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EUROPEAN CENTRAL BANK

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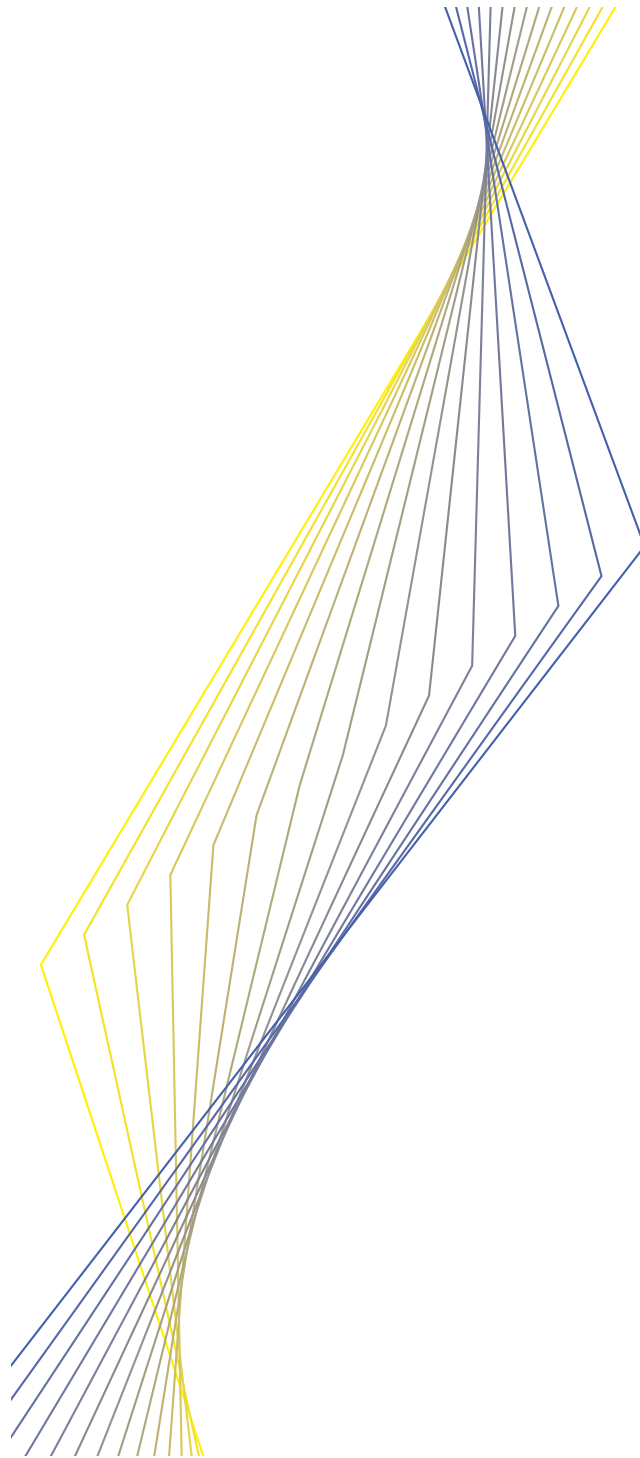
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**M O N T H L Y  
B U L L E T I N**

December 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

The economic situation in the euro area has continued to improve in recent months. There has been confirmation of a gradual recovery in domestic activity, notably in the industrial sector. There is also further evidence of a strengthening of growth in the external environment, and this is reflected in developments within the euro area. From a forward-looking perspective, available forecasts indicate a pick-up in real GDP growth over the next one to two years. As anticipated, higher oil prices have had an upward impact on consumer price increases and they are expected to continue to do so in the short term. The increase of 50 basis points in the ECB's three main interest rates in early November has helped to contain inflation expectations and will make an important contribution towards sustaining non-inflationary growth in the medium term.

At its meetings held on 18 November and 2 December 1999, having taken into consideration all the information available on monetary, financial and other economic developments, the Governing Council of the ECB decided to keep the ECB interest rates unchanged. The interest rate on the Eurosystem's main refinancing operations thus remains at 3.0%. The interest rates applicable to the deposit and marginal lending facilities were also kept unchanged, at 2.0% and 4.0% respectively.

In the context of the first pillar of the Eurosystem's monetary policy strategy, the Governing Council also decided at its meeting on 2 December 1999 to confirm the reference value of 4½% for the rate of growth of the broad monetary aggregate M3. This decision was taken on the grounds that the components underlying the derivation of the reference value first announced in December 1998, namely the Eurosystem's definition of price stability and estimates for trend real GDP growth and the trend decline in M3 income velocity, have basically remained unchanged, as is further explained in the section entitled "Economic developments in the euro area" in this issue of the ECB Monthly Bulletin.

The annual rate of growth of M3 has been rising since the beginning of 1999. The latest three-month average of annual M3 growth (covering the period from August to October 1999) was, at 6.0%, unchanged since the previous three-month period up to September 1999, i.e. 1½ percentage points above the reference value of 4½%. The rate of increase in credit to the private sector was broadly unchanged but, at 10.5%, remains very strong. These monetary and credit developments appear to have been determined mainly by the low level of interest rates and the pick-up in economic activity in the euro area. Such rates of growth in monetary and credit aggregates – which still refer to the period before the decision taken on 4 November to raise interest rates – imply the existence of a generous liquidity situation in the euro area.

Considering recent developments in financial markets, the reaction to the rise in ECB interest rates was favourable. Long-term bond yields in the euro area fell in early November, as market participants revised their expectations for future inflation downwards. However, this decline was largely reversed in the second half of the month against a background of spillover effects resulting from the rise in US long-term interest rates which followed the increase in official interest rates in the United States, higher oil prices and a declining euro. At the start of December long-term interest rates in the euro area were slightly lower than at the end of October.

The nominal effective exchange rate of the euro has declined by around 3¼% since the end of October. The US dollar strengthened vis-à-vis the euro in November, against the background of US data indicating continued strong economic growth with subdued inflation expectations. The Japanese yen rose vis-à-vis both the US dollar and the euro following further signs of recovery in the Japanese economy. The yen has appreciated by around 6% against the euro since the end of October.

With regard to other economic data, recent news on the external environment continues to be positive. Notably, the latest data indicate continued strong growth in the US economy. The information available on other countries and regions also tends to support an improved outlook for global economic growth. Nevertheless, some risks remain. In particular, these relate to the large external imbalances in some major regions of the world economy. Some uncertainties also remain as to the outlook for a number of emerging market economies. Looking ahead, however, the expectation that the growth differential between the main economic regions will narrow over time is widespread, thereby underlining the potential for the euro to appreciate.

Data for area-wide real GDP for the third quarter of 1999 were not due to be released until after 1 December 1999, the cut-off date for this issue of the ECB Monthly Bulletin. However, an indication of recent developments is provided by the latest industrial production data and the results of various surveys. The general picture is one of an ongoing economic expansion. An estimate of area-wide industrial production for September (and thus for the third quarter of 1999) indicates a gradual pick-up in activity since the spring. The latest survey data support this view, with industrial confidence continuing to improve. Major international and private sector institutions have tended to revise their expectations for economic growth in 2000 upwards, and real GDP growth is now widely projected to increase from around 2% in 1999 to close to 3% in the next two years.

As expected, consumer price increases rose in October, with the annual change in the overall Harmonised Index of Consumer Prices (HICP) rising by 0.2 percentage point to 1.4%. Consumer price developments in the euro area reflect the impact of higher oil prices. However, the further rise in oil prices was only one of the factors underlying the development in the overall HICP. A higher rate of increase in both food and non-energy industrial goods prices also contributed to

the upward movement in the overall HICP, whereas the rate of change in services prices, by contrast, continued to decline. Available forecasts suggest that, despite the expected rise in the rate of increase in the HICP in the coming months, price increases will nevertheless remain below 2% in 2000 and 2001.

Overall, the outlook for price developments will very much depend on a number of factors, and in particular on wage developments remaining in line with price stability. In addition, any assessment of the outlook for price stability needs to take account of prevailing uncertainties. On the upside these relate to, inter alia, the behaviour of monetary and credit aggregates, developments in oil prices and the path of the effective exchange rate in the period ahead. All of these factors are closely monitored for their impact on price stability. On the downside the main factors are linked to the effects of deregulation and liberalisation. On balance, the risks for price stability are on the upside. Monetary policy will therefore need to remain vigilant in the period ahead and to act in a timely manner.

With the cyclical upturn now more clearly established in the euro area, policy-makers should focus on issues which will improve the medium and long-term performance of the euro area economy. In particular, there is still considerable scope for progress with regard to both the functioning of labour and product markets and fiscal consolidation.

The rate of unemployment has continued to fall throughout 1999, although at a somewhat slower pace in recent months, and stood at 10% in September 1999. A further gradual decline in unemployment is expected over the next one to two years, as a result of stronger growth, provided that wage moderation continues. However, this alone will not be sufficient to yield a significant and lasting improvement in the labour market situation. Rather, additional structural reforms will be needed in order to foster substantial employment growth.

The latest estimates of fiscal positions in euro area countries, which are also reviewed in this quarterly issue of the ECB Monthly Bulletin, show that the average general government deficit-to-GDP ratio in 1999 may – at around 1½% – turn out to be better than the ratio of around 2% anticipated earlier this year. In particular, government revenue is expected to be higher in many Member States, partly as a result of an improvement in economic conditions. It thus appears likely that most Member States' targets for their budgetary positions this year will be achieved. Looking ahead, a further decline in deficits and a fall in debt ratios are anticipated as a consequence of the cyclical upswing and the further reduction in interest payments in relation to GDP (resulting from

lower average interest rates on government debt). Nevertheless, the aggregate deficit for the euro area forecast for 2000 implies limited fiscal consolidation and only a marginal decline in debt ratios. Public finances need to be safeguarded against the burdens arising from excessively high debt ratios and the consequences of ageing populations. Subject to compliance with the objectives of the Stability and Growth Pact, which requires medium-term budgetary positions to be close to balance or in surplus, attention may focus on reducing the high tax burden on economies, which could help to stimulate growth and employment, and on making further progress with regard to market liberalisation and public sector reform.





# Economic developments in the euro area

## I Monetary and financial developments

### Monetary policy decisions of the Governing Council of the ECB

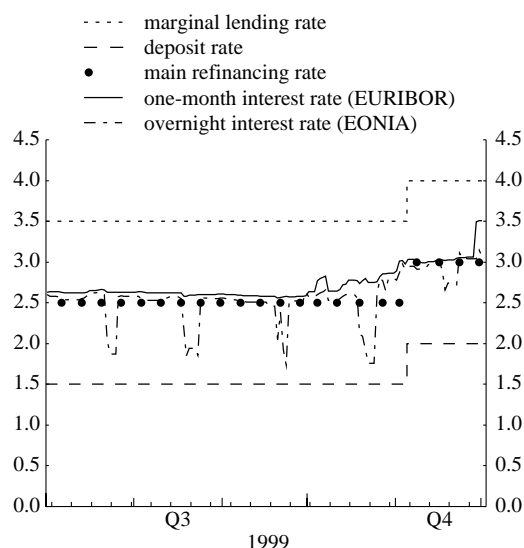
At its meetings held on 18 November and 2 December 1999 the Governing Council of the ECB confirmed the prevailing level of ECB interest rates. The interest rate on the main refinancing operations of the Eurosystem was left at 3.0%, and the interest rates on the marginal lending facility and on the deposit facility were maintained at 4.0% and 2.0% respectively (see Chart 1). In addition, at its meeting on 2 December 1999 the Governing Council confirmed the reference value of 4½% for the annual growth of the broad monetary aggregate M3 (see Box 1).

### M3 growth on a rising trend in 1999

In October 1999 the annual rate of increase in M3 was 6.0%, compared with 6.2% in the previous month (the latter figure was revised upwards from 6.1%). The three-month average of the annual growth rates of M3,

### Chart 1 ECB interest rates and money market rates

(percentages per annum; daily data)

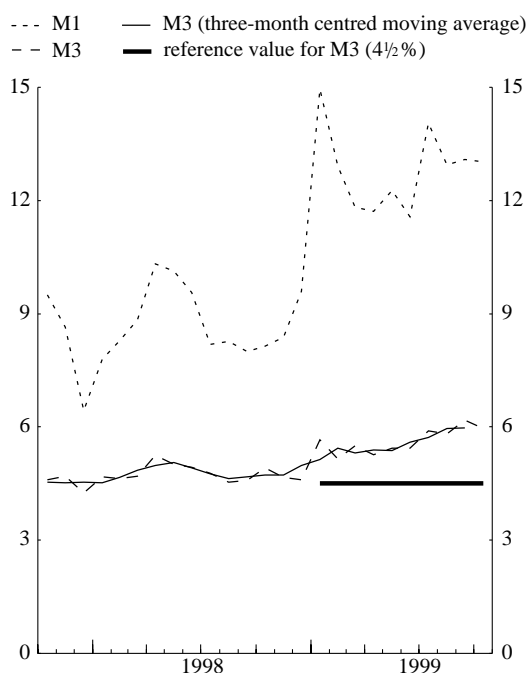


Source: ECB.

### Chart 2

### Monetary aggregates in the euro area

(annual percentage changes)



Source: ECB.

covering the period from August to October 1999, stood at 6.0%, the same figure as recorded in the period from July to September 1999 (which was revised upwards from 5.9%); this was 1½ percentage points above the reference value of 4½% (see Box 1). The monetary data up to October 1999 therefore confirmed the picture of a generous liquidity situation in the euro area prior to the rise in ECB interest rates on 4 November 1999.

Since the start of 1999 M3 growth has been on a rising trend, thereby increasingly exceeding the reference value (see Chart 2). While the 12-month deviation between M3 growth and the reference value was influenced by an exceptionally large increase recorded in January 1999, at the time of the start of Stage Three of EMU, it was also the result of an ongoing development. This is signalled, for instance, by the annualised eight-month growth rate of M3, which was 6.1% in

## **Box I**

### **The review of the reference value for monetary growth**

At its meeting on 2 December 1999 the Governing Council of the ECB reviewed the reference value for monetary growth. On the basis of a thorough review of the components underlying its derivation, the Governing Council decided to confirm the reference value which was first announced in December 1998, namely a 4½% annual growth rate for the broad monetary aggregate M3. As before, since monthly money data are sometimes volatile, monetary developments relative to the reference value will be assessed on the basis of three-month moving averages of the annual growth rate of M3. The Governing Council also decided henceforth to undertake a regular annual review of the reference value for monetary growth. The next review will take place in December 2000. This box provides some background information to these decisions.

Given that the primary objective of the Eurosystem is the maintenance of price stability in the euro area, the Governing Council assigns a prominent role to money in the Eurosystem's monetary policy strategy in recognition of the monetary origins of inflation over longer horizons. This prominent role is signalled by the announcement of a quantitative reference value for the growth rate of a broad monetary aggregate. Within the first pillar of the Eurosystem's strategy, monetary developments are analysed for the information that they contain regarding the outlook for future price developments and the risks to price stability (see the article entitled "The stability-oriented monetary policy strategy of the Eurosystem" in the January 1999 issue of the ECB Monthly Bulletin).

Against this background, the reference value for monetary growth is an analytical tool which serves the achievement and maintenance of price stability. The reference value is therefore based on the Eurosystem's definition of price stability in such a way that prolonged or substantial deviations of monetary growth from the reference value normally signal risks to price stability.

To ensure that it fulfils this role, the reference value must relate to a monetary aggregate which is expected both to exhibit a stable relationship with the price level over the medium term and to be a leading indicator of future price developments. Empirical studies suggest that M3 possesses the required properties.

The reference value for M3 growth is then derived using the relationship between money, on the one hand, and prices, real GDP and the velocity of circulation, on the other. Reflecting the medium-term orientation of the single monetary policy, the derivation is based on the Eurosystem's definition of price stability and estimates of medium-term developments in real GDP and M3 income velocity.

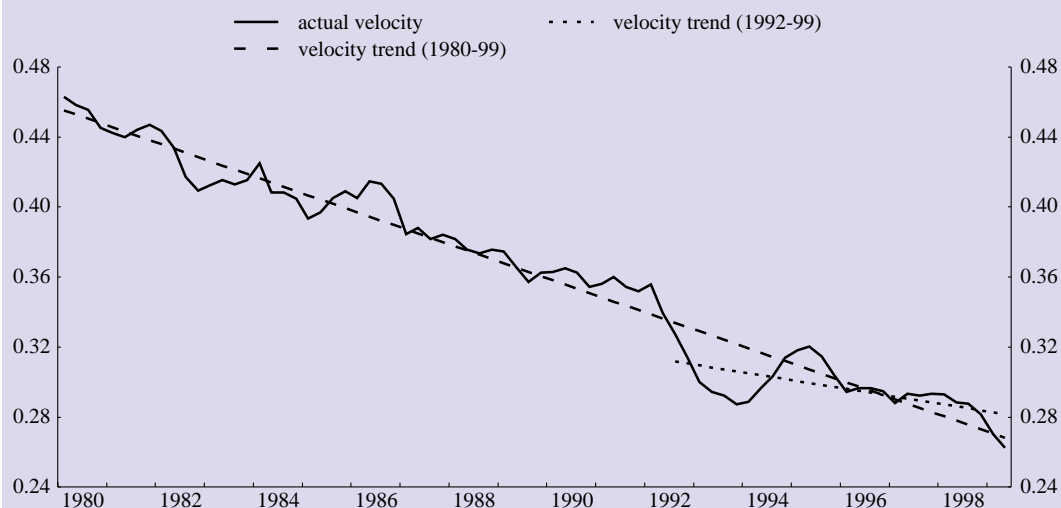
The Governing Council reviewed the estimates of medium-term developments in real GDP and M3 income velocity on the basis of practical experience with the reference value over the past year, the four extra quarters of data that have become available since the reference value was first derived and revisions to the historical data series for GDP and the monetary aggregates that have been introduced in the past 12 months. An assessment of the new evidence led the Governing Council to confirm the assumption used in the derivation of the reference value in December 1998 that M3 income velocity declines at a trend rate in the range from ½% to 1% per annum (see the chart below).

In addition, the Governing Council concluded that there was no reason to change the assumption used in the derivation of the first reference value that the trend growth rate of real GDP lies in the range from 2% to 2½% per annum. At the same time, the Governing Council emphasised that the trend growth potential of the euro area would be considerably enhanced by structural reform in the labour and goods markets. The Eurosystem's monetary policy strategy would take such reforms into account, as appropriate.

On the basis of the Eurosystem's definition of price stability, which refers to an annual increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%, and these unchanged

## M3 velocity trends for the euro area

(log levels)



Sources: Eurostat, national data, ECB calculations.

Note: Velocity is measured as the ratio of actual nominal GDP to M3. The underlying quarterly series are seasonally adjusted and constructed by aggregating national data converted into euro at the irrevocable exchange rates announced on 31 December 1998. M3: until Q3 1997 based on stocks; from Q4 1997 based on an index constructed using flows statistics. Quarterly data are averages of end-month observations. Nominal GDP: until Q4 1994 based on the ESA 79 system of national accounts; from Q1 1995 extended using the ESA 95 growth rates.

medium-term estimates of real GDP growth as well as the decline in M3 velocity, the Governing Council confirmed the reference value of a 4½% annual growth rate for M3.

The reference value is a key component of the first pillar of the Eurosystem's monetary policy strategy. It should be recalled that analysis of monetary developments in relation to the reference value is undertaken in parallel with a broadly based assessment of the outlook for price developments and risks to price stability in the euro area as a whole, the so-called second pillar of the Eurosystem's strategy. This broadly based assessment encompasses a wide range of indicators. Monetary policy decisions aimed at the maintenance of price stability over the medium term are based on the information revealed by both pillars of the strategy.

The reference value is a medium-term concept and differs from a yearly monetary target in several respects. First, it is not a reference value for a calendar year, but an expression of a medium-term development over several years. For this reason, the generous liquidity situation in 1999 will have to be borne in mind when assessing the information content of monetary developments in the future. Second, the reference value does not entail a commitment on the part of the Eurosystem to correct mechanically deviations of monetary growth from the reference value. Rather, monetary developments are thoroughly analysed in respect of their causes and implications for future price stability.

In view of this, the Governing Council also decided to retain a specific reference rate rather than announcing a reference range. The latter may be misinterpreted as suggesting that the Governing Council would react mechanically to a certain rate of monetary growth. Such an approach would be contrary to the Eurosystem's monetary policy strategy, which is based on two pillars, and to the reference value concept.

The Governing Council announced that it will continue regularly and thoroughly to analyse monetary developments in relation to the reference value and will explain the implications of this analysis for monetary policy decisions to the public. The Governing Council also noted that confirmation of the reference value implies continuity with the monetary policy strategy conducted in the past and does not imply any changes to the Governing Council's assessment of the current monetary policy stance.

October 1999. There is some reason to assume that the low level of nominal interest rates prevailing in the euro area has stimulated the demand for the most liquid components of M3, namely currency in circulation and overnight deposits. Furthermore, it is plausible that the recovery in economic activity in the euro area has spurred the demand for liquidity. At the same time, the annual growth rates of most of the other components of M3 were negative or subdued. Their development has to be seen not only in relation to the high demand for overnight deposits, but also in respect of the steepening of the term structure in the euro area during most of this year.

On the basis of non-seasonally adjusted monthly changes, M3 rose by €20 billion in October 1999. Corrected for seasonal influences, the monthly increase in M3 in October was €22 billion, or around 0.5% (see Table 1). The seasonally adjusted rise of M3 mirrored an expansion in all of its main components. The seasonally adjusted monthly change in the components of M1 (currency in circulation and overnight deposits) was €9 billion, or 0.5%, and that in the other short-term deposits was €6 billion, or 0.3%. The seasonally adjusted rise in marketable instruments was €8 billion, or 1.2%.

The annual increase in currency in circulation rose to 5.5% in October, up from 5.2% in the

previous month. The demand for banknotes and coins has recovered considerably in recent months, presumably stimulated by the upturn in economic activity in the euro area. The annual growth rate of overnight deposits remained broadly unchanged in October, at 14.8% (compared with 14.9% in September). As noted above, the buoyant demand for overnight deposits seems to be very much related to the low level of opportunity costs of holding these deposits, as well as to the recovery in economic activity. Furthermore, the transition to an environment of low inflation may have stimulated the demand for these very liquid instruments. As a consequence of these developments in currency in circulation and overnight deposits, the annual rate of increase in M1 was almost unchanged in October, at around 13.0%.

The annual growth rate of short-term deposits other than overnight deposits remained rather subdued, although it rose to 2.5% in October, from 2.2% in the previous month. During the first ten months of 1999 the annual growth rate of these instruments tended to fluctuate between 2% and 3%. The subdued pace of increase has to be seen against the background of relatively low bank deposit rates on these short-term instruments. The small rise in the annual growth rate of short-term deposits other than overnight deposits recorded in October

**Table 1**  
**M3 and its main components**

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

	Oct. 1999 levels	Aug. 1999 change		Sep. 1999 change		Oct. 1999 change		Aug. to Oct. 1999 average change	
	EUR billions	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
<b>M3</b>	4,672.7	1.2	0.0	30.5	0.7	22.2	0.5	18.0	0.4
Currency in circulation and overnight deposits (= M1)	1,890.9	-0.7	0.0	12.4	0.7	8.8	0.5	6.8	0.4
Other short-term deposits (= M2 - M1)	2,141.1	-3.7	-0.2	4.4	0.2	5.7	0.3	2.1	0.1
Marketable instruments (= M3 - M2)	640.6	5.6	0.9	13.7	2.2	7.7	1.2	9.0	1.5

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.

resulted from contrasting developments in its two components. On the one hand, the annual rate of decline in deposits with an agreed maturity of up to two years became less pronounced (2.0% in October, following 3.2% in September). On the other, the growth rate of deposits redeemable at a period of notice of up to three months decreased (to 5.7%, down from 6.1% in the previous month). To some extent, the opposite movements in the two categories of short-term deposits other than overnight deposits might be related to recent developments in the corresponding deposit rates. The retail rate on deposits with an agreed maturity of up to two years, which generally tends to follow the movements of short-term market interest rates, edged upwards in September and October. By contrast, the retail rate on deposits redeemable at a period of notice of up to three months has stabilised at a low level in recent months (see Chart 3). The annual rate of increase in the intermediate monetary aggregate M2, which includes currency in circulation and all short-term deposits, rose to 7.2% in October, up from 7.0% in the previous month.

Despite a pronounced month-on-month growth in October 1999 (1.2%), the annual growth rate of the marketable instruments included in M3 turned negative, from 0.9% in September to -1.2% in October. For most of 1999 the annual percentage change in this component of M3 has been negative, presumably reflecting, for the most part, the low rate of return on these short-term financial instruments, in particular as compared with the gradually increasing level of long-term interest rates in the course of the year. In October 1999, however, the drop in the annual growth rate was also due to a base effect, as the monthly increase in these instruments was particularly large in October 1998. The annual growth rates in the various components of the marketable instruments included in M3 differed considerably in October 1999. On the one hand, the annual growth rate of debt securities issued with a maturity of up to two years and that of money market fund shares and money market paper

were very high, at 16.4% and 13.7% respectively (compared with 16.1% and 13.9% respectively in the previous month). On the other, the annual rate of change in repurchase agreements was negative (-28.3% in October, compared with -23.3% in September). There are some indications that part of the high growth in debt securities and money market paper relates to purchases undertaken by non-residents of the euro area. While non-residents' holdings of securities should, in principle, be excluded from M3, it is currently not possible to identify precisely their size, in particular in view of activity in secondary markets. However, according to the information available, the purchases of debt securities and money market paper by non-residents do not significantly affect the overall interpretation of monetary developments.

### **Buoyant growth of credit to the private sector**

With regard to the counterparts of M3 on the consolidated balance sheet of the MFI sector, total credit extended to euro area residents continued to expand at a strong pace in October 1999, with the annual growth rate stabilising at around 8%. The annual growth rate of credit to the private sector remained at the high level of around 10.5% recorded in September. While the annual growth rate of loans granted to households and corporations was broadly unchanged at 10.0% (a level which has been observed for most of 1999), the rate of increase in MFI holdings of securities other than shares issued by the private sector dropped from 4.9% in September to -0.4% in October. The annual growth rate of MFI holdings of shares and other equity remained at around 28%. The annual rate of increase in credit extended to general government was 1.7%, which followed a growth rate in September of 1.0%. This moderate rise reflected higher growth rates of both MFI holdings of debt securities and, to a lesser extent, loans to general government.

**Table 2****M3 and its main counterparts***(12-month flows; EUR billions)*

	1999 Apr.	1999 May	1999 June	1999 July	1999 Aug.	1999 Sep.	1999 Oct.
Credit to the private sector	520.6	548.6	588.0	578.2	587.3	574.8	570.5
Credit to general government	16.4	33.3	-5.6	-4.1	-3.4	20.5	35.2
Net external assets	-161.4	-215.4	-227.5	-202.1	-241.2	-230.4	-208.4
Longer-term financial liabilities <sup>1)</sup>	-185.0	-179.1	-177.5	-183.3	-180.1	-182.5	-225.3
Other counterparts	35.9	47.3	58.8	67.3	88.7	84.9	87.4
<b>M3</b>	226.4	234.8	236.2	256.0	251.2	267.3	259.4

*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.*

For most of 1999 the annual rate of expansion of credit to households and corporations has exceeded a level of 10%, indicating the favourable financing conditions prevailing in the euro area. The continued strength of the demand for credit from the private sector appears to be largely related to the low level of bank lending rates from a historical perspective. The ongoing improvement in economic activity in the euro area, the intense merger and acquisition activity in 1999 as compared with the previous year, as well as the interaction between mortgage loans and the rise in real estate prices in some euro area countries, have also contributed to this development.

The annual rate of increase in longer-term financial liabilities of the MFI sector increased markedly, from 5.5% in September to 6.9% in October 1999, which was the highest 12-month growth rate recorded since the start of the time series (in September 1998). This upturn was mainly due to the annual increase in debt securities issued by MFIs with an original maturity of over two years (which grew at a rate of 9.4% in October, up from 7.5% in September). The demand for these debt securities may have been bolstered by the widening average spread between the yield on longer-term bonds and that on short-term paper. In addition, there was a base effect, as net acquisitions of such assets were slightly negative in October 1998 in the wake of the tensions affecting capital markets in that period. A similar base effect may also

explain, in part, the increase in the growth rate of capital and reserves of MFIs, from 7.4% in September to 8.6% in October 1999. The annual growth rate of deposits with an agreed maturity of over two years also increased (it was 4.1% in October, up from 3.2% in the previous month). By contrast, the outstanding amount of deposits redeemable at a period of notice of over three months declined at a high annual rate (8.0% in October, compared with 7.6% in September).

During October 1999 the net external asset position of the MFI sector declined by €35 billion in absolute and non-seasonally adjusted terms (after having recorded an increase of €18 billion during September 1999). This decline was a consequence of the fact that the increase in MFI external liabilities (€41 billion) exceeded that in external assets (€6 billion), reflecting a net outflow of funds from non-MFI euro area residents.

Overall, the increase in M3 of €259 billion over the 12 months up to October 1999 was accompanied by the following changes in the counterparts on the consolidated balance sheet of the MFI sector (see Table 2). The 12-month increase in credit granted to the private sector amounted to €571 billion, while credit extended to general government rose by €35 billion. The significant difference between the annual flows in credit and M3 was mirrored by a reduction in net external assets (of €208 billion) and an increase in longer-term financial liabilities (of

€225 billion). The other counterparts (net assets) showed an annual increase amounting to €87 billion in October.

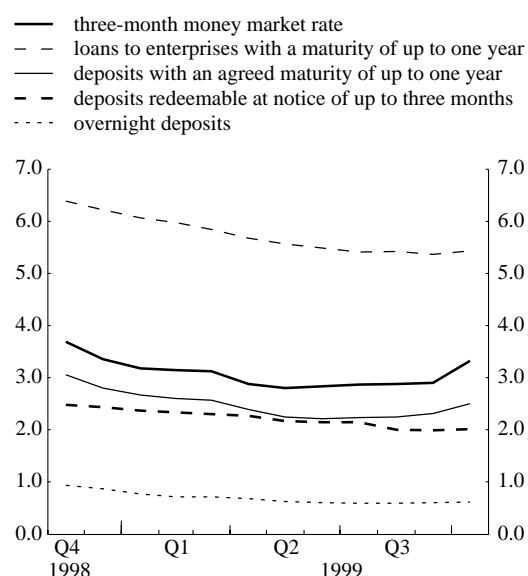
### Retail bank interest rates rose at longer maturities in October

Short-term retail bank interest rates showed little change between the summer months and October, even though short-term market rates increased in October in anticipation of the increase in ECB interest rates in early November. At the same time, longer-term retail bank interest rates demonstrated strong increases, possibly reflecting the trend increase in long-term capital market interest rates since May 1999.

Over the period from August to October, the average interest rates on overnight deposits and on deposits redeemable at a period of notice of up to three months remained broadly stable, standing at around 0.6% and 2.0% respectively in October (see Chart 3). The average short-term lending rate to enterprises remained practically unchanged between July and October 1999, at around

### Chart 3 Short-term retail bank interest rates

(percentages per annum; monthly averages)

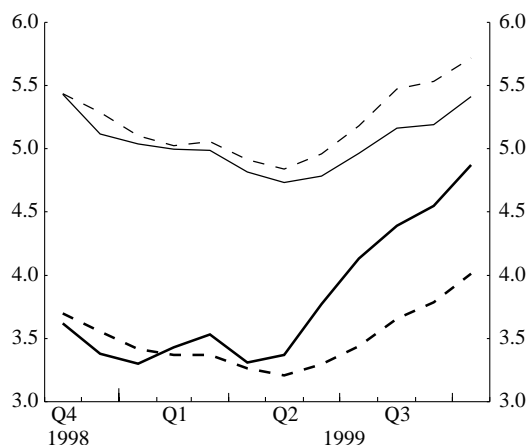


Source: ECB aggregation of individual country data.

### Chart 4 Long-term retail bank interest rates

(percentages per annum; monthly averages)

- five-year long-term government bond yields
- - loans to households for house purchase
- loans to enterprises with a maturity of over one year
- - deposits with an agreed maturity of over two years



Source: ECB aggregation of individual country data.

5.4%. The average rate on consumer loans likewise remained broadly unchanged between August and October, at around 9.3%. Only the average rates on shorter-term time deposits with maturities of less than one year showed a tendency to increase from August onwards and reached a level of 2.5% in October.

More pronounced increases were seen at longer maturities against the background of a strong rise in capital market interest rates observed between May and October 1999. Longer-term deposit and lending rates demonstrated a trend increase as from the early summer, which continued in October (see Chart 4). The average rate on time deposits with an agreed maturity of more than two years reached 4.0% in October, an increase of 80 basis points compared with May. Average interest rates on loans to households for house purchase increased to 5.7% in October, which is nearly 90 basis points above the average observed in May 1999. The average retail bank interest rate on longer-term loans to enterprises also continued to rise and reached 5.4% in October.



**Box 2****Monetary policy operations and liquidity conditions in the tenth maintenance period****Allotments in monetary policy operations**

During the tenth reserve maintenance period, which lasted from 24 October to 23 November 1999, the Eurosystem conducted five main refinancing operations and one longer-term refinancing operation. While the first two of the main refinancing operations (allotted on 27 October and 2 November) were carried out at a fixed interest rate of 2.50%, the following three (allotted on 9, 16 and 23 November) were conducted at a rate of 3.00%, the change in rates having been announced on 4 November. The allotted volume varied between €66.0 billion and €74.0 billion. The amount of bids submitted to the main refinancing operations increased to a new record of €2,344 billion in the last operation conducted at 2.50% and then fell significantly to €405 billion in the first operation conducted at 3.00%. The record volume of bids in the operation of 3 November reflected attempts by credit institutions to frontload their fulfilment of reserve requirements in an environment of expectations of an increase in ECB interest rates. The average amount of bids submitted to the main refinancing operation decreased to €1,171.7 billion, from €1,244.9 billion in the previous maintenance period.

The allotment ratios in the main refinancing operations varied between 2.8% and 18.3%, compared with a narrower range of between 3.9% and 6.8% in the preceding maintenance period. The considerable volatility of bids and allotment ratios was due to the above-mentioned expectations of a rate increase in the first half of the maintenance period, and the disappearance of such expectations once the increase in rates had taken place. The surge in expectations of a rate increase also contributed to explaining the fluctuations in the EONIA rate within the maintenance period. On the last day of the maintenance period a moderate liquidity shortage had to be filled by recourse to the marginal lending facility, and the EONIA rate climbed to 3.11%. The Eurosystem conducted a longer-term refinancing operation on 27 October through a variable rate tender with a pre-announced allotment volume of €25 billion, which was €10 billion higher than for previous operations of this type. The increased amount, which is also to be applied to the longer-term refinancing operations on 24 November and 22 December, takes into account the intention of the ECB to contribute to a smooth transition to the year 2000. A total number of 313 bidders participated in this operation and the total amount of bids was €74.4 billion. The marginal rate was set at 3.19%, while the weighted rate was 3.42%. The spread between the two rates was much higher than in all previous longer-term refinancing operations conducted through the multiple rate procedures, in which it had amounted to 1 basis point. The exceptional dispersion of successful bids was due to the fact that the maturity of the operation included the transition to the year 2000 for

**Contributions to the banking system's liquidity***(EUR billions)*

Daily average during the reserve maintenance period from 24 October to 23 November 1999

	<i>Liquidity providing</i>	<i>Liquidity absorbing</i>	<i>Net contribution</i>
<b>(a) Monetary policy operations of the Eurosystem</b>	<b>194.7</b>	<b>0.4</b>	<b>+ 194.3</b>
Main refinancing operations	140.6	-	+ 140.6
Longer-term refinancing operations	53.7	-	+ 53.7
Standing facilities	0.4	0.4	0.0
Other operations	0.0	0.0	0.0
<b>(b) Other factors affecting the banking system's liquidity</b>	<b>351.8</b>	<b>442.0</b>	<b>- 90.2</b>
Banknotes in circulation	-	343.1	- 343.1
Government deposits with the Eurosystem	-	51.5	-51.5
Net foreign assets (including gold)	351.8	-	+ 351.8
Other factors (net)	-	47.4	- 47.4
<b>(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)</b>			<b>104.1</b>
<b>(d) Required reserves</b>			<b>103.4</b>

*Source: ECB.**Totals may not add up due to rounding.*



### **Money market interest rates stabilised at a higher level in November**

In the weeks preceding the meeting of the Governing Council on 4 November 1999 money market rates progressively moved upwards, in anticipation of the decision to raise ECB interest rates. While, in September, short-term interest rates had remained virtually unchanged, with the one-month EURIBOR interest rate staying close to 2.6% and the three-month EURIBOR rate standing at around 2.7%, they rose significantly at the start of October. The positive news about the euro area economy and the confirmation of an upward trend in monetary growth during the summer had led to a strengthening of market expectations of an imminent increase in ECB interest rates. In the last few days of October money market interest rates rose further, in response to, inter alia, data on M3 growth in September 1999 (which were released on 27 October). In the first few days of November financial markets came to expect an interest rate increase of approximately 50 basis points at the meeting of the Governing Council on 4 November.

Following the decision of the Governing Council on 4 November to raise the main ECB interest rates by 50 basis points, money market rates stabilised at higher levels during November. The overnight interest rate, as measured by the EONIA, had already risen to levels close to 3.0% prior to the interest rate decision, as market participants increasingly anticipated the monetary policy move (see Chart 1). Following the increase in ECB interest rates, the EONIA rate was, for most of the time, close to the new interest rate level of 3.0% applicable to the main refinancing operations of the Eurosystem. Only on the last days of the reserve maintenance period ending on 23 November 1999 were there some fluctuations in the EONIA, reflecting the pattern of the prevailing liquidity conditions in relation to the amount needed by the banking system to meet the reserve requirements (see Box 2).

Likewise, other short-term interest rates did not change significantly in reaction to the announcement of the increase in ECB interest rates, reflecting the fact that the decision had been anticipated by financial markets. The one-month EURIBOR rate, which was equal to approximately 3.0% in the days preceding the meeting of the Governing Council on 4 November, did not increase significantly thereafter. Only as from 29 November, when one-month contracts maturing in the year 2000 were traded for the first time, did the one-month EURIBOR rate increase by 43 basis points, reflecting market uncertainty related to the transition to the year 2000; on 1 December it stood at 3.51% (see Box 3). The three-month EURIBOR interest rate, which has already been affected by a millennium spike since end-September 1999, fell slightly during November, to stand at 3.45%. On 1 December the three-month EURIBOR interest rates implied in futures contracts with delivery in March and June 2000 stood at 3.56% and 3.88% respectively. These futures rates were almost unchanged from the levels recorded at the end of October. Similarly, in early December the levels of the six and twelve-month EURIBOR interest rates were little different from those recorded at end-October, standing at 3.47% and 3.76% respectively on 1 December.

As explained in more detail in Box 4, measures of the expected volatility of future short-term interest rates contain valuable information about the dispersion of market expectations or market uncertainty regarding future interest rate developments. One such measure is the implied volatility derived from options prices. The volatility of short-term interest rates implied in options contracts maturing in December 1999 and March 2000 declined sharply after the announcement of the interest rate increase on 4 November. While, during the first part of October, the implied volatility remained at relatively high levels, reflecting market uncertainty regarding the timing and the size of an interest rate increase, it started to decline in the last few days of the month, as markets became

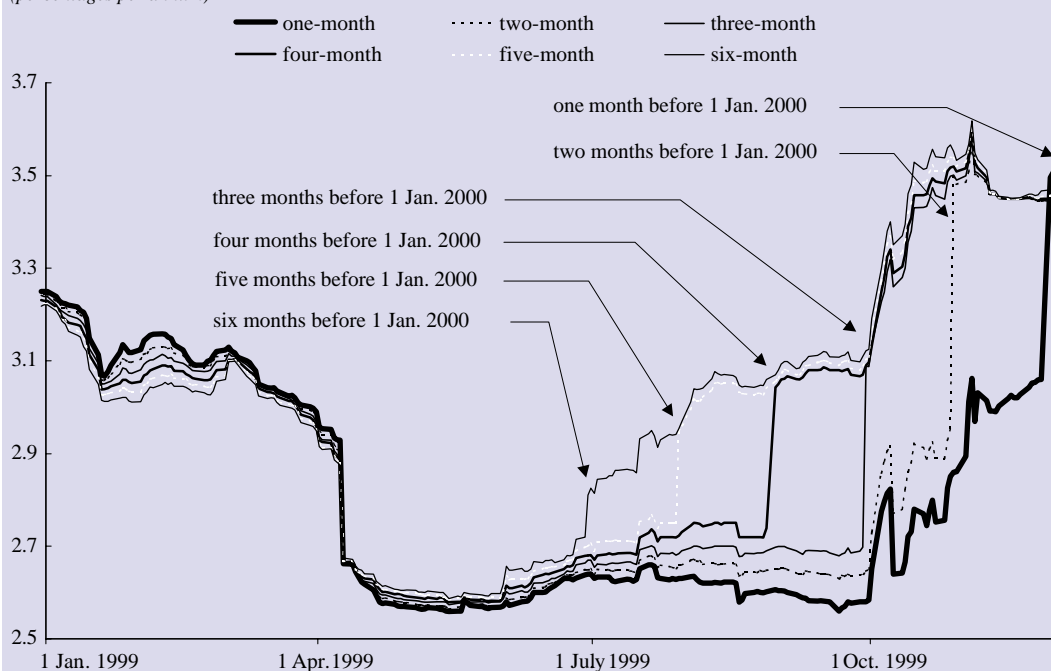
### Box 3

#### The effect of the transition to the year 2000 on money market interest rates

Over recent months it has been observed that money market interest rates, both within and outside the euro area, have tended to increase once their maturity has begun to span the end of the year (see also the article entitled "ESCB preparations for the year 2000" in the October issue of the ECB Monthly Bulletin). This leap in money market interest rates has been particularly marked in the case of unsecured interbank interest rates. As illustrated in the chart below, this was apparent, for example, when the six-month EURIBOR interest rate spanned the millennium at the end of June. Subsequently, the three-month EURIBOR interest rate rose at the end of September 1999 and, more recently, the one-month rate rose at the end of November. Explanations for such behaviour have focused on the perception by financial market participants of operational risks relating to the century date change. This perception may originate from the anticipation of risks of failures in the computer systems of financial intermediaries, which could disrupt the circulation of liquidity between credit institutions. There are thus concerns that intermediaries which do not receive funds from counterparties as a consequence of such technical problems could incur costs, such as those related to the task of finding alternative funds at the start of January 2000 or to penalty charges for unfulfilled obligations.

#### Impact of the transition to the year 2000 on EURIBOR interest rates

(percentages per annum)

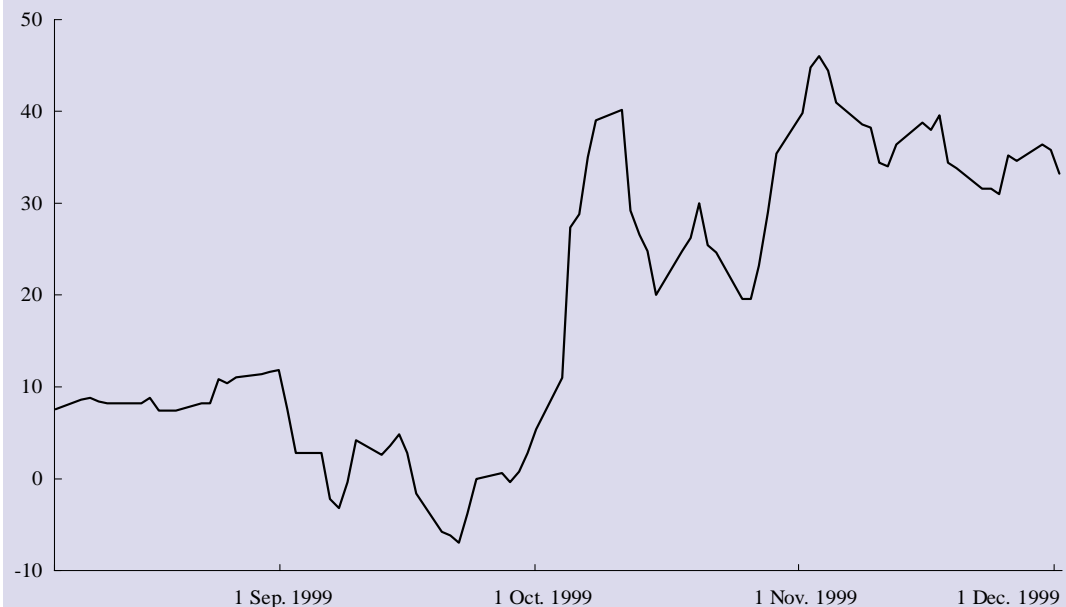


Source: ECB.

