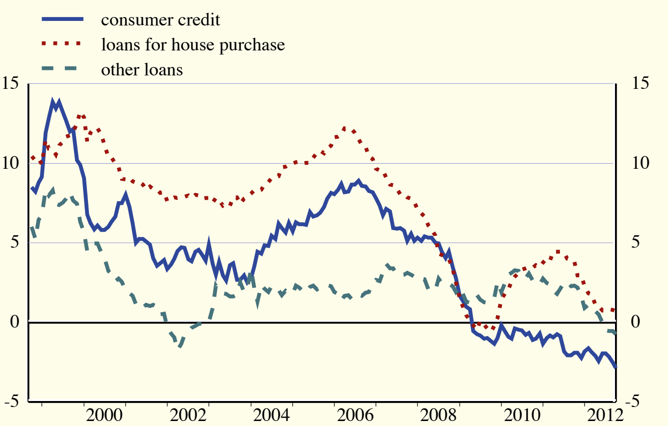
3. Loans as counterpart to M3

	Insurance corporations and pension funds	Other financial inter-mediaries [2]	Non-financial corporations					Households [3]				
	Total	Total	Total	Loans adjusted for sales and securitisation [4]	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Loans adjusted for sales and securitisation [4]	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10	11	12
					Outstanding amounts							
2010	93.8	978.1	4,668.6	-	1,127.7	899.0	2,641.9	5,158.0	-	638.5	3,700.6	819.0
2011	91.1	977.5	4,721.3	-	1,146.7	859.6	2,715.0	5,232.5	-	626.3	3,777.6	828.6
2012 Q2	83.9	951.7	4,692.0	-	1,151.4	844.6	2,696.0	5,250.7	-	614.1	3,811.0	825.6
Q3 (p)	87.0	962.6	4,656.0	-	1,141.7	827.6	2,686.6	5,239.7	-	603.2	3,812.1	824.4
2012 June	83.9	951.7	4,692.0	-	1,151.4	844.6	2,696.0	5,250.7	-	614.1	3,811.0	825.6
July	83.2	959.0	4,698.7	-	1,165.3	841.5	2,691.9	5,239.3	-	609.2	3,804.4	825.7
Aug.	86.5	960.7	4,683.8	-	1,158.8	835.1	2,689.9	5,243.6	-	606.9	3,810.0	826.8
Sep. (p)	87.0	962.6	4,656.0	-	1,141.7	827.6	2,686.6	5,239.7	-	603.2	3,812.1	824.4
					Transactions							
2010	6.4	32.0	-2.3	44.6	-37.5	-26.5	61.7	146.7	155.4	-8.6	133.6	21.7
2011	1.3	-35.3	57.4	63.2	22.9	-22.2	56.6	80.4	101.1	-11.5	84.7	7.3
2012 Q2	-4.2	-19.7	-6.8	-0.7	13.4	-3.8	-16.4	10.4	3.1	-5.0	18.2	-2.8
Q3 (p)	3.1	10.5	-19.4	-18.5	-3.3	-13.6	-2.5	-5.0	4.1	-8.9	3.9	0.0
2012 June	1.4	-5.0	-3.0	-1.0	1.1	-1.4	-2.7	3.6	-2.8	-4.6	9.7	-1.5
July	-0.7	4.7	8.4	7.7	15.9	-2.8	-4.7	-8.4	-1.7	-4.0	-4.9	0.5
Aug.	3.2	1.8	-6.9	-6.2	-4.2	-4.8	2.1	4.4	5.2	-2.0	5.6	0.7
Sep. (p)	0.6	4.0	-20.9	-20.0	-15.0	-6.0	0.1	-0.9	0.6	-2.8	3.2	-1.2
					Growth rates							
2010	7.3	3.5	0.0	1.0	-3.2	-2.8	2.4	2.9	3.0	-1.3	3.8	2.8
2011	1.5	-3.6	1.2	1.4	2.0	-2.5	2.1	1.6	2.0	-1.8	2.3	0.9
2012 Q2	-5.9	-2.2	-0.6	-0.4	-1.7	-2.7	0.5	0.2	1.1	-1.9	0.8	-0.5
Q3 (p)	-9.0	-2.0	-1.4	-1.2	-1.9	-4.1	-0.4	0.1	0.9	-2.9	0.7	-0.7
2012 June	-5.9	-2.2	-0.6	-0.4	-1.7	-2.7	0.5	0.2	1.1	-1.9	0.8	-0.5
July	-8.6	-2.9	-0.4	-0.2	0.1	-2.8	0.1	0.3	1.0	-2.1	0.8	-0.5
Aug.	-11.3	-3.5	-0.7	-0.5	-0.2	-3.3	-0.1	0.2	0.9	-2.5	0.8	-0.6
Sep. (p)	-9.0	-2.0	-1.4	-1.2	-1.9	-4.1	-0.4	0.1	0.9	-2.9	0.7	-0.7

C5 Loans to other financial intermediaries and non-financial corporations [1] (annual growth rates; not seasonally adjusted)



C6 Loans to households [1] (annual growth rates; not seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Excludes reverse repos to central counterparties as of June 2010; transactions and growth rates are adjusted for this effect.
3) Including non-profit institutions serving households.
4) Adjusted for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

2.4 MFI loans: breakdown 1), 2)

(EUR billions and annual growth rates; not seasonally adjusted; 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					Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Reverse repos to central counterparties	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2011	83.4	63.7	6.3	13.4	1,116.4	155.6	579.0	214.7	322.6	4,719.0	1,138.9	859.5	2,720.5
2012 Q2	85.3	67.5	5.4	12.4	1,148.4	177.1	582.5	223.3	342.6	4,697.8	1,161.1	843.9	2,692.7
Q3 (p)	89.7	71.8	5.7	12.3	1,199.9	221.7	629.6	227.0	343.3	4,653.3	1,141.3	828.4	2,683.7
2012 July	85.2	67.7	5.0	12.4	1,179.4	209.6	613.9	223.1	342.5	4,703.6	1,166.9	841.2	2,695.5
Aug.	88.7	70.9	5.3	12.5	1,159.8	199.3	588.7	225.1	346.1	4,669.0	1,145.4	833.5	2,690.1
Sep. (p)	89.7	71.8	5.7	12.3	1,199.9	221.7	629.6	227.0	343.3	4,653.3	1,141.3	828.4	2,683.7
	Transactions												
2011	1.8	2.8	1.0	-2.0	-23.7	12.8	-20.7	-9.1	6.1	56.2	22.0	-22.2	56.3
2012 Q2	-0.9	-0.1	0.0	-0.8	-5.7	-9.6	-12.0	-0.5	6.9	-0.4	22.7	-5.4	-17.8
Q3 (p)	4.3	4.3	0.3	-0.2	51.2	44.6	46.6	3.2	1.4	-27.9	-13.5	-12.2	-2.2
2012 July	-0.2	0.2	-0.4	0.0	28.4	32.5	30.0	-0.8	-0.8	7.5	7.6	-2.4	2.3
Aug.	3.5	3.2	0.3	0.0	-19.5	-10.3	-25.4	1.8	4.1	-26.8	-19.1	-6.2	-1.5
Sep. (p)	1.0	0.8	0.4	-0.2	42.2	22.4	41.9	2.2	-1.9	-8.6	-2.1	-3.6	-3.0
	Growth rates												
2011	1.9	3.9	19.6	-13.3	-2.1	8.9	-3.4	-4.3	2.0	1.2	2.0	-2.5	2.1
2012 Q2	-6.0	-5.4	2.1	-11.6	0.2	14.4	-4.6	6.4	5.1	-0.7	-1.7	-2.7	0.5
Q3 (p)	-8.8	-9.0	6.3	-13.1	1.8	23.0	-1.5	7.6	4.5	-1.4	-1.9	-4.1	-0.4
2012 July	-8.6	-8.2	-6.0	-11.8	1.9	30.3	-0.8	5.8	4.3	-0.5	0.0	-2.8	0.1
Aug.	-11.0	-11.6	0.0	-11.9	-0.8	12.8	-6.4	6.5	5.2	-0.7	-0.3	-3.3	-0.1
Sep. (p)	-8.8	-9.0	6.3	-13.1	1.8	23.0	-1.5	7.6	4.5	-1.4	-1.9	-4.1	-0.4

2. Loans to households 3)

	Total	Consumer credit				Loans for house purchase				Other loans				
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Sole proprietors	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2011	5,242.8	628.5	140.9	183.8	303.7	3,784.4	14.5	56.7	3,713.3	829.9	419.7	142.8	87.5	599.6
2012 Q2	5,256.5	617.2	137.7	179.8	299.6	3,807.9	14.2	56.6	3,737.1	831.4	417.4	144.8	85.4	601.2
Q3 (p)	5,245.2	604.9	134.1	176.9	294.0	3,815.9	14.4	56.8	3,744.7	824.4	415.2	138.4	83.0	602.9
2012 July	5,246.3	611.5	136.7	179.0	295.8	3,809.4	14.3	57.0	3,738.0	825.4	416.6	139.8	84.1	601.4
Aug.	5,243.3	607.4	134.7	178.1	294.6	3,810.5	14.4	57.0	3,739.1	825.4	416.0	138.7	83.7	603.0
Sep. (p)	5,245.2	604.9	134.1	176.9	294.0	3,815.9	14.4	56.8	3,744.7	824.4	415.2	138.4	83.0	602.9
	Transactions													
2011	81.0	-11.6	-3.7	-6.3	-1.6	85.2	-0.2	2.7	82.7	7.4	8.8	-6.4	-2.5	16.3
2012 Q2	26.6	0.7	1.0	0.4	-0.7	20.6	0.2	0.1	20.3	5.2	-2.9	4.2	-0.8	1.8
Q3 (p)	-5.3	-10.2	-2.5	-2.8	-4.9	10.9	0.4	0.3	10.2	-6.0	-1.7	-6.2	-1.9	2.1
2012 July	-7.2	-4.8	-0.5	-0.9	-3.4	3.2	0.1	0.4	2.7	-5.7	-0.4	-4.7	-1.0	0.0
Aug.	-3.0	-3.8	-1.7	-1.0	-1.1	1.2	0.0	0.0	1.2	-0.3	-0.7	-1.5	-0.3	1.5
Sep. (p)	4.9	-1.6	-0.3	-0.9	-0.4	6.5	0.2	-0.2	6.4	0.0	-0.6	-0.1	-0.6	0.7
	Growth rates													
2011	1.6	-1.8	-2.5	-3.3	-0.5	2.3	-1.7	5.0	2.3	0.9	2.1	-4.3	-2.9	2.8
2012 Q2	0.2	-1.9	-2.7	-2.4	-1.3	0.8	-0.7	3.3	0.7	-0.5	0.8	-4.7	-3.2	1.0
Q3 (p)	0.1	-2.8	-2.8	-3.5	-2.4	0.7	2.9	1.8	0.7	-0.7	0.7	-5.1	-4.5	0.9
2012 July	0.2	-2.1	-1.9	-2.4	-2.1	0.8	-0.7	3.2	0.8	-0.5	1.0	-3.2	-4.3	0.6
Aug.	0.2	-2.5	-3.7	-2.5	-2.0	0.8	-0.4	2.4	0.8	-0.5	0.8	-4.2	-4.0	0.8
Sep. (p)	0.1	-2.8	-2.8	-3.5	-2.4	0.7	2.9	1.8	0.7	-0.7	0.7	-5.1	-4.5	0.9

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) Including non-profit institutions serving households.

2.4 MFI loans: breakdown 1), 2)

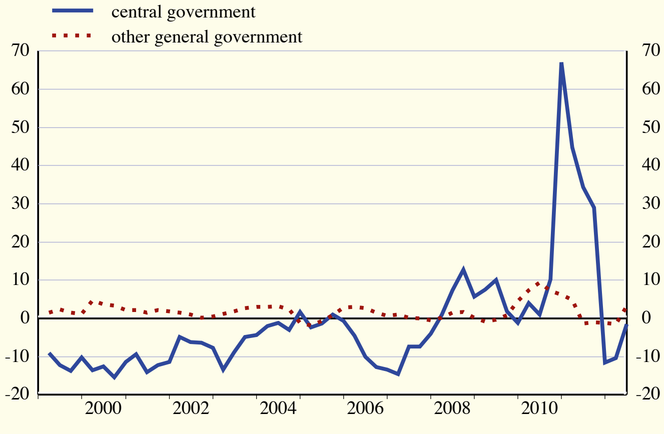
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks 3)	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010	1,217.9	397.5	225.2	549.1	46.1	2,962.9	2,010.9	952.1	49.5	902.6
2011	1,159.6	348.9	221.7	567.4	21.7	3,020.8	2,022.5	998.3	62.4	935.9
2011 Q3	1,145.4	343.5	224.0	553.2	24.7	3,155.7	2,133.1	1,022.7	62.7	960.0
Q4	1,159.6	348.9	221.7	567.4	21.7	3,020.8	2,022.5	998.3	62.4	935.9
2012 Q1	1,137.5	322.6	224.0	566.9	24.0	3,004.9	1,997.7	1,007.2	59.4	947.8
Q2 (p)	1,169.8	339.7	240.1	565.2	25.1	3,084.5	2,060.8	1,023.7	58.0	965.7
	Transactions									
2010	204.2	156.3	14.9	21.1	11.9	4.7	7.6	-3.2	0.5	-3.8
2011	-54.9	-45.9	-0.4	14.6	-23.3	15.1	-26.3	41.4	13.0	28.5
2011 Q3	-6.7	-3.4	0.6	-1.6	-2.4	64.3	58.9	5.4	1.4	4.0
Q4	13.3	4.7	1.2	10.3	-2.9	-151.9	-108.2	-43.7	-1.4	-42.3
2012 Q1	-21.2	-25.9	-1.7	4.1	2.3	41.1	17.4	23.7	-2.2	25.9
Q2 (p)	34.8	19.6	16.1	-1.8	1.2	-15.1	-5.8	-9.6	-3.1	-6.6
	Growth rates									
2010	20.3	67.1	7.1	4.0	35.1	0.5	0.4	-0.2	0.6	-0.3
2011	-4.5	-11.6	-0.2	2.7	-51.6	0.6	-1.1	4.4	26.7	3.2
2011 Q3	6.3	28.9	0.2	1.9	-43.3	5.2	4.0	7.4	24.6	6.4
Q4	-4.5	-11.6	-0.2	2.7	-51.6	0.6	-1.1	4.4	26.7	3.2
2012 Q1	-4.2	-10.4	-2.8	1.9	-41.6	0.0	-0.4	0.8	7.1	0.5
Q2 (p)	1.8	-1.4	7.2	2.0	-6.6	-1.9	-1.7	-2.4	-8.6	-2.0

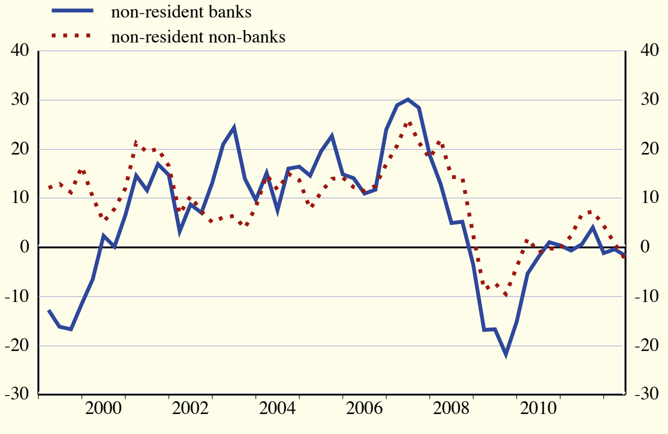
C7 Loans to government 2)

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents 2)

(annual growth rates; not seasonally adjusted)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) The term "banks" is used in this table to indicate institutions similar to MFIs which are resident outside the euro area.

2.5 Deposits held with MFIs: breakdown [1), 2)]

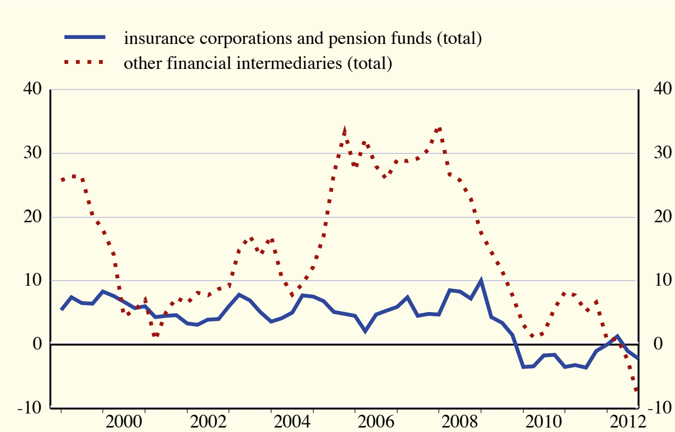
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds: Total	Overnight	With an agreed maturity of: Up to 2 years	With an agreed maturity of: Over 2 years	Redeemable at notice of: Up to 3 months	Redeemable at notice of: Over 3 months	Repos	Other financial intermediaries: Total	Overnight	With an agreed maturity of: Up to 2 years	With an agreed maturity of: Over 2 years	Redeemable at notice of: Up to 3 months	Redeemable at notice of: Over 3 months	Repos	Repos: With central counter-parties
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
								Outstanding amounts							
2010	716.9	84.6	79.3	528.3	2.6	0.3	21.9	2,185.3	358.5	305.7	1,149.6	10.7	0.5	360.3	255.0
2011	704.0	92.1	79.9	512.4	4.0	0.2	15.5	2,220.7	390.0	284.9	1,190.7	14.7	0.5	339.9	260.0
2012 Q2	692.6	99.0	78.8	499.5	5.8	0.2	9.3	2,149.5	408.1	253.5	1,086.0	13.6	0.3	388.0	295.8
Q3 (p)	697.2	101.7	84.0	494.3	6.3	0.2	10.6	2,102.5	434.6	233.5	1,033.5	12.6	0.3	388.0	297.6
2012 June	692.6	99.0	78.8	499.5	5.8	0.2	9.3	2,149.5	408.1	253.5	1,086.0	13.6	0.3	388.0	295.8
July	701.0	106.2	81.4	497.5	6.1	0.2	9.7	2,101.8	419.4	245.2	1,033.7	12.2	0.2	391.1	295.6
Aug.	694.7	99.6	82.2	496.3	6.2	0.2	10.1	2,074.5	417.0	234.2	1,033.7	12.7	0.3	376.7	287.0
Sep. (p)	697.2	101.7	84.0	494.3	6.3	0.2	10.6	2,102.5	434.6	233.5	1,033.5	12.6	0.3	388.0	297.6
								Transactions							
2010	-26.5	-3.3	-8.4	-23.2	0.2	6.6	1.6	158.2	45.1	-37.4	53.9	-8.1	0.4	104.2	-
2011	0.2	11.7	4.2	-14.2	1.1	-0.1	-2.6	13.8	28.8	-29.1	10.5	3.9	0.1	-0.3	5.5
2012 Q2	-18.5	0.8	-7.5	-4.8	1.3	0.0	-8.3	-38.7	-13.0	-14.0	-54.0	-1.7	0.0	44.0	36.4
Q3 (p)	4.7	2.9	5.3	-5.2	0.5	0.0	1.3	-50.7	26.9	-22.0	-60.0	-1.7	-0.1	6.2	2.3
2012 June	-15.9	-4.6	-6.4	-2.1	0.4	0.0	-3.3	-19.8	-4.4	-11.1	-12.5	-0.6	0.0	8.9	6.4
July	8.2	7.1	2.5	-2.1	0.3	0.0	0.4	-53.0	10.1	-9.0	-55.4	-1.4	-0.1	2.8	-0.5
Aug.	-6.1	-6.4	0.9	-1.1	0.1	0.0	0.4	-24.5	-1.9	-10.7	0.2	-0.1	0.1	-12.1	-11.9
Sep. (p)	2.6	2.2	1.9	-2.0	0.0	0.0	0.5	26.8	18.7	-2.3	-4.9	-0.1	0.0	15.5	14.7
								Growth rates							
2010	-3.6	-3.4	-9.6	-4.2	9.6	-	7.8	8.2	14.4	-11.1	5.0	-48.6	-	41.1	-
2011	0.0	14.4	5.6	-2.7	43.3	-	-13.1	0.7	8.1	-9.3	0.8	36.0	-	-0.2	2.1
2012 Q2	-1.0	16.5	9.5	-4.2	70.3	-	-48.1	-2.5	8.8	-16.0	-5.9	9.9	-	7.3	7.4
Q3 (p)	-2.2	15.5	-0.7	-4.5	63.7	-	-44.6	-8.4	12.9	-25.2	-11.6	5.9	-	-6.9	-7.5
2012 June	-1.0	16.5	9.5	-4.2	70.3	-	-48.1	-2.5	8.8	-16.0	-5.9	9.9	-	7.3	7.4
July	-0.4	27.7	8.1	-4.5	56.0	-	-52.8	-3.7	14.9	-19.9	-9.9	6.4	-	10.5	10.5
Aug.	-2.6	14.0	1.1	-4.7	60.3	-	-48.5	-7.7	11.0	-24.6	-10.3	3.7	-	-4.6	-5.0
Sep. (p)	-2.2	15.5	-0.7	-4.5	63.7	-	-44.6	-8.4	12.9	-25.2	-11.6	5.9	-	-6.9	-7.5

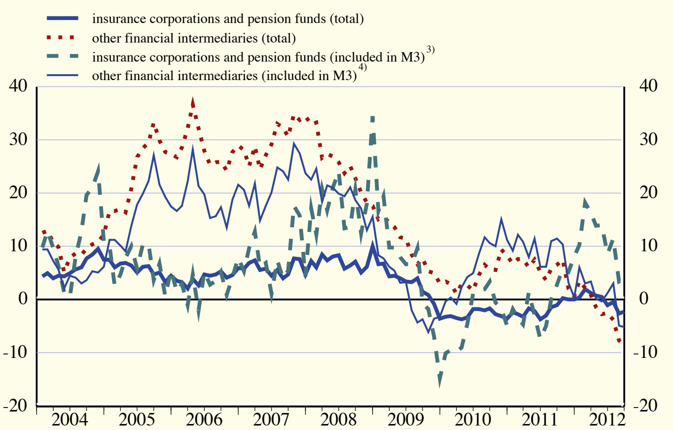
C9 Total deposits by sector [2)]

(annual growth rates)



C10 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



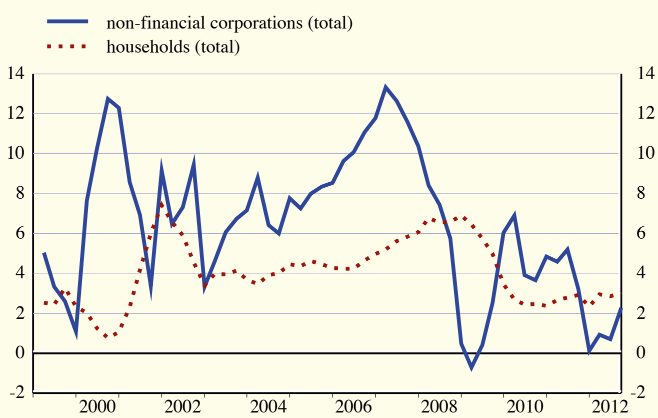
Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) Covers deposits in columns 2, 3, 5 and 7.
4) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs: breakdown [1], [2]
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

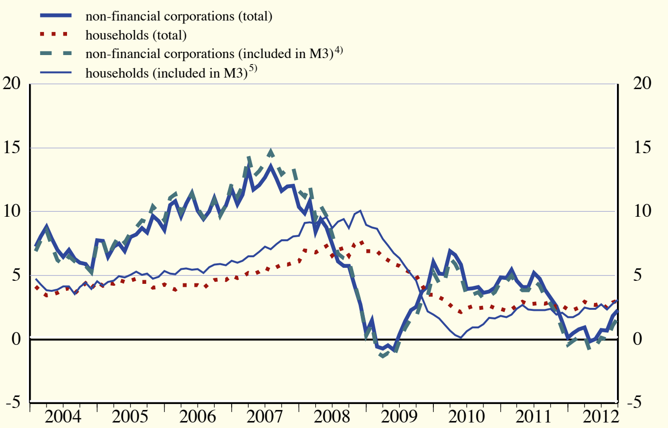
2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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													
2010	1,670.7	1,036.4	455.5	87.2	75.8	1.5	14.2	5,739.1	2,244.5	901.0	665.0	1,788.5	110.3	29.8
2011	1,685.9	1,049.2	448.4	97.7	72.3	2.0	16.3	5,894.0	2,255.7	948.3	723.7	1,837.0	106.7	22.7
2012 Q2	1,678.2	1,065.9	413.4	103.2	80.5	1.7	13.4	6,000.8	2,288.5	975.3	741.4	1,878.0	103.4	14.3
Q3 (p)	1,700.4	1,093.9	404.2	104.8	83.7	1.7	12.2	6,016.9	2,295.6	974.5	742.1	1,892.1	99.6	13.0
2012 June	1,678.2	1,065.9	413.4	103.2	80.5	1.7	13.4	6,000.8	2,288.5	975.3	741.4	1,878.0	103.4	14.3
July	1,671.9	1,062.8	409.6	104.7	79.9	1.5	13.3	6,000.1	2,280.2	975.9	742.3	1,885.1	102.6	14.1
Aug.	1,688.4	1,079.4	407.8	105.0	81.8	1.6	12.8	6,005.6	2,282.1	972.9	743.6	1,892.5	101.2	13.3
Sep. (p)	1,700.4	1,093.9	404.2	104.8	83.7	1.7	12.2	6,016.9	2,295.6	974.5	742.1	1,892.1	99.6	13.0
	Transactions													
2010	77.5	40.1	22.9	9.0	7.7	-0.2	-2.1	132.7	81.7	-99.0	58.7	113.5	-14.6	-7.5
2011	2.5	8.5	-7.8	8.7	-7.3	0.4	-0.2	134.2	7.4	42.5	50.5	43.5	-2.6	-7.0
2012 Q2	9.0	35.1	-32.6	3.1	4.3	-0.4	-0.5	52.1	63.1	-21.4	4.3	13.2	-1.6	-5.6
Q3 (p)	28.3	33.6	-10.1	3.4	2.5	0.0	-1.1	16.8	8.1	-0.4	0.7	13.6	-3.8	-1.3
2012 June	16.0	23.2	-7.6	1.0	1.0	0.0	-1.7	39.5	44.2	-8.1	0.5	5.6	-0.9	-1.8
July	-5.0	-2.9	-4.4	3.1	-0.4	-0.2	-0.2	-1.8	-8.8	0.1	0.9	7.1	-0.8	-0.3
Aug.	19.0	20.4	-2.5	0.3	1.0	0.0	-0.4	6.4	2.9	-2.5	1.3	6.9	-1.4	-0.8
Sep. (p)	14.3	16.1	-3.1	-0.1	1.9	0.1	-0.5	12.2	13.9	2.0	-1.5	-0.4	-1.5	-0.3
	Growth rates													
2010	4.9	4.0	5.2	11.2	11.2	-10.1	-12.8	2.4	3.8	-9.9	9.7	6.8	-11.7	-20.2
2011	0.1	0.8	-1.7	9.9	-9.3	28.9	-3.4	2.3	0.3	4.7	7.5	2.4	-2.4	-23.6
2012 Q2	0.7	4.6	-9.3	10.6	-0.2	-18.5	-16.7	2.8	1.2	7.4	5.0	3.4	-5.4	-57.2
Q3 (p)	2.3	9.2	-13.6	12.1	4.2	-0.8	-34.5	3.1	2.4	5.6	4.6	3.9	-8.5	-61.4
2012 June	0.7	4.6	-9.3	10.6	-0.2	-18.5	-16.7	2.8	1.2	7.4	5.0	3.4	-5.4	-57.2
July	0.7	5.4	-10.7	13.2	0.4	-25.5	-30.0	2.4	0.6	6.4	4.6	3.6	-6.3	-60.1
Aug.	1.8	7.7	-11.7	14.0	0.5	-12.7	-35.2	2.9	1.9	5.6	5.2	3.7	-7.5	-62.1
Sep. (p)	2.3	9.2	-13.6	12.1	4.2	-0.8	-34.5	3.1	2.4	5.6	4.6	3.9	-8.5	-61.4

C11 Total deposits by sector [2]
(annual growth rates)



C12 Total deposits and deposits included in M3 by sector [2]
(annual growth rates)



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

2.5 Deposits held with MFIs: breakdown [1], [2]

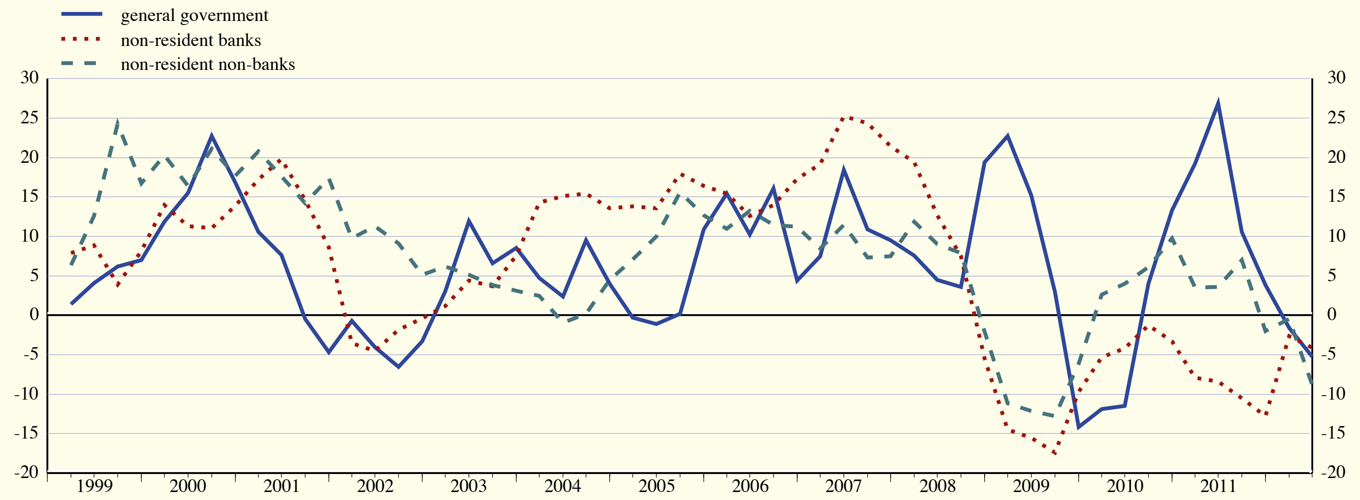
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010	426.7	196.2	47.7	108.7	74.1	3,484.4	2,487.5	996.9	45.9	950.9
2011	441.8	195.5	48.6	112.6	85.2	3,153.0	2,175.4	977.5	44.3	933.2
2011 Q3	464.2	211.4	54.3	110.5	88.0	3,343.0	2,295.3	1,047.7	50.0	997.7
Q4	441.8	195.5	48.6	112.6	85.2	3,153.0	2,175.4	977.5	44.3	933.2
2012 Q1	466.7	192.5	65.0	113.4	95.9	3,312.0	2,331.9	980.1	54.7	925.4
Q2 (p)	508.2	191.9	98.4	112.4	105.4	3,239.6	2,293.8	945.8	39.6	906.2
	Transactions									
2010	50.0	47.4	4.3	-5.0	2.9	-1.5	-84.8	83.4	7.5	75.9
2011	16.9	3.3	0.6	2.3	10.6	-335.2	-314.2	-21.0	-2.1	-19.0
2011 Q3	-56.7	-55.1	-1.0	-1.2	0.4	-1.6	-46.0	44.5	1.4	43.1
Q4	-22.5	-15.9	-5.9	2.1	-2.7	-235.6	-152.1	-83.5	-6.2	-77.3
2012 Q1	25.9	-2.9	16.5	1.3	10.9	191.8	180.7	11.1	10.9	0.2
Q2 (p)	26.0	1.8	18.8	-1.2	6.6	-138.1	-76.3	-61.8	-15.9	-45.9
	Growth rates									
2010	13.3	32.2	9.9	-4.4	4.1	0.2	-3.3	9.7	12.7	9.4
2011	3.9	1.3	1.3	2.1	14.3	-9.8	-12.8	-2.0	-4.3	-1.9
2011 Q3	10.6	21.6	-7.8	-1.9	17.3	-5.6	-10.5	7.0	3.3	7.2
Q4	3.9	1.3	1.3	2.1	14.3	-9.8	-12.8	-2.0	-4.3	-1.9
2012 Q1	-1.6	-18.3	23.5	5.6	21.2	-2.0	-2.7	-0.5	29.6	-1.8
Q2 (p)	-5.3	-27.0	51.4	0.9	17.4	-5.4	-4.1	-8.9	-20.4	-8.3

C13 Deposits by government and non-euro area residents [2]

(annual growth rates)



Source: ECB.

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

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

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

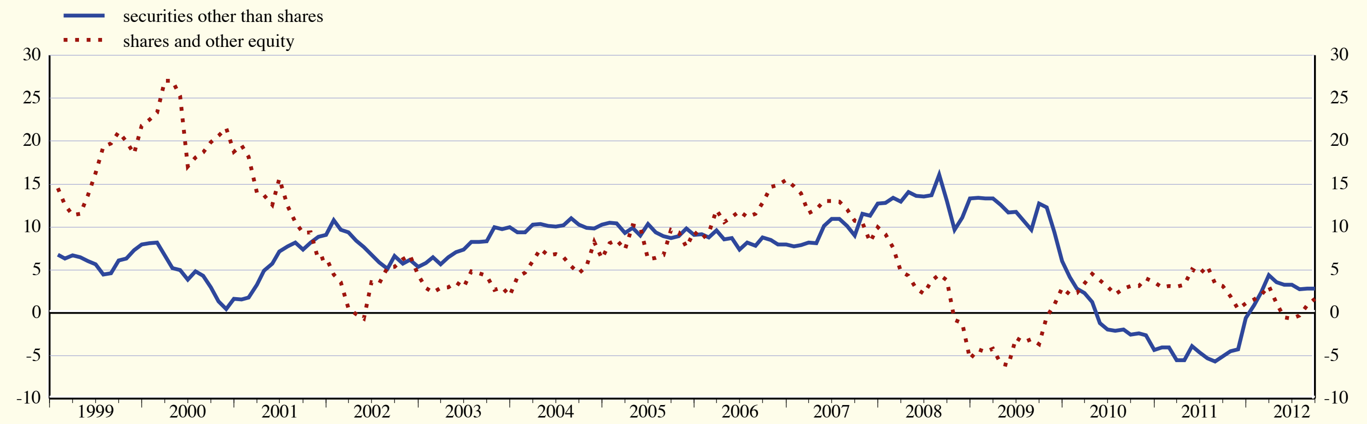
2.6 MFI holdings of securities: breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2010	6,001.0	1,779.0	107.4	1,507.8	16.4	1,510.0	28.3	1,052.1	1,535.8	445.1	788.0	302.7
2011	5,697.7	1,764.2	87.8	1,373.0	22.9	1,489.1	28.3	932.5	1,507.2	485.1	726.6	295.4
2012 Q2	5,826.4	1,766.7	98.5	1,554.6	33.9	1,428.0	25.5	919.1	1,489.3	486.3	717.7	285.4
Q3 (p)	5,786.2	1,787.3	104.8	1,587.3	31.9	1,346.6	25.5	902.8	1,512.1	486.8	736.0	289.3
2012 June	5,826.4	1,766.7	98.5	1,554.6	33.9	1,428.0	25.5	919.1	1,489.3	486.3	717.7	285.4
July	5,790.4	1,790.7	100.8	1,538.5	36.3	1,380.8	25.6	917.7	1,498.9	488.1	721.8	289.0
Aug.	5,787.4	1,807.8	105.9	1,542.8	32.6	1,365.5	25.2	907.7	1,502.4	487.3	723.8	291.3
Sep. (p)	5,786.2	1,787.3	104.8	1,587.3	31.9	1,346.6	25.5	902.8	1,512.1	486.8	736.0	289.3
	Transactions											
2010	-269.3	-166.5	-6.8	42.8	-2.0	11.6	-14.8	-133.6	54.2	28.0	5.2	20.9
2011	-32.8	44.6	7.8	-5.2	5.5	-25.0	-0.1	-60.6	16.5	59.7	-31.5	-11.7
2012 Q2	-96.0	-50.8	-3.7	46.0	-0.3	-41.7	-0.5	-45.0	-19.4	0.6	-12.1	-7.9
Q3 (p)	-73.3	13.9	7.5	9.9	-1.5	-89.2	0.4	-14.3	20.8	1.7	17.4	1.6
2012 June	-51.5	-15.7	-2.4	16.9	-0.2	-37.0	1.1	-14.1	-30.6	-1.7	-22.8	-6.1
July	-65.7	22.1	-0.1	-19.5	1.5	-54.0	-0.5	-15.2	10.1	1.6	5.4	3.0
Aug.	-3.9	13.2	6.5	-4.0	-2.9	-15.7	0.1	-1.2	2.0	-0.6	-0.2	2.8
Sep. (p)	-3.7	-21.4	1.0	33.4	-0.1	-19.6	0.8	2.1	8.7	0.8	12.2	-4.2
	Growth rates											
2010	-4.3	-8.5	-5.4	2.9	-10.8	0.8	-35.5	-11.3	3.6	6.4	0.6	7.5
2011	-0.6	2.6	7.7	-0.4	33.7	-1.6	-0.8	-6.2	1.1	13.7	-4.1	-3.8
2012 Q2	3.3	6.8	11.9	8.6	47.4	-0.5	-4.8	-6.4	-0.7	7.5	-3.4	-6.3
Q3 (p)	2.8	5.3	19.9	12.8	39.7	-6.2	1.4	-4.7	1.6	4.1	2.0	-3.4
2012 June	3.3	6.8	11.9	8.6	47.4	-0.5	-4.8	-6.4	-0.7	7.5	-3.4	-6.3
July	2.7	8.9	12.4	8.3	59.1	-4.6	-4.4	-6.8	-0.3	6.4	-2.4	-5.6
Aug.	2.8	7.5	24.4	9.5	25.0	-5.2	-13.8	-4.8	0.9	5.9	-1.3	-1.8
Sep. (p)	2.8	5.3	19.9	12.8	39.7	-6.2	1.4	-4.7	1.6	4.1	2.0	-3.4

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

2.7 Currency breakdown of selected MFI balance sheet items 1), 2)

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

1. Loans, holdings of securities other than shares, and deposits

	MFIs 3)							Non-MFIs						
	All currencies (outstanding amount)	Euro 4)	Non-euro currencies: Total	USD	JPY	CHF	GBP	All currencies (outstanding amount)	Euro 4)	Non-euro currencies: Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Loans														
To euro area residents														
2010	5,517.3	-	-	-	-	-	-	12,244.0	96.0	4.0	2.1	0.2	1.1	0.4
2011	6,160.7	-	-	-	-	-	-	12,321.1	96.2	3.8	1.9	0.3	1.1	0.4
2012 Q1	6,330.9	-	-	-	-	-	-	12,298.2	96.3	3.7	1.8	0.2	1.1	0.4
Q2 (p)	6,312.7	-	-	-	-	-	-	12,357.8	96.2	3.8	1.9	0.3	1.0	0.4
To non-euro area residents														
2010	2,010.9	44.9	55.1	30.7	2.9	3.2	11.6	952.1	39.9	60.1	42.8	1.4	3.7	6.7
2011	2,022.5	44.5	55.5	35.6	2.5	2.7	9.3	998.3	38.2	61.8	41.2	2.6	3.3	7.8
2012 Q1	1,997.7	47.8	52.2	32.9	2.5	2.6	8.4	1,007.2	39.0	61.0	41.0	2.4	3.1	7.6
Q2 (p)	2,060.8	46.5	53.5	33.1	2.2	2.9	9.6	1,023.7	38.9	61.1	39.9	2.4	3.0	9.2
Holdings of securities other than shares														
Issued by euro area residents														
2010	1,886.4	94.3	5.7	3.3	0.1	0.3	1.7	3,062.5	98.5	1.5	0.8	0.1	0.1	0.4
2011	1,852.0	95.3	4.7	2.5	0.1	0.3	1.5	2,913.3	98.2	1.8	1.0	0.2	0.1	0.4
2012 Q1	1,919.1	94.9	5.1	2.6	0.1	0.3	1.8	3,045.4	98.1	1.9	1.1	0.1	0.1	0.4
Q2 (p)	1,865.2	94.7	5.3	2.6	0.1	0.4	1.8	3,042.1	98.0	2.0	1.2	0.1	0.1	0.4
Issued by non-euro area residents														
2010	545.9	49.9	50.1	27.6	0.3	0.5	16.8	506.2	33.3	66.7	40.4	3.9	0.9	13.6
2011	457.0	56.4	43.6	21.1	0.3	0.3	16.0	475.5	32.3	67.7	39.3	5.8	0.7	13.7
2012 Q1	489.7	55.4	44.6	19.8	0.3	0.3	20.2	465.3	33.5	66.5	36.2	4.5	0.9	13.6
Q2 (p)	455.3	56.5	43.5	19.0	0.3	0.3	18.7	463.9	34.1	65.9	38.8	5.9	0.8	12.5
Deposits														
By euro area residents														
2010	5,774.7	92.9	7.1	4.1	0.3	1.3	0.8	10,738.7	97.1	2.9	1.9	0.2	0.1	0.4
2011	6,370.7	92.1	7.9	5.1	0.2	1.2	0.7	10,946.4	97.0	3.0	2.0	0.1	0.1	0.4
2012 Q1	6,516.4	93.5	6.5	3.9	0.2	1.2	0.6	10,997.9	97.1	2.9	1.9	0.1	0.1	0.4
Q2 (p)	6,622.3	93.6	6.4	3.9	0.2	1.1	0.7	11,029.2	97.0	3.0	2.0	0.1	0.1	0.4
By non-euro area residents														
2010	2,487.5	52.0	48.0	31.8	2.2	1.8	8.7	996.9	58.8	41.2	29.3	1.2	1.4	5.1
2011	2,175.4	59.2	40.8	25.6	2.1	1.8	7.2	977.5	56.1	43.9	30.0	2.0	1.5	5.1
2012 Q1	2,331.9	60.4	39.6	25.4	1.8	1.6	6.9	980.1	55.3	44.7	29.8	2.0	1.3	5.2
Q2 (p)	2,293.8	60.9	39.1	25.5	1.8	1.2	6.7	945.8	54.6	45.4	29.8	1.9	1.2	5.9

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro 4)	Non-euro currencies: Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2010	5,083.2	81.6	18.4	9.7	1.8	2.1	2.5
2011	5,236.8	82.0	18.0	9.4	1.7	2.0	2.6
2012 Q1	5,295.7	82.5	17.5	9.3	1.5	2.0	2.4
Q2 (p)	5,225.4	81.8	18.2	9.5	1.7	2.0	2.5

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) For non-euro area residents, the term “MFIs” refers to institutions similar to euro area MFIs.
4) Including items expressed in the national denominations of the euro.

