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EUROPEAN CENTRAL BANK

MONTHLY BULLETIN September 1999



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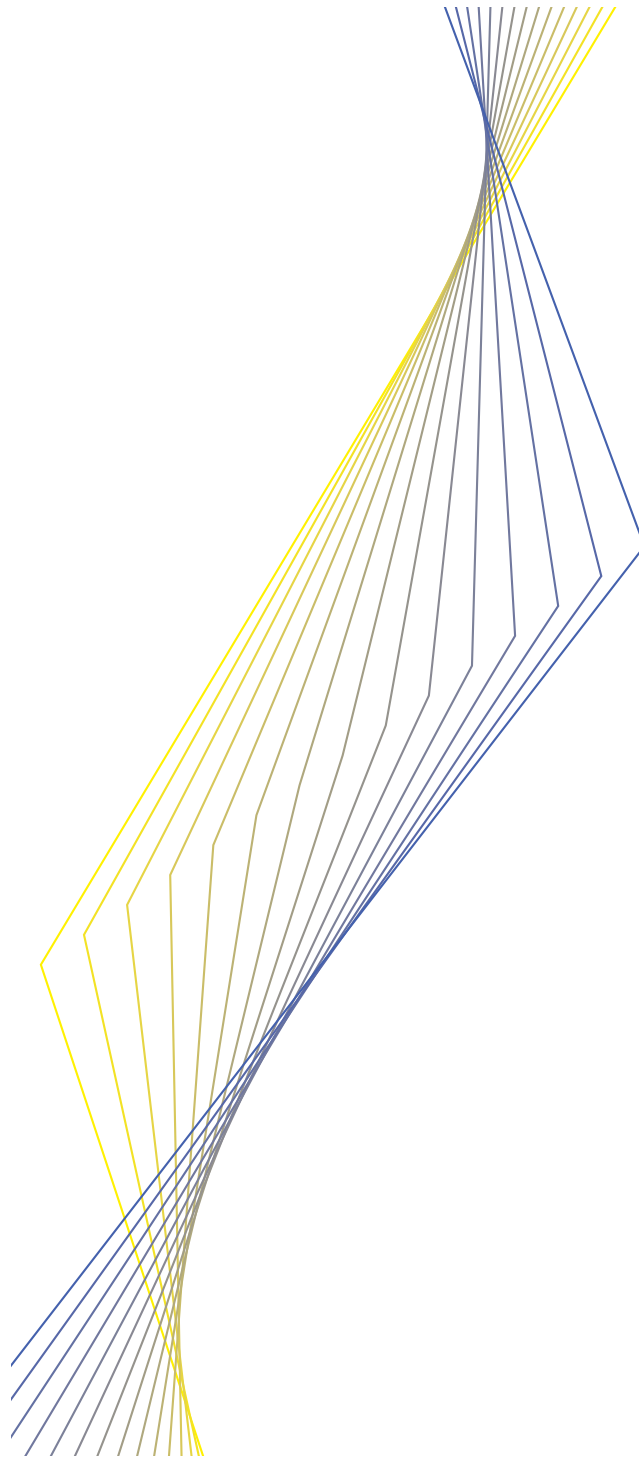
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**M O N T H L Y
B U L L E T I N**

September 1999



EUROPEAN CENTRAL BANK



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Abbreviations

Countries

BE	Belgium
DK	Denmark
DE	Germany
GR	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
LU	Luxembourg
NL	Netherlands
AT	Austria
PT	Portugal
FI	Finland
SE	Sweden
UK	United Kingdom
JP	Japan
US	United States

Others

BIS	Bank for International Settlements
BPM4	IMF Balance of Payments Manual (4th edition)
BPM5	IMF Balance of Payments Manual (5th edition)
CDs	certificates of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
ECU	European Currency Unit
EMI	European Monetary Institute
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
ILO	International Labour Organization
IMF	International Monetary Fund
MFIs	Monetary Financial Institutions
NCBs	national central banks
repos	repurchase agreements
SITC Rev. 3	Standard International Trade Classification (revision 3)

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

Editorial

Over the past few months there have been a number of signs that economic growth in the euro area has started to recover, supported by both external and domestic developments. At the same time consumer price increases have been picking up moderately, although they still remain low. From a forward-looking perspective, upward risks to price stability merit close attention as monetary growth has been moving upwards from the reference value. Moreover, the growth rate of credit granted to the private sector has remained high. In the immediate future further upward pressures on consumer prices can be expected, stemming from the recent increases in oil prices, as well as from the lagged effect of exchange rate developments in the first half of 1999. However, at this stage these increases, if accompanied by continued wage moderation, can be expected to level off at below 2%. Overall, while the prospects for continued price stability are good, it is necessary to remain vigilant with regard to upside risks.

Against this background the Governing Council of the ECB decided at its meetings held on 26 August and 9 September 1999 to keep the interest rates on the monetary policy operations of the Eurosystem unchanged. Thus, the interest rate on the main refinancing operations remained at 2.5% and the interest rates on the deposit and marginal lending facilities were kept at 1.5% and 3.5% respectively.

As noted above, the rate of growth of the broad monetary aggregate M3 has gradually been moving away from the reference value of 4½%. The latest three-month average of M3 growth rates (covering the period from May to July 1999) rose to 5.4%, compared with 5.3% in the previous three-month period (covering the period from April to June 1999). The 12-month growth rate of M3 also increased, from 5.3% in June to 5.6% in July. At the same time the growth rate of credit granted to the private sector remained high, even though it declined slightly in July from 10.9% in the previous month to 10.4%. When considering these developments, it should be

recalled that the monetary policy strategy of the Eurosystem ascribes a prominent role to the behaviour of M3. However, as Monetary Union is still in a very early phase and figures for broad money growth have been subject to a number of revisions in recent months, the short-term monetary developments need to be interpreted with particular caution and the data need to be analysed carefully.

Financial market indicators appear to confirm recent signs of improvement in the overall economic environment. Long-term bond yields in the euro area rose further in August and have risen by around 125 basis points since end-April 1999. This rise reflects both domestic factors, notably the improved outlook for growth in the euro area, and a spillover of the increases in long-term bond yields in the United States. The expectation of stronger growth in the euro area also contributed to a further narrowing of the interest rate differential vis-à-vis the United States in August. At the same time, indicators of financial market expectations regarding euro area consumer price developments continue to be broadly consistent with the maintenance of price stability in the years to come.

The effective exchange rate of the euro remained broadly stable in August and early September, after having strengthened somewhat in the second half of July in line with data indicating improved prospects for the euro area. As regards bilateral exchange rates in August and early September, the main development was the significant rise in the Japanese yen vis-à-vis both the US dollar and the euro as a result of more optimistic perceptions of the Japanese economy.

More generally, economic developments outside the euro area are continuing to improve and the prospects for the stronger growth of the world economy have firmed. Recent data on the US economy indicate that output growth is continuing, thus prompting the Federal Reserve on 24 August to raise its target for the federal funds rate by 25 basis points to 5.25%, in order to counter incipient

inflationary pressures. The latest information on other countries and regions, notably on the United Kingdom (where interest rates were raised in early September) and South-East Asia, also points to the likelihood of stronger growth. However, there are also some risks facing the global economy, relating to the pace of recovery in Latin American countries, for example.

Within the euro area the most recent area-wide industrial production data for June (and thus for the second quarter of 1999) support the picture of an ongoing cyclical improvement. Forecasts currently available point to a strengthening of overall activity during the course of the year and recent information has confirmed expectations of real GDP growth of around 2% in 1999, rising to around 2¼% in 2000. Although difficult to assess, the downside risks pertaining to these projections have tended to recede.

As mentioned above, consumer price increases have picked up moderately. The annual increase in the overall Harmonised Index of Consumer Prices (HICP) rose by 0.2 percentage point to 1.1% in July, reversing the downward movement which has been in evidence since April 1999. The main factors underlying the rise in the headline HICP rate were, first, the further increase in oil prices and, second, euro exchange rate developments in the first half of 1999. These effects were partly offset by a further significant decline in unprocessed food prices. A measure of the HICP excluding the more volatile components, namely seasonal food and energy, also showed an increase in July which was attributable to an incidental increase in some services sector prices. This increase was linked to a change in summer holiday patterns. Looking ahead, some continued downward pressures on services prices may arise in the context of further deregulation and increased competition. With regard to other price indices, following a period of significant decline in producer prices up to early 1999, producer prices have started to rise more recently in connection

with, inter alia, developments in oil and non-energy commodity prices.

Overall, monetary policy will remain vigilant and will continue to focus on maintaining price stability. At the same time there are good prospects for a sustained economic upturn in the euro area. This cyclical recovery will provide opportunities for speeding up urgently needed structural reforms and fiscal consolidation, which would make a decisive contribution both to higher, non-inflationary real GDP growth and, together with wage moderation, to sustainable gains in employment in the medium term.

To bring about a possible virtuous scenario of higher growth and stable prices, all policy-makers will have to play their part. Labour market conditions in the euro area remain unsatisfactory, notwithstanding the recent modest reduction in the area-wide rate of unemployment. Although a faster pace of net job creation should accompany a recovery in economic growth, without continued wage moderation this is not sufficient to bring about a sustained and significant decline in unemployment. Wage moderation has contributed to limiting the adverse effect on the labour market of recently slower real GDP growth and will need to continue for the euro area to experience better employment growth and for wage developments to contribute to a non-inflationary recovery.

Moreover, in order to reduce substantially the still very high levels of unemployment, structural reforms are needed, particularly with a view to increasing flexibility in labour, product and services markets. If undertaken promptly, such reforms would be the best way in which to allow the euro area to make the most of its long-term potential for growth and employment.

Similarly, the fiscal policies of euro area countries need to contribute to sustaining the favourable outlook for the euro area economy. Following substantial progress in reducing budgetary imbalances in the run-up

to the decision regarding participation in Monetary Union in early 1998, fiscal consolidation more or less came to a standstill and Member States envisaged only slow progress for 1999. In general, fiscal policy targets were unambitious and only small reductions in the non-cyclical elements of government deficits have been planned for

both the current year and the medium term. The improving economic environment will provide a welcome opportunity to bring budgetary positions close to balance or even into surplus as quickly as possible and, in some cases, to do so more quickly than governments are currently planning.

Economic developments in the euro area

I Monetary and financial developments

Monetary policy decisions by the Governing Council of the ECB

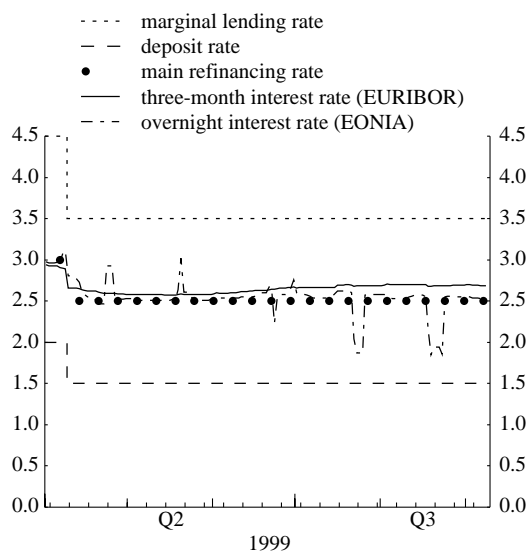
At its meetings held on 26 August and 9 September 1999 the Governing Council of the ECB reviewed the outlook for price developments and the risks for price stability in the euro area. The latest information on monetary, financial and other economic developments was seen to confirm the view that the economic prospects for the euro area remained compatible with price stability. The Governing Council therefore decided not to change the prevailing ECB interest rates. The interest rate on the main refinancing operations of the Eurosystem was left at 2.5% and the interest rates on the marginal lending facility and on the deposit facility were maintained at 3.5% and 1.5% respectively (see Chart 1).

M3 growth on a moderately rising trend during the first seven months of 1999

In July 1999 the 12-month rate of growth of the broad monetary aggregate M3 increased to 5.6%, from 5.3% in the previous month

Chart 1 ECB interest rates and money market rates

(percentages per annum; daily data)

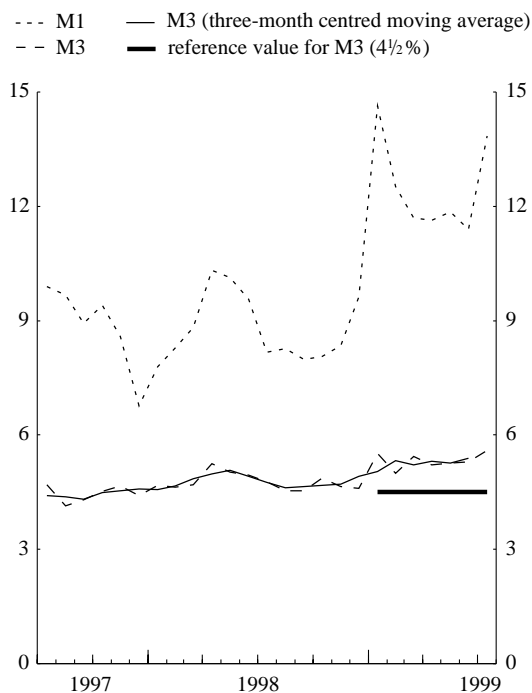


Source: ECB.

Chart 2

Monetary aggregates in the euro area

(annual percentage changes)



Source: ECB.

(revised upwards from 5.0%). The three-month average of the annual growth rates of M3, covering the period from May to July 1999, rose to 5.4%, compared with 5.3% in the previous three-month period from April to June 1999 (revised upwards from 5.1%). Accordingly, the three-month moving average of M3 growth stood almost 1 percentage point above the reference value of 4½%. During the first seven months of 1999, after the exceptional increase recorded in January, the annual rate of M3 growth exhibited a moderately rising trend (see Chart 2). Overall, this may be explained by the very low opportunity costs of holding monetary assets, especially the most liquid components, but perhaps also by the gradually improving economic conditions in the euro area. At the same time, the acceleration in the pace of M3 growth was not prevented by the steepening of the term structure, although the latter by itself should have contributed to portfolio shifts from instruments included in M3 to longer-term financial assets.

On the basis of non-seasonally adjusted monthly changes, M3 expanded by €7 billion in July 1999; using seasonally adjusted figures, M3 rose by €28 billion (or about 0.6%) compared with the previous month (see Table 1). This relatively large seasonally adjusted increase in M3 mirrored that in the components of M1 (€23 billion) and in other short-term deposits (€13 billion), whereas the marketable instruments included in M3 fell by €8 billion.

The annual growth rate of currency in circulation rose to 3.8% in July 1999, continuing the gradual upturn seen in recent months (2.9% in June). The yearly growth rate of overnight deposits also rose significantly, from 13.4% in June to 16.3% in July, the highest level recorded since the exceptional increase in January 1999. In an environment of low inflation, the low level of interest rates has significantly lowered the opportunity costs of holding currency and sight deposits, which normally bear no or only a comparatively low return. However, the higher annual growth rate of overnight deposits in July also reflected a “base effect”, as in July 1998 a large portfolio shift from short-term deposits to marketable instruments occurred. As a consequence of these developments, the 12-month growth rate of M1 rose from 11.4% in June to 13.8% in July 1999.

Partly as a result of the aforementioned base effect, the annual rate of growth of short-

term deposits other than overnight deposits also increased (from 2.0% in June to 2.7% in July 1999). This upturn was reflected both in deposits with an agreed maturity of up to two years and in deposits redeemable at a period of notice of less than three months. In particular, the rate of decline of deposits with an agreed maturity of less than two years fell to 2.6% in July from 3.8% in the previous month. The annual growth rate of deposits redeemable at a period of notice of up to three months rose to 6.6% in July from 6.3% in June. As a consequence of these developments, the rate of increase in the intermediate monetary aggregate M2 (which includes currency in circulation and all short-term deposits) rose from 6.2% in June to 7.6% in July.

By contrast with the components of M2, the marketable instruments included in M3 have, on aggregate, been on a declining path in recent months. In July their rate of decline increased to 6.4%, from 0.5% in the previous month (revised from a rate of decline of 2.4%). The above-mentioned base effect appears to account for part of this significant change in the annual growth rate. However, the contraction in the total of marketable instruments, also from a longer-term perspective, seems mainly to be related to the low level of short-term interest rates and the further steepening of the term structure in the euro area in 1999. Among these instruments, the only component exhibiting

Table 1
M3 and its main components

(seasonally adjusted; end-of-month levels and month-on-month changes)

	July 1999 levels	May 1999 change		June 1999 change		July 1999 change		May to July 1999 average change	
	EUR billions	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3	4,590.7	19.7	0.4	14.7	0.3	27.7	0.6	20.7	0.5
Currency in circulation and overnight deposits (= M1)	1,865.9	13.4	0.7	14.7	0.8	22.9	1.2	17.0	0.9
Other short-term deposits (= M2 - M1)	2,131.3	5.4	0.3	0.2	0.0	12.6	0.6	6.1	0.3
Marketable instruments (= M3 - M2)	593.4	0.8	0.1	-0.1	0.0	-7.9	-1.3	-2.4	-0.4

Source: ECB.

Note: Due to rounding, the sum of the components of M3 in euro (billions) may not add up to the total reported for M3.

a positive rate of change in 1999 has been money market fund shares and money market paper. However, its relatively high growth rate dropped considerably (to 8.0% in July from 14.2% in the previous month). The negative trend in repurchase agreements also intensified, as the outstanding amount in July was 23.2% lower than a year earlier (the annual rate of decline was 16.1% in June). Only the rate of decline in debt securities issued with a maturity of less than two years – which account for a small portion of M3 – was reduced, from 19.2% in June to 16.2% in July.

The latest release of monetary data entailed some revisions to the figures reported previously. Such corrections must be seen as a natural and unavoidable consequence of the introduction of a new harmonised statistical reporting scheme in the new environment of Stage Three of Economic and Monetary Union. The revisions to monetary data are normally relatively minor, also when compared with revisions made to other economic statistics. Nevertheless, the occurrence of these revisions emphasises the fact that monetary developments must always be assessed carefully on the basis of medium-term trends rather than short-term fluctuations. As the monetary statistics can be derived directly from the balance sheets reported by MFIs, such revisions should diminish in importance as reporting schemes become more stable. On balance, the experience of the first seven months of Stage Three suggests that the monetary statistics compiled by the Eurosystem are of a high quality and provide an adequate picture of monetary developments in the euro area.

Credit growth moved down in July but remained high

On the assets side of the consolidated balance sheet of the MFI sector, the growth of credit was relatively high during the first seven months of 1999, although it became somewhat more moderate in July. The annual rate of growth of total credit extended to euro area residents fell to 7.3% in July, from

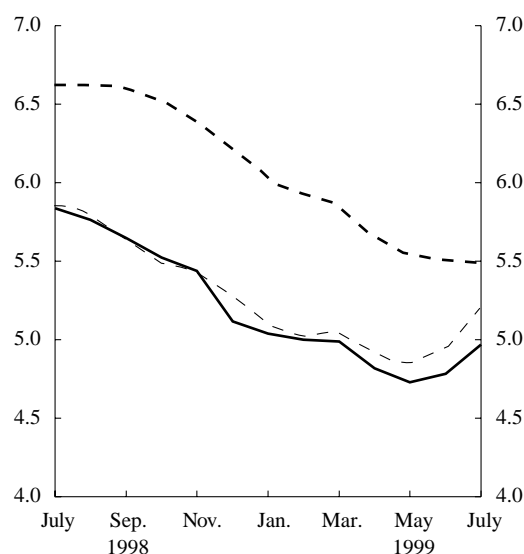
7.8% recorded in June, reflecting a slowdown in all its main components. The annual rate of increase in credit to private euro area residents fell by 0.5 percentage point to 10.4% in July owing to a reduction in both the high growth rate of loans and the rate of increase in MFI holdings of securities other than shares. In addition, a further decline in the annual rate of change in credit extended to general government was recorded in July (to -0.9% from 0.0% in the previous month). This was accounted for by a decrease in the low growth rate of loans, as well as a stronger annual contraction in MFI holdings of debt securities issued by the government.

The relatively high pace of expansion of credit to the private sector, which over the first half of 1999 steadily fluctuated around 10%, was presumably mainly due to the overall low level of bank lending rates. More recently, after the steepening of the term structure since May 1999, expectations of rising bank lending interest rates may also have encouraged households and firms to frontload their borrowing operations at the current

Chart 3
Retail bank lending interest rates

(percentages per annum; monthly averages)

- - - loans to enterprises with a maturity of up to one year
- loans to enterprises with a maturity of over one year
- - - loans to households for house purchase



Source: ECB aggregation of individual country data.

juncture. Indeed, until July 1999, retail interest rates on loans for house purchase – which mainly have a longer maturity – and on loans to enterprises with a maturity of more than one year had risen in total by only 37 and 24 basis points respectively from the trough seen in May 1999, and thus by a significantly smaller amount than comparable longer-term market rates (see Chart 3 and, for more details, Table 3.4 in the “Euro area statistics” section of this issue of the ECB Monthly Bulletin.)

Moreover, the sustained growth of credit to the private sector should have been supported by the ongoing economic recovery in the euro area. Furthermore, more favourable access to financing owing to an increased degree of competition in the banking industry since the start of Monetary Union may have encouraged borrowing. Finally, the interplay of credit growth and rising house and land prices has continued to be a factor in some countries, as well as intense merger and acquisition activity.

Among the other counterparts of M3, the annual increase in the longer-term financial liabilities of the MFI sector rose slightly, from 5.7% in June to 5.9% in July, thereby continuing the moderately rising trend which has been evident since the start of the year. The rise recorded in July was due mainly to a higher rate of growth of both deposits with an agreed maturity of over two years (from 2.5% in June to 2.7% in July 1999) and capital and reserves. By contrast, the negative trend

of deposits redeemable at a period of notice of over three months became more pronounced (from -6.3% in June to -7.6% in July). These contrasting movements may have been due, in part, to developments in the retail deposit rates on these two types of instruments. In recent months up to July the spread between retail rates on deposits with an agreed maturity of over two years and those on analogous instruments with a shorter maturity had been widening. By contrast, the spread between retail rates on deposits redeemable at a period of notice of over three months and those on analogous deposits with a shorter maturity had been declining, although displaying a slight upturn in July. Finally, reflecting the upward sloping term structure, debt securities issued with an original maturity of over two years continued to grow at a strong pace (8.3% in July, the same level as recorded in the previous month).

After a period during which the net external assets of the MFI sector had been decreasing constantly, there has more recently been a reversal of this trend. In July 1999 the euro area witnessed, for the second month in a row, an increase in the net external assets of MFIs. In absolute and non-seasonally adjusted terms the net external assets of the MFI sector rose by €27 billion in July as compared with the previous month. This notwithstanding, the decline in net external assets of the MFI sector compared with a year ago remained significant (€162 billion).

Table 2
M3 and its main counterparts

(12-month flows; EUR billions)

	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.	1999 May	1999 June	1999 July
Credit to the private sector	547.7	517.0	523.3	523.1	548.9	579.1	557.4
Credit to general government	26.3	28.9	38.3	16.3	33.2	0.5	-18.7
Net external assets	-68.9	-121.5	-84.6	-130.9	-193.0	-189.4	-162.0
Longer-term financial liabilities ¹⁾	-163.8	-152.8	-157.2	-187.3	-181.7	-186.0	-191.3
Other counterparts	-107.1	-59.2	-87.7	3.3	20.6	26.0	57.6
M3	234.3	212.4	232.0	224.5	228.0	230.2	243.0

Source: ECB.

Note: Due to rounding, the sum of the counterparts of M3 in euro (billions) may not add up to the total reported for M3.

1) A minus sign indicates increasing MFI liabilities.

Taking an overall view of the consolidated balance sheet of the MFI sector, it may be noted that so far the dynamic growth of credit to the private sector has not been accompanied by a similar expansion of M3 (see Table 2). This can be explained by reference to the behaviour of the other counterparts of M3, as described in more detail above. First, as indicated by the decline in MFIs' net external assets over the past 12 months, high credit growth has been accompanied by increasing financial investment of non-MFI euro area residents abroad. Second, the growth of longer-term financial liabilities of the MFI sector has contributed to a more moderate expansion of M3 than would otherwise have been the case. Finally, the subdued or even negative growth of credit extended to general government implies that the amount of financing supplied to the economy is growing at a slower pace than that implied by credit to the private sector.

Relatively stable money market developments in August

At the short end of the money market yield curve, interest rates remained remarkably stable in August and early September. The overnight market interest rate, as measured by the EONIA, stood for most of the time slightly above the rate applied to the main refinancing operations of the Eurosystem (see Chart 1). Only at the end of the reserve maintenance period ending on 23 August 1999 did EONIA trade significantly below 2.5%, reflecting an ample liquidity situation in the banking system (see Box 1). Similarly, during the whole of the month of August and in early September the three-month EURIBOR remained in the narrow range of 2.68-2.71%.

The stability of money market conditions at the short end of the maturity spectrum was reflected in the results of the regular monthly longer-term refinancing operation of the Eurosystem which was settled on 26 August 1999. As usual, this longer-term operation had a three-month maturity and was conducted using the multiple rate allotment procedure.

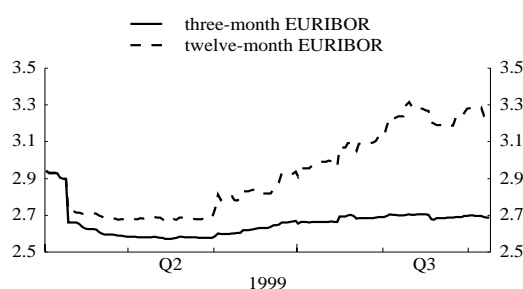
The resulting weighted average and marginal rates of allotment were equal to 2.66% and 2.65% respectively, i.e. equal to the rates of the longer-term operation carried out one month earlier and, as in the past, a few basis points below the three-month EURIBOR interest rate on the day of execution.

By contrast with three-month spot market rates, the path of money market interest rates implied in futures contracts maturing up to mid-2000 was characterised by some volatility. Continuing the trend which started in mid-July, the EURIBOR interest rates implied in contracts maturing in December 1999, March 2000 and June 2000 increased in the first part of August, reaching 3.42%, 3.54% and 3.81% respectively on 9 August 1999. However, later on these movements were reversed. Overall, between the end of July and 8 September 1999, the EURIBOR interest rate implied in contracts for delivery in December 1999 declined by 8 basis points to stand at 3.20%, while those for delivery in March and June 2000 rose by 6 and 5 basis points, reaching 3.35% and 3.61% respectively.

The six-month and 12-month EURIBOR rose by 13 and 15 basis points respectively between the end of July and 8 September, and stood at 3.10% and 3.28%. These short-term interest rates thereby reached levels which were, overall, significantly above the levels reached in May 1999, reflecting the overall improvement in the outlook for economic activity seen since then (see Chart 4).

Chart 4
Short-term interest rates in the euro area

(percentages per annum; daily data)



Source: Reuters.

Box I

Monetary policy operations and liquidity conditions in the seventh maintenance period

Allotments in monetary policy operations

During the seventh reserve maintenance period, which lasted from 24 July to 23 August 1999, the Eurosystem conducted four main refinancing operations. All main refinancing operations were carried out at a fixed interest rate of 2.5%. The allotted volume varied between €68.0 billion and €76.0 billion. The average total amount of bids submitted to the main refinancing operations increased to €1,414.8 billion, from €1,307.9 billion in the previous reserve maintenance period. The highest amount of bids observed since the beginning of the year was submitted on 18 August with a volume of €1,538.1 billion. As it was felt that the level of the overnight interest rate did not adequately reflect the comfortable liquidity situation, thereby leading to relatively high bids submitted for main refinancing operations, the ECB allotted ample liquidity on 17 August in the last main refinancing operation of the reserve maintenance period. As a consequence, from 18 August onwards there was abundant liquidity in the market, which eventually resulted in correspondingly low overnight interest rates.

The allotment ratios in the main refinancing operations varied in the seventh reserve maintenance period between 4.8% and 5.4%, compared with allotment ratios between 4.3% and 7.4% in the sixth reserve maintenance period. The average number of bidders in the weekly tender operations decreased from 879 in the previous maintenance period to 846.

The Eurosystem conducted a longer-term refinancing operation on 28 July 1999 through a variable rate tender with a pre-announced allotment volume of €15 billion, as previously. A total number of 281 bidders participated in this operation, with a marginal rate of 2.65%.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 July to 23 August 1999

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	195.6	1.0	+194.6
Main refinancing operations	150.1	-	+150.1
Longer-term refinancing operations	45.0	-	+45.0
Standing facilities	0.5	1.0	-0.5
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	343.2	434.2	-91.0
Banknotes in circulation	-	344.8	-344.8
Government deposits with the Eurosystem	-	47.3	-47.3
Net foreign assets (including gold)	343.2	-	+ 343.2
Other factors (net)	-	42.1	-42.1
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			103.6
(d) Required reserves			102.8

Source: ECB.

Totals may not add up due to rounding.

Use of standing facilities

Compared with the previous reserve maintenance period, the average use of the marginal lending facility increased slightly from €0.4 billion to €0.5 billion, while the average use of the deposit facility increased

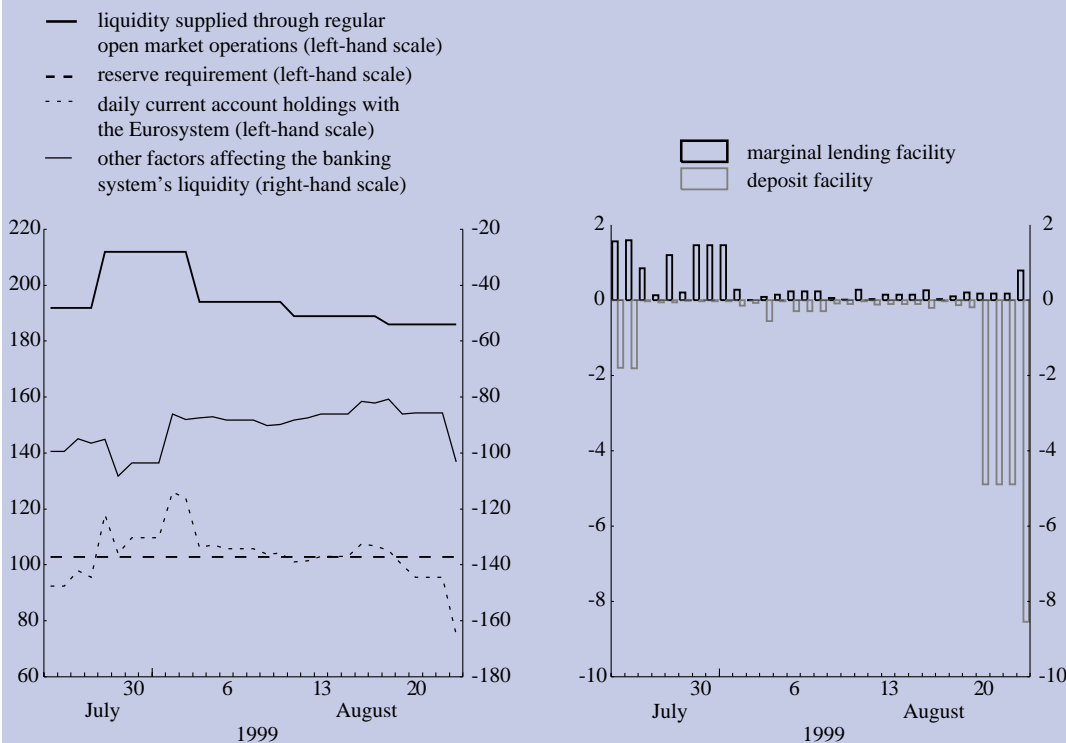
more considerably from €0.6 billion to €1.0 billion. The increased use of the deposit facility is explained mainly by the absorption of excess liquidity through this facility on the last four days of the reserve maintenance period (between Friday, 20 August, and Monday, 23 August) totalling €23.2 billion.

Liquidity factors not related to monetary policy

The net liquidity-absorbing impact of the autonomous factors (i.e. the factors not related to monetary policy) on the banking system's liquidity (item (b) in the table above) was €91.0 billion on average, i.e. €6.1 billion higher than in the previous reserve maintenance period. The sum of autonomous factors fluctuated between €80.8 billion and €108.1 billion.

Factors contributing to the banking system's liquidity during the seventh maintenance period

(EUR billions; daily data)



Source: ECB.

Current account holdings of counterparties

In the seventh reserve maintenance period the average current account holdings amounted to €103.6 billion, and the reserve requirements to €102.8 billion. Compared with the previous reserve maintenance period, the difference between the average current account holdings and the reserve requirements therefore decreased by €0.2 billion to €0.8 billion. About €0.2 billion of this amount was due to current account holdings not contributing to the fulfilment of reserve requirements. About €0.6 billion was related to excess reserves.

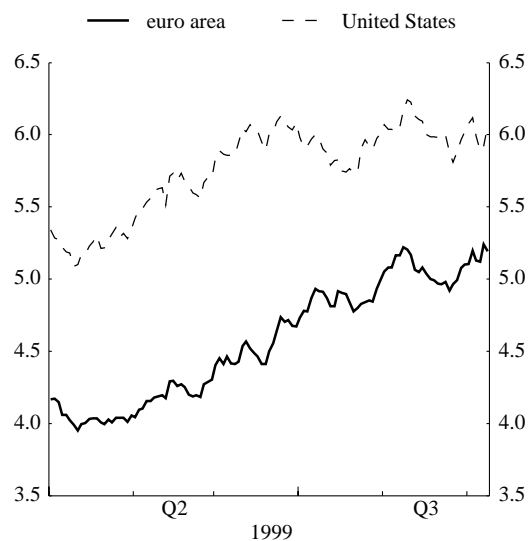
Long-term bond yields rose further in August

Long-term government bond yields in the euro area began to edge upwards in early May 1999. Since then, the average level of euro area bond yields has increased by around 125 basis points, with a rise of more than 25 basis points in August, bringing it close to 5.2% by 8 September (see Chart 5). While short-term movements in euro area long-term bond yields in August seemed partly to be the result of spillovers from the US bond markets, it appears that throughout August, as in earlier months, domestic factors played an important role in determining the trend of long-term bond yields in the euro area. In particular, an important source of recent upward pressure on domestic bond yields seems to have been increasing optimism in the markets about the prospects for economic activity in the euro area. Consistent with a more important role for these domestic factors in explaining recent developments, the spread between US long-term bond yields and comparable yields in the euro area had narrowed by more than 20 basis points since end-July, standing at below 90 basis points on 8 September. This brought the cumulative decline in this spread to around 70 basis points when compared with the peak of the spread in mid-June 1999.

With regard to the influence of developments in international bond markets on domestic bond markets, long-term bond yields in the United States were relatively volatile and exhibited little discernible trend during August. Overall, the US 10-year government bond yield increased only marginally between end-July and 8 September, to slightly below 6.1%. The volatility in US bond yields occurred in an environment in which economic indicators seemed to be generating conflicting signals concerning the strength of the economy and its implications for future price developments in the United States. In the early part of August continued indications of tight conditions in the labour market seemed to lead to concerns among market participants about increased inflationary

pressures in the US economy. However, subsequent indications of subdued producer price inflation seemed to bring about a reassessment of price expectations on the part of market participants and a downward correction in long-term US bond yields. The decision by the Federal Open Market Committee of the Federal Reserve to raise the federal funds target rate by 25 basis points on 24 August was widely expected by financial market participants. The parallel announcement by the Federal Reserve that it would maintain a symmetrical outlook for the stance of monetary policy in the near term was favourably received by bond markets and placed additional downward pressure on US bond yields at the end of August. Lower than expected increases in jobs and wages added to these downward pressures in early September. In Japan long-term bond yields rose somewhat between end-July and 8 September, in part reflecting expectations of a gradual recovery in the Japanese economy as well as concerns about the implications of the large fiscal deficit expected for Japan in 1999 for the supply of Japanese government bonds.

Chart 5
Long-term government bond yields in the euro area and the United States
(percentages per annum; daily data)

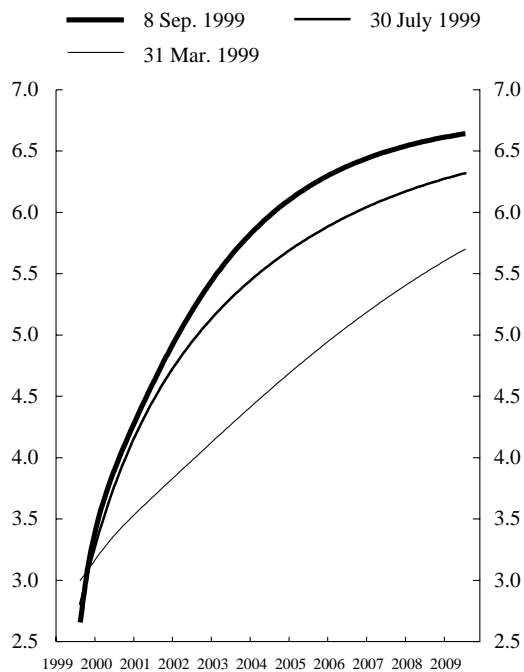


Sources: ECB, national data and Reuters.

Note: Long-term government bond yields refer to 10-year bonds or to the closest available bond maturity.

Chart 6
Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Source: ECB estimation. The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects the market expectation of future levels for short-term interest rates. The method used to compute these implied forward yield curves was outlined on page 26 of the January 1999 issue of the Monthly Bulletin. The data used in the estimation are derived from swap contracts.

As mentioned above, although the volatility in the US bond market seemed, at times, to have influenced short-term movements in euro area bond yields, domestic factors seemed to play a more important role in explaining the overall upward pressure on bond yields observed during August. In particular, recent data releases had led to a more optimistic outlook on the part of market participants concerning the prospects for future economic growth in the euro area and, linked to this, financial market participants may also have raised their inflation expectations slightly. Similarly, the larger than expected increase in the growth rate of M3 in July seems to have added some upward pressures on the level of long-term bond yields in the euro area.

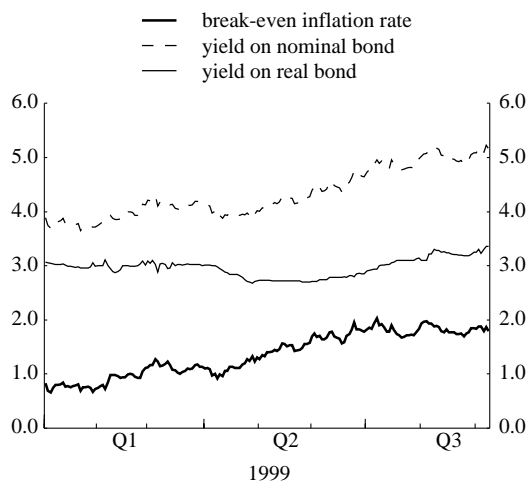
Reflecting the developments in the euro area bond markets, the yield curve in the euro

area became steeper during August (see Chart 6). When measured as the difference between 10-year government bond yields and three-month money market interest rates, the slope of the yield curve had increased to around 250 basis points by 8 September. This represents an increase in the slope of the yield curve of around 170 basis points since the end of 1998.

As explained in Box 2 on page 16 of the February 1999 issue of the ECB Monthly Bulletin, a comparison of the yields on inflation index-linked bonds and those from nominal fixed income securities with similar maturities can provide some insight into the issue of whether changes in nominal bond yields reflect changes in real interest rates or rather changes in inflation expectations in the economy. In this respect, Chart 7 indicates that the rise in nominal bond yields which occurred after early May 1999 was accompanied by rises in the real yield available on the index-linked bond issued in France. However, Chart 7 also shows that the differential between a long-term nominal bond yield and the real yield available on the

Chart 7
Break-even inflation rate calculated for consumer prices in France

(in percentages; daily data)



Sources: French Treasury, ISMA and Reuters.
 Note: The real bond yields are derived from the market prices of French bonds which are indexed to the French CPI (excluding tobacco prices) and which mature in 2009. The nominal bond yields are derived from the market prices of French fixed income bonds which also mature in 2009.

index-linked bond in France with comparable maturities has widened over recent months. This differential is generally known as the “break-even” inflation rate, since it is the expected inflation rate over the remaining maturity of the bond at which an investor would be indifferent about whether to hold the nominal or the real bond. However, care should be taken when interpreting this measure of the break-even inflation rate as a measure of inflation expectations, owing to the fact that the break-even inflation rate typically includes various risk premia. On the one hand, it tends to overestimate expected inflation, since the yield on the nominal bond usually contains an inflation risk premium. On the other, the lower level of liquidity which usually characterises index-linked bond markets implies that the real yield on index-linked bonds may incorporate a liquidity premium. In addition, the break-even inflation rate shown in Chart 7 refers to a specific measure of the French CPI (namely the CPI excluding tobacco), and does not refer to the euro area HICP.

Stock prices recovered in August

Between January and July 1999 stock price developments in the euro area generally showed little discernible trend but were volatile at times. During August, principally reflecting growing optimism on the part of financial market participants with regard to the prospects for economic activity, stock prices in the euro area increased significantly (see Chart 8). As measured using the broad Dow Jones EURO STOXX index, stock prices rose by more than 5% over the period from end-July to 8 September 1999. In an environment of rising long-term interest rates, this rise in stock prices in the euro area was notable and brought the cumulative increase in stock prices since the end of 1998 to more than 10%.