The increase in money market interest rates has been far more limited for transactions secured by collateral such as government bonds. This may be observed by looking at the increase in the spread between EURIBOR interest rates and the ask price for three-month repurchase agreement transactions in the euro area at the end of September (see the chart below). This seems to reflect the fact that credit institutions consider the availability of collateral to reduce greatly the risk of being unable to obtain the desired amount of funds at the start of 2000, since collateral would enable them to access the marginal lending facility of the Eurosystem. At the beginning of December the differential between the three-month EURIBOR interest rate and the ask price for three-month repurchase agreement transactions was equal to approximately 35 basis points. The allotment interest rates on the (secured) longer-term refinancing operation of the Eurosystem were also significantly below that on the corresponding EURIBOR deposit interest rates in November.

### Spreads between three-month interbank deposit and repo interest rates

(basis points, five-day moving average)

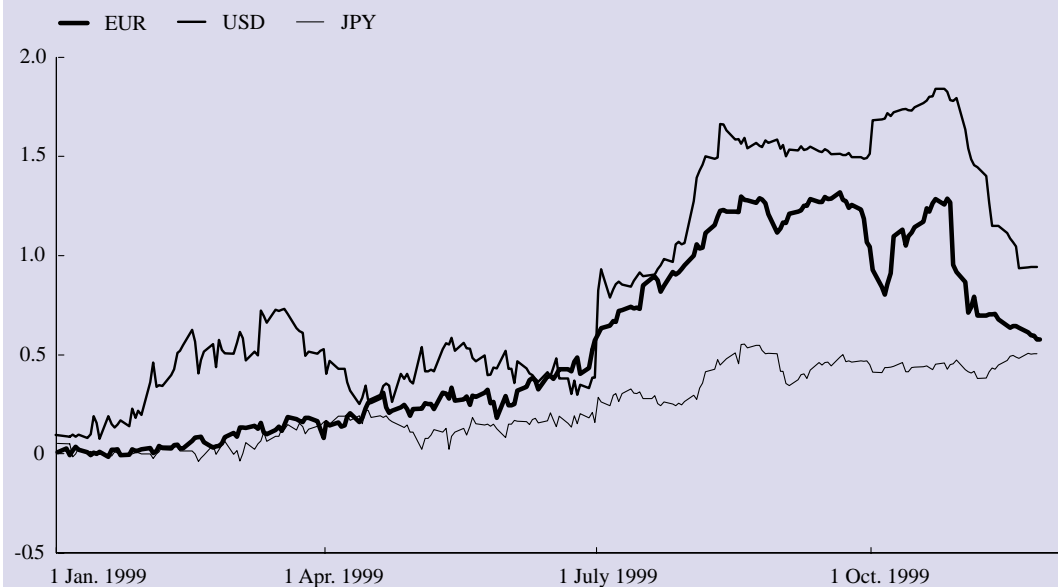


Source: Reuters.

A simple quantification of the interest rate premium required to take account of the effect of the transition to the year 2000 can be derived by using forward interest rates implied in the money market yield curve. The chart below shows that the spike in interest rates estimated on the basis of one-month forward rates has varied

### End-of-year spike in interbank deposit rates in 1999

(percentages per annum)



Sources: Bloomberg and ECB calculations.

Note: The end-of-year spike in interest rates is calculated on the basis of one-month forward interest rates derived from the EURIBOR curve. The spike is measured as the difference between the one-month forward interest rate spanning the end of the year and a rate obtained by linear interpolation between the one-month forward rate for delivery in December 1999 (the one-month spot rate after the end of October) and the one-month forward rate for delivery in February 2000. The last observation included relates to 26 November 1999, since, from that date onwards, the spike cannot be measured according to this methodology. It should be borne in mind that if the risk related to the century date change is perceived to be concentrated on the first trading days of January 2000, the premium for these days should be several times higher than the premium measured on a monthly basis.

considerably over recent months, both within and outside the euro area. Within the euro area the spike declined during September, after having increased over the summer months, and, following a temporary increase in October, fell again in the second half of November. The premium on US dollar-denominated contracts, computed on the basis of LIBOR interest rates, tended to remain above that on euro area interest rates and declined by approximately the same amount as the corresponding premium on euro area rates during November. By contrast, the premium on contracts denominated in Japanese yen, also based on LIBOR interest rates, has remained broadly unchanged in recent months, at levels lower than those prevailing in the euro area.

The recent developments in the premium suggest that concerns of financial market participants have declined. This may be related to the successful completion of a series of year 2000 tests and can therefore be ascribed to an enhanced perception of a smooth transition to the year 2000.

increasingly convinced of an imminent decision.

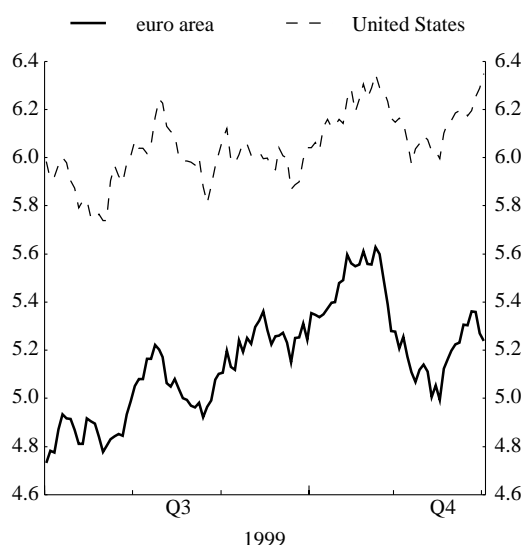
The allotment interest rates of the regular longer-term refinancing operation of the Eurosystem which was settled on 25 November 1999 were, on average, less dispersed than those resulting from the previous operation. The marginal interest rate of allotment was equal to 3.18%, i.e. almost unchanged from the longer-term refinancing operation conducted in October. By contrast, the weighted average interest rate of allotment was 3.27%, thus considerably below the previous weighted allotment rate of 3.42%. The Eurosystem allotted a total amount of €25 billion in November, the same amount as in the longer-term refinancing operation conducted in October, but higher than in the operations conducted prior to September 1999, when the allotted amount had been set at €15 billion. This reflected the intention to increase the amount allotted in the last three longer-term refinancing operations in 1999 in order to contribute to a smooth transition to the year 2000.

### Long-term bond yields remained volatile during November

The strong rise in long-term bond yields in the euro area, which had been observed since the early summer of 1999, was partially reversed as from late October. However, long-term bond yields in the euro area were

relatively volatile during November, as significant yield declines during the early part of November were mostly reversed during the latter part of the month. The declines in euro area bond yields seen in late October and early November occurred against a background of mounting expectations of an increase in ECB interest rates. Further declines were seen following the announcement of the decision to raise ECB interest rates. Later on, however, during the

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



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

second half of November, long-term bond yields came under renewed upward pressure as a result of both international and domestic factors. All in all, on 1 December 1999 the average level of ten-year bond yields was around 5 basis points lower, at 5.24%, than at end-October. Compared with end-October, the spread between US long-term bond yields and comparable yields in the euro area had widened by approximately 25 basis points, to around 110 basis points on 1 December.

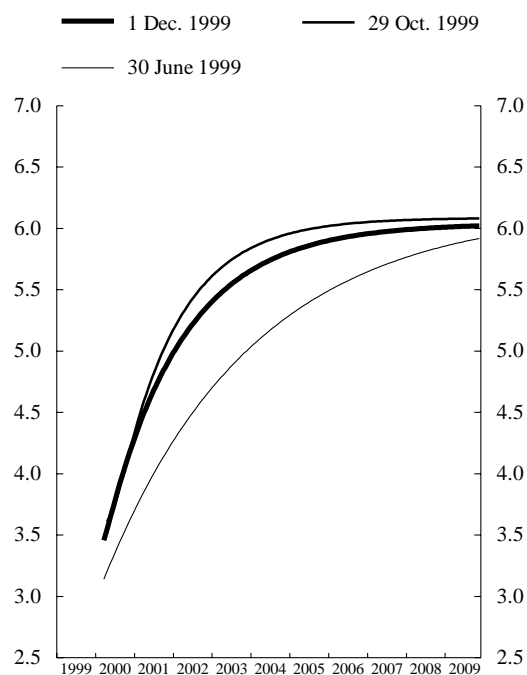
With regard to the influence of developments in international bond markets on domestic bond markets, long-term bond yields in the United States were relatively volatile during November 1999. During the first week of November the US ten-year bond yield fell markedly, in part as a result of the publication at the beginning of November of data on US employment growth and labour costs that were better than market participants had expected. However, notwithstanding this, following the decision by the Federal Open Market Committee of the Federal Reserve on 16 November to raise interest rates against a background of concerns about tight conditions in labour markets, US bond yields came under renewed upward pressure. Furthermore, new data released during November pointed to continued robust growth in the US economy, which, in combination with further increases in oil prices, may have added to concerns about inflationary risks in the United States. These countervailing influences on US long-term interest rates throughout November translated into a cumulative increase of around 20 basis points in US ten-year bond yields between end-October and 1 December, at which time yields stood at 6.35%. In Japan long-term bond yields were little changed at around 1.8% on 1 December 1999, compared with end-October.

As mentioned above, long-term bond yields in the euro area fell significantly during the first part of November as a result of increasing expectations – and the subsequent decision on 4 November – that ECB interest rates were to be raised by 50 basis points.

The significant decline in bond yields seemed to suggest that, following the increase in the ECB interest rates, market participants had revised their long-term inflation expectations and lowered the magnitude of the inflation risk premium required for holding euro-denominated bonds. Market uncertainty regarding the outlook for future long-term bond yields decreased markedly following the ECB interest rate announcement, as demonstrated by the decline in implied volatility observed in the ten-year Bund options market (see Box 4). During the second half of the month, however, the previous declines in long-term bond yields were reversed. In particular, the aforementioned increases in US bond yields following the interest rate decision of the Federal Reserve seemed to spill over to euro

**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.

## Box 4

### Inferring expected interest rate volatility from options prices

Measures of the expected volatility of future short-term and long-term interest rates can provide a central bank with valuable information about the dispersion of market expectations or uncertainty regarding future interest rate developments. One particularly useful measure of expected volatility is implied volatility, which can be extracted from options prices. Given the observed market price of an option, the implied volatility can be extracted using a standard option pricing formula, which explicitly depends on, inter alia, the expected volatility of the underlying asset price. The implied volatility may, given appropriate assumptions, be interpreted as the market's expectation of volatility during the remaining life of the option.

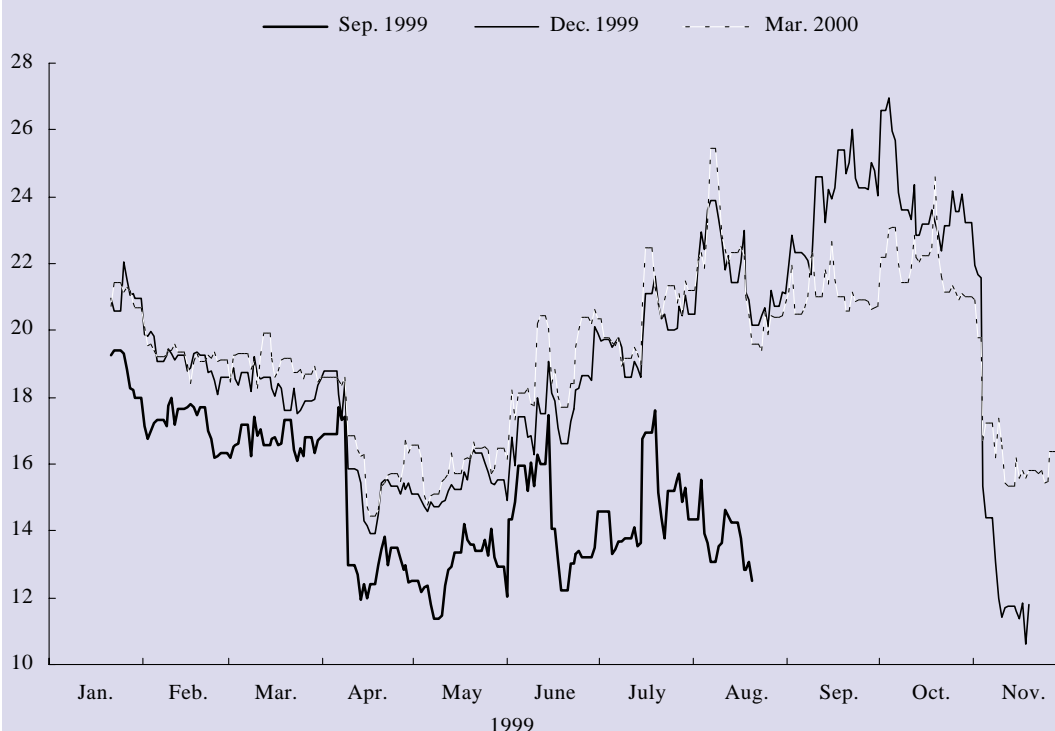
Implied volatility can complement measures of expectations of the evolution of financial variables in the future, such as forward interest rates and futures prices, by providing a measure of the uncertainty surrounding these expectations. The implied volatility of short-term interest rates and that of long-term bond prices are considered in more detail below. The first measure refers to the uncertainty surrounding the evolution of short-term interest rates over the life of the option. Furthermore, as long-term nominal interest rates reflect market expectations regarding inflation and real interest rates over a longer horizon, the latter measure could be seen as an indicator of the uncertainty surrounding the future evolution of these factors.

#### Money market implied volatility

Indications of the uncertainty regarding the future evolution of short-term interest rates in the euro area can be obtained from the implied volatility derived from options on three-month EURIBOR futures. The evolution of money market volatility implied in options prices derived from contracts maturing in September and December 1999, as well as in March 2000, is displayed in the chart below, starting in January 1999.

#### Implied volatility from options on three-month EURIBOR futures

(traded on LIFFE)



Source: Bloomberg.



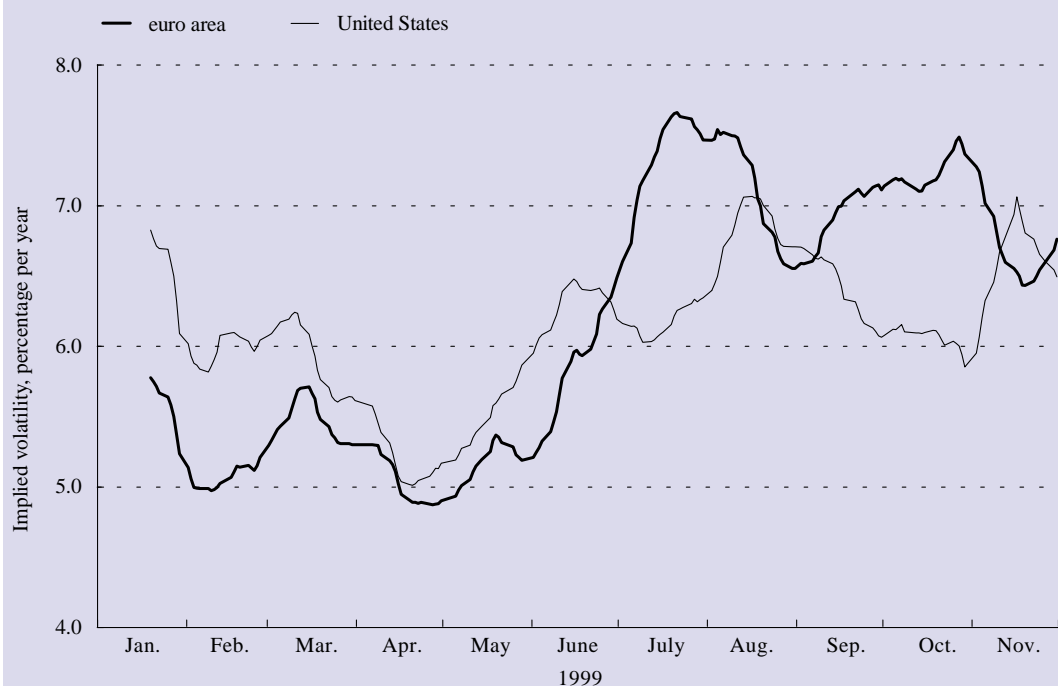
After the launch of the euro, the implied volatility obtained from each of these options contracts gradually declined. There was a small temporary increase in expected volatility in the period preceding the decision of the Governing Council of the ECB on 8 April 1999 to reduce ECB interest rates, but, following the announcement of the decision, implied volatility dropped significantly for all maturities. From May 1999 onwards implied volatility began to creep up slowly at a time when short-term interest rates implied in futures contracts were also moving upwards, since the progressively stronger signs of a pick-up in economic activity in the euro area were leading to new uncertainties regarding the evolution of interest rates. The chart also shows that around the time of the increase in ECB interest rates announced on 4 November 1999, the drop in implied volatility was very pronounced at all maturities. This indicates that the move has considerably reduced market uncertainty regarding policy moves in the near term.

### Long-term bond market implied volatility

By contrast with implied volatility on short-term money market futures, which is closely associated with market uncertainty regarding future short-term interest rates, and in particular future monetary policy moves, implied volatility on long-term bond futures is more related to short-term uncertainty regarding long-term fundamentals, in addition to other factors such as spillovers from international bond markets. In particular, the implied volatility extracted from options contracts on a long-term bond provides an indication of the degree of uncertainty regarding the long-term real interest rate, average inflation rate and risk premia expected by market participants at the expiry of the options contracts. The fact that expectations regarding all these components affect the pricing of options on long-term bonds makes it somewhat more challenging to extract and interpret the relevant forward-looking information from implied volatility on long-term fixed income instruments.

### Implied volatility for futures contracts on the ten-year German Bund and the ten-year US Treasury note respectively

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



Source: Bloomberg.

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

For the euro area, the implied volatility derived from options on ten-year German Bund futures appears to be the best proxy available for euro area long-term bond market implied volatility. During the first half of 1999 implied volatility in euro area bond markets appeared broadly to follow developments in the implied volatility of US ten-year bonds (see the chart above). However, over the summer the implied volatility of the ten-year Bund contract increased to levels that were considerably higher than the corresponding implied volatility in US bonds. During that time the increases in bond yields in the euro area were more pronounced than in the United States in the light of growing expectations regarding the economic recovery in the euro area. This combination of increasing bond yields and higher implied volatility suggests that these more optimistic expectations were, however, coupled with increasing uncertainty regarding the strength and sustainability of this pick-up as well as its implications for price stability. During the autumn the upward trend in euro area bond yield volatility appears to have ended as the uncertainty surrounding the outlook for the euro area economy diminished. With regard to developments during recent weeks, it appears that the increase in ECB interest rates, which was increasingly anticipated by market participants in the course of the week prior to 4 November, lowered the degree of uncertainty in respect of the evolution of long-term bond yields in the near future. However, during the second half of November implied volatility again started to increase somewhat, in an environment where long-term interest rates rose in the United States and the sharp downturn in euro area bond yields was also reversed (see the main text on bond market developments).

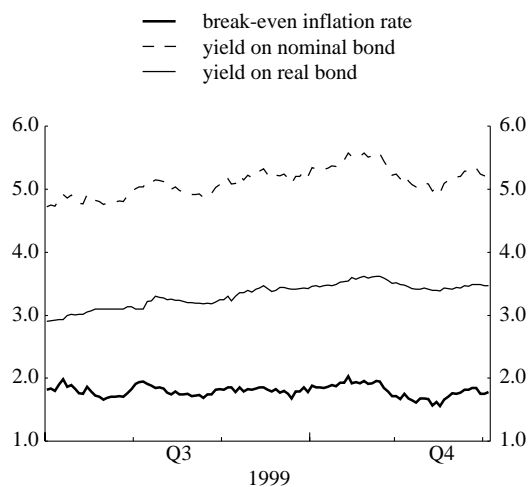
area bond markets. In addition, renewed increases in oil prices as well as a further weakening of the euro seemed to have led to upward pressure on long-term bond yields. Economic data released during November provided somewhat mixed indications regarding the outlook for the euro area economy, but, on balance, tended to point to brighter prospects for recovery, hence also providing support for higher bond yields. All in all, these influences on the euro area bond market during the second half of November offset most of the initial decreases in yields that took place during the first part of the month. Reflecting this, the medium-term and long-term segments of the implied forward euro area overnight interest rate curve were little changed on 1 December compared with end-October (see Chart 6).

Developments in the French index-linked bond market may, given appropriate assumptions, be used to provide some indications regarding changes in long-term real interest rates as well as in long-term inflation expectations. In particular, the “break-even” inflation rate, which is the differential between nominal and real yields of comparable maturity, can be seen as conveying information regarding the market’s expected inflation rate over the remaining

maturity of the bonds. In this respect, it is notable that the break-even inflation rate fell significantly in late October and the first half of November, first reflecting expectations of an interest rate move by the ECB and, later on, the actual decision to raise interest rates (see Chart 7). Seen over a longer horizon,

**Chart 7**  
Break-even inflation rate calculated for the French CPI

(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.

the break-even rate has remained broadly stable since the beginning of the summer, while the real yield has increased significantly over the same period. These developments can be taken as an indication that while inflation expectations have overall remained contained during recent months, real interest rates have risen as a result of the increasingly optimistic outlook for the euro area economy. As always, any inference relating to euro area inflation expectations based on this measure of the break-even inflation rate warrants some degree of caution owing to risk premia and liquidity considerations as well as the specific choice of price index used in the construction of the French index-linked bonds.

### Euro area stock prices increased significantly during November

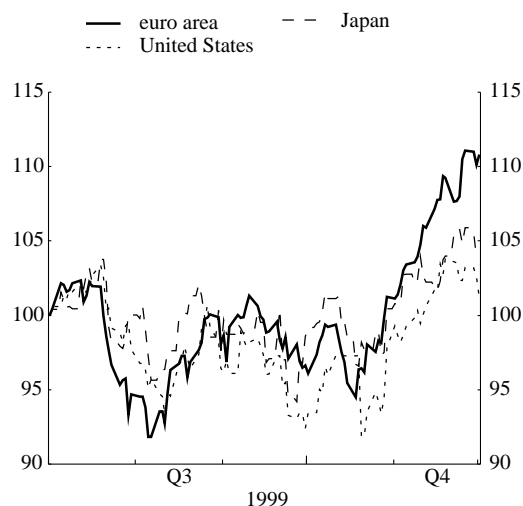
Against a background of improving expectations about the prospects for economic activity, stock prices in the euro area, when measured according to the broad Dow Jones EURO STOXX index, increased by 12% between end-1998 and end-October 1999 (see Chart 8). In November a significant increase of more than 9% brought the cumulative increase from end-1998 to 22%. The relatively rapid increases in euro area stock prices in November were due both to influences from the increases in stock prices on other major markets and to factors specific to the euro area.

With regard to the global stock market environment, in the United States the Standard and Poor's 500 index increased by slightly less than 3% between end-October and 1 December 1999, to reach a level which was 13% above end-1998 levels. One of the main factors that seemed to explain the performance of US stock prices in November was the Federal Reserve decision of 16 November to raise interest rates but retain a neutral bias for its future policy. This decision, by reducing market uncertainty about the future course of short-term interest rates, seemed to have a positive

**Chart 8**

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

(1 July 1999 = 100; daily data)



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

impact on US stock price developments. This positive reaction of the US stock market to the increase in US interest rates also seemed to reflect the view of market participants that moves to contain inflationary pressures should have a beneficial influence on economic activity and corporate profitability in the long term. The strength of the US stock market was very apparent in the technology sector. In particular, the Nasdaq 100 index, which has a larger proportion of stocks in the technology sector than the Standard and Poor's 500 index, increased by close to 14% between end-October and 1 December, to reach a level which was 64% above end-1998 levels.

In Japan stock prices, as measured by the Nikkei 225 index, increased by 3% between end-October and 1 December 1999, to reach a level which was 34% above end-1998 levels. This development appeared to be influenced somewhat by further indications of improvement in the Japanese economic outlook, as well as by the expected impact of

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

	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Conglomerate	Industrial	Technology	Utilities
Price changes									
end-Oct. to 1 Dec. 1999	8.7%	2.8%	2.5%	2.2%	2.9%	5.9%	16.0%	22.5%	20.7%
end-1998 to 1 Dec. 1999	30.2%	5.4%	0.7%	30.9%	3.1%	27.8%	46.3%	83.6%	35.5%
Volatilities									
end-Oct. to 1 Dec. 1999	19.5%	12.8%	9.9%	21.0%	10.5%	12.4%	26.9%	28.6%	21.4%
end-1998 to 1 Dec. 1999	18.4%	17.1%	18.6%	22.8%	18.5%	21.1%	18.8%	26.6%	22.2%

Source: STOXX.

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

the autumn fiscal stimulus package on GDP growth in the near term.

Although these increases in international stock markets provided a favourable environment for the euro area stock market, the increase of more than 9% in euro area stock prices between end-October and 1 December 1999 indicates that other factors played a role in this development. In particular, the principal influences underpinning this development seemed to be the further indications of an improvement in economic prospects for the euro area, together with declining long-term inflation expectations, particularly following the decision to raise ECB interest rates. These factors seemed to improve financial market expectations regarding future corporate profitability in the euro area. The decline in long-term bond yields in late October and during the early part of November tended to play a supportive role in the rise in stock prices.

Turning to the sector components of euro area stock price developments since end-1998, the most striking development has been the rapid progression of stock prices in the technology sector, with increases of 84% between end-1998 and end-November 1999 in the Dow Jones EURO STOXX technology sector index (see Table 3). Stock price developments in the euro area technology

sector in the course of 1999 may have been partly influenced by similarly strong increases in technology sector stock prices in the United States and Japan. In addition, stock prices in the industrial sector, particularly in the industrial goods and services sub-sector, increased very rapidly between end-1998 and 1 December 1999 (46%), which seems to have partly reflected the improvement in the euro area economic outlook since end-1998. Consistent with the fact that this improvement was mainly related to the improved external environment for much of the year, the stock prices of larger and more internationally oriented firms included in the narrow Dow Jones EURO STOXX 50 index increased more rapidly, on average, than the stock prices of firms in the broad Dow Jones EURO STOXX index. Furthermore, the utilities sector demonstrated a relatively strong performance between end-1998 and 1 December 1999 (35%), which seems to have reflected not only improved economic prospects, but also the perception of medium-term improvements in corporate profitability related to merger and acquisition activity, particularly in recent months.

Since end-1998 more modest stock price changes have been seen in the consumer non-cyclical sector (1%) and in the financial sector (3%). The weak performance of the consumer non-cyclical sector may have been related to uncertain developments in consumer

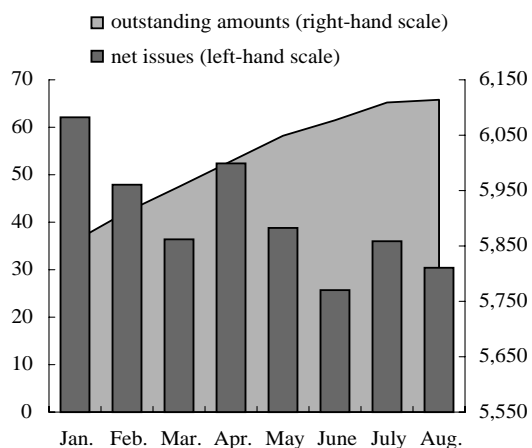
confidence in the euro area, particularly in the first half of 1999. The weak performance of stocks in the financial sector reflected mainly the weak performance of the insurance sub-sector. This may have been related to the fact that the prices of assets of insurance companies in the form of bonds were generally subject to downward pressures in 1999, while liabilities in the form of insurance pay-outs were reported to be relatively high in some cases.

### Low level of net securities issues in August

In August 1999 gross issuance of debt securities by euro area residents was €234.5 billion. As redemptions of debt securities amounted to €204.0 billion, net issuance was €30.4 billion. This is less than the average monthly net issuance in the first seven months of 1999 (€42.8 billion). Of the net issues in August, only 53% were long-term. This was significantly lower than the average monthly share of long-term net issuance in total net issuance during the period from January to July 1999 (96%). The share of net issuance denominated in euro by euro area residents in August was 88%. This compares with an average monthly share of net euro-denominated debt securities issues in total net issues by euro area residents of 92% during the first seven months of 1999. Chart 9 shows that net issuance by euro area

**Chart 9**  
Securities issued in euro by euro area residents in 1999

(EUR billions)



Source: ECB.

Note: Net issues differ from the change in amounts outstanding because of valuation changes, reclassifications and other adjustment.

residents was at its highest level in January 1999.

With regard to gross debt securities issuance by non-residents denominated in euro, these were €90.3 billion in the third quarter of 1999, according to new BIS data. On a net basis, these issues amounted to €63.7 billion. This amount was 42% higher than the average level of net issuance in the first and second quarters of 1999.

## 2 Price developments

### Higher consumer price increases owing to food and non-energy industrial goods prices

In October 1999 the broad upward trend in the year-on-year rate of increase in overall HICP since June 1999 continued, with the annual rate of increase rising to 1.4%, from 1.2% in September. However, by contrast with previous months this was not caused by energy prices, but reflected an increase in prices for food and non-energy industrial goods (see Chart 10).

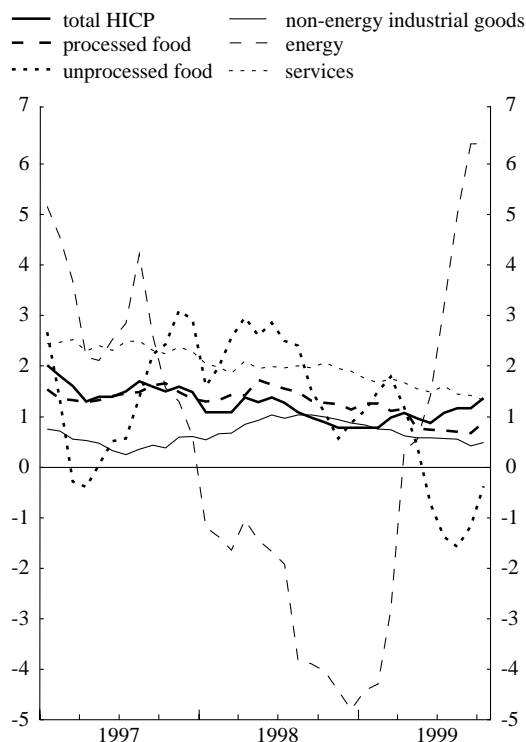
For the first time in 1999, the year-on-year increase in energy prices did not rise between September and October, but remained unchanged at 6.4%. This was the result of contrasting developments within this category. On the one hand, the year-on-year rate of increase in electricity and gas prices

fell between September and October, owing to the further deregulation of electricity markets and an administrative reduction in gas prices. On the other hand, while oil prices moderated somewhat in October (€20.8 per barrel in October compared with €21.8 in September), they were clearly higher than in previous months, and the annual rate of change was still increasing. As a result, the year-on-year increase in prices for fuels and lubricants – the sub-component which absorbs most of the direct impact of oil price changes – continued to increase in October (see Chart 11).

By contrast with previous months, food prices contributed to some upward movement in the HICP. The rate of increase in processed food prices rose to 0.9% in October, having remained stable at 0.7% between June and September (see Table 4). This increase was

**Chart 10**  
Breakdown of HICP inflation in the euro area by components

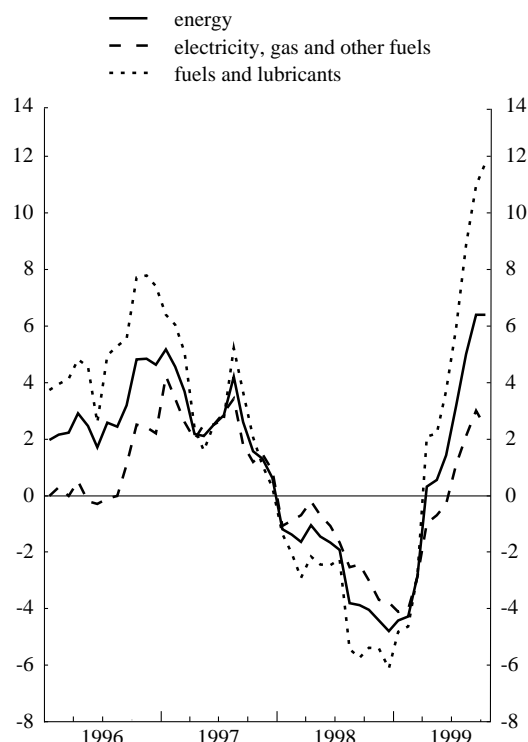
(annual percentage changes; monthly data)



Source: Eurostat.

**Chart 11**  
The euro area HICP energy component and its breakdown

(annual percentage changes; monthly data)



Source: Eurostat.

**Table 4**  
**Price and cost developments in the euro area**

(annual percentage changes, unless otherwise indicated)

	1996	1997	1998	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999
				Q4	Q1	Q2	Q3	June	July	Aug.	Sep.	Oct.	Nov.
<b>Harmonised Index of Consumer Prices (HICP) and its components</b>													
Overall index	2.2	1.6	1.1	0.8	0.8	1.0	1.1	0.9	1.1	1.2	1.2	1.4	.
<i>of which:</i>													
Goods	1.8	1.1	0.6	0.2	0.3	0.6	0.9	0.5	0.7	0.9	1.1	1.3	.
Food	1.9	1.4	1.6	1.1	1.3	0.6	-0.1	0.1	-0.1	-0.2	-0.1	0.4	.
Processed food	2.0	1.4	1.4	1.2	1.2	0.9	0.7	0.7	0.7	0.7	0.7	0.9	.
Unprocessed food	1.7	1.4	2.0	0.8	1.5	0.3	-1.4	-0.7	-1.4	-1.6	-1.2	-0.4	.
Industrial goods	1.8	1.0	0.1	-0.2	-0.2	0.6	1.5	0.8	1.1	1.5	1.7	1.8	.
Non-energy industrial goods	1.5	0.5	0.9	0.9	0.8	0.6	0.5	0.6	0.6	0.6	0.4	0.5	.
Energy	3.0	2.8	-2.6	-4.4	-3.8	0.8	4.9	1.4	3.2	5.0	6.4	6.4	.
Services	2.9	2.4	2.0	2.0	1.7	1.6	1.5	1.5	1.6	1.5	1.4	1.3	.
<b>Other price and cost indicators</b>													
Industrial producer prices <sup>1)</sup>	0.4	1.1	-0.8	-2.3	-2.6	-1.3	0.6	-1.0	-0.1	0.6	1.3	.	.
Unit labour costs <sup>2)</sup>	2.0	0.7	.	.	.	.	.	-	-	-	-	-	-
Labour productivity <sup>2)</sup>	1.2	1.8	.	.	.	.	.	-	-	-	-	-	-
Compensation per employee <sup>2)</sup>	3.3	2.5	.	.	.	.	.	-	-	-	-	-	-
Total hourly labour costs <sup>3)</sup>	2.8	2.6	1.7	1.8	2.3	2.1	.	-	-	-	-	-	-
Oil prices (EUR per barrel) <sup>4)</sup>	15.9	17.1	12.0	10.1	10.3	15.0	19.7	15.6	18.1	19.2	21.8	20.8	23.5
Commodity prices <sup>5)</sup>	-6.9	12.9	-12.5	-20.5	-16.0	-8.2	1.1	-4.2	-2.3	-0.5	6.6	10.7	11.9

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). In ECU up to December 1998.

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

mainly a result of the development in tobacco prices in a major country. The index for alcoholic beverages and tobacco prices accounts for almost one-third of the processed food component. Larger month-on-month movements in this index tend mostly to reflect changes in indirect taxation and the pricing behaviour of firms in the tobacco industry. Meanwhile, the year-on-year rate of change in unprocessed food prices was -0.4% in October, up from -1.2% in September, owing to the development in meat and fruit prices. For a number of reasons, this gradual unwinding of the negative contribution from unprocessed food prices was anticipated. For further information on this see Box 5 on recent developments in unprocessed food prices.

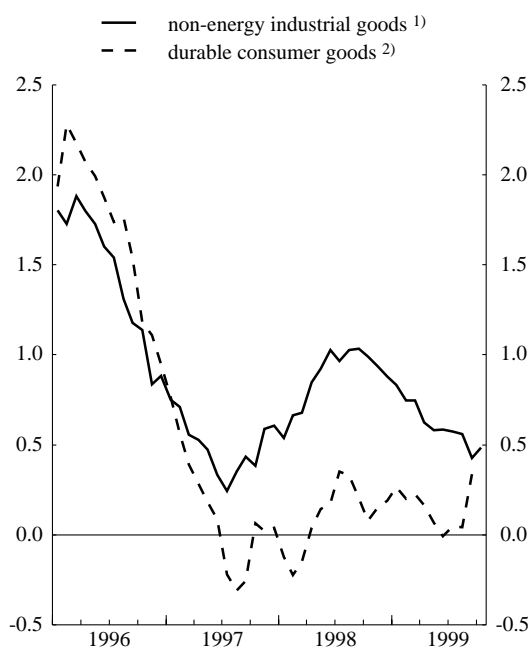
In addition, the year-on-year increase in non-energy industrial goods prices rose to 0.5% in October, from 0.4% in September. This reflects a rise in the annual rate of increase in durable goods prices, while the rate of increase in non-durable and semi-durable goods prices fell further in October. Consumer prices for durable goods are closely correlated with the development in industrial producer prices for durable consumer goods, but with a lag of up to a few months. The rise in the year-on-year increase in non-energy industrial goods prices in October could therefore be linked to that in the producer prices of durable consumer goods in September (see Chart I2).

While food and non-energy industrial goods prices contributed to the upward movement in the HICP between September and

## Chart 12

### Prices of non-energy industrial goods and durable consumer goods producer prices

(annual percentage changes; monthly data)



Source: Eurostat.

1) HICP.

2) Industrial producer prices.

October, the downward trend in the year-on-year increase in services prices continued in October, when it stood at 1.3%, down from 1.4% in September. Whereas in previous months the impact of deregulation and enhanced competition in the services sector was more evident, in October the decline was to a large extent a consequence of the development in housing-related services. This was mainly caused by a sizable reduction in a VAT rate applicable to specific services (maintenance and repair of dwellings) in a major country.

### Industrial producer prices rise, mainly reflecting oil price increases

Industrial producer prices rose by 1.3% year-on-year in September, up from 0.6% in August. This reflected a rise in the rate of increase in intermediate goods prices, which

was linked to the development in oil prices and, to a lesser extent, to that in consumer goods prices. In view of the substantial increase in oil prices to €23.5 per barrel in November and the decline in oil prices during the fourth quarter of 1998, oil prices are likely to continue to exert upward pressure not only on the year-on-year increase in the HICP energy component, but also on the annual rate of increase in industrial producer prices in the coming months.

### Temporary increase in inflation should not affect wages

The latest available data on wages only relate to the first half of 1999. They point to a moderate increase in labour costs over this period. The annual increases in total hourly labour costs in the first and second quarters of 1999 were 2.3% and 2.1% respectively. As wage developments in 1998 have been distorted by a technical factor relating to a tax reform in a major country, recent developments can best be compared with those in 1997. The year-on-year increase in hourly labour costs was on a downward trend in 1997, but still at a higher level than in the first quarter of 1999. Looking ahead, the wage bargaining round at the turn of the year will coincide with the peak in the upward pressure from energy prices on the year-on-year increase in the area-wide HICP. Since wages are an important determinant of the outlook for prices, it is crucial that this short-term rise in price increases does not feed into inflation expectations and higher wage increases, but that wage developments reflect the still high level of unemployment in the euro area. While price developments are expected to remain in line with price stability, improved business and labour market conditions could exert some upward pressure on consumer prices in the medium term. For further information on prospects for price developments, see Box 6, which reviews the prospects for the euro area in the period from 1999 to 2001.



## Box 5

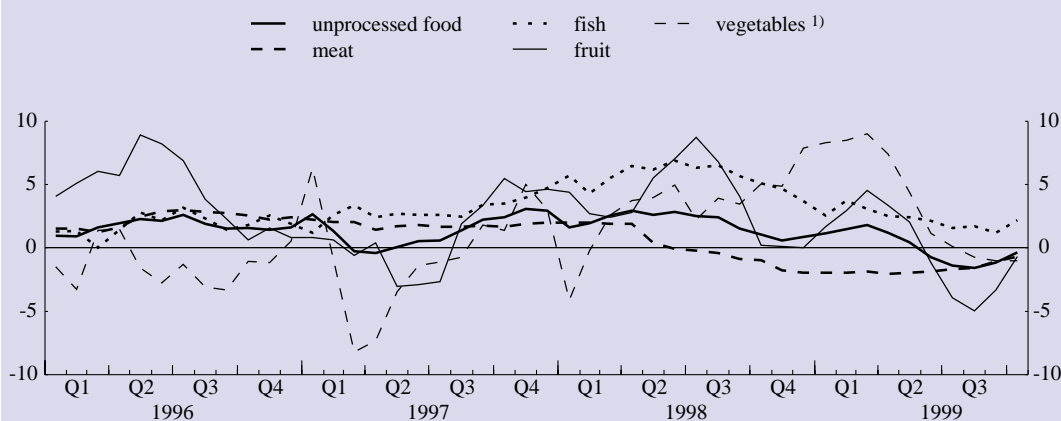
### Recent developments in unprocessed food prices

In the recent past the development in the Harmonised Index of Consumer Prices (HICP) has often been strongly influenced by its two most volatile components, unprocessed food and energy prices (see Chart 10 in the main text). Since the beginning of this year the annual rate of increase in energy prices has risen continuously as a result of the ongoing increases in the world market price of oil. However, the upward effect of the energy price increases on the HICP has partly been counteracted by the slowdown in the rate of increase in services and non-energy industrial goods prices; however, unprocessed food prices have also played an important role. The development in energy prices and their relation to the substantial swings in the world market price of oil in recent years have been commented upon extensively in previous issues of the ECB Monthly Bulletin (see, in particular, Box 2 entitled "The effect of oil prices on the Harmonised Index of Consumer Prices (HICP)" in the September issue). In turn, this box provides more information on developments in unprocessed food prices and their underlying determinants.

Unprocessed food prices account for 9% of the euro area HICP, i.e. a figure broadly similar to the weight of energy prices. Unprocessed food consists of four sub-components, of which meat prices are the most significant (4.6% of the area-wide HICP). The remaining three, known collectively as seasonal food, are vegetable prices, which have a weight of 1.8%, and fish and fruit prices, which both have a weight of 1.3%. Seasonal food prices are far more volatile than meat prices (see the chart below). For analytical purposes, it can be useful to examine a measure of consumer price developments which is not distorted by the erratic movements in seasonal food.

### The unprocessed food price index and its components

(annual percentage changes; monthly data)



Source: Eurostat.

1) Including potatoes and other tubers.

The year-on-year decline in unprocessed food prices slowed from 1.6% year-on-year in August to 0.4% in October 1999 due to developments in fruit and meat prices. While no upward movement has yet been recorded, the steep decline in the annual rate of change in vegetable prices since March 1999 appears to have come to an end.

### Factors underlying the recent development in unprocessed food prices

Vegetable and fruit prices are generally strongly influenced by weather conditions and the strong decline in the rate of increase in these prices in mid-1999 reflects favourable weather conditions in the euro area as a whole. The level of the vegetable price index generally falls between April/May and August with the arrival of

a new harvest, while the level of the fruit price index tends to fall between June/July and October/November. This year, however, the seasonal decline in the price level of both indices was stronger than on average during the previous four summers. Meat prices, on the other hand, are to a larger extent determined by developments in world demand, and the sustained year-on-year decline since early 1998 relates, in particular, to a series of public health scares which have shaken consumer confidence in meat products in a number of countries in the euro area. In addition, a downturn in the external demand for meat products may also have contributed to the decline in meat prices. However, supply factors (increased competition resulting from the efforts of some producers to regain market shares for pork which were lost as a result of earlier cases of disease) could also have played a role. Finally, enhanced competition at the retail level has been cited as a factor behind the recent weakness in unprocessed food prices. The general downward trend in the rate of increase in processed food prices during 1999 provides some support for this view.