2.8 Aggregated balance sheet of euro area investment funds [1]

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

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/ money market fund shares)	Investment fund/ money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
	Outstanding amounts						
2012 Feb.	6,645.5	445.6	2,636.0	1,882.7	885.3	240.2	555.6
Mar.	6,679.8	442.3	2,674.2	1,886.9	889.2	241.2	546.0
Apr.	6,679.3	447.8	2,694.2	1,860.7	886.8	242.1	547.6
May	6,674.6	474.5	2,732.3	1,774.4	879.4	242.7	571.3
June	6,729.6	490.8	2,732.2	1,815.5	876.5	242.8	571.9
July	6,960.8	494.5	2,820.8	1,882.5	912.9	244.4	605.6
Aug. (p)	6,970.2	489.2	2,842.6	1,879.0	917.0	242.1	600.3
	Transactions						
2011 Q4	-179.9	-34.5	-1.0	-24.4	-11.1	1.7	-110.6
2012 Q1	151.1	17.0	73.0	4.6	11.5	4.4	40.6
Q2	40.3	22.2	29.6	-11.0	-5.9	1.8	3.7

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
					Investment funds		
	1	2	3	4	5	6	7
	Outstanding amounts						
2012 Feb.	6,645.5	134.1	6,016.6	4,533.6	677.2	1,482.9	494.8
Mar.	6,679.8	127.3	6,066.5	4,562.0	684.1	1,504.5	486.0
Apr.	6,679.3	129.6	6,062.6	4,544.4	678.2	1,518.1	487.2
May	6,674.6	137.6	6,021.5	4,470.6	665.7	1,550.9	515.5
June	6,729.6	142.1	6,065.1	4,492.9	663.3	1,572.2	522.4
July	6,960.8	143.4	6,266.6	4,623.2	698.4	1,643.4	550.8
Aug. (p)	6,970.2	147.0	6,282.7	4,641.2	703.7	1,641.4	540.6
	Transactions						
2011 Q4	-179.9	-13.7	-37.3	-60.7	-2.9	23.4	-128.9
2012 Q1	151.1	9.4	94.8	60.6	30.9	34.2	46.8
Q2	40.3	15.7	33.9	-0.6	-10.1	34.7	-9.3

3. Investment fund shares issued broken down by investment policy and type of fund

	Total	Funds by investment policy						Funds by type		Memo item: Money market funds
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds	Closed-end funds	
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2012 Jan.	5,880.3	2,019.4	1,582.8	1,455.9	302.9	128.6	390.6	5,791.6	88.6	949.8
Feb.	6,016.6	2,056.8	1,637.5	1,488.4	304.7	128.3	400.8	5,930.9	85.7	935.4
Mar.	6,066.5	2,087.5	1,640.5	1,498.9	307.5	132.4	399.7	5,980.6	85.9	956.8
Apr.	6,062.6	2,108.8	1,616.3	1,496.0	309.6	133.8	398.0	5,976.3	86.3	972.3
May	6,021.5	2,157.9	1,539.9	1,480.3	311.2	136.3	396.0	5,935.0	86.5	999.9
June	6,065.1	2,172.5	1,568.8	1,478.5	311.3	136.2	397.7	5,984.3	80.9	969.5
July	6,266.6	2,251.0	1,627.4	1,529.3	314.5	138.8	405.5	6,185.3	81.3	964.5
Aug. (p)	6,282.7	2,262.8	1,623.4	1,536.9	312.7	138.2	408.7	6,201.7	81.0	970.0
	Transactions									
2012 Feb.	32.7	13.4	2.2	12.2	0.9	-0.8	4.9	35.0	-2.3	2.8
Mar.	41.6	29.3	5.7	5.0	1.7	0.9	-1.0	40.8	0.7	18.5
Apr.	8.3	14.2	-8.8	0.6	1.3	0.4	0.5	8.5	-0.2	9.3
May	15.3	24.5	-5.3	-4.0	0.1	-1.0	1.1	15.5	-0.2	12.0
June	10.3	15.2	-0.6	-5.1	1.1	0.0	-0.4	14.6	-4.3	-25.7
July	33.3	25.1	-4.9	15.0	-0.5	-0.5	-0.9	33.2	0.1	-14.9
Aug. (p)	15.6	16.6	-2.5	2.6	0.4	-1.2	-0.3	15.7	-0.1	13.1

Source: ECB.

1) Other than money market funds (which are shown as a memo item in column 10 in Table 3 of this section). For further details, see the General Notes.

2.9 Securities held by investment funds [1] broken down by issuer of securities

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

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2011 Q3	2,380.3	1,413.4	380.6	680.9	184.0	4.8	163.0	967.0	252.1	368.3	19.0
Q4	2,505.2	1,424.4	390.5	675.2	186.2	4.5	167.8	1,080.8	271.3	436.0	20.5
2012 Q1	2,674.2	1,502.9	424.6	678.9	209.0	5.7	184.5	1,171.3	313.1	453.4	15.5
Q2 (p)	2,732.2	1,507.6	415.4	694.2	207.9	5.1	184.9	1,224.6	315.2	469.5	18.0
	Transactions										
2011 Q4	-1.0	1.3	3.1	-5.4	-0.9	-0.3	4.6	-0.9	-2.5	1.7	-0.2
2012 Q1	73.0	13.7	10.4	-21.1	14.8	0.5	9.1	59.2	20.5	15.6	-4.3
Q2 (p)	29.6	9.3	-9.1	15.9	0.3	-0.5	2.7	20.3	-5.9	-11.3	1.1

2. Shares and other equity (other than investment fund and money market fund shares)

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2011 Q3	1,636.1	620.9	53.8	-	37.7	20.4	508.9	1,015.2	141.5	322.8	71.9
Q4	1,734.6	636.3	47.6	-	39.0	21.4	528.3	1,098.2	154.5	358.1	71.8
2012 Q1	1,886.9	689.1	56.4	-	41.7	24.1	566.7	1,197.8	162.5	389.7	75.3
Q2 (p)	1,815.5	637.7	45.4	-	38.7	21.9	531.7	1,177.7	162.8	392.1	78.3
	Transactions										
2011 Q4	-24.4	-8.7	-1.7	-	-1.9	0.4	-5.6	-15.6	-1.0	-6.6	1.1
2012 Q1	4.6	-3.8	4.1	-	0.8	-1.2	-7.7	8.4	-2.3	-0.1	-1.6
Q2 (p)	-11.0	-8.5	-3.0	-	-0.7	-0.2	-4.6	-2.1	1.6	-0.7	3.7

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs [2]	General government	Other financial intermediaries [2]	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2011 Q3	830.0	694.5	94.4	-	600.1	-	-	135.5	20.2	43.2	0.6
Q4	839.4	708.0	94.7	-	613.4	-	-	131.4	20.9	40.5	0.6
2012 Q1	889.2	753.1	69.0	-	684.1	-	-	136.1	25.2	41.2	0.6
Q2 (p)	876.5	741.1	77.8	-	663.3	-	-	135.4	25.0	42.7	0.6
	Transactions										
2011 Q4	-11.1	-2.9	0.0	-	-2.9	-	-	-8.2	-0.8	-9.0	0.0
2012 Q1	11.5	11.5	-19.4	-	30.9	-	-	0.0	2.2	-0.6	-0.1
Q2 (p)	-5.9	-2.8	7.3	-	-10.1	-	-	-3.2	-0.1	0.4	0.0

Source: ECB.
1) Other than money market funds. For further details, see the General Notes.
2) Investment fund shares (other than money market fund shares) are issued by other financial intermediaries. Money market fund shares are issued by MFIs.

2.10 Aggregated balance sheet of euro area financial vehicle corporations

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

1. Assets

	Total	Deposits and loan claims	Securitised loans							Securities other than shares	Other securitised assets	Shares and other equity	Other assets
			Total	Originated in euro area					Originated outside euro area				
				MFIs		Other financial intermediaries, insurance corporations and pension funds	Non-financial corporations	General government					
					Remaining on the MFI balance sheet [1]								
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2011 Q2	2,216.1	340.0	1,461.2	1,167.2	585.5	144.1	20.4	5.2	124.4	232.6	88.6	35.7	58.0
Q3	2,204.5	324.8	1,464.5	1,154.9	590.5	144.9	21.6	5.1	138.0	228.5	86.9	37.8	62.0
Q4	2,276.9	327.4	1,531.6	1,219.2	583.1	149.8	21.9	4.8	135.9	226.9	90.1	36.8	64.1
2012 Q1	2,224.1	320.7	1,500.9	1,198.3	553.7	144.3	21.7	4.8	131.9	214.4	87.0	35.6	65.4
Q2	2,146.4	305.6	1,454.0	1,148.0	515.2	148.9	21.2	4.4	131.6	213.1	83.2	30.2	60.2
	Transactions												
2011 Q2	-43.7	-11.1	-25.7	-20.9	-	1.5	-0.7	-0.3	-5.2	-7.9	0.0	0.0	1.1
Q3	-32.5	-15.9	0.2	10.9	-	-2.1	0.0	0.0	-8.5	-5.5	-2.1	-1.1	-8.1
Q4	67.5	2.7	63.6	63.1	-	4.2	0.3	-0.4	-3.6	-1.3	2.3	-1.0	1.1
2012 Q1	-54.1	-6.4	-28.8	-19.5	-	-5.4	-0.1	0.0	-3.8	-12.9	-1.9	-0.9	-3.2
Q2	-82.8	-14.8	-48.2	-50.5	-	5.1	-0.7	-0.4	-1.8	-2.0	-2.8	-5.3	-9.7

2. Liabilities

	Total	Loans and deposits received	Debt securities issued			Capital and reserves	Other liabilities
			Total	Up to 2 years	Over 2 years		
	1	2	3	4	5	6	7
	Outstanding amounts						
2011 Q2	2,216.1	135.9	1,840.1	66.4	1,773.7	35.2	204.9
Q3	2,204.5	134.8	1,819.2	64.5	1,754.7	34.8	215.7
Q4	2,276.9	152.4	1,879.6	67.3	1,812.3	33.6	211.3
2012 Q1	2,224.1	152.6	1,821.9	60.3	1,761.6	32.7	216.8
Q2	2,146.4	146.9	1,752.3	58.1	1,694.1	27.6	219.7
	Transactions						
2011 Q2	-43.7	1.4	-47.7	-7.5	-40.2	-0.8	3.4
Q3	-32.5	-2.2	-25.5	-3.0	-22.6	-2.4	-2.3
Q4	67.5	17.4	61.7	2.8	58.9	-1.5	-10.1
2012 Q1	-54.1	1.1	-56.3	-8.2	-48.1	-0.9	1.9
Q2	-82.8	-5.4	-72.4	-1.9	-70.5	-5.3	0.3

3. Holdings of securitised loans originated by euro area MFIs and securities other than shares

	Securitised loans originated by euro area MFIs							Securities other than shares					
	Total	Euro area borrowing sector [2]					Non-euro area borrowing sector	Total	Euro area residents				Non-euro area residents
		Households	Non-financial corporations	Other financial intermediaries	Insurance corporations and pension funds	General government			Total	MFIs	Non-MFIs		
												Financial vehicle corporations	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2011 Q2	1,167.2	820.4	254.9	19.3	0.4	9.8	42.3	232.6	124.2	41.0	83.2	35.4	108.4
Q3	1,154.9	836.8	234.5	18.4	0.3	9.5	36.5	228.5	121.7	42.2	79.5	33.0	106.8
Q4	1,219.2	902.6	242.9	17.6	0.2	6.6	32.5	226.9	119.7	41.0	78.7	32.5	107.2
2012 Q1	1,198.3	891.5	234.5	17.6	0.2	6.4	32.4	214.4	114.2	40.3	73.9	31.8	100.2
Q2	1,148.0	844.4	233.9	18.1	0.2	6.3	31.5	213.1	113.9	41.5	72.4	30.5	99.2
	Transactions												
2011 Q2	-20.9	-21.3	0.8	0.8	0.2	2.6	-1.8	-7.9	0.4	-0.4	0.7	-0.7	-8.3
Q3	10.9	11.8	-0.2	-0.7	0.0	-0.2	1.4	-5.5	-3.1	-0.1	-3.0	-1.3	-2.3
Q4	63.1	65.9	7.5	-0.7	-0.1	-3.0	-4.4	-1.3	-1.7	-1.6	-0.2	-0.2	0.4
2012 Q1	-19.5	-11.2	-7.2	0.1	0.0	-0.2	0.2	-12.9	-5.5	-0.7	-4.8	-0.6	-7.4
Q2	-50.5	-48.7	-0.5	0.5	0.0	-0.1	0.5	-2.0	-0.5	0.7	-1.1	-1.4	-1.6

Source: ECB.

1) Loans securitised using euro area financial vehicle corporations which remain on the balance sheet of the relevant MFI - i.e. which have not been derecognised. Whether or not loans are derecognised from the balance sheet of the MFI depends on the relevant accounting rules. For further information, see the General Notes.

2) Excludes securitisations of inter-MFI loans.

2.11 Aggregated balance sheet of euro area insurance corporations and pension funds

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Currency and deposits	Loans	Securities other than shares	Shares and other equity	Investment fund shares	Money market fund shares	Prepayments of insurance premiums and reserves for outstanding claims	Other accounts receivable/ payable and financial derivatives	Non-financial assets
	1	2	3	4	5	6	7	8	9	10
2009 Q3	6,506.0	782.0	431.7	2,425.8	790.2	1,364.9	94.0	246.9	221.7	148.9
Q4	6,638.4	785.8	431.5	2,468.5	805.0	1,446.1	92.6	251.5	209.2	148.0
2010 Q1	6,866.2	782.4	437.7	2,592.1	810.5	1,521.5	91.6	259.7	227.3	143.4
Q2	6,884.4	783.6	441.2	2,621.9	787.6	1,508.5	88.2	265.2	242.9	145.2
Q3	7,057.6	782.1	449.6	2,710.8	803.9	1,548.7	84.5	267.1	265.9	145.1
Q4	6,991.5	770.7	453.7	2,650.1	831.5	1,580.9	72.0	267.2	218.2	147.0
2011 Q1	7,083.5	771.6	454.4	2,705.3	841.2	1,594.0	72.5	274.5	220.8	149.2
Q2	7,097.0	774.6	461.7	2,716.6	839.8	1,594.5	78.2	265.5	218.1	148.0
Q3	7,098.8	791.5	458.3	2,745.8	792.2	1,543.0	89.6	265.1	265.5	147.8
Q4	7,087.7	784.5	466.7	2,692.9	801.3	1,570.9	94.4	260.6	266.7	149.7
2012 Q1	7,344.4	794.1	467.1	2,807.2	811.9	1,679.2	97.2	264.4	272.1	151.1
Q2	7,399.4	780.9	467.9	2,847.2	804.2	1,680.0	102.0	268.0	296.4	152.8

2. Holdings of securities other than shares

	Total	Issued by euro area residents						Issued by non-euro area residents
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	
	1	2	3	4	5	6	7	8
2009 Q3	2,425.8	2,022.0	550.0	1,091.5	228.2	15.2	137.2	403.8
Q4	2,468.5	2,059.6	542.4	1,122.0	239.0	16.7	139.4	408.9
2010 Q1	2,592.1	2,170.7	575.7	1,198.5	233.7	15.8	146.9	421.4
Q2	2,621.9	2,196.4	579.4	1,207.5	242.7	15.9	150.9	425.5
Q3	2,710.8	2,278.3	593.4	1,261.1	251.8	18.4	153.5	432.5
Q4	2,650.1	2,221.7	588.9	1,229.8	230.3	17.1	155.6	428.4
2011 Q1	2,705.3	2,282.5	610.4	1,267.4	233.9	16.9	154.0	422.7
Q2	2,716.6	2,293.0	614.9	1,270.3	233.7	16.5	157.6	423.6
Q3	2,745.8	2,313.6	626.8	1,282.2	226.6	16.6	161.4	432.2
Q4	2,692.9	2,258.7	621.5	1,231.8	223.7	16.2	165.5	434.2
2012 Q1	2,807.2	2,346.6	645.6	1,271.4	233.4	16.7	179.4	460.6
Q2	2,847.2	2,365.1	643.7	1,269.0	233.1	16.6	202.8	482.1

3. Liabilities and net worth

	Liabilities									Net worth
	Total	Loans received	Securities other than shares	Shares and other equity	Insurance technical reserves				Other accounts receivable/ payable and financial derivatives	
					Total	Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	1	2	3	4	5	6	7	8	9	10
2009 Q3	6,338.8	250.8	36.1	442.1	5,413.9	2,967.4	1,646.3	800.2	195.9	167.2
Q4	6,439.9	233.1	39.4	438.8	5,530.8	3,034.2	1,695.1	801.4	197.8	198.5
2010 Q1	6,633.8	249.8	39.5	456.8	5,697.5	3,121.6	1,751.3	824.6	190.2	232.5
Q2	6,711.7	252.0	40.8	428.6	5,796.3	3,150.7	1,820.6	825.0	193.9	172.7
Q3	6,869.2	276.8	39.7	437.5	5,934.9	3,214.4	1,900.3	820.2	180.3	188.4
Q4	6,823.3	252.4	42.5	445.1	5,914.9	3,252.4	1,843.2	819.3	168.4	168.2
2011 Q1	6,880.6	264.8	40.5	462.2	5,937.8	3,282.4	1,820.2	835.2	175.2	202.8
Q2	6,902.5	265.0	43.5	451.2	5,967.0	3,299.4	1,839.2	828.4	175.8	194.5
Q3	7,013.6	272.6	42.5	406.4	6,102.8	3,283.7	1,991.6	827.4	189.4	85.2
Q4	7,023.5	265.7	42.2	406.6	6,123.9	3,287.5	2,013.4	823.0	185.1	64.2
2012 Q1	7,186.5	274.4	44.5	437.9	6,241.3	3,334.8	2,061.4	845.1	188.4	157.9
Q2	7,254.4	282.4	43.7	423.5	6,300.7	3,364.5	2,088.8	847.4	204.1	145.1

Source: ECB.

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector
(EUR billions)

Uses 2012 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						621
Trade balance [1]						-45
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,179	117	753	58	251	
Other taxes less subsidies on production	39	8	24	3	4	
Consumption of fixed capital	376	101	213	11	51	
Net operating surplus and mixed income [1]	532	269	229	34	0	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						7
Taxes less subsidies on production						
Property income	956	35	489	357	75	132
Interest	374	33	63	204	75	53
Other property income	582	2	427	153	0	79
Net national income [1]	1,979	1,706	-22	62	233	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	293	231	49	13	0	4
Social contributions	440	440				1
Social benefits other than social transfers in kind	466	1	18	34	413	1
Other current transfers	193	69	26	49	49	11
Net non-life insurance premiums	46	34	11	1	1	2
Non-life insurance claims	47			47		1
Other	99	35	15	1	48	8
Net disposable income [1]	1,957	1,517	-80	64	456	
Use of income account						
Net disposable income						
Final consumption expenditure	1,870	1,364			506	
Individual consumption expenditure	1,680	1,364			316	
Collective consumption expenditure	191				191	
Adjustment for the change in the net equity of households in pension fund reserves	16	0	1	15	0	0
Net saving/current external account [1]	86	168	-81	49	-50	-15
Capital account						
Net saving/current external account						
Gross capital formation	447	143	244	11	50	
Gross fixed capital formation	457	144	253	11	50	
Changes in inventories and acquisitions less disposals of valuables	-11	-1	-10	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	2	-1	2	0	1	-2
Capital transfers	41	8	0	5	27	5
Capital taxes	8	6	0	2		0
Other capital transfers	32	3	0	3	27	5
Net lending (+)/net borrowing (-) (from capital account) [1]	16	129	-98	53	-68	-16
Statistical discrepancy	0	-18	18	0	0	0

Sources: ECB and Eurostat.
1) For details of the calculation of the balancing items, see the Technical Notes.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)
(EUR billions)

Resources 2012 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						577
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,125	495	1,219	107	305	
Taxes less subsidies on products	236					
Gross domestic product (market prices)[2)]	2,362					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	532	269	229	34	0	
Compensation of employees	1,182	1,182				4
Taxes less subsidies on production	275				275	0
Property income	946	290	239	385	31	142
Interest	367	59	40	260	9	59
Other property income	578	231	199	125	22	83
Net national income						
Secondary distribution of income account						
Net national income	1,979	1,706	-22	62	233	
Current taxes on income, wealth, etc.	296				296	0
Social contributions	440	1	19	50	369	1
Social benefits other than social transfers in kind	464	464				3
Other current transfers	170	86	15	48	21	34
Net non-life insurance premiums	47			47		2
Non-life insurance claims	45	36	9	1	0	2
Other	77	51	6	0	20	30
Net disposable income						
Use of income account						
Net disposable income	1,957	1,517	-80	64	456	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	16	16				0
Net saving/current external account						
Capital account						
Net saving/current external account	86	168	-81	49	-50	-15
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	376	101	213	11	51	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	43	9	17	8	9	3
Capital taxes	8				8	0
Other capital transfers	35	9	17	8	0	3
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

Sources: ECB and Eurostat.
2) Gross domestic product is equal to the gross value added of all domestic sectors plus net taxes (i.e. taxes less subsidies) on products.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Assets 2012 Q2	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		19,093	16,747	35,442	15,634	7,021	3,980	17,699
Monetary gold and special drawing rights (SDRs)				484				
Currency and deposits		6,837	2,023	11,827	2,281	819	796	3,658
Short-term debt securities		60	97	587	440	65	31	655
Long-term debt securities		1,340	279	6,429	2,598	2,748	433	3,963
Loans		47	3,022	13,363	3,706	474	585	1,923
of which: Long-term		30	1,794	10,429	2,509	353	515	.
Shares and other equity		4,180	7,571	1,788	6,358	2,547	1,356	6,712
Quoted shares		713	1,371	347	2,057	535	213	.
Unquoted shares and other equity		2,109	5,825	1,138	3,280	297	979	.
Mutual fund shares		1,358	376	303	1,021	1,715	164	.
Insurance technical reserves		6,024	168	3	0	229	4	253
Other accounts receivable and financial derivatives		605	3,586	959	251	138	776	536
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		114	47	242	75	22	206	48
Monetary gold and SDRs				0				0
Currency and deposits		74	4	273	-12	-16	40	-64
Short-term debt securities		-3	-3	-9	-15	2	4	-28
Long-term debt securities		-19	4	-95	38	20	3	51
Loans		-1	41	44	78	-1	69	30
of which: Long-term		-1	29	8	66	-1	38	.
Shares and other equity		29	30	-10	4	14	26	50
Quoted shares		9	1	1	-32	-1	1	.
Unquoted shares and other equity		15	28	4	30	2	21	.
Mutual fund shares		4	1	-15	5	14	4	.
Insurance technical reserves		25	0	0	0	4	0	3
Other accounts receivable and financial derivatives		9	-29	39	-18	-1	64	5
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-192	-212	144	-6	-2	12	85
Monetary gold and SDRs				11				
Currency and deposits		4	5	91	-18	0	15	72
Short-term debt securities		-2	-1	5	5	0	0	2
Long-term debt securities		-44	-3	56	34	0	0	0
Loans		-1	22	31	23	1	-1	10
of which: Long-term		0	6	-1	24	1	-1	.
Shares and other equity		-148	-244	-54	-53	-3	-10	-27
Quoted shares		-39	-94	-27	-52	-12	-19	.
Unquoted shares and other equity		-82	-142	-26	2	19	12	.
Mutual fund shares		-28	-8	-1	-3	-10	-2	.
Insurance technical reserves		5	2	0	0	0	0	0
Other accounts receivable and financial derivatives		-6	6	3	2	1	7	28
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		19,015	16,581	35,828	15,703	7,041	4,198	17,832
Monetary gold and SDRs				495				
Currency and deposits		6,916	2,031	12,191	2,251	803	851	3,666
Short-term debt securities		56	93	583	431	67	35	629
Long-term debt securities		1,276	281	6,391	2,670	2,768	436	4,015
Loans		46	3,085	13,439	3,807	474	653	1,962
of which: Long-term		29	1,829	10,436	2,600	354	552	.
Shares and other equity		4,061	7,357	1,724	6,308	2,559	1,373	6,736
Quoted shares		684	1,278	321	1,972	522	195	.
Unquoted shares and other equity		2,043	5,710	1,116	3,313	318	1,012	.
Mutual fund shares		1,334	369	288	1,023	1,719	167	.
Insurance technical reserves		6,053	170	3	0	233	4	255
Other accounts receivable and financial derivatives		608	3,564	1,002	235	137	846	569
Net financial worth								

Source: ECB.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)
(EUR billions)

Liabilities 2012 Q2	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		6,774	25,936	34,473	15,395	7,144	9,768	15,642
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			31	25,274	31	0	259	2,647
Short-term debt securities			87	721	82	1	737	306
Long-term debt securities			846	4,688	2,882	47	6,264	3,065
Loans		6,194	8,439		3,310	300	1,907	2,970
of which: Long-term		5,843	6,117		1,742	118	1,587	.
Shares and other equity		7	12,580	2,536	8,903	424	4	6,059
Quoted shares			3,569	370	216	113	0	.
Unquoted shares and other equity		7	9,012	1,209	2,759	310	4	.
Mutual fund shares				957	5,927			.
Insurance technical reserves		36	346	67	1	6,231	1	
Other accounts payable and financial derivatives		537	3,608	1,187	186	141	597	595
Net financial worth [1]	-1,573	12,319	-9,189	970	239	-123	-5,789	
Financial account, transactions in liabilities								
Total transactions in liabilities		3	126	232	31	23	274	64
Monetary gold and SDRs								
Currency and deposits			0	278	0	0	8	12
Short-term debt securities			11	-37	2	0	-22	-6
Long-term debt securities			15	-75	-35	-1	120	-22
Loans		17	30		35	6	144	31
of which: Long-term		10	4		10	1	128	.
Shares and other equity		0	50	4	67	1	0	22
Quoted shares			5	8	2	0	0	.
Unquoted shares and other equity		0	46	0	30	1	0	.
Mutual fund shares				-4	34			.
Insurance technical reserves		0	1	1	0	29	0	
Other accounts payable and financial derivatives		-14	20	61	-38	-12	24	27
Changes in net financial worth due to transactions [1]	16	110	-80	10	44	-1	-68	-16
Other changes account, liabilities								
Total other changes in liabilities		3	-400	46	-19	-8	-42	236
Monetary gold and SDRs								
Currency and deposits			0	93	0	0	0	77
Short-term debt securities			0	7	-1	0	-3	6
Long-term debt securities			4	42	-36	0	-36	68
Loans		-1	3		19	0	1	63
of which: Long-term		-1	-4		2	0	1	.
Shares and other equity		0	-453	-43	-37	-17	0	11
Quoted shares			-238	-63	-22	-11	0	.
Unquoted shares and other equity		0	-215	3	24	-6	0	.
Mutual fund shares				17	-39			.
Insurance technical reserves		0	0	0	0	6	0	
Other accounts payable and financial derivatives		4	46	-54	35	3	-4	11
Other changes in net financial worth [1]	162	-195	188	97	12	5	54	-151
Closing balance sheet, liabilities								
Total liabilities		6,781	25,662	34,751	15,407	7,160	10,000	15,942
Monetary gold and SDRs								
Currency and deposits			30	25,645	32	0	267	2,736
Short-term debt securities			98	691	83	2	713	307
Long-term debt securities			864	4,655	2,811	47	6,348	3,111
Loans		6,210	8,472		3,364	306	2,051	3,063
of which: Long-term		5,853	6,117		1,755	119	1,716	.
Shares and other equity		8	12,178	2,497	8,933	408	4	6,092
Quoted shares			3,336	315	197	102	0	.
Unquoted shares and other equity		8	8,842	1,212	2,814	305	4	.
Mutual fund shares				969	5,923			.
Insurance technical reserves		36	346	68	1	6,266	1	
Other accounts payable and financial derivatives		528	3,673	1,194	184	132	617	633
Net financial worth [1]	-1,396	12,234	-9,081	1,077	295	-119	-5,802	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2008	2009	2010	2010 Q3-2011 Q2	2010 Q4-2011 Q3	2011 Q1-2011 Q4	2011 Q2-2012 Q1	2011 Q3-2012 Q2
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,466	4,451	4,507	4,566	4,595	4,620	4,638	4,649
Other taxes less subsidies on production	94	86	84	89	93	96	101	109
Consumption of fixed capital	1,361	1,387	1,418	1,441	1,454	1,466	1,476	1,486
Net operating surplus and mixed income [1]	2,358	2,099	2,213	2,252	2,259	2,254	2,251	2,231
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,939	2,970	2,820	2,927	2,984	2,995	3,020	3,004
Interest	2,379	1,600	1,384	1,456	1,506	1,549	1,569	1,553
Other property income	1,560	1,370	1,436	1,471	1,478	1,446	1,450	1,452
Net national income [1]	7,802	7,546	7,766	7,881	7,909	7,947	7,980	7,983
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,145	1,029	1,055	1,085	1,103	1,112	1,124	1,137
Social contributions	1,672	1,676	1,703	1,725	1,739	1,753	1,761	1,770
Social benefits other than social transfers in kind	1,657	1,774	1,818	1,831	1,839	1,848	1,858	1,868
Other current transfers	772	772	775	780	781	781	786	789
Net non-life insurance premiums	188	180	181	182	183	183	184	184
Non-life insurance claims	189	181	181	182	183	184	184	185
Other	395	411	413	416	414	414	417	419
Net disposable income [1]	7,700	7,438	7,656	7,771	7,802	7,838	7,868	7,868
Use of income account								
Net disposable income								
Final consumption expenditure	7,141	7,155	7,323	7,414	7,453	7,477	7,507	7,518
Individual consumption expenditure	6,405	6,385	6,548	6,639	6,677	6,700	6,729	6,740
Collective consumption expenditure	737	770	775	775	775	777	778	778
Adjustment for the change in the net equity of households in pension fund reserves	70	61	56	56	58	58	59	61
Net saving [1]	559	283	333	357	349	361	361	350
Capital account								
Net saving								
Gross capital formation	2,071	1,703	1,786	1,853	1,869	1,869	1,850	1,815
Gross fixed capital formation	2,009	1,750	1,763	1,806	1,820	1,830	1,829	1,816
Changes in inventories and acquisitions less disposals of valuables	62	-47	22	47	50	40	22	-1
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	1	1	1	1	1	0	1	3
Capital transfers	152	183	224	206	172	173	166	173
Capital taxes	24	34	25	26	27	31	29	31
Other capital transfers	128	149	198	180	145	142	136	142
Net lending (+)/net borrowing (-) (from capital account) [1]	-144	-26	-25	-46	-58	-32	-3	30

Sources: ECB and Eurostat.
1) For details of the calculation of the balancing items, see the Technical Notes.

3.2 Euro area non-financial accounts (cont'd)

(EUR billions; four-quarter cumulated flows)

Resources	2008	2009	2010	2010 Q3-2011 Q2	2010 Q4-2011 Q3	2011 Q1-2011 Q4	2011 Q2-2012 Q1	2011 Q3-2012 Q2
Generation of income account								
Gross value added (basic prices)	8,280	8,023	8,222	8,348	8,400	8,436	8,466	8,475
Taxes less subsidies on products	946	894	942	966	971	975	977	974
Gross domestic product (market prices)[2]	9,226	8,917	9,164	9,314	9,371	9,410	9,443	9,449
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	2,358	2,099	2,213	2,252	2,259	2,254	2,251	2,231
Compensation of employees	4,473	4,461	4,520	4,579	4,608	4,633	4,651	4,662
Taxes less subsidies on production	1,047	998	1,039	1,067	1,077	1,081	1,088	1,093
Property income	3,862	2,958	2,814	2,910	2,950	2,973	3,010	3,001
Interest	2,323	1,555	1,341	1,417	1,466	1,508	1,529	1,518
Other property income	1,539	1,402	1,473	1,493	1,483	1,465	1,481	1,483
Net national income								
Secondary distribution of income account								
Net national income	7,802	7,546	7,766	7,881	7,909	7,947	7,980	7,983
Current taxes on income, wealth, etc.	1,154	1,034	1,059	1,091	1,109	1,118	1,129	1,141
Social contributions	1,670	1,675	1,702	1,724	1,738	1,752	1,759	1,768
Social benefits other than social transfers in kind	1,649	1,767	1,811	1,824	1,833	1,842	1,852	1,862
Other current transfers	671	668	668	672	674	674	675	678
Net non-life insurance premiums	189	181	181	182	183	184	184	185
Non-life insurance claims	184	177	178	179	180	180	180	180
Other	298	309	309	311	311	310	311	312
Net disposable income								
Use of income account								
Net disposable income	7,700	7,438	7,656	7,771	7,802	7,838	7,868	7,868
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	70	61	56	56	58	58	59	61
Net saving								
Capital account								
Net saving	559	283	333	357	349	361	361	350
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,361	1,387	1,418	1,441	1,454	1,466	1,476	1,486
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	161	192	234	216	181	184	176	185
Capital taxes	24	34	25	26	27	31	29	31
Other capital transfers	137	158	209	189	154	153	147	154
Net lending (+)/net borrowing (-) (from capital account)								

Sources: ECB and Eurostat.
2) Gross domestic product is equal to the gross value added of all domestic sectors plus net taxes (i.e. taxes less subsidies) on products.

3.3 Households

(EUR billions; four-quarter cumulated flows; outstanding amounts at end of period)

	2008	2009	2010	2010 Q3-2011 Q2	2010 Q4-2011 Q3	2011 Q1-2011 Q4	2011 Q2-2012 Q1	2011 Q3-2012 Q2
Income, saving and changes in net worth								
Compensation of employees (+)	4,473	4,461	4,520	4,579	4,608	4,633	4,651	4,662
Gross operating surplus and mixed income (+)	1,523	1,438	1,442	1,464	1,472	1,479	1,483	1,481
Interest receivable (+)	348	237	207	222	230	237	241	240
Interest payable (-)	249	148	127	137	144	148	148	144
Other property income receivable (+)	785	726	728	740	750	748	756	751
Other property income payable (-)	10	10	10	10	9	10	10	10
Current taxes on income and wealth (-)	872	842	848	865	877	882	893	906
Net social contributions (-)	1,667	1,672	1,698	1,720	1,734	1,748	1,756	1,765
Net social benefits (+)	1,644	1,762	1,806	1,819	1,828	1,837	1,847	1,857
Net current transfers receivable (+)	70	74	74	72	72	71	71	72
= Gross disposable income	6,045	6,027	6,094	6,163	6,195	6,219	6,242	6,240
Final consumption expenditure (-)	5,242	5,167	5,306	5,389	5,425	5,446	5,469	5,478
Changes in net worth in pension funds (+)	69	60	55	56	57	58	59	60
= Gross saving	872	920	843	829	827	830	832	822
Consumption of fixed capital (-)	375	379	386	392	394	397	400	401
Net capital transfers receivable (+)	0	10	14	13	12	9	8	8
Other changes in net worth (+)	-1,761	-886	776	597	-93	-613	-688	-1,030
= Changes in net worth	-1,265	-336	1,247	1,047	351	-171	-248	-601
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	646	551	556	566	571	575	574	568
Consumption of fixed capital (-)	375	379	386	392	394	397	400	401
Main items of financial investment (+)								
Short-term assets	449	8	39	113	127	125	146	160
Currency and deposits	437	121	118	135	146	118	155	168
Money market fund shares	-3	-40	-59	-34	-23	-21	-22	-20
Debt securities 1)	15	-73	-20	12	4	28	13	12
Long-term assets	61	443	367	229	235	202	202	173
Deposits	-25	71	57	52	52	50	48	37
Debt securities	26	-5	-23	13	40	50	28	-14
Shares and other equity	-73	151	96	-13	-12	-21	27	56
Quoted and unquoted shares and other equity	75	122	94	19	31	35	63	82
Mutual fund shares	-148	29	2	-32	-42	-56	-36	-26
Life insurance and pension fund reserves	133	226	237	177	155	122	99	94
Main items of financing (-)								
Loans	258	110	128	139	123	94	77	46
of which: From euro area MFIs	83	65	147	168	148	81	34	13
Other changes in assets (+)								
Non-financial assets	-404	-1,201	681	352	330	-249	-524	-748
Financial assets	-1,435	309	141	251	-442	-408	-228	-326
Shares and other equity	-1,169	107	49	215	-369	-383	-325	-386
Life insurance and pension fund reserves	-239	195	122	70	-20	20	98	103
Remaining net flows (+)	52	43	-22	67	49	76	59	18
= Changes in net worth	-1,265	-336	1,247	1,047	351	-171	-248	-601
Balance sheet								
Non-financial assets (+)	28,257	27,228	28,078	28,174	28,467	28,006	27,768	27,593
Financial assets (+)								
Short-term assets	5,779	5,776	5,819	5,890	5,889	5,958	5,970	6,025
Currency and deposits	5,321	5,475	5,597	5,647	5,656	5,728	5,754	5,823
Money market fund shares	320	246	189	194	191	172	156	146
Debt securities 1)	138	55	33	48	42	58	60	56
Long-term assets	10,768	11,576	12,075	12,141	11,697	11,876	12,157	12,021
Deposits	911	961	1,020	1,049	1,062	1,074	1,084	1,092
Debt securities	1,331	1,374	1,313	1,336	1,303	1,326	1,340	1,276
Shares and other equity	3,829	4,121	4,264	4,216	3,781	3,855	4,024	3,915
Quoted and unquoted shares and other equity	2,873	2,979	3,037	3,029	2,695	2,742	2,822	2,727
Mutual fund shares	957	1,142	1,227	1,187	1,085	1,113	1,202	1,188
Life insurance and pension fund reserves	4,698	5,119	5,478	5,541	5,551	5,621	5,709	5,738
Remaining net assets (+)	292	307	338	397	420	396	386	398
Liabilities (-)								
Loans	5,807	5,933	6,109	6,173	6,194	6,207	6,194	6,210
of which: From euro area MFIs	4,914	4,968	5,213	5,304	5,313	5,281	5,269	5,294
= Net worth	39,289	38,953	40,200	40,428	40,279	40,030	40,087	39,827

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

3.4 Non-financial corporations

(EUR billions; four-quarter cumulated flows; outstanding amounts at end of period)

	2008	2009	2010	2010 Q3-2011 Q2	2010 Q4-2011 Q3	2011 Q1-2011 Q4	2011 Q2-2012 Q1	2011 Q3-2012 Q2
Income and saving								
Gross value added (basic prices) (+)	4,759	4,520	4,678	4,773	4,811	4,833	4,851	4,856
Compensation of employees (-)	2,841	2,787	2,824	2,875	2,900	2,924	2,938	2,949
Other taxes less subsidies on production (-)	46	41	35	38	41	42	44	49
= Gross operating surplus (+)	1,872	1,692	1,820	1,860	1,870	1,867	1,869	1,858
Consumption of fixed capital (-)	765	782	798	813	821	828	834	840
= Net operating surplus (+)	1,107	910	1,021	1,047	1,049	1,039	1,034	1,019
Property income receivable (+)	629	529	558	563	556	556	562	564
Interest receivable	238	169	160	163	167	169	172	169
Other property income receivable	391	360	398	400	389	387	390	395
Interest and rents payable (-)	422	294	256	272	282	290	292	286
= Net entrepreneurial income (+)	1,315	1,145	1,324	1,338	1,323	1,305	1,305	1,296
Distributed income (-)	1,004	927	942	971	983	972	972	984
Taxes on income and wealth payable (-)	236	152	168	178	183	188	188	189
Social contributions receivable (+)	68	71	69	71	72	73	74	74
Social benefits payable (-)	66	68	69	69	69	70	70	70
Other net transfers (-)	48	47	44	45	45	47	48	48
= Net saving	29	22	169	146	115	102	101	79
Investment, financing and saving								
Net acquisition of non-financial assets (+)	368	70	161	201	208	206	187	159
Gross fixed capital formation (+)	1,075	902	936	972	985	995	995	993
Consumption of fixed capital (-)	765	782	798	813	821	828	834	840
Net acquisition of other non-financial assets (+)	58	-50	23	42	44	39	26	6
Main items of financial investment (+)								
Short-term assets	61	95	43	48	4	-32	-8	-3
Currency and deposits	14	88	68	70	46	0	9	8
Money market fund shares	33	39	-23	-24	-40	-43	-35	-29
Debt securities [1]	14	-32	-2	2	-1	12	18	18
Long-term assets	635	184	460	483	476	441	465	400
Deposits	41	-1	20	47	61	74	52	37
Debt securities	-31	18	15	16	5	-11	-21	-9
Shares and other equity	351	99	269	293	297	251	283	229
Other (mainly intercompany loans)	273	68	156	126	114	126	150	143
Remaining net assets (+)	-22	24	-9	-17	-27	-24	-31	-23
Main items of financing (-)								
Debt	625	25	153	242	227	245	235	192
of which: Loans from euro area MFIs	391	-107	-19	83	86	65	-4	-45
of which: Debt securities	45	91	61	35	43	49	73	90
Shares and other equity	311	241	263	257	251	176	209	195
Quoted shares	5	53	31	27	28	27	19	15
Unquoted shares and other equity	306	188	233	230	224	150	190	179
Net capital transfers receivable (-)	74	82	68	68	69	69	67	68
= Net saving	29	22	169	146	115	102	101	79
Financial balance sheet								
Financial assets								
Short-term assets	1,849	1,933	1,966	1,925	1,918	1,942	1,918	1,923
Currency and deposits	1,538	1,633	1,695	1,676	1,682	1,706	1,679	1,695
Money market fund shares	192	214	192	173	159	147	141	135
Debt securities [1]	118	86	79	76	78	89	97	93
Long-term assets	9,392	10,237	10,791	11,034	10,368	10,570	11,075	10,925
Deposits	251	240	252	272	305	317	343	337
Debt securities	214	230	253	259	255	256	279	281
Shares and other equity	6,304	7,099	7,442	7,587	6,836	7,005	7,430	7,222
Other (mainly intercompany loans)	2,622	2,668	2,844	2,916	2,971	2,993	3,022	3,085
Remaining net assets	242	229	94	116	96	118	177	90
Liabilities								
Debt	9,290	9,299	9,515	9,641	9,690	9,700	9,717	9,781
of which: Loans from euro area MFIs	4,862	4,707	4,683	4,754	4,766	4,717	4,686	4,690
of which: Debt securities	694	815	876	851	877	883	933	962
Shares and other equity	11,086	12,358	12,945	13,214	11,748	11,977	12,580	12,178
Quoted shares	2,926	3,487	3,799	3,877	3,125	3,281	3,569	3,336
Unquoted shares and other equity	8,160	8,871	9,146	9,337	8,622	8,696	9,012	8,842

Sources: ECB and Eurostat.
1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

3.5 Insurance corporations and pension funds

(EUR billions; four-quarter cumulated flows; outstanding amounts at end of period)