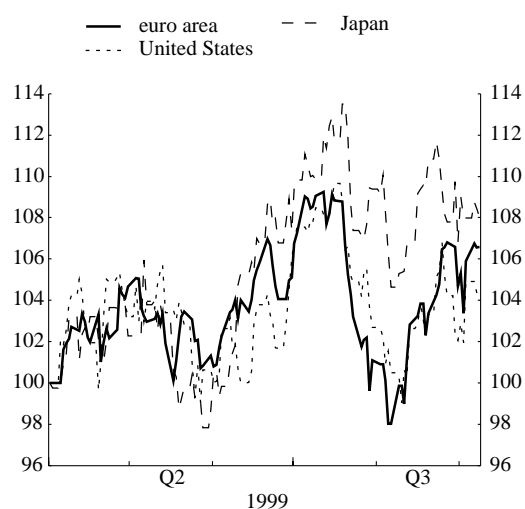
With regard to the global environment for stock markets in the euro area, stock prices in the United States were volatile during August. Overall, the Standard and Poor’s 500

index showed an increase of just above 1% between end-July and 8 September. The source of this volatility seemed to be linked to the above-mentioned changing perceptions about the prospects for US price developments and the implications of these for future short-term interest rate developments in the United States. In this respect, the decision of the Federal Open Market Committee of the Federal Reserve on 24 August to increase the federal funds target rate, but to retain a symmetrical outlook for monetary policy over the near term, temporarily had a positive influence on US stock price developments. Developments in Japanese stock markets also exhibited some volatility during August and the Nikkei 225 index recorded a decline of slightly more than 1% over the period from end-July to 8 September. One of the factors which seemed to account for this development was the upward movement in Japanese bond yields. Furthermore, the continued strength of the Japanese yen may have had a subduing influence on stock prices by lowering market expectations for export growth and corporate earnings.

Chart 8

Stock price indices in the euro area, the United States and Japan

(1 April 1999 = 100; daily data)



Sources: Reuters for the euro area; national data for the United States and Japan.

Note: Dow Jones EURO STOXX broad (stock price) index for the euro area, Standard and Poor’s 500 for the United States and Nikkei 225 for Japan.

Apart from the influence of volatility spillovers from international stock markets during August, the relatively stronger performance of the euro area stock market when compared with other stock markets would seem to suggest that domestic influences played an important role. In particular, one notable feature of developments in August was the fact that stock prices rose despite an increase in long-term bond yields. This development suggests that the rise in stock prices reflected growing optimism on the part of market participants regarding the prospects for future economic activity in the euro area.

A further notable feature during August was the broadly based nature of the recovery of stock prices in the euro area with increases of similar magnitudes seen across most economic sectors, a sign that any improvements in expectations for the pace of economic activity were similarly broadly based. Among different sectors relatively large increases were seen in those that had been weak for much of 1999, including the consumer goods and utilities sectors. In addition, relatively large increases were seen in August in the financial sector, where stock prices had also been relatively weak for much of 1999. Apart from a more optimistic outlook for the pace of economic activity, this latter improvement may also reflect the impact of a steepening yield curve on bank lending rates and hence on the profitability of traditional

banking activities whereby banks finance longer-term loans mostly with short-term deposits. Finally, stock prices in the technology, industrial goods and energy sectors continued to perform well during August, reflecting the positive influence of the external environment.

Considering developments in different sectors since the beginning of 1999, it would seem that the stock prices of corporations which are more exposed to the international economic environment have tended to perform better than those which may be more domestically oriented. This is suggested in particular by the strong performance of the Dow Jones EURO STOXX 50 index, which is composed of larger and more internationally diversified firms than its broad counterpart. Compared with end-1998 levels, the former index had increased by almost 15% by 8 September. Furthermore, significant increases – ranging from around 25% to around 35% – have been observed in the basic materials, industrial goods and technology sectors since the end of 1998. By contrast, stock prices in the food and beverages sub-sector and the utilities (excluding telecommunications) sector in particular still showed declines on 8 September when compared with the levels seen at the end of 1998.

2 Price developments

According to the latest available data, the Harmonised Index of Consumer Prices (HICP) recorded a year-on-year increase of 1.1% in July, i.e. up 0.2 percentage point from June (see Table 3 and Chart 9). As was the case in June, developments in the euro area HICP in July continued to reflect counteracting movements in some of its more volatile components. However, in July the upward impact of increasing energy prices on overall consumer prices outweighed the downward pressure from other categories, in particular unprocessed food. In addition, the annual rate of increase in the HICP excluding energy and seasonal food was also

somewhat higher in July, but this was mainly caused by a transitory increase in services sector prices.

Continuing the gradual acceleration that began in April 1999, the annual rate of increase in the energy price component rose to 3.2% in July (compared with 1.4% in June). These developments in energy prices at the consumer level largely reflect the rebound in oil prices that began in the early months of 1999. By July 1999 the average price of oil had increased from a low of €9.4 per barrel in February 1999 to €18.1 per barrel. Since then oil prices have continued to rise and

Table 3
Price and cost developments in the euro area

(annual percentage changes, unless otherwise indicated)

	1996	1997	1998	1998	1998	1999	1999	1999	1999	1999	1999	1999	1999
				Q3	Q4	Q1	Q2	Mar.	Apr.	May	June	July	Aug.
Harmonised Index of Consumer Prices (HICP) and its components													
Overall index	2.2	1.6	1.1	1.1	0.8	0.8	1.0	1.0	1.1	1.0	0.9	1.1	.
<i>of which:</i>													
Goods	1.8	1.2	0.6	0.6	0.2	0.3	0.6	0.4	0.7	0.6	0.5	0.7	.
Food	1.9	1.4	1.6	1.7	1.1	1.3	0.6	1.4	1.2	0.6	0.1	-0.1	.
Processed food	2.0	1.4	1.4	1.4	1.2	1.2	0.9	1.1	1.1	0.8	0.7	0.7	.
Unprocessed food	1.7	1.4	2.0	2.1	0.8	1.5	0.3	1.8	1.2	0.4	-0.7	-1.4	.
Industrial goods	1.8	1.0	0.1	0.1	-0.2	-0.2	0.6	0.0	0.6	0.6	0.8	1.1	.
Non-energy industrial goods	1.4	0.5	0.9	1.0	0.9	0.8	0.6	0.7	0.6	0.6	0.6	0.6	.
Energy	3.0	2.8	-2.6	-3.2	-4.4	-3.8	0.8	-2.8	0.3	0.5	1.4	3.2	.
Services	2.9	2.4	2.0	2.0	2.0	1.7	1.6	1.8	1.7	1.5	1.5	1.6	.
Other price and cost indicators													
Industrial producer prices ¹⁾	0.4	1.1	-0.8	-1.3	-2.3	-2.6	-1.3	-2.3	-1.6	-1.4	-1.0	.	.
Unit labour costs ²⁾	2.0	0.6	.	-0.3	.	.	.	-	-	-	-	-	-
Labour productivity ²⁾	1.3	1.9	.	1.4	.	.	.	-	-	-	-	-	-
Compensation per employee ²⁾	3.3	2.5	.	1.2	.	.	.	-	-	-	-	-	-
Total hourly labour costs ³⁾	2.5	2.5	1.6	1.5	1.9	1.8	.	-	-	-	-	-	-
Oil prices (EUR per barrel) ⁴⁾	15.9	17.1	12.0	11.7	10.1	10.3	15.0	11.8	14.4	14.9	15.6	18.1	19.2
Commodity prices ⁵⁾	-6.9	12.9	-12.5	-18.2	-20.5	-16.0	-8.2	-14.6	-12.5	-7.8	-4.2	-2.3	-0.5

Sources: Eurostat, national data, International Petroleum Exchange, HWWA – Institut für Wirtschaftsforschung (Hamburg) and ECB calculations.

1) Excluding construction.

2) Whole economy.

3) Whole economy (excluding agriculture, public administration, education, health and other services).

4) Brent Blend (for one-month forward delivery). ECU up to December 1998.

5) Excluding energy. In euro; ECU up to December 1998.

stood at an average level of €19.2 per barrel in August 1999. For a further explanation of the effects of oil price changes on consumer prices see Box 2. To some extent counteracting the effect of higher energy prices, the rise in the rate of increase in the euro area HICP was constrained by significant price declines in its main other volatile component, i.e. unprocessed food. Following a year-on-year decline of -0.7% in June 1999, the rate of decline in unprocessed food prices accelerated further to -1.4% in July.

By contrast with the rather volatile behaviour of both energy and unprocessed food prices, developments in most other components of the HICP have been relatively stable. In July 1999 the annual rate of increase in processed

food prices at 0.7% was unchanged compared with that recorded in June. Similarly, in the case of the price of non-energy industrial goods, the year-on-year percentage change has remained constant at 0.6% since April 1999. However, despite these relatively stable developments, the HICP excluding seasonal food and energy rose somewhat in July, although not to the same extent as the overall HICP. This increase was mostly due to a likely transitory increase in some services prices, in particular package tours. Therefore, the increase in July does not seem to signal an end to the downward trend in services price increases that has been observed over the past two years. As has been discussed in previous issues of the ECB Monthly Bulletin, this trend has reflected structural factors such as increased competition and deregulation, in

addition to the relatively low level of nominal wage growth in the euro area in recent years.

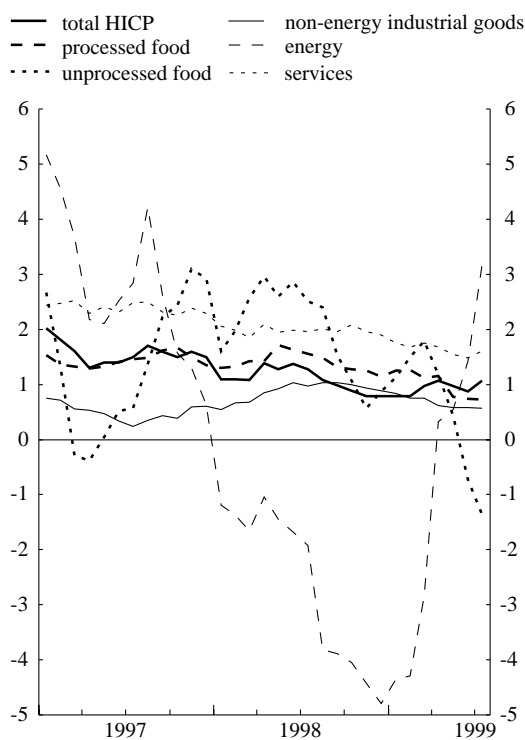
The relatively subdued pressure on prices emanating from the labour market is in line with available data on euro area labour costs. While these are only published with a significant lag, no marked upward pressures on wage costs have been noticeable as yet in 1999. Indeed, as anticipated in the August issue of the ECB Monthly Bulletin, for the first quarter of 1999 preliminary estimates of the increase in total hourly labour costs have recently been revised downwards from 2.2% to 1.8%. This new estimate represents a moderate fall in wage growth compared with the last quarter of 1998, when an increase of 1.9% was recorded. In addition, the national data on earnings indicate that, in the euro area countries, the increases recorded in the first quarter of this year were either similar to or lower than those recorded in the last quarter of 1998. To some extent, these relatively modest developments in euro area wages are consistent with the environment of price stability that exists in the euro area as a whole. In particular, the low level of area-wide inflation expectations, reinforced by structural factors such as increased competition and deregulation, has helped to constrain wage demands in a number of euro area economies.

Signs of an increase in producer prices are evident

Following a period of significant weakness during 1998, there are now clear signs that producer prices are beginning to rise when measured on a month-on-month basis. In particular, over the first two quarters of 1999 industrial producer prices began to reflect the above-mentioned rebound in oil prices. In addition, developments in non-energy commodity prices, which provide an important input for production in the industrial sector, have in recent months begun to exert some moderate upward pressure. Since the August issue of the ECB Monthly Bulletin, data on industrial producer

Chart 9
Breakdown of HICP inflation in the euro area by components

(annual percentage changes; monthly data)



Source: Eurostat.

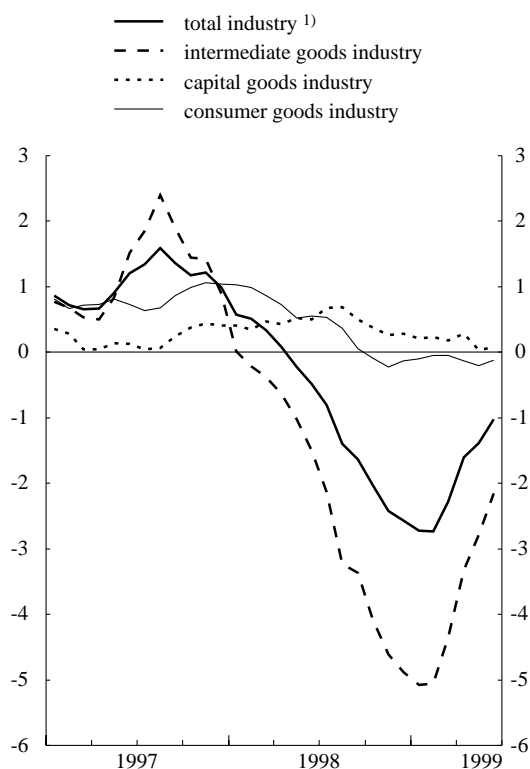
prices have been released that cover the period to June 1999. These data show that for producer prices in total industry (excluding construction) the year-on-year rate of decline slowed further from -1.4% in May to -1.0% in June 1999. Chart 10 shows that this slowdown was mainly accounted for by a recovery in intermediate goods prices. By contrast, in the case of both consumer and capital goods prices the annual rate of change has remained relatively stable.

For the remainder of 1999 oil prices are expected to continue to influence the HICP

Relatively little new information on expected future price developments in the euro area has become available since these developments were last discussed in the June issue of the ECB Monthly Bulletin. The main

Chart 10
Industrial producer prices in the euro area

(annual percentage changes; monthly data)



Source: Eurostat.
 1) Excluding construction.

international institutions such as the IMF, the European Commission and the OECD have yet to publish new official forecasts since those that were made in late spring or early summer 1999. However, of the forecasts that are more up to date, such as those produced by Consensus Economics, the most recent information has not given rise to any significant change in the outlook. Overall, the various forecasters continue to expect an increase in consumer prices in 1999 that will be within the range of 1.0% to 1.2%, while

the year-on-year rate at the end of the year may be slightly higher than the upper bound of this range. For 2000, a rate of aggregate consumer price inflation close to around 1.5% is expected. This anticipated rise in consumer price increases is mainly due to recent developments in oil and, consequently, energy prices. While these oil price developments have already had an immediate effect on the energy component of the HICP, some further but more delayed pass-through should also occur in the coming months and into next year, but gradually diminish thereafter. This expectation is, however, largely conditional on the assumption that the current level of oil prices will be broadly maintained.

In addition to the uncertainty surrounding future oil prices, there are a number of other risks surrounding the outlook for future price developments. On the upside, the possibility of somewhat stronger aggregate economic activity in the euro area than currently forecast could lead to some upward pressure on prices. This could, although at a later stage in the economic cycle, also give rise to some upward pressure on prices as a result of higher wage increases. By contrast with this, the potential for increased competition and deregulation to give rise to significant downward pressure on the prices of several key components of the HICP remains relatively high. This process has been under way in some goods and services sectors for some time now and may spread to other sectors. On balance, the outlook at present is for a reasonably moderate rise in consumer price increases, which will mainly be due to the increases in energy prices and will continue to be consistent with the ECB's primary objective of maintaining price stability in the euro area.

Box 2

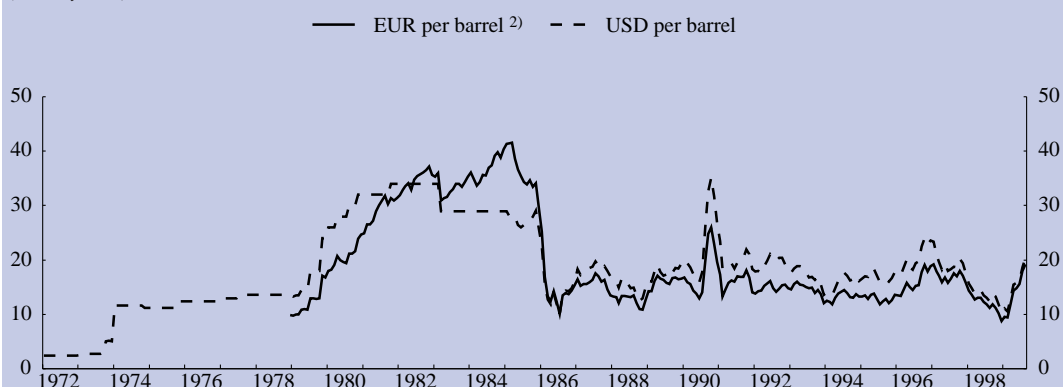
The effect of oil prices on the Harmonised Index of Consumer Prices (HICP)

Over the course of 1998 and in the early part of 1999 the rate of increase in euro area headline HICP was reduced by falls in the energy price component of the HICP basket. In 1998 headline HICP increased by 1.1%, while the HICP excluding energy prices rose by 1.4%. This pattern was repeated in the first quarter of 1999, when the HICP excluding energy prices rose by 1.1% year-on-year, whereas headline HICP increased by only 0.8%. The negative contributions from the energy price component reflect, to a large extent, the fall in the international price of oil in 1997 and 1998. However, since February 1999 the decline in oil prices has halted and reversed. Consequently, all other things being equal, the headline measure of HICP inflation will be subject to upward pressure as the effects of higher oil prices feed through into the index.

Compared with the low average level of USD 10.55 per barrel reached in February 1999 (see the chart below), the price of crude oil (Brent Blend) has risen, reaching a level of USD 22.20 on 8 September 1999. This compares with a level of USD 19.40 in 1997 and of USD 18.15 on average over the 1990s. In euro terms, the price movements during 1999 have been somewhat stronger as a result of the appreciation of the US dollar against the euro since February.

Crude oil prices¹⁾

(monthly data)



Sources: International Petroleum Exchange and ECB calculations.

1) Brent Blend (monthly averages, for one-month forward delivery). Saudi Arabian Light (month-end) up to April 1985.

2) ECU up to December 1998. No ECU quotations are available before December 1978.

The international price of oil has been strongly affected by the decisions taken by the Organization of the Petroleum Exporting Countries (OPEC). OPEC's decision to limit oil production constituted an important explanation for the dramatic oil price rises in 1973 and 1979 respectively. Moreover, the recovery of oil prices during 1999 is associated with a new OPEC production agreement that entered into force at the start of April 1999.

When oil prices change, consumer prices are affected via different channels and with different lags. First, there is a quasi-immediate impact on the overall HICP which is largely proportional to the weight of energy prices in the HICP basket (8.8%). Second, oil price increases will also affect costs and prices in earlier stages of production (i.e. industrial producer prices), which are likely to feed through to higher consumer prices with a lag of several quarters. With regard to the first of these two channels, there has already been a marked increase in the year-on-year rate of change in energy prices in the HICP (from -4.3% in February to 3.2% in July 1999). By contrast, the recent increase in industrial producer prices (mainly as a result of the rise in oil prices) has not yet had a noticeable impact on consumer prices. This is reflected in a stable year-on-year rate of increase in the non-energy industrial goods component of the HICP (see Table 3 in the main text).

Finally, on a few occasions over the past 30 years oil price rises have seriously compromised price stability, especially by triggering "second round effects" in the form of vicious inflationary wage-price spirals and fiscal

indiscipline. On occasion these effects were accommodated by lax monetary policy in some countries. Owing to labour and product market inflexibility, these episodes also proved costly in terms of employment and output.

However, the current situation is different from that in the past in a number of respects. First, the recent rise in oil prices is smaller than the quadrupling of oil prices (in US dollars) in 1973 or the near tripling in 1979-80. In addition, as the most recent oil price increase has reversed the significant fall in 1997-98 (see the chart above), in August 1999 OPEC expressed a desire to stabilise oil prices around current levels. Second, in both 1973 and 1979 signs of overheating in the western economies existed prior to the oil price shock. At the time oil prices started to rise, inflation was already rising. Estimates of the output gap pointed towards excess domestic demand. By contrast, although the outlook for real activity has improved in the euro area as a whole, at present most estimates continue to suggest the existence of some "slack" in the economy. Given the current cyclical situation, the risk of second round effects stemming from the oil price rise that are channelled through inflationary wage agreements is not expected to be as great as in previous periods. Indeed, following an adverse terms-of-trade shock such as an oil price rise, unduly high wage developments would not only endanger price stability but would also risk causing increases in structural unemployment. Third, in the euro area the institutional framework for fiscal policy, in the form of the Stability and Growth Pact, requires fiscal discipline and the maintenance of a budgetary position close to balance or in surplus over the medium term. This institutional framework should make it less likely that second round effects similar to those experienced in the 1970s will arise. Nevertheless, the Eurosystem will remain vigilant with regard to the inflationary implications of potential second round effects.

3 Output, demand and labour market developments

National accounts data from Eurostat for the first quarter of 1999, as reported in the August issue of the ECB Monthly Bulletin, indicated an improvement in the growth performance of the euro area compared with the fourth quarter of 1998. Quarter-on-quarter real GDP growth is estimated to have risen to 0.5% in the first quarter of 1999

Table 4
Composition of real GDP growth in the euro area

(percentage changes, unless otherwise indicated; seasonally adjusted)

	Annual rates ¹⁾								Quarterly rates ²⁾				
	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1
Real gross domestic product	1.3	2.3	2.8	3.6	2.8	2.7	2.0	1.8	0.7	0.5	0.6	0.2	0.5
<i>of which:</i>													
Domestic demand	0.9	1.8	3.4	3.7	3.0	3.6	3.2	2.6	1.3	0.4	0.8	0.7	0.7
Private consumption	1.4	1.3	2.6	2.4	2.3	3.0	2.6	2.7	1.0	0.4	0.6	0.6	1.1
Government consumption	1.5	0.7	1.5	1.9	2.1	1.3	0.7	1.4	1.3	0.2	-0.3	-0.5	2.0
Gross fixed capital formation	1.0	2.3	4.3	6.1	3.1	4.7	3.4	4.4	1.6	-0.7	2.3	0.3	2.6
Changes in inventories ³⁾	-0.4	0.4	0.6	0.7	0.5	0.6	0.7	-0.3	0.1	0.2	0.0	0.4	-0.8
Net exports ³⁾	0.4	0.6	-0.5	0.0	-0.1	-0.8	-1.1	-0.7	-0.5	0.2	-0.2	-0.5	-0.2
Exports ⁴⁾	4.5	9.6	6.1	11.0	8.6	4.2	1.1	-0.1	1.0	1.4	0.1	-1.4	-0.2
Imports ⁴⁾	3.2	8.4	8.3	12.0	9.7	7.3	4.7	2.3	2.8	1.0	0.6	0.2	0.4

Sources: Eurostat and ECB calculations.

1) Annual rates: percentage change compared with the same period a year earlier.

2) Quarterly rates: percentage change compared with the previous quarter.

3) As a contribution to real GDP growth; in percentage points.

4) Exports and imports cover goods and services and include internal cross-border trade in the euro area. Intra-euro area trade is not cancelled out in import and export figures used in national accounts. Consequently, these data are not fully comparable with balance of payments data.

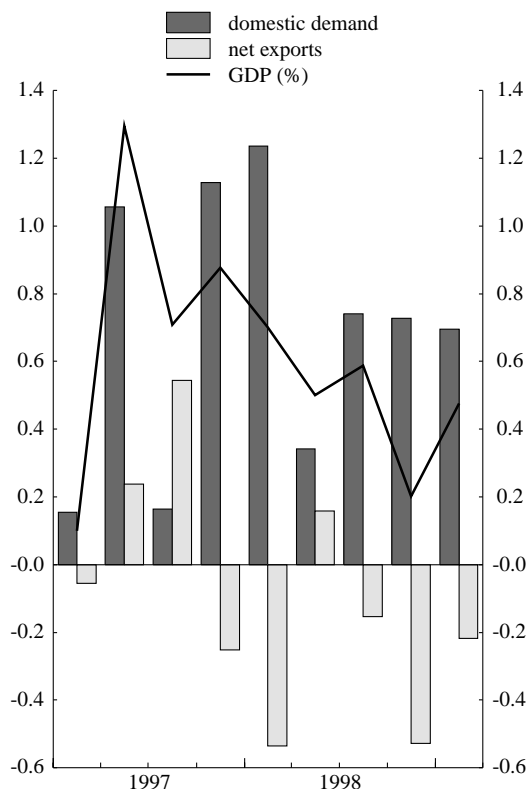
from 0.2% in the fourth quarter of 1998, compared with previous estimates of 0.4% and 0.3% respectively. Compared with the same quarter one year earlier, the rate of growth fell to 1.8% in the first quarter of 1999 from 2.0% in the fourth quarter of 1998 (see Table 4). These data are largely based on the new European System of Accounts 1995 (ESA 95), and thus the differences vis-à-vis earlier estimates incorporate changes owing to the adoption of the ESA 95 methodology as well as changes as a result of additional or improved source statistics (see Box 2, entitled “The impact of the changeover to the ESA 95 on GDP data” in the August issue of the ECB Monthly Bulletin). By the cut-off date for this issue of the Monthly Bulletin no further national accounts data had been released, but the possibility of revisions to backdata cannot be ruled out, given the significant nature of the methodological changes.

These data published by Eurostat indicate that the stronger quarter-on-quarter growth in the first quarter of 1999 resulted from the combination of continued growth in domestic demand and a less negative contribution to growth from net exports (see Chart 11). Underlying the continued strength of domestic demand in the first quarter of the year was a strong rise in private consumption, as well as more positive contributions from both government consumption and gross fixed capital formation. By contrast, the contribution from the change in inventories was negative. Compared with the previous quarter there was a smaller decline in exports (which include cross-border trade within the euro area), so that while the contribution of net exports to GDP growth remained negative, this was less of a drag on growth than in the fourth quarter of 1998 (see also Table 5.1 in the “Euro area statistics” section of this Monthly Bulletin).

Chart 11

Contributions to quarterly real GDP growth in the euro area

(quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Industrial activity stabilises in the second quarter of 1999

Industrial production data are now available up to June 1999 (see Table 5). The latest area-wide figures provide further evidence of a stabilisation of activity in the industrial sector. Measured on the basis of three-month moving averages, as shown in Table 5, production excluding construction in the period from April to June 1999, i.e. the second quarter of 1999, was 0.1% higher than in the previous three months (i.e. the period from January to March 1999). This compares with a quarter-on-quarter decline in industrial production of 0.1% in the first quarter of 1999 and a decline of 0.3% in the fourth quarter of 1998. In the manufacturing sector production was unchanged in the latest three-month period compared with the previous three months. Taking into account the volatility of monthly figures, the latest data confirm the pattern of a gradual return to positive growth rates for industrial production that has been emerging over the past few months.

Table 5
Industrial production in the euro area
(annual percentage changes, unless otherwise indicated)

	1997	1998	1999			1999			1999			1999		
			Apr.	May	June	month-on-month			3-month moving averages					
						Apr.	May	June	Jan.	Feb.	Mar.	Apr.	May	
Total industry excl. construct.	4.4	4.0	-0.7	-0.6	0.8	-0.8	0.5	0.5	-0.8	-0.1	0.0	0.4	0.1	
Manufacturing	5.0	4.5	-0.9	-0.9	0.4	-0.8	0.6	0.3	-0.8	0.1	-0.1	0.4	0.0	
<i>by main industrial groupings:</i>														
Intermediate goods	5.4	3.9	-1.7	-1.2	0.1	-0.5	0.2	0.4	-0.7	-0.1	0.0	0.3	0.1	
Capital goods	4.8	6.5	0.2	-1.3	0.3	0.2	-0.3	0.1	-0.3	-0.4	-0.5	-0.5	-0.3	
Consumer goods	2.7	3.0	-0.8	0.2	1.3	-1.2	1.4	0.0	-0.5	0.4	0.1	0.5	0.1	
Durable consumer goods	2.8	6.2	-1.1	0.9	1.7	-0.4	1.4	0.2	-0.7	-0.1	-0.1	0.3	0.4	
Non-durable consumer goods	2.6	1.4	-0.4	-0.8	0.6	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	

Sources: Eurostat and ECB calculations.

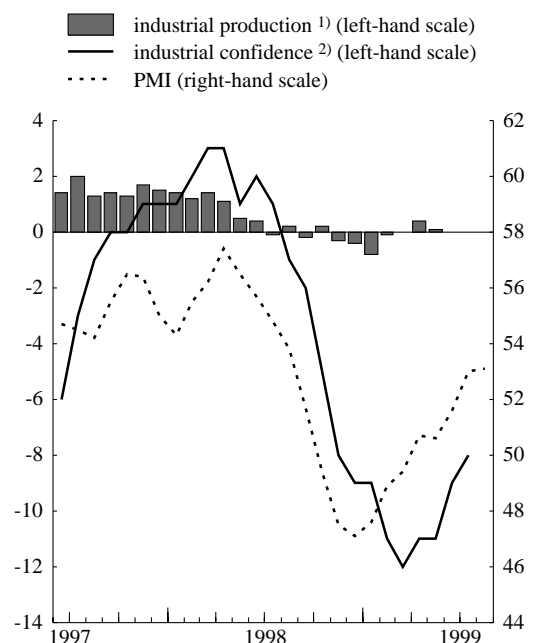
Note: Annual percentage changes are calculated by using data adjusted for variations in the number of working days; percentage changes on the previous month and three-month centred moving averages against the corresponding average three months earlier are calculated by using seasonally and working day adjusted data.

The breakdown in manufacturing production according to the main industrial groupings shows that, by contrast with capital goods industries, the intermediate and consumer goods industries have witnessed positive, albeit small rates of growth in recent months. With regard to consumer goods industries, this reflects in particular the rise in production in the durable goods sector, while production in non-durable consumer goods industries seems to have remained broadly flat since the start of the year. The production of capital goods fell by 0.3% (a slight improvement on the previous few months). A more detailed analysis of the sectoral developments in industrial production since the slowdown is contained in Box 3. This shows that in a number of the sectors where production declined in advance of total manufacturing production in 1998 there have, in recent months, been signs of a return to positive growth rates for production, signalling that the stabilisation in overall industrial output may soon translate into a more broadly based recovery.

Assuming that the spring of 1999 marked the trough in the level of industrial production, the decline in production from the peak, in mid-1998, has been around ½% in total. Since 1990 there have been three periods in which industrial production has fallen, including the

latest decline. In 1992-93 the overall decline in activity from peak to trough was around 6½-7%, extending over a period of around

Chart 12
Industrial production, industrial confidence and PMI for the euro area
(monthly data)



Sources: Eurostat, European Commission Business and Consumer Surveys and Reuters.

1) Percentage changes compared with the previous three-month moving average; seasonally and working day adjusted data; total industry excluding construction.

2) Percentage balances.

Box 3**Industrial production in the euro area**

Output developments in the services and industrial sectors of the euro area have been divergent during the past year. Whereas activity in the services sector has remained comparatively robust, industrial production has slowed down in connection with the adverse impact of the weaker external environment. Such a divergence between sectors of the economy is not unusual as the main factors determining sectoral developments may differ. In particular, industrial production is more export-oriented, and thus more sensitive to global developments. Against this background, industrial production also tends to be more cyclically sensitive than output in services and total GDP. Although it is estimated to account for no more than around a third of overall activity in the euro area, it is generally responsible for a large part of the cyclical variation in total output. Industrial production is thus a particularly important short-term economic indicator (see also the article in the April issue of the ECB Monthly Bulletin entitled "The role of short-term economic indicators in the analysis of price developments in the euro area"). Therefore, it is worth looking at its recent development in more detail.

Industrial production data are published by Eurostat on a monthly basis for all Member States. Although the data are not fully harmonised, they are, nevertheless, useful for analytical purposes. Improvements are expected in the context of the Council Regulation (EC) No. 1165/98 concerning short-term statistics, in particular in terms of the timeliness and comparability of the underlying national data.

Measured on the basis of the 1995 value added weights, manufacturing is estimated to account for around 75% of total euro area industrial production, with the remainder comprising construction (14½%), electricity, gas and water supply (8½%) and mining and quarrying (2%). In the ECB Monthly Bulletin reference is made to,

Sectoral breakdown of manufacturing in the euro area

(annual percentage changes, unless otherwise indicated)

	weight (%) ¹⁾	1997	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999
				Apr.	May	June	Apr.	May	June	Feb.	Mar.	Apr.	May
							month-on-month			3-month moving averages			
Manufacturing	100.0	5.0	4.5	-0.9	-0.9	0.4	-0.8	0.6	0.3	0.1	-0.1	0.4	0.0
Food, beverages, tobacco	11.1	3.2	1.2	0.7	1.0	2.4	-1.1	0.5	0.5	1.1	0.4	0.9	0.4
Textiles and textile products	4.9	1.4	-1.6	-7.0	-8.5	-5.6	-1.2	-0.5	0.1	-0.2	-0.5	-0.7	-2.0
Leather and leather products	1.0	0.5	-4.3	-3.8	-5.0	-6.8	-1.3	0.3	-4.5	1.3	-0.1	-0.3	-2.6
Wood and wood products	1.9	4.4	4.1	0.9	3.1	3.8	2.2	1.3	-0.4	1.3	0.2	1.4	2.2
Pulp, paper, publishing	8.3	7.1	1.7	0.3	0.8	3.3	-0.2	1.0	-0.1	0.9	0.8	0.8	0.6
Coke, refined petroleum products, nuclear fuel	1.3	2.3	2.8	-7.5	-5.2	-6.4	-1.0	0.5	-1.1	-3.6	-2.6	-1.7	-1.3
Chemicals, chemical products, man-made fibres	11.6	6.8	2.5	0.5	0.9	0.8	-1.7	0.4	0.4	1.0	1.9	2.8	1.0
Rubber and plastic products	4.6	6.3	4.8	1.1	1.2	1.4	-1.3	2.3	-0.1	0.1	0.1	1.5	0.9
Non-metallic mineral products	5.1	2.2	2.5	-0.1	-1.4	-0.2	-0.6	-1.1	0.5	3.2	0.9	0.0	-1.4
Basic metals, metal products	12.9	5.9	4.8	-4.3	-5.0	-2.8	-0.7	0.5	0.4	-1.2	-0.3	0.4	0.1
Machinery and equipment	11.1	3.7	3.2	-3.6	-3.5	-2.1	0.0	-0.6	-0.1	-1.0	-1.1	-1.1	-0.9
Electrical, optical equipment	12.5	6.7	8.8	3.7	.	.	-0.6	.	.	0.9	0.1	.	.
Transport equipment	10.8	7.7	10.5	1.9	1.9	3.2	-0.3	1.4	0.9	-1.7	-0.4	0.2	1.0
Other manufacturing	3.0	0.1	4.7	-2.7	-0.2	0.6	-1.5	1.9	-0.1	-0.1	-1.0	0.0	-0.3

Sources: Eurostat and ECB calculations.

Note: Annual percentage changes are calculated by using data adjusted for variations in the number of working days; percentage changes on the previous month and three-month centred moving averages against the corresponding average three months earlier are calculated using seasonally and working day adjusted data.

1) Weights are based on value added in 1995.

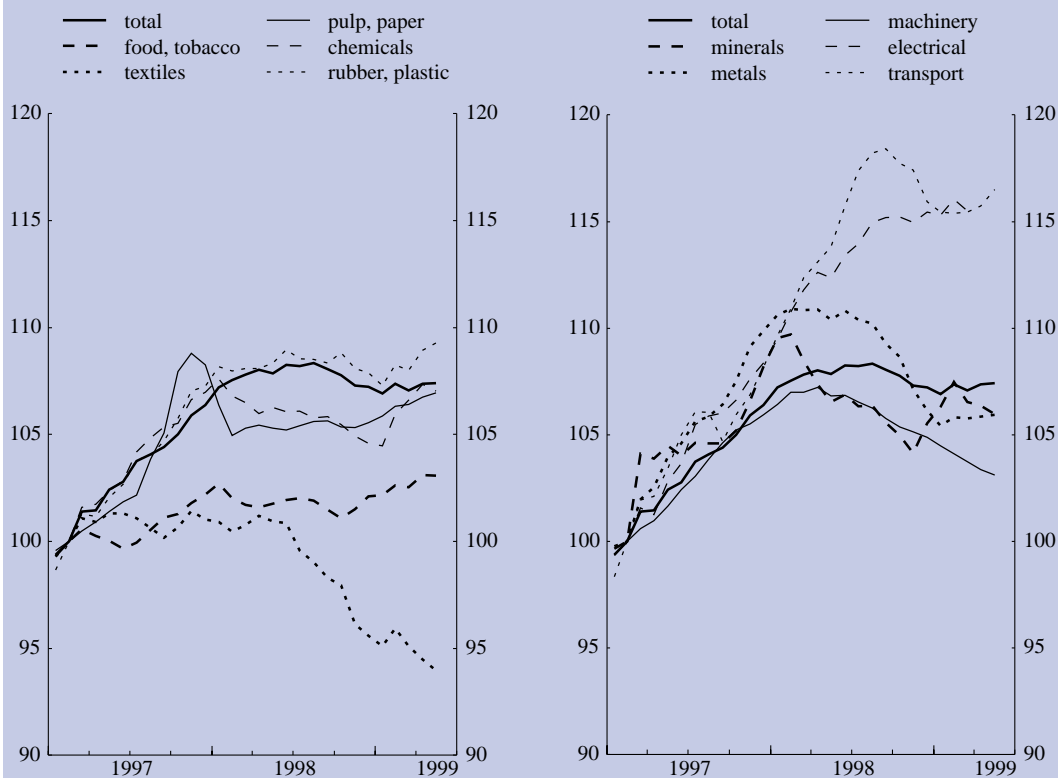
inter alia, the manufacturing sector and the main industrial groupings which are frequently used in economic analysis, namely capital goods, intermediate goods and consumer goods (with the latter sub-divided into durable and non-durable goods). A more detailed breakdown of the manufacturing sector (in accordance with the statistical classification of economic activities in the European Community, "NACE Rev. 1") is also available from Eurostat. For the euro area as a whole, the largest sectors (each with a weight in the total of over 10%) are basic metals and metal products; electrical and optical equipment; chemicals, chemical products and man-made fibres; food, beverages and tobacco; machinery and equipment; and transport equipment (see the table above).

A broadly based slowdown in 1998 and early 1999, but cyclical sensitivity varies across sectors

For manufacturing as a whole, production is estimated to have increased by 5% in 1997 and by 4.5% in 1998. However, the rate of growth of industrial production slowed sharply in the course of 1998 and production fell in the latter part of 1998 and early 1999 (see the chart below).¹ The downturn in production was broadly based, with either a slower rate of growth or a decline evident in almost all sectors. Nevertheless, the developments in individual sectors have been quite different. Notably, the production of textiles and leather products started to decline strongly after mid-1998, while the production of food, beverages and tobacco has been far less volatile than that of total manufacturing. By contrast, the production both of electrical and optical equipment and of transport equipment (mainly motor vehicles and trailers) has increased far more rapidly than total manufacturing in recent years; the production of transport equipment rose by 10.5% last year and that of electrical and optical equipment, which includes both computers and telecommunications, increased by close to 9%. However, both sectors were also affected by the slowdown in activity.

Manufacturing in the euro area

(index 1997 Q1 = 100; three-month centred moving averages; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Note: For further information, see the table above.

¹ It should be noted that a full breakdown of industrial production by sector up to June 1999 is not yet available.

The pattern of sectoral developments reflects the fact that some sectors are more sensitive to the economic cycle than others, as well as, in some cases, the existence of different longer-term trends. Most of the sectors mentioned above are examples of the latter. A number of other sectors, including chemicals, metal products and rubber and plastic products – which, for the most part, are included within the intermediate goods sector – are all more sensitive to the economic cycle and, as such, have had a significant impact on overall manufacturing production.

Evidence of an upturn at the sectoral level

The level of total manufacturing production appears to have stabilised in recent months, after falling from July 1998 onwards. As shown in the chart above, production in several sectors weakened somewhat earlier than total manufacturing. Notably, production in the pulp, paper and publishing sector and in the chemicals sector started to decline from December 1997 onwards, i.e. around six months ahead of the aggregate series, while production in two further sectors, namely those of non-metallic minerals and basic metals and of metal products, peaked in March, also slightly in advance of the total series. Developments in these sectors may not necessarily precede every recovery in total industrial production. However, a rise has been evident in all of these sectors in recent months, providing some evidence of an improvement that underlies the development of total manufacturing. Indeed, looking at the breakdown of industrial production in the chart above, activity in most of the sectors has begun to pick up, with the strongest increase in production occurring in the chemicals sector.

Despite the rise in production in the chemicals sector and increases in several other sectors producing intermediate goods, such as rubber and rubber products, total output in the intermediate goods industry appears to have stabilised only recently. One reason for this is that the intermediate goods grouping also includes, for example, the production of textiles, which appears to have continued to decline in recent months. However, the subdued performance of total manufacturing output in recent months is also due to the continued decline in the production of machinery and equipment, which accounts for around 11% of overall manufacturing output.

one and a half years, depending somewhat on the precise choice of period, while in 1995-96 production fell for four quarters and by less than ½% from the peak. In this context, the most recent period of weakness in industrial production would correspond closely to developments in 1995-96 and would bear little relation to the recessionary developments observed in 1992-93.