The outlook for unprocessed food prices depends on factors such as consumer demand, weather conditions and other seasonal factors and developments in market structure, which are difficult to quantify, e.g. the intensity of retail competition. However, in the months ahead, as meat prices appear to be recovering and the unusually strong seasonal decline in fruit and vegetable prices is not likely to persist, the negative contribution from unprocessed food is expected to decline gradually and may even become positive.

### 3 Output, demand and labour market developments

No new national accounts data for the euro area as a whole have become available since the November issue of the ECB Monthly Bulletin was published. The first estimate for the third quarter of 1999 is due to be released on

10 December 1999. Available data indicate that economic growth in the euro area has been strengthening since the last quarter of 1998 (see Table 5). The quarter-on-quarter rate of growth in GDP is estimated to have been 0.4%

**Table 5**  
**Composition of real GDP growth in the euro area**  
(percentage changes, unless otherwise indicated; seasonally adjusted)

	Annual rates <sup>1)</sup>								Quarterly rates <sup>2)</sup>				
	1996	1997	1998	1998	1998	1998	1999	1999	1998	1998	1998	1999	1999
				Q2	Q3	Q4	Q1	Q2	Q2	Q3	Q4	Q1	Q2
Real gross domestic product	1.3	2.2	2.7	2.8	2.6	1.9	1.6	1.6	0.5	0.5	0.1	0.4	0.5
<i>of which:</i>													
Domestic demand	0.9	1.7	3.3	3.0	3.5	3.0	2.6	2.5	0.5	0.8	0.7	0.6	0.4
Private consumption	1.4	1.4	2.9	2.7	3.4	3.1	2.7	2.2	0.8	0.8	0.6	0.5	0.2
Government consumption	1.8	0.5	1.3	1.5	1.1	1.0	1.0	1.2	0.0	0.0	-0.2	1.2	0.2
Gross fixed capital formation	0.9	2.1	4.3	3.2	4.7	3.5	3.9	5.4	-0.7	2.4	0.1	2.2	0.6
Changes in inventories <sup>3) 4)</sup>	-0.5	0.3	0.4	0.5	0.3	0.3	0.0	-0.1	0.2	-0.2	0.4	-0.4	0.1
Net exports <sup>3)</sup>	0.5	0.6	-0.5	-0.1	-0.8	-1.0	-0.9	-0.8	0.1	-0.2	-0.6	-0.2	0.1
Exports <sup>5)</sup>	4.5	10.0	6.3	8.6	4.7	1.6	0.3	0.6	1.2	0.3	-1.4	0.2	1.5
Imports <sup>5)</sup>	3.1	8.7	8.5	9.8	7.7	5.0	3.2	3.4	1.1	1.0	0.3	0.8	1.3

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) Including acquisitions less disposals of valuables.

5) 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.

and 0.5% in the first and second quarters of 1999 respectively. The year-on-year rate of real output growth in the second quarter of 1999 is estimated to have been 1.6%, unchanged from the previous quarter. The available national accounts data show that export growth has accelerated since the end of last year, while domestic demand grew at a slightly slower pace in the second quarter of 1999.

For the third quarter, available indicators point to a further recovery in export growth as well as sustained domestic demand. However, there may be some uncertainty about the pattern of growth in the forthcoming quarters due to temporary effects arising from the transition to the year 2000. This may be most apparent in increased stock-building towards the end of 1999 and in a reversal of this in the first half of 2000. More generally, the changeover to the European System of Accounts 1995 (ESA 95) may also increase uncertainty with regard to the quarterly profile for growth.

### Continuing improvement in industrial activity and confidence

Industrial production data from Eurostat are now available up to September 1999 (see Table 6). The data confirm the continuation

of the recovery in industrial production (excluding construction) in September. Measured on the basis of quarter-on-quarter growth rates, the data show a pattern of a gradual return to positive growth rates for industrial production that has been emerging over the past few months. In the third quarter of 1999 industrial production excluding construction was 0.9% higher than in the second quarter. This compares with a quarter-on-quarter increase of 0.2% and 0.4% in the first and second quarters of 1999 respectively. At the same time, in the manufacturing sector quarter-on-quarter growth in the third quarter of 1999 was 1.2%, compared with an increase of around 0.5% in each of the previous two quarters.

The breakdown of manufacturing production into the main industrial groupings indicates that, compared with the second quarter, the strengthening in activity has become more broadly based with higher growth rates across all categories of production. In particular, growth in the production of capital goods has now also turned clearly positive. At the same time, there are signs of some weakening in the third quarter in the production of durable consumer goods, which had substantially outperformed other categories of industrial production earlier in the year.

**Table 6**  
**Industrial production in the euro area**  
(annual percentage changes, unless otherwise indicated)

	1997	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999
			July	Aug.	Sep.	July	Aug.	Sep.	Apr.	May	June	July	Aug.
						month-on-month			three-month moving averages				
Total industry excl. construct.	4.4	4.1	0.4	2.5	1.4	-0.1	0.4	0.2	0.7	0.4	0.9	0.9	0.9
Manufacturing	5.0	4.6	0.2	2.5	1.4	0.1	1.2	-0.7	0.7	0.5	1.1	1.2	1.2
by main industrial groupings:													
Intermediate goods	5.4	3.7	0.6	2.2	1.9	-0.1	0.5	0.3	0.8	0.5	0.7	0.8	0.8
Capital goods	4.8	6.7	-1.4	0.6	1.2	0.1	0.2	0.4	-0.2	-0.1	0.1	0.3	0.5
Consumer goods	2.7	3.0	1.2	4.6	0.6	0.4	1.5	-2.3	1.0	0.7	1.5	1.4	1.0
Durable consumer goods	2.7	6.3	1.5	11.0	-0.2	0.0	3.9	-4.2	1.4	1.4	2.1	2.6	1.7
Non-durable consumer goods	2.6	1.4	1.3	3.1	1.3	0.5	0.5	0.0	0.5	0.4	0.5	0.7	1.0

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.

**Table 7****Results from EC Business and Consumer Surveys for the euro area***(seasonally adjusted data)*

	1996	1997	1998	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999
				Q4	Q1	Q2	Q3	May	June	July	Aug.	Sep.	Oct.
Economic sentiment index <sup>1)</sup>	-2.7	2.4	3.1	-0.7	0.5	-0.4	0.2	-0.3	0.0	0.5	-0.5	0.3	0.5
Consumer confidence indicator <sup>2)</sup>	-9	-4	6	9	11	7	7	7	6	8	7	7	9
Industrial confidence indicator <sup>2)</sup>	-8	4	7	1	-3	-2	2	-3	-1	1	1	3	5
Construction confidence indicator <sup>2)</sup>	-14	-11	3	7	13	15	15	14	16	17	13	14	16
Retail confidence indicator <sup>2)</sup>	-5	-3	3	3	3	2	-1	3	-3	0	-1	-1	-2
Capacity utilisation (%) <sup>3)</sup>	80.3	81.4	82.9	82.4	81.9	81.7	81.8	-	-	81.6	-	-	81.9

Source: European Commission Business and Consumer Surveys.

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

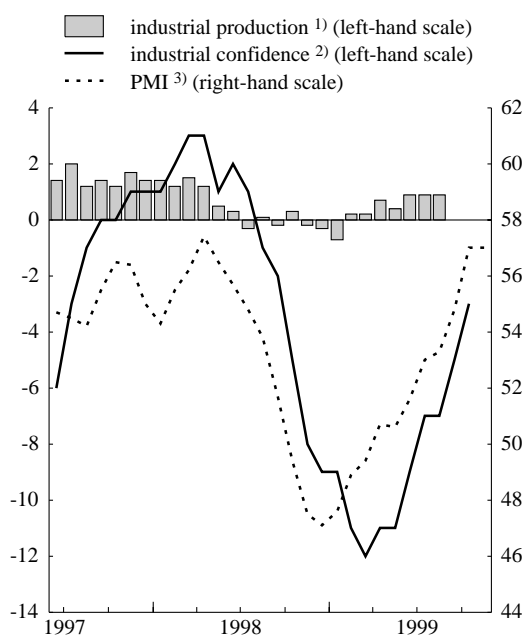
2) Percentage balances; data shown are calculated as deviations from the average over the period since January 1985.

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.

The results of the European Commission's Business and Consumer Surveys for October 1999 show a further improvement in industrial confidence, consistent with the continuing improvement of the economic situation since the early part of the year (see Table 7). Industrial confidence has been rising continuously since the first quarter of 1999, returning to above its long-term average. In October 1999 it reached its highest level since October 1998, but was still significantly lower than the highest levels reached early in 1998. While there has been some further improvement in all of the components of the industrial confidence indicator for the euro area, the largest increases compared with the September survey have been seen in order books. Generally, the data show a rise in the assessment of production expectations as well as in total and export order books over recent months. All three components now stand above their long-term averages.

Reflecting the improvement in production growth, capacity utilisation in the manufacturing sector increased slightly in October 1999 to stand at 81.9%, 0.3 percentage point higher than in June, although still 0.1 percentage point below the level recorded in January 1999. Finally, the improving business climate in the manufacturing sector was also confirmed by

the results of the Purchasing Managers' Index (PMI). This composite index has shown a steady improvement in the course of the year

**Chart 13****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.

3) Purchasing Managers' Index.

and remained unchanged in November (see Chart 13).

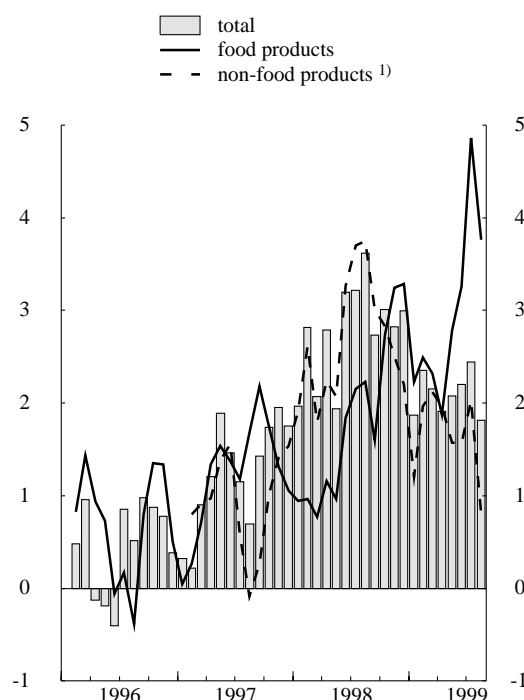
### Consumer confidence at a high level

The results of the European Commission's Business and Consumer Surveys for October 1999 indicate that consumer confidence increased somewhat compared with previous months. The increase follows a slight decline in the consumer confidence indicator in the first half of the year, which was consistent with the slowdown observed in private consumption growth in the second quarter. Both the decline and the subsequent recovery in consumer confidence mostly reflect changes in the assessment by consumers of the general economic situation.

However, from a somewhat longer-term perspective, the strength of consumer confidence has remained broadly unchanged in the course of 1999. The overall consumer confidence indicator stayed at a level not far below the record high reached in the first few months of the year and well above its long-run average. This pattern has also been observed in the individual components of the consumer confidence indicator.

Eurostat has released new estimates of retail sales volumes in the euro area up to September 1999 (see Chart 14). The first estimate for September shows a slightly weaker growth rate of retail sales volumes. However, as this estimate was based on data available for only a limited number of countries, it should be treated with caution.

**Chart 14**  
**Retail sales in the euro area**  
*(annual percentage changes, three-month centred moving averages)*



Source: Eurostat.  
 Note: Total retail trade turnover at constant prices; excluding motor vehicles, motorcycles and the repair of personal and household goods. Annual percentage changes are calculated by using data adjusted for variations in the number of working days.

1) Owing to the unavailability of some national components, the series only starts from January 1996.

### Employment growth may have strengthened in the second half of 1999

As reported in the November 1999 issue of the ECB Monthly Bulletin, total employment growth was somewhat lower in the first half of this year than in the previous six months. On the basis of national data, the quarter-on-quarter rate of employment growth is estimated to have been 0.3% in the first two quarters of this year, i.e. 0.1 percentage point lower than the rate of growth recorded in the fourth quarter of last year (see Table 8). Employment appears to have been affected less than previously estimated by the temporary slowdown in economic activity which occurred at the turn of the year 1998/1999. Since employment usually reacts to output shocks within two quarters, it is unlikely that there will be a further adverse impact on employment growth in the second half of 1999. However, this relatively sustained pace of net job creation in the first half of the year conceals more divergent sectoral patterns. Eurostat data point to a fall in employment in manufacturing since the fourth quarter of 1998, reaching -0.6% in the second quarter of 1999 compared with the same quarter of the previous year. In the

**Table 8****Employment growth in the euro area***(annual percentage changes, unless otherwise indicated)*

	1997		1998		1999		Quarterly rates <sup>1)</sup>				1999		
	1997	1998	1998	1998	1999	1999	1998	1998	1999	1999	1999	1999	1999
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	June	July	Aug.
Whole economy <sup>2)</sup>	0.6	1.4	1.5	1.6	1.6	1.5	0.5	0.4	0.3	0.3	-	-	-
Total industry	-1.4	0.2	0.3	0.4	0.1	-0.1	0.0	0.1	-0.1	-0.1	0.0	.	.
Construction	-0.4	0.1	-0.3	2.1	2.6	2.7	0.5	1.9	0.5	-0.2	2.7	.	.
Total industry excl. construct.	-1.4	0.4	0.7	0.2	-0.2	-0.8	0.0	-0.2	-0.2	-0.3	-0.9	-0.8	-0.8
Manufacturing	-1.0	0.8	1.0	0.5	0.1	-0.6	0.0	-0.2	-0.1	-0.3	-0.6	-0.5	.

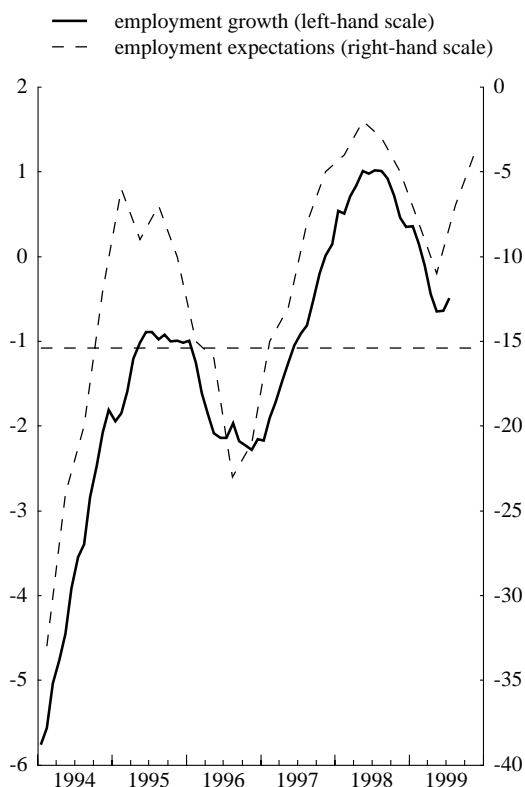
Sources: National data and Eurostat (Short-term Business Statistics).

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

2) Excluding Belgium and Ireland; seasonally adjusted.

construction sector, for which the available data indicate rather volatile developments, employment fell in the second quarter of 1999 (by 0.2%) following three strong quarter-on-quarter increases. By contrast with the developments in the industrial and construction sectors, the pace of net job creation in the rest of the economy appears to have been maintained in the first half of 1999, in particular in the private services sector, according to partial national information. Turning to the third quarter, the national data on total employment which have already become available point to a slightly faster pace of net job creation.

According to the European Commission Business Survey, employment expectations, which have exhibited some leading indicator properties for actual employment growth in the manufacturing sector in the past, started to move upwards in the July survey and continued to increase in the October survey (see Chart 15). The Purchasing Managers' Index also points to a rebound in employment in the second half of 1999. These survey results, which are in line with other signs of improvement in manufacturing, suggest that employment in this sector should cease to fall and could even start to increase again in the second half of the year. Employment expectations in the construction sector have virtually levelled off since the spring, at record high levels (see Chart 16). However,

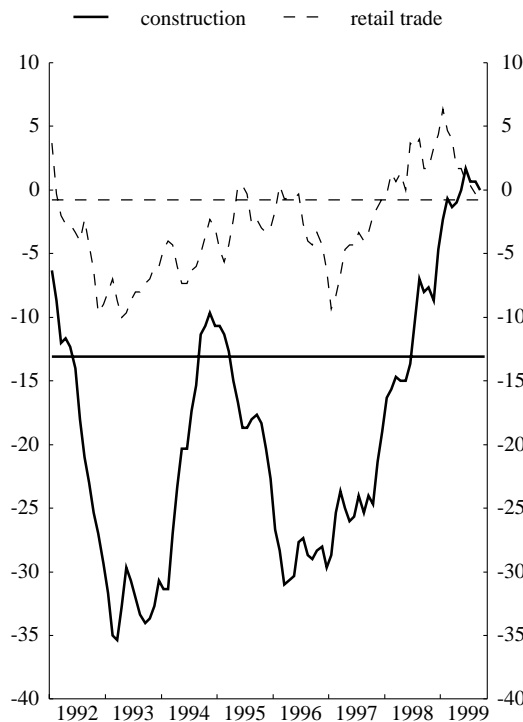
**Chart 15****Employment growth and employment expectations in manufacturing in the euro area***(annual percentage changes; percentage balances for employment expectations)*

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.

**Chart 16**  
**Employment expectations in the euro area**

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



Source: European Commission Business and Consumer Surveys. Note: 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.

developments in employment have not always closely followed employment expectations. Finally, in the retail trade sector, the opinion of employers on employment has become somewhat less favourable since the beginning of the year, although employment expectations are still above the long-term average. Overall, the most recent developments in employment expectations thus also support the prospect of a gradual strengthening in total employment growth in the second half of the year.

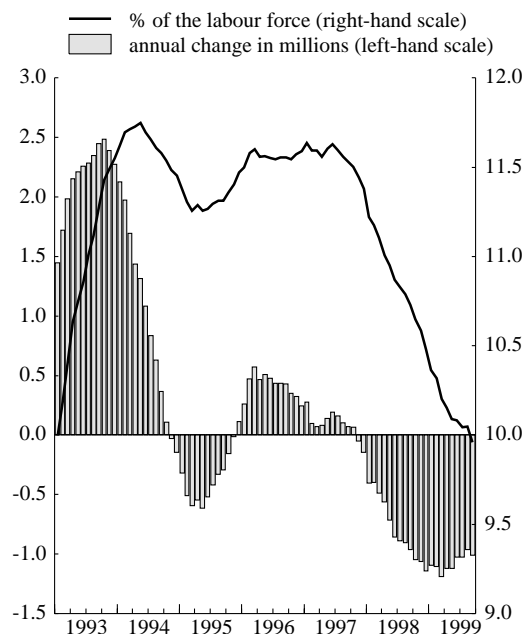
**Unemployment unchanged in September 1999**

The standardised rate of unemployment in September 1999, which was released by

Eurostat after the cut-off date for the November issue of the ECB Monthly Bulletin, stood at 10% (see Chart 17). This is unchanged from the level recorded in both July and August. However, there has been a significant downward revision to unemployment for the period from May to August, which was previously estimated at 10.2%. This third successive month of no change in the rate of unemployment has to be seen against the background of the continuous, albeit gradual, decline observed since August 1997. Although it was obscured by rounding effects, there was in fact a decrease in the unemployment rate of almost 0.1 percentage point between August and September. This slight decline in unemployment is more evident when looking at the breakdown by age, as the unemployment rates of both young people and those above 25 years of age declined in September after having remained stable for four months (see Table 9). National data already available for October confirm this picture of a resumption of the decline in unemployment.

**Chart 17**  
**Unemployment in the euro area**

(monthly data; seasonally adjusted)



Source: Eurostat.

**Table 9****Unemployment in the euro area***(as a percentage of the labour force; seasonally adjusted)*

	1996	1997	1998	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999
				Q4	Q1	Q2	Q3	Apr.	May	June	July	Aug.	Sep.
Total	11.6	11.6	10.9	10.6	10.3	10.1	10.0	10.2	10.1	10.1	10.0	10.0	10.0
Under 25 years <sup>1)</sup>	23.9	23.2	21.3	20.8	20.0	19.3	19.1	19.4	19.2	19.2	19.2	19.2	18.9
25 years and over <sup>2)</sup>	9.8	9.9	9.4	9.2	9.0	8.9	8.8	8.9	8.8	8.8	8.8	8.8	8.7

*Source: Eurostat.**Note: According to ILO recommendations.**1) In 1998 this category represented 24.0% of total unemployment.**2) In 1998 this category represented 76.0% of total unemployment.*

Looking at labour market developments from a longer-term perspective, the decline in unemployment observed for more than two years appears to have been relatively slow, given the sustained employment growth recorded over the same period. The labour force may, in fact, have increased at a faster pace than that observed in the first half of the 1990s. If this is supported by the results of the 1999 Labour Force Survey, it may mean that the continuous expansion in employment recorded for two and a half years has gradually encouraged more people to enter or return to the labour market. Two additional factors may have influenced the most recent development in unemployment. The slight slowdown in employment growth described above, and more specifically the fall in manufacturing sector employment, contributed to a deceleration in the decline in unemployment that was seen from August 1997 to June 1999. Moreover, in some countries cuts in employment schemes, notably those targeted at young people, could explain the levelling-off in the rate of unemployment for this category of the unemployed which was observed during the summer. Nevertheless, if employment growth regains momentum in the second half of this year, the decline in unemployment should continue.

At this juncture, although the unemployment rate in the euro area as a whole remains high by historical and international standards, it is worth mentioning that a tightening in the labour market is already evident in several

countries, as reflected by the increase in vacancies. In some euro area countries labour shortages have only appeared in particular labour market segments or in specific sectors, but in other countries they are noticeable in virtually all sectors of the economy. In the former group of countries, labour market shortages are still concentrated in the IT sector, notably owing to a temporary increase in the demand for skilled labour caused by the transition to the year 2000, while in the latter group these shortages stem from relatively high real GDP growth in recent years.

To summarise, employment growth may have gradually strengthened in the second half of 1999, while unemployment should return to its declining trend after a lag. All in all, employment could increase at broadly the same rate this year as in 1998. The available forecasts suggest that the unemployment rate should only decline gradually over the next two years, i.e. by around 0.6 percentage point per annum on average. Wage moderation and subdued labour cost increases, which have been key factors in explaining the good employment performance over the past two years, will be needed to ensure a sustained rate of employment growth in 2000 and beyond. In this respect, it will be important for local labour shortages not to give rise to excessive wage demands spilling over into the rest of the economy in the forthcoming wage rounds. This outlines the need for reforms aimed at increasing the participation rate and, thereby, the employment rate,



which is relatively low in Europe. Together with wage moderation, further progress with regard to the implementation of structural reforms is also warranted in order to support favourable employment developments in a more lasting manner and to bring unemployment down towards more acceptable levels on a sustainable basis.

## Box 6

### A review of the prospects for the euro area from 1999 to 2001

Following a temporary slowdown in the latter part of 1998, euro area output growth strengthened in the first half of 1999, and is expected to have accelerated further in the second half of the year. The outlook for euro area output growth in 2000 and 2001 has also improved in recent months. The brighter outlook reflects improved world trade prospects, as well as a continuation of favourable domestic economic conditions in the euro area. So far world growth in 1999 has been higher than was generally expected earlier in the year. In particular, the US economy has continued to expand robustly, while the recovery in Asian economies has arrived earlier and more forcefully than expected. In addition, the prospects for stable world growth have improved compared with the early part of 1999, as previous uncertainties reflected in developments in world financial markets have diminished.

The table below summarises the outlook for the period from 1999 to 2001, on the basis of the latest autumn forecasts by the IMF, the OECD and the European Commission, as well as the results of surveys of forecasters, i.e. the Consensus Forecast and the Survey of Professional Forecasters. These forecasts are inevitably conditional on a series of more or less different technical assumptions: in particular the forecasts make assumptions of future profiles for euro area short-term and long-term market interest rates, exchange rates and oil prices, all of which may differ between forecasts. Furthermore, the forecasts were completed on different dates and are, therefore, not only based upon slightly different vintages of data releases, but also cannot take full account of the latest developments. In order to derive a broad assessment of the outlook for price developments and the risks to price stability, the Governing Council of the ECB regularly examines forecasts forming part of a wide range of other information on financial and economic developments.

#### Comparison of forecasts for the euro area

(annual percentage changes, unless otherwise indicated)

	1999					2000					2001	
	IMF	OECD	EC <sup>1)</sup>	SPF <sup>2)</sup>	CF <sup>3)</sup>	IMF	OECD	EC <sup>1)</sup>	SPF <sup>2)</sup>	CF <sup>3)</sup>	OECD	EC <sup>1)</sup>
Private consumption deflator <sup>4)</sup>	1.0	1.3	1.3	-	-	1.3	1.7	1.6	-	-	1.7	1.6
HICP	-	-	1.2	1.1	1.1	-	-	1.5	1.5	1.5	-	1.5
GDP growth	2.1	2.1	2.1	2.0	2.1	2.8	2.8	2.9	2.8	2.9	2.8	2.9
Unemployment rate <sup>5)</sup>	10.3	10.2	10.0	10.2	-	9.7	9.6	9.4	9.7	-	9.1	8.8

Sources: IMF World Economic Outlook (October 1999); OECD Economic Outlook (November 1999); European Commission (autumn 1999); Survey of Professional Forecasters (November 1999) and Consensus Forecasts (November 1999).

Note: The IMF, the Survey of Professional Forecasters and Consensus Forecasts do not provide forecasts for 2001.

1) European Commission.

2) On the basis of a questionnaire submitted by the ECB to 83 professional forecasters across the EU, the Survey of Professional Forecasters provides quantitative information about inflation expectations in the euro area with a horizon of up to two years ahead. To provide the appropriate background for these expectations, the survey also collects estimates for expected growth in area-wide real GDP and expected developments in the euro area unemployment rate. The sample of forecasters is based on recommendations from the respective national central banks in the EU. The forecasters are split fairly evenly between financial institutions (e.g. banks) and others (e.g. research institutes).

3) Consensus Forecasts.

4) For the IMF: CPI.

5) As a percentage of the labour force.

### **Favourable growth prospects**

The latest projections for euro area output growth for 2000 have been subject to some upward revisions since the spring. In general, forecasts currently point to euro area output growth of around 2% for 1999, and an increase in real GDP growth to around 3% in both 2000 and 2001. The improved outlook for world trade as well as continued competitiveness in the euro area can be expected to have a positive impact on euro area exports, thereby supporting the ongoing strengthening of economic activity. In addition, domestic conditions for growth can be regarded as remaining favourable for a cyclical upswing within the euro area. Financial conditions remain healthy for investment and private consumption, while continued employment growth is expected to contribute to maintaining consumer confidence at a high level and also to sustaining private consumption growth. This would be consistent with a certain degree of slowing down of domestic demand growth in some of the previously faster growing economies. Overall, the projections predict that steady growth in domestic demand will remain at rates above 2½% over the entire forecast horizon, which is similar to the rate of growth observed in 1998. The contribution to growth of net exports is expected to turn positive in 2000 and 2001, after having made a negative contribution in 1999.

The uncertainties surrounding the recent growth projections can be regarded as more balanced than those made in the spring, and further upward adjustments to the growth forecasts may be envisaged. In particular, in an environment characterised by robust consumer and business confidence, domestic demand in the euro area may turn out to be stronger than expected in current forecasts. Uncertainties related to the future development of the external environment are more mixed. Export performance could be stronger if last year's losses in market shares are reversed more rapidly than expected. Downside risks stem from possibly slower than expected external demand expansion in the medium term in the United States or in emerging market economies. Finally, some short-term and presumably minor effects on the quarterly growth profile could emerge as a result of economic agents' behaviour around the end of the year, associated with the century date change.

### **Employment growth expected to continue**

Despite weaker real GDP growth, employment growth in the euro area in 1999 is estimated at above 1%. Relatively high employment growth has been attributed to a variety of factors, including the lagged and relatively low response of employment growth to the recent cyclical downturn, wage moderation in previous years, and an increase in part-time work related to active labour market measures. Nominal wages are expected to grow by 2-2½% this year.

The pick-up in economic activity is expected to result in a cyclical rise in productivity. On the basis of the moderate rise in nominal wage growth in the forecasts available, unit labour costs could increase by around 1% a year in 2000 and 2001. Employment growth over this period is, therefore, projected to be broadly similar to that experienced this year.

The unemployment rate has continued to fall in the course of 1999. Forecasts project a decline in the unemployment rate to close to 9% by 2001, a return to levels experienced at the beginning of the 1990s. While past efforts to reform labour markets appear to have been effective in raising employment growth, progress with regard to reforms is uneven across countries. Further progress in removing obstacles to a better functioning of labour markets would significantly contribute to increasing the potential for sustained non-inflationary growth in the euro area.

### **The rate of increase in consumer prices expected to rise somewhat, while remaining below 2%**

According to available forecasts, the rate of increase in consumer prices is expected to rise in 2000 and 2001, but to remain below 2%. Recent forecasts suggest that consumer prices are expected to rise by around 1½% on

average in both 2000 and 2001. The recent increase in oil prices is likely to cause a temporary rise in the rate of increase in the energy price component of consumer prices, peaking in early 2000 and falling back in the course of the year. Nevertheless, as the strengthening of economic growth gathers pace, the rate of increase in consumer prices is expected to rise over the forecast horizon to reach a rate of above 1½% towards the end of 2001. Partially offsetting the cyclical rise in profit margins, ongoing deregulation in utilities is likely to continue to play a role in reducing the rate of price increases.

Several factors are contributing to increasing uncertainty with regard to the outlook for consumer prices as compared with earlier forecasts compiled this spring. First, uncertainties are arising as a result of the behaviour of monetary and credit developments. Another source of uncertainty stems from import prices, as a result of the rise in oil prices and the recent decline in the effective exchange rate of the euro. While the direct impact of developments in import prices on the rate of increase in consumer prices should be largely temporary, the degree to which they would feed further into domestic wage costs and prices remains somewhat uncertain and this may also depend on the evolution of output growth rates. Finally, price reductions resulting from deregulation in utilities could exert stronger downward pressure on consumer prices than anticipated in current forecasts.

## 4 Fiscal developments

### Conditions for fiscal consolidation have improved

Current estimates of fiscal developments in 1999 reveal a more positive picture than had been expected in early summer this year. The average general government deficit-to-GDP ratio in the euro area may amount to 1½%, i.e. half a percentage point lower than in 1998, according to the most recent economic forecasts by the European Commission and the OECD (see Table 10). In early summer a deficit ratio of around 2% had been forecast for 1999 by the same institutions (see the June 1999 issue of the ECB Monthly Bulletin), falling only slightly compared with 1998. The more positive picture with regard to budgetary positions is mainly due to higher than expected government revenue in many Member States, which is also partly related to an improvement in economic conditions compared with previous forecasts, and a revision of budgetary results in 1998 exerting a favourable influence in 1999.

According to current forecasts, Member States' targets for their budget balance-to-GDP ratios in 1999 will be met on average in

the euro area, although this may not be the case for each individual Member State. These targets were specified in the stability programmes presented towards the end of 1998. They were largely based on assumptions of economic growth rates which in some cases turned out to be optimistic on account of a slowdown in economic activity in the first half of 1999. The debt ratio is forecast to decline more slowly than anticipated. Current estimates of government debt as a percentage of GDP would therefore imply a higher level at the end of 1999 than expected earlier this year and targeted in the stability programmes.

For 2000, a further improvement in the area-wide budgetary position is currently predicted by the European Commission and the OECD, leaving the average deficit-to-GDP ratio slightly above 1%. These forecasts suggest that in 1999 and 2000 three countries will record budget surpluses, but some Member States will still have deficits close to or above 2% of GDP, while the average government debt-to-GDP ratio will fall by 1½ percentage points in 2000. This would represent the biggest drop since the peak in the area-wide

**Table 10****Projections of fiscal developments in the euro area***(percentage of GDP; annual changes)*

		1998	1999	2000
<b>Budget balance</b>	European Commission <sup>1)</sup>	-2.0	-1.6	-1.2
	OECD <sup>2)</sup>	-2.0	-1.6	-1.2
	Stability programmes <sup>3)</sup>	- <sup>4)</sup>	-1.8	-1.6
<b>Cyclically adjusted budget balance</b>	European Commission <sup>1)</sup>	-1.7	-1.2	-1.0
	OECD <sup>2) 5)</sup>	-1.6	-1.1	-0.9
	Stability programmes <sup>3)</sup>	- <sup>4)</sup>	-	-
<b>Primary budget balance</b>	European Commission <sup>1)</sup>	+2.7	+2.8	+3.0
	OECD <sup>2)</sup>	-	-	-
	Stability programmes <sup>3)</sup>	- <sup>4)</sup>	+2.7	+2.7
<b>Gross debt</b>	European Commission <sup>1)</sup>	73.5	73.1	71.5
	OECD <sup>2)</sup>	-	72.9	-
	Stability programmes <sup>3)</sup>	- <sup>4)</sup>	72.5	71.3
<b>Memo item: Real GDP growth rate</b>	European Commission <sup>1)</sup>	2.7	2.1	2.9
	OECD <sup>2)</sup>	2.8	2.1	2.8
	Stability programmes <sup>3)</sup>	- <sup>4)</sup>	2.5	2.7

1) *Economic forecasts, autumn 1999.*2) *Economic Outlook, preliminary edition, November 1999.*3) *European Commission estimates on the basis of governments' stability programmes.*4) *Member States' stability programmes are not applicable to 1998.*5) *As a percentage of potential GDP.*

debt ratio in 1996. However, more than half of the euro area countries would continue to record debt ratios above the 60% reference value.

### **Fiscal consolidation remains unambitious**

Most Member States have made it clear during recent discussions on the orientation of their fiscal policies that they intend to further consolidate public finances in order to achieve budgetary positions consistent with the Stability and Growth Pact. At the same time, they also plan to take advantage of the favourable economic outlook to introduce tax changes aimed at promoting growth and employment. The two objectives are complementary rather than conflicting, but striking the right balance between the two remains a difficult challenge for fiscal policies in the Community.

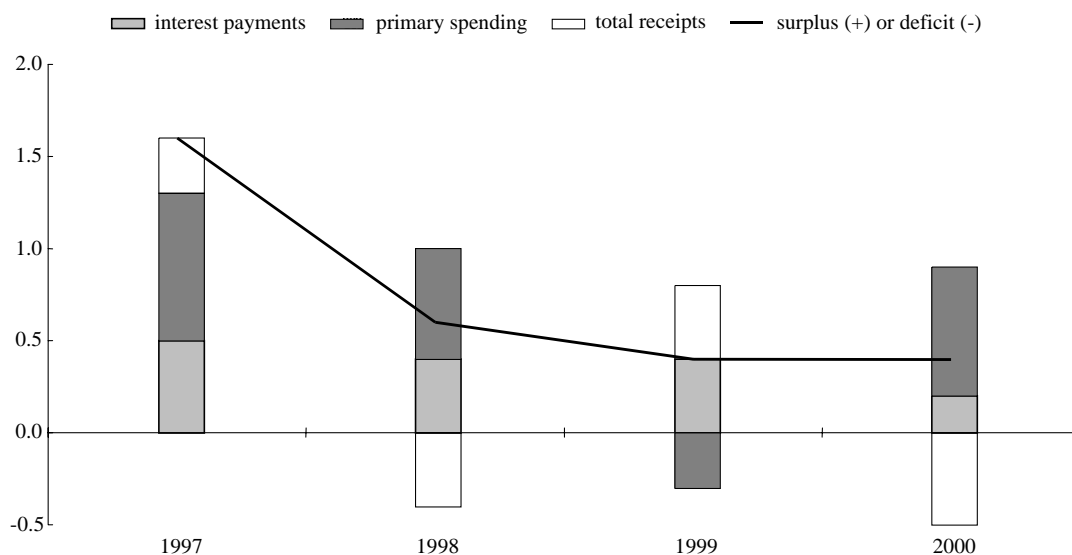
On the basis of governments' budgetary plans, the European Commission forecasts that the

decline in the deficit ratio in the euro area in 1999 and 2000 will be fuelled by reductions in the share in GDP of government expenditure. However, the fall in the expenditure ratio is expected to take place mainly in the year 2000, while in 1999 the expenditure ratio is forecast to remain broadly constant. Moreover, the total decline over 1999-2000 is expected to be small in relation to previous years (see Chart 18, in which a reduction in expenditure as a percentage of GDP and an increase in the receipts ratio are depicted as a positive contribution to changes in the budget balance ratio). The reduction in interest payments as a percentage of GDP will contribute significantly to the anticipated decline in total government spending, as it has done over recent years. The share in GDP of interest payments is decreasing largely as the result of a decline in average interest rates on government debt (owing to the refinancing of long-term debt at less than the original rates) and, to a much smaller extent, to the decline in debt ratios. The primary expenditure-to-GDP ratio will only decline by 0.4 percentage

### Chart 18

#### Changes in the average euro area budgetary position: contributions of receipts, primary expenditure and interest payments

(as percentage points of GDP)



Source: European Commission.

point on balance over 1999-2000, according to European Commission forecasts. Over this period government receipts as a percentage of GDP are forecast to be broadly constant on balance and, at slightly below 50% of GDP, to remain very high in the euro area.

These developments need to be seen against the background of underlying budgetary positions that are still far from balance across the euro area and that are currently not expected to improve significantly in 1999 and 2000. As a result of the modest decline in primary expenditure as a percentage of GDP, the primary surplus ratio within the euro area will remain almost constant in 1999 and improve only slightly in 2000, when it will stand at 3.0%, according to European Commission estimates. This estimate predicts that the cyclically adjusted budget balance-to-GDP ratio in the euro area as a whole will improve by 0.5 percentage point in 1999 and by 0.2 percentage point in 2000 (see Chart 19). In 2000 the cyclically adjusted budget balance is still expected to show a

deficit of around 1% of GDP. While estimates of the level of the cyclically adjusted budget balance in the euro area provided by different institutions generally differ, owing to the application of different methods, the forecast annual changes are broadly consistent across different sources.

Current estimates by the European Commission imply that the cyclically adjusted primary balance ratio in the euro area, which is defined as the cyclically adjusted deficit ratio excluding government interest payments, will not have improved over the period from 1998 to 2000, i.e. for three consecutive years. This means that budgetary positions across the euro area continue to be predominantly driven by economic and interest rate conditions, whereas active fiscal consolidation measures do not appear to play a significant role. Owing to the expected strengthening in economic activity, the year 2000 should provide an opportunity to adjust fiscal policies in the euro area so as to achieve a more balanced position.

## Further efforts needed to achieve budgetary positions close to balance or in surplus

Despite the anticipated further reductions in government deficits and debt levels in relation to GDP, further efforts are needed to achieve budgetary positions close to balance or in surplus. Where budgetary positions are forecast to remain relatively far from balance, additional fiscal policy measures appear to be warranted in order to limit the risk of breaching the reference value of 3% of GDP in the future. Moreover, current fiscal projections rely on the assumption that the envisaged fiscal measures will be fully implemented and effective. In most countries sufficient budgetary safety margins to cope with the effects of potential future recessions or other events not related to the cycle need to be created as soon as possible in order to meet the Stability and Growth Pact requirement of medium-term budgetary positions close to balance or in surplus. In addition, the safety margin implied by this requirement should also cover other burdens

on public finances, such as those related to excessively high debt ratios and the financial consequences of ageing populations.

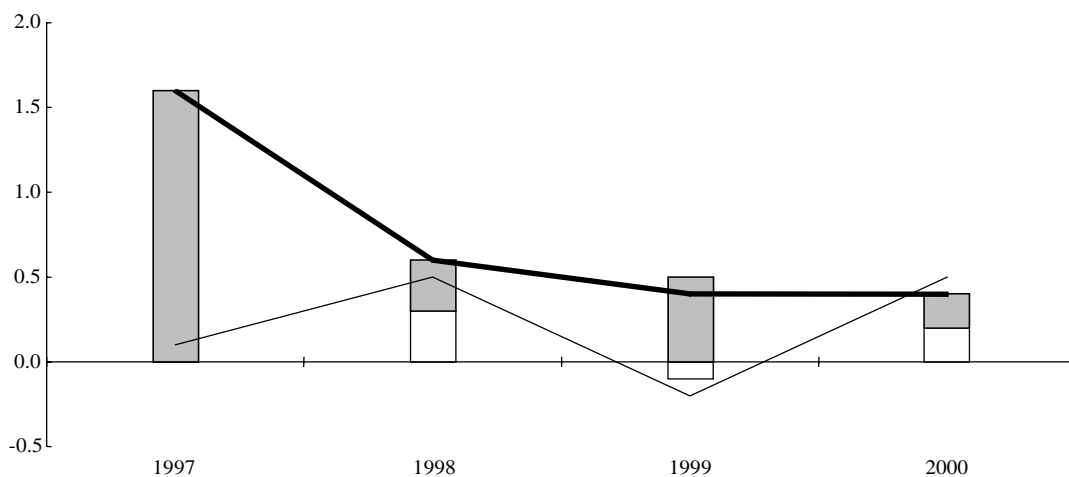
The forthcoming updates of Member States' stability and convergence programmes should reflect governments' commitments to take all these requirements into account. In this respect, it is worth recalling the European Council's "Broad guidelines of the economic policies of the Member States and the Community" of 1999 in which Member States are urged, "provided the economic outlook unfolds better than expected in their stability or convergence programmes, to front-load the budgetary adjustment efforts envisaged in their programmes as of the year 2000 and, where programmes target minimum adjustment, to aspire to more ambitious objectives and update stability/convergence programmes accordingly". Finally, subject to compliance with the requirements of the Stability and Growth Pact, the tax burden on the economies should be reduced and further progress is needed on liberalisation and public sector reform.

**Chart 19**

### Changes in the average euro area budgetary position: cyclical and non-cyclical components

(as percentage points of GDP)

cyclical component of the surplus (+) or deficit (-)
  cyclically adjusted surplus (+) or deficit (-)
  surplus (+) or deficit (-)
  difference between actual and trend real GDP growth rate



Source: European Commission.

## Box 7

### Government finance statistics based on the ESA 95

From 1999 national accounts data on the government sector must be compiled in accordance with the new European System of Accounts 1995 (ESA 95).<sup>1</sup> The implementation of the ESA 95 is expected to improve the quality of data in terms of both their comparability – the ESA 95 is compulsory for all EU Member States – and the methodology used. The methodological improvements relate to a more clearly defined delimitation of the general government sector (the distinction between market and non-market producers being based on the concept of “economically significant” prices), more up-to-date concepts (such as the recording of leasing), the recording of transactions more closely in line with economic criteria (on an accruals and not a cash basis), and improved measurement practices (the inclusion of capital consumption on roads and bridges, etc.).

Almost all Member States have now made data available for the general government sector which have been compiled in accordance with the new system. (Financial accounts, however, are not due until 2000.) Government receipts, expenditure and deficit aggregates shown in Table 7 of the “Euro area statistics” section of this issue of the ECB Monthly Bulletin are published for the first time on the basis of ESA 95 national data.<sup>2</sup> However, the deficit and debt figures reported by the Member States to the European Commission in September 1999 within the framework of the excessive deficit procedure were still compiled in accordance with the ESA 79 (see the government debt data for the euro area and data relating to euro area countries in Table 7). The first report based on the new system is scheduled for March 2000.<sup>3</sup>

The differences between the ESA 95 and the ESA 79 data are only partly due to these methodological changes. Other differences result from the practical implementation of the new system. In general, national statistical institutes used the change to the ESA 95 to modify the statistical interpretation, and thus the recording, of certain transactions and to incorporate new sources of data. In addition, data expressed as a percentage of GDP are also affected by the revision of the level of the latter. As overall GDP levels increase, so the ratios decline.