	2008	2009	2010	2010 Q3-2011 Q2	2010 Q4-2011 Q3	2011 Q1-2011 Q4	2011 Q2-2012 Q1	2011 Q3-2012 Q2
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	69	-47	-16	-29	7	49	89	78
Currency and deposits	57	-33	-10	-15	5	14	29	15
Money market fund shares	12	0	-17	-19	-8	11	47	48
Debt securities [1]	1	-14	10	5	10	23	12	14
Long-term assets	130	291	290	289	237	125	76	70
Deposits	7	14	-6	8	10	8	-1	-4
Debt securities	74	105	179	159	98	27	2	17
Loans	21	8	30	20	16	7	5	-1
Quoted shares	-10	-49	14	16	11	7	5	3
Unquoted shares and other equity	15	-21	1	6	10	-3	-5	-2
Mutual fund shares	25	234	73	80	91	79	71	56
Remaining net assets (+)	10	16	14	-43	-41	-42	-52	-17
Main items of financing (-)								
Debt securities	5	5	0	2	3	3	5	1
Loans	32	-2	9	13	13	5	7	11
Shares and other equity	8	5	7	3	3	2	2	4
Insurance technical reserves	121	247	273	188	150	116	96	102
Net equity of households in life insurance and pension fund reserves	120	239	252	174	139	114	98	94
Prepayments of insurance premiums and reserves for outstanding claims	2	8	20	14	11	2	-2	8
= Changes in net financial worth due to transactions	43	5	0	11	34	6	2	12
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	-550	201	114	79	-92	-111	-21	-16
Other net assets	38	40	-12	-69	-85	14	132	113
Other changes in liabilities (-)								
Shares and other equity	-171	11	-7	14	-42	-46	-31	-35
Insurance technical reserves	-254	172	136	71	-10	24	103	107
Net equity of households in life insurance and pension fund reserves	-244	198	126	73	-11	25	101	108
Prepayments of insurance premiums and reserves for outstanding claims	-10	-27	10	-2	1	-1	2	-1
= Other changes in net financial worth	-86	59	-27	-75	-124	-75	39	26
Financial balance sheet								
Financial assets (+)								
Short-term assets	374	324	312	311	343	348	381	372
Currency and deposits	224	195	190	181	199	193	208	195
Money market fund shares	98	90	74	77	83	84	107	110
Debt securities [1]	52	39	49	53	61	72	65	67
Long-term assets	5,091	5,663	6,052	6,159	6,061	6,035	6,273	6,299
Deposits	599	612	604	619	618	609	611	608
Debt securities	2,276	2,458	2,624	2,676	2,679	2,623	2,748	2,768
Loans	432	435	466	473	471	473	474	474
Quoted shares	489	511	552	556	507	518	535	522
Unquoted shares and other equity	321	306	300	300	298	295	297	318
Mutual fund shares	974	1,339	1,505	1,536	1,488	1,517	1,608	1,609
Remaining net assets (+)	232	207	229	208	237	241	226	238
Liabilities (-)								
Debt securities	35	42	45	45	46	46	48	48
Loans	281	272	287	294	302	290	300	306
Shares and other equity	419	435	436	439	391	392	424	408
Insurance technical reserves	5,158	5,577	5,985	6,057	6,062	6,125	6,231	6,266
Net equity of households in life insurance and pension fund reserves	4,361	4,798	5,177	5,237	5,243	5,316	5,407	5,439
Prepayments of insurance premiums and reserves for outstanding claims	797	778	809	820	819	810	823	826
= Net financial wealth	-196	-133	-160	-157	-160	-229	-123	-119

Source: ECB.
1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

4 FINANCIAL MARKETS

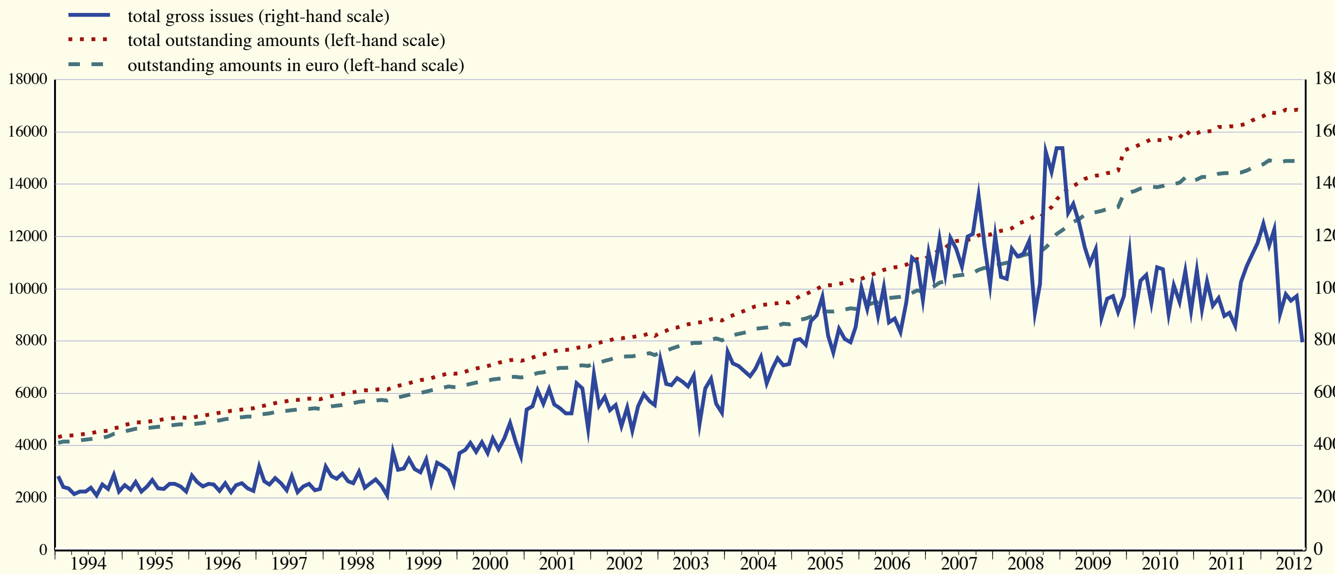
4.1 Securities other than shares by original maturity, residency of the issuer and currency

(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								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted 2)	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2011 Aug.	16,617.3	808.3	31.6	14,451.0	773.9	32.5	16,224.1	859.8	20.2	3.2	51.6	2.7
Sep.	16,648.2	1,002.1	31.3	14,455.6	926.1	5.1	16,268.3	1,026.7	6.9	3.2	63.9	3.5
Oct.	16,699.3	1,034.7	51.9	14,534.3	993.1	79.4	16,312.2	1,086.8	69.9	3.3	57.6	3.7
Nov.	16,785.4	1,064.4	85.5	14,627.7	1,017.2	92.6	16,442.2	1,128.3	100.8	2.4	31.9	3.3
Dec.	16,843.6	1,127.3	58.1	14,685.2	1,084.9	57.4	16,526.5	1,176.1	55.9	3.9	144.8	4.6
2012 Jan.	16,941.2	1,190.2	97.7	14,775.3	1,118.7	90.3	16,600.4	1,248.3	83.3	3.9	63.2	5.2
Feb.	17,127.6	1,134.6	186.9	14,919.6	1,047.6	144.9	16,744.6	1,165.7	162.6	4.2	98.2	5.7
Mar.	17,175.3	1,233.7	142.6	14,868.4	1,091.7	43.0	16,734.2	1,226.3	79.3	4.7	81.7	5.9
Apr.	17,130.1	837.3	-34.4	14,850.4	799.5	-7.4	16,735.7	903.0	-0.9	4.4	-7.4	5.1
May	17,172.4	916.4	43.8	14,893.6	865.0	44.6	16,840.9	978.6	61.7	4.0	0.1	4.7
June	17,182.8	925.5	10.8	14,894.8	864.3	1.8	16,812.8	954.3	-15.3	3.8	16.7	3.1
July	.	.	.	14,883.4	840.7	-6.0	16,862.7	972.4	32.0	4.0	59.3	3.0
Aug.	.	.	.	14,862.9	703.3	-17.1	16,799.2	795.3	-40.6	3.7	-10.1	1.7
						Long-term						
2011 Aug.	15,186.7	123.1	-4.0	13,096.1	113.5	0.2	14,649.0	123.5	-8.4	4.0	32.8	2.8
Sep.	15,176.5	229.2	-9.5	13,082.2	189.8	-13.2	14,675.8	214.0	-5.9	4.0	51.4	3.3
Oct.	15,250.2	278.4	75.6	13,161.9	251.1	81.6	14,722.1	268.3	70.1	4.0	66.7	3.4
Nov.	15,321.3	212.0	70.9	13,244.0	192.7	81.6	14,839.6	213.4	92.0	3.3	25.6	3.4
Dec.	15,369.4	238.1	47.0	13,306.6	228.9	61.5	14,928.5	246.5	63.4	4.0	107.7	4.3
2012 Jan.	15,454.8	347.6	85.7	13,369.4	303.4	63.3	14,972.8	332.4	52.1	3.9	69.3	4.9
Feb.	15,626.2	366.6	171.0	13,506.7	310.0	136.8	15,104.5	340.7	147.5	4.2	88.6	5.6
Mar.	15,660.5	386.9	129.8	13,463.9	280.2	52.1	15,087.4	330.6	75.3	4.6	75.8	6.0
Apr.	15,628.6	188.7	-21.1	13,443.7	175.1	-9.7	15,089.8	206.6	3.0	4.2	-6.7	4.9
May	15,679.4	231.9	50.8	13,494.6	208.5	50.8	15,199.1	244.3	69.7	4.1	16.8	4.8
June	15,719.0	272.8	40.4	13,536.4	240.5	42.8	15,212.0	256.2	24.5	3.9	17.8	3.5
July	.	.	.	13,504.9	232.3	-26.4	15,229.5	270.9	1.9	4.0	40.0	3.1
Aug.	.	.	.	13,490.3	124.3	-10.6	15,185.4	139.6	-22.9	3.9	18.9	2.2

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

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.
2) For details of the calculation of the growth rates, see the Technical Notes. The six-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[1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2010	15,870	5,246	3,284	854	5,932	554	1,007	625	80	69	205	29
2011	16,526	5,530	3,284	872	6,216	624	1,000	609	98	62	191	39
2011 Q3	16,268	5,426	3,217	858	6,160	607	931	580	79	60	180	33
Q4	16,526	5,530	3,284	872	6,216	624	1,130	714	138	70	172	36
2012 Q1	16,734	5,634	3,318	904	6,208	670	1,213	765	106	70	223	49
Q2	16,813	5,598	3,296	936	6,284	697	945	584	77	71	183	30
2012 May	16,841	5,610	3,369	940	6,254	669	979	585	104	71	187	33
June	16,813	5,598	3,296	936	6,284	697	954	609	70	68	171	35
July	16,863	5,648	3,286	950	6,272	706	972	616	71	66	192	27
Aug.	16,799	5,640	3,232	951	6,274	702	795	533	47	54	140	21
						Short-term						
2010	1,540	572	120	69	724	54	759	534	34	57	115	19
2011	1,598	702	106	79	634	77	748	511	48	53	107	29
2011 Q3	1,593	613	110	86	712	72	747	512	42	53	114	26
Q4	1,598	702	106	79	634	77	888	629	76	60	94	28
2012 Q1	1,647	711	122	83	641	91	879	609	61	55	125	29
Q2	1,601	678	120	96	624	83	710	498	31	58	102	20
2012 May	1,642	699	128	103	630	82	734	512	30	63	104	25
June	1,601	678	120	96	624	83	698	499	31	48	99	20
July	1,633	703	116	97	631	87	701	503	26	53	102	17
Aug.	1,614	701	113	95	622	82	656	471	23	45	101	15
						Long-term[2]						
2010	14,330	4,674	3,164	785	5,207	499	248	91	46	12	90	9
2011	14,929	4,828	3,178	793	5,583	547	252	98	51	9	84	10
2011 Q3	14,676	4,813	3,107	772	5,448	535	184	67	36	7	66	7
Q4	14,929	4,828	3,178	793	5,583	547	243	85	61	10	78	8
2012 Q1	15,087	4,923	3,196	821	5,567	580	335	156	45	16	98	20
Q2	15,212	4,921	3,176	840	5,661	614	236	86	46	13	81	10
2012 May	15,199	4,911	3,241	837	5,624	586	244	73	74	8	82	7
June	15,212	4,921	3,176	840	5,661	614	256	111	38	20	72	15
July	15,229	4,945	3,170	853	5,641	619	271	114	45	12	90	10
Aug.	15,185	4,939	3,119	856	5,652	620	140	62	23	8	40	6
						of which: Long-term fixed rate						
2010	9,479	2,634	1,098	673	4,697	377	156	50	13	10	77	6
2011	10,025	2,774	1,150	699	4,994	408	151	54	12	8	70	7
2011 Q3	9,886	2,770	1,148	680	4,887	400	111	34	8	6	58	5
Q4	10,025	2,774	1,150	699	4,994	408	123	41	7	9	61	5
2012 Q1	10,237	2,887	1,198	727	5,003	421	228	103	17	15	83	11
Q2	10,418	2,888	1,244	748	5,100	437	148	42	21	12	68	6
2012 May	10,381	2,890	1,248	742	5,075	425	161	43	37	7	71	3
June	10,418	2,888	1,244	748	5,100	437	149	45	16	19	60	9
July	10,430	2,897	1,265	759	5,073	437	150	42	14	11	79	4
Aug.	10,455	2,892	1,262	761	5,101	439	77	25	6	8	34	4
						of which: Long-term variable rate						
2010	4,380	1,761	1,961	106	432	121	78	34	29	1	10	4
2011	4,400	1,784	1,874	90	513	139	84	37	32	1	11	3
2011 Q3	4,284	1,771	1,801	88	491	133	57	27	21	0	5	3
Q4	4,400	1,784	1,874	90	513	139	107	36	51	1	15	3
2012 Q1	4,340	1,769	1,837	91	486	157	90	46	25	1	10	8
Q2	4,336	1,766	1,821	89	486	175	75	37	23	1	9	4
2012 May	4,355	1,751	1,877	91	477	159	68	22	33	1	8	4
June	4,336	1,766	1,821	89	486	175	96	60	21	1	9	6
July	4,335	1,779	1,794	90	492	180	109	65	29	1	8	6
Aug.	4,283	1,779	1,752	91	483	179	53	32	16	0	2	2

Source: ECB.

1) Monthly data on gross issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

2) 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

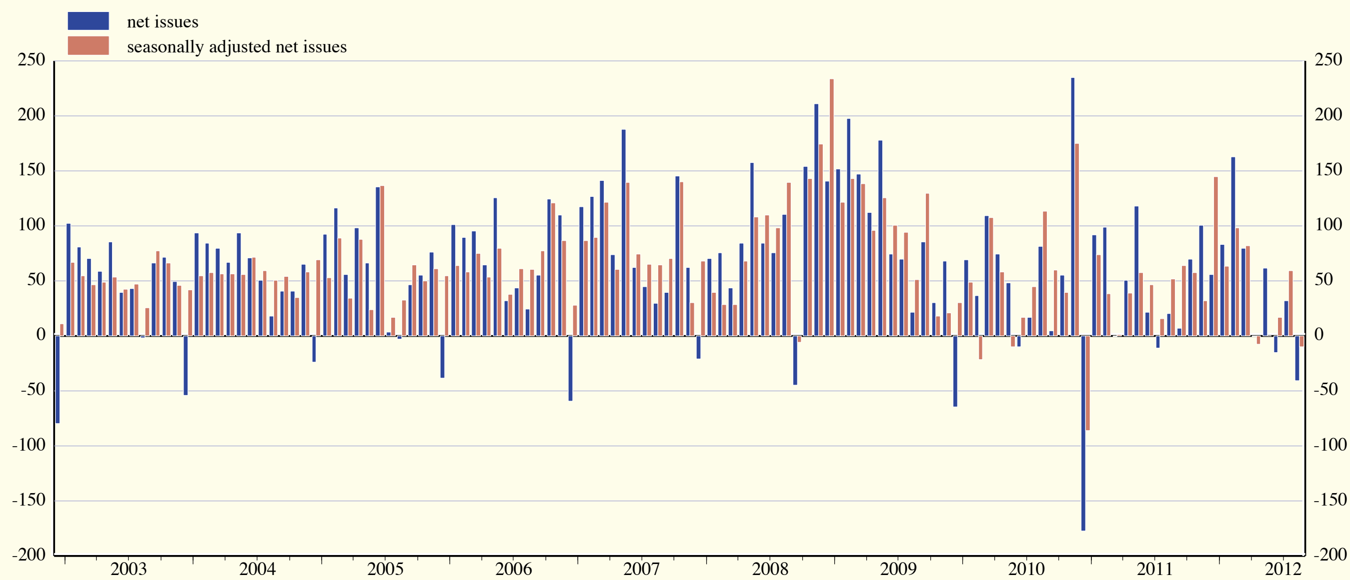
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2010	45.3	-1.1	4.4	5.0	31.6	5.3	-	-	-	-	-	-
2011	51.9	22.7	-3.4	3.7	23.4	5.6	-	-	-	-	-	-
2011 Q3	5.4	12.8	-10.2	4.6	-3.8	2.0	43.7	18.7	5.0	5.9	10.6	3.5
Q4	75.6	29.7	20.2	3.3	17.6	4.9	78.1	40.8	-2.0	6.8	31.3	1.2
2012 Q1	108.4	38.5	12.7	11.7	29.6	15.9	81.0	16.9	22.8	9.4	15.7	16.3
Q2	15.2	-19.2	-4.3	10.1	27.8	0.7	3.1	-13.8	-6.9	7.7	13.4	2.7
2012 May	61.7	-23.6	13.4	12.5	59.7	-0.3	0.1	-37.7	7.0	5.2	26.1	-0.5
June	-15.3	-4.2	-54.5	2.8	31.9	8.7	16.7	25.9	-51.1	8.9	21.2	11.7
July	32.0	39.7	-10.8	10.1	-14.3	7.2	59.3	41.3	-11.1	6.3	15.5	7.4
Aug.	-40.6	1.2	-44.3	3.5	1.8	-2.8	-10.1	-1.0	-32.4	10.7	11.1	1.6
						Long-term						
2010	53.8	1.9	1.7	5.3	41.3	3.5	-	-	-	-	-	-
2011	47.6	12.0	-2.1	2.8	31.0	3.9	-	-	-	-	-	-
2011 Q3	-9.0	3.0	-6.6	0.9	-6.9	0.6	36.3	10.0	6.5	2.5	14.4	2.9
Q4	75.2	0.7	21.6	5.5	43.8	3.6	66.7	13.7	0.2	6.8	42.7	3.3
2012 Q1	91.6	35.5	7.3	10.4	27.3	11.1	77.9	21.1	18.1	9.9	19.0	9.8
Q2	32.4	-7.0	-3.5	5.6	33.6	3.8	9.3	-12.7	-5.4	3.1	21.5	2.8
2012 May	69.7	-10.9	11.4	4.2	63.1	1.8	16.8	-24.2	7.2	0.7	31.2	1.9
June	24.5	16.0	-46.7	9.5	38.0	7.7	17.8	15.7	-43.5	9.0	31.1	5.5
July	1.9	16.1	-6.4	9.1	-21.0	4.0	40.0	16.5	-9.9	9.4	15.3	8.6
Aug.	-22.9	2.0	-41.7	5.7	9.9	1.1	18.9	9.1	-28.7	12.0	23.9	2.7

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

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



Source: ECB.

1) Monthly data on net issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

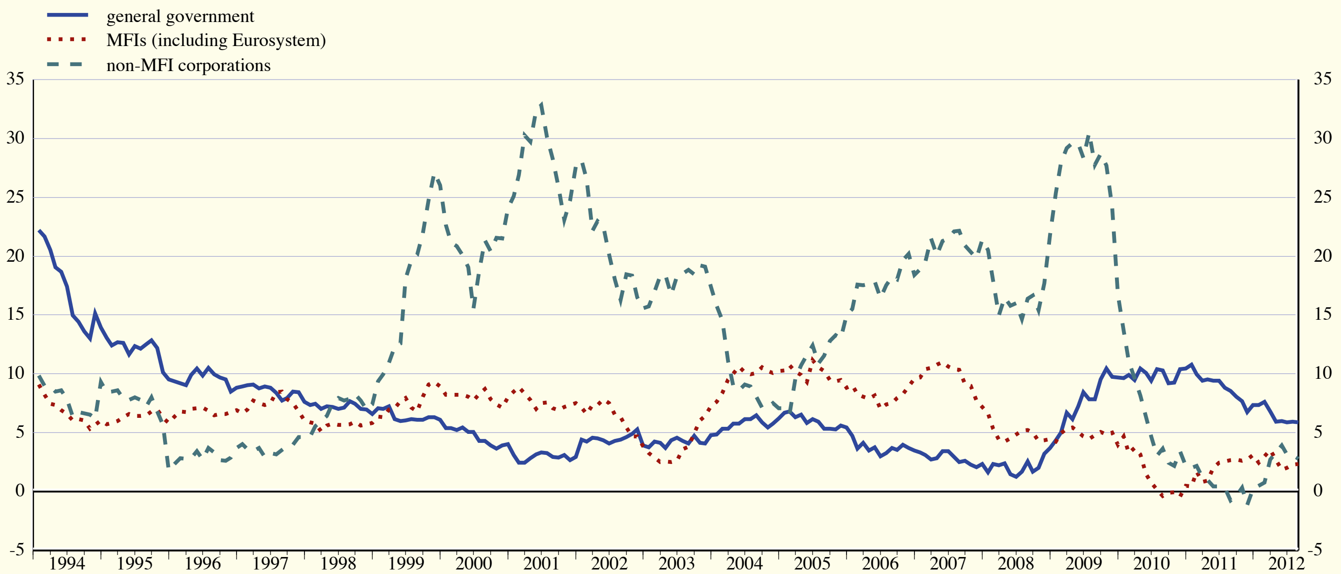
4.3 Growth rates of securities other than shares issued by euro area residents [1)]

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2011 Aug.	3.2	2.0	-1.3	5.2	5.6	15.3	2.7	2.0	-3.9	4.6	4.9	23.4
Sep.	3.2	2.4	-0.8	4.8	5.1	14.2	3.5	3.1	-0.2	4.5	4.4	17.7
Oct.	3.3	2.9	-0.3	4.7	4.7	12.9	3.7	3.5	0.7	7.2	4.1	13.2
Nov.	2.4	3.2	-2.3	5.1	3.0	13.6	3.3	3.6	0.2	6.9	3.5	11.2
Dec.	3.9	5.2	-1.2	5.4	4.7	12.1	4.6	6.7	0.6	9.3	4.1	4.8
2012 Jan.	3.9	4.4	-1.2	6.3	4.8	15.4	5.2	6.8	1.0	9.5	4.5	14.3
Feb.	4.2	4.5	-0.6	7.0	4.8	19.8	5.7	7.0	2.9	9.4	4.6	16.2
Mar.	4.7	4.8	1.8	8.0	4.5	17.9	5.9	6.5	3.9	11.6	4.6	17.8
Apr.	4.4	4.2	2.6	9.5	3.7	15.7	5.1	4.8	4.5	11.7	3.5	18.5
May	4.0	3.0	3.3	9.2	3.8	12.6	4.7	2.4	6.4	11.3	4.0	14.1
June	3.8	3.4	1.7	10.5	3.5	11.7	3.1	0.3	3.0	12.0	2.8	19.2
July	4.0	4.2	1.4	10.6	3.4	14.8	3.0	1.9	1.8	11.6	2.3	15.4
Aug.	3.7	3.7	0.7	10.8	3.3	12.5	1.7	0.6	-1.3	12.2	2.1	9.0
	Long-term											
2011 Aug.	4.0	2.7	-2.0	4.4	8.4	10.3	2.8	1.7	-3.9	3.3	6.9	12.8
Sep.	4.0	2.7	-1.3	3.4	7.9	9.4	3.3	2.7	-0.5	1.9	5.6	10.3
Oct.	4.0	2.6	-0.4	3.5	7.6	8.7	3.4	2.1	1.2	3.5	5.3	9.1
Nov.	3.3	2.7	-2.3	4.0	6.4	10.0	3.4	2.1	0.8	5.0	5.2	9.2
Dec.	4.0	3.1	-0.8	4.4	7.2	9.4	4.3	3.0	1.3	7.5	6.4	7.2
2012 Jan.	3.9	2.4	-0.8	5.7	7.0	11.1	4.9	3.2	1.6	9.1	7.1	10.3
Feb.	4.2	3.0	-0.6	6.5	7.0	13.5	5.6	4.3	2.8	9.8	7.1	14.4
Mar.	4.6	3.5	1.5	7.5	6.2	12.7	6.0	4.4	3.5	13.4	6.9	15.2
Apr.	4.2	2.7	2.4	7.2	5.4	11.7	4.9	3.2	3.6	10.8	5.5	14.4
May	4.1	1.9	3.1	7.1	5.5	10.6	4.8	1.6	5.5	9.2	5.8	11.9
June	3.9	2.0	1.8	8.7	5.4	10.7	3.5	1.0	2.5	10.0	4.4	14.2
July	4.0	2.3	1.5	9.7	5.3	12.1	3.1	1.4	1.4	10.3	3.6	13.9
Aug.	3.9	2.3	0.8	10.6	5.3	11.5	2.2	0.4	-1.1	11.5	3.6	8.6

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.
1) For details of the calculation of the growth rates, see the Technical Notes. The six-month growth rates have been annualised.

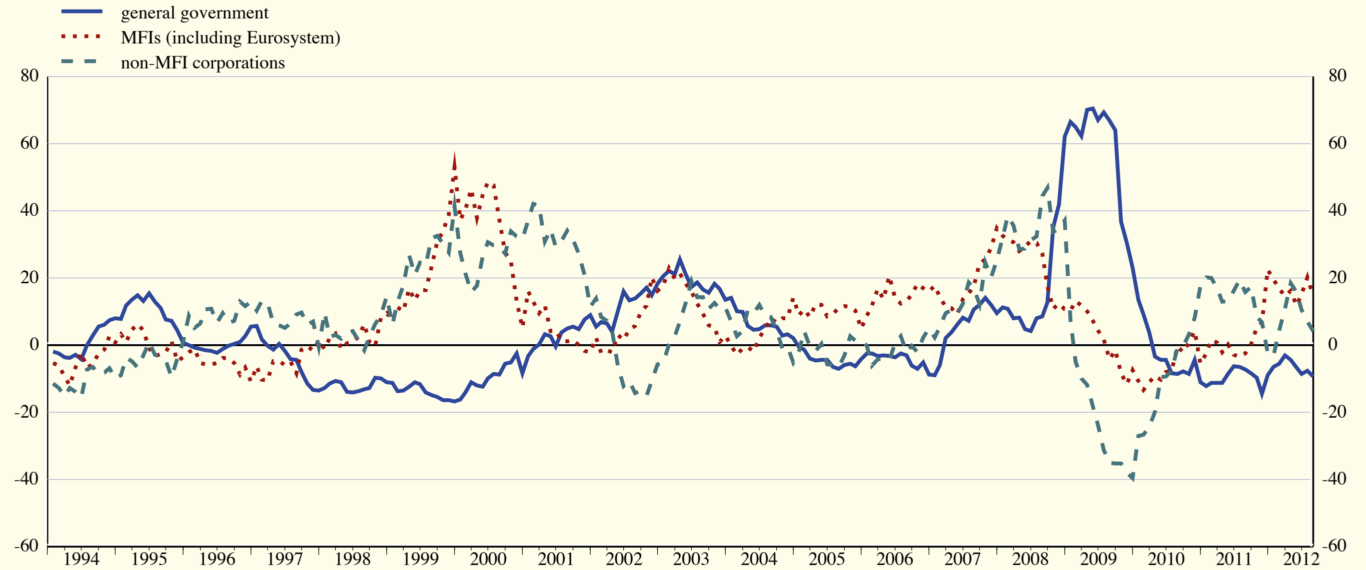
4.3 Growth rates of securities other than shares issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2010	8.8	5.7	6.4	19.7	9.9	8.8	-0.6	-4.0	0.6	-2.0	6.4	27.6
2011	6.4	5.0	3.4	6.3	7.8	7.7	-0.7	-1.4	-5.5	-2.0	22.3	16.1
2011 Q3	6.6	6.2	4.2	5.2	7.4	8.9	-1.6	-1.3	-8.0	-2.5	25.7	13.0
Q4	5.5	5.5	2.6	4.5	6.1	8.1	-1.1	-0.3	-7.2	-2.6	21.0	13.9
2012 Q1	5.8	5.5	2.1	6.6	6.4	9.0	-0.1	0.4	-5.4	-0.9	15.3	21.5
Q2	5.3	5.2	1.9	8.1	5.6	6.7	0.5	-0.4	-2.3	-1.3	8.1	25.9
2012 Mar.	5.8	6.3	2.0	8.1	5.9	8.3	0.7	1.1	-3.9	-1.7	11.4	26.9
Apr.	5.4	5.5	2.0	7.9	5.6	7.3	-0.2	-0.1	-3.5	-1.0	6.4	25.9
May	5.1	4.7	1.9	7.6	5.7	5.7	0.9	-1.2	-0.4	-1.2	7.6	26.0
June	4.8	4.3	1.5	9.5	5.1	6.1	0.7	-0.7	-1.7	-1.7	9.0	24.9
July	4.9	4.6	1.2	10.1	5.0	7.1	0.6	-0.4	-2.7	0.8	9.2	27.1
Aug.	5.2	4.3	1.0	11.1	5.6	6.9	-0.1	0.2	-3.7	0.9	5.3	24.9
	In euro											
2010	9.1	5.6	7.4	20.1	10.0	8.3	-0.4	-3.3	0.3	-2.5	5.9	26.2
2011	6.5	4.2	3.6	6.6	8.1	7.2	-0.2	0.1	-6.1	-3.0	22.2	15.3
2011 Q3	6.7	5.5	4.4	5.9	7.6	8.6	-1.3	-0.2	-8.7	-3.7	25.6	11.1
Q4	5.7	5.3	2.6	4.7	6.4	8.6	-0.7	1.2	-7.9	-3.6	20.8	12.3
2012 Q1	6.1	5.8	2.5	6.5	6.6	9.8	0.5	2.3	-6.0	-2.1	15.0	20.2
Q2	5.5	5.7	1.6	8.5	5.7	6.6	0.7	2.0	-4.0	-2.5	7.9	25.3
2012 Mar.	6.2	6.8	2.3	8.5	6.1	9.1	0.9	3.1	-5.4	-3.0	11.3	26.1
Apr.	5.6	5.8	1.9	8.3	5.8	7.0	0.0	2.2	-5.3	-2.7	6.2	25.4
May	5.3	5.3	1.2	8.2	5.7	5.3	1.2	1.3	-2.2	-2.5	7.4	24.8
June	5.1	5.1	1.4	9.8	5.2	5.7	1.1	2.1	-3.7	-2.0	8.9	25.1
July	5.1	5.4	0.6	10.4	5.0	6.5	0.8	2.4	-5.0	0.8	8.8	27.1
Aug.	5.4	5.3	0.2	11.3	5.7	6.3	0.1	3.1	-6.1	1.0	5.0	24.8

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents [1]

(EUR billions, unless otherwise indicated; market values)

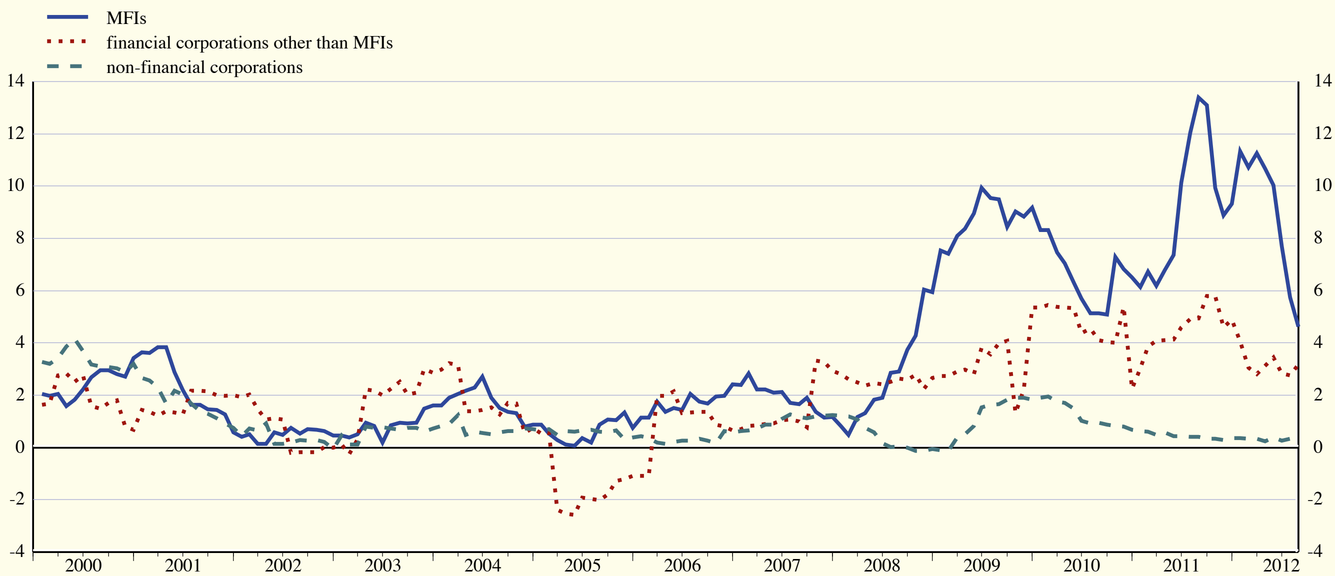
1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2008 = 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
2010 Aug.	4,119.5	103.7	1.7	479.0	5.1	314.4	4.1	3,326.2	1.0
Sep.	4,341.2	103.8	1.6	487.3	5.1	326.7	4.0	3,527.2	0.9
Oct.	4,515.5	104.2	1.8	514.7	7.3	333.6	4.0	3,667.2	0.8
Nov.	4,397.9	104.4	1.8	438.0	6.8	316.6	5.4	3,643.3	0.8
Dec.	4,580.5	104.4	1.4	458.7	6.5	334.0	2.3	3,787.7	0.7
2011 Jan.	4,744.5	104.6	1.4	514.6	6.1	365.9	3.0	3,864.0	0.6
Feb.	4,830.5	104.7	1.5	535.3	6.7	379.0	3.9	3,916.2	0.6
Mar.	4,752.5	104.8	1.4	492.0	6.2	363.3	4.1	3,897.2	0.5
Apr.	4,876.0	105.0	1.5	497.9	6.8	371.6	4.1	4,006.5	0.6
May	4,760.8	105.0	1.5	476.3	7.4	356.3	4.1	3,928.1	0.4
June	4,705.6	105.5	1.7	492.0	10.1	350.6	4.6	3,863.0	0.4
July	4,488.0	105.7	1.9	459.1	12.1	325.6	4.9	3,703.3	0.4
Aug.	3,960.2	105.9	2.1	383.3	13.4	281.7	4.9	3,295.2	0.4
Sep.	3,733.4	105.9	2.0	350.9	13.1	264.4	5.8	3,118.1	0.3
Oct.	4,026.4	105.9	1.7	360.8	9.9	288.0	5.8	3,377.6	0.3
Nov.	3,875.5	106.0	1.5	330.1	8.9	271.6	4.6	3,273.8	0.3
Dec.	3,888.1	106.1	1.6	339.7	9.3	270.8	4.9	3,277.6	0.4
2012 Jan.	4,101.0	106.3	1.7	375.9	11.3	298.1	4.0	3,427.0	0.4
Feb.	4,267.1	106.3	1.5	395.1	10.7	311.4	3.1	3,560.6	0.3
Mar.	4,251.1	106.4	1.5	373.5	11.3	311.1	2.8	3,566.5	0.3
Apr.	4,078.2	106.5	1.4	327.7	10.7	292.0	3.1	3,458.6	0.2
May	3,772.2	106.5	1.5	281.2	10.0	260.2	3.4	3,230.8	0.4
June	3,935.4	106.6	1.1	318.0	7.7	280.3	2.8	3,337.1	0.3
July	4,062.0	106.8	1.0	310.1	5.8	287.5	2.8	3,464.4	0.3
Aug.	4,185.0	106.8	0.9	349.8	4.6	304.7	3.2	3,530.6	0.3

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents

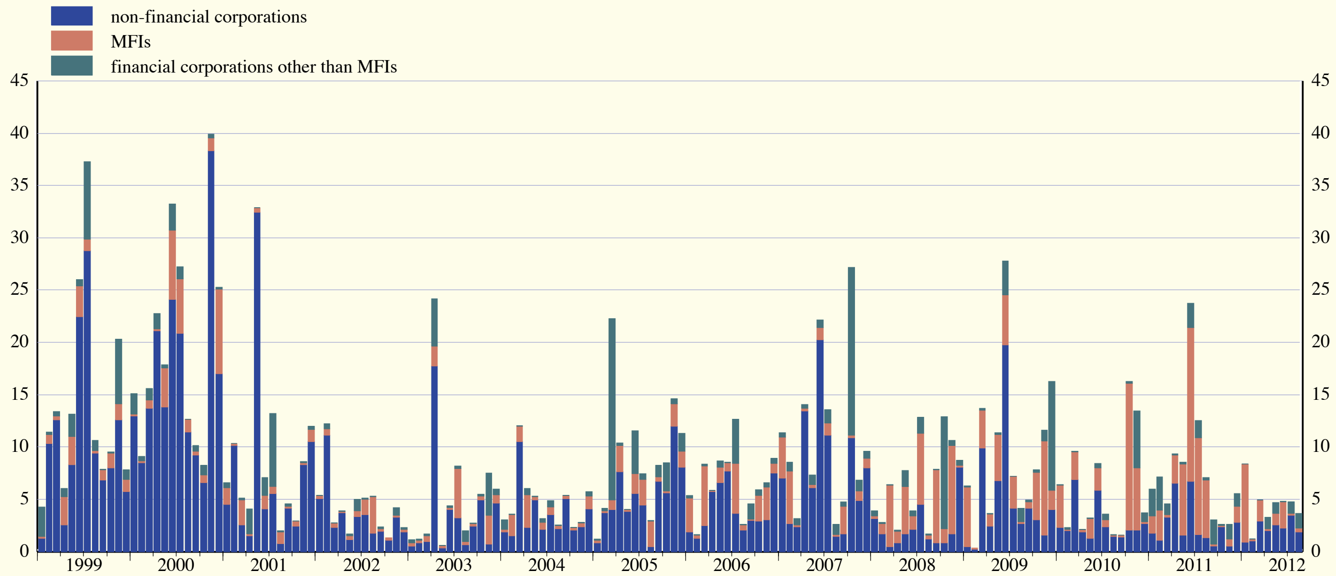
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2010 Aug.	1.5	1.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.2	0.3
Sep.	1.6	0.2	1.4	0.2	0.0	0.2	0.0	0.0	0.0	1.4	0.2	1.2
Oct.	16.3	0.2	16.0	14.0	0.0	14.0	0.2	0.1	0.1	2.0	0.2	1.9
Nov.	13.5	1.5	12.0	5.9	0.0	5.9	5.5	0.1	5.4	2.1	1.4	0.7
Dec.	3.7	3.5	0.2	0.2	0.0	0.2	0.9	0.3	0.5	2.7	3.2	-0.5
2011 Jan.	6.0	1.3	4.7	1.6	0.0	1.6	2.6	0.0	2.6	1.8	1.3	0.5
Feb.	7.1	0.2	6.9	2.9	0.0	2.9	3.2	0.0	3.2	1.1	0.2	0.8
Mar.	4.4	1.0	3.5	0.1	0.0	0.1	1.0	0.2	0.8	3.3	0.7	2.6
Apr.	9.3	0.6	8.8	2.7	0.0	2.7	0.1	0.0	0.1	6.5	0.6	5.9
May	8.6	8.8	-0.2	6.8	2.1	4.6	0.2	0.0	0.2	1.6	6.6	-5.0
June	23.7	1.3	22.5	14.7	0.0	14.7	2.3	0.3	2.0	6.7	1.0	5.7
July	12.5	0.7	11.8	9.3	0.0	9.3	1.6	0.0	1.6	1.6	0.7	0.9
Aug.	7.1	1.0	6.1	5.5	0.0	5.5	0.3	0.2	0.1	1.3	0.8	0.5
Sep.	2.9	2.9	0.0	0.0	0.9	-0.9	2.3	0.0	2.3	0.5	2.0	-1.4
Oct.	2.4	0.4	2.0	0.0	0.0	0.0	0.1	0.0	0.1	2.3	0.4	1.9
Nov.	2.6	1.5	1.1	0.7	0.0	0.7	1.4	0.0	1.4	0.6	1.5	-1.0
Dec.	5.5	1.0	4.5	1.5	0.0	1.5	1.2	0.0	1.2	2.8	1.0	1.8
2012 Jan.	8.4	0.4	7.9	7.5	0.0	7.5	0.0	0.1	-0.1	0.9	0.3	0.6
Feb.	1.1	1.4	-0.3	0.0	0.0	0.0	0.0	0.2	-0.2	1.0	1.2	-0.1
Mar.	4.9	0.7	4.3	2.0	0.0	2.0	0.0	0.1	-0.1	2.9	0.6	2.3
Apr.	3.1	0.3	2.8	0.0	0.0	0.0	1.1	0.0	1.1	2.0	0.3	1.7
May	4.7	1.8	2.9	1.1	0.0	1.1	1.1	0.1	1.0	2.5	1.7	0.8
June	4.8	1.2	3.6	2.6	0.0	2.6	0.0	0.1	-0.1	2.2	1.1	1.1
July	4.7	0.3	4.4	0.2	0.0	0.2	1.1	0.0	1.1	3.5	0.3	3.2
Aug.	3.7	1.5	2.2	0.4	0.0	0.4	1.4	0.1	1.3	1.8	1.3	0.5

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1]

(percentages per annum; outstanding amounts as at 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	With an agreed maturity of:			Redeemable at notice of: [2]		Overnight	With an agreed maturity of:			
		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
2011 Oct.	0.55	2.88	3.17	3.14	1.77	1.96	0.69	1.72	2.74	2.72	1.65
Nov.	0.55	2.78	3.08	3.03	1.78	1.96	0.66	1.53	2.61	2.85	1.62
Dec.	0.54	2.78	3.20	3.06	1.79	1.97	0.65	1.53	2.76	2.90	1.38
2012 Jan.	0.53	2.94	3.49	3.15	1.81	1.96	0.61	1.34	2.95	2.92	1.23
Feb.	0.52	2.90	3.38	3.16	1.81	1.96	0.59	1.26	2.96	3.01	1.05
Mar.	0.51	2.88	3.04	3.03	1.79	1.95	0.58	1.31	2.75	2.98	0.97
Apr.	0.49	2.82	2.92	2.84	1.76	1.95	0.55	1.16	2.70	3.07	1.28
May	0.48	2.65	2.70	2.68	1.74	1.91	0.54	1.07	2.31	2.75	0.93
June	0.47	2.72	2.73	2.63	1.73	1.88	0.52	1.11	2.32	2.69	0.98
July	0.45	2.80	2.89	2.61	1.70	1.85	0.47	1.14	2.01	2.53	1.26
Aug.	0.44	2.66	2.76	2.51	1.68	1.81	0.46	1.10	2.12	2.42	1.01
Sep.	0.42	2.80	2.83	2.42	1.65	1.77	0.46	1.13	2.37	2.53	1.41