The most recent data from the European Commission Business and Consumer Surveys cover the period up to July 1999, i.e. no further area-wide data have been released since the last ECB Monthly Bulletin. As shown in Chart 12, industrial confidence in manufacturing has picked up in recent months, after reaching a low point in March 1999; this measure currently stands close to its long-term average. In large part, the

increase is due to more optimistic production expectations. There have also been slight improvements both in the assessment of order books and in the stocks of finished products. The clear upturn in industrial confidence reflects the improved business climate provided by the strengthening prospects for the global economy, together with favourable domestic factors for more sustained growth, including low inflation and interest rates. Since the beginning of the 1990s no similar turnaround in industrial confidence, whether positive or negative, has provided a false signal about the future direction of activity.

Further support for the turnaround in the manufacturing sector may be derived from the Purchasing Managers' Index (PMI), which is a composite index based on the results of

Table 6**Results from EC Business and Consumer Surveys for the euro area***(seasonally adjusted data)*

	1996	1997	1998	1998	1998	1999	1999	1999	1999	1999	1999	1999	1999
				Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May	June	July
Economic sentiment index ¹⁾	-2.7	2.4	3.1	0.0	-0.7	0.5	-0.2	-0.2	-0.3	0.2	-0.2	0.0	0.4
Consumer confidence indicator ²⁾	-8	-3	7	7	10	12	8	12	11	9	8	7	9
Industrial confidence indicator ²⁾	-8	4	7	7	1	-3	-2	-3	-4	-3	-3	-1	0
Construction confidence indicator ²⁾	-13	-10	4	10	8	14	16	14	14	16	15	17	18
Retail confidence indicator ²⁾	-5	-3	4	5	3	3	2	2	0	5	3	-3	0
Capacity utilisation (%) ³⁾	80.3	81.6	83.1	83.3	82.4	81.9	81.8	-	-	81.9	-	-	81.7

Source: European Commission Business and Consumer Surveys.

1) Percentage changes compared with the previous period; index 1985 = 100.

2) Percentage balances; data shown are calculated as deviations from the average over the period since January 1985.

3) Data are collected in January, April, July and October of each year. The quarterly figures shown are the average of two successive surveys, i.e. the surveys conducted at the beginning of the quarter in question and at the beginning of the following quarter. Annual data are quarterly averages.

a monthly survey combining five questions relating to the actual development of new orders, output, employment, suppliers' delivery times (with the sign reversed) and stocks of items purchased. As can be seen from Chart 12, the overall PMI has picked up recently, indicating an improvement in business conditions in the manufacturing sector. This survey is available only for the period from mid-1997 onwards, thus it is not possible to assess its longer-term properties as an indicator of developments in the manufacturing sector. Nevertheless, evidence from the United Kingdom and the United States, where this survey has been conducted for a far longer period of time, suggests that it may prove to be a useful additional source of information. In particular, the questions relate to actual developments in activity, rather than eliciting a more qualitative assessment of business conditions as is the case with the EC surveys. The two surveys may therefore be regarded as providing complementary information. Moreover, the results of the purchasing managers' survey are available in a very timely manner, which is an important requirement for short-term indicators.

Consumer confidence also picked up again in July, after falling for four consecutive months

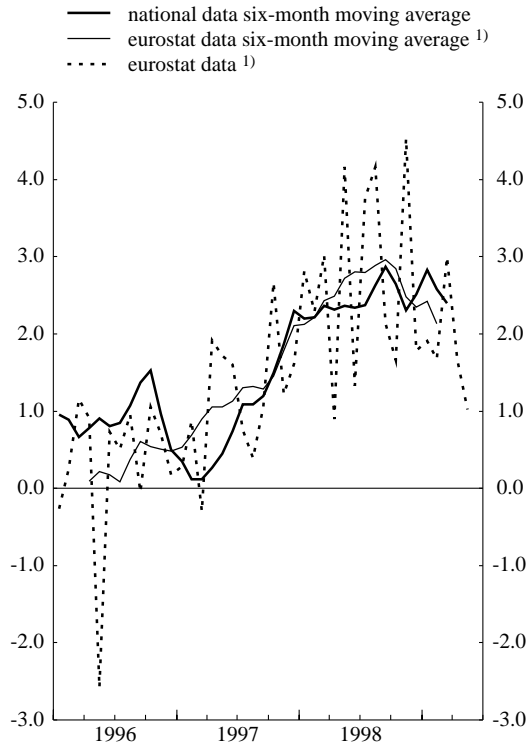
(see Table 6). Given the relatively high level of consumer confidence – it remains higher than at any time since mid-1990, despite the decline in confidence in the course of the first half of the year – any adverse impact on consumption of the earlier decline is likely to be limited.

Some further evidence regarding the state of consumer demand is provided by data on retail sales and passenger car registrations. Retail sales data for the euro area from Eurostat are now available up to May 1999 and have thus become more timely. Compared with the area-wide aggregate calculated from data made available by national sources, the Eurostat data have the advantage of being compiled on a harmonised basis. As national data tend to become available sooner, currently allowing for the calculation of an area-wide aggregate up to June 1999, they provide valuable additional information. Recent developments in the two series are shown in Chart 13, where moving averages of the data are shown in order to take account of the volatility of monthly figures. As can be seen, the Eurostat data indicate an upward trend in the annual rate of increase in retail sales since early 1997 broadly similar to that shown by the national data. Both series also suggest that this

Chart 13

Retail sales in the euro area

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

1) Total, excluding the repair of personal and household goods.

development has levelled off somewhat since last autumn, with some downward movement being visible in the Eurostat data. However, retail sales growth has remained high compared with developments in recent years. Broadly in line with these developments, retail sector confidence appears to have been somewhat subdued since the autumn of last year, although it increased in July to a level very close to its long-term average and is currently far higher than it has been during most of the 1990s. Data on new passenger car registrations in the second quarter of 1999, after taking account of variations in the number of working days, were 8% higher than in the same period a year earlier, well above the average rate of growth since the recession in 1992-93. Purchases of new cars are not covered by the harmonised retail sales series from Eurostat.

Recent forecasts continue to point to an upturn in activity growth

In the first half of 1999 the overall pattern has been one of a gradual improvement in economic activity in the industrial sector of the euro area. This recovery should be supported by more favourable external economic conditions which, together with a somewhat lower exchange rate, should lead to a more favourable climate for exports. Domestic demand is also expected to remain strong, supported by an environment of stable prices and low interest rates. Nevertheless, the pace of the strengthening in activity may remain uncertain for a while to come, as monthly data tend to be rather volatile and, as for the recent methodological changes to real GDP data (notably the changeover to the ESA 95), there may be some revisions to the data.

Since the June issue of the ECB Monthly Bulletin there have been no new official forecasts for the euro area from international institutions, while for private institutions the information which has become available in the past few months has not led to significant revisions to their assessments of growth prospects for either 1999 or 2000. Overall, the forecasts continue to signal a slowdown in 1999 to around 2% from real GDP growth close to 3% in 1998, and an acceleration in growth to around 2¾% in 2000. Recent data appear to be consistent with the projections. The strengthening of economic activity may be expected to come initially from a turnaround in net exports and, at a later stage, from higher domestic demand as the inventory correction runs its course and investment picks up against a background of stronger domestic and, in particular, foreign demand.

In terms of the risks to this outlook, the downward risks identified in the past appear to have become less significant. This applies especially to the external environment. With regard to the domestic economic situation the forecast risks may be considered to be slightly on the upside, as consumption and investment could be stronger than currently envisaged if, for example, the expansionary

influence of the current low interest rates and favourable credit conditions were to prove to be stronger or if employment growth were to respond more sharply to the upturn. There are no signs that a weakening in domestic consumption would derail the economic recovery. Consumer confidence remains at a high level and available evidence suggests that employment growth has continued to be positive thus far in 1999.

Temporary slowdown in employment growth likely in the second quarter

As indicated in the August issue of the ECB Monthly Bulletin, preliminary estimates for the first quarter of 1999 suggest that total employment in the euro area continued to increase at roughly the same pace as in the last quarter of 1998 (0.4% quarter-on-quarter). On the basis of national data that have recently become available, a slight deceleration in employment growth appears to have taken place in the second quarter, probably as a result of the lagged effects of the slowdown in economic activity at the turn of the year.

The sectoral pattern of employment shows that the likely deceleration in the second quarter was probably mainly due to the developments in industry and, in particular, in manufacturing. In industry excluding construction, a year-on-year fall in

Chart 14

Employment growth and employment expectations in manufacturing in the euro area

(annual percentage changes; percentage balances for employment expectations)



Sources: Eurostat and European Commission Business and Consumer Surveys.

Note: The horizontal line is the average of the employment expectations over the period from 1985.

employment of 0.8% was recorded for the second quarter, following a decline of 0.2% in

Table 7

Employment growth in the euro area

(annual percentage changes, unless otherwise indicated)

	1997		1998		1999		1998				1999		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Apr.	May	June		
	Quarterly rates ¹⁾												
Whole economy ²⁾	0.5	1.3	1.4	1.5	.	.	0.4	0.4	.	.	-	-	-
Total industry	-1.4	0.2	0.3	0.4	.	.	0.1	0.0	.	.	.	.	.
Construction	-0.5	-0.1	-0.4	1.5	.	.	0.6	1.5	.	.	.	.	.
Total industry excl. construct.	-1.4	0.4	0.7	0.2	-0.2	-0.8	0.0	-0.2	-0.2	-0.4	-0.7	-0.9	-0.8
Manufacturing	-1.0	0.8	1.0	0.6	0.1	.	0.1	-0.1	-0.2	.	.	.	.

Sources: National data and Eurostat, Short-term Business Statistics.

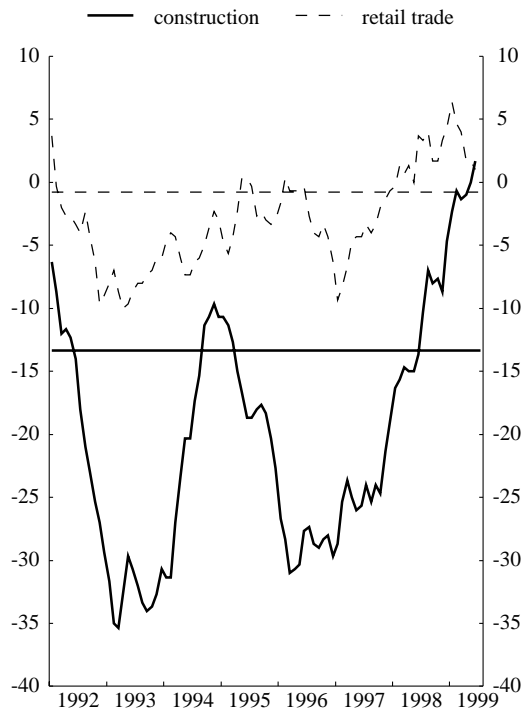
1) Quarterly rates: percentage change compared with the previous quarter; seasonally adjusted.

2) Excluding Belgium and Ireland; seasonally adjusted.

Chart 15

Employment expectations in the euro area

(percentage balances; three-month centred moving averages; seasonally adjusted)



Source: European Commission Business and Consumer Surveys. Notes: The horizontal lines are averages of the employment expectations over the period from January 1985 for construction and over the period from February 1986 for retail trade.

the preceding quarter (see Table 7). In manufacturing the growth of employment is likely to have slowed to a similar extent. By contrast, the services sector can be assumed to have maintained the same pace of job creation as in the first quarter, thanks to continued robust domestic demand.

Data on employment expectations for the third quarter point to an improvement in employment in the manufacturing sector. In the past a close relationship has been observed between employment expectations and actual employment growth in manufacturing (see Chart 14), thus an improvement can be expected in the coming months. In addition, if employment expectations for the construction sector continue to improve and those for retail trade remain above their historical average (see Chart 15), an improvement in total

employment growth can be expected in the second half of 1999.

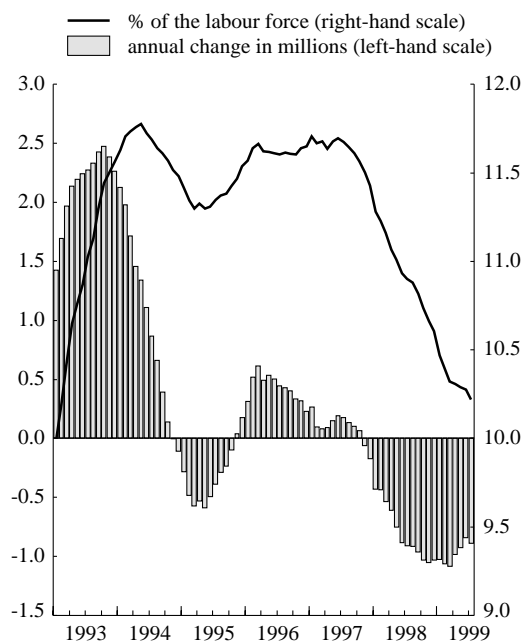
Unemployment rate fell slightly in July

The standardised unemployment rate in the euro area stood at 10.2% in July 1999, i.e. 0.1 percentage point lower than in June, after having remained unchanged during the second quarter. As with the expected temporary deceleration of employment growth, this may be the lagged effect of the slowdown in activity at the turn of the year. The latest data suggest that the decline in the rate of unemployment may have resumed, but at a somewhat slower pace than that recorded at the turn of the year. This is indicated by the fact that, although the absolute numbers of those unemployed declined by more in July than in June, the decline is still below that observed in previous months (see Chart 16).

Chart 16

Unemployment in the euro area

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 8**Unemployment in the euro area***(as a percentage of the labour force; seasonally adjusted)*

	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Feb.	1999 Mar.	1999 Apr.	1999 May	1999 June	1999 July
Total	11.6	11.6	10.9	10.9	10.7	10.4	10.3	10.4	10.3	10.3	10.3	10.3	10.2
Under 25 years ¹⁾	23.9	23.3	21.4	21.3	20.9	20.1	19.5	20.1	19.8	19.6	19.5	19.4	19.3
25 years and over ²⁾	9.8	10.0	9.4	9.4	9.2	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.9

*Source: Eurostat.**Note: According to ILO recommendations.**1) In 1998 this category represented 24.5% of total unemployment.**2) In 1998 this category represented 75.5% of total unemployment.*

Regarding the composition of unemployment by age, both the unemployment rate of those over 25 and that of those under 25 fell by 0.1 percentage point in July (see Table 8). However, as unemployment among those over 25 has remained virtually unchanged since January 1999, the reduction in the overall rate of unemployment since then has been concentrated among the young unemployed, and may partly be due to the implementation of labour market schemes in some countries designed to help the young unemployed to obtain work.

In summary, for the year as a whole a rate of growth of employment similar to that observed in 1998 can be expected. With economic growth expected to strengthen further in 2000, such employment growth might be sustained if labour costs remain subdued. However, apart from a continuation of moderate wage increases, more decisive progress in structural reforms and gains in product market liberalisation are needed for employment developments to benefit on a more lasting basis.

4 Fiscal developments

Budget outturn expected to be on target in 1999

The latest information available on fiscal developments in the euro area is of an incomplete and largely non-harmonised nature and, hence, only allows tentative conclusions to be drawn regarding the short and medium-term orientation of fiscal policies. Current assessments of fiscal developments are based on data and estimates presented in spring or early summer 1999, as well as on more recent but partial information about governments' budgetary plans for the year 2000.

Public finances were put under pressure in the first months of 1999 as a result of an unexpected slowdown in economic activity

which brought real GDP growth down to below the rates on which original budgetary planning had been based. In such an environment the stance of fiscal policies in the euro area has generally been accommodating. Some governments appear to have pursued more expansionary fiscal policies in 1999 than previously announced, even against the background of budgetary positions which are still far from satisfying the Stability and Growth Pact's medium-term objectives. However, at this juncture the fact that economic growth has recovered and is now expected to be broadly in line with the original projections for 1999 should facilitate the attainment of the generally unambitious fiscal policy targets for the current year in all euro area countries.

More ambitious budgetary targets are warranted for 2000 and beyond

The year 2000 should show somewhat faster than envisaged progress in deficit reduction in the euro area. In this respect a number of governments have made it clear when outlining their budgetary plans for the coming year that they intend both to attach great importance to the objective of cutting primary public expenditure and to pursue further fiscal consolidation.

This is necessary because public finances across the euro area are still vulnerable to unexpected developments during the transition towards budgetary positions close to balance or in surplus. In the years to come governments should rely less than in the recent past on beneficial financial effects expected as a result of both a pick-up in economic growth and low interest rates

improving budgetary positions. Instead, they need to increase their efforts to tackle the remaining sources of imbalance in public finances, such as excessively high government debt levels and tax burdens, non-sustainable public transfer systems and inefficient public administrations.

The recent experience of a modest growth slowdown in the euro area suggests that fulfilling the requirements of the Stability and Growth Pact is warranted in order to safeguard public finances against the negative consequences of more severe or prolonged periods of weak economic activity and – especially in highly indebted countries – against hikes in interest rates affecting governments' debt servicing costs. The recent upward movement in bond yields reinforces the need for more decisive steps towards attaining fundamentally robust budgetary positions.

5 The global macroeconomic environment, exchange rates and the balance of payments

Global environment continues to improve

The external environment facing the euro area – which is analysed in greater detail in each quarterly issue of the ECB Monthly Bulletin – has recently shown further signs of improvement. The global economy appears to be heading towards a higher and more balanced growth path than that expected when the June quarterly issue of the Monthly Bulletin was published, while global inflationary pressures remain subdued. In the United States the expansion appears to be maintaining its momentum, although this is likely to be at a lower rate than earlier this year. In Japan there are more obvious signs of improvement, but it remains unclear as to whether or not a sustained recovery of private demand has begun. In the United Kingdom the mildly positive growth prospects have been revised upwards. In Asia excluding Japan a range of positive signals have

warranted a further upward revision of the outlook for the region. In eastern Europe the economic outlook remains broadly positive; however, significant risks remain in Russia. Although the recession appears to be bottoming out in Latin America, growth prospects are uncertain in Brazil and the financial system remains fragile in a number of countries in the region.

In the *United States* economic activity, after having slowed from a 4.3% annualised growth rate in the first quarter of this year to one of 1.8% in the second quarter, appears to have regained momentum more recently, fuelled as before by strong domestic demand. In order to prevent possible inflationary risks, on 24 August 1999 the Federal Reserve raised its target for the federal funds rate by 25 basis points to 5.25%. The slowdown in the second quarter had mainly been due to a deceleration of consumption growth and a sharp – and possibly only temporary –

slowdown in inventory accumulation. The contribution of net exports to GDP growth, however, had remained negative and resulted in a cumulative trade deficit for the first half of 1999 which, at USD 118.1 billion, exceeded by more than half that of the first six months of 1998.

Most recent indicators tend to support a positive outlook for the US economy for the remainder of the year, although in the context of a gradual slowdown and accompanied by some signs of possible inflationary pressure. The index of leading indicators rose by 0.3% in July 1999, following similar monthly increases in the previous two months. Consumer spending has increased over the past few months at annual rates of roughly 5%. The moderate recovery in manufacturing is confirmed by the National Association of Purchasing Management index, which, in August, was positive for the seventh consecutive month this year. Labour market developments confirm the continuation of robust growth, but – importantly – also reveal upward pressure on labour costs. Job creation has continued to be high on average in recent months, and the unemployment rate returned to its 30-year low of 4.2% in August. The upward pressure on labour costs was visible in a 1.1% quarter-on-quarter increase in the employment cost index and the 4.5% annualised growth rate of unit labour costs in the second quarter of 1999. Despite rising labour costs, however, consumer price inflation remained rather stable; the 12-month change in the CPI was 2.1% in July.

In *Japan* economic prospects are improving slightly, but doubts remain regarding the sustainability of the apparent recovery and, in particular, the resumption of private demand. In the second quarter of 1999, real GDP remained broadly stable (+0.2% quarter-on-quarter), following an unexpectedly strong growth of 2% (quarter-on-quarter) in the first quarter of 1999. However, a number of economic indicators have been sending mixed signals. On the one hand, in June industrial production and machinery orders both contracted and real consumer expenditure

also declined slightly. In line with weak demand, prices continued to fall, with consumer and producer prices declining by 0.3% and 1.5% respectively in July, compared with a year ago. On the other hand, a number of indicators displayed some positive developments. In particular, consumer confidence seems to be recovering and the inventory cycle seems to have bottomed out.

The economic recovery in *Japan*, however, is mainly hampered by two factors. First, additional expansionary fiscal policy measures, which significantly influenced consumer spending in the first half of this year, are constrained by the large stock of public gross debt, which reached around 118% of GDP at end-1998, and by the fiscal deficit that is likely to approach 10% of GDP this year. Second, falling wages and a rising unemployment rate are effectively setting a ceiling on increases in private consumption.

In the *United Kingdom*, which together with the United States is the most important trading partner of the euro area, it is now estimated that real GDP rose by 0.5% (quarter-on-quarter) in the second quarter of 1999, following a marked slowdown during the course of 1998 and in the first quarter of 1999. The slowdown had affected the manufacturing sector in particular, while growth in the services sector remained largely unchanged. However, activity in the second quarter was more evenly distributed as output rose at the same rate in both the manufacturing and the services sectors. The trade position also improved in the second quarter. Despite the recovery in economic activity and a further decline in unemployment to about 6% in the second quarter of this year, there are currently few indications of any upsurge in wage pressures. In June whole economy average earnings – calculated as a three-month moving average – increased by 4.4% year-on-year, i.e. standing more than 1 percentage point lower than in the corresponding period of 1998. Inflation continues to remain close to the official target of a 2.5% increase in the RPIX (the Retail Price Index, excluding mortgage interest

payments). In July the RPIX increased by 2.2% year-on-year, while the HICP rose by 1.3% year-on-year.

The economic situation in the *Asian economies excluding Japan*, the deterioration of which accounted for most of the decline in external demand to the euro area during 1998, has continued to improve significantly. The crisis management of these economies with initially tight demand policies and far-reaching structural reforms, followed by a subsequent easing of monetary and fiscal policies, has now begun to bear fruit. For most of these economies, economic growth turned positive in the first half of this year and is also expected to be positive for 1999 as a whole. Most remarkable in this context is the case of Korea which, after a 5.8% contraction in real GDP last year, is estimated to have grown by over 7% in the first half of this year. China may appear to have been little affected by the Asian crisis, with real GDP growth of 7.8% during 1998. The economy is, however, going through a period of profound adjustment, as the burden of restoring external competitiveness following the depreciation of many Asian trading partner currencies during 1997-98 has, given the nominal exchange rate peg, relied solely on domestic prices, which have been falling for almost two years now.

In *eastern Europe* the overall economic outlook remains broadly positive. In Hungary and Poland GDP growth slowed in the first quarter of this year but is expected to remain relatively robust in 1999. The economic situation in the Czech Republic remains more difficult, as GDP fell by 4.5% in the first quarter of this year. In Russia there are signs that the severe recession – which resulted in a 4.6% fall in real GDP last year – has finally started to ease, but major economic risks remain. Including Russia, eastern Europe accounts for about 10% of euro area external trade.

In *Latin America*, the share of which in euro area external trade is around 5%, the overall outlook is continuing to improve, although

downside risks to growth and financial fragility remain. On the positive side, the region's output is bottoming out earlier than expected, as the recession in South America is partially being offset by an improved situation in Mexico and Central America. However, on the negative side, renewed pressure on the Brazilian currency and fragile banking sectors in a number of Latin American economies highlight downside risks to the financial system as well as to the overall economic outlook for the region.

Foreign exchange markets witnessed significant strengthening of the yen

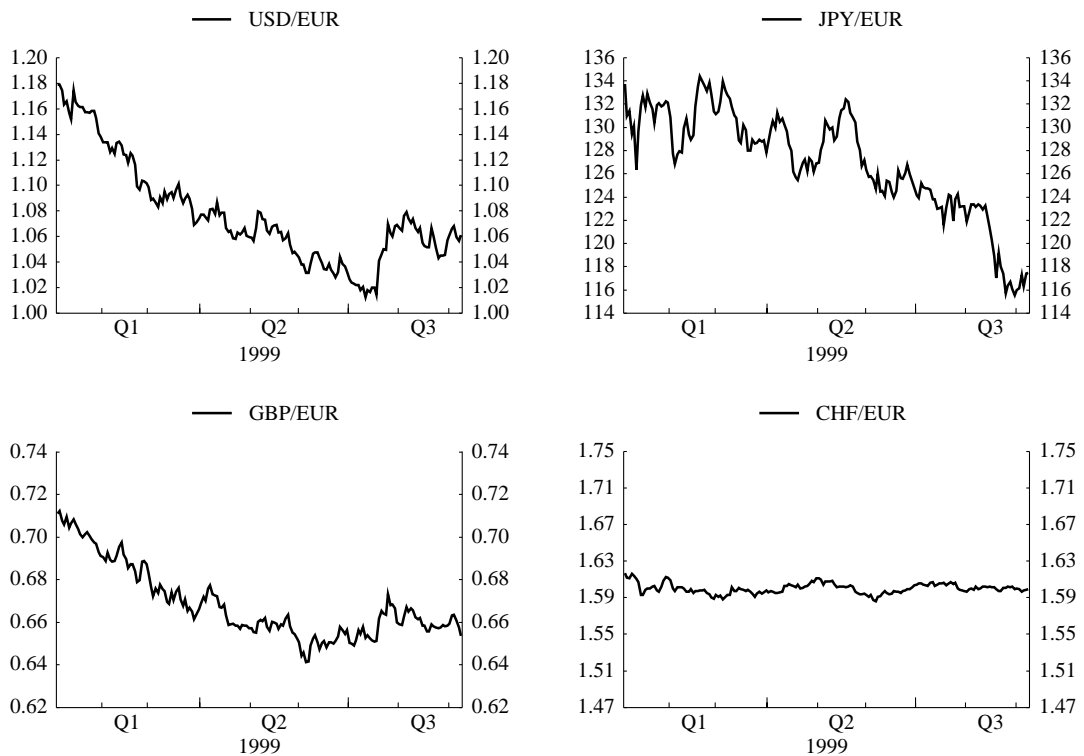
The rapid strengthening of the Japanese yen against all major currencies was the most prominent development in foreign exchange markets in August and early September. By contrast, the US dollar and the pound sterling remained broadly stable against the euro. Foreign exchange markets in emerging market and transition economies also remained relatively calm, confirming a significantly improved and less uncertain outlook for the economies concerned. The notable exceptions were foreign exchange markets in Latin American countries, in particular Brazil, where the currency came under renewed pressure.

In August and early September the euro traded relatively narrowly against the US dollar around an average level of USD 1.06 (see Chart 17). Compared with earlier months, there was neither an upward trend, as in July, nor a downward trend as in preceding months. The relative stability in the US dollar-euro exchange rate may principally be attributable to the fact that economic news during this period confirmed the overall view – established in July – of a swing in the relative cyclical outlooks towards higher growth for the euro area and a possible slowdown in the United States. In this context, the tightening of monetary policy by the Federal Reserve on 24 August 1999 had no noticeable effect on the foreign exchange market, as the decision was widely

Chart 17

Patterns in exchange rates

(daily data)



Source: ECB.

expected. On 8 September the euro was quoted at USD 1.06.

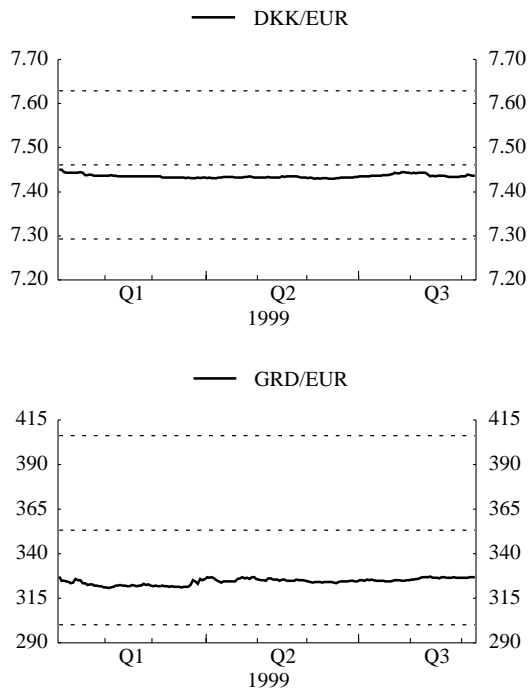
Throughout August and in early September the Japanese yen strengthened by about 4% against the euro and by just over 3% against the US dollar. On 8 September the euro stood at JPY 117, i.e. 9% below its average level during the first half of 1999. A number of contributing factors can be identified with regard to the rapid appreciation of the yen. First, the upward revision of the 1999 Q1 GDP figures in Japan and positive news concerning the consolidation of the banking sector boosted investors' confidence in a recovery of the Japanese economy. Second, increasing foreign purchases throughout the year have stimulated the Japanese stock market. Finally, the large Japanese current account surplus was an additional cause of upward pressure on the yen.

The pound sterling fluctuated around a level of GBP 0.66 vis-à-vis the euro in August and early September, against the background of contrasting news which contributed to volatility in the exchange rate. One such item concerned stronger than expected second quarter GDP growth and improved readings in various confidence indicators in the United Kingdom, which tended to support the pound sterling. However, a better economic outlook for the euro area and new data showing subdued inflation pressures in the United Kingdom led to a narrowing of the interest rate differentials that provided support for the euro. The Bank of England's decision to raise interest rates by 25 basis points on 7 September 1999 increased that interest rate differential somewhat at the shorter end and had a small positive effect on the pound sterling; on 8 September the pound sterling-euro exchange rate stood at GBP 0.654. It is worth pointing out that the close pound

Chart 18

Patterns of exchange rates within ERM II

(daily data)



Source: ECB.

Note: The horizontal lines indicate the central parity and the respective fluctuation bands ($\pm 2.25\%$ for DKK and $\pm 15\%$ for GRD).

sterling/US dollar exchange rate link, which was briefly interrupted by a diverging interest rate spread in June and July, re-emerged as the pound sterling/US dollar exchange rate moved into a region close to its average level in the first five months of 1999.

Most other major trading partner currencies remained broadly stable against the euro. As in earlier months, the Swiss franc remained in a very close range around CHF 1.60 vis-à-vis the euro. Against the background of a significant improvement in the outlook for the Swedish economy, the Swedish krona gained around 1.6% against the euro in August and early September.

The currencies within ERM II remained stable throughout August and early September (see Chart 18). Despite some volatility in the Danish bond markets in August, the Danish krone traded in a range of DKK 7.433 to

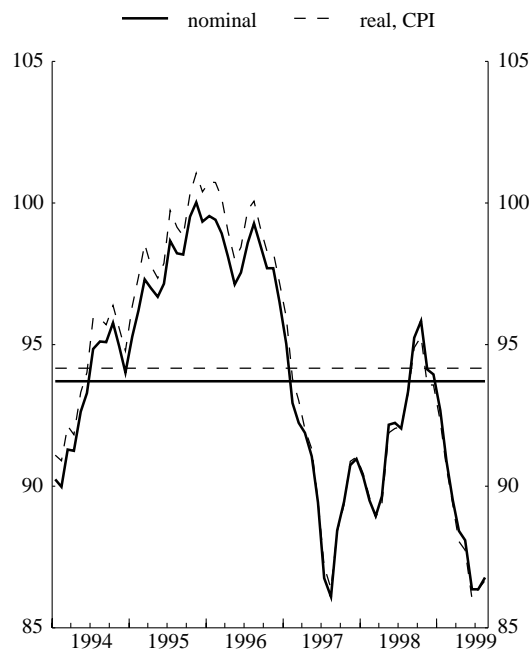
DKK 7.444 and was thus very close to its central parity rate within the system. The Greek drachma fluctuated within a range of GRD 325.6 to GRD 327.0, thus continuing to trade roughly 8.5% above its central parity. The Asian trading partner currencies continued to strengthen against the euro, in line with the continuing recovery of the economies concerned. However, most of these currencies, such as the Korean won, the Singapore dollar and the Taiwan dollar, still remain significantly below their pre-crisis levels.

In nominal effective terms, i.e. weighted against the major trading partner currencies, the euro remained broadly stable in August and early September. A small decline in the nominal effective exchange rate index of about 1% occurred mostly as the result of the depreciation of the euro against the

Chart 19

Effective exchange rates of the euro area¹⁾

(monthly averages; index 1990 = 100)



Source: BIS.

1) Data are BIS calculations; for information on the methodology used, see Table 10 in the "Euro area statistics" section of this Bulletin. An upward movement of the index represents an appreciation for the euro area. Horizontal lines are averages over the period shown (January 1994 to August 1999).

Japanese yen. In early September the nominal effective exchange rate index for the euro stood around 8.5% below its level on 4 January 1999.

Current account surplus somewhat lower than in the first half of 1998

The current account surplus of the euro area in the first half of 1999 declined to €26.4 billion, compared with ECU 29.8 billion for the same period a year ago, reflecting a substantial fall in the balance of goods (which declined to €45.5 billion in the first half of 1999, down from the level of ECU 54.7 billion recorded for the first half of 1998) and services, which was only partially offset by an improvement in the combined deficit for income flows and current transfers (see Table 9). The value of both exports and imports of goods fell during the first six months of this year compared with the first half of 1998, with exports declining by €19.1 billion and imports by €10 billion.

New data for trade volumes for the first five months of this year suggest that, compared with the corresponding period of last year, the decline in the trade surplus in goods is attributable to subdued export volumes and a high level of import volumes, with export prices remaining virtually unchanged and import prices slightly lower (see Tables 9.1 and 9.2 in the "Euro area statistics" section of this Monthly Bulletin). In the first five months of 1999 export volumes have yet to show any significant response to the improvements in competitiveness that are likely to result from the depreciation of the euro since the beginning of the year. On the imports side, euro area import prices fell throughout last year and then began to rise sharply at the start of 1999, partly reflecting both the rise in oil prices and the depreciation of the euro since the beginning of the year. Import volumes increased significantly last year, probably as a result of a combination of rising domestic demand and falling import prices, and remained at a high level for the first part of 1999.

By contrast, the combined balance on income and current transfers registered a deficit of €14.2 billion for the first six months of this year, which was significantly lower than the deficit of ECU 26.0 billion recorded for the corresponding period of last year. This comprises a fall in the deficit on current transfers from ECU 19.9 billion for the first six months of 1998 to €14.3 billion for the first half of this year; and a reduction in the deficit on the income account from ECU 6.1 billion to almost zero over the same period.

The general trend of a declining current account surplus was particularly apparent in June as the surplus fell to €5.1 billion, compared with ECU 10.4 billion for the same month last year, with the decline largely being attributable to a smaller combined surplus on trade in goods and services. Exports of goods recorded a decline of 1.9% and imports an increase of 1.4% compared with the same month last year. The balance on services declined by around €4.0 billion in June compared with the same month a year ago, while the combined deficit on income and current transfers declined by €1.0 billion.

Financial account shows significant net outflows for direct and portfolio investment

In the first six months of 1999 net outflows of both direct and portfolio investment were significantly higher than in the same period of 1998. Taken together, these net outflows amounted to €155.2 billion in the first half of 1999, compared with ECU 82.3 billion in the same period a year earlier, thereby increasing by 89% year-on-year.

A major cause of this change was the increase in net direct investment outflows, which amounted to €63.7 billion between January and June 1999, compared with ECU 25.9 billion during the same period last year. In June alone, direct investment recorded net outflows of €17.3 billion. The net increase reflects both substantial direct investment

Table 9**Balance of payments of the euro area ¹⁾***(EUR billions, compared with ECU billions for 1998 (not seasonally adjusted))*

	1998 Jan. - June	1999 Jan. - June	1999 Apr.	1999 May	1999 June
Current account balance	29.8	26.4	6.8	2.5	5.1
Credits	643.4	615.8	103.8	101.0	111.3
Debits	613.6	589.4	97.0	98.5	106.2
Goods balance	54.7	45.5	8.6	6.5	8.9
Exports	389.8	370.7	63.5	60.6	66.9
Imports	335.1	325.1	55.0	54.1	57.9
Services balance	1.1	-4.9	-0.4	0.1	-1.3
Exports	120.4	107.1	17.9	18.2	20.2
Imports	119.3	111.9	18.3	18.2	21.5
Income balance	-6.1	0.1	1.4	-1.3	0.8
Current transfers balance	-19.9	-14.3	-2.8	-2.7	-3.3
Capital account balance	5.9	5.1	0.6	0.9	0.8
Financial account balance	2.5	-33.9	17.3	-7.4	-10.6
Direct investment	-25.9	-63.7	-13.8	-17.0	-17.3
Abroad	-86.0	-107.4	-22.4	-25.4	-23.4
In the euro area	60.1	43.8	8.6	8.4	6.1
Portfolio investment	-56.4	-91.5	2.4	-27.6	-11.6
Assets	-197.4	-133.6	-14.4	-25.0	-28.9
Liabilities	141.0	42.2	16.8	-2.6	17.3
Financial derivatives	-3.8	-0.5	2.7	-3.2	1.5
Other investment	89.9	106.5	24.5	36.6	12.4
Reserve assets	-1.2	15.2	1.5	3.9	4.4
Errors and omissions	-38.2	2.4	-24.7	4.0	4.7

Source: ECB.

Note: For the Financial Account, a positive sign indicates an inflow, a negative sign an outflow. A more detailed set of tables may be found in Section 8 of the "Euro area statistics" section of this Bulletin.

1) Figures may not add up due to rounding.

abroad by euro area residents – with outflows in the second quarter significantly higher than in the first quarter of the year – and the muted level of inward foreign direct investment, as compared with the first six months of 1998.

The portfolio investment account, which includes transactions in equities, in bonds and notes and in money market instruments, also recorded net outflows totalling €91.5 billion in the first six months of 1999, compared with ECU 56.4 billion in the first half of 1998. Net outflows in June reached €11.6 billion. The sectoral breakdown of the assets side of

portfolio investment, which is now available for the first quarter of 1999, shows that the bulk of investment abroad in equities and long-term debt securities was carried out by investors outside the banking system.

As for equities, the level of net outflows amounted to €33.3 billion in the first six months of 1999, more than double that in the first half of 1998. This was mainly the result of significantly lower (€16 billion) net sales of euro area equities to non-euro area residents than in the same period of last year (ECU 39.7 billion).

As for bonds and notes, net outflows accounted for €100.2 billion in the first half of 1999, more than double the outflows reported for the same period of the previous year. This was primarily due to a decline in foreign investment in euro area bonds and notes: while in the first half of 1998 substantial inflows were reported, non-euro area residents reduced their holdings of euro area bonds and notes by €12.3 billion in the first half of this year. The weakening of the euro, expectations of rising bond yields and the yield differentials vis-à-vis the United States appear to be the main factors behind these movements.

Finally, with regard to foreign investment in euro area money market instruments, a net inflow was recorded in the first half of 1999 which was equal to €42.1 billion, significantly higher than the level of ECU 5.0 billion reported for the same period of last year. This development may reflect a partial reallocation of foreign investors' portfolios away from bonds and notes and towards shorter-term investments in the euro area, apparently in the context of expectations of rising long-term interest rates.



Euro area statistics



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I Monetary policy statistics

Table I.1
Consolidated financial statement of the Eurosystem
(EUR millions)
1. Assets

		Gold and gold receivables	Claims on non-euro area residents in foreign currency	Claims on euro area residents in foreign currency	Claims on non-euro area residents in euro	Lending to financial sector counterparties in the euro area	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations
		1	2	3	4	5	6	7	8
1999	2 Apr.	105,323	242,761	10,618	3,492	187,687	140,975	44,994	0
	9	105,323	243,199	10,331	3,789	152,226	105,607	44,994	0
	16	105,323	241,250	11,488	4,146	180,495	133,600	44,994	0
	23	105,323	240,702	11,963	4,033	168,543	117,043	44,994	0
	30	105,323	240,747	11,683	4,002	174,322	128,023	44,999	0
	7 May	105,323	239,350	12,366	4,018	166,184	119,944	44,984	0
	14	105,323	238,483	12,091	4,088	166,060	119,953	44,981	0
	21	105,323	240,921	11,904	4,265	167,728	120,953	44,981	0
	28	105,323	237,639	12,383	4,350	185,070	138,992	45,008	0
	4 June	105,307	236,031	12,428	4,345	184,680	139,032	44,997	0
	11	105,307	238,154	12,499	4,216	174,876	129,020	44,997	0
	18	105,307	237,871	12,156	4,031	170,664	125,012	44,997	0
	25	105,307	238,361	11,927	3,941	170,641	125,020	44,997	0
	2 July	101,753	244,594	12,827	3,832	188,687	142,963	44,991	0
	9	101,753	244,546	12,415	4,002	198,094	152,001	44,991	0
	16	101,753	245,833	12,344	4,140	193,768	148,065	45,001	0
	23	101,754	247,105	11,717	4,364	194,138	146,956	45,001	0
	30	101,754	245,380	12,802	4,162	214,012	166,954	45,001	0
	6 Aug.	101,754	245,853	13,027	4,162	194,731	149,018	45,001	0
	13	101,754	245,650	12,724	4,107	189,871	143,990	45,001	0
	20	101,754	246,057	12,640	4,261	186,895	141,042	45,001	0
	27	101,754	245,415	12,580	4,116	205,150	159,071	44,996	0
	3 Sep.	101,754	245,588	11,915	4,281	197,748	152,043	44,996	0

2. Liabilities

		Banknotes in circulation	Liabilities to financial sector counterparties in the euro area in euro	Current accounts (covering the minimum reserves system)	Deposit facility	Fixed-term deposits	Fine-tuning reverse operations	Deposits related to margin calls	Debt certificates issued
		1	2	3	4	5	6	7	8
1999	2 Apr.	335,331	104,850	104,298	536	0	0	16	10,158
	9	333,367	79,332	79,117	213	0	0	2	10,158
	16	330,839	120,752	120,462	283	0	0	7	10,158
	23	328,984	90,190	89,605	580	0	0	5	10,158
	30	332,280	104,395	104,241	119	0	0	35	10,158
	7 May	335,708	101,663	101,459	197	0	0	7	10,158
	14	337,375	99,361	99,229	118	0	0	14	10,158
	21	335,245	102,373	99,795	2,561	0	0	17	10,158
	28	335,148	109,331	109,194	134	0	0	3	10,158
	4 June	338,980	106,950	106,826	101	0	0	23	10,158
	11	338,947	96,441	96,278	155	0	0	8	10,158
	18	337,865	103,238	103,141	91	0	0	6	10,158
	25	337,877	97,499	97,383	101	0	0	15	10,158
	2 July	342,556	112,235	112,120	95	0	0	20	10,158
	9	344,694	102,529	102,185	316	0	0	28	10,158
	16	344,405	104,586	104,499	68	0	0	19	10,158
	23	342,580	94,151	92,351	1,788	0	0	12	10,158
	30	345,768	109,826	109,789	27	0	0	10	10,158
	6 Aug.	348,034	106,144	105,807	292	0	0	45	10,158
	13	346,223	103,115	103,001	96	0	0	18	10,158
	20	342,257	100,588	95,691	4,883	0	0	14	10,158
	27	340,626	110,453	110,439	13	0	0	1	10,158
	3 Sep.	344,193	106,110	106,037	49	0	0	24	10,158

Source: ECB.