Total receipts and total expenditure in the ESA 95 are, on average, 1 percentage point lower in relation to GDP than in the ESA 79 for the most recent years. The increase in GDP and the change in nominal receipts and expenditure each account for approximately half of the revision. Across countries, the magnitude and even the sign of the changes in receipts and expenditure categories differ substantially. Methodological revisions do not have the same impact everywhere and, in addition, they are often outweighed by country-specific revisions. The decrease in receipts and expenditure ratios is mainly due to smaller social contributions, transfers to households and the compensation of employees. This reflects the exclusion of units previously included in social security and of units engaged in health care from the general government sector. The change in the deficit ratio – around  $\pm 0.1$  percentage point for the most recent years – is much smaller than the change in the various receipts and expenditure categories, as many revisions are simply reclassifications among different categories. By contrast, changes in the general government sector delimitation and the switch to accruals accounting affect the deficit. In some cases, the impact of switching to accruals accounting tends to be cancelled out over a span of years. Since the broad development over time of the key public finance indicators is similar under both ESA 95 and ESA 79 recording, the change in the statistical standard does not provide a different picture of the convergence process.

<sup>1</sup> Council Regulation (EC) No. 2223/96 of 25 June 1996 on the European System of National and Regional Accounts in the Community, Official Journal of the European Communities L 310 of 30 November 1996.

<sup>2</sup> ESA 95 data on receipts and expenditure are available for around 85% of the euro area; for the other participating countries, updated ESA 79 data have been used.

<sup>3</sup> Government debt is not an ESA concept. This concept is defined in Council Regulation No. 3605/93 with reference to the ESA 79 and has to be amended in line with the ESA 95.

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

### The global environment continues to improve

The global macroeconomic environment of the euro area continues to improve. In particular, the outstanding performance of the US economy was substantiated by recent data showing continued strong real GDP growth and broadly unchanged underlying inflation. In Japan the recovery seems to be under way, but remains tentative and uneven, while the economies in the rest of Asia are recovering strongly. The UK economy is rapidly strengthening, driven by domestic demand. In eastern Europe, after a disappointing performance earlier in the year, growth has rebounded broadly in line with expectations, but in Russia significant uncertainties remain. In Latin America the overall outlook continues to be positive, although the economic recovery remains fragile in a number of countries.

Reflecting the substantial improvement in the general outlook, both the OECD and the European Commission revised their world output growth projections upwards.

According to the OECD, world output is projected to rise by 3.0% this year, and to accelerate to around 3½% in 2000 (see Table 11). Inflation in the OECD area is expected to pick up somewhat, but to remain below 2% over the next two years. The European Commission has also revised upwards the world output growth forecast it published last April and is now projecting growth of 3.0% and 3.6% in 1999 and 2000 respectively. In terms of risks to the global outlook, the OECD and the European Commission have expressed concern about external imbalances in some major regions of the world economy. To this, the OECD adds the possible impact of an as yet incomplete restructuring of the financial and corporate sectors in the Asian emerging market economies, as well as the fragility of the economic situation in South America.

In the *United States* economic developments have continued to be characterised by a combination of strong growth, declining unemployment and subdued inflation. Following a somewhat weaker second quarter, the US expansion strengthened again

**Table 11**

### OECD and European Commission forecasts

(annual percentage changes)

	OECD and EC November 1999 forecasts						Differences between OECD current and June forecasts and EC current and spring forecasts			
	OECD	EC	OECD	EC	OECD	EC	Diff./ OECD June	Diff./ EC Spring	Diff./ OECD June	Diff./ EC Spring
	1999		2000		2001		1999		2000	
<b>Real GDP growth</b>										
World	3.0	3.0	3.5	3.6	3.4	3.7	0.6	0.9	0.6	0.7
United States	3.8	3.8	3.1	2.8	2.3	2.5	0.2	1.1	1.4	0.6
Japan	1.4	1.3	1.4	1.6	1.2	2.1	2.3	2.6	1.4	1.1
Euro area	2.1	2.1	2.8	2.9	2.8	2.9	0.0	-0.1	0.2	0.2
<b>Imports of goods and services</b>										
World	4.9	4.8	7.1	6.3	6.3	6.0	1.0	0.9	1.5	0.7

Sources: OECD and European Commission.



in the third quarter of 1999 as real GDP rose by 5.5% (annualised) from the quarter before. The expansion in the third quarter was mainly driven by private consumption and business fixed investment as well as by a solid rebound in inventory accumulation. The contribution of net exports, however, remained strongly negative and reduced annualised GDP growth by almost a full percentage point.

The pace of the expansion will most likely be maintained in the fourth quarter of 1999, sustained by, inter alia, higher demand, possibly related to the transition to the year 2000. Growth might also benefit from a smaller negative contribution from net exports in line with the strengthening of global demand. The rapidly improving global outlook has been the principal factor behind the recovery in the manufacturing sector. However, there are signs of some slowing in interest rate sensitive components of expenditure, particularly in the housing market, where indicators point to an ongoing easing in activity.

Labour market developments in the US economy, by contrast, still point towards a rapidly expanding economy. The unemployment rate dipped further to a new 30-year low of 4.1% in October. At the same time, evidence of wage and inflation pressures building up in the economy remained scant, owing principally to the continuing rise in productivity, as well as increased competition in product markets. While annual headline inflation picked up to 2.6% (year-on-year) in September and October (mostly as a result of energy price increases as well as a one-off rise in tobacco prices), underlying inflation has remained at 2.1% in recent months. The continued strong expansion in economic activity and the tightness in the labour market prompted the Federal Reserve on 16 November 1999 to raise its target for the federal funds rate by 25 basis points to 5.5% in order to keep inflationary pressures in check over the medium term. This policy move brings the key policy rate to the level prevailing prior to the onset of the Russian financial crisis in the summer of last year, and

it could contribute to slowing output growth to rates closer to potential over the medium term.

In *Japan* third-quarter developments continued to send mixed signals. On the demand side, the only positive news came from customs clearance data showing external trade growing at around 5% (quarter-on-quarter). At the same time, however, real consumption is expected to decline in the third quarter, after a rebound in the second quarter, and private investment to contract. On the supply side, data were generally more positive; in particular industrial production grew by 4% (quarter-on-quarter) in the third quarter, after having fallen by 1% in the second quarter.

Over the medium term doubts as to the durability of the present recovery persist, as private consumption remains weak and expectations concerning private business investment remain pessimistic for the near future. Against this background, at end-November the Japanese government approved another major stimulus package amounting to a total of JPY 18 trillion (or about 3.6% of GDP). Of this, actual government expenditures to take place in the next fiscal year (starting in April 2000) are estimated to amount to around JPY 6.8 trillion (1.4% of GDP). The additional expenditures are evenly distributed between public investment, on the one hand, and measures aimed at supporting small and medium-sized enterprises, job creation and housing construction, on the other. This extraordinary fiscal package should help to support GDP growth as from the second quarter of next year, but it has also raised market concerns about the high level of Japanese general government debt, which was 60% of GDP in 1992, but which will have risen to an estimated 125% of GDP by the end of the current fiscal year in March 2000.

In the *United Kingdom* the economic recovery from the slowdown in late 1998 and early 1999 continues to gather momentum, driven largely by domestic demand. In the third

quarter, GDP growth is estimated to have been 0.9% (quarter-on-quarter), following 0.6% in the second quarter and 0.2% in the first quarter. The manufacturing sector, which was particularly affected by the slowdown, has recently shown a marked improvement and there has also been a modest improvement in the trade position in the third quarter. Reflecting the strength of domestic demand, the housing and labour markets appear to be tight, with rapid rises in house prices and a fall in the unemployment rate to 5.9% in the third quarter. So far these developments have not been reflected in a rise in inflation. As measured by the Retail Price Index excluding mortgage interest payments (RPIX), year-on-year inflation rose to 2.2% in October, continuing to remain slightly below the official target of 2.5%. Inflation measured by the HICP was 1.2% in October.

In the *Asian economies excluding Japan* the earlier reported recovery has transformed itself into a V-shaped rebound in economic activity. According to the most recent information, GDP growth may reach at least 4% in most of the region's countries, with the exception of Hong Kong and Indonesia, where growth is expected to be only slightly positive. In the case of Korea, the euro area's most important trading partner among the countries hardest hit by the crisis, the rebound is surpassing even the most optimistic expectations, and for 1999 as a whole a growth rate of real GDP of around 8% is generally expected. In parallel with the recovery, financial market indicators have broadly stabilised. In particular, strong rebounds have taken place in local stock markets, and bond spreads over US government bonds have narrowed significantly.

Recently the economic outlook in *eastern Europe* has improved broadly in line with expectations, after a disappointing performance in the first quarter of 1999. In Hungary and Poland real GDP growth picked up in the second quarter and is projected to reach around 3.5-4% for both economies in

1999 as a whole. The economic situation in the Czech Republic appears to be improving gradually, but real GDP growth is expected to remain slightly negative in 1999 as a whole. The Russian economy continues to be affected by weak fundamentals, although there have been some positive signals in the real sector, including a pick-up in industrial production. For the current year, most forecasters now project positive growth, following a 4.6% contraction in real GDP last year.

*Latin America's* growth outlook is improving: Mexico continues to enjoy robust growth and excellent trade performance, Brazil is emerging from recession and Argentina is likely to do so next year. Overall, indicators of financial stability in the region have improved and stock markets have recovered. At the same time international bond spreads have mostly narrowed, while some periods of market turmoil affecting a few small countries did not spread to the rest of the region.

### **Euro still reflects growth differentials**

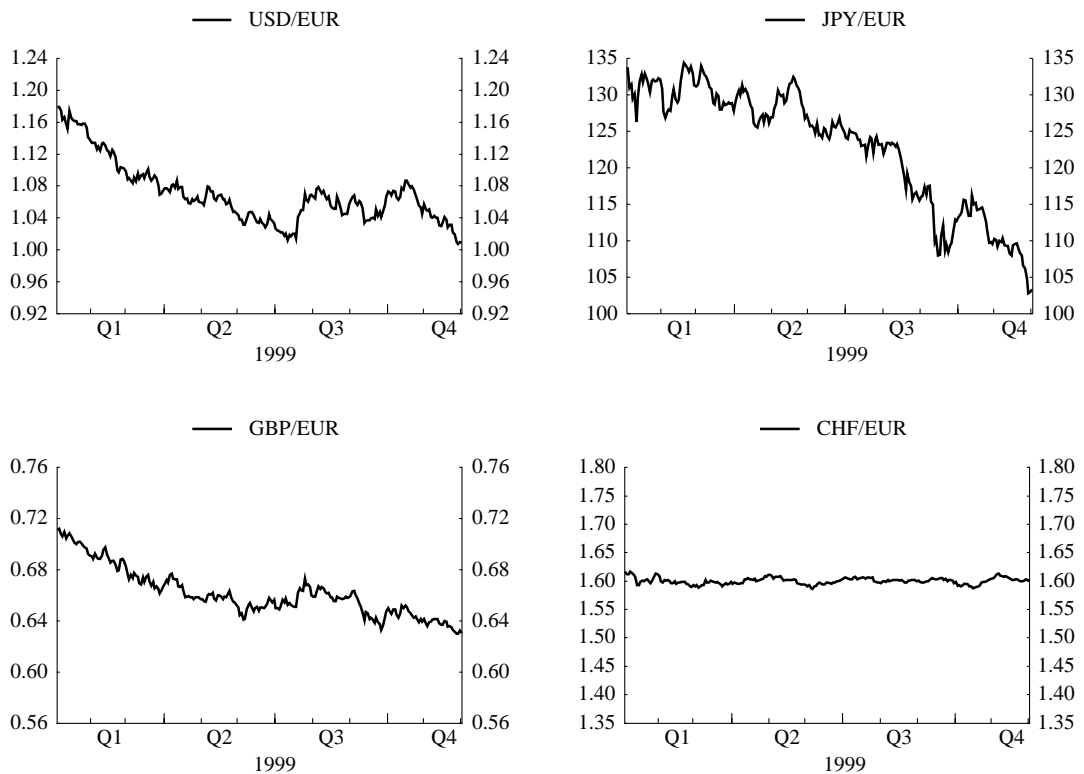
Following a period of relative stability, the euro reached new lows against the US dollar, the Japanese yen and the pound sterling towards the end of November. In the earlier part of the month, the major exchange rates had reacted only marginally to the monetary policy decisions in the United Kingdom, the United States and the euro area, as these decisions were largely anticipated by the markets.

The euro declined against the US dollar during November (see Chart 20) amid widening bond yield differentials between the United States and the euro area, as well as news suggesting continued strong economic growth in the United States. The release of data in the United States showing strong real GDP growth for the third quarter, the further significant improvement in productivity and the relatively subdued employment cost increases played the most important roles in

## Chart 20

### Patterns in exchange rates

(daily data)



Source: ECB.

this regard. The decision by the Governing Council of the ECB to raise the ECB interest rates by 50 basis points on 4 November 1999 appeared to contribute to a fall in long-term interest rates, reflecting a reduction in future inflationary expectations and/or in inflation uncertainty in the euro area. Contrary to the development in the euro area, US bond yields increased, which may have contributed to the strengthening of the dollar against the euro from mid-November onwards. On 1 December the euro was quoted at USD 1.01, around 14% lower than at the beginning of 1999.

For most of November the Japanese yen remained relatively stable against the US dollar compared with earlier months, while it appreciated against the euro. Towards the end of November, however, the yen rose to new peaks against the dollar and the euro for this year, which triggered intervention by the Bank of Japan. While this pick-up appears to

be largely related to technical factors, such as stop-loss strategies, a number of recent items of news have been positive for the yen. In particular, several forecasters have revised their projections for Japan significantly upwards. This has contributed substantially to the strengthening of the yen during recent months. The euro declined against the yen by about 6.2% over the reporting period and was quoted on 1 December at JPY 103.35, around 23% lower than at the beginning of the year.

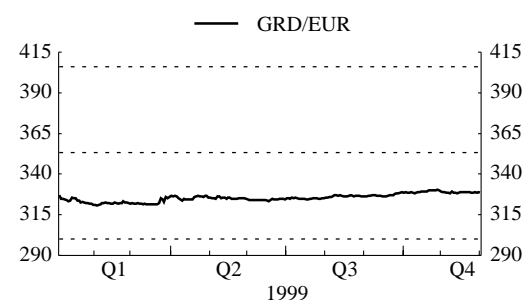
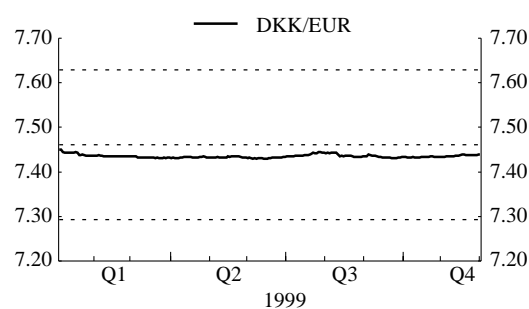
The pound sterling rose by 1.7% against the euro from 1 November to 1 December 1999. On 4 November the Bank of England's Monetary Policy Committee decided to raise interest rates by 25 basis points in response to continuing increases in domestic economic activity, tight labour market conditions and a less benign external influence on inflation. On 1 December the euro was quoted at GBP 0.630.

Exchange rates within ERM II were very stable during November (see Chart 21), with daily fluctuations in the Danish krone of less than 0.04% around the average value of DKK 7.44. The Greek drachma also remained stable and around 7.4% above its central parity. This was mainly the result of a tight monetary policy stance in Greece, which is reflected in three-month interest rates that continue to range around 10%. The Swiss franc remained, as in earlier months, very close to a level of CHF 1.60 against the euro and weakened only for a few days after the Eurosystem's interest rate increase. The Swedish krona remained more or less stable against the euro in November, while economic indicators confirmed continuing strong growth of the Swedish economy.

Foreign exchange markets in emerging market economies were relatively calm. Significant movements occurred in Korea, which carries a weight of 4.8% in the effective exchange rate index for the euro (see Box 5 in the

**Chart 21**  
Patterns of exchange rates within ERM II

(daily data)

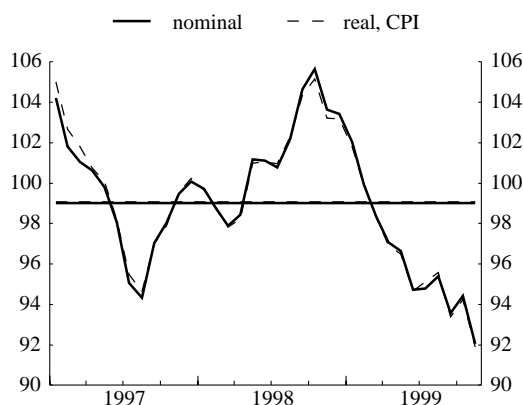


Source: ECB.

Note: The horizontal lines indicate the central parities (DKK 7.46, GRD 353.1) and the respective fluctuation bands ( $\pm 2.25\%$  for DKK and  $\pm 15\%$  for GRD).

**Chart 22**  
Nominal and real effective exchange rates<sup>1)</sup>

(monthly averages; index 1999 Q1 = 100)



Source: ECB.

1) Data are ECB calculations (see Box 5 in the October 1999 issue of the Monthly Bulletin). An upward movement of the index represents an appreciation of the euro. Horizontal lines are averages over the period shown (January 1997 to November 1999).

October issue of the ECB Monthly Bulletin). The Korean won continued to strengthen against the euro, rising by around 7% in November alone. Similarly, the currencies of Singapore and Taiwan also rose against the euro in the period under review.

In nominal effective terms, i.e. on a trade-weighted basis, the euro declined by around 3.3% in November and on 1 December stood around 9.8% below the level recorded in the first quarter of this year. The real effective exchange rate, deflated by consumer prices, declined by approximately the same magnitude (see Chart 22).

### Exports continue to improve

Export values continued to recover in September, increasing by almost 5% compared with the same month a year ago, reflecting both rising foreign demand and considerable improvements in price competitiveness since the start of the year (see Table 12). Despite this increase, which is in line with recent trends, the surplus on trade in goods declined compared with September 1998, which may be linked to the

**Table 12****Balance of payments of the euro area <sup>1)</sup>***(EUR billions, compared with ECU billions for 1998 (not seasonally adjusted))*

	1998 Jan. - Sep.	1998 Sep.	1999 Jan. - Sep.	1999 July	1999 Aug.	1999 Sep.
<b>Current account balance</b>	46.1	0.7	34.5	8.2	1.5	-1.9
Credits	947.4	103.6	938.3	111.9	96.0	106.8
Debits	901.2	102.9	903.8	103.7	94.5	108.7
Goods balance	87.8	7.9	73.2	13.3	7.0	6.5
Exports	576.7	63.6	566.0	69.4	57.3	66.6
Imports	488.9	55.7	492.9	56.0	50.3	60.2
Services balance	0.3	-0.8	-4.7	0.8	-1.1	-1.3
Exports	173.8	19.6	172.3	22.7	19.9	19.8
Imports	173.5	20.4	177.0	21.9	21.0	21.1
Income balance	-9.6	-1.6	-5.4	-1.5	0.4	-2.5
Current transfers balance	-32.4	-4.9	-28.6	-4.4	-4.8	-4.6
<b>Capital account balance</b>	9.0	0.5	7.9	0.7	0.6	0.4
<b>Financial account balance</b>	-32.9	-37.2	-64.8	-3.4	32.9	-32.8
Direct investment	-46.1	-6.5	-86.7	-5.7	-5.9	-7.0
Abroad	-113.0	-19.2	-133.0	0.1	-9.4	-10.5
In the euro area	66.9	12.7	46.3	-5.8	3.5	3.5
Portfolio investment	-45.6	-12.6	-36.7	3.0	1.8	20.2
Assets	-240.7	-19.5	-207.9	-19.0	-20.7	-17.2
Liabilities	195.1	6.9	171.2	22.1	22.5	37.5
Financial derivatives	-2.9	0.3	0.5	1.8	1.5	-0.7
Other investment	59.8	-22.9	44.5	-1.8	34.9	-47.0
Reserve assets <sup>2)</sup>	1.8	4.5	13.6	-0.7	0.5	1.7
<b>Errors and omissions</b>	-22.2	36.0	22.4	-5.5	-35.0	34.3

*Source: ECB.**Note: For the financial account, a positive sign indicates an inflow, a negative sign an outflow. A more detailed set of tables can be found in Section 8 of the "Euro area statistics" section of this Monthly Bulletin.**1) Figures may not add up due to rounding.**2) Increases in reserve assets (-); decreases in reserve assets (+).*

impact on imports of higher oil prices, as well as signs of increased activity in the euro area over the previous few months.

Seasonally adjusted trade volume data for the first half of this year provide a further insight into recent trade developments. On the exports side, it appears that euro area export volumes started to increase again at the beginning of 1999; previous declines had been caused by depressed foreign demand, primarily as a result of the Asian crisis, as well as losses of competitiveness arising from the appreciation of European currencies. The turnaround in export volumes this year corresponds with a recovery in demand in Japan and the rest of Asia, as well as robust import growth in the United States; together these markets account for around 30% of the exports of the euro area (see Box 8). Turning to euro area imports, import volumes

grew strongly during 1998, but then decelerated during the first half of this year, in response to both slower growth in the euro area and improvements in price competitiveness. However, in value terms total imports continued to increase, largely as a result of the sharp increase in import prices since the start of 1999 following the decline in the euro and the marked increase in oil prices.

The €14.6 billion decrease in the goods surplus for the first three quarters of this year, compared with the first nine months of 1998, is the major reason behind the €11.6 billion decline in the current account surplus over the same period. By contrast, smaller deficits for current transfers and income accounts helped to limit the decline in the current account surplus.

**Box 8****The openness of the euro area with regard to external trade**

The standard method for measuring the degree of openness of a region is to express its exports and imports as a proportion of GDP. By contrast with individual euro area countries previously seen as small or medium-sized economies, the euro area – with a large internal market bound together by a single currency – is one of the major world economies, comparable in size to the United States or Japan and, like those economies, relatively closed (see the table below). However, differences exist in terms of the relative openness of these three major economies and their openness towards other regions in the world.

With regard to both exports and imports the euro area is somewhat less closed than either the United States or Japan. In terms of goods and services, its exports form around 17% of its GDP, compared with just over 11% for the United States or Japan, and its imports represent around 15% of its GDP, compared with around 13% and 10% for the United States and Japan respectively.

**Shares of exports and imports as a percentage of GDP (balance of payments data)**

	Euro area <sup>1)</sup>				United States				Japan			
	Goods		Goods and services		Goods		Goods and services		Goods		Goods and services	
	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
<b>Exports</b>	12.9	13.2	16.8	17.1	8.4	7.9	11.6	11.0	9.8	9.8	11.4	11.5
<b>Imports</b>	11.3	11.1	15.2	15.1	10.8	10.8	12.9	12.9	7.3	6.6	10.3	9.6

Sources: Eurostat and the ECB for the euro area, IFS for the United States and Japan.

1) Euro area data for 1997 are drawn from Eurostat figures and are not fully comparable with those for 1998, which are based on ECB balance of payments figures. The numbers reported here differ from those reported in Table 1 of the January 1999 issue of the ECB Monthly Bulletin, as the latter were based on Eurostat data because euro area balance of payment statistics were not yet available.

Such aggregate measures provide information about the magnitude of external trade links, but tell us little about other important features, such as the degree of openness with regard to different geographical trading partners or the level of economic development of such partners. In particular, different degrees of regional openness may provide information which is useful for explaining the different responses of the major economies to external shocks transmitted via trade links. To explain this, the table below provides details of the regional direction of trade for the three major economies in terms of percentages of their GDP.

**Regional trade in goods as a percentage of GDP (1995-98 average)**

	Euro area		Japan		United States	
	Exports	Imports	Exports	Imports	Exports	Imports
<b>Industrialised countries</b>	<b>6.7%</b>	<b>6.0%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>4.6%</b>	<b>5.8%</b>
<i>Euro area</i>	-	-	1.2%	0.8%	1.2%	1.5%
<i>Japan</i>	0.5%	0.8%	-	-	0.8%	1.6%
<i>United States</i>	1.7%	1.6%	2.7%	1.7%	-	-
<i>Other industrialised countries</i>	4.6%	3.7%	0.8%	0.9%	2.6%	2.8%
<b>Emerging economies</b>	<b>6.0%</b>	<b>5.3%</b>	<b>4.8%</b>	<b>4.0%</b>	<b>3.6%</b>	<b>5.0%</b>
<i>Asia excluding Japan</i>	1.3%	1.6%	3.9%	2.8%	1.5%	2.7%
<i>Transition economies</i>	1.7%	1.3%	0.1%	0.1%	0.1%	0.1%
<i>Latin America</i>	0.7%	0.5%	0.4%	0.2%	1.5%	1.7%
<i>Other emerging economies</i>	2.3%	1.9%	0.4%	0.9%	0.4%	0.5%

Sources: Eurostat and IMF databases.

When considering the scale of trade between the three major economies, the second table shows that both Japan and the euro area import similar magnitudes from the other two major economies (around 2.5% of their respective GDPs), despite the fact that the Japanese economy is relatively more closed. This reflects the concentration of Japan's trade with industrialised countries on the United States and the euro area. By contrast, both the United States and the euro area also have substantial trade links with other industrialised countries, such as the United Kingdom in the case of the euro area and Canada in the case of the United States. Another feature is that roughly half of the total trade of each of the three major economies is with emerging market economies, but there are significant differences in the geographical composition of such trade. All three major economies appear to be "open" towards distinctly different emerging economy trading blocs. The degree of openness of Japan vis-à-vis the rest of Asia in terms of exports is three times as large as that of the United States and the euro area, whereas the trade links in terms of imports from the same area are virtually the same for both the United States and Japan. By contrast, a significant part of emerging market trade with the euro area is concentrated among the accession and transition countries of eastern Europe, while trade between this region and the United States and Japan is virtually nil. Similarly, Japan and the euro area have only limited trade links with the Latin American countries, whereas a relatively significant part of US trade is with this region.

In summary, the three major economies are relatively closed, although the euro area tends to be somewhat less closed than the United States and Japan. In addition, there are substantial differences in their relative openness with regard to other regions. As a consequence, the euro area, the United States and Japan have different exposures to external shocks transmitted via trade links.

**Table 13**  
**Net international investment position of the euro area <sup>1)</sup>**

(ECU billions; assets minus liabilities; end-of-period positions)

	1997	1998
<b>Total</b>	42.2	-132.4
<b>Direct investment</b>	114.4	164.6
Equity (including reinvested earnings)	129.9	175.4
Other capital	-15.5	-10.8
<b>Portfolio investment</b>	-599.6	-609.1
Equity/securities	-361.8	-475.5
Debt instruments <sup>2)</sup>	-237.8	-133.6
Bonds and notes	-210.7	-125.5
Money market instruments	-27.0	-8.2
<b>Financial derivatives <sup>2)</sup></b>	-5.7	-3.6
<b>Other investment</b>	169.8	-13.8
Trade credits	80.0	86.5
Loans/currency and deposits <sup>2)</sup>	0.4	-172.2
Other assets/liabilities	89.3	71.9
<b>Reserve assets <sup>2)</sup></b>	363.3	329.4

Source: ECB.

1) Obtained by the aggregation of national data. Data for 1997 are not fully comparable with data for 1998. Figures may not add up due to rounding.

2) Data for end-1997 are not fully comparable with those for end-1998.

### **Strong increase in portfolio investment net inflows in September**

Net inflows in portfolio investment increased substantially in September to €20.2 billion (up from €1.8 billion in August and €3 billion in July), the highest level so far reported for the euro area. In particular, foreign purchases of euro area securities, mainly debt instruments, contributed to this result. At the same time, euro area residents' investments in foreign debt securities dropped to the lowest level so far this year.

While substantial net outflows for portfolio investment were reported in the first five months of 1999 (€69.6 billion), there were significant net inflows between June and September (€32.9 billion). The latter inflows may be attributed to improved investor sentiment regarding investment in euro area securities over the summer months. This coincided with a narrowing of the yield differential between US and euro area long-term government bonds from June to September, and with the euro recovering from its low against the US dollar between mid-July and end-September.

As a result of the significant net inflows over the summer months, particularly in September, net portfolio investment outflows in the first nine months of this year were lower than in the same period of 1998 (€36.7 billion, compared with ECU 45.6 billion). This development mainly reflects a swing in debt instruments from net outflows in the first nine months of 1998 (ECU 23.7 billion) to net inflows (€3.8 billion) in the same period of this year. With regard to the composition of portfolio investment inflows, it is noteworthy that foreign investors significantly increased their purchases of short-term euro area money market instruments after July, when uncertainty concerning future euro area interest rates increased.

Net direct investment outflows amounted to €7.0 billion in September, which is close to the figures for August and July. Between

January and September 1999 net direct investment outflows totalled €86.7 billion, almost double the figure for the same period of last year. The figures for the first nine months of 1999 reflect both higher direct investment abroad by euro area residents and lower foreign direct investment in the euro area.

### **The euro area international investment position declined between end-1997 and end-1998**

The euro area international investment position vis-à-vis the rest of the world – computed for the first time by the ECB (see the methodological note in Box 9 below) – reports net liabilities of ECU 132.4 billion (2% of GDP) for 1998 (see Table 13). This is primarily the result of a negative net position in portfolio investment (ECU 609.1 billion) in both equities and debt instruments, as well as a small negative net position in financial derivatives and in other investment. However, the euro area is a net investor as far as direct investment (ECU 164.6 billion) and net reserves (ECU 329.4 billion) are concerned.

Compared with the results as at end-1997, the euro area international investment position deteriorated by approximately ECU 175 billion in 1998. This development is mainly linked to the other investment account, which moved from a net external assets position of ECU 169.8 billion in 1997 to a net external liabilities position of ECU 13.8 billion in 1998, as well as a small increase in portfolio investment net liabilities. The remaining accounts in the international investment position instead remained virtually unchanged, with the exception of the direct investment account, the net external assets balance of which increased by ECU 50.2 billion.

The negative swing of the euro area international investment position between 1997 and 1998 cannot be directly derived from the balance of payments data for 1998,



which show a financial accounts outflow of ECU 69.1 billion, which would mean an increase in the net external assets position of the euro area. In order to reconcile the balance of payments and international investment position it is therefore necessary to consider the impact of revaluation.

Revaluation was particularly relevant for equities. For example, for equity securities in portfolio investment the international investment position reports a decline in net external assets of ECU 113.7 billion, whereas the balance of payments shows net outflows of equities of ECU 0.4 billion.

### **Box 9**

#### **International investment position of the euro area: methodological note**

The annual international investment position of the euro area, compiled by the ECB for the first time, covers the net external assets of the euro area for 1997 and 1998 (see Table 8.6 in the "Euro area statistics" section of this issue). The international investment position reports the net external positions of stocks in direct and portfolio investment, financial derivatives, other investment and reserve assets. It complements the balance of payments, which records flows of assets and liabilities, with data on the value of stocks. The change in the international investment position between year-ends can only be partly explained by the balance of payments in the intervening year, since the international investment position also reflects valuation effects arising from changes in asset prices and exchange rates and certain other changes not recorded in the balance of payments (see the main text).

At the current stage the euro area international investment position does not provide full coverage of data, and the data may be revised in the future as the methodology is refined. Furthermore, data for 1998 are not fully comparable with data for 1997. Therefore, the analysis provided here should only be considered as indicative. Nevertheless, the figures reported may help to provide an initial assessment of the external position of the euro area.

The euro area international investment position is based on the aggregation of the international investment positions of individual euro area Member States. At present, however, the international investment positions of euro area Member States do not include a breakdown into cross-border positions within the euro area and positions vis-à-vis non-residents of the euro area. Consequently, in each account of the euro area international investment position only the net external position of the euro area can be identified and, unlike the international investment position of Member States, external assets and liabilities are not available separately. Moreover, national compilation methods have yet to be fully harmonised. Furthermore, only a breakdown by instrument is possible.

The classification of the items in the international investment position follows the standard components of the balance of payments financial account as set out in the IMF Balance of Payments Manual (5th edition), namely direct investment, portfolio investment, financial derivatives, other investment and reserve assets, and is consistent with the investment income items in the balance of payments current account. The euro area international investment position is valued at current prices, with the exception of direct investment stocks, for which book values are used to a large extent.

Direct investment is split into equity capital (plus reinvested earnings) and other capital (debt between affiliated companies). Portfolio investment is classified by instrument, i.e. equity securities and debt securities, and the latter instrument is subdivided into bonds and notes and money market instruments. The other investment account is broken down into trade credits, loans/currency and deposits and other assets and liabilities.

Further information on international investment position statistics is provided on the ECB's Web site.

Two main factors can be identified in this respect, namely the relatively strong performance of equity prices in the euro area and the appreciation of the ECU between end-1997 and end-1998. Starting with the stock markets, between end-1997 and end-1998 equity prices in the euro area grew by around 32%, outperforming stock markets in the United States and the United Kingdom (which grew by 27% and 15% respectively) and Japan (which declined by 9%). As the euro area was already a net debtor in 1997 with regard to equity portfolio investment, the strong performance of the euro area equity market (in which non-residents invested their holdings of euro area equity securities) relative to foreign stock markets (in which euro area residents invested their holdings of foreign equity securities) may have contributed to a further decline in the net external position in equities, assuming that the allocation of investments is broadly in line with the composition of stock market indices in these countries. In addition, in 1998 the ECU appreciated against most international investment currencies, for

example it rose by 5% against both the US dollar and the pound sterling. All other things remaining equal, the appreciation of the ECU reduced the value of assets denominated in those currencies held abroad by euro area residents.

Against this background, it is worth mentioning that the international investment position should not be misinterpreted as a measure of actual or potential financial obligations of borrowers. For example, the revaluation of securities according to market prices does not, in itself, change the obligations of a borrower. In particular, the sharp rise in the value of euro area equities held by non-residents, mainly as a result of an increase in market valuation, does not constitute obligations for the issuers. Nevertheless, applying a market price valuation to the international investment position is a meaningful valuation in economic terms. This makes it easier to compare net external positions internationally and helps to explain changes in the structure of net wealth.





## **Euro area statistics**



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# I Monetary policy statistics

**Table 1.1**

## Consolidated financial statement of the Eurosystem

(EUR millions)

### 1. Assets

	Gold and gold receivables 1	Claims on non-euro area residents in foreign currency 2	Claims on euro area residents in foreign currency 3	Claims on non-euro area residents in euro 4	Lending to financial sector counterparties in the euro area 5	Main refinancing operations 6	Longer-term refinancing operations 7	Fine-tuning reverse operations 8
1999 2 July	101,753	244,546	12,415	4,002	198,094	152,001	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
10	101,754	245,034	12,887	4,686	193,931	147,991	44,996	0
17	101,754	245,923	12,472	5,028	188,657	142,932	44,994	0
24	101,754	246,058	13,054	4,919	198,458	152,955	44,994	0
1 Oct.	114,988	240,223	13,357	5,066	192,534	146,988	44,994	0
8	114,988	240,037	13,649	5,026	191,099	145,071	44,994	0
15	114,988	239,967	13,748	5,084	185,829	140,104	44,994	0
22	114,988	240,735	13,741	5,084	171,707	125,054	44,994	0
29	114,988	240,177	13,684	5,670	205,293	149,004	54,995	0
5 Nov.	114,988	240,305	13,702	5,832	195,860	140,104	54,995	0
12	114,988	238,617	13,749	5,336	196,193	140,111	54,995	0
19	114,988	240,349	13,229	5,313	198,821	143,029	54,995	0
26	114,987	239,561	12,846	5,340	208,995	143,046	64,999	0

### 2. Liabilities

	Banknotes in circulation 1	Liabilities to financial sector counterparties in the euro area in euro 2	Current accounts (covering the minimum reserves system) 3	Deposit facility 4	Fixed-term deposits 5	Fine-tuning reverse operations 6	Deposits related to margin calls 7	Debt certificates issued 8
1999 2 July	344,694	102,529	102,185	316	0	0	28	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
10	344,254	100,011	99,984	20	0	0	7	10,158
17	342,188	98,993	98,237	750	0	0	6	10,158
24	340,327	103,953	103,863	76	0	0	14	10,158
1 Oct.	343,179	109,898	109,679	154	0	0	65	8,606
8	345,322	102,086	101,938	85	0	0	63	8,606
15	343,752	109,329	109,011	184	0	0	134	8,606
22	340,852	98,656	92,529	6,027	0	0	100	8,606
29	343,584	109,886	109,399	395	0	0	92	8,606
5 Nov.	345,416	100,927	100,826	13	0	0	88	7,876
12	344,556	98,280	98,208	21	0	0	51	7,876
19	342,495	106,871	106,052	748	0	0	71	7,876
26	343,342	106,344	106,129	57	0	0	158	7,876

Source: ECB.

Structural reverse operations	Marginal lending facility	Credits related to margin calls	Other lending	Securities of euro area residents in euro	General government debt in euro	Other assets	Total	
9	10	11	12	13	14	15	16	
0	440	79	583	25,882	60,156	75,867	722,715	1999 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.
0	236	43	665	25,551	60,156	77,271	721,270	10
0	46	125	560	25,163	60,156	78,761	717,914	17
0	36	102	371	25,414	60,156	78,787	728,600	24
0	151	90	311	24,700	60,156	79,592	730,616	1 Oct.
0	334	94	606	24,631	60,156	79,827	729,413	8
0	195	76	460	24,309	60,156	80,277	724,358	15
0	1,111	46	502	24,102	60,156	79,433	709,946	22
0	650	69	575	23,428	60,156	79,228	742,624	29
0	73	116	572	23,490	60,121	82,843	737,141	5 Nov.
0	302	95	690	23,856	60,121	80,988	733,848	12
0	72	43	682	24,123	60,121	77,851	734,795	19
0	44	206	700	23,896	60,121	77,306	743,052	26

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	Total	
9	10	11	12	13	14	15	16	17	
56,382	6,962	757	8,559	6,192	82,510	53,217	50,755	722,715	1999 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.
54,393	7,398	904	8,958	6,192	82,510	53,221	53,271	721,270	10
52,897	7,180	855	9,696	6,192	82,510	53,221	54,024	717,914	17
58,991	7,260	872	10,460	6,192	82,510	53,222	54,655	728,600	24
45,950	7,433	1,078	9,840	6,229	89,826	53,220	55,357	730,616	1 Oct.
51,323	7,214	1,040	9,687	6,229	89,826	53,221	54,859	729,413	8
41,971	7,127	1,039	9,909	6,229	89,827	53,223	53,346	724,358	15
40,259	7,648	1,071	10,610	6,229	89,835	53,225	52,955	709,946	22
59,464	7,132	1,282	9,842	6,229	89,835	53,225	53,539	742,624	29
59,276	7,119	1,205	9,470	6,229	89,835	53,228	56,560	737,141	5 Nov.
61,257	7,143	986	8,363	6,229	89,835	53,231	56,092	733,848	12
56,974	7,339	874	9,504	6,229	89,835	53,232	53,566	734,795	19
65,713	7,269	965	8,653	6,229	89,835	53,236	53,590	743,052	26



**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 <sup>1)</sup>	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
5 Nov.	2.00	0.50	4.00	0.50

Source: ECB.

1) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new regime by market participants.