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

	Revolving loans and overdrafts	Extended credit card debt [3]	Consumer credit				Lending for house purchase					Lending to sole proprietors and unincorporated partnerships		
			By initial rate fixation			APRC [4]	By initial rate fixation				APRC [4]	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 and up to 10 years	Over 10 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	8	9	10	11	12	13	14
2011 Oct.	8.43	17.17	5.60	6.53	7.94	7.54	3.44	3.79	3.86	3.94	3.95	3.98	4.76	4.16
Nov.	8.41	17.11	5.56	6.47	7.78	7.39	3.43	3.74	3.84	3.94	3.96	4.22	4.93	4.02
Dec.	8.37	17.08	5.27	6.44	7.64	7.16	3.49	3.74	3.81	3.95	4.02	4.13	4.84	3.92
2012 Jan.	8.46	17.06	5.62	6.58	8.08	7.57	3.50	3.71	3.75	4.03	4.03	3.88	4.76	3.93
Feb.	8.41	17.05	5.70	6.58	8.09	7.63	3.44	3.64	3.70	3.95	3.92	3.86	4.71	4.04
Mar.	8.39	16.98	5.55	6.44	7.94	7.45	3.31	3.57	3.61	3.91	3.83	3.73	4.74	3.90
Apr.	8.26	17.10	5.43	6.31	7.95	7.35	3.20	3.58	3.59	3.96	3.79	3.65	4.68	3.89
May	8.26	17.10	5.65	6.39	7.95	7.48	3.14	3.54	3.53	3.84	3.72	3.80	4.74	3.83
June	8.25	17.06	5.61	6.27	7.73	7.27	3.11	3.48	3.46	3.69	3.66	3.61	4.73	3.71
July	8.14	17.01	5.76	6.26	7.82	7.37	3.09	3.40	3.31	3.62	3.58	3.64	4.45	3.49
Aug.	8.12	16.96	5.79	6.27	7.67	7.37	2.94	3.33	3.21	3.52	3.48	3.43	4.45	3.32
Sep.	8.14	16.95	5.77	6.18	7.62	7.26	2.92	3.27	3.21	3.49	3.45	3.23	4.48	3.31

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

	Revolving loans and overdrafts	Other loans of up to EUR 0.25 million by initial rate fixation						Other loans of over EUR 1 million by initial rate fixation					
		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 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
2011 Oct.	4.61	4.70	5.10	4.86	4.99	4.56	4.27	2.98	3.54	3.78	3.89	3.60	3.71
Nov.	4.61	4.77	5.26	4.98	5.10	4.65	4.26	2.80	3.65	3.42	3.92	3.60	3.71
Dec.	4.66	4.89	5.15	4.98	5.05	4.59	4.27	3.04	3.74	3.11	3.95	3.73	3.75
2012 Jan.	4.64	4.93	5.35	4.78	5.04	4.40	4.33	2.66	3.70	3.06	3.45	2.70	3.80
Feb.	4.59	4.86	5.25	4.74	5.02	4.65	4.41	2.50	3.76	3.36	3.89	3.77	3.64
Mar.	4.60	4.81	5.17	4.66	5.00	4.63	4.32	2.39	3.43	3.06	3.09	3.37	3.57
Apr.	4.46	4.96	5.09	4.61	4.85	4.57	4.39	2.39	3.52	3.43	3.40	3.51	3.59
May	4.43	4.82	5.11	4.60	4.84	4.49	4.20	2.37	3.75	3.41	3.48	3.60	3.51
June	4.39	4.81	5.03	4.58	4.76	4.41	4.16	2.44	3.20	3.44	3.03	3.34	3.22
July	4.30	4.86	5.17	4.58	4.56	4.13	4.12	2.23	3.31	3.62	3.13	3.19	3.50
Aug.	4.20	4.84	4.95	4.31	4.50	3.92	3.88	2.05	2.96	3.08	3.21	3.16	3.01
Sep.	4.18	4.69	4.75	4.25	4.45	3.87	3.93	2.15	2.56	2.93	2.74	2.95	3.06

Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) For this instrument category, 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 when all participating Member States are combined.
3) This instrument category excludes convenience credit card debt, i.e. credit granted at an interest rate of 0% during the billing cycle.
4) The annual percentage rate of charge (APRC) covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1), *]

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

4. Interest rates on deposits (outstanding amounts)

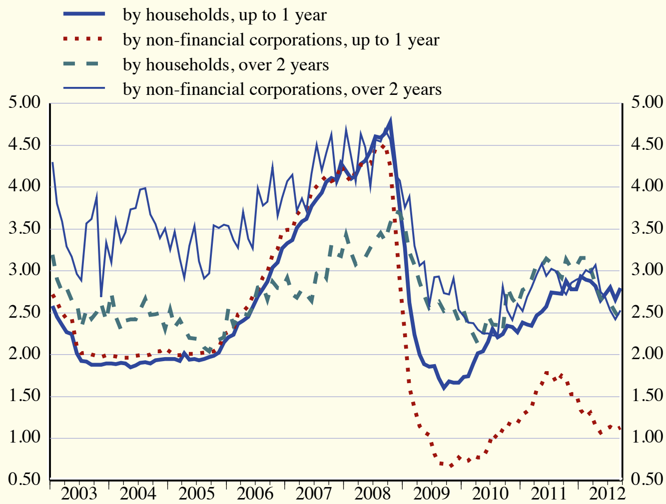
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2)]	With an agreed maturity of:		Redeemable at notice of: [2),3)]		Overnight [2)]	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2011 Oct.	0.55	2.66	2.78	1.77	1.96	0.69	2.18	3.14	2.15
Nov.	0.55	2.70	2.80	1.78	1.96	0.66	2.18	3.16	2.24
Dec.	0.54	2.73	2.78	1.79	1.97	0.65	2.18	3.13	2.37
2012 Jan.	0.53	2.76	2.78	1.81	1.96	0.61	2.14	3.16	2.46
Feb.	0.52	2.79	2.80	1.81	1.96	0.59	2.13	3.20	2.62
Mar.	0.51	2.81	2.81	1.79	1.95	0.58	2.05	3.13	2.58
Apr.	0.49	2.78	2.82	1.76	1.95	0.55	2.00	3.09	2.57
May	0.48	2.76	2.80	1.74	1.91	0.54	1.96	3.06	2.39
June	0.47	2.73	2.82	1.73	1.88	0.52	1.93	3.08	2.48
July	0.45	2.72	2.78	1.70	1.85	0.47	1.89	3.04	2.47
Aug.	0.44	2.70	2.77	1.68	1.81	0.46	1.84	3.01	2.45
Sep.	0.42	2.69	2.79	1.65	1.77	0.46	1.82	3.02	2.60

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	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
2011 Oct.	4.12	3.78	3.91	8.17	6.44	5.33	4.19	3.86	3.74
Nov.	4.12	3.77	3.91	8.09	6.44	5.34	4.20	3.89	3.75
Dec.	4.12	3.74	3.89	8.11	6.43	5.31	4.26	3.87	3.72
2012 Jan.	4.06	3.71	3.87	8.14	6.40	5.29	4.24	3.82	3.68
Feb.	4.04	3.69	3.86	8.09	6.39	5.27	4.18	3.78	3.67
Mar.	4.03	3.68	3.85	8.07	6.37	5.25	4.16	3.66	3.60
Apr.	3.93	3.64	3.80	7.97	6.31	5.20	4.05	3.61	3.54
May	3.88	3.62	3.77	7.95	6.29	5.16	3.99	3.58	3.50
June	3.86	3.60	3.76	7.83	6.30	5.14	3.96	3.53	3.46
July	3.78	3.54	3.72	7.78	6.26	5.08	3.89	3.47	3.40
Aug.	3.73	3.51	3.67	7.77	6.22	5.05	3.81	3.41	3.36
Sep.	3.72	3.51	3.66	7.81	6.30	5.03	3.78	3.40	3.34

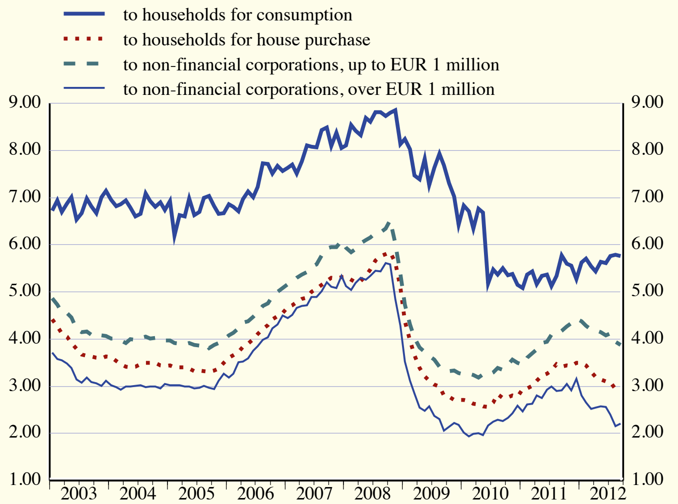
C21 New deposits with an agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans with a floating rate and up to 1 year's initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

* For the source of the data in the table and the related footnotes, please see page S42.

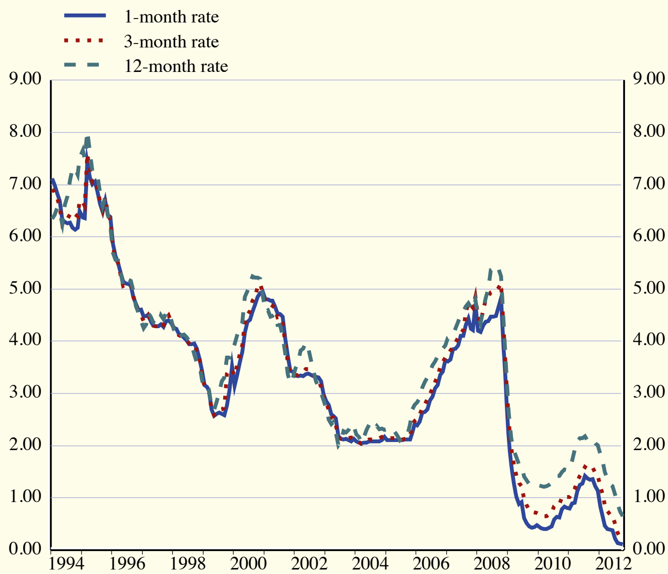
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1), 2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2011	0.87	1.18	1.39	1.64	2.01	0.34	0.19
2011 Q3	0.97	1.38	1.56	1.77	2.11	0.30	0.19
Q4	0.79	1.24	1.50	1.72	2.05	0.48	0.20
2012 Q1	0.37	0.64	1.04	1.34	1.67	0.51	0.20
Q2	0.34	0.39	0.69	0.98	1.28	0.47	0.20
Q3	0.13	0.16	0.36	0.63	0.90	0.43	0.19
2011 Oct.	0.96	1.36	1.58	1.78	2.11	0.41	0.19
Nov.	0.79	1.23	1.48	1.71	2.04	0.48	0.20
Dec.	0.63	1.14	1.43	1.67	2.00	0.56	0.20
2012 Jan.	0.38	0.84	1.22	1.50	1.84	0.57	0.20
Feb.	0.37	0.63	1.05	1.35	1.68	0.50	0.20
Mar.	0.36	0.47	0.86	1.16	1.50	0.47	0.20
Apr.	0.35	0.41	0.74	1.04	1.37	0.47	0.20
May	0.34	0.39	0.68	0.97	1.27	0.47	0.20
June	0.33	0.38	0.66	0.93	1.22	0.47	0.20
July	0.18	0.22	0.50	0.78	1.06	0.45	0.20
Aug.	0.11	0.13	0.33	0.61	0.88	0.43	0.19
Sep.	0.10	0.12	0.25	0.48	0.74	0.39	0.19
Oct.	0.09	0.11	0.21	0.41	0.65	0.33	0.19

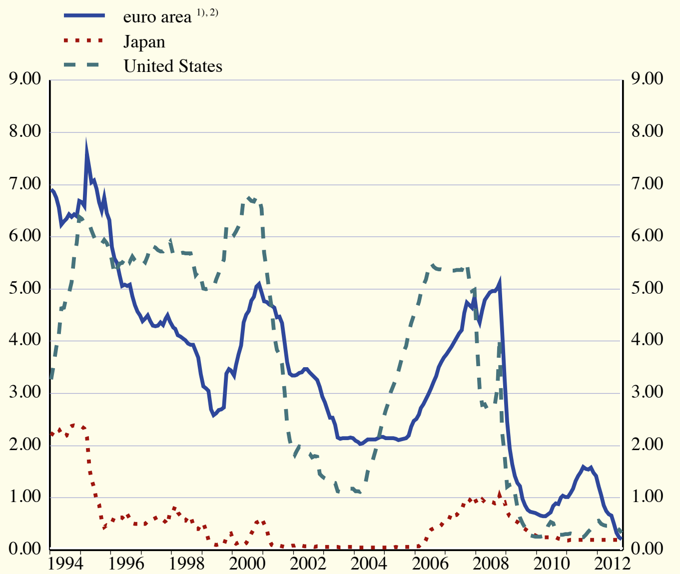
C23 Euro area money market rates [1), 2)]

(monthly averages; percentages per annum)



C24 3-month money market rates

(monthly averages; percentages per annum)



Source: ECB.

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

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

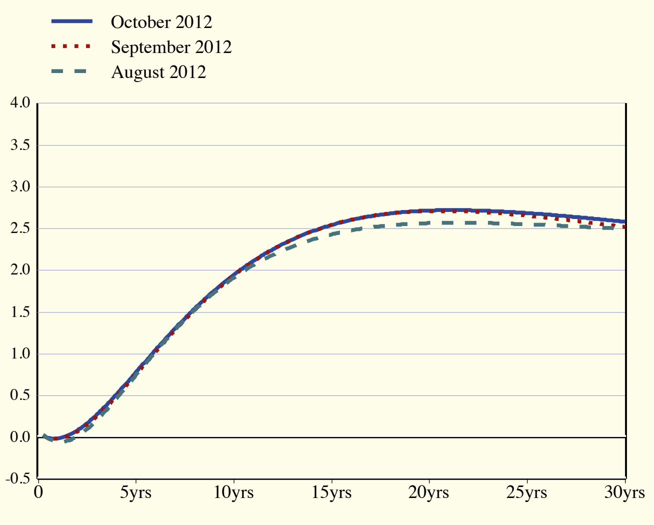
4.7 Euro area yield curves [1)]

(AAA-rated euro area central government bonds; end of period; rates in percentages per annum; spreads in percentage points)

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2011 Q4	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Q1	0.07	0.16	0.39	1.36	1.95	2.60	2.53	2.21	0.34	0.95	2.97	4.26
Q2	0.04	0.08	0.27	1.17	1.73	2.32	2.27	2.05	0.20	0.76	2.69	3.82
Q3	0.02	-0.01	0.07	0.76	1.29	1.94	1.92	1.87	0.00	0.36	2.10	3.75
2011 Oct.	0.38	0.54	0.81	1.71	2.22	2.79	2.41	1.98	0.78	1.39	3.12	4.29
Nov.	0.20	0.38	0.74	1.92	2.51	3.07	2.87	2.33	0.69	1.53	3.64	4.41
Dec.	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Jan.	0.11	0.21	0.45	1.44	2.03	2.67	2.55	2.22	0.39	1.03	3.07	4.26
Feb.	0.11	0.15	0.37	1.39	1.99	2.59	2.49	2.22	0.29	0.95	3.06	4.06
Mar.	0.07	0.16	0.39	1.36	1.95	2.60	2.53	2.21	0.34	0.95	2.97	4.26
Apr.	0.03	0.10	0.32	1.26	1.84	2.47	2.44	2.15	0.26	0.85	2.84	4.10
May	0.07	0.05	0.17	0.89	1.36	1.89	1.82	1.72	0.10	0.52	2.17	3.23
June	0.04	0.08	0.27	1.17	1.73	2.32	2.27	2.05	0.20	0.76	2.69	3.82
July	0.00	-0.09	-0.02	0.71	1.25	1.87	1.87	1.89	-0.11	0.26	2.12	3.52
Aug.	0.03	-0.05	0.01	0.75	1.29	1.91	1.88	1.90	-0.08	0.30	2.17	3.55
Sep.	0.02	-0.01	0.07	0.76	1.29	1.94	1.92	1.87	0.00	0.36	2.10	3.75
Oct.	0.01	-0.01	0.09	0.78	1.31	1.95	1.94	1.86	0.02	0.39	2.13	3.72

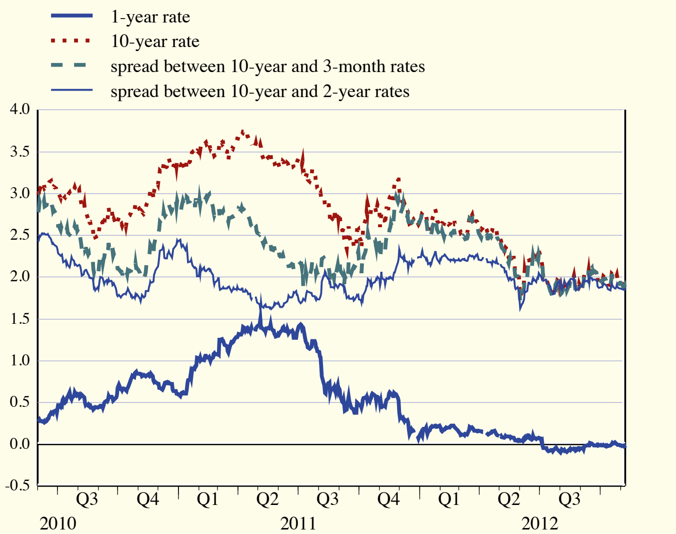
C25 Euro area spot yield curves [2)]

(percentages per annum; end of period)



C26 Euro area spot rates and spreads [2)]

(daily data; rates in percentages per annum; spreads in percentage points)



Sources: ECB calculations based on underlying data provided by EuroMTS and ratings provided by Fitch Ratings.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Data cover AAA-rated euro area central government bonds.

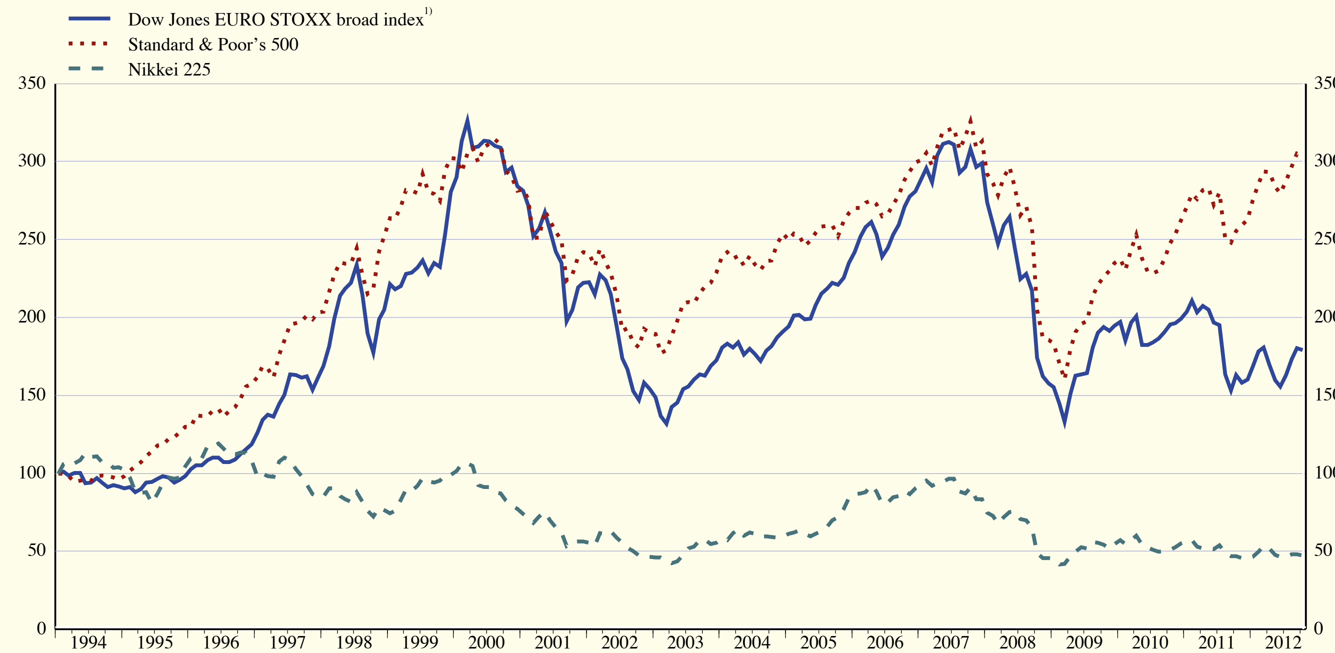
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1]												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
2010	265.5	2,779.3	463.1	166.2	323.4	307.2	182.8	337.6	224.1	344.9	389.6	408.4	1,140.0	10,006.5
2011	256.0	2,611.0	493.4	158.1	351.2	311.6	152.6	349.4	222.5	301.7	358.4	432.7	1,267.6	9,425.4
2011 Q3	236.0	2,381.6	463.7	146.0	341.5	282.0	133.8	323.0	199.8	270.2	333.0	435.0	1,225.3	9,246.3
Q4	222.4	2,277.8	427.1	142.1	327.1	295.5	117.2	296.6	201.8	256.5	320.3	432.4	1,225.7	8,580.6
2012 Q1	243.7	2,473.6	499.1	150.3	372.3	324.6	129.7	333.3	221.7	253.7	300.6	480.6	1,348.8	9,295.3
Q2	224.0	2,226.2	472.5	140.8	370.7	285.3	108.2	311.6	207.4	223.4	261.9	493.2	1,349.7	9,026.5
Q3	238.7	2,400.9	505.9	152.7	392.3	307.8	117.2	327.7	215.9	234.0	265.6	548.5	1,400.9	8,886.4
2011 Oct.	226.1	2,312.3	424.8	142.4	325.6	290.2	123.1	302.3	203.0	269.9	334.1	426.1	1,207.2	8,733.6
Nov.	219.2	2,239.6	423.6	141.5	325.9	293.5	112.8	292.2	205.7	250.6	316.6	423.3	1,226.4	8,506.1
Dec.	222.2	2,283.3	433.2	142.4	329.9	302.9	115.9	295.5	196.6	249.3	310.3	448.4	1,243.3	8,506.0
2012 Jan.	233.4	2,382.1	477.6	146.9	351.8	317.3	120.4	319.2	206.9	248.8	305.0	473.6	1,300.6	8,616.7
Feb.	247.2	2,508.2	507.2	152.1	377.3	327.0	134.4	336.3	223.9	254.6	300.1	477.6	1,352.5	9,242.3
Mar.	250.7	2,532.2	512.9	152.0	388.0	329.5	134.6	344.6	234.3	257.7	296.7	490.5	1,389.2	9,962.3
Apr.	235.0	2,340.8	497.6	145.9	380.9	301.1	116.8	327.8	221.2	237.7	275.2	488.5	1,386.4	9,627.4
May	221.9	2,198.5	469.5	139.7	373.7	281.6	105.0	310.4	204.5	218.9	261.4	492.0	1,341.3	8,842.5
June	216.2	2,152.7	453.1	137.4	358.3	275.1	104.0	298.4	198.0	215.4	250.4	498.9	1,323.5	8,638.1
July	226.5	2,258.4	479.1	145.8	379.4	290.4	106.5	313.9	204.4	224.3	257.3	534.2	1,359.8	8,760.7
Aug.	240.5	2,424.5	509.4	154.6	399.7	313.0	116.8	330.3	220.8	231.8	265.7	552.5	1,403.4	8,949.9
Sep.	250.1	2,530.7	531.4	158.2	398.1	321.0	129.5	339.8	223.0	247.2	274.6	559.7	1,443.4	8,948.6
Oct.	248.7	2,503.5	528.4	159.1	398.3	311.7	130.2	340.2	219.9	241.9	255.9	567.6	1,437.8	8,827.4

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

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a.; percentage change vis-à-vis previous period)						Memo item: Administered prices [2]	
	Index: 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
			Total excl. unprocessed food and energy										
% of total in 2012	100.0	100.0	81.8	58.5	41.5	100.0	11.9	7.2	28.5	11.0	41.5	88.2	11.8
	1	2	3	4	5	6	7	8	9	10	11	12	13
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.8
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.5
2011	112.8	2.7	1.7	3.3	1.8	-	-	-	-	-	-	2.6	3.5
2011 Q3	112.9	2.7	1.7	3.2	2.0	0.3	1.1	0.0	-0.1	0.4	0.5	2.6	3.5
Q4	114.1	2.9	2.0	3.7	1.9	0.7	1.1	0.9	0.7	1.5	0.3	2.9	3.5
2012 Q1	114.3	2.7	1.9	3.3	1.8	0.8	0.7	0.6	0.2	4.1	0.5	2.6	3.4
Q2	115.9	2.5	1.8	3.0	1.7	0.5	0.6	0.7	0.4	1.0	0.5	2.3	3.4
Q3	115.7	2.5	1.7	3.1	1.8	0.5	0.3	1.1	0.0	1.2	0.5	2.4	3.9
2012 May	115.9	2.4	1.8	2.9	1.8	-0.1	0.2	0.0	0.1	-1.4	0.1	2.3	3.4
June	115.8	2.4	1.8	2.8	1.7	0.0	0.1	1.0	0.1	-1.7	0.2	2.2	3.4
July	115.1	2.4	1.9	2.8	1.8	0.2	0.1	-0.1	-0.1	0.9	0.2	2.2	3.8
Aug.	115.6	2.6	1.7	3.2	1.8	0.4	0.1	0.6	0.0	2.4	0.2	2.4	3.9
Sep.	116.4	2.6	1.6	3.2	1.7	0.2	0.2	0.4	0.2	1.1	0.0	2.4	4.1
Oct. [3]	116.7	2.5	.	.	1.8	.	.	.	.	-0.5	.	.	.

	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 in 2012	19.1	11.9	7.2	39.5	28.5	11.0	10.1	6.0	6.5	3.1	14.5	7.3
	14	15	16	17	18	19	20	21	22	23	24	25
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
2010	1.1	0.9	1.3	2.2	0.5	7.4	1.8	1.5	2.3	-0.8	1.0	1.5
2011	2.7	3.3	1.8	3.7	0.8	11.9	1.8	1.4	2.9	-1.3	2.0	2.1
2011 Q3	2.8	3.7	1.3	3.4	0.4	12.0	1.8	1.5	3.3	-1.8	2.3	2.1
Q4	3.3	4.2	1.8	3.9	1.2	11.5	1.7	1.4	3.0	-1.8	2.2	2.1
2012 Q1	3.2	4.0	2.0	3.3	1.1	9.1	1.7	1.5	2.9	-2.7	2.1	2.4
Q2	3.0	3.5	2.3	2.9	1.3	7.2	1.7	1.4	2.7	-3.1	2.2	2.0
Q3	3.0	2.7	3.4	3.2	1.3	8.0	1.9	1.5	3.0	-3.1	2.2	1.9
2012 May	2.8	3.4	1.8	3.0	1.3	7.3	1.7	1.4	2.7	-3.3	2.4	2.0
June	3.2	3.2	3.1	2.6	1.3	6.1	1.7	1.4	3.0	-2.8	2.1	2.0
July	2.9	2.9	2.9	2.8	1.5	6.1	1.9	1.6	2.9	-3.1	2.3	1.9
Aug.	3.0	2.7	3.5	3.3	1.1	8.9	1.9	1.6	3.3	-3.1	2.2	1.9
Sep.	2.9	2.5	3.7	3.4	1.2	9.1	1.8	1.5	2.8	-3.3	2.2	1.8
Oct. [3]	3.2	.	.	.	1.1	7.8	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.

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

2) These experimental statistics can only provide an approximate measure of price administration, since changes in administered prices cannot be fully isolated from other influences. Please refer to Eurostat's website (http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction) for a note explaining the methodology used in the compilation of this indicator.

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction and residential property prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total in 2005	100.0	100.0	82.8	75.6	30.0	22.0	23.7	2.7	21.0	24.4		
	1	2	3	4	5	6	7	8	9	10	11	12
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.9	1.9
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-3.2
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	1.9	1.0
2011	118.3	5.9	5.5	3.8	5.9	1.4	3.1	2.1	3.3	11.9	3.3	1.0
2011 Q3	118.9	5.9	5.5	3.8	5.6	1.5	3.3	2.2	3.5	11.8	3.2	1.1
Q4	119.3	5.1	4.5	2.9	3.4	1.5	3.3	2.5	3.4	11.4	2.8	-0.3
2012 Q1	121.0	3.7	3.0	1.7	1.2	1.2	2.9	2.3	3.0	9.5	1.8	-0.8
Q2	121.1	2.2	1.6	1.1	0.4	1.2	2.0	1.9	2.0	5.8	1.6	-1.5
Q3	121.7	2.3	1.9	1.0	0.3	0.9	2.1	1.6	2.2	6.5	.	.
2012 Apr.	121.7	2.6	2.0	1.3	0.6	1.2	2.2	2.0	2.3	6.6	-	-
May	121.1	2.3	1.8	1.1	0.5	1.2	1.9	1.9	1.9	6.2	-	-
June	120.5	1.8	1.1	0.9	0.1	1.1	1.9	1.9	1.9	4.7	-	-
July	120.8	1.6	1.1	0.8	-0.2	1.0	1.9	1.9	2.0	4.5	-	-
Aug.	122.0	2.7	2.2	1.0	0.2	0.9	2.1	1.7	2.2	8.1	-	-
Sep.	122.2	2.7	2.3	1.2	0.7	0.9	2.3	1.3	2.4	7.0	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices [3] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [4]			Use-weighted [5]			Total (s.a.; index: 2005 = 100)	Total	Domestic demand				Exports [6]	Imports [6]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump-tion	Government consump-tion	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	45.0	55.0								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	106.2	1.9	2.6	2.6	2.7	2.3	2.4	3.9
2009	44.6	-18.5	-8.9	-23.1	-18.0	-11.4	-22.8	107.2	0.9	-0.1	-0.4	2.1	-0.3	-3.5	-6.3
2010	60.7	44.6	21.4	57.9	42.1	27.1	54.5	108.1	0.8	1.5	1.7	0.7	0.8	3.1	5.0
2011	79.7	12.2	22.4	7.7	12.8	20.7	7.5	109.4	1.2	2.0	2.5	0.8	2.1	3.6	5.7
2011 Q3	79.3	3.8	16.7	-1.6	4.9	11.6	0.3	109.6	1.2	2.0	2.4	0.9	2.1	3.0	5.1
Q4	80.7	-2.5	3.6	-5.2	-1.7	4.3	-6.0	109.8	1.3	2.0	2.5	1.1	2.0	2.7	4.5
2012 Q1	90.1	-5.8	-7.6	-4.9	-4.8	-3.7	-5.6	110.2	1.2	1.7	2.3	0.9	1.6	1.9	3.0
Q2	84.6	-1.1	-3.4	0.1	1.1	4.1	-1.2	110.6	1.2	1.5	2.0	0.8	1.2	1.5	2.2
Q3	87.3	5.3	10.4	2.7	7.8	16.0	1.6	.	.	.	.	.	.	.	.
2012 May	86.0	-0.3	-2.9	1.1	2.4	5.3	0.2	-	-	-	-	-	-	-	-
June	76.4	0.8	-2.1	2.3	3.4	6.7	0.9	-	-	-	-	-	-	-	-
July	83.4	4.7	11.6	1.3	7.1	17.4	-0.5	-	-	-	-	-	-	-	-
Aug.	90.5	6.5	11.6	3.9	8.6	16.3	2.6	-	-	-	-	-	-	-	-
Sep.	87.9	4.6	8.1	2.9	7.7	14.2	2.8	-	-	-	-	-	-	-	-
Oct.	85.6	5.8	8.2	4.6	8.0	11.8	4.9	-	-	-	-	-	-	-	-

Sources: Eurostat, ECB calculations based on Eurostat data (column 7 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Reuters data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

1) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
3) Brent Blend (for one-month forward delivery).
4) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
5) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for details).
6) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs

(annual percentage changes)

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

(quarterly data seasonally adjusted; annual data unadjusted)

	Total (index: 2005 = 100)	Total	By economic activity									
			Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
	Unit labour costs [1]											
2010	109.2	-0.8	3.9	-7.6	3.4	-0.9	0.0	0.3	3.3	1.0	0.8	1.8
2011	110.3	1.0	-2.0	-0.1	0.6	0.8	3.0	0.7	4.2	2.9	0.7	1.2
2011 Q3	110.3	1.1	-3.1	0.0	-0.2	1.6	3.2	-0.2	3.2	2.7	1.0	1.1
Q4	111.1	1.5	-2.4	2.2	-1.4	1.6	3.8	-0.8	4.1	3.4	0.6	1.2
2012 Q1	111.5	1.5	-2.0	2.7	0.5	1.8	4.4	1.3	1.8	2.1	0.6	1.7
Q2	112.0	1.4	-1.2	3.1	0.0	1.5	3.9	0.0	0.8	2.3	-0.1	1.6
	Compensation per employee											
2010	111.6	1.7	2.1	3.8	1.9	1.8	2.8	1.8	3.1	0.8	0.9	1.2
2011	114.1	2.2	1.7	3.0	3.9	1.8	2.4	1.0	2.4	2.8	1.3	1.3
2011 Q3	114.3	2.1	1.7	2.8	3.0	1.9	2.4	1.3	3.1	2.8	1.7	1.3
Q4	115.0	2.2	1.6	2.1	4.4	2.1	2.3	-0.1	1.8	3.3	1.7	2.1
2012 Q1	115.7	2.0	1.5	2.0	3.0	2.0	2.6	1.9	2.5	2.6	1.4	2.1
Q2	115.9	1.6	1.0	2.4	2.9	1.6	1.6	1.4	0.5	2.0	0.8	1.7
	Labour productivity per person employed [2]											
2010	102.2	2.5	-1.8	12.4	-1.5	2.8	2.9	1.5	-0.2	-0.2	0.1	-0.5
2011	103.4	1.2	3.8	3.1	3.3	1.0	-0.6	0.3	-1.7	-0.1	0.7	0.2
2011 Q3	103.5	1.0	5.0	2.8	3.2	0.3	-0.8	1.5	-0.2	0.1	0.7	0.2
Q4	103.5	0.7	4.1	0.0	5.9	0.5	-1.5	0.7	-2.2	-0.1	1.1	0.9
2012 Q1	103.7	0.4	3.6	-0.7	2.5	0.2	-1.7	0.6	0.7	0.4	0.8	0.4
Q2	103.5	0.2	2.3	-0.7	2.9	0.1	-2.2	1.4	-0.3	-0.3	0.9	0.0
	Compensation per hour worked											
2010	113.6	1.1	0.4	1.1	2.2	1.6	2.1	1.3	2.2	-0.1	0.8	1.3
2011	115.9	2.0	-0.2	2.3	4.2	2.0	2.4	0.9	2.0	2.5	1.4	1.7
2011 Q3	116.0	2.2	0.3	2.5	3.6	1.9	2.3	1.0	1.9	2.6	2.0	1.9
Q4	116.9	2.1	-0.2	2.3	5.4	2.1	2.0	-0.6	2.5	2.9	1.4	2.1
2012 Q1	117.3	2.2	4.4	1.7	4.1	2.2	3.0	2.5	5.3	3.1	1.1	2.4
Q2	118.0	1.8	1.8	2.0	4.3	2.2	1.5	2.2	2.6	2.1	0.3	1.7
	Hourly labour productivity [2]											
2010	104.1	2.0	-2.3	9.5	-1.5	2.4	2.3	1.0	-1.2	-0.8	0.0	-0.2
2011	105.4	1.2	3.7	2.5	3.4	1.4	-0.6	0.2	-2.2	-0.2	0.7	0.6
2011 Q3	105.6	1.1	5.9	2.7	3.4	0.4	-1.0	1.3	-1.3	0.0	0.9	0.4
Q4	105.6	0.7	3.8	0.1	6.5	0.6	-1.5	0.5	-1.8	-0.4	0.8	0.8
2012 Q1	105.7	0.7	4.9	-1.0	3.6	0.7	-1.5	1.0	2.3	0.8	0.5	0.6
Q2	105.9	0.3	2.7	-1.2	4.4	0.4	-2.4	2.2	0.2	0.0	0.4	0.3

5. Labour cost indices [3]

	Total (index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages [4]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total in 2008	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2010	104.3	1.6	1.4	2.2	1.2	1.7	1.9	1.7
2011	106.5	2.1	2.0	2.7	3.0	2.5	2.5	2.0
2011 Q3	104.0	2.2	2.0	2.8	2.8	2.6	2.5	2.1
Q4	113.0	2.2	2.1	2.6	3.3	3.0	2.5	2.0
2012 Q1	100.3	1.5	1.5	1.4	1.4	1.2	1.8	2.0
Q2	112.0	1.6	1.7	1.2	2.3	2.1	1.9	2.2

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

1) Compensation (at current prices) per employee divided by labour productivity per person employed.
2) Total GDP and value added by economic activity (volumes) per labour input (persons employed and hours worked).
3) Hourly labour cost indices for the whole economy, excluding agriculture, forestry and fishing. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
4) Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).

(quarterly data seasonally adjusted; annual data unadjusted)

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)								
2008	9,241.5	9,155.9	5,206.4	1,899.1	1,989.2	61.3	85.6	3,884.9	3,799.2
2009	8,922.2	8,804.2	5,134.2	1,988.2	1,730.6	-48.9	118.1	3,285.6	3,167.5
2010	9,175.9	9,053.3	5,268.9	2,017.1	1,744.1	23.2	122.7	3,769.4	3,646.8
2011	9,420.6	9,282.3	5,406.9	2,030.8	1,804.8	39.8	138.3	4,148.9	4,010.6
2011 Q2	2,353.8	2,327.3	1,347.1	507.8	451.2	21.1	26.5	1,028.4	1,001.9
Q3	2,362.8	2,324.4	1,355.9	507.6	451.3	9.7	38.3	1,047.9	1,009.6
Q4	2,360.2	2,312.9	1,357.7	508.7	450.4	-3.8	47.3	1,049.4	1,002.1
2012 Q1	2,368.3	2,318.6	1,362.7	511.6	447.0	-2.7	49.7	1,064.4	1,014.7
Q2	2,371.7	2,311.5	1,361.7	511.5	440.3	-2.0	60.2	1,078.3	1,018.1
	percentage of GDP								
2011	100.0	98.5	57.4	21.6	19.2	0.4	1.5	-	-
	Chain-linked volumes (prices for the previous year)								
	quarter-on-quarter percentage changes								
2011 Q2	0.2	0.1	-0.4	0.1	-0.2	-	-	0.6	0.2
Q3	0.1	-0.4	0.2	-0.2	-0.4	-	-	1.5	0.4
Q4	-0.3	-0.9	-0.5	0.0	-0.5	-	-	-0.1	-1.4
2012 Q1	0.0	-0.4	-0.2	0.1	-1.2	-	-	0.7	-0.2
Q2	-0.2	-0.5	-0.4	0.0	-1.5	-	-	1.3	0.6
	annual percentage changes								
2008	0.4	0.3	0.4	2.3	-1.4	-	-	1.1	0.9
2009	-4.4	-3.8	-1.0	2.6	-12.7	-	-	-12.4	-11.1
2010	2.0	1.3	0.9	0.7	-0.1	-	-	11.2	9.6
2011	1.4	0.5	0.1	-0.1	1.4	-	-	6.3	4.1
2011 Q2	1.6	0.9	0.2	0.1	1.3	-	-	6.3	4.6
Q3	1.3	0.3	0.2	-0.4	0.7	-	-	5.8	3.5
Q4	0.6	-0.7	-0.8	-0.3	0.8	-	-	3.6	0.4
2012 Q1	0.0	-1.6	-1.0	0.0	-2.4	-	-	2.6	-0.9
Q2	-0.4	-2.2	-0.9	-0.1	-3.6	-	-	3.3	-0.6
	contributions to quarter-on-quarter percentage changes in GDP; percentage points								
2011 Q2	0.2	0.1	-0.2	0.0	0.0	0.3	0.2	-	-
Q3	0.1	-0.4	0.1	-0.1	-0.1	-0.4	0.5	-	-
Q4	-0.3	-0.8	-0.3	0.0	-0.1	-0.4	0.5	-	-
2012 Q1	0.0	-0.4	-0.1	0.0	-0.2	-0.1	0.4	-	-
Q2	-0.2	-0.5	-0.2	0.0	-0.3	0.0	0.3	-	-
	contributions to annual percentage changes in GDP; percentage points								
2008	0.4	0.3	0.3	0.5	-0.3	-0.1	0.1	-	-
2009	-4.4	-3.7	-0.6	0.5	-2.7	-0.9	-0.7	-	-
2010	2.0	1.3	0.5	0.2	0.0	0.6	0.7	-	-
2011	1.4	0.5	0.1	0.0	0.3	0.2	1.0	-	-
2011 Q2	1.6	0.9	0.1	0.0	0.3	0.5	0.7	-	-
Q3	1.3	0.3	0.1	-0.1	0.1	0.2	1.0	-	-
Q4	0.6	-0.7	-0.5	-0.1	0.2	-0.3	1.3	-	-
2012 Q1	0.0	-1.6	-0.6	0.0	-0.5	-0.6	1.5	-	-
Q2	-0.4	-2.1	-0.5	0.0	-0.7	-0.9	1.7	-	-

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: Section 3.1; Table 1 of Section 7.1; Table 3 of Section 7.2; or Tables 1 or 3 of Section 7.5.
2) Including acquisitions less disposals of valuables.