				Securities of	General	Other assets	Total	
Structural reverse operations	Marginal lending facility	Credits related to margin calls	Other lending	euro area residents in euro	government debt in euro			
9	10	11	12	13	14	15	16	
0	665	178	875	26,640	60,186	81,041	717,748	2 Apr.
0	710	72	843	26,511	60,186	77,903	679,468	9
0	1,019	128	754	25,871	60,186	76,831	705,590	16
0	5,591	138	777	26,181	60,186	74,786	691,717	23
0	500	47	753	26,088	60,186	75,945	698,296	30
0	481	52	723	26,047	60,186	78,650	692,124	7 May
0	366	55	705	26,030	60,186	75,266	687,527	14
0	950	65	779	25,945	60,186	74,813	691,085	21
0	479	63	528	25,873	60,180	74,249	705,060	28
0	229	32	390	25,957	60,156	77,522	706,426	4 June
0	397	30	432	26,137	60,156	75,708	697,053	11
0	193	29	433	25,929	60,156	75,657	691,771	18
0	165	29	430	26,088	60,156	79,223	695,644	25
0	177	29	527	25,806	60,156	78,537	716,192	2 July
0	440	79	583	25,882	60,156	75,867	722,715	9
0	108	133	461	25,700	60,156	77,875	721,569	16
0	1,562	156	463	26,009	60,156	76,639	721,882	23
0	1,465	103	489	25,775	60,156	75,684	739,725	30
0	240	47	425	25,939	60,156	77,342	722,964	6 Aug.
0	149	70	661	26,033	60,156	75,965	716,260	13
0	186	99	567	26,087	60,156	75,529	713,379	20
0	304	115	664	25,966	60,156	78,829	733,966	27
0	3	52	654	25,838	60,156	79,848	727,128	3 Sep.

								Total	
Liabilities to other euro area residents in euro	Liabilities to non-euro area residents in euro	Liabilities to euro area residents in foreign currency	Liabilities to non-euro area residents in foreign currency	Counterpart of special drawing rights allocated by the IMF	Revaluation accounts	Capital and reserves	Other liabilities		
9	10	11	12	13	14	15	16	17	
48,234	8,468	917	7,381	6,043	78,685	54,146	63,535	717,748	2 Apr.
39,644	7,936	940	7,684	6,043	78,479	54,147	61,738	679,468	9
38,048	7,830	930	7,389	6,043	78,479	54,147	50,975	705,590	16
57,279	7,617	969	7,629	6,043	78,479	54,638	49,731	691,717	23
44,993	7,207	994	7,931	6,043	78,479	54,639	51,177	698,296	30
36,822	6,993	998	7,925	6,043	78,479	54,666	52,669	692,124	7 May
35,681	7,557	896	7,199	6,043	78,479	54,694	50,084	687,527	14
35,029	8,111	948	8,847	6,042	78,479	54,694	51,159	691,085	21
43,906	7,751	938	8,838	6,043	78,479	54,809	49,659	705,060	28
44,070	7,457	902	7,269	6,042	78,479	54,858	51,261	706,426	4 June
45,428	7,275	776	9,603	6,042	78,479	53,227	50,677	697,053	11
36,035	6,918	733	9,028	6,042	78,479	53,226	50,049	691,771	18
40,939	7,075	734	9,265	6,042	78,479	53,227	54,349	695,644	25
40,446	7,158	782	8,994	6,192	82,510	53,231	51,930	716,192	2 July
56,382	6,962	757	8,559	6,192	82,510	53,217	50,755	722,715	9
52,128	6,924	741	9,611	6,192	82,510	53,217	51,097	721,569	16
61,172	7,265	716	9,924	6,192	82,510	53,217	53,997	721,882	23
62,055	6,727	871	10,606	6,192	82,510	53,218	51,794	739,725	30
45,219	6,988	1,037	10,032	6,192	82,510	53,218	53,432	722,964	6 Aug.
44,255	8,186	924	9,604	6,192	82,510	53,219	51,874	716,260	13
47,592	7,618	952	9,701	6,192	82,510	53,220	52,591	713,379	20
57,773	7,545	1,000	9,264	6,192	82,510	53,220	55,225	733,966	27
53,401	7,509	905	8,372	6,192	82,510	53,221	54,557	727,128	3 Sep.

Table 1.2**ECB interest rates on standing facilities***(levels in percentages per annum; changes in percentage points)*

	Deposit facility		Marginal lending facility	
	Level 1	Change 2	Level 3	Change 4
1999 1 Jan.	2.00	-	4.50	-
4 ¹⁾	2.75	0.75	3.25	-1.25
22	2.00	-0.75	4.50	1.25
9 Apr.	1.50	-0.50	3.50	-1.00

Source: ECB.

1) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 January 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 regime by market participants.

Table 1.3**Eurosystem monetary policy operations allotted through tenders¹⁾***(EUR millions; interest rates in percentages per annum)*

Main refinancing operations							
Date of settlement	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for [...] days	
	1	2	Fixed rate 3	Marginal rate 4	Weighted average rate 5	6	
1999 5 May	655,789	42,000	2.50			14	
12	708,881	78,000	2.50			14	
19	638,583	43,000	2.50			14	
26	784,380	96,000	2.50			14	
2 June	698,358	43,000	2.50			14	
9	907,145	86,000	2.50			14	
16	922,203	39,000	2.50			14	
23	1,165,521	86,000	2.50			14	
30	1,222,128	57,000	2.50			14	
7 July	1,282,746	95,000	2.50			14	
14	1,247,454	53,000	2.50			14	
21	1,479,409	94,000	2.50			14	
28	1,342,169	73,000	2.50			14	
4 Aug.	1,412,815	76,000	2.50			14	
11	1,346,203	68,000	2.50			14	
18	1,538,142	73,000	2.50			14	
25	1,431,145	86,000	2.50			14	
Longer-term refinancing operations							
Date of settlement	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for [...] days	
	1	2	Fixed rate 3	Marginal rate 4	Weighted average rate 5	6	
1999 14 Jan.	79,846	15,000		3.13		42	
14	39,343	15,000		3.10		70	
14	46,152	15,000		3.08		105	
25 Feb.	77,300	15,000		3.04		91	
25 Mar.	53,659	15,000		2.96	2.97	98	
29 Apr.	66,911	15,000		2.53	2.54	91	
27 May	72,294	15,000		2.53	2.54	91	
1 July	76,284	15,000		2.63	2.64	91	
29	64,973	15,000		2.65	2.66	91	
26 Aug.	52,416	15,000		2.65	2.66	91	
Other tender operations							
Date of settlement	Type of operation	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for [...] days
	1	2	3	Fixed rate 4	Marginal rate 5	Weighted average rate 6	7
1999							

Source: ECB.

1) The amounts shown may differ slightly from those in Table 1.1, columns 6 to 8, due to operations allotted but not executed.

Table 1.4**Minimum reserve statistics****1. Reserve base of credit institutions subject to reserve requirements ^{1) 2)}***(EUR billions; end of period)*

Reserve base as at:	Total	Liabilities to which a 2% reserve coefficient is applied			Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Money market paper	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6	7
1999 Jan.	8,607.9	4,838.9	83.1	146.0	1,105.4	510.6	1,923.9
Feb.	8,638.7	4,801.1	86.9	148.9	1,111.6	543.9	1,946.5
Mar.	8,685.3	4,803.5	88.8	151.2	1,125.6	549.8	1,966.4
Apr.	8,741.2	4,827.7	93.3	160.3	1,129.3	542.0	1,988.6
May	8,797.6	4,867.2	101.1	158.7	1,130.8	541.0	1,999.0
June	8,857.3	4,916.6	106.3	152.0	1,145.5	517.6	2,019.3
July ^(p)	8,847.8	4,896.5	108.9	155.5	1,152.2	513.5	2,021.2

Source: ECB.

- 1) 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. If a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity up to 2 years and of money market paper held by the institutions mentioned above, it may deduct 10% of these liabilities from its reserve base.
- 2) Maintenance periods start on the 24th of the month and run to the 23rd of the following month; the required reserve is calculated from the reserve base as at the end of the preceding month.

2. Reserve maintenance ¹⁾*(EUR billions; interest rates as annual percentages)*

Maintenance period ending in:	Required reserves ²⁾	Actual reserves ³⁾	Excess reserves ⁴⁾	Deficiencies ⁵⁾	Interest rate on minimum reserves ⁶⁾
	1	2	3	4	5
1999 Feb.	98.3	99.3	1.1	0.1	3.00
Mar.	100.6	101.5	0.9	0.1	3.00
Apr.	100.1	100.7	0.6	0.0	2.84
May	100.2	101.0	0.8	0.0	2.50
June	100.9	101.5	0.6	0.0	2.50
July	102.0	102.7	0.8	0.0	2.50
Aug.	102.8	103.5	0.6	0.0	2.50
Sep. ^(p)	102.6				

Source: ECB.

- 1) This table contains full data for completed maintenance periods and required reserves for the current maintenance period.
- 2) The amount of reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data as at the end of each calendar month; subsequently, each credit institution deducts from this figure a lump-sum allowance of EUR 100,000. The resulting reserve requirements are then aggregated at the euro area level.
- 3) Aggregate average daily holdings of credit institutions required to hold a positive amount of reserves on their reserve accounts over the maintenance period.
- 4) Average actual reserve holdings over the maintenance period in excess of the required reserves, computed on the basis of those credit institutions that have fulfilled the reserve requirement.
- 5) Average shortfall of actual reserve holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled the reserve requirement.
- 6) This rate equals the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Table 1.3).

Table 1.5**Banking system's liquidity position ¹⁾***(EUR billions; period averages of daily positions)*

Maintenance period ending in:	Liquidity-providing factors					Liquidity-absorbing factors				Credit institutions' current accounts ⁹⁾	Base money ⁵⁾
	Monetary policy operations of the Eurosystem					Deposit facility	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) ³⁾		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Other operations ²⁾	Marginal lending facility						
1	2	3	4	5	6	7	8	9	10	11	
1999 Feb.	328.2	104.6	34.2	30.6	3.8	1.3	329.3	41.1	29.5	100.2	430.8
Mar.	323.6	136.4	45.0	0.0	0.4	1.4	326.9	49.9	25.0	102.2	430.5
Apr.	338.4	130.1	45.0	0.0	0.7	0.3	331.0	42.9	38.9	101.1	432.4
May	342.5	121.6	45.0	0.0	0.8	0.4	333.8	36.3	38.1	101.3	435.5
June	339.8	132.0	45.0	0.0	0.3	0.6	337.0	40.4	37.2	101.9	439.5
July	342.4	143.1	45.0	0.0	0.4	0.6	342.1	45.7	39.5	103.0	445.6
Aug.	343.2	150.1	45.0	0.0	0.5	1.0	344.8	47.3	42.1	103.6	449.4

Source: ECB.

- 1) The banking system's liquidity position is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. Amounts are derived from the consolidated financial statement of the Eurosystem.
- 2) Includes monetary policy operations initiated by national central banks in Stage Two and outstanding at the start of Stage Three (excluding outright operations and the issuance of debt certificates).
- 3) Remaining items in the consolidated financial statement of the Eurosystem.
- 4) Equal to the difference between the sum of liquidity-providing factors (items 1 to 5) and the sum of liquidity-absorbing factors (items 6 to 9).
- 5) Calculated as the sum of the deposit facility (item 6), banknotes in circulation (item 7) and credit institutions' current account holdings (item 10) or, alternatively, as the difference between the sum of liquidity-providing factors (items 1 to 5) and the sum of government deposits (item 8) and other factors (net) (item 9).



2 Monetary developments in the euro area

Table 2.1

Aggregated balance sheet of the Eurosystem ^{1) 2)}

(EUR billions (not seasonally adjusted; end of period))

1. Assets

		Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Holdings of shares/ other equity issued by euro area residents			External assets ³⁾	Fixed assets	Remaining assets	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1998	Jan.	234.9	213.3	21.2	0.4	111.7	1.0	109.3	1.5	2.9	0.3	2.6	294.5	7.2	43.0	694.0
	Feb.	257.7	235.9	21.2	0.7	108.2	1.0	105.8	1.5	2.9	0.4	2.5	294.8	7.3	44.3	715.1
	Mar.	242.7	221.3	21.2	0.2	106.6	1.2	104.2	1.3	3.0	0.4	2.6	294.1	7.5	41.3	695.1
	Apr.	237.2	215.6	21.2	0.4	102.5	1.4	100.2	0.9	3.0	0.4	2.6	298.5	7.6	45.7	694.4
	May	239.3	217.8	21.2	0.3	101.9	1.6	99.4	0.9	3.0	0.4	2.6	301.7	7.7	48.8	702.4
	June	325.0	303.7	21.1	0.2	105.4	4.8	99.7	0.8	3.2	0.6	2.6	288.4	7.8	49.8	779.7
	July	338.2	316.9	21.1	0.2	87.8	1.1	85.9	0.8	4.8	2.1	2.8	292.5	8.0	51.9	783.3
	Aug.	339.9	318.5	21.1	0.2	88.1	0.9	86.3	0.9	4.8	2.0	2.8	290.4	8.0	56.9	788.1
	Sep.	326.8	305.5	21.1	0.2	82.7	1.0	81.0	0.7	4.8	2.0	2.8	288.0	8.0	52.1	762.4
	Oct.	326.6	305.3	21.1	0.2	73.3	0.9	71.7	0.7	4.8	1.9	2.9	297.9	8.1	51.7	762.3
	Nov.	322.2	300.7	21.1	0.4	78.0	1.0	76.3	0.6	4.8	1.9	2.9	305.1	8.1	53.4	771.5
	Dec.	225.1	204.5	20.4	0.1	87.8	1.1	86.2	0.5	5.5	1.8	3.7	317.2	7.9	49.4	692.9
1999	Jan.	468.3	447.7	20.4	0.2	89.2	1.3	87.3	0.6	8.2	4.1	4.1	416.8	9.5	56.9	1,048.8
	Feb.	532.1	511.5	20.4	0.2	90.7	1.5	88.6	0.5	8.3	4.2	4.1	364.6	9.5	56.6	1,061.9
	Mar.	534.3	513.6	20.4	0.2	94.0	1.5	91.9	0.6	8.1	4.0	4.1	425.8	9.4	52.1	1,123.8
	Apr.	501.4	480.8	20.4	0.2	93.2	1.2	91.3	0.7	8.1	4.0	4.1	435.5	9.7	52.4	1,100.4
	May	439.5	418.9	20.4	0.2	93.1	1.6	90.8	0.7	8.2	4.0	4.2	387.1	9.8	50.7	988.4
	June	690.1	669.6	20.4	0.2	92.4	1.5	90.0	0.9	8.7	4.4	4.3	498.9	9.8	47.7	1,347.6
	July ^(p)	684.6	664.0	20.4	0.2	92.3	1.5	89.9	0.9	8.7	4.4	4.4	451.5	10.0	52.0	1,299.2

2. Liabilities

		Currency in circulation	Deposits of euro area residents	MFIs	Central government	Other general government/ other euro area residents	Money market paper	Debt securities issued	Capital and reserves	External liabilities ³⁾	Remaining liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11
1998	Jan.	339.9	136.3	83.4	50.7	2.2	13.9	16.3	109.2	16.1	62.3	694.0
	Feb.	339.9	159.2	93.7	61.5	4.0	13.3	16.5	107.4	15.1	63.7	715.1
	Mar.	340.5	137.9	88.4	46.8	2.7	11.3	17.2	106.6	15.3	66.3	695.1
	Apr.	343.8	131.3	84.8	44.3	2.2	12.0	16.9	105.6	16.4	68.4	694.4
	May	346.1	141.8	90.9	47.0	4.0	13.1	15.3	105.3	15.9	64.8	702.4
	June	345.4	208.0	149.3	54.2	4.5	13.5	14.1	113.4	20.8	64.4	779.7
	July	350.4	199.9	132.8	64.0	3.0	13.9	14.3	112.1	24.0	68.8	783.3
	Aug.	344.6	208.8	135.5	69.7	3.5	12.4	13.5	112.0	21.6	75.1	788.1
	Sep.	341.5	195.9	124.4	67.1	4.5	11.2	12.8	108.2	23.2	69.7	762.4
	Oct.	342.3	198.2	129.2	64.7	4.3	11.7	11.8	108.5	22.6	67.2	762.3
	Nov.	344.1	210.5	147.3	56.8	6.4	12.5	11.6	105.1	20.0	67.8	771.5
	Dec.	359.1	146.9	89.0	55.0	2.9	7.2	6.7	97.1	18.6	57.4	692.9
1999	Jan.	343.8	400.5	344.0	50.3	6.2	6.3	5.3	125.7	99.3	67.8	1,048.8
	Feb.	342.4	479.1	417.3	55.0	6.7	6.3	5.3	122.9	49.9	56.0	1,061.9
	Mar.	348.3	475.2	412.2	55.1	7.9	4.9	5.3	138.0	97.7	54.5	1,123.8
	Apr.	349.6	446.7	401.5	38.8	6.4	4.9	5.3	138.9	104.8	50.2	1,100.4
	May	353.0	377.9	327.7	42.7	7.5	4.9	5.3	137.4	60.9	49.1	988.4
	June	355.8	625.6	573.6	44.1	7.8	4.9	5.3	140.8	170.8	44.5	1,347.6
	July ^(p)	363.6	612.0	549.8	56.4	5.8	4.9	5.3	139.9	123.8	49.8	1,299.2

Source: ECB.

- 1) The ECB was established on 1 June 1998. The data shown for the Eurosystem relate to the ECB (as from June 1998) and the national central banks of Member States in the euro area.
- 2) Data have been revised in the light of new information.
- 3) From January 1999 including temporary gross positions of the Eurosystem with the national central banks of Member States not participating in the euro area related to the operation of the TARGET system. These positions amounted to approximately EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March, EUR 84 billion at end-April, EUR 40 billion at end-May, EUR 149 billion at end-June and EUR 101 billion at end-July.

Table 2.2**Aggregated balance sheet of the euro area MFIs, excluding the Eurosystem ¹⁾***(EUR billions (not seasonally adjusted; end of period))***1. Assets**

		Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market paper	Holdings of shares/other equity issued by euro area residents			External assets	Fixed assets	Re-remaining assets	Total
		1	2	3	4	5	6	7	8		9	10	11					12	13	14	15	16
1998	Jan.	8,501.3	2,974.4	806.4	4,720.6	1,911.0	648.2	1,074.0	188.9	104.8	351.2	102.2	249.0	1,597.3	236.4	826.4	13,528.4
	Feb.	8,538.7	2,986.8	807.9	4,744.0	1,932.1	651.8	1,086.2	194.1	106.3	363.7	106.6	257.1	1,623.6	236.7	831.4	13,632.5
	Mar.	8,561.6	2,979.8	806.0	4,775.8	1,957.2	654.9	1,103.7	198.6	105.1	384.4	110.9	273.5	1,676.7	238.0	811.3	13,734.4
	Apr.	8,617.1	2,999.7	810.9	4,806.5	1,978.1	664.3	1,114.8	199.1	105.7	396.1	114.0	282.1	1,634.0	238.2	830.8	13,800.1
	May	8,618.2	2,994.0	799.7	4,824.4	2,000.0	670.8	1,126.5	202.7	105.7	404.0	116.4	287.7	1,632.9	247.0	845.6	13,853.4
	June	8,752.6	3,070.5	805.8	4,876.4	2,014.5	681.3	1,137.6	195.5	104.1	401.0	118.2	282.8	1,674.8	240.2	736.3	13,923.5
	July	8,732.2	3,013.8	801.4	4,917.0	2,035.7	697.5	1,137.2	201.0	104.0	392.2	117.2	275.1	1,632.7	235.3	779.7	13,911.9
	Aug.	8,756.1	3,035.8	803.9	4,916.4	2,041.4	703.8	1,136.1	201.6	103.7	386.4	118.2	268.3	1,641.1	236.3	768.9	13,933.9
	Sep.	8,836.2	3,071.9	807.8	4,956.5	2,048.4	708.2	1,136.4	203.9	106.2	380.3	108.9	271.4	1,654.4	236.9	783.4	14,045.8
	Oct.	8,972.3	3,167.7	813.7	4,990.9	2,074.6	716.0	1,151.2	207.4	105.9	387.3	115.0	272.3	1,636.3	239.0	781.5	14,196.9
	Nov.	9,100.8	3,245.0	817.8	5,038.0	2,072.1	722.5	1,147.2	202.4	112.9	401.8	116.0	285.8	1,681.3	241.2	798.4	14,408.5
	Dec.	9,082.9	3,171.3	820.4	5,091.2	2,018.3	729.3	1,095.4	193.6	105.7	422.1	120.9	301.2	1,590.2	243.8	783.6	14,246.8
1999	Jan.	9,302.2	3,380.9	820.4	5,100.9	2,047.0	736.8	1,103.2	206.9	108.0	430.4	112.9	317.5	1,633.9	244.6	936.0	14,701.9
	Feb.	9,199.0	3,268.3	820.9	5,109.8	2,063.4	744.9	1,115.5	202.9	112.2	441.5	117.5	324.0	1,589.3	243.4	954.6	14,603.2
	Mar.	9,254.9	3,282.9	818.7	5,153.3	2,086.4	759.3	1,129.4	197.6	99.1	468.1	125.7	342.4	1,644.1	244.6	883.7	14,680.9
	Apr.	9,299.7	3,308.5	811.4	5,179.8	2,103.8	773.3	1,128.5	201.9	104.8	481.1	126.0	355.0	1,632.5	246.3	846.6	14,714.6
	May	9,314.4	3,289.1	810.3	5,214.9	2,141.3	786.0	1,147.1	208.3	102.8	496.7	127.8	368.9	1,620.9	247.5	829.9	14,753.4
	June	9,453.8	3,338.2	816.0	5,299.5	2,137.5	799.6	1,127.2	210.7	101.6	482.9	124.6	358.3	1,640.5	249.3	840.7	14,906.3
	July ^(p)	9,450.8	3,317.7	807.5	5,325.6	2,113.5	797.7	1,105.4	210.4	109.2	480.5	127.2	353.3	1,625.9	251.6	819.0	14,850.4

2. Liabilities

		Currency in circulation	Deposits of euro area residents				Other general government/other euro area residents				Money market fund shares/units	Debt securities issued	Money market paper	Capital and reserves	External liabilities	Re-remaining liabilities	Total
			1	2	3	4	5	6	7	8								9	10	11	12	13	14	15	16
1998	Jan.	0.4	7,782.1	3,029.5	95.9	4,656.6	1,179.8	1,917.8	1,341.8	217.1	253.7	1,946.6	145.2	690.8	1,436.0	1,273.7	13,528.4
	Feb.	0.4	7,829.7	3,066.1	98.4	4,665.2	1,181.7	1,922.1	1,345.1	216.3	255.7	1,969.9	147.2	696.0	1,469.8	1,263.9	13,632.5
	Mar.	0.4	7,836.4	3,077.0	92.8	4,666.7	1,210.8	1,897.2	1,346.4	212.2	255.5	1,987.2	149.5	710.3	1,521.2	1,273.7	13,734.4
	Apr.	0.4	7,867.3	3,079.7	97.2	4,690.3	1,225.3	1,912.4	1,346.0	206.6	258.3	2,001.5	156.3	702.6	1,492.4	1,321.3	13,800.1
	May	0.4	7,890.0	3,092.8	88.2	4,709.0	1,242.3	1,910.6	1,347.9	208.2	261.2	2,013.3	150.9	712.2	1,485.2	1,340.2	13,853.4
	June	0.4	7,999.4	3,174.8	94.0	4,730.5	1,289.8	1,890.8	1,346.5	203.4	259.8	2,042.4	145.9	718.7	1,496.1	1,260.8	13,923.5
	July	0.4	7,961.8	3,163.3	92.4	4,706.1	1,250.8	1,893.9	1,345.9	215.5	259.8	2,063.1	152.8	720.1	1,472.9	1,281.2	13,911.9
	Aug.	0.4	7,982.1	3,183.7	95.4	4,702.9	1,241.8	1,905.4	1,347.6	208.2	264.7	2,074.7	152.9	720.1	1,475.8	1,263.3	13,933.9
	Sep.	0.4	8,038.0	3,234.8	90.0	4,713.2	1,263.5	1,890.8	1,347.6	211.3	260.3	2,093.9	154.1	721.7	1,489.4	1,288.0	14,045.8
	Oct.	0.4	8,136.8	3,315.0	90.8	4,731.0	1,268.8	1,889.2	1,350.8	222.3	258.4	2,096.9	161.1	725.9	1,530.3	1,287.2	14,196.9
	Nov.	0.4	8,245.3	3,399.8	91.9	4,753.6	1,308.8	1,888.9	1,353.5	202.4	259.6	2,112.8	169.5	727.6	1,598.0	1,295.3	14,408.5
	Dec.	0.4	8,262.1	3,312.8	95.7	4,853.6	1,382.2	1,908.3	1,385.9	177.2	241.1	2,113.9	160.8	737.7	1,506.3	1,224.3	14,246.8
1999	Jan.	0.4	8,396.8	3,456.5	81.8	4,858.5	1,402.8	1,974.2	1,310.3	171.2	272.0	2,148.5	169.6	748.5	1,591.4	1,374.8	14,701.9
	Feb.	0.4	8,297.2	3,367.9	85.3	4,844.0	1,375.9	1,971.5	1,312.6	183.9	286.5	2,173.7	174.7	753.2	1,590.5	1,326.9	14,603.2
	Mar.	0.5	8,345.6	3,407.8	79.1	4,858.7	1,382.0	1,987.0	1,310.8	178.9	279.8	2,193.6	180.5	759.3	1,612.9	1,308.8	14,680.9
	Apr.	0.5	8,347.3	3,397.1	77.8	4,872.4	1,402.1	1,983.8	1,314.2	172.3	297.4	2,223.8	190.1	769.5	1,631.6	1,254.5	14,714.6
	May	0.5	8,374.2	3,406.5	78.8	4,889.0	1,428.3	1,974.1	1,314.1	172.5	296.7	2,247.9	190.2	777.5	1,656.1	1,210.3	14,753.4
	June	0.5	8,443.1	3,442.2	82.0	4,919.0	1,473.8	1,959.9	1,318.5	166.8	305.3	2,269.4	182.8	786.0	1,667.2	1,251.9	14,906.3
	July ^(p)	0.5	8,427.1	3,426.6	78.7	4,921.7	1,463.1	1,976.5	1,320.6	161.5	302.4	2,274.2	180.1	790.1	1,641.6	1,234.4	14,850.4

Source: ECB.

¹⁾ Data have been revised in the light of new information.

Table 2.3**Consolidated balance sheet of the euro area MFIs, including the Eurosystem^{1) 2)}***(EUR billions (not seasonally adjusted; end of period))***1. Assets: levels outstanding**

		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 ⁴⁾	Fixed assets	Remaining assets	Total
		1	2	3	4	5	6	7	8	9	10	11
1998	Jan.	5,548.5	827.5	4,721.0	1,373.6	1,183.2	190.4	251.6	1,891.8	243.6	840.5	10,149.4
	Feb.	5,573.8	829.1	4,744.7	1,387.6	1,192.0	195.6	259.6	1,918.4	244.0	847.1	10,230.3
	Mar.	5,603.2	827.2	4,776.0	1,407.7	1,207.9	199.8	276.1	1,970.8	245.5	823.5	10,326.7
	Apr.	5,639.0	832.1	4,806.9	1,414.9	1,215.0	199.9	284.7	1,932.5	245.8	847.0	10,363.9
	May	5,645.6	820.9	4,824.7	1,429.4	1,225.9	203.5	290.3	1,934.6	254.7	865.1	10,419.7
	June	5,703.4	826.9	4,876.6	1,433.7	1,237.3	196.4	285.4	1,963.3	248.0	755.8	10,389.6
	July	5,739.7	822.5	4,917.2	1,424.9	1,223.1	201.8	277.9	1,925.2	243.3	801.4	10,412.5
	Aug.	5,741.6	825.0	4,916.7	1,424.8	1,222.4	202.4	271.1	1,931.5	244.3	795.6	10,408.9
	Sep.	5,785.6	828.9	4,956.7	1,421.9	1,217.3	204.5	274.2	1,942.4	245.0	805.4	10,474.4
	Oct.	5,825.9	834.8	4,991.1	1,431.0	1,222.9	208.1	275.2	1,934.2	247.1	803.7	10,517.0
	Nov.	5,877.2	838.8	5,038.4	1,426.5	1,223.5	203.0	288.7	1,986.4	249.3	821.4	10,649.5
	Dec.	5,932.1	840.8	5,091.3	1,375.7	1,181.6	194.1	304.9	1,907.4	251.8	797.1	10,569.0
1999	Jan.	5,941.9	840.8	5,101.0	1,398.0	1,190.5	207.6	321.6	2,050.6	254.0	962.0	10,928.2
	Feb.	5,951.3	841.3	5,110.0	1,407.6	1,204.1	203.5	328.1	1,953.9	252.8	981.2	10,874.9
	Mar.	5,992.7	839.1	5,153.5	1,419.5	1,221.3	198.2	346.6	2,069.9	254.0	904.6	10,987.3
	Apr.	6,011.8	831.8	5,180.0	1,422.4	1,219.8	202.6	359.2	2,067.9	256.0	868.6	10,986.0
	May	6,045.8	830.8	5,215.0	1,446.8	1,237.9	209.0	373.1	2,008.0	257.2	848.6	10,979.5
	June	6,136.1	836.4	5,299.7	1,428.8	1,217.2	211.6	362.6	2,139.4	259.2	855.9	11,181.9
	July ^(p)	6,153.6	827.9	5,325.8	1,406.6	1,195.3	211.3	357.7	2,077.5	261.6	838.9	11,095.9

2. Liabilities: levels outstanding

		Currency in circulation	Deposits of central government	Deposits of other government/other euro area residents	Over-night	With agreed maturity	Redeemable at notice	Repurchase agreements	Money market fund shares/units and money market paper	Debt securities issued	Capital and reserves	External liabilities ⁴⁾	Re-maining liabilities	Excess of inter-MFI liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	Jan.	311.4	146.6	4,658.8	1,182.1	1,917.8	1,341.8	217.1	308.0	1,313.8	697.5	1,452.0	1,336.0	-74.8	10,149.4
	Feb.	311.7	160.0	4,669.2	1,185.6	1,922.1	1,345.1	216.3	309.8	1,333.7	696.5	1,484.9	1,327.6	-62.9	10,230.3
	Mar.	311.8	139.6	4,669.4	1,213.6	1,897.2	1,346.4	212.2	311.2	1,348.3	705.7	1,536.6	1,340.0	-35.8	10,326.7
	Apr.	314.8	141.6	4,692.5	1,227.5	1,912.4	1,346.0	206.6	320.9	1,352.7	693.8	1,508.8	1,389.7	-50.8	10,363.9
	May	317.2	135.1	4,713.0	1,246.3	1,910.6	1,347.9	208.2	319.4	1,356.3	700.8	1,501.2	1,405.0	-28.2	10,419.7
	June	315.5	148.2	4,735.0	1,294.3	1,890.8	1,346.5	203.4	315.1	1,370.3	713.4	1,516.9	1,325.2	-50.1	10,389.6
	July	320.6	156.4	4,709.1	1,253.8	1,893.9	1,345.9	215.5	322.3	1,378.7	713.1	1,496.9	1,349.9	-34.6	10,412.5
	Aug.	314.9	165.2	4,706.4	1,245.3	1,905.4	1,347.6	208.2	326.2	1,383.4	712.0	1,497.4	1,338.4	-35.1	10,408.9
	Sep.	311.7	157.1	4,717.7	1,268.0	1,890.8	1,347.6	211.3	319.5	1,397.5	719.1	1,512.5	1,357.7	-18.3	10,474.4
	Oct.	313.3	155.5	4,735.3	1,273.1	1,889.2	1,350.8	222.3	325.3	1,391.8	717.4	1,552.9	1,354.4	-28.8	10,517.0
	Nov.	314.2	148.8	4,759.9	1,315.1	1,888.9	1,353.5	202.4	328.7	1,400.9	714.8	1,618.0	1,363.0	1.4	10,649.5
	Dec.	323.6	150.7	4,856.5	1,385.1	1,908.3	1,385.9	177.2	303.4	1,390.2	712.1	1,524.9	1,281.7	26.0	10,569.0
1999	Jan.	313.4	132.1	4,864.7	1,409.0	1,974.2	1,310.3	171.2	339.9	1,415.6	757.3	1,690.7	1,442.7	-28.2	10,928.2
	Feb.	312.8	140.4	4,850.7	1,382.6	1,971.5	1,312.6	183.9	355.3	1,432.5	754.4	1,640.4	1,382.9	5.4	10,874.9
	Mar.	317.6	134.2	4,866.6	1,389.9	1,987.0	1,310.8	178.9	366.0	1,438.0	767.5	1,710.6	1,363.3	23.4	10,987.3
	Apr.	319.7	116.6	4,878.8	1,408.4	1,983.8	1,314.2	172.4	387.5	1,454.5	778.4	1,736.5	1,304.7	9.3	10,986.0
	May	321.4	121.5	4,896.4	1,435.7	1,974.1	1,314.1	172.6	388.9	1,465.6	783.1	1,717.1	1,259.4	26.1	10,979.5
	June	323.8	126.1	4,926.8	1,481.6	1,959.9	1,318.5	166.8	391.3	1,473.7	797.7	1,838.1	1,296.4	8.0	11,181.9
	July ^(p)	332.0	135.1	4,927.5	1,468.8	1,976.5	1,320.6	161.7	378.2	1,480.3	798.5	1,765.4	1,284.2	-5.3	11,095.9

Source : ECB.

- 1) The ECB was established on 1 June 1998. The data shown for the Eurosystem relate to the ECB (as from June 1998) and the national central banks of Member States in the euro area.
- 2) Data have been revised in the light of new information.
- 3) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.
- 4) From January 1999 including temporary gross positions of the Eurosystem with the national central banks of Member States not participating in the euro area related to the operation of the TARGET system. These positions amounted to approximately EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March, EUR 84 billion at end-April, EUR 40 billion at end-May, EUR 149 billion at end-June and EUR 101 billion at end-July.