**Table 1.3****Eurosystem monetary policy operations allotted through tenders<sup>1)</sup>***(EUR millions; interest rates in percentages per annum)*

Date of settlement	Main refinancing operations					
	Bids (amount)	Allotment (amount)	Fixed rate tenders		Variable rate tenders	
			Fixed rate	Marginal rate	Weighted average rate	Running for (...) days
1	2	3	4	5	6	
1999 4 Aug.	1,412,814	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
1 Sep.	1,490,634	66,000	2.50	-	-	14
8	1,334,847	82,000	2.50	-	-	14
15	1,051,251	61,000	2.50	-	-	14
22	660,532	92,000	2.50	-	-	14
29	926,416	55,000	2.50	-	-	14
6 Oct.	1,655,341	90,000	2.50	-	-	14
13	1,289,972	50,000	2.50	-	-	15
20	1,107,860	75,000	2.50	-	-	14
28	1,937,221	74,000	2.50	-	-	13
3 Nov.	2,344,082	66,000	2.50	-	-	14
10	404,857	74,000	3.00	-	-	14
17	484,348	69,000	3.00	-	-	14
24	687,973	74,000	3.00	-	-	14
1 Dec.	1,018,950	72,000	3.00	-	-	14

Date of settlement	Longer-term refinancing operations					
	Bids (amount)	Allotment (amount)	Fixed rate tenders		Variable rate tenders	
			Fixed rate	Marginal rate	Weighted average rate	Running for (...) days
1	2	3	4	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
30 Sep.	41,443	15,000	-	2.66	2.67	84
28 Oct.	74,430	25,000	-	3.19	3.42	91
25 Nov.	74,988	25,000	-	3.18	3.27	98

Date of settlement	Other tender operations						
	Type of operation	Bids (amount)	Allotment (amount)	Fixed rate tenders		Variable rate tenders	
				Fixed rate	Marginal rate	Weighted average rate	Running for (...) days
1	2	3	4	5	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 <sup>1) 2)</sup>***(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.	8,607.7	4,838.6	83.1	146.0	1,105.5	510.6	1,923.9
Feb.	8,638.8	4,801.1	86.9	148.9	1,111.6	543.9	1,946.5
Mar.	8,684.9	4,803.1	88.8	151.2	1,125.6	549.8	1,966.4
Apr.	8,741.1	4,827.6	93.3	160.3	1,129.3	542.0	1,988.6
May	8,797.6	4,867.1	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	8,848.9	4,895.7	109.2	155.5	1,153.5	513.8	2,021.2
Aug.	8,856.3	4,893.0	113.2	165.4	1,164.9	484.8	2,035.0
Sep.	8,969.1	4,912.7	120.6	170.0	1,166.5	537.2	2,062.1
Oct. <sup>(p)</sup>	9,083.1	4,966.4	129.0	178.6	1,180.4	554.3	2,074.5

*Source: ECB.*

- 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 of 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.*
- 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 <sup>1)</sup>***(EUR billions; interest rates as annual percentages)*

Maintenance period ending in:	Required reserves <sup>2)</sup>	Actual reserves <sup>3)</sup>	Excess reserves <sup>4)</sup>	Deficiencies <sup>5)</sup>	Interest rate on minimum reserves <sup>6)</sup>
	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.	102.6	103.0	0.5	0.0	2.50
Oct.	102.8	103.3	0.6	0.0	2.50
Nov.	103.4	104.0	0.5	0.0	2.73
Dec. <sup>(p)</sup>	104.9	-	-	-	-

*Source: ECB.*

- This table contains full data for completed maintenance periods and required reserves for the current maintenance period.*
- 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.*
- Aggregate average daily holdings of credit institutions required to hold a positive amount of reserves on their reserve accounts over the maintenance period.*
- 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.*
- Average shortfalls 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.*
- 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 <sup>1)</sup>**
*(EUR billions; period averages of daily positions)*

Maintenance period ending in:	Liquidity-providing factors					Liquidity-absorbing factors				Credit institutions' current accounts <sup>4)</sup>	Base money <sup>5)</sup>
	Monetary policy operations of the Eurosystem					Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) <sup>3)</sup>			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Other operations <sup>2)</sup>	Marginal lending facility				Deposit 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
Sep.	343.5	150.4	45.0	0.0	0.2	0.7	342.1	51.4	41.6	103.3	446.1
Oct.	349.6	143.0	45.0	0.0	0.3	0.6	342.5	45.4	45.9	103.5	446.6
Nov.	351.8	140.6	53.7	0.0	0.4	0.4	343.1	51.5	47.4	104.1	447.6

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 <sup>1)</sup>

(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 <sup>2)</sup>	Fixed assets	Remaining assets	Total
	1	2	3	4	5	6	7	8	9	10	11				
1998 Mar.	230.2	208.8	21.2	0.2	106.6	1.2	104.2	1.3	3.0	0.4	2.6	323.5	7.5	39.5	710.3
Apr.	224.9	203.3	21.2	0.4	102.5	1.4	100.2	0.9	3.0	0.4	2.6	327.8	7.6	43.7	709.5
May	227.0	205.6	21.2	0.3	101.9	1.6	99.4	0.9	3.0	0.4	2.6	331.0	7.7	46.9	717.4
June	293.4	272.1	21.1	0.2	105.4	4.8	99.7	0.8	3.2	0.6	2.6	337.2	7.8	47.9	795.0
July	314.2	292.9	21.1	0.2	87.8	1.1	85.9	0.8	4.8	2.1	2.8	333.2	8.0	49.8	798.0
Aug.	313.9	292.6	21.1	0.2	88.1	0.9	86.3	0.9	4.8	2.0	2.8	333.1	8.0	54.8	802.7
Sep.	302.8	281.5	21.1	0.2	82.7	1.0	81.0	0.7	4.8	2.0	2.8	329.4	8.0	50.0	777.6
Oct.	305.1	283.8	21.1	0.2	73.3	0.9	71.7	0.7	4.8	1.9	2.9	334.7	8.1	49.7	775.7
Nov.	300.6	279.1	21.1	0.4	78.0	1.0	76.3	0.6	4.8	1.9	2.9	341.9	8.1	51.5	785.0
Dec.	225.2	204.6	20.4	0.1	87.8	1.1	86.2	0.5	5.5	1.8	3.7	322.3	7.9	49.3	698.0
1999 Jan.	524.2	503.6	20.4	0.2	89.2	1.3	87.3	0.6	8.2	4.1	4.1	416.8	9.3	57.1	1,104.7
Feb.	647.3	626.7	20.4	0.2	90.7	1.5	88.6	0.5	8.3	4.2	4.1	365.2	9.3	56.8	1,177.7
Mar.	608.6	587.9	20.4	0.2	94.0	1.5	91.9	0.6	8.1	4.0	4.1	426.0	9.3	52.2	1,198.3
Apr.	540.8	520.2	20.4	0.2	93.2	1.2	91.3	0.7	8.1	4.0	4.1	435.7	9.6	52.9	1,140.2
May	481.2	460.6	20.4	0.2	93.1	1.6	90.8	0.7	8.2	4.0	4.2	387.6	9.6	51.2	1,030.9
June	788.9	768.3	20.4	0.2	92.4	1.5	90.0	0.9	8.7	4.4	4.3	499.4	9.7	48.1	1,447.1
July	755.2	734.7	20.4	0.2	92.3	1.5	89.9	0.9	8.7	4.4	4.4	451.9	9.8	52.7	1,370.8
Aug.	531.0	510.4	20.4	0.1	91.9	1.1	90.0	0.7	8.8	4.4	4.4	423.0	9.9	53.8	1,118.3
Sep.	457.0	436.5	20.4	0.2	92.4	1.4	89.9	1.1	8.7	4.3	4.4	427.8	9.8	44.4	1,040.2
Oct. <sup>(p)</sup>	567.1	546.6	20.4	0.1	92.4	1.9	89.4	1.2	8.6	4.3	4.3	432.4	9.9	53.9	1,164.2

#### 2. Liabilities

	Currency in circulation	Deposits of euro area residents	Deposits of euro area residents			Money market paper	Debt securities issued	Capital and reserves	External liabilities <sup>2)</sup>	Remaining liabilities	Total
			MFI	Central government	Other general government/other euro area residents						
	1	2	3	4	5	6	7	8	9	10	11
1998 Mar.	340.5	137.9	88.4	46.8	2.7	14.0	14.5	107.4	31.7	64.3	710.3
Apr.	343.8	131.3	84.8	44.3	2.2	14.6	14.4	106.5	32.6	66.3	709.5
May	346.1	141.8	90.9	47.0	4.0	14.7	13.7	106.2	32.1	62.8	717.4
June	345.5	217.8	159.1	54.2	4.5	14.4	13.3	114.3	27.2	62.5	795.0
July	350.4	215.9	148.8	64.0	3.0	15.1	13.0	112.9	24.0	66.7	798.0
Aug.	344.7	222.8	149.5	69.7	3.5	13.4	12.5	112.7	23.6	73.0	802.7
Sep.	341.5	211.8	140.2	67.1	4.5	11.9	12.0	109.6	23.2	67.6	777.6
Oct.	342.4	213.3	144.3	64.7	4.3	11.8	11.7	108.6	22.6	65.3	775.7
Nov.	344.1	225.7	162.5	56.8	6.4	13.0	11.0	105.3	20.0	65.8	785.0
Dec.	359.1	152.0	94.2	55.0	2.9	8.5	5.3	97.1	18.6	57.4	698.0
1999 Jan.	343.8	467.5	410.9	50.3	6.2	6.3	5.3	125.7	99.3	56.8	1,104.7
Feb.	342.4	594.2	532.5	55.0	6.7	6.3	5.3	122.9	50.5	56.0	1,177.7
Mar.	348.3	549.5	486.6	55.1	7.9	4.9	5.3	137.9	97.9	54.5	1,198.3
Apr.	349.6	486.1	440.9	38.8	6.3	4.9	5.3	138.9	105.0	50.5	1,140.2
May	353.0	419.7	369.5	42.7	7.4	4.9	5.3	137.4	61.5	49.2	1,030.9
June	355.8	724.3	672.3	44.1	7.8	4.9	5.3	140.7	171.4	44.8	1,447.1
July	363.6	682.6	620.6	56.4	5.7	4.9	5.3	139.9	124.2	50.2	1,370.8
Aug.	358.6	463.8	403.4	54.5	5.9	4.9	5.3	139.9	93.9	52.0	1,118.3
Sep.	359.4	390.6	333.0	50.7	6.9	3.3	5.3	146.3	88.8	46.5	1,040.2
Oct. <sup>(p)</sup>	361.2	500.6	440.9	50.9	8.8	3.3	5.3	150.6	93.8	49.4	1,164.2

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. Data have been revised in the light of new information.
- 2) 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, EUR 101 billion at end-July, EUR 72 billion at end-August, EUR 66 billion at end-September and EUR 71 billion at end-October.

Table 2.2

Aggregated balance sheet of the euro area MFIs, excluding the Eurosystem <sup>1)</sup>

(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		10	11	12				
1998	Mar.	8,561.6	2,979.8	806.0	4,775.8	1,954.5	652.3	1,103.7	198.6	107.8	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	1,975.6	661.8	1,114.8	199.1	108.2	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	1,998.3	669.1	1,126.5	202.7	107.4	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	2,013.7	680.5	1,137.6	195.5	104.9	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	2,034.4	696.2	1,137.2	201.0	105.3	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	2,040.5	702.9	1,136.1	201.6	104.7	386.4	118.2	268.3	1,641.1	236.3	768.9	13,933.9
	Sep.	8,837.5	3,073.2	807.8	4,956.5	2,047.7	707.5	1,136.4	203.9	105.7	380.3	108.9	271.4	1,654.4	236.9	783.3	14,045.8
	Oct.	8,973.6	3,169.0	813.7	4,990.9	2,074.5	715.9	1,151.2	207.4	106.0	387.3	115.0	272.3	1,636.3	239.0	780.2	14,196.9
	Nov.	9,102.1	3,246.3	817.8	5,038.0	2,071.5	721.9	1,147.2	202.4	113.5	401.9	116.0	285.8	1,681.3	241.2	797.1	14,408.5
	Dec.	9,083.9	3,172.1	820.5	5,091.3	2,016.7	728.0	1,095.2	193.6	107.1	422.2	120.9	301.3	1,591.4	243.8	778.5	14,243.6
1999	Jan.	9,304.1	3,382.6	820.4	5,101.0	2,047.0	736.8	1,103.2	206.9	108.0	430.4	112.9	317.5	1,634.5	244.6	933.9	14,702.4
	Feb.	9,200.4	3,269.5	820.9	5,110.0	2,063.4	744.9	1,115.5	202.9	112.2	441.5	117.5	324.0	1,589.9	243.4	952.4	14,603.2
	Mar.	9,256.7	3,284.4	818.7	5,153.5	2,086.4	759.3	1,129.4	197.6	99.1	467.9	125.5	342.4	1,644.1	244.6	882.2	14,680.9
	Apr.	9,301.1	3,312.1	811.4	5,177.7	2,103.8	773.4	1,128.5	201.9	104.8	481.1	126.0	355.0	1,632.4	246.3	845.2	14,714.7
	May	9,315.8	3,290.4	810.3	5,215.1	2,141.5	786.2	1,147.1	208.3	102.8	496.7	127.8	368.9	1,620.8	247.5	828.2	14,753.4
	June	9,457.2	3,335.2	816.9	5,305.1	2,131.4	798.6	1,120.1	212.7	101.9	484.7	124.6	360.1	1,639.9	250.0	865.2	14,930.3
	July	9,467.0	3,323.7	808.5	5,334.8	2,124.9	800.6	1,108.3	215.9	108.2	483.5	126.3	357.2	1,628.0	254.5	845.4	14,911.5
	Aug.	9,488.5	3,352.9	804.6	5,331.0	2,147.8	808.5	1,114.8	224.4	110.4	482.8	127.0	355.8	1,629.6	255.4	830.7	14,945.2
	Sep.	9,561.5	3,377.7	810.1	5,373.7	2,179.1	825.4	1,133.2	220.6	110.8	483.9	129.2	354.7	1,655.6	257.5	811.6	15,060.2
	Oct. <sup>(p)</sup>	9,686.6	3,451.2	819.4	5,415.9	2,188.9	828.8	1,144.7	215.4	114.0	487.2	131.1	356.1	1,684.3	259.3	854.5	15,274.8

## 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							
1998	Mar.	0.4	7,845.7	3,086.2	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	1,512.0	1,273.7	13,734.4
	Apr.	0.4	7,876.4	3,088.8	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	1,483.3	1,321.3	13,800.1
	May	0.4	7,898.9	3,101.7	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	1,476.3	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	3,234.0	90.0	4,714.0	1,264.3	1,890.8	1,347.6	211.3	260.3	2,093.9	154.1	721.7	1,490.4	1,287.0	14,045.8
	Oct.	0.4	8,136.8	3,313.1	90.8	4,732.9	1,270.7	1,889.2	1,350.8	222.3	258.4	2,096.9	161.1	725.9	1,530.6	1,286.8	14,196.9
	Nov.	0.4	8,245.3	3,398.7	91.9	4,754.7	1,309.9	1,888.9	1,353.5	202.4	259.6	2,112.8	169.5	727.6	1,598.3	1,294.9	14,408.5
	Dec.	0.4	8,263.1	3,311.8	95.7	4,855.5	1,382.7	1,909.7	1,385.9	177.2	241.1	2,113.9	160.8	738.0	1,505.3	1,220.9	14,243.6
1999	Jan.	0.4	8,398.7	3,451.6	81.8	4,865.3	1,407.7	1,975.8	1,310.6	171.2	272.0	2,148.5	169.6	748.5	1,590.4	1,374.3	14,702.4
	Feb.	0.4	8,298.7	3,361.7	85.3	4,851.7	1,382.1	1,973.0	1,312.6	183.9	286.5	2,173.7	174.7	753.2	1,589.5	1,326.4	14,603.2
	Mar.	0.5	8,346.6	3,406.0	79.1	4,861.6	1,383.8	1,988.0	1,310.8	178.9	279.8	2,193.6	180.5	759.3	1,618.1	1,302.5	14,680.9
	Apr.	0.5	8,348.4	3,395.7	77.8	4,874.9	1,403.5	1,984.9	1,314.2	172.3	297.4	2,223.8	190.1	769.5	1,632.6	1,252.5	14,714.7
	May	0.5	8,375.4	3,400.1	78.8	4,896.5	1,434.7	1,975.2	1,314.1	172.5	296.7	2,247.9	190.2	777.5	1,657.1	1,208.2	14,753.4
	June	0.5	8,447.3	3,440.3	82.1	4,924.8	1,478.2	1,961.5	1,318.6	166.5	305.3	2,268.9	182.9	782.1	1,661.6	1,281.6	14,930.3
	July	0.5	8,452.6	3,442.8	79.0	4,930.9	1,467.7	1,978.6	1,320.9	163.7	302.3	2,275.3	183.9	788.4	1,640.7	1,267.7	14,911.5
	Aug.	0.6	8,451.4	3,458.0	83.3	4,910.1	1,439.5	1,987.9	1,320.1	162.6	307.2	2,291.1	194.6	788.2	1,675.2	1,237.0	14,945.2
	Sep.	0.6	8,494.4	3,489.2	82.3	4,922.8	1,468.9	1,977.5	1,318.0	158.4	305.0	2,330.0	200.7	792.6	1,685.3	1,251.6	15,060.2
	Oct. <sup>(p)</sup>	0.6	8,594.9	3,572.0	85.5	4,937.5	1,469.6	1,997.8	1,314.4	155.8	304.3	2,356.3	210.4	798.8	1,748.6	1,260.9	15,274.8

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<sup>1)</sup>

(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 euro area residents	External assets <sup>3)</sup>	Fixed assets	Remaining assets	Total
		General government	Other euro area residents	General government	Other euro area residents	Other euro area residents						
		1	2	3	4	5	6	7	8	9	10	11
1998	Mar.	5,603.2	827.2	4,776.0	1,407.7	1,207.9	199.8	276.1	2,000.2	245.5	821.7	10,354.4
	Apr.	5,639.0	832.1	4,806.9	1,414.9	1,215.0	199.9	284.7	1,961.8	245.8	845.1	10,391.2
	May	5,645.6	820.9	4,824.7	1,429.4	1,225.9	203.5	290.3	1,963.9	254.7	863.2	10,447.1
	June	5,703.4	826.9	4,876.6	1,433.7	1,237.3	196.4	285.4	2,012.1	248.0	753.8	10,436.4
	July	5,739.7	822.5	4,917.2	1,424.9	1,223.1	201.8	277.9	1,965.9	243.3	799.4	10,451.2
	Aug.	5,741.6	825.0	4,916.6	1,424.8	1,222.4	202.4	271.1	1,974.1	244.3	793.6	10,449.5
	Sep.	5,785.6	828.9	4,956.7	1,421.9	1,217.3	204.6	274.2	1,983.8	244.9	803.2	10,513.5
	Oct.	5,825.9	834.8	4,991.1	1,431.0	1,222.9	208.1	275.2	1,971.1	247.1	800.5	10,550.7
	Nov.	5,877.2	838.8	5,038.4	1,426.5	1,223.5	203.0	288.7	2,023.2	249.3	818.3	10,683.2
	Dec.	5,932.3	840.8	5,091.4	1,375.5	1,181.4	194.1	304.9	1,913.8	251.8	791.9	10,570.1
1999	Jan.	5,942.0	840.8	5,101.2	1,398.0	1,190.5	207.6	321.6	2,051.3	253.9	960.0	10,926.8
	Feb.	5,951.5	841.3	5,110.2	1,407.6	1,204.1	203.5	328.1	1,955.2	252.7	979.1	10,874.1
	Mar.	5,992.8	839.1	5,153.7	1,419.5	1,221.3	198.2	346.6	2,070.1	254.0	903.2	10,986.1
	Apr.	6,009.6	831.8	5,177.8	1,422.4	1,219.8	202.6	359.2	2,068.1	255.9	867.5	10,982.7
	May	6,046.0	830.8	5,215.2	1,446.8	1,237.9	209.0	373.1	2,008.4	257.1	847.2	10,978.6
	June	6,142.6	837.3	5,305.2	1,423.7	1,210.1	213.6	364.4	2,139.3	259.6	880.6	11,210.2
	July	6,163.9	828.9	5,335.0	1,415.1	1,198.2	216.9	361.5	2,079.9	264.4	865.7	11,150.4
	Aug.	6,156.1	825.0	5,331.1	1,430.0	1,204.9	225.2	360.2	2,052.6	265.2	851.6	11,115.7
	Sep.	6,204.4	830.5	5,373.9	1,444.7	1,223.1	221.7	359.1	2,083.4	267.3	823.0	11,182.3
	Oct. <sup>(p)</sup>	6,255.9	839.8	5,416.1	1,450.6	1,234.0	216.6	360.4	2,116.6	269.2	875.9	11,328.7

## 2. Liabilities: levels outstanding

		Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Overnight	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 <sup>3)</sup>	Re-maining liabilities	Excess of inter-MFI liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	Mar.	311.8	139.6	4,669.4	1,213.6	1,897.2	1,346.4	212.2	311.2	1,348.3	706.4	1,543.7	1,338.0	-14.0	10,354.4
	Apr.	314.8	141.6	4,692.5	1,227.5	1,912.4	1,346.0	206.6	321.0	1,352.6	694.7	1,515.9	1,387.6	-29.4	10,391.2
	May	317.2	135.1	4,713.0	1,246.3	1,910.6	1,347.9	208.2	319.4	1,356.2	701.7	1,508.4	1,403.0	-7.0	10,447.1
	June	315.5	148.2	4,735.0	1,294.3	1,890.8	1,346.5	203.4	315.1	1,370.3	714.3	1,523.3	1,323.3	-8.7	10,436.4
	July	320.7	156.4	4,709.1	1,253.8	1,893.9	1,345.9	215.5	322.3	1,378.7	713.8	1,496.9	1,347.9	5.4	10,451.2
	Aug.	314.9	165.2	4,706.4	1,245.3	1,905.4	1,347.6	208.2	326.3	1,383.4	712.7	1,499.4	1,336.4	4.8	10,449.5
	Sep.	311.7	157.1	4,718.5	1,268.8	1,890.8	1,347.6	211.3	320.6	1,397.5	720.4	1,513.6	1,354.6	19.5	10,513.5
	Oct.	313.3	155.5	4,737.2	1,275.0	1,889.2	1,350.8	222.3	325.3	1,391.8	717.6	1,553.3	1,352.1	4.7	10,550.7
	Nov.	314.2	148.8	4,761.0	1,316.2	1,888.9	1,353.5	202.4	328.7	1,400.8	714.9	1,618.3	1,360.7	35.8	10,683.2
	Dec.	323.6	150.7	4,858.4	1,385.6	1,909.7	1,385.9	177.2	303.4	1,390.2	712.4	1,523.9	1,278.3	29.2	10,570.1
1999	Jan.	313.2	132.1	4,871.5	1,413.9	1,975.8	1,310.6	171.2	339.9	1,415.6	757.3	1,689.7	1,431.1	-23.7	10,926.8
	Feb.	312.7	140.4	4,858.4	1,388.8	1,973.0	1,312.6	183.9	355.3	1,432.5	754.4	1,640.0	1,382.4	-2.0	10,874.1
	Mar.	317.5	134.2	4,869.4	1,391.7	1,988.0	1,310.8	178.9	366.0	1,438.0	767.8	1,716.0	1,357.0	20.1	10,986.1
	Apr.	319.5	116.6	4,881.2	1,409.8	1,984.9	1,314.2	172.3	387.5	1,454.5	778.4	1,737.7	1,302.9	4.3	10,982.7
	May	321.3	121.5	4,903.9	1,442.1	1,975.2	1,314.1	172.5	388.9	1,465.4	783.1	1,718.5	1,257.4	18.6	10,978.6
	June	323.7	126.3	4,932.6	1,486.0	1,961.5	1,318.6	166.5	391.2	1,474.1	793.8	1,833.0	1,326.4	9.2	11,210.2
	July	331.8	135.4	4,936.5	1,473.4	1,978.6	1,320.9	163.7	382.8	1,478.5	797.6	1,765.0	1,317.9	5.0	11,150.4
	Aug.	326.2	137.8	4,916.0	1,445.4	1,987.9	1,320.1	162.6	396.1	1,486.8	796.7	1,769.0	1,289.0	-2.0	11,115.7
	Sep.	327.0	133.1	4,929.7	1,475.8	1,977.5	1,318.0	158.4	398.2	1,508.5	805.4	1,774.1	1,298.1	8.1	11,182.3
	Oct. <sup>(p)</sup>	329.3	136.4	4,946.3	1,478.4	1,997.8	1,314.4	155.8	404.0	1,530.9	814.0	1,842.4	1,310.3	15.0	11,328.7

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. Data have been revised in the light of new information.
- 2) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.
- 3) See Table 2.1, footnote 2.

(EUR billions (not seasonally adjusted))

### 3. Assets: flows <sup>2)</sup>

											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 <sup>3)</sup>	Fixed assets	Remaining assets		
	1	2	3	4	5	6	7	8	9	10	11	
1998												
Apr.	39.8	5.0	34.7	7.8	7.5	0.3	8.6	-5.2	0.3	23.1	74.3	
May	8.3	-11.1	19.4	14.8	11.1	3.7	5.6	15.9	9.0	17.9	71.3	
June	66.7	5.9	60.8	2.9	10.7	-7.8	-6.0	32.1	-6.7	-104.5	-15.6	
July	39.9	-4.2	44.2	-11.7	-17.3	5.6	-6.8	-23.6	-4.7	45.9	39.1	
Aug.	1.5	2.4	-0.9	-0.4	-0.9	0.5	-6.7	-1.8	1.0	-6.0	-12.5	
Sep.	50.8	4.2	46.5	-2.4	-5.0	2.6	3.1	79.9	0.6	-4.4	127.5	
Oct.	40.2	5.8	34.4	7.7	4.5	3.2	1.0	-21.9	2.3	-2.6	26.5	
Nov.	53.4	3.9	49.5	-4.7	0.5	-5.2	13.5	25.1	2.4	17.5	107.2	
Dec.	64.9	2.1	62.7	-50.1	-41.2	-8.9	16.2	-102.3	2.6	-26.0	-94.7	
1999												
Jan.	70.8	0.9	69.9	17.8	17.4	0.4	10.5	106.9	-0.2	154.9	360.7	
Feb.	7.0	0.3	6.6	9.1	13.5	-4.3	6.5	-132.4	-1.2	19.1	-91.9	
Mar.	36.0	-2.9	39.0	28.0	25.5	2.5	18.2	65.2	1.3	-86.5	62.2	
Apr.	15.3	-8.9	24.2	3.7	-0.6	4.3	12.6	-17.1	2.0	-35.7	-19.2	
May	35.4	-1.1	36.5	24.2	18.0	6.2	14.0	-71.8	1.2	-20.3	-17.4	
June	97.7	6.5	91.2	-24.3	-28.8	4.5	-9.3	116.3	2.3	33.0	215.7	
July	24.3	-8.3	32.6	-8.3	-11.7	3.5	-2.9	-22.7	4.7	-15.0	-19.7	
Aug.	-8.7	-4.0	-4.6	14.2	6.2	8.0	-1.5	-48.5	0.9	-14.1	-57.7	
Sep.	50.0	5.6	44.4	14.0	17.6	-3.5	-1.1	31.2	2.1	-21.7	74.8	
Oct. <sup>(p)</sup>	50.1	9.2	41.0	7.8	15.8	-8.0	1.3	5.5	1.9	53.1	119.5	

### 4. Liabilities: flows <sup>2)</sup>

														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 <sup>3)</sup>	Re-maining liabilities	Excess of inter-MFI liabilities		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1998															
Apr.	3.0	2.0	26.1	15.0	17.0	-0.4	-5.6	10.1	8.2	-11.1	-0.9	52.4	-15.4	74.3	
May	2.4	-6.5	21.8	19.3	-1.1	1.9	1.6	-1.4	6.2	7.4	2.6	16.5	22.3	71.3	
June	-1.7	13.1	20.8	47.4	-20.5	-1.4	-4.8	-4.4	14.5	15.4	3.2	-77.2	0.6	-15.6	
July	5.2	8.2	-23.6	-39.7	4.4	-0.6	12.2	7.4	11.6	-1.1	-8.9	24.8	15.6	39.1	
Aug.	-5.7	8.8	-3.8	-8.9	10.8	1.7	-7.3	3.8	3.1	-0.2	-6.4	-11.6	-0.5	-12.5	
Sep.	-3.2	-8.1	18.6	25.6	-10.5	0.2	3.2	-5.0	6.9	8.7	72.7	22.4	14.4	127.5	
Oct.	1.5	-1.6	18.0	5.8	-2.0	3.2	11.0	4.8	-9.0	-2.5	35.9	-5.5	-15.1	26.5	
Nov.	0.9	-6.7	21.3	40.3	-1.7	2.6	-19.9	3.1	7.6	-1.9	40.4	11.3	31.2	107.2	
Dec.	9.4	1.9	99.9	70.0	22.7	32.4	-25.2	-24.8	-11.0	-2.9	-84.0	-77.4	-6.0	-94.7	
1999															
Jan.	-9.4	-6.6	39.0	28.1	-2.0	14.8	-1.9	13.6	26.8	14.2	157.8	162.5	-37.2	360.7	
Feb.	-0.6	8.3	-23.3	-26.3	-11.7	2.0	12.7	15.1	13.0	-2.1	-83.7	-47.1	28.5	-91.9	
Mar.	4.8	-6.0	7.9	1.6	13.3	-1.9	-5.1	6.5	7.4	12.5	48.9	-35.6	15.9	62.2	
Apr.	2.0	-17.5	10.6	17.7	-3.9	3.4	-6.6	20.9	15.2	11.1	8.7	-54.7	-15.5	-19.2	
May	1.8	4.9	21.5	31.9	-10.4	-0.2	0.2	1.3	9.4	5.5	-31.2	-44.7	14.2	-17.4	
June	2.4	4.8	27.1	43.3	-14.7	4.4	-6.0	1.1	7.1	12.4	99.6	71.4	-10.2	215.7	
July	8.1	9.1	7.1	-11.5	19.0	2.4	-2.8	-7.9	7.3	4.6	-33.4	-9.9	-4.8	-19.7	
Aug.	-5.6	2.5	-22.6	-28.8	8.2	-0.9	-1.1	13.1	5.5	-0.2	-13.9	-30.2	-6.3	-57.7	
Sep.	0.8	-4.7	14.5	30.9	-10.2	-2.1	-4.2	1.7	27.3	4.3	13.3	7.5	10.1	74.8	
Oct. <sup>(p)</sup>	2.3	3.3	14.3	1.7	18.9	-3.6	-2.7	5.3	15.4	6.2	41.4	24.4	6.9	119.5	



Table 2.4

Monetary aggregates <sup>1)</sup>

(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		
			Total	Index Dec 98=100 <sup>2)</sup>	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months				Total	Index Dec 98=100 <sup>2)</sup>
	Currency in circulation	Overnight deposits									
	1	2	3	4	5	6	7	8	9	10	11
1998 Mar.	311.8	1,283.8	1,595.6	89.65	878.8	1,183.4	3,657.7	93.74	212.2	311.2	85.8
Apr.	314.8	1,295.9	1,610.7	90.56	892.6	1,185.1	3,688.4	94.59	206.6	321.0	86.4
May	317.2	1,313.0	1,630.3	91.69	888.8	1,189.2	3,708.3	95.13	208.2	319.4	88.7
June	315.5	1,361.7	1,677.2	94.30	871.2	1,189.0	3,737.5	95.85	203.4	315.1	87.8
July	320.7	1,321.7	1,642.3	92.38	872.5	1,189.7	3,704.6	95.06	215.5	322.3	93.5
Aug.	314.9	1,312.6	1,627.5	91.53	879.3	1,192.9	3,699.7	94.91	208.2	326.3	88.8
Sep.	311.7	1,334.7	1,646.5	92.71	864.8	1,193.8	3,705.1	95.19	211.3	320.6	80.5
Oct.	313.3	1,339.7	1,653.0	93.06	867.2	1,197.3	3,717.5	95.49	222.3	325.3	81.5
Nov.	314.2	1,380.7	1,694.9	95.37	871.1	1,199.9	3,765.8	96.68	202.4	328.7	80.0
Dec.	323.6	1,453.0	1,776.6	100.00	885.1	1,231.6	3,893.3	100.00	177.2	303.4	67.8
1999 Jan.	313.2	1,481.7	1,795.0	101.08	881.7	1,247.8	3,924.5	100.73	171.2	339.9	55.0
Feb.	312.7	1,452.9	1,765.6	99.36	868.0	1,251.6	3,885.2	99.65	183.9	355.3	56.9
Mar.	317.5	1,465.2	1,782.7	100.24	878.3	1,250.4	3,911.3	100.24	178.9	366.0	48.6
Apr.	319.5	1,480.1	1,799.6	101.17	871.9	1,255.3	3,926.8	100.61	172.3	387.5	53.4
May	321.3	1,509.9	1,831.2	102.92	862.5	1,259.3	3,953.0	101.26	172.5	388.9	59.2
June	323.7	1,548.7	1,872.3	105.21	841.4	1,265.1	3,978.9	101.89	166.5	391.2	58.9
July	331.8	1,542.2	1,874.0	105.36	853.3	1,269.9	3,997.2	102.43	163.7	382.8	62.7
Aug.	326.2	1,513.2	1,839.4	103.37	856.6	1,270.2	3,966.2	101.59	162.6	396.1	64.9
Sep.	327.0	1,538.0	1,865.0	104.84	844.0	1,268.2	3,977.2	101.89	158.4	398.2	67.7
Oct. <sup>(p)</sup>	329.3	1,542.7	1,872.0	105.19	859.3	1,266.5	3,997.8	102.32	155.8	404.0	77.1

2. Flows <sup>3)</sup>

	M1		M2				Repurchase agreements	Money market fund shares/units and money market paper	Debt securities up to 2 years		
			Total	Annual percentage change <sup>3)</sup>	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months				Total	Annual percentage change <sup>3)</sup>
	Currency in circulation	Overnight deposits									
	1	2	3	4	5	6	7	8	9	10	11
1998 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	17.6	20.0	10.1	-3.1	4.1	21.0	5.3	1.6	-1.4	2.6
June	-1.7	48.1	46.4	9.6	-18.2	-0.2	28.0	5.3	-4.8	-4.4	-1.0
July	5.2	-39.2	-34.1	8.2	2.4	0.7	-31.0	4.4	12.2	7.4	6.0
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	24.3	21.1	8.0	-11.3	1.1	10.9	4.7	3.2	-5.0	-7.4
Oct.	1.5	4.6	6.2	8.1	2.2	3.5	11.8	4.6	11.0	4.8	0.7
Nov.	0.9	40.1	41.0	8.4	2.7	2.5	46.2	5.0	-19.9	3.1	-1.8
Dec.	9.4	72.8	82.3	9.6	15.6	31.4	129.3	6.0	-25.2	-24.8	-12.3
1999 Jan.	-9.4	28.6	19.2	14.9	-6.7	15.8	28.3	7.6	-1.9	13.6	-1.1
Feb.	-0.6	-30.0	-30.5	12.9	-15.3	3.7	-42.1	6.4	12.7	15.1	1.3
Mar.	4.8	10.9	15.7	11.8	9.0	-1.4	23.3	6.9	-5.1	6.5	-1.6
Apr.	2.0	14.4	16.5	11.7	-7.0	5.0	14.5	6.4	-6.6	20.9	1.9
May	1.8	29.4	31.2	12.3	-9.9	3.9	25.2	6.4	0.2	1.3	5.6
June	2.4	38.2	40.6	11.6	-21.7	5.8	24.7	6.3	-6.0	1.1	-0.5
July	8.1	-5.3	2.8	14.0	13.2	4.9	20.8	7.8	-2.8	-7.9	4.2
Aug.	-5.6	-29.8	-35.3	12.9	2.4	0.2	-32.7	7.0	-1.1	13.1	1.9
Sep.	0.8	25.2	26.1	13.1	-12.4	-1.9	11.7	7.0	-4.2	1.7	8.4
Oct. <sup>(p)</sup>	2.3	3.9	6.2	13.0	12.6	-1.7	17.0	7.2	-2.7	5.3	0.8

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. Data have been revised in the light of new information.
- 2) 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 3. The percentage change in the index between any two dates corresponds to the change in the aggregate excluding such reclassifications, etc.
- 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. For the calculation of growth rates, see the technical notes on page 48\*.

M3			Memo : Non-monetary liabilities of MFIs							Total	
Total	Index, Dec 98=100 <sup>2)</sup>		Deposits		Debt securities over 2 years	Capital and reserves	Total				
			With agreed maturity over 2 years	Redeemable at notice over 3 months							
12	13	14	15	16	17	18	19	20			
4,267.0	95.83		1,235.8	1,019.1	216.8	1,262.5	706.4	3,204.7	1998 Mar.		
4,302.4	96.70		1,235.2	1,020.5	214.7	1,266.2	694.7	3,196.2	Apr.		
4,324.6	97.23		1,235.3	1,022.3	213.0	1,267.5	701.7	3,204.6	May		
4,343.9	97.64		1,232.2	1,020.2	212.0	1,282.5	714.3	3,228.9	June		
4,336.0	97.51		1,232.6	1,021.8	210.8	1,285.2	713.8	3,231.7	July		
4,323.0	97.20		1,236.5	1,026.6	209.9	1,294.6	712.7	3,243.8	Aug.		
4,317.6	97.24		1,235.8	1,026.5	209.3	1,317.0	720.4	3,273.2	Sep.		
4,346.7	97.87		1,231.5	1,022.4	209.1	1,310.2	717.6	3,259.3	Oct.		
4,376.9	98.49		1,227.8	1,018.3	209.5	1,320.9	714.9	3,263.6	Nov.		
4,441.7	100.00		1,239.8	1,025.1	214.6	1,322.4	712.4	3,274.6	Dec.		
4,490.6	100.87		1,218.0	1,094.9	123.1	1,360.6	757.3	3,335.9	1999 Jan.		
4,481.3	100.58		1,227.6	1,105.8	121.8	1,375.7	754.4	3,357.7	Feb.		
4,504.9	101.10		1,231.5	1,110.5	120.9	1,389.4	767.8	3,388.6	Mar.		
4,540.0	101.79		1,232.7	1,114.0	118.7	1,401.1	778.4	3,412.2	Apr.		
4,573.6	102.51		1,228.9	1,113.7	115.2	1,406.2	783.1	3,418.2	May		
4,595.4	102.95		1,235.2	1,121.1	114.2	1,415.3	793.8	3,444.3	June		
4,606.4	103.27		1,238.0	1,126.0	112.0	1,415.8	797.6	3,451.3	July		
4,589.8	102.85		1,243.0	1,132.0	111.0	1,421.9	796.7	3,461.6	Aug.		
4,601.7	103.24		1,245.4	1,134.2	111.2	1,440.7	805.4	3,491.6	Sep.		
4,634.7	103.70		1,249.5	1,138.9	110.6	1,453.8	814.0	3,517.4	Oct. <sup>6)</sup>		

M3				Memo : Non-monetary liabilities of MFIs							Total	
Total	Annual percentage change <sup>3)</sup>	3-month moving average (centred)	Deposits		Debt securities over 2 years	Capital and reserves	Total					
			With agreed maturity over 2 years	Redeemable at notice over 3 months								
12	13	14	15	16	17	18	19	20				
38.6	5.2	5.0	-0.1	1.9	-2.0	7.2	-11.1	-3.9	1998 Apr.			
23.8	5.0	5.1	0.2	1.9	-1.7	3.6	7.4	11.2	May			
17.9	4.9	4.9	-3.3	-2.3	-1.0	15.5	15.4	27.7	June			
-5.4	4.8	4.8	0.7	1.9	-1.2	5.6	-1.1	5.2	July			
-14.1	4.5	4.6	3.6	4.5	-0.9	7.9	-0.2	11.4	Aug.			
1.7	4.6	4.7	0.3	0.8	-0.6	14.4	8.7	23.3	Sep.			
28.3	4.9	4.7	-4.4	-4.1	-0.2	-9.7	-2.5	-16.6	Oct.			
27.5	4.7	4.7	-4.0	-4.4	0.4	9.4	-1.9	3.5	Nov.			
67.0	4.6	5.0	12.6	7.1	5.5	1.4	-2.9	11.1	Dec.			
38.8	5.7	5.1	3.9	4.9	-1.0	27.9	14.2	46.0	1999 Jan.			
-12.9	5.1	5.4	2.3	3.6	-1.3	11.6	-2.1	11.8	Feb.			
23.1	5.5	5.3	3.5	4.3	-0.8	9.0	12.5	25.0	Mar.			
30.7	5.3	5.4	1.1	3.3	-2.2	13.3	11.1	25.4	Apr.			
32.3	5.4	5.4	-4.1	-0.6	-3.5	3.8	5.5	5.2	May			
19.3	5.4	5.6	6.1	7.1	-1.0	7.6	12.4	26.1	June			
14.4	5.9	5.7	3.3	5.5	-2.2	3.1	4.6	11.0	July			
-18.8	5.8	6.0	4.7	5.7	-1.0	3.6	-0.2	8.2	Aug.			
17.7	6.2	6.0	2.5	2.3	0.2	18.9	4.3	25.7	Sep.			
20.4	6.0	-	5.4	6.0	-0.6	14.6	6.2	26.2	Oct. <sup>6)</sup>			

**Table 2.4 (cont.)**
**Monetary aggregates <sup>1)</sup>**
*(EUR billions and percentage changes, unless otherwise indicated)*
**3. Seasonally adjusted levels**

	M3									
	M2				Marketable instruments <sup>4)</sup>		Total	Index <sup>2)</sup>		
	M1		Other short-term deposits <sup>3)</sup>		Total	Index <sup>2)</sup>				
	Total	Index <sup>2)</sup>	Total	Index <sup>2)</sup>			Total	Index <sup>2)</sup>		
1	2	3	4	5	6	7	8	9	10	
1998 Mar.	1,606.6	90.27	2,063.9		3,670.5	94.11	605.3		4,275.8	96.12
Apr.	1,626.3	91.44	2,063.8		3,690.1	94.67	604.2		4,294.3	96.61
May	1,634.7	91.94	2,071.4		3,706.2	95.12	602.2		4,308.3	96.96
June	1,650.0	92.77	2,074.0		3,724.0	95.55	604.0		4,328.0	97.38
July	1,643.3	92.44	2,068.9		3,712.3	95.29	630.3		4,342.6	97.76
Aug.	1,651.7	92.89	2,074.0		3,725.7	95.62	613.8		4,339.5	97.66
Sep.	1,661.3	93.55	2,077.5		3,738.8	96.09	613.2		4,352.0	98.11
Oct.	1,675.5	94.33	2,078.4		3,753.9	96.47	633.2		4,387.1	98.88
Nov.	1,682.0	94.65	2,094.6		3,776.7	97.00	614.3		4,391.0	98.91
Dec.	1,697.2	95.53	2,106.8		3,803.9	97.74	577.1		4,381.0	98.73
1999 Jan.	1,791.9	100.91	2,101.0		3,892.8	99.96	572.9		4,465.7	100.41
Feb.	1,787.7	100.61	2,096.8		3,884.5	99.67	592.3		4,476.8	100.58
Mar.	1,800.6	101.25	2,129.6		3,930.3	100.77	590.1		4,520.3	101.55
Apr.	1,816.3	102.11	2,113.1		3,929.4	100.72	602.6		4,531.9	101.71
May	1,835.2	103.15	2,118.9		3,954.1	101.33	606.1		4,560.2	102.31
June	1,846.9	103.78	2,119.2		3,966.0	101.61	613.8		4,579.9	102.70
July	1,869.3	105.10	2,131.3		4,000.6	102.56	609.1		4,609.7	103.44
Aug.	1,869.4	105.06	2,128.5		3,997.9	102.44	615.2		4,613.1	103.47
Sep.	1,881.3	105.76	2,132.7		4,014.0	102.87	623.8		4,637.7	104.15
Oct. <sup>(p)</sup>	1,890.9	106.25	2,141.1		4,032.1	103.24	640.6		4,672.7	104.65

**4. Seasonally adjusted flows <sup>5)</sup>**

	M3									
	M2				Marketable instruments <sup>4)</sup>		Total	Change on previous month (%)		
	M1		Other short-term deposits <sup>3)</sup>		Total	Change on previous month (%)				
	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 Mar.	16.7	1.1	0.1	0.0	16.8	0.5	3.8	0.6	20.6	0.5
Apr.	20.7	1.3	1.3	0.1	22.0	0.6	-0.3	-0.1	21.7	0.5
May	8.9	0.5	8.3	0.4	17.2	0.5	-1.6	-0.3	15.6	0.4
June	14.7	0.9	2.0	0.1	16.7	0.5	1.6	0.3	18.4	0.4
July	-5.9	-0.4	-4.0	-0.2	-9.8	-0.3	26.9	4.5	17.1	0.4
Aug.	8.0	0.5	4.6	0.2	12.5	0.3	-16.8	-2.7	-4.3	-0.1
Sep.	11.8	0.7	6.9	0.3	18.7	0.5	1.0	0.2	19.7	0.5
Oct.	13.8	0.8	0.6	0.0	14.5	0.4	19.8	3.2	34.3	0.8
Nov.	5.7	0.3	15.0	0.7	20.7	0.6	-19.5	-3.1	1.2	0.0
Dec.	15.6	0.9	13.4	0.6	29.1	0.8	-36.8	-6.0	-7.7	-0.2
1999 Jan.	95.5	5.6	-9.5	-0.4	86.0	2.3	-11.5	-2.0	74.6	1.7
Feb.	-5.3	-0.3	-5.7	-0.3	-11.1	-0.3	18.5	3.2	7.5	0.2
Mar.	11.5	0.6	31.3	1.5	42.8	1.1	0.1	0.0	43.0	1.0
Apr.	15.2	0.8	-17.1	-0.8	-1.9	0.0	9.1	1.5	7.2	0.2
May	18.5	1.0	5.3	0.3	23.8	0.6	3.2	0.5	27.0	0.6
June	11.1	0.6	-0.5	0.0	10.7	0.3	6.4	1.1	17.1	0.4
July	23.5	1.3	13.6	0.6	37.1	0.9	-3.8	-0.6	33.2	0.7
Aug.	-0.7	0.0	-3.7	-0.2	-4.4	-0.1	5.6	0.9	1.2	0.0
Sep.	12.4	0.7	4.4	0.2	16.8	0.4	13.7	2.2	30.5	0.7
Oct. <sup>(p)</sup>	8.8	0.5	5.7	0.3	14.5	0.4	7.7	1.2	22.2	0.5

Source: ECB.

1) See page 14\*, footnote 1.

2) See page 14\*, footnote 2. For the calculation of growth rates, see the technical notes on page 48\*.

3) 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.

4) 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.

5) See page 14\*, footnote 3.

**Table 2.5**

**Outstanding MFI loans by counterpart, type and original maturity <sup>1)</sup>**

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

**1. Loans to non-financial sectors other than government**

	Non-financial corporations <sup>2)</sup>				Households <sup>2)</sup>	Consumer credit <sup>3)</sup>			Lending for house purchase <sup>3)</sup>			Other lending			Non-profit institutions serving households <sup>2)</sup>	
	1	Up to 1 year 2	Over 1 and up to 5 years 3	Over 5 years 4		5	Up to 1 year 6	Over 1 and up to 5 years 7	Over 5 years 8	Up to 1 year 9	Over 1 and up to 5 years 10	Over 5 years 11	Up to 1 year 12	Over 1 and up to 5 years 13		Over 5 years 14
1998 Q1	2,163.1	770.9	319.8	1,072.5	2,318.2	75.0	119.0	185.9	28.0	49.0	1,320.7	108.2	76.6	355.8	37.7	
Q2	2,200.2	785.4	317.8	1,096.9	2,374.5	77.9	122.1	190.2	28.4	49.2	1,346.0	113.4	77.4	369.8	37.6	
Q3	2,222.2	774.3	324.0	1,123.8	2,419.2	80.2	125.9	195.1	28.9	48.6	1,378.8	111.6	86.5	363.6	36.7	
Q4	2,284.9	810.7	320.1	1,154.0	2,478.7	84.7	128.2	199.8	28.2	45.9	1,415.9	114.2	84.8	376.9	37.0	
1999 Q1	2,279.1	816.3	347.0	1,115.7	2,526.2	86.1	147.5	187.3	15.4	70.5	1,460.4	131.5	100.3	327.2	35.8	
Q2	2,339.0	842.7	355.2	1,141.1	2,592.1	84.9	152.3	193.0	18.7	67.8	1,508.8	138.1	98.2	330.1	35.8	
Q3 <sup>4)</sup>	2,337.9	829.0	363.9	1,145.1	2,642.7	85.4	154.3	195.5	18.8	67.3	1,550.3	136.3	100.6	334.2	36.2	

**2. Loans to non-monetary financial corporations**

	Other financial intermediaries <sup>2)</sup>				Insurance corporations and pension funds <sup>2)</sup>				
	16	Up to 1 year 17	Over 1 and up to 5 years 18	Over 5 years 19	20	Up to 1 year 21	Over 1 and up to 5 years 22	Over 5 years 23	
1998 Q1		240.4	146.1	50.0	44.3	23.5	17.5	2.0	4.0
Q2		244.6	146.4	51.0	47.2	23.4	16.4	2.2	4.8
Q3		246.4	142.6	54.0	49.8	35.1	27.1	2.4	5.6
Q4		262.2	157.3	52.8	52.1	27.9	19.2	2.5	6.3
1999 Q1		275.9	174.6	52.8	48.5	36.6	27.5	3.1	6.0
Q2		297.9	193.8	49.6	54.5	40.4	29.0	2.7	8.8
Q3 <sup>4)</sup>		310.0	190.1	54.2	65.6	43.2	31.6	2.7	8.9

**3. Loans to government**

	General government <sup>2)</sup>										
	24	Central government <sup>4)</sup>	Other general government								Social security funds 34
			State government				Local government				
			26	Up to 1 year 27	Over 1 and up to 5 years 28	Over 5 years 29	30	Up to 1 year 31	Over 1 and up to 5 years 32	Over 5 years 33	
1998 Q1	828.0	221.2	269.2	9.9	14.6	244.6	327.0	19.9	52.4	254.7	10.6
Q2	827.5	217.2	271.3	8.5	14.5	248.3	333.3	19.8	54.0	259.6	5.7
Q3	829.5	216.4	272.9	7.8	14.0	251.1	325.0	17.7	50.7	256.6	15.2
Q4	841.0	202.6	290.5	11.3	13.7	265.6	333.8	19.1	51.2	263.6	14.0
1999 Q1	839.1	221.7	277.8	11.0	21.1	245.6	326.0	19.0	12.6	294.4	13.6
Q2	837.3	212.3	279.3	11.5	20.6	247.1	328.4	20.0	10.9	297.5	17.3
Q3 <sup>4)</sup>	830.3	205.9	278.9	10.7	21.2	247.0	327.5	19.1	10.7	297.6	18.0

Source: ECB.