5.2 Output and demand
(quarterly data seasonally adjusted; annual data unadjusted)

2. Value added by economic activity

	Gross value added (basic prices)											Taxes less subsidies on products
	Total	Agriculture, forestry and fishing	Manufactu-ring, energy and utilities	Construction	Trade, transport, accommoda-tion and food services	Information and commu-nication	Finance and insurance	Real estate	Professional, business and support services	Public admi-nistration, education, health and social work	Arts, enter-tainment and other services	
	1	2	3	4	5	6	7	8	9	10	11	12
	Current prices (EUR billions)											
2008	8,296.0	141.5	1,643.9	562.5	1,590.1	367.0	392.3	930.7	857.3	1,520.8	290.0	945.6
2009	8,028.3	123.8	1,461.8	531.5	1,537.4	369.7	421.5	901.9	804.0	1,581.6	295.0	893.9
2010	8,234.1	136.0	1,569.5	501.5	1,580.0	369.8	436.3	914.9	815.2	1,611.1	300.0	941.8
2011	8,446.7	142.8	1,639.1	507.0	1,631.4	370.7	432.4	945.0	841.3	1,631.8	305.2	973.8
2011 Q2	2,108.9	36.0	410.2	126.2	406.0	92.6	107.8	236.0	210.1	408.3	75.7	244.9
Q3	2,117.9	35.3	411.7	126.3	409.5	92.9	108.3	237.5	211.0	408.8	76.4	244.9
Q4	2,118.1	35.7	407.5	127.1	410.6	92.4	108.1	238.6	212.0	409.0	77.2	242.1
2012 Q1	2,124.4	36.8	408.6	126.3	410.4	92.1	108.6	238.9	213.0	412.0	77.6	243.9
Q2	2,127.7	36.9	410.2	125.8	410.4	91.1	107.9	240.7	213.2	414.1	77.5	244.0
	percentage of value added											
2011	100.0	1.7	19.4	6.0	19.3	4.4	5.1	11.2	10.0	19.3	3.6	-
	Chain-linked volumes (prices for the previous year)											
	quarter-on-quarter percentage changes											
2011 Q2	0.2	0.5	0.3	-1.0	0.2	0.2	-0.1	0.6	0.6	0.4	-0.4	0.2
Q3	0.1	0.6	0.0	-0.7	0.1	0.3	0.4	0.2	0.1	0.2	0.6	-0.2
Q4	-0.3	0.0	-1.6	-0.1	-0.3	0.3	-0.2	0.4	-0.1	0.2	0.5	-0.9
2012 Q1	0.0	1.2	0.1	-0.9	0.0	-0.8	0.0	0.3	0.1	-0.1	0.1	0.1
Q2	-0.1	-0.4	-0.2	-0.9	-0.3	-0.3	0.2	0.2	-0.2	0.4	-0.6	-1.0
	annual percentage changes											
2008	0.6	2.2	-2.3	-1.1	0.7	3.3	1.7	1.2	1.5	2.0	1.7	-1.3
2009	-4.4	0.9	-13.1	-8.0	-4.5	1.5	0.5	0.5	-7.5	1.3	-0.3	-4.2
2010	2.1	-2.8	9.2	-5.3	2.1	1.5	0.7	-0.5	1.5	1.1	0.3	1.0
2011	1.6	1.6	3.4	-0.8	1.7	1.2	0.1	1.3	2.5	0.8	0.4	0.4
2011 Q2	1.7	1.3	4.4	-1.9	1.9	1.4	-0.7	1.3	2.9	0.8	-0.3	0.6
Q3	1.5	3.0	3.5	-1.3	1.2	1.3	1.3	1.2	2.1	0.8	0.5	-0.4
Q4	0.9	1.5	0.2	0.6	0.7	0.8	0.7	1.5	1.8	0.9	0.8	-1.5
2012 Q1	0.0	2.4	-1.2	-2.7	0.0	-0.1	0.1	1.5	0.7	0.7	0.8	-0.7
Q2	-0.3	1.4	-1.7	-2.6	-0.5	-0.5	0.4	1.1	-0.1	0.7	0.6	-1.9
	contributions to quarter-on-quarter percentage changes in value added; percentage points											
2011 Q2	0.2	0.0	0.1	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	-
Q3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q4	-0.3	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
2012 Q1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q2	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.1	0.0	-
	contributions to annual percentage changes in value added; percentage points											
2008	0.6	0.0	-0.4	-0.1	0.1	0.1	0.1	0.1	0.2	0.4	0.1	-
2009	-4.4	0.0	-2.6	-0.5	-0.9	0.1	0.0	0.1	-0.8	0.2	0.0	-
2010	2.1	0.0	1.7	-0.4	0.4	0.1	0.0	-0.1	0.2	0.2	0.0	-
2011	1.6	0.0	0.7	-0.1	0.3	0.1	0.0	0.1	0.2	0.2	0.0	-
2011 Q2	1.7	0.0	0.8	-0.1	0.4	0.1	0.0	0.1	0.3	0.2	0.0	-
Q3	1.5	0.0	0.7	-0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.0	-
Q4	0.9	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.2	0.2	0.0	-
2012 Q1	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.2	0.1	0.1	0.0	-
Q2	-0.3	0.0	-0.3	-0.2	-0.1	0.0	0.0	0.1	0.0	0.1	0.0	-

Sources: Eurostat and ECB calculations.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total in 2005	100.0	77.8	77.8	69.2	68.7	28.1	22.3	18.3	2.6	15.7	9.1	22.2
	1	2	3	4	5	6	7	8	9	10	11	12
2009	-13.7	90.5	-14.9	-15.9	-16.1	-19.2	-20.9	-5.0	-17.4	-3.0	-5.4	-8.0
2010	4.1	97.1	7.3	7.7	7.7	10.0	9.2	3.0	2.7	3.1	3.8	-8.0
2011	2.4	100.5	3.4	4.6	4.6	4.1	8.8	0.5	0.7	0.5	-4.4	-0.9
2011 Q3	3.5	101.3	3.9	4.6	4.7	3.6	9.6	0.5	2.2	0.4	-2.6	1.9
Q4	0.0	99.4	-0.2	0.9	1.0	-0.4	3.8	-0.7	-2.9	-0.4	-7.7	2.1
2012 Q1	-2.6	98.9	-1.8	-1.5	-1.4	-3.1	1.7	-3.0	-5.1	-2.7	-3.5	-6.6
Q2	-3.1	98.5	-2.4	-2.8	-2.8	-3.9	-1.2	-3.0	-5.2	-2.7	1.1	-5.7
2012 Mar.	-2.0	99.1	-1.7	-1.0	-0.9	-2.8	2.4	-2.4	-6.1	-1.8	-6.4	-2.8
Apr.	-3.3	98.1	-2.6	-3.3	-3.3	-4.4	-1.0	-4.3	-6.8	-3.9	2.5	-5.9
May	-3.8	99.0	-2.6	-2.8	-2.9	-3.7	-1.7	-2.6	-6.3	-2.0	-0.5	-7.8
June	-2.4	98.5	-2.0	-2.3	-2.0	-3.6	-0.7	-2.2	-2.4	-2.2	1.2	-2.6
July	-3.7	99.2	-2.8	-2.7	-3.0	-3.9	-1.7	-3.5	-9.8	-2.6	0.5	-6.2
Aug.	-3.6	99.8	-2.9	-2.9	-3.0	-4.9	-1.9	-1.8	-4.9	-1.4	0.0	-5.5
	month-on-month percentage changes (s.a.)											
2012 Mar.	0.9	-	-0.1	1.1	1.1	1.0	1.2	1.4	0.0	1.6	-8.2	10.9
Apr.	-1.0	-	-1.0	-1.8	-1.8	-1.1	-2.8	-1.1	-0.8	-1.7	5.2	-3.2
May	0.2	-	1.0	1.3	1.0	0.6	1.3	1.3	0.5	2.0	-1.2	0.3
June	-0.3	-	-0.5	-0.7	-0.8	-0.5	-1.1	-0.5	0.4	-0.7	1.1	-0.4
July	0.3	-	0.6	1.0	0.8	0.2	2.0	-0.5	-0.4	-0.4	-0.4	0.1
Aug.	1.1	-	0.6	0.5	1.4	0.0	0.7	1.8	3.9	1.3	0.9	0.7

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

	Industrial new orders [1]		Industrial turnover		Retail sales (including automotive fuel)								New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices								
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food			Fuel	Total (s.a.; thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment			
% of total in 2005	100.0	100.0	100.0	100.0	100.0	100.0	100.0	38.4	51.0	9.0	12.8	10.6		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	87.4	-22.8	95.6	-18.3	-4.3	100.5	-2.4	-1.7	-2.4	-1.9	-4.2	-5.7	924	3.3
2010	102.8	17.7	105.2	10.2	2.1	101.5	0.9	0.5	1.8	2.2	1.1	-2.8	843	-8.5
2011	111.6	8.6	114.7	8.9	1.6	100.9	-0.6	-1.0	0.1	-1.3	0.0	-3.6	838	-1.1
2011 Q4	108.6	-0.6	114.5	4.0	0.9	100.0	-1.4	-1.7	-0.9	-4.1	-0.5	-4.1	829	-1.8
2012 Q1	108.2	-3.9	115.1	1.1	1.2	100.2	-1.1	-1.0	-0.5	-0.8	-2.2	-5.6	775	-11.4
Q2	.	.	114.1	-0.8	0.0	99.6	-1.7	-1.6	-1.4	-5.9	-2.0	-4.7	770	-6.8
Q3	.	.	.	.	1.2	100.0	-1.1	-1.0	-0.6	.	.	-4.3	721	-12.6
2012 May	.	.	114.5	-1.0	1.0	99.8	-0.7	-0.1	-0.6	-2.0	-1.6	-4.7	771	-6.6
June	.	.	113.5	-0.4	0.9	100.0	-0.8	-1.2	-0.7	-3.0	-1.8	-2.8	776	-6.0
July	.	.	114.5	-1.8	0.0	99.9	-1.5	-1.5	-1.0	-3.2	-2.2	-2.8	697	-15.3
Aug.	.	.	117.1	-0.6	1.1	100.1	-0.9	-0.8	-0.9	-1.5	-2.4	-4.6	738	-9.8
Sep.	.	.	.	.	2.6	99.9	-0.8	-0.8	0.0	.	.	-5.5	727	-12.0
	month-on-month percentage changes (s.a.)													
2012 May	-	.	-	0.3	0.9	-	1.0	0.6	1.2	6.0	-0.3	1.4	-	0.8
June	-	.	-	-0.9	0.2	-	0.1	0.0	-0.1	-0.4	0.5	2.0	-	0.7
July	-	.	-	0.9	0.0	-	-0.1	-0.3	0.4	0.4	-0.5	-0.6	-	-10.2
Aug.	-	.	-	2.3	0.4	-	0.2	0.1	-0.1	-0.4	0.4	-1.4	-	5.8
Sep.	-	.	-	.	0.2	-	-0.2	0.8	-0.6	.	.	-2.0	-	-1.4

Sources: Eurostat, except columns 13 and 14 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).
1) Following the amendment of the Regulation concerning short-term statistics (see the General Notes), euro area industrial new order statistics have been discontinued; the last release by Eurostat was for March 2012.
2) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.
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				
		Industrial confidence indicator				Capacity utilisation [3] (%)	Total [4]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [4]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2008	93.5	-8.4	-13.4	10.8	-1.0	82.0	-18.4	-10.1	-25.4	23.9	-14.1
2009	80.2	-28.7	-56.7	14.8	-14.7	70.8	-24.8	-7.0	-26.1	55.3	-10.7
2010	100.5	-4.7	-24.6	0.8	11.1	76.8	-14.2	-5.3	-12.3	31.2	-8.1
2011	101.0	0.1	-6.9	2.3	9.3	80.4	-14.5	-7.5	-18.2	23.3	-9.2
2011 Q3	98.4	-2.8	-9.0	4.5	5.2	80.1	-15.9	-7.4	-21.8	24.1	-10.1
Q4	93.6	-7.0	-14.6	7.0	0.6	79.8	-20.6	-9.7	-28.4	33.8	-10.8
2012 Q1	94.1	-6.6	-15.8	6.2	2.1	79.8	-20.0	-10.1	-24.2	34.7	-11.2
Q2	91.1	-11.1	-22.9	6.8	-3.5	78.8	-19.7	-10.4	-24.4	32.6	-11.2
Q3	86.4	-15.5	-29.4	8.2	-8.8	77.4	-24.0	-11.9	-30.5	40.9	-12.7
2012 May	90.5	-11.4	-23.7	7.2	-3.5	-	-19.3	-10.8	-23.7	30.8	-11.8
June	89.9	-12.8	-25.8	7.1	-5.5	-	-19.8	-10.0	-25.6	33.4	-10.2
July	87.9	-15.1	-28.3	9.2	-7.6	77.9	-21.5	-10.3	-27.9	36.5	-11.2
Aug.	86.1	-15.4	-29.4	8.3	-8.6	-	-24.6	-11.8	-31.0	43.0	-12.7
Sep.	85.2	-15.9	-30.5	7.0	-10.2	-	-25.9	-13.6	-32.7	43.1	-14.3
Oct.	84.5	-18.0	-34.9	8.3	-11.0	76.8	-25.7	-12.9	-31.9	44.4	-13.5

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [4]	Order books	Employment expectations	Total [4]	Present business situation	Volume of stocks	Expected business situation	Total [4]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2008	-14.2	-20.7	-7.7	-10.0	-11.0	15.8	-3.3	0.4	-3.8	0.5	4.7
2009	-33.1	-42.1	-24.1	-15.5	-21.4	9.8	-15.4	-15.8	-20.8	-18.2	-8.5
2010	-28.8	-39.3	-18.4	-4.1	-6.6	7.2	1.6	4.5	1.9	3.5	8.0
2011	-27.4	-34.9	-20.0	-5.5	-5.8	11.1	0.5	5.4	2.2	5.4	8.6
2011 Q3	-27.7	-35.0	-20.4	-7.5	-7.3	12.8	-2.3	3.5	0.3	3.7	6.5
Q4	-27.4	-32.5	-22.3	-11.1	-13.6	14.0	-5.7	-1.6	-6.4	-1.7	3.3
2012 Q1	-26.5	-31.7	-21.2	-13.8	-14.7	16.2	-10.6	-0.6	-6.6	-0.4	5.1
Q2	-28.6	-33.4	-23.7	-14.5	-18.5	14.7	-10.5	-5.0	-11.0	-4.8	0.9
Q3	-31.1	-38.3	-23.9	-16.9	-22.1	14.5	-14.2	-10.4	-15.8	-11.5	-4.0
2012 May	-30.2	-35.0	-25.4	-18.1	-24.4	16.9	-13.1	-5.2	-11.1	-4.5	0.2
June	-28.1	-34.3	-21.8	-14.4	-19.2	14.2	-9.8	-7.4	-13.9	-7.6	-0.7
July	-28.5	-35.1	-21.8	-15.0	-18.9	14.2	-11.9	-8.5	-13.7	-9.1	-2.8
Aug.	-33.1	-38.7	-27.5	-17.2	-22.8	14.2	-14.7	-10.8	-16.6	-11.5	-4.4
Sep.	-31.7	-41.0	-22.5	-18.5	-24.6	15.0	-15.9	-11.9	-17.0	-13.9	-4.8
Oct.	-33.0	-41.2	-24.7	-17.4	-21.3	12.4	-18.3	-12.1	-17.3	-15.4	-3.7

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 for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period since 1990.

3) 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.

4) 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]

(quarterly data seasonally adjusted; annual data unadjusted)

1. Employment

	By employment status			By economic activity									
	Total	Employees	Self-employed	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	13
Persons employed													
levels (thousands)													
2011	147,051	126,003	21,048	5,060	23,221	9,947	36,099	4,039	4,093	1,313	18,092	34,407	10,779
percentage of total persons employed													
2011	100.0	85.7	14.3	3.4	15.8	6.8	24.5	2.7	2.8	0.9	12.3	23.4	7.3
annual percentage changes													
2009	-1.8	-1.8	-1.9	-2.2	-5.0	-6.4	-1.6	-0.7	0.4	-3.6	-2.6	1.2	1.1
2010	-0.5	-0.5	-0.7	-1.1	-2.8	-3.9	-0.7	-1.3	-0.8	-0.4	1.7	1.0	0.9
2011	0.3	0.5	-0.9	-2.2	0.3	-3.9	0.6	1.8	-0.2	3.0	2.6	0.1	0.2
2011 Q3	0.3	0.6	-1.1	-1.9	0.7	-4.3	0.9	2.1	-0.2	1.4	2.0	0.1	0.4
Q4	-0.1	0.1	-1.2	-2.4	0.2	-5.0	0.2	2.3	0.0	3.8	1.9	-0.1	-0.1
2012 Q1	-0.5	-0.3	-1.1	-1.2	-0.5	-5.1	-0.2	1.7	-0.5	0.8	0.3	-0.1	0.4
Q2	-0.6	-0.6	-0.9	-0.8	-1.0	-5.3	-0.6	1.8	-1.0	1.4	0.2	-0.2	0.6
quarter-on-quarter percentage changes													
2011 Q3	-0.1	-0.1	-0.5	-0.5	0.1	-1.5	-0.1	-0.1	-0.1	-0.5	-0.1	0.0	0.2
Q4	-0.3	-0.2	-0.3	-0.9	-0.3	-1.8	-0.4	0.6	0.0	2.4	0.3	-0.2	0.2
2012 Q1	-0.3	-0.4	0.4	0.0	-0.4	-1.5	-0.3	0.7	0.0	-1.2	-0.6	-0.1	0.6
Q2	0.0	0.1	-0.5	0.5	-0.5	-0.6	0.2	0.6	-0.9	0.7	0.7	0.1	-0.4
Hours worked													
levels (millions)													
2011	232,845	187,593	45,252	10,502	36,933	17,639	60,710	6,504	6,480	2,042	27,742	49,096	15,198
percentage of total hours worked													
2011	100.0	80.6	19.4	4.5	15.9	7.6	26.1	2.8	2.8	0.9	11.9	21.1	6.5
annual percentage changes													
2009	-3.2	-3.6	-1.7	-2.0	-9.0	-7.3	-2.5	-1.1	-1.0	-3.8	-3.7	0.9	-0.3
2010	0.0	0.1	-0.4	-0.5	-0.3	-3.9	-0.3	-0.7	-0.3	0.6	2.4	1.1	0.6
2011	0.2	0.5	-1.1	-2.1	0.9	-4.1	0.3	1.8	-0.1	3.5	2.7	0.1	-0.1
2011 Q3	0.2	0.5	-1.1	-2.7	0.8	-4.5	0.9	2.3	0.0	2.6	2.1	-0.1	0.1
Q4	-0.1	0.2	-1.3	-2.2	0.0	-5.5	0.1	2.4	0.2	3.3	2.2	0.1	0.0
2012 Q1	-0.7	-0.6	-1.4	-2.4	-0.2	-6.0	-0.7	1.5	-0.9	-0.7	-0.1	0.2	0.1
Q2	-0.8	-0.8	-0.9	-1.2	-0.5	-6.7	-0.8	1.9	-1.7	0.9	-0.1	0.3	0.3
quarter-on-quarter percentage changes													
2011 Q3	0.0	0.0	-0.2	-0.5	0.3	-1.5	0.1	0.2	0.2	0.2	-0.1	0.0	0.7
Q4	-0.4	-0.4	-0.3	-0.3	-0.4	-2.7	-0.7	0.6	-0.2	1.0	0.4	0.1	0.0
2012 Q1	-0.1	-0.1	-0.1	-0.3	0.2	-0.5	-0.4	0.8	-0.2	-1.4	-0.6	0.3	0.7
Q2	-0.3	-0.4	-0.2	-0.2	-0.6	-2.2	0.1	0.3	-1.5	1.1	0.2	-0.2	-1.1
Hours worked per person employed													
levels (thousands)													
2011	1,583	1,489	2,150	2,075	1,591	1,773	1,682	1,610	1,583	1,555	1,533	1,427	1,410
annual percentage changes													
2009	-1.4	-1.8	0.2	0.1	-4.1	-0.9	-0.9	-0.5	-1.4	-0.1	-1.1	-0.3	-1.3
2010	0.6	0.6	0.3	0.5	2.6	0.0	0.4	0.6	0.5	1.0	0.7	0.1	-0.3
2011	-0.1	0.0	-0.2	0.1	0.6	-0.2	-0.3	0.0	0.1	0.5	0.1	0.0	-0.4
2011 Q3	-0.1	-0.1	0.0	-0.8	0.1	-0.2	-0.1	0.3	0.2	1.2	0.1	-0.2	-0.2
Q4	-0.1	0.0	-0.1	0.2	-0.2	-0.5	-0.1	0.1	0.2	-0.4	0.3	0.3	0.1
2012 Q1	-0.3	-0.2	-0.3	-1.3	0.3	-1.0	-0.4	-0.3	-0.4	-1.5	-0.4	0.4	-0.3
Q2	-0.2	-0.2	0.0	-0.4	0.5	-1.4	-0.2	0.2	-0.8	-0.5	-0.3	0.4	-0.3
quarter-on-quarter percentage changes													
2011 Q3	-1.2	-0.9	-1.7	-0.2	-1.6	-1.1	-1.5	0.2	-0.7	1.1	-1.9	-0.9	-0.4
Q4	2.8	3.1	1.3	-2.1	3.8	0.1	2.6	3.0	3.5	0.2	5.6	3.2	1.8
2012 Q1	1.0	1.2	-1.0	-2.2	1.3	0.2	0.6	1.8	2.3	1.1	-0.1	2.6	0.7
Q2	-2.8	-3.6	1.1	4.4	-3.2	-0.9	-2.1	-4.9	-5.4	-2.3	-4.0	-4.6	-1.9

Source: ECB calculations based on Eurostat data.

1) Data for employment are based on the ESA 95.

5.3 Labour markets

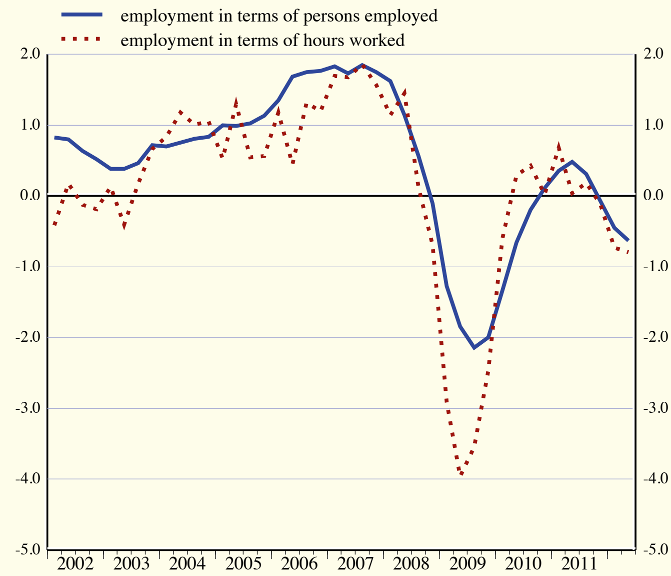
(seasonally adjusted, unless otherwise indicated)

2. Unemployment and job vacancies [1]

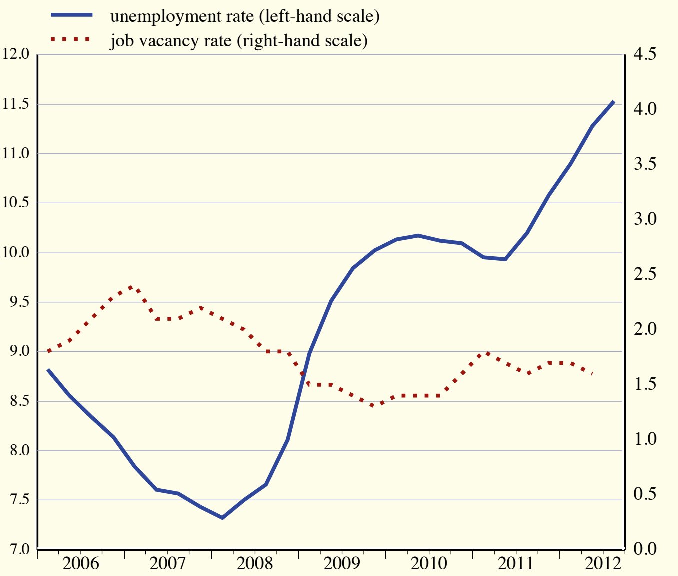
	Unemployment										Job vacancy rate [2]
	Total		By age [3]				By gender [4]				
	Millions	% of labour force	Adult		Youth		Male		Female		
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	% of total posts
% of total in 2010	100.0		79.5		20.5		54.0		46.0		
	1	2	3	4	5	6	7	8	9	10	11
2008	11.969	7.6	9.294	6.6	2.675	16.0	6.044	7.0	5.925	8.5	1.9
2009	15.047	9.6	11.764	8.4	3.283	20.3	8.142	9.4	6.906	9.8	1.4
2010	15.920	10.1	12.651	8.9	3.269	20.9	8.593	10.0	7.328	10.3	1.5
2011	16.033	10.2	12.834	9.0	3.199	20.8	8.547	9.9	7.487	10.5	1.7
2011 Q3	16.099	10.2	12.907	9.1	3.193	20.8	8.564	9.9	7.536	10.5	1.6
Q4	16.740	10.6	13.447	9.4	3.293	21.5	8.953	10.4	7.787	10.8	1.7
2012 Q1	17.260	10.9	13.891	9.7	3.370	22.2	9.226	10.7	8.034	11.2	1.7
Q2	17.921	11.3	14.494	10.1	3.427	22.7	9.635	11.1	8.287	11.5	1.6
Q3	18.370	11.5	14.909	10.3	3.461	23.1	9.852	11.4	8.518	11.7	.
2012 Apr.	17.719	11.2	14.301	10.0	3.418	22.6	9.523	11.0	8.196	11.3	-
May	17.911	11.3	14.476	10.1	3.435	22.7	9.635	11.1	8.276	11.4	-
June	18.133	11.4	14.705	10.2	3.428	22.8	9.746	11.2	8.388	11.6	-
July	18.275	11.5	14.830	10.3	3.445	23.0	9.786	11.3	8.488	11.7	-
Aug.	18.344	11.5	14.900	10.3	3.444	23.0	9.831	11.3	8.513	11.7	-
Sep.	18.490	11.6	14.997	10.4	3.493	23.3	9.938	11.5	8.552	11.8	-

C28 Employment - persons employed and hours worked

(annual percentage changes)



C29 Unemployment and job vacancy [2] rates



Source: Eurostat.
1) Data for unemployment refer to persons and follow ILO recommendations.
2) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.
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.

6 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 item: Fiscal burden [2]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	44.9	44.2	11.5	8.8	2.7	13.2	0.4	15.7	8.2	4.6	2.3	0.6	0.5	40.9
2004	44.5	44.0	11.5	8.5	2.9	13.2	0.3	15.5	8.1	4.5	2.2	0.5	0.4	40.6
2005	44.8	44.3	11.7	8.6	3.0	13.3	0.3	15.4	8.1	4.5	2.3	0.5	0.3	40.7
2006	45.3	45.0	12.3	8.8	3.4	13.4	0.3	15.3	8.0	4.5	2.3	0.3	0.3	41.3
2007	45.3	45.1	12.7	8.9	3.6	13.3	0.3	15.1	8.0	4.4	2.3	0.3	0.3	41.3
2008	45.1	44.9	12.5	9.1	3.2	12.9	0.3	15.3	8.1	4.4	2.3	0.2	0.3	40.9
2009	44.9	44.6	11.6	9.2	2.3	12.8	0.3	15.8	8.3	4.5	2.5	0.3	0.4	40.6
2010	44.8	44.5	11.5	8.9	2.5	12.9	0.3	15.6	8.2	4.5	2.6	0.3	0.3	40.4
2011	45.4	45.1	11.9	9.1	2.7	13.0	0.3	15.7	8.2	4.5	2.6	0.3	0.3	40.9

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo item: Primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	48.0	44.1	10.6	5.0	3.3	25.2	22.3	1.8	0.5	4.0	2.6	1.4	0.1	44.7
2004	47.4	43.5	10.5	5.0	3.1	24.9	22.1	1.7	0.5	3.9	2.5	1.5	0.1	44.3
2005	47.3	43.4	10.5	5.0	3.0	24.9	22.1	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.8	10.3	5.0	2.9	24.6	21.8	1.6	0.5	3.9	2.5	1.4	0.0	43.8
2007	46.0	42.2	10.1	5.0	3.0	24.2	21.4	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.3	43.3	10.3	5.2	3.0	24.8	21.9	1.6	0.4	3.9	2.6	1.3	0.0	44.2
2009	51.3	47.0	11.1	5.7	2.9	27.4	24.3	1.8	0.4	4.3	2.8	1.4	0.0	48.4
2010	51.0	46.6	10.9	5.7	2.8	27.2	24.2	1.8	0.4	4.4	2.5	1.8	0.0	48.1
2011	49.5	46.0	10.6	5.5	3.0	26.9	23.9	1.7	0.4	3.5	2.3	1.2	0.0	46.5

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	-3.2	-2.5	-0.5	-0.2	0.1	0.2	20.5	10.6	5.0	5.2	1.9	2.3	8.1	12.4
2004	-2.9	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.5	5.0	5.1	1.9	2.2	8.1	12.3
2005	-2.5	-2.3	-0.3	-0.2	0.2	0.5	20.4	10.5	5.0	5.1	1.9	2.3	8.0	12.4
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.3	5.0	5.2	1.9	2.3	7.9	12.4
2007	-0.7	-1.2	0.0	0.0	0.6	2.3	20.0	10.1	5.0	5.1	1.9	2.3	7.7	12.3
2008	-2.1	-2.3	-0.2	-0.2	0.5	0.9	20.5	10.3	5.2	5.3	2.0	2.3	8.0	12.6
2009	-6.3	-5.2	-0.5	-0.3	-0.4	-3.5	22.3	11.1	5.7	5.8	2.1	2.5	8.6	13.7
2010	-6.2	-5.1	-0.7	-0.3	-0.1	-3.4	22.0	10.9	5.7	5.8	2.1	2.6	8.4	13.5
2011	-4.1	-3.3	-0.7	-0.2	0.0	-1.1	21.6	10.6	5.5	5.8	2.1	2.6	8.2	13.3

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

	BE	DE	EE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2008	-1.0	-0.1	-2.9	-7.4	-9.8	-4.5	-3.3	-2.7	0.9	3.2	-4.6	0.5	-0.9	-3.6	-1.9	-2.1	4.4
2009	-5.5	-3.1	-2.0	-13.9	-15.6	-11.2	-7.5	-5.4	-6.1	-0.8	-3.9	-5.6	-4.1	-10.2	-6.0	-8.0	-2.5
2010	-3.8	-4.1	0.2	-30.9	-10.7	-9.7	-7.1	-4.5	-5.3	-0.8	-3.6	-5.1	-4.5	-9.8	-5.7	-7.7	-2.5
2011	-3.7	-0.8	1.1	-13.4	-9.4	-9.4	-5.2	-3.9	-6.3	-0.3	-2.7	-4.5	-2.5	-4.4	-6.4	-4.9	-0.6

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' deficit/surplus.
1) The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. 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) 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				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
2002	68.0	2.7	11.9	4.6	48.9	40.8	19.6	10.8	10.5	27.2
2003	69.2	2.1	12.5	5.1	49.6	40.1	19.8	11.3	9.1	29.1
2004	69.6	2.2	12.1	4.8	50.5	38.7	18.9	11.1	8.7	30.9
2005	70.5	2.4	12.3	4.5	51.3	36.7	18.2	11.2	7.3	33.8
2006	68.7	2.5	11.9	4.0	50.3	34.6	18.4	9.2	7.0	34.1
2007	66.4	2.2	11.3	3.9	48.9	32.6	17.0	8.5	7.1	33.8
2008	70.2	2.3	11.6	6.5	49.8	33.3	17.8	7.9	7.6	36.9
2009	80.0	2.5	12.7	8.3	56.5	37.3	20.6	9.2	7.4	42.7
2010	85.4	2.4	15.4	7.3	60.2	40.4	22.7	10.5	7.2	45.0
2011	87.3	2.4	15.5	7.4	62.1	42.7	23.9	10.9	7.8	44.7

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		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	68.0	56.3	6.2	4.7	0.8	7.6	60.4	5.3	15.5	25.3	27.2	66.9	1.1
2003	69.2	56.7	6.5	5.0	1.0	7.8	61.4	5.1	14.9	26.0	28.3	68.3	0.9
2004	69.6	56.6	6.6	5.1	1.3	7.7	62.0	4.7	14.7	26.3	28.6	68.6	1.0
2005	70.5	57.2	6.7	5.2	1.4	7.8	62.8	4.6	14.8	25.8	29.9	69.4	1.1
2006	68.7	55.4	6.5	5.3	1.4	7.3	61.4	4.4	14.3	24.2	30.1	67.9	0.7
2007	66.4	53.5	6.3	5.3	1.4	7.1	59.2	4.3	14.5	23.6	28.2	65.8	0.5
2008	70.2	56.9	6.7	5.3	1.3	10.0	60.2	5.0	17.7	23.5	29.1	69.3	0.9
2009	80.0	64.8	7.7	5.8	1.7	12.1	67.9	5.0	19.5	27.3	33.2	78.9	1.1
2010	85.4	69.2	8.3	5.9	1.9	13.0	72.4	5.2	21.2	29.3	34.9	84.2	1.1
2011	87.3	70.7	8.5	5.9	2.2	12.6	74.7	6.2	20.9	30.4	36.1	85.7	1.6

3. Euro area countries

	BE	DE	EE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2008	89.2	66.8	4.5	44.5	112.9	40.2	68.2	106.1	48.9	14.4	62.0	58.5	63.8	71.7	22.0	27.9	33.9
2009	95.7	74.5	7.2	64.9	129.7	53.9	79.2	116.4	58.5	15.3	67.6	60.8	69.2	83.2	35.0	35.6	43.5
2010	95.5	82.5	6.7	92.2	148.3	61.5	82.3	119.2	61.3	19.2	68.3	63.1	72.0	93.5	38.6	41.0	48.6
2011	97.8	80.5	6.1	106.4	170.6	69.3	86.0	120.7	71.1	18.3	70.9	65.5	72.4	108.1	46.9	43.3	49.0

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. Intergovernmental lending in the context of the financial crisis is 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.

6.3 Change in debt [1]

(as a percentage of GDP)

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

	Total	Source of change			Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [5]	MFIs	Other financial corporations	Other creditors [6]
	1	2	3	4	5	6	7	8	9	10	11	12
2003	3.1	3.3	-0.2	0.0	-0.6	1.0	0.6	2.1	0.5	0.8	0.8	2.7
2004	3.2	3.3	-0.1	0.0	0.2	0.1	-0.1	2.9	0.2	-0.1	0.3	3.0
2005	3.3	3.1	0.3	0.0	0.3	0.6	-0.1	2.6	-0.6	0.0	0.5	4.0
2006	1.6	1.5	0.1	0.0	0.2	0.2	-0.3	1.5	-0.3	1.1	-1.5	1.9
2007	1.2	1.2	0.0	0.0	-0.1	0.0	0.1	1.2	-0.3	-0.4	-0.3	1.5
2008	5.3	5.2	0.1	0.0	0.1	0.5	2.7	2.0	1.5	1.1	-0.4	3.9
2009	7.2	7.4	-0.2	0.0	0.1	0.7	1.6	4.9	2.8	2.2	1.0	4.5
2010	7.6	7.7	-0.1	0.0	0.0	3.1	-0.7	5.2	4.2	2.7	1.5	3.4
2011	4.2	4.0	0.2	0.0	0.0	0.4	0.2	3.5	3.3	1.8	0.7	0.9

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	3.1	-3.2	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.2	-2.9	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.3	-2.5	0.8	0.6	0.3	0.0	0.1	0.1	-0.3	0.2	0.3	0.0	0.0	0.0
2006	1.6	-1.4	0.2	0.2	0.3	-0.1	0.2	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.1
2007	1.2	-0.7	0.5	0.6	0.2	0.0	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2008	5.3	-2.1	3.2	3.0	0.8	0.7	0.7	0.9	-0.1	0.7	0.1	0.0	0.0	0.0
2009	7.2	-6.3	0.9	1.0	0.3	0.0	0.3	0.4	-0.3	0.5	-0.2	0.0	0.0	0.1
2010	7.6	-6.2	1.4	1.8	0.0	0.5	1.1	0.1	0.0	0.1	-0.1	0.0	0.0	-0.3
2011	4.2	-4.1	0.1	-0.2	0.2	-0.2	-0.2	-0.1	-0.1	0.2	0.2	0.0	0.0	0.1

Source: ECB.

1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t). Intergovernmental lending in the context of the financial crisis is consolidated.
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) Holders resident in the country whose government has issued the debt.
6) Includes residents of euro area countries other than the country whose government has issued the debt.
7) Including proceeds from sales of UMTS licences.
8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
10) 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 item: Fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2006 Q2	45.6	45.1	12.5	13.1	15.1	2.2	1.4	0.5	0.3	41.0
Q3	43.6	43.1	11.8	12.4	15.1	2.3	0.8	0.5	0.3	39.5
Q4	49.1	48.5	14.4	14.1	15.8	2.5	0.9	0.6	0.3	44.5
2007 Q1	42.2	41.8	10.4	12.8	14.8	2.1	0.9	0.4	0.3	38.3
Q2	45.8	45.4	13.1	13.0	15.0	2.2	1.4	0.4	0.3	41.3
Q3	43.6	43.1	12.3	12.3	14.7	2.3	0.7	0.5	0.3	39.6
Q4	49.3	48.8	14.8	13.8	15.7	2.6	1.0	0.6	0.3	44.6
2008 Q1	42.3	42.0	10.8	12.3	14.8	2.1	1.1	0.3	0.2	38.2
Q2	45.2	44.9	12.9	12.4	15.1	2.2	1.5	0.4	0.3	40.6
Q3	43.4	43.1	12.2	12.0	15.0	2.3	0.8	0.4	0.3	39.5
Q4	49.0	48.4	13.9	13.4	16.4	2.7	1.1	0.5	0.3	44.0
2009 Q1	42.4	42.3	10.4	12.0	15.6	2.3	1.1	0.1	0.2	38.3
Q2	45.3	44.7	11.8	12.5	15.7	2.4	1.4	0.6	0.5	40.5
Q3	42.9	42.6	11.0	12.0	15.5	2.5	0.7	0.3	0.3	38.8
Q4	48.8	47.9	13.0	13.6	16.4	2.8	1.0	0.8	0.5	43.5
2010 Q1	42.1	41.9	10.1	12.1	15.5	2.3	0.9	0.2	0.3	38.0
Q2	45.0	44.5	11.8	12.6	15.4	2.5	1.3	0.4	0.3	40.2
Q3	43.1	42.7	10.9	12.5	15.2	2.5	0.7	0.3	0.3	38.9
Q4	48.7	47.9	13.2	13.5	16.4	2.9	1.0	0.7	0.3	43.3
2011 Q1	42.8	42.6	10.6	12.4	15.3	2.4	1.0	0.3	0.3	38.6
Q2	45.2	44.8	12.0	12.6	15.4	2.5	1.5	0.3	0.3	40.3
Q3	43.8	43.5	11.4	12.5	15.3	2.6	0.8	0.3	0.3	39.6
Q4	49.4	48.4	13.3	13.4	16.7	2.9	1.0	1.0	0.4	43.9
2012 Q1	43.1	42.9	10.9	12.5	15.3	2.4	1.0	0.1	0.2	38.9
Q2	46.1	45.7	12.5	12.8	15.6	2.5	1.3	0.4	0.4	41.3

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				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006 Q2	45.7	42.3	10.4	4.7	3.1	24.1	21.1	1.1	3.4	2.5	1.0	-0.1	3.0
Q3	45.4	41.8	9.8	4.8	2.9	24.3	20.9	1.2	3.6	2.6	1.0	-1.8	1.2
Q4	49.6	44.7	10.8	6.1	2.7	25.0	21.3	1.3	4.9	2.7	2.2	-0.4	2.3
2007 Q1	44.8	41.3	9.9	4.3	2.9	24.1	20.7	1.1	3.5	2.3	1.2	-2.6	0.3
Q2	44.9	41.5	10.1	4.6	3.2	23.6	20.6	1.1	3.4	2.5	0.9	0.9	4.1
Q3	44.7	41.1	9.6	4.8	2.9	23.8	20.5	1.1	3.6	2.6	0.9	-1.1	1.8
Q4	49.3	44.8	10.8	6.1	2.8	25.0	21.2	1.5	4.5	2.8	1.7	0.0	2.9
2008 Q1	45.3	41.8	9.9	4.4	3.1	24.4	20.8	1.2	3.6	2.3	1.2	-3.1	0.0
Q2	45.9	42.3	10.3	4.8	3.3	23.9	20.8	1.1	3.6	2.6	1.0	-0.6	2.7
Q3	45.8	42.2	9.8	5.0	3.0	24.3	21.2	1.1	3.7	2.7	1.0	-2.4	0.6
Q4	51.4	46.8	11.2	6.5	2.8	26.2	22.2	1.4	4.6	2.9	1.7	-2.4	0.4
2009 Q1	49.3	45.5	10.7	4.9	2.9	27.0	22.9	1.3	3.8	2.6	1.2	-7.0	-4.0
Q2	50.6	46.4	11.1	5.4	3.0	26.9	23.3	1.3	4.2	2.8	1.3	-5.3	-2.3
Q3	50.2	46.1	10.5	5.6	2.9	27.1	23.5	1.3	4.1	2.8	1.1	-7.3	-4.4
Q4	54.6	49.7	11.8	6.9	2.6	28.4	24.0	1.5	4.9	3.0	1.9	-5.9	-3.3
2010 Q1	50.3	46.4	10.8	4.9	2.8	27.9	23.6	1.4	3.9	2.3	1.5	-8.2	-5.4
Q2	49.4	45.9	11.0	5.3	3.0	26.7	23.2	1.3	3.5	2.5	1.1	-4.5	-1.5
Q3	50.5	45.3	10.2	5.5	2.8	26.8	23.1	1.3	5.2	2.6	2.6	-7.5	-4.7
Q4	53.5	48.7	11.4	6.8	2.8	27.7	23.6	1.5	4.7	2.7	2.0	-4.8	-2.0
2011 Q1	48.5	45.4	10.5	4.8	3.0	27.2	23.1	1.3	3.1	2.1	0.9	-5.7	-2.7
Q2	48.4	45.2	10.6	5.1	3.2	26.2	22.9	1.2	3.2	2.3	0.9	-3.3	-0.1
Q3	48.3	44.9	10.1	5.4	3.0	26.4	23.0	1.2	3.5	2.3	1.1	-4.5	-1.5
Q4	52.6	48.7	11.3	6.7	3.0	27.7	23.6	1.5	3.9	2.5	1.7	-3.2	-0.2
2012 Q1	48.3	45.7	10.3	4.7	3.2	27.4	23.3	1.2	2.6	1.9	0.7	-5.2	-2.0
Q2	48.9	45.7	10.6	5.2	3.2	26.7	23.3	1.2	3.3	2.1	1.1	-2.9	0.3

Sources: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt [1]
(as a percentage of GDP)

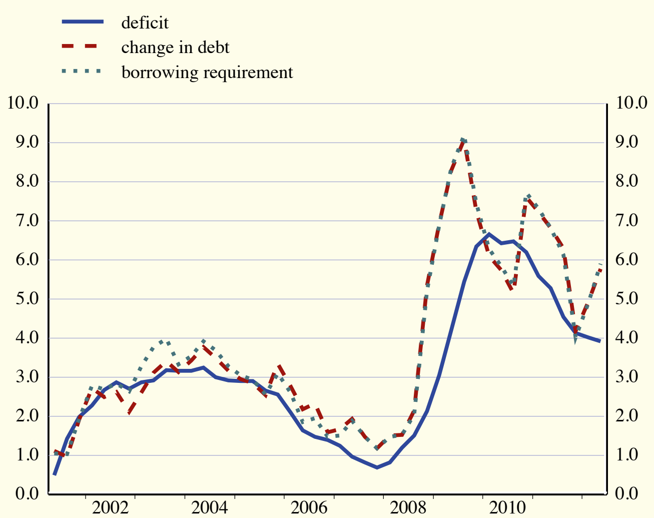
1. Euro area – Maastricht debt by financial instrument

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2009 Q3	79.1	2.4	12.5	9.0	55.3
Q4	80.0	2.5	12.7	8.3	56.5
2010 Q1	81.6	2.4	12.9	8.2	58.2
Q2	82.9	2.4	13.5	7.8	59.2
Q3	82.9	2.4	13.4	7.9	59.2
Q4	85.4	2.4	15.4	7.3	60.2
2011 Q1	86.2	2.4	15.2	7.4	61.2
Q2	87.1	2.4	15.0	7.5	62.2
Q3	86.8	2.4	15.2	7.8	61.4
Q4	87.3	2.4	15.5	7.4	62.1
2012 Q1	89.4	2.5	17.0	7.6	62.3
Q2	91.6	2.5	18.4	7.3	63.4

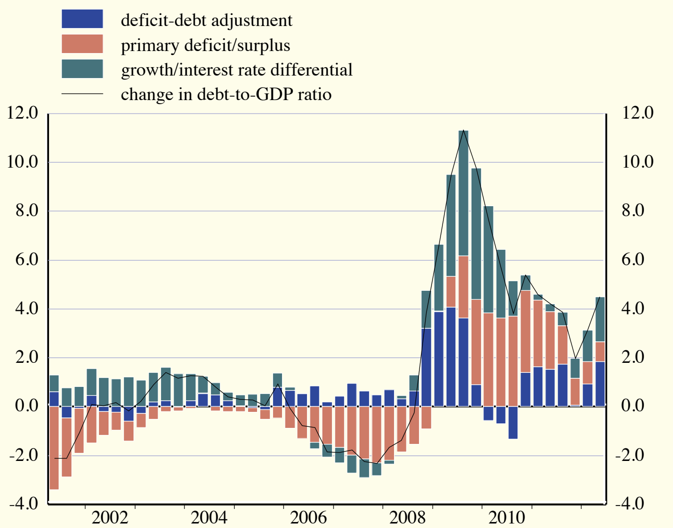
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2009 Q3	5.0	-7.3	-2.2	-2.8	-3.1	0.6	-0.1	-0.2	0.2	0.4	4.8
Q4	2.2	-5.9	-3.7	-2.7	-2.9	-0.1	0.1	0.2	-0.2	-0.8	2.4
2010 Q1	8.1	-8.2	-0.1	0.7	0.8	-0.1	-0.3	0.3	-0.4	-0.5	8.5
Q2	7.7	-4.5	3.2	3.3	2.0	1.1	-0.2	0.4	-0.1	0.0	7.8
Q3	2.8	-7.5	-4.7	-2.9	-2.3	-0.6	0.0	0.0	0.0	-1.8	2.8
Q4	11.7	-4.8	6.9	5.7	-0.3	1.6	4.7	-0.3	0.0	1.2	11.7
2011 Q1	6.6	-5.7	1.0	0.8	2.0	-0.7	-0.3	-0.1	-0.2	0.4	6.8
Q2	6.0	-3.3	2.8	2.6	2.8	0.6	-0.4	-0.5	0.2	0.0	5.8
Q3	0.7	-4.5	-3.7	-3.7	-3.7	-0.4	0.1	0.3	0.6	-0.7	0.1
Q4	3.4	-3.2	0.2	-0.5	-0.3	-0.2	-0.1	0.1	0.1	0.7	3.3
2012 Q1	9.7	-5.2	4.5	5.2	4.0	1.5	-0.3	0.1	-0.8	0.0	10.4
Q2	9.3	-2.9	6.4	5.3	1.5	2.4	0.3	1.1	-0.5	1.7	9.8

C30 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C31 Maastricht debt
(annual change in the debt-to-GDP ratio and underlying factors)



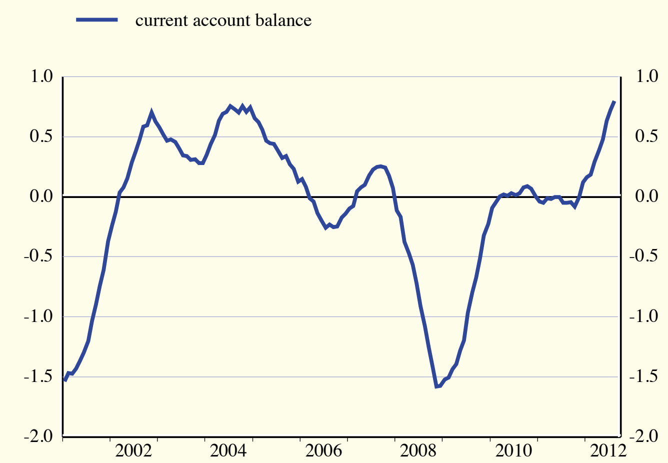
Sources: ECB calculations based on Eurostat and national data.
1) Intergovernmental lending in the context of the financial crisis is consolidated.