(EUR billions (not seasonally adjusted))

3. Assets: flows ³⁾

											Total
	Loans to euro area residents	General government	Other euro area residents	Holdings of securities other than shares issued by euro area residents	General government	Other euro area residents	Holdings of shares/other equity issued by other euro area residents	External assets ⁴⁾	Fixed assets	Remaining assets	
	1	2	3	4	5	6	7	8	9	10	11
1998 Feb.	28.6	2.4	26.3	14.1	8.8	5.3	8.0	39.4	0.4	6.2	96.9
Mar.	30.9	-1.9	32.8	19.2	15.0	4.2	16.5	33.0	1.5	-23.6	77.6
Apr.	39.8	5.0	34.8	7.8	7.5	0.3	8.6	7.2	0.3	23.2	87.0
May	8.2	-11.1	19.4	14.8	11.1	3.7	5.6	21.0	9.0	17.9	76.4
June	66.8	5.9	60.9	2.9	10.7	-7.8	-6.0	12.3	-6.7	-104.5	-35.3
July	39.9	-4.3	44.1	-11.7	-17.3	5.6	-6.8	-15.7	-4.7	46.0	47.0
Aug.	1.5	2.4	-0.9	-0.4	-0.9	0.5	-6.7	-3.7	1.0	-6.0	-14.3
Sep.	50.5	4.2	46.3	-2.5	-5.1	2.5	3.1	78.6	0.6	-4.3	126.1
Oct.	40.3	5.9	34.4	7.8	4.5	3.3	0.9	-17.9	2.2	-1.6	31.7
Nov.	53.6	3.9	49.6	-4.6	0.5	-5.2	13.5	25.2	2.4	17.5	107.5
Dec.	64.7	2.1	62.6	-49.9	-41.0	-8.9	16.2	-72.0	2.6	-23.9	-62.3
1999 Jan.	70.9	0.9	70.0	17.5	17.1	0.4	10.5	112.8	-0.2	151.8	363.3
Feb.	7.0	0.3	6.7	9.1	13.4	-4.4	6.5	-132.7	-1.2	19.1	-92.2
Mar.	36.1	-2.9	39.0	27.9	25.5	2.5	18.2	67.2	1.2	-87.1	63.6
Apr.	17.8	-8.9	26.6	3.7	-0.6	4.3	12.6	-17.1	2.0	-36.0	-16.9
May	33.1	-1.1	34.2	24.2	18.0	6.2	14.0	-72.3	1.2	-20.0	-19.9
June	91.5	5.6	85.9	-19.2	-21.7	2.5	-11.2	117.1	1.8	6.9	186.8
July ^(p)	19.6	-8.5	28.1	-33.2	-32.2	-0.9	-5.9	-26.1	2.4	-17.0	-60.2

4. Liabilities: flows ³⁾

														Total
	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Over-night	With agreed maturity	Redeemable at notice	Repurchase agreements	Money market fund shares/units and money market paper	Debt securities issued	Capital and reserves	External liabilities ⁴⁾	Re-maining liabilities	Excess of inter-MFI liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998 Feb.	0.4	13.3	11.0	3.8	4.8	3.2	-0.8	1.8	20.6	0.5	35.9	0.9	12.6	96.9
Mar.	0.0	-20.4	-0.8	27.6	-25.6	1.3	-4.1	1.3	14.7	12.5	46.2	-3.2	27.2	77.6
Apr.	3.0	2.0	26.1	15.0	17.0	-0.4	-5.6	10.1	8.2	-11.2	-9.3	73.2	-15.1	87.0
May	2.4	-6.5	21.8	19.4	-1.1	1.9	1.6	-1.3	6.1	7.4	-0.7	24.7	22.5	76.4
June	-1.7	13.1	20.8	47.4	-20.4	-1.4	-4.8	-4.4	14.5	15.5	4.6	-78.2	-19.6	-35.3
July	5.2	8.2	-23.8	-39.7	4.3	-0.6	12.1	7.4	11.5	-1.0	-2.9	25.4	17.0	47.0
Aug.	-5.7	8.8	-3.7	-8.9	10.8	1.7	-7.3	3.8	3.1	-0.1	-8.1	-11.7	-0.5	-14.3
Sep.	-3.2	-8.1	17.3	24.8	-10.9	0.1	3.2	-6.1	6.6	8.1	71.5	23.4	16.6	126.1
Oct.	1.5	-1.6	16.9	4.7	-2.0	3.2	11.0	5.9	-9.0	-1.2	36.1	-6.0	-10.8	31.7
Nov.	0.9	-6.7	22.4	41.2	-1.6	2.7	-19.9	3.1	7.7	-1.8	41.4	10.3	30.3	107.5
Dec.	9.4	1.9	98.9	70.5	21.2	32.4	-25.2	-24.8	-11.0	-2.9	-83.5	-75.6	25.2	-62.3
1999 Jan.	-9.4	-6.6	34.2	23.7	-2.2	14.6	-1.9	13.6	27.0	14.7	158.0	170.2	-38.4	363.3
Feb.	-0.6	8.3	-24.1	-27.5	-11.5	2.2	12.7	15.1	13.6	-1.9	-83.6	-59.5	40.4	-92.2
Mar.	4.8	-6.0	12.7	5.9	13.7	-1.9	-5.1	6.5	8.0	12.4	43.5	-30.0	11.7	63.6
Apr.	2.1	-17.6	11.0	18.1	-3.9	3.4	-6.6	20.9	15.5	11.3	12.7	-59.1	-13.8	-16.9
May	1.7	4.9	16.4	26.8	-10.5	-0.2	0.2	1.3	9.8	5.5	-31.9	-44.5	16.8	-19.9
June	2.4	4.6	28.8	45.4	-15.1	4.4	-5.8	1.2	6.7	16.3	105.8	39.8	-18.9	186.8
July ^(p)	8.1	9.0	3.5	-11.7	18.2	2.1	-5.1	-12.7	11.9	1.1	-40.7	-26.5	-13.9	-60.2

Table 2.4**Monetary aggregates^{1) 2)}***(EUR billions (not seasonally adjusted) and annual percentage changes, unless otherwise indicated)***1. Levels outstanding at the end of the period**

		M1		M2		Repurchase agreements	Money market fund shares/units and money market paper	Debt securities up to 2 years				
		Currency in circulation	Overnight deposits	Total	Index, Dec. 98=100 ³⁾				Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Total	Index, Dec. 98=100 ³⁾
				3	4				5	6	7	8
		1	2									
1998	Jan.	311.4	1,253.6	1,565.0	87.97	908.4	1,177.5	3,650.9	93.60	217.1	308.0	74.8
	Feb.	311.7	1,254.1	1,565.8	88.03	905.1	1,181.6	3,652.5	93.65	216.3	309.8	79.7
	Mar.	311.8	1,283.8	1,595.5	89.68	878.8	1,183.4	3,657.7	93.77	212.2	311.2	85.9
	Apr.	314.8	1,295.9	1,610.7	90.59	892.6	1,185.1	3,688.4	94.61	206.6	320.9	86.4
	May	317.2	1,313.0	1,630.2	91.72	888.8	1,189.2	3,708.3	95.15	208.2	319.4	88.7
	June	315.5	1,361.7	1,677.2	94.33	871.2	1,189.0	3,737.4	95.88	203.4	315.1	87.8
	July	320.6	1,321.7	1,642.3	92.41	872.5	1,189.7	3,704.6	95.08	215.5	322.3	93.5
	Aug.	314.9	1,312.6	1,627.5	91.56	879.3	1,192.9	3,699.7	94.93	208.2	326.2	88.9
	Sep.	311.7	1,333.9	1,645.6	92.70	864.8	1,193.8	3,704.2	95.18	211.3	319.5	80.5
	Oct.	313.3	1,337.8	1,651.1	92.98	867.2	1,197.3	3,715.6	95.45	222.3	325.3	81.5
	Nov.	314.2	1,379.6	1,693.8	95.34	871.1	1,199.9	3,764.8	96.67	202.4	328.7	80.0
	Dec.	323.6	1,452.5	1,776.1	100.00	885.1	1,231.6	3,892.8	100.00	177.2	303.4	67.9
1999	Jan.	313.4	1,476.8	1,790.2	100.83	881.7	1,247.6	3,919.5	100.61	171.2	339.9	55.0
	Feb.	312.8	1,446.8	1,759.6	99.04	868.0	1,251.6	3,879.1	99.50	183.9	355.3	56.8
	Mar.	317.6	1,463.4	1,781.0	100.17	878.3	1,250.4	3,909.6	100.21	178.9	366.0	48.5
	Apr.	319.7	1,478.7	1,798.3	101.12	871.9	1,255.3	3,925.6	100.59	172.4	387.5	53.2
	May	321.4	1,503.5	1,824.9	102.59	862.5	1,259.3	3,946.7	101.11	172.6	388.9	59.0
	June	323.8	1,545.6	1,869.5	105.07	842.2	1,265.1	3,976.7	101.85	166.8	391.3	55.1
	July ⁴⁾	332.0	1,538.8	1,870.7	105.20	853.7	1,269.6	3,993.9	102.35	161.7	378.2	60.5

2. Flows⁴⁾

		M1		M2		Repurchase agreements	Money market fund shares/units and money market paper	Debt securities up to 2 years				
		Currency in circulation	Overnight deposits	Total	Annual percentage change ⁴⁾				Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Total	Annual percentage change ⁴⁾
				3	4				5	6	7	8
		1	2									
1998	Feb.	0.4	0.7	1.1	8.3	-3.1	4.1	2.1	4.2	-0.8	1.8	4.9
	Mar.	0.0	29.3	29.4	8.8	-26.8	1.8	4.3	4.4	-4.1	1.3	6.2
	Apr.	3.0	13.2	16.2	10.3	15.1	1.8	33.1	5.1	-5.6	10.1	0.9
	May	2.4	17.7	20.0	10.1	-3.1	4.1	21.0	5.3	1.6	-1.3	2.5
	June	-1.7	48.1	46.4	9.6	-18.1	-0.2	28.1	5.3	-4.8	-4.4	-1.0
	July	5.2	-39.2	-34.1	8.2	2.3	0.7	-31.1	4.4	12.1	7.4	5.9
	Aug.	-5.7	-9.4	-15.2	8.3	6.3	3.2	-5.7	4.3	-7.3	3.8	-4.8
	Sep.	-3.2	23.4	20.2	8.0	-11.7	1.0	9.6	4.7	3.2	-6.1	-7.8
	Oct.	1.5	3.5	5.1	8.1	2.2	3.5	10.7	4.5	11.0	5.9	0.8
	Nov.	0.9	41.0	41.9	8.3	2.8	2.5	47.2	5.0	-19.9	3.1	-1.7
	Dec.	9.4	73.4	82.8	9.6	15.6	31.4	129.8	6.0	-25.2	-24.8	-12.3
1999	Jan.	-9.4	24.2	14.8	14.6	-6.7	15.6	23.7	7.5	-1.9	13.6	-1.2
	Feb.	-0.6	-31.2	-31.8	12.5	-15.2	3.9	-43.1	6.2	12.7	15.1	1.4
	Mar.	4.8	15.3	20.0	11.7	9.0	-1.4	27.6	6.9	-5.1	6.5	-1.7
	Apr.	2.1	14.9	17.0	11.6	-7.0	5.0	14.9	6.3	-6.6	20.9	1.8
	May	1.7	24.4	26.1	11.9	-9.8	3.9	20.2	6.3	0.2	1.3	5.6
	June	2.4	41.6	44.0	11.4	-21.0	5.8	28.8	6.2	-5.8	1.2	-4.0
	July ⁴⁾	8.1	-5.8	2.3	13.8	12.6	4.5	19.5	7.6	-5.1	-12.7	5.6

Source: ECB.

- 1) Monetary aggregates comprise monetary liabilities of MFIs and central government (Post Office, Treasury) vis-à-vis non-MFI euro area residents excluding central government.
- 2) Data have been revised in the light of new information.
- 3) Taking the December 1998 outstanding level (not seasonally adjusted) as 100, the index shows the cumulative product of changes from that date calculated from flows as described in footnote 4. The percentage change in the index between any two dates corresponds to the change in the aggregate excluding such reclassifications, etc.
- 4) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions. For the calculation of growth rates, see the technical notes on page 17*.

M3			Memo: Non-monetary liabilities of MFIs							Total	
Total	Index, Dec. 98 = 100 ³⁾		Deposits			Debt securities over 2 years	Capital and reserves				
			With agreed maturity over 2 years	Redeemable at notice over 3 months							
12	13	14	15	16	17	18	19	20			
4,250.9	95.50		1,227.7	1,010.0	217.7	1,239.0	697.5	3,164.2	1998	Jan.	
4,258.3	95.68		1,235.2	1,017.7	217.5	1,254.0	696.5	3,185.7		Feb.	
4,267.0	95.85		1,235.8	1,019.1	216.8	1,262.5	705.7	3,203.9		Mar.	
4,302.4	96.72		1,235.2	1,020.5	214.7	1,266.2	693.8	3,195.2		Apr.	
4,324.6	97.25		1,235.3	1,022.3	213.0	1,267.5	700.8	3,203.6		May	
4,343.8	97.66		1,232.2	1,020.2	212.0	1,282.5	713.4	3,228.0		June	
4,335.9	97.53		1,232.6	1,021.8	210.8	1,285.2	713.1	3,230.9		July	
4,323.0	97.22		1,236.5	1,026.6	209.9	1,294.6	712.0	3,243.0		Aug.	
4,315.5	97.20		1,235.8	1,026.5	209.3	1,317.0	719.1	3,271.9		Sep.	
4,344.8	97.84		1,231.5	1,022.4	209.1	1,310.2	717.4	3,259.2		Oct.	
4,375.9	98.48		1,227.8	1,018.3	209.5	1,320.9	714.8	3,263.5		Nov.	
4,441.3	100.00		1,238.4	1,023.7	214.6	1,322.3	712.1	3,272.8		Dec.	
4,485.6	100.77		1,216.4	1,093.2	123.1	1,360.7	757.3	3,334.3	1999	Jan.	
4,475.2	100.46		1,226.2	1,104.3	121.8	1,375.7	754.4	3,356.2		Feb.	
4,503.0	101.07		1,230.4	1,109.5	120.9	1,389.5	767.5	3,387.4		Mar.	
4,538.5	101.77		1,231.6	1,112.9	118.7	1,401.4	778.4	3,411.4		Apr.	
4,567.2	102.38		1,227.7	1,112.5	115.2	1,406.6	783.1	3,417.4		May	
4,589.9	102.83		1,232.9	1,118.7	114.2	1,418.5	797.7	3,449.1		June	
4,594.2	103.00		1,235.5	1,123.5	112.0	1,419.8	798.5	3,453.8		July ^(p)	

M3			Memo: Non-monetary liabilities of MFIs							Total	
Total	Annual percentage change ⁴⁾	3-month moving average (centred)	Deposits			Debt securities over 2 years	Capital and reserves				
			With agreed maturity over 2 years	Redeemable at notice over 3 months							
12	13	14	15	16	17	18	19	20			
8.0	4.6	4.7	7.6	7.8	-0.2	15.6	0.5	23.7	1998	Feb.	
7.7	4.7	4.9	0.5	1.2	-0.8	8.5	12.5	21.5		Mar.	
38.6	5.2	5.0	-0.1	1.9	-2.0	7.2	-11.2	-4.1		Apr.	
23.8	5.0	5.1	0.2	1.9	-1.7	3.6	7.4	11.2		May	
18.0	4.9	4.9	-3.3	-2.3	-1.0	15.5	15.5	27.7		June	
-5.6	4.8	4.8	0.7	1.9	-1.2	5.5	-1.0	5.3		July	
-14.0	4.5	4.6	3.6	4.5	-0.9	7.9	-0.1	11.4		Aug.	
-1.0	4.5	4.6	0.2	0.8	-0.6	14.3	8.1	22.6		Sep.	
28.4	4.9	4.7	-4.4	-4.1	-0.2	-9.8	-1.2	-15.4		Oct.	
28.7	4.6	4.7	-4.0	-4.4	0.4	9.4	-1.8	3.6		Nov.	
67.5	4.6	4.9	11.2	5.7	5.5	1.3	-2.9	9.6		Dec.	
34.1	5.5	5.0	3.7	4.7	-1.0	28.2	14.7	46.6	1999	Jan.	
-13.9	5.0	5.3	2.4	3.7	-1.3	12.2	-1.9	12.8		Feb.	
27.4	5.4	5.2	3.9	4.7	-0.8	9.7	12.4	26.0		Mar.	
31.1	5.2	5.3	1.0	3.3	-2.2	13.7	11.3	26.0		Apr.	
27.3	5.3	5.3	-4.2	-0.7	-3.5	4.2	5.5	5.6		May	
20.2	5.3	5.4	4.9	5.9	-1.0	10.8	16.3	32.0		June	
7.3	5.6	-	3.1	5.3	-2.2	6.4	1.1	10.6		July ^(p)	

Table 2.4 (cont.)**Monetary aggregates^{1) 2)}***(EUR billions and percentage changes, unless otherwise indicated)***3. Seasonally adjusted levels**

		M1				M2		Marketable instruments ⁵⁾		M3	
		Total		Other short-term deposits ⁴⁾		Total	Index ³⁾	Total		Total	Index ³⁾
		1	2	3	4	5	6	7	8	9	10
1998	Jan.	1,566.8	88.07	2,058.0		3,624.8	92.97	609.5		4,234.3	95.24
	Feb.	1,589.5	89.36	2,063.3		3,652.8	93.70	604.1		4,256.9	95.76
	Mar.	1,606.6	90.30	2,063.9		3,670.5	94.13	605.3		4,275.8	96.16
	Apr.	1,626.3	91.47	2,063.8		3,690.1	94.70	601.9		4,292.0	96.60
	May	1,634.7	91.97	2,071.4		3,706.2	95.14	597.6		4,303.8	96.90
	June	1,650.0	92.80	2,074.0		3,724.0	95.57	596.7		4,320.8	97.25
	July	1,643.3	92.46	2,068.9		3,712.2	95.31	624.3		4,336.5	97.66
	Aug.	1,651.6	92.91	2,074.0		3,725.6	95.64	618.4		4,344.0	97.80
	Sep.	1,660.4	93.53	2,077.5		3,737.9	96.08	613.6		4,351.6	98.12
	Oct.	1,673.5	94.25	2,078.4		3,751.9	96.43	634.1		4,386.0	98.88
	Nov.	1,681.0	94.62	2,094.6		3,775.6	96.99	616.7		4,392.3	98.97
	Dec.	1,696.7	95.53	2,106.7		3,803.4	97.74	583.1		4,386.5	98.88
1999	Jan.	1,787.1	100.66	2,100.7		3,887.8	99.84	576.8		4,464.6	100.41
	Feb.	1,781.7	100.29	2,096.8		3,878.4	99.53	595.1		4,473.5	100.53
	Mar.	1,798.9	101.18	2,129.6		3,928.5	100.74	590.1		4,518.6	101.54
	Apr.	1,815.1	102.06	2,113.1		3,928.1	100.70	599.6		4,527.7	101.64
	May	1,828.9	102.82	2,119.0		3,947.9	101.18	600.8		4,548.7	102.08
	June	1,844.1	103.64	2,119.9		3,964.0	101.56	601.9		4,565.9	102.41
	July ⁶⁾	1,865.9	104.93	2,131.3		3,997.3	102.48	593.4		4,590.7	103.04

4. Seasonally adjusted flows⁶⁾

		M1				M2		Marketable instruments ⁵⁾		M3	
		Total		Other short-term deposits ⁴⁾		Total	Change on previous month (%)	Total	Change on previous month (%)	Total	Change on previous month (%)
		1	2	3	4	5	6	7	8	9	10
1998	Jan.	19.8	1.3	7.2	0.4	27.0	0.8	-0.8	-0.1	26.2	0.6
	Feb.	22.9	1.5	5.6	0.3	28.5	0.8	-5.3	-0.9	23.2	0.5
	Mar.	16.7	1.1	0.1	0.0	16.8	0.5	1.1	0.2	17.9	0.4
	Apr.	20.7	1.3	1.3	0.1	22.0	0.6	-2.7	-0.4	19.4	0.5
	May	8.9	0.5	8.3	0.4	17.2	0.5	-3.8	-0.6	13.4	0.3
	June	14.8	0.9	2.0	0.1	16.8	0.5	-1.1	-0.2	15.7	0.4
	July	-6.0	-0.4	-4.1	-0.2	-10.0	-0.3	28.1	4.7	18.1	0.4
	Aug.	8.0	0.5	4.6	0.2	12.6	0.3	-6.2	-1.0	6.4	0.1
	Sep.	10.9	0.7	6.5	0.3	17.4	0.5	-3.3	-0.5	14.1	0.3
	Oct.	12.7	0.8	0.7	0.0	13.4	0.4	20.2	3.3	33.6	0.8
	Nov.	6.6	0.4	15.1	0.7	21.7	0.6	-17.8	-2.8	3.9	0.1
	Dec.	16.2	1.0	13.3	0.6	29.5	0.8	-33.3	-5.4	-3.7	-0.1
1999	Jan.	91.1	5.4	-9.7	-0.5	81.4	2.1	-13.6	-2.3	67.8	1.5
	Feb.	-6.6	-0.4	-5.5	-0.3	-12.1	-0.3	17.5	3.0	5.4	0.1
	Mar.	15.9	0.9	31.4	1.5	47.2	1.2	-2.6	-0.4	44.6	1.0
	Apr.	15.7	0.9	-17.1	-0.8	-1.4	0.0	6.2	1.0	4.8	0.1
	May	13.4	0.7	5.4	0.3	18.8	0.5	0.8	0.1	19.7	0.4
	June	14.7	0.8	0.2	0.0	14.8	0.4	-0.1	0.0	14.7	0.3
	July ⁶⁾	22.9	1.2	12.6	0.6	35.5	0.9	-7.9	-1.3	27.7	0.6

Source: ECB.

- 1) Monetary aggregates comprise monetary liabilities of MFIs and central government (Post Office, Treasury) vis-à-vis non-MFI euro area residents excluding central government.
- 2) Data have been revised in the light of new information.
- 3) Taking the December 1998 outstanding level (not seasonally adjusted) as 100, the index shows the cumulative product of changes from that date calculated from flows, as described in footnote 6. The percentage change in the index between any two dates corresponds to the change in the aggregate excluding such reclassifications etc. For the calculation of growth rates, see the technical notes opposite.
- 4) Other short term deposits comprise deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to three months.
- 5) Marketable instruments comprise repurchase agreements, money market fund shares/units and money market paper together with debt securities issued with an original maturity of up to two years.
- 6) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

Table 2.5**Outstanding MFI loans to households and non-financial corporations by type and maturity at issue ¹⁾**

(EUR billions (not seasonally adjusted); end of period)

	Non-financial corporations ²⁾	Households ²⁾			Non-profit institutions serving households ²⁾							
		Up to 1 year	Over 1 and up to 5 years	Over 5 years								
	1	2	3	4	5	Consumer credit ³⁾			Lending for house purchase ³⁾			12
						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	
1998 June	2,192.9	786.0	317.3	1,089.6	2,374.5	78.0	122.3	190.2	28.5	51.0	1,344.2	37.6
Sep.	2,214.5	774.8	323.5	1,116.2	2,419.2	80.3	126.1	195.1	28.9	50.5	1,376.9	36.7
Dec.	2,284.2	810.5	319.9	1,153.8	2,478.7	84.9	128.4	199.8	28.2	46.2	1,415.6	37.0
1999 Mar.	2,276.7	816.0	346.8	1,113.9	2,526.2	86.2	147.5	187.2	15.4	70.5	1,460.4	35.8
June ^(p)	2,334.5	843.0	351.5	1,140.0	2,590.8	88.8	150.3	190.2	15.3	70.0	1,508.2	35.8

Source: ECB.

1) Data have been revised in the light of new information.

2) Corresponding ESA 95 sector codes: non-financial corporations, S11; households, S14; non-profit institutions serving households, S15.

3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area. Column 5 includes other lending to households.

Table 2.4 – Technical notes**Seasonal adjustment of the euro area monetary aggregates**

Multiplicative versions of X-12-ARIMA (version 0.2.2¹⁾ and TRAMO/SEATS² (beta version, July 1998) are used. For technical reasons, the results of X-12-ARIMA are published as the official figures. Seasonal adjustment for monetary aggregates includes a day-of-the-week adjustment for some components of M2. The seasonal adjustment of M3 is carried out indirectly by aggregating the seasonally adjusted series of M1, M2 less M1, and M3 less M2 to fulfil the additivity constraint.

Seasonal factors are estimated for the index of adjusted stocks (Table 2.4.1). They are then applied to the levels expressed in EUR billions and to the adjustments due to reclassifications, other revaluations, etc., yielding seasonally adjusted values for the levels, the adjustments, and thus for the flows.

Calculation of growth rates

Growth rates may be calculated (a) from flows, or (b) from the index of adjusted stocks.

If F_t represents the flow in month t , L_t the level outstanding at the end of month t , X_t the rate of change in month t defined as $X_t = (F_t \div L_{t-1} + 1)$, and I_t the index of adjusted stocks in month t , the annual percentage change a_t – i.e. the change in the latest twelve months – may be calculated as follows:

$$(a) a_t = ((X_t * X_{t-1} * X_{t-2} * X_{t-3} * X_{t-4} * X_{t-5} * X_{t-6} * X_{t-7} * X_{t-8} * X_{t-9} * X_{t-10} * X_{t-11}) - 1) * 100$$

$$(b) a_t = (I_t \div I_{t-12} - 1) * 100$$

Roundings may give rise to differences from the annual percentage changes shown in Table 2.4. The index of adjusted stocks is available with a higher level of precision on the ECB's web site (<http://www.ecb.int>) on the "Euro area statistics-download" page (in CSV file format), from which the exact percentage changes shown in Table 2.4 may be calculated.

1 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, 127-152, or "X-12-ARIMA Reference Manual Version 0.2.2", (December 1998), *Time Series Staff, Bureau of the Census, Washington, D.C.*

2 For details see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", *Bank of Spain, Working Paper No. 9628, Madrid.*

Table 2.6**Currency analysis of certain liabilities and assets of the euro area MFIs¹⁾***(EUR billions (not seasonally adjusted; end of period))***Liabilities outstanding****1. Deposits placed by euro area residents**

		MFIs								Non-MFIs							
		All currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
						USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
1998	Dec.	3,401.4	3,005.6	43.3	352.6	247.0	27.5	51.3	26.8	5,007.2	4,862.9	19.4	124.8	89.6	13.0	13.2	9.0
1999	Mar.	3,819.3	3,354.7	47.9	416.7	296.1	31.2	54.8	34.6	4,999.5	4,849.0	23.2	127.3	87.9	14.3	14.5	10.7
	June ^(p)	4,029.4	3,630.1	42.8	356.5	254.5	27.4	51.6	23.0	5,051.8	4,894.7	24.6	132.5	94.4	15.3	12.5	10.4

2. Deposits placed by non-residents of the euro area

		Banks ³⁾								Non-banks							
		All currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
						USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
1998	Dec.	1,158.4	457.4	125.7	575.3	441.3	55.8	52.5	25.7	365.7	153.5	33.4	178.8	130.9	23.2	12.1	12.6
1999	Mar.	1,286.7	554.5	130.9	601.3	463.9	53.3	53.4	30.8	417.4	179.2	39.2	199.0	147.3	25.1	12.5	13.9
	June ^(p)	1,382.1	614.6	137.3	630.2	499.1	41.3	52.5	37.2	442.8	188.2	40.3	214.3	163.1	24.4	11.7	14.9

3. Debt securities and money market paper issued by euro area MFIs

		Debt securities								Money market paper							
		All currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
						USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
1998	Dec.	2,120.6	1,905.6	26.4	188.6	106.3	34.4	33.0	14.9	168.0	154.0	0.6	13.4	11.3	0.9	1.1	0.1
1999	Mar.	2,200.1	1,992.9	26.3	180.9	99.3	24.2	26.6	30.8	185.4	169.8	0.8	14.9	12.6	0.8	1.3	0.2
	June ^(p)	2,285.5	2,068.4	31.3	185.8	102.5	23.4	27.7	32.2	187.6	170.7	1.3	15.6	12.8	1.1	1.5	0.2

Source: ECB.

1) Data have been revised in the light of new information.

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

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

Assets outstanding

4. Loans to euro area residents

	MFIs								Non-MFIs							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	3,376.2	.	.	.	.	.	.	.	5,932.1	5,758.9	26.3	147.0	79.2	15.1	48.9	3.7
1999 Mar.	3,796.5	.	.	.	.	.	.	.	5,991.9	5,797.2	19.9	174.9	98.2	18.7	53.7	4.3
June ^(p)	4,007.8	.	.	.	.	.	.	.	6,208.8	5,999.5	21.4	187.9	107.7	19.6	57.8	2.8

5. Holdings of securities other than shares issued by euro area residents

	MFIs								Non-MFIs							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	730.4	687.4	18.0	25.0	16.9	3.7	1.8	2.6	1,375.7	1,338.8	10.6	26.4	14.4	8.6	2.3	1.1
1999 Mar.	760.9	725.5	8.0	27.8	18.2	5.8	1.3	2.5	1,419.5	1,386.6	4.0	28.9	15.4	10.7	2.0	0.9
June ^(p)	809.7	776.2	6.6	26.9	17.6	5.4	1.1	2.9	1,452.8	1,422.5	3.3	27.1	13.7	10.5	2.1	0.9

6. Loans to non-residents of the euro area

	Banks ³⁾								Non-banks							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	971.9	377.3	81.4	513.3	373.5	73.9	27.1	38.8	378.9	152.3	27.0	199.6	173.4	8.3	13.4	4.6
1999 Mar.	1,008.0	437.2	109.6	461.2	328.5	62.9	26.9	43.3	384.9	140.4	27.3	217.2	189.9	7.8	14.3	5.4
June ^(p)	955.5	415.6	77.8	462.1	340.2	53.4	26.3	42.2	411.9	139.0	34.8	238.2	208.1	7.9	16.0	6.1

7. Holdings of securities other than shares issued by non-residents of the euro area

	Banks ³⁾								Non-banks							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ²⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	65.1	18.7	5.1	41.3	27.9	5.0	0.8	7.6	315.0	47.2	33.3	234.5	176.8	34.3	4.2	19.3
1999 Mar.	76.2	21.5	5.1	49.6	35.0	5.2	0.9	8.4	409.4	56.7	32.5	320.2	250.6	37.3	4.4	27.9
June ^(p)	82.4	23.4	5.6	53.4	38.4	5.4	1.2	8.4	386.6	71.0	32.6	283.0	222.9	33.9	4.7	21.5

3 Financial markets and interest rates in the euro area

Table 3.1

Money market interest rates¹⁾

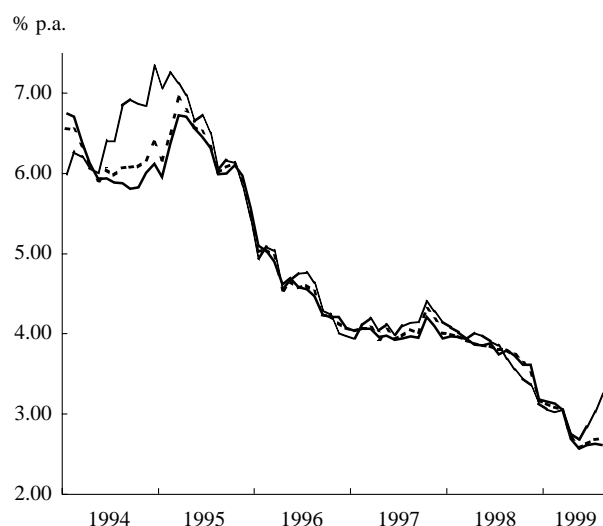
(percentages per annum)²⁾

	Euro area ^{3) 4)}					United States ⁵⁾	Japan ⁵⁾
	Overnight deposits 1	1-month deposits 2	3-month deposits 3	6-month deposits 4	12-month deposits 5	3-month deposits 6	3-month deposits 7
1994	5.24	6.12	6.38	6.83	7.34	6.37	2.34
1995	5.62	5.57	5.49	5.62	5.42	5.44	0.50
1996	4.04	4.08	4.08	4.06	3.98	5.43	0.31
1997	3.98	3.94	4.01	4.05	4.15	5.62	0.36
1998	3.09	3.18	3.17	3.14	3.13	5.00	0.18
1998 Aug.	3.78	3.80	3.81	3.72	3.69	5.50	0.37
Sep.	3.81	3.73	3.73	3.64	3.55	5.20	0.12
Oct.	3.66	3.61	3.63	3.53	3.44	5.12	0.68
Nov.	3.40	3.62	3.51	3.43	3.36	5.12	0.68
Dec.	3.09	3.18	3.17	3.14	3.13	5.00	0.18
1999 Jan.	3.14	3.16	3.13	3.10	3.06	4.99	0.35
Feb.	3.12	3.13	3.09	3.04	3.03	5.00	0.38
Mar.	2.93	3.05	3.05	3.02	3.05	4.99	0.20
Apr.	2.71	2.69	2.70	2.70	2.76	4.97	0.18
May	2.55	2.57	2.58	2.60	2.68	4.98	0.12
June	2.56	2.61	2.63	2.68	2.84	5.17	0.10
July	2.52	2.63	2.68	2.90	3.03	5.30	0.12
Aug.	2.44	2.61	2.70	3.05	3.24	5.46	0.13
1999 6 Aug.	2.53	2.62	2.70	3.04	3.24	5.40	0.13
13	2.57	2.62	2.70	3.07	3.28	5.46	0.11
20	1.94	2.60	2.68	3.05	3.19	5.46	0.11
27	2.55	2.60	2.69	3.06	3.24	5.52	0.15

Euro area money market rates

(monthly)

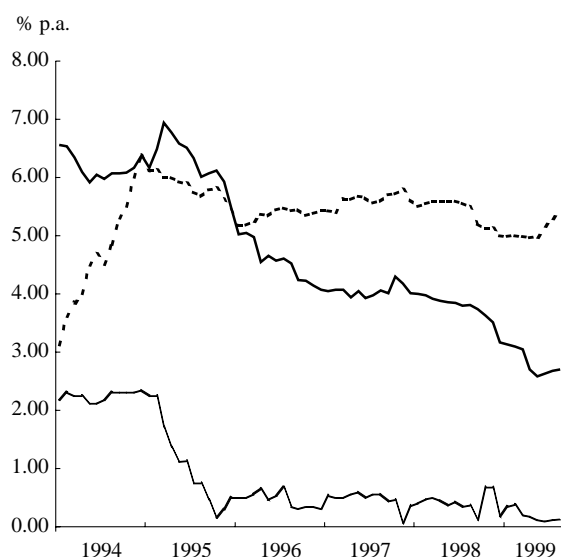
— 1-month rate - - - - - 3-month rate
— 12-month rate



3-month money market rates

(monthly)

— euro area - - - - - United States — Japan



Sources: Reuters and ECB.

1) Interbank deposit bid rates to December 1998; offered rates thereafter.

2) End-of-period rates to December 1998; period averages thereafter.

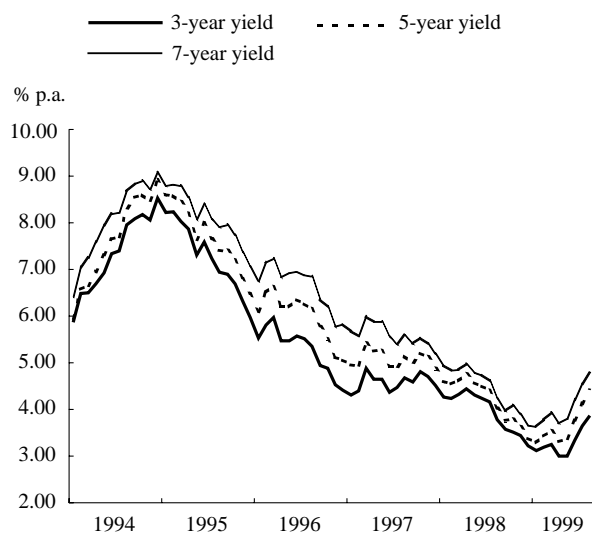
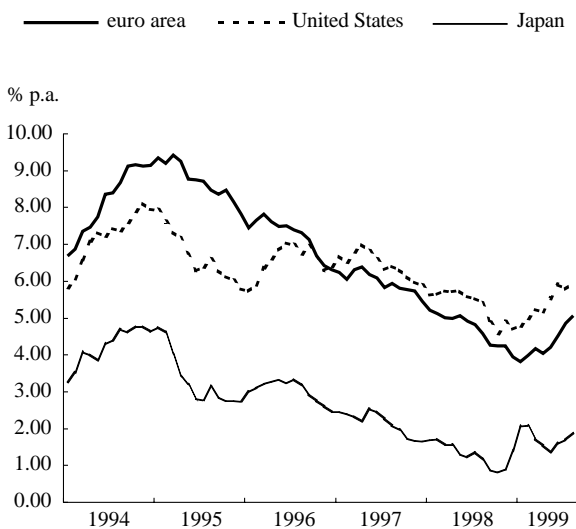
3) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP.

4) From January 1999 column 1 shows the euro overnight interest average (EONIA); other euro area money market rates from January 1999 are euro interbank offered rates (EURIBOR).

5) From February 1999, London interbank offered rate (LIBOR).

Table 3.2**Government bond yields¹⁾***(percentages per annum)*

	Euro area ²⁾					United States	Japan
	2 years 1	3 years 2	5 years 3	7 years 4	10 years 5	10 years 6	10 years 7
1994	8.08	8.52	8.91	9.08	8.18	7.21	4.24
1995	5.69	5.97	6.48	7.06	8.73	6.69	3.32
1996	4.17	4.41	5.06	5.82	7.23	6.54	3.03
1997	4.33	4.51	4.87	5.20	5.99	6.45	2.15
1998	3.16	3.22	3.38	3.67	4.71	5.33	1.30
1998 Aug.	3.68	3.78	4.01	4.24	4.59	5.41	1.17
1998 Sep.	3.55	3.58	3.77	3.98	4.27	4.87	0.88
1998 Oct.	3.39	3.51	3.77	4.09	4.25	4.58	0.82
1998 Nov.	3.33	3.44	3.62	3.90	4.24	4.89	0.89
1998 Dec.	3.16	3.22	3.38	3.67	3.95	4.69	1.39
1999 Jan.	2.98	3.11	3.30	3.64	3.82	4.78	2.07
1999 Feb.	3.05	3.19	3.43	3.78	3.98	4.99	2.09
1999 Mar.	3.08	3.25	3.53	3.92	4.18	5.23	1.72
1999 Apr.	2.83	3.00	3.31	3.70	4.04	5.18	1.55
1999 May	2.82	3.00	3.37	3.81	4.21	5.54	1.36
1999 June	3.09	3.34	3.77	4.20	4.53	5.90	1.60
1999 July	3.30	3.64	4.13	4.55	4.86	5.80	1.69
1999 Aug.	3.56	3.87	4.39	4.78	5.06	5.94	1.89
1999 6 Aug.	3.63	3.96	4.51	4.87	5.16	6.03	1.80
1999 13	3.55	3.84	4.38	4.78	5.05	5.98	1.85
1999 20	3.45	3.74	4.25	4.68	4.97	5.88	1.87
1999 27	3.55	3.85	4.33	4.71	4.99	5.82	1.94

Euro area government bond yields*(monthly)***10-year government bond yields***(monthly)*

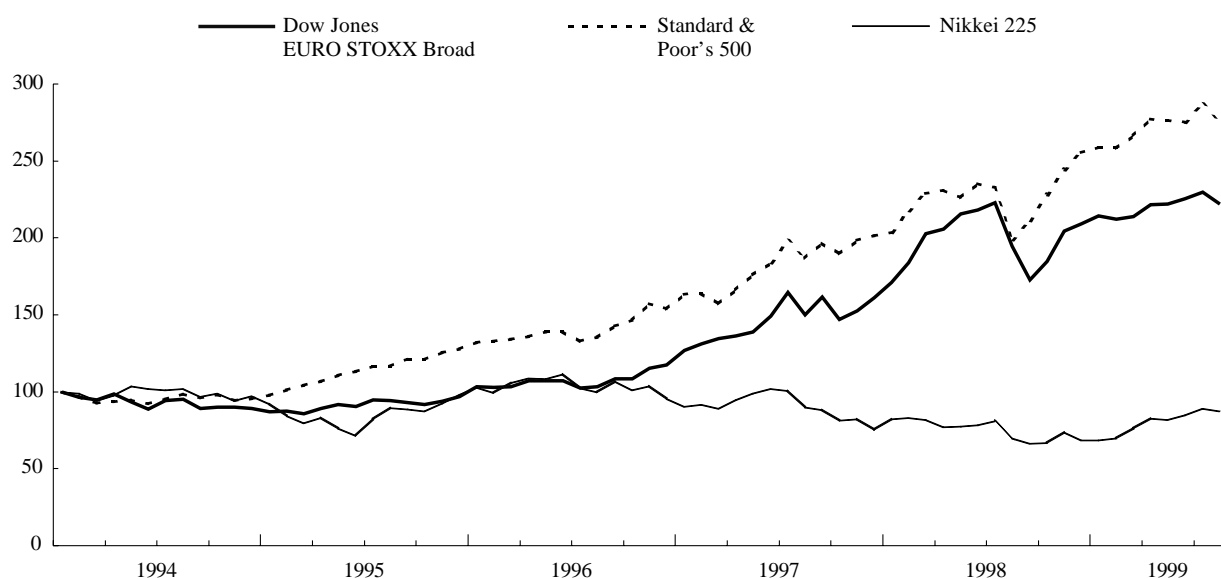
Sources: Reuters, ECB, Federal Reserve and Bank of Japan.

1) To December 1998, 2, 3, 5, and 7-year euro area yields are end-of-period values and 10-year yields are period averages. Thereafter, all yields are period averages.

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

Table 3.3**Stock market indices***(index levels, in points)¹⁾*

	Dow Jones EURO STOXX indices											United States	Japan
	Benchmark		Main economic sector indices									Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Conglomerates	Industrial	Technology	Utilities		
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	127.33	1,320.59	145.88	107.82	143.90	125.92	109.29	125.91	132.31	128.66	122.60	455.19	19,299.47
1995	138.37	1,506.82	137.78	111.06	181.13	145.46	117.66	133.05	136.18	145.57	152.09	614.57	19,417.95
1996	167.75	1,850.32	145.11	120.25	274.94	180.64	137.84	156.11	171.05	153.17	192.40	743.25	20,147.27
1997	229.86	2,531.99	166.33	159.82	324.06	249.22	188.87	210.33	204.75	248.37	225.11	962.37	15,917.07
1998	298.37	3,342.32	147.10	156.74	485.39	232.87	250.29	218.78	283.76	353.38	329.50	1,229.23	13,842.17
1998 Aug.	277.73	3,050.59	151.13	167.11	413.58	217.55	240.10	194.28	262.30	360.33	279.30	1,074.62	15,243.98
1998 Sep.	246.31	2,670.97	131.62	137.37	379.55	230.22	187.86	182.29	240.51	279.90	277.86	1,020.64	14,140.69
1998 Oct.	263.49	2,887.11	138.21	147.48	419.19	223.71	206.17	197.45	250.98	300.39	295.80	1,098.67	13,564.51
1998 Nov.	291.73	3,232.44	147.95	153.01	442.91	237.51	236.66	208.39	270.40	339.22	306.30	1,176.46	14,883.70
1998 Dec.	298.37	3,342.32	147.10	156.74	485.39	232.87	250.29	218.78	283.76	353.38	329.50	1,229.23	13,842.17
1999 Jan.	306.01	3,486.40	146.59	152.92	498.08	226.40	254.13	229.20	301.23	367.41	339.23	1,246.89	13,859.26
1999 Feb.	302.69	3,450.87	149.74	152.16	496.17	225.01	246.99	229.33	312.25	366.43	330.00	1,244.93	14,168.83
1999 Mar.	305.52	3,524.19	153.81	155.94	480.73	254.11	249.73	229.77	311.75	374.45	318.57	1,284.56	15,459.81
1999 Apr.	316.39	3,671.80	172.06	162.67	493.62	276.64	257.18	238.42	334.72	403.94	306.87	1,335.79	16,689.65
1999 May	317.05	3,669.07	176.93	167.47	482.10	291.29	253.77	257.12	344.94	413.34	300.15	1,330.72	16,533.26
1999 June	321.66	3,749.45	177.95	168.33	487.77	299.00	251.77	268.06	365.11	440.22	300.26	1,325.93	17,135.96
1999 July	328.07	3,846.24	190.82	168.19	487.34	316.01	246.24	277.97	379.94	481.62	302.28	1,380.99	18,008.62
1999 Aug.	316.78	3,691.33	204.66	162.31	468.57	314.74	235.93	278.08	365.94	455.23	289.80	1,327.49	17,670.31
1999 6 Aug.	303.75	3,525.47	204.60	156.85	451.13	303.86	220.55	271.39	348.79	436.00	280.04	1,300.29	17,084.24
1999 13	317.75	3,710.57	214.31	162.23	466.39	326.23	237.70	273.09	365.39	458.42	285.58	1,327.68	17,435.17
1999 20	319.44	3,715.39	208.39	163.72	463.61	318.82	237.40	284.99	364.84	456.20	294.60	1,336.61	18,098.11
1999 27	329.97	3,853.48	202.20	166.53	492.95	312.89	250.92	286.00	386.83	476.23	304.64	1,348.27	17,599.37

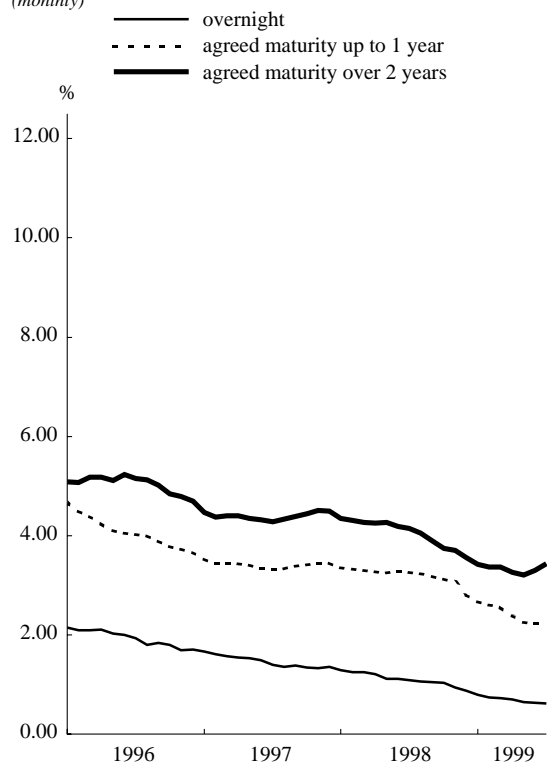
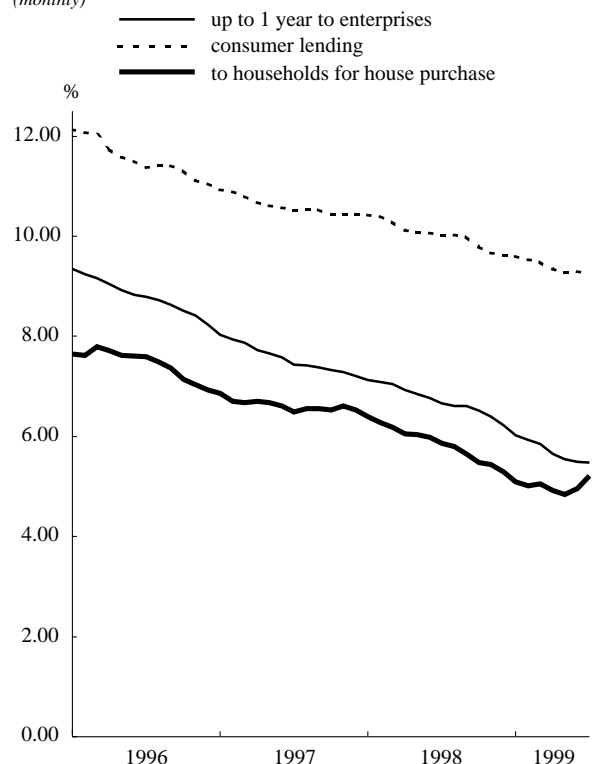
Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225 re-based*(base month: January 1994 = 100; monthly)*

Source: Reuters.