1) Data have been revised in the light of new information. Outstanding amounts are not adjusted for reclassifications, other revaluations or exchange rate variations. Data are partially estimated.

2) Corresponding ESA 95 sector codes: non-financial corporations, S11; households, S14; non-profit institutions serving households, S15; other financial intermediaries, S123 (including financial auxiliaries, S124); insurance corporations and pension funds, S125; general government, S13.

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

4) A maturity breakdown is not available for loans to central government.

Table 2.6

Currency analysis of certain liabilities and assets of the euro area MFIs <sup>1)</sup>

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

## Liabilities outstanding

## 1. Deposits placed by euro area residents

	MFIs								Non-MFIs							
	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies					All currencies	Euro <sup>2)</sup>	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 Q1	3,180.6	2,809.4	43.5	327.7	234.5	27.0	44.9	21.3	4,816.8	4,658.3	21.1	137.3	103.3	15.1	10.3	8.6
Q2	3,280.6	2,929.7	41.8	309.1	223.0	21.8	43.6	20.6	4,887.4	4,734.8	18.6	134.0	99.0	15.6	10.1	9.3
Q3	3,316.5	2,927.3	42.4	346.8	241.3	27.9	45.2	32.4	4,877.0	4,726.3	19.5	131.2	94.0	12.6	13.6	11.0
Q4	3,405.6	3,009.7	43.3	352.6	247.0	27.5	51.3	26.8	5,009.1	4,864.9	19.4	124.8	89.6	13.0	13.2	9.0
1999 Q1	3,892.5	3,466.6	48.9	377.0	265.9	27.7	54.7	28.6	5,003.5	4,851.8	23.6	128.1	89.0	13.9	14.5	10.7
Q2	4,112.7	3,711.3	43.7	357.6	255.1	27.1	51.5	23.9	5,058.3	4,897.8	25.7	134.8	96.8	15.0	12.5	10.5
Q3 <sup>3)</sup>	3,823.1	3,415.6	46.6	360.9	253.6	30.1	56.2	21.0	5,058.8	4,896.8	27.0	135.0	96.8	15.9	12.0	10.3

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

	Banks <sup>3)</sup>								Non-banks							
	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies					All currencies	Euro <sup>2)</sup>	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 Q1	1,161.9	470.3	121.0	570.6	448.6	44.0	52.5	25.6	388.7	150.1	39.0	199.6	145.7	22.4	13.9	17.7
Q2	1,150.4	470.0	122.6	557.7	435.9	42.7	51.3	27.7	370.7	145.0	34.6	191.1	142.8	18.4	11.5	18.3
Q3	1,174.7	468.4	129.1	577.2	443.7	47.5	54.1	32.0	332.6	143.1	30.6	158.9	122.3	13.8	11.2	11.6
Q4	1,158.3	458.9	124.0	575.4	441.4	55.8	52.5	25.8	364.7	153.5	33.4	177.8	130.7	22.4	12.1	12.6
1999 Q1	1,291.9	557.0	128.9	605.9	467.3	53.5	53.2	31.9	417.4	179.5	38.9	198.9	148.0	24.4	12.5	14.0
Q2	1,374.6	611.9	136.0	626.7	498.9	39.4	52.2	36.2	452.0	192.0	40.8	219.2	168.2	24.6	11.7	14.8
Q3 <sup>3)</sup>	1,301.2	547.7	128.4	625.1	494.1	42.9	53.4	34.8	457.5	197.4	43.6	216.5	163.1	27.2	11.4	14.9

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

	Debt securities								Money market paper							
	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies					All currencies	Euro <sup>2)</sup>	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 Q1	2,001.2	1,784.0	20.7	196.6	110.7	38.9	31.2	15.8	163.5	151.0	0.3	12.2	10.6	0.9	0.4	0.4
Q2	2,055.0	1,835.8	22.5	196.7	112.5	37.4	30.5	16.3	160.2	144.2	0.7	15.3	10.9	1.8	1.2	1.3
Q3	2,105.1	1,892.6	26.0	186.5	104.7	33.3	32.7	15.8	166.1	147.9	0.6	17.6	15.5	1.0	0.7	0.3
Q4	2,119.2	1,903.5	26.4	189.4	106.3	35.2	33.0	14.9	169.4	155.4	0.6	13.4	11.3	0.9	1.1	0.1
1999 Q1	2,198.9	1,966.9	25.3	206.7	111.6	32.8	31.6	30.7	185.4	169.8	0.8	14.9	12.6	0.8	1.3	0.2
Q2	2,274.2	2,026.9	30.1	217.2	114.3	31.8	32.1	38.9	187.8	169.9	1.4	16.5	13.8	1.1	1.5	0.2
Q3 <sup>3)</sup>	2,336.6	2,078.9	31.9	225.8	118.1	34.7	32.7	40.2	204.0	184.2	1.2	18.6	13.5	2.7	2.2	0.2

Source: ECB.

1) Data have been revised in the light of new information. Outstanding amounts are not adjusted for reclassifications, other revaluations or exchange rate variations. Data are partially estimated.

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 <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other
1998 Q1	3,188.6	-	-	-	-	-	-	-	5,604.6	5,437.2	26.6	140.8	86.0	15.3	36.9	2.6
Q2	3,342.6	-	-	-	-	-	-	-	5,704.2	5,541.9	25.5	136.8	81.6	13.9	38.2	3.0
Q3	3,354.7	-	-	-	-	-	-	-	5,786.7	5,624.1	26.4	136.3	77.8	12.7	42.8	3.0
Q4	3,376.8	-	-	-	-	-	-	-	5,932.3	5,759.1	26.3	146.9	79.2	15.1	48.9	3.7
1999 Q1	3,872.4	-	-	-	-	-	-	-	5,992.8	5,797.4	19.7	175.7	99.0	18.5	53.7	4.5
Q2	4,103.5	-	-	-	-	-	-	-	6,142.6	5,931.2	21.4	190.0	109.4	19.5	57.9	3.2
Q3 <sup>3)</sup>	3,814.2	-	-	-	-	-	-	-	6,203.7	5,984.5	22.8	196.5	106.5	23.9	61.6	4.5

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

	MFIs								Non-MFIs							
	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other
1998 Q1	653.5	625.7	6.7	22.2	14.6	2.7	1.2	3.8	1,407.7	1,366.7	10.1	32.8	16.8	6.9	2.6	6.5
Q2	685.4	657.0	6.2	23.2	14.7	2.6	1.2	4.7	1,433.7	1,390.2	10.7	34.7	17.2	7.2	2.7	7.5
Q3	708.5	680.3	7.4	21.1	13.7	3.0	1.4	3.0	1,421.9	1,384.4	10.8	27.2	15.0	7.6	2.4	2.2
Q4	729.0	686.0	18.0	25.0	16.9	3.7	1.8	2.6	1,375.5	1,338.5	10.6	26.4	14.4	8.6	2.3	1.1
1999 Q1	760.9	725.4	7.7	27.7	18.3	5.5	1.3	2.6	1,419.5	1,387.0	3.9	28.6	15.2	10.5	2.0	0.9
Q2	800.1	766.2	6.5	27.4	18.1	5.2	1.1	3.1	1,423.7	1,393.8	3.2	26.7	13.5	10.2	2.1	1.0
Q3 <sup>3)</sup>	826.8	792.9	6.9	26.6	17.5	4.5	1.7	2.9	1,444.7	1,414.9	3.1	26.6	13.5	10.0	2.3	0.9

### 6. Loans to non-residents of the euro area

	Banks <sup>3)</sup>								Non-banks							
	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other
1998 Q1	1,081.2	441.5	83.8	555.9	426.6	63.7	29.8	35.8	420.7	190.9	25.5	204.3	171.7	5.7	11.0	15.9
Q2	1,053.1	429.6	88.5	535.0	404.9	66.8	29.6	33.8	384.9	179.5	23.0	182.4	162.8	4.5	11.2	3.9
Q3	1,026.9	423.6	100.6	502.6	365.2	67.5	26.7	43.2	380.2	174.6	26.0	179.6	156.5	5.3	11.9	5.9
Q4	972.0	380.2	76.7	515.1	375.5	73.9	27.1	38.7	378.7	152.3	27.0	199.4	173.2	8.3	13.3	4.5
1999 Q1	1,008.1	467.1	81.4	459.6	328.2	62.7	26.8	41.9	385.5	137.1	28.9	219.5	191.7	7.7	14.5	5.5
Q2	1,018.8	471.8	79.5	467.5	347.3	53.2	26.2	40.9	416.6	139.2	35.0	242.4	211.9	8.0	16.3	6.3
Q3 <sup>3)</sup>	948.0	427.7	77.0	443.3	320.8	53.8	28.3	40.5	413.5	143.3	35.5	234.7	200.7	10.4	17.9	5.7

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

	Banks <sup>3)</sup>								Non-banks							
	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro <sup>2)</sup>	Other EU currencies	Other currencies	USD	JPY	CHF	Other
1998 Q1	71.5	15.9	4.5	51.1	38.2	3.7	0.6	8.6	262.9	38.8	32.2	192.0	148.1	23.9	3.9	18.8
Q2	88.2	17.1	4.7	66.4	38.1	4.4	0.7	23.2	274.4	49.5	28.2	196.8	138.7	20.2	3.8	36.6
Q3	77.0	19.5	3.9	53.7	39.7	5.2	1.0	7.8	286.0	41.4	33.7	210.9	158.5	29.9	4.3	20.8
Q4	65.3	18.8	5.1	41.5	27.9	5.0	0.8	7.7	316.2	47.3	33.2	235.7	179.7	34.6	4.2	19.6
1999 Q1	75.6	19.7	5.7	50.2	35.0	5.4	0.9	9.0	410.1	52.5	30.8	326.8	255.4	37.6	4.4	29.4
Q2	82.7	21.7	6.3	54.8	39.2	5.6	1.2	8.8	413.0	66.8	33.7	312.4	247.6	37.1	4.9	22.8
Q3 <sup>3)</sup>	82.6	23.1	6.7	52.8	38.1	5.8	1.0	7.9	412.0	70.3	34.9	306.8	242.0	38.5	4.8	21.6

### 3 Financial markets and interest rates in the euro area

**Table 3.1**

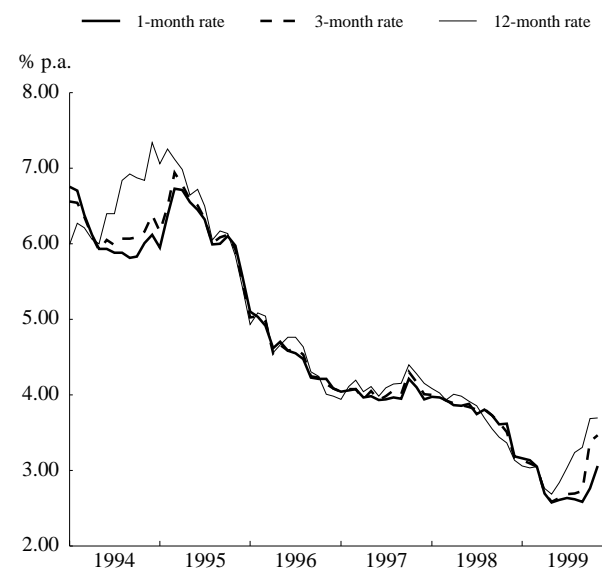
**Money market interest rates <sup>1)</sup>**

(percentages per annum) <sup>2)</sup>

	Euro area <sup>3)4)</sup>					United States <sup>5)</sup>	Japan <sup>5)</sup>
	Overnight deposits <sup>1</sup>	1-month deposits <sup>2</sup>	3-month deposits <sup>3</sup>	6-month deposits <sup>4</sup>	12-month deposits <sup>5</sup>	3-month deposits <sup>6</sup>	3-month deposits <sup>7</sup>
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 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
Sep.	2.43	2.58	2.73	3.11	3.30	5.56	0.14
Oct.	2.50	2.76	3.38	3.46	3.68	6.20	0.24
Nov.	2.94	3.06	3.47	3.48	3.69	6.09	0.31
1999 5 Nov.	2.95	3.03	3.51	3.54	3.71	6.05	0.28
12	2.97	3.00	3.45	3.46	3.61	6.06	0.34
19	2.74	3.03	3.45	3.45	3.66	6.05	0.33
26	3.04	3.06	3.45	3.47	3.78	6.16	0.34

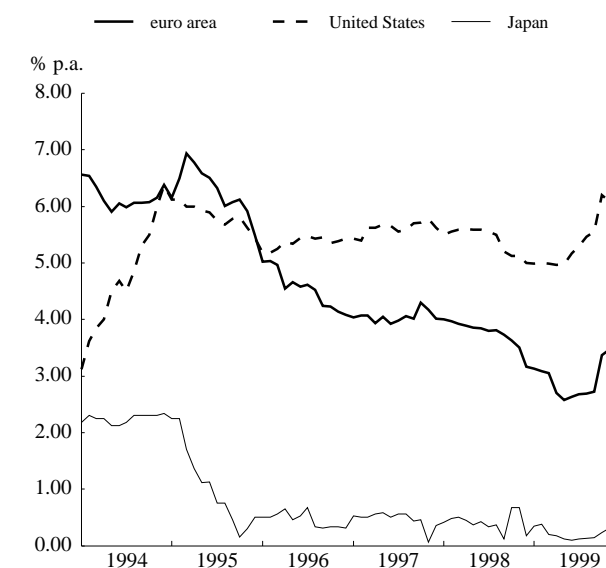
**Euro area money market rates**

(monthly)



**3-month money market rates**

(monthly)



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**

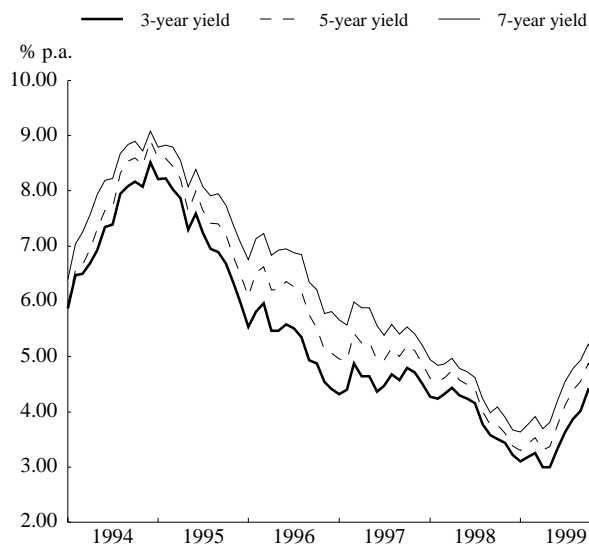
**Government bond yields <sup>1)</sup>**

(percentages per annum)

	Euro area <sup>2)</sup>					United States	Japan
	2 years <sup>1</sup>	3 years <sup>2</sup>	5 years <sup>3</sup>	7 years <sup>4</sup>	10 years <sup>5</sup>	10 years <sup>6</sup>	10 years <sup>7</sup>
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 Nov.	3.33	3.44	3.62	3.90	4.24	4.89	0.89
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
Feb.	3.05	3.19	3.43	3.78	3.98	4.99	2.09
Mar.	3.08	3.25	3.53	3.92	4.18	5.23	1.72
Apr.	2.83	3.00	3.31	3.70	4.04	5.18	1.55
May	2.82	3.00	3.37	3.81	4.21	5.54	1.36
June	3.09	3.34	3.77	4.20	4.53	5.90	1.60
July	3.30	3.64	4.13	4.55	4.86	5.80	1.69
Aug.	3.56	3.87	4.39	4.78	5.06	5.94	1.89
Sep.	3.68	4.02	4.55	4.94	5.24	5.91	1.75
Oct.	4.07	4.40	4.87	5.23	5.47	6.10	1.79
Nov.	3.99	4.27	4.67	4.97	5.18	6.03	1.81
1999 5 Nov.	3.93	4.21	4.62	4.92	5.11	5.92	1.76
12	3.82	4.07	4.46	4.79	5.00	5.95	1.76
19	4.02	4.32	4.69	4.98	5.20	6.08	1.85
26	4.16	4.45	4.84	5.14	5.36	6.12	1.90

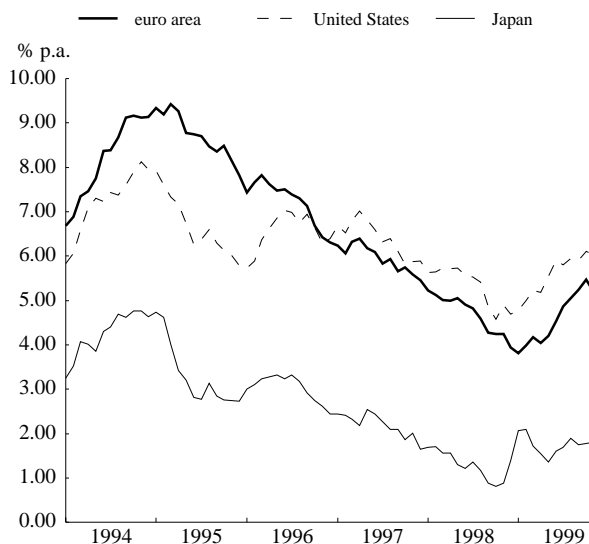
**Euro area government bond yields**

(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**

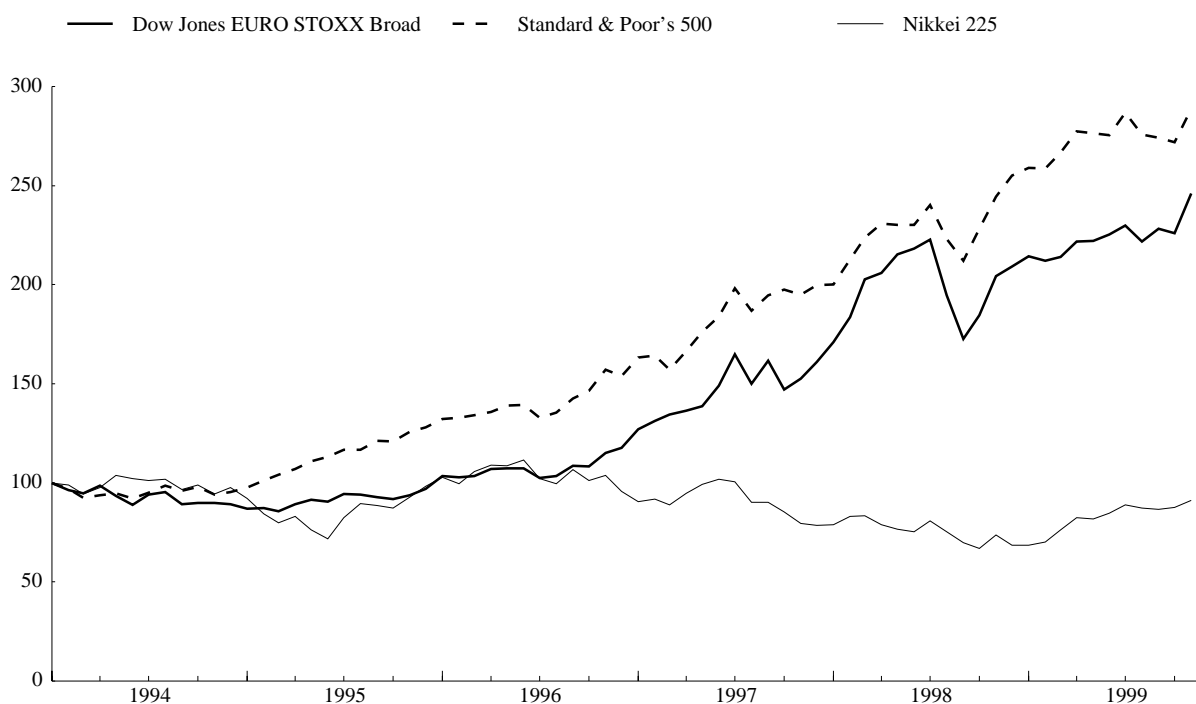
**Stock market indices**

(index levels, in points)<sup>1)</sup>

	Dow Jones EURO STOXX indices											United States	Japan
	Benchmark		Main economic sector indices										
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Conglomerates	Industrial	Technology	Utilities	Standard & Poor's 500	Nikkei 225
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 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
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
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
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
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
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
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
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
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
Sep.	325.88	3,772.79	199.93	161.67	500.44	312.33	242.61	273.47	380.45	480.77	296.06	1,318.21	17,532.77
Oct.	322.44	3,742.62	193.96	159.46	482.52	295.41	238.87	262.05	381.39	488.96	281.85	1,312.60	17,697.85
Nov.	351.17	4,159.97	200.99	164.75	508.19	305.69	259.69	275.80	418.69	589.93	297.38	1,391.61	18,440.35
1999 5 Nov.	341.00	4,014.08	195.83	164.13	509.40	285.90	260.51	274.76	392.30	551.91	292.34	1,370.23	18,354.90
12	349.24	4,133.93	189.65	165.37	513.63	304.83	262.35	276.13	424.31	573.01	299.90	1,396.06	18,258.55
19	360.34	4,292.40	207.96	167.23	510.92	317.32	263.23	278.47	435.16	613.73	298.48	1,422.00	18,570.84
26	366.30	4,380.77	207.21	166.42	514.43	313.01	256.53	277.20	444.19	656.57	304.65	1,416.62	18,914.50

**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**

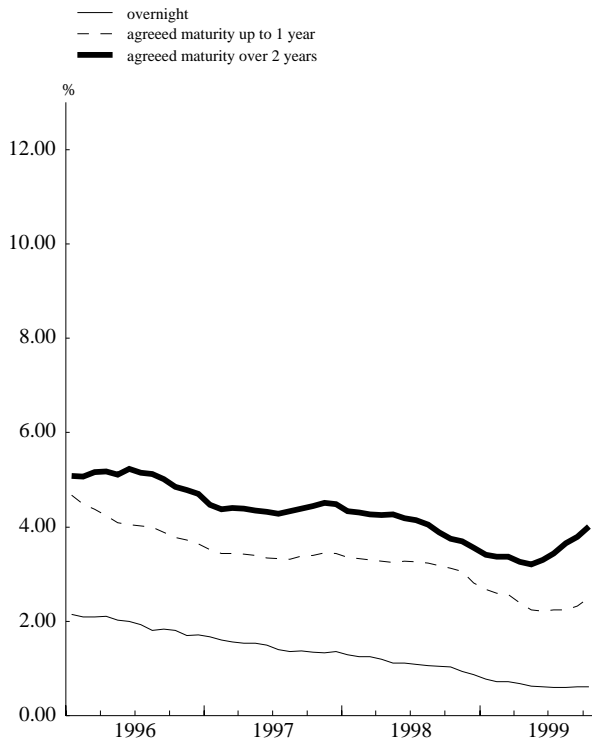
**Retail bank interest rates**

(percentages per annum; period averages)

	Deposit interest rates						Lending interest rates			
	Overnight	With agreed maturity			Redeemable at notice		To enterprises		To households	
		Up to 1 year	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	Up to 1 year	Over 1 year	Consumer lending	For house purchase
	1	2	3	4	5	6	7	8	9	10
1996	1.94	4.08	4.68	5.04	3.05	3.16	8.84	-	11.56	7.46
1997	1.46	3.41	3.63	4.40	2.80	3.09	7.58	6.64	10.61	6.63
1998	1.10	3.20	3.22	4.06	2.61	3.25	6.74	5.80	10.05	5.87
1998 Oct.	1.04	3.12	3.13	3.74	2.49	3.14	6.50	5.52	9.79	5.49
Nov.	0.94	3.06	3.05	3.70	2.48	3.12	6.38	5.43	9.68	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.	0.77	2.67	2.67	3.41	2.37	2.86	6.07	5.04	9.61	5.10
Feb.	0.72	2.60	2.59	3.37	2.34	2.78	5.98	5.00	9.54	5.02
Mar.	0.71	2.57	2.56	3.37	2.31	2.79	5.85	4.99	9.50	5.05
Apr.	0.68	2.39	2.39	3.26	2.27	2.61	5.68	4.82	9.37	4.91
May	0.63	2.25	2.25	3.21	2.16	2.48	5.57	4.73	9.31	4.84
June	0.61	2.22	2.22	3.30	2.15	2.45	5.49	4.78	9.29	4.96
July	0.60	2.24	2.24	3.44	2.15	2.63	5.41	4.96	9.21	5.18
Aug.	0.60	2.24	2.25	3.66	2.01	2.73	5.42	5.16	9.31	5.47
Sep.	0.60	2.32	2.32	3.79	1.99	2.80	5.37	5.19	9.29	5.53
Oct.	0.61	2.50	2.51	4.01	2.01	2.93	5.43	5.41	9.33	5.72

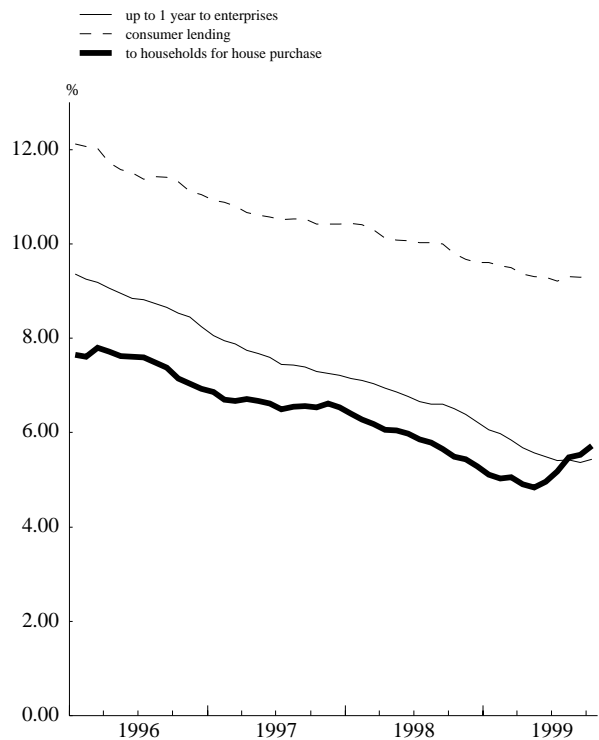
**Deposit interest rates**

(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.

**Table 3.5**
**Securities issues other than shares by original maturity, residency of the issuer and currency denomination <sup>1)2)</sup>**
*(EUR billions; transactions during the period and end-of-period stocks; nominal values)*
**1. Short-term <sup>3)</sup>**

	By euro area residents									
					In euro <sup>4)</sup>				In other	
	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	.	.	.	526.1	.	.	.	517.1	.	.
1999 Jan.	199.2	182.7	16.5	539.2	192.5	177.2	15.3	529.0	6.7	5.5
Feb.	166.6	162.4	4.3	539.2	162.1	159.5	2.6	527.2	4.5	2.8
Mar.	175.3	174.3	1.0	543.6	170.6	170.8	-0.2	530.4	4.7	3.5
Apr.	206.0	194.2	11.8	561.7	201.0	190.0	11.1	547.7	4.9	4.2
May	162.8	164.1	-1.2	561.1	156.4	159.3	-2.8	545.5	6.4	4.8
June	167.6	176.3	-8.7	548.9	161.9	171.7	-9.8	532.0	5.7	4.6
July	197.8	195.9	2.0	545.2	191.4	189.7	1.7	528.1	6.4	6.1
Aug.	171.4	157.1	14.3	563.5	164.7	151.7	12.9	545.0	6.7	5.3
Sep.	.	.	.	.	.	.	.	.	.	.

**2. Long-term <sup>3)</sup>**

	By euro area residents									
					In euro <sup>4)</sup>				In other	
	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	.	.	.	5,263.8	.	.	.	4,968.0	.	.
1999 Jan.	145.3	99.7	45.6	5,320.2	139.5	94.5	44.9	5,023.0	5.9	5.2
Feb.	118.8	75.2	43.7	5,372.3	110.2	73.4	36.8	5,063.7	8.6	1.8
Mar.	113.4	77.9	35.4	5,413.0	107.3	72.1	35.2	5,098.6	6.1	5.8
Apr.	114.3	73.7	40.6	5,441.3	109.1	72.0	37.1	5,120.5	5.1	1.7
May	102.7	62.6	40.1	5,487.5	93.7	57.9	35.8	5,162.8	9.0	4.7
June	97.3	63.0	34.4	5,528.5	93.2	60.6	32.6	5,199.0	4.1	2.4
July	118.9	84.9	34.0	5,564.0	113.9	78.0	35.9	5,239.2	4.9	6.9
Aug.	63.1	47.0	16.1	5,575.6	56.1	42.3	13.8	5,246.7	6.9	4.7
Sep.	.	.	.	.	.	.	.	.	.	.

**3. Total**

	By euro area residents									
					In euro <sup>4)</sup>				In other	
	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	.	.	.	5,789.9	.	.	.	5,485.1	.	.
1999 Jan.	344.5	282.4	62.1	5,859.4	332.0	271.7	60.2	5,552.0	12.6	10.7
Feb.	285.4	237.5	47.9	5,911.5	272.3	232.9	39.4	5,590.9	13.1	4.6
Mar.	288.7	252.2	36.4	5,956.6	277.9	242.9	35.0	5,629.1	10.7	9.3
Apr.	320.2	267.8	52.4	6,003.0	310.2	262.0	48.2	5,668.2	10.0	5.9
May	265.5	226.7	38.8	6,048.6	250.2	217.2	33.0	5,708.3	15.4	9.5
June	265.0	239.3	25.7	6,077.4	255.1	232.3	22.8	5,731.1	9.8	7.0
July	316.7	280.7	36.0	6,109.2	305.3	267.8	37.6	5,767.3	11.4	13.0
Aug.	234.5	204.0	30.4	6,139.2	220.8	194.0	26.8	5,791.7	13.7	10.0
Sep.	.	.	.	.	.	.	.	.	.	.

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

1) Data coverage for euro area residents is estimated at around 95% of total issues. This is expected to increase over the coming months, though full coverage will not be feasible in the short term.

2) Net issues differ from the change in amounts outstanding because of valuation changes, reclassifications and other adjustments.

3) "Short-term" means securities with an original maturity of one year or less (in accordance with the ESA 95, in exceptional cases two years or less).

Securities with longer original maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as long-term.

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

currencies		By non-residents of the euro area in euro <sup>4)</sup>				Total in euro <sup>4)</sup>				
Net issues	Amounts outstanding	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	
11	12	13	14	15	16	17	18	19	20	
.	8.9	.	.	.	12.4	.	.	.	529.5	1998 Dec.
1.2	10.2	.	.	.	.	.	.	.	.	1999 Jan.
1.7	12.0	.	.	.	.	.	.	.	.	Feb.
1.2	13.2	23.3	11.1	12.2	25.4	548.6	518.7	29.9	555.8	Mar.
0.7	14.0	.	.	.	.	.	.	.	.	Apr.
1.6	15.6	.	.	.	.	.	.	.	.	May
1.1	16.8	19.2	22.7	-3.5	22.8	538.6	543.6	-5.1	554.9	June
0.3	17.1	.	.	.	.	.	.	.	.	July
1.4	18.5	.	.	.	.	.	.	.	.	Aug.
.	.	27.8	18.4	9.4	31.7	.	.	.	.	Sep.

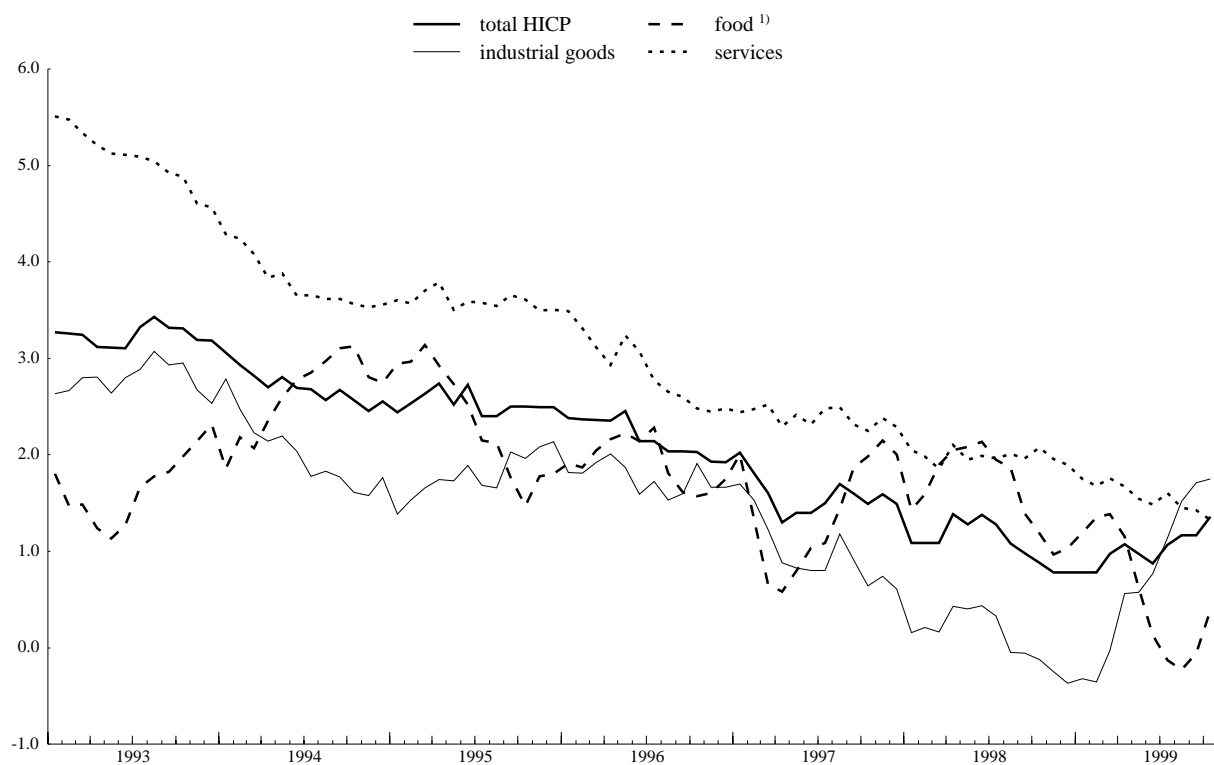
currencies		By non-residents of the euro area in euro <sup>4)</sup>				Total in euro <sup>4)</sup>				
Net issues	Amounts outstanding	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	
11	12	13	14	15	16	17	18	19	20	
.	295.8	.	.	.	426.7	.	.	.	5,394.8	1998 Dec.
0.7	297.2	.	.	.	.	.	.	.	.	1999 Jan.
6.9	308.6	.	.	.	.	.	.	.	.	Feb.
0.3	314.3	53.4	16.8	36.5	462.6	410.3	256.9	153.4	5,561.2	Mar.
3.5	320.8	.	.	.	.	.	.	.	.	Apr.
4.3	324.7	.	.	.	.	.	.	.	.	May
1.7	329.4	56.1	11.4	44.7	506.9	352.1	201.9	150.2	5,706.0	June
-1.9	324.7	.	.	.	.	.	.	.	.	July
2.3	328.9	.	.	.	.	.	.	.	.	Aug.
.	.	62.5	8.2	54.3	561.4	.	.	.	.	Sep.

currencies		By non-residents of the euro area in euro <sup>4)</sup>				Total in euro <sup>4)</sup>				
Net issues	Amounts outstanding	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	
11	12	13	14	15	16	17	18	19	20	
.	304.8	.	.	.	439.1	.	.	.	5,924.2	1998 Dec.
1.9	307.4	.	.	.	.	.	.	.	.	1999 Jan.
8.6	320.6	.	.	.	.	.	.	.	.	Feb.
1.4	327.6	76.7	27.9	48.7	488.0	958.9	775.5	183.3	6,117.1	Mar.
4.2	334.8	.	.	.	.	.	.	.	.	Apr.
5.9	340.3	.	.	.	.	.	.	.	.	May
2.9	346.3	75.2	34.0	41.2	529.7	890.7	745.5	145.2	6,260.8	June
-1.6	341.9	.	.	.	.	.	.	.	.	July
3.7	347.4	.	.	.	.	.	.	.	.	Aug.
.	.	90.3	26.6	63.7	593.1	.	.	.	.	Sep.

## 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
		Goods	Food <sup>1)</sup>			Industrial goods	Non-energy industrial goods		Energy	
			Processed food <sup>1)</sup>	Unprocessed food	Non-energy industrial goods		Energy			
Weight in the total (%) <sup>2)</sup>	100.0	63.6	22.4	13.4	9.0	41.2	32.5	8.7	36.4	
	1	2	3	4	5	6	7	8	9	10
1995	97.9	2.5	2.1	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	1.5	3.0	2.9
1997	101.6	1.6	1.1	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 Q3	102.9	1.1	0.7	1.7	1.4	2.1	0.1	1.0	-3.2	2.0
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
Q2	103.8	1.0	0.6	0.6	0.9	0.3	0.6	0.6	0.8	1.6
Q3	104.1	1.1	0.9	-0.1	0.7	-1.4	1.5	0.5	4.9	1.5
1998 Oct.	102.8	0.9	0.3	1.2	1.3	1.1	-0.1	1.0	-4.0	2.1
Nov.	102.8	0.8	0.2	1.0	1.2	0.6	-0.2	0.9	-4.4	2.0
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
Feb.	103.1	0.8	0.2	1.3	1.3	1.5	-0.4	0.7	-4.3	1.7
Mar.	103.4	1.0	0.5	1.4	1.1	1.8	0.0	0.7	-2.8	1.8
Apr.	103.7	1.1	0.8	1.2	1.2	1.2	0.6	0.6	0.3	1.7
May	103.8	1.0	0.6	0.6	0.8	0.4	0.6	0.6	0.5	1.5
June	103.8	0.9	0.5	0.1	0.7	-0.7	0.8	0.6	1.4	1.5
July	104.0	1.1	0.7	-0.1	0.7	-1.4	1.1	0.6	3.2	1.6
Aug.	104.1	1.2	0.9	-0.2	0.7	-1.6	1.5	0.6	5.0	1.5
Sep.	104.1	1.2	1.1	-0.1	0.7	-1.2	1.7	0.4	6.4	1.4
Oct.	104.2	1.4	1.3	0.4	0.9	-0.4	1.8	0.5	6.4	1.3



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 <sup>2)</sup>		Oil prices <sup>3)</sup> (EUR per barrel)	
	Total excluding construction		Manufacturing						Construction <sup>1)</sup>	Total	Total excluding energy	
	Index, 1995 = 100			Inter-mediate goods	Capital goods	Consumer goods						
						Durable consumer goods	Non-durable consumer goods <sup>8)</sup>					
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	0.3	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 Q3	100.4	-1.3	-1.1	-2.9	0.7	0.3	0.3	0.3	0.0	-24.2	-18.2	11.7
Q4	99.4	-2.3	-2.2	-4.5	0.4	-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	-0.1	0.2	-0.2	0.8	-17.6	-16.0	10.3
Q2	99.7	-1.3	-1.0	-2.8	0.0	-0.2	0.1	-0.3	.	5.9	-8.2	15.0
Q3	101.0	0.6	0.8	0.6	-0.1	0.1	0.1	0.1	.	31.0	1.1	19.7
1998 Nov.	99.4	-2.4	-2.2	-4.6	0.4	-0.2	0.1	-0.4	-	-28.6	-18.4	10.2
Dec.	99.1	-2.6	-2.3	-4.9	0.4	-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	0.3	0.0	0.2	-0.2	-	-20.6	-16.0	9.4
Mar.	99.0	-2.3	-1.8	-4.3	0.2	-0.1	0.2	-0.2	-	-8.4	-14.6	11.8
Apr.	99.6	-1.6	-1.2	-3.3	0.2	-0.1	0.2	-0.3	-	0.3	-12.5	14.4
May	99.7	-1.4	-1.0	-2.8	-0.1	-0.2	0.1	-0.3	-	5.1	-7.8	14.9
June	99.8	-1.0	-0.7	-2.1	0.0	-0.1	0.0	-0.2	-	12.8	-4.2	15.6
July	100.5	-0.1	0.1	-0.6	-0.1	0.0	0.0	-0.1	-	22.7	-2.3	18.1
Aug.	101.0	0.6	0.9	0.6	-0.1	0.0	0.0	0.0	-	29.2	-0.5	19.2
Sep.	101.5	1.3	1.5	1.7	-0.1	0.3	0.3	0.3	-	41.4	6.6	21.8
Oct.	.	.	.	.	.	.	.	.	-	44.3	10.7	20.8
Nov.	.	.	.	.	.	.	.	.	-	60.4	11.9	23.5

**2. Deflators of gross domestic product**

	Deflators of GDP <sup>4)</sup> (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	2.6	2.9	1.5	2.6	2.3	
1996	102.1	2.1	2.1	2.5	2.2	0.8	0.9	0.8	
1997	103.7	1.6	1.7	1.9	1.8	1.0	2.2	2.7	
1998	105.3	1.6	1.1	1.3	1.5	0.5	-0.1	-1.6	
1997 Q2	103.5	1.6	1.6	1.8	2.0	0.9	2.0	2.2	
Q3	103.9	1.6	1.9	2.1	1.7	1.2	3.0	3.9	
Q4	104.2	1.5	1.7	1.8	1.8	1.3	2.5	3.0	
1998 Q1	104.8	1.6	1.3	1.6	1.2	0.8	1.4	0.8	
Q2	105.2	1.6	1.4	1.6	1.4	0.8	0.4	-0.4	
Q3	105.5	1.5	0.8	1.1	1.8	0.3	-0.6	-2.6	
Q4	105.8	1.5	0.7	1.0	1.6	0.1	-1.7	-4.1	
1999 Q1	106.3	1.4	0.9	1.0	1.8	0.1	-2.0	-4.0	
Q2	106.3	1.1	0.9	1.2	1.9	0.2	-0.8	-1.5	

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; data to end-1998 are based on national deflators in domestic currency.