7 EXTERNAL TRANSACTIONS AND POSITIONS

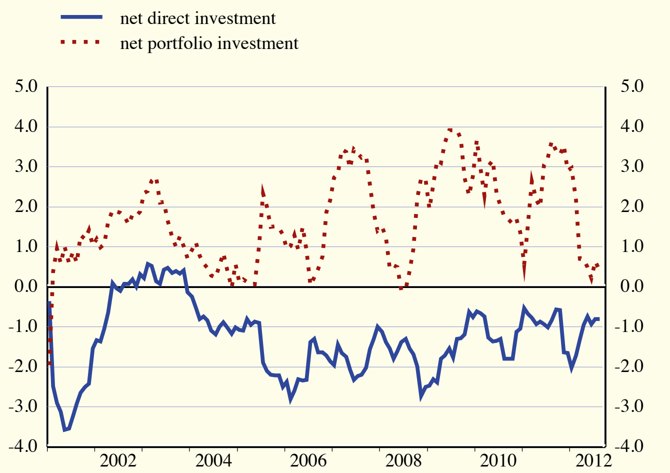
7.1 Summary balance of payments [1]
(EUR billions; net transactions)

	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
2009	-13.3	30.7	44.9	9.0	-97.8	8.3	-5.0	15.1	-67.0	247.3	19.0	-188.7	4.6	-10.1
2010	3.1	18.2	54.3	40.4	-109.8	7.8	10.9	5.5	-95.0	124.1	17.8	-30.8	-10.5	-16.4
2011	12.5	9.2	67.2	43.0	-106.9	11.5	23.9	-45.3	-154.8	274.0	-4.9	-149.5	-10.2	21.4
2011 Q2	-12.9	-0.8	18.3	-8.7	-21.6	0.8	-12.2	14.8	-46.4	131.1	14.9	-89.3	4.5	-2.6
Q3	6.5	3.6	21.0	12.4	-30.4	2.0	8.5	-11.1	-38.9	39.6	-10.7	-4.8	3.7	2.6
Q4	36.6	15.8	18.7	22.2	-20.0	6.1	42.7	-42.2	-35.7	-34.0	-10.9	45.1	-6.7	-0.5
2012 Q1	-4.6	6.3	15.3	13.0	-39.2	2.0	-2.6	3.6	-3.5	-71.0	-6.7	86.9	-2.1	-1.0
Q2	16.5	25.7	24.7	-8.8	-25.1	0.8	17.3	-24.3	-9.7	85.7	-9.6	-81.7	-9.0	7.0
2011 Aug.	-0.2	-4.1	5.7	6.7	-8.5	2.1	1.9	-9.6	-10.9	30.0	-4.1	-28.0	3.4	7.8
Sep.	2.3	3.3	7.6	2.0	-10.6	-0.1	2.3	2.4	-9.5	24.8	-5.9	-8.5	1.6	-4.7
Oct.	4.0	0.9	5.8	7.1	-9.9	1.8	5.8	1.2	3.9	-15.2	-2.0	15.6	-1.1	-7.0
Nov.	9.3	5.9	5.0	5.9	-7.5	2.6	11.9	-21.8	-50.5	33.0	-3.8	-0.3	-0.2	10.0
Dec.	23.4	9.0	7.9	9.1	-2.6	1.7	25.1	-21.6	10.9	-51.8	-5.1	29.7	-5.4	-3.4
2012 Jan.	-11.7	-7.6	3.2	2.4	-9.7	0.3	-11.3	19.2	0.3	-39.4	-6.2	65.6	-1.1	-7.9
Feb.	-3.5	3.2	5.0	5.7	-17.4	1.8	-1.8	6.5	5.7	12.1	4.4	-14.1	-1.6	-4.7
Mar.	10.6	10.7	7.1	4.9	-12.1	-0.1	10.5	-22.1	-9.4	-43.7	-4.9	35.4	0.7	11.6
Apr.	2.9	5.3	6.6	0.0	-9.1	0.1	2.9	-4.1	-0.8	0.1	0.4	-1.0	-3.0	1.2
May	-4.6	6.1	8.3	-10.7	-8.3	1.3	-3.4	1.2	10.1	23.9	-7.2	-24.2	-1.5	2.2
June	18.2	14.3	9.8	1.9	-7.7	-0.5	17.7	-21.3	-19.1	61.6	-2.9	-56.5	-4.5	3.6
July	14.3	11.1	8.1	2.4	-7.4	0.2	14.5	-7.3	-7.2	25.4	-2.3	-23.7	0.5	-7.2
Aug.	7.2	4.4	7.4	5.9	-10.7	1.3	8.5	-12.1	-11.2	7.8	-0.3	-6.8	-1.6	3.6
	12-month cumulated transactions													
2012 Aug.	72.2	66.6	81.8	36.8	-113.0	10.4	82.6	-79.9	-76.8	38.7	-35.8	11.2	-17.3	-2.7
	12-month cumulated transactions as a percentage of GDP													
2012 Aug.	0.8	0.7	0.9	0.4	-1.2	0.1	0.9	-0.8	-0.8	0.4	-0.4	0.1	-0.2	0.0

C32 Euro area b.o.p.: current account
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 Euro area b.o.p.: direct and portfolio investment
(12-month cumulated transactions as a percentage of GDP)



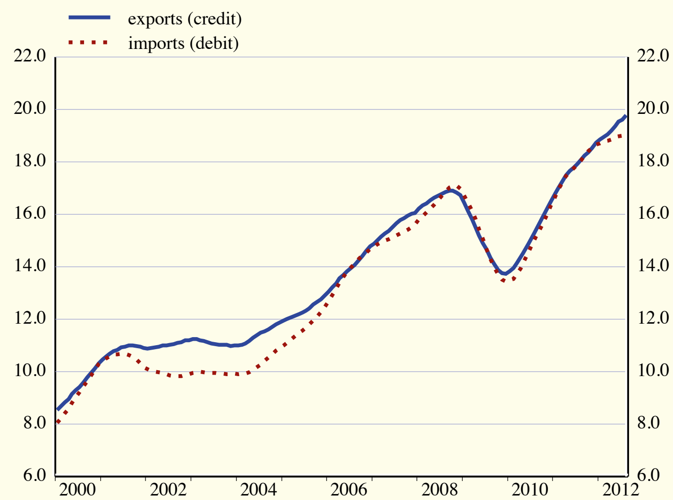
Source: ECB.
1) The sign convention is explained in the General Notes.

7.2 Current and capital accounts
(EUR billions; transactions)

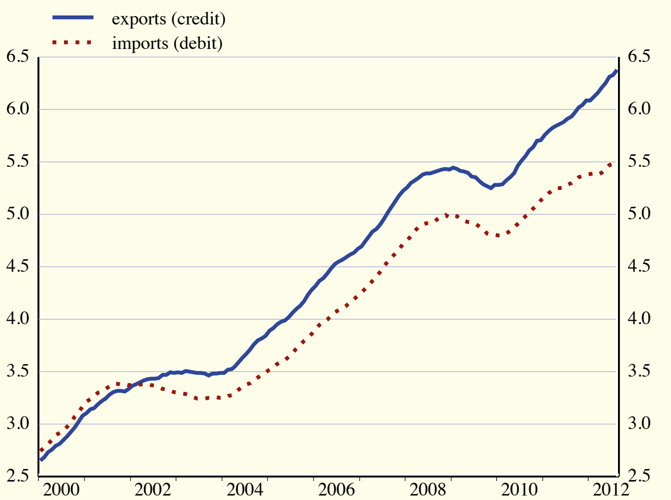
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers' remit-tances		Workers' remit-tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2009	2,330.1	2,343.4	-13.3	1,302.6	1,272.0	499.9	455.0	434.3	425.3	93.3	6.4	191.1	27.2	19.5	11.2
2010	2,693.5	2,690.4	3.1	1,566.8	1,548.6	541.7	487.4	498.0	457.6	87.0	6.3	196.8	27.1	20.3	12.5
2011	2,975.0	2,962.5	12.5	1,775.5	1,766.2	576.6	509.4	528.4	485.4	94.5	6.6	201.4	27.8	25.0	13.5
2011 Q2	737.4	750.3	-12.9	439.1	440.0	140.8	122.5	137.5	146.2	19.9	1.6	41.6	7.0	3.8	3.0
Q3	744.5	738.0	6.5	445.1	441.5	154.1	133.1	128.4	116.0	17.0	1.8	47.4	7.0	5.0	3.0
Q4	785.2	748.6	36.6	463.6	447.8	151.6	133.0	137.6	115.5	32.4	1.6	52.4	7.0	11.3	5.2
2012 Q1	751.3	755.9	-4.6	464.0	457.7	137.1	121.9	124.3	111.3	25.8	1.5	65.0	6.3	4.8	2.8
Q2	789.5	773.1	16.5	478.5	452.9	154.8	130.1	135.1	143.8	21.1	1.6	46.3	6.6	5.0	4.2
2012 June	276.3	258.0	18.2	165.5	151.2	55.7	45.9	48.6	46.7	6.5	.	14.2	.	1.4	1.9
July	265.8	251.5	14.3	163.5	152.4	55.1	47.0	41.1	38.7	6.0	.	13.4	.	1.0	0.8
Aug.	255.5	248.3	7.2	154.9	150.5	54.5	47.1	40.7	34.7	5.4	.	16.1	.	2.8	1.5
	Seasonally adjusted														
2011 Q4	759.7	752.1	7.6	453.3	449.5	147.6	129.1	135.3	123.1	23.6	.	50.4	.	.	.
2012 Q1	771.3	752.8	18.5	470.0	452.3	149.3	127.0	127.7	121.0	24.4	.	52.4	.	.	.
Q2	791.5	760.2	31.3	481.6	453.2	155.8	133.5	128.4	120.1	25.7	.	53.4	.	.	.
2012 June	265.7	250.5	15.2	160.5	147.7	53.0	45.1	43.9	40.7	8.3	.	17.0	.	.	.
July	255.7	247.6	8.1	154.9	148.7	50.0	44.0	42.3	40.6	8.5	.	14.3	.	.	.
Aug.	266.7	257.9	8.8	163.7	153.5	51.8	44.8	43.6	40.4	7.5	.	19.1	.	.	.
	12-month cumulated transactions														
2012 Aug.	3,095.3	3,019.6	75.7	1,872.1	1,805.4	603.6	521.6	521.9	485.9	97.6	.	206.8	.	.	.
	12-month cumulated transactions as a percentage of GDP														
2012 Aug.	32.7	31.9	0.8	19.8	19.1	6.4	5.5	5.5	5.1	1.0	.	2.2	.	.	.

C34 Euro area b.o.p.: goods
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C35 Euro area b.o.p.: services
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



Source: ECB.

7.2 Current and capital accounts
(EUR billions)

2. 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		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2009	22.5	12.0	411.8	413.3	163.6	25.9	100.4	12.4	23.7	24.8	24.5	77.2	100.9	121.5	99.1	89.4
2010	25.1	11.9	472.9	445.7	242.0	51.4	150.2	41.5	22.2	22.6	28.6	83.9	102.2	124.6	77.8	64.3
2011	26.7	12.4	501.7	473.0	252.7	42.0	154.2	56.8	24.7	22.6	35.1	95.6	102.6	133.3	86.7	67.4
2011 Q2	6.6	3.3	130.9	142.9	67.2	12.7	41.7	11.5	5.3	5.3	12.0	46.5	25.7	32.6	20.7	16.8
Q3	6.6	3.7	121.8	112.3	58.5	1.5	38.1	19.8	6.5	5.4	8.8	18.5	25.9	33.5	22.1	16.8
Q4	6.9	3.2	130.7	112.3	68.0	13.9	37.4	1.9	7.2	7.1	7.0	16.4	25.4	34.3	23.1	17.2
2012 Q1	6.8	2.3	117.5	109.0	56.6	25.0	36.4	18.4	5.9	5.4	8.8	16.9	24.3	33.6	21.9	16.7
Q2	6.9	3.4	128.2	140.4	60.1	1.9	44.1	8.5	6.4	5.9	15.5	45.1	24.6	30.1	21.5	15.3

3. Geographical breakdown
(cumulated transactions)

2011 Q3 to 2012 Q2	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	3,070.6	985.4	53.8	92.2	468.0	308.8	62.5	61.9	48.9	157.1	40.5	69.0	114.5	242.6	407.0	943.7
Goods	1,851.2	577.9	34.5	58.4	240.9	243.9	0.2	32.2	21.9	120.9	30.2	42.6	86.0	131.5	216.4	591.6
Services	597.6	182.4	11.9	16.6	114.0	33.3	6.6	9.8	10.2	20.6	7.1	14.5	19.1	60.6	91.3	181.9
Income	525.4	161.7	6.5	15.2	101.9	28.7	9.4	19.4	16.1	14.9	2.9	10.9	8.9	41.6	92.3	156.8
Investment income	498.2	154.5	5.8	15.0	100.4	28.2	5.1	19.4	15.9	14.8	2.9	10.9	8.9	27.4	90.5	153.1
Current transfers	96.3	63.4	0.9	2.0	11.2	3.0	46.4	0.4	0.7	0.7	0.3	0.9	0.5	8.9	7.0	13.5
Capital account	26.1	21.5	0.0	0.0	0.8	0.3	20.3	0.0	0.0	0.0	0.0	0.0	0.1	0.7	0.3	3.4
	Debits															
Current account	3,015.5	956.4	50.0	91.8	423.3	279.0	112.2	40.7	31.7	-	35.9	105.8	151.1	206.9	397.2	-
Goods	1,799.9	500.5	30.6	51.0	193.4	225.5	0.0	31.1	15.0	208.1	26.7	50.9	135.9	104.4	148.1	579.2
Services	518.0	151.2	9.0	13.8	89.2	38.8	0.3	6.1	7.2	14.9	7.1	10.1	10.3	45.2	108.1	158.0
Income	486.6	177.3	9.4	25.2	128.2	9.6	4.9	2.1	7.5	-	1.2	44.2	4.2	48.1	134.7	-
Investment income	474.0	170.9	9.3	25.1	126.6	5.1	4.9	2.0	7.3	-	0.9	44.0	4.1	47.5	133.6	-
Current transfers	211.0	127.4	1.1	1.8	12.5	5.1	107.0	1.4	1.9	4.3	0.9	0.7	0.7	9.2	6.3	58.2
Capital account	15.3	2.0	0.3	0.1	1.1	0.4	0.2	0.2	0.1	0.3	0.2	0.1	0.0	0.4	4.1	7.9
	Net															
Current account	55.0	29.0	3.7	0.4	44.7	29.8	-49.6	21.2	17.2	-	4.6	-36.8	-36.6	35.7	9.8	-
Goods	51.4	77.4	3.9	7.4	47.5	18.4	0.2	1.2	6.8	-87.2	3.5	-8.3	-49.8	27.1	68.4	12.4
Services	79.6	31.3	2.9	2.8	24.8	-5.5	6.3	3.8	3.0	5.7	0.0	4.5	8.8	15.4	-16.8	23.9
Income	38.8	-15.7	-2.8	-10.0	-26.4	19.0	4.5	17.3	8.6	-	1.7	-33.3	4.7	-6.5	-42.5	-
Investment income	24.2	-16.5	-3.5	-10.1	-26.2	23.1	0.2	17.4	8.6	-	2.0	-33.1	4.8	-20.1	-43.1	-
Current transfers	-114.7	-63.9	-0.2	0.3	-1.3	-2.1	-60.6	-1.1	-1.2	-3.6	-0.7	0.2	-0.2	-0.3	0.7	-44.7
Capital account	10.9	19.5	-0.3	0.0	-0.2	-0.1	20.1	-0.2	0.0	-0.3	-0.2	0.0	0.1	0.4	-3.8	-4.6

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2008	13,235.0	14,838.0	-1,603.0	143.2	160.6	-17.3	3,915.8	3,260.1	3,827.2	5,966.9	-0.5	5,118.2	5,611.1	374.2
2009	13,739.1	15,225.6	-1,486.4	154.0	170.6	-16.7	4,412.8	3,532.5	4,340.9	6,863.8	-1.3	4,527.2	4,829.3	459.6
2010	15,216.8	16,479.1	-1,262.3	165.8	179.6	-13.8	4,946.7	3,908.6	4,907.3	7,470.9	-32.6	4,807.6	5,099.5	587.8
2011 Q4	15,843.5	17,158.4	-1,314.9	168.2	182.1	-14.0	5,564.7	4,392.0	4,762.6	7,636.5	-24.3	4,877.2	5,129.9	663.4
2012 Q1	16,165.3	17,177.2	-1,012.0	170.9	181.6	-10.7	5,626.2	4,144.7	5,044.6	7,808.3	-24.1	4,847.3	5,224.3	671.2
Q2	16,483.4	17,319.4	-836.0	174.2	183.0	-8.8	5,723.5	4,224.5	5,044.6	7,818.0	-19.8	5,033.6	5,276.8	701.5
	Changes to outstanding amounts													
2008	-757.8	-428.8	-329.0	-8.2	-4.6	-3.6	189.2	38.2	-803.9	-571.2	28.4	-198.5	104.2	27.0
2009	504.2	387.6	116.6	5.7	4.3	1.3	497.0	272.5	513.7	896.9	-0.9	-591.0	-781.8	85.4
2010	1,477.7	1,253.5	224.2	16.1	13.7	2.4	533.9	376.1	566.4	607.1	-31.2	280.4	270.2	128.2
2011	626.7	679.3	-52.6	6.7	7.2	-0.6	618.0	483.3	-144.7	165.6	8.3	69.6	30.4	75.6
2012 Q1	321.8	18.9	302.9	13.8	0.8	13.0	61.6	-247.3	282.0	171.8	0.2	-29.9	94.3	7.8
Q2	318.1	142.2	176.0	13.4	6.0	7.4	97.3	79.8	0.0	9.8	4.3	186.3	52.6	30.3
	Transactions													
2008	421.0	540.3	-119.3	4.6	5.8	-1.3	338.3	107.4	4.7	252.7	84.6	-10.0	180.1	3.4
2009	-89.7	-74.6	-15.1	-1.0	-0.8	-0.2	352.9	285.9	96.0	343.4	-19.0	-515.0	-703.8	-4.6
2010	652.9	658.4	-5.5	7.1	7.2	-0.1	356.7	261.7	135.9	260.1	-17.8	167.5	136.7	10.5
2011	535.3	490.0	45.3	5.7	5.2	0.5	408.0	253.1	-51.9	222.1	4.9	164.2	14.7	10.2
2011 Q4	-74.1	-116.3	42.2	-3.1	-4.8	1.7	123.1	87.4	-45.7	-79.6	10.9	-169.1	-124.1	6.7
2012 Q1	300.6	304.2	-3.6	12.9	13.1	-0.2	75.6	72.1	125.6	54.6	6.7	90.6	177.5	2.1
Q2	73.4	49.1	24.3	3.1	2.1	1.0	62.1	52.4	-60.0	25.7	9.6	52.7	-29.0	9.0
2012 Apr.	13.6	9.5	4.1	.	.	.	26.5	25.8	-18.9	-18.7	-0.4	3.5	2.5	3.0
May	110.1	111.3	-1.2	.	.	.	13.0	23.1	-2.5	21.3	7.2	91.0	66.8	1.5
June	-50.3	-71.7	21.3	.	.	.	22.6	3.5	-38.5	23.1	2.9	-41.8	-98.3	4.5
July	34.7	27.4	7.3	.	.	.	6.5	-0.6	-13.7	11.7	2.3	40.0	16.3	-0.5
Aug.	-1.0	-13.1	12.1	.	.	.	24.2	13.0	19.2	27.0	0.3	-46.4	-53.2	1.6
	Other changes													
2008	-1,172.8	-967.6	-205.2	-12.7	-10.5	-2.2	-149.2	-69.3	-808.6	-823.0	-56.2	-182.5	-75.2	23.7
2009	583.3	456.2	127.1	6.5	5.1	1.4	144.1	-13.4	417.6	547.6	18.2	-86.6	-78.1	90.0
2010	824.8	595.1	229.7	9.0	6.5	2.5	177.2	114.4	430.5	347.1	-13.4	112.9	133.6	117.7
2011	91.4	189.4	-97.9	1.0	2.0	-1.0	210.0	230.2	-92.8	-56.5	3.4	-94.6	15.7	65.4
	Other changes due to exchange rate changes													
2008	-49.8	28.2	-77.9	-0.5	0.3	-0.8	-25.0	-33.8	6.6	41.9	.	-40.7	20.1	9.3
2009	-49.2	-56.0	6.8	-0.6	-0.6	0.1	-5.3	5.6	-29.8	-34.4	.	-11.5	-27.2	-2.7
2010	535.4	323.1	212.3	5.8	3.5	2.3	166.0	59.5	180.0	103.1	.	176.3	160.6	13.0
2011	134.4	164.2	-29.8	1.4	1.7	-0.3	16.9	11.6	41.5	63.0	.	68.3	89.7	7.7
	Other changes due to price changes													
2008	-1,002.7	-975.6	-27.1	-10.8	-10.6	-0.3	-159.2	-60.7	-809.5	-915.0	-56.0	.	.	22.0
2009	634.8	493.1	141.7	7.1	5.5	1.6	147.4	29.4	423.5	463.8	18.2	.	.	45.8
2010	327.4	156.5	170.9	3.6	1.7	1.9	52.6	2.4	186.1	154.1	-13.3	.	.	102.0
2011	84.1	-252.7	336.8	0.9	-2.7	3.6	-20.3	0.0	39.9	-252.7	3.7	.	.	60.7
	Other changes due to other adjustments													
2008	-118.7	-26.2	-92.5	-1.3	-0.3	-1.0	36.7	27.3	-6.0	42.3	.	-141.8	-95.9	-7.7
2009	-2.3	19.1	-21.4	0.0	0.2	-0.2	2.0	-48.3	24.0	118.3	.	-75.1	-50.8	46.9
2010	-37.9	115.4	-153.3	-0.4	1.3	-1.7	-41.5	52.5	64.3	89.9	.	-63.5	-27.0	2.7
2011	-126.8	277.9	-404.7	-1.3	2.9	-4.3	213.4	218.6	-174.2	133.2	.	-162.9	-74.0	-3.0
	Growth rates of outstanding amounts													
2007	15.6	14.3	-	.	.	.	15.8	15.1	10.0	9.4	.	20.2	20.2	1.6
2008	3.0	3.5	-	.	.	.	9.2	3.3	-0.2	4.0	.	-0.2	3.3	1.0
2009	-0.7	-0.5	-	.	.	.	8.9	8.8	2.4	5.6	.	-10.0	-12.5	-1.3
2010	4.6	4.2	-	.	.	.	7.8	7.2	3.0	3.7	.	3.7	2.8	2.0
2011 Q4	3.6	3.0	-	.	.	.	8.3	6.7	-1.2	3.0	.	3.5	0.3	1.6
2012 Q1	3.7	3.2	-	.	.	.	6.8	5.6	1.0	1.6	.	3.5	4.0	-0.1
Q2	2.9	2.2	-	.	.	.	6.6	6.4	-1.1	-0.5	.	2.4	3.2	2.1

Source: ECB.
1) Net financial derivatives are included in assets.

7.3 Financial account

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

2. Direct investment

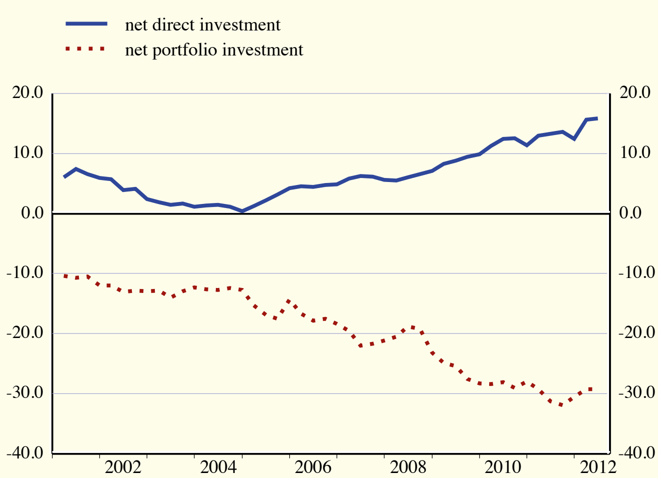
	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	Into MFIs	Into non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2010	4,946.7	3,825.3	275.3	3,550.0	1,121.4	17.0	1,104.4	3,908.6	2,940.6	90.4	2,850.3	968.0	14.7	953.2
2011	5,564.7	4,230.1	287.6	3,942.5	1,334.6	13.5	1,321.0	4,392.0	3,337.2	92.6	3,244.6	1,054.7	11.2	1,043.5
2012 Q1	5,626.2	4,297.5	283.5	4,014.0	1,328.8	13.7	1,315.0	4,144.7	3,376.5	92.2	3,284.3	768.2	9.9	758.3
Q2	5,723.5	4,363.8	286.2	4,077.6	1,359.8	13.2	1,346.6	4,224.5	3,435.5	95.4	3,340.0	789.1	10.2	778.9
	Transactions													
2009	352.9	268.2	24.6	243.6	84.7	2.6	82.1	285.9	275.1	5.4	269.7	10.8	-0.6	11.4
2010	356.7	225.9	16.3	209.5	130.9	1.6	129.3	261.7	284.1	6.4	277.7	-22.4	-7.7	-14.7
2011	408.0	352.1	18.4	333.7	55.8	-3.5	59.3	253.1	283.3	3.2	280.1	-30.2	-0.9	-29.3
2011 Q4	123.1	127.2	-1.7	128.9	-4.1	0.6	-4.7	87.4	83.1	0.9	82.2	4.3	0.4	3.8
2012 Q1	75.6	67.1	-2.4	69.5	8.4	1.0	7.4	72.1	63.9	2.0	61.8	8.2	-0.6	8.9
Q2	62.1	50.6	-2.4	53.0	11.5	-0.4	11.8	52.4	46.0	0.6	45.4	6.4	0.1	6.3
2012 Apr.	26.5	11.4	-1.1	12.6	15.1	0.3	14.8	25.8	14.2	-0.1	14.2	11.6	0.5	11.1
May	13.0	13.6	-0.3	13.9	-0.6	-0.2	-0.4	23.1	23.0	0.3	22.7	0.2	0.1	0.0
June	22.6	25.6	-0.9	26.5	-3.0	-0.4	-2.6	3.5	8.8	0.4	8.5	-5.3	-0.5	-4.8
July	6.5	14.7	2.1	12.6	-8.2	-0.1	-8.1	-0.6	12.0	0.7	11.3	-12.6	0.9	-13.6
Aug.	24.2	20.6	1.5	19.1	3.6	0.0	3.6	13.0	16.0	0.1	16.0	-3.0	0.2	-3.3
	Growth rates													
2009	8.9	8.7	11.4	8.4	9.6	21.6	9.4	8.8	11.8	8.0	12.0	1.2	-2.9	1.3
2010	7.8	6.3	6.8	6.2	13.2	10.6	13.3	7.2	10.6	8.0	10.7	-2.4	-37.9	-1.6
2011 Q4	8.3	9.3	6.8	9.5	5.0	-21.5	5.4	6.7	9.7	3.5	9.9	-3.9	-7.9	-3.8
2012 Q1	6.8	7.7	3.4	8.0	3.9	-15.5	4.2	5.6	8.1	6.1	8.2	-3.5	-17.0	-3.3
Q2	6.6	7.6	-1.0	8.3	3.2	-2.9	3.3	6.4	8.2	5.1	8.3	-0.3	-6.2	-0.3

C36 Euro area international investment position

(outstanding amounts at end of period; as a percentage of GDP)

C37 Euro area direct and portfolio investment position

(outstanding amounts at end of period; as a percentage of GDP)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2010	4,907.3	1,907.7	81.2	3.6	1,826.5	47.6	2,579.3	807.6	15.6	1,771.7	74.5	420.3	316.3	41.7	104.0	0.2
2011	4,762.6	1,703.4	62.5	3.1	1,640.8	39.6	2,592.9	725.7	16.0	1,867.2	94.2	466.3	300.6	57.5	165.7	0.5
2012 Q1	5,044.6	1,844.0	68.6	3.3	1,775.4	39.2	2,688.8	709.3	15.6	1,979.5	97.7	511.8	331.3	48.5	180.5	0.3
Q2	5,044.6	1,813.2	62.6	2.8	1,750.6	39.5	2,735.7	683.3	15.3	2,052.4	99.7	495.7	319.9	52.3	175.8	0.6
	Transactions															
2009	96.0	51.0	-0.8	0.0	51.8	2.5	38.4	-93.6	-3.8	132.0	17.5	6.7	12.3	-12.9	-5.6	0.9
2010	135.9	77.5	4.1	-0.2	73.3	1.7	104.5	-126.2	-0.8	230.8	51.5	-46.1	-64.9	-11.7	18.8	-1.9
2011	-51.9	-71.0	-15.7	-0.2	-55.2	-7.3	-11.5	-55.0	0.3	43.5	-3.0	30.6	24.3	10.5	6.4	0.2
2011 Q4	-45.7	-37.4	-9.3	-0.3	-28.1	-0.9	-28.0	-22.7	-1.7	-5.3	-1.7	19.7	19.3	0.6	0.4	0.0
2012 Q1	125.6	21.2	4.0	0.0	17.2	-1.8	59.0	-7.9	-0.6	66.9	-0.6	45.4	27.0	-4.2	18.5	-0.1
Q2	-60.0	-26.1	-7.4	0.0	-18.6	0.0	-7.3	-28.8	-0.3	21.6	-2.8	-26.6	-22.6	-1.8	-4.0	0.2
2012 Apr.	-18.9	1.5	-0.8	0.0	2.3	.	-11.8	-19.2	-0.1	7.4	.	-8.6	-10.1	3.0	1.5	.
May	-2.5	-10.2	-1.7	0.0	-8.5	.	8.0	-2.0	0.0	9.9	.	-0.3	0.8	1.9	-1.1	.
June	-38.5	-17.4	-4.9	0.0	-12.5	.	-3.4	-7.7	-0.2	4.3	.	-17.7	-13.4	-6.8	-4.3	.
July	-13.7	-3.6	-0.3	0.0	-3.3	.	-1.6	-13.4	1.2	11.8	.	-8.5	-8.1	-5.1	-0.5	.
Aug.	19.2	2.6	1.9	0.0	0.7	.	15.2	0.3	1.8	14.9	.	1.4	1.6	2.2	-0.2	.
	Growth rates															
2009	2.4	3.7	-0.6	-0.5	3.9	8.5	1.6	-9.5	-19.0	10.2	93.4	0.8	2.5	-22.3	-7.3	67.0
2010	3.0	4.9	5.6	-5.1	4.8	4.8	4.2	-13.6	-4.9	14.8	124.1	-10.3	-17.9	-25.4	22.4	-91.7
2011 Q4	-1.2	-4.1	-20.3	-6.0	-3.4	-15.9	-0.5	-7.0	2.2	2.5	-3.1	7.4	8.0	26.6	6.1	120.7
2012 Q1	1.0	-2.7	-16.1	-5.1	-2.0	-16.2	1.6	-6.6	-11.2	5.2	-3.6	11.9	11.2	12.9	13.5	-64.1
Q2	-1.1	-5.5	-28.7	-6.2	-4.4	-11.4	0.3	-9.9	-15.2	4.4	-5.1	8.8	6.6	-2.9	12.5	34.3

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2010	7,470.9	3,175.5	665.8	2,509.7	3,841.4	1,189.9	2,651.5	1,648.3	454.0	69.5	384.6	347.4
2011	7,636.5	3,050.8	556.9	2,493.8	4,142.3	1,273.5	2,868.7	1,772.1	443.5	87.2	356.2	316.5
2012 Q1	7,808.3	3,239.1	554.2	2,684.9	4,110.8	1,224.7	2,886.1	1,794.9	458.4	86.8	371.6	331.7
Q2	7,818.0	3,202.2	546.7	2,655.5	4,166.3	1,235.4	2,930.9	1,823.7	449.5	92.5	357.0	304.2
	Transactions											
2009	343.4	87.6	15.5	72.0	143.0	-10.0	153.0	109.4	112.8	-11.1	123.9	145.5
2010	260.1	125.9	-13.8	139.7	177.8	61.8	116.0	187.2	-43.6	14.7	-58.4	-37.7
2011	222.1	99.7	20.4	79.3	166.2	80.1	86.1	87.2	-43.8	2.7	-46.5	-34.7
2011 Q4	-79.6	12.4	29.9	-17.5	-29.4	-27.6	-1.9	-8.0	-62.6	-0.8	-61.8	-71.4
2012 Q1	54.6	39.8	8.3	31.5	5.2	-17.0	22.2	15.3	9.6	4.4	5.2	6.3
Q2	25.7	2.2	-11.5	13.7	35.6	-12.1	47.7	38.7	-12.1	9.3	-21.4	-32.1
2012 Apr.	-18.7	-10.2	-4.8	-5.4	-13.1	11.7	-24.9	.	4.6	-4.7	9.2	.
May	21.3	4.9	5.9	-1.0	18.7	-17.6	36.3	.	-2.3	4.3	-6.6	.
June	23.1	7.5	-12.6	20.1	30.0	-6.3	36.3	.	-14.4	9.7	-24.1	.
July	11.7	-8.2	-6.1	-2.0	2.0	0.8	1.2	.	17.9	2.2	15.6	.
Aug.	27.0	15.5	8.4	7.1	43.2	12.5	30.7	.	-31.7	-15.0	-16.7	.
	Growth rates											
2009	5.6	3.5	2.5	3.9	4.2	-0.9	6.9	7.8	28.5	-19.9	37.4	53.9
2010	3.7	4.4	-2.1	6.4	4.9	5.4	4.7	12.4	-8.7	17.9	-13.1	-9.5
2011 Q4	3.0	3.2	3.2	3.1	4.5	7.1	3.3	5.4	-8.4	6.7	-11.4	-10.2
2012 Q1	1.6	1.4	3.9	0.6	3.7	2.1	4.4	4.3	-11.6	-15.7	-10.9	-12.1
Q2	-0.5	1.5	2.3	1.1	0.4	-3.1	1.9	1.3	-17.8	-18.8	-17.9	-20.9

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets		Trade credits	Loans/currency and deposits			Trade credits	Loans/currency and deposits	
											Currency and deposits				Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2010	4,807.6	32.9	32.2	0.7	2,972.0	2,932.7	39.4	161.9	7.6	115.4	19.8	1,640.7	213.3	1,279.5	441.6
2011	4,877.2	35.7	35.4	0.3	3,067.6	3,006.6	61.0	162.8	6.7	116.4	30.2	1,611.1	228.4	1,215.1	507.8
2012 Q1	4,847.3	36.7	36.4	0.3	3,046.9	2,991.0	55.9	152.2	6.6	104.2	24.6	1,611.5	265.9	1,166.5	460.8
Q2	5,033.6	35.0	34.7	0.3	3,144.6	3,073.1	71.5	160.2	6.6	111.1	30.0	1,693.8	275.9	1,234.3	483.9
	Transactions														
2009	-515.0	-0.1	-0.1	0.0	-420.4	-399.9	-20.5	11.8	-0.4	10.4	0.2	-106.3	7.4	-108.5	-20.2
2010	167.5	-2.9	-2.8	0.0	9.7	0.9	8.8	41.7	-0.3	41.3	4.9	119.0	8.7	86.5	52.4
2011	164.2	-2.7	-2.8	0.1	49.7	20.3	29.4	1.2	-0.2	0.7	10.3	116.0	8.1	82.6	49.3
2011 Q4	-169.1	-8.2	-8.2	0.0	-154.5	-154.8	0.3	16.6	0.0	16.7	13.2	-23.0	0.0	-4.5	-14.7
2012 Q1	90.6	1.2	1.2	0.0	33.4	38.3	-4.9	-10.3	-0.2	-10.0	-5.7	66.2	15.4	32.6	33.0
Q2	52.7	-2.4	-2.4	0.0	1.1	-13.4	14.5	6.4	0.0	6.3	5.4	47.5	5.3	45.3	17.9
2012 Apr.	3.5	1.7	.	.	4.1	.	.	0.7	.	.	0.6	-3.1	.	.	-1.1
May	91.0	0.6	.	.	56.5	.	.	5.0	.	.	3.8	28.9	.	.	15.9
June	-41.8	-4.7	.	.	-59.5	.	.	0.7	.	.	1.0	21.8	.	.	3.1
July	40.0	5.1	.	.	20.0	.	.	-0.1	.	.	1.6	15.0	.	.	13.7
Aug.	-46.4	-0.2	.	.	-29.2	.	.	-1.5	.	.	-1.2	-15.5	.	.	-4.0
	Growth rates														
2009	-10.0	-1.6	-2.3	0.2	-12.8	-12.4	-34.1	10.8	-3.5	17.2	0.4	-6.4	3.8	-8.2	-4.9
2010	3.7	-12.7	-12.5	-9.9	0.4	0.1	23.4	34.0	-3.1	54.0	32.8	7.7	4.2	7.2	12.7
2011 Q4	3.5	-5.4	-5.5	40.4	1.8	0.8	75.3	0.9	-3.2	1.0	51.5	7.3	3.8	6.7	11.4
2012 Q1	3.5	-11.8	-12.1	43.2	0.8	0.2	33.8	0.2	-4.0	0.5	56.2	9.4	7.9	8.6	15.9
Q2	2.4	-27.0	-27.3	40.1	-1.1	-2.0	47.9	4.9	-3.9	7.7	64.1	10.0	10.3	9.7	12.1

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2010	5,099.5	269.1	266.1	3.0	3,491.0	3,445.0	46.0	148.0	0.0	141.8	6.2	1,191.5	202.7	842.1	146.7
2011	5,129.9	408.9	406.1	2.8	3,208.3	3,140.6	67.6	223.9	0.1	217.1	6.8	1,288.8	224.0	871.7	193.2
2012 Q1	5,224.3	334.2	331.3	2.9	3,365.1	3,301.7	63.5	230.3	0.1	223.9	6.3	1,294.6	233.7	854.4	206.6
Q2	5,276.8	415.0	413.4	1.6	3,316.1	3,236.9	79.2	238.0	0.1	231.8	6.1	1,307.8	234.7	848.9	224.1
	Transactions														
2009	-703.8	-233.0	-233.2	0.2	-352.8	-341.6	-11.2	17.2	0.0	17.2	0.0	-135.2	0.3	-118.9	-16.6
2010	136.7	8.9	6.3	2.6	-9.3	-15.2	5.9	65.6	0.0	65.1	0.5	71.4	15.9	29.3	26.2
2011	14.7	134.6	134.8	-0.2	-288.9	-327.6	38.7	74.1	0.0	74.0	0.0	94.9	10.4	65.7	18.8
2011 Q4	-124.1	87.9	88.0	0.0	-229.4	-237.4	8.0	9.3	0.0	8.9	0.5	8.1	0.2	24.5	-16.6
2012 Q1	177.5	-71.5	-71.7	0.1	187.1	190.5	-3.5	7.3	0.0	7.3	0.0	54.6	7.4	22.2	25.1
Q2	-29.0	73.7	74.9	-1.3	-119.9	-133.1	13.2	6.8	0.0	6.9	-0.1	10.4	0.8	15.8	-6.2
2012 Apr.	2.5	1.0	.	.	1.4	.	.	6.1	.	.	.	-6.0	.	.	.
May	66.8	40.0	.	.	3.6	.	.	2.9	.	.	.	20.3	.	.	.
June	-98.3	32.6	.	.	-124.8	.	.	-2.2	.	.	.	-3.9	.	.	.
July	16.3	27.7	.	.	-27.1	.	.	1.4	.	.	.	14.3	.	.	.
Aug.	-53.2	0.7	.	.	-38.8	.	.	-2.5	.	.	.	-12.5	.	.	.
	Growth rates														
2009	-12.5	-48.0	-48.1	.	-9.4	-9.2	-19.8	24.9	.	26.5	-0.9	-10.4	0.0	-12.2	-10.7
2010	2.8	3.5	2.4	.	-0.2	-0.4	15.5	79.9	.	84.9	5.8	6.2	8.8	3.4	17.8
2011 Q4	0.3	50.6	51.2	.	-8.3	-9.6	89.7	50.4	.	52.6	0.2	8.1	5.2	7.9	12.9
2012 Q1	4.0	20.0	19.1	.	-1.1	-1.9	45.9	30.5	.	30.9	16.6	10.8	7.0	10.9	12.8
Q2	3.2	42.6	43.4	.	-4.2	-5.3	72.5	25.0	.	25.6	6.0	10.9	6.9	11.8	10.2

Source: ECB.