1) End-of-period values to December 1998; period averages thereafter.

Table 3.4**Retail bank interest rates***(percentages per annum; period averages)*

	Deposit interest rates						Lending interest rates			
	Overnight 1	With agreed maturity			Redeemable at notice		To enterprises		To households	
		Up to 1 year 2	Up to 2 years 3	Over 2 years 4	Up to 3 months 5	Over 3 months 6	Up to 1 year 7	Over 1 year 8	Consumer lending 9	For house purchase 10
1996	1.94	4.09	4.69	5.04	3.05	3.16	8.82	.	11.56	7.46
1997	1.46	3.41	3.63	4.40	2.80	3.09	7.57	6.64	10.61	6.63
1998	1.10	3.20	3.22	4.06	2.61	3.25	6.74	5.80	10.04	5.87
1998 July	1.08	3.26	3.26	4.15	2.56	3.29	6.66	5.84	10.02	5.86
Aug.	1.05	3.23	3.24	4.05	2.55	3.30	6.61	5.76	10.02	5.79
Sep.	1.05	3.17	3.18	3.88	2.53	3.21	6.60	5.65	10.00	5.66
Oct.	1.04	3.12	3.13	3.74	2.49	3.14	6.52	5.52	9.79	5.48
Nov.	0.94	3.06	3.05	3.70	2.48	3.12	6.40	5.44	9.67	5.43
Dec.	0.87	2.81	2.81	3.56	2.44	3.03	6.22	5.11	9.61	5.29
1999 Jan.	0.79	2.67	2.67	3.42	2.37	2.86	6.03	5.04	9.60	5.10
Feb.	0.74	2.60	2.59	3.37	2.34	2.78	5.93	5.00	9.53	5.02
Mar.	0.73	2.57	2.56	3.37	2.31	2.79	5.85	4.99	9.50	5.05
Apr.	0.70	2.39	2.39	3.26	2.27	2.61	5.66	4.82	9.35	4.91
May	0.65	2.25	2.25	3.21	2.16	2.48	5.55	4.73	9.29	4.84
June	0.62	2.22	2.22	3.29	2.15	2.45	5.50	4.78	9.29	4.96
July	0.62	2.24	2.24	3.44	2.15	2.63	5.48	4.97	9.24	5.21

Deposit interest rates*(monthly)***Lending interest rates***(monthly)*

Source: ECB.

These euro area retail bank interest rates should be used with caution and for statistical purposes only, primarily to analyse their development over time rather than their level. They are calculated as the weighted average of national interest rates provided by the national central banks. The national rates represent those rates that are currently available from national sources and which are judged to fit the standard categories. These national rates have been aggregated to derive information for the euro area, in some cases relying on proxies and working assumptions due to the heterogeneity observed in the national financial instruments across MU Member States. Furthermore, the national interest rates are not harmonised in terms of their coverage (new business and/or outstanding amounts), the nature of the data (nominal or effective) or the compilation method. The country weights for the euro area retail bank interest rates are derived from MFI balance sheet statistics or close proxies. The weights reflect the country-specific proportions of the relevant instruments within the euro area, measured as outstanding amounts. The weights are adjusted monthly, so that interest rates and weights always refer to the same month.

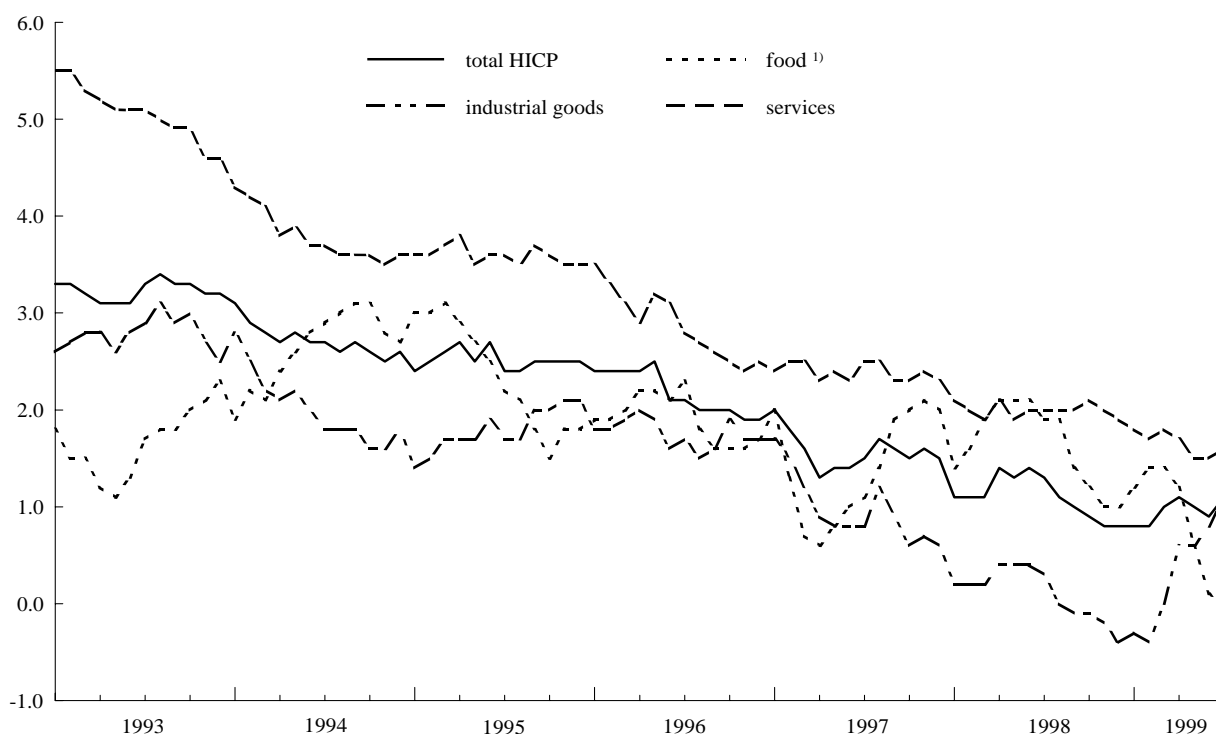
4 HICP and other prices in the euro area

Table 4.1

Harmonised Index of Consumer Prices

(annual percentage changes, unless otherwise indicated)

	Total (index, 1996 = 100)	Total									Services
		100.0	Goods								
			63.7	Food ¹⁾				Industrial goods			
				22.4	13.4	9.0	41.3	32.5	8.8		
Weight in the total (%) ²⁾	100.0	100.0	63.7	22.4	13.4	9.0	41.3	32.5	8.8	36.3	
	1	2	3	4	5	6	7	8	9	10	
1995	97.9	2.5	.	2.4	2.4	2.2	1.8	1.9	1.4	3.6	
1996	100.0	2.2	1.8	1.9	2.0	1.7	1.8	1.4	3.0	2.9	
1997	101.6	1.6	1.2	1.4	1.4	1.4	1.0	0.5	2.8	2.4	
1998	102.7	1.1	0.6	1.6	1.4	2.0	0.1	0.9	-2.6	2.0	
1998 Q2	102.8	1.3	1.0	2.1	1.6	2.8	0.4	0.9	-1.4	2.0	
1998 Q3	102.9	1.1	0.6	1.7	1.4	2.1	0.1	1.0	-3.2	2.0	
1998 Q4	102.8	0.8	0.2	1.1	1.2	0.8	-0.2	0.9	-4.4	2.0	
1999 Q1	103.1	0.8	0.3	1.3	1.2	1.5	-0.2	0.8	-3.8	1.7	
1999 Q2	103.8	1.0	0.6	0.6	0.9	0.3	0.6	0.6	0.8	1.6	
1998 July	102.9	1.3	0.9	1.9	1.6	2.5	0.3	1.0	-1.9	2.0	
1998 Aug.	102.9	1.1	0.6	1.9	1.5	2.4	0.0	1.0	-3.8	2.0	
1998 Sep.	102.9	1.0	0.4	1.4	1.3	1.5	-0.1	1.0	-3.9	2.0	
1998 Oct.	102.8	0.9	0.3	1.2	1.3	1.1	-0.1	1.0	-4.0	2.1	
1998 Nov.	102.8	0.8	0.1	1.0	1.2	0.6	-0.2	0.9	-4.4	2.0	
1998 Dec.	102.9	0.8	0.1	1.0	1.1	0.9	-0.4	0.9	-4.8	1.9	
1999 Jan.	102.8	0.8	0.2	1.2	1.3	1.1	-0.3	0.8	-4.4	1.8	
1999 Feb.	103.1	0.8	0.2	1.4	1.3	1.5	-0.4	0.7	-4.3	1.7	
1999 Mar.	103.4	1.0	0.4	1.4	1.1	1.8	0.0	0.7	-2.8	1.8	
1999 Apr.	103.7	1.1	0.7	1.2	1.1	1.2	0.6	0.6	0.3	1.7	
1999 May	103.8	1.0	0.6	0.6	0.8	0.4	0.6	0.6	0.5	1.5	
1999 June	103.8	0.9	0.5	0.1	0.7	-0.7	0.8	0.6	1.4	1.5	
1999 July	104.0	1.1	0.7	-0.1	0.7	-1.4	1.1	0.6	3.2	1.6	



Source: Eurostat. Data before 1995 are estimates based on national definitions and are not fully comparable with HICPs starting in 1995.

1) Including alcoholic beverages and tobacco.

2) Referring to index period 1999.

Table 4.2**Selected other price indicators***(annual percentage changes, unless otherwise indicated)***1. Industry and commodity prices**

	Industrial producer prices									World market prices of raw materials ²⁾		Oil prices ³⁾ (EUR per barrel)	
	Total excluding construction		Manufacturing						Construction ¹⁾	Total	Total excluding energy		
	Index, 1995 = 100			Inter- mediate goods	Capital goods	Consumer goods							
							Durable consumer goods	Non- durable consumer goods					
1	2	3	4	5	6	7	8	9	10	11	12		
1995	100.0	3.6	3.9	5.0	1.8	.	.	2.4	.	0.2	2.1	13.0	
1996	100.4	0.4	1.0	-1.1	1.2	1.7	1.7	1.7	1.3	6.5	-6.9	15.9	
1997	101.4	1.1	0.6	1.2	0.2	0.8	0.1	1.2	1.3	10.0	12.9	17.1	
1998	100.6	-0.8	-0.7	-2.2	0.5	0.4	0.1	0.6	0.2	-21.2	-12.5	12.0	
1998	Q2	101.0	-0.2	0.0	-1.1	0.5	0.6	0.1	0.8	0.5	-16.6	-10.7	12.8
	Q3	100.4	-1.3	-1.1	-2.9	0.6	0.3	0.3	0.3	0.0	-24.2	-18.2	11.7
	Q4	99.4	-2.3	-2.2	-4.5	0.3	-0.2	0.1	-0.3	0.1	-30.0	-20.5	10.1
1999	Q1	98.8	-2.6	-2.1	-4.8	0.2	0.0	0.2	-0.2	0.8	-17.6	-16.0	10.3
	Q2	99.7	-1.3	-1.0	-2.8	0.1	-0.2	0.1	-0.3	.	5.9	-8.2	15.0
1998	Aug.	100.4	-1.4	-1.2	-3.2	0.7	0.4	0.3	0.4	-	-26.3	-19.0	11.2
	Sep.	100.2	-1.6	-1.5	-3.4	0.5	0.1	0.2	0.0	-	-25.2	-21.0	11.9
	Oct.	99.8	-2.0	-1.9	-4.1	0.4	-0.1	0.1	-0.2	-	-30.5	-23.5	11.2
	Nov.	99.4	-2.4	-2.2	-4.6	0.3	-0.2	0.1	-0.4	-	-28.6	-18.4	10.2
	Dec.	99.1	-2.6	-2.3	-4.9	0.3	-0.1	0.2	-0.3	-	-30.8	-19.5	8.8
1999	Jan.	98.8	-2.7	-2.4	-5.1	0.2	-0.1	0.3	-0.3	-	-23.4	-17.3	9.6
	Feb.	98.7	-2.7	-2.3	-5.1	0.2	-0.1	0.2	-0.2	-	-20.6	-16.0	9.4
	Mar.	99.0	-2.3	-1.8	-4.4	0.2	-0.1	0.2	-0.2	-	-8.4	-14.6	11.8
	Apr.	99.6	-1.6	-1.2	-3.3	0.3	-0.1	0.2	-0.3	-	0.3	-12.5	14.4
	May	99.7	-1.4	-1.0	-2.8	0.0	-0.2	0.1	-0.3	-	5.1	-7.8	14.9
	June	99.8	-1.0	-0.7	-2.2	0.1	-0.2	0.0	-0.2	-	12.8	-4.2	15.6
	July	.	.	.	.	.	.	.	.	-	22.7	-2.3	18.1
	Aug.	.	.	.	.	.	.	.	.	-	29.2	-0.5	19.2

2. Deflators of gross domestic product

	Deflators of GDP ⁴⁾ (s.a.)									
	GDP		Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Exports	Imports		
	Index, 1995 = 100								13	14	15	16	17	18	19	20
1995	100.0		2.6	2.5	2.7	2.8	1.8	2.8	2.3	
1996	102.1		2.1	2.1	2.5	0.9	0.7	0.9	0.7	
1997	103.7		1.5	1.7	2.0	2.2	0.8	2.2	2.8	
1998	105.3		1.6	1.2	1.4	-0.1	0.4	-0.1	-1.6	
1997	Q1	103.2	1.6	1.7	2.0	1.4	0.5	1.4	1.8	
	Q2	103.5	1.6	1.6	1.8	2.0	0.6	2.0	2.3	
	Q3	103.8	1.5	1.8	2.1	2.9	1.5	2.9	4.1	
	Q4	104.2	1.5	1.6	1.9	2.5	0.5	2.5	3.0	
1998	Q1	104.8	1.6	1.4	1.7	1.5	1.0	1.5	0.8	
	Q2	105.2	1.6	1.4	1.6	0.4	1.1	0.4	-0.5	
	Q3	105.5	1.6	1.0	1.2	-0.6	-0.3	-0.6	-2.8	
	Q4	105.7	1.5	0.8	1.0	-1.8	-0.3	-1.8	-4.1	
1999	Q1	106.2	1.3	0.9	0.9	-2.2	0.8	-2.2	-4.0	

Sources: Eurostat, except columns 10 and 11 (HWWA – Institut für Wirtschaftsforschung, Hamburg), column 12 (International Petroleum Exchange) and columns 13 to 20 (ECB calculations based on Eurostat data).

1) Residential buildings, based on non-harmonised data.

2) To December 1998, in ECU; from January 1999, in euro.

3) Brent Blend (for one-month forward delivery). To December 1998, in ECU; from January 1999, in euro.

4) Based mainly on the ESA 95.

5 Real economy indicators in the euro area

Table 5.1

National accounts ¹⁾

1. Current prices

(EUR billions (ECU billions to end-1998), seasonally adjusted)

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Exports ³⁾	Imports ³⁾
	1	2	3	4	5	6	7	8
1995	5,302.3	5,203.2	2,993.9	1,089.4	1,093.4	26.7	1,568.0	1,469.0
1996	5,524.9	5,397.0	3,136.1	1,138.8	1,118.9	3.9	1,658.3	1,530.4
1997	5,643.4	5,492.2	3,189.4	1,142.8	1,135.6	24.6	1,823.7	1,672.6
1998	5,871.3	5,724.0	3,309.5	1,168.0	1,186.8	59.8	1,925.5	1,778.2
1998 Q1	1,446.4	1,410.4	814.0	289.7	293.5	13.4	480.2	444.2
Q2	1,459.8	1,421.5	822.0	291.9	291.8	15.9	485.0	446.7
Q3	1,475.5	1,436.1	832.0	292.4	299.2	12.7	485.0	445.6
Q4	1,489.7	1,456.1	841.6	294.1	302.3	17.9	475.3	441.7
1999 Q1	1,504.1	1,471.1	851.6	299.3	310.8	8.9	472.0	439.0

2. Constant prices

(EUR billions (ECU billions to end-1998), seasonally adjusted, at 1995 prices)

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Exports ³⁾	Imports ³⁾
	9	10	11	12	13	14	15	16
1995	5,302.3	5,203.2	2,993.9	1,089.4	1,093.4	26.7	1,568.0	1,469.0
1996	5,373.5	5,250.9	3,036.6	1,105.9	1,104.6	4.6	1,638.5	1,515.9
1997	5,499.0	5,346.5	3,077.5	1,113.6	1,130.5	25.5	1,796.4	1,643.9
1998	5,651.9	5,526.6	3,157.3	1,130.5	1,179.3	60.3	1,906.1	1,780.8
1998 Q1	1,402.8	1,370.2	783.3	282.9	292.9	11.7	472.9	440.3
Q2	1,409.9	1,375.0	786.7	283.6	290.7	14.3	479.5	444.7
Q3	1,418.2	1,385.5	791.5	282.7	297.4	14.0	480.1	447.5
Q4	1,421.0	1,395.8	795.8	281.3	298.3	20.2	473.6	448.4
1999 Q1	1,427.8	1,405.7	804.6	287.0	305.9	8.2	472.4	450.3

(annual percentage changes)

1995	2.2	2.0	1.8	0.5	2.6	-	8.0	7.6
1996	1.3	0.9	1.4	1.5	1.0	-	4.5	3.2
1997	2.3	1.8	1.3	0.7	2.3	-	9.6	8.4
1998	2.8	3.4	2.6	1.5	4.3	-	6.1	8.3
1998 Q1	3.6	3.7	2.4	1.9	6.1	-	11.0	12.0
Q2	2.8	3.0	2.3	2.1	3.1	-	8.6	9.7
Q3	2.7	3.6	3.0	1.3	4.7	-	4.2	7.3
Q4	2.0	3.2	2.6	0.7	3.4	-	1.1	4.7
1999 Q1	1.8	2.6	2.7	1.4	4.4	-	-0.1	2.3

Source: Eurostat.

1) Based mainly on the ESA 95. See the first section of the general notes for a brief explanation of features of current price data expressed in ECU up to end-1998.

2) Including acquisitions less disposals of valuables.

3) Exports and imports cover goods and services and include internal cross-border trade in the euro area.

Table 5.2**Selected other real economy indicators ¹⁾****1. Industrial production***(annual percentage changes, unless otherwise indicated)*

	Total including construction		Total excluding construction		Manufacturing						Construction
	Index (s.a.), 1995 = 100		Index (s.a.), 1995 = 100		Intermediate goods	Capital goods	Consumer goods	Consumer goods			
	1	2	3	4				Durable consumer goods	Non-durable consumer goods		
					5	6	7	8	9	10	11
1995	100.0	2.7	100.1	3.4	3.5	2.6	7.3	0.8	-1.1	1.8	-0.4
1996	99.9	-0.1	100.5	0.4	0.1	-0.1	1.7	0.0	0.1	-0.3	-2.5
1997	103.6	3.6	104.9	4.4	5.0	5.4	4.8	2.7	2.8	2.6	-1.0
1998	107.2	3.5	109.1	4.0	4.5	3.9	6.5	3.0	6.2	1.4	-0.6
1998 Q2	107.2	3.9	109.2	4.6	5.3	4.6	7.1	3.8	6.8	2.4	-0.2
Q3	107.7	3.1	109.4	3.8	4.2	3.2	6.6	3.3	6.4	1.8	-1.5
Q4	106.8	1.0	109.1	1.4	1.3	0.4	3.8	1.2	4.5	-0.4	-3.6
1999 Q1	107.1	0.5	109.0	0.2	-0.2	-0.8	0.7	0.9	1.2	0.7	0.6
Q2	.	.	109.1	-0.2	-0.4	-0.9	-0.2	0.2	0.5	-0.2	.
1998 June	107.0	2.9	108.9	3.5	4.0	3.7	5.3	2.9	5.5	1.6	-0.7
July	108.3	3.5	110.0	4.2	4.6	3.5	7.4	3.6	6.5	2.6	-0.3
Aug.	107.7	3.6	108.8	4.2	4.7	3.6	6.8	3.8	7.6	2.3	-1.1
Sep.	107.2	2.4	109.4	3.2	3.4	2.5	5.7	2.6	5.7	0.7	-2.9
Oct.	107.3	1.9	109.7	2.3	2.6	1.3	5.6	2.8	8.0	0.2	-3.5
Nov.	107.0	1.7	109.3	2.0	1.9	1.4	4.3	1.4	4.3	-0.1	-4.0
Dec.	106.0	-0.9	108.1	-0.2	-0.8	-1.8	1.6	-0.7	0.5	-1.3	-3.4
1999 Jan.	107.7	1.2	109.0	1.1	1.0	-0.4	3.8	2.0	3.7	1.0	3.2
Feb.	106.5	-0.3	108.5	-0.6	-1.4	-1.6	-0.1	-0.2	0.8	-0.5	-2.6
Mar.	107.2	0.6	109.4	0.1	-0.1	-0.3	-1.2	0.9	-0.4	1.8	1.1
Apr.	106.7	-0.1	108.5	-0.7	-0.9	-1.7	0.2	-0.8	-1.1	-0.4	1.7
May	.	.	109.1	-0.6	-0.9	-1.2	-1.3	0.2	0.9	-0.8	0.4
June	.	.	109.6	0.8	0.4	0.1	0.3	1.3	1.7	0.6	.

2. Retail sales and car registrations*(annual percentage changes, unless otherwise indicated)*

	Retail sales								New passenger car registrations	
	Current prices				Constant prices				Thousands ²⁾ (s.a.)	
	Total		Total		Food, beverages, tobacco	Non-food				
	Index (s.a.), 1995 = 100		Index (s.a.), 1995 = 100			Textiles, clothing, footwear	Household equipment			
	12	13	14	15	16	17	18	19	20	21
1995	.	.	100.0	.	.	.	.	.	777	0.9
1996	.	.	100.3	0.3	0.6	.	-1.0	0.0	826	6.2
1997	.	.	101.4	1.2	1.2	.	0.6	0.9	861	4.2
1998	.	.	104.2	2.7	1.9	.	1.8	3.9	921	7.0
1998 Q2	.	.	103.7	2.0	1.2	.	1.5	3.7	900	5.1
Q3	.	.	104.6	3.4	2.1	.	4.6	3.7	936	6.4
Q4	.	.	105.1	2.6	3.1	.	0.3	3.0	941	6.0
1999 Q1	.	.	105.5	2.3	3.5	.	4.1	3.5	977	7.1
Q2	980	8.2
1998 June	.	.	103.4	1.1	0.7	.	-0.3	3.0	906	4.9
July	.	.	104.8	4.0	3.3	.	3.0	3.5	952	7.3
Aug.	.	.	105.2	4.5	2.1	.	6.9	4.7	916	3.0
Sep.	.	.	103.9	1.8	1.0	.	4.3	2.9	939	8.2
Oct.	.	.	104.7	1.7	1.2	.	-1.2	2.8	944	4.5
Nov.	.	.	106.2	5.0	5.7	.	4.7	4.4	962	9.7
Dec.	.	.	104.3	1.5	2.5	.	-1.9	2.0	917	3.8
1999 Jan.	.	.	105.0	1.8	2.3	.	.	.	987	9.1
Feb.	.	.	105.0	1.5	3.4	.	.	.	964	5.5
Mar.	.	.	106.4	3.3	4.7	.	.	.	981	6.6
Apr.	.	.	104.9	1.3	1.1	.	.	.	991	11.2
May	.	.	105.7	1.0	.	.	.	.	970	5.9
June	980	7.7

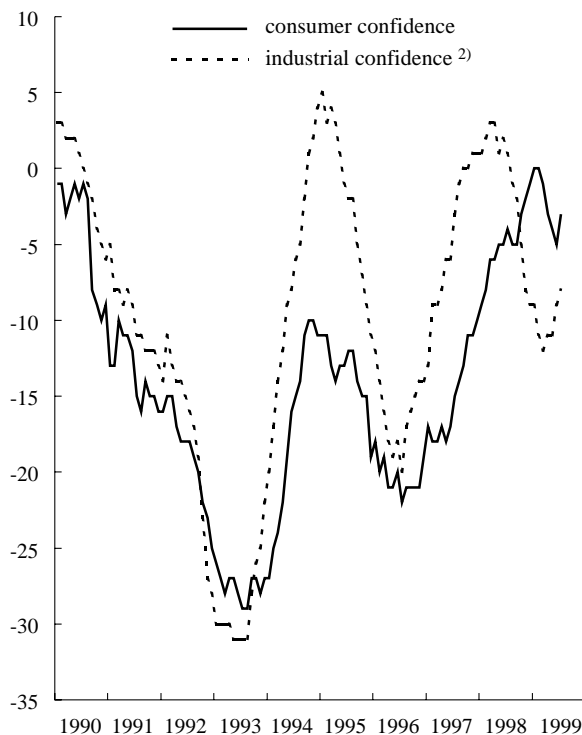
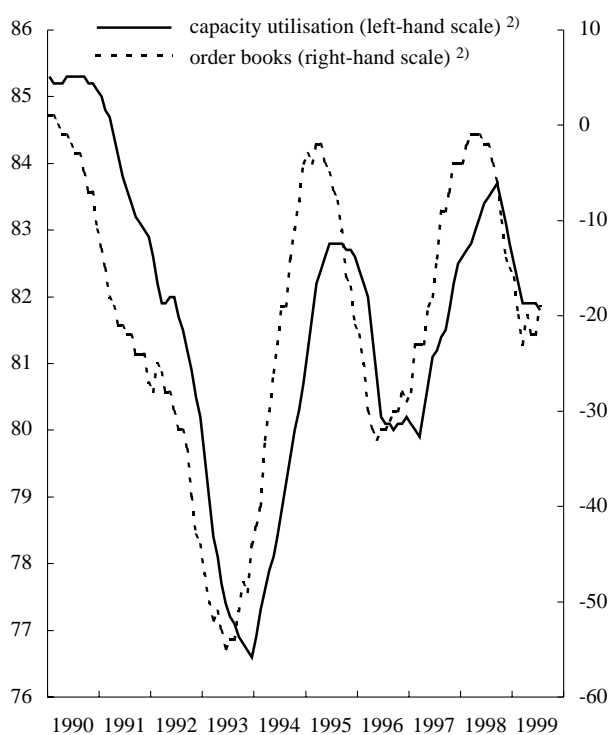
Sources: Eurostat except columns 20 and 21 (ECB calculations based on data from the ACEA/A.A.A. – European Automobile Manufacturers' Association).

1) Adjusted for variations in the number of working days.

2) Monthly averages.

Table 5.3**Business and consumer surveys***(percentage balances, seasonally adjusted, unless otherwise indicated)*

	Manufacturing industry				Construction confidence indicator	Retail trade confidence indicator	Consumer confidence indicator
	Confidence indicator	Production expectations	Assessment of order books	Capacity utilisation ¹⁾ (percentages)			
	1	2	3	4	5	6	7
1995	-2	10	-8	82.6	-27	-12	-14
1996	-16	-1	-30	80.6	-36	-11	-20
1997	-4	11	-15	81.3	-33	-9	-15
1998	-1	11	-5	83.2	-19	-3	-5
1998 Q3	-1	11	-4	83.7	-13	-1	-5
Q4	-7	3	-13	82.8	-15	-3	-2
1999 Q1	-11	1	-20	81.9	-9	-3	0
Q2	-10	3	-21	81.9	-7	-4	-4
Q3	.	.	.	81.7	.	.	.
1998 July	1	12	-2	-	-15	-1	-4
Aug.	-1	10	-4	-	-13	0	-5
Sep.	-2	11	-6	-	-12	-1	-5
Oct.	-5	5	-10	-	-17	-1	-3
Nov.	-8	2	-14	-	-14	-4	-2
Dec.	-9	2	-15	-	-14	-4	-1
1999 Jan.	-9	2	-16	-	-9	0	0
Feb.	-11	1	-20	-	-9	-4	0
Mar.	-12	0	-23	-	-9	-6	-1
Apr.	-11	2	-20	-	-7	-1	-3
May	-11	3	-22	-	-8	-3	-4
June	-9	5	-22	-	-6	-9	-5
July	-8	7	-19	-	-5	-6	-3

Consumer and industrial confidence indicators*(percentage balances; monthly, seasonally adjusted)***Capacity utilisation and order books***(capacity utilisation, percentages, quarterly; order books, percentage balances, monthly; seasonally adjusted)*

Source: European Commission Business and Consumer Surveys.

1) Data on capacity utilisation are collected in January, April, July and October. Annual data are averages of the four quarterly surveys.

2) Manufacturing.

Table 5.4**Labour market indicators****1. Employment and unemployment ¹⁾***(annual percentage changes, unless otherwise indicated)*

	Employment						Unemployment (s.a.)			
	Whole economy				Industry (excluding construction)	Services	Total		Adult ²⁾	Youth ²⁾
	Index, 1995 = 100		Employees	Self- employed			Millions	% of labour force	% of labour force	% of labour force
1	2	3	4	5	6	7	8	9	10	
1995	100.0	.	.	.	.	.	14.380	11.4	9.6	23.3
1996	100.3	0.3	0.2	0.5	-1.2	1.3	14.808	11.6	9.8	23.9
1997	100.8	0.5	0.6	0.0	-0.4	1.1	14.901	11.6	10.0	23.3
1998	102.1	1.3	1.4	0.7	0.9	1.6	14.107	10.9	9.4	21.4
1998 Q2	.	.	0.9	.	.	.	14.188	11.0	9.5	21.4
Q3	.	.	1.0	.	.	.	14.012	10.9	9.4	21.3
Q4	.	.	1.4	.	.	.	13.756	10.7	9.2	20.9
1999 Q1	.	.	.	.	.	.	13.413	10.4	9.0	20.1
Q2	.	.	.	.	.	.	13.273	10.3	9.0	19.5
1998 July	-	-	-	-	-	-	14.060	10.9	9.4	21.3
Aug.	-	-	-	-	-	-	14.032	10.9	9.4	21.3
Sep.	-	-	-	-	-	-	13.944	10.8	9.3	21.3
Oct.	-	-	-	-	-	-	13.844	10.7	9.2	21.2
Nov.	-	-	-	-	-	-	13.745	10.7	9.2	20.9
Dec.	-	-	-	-	-	-	13.680	10.6	9.2	20.7
1999 Jan.	-	-	-	-	-	-	13.508	10.5	9.1	20.5
Feb.	-	-	-	-	-	-	13.416	10.4	9.0	20.1
Mar.	-	-	-	-	-	-	13.314	10.3	9.0	19.8
Apr.	-	-	-	-	-	-	13.294	10.3	9.0	19.6
May	-	-	-	-	-	-	13.272	10.3	9.0	19.5
June	-	-	-	-	-	-	13.252	10.3	9.0	19.4
July	-	-	-	-	-	-	13.173	10.2	8.9	19.3

2. Labour costs and productivity*(annual percentage changes)*

	Unit labour cost in the whole economy, and components (s.a.)			Labour cost indices ³⁾ and components					Earnings per employee in manufacturing
	Unit labour cost	Compensation per employee	Labour productivity	Total	Wages and salaries	Other	Industry	Services	
							Total	Total	
11	12	13	14	15	16	17	18	19	
1995	1.7	3.6	1.9	.	.	.	.	.	3.4
1996	2.0	3.3	1.3	2.5	2.5	3.5	3.8	1.1	3.4
1997	0.6	2.5	1.9	2.5	2.6	2.7	2.8	2.6	3.0
1998	.	.	.	1.6	2.5	0.4	2.0	1.3	.
1997 Q1	1.8	2.7	0.9	2.6	2.4	2.8	2.9	2.6	3.1
Q2	0.5	2.8	2.4	2.9	2.9	3.3	3.1	3.4	3.3
Q3	0.3	2.3	2.1	2.3	2.4	2.1	2.7	2.2	2.7
Q4	-0.1	2.1	2.2	2.3	2.5	2.4	2.5	2.2	2.8
1998 Q1	-2.0	0.9	2.9	1.7	2.6	0.2	1.7	1.5	2.1
Q2	-0.4	1.1	1.4	1.4	2.6	-0.1	1.7	1.2	2.8
Q3	-0.3	1.2	1.4	1.5	2.4	0.4	2.0	1.0	2.6
Q4	.	.	.	1.9	2.6	0.9	2.4	1.3	.
1999 Q1	.	.	.	1.8	.	.	1.9	1.4	.

Sources: ECB calculations based on Eurostat data (columns 1 to 6), Eurostat (columns 7 to 10, 14 to 18) and ECB calculations based on national data (columns 11 to 13 and 19).

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

2) Adult, 25 years and over; youth, below 25 years; expressed as a percentage of the labour force for the relevant age group.

3) Hourly labour costs for the whole economy, excluding agriculture, education and health sectors.

6 Saving, investment and financing in the euro area

Table 6

Saving, investment and financing

(as a percentage of GDP, unless otherwise indicated)

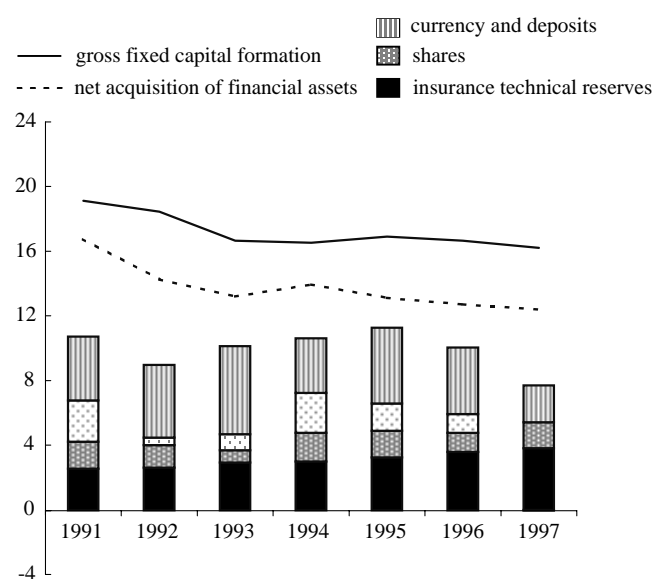
	Euro area saving and investment ¹⁾			Investment of private non-financial sectors ^{1) 2)}								
	Gross saving	Gross fixed capital formation	Net lending to the rest of the world	Gross fixed capital formation	Non-financial corporations	Net acquisition of financial assets	Currency and deposits	Securities other than shares	Long-term securities	Shares	Insurance technical reserves	
	1	2	3	4	5	6	7	8	9	10	11	
1991	21.9	23.0	-1.3	19.1	14.3	16.8	3.9	3.0	2.6	1.7	2.5	
1992	20.9	22.2	-1.0	18.4	13.7	14.3	4.5	1.7	0.5	1.4	2.6	
1993	20.0	20.2	0.5	16.6	12.3	13.2	5.4	0.6	1.0	0.8	2.9	
1994	20.4	19.8	0.3	16.5	12.3	14.0	3.4	2.3	2.5	1.8	3.0	
1995	21.4	20.2	0.8	16.9	12.6	13.1	4.7	1.9	1.7	1.6	3.3	
1996	21.0	19.9	1.2	16.7	12.3	12.7	4.1	0.2	1.2	1.2	3.6	
1997	21.7	19.3	1.9	16.2	12.1	12.4	2.3	-0.5	0.0	1.6	3.8	
1998	22.2	19.6	1.4	16.5	12.3	.	.	.	.	.	.

	Financing of private non-financial sectors ^{1) 2)}									Net financial investment (col. 6 - 14)	Financial investment as a % of gross investment (col. 6÷(4+6))	Net incurrence of liabilities as a % of financing (col. 14÷(12+14))
	Gross saving	Households	Net incurrence of liabilities	Securities other than shares	Long-term securities	Shares	Loans	Long-term loans				
	12	13	14	15	16	17	18	19				
1991	21.0	12.1	13.2	0.4	0.3	1.5	9.0	4.8	3.6	46.7	38.6	
1992	20.7	12.1	10.7	0.7	0.6	1.4	6.9	4.7	3.6	43.6	34.0	
1993	20.4	11.5	7.6	1.3	1.4	1.5	3.8	4.6	5.6	44.2	27.1	
1994	20.3	10.6	9.8	1.1	1.2	1.8	3.8	3.7	4.1	45.8	32.6	
1995	21.1	10.9	5.6	-1.7	-1.8	1.6	4.7	2.9	7.6	43.7	20.8	
1996	20.3	10.7	8.4	0.2	0.1	1.8	4.6	3.5	4.3	43.3	29.3	
1997	19.8	9.4	8.5	0.0	0.0	1.3	5.7	3.9	3.9	43.4	30.0	
1998	19.4	8.9	.	.	.	.	.	.	.	.	.

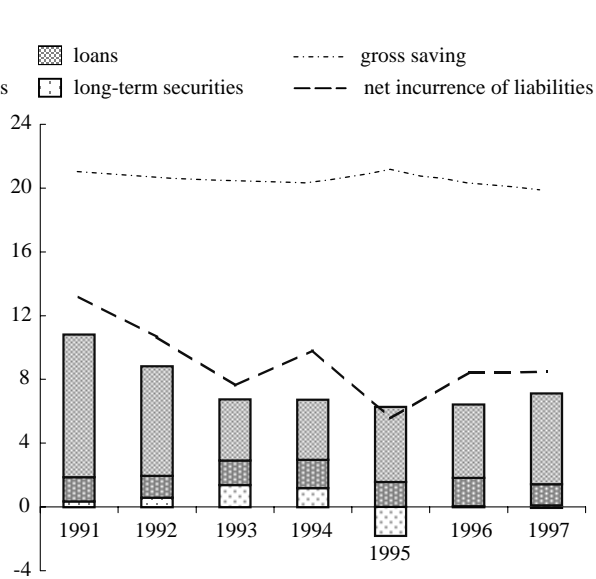
Investment and financing of private non-financial sectors ^{1) 2)}

(as a percentage of GDP)

Investment



Financing



Source: ECB.

1) Selected items of financing and investment.

2) Private non-financial sectors comprise non-financial corporations, households and non-profit institutions serving households.