## 5 Real economy indicators in the euro area

**Table 5.1**

### National accounts <sup>1)</sup>

#### 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 <sup>2)</sup>	Exports <sup>3)</sup>	Imports <sup>3)</sup>
	1	2	3	4	5	6	7	8
1995	5,307.4	5,219.5	2,995.9	1,097.0	1,093.9	32.7	1,548.8	1,461.0
1996	5,528.7	5,412.6	3,138.6	1,147.4	1,119.6	7.0	1,636.6	1,520.5
1997	5,641.4	5,502.8	3,190.1	1,152.8	1,134.7	25.2	1,804.0	1,665.3
1998	5,863.9	5,729.5	3,313.7	1,180.4	1,188.5	46.8	1,909.7	1,775.3
1998 Q2	1,458.0	1,422.4	823.5	294.2	292.2	12.5	480.5	444.9
Q3	1,474.0	1,438.2	833.6	296.0	299.9	8.7	481.2	445.4
Q4	1,487.9	1,457.7	843.5	298.1	302.6	13.5	472.3	442.0
1999 Q1	1,501.6	1,472.6	850.8	303.9	309.2	8.6	471.1	442.1
Q2	1,510.3	1,484.7	857.6	306.3	312.5	8.4	482.1	456.5

#### 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 <sup>2)</sup>	Exports <sup>3)</sup>	Imports <sup>3)</sup>
	9	10	11	12	13	14	15	16
1995	5,307.4	5,219.5	2,995.9	1,097.0	1,093.9	32.7	1,548.8	1,461.0
1996	5,378.4	5,265.8	3,039.1	1,117.0	1,103.8	5.9	1,618.6	1,506.1
1997	5,496.5	5,353.7	3,081.2	1,122.6	1,126.9	23.0	1,779.9	1,637.2
1998	5,646.2	5,530.2	3,170.9	1,137.2	1,175.1	47.0	1,892.3	1,776.3
1998 Q2	1,409.0	1,376.4	789.9	284.4	289.7	12.4	475.4	442.8
Q3	1,416.7	1,386.8	796.2	284.5	296.6	9.6	477.0	447.2
Q4	1,418.6	1,396.8	800.8	283.9	296.9	15.2	470.1	448.3
1999 Q1	1,424.8	1,405.6	805.2	287.3	303.3	9.8	471.2	452.1
Q2	1,432.2	1,411.5	807.0	287.8	305.3	11.5	478.5	457.8

(annual percentage changes)

1995	2.2	2.2	1.8	0.8	2.5	-	6.5	6.8
1996	1.3	0.9	1.4	1.8	0.9	-	4.5	3.1
1997	2.2	1.7	1.4	0.5	2.1	-	10.0	8.7
1998	2.7	3.3	2.9	1.3	4.3	-	6.3	8.5
1998 Q2	2.8	3.0	2.7	1.5	3.2	-	8.6	9.8
Q3	2.6	3.5	3.4	1.1	4.7	-	4.7	7.7
Q4	1.9	3.0	3.1	1.0	3.5	-	1.6	5.0
1999 Q1	1.6	2.6	2.7	1.0	3.9	-	0.3	3.2
Q2	1.6	2.5	2.2	1.2	5.4	-	0.6	3.4

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 cross-border trade within the euro area.

Table 5.2

Selected other real economy indicators <sup>1)</sup>

## 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		Durable consumer goods	Non-durable consumer goods	
	1	2	3	4			5	6			
1995	100.1	2.8	100.1	3.4	3.5	2.6	7.3	0.8	-1.1	1.8	-0.4
1996	100.1	-0.1	100.5	0.4	0.1	-0.2	1.6	0.0	0.1	-0.2	-2.4
1997	103.9	3.8	104.9	4.4	5.0	5.4	4.8	2.7	2.7	2.6	-0.5
1998	107.4	3.4	109.2	4.1	4.6	3.7	6.7	3.0	6.3	1.4	-0.9
1998 Q3	107.7	3.2	109.4	3.9	4.3	2.8	6.6	3.3	6.5	1.8	-1.1
Q4	107.2	0.8	109.2	1.5	1.4	0.3	4.2	1.2	4.5	-0.4	-3.7
1999 Q1	107.7	0.3	109.3	0.5	0.2	-0.2	1.0	1.2	1.9	0.9	-1.1
Q2	108.2	0.8	109.8	0.4	0.3	0.1	-0.5	1.2	2.7	0.2	0.8
Q3	.	.	110.8	1.4	1.3	1.5	0.1	1.9	2.9	1.8	.
1998 Oct.	107.5	1.6	109.7	2.4	2.7	1.2	5.7	2.8	8.0	0.2	-2.9
Nov.	107.5	1.5	109.5	2.3	2.1	1.3	4.7	1.5	4.3	-0.1	-3.6
Dec.	106.6	-0.8	108.2	-0.2	-0.7	-1.9	2.3	-0.7	0.5	-1.2	-4.7
1999 Jan.	108.1	1.3	109.3	1.4	1.4	0.1	3.4	2.5	4.6	1.4	1.1
Feb.	107.1	-0.8	108.9	-0.3	-0.9	-0.8	0.3	0.0	0.9	-0.3	-4.5
Mar.	107.9	0.3	109.8	0.3	0.1	0.2	-0.4	1.2	0.6	1.7	0.0
Apr.	107.9	0.1	109.1	-0.3	-0.3	-0.7	-0.3	0.2	1.1	-0.2	0.9
May	108.1	0.3	109.8	0.0	-0.1	-0.4	-1.3	1.4	3.2	-0.1	0.0
June	108.7	1.9	110.5	1.5	1.3	1.2	0.1	2.1	3.9	0.8	1.5
July	108.5	0.8	110.4	0.4	0.2	0.6	-1.4	1.2	1.5	1.3	1.1
Aug.	.	.	110.8	2.5	2.5	2.2	0.6	4.6	11.0	3.1	.
Sep.	.	.	111.0	1.4	1.4	1.9	1.2	0.6	-0.2	1.3	.
Oct.	.	.	.	.	.	.	.	.	.	.	.

## 2. Retail sales and car registrations

(annual percentage changes, unless otherwise indicated)

	Retail sales								New passenger car registrations		
	Current prices				Constant prices				Thousands <sup>2)</sup> (s.a.)		
	Total		Total		Food, beverages, tobacco	Non-food		Textiles, clothing, footwear			Household equipment
	Index (s.a.) 1995 = 100		Index (s.a.) 1995 = 100								
12	13	14	15	16	17	18	19	20	21		
1995	.	.	100.0	.	.	.	.	.	777	0.8	
1996	.	.	100.4	0.4	0.6	.	-1.0	0.0	826	6.2	
1997	.	.	101.6	1.2	1.2	0.9	0.6	1.1	861	4.2	
1998	.	.	104.5	2.8	1.9	2.7	1.7	3.8	922	7.1	
1998 Q3	.	.	105.1	3.6	2.2	3.8	4.7	3.8	881	6.7	
Q4	.	.	105.4	2.8	3.2	2.5	0.3	2.9	852	6.3	
1999 Q1	.	.	105.8	2.4	2.5	2.0	2.1	1.1	1,070	7.1	
Q2	.	.	106.3	2.1	2.8	1.6	1.9	2.5	1,035	8.3	
Q3	.	.	107.0	1.8	3.8	0.8	-0.9	3.2	936	6.3	
1998 Oct.	.	.	105.0	1.7	1.7	2.1	-1.2	2.7	951	5.0	
Nov.	.	.	106.4	5.2	5.7	4.0	4.5	4.5	961	9.8	
Dec.	.	.	104.9	1.8	2.6	1.6	-1.9	1.8	918	3.9	
1999 Jan.	.	.	105.5	2.2	1.6	0.9	2.0	2.6	986	9.0	
Feb.	.	.	105.5	1.7	2.3	0.9	-2.3	0.3	964	5.5	
Mar.	.	.	106.5	3.1	3.4	4.0	5.8	0.6	982	6.7	
Apr.	.	.	105.6	1.6	1.2	1.4	2.4	3.6	991	11.2	
May	.	.	106.1	1.0	1.0	0.6	-0.4	1.1	971	5.9	
June	.	.	107.0	3.6	6.1	2.7	3.8	2.8	980	7.8	
July	.	.	107.0	2.0	2.6	1.4	-0.2	3.2	1,049	10.4	
Aug.	.	.	107.2	1.7	5.9	1.9	1.6	3.5	964	5.3	
Sep.	.	.	106.9	1.8	2.8	-0.8	-3.4	2.9	967	1.9	
Oct.	.	.	.	.	.	.	.	.	976	2.9	

Sources: Eurostat, except columns 20 and 21 (ECB calculation 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**

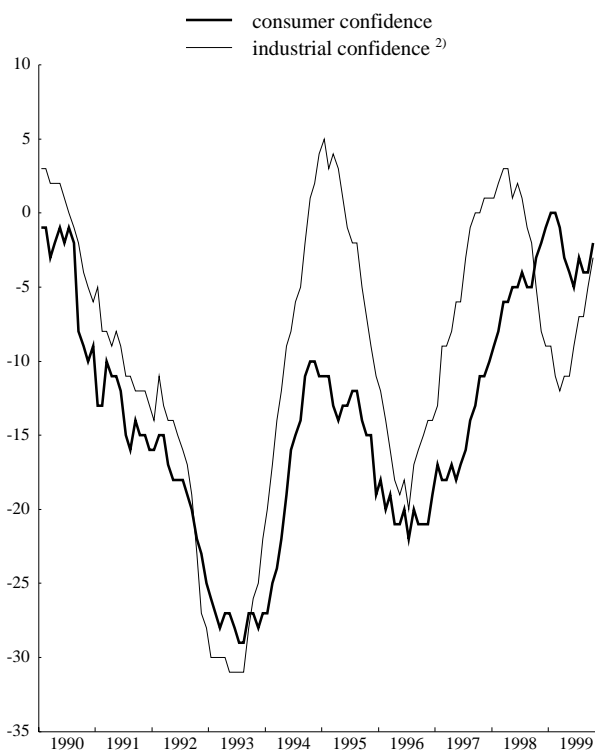
**Business and consumer surveys**

(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 <sup>1)</sup> (percentages)			
	1	2	3	4	5	6	7
1996	-16	-1	-30	80.6	-36	-11	-20
1997	-4	11	-15	81.0	-33	-9	-15
1998	-1	11	-5	83.0	-19	-3	-5
1999	.	.	.	81.8	.	.	.
1998 Q4	-7	3	-13	82.8	-15	-3	-2
1999 Q1	-11	1	-20	82.0	-9	-3	0
Q2	-10	3	-21	81.8	-7	-4	-4
Q3	-6	8	-17	81.6	-7	-7	-4
Q4	.	.	.	81.9	.	.	.
1998 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	-7	7	-18	-	-5	-6	-3
Aug.	-7	7	-17	-	-9	-7	-4
Sep.	-5	10	-15	-	-8	-7	-4
Oct.	-3	13	-11	-	-6	-8	-2

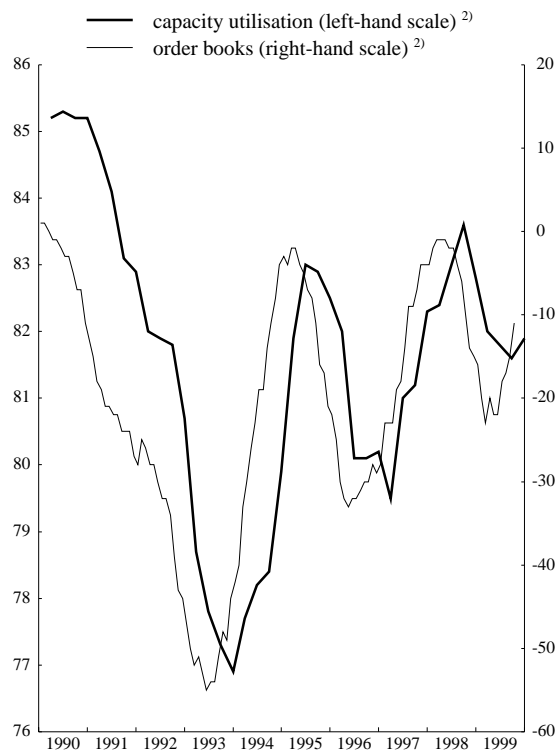
**Consumer and industrial confidence indicators**

(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 <sup>1)</sup>**
*(annual percentage changes, unless otherwise indicated)*

	Employment						Unemployment (s.a.)			
	Whole economy				Industry (excluding construction)	Services	Total		Adult <sup>2)</sup>	Youth <sup>2)</sup>
	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	-	-	-	-	-	14.286	11.3	9.5	23.2
1996	100.2	0.2	0.2	0.3	-1.2	1.3	14.701	11.6	9.8	23.9
1997	100.7	0.5	0.6	-0.1	-0.6	1.1	14.789	11.6	9.9	23.2
1998	101.9	1.2	1.3	0.5	0.9	1.6	14.004	10.9	9.4	21.3
1998 Q3	.	.	1.2	.	.	.	13.897	10.8	9.3	21.1
Q4	.	.	1.5	.	.	.	13.620	10.6	9.2	20.8
1999 Q1	.	.	.	.	.	.	13.261	10.3	9.0	20.0
Q2	.	.	.	.	.	.	13.020	10.1	8.9	19.3
Q3	.	.	.	.	.	.	12.899	10.0	8.8	19.1
1998 Sep.	-	-	-	-	-	-	13.823	10.7	9.3	21.1
Oct.	-	-	-	-	-	-	13.727	10.7	9.2	21.0
Nov.	-	-	-	-	-	-	13.640	10.6	9.2	20.8
Dec.	-	-	-	-	-	-	13.494	10.5	9.1	20.5
1999 Jan.	-	-	-	-	-	-	13.358	10.4	9.0	20.3
Feb.	-	-	-	-	-	-	13.295	10.3	9.0	20.1
Mar.	-	-	-	-	-	-	13.129	10.2	8.9	19.7
Apr.	-	-	-	-	-	-	13.081	10.2	8.9	19.4
May	-	-	-	-	-	-	12.995	10.1	8.8	19.2
June	-	-	-	-	-	-	12.986	10.1	8.8	19.2
July	-	-	-	-	-	-	12.937	10.0	8.8	19.2
Aug.	-	-	-	-	-	-	12.945	10.0	8.8	19.2
Sep.	-	-	-	-	-	-	12.815	10.0	8.7	18.9

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

	Unit labour cost in the whole economy, and components (s.a.)			Labour cost indices <sup>3)</sup> and components						Earnings per employee in manufacturing
	Unit labour cost	Compensation per employee	Labour productivity	Total	Wages and salaries	Other	Industry	Services		
							Total	Total		
							17	18		
11	12	13	14	15	16	17	18	19		
1995	1.5	3.6	2.0	-	-	-	-	-	3.7	
1996	2.0	3.3	1.2	2.8	2.4	3.8	3.4	1.1	3.7	
1997	0.7	2.5	1.8	2.6	2.5	3.3	2.5	2.6	2.6	
1998	.	.	.	1.7	2.2	1.1	1.8	1.3	2.4	
1997 Q2	0.6	2.8	2.3	3.0	2.7	3.9	2.5	3.6	3.0	
Q3	0.3	2.3	1.9	2.4	2.4	2.9	2.5	2.2	2.3	
Q4	0.2	2.2	2.0	2.5	2.4	3.1	2.5	2.0	2.4	
1998 Q1	-1.5	1.2	2.7	1.8	2.4	1.1	1.5	1.6	2.0	
Q2	0.0	1.3	1.3	1.7	2.3	0.8	1.9	1.2	2.6	
Q3	0.4	1.5	1.2	1.6	2.0	1.1	1.9	1.1	2.4	
Q4	.	.	.	1.8	2.2	1.1	2.1	1.3	2.7	
1999 Q1	.	.	.	2.3	2.2	2.7	2.3	2.1	2.4	
Q2	.	.	.	2.1	2.2	2.0	2.1	2.0	2.1	

Sources: ECB calculations based on Eurostat data (columns 1 to 6 and 18), Eurostat (columns 7 to 10, 14 to 17) 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 the agriculture, public administration, education and health sectors. Owing to differences in coverage, components are not consistent with the total.

## 6 Saving, investment and financing in the euro area

**Table 6**

### Saving, investment and financing

(as a percentage of GDP, unless otherwise indicated)

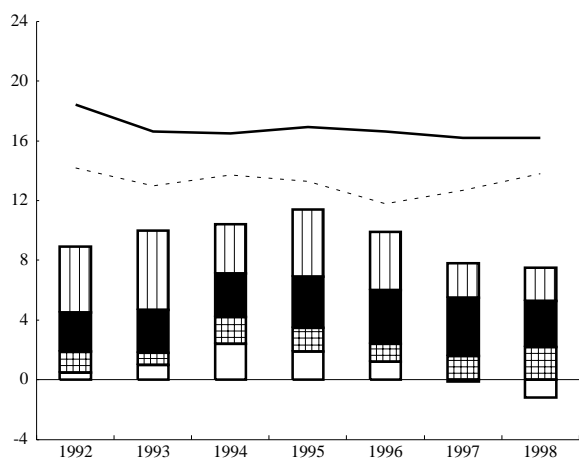
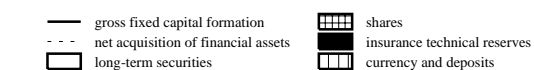
	Euro area saving and investment <sup>1)</sup>			Investment of private non-financial sectors <sup>1) 2)</sup>							
	Gross saving	Gross fixed capital formation	Net lending to the rest of the world	Gross fixed capital formation	Non-financial corporations	Net acquisition of financial assets	Currency and deposits	Securities other than shares	Long-term securities	Shares	Insurance technical reserves
1991	21.9	23.0	-1.3	19.1	14.3	16.7	3.9	3.0	2.5	1.7	2.5
1992	20.9	22.2	-1.0	18.4	13.7	14.2	4.4	1.7	0.5	1.4	2.6
1993	20.0	20.2	0.5	16.6	12.3	13.0	5.3	0.6	1.0	0.8	2.9
1994	20.4	19.8	0.3	16.5	12.3	13.7	3.3	2.2	2.4	1.8	2.9
1995	21.3	20.1	0.8	16.9	12.6	13.3	4.5	2.2	1.9	1.6	3.4
1996	20.9	19.8	1.2	16.6	12.3	11.8	3.9	0.2	1.2	1.2	3.6
1997	21.6	19.2	1.9	16.2	12.0	12.7	2.3	-0.8	-0.1	1.6	3.9
1998	21.9	19.3	1.3	16.2	12.1	13.8	2.2	-2.1	-1.2	2.2	3.1

	Financing of private non-financial sectors <sup>1) 2)</sup>									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			
1991	21.0	12.1	13.3	0.4	0.4	1.6	9.1	5.0	3.4	46.6	38.8	
1992	20.7	12.1	10.6	0.7	0.6	1.4	6.8	4.7	3.6	43.6	33.9	
1993	20.4	11.5	7.4	1.3	1.4	1.6	3.6	4.4	5.6	43.9	26.6	
1994	20.3	10.6	9.6	1.0	1.1	1.8	3.6	3.5	4.1	45.4	32.1	
1995	21.1	10.9	7.0	-1.8	-1.8	1.4	5.4	3.6	6.3	44.0	24.9	
1996	20.3	10.7	8.0	0.2	0.0	1.7	5.3	4.3	3.8	41.5	28.3	
1997	19.8	9.4	9.3	0.1	0.0	1.5	6.5	4.8	3.4	43.9	32.0	
1998	18.7	8.7	11.9	0.5	0.3	2.6	7.5	5.6	1.9	46.0	38.9	

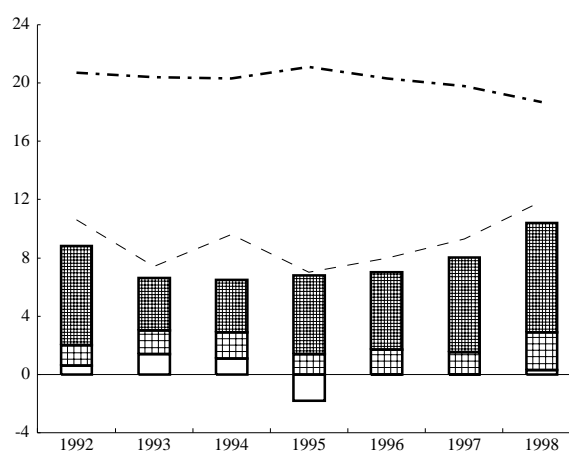
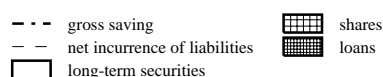
### Investment and financing of private non-financial sectors <sup>1) 2)</sup>

(as a percentage of GDP)

#### Investment



#### Financing



Source: ECB.

1) Selected items of investment and financing.

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 <sup>1)2)</sup> – receipts and expenditure

	Receipts							Expenditure							
	Total	Current receipts	Direct taxes	Indirect taxes	Social contributions	Sales	Capital receipts	Total	Current expenditure	Compensation of employees	Inter-mediate consumption	Interest	Transfers to households	Capital expenditure	Investment
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1991	46.6	46.0	11.9	12.9	16.7	2.2	0.5	51.0	46.1	11.2	5.4	5.0	20.5	4.9	3.1
1992	47.7	46.8	12.0	12.9	17.1	2.3	0.9	52.3	47.5	11.4	5.5	5.5	21.4	4.8	3.1
1993	48.4	47.8	12.1	13.2	17.5	2.4	0.7	54.0	49.2	11.6	5.7	5.8	22.3	4.9	2.9
1994	47.8	47.2	11.6	13.4	17.5	2.3	0.6	52.9	48.3	11.3	5.5	5.4	22.3	4.5	2.8
1995	47.5	46.9	11.7	13.3	17.4	2.4	0.7	52.6	48.0	11.2	5.3	5.7	22.3	4.6	2.6
1996	48.4	47.8	12.1	13.4	17.7	2.5	0.6	52.6	48.5	11.2	5.4	5.7	22.8	4.1	2.5
1997	48.6	47.8	12.3	13.5	17.7	2.4	0.8	51.2	47.3	11.0	5.3	5.1	22.6	3.8	2.3
1998	48.2	47.6	12.5	14.2	16.6	2.4	0.6	50.1	46.2	10.7	5.2	4.6	22.2	3.9	2.3

### 2. Euro area <sup>1)2)</sup> – saving, deficit and debt

	Gross saving	Deficit (-) / surplus (+)				Primary deficit/surplus	Deficit/debt adjustment <sup>3)</sup>	Change in debt <sup>4)</sup>				Gross nominal consolidated debt			
		Total	Central government	State and 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
1991	0.0	-4.4	-4.2	-0.4	0.3	0.6	1.2	5.6	1.5	0.0	4.1	58.0	18.4	8.5	31.1
1992	-0.7	-4.6	-4.1	-0.5	-0.1	0.8	1.7	6.6	1.7	0.8	4.1	61.6	19.1	8.9	33.5
1993	-1.4	-5.6	-4.9	-0.6	0.0	0.2	2.5	8.0	1.5	-0.3	6.9	68.1	20.2	8.3	39.6
1994	-1.1	-5.1	-4.4	-0.7	0.0	0.4	0.8	5.8	0.2	0.6	5.0	70.6	19.4	8.5	42.7
1995	-1.1	-5.1	-4.3	-0.5	-0.3	0.6	1.7	6.8	1.9	-0.3	5.2	74.6	20.6	7.8	46.2
1996	-0.8	-4.2	-3.6	-0.4	-0.2	1.5	-0.3	3.9	0.3	0.2	3.4	75.9	20.2	7.8	48.0
1997	0.5	-2.5	-2.3	-0.3	0.1	2.6	-0.3	2.2	-0.1	-0.9	3.2	75.2	19.3	6.5	49.4
1998	1.4	-2.0	-2.1	0.1	0.1	2.7	-0.4	1.6	-0.3	-0.7	2.6	73.4	18.2	5.5	49.7

### 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	-3.1	-4.4	-2.0	-2.3	-10.1	1.9	-2.9	-3.0	-6.0	-1.0
1992	-7.0	-2.6	-4.0	-3.8	-2.5	-9.6	0.7	-3.9	-2.0	-3.0	-5.9
1993	-7.3	-3.2	-6.8	-5.7	-2.2	-9.5	1.6	-3.2	-4.2	-6.1	-7.1
1994	-4.9	-2.4	-6.2	-5.8	-1.7	-9.2	2.7	-3.8	-5.0	-6.0	-6.4
1995	-3.8	-3.3	-7.1	-4.9	-2.1	-7.7	1.8	-4.1	-5.1	-5.7	-4.6
1996	-3.1	-3.4	-4.5	-4.1	-0.2	-6.6	2.8	-1.8	-3.7	-3.3	-3.1
1997	-1.6	-2.7	-2.5	-3.0	1.0	-2.7	3.8	-1.0	-1.8	-2.5	-1.2
1998	-0.9	-2.0	-1.7	-2.9	2.4	-2.7	2.5	-0.7	-2.2	-2.2	0.9

### 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	128.5	41.4	44.6	35.7	94.3	101.5	4.0	79.0	57.9	62.9	23.1
1992	130.1	44.0	47.1	39.6	91.1	108.7	4.9	80.0	57.9	56.3	41.3
1993	136.8	48.0	59.0	45.7	92.6	119.1	5.9	81.2	62.7	61.0	57.6
1994	135.1	50.2	61.3	48.5	86.1	124.9	5.5	77.9	65.4	63.8	59.3
1995	132.0	58.3	64.2	52.8	78.4	125.3	5.8	77.9	69.4	65.9	58.1
1996	128.8	60.8	68.5	55.7	68.6	124.6	6.3	76.1	69.8	64.9	57.6
1997	123.4	61.5	67.1	58.1	59.9	122.4	6.4	70.8	64.1	61.7	55.0
1998	118.2	61.1	65.1	58.8	49.5	118.7	6.9	67.5	63.0	57.8	49.7

Sources: ECB for euro area aggregated data; for data relating to countries' deficit/surplus and debt, 1995-98: European Commission (Economic and Financial Affairs DG and Eurostat), 1991-94: ECB.

1) Receipts, expenditure and deficit aggregates based mainly on the ESA 95.

2) Euro area excluding Luxembourg; transactions among the euro area countries are not consolidated.

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:  $[debt(t)-debt(t-1)] \div GDP(t)$ .

## 8 Balance of payments and international investment position of the euro area (including reserves)

Table 8.1

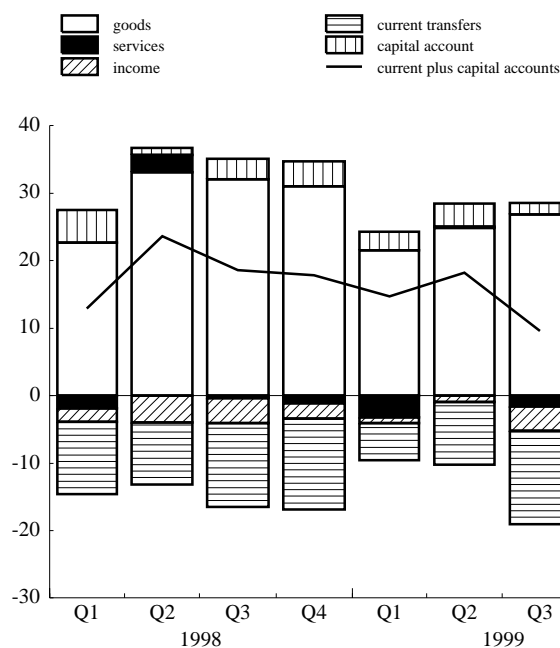
### Summary balance of payments

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

	Current account					Capital account	Financial account <sup>1)</sup>						Errors and omissions <sup>2)</sup>
	Total	Goods	Services	Income	Current transfers		Total <sup>2)</sup>	Direct investment	Portfolio investment <sup>2)</sup>	Financial derivatives <sup>2)</sup>	Other investment <sup>2) 3)</sup>	Reserve assets <sup>2)</sup>	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	60.3	118.8	-0.9	-11.9	-45.8	12.7	-69.1	-102.6	-85.3	-8.2	118.5	8.5	-3.8
1998 Q3	15.5	32.0	-0.4	-3.7	-12.5	3.1	-15.6	-20.0	8.8	1.1	-8.2	2.6	-3.0
Q4	14.2	31.0	-1.2	-2.3	-13.4	3.7	-36.2	-56.5	-39.7	-5.3	58.7	6.7	18.3
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	14.8	24.8	0.2	-0.9	-9.3	3.4	-28.3	-52.6	-7.0	-0.6	25.3	6.6	10.1
Q3	7.8	26.8	-1.6	-3.6	-13.8	1.7	-3.4	-18.6	25.0	2.6	-13.9	1.5	-6.1
1998 July	10.5	15.1	0.3	-2.3	-2.6	1.1	17.3	-5.9	13.4	-1.4	11.0	0.1	-28.9
Aug.	4.3	9.0	0.1	0.2	-4.9	1.5	4.3	-7.6	8.0	2.2	3.7	-2.0	-10.1
Sep.	0.7	7.9	-0.8	-1.6	-4.9	0.5	-37.2	-6.5	-12.6	0.3	-22.9	4.5	36.0
Oct.	3.7	10.6	-1.0	-1.0	-4.9	0.8	-9.7	-18.0	-30.7	-2.9	44.8	-2.9	5.3
Nov.	4.4	10.2	-0.3	-1.0	-4.6	0.9	7.4	-35.3	3.1	-2.3	47.8	-5.8	-12.6
Dec.	6.1	10.3	0.1	-0.3	-3.9	2.0	-33.8	-3.2	-12.0	-0.1	-33.9	15.4	25.7
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	8.0	-0.4	2.1	-2.9	0.5	-5.1	-14.6	13.6	3.5	-9.3	1.8	-2.3
May	0.5	5.9	0.7	-2.9	-3.2	1.4	-11.0	-19.1	-28.5	-3.9	37.0	3.5	9.1
June	7.4	11.0	-0.1	-0.2	-3.2	1.4	-12.2	-18.9	7.9	-0.1	-2.3	1.3	3.3
July	8.2	13.3	0.8	-1.5	-4.4	0.7	-3.4	-5.7	3.0	1.8	-1.8	-0.7	-5.5
Aug.	1.5	7.0	-1.1	0.4	-4.8	0.6	32.9	-5.9	1.8	1.5	34.9	0.5	-35.0
Sep.	-1.9	6.5	-1.3	-2.5	-4.6	0.4	-32.8	-7.0	20.2	-0.7	-47.0	1.7	34.3

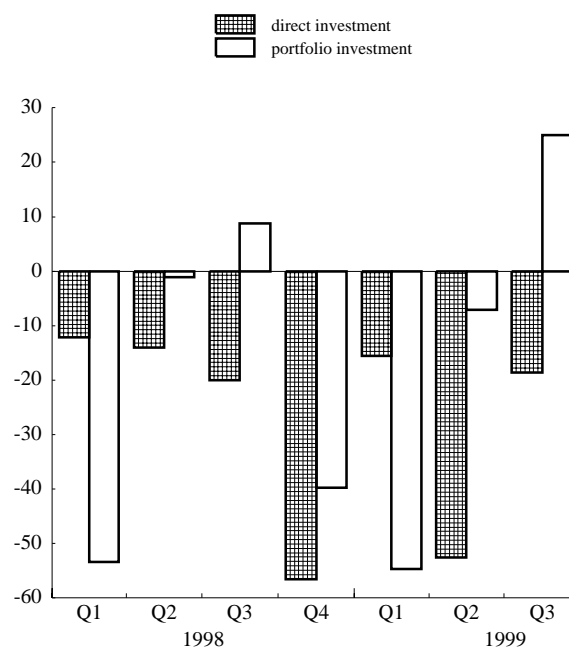
### Current and capital accounts

(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) Inflows (+); outflows (-). Reserve assets: increase (-); decrease (+).
- 2) Data before end-1998 are not closely comparable with later observations.
- 3) Flows before January 1999 include estimates.

**Table 8.2****Balance of payments – current and capital accounts***(EUR billions (ECU billions to end-1998); gross flows)*

	Current account										Capital account	
	Total		Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	
1998	1,264.0	1,203.7	772.4	653.6	232.0	232.8	198.5	210.4	61.1	106.9	17.8	5.1
1998 Q3	310.8	295.2	189.4	157.4	61.6	62.0	47.5	51.2	12.2	24.6	4.3	1.2
Q4	316.6	302.4	195.7	164.7	58.1	59.3	50.3	52.6	12.4	25.9	5.2	1.6
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	324.0	309.2	193.1	168.2	59.3	59.1	56.8	57.8	14.8	24.2	4.6	1.2
Q3	314.7	306.9	193.3	166.5	62.4	64.0	46.3	50.0	12.6	26.4	3.1	1.4
1998 July	113.4	102.9	70.0	55.0	21.8	21.4	16.9	19.1	4.8	7.4	1.5	0.5
Aug.	93.8	89.4	55.7	46.7	20.3	20.2	14.0	13.9	3.7	8.7	1.8	0.3
Sep.	103.6	102.9	63.6	55.7	19.6	20.4	16.6	18.2	3.7	8.6	0.9	0.4
Oct.	105.7	101.9	67.1	56.5	19.4	20.4	15.7	16.7	3.4	8.4	1.2	0.4
Nov.	101.5	97.1	64.4	54.2	17.9	18.1	15.3	16.3	4.0	8.5	1.3	0.5
Dec.	109.4	103.3	64.3	54.0	20.8	20.8	19.3	19.6	5.0	9.0	2.7	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.	105.4	98.5	63.3	55.3	18.5	18.9	18.7	16.6	4.9	7.8	1.0	0.4
May	102.2	101.7	60.7	54.9	19.2	18.5	16.9	19.7	5.4	8.6	1.8	0.3
June	116.4	109.0	69.1	58.1	21.6	21.7	21.2	21.4	4.6	7.8	1.9	0.5
July	111.9	103.7	69.4	56.0	22.7	21.9	15.4	16.9	4.4	8.8	1.3	0.6
Aug.	96.0	94.5	57.3	50.3	19.9	21.0	14.8	14.4	4.0	8.8	1.0	0.4
Sep.	106.8	108.7	66.6	60.2	19.8	21.1	16.2	18.7	4.2	8.8	0.9	0.5

Source: ECB.

**Table 8.3****Balance of payments – income account***(EUR billions; gross flows)*

	Total		Compensation of employees		Investment income							
	Credit	Debit	Credit	Debit	Total		Direct investment		Portfolio investment		Other investment	
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	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
Q2	56.8	57.8	2.3	1.3	54.5	56.5	12.7	8.1	16.2	24.1	25.5	24.3

	Income on direct investment				Income on portfolio investment							
	Equity		Debt		Equity		Debt instruments					
	Credit	Debit	Credit	Debit	Credit	Debit	Total		Bonds and notes		Money market instruments	
							Credit	Debit	Credit	Debit	Credit	Debit
	13	14	15	16	17	18	19	20	21	22	23	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
Q2	11.5	7.0	1.2	1.1	3.4	10.9	12.9	13.1	12.3	12.5	0.6	0.7

*Source: ECB.*

**Table 8.4****Balance of payments – direct and portfolio investment accounts <sup>1)</sup>***(EUR billions (ECU billions to end-1998); net flows)***1. Direct investment; portfolio investment by instrument**

	Direct investment		Portfolio investment <sup>2)</sup>									
	Abroad	In the euro area	Total		Equity		Debt instruments					
			Assets	Liabilities	Assets	Liabilities	Assets			Liabilities		
							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	-183.0	80.4	-302.1	216.8	-98.7	98.3	-203.3	-187.1	-16.3	118.5	102.7	15.8
1998 Q3	-25.3	5.3	-60.2	69.1	-13.2	5.5	-47.1	-42.2	-4.8	63.5	47.0	16.6
Q4	-70.0	13.5	-61.4	21.7	-20.1	41.6	-41.2	-29.2	-12.0	-19.9	-18.0	-1.9
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	-76.9	24.3	-85.6	78.6	-40.9	31.3	-44.7	-52.5	7.8	47.3	33.7	13.7
Q3	-19.8	1.2	-56.9	82.0	-24.2	20.5	-32.7	-22.3	-10.5	61.5	24.8	36.7
1998 July	-2.0	-3.9	-24.3	37.7	-4.5	10.9	-19.8	-20.2	0.4	26.8	15.5	11.3
Aug.	-4.1	-3.5	-16.4	24.4	-0.6	-3.4	-15.8	-14.2	-1.6	27.8	22.1	5.8
Sep.	-19.2	12.7	-19.5	6.9	-8.1	-2.0	-11.4	-7.8	-3.6	8.9	9.4	-0.6
Oct.	-13.0	-5.0	-9.6	-21.1	-2.0	-2.0	-7.6	-6.7	-0.9	-19.1	-24.7	5.6
Nov.	-42.7	7.4	-32.0	35.0	-10.0	36.4	-21.9	-13.8	-8.2	-1.4	-0.8	-0.6
Dec.	-14.2	11.0	-19.8	7.7	-8.1	7.1	-11.7	-8.8	-2.9	0.6	7.5	-6.9
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.	-23.3	8.7	-22.2	35.8	-11.7	8.2	-10.5	-14.8	4.3	27.6	27.7	-0.1
May	-28.3	9.1	-37.9	9.4	-15.7	10.8	-22.2	-23.3	1.1	-1.4	-9.2	7.8
June	-25.3	6.4	-25.5	33.4	-13.5	12.3	-12.0	-14.4	2.4	21.1	15.2	5.9
July	0.1	-5.8	-19.0	22.1	-5.2	9.5	-13.9	-13.3	-0.5	12.6	0.7	11.9
Aug.	-9.4	3.5	-20.7	22.5	-10.3	3.1	-10.3	-5.7	-4.6	19.4	7.7	11.7
Sep.	-10.5	3.5	-17.2	37.5	-8.7	8.0	-8.5	-3.2	-5.3	29.5	16.4	13.1

**2. Portfolio investment assets by instrument and sector of holder**

	Equity				Debt instruments							
					Bonds and notes				Money market instruments			
	Euro-system	General government	MFIs (excl. the Euro-system)	Other sectors	Euro-system	General government	MFIs (excl. the Euro-system)	Other sectors	Euro-system	General government	MFIs (excl. the Euro-system)	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
Q2	0.0	-0.3	-3.0	-37.7	0.8	-0.3	-10.5	-42.5	0.5	-0.5	1.1	6.6

Source: ECB.

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

2) Data before end-1998 are not closely comparable with later observations and include estimates.



**Table 8.5****Balance of payments – other investment account and reserve assets <sup>1)</sup>***(EUR billions (ECU billions to end-1998); net flows)***1. Other investment by sector <sup>2)</sup>**

	Total		Eurosysteem		General government		MFIs (excluding the Eurosysteem)						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	-67.5	186.0	-0.7	3.5	-1.4	-7.7	-22.6	178.1	-34.2	34.8	11.6	143.3	-42.8	12.1
1998 Q3	-84.3	76.1	0.4	-0.6	0.6	-1.9	-71.2	77.8	-13.2	1.7	-58.0	76.2	-14.0	0.8
Q4	59.1	-0.4	-0.5	2.9	3.0	-2.5	53.7	-4.1	-3.7	14.2	57.4	-18.3	2.9	3.2
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	1.0	24.4	4.4	0.0	3.9	-2.9	8.2	19.4	-15.7	13.2	23.8	6.2	-15.6	7.8
Q3	-35.1	21.2	0.0	0.0	-0.1	-3.1	-19.0	24.8	-13.6	7.4	-5.4	17.4	-16.0	-0.6
1998 July	-6.7	17.7	0.2	-0.1	0.2	-3.4	7.2	21.6	-2.8	0.9	10.0	20.7	-14.3	-0.4
Aug.	-12.5	16.2	0.1	-0.2	0.5	0.5	-22.0	17.1	-5.6	-1.5	-16.4	18.6	8.9	-1.2
Sep.	-65.1	42.2	0.1	-0.4	-0.2	0.9	-56.4	39.2	-4.8	2.3	-51.6	36.9	-8.5	2.4
Oct.	3.5	41.3	0.0	0.4	0.0	0.2	13.5	38.5	-1.3	2.8	14.8	35.7	-10.1	2.2
Nov.	6.7	41.1	-0.1	-2.6	1.2	2.2	1.6	39.8	-0.8	1.8	2.4	38.0	4.1	1.7
Dec.	49.0	-82.8	-0.4	5.2	1.9	-4.9	38.6	-82.4	-1.6	9.6	40.3	-92.0	8.9	-0.7
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.	10.5	-19.8	0.4	0.0	-0.2	0.3	15.0	-20.8	-4.7	2.7	19.7	-23.5	-4.8	0.7
May	-10.7	47.6	3.1	0.0	1.0	-0.9	-13.4	50.4	-3.9	6.1	-9.5	44.3	-1.4	-1.9
June	1.1	-3.5	0.9	0.0	3.0	-2.3	6.6	-10.1	-7.1	4.5	13.6	-14.6	-9.4	9.0
July	-16.6	14.8	0.6	0.0	-1.4	-1.7	-8.3	16.7	-2.3	2.3	-6.0	14.4	-7.5	-0.2
Aug.	-3.3	38.3	-1.2	0.0	0.3	-0.1	0.2	38.1	-6.1	3.4	6.3	34.7	-2.7	0.3
Sep.	-15.1	-31.9	0.6	0.0	1.0	-1.2	-10.9	-30.0	-5.2	1.6	-5.7	-31.6	-5.8	-0.7

**2. Other investment by sector and instrument****2.1. Eurosysteem**

	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
Q2	4.3	0.0	4.3	0.1	0.0	0.1

Source: ECB.

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

2) Data before end-1998 are not closely comparable with later observations and include estimates.

## 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
Q2	-0.1	0.0	-0.1	5.7	-2.7	3.0	-1.8	-0.2	-2.0

## 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
Q2	9.1	18.4	27.4	-0.8	1.1	0.2

## 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
Q2	-6.2	-2.9	-9.1	1.4	9.6	11.1	-10.8	1.0	-9.7

## 3. Reserve assets <sup>1)</sup>

	Total 1	Monetary gold 2	Special drawing rights 3	Reserve position in the IMF 4	Foreign exchange						Other claims 12	
					Total 5	Currency and deposits		Securities				Financial derivatives 11
						With monetary authorities and the BIS 6	With banks 7	Equity 8	Bonds and notes 9	Money market instruments 10		
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
Q2	6.6	0.0	-1.1	0.8	6.8	-4.6	-2.4	0.0	11.0	2.8	0.0	0.1

Source: ECB.