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

7. Reserve assets [1)]

	Reserve assets														Memo items		
	Total	Monetary gold		SDR holdings	Reserve position in the IMF	Foreign exchange								Other claims	Other foreign currency assets	Pre-determined short-term net drains on foreign currency	SDR allo-cations
		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	17
	Outstanding amounts (international investment position)																
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.1	129.5	0.6	111.3	17.6	0.0	0.0	262.8	-245.7	5.5
2009	462.4	266.1	347.180	50.8	10.5	134.9	11.7	8.1	115.2	0.5	92.0	22.7	-0.1	0.0	32.1	-24.2	51.2
2010	591.2	366.2	346.962	54.2	15.8	155.0	7.7	16.0	131.3	0.5	111.2	19.5	0.0	0.0	26.3	-24.4	54.5
2011 Q4	667.1	422.1	346.846	54.0	30.2	160.9	5.3	7.8	148.1	0.8	134.1	13.3	-0.4	0.0	97.4	-86.0	55.9
2012 Q1	671.2	431.7	346.847	52.5	30.9	155.8	4.5	7.6	143.5	0.7	129.6	13.2	0.1	0.3	55.2	-42.7	54.7
Q2	701.5	440.3	346.825	54.3	33.4	173.0	5.1	8.6	159.7	0.6	137.4	21.7	-0.4	0.4	51.5	-41.9	56.9
2012 Aug.	716.1	453.4	346.826	54.3	34.6	173.2	5.2	8.6	159.5	-	-	-	-0.1	0.6	49.8	-40.1	56.9
Sep.	733.8	476.4	346.827	53.8	34.2	168.9	5.4	8.2	155.2	-	-	-	0.2	0.5	39.9	-39.5	56.2
	Transactions																
2009	-4.6	-2.0	-	0.5	3.4	-6.5	3.1	-1.2	-9.6	0.0	-14.2	4.6	1.2	0.0	-	-	-
2010	10.5	0.0	-	-0.1	4.9	5.6	-5.4	6.6	4.3	0.0	10.6	-6.3	0.0	0.0	-	-	-
2011	10.2	0.1	-	-1.6	12.9	-1.2	-2.3	-8.3	9.3	0.1	15.9	-6.8	0.0	0.0	-	-	-
2011 Q4	6.7	0.0	-	-0.4	3.1	4.1	-0.5	-3.0	7.4	0.0	8.7	-1.2	0.1	0.0	-	-	-
2012 Q1	2.1	0.0	-	-0.3	1.3	0.7	-0.1	-0.3	0.9	-0.1	-1.1	2.1	0.2	0.3	-	-	-
Q2	9.0	0.0	-	-0.3	1.3	7.8	0.8	0.7	6.3	-0.1	-0.3	6.7	0.0	0.2	-	-	-
	Growth rates																
2007	1.6	-1.7	-	7.3	-18.3	6.3	15.0	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.5	105.5	1.7	67.8	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009	-1.3	-0.9	-	-2.6	45.5	-4.4	41.1	-21.3	-7.3	1.0	-12.8	25.3	-	-	-	-	-
2010	2.0	0.0	-	-0.1	46.7	3.7	-43.3	75.9	3.6	-5.2	10.3	-24.5	-	-	-	-	-
2011 Q4	1.6	0.0	-	-3.0	82.3	-1.2	-30.0	-52.6	6.9	27.4	14.3	-45.2	-	-	-	-	-
2012 Q1	-0.1	0.0	-	-1.2	34.5	-4.7	-13.7	-61.7	3.7	-7.7	9.4	-38.2	-	-	-	-	-
Q2	2.1	0.0	-	-1.4	34.2	3.7	10.9	-40.6	7.6	-20.6	8.8	-7.9	-	-	-	-	-

8. Gross external debt

	Total	By instrument						By sector (excluding direct investment)			
		Loans, currency and deposits	Money market instruments	Bonds and notes	Trade credits	Other debt liabilities	Direct investment: inter-company lending	General government	Eurosystem	MFIs (excluding Eurosystem)	Other sectors
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts (international investment position)										
2008	10,795.4	5,215.1	399.2	3,375.1	184.1	211.9	1,409.9	1,738.9	482.7	5,006.5	2,157.3
2009	10,332.9	4,467.5	525.7	3,523.2	176.9	184.9	1,454.8	1,966.1	251.9	4,579.8	2,080.3
2010	10,850.0	4,694.9	454.0	3,841.4	202.7	201.9	1,455.1	2,143.7	269.1	4,750.4	2,231.8
2011 Q4	11,029.9	4,635.5	443.5	4,142.3	224.0	270.4	1,314.3	2,312.6	408.9	4,569.0	2,425.2
2012 Q1	11,097.9	4,711.3	458.4	4,110.8	233.7	279.2	1,304.5	2,356.9	334.2	4,676.6	2,425.6
Q2	11,242.5	4,731.0	449.5	4,166.3	234.8	311.0	1,349.9	2,365.9	415.0	4,644.0	2,467.8
	Outstanding amounts as a percentage of GDP										
2008	116.9	56.5	4.3	36.5	2.0	2.3	15.3	18.8	5.2	54.2	23.4
2009	115.8	50.1	5.9	39.5	2.0	2.1	16.3	22.0	2.8	51.3	23.3
2010	118.3	51.2	5.0	41.9	2.2	2.2	15.9	23.4	2.9	51.8	24.3
2011 Q4	117.1	49.2	4.7	44.0	2.4	2.9	14.0	24.6	4.3	48.5	25.8
2012 Q1	117.5	49.9	4.9	43.5	2.5	3.0	13.8	25.0	3.5	49.5	25.7
Q2	118.8	50.0	4.8	44.0	2.5	3.3	14.3	25.0	4.4	49.1	26.1

Source: ECB.
1) Data refer to the changing composition of the euro area, in line with the approach adopted for the reserve assets of the Eurosystem. For further information, see the General Notes.

7.3 Financial account

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

9. Geographical breakdown

	Total	EU Member States outside the euro area						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Interna-tional organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2011	Outstanding amounts (international investment position)														
Direct investment	1,172.7	260.7	-10.6	-13.0	11.4	274.1	-1.3	84.4	73.2	-22.1	125.2	40.0	-146.5	-0.3	758.2
Abroad	5,564.7	1,541.1	28.7	142.2	1,049.2	321.1	0.0	183.8	85.1	74.5	526.0	1,082.9	487.1	0.0	1,584.3
Equity/reinvested earnings	4,230.1	1,128.4	23.9	78.5	776.0	249.9	0.0	146.2	68.4	53.7	394.6	743.1	402.2	0.0	1,293.5
Other capital	1,334.6	412.8	4.7	63.7	273.2	71.1	0.0	37.5	16.6	20.8	131.4	339.8	84.9	0.0	290.7
In the euro area	4,392.0	1,280.4	39.2	155.2	1,037.8	47.0	1.3	99.4	11.9	96.6	400.8	1,042.9	633.5	0.4	826.0
Equity/reinvested earnings	3,337.2	1,052.4	26.1	142.6	855.5	27.0	1.2	83.4	6.3	76.9	236.0	789.1	370.2	0.1	722.7
Other capital	1,054.7	228.0	13.2	12.6	182.2	20.0	0.0	16.0	5.6	19.7	164.8	253.8	263.3	0.3	103.3
Portfolio investment assets	4,762.6	1,536.9	84.5	199.5	1,005.5	99.4	148.0	100.7	52.5	208.0	124.3	1,557.1	384.9	35.2	763.0
Equity	1,703.4	341.8	10.9	41.6	275.9	13.2	0.1	39.1	48.7	90.4	102.0	553.1	215.8	1.4	311.0
Debt instruments	3,059.2	1,195.1	73.6	157.9	729.6	86.2	147.9	61.6	3.9	117.6	22.2	1,004.0	169.1	33.8	452.0
Bonds and notes	2,592.9	1,050.8	68.5	124.8	629.5	83.8	144.2	56.8	2.7	46.3	15.4	828.0	155.1	32.7	405.1
Money market instruments	466.3	144.3	5.1	33.0	100.1	2.4	3.7	4.8	1.2	71.3	6.9	175.9	13.9	1.0	46.9
Other investment	-252.8	-287.0	45.5	-30.0	-154.0	72.1	-220.6	-10.1	-13.5	10.9	-75.1	63.8	82.8	-71.6	47.1
Assets	4,877.2	2,159.9	92.3	91.0	1,777.6	182.7	16.3	26.8	46.1	99.5	257.4	763.5	589.1	36.7	898.2
General government	162.8	63.9	1.5	4.1	44.3	1.3	12.7	1.8	3.2	2.3	1.0	8.5	2.4	30.4	49.3
MFIs	3,103.3	1,497.4	71.9	49.7	1,225.7	147.2	2.9	14.7	20.9	80.2	130.1	473.3	439.6	5.7	441.4
Other sectors	1,611.1	598.7	19.0	37.2	507.7	34.2	0.7	10.2	22.0	17.0	126.3	281.6	147.1	0.6	407.5
Liabilities	5,129.9	2,446.9	46.8	121.0	1,931.6	110.6	236.9	36.8	59.6	88.6	332.5	699.7	506.3	108.3	851.1
General government	223.9	118.2	0.1	0.4	53.5	0.1	64.1	0.1	0.1	0.1	1.2	33.2	1.4	66.6	3.1
MFIs	3,617.1	1,757.9	36.4	84.8	1,436.3	85.5	115.0	24.8	30.8	61.4	256.7	416.0	414.0	38.8	616.7
Other sectors	1,288.8	570.8	10.3	35.8	441.8	25.0	57.8	11.9	28.8	27.0	74.6	250.4	91.0	3.0	231.4
2011 Q3 to 2012 Q2	Cumulated transactions														
Direct investment	87.8	87.4	-0.1	0.2	68.3	19.0	0.0	19.8	10.9	-5.1	-24.8	-67.0	-10.1	0.0	76.7
Abroad	342.7	138.7	2.4	3.8	111.3	21.2	0.0	19.9	14.5	-1.4	1.9	48.6	12.5	0.0	108.0
Equity/reinvested earnings	303.2	123.8	2.3	0.5	105.9	15.1	0.0	21.9	9.0	-3.1	8.6	46.2	13.7	0.0	83.0
Other capital	39.5	14.9	0.0	3.3	5.4	6.1	0.0	-2.0	5.5	1.8	-6.7	2.3	-1.2	0.0	24.9
In the euro area	254.9	51.3	2.5	3.6	43.0	2.2	0.0	0.1	3.6	3.7	26.6	115.5	22.6	0.0	31.3
Equity/reinvested earnings	255.3	51.7	1.1	3.8	41.9	4.9	0.0	10.5	1.4	4.7	7.1	114.2	31.9	0.0	33.9
Other capital	-0.5	-0.3	1.5	-0.2	1.1	-2.7	0.0	-10.3	2.2	-1.0	19.5	1.3	-9.3	0.0	-2.6
Portfolio investment assets	-53.6	5.5	4.5	18.3	-40.7	-1.0	24.5	-3.0	-0.9	-14.8	-1.9	-25.8	-39.7	-0.5	27.6
Equity	-99.2	-11.3	1.6	0.8	-12.8	-1.2	0.2	2.3	-1.7	-8.4	-1.9	-52.0	-18.2	0.0	-8.0
Debt instruments	45.6	16.8	2.8	17.5	-28.0	0.1	24.3	-5.3	0.8	-6.4	0.0	26.2	-21.5	-0.5	35.6
Bonds and notes	8.1	-10.4	5.1	8.1	-46.7	1.3	21.8	-3.7	0.3	-6.1	1.0	14.0	-20.3	-1.1	34.5
Money market instruments	37.6	27.3	-2.3	9.4	18.7	-1.1	2.5	-1.6	0.5	-0.3	-1.0	12.2	-1.2	0.6	1.1
Other investment	-45.5	-92.2	5.8	-35.7	-22.3	-16.3	-23.7	1.6	-24.0	2.4	-59.3	130.6	51.9	-16.0	-40.5
Assets	114.3	10.6	7.8	-6.6	19.0	-12.5	3.0	1.1	12.3	-1.1	11.6	22.3	32.4	-4.2	29.2
General government	7.2	14.4	-0.1	-1.5	15.3	0.6	0.1	0.0	0.0	-0.6	0.0	-3.5	-0.5	0.2	-2.7
MFIs	-49.8	-54.0	6.6	-7.6	-38.7	-17.1	2.8	-0.9	12.1	-5.1	0.3	-3.9	21.6	-4.5	-15.4
Other sectors	156.9	50.2	1.2	2.6	42.3	4.0	0.1	1.9	0.3	4.6	11.4	29.8	11.3	0.2	47.3
Liabilities	159.8	102.9	1.9	29.2	41.3	3.8	26.7	-0.5	36.3	-3.5	70.9	-108.3	-19.5	11.8	69.7
General government	47.0	18.1	0.1	0.1	-1.5	0.0	19.4	0.0	0.0	0.0	-0.1	-6.1	-0.2	33.4	1.9
MFIs	-18.6	13.0	4.2	29.1	-26.8	4.4	2.1	-1.0	33.8	-6.2	74.7	-125.9	-29.6	-21.3	44.0
Other sectors	131.4	71.8	-2.4	0.0	69.6	-0.6	5.2	0.5	2.5	2.8	-3.7	23.6	10.4	-0.3	23.8

Source: ECB.

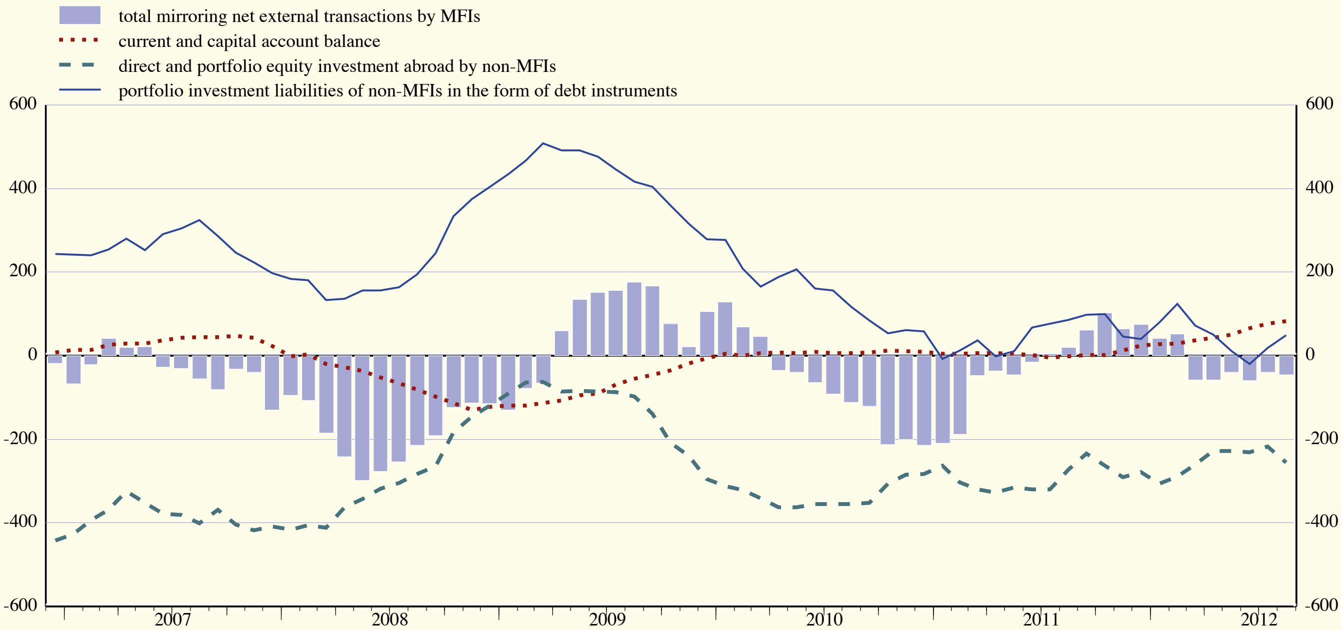
7.4 Monetary presentation of the balance of payments [1]

(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
	1	2	3	4	5	6	7	8	9	10	11	12
2009	105.7	-5.5	-325.6	280.9	-51.8	-126.4	72.1	278.0	94.5	-117.7	19.0	-11.8
2010	-213.7	9.6	-338.5	262.6	-73.2	-249.5	139.8	57.7	-159.9	136.9	17.7	-17.0
2011	74.4	23.9	-393.1	250.9	55.2	-49.9	79.3	39.6	-117.2	169.0	-4.9	21.4
2011 Q2	7.4	-12.2	-58.2	18.8	-25.3	-30.2	0.5	117.8	-37.1	20.9	14.9	-2.6
Q3	20.2	8.5	-79.7	42.6	45.7	-3.8	3.1	-9.3	-60.6	81.8	-10.7	2.6
Q4	-31.3	42.7	-124.2	86.0	28.1	4.9	-17.5	-63.7	6.4	17.4	-10.9	-0.5
2012 Q1	-54.3	-2.6	-76.9	70.7	-17.2	-85.4	31.5	27.3	-56.0	62.0	-6.7	-1.0
Q2	5.8	17.3	-64.9	51.7	18.6	-17.6	13.7	26.2	-54.0	17.2	-9.6	7.0
2011 Aug.	15.6	1.9	-14.7	5.5	28.8	1.1	-7.1	-17.5	-12.1	26.1	-4.1	7.8
Sep.	18.1	2.3	-27.8	19.2	11.3	12.3	-14.3	28.8	-30.0	26.9	-5.9	-4.7
Oct.	-36.5	5.8	-31.9	35.7	4.8	8.4	-38.1	3.2	-33.0	17.6	-2.0	-7.0
Nov.	-38.9	11.9	-53.4	1.7	17.6	-1.1	1.4	-22.8	4.7	-5.0	-3.8	10.0
Dec.	44.1	25.1	-38.9	48.5	5.7	-2.5	19.2	-44.1	34.7	4.7	-5.1	-3.4
2012 Jan.	-49.8	-11.3	-33.3	35.7	-2.0	-23.2	-6.1	1.5	-21.4	24.4	-6.2	-7.9
Feb.	13.7	-1.8	-21.0	21.9	-5.6	-35.6	0.2	52.3	-18.7	22.3	4.4	-4.7
Mar.	-18.2	10.5	-22.6	13.1	-9.6	-26.6	37.4	-26.4	-15.9	15.2	-4.9	11.6
Apr.	-27.1	2.9	-27.4	25.3	-2.3	-8.8	-5.4	-15.6	2.4	0.1	0.4	1.2
May	18.5	-3.4	-13.5	22.7	8.5	-8.8	-1.0	29.7	-33.9	23.2	-7.2	2.2
June	14.4	17.7	-23.9	3.6	12.5	0.0	20.1	12.2	-22.4	-6.1	-2.9	3.6
July	5.8	14.5	-4.5	-2.3	3.3	-11.4	-2.0	16.9	-15.0	15.7	-2.3	-7.2
Aug.	9.3	8.5	-22.7	12.7	-0.7	-14.7	7.1	14.0	16.9	-15.0	-0.3	3.6
	12-month cumulated transactions											
2012 Aug.	-46.6	82.6	-321.0	237.9	43.5	-111.8	18.5	49.6	-131.5	124.1	-35.8	-2.7

C38 Main b.o.p. items mirroring developments in MFI net external transactions [1]

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufacturing		Intermediate	Capital	Consumption	Manufacturing	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2010	20.0	22.5	1,532.9	765.3	311.6	421.0	1,268.7	1,550.6	948.4	230.0	349.1	1,019.7	250.1
2011	13.2	12.7	1,744.0	878.1	352.4	474.3	1,426.6	1,751.6	1,122.6	237.5	365.5	1,099.5	321.1
2011 Q3	9.9	10.0	435.6	219.6	87.6	118.4	359.3	441.1	283.6	59.4	91.4	276.5	83.4
Q4	8.8	5.0	446.6	223.1	90.7	122.0	364.7	433.9	278.6	58.9	91.0	268.6	84.4
2012 Q1	8.7	4.0	463.4	232.8	94.5	126.2	376.5	452.1	290.4	61.0	91.6	274.0	87.8
Q2	8.2	1.3	467.0	230.2	96.3	129.2	382.4	445.9	284.9	61.7	90.6	274.8	85.6
2012 Mar.	4.8	0.5	155.9	78.0	31.3	42.4	126.3	151.1	97.7	20.3	30.3	90.5	29.9
Apr.	6.0	0.0	153.8	76.0	32.0	42.9	124.6	148.9	96.2	19.7	29.8	90.4	28.6
May	6.2	0.7	154.8	76.1	31.9	42.9	129.7	148.0	94.0	20.5	30.3	92.7	28.5
June	12.5	3.2	158.4	78.0	32.4	43.5	128.1	149.0	94.7	21.5	30.5	91.8	28.6
July	11.1	2.5	154.9	75.9	31.5	43.9	127.9	147.7	92.4	20.7	30.7	92.5	28.0
Aug.	10.4	1.3	160.7	79.9	32.3	45.3	132.1	150.8	95.6	21.1	31.6	92.3	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2010	14.9	10.7	137.1	132.9	138.6	144.4	133.9	121.4	113.7	132.3	143.7	128.1	104.8
2011	7.7	2.7	148.5	143.4	152.8	155.7	145.4	124.5	117.7	135.0	143.8	133.2	101.7
2011 Q3	5.7	2.8	148.1	143.0	152.5	155.2	146.5	125.2	118.5	137.0	142.9	134.3	105.2
Q4	3.6	-2.9	150.5	144.4	155.1	158.0	147.1	121.9	115.3	132.7	140.8	129.7	104.5
2012 Q1	4.6	-1.6	152.9	147.7	159.9	159.1	149.8	122.6	115.9	131.8	138.5	129.3	99.1
Q2	3.7	-3.5	153.4	145.6	161.2	162.2	151.3	121.0	113.9	132.5	137.0	129.4	98.0
2012 Feb.	6.4	1.0	151.6	145.8	162.0	156.9	150.8	123.5	117.1	131.4	139.6	130.7	97.9
Mar.	1.0	-4.4	154.3	148.5	158.1	160.7	150.8	122.1	115.5	132.4	138.0	128.6	96.7
Apr.	2.0	-4.7	152.1	144.5	163.0	161.3	148.8	120.6	114.0	127.7	136.7	128.6	93.0
May	1.5	-4.6	152.3	144.3	159.3	161.3	153.7	120.8	112.7	133.8	137.8	131.8	96.4
June	7.6	-1.0	155.8	148.1	161.3	164.0	151.5	121.5	115.1	135.9	136.5	127.7	104.5
July	6.6	-1.7	151.8	144.1	156.3	163.0	150.3	121.1	113.5	131.3	135.7	128.6	105.9

2. Prices [2]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3]							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total					Memo item: Manufacturing	Total (index: 2005 = 100)	Total					Memo item: Manufacturing
			Intermediate goods	Capital goods	Consumer goods	Energy				Intermediate goods	Capital goods	Consumer goods	Energy	
% of total	100.0	100.0	33.1	44.5	17.9	4.5	99.2	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2010	106.2	4.1	4.8	1.4	2.2	26.4	4.1	108.8	9.8	9.7	1.4	2.9	26.1	5.8
2011	110.5	4.0	5.8	1.4	2.2	23.3	4.0	118.7	9.1	4.6	-0.1	3.8	26.1	4.2
2011 Q4	111.1	3.5	3.8	1.8	2.3	20.3	3.4	119.8	7.6	0.4	0.5	3.4	24.0	2.8
2012 Q1	112.9	3.0	1.7	2.0	2.5	17.5	3.0	123.0	4.8	-1.3	1.2	2.2	14.8	1.5
Q2	113.3	2.6	1.0	2.5	2.7	8.4	2.6	122.4	3.1	0.1	1.9	3.3	6.1	1.8
2012 Mar.	113.3	2.9	1.3	2.1	2.4	16.4	2.8	124.2	4.5	-1.1	1.0	2.3	12.9	1.2
Apr.	113.5	2.8	1.1	2.4	2.5	12.1	2.7	123.7	3.2	-1.0	1.0	2.7	8.1	1.1
May	113.4	2.7	1.1	2.5	2.7	8.8	2.6	122.7	3.6	0.5	2.1	3.2	7.3	2.2
June	113.0	2.5	0.8	2.7	2.7	4.1	2.4	120.9	2.6	0.7	2.5	3.9	2.7	2.1
July	113.6	2.5	0.4	2.8	2.8	6.8	2.5	122.5	3.0	0.4	3.1	4.3	4.2	2.6
Aug.	114.3	3.4	0.7	2.7	2.9	16.9	3.4	124.7	5.4	0.3	3.0	4.5	.	3.2

Source: Eurostat.

1) Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

2) Product groups as classified in the Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1), mainly because those deflators include all goods and services and cover cross-border trade within the euro area.

3) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	EU Member States outside the euro area				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries						China	Japan			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2010	1,532.9	30.2	52.6	194.8	208.3	63.0	92.8	47.4	180.6	356.5	94.8	34.6	104.0	73.4	129.3
2011	1,744.0	32.9	60.5	213.5	241.5	79.8	108.9	56.7	200.4	406.2	115.4	39.4	111.9	84.6	147.2
2011 Q1	429.9	8.1	14.9	53.0	59.1	18.6	25.8	15.2	50.1	99.7	28.6	9.3	28.0	20.2	37.1
Q2	431.9	8.2	15.5	52.4	60.7	19.7	26.1	14.3	49.0	98.5	27.4	9.5	27.2	20.8	39.5
Q3	435.6	8.3	15.7	53.9	61.3	20.6	28.7	13.6	49.3	101.8	28.8	10.1	28.1	21.7	32.6
Q4	446.6	8.3	14.4	54.3	60.4	20.8	28.2	13.5	52.0	106.2	30.5	10.5	28.7	21.9	37.9
2012 Q1	463.4	8.4	15.1	56.5	61.3	22.1	29.5	14.7	55.7	109.6	31.3	10.6	31.0	24.0	35.7
Q2	467.0	8.6	14.9	57.0	61.0	22.9	29.2	14.6	55.9	109.2	30.4	11.4	31.3	24.4	38.0
2012 Mar.	155.9	2.8	5.0	18.6	20.2	7.5	9.7	5.1	18.7	36.3	10.1	3.5	11.0	8.3	12.9
Apr.	153.8	2.8	4.9	18.9	19.8	7.5	9.6	4.8	17.4	35.2	9.8	3.6	10.5	7.9	14.5
May	154.8	2.9	5.0	19.5	20.9	7.6	10.1	4.9	19.6	36.6	10.1	3.8	10.6	8.5	8.6
June	158.4	2.9	5.0	18.6	20.3	7.8	9.6	4.8	18.9	37.5	10.5	4.0	10.2	8.0	14.8
July	154.9	2.9	4.9	18.6	20.2	7.7	9.5	4.8	19.1	35.9	9.9	4.0	10.3	7.9	13.1
Aug.	160.7	.	.	.	.	7.8	10.2	5.2	20.0	37.5	10.2	3.9	10.4	8.8	.
	Percentage share of total exports														
2011	100.0	1.9	3.5	12.2	13.9	4.6	6.2	3.3	11.5	23.3	6.6	2.3	6.4	4.8	8.4
	Imports (c.i.f.)														
2010	1,550.6	27.4	47.3	147.8	195.4	112.2	72.8	30.7	129.8	494.9	208.6	51.4	118.8	75.3	98.2
2011	1,751.6	29.8	53.3	166.6	227.0	138.7	80.2	34.8	139.4	549.3	217.2	52.5	128.4	90.7	113.3
2011 Q1	437.0	7.3	13.3	40.8	55.5	35.8	19.1	9.0	35.4	136.1	55.1	13.8	34.9	21.7	28.1
Q2	439.6	7.5	13.5	41.4	56.6	34.4	19.4	8.8	34.3	139.7	55.5	12.6	30.8	22.1	31.0
Q3	441.1	7.4	13.9	42.4	57.5	33.2	21.9	8.5	34.4	139.7	54.8	13.3	31.2	23.4	27.8
Q4	433.9	7.6	12.7	42.0	57.4	35.3	19.8	8.5	35.4	133.8	51.9	12.8	31.5	23.4	26.5
2012 Q1	452.1	7.2	13.1	42.5	57.5	37.7	20.0	8.4	37.6	136.0	53.3	12.5	38.7	23.7	29.6
Q2	445.9	7.3	13.0	41.3	56.8	34.5	19.8	8.3	37.6	136.6	55.9	12.4	38.1	22.9	29.6
2012 Mar.	151.1	2.3	4.3	14.0	19.1	13.2	6.4	2.8	12.7	44.6	17.0	4.1	13.3	7.7	10.7
Apr.	148.9	2.4	4.3	13.8	18.8	12.1	6.1	2.8	12.3	44.4	18.2	3.9	12.9	7.6	11.4
May	148.0	2.4	4.5	14.3	19.1	11.9	6.8	2.8	12.6	45.3	19.1	4.4	13.2	8.0	7.0
June	149.0	2.5	4.2	13.2	18.9	10.5	6.8	2.7	12.7	46.9	18.6	4.1	12.0	7.3	11.2
July	147.7	2.4	4.5	14.3	18.8	10.1	7.1	2.8	13.2	44.1	18.7	4.1	12.6	7.8	10.2
Aug.	150.8	.	.	.	.	11.4	7.7	2.8	13.2	44.4	18.0	4.0	13.7	7.9	.
	Percentage share of total imports														
2011	100.0	1.7	3.0	9.5	13.0	7.9	4.6	2.0	8.0	31.4	12.4	3.0	7.3	5.2	6.5
	Balance														
2010	-17.7	2.7	5.3	47.0	12.9	-49.1	20.0	16.8	50.7	-138.4	-113.8	-16.8	-14.8	-1.8	31.1
2011	-7.7	3.0	7.1	46.9	14.5	-59.0	28.7	21.9	61.0	-143.1	-101.9	-13.1	-16.5	-6.1	33.9
2011 Q1	-7.2	0.7	1.7	12.2	3.6	-17.3	6.7	6.2	14.8	-36.4	-26.5	-4.4	-6.9	-1.6	9.0
Q2	-7.7	0.7	2.0	11.0	4.0	-14.7	6.7	5.6	14.8	-41.2	-28.0	-3.1	-3.7	-1.4	8.5
Q3	-5.5	1.0	1.8	11.5	3.8	-12.5	6.8	5.1	14.8	-37.9	-26.0	-3.2	-3.1	-1.7	4.8
Q4	12.6	0.7	1.7	12.2	3.0	-14.5	8.4	5.0	16.6	-27.6	-21.4	-2.3	-2.8	-1.5	11.5
2012 Q1	11.3	1.2	2.0	14.0	3.8	-15.6	9.4	6.3	18.1	-26.4	-22.0	-1.9	-7.8	0.3	6.1
Q2	21.1	1.3	1.9	15.7	4.2	-11.6	9.5	6.3	18.4	-27.4	-25.5	-1.0	-6.8	1.5	8.3
2012 Mar.	4.8	0.4	0.7	4.5	1.1	-5.7	3.3	2.3	5.9	-8.3	-6.9	-0.6	-2.3	0.6	2.2
Apr.	4.9	0.4	0.6	5.1	1.0	-4.6	3.5	2.1	5.2	-9.3	-8.4	-0.3	-2.4	0.3	3.0
May	6.7	0.4	0.5	5.2	1.8	-4.3	3.2	2.1	7.0	-8.8	-9.1	-0.6	-2.6	0.5	1.7
June	9.5	0.4	0.8	5.4	1.4	-2.7	2.8	2.1	6.2	-9.4	-8.1	-0.1	-1.8	0.7	3.6
July	7.2	0.5	0.4	4.3	1.4	-2.4	2.4	2.0	6.0	-8.2	-8.7	-0.1	-2.3	0.1	2.9
Aug.	9.9	.	.	.	.	-3.6	2.4	2.4	6.8	-6.9	-7.8	-0.1	-3.3	0.9	.

Source: Eurostat.

EXCHANGE RATES

8.1 Effective exchange rates [1]

(period averages; index: 1999 Q1=100)

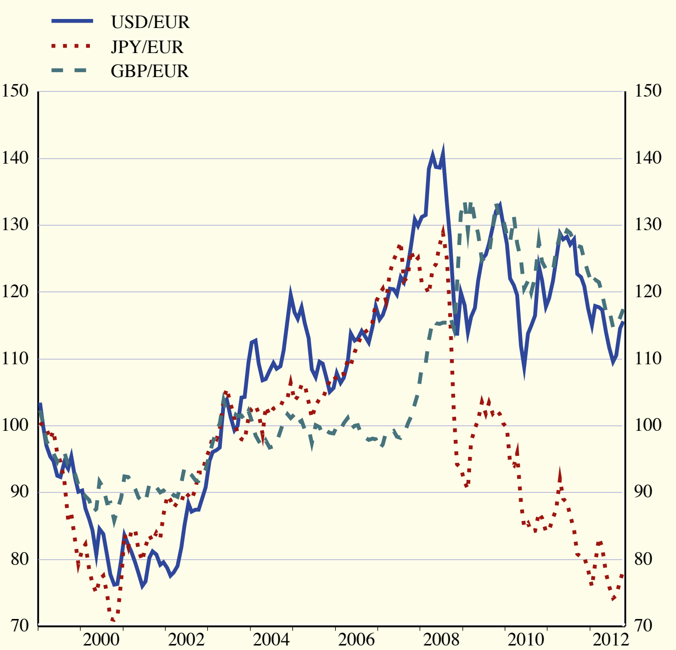
	EER-20						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2009	110.6	109.2	104.3	105.0	118.5	105.0	119.7	106.8
2010	103.6	101.6	98.1	96.9	107.4	97.3	111.4	98.1
2011	103.4	100.7	97.6	95.1	106.7	95.9	112.1	97.6
2011 Q3	103.5	100.7	97.6	95.1	107.3	95.8	112.5	97.8
Q4	102.1	99.4	96.4	93.3	106.0	94.7	111.6	96.9
2012 Q1	99.5	96.9	94.4	90.5	103.4	91.7	108.3	94.0
Q2	98.2	95.9	93.4	89.0	102.3	90.5	107.4	93.3
Q3	95.9	93.8	91.9	.	.	.	105.1	91.3
2011 Oct.	103.0	100.2	97.1	-	-	-	112.6	97.8
Nov.	102.6	99.9	96.8	-	-	-	112.1	97.3
Dec.	100.8	98.1	95.2	-	-	-	110.3	95.7
2012 Jan.	98.9	96.3	93.7	-	-	-	108.0	93.7
Feb.	99.6	97.2	94.7	-	-	-	108.4	94.1
Mar.	99.8	97.3	94.9	-	-	-	108.6	94.3
Apr.	99.5	97.2	94.5	-	-	-	108.4	94.2
May	98.0	95.7	93.2	-	-	-	107.2	93.1
June	97.2	94.9	92.3	-	-	-	106.6	92.5
July	95.3	93.2	91.0	-	-	-	104.4	90.7
Aug.	95.2	93.2	91.2	-	-	-	104.3	90.7
Sep.	97.2	95.0	93.5	-	-	-	106.6	92.5
Oct.	97.8	95.5	94.3	-	-	-	107.2	92.9
	Percentage change versus previous month							
2012 Oct.	0.6	0.5	0.9	-	-	-	0.6	0.4
	Percentage change versus previous year							
2012 Oct.	-5.1	-4.7	-2.8	-	-	-	-4.8	-5.0

C39 Effective exchange rates

(monthly averages; index: 1999 Q1=100)

C40 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.

1) For a 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)

	Bulgarian lev	Czech koruna	Danish krone	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	New Romanian leu	Swedish krona	Pound sterling	Croatian kuna	New Turkish lira
	1	2	3	4	5	6	7	8	9	10	11	12
2009	1.9558	26.435	7.4462	0.7057	3.4528	280.33	4.3276	4.2399	10.6191	0.89094	7.3400	2.1631
2010	1.9558	25.284	7.4473	0.7087	3.4528	275.48	3.9947	4.2122	9.5373	0.85784	7.2891	1.9965
2011	1.9558	24.590	7.4506	0.7063	3.4528	279.37	4.1206	4.2391	9.0298	0.86788	7.4390	2.3378
2012 Q1	1.9558	25.084	7.4350	0.6985	3.4528	296.85	4.2329	4.3533	8.8529	0.83448	7.5568	2.3556
Q2	1.9558	25.269	7.4349	0.6981	3.4528	293.98	4.2595	4.4293	8.9133	0.80998	7.5280	2.3157
Q3	1.9558	25.082	7.4457	0.6963	3.4528	283.05	4.1366	4.5255	8.4354	0.79153	7.4732	2.2560
2012 Apr.	1.9558	24.809	7.4393	0.6993	3.4528	294.81	4.1782	4.3789	8.8650	0.82188	7.4991	2.3520
May	1.9558	25.313	7.4335	0.6981	3.4528	293.67	4.2937	4.4412	8.9924	0.80371	7.5383	2.3149
June	1.9558	25.640	7.4325	0.6969	3.4528	293.57	4.2973	4.4626	8.8743	0.80579	7.5434	2.2837
July	1.9558	25.447	7.4384	0.6963	3.4528	286.28	4.1837	4.5549	8.5451	0.78827	7.5006	2.2281
Aug.	1.9558	25.021	7.4454	0.6963	3.4528	278.93	4.0934	4.5176	8.2805	0.78884	7.4853	2.2291
Sep.	1.9558	24.752	7.4539	0.6962	3.4528	284.22	4.1345	4.5022	8.4929	0.79821	7.4291	2.3177
Oct.	1.9558	24.939	7.4582	0.6962	3.4528	282.09	4.1071	4.5624	8.6145	0.80665	7.5140	2.3384
	Percentage change versus previous month											
2012 Oct.	0.0	0.8	0.1	0.0	0.0	-0.7	-0.7	1.3	1.4	1.1	1.1	0.9
	Percentage change versus previous year											
2012 Oct.	0.0	0.4	0.2	-1.4	0.0	-5.0	-5.6	5.5	-5.5	-7.3	0.4	-6.8

	Australian dollar	Brazilian real	Canadian dollar	Chinese yuan renminbi	Hong Kong dollar	Indian rupee [1]	Indonesian rupiah	Israeli shekel	Japanese yen	Malaysian ringgit
	13	14	15	16	17	18	19	20	21	22
2009	1.7727	2.7674	1.5850	9.5277	10.8114	67.3611	14,443.74	5.4668	130.34	4.9079
2010	1.4423	2.3314	1.3651	8.9712	10.2994	60.5878	12,041.70	4.9457	116.24	4.2668
2011	1.3484	2.3265	1.3761	8.9960	10.8362	64.8859	12,206.51	4.9775	110.96	4.2558
2012 Q1	1.2425	2.3169	1.3128	8.2692	10.1725	65.8991	11,901.67	4.9431	103.99	4.0121
Q2	1.2699	2.5167	1.2949	8.1072	9.9460	69.3757	11,932.86	4.9021	102.59	3.9918
Q3	1.2035	2.5359	1.2447	7.9410	9.6962	68.9706	11,876.24	4.9818	98.30	3.9029
2012 Apr.	1.2718	2.4405	1.3068	8.2921	10.2163	68.1939	12,068.69	4.9362	107.00	4.0277
May	1.2825	2.5357	1.2916	8.0806	9.9291	69.6407	11,913.51	4.8974	101.97	3.9688
June	1.2550	2.5658	1.2874	7.9676	9.7192	70.1673	11,830.22	4.8763	99.26	3.9836
July	1.1931	2.4914	1.2461	7.8288	9.5308	68.1061	11,605.16	4.9042	97.07	3.8914
Aug.	1.1841	2.5170	1.2315	7.8864	9.6177	68.8632	11,777.55	4.9779	97.58	3.8643
Sep.	1.2372	2.6066	1.2583	8.1273	9.9686	70.0452	12,287.93	5.0717	100.49	3.9599
Oct.	1.2596	2.6333	1.2801	8.1390	10.0574	68.8589	12,457.30	4.9976	102.47	3.9649
	Percentage change versus previous month									
2012 Oct.	1.8	1.0	1.7	0.1	0.9	-1.7	1.4	-1.5	2.0	0.1
	Percentage change versus previous year									
2012 Oct.	-6.9	8.2	-8.4	-6.8	-5.7	1.9	2.5	-0.6	-2.5	-7.7

	Mexican peso	New Zealand dollar	Norwegian krone	Philippine peso	Russian rouble	Singapore dollar	South African rand	South Korean won	Swiss franc	Thai baht	US dollar
	23	24	25	26	27	28	29	30	31	32	33
2009	18.7989	2.2121	8.7278	66.338	44.1376	2.0241	11.6737	1,772.90	1.5100	47.804	1.3948
2010	16.7373	1.8377	8.0043	59.739	40.2629	1.8055	9.6984	1,531.82	1.3803	42.014	1.3257
2011	17.2877	1.7600	7.7934	60.260	40.8846	1.7489	10.0970	1,541.23	1.2326	42.429	1.3920
2012 Q1	17.0195	1.6030	7.5868	56.421	39.5496	1.6573	10.1730	1,482.75	1.2080	40.630	1.3108
Q2	17.3620	1.6241	7.5582	54.813	39.8768	1.6200	10.4214	1,477.96	1.2015	40.101	1.2814
Q3	16.4690	1.5462	7.3910	52.377	39.9755	1.5594	10.3385	1,416.52	1.2035	39.207	1.2502
2012 Apr.	17.1900	1.6095	7.5698	56.145	38.8087	1.6459	10.3060	1,495.40	1.2023	40.639	1.3162
May	17.4237	1.6538	7.5655	54.908	39.5585	1.6152	10.4412	1,481.36	1.2012	40.077	1.2789
June	17.4529	1.6062	7.5401	53.510	41.1766	1.6016	10.5050	1,458.61	1.2011	39.640	1.2526
July	16.4263	1.5390	7.4579	51.452	39.9467	1.5494	10.1379	1,404.11	1.2011	38.873	1.2288
Aug.	16.3600	1.5306	7.3239	52.173	39.6334	1.5480	10.2585	1,403.93	1.2011	38.974	1.2400
Sep.	16.6413	1.5721	7.3945	53.629	40.4006	1.5837	10.6512	1,444.65	1.2089	39.842	1.2856
Oct.	16.7207	1.5817	7.4076	53.691	40.3558	1.5879	11.2215	1,435.37	1.2098	39.811	1.2974
	Percentage change versus previous month										
2012 Oct.	0.5	0.6	0.2	0.1	-0.1	0.3	5.4	-0.6	0.1	-0.1	0.9
	Percentage change versus previous year										
2012 Oct.	-9.3	-8.9	-4.4	-9.6	-5.8	-9.2	2.8	-9.0	-1.6	-5.9	-5.3

Source: ECB.

1) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 Economic and financial developments in other EU Member States

(annual percentage changes, unless otherwise indicated)

	Bulgaria	Czech Republic	Denmark	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10
	HICP									
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2011	3.4	2.1	2.7	4.2	4.1	3.9	3.9	5.8	1.4	4.5
2012 Q2	1.8	3.8	2.2	2.4	2.8	5.5	4.0	2.1	0.9	2.7
Q3	3.0	3.4	2.4	1.9	3.2	6.0	3.9	4.2	0.9	2.4
2012 July	2.4	3.3	2.1	1.9	2.9	5.7	4.0	3.1	0.7	2.6
Aug.	3.1	3.4	2.6	1.9	3.4	6.0	3.8	4.0	0.9	2.5
Sep.	3.4	3.5	2.5	1.9	3.3	6.4	3.8	5.4	1.0	2.2
	General government deficit (-)/surplus (+) as a percentage of GDP									
2009	-4.3	-5.8	-2.7	-9.8	-9.4	-4.6	-7.4	-9.0	-0.7	-11.5
2010	-3.1	-4.8	-2.5	-8.1	-7.2	-4.4	-7.9	-6.8	0.3	-10.2
2011	-2.0	-3.3	-1.8	-3.4	-5.5	4.3	-5.0	-5.5	0.4	-7.8
	General government gross debt as a percentage of GDP									
2009	14.6	34.2	40.6	36.7	29.3	79.8	50.9	23.6	42.6	67.8
2010	16.2	37.8	42.9	44.5	37.9	81.8	54.8	30.5	39.5	79.4
2011	16.3	40.8	46.6	42.2	38.5	81.4	56.4	33.4	38.4	85.0
	Long-term government bond yield as a percentage per annum; period average									
2012 Apr.	5.11	3.51	1.71	5.10	5.30	8.77	5.49	6.24	1.82	2.03
May	5.11	3.31	1.37	5.15	5.30	8.33	5.41	6.50	1.51	1.78
June	5.07	3.11	1.26	5.07	4.96	8.30	5.24	6.68	1.45	1.60
July	4.87	2.60	1.10	4.67	4.82	7.56	4.99	6.52	1.33	1.47
Aug.	4.28	2.38	1.15	4.45	4.84	7.36	4.88	6.84	1.44	1.49
Sep.	3.80	2.41	1.31	3.92	4.53	7.28	4.85	6.54	1.51	1.53
	3-month interest rate as a percentage per annum; period average									
2012 Apr.	2.71	1.24	0.97	1.00	1.28	8.19	4.94	4.12	2.19	1.02
May	2.59	1.24	0.90	0.94	1.24	8.22	5.05	4.69	2.14	1.00
June	2.45	1.21	0.62	0.90	1.20	-	5.12	5.10	2.14	0.95
July	2.14	1.06	0.41	0.75	1.11	8.00	5.13	5.11	2.10	0.82
Aug.	1.69	1.00	0.31	0.61	0.93	7.77	5.11	5.51	2.02	0.71
Sep.	1.60	0.87	0.32	0.58	0.81	-	4.95	5.47	1.69	0.65
	Real GDP									
2010	0.4	2.7	1.3	-0.9	1.5	1.3	3.9	-1.7	6.6	1.8
2011	1.7	1.7	0.8	5.5	5.9	1.6	4.3	2.5	3.9	0.9
2012 Q1	0.5	-0.5	0.3	5.5	4.2	-1.2	3.6	1.1	1.4	-0.1
Q2	0.5	-1.0	-0.6	4.6	3.2	-1.1	2.5	1.6	1.3	-0.5
Q3	.	.	.	.	3.3	.	.	.	.	0.0
	Current and capital account balance as a percentage of GDP									
2010	-0.7	-3.0	5.9	4.9	2.7	2.8	-3.3	-4.2	6.5	-3.1
2011	1.6	-2.5	5.9	-0.2	-1.3	3.3	-2.9	-3.9	6.3	-1.7
2011 Q4	-4.9	-0.6	5.8	-0.4	-3.4	3.0	-1.7	-2.2	4.6	-1.5
2012 Q1	-6.6	2.6	2.9	-3.0	-9.7	1.5	-3.6	-0.2	7.7	-3.9
Q2	-2.6	-0.7	8.4	-1.1	7.4	4.1	0.1	-4.7	5.9	-5.1
	Gross external debt as a percentage of GDP									
2010	102.7	56.5	191.1	164.8	83.2	144.1	66.4	75.8	190.9	413.1
2011	93.1	58.4	184.1	145.0	77.8	146.2	71.9	73.7	193.9	421.3
2011 Q4	93.1	58.4	184.1	145.0	77.8	146.2	71.9	73.7	193.9	421.3
2012 Q1	93.8	59.4	187.8	144.5	80.9	136.0	70.3	74.9	192.3	417.5
Q2	93.8	60.7	192.1	144.1	77.9	132.1	71.8	75.1	198.1	.
	Unit labour costs									
2010	5.6	-0.7	-1.0	-10.4	-6.9	-3.2	1.3	7.9	-2.4	1.2
2011	1.1	1.0	0.5	3.0	-0.1	3.8	0.5	1.7	-0.8	1.5
2011 Q4	4.8	1.6	1.8	0.7	4.1	2.8	-0.5	0.3	0.3	2.8
2012 Q1	1.9	4.2	1.0	-0.6	3.8	4.7	1.1	4.6	1.7	4.4
Q2	0.7	3.6	1.6	0.3	4.3	4.3	1.1	4.2	2.8	4.9
	Standardised unemployment rate as a percentage of labour force (s.a.)									
2010	10.3	7.3	7.5	19.8	17.8	11.2	9.6	7.3	8.4	7.8
2011	11.3	6.7	7.6	16.3	15.4	11.0	9.7	7.4	7.5	8.0
2012 Q2	12.2	6.8	8.0	15.9	13.3	10.9	10.0	7.2	7.6	7.9
Q3	12.5	6.8	8.1	.	13.0	.	10.1	7.1	7.7	.
2012 July	12.5	6.8	8.1	.	13.2	10.7	10.0	7.0	7.5	7.9
Aug.	12.4	6.8	8.1	.	13.0	10.6	10.1	7.1	7.8	.
Sep.	12.4	6.8	8.3	.	12.9	.	10.1	7.1	7.8	.

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

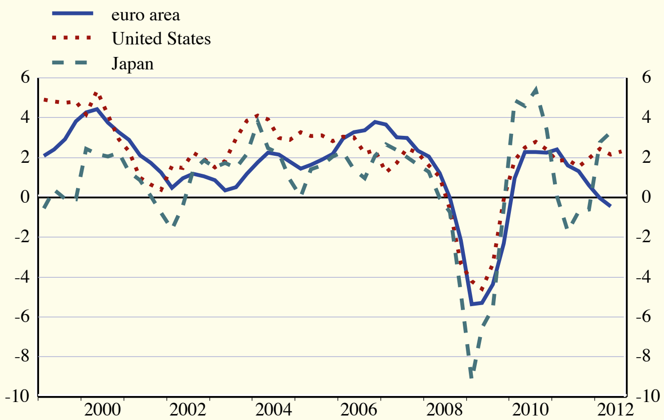
9.2 Economic and financial developments in the United States and Japan

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force [2] (s.a.)	Broad money [3]	3-month interbank deposit rate [4]	10-year zero coupon government bond yield; [4] end of period	Exchange rate [5] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [6] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2008	3.8	2.8	-0.3	-4.8	5.8	6.8	2.93	2.70	1.4708	-6.6	61.0
2009	-0.4	-1.4	-3.1	-13.8	9.3	8.0	0.69	4.17	1.3948	-11.9	73.3
2010	1.6	-1.1	2.4	6.3	9.6	2.5	0.34	3.57	1.3257	-11.4	81.9
2011	3.2	1.9	1.8	4.8	9.0	7.3	0.34	2.10	1.3920	-10.2	85.9
2011 Q3	3.8	1.9	1.6	3.9	9.1	9.2	0.30	2.18	1.4127	-10.2	84.4
Q4	3.3	1.4	2.0	4.5	8.7	9.7	0.48	2.10	1.3482	-9.9	85.9
2012 Q1	2.8	0.2	2.4	5.3	8.3	10.2	0.51	2.38	1.3108	-8.7	87.6
Q2	1.9	1.0	2.1	5.6	8.2	9.6	0.47	1.83	1.2814	-8.6	87.9
Q3	1.7	1.1	2.3	4.1	8.1	7.0	0.43	1.77	1.2502	.	.
2012 June	1.7	-	-	5.5	8.2	9.2	0.47	1.83	1.2526	-	-
July	1.4	-	-	4.9	8.3	8.0	0.45	1.63	1.2288	-	-
Aug.	1.7	-	-	3.8	8.1	6.2	0.43	1.72	1.2400	-	-
Sep.	2.0	-	-	3.6	7.8	6.8	0.39	1.77	1.2856	-	-
Oct.	.	-	-	.	7.9	.	0.33	1.79	1.2974	-	-
					Japan						
2008	1.4	1.3	-1.1	-3.4	4.0	2.1	0.93	1.21	152.45	-1.9	162.9
2009	-1.3	2.9	-5.5	-21.9	5.1	2.7	0.47	1.42	130.34	-8.8	180.0
2010	-0.7	-2.8	4.6	16.6	5.1	2.8	0.23	1.18	116.24	-8.4	188.4
2011	-0.3	.	-0.7	-2.5	4.6	2.7	0.19	1.00	110.96	.	.
2011 Q3	0.1	0.6	-0.7	-1.0	4.4	2.8	0.19	1.04	109.77	.	.
Q4	-0.3	.	-0.6	-1.7	4.5	3.0	0.20	1.00	104.22	.	.
2012 Q1	0.3	.	2.8	4.7	4.5	3.0	0.20	1.05	103.99	.	.
Q2	0.1	.	3.3	5.3	4.4	2.3	0.20	0.84	102.59	.	.
Q3	-0.4	.	.	-4.6	4.2	2.4	0.19	0.78	98.30	.	.
2012 June	-0.2	-	-	-1.5	4.3	2.2	0.20	0.84	99.26	-	-
July	-0.4	-	-	-0.8	4.3	2.3	0.20	0.78	97.07	-	-
Aug.	-0.4	-	-	-4.6	4.2	2.4	0.19	0.81	97.58	-	-
Sep.	-0.3	-	-	-8.1	4.2	2.4	0.19	0.78	100.49	-	-
Oct.	.	-	-	.	.	.	0.19	0.78	102.47	-	-

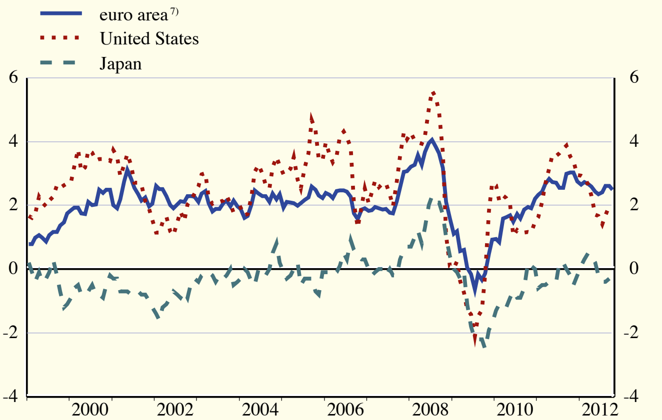
C41 Real gross domestic product

(annual percentage changes; quarterly data)



C42 Consumer price indices

(annual percentage changes; monthly data)



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); Thomson Reuters (columns 7 and 8); ECB calculations (column 11).

1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
2) Japanese data from March to August 2011 exclude the three prefectures most affected by the earthquake in that country. These are reinstated as of September 2011.
3) Period averages; M2 for the United States, M2+CDs for Japan.
4) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
5) For more information, see Section 8.2.
6) Gross consolidated general government debt (end of period).
7) Data refer to the changing composition of the euro area. For further information, see the General Notes.

LIST OF CHARTS

C1 Monetary aggregates S12
C2 Counterparts S12
C3 Components of monetary aggregates S13
C4 Components of longer-term financial liabilities S13
C5 Loans to other financial intermediaries and non-financial corporations S14
C6 Loans to households S14
C7 Loans to government S16
C8 Loans to non-euro area residents S16
C9 Total deposits by sector (financial intermediaries) S17
C10 Total deposits and deposits included in M3 by sector (financial intermediaries) S17
C11 Total deposits by sector (non-financial corporations and households) S18
C12 Total deposits and deposits included in M3 by sector (non-financial corporations and households) S18
C13 Deposits by government and non-euro area residents S19
C14 MFI holdings of securities S20
C15 Total outstanding amounts and gross issues of securities other than shares issued by euro area residents S35
C16 Net issues of securities other than shares: seasonally adjusted and non-seasonally adjusted S37
C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined S38
C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined S39
C19 Annual growth rates for quoted shares issued by euro area residents S40
C20 Gross issues of quoted shares by sector of the issuer S41
C21 New deposits with an agreed maturity S43
C22 New loans with a floating rate and up to 1 year’s initial rate fixation S43
C23 Euro area money market rates S44
C24 3-month money market rates S44
C25 Euro area spot yield curves S45
C26 Euro area spot rates and spreads S45
C27 Dow Jones EURO STOXX broad index, Standard & Poor’s 500 and Nikkei 225 S46
C28 Employment – persons employed and hours worked S55
C29 Unemployment and job vacancy rates S55
C30 Deficit, borrowing requirement and change in debt S60
C31 Maastricht debt S60
C32 Euro area b.o.p: current account S61
C33 Euro area b.o.p: direct and portfolio investment S61
C34 Euro area b.o.p: goods S62
C35 Euro area b.o.p: services S62
C36 Euro area international investment position S65
C37 Euro area direct and portfolio investment position S65
C38 Main b.o.p. items mirroring developments in MFI net external transactions S70
C39 Effective exchange rates S73
C40 Bilateral exchange rates S73
C41 Real gross domestic product S76
C42 Consumer price indices S76

TECHNICAL NOTES

EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

SECTION 1.3

CALCULATION OF INTEREST RATES ON INDEXED LONGER-TERM REFINANCING OPERATIONS

The interest rate on an indexed longer-term refinancing operation (LTRO) is equal to the average of the minimum bid rates on the main refinancing operations (MROs) over the life of that LTRO. According to this definition, if an LTRO is outstanding for D number of days and the minimum bid rates prevailing in MROs are $R_{1,\,MRO}$ (over D_1 days), $R_{2,\,MRO}$ (over D_2 days), etc., until $R_{i,\,MRO}$ (over D_i days), where $D_1+D_2+\ldots+D_i=D$, the applicable annualised rate (R_{LTRO}) is calculated as:

$$\text{c)}\quad R_{LTRO} = \frac{D_1 R_{1,MRO} + D_2 R_{2,MRO} + \ldots + D_i R_{i,MRO}}{D}$$

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:

$$\text{d)}\quad F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$$

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

$$\text{e)}\quad F_t^Q = (L_t - L_{t-3}) - C_t^Q - E_t^Q - V_t^Q$$

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 can 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:

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2008 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) in the "Monetary and financial statistics" 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 – can be calculated using either of the following two formulae:

$$\text{g)} \quad a_t = \left[\prod_{i=0}^{11} \left(1 + F^M_{t-i} \big/ L_{t-1-i} \right) - 1 \right] \times 100$$

$$\text{h)} \quad a_t = \left(I_t \big/ I_{t-12} - 1 \right) \times 100$$

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 h) by dividing the index for December 2002 by the index for December 2001.

Growth rates for intra-annual periods can be derived by adapting formula h). For example, the month-on-month growth rate a^M_t can be calculated as:

$$\text{i)} \quad a^M_t = \left(I_t \big/ I_{t-1} - 1 \right) \times 100$$

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 g) or h) above.

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

If F^Q_t 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:

$$\text{j)} \quad I_t = I_{t-3} \times \left(1 + \frac{F^Q_t}{L_{t-3}} \right)$$

The annual growth rate in the four quarters ending in month t (i.e. a_t) can be calculated using formula h).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

The approach used is based on multiplicative decomposition using X-12-ARIMA.[2] The seasonal adjustment may include a day-of-the-week adjustment, and for some series it is carried out indirectly by means of a linear combination of components. This is the case for M3, which is 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 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.

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

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 of 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 2008) generally differs from 100, reflecting the seasonality of that month.

SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Section 3.1 the data conform to a basic accounting identity. For non-financial transactions, total uses equal total resources for each transaction category. This accounting identity is also reflected in the financial account – i.e. for each financial instrument category, total transactions in financial assets equal total transactions in liabilities. In the other changes in assets account and the financial balance sheets, total financial assets equal total liabilities for each financial instrument category, with the exception of monetary gold and special drawing rights, which are by definition not a liability of any sector.

CALCULATION OF BALANCING ITEMS

The balancing items at the end of each account in Sections 3.1, 3.2 and 3.3 are computed as follows.

The trade balance equals euro area imports minus exports vis-à-vis the rest of the world for goods and services.

Net operating surplus and mixed income is defined for resident sectors only and is calculated as gross value added (gross domestic product at market prices for the euro area) minus compensation of employees (uses) minus other taxes less subsidies on production (uses) minus consumption of fixed capital (uses).

Net national income is defined for resident sectors only and is computed as net operating surplus and mixed income plus compensation of employees (resources) plus taxes less subsidies on production (resources) plus net property income (resources minus uses).

Net disposable income is also defined only for resident sectors and equals net national income plus net current taxes on income and wealth (resources minus uses) plus net social contributions (resources minus uses) plus net social benefits other than social transfers in kind (resources minus uses) plus net other current transfers (resources minus uses).

Net saving is defined for resident sectors and is calculated as net disposable income plus the net adjustment for the change in the net equity of households in pension fund reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, the current external account is compiled as the trade balance plus all net income (resources minus uses).

Net lending/net borrowing is computed from the capital account as net saving plus net capital transfers (resources minus uses) minus gross capital formation (uses) minus acquisitions less disposals of non-produced non-financial assets (uses) plus consumption of fixed capital (resources). It can also be calculated in the financial account as total transactions in financial assets minus total transactions in liabilities (also known as changes in net financial worth (wealth) due to transactions). For the household and non-financial corporation sectors, there is a statistical discrepancy between the balancing items computed from the capital account and the financial account.

Changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities, whereas other changes in net financial worth (wealth) are calculated as (total) other changes in financial assets minus (total) other changes in liabilities.

Net financial worth (wealth) is calculated as total financial assets minus total liabilities, whereas changes in net financial worth (wealth) are equal to the sum of changes in net financial worth (wealth) due to transactions (lending/net borrowing from the financial account) and other changes in net financial worth (wealth).

Changes in net worth (wealth) are calculated as changes in net worth (wealth) due to savings and capital transfers plus other changes in net financial worth (wealth) and other changes in non-financial assets.

The net worth (wealth) of households is calculated as the sum of the non-financial assets and net financial worth (wealth) of households.

SECTIONS 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 can be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of month t, the index I_t of notional stocks in month t is defined as:

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

As a base, the index is set equal to 100 in December 2008. The growth rate a_t for month t, corresponding to the change in the 12 months ending in month t, can be calculated using either of the following two formulae:

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

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

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 instead of an "F". This is to show that the method used to obtain "net issues" for securities issues statistics differs from that used to calculate equivalent "transactions" for the monetary aggregates.

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

The approach used is based on multiplicative decomposition using X-12-ARIMA. The seasonal adjustment of total securities issues 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 seasonal factors are then applied to the outstanding amounts, from which seasonally

4 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae l) and m), the growth rate a_t for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

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

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S80). 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.

TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach used is based on multiplicative decomposition, using X-12-ARIMA or TRAMO-SEATS depending on the item. The raw data for goods, services, income and current transfers are pre-adjusted in order to take into account significant working day effects. The working day adjustment for goods and services takes account of national public holidays. The seasonal adjustment of 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 biannual intervals or as required.

SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t) as follows:

r) $$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}}\right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

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.europa.eu). This allows user-friendly access to data via the ECB's Statistical Data Warehouse (http://sdw.ecb.europa.eu), which includes search and download facilities. Further services available in the "Data services" sub-section include subscriptions to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the Governing Council of the ECB's first meeting of the month. For this issue, the cut-off date was 7 November 2012.

Unless otherwise indicated, all data series including observations for 2011 relate to the "Euro 17" (i.e. the euro area including Estonia) for the whole time series. For interest rates, monetary statistics, the HICP and reserve assets (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), euro area statistical series take into account the changing composition of the euro area.

The composition of the euro area has changed a number of times over the years. When the euro was introduced in 1999, the euro area comprised the following 11 countries (the Euro 11): Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece then joined in 2001, forming the Euro 12. Slovenia joined in 2007, forming the Euro 13; Cyprus and Malta joined in 2008, forming the Euro 15; and Slovakia joined in 2009, forming the Euro 16. Estonia joined in 2011, bringing the number of euro area countries to 17.

EURO AREA SERIES WITH A FIXED COMPOSITION

Aggregated statistical series for fixed compositions of the euro area relate to a given fixed composition for the whole time series, regardless of the composition at the time to which the statistics relate. For example, aggregated series are calculated for the Euro 17 (i.e. aggregating the data of all 17 countries currently in the euro area) for all years, despite the fact that the euro area has only had this composition since 1 January 2011. Unless otherwise indicated, the ECB's Monthly Bulletin provides statistical series for the current composition.

EURO AREA SERIES WITH A CHANGING COMPOSITION

Aggregated statistical series with a changing composition take into account the composition of the euro area at the time to which the statistics relate. For example, euro area statistical series with a changing composition aggregate the data of the Euro 11 for the period up to the end of 2000, the Euro 12 for the period from 2001 to the end of 2006, and so on. With this approach, each individual statistical series covers all of the various compositions of the euro area.

For the HICP, as well as monetary aggregates and their counterparts, annual rates of change are compiled from chain-linked indices, with joining countries' series linked to the euro area series in the December index. Thus, if a country joins the euro area in January of a given year, annual rates of change relate to the previous composition of the euro area up to and including December of the previous year, and the enlarged composition of the euro area thereafter. Percentage changes are calculated on the basis of a chain-linked index, taking account of the changing composition of the euro area. Absolute changes for monetary aggregates and their counterparts (transactions) refer to the composition of the euro area at the time to which the statistics relate.

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that have not adopted the euro. To avoid this effect on the monetary statistics, pre-1999 data [1] are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

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

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

The group "Other EU Member States" comprises Bulgaria, the Czech Republic, Denmark, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 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 wording "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. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting for which the monthly assessment of the monetary policy stance is scheduled. They end on the day preceding the corresponding settlement day in the following month. Annual/quarterly observations refer to averages for the last reserve maintenance period of the year/quarter.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. 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 which are held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage used to calculate the reserve base was 10% until November 1999 and has been 30% since that date.

Table 2 in Section 1.4 contains average data for completed maintenance periods. First, the reserve requirement of each individual credit institution is calculated by applying the reserve ratios for the corresponding categories of liability 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). Current account holdings (column 2) are the

1 Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB's website (http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html) and in the SDW (http://sdw.ecb.europa.eu/browse.do?node=2018811).

aggregate average daily current account holdings of credit institutions, including those that serve to fulfil reserve requirements. Excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. 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 requirements. 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 MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as euro area credit institutions' current account holdings with the Eurosystem in euro. All amounts are derived from the consolidated financial statement of the Eurosystem. Other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. Net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. 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). Base money (column 12) is calculated as the sum of the deposit facility (column 6), banknotes in circulation (column 8) and credit institutions' current account holdings (column 11).

MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

Chapter 2 shows balance sheet statistics for MFIs and other financial corporations. Other financial corporations comprise investment funds (other than money market funds, which are part of the MFI sector), financial vehicle corporations, insurance corporations and pension funds.

Section 2.1 shows the aggregated balance sheet of the MFI sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs comprise central banks, credit institutions as defined under EU 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 credit 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 of MFIs in the euro area. Owing to a small amount of 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 in 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 analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem (i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down by sector and instrument, of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, broken down by type of issuer. Section 2.7 shows a quarterly currency breakdown for selected MFI balance sheet items.

Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes.

Since 1 January 1999 statistical information has been collected and compiled on the basis of various ECB regulations concerning the balance sheet of the monetary financial institution sector. Since July 2010 this has been carried out on the basis of Regulation ECB/2008/32[2]. Detailed sector definitions are set out in the third edition of the "Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers" (ECB, March 2007).

Section 2.8 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/or non-financial assets. A complete list of euro area investment funds is published on the ECB's website. The balance sheet is aggregated, so investment funds' assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.9 provides further details on the main types of asset held by euro area investment funds. This section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8[3] concerning statistics on the assets and liabilities of investment funds. Further information on these investment fund statistics can be found in the "Manual on investment fund statistics" (ECB, May 2009).

Section 2.10 shows the aggregated balance sheet of financial vehicle corporations (FVCs) resident in the euro area. FVCs are entities which are set up in order to carry out securitisation transactions. Securitisation generally involves the transfer of an asset or pool of assets to an FVC, with such assets reported on the FVC's balance sheet as securitised loans, securities other than shares, or other securitised assets. Alternatively, the credit risk relating to an asset or pool of assets may be transferred to an FVC through credit default swaps, guarantees or other such mechanisms. Collateral held by the FVC against these exposures is typically a deposit held with an MFI or invested in securities other than shares. FVCs typically securitise loans which have been originated by the MFI sector. FVCs must report such loans on their statistical balance sheet, regardless of whether the relevant accounting rules allow the MFI to derecognise the loans. Data on loans which are securitised by FVCs but remain on the balance sheet of the relevant MFI (and thus remain in the MFI statistics) are provided separately. These quarterly data are collected under Regulation ECB/2008/30[4] as of December 2009.

Section 2.11 shows the aggregated balance sheet of insurance corporations and pension funds resident in the euro area. Insurance corporations cover both the insurance and reinsurance sectors, while pension funds include entities which have autonomy in terms of decision-making and keep a complete set of accounts (i.e. autonomous pension funds). This section also contains a geographical and sectoral breakdown of issuing counterparties for securities other than shares held by insurance corporations and pension funds.

2 OJ L 15, 20.01.2009, p. 14.
3 OJ L 211, 11.08.2007, p. 8.
4 OJ L 15, 20.01.2009, p. 1.

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. Non-seasonally adjusted data at current prices are displayed for the last available quarter, following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995.

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole; the balancing item of the primary income account is national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which provide a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. those resulting from the impact of changes in asset prices) are also shown.

The sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the "non-financial accounts" of the euro area (i.e. accounts (1) to (5) above), also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, as well as outstanding amounts in the financial and non-financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing and investment decisions of households, while respecting the accounting identities presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

Statistics on securities other than shares and statistics on 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 from and loans to 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: (i) securities other than shares, excluding financial derivatives; and (ii) quoted shares. The former are presented in Sections 4.1, 4.2 and 4.3, while the latter 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 (i) a longer maturity, (ii) optional maturity dates, the latest of which is more than one year away, or (iii) indefinite maturity dates are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issue. Variable rate issues comprise all issues where the coupon is periodically refixed with reference to an independent interest rate or index. The 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, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. 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 six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the 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 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of Table 1 in Section 4.2 are broadly comparable with the data on debt securities issued on the liabilities side of the aggregated MFI balance sheet in column 8 of Table 2 in Section 2.1. The total net issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in Table 1 of Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows seasonally adjusted and non-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 that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical Notes for details.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 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 3.4 (financial balance sheet; quoted shares).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 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 issues or redeems shares for cash, excluding investments in the issuer's own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that 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. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of 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, ranging 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 prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are 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 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[5]. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at: http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data can also be downloaded.

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 labour costs indices, GDP and expenditure components, value added by economic activity, industrial production, retail sales passenger car

5 Svensson, L.E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", CEPR Discussion Papers, No 1051. Centre for Economic Policy Research, London, 1994.

registrations and employment in terms of hours worked are working day-adjusted.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[6]. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains[7], has been applied in the production of short-term statistics. The breakdown by end use of product for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2, sections B to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007[8]. 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.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage, but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or "use", taking into account information on imports, exports and the domestic production of each commodity (ignoring, for the sake of simplicity, inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[9] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[10]. A breakdown of the labour cost indices 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 5 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 3 in

6 OJ L 162, 5.6.1998, p. 1.
7 OJ L 393, 30.12.2006, p. 1.
8 OJ L 155, 15.6.2007, p. 3.
9 OJ L 69, 13.3.2003, p. 1.
10 OJ L 169, 8.7.2003, p. 37.

Section 5.1) and employment statistics (Table 1 in Section 5.3) are derived from the ESA 95[11] quarterly national accounts. The ESA 95 was amended by Commission Regulation (EU) No 715/2010 of 10 August 2010[12] introducing NACE Revision 2, the updated statistical classification of economic activities. The publication of euro area national accounts data applying this new classification began in December 2011.

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 the 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), except automotive fuel. New passenger car registrations cover 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 4 in Section 5.3) conform to International Labour Organization 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 on the basis of harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[13] 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 within the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Council Regulation (EC) No 479/2009 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 non-seasonally adjusted quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government[14]. 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

11 OJ L 310, 30.11.1996, p. 1.
12 OJ L 210, 11.8.2010, p. 1.
13 OJ L 172, 12.7.2000, p. 3.
14 OJ L 179, 9.7.2002, p. 1.

Member States under Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments 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)[15] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[16]. Additional information regarding 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" (May 2007) and in the reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB's website.

On 9 December 2011 the ECB Guideline on the statistical requirements of the European Central Bank in the field of external statistics (ECB/2011/23)[17] was adopted by the Governing Council of the ECB. This legal act lays down new reporting requirements in the field of external statistics, which mainly reflect methodological changes introduced in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). The ECB will begin publishing the euro area's b.o.p., i.i.p. and international reserves statistics in accordance with Guideline ECB/2011/23 and the BPM6 in 2014, with backdata.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. 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.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and 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, with the exception

15 OJ L 354, 30.11.2004, p. 34.
16 OJ L 159, 20.6.2007, p. 48.
17 OJ L 65, 3.3.2012, p. 1.

of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia. 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 b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, regarding the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 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 for unquoted shares, and other investments (e.g. loans and deposits). 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, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to i.i.p. changes other than transactions, using information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "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.

The outstanding amounts for the Eurosystem's international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. By definition, the assets included in the Eurosystem's international reserves take account of the changing composition of the euro area. Before countries join the euro area, the assets of their national central banks are included in portfolio investment (in the case of securities) or other investment (in the case of other assets). Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 27 September 2009. 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.

The euro area's gross external debt statistics in Table 8 of Section 7.3 represent outstanding actual (rather than contingent) liabilities vis-à-vis non-euro area residents that require the payment of principal and/or interest by the debtor at one or more points in the future. Table 8 shows a breakdown of gross external debt by instrument and institutional sector.

Section 7.4 contains a monetary presentation of the euro area balance of payments, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the transactions by non-MFIs are b.o.p. transactions for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date methodological note on the monetary presentation of the euro area balance of payments 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 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. 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 contained in the Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows major trading partners both individually and in regional groups. China excludes Hong Kong. On account of 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 b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of imported goods in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of the euro's bilateral exchange rates against the currencies of the selected trading partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997, 1998-2000, 2001-2003, 2004-2006 and 2007-2009 and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these five sets of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. The EER-20 group of trading partners is composed of the 10 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-40 group comprises the EER-20 plus the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see the relevant methodological note and ECB 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. The most recent rate for the Icelandic krona is 290.0 per euro and refers to 3 December 2008.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as data relating to the euro area. As a result, data on current and capital accounts and gross external debt include special-purpose vehicles. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

14 JANUARY AND 4 FEBRUARY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

4 MARCH 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 October 2010, including a return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010.

8 APRIL AND 6 MAY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

10 MAY 2010

The Governing Council of the ECB decides on several measures to address severe tensions in financial markets. In particular, it decides to conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme) and to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations in May and June 2010.

10 JUNE 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, it decides to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations to be allotted during the third quarter of 2010.

8 JULY AND 5 AUGUST 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

2 SEPTEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 18 January 2011, notably the adoption of a fixed rate tender procedure with full allotment in the three-month longer-term refinancing operations.

7 OCTOBER AND 4 NOVEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2009 can be found in the ECB's Annual Report for the respective years.

2 DECEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 April 2011, notably to continue its fixed rate tender procedures with full allotment.

13 JANUARY AND 3 FEBRUARY 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 MARCH 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 July 2011, notably to continue its fixed rate tender procedures with full allotment.

7 APRIL 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 13 April 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 13 April 2011.

5 MAY 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.25%, 2.00% and 0.50% respectively.

9 JUNE 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.25%, 2.00% and 0.50% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 October 2011, notably to continue its fixed rate tender procedures with full allotment.

7 JULY 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.50%, starting from the operation to be settled on 13 July 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.25% and 0.75% respectively, both with effect from 13 July 2011.

4 AUGUST 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively. It also decides on several measures to address renewed tensions in some financial markets. In particular, it decides that the Eurosystem will conduct a liquidity-providing supplementary longer-term refinancing operation with a maturity of approximately six months as a fixed rate tender procedure with full allotment. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 17 January 2012, notably to continue its fixed rate tender procedures with full allotment.

8 SEPTEMBER 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively.

6 OCTOBER 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively. It also decides on the details of its refinancing operations from October 2011 to 10 July 2012, notably to conduct two longer-term refinancing operations – one with a maturity of approximately 12 months in October 2011, and another with a maturity of approximately 13 months in December 2011 – and to continue to apply fixed rate tender procedures with full allotment in all of its refinancing operations. In addition, the Governing Council decides to launch a new covered bond purchase programme in November 2011.

3 NOVEMBER 2011

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 9 November 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 9 November 2011.

8 DECEMBER 2011

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 14 December 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 1.75% and 0.25% respectively, both with effect from 14 December 2011. It also decides to adopt further non-standard measures, notably: (i) to conduct two longer-term refinancing operations with a maturity of approximately three years; (ii) to increase the availability of collateral; (iii) to reduce the reserve ratio to 1%; and (iv) to discontinue, for the time being, the fine-tuning operations carried out on the last day of each maintenance period.

12 JANUARY 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

9 FEBRUARY 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also approves specific national eligibility criteria and risk control measures for the temporary acceptance in a number of countries of additional credit claims as collateral in Eurosystem credit operations.

8 MARCH, 4 APRIL AND 3 MAY 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

6 JUNE 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 15 January 2013, notably to continue its fixed rate tender procedures with full allotment.

5 JULY 2012

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 0.75%, starting from the operation to be settled on 11 July 2012. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 1.50% and 0.00% respectively, both with effect from 11 July 2012.

2 AUGUST 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.75%, 1.50% and 0.00% respectively.

6 SEPTEMBER 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.75%, 1.50% and 0.00% respectively. It also decides on the modalities for undertaking Outright Monetary Transactions (OMTs) in secondary markets for sovereign bonds in the euro area.

4 OCTOBER AND 8 NOVEMBER 2012

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.75%, 1.50% and 0.00% respectively.

PUBLICATIONS PRODUCED BY THE EUROPEAN CENTRAL BANK

The ECB produces a number of publications which provide information about its core activities: monetary policy, statistics, payment and securities settlement systems, financial stability and supervision, international and European cooperation, and legal matters. These include the following:

STATUTORY PUBLICATIONS

– Annual Report
– Convergence Report
– Monthly Bulletin

RESEARCH PAPERS

– Legal Working Paper Series
– Occasional Paper Series
– Research Bulletin
– Working Paper Series

OTHER/TASK-RELATED PUBLICATIONS

– Enhancing monetary analysis
– Financial integration in Europe
– Financial Stability Review
– Statistics Pocket Book
– The European Central Bank: history, role and functions
– The international role of the euro
– The implementation of monetary policy in the euro area ("General Documentation")
– The monetary policy of the ECB
– The payment system

The ECB also publishes brochures and information materials on a variety of topics, such as the euro banknotes and coins, as well as seminar and conference proceedings.

For a complete list of documents (in PDF format) published by the ECB and the European Monetary Institute, the ECB's forerunner from 1994 to 1998, please visit the ECB's website at http://www.ecb.europa.eu/pub/. Language codes indicate the languages in which each publication is available.

Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu

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.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by the general government.

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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 or per hour worked: 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 or by the total number of employees' hours worked.

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. the 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.

Collateral: assets pledged or transferred in some form as a guarantee for the repayment of loans, as well as assets sold under repurchase agreements. Collateral used in Eurosystem reverse transactions must fulfil certain eligibility criteria.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Current transfers account: a technical b.o.p. account in which the value of real resources or financial items is recorded when these are transferred without receiving anything in exchange. Current transfers cover all transfers that are not capital transfers.

Debt (financial accounts): loans taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

Debt (general government): the gross debt (currency and deposits, loans and debt securities) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 126(2) of the Treaty on the Functioning of the European Union 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 126(2) of the Treaty on the Functioning of the European Union 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 significant and persistent decline in the prices of a very broad set of consumer goods and services that becomes entrenched in expectations.

Deposit facility: a standing facility of the Eurosystem enabling eligible counterparties to make, on their own initiative, overnight deposits with the NCB in their respective jurisdiction. Deposits are remunerated at a pre-specified rate that normally provides a floor for overnight market interest rates.

Disinflation: a process of decelerating inflation that may lead to negative inflation rates of a temporary nature.

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 EER indices of the euro are calculated against different groups of trading partners: the EER-20 comprises the ten non-euro area EU Member States and ten trading partners outside the EU, and the EER-40 encompasses the EER-20 and 20 additional countries. The weights used reflect the share of each partner country in the euro area's trade in manufactured goods 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.

Enhanced credit support: the non-standard measures taken by the ECB/Eurosystem during the financial crisis with a view to supporting financing conditions and credit flows above and beyond what could be achieved through reductions in key ECB interest rates alone.

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, e.g. 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 what is known as a prime bank is willing to lend funds (denominated in euro) to another prime bank. The EURIBOR is computed daily, based on the rates of a sample of selected banks, for 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 on the Functioning of the European Union.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States whose currency is the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

Financial vehicle corporation (FVC): an entity whose principal activity is to carry out securitisation transactions. An FVC typically issues marketable securities that are offered for sale to the general public, or sold in the form of private placements. These securities are backed by a portfolio of assets (typically loans) which are held by the FVC. In some cases, a securitisation transaction may involve a number of FVCs, where one FVC holds the securitised assets and another issues the securities backed by those assets.

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.

Fixed rate full-allotment tender procedure: a tender procedure in which the interest rate is pre-specified by the central bank (fixed rate) and in which counterparties bid the amount of money they want to transact at that rate, knowing in advance that all their bids will be satisfied (full allotment).

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross external debt: the outstanding amount of an economy's actual (i.e. non-contingent) current liabilities that require payment of principal and/or interest to non-residents at some point in the future.

Harmonised Index of Consumer Prices (HICP): a measure of the development 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.

Income account: a b.o.p. account that covers two types of transactions with non-residents, namely (i) those involving compensation of employees that is paid to non-resident workers (e.g., cross-border, seasonal, and other short-term workers) and (ii) those involving investment income receipts and payments on external financial assets and liabilities, with the latter including receipts and payments on direct investment, portfolio investment and other investment, as well as receipts on reserve assets.

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.

Insurance corporations and pension funds: financial corporations and quasi-corporations that are engaged primarily in financial intermediation as the consequence of the pooling of risks.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payment 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 and the reserve positions in the IMF which are held by the Eurosystem.

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also MFIs.

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 recently taken 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 rates at the main refinancing operations, on the marginal lending facility and 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 (volume) divided by either total employment or total hours worked.

Liquidity-absorbing operation: an operation through which the Eurosystem absorbs liquidity in order to reduce excess liquidity, or to create a shortage of liquidity. Such operations can be conducted by issuing debt certificates or fixed-term deposits.

Longer-term refinancing operation (LTRO): an open market operation with a maturity of more than one week that is executed by the Eurosystem in the form of a reverse transaction. The regular monthly operations have a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to 36 months were conducted, the frequency of which varied.

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 (MRO): 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 enabling eligible counterparties, on their own initiative, to receive overnight credit from the NCB in their jurisdiction at a pre-specified rate in the form of a reverse transaction. The rate on loans extended within the scope of the marginal lending facility normally provides an upper bound for overnight market interest rates.

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 (i) the Eurosystem, (ii) resident credit institutions (as defined in EU law), (iii) other 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, as well as electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money, and (iv) money market funds, i.e. collective investment undertakings that invest in short-term and low-risk instruments.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Open market operation: a financial market operation executed on the initiative of the central bank. These operations include reverse transactions, outright transactions as well as the issuance of fixed-term deposits or debt certificates or foreign exchange swaps. The open market operations can be liquidity providing or liquidity absorbing.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: as defined by the Governing Council, a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 that is deemed to be compatible with price stability over the medium term.

Reserve requirement: the requirement for institutions to hold minimum reserves with the central bank over a maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

Reverse transaction: an operation whereby the NCB buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

Securitisation: a transaction or scheme whereby an asset or a pool of cash flow-producing assets, often consisting of loans (mortgages, consumer loans, etc.), is transferred from an originator (usually a credit institution) to a financial vehicle corporation (FVC). The FVC effectively converts these assets into marketable securities by issuing debt instruments with principal and interest serviced through the cash flows produced by the asset pool.

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 (volume) 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.

Volatility: the degree of fluctuation in a given variable.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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