7 General government fiscal position in the euro area and in the euro area countries

Table 7

General government fiscal position

(as a percentage of GDP)

1. Euro area ¹⁾²⁾ – receipts and expenditure

	Receipts							Expenditure							
	Total	Current receipts	Direct taxes	Indirect taxes	Social contributions	Sales	Capital receipts	Total	Current expenditure	Compensation of employees	Intermediate consumption	Interest	Transfers to households	Capital expenditure	Investment
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1991	48.0	47.5	12.3	12.9	17.3	2.5	0.4	52.4	47.7	11.8	5.5	4.9	21.3	4.6	3.0
1992	49.2	48.4	12.3	13.0	17.7	2.7	0.8	53.8	49.3	12.1	5.5	5.5	22.2	4.5	3.0
1993	49.9	49.4	12.5	13.2	18.2	2.8	0.5	55.5	51.0	12.3	5.7	5.7	23.1	4.5	2.9
1994	49.2	48.6	12.0	13.4	18.1	2.7	0.5	54.3	50.1	12.0	5.5	5.4	23.1	4.2	2.7
1995	49.1	48.5	12.1	13.3	18.1	2.8	0.6	54.0	49.7	11.8	5.3	5.7	23.1	4.3	2.6
1996	49.3	48.8	12.1	13.4	18.3	2.8	0.5	53.4	49.7	11.9	5.4	5.5	23.2	3.7	2.4
1997	49.7	49.0	12.2	13.5	18.3	2.7	0.7	52.2	48.6	11.6	5.2	5.0	23.1	3.6	2.3
1998	49.1	48.5	12.5	14.1	17.2	2.7	0.5	51.2	47.4	11.3	5.1	4.5	22.6	3.7	2.3

2. Euro area ¹⁾²⁾ – saving, deficit and debt

	Gross saving	Deficit (-) / surplus (+)				Primary deficit/surplus	Deficit/debt adjustment ³⁾	Change in debt ⁴⁾				Gross nominal consolidated debt			
		Total	Central government	Local government	Social security			Total	Currency, deposits and loans	Short-term securities	Medium/long-term securities	Total	Currency, deposits and loans	Short-term securities	Medium/long-term securities
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1991	-0.2	-4.4	-4.5	-0.2	0.3	0.5	0.7	5.1	1.3	0.0	3.9	58.3	18.5	8.5	31.2
1992	-0.9	-4.6	-4.3	-0.2	-0.1	0.9	2.2	6.8	1.7	0.9	4.2	61.9	19.2	8.9	33.8
1993	-1.6	-5.5	-5.3	-0.2	0.0	0.2	2.5	8.1	1.5	-0.3	6.9	68.4	20.2	8.4	39.8
1994	-1.5	-5.1	-4.9	-0.2	0.0	0.3	0.8	5.9	0.2	0.6	5.1	70.8	19.4	8.5	42.9
1995	-1.3	-5.0	-4.6	-0.1	-0.3	0.7	2.3	7.3	2.0	-0.2	5.5	74.8	20.6	7.9	46.4
1996	-0.9	-4.1	-3.9	0.0	-0.2	1.3	-0.2	3.9	0.3	0.2	3.4	76.1	20.2	7.8	48.1
1997	0.4	-2.5	-2.6	0.0	0.0	2.5	-0.3	2.2	-0.1	-1.0	3.2	75.4	19.3	6.6	49.5
1998	1.1	-2.1	-2.3	0.2	0.1	2.4	-0.6	1.5	-0.4	-0.7	2.6	73.6	18.1	5.6	49.9

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

	BE	DE	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11
1991	-6.3	-3.3	-4.4	-2.1	-2.3	-10.1	1.9	-2.9	-3.0	-6.0	-1.1
1992	-7.1	-2.8	-4.0	-3.9	-2.4	-9.6	0.7	-3.9	-2.0	-3.0	-5.7
1993	-7.3	-3.5	-6.8	-5.8	-2.3	-9.6	1.6	-3.2	-4.3	-6.1	-7.3
1994	-4.9	-2.6	-6.2	-5.8	-1.5	-9.2	2.7	-3.8	-5.0	-6.0	-6.0
1995	-4.0	-3.3	-7.1	-4.9	-2.1	-7.7	1.8	-4.0	-5.1	-5.7	-4.6
1996	-3.1	-3.4	-4.5	-4.1	-0.3	-6.6	2.8	-2.0	-3.7	-3.3	-3.1
1997	-1.9	-2.7	-2.6	-3.0	1.1	-2.7	2.9	-0.9	-1.9	-2.5	-1.2
1998	-1.3	-2.1	-1.8	-2.9	2.3	-2.7	2.1	-0.9	-2.1	-2.3	1.0

4. Euro area countries – gross nominal consolidated debt

	BE	DE	ES	FR	IE	IT	LU	NL	AT	PT	FI
	12	13	14	15	16	17	18	19	20	21	22
1991	128.4	40.9	44.6	35.8	92.6	102.0	4.0	79.0	58.2	67.3	23.1
1992	130.6	43.6	47.0	39.9	89.5	109.4	4.9	79.9	58.1	59.9	41.5
1993	137.6	47.5	58.8	45.4	93.1	120.0	5.9	81.1	62.8	63.2	58.0
1994	135.1	49.9	61.3	48.6	86.5	125.7	5.5	77.8	65.6	63.8	59.6
1995	132.2	58.3	64.2	52.8	78.9	125.3	5.8	79.0	69.4	65.9	58.1
1996	128.0	60.8	68.6	55.7	69.4	124.6	6.3	77.0	69.8	64.9	57.8
1997	123.4	61.5	67.5	58.1	61.3	122.4	6.4	71.2	64.3	61.7	54.9
1998	117.3	61.0	65.6	58.5	52.1	118.7	6.7	67.7	63.1	57.8	49.6

Sources: ECB for euro area aggregated data; European Commission (DG II and Eurostat) for data relating to euro area countries' deficit/surplus and debt.

1) Transactions among the euro area countries are not consolidated.

2) Euro area excluding Luxembourg.

3) Difference between the annual change in nominal gross consolidated debt and the deficit as a percentage of GDP.

4) Annual change in nominal gross consolidated debt expressed as a percentage of GDP: $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$.

8 Balance of payments of the euro area and the Eurosystem's reserve position

Table 8.1

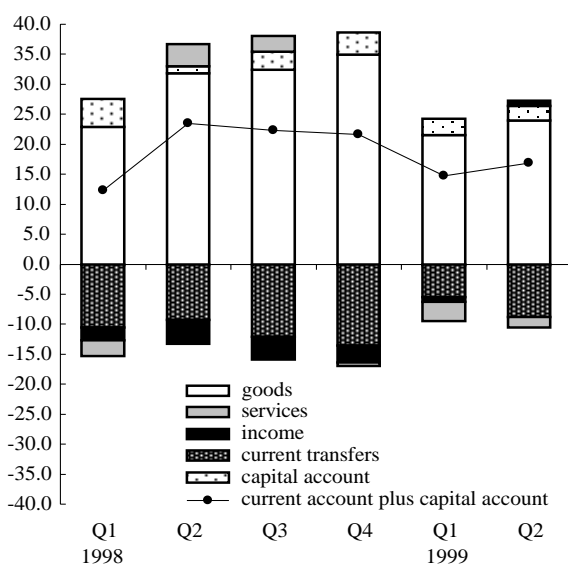
Summary balance of payments¹⁾

(EUR billions (ECU billions to end-1998); net flows)

	Current account					Capital account	Financial account ²⁾						Errors and omissions ³⁾
	Total	Goods	Services	Income	Current transfers		Total ³⁾	Direct investment	Portfolio investment ³⁾	Financial derivatives ³⁾	Other investment ³⁾⁴⁾	Reserve assets ³⁾	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	67.0	122.1	3.1	-12.6	-45.5	12.6	7.9	-100.2	-90.8	-8.3	198.9	8.3	-87.6
1998 Q1	7.6	22.9	-2.6	-2.2	-10.5	4.7	-1.6	-11.2	-54.7	0.3	65.2	-1.3	-10.7
Q2	22.3	31.8	3.7	-4.0	-9.3	1.2	4.1	-14.8	-1.7	-4.1	24.6	0.0	-27.5
Q3	19.3	32.4	2.7	-3.8	-12.1	3.0	-3.3	-23.1	12.3	1.2	3.5	2.8	-19.0
Q4	17.9	34.9	-0.6	-2.8	-13.6	3.7	8.7	-51.1	-46.7	-5.6	105.5	6.7	-30.3
1999 Q1	11.9	21.5	-3.2	-0.8	-5.5	2.8	-33.1	-15.6	-54.7	-1.4	33.0	5.5	18.4
Q2	14.5	24.0	-1.7	0.9	-8.8	2.4	-0.8	-48.1	-36.8	1.0	73.5	9.7	-16.1
1998 Apr.	5.5	9.9	0.2	-0.7	-3.9	0.6	-29.0	-8.2	-21.9	-0.9	2.9	-0.9	22.9
May	6.4	10.8	0.8	-2.2	-3.0	0.5	19.5	-1.3	9.1	-1.5	12.3	0.9	-26.4
June	10.4	11.2	2.7	-1.1	-2.4	0.1	13.6	-5.2	11.1	-1.8	9.5	0.0	-24.1
July	12.3	15.3	1.5	-2.3	-2.3	1.0	23.8	-8.6	14.6	-1.4	17.8	1.3	-37.1
Aug.	4.5	8.2	1.0	0.1	-4.9	1.5	8.6	-7.9	8.5	2.3	8.3	-2.5	-14.6
Sep.	2.5	8.9	0.2	-1.6	-4.9	0.5	-35.7	-6.6	-10.8	0.3	-22.6	4.0	32.6
Oct.	5.4	12.2	-0.6	-1.2	-5.0	0.9	-12.3	-16.6	-33.4	-3.0	44.1	-3.3	6.0
Nov.	5.0	11.6	-0.3	-1.6	-4.7	0.9	4.7	-33.8	1.8	-2.4	45.1	-6.1	-10.5
Dec.	7.5	11.0	0.3	0.1	-3.9	2.0	16.3	-0.7	-15.1	-0.2	16.2	16.1	-25.8
1999 Jan.	-0.5	4.8	-2.9	-0.4	-2.0	2.7	0.4	-4.7	8.8	-1.9	0.3	-2.1	-2.6
Feb.	4.1	6.9	0.0	-0.6	-2.2	-0.1	6.8	-6.2	-26.4	-0.4	34.8	5.0	-10.8
Mar.	8.3	9.8	-0.4	0.2	-1.4	0.2	-40.3	-4.6	-37.1	0.9	-2.1	2.7	31.8
Apr.	6.8	8.6	-0.4	1.4	-2.8	0.6	17.3	-13.8	2.4	2.7	24.5	1.5	-24.7
May	2.5	6.5	0.1	-1.3	-2.7	0.9	-7.4	-17.0	-27.6	-3.2	36.6	3.9	4.0
June	5.1	8.9	-1.3	0.8	-3.3	0.8	-10.6	-17.3	-11.6	1.5	12.4	4.4	4.7

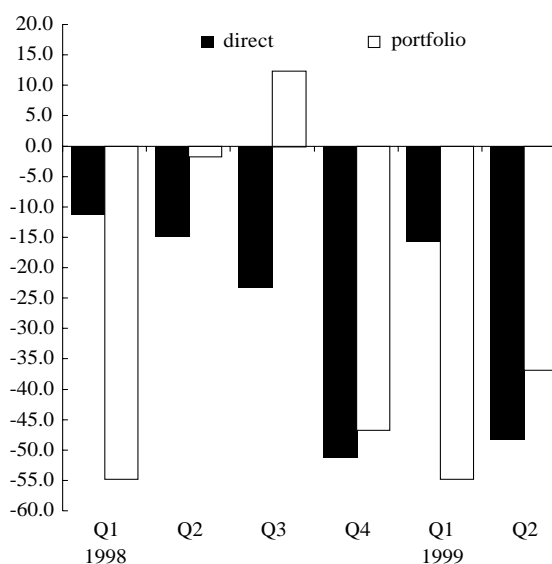
Current and capital accounts

(EUR billions (ECU billions to end-1998); net flows)



Direct and portfolio investment

(EUR billions (ECU billions to end-1998); net flows)



Source: ECB.

1) Data have been revised in the light of new information, as described in the general notes.

2) Inflows (+); outflows (-). Reserve assets: increase (-); decrease (+).

3) Data from January 1999 are not closely comparable with earlier observations.

4) Flows before January 1999 include estimates.

Table 8.2**Current and capital accounts¹⁾***(EUR billions (ECU billions to end-1998); gross flows)*

	Current account										Capital account	
	Total		Goods		Services		Income		Current transfers		Credit 11	Debit 12
	Credit 1	Debit 2	Credit 3	Debit 4	Credit 5	Debit 6	Credit 7	Debit 8	Credit 9	Debit 10		
1998	1,277.8	1,210.7	779.4	657.3	247.6	244.4	190.2	202.9	60.6	106.1	17.6	5.0
1998 Q1	317.6	310.1	190.8	167.9	56.3	58.9	47.0	49.2	23.5	34.1	5.9	1.2
Q2	325.7	303.5	199.0	167.2	64.1	60.4	50.3	54.2	12.3	21.6	2.4	1.2
Q3	316.0	296.7	190.8	158.3	67.4	64.7	45.5	49.3	12.2	24.3	4.1	1.1
Q4	318.4	300.5	198.8	163.9	59.7	60.4	47.4	50.1	12.5	26.1	5.2	1.5
1999 Q1	299.7	287.7	179.7	158.2	50.7	53.9	45.5	46.3	23.8	29.3	4.4	1.7
Q2	316.1	301.7	191.0	167.0	56.3	58.0	54.5	53.7	14.3	23.0	4.2	1.8
1998 Apr.	106.4	101.0	66.5	56.6	20.2	20.0	16.2	16.9	3.5	7.4	1.0	0.4
May	104.4	98.0	64.3	53.5	20.7	19.9	15.2	17.3	4.2	7.2	0.9	0.4
June	114.9	104.5	68.2	57.1	23.2	20.5	18.9	20.0	4.6	7.0	0.5	0.4
July	116.0	103.7	70.6	55.3	24.1	22.6	16.2	18.5	5.0	7.3	1.4	0.4
Aug.	94.6	90.1	55.3	47.1	22.3	21.3	13.4	13.3	3.6	8.5	1.8	0.3
Sep.	105.4	102.9	64.8	55.9	21.0	20.9	15.9	17.5	3.6	8.5	0.9	0.4
Oct.	106.8	101.4	68.2	56.0	20.4	21.0	14.6	15.8	3.6	8.6	1.3	0.4
Nov.	101.5	96.5	65.2	53.5	18.1	18.4	14.2	15.8	4.1	8.8	1.3	0.5
Dec.	110.1	102.5	65.4	54.4	21.2	20.9	18.6	18.5	4.8	8.7	2.6	0.6
1999 Jan.	95.0	95.5	53.5	48.7	14.9	17.8	14.4	14.8	12.3	14.3	3.1	0.4
Feb.	94.7	90.5	57.4	50.5	17.2	17.2	13.8	14.5	6.2	8.4	0.7	0.8
Mar.	110.0	101.7	68.8	59.0	18.7	19.0	17.3	17.1	5.3	6.6	0.6	0.5
Apr.	103.8	97.0	63.5	55.0	17.9	18.3	17.5	16.1	4.8	7.6	1.5	0.9
May	101.0	98.5	60.6	54.1	18.2	18.2	16.9	18.2	5.3	8.0	1.2	0.3
June	111.3	106.2	66.9	57.9	20.2	21.5	20.1	19.3	4.2	7.4	1.5	0.6

Source: ECB.

1) Data have been revised in the light of new information, as described in the general notes.

Table 8.3**Income account***(EUR billions; gross flows)*

	Total		Compensation of employees		Investment income							
	Credit 1	Debit 2	Credit 3	Debit 4	Total		Direct investment		Portfolio investment		Other investment	
					Credit 5	Debit 6	Credit 7	Debit 8	Credit 9	Debit 10	Credit 11	Debit 12
1999 Q1	45.5	46.3	2.3	0.9	43.2	45.4	7.8	8.8	12.5	15.0	23.0	21.6

	Income on direct investment				Income on portfolio investment							
	Equity		Debt		Equity		Debt instruments					
	Credit 13	Debit 14	Credit 15	Debit 16	Credit 17	Debit 18	Total		Bonds and notes		Money market instruments	
							Credit 19	Debit 20	Credit 21	Debit 22	Credit 23	Debit 24
1999 Q1	6.9	8.0	0.9	0.9	1.6	3.6	10.9	11.3	10.5	10.9	0.5	0.5

Source: ECB.

Table 8.4**Direct and portfolio investment accounts ^{1) 2)}***(EUR billions (ECU billions to end-1998); net flows)***1. Direct investment; portfolio investment by instrument ³⁾**

	Direct investment		Portfolio investment									
	Abroad	In the euro area	Total		Equity		Debt instruments					
			Assets	Liabilities ²⁾	Assets	Liabilities ²⁾	Assets			Liabilities ²⁾		
							Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	
1998	-177.9	77.7	-307.1	216.3	-82.4	68.5	-224.7	-206.9	-17.9	147.8	119.4	28.3
1998 Q1	-46.4	35.2	-114.1	59.4	-29.6	14.8	-84.5	-74.9	-9.5	44.6	39.9	4.6
Q2	-39.6	24.9	-83.3	81.6	-25.6	24.8	-57.6	-55.1	-2.5	56.7	44.3	12.4
Q3	-25.3	2.2	-55.0	67.3	-9.8	-0.4	-45.2	-42.5	-2.7	67.7	50.5	17.3
Q4	-66.6	15.4	-54.7	8.0	-17.3	29.2	-37.4	-34.3	-3.1	-21.2	-15.2	-6.0
1999 Q1	-36.3	20.8	-65.3	10.7	-21.7	-5.4	-43.6	-43.8	0.1	16.1	2.9	13.2
Q2	-71.1	23.0	-68.3	31.5	-27.7	21.4	-40.7	-44.2	3.5	10.1	-15.2	25.2
1998 Apr.	-20.7	12.5	-34.0	12.1	-8.0	1.2	-26.0	-30.9	4.9	10.9	10.6	0.3
May	-12.3	10.9	-19.6	28.7	-6.7	5.5	-12.9	-10.0	-2.9	23.2	15.8	7.5
June	-6.6	1.4	-29.7	40.8	-10.9	18.2	-18.7	-14.2	-4.6	22.6	17.9	4.7
July	-2.8	-5.8	-23.0	37.6	-3.2	9.1	-19.8	-20.9	1.1	28.6	17.0	11.6
Aug.	-4.0	-4.0	-14.5	23.0	0.5	-5.4	-15.0	-14.1	-0.9	28.4	22.4	6.0
Sep.	-18.6	12.0	-17.5	6.7	-7.1	-4.1	-10.4	-7.4	-2.9	10.8	11.1	-0.3
Oct.	-11.7	-5.0	-6.9	-26.6	-1.4	-6.1	-5.5	-8.0	2.5	-20.4	-24.8	4.3
Nov.	-41.1	7.3	-30.3	32.1	-9.0	33.0	-21.3	-15.7	-5.6	-0.9	1.1	-2.0
Dec.	-13.8	13.1	-17.6	2.5	-7.0	2.4	-10.6	-10.6	0.0	0.1	8.4	-8.3
1999 Jan.	-11.8	7.1	-19.1	27.9	-6.4	9.5	-12.7	-9.3	-3.4	18.4	15.7	2.7
Feb.	-12.0	5.8	-16.2	-10.2	-4.3	1.9	-11.9	-13.2	1.3	-12.1	-18.0	6.0
Mar.	-12.5	7.9	-30.0	-7.1	-11.0	-16.9	-19.0	-21.2	2.3	9.7	5.2	4.5
Apr.	-22.4	8.6	-14.4	16.8	-4.1	2.7	-10.3	-16.4	6.1	14.1	12.7	1.3
May	-25.4	8.4	-25.0	-2.6	-11.7	6.1	-13.3	-14.1	0.8	-8.7	-17.5	8.8
June	-23.4	6.1	-28.9	17.3	-11.8	12.6	-17.1	-13.7	-3.4	4.7	-10.4	15.1

2. Portfolio investment assets by instrument and sector of holder

	Equity				Debt instruments							
	Eurosysteem	General government	MFIs (excl. the Eurosysteem)	Other sectors	Bonds and notes				Money market instruments			
					Eurosysteem	General government	MFIs (excl. the Eurosysteem)	Other sectors	Eurosysteem	General government	MFIs (excl. the Eurosysteem)	Other sectors
1	2	3	4	5	6	7	8	9	10	11	12	
1999 Q1	0.1	-0.4	1.1	-22.5	0.1	-0.4	5.1	-48.6	1.4	-0.2	-1.1	0.0

Source: ECB.

1) Inflows (+); outflows (-).

2) Data from January 1999 are not closely comparable with earlier observations.

3) Data have been revised in the light of new information, as described in the general notes.

Table 8.5**Other investment account ^{1) 2)}***(EUR billions (ECU billions to end-1998); net flows)***1. By sector ³⁾**

	Total		Eurosystem		General government		MFIs (excluding the Eurosystem)						Other sectors	
	Assets 1	Liabilities 2	Assets 3	Liabilities 4	Assets 5	Liabilities 6	Total		Long-term		Short-term		Assets 13	Liabilities 14
							Assets 7	Liabilities 8	Assets 9	Liabilities 10	Assets 11	Liabilities 12		
1998	-37.0	235.8	-0.7	2.5	-1.4	-8.2	-18.1	211.0	-38.3	36.6	20.3	174.4	-16.8	30.5
1998 Q1	-31.2	96.4	0.4	-0.1	-1.9	-2.4	-9.6	88.7	-7.6	11.1	-1.9	77.6	-20.1	10.2
Q2	-1.5	26.2	-1.0	0.5	-2.9	-1.0	-1.8	20.7	-13.7	7.7	11.9	13.1	4.2	5.9
Q3	-79.3	82.8	0.4	-0.6	0.4	-1.9	-73.6	78.7	-14.7	1.4	-58.8	77.3	-6.5	6.6
Q4	75.0	30.4	-0.5	2.7	3.1	-2.8	66.9	22.8	-2.3	16.4	69.1	6.4	5.6	7.8
1999 Q1	-34.6	67.7	2.9	0.0	-3.3	-4.2	-13.4	58.6	-13.9	7.1	0.6	51.5	-20.9	13.3
Q2	31.8	41.7	3.8	0.0	4.4	-3.2	25.8	33.3	-16.2	15.0	42.1	18.3	-2.2	11.6
1998 Apr.	6.7	-3.8	0.0	0.3	0.5	0.2	12.9	-7.2	-4.1	4.0	17.0	-11.3	-6.6	2.9
May	-0.7	12.9	0.0	-0.3	-1.2	-0.6	-5.9	13.5	-3.9	0.8	-1.9	12.7	6.4	0.4
June	-7.6	17.0	-0.9	0.6	-2.2	-0.6	-8.8	14.5	-5.6	2.9	-3.2	11.6	4.4	2.6
July	-3.2	20.9	0.2	-0.1	0.3	-3.4	6.4	21.9	-3.3	0.9	9.7	21.1	-10.0	2.5
Aug.	-10.2	18.5	0.1	-0.1	0.5	0.5	-22.8	17.4	-6.1	-1.6	-16.7	19.0	12.0	0.7
Sep.	-65.9	43.3	0.1	-0.4	-0.3	0.9	-57.1	39.4	-5.3	2.1	-51.9	37.3	-8.5	3.4
Oct.	5.5	38.7	0.0	0.4	0.2	0.4	14.8	33.6	-1.0	4.6	15.7	29.0	-9.5	4.3
Nov.	10.2	34.9	-0.1	-2.7	1.1	1.5	2.5	33.1	0.5	2.3	2.1	30.9	6.7	3.0
Dec.	59.4	-43.2	-0.4	5.0	1.8	-4.7	49.6	-43.9	-1.8	9.6	51.4	-53.5	8.4	0.5
1999 Jan.	-64.7	65.1	8.4	0.0	0.0	-4.8	-65.0	65.2	-6.2	3.4	-58.8	61.7	-8.2	4.6
Feb.	30.9	3.9	-4.5	0.0	-2.2	-0.6	48.5	1.5	-0.6	-3.2	49.1	4.6	-10.9	3.1
Mar.	-0.8	-1.3	-1.0	0.0	-1.1	1.2	3.2	-8.1	-7.1	6.8	10.3	-14.9	-1.8	5.6
Apr.	17.9	6.6	0.9	0.0	-0.1	0.4	17.0	3.6	-3.5	4.8	20.5	-1.2	0.1	2.6
May	-3.1	39.7	3.6	0.0	1.2	-0.8	-5.6	39.9	-7.1	7.3	1.5	32.5	-2.3	0.6
June	17.0	-4.6	-0.7	0.0	3.2	-2.8	14.4	-10.2	-5.6	2.9	20.1	-13.0	0.1	8.3

2. By sector and instrument**2.1. Eurosystem**

	Loans/currency and deposits			Other assets/liabilities		
	Assets 1	Liabilities 2	Balance 3	Assets 4	Liabilities 5	Balance 6
1999 Q1	3.6	0.0	3.6	-0.7	0.0	-0.7

Source: ECB.

1) Inflows (+); outflows (-).

2) Data from January 1999 are not closely comparable with earlier observations. Flows before January 1999 include estimates.

3) Data have been revised in the light of new information, as described in the general notes.

2.2. General government

	Trade credits			Loans/currency and deposits			Other assets/liabilities		
	Assets 7	Liabilities 8	Balance 9	Assets 10	Liabilities 11	Balance 12	Assets 13	Liabilities 14	Balance 15
1999 Q1	-0.2	0.0	-0.2	-2.9	-4.1	-7.0	-0.3	-0.1	-0.4

2.3. MFIs (excluding the Eurosystem)

	Loans/currency and deposits			Other assets/liabilities		
	Assets 16	Liabilities 17	Balance 18	Assets 19	Liabilities 20	Balance 21
1999 Q1	-17.1	61.3	44.2	3.7	-2.7	1.0

2.4. Other sectors

	Trade credits			Loans/currency and deposits			Other assets/liabilities		
	Assets 22	Liabilities 23	Balance 24	Assets 25	Liabilities 26	Balance 27	Assets 28	Liabilities 29	Balance 30
1999 Q1	-3.5	4.1	0.6	-11.8	3.4	-8.4	-5.5	5.8	0.2

Table 8.6**Reserves and related assets of the Eurosystem****1. Outstanding amounts ¹⁾***(EUR billions; end-of-period positions, unless otherwise indicated)*

		Reserve assets							Memo:
		Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange	Other claims	Related assets	
									In fine troy ounces (millions)	Claims on euro area residents denominated in foreign currency
		1	2	3	4	5	6	7	8
1999	1 Jan.	330.3	99.6	405	6.0	22.5	201.5	0.7	7.6
	Jan.	339.1	101.9	405	6.0	22.7	206.9	1.6	7.5
	Feb.	341.1	105.6	405	3.0	22.7	209.1	0.7	9.4
	Mar.	350.2	105.9	405	3.9	23.5	215.2	1.8	10.1
	Apr.	352.8	109.6	405	5.5	23.9	212.0	1.7	11.7
	May	345.1	103.9	405	5.0	24.1	210.5	1.7	12.3
	June	346.5	102.2	404	4.3	24.7	213.7	1.6	12.7
	July	341.4	96.6	404	4.1	24.1	214.9	1.7	12.3

2. Balance of payments flows ²⁾*(EUR billions; net flows)*

		Reserve assets										Other claims	
		Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Financial derivatives
						Total	Currency and deposits		Securities				
							With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
		1	2	3	4	5	6	7	8	9	10	11	12
1999	Q1	5.5	0.0	2.5	0.0	3.3	1.5	3.0	0.0	1.3	-2.5	0.0	-0.3

Source: ECB.

1) The figures are not fully comparable with those of Table 1.1 owing to differences in coverage and valuation.

2) Increase (-); decrease (+).

9 External trade in goods of the euro area

Table 9

1. Exports ¹⁾

(EUR billions (ECU billions to end-1998); f.o.b. value)

	Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manu- factured articles	Machinery, transport equipment	Other	Export trade indices 1995 = 100			
									Value ²⁾	Volume ²⁾	Unit value	
	1	2	3	4	5	6	7	8	9	10	11	
1996	669.7	49.2	14.2	13.1	85.5	195.5	295.9	16.3	107.6	104.7	102.8	
1997	762.8	52.8	16.3	14.4	99.0	216.6	342.8	20.9	122.5	115.9	105.7	
1998	791.5	53.2	15.7	12.4	104.1	219.6	367.5	18.9	127.2	119.3	106.6	
1997	Q1	170.7	12.0	3.8	3.7	22.6	48.9	74.7	5.0	109.7	104.2	105.3
	Q2	191.8	13.4	4.1	3.6	25.1	53.9	86.4	5.3	123.3	117.3	105.1
	Q3	193.5	13.0	4.2	3.4	25.6	55.6	86.5	5.1	124.3	116.6	106.6
	Q4	206.8	14.4	4.2	3.7	25.6	58.2	95.1	5.5	132.9	125.7	105.7
1998	Q1	194.1	13.1	4.1	3.4	26.6	54.4	87.5	5.0	124.7	115.7	107.8
	Q2	203.6	13.9	3.9	3.3	26.9	56.1	94.5	5.0	130.9	122.5	106.8
	Q3	194.6	12.8	3.9	2.9	25.8	54.7	90.1	4.5	125.1	117.4	106.5
	Q4	199.1	13.4	3.8	2.8	24.9	54.4	95.4	4.5	128.0	121.6	105.2
1999	Q1	186.3	12.1	3.8	2.6	25.7	50.7	86.2	5.3	119.7	111.7	107.2
	Q2	199.9	.	.	.	.	.	.	.	128.5	.	.
1998	Jan.	58.4	4.0	1.3	1.2	8.4	16.2	25.8	1.6	112.7	104.7	107.6
	Feb.	63.7	4.3	1.4	1.0	8.6	18.0	28.8	1.6	122.8	113.9	107.8
	Mar.	71.9	4.8	1.5	1.2	9.6	20.2	32.9	1.8	138.7	128.4	108.0
	Apr.	67.9	4.7	1.3	1.1	9.2	18.9	31.0	1.8	131.0	122.5	106.9
	May	65.7	4.5	1.3	1.1	8.7	18.1	30.5	1.6	126.7	118.6	106.9
	June	70.0	4.7	1.3	1.1	9.1	19.1	33.1	1.5	134.9	126.4	106.7
	July	72.7	4.5	1.3	1.1	9.2	21.0	34.0	1.6	140.2	131.2	106.9
	Aug.	56.2	4.0	1.2	0.9	7.7	15.5	25.5	1.4	108.4	102.3	105.9
	Sep.	65.7	4.3	1.3	0.9	8.8	18.3	30.6	1.5	126.6	118.8	106.6
	Oct.	68.4	4.5	1.3	1.0	8.6	19.5	32.1	1.5	131.9	124.9	105.6
	Nov.	66.3	4.5	1.3	0.9	8.1	18.0	32.1	1.5	127.9	122.1	104.7
	Dec.	64.4	4.4	1.2	0.9	8.2	16.9	31.2	1.5	124.1	117.9	105.3
1999	Jan.	54.2	3.6	1.2	0.8	7.8	14.6	24.9	1.5	104.5	98.1	106.6
	Feb.	59.7	3.9	1.2	0.8	8.2	16.4	27.3	1.9	115.1	107.8	106.8
	Mar.	72.4	4.6	1.4	1.0	9.7	19.7	34.0	1.9	139.6	129.3	108.0
	Apr.	65.5	4.2	1.3	1.0	9.2	17.7	30.6	1.5	126.3	117.1	107.8
	May	63.1	.	.	.	.	.	.	.	121.6	112.8	107.8
	June	71.3	.	.	.	.	.	.	.	137.5	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.2).

2) ECB calculations based on Eurostat data.

Table 9**2. Imports ¹⁾***(EUR billions (ECU billions to end-1998); c.i.f. value)*

	Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manu- factured articles	Machinery, transport equipment	Other	Import trade indices 1995 = 100		
									Value ²⁾	Volume ²⁾	Unit value
	1	2	3	4	5	6	7	8	9	10	11
1996	593.9	46.6	36.5	71.6	54.1	167.0	193.6	24.6	105.5	102.9	102.6
1997	674.2	49.7	41.3	81.2	62.0	188.1	228.8	23.1	119.8	110.3	108.6
1998	708.4	50.3	41.0	61.9	67.3	199.8	265.2	22.9	125.9	122.7	102.6
1997 Q1	159.1	11.4	9.7	21.2	14.7	44.6	51.8	5.8	113.1	106.0	106.7
Q2	168.0	12.6	11.0	18.6	16.0	46.5	57.5	5.7	119.4	111.4	107.2
Q3	166.6	12.2	10.0	20.0	15.2	48.9	55.6	4.7	118.5	106.9	110.8
Q4	180.4	13.5	10.6	21.4	16.1	48.2	63.8	6.8	128.2	117.0	109.6
1998 Q1	180.7	12.6	10.8	17.5	17.6	51.2	64.7	6.2	128.4	119.7	107.3
Q2	178.7	12.5	11.1	15.9	17.2	50.0	65.9	6.0	127.0	121.4	104.6
Q3	170.8	12.2	9.6	14.7	16.3	50.1	62.6	5.2	121.4	119.4	101.7
Q4	178.3	12.9	9.5	13.9	16.3	48.4	71.9	5.5	126.7	130.5	97.1
1999 Q1	176.6	11.7	9.1	13.4	16.9	49.8	70.2	5.5	125.6	127.1	98.8
Q2	184.3	.	.	.	.	.	.	.	131.0	.	.
1998 Jan.	57.9	4.1	3.5	6.2	5.6	16.4	20.1	2.0	123.5	114.8	107.6
Feb.	58.3	4.0	3.5	5.7	5.5	16.6	20.7	2.2	124.2	115.2	107.8
Mar.	64.5	4.6	3.8	5.6	6.5	18.2	23.9	2.0	137.6	129.3	106.4
Apr.	60.0	4.3	3.7	5.4	5.7	16.6	22.3	2.0	127.9	121.3	105.5
May	57.0	4.0	3.5	5.5	5.6	15.7	20.9	1.8	121.6	115.9	104.9
June	61.6	4.2	3.9	4.9	5.9	17.7	22.8	2.3	131.4	127.1	103.4
July	59.2	4.3	3.6	4.9	5.9	17.7	20.9	1.8	126.1	123.5	102.1
Aug.	50.1	3.7	2.8	4.7	4.7	14.7	17.9	1.5	106.8	105.6	101.1
Sep.	61.5	4.2	3.3	5.0	5.7	17.7	23.7	1.9	131.2	128.9	101.8
Oct.	61.7	4.3	3.3	5.0	5.7	17.2	24.3	2.0	131.6	132.6	99.3
Nov.	59.1	4.2	3.1	4.4	5.3	16.0	24.3	1.8	126.0	130.9	96.3
Dec.	57.5	4.4	3.1	4.4	5.2	15.3	23.2	1.8	122.6	128.2	95.6
1999 Jan.	54.3	3.6	2.9	4.5	5.1	15.3	21.1	1.7	115.7	117.9	98.1
Feb.	55.7	3.7	2.9	4.1	5.4	16.0	21.8	1.9	118.8	120.7	98.4
Mar.	66.7	4.4	3.3	4.9	6.4	18.5	27.4	1.9	142.2	142.6	99.7
Apr.	60.3	4.0	3.2	5.4	5.8	15.9	24.2	1.8	128.6	125.7	102.3
May	61.4	.	.	.	.	.	.	.	130.9	125.9	104.0
June	62.6	.	.	.	.	.	.	.	133.5	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported, which accounted for about 3.8% of the value of imports (c.i.f.) in 1998.

2) ECB calculations based on Eurostat data.

Table 9**3. Trade balance ¹⁾***(EUR billions (ECU billions to end-1998); exports (f.o.b.) - imports (c.i.f.))*

	Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manufactured articles	Machinery, transport equipment	Other
	1	2	3	4	5	6	7	8
1996	75.8	2.7	-22.3	-58.5	31.4	28.5	102.3	-8.3
1997	88.6	3.2	-25.0	-66.8	37.0	28.5	114.0	-2.2
1998	83.0	2.9	-25.4	-49.5	36.9	19.8	102.3	-4.0
1997 Q1	11.6	0.6	-5.8	-17.5	7.9	4.3	22.8	-0.8
Q2	23.8	0.7	-6.9	-15.0	9.1	7.4	28.9	-0.4
Q3	26.8	0.9	-5.9	-16.6	10.4	6.8	30.9	0.3
Q4	26.3	1.0	-6.4	-17.7	9.5	10.0	31.3	-1.3
1998 Q1	13.3	0.5	-6.7	-14.1	9.0	3.1	22.7	-1.2
Q2	25.0	1.4	-7.2	-12.6	9.7	6.1	28.6	-1.1
Q3	23.9	0.5	-5.8	-11.8	9.5	4.6	27.5	-0.7
Q4	20.8	0.5	-5.7	-11.1	8.6	6.0	23.5	-1.1
1999 Q1	9.7	0.4	-5.3	-10.8	8.8	0.9	16.0	-0.3
Q2	15.6	.	.	.	.	.	.	.
1998 Jan.	0.5	-0.1	-2.3	-5.0	2.8	-0.2	5.7	-0.4
Feb.	5.4	0.4	-2.2	-4.7	3.1	1.4	8.1	-0.6
Mar.	7.4	0.2	-2.3	-4.4	3.1	1.9	9.0	-0.2
Apr.	7.9	0.4	-2.3	-4.3	3.4	2.3	8.7	-0.1
May	8.7	0.5	-2.3	-4.5	3.1	2.4	9.6	-0.2
June	8.3	0.5	-2.6	-3.8	3.2	1.5	10.3	-0.7
July	13.6	0.2	-2.2	-3.8	3.4	3.3	13.1	-0.3
Aug.	6.1	0.3	-1.6	-3.8	3.1	0.7	7.6	-0.1
Sep.	4.1	0.0	-2.0	-4.1	3.1	0.6	6.9	-0.3
Oct.	6.7	0.2	-2.0	-4.0	2.9	2.3	7.7	-0.5
Nov.	7.2	0.3	-1.9	-3.5	2.8	2.0	7.7	-0.3
Dec.	6.9	0.0	-1.8	-3.5	3.0	1.6	8.0	-0.3
1999 Jan.	0.0	0.0	-1.8	-3.7	2.6	-0.8	3.8	-0.3
Feb.	4.0	0.2	-1.7	-3.2	2.8	0.4	5.5	0.0
Mar.	5.7	0.1	-1.9	-3.9	3.4	1.3	6.6	0.0
Apr.	5.2	0.3	-1.9	-4.5	3.4	1.8	6.4	-0.3
May	1.7	.	.	.	.	.	.	.
June	8.7	.	.	.	.	.	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.1). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported, which accounted for about 3.8% of the value of imports (c.i.f.) in 1998.

10 Exchange rates

Table 10

Exchange rates ¹⁾

(period averages; units of national currency per ECU or euro (bilateral); index 1990 = 100 (effective))

	Bilateral ECU or euro exchange rates								
	US dollar 1	Japanese yen 2	Swiss franc 3	Pound sterling 4	Swedish krona 5	Danish krone 6	Greek drachma 7	Norwegian krone 8	Canadian dollar 9
1995	1.308	123.0	1.546	0.829	9.33	7.33	303.0	8.29	1.795
1996	1.270	138.1	1.568	0.814	8.51	7.36	305.5	8.20	1.731
1997	1.134	137.1	1.644	0.692	8.65	7.48	309.3	8.02	1.569
1998	1.121	146.4	1.622	0.676	8.92	7.50	330.7	8.47	1.665
1998 Q2	1.100	149.5	1.643	0.665	8.60	7.52	339.9	8.28	1.592
1998 Q3	1.118	156.3	1.642	0.676	8.95	7.50	332.7	8.54	1.690
1998 Q4	1.177	140.6	1.600	0.702	9.38	7.44	331.5	8.82	1.814
1999 Q1	1.122	130.7	1.599	0.687	8.98	7.44	322.7	8.60	1.696
1999 Q2	1.057	127.7	1.600	0.658	8.90	7.43	325.0	8.24	1.557
1998 Aug.	1.102	159.4	1.646	0.675	8.96	7.50	331.6	8.51	1.688
1998 Sep.	1.154	155.3	1.617	0.687	9.12	7.48	337.9	8.74	1.756
1998 Oct.	1.194	144.2	1.596	0.705	9.37	7.44	336.5	8.88	1.842
1998 Nov.	1.164	140.1	1.612	0.701	9.31	7.44	329.1	8.68	1.793
1998 Dec.	1.172	137.4	1.594	0.702	9.45	7.45	328.8	8.91	1.807
1999 Jan.	1.161	131.3	1.605	0.703	9.08	7.44	323.6	8.65	1.765
1999 Feb.	1.121	130.8	1.598	0.689	8.91	7.44	322.0	8.65	1.679
1999 Mar.	1.088	130.2	1.595	0.671	8.94	7.43	322.5	8.51	1.651
1999 Apr.	1.070	128.2	1.602	0.665	8.91	7.43	325.5	8.32	1.594
1999 May	1.063	129.7	1.603	0.658	8.97	7.43	325.2	8.23	1.553
1999 June	1.038	125.3	1.595	0.650	8.83	7.43	324.2	8.17	1.524
1999 July	1.035	123.7	1.604	0.658	8.74	7.44	325.0	8.18	1.540
1999 Aug.	1.060	120.1	1.600	0.660	8.75	7.44	326.4	8.26	1.583
% ch. vs. ²⁾ prev. month	2.4	-2.9	-0.2	0.4	0.1	0.0	0.4	1.0	2.8

	Bilateral ECU or euro exchange rates								Effective exchange rate (EER) of the euro area ³⁾	
	Australian dollar 10	New Zealand dollar 11	Hong Kong dollar 12	Korean won 13	Singapore dollar 14	Taiwan dollar 15	Mexican peso 16	Nominal 17	Real 18	
	1995	1.765	1.993	10.01	999.7	1.833	34.28	8.35	97.8	98.7
1996	1.623	1.847	9.68	1,007.9	1.765	34.39	9.52	98.3	99.1	
1997	1.528	1.715	8.75	1,069.8	1.678	32.50	8.95	90.4	90.7	
1998	1.787	2.097	8.69	1,568.9	1.876	37.64	10.30	92.3	92.1	
1998 Q2	1.754	2.063	8.53	1,537.0	1.810	37.09	9.55	91.3	91.1	
1998 Q3	1.867	2.199	8.67	1,486.8	1.935	38.71	10.62	93.5	93.4	
1998 Q4	1.887	2.236	9.16	1,516.6	1.942	38.64	11.84	94.6	94.2	
1999 Q1	1.770	2.087	8.69	1,342.6	1.911	36.60	11.18	91.0	90.8	
1999 Q2	1.618	1.949	8.19	1,258.8	1.810	34.57	9.98	87.6	87.3	
1998 Aug.	1.868	2.196	8.55	1,450.4	1.939	38.33	10.34	93.3	93.3	
1998 Sep.	1.962	2.289	8.97	1,592.4	1.994	40.10	11.83	95.2	94.9	
1998 Oct.	1.932	2.284	9.31	1,615.7	1.969	39.81	12.21	95.8	95.3	
1998 Nov.	1.834	2.180	9.05	1,511.9	1.913	38.08	11.64	94.1	93.6	
1998 Dec.	1.893	2.241	9.11	1,426.3	1.941	38.02	11.65	94.0	93.6	
1999 Jan.	1.839	2.159	8.99	1,362.4	1.950	37.43	11.82	92.7	92.3	
1999 Feb.	1.751	2.062	8.68	1,330.2	1.905	36.41	11.21	90.9	90.6	
1999 Mar.	1.726	2.045	8.43	1,336.2	1.881	36.04	10.60	89.5	89.4	
1999 Apr.	1.668	1.972	8.30	1,292.2	1.834	35.22	10.10	88.4	88.1	
1999 May	1.605	1.925	8.24	1,272.1	1.820	34.82	9.97	88.1	87.7	
1999 June	1.580	1.948	8.05	1,212.6	1.775	33.70	9.88	86.4	86.0	
1999 July	1.576	1.967	8.03	1,229.4	1.756	33.42	9.71	86.4	86.4	
1999 Aug.	1.645	2.015	8.23	1,269.1	1.779	33.91	9.96	86.8	86.7	
% ch. vs. ²⁾ prev. month	4.4	2.5	2.4	3.2	1.3	1.5	2.5	0.5	0.4	
prev. year								-7.0	-7.1	

Source: ECB.