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

**Table 8.6**
**International investment position**
**1. Net international investment position <sup>1)</sup>**
*(EUR billions (ECU billions in 1997); assets minus liabilities; end-of-period positions)*

	Total	Direct investment			Portfolio investment					Financial derivatives <sup>2)</sup>	Other investment				Reserve assets <sup>2)</sup>
		Total	Equity (including reinvested earnings)	Other capital	Total	Equity securities	Debt instruments <sup>2)</sup>				Total	Trade credits	Loans/currency and deposits <sup>2)</sup>	Other assets/liabilities	
							Total	Bonds and notes	Money market instruments						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1997	42.2	114.4	129.9	-15.5	-599.6	-361.8	-237.8	-210.7	-27.0	-5.7	169.8	80.0	0.4	89.3	363.3
1998	-132.4	164.6	175.4	-10.8	-609.1	-475.5	-133.6	-125.5	-8.2	-3.6	-13.8	86.5	-172.2	71.9	329.4

**2. Reserves and related assets of the Eurosystem <sup>3)</sup>**
*(EUR billions; end-of-period positions, unless otherwise indicated)*

	Reserve assets													Memo: related assets	
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims		Claims on euro area residents denominated in foreign currency
		In fine troy ounces (millions)	Total			Currency and deposits		Securities			Financial derivatives				
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1998 Dec. <sup>4)</sup>	329.4	99.6	404.13	5.1	23.4	199.8	12.5	18.3	0.0	116.7	52.4	0.0	1.5	7.6	
1999 Jan.	338.7	101.3	404.08	6.0	22.7	207.0	-	-	-	-	-	0.0	1.6	7.7	
Feb.	340.5	105.3	404.08	3.0	22.7	208.9	-	-	-	-	-	0.0	0.7	9.7	
Mar.	349.3	105.1	404.08	3.9	23.5	215.1	-	-	-	-	-	0.0	1.8	10.4	
Apr.	352.6	109.3	404.08	5.5	23.9	212.3	-	-	-	-	-	0.0	1.7	11.7	
May	344.7	103.8	404.08	5.0	24.1	210.2	-	-	-	-	-	0.0	1.7	12.7	
June	347.2	102.0	403.73	3.9	25.2	214.5	-	-	-	-	-	0.0	1.6	12.6	
July	340.1	96.5	403.73	3.6	24.5	213.7	-	-	-	-	-	0.0	1.7	12.8	
Aug.	341.5	96.9	403.73	3.8	24.3	214.9	-	-	-	-	-	0.0	1.7	12.4	
Sep.	354.2	113.2	403.73	3.7	23.7	212.1	-	-	-	-	-	0.0	1.4	12.9	
Oct.	357.8	115.5	403.73	3.7	23.6	213.6	-	-	-	-	-	0.0	1.4	13.8	

*Source: ECB.*
*1) Obtained by aggregating national data.*
*2) Data for end-1997 are not closely comparable with those for end-1998.*
*3) The figures are not fully comparable with those in Table 1.1 owing to differences in coverage and valuation.*
*4) Position as at 1 January 1999.*

## 9 External trade in goods of the euro area

**Table 9**

### 1. Exports <sup>1)</sup>

(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										
									1	2	3	4	5	6	7	8	Value <sup>2)</sup>	Volume <sup>2)</sup>	Unit value
																	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	793.5	53.6	15.7	12.5	104.2	220.8	369.8	16.9	127.5	119.6	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	13.2	4.1	3.4	26.6	54.7	87.9	4.2	124.7	115.7	107.8								
Q2	203.9	14.0	3.9	3.3	26.9	56.5	95.1	4.2	131.0	122.7	106.8								
Q3	195.1	12.9	3.9	3.0	25.7	55.0	90.5	4.2	125.4	117.7	106.5								
Q4	200.4	13.5	3.8	2.8	24.9	54.6	96.4	4.3	128.8	122.4	105.2								
1999 Q1	187.3	12.1	3.8	2.6	25.8	50.9	86.3	5.9	120.4	112.3	107.2								
Q2	202.3	13.2	3.9	3.1	27.9	54.6	93.6	6.0	130.0	119.5	108.8								
Q3	204.1	.	.	.	.	.	.	.	131.2	.	.								
1998 Jan.	58.5	4.1	1.3	1.2	8.4	16.3	25.9	1.3	112.7	104.7	107.6								
Feb.	63.7	4.3	1.4	1.0	8.6	18.1	28.9	1.4	122.7	113.9	107.8								
Mar.	72.0	4.8	1.5	1.2	9.6	20.3	33.1	1.5	138.8	128.5	108.0								
Apr.	67.9	4.7	1.3	1.1	9.2	19.0	31.1	1.5	130.9	122.5	106.9								
May	65.7	4.6	1.3	1.1	8.6	18.2	30.5	1.4	126.6	118.4	106.9								
June	70.3	4.7	1.3	1.1	9.1	19.3	33.4	1.4	135.5	127.0	106.7								
July	72.9	4.6	1.3	1.1	9.2	21.1	34.1	1.4	140.5	131.4	106.9								
Aug.	56.3	4.0	1.2	0.9	7.7	15.5	25.6	1.3	108.5	102.5	105.9								
Sep.	65.9	4.3	1.3	0.9	8.8	18.4	30.8	1.5	127.1	119.2	106.6								
Oct.	68.9	4.6	1.3	1.0	8.6	19.5	32.4	1.4	132.8	125.8	105.6								
Nov.	66.8	4.5	1.3	0.9	8.1	18.1	32.4	1.5	128.8	123.0	104.7								
Dec.	64.7	4.4	1.2	0.9	8.2	17.0	31.5	1.4	124.7	118.4	105.3								
1999 Jan.	54.4	3.6	1.2	0.8	7.8	14.6	24.9	1.6	104.9	98.4	106.6								
Feb.	60.1	3.9	1.2	0.8	8.3	16.5	27.3	2.1	115.9	108.5	106.8								
Mar.	72.8	4.6	1.4	1.0	9.8	19.8	34.1	2.2	140.3	130.1	107.9								
Apr.	65.8	4.3	1.3	1.0	9.1	17.7	30.6	1.8	126.8	116.4	108.9								
May	63.6	4.4	1.3	1.0	9.0	17.3	28.8	1.9	122.5	113.0	108.4								
June	72.9	4.5	1.3	1.1	9.8	19.7	34.2	2.3	140.6	128.9	109.1								
July	74.9	4.2	1.3	1.1	9.8	20.2	34.7	3.6	144.4	.	.								
Aug.	60.1	.	.	.	.	.	.	.	115.9	.	.								
Sep.	69.1	.	.	.	.	.	.	.	133.2	.	.								

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 <sup>1)</sup>**
*(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 <sup>2)</sup>	Volume <sup>2)</sup>	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	712.4	50.8	41.2	62.1	67.6	201.7	268.9	20.1	126.6	123.4	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	180.8	12.7	10.9	17.5	17.6	51.5	65.3	5.3	128.5	119.8	107.3
Q2	179.6	12.7	11.1	15.9	17.2	50.4	67.0	5.3	127.7	122.1	104.6
Q3	171.4	12.3	9.7	14.7	16.4	50.6	63.1	4.6	121.8	119.8	101.7
Q4	180.6	13.1	9.6	13.9	16.4	49.2	73.5	4.9	128.4	132.2	97.1
1999 Q1	177.1	11.7	9.1	13.4	16.9	49.8	70.3	5.7	125.9	127.4	98.8
Q2	187.6	12.4	10.0	16.8	17.6	50.2	74.6	6.0	133.3	128.6	103.7
Q3	186.6	.	.	.	.	.	.	.	132.7	.	.
1998 Jan.	58.0	4.1	3.5	6.2	5.6	16.6	20.3	1.7	123.8	115.0	107.6
Feb.	58.2	4.0	3.5	5.7	5.5	16.7	20.9	1.9	124.1	115.2	107.8
Mar.	64.6	4.6	3.8	5.6	6.5	18.3	24.1	1.7	137.7	129.4	106.4
Apr.	60.2	4.4	3.7	5.4	5.7	16.8	22.5	1.7	128.3	121.6	105.5
May	57.1	4.0	3.5	5.5	5.6	15.8	21.1	1.5	121.8	116.1	104.9
June	62.3	4.2	3.9	4.9	5.9	17.8	23.3	2.1	132.8	128.5	103.4
July	59.3	4.4	3.6	4.9	5.9	17.8	21.1	1.6	126.6	123.9	102.1
Aug.	50.1	3.7	2.8	4.7	4.7	14.9	18.0	1.3	106.9	105.8	101.1
Sep.	61.9	4.2	3.3	5.0	5.7	17.9	24.0	1.7	132.0	129.6	101.8
Oct.	62.5	4.4	3.3	5.0	5.8	17.3	25.0	1.8	133.4	134.3	99.3
Nov.	59.6	4.2	3.1	4.4	5.4	16.2	24.7	1.6	127.1	132.0	96.3
Dec.	58.4	4.5	3.1	4.5	5.3	15.7	23.9	1.5	124.6	130.4	95.6
1999 Jan.	54.4	3.6	2.9	4.5	5.1	15.4	21.1	1.8	116.1	118.4	98.1
Feb.	55.8	3.7	2.9	4.1	5.4	16.0	21.8	2.0	118.9	120.9	98.4
Mar.	66.8	4.4	3.3	4.9	6.4	18.5	27.4	2.0	142.5	143.1	99.6
Apr.	61.0	4.0	3.3	5.6	5.7	15.9	24.4	2.0	130.1	127.2	102.3
May	61.8	4.1	3.3	5.7	5.7	16.4	24.7	1.9	131.8	126.2	104.4
June	64.8	4.3	3.5	5.4	6.1	17.9	25.5	2.1	138.2	132.3	104.4
July	63.0	4.0	3.2	6.4	5.5	17.6	23.0	3.2	134.3	.	.
Aug.	57.1	.	.	.	.	.	.	.	121.7	.	.
Sep.	66.6	.	.	.	.	.	.	.	142.0	.	.

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 <sup>1)</sup>**
*(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	81.1	2.8	-25.5	-49.5	36.5	19.1	100.9	-3.3
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	22.6	-1.1
Q2	24.3	1.3	-7.3	-12.6	9.7	6.1	28.1	-1.1
Q3	23.7	0.5	-5.8	-11.7	9.3	4.5	27.3	-0.5
Q4	19.8	0.4	-5.7	-11.1	8.5	5.5	22.9	-0.7
1999 Q1	10.2	0.4	-5.3	-10.8	8.9	1.0	15.9	0.2
Q2	14.7	0.8	-6.1	-13.7	10.3	4.4	19.0	-0.1
Q3	17.5	.	.	.	.	.	.	.
1998 Jan.	0.4	-0.1	-2.2	-5.0	2.8	-0.3	5.6	-0.4
Feb.	5.5	0.4	-2.2	-4.7	3.1	1.4	8.0	-0.5
Mar.	7.4	0.2	-2.3	-4.4	3.1	2.0	9.0	-0.1
Apr.	7.7	0.3	-2.4	-4.3	3.4	2.2	8.6	-0.2
May	8.5	0.5	-2.3	-4.5	3.1	2.4	9.4	-0.2
June	8.0	0.5	-2.6	-3.8	3.2	1.4	10.1	-0.7
July	13.5	0.2	-2.2	-3.9	3.3	3.3	13.0	-0.2
Aug.	6.1	0.3	-1.6	-3.8	3.0	0.7	7.6	0.0
Sep.	4.1	0.1	-2.0	-4.1	3.0	0.5	6.8	-0.3
Oct.	6.4	0.2	-2.0	-4.0	2.8	2.2	7.5	-0.4
Nov.	7.2	0.3	-1.9	-3.5	2.7	1.9	7.7	-0.1
Dec.	6.2	-0.1	-1.9	-3.6	2.9	1.3	7.7	-0.1
1999 Jan.	-0.1	0.0	-1.8	-3.7	2.6	-0.8	3.8	-0.2
Feb.	4.3	0.2	-1.7	-3.2	2.8	0.5	5.5	0.2
Mar.	6.0	0.1	-1.9	-3.9	3.4	1.3	6.6	0.2
Apr.	4.8	0.2	-1.9	-4.6	3.4	1.7	6.2	-0.2
May	1.8	0.3	-2.0	-4.8	3.3	0.9	4.1	0.0
June	8.2	0.3	-2.1	-4.3	3.6	1.7	8.8	0.2
July	11.9	0.2	-1.9	-5.4	4.3	2.6	11.8	0.4
Aug.	3.1	.	.	.	.	.	.	.
Sep.	2.5	.	.	.	.	.	.	.

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 8.1). 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

(period averages; units of national currency per ECU or euro (bilateral); index 1999 Q1 = 100 (effective))

	Effective exchange rate of the euro <sup>1)</sup>		Bilateral ECU or euro exchange rates <sup>2)</sup>					
	Nominal 1	Real 2	US dollar 3	Japanese yen 4	Swiss franc 5	Pound sterling 6	Swedish krona 7	Danish krone 8
1995	107.8	108.7	1.308	123.0	1.546	0.829	9.33	7.33
1996	107.9	108.8	1.270	138.1	1.568	0.814	8.51	7.36
1997	99.1	99.4	1.134	137.1	1.644	0.692	8.65	7.48
1998	101.5	101.3	1.121	146.4	1.622	0.676	8.92	7.50
1998 Q3	102.5	102.5	1.118	156.3	1.642	0.676	8.95	7.50
Q4	104.2	103.8	1.177	140.6	1.600	0.702	9.38	7.44
1999 Q1	100.0	100.0	1.122	130.7	1.599	0.687	8.98	7.44
Q2	96.1	96.0	1.057	127.7	1.600	0.658	8.90	7.43
Q3	94.6	94.7	1.049	118.7	1.602	0.655	8.71	7.44
1998 Nov.	103.6	103.2	1.164	140.1	1.612	0.701	9.31	7.44
Dec.	103.4	103.2	1.172	137.4	1.594	0.702	9.45	7.45
1999 Jan.	102.0	101.8	1.161	131.3	1.605	0.703	9.08	7.44
Feb.	99.9	99.9	1.121	130.8	1.598	0.689	8.91	7.44
Mar.	98.3	98.3	1.088	130.2	1.595	0.671	8.94	7.43
Apr.	97.1	96.9	1.070	128.2	1.602	0.665	8.91	7.43
May	96.6	96.5	1.063	129.7	1.603	0.658	8.97	7.43
June	94.7	94.7	1.038	125.3	1.595	0.650	8.83	7.43
July	94.8	95.1	1.035	123.7	1.604	0.658	8.74	7.44
Aug.	95.4	95.6	1.060	120.1	1.600	0.660	8.75	7.44
Sep.	93.6	93.4	1.050	112.4	1.602	0.647	8.63	7.43
Oct.	94.4	94.2	1.071	113.5	1.594	0.646	8.73	7.43
Nov.	92.0	91.9	1.034	108.2	1.605	0.637	8.63	7.44
% ch. vs. <sup>3)</sup> prev. month								
1999 Nov.	-2.5	-2.5	-3.4	-4.6	0.7	-1.4	-1.1	0.0
% ch. vs. <sup>3)</sup> prev. year								
1999 Nov.	-11.2	-11.0						

	Bilateral ECU or euro exchange rates <sup>2)</sup>						
	Greek drachma 9	Norwegian krone 10	Canadian dollar 11	Australian dollar 12	Hong Kong dollar 13	Korean won 14	Singapore dollar 15
1995	303.0	8.29	1.795	1.765	10.01	999.7	1.833
1996	305.5	8.20	1.731	1.623	9.68	1,007.9	1.765
1997	309.3	8.02	1.569	1.528	8.75	1,069.8	1.678
1998	330.7	8.47	1.665	1.787	8.69	1,568.9	1.876
1998 Q3	332.7	8.54	1.690	1.867	8.67	1,486.8	1.935
Q4	331.5	8.82	1.814	1.887	9.16	1,516.6	1.942
1999 Q1	322.7	8.60	1.696	1.770	8.69	1,342.6	1.911
Q2	325.0	8.24	1.557	1.618	8.19	1,258.8	1.810
Q3	326.1	8.22	1.558	1.613	8.14	1,252.8	1.772
1998 Nov.	329.1	8.68	1.793	1.834	9.05	1,511.9	1.913
Dec.	328.8	8.91	1.807	1.893	9.11	1,426.3	1.941
1999 Jan.	323.6	8.65	1.765	1.839	8.99	1,362.4	1.950
Feb.	322.0	8.65	1.679	1.751	8.68	1,330.2	1.905
Mar.	322.5	8.51	1.651	1.726	8.43	1,336.2	1.881
Apr.	325.5	8.32	1.594	1.668	8.30	1,292.2	1.834
May	325.2	8.23	1.553	1.605	8.24	1,272.1	1.820
June	324.2	8.17	1.524	1.580	8.05	1,212.6	1.775
July	325.0	8.18	1.540	1.576	8.03	1,229.4	1.756
Aug.	326.4	8.26	1.583	1.645	8.23	1,269.1	1.779
Sep.	327.0	8.23	1.552	1.619	8.15	1,260.1	1.781
Oct.	329.2	8.29	1.581	1.641	8.32	1,289.9	1.793
Nov.	328.7	8.19	1.516	1.618	8.04	1,215.9	1.727
% ch. vs. <sup>3)</sup> prev. month							
1999 Nov.	-0.1	-1.2	-4.1	-1.4	-3.4	-5.7	-3.7

Source: ECB.

- 1) ECB calculations; based on weighted averages of bilateral euro exchange rates. Weights are based on 1995-97 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 (HICP for the euro area and the other EU Member States). Where CPI data are not yet available, estimates are used.
- 2) To December 1998, rates for the ECU (source BIS); from January 1999, rates for the euro.
- 3) The table shows the percentage change in the latest monthly observation vis-à-vis the previous month, and vis-à-vis the same month of the previous year (for the effective exchange rate only). A positive change denotes an appreciation of the euro.
- 4) As the ECB does not provide official reference rates, indicative rates are shown.

## 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 <sup>1)</sup> as a % per annum	Exchange rate <sup>2)</sup> as national currency per ECU or euro	Current and new capital account <sup>3)</sup> as a % of GDP	Unit labour costs <sup>4)</sup>	Real GDP	Industrial production index <sup>5)</sup>	Standardised unemployment rate as a % of labour force (s.a.)	Broad money <sup>6)</sup>	3-month interest rate <sup>1)</sup> as a % per annum
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Denmark</b>												
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	67.7	7.19	7.36	.	1.4	2.8	2.0	6.8	7.2	3.98
1997	1.9	0.4	63.9	6.26	7.48	0.6	2.8	3.1	5.6	5.6	4.7	3.73
1998	1.3	1.0	58.0	4.94	7.50	-1.1	2.4	2.7	2.3	5.1	4.6	4.28
1998	Q3	1.2	-	-	4.82	7.50	2.1	2.1	3.6	5.0	6.6	4.47
	Q4	1.1	-	-	4.51	7.44	-3.7	3.5	2.5	4.7	3.7	4.51
1999	Q1	1.4	-	-	4.22	7.44	1.8	5.9	0.8	-0.9	4.8	3.64
	Q2	1.8	-	-	4.50	7.43	1.3	4.6	1.5	5.3	4.5	3.12
	Q3	2.3	-	-	5.35	7.44	.	.	-0.3	4.4	3.4	3.19
1999	May	1.6	-	-	4.46	7.43	-	-	-	11.8	4.5	3.11
	June	1.9	-	-	4.81	7.43	-	-	-	-2.7	4.5	3.13
	July	2.0	-	-	5.11	7.44	-	-	-	-2.6	4.4	3.17
	Aug.	2.4	-	-	5.38	7.44	-	-	-	-1.8	4.4	3.21
	Sep.	2.4	-	-	5.55	7.43	-	-	-	3.7	4.3	3.18
	Oct.	2.6	-	-	5.76	7.43	-	-	-	.	2.0	3.69
	Nov.	.	-	-	.	7.44	-	-	-	.	.	3.85
<b>Greece</b>												
1995	-	-10.3	110.1	-	303.0	-2.7	11.6	.	2.1	7.1	6.4	16.09
1996	7.9	-7.5	112.3	-	305.5	-3.7	10.6	2.4	0.6	7.5	9.8	13.54
1997	5.4	-4.0	109.5	9.92	309.3	-3.9	7.2	3.4	1.0	7.9	14.5	12.48
1998	4.5	-2.5	106.3	8.48	330.7	-3.1	5.5	3.7	3.4	10.0	4.0	13.53
1998	Q3	4.8	-	-	7.83	332.7	.	.	3.7	11.7	2.3	13.18
	Q4	4.0	-	-	7.76	331.5	.	.	0.8	9.8	5.7	11.94
1999	Q1	3.4	-	-	6.08	322.7	.	.	-0.8	.	.	10.56
	Q2	2.2	-	-	5.87	325.0	.	.	0.5	.	.	9.80
	Q3	1.7	-	-	6.56	326.1	.	.	.	.	.	9.86
1999	May	2.2	-	-	5.75	325.2	-	-	-	1.6	.	9.72
	June	1.8	-	-	6.02	324.2	-	-	0.0	.	.	9.84
	July	1.8	-	-	6.37	325.0	-	-	0.2	.	.	9.83
	Aug.	1.6	-	-	6.66	326.4	-	-	4.5	.	.	9.90
	Sep.	1.5	-	-	6.64	327.0	-	-	.	.	.	9.85
	Oct.	1.9	-	-	7.03	329.2	-	-	.	.	.	10.11
	Nov.	.	-	-	.	328.7	-	-	.	.	.	10.71
<b>Sweden</b>												
1995	-	-6.9	77.6	10.24	9.33	.	0.7	3.7	10.6	8.8	-1.3	8.83
1996	0.8	-3.5	76.7	8.02	8.51	.	4.7	1.3	1.8	9.6	10.0	6.03
1997	1.8	-0.7	76.1	6.62	8.65	.	0.7	1.8	7.2	9.9	4.2	4.43
1998	1.0	1.9	74.2	4.99	8.92	2.8	2.0	2.6	4.2	8.3	3.5	4.36
1998	Q3	0.6	-	-	4.82	8.95	3.1	2.6	2.5	5.2	8.1	4.29
	Q4	0.1	-	-	4.50	9.38	3.1	2.2	3.2	1.3	7.6	3.94
1999	Q1	0.2	-	-	4.21	8.98	1.3	0.2	3.7	1.2	7.5	3.31
	Q2	0.3	-	-	4.54	8.90	-0.1	-0.1	3.6	.	7.0	3.07
	Q3	0.7	-	-	5.48	8.71	.	.	.	.	6.9	3.23
1999	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.	0.8	-	-	5.49	8.75	-	-	-	.	6.9	3.25
	Sep.	1.1	-	-	5.69	8.63	-	-	-	.	6.9	3.22
	Oct.	1.0	-	-	5.92	8.73	-	-	-	.	.	3.74
	Nov.	.	-	-	.	8.63	-	-	-	.	.	3.79
<b>United Kingdom</b>												
1995	-	-5.7	52.5	8.32	0.829	-0.4	1.5	2.8	1.5	8.7	7.2	6.75
1996	2.5	-4.4	53.1	7.94	0.814	0.0	1.7	2.6	0.4	8.2	9.9	6.11
1997	1.8	-1.9	51.5	7.13	0.692	0.9	2.9	3.5	1.3	7.0	11.2	6.92
1998	1.5	0.5	48.7	5.60	0.676	0.1	3.5	2.2	0.4	6.3	9.6	7.43
1998	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	-2.2	4.4	1.3	-1.3	6.3	5.60
	Q2	1.4	-	-	4.82	0.658	-1.4	4.5	1.4	-1.3	6.1	5.30
	Q3	1.2	-	-	5.39	0.655	.	.	.	-0.3	.	5.28
1999	May	1.3	-	-	4.83	0.658	-	-	-	-0.9	6.1	5.35
	June	1.4	-	-	5.09	0.650	-	-	-	-1.7	6.0	5.22
	July	1.3	-	-	5.27	0.658	-	-	-	-1.2	5.9	5.17
	Aug.	1.3	-	-	5.31	0.660	-	-	-	-0.1	.	5.25
	Sep.	1.2	-	-	5.60	0.647	-	-	-	0.5	.	5.41
	Oct.	1.2	-	-	5.78	0.646	-	-	-	.	.	6.02
	Nov.	.	-	-	.	0.637	-	-	-	.	.	5.87

Sources: Eurostat (columns 1, 8 and 10 (except Greece)); European Commission (Economic and Financial Affairs DG and Eurostat) (columns 2 and 3); Reuters (column 12); national data (columns 4, 5, 7 (except Sweden), 9, 10 (Greece) and 11), ECB calculation (columns 6 and 7 (Sweden)).

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**

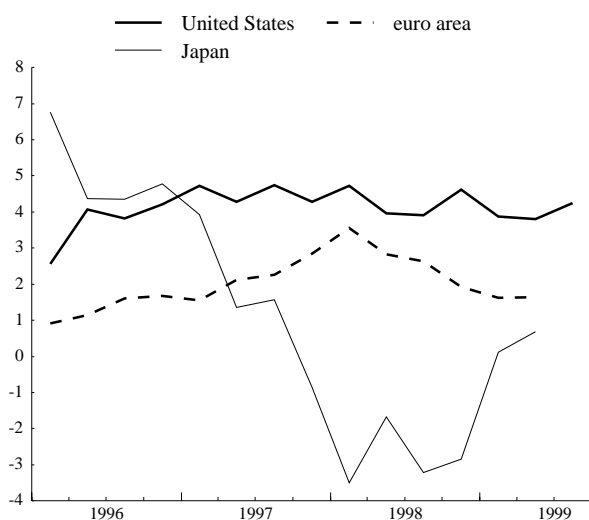
## Economic and financial developments

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs <sup>1)</sup>	Real GDP	Industrial production index <sup>1)</sup>	Unemployment rate as a % of labour force (s.a.)	M2 <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup> as a % per annum	10-year government bond yield <sup>3)</sup> as a % per annum	Exchange rate <sup>4)</sup> as national currency per ECU or euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
<b>United States</b>											
1995	2.8	-1.6	2.7	5.4	5.6	2.1	5.44	6.69	1.308	-2.2	59.7
1996	2.9	-2.3	3.7	4.8	5.4	4.8	5.43	6.54	1.270	-1.2	58.8
1997	2.3	0.0	4.5	6.7	4.9	5.0	5.62	6.45	1.134	0.1	56.5
1998	1.6	0.7	4.3	4.2	4.5	7.4	5.00	5.33	1.121	1.4	53.5
1998 Q3	1.6	1.4	3.9	3.2	4.5	7.3	5.20	5.27	1.118	-	53.7
Q4	1.5	-0.8	4.6	2.5	4.4	8.4	5.00	4.72	1.177	-	53.5
1999 Q1	1.7	-1.6	3.9	2.2	4.3	8.4	4.99	5.00	1.122	-	53.1
Q2	2.1	-1.4	3.8	2.7	4.3	7.9	5.04	5.54	1.057	-	51.4
Q3	2.3	-0.8	4.2	3.3	4.2	7.4	5.44	5.88	1.049	-	.
1999 May	2.1	-	-	2.2	4.2	7.9	4.98	5.54	1.063	-	-
June	2.0	-	-	3.5	4.3	7.7	5.17	5.90	1.038	-	-
July	2.1	-	-	4.0	4.3	7.7	5.30	5.80	1.035	-	-
Aug.	2.3	-	-	2.7	4.2	7.6	5.46	5.94	1.060	-	-
Sep.	2.6	-	-	3.3	4.2	6.9	5.56	5.91	1.050	-	-
Oct.	2.6	-	-	3.2	4.1	6.4	6.20	6.10	1.071	-	-
Nov.	.	-	-	.	.	.	6.09	6.03	1.034	-	-
<b>Japan</b>											
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 Q3	-0.2	7.6	-3.2	-8.5	4.3	4.2	0.12	1.14	156.3	-	-
Q4	0.5	5.1	-2.8	-6.8	4.4	4.5	0.18	1.03	140.6	-	-
1999 Q1	-0.1	3.6	0.1	-4.2	4.6	4.1	0.31	1.96	130.7	-	-
Q2	-0.3	-1.3	0.7	-1.0	4.8	4.1	0.13	1.50	127.7	-	-
Q3	0.0	.	.	2.6	4.7	3.6	0.13	1.78	118.7	-	-
1999 May	-0.4	-2.1	-	-0.5	4.6	4.1	0.12	1.36	129.7	-	-
June	-0.3	-2.1	-	0.0	4.9	4.3	0.10	1.60	125.3	-	-
July	-0.1	-2.6	-	0.2	4.9	3.9	0.12	1.69	123.7	-	-
Aug.	0.3	-6.9	-	5.2	4.7	3.5	0.13	1.89	120.1	-	-
Sep.	-0.2	.	-	2.7	4.6	3.3	0.14	1.75	112.4	-	-
Oct.	-0.7	.	-	1.6	.	3.5	0.24	1.79	113.5	-	-
Nov.	.	.	-	.	.	.	0.31	1.81	108.2	-	-

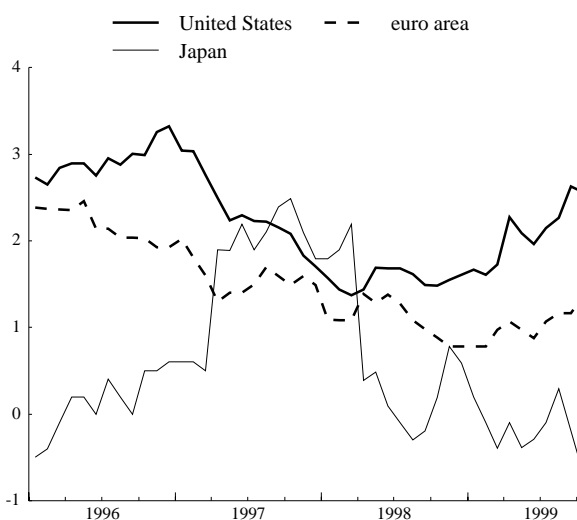
### Real gross domestic product

(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 (column 7 and 8 (from January 1999)); European Commission (Economic and Financial Affairs DG) (column 10).

1) Manufacturing.

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

3) For more information, see Table 3.1 and Table 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)

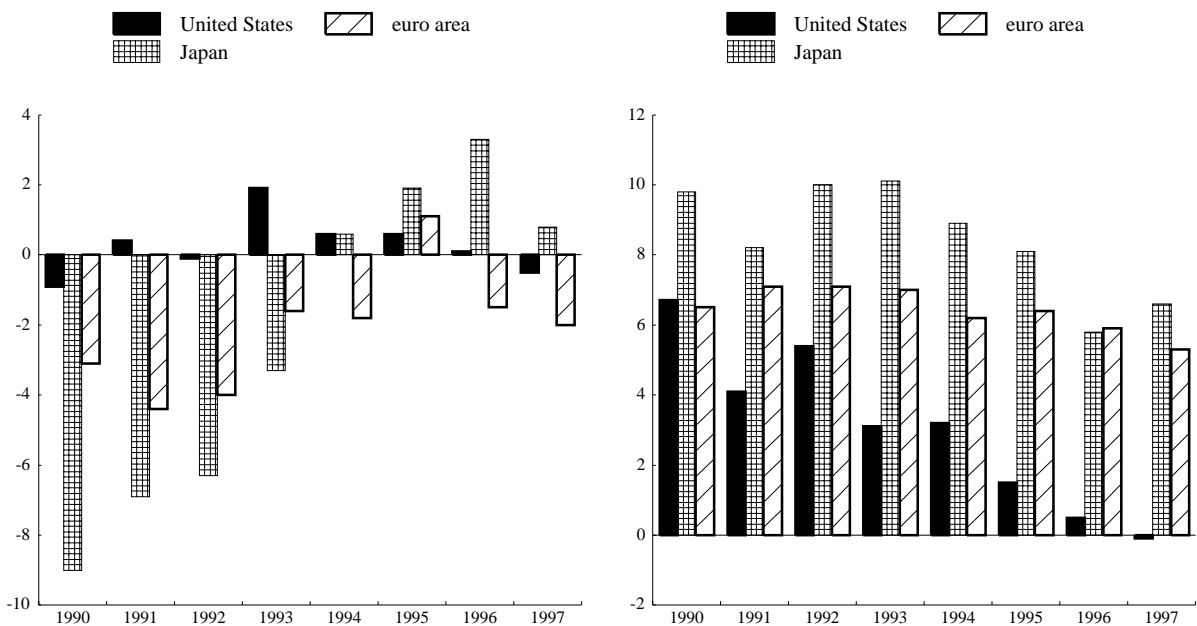
	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial 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	2.6	12.2	6.5	13.6	5.0
1996	16.6	17.8	-1.6	7.9	7.5	5.3	8.2	5.2	1.2	12.4	5.4	13.5	4.9
1997	17.3	18.4	-1.7	8.3	7.4	3.7	8.2	4.3	2.3	12.3	4.5	12.8	4.6
1998	17.2	18.8	-2.5	8.3	7.7	4.2	8.1	4.6	1.8	12.8	5.7	11.6	5.9
1997 Q3	17.5	18.4	-1.7	8.2	7.7	5.1	8.4	6.1	2.0	12.3	5.1	12.8	5.4
Q4	17.3	18.5	-2.0	8.1	7.3	3.2	8.1	3.4	3.4	12.2	4.5	12.3	4.2
1998 Q1	17.7	19.1	-2.1	8.7	7.7	4.0	8.2	4.9	3.4	12.5	3.8	12.0	5.9
Q2	17.2	18.7	-2.5	8.1	7.8	4.7	8.1	5.1	4.0	12.8	9.3	11.6	5.7
Q3	17.3	18.8	-2.7	8.2	7.6	4.4	8.1	4.4	0.7	12.7	5.5	11.3	5.5
Q4	16.9	18.8	-2.6	8.3	7.9	3.5	8.0	4.0	-0.9	13.1	4.0	11.4	6.2
1999 Q1	17.2	19.0	-2.9	8.3	7.9	7.2	8.2	7.9	5.8	13.3	3.3	10.8	6.6
Q2	16.7	18.8	-3.4	8.6	8.5	4.6	8.0	4.6	-0.4	13.6	4.3	10.6	6.7
Japan													
1995	30.8	28.6	2.1	14.9	14.9	3.0	13.5	2.3	0.5	5.3	10.2	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	.	.	.	.	.	-5.5	.	-8.6	-1.2	.	5.7	.	-0.3
1997 Q3	30.2	30.0	2.2	.	.	3.0	.	3.1	0.4	.	-0.3	.	1.5
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	.	.	-6.3	.	-19.6	-1.1	.	-5.2	.	2.9
Q2	.	24.1	.	.	.	-28.7	.	-9.0	1.7	.	12.3	.	-5.8
Q3	.	26.7	.	.	.	3.0	.	-1.7	1.5	.	2.4	.	0.7
Q4	.	.	.	.	.	8.3	.	-4.3	-6.4	.	12.7	.	0.9
1999 Q1	.	.	.	.	.	4.5	.	-17.8	-2.9	.	-6.1	.	9.7
Q2	.	.	.	.	.	-17.2	.	-14.7	1.9	.	7.2	.	-5.5

**Net lending of non-financial corporations**

(as a percentage of GDP)

**Net lending of households <sup>1)</sup>**

(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.

# Technical notes

## Relating to Table 2.4

### Seasonal adjustment of the euro area monetary aggregates

Multiplicative versions of X-12-ARIMA (version 0.2.2<sup>1</sup>) and TRAMO/SEATS<sup>2</sup> (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 12 months – may be calculated as follows:

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

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

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.

## 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.<sup>1</sup>

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 euro exchange rates established 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 1 December 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" (ECB, November 1999). 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

<sup>1</sup> 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 issues, redemptions and amounts outstanding are shown in Table 3.5. More detailed data will become available shortly.

### **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 next year.

### **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.

## **Balance of payments and international investment position of the euro area (including reserves), 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 (i.i.p.) statistics 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 used for the euro area balance of payments statistics were explained on pages 26-27 of the May issue of the Monthly Bulletin.

The euro area balance of payments is compiled by the ECB. Data up to December 1998 are expressed in ECU. The recent monthly figures for balance of payments statistics should be regarded as provisional. These data are revised with the publication of the detailed quarterly balance of payments data.

The euro area i.i.p. is published for the first time in this issue (Table 8.6). The data are compiled on a net basis by aggregating national data. The i.i.p. is valued at current market prices with the exception of direct investment stocks, where book values are used to a large extent. Data for end-1997, especially for reserve assets, are not fully comparable with those for end-1998. The methodology used for the compilation of the i.i.p. is explained in Box 9 on page 56.

The outstanding amounts of the Eurosystem's international reserves and related assets are shown in Table 8.6.2. Corresponding summary net flows are shown in Table 8.1 with quarterly detail in Table 8.5.3. Data before end-1998 are compiled by aggregating figures following national definitions and include instruments issued by other residents

of the euro area; they are therefore not fully comparable with later data.

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).

Table 10 shows nominal and real effective exchange rate indices for the euro compiled by the ECB. The bilateral rates shown are those against the 13 currencies used in the calculation. For all except the Hong Kong and Singapore dollars and the Korean won the bilateral rates are daily reference rates published by the ECB. Box 5 on pages 29-31 of the October issue of the Monthly Bulletin gives more information about the new effective exchange rate index.

Detailed methodological notes on euro area balance of payments and i.i.p. statistics, external trade in goods of the euro area, and exchange rates are available on the ECB's Web site. In addition, a complete set of balance of payments, external trade in goods and exchange rate statistics, including the historical data at the highest frequencies available – which are not shown in the Monthly Bulletin – are available in a downloadable format (csv files) 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.

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**Conventions used in the tables**

“-”	Data do not exist.
“.”	Data are not yet available.
“...”	nil or negligible
“billion”	10 <sup>9</sup>
<sup>(p)</sup>	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.

### **23 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 ECB releases to the public the indicative calendar for the Eurosystem's tender operations in 2000. It also announces that no new main refinancing operation will be initiated in the first week of the year 2000, and that no such operation will mature during that week. For this reason the maturity of the main refinancing operation of 21 December 1999 will be lengthened exceptionally to three weeks. To avoid two main refinancing operations maturing on 12 January 2000, the maturity of the operation of 30 December 1999 will also be lengthened to three weeks. These steps are taken to minimise any potential problem for counterparties and for the financial market which could result from the conduct and settlement of a large operation directly after the transition to the new century.

### **7 October 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.

### **21 October 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.

It also decides that for the longer-term refinancing operations to be settled on 28 October 1999, 25 November 1999 and 23 December 1999, the intention is to allot an amount of €25 billion per operation. This amount is higher than the amount of €15 billion

allotted for all previous longer-term refinancing operations conducted in 1999. This decision takes into account the intention of the ECB to contribute to a smooth transition to the year 2000.

#### **4 November 1999**

The Governing Council of the ECB decides to raise the interest rate on the main refinancing operations of the Eurosystem by 0.5 percentage point to 3.0%, with effect from the operation to be settled on 10 November 1999. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.5 percentage point to 4.0% and 2.0% respectively, both with effect from 5 November 1999.

#### **18 November 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 3.0%, 4.0% and 2.0% respectively.

#### **2 December 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 3.0%, 4.0% and 2.0% respectively.

The Governing Council also decides to confirm the reference value for monetary growth, namely an annual growth rate of 4½% for the broad monetary aggregate M3. This decision is taken on the grounds that the components underlying the derivation of the reference value, namely the Eurosystem's definition of price stability (an annual increase in the HICP for the euro area of below 2%), the assumption for the trend of real GDP growth (2% to 2½% per annum) and that for the trend decline in M3 income velocity (½% to 1% per annum), have remained unchanged. As before, the Governing Council will assess monetary developments in relation to the reference value on the basis of a three-month moving average of annual growth rates. The Governing Council also decides to review the reference value henceforth on a regular annual basis. The next review will take place in December 2000.

With regard to the minimum reserve system of the Eurosystem, the Governing Council, after reviewing new statistical evidence, decides to increase from 10% to 30% the standardised deduction from the reserve base to be applied to debt securities issued with an agreed maturity of up to two years and to money market paper. This decision shall take effect as from the determination of the reserve requirement to be fulfilled in the maintenance period starting on 24 January 2000.

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

## TARGET as seen by its users

The future of TARGET is being shaped by the experience gained in operating the system, changes in its general environment and the evolution in technology and business requirements. In this respect, an active exchange of views and co-operation with its users plays a pivotal role. The ECB has therefore conducted a survey on the cross-border payment service offered by TARGET, as perceived by its users. The main findings of this survey are presented in the report entitled "Cross-border payments in TARGET: A users' survey", which was published by the European Central Bank on 16 November 1999. Input for this report was obtained by means of a questionnaire addressed to the different European banking associations and to the national TARGET User Groups. In addition, a meeting with market participants on the subject of TARGET and large-value payment

systems, held at the ECB in September 1999, provided valuable information.

In general, the survey indicates that TARGET is recognised as the de facto standard means of making large-value cross-border payments in euro. Banks perceive TARGET not as a central bank utility which they are obliged to use, but rather as a service offered to them which can add value and reduce the risks involved in their operations. Several issues related to TARGET have proved to be less problematic than many banks, before the start of Stage Three of Economic and Monetary Union (EMU), believed would be the case. The banks have not contested the TARGET pricing policy, for instance. Moreover, the execution time for TARGET payments as well as the long operating hours seem to be in line with the banks' needs and expectations. Nevertheless, banks have indicated some existing shortfalls, such as the

**Table I**

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

(number of payments)

	1999					
	Q1	Q2	July	Aug.	Sep.	Oct.
<b>TARGET</b>						
All TARGET payments						
Total volume	9,756,845	10,289,259	3,738,950	3,397,726	3,622,820	3,612,751
Daily average	154,871	158,296	169,952	154,442	164,674	172,036
Cross-border TARGET payments						
Total volume	1,562,233	1,837,435	679,021	626,365	674,881	683,261
Daily average	24,797	28,268	30,865	28,471	30,676	32,536
Domestic TARGET payments						
Total volume	8,194,612	8,451,824	3,059,929	2,771,361	2,947,939	2,929,490
Daily average	130,073	130,028	139,088	125,971	133,997	139,500
<b>Other systems</b>						
Euro 1 (EBA)						
Total volume	3,306,689	4,250,282	1,591,202	1,457,434	1,678,114	1,742,696
Daily average	52,487	65,389	72,327	66,247	76,278	82,986
Euro Access Frankfurt (EAF)						
Total volume	2,996,555	2,948,742	1,046,150	973,543	1,017,776	1,013,070
Daily average	47,564	45,365	47,552	44,252	46,263	48,241
Paris Net Settlement (PNS) <sup>1)</sup>						
Total volume	1,370,755	1,318,159	454,731	378,913	415,054	410,822
Daily average	21,758	20,279	20,670	17,223	18,866	19,563
Servicio Español de Pagos Interbancarios (SEPI)						
Total volume	299,860	289,174	96,231	78,636	85,460	81,752
Daily average	4,760	4,449	4,374	3,574	3,885	3,893

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

technical availability and harmonisation of the end-to-end service provided by TARGET, and expect further improvements to be made in these areas.

The Eurosystem takes the business needs and expectations of the participants very seriously and, in particular, the improvement of TARGET availability is being given the highest priority. In order to ensure that TARGET meets future market needs, the Eurosystem will continue to seek input from TARGET User Groups and, more generally, from the banking and financial community.

### Payment flows in TARGET

With regard to the number and value of cross-border payments, October registered the highest figures for TARGET activity to date. More than 32,500 cross-border payments were processed on a daily average. The average daily

value of cross-border payments was – for the first time – above EUR 400 billion, which represents an increase of more than 13% compared with the third quarter of 1999. In October 1999 the number of payments processed in TARGET as a whole, i.e. cross-border and domestic payments taken together, was more than 172,000 on a daily average, representing a value of more than EUR 960 billion. The share of customer payments in the total number of cross-border TARGET payments increased slightly compared with the previous months: in October it stood at 26.5% in terms of volume and at 2.8% in terms of value. In the same month the average value of customer payments was EUR 1.3 million, whereas for interbank payments the average value was EUR 16.3 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)

	Q1	Q2	1999 July	Aug.	Sep.	Oct.
<b>TARGET</b>						
All TARGET payments						
Total	60,704	58,861	20,326	18,561	19,459	20,252
Daily average	964	906	924	844	885	964
Cross-border TARGET payments						
Total	21,970	22,838	8,088	7,526	7,751	8,420
Daily average	349	351	368	342	352	401
Domestic TARGET payments						
Total	38,734	36,023	12,238	11,035	11,708	11,832
Daily average	615	554	556	502	532	563
<b>Other systems</b>						
Euro 1 (EBA)						
Total	11,000	10,777	3,595	3,601	3,860	4,027
Daily average	175	166	163	164	175	192
Euro Access Frankfurt (EAF)						
Total	10,823	9,587	3,209	2,980	3,142	3,204
Daily average	172	147	146	135	143	153
Paris Net Settlement (PNS) <sup>2)</sup>						
Total	5,767	6,125	2,065	1,849	1,955	2,217
Daily average	92	94	94	84	89	106
Servicio Español de Pagos Interbancarios (SEPI)						
Total	340	226	73	65	66	62
Daily average	5	3	3	3	3	3

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

# Documents published by the European Central Bank (ECB)

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## Annual Report

"Annual Report 1998", April 1999.

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## Monthly Bulletin

Articles published from January 1999 onwards:

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"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.

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### **Other publications**

- "The TARGET service level", July 1998.
- "Report on electronic money", August 1998.
- "Assessment of EU securities settlement systems against the standards for their use in ESCB credit operations", September 1998.
- "Money and banking statistics compilation guide", September 1998.
- "The single monetary policy in Stage Three: General documentation on ESCB monetary policy instruments and procedures", September 1998.
- "Third progress report on the TARGET project", November 1998.
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“European Union balance of payments/international investment position statistical methods”, November 1999.

“Money and Banking Statistics Compilation Guide, Addendum I: Money market paper”, November 1999.

“Money and Banking Statistics Sector Manual”, second edition, November 1999.

“Report on the legal protection of banknotes in the European Union Member States”, November 1999.

“Correspondent central banking model (CCBM)”, November 1999.

“Cross-border payments in TARGET: A users’ survey”, November 1999.

“Money and Banking Statistics: Series keys for the exchange of balance sheet items time series”, November 1999.

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### **Information brochures**

“TARGET”, July 1998.

“The euro banknotes and coins”, July 1999.

“TARGET: facts, figures, future”, September 1999.