1) To December 1998, rates for the ECU (source BIS); from January 1999, rates for the euro.

2) A percentage change in the latest monthly observation is shown compared with the previous month and (only for the effective exchange rate) the same month of the previous year, respectively. A positive change denotes an appreciation of the euro.

3) BIS calculations; to December 1998, based on weighted averages of the euro area countries' effective exchange rates; from January 1999, based on weighted averages of bilateral euro exchange rates (original BIS figures have been rescaled to 1990 = 100). Weights are based on 1990 manufactured goods trade with the trading partners whose currencies are shown in the table and capture third-market effects. Real rates are calculated using national CPIs. Where CPI data are not yet available, estimates are used.

II Economic and financial developments in the other EU Member States

Table 11
Economic and financial developments

(annual percentage changes, unless otherwise indicated)

	HICP	General government deficit (-) / surplus (+) as a % of GDP	General government gross debt as a % of GDP	Long-term government bond yield ¹⁾ as a % per annum	Exchange rate ²⁾ as national currency per ECU or euro	Current and new capital account ³⁾ as a % of GDP	Unit labour costs ⁴⁾	Real GDP	Industrial production index ⁵⁾	Standardised unemployment rate as a % of labour force (s.a.)	Broad money ⁶⁾	3-month interest rate ¹⁾ as a % per annum
	1	2	3	4	5	6	7	8	9	10	11	12
Denmark												
1995	-	-2.4	72.1	8.27	7.33	.	0.5	3.7	4.4	7.2	-2.0	6.20
1996	2.1	-0.9	67.4	7.19	7.36	1.7	1.4	2.8	2.0	6.8	7.2	3.98
1997	1.9	0.4	63.6	6.26	7.48	0.6	2.8	3.1	5.6	5.6	4.7	3.73
1998	1.3	0.8	58.1	4.94	7.50	-1.4	2.4	2.7	2.2	5.1	4.6	4.27
1998	Q2	1.4	-	-	5.12	7.52	-1.9	1.7	1.0	-1.2	5.1	4.21
	Q3	1.2	-	-	4.82	7.50	1.7	2.1	3.6	5.0	6.6	4.47
	Q4	1.1	-	-	4.51	7.44	-4.1	3.5	2.5	-0.3	4.7	4.51
1999	Q1	1.4	-	-	4.22	7.44	1.6	5.4	1.0	-0.6	4.8	3.64
	Q2	1.8	-	-	4.50	7.43	.	.	.	6.9	4.5	3.12
1999	Feb.	1.3	-	-	4.19	7.44	-	-	-	-0.9	4.7	3.62
	Mar.	1.7	-	-	4.43	7.43	-	-	-	0.0	4.6	3.46
	Apr.	1.7	-	-	4.22	7.43	-	-	-	9.8	4.6	3.12
	May	1.6	-	-	4.46	7.43	-	-	-	13.7	4.5	3.11
	June	1.9	-	-	4.81	7.43	-	-	-	-1.8	4.5	3.13
	July	2.0	-	-	5.11	7.44	-	-	-	.	3.1	3.17
	Aug.	.	-	-	5.38	7.44	-	-	-	.	.	3.21
Greece												
1995	-	-10.3	110.1	-	303.0	-2.8	11.6	2.1	2.1	7.1	6.4	16.09
1996	7.9	-7.5	112.2	-	305.5	-3.7	10.6	2.4	0.6	7.5	9.8	13.54
1997	5.4	-3.9	109.4	9.92	309.3	-4.0	7.1	3.2	1.0	7.9	14.5	12.48
1998	4.5	-2.4	106.5	8.48	330.7	-3.1	.	.	3.4	10.0	4.0	13.53
1998	Q2	5.0	-	-	7.90	339.9	.	.	.	6.1	10.3	3.4
	Q3	4.8	-	-	7.83	332.7	.	.	.	3.7	11.7	2.3
	Q4	4.0	-	-	7.76	331.5	.	.	.	0.8	9.8	5.7
1999	Q1	3.4	-	-	6.08	322.7	.	.	.	-0.8	.	10.56
	Q2	2.2	-	-	5.87	325.0	.	.	.	.	.	9.80
1999	Feb.	3.5	-	-	5.96	322.0	.	.	.	-0.9	.	10.43
	Mar.	3.2	-	-	5.97	322.5	-	-	-	-1.2	.	9.84
	Apr.	2.6	-	-	5.85	325.5	-	-	-	0.0	.	9.85
	May	2.2	-	-	5.75	325.2	-	-	-	1.0	.	9.72
	June	1.8	-	-	6.02	324.2	-	-	-	.	.	9.84
	July	1.8	-	-	6.37	325.0	-	-	-	.	.	9.83
	Aug.	.	-	-	6.66	326.4	-	-	-	.	.	9.90
Sweden												
1995	-	-6.9	77.6	10.24	9.33	.	.	3.7	10.6	8.8	-1.3	8.83
1996	0.8	-3.5	76.7	8.02	8.51	.	.	1.3	1.8	9.6	10.0	6.03
1997	1.8	-0.7	76.7	6.62	8.65	.	.	1.8	7.2	9.9	4.2	4.43
1998	1.0	2.0	75.1	4.99	8.92	2.3	.	2.6	4.2	8.3	3.5	4.36
1998	Q2	1.4	-	-	5.13	8.60	1.1	.	1.8	6.2	2.6	4.53
	Q3	0.6	-	-	4.82	8.95	2.5	.	2.5	5.2	4.7	4.29
	Q4	0.1	-	-	4.50	9.38	2.7	.	3.2	1.3	4.5	3.94
1999	Q1	0.2	-	-	4.21	8.98	1.4	.	3.6	1.2	7.5	3.31
	Q2	0.3	-	-	4.54	8.90	.	.	.	.	7.0	3.07
1999	Feb.	0.2	-	-	4.18	8.91	-	-	-	1.4	7.3	3.31
	Mar.	0.5	-	-	4.44	8.94	-	-	-	2.3	7.4	3.23
	Apr.	0.3	-	-	4.24	8.91	-	-	-	0.3	7.3	2.99
	May	0.3	-	-	4.50	8.97	-	-	-	4.0	6.8	3.10
	June	0.4	-	-	4.87	8.83	-	-	-	.	7.0	3.12
	July	0.2	-	-	5.26	8.74	-	-	-	.	6.8	3.23
	Aug.	.	-	-	5.49	8.75	-	-	-	.	.	3.25
United Kingdom												
1995	-	-5.7	53.0	8.32	0.829	-0.4	1.5	2.8	1.5	8.7	7.2	6.75
1996	2.5	-4.4	53.6	7.94	0.814	0.0	1.7	2.6	0.4	8.2	9.9	6.11
1997	1.8	-1.9	52.1	7.13	0.692	0.9	2.9	3.5	1.3	7.0	11.2	6.92
1998	1.5	0.6	49.4	5.60	0.676	0.1	3.5	2.2	0.4	6.3	9.6	7.43
1998	Q2	1.8	-	-	5.89	0.665	-0.3	3.2	2.5	1.2	6.3	7.58
	Q3	1.4	-	-	5.57	0.676	0.4	3.5	2.0	0.6	6.3	7.67
	Q4	1.4	-	-	4.82	0.702	0.2	4.1	1.6	-0.5	6.3	6.89
1999	Q1	1.6	-	-	4.39	0.687	-1.6	4.3	1.2	-1.3	6.3	7.2
	Q2	1.4	-	-	4.82	0.658	.	.	1.2	-1.2	6.1	5.29
1999	Feb.	1.5	-	-	4.37	0.689	-	-	-	-1.6	6.3	5.53
	Mar.	1.7	-	-	4.60	0.671	-	-	-	-1.2	6.3	5.40
	Apr.	1.5	-	-	4.54	0.665	-	-	-	-1.3	6.2	5.32
	May	1.3	-	-	4.83	0.658	-	-	-	-0.8	6.1	5.35
	June	1.4	-	-	5.09	0.650	-	-	-	-1.6	.	5.22
	July	1.3	-	-	5.27	0.658	-	-	-	.	.	5.17
	Aug.	.	-	-	5.31	0.660	-	-	-	.	.	5.26

Sources: Eurostat (columns 1, 8 and 10 (except Greece)); European Commission (DG II and Eurostat) (columns 2 and 3); Bloomberg (column 12); national data (columns 4, 5, 6, 7, 9, 10 (Greece) and 11).

1) Average-of-period values.

4) Whole economy; data for the United Kingdom

6) Average of end-month values;

2) For more information, see Table 10.

exclude employers' contribution to social security.

M3; M4 for the United Kingdom.

3) BPM5; BPM4 for Greece.

5) Manufacturing; adjusted for working days.

12 Economic and financial developments outside the EU

Table 12.1

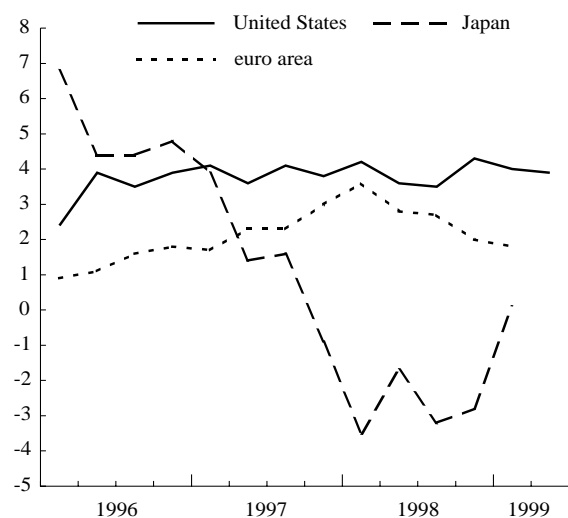
Economic and financial developments

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs ¹⁾	Real GDP	Industrial production index ¹⁾	Unemployment rate as a % of labour force (s.a.)	M2 ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per ECU or euro	Fiscal deficit (-) / surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
1995	2.8	-1.6	2.3	5.4	5.6	2.1	5.44	6.69	1.308	-2.2	60.8
1996	2.9	-2.3	3.4	4.8	5.4	4.8	5.43	6.54	1.270	-1.2	59.9
1997	2.3	0.0	3.9	6.7	4.9	5.0	5.62	6.45	1.134	0.1	57.8
1998	1.6	0.7	3.9	4.2	4.5	7.4	5.00	5.33	1.121	1.4	55.1
1998 Q2	1.6	1.0	3.6	5.0	4.4	7.2	5.59	5.67	1.100	-	56.1
1998 Q3	1.6	1.4	3.5	3.2	4.5	7.3	5.20	5.27	1.118	-	55.3
1998 Q4	1.5	-0.8	4.3	2.5	4.4	8.4	5.00	4.72	1.177	-	55.1
1999 Q1	1.7	-1.6	4.0	2.2	4.3	8.5	4.99	5.00	1.122	-	54.8
1999 Q2	2.1	-1.4	3.9	2.7	4.3	7.9	5.04	5.54	1.057	-	.
1999 Feb.	1.6	-	-	2.5	4.4	8.5	5.00	4.99	1.121	-	-
1999 Mar.	1.7	-	-	2.2	4.2	8.1	4.99	5.23	1.088	-	-
1999 Apr.	2.3	-	-	2.3	4.3	8.1	4.97	5.18	1.070	-	-
1999 May	2.1	-	-	2.2	4.2	7.9	4.98	5.54	1.063	-	-
1999 June	2.0	-	-	3.7	4.3	7.7	5.17	5.90	1.038	-	-
1999 July	2.1	-	-	4.3	4.3	7.7	5.30	5.80	1.035	-	-
1999 Aug.	.	-	-	.	4.2	.	5.46	5.94	1.060	-	-
Japan											
1995	-0.1	-2.2	1.5	3.4	3.2	3.0	0.50	3.32	123.0	-3.6	.
1996	0.1	-1.9	5.1	2.3	3.4	3.3	0.31	3.03	138.1	-4.3	.
1997	1.7	-2.2	1.4	3.6	3.4	3.1	0.36	2.15	137.1	-3.3	.
1998	0.6	6.3	-2.8	-7.1	4.1	4.4	0.18	1.30	146.4	-5.9	.
1998 Q2	0.3	8.1	-1.7	-8.8	4.1	4.2	0.43	1.36	149.5	-	-
1998 Q3	-0.2	7.6	-3.2	-8.5	4.3	4.2	0.12	1.14	156.3	-	-
1998 Q4	0.5	5.1	-2.8	-6.8	4.4	4.5	0.18	1.04	140.6	-	-
1999 Q1	-0.1	3.6	0.1	-4.2	4.6	4.1	0.31	1.96	130.7	-	-
1999 Q2	-0.3	.	.	-1.0	4.8	4.1	0.13	1.50	127.7	-	-
1999 Feb.	-0.1	2.9	-	-4.1	4.6	3.9	0.38	2.09	130.8	-	-
1999 Mar.	-0.4	-0.2	-	-0.8	4.8	4.2	0.20	1.72	130.2	-	-
1999 Apr.	-0.1	0.4	-	-2.4	4.8	4.0	0.18	1.55	128.2	-	-
1999 May	-0.4	-2.1	-	-0.5	4.6	4.1	0.12	1.36	129.7	-	-
1999 June	-0.3	.	-	0.0	4.9	4.3	0.10	1.60	125.3	-	-
1999 July	-0.1	.	-	0.3	4.9	4.0	0.12	1.69	123.7	-	-
1999 Aug.	.	.	-	.	.	.	0.13	1.89	120.1	-	-

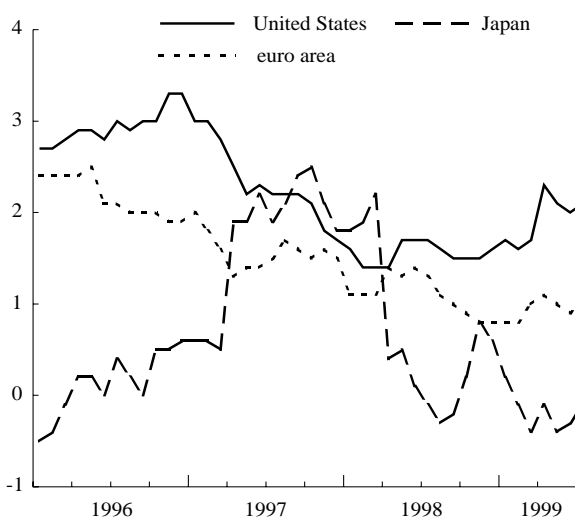
Real gross domestic product

(annual percentage changes; quarterly)



Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5, 6, 8 (to December 1998), 9 and 11); OECD (column 2 (Japan)); Eurostat (euro area chart data); Reuters (columns 7 and 8 (from January 1999)); European Commission (DG II) (column 10).

1) Manufacturing.

2) Average-of-period values, M2 and CDs for Japan.

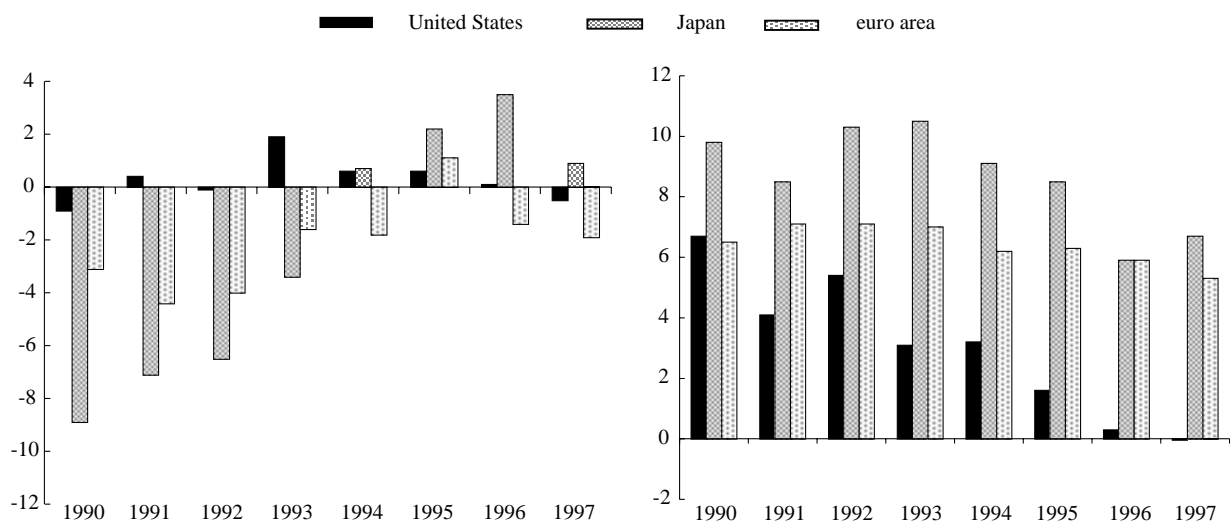
3) For more information, see Tables 3.1 and 3.2.

4) For more information, see Table 10.

5) Gross consolidated debt for the general government (end of period).

Table 12.2
Saving, investment and financing
(as a percentage of GDP)

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditure	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
1995	16.3	17.4	-1.4	7.8	7.2	6.0	8.3	5.4	2.3	12.2	6.6	13.5	5.0
1996	16.6	17.8	-1.6	7.9	7.5	5.3	8.2	5.2	0.7	12.4	5.1	13.5	4.8
1997	17.3	18.4	-1.7	8.3	7.4	3.7	8.2	4.3	1.5	12.3	4.6	12.8	4.6
1998	17.2	18.8	-2.5	8.3	7.7	4.3	8.1	4.6	0.8	12.8	4.9	11.5	5.9
1997 Q2	17.6	18.5	-1.5	8.7	7.5	1.8	8.3	2.9	1.1	12.2	5.9	13.3	4.5
1997 Q3	17.5	18.4	-1.7	8.2	7.7	5.1	8.4	6.1	1.6	12.3	4.9	12.9	5.4
1997 Q4	17.3	18.5	-2.0	8.1	7.3	3.2	8.1	3.4	2.1	12.2	4.6	12.3	4.0
1998 Q1	17.7	19.1	-2.1	8.7	7.7	6.1	8.2	6.6	1.9	12.5	3.5	11.6	5.6
1998 Q2	17.2	18.7	-2.5	8.1	7.8	2.3	8.1	2.7	2.6	12.8	8.2	11.5	6.0
1998 Q3	17.3	18.8	-2.7	8.2	7.6	4.1	8.1	4.1	0.7	12.7	3.6	11.3	5.1
1998 Q4	16.9	18.8	-2.6	8.2	7.8	4.7	8.0	4.8	-2.0	13.1	4.4	11.5	6.7
1999 Q1	17.0	19.0	-3.0	8.2	7.7	5.4	8.1	5.7	3.9	13.3	4.3	10.9	6.6
Japan													
1995	30.8	28.6	2.1	14.9	14.9	3.1	13.5	2.3	0.5	5.3	10.3	13.1	1.9
1996	31.5	30.0	1.4	14.6	15.3	1.7	15.2	0.3	1.0	6.7	6.4	12.7	1.1
1997	30.9	28.7	2.2	15.5	16.1	3.3	15.2	1.2	0.1	5.6	7.1	12.3	0.7
1998	.	.	.	.	.	4.5	.	-5.6	-1.3	.	5.3	.	-0.3
1997 Q2	31.2	26.6	2.3	.	.	2.6	.	-1.9	1.4	.	10.7	.	0.7
1997 Q3	30.2	30.0	2.2	.	.	3.0	.	3.1	0.4	.	-0.3	.	1.5
1997 Q4	29.0	29.3	2.6	.	.	6.6	.	10.7	-0.3	.	19.8	.	1.5
1998 Q1	33.2	27.9	2.4	.	.	-6.9	.	-15.7	5.4	.	-2.5	.	2.3
1998 Q2	.	24.1	.	.	.	-25.6	.	-10.9	0.9	.	13.5	.	-5.8
1998 Q3	.	26.7	.	.	.	4.1	.	-2.9	4.7	.	3.3	.	1.9
1998 Q4	.	.	.	.	.	11.5	.	-5.9	-0.8	.	10.3	.	1.1
1999 Q1	.	.	.	.	.	-2.7	.	-19.6	5.7	.	-5.5	.	8.3

Net lending of non-financial corporations
(as a percentage of GDP)
Net lending of households ¹⁾
(as a percentage of GDP)


Sources: ECB, Federal Reserve Board, Bank of Japan and Economic Planning Agency.

1) Households including non-profit institutions serving households. For Japan, saving of non-profit institutions serving households is included under saving of non-financial corporations.

General notes

The basis for the statistics compiled and published by the European Central Bank (ECB) was laid down in the document entitled the "Statistical requirements for Stage Three of Monetary Union (Implementation package)" which was made available to banking associations and others involved in statistical preparations for Stage Three by the European Monetary Institute (EMI) and the national central banks (NCBs) in July 1996. The "Implementation package" covers money and banking statistics, balance of payments statistics, international investment position statistics, financial accounts statistics, price and cost and other economic statistics.¹

The focus of these statistics is the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available on the ECB's Web site (<http://www.ecb.int>), and new or expanded data will appear in the ECB Monthly Bulletin as they become available.

Because the composition of the ECU does not coincide with the currencies of the Member States adopting the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of Member States which have not adopted the euro. To avoid this effect in the monetary statistics, the pre-1999 data in Tables 2.1 to 2.6 are expressed in units converted from national currencies at the irrevocable fixed exchange rates announced on 31 December 1998. Unless indicated otherwise, price and cost statistics before 1999 are based on the data expressed in national currency terms.

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

As a general rule, the cut-off date for the statistics included in the ECB Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council of the ECB. For this issue, it was 8 September 1999.

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

Monetary policy and financial statistics

Tables 1.1 to 1.5 show the consolidated financial statement of the Eurosystem, data on Eurosystem operations, statistics relating to minimum reserves, and the banking system's liquidity position. Monetary data relating to Monetary Financial Institutions (MFIs), including the Eurosystem, are shown in Tables 2.1 to 2.3. Table 2.3 is consolidated; inter-MFI positions within the euro area are not shown, but any difference between the sum total of such claims and liabilities as recorded is shown in column 13. Table 2.4 sets out monetary aggregates drawn from the consolidated MFI balance sheet; they also include some (monetary) liabilities of central government. Table 2.5 shows a quarterly sectoral and maturity analysis of loans by MFIs to euro area residents. Table 2.6 shows a quarterly currency analysis of certain MFI balance sheet items. More quarterly detail will be available shortly. A complete list of MFIs is published on the ECB's Web site. Details of the sector definitions are set out in the "Money and Banking Statistics Sector Manual: Guidance for the statistical classification of customers" (EMI, April 1998). The "Money and Banking Statistics Compilation Guide" (EMI, April 1998) explains recommended practices to be followed by the NCBs. From 1 January 1999 the statistical information is collected and compiled on the basis of the ECB Regulation concerning the consolidated balance sheet of the Monetary Financial Institutions sector (ECB/1998/16).

Statistics on money market interest rates, long-term government bond yields and stock market indices (Tables 3.1 to 3.3) are produced by the ECB using data from wire services. For details

¹ Money and banking statistics are the responsibility of the ECB at the European level; responsibility for balance of payments, international investment position and financial accounts statistics is shared with the European Commission (Eurostat); price and cost and other economic statistics are the responsibility of the European Commission (Eurostat).

concerning the statistics on retail bank interest rates (Table 3.4), see the footnote at the bottom of the relevant page.

Statistics on securities market issues and redemptions are expected to be available later in 1999.

Prices and real economy indicators

The data presented in the ECB Monthly Bulletin are, with a few exceptions, 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. However, the availability of comparable data is, as a general rule, better for the more recent periods than for earlier periods.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 4.1) is available from 1995 onwards. It is based on national HICPs that follow the same methodology in all euro area countries. Estimates for periods before 1995 based on national consumer price indices are not fully comparable.

With regard to statistics on national accounts (Tables 4.2 and 5.1), the implementation of the European System of Accounts 1995 (ESA 95) during 1999 and thereafter has begun to pave the way for fully comparable data, including quarterly summary accounts, across the euro area. Before 1999 the deflators of GDP in Table 4.2.2 are derived from national data in domestic currency. National accounts in this issue are based mainly on the ESA 95.

Table 5.2 shows selected other real economy indicators. The implementation of Council Regulation (EC) No. 1165/98 of 19 May 1998 concerning short-term statistics will enlarge the range of available euro area data.

Opinion survey data (Table/Chart 5.3) draw on the business and consumer surveys of the European Commission.

Employment data (Table 5.4) are based on the ESA 95. Since coverage of the euro area was not complete in time for this issue, some data are ECB estimates based on the information available. Unemployment rates conform to International Labour Organization (ILO) guidelines.

Financial accounts statistics

The "Implementation package" foresaw a need for detailed information covering the financial transactions and balance sheets for the euro area in order to complement monetary analysis and policy research. The aim is to provide a fairly full, though not complete, set of financial accounts for the euro area based on money and banking, balance of payments, capital market, non-MFI financial corporation and government finance statistics, and drawing also on the ESA 95 national accounts. Table 6 shows euro area aggregates based on national capital and financial accounts.

A more detailed and further harmonised set of statistics presenting financial accounts for the euro area is expected to appear in the ECB Monthly Bulletin later in 1999.

General government fiscal position

The general government fiscal position in the euro area is presented in Table 7 by reference to general government receipts, expenditure, saving, deficit and debt as a percentage of GDP. These data are aggregated by the ECB from harmonised data provided by the NCBs.

In addition, general government deficit and debt data are shown for individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. These data are provided by the European Commission.

Balance of payments of the euro area, the Eurosystem's reserve position, trade in goods and exchange rates

The concepts and definitions used in balance of payments statistics (Tables 8.1 to 8.5) and international investment position statistics (to be published in the autumn, for end-1998 stocks) generally conform to the 5th edition of the IMF Balance of Payments Manual (October 1993), to the ECB Guideline of 1 December 1998 (ECB/1998/17) on the statistical reporting requirements of the European Central Bank, and to Eurostat's documentation. The common methodology agreed between the ECB and the European Commission (Eurostat) and the aggregation method were explained on page 26 of the May issue of the Monthly Bulletin (see also the ECB's Web site). Table 8.3 on income is included for the first time in this issue, together with certain quarterly detail on investment flows in Tables 8.4 and 8.5. Recent monthly data have been revised in the light of fuller quarterly information.

The euro area balance of payments is compiled by the ECB. Data up to December 1998 are expressed in ECU.

The outstanding amounts of the Eurosystem's reserves and related assets from 1999 onwards are shown in Table 8.6, together with quarterly detail of flows. Corresponding summary net flows are shown in Table 8.1. The data in Table 8.1 for net flows up to December 1998 are not fully comparable with later data, since they were compiled by aggregating figures following national definitions and include instruments issued by other residents of the euro area.

Table 9 gives data on euro area external trade in goods, and indices – value, volume and unit value – for total exports and imports. The value index is calculated by the ECB. The volume index is derived from the unit value index provided by Eurostat and the value index. Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular imports, are

not fully comparable with the goods item in the balance of payments statistics (Tables 8.1 and 8.2).

From January 1999 onwards, statistics on exchange rates (Table 10) are daily reference rates published by the ECB.

Detailed methodological notes on euro area balance of payments statistics, external trade in goods of the euro area, and exchange rates are available on the ECB's Web site.

Other statistics

Statistics on other EU Member States (Table 11) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Tables/Charts 12.1 and 12.2 are obtained from national sources. Saving, investment and financing data for the United States and Japan (Table/Chart 12.2) are structured in the same way as the capital and financial flows data shown for the euro area in Table/Chart 6.

Conventions used in the tables

“-”	not applicable
“.”	not available
“...”	nil or negligible
“billion”	10 ⁹
(p)	provisional
s.a.	seasonally adjusted

Chronology of monetary policy measures of the Eurosystem

22 December 1998

The Governing Council of the ECB decides that the first main refinancing operation of the Eurosystem will be a fixed rate tender offered at an interest rate of 3.0%, a level which it intends to maintain for the foreseeable future. This operation will be initiated on 4 January 1999, while the allotment decision will be taken on 5 January 1999 and settlement will take place on 7 January 1999. In addition, the first longer-term refinancing operation will be announced on 12 January 1999 (with a settlement date of 14 January 1999) and will be conducted through a variable rate tender using the single rate allotment procedure.

The Governing Council furthermore decides that the interest rate for the marginal lending facility will be set at a level of 4.5% and the interest rate for the deposit facility at a level of 2.0% for the start of Stage Three, i.e. 1 January 1999. As a transitional measure, between 4 and 21 January 1999, the interest rate for the marginal lending facility will be set at a level of 3.25% and the interest rate for the deposit facility at a level of 2.75%. The Governing Council intends to terminate this transitional measure following its meeting on 21 January 1999.

31 December 1998

In accordance with Article 109I (4) of the Treaty establishing the European Community, the EU Council, acting with the unanimity of the Member States of the European Community without a derogation, upon a proposal from the European Commission and after consultation of the ECB, adopts the irrevocable conversion rates for the euro, with effect from 1 January 1999, 0.00 a.m. (local time).

The ministers of the euro area Member States, the ECB and the ministers and central bank governors of Denmark and Greece decide, in a common procedure involving the European Commission and after consultation

of the Monetary Committee, to fix the central rates against the euro for the currencies participating in the exchange rate mechanism which comes into operation on 1 January 1999. Further to this decision on the euro central rates, the ECB, Denmark's Nationalbank and the Bank of Greece establish by common accord the compulsory intervention rates for the Danish krone and the Greek drachma. A fluctuation band of $\pm 2.25\%$ will be observed around the euro central rate for the Danish krone. The standard fluctuation band of $\pm 15\%$ will be observed around the euro central rate for the Greek drachma.

7 January 1999

The Governing Council of the ECB decides that for the two main refinancing operations to be announced on 11 and 18 January 1999 respectively the same conditions will apply as for the first such operation, which was settled on 7 January 1999, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%.

12 January 1999

Following the decision of the Governing Council of the ECB on 22 December 1998, the ECB announces that the first longer-term refinancing operations of the Eurosystem will be conducted as variable rate tenders using the single rate method of allotment. With a view to phasing in the longer-term refinancing operations, the first such operation is conducted through three parallel tenders with three different maturities, namely 25 February, 25 March and 29 April 1999. The ECB also announces that the intention is to allot an amount of €15 billion in each of these parallel tenders. For the subsequent longer-term refinancing operations in the first three months of 1999, the intention is to allot an unchanged amount of €15 billion per operation.

21 January 1999

The Governing Council of the ECB decides to revert to the interest rates on the Eurosystem's two standing facilities which it had set for the start of Stage Three, i.e. to set the interest rate for the marginal lending facility at a level of 4.5% and that for the deposit facility at a level of 2.0% with effect from 22 January 1999. Furthermore, it decides that for the two main refinancing operations to be settled on 27 January and 3 February 1999 respectively the same conditions will apply as for the first three such operations settled earlier in January, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%.

4 February 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 10 and 17 February 1999 the same conditions will apply as for the first such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

18 February 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 24 February and 3 March 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

4 March 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled

on 10 and 17 March 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%. The Governing Council also decides that for forthcoming longer-term refinancing operations of the Eurosystem the multiple rate method of allotment will be applied (starting from the operation with a settlement date of 25 March 1999) until otherwise indicated.

18 March 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 24 and 31 March and 7 April 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

8 April 1999

The Governing Council of the ECB decides to reduce the interest rate on the main refinancing operations by 0.5 percentage point to 2.5%, starting with the operation to be settled on 14 April 1999. In addition, it decides to lower the interest rate on the marginal lending facility by 1 percentage point to 3.5% and the interest rate on the deposit facility by 0.5 percentage point to 1.5%, both with effect from 9 April 1999.

22 April 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively. In addition, the

Governing Council announces that for the longer-term refinancing operations to be settled during the next six months, the intention is to continue to allot an amount of €15 billion per operation.

6 May 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively.

20 May 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively. The Governing Council also decides to change the maturity of

the longer-term refinancing operation scheduled to be settled on 30 September 1999. The redemption date of this operation will be brought forward from 30 December to 23 December 1999. Correspondingly, the longer-term refinancing operation which was originally scheduled to be announced on 27 December 1999 and to be allotted and settled on 30 December 1999 will be announced on 21 December, allotted on 22 December and settled on 23 December 1999. The rescheduling of operations is intended to alleviate the working procedures for financial market participants at the turn of the year.

2 June, 17 June, 1 July, 15 July, 29 July, 26 August, 9 September 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively.

The TARGET (Trans-European Automated Real-time Gross settlement Express Transfer) system

Operational framework

With regard to TARGET operations, two issues which need to be highlighted relate to the closing days in 2000 and Year 2000 tests. In principle, TARGET as a whole, i.e. all real-time gross settlement (RTGS) systems and the Interlinking component, will – in addition to Saturdays and Sundays – be closed on New Year's Day, Good Friday, Easter Monday, 1 May (Labour Day), Christmas Day and 26 December. These days will not be settlement days for the euro money market or foreign exchange transactions involving the euro. In euro area countries in which one of these days is not a public holiday, the national central bank (NCB) will endeavour to close the national RTGS system on the date in question. Where this is not possible, the NCB will seek to limit domestic payments activity as much as possible.

The standing facilities will be available at those NCBs that remain open for such limited activities. In non-euro area countries the euro RTGS system will close on all six aforementioned days. The correspondent central banking model for the cross-border use of collateral will be closed on the TARGET closing days.

With regard to the Year 2000 preparatory work, internal IT and business functionality tests are being conducted under the responsibility of each individual NCB participating in or connected to TARGET. In addition, multilateral business functionality tests on the TARGET system as a whole are being organised by the ECB. They consist of a certain number of identical testing rounds, in each of which groups of NCBs and the ECB participate. The NCBs either simulate credit institutions or involve

Table I

Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions

(number of payments)

	Jan.	Feb.	Mar.	1999 Apr.	May	June	July
TARGET							
All TARGET payments							
Total volume	3,015,533	3,081,424	3,659,888	3,342,606	3,260,014	3,686,639	3,738,950
Daily average	150,777	154,071	159,126	151,937	155,239	167,575	169,952
Cross-border TARGET payments							
Total volume	402,266	520,203	639,764	588,399	565,702	683,334	679,021
Daily average	20,113	26,010	27,816	26,745	26,938	31,061	30,865
Domestic TARGET payments							
Total volume	2,613,267	2,561,221	3,020,124	2,754,207	2,694,312	3,003,305	3,059,929
Daily average	130,663	128,061	131,310	125,191	128,301	136,514	139,088
Other systems							
Euro 1 (EBA)							
Total volume	855,032	1,062,263	1,389,394	1,317,191	1,335,791	1,597,300	1,591,202
Daily average	42,752	53,113	60,408	59,872	63,609	72,605	72,327
Euro Access Frankfurt (EAF)							
Total volume	958,828	934,528	1,103,199	965,686	917,092	1,065,964	1,046,150
Daily average	47,941	46,726	47,965	43,895	43,671	48,453	47,552
Paris Net Settlement (PNS) ¹⁾							
Total volume	439,479	434,982	496,294	447,724	404,022	466,413	454,731
Daily average	21,974	21,749	21,578	20,351	19,239	21,201	20,670
Servicio Español de Pagos Interbancarios (SEPI)							
Total volume	100,696	92,200	106,964	95,608	93,939	99,627	96,231
Daily average	5,035	4,610	4,651	4,346	4,473	4,529	4,374

1) The PNS replaced the *Système Net Protégé (SNP)* on 19 April 1999.

local credit institutions in these tests. On 25 September 1999 a TARGET demonstration will be carried out, using 3 January 2000 as the tested business date. All NCBs and the ECB will participate in this demonstration, which will also involve credit institutions from each country.

Payment flows in TARGET

In June and July 1999 the number of cross-border TARGET payments increased considerably compared with the number in the first five months of the year, averaging around 31,000 payments per day. In terms of value, the cross-border payment traffic in TARGET also increased in this period to approximately €370 billion. The peak day was 30 June 1999, when payments representing a total value of nearly €500 billion were processed. In July 1999

the number of payments processed in TARGET as a whole, i.e. cross-border and domestic payments taken together, was nearly 170,000 on a daily average, representing a value of more than €920 billion. In terms of value, TARGET cross-border payments in July 1999 represented around 40% of all TARGET payments.

The share of customer payments in the total number of cross-border TARGET payments increased slightly in terms of value from 1.5% in January 1999 to 2.4% in July 1999 and – in the same period – from 14.5% to 23.4% in terms of volume. In July 1999 the average value of customer payments stood at €1.2 million; for interbank payments the average value was €15.2 million.

Further information on the TARGET system is available in the TARGET section of the ECB's Web site (<http://www.ecb.int>).

Table 2
Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions
(EUR billions)

	Jan.	Feb.	Mar.	1999 Apr.	May	June	July
TARGET							
All TARGET payments							
Total value	20,839	18,869	20,996	20,300	18,237	20,308	20,287
Daily average	1,042	943	913	923	868	923	922
Cross-border TARGET payments							
Total value	7,107	7,006	7,857	7,704	7,005	8,129	8,088
Daily average	355	350	342	350	334	370	368
Domestic TARGET payments							
Total value	13,732	11,863	13,139	12,596	11,232	12,179	12,199
Daily average	687	593	571	573	535	554	555
Other systems							
Euro 1 (EBA)							
Total value	3,441	3,456	4,103	3,786	3,269	3,722	3,595
Daily average	172	173	178	172	156	169	163
Euro Access Frankfurt (EAF)							
Total value	4,001	3,183	3,639	3,259	2,938	3,390	3,209
Daily average	200	159	158	148	140	154	146
Paris Net Settlement (PNS) ¹⁾							
Total value	2,131	1,742	1,894	2,116	1,819	2,190	2,065
Daily average	107	87	82	96	87	100	94
Servicio Español de Pagos Interbancarios (SEPI)							
Total value	168	84	88	73	76	77	73
Daily average	8	4	4	3	4	4	3

1) The PNS replaced the *Système Net Protégé* (SNP) on 19 April 1999.

Documents published by the European Central Bank (ECB)

This list is designed to inform readers about selected documents published by the European Central Bank. The publications are available to interested parties free of charge from the Press Division. Please submit orders in writing to the postal address given on the back of the title page.

For a complete list of documents published by the European Monetary Institute, please visit the ECB's Web site (<http://www.ecb.int>).

Annual Report

"Annual Report 1998", April 1999.

Monthly Bulletin

Articles published from January 1999 onwards:

"The euro area at the start of Stage Three", January 1999.

"The stability-oriented monetary policy strategy of the Eurosystem", January 1999.

"Euro area monetary aggregates and their role in the Eurosystem's monetary policy strategy", February 1999.

"The role of short-term economic indicators in the analysis of price developments in the euro area", April 1999.

"Banking in the euro area: structural features and trends", April 1999.

"The operational framework of the Eurosystem: description and first assessment", May 1999.

"The implementation of the Stability and Growth Pact", May 1999.

"Longer-term developments and cyclical variations in key economic indicators across euro area countries", July 1999.

"The institutional framework of the European System of Central Banks", July 1999.

"The international role of the euro", August 1999.

"The balance sheets of the Monetary Financial Institutions of the euro area in early 1999", August 1999.

Working Paper Series

- 1 "A global hazard index for the world foreign exchange markets" by V. Brousseau and F. Scacciavillani, May 1999.
- 2 "What does the single monetary policy do? A SVAR benchmark for the European Central Bank" by C. Monticelli and O. Tristani, May 1999.
- 3 "Fiscal policy effectiveness and neutrality results in a non-Ricardian world" by C. Detken, May 1999.

4 “From the ERM to the euro: new evidence on economic and policy convergence among EU countries” by I. Angeloni and L. Dedola, May 1999.

5 “Core inflation: a review of some conceptual issues” by M. Wynne, May 1999.

Other publications

TARGET brochure, July 1998.

“The TARGET service level”, July 1998.

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Corrigendum to the article entitled “The international role of the euro”, published in the August 1999 issue of the ECB Monthly Bulletin.

The article entitled “The international role of the euro”, published in the August 1999 issue of the ECB Monthly Bulletin, contained incorrectly calculated figures. The figures have been corrected in the version of the article which appears on the ECB’s Web site (<http://www.ecb.int>). Hard copies of the corrected article are available from the ECB upon request. The corrections do not affect assessments made in the article.